A Revised Minimum Benefit to Better Meet the Adequacy and Equity Standards in Social Security

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With thanks to AARP, the Urban Institute, and NASI
Premises:

- 61% of older persons now living in poverty have income from Social Security
- The most vulnerable: women, racial-ethnic minorities, the oldest old
- The official poverty threshold does not adequately reflect income insecurity
- Many future retirees seem likely to be financially insecure as well
A new minimum benefit in Social Security (basic version)

<table>
<thead>
<tr>
<th>ELIGIBILITY</th>
<th>BENEFIT LEVEL</th>
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</thead>
<tbody>
<tr>
<td>10–19 years of covered employment</td>
<td>112% of poverty threshold</td>
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<tr>
<td>20+ years of covered employment</td>
<td>125% of poverty threshold</td>
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<tr>
<td>Age 80 or more</td>
<td>125% of poverty threshold</td>
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Paying for the benefit

- Raise FICA tax from 6.2% to 8.0% for any employer not contributing 3% of an employee’s wages to a qualified retirement account
- Raise individual earnings subject to FICA tax to 3x average annual earnings ($144,295 in 2017, rather than $127,200)
- Exempt earnings of 3–10x average earnings from FICA tax; reinstate tax for all earnings ≥10x average national earnings
Urban Institute Simulations

With thanks to Karen E. Smith, Senior Fellow Income and Benefits Policy Center
Poverty among individuals age 62+: Current law vs. revised minimum benefit option, 2015-2065
Change in mean OASI benefit for persons 62+ by per capita income quintile, 2015-2065 ($2015)
Change in mean per capita cash income of persons age 62+ by sex, 2015-2065 ($2015)
Change in mean per capita cash income of persons 62+ by marital status, 2015-2065 ($2015)
Change in mean per-capita income for persons 62+ by race/ethnicity, 2015-2065 ($2015)
Mean cash income among individuals 62+ by shared income quintile, 2015-2065 ($2015)
Mean per capita retirement account assets by lifetime earnings quintile, 2015-2065 ($2015)
Ratio of proposal income and costs to projections under current law, 2018-2085