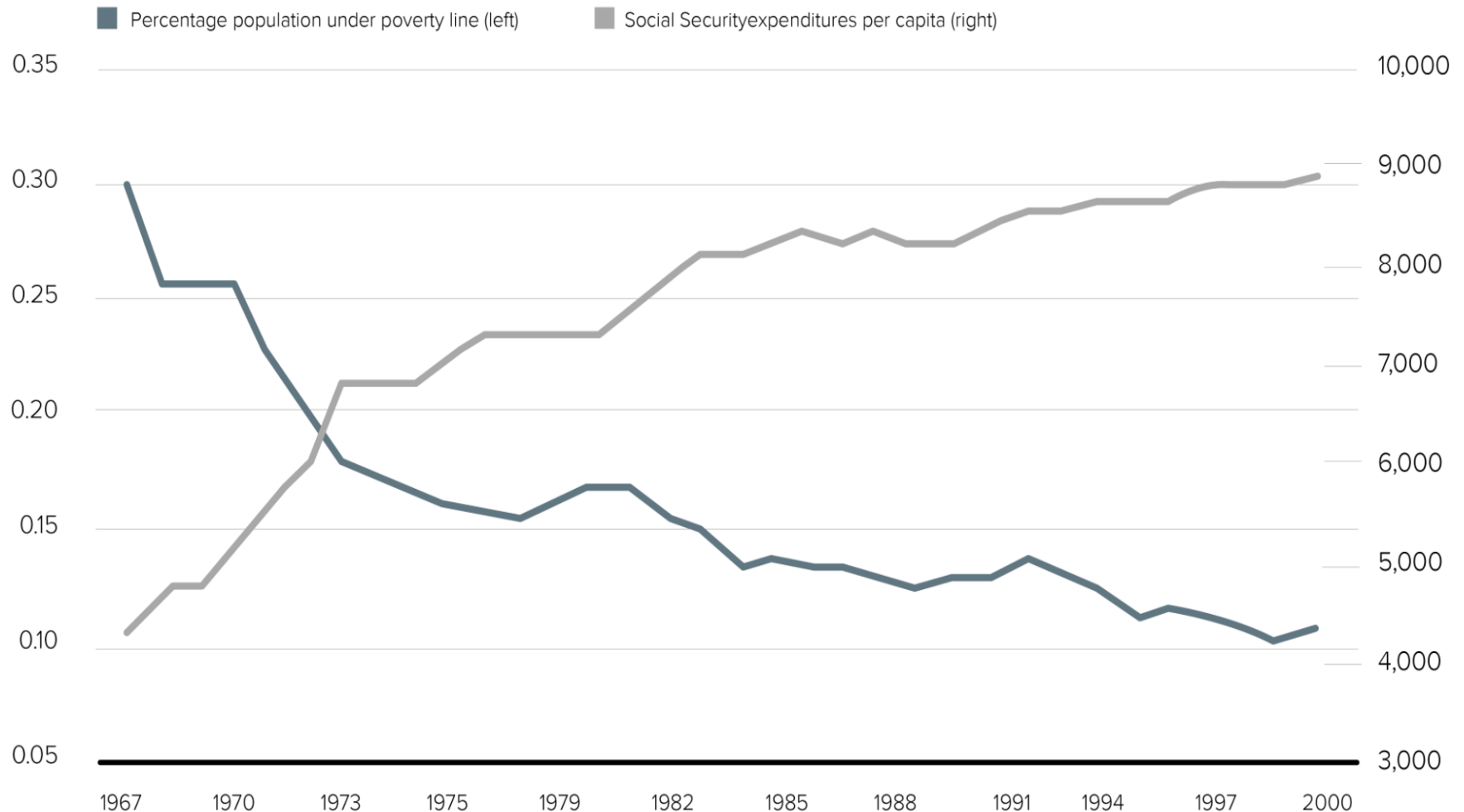




## A TARGETED MINIMUM BENEFIT PLAN

A PROPOSAL TO REDUCE POVERTY AMONG OLDER ADULTS

# ELDERLY POVERTY AND SOCIAL SECURITY EXPENDITURES OVER TIME



Source: <http://www.nber.org/bah/summer04/w10466.html>

## Poverty status, by sex, marital status, race, and Hispanic origin, 2014

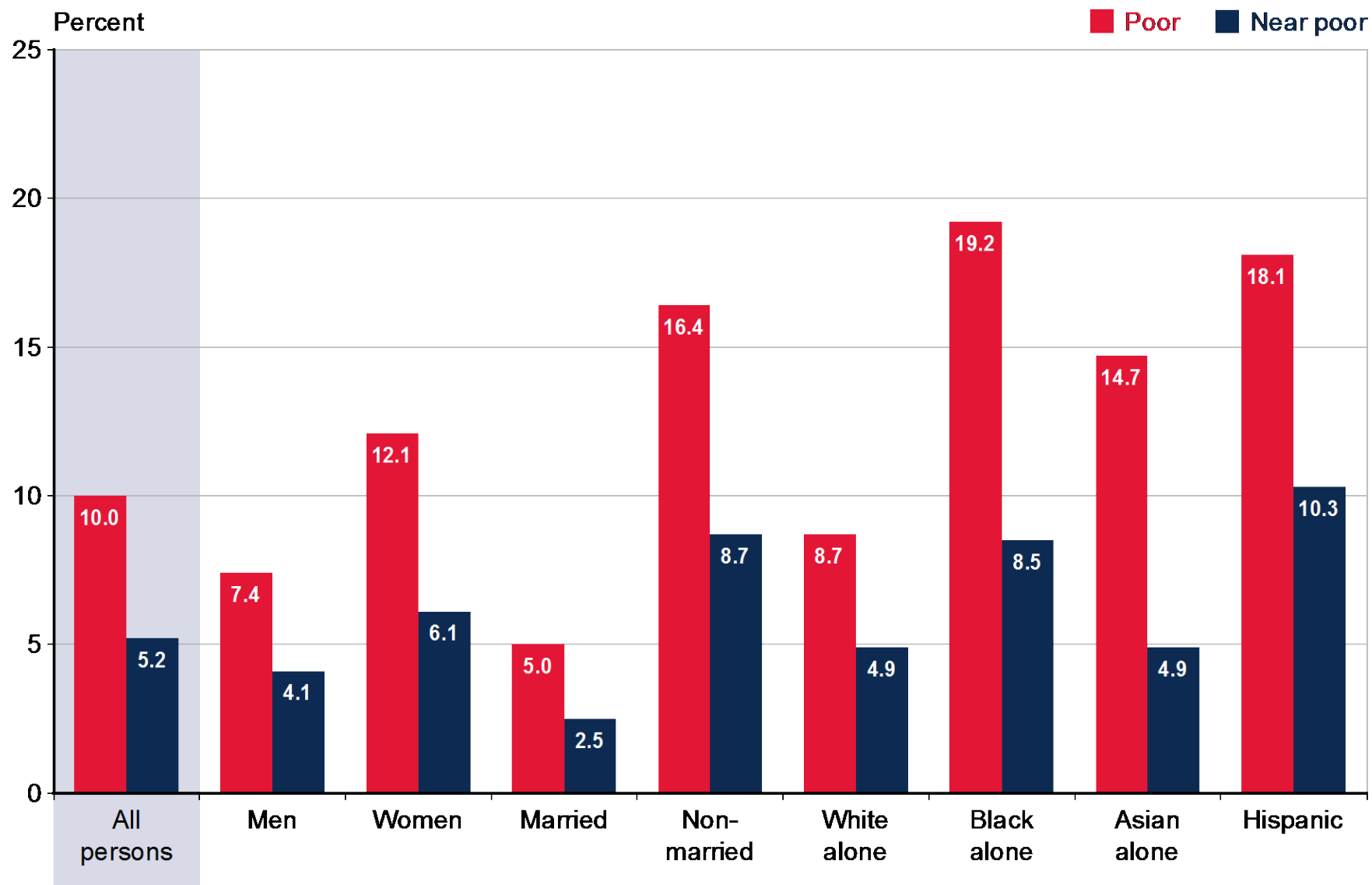
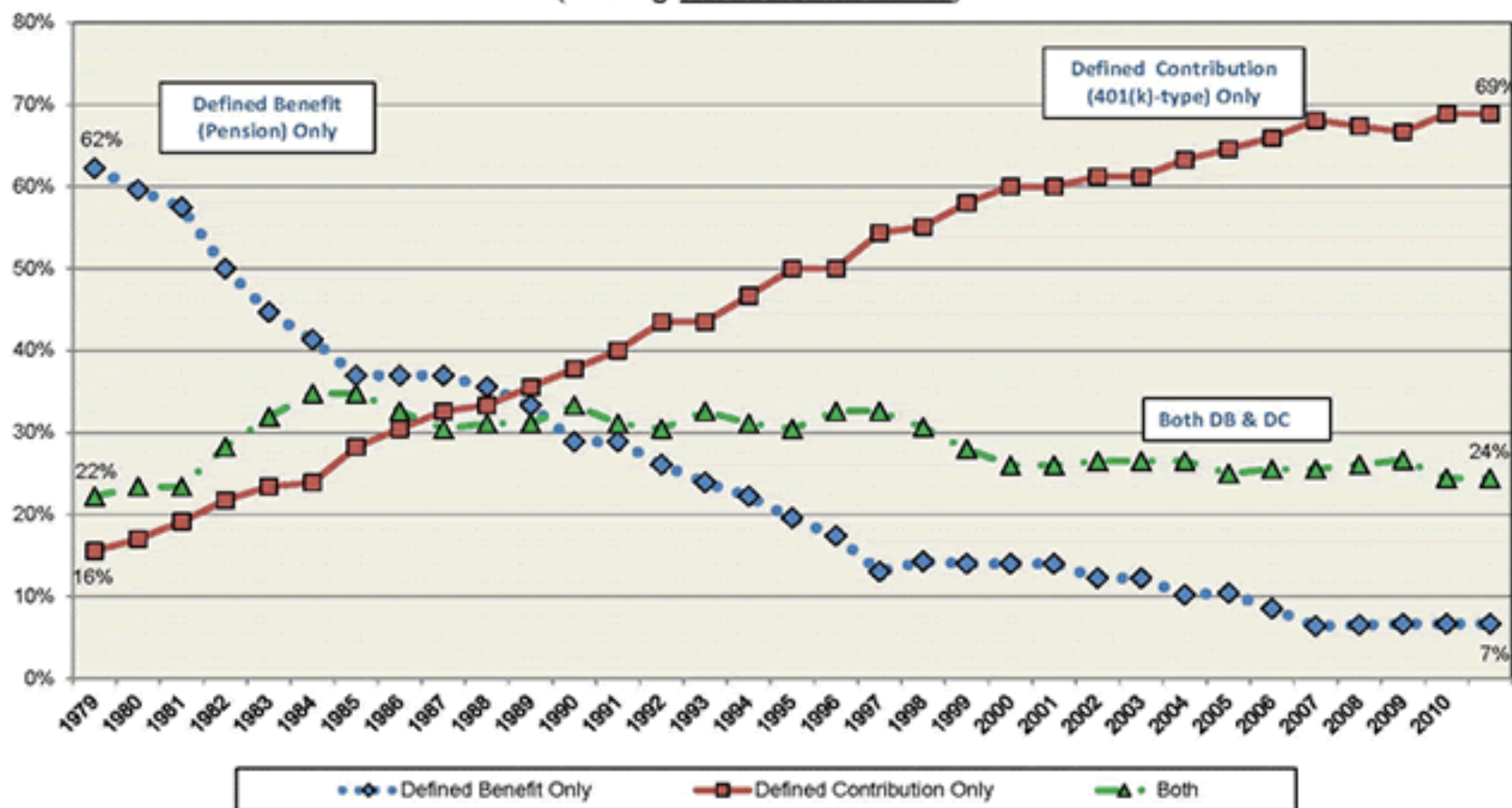


Figure 2  
**Private-Sector *Participants* in an Employment-  
 Based Retirement Plan, by Plan Type, 1979–2011\***  
*(Among Those With a Plan)*

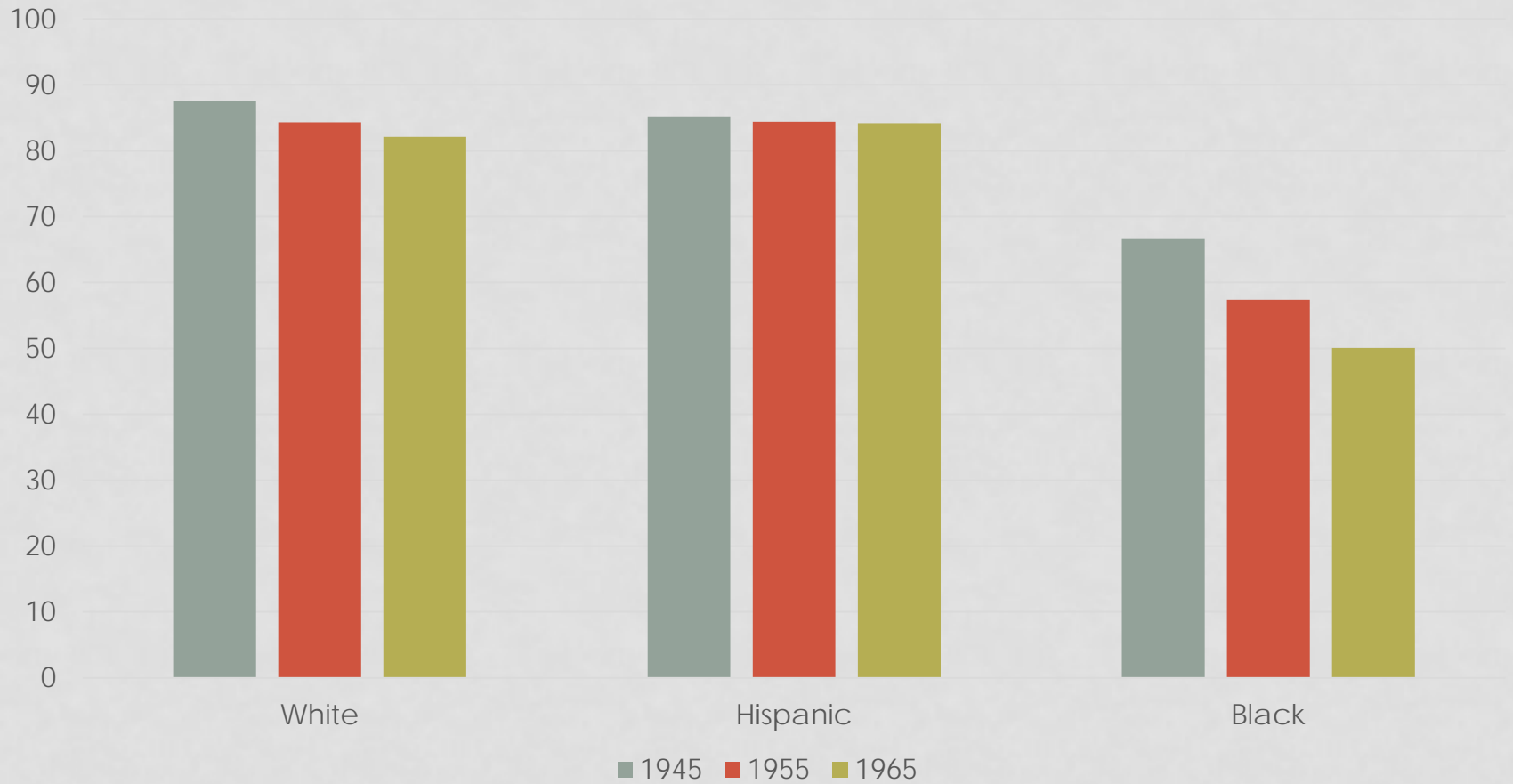


Source: U.S. Department of Labor Form 5500 Summaries 1979–1998, Pension Benefit Guaranty Corporation, Current Population Survey 1999–2011, EBRI estimates 1999–2010.

# ELIGIBILITY: WORKERS OR WIVES

- Worker Benefit:
  - Progressive
- Spousal and Survivor:
  - Protects women with lower earnings and labor force participation due to care work and discrimination.
  - Don't protect many unmarried women.
  - Regressive

# PERCENT WOMEN ATTAINING 10 YEAR MARRIAGE BY RACE AND COHORT



# POLICY OPTIONS

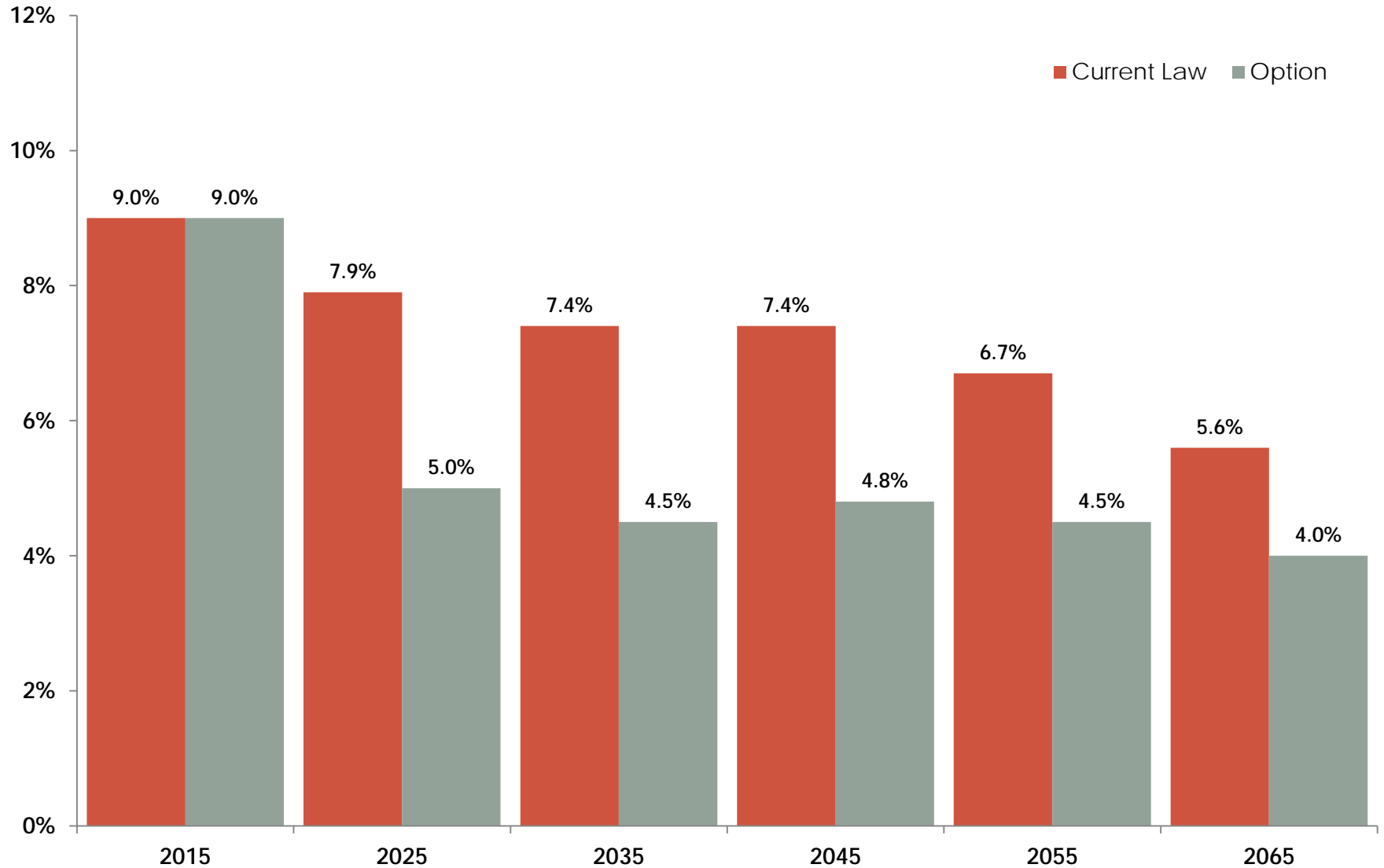
- Improve spousal and survivor benefits
- Care Credits
- Minimum benefits
- Improve SSI

# A TARGETED MINIMUM BENEFIT

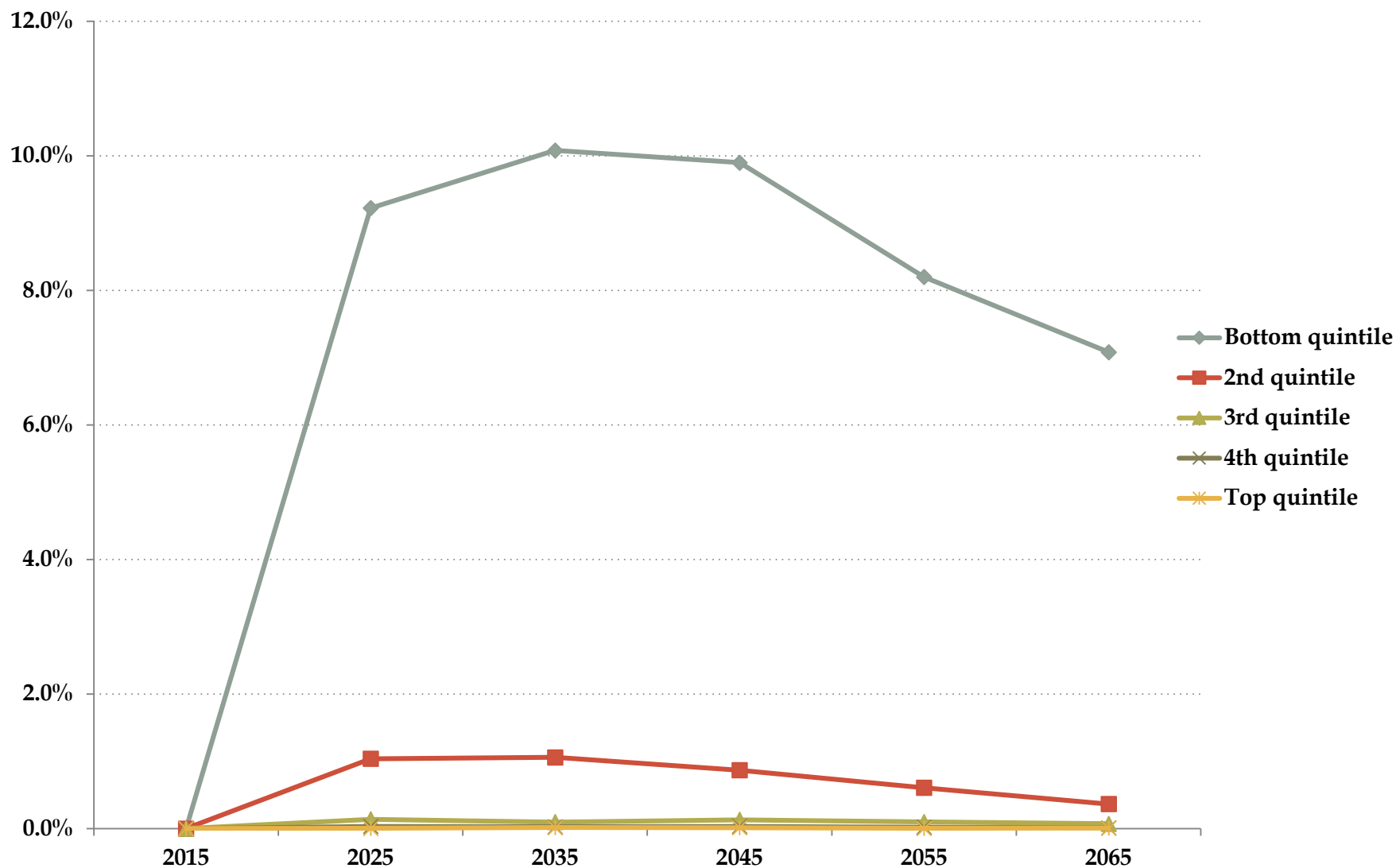
- Eligibility:
  - Meet worker eligibility guidelines (10 years of earnings)
- Benefit Level:
  - Supplement household income up to 100 percent of the poverty level.
- Administration
  - Similar to EITC
- Program Interactions
  - Will not influence eligibility for Medicaid or SNAP (Similar to EITC)



**Figure 1. Poverty Rate among Individuals Age 62 and Older in Selected Years by Option**



**Figure 2. Percent Change in Average Per Capita Net Cash Income among Individuals Age 62 and Older by Shared Lifetime Earnings in Selected Years**



# CONCLUDING ISSUES

- Take up
- Administrative capacity
- Program interactions
- Too much targeting

# COST ESTIMATES

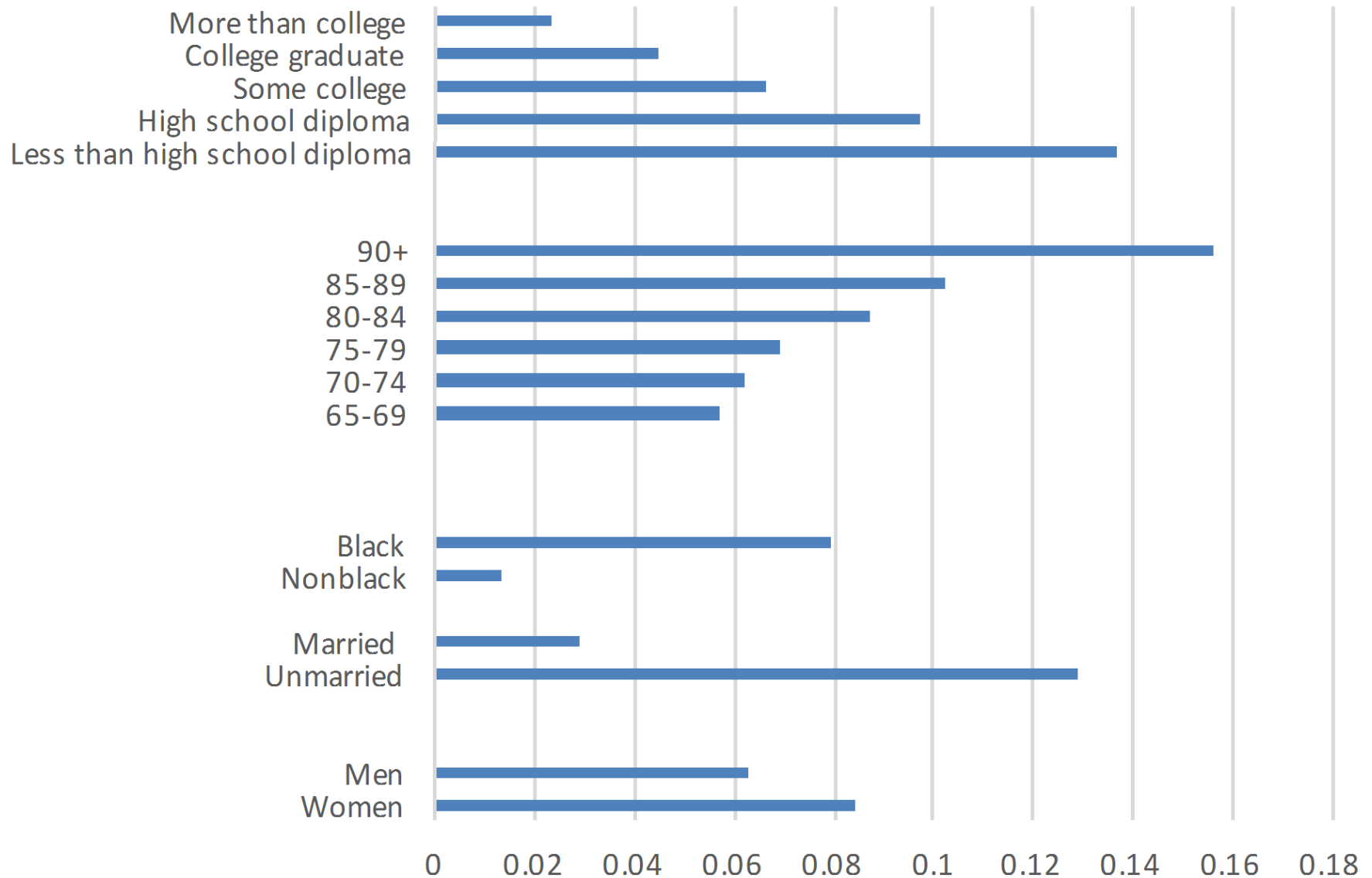
Table 1

Costs for the MBP, including gross costs, SSI offsets, and net costs *(in billions, nominal \$)*

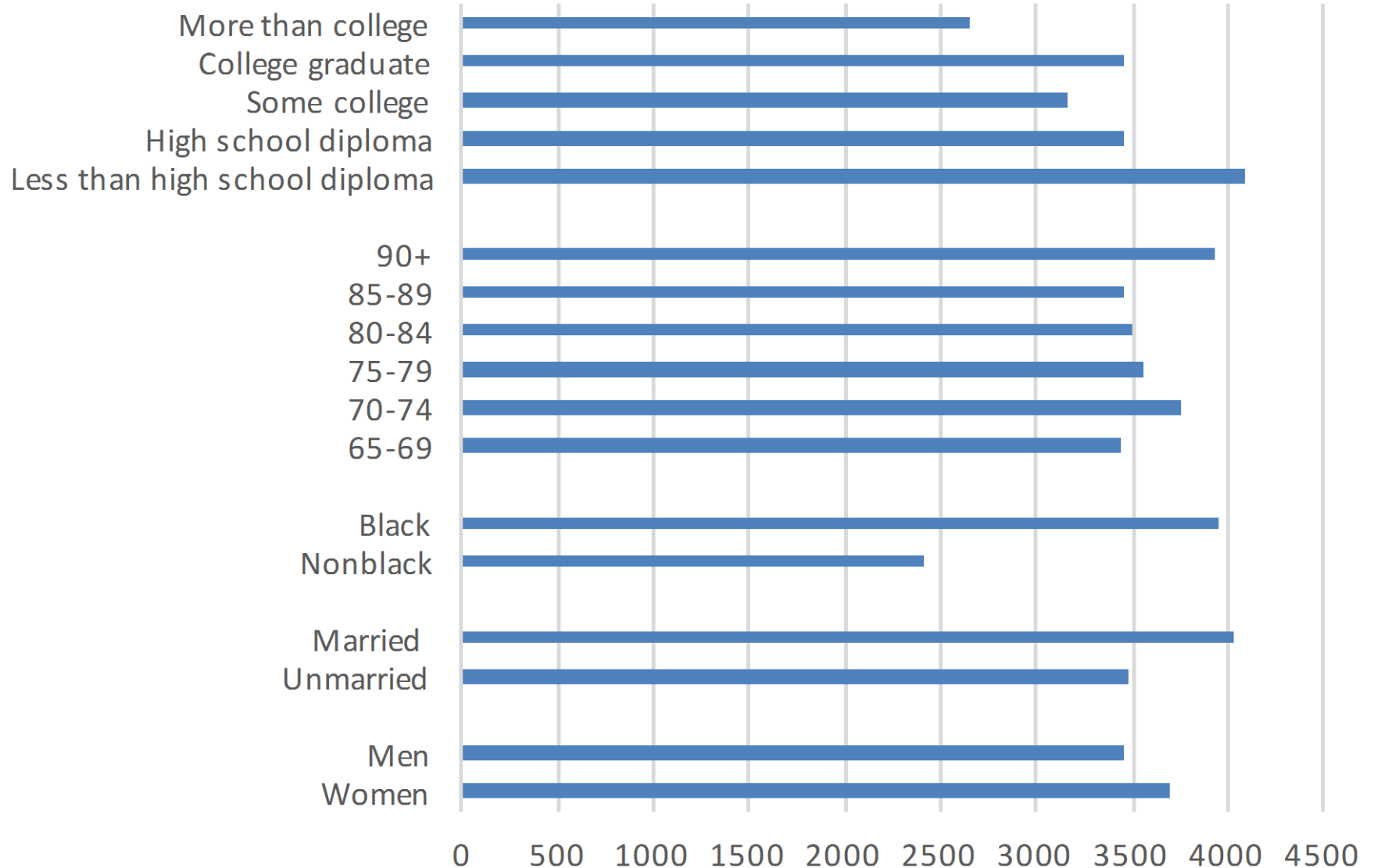
	Program with an exclusion for other income			Program without an other income exclusion		
	Costs	SSI offsets	Net costs	Costs	SSI offsets	Net costs
2017	13.3	2.6	10.8	11.9	2.5	9.3
2018	14.2	2.6	11.6	12.7	2.6	10.1
2019	14.7	2.6	12.1	13.0	2.6	10.4
2020	15.3	2.7	12.6	13.5	2.6	10.9
2021	16.6	2.9	13.8	14.7	2.8	11.8
2022	17.3	3.0	14.3	15.2	3.0	12.3
2023	18.2	3.2	15.0	16.2	3.2	13.0
2024	18.9	3.3	15.5	16.7	3.3	13.4
2025	19.9	3.5	16.4	17.7	3.5	14.2
2026	19.3	3.3	15.9	17.3	3.3	14.0

Source: The Urban Institute's DYNASIM, run 919. [Preliminary.]

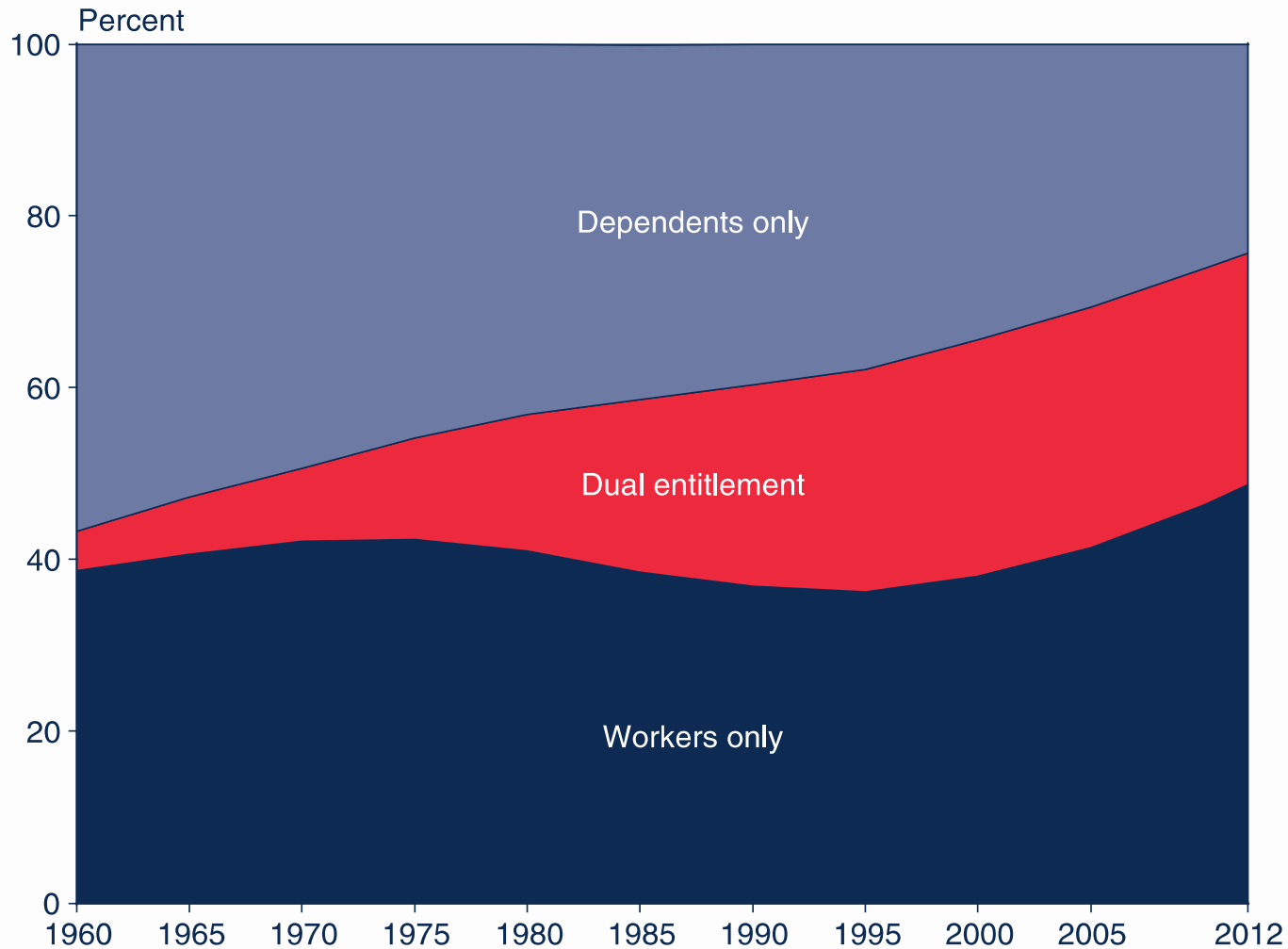
# DISTRIBUTION OF BENEFITS



# BENEFIT LEVELS



## Women aged 62 or older, by basis of entitlement, selected years



SOURCE: Social Security Administration, Master Beneficiary Record. All data for 2005 and dual entitlement data for 1995 and 2000 are based on a 10 percent sample. All other years are 100 percent data.

# CONCLUSION



# MYTHS

- The creators of Social Security were unaware of increasing life expectancies.
- Spousal and survivor benefits were meant to acknowledge women's labor raising children.
- Spousal and survivor benefits were solely paid for from the rapidly accruing reserve.

## Percentages of Women Attaining Their 10th Anniversaries by Given Age, by Race and Ethnicity and Birth Cohort

Age	White			Black			Hispanic		
	1945	1955	1965	1945	1955	1965	1945	1955	1965
30	24.1	14.4	8.1	17.6	9.1	4.5	27.9	23.1	19.1
35	55.1	42.5	31.4	37.9	25.7	16.8	57.2	51.8	46.6
40	71.4	63.3	56.3	51.6	38.9	28.4	72.1	68.8	65.6
45	80.1	75.3	72.0	59.7	49.0	40.2	80.6	79.6	79.3
50	84.4	80.8	78.5	63.7	53.9	45.9	84.3	83.5	83.3
55	86.4	83.0	80.7	65.8	56.7	49.4	84.8	84.0	83.8
62	87.6	84.3	82.1	66.6	57.4	50.1	85.2	84.4	84.2

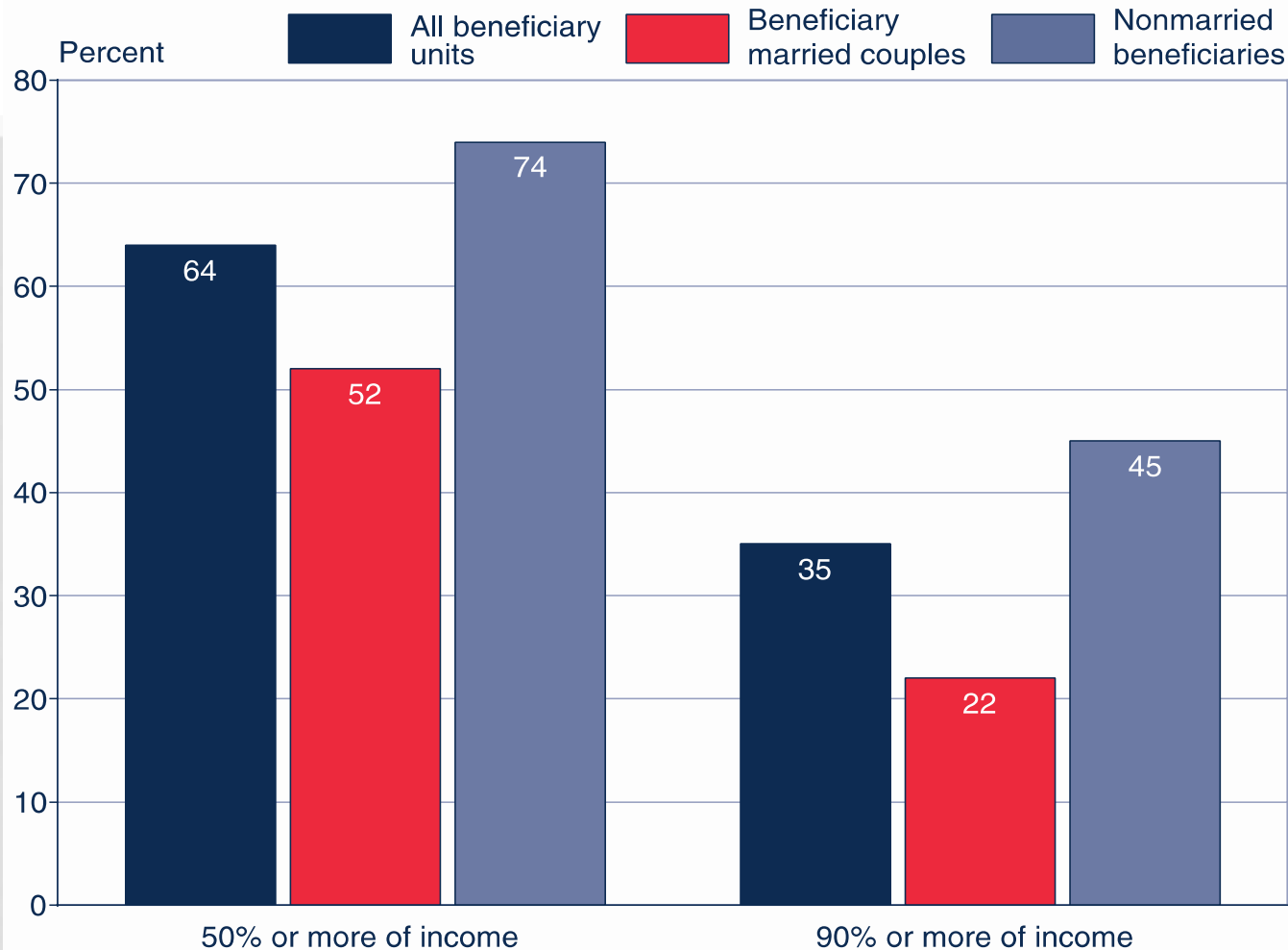
# BENEFIT LEVEL: WORKER BENEFIT

- AIME-Average Indexed Monthly Earnings (35 years)
  - Earnings\*Indexing factor (based on average wage increases)
  - 1974  $\$7509 * 5.5190 = \$41442$
  - 1975  $\$8095 * 5.1352 = \$41570$  (and so on)
  - AIME=\$3694
- PIA-Primary Insurance Amount
  - $.9(819) + .32(3694 - 819) = \$1665.36$  (replacement=45%)
  - If the AIME was higher (\$8335), the third bend point is 4586 of which you get an additional 15 percent.
    - $.9(819) + .32(4586 - 819) + .15(8335 - 4586) = \$2471.25$   
(replacement=29%)
- Benefit=PIA+(PIA\*COLA)

# BENEFIT LEVEL: SPOUSAL/SURVIVOR

- Spousal-50% of worker benefit
  - Higher replacement rate for married couples where there is only one earner.
  - \$3694 household earnings with one earner:  $1665 + 832 = \$2498$  (Worker + Spousal)
  - \$3694 household earnings with two workers:  $\$1050 + \$1050 = \$2100$  (Worker+Worker)
- Survivor-100% of worker benefit
  - Larger benefit for widow in one earner household even if household earnings are identical
  - \$1665 benefit for widow from single earner household (\$3694) versus \$1050 benefit for widow from dual earner household (\$3694).

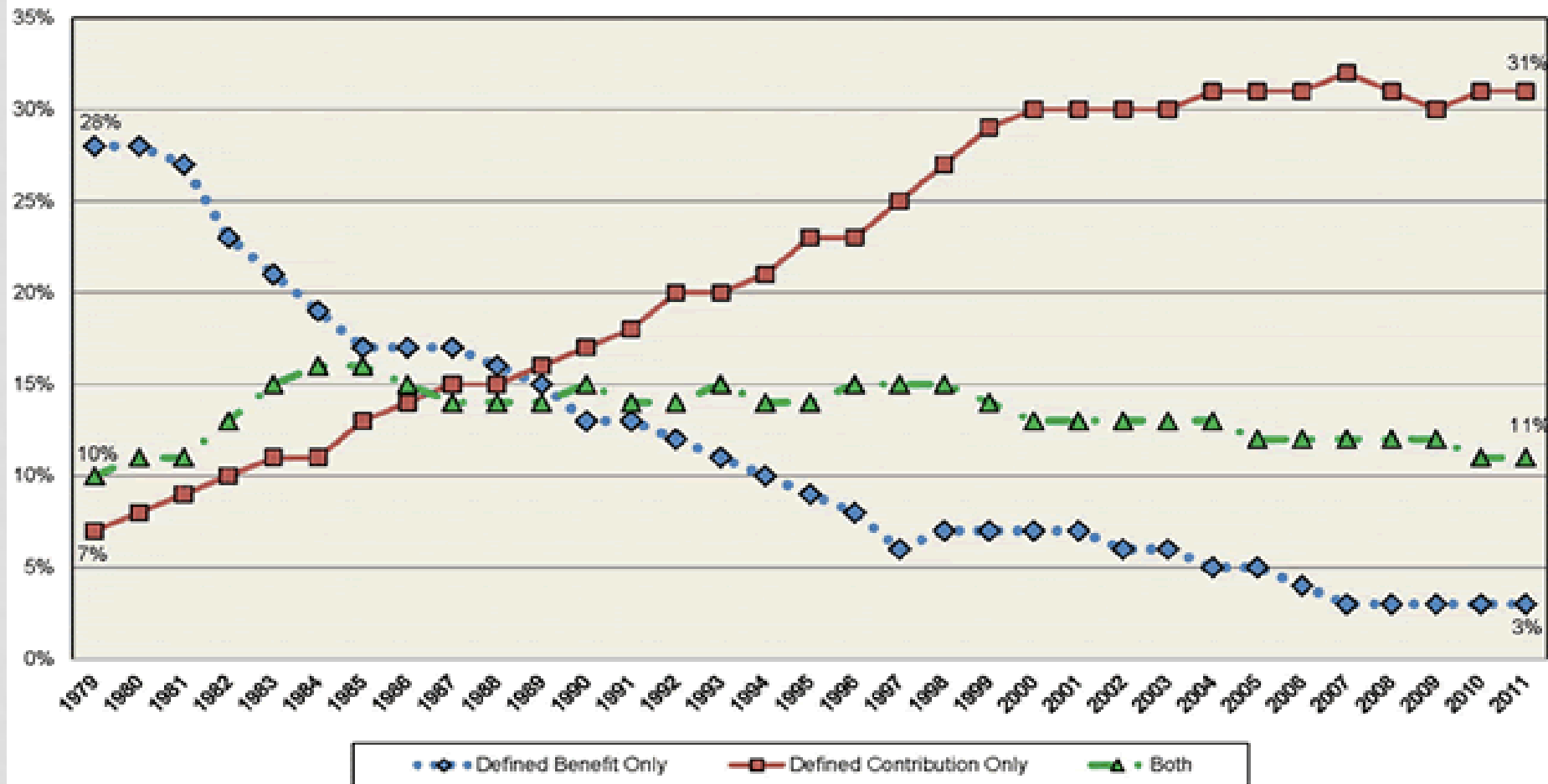
## Percentage of aged units receiving Social Security benefits, by relative importance of benefits to total income



SOURCE: Social Security Administration calculations from the March 2012 Annual Social and Economic Supplement to the Current Population Survey.

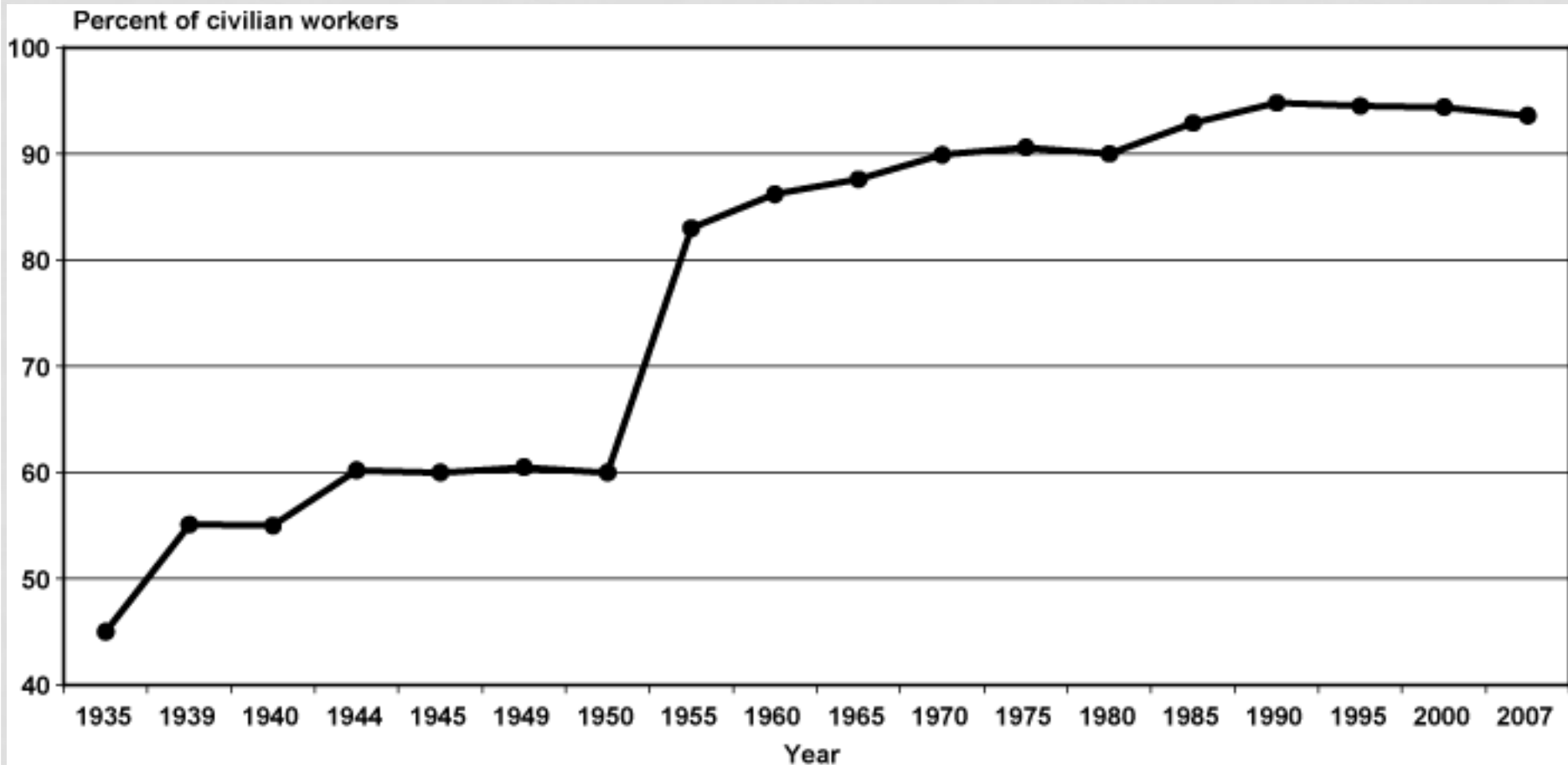
NOTE: An aged unit is a married couple living together or a nonmarried person, which also includes persons who are separated or married but not living together.

Figure 1  
**Private-Sector Workers Participating in an Employment-  
 Based Retirement Plan, by Plan Type, 1979–2011**  
*(Among All Workers)*

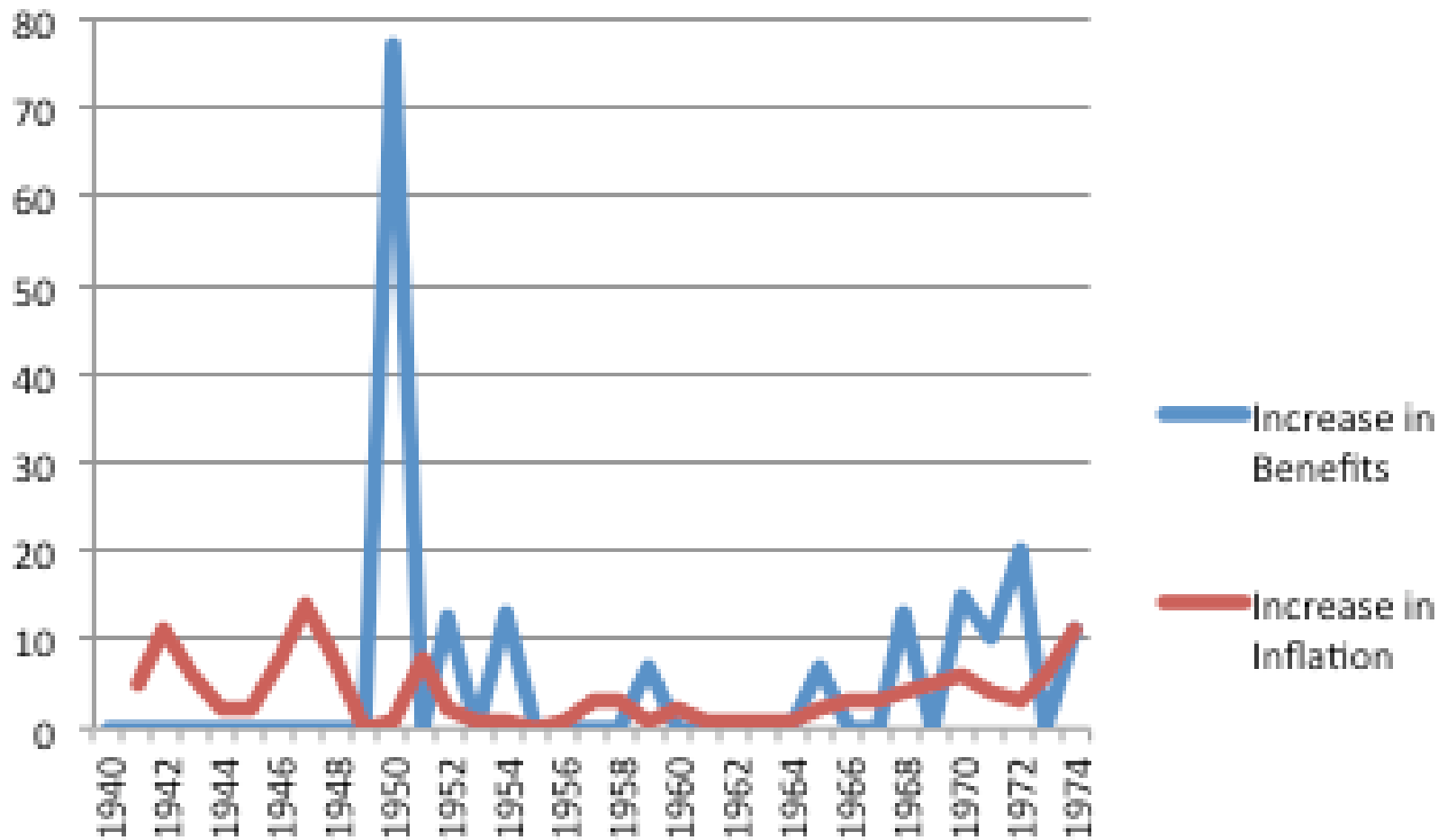


Source: U.S. Department of Labor Form 5500 Summaries 1979–1998, Pension Benefit Guaranty Corporation, Current Population Survey 1999–2011, EBRI estimates 1999–2010.

# PERCENT OF POPULATION COVERED BY SOCIAL SECURITY

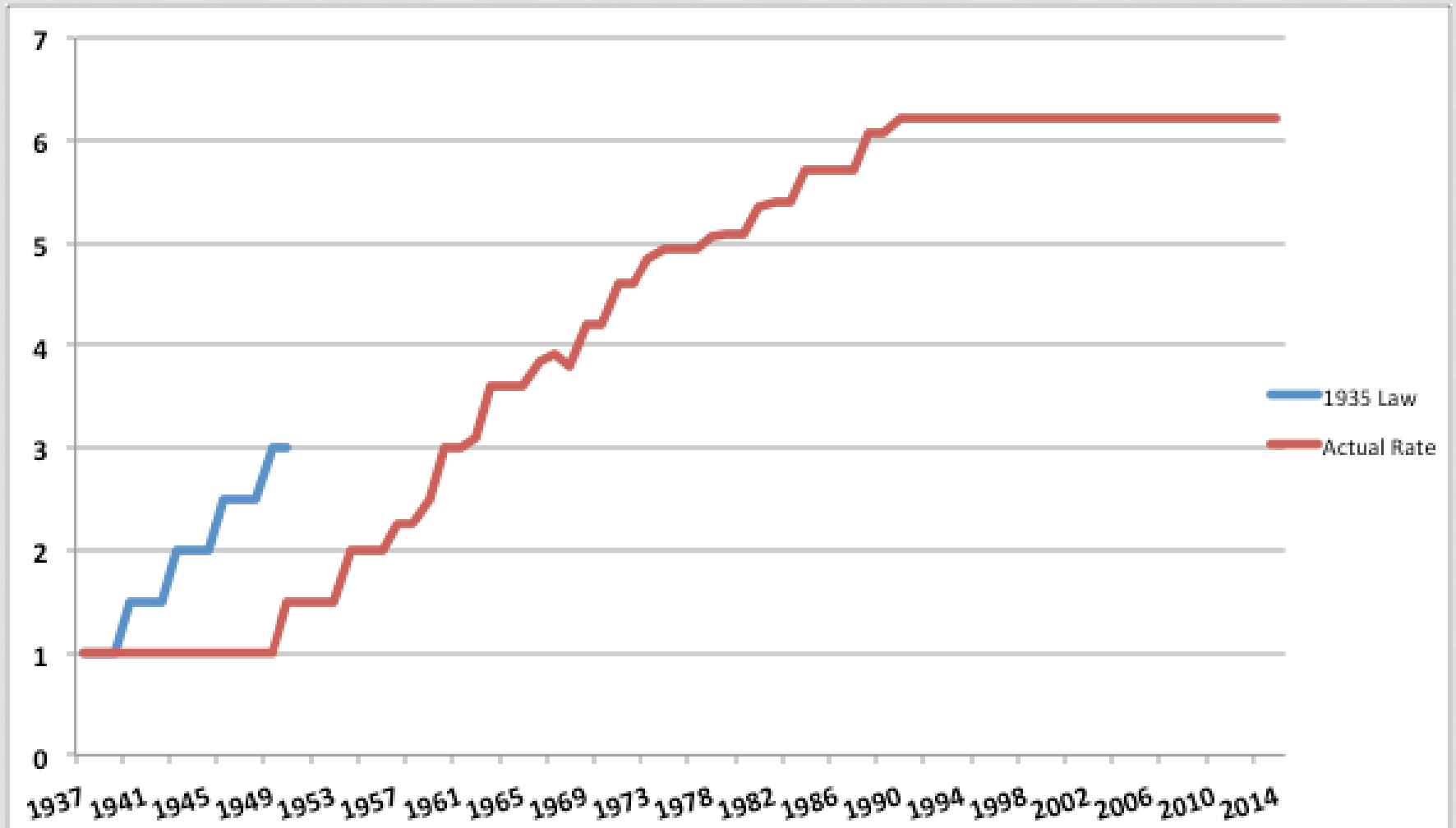


# INCREASES IN BENEFITS

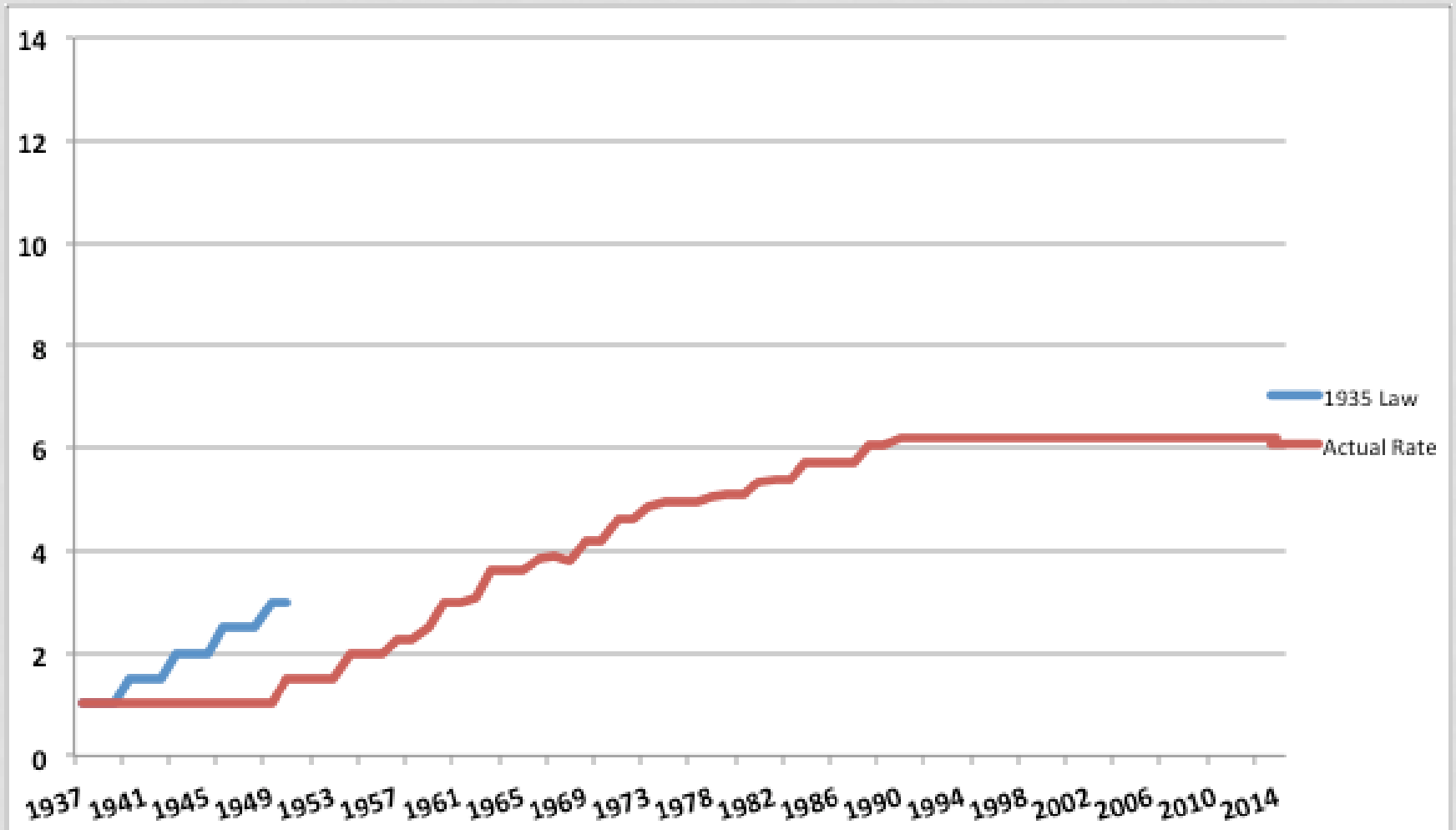




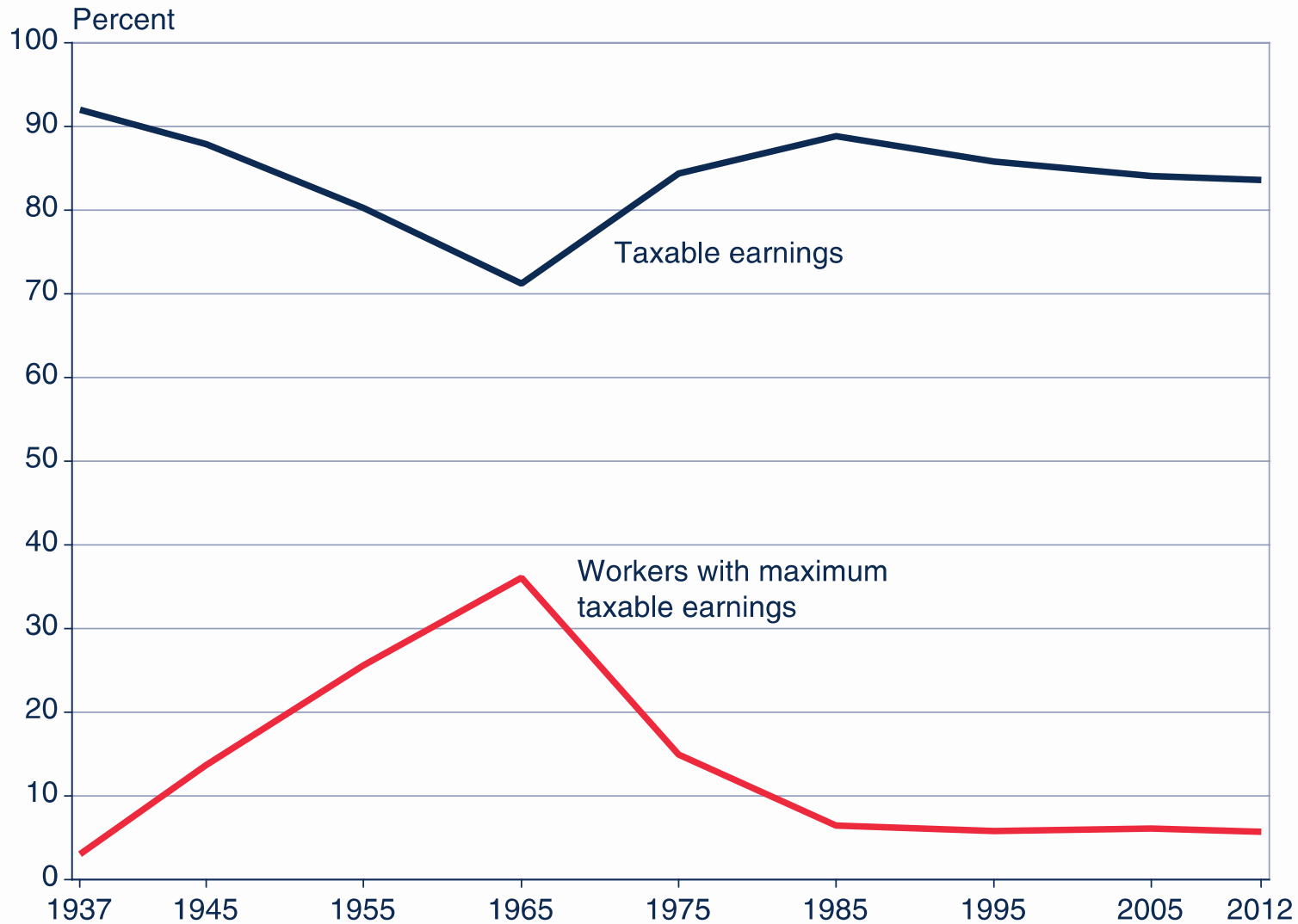
# SOCIAL SECURITY PAYROLL TAX



# SOCIAL SECURITY PAYROLL TAX

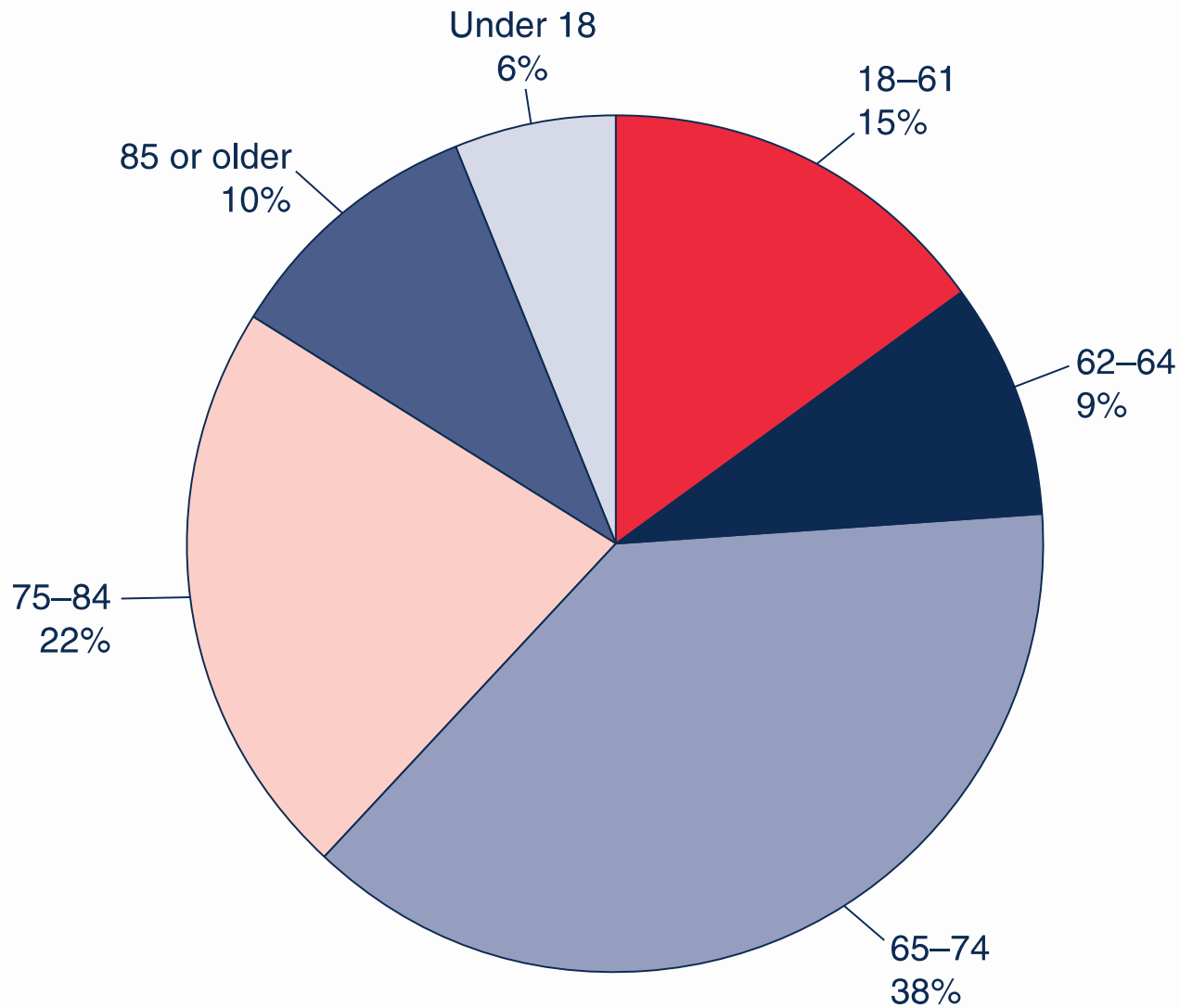


## Taxable earnings as a percentage of earnings in covered employment and percentage of workers with maximum taxable earnings, selected years



SOURCE: Social Security Administration, Office of the Chief Actuary.

## Beneficiaries, by age



SOURCE: Social Security Administration, Master Beneficiary Record, 100 percent data.

# WHO RECEIVES BENEFITS

- \$30 billion goes to children annually (EITC annual spending is \$60 billion).

## Percentage of population in the Social Security area fully insured and insured for disability benefits, by sex



SOURCE: Social Security Administration, Office of the Chief Actuary.

NOTES: The population in the Social Security area includes residents of the 50 states and the District of Columbia adjusted for net census undercount; civilian residents of American Samoa, Guam, Northern Mariana Islands, Puerto Rico, and U.S. Virgin Islands; federal civilian employees and persons in the U.S. armed forces abroad and their dependents; noncitizens living abroad who are insured for Social Security benefits; and all other U.S. citizens abroad.

Figures are subject to revision.

a. Insured for disability excludes those who have reached full retirement age.