Social Security Special Minimum Benefit: Policy Options

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SUMMARY

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Social Security Special Minimum Benefit: Policy Options

Social Security's minimum benefit provision, also known as the special minimum primary insurance amount (PIA), is an alternative benefit formula that increases benefits paid to workers who had low earnings for many years. These benefits are also paid to their dependents and survivors. Unlike the regular Social Security benefit formula, which is based on a worker's career-average earnings in covered employment, the special minimum PIA is based on the number of years a person has covered earnings at or above a certain threshold. Beneficiaries receive the higher of the regular benefit or special minimum benefit amount.

The effectiveness of the special minimum PIA in providing adequate benefits to low earners depends on the structure of its design. Some core design features include, but are not limited to, (1) the full minimum benefit amount paid to long-term low earners (e.g., 30 or more years of coverage [YOCs] under current law); (2) the method for indexing the special minimum benefit amount over time; and (3) earnings required to constitute one YOC under the special minimum PIA (i.e., workers with earnings less than the required amount would not qualify for a YOC under the provision).

Some policy makers and researchers have considered the special minimum PIA insufficient to provide adequate benefits to long-term, full-time low-wage earners in recent years, typically due to its design as described in the following examples.

- The special minimum PIA generally provides a benefit below the poverty level to long-term low-wage earners, for many of whom Social Security benefits are the only income during retirement. Since 1979, the full special minimum PIA has been about 84% of the Department of Health and Human Services (HHS) poverty guideline for a one-person household.
- The current special minimum PIA has virtually no effect on the benefits paid to new retirees today. Under current law, it grows with price levels, whereas the regular benefit is linked to wages. Because wages generally grow faster than prices, the special minimum PIA affects fewer beneficiaries every year.
- For low earners, qualifying for one YOC today is more difficult than in the early 1990s. The earnings required for each YOC under the special minimum benefit provision are indexed to average wage growth; in contrast, the federal minimum wage is raised in an ad hoc manner by legislation. The federal minimum wage generally grew slower than the national average wage after 1997. Therefore, in the recent two decades, it became more difficult for full-time federal minimum wage earners to qualify for a YOC each year.

Over time, Congress has considered several proposals to restructure the special minimum PIA. Most of those proposals would change one or more design features of the current special minimum benefit. Proposals for the special minimum PIA generally would increase the full special minimum benefit amounts above the poverty level for certain long-term workers and index those amounts to wage growth in the future. These types of changes intend to assure that the revised special minimum PIA would provide effectively higher benefits to new retirees who had low earnings for many years, and those higher benefits would not diminish over time. Some proposals, at the same time as increasing benefit amounts, would decrease the earnings required for each YOC under the special minimum PIA. These types of revisions would likely allow more full-time federal minimum wage earners, as well as certain part-time low earners, to qualify for the special minimum benefit.

Some policy proposals suggest changing other design features, such as increasing the partial minimum benefit amounts available to low earners with relatively short careers (e.g., 20 or fewer years of coverage); increasing the number of YOCs required for the full or partial special minimum PIAs (i.e., 30 for full minimum benefit and 11 for any minimum benefit under current law); or allowing a year of child care to be counted as a YOC under the special minimum PIA. Some of these revisions would likely allow more beneficiaries with shorter careers to qualify for a revised special minimum benefit, allow more poor beneficiaries (i.e., those with family income below the poverty level) to receive a higher special minimum benefit, and generate more program outlays from Social Security. The question remains as to whether the Social Security special minimum PIA is the appropriate program to provide income supports to short-term career low earners and their family members.

This report discusses the effects on Social Security beneficiaries of policy options that would change certain design features of the special minimum benefit. For general information about the special minimum PIA, see CRS Report R43615, *Social Security: Minimum Benefits*, by Zhe Li.

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Introduction

Social Security's minimum benefit provision, also known as the special minimum primary insurance amount (PIA), is an alternative benefit formula that increases benefits paid to workers who had low earnings for many years and to their dependents and survivors. Unlike the regular Social Security benefit formula, which is based on a worker's career-average earnings, the special minimum PIA is based on the number of years a person has earnings at or above a certain threshold.[1] Beneficiaries receive the higher of the regular Social Security benefit or special minimum benefit amount.

The special minimum PIA has been considered insufficient to provide adequate benefits to long-term, full-time low-wage earners in recent years for several reasons. The special minimum PIA generally provides a benefit below the poverty level to long-term low earners, for many of whom Social Security benefits are the only income during retirement.[2] Since the early 1980s, the full special minimum PIA has been about 84% of the Department of Health and Human Services' (HHS) poverty guideline for a one-person household.[3] Additionally, the special minimum PIA has virtually no effect on the benefits paid to new retirees. Under current law, it grows with price levels, whereas the regular benefit is linked to wages. Because wages generally grow faster than prices, the special minimum PIA affects fewer beneficiaries every year. Moreover, low earners find it more difficult to qualify for a year of coverage (YOC) under the special minimum PIA today than in the early 1990s.[4] The earnings required for each YOC under the special minimum benefit are indexed to average wage growth; in contrast, the federal minimum wage is raised in an ad hoc manner by legislation.[5] The federal minimum wage generally grew slower than the national average wage after 1997.[6] Therefore, in the recent two decades, it became more difficult

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[1] Earnings are referred to as those in Social Security covered employment (i.e., earnings subject to Social Security payroll taxes). As of December 2019, approximately 7% of workers are exempt from Social Security payroll taxes and not covered by Social Security. Workers who are exempt from Social Security payroll taxes are primarily (1) certain state and local government workers, (2) certain religious group workers, or (3) certain noncitizen workers. See Social Security Administration (SSA), Office of the Chief Actuary (OCACT), *Fact Sheets on the Old-Age, Survivors, and Disability Insurance Program*, July 2020, at https://www.ssa.gov/OACT/FACTS/fs2020_06.pdf.

[2] For history of the special minimum primary insurance amount (PIA), see CRS Report R43615, *Social Security: Minimum Benefits*, by Zhe Li.

[3] Congressional Research Service (CRS) calculations based on the special minimum PIA at various years of coverage (YOCs). See SSA, OCACT, "Special Minimum Benefits," at https://www.ssa.gov/cgi-bin/smt.cgi; and Department of Health and Human Services (HHS) poverty guidelines at HHS, Office of the Assistant Secretary for Planning and Evaluation, "Prior HHS Poverty Guidelines and Federal Register References," at https://aspe.hhs.gov/prior-hhs-poverty-guidelines-and-federal-register-references.

[4] In 1991, the earnings required for each YOC under the special minimum PIA was $5,940, which was *lower* than the annual earnings for a federal minimum-wage worker who worked 1,500 hours in that year ($6,375) or who worked 2,080 hours in that year ($8,840). A full-time federal minimum-wage earner could qualify for a YOC in that year. In 2020, the earnings required for one YOC under the special minimum PIA is $15,345, which is *higher* than the annual earnings for a federal minimum-wage worker who would work 1,500 hours during the year ($10,875) or who would work 2,080 hours during the year ($15,080). Therefore, a full-time federal minimum-wage earner would not qualify for one YOC in 2020. Working 1,500 hours annually is equivalent to working 50 weeks and 30 hours each week during the year, and working 2,080 hours annually is equivalent to working 52 weeks and 40 hours each week during the year.

[5] See CRS Report R44667, *The Federal Minimum Wage: Indexation*, by David H. Bradley.

[6] For the hourly rate of the federal minimum wage, see SSA, *Annual Statistical Supplement, 2020 (in progress)*, Table 3.B3, at https://www.ssa.gov/policy/docs/statcomps/supplement/2020/3b.html; for the national average wage index (AWI), see SSA, "Social Security Average Wage Index (AWI)," at https://www.ssa.gov/oact/cola/awidevelop.html.

for full-time federal minimum wage earners to qualify for one YOC under the special minimum PIA.

Congress has considered several proposals to restructure the special minimum PIA by changing its design.[7] For example, some Members would increase the full minimum benefit amount to above the poverty level, some would index the initial special minimum benefit from increases in prices to average wage growth, and some would reduce the earnings required for one YOC under the special minimum PIA. These proposals generally intend to allow more beneficiaries to qualify for a revised special minimum benefit and provide a higher minimum benefit amount than under the current law. Proposals may target different groups, with some focusing on long-term low earners and others targeting both short-term and long-term low earners.

This report identifies key design features of the current special minimum benefit provision and discusses the effects on Social Security beneficiaries of changing each of these features. In its discussion of each possible change, this report analyzes how the special minimum PIA would change for workers with different earnings histories, how many Social Security beneficiaries would receive a higher special minimum benefit, and who (i.e., type of beneficiaries) would likely benefit from a policy change.

The microsimulation estimates used in this report are based on the Modeling Income in the Near Term (MINT, version 8.19) microsimulation results received by the Congressional Research Service (CRS) from the Social Security Administration's (SSA's) Office of Research, Evaluation, and Statistics (ORES) from December 2019 to April 2020.[8]

For general information about the special minimum PIA, see CRS Report R43615, *Social Security: Minimum Benefits*, by Zhe Li.

The Current-Law Special Minimum Benefit

Under current law, the regular Social Security benefit is based on a worker's average lifetime covered earnings, while the special minimum PIA is based on the number of years a person has covered earnings that are equal to or greater than a certain threshold.[9] Beneficiaries receive the higher of the two benefit amounts.

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[7] SSA, OCACT, "Solvency Provisions," B5: Minimum Benefits, at https://www.ssa.gov/OACT/solvency/provisions/benefitlevel.html#B5.

[8] CRS identified a list of policy options that would change various design features to modify the current-law special minimum PIA and submitted them to SSA's Office of Research, Evaluation, and Statistics (ORES). CRS requested the office's technical assistance in producing Modeling Income in the Near Term (MINT, version 8.19) microsimulation results for each option. CRS received the MINT microsimulation results from ORES on a rolling basis from December 10, 2019, to April 7, 2020. For more information about MINT, see SSA, ORES, "MINT Overview," at https://www.ssa.gov/policy/about/mint.html. MINT is built primarily on the Survey of Income and Program Participation and linked at the individual level with SSA benefits and earnings records. The estimates described in this report were based on the intermediate assumptions in the *2019 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*. See SSA, OCACT, *The 2019 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*, at https://www.ssa.gov/OACT/TR/2019/tr2019.pdf.

[9] Unless otherwise specified, this report refers to earnings as those in Social Security-covered employment (i.e., earnings subject to Social Security payroll taxes). For more information, see footnote 1.

Regular Social Security Retirement Benefits

To become eligible for a Social Security retired-worker benefit, a worker generally needs 40 earnings credits (10 years of Social Security-covered employment).[10] A worker may earn up to four earnings credits per calendar year. In 2020, a worker earns one credit for each $1,410 of covered earnings, up to a maximum of four credits for covered earnings of $5,640 or more.[11] The PIA is the monthly benefit a worker would receive if the worker were to elect to begin receiving retirement benefits at the worker's full retirement age (FRA). The PIA is based on a summary measure of the worker's average lifetime earnings, called the average indexed monthly earnings (AIME). To compute a worker's AIME, the worker's earnings are converted into current-dollar terms by indexing each year of earnings to historical wage growth, and the sum of the highest 35 years of indexed earnings are divided by 35 to determine career-average annual earnings.[12] This amount is divided by 12 to get a monthly amount. If a worker had fewer than 35 years of covered earnings (because of time out of the labor force for family caregiving, unemployment, or other reasons), years of no earnings would be entered as zeros.

Next, the standard Social Security benefit formula is applied to the worker's AIME to get the regular PIA. Two dollar thresholds, known as "bend points," are used to divide the worker's AIME into three segments; in 2020, the two bend points are $960 and $5,785.[13] Three conversion factors—90%, 32%, and 15%—are applied to the three different segments of the worker's AIME; 90% is applied to the $0-$960 segment, 32% to the $961-$5,785 segment, and 15% to the over-$5,785 segment. The resulting values of the three segments are totaled to compute the basic monthly benefit. Because the higher conversion factors (90%) apply to the lower earnings segments, the benefit formula is progressive. That is, it replaces a higher percentage of the preretirement earnings of workers with lower career-average earnings than for workers with higher career-average earnings.[14] The formula also ensures that the more a worker earns, or contributes by means of the payroll tax (up to an annual limit),[15] the higher the worker's benefits would be.

[10] The earnings credits are also called "quarters of coverage," or QCs. Fewer than 40 earnings credits may be required for Social Security disability benefits, depending on the age at which the worker became disabled. For more information, see CRS Report R44948, *Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI): Eligibility, Benefits, and Financing*, by William R. Morton.

[11] The amount needed for an earnings credit generally increases annually by the growth in average earnings in the economy, as measured by Social Security's AWI. See SSA, OCACT, "Quarter of Coverage," at https://www.ssa.gov/OACT/COLA/QC.html.

[12] The indexing of wages happens at the age of 62, and the base year used for indexing is the year the worker turns 60. Earnings after age 60 are entered into the calculation at their nominal, or unindexed, value. Indexation to average wage growth is based on the SSA's national AWI. For more information about the AWI, see SSA, OCACT, "National Average Wage Index," at https://www.ssa.gov/oact/cola/AWI.html.

[13] The amounts of bend points are indexed to Social Security's AWI.

[14] For more details, see CRS Report R43542, *How Social Security Benefits Are Computed: In Brief*, by Barry F. Huston. Social Security also provides auxiliary benefits to eligible family members of a retired, disabled, or deceased worker. Benefits payable to family members are equal to a specified percentage of the worker's PIA. For example, a spouse's benefit is equal to 50% of the worker's PIA and a widow(er)'s benefit is equal to 100% of the deceased worker's PIA. For more information on auxiliary benefits, see CRS Report R41479, *Social Security: Revisiting Benefits for Spouses and Survivors*, by Zhe Li.

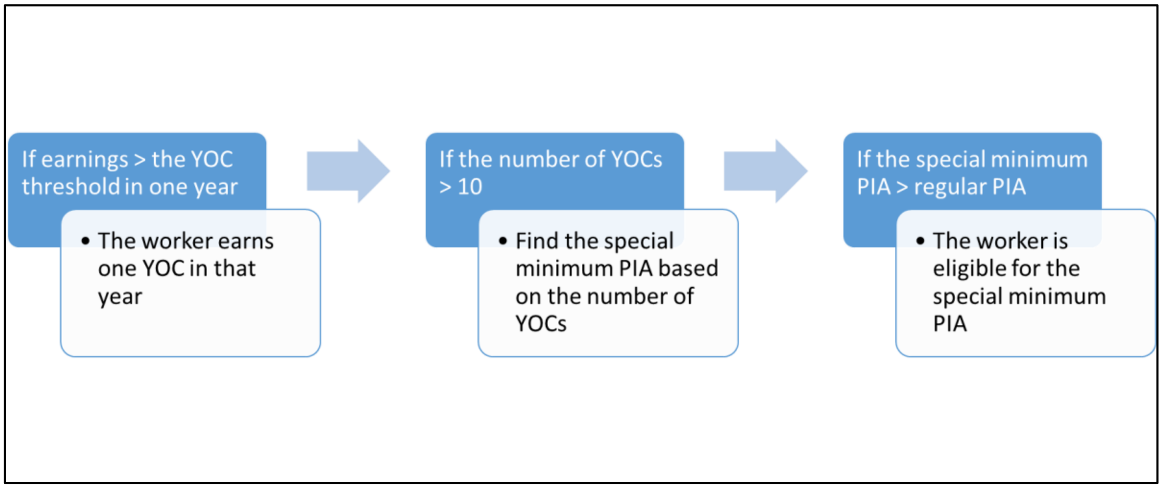
[15] Employers and employees each pay 6.2% of covered earnings, up to an annual limit; self-employed individuals pay 12.4% of net self-employment income, up to an annual limit. The annual limit on taxable earnings (or the contribution and benefit base) is $137,700 in 2020. The contribution and benefit base is adjusted annually based on average wage growth, if a Social Security cost-of-living adjustment (COLA) is payable. See SSA, "Contribution and Benefit Base," at https://www.ssa.gov/oact/cola/cbb.html.

The Special Minimum Benefit Formula

The special minimum benefit (or special minimum PIA) is based on the number of years a person has worked in covered employment. A YOC for the purposes of computing the minimum benefit is a year during which the worker has Social Security-covered earnings higher than a specified threshold. Since 1991, the annual threshold for a YOC under the minimum benefit has equaled 15% of the old-law contribution and benefit base (OLB).[16] The OLB is indexed to increases in the national average wage. As a result, the YOC earnings threshold for the minimum benefit is indexed to wage growth. The 2020 threshold for a YOC is $15,345.

The full monthly benefit amount for the special minimum PIA, $886.40 in 2020, is payable to workers who have 30 or more YOCs. The monthly amount decreases by about $44 for each YOC below 30. For those with 11 YOCs, the special minimum PIA is $42.50 per month in 2020. Workers with fewer than 11 YOCs are ineligible for the special minimum benefit.[17] The special minimum PIA has been indexed to prices since 1979.[18] **Figure 1** displays the process that determines whether a worker may be eligible for the special minimum PIA.

Figure 1. The Process for a Worker to Become Eligible for a Special Minimum Primary Insurance Amount (PIA)



Source: Congressional Research Service (CRS).

[16] From 1951 through 1978, the threshold equaled 25% of the Social Security contribution and benefit base, and from 1979 through 1990, it was 25% of the "old law" contribution and benefit base (OLB). The Social Security contribution and benefit base is the annual limit on the amount of a worker's earnings that are subject to the Social Security payroll tax in a given year. The same annual limit applies when these earnings are used in a benefit computation. For earnings in 2020, the current-law contribution and benefit base is $137,700. The OLB is the base in effect before the Social Security Amendments of 1977 (P.L. 95-216). In 2020, the OLB is $102,300. For a historical series of the YOC amounts and the OLB, see SSA, "Old-law Base and Year of Coverage," at http://www.socialsecurity.gov/OACT/COLA/yoc.html.

[17] For the complete schedule of the special minimum benefit, see SSA, "Special Minimum Benefits," at http://www.socialsecurity.gov/cgi-bin/smt.cgi.

[18] Authorized in the Social Security Amendments of 1977 (P.L. 95-216). Under current law, the special minimum PIA generally increases annually by the Social Security cost-of-living adjustment (COLA), which is based on the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). For more information about the COLA, see CRS Report 94-803, *Social Security: Cost-of-Living Adjustments*, by Paul S. Davies and Tamar B. Breslauer.

Notes: YOC is a year of coverage. A YOC for the purposes of computing the special minimum PIA is a year during which the worker has covered earnings higher than a specified threshold. The YOC threshold for the special minimum PIA was 25% of the old-law contribution and benefit base (OLB) between 1951 and 1990 and 15% of the OLB on and after 1991. Workers with fewer than 11 YOCs are ineligible for the special minimum benefit. The regular Social Security benefit (i.e., regular PIA) is based on a worker's average lifetime earnings. Beneficiaries receive the higher of the regular PIA or the special minimum PIA.

Comparing the Special Minimum PIA with the Regular PIA

Because of the benefit formulas' designs, the special minimum PIA has been available only to low earners with relatively longer careers since its enactment in 1972 (P.L. 92-603), which is consistent with its original goal of helping full-time, full-career minimum wage earners.[19] This section discusses several situations in which beneficiaries might receive a special minimum PIA for different earnings levels, YOCs, or years.

The current-law special minimum PIA virtually has no effect on the retirement benefits paid to beneficiaries who become eligible in 2020. Thus, some illustrative examples described below are based on beneficiaries who became eligible for Social Security retirement benefits in 2000, when the special minimum PIA could have affected some long-term low earners.

By Earnings Levels

Under current law, a YOC threshold earner is a worker who generally meets the minimum requirements for the special minimum PIA. The YOC threshold for the special minimum PIA was 25% of the OLB between 1951 and 1990 and 15% of the OLB after 1990; the change was enacted in 1990 (P.L. 101-508). Workers with earnings below the YOC threshold in a certain year would generally not qualify for a YOC, thus making it more difficult for those workers to be eligible for the special minimum PIA. **Table 1** shows a YOC threshold earner who earned the exact amount needed for a YOC in each year of work for 30 years (i.e., earning 25% of the OLB from 1969 to 1990 and earning 15% of the OLB from 1991 to 1998) and who became eligible for Social Security benefits in *2000*. This YOC threshold earner would have been eligible for the special minimum PIA and would have received a higher special minimum benefit. In contrast, a similar worker who earned 15% of the OLB every year of working for 30 years over the same time frame would have earned 8 YOCs (from 1991 to 1998),[20] not qualifying for the special minimum PIA.

Additionally, workers with earnings above the YOC threshold would likely not be affected by the special minimum benefit provision because most of them would receive a higher regular PIA (based on lifetime earnings) than the special minimum PIA (based on YOCs). For example, the worker who earned 25% of the OLB every year of working for 30 years and became eligible for Social Security benefits in 2000 would have received a regular PIA of $583, which would be higher than the full minimum benefit in that year ($581), thus the worker would have received the higher *regular PIA* (see **Table 1**). Therefore, after 2000, the special minimum PIA typically only affected workers with earnings consistently below 25% of the OLB. Those long-term low earners

[19] U.S. Congress, Senate Committee on Finance, *Social Security Amendments of 1972*, report to accompany H.R. 1, 92nd Cong., 2nd sess., S. Rept. 92-1230, September 26, 1972 (Washington, DC: GPO, 1972), p. 4, at https://www.ssa.gov/history/pdf/Downey%20PDFs/Amendments%20to%20the%20Social%20Security%20Act%201969-1972%20Vol.%203.pdf#page=17.

[20] Before 1991, the YOC threshold for the special minimum PIA was 25% of the OLB. A worker with earnings equal to 15% of the OLB would have not qualified for a YOC.

were also the target of the 1990 legislation that lowered the YOC threshold from 25% of the OLB to 15% of the OLB.[21]

Table 1. Illustrative Examples: The Regular PIA, the Special Minimum PIA, and Social Security Benefits per Month for Low Earners with 30 YOCs, 2000

The Social Security benefit is the higher of the regular PIA or the special minimum PIA for each worker.

Earnings per Year	Regular PIA	Special Minimum PIA	Social Security Benefit	Receiving the Special Minimum PIA
15% of OLB	$464	NA	$464	No
YOC Earnings Threshold	$551	$581	$581	Yes
25% of OLB	$583	$581	$583	No

Source: Congressional Research Service (CRS). Current-law special minimum PIAs are available at Social Security Administration (SSA), "Special Minimum Benefits," at https://www.ssa.gov/cgi-bin/smt.cgi.

Notes: PIA is primary insurance amount; YOC is a year of coverage; and OLB is the old-law contribution and benefit base. The low earner is assumed to work 30 years, from age 31 through age 60. The YOC threshold for the special minimum PIA was 25% of the OLB between 1951 and 1990 and 15% of the OLB on and after 1991. The benefit level is measured when the worker turns age 62, before any early retirement reduction is applied.

By Years of Coverage

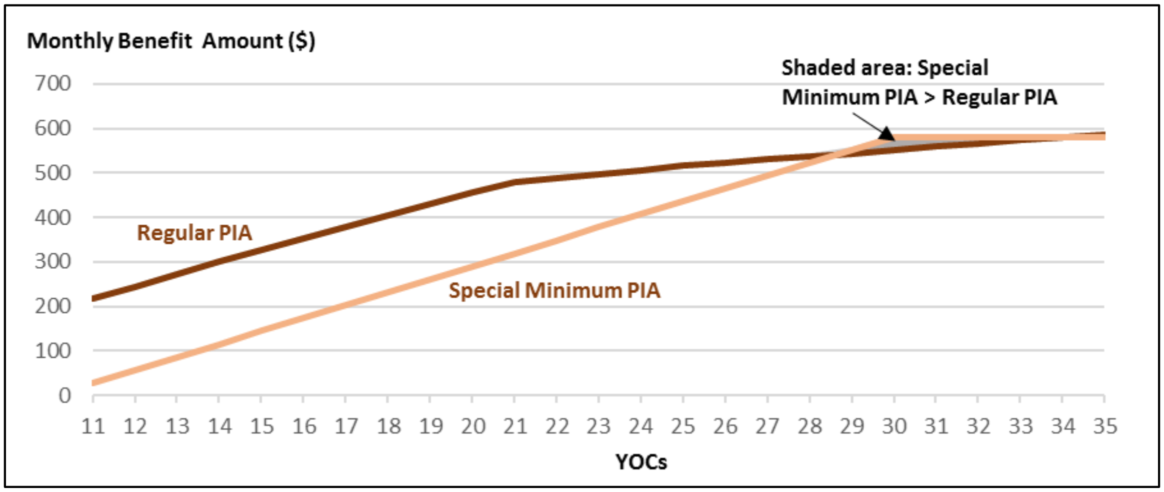
Because of the design of the benefit formula, the special minimum PIA is generally not available to short-term low earners (i.e., those with 20 or fewer years of work). In 1972, when the special minimum PIA was created, Congress predicted that it would "generally not be payable to workers with less than 23 years of covered employment since these workers [would] generally qualify for higher regular benefits."[22] This feature also applies to future years. For example, in *2000*, a YOC threshold earner (i.e., someone who earned the exact amount needed for the current-law YOC threshold) would have been eligible for the special minimum PIA if he or she had between 29 and 34 years of work (see **Figure 2**). Those with fewer than 29 years of work and those with more than 34 years of work would have been eligible for a higher *regular* PIA. This is typically because the regular PIA is weighted to replace a higher percentage of the preretirement earnings for workers with lower career-average earnings than for workers with higher career-average earnings. Short-term low earners tend to have relatively low career-average earnings, so their regular PIAs might be higher than their special minimum PIAs.

[21] U.S. Congress, House of Representatives, *Report to Accompany H.R. 5835, Omnibus Budget Reconciliation Act of 1990*, 101th Cong., 2st Sess., H. Rept. 101-964, October 27, 1990, p. 949, at https://www.ssa.gov/history/pdf/Downey%20PDFs/Omnibus%20Budget%20Reconciliation%20Act%20of%201990%20Vol%203.pdf#page=203.

[22] U.S. Congress, Senate Committee on Finance and House Committee on Ways and Means, *Summary of Social Security Amendments of 1972*, committee print, 92nd Cong., 2nd sess., November 17, 1972, vol. 6 (Washington, DC: GPO 1972), at https://www.ssa.gov/history/pdf/Downey%20PDFs/Amendments%20to%20the%20Social%20Security%20Act%201969-1972%20Vol.%206.pdf#page=346.

Figure 2. The Current-Law Special Minimum PIA and Regular PIA, 2000

shaded area = current special minimum PIA would be greater than the regular PIA



Source: CRS. Current-law special minimum PIAs are obtained from Social Security Administration (SSA), "Special Minimum Benefits," at https://www.ssa.gov/cgi-bin/smt.cgi.

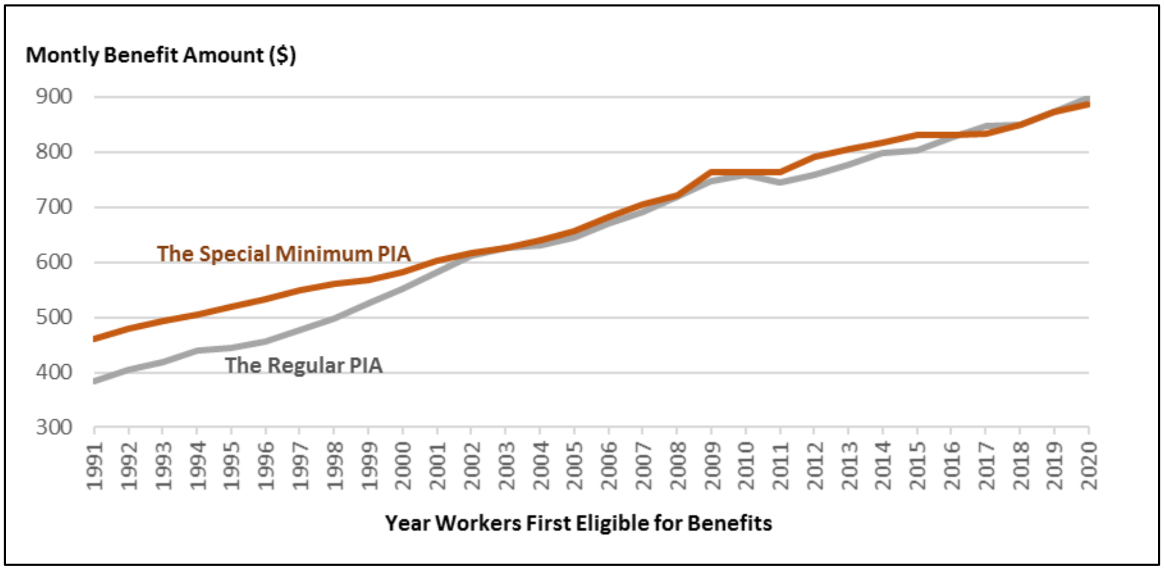
Notes: PIA is primary insurance amount, and YOC is a year of coverage. The worker with 35 YOCs is assumed to work from age 26 to age 60. For each decrease in YOC, the assumption is that the worker delayed the start of the work period by one year. For example, the worker with 34 YOCs is assumed to work from age 27 to age 60. The worker is assumed to earn the exact amount needed for the current YOC every year. The YOC threshold for the current-law special minimum PIA was 25% of the OLB between 1951 and 1990. The benefit level would have been measured when the worker turned age 62 in 2000, before any early retirement reduction had been applied.

By Years

The initial special minimum PIA is indexed to *price inflation*. In contrast, regular Social Security benefits are indexed to *wage inflation*.[23] Because prices have generally tended to increase at a slower rate than wages since the special minimum benefit's enactment, the special minimum PIA's impact has diminished over time (see **Figure 3**). In 2020, virtually no new beneficiaries qualify for the current special minimum PIA because the special minimum benefit is generally lower than the worker's regular PIA. For YOC threshold earners who become eligible for Social Security benefits in 2020, the current-law special minimum PIA is below the regular PIA regardless of the number of YOCs.

[23] Under current law, the special minimum PIA generally increases annually by the Social Security COLA, which is based on the CPI-W, whereas the regular Social Security benefit generally increases annually based on SSA's AWI.

Figure 3. The Regular PIA and the Special Minimum PIA for a Low Earner with 30 YOCs



Source: CRS. Current-law special minimum PIAs are obtained from SSA, "Special Minimum Benefits," at https://www.ssa.gov/cgi-bin/smt.cgi.

Notes: The low earner is assumed to earn the exact amount needed each year for a YOC from age 31 through age 60 to obtain 30 YOCs. The YOC threshold for the special minimum PIA was 25% of the old-law contribution and benefit base (OLB) between 1951 and 1990 and 15% of the OLB on and after 1991. The benefit level is measured when the worker turns age 62, before any early retirement reduction is applied.

Selected Proposed Revisions for the Special Minimum PIA

Proposals to reform the special minimum PIA generally include the following core features:

- the amount of the initial full minimum benefit;
- a method to prorate the partial minimum benefit;
- a method of indexing the initial minimum benefits;
- a YOC earnings threshold—the earnings level required to constitute one YOC;
- a YOC range—the number of YOCs required for (1) the full minimum benefit and (2) any minimum benefit (subject to prorating); and
- a YOC credit year for child care.

Table 2 lists design features for the current special minimum benefit and selected revisions to those features. These changes are found in policy options proposed by some Members of Congress and policy organizations. SSA's Office of the Chief Actuary (OCACT) quotes these proposals to estimate the potential cost to Social Security.[24] Most legislative proposals would change several design features for the special minimum PIA.

[24] SSA, OCACT, "Solvency Provisions," B5: Minimum Benefits, at https://www.ssa.gov/OACT/solvency/provisions/benefitlevel.html#B5.

Table 2. The Special Minimum Benefit Provision: Current Law and Selected Proposed Revisions

Design Features	Current Law	Selected Proposed Revisions
Initial full minimum benefit per month	$886.40 in 2020	• 100% of HHS poverty guideline for a single person household ($1,063.33 in 2020)[a] • 125% of HHS poverty guideline for a single person household ($1,329.17 in 2020) • 120% of Census Bureau poverty threshold for aged single individuals ($1,245.72 in 2020)[b] • 133% of Census Bureau poverty threshold for aged single individuals ($1,380.67 in 2020) • 35% of Social Security average wage index (AWI) two years prior to the eligibility year ($1,520.92 in 2020)
The reduced (prorated) minimum benefit when YOCs decrease	Linear	Nonlinear (more partial benefits for each YOC)
Method of indexing the initial minimum benefit	Social Security COLA[c]	Social Security AWI[d]
YOC earnings threshold per year	15% of old-law contribution and benefit base (OLB; $15,345 in 2020)	• Four earnings credits ($5,640 in 2020)[e] • The full-time federal minimum wage ($10,875 in 2020)[f]
Number of YOCs required for (1) the full minimum benefit and (2) any minimum benefit (prorated)	11-30	• 20-30 • 11-35 • 20-40
YOC credit years for child care	None	A child in care (e.g., under age 5) qualifies for a YOC (e.g., up to 8 years in total).

Source: CRS analysis of SSA, Office of the Chief Actuary (OCACT), "Solvency Provisions," B5: Minimum Benefits, at https://www.ssa.gov/OACT/solvency/provisions/benefitlevel.html#B5.

a. The poverty guideline refers to the Department of Health and Human Services (HHS) poverty guideline for a single person household. See HHS, Office of the Assistant Secretary for Planning and Evaluation, "Poverty Guidelines," at https://aspe.hhs.gov/poverty-guidelines.

b. The poverty threshold refers to the Census Bureau's poverty threshold for aged single individuals. See U.S. Census Bureau, "Poverty Thresholds," at https://www.census.gov/data/tables/time-series/demo/income-poverty/historical-poverty-thresholds.html. The poverty threshold in 2020 is obtained by indexing the poverty threshold in 2019 by the Social Security COLA in January 2020.

c. The Social Security COLA is the cost-of-living adjustment under Social Security. See SSA, "Cost-of-Living Adjustments," at https://www.ssa.gov/news/cola/; and CRS Report 94-803, *Social Security: Cost-of-Living Adjustments*, by Paul S. Davies and Tamar B. Breslauer.

d. Social Security AWI is the national average wage index. See SSA, "National Average Wage Index," at https://www.ssa.gov/oact/cola/AWI.html. The AWI in 2018 was $52,145.80 (the most recent year available).

e. The earnings credits also are called "quarters of coverage," or QCs. See SSA, "Quarter of Coverage," at https://www.ssa.gov/oact/cola/QC.html. A variation of this policy option is to equate the number of YOCs to the total number of QCs divided by four.

f. The full-time federal minimum wage is the product of the federal minimum wage per hour and 1,500 hours (equivalent to 50 weeks x 30 hours per week).

Policy Options for the Special Minimum PIA and Effects on Beneficiaries

This section explains the effects of changing one design feature under the special minimum benefit on Social Security beneficiaries while keeping other features fixed. The objective is to show the function of each feature and the effects of potential changes (sometimes at different magnitudes). In the analysis, some design features may be fixed at a level other than the current law. For example, most policy options assume the special minimum PIA would be indexed to wage growth, so it could increase at the same rate as the regular PIA over time. In addition, some policy options assume the full minimum benefit would be greater than the current law (e.g., above the poverty level), so long-term low-wage earners would be able to qualify for a higher special minimum PIA than the regular PIA.

SSA's ORES has estimated the effects of selected policy options to restructure the special minimum PIA on Social Security beneficiaries, and **Table A-1** summarizes those effects. The estimates are for each policy option separately, that is, as if each option were enacted alone. Legislative proposals usually combine several policy options that may interact with each other. Due to the effects of interaction among different policy options, the combined effect on Social Security beneficiaries of two or more options cannot be determined accurately by simple adding the effect of the individual options.

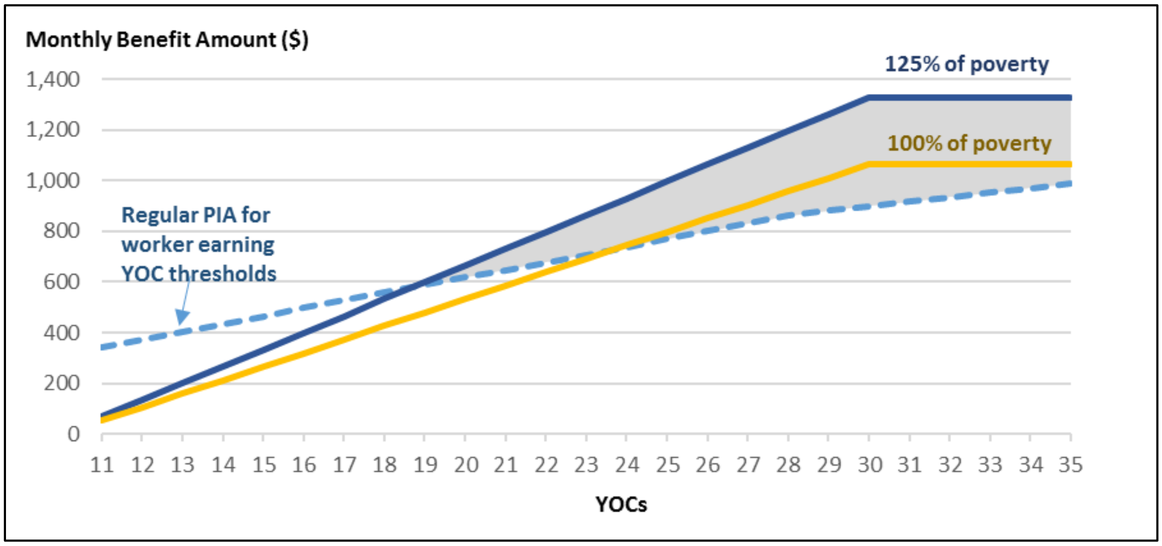
The Full Minimum Benefit Amount

Because the current-law full minimum benefit is below the poverty level, policy options for the special minimum benefit provision generally propose a higher full minimum benefit amount, usually linked to the poverty level. **Figure 4** displays two proposed full minimum benefit amounts and linearly prorated (reduced) minimum benefits when the number of YOCs decreases. The proposed full minimum benefits per month at 30 YOCs are 100% of the HHS poverty guideline for a single person household ($1,063.33) and 125% of the HHS poverty guideline for a single person household ($1,329.17) in 2020, respectively. The worker considered in this example is a YOC threshold earner whose earnings each year were equal to the exact amount needed for the current-law YOC threshold (15% of OLB) and who became eligible for Social Security benefits in 2020.

Generally, more beneficiaries would be likely to receive a higher special minimum PIA and a higher special minimum benefit amount if the full minimum benefit were higher. For example, YOC threshold earners with 24 or more YOCs would qualify for the special minimum PIA if the full minimum benefit were 100% of the poverty guideline, whereas those with 19 or more YOCs would qualify for the special minimum PIA if the full minimum benefit were 125% of the poverty guideline. For YOC threshold earners who worked 30 years and became eligible in 2020, the proposed special minimum PIA would increase their monthly benefit by $165 (or 18%) if the full minimum benefit were increased to 100% of the poverty guideline and by $431 (or 45%) if the full minimum benefit were increased to 125% of the poverty guideline.

Figure 4. The Proposed Special Minimum PIA: Full Minimum Benefit Amounts, 2020

shaded area = proposed special minimum PIA would be greater than the worker's regular PIA



Source: CRS. Current-law special minimum PIAs are obtained from SSA, "Special Minimum Benefits," at https://www.ssa.gov/cgi-bin/smt.cgi.

Notes: The term *poverty* refers to the HHS poverty guideline for a single person household. The prorated schedules for the current-law special minimum PIA, 100% of poverty guideline, and 125% of poverty guideline options are linear as current law. The worker with 35 YOCs is assumed to work from age 26 to age 60. For each decrease in YOC, the assumption is that the worker delayed the start of the work period by one year. For example, the worker with 34 YOCs is assumed to work from age 27 to age 60. The worker is assumed to earn the exact amount needed for the current YOC every year. The YOC threshold for the current-law special minimum PIA was 25% of the OLB between 1951 and 1990 and 15% of the OLB on and after 1991. The benefit level is measured when the worker turns age 62 in 2020, before any early retirement reduction is applied.

SSA's ORES estimated the effect in 2030, 2050, and 2070 of increasing the full minimum benefit to 100% and to 125% of the HHS poverty guideline for a single person household on beneficiaries who would become eligible for Social Security in 2020 or later.[25] Under the option with the full minimum benefit equal to 100% of the poverty guideline, virtually no newly eligible beneficiaries would receive a higher minimum benefit (implying that the regular PIA for current-law YOC threshold earners would be generally higher than the poverty guideline on and after 2030). If the full minimum benefit were increased to 125% of the poverty guideline, 1.2% of beneficiaries aged 60 and older in 2030, 3.1% in 2050, and 3.3% in 2070 would receive a higher special minimum benefit,[26] with a median benefit increase of about 6% among affected beneficiaries for each year in the analysis. The estimated effects for the two policy options that would increase the special minimum benefit amounts indicate that a higher full minimum benefit would generally result in the provision affecting more beneficiaries, holding everything else constant.

ORES also estimates that about 4% of beneficiaries aged 60 and older would have family income below the poverty threshold (i.e., poor beneficiaries) in 2050 based on current-law scheduled

[25] This option assumes that the initial special minimum PIAs would increase with average wages in contrast to the current-law provision, which grows with prices. For more information, see the "Indexation of the Initial Minimum Benefit Amount" section.

[26] Because the proposed new special minimum PIA would affect only beneficiaries becoming eligible in 2020 or later, the provision would affect a larger share of future beneficiaries in 2050 and 2070 than in 2030.

benefits.[27] Among those poor beneficiaries, estimates show that about 2.6% would receive a higher special minimum PIA if the full minimum benefit were increased to 125% of the poverty guideline in the same year.

The Partial Minimum Benefit Amount: Linear vs. Nonlinear Proration

Instead of reducing the special minimum PIA linearly as YOCs decrease, as is done under current law, some policy options would restructure the partial minimum benefits using a nonlinear proration. Under a linear proration, the special minimum PIA decreases proportionately for each decrease in YOCs, whereas the nonlinear proration would generally result in a disproportionately higher minimum benefit at each YOC. **Figure 5** compares two sets of special minimum benefit amounts—a linear and a nonlinear proration for partial minimum benefits—with the full minimum benefit fixed at 31⅔% of the Social Security average wage index (AWI; $1,376.22 in 2020).[28] In both options, workers with 30 YOCs could receive the full minimum benefit, and the partial minimum benefit would not be available for workers with 10 or fewer YOCs. The nonlinear prorated schedule would result in a higher partial minimum benefit at each YOC than the linear proration.

Generally, if the partial minimum benefits were prorated (reduced) nonlinearly, more beneficiaries would be likely to receive a higher special minimum PIA. For example, YOC threshold earners with 19 or more YOCs would qualify for the special minimum PIA with the linear proration, whereas those with 14 or more YOCs would qualify for the nonlinear proration. The main reason for the different effects is that the *nonlinear* prorated schedule would likely result in *more* short-term workers receiving a higher benefit based on partial benefits, holding everything else constant.

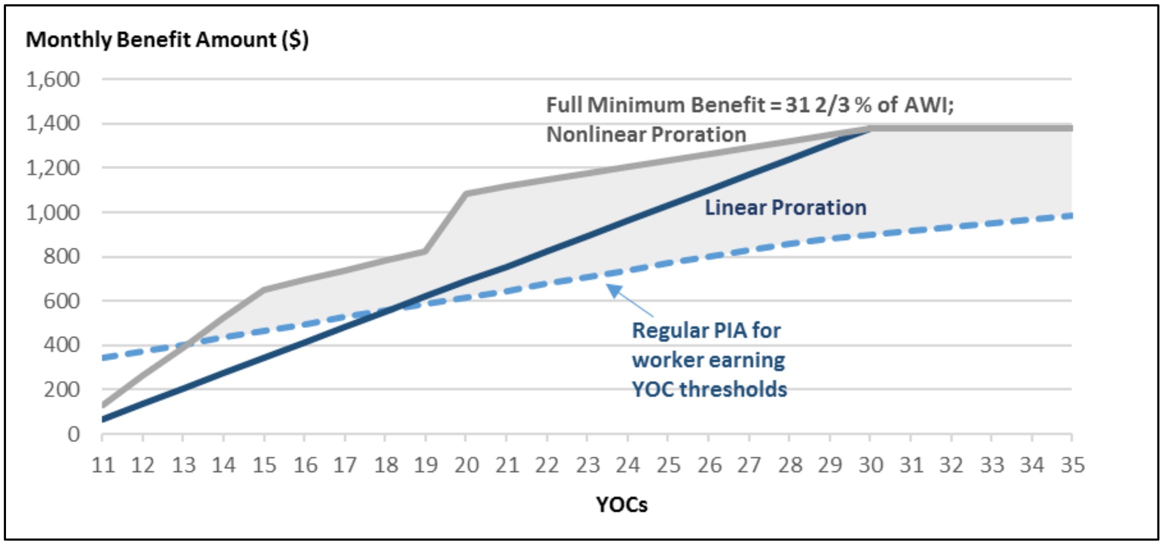
The nonlinear prorated partial minimum benefits would result in more low-wage earners with relatively shorter careers receiving a higher minimum benefit and a larger increase in their monthly benefit amount. As in **Figure 5**, YOC threshold earners who had worked 20 years would receive a benefit increase of $70 (or 11%) with the linear proration and $469 (or 76%) with the nonlinear proration.

[27] The poverty threshold is indexed to price growth, and Social Security benefits are indexed to wage growth. Because wages are projected to grow faster than prices, a decreasing share of the aged population is estimated to be in poverty over time. See SSA, the Office of Retirement and Disability Policy, "Why Will Poverty Decline for Social Security Beneficiaries Aged 60 or Older?," at https://www.ssa.gov/policy/docs/program-explainers/poverty-decline.html#mna. For information about current-law poverty measures, see CRS Report R44780, *An Introduction to Poverty Measurement*, by Joseph Dalaker.

[28] The nonlinear proration example is part of the Social Security Reform Act of 2016 (H.R. 6489). The act proposed to change the special minimum PIA to 35% of AWI at 35 YOCs and reduce the special minimum PIA by ⅔% of AWI for each decrease in YOC between 20 and 34, 1% of AWI for YOCs between 15 and 19, and 3% of AWI for YOCs between 11 and 14. This prorated schedule would result in 31 2/3% of AWI at 30 YOCs. For more information, see SSA, "Solvency Provisions," B5: Minimum Benefits, Option B5.10, at https://www.ssa.gov/OACT/solvency/provisions/benefitlevel.html#B5.

Figure 5. The Proposed Special Minimum PIA: Linear and Nonlinear Prorated Partial Minimum Benefits, 2020

shaded areas = proposed Special Minimum PIA would be greater than the worker's regular PIA



Source: CRS. Current-law special minimum PIAs are obtained from SSA, "Special Minimum Benefits," at https://www.ssa.gov/cgi-bin/smt.cgi.

Notes: AWI is the national average wage index. The linear prorated schedule is assumed to reduce the full special minimum benefit by about 1.58% of AWI for each decrease in YOC. The nonlinear prorated schedule is assumed to reduce the full special minimum benefit by ⅔% of AWI for each decrease in YOC between 20 and 34, 1% of AWI for YOCs between 15 and 19, and 3% of AWI for YOCs between 11 and 14. The worker with 35 YOCs is assumed to work from age 26 to age 60. For each decrease in YOC, the assumption is that the worker delayed the start of the work period by one year. For example, the worker with 34 YOCs is assumed to work from age 27 to age 60. The worker is assumed to earn the exact amount needed for the current YOC every year. The YOC threshold for the current-law special minimum PIA was 25% of the OLB between 1951 and 1990 and 15% of the OLB on and after 1991. The benefit level is measured when the worker turns age 62 in 2020, before any early retirement reduction is applied.

SSA's ORES estimates show that if the full minimum benefit were 31 2/3% of AWI with a nonlinear prorated schedule for partial minimum benefits, 3.3% of beneficiaries aged 60 and older (becoming eligible in 2020 and later) would receive a higher special minimum PIA in 2030, 7.4% in 2050, and 8.1% in 2070.[29] The median benefit increase would be about 7% for each year in the analysis.

Among poor beneficiaries aged 60 and older, estimates show that about 9.4% would receive a higher special minimum PIA under this option. Many of those poor beneficiaries who would receive higher proposed special minimum benefits with nonlinear prorated partial benefits would likely be those with relatively shorter careers.

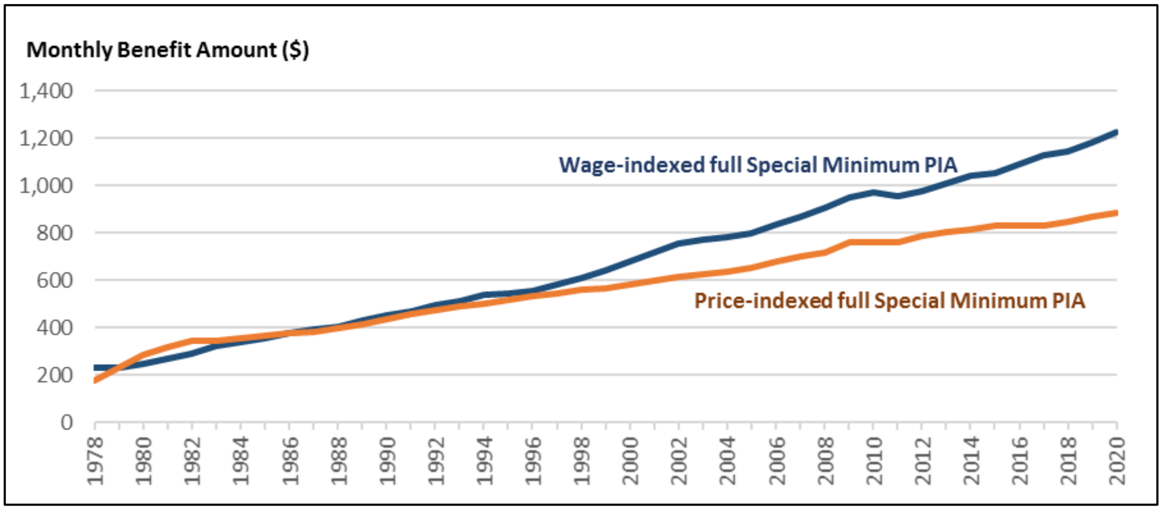
Indexation of the Initial Minimum Benefit Amount

One of the main reasons that the current special minimum PIA has generally no effect on new beneficiaries is that the initial minimum benefit amounts are indexed to *price* inflation. In contrast, regular Social Security benefits are indexed to *wage* inflation. Because prices tend to

[29] This option implies that the initial special minimum PIAs would increase with average wages (i.e., AWI) in contrast to the current-law provision, which grows with prices. For more information, see the "Indexation of the Initial Minimum Benefit Amount" section.

increase at a slower rate than wages, regular PIAs are usually greater than the special minimum PIA for newly eligible beneficiaries today. Policy options generally include some indexing method to increase the initial minimum benefit amount over time, and most of them suggest using the AWI, the same indexation as for regular Social Security benefits. **Figure 6** shows the hypothetical full minimum benefit amount if it had been indexed to wage growth since 1979 compared with the current-law amount based on price indexation. Because wages generally grew faster than prices, the wage-indexed full special minimum PIA would have been $1,226.40 in 2020,[30] compared with $848.80 under current law. If a new minimum benefit amount were established but continued to be indexed to prices instead of wages, the minimum benefit would likely eventually fall below the regular benefit, as has been the case under current law. For this reason, all policy options discussed in this report would index the initial minimum benefit amount to wage growth.

Figure 6. Hypothetical Wage-Indexed Full Special Minimum PIA vs. Price-Indexed Full Special Minimum PIA Under Current Law, 1978-2020



Sources: CRS calculation based on special minimum PIA at SSA, "Special Minimum Benefits," at https://www.ssa.gov/cgi-bin/smt.cgi; and Social Security AWI, available at SSA, "National Average Wage Index," at https://www.ssa.gov/oact/cola/AWI.html.

Notes: Wage indexation is based on the Social Security AWI two years prior to each year of computation.

The YOC Earnings Threshold

Under the current special minimum PIA, a worker needs to earn 15% of the OLB to qualify for a YOC, or $15,345 in 2020.[31] Some argue that the current YOC threshold is too high for full-time low-wage earners to qualify. When the YOC threshold was reduced from 25% to 15% of the OLB in 1991 (from $9,900 to $5,940),[32] it was approximately the level of annual earnings for a federal minimum wage worker who worked 1,500 hours in a year (30 hours per week × 50 weeks). The current YOC threshold (based on the OLB) is indexed to average wage growth; in contrast, the federal minimum wage so far has been raised in an ad hoc manner by legislation.[33] In the past

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[30] The Social Security AWI is available two years prior to the eligibility year. In 2020, the most recently updated AWI was for 2018.

[31] The OLB is $102,300 in 2020.

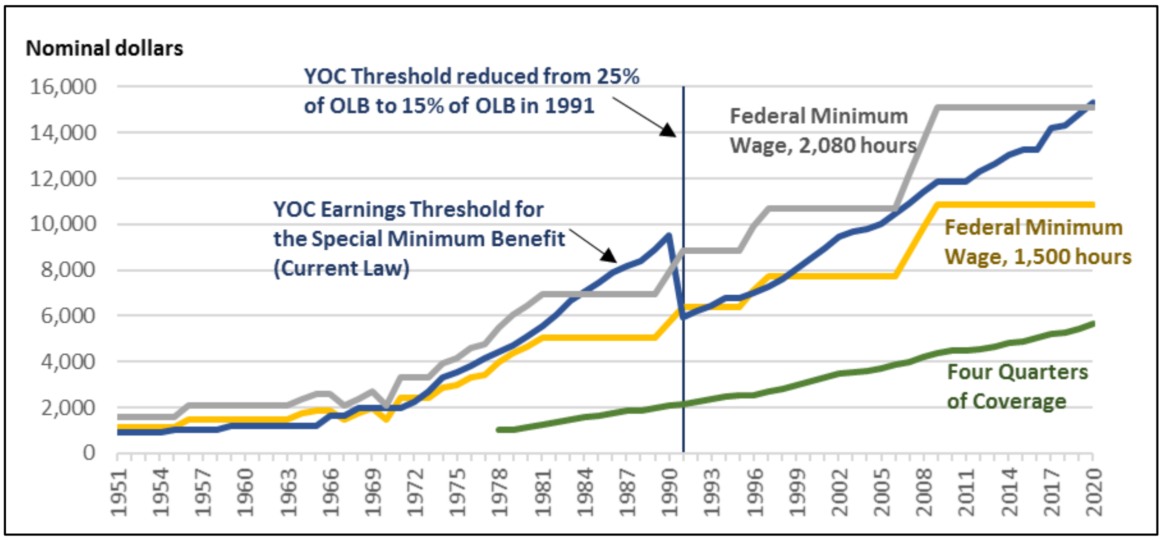
[32] See P.L. 101-508.

[33] See CRS Report R44667, *The Federal Minimum Wage: Indexation*, by David H. Bradley.

three decades, the federal minimum wage generally grew slower than the YOC threshold. Therefore, in 2020, the federal minimum wage earner would receive $10,875 if he or she were to work 1,500 hours during the year, which is about 11% of the OLB—or 4% of the OLB ($4,470) below the amount needed to earn a YOC (see **Figure 7**). In other words, a minimum wage worker working full time cannot currently earn a YOC and has not been able to since the late 1990s. Therefore, some policymakers have proposed to reduce the YOC threshold to the full-time federal minimum wage amount (assuming 1,500 hours per year).[34]

Others argue that the earnings requirement for a YOC under the special minimum PIA should be equivalent to the earnings requirement for regular Social Security benefits. Regular Social Security benefits are available to workers who have earned 40 earnings credits, with up to four earnings credits in a year ($5,640 in 2020). Some policy proposals for the special minimum PIA suggest reducing the YOC threshold to the amount required for four earnings credits.[35]

Figure 7. The YOC Earnings Threshold for the Special Minimum Benefit Provision, Annual Earnings at the Federal Minimum Wage (2,080 Hours and 1,500 Hours per Year), and Annual Earnings for Four Quarters of Coverage, 1951 to 2020



Sources: The YOC earnings threshold is available at SSA, "Old-Law Base and Year of Coverage," at https://www.ssa.gov/OACT/COLA/yoc.html. The federal hourly minimum wage is available at SSA, *Annual Statistical Supplement, 2019*, Table 3.B3, at https://www.ssa.gov/policy/docs/statcomps/supplement/2019/3b.html. For more on four quarters of coverage, see SSA, "Quarter of Coverage," at https://www.ssa.gov/oact/cola/QC.html#qcseries.

Notes: The YOC threshold for the special minimum benefit provision was 25% of the OLB between 1951 and 1990 and 15% of the OLB on and after 1991. The annual federal minimum wage is calculated using the federal hourly minimum wage, assuming 1,500 hours (30 hours per week and 50 weeks) and 2,080 hours (40 hours per week and 52 weeks) per year, respectively. For years before 1978, an individual generally was credited with a quarter of coverage for each quarter in which wages of $50 or more were paid, or an individual was credited

34 For example, see SSA, "Solvency Provisions," B5: Minimum Benefits, Option B5.10, at https://www.ssa.gov/OACT/solvency/provisions/benefitlevel.html#B5.

35 For example, see SSA, "Solvency Provisions," B5: Minimum Benefits, Options B5.2, 5.3, 5.4, 5.6, and 5.9. Similar proposals suggest allowing beneficiaries to accumulate YOCs based on the number of earnings credits over their entire work history; therefore, the number of YOCs would equal the total number of earnings credits divided by four. For example, see SSA, "Solvency Provisions," B5: Minimum Benefits, Options B5.7 and 5.11.

with four quarters of coverage for every taxable year in which $400 or more of self-employment income was earned.

A lower YOC earnings threshold would likely result in more workers qualifying for a YOC under the special minimum PIA in a certain year. In 2018, about 85% of workers earned more than the current-law YOC threshold amount ($14,310 in 2018), about 88% of workers had earnings above the annual full-time federal minimum wage amount ($10,875, assuming 1,500 hours per year), and 93% earned more than the amount needed for four earnings credits ($5,280).[36] These statistics, however, do not show the percentage of workers who would have earnings above a certain threshold throughout their lifetime[37] or the percentage of workers who would receive the special minimum PIA.[38]

Lowering the YOC earnings threshold would be likely to make the special minimum benefit available to more workers. **Figure 8** displays the current special minimum benefit amounts and the regular PIA for workers earning 15% of the OLB (the current-law YOC threshold) for every year of work, the full-time federal minimum wage (for 1,500 hours per year), or four earnings credits. Under current law, neither a full-time federal minimum wage earner (for 1,500 hours per year) nor a worker earning four earnings credits every year would be eligible for the special minimum PIA. Lowering the YOC threshold to the federal minimum wage level (1,500 hours per year) would allow workers who earned at or greater than the federal minimum wage to be eligible for a YOC; lowering the YOC threshold to four earnings credits would allow workers who earned at or greater than four earnings credits to be eligible for a YOC.

A lower YOC earnings threshold under the special minimum benefit also would likely result in a larger average benefit increase among affected beneficiaries than under current law. Beneficiaries with the same number of YOCs would generally receive the same special minimum PIA regardless of the amount of earnings underlying each YOC. A worker who earned four earnings credits every year for 30 years would receive a lower *regular* PIA than a federal minimum wage earner (a worker who earned full-time federal minimum wages for every year of work) or a current YOC threshold earner (a worker who earned 15% of the OLB for every year of work), holding everything else constant. Therefore, if the earnings required for a YOC threshold were lowered to four earnings credits, a worker earning four credits every year would be likely to become eligible for the special minimum benefit and have a larger benefit increase due to the special minimum PIA than a federal minimum wage earner or a current YOC threshold earner.

Under the current special minimum benefit amounts, **Figure 8** shows that a current YOC threshold earner would not receive a special minimum PIA, as their regular PIA is generally

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[36] CRS analysis of data from U.S. Census Bureau, *Current Population Survey, 2019 Annual Social and Economic Supplements* (hereinafter CPS ASEC 2019). Due to the limitations of the data set, the earnings included both those covered and not covered by Social Security. The statistics do not reflect the percentage of workers who have earnings below the YOC threshold throughout their lifetime.

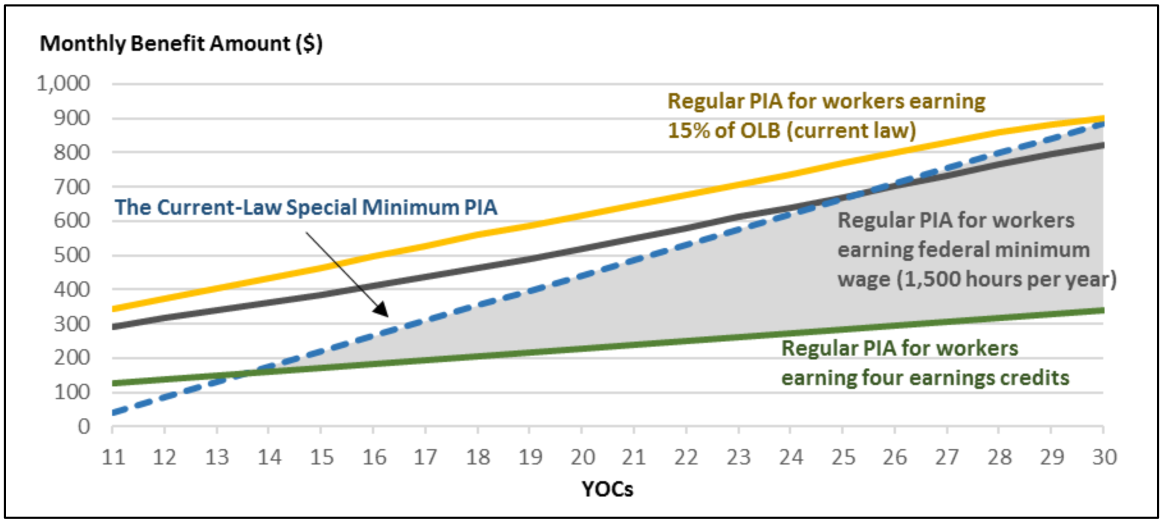
[37] An SSA study shows that in 2013, about 63% of Social Security beneficiaries aged 62 and older had 30 or more years of earnings at or greater than four earnings credits, whereas 53% of those beneficiaries had 30 or more years of earnings at or greater than 15% of the OLB. See Glenn R. Springstead, Kevin Whitman, and Dave Shoffner, *Proposed Revisions to the Special Minimum Benefit for Low Lifetime Earners*, SSA, Policy Brief no. 2014-01, September 2014. Another study found that, among survivors in the birth cohort 1946-1950 who lived to at least age 62, about 63.5% of them had 30 or more years of earnings at or greater than four earnings credits. See Melissa M. Favreault, *How Might Earnings Patterns and Interactions Among Certain Provisions in OASDI Solvency Packages Affect Financing and Distributional Goals?*, Center for Retirement Research Center at Boston College, Working Paper 2018-2, March, 2018.

[38] Many workers with average lifetime earnings greater than the current YOC earnings threshold would usually receive a regular PIA, which would likely be higher than the special minimum PIA under current law. For more information, see the "Comparing the Special Minimum PIA with the Regular PIA" section.

higher than the special minimum benefit.[39] If the YOC threshold were decreased to the full-time federal minimum wage level (for 1,500 hours per year), the federal minimum wage earner would receive a higher minimum benefit when the worker obtained 26 or more YOCs, with a benefit increase of $64 (or 8%) at 30 YOCs.[40] If the YOC threshold were decreased to four earnings credits, the worker earning four credits every year would receive a higher minimum benefit when he or she obtained 14 or more YOCs, with a benefit increase of $547 (or 161%) at 30 YOCs.[41] Lowering the YOC threshold to four earnings credits would likely entitle the special minimum PIA to workers who have worked part-time during the year (less than half-year at the federal minimum wage) and those who have short-term work careers (as few as 14 years of work).

Figure 8. The Special Minimum PIAs and Regular PIAs Based on Alternative Earnings Records, 2020

shaded area = special minimum PIA would be greater than the regular PIA



Source: CRS.

Notes: The worker with 30 YOCs is assumed to work from age 31 to age 60. For each decrease in YOC, the assumption is that the worker delayed the start of the work period by one year. For example, the worker with 29 YOCs is assumed to work from age 32 to age 60. The benefit level is measured when the worker turns age 62 in 2020, before any early retirement reduction is applied.

SSA's ORES estimates the effect of changing the YOC earnings threshold from current law to the full-time federal minimum wage level (1,500 hours per year) and four earnings credits on beneficiaries in 2030, 2050, and 2070 (for those becoming eligible in 2020 and later). The estimates assume that the full minimum benefit is equal to the proposed 125% of the HHS poverty guideline for a single person household at 30 or more YOCs and decreasing proportionally for YOCs between 11 and 29.[42] Generally, a larger share of future beneficiaries

[39] A federal minimum wage earner or an earner who earned four earnings credits every year of work would not qualify for the proposed special minimum PIA in which the YOC threshold would be set at 15% of the OLB as current law.

[40] A worker who earned four earnings credits every year of work would not qualify for the proposed special minimum PIA in which the YOC threshold would be set at the full-time federal minimum wage.

[41] A worker who earned four earnings credits each year from age 31 to age 60 and becomes eligible for Social Security benefits in 2020 would receive a regular PIA of about $339.80 per month. The current special minimum benefit amount would allow this worker to receive a benefit amount of $886.4 per month, an increase of about 161%.

[42] Policy options that propose a decrease in the YOC threshold would often also increase the full special minimum benefit amount, such as to 125% of the HHS poverty guideline. See SSA, "Solvency Provisions," B5: Minimum

would have had a benefit increase under the proposed special minimum PIA when the YOC threshold was lower. As discussed earlier, if the full special minimum benefit were increased to 125% of the poverty guideline, 1.2% of beneficiaries aged 60 and older in 2030, 3.1% in 2050, and 3.3% in 2070 would receive a higher revised special minimum benefit if the YOC threshold were to remain at the current law (15% of OLB). Those shares would be 3.2%, 6.3%, and 6.8% in 2030, 2050, and 2070, respectively, if the YOC threshold were reduced to the annual federal minimum wage (1,500 hours); they would be 5.7%, 11.8%, and 12.9%, respectively, if the YOC threshold were set at four earnings credits. The median benefit increase in 2050 for those three YOC threshold options would be 6%, 8%, and 12%, respectively, again in conjunction with the increased special minimum benefit amount to 125% of the HHS poverty guideline.[43] As discussed earlier, lowering the YOC threshold to four earnings credits would be likely to result in the largest increase in the share of beneficiaries who would receive a higher minimum benefit and the largest size of such benefit increase.

For poor beneficiaries aged 60 and older in 2050, 2.6% of current-law beneficiaries would receive a higher benefit under the proposed higher special minimum PIA if the YOC threshold were to remain at the current-law level (15% of OLB), compared with 8.6% if the YOC threshold were reduced to the annual federal minimum wage (1,500 hours) and 28.7% if the YOC threshold were set at four earnings credits. Those estimates indicate that, among the three options decreasing the YOC threshold, lowering the YOC threshold to four earnings credits would be likely to have the largest effect on increasing the benefits for poor beneficiaries.

Number of YOCs Required for the Special Minimum PIA

Under current law, the full minimum benefit is payable when the worker has 30 or more YOCs, and no minimum benefit is payable when the number of YOCs is fewer than 11, with a prorated minimum benefit paid in the YOC range of 11-30. However, since its enactment, the special minimum PIA was estimated to produce higher payments than the regular PIA only for workers with at least 23 YOCs.[44] If the full minimum benefit were raised to 125% of the HHS poverty guideline for a single person household at 30 YOCs and decreased proportionally between 11 and 29 YOCs, a worker with earnings at the current-law YOC threshold every year of work would receive a higher minimum benefit at 19 and more YOCs (see **Figure 9**).[45]

Because the special minimum PIA was originally targeted to full-time, full-career low-wage earners, some policymakers have suggested increasing the minimum number of YOCs required for the special minimum PIA, the number of YOCs required for the full minimum benefit, or both. If the special minimum PIA were reduced proportionally as the YOC decreases, proposals

Benefits, Options B5.2, 5.3, 5.4, and 5.9. Despite the fact that the HHS poverty guideline increases with prices (based on the Consumer Price Index for all Urban Consumers, or CPI-U), the options discussed in this section assume that the initial special minimum PIAs would increase with average wages (based on AWI) in the same way as the regular PIA. For more information, see the "Indexation of the Initial Minimum Benefit Amount" section.

[43] The estimated median benefit increases in 2030 and 2070 for the options discussed in this paragraph were about the same as those in 2050.

[44] U.S. Congress, Senate Committee on Finance and House Committee on Ways and Means, *Summary of Social Security Amendments of 1972*, committee print, 92nd Cong., 2nd sess., November 17, 1972, vol. 6, at https://www.ssa.gov/history/pdf/Downey%20PDFs/Amendments%20to%20the%20Social%20Security%20Act%201969-1972%20Vol.%206.pdf#page=346.

[45] If the full minimum benefit were kept at the current-law level, the current-law YOC threshold earner would generally not be eligible for the special minimum PIA, as he or she would receive a higher *regular* PIA.

that extend the YOC range to a *higher* number of YOCs would generally make the minimum benefit available to a *smaller* group of beneficiaries.

Some proposals would narrow the YOC range by raising the number of YOCs required to be eligible for any minimum benefit from 11 to 20, which would reward additional years of Social Security employment.[46] Options with a narrower YOC range provide fewer possible minimum benefit levels. For example, the 11-30 YOC range under current law introduces 20 possible minimum benefits, compared with 11 possible minimum benefits for the option using a 20-30 YOC range. Additionally, a broader YOC range (such as the 11-30 YOC range) produces benefits that rise more gradually with each additional YOC, and those benefit levels remain above the comparable benefits available under a proposal with a narrower YOC range (such as the 20-30 YOC range). Therefore, the lower minimum benefit in the proposal with a narrower YOC range would result in fewer beneficiaries eligible for such special minimum benefit. In the illustrative example of YOC threshold earners (see **Figure 9**), the special minimum PIA would not be payable to workers with fewer than 26 YOCs under a 20-30 YOC range, compared with 19 YOCs under the 11-30 YOC range.

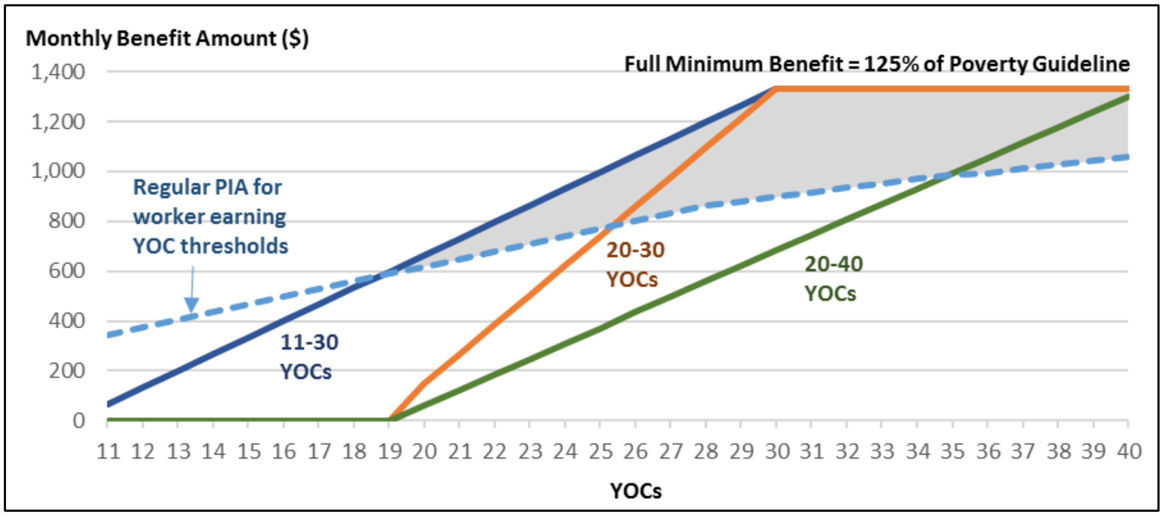
Other proposals would increase the minimum number of YOCs required for the special minimum PIA from 10 to 20, while maintaining the 20-year YOC range, such as 20-40 YOCs.[47] Compared with the current-law 11-30 YOC range, a 20-40 YOCs proposal would reduce minimum benefit amounts for every possible YOC. For example, a lifetime low-wage worker may receive the full minimum benefit at 30 YOCs, but he or she would receive about half of the full minimum benefit if the YOC range became 20-40. The special minimum PIA at 30 YOCs would also likely be smaller than the regular PIA when the YOC range was 20-40. The illustrative example in **Figure 9**, based on a full minimum benefit equal to 125% of the HHS poverty guideline for a single person household, shows that the minimum benefit would not be payable to YOC threshold earners with fewer than 35 YOCs if the YOC range were 20-40.

[46] For example, see SSA, "Solvency Provisions," B5: Minimum Benefits, Option B5.5. This option would also set the full minimum benefit at 133% of the Census Bureau poverty threshold for aged single individuals ($1,380.67 in 2020). The poverty threshold refers to the Census Bureau's poverty threshold for aged single individuals. See U.S. Census Bureau, "Poverty Threshold," at https://www.census.gov/data/tables/time-series/demo/income-poverty/historical-poverty-thresholds.html. The poverty threshold in 2020 is obtained by indexing the poverty threshold in 2019 by the Social Security COLA in January 2020.

[47] For example, see SSA, "Solvency Provisions," B5: Minimum Benefits, Option B5.9. This option also would set the full minimum benefit at 125% of the Census Bureau poverty threshold for aged single individuals ($1,297 in 2020).

Figure 9. Proposed Special Minimum PIAs Under Alternative YOC Ranges, 2020

shaded area = proposed special minimum PIA would be greater than the Regular PIA



Source: CRS.

Notes: The worker with 40 YOCs is assumed to work from age 21 to age 60. For each decrease in YOC, the assumption is that the worker delayed the start of the work period by one year. For example, the worker with 39 YOCs is assumed to work from age 22 to age 60. The worker is assumed to earn the exact amount needed for a YOC every year. The YOC threshold for the current-law special minimum PIA was 25% of the OLB between 1951 and 1990 and 15% of the OLB on and after 1991. The benefit level is measured when the worker turns age 62 in 2020, before any early retirement reduction is applied. The full minimum benefit under the alternative YOC requirements is assumed to be 125% of the HHS poverty guideline for a single person household, and the reduced schedule for each alternative YOC requirement is assumed to be linear.

SSA's ORES estimates the effect of changing the YOC range while setting the full minimum benefit at 125% of the HHS poverty guideline for a single person household in 2030, 2050, and 2070 for beneficiaries becoming eligible in 2020 and later.[48] Consistent with the earlier discussion, a smaller percentage of beneficiaries aged 60 and older would receive a higher minimum benefit in those years if the YOC range were narrowed to 20-30 (0.9%, 2.6%, and 2.8%, respectively). An even smaller group of beneficiaries would benefit from the special minimum benefit provision if the YOC range were changed to 20-40 (0.0%, 0.2%, and 0.2%, respectively). For comparison, about 1.2%, 3.1%, and 3.3% of beneficiaries aged 60 and older would receive a higher minimum benefit in 2030, 2050, and 2070, respectively, if the YOC range were to stay as under current law (11-30). The median benefit increase would be around 6% for YOC ranges of 11-30 and 20-30 for every year in the analysis, whereas the sample size is too small to estimate the benefit increase if the YOC range were changed to 20-40.[49]

Additionally, a smaller share of beneficiaries aged 60 and older in poverty would receive a higher minimum benefit if the YOC range were changed from 11-30 to 20-30. ORES's estimates show that in 2050, 2.6% of poor beneficiaries would receive a higher revised special minimum benefit if the YOC range were to remain as current law (11-30), compared with 1.5% if the YOC range were changed to 20-30. Since short-term workers would be less likely to qualify for a special

[48] The options assume that the initial special minimum PIAs would increase with average wages in contrast to the current-law provision, which grows with prices. For more information, see the "Indexation of the Initial Minimum Benefit Amount" section.

[49] If the sample size is less than 20 for any subgroup, SSA's ORES omits the data for the category in which the subset appears for confidentiality reasons. For more information, see SSA, Research, Statistics & Policy Analysis, "Projection Methodology," at https://www.ssa.gov/policy/docs/projections/methodology.html.

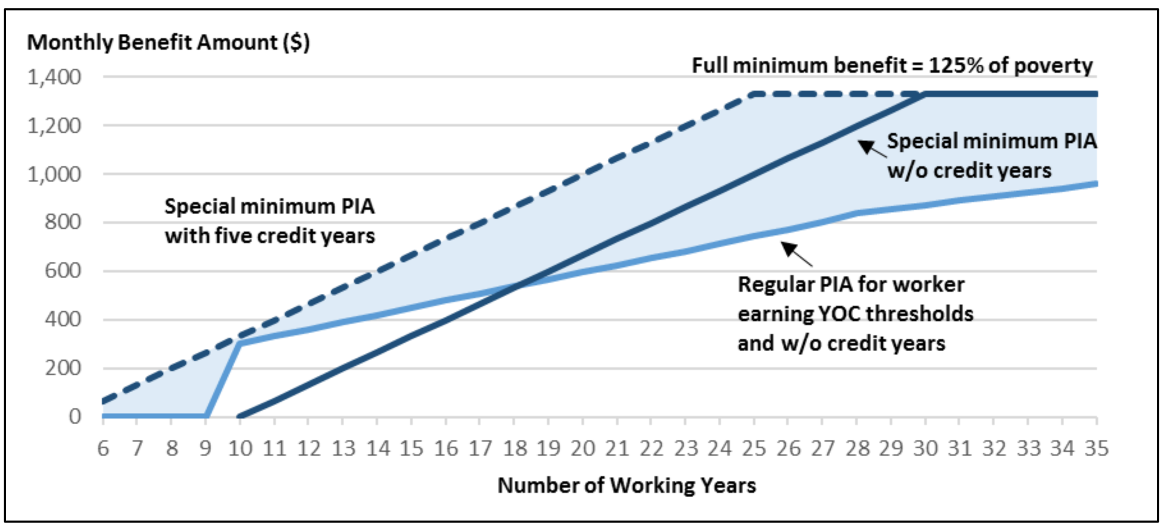
minimum PIA if the YOC range were 20-30 or 20-40 (see **Figure 9**), poor beneficiaries who are no longer eligible for the minimum benefit due to a change in the YOC range would more likely be short-term workers.

YOC Credits for Child Caregiving

Parents, especially women, may take career breaks to care for a child or other relatives. This section focuses on proposals that would count a year of caring for a child as a YOC, typically up to five years for each child and up to eight years in total (see **Table 2**). If this feature were added to the special minimum benefit provision, caregiving parents whose earnings are below the YOC earnings threshold in a certain year would qualify for a YOC in that year. The YOC credit for child care would likely allow more caregiving parents with low career earnings to become eligible for the proposed minimum benefit or entitled to a higher minimum benefit amount, assuming the full minimum benefit were set at 125% of the HHS poverty guideline for a single person household (see **Figure 10**). For example, if a current-law YOC threshold earner were to take care of a child for five years and work for nine years, he or she would not be eligible for a regular Social Security worker's benefits under current law (minimum 10 years of covered earnings required). The worker would be eligible for a special minimum benefit if the provision were allowed for up to five YOC credit years for child care (a benefit amount of $266 per month at 14 YOCs [i.e., 9 + 5 = 14]). In another example, if a YOC threshold earner were to take care of a child for five years and work for 25 years, he or she would be eligible for a partial minimum benefit without a YOC credit year provision for child care (a benefit increase over the regular PIA of $254 per month, or 34%). If those years of child care could be counted toward YOCs, the worker would qualify for a full minimum benefit (5 + 25 = 30 YOCs), resulting in a benefit increase over the regular PIA of $586 per month (or 79%).

Figure 10. Proposed Special Minimum PIA and Regular PIA Under Different Treatments of YOC Credit Years for Child Care, 2020

shaded area = proposed special minimum PIA would be greater than the regular PIA



Source: CRS.

Notes: The worker with 35 working years is assumed to work from age 26 to age 60 and qualify for five credit years for child care. For each decrease in YOC, the assumption is that the worker delayed the start of the work period by one year. For example, the worker with 34 YOCs is assumed to work from age 27 to age 60. The worker is assumed to earn the exact amount needed for a YOC every year. The YOC threshold for the current-law special minimum PIA was 25% of the OLB between 1951 and 1990 and 15% of the OLB on and after 1991.

The benefit level is measured when the worker turns age 62 in 2020, before any early retirement reduction is applied. The credit year is not allowed in the regular PIA. The full minimum benefit under the alternative YOC requirements is assumed at 125% of the HHS poverty guideline for an individual, and the reduced schedule for each alternative YOC requirement is assumed to be linear.

SSA's ORES estimates the share of beneficiaries in 2030, 2050, and 2070 who would receive a higher minimum benefit under various policy options, allowing up to eight YOC credit years for child care. Generally, a larger share of beneficiaries (becoming eligible in 2020 and later) would receive a higher minimum benefit if credit years were allowed than if such provision did not exist. For example, if the full minimum benefit were at 125% of the HHS poverty guideline for a single person household, and the YOC threshold was kept at the current-law level (15% of the OLB) or counted for a child in care, about 3.5% of beneficiaries aged 60 and older would receive a higher minimum benefit in 2030, compared with 1.2% without the YOC child care credit year provision.[50] As more beneficiaries become eligible for Social Security over time, a larger percentage of beneficiaries aged 60 and older would be receiving a higher minimum benefit under the YOC child care credit year provision—7.0% in 2050 and 6.8% in 2070.

As discussed earlier, a larger share of beneficiaries would be likely to receive a higher special minimum PIA under a YOC credit year provision for child care, and the size of the benefit increase would also tend to be larger. Estimates from ORES show that the median percentage increase in benefit under the proposed special minimum PIA with a YOC child care credit year provision would be 8% in 2050, compared with 6% without the child care credit years.[51]

For poor beneficiaries in 2050, estimates show that about 10.7% of current-law beneficiaries aged 60 and older would receive a higher benefit under the proposed higher special minimum PIA if the YOC threshold were kept as the current law (15% of OLB) or counted for a child in care, compared with 2.6% without the YOC credit year provision.

In the analysis above, the YOC child care credit years are allowed in the special minimum PIA, but not in the regular PIA. Some may argue that if taking care of a child were considered in computing the minimum benefit, it might be reasonable to be included in the computation of the regular benefit as well because both low-wage earners and workers with relatively higher wages may stop working due to child caregiving. However, because the regular PIA is based on career-average earnings over 35 years rather than YOCs as in the special minimum PIA, the credit years generally would be treated differently under the regular formula and the special minimum benefit.[52]

YOC Credit Years for Child Care Combined with a Decrease in the YOC Earnings Threshold

Some proposals would define the YOC earnings threshold as either a year of earnings equal to four earnings credits or a child in care up to five years for each child, capped at a total of eight

[50] The options assume that the initial special minimum PIAs would increase with average wages in contrast to the current-law provision, which grows with prices. For more information, see the "Indexation of the Initial Minimum Benefit Amount" section.

[51] The estimated median benefit increases in 2030 and 2070 for the options discussed in this paragraph were about the same as those in 2050.

[52] The allowance of credit years (sometimes referred to as "drop-out" years) in the regular Social Security benefit computation would likely decrease the number of benefit computation years (35 years under current law), which is the key input in the calculation of the Average Indexed Monthly Earnings (AIME). For proposals regarding drop-out years in regular Social Security benefits, see H.R. 4126 and S. 2317 (the Social Security Caregiver Credit Act of 2019).

years.[53] The ORES estimates show that if the full minimum benefit were at 125% of the HHS poverty guideline for a single person household, and the YOC threshold was four earnings credits or a child in care, about 8.6% of beneficiaries aged 60 and older would receive a higher minimum benefit in 2030. In addition, the share of beneficiaries would increase to 17.3% in 2050 and 18.7% in 2070, compared with 5.7%, 11.8%, and 12.9% in 2030, 2050, and 2070, respectively, without the YOC child care credit provision. The median percentage increase in benefit under the proposed minimum benefit would be 16% with YOC child care credit years, compared with 12% without the provision. In particular, estimates show that about 56.2% of poor beneficiaries aged 60 and older would receive a higher minimum benefit in 2050 under this proposal, and nearly half of those with a higher minimum benefit would be lifted out of poverty.

Distributional Effects

Distributional effects refer to the effects of a policy or policy change on individuals and families and consider how those effects are distributed by characteristics such as gender, age, marital status, race/ethnicity, income level, and poverty status. These distributional effects can aid policymakers in identifying the effectiveness of a given policy proposal (e.g., whether it moves individuals out of poverty) and determine how well a policy may target a particular population of interest (e.g., long-term low earners). In the MINT microsimulation, ORES estimated the alternative special minimum benefit proposals' distributional effects using the same underlying proposal parameters modeled by SSA's OCACT. The estimates pertain to current-law beneficiaries aged 60 or older in 2030, 2050, and 2070. Potential outcomes of interest from the ORES MINT estimates include changes in benefit amounts, household income, and poverty—among all beneficiaries and affected beneficiaries—disaggregated by gender, race, country of birth, marital status, educational attainment, current-law poverty status, household income quintile, and current-law benefit type. This section describes the main findings of those distributional effects for policy options that would restructure the special minimum PIA.

Gender

For most policy options discussed in this report, a change in the special minimum PIA would likely affect a larger share of women than men. This is probably because women are more likely than men to have shorter working careers and lower earnings and to take off working years for child care. For example, one study found that among individuals born between 1946 and 1950 who lived through age 62, 3.1% of men and 9.1% of women have earnings in fewer than 10 years, and 7.8% of men and 11.7% of women have earnings between 10 and 19 years.[54] In 2018, about 15% of workers earned less than the current-law YOC threshold amount ($14,310 in 2018), including 12% of working men and 19% of working women.[55] Therefore, more women would likely qualify for a YOC if the current YOC threshold were reduced. In addition, research finds that the average number of working years at age 65 was 39.2 for men, compared with 32.1 for

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[53] SSA, "Solvency Provisions," B5: Minimum Benefits, Options 5.3 and 5.6, at https://www.ssa.gov/OACT/solvency/provisions/benefitlevel.html#B5.

[54] See Appendix Table 3 in Melissa M. Favreault, *How Might Earnings Patterns and Interactions Among Certain Provisions in OASDI Solvency Packages Affect Financing and Distributional Goals?*, Center for Retirement Research Center (CRR) at Boston College, Working Paper 2018-2, March 2018. (Hereinafter Favreault CRR 2018.)

[55] CRS analysis of data from the CPS ASEC 2019. Due to the limitations of the data set, the earnings included both those covered and not covered by Social Security. The statistics do not reflect the percentage of workers who have earnings below the YOC threshold throughout their lifetime.

women without children, 31.8 for women with one child, 30.6 for women with two children, and 26.8 for women with three or more children.[56]

Race

The revised special minimum benefit would generally benefit a larger share of Hispanics and Blacks than Whites and others, partly because Hispanics and Blacks are more likely to have earnings below the current YOC threshold in a certain year and lower lifetime earnings. In 2018, about 17% of Blacks and 19% of Hispanics earned less than the current-law YOC threshold ($14,310), compared with 14% of Whites and 15% of others.[57] One study also found that the average real lifetime earnings up to 2012 for those born in 1945 to 1949 was about $2.5 million for Black males and $2.2 million for Hispanic males, compared with $3.2 million for White males.[58]

Country of Birth

Under most policy options that would change the special minimum benefit discussed in this report, a larger share of foreign-born workers would likely receive a higher special minimum benefit than those born in the United States. One possible explanation might be that some low-earning foreign-born workers arrive in the United States later in their careers, thus having relatively shorter careers covered by Social Security than others. Estimates based on the MINT model show that among Social Security current-law beneficiaries aged 65 to 75 in 2030 who were in the lowest quartile of the AIME distribution (excluding disability insurance beneficiaries),[59] the median cumulative number of earnings credits by 2030 for foreign-born workers would be 52, compared with 65 for those born in U.S.[60] The 13 earnings credits difference is equivalent to 3¼ years of working time based on the Social Security definition of earnings credits.

Marital Status

For almost all policy options that would change the special minimum benefit, a larger share of never-married beneficiaries would likely receive a higher special minimum benefit than those married at a certain point in life (e.g., married, divorced, and widowed). This result may be explained by the fact that many spouses and survivors with low career-average earnings can receive a higher auxiliary benefit (e.g., spousal benefits and survivors benefits) based on another worker's earnings record and are less likely to receive a higher minimum benefit.[61] In addition, the MINT estimates show that a much smaller share of widowed beneficiaries would receive a higher minimum benefit under most policy options than those who are married or divorced. This probably occurs because widowed beneficiaries can receive up to 100% of a deceased spouse's basic benefit, which is higher than spouses and divorced spouses, who can receive up to 50% of a spouse's basic benefit.

[56] Favreault CRR 2018, Appendix Table 4.

[57] CPS ASEC 2019.

[58] Favreault CRR 2018, Appendix Table 7.

[59] For information about the AIME, see the "Regular Social Security Retirement Benefits" section.

[60] CRS received estimates from SSA's ORES using the MINT microsimulation model (version 8.19) and generated on December 3 and December 10, 2019.

[61] See CRS Report R41479, *Social Security: Revisiting Benefits for Spouses and Survivors*, by Zhe Li.

Educational Attainment

For almost all proposed policy revisions to the special minimum benefit discussed above, a larger share of beneficiaries with fewer years of education would likely receive a higher minimum benefit than those with relatively more years of education. This may be partly because individuals with fewer years of education are more likely to earn less than the YOC earnings threshold in a certain year and would be more likely to become eligible for a special minimum benefit should the YOC threshold decrease. In 2018, about 37% of workers who have fewer than 12 years of education earned less than the current-law YOC earnings threshold, compared with 17% of those with a high school degree, 18% of those with some college education, 9% of those with a bachelor degree, and 6% of those with graduate degrees. Workers with fewer years of education also would be more likely to receive a higher special minimum benefit under the policy options discussed in this report because they tend to have lower lifetime earnings than those with higher levels of education. One study found that the average real lifetime earnings up to 2012 for those born in 1945 to 1949 was about $1.9 million for males with less than a high school diploma, $2.8 million for males with a high school diploma, $2.9 million for males with some college, and more than $3.5 million for males with bachelor and higher degrees.[62]

Current-Law Poverty Status

Based on the ORES estimation, policy options that propose to restructure the special minimum benefit would have mixed effects on beneficiaries in poverty compared with those above poverty. For some proposed changes, a relatively larger share of beneficiaries above poverty would receive a higher special minimum benefit. Those revisions would include an increase in the full minimum benefit and linear proration for partial benefits and an increase in the number of YOCs required for minimum benefits. For those policy changes, beneficiaries who could receive a higher revised special minimum benefit would likely be long-term workers. In contrast, under some other proposed policy-lever changes that could benefit some workers with shorter careers, a relatively larger share of beneficiaries in poverty would receive a higher special minimum benefit. Those proposed revisions include a nonlinear prorated partial minimum benefit, a lower YOC earnings threshold, a YOC credit for child care, and a combination of those measures. Workers with shorter careers are more likely to receive a Social Security benefit that is lower than the poverty level, which might explain these different effects. One study shows that about 43% of workers with between 10 and 19 years of earnings received a Social Security family benefit below the poverty level in 2009, compared with 32% for those with 20-29 years of earnings and 20% for those with 30-34 years of earnings.[63]

Household Income Quintile[64]

The ORES estimates show that for almost all policy options to change the special minimum benefit, a larger share of beneficiaries with lower household income would likely receive a higher

[62] Favreault CRR 2018, Appendix Table 6. The study also found that the average real lifetime earnings to 2012 for females born in 1945 to 1949 was about $0.6 million for those with less than a high school diploma, $1.3 million for those with a high school diploma, $1.7 million for those with some college, and more than $1.8 million for those with bachelor and higher degrees.

[63] Favreault CRR 2018, Appendix Table 13A. The current-law poverty status is determined based on family income. Therefore, family income can better reflect economic well-being than Social Security benefits alone. However, given that many disabled and older adults solely depend on Social Security benefits, especially when a person spends down his or her wealth later in life, this statistic gives an important indication of vulnerability.

[64] Each quintile represents 20% of the household population for current-law Social Security beneficiaries aged 60 and

special minimum benefit than those with higher household income. One potential explanation of this effect may be that workers in the bottom of the household income distribution are more likely to earn less than the YOC earnings threshold and would be more likely to receive a special minimum benefit if the YOC earnings threshold were reduced. Statistics show that in 2018, 34% of individuals in the lowest quintile (i.e., bottom 20%) of the household income distribution had earnings below the current YOC earnings threshold, compared with 15% of those in the second quintile of the household income distribution and around 10% for those with even higher household income.[65]

Current-Law Benefit Type

SSA's ORES estimates generally show that under the policy options to change the special minimum benefit, a relatively larger share of disabled workers, retired workers, and spouses would receive a higher minimum benefit than widow(er)s.[66] This might be due to the fact that some low-wage widow(er)s can receive up to 100% of a deceased spouse's basic benefit and would less likely be affected by the special minimum benefit, which would be based on their own earnings records.

Discussion of Policy Options for the Special Minimum Benefit

When evaluating the policy options that restructure the special minimum benefit, policymakers may ask to identify the target group of the revised provision. For example, the target group of the revised provision could be long-term workers or short-term workers, those with all earnings covered by Social Security or those with earnings not covered, and could be only future Social Security beneficiaries or both current and future beneficiaries.

Short-Term vs. Long-Term Covered Careers

The current special minimum benefit and Social Security regular benefit generally are designed to encourage workers to work longer. The original special minimum PIA enacted in 1972 targeted workers with 23 YOCs or more, while the Social Security regular PIA is based on the 35 highest years of annual wage-indexed earnings. Under legislation enacted in 1983 (P.L. 98-21), the full retirement age (FRA) is increasing gradually from 65 to 67 over a 22-year period (for those reaching age 62 between 2000 and 2022); the increase in the FRA might imply that the full-time career should be longer than that considered in the past.

Policy options that could grant the special minimum benefit to shorter-term workers might be particularly helpful to those in poverty. For example, among Social Security current-law retired-worker beneficiaries who would be aged 65 to 75 in 2030 and in the lowest quartile (i.e., the bottom 25%) of the AIME distribution, SSA's ORES estimates show that the median number of years with earnings at or greater than four earnings credits would be 14. Further, 90% of those

older. The first quintile depicts the 20% of the older household population with the least income, and the fifth quintile depicts the 20% of older households with the most income.

[65] CPS ASEC 2019.

[66] The widow(er)s in this section indicate Social Security beneficiary type, which is different from the widowed beneficiaries under the marital status section. Beneficiaries who are widowed can receive workers' benefits based on their own earnings records or widow(er) benefits based on a deceased spouse's earnings records.

beneficiaries would work fewer than 23 years with earnings at or greater than four earnings credits.[67] The ORES estimates for the potential effects of the special minimum benefit policy options also suggest that policy changes that could increase benefits for shorter-term workers would be more likely to reduce the number of future beneficiaries in poverty.

If the revised special minimum benefit still targets only long-term workers, policy options may include increasing the number of YOCs required for a full minimum benefit, increasing the number of YOCs required for any minimum benefit, or both.[68] If the special minimum benefit were revised to target both long-term and shorter-term workers, policy options may include increasing partial minimum benefits for smaller YOCs (such as nonlinear proration)[69] or allowing YOC credits for child care.[70] Substantially increasing the full minimum benefit amount while keeping linear proration for partial minimum benefits or substantially reducing the earnings required for each YOC may also allow shorter-term workers to qualify for a revised special minimum benefit.

Workers with Noncovered Earnings

Another question that policymakers may want to answer is whether the special minimum benefit would be available for workers with earnings based on employment not covered by Social Security. Under Social Security, the *windfall elimination provision* (WEP) is a modified benefit formula that reduces the *regular* Social Security benefit of certain retired or disabled workers who have relatively shorter careers in Social Security-covered jobs and are entitled to pension benefits based on earnings from jobs not covered by Social Security.[71] The special minimum PIA does not have a WEP provision. Therefore, a beneficiary who is affected by the WEP may receive a higher special minimum benefit. Evidence shows that among the 32,806 families receiving the special minimum PIA in June 2013, the WEP affected nearly 40% of them.[72] This percentage is partly because the impact of the special minimum PIA has diminished over time, and since 1999, the special minimum PIA has benefited only newly entitled beneficiaries whose regular benefit is subject to the WEP.[73] In effect, the special minimum PIA has partly reversed the impact of the WEP reduction for these beneficiaries.

SSA's ORES estimates the share of beneficiaries aged 60 and older (becoming eligible in 2020 and later) who would receive a higher minimum benefit under a revised special minimum benefit policy with different treatments of the WEP provision. Those estimations assume that the full minimum benefit at 30 YOCs is equal to 125% of the HHS poverty guideline for a single person household (prorated linearly for YOCs between 11 and 29), and the YOC earnings threshold is equal to four earnings credits. Among beneficiaries who would receive a higher minimum benefit in 2030, roughly 5% would be affected by the WEP; those affected beneficiaries generally would have a family income above the poverty level.

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[67] CRS received estimates from SSA's ORES using the MINT microsimulation model (version 8.19) and generated on December 3 and December 10, 2019.

[68] See the "Number of YOCs Required for the Special Minimum PIA" section.

[69] See the "The Partial Minimum Benefit Amount: Linear vs. Nonlinear Proration" section.

[70] See the "YOC Credits for Child Caregiving" section.

[71] See CRS Report 98-35, *Social Security: The Windfall Elimination Provision (WEP)*, by Zhe Li.

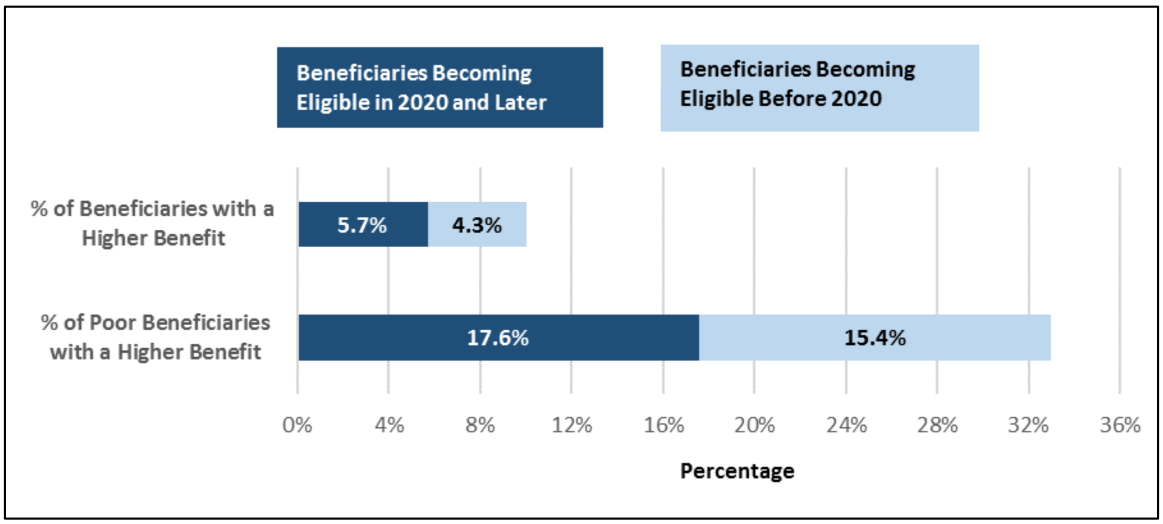
[72] Craig A. Feinstein, *Diminishing Effect of the Special Minimum PIA*, SSA, Actuarial Note no. 154, Table 5, November 2013, at http://www.ssa.gov/oact/NOTES/pdf_notes/note154.pdf. (Hereinafter Feinstein, SSA, Table 5.)

[73] Feinstein, SSA, Table 5.

Current vs. Future Beneficiaries

The policy options discussed earlier in this report[74] would apply to beneficiaries becoming eligible for Social Security benefits in 2020 and later (*equivalent* to retired workers born in 1958 and later).[75] This implies that beneficiaries becoming eligible for Social Security before 2020 would receive benefits based on current law. As discussed earlier, if the full minimum benefit were increased to 125% of the HHS poverty guideline for a single person household and the YOC threshold were decreased to four earnings credits, about 5.7% of newly eligible beneficiaries aged 60 and older and 17.6% of those newly eligible poor beneficiaries in 2020 and later would receive a higher special minimum PIA in 2030. ORES also estimates that if those beneficiaries who become eligible before 2020 could also receive the restructured special minimum PIA, an additional 4.3% of beneficiaries aged 60 and older would receive a higher minimum benefit, and an additional 15.4% of poor beneficiaries would receive a higher minimum benefit in 2030 (see **Figure 11**). The number of affected beneficiaries who became eligible before 2020 would decline over time. In terms of program cost, allowing beneficiaries who became eligible before 2020 to receive a restructured special minimum PIA would increase the program outlay in the short term, adding an additional financial burden to the existing Social Security funding shortfall.[76]

Figure 11. Effects of Applying the Proposed Special Minimum PIA to All Social Security Beneficiaries, 2030



Source: CRS analysis based on MINT estimates received from SSA's ORES.

Notes: The proposed special minimum PIA is assumed to be 125% of the HHS poverty guideline for a single person household at 30 or more YOCs and reduced proportionally for YOCs between 11 and 29. The YOC threshold is assumed to be four earnings credits. Estimates are based on current law beneficiaries aged 60 and older.

[74] See discussions in "Policy Options for the Special Minimum PIA and Effects on Beneficiaries" section.

[75] SSA, "Solvency Provisions," B5: Minimum Benefits, at https://www.ssa.gov/OACT/solvency/provisions/benefitlevel.html#B5.

[76] For general information about Social Security's financial status, see CRS In Focus IF10522, *Social Security's Funding Shortfall*, by Barry F. Huston. For cost estimations of selected policy options that would change the special minimum benefit, see SSA, "Solvency Provisions," B5: Minimum Benefits, at https://www.ssa.gov/OACT/solvency/provisions/benefitlevel.html#B5.

Appendix. Effects of Policy Options for Changing the Special Minimum PIA

Table A-1 summarizes the effects of selected policy options for revising one or more design features under the special minimum PIA on Social Security beneficiaries in 2050. Estimated effects are based on the MINT microsimulation model from SSA's ORES. All policy proposals would apply to beneficiaries who become eligible for Social Security retirement benefits in 2020 and assume the initial special minimum benefits would be indexed to average wage growth. The estimates are for each policy option separately, that is, as if each option were enacted alone. Legislative proposals usually combine several policy options that may interact with each other. Due to the effects of interaction among different policy options, the combined effect on Social Security beneficiaries of two or more options cannot be determined accurately by simple adding the effect of the individual options.

The proposed changes would generally result in a larger number of beneficiaries receiving a higher special minimum PIA relative to the regular PIA and a higher increase in benefit amount. In terms of program outlays, a larger share of beneficiaries and a larger benefit increase for a revised special minimum PIA would generally cost more for the Social Security program.[77]

Table A-1. Summary of Effects of Selected Policy Options for the Special Minimum PIA

all policy options assume the initial special minimum benefits would be indexed to wage growth

	Effects on All Beneficiaries in 2050		Effects on Poor Beneficiaries in 2050	
Design Features Different from Current Law	% of Beneficiaries with a Benefit Increase	Median % of Benefit Increase	% of Beneficiaries with a Benefit Increase	Median % of Benefit Increase
An increase in the full minimum benefit				
Full minimum benefit: 100% of poverty guideline[a]	0.0%	0.0%	0.0%	—
Full minimum benefit: 125% of poverty guideline[b]	3.1%	6.0%	2.6%	—
Nonlinear proration for the partial minimum benefits				
Full minimum benefit: 31 2/3% of AWI Proration for partial benefits: nonlinear[c]	7.4%	7.0%	9.4%	9.0%
A decrease in the YOC earnings threshold, assuming the full minimum benefit equal to 125% of the poverty guideline				
YOC earnings threshold: full-time federal minimum wage[d]	6.3%	8.0%	8.6%	12.0%

[77] Proposals for the special minimum PIA would usually combine several policy options. For the cost estimate of those proposals, see SSA, "Solvency Provisions," B5: Minimum Benefits, at https://www.ssa.gov/OACT/solvency/provisions/benefitlevel.html#B5.

Design Features Different from Current Law	Effects on All Beneficiaries in 2050: % of Beneficiaries with a Benefit Increase	Effects on All Beneficiaries in 2050: Median % of Benefit Increase	Effects on Poor Beneficiaries in 2050: % of Beneficiaries with a Benefit Increase	Effects on Poor Beneficiaries in 2050: Median % of Benefit Increase
YOC earnings threshold: four earnings credits[e]	11.8%	12.0%	28.7%	20.0%
A change in the YOC range, assuming the full minimum benefit equal to 125% of the poverty guideline				
YOC range: 20-30[f]	2.6%	6.0%	1.5%	—
YOC range: 20-40[g]	0.2%	—	0.0%	—
Allowing a YOC credit year for child care, assuming the full minimum benefit equal to 125% of the poverty guideline				
YOC earnings threshold: 15% of OLB and a child in care[h]	7.0%	8.0%	10.7%	10.0%
YOC earnings threshold: four earnings credits and a child in care[i]	17.3%	16.0%	56.2%	30.0%

Source: CRS analysis based on MINT estimates received from SSA's ORES.

Notes: Under the current law special minimum PIA, the full minimum benefit is $886.40 in 2020, indexed to price growth since 1979, and is payable to workers who have 30 or more YOCs. The monthly amount decreases by about $44 for each YOC below 30. For those with 11 YOCs, the special minimum PIA is $42.50 per month in 2020. Workers with fewer than 11 YOCs are ineligible for the special minimum benefit. The YOC earnings threshold is 15% of the old-law contribution and benefit base (OLB). In all policy options listed in the table, initial benefits would be indexed by growth in Social Security's average wage index (AWI). The poverty guideline refers to the HHS poverty guideline. Dashes indicate that estimates are not available due to small samples. Estimates are based on current law beneficiaries aged 60 and older.

a. For examples of this provision, see SSA, "Solvency Provisions," B5: Minimum Benefits, Options B5.6, 5.7, and 5.11, at https://www.ssa.gov/OACT/solvency/provisions/benefitlevel.html#B5.
b. For examples of this provision, see SSA, "Solvency Provisions," B5: Minimum Benefits, Options B5.2, 5.3, 5.4, and 5.9.
c. For examples of this provision, see SSA, "Solvency Provisions," B5: Minimum Benefits, Option B5.10.
d. For examples of this provision, see SSA, "Solvency Provisions," B5: Minimum Benefits, Option B5.10.
e. For examples of this provision, see SSA, "Solvency Provisions," B5: Minimum Benefits, Options B5.2, 5.3, 5.4, 5.6, and 5.9.
f. For examples of this provision, see SSA, "Solvency Provisions," B5: Minimum Benefits, Option B5.5.
g. For examples of this provision, see SSA, "Solvency Provisions," B5: Minimum Benefits, Option B5.9.
h. For similar examples of this provision, see SSA, "Solvency Provisions," B5: Minimum Benefits, Option B5.5.
i. For (similar) examples of this provision, see SSA, "Solvency Provisions," B5: Minimum Benefits, Options B5.3, 5.6, 5.7, and 5.11.

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