



# Social Security: The Minimum Benefit Provision

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## Summary

Social Security has had a minimum benefit provision since 1939. Social Security's minimum benefit provision originally took the form of a floor—that is, a fixed dollar amount—below which benefits could not fall. Congress has modified this provision over the years to change its key parameters, formula, and overall goals.

Under current law, Social Security's minimum benefit provision is known as the “Special Minimum Primary Insurance Amount,” or “Special Minimum PIA.” Congress created the Special Minimum PIA in 1972 and it became effective for new beneficiaries starting in January 1973. The Special Minimum PIA was created to answer concerns that the 1939 minimum benefit structure in the form of a “floor” provided a windfall to some persons who had a sporadic attachment to the workforce, for example, for persons with only a few years of work in Social Security-covered employment.

The Special Minimum PIA may be paid to workers with more than 10 years in Social Security-covered employment. The benefit amount paid to a retired worker is based on, and rises with, the number of years he or she worked in covered employment. The Special Minimum PIA is payable if the benefit amount is higher than the benefit computed under the regular Social Security benefit formula.

The Special Minimum PIA reaches fewer beneficiaries every year. It is likely to cease raising benefits for workers turning 62 in 2017, according to the Social Security Administration. This is because Special Minimum PIA benefits, which are indexed to price inflation, have risen more slowly than regular Social Security benefits, which are indexed to wage inflation. Historically, wage inflation has been higher than price inflation. Consequently, for almost all new beneficiaries today, benefits are larger under the regular benefit formula than under the Special Minimum PIA.

Some recent proposals would reform the Special Minimum PIA, or would create a new minimum benefit in Social Security. These proposals are aimed at reaching more beneficiaries, at providing a higher initial minimum benefit level, or at both goals. This renewed interest has been sparked in part by Social Security proposals that would reduce the traditional benefit and/or introduce an element of market risk to future benefits. Another reason for renewed interest in Social Security minimum benefits is concern over poverty rates among beneficiaries who had low wages throughout their careers. In particular, increasing numbers of single older women have had low earnings throughout their careers and do not qualify for Social Security spousal or survivor benefits because they never married or divorced before 10 years of marriage.

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## Introduction

The Social Security program has contained a minimum benefit provision since 1939. The minimum benefit provision created in 1939 provided a floor to the monthly benefit until the end of 1981, when the original minimum benefit structure was eliminated.

Today, the Social Security minimum benefit is called the “Special Minimum primary insurance amount” or “Special Minimum PIA.” Unlike the minimum benefit created in 1939, the Special Minimum PIA benefit amount is linked to the number of years a worker has spent in Social Security-covered employment. The goal of the Special Minimum PIA is to provide a minimum benefit for those who work in covered employment for many years but at low earnings. The Special Minimum PIA is paid if the calculation results in a higher benefit than the regular Social Security benefit calculation. Because the Special Minimum PIA was not structured to keep pace with wage inflation, it reaches fewer beneficiaries in each year and is expected to be effectively inoperative for persons reaching the age of 62 in 2017.

## “Regular” Social Security Retirement Benefits are Based on a Worker’s Average Earnings

To compute the regular Social Security retirement benefit (known as the regular “primary insurance amount,” or PIA), a worker’s highest 35 years of earnings are converted into current-dollar terms by indexing each year of earnings to historical wage growth. The highest 35 years of indexed earnings are divided by 35 to determine career-average annual earnings and then divided by 12 to determine the worker’s average indexed monthly earnings (AIME). If a worker has fewer than 35 years of earnings in covered employment, years of no earnings are entered as zeros. Next, the Social Security benefit formula is applied to the worker’s AIME. Two dollar thresholds, known as “bendpoints,” are used to divide the worker’s AIME into three segments: in 2012 the two bendpoints are \$767 and \$4,624. Next, three progressive factors—90%, 32%, and 15%—that are applied to the three different segments of the worker’s AIME. The benefit formula replaces a higher percentage of the pre-retirement earnings of workers with low career-average earnings than for workers with high career-average earnings. For a more detailed explanation of the regular Social Security benefit computation, see **Appendix A**.

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 **Appendix B**.

## Determining the Special Minimum PIA

Under current law, the Social Security minimum benefit provision is known as the “Special Minimum PIA.” The monthly Special Minimum PIA benefit amount is determined by multiplying a worker’s years of work in Social Security-covered employment, in excess of 10 years and not more than 30 years, by a legislatively specified dollar amount. This computation is described below. Special Minimum PIA benefits are paid if the amount (before potential

modifications, as will be discussed below) is higher than the benefit calculated under the regular benefit formula.

## **Years of Coverage**

A worker must have more than 10 years of work, known as “years of coverage,” in Social Security-covered employment to be eligible for the Special Minimum PIA. Years of covered employment in excess of 30 are not considered for the purposes of determining a worker’s Special Minimum PIA.<sup>1</sup> A “year of coverage” is defined as a year, between 1951 and the year of entitlement or death, during which a worker in Social Security-covered employment or self-employment exceeds the specified earnings threshold for that year.<sup>2</sup>

The 2012 threshold for establishing a year of coverage for the Special Minimum PIA is \$12,285 in wage or salary earnings in Social Security-covered employment, including in self-employment. From 2009 to 2011, the threshold was \$11,880<sup>3</sup> and in 2008 the threshold was \$11,385. The wage and salary earnings thresholds for years of coverage before 2012 are shown in **Appendix C**.

The Social Security Administration (SSA) determines the annual threshold for a year of coverage under the Special Minimum PIA as 15% of the “old law” contribution and benefit base.<sup>4</sup> The “old law” contribution and benefit base is indexed to increases in the national average wage. As a result, the year of coverage thresholds for the Special Minimum PIA are effectively indexed to wage growth.

The year of coverage thresholds create a “cliff” effect. If a worker’s earnings in a year are even one dollar short of the threshold for that year, he or she will not earn credit for a year of coverage.

## **Special Minimum PIA Initial Monthly Benefit Amounts**

After a worker’s number of years of coverage has been established, the worker’s initial Special Minimum PIA monthly benefit is determined by referring to a benefit table, also known as a “conversion chart.”<sup>5</sup> **Table 1** shows the 2012 initial Special Minimum PIA amounts for 11 or

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<sup>1</sup> If a newly entitled beneficiary has less than 30 years of coverage, but during or following the year of entitlement has additional earnings and establishes an additional year or years of coverage up to but not exceeding 30 years, the benefit amount may be recomputed to include the new year of coverage.

<sup>2</sup> For years of work from 1937 to 1950, a worker’s number of years of coverage is determined by summing Social Security-covered earnings over this 14-year period and dividing by \$900 (any remainder is disregarded and the resulting number of years cannot exceed 14). See **Appendix C**, “Determining a Worker’s Years of Coverage for the Special Minimum PIA.”

<sup>3</sup> The year of coverage thresholds for 2009, 2010, and 2011 were the same because the year of coverage threshold is not increased in years for which Social Security pays no COLA. Social Security did not pay a COLA in January 2010 or January 2011. See <http://www.socialsecurity.gov/OACT/COLA/oldcbb.html>.

<sup>4</sup> 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 2012, the current-law contribution and benefit base is \$110,100. The “old law” contribution and benefit base is the base in effect before the 1977 Social Security Amendments (P.L. 95-216). In 2012, the “old law” contribution and benefit base is \$81,900. An historical series for the “old law” contribution and benefit base can be found here: <http://www.socialsecurity.gov/OACT/COLA/yoc.html>.

<sup>5</sup> For details on how the Special Minimum PIA is computed, see Social Security Administration, *Program Operations Manual System*, RS 00640.075, at <http://policy.ssa.gov/poms.nsf/links/0300640075>.

more years of coverage. The Special Minimum PIA is not available to workers with 10 or fewer years of coverage.

**Table 1. Special Minimum PIA Initial Monthly Benefit Amounts, by Number of Years of Coverage, Effective in 2012**

Number of Years of Coverage	Initial Monthly Primary Insurance Amount
11	\$ 38.20
12	77.80
13	117.60
14	157.00
15	196.20
16	236.00
17	275.60
18	315.20
19	354.70
20	394.40
21	434.10
22	473.40
23	513.60
24	553.10
25	592.50
26	632.70
27	671.80
28	711.50
29	751.10
30	790.60

**Source:** Social Security Administration, <http://www.socialsecurity.gov/cgi-bin/smt.cgi>.

For example, a person with 30 years of coverage would qualify for an initial monthly Special Minimum PIA benefit of \$790.60 (before potential adjustments, as will be discussed below). The SSA updates **Table 1** annually. For benefits payable in 1979 and later, SSA determines Special Minimum PIA initial benefit amounts by multiplying a factor of \$11.50 by the number of years of coverage and then adjusting for price inflation since 1979.<sup>6</sup>

Special Minimum PIA benefit amounts (the benefit table) are indexed to price inflation, in contrast to regular Social Security benefits which are indexed to wage inflation through age 60

<sup>6</sup> The numbers in the benefit table do not rise linearly because of the impact of rounding annual benefit levels over many successive years since 1979 (email correspondence with SSA staff, August 8, 2010). Tables showing the Special Minimum PIA initial benefit for other years can be found at <http://www.socialsecurity.gov/OACT/ProgData/tableForm.html>.

and then to price inflation after eligibility at age 62.<sup>7</sup> This is the reason the Special Minimum PIA is expected to stop applying for workers who reach age 62 starting in 2017. Wage inflation has historically been higher than price inflation, with the result that today a worker's regular, AIME-based benefit amount is almost always higher than the Special Minimum PIA benefit amount. (This will be discussed in more detail below in the section entitled, "The Special Minimum PIA is Expected to Phase Out by 2017.")

After the initial year of benefit receipt, Special Minimum PIA benefit amounts are increased in line with the Social Security cost-of-living-adjustment (COLA).<sup>8</sup> This provision is similar to the COLA provided after the first year of receipt of the regular AIME-based benefit.

## **Benefits for Family Members**

Monthly benefit rates for dependents and survivors are figured as a percentage of the worker's Special Minimum PIA, not to exceed the family maximum amount (described below). The computation of auxiliary benefits uses the same rates that are used for regular, AIME-based benefits (see **Appendix B**), subject to a maximum family benefit amount.

Thus, the spouse or divorced spouse (if the marriage lasted 10 or more years) of a Special Minimum PIA beneficiary would be entitled to a benefit equal to 50% of the worker's Special Minimum PIA. A monthly survivor benefit equal to 100% of the deceased worker's Special Minimum PIA is payable to the surviving spouse or surviving divorced spouse of a worker who was fully insured at the time of death. The child of a disabled or retired worker is eligible for 50% of the worker's Special Minimum PIA, while the child of a deceased worker is eligible for 75% of the worker's Special Minimum PIA.

## **Potential Adjustments to the Special Minimum PIA Benefit Amount**

Several provisions may cause a worker's monthly benefit payment to differ from his or her Special Minimum PIA. All of the following provisions affect both the regular, AIME-based benefit and the Special Minimum PIA:

- The actuarial reduction for claiming benefits before the full retirement age (FRA). For most of Social Security's history the FRA has been 65; however, as a result of 1983 legislation, the FRA is currently scheduled to rise gradually to age 67.<sup>9</sup> A worker's monthly benefit will be less than his or her PIA if the worker begins receiving benefits before FRA.<sup>10</sup>

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<sup>7</sup> Congress did not originally provide for updating the initial benefit table for wage or price inflation when it created the Special Minimum PIA in 1972. Legislation increased initial PIA amounts effective from January 1973, March 1974, and January 1979. The Social Security Financing Amendments of 1977 (P.L. 95-216) provided for an ad hoc increase in initial Special Minimum benefit levels and also indexed future initial benefit levels (the benefit table) to price inflation. Also see 42 USC 415(a)(1)(C)(i).

<sup>8</sup> P.L. 95-216, the Social Security Financing Amendments of 1977.

<sup>9</sup> For a chart showing the FRA for each birth year, see <http://www.socialsecurity.gov/pubs/retirechart.htm>.

<sup>10</sup> Although workers can claim Social Security retirement benefits as early as age 62 (the early retirement age, or ERA), the full amount of a worker's PIA is paid at the worker's full retirement age (FRA). The purpose of the actuarial (continued...)



- The retirement earnings test (RET). The RET applies to beneficiaries who are below the Social Security FRA and have earnings that exceed a specified dollar amount (an annual exempt amount). For beneficiaries who are below FRA and will not attain FRA during the calendar year, Social Security benefits are reduced by \$1 for each \$2 earned above the annual exempt amount. For beneficiaries who will attain FRA during the calendar year, Social Security benefits are reduced by \$1 for each \$3 earned above the annual exempt amount.<sup>11</sup>
- The government pension offset (GPO). The GPO applies to persons who have pensions from employment that is not covered by Social Security, but who are entitled to Social Security spouse or survivor benefits based on a spouse or deceased spouse's work record in Social Security-covered employment. The GPO may apply to a spouse or survivor benefit that is based on either the regular Social Security benefit or the Special Minimum PIA.<sup>12</sup>
- The family maximum benefit. The maximum total benefit that can be received by all members of a family varies from 150% to 188% of the retired or deceased worker's PIA. The family maximum cannot be exceeded regardless of the number of recipients entitled on that earner's record. If the total individual monthly benefits payable to all recipients entitled on one earnings record exceeds the family maximum, proportional reductions will be made to the benefits received by the worker and each dependent.<sup>13</sup>

There are a few differences, however, in how certain adjustments affect Special Minimum PIA benefits compared to regular benefits. First, the delayed retirement credit (DRC) is not applicable to Special Minimum benefits.<sup>14</sup> The DRC is an actuarial adjustment that increases the monthly benefit amount of workers who retire after reaching FRA.<sup>15</sup> However, DRCs may be added to the regular, AIME-based benefit, and this may cause the adjusted regular benefit to exceed the Special Minimum PIA benefit.<sup>16</sup>

The Social Security windfall elimination provision (WEP) also does not apply to the Special Minimum PIA.<sup>17</sup> A worker's regular, AIME-based benefit may be reduced under the WEP if he or she is entitled to a pension based on employment in certain federal, state or local government

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(...continued)

reduction to benefits for retirement before FRA is to ensure that the worker receives roughly the same total *lifetime* benefits (assuming he or she lives to average life expectancy) regardless of the age at which he or she claims benefits. For workers who claim benefits before FRA, the monthly benefit amount is decreased by an adjustment that is roughly actuarially fair. For more information on the retirement age, see CRS Report R41962, *Fact Sheet: The Social Security Retirement Age*, by Alison M. Shelton.

<sup>11</sup> For more information on the RET, see CRS Report R41242, *Social Security Retirement Earnings Test: How Earnings Affect Benefits*, by Dawn Nuschler and Alison M. Shelton.

<sup>12</sup> Email correspondence with Social Security Administration staff on October 14, 2010.

<sup>13</sup> For more information on the maximum family benefit, see **Appendix B**.

<sup>14</sup> Social Security Administration, *Program Operations Manual System*, Section RS 00605.075.

<sup>15</sup> The DRC, for workers who claim regular, AIME-based benefits after attaining FRA, is 8% per year for workers born in 1943 or later (i.e., starting with those who attained age 62 in 2005 or age 66 in 2009). For more details on the DRC see **Appendix A**.

<sup>16</sup> Social Security Administration, *Program Operations Manual System*, Section RS 00605.075.

<sup>17</sup> Social Security Administration, *Program Operations Manual System*, Section RS 00605.360.C.3.c.

positions that are not covered by Social Security.<sup>18</sup> However, Special Minimum benefits may be awarded to a worker with a pension from work that was not covered by Social Security, provided that person is also eligible for a regular, AIME-based Social Security worker benefit and the Special Minimum benefit is higher than the worker's regular, AIME-based benefit after the WEP reduction. Very few workers with careers in both covered and non-covered employment have qualified for the Special Minimum PIA recently, however.<sup>19</sup>

## Annual Cost-of-Living Adjustment

After the initial year of eligibility (age 62), the Social Security COLA applies annually to Special Minimum PIA benefits in order to maintain purchasing power.

## Dually Entitled Beneficiaries

Some beneficiaries may be simultaneously (dually) entitled to the Special Minimum PIA as well as to Social Security spouse or survivor benefits. When a dually entitled beneficiary's retired-worker benefit is higher than the spousal/survivor benefit to which he or she would be entitled, he or she receives only the retired-worker benefit. Conversely, when the beneficiary's retired-worker benefit is lower than the spousal/survivor benefit, the person is referred to as "dually entitled" and receives the retired-worker benefit plus a spousal/survivor benefit that is equal to the difference between the retired-worker benefit and the full spousal/survivor benefit.

Effectively, if the Special Minimum PIA is not the highest benefit payable, it does not increase the benefit amount. Many women who qualify for the Special Minimum PIA are also dually entitled and receive a total benefit amount that is equal to the higher spouse or survivor benefit: this point will be discussed in more detail in the next section.

## Special Minimum PIA Beneficiaries in 2010

**Table 2** shows the number of current Special Minimum PIA beneficiaries by various categories of beneficiary, as well as average monthly Special Minimum primary insurance amounts and average monthly benefit amounts.

The second column in **Table 2** shows the number of beneficiaries by category of beneficiary. In 2010, the last year for which data is available, about 76,129 beneficiaries were entitled to the Special Minimum PIA. By far the majority (70,236, or 92%) of these beneficiaries were retired workers or the spouses and children of retired workers. Retired women beneficiaries constitute a

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<sup>18</sup> In 2007, approximately 27% of state and local government workers were in positions not covered by Social Security. Federal workers hired before January 1, 1984, under the Civil Service Retirement System (CSRS) were not covered by Social Security; federal workers hired on or after January 1, 1984 were covered by Social Security and the Federal Employees Retirement System (FERS). For more information about the WEP, see CRS Report 98-35, *Social Security: The Windfall Elimination Provision (WEP)*, by Alison M. Shelton.

<sup>19</sup> As will be discussed below, when the Special Minimum PIA was created in 1972, about 23 years of coverage (i.e., about 23 years in Social Security-covered employment with earnings above the Special Minimum PIA thresholds) were necessary for the Special Minimum PIA benefit to exceed the regular, AIME-based PIA. This de facto requirement has since risen to about 30 years of coverage. The windfall elimination provision phases out, however, for workers with between 20 and 30 years of Social Security-covered employment.

great majority (53,108 or 78%) of retired worker beneficiaries of the Special Minimum PIA. About 5,856 (or 8%) of Special Minimum PIA beneficiaries are survivors of workers. The number of disabled beneficiaries of the Special Minimum PIA is minimal: 37 disabled beneficiaries and 73 disabled widow(er)s.<sup>20</sup>

The third column shows the average monthly Special Minimum primary insurance amount.

The fourth column shows the average monthly benefit payment, which is the actual benefit amount received by beneficiaries after any reductions or increases. Reductions to the Special Minimum PIA benefit amount result from one or more provisions: retirement before FRA, the RET or the family maximum (these provisions were described in the section above entitled “Potential Adjustments to the Special Minimum PIA Benefit Amount”). For male retired workers the Special Minimum PIA amount (\$595.00, in the third column) is higher than the actual average monthly benefit paid (\$529.10, in the fourth column) due to downward adjustments for retiring before the FRA, the RET, or the family maximum. Benefit payments to children are also lower than their Special Minimum PIA amounts: this is because the family maximum provision reduces the benefits of children of retired and deceased workers and widowed mothers and fathers.<sup>21</sup>

A worker’s Special Minimum PIA (third column) may be *lower* than the monthly benefit amount paid (fourth column) because of recomputations to include additional years of work, or because of dual entitlement. As described above (in the section entitled “Dually Entitled Beneficiaries”), when the beneficiary’s retired-worker benefit is lower than the spousal/survivor benefit, the person is referred to as “dually entitled” and receives the retired-worker benefit plus a spousal/survivor benefit that is equal to the difference between the retired-worker benefit and the full spousal/survivor benefit. In particular, for retired women beneficiaries the average monthly Special Minimum PIA (\$646.10) is lower than the average monthly benefit payment (\$966.60). The presence of a large number of dually entitled women drives the results for several classifications of beneficiaries (“All beneficiaries,” “Total Retired,” and “Retired Workers”), where the monthly Special Minimum PIA (in the third column) is lower than the actual monthly benefit payment (in the fourth column).

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<sup>20</sup> Disabled beneficiaries generally leave the workforce early. As noted above, a worker must have more than 10 years of coverage to be eligible for the Special Minimum PIA. As will be discussed later, when Congress created the Special Minimum PIA in 1972 it noted that a worker would generally need at least 23 years of coverage for the Special Minimum PIA benefit to exceed the regular retirement benefit. Today, a worker needs nearly 30 years of coverage to exceed the regular retirement benefit. Further, Social Security Disability Insurance uses an alternative benefit formula that increases the hurdle for the Special Minimum PIA benefit.

<sup>21</sup> Email correspondence with Social Security Administration staff on June 1, 2010.

**Table 2. The Special Minimum PIA: Number of Current Beneficiaries, Average Monthly Special Minimum PIA Amounts and Average Monthly Benefit Payments, December 2010**

Type of Benefit and Gender	Number of Beneficiaries	Average Monthly Special Minimum Primary Insurance Amount (dollars) <sup>a</sup>	Average Monthly Benefit Payment (dollars) <sup>b</sup>
All beneficiaries	76,129	\$639.30	\$830.40
<b>Retirement benefits</b>			
Total	70,236	633.80	852.00
- Retired workers	68,283	634.70	869.30
-- Men	15,175	595.00	529.10
-- Women	53,108	646.10	966.60
- Wives and husbands of retired workers	1,746	597.80	244.20
- Children of retired workers	207	636.20	259.40
<b>Disability benefits</b>			
Total	37	604.20	554.70
<b>Survivor benefits</b>			
Total	5,856	706.00	572.60
- Nondisabled widow(er)s	4,623	703.00	592.30
- Disabled widow(er)s	73	701.40	423.80
- Widowed mothers and fathers	11	679.80	481.20
- Children of deceased workers	1,149	718.70	503.60

**Source:** Social Security Administration, *2011 Statistical Supplement*, Table 5.A8, available at <http://www.socialsecurity.gov/policy/docs/statcomps/supplement/2011/5a.html#table5.a8>.

- a. The average Special Minimum primary insurance amount for each category of beneficiary.
- b. The average monthly benefit amount received by beneficiaries after any reductions or increases. Reductions to the Special Minimum PIA may result from retirement before FRA, the RET or the family maximum provision. Increases to the Special Minimum PIA may result from recomputations to include any additional years of work, or from the addition of spousal or survivor benefits in the case of dually entitled beneficiaries.

## Special Minimum PIA Does Not Increase the Total Benefit Amount for Many Beneficiaries

As noted above, if a beneficiary is entitled to more than one Social Security benefit (for example, a beneficiary may also be entitled to spouse or survivor benefits) and the Special Minimum PIA is not the highest benefit payable, it does not increase the total benefit amount. Many women who qualify for the Special Minimum PIA are also dually entitled and receive a total benefit amount that is equal to the higher spouse or survivor benefit. According to unpublished data from the SSA, about two-thirds of retired women beneficiaries of the Special Minimum PIA are dually entitled. In such cases, the Special Minimum benefit makes no contribution to improving benefit adequacy.

The average Special Minimum PIA monthly benefit received by women who were not dually entitled (i.e., who received only the Special Minimum PIA based on their own work records) was \$582.90 in 2009 after reductions for early retirement and other reductions (not shown in **Table 2**).<sup>22</sup>

Because women represent 78% of Special Minimum PIA beneficiaries, this means that a large proportion of all Special Minimum PIA beneficiaries in 2010 were dually entitled and therefore did not receive a higher benefit because of the Special Minimum PIA. Of about 82,337 workers, their dependents and their survivors who were entitled to a benefit based on the Special Minimum PIA as of 2009, about 43,243 received a higher total benefit (relative to the AIME-based benefit) because of the Special Minimum PIA; the other 39,094 were dually entitled and received the Special Minimum PIA plus a spousal or survivor benefit.<sup>23</sup>

## **New Beneficiaries in 2009**

Of the total number of current beneficiaries, about 810 persons were awarded the Special Minimum PIA in 2009 (not shown in **Table 2**).<sup>24</sup> About 4,620 new beneficiaries were awarded the Special Minimum PIA from 2005 through 2009, and about 4,920 beneficiaries were awarded the Special Minimum PIA from 2000 through 2004. Many of these recent new beneficiaries appear to have either been subject to the WEP or to have changed status from spouse to widow(er) based on a deceased spouse's Special Minimum PIA.<sup>25</sup>

# **History of the Social Security Minimum Benefit Provision**

## **Original Structure of the Social Security Minimum Benefit (1939 to 1981)**

Congress first created a Social Security Minimum Benefit provision in 1939,<sup>26</sup> when it established a Minimum Benefit of \$10 per month. (At the time, \$10 was the lowest monthly benefit amount payable under the benefit calculations used that year.)

The original Minimum Benefit provision, as it operated from 1939 to 1981, provided a minimum benefit to anyone with low average earnings in Social Security-covered employment. Unlike the current-law Special Minimum PIA, the original provision did not require workers to have had earnings in a specified number of years or to have had at least a threshold amount of earnings in each of a certain number of years. As a result, a worker could have received the original

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<sup>22</sup> Unpublished data provided by the Social Security Administration on September 27, 2010.

<sup>23</sup> Unpublished data provided by the Social Security Administration on September 27, 2010.

<sup>24</sup> Email correspondence with SSA staff on August 4, 2010.

<sup>25</sup> Unpublished data provided by the Social Security Administration received September 8, 2010.

<sup>26</sup> P.L. 76-379, the Social Security Amendments of 1939.

Minimum Benefit because he or she had low earnings over a long career or, alternatively, because he or she had medium or high earnings but a short attachment<sup>27</sup> to the workforce.

Successive legislation periodically raised the original \$10 monthly dollar amount in increments until 1975, when original-structure Minimum Benefit amounts for newly entitled beneficiaries were tied to increases in the consumer price index.<sup>28</sup> Also starting in 1975, a cost-of-living adjustment (COLA) was provided for original-structure Minimum Benefits following the initial year of benefit entitlement.

The Social Security Financing Amendments of 1977<sup>29</sup> “froze” the initial Minimum Benefit at the amount in effect in December, 1978—\$122 per month—for newly entitled beneficiaries beginning in January 1979 and for all subsequent years. Annual COLAs continued to be provided to beneficiaries following the first year of benefit receipt. The COLA was applied after permanent reductions, such as the actuarial reduction for early retirement, were applied.<sup>30</sup>

The House Ways and Means Committee Report to accompany the bill to freeze the original Minimum Benefit at \$122 per month (H.R. 9346, which became P.L. 95-216) contained this rationale:

Increasingly, the minimum benefit is being paid to people who did not, during their working years, rely on their covered earnings as a primary source of support. Such people include, for example, workers whose primary work was in non-covered employment subject to a staff retirement system—such as Federal civilian employees. In December 1975, about 45% of civil service retirement annuitants were receiving Social Security benefits, more than a quarter of whom were receiving the minimum.... Because of the characteristics of people getting the minimum, it has been characterized as being a ‘windfall’ to people who have not worked regularly under the program.<sup>31</sup>

In July 1981, Congress passed a bill to eliminate the original Minimum Benefit structure for all current and future beneficiaries effective January 1, 1982.<sup>32</sup> President Reagan signed the bill into law on August 13, 1981. Public outcry led to reconsideration of the new law, however. Subsequently, in December 1981 Congress passed legislation<sup>33</sup> to restore the original Minimum Benefit structure for persons who became eligible for Social Security benefits before January 1, 1982. The December 1981 legislation eliminated the original Minimum Benefit structure for all

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<sup>27</sup> For example, this would include persons with a sporadic attachment to the workforce or persons who entered Social Security-covered employment for a few years after retiring from employment that was not covered by Social Security.

<sup>28</sup> P.L. 92-603, Social Security Amendments of 1972, as amended by P.L. 92-233, Social Security Benefits Increase Act of 1973.

<sup>29</sup> P.L. 95-216, the Social Security Financing Amendments of 1977.

<sup>30</sup> The application of the COLA was restricted for workers and aged widow(er)s who were subject to the RET, however. For workers and aged widow(er)s, the original minimum benefit was indexed to the COLA following the earlier of: (a) the first year the worker or aged widow(er) was paid part or all of the benefits to which he or she was entitled for that year, after the application of the RET; or (b) the year the entitled beneficiary attained FRA.

<sup>31</sup> Source: U.S. Congress, House Committee on Ways and Means, *Report to Accompany H.R. 9346, the Social Security Financing Amendments of 1977*, 95<sup>th</sup> Cong., 1<sup>st</sup> sess., October 12, 1977, pp. 31-32.

<sup>32</sup> P.L. 97-35, the Omnibus Budget Reconciliation Act of 1981.

<sup>33</sup> P.L. 97-123, the Highway Revenue Act of 1981.

beneficiaries who attained age 62, became disabled, or were eligible for survivor benefits based on the death of a family member after December 1981.<sup>34</sup>

## **The Special Minimum PIA (1973 to the Present)**

The Special Minimum PIA was enacted in 1972<sup>35</sup> at the same time as the Supplemental Security Income program<sup>36</sup> and was designed to help reduce the extent to which long-term, low-paid workers under Social Security would need to turn to a safety-net program to supplement their income. The provision took effect starting in January 1973. The Special Minimum PIA operated alongside the original Minimum Benefit until the end of 1981, when the latter was phased out. During the time period when several benefit computation formulae were effective, from 1973 through 1981, a retired or disabled worker received the highest benefit payable under any of the alternative benefit computations.

The new minimum benefit structure helped answer concerns that some workers were qualifying for the original, 1939 structure of the minimum benefit as a result of short or sporadic attachment to Social Security-covered work, for example persons with only a few years of paid work at any wage or salary level, or persons who entered Social Security-covered employment for a few years after retiring from employment that was not covered by Social Security.<sup>37</sup>

The Special Minimum PIA benefit table (initial benefit levels) was indexed to price inflation in 1977.<sup>38</sup> In contrast, the thresholds for determining a year of coverage under the Special Minimum PIA are indexed to growth in national average wages, which historically have risen faster than prices. Also in contrast, the formula for computing regular, AIME-based Social Security benefits is indexed to wage (not price) growth.

## **Policy Issues**

There are a number of policy issues concerning the current structure of the Special Minimum PIA. These concern the expected phase-out of the Special Minimum PIA, whether the level of Special Minimum PIA benefits is sufficient to prevent poverty and whether the Special Minimum PIA is effectively targeted to long-term low-wage workers.

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<sup>34</sup> An exception was made for certain members of religious orders who took a vow of poverty and were newly entitled to benefits through December 1991, and provided that the religious order had elected coverage before December 29, 1991. The original Minimum Benefit was eliminated for members of religious orders effective January 1992. See Social Security Administration, *Program Operations Manual System*, Section RS 00605.100.

<sup>35</sup> P.L. 92-603, the Social Security Amendments of 1972.

<sup>36</sup> For more information, see CRS Report 94-486, *Supplemental Security Income (SSI)*, by Umar Moulta-Ali.

<sup>37</sup> U.S. Congress, Senate Finance Committee, *Report to Accompany H.R. 1, The Social Security Amendments of 1972*, 92<sup>nd</sup> Cong., 2<sup>nd</sup> sess., September 26, 1972, pp. 153-155.

<sup>38</sup> Social Security Financing Amendments of 1977. The 1977 Amendments also indexed benefit levels after eligibility to inflation.

## The Special Minimum PIA is Expected to Phase Out by 2017

As noted above, in 2010, about 76,000 beneficiaries received the Special Minimum PIA, down from 89,000 in 2007 and 142,000 in 2000.<sup>39</sup> The decline in the number of Special Minimum PIA beneficiaries is primarily caused by the fact that regular benefits are indexed to wage inflation while Special Minimum PIA benefits are indexed to price inflation. Wage inflation is generally higher than price inflation. A worker is awarded the Special Minimum PIA only if it exceeds the worker's regular benefit: for an increasing number of workers, the regular benefit exceeds the Special Minimum PIA.

The SSA projects that the Special Minimum PIA will cease to raise benefits for workers reaching age 62 starting in 2017.<sup>40</sup> This is because, starting in 2017, 31 or more years of coverage will be required for the Special Minimum PIA to exceed the regular benefit. Because the Special Minimum PIA benefit computation doesn't encompass years of coverage in excess of 30, it would effectively become inoperative.<sup>41</sup>

Even though the Special Minimum PIA statutorily requires at least 10 years of coverage, in practice more than 10 years have always been required for the Special Minimum PIA benefit to exceed the regular benefit. When Congress created the Special Minimum PIA in 1972, it noted 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."

One study found that for minimum wage workers who turned 65 between 1982 and 2000, the regular benefit was in almost all cases higher than the Special Minimum PIA benefit.<sup>42</sup> This was largely because the threshold for a year of coverage under the Special Minimum PIA exceeded the annual, full-time minimum wage during the years from 1984 to 1990, resulting in fewer years of coverage for these cohorts.

## The Special Minimum PIA Does Not Prevent Poverty

The Special Minimum PIA does not ensure that individuals who have spent many years in Social Security-covered employment will not face poverty in retirement. As shown in **Table 1**, the *maximum* possible Special Minimum PIA, for a new beneficiary in 2012 with 30 years of covered earnings, is \$790.60 per month, or \$9,487.20 annually. This is before adjustments for

<sup>39</sup> Social Security Administration, *Statistical Supplement*, volumes for 2009, 2008 and 2001, Table 5.A8.

<sup>40</sup> Telephone conversation with Social Security Administration staff, May 23, 2012. An earlier version of this projection, from 2000, estimated that the Special Minimum PIA would cease to raise benefits for workers reaching age 62 in 2013 (see Craig A. Feinstein, *Projected Demise of the Special Minimum PIA*, Social Security Administration, Actuarial Note No. 143, Baltimore, MD, October 2000, <http://www.socialsecurity.gov/OACT/NOTES/note2000s/note143.html>). In order to maximize the positive difference between the Special Minimum PIA and the regular, wage-indexed benefit (because the Special Minimum Benefit is only awarded when it exceeds the regular, wage-indexed benefit), the study examines a hypothetical earnings history in which each of 30 years of earnings is equal to the respective year-of-coverage threshold for the Special Minimum PIA.

<sup>41</sup> Source: Kelly A. Olsen and Don Hoffmeyer, "Social Security's Minimum Benefit," *Social Security Bulletin*, vol. 64, no. 2 (2001/2002).

<sup>42</sup> Kelly A. Olsen and Don Hoffmeyer, "Social Security's Minimum Benefit," *Social Security Bulletin*, vol. 64, no. 2 (2001/2002).



early retirement and other provisions that may reduce or increase the benefit amount. In 2011, the official poverty guideline was \$11,170 for a single person.<sup>43</sup>

## **The Special Minimum PIA is Not Completely Targeted to Persistently Low-Wage Workers**

Linking the Special Minimum PIA to a worker's number of years of coverage is not completely effective in targeting the provision to workers with low-wage work over long careers. It is possible for higher earners who work part-time or sporadically during the year to accumulate a significant number of years of coverage and meet or surpass not only the minimum requirement of 10 years of coverage, but also the de facto requirement of having almost 30 years of coverage.

For example, the 2012 threshold for a year of coverage is \$12,285. This threshold may be reached by somebody working for 42.5 40-hour weeks (1,700 hours) at the minimum wage of \$7.25 an hour.<sup>44</sup> Persons with higher earnings could exceed the year of coverage threshold either by working fewer weeks in the year or by working part-time. For example, a person who earns \$20 per hour would reach the year of coverage threshold by working 615 hours in 2012—either part-year for about 15 40-hour weeks, or part-time for about 12 hours per week year-round.

From a policy standpoint, it would not be possible to address this issue without requiring the SSA to collect additional information from employers. Social Security's records do not currently contain information on hourly wages or the number of hours worked.<sup>45</sup>

Another issue is that the year-of-coverage threshold may prevent some workers with very low wages from earning credits for years of coverage that would qualify them for the Special Minimum PIA (10 years). The annual year of coverage threshold creates a "cliff" effect where falling short, by even \$1, means that the worker does not establish an additional year of coverage in that year.

## **Restructuring the Special Minimum Benefit vs. Allowing It to Phase Out**

Analysts differ on whether the Social Security minimum benefit should be restructured, in order to expand its reach to more beneficiaries, or allowed to phase out. Some argue that a means-tested program, such as Supplemental Security Income (SSI), is a more appropriate way to supplement the incomes of persons with very low incomes and assets. Others argue that a minimum benefit within Social Security is a suitable way to reward long-term, low-wage work without subjecting beneficiaries to means testing or the perceived stigma of a means-tested program.

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<sup>43</sup> U.S. Department of Health and Human Services, *2012 Poverty Guidelines*, at <http://aspe.hhs.gov/poverty/12poverty.shtml>.

<sup>44</sup> Department of Labor, at <http://www.dol.gov/dol/topic/wages/minimumwage.htm>. The minimum wage is higher in some states: see <http://www.dol.gov/whd/minwage/america.htm>.

<sup>45</sup> Kelly A. Olsen and Don Hoffmeyer, "Social Security's Minimum Benefit," *Social Security Bulletin*, vol. 64, no. 2 (2001/2002).

## **Arguments for Phasing Out the Social Security Minimum Benefit**

Those who would allow the Special Minimum PIA to phase out argue that the minimum benefits are not accurately targeted to the working poor. Moreover, they see this problem as essentially unsolvable because SSA does not collect information on earnings per hour or on the number of hours worked.

Others argue that a means-tested program, such as SSI,<sup>46</sup> is a more appropriate way to supplement the incomes of persons with very low incomes and assets. Means testing can help target transfers to those who are in greatest financial need. Some research suggests, however, that means testing can harm incentives for work and saving because SSI's asset limits are currently quite low. Another consideration is that Social Security is available to retired workers earlier than SSI: retired workers can claim Social Security benefits starting at age 62 while SSI is available to aged beneficiaries starting at age 65.

## **Arguments for Restructuring the Social Security Minimum Benefit**

Some argue that a Social Security minimum benefit remains necessary because many elderly Social Security beneficiaries, especially elderly women, are in poverty. About 7.8% of Social Security beneficiaries aged 65 or older have total retirement incomes below the poverty threshold and about 14.3% of beneficiaries aged 65 or older have family incomes below 125% of the poverty threshold. (The comparable figures for non-beneficiaries are 21.2% and 25.8%, respectively.) About 9.9% of women aged 65 or over have family incomes below the poverty line, compared to about 4.9% of men in this age group.<sup>47</sup> Some research suggests restructuring the Social Security minimum could be more effective in alleviating poverty than certain reforms to the SSI program, although a combination of both programs could be useful in the event that Social Security benefits are greatly reduced in the future.<sup>48</sup>

Some view minimum benefits as a way to reward long-term, low-wage work with a Social Security benefit that is at or above the poverty threshold.<sup>49</sup> Restructuring the Social Security minimum benefit to provide a benefit at or above the poverty threshold (for example, 120% of the poverty threshold) for long-term workers would more generously reward long-term participation in the workforce.

Others view a restructuring of minimum benefits as potentially helpful in the context of legislation that reduces Social Security benefits or exposes them to market risk. Several recent proposals to create personal accounts carved out from Social Security (i.e., by crediting a share of

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<sup>46</sup> For more information, see CRS Report 94-486, *Supplemental Security Income (SSI)*, by Umar Moulta-Ali.

<sup>47</sup> Social Security Administration, *Income of the Population 55 or Older, 2008*, Washington, DC, April 2010, Table 11.1, available at [http://www.socialsecurity.gov/policy/docs/statcomps/income\\_pop55](http://www.socialsecurity.gov/policy/docs/statcomps/income_pop55).

<sup>48</sup> Paul S. Davies and Melissa M. Favreault, *Interactions Between Social Security Reform and the Supplemental Security Income Program for the Aged*, Center for Retirement Research, Boston, MA, February 2004.

<sup>49</sup> See, for example, the Social Security plan proposed by Peter A. Diamond and Peter R. Orszag in Peter A. Diamond and Peter R. Orszag, *Saving Social Security: A Balanced Approach* (Harrisonburg, VA: Brookings Institution, 2004), p. 102.

payroll tax contributions to a private account while providing a reduced traditional Social Security benefit) have included minimum benefit guarantees.<sup>50</sup>

A rationale that has recently become more prominent is that a carefully designed minimum benefit has the potential to reduce poverty rates among older beneficiaries more efficiently than existing Social Security spousal and survivor benefits.<sup>51</sup> This is partly because a redesigned minimum benefit could reach women who do not qualify for Social Security spouse or survivor benefits because they never married or because they divorced before reaching 10 years of marriage.<sup>52</sup> Further, some argue, reducing or eliminating Social Security's spouse and/or survivor benefits could help finance a new or restructured minimum benefit. Some suggest that a minimum benefit set equal to the federal old age poverty guidelines would be nearly equivalent, in terms of alleviating poverty, to the maximum spouse benefit (although not equal to the maximum survivor benefit).<sup>53</sup>

## Design Considerations for Restructuring the Social Security Minimum Benefit

Several parameters are important in determining whether a restructured Social Security minimum benefit—either a new version of the Special Minimum PIA or an entirely new minimum benefit structure—would reach additional beneficiaries, alleviate poverty and/or affect work incentives. The structure of a re-designed minimum benefit would also affect system costs.

### Benefit Levels

The benefit level is one of the key parameters involved in reforming the Special Minimum PIA or in designing a new minimum benefit. Proposed minimum benefit levels are often expressed as a percent of the federal poverty guidelines<sup>54</sup> or as a percent of a new poverty measure that is in line with the recommendations of the National Academy of Sciences.<sup>55</sup>

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<sup>50</sup> See, for example, models 2 and 3 of the Final Report of the President's Commission to Strengthen Social Security, *Strengthening Social Security and Creating Personal Wealth for All Americans*, Washington, DC, December 21, 2001, available at [http://govinfo.library.unt.edu/csss/reports/Final\\_report.pdf](http://govinfo.library.unt.edu/csss/reports/Final_report.pdf). See also the proposal developed by Jeffrey Liebman, Maya MacGuineas and Andrew Samwick, available at <http://www.ssa.gov/OACT/solvency/index.html> and <http://www.cbo.gov/doc.cfm?index=7041&zzz=33295>. See also H.R. 4529 (Representative Ryan), Roadmap for America's Future Act of 2010, in the 111<sup>th</sup> Congress.

<sup>51</sup> Melissa M. Favreault, Gordon B.T. Mermin, and C. Eugene Steuerle, *Minimum Benefits in Social Security*, The Urban Institute, Washington, DC, August 2006, p. 9. See also Pamela Herd, PhD, "Ensuring a Minimum: Social Security Reform and Women," *The Gerontologist*, vol. 45, no. 1 (2005), pp. 12-25.

<sup>52</sup> Divorced spouses qualify for spouse or survivor benefits based on the ex-spouse's work record if the marriage lasted at least 10 years.

<sup>53</sup> Madonna Harrington Meyer, Douglas A. Wolf, and Christine L. Himes, *How Will Declining Rates of Marriage Reshape Eligibility for Social Security?*, Syracuse University, Maxwell School Center for Policy Research, Policy Brief No. 33/2006, Syracuse, NY, 2006, p. 15. The maximum annual spousal benefit in 2010 was \$13,034.40. By comparison, the 2010 federal poverty threshold was \$10,830 and 120% of the 2010 federal poverty threshold was \$12,996.

<sup>54</sup> U.S. Department of Health and Human Services, *2012 Poverty Guidelines*, at <http://aspe.hhs.gov/poverty/12poverty.shtml>.

<sup>55</sup> Laura Sullivan, Tatjana Meschede, and Thomas M. Shapiro, "Enhancing Social Security for Low-Income Workers: (continued...)"

A related question is whether to link the benefit level to price inflation or to wage inflation. Wage inflation generally outpaces price inflation, as noted earlier (“The Special Minimum PIA is Expected to Phase Out ...”). The official poverty line is indexed to price inflation, whereas living standards rise with wages and productivity.<sup>56</sup> To maintain the minimum benefit at a constant ratio to average living standards, some proposals would link the minimum benefit to wage inflation.<sup>57</sup>

## Years of Coverage Requirements

Most recent proposals have linked benefit levels to the number of years a person has worked in Social Security-covered employment. Many recent minimum benefit proposals would require that the worker have 30 or 40 years of Social Security-covered earnings in order to qualify for a minimum benefit at the poverty line or somewhat above it (for example, 100% or 120% of the poverty guidelines or threshold).<sup>58</sup> These work tenure requirements are intended to reward long-time attachment to the workforce.

A number of proposals would also provide a reduced minimum benefit (i.e., less than 100% or 120% of the poverty threshold) for persons with 10 or 20 years of covered earnings. Lowering the required number of years of coverage would allow the minimum benefit to reach more workers, including more part-time and part-year workers. Such provisions would allow parents to take several years of care-giving out of the workforce and still receive a higher benefit than they would have qualified for in the absence of a minimum benefit. Arguably, intermittent work histories play a greater role than long-term low earnings in leading to below-poverty benefits among women.<sup>59</sup> Some women do not reach 20 years of covered earnings, however: about 40% of women aged 60 to 64 in 2000 had fewer than 20 years of earnings.<sup>60</sup> This percentage is likely to decline in younger cohorts.

Lowering the required number of years of coverage could, however, arguably, result in inadequate benefits for persons with years of coverage at the lower bound of 10 or 20 years. A lower years-of-coverage requirement also raises questions about work incentives. In conjunction with a lower

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Coordinating an Enhanced Minimum Benefit with Social Safety Net Provisions for Seniors” in *Strengthening Social Security for Vulnerable Groups*, ed. National Academy of Social Insurance (Washington, DC, 2009), pp. 27-30.

<sup>56</sup> While productivity gains over time are expected to help reduce poverty among the elderly (as average benefit levels rise in line with increasing productivity), this may be offset by future benefit cuts to address Social Security’s long-term financing problem.

<sup>57</sup> For example, the third model proposed by the President’s Commission to Strengthen Social Security would link the minimum benefit to wage growth. See President’s Commission to Strengthen Social Security, *Strengthening Social Security and Creating Personal Wealth for All Americans*, Washington, DC, December 21, 2001, [http://govinfo.library.unt.edu/csss/reports/Final\\_report.pdfm](http://govinfo.library.unt.edu/csss/reports/Final_report.pdfm), model 3.

<sup>58</sup> The second model proposed by the President’s Commission to Strengthen Social Security would provide a minimum benefit set at 120% of the poverty line, payable to minimum wage workers with 30 or more years of covered earnings. The Commission’s third model would provide a minimum benefit at 100% of the poverty line for 30-year minimum wage workers, rising to 111% of the poverty line for a 40-year worker. See President’s Commission to Strengthen Social Security, *Strengthening Social Security and Creating Personal Wealth for All Americans*, Washington, DC, December 21, 2001, [http://govinfo.library.unt.edu/csss/reports/Final\\_report.pdfm](http://govinfo.library.unt.edu/csss/reports/Final_report.pdfm), models 2 and 3.

<sup>59</sup> Melissa M. Favreault, *A New Minimum Benefit for Low Lifetime Earners*, The Urban Institute: Retirement Policy Program, Washington, DC, March 2009.

<sup>60</sup> Melissa M. Favreault, Gordon B.T. Mermin, and C. Eugene Steuerle, *Minimum Benefits in Social Security*, The Urban Institute, Washington, DC, August 2006, Table 4.

years-of-coverage requirement, a provision similar to the Windfall Elimination Provision could be added to the minimum benefit provision in order to prevent a windfall to persons with pensions from non-covered employment.

Some have suggested counting quarters of coverage, instead of years of coverage as under the Special Minimum PIA, to make it easier for workers to qualify for the minimum benefit or to reach higher benefit levels. A variation on this type of reform would be to count partial years of coverage (i.e., if a person earned 50% of the coverage threshold, they would accrue half a year of coverage). One study looked at combining a quarterly coverage threshold with lowering the dollar amount of the coverage threshold (on an annualized basis). (Specifically, for every quarter of Social Security coverage earned, one quarter of service was credited [earnings of \$1,120 are required to earn a quarter of Social Security coverage in 2011].) The study found that this reform would reach more workers than allowing partial years of coverage.<sup>61</sup>

Another possible reform would be to extend the years of coverage included for benefit determination beyond the current 30 years, for example to 35 or 40 years. This type of reform would reward additional years of work. Implemented together with wage indexation of the minimum benefit, this reform would slightly increase the share of benefits going to persons with the most (35 or more) work years compared to current law.<sup>62</sup>

## **Interactions Between Social Security Minimum Benefits and SSI**

If the Social Security minimum benefit is redesigned to be more generous or reach more people, it would be necessary to address interactions between Social Security benefits and eligibility for the Supplemental Security Income program, Medicaid, and other low-income programs such as the Supplemental Nutrition Assistance Program (SNAP) and the Low Income Home Energy Assistance Program (LIHEAP).

SSI is available to persons with low incomes and very limited resources.<sup>63</sup> An increase in Social Security benefits could cause beneficiaries to lose SSI eligibility or receive reduced SSI benefits. To determine a person's SSI benefit amount, a person's "countable" income is subtracted from the total of the SSI federal benefit rate (\$698 per month in 2012 for an individual living independently) plus the state supplement. Countable income excludes the first \$20 of income, including Social Security benefits. Every additional dollar of Social Security benefits or other unearned income is included in countable income and triggers a one dollar reduction to SSI benefits. If the SSI federal benefit rate (plus state supplement) less countable income is zero or less, the person's SSI eligibility is suspended. After 12 consecutive months of suspension, the person is formally terminated from the SSI program.<sup>64</sup>

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<sup>61</sup> Christina Smith FitzPatrick, Catherine Hill, and Leslie Muller, *Increasing Social Security Benefits for Women and Men with Long Careers and Low Earnings*, National Women's Law Center, 2003.

<sup>62</sup> Melissa M. Favreault, Gordon B.T. Mermin, and C. Eugene Steuerle, *Minimum Benefits in Social Security*, The Urban Institute, Washington, DC, August 2006, p. 17.

<sup>63</sup> For more information on Supplemental Security Income (SSI), see CRS Report 94-486, *Supplemental Security Income (SSI)*, by Umar Moulta-Ali, and CRS Report RS20294, *Supplemental Security Income (SSI): Income/Resource Limits and Accounts Exempt from Benefit Determinations*, by Umar Moulta-Ali.

<sup>64</sup> SSI eligibility is also based on a resource test. Generally, an SSI recipient's assets are limited to no more than \$2,000, and couples' assets are limited to no more than \$3,000 (a home, car and household items are not counted). (continued...)

If a person loses SSI eligibility, he or she may, depending on the state, also lose Medicaid eligibility. Section 1619(b) of the Social Security Act protects Medicaid eligibility for people who lose their SSI eligibility due to earned income only. There is no protection for those who lose eligibility based on unearned income, such as Social Security benefits.

While SSI and means testing in general are beyond the scope of this report, the interaction between SSI and Social Security raises important issues. Several papers have examined interactions between SSI and Social Security minimum benefits. One possible remedy entails adopting an exclusion to ensure that persons who become ineligible for SSI, due to an increased special minimum benefit, remain eligible for Medicaid coverage. Another possible remedy would be to increase the dollar amount of the Social Security benefit that is disregarded in determining SSI eligibility.<sup>65</sup>

## Other Considerations

Some proposals would combine a years-of-coverage requirement with credits for a limited number of years of care-giving, unemployment, or poor health in the definition of a “year of coverage.”<sup>66</sup> The goal of such proposals is to balance recognition of longer work effort with the requirements of care-giving. A tradeoff is that documenting time out of the workforce could increase Social Security’s administrative costs.

In any proposal to re-design the Social Security minimum benefit (or to create another minimum benefit outside Social Security), it will be important to consider the impact on disabled workers. Under Social Security Disability Insurance (SSDI) program rules, eligible disabled workers may receive benefits based on shorter work histories; this SSDI provision may interact with years of coverage provisions.

Minimum benefit proposals are often structured to avoid conferring windfalls on persons without a strong attachment to Social Security-covered employment. Such persons may include recent immigrants or persons who worked most of their careers in non-covered state or local government employment. Some proposals, for example, would pro-rate minimum benefit levels for recent immigrants.<sup>67</sup>

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SSI’s low resource test thresholds (which are not indexed to inflation) may discourage workers from saving.

<sup>65</sup> Robert Greenstein and Eileen Sweeney, *Proposed Improvements in Social Security’s Minimum Benefit and Widow’s Benefit Could Harm Some of the Nation’s Poorest People*, Center on Budget and Policy Priorities, Washington, DC, June 27, 2005. See also Laura Sullivan, Tatjana Meschede and Thomas M. Shapiro, “Enhancing Social Security for Low-Income Workers: Coordinating an Enhanced Minimum Benefit with Social Safety Net Provisions for Seniors” in *Strengthening Social Security for Vulnerable Groups*, ed. National Academy of Social Insurance (Washington, DC, 2009).

<sup>66</sup> Melissa M. Favreault, *A New Minimum Benefit for Low Lifetime Earners*, The Urban Institute: Retirement Policy Program, Washington, DC, March 2009. See also National Academy of Social Insurance, *Fixing Social Security: Adequate Benefits, Adequate Financing*, Washington, DC, October 2009, [http://www.nasi.org/sites/default/files/research/Fixing\\_Social\\_Security.pdf](http://www.nasi.org/sites/default/files/research/Fixing_Social_Security.pdf), p. 11.

<sup>67</sup> See, for example, H.R. 4529, Roadmap for America’s Future Act of 2010, and Memorandum dated April 27, 2010 from Stephen C. Goss, Chief Actuary, Social Security Administration, to Representative Paul Ryan, available at [http://www.ssa.gov/OACT/solvency/PRyan\\_20100427.pdf](http://www.ssa.gov/OACT/solvency/PRyan_20100427.pdf). See also Melissa M. Favreault, *A New Minimum Benefit for Low Lifetime Earners*, The Urban Institute: Retirement Policy Program, Washington, DC, March 2009.

Other considerations include whether spouses would be entitled to auxiliary benefits based on a worker's minimum benefit. In this connection, an additional option would be to cap the combined benefit received by the couple.

## **Cost Estimates for Selected Minimum Benefit Proposals**

The 2010 National Commission on Fiscal Responsibility and Reform proposed a new special minimum benefit that would provide full career (30 years) minimum wage workers with a benefit equivalent to 125% of the poverty line in 2017 and wage indexed thereafter. The minimum benefit would phase down proportionally for workers with less than 30 years but more than 10 years of earnings.<sup>68</sup> This provision would increase Social Security's actuarial deficit by about 0.15% of taxable payroll, relative to the current baseline shortfall of 1.92% of taxable payroll.<sup>69</sup>

The Bipartisan Policy Center proposed raising the special minimum benefit to cover 133% of the 2009 federal aged poverty threshold for individuals with earnings of at least 20% of the old-law taxable maximum in at least 30 years, starting in 2012. (In 2009 the old-law taxable maximum was \$79,200 and 20% of that level was \$15,840.) This threshold would be indexed to changes in the wage index. The minimum benefit would phase down proportionally for workers with less than 30 years but more than 20 years of earnings above the threshold. Up to eight child-care credit years would be allowed.<sup>70</sup> This provision would increase Social Security's actuarial deficit by about 0.09% of taxable payroll, relative to the current baseline shortfall of 1.92% of taxable payroll.<sup>71</sup>

The Congressional Budget Office (CBO) recently estimated the financial impact to Social Security of several provisions to modify the special minimum benefit, including a provision to increase special minimum benefit levels to 125% of the federal poverty guideline for persons with 30 or more years of covered employment, with reduced benefits for persons with a minimum of 10 years of covered earnings. CBO estimated that this provision would worsen Social Security's 75-year actuarial balance by 0.7 percentage points of taxable payroll. Under this provision, scheduled lifetime benefits for low earners born in the 2000s would increase by about 30%. In 2040, about 50% of new OASI beneficiaries and about 35% of new DI beneficiaries would have higher initial benefits; about 45% of the group would be women.<sup>72</sup>

Another type of proposal would include a limited number of childcare years in the definition of a "year of coverage" for the purposes of determining a worker's Special Minimum PIA benefit

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<sup>68</sup> The 2010 National Commission on Fiscal Responsibility and Reform, *The Moment of Truth: Report of the National Commission on Fiscal Responsibility and Reform*, Washington, DC, December 1, 2010, <http://www.fiscalcommission.gov/news/moment-truth-report-national-commission-fiscal-responsibility-and-reform>.

<sup>69</sup> Memorandum dated December 1, 2010, from Stephen C. Goss, Chief Actuary, Social Security Administration, to Erskine Bowles and Alan Simpson, Co-Chairs, National Commission on Fiscal Responsibility and Reform, available at <http://www.ssa.gov/OACT/solvency/index.html>. SSA modeled this provision using the 2009 federal poverty guideline.

<sup>70</sup> Senator Pete Domenici and Dr. Alice Rivlin, *Restoring America's Future*, The Debt Reduction Task Force, Bipartisan Policy Center, Washington, DC, November 2010, <http://www.bipartisanpolicy.org/library/report/restoring-americas-future>.

<sup>71</sup> Memorandum dated November 17, 2010, from Stephen C. Goss, Chief Actuary, Social Security Administration, to Alice M. Rivlin and Pete Domenici, Co-Chairs, Debt Reduction Task Force, Bipartisan Policy Center, available at <http://www.ssa.gov/OACT/solvency/index.html>.

<sup>72</sup> Congressional Budget Office, *Social Security Policy Options*, July 2010, [http://www.cbo.gov/ftpdocs/115xx/doc11580/07-01-SSOptions\\_forWeb.pdf](http://www.cbo.gov/ftpdocs/115xx/doc11580/07-01-SSOptions_forWeb.pdf).

level. For example, a proposal from the National Academy of Social Insurance would set the PIA for 30 years of coverage equal to 125% of the monthly poverty level. This would result in a PIA for a year of coverage equal to about \$56.40 in 2009 (compared to the PIA of \$36.90 for a year of coverage under current law in 2009).<sup>73</sup> This proposal would also index the PIA per year of coverage to wage growth and would include up to eight years of care for a child or children under age 5 in the definition of “years of coverage.” This provision would increase Social Security’s actuarial deficit by 0.13% of taxable payroll, relative to the baseline shortfall of 1.92% of taxable payroll.<sup>74</sup>

## **Alternative Strategies for Addressing Poverty Among Long-Term Low-Wage Workers**

A recent study found that modifying the Social Security AIME-based benefit formula progressively could have redistributive properties with respect to lifetime earnings that are similar to a standard, wage-indexed minimum benefit.<sup>75</sup> Some tradeoffs were involved, however: minimum benefits tend to be more closely tied to the length of labor force participation and work incentives than a modified regular benefit formula.

Some proposals would address poverty among long-term, low-wage workers and their dependents by targeting benefit increases to single or divorced women or to persons who live into advanced old age. For example, the length-of-marriage requirement for divorced women could be lowered from 10 years to five or seven years. Caregiver credits or “drop-out” years could be entered into the Social Security benefit formula for workers who take career breaks to care for a child or other relative. Another proposal would increase the Social Security survivor’s benefit to 75% of the couple’s combined benefit; some versions of this proposal would offset costs by lowering the spousal benefit received while both members of the couple are alive.<sup>76</sup> Proposals to increase benefits for aged women are generally motivated by equity and adequacy considerations rather than financing considerations and may add to system costs.

One proposal would establish a minimum benefit *outside* of Social Security called the Senior Income Guarantee (SIG). The SIG would function alongside SSI, although it would not supplant SSI. Benefit and eligibility standards would be less strict than for SSI; for example, asset tests would be more generous. The SIG would provide benefits at 75% of the poverty threshold for persons at or above the full retirement age who have 40 quarters (10 years) in Social Security-covered work and 40 years of residence in the United States. Benefits would be pro-rated for persons with fewer than 40 quarters of Social Security coverage or fewer than 40 years of residence in the United States. SIG benefits would not be counted in SSI income limits. Unlike SSI, participation in the SIG would not automatically convey Medicaid eligibility. The SIG’s

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<sup>73</sup> See <http://www.socialsecurity.gov/cgi-bin/smt.cgi>, select year 2009.

<sup>74</sup> Memorandum dated October 30, 2009, from Stephen C. Goss, Chief Actuary, Social Security Administration, to Virginia Reno, Vice President, National Academy of Social Insurance, available at [http://www.ssa.gov/OACT/solvency/nasi\\_20091030.pdf](http://www.ssa.gov/OACT/solvency/nasi_20091030.pdf).

<sup>75</sup> Melissa M. Favreault, Gordon B.T. Mermin, and C. Eugene Steuerle, *Minimum Benefits in Social Security*, The Urban Institute, Washington, DC, August 2006, p. 17.

<sup>76</sup> For more information, see CRS Report R41479, *Social Security: Revisiting Benefits for Spouses and Survivors*, by Alison M. Shelton and Dawn Nuschler.



designers argue that because almost everybody who qualifies for the SIG would have at least \$200 in Social Security benefits, the SIG payment combined with the Social Security benefit would remove almost all retired beneficiaries from poverty.<sup>77</sup>

## Conclusions

The Special Minimum PIA plays little role in Social Security benefits today and is expected to become obsolete for workers reaching age 62 in 2017. This is because regular, AIME-based Social Security benefit amounts are rising faster than Special Minimum PIA benefit amounts. The Special Minimum PIA is paid only if it is higher than what the worker would have received from the regular benefit formula.

Some researchers and policymakers would restructure the Social Security minimum benefit while others would allow it to phase out. An argument for allowing the Special Minimum PIA to phase out is that it is not very well targeted to the working poor. Others would restructure the Social Security minimum benefit to reach more beneficiaries or provide more generous benefits, on the grounds that about 8% of beneficiaries are in poverty. In addition, legislation to reduce benefits or expose benefits to market risk could potentially increase the number of beneficiaries in poverty.

If the Social Security minimum benefit is restructured, policymakers would face tradeoffs between expanding the reach of the provision, benefit levels, and work incentives. In particular, reforms that do the most to alleviate poverty, such as increasing the benefit level or reducing the threshold for earning a year of coverage, tend to affect work incentives differently than reforms that tie benefit levels more closely to years of labor force participation.

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<sup>77</sup> Timothy M. Smeeding and R. Kent Weaver, *The Senior Income Guarantee (SIG): A New Proposal to Reduce Poverty Among the Elderly*, Center for Retirement Research at Boston College, CRR WP 2001-12, Boston, MA, December 2002, [http://crr.bc.edu/working\\_papers/the\\_senior\\_income\\_guarantee\\_sig\\_a\\_new\\_proposal\\_to\\_reduce\\_poverty\\_among\\_the\\_elderly.html](http://crr.bc.edu/working_papers/the_senior_income_guarantee_sig_a_new_proposal_to_reduce_poverty_among_the_elderly.html).

## Appendix A. Computation of the Social Security Retired-Worker Benefit

To be eligible for a Social Security retired-worker benefit, a person generally needs 40 earnings credits, or 10 years of Social Security-covered employment (among other requirements). A worker's initial monthly benefit is based on his or her 35 highest years of earnings, which are indexed to historical wage growth (earnings through age 60 are indexed; earnings thereafter are counted at nominal value). The 35 highest years of indexed earnings are divided by 35 to determine the worker's career-average annual earnings. The resulting amount is divided by 12 to determine the worker's average indexed monthly earnings (AIME). If a worker has fewer than 35 years of earnings in covered employment, years of no earnings are entered as zeros.

The worker's basic benefit amount (i.e., before any adjustments for early or delayed retirement) is the primary insurance amount (PIA). The PIA is determined by applying a formula to the AIME as shown in **Table A-1**. First, the AIME is sectioned into three brackets, or levels, of earnings. Three progressive factors—90%, 32%, and 15%—are applied to the three different brackets of AIME. The three products derived from multiplying each factor and bracket of AIME are added together. For workers who become eligible for retirement benefits (i.e., those who attain age 62), become disabled, or die in 2012, the PIA is determined as shown in the example in **Table A-1**.

**Table A-1. Computation of a Worker's Primary Insurance Amount (PIA) in 2012 Based on an Illustrative AIME of \$5,000**

Factors	Three Brackets of AIME	PIA for Worker with an Illustrative AIME of \$5,000
90%	first \$767 of AIME, plus	\$690.30
32%	AIME over \$767 and through \$4,624, plus	\$1,234.24
15%	AIME over \$4,624	\$56.40
<b>Total (Worker's PIA)</b>		<b>\$1,980.94</b>

**Source:** Congressional Research Service.

**Note:** This example does not follow SSA rounding conventions.

### Adjustment to Benefits Claimed Before or After FRA

A worker's initial monthly benefit is equal to his or her PIA if he or she begins receiving benefits at FRA (i.e., FRA is the earliest age at which full (unreduced) retirement benefits are payable). A worker's initial monthly benefit will be *less* than his or her PIA if he or she begins receiving benefits *before* FRA, and it will be *greater* than his or her PIA if he or she begins receiving benefits *after* FRA. As noted previously, FRA ranges from age 65 to age 67 depending on the person's year of birth.<sup>78</sup>

<sup>78</sup> For more information on the Social Security retirement age, see CRS Report R41962, *Fact Sheet: The Social Security Retirement Age*, by Alison M. Shelton.

Retirement benefits are reduced by five-ninths of 1% (or 0.0056) of the worker's PIA for each month of entitlement before FRA up to 36 months, for a reduction of about 6.7% a year. For each month of benefit entitlement before FRA in excess of 36 months, retirement benefits are reduced by five-twelfths of 1% (or 0.0042), for a reduction of 5% a year.

Workers who delay filing for benefits until after FRA receive a delayed retirement credit (DRC). The DRC applies beginning with the month the worker attains FRA and ending with the month before he or she attains age 70. Starting in 1990, the DRC increased until it reached 8% per year for workers born in 1943 or later (i.e., starting with those who attained age 62 in 2005 or age 66 in 2009).<sup>79</sup>

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<sup>79</sup> Other benefit adjustments may apply, such as those related to simultaneous entitlement to more than one type of Social Security benefit, receipt of a pension from work that was not covered by Social Security (a non-covered pension), the Social Security maximum family benefit, and the Social Security retirement earnings test. For more information on the various benefit adjustments related to non-covered employment, see CRS Report 98-35, *Social Security: The Windfall Elimination Provision (WEP)*, by Alison M. Shelton and CRS Report RL32453, *Social Security: The Government Pension Offset (GPO)*, by Alison M. Shelton. For more information on the retirement earnings test, see CRS Report R41242, *Social Security Retirement Earnings Test: How Earnings Affect Benefits*, by Dawn Nuschler and Alison M. Shelton.

## Appendix B. Social Security Auxiliary Benefits (Benefits for the Worker's Family Members)

Social Security provides 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, subject to a maximum family benefit amount.<sup>80</sup>

Social Security provides a monthly benefit to the spouse or divorced spouse (if the marriage lasted 10 or more years) of an entitled retired or disabled worker equal to 50% of the worker's PIA.<sup>81</sup> A monthly survivor benefit equal to 100% of the deceased worker's PIA is payable to the surviving spouse or surviving divorced spouse of a worker who was fully insured at the time of death.<sup>82</sup> Benefits for spouses, divorced spouses and surviving spouses are reduced if claimed before FRA. In addition, these benefits are reduced or fully offset if the beneficiary receives his or her own Social Security retired-worker benefit or a pension from a job that was not covered by Social Security (such as certain federal, state, or local government jobs).

The child of a disabled or retired worker is eligible for 50% of the worker's PIA. The child of a deceased worker is eligible for 75% of the worker's PIA.<sup>83</sup> Social Security also provides a monthly mother's or father's benefit, equal to 75% of the worker's PIA, to a surviving parent of any age who cares for the deceased worker's child, when that child is under age 16 or disabled.

**Table B-1** provides a summary of Social Security auxiliary benefits for the family of a retired, disabled, or deceased worker, including eligibility requirements related to age and other factors.

### Maximum Family Benefit Amount

The total amount of benefits payable to a family based on a retired or deceased worker's record is capped by the maximum family benefit amount. The maximum family benefit varies from 150% to 188% of the retired or deceased worker's PIA, and the maximum family benefit cannot be exceeded regardless of the number of beneficiaries entitled to benefits on the worker's record. If the sum of all benefits based on the worker's record exceeds the maximum family benefit amount, each dependent's or survivor's benefit is reduced in equal proportion to bring the total amount of benefits within the family maximum. For the family of a worker who attains age 62 in 2012, or dies in 2012 before attaining age 62, the total amount of benefits payable is limited to

- 150% of the first \$980 of PIA, plus
- 272% of PIA over \$980 and through \$1,415, plus

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<sup>80</sup> For more information on Social Security auxiliary benefits, see CRS Report R41479, *Social Security: Revisiting Benefits for Spouses and Survivors*, by Alison M. Shelton and Dawn Nuschler.

<sup>81</sup> The qualifying spouse must be at least age 62 or have a qualifying child (a child who is under age 16 or disabled) in his or her care. A spouse's benefit is reduced if he or she begins receiving benefits before FRA.

<sup>82</sup> The surviving spouse must be at least age 60 (or at least age 50 if disabled) and must not have remarried before age 60 (or age 50 if disabled).

<sup>83</sup> The child must be: (1) under age 18; or (2) a full-time elementary or secondary student under age 19; or (3) a disabled person aged 18 or older whose disability began before age 22.

- 134% of PIA over \$1,415 and through \$1,845, plus
- 175% of PIA over \$1,845.

The dollar amounts in the maximum family benefit formula are indexed to average wage growth, as in the primary benefit formula. A separate maximum family benefit formula applies to the family of a worker who is entitled to disability benefits.

**Table B-1. Social Security Auxiliary Benefits**

Basis for Entitlement	Basic Eligibility Requirements	Basic Benefit Amount Before Any Adjustments
<b>Spouse</b>	Age 62 Generally, the worker on whose record benefits are based must be receiving benefits.	50% of worker's primary insurance amount (PIA)
<b>Divorced Spouse</b> <i>(if divorced individual was married to the worker for at least 10 years before the divorce became final and is currently unmarried)</i>	Age 62 Generally, the worker on whose record benefits are based must be receiving benefits. However, a divorced spouse may receive benefits on the worker's record if the worker is eligible for (but not receiving) benefits and the divorce has been final for at least two years.	50% of worker's PIA
<b>Widow(er) &amp; Divorced Widow(er)</b> <i>(if divorced individual was married to the worker for at least 10 years before the divorce became final and did not remarry before age 60)</i>	Age 60	100% of deceased worker's PIA
<b>Disabled Widow(er) &amp; Divorced Disabled Widow(er)</b> <i>(if divorced individual was married to the worker for at least 10 years before the divorce became final and did not remarry before age 50)</i>	Age 50 The qualifying disability must have occurred:  (1) within seven years of the worker's death; or  (2) within seven years of having been previously entitled to benefits on the worker's record as a widow(er) with a child in his or her care; or  (3) within seven years of having been previously entitled to benefits as a disabled widow(er) that ended because the qualifying disability ended (whichever is later).	100% of deceased worker's PIA
<b>Mothers and Fathers</b>	Surviving parent of any age who cares for the deceased worker's child, when that child is either under the age of 16 or disabled. Eligibility generally ceases if the surviving mother or father remarries.	75% of deceased worker's PIA (subject to the maximum family benefit amount)
<b>Parents</b>	At least age 62 and has not married since the worker's death. The parent must have been receiving at least one-half of his or her support from the worker at the time of the worker's death or, if the worker had a period of disability which continued	If one parent is entitled to benefits: 82.5% of deceased worker's PIA  If two parents are entitled to benefits: 75% of deceased worker's PIA (for each)

<b>Basis for Entitlement</b>	<b>Basic Eligibility Requirements</b>	<b>Basic Benefit Amount Before Any Adjustments</b>
<b>Child</b>	<p>until death, at the beginning of the period of disability.</p> <p>A child (including a dependent, unmarried biological child, adopted child, stepchild, and, in some cases, grandchild) of a retired, disabled, or deceased worker who was fully or currently insured at the time of death. The child must be:</p> <p>(1) under age 18; or</p> <p>(2) a full-time elementary or secondary student under age 19; or</p> <p>(3) a disabled person aged 18 or older whose disability began before age 22.</p>	<p>(subject to the maximum family benefit amount)</p> <p>50% of worker's PIA for child of a retired or disabled worker</p> <p>75% of deceased worker's PIA for child of a deceased worker</p> <p>(subject to the maximum family benefit amount)</p>

**Source:** Congressional Research Service.

**Notes:** The maximum family benefit may apply, reducing the benefit received by each family member on a proportional basis. The maximum family benefit varies from 150% to 188% of a retired or deceased worker's PIA. For the family of a worker who is entitled to disability benefits, the maximum family benefit is the lesser of 85% of the worker's AIME or 150% of the worker's PIA, but no less than 100% of the worker's PIA.

## Appendix C. Determining a Worker's Years of Coverage for the Special Minimum PIA

Years of coverage are years of employment after 1936 and up to the year of entitlement, or the year of death, in which a worker's Social Security-covered earnings exceed a specified threshold. For the purposes of calculating the Special Minimum PIA, the number of years of coverage cannot exceed 30.

Different methods are used to determine a worker's years of coverage for the Special Minimum PIA, depending on when the years of employment occurred. **Table C-1** describes the years of coverage calculation for wage and salary earnings received from 1937 to 1950 and **Table C-2** describes the years of coverage calculation for earnings in 1951 through the present. If a worker has earnings in years before 1951 as well as after 1951, the two determination methods are applied separately to the relevant years and the results are added together to determine the worker's total years of coverage.<sup>84</sup>

For earnings during the years from 1937 to 1950, a worker's number of years of coverage is determined by summing Social Security-covered earnings over this 14-year period and dividing by \$900 (any remainder is disregarded and the resulting number of years cannot exceed 14). This calculation can be converted into earnings brackets, which are presented in **Table C-1**.

**Table C-1. Years of Coverage Counted for the Special Minimum PIA**  
(for years of work from 1937 to 1950)

Social Security-Covered Earnings from 1937 to 1950	Coverage Years
\$900.00 – \$1,799.99	1
1,800.00 – 2,699.99	2
2,700.00 – 3,599.99	3
3,600.00 – 4,499.99	4
4,500.00 – 5,399.99	5
5,400.00 – 6,299.99	6
6,300.00 – 7,199.99	7
7,200.00 – 8,099.99	8
8,100.00 – 8,999.99	9
9,000.00 – 9,899.99	10
9,900.00 – 10,799.99	11
10,800.00 – 11,699.99	12

<sup>84</sup> Social Security Administration, *Handbook*, §717, available at [http://www.socialsecurity.gov/OP\\_Home/handbook/handbook.07/handbook-0717.html](http://www.socialsecurity.gov/OP_Home/handbook/handbook.07/handbook-0717.html).

Social Security-Covered Earnings from 1937 to 1950	Coverage Years
11,700.00 – 12,599.99	13
12,600.00 and over	14

**Source:** Social Security Administration, *Program Operations Manual*, RS 00640.074.

For years of employment starting in 1951, a worker's number of years of coverage is determined according to whether the worker's Social Security-covered wages or salary in a given year exceed the dollar threshold specified in legislation for that year. **Table C-2** provides these dollar thresholds. The dollar thresholds for years of coverage that are shown in **Table C-2** are determined by three different methods that operated over three different time-periods. For years of work from 1951 through 1978, years of coverage are defined as years in which a worker has covered earnings equal to 25% or more of the Social Security contribution and benefit base.<sup>85</sup> For years of Social Security-covered work from 1979 through 1990, years of coverage are determined as 25% or more of the "old law" contribution and benefit base (i.e., what the annual contribution and benefit base would have been if the statutory increases under the 1977 Social Security Amendments had not been enacted). For years of Social Security-covered work starting in 1991, years of coverage are determined as 15% or more of the "old law" contribution and benefit base. The 1991 change in the year-of-coverage threshold<sup>86</sup> represented a liberalization in eligibility for the Special Minimum PIA.

**Table C-2. Years of Coverage Counted for the Special Minimum PIA**  
(for years of work from 1951 to the present)

Year	Dollar Amount of Social Security-covered Earnings Required for a Year of Coverage
1951 – 1954	\$900
1955 – 1958	1,050
1959 – 1965	1,200
1966 – 1967	1,650
1968 – 1971	1,950
1972	2,250
1973	2,700
1974	3,300
1975	3,525

<sup>85</sup> 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. The contribution and benefit base generally increases each year with increases in the national average wage index. For earnings in 2012, the current law contribution and benefit base is \$110,100. The "old law" contribution and benefit base is the base in effect before the 1977 Social Security Amendments (P.L. 95-216). In 2012, the "old law" contribution and benefit base is \$81,900. An historical series for the "old law" contribution and benefit base can be found here: <http://www.socialsecurity.gov/OACT/COLA/yoc.html>.

<sup>86</sup> P.L. 101-508, §5122.



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<b>Year</b>	<b>Dollar Amount of Social Security-covered Earnings Required for a Year of Coverage</b>
1976	3,825
1977	4,125
1978	4,425
1979	4,725
1980	5,100
1981	5,550
1982	6,075
1983	6,675
1984	7,050
1985	7,425
1986	7,875
1987	8,175
1988	8,400
1989	8,925
1990	9,525
1991	5,940
1992	6,210
1993	6,435
1994	6,750
1995	6,795
1996	6,975
1997	7,290
1998	7,605
1999	8,055
2000	8,505
2001	8,955
2002	9,450
2003	9,675
2004	9,765
2005	10,035
2006	10,485
2007	10,890
2008	11,385
2009	11,880
2010	11,880

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<b>Year</b>	<b>Dollar Amount of Social Security-covered Earnings Required for a Year of Coverage</b>
2011	11,880
2012	12,285

**Source:** Social Security Administration, *Program Operations Manual*, RS 00640.074.

If a beneficiary has fewer than 30 years of coverage but earns additional years of coverage during or after the year of benefit entitlement, a recomputation to include a new year of coverage is performed. The recomputation becomes effective with January of the year following the new year of coverage.<sup>87</sup>

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<sup>87</sup> Social Security Administration, *Program Operations Manual*, Section RS 00605.070.