Social Security | What’s Next and New Research

Webinar

April 26, 2023
Agenda

• Logistics and Introductions

• The State of Social Security

• New Research on Special Minimum Benefit

• Caregiving Credit

• Q&A
Logistics

• Attendees in listen only mode.

• Question are welcome. Submit using “Question” function on control panel

• Audio/technical issues during webinar: call GoToWebinar at 1-800-263-6316

• Webinar replay and slides will be posted at nirsonline.org/events.
Speakers

Tyler Bond
NIRS Research Director

Joel Eskovitz
AARP Public Policy Institute Director

Joan Entmacher
National Academy of Social Insurance Senior Fellow
State of Social Security

Joel Eskovitz
Director
AARP Public Policy Institute
Social Security Funding Status

2023 Trustees Report Just Released

• Program has enough in reserve to fully fund benefits through 2034
• Beyond that, if no changes made, incoming tax revenue can only fund 80% of promised benefits
• Long-term forecasts have remained relatively static in past few years, despite pandemic impacts and economic instability
Social Security Legislation

How People Interact with the Program

• Appropriations
  • Funding for customer service continues to be challenging
  • More money this fiscal year but service challenges remain

• Proposals to Influence Claiming Behavior
  • S 664 – More frequent mailed benefit statements
  • S 692 – Changing claiming age names
### Social Security Legislation

#### Reforming the Program – Expansion Approach

<table>
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<tr>
<th>Act Name</th>
<th>Key Features</th>
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| SS Expansion Act (Sanders)    | - Lifts tax cap above 250K  
                                  |   - Adds $2,400 in annual benefits for all  
                                  |   - CPI-E for COLA  
                                  |   - Improved Special Minimum Benefit  
                                  |   - Taxes investment income  
                                  |   - 75 years of solvency |
| Social Security 2100 (Larson) | - Lifts tax cap above 400K  
                                  |   - Adds 2% in benefits for all  
                                  |   - CPI-E for COLA  
                                  |   - Improved Special Minimum Benefit  
                                  |   - Ends WEP/GPO, DI waiting period  
                                  |   - 9 years of solvency |
Social Security Legislation

Reforming the Program – Long-Term Approach

King-Cassidy Efforts

• Sovereign Wealth Fund
• Higher Retirement Age
• More Benefits for the Poorest Recipients
• Likely Reduced Benefits, especially for those with inconsistent work
Social Security Legislation

Reform Efforts – Why We Are Still Treading Water?

• Still outside the 10-year window for Congress
• Are we solving a long-term problem or staving off insolvency?
• What is considered a benefit cut?
• Do we believe everyone is living longer and therefore must work longer?
• Is borrowing now a realistic approach in addition to changes on the tax and benefit side?
A Vanishing Benefit: Why Social Security’s Special Minimum Benefit is Fading Away

Tyler Bond
Research Director
National Institute on Retirement Security
What is the Special Minimum Benefit?

- Established in 1972
- Designed to provide a benefit “floor” for lifetime low-income earners
- The benefit is indexed to prices, rather than wages, so the value of the benefit has eroded over time
- Participation in the program has declined over time, and soon there will be no new benefit recipients for the special minimum benefit
- Various proposals exist to reform the minimum benefit indexing
  - An often-cited proposal would set the minimum benefit at 125% of the federal poverty level
Wages Have Risen Faster Than Prices

Cumulative Change in Wage and CPI-U Indexing, 1972-2020
Index: 1972 = 100

Annual Percent Change in Average Wage Indexing (AWI)
Annual Percent Change in Average Consumer Price Index for All Urban Consumers (CPI-U)
Changing the Index Could Help Alleviate Elder Poverty

Comparing the Special Minimum Benefit and the HHS Poverty Guidelines from 1982-2022 with an Alternative Benefit Proposal, on a Monthly Basis

- Full special minimum benefit, PIA with 30 years of coverage
- HHS Poverty Guidelines for single person, nonfarm households in the 48 contiguous states and the District of Columbia
- Alternative benefit amount: 125% of the HHS Poverty Guidelines
Credit for Caregiving in Social Security

Joan Entmacher
Senior Fellow
National Academy of Social Insurance
Why Credit Caregiving in Social Security

• Caregiving work is valuable, but often unpaid

• Caregivers often sacrifice earnings, reducing their Social Security benefits

• Changed family patterns mean fewer caregivers qualify for Social Security spousal benefits

• Crediting caregiving work can improve retirement security and reduce gender and racial inequality
3 Ways to Credit Caregiving

• Count some caregiving years toward the minimum benefit

• Drop out some low-earning caregiving years from the average for the regular benefit formula

• Impute earnings for some caregiving years in the regular benefit formula
Design Issues

• What types of caregiving are eligible (for young children/people with disabilities/frail elders)

• How many caregiving years will be counted

• What level of earnings will be imputed
Resources


Questions