

Characteristics of Newly Awarded Recipients of the Social Security Regular Minimum Benefit

by Bruce D. Schobel and Steven F. McKay*

The regular minimum Social Security benefit, which was eliminated for both current and future recipients under the Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35), was restored for current beneficiaries only under additional legislation at year end. Following passage of Public Law 97-35, a study was undertaken to examine a group of newly eligible beneficiaries who would formerly have received the minimum benefit but, under that law, would not. Although the persons sampled have since become eligible for the benefit under the subsequent legislation, they closely resemble other future beneficiaries who will not be eligible for it. This article, which reports the findings of the study, indicates that those who will be ineligible for the minimum benefit in the future are mainly housewives, who will usually be able to receive larger benefits as spouses, and persons with significant noncovered employment, who will still receive windfall benefits to some extent. The data tend to disprove the notion that those who will not receive the minimum benefit in the future are lifetime low-earners.

The regular minimum benefit provision of the Social Security Act was the subject of much congressional action during the past year. Section 2201 of the Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35, enacted August 13, 1981) repealed this provision both for current beneficiaries (for months after February 1982) and for newly eligible beneficiaries (for eligibility after October 1981). Section 2 of the Social Security Amendments of 1981 (Public Law 97-123, enacted December 29, 1981) restored the minimum benefit for current beneficiaries and deferred the elimination for newly eligible beneficiaries until January 1982, except for certain persons (primarily nuns) under a vow of poverty, for whom the elimination of the minimum benefit provision for newly eligible beneficiaries was deferred until 1992.

During the congressional debate on these bills (and on others that affected the minimum benefit provision), many statements were made concerning the characteristics of those beneficiaries who were currently receiving the minimum benefit and of those who would or would not receive it in the future. The characteristics of those already receiving the minimum benefit were known to some extent (although some important elements such as receipt of government-employee pensions were not very well-known). The characteristics of those not yet eligible

and for whom the minimum benefit would possibly be eliminated were not known, however.

After enactment of Public Law 97-35, it was decided to investigate the first group of newly eligible beneficiaries who formerly would have received the minimum benefit but who, under this law, would not do so. Thus, copies of the applications and the earnings records of a random sample of retired workers becoming eligible (attaining age 62) and filing for benefits in November 1981 were obtained. By accident, a few cases of workers who became eligible and filed in December 1981 were also received. All of these persons have since become eligible for the minimum benefit once again as a result of Public Law 97-123. This analysis of their characteristics is still worthwhile, however, because they should be similar in nearly every respect to persons attaining age 62 in January 1982 or later, who will not be eligible for the minimum benefit.

Description of the Regular Minimum Benefit Provision

The original Social Security Act of 1935 and all subsequent amendments to it before 1981 provided for some explicit minimum benefit level. Under the 1935 Act, the minimum monthly benefit amount was \$10. This amount was increased many times over the years

* Office of the Actuary, Social Security Administration.

until, under the 1977 amendments, the minimum primary insurance amount (PIA) was “frozen” at \$122 for all cohorts of workers first becoming eligible for benefits after 1978. It should be noted that the freezing of the minimum PIA, in combination with other provisions of the 1977 amendments, was equivalent to eventually eliminating it, although with a very long transition period, as described below.

The 1977 amendments increased the amount of covered earnings required to obtain a quarter of coverage from a fixed \$50 per quarter (which had not been changed since its introduction in the 1939 amendments) to \$250 per quarter in 1978. This new earnings requirement is increased automatically every year to reflect increases in average wages. Thus, the amount of earnings needed to obtain the 40 quarters of coverage required for eligibility to primary retirement benefits for those attaining age 62 after 1990 (and who have not had a previous period of disability) will continually increase. After many years, the required earnings would have been sufficient to produce a PIA under the regular wage-indexed formula that would exceed the frozen \$122 minimum. Thus, the regular minimum benefit provision would have eventually become inapplicable without any further change in the law.

The actual year of first inapplicability of the \$122 minimum PIA would have been highly dependent on future wage increases. Under all four sets of long-range assumptions included in the 1981 OASDI Trustees Report, the regular minimum benefit provision would have become completely ineffective for new eligibles by 2017. If “realistic” earnings histories are assumed, this provision would have become inapplicable in virtually all cases much sooner, perhaps by 2000. In this regard, it should be noted that larger average annual wage increases would result in earlier inapplicability of the minimum benefit provision, while smaller average annual wage increases would result in later inapplicability.¹

Although the initial minimum PIA was frozen at \$122 under the 1977 amendments, newly eligible beneficiaries under that provision still receive any cost-of-living increases effective in and after the year of initial eligibility, but only, for years before age 65, if they were actually entitled—were eligible and had filed an application for benefits—and their benefits were not in total offset because of the earnings test. Thus, even though a beneficiary may have become first eligible for and entitled to benefits after a benefit increase in a particular year, that increase would still apply, thus raising the \$122 minimum amount. The beneficiaries in this study, for example, all attained age 62 in late 1981. Thus, the

PIA under the minimum benefit provision for each was \$135.70 (\$122 increased by the June 1981 cost-of-living adjustment of 11.2 percent).

The effects on individuals of eliminating the minimum benefit provision, in terms of actual reductions in monthly benefits, are not necessarily as significant as the effects on their PIA's. Although many individuals will have *temporary* reductions in benefits, sometimes until age 65 (or even later, in a few cases), the *ultimate* benefit amounts that will be payable (and which will usually be paid during the largest part of these individuals' remaining lifetimes) will be, in most cases, as large as, or even slightly larger than, those that would have been payable under previous law.

The next three sections describe in detail the effects on monthly benefits for individuals in various situations. The last section presents the analysis of the sample of newly eligible minimum benefit recipients.

Effects of Dual Entitlement

The most important element in determining the effects on ultimate benefit amounts is dual entitlement—that is, entitlement to more than one type of benefit. Dually entitled beneficiaries will have, at most, only slight reductions, or even slight increases, in benefits, which reflect the different reduction factors that apply to retired-worker benefits and to spouse's benefits. (The effects on those dually entitled to benefits as aged widows are discussed later.)

Retired-worker benefits are reduced by a roughly “actuarial-equivalent” factor of 5/9 percent for each month of entitlement before age 65, resulting in a 20-percent reduction for entitlement in the month of attainment of age 62. (As will be discussed in the last section, entitlement at exact age 62 is now fairly unlikely, as a result of Public Law 97-35.) Spouse's benefits, which at age 65 are equal to 50 percent of the PIA of the primary beneficiary, are reduced by a somewhat less-than-actuarial factor of 25/36 percent per month, resulting in a 25-percent reduction at age 62. (The “actuarial” reduction factor for spouse's benefits would be about 30 percent for entitlement at age 62.² This proportion is larger than the reduction for primary benefits because it applies only during the shorter joint lifetime of the couple.)

A Social Security beneficiary usually receives any primary (worker's) benefit payable. Any larger auxiliary or survivor's benefit, however, is reduced by the amount of such primary benefit. Age-related reduction factors, when appropriate, are applied separately to the primary benefit and to the offset auxiliary benefit (except for aged widows, as discussed later). For example, consider

¹ For a more detailed discussion of the phasing-out of the regular minimum benefit, see Steven F. McKay and Bruce D. Schobel, *Effects of the Various Social Security Benefit-Computation Methods* (Actuarial Study No. 86), Office of the Actuary, Social Security Administration, 1981.

² Robert J. Myers, *Social Security* (2d edition), Richard D. Irwin, Inc., 1981, page 48.

a 62-year-old beneficiary who is eligible for a PIA as a worker of \$200 and a spouse's benefit (before offset or reduction) of \$300 a month (this would be the case if the other spouse had a PIA of \$600). The spouse's benefit would become \$100 after offset for the primary benefit. Then, the \$200 primary benefit would be reduced by 20 percent, and the \$100 spouse's benefit would be reduced by 25 percent, resulting in a total monthly benefit amount of \$235 ($\$200 \times .80 + \$100 \times .75$).

Elimination of the minimum benefit provision causes the PIA's of affected workers to be reduced (to a level below \$135.70 for those in this study). Those eligible for larger spouse's benefits, however, will not be significantly affected, because such spouse's benefit (before reduction for age, but after offset) will be increased dollar for dollar by any reduction in the primary benefit, although then the larger reduction factor for spouse's benefits is applied to a larger amount. When the effects of rounding to multiples of 10 cents are ignored, the net reduction for cases of simultaneous dual entitlement to both a primary and a spouse's benefit is exactly equal to 5 percent of the reduction in the PIA for those becoming entitled in the month of attainment of age 62, and is less for those becoming entitled later, with no reduction for entitlements at age 65. Because most workers affected by the elimination of the minimum benefit provision will be eligible, on their own earnings record³ under the regular benefit computation provisions, for benefits nearly as large as the minimum benefit under previous law (as will be discussed later), the actual reductions in PIA's and, consequently, in monthly benefit amounts, will be small even without dual entitlement, but especially small in cases with simultaneous dual entitlement.

Entitlement to an auxiliary benefit requires the entitlement of another person to a primary benefit (or the insured status of a deceased worker, in the case of survivor's benefits). Therefore, some beneficiaries who would have received minimum benefits under previous law will have temporary reductions in what their monthly benefits would otherwise have been until such time that dual entitlement begins. This is especially true for a worker with either a younger spouse who has a relatively large PIA but is not yet eligible for retired-worker benefits because age 62 has not been attained, or a spouse who is still substantially employed though aged 62 or older.

Although those persons who must wait for some period before becoming entitled to larger auxiliary benefits will have temporary reductions in monthly benefits until such dual entitlement begins, in many such cases, the ul-

³ At times, these benefits have been called "earned benefits." This is erroneous usage because it implies that the benefit amount is actuarially equivalent to what could have been purchased with past OASDI taxes (either employee only or employee-employer combined). A more appropriate term is "formula benefit."

timate benefit level will actually be slightly higher than it would have been under previous law. This somewhat unexpected result can be demonstrated by considering a worker who became entitled to a primary benefit at age 62, and who subsequently becomes entitled to a larger spouse's benefit at age 65. For purposes of illustration, assume that the PIA would have been \$100 under previous law (the actual amount, of course, would be at least \$122) and is \$50 after the 1981 legislation. Further, assume that the spouse's benefit is \$200 a month.

At age 62, after the 20-percent actuarial reduction factor is applied, this worker would have received \$80 under previous law, but actually receives \$40. At age 65, the worker becomes entitled to a larger spouse's benefit that must be offset by the PIA, as described previously. Thus, the \$200 spouse's benefit would have become \$100 a month under previous law, and is \$150 a month after elimination of the minimum benefit provision. The spouse's benefit after offset is not reduced for age because entitlement occurs at age 65. The previous reduction in the primary benefit, however, continues to apply. Thus, under previous law, this worker would have received a monthly benefit of \$180 ($\$100 \times .80 + \100), but instead will receive \$190 ($\$50 \times .80 + \150).⁴ Interestingly, in cases such as these, the largest increases in ultimate monthly benefits over what would have been paid under previous law will occur for those workers with the largest reductions in their PIA's. Also, in all cases where entitlement to a spouse's benefit occurs more than 7 months after entitlement to an actuarially reduced primary benefit, some increase in ultimate monthly benefits will occur.

For the purposes of this article, dual entitlement is considered only if it is possible at the same time as entitlement to the primary benefit. As a consequence, however, the estimates of benefit reductions presented in the last section are a lower bound for the first month of entitlement and are overstated for later months when dual entitlement will actually occur for many of the sample cases. In the initial month, dual entitlement is assumed to occur if eligibility exists. If dual entitlement does not actually occur in such month, because of voluntary actions such as delayed retirement of the spouse, the resulting temporary reductions in initial monthly benefits are not taken into account, but neither are subsequent increases in ultimate benefits. Reductions in the initial months are taken into account in those cases where immediate dual-entitlement eligibility does not exist or where data on the spouse's earnings were unavailable. In most such cases, the reductions in benefits will largely or completely disappear when dual entitlement subsequently occurs, but such dual entitlement is not a cer-

⁴ Although there is an increase in the ultimate monthly benefit payable, the amount of increase is so small that total benefits paid would not equal what would have been payable under previous law for many years.

tainty. The primary minimum benefit recipient could die, for example, before dual entitlement occurs.

Although much of the preceding discussion applies equally to most types of dual entitlement, a noteworthy peculiarity in the law permits special treatment in the case of dually entitled aged widows (and, hereinafter implied in this term, dually entitled aged widowers). The so-called "deemed filing" provision of the Social Security Act requires that when a worker under age 65 claims old-age benefits, he or she must, if eligible, apply simultaneously for spouse's benefits. Aged widows, however, are permitted to apply for either a primary or a widow's benefit, whichever they choose.

This choice is significant only for those who wish to become entitled before age 65—that is, at the ages when actuarial (and near-actuarial) reduction factors apply. A widow can choose to receive a reduced primary benefit at age 62 and an unreduced widow's benefit at age 65—or the reverse. It is never advantageous to file for both benefits simultaneously, although it is not necessarily disadvantageous, either.

The choices that must be made by those eligible for benefits as widows became no less complicated after the elimination of the minimum benefit provision. However, because of the decisionmaking involved (and possible anti-selection), an analysis of widows receiving primary benefits that are affected by the elimination of the minimum benefit provision would be extraordinarily difficult (if not impossible). Therefore, persons who were currently widows at attainment of age 62 were specifically excluded from the study group. Of course, many of the persons who were included will eventually become widows, some before age 65. At the time of the study, however, none had yet had the opportunity to make a decision as to which benefit he or she would receive.

Effects of Welfare-Type Benefits

Another reason why monthly income (from benefits and other sources) will not be significantly reduced in many cases by the elimination of the minimum benefit provision involves welfare-type payments. Some beneficiaries, particularly those without dual entitlement, will be eligible for Supplemental Security Income (SSI) payments at age 65 if they meet certain income and assets tests. In those cases, a temporary reduction in income would occur until age 65, but then the SSI payment would exactly equal the amount of the reduction in the Old-Age, Survivors, and Disability Insurance (OASDI) benefit, resulting in the same income as under previous law. Some such beneficiaries, including some in the study sample, may be receiving SSI disability payments before age 65, and, for these, no reduction in income would occur. In the analysis of sample cases, however, only OASDI benefit income is considered.

One welfare-type OASDI benefit is not considered—namely, the so-called "Prouty" benefits payable under section 228 of the Social Security Act. These special payments were authorized under the 1966 amendments for most persons aged 72 and older who have 3 quarters of coverage for every year after 1966 and before attainment of age 72 (no quarters of coverage were required for those who attained age 72 before 1968). These benefits are generally considered to be welfare in nature.⁵ In fact, the payments for those with fewer than 3 quarters of coverage are financed by the general fund of the U.S. Treasury, rather than by the regular Social Security trust funds.

The special Prouty benefit is subject to the same automatic-adjustment provisions that apply to other OASDI benefits generally. For June 1981 to May 1982, the monthly benefit amount under the Prouty amendment for a single person is \$117, a smaller amount than the previous regular minimum benefit (for these cohorts), for which the requirements have been easier to satisfy for many years. Thus, before the regular minimum PIA was frozen at \$122 by the 1977 amendments, the Prouty benefits applied only to a closed group that was decreasing through deaths.

After the freezing of the regular minimum PIA, it became possible, though not very likely, for certain persons who will attain age 72 after 1990 (including some for whom the transitional guarantee-provision⁶ would apply) to obtain a Prouty benefit (which is not frozen) that would exceed the regular minimum benefit, especially in those cases where entitlement occurred before age 65 and actuarial-reduction factors applied to the regular minimum or transitional-guarantee benefit. Such persons would need at least 72 quarters of coverage and, thus, would very likely qualify for larger formula benefits; however, it is possible that some will be able to obtain a higher benefit under the special Prouty provision.

The elimination of the minimum benefit provision makes entitlement to Prouty benefits somewhat more likely in 1992 and later for those persons who would formerly have been eligible for the minimum benefit. When these persons attain age 72, if they have enough quarters of coverage (75 for those attaining age 72 in 1992 and increasing by 3 quarters for each year thereafter), they may become dually entitled to whatever the formula benefit happens to be, plus whatever additional amount

⁵ These benefits are generally considered to be welfare because they are usually paid by the general fund of the U.S. Treasury. Because there are no explicit income or assets tests associated with them, however, Prouty benefits are sometimes payable to persons in no need of welfare.

⁶ The transitional-guarantee provision applies to persons who attain age 62 in 1979–83. It was intended to provide a smooth transition from the benefit-table method that applied before 1979 to the new wage-indexed method, although the transition is not in fact very smooth.

is needed to increase the total benefits to the Prouty benefit amount at that time, if it is higher. This situation is really quite unlikely because Prouty benefits are not payable if SSI payments are, and few persons with such low incomes will fail to qualify for SSI payments. Moreover, the earnings required to obtain the increasingly large number of quarters of coverage needed to qualify for Prouty benefits will eventually ensure a larger formula benefit.

Effects on Persons Under a Vow of Poverty

Certain persons under a vow of poverty will continue to be eligible for the \$122 minimum PIA if they attain age 62 before 1992. Religious orders with members (generally nuns) who have taken a vow of poverty were first permitted to cover such persons under the Social Security program as a result of the 1972 amendments, with such coverage available retroactively to January 1, 1968. The amount of earnings reported is supposed to be the value of the subsistence provided, with a minimum of \$100 per month. At the minimum level, these persons who currently attain age 62 would not yet have enough covered earnings to qualify for PIA's as large as the \$122 minimum.

The deferral of elimination of the minimum benefit provision until 1992 for newly eligible persons under a vow of poverty will give them time to accumulate earnings histories sufficient to qualify them for larger benefits. This deferral, however, applies only to members of orders that elected Social Security coverage before December 29, 1981, the date of enactment of Public Law 97-123. For those remaining eligible for the minimum benefit, previous law will continue to apply and no reduction in benefits will occur. These cases are not as rare as might be suspected. As discussed later, some appeared in the study sample.

Analysis of Sample of Minimum Benefit Cases

Copies of the applications and detailed earnings records were obtained on a sample of 165 randomly selected minimum benefit recipients who attained age 62 in November 1981 (a few folders were inadvertently included for persons who attained age 62 in December) and who applied to receive benefits for the earliest possible month. In cases where it was known that the beneficiary had a spouse and where the Social Security number was available, detailed earnings records were also obtained for spouses. Persons who were currently widows were excluded for the reasons given in the section on dual entitlement.

Table 1 presents the distribution of the sample by sex

Table 1.—Number of sampled persons, by sex and marital status ¹

Marital status	Total	Men	Women
Total	165	18	147
Married ²	152	16	136
Unmarried ³	13	2	11

¹ Excludes widows from the study group (see page 14).

² Includes three women who were divorced after 10 or more years of marriage and classified as married because they are or will be eligible for spouse's benefits.

³ Includes one man and two women who were divorced after less than 10 years of marriage and classified as unmarried.

and marital status. About 89 percent of those in the sample were women. About 89 percent of the men and 93 percent of the women were married (or divorced after having been married for 10 years or longer).

Table 2 indicates the last year of covered earnings for those in the study group. This table is subject to some error because of possible delays in posting recent earnings. Recent earnings information is requested on the application for benefits, however, and that information was used when submitted by the applicant. Only 35 percent of the total had any earnings after 1975.

Table 3 shows the distribution by number of years of earnings for two periods—1937-81 and 1951-81. The figure for number of years with earnings for 1937-50, however, is artificial in most cases (and, in fact, biased upward) because only total earnings in that period are available. The law specifies a procedure for automatically allocating that total among certain years (generally, years after age 21 and before 1951) for benefit-computation purposes, and that method was used, in most cases, to estimate the number of years of earnings. Actual year-by-year earnings for 1937-50 are usually unavailable. Thus, the data for the number of years of earnings for 1951 and later are more reliable than the data for 1937 and later.

In the absence of the minimum benefit provision, affected beneficiaries will become eligible for the largest

Table 2.—Number and percentage distribution, by last year of covered earnings

Last year of earnings	Number of beneficiaries	Percent of sample
Total	165	100.0
1950 or earlier	18	10.9
1951-55	8	4.8
1956-60	16	9.7
1961-65	10	6.1
1966-70	26	15.8
1971-75	29	17.6
1976-78	20	12.1
1979 and later	38	23.0

PIA produced by the various other applicable benefit computation methods—the old-start method, the wage-indexed method, the transitional guarantee, and the special-minimum method.⁷ The PIA-table method is not applicable to the affected cohorts of retirees (those first eligible after 1978 are not able to use it).

Table 4 presents the distribution of the sample by applicable benefit-computation method. The old-start method, which applies mainly to workers with substantial earnings before 1951 and with little earnings after 1950, produces the largest formula benefit (that is, a benefit based on earnings) for the vast majority (81 percent) of the sample cases, with the wage-indexed method a distant second. The old-start method applies to a much smaller (and rapidly decreasing) proportion of all newly eligible beneficiaries because the old-start benefit table was “frozen” by the 1977 amendments. Those beneficiaries shown as receiving regular minimum benefits are all persons under a vow of poverty, for whom the elimination of the minimum benefit provision was deferred.

The applicability of the special minimum benefit provision to regular minimum benefit recipients has been of particular interest. Under the special minimum benefit provision, which was included in the 1972 amendments specifically to assist steady workers with low incomes, the PIA is equal to a fixed dollar amount (about \$16.07 for the period June 1981 to May 1982) multiplied by “years of coverage” in excess of 10, but not more than 30 (that is, a maximum of 20 years). Generally, a year of coverage is credited for any year in which earnings equaled or exceeded one-fourth of the taxable earnings base,⁸ an amount that has generally been slightly lower than what would have been earned in a year of full-time work at the Federal minimum wage.

Table 5 shows the distribution of number of such years of coverage for the beneficiaries in the sample. Only one beneficiary had as many as 15 such years (which corresponds to a PIA of \$80.40). The largest group had only 2 such years of coverage. As shown in table 4, the special minimum benefit provision did not produce the largest PIA for any persons. Thus, it appears that the regular minimum benefit recipients in this sample were not, in many cases, low-income steady workers, who would have been expected to receive the special minimum benefit.

Table 6 presents a distribution of PIA's by amount (without regard to the minimum benefit provision). No person in the sample had a formula PIA lower than \$28.60, although PIA's as low as \$7.10 were theoretical-

⁷ These methods are described in detail in Steven F. McKay and Bruce D. Schobel, *op. cit.*, and Steven F. McKay, *Computing a Social Security Benefit after the 1980 and 1981 Amendments* (Actuarial Note No. 111), Office of the Actuary, Social Security Administration, 1982.

⁸ Special rules apply for years before 1951 and after 1978.

Table 3.—Number and percentage distribution, by number of years with earnings

Number of years	1937-81		1951-81	
	Number of beneficiaries	Percent of sample	Number of beneficiaries	Percent of sample
Total	165	100.0	165	100.0
0-3	(1)	(1)	35	21.2
4-7	(1)	(1)	45	27.3
8-11	31	18.8	30	18.2
12-15	57	34.5	38	23.0
16-19	43	26.1	11	6.7
20-23	19	11.5	5	3.0
24-27	9	5.5	1	.6
28-31	4	2.4	0	0
32 or more	2	1.2

¹ Workers who attained age 62 in 1981 and did not have a previous period of disability (none in the sample did) need 30 quarters of coverage to be eligible for primary retirement benefits. Normally, obtaining 30 quarters of coverage would require at least 8 years of earnings. Under a special provision applicable to certain persons with earnings in 1937-50, it is theoretically possible to acquire 30 quarters of coverage in only 4 years (with maximum earnings), but that provision was not applicable to any workers in the sample.

Table 4.—Number and percentage distribution, by applicable benefit computation method¹

Types of primary insurance amount	Number of beneficiaries	Percent of sample
Total	165	100.0
Old start	133	80.6
Wage indexed	20	12.1
Transitional guarantee	7	4.2
Special minimum	0	0
Regular minimum	25	3.0

¹ Assuming that the elimination of the minimum benefit provision applied to this sample.

² Eligibility continues because of the special exemption for certain persons under a vow of poverty.

Table 5.—Number and percentage distribution, by years of coverage as used for the special minimum benefit¹

Number of years of coverage	Number of beneficiaries	Percent of sample
Total	165	100.0
0-3	53	32.1
4-7	48	29.1
8-11	36	21.8
12-15	28	17.0
16 or more	0	0

¹ For 1951-78, a year of coverage is credited for any year with earnings equal to or exceeding one-fourth of the taxable earnings base. For 1937-50, 1 year of coverage is credited for each full \$900 of earnings in the period, with a maximum of 14 years. After 1978, a year of coverage is credited for any year with earnings equal to or exceeding one-fourth of the “old-law” taxable earnings base—that is, what the base would have been in the absence of the ad hoc increases in the 1977 amendments.

Table 6.—Number and percentage distribution, by size of primary insurance amount (PIA) ¹

PIA	Number of beneficiaries	Percent of sample
Total	165	100.0
\$0-\$20.00 ²	0	0
\$20.10-\$30.00	1	.6
\$30.10-\$40.00	1	.6
\$40.10-\$50.00	3	1.8
\$50.10-\$60.00	5	3.0
\$60.10-\$70.00	13	7.9
\$70.10-\$80.00	15	9.1
\$80.10-\$90.00	24	14.5
\$90.10-\$100.00	16	9.7
\$100.10-\$110.00	25	15.2
\$110.10-\$120.00	17	10.3
\$120.10-\$130.00	23	13.9
\$130.10-\$135.70 ³	22	13.3

¹ Assuming that the elimination of the minimum benefit provision applied to this sample.

² The lowest PIA theoretically possible for workers in the sample was \$7.10.

³ The PIA under the regular minimum provision is \$135.70. Five persons in the study group would continue to receive exactly that amount because of the special exemption for certain persons under a vow of poverty.

ly possible. The PIA's were fairly uniformly distributed between \$60.10 and \$135.70. More than half (53 percent) of those in the sample had PIA's exceeding \$100.00; only 6 percent had PIA's of less than \$60.00.

The distribution of the PIA's (without regard to the minimum benefit provision) is shown by sex, marital status, relative ages of the spouses, and availability of spousal earnings information in table 7. The array of the married subgroups into those cases where the minimum benefit recipient is the older spouse and those where the recipient is the younger spouse is significant because, as noted earlier, in some cases (81 percent of the married men and 32 percent of the married women), the minimum benefit recipient became entitled before the other spouse was eligible for retirement benefits. In most of those cases, the minimum benefit recipient will eventually become eligible for a larger benefit as a spouse (or widow). Consequently, elimination of the minimum benefit provision will cause a temporary reduction in the monthly benefit payable, but not necessarily a permanent reduction. The PIA's for the not-yet-eligible younger spouses were calculated for the purposes of this table by assuming that they became disabled in November 1981. In fact, three spouses of beneficiaries in the sample were already receiving disabled-worker benefits before age 62, and, consequently, those three study-group members were immediately eligible for spouse's benefits. In those cases, the actual PIA's were used.

The next two tables compare monthly benefit amounts, both with and without regard to the minimum benefit provision. For the purposes of these tables, dual entitlement was considered only in those cases where the spouse was immediately eligible for a primary benefit and where the spouse's earnings were available. In those

Table 7.—Newly awarded minimum benefit recipients, by sex, marital status, age, availability of spouse's earnings, and average primary insurance amount (PIA)

Item	Number	Average PIA of—	
		Minimum benefit recipient	Spouse
Total	165	\$99.46	
Men	18	107.43	
Unmarried	2	84.75	
Married	16	110.26	
Minimum benefit recipient older than spouse:			
Spouse's earnings available	8	111.47	\$179.79
Spouse's earnings not available	5	114.90	
Spouse of minimum benefit recipient older than recipient:			
Spouse's earnings available	3	99.30	221.93
Spouse's earnings not available	0	0	
Women	147	98.49	
Unmarried	11	104.82	
Married	136	97.97	
Minimum benefit recipient older than spouse:			
Spouse's earnings available	30	97.48	\$16.57
Spouse's earnings not available	14	93.19	
Spouse of minimum benefit recipient older than recipient:			
Spouse's earnings available	87	98.45	\$12.73
Spouse's earnings not available	5	105.96	

cases where the study-group member was eligible for a spouse's benefit but entitlement had not occurred for voluntary reasons such as delayed retirement on the part of the spouse, the resulting temporary reduction in benefits was disregarded. In those cases where immediate dual entitlement was not possible, generally because of the age of the spouse, the resulting benefit reduction was reflected, although it may eventually disappear when dual entitlement occurs. As noted earlier, however, such dual entitlement is not a certainty. Finally, in those cases where dual entitlement was possible but the spouse's earnings record was unavailable, monthly benefits were computed as though dual entitlement were not possible. Consequently, reductions in benefit amounts are shown for such cases.

It should be noted that in those cases where the spouse was still working, the computed PIA of such spouse and, thus, the computed spouse's benefit of the study-group member may change in the future as a result of the spouse's future earnings, which could either raise or lower the spouse's benefit relative to the primary benefit of the study-group member. These changes, in turn, can affect the amount of any reduction in monthly benefits payable. Therefore, it is not possible to determine precisely ultimate monthly benefits even in the better-documented cases, although there is

no reason to suspect that a bias is introduced by using only earnings to date.

Table 8 presents the distribution by initial monthly benefit amount, both with and without regard to the minimum benefit provision, for the cases in the sample. This table (and the following one) is based on monthly benefit amounts rather than PIA's. In other words, it includes the effects of both dual entitlement (when possible immediately) and the reduction factors that apply to both primary and spouse's benefits when entitlement occurs before age 65.

Before the 1981 legislation, a person could become entitled to a benefit for the first month in which he or she became eligible (that is, met the age, insured-status, and any other legal-status requirements). Under Public Law 97-35, however, a person cannot become entitled to a benefit unless he or she is eligible throughout the entire month. The procedure for determining reduction factors for age was not changed. Therefore, the impact of this provision on those desiring to become entitled at the earliest possible time is that they must wait a month to receive benefits (unless they attain age 62 on the first day of the month), but they have 1 less month of reduction for age and, consequently, a slightly larger monthly benefit.

Most persons in the sample attained age 62 in November 1981, became entitled in December, and had PIA's of \$135.70. Because the actuarial reduction factor for entitlement at age 62 years and 1 month is 19.44 percent, the primary monthly benefit payable was \$109.40 in

Table 8.—Number and percentage distribution, by initial monthly benefit amount

Benefit amount	With minimum benefit provision applicable		Without minimum benefit provision applicable	
	Number of beneficiaries	Percent of sample	Number of beneficiaries	Percent of sample
Total	165	100.0	165	100.0
\$0-\$40.00	(1)	(1)	0	0
\$40.10-\$50.00	(1)	(1)	2	1.2
\$50.10-\$60.00	(1)	(1)	10	6.1
\$60.10-\$70.00	(1)	(1)	12	7.3
\$70.10-\$80.00	(1)	(1)	14	8.5
\$80.10-\$90.00	(1)	(1)	11	6.7
\$90.10-\$100.00	(1)	(1)	15	9.1
\$100.10-\$110.00	82	49.7	18	10.9
\$110.10-\$120.00	2	1.2	3	1.8
\$120.10-\$140.00	7	4.2	7	4.2
\$140.10-\$160.00	6	3.6	5	3.0
\$160.10-\$180.00	5	3.0	7	4.2
\$180.10-\$210.00	19	11.5	17	10.3
\$210.10-\$240.00	20	12.1	23	13.9
\$240.10-\$270.00	18	10.9	15	9.1
\$270.10-\$300.00	6	3.6	6	3.6
\$300.10 or more	0	0	0	0

¹ No monthly benefit amount less than \$108.60 was possible for this group (see top of second column of this page).

² The average monthly benefit amount was \$196.21 for 93 persons with immediate dual-entitlement eligibility after elimination of the minimum benefit provision; it was \$81.76 for 72 persons without such eligibility.

nearly every case. The smallest amount that could actually have been payable—\$108.60—was for those who attained age 62 on the first day of the month and who therefore had a 20-percent reduction factor applied. The amounts in table 8 that are larger than \$109.40 are all for cases involving dual entitlement to larger spouse's benefits.

Without regard to the minimum benefit provision, none of the sample cases would have received monthly benefits of less than \$43.10, and most would have received much larger benefits. The average benefit actually payable was \$160.59 per month, whereas, if the minimum benefit provision had not been applicable, it would have been \$146.27, or a reduction of 8.9 percent. For those beneficiaries with immediate dual-entitlement eligibility, the average benefit payable was \$200.22. Without the minimum benefit provision, it would have been \$196.21, or a reduction of 2.0 percent. If only beneficiaries without immediate dual-entitlement eligibility are considered, the corresponding figures are \$109.40 and \$81.76—a reduction of 25.3 percent.

Table 9 presents the distribution of reductions in initial monthly benefits, assuming elimination of the minimum benefit provision. Slightly more than half (56 percent) of the persons in the sample had reductions ranging from zero to \$5.00; about 7 percent had reductions of \$50.00 or more. If only beneficiaries without immediate dual-entitlement eligibility are considered, the average reduction in the monthly benefit amount

Table 9.—Number and percentage distribution, by initial reduction in monthly benefits¹

Reduced benefit amount	Number of beneficiaries	Percent of sample
Total	165	100.0
No reduction	27	4.2
\$0-\$1.00	25	15.2
\$1.10-\$2.00	27	16.4
\$2.10-\$3.00	19	11.5
\$3.10-\$4.00	10	6.1
\$4.10-\$5.00	5	3.0
\$5.10-\$10.00	8	4.8
\$10.10-\$15.00	11	6.7
\$15.10-\$20.00	5	3.0
\$20.10-\$30.00	10	6.1
\$30.10-\$40.00	14	8.5
\$40.10-\$50.00	12	7.3
\$50.10-\$60.00	10	6.1
\$60.10-\$70.00	2	1.2
\$70.10 or more	0	0
Average reduction	³ \$14.32	

¹ Assuming that the elimination of the minimum benefit provision applied to this sample.

² Includes 5 persons for whom the minimum benefit provision would continue to apply because of the special exemption for persons under a vow of poverty and 2 persons for whom, after rounding to multiples of \$0.10, the benefit amount would not be reduced.

³ The average reduction was \$4.01 for 93 persons with immediate dual-entitlement eligibility after elimination of the minimum benefit provision; it was \$27.64 for 72 persons without such eligibility.

was \$27.64. Many of these persons, as noted earlier, may become dually entitled to larger auxiliary benefits at some time, although this is not a certainty. In addition, income from non-OASDI programs (usually of a welfare type) is not considered here.

Table 10 presents the distribution by reason for receipt of a minimum PIA. Although Federal privacy regulations prevented the direct questioning of these beneficiaries to determine the cause of their very low or irregular lifetime earnings, certain evidence was available in the applications for benefits, either as answers to required questions or as voluntarily self-reported information. Some beneficiaries could conceivably have fallen into more than one of the categories listed in table 10; in such cases, only the category that best described the particular beneficiary was used.

By far the largest single group, which contained 129 members and 78 percent of the sample, was made up of housewives. These persons, all married women, had very limited attachment to the labor force, sometimes just barely enough to have been insured at all for a primary benefit and sometimes with no covered work reported since World War II. In many of these cases, the husband was—or would eventually become—eligible for a much larger PIA, and this would likely result in the study-group member receiving a larger benefit as a spouse than as a primary beneficiary.

The sample contained 17 persons (10 percent) with significant periods of noncovered employment (including those with Federal civilian and noncovered State and local government service). For most of these persons, the regular minimum benefit represented a large windfall that had been a subject of congressional debate for many years. Even the formula benefits that will be payable to such persons after elimination of the regular minimum benefit provision reflect unduly favorable treatment, because the OASDI weighted benefit formula provides larger relative benefits to low earners, and workers with significant periods of noncovered employment usually appear to be low earners, insofar as covered earnings are concerned.

Five persons in the sample (3 percent) were nuns under a vow of poverty. As discussed earlier, these persons had not been covered for Social Security purposes long enough to have sufficient earnings to warrant a larger formula benefit. All such persons attaining age 62 before 1992 were exempted from the elimination of the minimum benefit provision.

Table 10.—Number and percentage distribution of recipients of the minimum primary insurance amount, by reason for receipt

Reason for receipt of minimum benefit	Number of beneficiaries	Percent of sample
Total	165	100.0
Housewife	129	78.2
Federal civil service employment	14	8.5
State and local noncovered employment ..	3	1.8
Vow of poverty	5	3.0
SSI disability	4	2.4
Unknown	10	6.1

Four study-group members (2.4 percent of the sample) were already receiving SSI disability payments at age 62. Elimination of the minimum benefit provision would have no effect on such individuals, although the proportion of their benefits paid by the OASI Trust Fund would be somewhat smaller. These persons were apparently ineligible for disabled-worker benefits under the Social Security program (which uses the same definition of disability as does the SSI program), and yet they were fully insured. They obviously had been unable to meet the recency-of-work test for disability-insured status, which generally requires 20 quarters of coverage in the 40 quarters ending with the quarter in which the disability began. Finally, for 10 persons, who represented 6 percent of the sample, the cause of their very low or irregular lifetime earnings histories could not be determined.

It should be noted that a similar analysis of minimum benefit recipients (or persons who would have been minimum benefit recipients under previous law) conducted at a higher age than 62 would probably reveal a somewhat higher proportion of workers in noncovered employment. Some such workers continue to work beyond their initial eligibility for OASDI benefits because such benefits would be entirely or partially withheld as a result of the earnings test, under which \$1 of benefits is lost for each \$2 of earnings (including noncovered earnings) in excess of a specific amount (\$4,440 in 1982 for those under age 65). The sample considered in this study consists entirely of persons who became eligible and filed for benefits at age 62 (or as soon as possible thereafter). As a consequence, the sample is skewed somewhat toward persons without recent earnings.