



Projecting the Effects of Benefit Increase Options on Older Beneficiaries

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Two common proposals for increasing benefits for older beneficiaries are adding 5 percent of the Individual PIA or 5 percent of the Average PIA to a beneficiary's current law benefit

Projections show that these two options produce different median benefits and poverty rates among older beneficiaries.

Median benefit increases are larger when the Individual PIA is used as the basis for the benefit increase

The projected median monthly benefit increase is 5 percent for older beneficiaries in 2030 when using the Individual PIA and 3.9 percent when using the Average PIA.

However, benefit increases are proportionally larger for lower income households when the Average PIA is used as the basis for the benefit increase

Since the Average PIA would provide all beneficiaries with the same increase, the relative gain is higher for beneficiaries with lower current law benefits. For example, among beneficiaries in the lowest shared lifetime earnings quintile, the projected median benefit increase is 6.4 percent when using the Average PIA, compared to 5 percent for everyone when using the Individual PIA.

All else equal, a benefit increase using the Average PIA would reduce poverty more than a benefit increase using the Individual PIA

Almost 12 percent of older beneficiaries in the lowest shared lifetime quintile would be in poverty under current law. The percent in poverty would fall to 8.6 percent under the Average PIA approach and 9.3 percent under the Individual PIA approach. However, these projected benefit increases could be offset by other policy changes that reduce benefits within broader solvency proposals.

Background

- As part of larger Social Security reform plans, many policymakers have proposed increasing benefits for older beneficiaries.
- These benefit increases are generally designed to offset compounding benefit reductions.
- How these benefit increases are structured can influence their effectiveness in maintaining the retirement security of older beneficiaries.

Key Terms

- *Older beneficiary* refers to beneficiaries aged 85 or older.
- *PIA* is the primary insurance amount, which is the benefit an individual would receive based on his or her earnings record if no reductions for early retirement.
- *Individual PIA* refers to the benefit an individual would receive based on his or her PIA.
- *Average PIA* refers to the average PIA among all retired workers in the year they reach age 80.

Projected Changes in Median Benefits and Poverty Among Older Beneficiaries Under Two Benefit Increase Options in 2030

Shared lifetime earnings quintile	Median benefit			Percentage in poverty		
	Current law (2012 \$)	Individual PIA option	Average PIA option	Current law	Individual PIA option	Average PIA option
Lowest	\$1,451	+5.0%	+6.4%	11.8%	9.3%	8.6%
Second lowest	\$1,989	+5.0%	+4.8%	0.4%	0.3%	0.2%
Middle	\$2,323	+5.0%	+4.1%	0.2%	0.2%	0.2%
Second highest	\$2,562	+5.0%	+3.8%	0.0%	0.0%	0.0%
Highest	\$3,169	+5.0%	+3.4%	0.0%	0.0%	0.0%

SOURCE: Whitman, Kevin and Dave Shoffner. 2013. "The Projected Effects of Social Security Benefit Increase Options for Older Beneficiaries." Policy Brief No. 2013-01.

NOTES: All content is simplified for presentation. Please see source material for full details and caveats. The findings and conclusions presented in this summary are those of the authors and do not necessarily represent the views of the agency.