Collection: Blackwell, Morton: Files
Folder Title: Social Security (2 of 2)
Box: 24

file

Document No. 019966SS

WHITE HOUSE STAFFING MEMORANDUM

DATE: July 20, 1981 ACTION/CONCURRENCE/COMMENT DUE BY: ____________

SUBJECT: FACT SHEET ON SOCIAL SECURITY MINIMIM BENEFIT

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☐	☐	JAMES	☐	☐
MEESE	☐	☑	MURPHY	☐	☐
BAKER	☐	☑	NOFZIGER	☐	☑
DEAVER	☐	☑	WILLIAMSON	☐	☑
STOCKMAN	☐	☐	WEIDENBAUM	☐	☑
ALLEN	☐	☐	CANZERI	☐	☐
ANDERSON	☐	☑	FULLER *(For Cabinet)*	☐	☑
BRADY	☐	☑	HICKEY	☐	☐
DOLE	☐	☑	HODSOLL	☐	☐
FIELDING	☐	☐	MC COY	☐	☐
FRIEDERSDORF	☐	☑	CEQ	☐	☐
GARRICK	☐	☐	OSTP	☐	☐
GERGEN	☐	☑	USTR	☐	☐
HARPER	☐	☐	ROGERS	☐	☐

Remarks:

Richard G. Darman
Deputy Assistant to the President
and Staff Secretary
(x-2702)

FACT SHEET ON SOCIAL SECURITY MINIMUM BENEFIT

The Minimum Benefit: An Obsolete Welfare Add-On

The social security minimum is an unearned benefit. It consists of a welfare support add-on to the monthly social security payment a recipient is entitled to from his or her payroll tax contributions.

At the time the minimum was initiated there was not an adequate social safety net to protect low-income elderly with small earned benefits. Today, the Federal safety net of Supplemental Security Income, Food Stamps and Medicaid can provide a combined benefit of $10,600 per couple for low income elderly -- an amount three times greater than the average social security minimum benefit. Since this safety net would replace minimum benefits dollar for dollar, the latter has now become a pure "windfall" for recipients whose pensions and other income exceeds the safety net floor.

The Windfall Problem Needs Correction

° The average individual receiving a minimum benefit would receive $2,122 in 1982 from the social security trust funds. He or she would have contributed, based on typical total lifetime earnings for such beneficiaries, less than $355 in social security payroll taxes.

° In certain cases, minimum beneficiaries could get $3,183 (per couple) each year by paying as little as $3 in their entire working lifetime.

° Many beneficiaries who will be eligible for minimum benefits in 1982 at age 65 could have paid less than $68 in lifetime social security taxes -- an amount they will "recoup" in only 12 days!

° On average, a husband and wife getting an initial minimum benefit in 1982 would be paid more than $100,000 during their retirement lifetimes from the social security trust funds. For the average couple, this would be about three hundred times what they had paid in, and it would not have been earned.

° An estimated 35,000 social security minimum beneficiaries live outside the United States.

° Not eliminating this unearned windfall would add $7 billion to the social security trust fund deficit over the next five years, making the social security financing crisis that much more acute and jeopardizing benefits of those who earned them.

Windfall Benefits and Outside Income

° Based on General Accounting Office (GAO) data, it is estimated that 450,000 minimum recipients receive Federal pensions. These retired Federal double-dippers now are estimated to average $16,000 annually from the Federal Civil Service Retirement System on top of the minimum social security benefit for a total Federal retirement income of $18,120.

° 50,000 minimum social security recipients have retired spouses who are estimated to receive $18,500 in Federal pension payments. The average family Federal retirement income of these "minimum benefit" couples is $21,680 annually.

° Another 300,000 minimum recipients have working spouses, according to GAO data. These working spouses have earnings estimated to average $21,100 annually, for an average family income of at least $23,220 annually, including the social security minimum benefit.

° Overall, these social security and GAO data suggest that up to 800,000 minimum beneficiaries have comfortable total incomes which exceed an average of $20,000. This raises considerable doubt about the claim of Majority Leader Wright that eliminating the minimum harms 3 million people, "most of them poor."

Another 1.2 Million Are Only Technical Minimum Beneficiaries

° Fully 1 million of the 3 million minimum benefit recipients are dual beneficiaries. They are classed as "minimum" only because of an accounting technicality. They receive more than the minimum today and their benefit would be unaffected by elimination of the minimum. This occurs because the total benefit payment to these persons is based not on their own low earnings but on earnings and social security taxes of their husbands or wives.

° The typical example would be a wife whose own sporadic and low earnings entitled her only to the "minimum" but she in fact is also entitled to and receives one half her husband's benefit. Part of her check counts as "minimum" and part as "supplement." The end of the minimum would alter these proportions but leave the size of the check unchanged. Thus one third of those now classed as "minimum" are not actually receiving the minimum benefit but substantially more, and their social security incomes will not be reduced by eliminating the minimum benefit.

° About <u>200,000 recipients</u> of the minimum have earned benefits that just equal the minimum benefit. Since earned benefits are unchanged, eliminating the minimum would not affect these people.

<u>500,000 Are SSI Beneficiaries</u>

° About <u>500,000 recipients</u> of the social security minimum benefit who have low total incomes are currently receiving Supplemental Security Income (SSI). Since the SSI benefit is adjusted for other income, a drop in the social security monthly check from elimination of the minimum would be automatically offset, dollar for dollar, by an increase in the monthly SSI benefit.

<u>The Social Safety Net Provides A More Than Adequate Floor</u>

As indicated above, up to 800,000 minimum beneficiaries clearly have ample incomes and do not need nor deserve this unearned benefit. Another 1.7 million are dual or equal beneficiaries or are currently in SSI payment status and would experience no reduction in total payments. Yet another 200,000 "minimum" recipients are college students, or minor children of double dippers.

While the precise income and need status of the remaining 300,000 beneficiaries (3 million total) is not known, there is one certainty: none could fall below an ample social safety net consisting of Supplemental Security Income, Food Stamps and Medicaid -- for which most SSI recipients are categorically eligible.

The core of the system is the Federal Supplemental Security Income System. For minimum recipients in 1982 it will provide $5,192 per couple plus state supplementation. On a weighed average basis, Federal plus state supplement cash benefits will average $6,100 per couple in FY 82 as of July 1, 1982, after minimum benefit elimination in the House Bill. While SSI contains an asset test, the recipients home, car, personal possessions of reasonable value and certain amounts of stocks, bonds, life insurance savings and other liquid assets are excluded.

With the exception of 3 states which cash-out and thereby include Food Stamp cash value in the state SSI supplement, most SSI recipients are also eligible for Food Stamps. In a typical case the Food Stamp value would be an additional $675 per couple per year.

Finally, most SSI recipients are categorically eligible for Medicaid, which covers most expenses for drugs, deductibles and post-hospital care not covered by Medicare. On a national average basis, the Medicaid cash value is estimated to average $3,660 per elderly couple.

The table below shows this combined social safety net for selected states. Any needy beneficiary losing minimum benefits would not drop below these floors.

On a national average basis, a single social security minimum beneficiary will lose $772 per year in trust fund financed benefits, but those who have need are protected by a $6,980 floor. Similarly, couples receiving the social security minimum will lose on average $1,159 in trust fund financed benefits, but those in need are protected by a $10,600 floor. The existence of this safety net makes the risk of eliminating the minimum benefit negligible and will stop the flow of undeserved windfall benefits out of the trust funds.

STATE	SOCIAL SAFETY NET*
Alaska	12,429
California	13,860
Colorado	11,712
Hawaii	10,523
Idaho	10,219
Maine	9,814
Massachusetts	10,980
Michigan	10,016
Minnesota	10,085
Nebraska	10,589
Nevada	10,472
New Hampshire	9,900
New Jersey	9,816
New York	10,377
Oklahoma	11,042
Oregon	9,799
Pennsylvania	10,128
Rhode Island	10,454
Utah	9,883
Vermont	10,406
Washington	10,017
Wisconsin	10,296
Wyoming	10,041
Washington, DC	9,967
All Other States	9,667
National Average	10,600

* Consists of potential payments and benefits under Federal SSI, state SSI supplements, Food Stamps and Medicaid for couples receiving minimum benefits.

file Social Security

October 12, 1982

Dear Morton:

This is the note you requested Friday at Kingston on legislative priorities.

For the sake of ailing pension plans as well as Social Security, Individual Retirement Accounts (IRA's) should be further promoted as supplements and alternatives for retirement planning.

The tax-exempt ceiling of $2000 should be increased as should the couple's $2,250 limit. Since the liberalizations in 1981, eligible participants tripled from 5% to 17% by the end of first quarter 1982. A study by LIMRA (Life Insurance Marketing Research Assoc.) projects participation at 32% of eligible individuals at the close of 1982.

Let me know if I can help further,

Eileen

Eileen Peterson
10081-2 Windstream
Columbia, MD, 21044

BALTIMORE, MD 212
PM
12 OCT
1982

20c
1782 1982 USA THE NETHERLANDS

Morton Blackwell
Office of Public Liaison
Rm 191 Old EOB
The White House

191

THE WHITE HOUSE

Office of the Press Secretary

file

For Immediate Release December 16, 1981

The President today announced his intention to appoint/designate the following individuals to serve on a 15-member bi-partisan National Commission on Social Security Reform. Alan Greenspan will serve as Chairman.

Establishment of the Commission fulfills a pledge made by the President in September to create a bi-partisan task force to work with the President and Congress to reach two specific goals:

-- To propose realistic, long-term reforms to put Social Security back on a sound financial footing, and

-- To forge a working, bi-partisan consensus so that the necessary reforms can be passed into law.

ROBERT A. BECK, Chairman of the Board and Chief Executive Officer, Prudential Insurance Company of America, Newark, New Jersey. He is a member of the President's Export Council.

MARY FALVEY FULLER, Vice President, Finance, Shaklee Corporation, San Francisco, California. Previously, she was Senior Vice President and Director, Blyth Eastman Dillon & Company, Inc., New York, New York.

ALAN GREENSPAN, Chairman and President, Townsend-Greenspan and Company, Inc., New York, New York. He is a member of the President's Economic Policy Advisory Board.

ALEXANDER B. TROWBRIDGE, President, National Association of Manufacturers, Washington, D.C. He is a member of the President's Task Force on Private Sector Initiatives.

JOE D. WAGGONNER, JR., Consultant, Bossier Bank & Trust Company, Plain Dealing, Louisiana. He represented the 4th Congressional District of Louisiana during the 87th to 95th Congresses.

-more-

Senate Majority Leader Howard Baker, in consultation with Senate Minority Leader Robert Byrd, selected the following individuals to serve on the Commission:

WILLIAM ARMSTRONG, United States Senate (R-Colo.), Chairman of the Subcommittee on Social Security of the Senate Finance Committee.

ROBERT DOLE, United States Senate (R-Kan.), Chairman of the Senate Finance Committee.

JOHN HEINZ, United States Senate (R-Penn.), Chairman of the Senate Special Committee on Aging.

LANE KIRKLAND, President of the American Federation of Labor - Congress of Industrial Organizations.

DANIEL PATRICK MOYNIHAN, United States Senate (D-N.Y.), Ranking Minority Member of the Subcommittee on Social Security of the Senate Finance Committee.

House Speaker Thomas P. O'Neill, in consultation with House Minority Leader Robert Michel, selected the following individuals to serve on the Commission:

WILLIAM ARCHER, United States House of Representatives (R-Tex.), Ranking Minority Member of the Subcommittee on Social Security, House Ways and Means Committee.

ROBERT M. BALL, was Commissioner of Social Security in 1962-73. He is Senior Scholar, Institute of Medicine, National Academy of Sciences.

BARBER CONABLE, United States House of Representatives (R-N.Y.), Ranking Minority Member, House Ways and Means Committee.

MARTHA E. KEYS, former Assistant Secretary of Health and Human Services. She served in the 94th and 95th Congresses.

CLAUDE D. PEPPER, United States House of Representatives (D-Fla.), Chairman, House Select Committee on Aging.

###

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release December 16, 1981

EXECUTIVE ORDER

NATIONAL COMMISSION ON SOCIAL SECURITY REFORM

By the authority vested in me as President by the Constitution of the United States of America, and to establish, in accordance with the provisions of the Federal Advisory Committee Act, as amended (5 U.S.C. App. I), the National Commission on Social Security Reform, it is hereby ordered as follows:

Section 1. Establishment. (a) There is established the National Commission on Social Security Reform. The Commission shall be composed of fifteen members appointed or designated by the President and selected as follows:

(1) Five members selected by the President from among officers or employees of the Executive Branch, private citizens of the United States, or both. Not more than three of the members selected by the President shall be members of the same political party;

(2) Five members selected by the Majority Leader of the Senate from among members of the Senate, private citizens of the United States, or both. Not more than three of the members selected by the Majority Leader shall be members of the same political party;

(3) Five members selected by the Speaker of the House of Representatives from among members of the House, private citizens of the United States, or both. Not more than three of the members selected by the Speaker shall be members of the same political party.

(b) The President shall designate a Chairman from among the members of the Commission.

Sec. 2. Functions. (a) The Commission shall review relevant analyses of the current and long-term financial condition of the Social Security trust funds; identify problems that may threaten the long-term solvency of such funds; analyze potential solutions to such problems that will both assure the financial integrity of the Social Security System and the provision of appropriate benefits; and provide appropriate recommendations to the Secretary of Health and Human Services, the President, and the Congress.

(b) The Commission shall make its report to the President by December 31, 1982.

Sec. 3. Administration. (a) The heads of Executive agencies shall, to the extent permitted by law, provide the Commission such information as it may require for the purpose of carrying out its functions.

more

(OVER)

(b) Members of the Commission shall serve without any additional compensation for their work on the Commission. However, members appointed from among private citizens of the United States may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by law for persons serving intermittently in the government service (5 U.S.C. 5701-5707), to the extent funds are available therefor.

(c) The Commission shall have a staff headed by an Executive Director. Any expenses of the Commission shall be paid from such funds as may be available to the Secretary of Health and Human Services.

Sec. 4. General. (a) Notwithstanding any other Executive Order, the responsibilities of the President under the Federal Advisory Committee Act, as amended, except that of reporting annually to the Congress, which are applicable to the Commission, shall be performed by the Secretary of Health and Human Services in accordance with the guidelines and procedures established by the Administrator of General Services.

(b) The Commission shall terminate thirty days after submitting its report.

RONALD REAGAN

THE WHITE HOUSE,

December 16, 1981.

# # # #

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release December 16, 1981

STATEMENT BY THE PRESIDENT

In recent years rising inflation has created great uncertainty about our Social Security System. Time and again, we have been reassured the system would be financially sound for decades to come, only to find that recalculations of receipts and benefits forecasted a new crisis.

Current and future retirees now question the system's ability to provide them benefits they have been led to expect. Americans look to us for leadership -- and answers.

As a candidate in 1980, I pledged I would do my utmost to restore the integrity of Social Security and to do so without penalty to those dependent on that program. I have honored that pledge and will continue to do so. We cannot, and we will not betray people entitled to Social Security benefits.

In September, I announced I would appoint a bipartisan task force to work with the President and the Congress to reach two specific goals: propose realistic, long-term reforms to put Social Security back on a sound financial footing; and forge a working bipartisan consensus so that the necessary reforms will be passed into law.

Senate Majority Leader Baker, Speaker O'Neill and I agreed we would each select five members for a new National Commission on Social Security. Today, I am pleased and honored to announce the formation of the Commission, and to announce that Alan Greenspan has agreed at my request to serve as chairman of this Commission.

I am asking that the Commission present its report to the American people at the end of next year. I can think of no more important, domestic problem requiring resolution than the future of our Social Security System. But, let me make one thing plain: with bipartisan cooperation and political courage, Social Security can and will be saved.

For too long, too many people dependent on Social Security have been cruelly frightened by individuals seeking political gain through demogoguery and outright falsehood. This must stop. The future of Social Security is much too important to be used as a political football.

Saving Social Security will require the best efforts of both parties, and of both the executive and legislative branches of Government. I am confident this can be done, and that in its deliberations, this Commission will put aside partisan considerations and seek a solution the American people will find fiscally sound and fully equitable.

# # #

Social Security
191

THE WHITE HOUSE

Office of the Press Secretary

For Release at 10:30 a.m.
Wednesday, April 20, 1983

SOCIAL SECURITY AMENDMENTS OF 1983

Highlights of Major Provisions

Today, President Reagan signed into law the historic Social Security Amendments of 1983. Based on recommendations by the bipartisan Commission on Social Security Reform established on December 16, 1981, the new law resolves both short- and long-term threats to the Social Security system.

I. SOCIAL SECURITY CHANGES

Taken together, the provisons assure a balance of revenues and expenditures that will eliminate the crisis that had been facing the Social Security system in this decade and make structural reforms which will bring the long-range costs of the program into line with program revenues. The law provides for a total of $166 billion during 1983-1989 in additional taxes and income, and reduced expenditures. The law also makes reforms that address the serious long-range financing problems that the program had faced early in the next century because of changing demographic factors.

Retirement Age/Reduction for Early Retirement -- Gradually increases normal retirement age to 66 by 2005 and 67 by 2022. The retirement age would increase by 2 months a year from 2000 to 2005 and from 2017 to 2022. Does not change age of eligibility for Medicare or the availability of reduced benefits at 62 (60 for widows).

Coverage of Newly Hired Federal Employees -- Covers Federal employees hired on or after January 1, 1984, plus all Members of Congress and the President, the Vice President, Federal judges, and other executive level political appointees of the Federal government effective January 1, 1984.

Coverage of Employees of Nonprofit Organizations -- Covers current and future employees of private tax-exempt nonprofit organizations effective January 1, 1984.

Prohibit Termination of Coverage of State and Local Government Employees -- Prohibits States from terminating coverage of State and local government employees if the termination has not gone into effect by the date of enactment. Also, permits State and local groups whose coverage has been terminated to be covered again.

Shift Cost-of-Living Adjustments to Calendar Year Basis -- Delays the July 1983 cost-of-living adjustment (COLA) to January 1984 and provides for future automatic COLA's on a calendar year basis, with the increase payable in January, rather than in July of each year. The SSI benefit increase and SMI premium increase will also be delayed to January 1984 and placed on a calendar year basis.

Cost-of-Living Increases to be Based on Either Wages or Prices (Whichever is Lower) When Balance in OASDI Trust Funds Falls Below Specified Level -- "Stabilizer" -- Limits future automatic increases to the lesser of the increase in wages or prices when the ratio of the combined OASDI trust fund assets to estimated outgo falls below a given percentage. The "triggering" trust fund percentage is 15 percent through 1988 and 20 percent for 1980 and later.

The legislation also includes a catch-up provision for making up for any benefit increases that are based on the lower wage increases, when the trust fund ratio reaches 32 percent.

Eliminate Windfall Benefits for Persons Receiving Pensions from Noncovered Employment -- For many workers who are first eligible after 1985 for both a pension based on noncovered employment, and Social Security benefits, applies a different benefit computational method. Specifically, the 90-percent factor now applied to average earnings in the first band of the benefit formula would be replaced by a factor of 40 percent, after a 5-year phase-in. This reduction in Social Security benefits would not exceed one-half of the amount of the pension.

Lower the Withholding Rate Under the Earning Test for Individuals Who Have Attained Full Retirement Age -- Beginning in 1990, decreases the earning test benefit withholding rate from $1 for each $2 of earnings over the annual exempt amount to $1 for each $3 of excess earnings, for individuals who attain full retirement age (age 65 in 1990).

Increase Delayed Retirement Credit -- Beginning in 1990, gradually increases from 3 to 8 percent the delayed retirement credit payable to workers who delay retirement past age 65.

Amend the Government Pension Offset to Allow Spouses with Low Government Annuities to Retain a Portion of Their Social Security Spouse's Benefits -- Provides that for spouses and surviving spouses who become eligible after June 1983 for their public pension based on noncovered employment the amount of the public pension used for purposes of the offset against Social Security benefits will be reduced to two-thirds of the public pension.

more

Taxation of Social Security and Railroad Retirement Tier 1 Benefits -- Beginning in 1984 subjects up to one-half of Social Security (and railroad retirement tier 1) benefits to the Federal income tax if income exceeds $25,000 for a single taxpayer, or $32,000 for married taxpayers filing jointly.

Employee-Employer Tax Rate Schedule and 1984 Employee Tax Credit -- Advances previously scheduled FICA tax-rate increases for OASDI from 1985 to 1984, and advances part of the scheduled 1990 increase to 1988. The new law also provides, for 1984 only, a credit for employees against their FICA tax liability of 0.3 percent of their wages.

Self-Employment Tax-Rate (SECA) Schedule and Credit -- Increases tax rates on self-employment income for OASDI and HI to equal the combined employee-employer rates. Provides credits against SECA tax liability for 1984-89 equal to a percentage of self-employment income. After 1989, the credit will be replaced with special provisions designed to treat the self-employed in much the same manner as employees and employers are treated for Social Security and income tax purposes under present law.

Allocations to the OADI and DI Trust Funds -- Provides a new allocation schedule of OASDI taxes for employees and employers, each, and the self-employed. The provision does not raise any new revenue but shifts revenue from the DI trust fund to the OADI trust fund. The effect of this reallocation is to put the two parts of the program in roughly comparable financial condition, with the DI program being in slightly more favorable circumstances than OASI.

Interfund Borrowing -- Reauthorizes interfund borrowing among the OASI, DI and HI funds for calendar years 1983-1987.

II. SUPPLEMENTAL SECURITY INCOME CHANGES

Increase in Federal SSI Benefit Standard and Change in Timing of SSI COLA -- Effective July 1, 1983, increase the Federal SSI benefit standard for individuals to $304.30 per month; for couples to $456.40 per month; and for certain other persons to $152.50 per month. In addition, SSI cost-of-living allowances will now occur in January, rather than in July, beginning with January 1984.

III. UNEMPLOYMENT COMPENSATION CHANGES

Modifies and extends for 6 months the Federal Supplemental Compensation program which was due to expire March 31, 1983. This program provides additional weeks of Federally financed unemployment compensation benefits to jobless workers who have exhausted all other State and Federal unemployment benefits.

more

IV. PROSPECTIVE PAYMENTS FOR MEDICARE INPATIENT HOSPITAL SERVICES

Includes a major change in the method of payment under Medicare for inpatient hospital services. Services would be paid for on a prospective basis according to rates set by the Secretary of HHS. A single payment amount would be paid for each type of case, identified by the diagnosis group into which each case is classified.

###

THE WHITE HOUSE

WASHINGTON

October 12, 1983

MB 10/14

MEMORANDUM TO JAMES A. BAKER III AND EDWIN MEESE III

FROM: FAITH RYAN WHITTLESEY FRW

SUBJECT: New Taxation of Churches

The fundamentalist and evangelical Protestant churches are waking up to the reality that they are about to be required to start paying Social Security taxes, under the provisions of our TEFRA passed last year. The new taxation is scheduled to go into effect January 1 for church employees, which includes church-related-school employees and all church staff except clergy.

Wealthy, main line Protestant churches are not yet deeply involved in resistance to this new tax. But it now appears that at least hundreds of Mennonite, Amish, fundamentalist and evangelical church leaders will refuse to pay the tax. At a September 30 meeting organized by the National Christian Action Coalition at the Capitol Hill Club, thirty preachers and Christian school leaders from around the country held fiery discussions on this issue.

The result early in 1984 would be that our Treasury Department and our Justice Department, acting under our revenue bill, would be taking high-visibility legal actions against outspoken religious leaders, many of whom broke all precedent by working hard to elect us in 1980.

Religious leaders are working with Senator Bill Armstrong and some House members to introduce a bill to exempt religious organizations from the new tax. We should decide now if we are prepared to weather this coming storm. If not, we should get to work now with Congressional friends to introduce an Administration-backed repealer of this portion of TEFRA. Judging from the intensity of feeling now building up on this issue, I suggest the latter course.