

News from Senator

BOB DOLE



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COMMITTEE WILL STUDY SOCIAL SECURITY MINIMUM BENEFIT PROVISION, DOLE SAYS

WASHINGTON -- Finance Committee Chairman Senator Bob Dole (R.-Kan.) said today that the committee would begin close examination of the Social Security system in hearings in September. He added that there will also be an opportunity to study the minimum benefit provision and make any refinements of the provision if necessary.

"The Social Security minimum benefit has been the subject of controversy throughout this reconciliation process. The Senate voted on the issue three times during the last four months and today the House of Representatives took its second vote on the subject. The elimination of the minimum benefit has become an emotional issue and the emotion, heightened by Democrat rhetoric, threatens to obscure the facts. Obviously, it is time to focus on those often ignored facts," said Dole.

"First of all, and I think this is significant, there is widespread agreement that the minimum benefit should be eliminated for future recipients. The minimum benefit is largely unearned, consisting of a welfare support add-on to the monthly payment a recipient is entitled to from his or her tax contribution. Under current law, some husband and wives retiring on the minimum benefit next year, for example, would be eligible for a lifetime retirement income from Social Security about 300 times greater than the amount they paid into the system.

"It is widely recognized that the minimum benefit no longer achieves its original purpose. The minimum benefit was intended to provide retirement income for workers with very low wage histories and for those elderly persons whose employment took place primarily before Social Security covered their work. Times have changed. Today, people who work their lifetimes under Social Security at low wages--the minimum wage or even half the minimum wage--receive a benefit based on the regular benefit formula that exceeds the minimum benefit.

"Elderly poor people actually receive no extra income from the minimum benefit because their federal assistance payments from SSI are reduced dollar for dollar on account of other sources of income.

"The result is that, today, the minimum benefit provides a windfall gain to people with short work histories under Social Security--such as those with long periods of government employment. This has been well documented in separate studies by the CBO and GAO. Based on GAO data, it is estimated that 450,000 minimum benefit recipients also receive federal civil service pensions which average \$16,000 annually. Combined with the minimum Social Security benefit, such retired federal employees have annual incomes over \$18,000.

"It is also estimated that some 50,000 minimum beneficiaries have retired spouses who receive \$18,500 a year in federal pension income. The average annual retirement income for such a couple exceeds \$21,000.

"Yet another group of minimum benefit recipients, approximately 300,000, have working spouses. According to GAO, the combined income for these couples (earnings plus the minimum benefit) is at least \$23,000 annually.

"To sum up, the relevant data indicate that up to 800,000 current minimum beneficiaries have total incomes which, on the average, exceed \$20,000. Certainly, few would consider this a poverty level income.

"The only real controversy surrounds the elimination of the minimum benefit for those now receiving it--whether they too should have their benefits recalculated to reflect actual earnings in covered employment. The concern is whether or not there would be a large group of elderly poor adversely affected by this change. This, of course, is no one's intention. Our investigations to date suggest that this would not occur. Anyone who is elderly and poor, or would become poor as a result of eliminating the minimum benefit, is eligible to receive SSI. For them, federal assistance payments would rise dollar for dollar to offset any loss of Social Security income. The available

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evidence suggests that more than a million of the 3 million minimum benefit recipients will be protected from a decline in their incomes by SSI. The incomes of another million beneficiaries are protected by the fact that they are entitled to more than one Social Security benefit. In the event one benefit is reduced, the other one is there to make up the difference nearly dollar for dollar.

"Two special provisions contained in the Reconciliation Bill make it even more certain that the elderly poor will not be adversely affected. Under a provision added by the Finance Committee, anyone 60-64 who meets the SSI eligibility requirements, would be eligible for a special SSI payment even though they are not yet 65. To ensure that they experience no reduction in income, the amount of this payment would be equal to the difference between the minimum benefit they had been receiving and their newly calculated benefit. This means that no minimum beneficiaries 60 or older who are poor must experience a loss of income.

"The Reconciliation Bill also includes a provision that instructs the Social Security Administration to give early notice to recipients who may experience a reduction in benefits. This notice will advise recipients to contact their local Social Security offices for information on new benefit amounts and eligibility for SSI. This is intended to provide ample time for recipients to contact these offices and be informed of the availability of SSI.

"The proposal to eliminate the minimum benefit has been carefully studied in the Finance Committee since it was first recommended by the President in February. For the committee, the facts spoke for themselves, and we adopted the proposal, as did the Senate and the House in their respective Reconciliation Bills. To be certain that no unintended side-effects or inequities will be created by eliminating the minimum benefit, we will continue to study the provision during the August recess and hold hearings on the subject in September. If it becomes apparent that the truly needy will be inadvertently harmed by the provision, it will be modified when the Finance Committee meets again. Since the elimination does not become effective until December for new recipients, and until March for current recipients, we will have the opportunity to refine elements of the current provision, where necessary, at the same time we deal with the very serious Social Security financing problem."