B | Provisions Affecting Level of Monthly Benefits

These provisions modify the formula used for calculating the basic Social Security monthly benefit called the Primary Insurance Amount (PIA). For each provision, we provide an estimate of the financial effect on the OASDI program over the long-range period (the next 75 years) and for the 75th year. We base all estimates on the intermediate assumptions described in the 2012 Trustees Report.

We group these provisions as follows:

- **B1: PIA bend point and factor changes, adjusting for inflation.**
  These provisions reduce benefits for some future beneficiaries. Future PIA bend points and formula factors change so that the growth in benefits from one cohort to the next reflect some degree of inflation, rather than growth in average wages as specified in current law.
- **B2: PIA bend point and factor changes, adjusting for longevity.**
  These provisions reduce benefits for some future beneficiaries. Future PIA formula factors decrease as a result of increased longevity (people living longer).
- **B3: PIA bend point and factor changes, other adjustments.**
  These provisions specify other changes in future PIA bend points and formula factors.
- **B4: Computation year changes.**
  These provisions specify changes to the number of years used in determining benefits.
- **B5: Minimum benefits.**
  These provisions provide an increase in benefits to targeted individuals, generally those with low earnings and full work careers.
- **B6: Benefit increases for older beneficiaries.**
  These provisions provide an increase in benefits for beneficiaries who have been on the rolls for at least 20 years.
- **B7: Other benefit adjustments.**

Office of the Chief Actuary
Social Security Administration
Based on the 2012 Trustees Report Intermediate Assumptions

Category B: Level of Monthly Benefits (2012 Trustees Report intermediate assumptions)				
Description of proposed provisions	**Change from present law**		**Results with this provision**	
	Long-range actuarial balance	Annual balance in 75th year	Long-range actuarial balance	Annual balance in 75th year
Present Law, Alternative II.			-2.67	-4.50
B1.1 Price indexing of PIA formula factors beginning with those newly eligible for OASDI benefits in 2019: Reduce PIA formula factors so that initial benefits grow by inflation rather than by the SSA average wage index.	2.62	7.57	-0.04	3.06
B1.2 Progressive price indexing (30th percentile) of PIA formula factors beginning with individuals newly eligible for OASDI benefits in 2019: Create a new bend point at the 30th percentile of the AIME distribution of newly retired workers. Maintain current-law benefits for earners at the 30th percentile and below. Reduce the 32 and 15 percent formula factors above the 30th percentile such that the initial benefit for a worker with AIME equal to the taxable maximum grows by inflation rather than the growth in the SSA average wage index.	1.43	4.10	-1.24	-0.40
B1.3 Progressive price indexing (40th percentile) of PIA formula factors beginning with individuals newly eligible for OASDI benefits in 2019: Create a new bend point at the 40th percentile of the AIME distribution of newly retired workers. Maintain current-law benefits for earners at the 40th percentile and below. Reduce the 32 and 15 percent formula factors above the 40th percentile such that the initial benefit for a worker with AIME equal to the taxable maximum grows by inflation rather than the growth in the SSA average wage index.	1.19	3.40	-1.48	-1.11
B1.4 Progressive price indexing (50th percentile) of PIA formula factors beginning with individuals newly eligible for OASDI benefits in 2019: Create a new bend point at the 50th percentile of the AIME distribution of newly retired workers. Maintain current-law benefits for earners at the 50th percentile and below. Reduce the 32 and 15 percent formula factors above the 50th percentile such that the initial benefit for a worker with AIME equal to the taxable maximum grows by inflation rather than the growth in the SSA average wage index.	0.94	2.51	-1.72	-1.99
B1.5 Progressive price indexing (60th percentile) of PIA formula factors beginning with individuals newly eligible for OASDI benefits in 2019: Create a new bend point at the 60th percentile of the AIME distribution of newly retired workers. Maintain current-law benefits for earners at the 60th percentile and below. Reduce the 32 and 15 percent formula factors above the 60th percentile such that the initial benefit for a worker with AIME equal to the taxable maximum grows by inflation rather than the growth in the SSA average wage index.	0.66	1.55	-2.00	-2.95
B1.6 (2016) Progressive price indexing (30th percentile) of PIA formula factors beginning with individuals newly eligible for OASI benefits in 2016: Create a new bend point at the 30th percentile of the AIME distribution of newly retired workers. Maintain current-law benefits for earners at the 30th percentile and below. Reduce the 32 and 15 percent formula factors above the 30th percentile such that the initial benefit for a worker with AIME equal to the taxable maximum grows by inflation rather than the growth in the SSA average wage index. Young survivors (children and spouses under normal retirement age with a child in care) are not affected by this proposal. Disabled workers are: (a) not affected prior to normal retirement age; and (b) subject to a proportional reduction in benefits, based on the worker's years of disability, upon conversion to retired-worker beneficiary status.	1.53	3.90	-1.14	-0.60

Office of the Chief Actuary
Social Security Administration
Based on the 2012 Trustees Report Intermediate Assumptions

Category B: Level of Monthly Benefits (continued)				
		Change from present law		Results with this provision	
Description of proposed provisions		Long-range actuarial balance	Annual balance in 75th year	Long-range actuarial balance	Annual balance in 75th year
B1.6 (2021)	Progressive price indexing (30th percentile) of PIA formula factors beginning with individuals newly eligible for OASI benefits in 2021: Create a new bend point at the 30th percentile of the AIME distribution of newly retired workers. Maintain current-law benefits for earners at the 30th percentile and below. Reduce the 32 and 15 percent formula factors above the 30th percentile such that the initial benefit for a worker with AIME equal to the taxable maximum grows by inflation rather than growth in the SSA average wage index. Disabled workers are: (a) not affected prior to normal retirement age; and (b) subject to a proportional reduction in benefits, based on the worker's years of disability, upon conversion to retired-worker beneficiary status.	1.06	3.42	-1.60	-1.09
B1.7	Progressive price indexing (40th percentile) of PIA formula factors for individuals newly eligible for OASI benefits in 2020 through 2057: Create a new bend point at the 40th percentile of the AIME distribution of newly retired workers. Maintain current-law benefit credit for earners at the 40th percentile and below. Reduce the 32 and 15 formula factors above the 40th percentile such that the initial benefit for a worker with AIME equal to the taxable maximum grows by inflation rather than the growth in the SSA average wage index. Disabled workers are: (a) not affected prior to normal retirement age; and (b) subject to a proportional reduction in benefits, based on the worker's years of disability, upon conversion to retired-worker beneficiary status. Young survivors (children of deceased workers and surviving spouses with a child in care) are not affected.	0.90	2.36	-1.76	-2.15
B1.8	Progressive price indexing (50th percentile) of PIA formula factors for individuals newly eligible for OASI benefits in 2017 through 2056: Create a new bend point at the 50th percentile of the AIME distribution of newly retired workers. Maintain current-law benefit credit for earners at the 50th percentile and below. Reduce the 32 and 15 formula factors above the 50th percentile such that the initial benefit for a worker with AIME equal to the taxable maximum grows by inflation rather than the growth in the SSA average wage index. Disabled workers are: (a) not affected prior to normal retirement age; and (b) subject to a proportional reduction in benefits, based on the worker's years of disability, upon conversion to retired-worker beneficiary status.	0.96	2.18	-1.70	-2.33
B2.1	Beginning with those newly eligible for OASI benefits in 2022, multiply the PIA factors by the ratio of life expectancy at 67 for 2017 to the life expectancy at age 67 for the 4th year prior to the year of benefit eligibility. Unisex life expectancies, based on period life tables as computed by SSA's Office of the Chief Actuary, are used to determine the ratio. Disabled workers are: (a) not affected prior to normal retirement age; and (b) subject to a proportional reduction in benefits, based on the worker's years of disability, upon conversion to retired-worker beneficiary status.	0.53	1.77	-2.14	-2.74
B3.1	Beginning with those newly eligible for OASDI benefits in 2013, multiply the 32 and 15 percent formula factors each year by 0.987. Stop reductions in 2043, when the formula factors reach 21 percent and 10 percent, respectively.	1.56	3.01	-1.10	-1.49

Office of the Chief Actuary
Social Security Administration
Based on the 2012 Trustees Report Intermediate Assumptions

Category B: Level of Monthly Benefits (continued)

	Description of proposed provisions	Change from present law		Results with this provision	
		Long-range actuarial balance	Annual balance in 75th year	Long-range actuarial balance	Annual balance in 75th year
B3.2	Beginning with those newly eligible for OASI benefits in 2020, multiply the 90 and 32 percent PIA factors each year by 0.9925 and 0.982, respectively. Stop reductions in 2057. Beginning with those newly eligible for OASI benefits in 2015, multiply the 15 factor by 0.982. Stop reduction of the 15 factor in 2052. Child beneficiaries and spouses with a child in care under the OASI program are not affected by this proposal. Disabled workers are: (a) not affected prior to normal retirement age; and (b) subject to a proportional reduction in benefits, based on the worker's years of disability, upon conversion to retired-worker beneficiary status.	1.99	5.24	-0.68	0.74
B3.3	Beginning with those newly eligible for OASDI benefits in 2013, use a modified primary insurance amount (PIA) formula. The modified formula: (1) increases the first bend point to the equivalent of $800 in 2009; (2) places a new bend point 75 percent of the way between the reset first bend point and the current-law second bend point; (3) lowers the PIA factor between the new bend point and the upper bend point from 32 percent to 20 percent; and (4) lowers the factor above the upper bend point from 15 percent to 10 percent.	0.22	0.27	-2.44	-4.24
B3.4	Beginning with those newly eligible for OASDI benefits in 2016, multiply all PIA formula factors each year by 0.991. Stop reductions after 2044. Disabled workers are: (a) not affected prior to normal retirement age; and (b) subject to a proportional reduction in benefits, based on the worker's years of disability, upon conversion to retired-worker beneficiary status. Young survivors (children of deceased workers and surviving spouses with a child in care) are not affected.	1.48	3.13	-1.18	-1.37
B3.5	Progressive indexing (30th percentile) of PIA formula factors beginning with individuals newly eligible for OASI benefits in 2015, continuing through 2052, and resuming in 2073: Create a new bend point at the 30th percentile of the AIME distribution of newly retired workers. Maintain current-law benefits for earners at the 30th percentile and below. Reduce the 32 and 15 percent formula factors above the 30th percentile such that the initial benefit for a worker with AIME equal to the taxable maximum is reduced by 1.12 percent per year as compared to current law (for the years that progressive indexing applies). Disabled workers are: (a) not affected prior to normal retirement age; and (b) subject to a proportional reduction in benefits, based on the worker's years of disability, upon conversion to retired-worker beneficiary status.	1.22	2.89	-1.45	-1.62
B3.6	Progressive indexing (30th percentile) of PIA formula factors beginning with individuals newly eligible for OASI benefits in 2015, continuing through 2064: Create a new bend point at the 30th percentile of the AIME distribution of newly retired workers. Maintain current-law benefits for earners at the 30th percentile and below. Reduce the 32 and 15 percent formula factors above the 30th percentile such that the initial benefit for a worker with AIME equal to the taxable maximum is reduced by 1.12 percent per year as compared to current law (for the years that progressive indexing applies). Disabled workers are: (a) not affected prior to normal retirement age; and (b) subject to a proportional reduction in benefits, based on the worker's years of disability, upon conversion to retired-worker beneficiary status.	1.30	3.32	-1.37	-1.18

Office of the Chief Actuary
Social Security Administration
Based on the 2012 Trustees Report Intermediate Assumptions

Category B: Level of Monthly Benefits (continued)

Description of proposed provisions		Change from present law		Results with this provision	
		Long-range actuarial balance	Annual balance in 75th year	Long-range actuarial balance	Annual balance in 75th year
B3.7	Progressive indexing (30th percentile) of PIA formula factors beginning with individuals newly eligible for OASI benefits in 2015, continuing through 2024, and then resuming in 2063: Create a new bend point at the 30th percentile of the AIME distribution of newly retired workers. Maintain current-law benefits for earners at the 30th percentile and below. Reduce the 32 and 15 percent formula factors above the 30th percentile such that the initial benefit for a worker with AIME equal to the taxable maximum is reduced by 1.12 percent per year as compared to current law (for the years that progressive indexing applies). Disabled workers are: (a) not affected prior to normal retirement age; and (b) subject to a proportional reduction in benefits, based on the worker's years of disability, upon conversion to retired-worker beneficiary status.	0.58	1.51	-2.09	-3.00
B3.8	Beginning with those newly eligible for OASDI benefits in 2019, create a new bend point at the 50th percentile of the AIME distribution of newly retired workers and gradually reduce all PIA formula factors except for the 90 percent factor. By 2052: a) the 32 percent PIA formula factor below the new bend point reduces to 30 percent; b) the 32 percent PIA factor above the new bend point reduces to 10 percent; and c) the 15 percent factor reduces to 5 percent.	0.86	2.15	-1.81	-2.35
B3.9	Beginning with those newly eligible for OASDI benefits in 2025, gradually reduce the 15 percent PIA formula factor in each year so that it reaches 10 percent for those newly eligible in 2054 and later.	0.07	0.21	-2.59	-4.29
B3.10	Increase the first PIA bend point above the current law level for workers newly eligible for benefits in 2019 and later; by 1 percent for 2019, by 2 percent for 2020,..., and by 15 percent for 2033 and later.	-0.37	-0.71	-3.03	-5.22
B4.1	Increase the number of years used to calculate benefits for retirees and survivors (but not for disabled workers) from 35 to 38, phased in over the years 2013-2017.	0.30	0.43	-2.37	-4.07
B4.2	Increase the number of years used to calculate benefits for retirees and survivors (but not for disabled workers) from 35 to 40, phased in over the years 2013-2021.	0.48	0.73	-2.19	-3.77
B4.3	For the OASI and DI computation of the PIA, gradually reduce the maximum number of drop-out years from 5 to 0, phased in over the years 2014-2022.	0.64	1.02	-2.02	-3.48
B5.1	Increase the PIA to a level such that a worker with 30 years of earnings at the minimum wage level receives an adjusted PIA equal to 120 percent of the Federal poverty level for an aged individual. This provision takes full effect for all newly eligible OASDI workers in 2030, and is phased in for new eligibles in 2021 through 2029. The percentage increase in PIA is lowered proportionately for those with fewer than 30 years of earnings, down to no enhancement for workers with 20 or fewer years of earnings. (Year-of-work requirements are scaled for disabled workers based on their years of potential work from age 22 to benefit eligibility). The benefit enhancement percentage is reduced proportionately for workers with higher average indexed monthly earnings (AIME), down to no enhancement for those with AIME at least twice that of a 35-year steady minimum wage earner.	-0.02	0.00	-2.68	-4.50

Office of the Chief Actuary
Social Security Administration
Based on the 2012 Trustees Report Intermediate Assumptions

Category B: Level of Monthly Benefits (continued)				
Description of proposed provisions	**Change from present law**		**Results with this provision**	
	Long-range actuarial balance	**Annual balance in 75th year**	**Long-range actuarial balance**	**Annual balance in 75th year**
B5.2 Beginning in 2013, reconfigure the special minimum benefit: (a) A year of coverage is defined as a year in which 4 quarters of coverage are earned. (b) At implementation, set the PIA for 30 years of coverage equal to 125 percent of the monthly poverty level (about $1,134 in 2011). For those with under 30 years of coverage, the PIA per year of coverage over 10 years is $1,134/20 = $56.70. (c) Index the initial PIA per year of coverage by wage growth for successive cohorts.	-0.19	-0.27	-2.86	-4.77
B5.3 Beginning in 2013, reconfigure the special minimum benefit: (a) A year of coverage is defined to be either a year in which 4 quarters of coverage are earned or a child is in care. Childcare years are granted to parents who have a child under 5, with a limit of 8 such years. (b) At implementation, set the PIA for 30 years of coverage equal to 125 percent of the monthly poverty level (about $1,134 in 2011). For those with under 30 years of coverage, the PIA per year of coverage over 10 years is $1,134/20 = $56.70. (c) Index the initial PIA per year of coverage by wage growth for successive cohorts.	-0.28	-0.41	-2.95	-4.91
B5.4 Beginning in 2019, reconfigure the special minimum benefit: (a) A year of coverage is defined as a year in which 4 quarters of coverage are earned. (b) At implementation, set the PIA for 30 years of coverage equal to 125 percent of the monthly poverty level (about $1,134 in 2011). For those with under 30 years of coverage, the PIA per year of coverage over 10 years is $1,134/20 = $56.70. (c) From 2011 to the year of implementation, 2019, index the PIA per year of coverage using the chain-CPI index. Then, for later years, index the PIA per year of coverage by wage growth for successive cohorts. (d) Scale work requirements for disabled workers, based on the number of years of non-disabled potential work.	-0.13	-0.21	-2.79	-4.72
B5.5 Beginning in 2014, reconfigure the special minimum benefit: (a) A year of coverage is defined as a year in which either 20 percent of the "old law maximum" is earned or a child is in care. Childcare years are granted to parents who have a child under 6, with a limit of 8 such years. (b) At implementation, set the PIA for 30 years of coverage equal to 133 percent of the poverty level. For those with under 30 years of coverage, the PIA per year of coverage over 19 is 12.09 percent of poverty. (c) Use the 2011 Aged Federal poverty level, increased by the SSA average wage index to 2 years prior to benefit eligibility. (d) Scale work requirements for disabled workers, based on the number of years of non-disabled potential work.	-0.10	-0.16	-2.76	-4.66
B5.6 Beginning in 2013, reconfigure the special minimum benefit: (a) A year of coverage is defined to be either a year in which 4 quarters of coverage are earned or a child is in care. Childcare years are granted to parents who have a child under 6, with a limit of 5 such years. (b) At implementation, set the PIA for 30 years of coverage equal to 100 percent of the monthly poverty level (about $931 in 2012). For those with under 30 years of coverage, the PIA per year of coverage over 10 years is $931/20 = $46.55. (c) From 2012 to the year of implementation, 2013, index the PIA per year of coverage using the CPI index. Then, for later years, index the PIA per year of coverage by wage growth for successive cohorts. (d) Scale work requirements for disabled workers, based on the number of years of non-disabled potential work.	-0.13	-0.20	-2.80	-4.71

Office of the Chief Actuary
Social Security Administration
Based on the 2012 Trustees Report Intermediate Assumptions

Category B: Level of Monthly Benefits (continued)				
		Change from present law		Results with this provision	
Description of proposed provisions		Long-range actuarial balance	Annual balance in 75th year	Long-range actuarial balance	Annual balance in 75th year
B5.7	Beginning for those newly eligible for OASDI benefits in 2015, increase the special minimum benefit to 100 percent of poverty by making the following changes: (a) The number of years of work (YOW) is determined as total quarters of coverage divided by 4, ignoring any fraction. Up to 5 additional years with a child under in 6 may be counted as YOWs. (b) Set the PIA for 30 or more YOWs equal to 100 percent of the monthly HHS poverty level for the year prior to eligibility. For workers between 11 and 29 YOWs, reduce the special minimum by 3 1/3 percentage point per YOW so that at 29 YOCs the minimum would be 96 2/3% of poverty,..., down to 11 YOWs at 36 2/3% of poverty. No minimum for 10 or fewer YOCs.	-0.02	0.00	-2.68	-4.51
B6.1	Provide a 5 percent increase to the monthly benefit amount (MBA) of any beneficiary who is 85 or older at the beginning of 2013 or who reaches their 85th birthday after the beginning of 2013.	-0.10	-0.15	-2.77	-4.65
B6.2	Provide the same dollar amount increase to the monthly benefit amount (MBA) of any beneficiary who is 85 or older at the beginning of 2013 or who reaches their 85th birthday after the beginning of 2013. The dollar amount of increase equals 5 percent of the average retired-worker MBA in the prior year.	-0.11	-0.15	-2.77	-4.66
B6.3	Provide an increase in the benefit level of any beneficiary who is 85 or older at the beginning of 2014 or who reaches their 85th birthday after the beginning of 2014. Increase the beneficiary's PIA based on an amount equal to the average retired-worker PIA at the end of 2013, or at the end of the year age 80 if later. Increase the beneficiary's PIA by 5 percent of this amount for those older than 85 at the beginning of 2014 and by 5 percent of this amount at age 85 for others, phased in at 1 percent per year for ages 81-85.	-0.14	-0.19	-2.80	-4.69
B6.4	Starting in 2013, provide a 5 percent uniform benefit increase 24 years after initial benefit eligibility. Phase in the benefit increase at 1 percent per year from the 20th through 24th years after eligibility. For disabled workers, the eligibility age is the initial entitlement year to the benefit. The benefit increase is equal to 5 percent of the PIA of a worker assumed to have career-average earnings equal to SSA's average wage index.	-0.15	-0.20	-2.81	-4.71
B6.5	Effective in 2015, provide a 5-percent uniform PIA increase 20 years after eligibility. The benefit increase is phased in at 1 percent per year from the 16th through 20th years after initial eligibility. The full PIA increase is equal to 5 percent of the PIA of a worker assumed to have career-average earnings equal to SSA's average wage index.	-0.23	-0.31	-2.89	-4.81
B7.1	Reduce benefits by 3 percent for those newly eligible for benefits in 2013 and later.	0.37	0.51	-2.29	-4.00
B7.2	Reduce benefits by 5 percent for those newly eligible for benefits in 2013 and later.	0.62	0.84	-2.04	-3.66
B7.3	Give credit to parents with a child under 6 for earnings for up to five years. The earnings credited for a childcare year equal one half of the SSA average wage index (about $21,505 in 2011). The credits are available for all past years to newly eligible retired-worker and disabled-worker beneficiaries starting in 2013. The 5 years are chosen to yield the largest increase in AIME.	-0.25	-0.37	-2.91	-4.88
B7.4	Increase benefits by 2 percent for all beneficiaries as of the beginning of 2013 and for those newly eligible for benefits after the beginning of 2013.	-0.31	-0.34	-2.98	-4.84

Office of the Chief Actuary
Social Security Administration
Based on the 2012 Trustees Report Intermediate Assumptions

Category B: Level of Monthly Benefits (continued)

	Description of proposed provisions	Change from present law		Results with this provision	
		Long-range actuarial balance	Annual balance in 75th year	Long-range actuarial balance	Annual balance in 75th year
B7.5	Increase benefits by 5 percent for all beneficiaries as of the beginning of 2013 and for those newly eligible for benefits after the beginning of 2013.	-0.77	-0.84	-3.44	-5.34
B7.6	Increase benefits by 20 percent for all beneficiaries as of the beginning of 2013 and for those newly eligible for benefits after the beginning of 2013.	-3.10	-3.36	-5.76	-7.87
B7.7	Reduce individual Social Security benefits if modified adjusted gross income, or MAGI (AGI less taxable Social Security benefits plus nontaxable interest income) is above $60,000 for single taxpayers or $120,000 for taxpayers filing jointly. This provision is effective for individuals newly eligible for benefits in 2020 or later. The percentage reduction increases linearly up to 50 percent for single/joint filers with MAGI of $180,000/$360,000 or above. Index the MAGI thresholds for years after 2020, based on changes in the SSA average wage index.	0.26	0.39	-2.41	-4.11

Office of the Chief Actuary
Social Security Administration
Based on the 2012 Trustees Report Intermediate Assumptions