
November 24, 2020

Americans aged 55 and older account for approximately 30% of the overall population in 2020, representing older workers approaching retirement and current retirees totaling about 100 million individuals. The COVID-19 pandemic and related movement restrictions, social distancing orders, and increases in unemployment and business closures are likely to impact the income sources, assets, and spending among many older Americans.

For older workers near retirement, earnings are one of their major income sources. The COVID-19-related recession might disproportionately affect the earnings of the older population, because the risk for severe illness from the disease increases with age. From January to September 2020, older workers (especially those aged 65 and older) experienced a relatively large decrease in employment due to the pandemic compared to other age groups. The greatest percentage losses in employment among older workers were at the lower end of the occupational earnings distribution, such as jobs in building and grounds cleaning and maintenance, food preparation and serving, and personal care and service. Recent employment data (from April to September 2020) suggest a degree of recovery in older workers’ job loss, but the unemployment rate in September 2020 for the oldest group (aged 65 and older) remained higher than those for other age groups. This may indicate a reluctance of employers to rehire from the oldest group, a reluctance of those workers to return to those jobs, or both.

Due to the COVID-19 pandemic, some older workers who lost jobs might rely on Unemployment Compensation (UC), similar to the younger population. Additionally, depending on the age of the older unemployed workers, alternative income sources such as retirement savings and Social Security benefits may be used in cases where UC is less helpful in replacing income. For example, faced with lowered expected wages and lower chances of rehire, many older workers could take penalty-free withdrawals from retirement savings accounts, such as defined contribution (DC) plans and Individual Retirement Accounts (IRAs). In addition, qualified older workers could retire early by claiming Social Security benefits before the full retirement age and taking a permanent actuarial reduction in their monthly benefits, while some workers with disabilities could apply for Social Security Disability Insurance or Supplemental Security Income after a job loss.

On the other hand, some older workers might choose to work more and retire later than planned. For example, the COVID-19-related earning losses might reduce potential Social Security benefits for some older workers. Affected individuals could work longer to make up such potential benefit losses. In addition, the pandemic-related recession and fluctuation in the stock market might slow down the growth of assets in retirement savings accounts. Some older workers may choose to postpone retirement in order to regain the growth in retirement wealth.

Current retirees accounted for about 86.5% of individuals aged 65 and older in 2016 and about 30.8% of individuals aged 55-64. Social Security benefits, periodic income from defined benefit (DB) pension plans, distributions from retirement savings accounts, and asset income are major income sources for current retirees. During the COVID-19 pandemic, Social Security benefits and most periodic DB pension payments are generally expected to be stable, but wealth in retirement savings (DC plans and IRAs) and assets might decrease or grow slowly as a result of market downturns. Potential slower growth in retirement wealth and asset income would disproportionately affect the higher-income older population.

Older households may also face the additional economic burden of supporting younger family members. The growth in household debt among retired households in the past two decades could also make such households more vulnerable to financial market swings. In the long run, the recession-induced lower employment and slower growth in the financial market may affect the funding status of Social Security and some DB pension systems, thereby potentially affecting future retirement benefits.

In response to the economic recession caused by the pandemic, Congress passed the Families First Coronavirus Response Act (FFCRA; P.L. 116-127) and the Coronavirus Aid, Relief, and Economic Security Act (CARES Act; P.L. 116-136), which, among other things, provided income support and loan relief to many Americans. The provisions include sending direct cash payments (known as “economic impact payments”), expanding UC, making emergency withdrawals and loans from retirement accounts easier, preserving retirement savings for the elderly, and providing loan relief.
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Introduction

The Coronavirus Disease 2019 (COVID-19) pandemic has affected many aspects of the U.S. economy. The National Bureau of Economic Research determined that the United States entered a recession in February 2020.1 The pandemic and related recession are likely to affect income sources, assets, and spending for Americans aged 55 and older, including both older workers approaching retirement and current retirees.

According to the Centers for Disease Control and Prevention (CDC), older adults and individuals with certain underlying medical conditions are at increased risk for severe illness due to COVID-19 infection.2 Since the pandemic began, older adults have been hospitalized at higher rates due to COVID-19 infection and have made up the overwhelming share of deaths attributable to the illness. Also, more than 90% of COVID-19 deaths have been among individuals with at least one underlying medical condition.3 The CDC notes, “Age is an independent risk factor for severe illness, but risk in older adults is also in part related to the increased likelihood that older adults also have underlying medical conditions.”4

Because of those reasons, the COVID-19-related recession might disproportionately affect the job status and earnings of the older population. The earnings losses during the pandemic might also affect future retirement benefits under Social Security or pensions. Some affected families may depend on income from Unemployment Compensation (UC), and some others may be forced to compensate earning losses by withdrawing retirement savings, borrowing more money, or changing the timing of their retirement by claiming Social Security and pension benefits earlier than planned.

For current retirees, Social Security benefits and periodic pension payments are generally expected to be stable during the pandemic, but retirees face the risk of slower growth in retirement wealth and increasing uncertainty in future benefits due to funding shortfalls in Social Security as well as private and public pension systems. Older households may also face the additional economic burden of supporting younger family members. The growth in household debt among retired households in the past two decades would also likely make such households more vulnerable to financial market swings.5

In response to the pandemic, Congress passed the Families First Coronavirus Response Act (P.L. 116-127) and the Coronavirus Aid, Relief, and Economic Security Act (CARES Act; P.L. 116-136) to provide income support to many Americans. The provisions include sending direct cash payments (“economic impact payments”), expanding UC, making emergency withdrawals and loans from retirement accounts easier, preserving retirement savings for the elderly, and providing loan relief to individuals.

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5 This report does not discuss how the COVID-19 pandemic may affect health care spending among older Americans.
This report discusses how the pandemic may affect the income, assets, and non-health-care spending among older workers approaching retirement and current retirees. It also explains potential concerns about the income security of older Americans during and after the pandemic and discusses related issues for Congress to consider, including how legislation might help to improve income security among older workers and current retirees during and after the pandemic.

### Income Sources for Americans Aged 55 and Older

Americans aged 55 and older account for approximately 30% of the overall population in 2020, representing older workers who are approaching retirement and current retirees and totaling about 100 million individuals. Retirement is most often defined with reference to two characteristics: withdrawal from participation in the paid labor force and receipt of income from Social Security, pensions, and/or other retirement savings vehicles. An individual who does not work for compensation and who receives income only from these retirement-based income replacements meets this definition of retirement.

However, many people might be considered to have retired based on one part of the definition but not the other. For example, individuals who have retired from careers in law enforcement or the military—both of which typically provide pensions after 20 years of service—often continue to work for many years at other jobs while also receiving a pension from their prior employment. In such cases, having retired from a particular occupation does not necessarily mean that one has retired from the workforce. For the purpose of this report, they are classified as “not retired.” On the other hand, many people who retire from full-time employment continue to work part-time to supplement the income they receive from Social Security and pensions. If the majority of their income is provided by Social Security, pensions, and savings, then this report classifies them as “retired,” even though they continue to engage in paid employment.

The timing of retirement may depend on multiple factors, such as age requirements in retirement benefit programs, income and wealth levels, health status, decisions of other family members, business cycles, job and industry environments, and preferences for leisure. Most Americans choose to retire between ages 60 and 70. According to Health and Retirement Study (HRS) data, in 2016, the median age of Americans aged 55 and older who were not retired was 59, compared with a median age of 70 among those who had retired. The survey shows that about 86.5% of individuals aged 65 and older were retired in 2016, compared with about 30.8% of individuals between ages 55 and 64 in the same year.

For older workers near retirement, major income sources include earnings and asset income. UC provides temporary, weekly income replacement to qualified unemployed individuals. UC

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7 CRS analysis of the 2016 HRS, RAND Longitudinal Data File. See RAND, “Data Products of the Center for the Study of Aging,” http://www.rand.org/well-being/social-and-behavioral-policy/centers/aging/dataprod.html. The retirement status is determined by self-reported information. An individual is labeled as “retired” if he or she reported as being completely retired or partly retired. If the self-reported status is missing, the variable is determined by employment status.

8 Earnings typically refer to income from wages and salaries and net income from self-employment. Asset income generally includes income from interest, dividends, rent, royalties, and estates and trusts. For more information, see definitions in the Current Population Survey (CPS) at https://www2.census.gov/programs-surveys/cps/techdocs/cpsmar19.pdf.
benefits provided essential support to some older workers during the Great Recession of 2007-2009 and are also likely for the current COVID-19-related economic recession. Income sources for retirees mainly include Social Security benefits, periodic pension payments and distributions from retirement accounts, and asset income. For both older workers and retirees, Supplemental Security Income (SSI) provides income to individuals with relatively lower income and limited assets and is often received concurrently with Social Security benefits.

Earnings

Earnings include income from wages and salaries and net income from self-employment. According to the Current Population Survey (CPS), about 74% of individuals aged 55-64 with income reported that they had earnings in 2019, as did 24% of individuals in the 65 years and older group. Among those with earned income in 2018, median earnings were $50,041 for those aged 55-64 and $35,036 for workers aged 65 and older. The number included a small group of retired individuals who still chose to work for a relatively short time or at a relatively lower wage.

Social Security

Social Security provides monthly cash benefits to retired or disabled workers and their family members, as well as to the family members of deceased workers. As of December 2019, about 57 million individuals aged 55 and older received Social Security benefits, including 45 million retired workers; 5 million disabled workers; and about 7 million spouses, adult children, and survivors of deceased workers. Among those beneficiaries, nearly 50 million were aged 65 and older. The average annual Social Security benefits for retired workers was $18,034 in 2019. One study used three survey data sources between 2012 and 2014 to show that roughly 50% of the aged population lived in households that received at least 50% of total family income from

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10 Census Bureau, PINC-08: Source of Income-People 15 Years Old and Over, by Income of Specified Type, Age, Race, Hispanic Origin, and Sex, 2019, https://www.census.gov/data/tables/time-series/demo/income-poverty/cps-pinc/pinc-08.html.

11 See CRS Report R42035, Social Security Primer.


Social Security, and about 25% of the aged lived in households that received at least 90% of family income from Social Security.  

**Social Security Retirement Benefits**

The eligibility ages required to collect Social Security retirement benefits are likely to affect the retirement decision of many older people. The Social Security *full retirement age* (FRA) is the age at which workers can first claim *full* Social Security retired-worker benefits. The FRA ranges between 65 and 67, depending on year of birth. Workers can claim *reduced* retirement benefits as early as age 62 (i.e., the *earliest eligibility age*). Workers who delay claiming benefits until after attaining their FRA receive a *delayed retirement credit* for each month a benefit is due but not paid, up to the age of 70. For workers with an FRA of 67, claiming at age 62 results in a 30% reduction to their full benefit amount, while claiming at age 70 results in a 24% increase in their full benefit amount. In 2019, among nearly 2.7 million new retired-worker beneficiaries that year, 60% were under the age of 66 (the FRA for those born in 1953), 25% were at age 66, and 15% were age 67 or older.

Social Security auxiliary benefits are paid to the spouse, former spouse, survivor, dependent child, or dependent parent of an insured worker and are equal to a specified percentage of the worker’s basic monthly benefit amount, subject to a maximum family benefit limit. A qualifying spouse must be at least 62 years old or be of any age and have the worker’s qualifying child in his or her care. Surviving spouses (including divorced surviving spouses) may be eligible for aged widow(er) benefits beginning at the age of 60, disabled widow(er) benefits beginning at the age of 50, and mother’s or father’s benefits at any age if they are caring for the deceased workers’ qualifying children.

Though the decision to start receiving Social Security benefits is often seen as being contemporaneous with retirement, electing to receive benefits is not necessarily a predictor of retirement or leaving the workforce. Older workers can work while receiving Social Security retirement benefits. However, if the beneficiary is between the age 62 and FRA, his or her monthly benefits are generally withheld by the Retirement Earnings Test (RET) if his or her earnings exceed certain annual thresholds. The RET often deters certain older workers from claiming Social Security before their FRA.

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17 Eligible spouses can also claim reduced spousal benefits starting at age 62. Other dependents, such as widow(er)s, can claim benefits at earlier ages.


19 For more information, see CRS Report R41479, *Social Security: Revisiting Benefits for Spouses and Survivors*.

20 For purposes of spouse’s benefits (i.e., wife’s and husband’s benefits), as well as mother’s and father’s benefits, a qualifying child is a child who is entitled to child’s benefits on the insured worker’s record and is either under the age of 16 or disabled.

21 In 2020, a beneficiary who is below the FRA and will not attain FRA during the year is subject to a $1 reduction in benefits for every $2 of earnings above $18,240. A beneficiary who will attain FRA in 2020 is subject to a $1 reduction in benefits for every $3 of earnings above $48,600.

22 The RET also often prevents early retirees from working above the annual earnings thresholds. For more information, see CRS Report R41242, *Social Security Retirement Earnings Test: How Earnings Affect Benefits*. 
Figure 1 displays the aforementioned age requirements under Social Security.

Social Security Disability Insurance (SSDI)

The SSDI program provides cash benefits to non-elderly workers and their dependents provided that the workers have paid into the Social Security system for a sufficient number of years and are determined to be unable to perform substantial work because of one or more qualifying impairments.23 Eligible workers can claim SSDI at any age below FRA, but peak claiming years usually occur between ages 50 and FRA.24 Upon reaching FRA, SSDI disabled-worker beneficiaries are converted automatically to the Old-Age and Survivors Insurance program and begin receiving unreduced Social Security retired-worker benefits.

In December 2019, individuals aged 55 to FRA represented approximately 63% of all SSDI disabled-worker beneficiaries.25 Older workers make up the majority of the SSDI population, because disability rates typically increase with age.26 In addition, SSDI’s eligibility criteria are generally less restrictive at older ages for workers with limited education and work experience.27 Once on the rolls, relatively few older disabled-worker beneficiaries return to work. Most are terminated from the program due to conversion to retirement benefits at FRA or because of death.28 According to the HRS, in 2016, about 82% of SSDI beneficiaries aged 55 to FRA self-reported being completely or partly retired, indicating that they did not expect to fully go back to the workforce.29

Supplemental Security Income (SSI)

SSI is a needs-based federal assistance program that provides monthly cash benefits to aged, blind, and disabled individuals who have income and assets within prescribed program limits. The program is intended to provide a guaranteed minimum level of income to adults who have difficulty meeting their basic living expenses due to age (65 and older) or disability and who have little or no Social Security or other income.30

In July 2020, the SSI program made payments to about 8 million recipients, of which about 29% (or 2.3 million) were aged 65 and older.31 The proportion of the elderly population receiving SSI

23 See CRS In Focus IF10506, Social Security Disability Insurance (SSDI).
29 CRS analysis of the 2016 HRS, RAND Longitudinal Data File.
30 See CRS In Focus IF10482, Supplemental Security Income (SSI).
has steadily fallen since the program began in 1974, mainly because the percentage of people aged 65 and older who received Social Security benefits has increased and the value of Social Security benefits—which reduces the value of one’s SSI payment on a dollar-for-dollar basis after a $20 general income exclusion—has risen due to the growth in real wages. The SSI federal benefit rate, in contrast, grows at the annual rate of price inflation.

SSI benefits are important to poor families. One study found that SSI accounted for 30% of income for elderly families whose family income was in the lowest 10% of the family income distribution.

Pensions and Retirement Savings

Pensions and retirement savings includes benefit payments from employer-sponsored DB plans, distributions from DC plans, withdrawals from IRAs, and annuities. According to HRS data, in 2016, about 48.9% of individuals aged 65 and older received pensions and/or retirement savings, with a median annual amount of $13,176 among those with these types of income. About 15.3% of individuals aged 55-64 received some form of pension and/or retirement savings distribution, with a median amount of $13,032 among those with these types of income.

Defined Benefit (DB) Pensions

DB plans usually offer a lifetime annuity (i.e., periodic payments throughout retirement) that is typically based on a combination of factors, such as an employee’s tenure and salary and an accrual rate. DB pension plans in the private sector are generally funded entirely by employer

32 In 1975, about 10% of the elderly population in the United States received some form of cash public assistance from the federal or state governments, mainly from SSI. CRS analysis of the CPS, 1976 Annual Social and Economic Supplement.

33 In any given year, the rate of price inflation may exceed the rate of growth of average wages. Over long periods, however, wages grow faster than prices, because average wages grow at the average rate of inflation plus the rate of growth of labor productivity. Prices will grow faster than wages in the long run only if labor productivity fails to increase.


36 See CRS Report RL34397, Traditional and Roth Individual Retirement Accounts (IRAs): A Primer.

37 A common type of annuity is a life annuity—also called an immediate annuity—an insurance contract that provides guaranteed income payments for life in return for an initial lump-sum premium. A life annuity pays income to the purchaser for as long as he or she lives and, in the case of a joint-and-survivor annuity, for as long as the surviving spouse lives. The advantage of annuities might include reducing the likelihood that people may outlive their resources and alleviating some post-retirement investment risk. People may be reluctant to purchase an annuity because of the existing annualized income from Social Security or defined benefit plans, the relatively high costs and fees, the lack of flexibility for potential large unexpected expenses, and the desire to leave a bequest.

38 CRS analysis of the 2016 HRS, RAND Longitudinal Data File.
contributions. In contrast, many public sector pension plans require employee contributions. Some pensions may also provide cost-of-living adjustments to periodic payments.

Most DB plans specify a normal retirement age, typically at or less than age 65. Delaying retirement after the normal retirement age will usually not increase periodic retirement benefits. Therefore, DB plans provide potential beneficiaries with an incentive to retire no later than the normal retirement age for the plan (see Figure 1).

**Defined Contribution (DC) Pensions and Individual Retirement Accounts (IRAs)**

Retirement income can include distributions from DC plans, such as 401(k)s and IRAs. DC plans are retirement savings accounts generally funded through pre-tax contributions by the worker, which are sometimes matched in part or fully by the employer. Individuals or married couples who have earned income (e.g., wages, salaries, commissions, self-employment income) can also establish IRAs to accumulate funds for retirement on a tax-advantaged basis. Though many individuals contribute directly to IRAs, the majority of IRA funds come from rollovers of DC plan assets.

Working households with DC plans and IRAs generally need to make decisions about how much income to contribute to their retirement accounts each year and about investment options to grow their retirement wealth. Retired households can generally withdraw funds out of these accounts as a source of income but need to determine the timing, rate, and form of withdrawal.

Individuals may take pre-retirement distributions from IRAs for any reason, while withdrawals from DC plans must be (1) allowed by the plan and (2) for a specified hardship reason (referred to

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41 For example, a study from the Urban Institute found that employees hired at age 25 can maximize their lifetime benefits (net of their own contributions) by age 57 in about 63% of state and local DB plans and by age 64 in about 94% of those plans. See Richard W. Johnson et al., “When Do State and Local Pension Plans Encourage Workers to Retire?,” Urban Institute, April 2014, https://www.urban.org/sites/default/files/publication/22566/413106-When-Do-State-and-Local-Pension-Plans-Encourage-Workers-to-Retire-.PDF.


43 An employee may contribute up to $19,500 ($26,000 if 50 or older) per year to a 401(k) plan in 2020. The contribution limit is adjusted annually for increases in the national wage. Some DC plans can be funded solely by employers. Contributions in Roth 401(k) are after-tax. For more information, see U.S. Department of the Treasury, Internal Revenue Service (IRS), 2020 Limitations Adjusted As Provided in Section 415 (d), etc., Notice 2019-59, https://www.irs.gov/pub/irs-drop/n-19-59.pdf.

44 Individuals may contribute up to $6,000 ($7,000 if 50 or older) in 2020 to an IRA. The contribution limit is adjusted annually for increases in the national wage. For more information, see CRS Report RL34397, *Traditional and Roth Individual Retirement Accounts (IRAs): A Primer*.

45 See Investment Company Institute, “The US Retirement Market, First Quarter 2020,” Tables 11 and 12, https://www.ici.org/research/stats/retirement. Rollovers are transfers of assets from one retirement plan to another retirement plan, often upon separation from an employer. Generally, individuals may roll over account balances from employer-sponsored pension plans into traditional or Roth IRAs upon separation from employment.
as a *hardship distribution*). In general, the taxable amount of early withdrawals—which are withdrawals before an individual reaches age 59½, dies, or becomes disabled—is subject to a 10% penalty (in addition to any applicable income taxes), with certain exceptions.46 Withdrawals of original contributions from Roth IRAs are not subject to tax or penalty,47 though earnings on these contributions may be subject to both.48

After reaching a specified age or inheriting an account, individuals with employer-sponsored DC plans and traditional IRAs generally have to begin taking required minimum distributions (RMDs) from their accounts.49 Under current law, the RMD is a minimum amount that must be withdrawn each year after the account holder reaches age 72 (see *Figure 1*).50 Failure to take the RMD results in a tax penalty equal to 50% of the amount that should have been distributed.51

**Asset Income**

Assets holdings, such as real estate or financial investments, can be used to generate retirement income through rent, interest, and dividends. Asset income is relatively common among older Americans. According to the CPS, in 2019, about 68% of individuals with income aged 55-64 and 68% of those aged 65 and older received some asset income.52 In addition, assets can also generate income when sold. Asset income on average accounts for a larger share of total income for higher-income elderly families. One study showed that, in 2012, elderly families in the lowest quintile of the income distribution on average received 3% of their income from assets, while those in the highest quintile of the income distribution on average received about 10% of their income from assets.53

**Unemployment Compensation (UC)**

The joint federal-state UC program, created under the Social Security Act of 1935, provides weekly unemployment benefits to eligible individuals who become involuntarily unemployed for economic reasons and meet state-established eligibility rules. Although federal laws and regulations provide some broad guidelines on UC benefit coverage, eligibility, and benefit determination, the specifics of benefits are determined by the laws in each state. This arrangement results in essentially 53 different UC programs operated in the states, the District of Columbia,

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46 The penalty does not apply if the reason for the distribution is listed in Title 26, Section 72(t), of the *U.S. Code*.

47 Traditional and Roth IRAs provide tax-advantaged ways for individuals to save for retirement. Traditional IRA contributions can be tax deductible, but withdrawals are included in taxable income. Roth IRA contributions are not tax deductible, but withdrawals are generally tax free.

48 See CRS In Focus IF11369, *Early Withdrawals from Individual Retirement Accounts (IRAs) and 401(k) Plans*.

49 Beneficiaries who inherit Roth IRAs may have to take RMDs.

50 Account holders are not required to take distributions from DC plans if they are still working. Prior to 2020, RMDs had to begin after the account holder reached age 70½. The Setting Every Community Up for Retirement Enhancement Act (SECURE Act; P.L. 116-94, Division O) increased the age after which RMDs must begin.

51 See CRS Insight IN11272, *Required Minimum Distributions from Retirement Accounts Under the Economic Stimulus Proposals Related to the Coronavirus (COVID-19)*.

52 U.S. Census Bureau, “PINC-08: Source of Income—People 15 Years Old and Over, by Income of Specified Type, Age, Race, Hispanic Origin, and Sex,” 2019, https://www.census.gov/data/tables/time-series/demo/income-poverty/cps-pinc/pinc-08.html. Similar results are shown in the HRS RAND Longitudinal data. Based on the RAND HRS, in 2016, about 57.4% of individuals aged 55-64 had some household asset income, and 58.7% of those aged 65 and older had some asset income in households.

53 Bee and Mitchell, “Do Older Americans Have More Income Than We Think?”

Puerto Rico, and the Virgin Islands. States administer UC benefits with U.S. Department of Labor (DOL) oversight.54

Workers aged 55 and older represent a growing proportion of UC claims over time. According to DOL data, 13.3% of UC claimants were aged 55 and older in 2001, and that share increased to 25.9% in 2018.55 Retired workers who are not available for work would generally not qualify for UC benefits. According to the CPS estimates, in 2019, about 2.1% of individuals with income aged 55-64 received some UC benefits, whereas 0.5% of those aged 65 and older received UC benefits.56 During an economic recession, UC benefits may become a more important income source for unemployed older workers as the permanent law Extended Benefit (EB) program becomes active.57

Figure 1. Selected Age-Related Policies Affecting Older Workers Aged 59-72

Source: CRS.

Notes: This figure does not reflect temporary income support provisions under the CARES Act (P.L. 116-136).

DB = defined benefit plans
IRA = Individual Retirement Accounts
SSI = Supplemental Security Income
EEA = early eligibility age

54 For a brief overview of the federal-state UC program, see CRS In Focus IF10336, The Fundamentals of Unemployment Compensation.


57 For information on EB and CARES Act unemployment insurance (UI) benefits, see CRS Report R45478, Unemployment Insurance: Legislative Issues in the 116th Congress. Additionally, Congress has often intervened, creating additional temporary UI benefits. For information on these temporary programs, see CRS Report RL34340, Extending Unemployment Compensation Benefits During Recessions; and CRS Report R46472, Comparing the Congressional Response to the Great Recession and the COVID-19-Related Recession: Unemployment Insurance (UI) Provisions.
Potential Effects of the COVID-19 Pandemic on Major Income Sources for Older Workers Near Retirement

For older workers near retirement, earnings are generally the major income source. In response to the COVID-19 pandemic, families who lose earnings might seek income from UC, Social Security retirement or disability benefits, and distributions from retirement savings accounts. Low-income families might also apply for SSI if they meet income and asset requirements. Among the available decisions, older workers might change their timing of retirement, with some choosing to retire earlier than planned, and others delaying their retirement.

Earnings

Labor market conditions deteriorated markedly in early 2020 as businesses closed or reduced operations in response to COVID-19-related restrictions and consumer demand shifted away from in-person commerce. The swift drop in economic activity translated into employment loss and rising unemployment rates across age groups (see Figure 2). Employment losses between January and September 2020, as a percentage of employment in January, were comparable for workers in each age group, ranging from a 6.1% decline for workers aged 65 and older to a 4.7% decline for those aged 55-64. All groups experienced a stark rise in their respective unemployment rates over the same period. For all age groups, unemployment rates in September 2020 were at least double their values in January 2020.

Figure 2. Employment Levels and Unemployment Rates, by Age Group
January-September 2020

Notes: Data are not seasonally adjusted.

The large-scale job losses seen in early 2020 have the potential to complicate income security for older workers (e.g., reduce income or make income less predictable) as many rely to some degree on labor earnings for income. The pandemic, however, has affected some groups of workers more than others. Occupational analysis provides one avenue for examining the potential distributional impacts of the pandemic on older workers. To that end, Table 1 presents recent employment changes by occupation for workers aged 55 and older. Employment did not decline in all occupational groups over the January-September 2020 period. Employment increased, for example, for workers in life, physical, and social science jobs (12%) and others to a smaller degree (e.g., management by 4%, construction and extraction jobs by 2%, and business and finance jobs by 1%). While these jobs (with the exception of managers) made up relatively small shares of older workers’ employment in 2019, they are largely higher-paying occupations.

Jobs in the middle of the occupational-wage distribution, such as sales and office support positions, held large shares of older workers in 2019 and had large job losses so far in 2020. Large losses in employment were at the bottom of the occupational earnings distribution for older workers. In 2019, the three occupations with the lowest median usual weekly earnings collectively accounted for more than 10% of employment among workers aged 55 and older. Between January and September 2020, older workers’ employment in these occupations declined by 8% in building and grounds cleaning and maintenance jobs, 10% in food preparation and serving jobs, and 28% in personal care and service jobs.

<table>
<thead>
<tr>
<th>Occupation Group</th>
<th>Median Usual Weekly Earnings 2019, Annual Averages</th>
<th>Employment Share</th>
<th>% Change in Employment between Jan. and Sep. 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Architecture and engineering</td>
<td>$1,826.00</td>
<td>2%</td>
<td>-9%</td>
</tr>
<tr>
<td>Computer and mathematical science</td>
<td>$1,730.76</td>
<td>2%</td>
<td>-2%</td>
</tr>
<tr>
<td>Legal</td>
<td>$1,615.00</td>
<td>2%</td>
<td>-3%</td>
</tr>
<tr>
<td>Management</td>
<td>$1,600.00</td>
<td>15%</td>
<td>4%</td>
</tr>
<tr>
<td>Life, physical, and social science</td>
<td>$1,538.00</td>
<td>1%</td>
<td>12%</td>
</tr>
<tr>
<td>Business and financial operations</td>
<td>$1,307.69</td>
<td>5%</td>
<td>1%</td>
</tr>
<tr>
<td>Health care practitioner and technical</td>
<td>$1,200.00</td>
<td>6%</td>
<td>-2%</td>
</tr>
<tr>
<td>Arts, design, entertainment, and sport</td>
<td>$1,038.46</td>
<td>2%</td>
<td>-14%</td>
</tr>
<tr>
<td>Installation, maintenance, and repair</td>
<td>$1,030.00</td>
<td>3%</td>
<td>-4%</td>
</tr>
<tr>
<td>Education, training, and library</td>
<td>$961.53</td>
<td>6%</td>
<td>-11%</td>
</tr>
<tr>
<td>Construction and extraction</td>
<td>$960.00</td>
<td>4%</td>
<td>2%</td>
</tr>
<tr>
<td>Community and social service</td>
<td>$923.07</td>
<td>2%</td>
<td>-18%</td>
</tr>
<tr>
<td>Sales and related</td>
<td>$769.23</td>
<td>10%</td>
<td>-8%</td>
</tr>
<tr>
<td>Occupation Group</td>
<td>Median Usual Weekly Earnings</td>
<td>Employment Share</td>
<td>% Change in Employment between Jan. and Sep. 2020</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>-----------------------------</td>
<td>------------------</td>
<td>-----------------------------------------------</td>
</tr>
<tr>
<td>Production</td>
<td>$769.20</td>
<td>6%</td>
<td>-9%</td>
</tr>
<tr>
<td>Office and administrative support</td>
<td>$706.50</td>
<td>12%</td>
<td>-6%</td>
</tr>
<tr>
<td>Protective service</td>
<td>$680.00</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Transportation and material moving</td>
<td>$673.07</td>
<td>7%</td>
<td>-7%</td>
</tr>
<tr>
<td>Health care support</td>
<td>$560.00</td>
<td>2%</td>
<td>-4%</td>
</tr>
<tr>
<td>Farming, fishing, and forestry</td>
<td>$540.00</td>
<td>1%</td>
<td>-6%</td>
</tr>
<tr>
<td>Building and grounds cleaning and maintenance</td>
<td>$490.00</td>
<td>4%</td>
<td>-8%</td>
</tr>
<tr>
<td>Food preparation and serving related</td>
<td>$460.00</td>
<td>3%</td>
<td>-10%</td>
</tr>
<tr>
<td>Personal care and service</td>
<td>$408.00</td>
<td>4%</td>
<td>-28%</td>
</tr>
</tbody>
</table>


Notes: Estimates describe employment and median earnings among workers aged 55 and older. Rows are ordered by median weekly usual earnings for this worker group in 2019.

Considerable uncertainty remains about the long-term impacts of the current recession on the labor market generally and for older workers in particular. Trends from past recessions may provide some insights, but whether outcomes for the last recession are predictive of the current path is unclear for a few reasons. Job loss in the current recession has been much more rapid and deep than in the past. Figure 3 illustrates differences in the pace and magnitude of unemployment growth in the current recession when compared to the Great Recession of 2007-2009. Whereas the overall unemployment rate increased markedly over the first three months of the 2020 recession, it took over a year for the unemployment rate to reach its peak following the Great Recession.\(^{59}\) But at the same time, temporary layoffs made up a large share of recent unemployment (78.3% of unemployment in April 2020), considerably more than those during the last recession (14.5% of the unemployed at its maximum monthly value), raising questions about the potential for a relatively rapid rebound in hiring. Job loss in the current recession (so far) has been concentrated in the retail sales, leisure and hospitality, and “other service” sectors, whereas the construction and manufacturing sectors were the hardest hit, in terms of job loss, during the last recession.\(^{60}\)

\(^{59}\) The data in Figure 3 are not seasonally adjusted, because BLS does not present such data for the age groups included on the graph. For reference, the overall adult unemployment rate reached 10% in November 2009 when seasonally adjusted data are used, which represents an increase of about 5 percentage points from the start of the Great Recession.

\(^{60}\) The composition of job loss matters because it determines the groups of workers most affected (e.g., in terms of demographics, skill level, and earnings) and affects workers’ reemployment outcomes during economic recovery. A discussion and a graphical representation of job loss by industry in the current and last recession is available in Alexander W. Bartik et al., *Measuring the Labor Market at the Onset of the COVID-19 Crisis*, Brookings Institution, June 25, 2020, https://www.brookings.edu/wp-content/uploads/2020/06/Bartik-et-al-conference-draft.pdf. BLS describes enterprises classified in the “other services” industry as being “primarily engaged in activities such as equipment and machinery repairing, promoting or administering religious activities, grant-making, advocacy, and providing dry-cleaning and laundry services, personal care services, death care services, pet care services,

Figure 3. Unemployment Rates, by Age Group, January 2007-September 2020

Source: BLS, CPS.
Notes: Data are not seasonally adjusted. Recessions are marked in gray: solid gray indicates a completed recession, and striped gray indicates a recession in process. The current recession began in February 2020 and had not ended at the time of this report’s publication.

How older workers will fare in the labor market depends on several factors, including the degree to which occupations and industries that employ older workers recover (i.e., rehire workers) and employers’ willingness to hire older workers. At the same time, risk of workplace exposure to COVID-19 may reduce the supply of some older workers to the labor market, particularly those in jobs that bring them in contact with the public or with lower access to telework.

Recent employment data suggest a degree of recovery for older workers (those aged 55 and older) but also reveal different patterns for those aged 55-64 and those aged 65 and older. Table 2 shows the percentage change in older workers’ employment by industry over the January-April 2020 period, during which the labor force lost millions of jobs, and the April-September 2020 period, when employment showed signs of recovery.

Employment declined over the January-April 2020 period for those aged 55 and older in all industries and rose over the April-September period in all but three industries (information, manufacturing, and mining). But within this age group, employment recovery did not follow the same patterns. For example, whereas workers aged 55-64 lost employment between April and September 2020 in the agricultural, manufacturing, and financial activities industries, workers aged 65 and older regained some of those jobs. Overall, between January and September 2020, workers in the oldest group (aged 65 and older) had net employment gains in some sectors, such as public administration, construction, and agriculture, whereas workers aged 55-64 years had net employment losses in nearly all industries.

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61 Despite differences in the size, speed, and sectoral composition of job loss in the current and last recession, older workers who became unemployed during the Great Recession took longer to become employed than their younger counterparts and had lower hourly earnings (relative to their previous jobs) upon reentry to work. See Richard W. Johnson and Barbara A. Butrica, Age Disparities in Unemployment and Reemployment during the Great Recession and Recovery, Urban Institute, May 14, 2012, https://www.urban.org/research/publication/age-disparities-unemployment-and-reemployment-during-great-recession-and-recovery.

62 For example, one recent study reports “larger declines in employment in April 2020 in occupations requiring more face-to-face interactions. Workers in jobs that could be performed remotely were less likely to experience recent unemployment.” Laura Montenovo et al., Determinants of Disparities in Covid-19 Job Losses, NBER Working Paper No. 27132, May 2020, https://www.nber.org/papers/w27132.
Table 2. Percentage Change in Employment, by Industry and Age Group  
January-September 2020

<table>
<thead>
<tr>
<th>Industry</th>
<th>Aged 55 and Older, % Change in Employment</th>
<th>Aged 55-64, % Change in Employment</th>
<th>Aged 65 and Older, % Change in Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, forestry, fishing, and hunting</td>
<td>-1.0%</td>
<td>12.4%</td>
<td>11.2%</td>
</tr>
<tr>
<td>Mining</td>
<td>-22.4%</td>
<td>-2.5%</td>
<td>-24.3%</td>
</tr>
<tr>
<td>Construction</td>
<td>-6.8%</td>
<td>11.7%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>-1.8%</td>
<td>-1.9%</td>
<td>-3.7%</td>
</tr>
<tr>
<td>Wholesale and retail trade</td>
<td>-14.5%</td>
<td>10.5%</td>
<td>-5.5%</td>
</tr>
<tr>
<td>Transportation and utilities</td>
<td>-15.6%</td>
<td>6.8%</td>
<td>-9.9%</td>
</tr>
<tr>
<td>Information</td>
<td>-2.5%</td>
<td>-8.1%</td>
<td>-10.3%</td>
</tr>
<tr>
<td>Financial activities</td>
<td>-2.0%</td>
<td>3.8%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Professional and business services</td>
<td>-14.0%</td>
<td>9.4%</td>
<td>-5.9%</td>
</tr>
<tr>
<td>Educational and health services</td>
<td>-14.9%</td>
<td>12.5%</td>
<td>-4.3%</td>
</tr>
<tr>
<td>Leisure and hospitality</td>
<td>-36.3%</td>
<td>34.8%</td>
<td>-14.2%</td>
</tr>
<tr>
<td>Other services</td>
<td>-35.8%</td>
<td>19.0%</td>
<td>-23.6%</td>
</tr>
<tr>
<td>Public administration</td>
<td>-5.9%</td>
<td>9.2%</td>
<td>2.8%</td>
</tr>
</tbody>
</table>

**Source:** CRS calculations using CPS data for January 2020-September 2020. The employment change from January to April and from January to September is expressed as a percentage of January 2020 employment. The employment change from April to September is expressed as a percentage of April 2020 employment.

**Notes:** Data are not seasonally adjusted.

Federal efforts to support the earnings potential of older workers may address demand-side forces, supply-side forces, or both. Federal policies to support hiring and employee retention, such as tax credits and subsidized business loans, may bolster employment, but additional research is needed to determine their impacts and how they benefit older workers specifically. Given concerns about on-the-job exposure to COVID-19, particularly among older workers, Congress may consider policies to strengthen workplace health and safety. Such policies could aim to increase worker access to appropriate personal protective equipment, job-protected sick leave for COVID-19-related needs, and telework options, as well as to provide compliance assistance for businesses and to clarify employer liability for workplace exposure to the virus.
Social Security Retirement Benefits

The COVID-19 pandemic and related losses in earnings may negatively affect the future Social Security retirement benefits for some older workers. The potential benefit reduction may result from relatively lower earnings in years approaching retirement, early claiming of Social Security, and the potential negative growth in the Social Security Average Wage Index.

Earning Losses and Future Benefits

Social Security retirement benefits are generally based on average lifetime earnings from covered employment. A year of relatively lower earnings may affect the amount of Social Security benefits received at retirement. Workers could potentially make up such losses by working longer and at a higher level of earnings. One challenge for older workers, however, is that those who lose their jobs are likely to have longer durations of unemployment than are younger workers and, upon reemployment, are more likely to experience larger wage losses than their younger counterparts.

Another way for older workers to make up a potential decline in Social Security benefits may be to delay Social Security benefit claiming until after the FRA. As noted earlier, beneficiaries who claim Social Security benefits after the FRA can receive delayed retirement credits, which apply up to the age of 70. The annual Social Security Statements that the Social Security Administration (SSA) makes available to all eligible workers provide benefit estimates at both FRA and age 70.

Early Claiming of Social Security Benefits

In response to increases in unemployment and the weak job market, some older people may reduce labor force participation and elect to begin taking Social Security retirement benefits as early as age 62 rather than at the FRA. Claiming Social Security retirement benefits before the FRA will generally result in a permanent reduction in monthly benefits. In 2007, the year before the last recession, 33.5% of fully insured men and 36.3% of fully insured women chose to claim Social Security retirement benefits at age 62. These figures increased in 2009 (when those born in 1947 turned 62) when the recession hit a low point, as 35.8% of fully insured men and 38.9%

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63 See CRS Report R42035, Social Security Primer.
65 For workers with an FRA of 66, for example, claiming benefits at age 70 results in a 32% increase in monthly benefits. For workers with an FRA of 67, claiming benefits at age 70 results in a 24% benefit increase. See CRS Report R44670, The Social Security Retirement Age.
67 A worker is fully insured for benefits if he or she has earned at least one credit for each year after turning age 21 and before turning age 62, dying, or becoming disabled, whichever occurs first. A worker is permanently and fully insured if he or she has at least 40 credits (at least 10 years of work) and will not lose fully insured status when he or she stops working under covered employment.
of fully insured women started receiving benefits at age 62.\textsuperscript{68} Researchers also found that state and local areas that were affected by local labor market shocks had larger drops in labor force participation\textsuperscript{69} and that higher unemployment in a state or industry was correlated with a higher incidence of claiming Social Security at age 62 in 2009.\textsuperscript{70}

The declines in employment due to a recession tend to have a greater effect on the Social Security early claiming decisions of older workers with lower income or among the lower socioeconomic status groups. Some researchers found that less-educated workers were more likely to retire earlier during the Great Recession.\textsuperscript{71} A study from the Center for Retirement Research at Boston College (CRR) also found that workers who have lower earnings and less wealth and are less likely to have a spouse to fall back on tended to claim Social Security early in the wake of the 2001 recession.\textsuperscript{72}

Because of the COVID-19 pandemic and the resulting job losses, some older workers are likely to retire earlier than they originally planned. The number of older workers who claim their Social Security early will depend in part on the depth and duration of the recession. The CRR study found that the Great Recession increased the share of early claimers much more than did the milder recession of 2001.\textsuperscript{73}

In addition to financial considerations, the timing of retirement may be influenced by individuals’ expected mortality risk. Some research indicates that high-perceived mortality risk—that is, fewer years to live out their retirement—is associated with earlier Social Security benefit claiming.\textsuperscript{74} It is still unclear to what extent the COVID-19 pandemic will affect the mortality rate.\textsuperscript{75} However,


\textsuperscript{73} Rutledge and Coe, \textit{Great Recession-Induced Early Claimers}.


older workers who contract COVID-19 and feel that their future health will be affected may take mortality risk into their retirement decisions.

Policymakers may seek to encourage delayed retirement, partly because a longer working history would likely result in a higher Social Security benefit, a larger amount of retirement savings, and consequently a better funded retirement. At the end of the Great Recession, the SSA implemented a series of financial literacy initiatives to better inform the public about retirement planning options. These included emphasizing the FRA and explaining how monthly benefits vary based on the age at which one begins receiving benefits. In response to the COVID-19 pandemic, similar financial literacy initiatives and support may be considered to better inform the public about how to plan for a financially secure retirement.

Potential Changes in Social Security Average Wage Index

The Social Security benefit formula is used to compute a worker’s Primary Insurance Amount (PIA), which is the worker’s basic monthly benefit amount payable at the FRA. It does not reflect any applicable adjustments based on early or delayed retirement or other factors. The PIA is also used to determine the basic monthly benefit amount for a worker’s eligible dependents or survivors, subject to certain adjustment factors. Several inputs in the PIA computation are indexed to wage growth in the overall economy. Although the process used to compute PIA is applied consistently over time, some inputs change annually based on wage growth in the overall economy. In most years, overall wage growth is positive, causing average PIAs to generally increase over time. However, when the wage growth is negative, the average PIAs can decrease.

The current-law benefit formula is affected by negative wage growth in two ways. First, to compute the PIA, SSA indexes a worker’s lifetime covered earnings to reflect changes in national wage levels as measured by the agency’s average wage index (AWI). The indexing process ensures that a worker’s or family member’s benefit will reflect increases in the average wage growth observed over the worker’s earnings history. After indexing, the highest 35 years of earnings are summed, and the total is divided by 420 (the number of months in 35 years) to determine a worker’s average indexed monthly earnings (AIME). A worker’s earnings are indexed to the AWI in the year that the worker turns age 60. Generally speaking, there is about a two-year lag in computing AWI due to delays in collecting earnings information. The indexing of wages happens at the age of 62, and the base year used for indexing is the year the worker turns 60. Thus, earnings through age 60 are indexed to average wage growth, whereas earnings from age 61 and later are counted at nominal value.
the year in which a worker turns 60 affects the AIME amount. Under economic conditions, where there is negative wage growth, this would negatively affect AIME and, therefore, future benefits.

Second, the Social Security benefit formula uses a worker’s AIME to compute the regular PIA. In doing so, two bend points are used to separate the AIME into three different brackets. Brackets of a worker’s AIME are replaced at different rates, or replacement factors, the sum of which is the PIA. The replacement factors—90%, 32%, and 15%—are fixed in law, but the bend points to which they apply are indexed annually to the AWI. The bend points are calculated at age 62 for retired workers and are indexed to AWI from two calendar years prior (the year a worker turns 60, the same way as indexing earnings). Thus, during periods of negative wage growth, the bend points would be lower than the previous year’s bend points, thus resulting in a lower PIA.

The effects of wage indexing may result in what is commonly referred to as a notch effect. Depending on the severity of negative wage growth and the resulting AWI, it is possible for two workers with identical work histories but born in different years to receive substantially different PIA and initial benefit amounts. For instance, in 2009 there was a 1.5% decrease in the AWI this situation negatively affected those turning 60 in 2009 due to the wage-indexing mechanism in the benefit formula and the bend points used to calculate the PIA in 2011. Said differently, the existence of a notch can lead one cohort of beneficiaries to be perceived as receiving inflated benefits, while an age-adjacent cohort of beneficiaries would be perceived as receiving deflated benefits.

Some expect the AWI to decrease in 2020 and argue that those born in 1960 (i.e., turning 60 in 2020) will likely experience a notch effect. Policymakers have several legislative options to address notch effects. One option is to do nothing, as was done in 2009. Alternatively, Congress could administer ad hoc benefit increases to birth cohorts that have been adversely affected by changes in wage growth. In terms of wage indexing for those born in 1960, some have suggested using wage data only from the first quarter of 2020 (pre-COVID-19). Policymakers could also opt for a permanent solution that would prevent future notches from occurring.

Social Security Disability Insurance (SSDI) Benefits

The COVID-19 pandemic is likely to impel some older workers who are under FRA and have disabilities to apply for SSDI and cause some older SSDI beneficiaries who are employed to reduce their level of work activity. However, the high degree of uncertainty over the economic and health effects of the pandemic makes evaluating its potential impact on SSDI difficult.

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84 Social Security benefits paid after age 62 are increased by cost-of-living adjustments, which are determined using the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). See CRS Report 94-803, Social Security: Cost-of-Living Adjustments for more information. Workers with identical lifetime earnings but born one year apart would receive different PIA and initial benefit amounts. Under most circumstances, the differences would be similar but differ in the amount of overall wage growth in the national economy in the youngest workers’ 60th year.

85 One option that would address possible effects of negative wage growth would be to prevent the AWI from decreasing (i.e., the AWI in one year could not be determined to be less than the AWI in the preceding year). In the 116th Congress, Senators Tim Kaine and Bill Cassidy introduced such a proposal (S. 4180). A different approach could be to require the use of any prior year’s AWI if it exceeds the current year’s AWI in the calculation of a worker’s AIME and for indexing the bend points used to calculate the PIA. Such a provision, among other things, was included in a bill introduced by Representative John Larson (H.R. 7499).
Impact of Unemployment and Economic Downturns on SSDI Applications

When the economy is strong and the demand for labor is high, more individuals who could qualify for SSDI might decide to seek or continue employment because firms may be more willing to provide higher compensation or greater workplace accommodation for workers with disabilities. However, during economic downturns, these individuals are often less likely to find reemployment opportunities following a job loss. Consequently, older workers who are under FRA and have disabilities and who might otherwise choose to work may apply for SSDI instead.

SSDI applications and awards tend to increase during (and shortly after) periods of high unemployment. For example, one study estimated that the Great Recession led 1.4 million workers to apply for SSDI during 2008-2012, of which 72% would not have applied in the absence of the recession and 28% applied sooner than they would have otherwise. The study also found that more than half a million of these applications resulted in awards, with approximately 400,000 awards attributable to workers who would not have entered the SSDI program if the recession had not occurred.

Since the COVID-19 pandemic began, SSDI applications have decreased slightly, reflecting the ongoing trend of declining applications to the program over the last decade. For example, field-office applications for SSDI disabled-worker benefits averaged about 156,700 per month during January-September 2020, compared with nearly 172,200 per month during January-September 2019. The absence of an uptick in SSDI applications thus far may be due, in part, to the availability of time-limited income supports, such as unemployment insurance and short-term disability benefits, as well as certain temporary measures designed to encourage employee retention. However, if the economic slowdown continues and these temporary supports and

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measures are exhausted, then SSDI applications among older workers who are under FRA and have disabilities may rise in response.

**Concerns About Possible Infection and Severe Illness**

Because older workers and individuals with certain underlying health conditions are at increased risk for severe COVID-19 illness, some older workers who are under FRA and have disabilities may quit their jobs to reduce the likelihood of becoming infected and apply for SSDI instead. Although time-limited income supports may delay SSDI application for those who voluntarily withdraw from the labor force, the exhaustion of such temporary supports may eventually impel some older workers who are under FRA and have disabilities to apply to the program.

The extent to which older workers who are under FRA and have disabilities may withdraw from the labor force due to COVID-19 remains unclear. On the one hand, some may be able to reduce their risk of infection and continue working under alternative workplace arrangements. Older workers and individuals with disabilities generally have employment protections under various anti-discrimination laws that allow them to request alternative arrangements, such as remote work. In addition, prior to the pandemic, older workers and individuals with disabilities were more likely to report doing at least some work at home relative to younger workers and individuals without disabilities.

On the other hand, some older workers who are under FRA and have disabilities may not be able to work at home to reduce their risk of infection. For example, among workers who are entitled to SSDI, many were previously employed in services, retail, or manufacturing industries, which, prior to the COVID-19 pandemic, provided telework or work-at-home flexibilities to less than half of all workers. Moreover, in September 2020, older workers were less likely to report teleworking or working at home due to the pandemic relative to younger workers. Furthermore,

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93 In certain instances, workers may be eligible for Pandemic Unemployment Assistance if they are unable to work due to a specific COVID-related circumstance, such as being advised by a healthcare provider to self-quarantine due to health-related concerns over exposure to COVID-19. See DOL, “Unemployment Insurance Relief During COVID-19 Outbreak,” https://www.dol.gov/coronavirus/unemployment-insurance.


even with alternative workplace arrangements or other accommodations, some older workers who are under FRA and have disabilities may decide to apply for SSDI instead.

Unknown Effects on Long-Term Health and Disability Status

To qualify for SSDI, insured workers must generally be unable to perform substantial work due to any medically determinable physical or mental impairment(s) that is expected to last for at least one year or to result in death. Some adults with COVID-19 infections are asymptomatic or have mild-to-moderate symptoms and report returning to their previous health status within several weeks. As such, a diagnosis of COVID-19 infection alone does not necessarily mean that a worker is “disabled” for purposes of SSDI. However, for other infected adults, complications from infection could contribute to the development of chronic health conditions (or the exacerbation of pre-existing ones), which in turn may lead them to apply for SSDI.

In addition to COVID-19 infection, the pandemic has had indirect health effects. These have resulted from (1) deferral of care among some individuals who are reluctant to risk infection by presenting to a health care facility with a serious medical problem, such as chest pain, and (2) prolonged deferral of care for “non-essential” health care services as a means of infection control.

Because COVID-19 is a newly emerging disease, there is little research thus far into its direct and indirect effects on long-term health and disability status.

Consequently, there is a great deal of uncertainty over its potential effects on SSDI. To help inform the debate, the chairs of the House Committee on Ways and Means, Subcommittees on Social Security and Worker and Family Support, sent a joint letter to the commissioner of Social Security in June 2020 urging SSA to seek advice from the National Academies of Sciences, Engineering, and Medicine on “the long-term health effects of COVID-19, the effectiveness and availability of treatments, and how to best evaluate the long-term impact of the virus on survivors’ ability to work.” In November 2020, SSA hosted a public forum to hear from medical experts and researchers about the medical impact of COVID-19 and its potential long-term effects on ability to work.


105 SSA, “COVID-19 and SSA Programs: Long-Term Health Effects,” National Disability Forum, November 18, 2020,
Reduced Work Activity Among Beneficiaries

COVID-19 is likely to have a relatively modest effect on the earnings and benefits of older SSDI beneficiaries because most of them do not work. In 2014, an estimated 7.7% of disability beneficiaries aged 50 to FRA were employed compared with 13.4% of those aged 30-49. However, the pandemic may cause some older employed beneficiaries to reduce their level of work activity due to the adverse economic and health effects discussed previously. One study found that the Great Recession substantially reduced the likelihood of SSDI beneficiaries earning at levels that would cause their benefits to be suspended or terminated.

A reduction in work activity due to the pandemic would cause affected older beneficiaries to have lower levels of earnings. For most affected older beneficiaries, such a reduction would have little or no effect on their benefits. However, for those whose benefits would otherwise be suspended or terminated due to excess earnings, a reduction in work activity may result in a resumption of benefits or a continuation of program entitlement.

Supplemental Security Income (SSI)

Working-age adults comprise the largest fraction of SSI recipients. In December 2019, 4.6 million individuals aged 18-64 received SSI payments, representing 57.5% of all SSI recipients. Individuals aged 50-64 accounted for 27.8% of all SSI recipients in the same month. In fact, the percentage of SSI recipients aged 50-64 has been growing steadily for many years, from 20.8% in December 2000 to as high as 28.0% in December 2018 (see Figure 4).


108 To be considered disabled under the SSDI program in 2020, workers must generally have earnings at or below $1,260 per month in the case of non-blind workers or $2,110 per month in the case of blind workers. However, under certain work incentives, beneficiaries may have earnings above these amounts and continue to qualify for the program. See SSA, The Red Book—A Guide to Work Incentives, publication no. 64-030, January 2020, https://www.ssa.gov/redbook/.


The extent to which older workers would turn to SSI in the face of earnings losses due to the COVID-19 pandemic is somewhat of an open question. As noted earlier, to qualify for SSI, not only must one’s income fall below specified program thresholds, but one’s countable assets must be at or below $2,000 for an individual or $3,000 for a couple. In addition, individuals under age 65 must meet SSA’s disability requirement, which is the same for SSI as described above for the SSDI program. The incidence of disability increases among older workers, and the impact of disability on financial well-being among older workers can be substantial, with affected individuals and their families experiencing declines in earnings and increases in poverty that are only partially offset by public benefits and private pensions.

While these requirements stem from the notion that SSI is an income support of last resort, they may also lessen the impact of SSI in response to general economic declines, such as the COVID-19-induced recession or the Great Recession, relative to other components of the social safety net. On the other hand, financial eligibility for SSI may grow if the COVID-19-induced recession is prolonged, as individuals and families deplete their assets and as other available benefits, such as unemployment insurance (UI), expire. UI benefits would be counted as unearned income under the SSI program and, after applying a $20 general income exclusion, would reduce the potentially available SSI payment on a dollar-for-dollar basis. Combining UI with regular UC benefits and

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111 Section 1614(a)(3) of the Social Security Act (42 U.S.C. §1382c[a][3]). The individual must be “not only unable to do his previous work but cannot, considering his age, education, and work experience, engage in any other kind of substantial gainful work which exists in the national economy, regardless of whether such work exists in the immediate area in which he lives, or whether a specific job vacancy exists for him, or whether he would be hired if he applied for work.”


113 For details on the treatment of unearned income under the SSI program, see the sections “Countable Income...
the other UI expansions made available through the CARES Act—including the federally financed $600 Federal Pandemic Unemployment Compensation (FPUC) benefit (expired on July 25, 2020)—would almost certainly preclude SSI eligibility. When the temporary UI benefits authorized by the CARES Act expire, SSI eligibility and applications may increase.

One study of the Great Recession found that SSI expenditures increased by 17% from 2007 to 2010, “with virtually all of this increase occurring in the portion of the program providing support for the disabled.” In another study, the same author noted, “There should be no particular expectation that more families will meet the SSI medical test for disability in a recession, however, and since those families constitute the bulk of the SSI caseload, a large SSI response should not necessarily be expected.”

Some studies found that SSI applications and awards increased when the unemployment rate increased, whereas others found that SSI applications and awards were only weakly correlated with the unemployment rate. Looking at SSI program growth between 2000 and 2011, one study found that SSI participation among the working-age population became more responsive to the unemployment rate over time, with greater participation in SSI among working-age individuals reporting fair or poor health, whereas SSI applications (for all ages combined) became less responsive to changes in the unemployment rate. First-time SSI awards among working-age individuals were found to increase with increases in the unemployment rate.

Economic conditions at the time an individual begins his or her unemployment spell may also affect the degree to which individuals turn to SSI for support. Looking at working-age individuals who experienced a spell of unemployment between 1996 and 2010, one study found that the risk of SSI application increased when the unemployment rate increased during an individual’s jobless spell. But for individuals who began their jobless spells during a period of high unemployment, SSI application was relatively less likely, “consistent with the hypothesis that the characteristics of the pool of newly jobless workers varies systematically with the business cycle, generally displaying a lower intrinsic propensity to apply for disability benefits in a period when more workers are being laid off.” In recessions, the characteristics of unemployed individuals

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114 CRS In Focus IF11475, Unemployment Insurance Provisions in the CARES Act.
shift toward individuals who have higher skills and greater employability and thus less likelihood to apply for SSI.\textsuperscript{120} Once on the rolls, however, few SSI recipients exit the program.

Bills introduced in the 116\textsuperscript{th} Congress would increase the SSI income exclusions and resource thresholds, which have not been changed since 1972 and 1989, respectively. Doing so would serve to increase SSI payment amounts for both current and future recipients and increase the number of individuals eligible for SSI during the COVID-19 pandemic as well as in more normal times.\textsuperscript{121}

### Retirement Savings Accounts

In 2019, about 54.5% of households headed by individuals aged 55-64 and about 48.1% of households headed by individuals aged 65-74 had assets in retirement savings accounts. Among households with retirement savings accounts, the median account balance was $134,000 for households headed by individuals aged 55-64 and $164,000 for households headed by those aged 65-74.\textsuperscript{122} In the case of financial difficulties, older workers may be able to withdraw or borrow amounts from their retirement accounts. During economic downturns, retirement account holders may face potential reductions in retirement wealth, partly because of decreases in the financial market and also because some firms may stop or suspend employer matching contributions to DC plans.\textsuperscript{123} Older households, which generally have higher balances in retirement savings accounts than younger households, may see their savings accounts disproportionally affected by a market downturn. Affected older workers may choose to postpone their retirement to save more and rebuild retirement wealth.

### Withdrawals from Retirement Accounts

To assist with COVID-19 related expenses or to supplement income, individuals may be able to withdraw funds from their retirement accounts. Withdrawals from IRAs are permitted for any reason and at any time, while withdrawals from DC plans must be permitted by the plan. Individuals under age 59½ taking withdrawals may be subject to a 10% penalty on the withdrawn amount unless they meet a penalty exception.\textsuperscript{124} For example, individuals who separate from employment after reaching age 55 are not subject to the tax penalty on withdrawals.\textsuperscript{125}

Though early withdrawals can assist households with unexpected expenses, they can also permanently reduce retirement account balances (if not subsequently made up with higher contributions) and, as a result, reduce economic security. In addition, if individuals make

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\textsuperscript{121} Relevant bills include the ASSET Act (S. 3276, H.R. 5848) and the SSI Restoration Act (S. 2753, H.R. 4280), both introduced before the pandemic, and the COVID-19 Recovery for Seniors and People with Disabilities Act (S. 3740, H.R. 6951). The Social Security COVID Correction and Equity Act (H.R. 7499) would increase the SSI income exclusions and resource thresholds for 2020 only.

\textsuperscript{122} CRS analysis of the 2019 Survey of Consumer Finances (SCF). The SCF includes the following tax-advantaged accounts in retirement assets: DC plans and IRAs, Profit Sharing Plan, Supplementary Retirement Annuity, Cash Balance Plan, Portable Cash Option Plan, and etc. For more information, see SCF codebook at https://www.federalreserve.gov/econres/files/codebk2019.txt and Macro-Variable definitions at https://www.federalreserve.gov/econres/files/bulletin.macro.txt.


\textsuperscript{124} See 26 U.S.C. §72(t).

\textsuperscript{125} Public safety employees who separate from employment after reaching age 50 are exempt from the 10% penalty.
withdrawals during a market downturn when asset prices are low, then they might miss the opportunities to fully recognize gains in a market recovery.

In response to the Great Recession, researchers found that early withdrawal incidence modestly increased. In 2004, about 13.3% of taxpayers under age 55 with pension coverage or retirement accounts (which include IRAs and DC plans) took a taxable distribution, compared to 13.7% in 2007 and 15.4% in 2010. More recently, the Government Accountability Office estimated that in 2013, about 8% of IRA owners aged 45-54 took an early withdrawal, and about 3.7% of 401(k) account holders aged 45-54 took a hardship distribution.

In response to the COVID-19 pandemic, a provision in the CARES Act permitted qualified individuals to take penalty-free withdrawals of up to $100,000 from their retirement accounts (sometimes referred to as coronavirus-related distributions; P.L. 116-136). The provisions are similar to those enacted after certain natural disasters that have occurred since 2005. Distributions must be taken between January 1, 2020, and December 31, 2020. Income inclusion and retribution rules mirror those of previous disaster distributions, but qualified individuals is defined more broadly. Qualified individuals are (1) individuals who tested positive for COVID-19 or those with a spouse or dependent who tested positive for COVID-19; (2) individuals with a spouse or household member, facing financial difficulties due to being quarantined, being furloughed, being laid off, having reduced pay (or self-employment income), having a job offer rescinded or start date for a job delayed due to COVID-19, or being unable to work due to lack of child care or reduced work hours as a result of COVID-19; or (3) individuals whose (or whose spouse or household member’s) business closed or reduced hours as a result of COVID-19. IRS guidance specified that coronavirus-related distributions are optional for DC plans to implement. This allows plan sponsors the flexibility to decide whether to add this distribution option.

Previous disaster distributions were limited to individuals that lived in specific disaster areas. Given the widespread reach of COVID-19 and the uncertainty about the magnitude and duration of its economic impacts, it is difficult to predict how many individuals nearing retirement will take coronavirus-related distributions and how these distributions might affect account balances.

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126 See Robert Argento, Victoria Bryant, and John Sablehaus, Early Withdrawals from Retirement Accounts During the Great Recession, November 2013, https://www.irs.gov/pub/irs-soi/14pearlywithdrawalretirement.pdf. Qualified withdrawals from Roth IRAs—which are not subject to taxation—may not be included in these percentages, though the authors note that about 100,000 individuals under age 55 received a nontaxable distribution from a Roth account in 2010.


128 CRS In Focus IF11482, Retirement and Pension Provisions in the Coronavirus Aid, Relief, and Economic Security Act (CARES Act).

129 See Appendix in CRS Report RL34397, Traditional and Roth Individual Retirement Accounts (IRAs): A Primer.

130 The IRS, under the authority given in the CARES Act, released Notice 2020-50 on June 19, 2020, which outlined additional factors that qualify an individual as eligible to take a coronavirus-related distribution. For example, having reduced pay or having a job offer rescinded were added under the IRS notice. For more information on this guidance, see CRS Insight IN11441, Internal Revenue Service (IRS) Guidance for Coronavirus-Related Distributions, Plan Loans, and Required Minimum Distribution (RMD) Rollovers.


132 Penalty-free withdrawals were not permitted in response to the Great Recession of 2007-2009.
in both the short and long term. Ascensus, a financial services company, found that 13.7% of employers in their database had adopted coronavirus-related distribution options for their DC plan as of July 2020, but adoption rates increased with plan size.

Loans from DC Accounts

Individuals with DC pensions may be able to borrow against their plan assets. Loans may be preferable to withdrawals, because individuals can pay back the borrowed amounts—with interest—to their own accounts, which may help preserve retirement savings. A potential negative consequence of borrowing from a DC plan occurs if the borrower defaults on the loan. For example, after job separation, any outstanding loan balance must be repaid to the account or rolled over to an IRA or other eligible retirement plans within a specified time period. Otherwise the loan is considered a taxable distribution and may be subject to an additional 10% tax penalty.

The Investment Company Institute (ICI) found that 16.1% of plan participants had an outstanding loan at the end of 2019. It appears that borrowing against DC plan assets increased as a result of the 2009 economic downturn: 15.3% of DC plan participants had a loan outstanding at the end of 2008, and that percentage increased to 18.5% at the end of 2011. The financial hardship to some families caused by COVID-19 might result in an increase in demand for loans against DC plan assets.

Section 2203 of the CARES Act modified rules governing DC plan loans for qualified individuals. The following provisions apply:

- The maximum loan balance for loans taken within 180 days of the law’s enactment (March 27, 2020) is increased from the lesser of the participant’s entire vested account balance or $50,000 to the lesser of the participant’s entire vested account balance or $100,000.
- For new or existing loans, the due dates for payments due on or after the law’s enactment through December 31, 2020, are extended by one year. Subsequent payments are also delayed by one year.

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133 One article cites withdrawal activity data from various 401(k) administrators: Fidelity estimates that 1.5% of eligible individuals withdrew funds from late March through May 8, Rival Empower Retirement estimates that 1% of individuals in plans that allowed coronavirus-related distributions withdrew funds through the end of May, and Alight Solutions estimated that 1.2% of individuals withdrew funds through the end of May. See Anne Tergesen and Alice Uribe, “Should You Tap Retirement Funds in a Crisis? Increasingly, People Say Yes,” Wall Street Journal, June 4, 2020, https://www.wsj.com/articles/should-you-tap-retirement-funds-in-a-crisis-increasingly-people-say-yes-11591283926.


135 Loans are not permitted against IRAs.


137 See ICI, Defined Contribution Plan Participants’ Activities, 2019, April 2020, Figure 5, https://www.ici.org/pdf/20_rpt_recsurveyq4.pdf. Vanguard found that about 78% of DC plans offer loans, and 13% of participants who were able to borrow in DC plans had a loan outstanding in 2019. See Vanguard, How America Saves in 2020, 2020, Figure 1, https://institutional.vanguard.com/ngiam/assets/pdf/has/how-america-saves-report-2020.pdf.

Ascensus found that 8.5% of employers in their database had adopted the expanded loan provisions as of July 2020.\textsuperscript{139}

**Effects of Changes in Retirement Wealth on Retirement Decisions**

Older households that experience a decrease in the value of their retirement assets may choose to remain in the workforce longer than they originally intended to rebuild retirement savings.\textsuperscript{140} Research from the Great Recession finds that long-term declines in stock prices (five- to 10-year returns) led more educated workers, who are more likely to own stocks, to delay retirement.\textsuperscript{141} A study based on a cognitive survey also found that people with financial losses during the Great Recession expected to delay retirement for about four years on average.\textsuperscript{142}

In response to the financial market downturns due to the COVID-19 pandemic, older workers who experienced decreases in retirement portfolios may choose to postpone their retirement post-pandemic. For example, a March 2020 survey of Americans aged 55-60 indicated that 44% of the respondents would defer their retirement given the drop in their retirement savings, and among these, 18% planned to work for at least five more years.\textsuperscript{143} However, the decline in the stock market in March 2020 was followed by an immediate recovery to the level before the pandemic. The pandemic has created uncertainty for the overall economy and the financial market. How older workers may make their retirement plans would depend on the degree and the depth of the related recession and how retirement wealth would change accordingly.

**Asset Income**

Nearly all American households own some form of assets. However, the types and amounts of assets they own vary broadly.\textsuperscript{144} Older workers near retirement age are usually approaching the peak of their earnings and household wealth.\textsuperscript{145} Their financial and nonfinancial assets could include stocks, bonds, pooled investment funds, and a primary residence, among other assets. The COVID-19 pandemic affected the income elderly might receive from their assets differently for different asset types. In addition to the general market conditions, each individual’s investment time horizon could also contribute to the amounts of asset income older workers could receive.

\textsuperscript{139} See Ascensus, “State of Savings: July 2020.”


During the COVID-19 pandemic, the value of both financial and nonfinancial assets changed. Certain financial assets’ value fell and rose again, reflecting increased risk and volatility.\footnote{For more capital markets volatility, see CRS Report R46424, \textit{Capital Markets Volatility and COVID-19: Background and Policy Responses}.} The economic expansion of more than 10 years ended in February, and the U.S. stock market ended an 11-year bull run in March.\footnote{For more on the stock market, see CRS Insight IN11494, \textit{Why Have Stock Market and Real Economy Diverged During the COVID-19 Pandemic}?} While the economy continued in a deep recession, certain stock market indexes rebounded to higher than pre-pandemic levels as of the third quarter of 2020. The real estate market behaved differently. During the pandemic, the median sales price of existing homes steadily went up—as of August 31, 2020, their level was around a third above their previous peak heading into the Great Recession.\footnote{For real estate market indexes, see Federal Reserve Bank of St. Louis, \textit{Median Sales Price of Existing Homes}, https://fred.stlouisfed.org/series/HOSMEDUSM052N.} As such, some assets might have performed better than others in generating income.

### Unemployment Compensation (UC)

The UC program’s two main objectives are to provide temporary and partial wage replacement to involuntarily unemployed workers and to stabilize the economy during recessions.\footnote{See, for example, President Franklin Roosevelt’s remarks at the signing of the Social Security Act in SSA, \textit{“FDR’s Statements on Social Security,”} http://www.ssa.gov/history/fdrstmts.html#signing.} In response to economic recessions, the federal government has augmented the regular UC benefit with both permanent (the EB program) and temporary extensions (including the Emergency Unemployment Compensation of 2008 program) of the duration of unemployment benefits.\footnote{See for example, President Franklin Roosevelt’s remarks at the signing of the Social Security Act in SSA, \textit{“FDR’s Statements on Social Security,”} http://www.ssa.gov/history/fdrstmts.html#signing.} In response to the current recession, Congress has created several new temporary UI benefits for workers who are unemployed because of the COVID-19 pandemic as well as temporarily modified permanent UI programs.\footnote{For information on these temporary UI provisions, see CRS Report R45478, \textit{Unemployment Insurance: Legislative Issues in the 116th Congress.} For a comparison of temporary UI provisions enacted in response to the last recession and the current recession, see CRS Report R46472, \textit{Comparing the Congressional Response to the Great Recession and the COVID-19-Related Recession: Unemployment Insurance (UI) Provisions}.} UI benefits appear to have a large poverty-reducing effect among unemployed workers who receive them.\footnote{For more information, see CRS Report R45478, \textit{Antipoverty Effects of Unemployment Insurance}.}

For older workers who qualify for benefits, including for COVID-19-related reasons, weekly UC payments replace a percentage of previous, recent earnings. Each state calculates the payment based upon the formula under each state’s UC laws. The methods states use to determine UC benefit amounts, however, vary greatly. Most state benefit formulas replace approximately half of a claimant’s average weekly wage up to a weekly maximum.\footnote{For summary information on state UC benefit calculations, see DOL, \textit{2019 Comparison of State Unemployment Insurance Laws}, ch. 3, pp. 3–7, https://oui.doleta.gov/unemploy/pdf/ualawcompar2019/monetary.pdf.} As of September 2020, the 12-month average weekly benefit amount nationally was \$320,\footnote{See DOL, Office of Unemployment Insurance (OUI), \textit{“Monthly Program and Financial Data,”} https://oui.doleta.gov/unemploy/claimssum.asp.} although there is considerable heterogeneity in UC benefit amounts across states.\footnote{See OUI, “Significant Provisions of State Unemployment Insurance Laws, Effective January 2020,”}
UC benefit amounts, the CARES Act authorized a temporary, 100% federally financed $600 weekly FPUC benefit paid to all UC claimants. FPUC was authorized for weeks of unemployment ending on or before July 31, 2020 (i.e., ending July 25, 2020, in most states; July 26, 2020, in New York State).

Most states provide up to a maximum of 26 weeks of UC benefits. Under current state laws, the maximum duration of UC benefits ranges from up to 12 weeks (under certain economic conditions in Florida and North Carolina) to up to 30 weeks (Massachusetts, if local economic conditions are met). Under permanent law, UC benefits may be extended for up to 13 weeks or 20 weeks by the EB program if certain economic situations exist within the state. The CARES Act also authorized a temporary, 100% federally financed, 13-week extension of UC benefit: Pandemic Emergency Unemployment Compensation (PEUC). PEUC is currently authorized for weeks of unemployment ending December 26, 2020, in most states (December 27, 2020, in New York State). The CARES Act also created Pandemic Unemployment Assistance (PUA), a temporary, federal UI program for individuals not otherwise eligible for unemployment benefits (e.g., self-employed, independent contractors, gig economy workers), which is administered by states and provides up to 39 weeks of federally financed UI benefits to unemployed workers who (1) are ineligible for any other state or federal UI benefit; (2) meet conditions related to being unemployed, partially unemployed, or unable to work due to COVID-19; and (3) are not able to telework and are not receiving any paid leave. PUA is payable for weeks of unemployment beginning on or after January 27, 2020, through December 26, 2020, in most states (December 27, 2020, in New York State, payable on a retroactive basis).

Potential Effects of the COVID-19 Pandemic on Major Income Sources for Current Retirees

The major income sources for current retirees generally include Social Security benefits, periodic pension payments, distributions from retirement savings accounts, and asset income. Retirees with limited assets and other income may also receive SSI payments. Income from Social Security, pensions, and SSI are likely to be relatively stable during the COVID-19 pandemic, whereas retirement account assets and asset income might be affected due to the market fluctuation.


156 For information on UC benefit duration in states, see CRS Report R41859, Unemployment Insurance: Consequences of Changes in State Unemployment Compensation Laws. In response to COVID-19-related unemployment, several states with reduced UC maximum durations have suspended those reductions. For example, Georgia, Kansas, and Michigan have increased their UC maximum durations back up to 26 weeks. (For Georgia, see https://dol.georgia.gov/blog-post/2020-03-26/emergency-rules-adopted-03-26-20; for Kansas, see https://www.dol.ks.gov/docs/default-source/home-page-news/2020/unemployment-insurance-benefits-expansion-to-26-weeks.pdf?sfvrsn=6c76881f_2; and for Michigan, see https://www.michigan.gov/coronavirus/0,9753,7-406-98158-521770--00.html."

157 For the current EB trigger notice, select “Extended Benefits Trigger Notice” at https://oui.doleta.gov/unemploy/claims_arch.asp. For additional information on EB, including permanent law and temporarily authorized financing arrangements, see CRS Report R45478, Unemployment Insurance: Legislative Issues in the 116th Congress.

158 For information on PEUC and PUA, see CRS Report R45478, Unemployment Insurance: Legislative Issues in the 116th Congress.
Earnings

Many older workers who have retired from career employment continue working in *bridge jobs*—new jobs taken up prior to fully exiting the labor force.\(^ {159}\) By some estimates the share of retirees who take up bridge employment is around 50%.\(^ {160}\) In addition, some fully retired workers may re-enter the labor market, for example, to offset household income losses related to the recession (e.g., if other household members lose jobs, hours, or wages) or if attractive job offers otherwise draw them back in.

Stark employment loss among older workers suggests that earnings income is likely to have declined for employed retired workers. Table 3 identifies the top four occupational groups in 2019 of part-time employed workers aged 65 and older. While not a perfect measure of bridge jobs, these occupations are likely to capture a reasonable subset of older workers’ bridge employment.\(^ {161}\) With the exception of management jobs for men, the employment of part-time workers aged 65 and older in each of the occupation groups in Table 3 declined over the January-September 2020 period, plausibly reducing labor earnings for some retirees in bridge jobs.\(^ {162}\)

**Table 3. Top Occupation Groups Among Part-Time Employed Workers Aged 65 and Older in 2019 and Change in Occupational Employment Among Part-Time Workers, January-September 2020, by Sex**

<table>
<thead>
<tr>
<th>Occupation Group</th>
<th>Men, Aged 65 and Older</th>
<th>Women, Aged 65 and Older</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% Emp. 2019</td>
<td>% Change in Emp., Jan.-Sep. 2020</td>
</tr>
<tr>
<td>Management jobs</td>
<td>16.5%</td>
<td>8.2%</td>
</tr>
<tr>
<td>Transportation and material moving jobs</td>
<td>13.7%</td>
<td>-22.0%</td>
</tr>
<tr>
<td>Sales and related jobs</td>
<td>12.5%</td>
<td>-8.2%</td>
</tr>
<tr>
<td>Business and financial operations jobs</td>
<td>6.5%</td>
<td>-24.8%</td>
</tr>
</tbody>
</table>


*Notes: Part-time employed workers are those employed at the time of the survey who report that they usually work one to 34 hours per week.*


\(^{161}\) Bridge employment takes place in a variety of occupations, but in terms of prevalence, some research indicates considerable overlap between the top occupations of newly hired older workers and long-tenured older workers. See Richard W. Johnson and Claire Xiaozhi Wang, *What Are the Top Jobs for Older Workers?*, Urban Institute, December 2017, https://www.urban.org/research/publication/what-are-top-jobs-older-workers.

\(^{162}\) Similar patterns are found when the sample also includes full-time workers.
Looking ahead, the potential impacts of the COVID-19 pandemic for working retired workers and those considering a return to work may be similar to workers near retirement. Their employment (or reemployment) prospects will depend on the strength of labor demand, particularly in popular bridge jobs, and older workers’ willingness to continue or return to work. Many of the jobs in Table 3 involve in-person tasks (e.g., sales, personal services) and may have limited options for remote work. Concerns about workplace exposure to COVID-19 may dampen retirees’ labor supply even as economic activity recovers.

Social Security

Current Benefits

In the short run, Social Security benefits are generally stable for current beneficiaries, so families that depend on Social Security as their main income source are expected to have relatively stable income streams during the period of the COVID-19 pandemic.

Social Security benefits already in payment generally increase each year based on the cost-of-living adjustments (COLA). Social Security COLAs are based on increases in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) from the highest third calendar quarter average CPI-W recorded (most often, from the previous year) to the third quarter of the current year. If there is no percentage increase in the CPI-W between the measuring periods, no COLA is payable. A lower COLA would result in lower growth in Social Security benefits. After the Great Recession, the relatively lower CPI-W in 2009 and 2010 resulted in no COLA payable in January 2010 and January 2011. The ongoing pandemic affected the CPI-W in the third quarter of 2020 moderately, resulting a COLA of 1.3% payable in January 2021. It is unclear at this moment how the pandemic may affect the CPI-W in 2021, but overall consumption would be likely affected by the increase in unemployment and business closures and the pandemic-related change in expenditure patterns with more spending on food and other groceries and less on transportation, hotels, restaurants, and recreation.

In response to the pandemic, some retired workers—including certain health care professionals, public safety officers, emergency management personnel, scientists, researchers, and individuals—who had claimed Social Security benefits may go back to work to meet the essential needs of the American public during the pandemic. As discussed earlier, if those retired-worker beneficiaries are under the FRA, the RET may reduce their Social Security benefits if their earnings exceed certain annual thresholds. A less widely understood RET feature is that

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165 No COLA was payable in January 2010, January 2011, or January 2016.
166 See CRS In Focus IF11599, Social Security Benefits and the Effect of Declines in Average Wages and Prices.
170 In response to RET concerns that may discourage retired workers from providing needed services to the increasing number of COVID-19 patients, lawmakers have proposed to exempt certain earnings in 2020 from the RET. See, for
beneficiaries do recoup the benefit lost due to the RET. For example, a RET-affected beneficiary’s monthly benefit is recomputed, and the dollar amount of the monthly benefit is increased based on months subject to the RET, when he or she attains FRA. This benefit recomputation at FRA permanently adjusts (i.e., lessens) the actuarial reduction for early retirement.

**Social Security Trust Funds and Future Benefits**

The Board of Trustees of the Social Security trust funds projected that the Social Security program will have sufficient revenues and trust fund reserves to pay scheduled benefits in full and on time through 2035 (based on the intermediate assumptions in the 2020 annual report). The trustees project that the trust fund reserves will be depleted in 2035, at which point continuing revenues would be sufficient to pay 79% of scheduled benefits, declining to 73% in 2093.

The 2020 annual report did not reflect the potential effects of the COVID-19 pandemic. The intermediate assumptions used throughout the 75-year projection period represent the trustees’ understanding of the program at the start of 2020. Generally speaking, projections as to the future financial status of the program are uncertain. However, given the unknown effect of the pandemic (i.e., the duration and magnitude of the impact on numerous economic and demographic factors), the current financial status of the program may be more uncertain than under pre-pandemic conditions.

At a basic level, the financial status of the program is simply the relationship between revenues and cost. Changes that increase revenues or decrease cost have a beneficial effect on the financial status. Conversely, changes that decrease revenues or increase cost have a negative effect on the financial status. The primary financing mechanism of the Social Security program is the payroll tax. On one hand, a significant drop in the number of workers subject to the payroll tax (due to increased unemployment) would result in lower program revenues. As a result of the decline in the workforce due to the Great Recession, payroll tax contributions to the program decreased from $672.1 billion in 2008 to $639.7 billion in 2010. On the other hand, poor economic conditions could motivate some people to stay in the workforce longer than they had initially anticipated, increasing payroll tax revenue. Similar uncertainty exists for program costs, which are primarily composed of monthly benefits. During and shortly after the Great Recession, there was a marked increase in SSDI costs stemming from the growth in new beneficiaries.

The above example highlights how economic conditions (primarily employment) could affect the financial status of the program. Numerous demographic changes could also have a significant

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171 Under current law, there are two separate trust funds: the Old-Age and Survivors Insurance Trust Fund and the Disability Insurance Trust Fund. They are discussed here on a combined basis as the Social Security trust funds. The trustees’ intermediate assumptions represent the trustees’ best estimate of future conditions. Additionally, the 2020 annual report reflects the Board of Trustees’ understanding of the OASDI program at the start of 2020. Thus, it does not include potential effects of COVID-19.


173 For more information on program financing, see CRS Report RL33028, Social Security: The Trust Funds.

174 The payroll tax contribution in 2010 included $2.4 billion transfer from the General Fund. For more information, see CRS Report R45990, Social Security: Demographic Trends and the Funding Shortfall.

175 For more information on SSDI, see CRS Report R43318, The Social Security Disability Insurance (DI) Trust Fund: Background and Current Status.
effect on the program. For instance, an increase in mortality rates of persons who have already received Social Security retirement or disability benefits would result in fewer beneficiaries (i.e., decreased costs) over the projection period, whereas decreased fertility (i.e., fewer births during a certain period) would result in fewer future workers subject to the payroll tax (i.e., decreased revenues). If the totality of pandemic-related events were to result in a worse-than-expected relationship between program revenues and cost, it would likely result in a sooner-than-anticipated date for trust fund reserve depletion (i.e., the date at which the program could not support full and on-time payment of scheduled benefits). Furthermore, conditions that negatively impact economic and demographic factors in the future could also result in a lower percentage of payable benefits (i.e., continuing revenues could support lower benefit levels than pre-pandemic conditions).

**Supplemental Security Income (SSI)**

Receipt of SSI by individuals aged 65 and older may see only modest effects from the COVID-19 pandemic for two reasons: (1) the number of SSI awards to individuals aged 65 and older has been relatively stable over the past 20 years, even during the Great Recession, and (2) the other income sources of current SSI recipients are not likely to change substantially during the pandemic. Although SSI program expenditures increased during the last recession, the increase was modest, and lower employment rates among individuals aged 65 and older (compared with traditional working-age groups) limited the extent of income losses that would have increased SSI eligibility. Among those aged 65 and older, the SSI caseload and SSI awards have been found to be not statistically significantly related to the unemployment rate: Declining exit rates from the SSI program have contributed to caseload growth since around 2005. Early data from the current recession suggests that older workers are experiencing higher unemployment rates relative to both previous recessions and younger workers. This experience may point to an increased role for SSI to provide income support for unemployed individuals aged 65 and older who may become newly eligible for benefits (i.e., whose income and resources fall below SSI program thresholds due to job loss and other financial losses).

**Figure 5** shows the number of SSI recipients aged 65 and older and the number of SSI awards to individuals aged 65 and older from 1974 to 2019. Although the number of recipients (left vertical axis) has increased somewhat in recent years, the number of new awards (right vertical axis) has been stable at around 110,000 awards per year with a decline to about 100,000 awards in

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177 For more information on how demographic factors affect program finances, see CRS Report R45990, *Social Security: Demographic Trends and the Funding Shortfall*.


181 Recipients refers to the stock of individuals receiving SSI in a given year. Awards refers to the flow of individuals who begin receiving SSI in a given year.
2018 and 2019. Even in the years around the Great Recession, the number of awards increased only slightly from about 104,000 in 2007 to about 108,000 in 2008 and 2009 to a peak of almost 114,000 in 2013. In addition, the share of the population aged 65 and older receiving SSI has declined over time from around 8% in the early 1980s to around 6% in the late 1990s to less than 5% in more recent years.¹⁸²

**Figure 5. SSI Recipients and Awards, Individuals Aged 65 and Older, 1974-2019**

Of the 2.3 million SSI recipients aged 65 and older in December 2018, 38.3% had no other income, 56.4% received Social Security benefits, 1.9% received pension income, 1.3% had earnings, and less than 1% had income from assets.¹⁸³ To the extent that any of those income sources decline, such as earnings, the SSI payment would increase in an offsetting fashion (up to the maximum SSI federal benefit rate). The average monthly SSI payment to recipients aged 65 and older was $458.63 in December 2019, $466.04 in January 2020 (reflecting the 1.6% COLA for 2020), and $467.80 in July 2020.¹⁸⁴

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As discussed earlier, several bills introduced in the 116th Congress would increase the SSI income exclusions and resource thresholds, which would, if enacted, affect SSI eligibility and payment amounts for current and future SSI recipients aged 65 and older.185

**Periodic Pension Payments in Defined Benefit (DB) Plans**

In DB plans, participants typically receive lifetime monthly retirement benefits, which are calculated using a formula that typically takes into account the number of years of service. Although many DB plans are underfunded, they generally have sufficient assets from which to make benefit payments during the COVID-19 pandemic. This section discusses how private sector and public sector DB pensions fund current benefit payments and future beneficiaries.

**Pension Plan Benefits**

In general, participants’ benefits cannot be reduced. Private sector pension benefits are protected by federal statute, and benefits to which participants have a legal right (referred to as vested benefits) cannot generally be reduced. Pension benefits for state and local government employees are protected by either state law or state constitutions.186

**Private Sector Pension Plans**

To protect the interests of participants and beneficiaries in private sector pension plans, Congress enacted the Employee Retirement Income Security Act of 1974 (ERISA; P.L. 93-406 as amended). Under ERISA, a vested benefit generally cannot be reduced except in specified circumstances.187 Typically, a benefit becomes vested after the participant has worked a specified number of years for the employer that sponsors the pension plan.188

ERISA also established the Pension Benefit Guaranty Corporation (PBGC), which is a government corporation that insures private sector DB pension plans.189 It does not insure pension plans established by the federal, state, and local governments or by churches.

Pension plans are also classified by whether they are sponsored by one employer (single-employer pension plans) or by more than one employer (multiple-employer and multiemployer pension plans).190 Most pension plans are sponsored by one employer. DOL data indicate that 99.6% of all pension plans (covering 89.4% of all pension plan participants) are single-employer

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185 See, for example, the ASSET Act (S. 3276, H.R. 5848), the SSI Restoration Act (S. 2753, H.R. 4280), the COVID-19 Recovery for Seniors and People with Disabilities Act (S. 3740, H.R. 6951), and the Social Security COVID Correction and Equity Act (H.R. 7499).

186 Pension benefits for civilian federal employees are authorized under Title 5, Chapters 83 and 84, of the U.S. Code. For information on these retirement benefits, see CRS Report 98-810, Federal Employees’ Retirement System: Benefits and Financing.

187 When a benefit becomes vested, the participant has a legal right to it. Private sector plans must follow minimum vesting schedules found in Title 29, Section 1053, of the U.S. Code. Vested benefits can be reduced if they are above the maximum benefit insured by the Pension Benefit Guaranty Corporation. See CRS Report 95-118, Pension Benefit Guaranty Corporation (PBGC): A Primer. Vested benefits in financially troubled multiemployer plans can be reduced following approval of the U.S. Treasury. See CRS Report R43305, Multiemployer Defined Benefit (DB) Pension Plans: A Primer.

188 See Title 29, Section 1053, of the U.S. Code for vesting requirements.

189 For more information, see CRS Report 95-118, Pension Benefit Guaranty Corporation (PBGC): A Primer.

190 Multiple-employer plans are generally treated as single-employer plans under ERISA.

Pension plans. PBGC operates separate insurance programs for single-employer and multiemployer pension plans. In 2017, there were 8.4 million retired participants in single-employer DB plans and 3.2 million retired participants in multiemployer DB plans. More data on private sector pension plans is available in Table 1 in CRS Report R43305, Multiemployer Defined Benefit (DB) Pension Plans: A Primer.

Single-Employer Pension Plans

When the sponsor of an underfunded single-employer DB plan is unable to continue contributing to the plan, the plan terminates and PBGC becomes the trustee of the plan, taking the assets of the plan and paying participants' benefits up to a statutory annual maximum. The maximum guaranteed benefit is $69,750 per year for a participant who receives a straight-life annuity beginning at age 65 in a plan that PBGC takes over in 2020. The maximum benefit is adjusted if the participant begins receiving the benefit before or after turning age 65 or in a form other than a straight-life annuity. In a 2019 study, PBGC estimated that 84% of participants received 100% of their vested benefits (based on a historical sample of 500 plans trusted by PBGC), because their vested benefits before PBGC took over was under the maximum guarantee level.

Multiemployer Pension Plans

Multiemployer plan participants in pay status (i.e., receiving benefit payments from the plan) might see benefit reductions if a plan (1) that is in financial difficulty receives approval for benefit reductions or (2) becomes insolvent and receives financial assistance from PBGC.

Multiemployer plans report their financial status in one of five categories. (In order of worsening financial condition, the statuses are green, endangered, seriously endangered, critical, and critical and declining.) Plans that are in critical and declining status may apply to the U.S. Treasury to temporarily or permanently reduce participants’ benefits—including vested benefits for participants in pay status—if the reductions can prevent the plan’s insolvency. In calendar year 2020, no applications to reduce benefits have been submitted to the U.S. Treasury. In total, the U.S. Treasury has approved applications from 17 plans to reduce benefits.

If a multiemployer DB pension plan becomes insolvent and has insufficient assets from which to pay participants’ benefits, it can apply to PBGC for financial assistance. When a multiemployer DB pension plan receives financial assistance from PBGC, the plan must reduce participants’ benefits to the PBGC maximum amount. The statutory maximum benefit in multiemployer plans

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192 See Employee Benefits Security Administration, Private Pension Plan Bulletin Abstract of 2017 Form 5500 Annual Reports, Table A2.

193 For more information on how single-employer DB pensions terminate, see CRS Report RS22624, The Pension Benefit Guaranty Corporation and Single-Employer Plan Terminations.


196 See Table 1 in CRS Report R45187, Data on Multiemployer Defined Benefit (DB) Pension Plans.


198 See Applications for Benefit Suspensions at https://www.treasury.gov/services/Pages/Plan-Applications.aspx.
that receive financial assistance from PBGC is calculated using a formula. The benefit is the product of a participant’s years of service multiplied by the sum of (1) 100% of the first $11 of the monthly benefit accrual rate and (2) 75% of the next $33 of the accrual rate. For a participant with 30 years of service, the statutory monthly maximum benefit is $1,073 or an annual maximum benefit of $12,870 per year.\(^{199}\)

The multiemployer guarantee limit has been unchanged since 2001. Using 2013 data (the most recent year available), PBGC estimated that 79% of participants in multiemployer plans that were receiving financial assistance received their full benefit (i.e., their benefits were below the PBGC maximum guarantee).\(^{200}\) Among participants in plans that were terminated and likely to need financial assistance in the future, 49% of participants have a benefit below the PBGC maximum guarantee, and 51% have a benefit larger than the PBGC maximum guarantee. Among ongoing plans (neither receiving PBGC financial assistance nor terminated and expected to receive financial assistance), the average benefit is almost twice as large as the average benefit in terminated plans.\(^{201}\) This suggests that a larger percentage of participants in plans that receive PBGC financial assistance in the future are likely to see benefit reductions as a result of the PBGC maximum guarantee level.

**Public Sector Pension Plans**

In FY2017, 5,232 public sector pension plans were administered by state and local government entities, including municipalities, townships, counties, school districts, and special districts.\(^{202}\) Such plans cover police officers, firefighters, teachers, and city and state government employees and count 14.5 million active (working) members, with 10.3 million retirees (beneficiaries) receiving over $283 billion in annual benefits.\(^{203}\) Between 25% and 30% of public sector plan members and beneficiaries are not covered by Social Security.\(^{204}\) In 2018, public sector plans had

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\(^{199}\) This monthly maximum benefit for a retiree with 30 years of service is calculated as follows: \([([11 \times 30] + [0.75 \times 33 \times 30])\). For reference, the maximum benefit payable to participants in single-employer DB pension plans that are trusted by PBGC is higher than the multiemployer program maximum benefit. It depends on the year of plan termination, the age at which the participant begins to receive the benefit, and the form of the benefit. For example, the single-employer maximum benefit is $69,750 for an individual who is in a plan that is terminated in 2020, begins to receive the benefit at the age of 65, and receives the benefit in the form of a single life annuity. The maximum benefit is $28,249 for an individual who is in a plan that is terminated in 2020, begins to receive the benefit at the age of 65, and receives the benefit in the form of a survivor annuity. For more information on PBGC’s maximum benefit in the single-employer program, see PBGC, “Maximum Monthly Guarantee Tables,” [https://www.pbgc.gov/wr/benefits/guaranteed-benefits/max-guarantee](https://www.pbgc.gov/wr/benefits/guaranteed-benefits/max-guarantee).


\(^{201}\) The average monthly benefit in terminated plans that are likely to receive PBGC financial assistance was $383.33; $546.17 in plans that were projected to become insolvent within 10 years; and $1,010.44 in remaining, ongoing plans. See PBGC, *PBGC’s Multiemployer Guarantee*, March 2015, Figure 4, [https://www.pbgc.gov/documents/2015-ME-Guarantee-Study-Final.pdf](https://www.pbgc.gov/documents/2015-ME-Guarantee-Study-Final.pdf).


$4.2 trillion in total pension liabilities against $3.0 trillion in plan assets for an aggregate funded ratio of 70.7% with $1.2 trillion in pension debt (net pension liability). In general, the aggregate funded ratio has been mostly stable over the past 10 years, with more plans paying their actuarially determined contribution and a growing number of states reducing their pension debt. Members, beneficiaries, and assets are concentrated in the largest plans. According to the CRR, the 190 largest state and local plans (114 state, 76 local) in their Public Plans Data account for 95% of state and local pension assets and members in the United States.

Public-sector pension plans are not covered by ERISA, are exempt from many Internal Revenue Code requirements (such as minimum funding requirements), and are not covered by PBGC. Instead, these plans are governed by states, with state laws, contract law, and/or state constitutions providing protections for accrued and prospective benefits. Accrued benefits in many states are protected from the beginning of employment or once plan vesting requirements have been met. Future benefit accruals are protected in some states as well. COLAs are generally less protected than benefit accruals. Between 2009 and 2018, pension systems in most states implemented reforms to improve plan funding, including increased employee contribution rates, reduced benefit levels, and reduced COLAs. Given the pension protections mentioned above, many of these reforms primarily affect new hires.

Funding and Future Benefits

Employer contributions to DB pension plans are invested in a variety of financial securities and other investments, such as stocks, bonds, real estate, and private equity. Since participants’ benefits cannot generally be reduced, when these investments lose value—such as in the recent stock market declines—the employers that contribute to the plan must make up for those losses. Plan underfunding that results from investment losses can be paid off in installment payments with interest over a specified number of years. The process is called amortization.

Private Sector Pension Plans

Funding rules for private sector plans are found in Title 26 of the U.S. Code (the Internal Revenue Code).


Single-Employer Pension Plans

Employers that sponsor single-employer DB plans can amortize investment losses over a period of seven years. 211

Multiemployer Pension Plans

Employers that participate in multiemployer plans can amortize investment losses over a period of 14 years. 212

About 10% to 15% of participants are in multiemployer plans that are projected to become insolvent within 20 years. 213 Because of the number of participants in plans that will become insolvent, PBGC projects that its multiemployer program is also likely to become insolvent. In its FY2019 Projections Report, PBGC indicated that its multiemployer insurance program would likely become insolvent in FY2026 and that “no scenario shows the Multiemployer Program remaining solvent beyond FY 2027 under current law.”214 PBGC has indicated that once it has exhausted the assets in the multiemployer insurance program revolving funds, it would only be able to pay total benefits equal to total premium income. This result would likely mean that participants’ benefits would be cut to levels below the current maximum benefit. 215 Most participants would receive less than $2,000 per year, because PBGC would be able to provide annual financial assistance equal only to its annual premium revenue, which was $310 million in FY2019. 216

Public Sector Pension Plans

For public sector state and local pension plans, the funded ratio—that is, the market value of a plan’s assets relative to future pension liabilities owed to participants—has been an issue of concern for many years. Although plans hold broad investment portfolios, many plans allocate 70% or more of their portfolio to return-seeking (risky) investments (e.g., equities). 217 Particularly with the collapse of asset values in 2008 and the Great Recession, funded ratios declined, causing the value of unfunded liabilities to grow substantially. 218 In the years following the Great Recession, many plans implemented reforms that improved their funded ratios. Most estimates

211 26 U.S.C. §430(c). For more information on single employer pension funding, see CRS Report R46366, Single-Employer Defined Benefit Pension Plans: Funding Relief and Modifications to Funding Rules.


213 For example, 113 multiemployer plans in 2017 (9.2% of all multiemployer DB pension plans covering 11.8% of all participants in multiemployer DB plans) notified DOL that they are in critical and declining status and are likely to become insolvent within 14 years or 19 years as specified in law. See Table 2 in CRS Report R45187, Data on Multiemployer Defined Benefit (DB) Pension Plans.


216 For more information, including a discussion of policy proposals for financially troubled multiemployer pension plans, see CRS Report R45311, Policy Options for Multiemployer Defined Benefit Pension Plans.


218 Munnell, State and Local Pensions: Now What?
for 2018 and 2019 found average funded ratios of around 70%, with some plans having funded ratios of 90% or higher and a number of plans still substantially underfunded. 219

The challenges presented by the COVID-19 pandemic and the associated recession have negatively affected state and local government budgets and will increase the difficulty of meeting actuarially determined contributions to public sector pension plans. 220 Combined with potentially large decreases in the value of plan assets, the funding status of public sector pension plans is expected to decline markedly in 2020. 221 Although most public sector plans have enough assets to pay benefits indefinitely, and even the worst-funded plans will likely remain solvent in the near term, projections suggest that some poorly funded plans may exhaust their assets soon after 2025. Plans in some states—for example, West Virginia, Kentucky, Illinois, and New Jersey—are projected to have assets equal to three to six years of benefits in 2020, deteriorating to two or fewer years of benefits in 2025. 222

Retirement Savings Accounts

Wealth in retirement savings accounts—such as DC plans and IRAs—can be an important source of income in retirement for older households. However, because many retirement account owners bear the risk of market fluctuations, unexpected economic downturns may lead to decreases in account balances, resulting in reduced economic security. 223

Individuals with accounts that are weighted toward typically riskier assets (e.g., equities or stocks) experience larger asset value fluctuations due to a financial market downturn than those with safer investments (e.g., fixed-income securities). Financial theory suggests that investment portfolios become more conservative (i.e., increasing allocations to bonds and decreasing allocations to equities) as individuals approach retirement. 224 ICI data found that in 2016, traditional IRA owners aged 30-54 had, on average, more than 70% of their assets in equities or equity funds, compared to about 60% for account owners aged 65 and older. 225

Analysis of Federal Reserve Survey of Consumer Finances (SCF) data from 2019 indicated that households with a head of household aged 70 and older had $3.8 trillion (in 2019 dollars) in account-type plans (e.g., IRAs and DC plans). 226 The market downturn in March 2020 likely coincided with a decrease in the value of retirement savings accounts. This downturn was followed by a market upswing. However, the length and depth of the COVID-19 pandemic is uncertain at this moment, making it difficult to estimate its short- and long-term effects on retirement account balances. Compared to those near retirement or younger retirees, older retirees

219 PEW Charitable Trusts, The State Pension Funding Gap: 2018, Figure 1 and Figure 2.
220 The actuarially determined contribution is the expected cost of benefits earned for the current year plus an amortization payment to address the unfunded liability.
222 Aubry, Munnell, and Wandrei, “2020 Update: Market Decline Worsens the Outlook for Public Plans,” Table 2.
223 Account owners who invest in relatively safe assets are unlikely to see large fluctuations in their account balances.
may not foresee a multiyear timeline to recover any short- or long-term losses and could face financial insecurity.

After reaching age 72, individuals with DC plans and traditional IRAs are required to take RMDs from their retirement accounts. RMDs are annual withdrawals that are based on the individual’s account balance and calculated life expectancy. Individuals with DC accounts—such as 401(k), 403(b), and 457(b) accounts—and traditional IRAs are subject to RMDs. Failure to take the RMD results in a tax penalty equal to 50% of the amount that should have been distributed.

The RMD for a year is calculated by dividing (1) the account balance at the end of the immediately preceding calendar year by (2) the distribution period provided in the applicable IRS Life Expectancy Table. In a year with an economic downturn, the account balance at the time of distribution may be lower than it was compared with December 31 of the previous year. Therefore, a higher percentage of the account balance would be withdrawn due to the lower account balance.

Suspending the RMD permits individuals to leave funds in their accounts (provided they have the financial resources to do so) and regrow account balances from any subsequent market upswings. To allow retirees to preserve retirement account income, Congress has twice suspended the RMD for the year—in 2009 in response to the Great Recession and in 2020 in response to the COVID-19 pandemic. The benefit of an RMD suspension accrues to individuals and households that have sufficient financial resources to forgo an annual distribution.

Researchers estimated the effect of the 2009 RMD suspension on individuals’ distribution behavior. Two separate studies—using different samples—found that roughly one-third of individuals subject to RMD rules who took distributions in 2008 suspended them in 2009. In both studies, the likelihood of suspension increased with the size of the account balance and decreased with an account holder’s age. The uncertainty of the effect of the pandemic on the economy is one factor that makes it difficult to predict the percentage of individuals that are suspending their 2020 RMDs and whether (and to what extent) individuals suspending this distribution would financially benefit from leaving funds in their accounts.

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227 Individuals with DC plans who reach age 72 but are still working are permitted to postpone RMDs until retirement (unless they are a 5% owner of the company sponsoring the plan).

228 Prior to 2020, RMDs had to begin after an account owner reached age 70½. The SECURE Act permanently increased the age at which RMDs must begin from 70½ to 72 for account owners who turn 70½ after January 1, 2020.

229 Individuals who inherit Roth IRAs may be required to take RMDs.

230 A special rule applies the 2020 RMD suspension to individuals taking their first RMDs from January 1, 2020, to April 1, 2020. Individuals who received their RMDs in 2020—prior to the enactment of the CARES Act—may be able to roll over these amounts to IRAs or other retirement plans if rollover rules are followed. Among other requirements, rollovers must be completed within 60 days of the distribution. The CARES Act does not contain a provision for individuals to recontribute their distributions already received in 2020. See CRS Insight IN11349, The CARES Act and Required Minimum Distributions (RMDs): Options for Certain Individuals.

Asset Income

As previously discussed, during the COVID-19 pandemic, the value of both financial and nonfinancial assets fluctuated significantly. The asset level, composition, and holding period could all contribute to the older population’s asset income. Retirees face several relatively unique asset demand and allocation needs. First, after the elderly retire, they generally lose their primary earnings sources and are likely to rely more on asset income for cash needs. As such, retirees tend to be net sellers of assets. This condition affects asset income because of the shortened investment time horizon and the possible adverse effects on asset income if cash needs arise at a less than optimal market timing. Second, the older population’s financial asset allocation tends to focus more on bonds instead of stocks. Contributing to this age-based composition shift is the fact that, historically, stocks have shown higher risks and returns than bonds have. Younger investors tend to buy more stocks because they have a longer investment time horizon and can tolerate the risks of stocks. In contrast, older investors tend to move their assets from stocks to bonds to reduce the risk of their portfolios.

During the COVID-19 pandemic, however, the relative risk and return behaviors of stocks and bonds have deviated from their norm. As of September 2020, bonds have outperformed stocks as measured by broad indexes for the year-to-date. This could mean that retirees, who are more focused on bonds, might have received more asset income than other younger investors who allocated more of their portfolios toward stocks. As the pandemic is still ongoing in late 2020, market conditions are ever-changing. Some are concerned that the more traditionally conservative asset categories, such as bonds and gold, may no longer protect investors against potential future selloffs. If such concern materializes, retirees’ asset income could suffer.

Unemployment Compensation

Current retirees who continue to work may be eligible for UC benefits if they lose their jobs involuntarily and file claims. There are potential program interactions among the major income sources for current retirees and UC benefit payments. Federal law requires that states reduce an individual’s weekly UC benefit “by the amount, allocated weekly, of any governmental or other pension, retirement or retired pay, annuity, or any other similar periodic payment which is based on the previous work of such individual.” States may reduce UC benefits on less than a full offset basis by considering any employee contributions to the retirement plan. But states may not

232 For more on market volatility, see CRS Report R46424, Capital Markets Volatility and COVID-19: Background and Policy Responses.
233 Please refer to the “Potential Effects of the COVID-19 Pandemic on Major Income Sources for Older Workers Near Retirement” section of the current report.
237 26 U.S.C. §3304(a)(15) (Federal Unemployment Tax Act). This requirement applies only to retirement payments made by plans sponsored by employers on whose employment the UC benefits are based.
reduce UC benefits based on any rollover distributions from pension plans.\textsuperscript{238} In addition, states may reduce the UC benefits of workers receiving Social Security or SSDI payments.\textsuperscript{239}

### Potential Effects of the COVID-19 Pandemic on Selected Spending for Older Americans

For older Americans, sudden declines in income from jobs (if working) and decreases in retirement wealth might force immediate changes in consumption. However, households aged 65 and older were consistently less likely than younger households to experience declines in spending. Research found that about 33\% of those ages 55-64 reduced spending during the Great Recession, compared with 24\% of those aged 65-74 and 17\% of those aged 75 and older.\textsuperscript{240}

Some older adults reduced spending by substituting time for consumption (such as preparing food at home rather than buying meals in restaurants) during the economic crisis. Researchers found that older homeowners aged 65-80—who tend to have more time available compared with younger adults—were more likely to substitute time for consumption in response to “wealth shocks” compared with younger homeowners.\textsuperscript{241} This effect could be larger during the COVID-19 pandemic due to the extent of movement restrictions and social distancing. Recent studies show that spending in transportation, hotels, restaurants, and recreation has declined in many countries during the pandemic.\textsuperscript{242} Some wealthier adults might keep regular spending (or reduce spending slightly) in exchange for bequeathing less money to their children as a result of economic crisis.\textsuperscript{243}

Older Americans, however, may have to maintain certain type of spending (such as mortgage and loan payments) or sometimes face the risk of increasing some spending (such as spending to support other family members).\textsuperscript{244}

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\textsuperscript{238} For additional information on state laws regarding the UC benefit consequences of retirement payments, see DOL, 2019 Comparison of State Unemployment Insurance Laws, Table 5-23, https://oui.doleta.gov/unemploy/pdf/uilawcompar/2019/nonmonetary.pdf.

\textsuperscript{239} Ibid, pp. 5-48. Currently, only Minnesota offsets UC benefits by 50\% of Social Security payments. In some states, individuals who receive SSDI are deemed ineligible for UC or have those payments treated as deductible income.


\textsuperscript{243} Hurd and Rohwedder, The Effects of the Economic Crisis on the Older Population.

\textsuperscript{244} Due to uncertainty and limited information available as of July 2020, this report does not discuss how the COVID-19 pandemic may affect health care spending among older Americans.
Mortgages and Loans

While older Americans generally hold less debt than younger people, the amount of debt owed by older Americans has grown substantially in the past three decades.\(^{245}\) Table 4 displays information about outstanding debt for households headed by individuals aged 55 and older from 1995 to 2019 by retirement status—a household is defined as “retired” if both the head and the spouse (if any) are retired.

Both the share of older households who held any debt and the median debt amount increased from 1995 to 2010. Studies suggest that much of the growth through 2007 might have resulted from the increased availability of mortgage credit during the buildup to the 2007-2009 financial crisis.\(^{246}\) The share of retired households who held any debt increased from 37.8% in 1995 to 47.6% in 2010, while the share of nonretired households with any debt increased from 66.7% to 75.5%. The median debt among households with any debt reached its peak after the economic recession in 2010 at $33,227 for retired households and $83,184 for nonretired households (in 2019 dollars).

After 2010, the share of retired households who held any debt continued to rise and reached 60.9% in 2019. In contrast, the share of nonretired households with any debt stayed about the same during this period. CRS analysis shows that the increase in debt among elderly households after 2010 reflected debt mainly in primary residences, auto loans, and credit card balances.\(^{247}\)

Table 4. Share of Households Headed by Individuals Aged 55 and Older Holding Any Debt and Median Debt for Those Households with Debt, by Retirement Status, 1995-2019

<table>
<thead>
<tr>
<th>Year</th>
<th>Median Age for the Head of Household</th>
<th>Share of Households Holding Debt</th>
<th>Median Debt for Households with Debt</th>
<th>Median Age for the Head of Household</th>
<th>Share of Households Holding Debt</th>
<th>Median Debt for Households with Debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>73</td>
<td>37.4%</td>
<td>$5,008</td>
<td>63</td>
<td>66.9%</td>
<td>$26,709</td>
</tr>
<tr>
<td>1998</td>
<td>74</td>
<td>36.4%</td>
<td>12,708</td>
<td>61</td>
<td>66.7%</td>
<td>48,757</td>
</tr>
<tr>
<td>2001</td>
<td>75</td>
<td>44.4%</td>
<td>12,998</td>
<td>62</td>
<td>64.1%</td>
<td>43,327</td>
</tr>
<tr>
<td>2004</td>
<td>75</td>
<td>46.1%</td>
<td>26,436</td>
<td>61</td>
<td>71.4%</td>
<td>59,094</td>
</tr>
<tr>
<td>2007</td>
<td>75</td>
<td>45.7%</td>
<td>25,182</td>
<td>61</td>
<td>75.9%</td>
<td>74,065</td>
</tr>
<tr>
<td>2010</td>
<td>75</td>
<td>47.6%</td>
<td>33,227</td>
<td>61</td>
<td>75.1%</td>
<td>83,184</td>
</tr>
<tr>
<td>2013</td>
<td>74</td>
<td>53.3%</td>
<td>28,552</td>
<td>61</td>
<td>74.7%</td>
<td>69,624</td>
</tr>
<tr>
<td>2016</td>
<td>73</td>
<td>59.9%</td>
<td>30,950</td>
<td>61</td>
<td>74.3%</td>
<td>69,132</td>
</tr>
<tr>
<td>2019</td>
<td>73</td>
<td>60.9%</td>
<td>27,000</td>
<td>62</td>
<td>74.7%</td>
<td>60,700</td>
</tr>
</tbody>
</table>


Congress, financial regulators, and financial institutions have responded to those having trouble paying their debts during the pandemic by providing relief options. Loan forbearance allows borrowers to reduce or suspend payments for a short period of time, providing extended time for consumers to become current on their payments and repay the amounts owed. Loan forbearance does not forgive unpaid loan payments and tends to be appropriate for borrowers experiencing temporary hardship.\footnote{248}

A consumer’s ability to get a forbearance and the types of terms under a forbearance may be significantly influenced by the type of institution that owns the loan. These various institutions—including banks and credit unions, private nonbank financial institutions, government-sponsored enterprises, and the federal government—are subject to different laws, regulations, and business considerations. The CARES Act establishes consumer rights to be granted forbearance for federally backed mortgages (Section 4022) and federal student loans (Section 3513).\footnote{249} The law also protects the credit histories of consumers with forbearance agreements (Section 4021).\footnote{250} However, the act does not grant consumers these rights for other types of consumer loan obligations, such as auto loans, credit cards, private student loans, and bank-owned mortgages. In these cases, financial institutions have discretion about when and how to offer loan forbearance or other relief options to consumers. In order to encourage these efforts, financial regulatory agencies have used existing authorities to encourage loan forbearance and other financial relief options for impacted consumers.\footnote{251} In response, many banks and credit unions have announced measures to offer various forms of assistance to affected consumers. These responses to the COVID-19 pandemic have likely prevented many consumers from falling delinquent on their loans.\footnote{252}

For older Americans in particular, mortgage debt is the largest and one of the most common debt obligations.\footnote{253} Over 63\% of all mortgage loans in the United States were held or insured by the

\footnote{248} Loan forbearance plans between consumers and financial institutions usually include a repayment plan, which is an agreement allowing a defaulted borrower to repay the amount in arrears and become current on the loan according to an agreed-upon schedule. Repayment plans take many shapes. For example, these plans may include requirement s that all suspended payments are to be due at the end of the loan forbearance period, that the past due amount is to be added to the regular payment amount over the year after loan forbearance ends, or that payments are to be added to the end of the loan’s term. Interest or fees may or may not accrue during the loan forbearance period.

\footnote{249} For more information on Title IV of the CARES Act (P.L. 116-136), which contains a number of provisions aimed broadly at stabilizing the economy and helping affected households and businesses, see CRS Report R46301, \textit{Title IV Provisions of the CARES Act (P.L. 116-136)}. For more information about federal student loan debt relief in the context of COVID-19, see CRS Report R46314, \textit{Federal Student Loan Debt Relief in the Context of COVID-19}.

\footnote{250} For more information on the credit reporting industry, see CRS Report R44125, \textit{Consumer Credit Reporting, Credit Bureaus, Credit Scoring, and Related Policy Issues}.

\footnote{251} Many financial regulatory agencies have updated their guidance to help financial firms support consumer needs during this time. Regulatory guidance does not force financial institutions to take any particular action for consumers (such as offering loan forbearance), but it can encourage them to offer various forms of support. For more information on mortgage and bank regulators’ responses to COVID-19, see CRS Insight IN11316, \textit{COVID-19: Support for Mortgage Lenders and Servicers}; and CRS Insight IN11278, \textit{Bank and Credit Union Regulators’ Response to COVID-19}. In addition, the Federal Reserve has provided liquidity to support financial markets in response to COVID-19. For more information, see CRS Insight IN11259, \textit{Federal Reserve: Recent Actions in Response to COVID-19}.

\footnote{252} For more information on household debt and delinquency during the COVID-19 pandemic, see CRS Report R46578, \textit{COVID-19: Household Debt During the Pandemic}.

\footnote{253} In 2016, more than 33\% of households headed by those aged 65 and older had some debt secured by the primary
federal government and, therefore, covered by the CARES Act’s consumer right to be granted loan forbearance.\textsuperscript{254} Therefore, many older Americans may be able to access loan forbearance on their mortgage debt. However, some older Americans may not receive loan forbearance for credit obligations outside of those with rights under the CARES Act. Some propose that Congress should expand consumer rights to loan forbearance and other payment relief for non-federally backed mortgages and other debts during the COVID-19 pandemic.\textsuperscript{255} However, as the economic impacts of the pandemic continue to cause prolonged disruptions, loan forbearance may become a less viable option to prevent consumer loan defaults, which may have significant negative consequences for financial institutions and the financial system.

**Spending for Family Members**

Older Americans may also be indirectly affected by the economic recession through their financial transfers to family members. Research based on the Great Recession found that spending by older adults increased because of their children moving in with them or increased financial assistance to adult children who experienced hardship.\textsuperscript{256} Another study found that women, non-white, less-educated, and unemployed older people were more likely to have family members experiencing housing instability and financial strain compared with other groups.\textsuperscript{257}

During the COVID-19 pandemic, adult children with financial hardship due to unemployment or business closure might seek financial support from parents. This could result in an increase in spending among older Americans. Roughly 2.7 million adults, including 2.2 million between ages 18 and 25, moved in with a parent or grandparent in March and April 2020 as many college campuses closed and many young adults lost their jobs.\textsuperscript{258}

**Conclusion**

The COVID-19 pandemic and resulting changes in commerce have affected the income of older Americans in several ways. Both older workers approaching retirement and current retirees are likely to be affected by the ongoing high unemployment rate and business closures. Both may also face unexpected declines in retirement savings depending on how they have invested or changes in the value of other assets, such as real estate. Older Americans might be able to adjust residence, and the median primary residential debt among those households with residential debt was $72,000. See CRS Report R45911, *Household Debt Among Older Americans, 1989-2016.*

\textsuperscript{254} For ownership of all mortgage loans in the United States, see Federal Reserve, “Financial Accounts of the United States—Z.1, 2020: Q1 Release,” June 11, 2020, https://www.federalreserve.gov/releases/z1/. Mortgage loans held or insured by the federal government are not reported by age of mortgage borrower.

\textsuperscript{255} Provisions in Division K, Title IV, of the HEROES Act expand consumer rights to loan forbearance and other payment relief during the COVID-19 pandemic. For more information, see CRS Insight IN11405, *Heroes Act (H.R. 6800/H.R. 925): Selected Consumer Loan Provisions.*


\textsuperscript{258} Treh Manhertz, “Almost 3 Million Adults Moved Back Home in Wake of Coronavirus,” Zillow Research, June 10, 2020, https://www.zillow.com/research/coronavirus-adults-moving-home-27271/. The study also finds that, according to the CPS, about 32 million adults lived with a parent or grandparent as of April 2020, which was 9.7% higher than last April.
their spending in response to income changes, but their ability might be limited by loan obligations (primarily mortgages) and the need to support other family members.

Enacted legislation—such as the Families First Coronavirus Response Act and the CARES Act—provide income support and loan relief to some older workers and retirees affected by COVID-19. Several legislative proposals have also been introduced to help some particularly vulnerable groups. Congress might also be interested in providing short-term support to certain affected groups of people if the recession lasts longer and the economy recovers more slowly than hoped. In the wake of the pandemic, widespread financial education programs could also potentially be beneficial to older workers and retirees with respect to job planning, savings levels, investment allocation, decumulating retirement assets, and debt management. In the long run, funding shortfalls in the Social Security program and certain DB pensions might also be concerns in providing income security to older Americans.
## Appendix. Selected CRS Products on Income Sources and Spending for Older Americans

### Table A-1. Selected CRS Products on Income Sources and Spending for Older Americans: Program Basics and COVID-19 Pandemic Responses

<table>
<thead>
<tr>
<th>Category</th>
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| **Social Security**               | CRS Report R42035, *Social Security Primer*, by Barry F. Huston  
                                 | CRS Report R44670, *The Social Security Retirement Age*, by Zhe Li  
                                 | CRS In Focus IF10506, *Social Security Disability Insurance (SSDI)*, by William R. Morton  
                                 | CRS Insight IN11290, *COVID-19 and Direct Payments to Individuals: Economic Impact Payments (EIPs) for Social Security and Supplemental Security Income Beneficiaries*, by Paul S. Davies and William R. Morton  
                                 | CRS Insight IN11352, *Social Security Retirement Earnings Test (RET): Earnings Exemption for COVID-19-Related Work Response*, by Zhe Li  
                                 | CRS In Focus IF11599, *Social Security Benefits and the Effect of Declines in Average Wages and Prices*, by Barry F. Huston and Paul S. Davies  
| **Supplemental Security Income (SSI)** | CRS In Focus IF10482, *Supplemental Security Income (SSI)*, by William R. Morton  
                                 | CRS Insight IN11290, *COVID-19 and Direct Payments to Individuals: Economic Impact Payments (EIPs) for Social Security and Supplemental Security Income Beneficiaries*, by Paul S. Davies and William R. Morton  
                                 | CRS Report RL34397, *Traditional and Roth Individual Retirement Accounts (IRAs): A Primer*, by Elizabeth A. Myers  
                                 | CRS Report R46441, *Saving for Retirement: Household Decisionmaking and Policy Options*, by Cheryl R. Cooper and Zhe Li  
                                 | CRS In Focus IF11472, *Withdrawals and Loans from Retirement Accounts for COVID-19 Expenses*, by John J. Topoleski and Elizabeth A. Myers  
                                 | CRS Insight IN11272, *Required Minimum Distributions from Retirement Accounts Under the Economic Stimulus Proposals Related to the Coronavirus (COVID-19)*, by Jane G. Gravelle  
                                 | CRS Insight IN11494, *Why Have Stock Market and Real Economy Diverged During the COVID-19 Pandemic?*, by Eva Su  
                                 | CRS Insight IN11309, *COVID-19 and Stock Market Stress*, by Eva Su  
                                 | CRS Insight IN11275, *COVID-19 and Corporate Debt Market Stress*, by Eva Su  
| **Unemployment Compensation**     | CRS In Focus IF10336, *The Fundamentals of Unemployment Compensation*, by Julie M. Whittaker and Katelin P. Isaacs  
                                 | CRS In Focus IF11475, *Unemployment Insurance Provisions in the CARES Act*, by Katelin P. Isaacs and Julie M. Whittaker  

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CRS Reports

<table>
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<tr>
<th>Category</th>
<th>Program Basics</th>
<th>COVID-19-Related Issues</th>
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<tr>
<td>Household Debt</td>
<td>CRS Report R45911, Household Debt Among Older Americans, 1989-2016, by Zhe Li</td>
<td>CRS Report R46356, COVID-19: Consumer Loan Forbearance and Other Relief Options, coordinated by Cheryl R. Cooper</td>
</tr>
</tbody>
</table>

Source: CRS.

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