

RETIREMENT AGE PROPOSALS

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WHAT IS THE SOCIAL SECURITY RETIREMENT AGE ANYWAY?

- ▶ At full retirement age, also called “normal retirement age” or NRA, the full basic Social Security benefit is paid (Primary Insurance Amount or PIA):
- ▶ For individuals age 62 in 2019, the NRA is 66 and 6 months (will be 67 for those age 62 in 2022 and later)
 - ▶ Can file for retirement benefits as early as 62 in 2019 with a 27.5% reduction of the PIA – age 62 is called the earliest eligibility age or EEA
 - ▶ Can file for retirement benefits at age 70 or later with a 28% benefit increase, 8% per year of delay in filing for benefits
 - ▶ Those benefit reductions/increases are permanent, with annual cost of living adjustments

BRIEF HISTORY OF NRA AND EEA

- ▶ 1935 – NRA established at 65 and all got the same basic benefit regardless of age at retirement – no EEA at this time
- ▶ 1956 – Women could get benefits as early as 62 with a reduction of 6.67% of the PIA per year of early retirement
- ▶ 1961 – Same action for men as in 1956 for women
- ▶ 1972 – First allowed for increases in PIA for retirement after NRA (was up to 72 at the time, later reduced to 70)
- ▶ 1983 – Increased NRA to 66 by 2005 and to 67 by 2022

RETIREMENT AGE PROPOSALS

- ▶ Some NRA provisions attempt to keep the ratio of the time in retirement (life expectancy) to time in the work force (NRA – 20) constant
 - ▶ We estimate this would result in increasing the NRA 1 month every 2 years after it reaches age 67
- ▶ Other provisions raise NRA faster than this

RETIREMENT AGE PROPOSALS (EXAMPLES)

- ▶ From recent/notable comprehensive solvency proposals:
 - ▶ Rep. Johnson (Dec 8, 2016) = increase NRA 3 months per year from 2023 to 2030, reaching 69 for age 62/2030.
 - ▶ Rep. Ribble (July 13, 2016) = increase NRA 2 months per year from 2023 to 2034, reaching 69 for age 62/2034. Then increase 1 month/2 years thereafter
 - ▶ Fiscal Commission (December 1, 2010) = after 2022, increase EEA and NRA about 1 month / 2 years. Exempt or limit these increases for those with career average earnings up to 400% of the poverty level (reduces effects of differential mortality by earnings level)

IMPLICATIONS OF RAISING NRA/EEA

- ▶ Raising the NRA:
 - ▶ If no change in time of retirement, benefits are reduced
 - ▶ Would have to delay retirement by some amount of time to get the same benefit
 - ▶ Would extend payments made by Disability Insurance Trust Fund, and would lead to additional filing of (unreduced) disability benefits
- ▶ Raises in EEA alone are close to neutral in terms of solvency effects on Social Security

IMPLICATIONS (CONTINUED)

- ▶ **Workers are living longer, healthier lives**
 - ▶ Workers are able to remain longer in the workforce
 - ▶ Workers will need more time to save for a longer retirement
- ▶ **Possible difficulties**
 - ▶ Will workers want to remain longer in the labor force?
 - ▶ Will more jobs be available for older workers?
 - ▶ Will older workers in strenuous jobs be adversely affected – not quite meeting disability status per Social Security standards

RESOURCES

- ▶ <https://www.ssa.gov/OACT/solvency/provisions/retireage.html> = Individual provisions to increase the EEA and/or the NRA
- ▶ <https://www.ssa.gov/OACT/solvency/index.html> = Comprehensive solvency memoranda from Office of the Chief Actuary