

# **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 2016, the NRA is 66
  - Can file for retirement benefits as early as 62 with a 25% 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 32% 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)

- For later group exercise:
  - “Gradually raise the full retirement age from 67 to 68.” Specifically, Increase the NRA 2 months per year from 67 to 68, reaching 68 for age 62/2028. Reduces 17% of financing gap
  - “Gradually raise the full retirement age from 67 to 70.” Specifically, increase both the NRA and the EEA by about 3 months every 4 years until the NRA and EEA reach 70 and 65 respectively. Reduces 28% of financing gap.

# 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. Reduces 32% of financing gap.
  - 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. Reduces 40% of financing gap.
  - 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 15% of financing gap.

# Implications of Raising NRA/EEA

- 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
- Raises in EEA alone are close to neutral in terms of solvency effects on Social Security
- Raising the NRA would extend payments made by Disability Insurance Trust Fund, and would lead to additional filing of (unreduced) disability benefits

# 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, generally healthier 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