American Academy of Actuaries
Essential Elements
Making complex public policy issues clear

JULY 2017

Raising Social Security's Retirement Age

Social Security is one of our nation's most successful programs but faces long-term financial issues as its costs are growing faster than its revenues. While there are many positive aspects to Americans living longer, that trend also increases costs to Social Security as the wave of baby boomers retires over the next 20 years.

Social Security is primarily a pay-as-you-go system where each generation of retirees is funded by current workers, who expect to receive their own benefits after retiring. The more people contribute into Social Security, the more revenue the program has to make benefit payments.

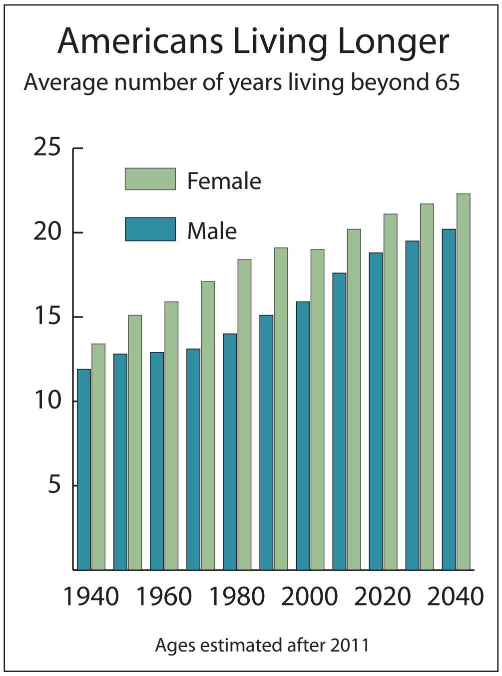
Social Security Full Retirement Age

Born in	Retirement Age
1943-54	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 or later	67

In 1983, Congress pushed back the full retirement age on a sliding scale until it reached 67 for those born in 1960. After that, it remains fixed. Those born after 1960 will live longer on average after reaching their retirement age and thus collect more Social Security benefits than their parents. Proposals have been made to further raise the full retirement age to lower Social Security's cost and respond to Americans' lengthening lifespan. As one part of a larger solution to solve Social Security's long-term financial problems, the American Academy of Actuaries supports raising the full retirement age beyond 67.

Why change it now?

While Social Security is not in immediate financial distress, the long-term trend shows that the program's costs will outpace its revenues. Without changes, Social Security's accumulated trust fund will be depleted in less than two decades, at which point benefits will have to be cut, taxes raised, or some combination.



Source: Social Security Trustees Report

SOCIAL SECURITY AT A GLANCE IN 2016

Beneficiaries:
- 44 million retired workers and dependents
- 6 million survivors of deceased workers
- 11 million disabled workers and dependents

Payroll taxpayers:
171 million

Expenditures:
$922 billion

Income:
- $869 billion from payroll taxes and other income
- $88 billion in interest earnings

Trust fund assets:
$2.85 trillion

Projected trust fund depletion date:
2034

Source: 2017 Social Security Trustees report

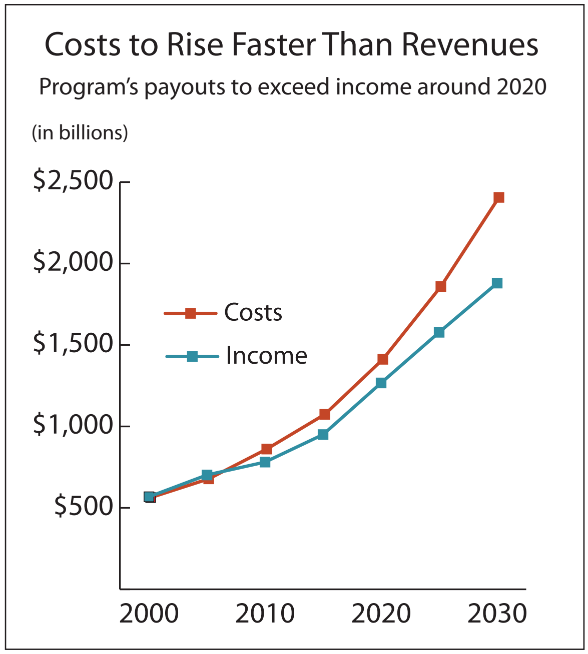
American Academy of Actuaries
1850 M Street NW • Suite 300 • Washington, DC 20036 • 202.223.8196 • www.actuary.org

How would this affect me?

Most reform proposals are gradual. One proposal would raise the full retirement age by one month every two years to match Americans' rising longevity. Another proposes steeper but still gradual increases to further reduce Social Security's future costs. However it's accomplished, raising Social Security's full retirement age makes sense because it corresponds with Americans' lengthening lifespans and reduces the program's costs to lessen the burden on the next generation.

Will it work for all Americans?

Low-wage workers and those with physically demanding jobs have shorter-than-average lifespans and could face disproportionate benefit cuts from a higher retirement age. Also, some workers in physically demanding jobs may not be able to work beyond a certain age. But there are steps that can mitigate these effects, including changes to disability rules to benefit specific workers who are unable to perform their jobs after reaching a certain age. ▲



Source: Social Security Trustees Report

Benefits of Raising the Retirement Age

Strengthens Social Security

The program would be more sustainable over the next several generations by slowing Social Security's growing costs. How much the cost growth would be moderated would depend on the specifics of how fast and how high to raise the retirement age.

Compensates for increased longevity

Older workers would gain more time to build their retirement savings while still enjoying a long period of retirement. The fact that increased longevity is among the causes of Social Security's financial problems suggests that raising the retirement age should be part of the solution.

Preserves the current benefit formula

Future retirees would receive the same benefits as current retirees but they would begin at a later age to reflect Americans' increasing lifespans. This would preserve the current Social Security benefit formula, which has been in place for more than 30 years and has successfully balanced the competing interests of many demographic groups that receive Social Security benefits.

Increases labor force participation

Through improvements in health care, larger numbers of older workers could stay in the workforce and raise total U.S. economic output.

Preserves intergenerational equity

Future retirees would receive similar benefits to their parents and grandparents while lessening the burden on the next generation of workers. Without a change in the retirement age, future retirees would collect more benefits than earlier retirees because their increased average lifespan would allow them to live more years in retirement.

Additional Resources from the American Academy of Actuaries

An Actuarial Perspective on the 2016 Social Security Trustees Report (June 2016)
http://www.actuary.org/files/publications/Social_Sec_Trustees_IB_2016.pdf

Raising the Retirement Age for Social Security Issue Brief (October 2010)
http://www.actuary.org/files/Social_Sec_Retirement_Age_IB_October-2010.pdf