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Actuaries: 30 Years Later, It's Time Again to Raise the Age for Full Social Security Retirement Benefits

WASHINGTON – May 23, 2013 – A generation ago, the 1983 Social Security Amendments, a bipartisan accord, was adopted to keep Social Security solvent by, among other things, raising the full retirement age — the earliest age at which an individual can receive unreduced old-age benefits. Thirty years later, Americans are living even longer, and it is time again to consider the options for making the program solvent. Raising the full retirement age again should be part of a Social Security reform effort, but this time the increase should be made in a way that ensures the program's solvency endures, the American Academy of Actuaries told the U.S. House of Representatives' Ways and Means Committee's Subcommittee on Social Security today.

“The 1983 amendments solved what was then an immediate crisis — full benefits could not have been paid later that same year without action,” Academy Senior Pension Fellow Don Fuerst said in his testimony before the subcommittee. Congress should proactively address the shortfall projected by Social Security's actuaries, so that options that could provide sustainable solvency are considered now rather than later, when a new crisis requiring immediate action based on more limited options emerges, Fuerst said. “An important component of a change to promote sustainable solvency should be raising the full retirement age with a provision for additional raises if life expectancy after full retirement age continues to increase.”

Increased life expectancy is a key concern behind the need to raise the full retirement age. Fuerst pointed out that when the new Social Security Administration began paying monthly retired-worker benefits in 1940, the full retirement age was 65. At that time, workers who survived to age 65 had a remaining life expectancy of 12.7 years for males and 14.7 years for females. Today, the expectancy beyond age 65 has increased to 18.7 years for males and 20.7 years for females.

There are advantages to raising the full retirement age both for the Social Security program itself, and for the economy more generally, including: compensating for increased longevity, preserving the current benefit formula, increasing labor force participation, and preserving disability

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benefits. Fuerst said that several approaches are available to Congress and the President — if they act expeditiously: “Addressing the program’s solvency now would allow a fuller range of options to be considered, many of which could be more modest in their adjustments, such as slow phase-ins over many years. Deferring efforts to address the program’s solvency to the next decade or beyond will more profoundly affect beneficiaries and the taxpaying public.” Options include fixed-schedule or indexed raises in the full retirement age.

Details of options for reforming Social Security, including raising the full retirement age, raising the early retirement age, and other options, are detailed in Fuerst’s testimony before the subcommittee, available online at <http://goo.gl/1jeiL>.

For more information about the Academy, visit www.actuary.org. To arrange an interview with Don Fuerst, contact David Mendes, assistant director of communications, public affairs, at 202.384.2075.

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The American Academy of Actuaries is a 17,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. The Academy assists public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.