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RETIREMENT EXPERIENCE OF OLD-AGE BENEFICIARIES, 1958-68

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There is a widespread notion that the retirement rates (the rates at which insured workers start to receive old-age monthly benefits) have been continually increasing and that the average age at effective retirement will continue to decrease. A brief analysis indicates otherwise.

The analysis of the recent trends in connection with this factor given here is based on the prevalence rates of retirement. These rates, in essence, measure how prevalent retirement is among insured workers. Table A indicates, for example, that at the beginning of 1968, out of 100 insured women aged 67, there were 81 who were drawing monthly old-age benefits.

As can be observed from Table A, the retirement-proportion for women has been relatively stable during 1960-68. The rates for 1961 and 1962 were slightly lower than in 1960 and in 1963-64 due to the liberalization in the "quarters of coverage" requirement for fully insured status from "1 out of 2" before 1961 to "1 out of 3" in 1961 and to "1 out of 4" in 1962. The slight decrease in 1965-66 over the level of 1963-64 could possibly be due to improved employment conditions for persons aged 65 and over in the United States economy. The increase in the rates for 1967 is believed to be due to changes in the earnings test. Prior to the 1965 Amendments, beneficiaries could earn up to \$1,200 a year without loss of benefits, but there were reductions of \$1 of benefits for every \$2 of earnings above \$1,200 and \$1,700, of \$1 for each \$1 of earnings above \$1,700. These limits were increased to \$1,500 and \$2,700 effective generally for calendar year 1966. This meant that a higher proportion of insured workers (particularly female workers) aged 65-71 would be receiving monthly benefits. For 1968 there was a slight decrease possibly due to increased economic activity and higher employment.

For male workers, there was a definite increase in retirement proportions from 1958 to 1964. As can be seen from Table B, the average rate for the entire group aged 65-71 increased from 65.1% to 80.6% in the period 1958-64. Since 1964, the experience shows a tendency to level off.

A comparison by sex indicates that the proportion of insured workers aged 65-71 receiving benefits is now almost as high for males as for females and that for both sexes the rates could be projected to remain level in the future. However, it is possible for these rates to increase under temporary adverse economic conditions. In addition, over the long-range future, we believe that there will be a small upward trend in the female rates because of the effect of women working only at the youngest ages qualifying for benefits. This type of woman worker could be assumed to have high retirement rates, since they have been out of the labor force for a relatively long time by the time they reach retirement age. Currently there are few insured aged women in this category, since the program started in 1937, but the proportion should increase in the future, since the women then reaching retirement age will have had some or all of their work at the younger ages covered by the system.

The proportions for ages over 71 were not analyzed, since at these ages the earnings test is not applicable and therefore practically everybody who is eligible draws a benefit. Similarly, for long-range cost purposes, there is no need to analyze the proportions for ages 62-64, since with benefits being on a true actuarial-reduction basis, the cost should not be affected by this factor of early retirement. However, it is of interest to study the proportion of workers who are electing to receive such reduced benefits, their differences by sex, and the recent trends.

Table C contains the prevalence rates for early retirement. The proportions for females aged 65 apparently increased up to 1963, and remained level thereafter. However, the increases are actually much smaller than those shown by the table. For example, the increase for women at age 65 from 1958 to 1960 is mainly due to a "normalization" process. The first cohort of women that was "exposed" to early retirement for 3 full years was that consisting of those who reached age 62 in 1957. This group would be aged 65 at the beginning of 1961. We should therefore, expect the proportion to increase up to that year (possibly up to 1962, because of the retroactivity of some entitlements). It will be noted that

before "ultimate" rates for a cohort could occur, the insured-status provisions were liberalized (in 1961 and 1962), thus bringing in a group of women who never had an opportunity for early retirement. Therefore, the proportions for 1960 and 1961 are lower than they would have been without this liberalization. In addition, one could argue for a new "normalization" period beginning in 1961. However, its effect would probably be relatively small because the number of women qualifying under the liberalized insured-status provision who would not have qualified under the more stringent provision is small.

The increase observed in the proportions from 1961 to 1963 could be due to married couples deciding to retire at the same time. If the husband is close to age 65, the chances are that the wife would have to

file for a reduced benefit. This is so especially after the 1961 Amendments, since the minimum retirement age for males was then lowered to 62. We could, therefore, expect the early-retirement prevalence rate for females to increase from the level prevailing prior to the amendments.

For males, there have been the normal increases associated with the maturation experience of the provision. However, preliminary values for 1968 show a slight increase in the early retirement proportions.

From this analysis, it can be concluded that according to current experience about 60% of the insured women reaching age 65 have already taken a reduced benefit. For males, the proportion is about 45%.

Table A

PROPORTIONS OF INSURED FEMALE WORKERS AT AGES 65-71
WHO WERE IN CURRENT-PAYMENT STATUS
AT THE BEGINNING OF THE YEAR, 1958-68

| Age | 1958 | 1959 | 1960 | 1961 | 1962 | 1963 | 1964 | 1965 | 1966 | 1967 | 1968 ¹ |
|-------|------|------|------|------|------|------|------|------|------|------|-------------------|
| 65 | 60% | 63% | 65% | 64% | 64% | 65% | 65% | 64% | 64% | 67% | 68% |
| 66 | 71 | 73 | 75 | 73 | 74 | 74 | 74 | 74 | 74 | 76 | 75 |
| 67 | 75 | 80 | 83 | 80 | 80 | 81 | 80 | 79 | 79 | 82 | 81 |
| 68 | 79 | 82 | 85 | 83 | 84 | 84 | 85 | 83 | 83 | 85 | 84 |
| 69 | 83 | 86 | 89 | 86 | 87 | 88 | 88 | 87 | 86 | 87 | 87 |
| 70 | 85 | 91 | 93 | 90 | 91 | 93 | 93 | 90 | 90 | 91 | 90 |
| 71 | 87 | 91 | 94 | 92 | 93 | 95 | 95 | 93 | 92 | 93 | 91 |
| 65-71 | 75.6 | 79.4 | 82.1 | 80.0 | 80.7 | 81.7 | 81.6 | 80.3 | 80.3 | 82.0 | 81.1 |

¹ Preliminary values.

Table B

PROPORTIONS OF INSURED MALE WORKERS AT AGES 65-71
WHO WERE IN CURRENT-PAYMENT STATUS
AT THE BEGINNING OF THE YEAR, 1958-68

| Age | 1958 | 1959 | 1960 | 1961 | 1962 | 1963 | 1964 | 1965 | 1966 | 1967 | 1968 ¹ |
|-------|------|------|------|------|------|------|------|------|------|------|-------------------|
| 65 | 41% | 43% | 49% | 50% | 54% | 58% | 60% | 59% | 59% | 59% | 60% |
| 66 | 59 | 62 | 67 | 68 | 70 | 72 | 72 | 71 | 71 | 72 | 72 |
| 67 | 66 | 68 | 74 | 75 | 78 | 80 | 81 | 79 | 79 | 80 | 78 |
| 68 | 71 | 73 | 78 | 79 | 81 | 83 | 85 | 84 | 84 | 85 | 83 |
| 69 | 74 | 77 | 81 | 82 | 83 | 86 | 87 | 87 | 88 | 89 | 87 |
| 70 | 75 | 79 | 83 | 84 | 86 | 89 | 90 | 90 | 91 | 93 | 91 |
| 71 | 77 | 83 | 86 | 87 | 88 | 91 | 93 | 93 | 93 | 94 | 93 |
| 65-71 | 65.1 | 68.4 | 73.3 | 74.0 | 76.1 | 79.0 | 80.6 | 79.4 | 79.6 | 80.3 | 79.3 |

¹ Preliminary values.

Table C

PROPORTIONS OF INSURED WORKERS AGED 65 AND OVER
WHO WERE RECEIVING AN ACTUARIALLY-REDUCED BENEFIT
AT THE BEGINNING OF THE YEAR, 1958-68

| Age | 1958 | 1959 | 1960 | 1961 | 1962 | 1963 | 1964 | 1965 | 1966 | 1967 | 1968 ¹ |
|---------|------|------|------|------|------|------|------|------|------|------|-------------------|
| Females | | | | | | | | | | | |
| 65 | 46% | 54% | 56% | 54% | 55% | 57% | 57% | 56% | 55% | 57% | 56% |
| 66 | — | 48 | 55 | 56 | 55 | 56 | 59 | 59 | 59 | 59 | 59 |
| 67 | — | — | 49 | 54 | 54 | 55 | 57 | 59 | 59 | 60 | 58 |
| 68 | — | — | — | 46 | 53 | 54 | 54 | 56 | 59 | 60 | 59 |
| 69 | — | — | — | — | 46 | 52 | 54 | 54 | 57 | 59 | 60 |
| 70 | — | — | — | — | — | 46 | 53 | 53 | 54 | 57 | 59 |
| 71 | — | — | — | — | — | — | 46 | 52 | 53 | 53 | 56 |
| Males | | | | | | | | | | | |
| 65 | — | — | — | — | — | 37% | 42% | 42% | 43% | 43% | 45% |
| 66 | — | — | — | — | — | — | 38 | 42 | 44 | 44 | 46 |
| 67 | — | — | — | — | — | — | — | 38 | 43 | 44 | 45 |
| 68 | — | — | — | — | — | — | — | — | 38 | 43 | 44 |
| 69 | — | — | — | — | — | — | — | — | — | 38 | 43 |
| 70 | — | — | — | — | — | — | — | — | — | — | 37 |

¹ Preliminary values.