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RETIREMENT EXPERIENCE OF OLD-AGE BENEFICIARIES

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There is a widespread notion that the retirement rates of insured workers, who become old-age beneficiaries, are continually increasing and that the average age at retirement will continue to decrease. A brief analysis indicates otherwise.

The analysis of the recent trends in connection with this factor is based on the prevalence rates of retirement. These rates, in essence, measure how prevalent retirement is among insured workers. Table A indicates that at the beginning of 1965, out of 100 insured women aged 67 there were 80 who were drawing monthly old-age benefits.

As can be observed from Table A, the retirement-proportion for women has been relatively stable during 1960-65. The rates for 1961 and 1962 were slightly lower than in 1960 and in 1963-65 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 over the level of 1963-64 could possibly be due to an overstatement in the estimated number of insured workers, which is a preliminary figure.

For male workers, there has been a definite increase in retirement proportions during the last 8 years. As can be seen from Table B, the average rate for the entire group aged 65-71 increased from 65% to 80% in the period. No leveling-off tendency is observed, since the low values for 1965 will probably be increased by the revision of the estimated number of insured workers. A leveling-off should, nevertheless, be projected for the future. This conclusion is based on a comparison of the proportions by

sex. The prevalence of retirement is now practically as high for males as for females. For the future, one cannot conceive of projecting higher proportions for males than for females. Therefore, a continuation of the most recent experience should be assumed. However, it is possible for both proportions to increase in the future under temporary adverse economic conditions, but such conditions cannot be assumed for a long-range estimate.

The proportions for ages over 71 were not analyzed since at these ages the earnings test is not applicable, and 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 the 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, differences by sex, and recent trends.

Table C contains the prevalence rates for early retirement. The proportions are apparently increasing, although 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 was

liberalized (in 1960 and 1961), thus bringing in a group of women who never had an opportunity for early retirement. One could argue for a new "normalization" period beginning in 1961, but its effect would probably be relatively small.

The increase observed in the proportions after 1960 could be due to married couples deciding to retire at the same time. If the husband is close to age 65 (the recent trend for males is toward earlier retirement), the chances are that the wife would have to file for a reduced bene-

fit. This is even more so the case 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.

From this analysis, it can be concluded that in current experience about 60% of the insured women decide to take a reduced benefit before age 65. For males, the proportion is about 43%.

Table A

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

<u>Age</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965¹</u>
65	60%	63%	65%	64%	64%	65%	65%	64%
66	71	73	75	73	74	74	75	74
67	75	80	83	80	80	81	81	80
68	79	82	85	83	84	84	85	83
69	83	86	89	86	87	88	88	87
70	85	91	93	90	91	93	93	92
71	87	91	94	92	93	95	95	94
65-71	75.6	79.4	82.1	80.0	80.7	81.6	82.0	80.5

¹Preliminary values.

Table B

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

<u>Age</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965¹</u>
65	41%	43%	49%	50%	54%	58%	60%	59%
66	59	62	67	68	70	72	72	72
67	66	68	74	75	78	80	81	80
68	71	73	78	79	81	83	85	84
69	74	77	81	82	83	86	88	88
70	75	79	83	84	86	89	90	90
71	77	83	86	87	88	91	93	92
65-71	65.1	68.4	73.3	74.0	76.1	79.0	80.6	79.6

¹Preliminary values.

Table C

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

<u>Age</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965¹</u>
Females								
65	46%	54%	56%	54%	55%	57%	57%	55%
66	—	48	55	56	55	56	59	59
67	—	—	49	54	54	55	57	59
68	—	—	—	46	53	54	54	56
69	—	—	—	—	46	52	54	53
70	—	—	—	—	—	46	53	54
71	—	—	—	—	—	—	46	52
Males								
65	—	—	—	—	—	37	42	42
66	—	—	—	—	—	—	38	42
67	—	—	—	—	—	—	—	38

¹Preliminary values.