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The Social Security Retirement Age

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Summary

The *full retirement age* (FRA) is the age at which workers can claim full Social Security retired worker benefits. The size of the monthly benefits is affected by when the worker claims benefits. The worker's age when claiming benefits is compared with the FRA, and adjustments are made depending on the number of months before or after the FRA the worker claims benefits. Adjustments for claiming before or after the FRA are intended to result in similar total lifetime benefits, regardless of when the worker claims benefits: retiring before the FRA results in a reduction in monthly benefits (to take into account the longer expected period of benefit receipt) and retiring after the FRA results in an increase in monthly benefits (to take into account the shorter expected period of benefit receipt). The FRA was 65 at the inception of Social Security, but has been gradually increased upwards, to 67 for those born in 1960 or later. Claiming benefits past age 70 does not increase the monthly benefits.

The earliest age retired worker beneficiaries may begin receiving benefits is called the *early eligibility age* (EEA). The current EEA is 62 for retired workers and their spouses; retirement benefits cannot be claimed by workers or spouses prior to 62. Although workers cannot receive retirement benefits prior to the EEA, dependents could be eligible for benefits earlier than age 62 under certain circumstances. In 2015, approximately 40% of new retired worker beneficiaries claimed benefits at age 62. More than half of beneficiaries who claimed retired worker benefits in 2015 claimed before the FRA.

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Introduction

The *full retirement age* (FRA) is the age at which workers can claim full Social Security retired worker benefits. The age at which an individual decides to begin receiving Social Security benefits has an impact on the size of the monthly benefits; receiving benefits early can substantially decrease monthly benefits, whereas receiving benefits later in life can lead to a substantial increase in monthly benefits. The worker's age when claiming benefits is compared with the FRA, and adjustments are made based on the number of months before or after the FRA the worker claims benefits. These adjustments are intended to result in similar total lifetime benefits, regardless of when the worker claims benefits, based on average life expectancy. The FRA was 65 at the inception of Social Security, but has been gradually increasing upwards, to 67 for those born in 1960 or later.

Claiming benefits before the FRA results in a reduction in monthly benefits, with the caveat that retirement benefits cannot be claimed by workers or spouses prior to the *early eligibility age* (EEA), which is currently 62. Although workers cannot receive retirement benefits prior to the EEA, dependents could be eligible for benefits earlier than age 62 under certain circumstances.¹

Workers who claim benefits after the FRA receive credits for delaying their benefit claims, which results in an increase in monthly benefits. Claiming benefits past age 70 does not further increase the monthly benefits.

Full Retirement Age

The FRA was 65 at the inception of Social Security in the United States. According to Robert Myers, who worked on the creation of the Social Security program in 1934 and later served in various senior and appointed capacities at the Social Security Administration (SSA), “[a]ge 65 was picked because 60 was too young and 70 was too old. So we split the difference.”² Conversely, the SSA suggests that the Committee on Economic Security (CES) made the proposal of 65 as the retirement age due to the prevalence of private and state pensions systems using 65 as the retirement age and the favorable actuarial outcomes for 65 as the retirement age.³

The 1983 amendments to the Social Security Act changed the FRA, increasing the FRA gradually to 67.⁴ People born in 1938 saw their FRA increase to 65 years and 2 months, with an increase to the FRA by two months every birth year until the FRA was 66 for persons born in 1943 to 1954. The increase by two-month intervals resumed for those born in 1955, with the FRA being 67 for those born in 1960 or later. This was an attempt to balance outflows and inflows for the program, with the logic that the change would reflect the increasing longevity and improving health of workers.⁵ **Table 1** shows FRAs for different birth years under current law.

¹ Widow(er) benefits can be claimed at the age of 60; disabled widow(er) benefits can be claimed at the age of 50. There is no minimum age for child benefits. For more details, see “Benefits for the Worker’s Family Members” in CRS Report R42035, *Social Security Primer*.

² Robert J. Myers and Richard L. Vernaci, *Within the System: My Half Century in Social Security* (Winsted, CT: ACTEX Publications, 1992), pp. 93-94.

³ Social Security Administration (SSA), “Age 65 Retirement,” at <https://www.ssa.gov/history/age65.html>.

⁴ P.L. 98-21.

⁵ For example, see Rep. Elliott H. Levitas, “Social Security Amendments of 1983,” House debate, *Congressional Record*, vol. 129, part 4 (March 9, 1983), p. 4517; Rep. Beryl Anthony, Jr., “Social Security Amendments of 1983,” House debate, *Congressional Record*, vol. 129, part 4 (March 9, 1983), p. 4600.

Table I. Age to Receive Full Social Security Benefits

| Year of Birth | Full Retirement Age (FRA) |
|-----------------|---------------------------|
| 1937 or earlier | 65 |
| 1938 | 65, 2 mo. |
| 1939 | 65, 4 mo. |
| 1940 | 65, 6 mo. |
| 1941 | 65, 8 mo. |
| 1942 | 65, 10 mo. |
| 1943-54 | 66 |
| 1955 | 66, 2 mo. |
| 1956 | 66, 4 mo. |
| 1957 | 66, 6 mo. |
| 1958 | 66, 8 mo. |
| 1959 | 66, 10 mo. |
| 1960 and later | 67 |

Source: Social Security Administration, <https://www.ssa.gov/planners/retire/retirechart.html>.

Notes: Persons born on January 1 of any year should refer to the previous year of birth.

Early Eligibility Age

Currently, the EEA is 62 for retired workers and their spouses to receive retirement benefits. When the Social Security Act was first enacted in 1935 (P.L. 74-271), the earliest age to receive retirement benefits was the FRA, 65. The first decrease in the age at which benefits are payable happened for wives, widows, and female dependent parents, when the EEA for these beneficiaries was lowered to 62 in 1956.⁶ This was to allow wives, who have traditionally been younger than their husbands, to qualify at the same time as their husbands.⁷ Wives received a reduction to their benefits if claimed between the ages of 62 to 65, but widows and parents had no such reductions.

With the enactment of P.L. 87-64 in 1961, the EEA for men was lowered to the age of 62, as well. However, calculating benefits for men was still based on the formula in place during the year the worker turned 65 years old. In contrast, women's retirement benefits were calculated based on the formula in place during their age-62 year; thus, men and women born in the same year had different benefit formulas. This difference was amended in 1972, aligning the EEA and formula for calculating benefits at 62 for men and women. However, even though the language was gender-neutral for retired worker benefits in 1972, the effective date was phased in, only applying to men who turned 62 after 1974.⁸

⁶ P.L. 84-880.

⁷ For example, see Rep. Thomas A. Jenkins, "Social Security Amendments of 1955," House debate, *Congressional Record*, vol. 101, part 8 (July 18, 1955), p. 10778; Rep. Wilbur Mills, "Social Security Amendments of 1955," House debate, *Congressional Record*, vol. 101, part 8 (July 18, 1955), p. 10785.

⁸ P.L. 92-603 §104(j)(i).

Changes to when dependents could first receive benefits include a lowering of the eligibility age to 60 for widows in 1965 (P.L. 89-97), 50 for disabled widow(er)s in 1967 (P.L. 90-248), and 60 for widowers in 1972 (P.L. 92-603).⁹

Delayed Retirement Credit

When workers delay their benefit claims, they receive *delayed retirement credits* (DRCs), which increase their monthly benefits to take into account the shorter expected period of benefit receipts, based on average life expectancy. Introduced in the Social Security Amendments of 1972 (P.L. 92-603), workers could earn 1% per year of delayed benefits for each year past FRA up to the age of 72, but this credit would only apply to benefits paid to workers; widow(er)s would receive workers' base monthly benefits without the credits. The Social Security Amendments of 1977 (P.L. 95-216) increased the credit to 3% per year, and also changed the benefits payable to widow(er)s, now including delayed retirement credits in the benefit computation for widow(er)s. In 1984, the credit was further increased, with the Social Security Amendments of 1983 (P.L. 98-21). A schedule of the number of credits-per-month depending on when a worker reached age 62 was enacted, gradually increasing the DRC to 8% per year for workers born after 1943. This increase in the DRC was an effort to ensure that workers who claimed benefits after FRA would receive similar total lifetime benefits as if they had claimed benefits earlier (based on average life expectancy). The oldest age at which an individual could accumulate DRCs also changed from 72 to 70. **Table 2** shows the monthly and annual delayed retirement credit based on year of birth.

Table 2. Benefit Increase for Delayed Retirement by Birth Year

| Year of Birth | Monthly Credit | Annual Credit |
|-----------------|----------------|---------------|
| 1916 or earlier | 1/12 of 1% | 1% |
| 1917-1924 | 1/4 of 1% | 3% |
| 1925-1926 | 7/24 of 1% | 3.5% |
| 1927-1928 | 1/3 of 1% | 4% |
| 1929-1930 | 3/8 of 1% | 4.5% |
| 1931-1932 | 5/12 of 1% | 5% |
| 1933-1934 | 11/24 of 1% | 5.5% |
| 1935-1936 | 1/2 of 1% | 6% |
| 1937-1938 | 13/24 of 1% | 6.5% |
| 1939-1940 | 7/12 of 1% | 7% |
| 1941-1942 | 5/8 of 1% | 7.5% |
| 1943 or later | 2/3 of 1% | 8% |

Source: Social Security Administration, https://www.ssa.gov/OP_Home/cfr20/404/404-0313.htm.

Note: Persons born on January 1 of any year should refer to the previous year of birth.

⁹ See "Social Security: Summary of Major Changes in the Cash Benefits Program," May 2000, <https://www.ssa.gov/history/reports/crsleghist2.htm>, October 17, 2016. Dependent benefits may be reduced; see "Benefits for the Worker's Family Members" in CRS Report R42035, *Social Security Primer*.

Actuarial Modification to Benefits: Claiming Before or After the FRA

The reasoning for adjusting the benefits based on age at claiming is to provide the worker with roughly the same total lifetime benefits regardless of the age at which he or she begins receiving benefits, based on average life expectancy. The earlier a worker begins receiving benefits, the lower monthly benefits are, to offset the longer expected period of benefit receipt. Conversely, waiting to receive benefits past the FRA leads to an increase in the monthly benefits to take into account a shorter expected period of benefit receipt. The size of the adjustment to benefits is based on the number of months between the month a worker attains FRA and the month benefits are claimed. The day of birth is ignored for adjustment purposes, except for those born on the first of the month. Workers born on the first of the month base their FRA as if their birthday was in the previous month (e.g., someone born on February 1, 1980, who therefore has a FRA of 67, can apply for full retirement benefits in January 2047). The level of monthly benefits based on date of birth and month of claiming benefits can be found on the SSA's website, at https://www.ssa.gov/oact/quickcalc/early_late.html#calculator.

Actuarial Reduction for Claiming Social Security Benefits Before the FRA

When a worker claims benefits before the FRA, there is an *actuarial reduction* in monthly benefits. The reduction for claiming benefits before the FRA can be sizable, and is permanent; all future monthly benefits are at the actuarially reduced amount. The 36 months immediately preceding FRA each have a monthly rate of reduction from the full retirement benefit of five-ninths of 1%. This equals a $6\frac{2}{3}\%$ reduction each year. Each month earlier than three years before FRA has a reduction rate of five-twelfths of 1%, or a 5% annual reduction. The earliest a worker can claim retirement benefits is 62 years old. This means that for someone with an FRA of 67, receiving benefits at 62 results in a 30% reduction in monthly benefits. **Table 3** illustrates the actuarial reduction to retired-worker benefits based on the FRA and the age at which benefits are claimed.¹⁰

Table 3. Benefit Decrease for Early Retirement by Full Retirement Age

| Full Retirement Age | Actuarial Reduction to Monthly Amount if Worker Claims at Age... | | | | |
|---------------------|--|--------------------|--------------------|--------------------|-------------------|
| | 62 | 63 | 64 | 65 | 66 |
| 65 | 20% | 13 $\frac{1}{3}\%$ | 6 $\frac{2}{3}\%$ | 0% | - ^a |
| 66 | 25% | 20% | 13 $\frac{1}{3}\%$ | 6 $\frac{2}{3}\%$ | 0% |
| 67 | 30% | 25% | 20% | 13 $\frac{1}{3}\%$ | 6 $\frac{2}{3}\%$ |

Source: Social Security Administration, <https://www.ssa.gov/planners/retire/retirechart.html>.

¹⁰ Actuarial reductions for spouses and widow(er)s are different; see SSA, "Benefit Reduction for Early Retirement," at <https://www.ssa.gov/oact/quickcalc/earlyretire.html>.

- a. With an FRA of 65, retiring at age 66 leads to a *delayed retirement credit*, resulting in an increase to the monthly benefits, as opposed to a reduction.

Delayed Retirement Credit for Claiming Social Security Benefits After the FRA

Workers who claim benefits after the FRA receive a *delayed retirement credit*. Just like the actuarial reduction, the delayed retirement credit is permanent; all monthly benefits are credited by the delayed retirement credit amount. The percentage increase to benefits varies depending on the year of birth. Workers born after 1942 get a yearly rate increase of 8% (a monthly rate increase of two-thirds of 1%). There is a limit to the credits that can be accumulated; any delay in claiming benefits after reaching age 70 will not increase the number of credits. A worker with an FRA of 67 has a maximum benefit increase of 24% if he or she delays benefits until 70; those born from 1943 to 1954, who have an FRA of 66, have a 32% maximum increase to their benefits.

Retirement Earnings Test

Earnings of a Social Security beneficiary who is below FRA are subject to the *retirement earnings test* (RET). Prior to the FRA, benefits are withheld if earnings exceed a certain amount. For the years before the year a worker attains FRA, the SSA withholds \$1 of benefits for every \$2 of earnings above a lower exempt amount (\$15,720 in 2016). For the year in which the beneficiary reaches the FRA, the SSA withholds \$1 of benefits for every \$3 in earnings above a higher exempt amount (\$41,880 in 2016). Earnings in the month of FRA attainment and after do not result in a withholding of benefits because the RET no longer applies beginning at FRA.

There is a special monthly test in the first year of receiving benefits. Even if a worker's annual earnings exceeds the annual exempt amount, if the worker earns less than the prorated monthly amount (the annual exempt amount divided by 12 to convert from an annual amount to a monthly amount) in a particular month, the worker will not have benefits withheld in that particular month. For example, consider a worker who claims benefits at age 62 in January 2016 and does not earn income for the rest of the year, except for a consulting project that pays the worker \$20,000 in July. Even though the annual earnings exceed the lower exempt amount, the worker will only have July benefits withheld. This is because the worker has earnings of \$0 in the other months, below the prorated monthly amount of \$1,310 (the lower exempt amount, \$15,720, prorated on a monthly basis: $\$15,720/12 = \$1,310$). In subsequent years after the first year of receiving benefits, the special monthly test no longer applies.

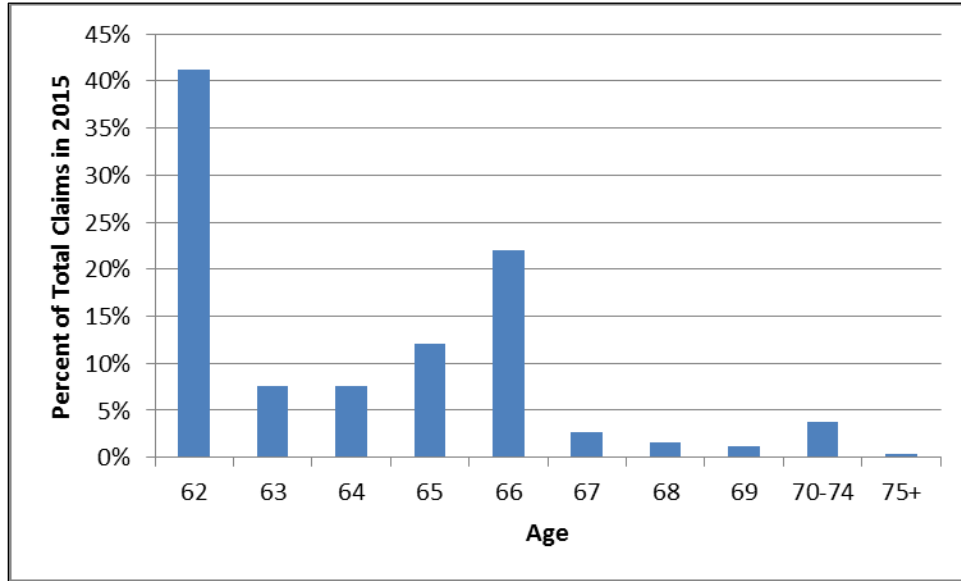
Benefits withheld under the RET are not “lost,” in the sense of beneficiaries never receiving the withheld benefits. Rather, beneficiaries begin to recoup the withheld benefits upon reaching FRA; benefits are recalculated, with credits for any month in which a worker did not receive a benefit because of earnings. No benefits are withheld after the worker attains FRA. In 2000, the Senior Citizens' Freedom to Work Act of 2000 (P.L. 106-182) eliminated the RET for those over the FRA.

Age Distribution of Retirement Benefit Claims

Figure 1 shows the age distribution of new retired worker beneficiaries; this calculation does not include disabled worker beneficiaries who were automatically converted to retired worker beneficiaries at FRA. Approximately 40% of retired worker beneficiaries who claimed Social

Security benefits in 2015 were aged 62. Almost 60% of new retired worker beneficiaries were under the age of 66. The share of claimants electing benefits at earlier eligibility ages has declined over the past few years. As recently as 2011, more than 50% of new retired beneficiaries were aged 62 and 68% were under age 66.¹¹

Figure 1. Age Distribution of New Retired Worker Benefit Claims, 2015



Source: Social Security Administration, 2016 Annual Statistical Supplement, Table 6.A4, <https://www.ssa.gov/policy/docs/statcomps/supplement/2016/6a.pdf>.

Note: Figure does not include disabled worker beneficiaries who were automatically converted to retired worker beneficiaries upon reaching FRA.

Recent Proposals on Increasing the Retirement Age

The projected depletion of asset reserves held by the Social Security trust fund and increases in life expectancy have led to proposals to increase the retirement age.¹² Within the past few Congresses, the Dollar for Dollar Act of 2012 (S. 3673, 112th Congress) and the Fiscal Sustainability Act of 2013 (S. 11, 113th Congress) have proposed increasing the FRA to 69 and the EEA to 64, while the National Commission on Fiscal Responsibility and Reform, often called the Simpson-Bowles Commission after its co-chairs, has suggested a similar increase to the FRA and EEA.

¹¹ SSA, 2012 Annual Statistical Supplement, Table 6.A4, at <https://www.ssa.gov/policy/docs/statcomps/supplement/2012/supplement12.pdf>.

¹² The Social Security program’s income and outgo are accounted in two separate trust funds: the Federal Old-Age and Survivors Insurance (OASI) Trust Fund and the Federal Disability Insurance (DI) Trust Fund. The trust funds’ primary source of income is revenue from Federal Insurance Contributions Act (FICA) taxes and Self-Employment Contributions Act (SECA) taxes. The primary costs are the monthly Social Security benefits paid to beneficiaries. Each year, the trust fund’s Board of Trustees releases a report on the financial operations of the OASI and DI Trust Funds. In the 2016 Trustees’ Report, the projected depletion date of the Social Security trust fund is 2034 under the intermediate assumptions. The 2016 Trustees’ Report can be found at <https://www.ssa.gov/oact/tr/2016/index.html>. For more details on the Social Security trust fund, see CRS Report RL33028, *Social Security: The Trust Funds*.

The Simpson-Bowles Commission brings up a concern that an increase to the retirement age has a differential impact on people. In particular, the commission notes that workers in physically demanding jobs may be unable to work beyond the EEA. The commission recommends setting up a hardship exemption, whereby beneficiaries can claim benefits at age 62 even as the FRA and EEA increase, without any additional actuarial reductions. This concern for the unequal impact of increasing the retirement age is not a new one. The Social Security Amendments of 1983, which raised the retirement age from 65 to 67, commissioned a study to examine the interplay between raising the retirement age and the difficulties blue collar workers might face because of it.¹³

S. 3673, S. 11, and the Simpson-Bowles Commission also propose allowing beneficiaries to claim up to half of their benefits at age 62 (with an actuarial reduction), and the other half at a later age. This proposal has been offered as a way to make the transition smoother for phased retirements or households where one member has retired and another continues to work.¹⁴ More generally, the proposal can provide a stream of income to those with financial difficulties by allowing some benefits to be claimed early without the full costs of a permanent actuarial reduction on the entire benefit.

The SSA's Office of the Chief Actuary provides projections of the impact of several proposals on trust fund solvency. To see what impact proposed changes to the FRA and EEA have on the solvency of the Social Security trust fund, see <https://www.ssa.gov/oact/solvency/provisions/retireage.html>.

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¹³ The report in response to the Social Security Amendments of 1983's mandate to study the effect of increasing the FRA and EEA on workers in physically demanding jobs can be found in: Department of Health and Human Services, *Increasing the Social Security Retirement Age: Older Workers in Physically Demanding Occupations or Ill Health*, Social Security Bulletin, vol. 49, no. 10 (October 1986), at <https://www.ssa.gov/policy/docs/ssb/v49n10/v49n10p5.pdf>.

¹⁴ National Commission on Fiscal Responsibility and Reform, *The Moment of Truth: Report of the National Commission on Fiscal Responsibility and Reform*, December 1, 2010, p. 51, https://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/TheMomentofTruth12_1_2010.pdf.

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