



# How Should Social Security Adjust When People Live Longer?

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*August 2018*

No Social Security retirement plan that annuitizes benefits can avoid the question of how many years of support to provide. At any aggregate spending level, more years of support means lower annual payments to those supported and lower revenue to the system when earlier retirement reduces taxable lifetime earnings. Further, as people live longer, the available trade-offs inevitably change, and policymakers need some standards by which to decide how many more or fewer years of support should be provided. And they need some tools to assess those standards.

Our new online tool, *Alternative Measures of Age*, adjusts the traditional measure of age for changes in life expectancy over time. This allows users to convert the chronological age of the average person in a given year to a life expectancy “age” or relative life expectancy “age” (and vice-versa).<sup>1</sup> Here, we use the tool to compare actual and potential Social Security retirement ages across generations using three possible standards:

- **Constant number of years of retirement.** Keep number of benefit years constant over time.
  - » Possible justification: keeping constant rather than automatically raising the number of years of retirement increases the share of benefits for those in the last, say, 15 years of life, when needs are greatest, while avoiding increasing benefits most for those who, under current Social Security rules, already get the highest annual and lifetime benefits.
- **Constant share of life in retirement.** Keep the relative number of retirement years (i.e., years in retirement relative to years of life) similar across generations.
  - » Possible justification: providing the same share of life in retirement allows retirees to share in economic gains over time while partly meeting the objectives of a constant number of years in retirement.

- **Don't adjust.** Peg retirement age to a given chronological age regardless of improvements in life expectancy.
  - » Possible justification: adding more years of retirement support allows those in succeeding generations who don't qualify for disability benefits or don't die in middle age to retire earlier and for longer portions of their lives.

These are not the only standards or justifications involved in deciding how to adjust over time. But these three standards represent commonly proposed policies or policies that follow historical practices. Of course, in looking at each standard, policymakers must also decide at which year that standard should begin. Keeping constant the number of years of retirement or the share of life in retirement means something different if started in 1940, 2022, or some other year. For instance, if policymakers believe that maintaining relative life expectancy is a reasonable standard, but years of benefits have expanded far beyond that standard when applied to some past year, then some temporarily stricter rule would be required to restore that standard.

For most of Social Security's history, the "don't adjust" standard prevailed. Indeed, not only were years of benefits expanded at the full retirement age, but the earliest retirement age (at an actuarial cost to the beneficiary) was lowered to 62 (from 65, set when the program began in 1940) through legislation enacted in 1956 for women and 1961 for men.<sup>2</sup> The 1983 amendments, in turn, set in motion a gradual rise in the full retirement age from 65 to an ultimate age of 67 for cohorts reaching 62 in 2022 and following years. That increase temporarily and indirectly approximated the "constant share of life in retirement" standard for the full retirement age starting in 1983, in the sense that the final two-year adjustment equaled about two-thirds of the increase in life expectancy expected from 1983 to 2022.

The Alternative Measures of Age tool allows us to see how both past and projected future trends in life expectancy will affect years of support and share of life in retirement given any particular retirement age. Some examples are presented below, but readers are also invited to do their own calculations.

When Social Security first paid benefits in 1940, the average eligible 65-year-old woman born in 1875 had a remaining life expectancy of about 13.4 years. The chronological age calculator in the tool shows that in 2018, a woman would need to be age 74.6 before life expectancy fell to a similar level of 13.4 years (see row 2 of table 1, which summarizes some calculations using the tool). The equivalent age for men, at which life expectancy in 2018 is the same as it was at age 65 in 1940, is just a little lower, at 74.3. Thus, a person with average life expectancy retiring at age 65 in 2018, at least by this measure, would on average retire for close to 10 more years than someone retiring at the same chronological age in 1940.

Somewhat similarly, the share of life remaining in 2018 falls to the level of 65-year-olds in 1940 at the age of 72.5 for women (also in row 2 of table 1) and 72.3 for men.

If an early retirement age of 62 had been available in 1940, that would equate on the “constant number of years in retirement” and “constant share of life in retirement” to 71.9 and 69.5, respectively, in 2018 for women (row 1 of table 1) and only a fraction lower for men.

The average male worker in 1940 (when female workers were relatively rare) retired between ages 68 and 69 (Steuerle and Spiro 1999). Again, turning to the tool, we can see that in terms of constant life expectancy, a woman age 77.4 today has the same life expectancy as the 68-year-old of 1940 (row 3 of table 1). Because people today retire on Social Security at age 64 on average, this implies an increase since 1940 in average benefit retirement years from both longer lives and earlier retirement of more than 13 years (77.4 minus 64) for women and just under 13 years for men.

The expansion of retirement years has been one of the most profound societal changes of the past eight decades in the United States. Its effects stretch far beyond narrow issues of Social Security financing to the share of government spending invested in children or working families, private saving rates, changes in labor demand and supply, and expectations about the value of work and leisure among all age groups.

Was this expansion too little or too much? Your judgment here should affect your calculations as to how further adjustments should take place in the future.

**TABLE 1**  
**Measures of Age and Life Expectancy for Selected Years and Ages**

MEASURES OF “AGE” IN BASE YEAR						COMPARABLE AGES IN COMPARISON YEAR				
Base year	Age in base year	Expected # of Retirement Years		Expected Share of Life in Retirement		Comparison year	Age That Results in Same # of Retirement Years		Age That Results in Same Share of Life in Retirement	
		Female	Male	Female	Male		Female	Male	Female	Male
1940	62	15.4	13.6	0.20	0.18	2018	71.9	71.7	69.5	69.3
1940	65	13.4	11.9	0.17	0.15	2018	74.6	74.3	72.5	72.3
1940	68	11.6	10.3	0.15	0.13	2018	77.4	76.9	75.5	75.1
1940	65	13.4	11.9	0.17	0.15	2100	79.0	79.2	76.0	76.3
2022	67	19.4	17.2	0.22	0.20	1940	56.5	56.5	59.5	59.5
2022	62	23.6	20.9	0.28	0.25	2100	66.5	67.4	65.2	65.9
2022	67	19.4	17.2	0.22	0.20	2100	71.4	72.1	70.3	70.9

**Source:** Authors’ estimates using the Alternative Measures of Age calculator.

**Notes:** Age 62 = early retirement age in Social Security available after 1956 (women) and 1961 (men); age 65 = full retirement age for most of Social Security’s history; age 67 = full retirement age for those cohorts turning 62 in 2022 and thereafter; age 68 = average retirement age in 1940 when benefits were first paid.

For that purpose, we need a way to compare years in retirement under these standards going forward. As Social Security reform is debated today, many proposals make retirement age adjustments over time but limit any change for current or near-term retirees. Keep in mind that the Social Security Administration for the most part has had a long-term perspective: its actuaries typically forecast 75 years into the future, just as private pension actuaries make calculations for the lifetime of a plan or at

least for all new employees entering the plan. Thus, for a Social Security reform enacted in 2025, actuaries will attempt to address its balances in the year 2100, some 160 years since benefits were first paid to recipients.

If we make comparisons over that entire period and accept the projections of improvement in life expectancy estimated by the Social Security Actuaries (which is at a significantly slower rate of improvement than in the past), we can see that the full (and, at that time, earliest) retirement age of 65 in 1940 would be equivalent to a retirement age of about 79 for both women and men in 2100 if the same number of years of benefits were to be provided or about 76 if the same proportion of retirement years were available (row 4 of table 1).

On the other hand, suppose you favor the “constant share of life in retirement” standard, and you think that age 67 in 2022, as set in current law, is the appropriate full retirement age by which to make comparisons. Indeed, some proposed reforms index for relative life expectancy starting after 2022 and thereby implicitly adopt that standard and year of comparison. That implies that in the year 2100, the FRA should be about 70.3 for women and 70.9 for men. However, if you believe this standard should have been applied consistently over the life of the program, it would also imply that the system has been far too stingy, because an equivalent full retirement age in 1940 would have been about 59.5 (for both women and men) rather than 65 as it was that year (row 5 of table 1).

Looking ahead, retirement ages continue to have important implications that extend far beyond Social Security. Barring any change in the rules affecting Social Security, a woman retiring at the earliest retirement age in 2022 will receive benefits for an average of 23.6 years, or 28 percent of her life (table 1). If we count adult life starting at 21, those 23.6 years would equal about 58 percent of the 41 years spent in adulthood up to age 62. Even that percentage understates the ratio of available retirement years to average work years because a large share of Social Security beneficiaries do not work every year from age 21 to 62 because of other life events, such as graduate school, child care, immigrant arrival at ages after 21, and unemployment. The fraction also continues to grow as long as the current “don’t adjust” standard applies to the early retirement age.

As we demonstrated in another brief, none of these retirement age standards, if applied only going forward from 2022, is adequate to deal with the shortfall in Social Security financing (Steuerle and Cosic 2018). That means that further tough choices will be required, and any reform will still require choosing from among further cutbacks in years of retirement (such as setting a standard on a year earlier than 2022) and further reductions in after-tax replacement rates through lower annual benefit levels or higher tax rates.

Two other major issues must be considered. Historically, Congress has also raised benefits through Medicare, Medicaid long-term care, and disability benefits. More years of Social Security retirement support compete with spending for those programs, which also expand benefits as health care services costs rise or as Medicare adds more benefit years through a “don’t adjust” standard.

Finally, this brief has not dealt with the potential implications of forecast errors in Social Security long-term projections. For example, factors such as the future prevalence of opioid use and the success of cancer research are difficult to predict. Implications again stretch far beyond Social Security Old Age Insurance to Disability Insurance, health care programs for the young and the old, and much else. For now, we just note that reform need not adjust for longer lives according to current projections but can be indexed continually to recent changes in mortality rates and life expectancies.

In summary, reform must address the unavoidable question posed in the title of this brief. At any future level of resources, higher annual benefits mean fewer years of retirement support, and more years of retirement support mean lower annual benefits (as well as a reduction in revenues). Measuring past and future trends against certain standards commonly proposed or adopted in Social Security's past demonstrates precisely how each standard has affected or is projected to affect the number of years and share of life in which benefits are provided.

## Notes

<sup>1</sup> "Alternative Measures of Age," Urban Institute, accessed August 6, 2018, <https://www.urban.org/policy-centers/cross-center-initiatives/program-retirement-policy/projects/modernizing-our-retirement-programs/alternative-measures-age>.

<sup>2</sup> "Historical Background and Development of Social Security" Social Security Administration, accessed August 7, 2018, <https://www.ssa.gov/history/briefhistory3.html>.

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## Acknowledgments

This brief was funded by the Alfred P. Sloan Foundation. We are grateful to them and to all our funders, who make it possible for Urban to advance its mission.

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