

# WORKING PAPER

## *Executive Summary*

AUGUST 2009, WP# 2009-13

CENTER FOR  
RETIREMENT  
RESEARCH  
AT BOSTON COLLEGE

## ARE AGE-62/63 RETIRED WORKER BENEFICIARIES AT RISK?

BY ERIC R. KINGSON AND MARIA T. BROWN

Those accepting actuarially reduced early retired worker benefits are a varied group, including many in good health, with significant pension or other retirement savings, employment opportunities and health insurance coverage; and others with work-limiting health problems, few employment options, no significant retirement savings and no health insurance. From an adequacy perspective, the most compelling question, and the one that this paper examines, concerns the extent to which such persons are at significant economic, health and employment risk.

### **Methods**

This paper provides a longitudinal view, spanning 10 to 12 years of persons first accepting retired worker benefits at ages 62 or 63 in 1994 or 1996. The analysis uses data from the 1992, 1994, 1996, 2004 and 2006 Health and Retirement Surveys (HRS), matched when permission was given by interviewees to selected Social Security Administration (SSA) earnings and benefits records in 1992 and 2006. HRS interviews were conducted with 11,539 non-institutionalized persons aged 51 to 61 in 1992, resulting in a nationally representative sample of households (n=7,608) in which at least one member was age 51 to 61 in 1992. African-Americans, Hispanics and Florida residents were over-sampled. The sample employed in this paper (n=1129) was drawn from data representing persons who 1) are first interviewed in 1992 and alive at the time of the 1996 interview; 2) elect to receive retired worker benefits at ages 62 or 63 in 1994 or 1996; and 3) do not receive or do not have a history of receiving SSI or Social Security disability benefits. We term persons first accepting Social Security retired worker benefits at ages 62 or 63 as “Early Acceptors.”

The analysis: 1) examines variation in income, wealth, health insurance coverage and employability, along such dimensions as race, Hispanic ethnicity, gender, reported health status, functional ability and work experience; 2) identifies economic, health and survival outcomes in 2006 for the 1994/1996 pooled sample; and 3) applies measures of risk developed in an earlier study to assess the proportion of at-risk early acceptors.

### **Findings**

The magnitude of risk experienced by early acceptors varies substantially by the definition of risk being evaluated.

- The most restrictive risk measures, those relying heavily on poverty (or 150% of poverty), define, at most, 5 percent of age 62/63 acceptors as being at risk.
- The more moderate measures lead to estimates of roughly 9 to 16 percent being at risk when accepting benefits.
- The more inclusive definitions, which incorporate health insurance coverage and modest assets and a higher poverty ratio (200% of poverty), define one-quarter to two-fifths at risk.
- Depending on measure used, as few as 1.5% or as many 37.4% of early acceptors are defined at risk.

The incidence of risk varies among different groups of acceptors, regardless of how risk is defined. These findings support previous retirement literature:

- Black early acceptors were more at risk than Whites in a variety of ways, bearing almost twice as much risk on every measure. For example, where eleven percent of Whites met the risk criterion of being in poor or fair health and also not having a pension in 1991, 21% of Blacks met this criterion. When risk is defined as either having incomes below 200% poverty or less than \$30,000 in liquid assets, 35% of Whites and 63% of African-Americans are defined as at risk.
- Similarly, unmarried men and women were generally more at risk than their married counterparts. Women were also generally at higher risk than men.
- Self-rated health prior to receipt of Social Security retired worker benefits is linked to poorer health during retirement and to earlier death. Lower income, net worth, and liquid assets are linked to poorer health in retirement and to earlier death.
- Survival to 2006 was significantly related to several definitions of risk, from the most restrictive to the most inclusive, and many indicators of fair or poor health and vital status significantly associated with fair or poor health in early retirement and risk of earlier death.
- In contrast to the 1996 sample, the surviving sample in 2006 (n=805) is more skewed towards female, White, better educated and married acceptors. Among early acceptors, men, African-Americans, the unmarried and those with less education are more likely to be deceased by 2006.

Finally, the findings highlight that a very large proportion of early acceptors – one-fourth of the full sample – do not have health insurance when they first accept Social Security retired worker benefits at ages 62 or 63 in 1994 or 1996. Indeed, roughly one in three unmarried women, one in two Hispanics and one in three of those classified as unhealthy in 1996 are not covered by any health insurance.

## **Implications**

Although not conclusive, the findings provide a basis for caution with regards to proposals that would further increase the age of eligibility for full retired worker benefits and increase the early retirement age (ERA). Increasing the full retirement age (FRA) beyond what is already scheduled in the law would result in additional benefit and replacement rate reductions. In the context of recent declines in the value of retirement savings and home equity and increasing levels of unemployment, from an adequacy perspective, raising the FRA becomes a more questionable policy change, even for middle-income households.

Such changes would fall most heavily on those low-income older workers, who are not well positioned to continue work. If a scheduled increase in the FRA is considered as part of a solution to Social Security's projected financing problem, the findings point to the need for offsetting changes in Social Security disability eligibility and SSI disability and age eligibility criteria, perhaps lowering the SSI age to 62.

The major policy implication is that consideration should be given to providing a health insurance option for persons first accepting retired worker benefits prior to age 65. Additionally, the data indicate that researchers and policymakers should utilize a range of measures – as opposed to a singular and potentially narrow measure – of risk when assessing the magnitude of risks existing for those accepting retired worker benefits at early ages.

---

© 2009, by Eric R. Kingson and Maria T. Brown. All rights reserved. The research reported herein was performed pursuant to a grant from the U.S. Social Security Administration (SSA) funded as part of the Retirement Research Consortium (RRC). The findings and conclusions expressed are solely those of the authors and do not represent the views of SSA, any agency of the Federal Government, Syracuse University, or Boston College.

## CENTER FOR RETIREMENT RESEARCH AT BOSTON COLLEGE

Hovey House, 140 Commonwealth Avenue, Chestnut Hill, MA 02467-3808  
phone 617.552.1762 fax 617.552.0191 [crr@bc.edu](mailto:crr@bc.edu) [www.bc.edu/crr](http://www.bc.edu/crr)