

Pre-Covid Trends in Social Security Claiming

By Anqui Chen and Alicia H. Munnell

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The first section describes the claim-year data published annually by the U.S. Social Security Administration (SSA) and the birth cohort data used in this analysis. The second section presents claiming ages by cohort. The final section concludes that the share of people claiming Social Security retired-worker benefits when they reach age 62 has been falling since the mid-1990s, with only a brief upward tick during the Great Recession.

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This paper is part of a series of wide-ranging papers that explore key challenges that retirement savers face in the years leading up to and while in retirement. Additional topics address how different workers save in their company-sponsored retirement plans, what affects spending in retirement, and the impact of healthcare expenses for different segments of the retiree population.

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PRE-COVID TRENDS IN SOCIAL SECURITY CLAIMING

BY ANQI CHEN AND ALICIA H. MUNNELL*

Introduction

A major question is how COVID-19 has affected the claiming of Social Security benefits. Preliminary reports indicate that some older workers who lost their jobs or were fearful of the virus did turn to Social Security, but an official accounting will not be available for a year. The purpose of this *brief* is to provide a baseline against which to assess COVID's impact.

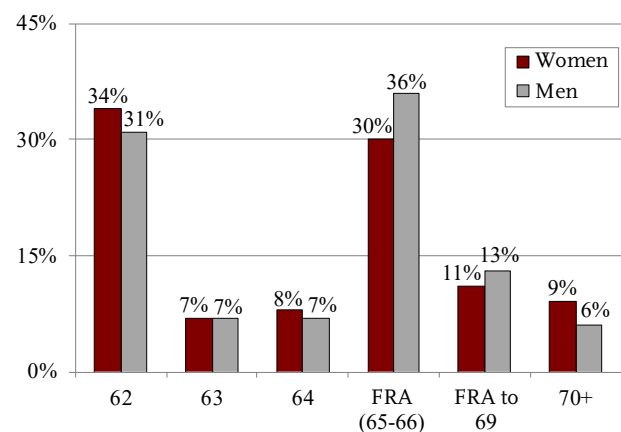
The discussion proceeds as follows. The first section describes the claim-year data published annually by the U.S. Social Security Administration (SSA) and the birth cohort data used in this analysis. The second section presents claiming ages by cohort. The final section concludes that the share of people claiming Social Security retired-worker benefits when they reach age 62 has been falling since the mid-1990s, with only a brief upward tick during the Great Recession.

Data by Claim Year

According to Social Security's *Annual Statistical Supplement*, 34 percent of women and 31 percent of men who claimed retired-worker benefits in 2019 were age 62, after excluding beneficiaries who switched from disability benefits to retired-worker benefits at 66 (see Figure 1). The other popular claiming age was the Full Retirement Age (FRA), which was 65 until 2003

and gradually increased to 66 for workers turning 65 in 2008. Thirty percent of women and 36 percent of men claimed benefits at the FRA.¹ The other age groups individually account for a much smaller percentage of the initial benefit awards.

FIGURE 1. AGE DISTRIBUTION OF INDIVIDUALS CLAIMING RETIRED-WORKER BENEFITS, 2019

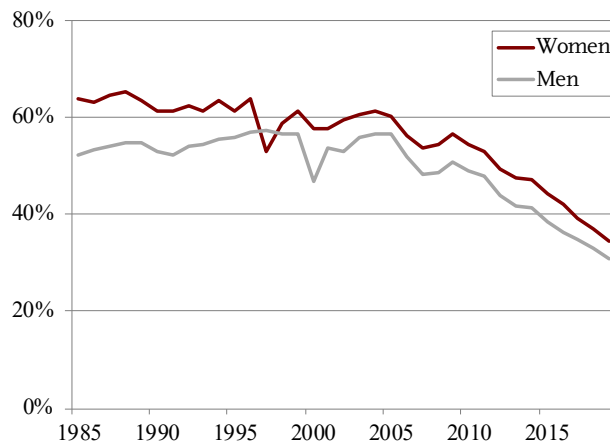


Source: Authors' calculations from U.S. Social Security Administration (SSA) (2021).

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These same data can be used to create a historical record for the period 1985-2019. Figure 2 shows the percentage of retirees claiming retired-worker benefits at age 62 during this period. The proportion of women claiming at 62 hovered around 60 percent until 2005 and then dropped gradually to 34 percent by 2019.² The fraction of men claiming at 62 hovered around 55 percent, and then dropped gradually to 31 percent by 2019.³ Note that the downward trend reverses itself slightly during the Great Recession, before continuing its downward journey.

FIGURE 2. PERCENTAGE OF INDIVIDUALS CLAIMING RETIRED-WORKER BENEFITS AT AGE 62, 1985-2019



Source: Authors' calculations from SSA (2021).

The problem with the SSA claim-year data is that the number of eligible participants turning 62 began to rise around 1997. The overall increase over the past two decades, which incorporates the influx of the baby boomers, is significant – the annual number of men turning 62 more than doubled, from 829,000 in 1997 to around 1.7 million in 2019. The growing number of 62-year-olds makes it look like age-62 claiming is more prevalent than it actually is. The number we are after is the percentage of people reaching age 62 each year who claim at that age. We refer to this measure as “cohort” data.

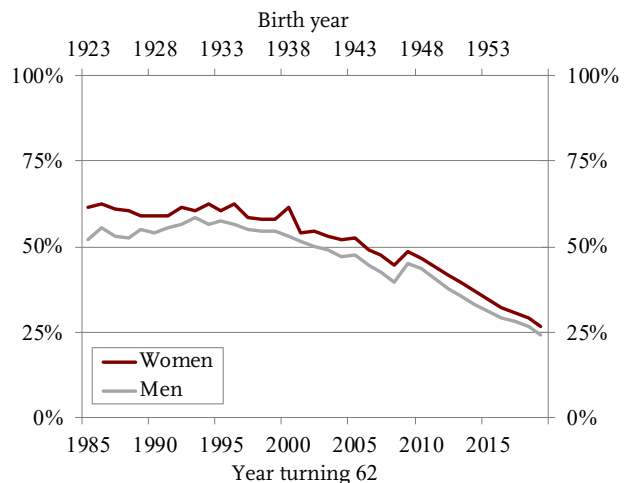
An example might help. Suppose that beneficiaries can only claim at age 62 or 63 and that 55 percent of all people born in any given year will claim at age 62 and the other 45 percent will claim the following year when they turn 63. If the number of people who reach ages 62 and 63 remains constant from one year to the next, then the SSA published data on claim year and the cohort data will tell the same story. But if the

number of people reaching age 62 grows by 10 percent in a given year, then the SSA published data will show that 57 percent of people who claim benefits each year are 62, and that 43 percent are 63.⁴ That is, with increasing numbers of 62-year-olds, the SSA published data will exceed the unchanged claiming rate for each cohort.

“Cohort” Claiming Data

The way to get at the underlying trend in claiming behavior is to determine the percentage of all individuals born in a given year who claim retired-worker benefits at each age.⁵ This calculation is possible because SSA provided unpublished data on the number of people eligible for retired-worker benefits by birth year.⁶ The task is then to allocate cohort totals among claiming ages based on SSA’s published data, which allows one to follow the claiming activity of each birth cohort over time. For example, the unpublished data show that 864,596 men born in 1923 turned 62 and became eligible for benefits in 1985.⁷ The published data show 448,630 men claimed benefits at 62 in 1985, all of whom by definition must be 1923-cohort men. Similarly, the published data show that 82,900 of the 1923-cohort men claimed at 63 in 1986, 110,580 claimed at 64 in 1987, etc. When the process is complete, it is possible to calculate the percentage of each cohort claiming at each age. Figure 3 shows the percentages of men and women in each cohort who claimed retired-worker benefits at age 62.

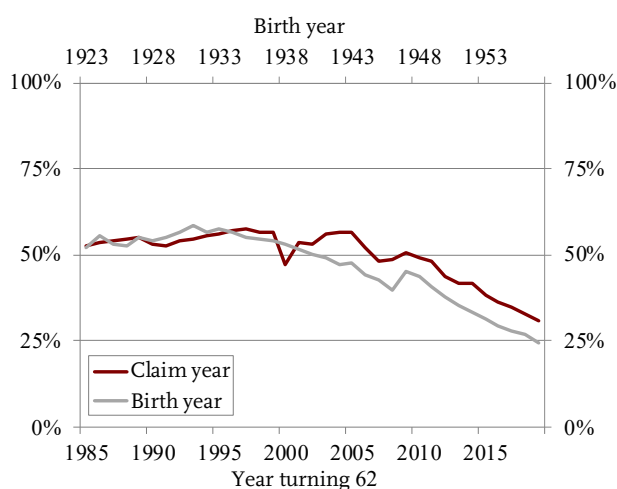
FIGURE 3. PERCENTAGE OF INDIVIDUALS TURNING 62 WHO CLAIMED AT 62, BY BIRTH YEAR



Sources: Authors' calculations from SSA (2020, 2021).

As evident in Figure 4, which compares the percentage of men claiming at 62 on a claim-year and cohort (or birth-year) basis, the two approaches provide very similar results until 1997; afterward the two series start to diverge. The cohort data show a much larger decline between 1997 and 2019 than the claim-age data.

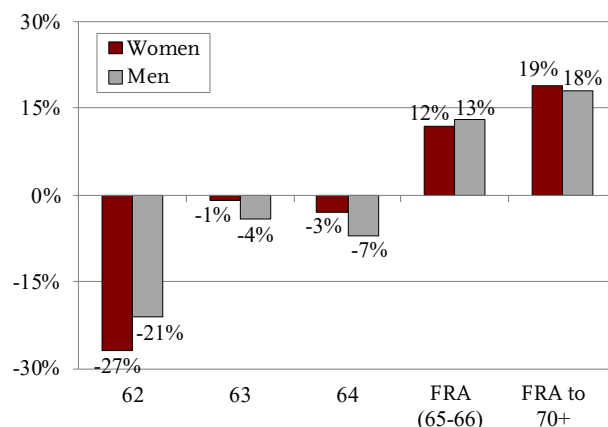
FIGURE 4. PERCENTAGE OF MEN CLAIMING AT 62 (CLAIM YEAR) AND PERCENTAGE OF MEN TURNING 62 WHO CLAIMED AT 62 (BIRTH YEAR)



Sources: Authors' calculations from SSA (2020, 2021).

Figure 5 shows the overall shifts in cohort claiming behavior at every age – not just at 62. The big news here is that not only has the percentage of 62-year-olds claiming at 62 declined dramatically, but those who forgo early claiming appear to wait to the full retirement age to claim their benefits.⁸

FIGURE 5. PERCENTAGE-POINT CHANGE IN CLAIMING BY AGE BETWEEN COHORTS TURNING 62 IN 1985 AND 2015



Sources: Authors' calculations from SSA (2020, 2021).

Conclusion

The good news is that, prior to COVID, the trend over the last 20 years showed a dramatic decline in the percentage of 62-year-olds claiming benefits as soon as they became eligible. Claiming later will lead to a higher monthly benefit check and generally improve retirement income security. In 2019, based on the cohort data, only about one-quarter of 62-year-olds claimed benefits at that age. The persistent downward trend was interrupted only slightly by the Great Recession, when the percentage of 62-year-olds claiming immediately rose about 4 percentage points.

Our reading of the early evidence is that COVID and the ensuing recession have not pushed large numbers into early retirement – perhaps because those most affected cannot afford to stop working. Regardless of the ultimate impact, COVID is not likely to permanently reverse the trend towards later claiming.

Endnotes

1 The FRA increased by two months for workers turning 65 in 2003 and continued to rise at this pace each year until 66. As a result of the shift in the FRA, Table 6.B5 in the *Annual Statistical Supplement* reports distributions from age 65 up to the FRA and at the FRA. Figure 1 combines these two claiming groups into one group: FRA (65-66).

2 The dip in 1997 occurred because Social Security examined the earnings and benefit records of women and men receiving widow(er)'s benefits to determine if they would be better off receiving retired-worker benefits. This assessment resulted in retired-worker benefit awards for a large number of women over age 65, and particularly over age 70, which caused the one-year decline in the percentage of women claiming benefits at age 62. This explanation was provided through a personal communication with SSA staff (U.S. Social Security Administration 2008).

3 For men, the drop in 2000 was caused by the elimination of the retirement earnings test between ages 65 (which was the FRA at the time) and 69. The elimination of the test led to a large number of retired worker benefit awards for men 65 and older in 2000, which in turn lowered the percentage claiming at 62. This change was most pronounced in 2000, and the percentage of men claiming benefits at age 62 in 2001 readjusted toward the 1999 level. This explanation was provided through a personal communication with SSA staff (U.S. Social Security Administration 2008).

4 57 percent comes from the following calculation:
 $(1.1 * .55) / (1.1 * .55 + 1.0 * .45) = .5735$

5 The approach taken in this analysis follows Muldoon and Kopcke (2008).

6 U.S. Social Security Administration (2020).

7 These data exclude individuals receiving Social Security disability or survivor benefits.

8 Figure 5 shows the change in the percentage of individuals claiming at any given age between the cohort that turned 62 in 1985 and the cohort that turned 62 in 2015. The underlying data for this calculation – the percentage of individuals in each cohort who claim at each age – do not add to 100 percent primarily because some people die during the period.

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