



CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

Phillip L. Swagel, Director

September 25, 2024

Honorable Brendan Boyle
Ranking Member
Committee on the Budget
U.S. House of Representatives
Washington, DC 20515

Re: Raising the Full Retirement Age for Social Security

Dear Ranking Member Boyle:

You have asked the Congressional Budget Office to provide information about the effects that increasing—from 67 to 69—the age at which workers become eligible for full retirement benefits from Social Security would have on workers' benefits and on the program's finances. Specifically, you asked how such an increase in the full retirement age (FRA) would affect people's benefits differently depending on the decade in which they were born, their earnings, and their sex.

All people affected by such an increase in the FRA would receive a smaller amount of Social Security benefits over their lifetime. Workers who chose to delay claiming their retirement benefits by the same number of months as the increase in the FRA would receive the same monthly benefit for a shorter period. Those workers who claimed retirement benefits at the same age as they would have claimed them under current law would receive a smaller benefit for the same number of years. The reduction in Social Security benefits would improve the program's finances.

Those projections reflect the assumption that Social Security will continue to pay benefits as scheduled under current law, regardless of the status of the program's trust funds. CBO projects that the balance of Social Security's trust funds, were they combined, will be exhausted (reach zero) in fiscal year 2034; at that point, the combined balance would no longer

cover the gap between scheduled benefits and annual trust fund receipts.¹ If, instead, CBO's projections reflected the assumption that benefits were limited to the amounts payable from dedicated funding sources after the exhaustion date, benefits would be smaller than scheduled after that date.

Social Security's Full Retirement Age

The age at which workers become eligible for full retirement benefits from Social Security's Old-Age and Survivors Insurance (OASI) program depends on when they were born. Under current law, the FRA is 67 for workers born after 1959. (For workers born earlier, the FRA is lower.)

Regardless of when they were born, workers who have worked for enough years to qualify for Social Security benefits may claim those benefits as early as age 62. Their monthly benefit amount is adjusted on the basis of how much earlier or later than their FRA they choose to start receiving benefits: The older a worker is (up to age 70) when they begin receiving benefits, the larger their monthly benefit will be.²

A Policy That Would Raise the Full Retirement Age

You requested information about a policy that would gradually increase the FRA to 69. For workers born in 1965, the FRA would be 67 years and 3 months, and it would increase by an additional 3 months per birth year, until it reached age 69 for workers born in 1972 or later.³ The earliest age at which a worker could start receiving retirement benefits would remain 62, and the reduction for claiming benefits more than 36 months in advance of

¹ The federal fiscal year runs from October 1 to September 30; fiscal years are designated by the calendar year in which they end. Unless otherwise indicated, the years referred to in this letter are calendar years.

² When a person claims Social Security retirement benefits early, their benefits are reduced by $\frac{5}{9}$ of one percent for each month, up to 36 months, that they receive benefits before reaching their FRA (or by $6\frac{2}{3}$ percent per year). If they begin receiving benefits more than three years before their FRA, their benefits are reduced by an additional $\frac{5}{12}$ of one percent for each month greater than 36 (or by 5 percent per year). Under current law, claiming benefits at age 62 results in a 30 percent reduction. When a person born after 1942 delays receiving retirement benefits, their monthly benefits increase by $\frac{2}{3}$ of one percent for each month (or 8 percent for each year) after their FRA that they begin claiming benefits. A worker born after 1959 who claims benefits at age 70 thus receives monthly benefits that are 24 percent greater than they would have been if the person claimed benefits when they reached their FRA.

³ For an analysis of the effects over the 2023–2032 period of increasing the FRA to age 70, see Congressional Budget Office, "Raise the Full Retirement Age for Social Security," in *Options for Reducing the Deficit, 2023 to 2032—Volume II: Smaller Reductions* (December 2022), www.cbo.gov/budget-options/58651.

their FRA would remain $\frac{5}{12}$ of one percent per month (or 5 percent per year).

For all people who claim benefits *before* reaching their FRA, the reduction in monthly benefits would be larger under the specified policy than it would be under current law. The reduction in benefits is measured in relation to the monthly benefit amount that a person would receive if they claimed benefits upon reaching their FRA—an amount referred to as the primary insurance amount. For example, under current law, the monthly benefits for workers born in 1972—whose FRA is 67—would be reduced by 30 percent if they claimed benefits at age 62 rather than at their FRA. If, instead, their FRA was 69, as it would be under the specified policy, their benefits would be 40 percent less than their primary insurance amount.

Under the specified policy, people who claimed their retirement benefits *after* reaching their FRA would still receive a larger benefit (up to age 72) than they would if they claimed when they reached their FRA. (To account for the two-year increase in the FRA under the policy, the age at which the benefit associated with waiting to claim larger retirement benefits ends also would increase by two years—from 70 to 72.) For people who claimed benefits at the same age as they would have claimed them under current law, the increase in the monthly benefit relative to the primary insurance amount would be smaller after the change in policy.

Estimated Effects of Such a Policy on Workers' Social Security Benefits

CBO analyzed the effects that implementing the specified increase in the FRA would have on Social Security retirement benefits by examining the average annual benefits that retired workers would receive if they claimed benefits at age 65 and average lifetime Social Security benefits measured as a percentage of average lifetime earnings. For each measure, CBO estimated the effects for different groups that it constructed on the basis of the decade in which people were born, their lifetime household earnings quintile, and their sex.⁴ Increasing the FRA would not directly affect the benefits for workers who qualify for Social Security's Disability Insurance (DI) program but would lead to a small increase in the government's spending for DI.

Average After-Tax Benefits for Retired Workers Who Claim Benefits at Age 65. For workers born before 1965, raising the FRA as specified would have no effect on their retirement benefits. For those born more

⁴ A quintile is one-fifth of the distribution.

recently, retirement benefits that were claimed at age 65 would be smaller, on average, than they would be under current law. The decrease in benefits under the specified policy would become larger as the change in the FRA was fully phased in.⁵

People Who Claim Benefits Before Their FRA. Under current law, workers born between 1965 and 1972 who claimed retirement benefits at age 65 would receive monthly benefits that were 13 percent less than those they would have received if they waited to claim at their FRA, age 67. Under the specified policy, workers born in 1965 who claimed retirement benefits at age 65 (instead of their FRA of 67 years and 3 months) would receive benefits that were 15 percent less than their primary insurance amount. The reduction in benefits would thus be 2 percentage points greater under the specified policy than it is under current law (see [Figure 1](#)).

The reduction in benefits would be greater for workers born in 1972, whose FRA would be higher than that of the older cohort. Under the specified policy, the retirement benefits for such workers who claimed benefits at age 65 instead of at their FRA of 69 would be 25 percent less than their primary insurance amount. That reduction would be 12 percentage points greater than the reduction for claiming benefits at age 65 would be under current law.

People Born in Different Decades. CBO estimates that the average retirement benefits for workers born in the 1960s (people ages 55 to 64 in 2024) who claimed benefits at age 65 would be 3 percent less under the specified policy than they would be under current law (see [Figure 2](#)). That reduction in average benefits reflects the cohort's mix of people who would be unaffected by the policy change (those born before 1965) and people who would be affected (those born between 1965 and 1969).

For people born in the 1970s—the first 10-year birth cohort in which all beneficiaries would be affected by the increase in the full retirement age—the average retirement benefits for workers who claimed benefits at age 65 would be 13 percent less than the average benefits they would receive under current law. The decline in benefits, measured in percentage terms, for those born in the 1980s would be similar to that for the 1970s cohort.

⁵ For this analysis, CBO projected the benefit amounts that retired workers who claimed benefits at age 65 would receive in their first year of receiving such benefits. To remove the effects of inflation on those benefits, CBO used the price index for all goods and services that make up gross domestic product. The agency computed those benefits for all people who are eligible to claim retirement benefits at age 62 and who have not yet claimed any other Social Security benefits. All amounts are net of income taxes paid on benefits.

The change in the FRA under the specified policy would be fully phased in beginning with people born in 1972, so most people born in the 1970s and all of those born in the 1980s would be subject to an FRA of 69.

People With Different Lifetime Earnings. The specified policy for increasing the FRA would have similar effects, measured in percentage terms, on the average Social Security retirement benefits for all workers who claimed benefits at age 65, regardless of their lifetime earnings. Among people born in the 1970s and 1980s, the average annual benefit amount of people across the earnings distribution who claimed benefits at age 65 would be 13 percent less under the specified policy than under current law, CBO estimates (see [Figure 3](#)). In percentage terms, the decrease in average benefits would be smaller for those born in the 1960s. That is because not everyone in the 1960s cohort would be affected by the change in the FRA and because the percentage decrease in benefits for those who were affected would be smaller than that for those who were born in the 1970s or later.

Women and Men. The specified increase in the FRA would have a similar effect, in percentage terms, on average benefits for women as it would on average benefits for men. For example, CBO estimates that the average benefit amounts for both women and men born in the 1970s who claimed benefits at age 65 would be 13 percent smaller under the specified policy than they would be under current law (see [Figure 4](#)).

Average Lifetime Benefits Measured as a Percentage of Average Lifetime Earnings. For people born after 1964—those whose FRA would increase—the total Social Security benefits (OASI and DI) that they would receive during their lifetime would equal a smaller percentage of lifetime earnings, on average, under the specified policy than such benefits would equal under current law, and that reduction would grow as the FRA rose.⁶ For those born in the 1970s, their average lifetime benefits would be 11.6 percent of their average lifetime earnings under the specified policy—

⁶ The amount of lifetime Social Security benefits is the present value of all inflation-adjusted Social Security benefits (except for those received by young widows, young spouses, and children) after the income taxes that some recipients pay on their benefits are accounted for. (A present value expresses a flow of current and future income or payments in terms of an equivalent lump sum received or paid today. The benefits received by young widows, young spouses, and children are excluded from the measure of lifetime Social Security benefits because the data about such benefits are insufficient for years before 1984.) Lifetime earnings are the present value at age 65 of a person's inflation-adjusted earnings over their lifetime, including earnings above the maximum amount subject to the Social Security payroll tax. To remove the effects of inflation on those benefits and earnings, CBO used the price index for all goods and services that make up gross domestic product.

which is 8 percent less than the 12.7 percent projected under current law (see [Figure 5](#)).⁷

If the FRA was increased, people in the highest quintile of the lifetime earnings distribution would, on average, experience a larger decline in their lifetime benefits, measured in relation to their lifetime earnings, than people who earned less. For example, for those born in the 1970s, average lifetime benefits measured in relation to average lifetime earnings for people in the highest quintile of the earnings distribution would decrease by 10 percent—from 7.3 percent under current law to 6.6 percent under the specified policy (see [Figure 6](#)). By comparison, people in the lowest quintile of the earnings distribution would, on average, experience a decrease of 5 percent in their lifetime benefits measured in relation to their lifetime earnings. Benefits would decline less for low earners because people in the lowest lifetime earnings quintile are more likely to claim DI benefits, which are not affected by increases in the FRA.

The effect that the specified policy for increasing the FRA would have on average lifetime benefits relative to average lifetime earnings is similar for women and men. For women born in the 1970s, for example, average lifetime benefits measured in relation to average lifetime earnings would be 8 percent smaller under the specified policy than they would be under current law. For men born in that decade, that measure would be 9 percent smaller after the specified increase in the FRA than it would be under current law, CBO estimates (see [Figure 7](#)).

Estimated Effects of an Increase in the FRA on Social Security's Finances

On net, the increase in the FRA specified here would reduce spending for Social Security—in dollar terms and measured as a percentage of gross domestic product (GDP)—and thus reduce the 75-year actuarial deficit of the program, CBO estimates.⁸ Such an increase would not change CBO's

⁷ The percentage reduction in average *total* lifetime benefits measured in relation to average lifetime earnings under the specified policy would be smaller than the reduction in average *retirement* benefits for workers who claimed such benefits at age 65 because the increase in the FRA would reduce benefits only for retired workers and their dependents and survivors; other survivors' benefits and DI benefits would be unaffected.

⁸ The actuarial balance is a common measure of the sustainability of a program that has a trust fund and a dedicated revenue source; a negative actuarial balance is called an actuarial deficit. The actuarial balance is the sum of the present value of projected income and the current trust fund balance, minus the sum of the present value of projected outlays and a year's worth of benefits at the end of the period. For Social Security, that balance is traditionally presented as a percentage of the present value of GDP or of taxable payroll over 75 years.

projection that the balance of Social Security's OASI and DI trust funds, were they combined, would be exhausted in fiscal year 2034.

Less Spending for Benefits. If benefits were paid in full regardless of the financial status of the trust funds, Social Security spending under the specified policy would, CBO estimates, equal 5.4 percent of GDP in 2054 and 6.2 percent of GDP in 2098—0.5 percentage points less in both years than such spending is projected to be under current law. The reductions in Social Security spending stemming from the policy change would generally increase each year as more people were subject to the higher FRA. Those reductions would occur because average benefits would be smaller and because many people would claim benefits at their FRA, meaning they would claim them later than they would under current law. By about 2070, nearly all beneficiaries will have been born in 1972 or later, and thus their FRA would be 69. Thereafter, the savings from the increase in the FRA would stabilize, CBO estimates.

The reduction in spending on retirement benefits that would occur under the specified policy would be slightly offset by a small increase in spending on DI benefits, CBO estimates. The agency anticipates that spending for DI would increase for two reasons. First, the reduction in retirement benefits would increase the incentive for workers to apply for DI benefits, which would not be directly affected by the policy change.⁹ Second, under current law, DI recipients born in 1961 or later receive DI benefits through age 66; at age 67, they transition to receiving retired worker benefits, though their monthly benefit amount does not change. By contrast, under the specified policy, those workers would receive DI benefits through age 68. That change would result in an increase in spending on DI, and the increase would be exacerbated by the fact that disability rates increase with age.

Narrower Gap Between Spending and Revenues. Under the specified policy, the annual gap in Social Security's finances (the difference between the program's costs and its revenues) would be 0.5 percent of GDP smaller in 2098 than it is projected to be under current law. Although narrower in

⁹ For example, under current law, workers who claimed retirement benefits at age 62 in 2054 would receive 70 percent of their primary insurance amount. Such workers who qualified for and claimed DI benefits would receive 100 percent of their primary insurance amount. By comparison, under the specified policy, workers who turned 62 in 2054 would have an FRA of 69. If they claimed retirement benefits upon turning 62, they would receive 60 percent of their primary insurance amount; however, if they qualified for and claimed DI benefits, they would still receive 100 percent of their primary insurance amount. The larger discrepancy between those two amounts under the policy would encourage more people to apply for DI benefits than would apply under current law.

that year than it would be under current law, the gap would still be widening by the end of the 75-year period (as projected under current law), and that trend of growing financial shortfalls is expected to continue after 2098.

Reduction in the 75-year Actuarial Deficit. The specified policy would also affect the actuarial deficit of the Social Security program. CBO estimates that the policy would reduce the 75-year actuarial deficit measured in relation to GDP from 1.5 percent to 1.1 percent—a 24 percent reduction. Relative to taxable payroll (the total payroll subject to the Social Security tax), the 75-year actuarial deficit would decrease from 4.3 percent to 3.3 percent—also a reduction of 24 percent.

No Effect on Projected Year in Which Balances of Trust Funds Would Be Exhausted. A commonly used measure of Social Security’s financial position is the year in which the trust funds’ balances would be exhausted. CBO projects that, under current law, the balance of the trust funds, were they combined, would be exhausted in fiscal year 2034. Increasing the FRA as specified would not extend the projected exhaustion of the combined trust funds’ balance beyond that year.

CBO’s Analytical Methods

CBO’s analysis is based on the long-term projections for Social Security that the agency published in August 2024.¹⁰ Those projections are based on the agency’s June 2024 economic projections and its January 2024 demographic projections.¹¹

To develop its long-term projections of Social Security’s spending and revenues, CBO uses a detailed microsimulation model, which starts with data about individuals from a 1-in-1,000 sample of the population and projects demographic and economic outcomes for that sample over time. For each person in the sample, the model simulates birth, death, immigration and emigration, changes in marital status, fertility, labor force participation, hours worked, earnings, and payroll taxes along with Social Security retirement, disability, and dependent benefits. The long-term analysis of the policy presented in this letter is based on average results

¹⁰ Congressional Budget Office, *CBO’s 2024 Long-Term Projections for Social Security* (August 2024), www.cbo.gov/publication/60392.

¹¹ Congressional Budget Office, *An Update to the Budget and Economic Outlook: 2024 to 2034* (June 2024), www.cbo.gov/publication/60039, and *The Demographic Outlook: 2024 to 2054* (January 2024), www.cbo.gov/publication/59697.

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from 20 simulations of the model.¹² The long-term projections of Social Security's finances follow CBO's 10-year baseline budget projections, which reflect the assumption that current laws governing taxes and spending generally remain unchanged, and then extend most of the concepts underlying those projections.

The projections presented in this letter are based on a scheduled-benefits scenario in which Social Security continues to pay benefits as scheduled under current law, regardless of the status of the program's trust funds. That approach is consistent with statutory requirements governing CBO's baseline projections and reflects the assumption that funding for such programs will be adequate to make all payments required by law.¹³

For this analysis, CBO did not project the overall effects on the economy of increasing the FRA or the consequences that any such economic effects might have for Social Security's finances or the federal budget. For example, an increase in the FRA would increase the supply of labor to some extent; however, the analysis does not include the effects that such an increase in the labor supply would have on the budget.

The estimates described in this letter are subject to significant uncertainty. In particular, it is uncertain how an increase in the FRA would affect workers' decisions about when to claim retirement benefits.

I hope this information is helpful to you. Please contact me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Phillip Swagel", with a long, sweeping flourish extending to the right.

Phillip L. Swagel
Director

¹² The model's outcomes differ slightly from one simulation to the next; that variation is mitigated by taking the average of 20 simulations. For details, see Michael Simpson, Principal Analyst, Health, Retirement, and Long-Term Analysis Division, Congressional Budget Office, "Investigating Monte Carlo Variation in a Dynamic Microsimulation Model" (presentation to the Fifth World Congress of the International Microsimulation Association, September 2, 2015), www.cbo.gov/publication/50736.

¹³ See section 257(b)(1) of the Balanced Budget and Emergency Deficit Control Act of 1985, Public Law 99-177 (codified at 2 U.S.C. § 907(b)(1) (2016)).

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cc: Honorable Jodey Arrington
Chairman
House Committee on the Budget

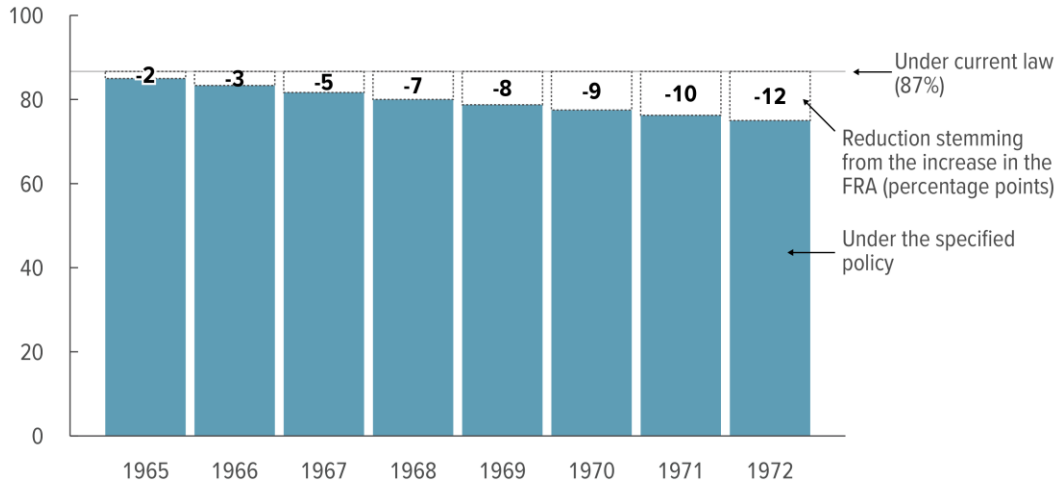
Honorable Jason Smith
Chairman
House Committee on Ways and Means

Honorable Richard Neal
Ranking Member
House Committee on Ways and Means

Figure 1.

Social Security Retirement Benefits for People Who Claim Them at Age 65 Under Current Law and Under a Specified Policy That Would Raise the FRA, by Beneficiaries' Year of Birth

Percentage of primary insurance amount



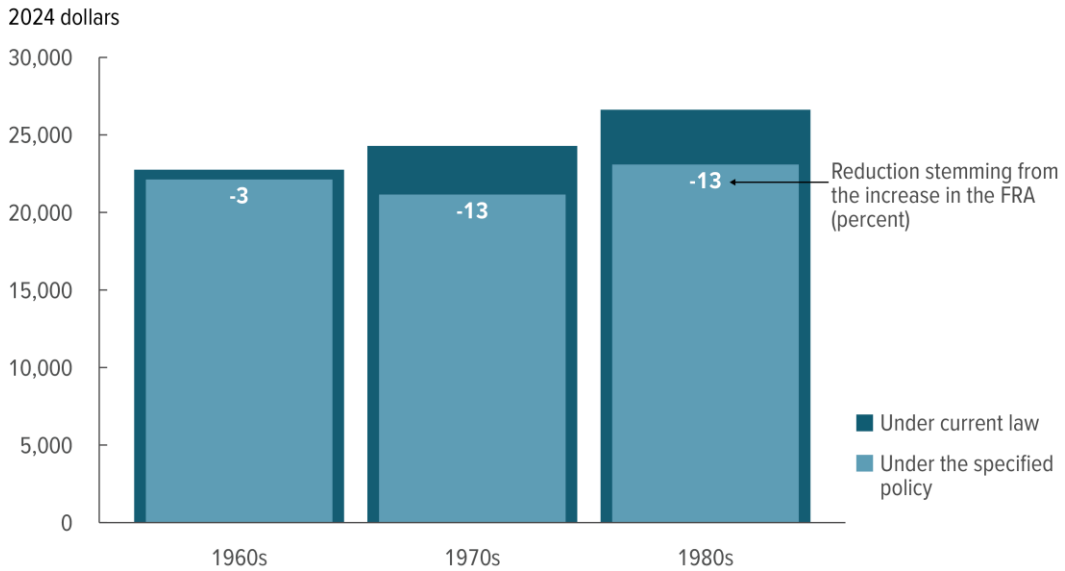
Data source: Congressional Budget Office. See www.cbo.gov/publication/60516#data.

The primary insurance amount is the monthly Social Security benefit amount that a person would receive if they claimed retirement benefits upon reaching their FRA.

FRA = full retirement age.

Figure 2.

Average Annual Social Security Retirement Benefits for People Who Claim Them at Age 65 Under Current Law and Under a Specified Policy That Would Raise the FRA, by Beneficiaries' Birth Cohort



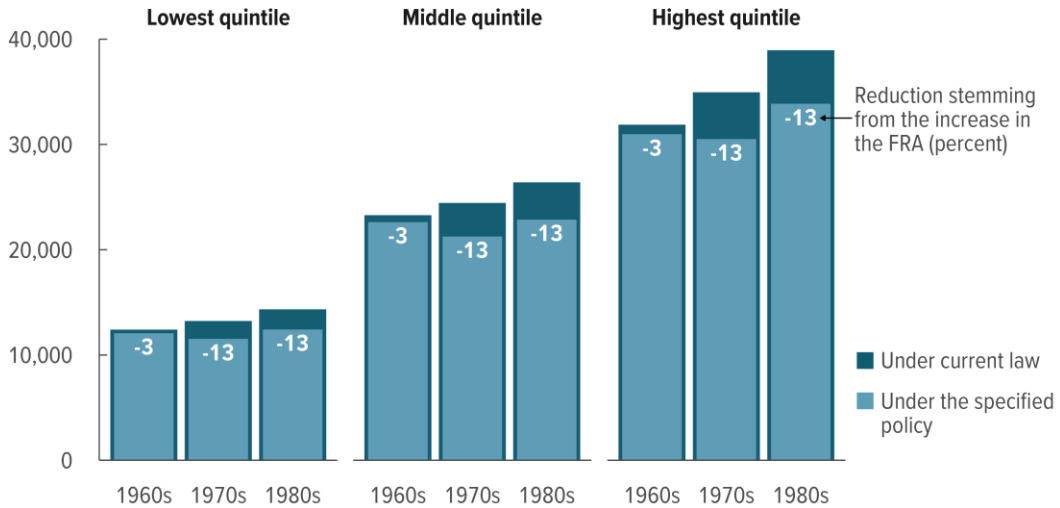
Data source: Congressional Budget Office. See www.cbo.gov/publication/60516#data.

FRA = full retirement age.

Figure 3.

Average Annual Social Security Retirement Benefits for People Who Claim Them at Age 65 Under Current Law and Under a Specified Policy That Would Raise the FRA, by Beneficiaries' Birth Cohort and Lifetime Earnings Quintile

2024 dollars



Data source: Congressional Budget Office. See www.cbo.gov/publication/60516#data.

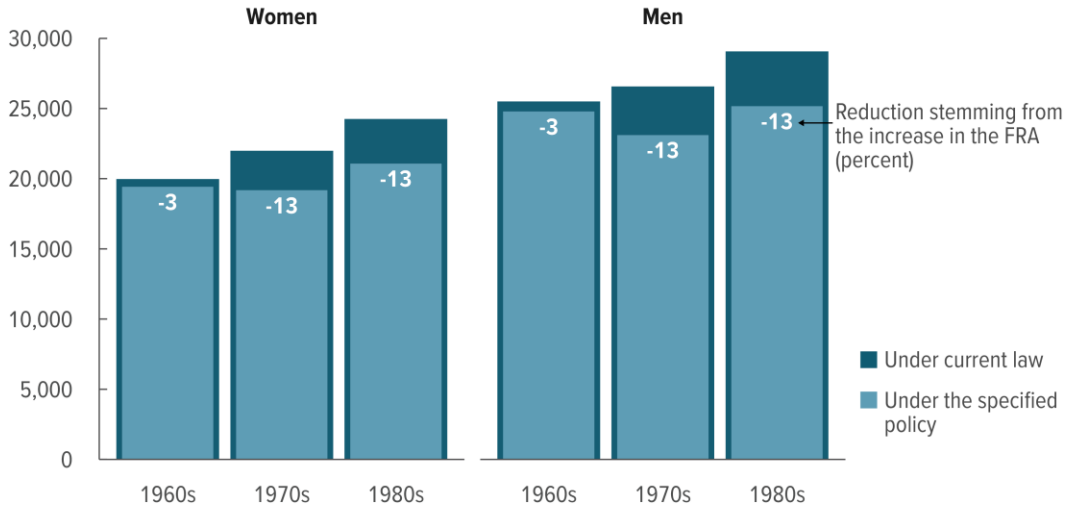
A quintile is one-fifth of the distribution.

FRA = full retirement age.

Figure 4.

Average Annual Social Security Retirement Benefits for People Who Claim Them at Age 65 Under Current Law and Under a Specified Policy That Would Raise the FRA, by Beneficiaries' Birth Cohort and Sex

2024 dollars



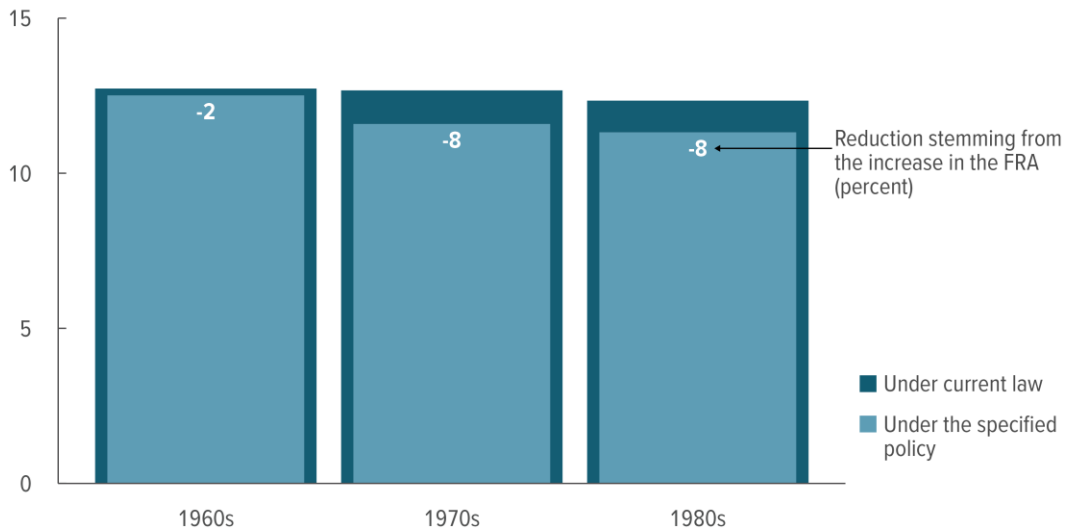
Data source: Congressional Budget Office. See www.cbo.gov/publication/60516#data.

FRA = full retirement age.

Figure 5.

Average Lifetime Social Security Benefits Under Current Law and Under a Specified Policy That Would Raise the FRA, by Beneficiaries' Birth Cohort

Percentage of average lifetime earnings



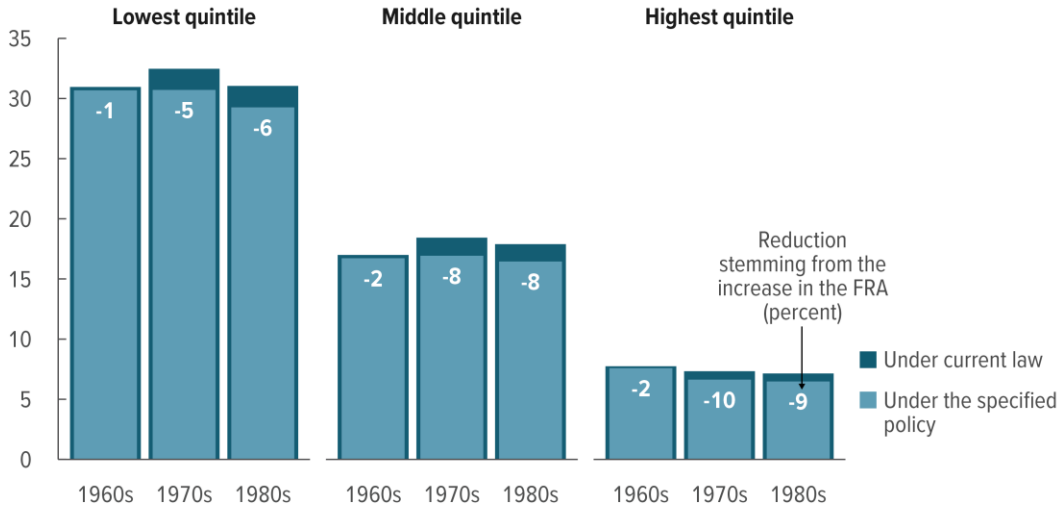
Data source: Congressional Budget Office. See www.cbo.gov/publication/60516#data.

FRA = full retirement age.

Figure 6.

Average Lifetime Social Security Benefits Under Current Law and Under a Specified Policy That Would Raise the FRA, by Beneficiaries' Birth Cohort and Lifetime Earnings Quintile

Percentage of average lifetime earnings



Data source: Congressional Budget Office. See www.cbo.gov/publication/60516#data.

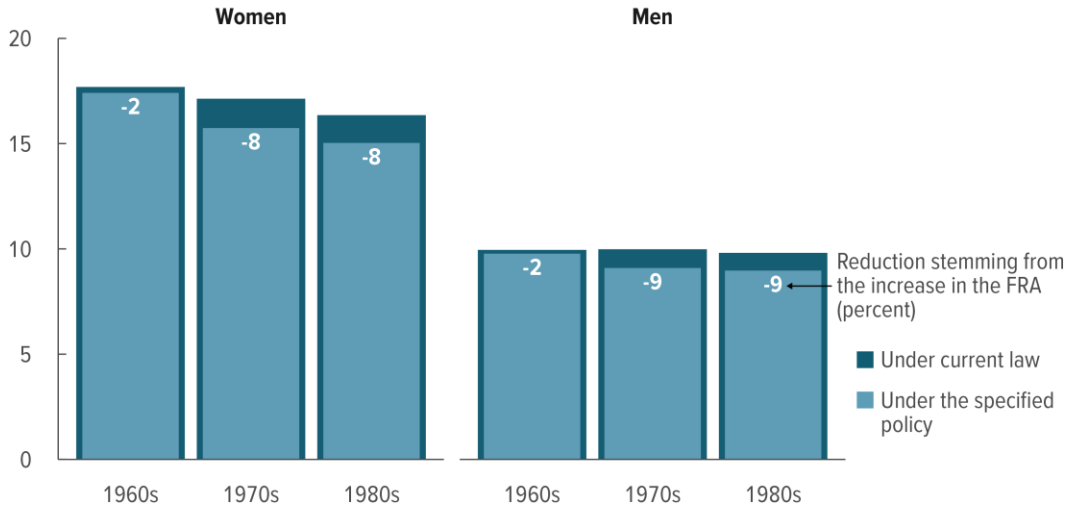
A quintile is one-fifth of the distribution.

FRA = full retirement age.

Figure 7.

Average Lifetime Social Security Benefits Under Current Law and Under a Specified Policy That Would Raise the FRA, by Beneficiaries' Birth Cohort and Sex

Percentage of average lifetime earnings



Data source: Congressional Budget Office. See www.cbo.gov/publication/60516#data.

FRA = full retirement age.
