Director's Corner  John Laitner

The August Retirement Research Consortium (RRC) conference at the National Press Club was well-attended and provided a stimulating exchange of ideas on retirement benefits, disability, Medicare, and health insurance in general. The top-notch presentations by established and up-and-coming scholars demonstrated the Social Security Administration's commitment to sustaining a program of independent, in-depth research – and its willingness to build and encourage a sizable group of academic and other professionals interested in retirement-related issues.

The MRRC begins the 2009-2010 fiscal year with a number of personnel changes.

• We are pleased to welcome two new Associate Directors: Dmitriy Stolyarov, an Associate Professor of Economics at the University of Michigan, and Daniel Silverman, also an Associate Professor of Economics at Michigan. Both have recently collaborated on MRRC research projects.

• After a number of years of excellent service, Charles Brown, Professor of Economics, steps down from his role of Special Consultant to the Director to begin a co-directorship of the Panel Study on Income Dynamics (PSID).

• This last summer, the MRRC has been pleased to welcome Ruth Shamraj as Associate Director of External Relations, whose duties include editing this Newsletter. After many years of excellent service, Amanda Sonnega steps down from the position to accept research and teaching responsibilities at the University of Michigan School of Kinesiology.

• MRRC is very pleased to announce that Debra Whitman has joined its Board of Outside Scholars. Debra Whitman is staff director for the Senate Special Committee on Aging. Earlier in her career, she worked at the Social Security Administration, helping to establish the Retirement Research Consortium.

With its dedicated team of new and continuing members, and with an exciting slate of new research projects for 2009-2010 (see page 7), the Michigan Retirement Research Center looks forward to an interesting and productive year.
2009 RRC Conference

The Retirement Research Consortium (RRC) held its 11th annual conference August 10-11, 2009, focusing on “Issues for Retirement Security” at the National Press Club in Washington, DC.

In his opening remarks, Manuel de la Puente, Associate Commissioner of the Office of Research, Evaluation, and Statistics, Social Security Administration (SSA), observed that the diverse group of attendees was “an indication of the wide-range appeal and of the practical value of the consistently high quality research produced by the Retirement Research Consortium in the past 10 years.”

The annual RRC conference was intended to inform policy makers of the research findings and “give the researchers themselves a chance to hear from each other and to cross-fertilize ideas,” according to Debra Whitman (Staff Director of the Senate Special Committee on Aging). Whitman helped establish the RRC when she was a project officer at SSA, along with Steve Sandell and others.

The Social Security Administration has “recognized the value of basic and applied research as necessary activities for enhancing the Social Security program,” noted Manuel de la Puente. At the same time, SSA has also played a vital role “as a data source and resource tool for a wide variety of independent research done in other government agencies and in the private sector.”

De la Puente noted that SSA funds between 60 and 75 retirement research projects through the three RRC centers each year: the Center for Retirement Research at Boston College, the University of Michigan Retirement Research Center, and the National Bureau of Economic Research’s Retirement Research Center.

Sylvester Schieber (Chair of the Social Security Advisory Board), gave the luncheon address on the first day of the conference. His paper, “Productivity Rewards and Pay Illusions Caused by Health and Retirement Benefit Cost Increases,” focused on the importance of reining in health benefit cost inflation as part of health care reform. Schieber warned, “If we fail to bring health inflation under control as part of health reform, then many workers may be burdened with higher costs that put an end to pay raises for the foreseeable future.” View Schieber’s paper at http://www.nber.org/2009rrc/Full/Luncheon%20Speech-Schieber%20.pdf.

Lawrence H. Summers (Assistant to the President for Economic Policy and Director of the National Economic Council) was the guest speaker on the second day. Summers underscored the importance of research done by the RRC. Asked when Social Security reform would be addressed, Summers cautiously replied that he was confident that it was in fact on President Obama’s agenda.


Arie Kapteyn, MRRC researcher (RAND)

MRRC researchers, from left, David Weir (Director, HRS); John Karl Scholz (Wisconsin); MRRC Director John Laitner; Bob Willis (HRS)

From left: Alan Gustman, MRRC researcher (Dartmouth); Howard Iams, SSA Research Advisor

From left: Andrew Eschtruth, Boston College; Amanda Sonnega, MRRC

From left: Becky Bahlibi (MRRC); Korland Simmons and Sara Stromer (NBER)

From left: MRRC researchers Marjorie Honig, (Hunter); Annamaria Lusardi (Dartmouth)

From left: Liqian Ren (Vanguard); MRRC researcher Zhen Liu (Buffalo)
How Older Americans Are Faring in the Recession

Diane Swanbrow
University of Michigan News Service

More working longer

Older Americans have weathered the financial crisis relatively well, although many now expect to work longer than they did just a year ago, according to a University of Michigan study released on Capitol Hill on September 16, 2009.

The study is based on data from 4,412 older Americans collected in April and May of this year in a special Internet survey of respondents of the Health and Retirement Study, a nationally representative sample of Americans age 51 and older conducted by the U-M Institute for Social Research (ISR) and funded by the National Institute on Aging.

“We asked the same older workers what the chances were that they would still be working full time after age 65, and they went up from 47 percent to 57 percent between 2008 and 2009—a very rapid change after a long period of stability,” said ISR economist David Weir (director of the Health and Retirement Study and MRRC researcher). The chances of working past 62 went up from 60 percent to 65 percent.

Weir presented the findings at a breakfast on Capitol Hill held to mark the 60th Anniversary of the Institute, the largest academic social research and survey organization in the world.

“This study is the first to show a clear change in work expectations among the same group of older Americans,” Weir said. “The findings provide compelling evidence that people have changed their retirement plans as a result of the financial crisis.”

The survey found what Weir called an “historically unprecedented” exposure to the stock market, with 62 percent reporting stock holdings in 401(k)s, IRAs, mutual funds, or other vehicles. Reported losses ranged from 20 percent in IRAs and 401(k)s to 25 percent in mutual funds, and 30 percent in stock in single companies.

Loss of retirement assets

The survey also found that nearly a quarter of older Americans reported a decline in the value of their home. Slightly less than half still have home mortgages, and about 7 percent of these reported that they are “under water,” owing more on their home than it is worth. About 3 percent of those with a mortgage said they had fallen behind on payments, but just three-tenths of one percent reported they had entered foreclosure.

“Many more older Americans are experiencing the financial crisis through the housing troubles of their children than through their own difficulties,” Weir said. “Nearly 10 percent said someone else in their family had fallen behind on a mortgage.”

Nearly 24 percent surveyed after the crisis said they were not satisfied with their financial situation, compared to about 17 percent when they were surveyed in 2008.

Mental health impact

Weir found that the recession and the resulting financial losses were taking a psychological toll on older Americans as well. About 53 percent surveyed before the crisis reported experiencing no symptoms of depression, such as restless sleep, feeling sad, or feeling that everything was an effort. After the crisis, that percentage dropped by 9 percentage points, to about 44 percent. Those reporting four or more symptoms of depression—a level consistent with a diagnosis of clinically significant depression—increased from 11 percent before the crisis to 18 percent after the crisis.

“Anxiety produced by the financial crisis, whether about their own situation, their children’s or the nation’s, is having an impact on the mental health of older Americans that, if it persists, could have effects on physical health, as well, given what we know about the influence of depression on physical health,” he said.

However, Weir found no differences in alcohol consumption among older Americans surveyed before and after the crisis, suggesting that while people may be feeling more depressed, they are not changing their core behaviors.

But, Weir said, while older Americans have been affected by the economic crisis that began last fall, and continue to feel the effects, they are coping relatively well.
Using Matched Survey and Administrative Data

The July 2009 Social Security Bulletin includes an article titled “Measurement Issues Associated with Using Survey Data Matched with Administrative Data from the Social Security Administration,” by Paul S. Davies and T. Lynn Fisher. The authors are with the Division of Policy Evaluation, Office of Research, Evaluation, and Statistics, Office of Retirement and Disability Policy, Social Security Administration. Here is the article’s abstract:

Researchers using survey data matched with administrative data benefit from the rich demographic and economic detail available from survey data combined with detailed programmatic data from administrative records. This article focuses on survey data matched with administrative data from the Social Security Administration and addresses the strengths and weaknesses of each in four specific areas: program participation and benefits, disability and health information, earnings, and deferred compensation. The article discusses the implications of these strengths and weaknesses for decisions that researchers must make regarding the appropriate data source and definition for the concepts in question.


IRS Site Helps Employers Manage Retirement Plan Options

The IRS has launched www.retirementplans.irs.gov, to help employers navigate through tax-favored retirement plan options and to make it easier for their employees to save for the future. It encourages small business owners to establish retirement plans by helping them choose the right plan for their business. The site also promotes compliance with tax law by providing information and resources on maintaining plans and correcting plan errors.

Did You Know?

- SSA paid benefits to about 55.8 million people in 2008
- Social Security provided at least half the income for 64 percent of the aged in 2007
- Social Security benefits were awarded to about 5.1 million people in 2008
- Women accounted for 56 percent of adult Social Security beneficiaries in 2008
- The average age of disabled-worker beneficiaries was 52.6 in 2008
- Eighty-four percent of SSI recipients received payments because of disability or blindness in 2008


2009 Working Papers Available

The 2009 MRRC Working Papers are now available on our website with Key Findings. Check periodically for new releases: http://www.mrrc.isr.umich.edu/publications/papers/.
Social Security Holds Compassionate Allowances Hearing on Early-Onset Alzheimer’s Disease

On Wednesday, July 29, 2009, Michael J. Astrue, Commissioner of Social Security, hosted the agency’s fourth public hearing on Compassionate Allowances. Commissioner Astrue was joined by Marie A. Bernard, M.D., Deputy Director of the National Institute on Aging, National Institutes of Health, and other Social Security officials. They heard testimony from some of the nation’s leading experts on early-onset Alzheimer’s disease and related dementias about possible methods for identifying and implementing Compassionate Allowances for people with early-onset Alzheimer’s.

“This year, through Compassionate Allowances and our Quick Disability Determination process, over 100,000 Americans with severe disabilities will be approved for Social Security disability benefits in a matter of days rather than the months and years it can sometimes take,” said Commissioner Astrue. “We are now looking to add more diseases and impairments to these expedited processes. With today’s hearing, we are expanding our focus from specific rare diseases and cancers to look at subgroups of much broader conditions. Early-onset Alzheimer’s disease is a rapidly progressive and debilitating disease of the brain that affects individuals between the ages of 50 and 65 and clearly deserves our consideration.”

In October 2008, Social Security launched Compassionate Allowances to expedite the processing of disability claims for applicants with medical conditions so severe that their conditions by definition meet Social Security’s standards. To learn more and to view a web cast of the hearing, go to www.socialsecurity.gov/compassionateallowances.

“With the aging of the baby-boomers, we are beginning to see more, younger working Americans diagnosed with this devastating disease,” Commissioner Astrue said. “I want to thank the Alzheimer’s Association and their staff, particularly Harry Johns, President and CEO. Their help has been invaluable and many of the witnesses are here at their suggestion. Together, we hope to identify the most severe cases that can be included in our Compassionate Allowances process.”

Compassionate allowances are a way of quickly identifying diseases and other medical conditions that invariably qualify under the Listing of Impairments based on minimal objective medical information. Compassionate allowances allow Social Security to quickly target the most obviously disabled individuals for allowances based on objective medical information that can be obtained quickly.

November 2009 hearing on schizophrenia. Commissioner Astrue has held four Compassionate Allowance public outreach hearings. The hearings were on rare diseases, cancers, traumatic brain injury (TBI) and stroke, and early-onset Alzheimer’s disease and related dementias. The Commissioner will hold the fifth public outreach hearing on schizophrenia in November 2009. The hearing will take place in San Francisco, California.

AARP Offers “Doughnut Hole” Calculator

Each year, an estimated three million-plus older Americans fall into the “doughnut hole”—a coverage gap in Medicare’s prescription drug program that leaves individuals on the hook for all of their own drug costs while still paying premiums. The AARP Doughnut Hole Calculator, available at www.aarp.org/doughnuthole, can help you find options to save money and potentially avoid this dreaded coverage gap.

The calculator guides you through your prescription drug options using localized information to determine if or when you will fall into the coverage gap. In about 15 minutes, you can view a graph of your out-of-pocket spending by month, look up lower cost drugs for any health conditions, create a medication record, and print out personalized letters to your doctors to help start a conversation about safely switching prescriptions.

“More than three million people fall into the gap each year, and millions more nervously wonder if they might fall in,” said AARP Executive Vice President Nancy LeaMond. “For the first time, people in Medicare have a simple way to learn if they’ll fall into the doughnut hole and find ways to avoid it by switching to safe, less expensive medications.”

The calculator is powered by DestinationRx as part of a special arrangement between AARP and Medicare. The data is the same used by the Medicare Prescription Drug Plan Finder, giving users the most accurate and up-to-date drug pricing information available.

Article provided by the American Association of Retired Persons (AARP).
**MRRC’s New Awards**

The University of Michigan Retirement Research Center is pleased to announce the following research awards for 2009-2010.

**Social Security Disability Insurance**

The Labor Supply Effects of Disability Insurance Work Disincentives: Evidence from Administrative Data. Nicole Maestas (RAND) and Jae Song (SSA)

The Social Security Early Retirement Benefit as Safety Net. John Bound (U of Michigan) and Timothy A. Waidmann (Urban Institute)

Analysis of Policy Options for Older Workers Experiencing Work-Limitation Onset. Jody Schimmel and David Stapleton (Mathematica)


The Effect of Disability and Disability Insurance on Spousal Labor Supply. Susan Chen (Purdue)

**Current Economic Crisis**

The Effects of the Economic Crisis on Retirement and Spending. Susann Rohwedder and Michael Hurd (RAND)

The Financial Crisis and the Well-Being of Social Security Recipients. Matthew D. Shapiro (U of Michigan)


Mortgage Distress of the Elderly: How Strong are Family Ties? Frank Stafford and Elena Gouskova (U of Michigan)

**Life-Cycle: Accumulation Phase**

Should You Borrow from Yourself? The Determinants and Effects of 401(k) Loans. Olivia S. Mitchell and Timothy Jun Lu (U of Pennsylvania)

Financial Literacy, Short-run Impatience, and the Determinants of Savings and Financial Management. Justine Hastings (Yale) and Olivia S. Mitchell (U of Pennsylvania)

Financial Knowledge and Financial Literacy at the Household Level. Alan Gustman (Dartmouth), Thomas Steinmeier (Texas Tech), and Nahid Tabatabai (Dartmouth)

**Life-Cycle: Family Line Networks**

New Data on Intergenerational Transfers. John Laitner and Amanda Sonnega (U of Michigan)

Geographic Dispersion and the Well-Being of the Elderly. Judith A. Seltzer, Kathleen McGarry and Suzanne M. Bianchi (UCLA)

Bequest Motives and Asset Decumulation at the End of Life. John Bailey Jones (SUNY)

**Life-Cycle: Well-Being in Retirement**

Post-Retirement Adjustments in Defined Benefit Pensions. Charles Brown (U of Michigan)

The Effect of Out-of-Pocket Spending for Health Care on Economic Preparation for Retirement. Michael Hurd and Susann Rohwedder (RAND)

New Explorations of Health and Wealth. John Karl Scholz and Ananth Seshadri (U of Wisconsin)

Numeracy, Cognitive Abilities and Retiree Health Care Expenditure. Hanming Fang (Duke), Lauren Nicholas, and Dan Silverman (U of Michigan)

**Social Security System/Reform**

The Growth in Social Security Benefits Among the Retirement Age Population. Alan Gustman (Dartmouth), Thomas Steinmeier (Texas Tech) and Nahid Tabatabai (Dartmouth)


The Joint Decision-Making of Married Couples and the Social Security Pension System. Shinichi Nishiyama (Georgia State)

**Immigration**

Earnings Growth as a Predictor of Mortality with an Application to Immigrant Mortality. Harriet Duleep and David A. Jaeger (William and Mary)
The Michigan Retirement Research Center is supported by a cooperative agreement with the Social Security Administration (10-M-98362-5-01).

Regents of the University of Michigan
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