



Director's Corner *John P. Laitner*

This year's Retirement Research Consortium conference at the National Press Club was titled *Current Perspectives on Retirement Policy*. The three RRC Centers — the Michigan Retirement Research Center, the Center for Retirement Research at Boston College, and the NBER Retirement Research Center — take turns arranging the conference.

The presentations represent a selection of RRC research, including research by Sandell Scholars. The Conference provides an important, live link between RRC funded research and the policymaker community. A principal aim of the RRC is to stimulate scientific research on the Social Security system and factors affecting the well-being of retirees in general. The RRC Conference provides a showcase for a sample of the year's funded projects. It provides opportunities for hearing researchers present their own work, listening to informed discussants, and questions from the audience. All projects yield working papers as well, many of which are subsequently published in academic and other journals.

David Rust, Deputy Commissioner of Social Security, opened this year's conference with remarks lauding the RRC's performance, and its impact upon Social Security programs. The lunchtime speakers were Robert Merton, professor of finance at MIT, and the 1997 Nobel laureate in economics, and Roger Ferguson, the president and CEO of TIAA-CREF. Both spoke about private pension support for retired Americans.

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2012 RRC Conference: *Current Perspectives on Retirement Policy*

The 14th annual Retirement Research Consortium (RRC) conference, *Current Perspectives on Retirement Policy*, was held on August 2-3, 2012, at the National Press Club in Washington, DC. Researchers presented papers from projects funded by the Social Security Administration on the financial crisis; demographic shifts and retirement income; older workers; Social Security and redistribution; health costs; and the Disability Insurance program.

In his welcoming remarks, Deputy Commissioner of Social Security **David Rust** applauded the RRC's contributions. "The RRC has generated numerous research findings that have influenced Social Security policy, and our understanding of how the Social Security programs affect the lives of retirees, workers, individuals with disabilities, and children." He noted that research has helped develop models that explain the impact of Social Security programs.

Commissioner Rust cited figures on the size and the costs of SSA disability insurance programs caseloads. "Social Security's DI and SSI disability programs are large and complex. During FY 2011, we paid \$128 billion in DI benefits and \$52.4 billion in SSI benefits. Also in FY2011, we decided over 3,390,000 initial disability claims and completed over 795,000 hearing requests."

See "*Current Perspectives*" p. 2

Current Perspectives, continued

He announced the launch of a new *Disability Research Consortium* (DRC) on July 30, 2012, a few days prior. SSA awarded two 5-year cooperative agreements to establish Disability Research Centers at the National Bureau of Economic Research (NBER) and Mathematica Policy Research. The DRC's mission is to provide policymakers with "evidence-based information to inform decisions on the disability programs. The DRC will be funded and managed by SSA following the RRC model and will be housed in the Office of Research, Evaluation, and Statistics, under the general direction of Manuel de la Puente and led by Sylvia Karman," said Rust.

He continued, "The DRC will have more of an inter-agency flavor, with SSA seeking direct input and involvement from other federal agencies that manage programs for individuals with disabilities. This perspective is needed, because the federal government provides a wide range of services and benefits to individuals with disabilities. This interagency focus will help us to better understand how federal disability programs overlap and interact, and help us improve the coordination of disability benefits and services across programs."

Thursday's lunch speaker was **Roger Merton**, professor of finance of the MIT Sloan School of Management and the 1997 Nobel laureate in economics. He called for a "next generation" solution of retirement funding with low-cost investment strategies that make effective use of all dedicated retirement assets to maximize the chances of achieving retirement income goals. He discussed the shortcomings of some traditional tools for private retirement savings, and recommended a focus on providing sustainable retirement income.

Roger Ferguson, the president and CEO of TIAA-CREF spoke during Friday's luncheon. He noted that TIAA-CREF currently has 3.7 million participants. Ferguson cited concern for adequate preparation for retirement with population aging due to increased life expectancy and declining birth rates. He recommended annuitization as a way to provide retirement income for life. ■

MRRC Researchers Present Findings

John Bailey Jones presented findings from *Medicaid Insurance and Redistribution in Old Age*, cowritten with Mariacristina De Nardi and Eric French. They examine data on the insurance and redistributive properties of Medicaid during old age. Preliminarily, they find that the poorest households are much more likely to receive Medicaid transfers, but the amounts they receive are relatively small. Wealthier households, however, "are less likely to receive Medicaid payouts, but when they do these payouts are very big and correspond to severe and expensive medical conditions." They conclude that Medicaid is "an effective insurance device for the poorest," and at the same time, it offers "valuable insurance to the rich by insuring them against catastrophic medical conditions."



John Bailey Jones, SUNY Albany

Michael Hurd presented *Personality Traits and Economic Preparation for Retirement*, coauthored with Angela Lee Duckworth and David Weir. The authors examine the effect of personality traits on the probability of being economically prepared for retirement. Their preliminary results show that for married people, "conscientiousness has a significant positive effect on economic preparation for retirement for husbands," while "neuroticism has a significant negative effect on preparation for wives." For singles, "neuroticism has a significant negative effect on preparation for all singles," while "extraversion has a negative effect for males."

Thomas L. Steinmeier discussed *Behavioral Effects of Social Security Policies on Benefit Claiming, Retirement and Saving*, coauthored by Alan L. Gustman. In their draft conference paper, they develop a life-cycle model to determine "the effects of several potential changes in the Social Security system, including changes in the early entitlement and normal retirement ages and the elimination of the payroll tax for individuals past the normal retirement age." They find that increasing the early retirement age would do the most to encourage greater labor force participation. And, increasing the full retirement age would have the greatest effect on solvency.

Nicole Maestas talked about findings from *Does Delay Cause Decay? The Effect of Administrative Decision Time on the Labor Force Participation and Earnings of Disability*

Applicants. Maestas and her coinvestigators tested whether the length of the SSDI application and decision process affects the future employment of applicants. They find that the differences between examiners notably impacts applicants' total processing times. Moreover, they state that "longer processing times significantly reduce the employment and earnings of SSDI applicants in the years after their initial decision."



Nicole Maestas, RAND

In her presentation on the paper, *Using the 2009 CPS-ASEC-SSA Matched Dataset to Show Who Is and Is Not Captured in the Official Six-Question Sequence on Disability*, **Jennifer R. Tennant** stated that the current survey questions in the Current Population Survey do not query respondents about work activity limitations. Tennant and her coauthors, Richard V. Burkhauser, T. Lynn Fisher and Andrew J. Houtenville demonstrate that the current 6-question sequence determining disability status captures only 66 percent of the US disability population. When a work limitation question is added, the SSI/SSDI population grows by 23 percent.

David Powell discussed his study with Abby Alpert, *Tax Elasticity of Labor Earnings for Older Individuals*.



David Powell, RAND

Studying workers ages 55-74, they find evidence that men retire in response to high taxes, but do not find similar retirement effects for women. Powell and Alpert state that "elimination of the employee portion of payroll taxes for our population would decrease the percentage of workers dropping out of the labor force by 1 percentage point, a 4 percent decrease."

David Neumark presented *Barriers to Later Retirement: Increases in the Full Retirement Age, Age Discrimination, and the Physical Challenges of Work*, coauthored with Joanne Song. The authors study how age discrimination protections influence the labor market transitions of workers directly affected by increases in the FRA. While in their 2011 paper they found increases in employment among those "caught" by increases in the FRA, in their 2012 paper, they "ask how the employment increases come about. Is it through continued employment at the same employer, hiring by new employers, or re-entry into employment?" ■

One Million People Go Online to Access Social Security Statement

Michael J. Astrue, Commissioner of Social Security, announced in June 2012 that in less than two months' time, one million people have gone online, created a My Social Security account and viewed their Social Security Statement. "The online Social Security Statement is a huge success," Commissioner Astrue said. "The online Statement meets our commitment to provide Americans with an easy, efficient process to obtain an estimate of their potential Social Security benefits. I recommend that everyone get in the habit of checking their online Statement each year, around their birthday, for example."

The online Statement provides estimates for retirement, disability and survivors benefits. It also provides workers as young as 18 a convenient year-round way to determine whether their earnings are accurately posted to their Social Security records, which was not possible when the agency mailed paper Statements only to those 25 and older.

On May 1, Social Security unveiled this new addition to its popular suite of electronic services at www.socialsecurity.gov/mystatement, which allows people to access their Social Security earnings and benefit information securely and conveniently.

According to the American Customer Satisfaction Index (ACSI), users are giving the online Statement a score of 89 — making it competitive with Social Security's other top-rated, best-in-government online services, such as the Retirement Estimator and online retirement application. The ACSI tracks trends in customer's satisfaction and provides valuable benchmarking insights for companies and government agencies.

To access your online Statement, you must be at least 18 years old, have a Social Security number, have a valid email address and have a U.S. mailing address.

To learn more or to create your own account, go to www.socialsecurity.gov/mystatement.

MRRRC Researchers in Publication

Jody Schimmel and David C. Stapleton published *The Financial Repercussions of New Work-Limiting Health Conditions for Older Workers* in the Summer 2012 issue of **Inquiry** Vol. 49(2) pp. 141-163.

MRRRC Researchers in the Media

John Laitner and Dan Silverman were quoted in a number of media sources for their August **Journal of Public Economics** article, including:

- A Tax Plan That Rewards Putting off Retirement, September 27, 2012, **Fortune**.
- U-M: Pay Hike For Older Workers Could Cut National Debt. August 28, 2012. **Detroit.CBSlocal.com**
- Why Giving Older Workers a Raise Is a Good Idea. August 29, 2012, **Business News Daily**.

Key Findings: 2012 MRRRC Papers

Behavioral Effects of Social Security Policies on Benefit Claiming, Retirement and Saving

by Alan L. Gustman and Thomas L. Steinmeier
(WP 2012-263)

- A retirement model that also includes claiming of Social Security benefits as an outcome is used to inquire about the effects of various proposals to change the Social Security system.
- Increasing the early entitlement age to 64 increases full-time employment at ages 62 and 63 by approximately 12 percentage points. Essentially, the spike in retirement from full-time work, which presently occurs at age 62, would be shifted to age 64 by this change.
- Increasing the normal retirement age to 67 for those who had an age 65 normal retirement age increases full time work by substantially less than the increases caused by raising the early entitlement age.
- Eliminating the payroll tax after the normal retirement age reduces full-time work by between 0.5 and 1 percent between age 60 and age 64 and increases full-time work by between 1 and 2 percent at age 65 and thereafter.

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