



# Older Workers: Employment and Retirement Trends

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## Summary

As the members of the “baby boom” generation—people born between 1946 and 1964—approach retirement, the demographic profile of the U.S. workforce will undergo a substantial shift as a large number of older workers will be joined by relatively few new entrants to the labor force. According to the Census Bureau, there will be 204 million Americans aged 25 or older in 2010. By 2030, this number will increase by 23% to more than 251 million. Most of this growth will occur among people aged 65 and older. The Census Bureau estimates that while the number of people between the ages of 25 and 64 will increase by 15.5 million (9.4%) between 2010 and 2030, the number of people aged 65 and older is projected to grow by 31.7 million, or 79.2%.

Labor force participation begins to fall after age 55. In 2008, 91% of men and 76% of women aged 25 to 54 participated in the labor force. In contrast, just 70% of men and 59% of women aged 55 to 64 were either working or looking for work in 2008. Labor force participation among persons aged 55 and older is influenced by general economic conditions, eligibility for Social Security benefits, the availability of health insurance, and the prevalence and design of employer-sponsored pensions. For example, labor force participation among people 55 and older may increase due to the trend away from defined-benefit pension plans that offer a monthly annuity for life to defined contribution plans that typically pay a lump-sum benefit. The declining percentage of employers that offer retiree health insurance also may result in more people continuing to work until they are eligible for Medicare at 65.

Census Bureau data show that the percentage of men and women aged 62 and older who work in paid employment has risen over the past several years. In March 2009, 52% of men aged 62 to 64 were employed, compared with 42% in 1990 and 47% in 2000. Of men aged 65 to 69, 33% were employed in March 2009, compared with 26% in 1990 and 30% in 2000. Among women 62 to 64 years old, 41% were working in March 2009, compared with 28% in 1990 and 35% in 2000. Among women 65 to 69 years old, 25% were working in March 2009, compared with 17% in 1990 and 20% in 2000. There also has been a trend toward more full-time employment among older Americans who work. In March 2009, 69% of employed men aged 65 to 69 were working full-time, compared with 56% in 1990 and 61% in 2000. Among working women aged 65 to 69, 54% worked full-time in March 2009, compared with 44% in both 1990 and 2000.

As more workers reach retirement age, employers may try to induce some of them to remain on the job, perhaps on a part-time basis. This is sometimes referred to as “phased retirement.” Several approaches to phased retirement—job sharing, reduced work schedules, and rehiring retired workers on a part-time or temporary basis—can be accommodated under current law. The Pension Protection Act of 2006 (P.L. 109-280) allows pension plans to begin paying benefits to workers who have not yet separated from their employers at the earlier of age 62 or the pension plan’s normal retirement age, which in most plans is 65. Some employers would like to be able to pay partial pension distributions to workers who have reached the pension plan’s early retirement age, even if it is earlier than age 62. This would require a change in federal law.

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## Introduction

The retirement of older workers has consequences for both their personal economic circumstances and the nation's economy. The number of people retiring each year affects the size of the labor force, which has a direct impact on the economy's capacity to produce goods and services. Other things being equal, fewer retirements in any given year would result in a greater supply of experienced workers available to employers and fewer people relying on savings, pensions, and Social Security as their main sources of income. Consequently, changes in the age-profile of the population and the average age at which people retire have implications for both the growth of national income and the size and composition of the federal budget.

To understand the effects of retirement on individuals and the economy, one must first define what it means to "retire." Retirement is most often defined with reference to two characteristics: whether an individual participates in the paid labor force and whether he or she receives income from a pension or Social Security. An individual who does not work for compensation and who receives income from a pension or Social Security would be retired according to both parts of this definition, while one who works for compensation and receives no income from a pension or Social Security would not be retired according to either part of the definition.

Between these two extremes, however, there are many people who might be considered to have retired based on one part of the definition but not the other. For example, individuals who have retired from careers in law enforcement or the military—both of which typically provide pensions after 20 years of service—often work for many years at other jobs while also receiving a pension from their prior employment. In such cases, having retired from a particular occupation does not necessarily mean that one has retired from the workforce. On the other hand, many people who retire from full-time employment continue to work part-time to supplement the income they receive from pensions and Social Security. If the majority of their income is provided by Social Security, pensions, and savings, economists typically classify them as retired, even though they continue to engage in paid employment. As these examples suggest, not everyone who receives pension income is retired, and some people who work for pay actually are retired.

This report begins by describing the change in the age distribution of the U.S. population that will occur between 2010 and 2030 and by summarizing the historical data on the labor force participation of older workers. This discussion is followed by an analysis of data from the Census Bureau's *Current Population Survey* (CPS) on employment and receipt of pension income among persons aged 55 and older. Employment trends among older workers are then discussed in the context of data from the Social Security Administration on the proportion of workers who claim retired-worker benefits before the full retirement age (66 for people who turn 65 in 2009). The final section of the report discusses "phased retirement," a process that combines reduced hours of work with receipt of pension income.

## The Aging of the Labor Force

As the members of the "baby boom" generation—people born between 1946 and 1964—reach retirement age, the demographic profile of the American population will undergo a profound change. According to the Census Bureau, the proportion of the U.S. population aged 65 and older will increase from 13.0% in 2010 to 19.3% by 2030. The age-distribution of those 25 to 64 years

old already is undergoing a substantial shift toward a greater number of older individuals and a relatively small number of young people entering the labor force.

The data presented in **Table 1** show how the age profile of the adult U.S. population will change between 2010 and 2030. According to the Census Bureau, there will be 204 million Americans aged 25 and older in 2010. By 2030, this number will increase by 23% to more than 251 million. Most of this growth will occur among people aged 65 and older. The Census Bureau estimates that the number of people aged 25 to 54—the ages when labor force participation rates are highest—will increase by only 9.0%. The number of people between the ages of 55 and 64 is projected to increase by 11%. Between 2010 and 2030, while the number of people between the ages of 25 and 64 is projected to increase by about 15.5 million, or 9.4%, the number of people aged 65 and older is projected to grow by 31.7 million, or 79.2%.

**Table 1. U.S. Population Age 25 and Older, 2010 and 2030**  
(numbers in thousands)

| Year            | Age Groups    |               |               |               |               | Total          |
|-----------------|---------------|---------------|---------------|---------------|---------------|----------------|
|                 | 25 to 34      | 35 to 44      | 45 to 54      | 55 to 64      | 65 and Up     |                |
| <b>2010</b>     |               |               |               |               |               |                |
| Male            | 21,181        | 20,701        | 21,992        | 17,475        | 17,292        | <b>98,641</b>  |
| Female          | 20,637        | 20,576        | 22,712        | 18,800        | 22,937        | <b>105,662</b> |
| <b>Total</b>    | <b>41,818</b> | <b>41,277</b> | <b>44,705</b> | <b>36,275</b> | <b>40,229</b> | <b>204,303</b> |
| <b>2030</b>     |               |               |               |               |               |                |
| Male            | 23,686        | 24,237        | 21,924        | 19,625        | 32,294        | <b>121,766</b> |
| Female          | 23,333        | 23,985        | 22,106        | 20,651        | 39,798        | <b>129,863</b> |
| <b>Total</b>    | <b>47,020</b> | <b>48,223</b> | <b>44,029</b> | <b>40,266</b> | <b>72,092</b> | <b>251,629</b> |
| <b>Change</b>   | <b>5,202</b>  | <b>6,946</b>  | <b>-675</b>   | <b>3,991</b>  | <b>31,683</b> | <b>47,326</b>  |
| <b>% change</b> | <b>12.4%</b>  | <b>16.8%</b>  | <b>-1.5%</b>  | <b>11.0%</b>  | <b>79.2%</b>  | <b>23.2%</b>   |

Source: U.S. Department of Commerce, Bureau of the Census.

## Long-Term Trends in Labor Force Participation Rates

The *labor force participation rate* is the percentage of the population who are either employed or are unemployed and looking for work. Labor force participation rates are higher at all ages for men than women, and are highest for both men and women between the ages of 25 and 54. Over the past half-century, labor force participation rates have tended to fall for men and to rise for women. As the United States has moved from an economy based on “smokestack industries” such as mining and manufacturing to a service-based economy, there has been an increase in demand for highly educated workers and relatively less demand for workers who are able to perform physically demanding labor. At the same time that the economy has been producing jobs that can be done by workers of more varied physical abilities, the two-earner couple has become more common than it was 30 or 40 years ago. Finally, with near universal coverage by Social Security and about half of all workers participating in employer-sponsored retirement plans, most workers

can anticipate retirement as a period during which they will remain financially independent, rather than as a time when they will rely on their children for financial support.

Men who are over the age of 55 are less likely to participate in the labor force today than were their counterparts of a half-century ago. According to data from the Bureau of Labor Statistics, five out of six men aged 55 to 64 participated in the labor force in the 1950s.<sup>1</sup> (See **Table 2.**) By 1985, only two out of three men in that age group were working or looking for work. Most of the decline in the male labor force participation rate occurred over a relatively brief period, from about 1970 to 1985. Since 1985, the labor force participation rate among men aged 55 to 64 has fluctuated within a relatively narrow range of 66% to 70%.

Among men aged 65 and older, the decline in the labor force participation rate began earlier, but it also appears to have ended around 1985. Between 1950 and 1985, the labor force participation rate among men 65 and older fell from 46% to about 16%. Between 1985 and 2008, the labor force participation rate among men aged 65 and older increased from 15.8% to 21.5%.

From 1950 until about 2000, the labor force participation rate of women aged 25 to 54 rose steadily, increasing from 37% in 1950 to 77% in 2000. Since 2000, the labor force participation rate of women in this age group has leveled off, and the Department of Labor has projected that it will remain relatively stable in the near future.<sup>2</sup> Among women aged 55 to 64, the labor force participation rate rose from 27% in 1950 to 52% in 2000. By 2008, the labor force participation rate for women aged 55 to 64 had risen to 59%. Among women aged 65 and older, the labor force participation rate fell from 11% in 1955 to 7.3% in 1985. Since then, the labor force participation rate of women aged 65 and older has steadily risen, reaching 13.3% in 2008.

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<sup>1</sup> Labor force participation rates are annual averages from the monthly CPS data. They are published annually in the January issue of the BLS publication, *Employment and Earnings*.

<sup>2</sup> See Mitra Toossi, "Labor Force Projections to 2016: More Workers in Their Golden Years," *Monthly Labor Review*, vol. 130, no. 11, November 2007.

**Table 2. Labor Force Participation Rates, 1950 to 2008**

| Year         | Age Groups |          |              |
|--------------|------------|----------|--------------|
|              | 25 to 54   | 55 to 64 | 65 and Older |
| <b>Men</b>   |            |          |              |
| 1950         | 96.5%      | 86.9%    | 45.8%        |
| 1955         | 97.4       | 87.9     | 39.6         |
| 1960         | 97.0       | 86.8     | 33.1         |
| 1965         | 96.7       | 84.6     | 27.9         |
| 1970         | 95.8       | 83.0     | 26.8         |
| 1975         | 94.4       | 75.6     | 21.6         |
| 1980         | 94.2       | 72.1     | 19.0         |
| 1985         | 93.9       | 67.9     | 15.8         |
| 1990         | 93.4       | 67.8     | 16.3         |
| 1995         | 91.6       | 66.0     | 16.8         |
| 2000         | 91.6       | 67.3     | 17.5         |
| 2001         | 91.3       | 68.1     | 17.7         |
| 2002         | 91.0       | 69.2     | 17.8         |
| 2003         | 90.6       | 68.7     | 18.6         |
| 2004         | 90.5       | 68.7     | 19.0         |
| 2005         | 90.5       | 69.3     | 19.8         |
| 2006         | 90.6       | 69.6     | 20.3         |
| 2007         | 90.9       | 69.6     | 20.5         |
| 2008         | 90.5       | 70.4     | 21.5         |
| <b>Women</b> |            |          |              |
| 1950         | 36.8%      | 27.0%    | 9.7%         |
| 1955         | 39.8       | 32.5     | 10.6         |
| 1960         | 42.9       | 37.2     | 10.8         |
| 1965         | 45.2       | 41.1     | 10.0         |
| 1970         | 50.1       | 43.0     | 9.7          |
| 1975         | 55.1       | 40.9     | 8.2          |
| 1980         | 64.0       | 41.3     | 8.1          |
| 1985         | 69.6       | 42.0     | 7.3          |
| 1990         | 74.0       | 45.2     | 8.6          |
| 1995         | 75.6       | 49.2     | 8.8          |
| 2000         | 76.8       | 51.8     | 9.4          |
| 2001         | 76.4       | 53.0     | 9.7          |
| 2002         | 76.0       | 55.1     | 9.9          |
| 2003         | 75.6       | 56.6     | 10.6         |
| 2004         | 75.3       | 56.3     | 11.1         |
| 2005         | 75.3       | 57.0     | 11.5         |
| 2006         | 75.5       | 58.2     | 11.7         |
| 2007         | 75.4       | 58.3     | 12.6         |
| 2008         | 75.8       | 59.1     | 13.3         |

Source: U.S. Department of Labor, Bureau of Labor Statistics.

## Recent Employment Trends Among People Aged 55 and Older

Factors that influence the rate of employment among persons aged 55 and older include the state of the job market, the availability of health insurance, eligibility for Social Security benefits, and both the prevalence and design of employer-sponsored pensions. For example, labor force participation among people 55 and older might increase due to the trend away from defined-benefit pension plans that pay a guaranteed benefit for life toward defined contribution plans, which often pay out a single lump sum at retirement. Likewise, because relatively few employers offer retiree health insurance, some workers might choose to remain employed until they become eligible for Medicare at age 65.

Data collected by the Census Bureau indicate that between 1990 and 2008, employment remained generally steady among men 55 to 61 years old, and then fell in 2009 as the job market weakened due to the recession.<sup>3</sup> The employment rate of men aged 55 to 61 was 69.4% in March 2009, down from 73.0% one year earlier. (See **Table 3**.) Employment among women aged 55 to 61 increased from 50.0% in March 1990 to 58.4% in March 2000 and 63.4% in March 2008. By March 2009, employment among women aged 55 to 61 had fallen slightly to 62.0%, which like the steeper decline in employment among men in this age group also was likely due to the recession. (See **Table 4**.)

Among both men and women aged 62 to 64, employment rates rose through the period from 1990 to 2009. Fifty-two percent of 62- to 64-year-old men were employed in March 2009, compared with 42% in March 1990 and 47% in March 2000. Among women aged 62 to 64, employment increased from 28% in March 1990 to 35% in March 2000 and to 41% in March 2009.

Among men 65 to 69 years old, the percentage who were employed rose from 26% in March 1990 to 30% in March 2000 and to 33% in March 2009. Employment among women aged 65 to 69 increased from 17% in March 1990 to 20% in March 2000 and to 26.5% in March 2008 before falling slightly to 24.5% in March 2009. Among both men and women aged 70 and older, rates of employment rose slightly between 1990 and 2009. In March 2009, 14% of men aged 70 and older were employed, compared with 10% in 1990. Among women aged 70 and older, 8% were employed in March 2009, compared with 5% in March 1990.

Among working women aged 55 and older and among working men aged 65 and older, the percentage who work full-time has increased in recent years. Full-time employment has not increased among men aged 55 to 61, but they remain more likely than other older workers to be employed full-time. In March 2009, 90% of working men aged 55 to 61 were employed full time, compared with 78% of working women aged 55 to 61, 80% of working men aged 62 to 64, and 67% of working women aged 62 to 64. Fewer than half of working men and women aged 65 and older worked full-time in March 2009.

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<sup>3</sup> The labor force participation rates discussed in the previous section were based on annual averages of monthly data. The employment data in this section show employment in the week prior to the CPS interview. The March CPS files were used for this analysis because they include detailed data about sources of income in the previous year. CRS used information about current labor force status rather than information about labor force status in the previous year because an individual who reported that he or she both worked and received pension income during the previous year might have worked and received pension income consecutively rather than concurrently.



Table 3. Employment of Men Aged 55 and Older, 1990 to 2009

| Age in March        | Population (thousands) | Employed            |            | Employment |           |
|---------------------|------------------------|---------------------|------------|------------|-----------|
|                     |                        | Workers (thousands) | Percentage | Full-Time  | Part-Time |
| <b>55 to 61</b>     |                        |                     |            |            |           |
| 1990                | 7,248                  | 5,219               | 72.0       | 91.2       | 8.8       |
| 1995                | 7,409                  | 5,349               | 72.2       | 89.5       | 10.5      |
| 2000                | 8,204                  | 5,849               | 71.3       | 92.3       | 7.7       |
| 2005                | 10,554                 | 7,666               | 72.6       | 92.1       | 7.9       |
| 2006                | 11,221                 | 8,149               | 72.6       | 91.9       | 8.1       |
| 2007                | 11,774                 | 8,625               | 73.3       | 91.7       | 8.3       |
| 2008                | 12,270                 | 8,954               | 73.0       | 92.8       | 7.2       |
| 2009                | 12,482                 | 8,661               | 69.4       | 90.0       | 10.0      |
| <b>62 to 64</b>     |                        |                     |            |            |           |
| 1990                | 2,903                  | 1,228               | 42.3       | 76.6       | 23.4      |
| 1995                | 2,681                  | 1,159               | 43.2       | 76.6       | 23.4      |
| 2000                | 2,927                  | 1,380               | 47.2       | 77.9       | 22.1      |
| 2005                | 3,481                  | 1,77                | 51.1       | 79.5       | 20.6      |
| 2006                | 3,644                  | 1,883               | 51.7       | 80.6       | 19.4      |
| 2007                | 3,696                  | 1,822               | 49.3       | 81.3       | 18.7      |
| 2008                | 3,800                  | 1,968               | 51.8       | 82.0       | 18.0      |
| 2009                | 4,016                  | 2,088               | 52.0       | 79.8       | 20.2      |
| <b>65 to 69</b>     |                        |                     |            |            |           |
| 1990                | 4,586                  | 1,189               | 25.9       | 55.6       | 44.4      |
| 1995                | 4,522                  | 1,237               | 27.4       | 57.3       | 42.7      |
| 2000                | 4,376                  | 1,330               | 30.4       | 60.5       | 39.5      |
| 2005                | 4,814                  | 1,428               | 29.7       | 67.5       | 32.5      |
| 2006                | 4,782                  | 1,497               | 31.3       | 69.0       | 31.0      |
| 2007                | 5,013                  | 1,655               | 33.0       | 70.7       | 29.3      |
| 2008                | 5,238                  | 1,721               | 32.9       | 72.2       | 27.8      |
| 2009                | 5,632                  | 1,878               | 33.3       | 68.6       | 31.4      |
| <b>70 and Older</b> |                        |                     |            |            |           |
| 1990                | 7,961                  | 772                 | 9.7        | 47.2       | 52.8      |
| 1995                | 8,738                  | 989                 | 11.3       | 46.5       | 53.5      |
| 2000                | 9,510                  | 1,169               | 12.3       | 48.5       | 51.5      |
| 2005                | 10,337                 | 1,379               | 13.3       | 50.8       | 49.2      |
| 2006                | 10,402                 | 1,441               | 13.9       | 50.4       | 49.6      |
| 2007                | 10,430                 | 1,508               | 14.5       | 53.1       | 46.9      |
| 2008                | 10,524                 | 1,500               | 14.3       | 55.5       | 44.5      |
| 2009                | 10,676                 | 1,492               | 14.0       | 54.4       | 45.6      |

Source: Congressional Research Service analysis of the *Current Population Survey*.

Table 4. Employment of Women Aged 55 and Older, 1990 to 2009

| Age in March        | Population (thousands) | Employed            |            | Employment |           |
|---------------------|------------------------|---------------------|------------|------------|-----------|
|                     |                        | Workers (thousands) | Percentage | Full-Time  | Part-Time |
| <b>55 to 61</b>     |                        |                     |            |            |           |
| 1990                | 7,830                  | 3,916               | 50.0       | 70.8       | 29.2      |
| 1995                | 7,947                  | 4,314               | 54.3       | 74.8       | 25.2      |
| 2000                | 9,041                  | 5,250               | 58.1       | 77.2       | 22.8      |
| 2005                | 11,650                 | 7,086               | 60.8       | 78.9       | 21.1      |
| 2006                | 12,066                 | 7,466               | 61.9       | 78.8       | 21.2      |
| 2007                | 12,533                 | 7,817               | 62.4       | 79.2       | 20.8      |
| 2008                | 13,032                 | 8,262               | 63.4       | 79.5       | 20.5      |
| 2009                | 13,304                 | 8,242               | 62.0       | 78.2       | 21.8      |
| <b>62 to 64</b>     |                        |                     |            |            |           |
| 1990                | 3,351                  | 941                 | 28.1       | 60.5       | 39.5      |
| 1995                | 3,044                  | 968                 | 31.8       | 59.5       | 40.5      |
| 2000                | 3,209                  | 1,109               | 34.6       | 61.4       | 38.6      |
| 2005                | 3,834                  | 1,401               | 36.5       | 67.2       | 32.8      |
| 2006                | 4,038                  | 1,661               | 41.1       | 68.7       | 32.3      |
| 2007                | 4,179                  | 1,746               | 41.8       | 68.5       | 31.5      |
| 2008                | 4,189                  | 1,736               | 41.4       | 65.3       | 34.7      |
| 2009                | 4,476                  | 1,835               | 41.0       | 66.7       | 33.3      |
| <b>65 to 69</b>     |                        |                     |            |            |           |
| 1990                | 5,537                  | 920                 | 16.6       | 43.6       | 56.4      |
| 1995                | 5,224                  | 865                 | 16.6       | 42.7       | 57.3      |
| 2000                | 4,976                  | 983                 | 19.7       | 44.2       | 55.8      |
| 2005                | 5,311                  | 1,193               | 22.5       | 51.4       | 48.6      |
| 2006                | 5,449                  | 1,247               | 22.9       | 52.7       | 47.3      |
| 2007                | 5,616                  | 1,438               | 25.6       | 54.0       | 46.0      |
| 2008                | 5,927                  | 1,570               | 26.5       | 55.3       | 44.7      |
| 2009                | 6,193                  | 1,520               | 24.5       | 53.6       | 46.4      |
| <b>70 and Older</b> |                        |                     |            |            |           |
| 1990                | 12,000                 | 600                 | 5.0        | 32.8       | 67.2      |
| 1995                | 13,174                 | 681                 | 5.2        | 29.8       | 70.2      |
| 2000                | 13,759                 | 816                 | 5.9        | 36.3       | 63.7      |
| 2005                | 14,752                 | 1,041               | 7.1        | 37.1       | 62.9      |
| 2006                | 14,872                 | 993                 | 6.7        | 38.8       | 61.2      |
| 2007                | 14,977                 | 1,160               | 7.8        | 40.0       | 60.0      |
| 2008                | 15,100                 | 1,135               | 7.5        | 40.9       | 59.1      |
| 2009                | 15,286                 | 1,206               | 7.9        | 38.6       | 61.4      |

Source: Congressional Research Service analysis of the *Current Population Survey*.

## Retirement Income Among Older Workers

An important consideration for workers contemplating retirement is whether their future income will be adequate to maintain their standard of living. **Table 5** shows the proportion of men and women aged 55 and older who reported on the CPS that they received pension income of some kind during the calendar year prior to the survey. In this table, “pension income” includes employer-sponsored pensions (including military retirement), veterans’ pensions, and periodic payments from annuities, insurance policies, individual retirement accounts, 401(k) accounts, and Keogh plans for the self-employed.<sup>4</sup> The proportion of men and women who receive income from a pension or other retirement plan increases with age. In 2008, only 16% of men aged 55 to 64 received income from a pension or other retirement plan. Among those aged 65 or older, 42% had income from pensions or retirement savings plans in 2008. The patterns among women were similar: only 12% of 55- to 64-year-old women received income from pensions or retirement savings plans in 2008, whereas 29% of those aged 65 or older received such income.

The 16% of men aged 55 to 64 who were receiving pension income in 2008 represents a decline from 23% who received such income in 1990. Over the same period, the proportion of men aged 65 or older receiving pension income also fell, declining from 49% in 1990 to 42% in 2008. The proportion of women aged 55 to 64 with pension income remained relatively stable at 11% to 12% throughout this period. Among women aged 65 and older, 29% received income from pensions and retirement savings plans in 2008, little changed from 28% in 1990 and 29% in 2000.

To study the relationship between employment rates and receipt of pension income, we grouped men and women into two age categories, 55 to 64 and 65 and older, and calculated the correlation coefficient between the percentage who were employed and the percentage who received pension income. Among men, there is a negative correlation between receipt of pension income and employment. Over the period from 1994 to 2008, the correlation between current employment and receipt of pension income was -0.72 for men 55 to 64 years old and -0.87 for men 65 and older. One possible explanation for this negative correlation is that each year a smaller percentage of workers are covered by defined benefit plans, which often have generous early retirement subsidies and pay a monthly benefit that is guaranteed for life. Workers whose main retirement plan is a defined contribution plan (such as a 401(k)) might be choosing to delay retirement in order to build up larger account balances or to make up for past investment losses.

Among women, the percentage who were employed and the percentage who received pension income were not strongly correlated over the period from 1994 to 2008 (0.04 for women aged 55-64 and 0.27 for women 65 and older). This is partly due to the fact that the rate of labor force participation among women under age 65 has been rising steadily over many years. Thus, one reason that the percentage of *all* women 55 and older who receive pension income has not fallen along with that of men is that an increasing percentage of women have earned retirement benefits through their own employment. This could mask a decline in the percentage of working women who are (or will be) eligible to receive pension distributions.

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<sup>4</sup> Lump-sum distributions from employer-sponsored retirement plans are not counted as income on the CPS. To the extent that individuals take lump-sum distributions from these plans and deposit the funds into non-retirement accounts from which they make withdrawals to supplement their income, the CPS underestimates retirement income.

**Table 5. Receipt of Income from Employer Pensions and Retirement Savings Plans**  
(in thousands)

|              | Individuals 55 to 64 Years Old |                      |            | Individuals Aged 65 and Older |                      |            |
|--------------|--------------------------------|----------------------|------------|-------------------------------|----------------------|------------|
|              | Number of People               | Number of Recipients | Percentage | Number of People              | Number of Recipients | Percentage |
| <b>Men</b>   |                                |                      |            |                               |                      |            |
| 1990         | 10,152                         | 2,368                | 23.3       | 12,547                        | 6,178                | 49.2       |
| 1995         | 10,090                         | 2,279                | 22.6       | 13,260                        | 6,206                | 46.8       |
| 2000         | 11,249                         | 2,124                | 18.9       | 14,179                        | 6,099                | 43.0       |
| 2001         | 12,366                         | 2,371                | 19.2       | 14,235                        | 6,276                | 44.1       |
| 2002         | 13,149                         | 2,372                | 18.0       | 14,527                        | 6,414                | 44.2       |
| 2003         | 13,531                         | 2,450                | 18.1       | 14,797                        | 6,656                | 45.0       |
| 2004         | 14,034                         | 2,578                | 18.4       | 15,151                        | 6,778                | 44.7       |
| 2005         | 14,865                         | 2,709                | 18.2       | 15,185                        | 6,539                | 43.1       |
| 2006         | 15,469                         | 2,692                | 17.4       | 15,443                        | 6,739                | 43.6       |
| 2007         | 16,069                         | 2,677                | 16.7       | 15,762                        | 6,552                | 41.6       |
| 2008         | 16,499                         | 2,672                | 16.2       | 16,308                        | 6,915                | 42.4       |
| <b>Women</b> |                                |                      |            |                               |                      |            |
| 1990         | 11,182                         | 1,479                | 13.2       | 17,538                        | 4,962                | 28.3       |
| 1995         | 10,991                         | 1,164                | 10.6       | 18,398                        | 5,025                | 27.3       |
| 2000         | 12,532                         | 1,475                | 11.8       | 18,799                        | 5,426                | 28.9       |
| 2001         | 13,501                         | 1,525                | 11.3       | 19,535                        | 5,412                | 27.7       |
| 2002         | 14,229                         | 1,572                | 11.0       | 19,706                        | 5,379                | 27.3       |
| 2003         | 14,824                         | 1,705                | 11.5       | 19,862                        | 5,610                | 28.2       |
| 2004         | 15,484                         | 1,776                | 11.5       | 20,063                        | 5,603                | 27.9       |
| 2005         | 16,104                         | 1,959                | 12.2       | 20,320                        | 5,901                | 29.0       |
| 2006         | 16,712                         | 1,940                | 11.6       | 20,593                        | 5,786                | 28.1       |
| 2007         | 17,220                         | 1,883                | 10.9       | 21,027                        | 5,840                | 27.8       |
| 2008         | 17,780                         | 2,062                | 11.6       | 21,480                        | 6,224                | 29.0       |

**Source:** Congressional Research Service analysis of the *Current Population Survey*.

**Notes:** Retirement plans may include a traditional pension, a retirement savings plan, or both. The year shown is the year when the income was received, which is the calendar year preceding the March CPS interview.

## Employment Among Recipients of Retirement Income

The data displayed in **Table 5** show the number and percentage of people aged 55 and older who received pension income or took distributions from retirement accounts. The data in **Table 6** show that among men aged 55 to 64 who received pension income in 2008, 37.2% were employed full or part time in March 2009. Relatively few men aged 65 or older who received income from pensions engaged in paid employment: only 10% to 13% were employed, on average, at any point during the period shown in the table. Women who received pension income were less likely than men to be employed. Among women 55 to 64 years old who received income from a pension or retirement savings plan in 2008, 32.2% were employed in March 2009.

Among women aged 65 or older who received income from a pension or retirement savings plan, only 6% to 9%, on average, were employed at any time during the period from 1990 to 2008.

**Table 6. Employment of Recipients of Pension Income**  
(in thousands)

|              | Recipients, Aged 55 to 64 |                 |                     | Recipients, Aged 65 and Older |                 |                     |
|--------------|---------------------------|-----------------|---------------------|-------------------------------|-----------------|---------------------|
|              | Number of Recipients      | Number Employed | Percentage Employed | Number of Recipients          | Number Employed | Percentage Employed |
| <b>Men</b>   |                           |                 |                     |                               |                 |                     |
| 1990         | 2,368                     | 879             | 37.1                | 6,178                         | 643             | 10.4                |
| 1995         | 2,279                     | 831             | 36.5                | 6,206                         | 726             | 11.7                |
| 2000         | 2,124                     | 797             | 37.5                | 6,099                         | 721             | 11.8                |
| 2001         | 2,371                     | 907             | 38.3                | 6,276                         | 739             | 11.8                |
| 2002         | 2,372                     | 827             | 34.9                | 6,414                         | 745             | 11.6                |
| 2003         | 2,450                     | 959             | 39.1                | 6,656                         | 839             | 12.6                |
| 2004         | 2,578                     | 982             | 38.1                | 6,778                         | 836             | 12.3                |
| 2005         | 2,709                     | 1,081           | 39.9                | 6,539                         | 771             | 11.8                |
| 2006         | 2,692                     | 1,102           | 40.9                | 6,739                         | 846             | 12.6                |
| 2007         | 2,677                     | 1,000           | 37.4                | 6,552                         | 799             | 12.2                |
| 2008         | 2,672                     | 993             | 37.2                | 6,915                         | 915             | 13.2                |
| <b>Women</b> |                           |                 |                     |                               |                 |                     |
| 1990         | 1,479                     | 392             | 26.5                | 4,962                         | 345             | 7.0                 |
| 1995         | 1,164                     | 324             | 27.9                | 5,025                         | 281             | 5.6                 |
| 2000         | 1,475                     | 488             | 33.1                | 5,426                         | 436             | 8.0                 |
| 2001         | 1,525                     | 439             | 28.8                | 5,412                         | 393             | 7.3                 |
| 2002         | 1,572                     | 530             | 33.7                | 5,379                         | 425             | 8.0                 |
| 2003         | 1,705                     | 560             | 32.9                | 5,610                         | 454             | 8.1                 |
| 2004         | 1,776                     | 553             | 31.1                | 5,603                         | 416             | 7.4                 |
| 2005         | 1,959                     | 675             | 34.5                | 5,901                         | 457             | 7.7                 |
| 2006         | 1,940                     | 682             | 35.2                | 5,786                         | 504             | 8.7                 |
| 2007         | 1,883                     | 662             | 35.1                | 5,840                         | 528             | 9.0                 |
| 2008         | 2,062                     | 665             | 32.2                | 6,224                         | 554             | 8.9                 |

**Source:** Congressional Research Service analysis of the *Current Population Survey*.

**Note:** Retirement plans may include a traditional pension, a retirement savings plan, or both. The income year is the year prior to the survey. Employment is in current year.

## Social Security Retirement Benefits

### Age When Benefits Begin

As a result of the Social Security Amendments of 1983 (P.L. 98-21), the Social Security full retirement age is increasing from 65 to 67 incrementally over a 22-year period from 1998 to 2020. For individuals who were born in 1944—who will turn 65 in 2009—the full retirement age under Social Security is 66. Social Security retired-worker benefits are first available at age 62, but benefits that begin before the full retirement age are permanently reduced. In 2009, a worker

who begins receiving Social Security at age 62 will have his or her benefit permanently reduced by 25% below the amount that would be payable at the full retirement age. When the full retirement age reaches 67 in 2020, the benefit payable at 62 will be 30% less than the amount that would be paid if retired worker benefits were claimed at age 67.

Most people choose to begin receiving Social Security retirement benefits before age 65. The data presented in **Table 7** show that 68% of men and 73% of women who began receiving Social Security retired-worker benefits in 2007 applied for benefits before age 65. In 2000, a higher-than-average percentage of new benefits were awarded to persons 65 and older. This was mainly attributable to the repeal of the Social Security earnings test for workers who are at or above the Social Security normal retirement age. Prior to 2000, the earnings test reduced the Social Security benefits of recipients under age 70 whose earnings exceeded specific thresholds. P.L. 106-182 eliminated the earnings test for people at the full retirement age or older, effective January 1, 2000.<sup>5</sup> The earnings test now applies only to beneficiaries who are under the full retirement age. With the repeal of the earnings test for people aged 65 and older, workers who had deferred receipt of Social Security because their earnings would have resulted in a benefit reduction had an incentive to apply for benefits. Workers who delay receipt of benefits until they are beyond the full retirement age remain eligible for the delayed retirement credit, which permanently increases their benefits. This provides a financial incentive for workers to remain employed and defer receipt of Social Security.

Since 2002, the percentage of male applicants for Social Security retired worker benefits who are under age 65 has fallen from 77% to 68%. Over the same period, the percentage of female applicants for Social Security retired worker benefits who are under age 65 fell from 81% to 73%. Simultaneously the percentage of male applicants for retired worker benefits who were 65 years old in the year that they applied rose from 20% to 29% and the percentage of female applicants who were 65 years old when they applied rose from 14% to 21%. This trend may be due in part to the incremental increase in the full retirement age to 66, which began in 2000. Other causes of delaying claims for Social Security retired worker benefits could be the increasing percentage of workers whose only retirement plan is a 401(k) or other defined contribution plan. People with these kinds of plans have been shown to delay retirement to add to their account balances. Also, since few employers provide health insurance to retirees, some workers may be delaying retirement until they are eligible for Medicare at 65.

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<sup>5</sup> In 2009, a Social Security recipient under the full retirement age can earn up to \$14,160 without a benefit reduction. Benefits are cut by \$1 for each \$2 earned over that amount.

**Table 7. Social Security Retired Worker Benefit Awards, by Age**  
(age in year when retired worker benefits began)

|                   | 62 to 64 |                          | 65      |                          | Over 65 |                          |
|-------------------|----------|--------------------------|---------|--------------------------|---------|--------------------------|
|                   | Awards   | Percentage of All Awards | Awards  | Percentage of All Awards | Awards  | Percentage of All Awards |
| <b>Men</b>        |          |                          |         |                          |         |                          |
| 1990              | 637,100  | 74.4                     | 158,300 | 18.5                     | 60,800  | 7.1                      |
| 1995              | 614,700  | 76.1                     | 144,400 | 17.9                     | 48,700  | 6.0                      |
| 2000 <sup>a</sup> | 637,000  | 64.5                     | 226,000 | 22.9                     | 124,800 | 12.6                     |
| 2001              | 650,000  | 75.1                     | 179,000 | 20.7                     | 36,700  | 4.2                      |
| 2002              | 673,000  | 76.9                     | 171,600 | 19.6                     | 30,300  | 3.5                      |
| 2003              | 653,300  | 76.4                     | 173,300 | 20.2                     | 28,900  | 3.4                      |
| 2004              | 671,700  | 75.1                     | 188,600 | 21.1                     | 34,500  | 3.8                      |
| 2005              | 693,000  | 73.3                     | 210,800 | 22.3                     | 41,700  | 4.4                      |
| 2006              | 659,300  | 71.0                     | 236,700 | 25.5                     | 32,600  | 3.5                      |
| 2007              | 635,700  | 67.6                     | 268,600 | 28.6                     | 36,300  | 3.9                      |
| <b>Women</b>      |          |                          |         |                          |         |                          |
| 1990              | 494,800  | 80.0                     | 85,900  | 13.9                     | 37,700  | 6.1                      |
| 1995              | 492,900  | 79.9                     | 87,800  | 14.2                     | 36,300  | 5.9                      |
| 2000 <sup>a</sup> | 574,700  | 74.5                     | 118,700 | 15.4                     | 77,700  | 10.1                     |
| 2001              | 556,200  | 78.5                     | 102,000 | 14.4                     | 50,100  | 7.1                      |
| 2002              | 581,700  | 80.7                     | 103,500 | 14.4                     | 35,400  | 4.9                      |
| 2003              | 582,400  | 78.9                     | 111,000 | 15.1                     | 44,300  | 6.0                      |
| 2004              | 615,100  | 80.3                     | 124,400 | 16.2                     | 26,700  | 3.5                      |
| 2005              | 649,800  | 76.6                     | 143,400 | 16.9                     | 55,000  | 6.5                      |
| 2006              | 631,900  | 74.9                     | 158,900 | 18.8                     | 52,400  | 6.2                      |
| 2007              | 623,900  | 73.1                     | 181,800 | 21.3                     | 48,100  | 5.6                      |

**Source:** Annual Statistical Supplement to the Social Security Bulletin, various years.

**Note:** Initial awards exclude conversions from disabled worker to retired worker benefits.

a. The earnings test was repealed in 2000 for workers above the Social Security full retirement age.

## Retired Worker Beneficiaries as a Percentage of Each Age Category

The data presented in **Table 8** show that in 2007, 33% of men aged 62 to 64 were receiving Social Security retired worker benefits. This was 12 percentage points lower than in 1990 and 10 percentage points lower than in 2000. The decline coincided with rising employment rates among men in this age group. (See **Table 4**.) Among women, the percentage of 62- to 64-year-olds who were receiving Social Security retired worker benefits was generally stable at about 36% over the period from 1990 to 2000, but by 2007, the percentage of 62- to 64-year-old women receiving retired worker benefits had fallen to 31.1%. The decline in the percentage of 62- to 64-year-old men and women receiving Social Security benefits could have several causes, including the move away from defined benefit plans to defined contribution plans in the private sector and the desire among workers under age 65 to remain covered under an employer-sponsored health insurance plan until they become eligible to participate in Medicare at age 65.

Among men aged 65 to 69, the proportion who were receiving Social Security retired worker benefits rose from 83% in 1995 to 90% in 2000. By 2007, the percentage of 65- to 69-year-old men receiving retired worker benefits had fallen to 83%. Ninety-two percent of men aged 70 and older received Social Security retired worker benefits in 2007, slightly more than the 90% who received retired worker benefits in 2000, but essentially the same as the percentage of men in this age group who received retired worker benefits in 1990.

Among women aged 65 to 69, the proportion who were receiving Social Security retired worker benefits increased from 56% in 1990 to 61% in 2000 and to 65% in 2007. This trend is consistent with the long-term increase in the proportion of women who are eligible for Social Security benefits based on their own earnings histories rather than as the spouses of retired workers. Likewise, the percentage of women aged 70 and older who were receiving Social Security retired worker benefits rose from 56% in 1990 to 59% in 2000 and to 63% in 2007.

**Table 8. Social Security Retired Worker Beneficiaries, by Age**

|              | 62 to 64              |                            | 65 to 69              |                            | 70 and Over           |                            |
|--------------|-----------------------|----------------------------|-----------------------|----------------------------|-----------------------|----------------------------|
|              | Number<br>(thousands) | Percentage<br>Of Age Group | Number<br>(thousands) | Percentage<br>Of Age Group | Number<br>(thousands) | Percentage<br>Of Age Group |
| <b>Men</b>   |                       |                            |                       |                            |                       |                            |
| 1990         | 1,336                 | 45.3                       | 3,898                 | 83.8                       | 7,751                 | 91.7                       |
| 1995         | 1,320                 | 46.8                       | 3,900                 | 83.4                       | 8,694                 | 91.2                       |
| 2000         | 1,330                 | 43.2                       | 4,076                 | 90.3                       | 9,366                 | 90.4                       |
| 2001         | 1,333                 | 41.8                       | 4,125                 | 90.9                       | 9,473                 | 90.8                       |
| 2002         | 1,333                 | 40.4                       | 4,198                 | 91.0                       | 9,578                 | 91.1                       |
| 2003         | 1,331                 | 38.2                       | 4,255                 | 89.7                       | 9,667                 | 90.7                       |
| 2004         | 1,373                 | 38.1                       | 4,270                 | 88.0                       | 9,796                 | 90.7                       |
| 2005         | 1,430                 | 38.6                       | 4,289                 | 86.2                       | 9,935                 | 91.0                       |
| 2006         | 1,424                 | 36.4                       | 4,357                 | 84.8                       | 10,087                | 91.5                       |
| 2007         | 1,364                 | 32.8                       | 4,472                 | 83.0                       | 10,275                | 92.2                       |
| <b>Women</b> |                       |                            |                       |                            |                       |                            |
| 1990         | 1,167                 | 35.9                       | 3,067                 | 55.6                       | 7,607                 | 55.9                       |
| 1995         | 1,128                 | 36.8                       | 3,058                 | 56.7                       | 8,570                 | 57.7                       |
| 2000         | 1,223                 | 36.0                       | 3,209                 | 61.1                       | 9,302                 | 58.7                       |
| 2001         | 1,237                 | 35.3                       | 3,284                 | 62.4                       | 9,390                 | 59.1                       |
| 2002         | 1,246                 | 34.4                       | 3,369                 | 63.2                       | 9,480                 | 59.6                       |
| 2003         | 1,256                 | 33.5                       | 3,475                 | 65.1                       | 9,563                 | 60.2                       |
| 2004         | 1,313                 | 33.9                       | 3,544                 | 65.1                       | 9,677                 | 60.5                       |
| 2005         | 1,394                 | 35.1                       | 3,621                 | 65.1                       | 9,806                 | 61.2                       |
| 2006         | 1,416                 | 33.8                       | 3,742                 | 65.2                       | 9,949                 | 62.0                       |
| 2007         | 1,380                 | 31.1                       | 3,904                 | 65.1                       | 10,132                | 63.1                       |

**Source:** Annual Statistical Supplement to the Social Security Bulletin, various years.

## Older Workers and “Phased Retirement”

In the traditional view of retirement, a worker moves from full-time employment to complete withdrawal from the labor force in a single step. In fact, however, many workers choose to



continue working after they have retired from their “career” jobs. The process of retiring often occurs gradually over several years, with some workers retiring from year-round, full-time employment and moving to part-time or part-year work at another firm, often in a different occupation. The data in **Table 6**, for example, show that 37% of men and 32% of women aged 55 to 64 who received income from a pension in 2008 were employed in March 2009.

As members of the baby-boom generation begin to retire, millions of skilled and experienced workers will exit the labor force. As this occurs, employers may find it necessary to alter their employment practices and pension plans to induce some of those who would otherwise retire to remain on the job, perhaps on a part-time or part-year schedule. This process is sometimes referred to as *phased retirement*. No statutory definition of phased retirement exists, but one analyst has described it as “the situation in which an older individual is actively working for an employer part time or [on] an otherwise reduced schedule as a transition into full retirement. [It] may also include situations in which older employees receive some or all of their retirement benefits while still employed.”<sup>6</sup>

## Current Approaches to Phased Retirement

Employers have devised a number of strategies to retain the services of employees who are eligible to retire. Some firms allow retirement-eligible employees to work fewer days per week or fewer hours per day. Some also permit employees to reduce their workload through job-sharing. Firms sometimes rehire retired employees on a part-time or temporary basis, or bring them back as contractors or consultants rather than as regular employees.

## Phased Retirement and Pension Distributions

To qualify for the favorable tax status granted to tax-qualified pensions, a retirement plan may pay benefits only on condition of the participant’s death, disability, or separation from employment, termination of the plan, or at the earlier of age 62 or the plan’s normal retirement age.<sup>7</sup> Prior to enactment of the Pension Protection Act of 2006 (PPA, P.L. 109-280), an employee could take distributions from a defined benefit pension only after having separated from the employer or having reached the pension plan’s normal retirement age, which by law cannot be greater than 65. Section 905 of the PPA amended the Employee Retirement Income Security Act of 1974 (ERISA) such that distributions from a qualified retirement plan to an employee who has not separated from the employer can begin at age 62, even if this is younger than the plan’s normal retirement age.

An employee who has reached age 62 or the pension plan’s normal retirement age can begin to receive distributions from the plan, even if he or she continues to be employed by the firm.<sup>8</sup> Likewise, an employee who has reached the plan’s early retirement age can begin to receive distributions from the plan upon separation from the firm. If a participant has separated from the employer and has begun receiving pension distributions plan, he or she can continue to receive

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<sup>6</sup> Testimony of Wilma K. Schopp on behalf of the Association of Private Pension and Welfare Plans before the U.S. Senate Special Committee on Aging, April 3, 2000.

<sup>7</sup> 26 C.F.R. § 1.401-1(b)(1)(i).

<sup>8</sup> If a plan participant continues to work for an employer beyond the plan’s normal retirement age, the plan must meet the statutory requirements for continued benefit accruals under 26 U.S.C. § 411(b)(1)(H).

these distributions even if the participant becomes re-employed by the plan sponsor; however, the employer may be required to demonstrate to the Internal Revenue Service that “both a bona fide retirement (or other termination of employment) and a legitimate rehire have occurred.”<sup>9</sup>

One way that a firm could offer phased retirement to more workers would be to lower the plan’s normal retirement age. For example, the firm could reduce the normal retirement age to an age between 55 and 62. From the employer’s point of view, there would be at least two potential drawbacks to such an approach. First, it could result in an unintended exodus of workers into retirement. Second, it could increase the cost of funding the plan because full benefits would be payable at a younger age.

Rather than reduce the normal retirement age in their pension plans, some employers would prefer that Congress amend the Internal Revenue Code to allow in-service pension distributions to employees who have reached the plan’s early retirement age.<sup>10</sup> Some observers believe, however, that this would be contrary to the main purpose of pension plans, which is to replace wage income after a worker has retired. To the extent that employers are permitted to pay pension benefits to individuals still engaged in gainful employment, pension income is a taxpayer-subsidized supplement to wages. Permitting in-service distributions to current employees who have not reached age 62 or the plan’s normal retirement age would allow employers to compensate current employees partly with pension income, effectively reducing their operating expenses by shifting some costs to the pension fund.

Amending the Internal Revenue Code to permit in-service distributions at the early retirement age would alter incentives to work or retire, as well as how much to work and for whom to work. Consequently, it would affect both labor force participation and hours worked among older employees. The net effect of the changes in labor force participation and hours worked cannot be predicted. Some workers who otherwise would have retired before the plan’s normal retirement age would choose instead to continue working for their current employer on a reduced schedule. This would tend to increase labor force participation and hours worked. Other workers who would have taken early retirement and then sought other employment might choose instead to remain with their current employer on a reduced schedule. The effect of this change in behavior on hours worked might be close to neutral, depending on the wages available from alternative employment and the income received from pension distributions. Finally, some employees who otherwise would have chosen to continue working full-time until reaching the plan’s normal retirement age might instead reduce their work schedule and supplement their earnings with pension income. This would tend to reduce total hours worked.

## **Distributions from 401(k) Plans**

In-service distributions from defined contribution plans that occur before the participant reaches age 59½ are subject to a 10% tax penalty in addition to ordinary income taxes. Distributions may begin earlier if the employee separates from his or her employer at age 55 or older. Some advocates of phased retirement arrangements have suggested that the minimum age for in-service distributions from defined contribution plans should be lowered from 59½ to 55.<sup>11</sup> The effect on

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<sup>9</sup> Vivian Fields and Robert Hutchens, “Regulatory Obstacles to Phased Retirement in the For-Profit Sector” *Benefits Quarterly*, volume 18 (3), Third Quarter 2002.

<sup>10</sup> Requirements for qualification of pension plans are defined at 26 U.S.C. § 401(a).

<sup>11</sup> It might also seem reasonable that if legislation were passed to allow in-service distributions from an employer’s (continued...)

labor force participation of such a change in tax policy would likely be very similar to the effect of allowing in-service distributions from a defined benefit plan at the plan's early retirement age. Some workers who might have fully retired from the labor force earlier than age 59½ so that they could begin taking distributions from the plan would be induced to work longer. Others who would have taken early retirement and then sought work elsewhere would remain with their current employers, because they would be able to combine wages from part-time work with distributions from the retirement plan. Finally, some employees who otherwise would have chosen to continue working full-time until age 59½ or later would reduce their work schedules and supplement their earnings with distributions from the retirement plan.

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defined benefit plan at the plan's early retirement age, then distributions from the employer's defined contribution plan should be permitted at the same age (perhaps with a lower limit of 55). However, such a policy would suffer from at least two drawbacks. First, the minimum age for in-service distributions from defined contribution plans, which is now the same for all such plans, would differ from firm to firm, thus making the retirement planning process even more confusing for workers and their families. Second, it would be administratively difficult—and in some cases, perhaps, impossible—to tie the minimum age for in-service distributions in the defined contribution plan to the early retirement age specified in the employer's defined benefit plan.