

THE SOCIAL SECURITY STATEMENT:
HOW IT CAN BE IMPROVED

Social Security Advisory Board

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MESSAGE FROM THE BOARD

When the Social Security Independence and Program Improvements Act was signed in 1994, one of the mandates to this Board was to increase the public's understanding of the Social Security system. In 1997, the Board released a report entitled *Increasing Public Understanding of Social Security* that addressed the fact that, despite high public support for the programs administered by the Social Security Administration (SSA), numerous studies and surveys showed that public understanding of many aspects of Social Security was weak. The Board recommended that SSA use new approaches, such as the agency's new Personal Earnings and Benefit Estimate Statement (now called the Social Security Statement) to improve the public's understanding. The Board also concluded that this statement mailed each year to all workers age 25 and older would likely become the agency's most direct and important means of communicating with the public and, therefore, it is critical that the information provided on it always be accurate and consistent. The Board believed then, and still does, that the Statement should be one of the highest priorities of the agency and that it should receive thoughtful, high level attention with respect to its content and its design. At that time we recommended that SSA conduct testing of the Statement so that improvements could be made where needed, and that the agency should thoroughly examine the accuracy of the information provided on it.

Indeed, over the past decade, SSA's has made a number of enhancements to the Social Security Statement to make it more understandable and easier to read. Much of the increase in public understanding of Social Security since that time can be attributed to the Statement and the information it provides. Yet survey data shows that public understanding of the Social Security programs is still not as high as desired and there is still room for making improvements to the Statement. Over the past year, the Board has worked closely with SSA to examine areas where further improvements are warranted. Here we present our analysis of the issues along with our findings and recommendations.

Our purpose in developing this report is to encourage SSA to continue its efforts to improve the accuracy of its benefit projections for all workers, to examine continuously all aspects of the Social Security Statement for both accuracy and understandability, and to make needed improvements based on the results of careful analysis.

Sylvester J. Schieber, Chairman
Dana K. Bilyeu
Dorcas R. Hardy
Marsha Rose Katz
Barbara B. Kennelly
Mark J. Warshawsky

EXECUTIVE SUMMARY

Over the last two years, the Social Security Advisory Board has spent a considerable amount of time analyzing the Social Security Statement and exploring ways to improve it. The Advisory Board has made a number of specific observations about the current Social Security Statement:

- **The Statement Attempts to Be All Things to All People.** Research suggests that public pension statements—like the Social Security Statement—should be as compact and simple as possible. SSA includes so much information on the Statement that the portions that people most care about—their earnings history, their projected benefit estimate, and their normal retirement age—are not presented “front and center.”
- **The Statement Provides Information in a One-Size-Fits-All Manner.** Some countries have found it desirable to customize public pension statements to provide personalized information of special interest to large groups with common life circumstances, such as those approaching retirement or new to the workforce. Versions of SSA’s Statement are not now sent for any discrete groups with personalized information.
- **Some Design Features of the Statement Make It Harder to Read.** The Statement is printed in black text with simple green adornments and it appears cluttered and crowded. It lacks color, white space, and graphics, making it difficult to read. Information is presented as a laundry list of facts and data, rather than cogent summaries of things that people need to know to make informed decisions. The Statement’s design also does not change over time and this could lead to people becoming bored with the Statement and explain an apparent growing tendency for them to ignore even the most important information it provides.
- **The Statement Often Uses Dense, Bureaucratic Language Making it Difficult to Understand.** The language used in some sections of the Statement, for instance, the section describing the Windfall Elimination Provision (WEP) and Government Pension Offset (GPO), remains far too dense, too bureaucratic, and too confusing and, as a result, may not be readily understood by the intended audience. In addition, many people have a hard time discerning whether or not these provisions apply to them.
- **The Statement Uses Some Language That Could Influence Individual Decisions in Unintended Ways.** For example, in the section of the Social Security Statement that presents projected benefit estimates, SSA frames its message—“if you stop working and start receiving benefits” Some people could infer from this phrasing that the decision to stop working and the decision to start receiving benefits are inextricably intertwined and could result in some individuals exiting the workforce or claiming benefits earlier than they would otherwise, and perhaps not at the most advantageous time given their unique individual circumstances. It is similarly important how SSA describes the impact that working, while receiving retirement benefits, has on benefits

levels.

In fiscal year 2008, SSA sent out about 149 million Statements to American workers. But not everyone who should be getting a Statement is receiving one. Individuals who receive Medicare benefits but have elected not to take Social Security retirement benefits do not get an automatic Social Security Statement from SSA. There have also been a number of problems related to mail handling resulting in many people not receiving their Statements. Delivery problems also occur because of the way foreign addresses are coded. Some of these undeliverable Statements are eventually returned to SSA, but most are simply lost. An unknown number of Statements are never received by the intended individual and are never returned to SSA. It is conceivable that each year upwards of 28 million to 29 million people who should receive an annual Statement do not get one.

The Advisory Board believes that it is imperative that the Social Security Statement provide the most accurate information possible and that information be communicated in a clear and objective manner. In examining how well the Statement is living up to its potential as an effective communications vehicle, the Advisory Board, with considerable assistance from SSA's Office of the Retirement Policy and the Office of the Chief Actuary, decided to look closely at one very important part of the Statement that lends itself easily to formal empirical analysis—the projection of the future retirement benefit.

The results of this analysis showed that, on average, the benefit estimates provided on the Social Security Statement are generally good overall, and get better as the worker approaches retirement age. However, projections for younger workers are more likely to underestimate the actual benefit at age 62. The accuracy of projections tends to be considerably lower for women than it is for men, and for lower wage workers than it is for higher wage workers. For the most part, the assumption of constant real earnings used in the Statement yields fairly accurate results for men and for older workers. It is clearly less realistic for younger workers who may reasonably expect to see their real earnings grow in the future. The assumption that a worker will experience no further earnings if he or she has zero earnings during both of the past two years may also be too extreme. Assuming those workers will not work again after only a brief period out of the labor force, especially for workers under age 50, seems unrealistic. In fact, projections of their benefits are the least accurate of any group discussed in this report, and the level of benefits for which they actually become eligible are the most underestimated.

The Advisory Board offers a number of conclusions and recommendations for improving the Social Security Statement.

Regarding the Accuracy of the Benefit Projections:

- The projected benefits provided on the Statement are reasonably accurate on average, although they are far more accurate for older workers than for younger ones. However, projected benefits could and should be improved by basing them on assumptions that are as accurate as possible about future lifetime earnings. SSA should consider experimenting with and evaluating alternative assumptions and

projection methods, including those used by the Office of the Chief Actuary in projecting future benefits for the Trustees Report.

- The Advisory Board is encouraged by SSA's exploration of alternative ways to provide accurate and tailored benefit projections to workers and their families. The agency has recently begun to provide targeted information to younger workers and to those nearing retirement age by including special generic inserts for the Statement that are for these age groups. In addition, the agency is considering new ways of displaying benefit projections that focus first on the benefit amount that may be received at the full retirement age. We encourage SSA to personalize information in Statements for older workers to better illustrate the impact of different claiming and retirement ages. By contrast, showing different retirement benefit projections at various retirement and claiming ages to young workers may not be necessary.
- The Board would like to encourage SSA to consider providing certain additional information to younger workers about their retirement benefit. Specifically, it would give them a calculation of the monthly retirement benefit they have already earned based on their actual wages to date and assuming they have no future wages. This amount would be conceptually similar to the disability benefit amount currently provided on the Statement in that it would be based solely on the worker's current earnings record. This would inform the worker what she or he could count on receiving from Social Security in the event that the worker has no future earnings for reasons other than disability. This amount would be recalculated each year to reflect the most recent earnings information and it would demonstrate for younger workers how their future retirement benefit is based on their continued earnings. For some workers who drop out of the labor force and have no future earnings, this calculation could be the most accurate information about their future benefit.

The Board believes that SSA, in determining whether and how to implement this additional projected benefit, should conduct a careful analysis of the impact that the Social Security benefit formula, including its progressivity and averaging period, will have on the proposed benefit projections. SSA should consider whether these social insurance features of Social Security's benefit formula will produce benefit projections which, when compared from year to year or the current projections, will produce anomalies that might be little understood by the public. Determining whether or not to include the additional information that we have suggested, how to display it, and for which age groups it would be the most valuable would require SSA to conduct empirical and focus group research on the issue.

- The Statement should direct workers to SSA's online benefit calculator where they can enter their own assumptions about how much they will earn in the future.

Regarding the Content of the Statement:

- SSA should make the Statement as accurate, clear, and concise as possible and should provide only that information that is required or necessary for making informed decisions; eliminate extraneous information; and provide more references on the Statement to other sources of information, such as the online retirement planner. In

addition, SSA should consider separating out the Commissioner's message from the factual material provided in the Statement, and transmit this material in a cover letter or on a separate attachment to the Statement. Likewise, SSA should consider separating out from the Statement itself the technical descriptions of how SSA's programs work. This information can be provided elsewhere, such as in an information pamphlet. SSA should also provide information on the Statement about where to find further information on SSA's website.

- SSA should review the language it uses to describe benefit claiming options to assure that the phrasing used is both neutral and accurate.
- SSA should improve the Statement's message and information about the impact that working has on retirement benefits.
- SSA should provide a clearer, more succinct, and targeted message on the GPO/WEP provisions of law so that it is easier for the public to understand.

Regarding Statement Design Features: The Presentation of Information:

- SSA should seek to improve the overall readability of the Statement and should examine the impact of altering some of the Statement's design features, such greater use of color, graphics, or enlarged font size, along with more white space.
- SSA should consider consulting with experts outside of the agency to assist in designing a Social Security Statement that is state-of-the-art, and that communicates a clear message that helps the American public understand Social Security's role and importance in retirement security.

Regarding Continuous Improvement of the Statement:

- The Statement should be viewed as a dynamic instrument and SSA should seek to make sure it is meaningful to its audience. SSA should consider investing more staff time and resources into periodic evaluations of the Statement to strengthen its accuracy and understandability. The agency should look at improving its survey process and developing state-of-art survey and assessment tools, and then follow-up with improvements based on those survey results. The agency should also explore more sophisticated cognitive testing techniques and use them wherever there is critical information presented to the public to ascertain if the people who are reading the Statement understand the messages that SSA is relaying in the manner that the agency intended.
- SSA should reexamine its process for mailing Statements to better ensure that workers are receiving the Statements to which they are entitled. In doing so, SSA should take steps to assure that Medicare-only beneficiaries receive an annual Statement. The agency should also improve its process for handling "undeliverable" or returned Statements.

A quote from the Social Security Advisory Board from 1997. *The new Personal Earnings and Benefit Estimate Statement (PEBES) [now called the Social Security Statement] will likely become SSA's most direct and important means of communicating with the public. This annual communication with all workers will provide a valuable opportunity for increasing program knowledge and understanding....*

Introduction: Why We Looked at This Issue

The Social Security Administration (SSA) has a responsibility to communicate in a clear, accurate, and accessible manner with two important groups: the 166 million workers who pay taxes needed to finance the Social Security system; and the 52 million individuals who currently receive Social Security retirement and disability benefits. The agency has a particular obligation to inform workers and their families about the benefit protections provided to them by Social Security, the financing of benefits, and the operations of the program and the trust funds.

SSA recognizes that it plays a significant role in educating the American public about the program and its benefits and has focused agency attention on improving the information it provides. Over the years, SSA has made a number of changes and improvements to its Social Security Statement—a document that the agency mails each year to all workers over the age of 25 who are not yet collecting benefits (a sample Statement is provided in Appendix A). The Statement provides personalized information about the worker's earnings history and projected benefits. It also provides basic information about the programs administered by SSA and describes briefly the current state of the Social Security trust funds. The Social Security Statement has become a key reference source for workers and is, perhaps, the most important tool at the agency's disposal for communicating with the public.

In fiscal year 2008, SSA mailed out 149.3 million personalized Social Security Statements that carried important information about the vital role that Social Security benefits play in providing income security in retirement, for surviving family members, or in the event of disability. But how successful has the Statement been in communicating with and educating the public? How accurate is the projected benefit information provided to each worker? Can the content and delivery of the Statement be improved?

One of the Advisory Board's earliest reports, *Increasing Public Understanding of Social Security*, focused on the critical issue of how well the public understood Social Security. Our findings in 1997 concluded that the public had an incomplete understanding of how the taxes they paid were used and often knew little about the extent of the protection that the program provides or the requirements for eligibility. The Social Security Statement was designed, in part, to close the public's knowledge gap by including information about:

- the role of Social Security in family financial security;
- projections of future monthly benefits and how these benefits are determined;

- the agency's record of the worker's earnings;
- Social Security programs and how and where to get more information about them; and
- the financial status of the Social Security trust funds.

In the late 1990s and early 2000s, SSA's public survey data indicated that the public was not as knowledgeable as it could be about the more technical features of Social Security, including Social Security coverage requirements, the maximum taxable earnings, the average benefit amount, or how work affected benefit levels. Knowledge varied with age, education, and income, with older, more educated and high-income individuals showing the highest degree of knowledge. What was encouraging, however, was that receipt of a Social Security Statement contributed to increases in the level of public knowledge on these same aspects of the Social Security program—people who received a Statement not only showed greater knowledge of Social Security than non-recipients, but also exhibited higher levels of confidence in the agency, and greater confidence that the program would be there for them when they needed it. It is not clear, however, from recent surveys that public understanding of Social Security has improved much more since those initial findings were made. Moreover, a 2004 survey showed widespread lack of recall or use of the Statement. These results signal, perhaps, that the Social Security Statement needs further and continuous improvement to reach its full potential in helping the American public understand how Social Security fits into their retirement security picture.¹

¹ *Social Security Administration, Public Understanding Measurement System Survey, 2004.*

The information provided on the Statement, when viewed within the full context of an individual's personal circumstances and other sources of retirement income, should play a significant role in shaping an individual's plans for insurance coverage and retirement. The information provided on the Statement should also help people better understand the connection between the payroll tax contributions they have made throughout their working life and the level of benefits that they will ultimately receive from Social Security. Clearly, the Statement is one of the chief vehicles that SSA has for communicating with the public, making it imperative that this document function as a state-of-the-art communications vehicle and that the information that it provides is objective and presented clearly, accurately, and understandably.

It has been over ten years since the Board has looked at measures of public understanding or at whether the agency is maximizing its opportunities to educate workers about Social Security. We were particularly interested in studying how accurate the benefit projections are on the Statement—a subject that the agency had never examined until prompted by this Board.

Background

The Origins of the Social Security Statement

Since the Social Security Act became law in 1935, workers have had the right to review their earnings records on file at SSA to ensure that the agency has a correct accounting of their earnings, and to initiate corrections where necessary. If an individual wanted to view his or her earnings record in the early days of the program, she or he could file a Wage Statement Request by visiting a local field office and filling out a small, postcard-sized form (see Appendix B). In return, SSA would mail a copy of the worker's earnings history to the address that the worker listed on the postcard. If there were any discrepancies between the worker's earnings record at SSA and the worker's own personal records, the worker could initiate a corrective action to fix any wage postings that were in error.

In 1988, SSA publically broadcast its new capability to provide detailed statements of earnings and estimated benefits to Social Security number holders who requested this information from the agency via a dedicated 800 telephone number.²

² *In 1988, as part of SSA's ongoing public education efforts, then Commissioner Dorcas R. Hardy initiated a public outreach campaign to inform the public that the agency would begin issuing personal earnings and benefit estimate statements (PEBES) to individuals who requested them.*

As a result of the program's success, the late Senator Daniel Patrick Moynihan introduced in 1989 amendments to the Social Security Act to require SSA to issue statements of earnings automatically—without people having to request them—to all Social Security number holders age 25 and older, who were not yet in benefit status and for whom the agency could determine a current mailing address.³

³ *P.L. 101-239, the Omnibus Budget Reconciliation Act of 1989.*

The law also requires that the Statement include: for workers age 55 and older an estimate of future monthly Social Security retirement, disability, survivor and auxiliary benefits and a description of the benefits under Medicare; the amount of wages paid to the worker or income from self-employment; and an estimate of the worker's aggregate taxes paid toward Social Security and Medicare. SSA, however, decided that even though projected benefit estimates were required only for those workers age 55 and older, it would be useful to provide such projections to all eligible workers, as had been done for earlier requestors.

Inserted here is a text box containing a 1989 quote from Senator Daniel Patrick Moynihan. *"This is an idea whose time has come. ... We pay our taxes to Federal, State, and local governments and we hear back from them every year—reminding us to tote up how much we've paid in and how much we still owe or are due back. We receive monthly statements from our banks and credit card companies. Yet every month, in every paycheck, we see money withheld for Social Security, but we hear nary a word from the Social Security Administration."*

SSA began phasing in the mailing of Statements to all workers age 25 and older in February 1995 by sending them to increasingly younger groups of Social Security number holders. By October 1, 1999, SSA had fully implemented the change.

In October 2000, SSA began mailing, along with the Statement, to individuals age 55 and over a special insert that describes things to consider when thinking about retirement. This special insert is intended to help older workers and their families make important planning decisions before reaching retirement age, and it highlights the general factors that workers nearing retirement should consider, such as the long-term effects of taking a reduced benefit or the impact continued employment would have on their benefit (see Appendix A). The insert, however, is not personalized.

In 2006, SSA implemented changes to the Statement as a result of newly enacted provisions of law.⁴

⁴ *P.L. 108-203, the Social Security Protection Act of 2004.*

The changes included a description of the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO) of the Social Security Act. The elimination and offset provisions eliminate a windfall that some government workers would otherwise receive on the retired worker's benefit amount—or his or her spouse's/widow's/widower's benefit amount—if these individuals also receive a pension from a federal, state or local government based on their work and on which no Social Security taxes were paid. These provisions of law were designed to ensure that all workers are treated equally under the Social Security system and that no one benefits unfairly from work on which no Social Security taxes were paid. But these provisions are very complex, easily misunderstood, and apply only to about 2.6 percent of Social Security beneficiaries (in 2007, out of more than 49 million Social Security beneficiaries, only about 440,000 people had their benefits reduced by GPO and just over 880,000 people had their benefit reduced by WEP). It is important, however, that the people who are affected by these provisions understand the information provided about them by SSA.

The new law also required SSA to develop a new one-page Statement From Social Security that is sent to individuals with only non-covered earnings posted to their record. (See Appendix A)⁵

⁵ *Non-covered earnings are earnings from work in jobs not covered by Social Security.*

This new statement informs workers that SSA's records show that they have been employed in work on which no Social Security taxes were paid, such as some federal, state, or local government work or some nonprofit or foreign employment and that they are, therefore, not currently entitled to a Social Security benefit. This form also tells them that they could become entitled to Social Security in the future if they work in a job that is covered by Social Security or if they become eligible as a current or former spouse of a worker who paid Social Security taxes. If they do become eligible for a retirement benefit in either of these ways, the statement explains how their benefit could be reduced by GPO and WEP.

Last year the agency developed an improved insert that it sends, along with the Social Security Statement, to Social Security number holders age 55 and over. This new insert

does a better job than its predecessor at describing the important things that people need to consider as they approach retirement age and before they make critical life decisions, such as when to begin receiving Social Security retirement benefits or when and if they should withdraw, or partially withdraw, from participation in the workforce. This insert, however, is still not personalized. The agency also recently unveiled a new general insert for younger workers, ages 25 to 35, which highlights the importance of saving over their working lives.

In addition, SSA recently launched a new online retirement benefit estimator on its website that can be used to supplement the information provided on the Social Security Statement. It allows individuals to use a variety of assumptions about their future earnings and their age of retirement so that they can see the impact that different earnings levels, the timing of benefit election, or continued work while receiving benefits would have on their benefit levels. This online benefit estimator is unique from other online estimators of its kind in that it automatically extracts the individual's personal earnings history data from SSA's earning databases in order to produce more accurate estimates of future benefits, freeing the individual from having to personally locate and key in all of this data. (For a more complete discussion of the origins of the Social Security Statement, see Appendix B.)

Agency Workload and Resources

In fiscal year 2008, SSA automatically sent out 148.7 million Statements, approximately 1.2 million in Spanish, while another 600,000 were sent out at the request of individuals.⁶

⁶ *Social Security Statements are currently available in English and Spanish. Statements are automatically mailed in Spanish to those individuals who listed Spanish as their language of preference for notices and other communications from SSA when they applied for a Social Security card or when they filed an application for retirement, disability, or Supplemental Security Income benefits from the agency.*

The gender distribution of Social Security Statements in fiscal year 2008 was about even, with 74 million Statements sent to men and 75.2 million sent to women. About 13 percent of these Statements were mailed to workers below the age of 30, 67 percent to workers between age 30 and age 54, and nearly 20 percent to workers over the age of 55. Figure 1 shows a more detailed age distribution of Statements mailed during fiscal year 2008.

Figure 1 shows the age distribution of Social Security Statements, as follows: Out of the total of 149 million Statements mailed in fiscal year 2008, 20.14 million were sent to workers age 29 and under, 18.25 million to workers age 30 to 34, 19.63 million to workers age 35 to 39, 20.25 million to workers age 40 to 44, 21.66 million to workers age 45 to 49, 20.07 million to workers age 50 to 54, 16.88 million to workers age 55 to 59, 10.83 million to workers age 60 to 64, 1.12 million to workers age 65 to 69, and 380 thousand to workers age 70 and over. Source: Social Security Administration, Office of Budget.

Producing and mailing this volume of Statements represents a substantial workload and cost. SSA estimates that it spent about \$53 million to process and mail Social Security Statements in fiscal year 2008.⁷

⁷ SSA Office of Budget.

More than 85 percent of this cost is for postage, the rest is for the printing and production by an outside contractor, SSA staff time, allocated overhead, and IRS administrative costs.⁸

⁸ SSA uses a Government Printing Office vendor to print and mail Statements. Included in the cost estimate is a flat-rate fee of \$175,000 per year that the IRS charges to SSA for providing mailing addresses for Statement recipients.

While processing this workload requires substantial resources, it is not currently a significant workload for agency staff. Because the production and mailing of the Statement is done primarily by private contractors, only about 11 workyears of staff time is charged to Statement-related activities throughout the year.⁹

⁹ One workyear is roughly the equivalent of one employee working 40 hours per week for a full year.

Not Everyone Who Should Get a Statement is Receiving One

One area of concern for the Advisory Board is that not everyone who is entitled to a Statement is receiving one. First, individuals who are receiving Medicare benefits but have elected not to take Social Security retirement benefits while they are still working do not get an automatic Social Security Statement from SSA. According to data provided to the Board by the Centers for Medicare and Medicaid Services, as of October 1, 2008, there were about 1.9 million Medicare beneficiaries who were not receiving Social Security retirement benefits. It appears that SSA's processes and systems for sending out automatic Statements mistakenly assume that these individuals are receiving monthly retirement benefits by virtue of the fact that they are entitled to Medicare benefits and, therefore, no Statement is mailed. In addition, these individuals are also not able to use SSA's new online retirement planner. Not providing Statements to Medicare-only beneficiaries is an oversight that SSA should work quickly to correct.

There have also been a number of problems related to mail handling that has resulted in many people not receiving their Statements. In preparation for mailing automatic Statements in fiscal year 2008, SSA initially identified 170.5 million individuals who were entitled to receive an automatic Social Security Statement under the law.¹⁰

¹⁰ Social Security Administration, Office of Inspector General. *The Social Security Administration's Ability to Reach Individuals Using the Social Security Statement, A-15-07-17095*. January 2008.

Address requests for these individuals were sent by SSA to the IRS. Of these, IRS was only able to match 150.3 million (88.2 percent) names and Social Security numbers to its records and provide SSA with a mailing address. In cases where the IRS' data does not match SSA's records of name and Social Security number, the IRS does not provide an

address to SSA, and SSA is unable to mail a Social Security Statement to these people. Rather, the record is classified as an “unknown address.” In fiscal year 2008, there were about 20 million “unknown address” records processed by the IRS. SSA does not follow up on these cases and does not search its own databases for current information that might help the agency to locate these individuals.

In a recent study, SSA’s Office of Inspector General also found that SSA’s current processes for sending Statements does not adequately ensure that all wage earners actually receive the Statements that are mailed to them by SSA. The OIG uncovered a systemic problem with foreign addresses supplied to SSA by the IRS. The IRS system does not communicate the full address to SSA because of the way foreign addresses are coded.¹¹

¹¹ The IRS system includes two fields for address lines. When one is used for a foreign country name, IRS stores what would normally be the first name address line in one in one of their two 35-character name fields. Because the Internal Revenue Code only authorizes IRS to provide SSA with addresses, the IRS sends reports to SSA with most fields—including the name fields—left blank.

Some of these undeliverable Statements are eventually returned to SSA but most are simply lost. The largest proportion of workers in foreign countries who are entitled to receive a Statement based on work performed in covered jobs in the U.S. reside in Mexico and Canada. In fiscal year 2006, the most recent year for which data was available, SSA sent nearly 653,000 Statements to addresses in these two countries. The OIG estimates the cost for mailing these Statements to be about \$411,000. Because SSA does not have a systematic process for analyzing Statement mailings, the agency was unable to provide a precise, detailed cost estimate for Statements mailed to all foreign addresses but the OIG reports that higher postage rates apply to other foreign nations than for Statements sent to Canada and Mexico.¹²

¹² Postage costs to Canada and Mexico are about 63 cents per Statement envelope. Costs to other nations can be as high as 84 cents per envelope.

SSA also estimates that 5 million Statements delivered in fiscal year 2006 were returned to SSA as undeliverable due to incomplete addresses. Additionally, some Statements were improperly inserted into the envelope so the address was not visible, some envelopes had no Statement enclosed, and a large number of returns with complete domestic addresses were not delivered for reasons that could not be identified. The OIG estimates that costs to print and mail these 5 million returned Statements were at least \$1.5 million at the 2006 domestic bulk mail rate of \$0.309 per Statement. The OIG questions this estimate, however, and believes it to be too low because of inaccurate workload reporting at SSA and because using the domestic bulk mail rate does not take into account that some Statements were sent at higher foreign mail postage rates.

What is not counted in any of these numbers is the unknown number of Statements mailed to both foreign and domestic addresses that are never received by the intended individual and are never returned to SSA. SSA automatically mails a Social Security Statement to a worker three months before that worker’s birthday. The IRS only gets

addresses once a year—at tax time—and the further away one gets each year from tax time, the more unreliable IRS addresses become. SSA never changes the addresses it receives from the IRS, even if it has better, more recent information about a worker. Instead, SSA relies exclusively on the IRS for the addresses it uses to mail the Statements and does not search its own databases for more current information.

Given the number of Medicare-only beneficiaries, the number of unknown addresses, the magnitude of the problems with foreign addresses, the number of returns from domestic addresses, and the unknown number of undelivered but not returned Statements, it is possible that each year upwards of 28 million to 29 million people who are eligible to receive an annual Social Security Statement, about 20 percent of the total Statement population, do not get one.

The Statement's Presentation and Content

When compared with similar statements sent out by other countries and similar private sector organizations, the Social Security Statement is longer and uses more bureaucratic, technical language, and does not include a lot of modern design features—such as graphics, white space, greater use of color, or use of unique messages that are targeted to specific audiences—that are helpful in communicating complex information.

Specifically, the format of the Statement is as follows:

- Page 1 presents an introductory message from the Commissioner of Social Security that describes the important social insurance value of Social Security. This page informs the worker that Social Security is not just a retirement program like an individual retirement account or a 401(k) plan, but rather it is a program for people of all ages and situations provides protection in the form of benefits if the worker becomes disabled, and it can help support a worker's family if she or he dies. This page goes on to state that Social Security is intended to be only one part of a worker's income security in retirement. Workers will also need to rely on personal savings, investments, pensions, or other retirement accounts during their retirement years. There is also a section devoted to a discussion of Social Security's future finances and the operation of the trust funds.
- Page 2 provides personalized projections of retirement benefits, disability benefits, family and survivor benefits, and whether or not the individual has worked long enough to be covered by Medicare. This page also provides a brief explanation for how these benefit projections were calculated and the assumptions used. It also gives condensed explanations of the GPO and WEP provisions of Social Security law.
- Page 3 contains a personalized chart showing every year an individual has worked over his or her entire working life and the amount of covered earnings in that year, for both Social Security and Medicare, up to the maximum taxable earnings level. This page also provides a summary of the total Social Security and Medicare taxes paid by the worker and by her or his employer(s) over his or her working life.

- Page 4 provides some basic facts about Social Security programs and about the extra help with Medicare premiums or prescription drug costs that is available to people with limited income and resources, and how to learn more about or apply for this extra assistance. Also, on this last page, there is information outlining the fact that older individuals can elect to receive retirement benefits without exiting the workforce but that earnings limits may apply. Lastly, the Statement includes guidance on where to go to find out more information about the available choices regarding when to elect benefits and when to exit the workforce.

Two recent studies by researchers in Japan were conducted to compare design features of the public pension statements in Germany, Sweden, Canada, and the U.S.¹³

¹³ Usuki, Masaharu, Kunio Nakajima, and Tomoki Kitamura (Pension Forum, Financial Research Group, Japan). "Improving the Public Pension Statement: Suggestions Based on Survey Results," *NLI Research*, September 8, 2006.

The first study tested different statement formats to see which would most likely encourage people to participate in the Japanese national pension system. Based on what was learned from this first study, the researchers developed a model statement. The second study examined the reactions of employed participants to the model statement. Their findings suggest that public pension statements, like the Social Security Statement, should be as compact and as simple as possible. Supplemental information such as facts about how the pension system works, the definitions of technical terms, or detailed explanations of complex program features should be provided separately, perhaps with an information pamphlet or referral to other sources of information.

Some other countries have found it desirable to tailor public pension statements to the workers' unique, individual circumstances or to groups of workers, such as younger workers or workers nearing retirement. In Sweden, for instance, the public pension statement is produced in 5,000 different format and content variations that are tailored to the recipient's age, occupation, presence or absence of a spouse or children, and primary language spoken.

Information about when people are eligible to receive benefits, what their benefits are projected to be at various ages, what they and their employers paid into the system, and what impact continued work would have on their benefit levels are the kinds of information that people might find useful in order to make important decisions about retirement. It is imperative to present these important facts clearly, accurately, and as succinctly as possible at the right time so that people can make informed choices about those things affecting their financial security, such as determining for themselves, within the context of their family circumstances, whether to buy additional life or disability insurance, how much to save in retirement plans, when to begin taking Social Security retirement benefits, if and when to decrease their participation in the workforce, and if and when to exit the workforce completely. To keep the Statement simple, clear, and concise, the public should be directed to other sources of information: the agency's Internet website, information pamphlets, or the online retirement planner for general

descriptions of the program, information of a highly technical nature, and information that applies only to some small groups of people.

During the course of this study, the Advisory Board developed a number of specific observations about certain portions of the current Social Security Statement. These observations include:

- **The Statement Attempts to Be All Things to All People.** Research suggests that public pension statements—like the Social Security Statement—should be as compact and simple as possible. SSA, however, includes so much information on the Social Security Statement that the parts of the Statement that people most care about—their earnings history, their projected benefit estimate, and their normal retirement age—are not presented “front and center” on the Statement.
- **The Current Statement Provides Information in a One-Size-Fits-All Manner.** Some countries have found it desirable to design personalized public pension statements for many different circumstances. SSA, however, does not tailor its Statement’s personal estimates and types of information to different groups of individuals; it is strictly a one-size-fits-all document, regardless of age, income level, or family status. Because the agency only collects data on spousal and other family relationships at the time that an individual files an application for benefits, it is currently unable to provide estimates on the amount of spousal benefits a worker’s spouse can expect based on the worker’s earnings. The agency does not maintain its records in a way that associates a worker with her or his spouse, and hence there is no readily available data about dependents, former marriages, or any potential widow or widower situations. Nonetheless, age is available to the agency and it is easy to imagine that detailed personalized illustrations of the consequences of different claiming and retirement ages would be more salient to a 57 year-old than to a 27 year-old for whom knowing when he or she is eligible for survivor and disability benefits may be more immediate and important. Moreover, a general explanation of spousal benefits could be given or at least referenced.
- **Some Design Features of the Statement Make It Harder to Read.** The current Statement is printed in black text with simple green adornments and it appears cluttered and crowded. It lacks color, white space, and graphics, making it difficult to read. Information is presented as a laundry list of facts and data, rather than cogent summaries of things that people need to know to make informed decisions. The Statement’s design is also static, has not changed over time, and this could lead to people becoming bored with the Statement and might explain an apparent growing tendency for them to ignore even the most important information that is provided on it.
- **The Statement Often Uses Dense, Bureaucratic Language That is Difficult to Understand.** The language used in some sections of the Statement, for instance, the section describing the WEP and GPO provisions, remains far too dense, too bureaucratic, and too confusing and, as a result, may not be readily understood by the

intended audience. This section, as currently presented, is complex and difficult to understand, and many people—if they recall reading it—have a hard time discerning whether or not these provisions even apply to them.

- **The Statement Uses Some Language That Could Influence Individual Decisions in Unintended Ways.** In some areas, the language used, in its attempt to avoid complexity, may actually be interpreted in ways that SSA did not intend. For example, in the section of the Social Security Statement that presents projected benefit estimates, SSA frames its message—“if you stop working and start receiving benefits” Some people could infer from this phrasing that the decision to stop working and the decision to start receiving benefits are inextricably intertwined. This misunderstanding could result in some individuals exiting the workforce or claiming benefits earlier than they would otherwise, and perhaps not at the most advantageous time given their unique individual circumstances.

It is similarly important how SSA describes the impact that working while receiving retirement benefits has on benefits levels. Wages earned while receiving benefits from work performed between age 62 and the full retirement age are subject to an “earnings limit.” In 2009, for example, the earnings limit is \$14,160. For any earnings above this amount, the monthly Social Security benefit is offset by \$1 for every \$2 of earnings. The Social Security Statement describes these earnings thresholds as “limits,” perhaps implying to some people that having earnings from continued work is somehow detrimental because these earnings may temporarily reduce their monthly benefits. What is not clear from this language is that even though Social Security benefits may be temporarily reduced by earnings between age 62 and full retirement age, the beneficiary may still benefit financially from both continued earnings during these years and may benefit in future years from the upward adjustments made to the benefit amount at the full retirement age to compensate for any benefits withheld during the period of limited earnings.

The messages that the agency delivers to the public regarding when to claim benefits need to be as objective as possible and should clearly lay out the key factors that affect benefit amounts. Information should be presented in a way that will facilitate an informed decision about when to apply for benefits, based on individual and family circumstances. There are many factors that should be considered when choosing the date on which to start receiving Social Security benefits, including health and life expectancy, the presence or absence of a spouse or other dependents, pension income, other savings, investments or assets, the person’s tax situation, the presence of one or more dependents in the household, in particular a person with a disability, immediate financial need, etc. There is no single “right time” to claim Social Security benefits that is suitable for everyone. Moreover, the information should stress that this is not a “one-size-fits-all” decision nor is it a mechanical decision predicated on a “break-even” analysis.

The Advisory Board recognizes that it is not easy to provide information to the public that is not subject to interpretation, or information that does not seem to favor one decision path over another. Making broad statements that would best serve the needs of

everyone is impossible. It is, however, SSA's job to educate people in a direct and clear fashion, including the recognition that no single time for claiming a benefit is correct for all people and that the decision to claim benefits does not imply that a worker must exit the workforce or vice versa.

The Social Security Statement as a Communications Vehicle

Public Reactions to the Statement

In 1998, SSA implemented a public survey that measured the public's understanding of the agency's programs and basic rules. These early results showed that just over half of the American public was knowledgeable about Social Security programs and had an understanding of basic program rules and concepts. The survey also indicated that the public was not as knowledgeable as it could be about the more technical features of Social Security, such as the average benefit amount or how work affected benefit levels. A statistical analysis of this survey data showed that knowledge varied with demographic factors such as age, education, and income, with older, more educated and high-income individuals showing the highest degree of knowledge.¹⁴

¹⁴ *Social Security Administration, Public Understanding Measurement System Survey, 1998.*

In 1999, SSA added for the first time a section to its public survey instrument specifically to measure the usefulness and ease of understanding of the Social Security Statement. In doing so, the agency confirmed its general sense that the public, in large part, has a favorable reaction to the Statement.¹⁵

¹⁵ *Social Security Administration, Public Understanding Measurement System Survey, 1999.*

A later agency survey conducted in 2000 showed an increase in the public's knowledge about those aspects of Social Security that are related to an individual's own retirement planning.¹⁶

¹⁶ *Social Security Administration, Public Understanding Measurement System Survey, 2000.*

For example, knowledge that an individual can receive some retirement benefits before full retirement age rose from 62 percent to 65 percent, while knowledge that there will be an increase in the age for receipt of full retirement benefits rose from 65 percent to 72 percent. SSA attributes this rise in public knowledge, in part, to receipt of a Social Security Statement.

In 2004, SSA's public opinion surveys took a new approach to evaluating the Social Security Statement; instead of developing an overall measure of satisfaction, the new survey looked separately at which parts of the Statement people recalled reading and whether or not they have taken—or planned to take—any specific actions as a result of receiving the Statement.¹⁷

¹⁷ *Social Security Administration, Office of Communications, Office of External Affairs, Office of Planning, Evaluation, and Measurement. Social Security Statement: Report of Findings, March 2006.*

Despite the public's favorable opinion of the Statement, SSA's 2004 public survey results raise some concerns about the effectiveness of the Statement as a communications tool. Only about two-thirds of the people surveyed recalled receiving a Social Security Statement sometime within the past year. Additionally, only about two-thirds of those people who recalled receiving a Statement reported that they read the Statement carefully, while the rest reported that they either merely glanced at the Statement or did not look at it at all. Those people who remembered receiving a Social Security Statement remembered some parts of the Statement more than others, as illustrated in Table 1:

Table 1 includes survey results about the Social Security Statement from SSA's public opinion surveys showing that those people who remembered receiving a Social Security Statement remembered some parts of the Statement more than others. In particular, 91% of respondents remembered the projected benefit amount, 93% remembered the record of yearly earnings, and 78% remembered the amount of taxes paid by them and their employer. Conversely, only 38% remembered the message about the future of Social Security, 47% remembered general information about Social Security, and 41% remembered information about SSA's website. Source: SSA's Public Understanding Measurement Survey, December 16, 2004.

In response to a question about whether or not people have already taken or are likely to take any specific actions as a result of receiving the Statement, the responses broke out as illustrated in Table 2:

Table 2 provides survey results from SSA's public opinion surveys that indicate what actions respondents plan to take as a result of receiving a Social Security Statement. The results show that 82% will file the Statement with their important papers, 53% will increase their personal savings, 52% will change their financial plans for the future, 33% will reconsider their retirement date, 25% will contact a financial advisor, and 13% will contact SSA. Source SSA's Public Understanding Measurement Survey, December 16, 2004.

As indicated earlier, SSA's public survey data has shown a link between increasing public confidence and receipt of the Statement. People who receive a Statement not only experience higher knowledge of Social Security than non-recipients, but also exhibit higher levels of confidence in the agency, and greater confidence that the program still will be there for them when they need it. As measured by more recent survey data, however, it is not clear that public understanding of Social Security has improved much since 2000.

An independent survey conducted in 2008 indicates that, while more than three-quarters (77 percent) of the 61 year-olds surveyed reported knowing when they would personally start taking Social Security benefits, many still show a limited knowledge of the basic Social Security facts needed to make informed decisions.¹⁸

¹⁸ News Release, "Fidelity Investments Reports Nearly Half of 61 Year-Olds Plan To Start Taking Social Security As Soon As Eligible: Financial Needs and Health Concerns Cited As Top Factors in Decision to Begin Receiving Benefits at Age 61." October 27, 2008. This survey was conducted in August 2008 by JLA Strategic Research, an independent research firm, on behalf of Fidelity Investments. http://personal.fidelity.com/myfidelity/InsideFidelity/index_NewsCenter.shtml?refhp=cp.

For example, 56 percent of respondents did not know when they will be eligible for full Social Security retirement benefits, 72 percent did not know that a non-working or less-earning spouse could be eligible for benefits based on the higher-earning spouse's work history alone, only 69 percent understood that Social Security benefits were considered taxable income, and 12 percent were not aware that working in retirement could impact their benefits. At a forum sponsored by the Advisory Board in January of 2008, retirement policy expert Alicia Munnell noted that approximately 26 percent of people surveyed did not know that their future Social Security benefits, if claimed at the full retirement age, would be more than benefits claimed at the early retirement age. These results signal that the Social Security Statement has not yet reached its full potential in helping the American public understand how Social Security fits into their retirement security picture.

SSA has also used focus groups to analyze the impact of the Social Security Statement on public understanding. Most of the agency's focus group efforts have found that participants find the Statement to be very helpful and believe that it addresses issues that are important to them. The three pieces of information that most participants look for most often when they receive their Statement are the benefit projections, their earnings history, and their retirement age. Most focus group participants, however, thought the Statement was "too wordy." In particular, they felt that the last page which provides basic information about Social Security should be redesigned to have fewer words, and more bullets. Further, participants found the new language SSA included about the GPO and WEP, as directed by statute, difficult to understand and many had a hard time discerning whether or not these provisions applied to them.

In 2005, the Government Accountability Office (GAO) conducted surveys and focus groups to assess the understandability of the Social Security Statement, and also asked a benefits consulting group to compare the Statement with similar statements sent out by private sector companies and the governments of other nations.¹⁹

¹⁹ U.S. Government Accountability Office. *Social Security Statements: Social Security Administration Should Better Evaluate Whether Workers Understand Their Statements*, GAO-05-192, April 2005.

Like SSA's survey results, only about two-thirds (66 percent) of the people responding to GAO's survey remembered receiving the Statement, though some parts, like the benefit projections and the earnings history, were remembered more often than other information provided on the Statement—for instance, information about Social Security's future. Participants found some of the information confusing and contradictory, including the role that work credits and earnings play in determining eligibility and benefit levels. When asked to compare the Social Security Statement with a private sector benefit statement, participants stated that the Social Security Statement lacked helpful design features such as the use of color and graphics. The benefits consulting firm that GAO

asked to review the Statement gave it a communications effectiveness score of 65 out of 100, below the industry average score of 73.

The GAO concluded that SSA is not doing a good job of identifying the strengths and weaknesses of the document nor adequately responding to user feedback. The GAO also pointed to promising practices of private sector firms and other industrialized countries as examples of things that SSA should consider when gathering feedback from Statement recipients. It cited the public pension system of Sweden where within a month of when a public pension statement is sent to a worker, surveys are taken to assess the understandability and usefulness of the statement while the recipient's impressions are still fresh. GAO also noted that some other countries customize the content of their statements that differ based on the age of the recipient or other factors like marital status. Some countries stress the importance to younger workers of starting to save early in their careers for retirement, and older workers receive messages stressing what they can do to maintain their current lifestyle—such as working longer or increasing personal savings. These countries believe that customizing the statements for their audience is important because people are more likely to read and remember information that is relevant to them and less likely if they keep receiving the same old statement year after year, even with personalized information.

GAO noted that the Statement was limited because of its inability to offer “strategies for meeting income goals through other sources of retirement income;” a design that fails to emphasize retirement benefit information; a lack of customization of information for different audiences; and its repetitive nature. It outlined several recommendations for SSA to improve its Statement; recommendations to which SSA agreed but has been slow to respond. Of these, the need to establish a mechanism for feedback and assessment of the Statement's effectiveness was GAO's primary emphasis. Other recommendations included “showing the personalized benefit information first, using graphics to aid readers in quickly comprehending information, and providing information to help recipients understand Social Security's contribution to their total retirement income.”

Limitations of Current Feedback Approaches

Historically, SSA has conducted only limited evaluations of the Social Security Statement. Aside from the relatively few surveys and focus group analyses that SSA performs, SSA does not have systematic processes in place to rigorously and routinely evaluate various aspects of the Statement in a manner befitting its importance as a planning tool for millions of Americans. For instance, SSA does not maintain reliable information to assist the agency in evaluating how well the Statement is meeting its intended purpose to ensure the accuracy of workers' earnings records. SSA only recently began putting into place processes to document the reasons for corrections in individual earnings histories so that it could measure how effective Social Security Statements are in correcting earnings records—one of the primary purposes of the Statement.²⁰

²⁰ SSA Office of Inspector General. *Effectiveness of the Social Security Statement in Correcting Earnings Records, A-15-07-17089, August 2008.*

In addition, SSA had never attempted to evaluate the accuracy of the benefit projections provided on the Statement until the agency was asked to do so by the Advisory Board in 2008.

The agency's assessment of the Statement should be more in line with how other countries and private sector financial institutions conduct research on how well their publications are conveying complex, yet critical information. Conventional public opinion polling and focus groups may not be particularly well suited to researching the public's understanding of complex issues like those inherent in the Social Security program. Traditional surveying and polling methods usually attempt to measure the public's level of understanding through self-reports; respondents are asked how well they understand a particular aspect of an issue or how effective they believe the communications materials about it to be. Cognitive science research suggests, however, that a better gauge of how well individuals understand an issue is whether or not they can accurately explain it, in their own words, to someone else. SSA currently has a highly skilled staff of researchers, policy analysts, and communications experts that could be called upon to perform regular evaluations of various aspects and design features of the Statement. Utilizing the agency's existing analytical capacity, SSA could explore ideas for improving on the good work that has already been done and produce the best, most effective, state-of-the-art Statement possible. This would, undoubtedly, require more than the 11 workyears of agency staff time currently devoted to the Statement, but it is, in all likelihood, within the existing capacity of the agency, and would result in a more vigorous and more modern approach to evaluating the accuracy and effectiveness of each part of the Statement and, overall, better Statements. Where necessary, the agency should also consult with outside experts and should employ state-of-the-art communications and evaluation techniques to evaluate each part of the Statement to determine whether or not the message the public is receiving is, indeed, the message that SSA intended to send.

The Statement should present important, basic information about Social Security programs as clearly, accurately, and succinctly as possible and then tell the readers where they can find more information rather than try to be all things to all people. For example, when SSA added language to the Statement about GPO and WEP, the agency did so because it was required by statute. SSA's description of these provisions, however, has been confusing to the public and many people say that they cannot tell from reading this section whether or not it applies to them personally. Given the complexity of these provisions, and the fact that they apply to less than 3 percent of beneficiaries, SSA should develop a more simplified presentation that could be easily understood by the public and then refer individuals to more detailed sources of information, such as the agency's Internet website or an information pamphlet.

SSA is also thinking about ways to improve the Social Security Statement. Agency officials have told the Advisory Board that they have considered "mass" customization of the Statement that would allow the information presented on it to be tailored more closely to each individual's personal situation. However, they rejected this notion because to do this would be "prohibitively expensive and administratively infeasible" given the large

volume of Statements mailed each year (the Advisory Board has not been presented with or evaluated hard data on how expensive or difficult it would be to do such customization). Rather, SSA has established two workgroups to look at options for designing special general inserts geared toward larger groups of people: (1) workers who are age 55 and older—focused more on the things these people need to know as they approach retirement; and (2) younger people, ages 25 to 35—a document that includes a stronger message about the importance of savings and investment early in their careers. These age-targeted inserts are not personalized in any way. In addition, the Board has heard from the agency that SSA’s Office of Retirement Policy has formed a workgroup that will take a hard look at the presentation of projected benefits and the language in the Statement that relates to when an individual should claim benefits. The Advisory Board believes that these things are a step in the right direction but there is much more that the agency could do to make the Social Security Statement a more effective communications vehicle.

Some limited improvements have been made to the Statement’s presentation, content, and understandability in recent years. Most notably, the agency has made changes to address the public’s concerns that the Statement is “too wordy,” that they did not like the font in which it was printed, and that more information should be presented in bullet format. The agency, however, has been slow to make changes to address other needs and concerns raised by GAO and by the intended user, the American public, to improve the accuracy, understandability, and utility of the Statement.

Improving the Accuracy of Benefit Projections

In examining how well the Social Security Statement is living up to its potential as an effective communications vehicle, the Advisory Board decided to look closely at one important part of the Statement that lends itself to formal empirical analysis—the projection of the future retirement benefit. Among the most important functions of the Statement is to give covered workers a reasonably accurate projection of what their future Social Security benefits will be, assuming benefits scheduled in current law are paid. The law requires that SSA provide benefit estimates only for older workers (age 55 and above), because they are nearing the time when they will have to make decisions about exiting the workforce and deciding when to begin receiving retirement benefits. The law recognized that it is far more important for this older group to receive such detailed information than it is for younger workers who still have a long time to work before making such decisions. SSA has chosen, however, to provide benefit estimates for eligible individuals at all ages. While this information may be most valuable to those approaching retirement, workers of all ages should be able to use these projections to help them plan their finances and to participate in civic discussions about the future of the Social Security program.

The Advisory Board believes that it is imperative that the Social Security Statement provide the most accurate information possible and that information be communicated in a clear and objective manner. The benefit projections provided on the Statement are considered by the vast majority of the public to be one of the most important pieces of

information relayed to them on the Statement. But how accurate are the projections that SSA provides?

SSA's Current Assumptions and Methods. The Social Security Statement currently provides projections of what an individual worker's retirement benefits would be if he or she chooses to start those benefits at age 62, at the full retirement age, and at the age of 70. If an individual is not fully insured for Social Security retirement benefits at the time the Statement is prepared, no retirement benefit projection is provided.²¹

²¹ A worker is considered to be "fully insured" for Social Security retirement purposes when he or she has worked for a sufficient length of time in a job or jobs covered by Social Security and has earned at least the minimum indexed amount of income established by law. To be fully insured, workers need at least one quarter of coverage for each calendar year after they turned age 21 and the earliest of the following: the year before they attain age 62, the year before they die, or the year they became disabled. An individual is considered to be "permanently insured" if he or she is fully insured and will not lose fully-insured status when he or she stops working under covered employment. Generally, sufficient covered employment to gain permanently insured status is defined as 40 quarters of covered work, or ten years of employment. The 40 quarters need not be worked consecutively.

Benefit projections are also provided to workers who are eligible to receive disability benefits. As in the case of a retired worker, if the individual does not meet the criteria for disability insured status, then no disability benefit projection is provided.²²

²² Generally, an individual is considered insured for disability benefits if he or she has earned at least 20 quarters of coverage during the last 10 years, and is fully insured for retirement purposes.

The Statement also notes that estimated benefits are based on current law and that the law governing benefit amounts may change because, by 2041, the payroll taxes collected will be enough to pay only about 78 percent of scheduled benefits.

Benefit projections are based on a worker's actual earnings record at the time the Statement is issued as well as assumptions about what their future earnings will be between the Statement date and three possible ages the worker might choose to start taking benefits. For the purposes of the projection, SSA assumes that there will be no growth in future real wages, or prices. That is, an individual worker is assumed to have the same level of earnings until the age at which the benefit is calculated as he or she had in the more recent of the last two year's prior to the Statement date. If an individual has no earnings in both of the previous two years, SSA assumes he or she will have no further earnings until the date benefits are claimed. For example, if a worker had earnings of \$35,000 in 2007, and \$38,000 in 2008, it would be assumed that his or her wages would remain at \$38,000 each year until the age at which the benefits are calculated. If the individual had no earnings in 2008, it would be assumed that he or she has wages of \$35,000 each year until the age at which the benefits are calculated. If the worker had no earnings in either year, it would be assumed that he or she would have no future earnings.

SSA further assumes that the current thresholds in the benefit formula known as "bend points," that are used to calculate the benefit, (or primary insurance amount, PIA), remain constant into the future as well.²³

²³ *The Primary Insurance Amount, or PIA, is derived from a formula that SSA uses to define an individual's retirement benefit amount. The PIA is determined by calculating an individual's average indexed monthly earnings based on the individual's 35 highest years of earnings, adjusted by changes in the average wage index (AWI). Bend points are the dollar amounts that define PIA earnings brackets in the benefit formulas to make the formula progressive, i.e., the formula replaces a larger portion of pre-retirement earnings for lower income individuals than it does for higher income individuals. For a more detailed explanation see: <http://www.ssa.gov/OACT/COLA/Benefits.html>.*

The agency assumes there will be no future growth in the average wages in the national economy that are used to index a worker's wages and the benefit formula "bend points."

By making these simplifying assumptions, SSA believes the benefit projections provided in the Statement can be more easily understood, because they are expressed in terms of today's standard of living. The agency also stated that it believed that these assumptions, although they simplify the task of projecting future circumstances, provide reasonably accurate projections.

There are alternative assumptions that could be made. In fact, at one time the Statement benefit projections did assume that wages would increase in real terms by 1 percent each year. That was changed to the current practice of assuming no future wage (or price) growth because it was believed to be simpler to explain to the public. Another set of assumptions is currently used to project future benefit levels for low, medium and high wage earners in the annual report of the Social Security Trustees.²⁴

²⁴ *See 2008 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Trust Funds, Table VI.F10: "Estimated Annual Scheduled Benefit Amounts for Retired Workers With Various Pre-Retirement Earnings Patterns Based on Intermediate Assumptions, Calendar Years 2008-85."*

The Trustees, after careful consideration of historical evidence and judgments about the future economic trends, develop explicit assumptions about long-term trends in future wage growth and future inflation rates as part of their effort to give the best possible long-term projection of the finances of the entire Social Security system. They update these assumptions each year. In order to calculate average benefits for workers, they also assume worker's wages will follow an age-graded trajectory observed in historical data. Averaged over all workers, wages typically increase until the ages of early 50s and then decline slightly thereafter.²⁵

²⁵ *For a detailed description of this methodology see: "Scaled Factors for Hypothetical Earnings Examples under the 2008 Trustees Report Assumption," by Michael Clingman and Orlo Nichols, Actuarial Note 2008.3, August 2008.*

Whether the current set of assumptions used in the Social Security Statement or some alternative set result in more accurate projections on average and for specific groups of workers is an empirical question.

Comparing Projected Benefits to Actual Benefits. With the substantial assistance of SSA's Office of Retirement Policy and the Office of the Chief Actuary, the Advisory Board evaluated how close the projections on the Statement, delivered at various ages

over a person's lifetime, are to the actual benefits that a person would be eligible to receive at age 62. Although Statements have only been sent to workers over the last decade (unless the worker requested one), the analysts at SSA were able to use actual wage histories of a sample of the cohort of workers born in 1940-1943 to calculate the projections they would have received if Statements, using the current benefit formula and the current methods and assumptions that SSA employs, were sent to them throughout their working years.²⁶

²⁶ For a more complete explanation of the methods and data used, see Glenn R. Springstead, David A. Weaver, and Jason J. Fichtner, "Estimated Retirement Benefits in the Social Security Statement," *Research and Statistics Note No. 2008-05*, November 2008. U.S. Social Security Administration, Office of Policy. [<http://www.ssa.gov/policy/docs/rsnotes/rsn2008-05.pdf>] We note that results in that paper and this report may differ slightly because the sample cohorts used in this report were born from 1940-1943, while the published result from the Office of Policy are based on cohorts born from 1940-1946. Wage data for 1940-1943 are based strictly on actual histories, while some data from 1944-1946 are projected using the MINT model.

For a worker born in 1940, for example, SSA researchers were able to simulate the retirement at age 62 benefit projection the worker might have received at age 40 (if the Statement had existed at that time) by using his or her actual wages up until 1980, and assumed constant wages from 1980 to 2002. That projection could then be compared to the benefit the worker was actually eligible to receive in 2002 based on his or her entire actual wage history through 2002, when he or she turned 62.²⁷

²⁷ It is not necessary for workers to have actually chosen to receive a benefit at age 62; we compare the estimate based on historical and projected wages to the potential benefit they are eligible for based on their entire history of wages at the time they turned 62, the early retirement age.

The results in Table 3 show the results of similar comparisons averaged over the whole cohort.

We characterized the accuracy of these simulated Statement-like projections by how close those projected dollar amounts are on average to the actual dollar amounts the sample workers were eligible to receive when they turned age 62. We also report what percentage of workers would have received a projection that was within a certain percentage of the benefit a worker was actually eligible to receive at age 62. For example, we report what percent of workers in this cohort would have received a projection at age 40 that was within 10 percent of what they would have actually been eligible to receive at age 62.

Empirical Results. The results for the entire cohort are reported in Table 3. The first two columns report the age at which the Statement projection was calculated and the number of workers in the sample. Because workers need to have worked 40 quarters before a worker is eligible to receive a Social Security retirement benefit, the number of the eligible workers in the sample increases at each age. The third and fourth columns compare the median benefit projection using the assumptions and methods employed in today's Statements with the median benefits for which the workers in the sample were

actually eligible at age 62. The dollar amounts are expressed in terms of the living standards at the time of the projection.²⁸

²⁸ *Technically, the actual dollar benefit at age 62 is reduced/deflated by the growth of wages (based on the Average Wage Index or AWI) between the second year prior to the Statement age and the year persons reached age 60.*

The central tendency, illustrated by the median, masks the full distribution of results. The last five columns in Table 3 describe what percentage of the individual projections in the sample of workers were within 5 percent, 10 percent, 15 percent, 20 percent or 25 percent of the actual benefits for which workers were eligible at age 62.

Table 3 provides data comparing imputed Statement projections to actual monthly benefits for which the worker was eligible at age 62, by age at projection, for 1940 to 1943 birth cohorts. This table provides a visual representation of the information provided in the paragraph below. Source: Social Security Administration, MINT model.

First, it is clear that the projections are fairly close to the actual benefit for which eligible at age 62, in dollar terms, as the age the projection is made approaches 62. At age 45, 63 percent of projections using an assumption of constant future wages would have been within 10 percent of the amount received if the worker had chosen to take his retirement benefit at age 62. By age 55, that percentage rises to 85 percent. At age 30, only 30 percent of projections are within 10 percent of the benefit amount eventually earned at age 62.

While not shown in the table, the projections for younger workers are more likely to underestimate the actual benefit at age 62. For 25 year olds, projected benefits are lower than actual benefits by 17 percent at the median; for 30 year olds, projected benefits were 10 percent lower at the median; for 35 year olds, 4 percent lower; while for 40-, 45-, 50- and 55 year olds the median difference between projected and actual benefits was zero. This suggests that actual wages for the typical youngest workers tend to be higher than their projected wages. In other words, the projections for younger workers tend to be conservative.

The accuracy of projections tends to be considerably lower for women than for men and for lower wage workers than for higher wage workers. Figure 2 illustrates that benefit projections are considerably more accurate for men than women. At each age, a larger percentage of projections for men fall within 10 percent of the actual benefit available at age 62.²⁹

²⁹ *A similar pattern persists for every other level of precision. Fewer estimates for women are within 15 percent, 20 percent and 25 percent than for men at all ages.*

At age 40, for example, 63 percent of men's projections are within 10 percent of the benefit for which they will eventually become eligible at age 62. For 40-year-old women, only 40 percent will receive as accurate an estimate.

Figure 2 shows the percent of benefit estimates within 10% of the actual benefit for which the worker is eligible at age 62, by age at estimate and gender for the 1940 to 1943 cohorts. This figure is a graphical illustration of the information provided in the previous paragraph. Source: Social Security Administration, MINT model.

Benefit projections for those with lower lifetime incomes also tend to be less accurate than those with higher incomes. One reason is that because of the progressive benefit formula, benefit levels are less sensitive to earnings as one moves up the earnings scale.³⁰

³⁰ *The extreme example is of a worker whose income always exceeds the taxable maximum because earnings above the taxable maximum are not used in the calculation of benefits. An inaccurate projection of those earnings above the maximum, therefore, would not change this worker's eventual benefits at all.*

Another reason may be that lower wage workers may be more likely to have years of zero earnings and, therefore, under the projection assumptions may inaccurately be assumed to be permanently, rather than temporarily, out of the workforce. Figure 3 illustrates that relationship is true for both men and women. At age 50, when the Statement projection should be quite accurate, only 61 percent of men and 55 percent of women who are in the bottom fifth of lifetime earners receive a projection that is within 10 percent of the benefit they will actually be eligible for in 12 years at age 62. Among those in the highest fifth of lifetime earners, 97 percent of men and women will receive a projection that is within 10 percent of the benefit for which they will actually be eligible in 12 years at age 62.

Figure 3 shows the percent of estimates at age 50 that are within 10% of the actual benefit for which the worker is eligible at age 62 by income quintile and gender. This figure is a graphical illustration of the information provided in the preceding paragraph. Source: Social Security Administration, MINT model.

The accuracy of the simulated projections depends partly on the validity of the assumptions about the future growth of wages. If the assumptions used are unrealistic, too strict or outdated they should be replaced by better assumptions. It may also be true that the assumptions are reasonably accurate for the average worker, but are less applicable for specific groups of workers. For the most part, the assumption of constant real earnings used in the Statement yields fairly accurate results for men and for older workers. It is clearly less realistic for younger workers who may reasonably expect to see their real earnings grow in the future.

The assumption that workers will experience no further earnings if they have zero earnings during both of the past two years may also be overly strong. Assuming those workers will not work again after only a brief period out of the labor force, especially for workers under age 50, seems unrealistic. In fact, projections of their benefits are the least accurate of any group discussed in this report, and the level of benefits for which they actually become eligible are the most underestimated. Table 4 illustrates the degree of inaccuracy and the extent of underestimation of benefits that occurs by assuming an observation of no earnings in the previous two years implies the person will have no future earnings.

Table 4 provides data comparing the Statement projection to the actual benefit at age 62 among all workers and those with zero earnings in both of previous two years, by age at projection. The information in this table is summarized in the paragraph that follows. Source: Social Security Administration, MINT model.

Among all 30 year olds the median projected benefit underestimates the eventual benefit earned by about 10 percent. Among 30 year olds with no earnings in the past two years, median projected benefit underestimates the eventual benefit earned by 50 percent. The extent of underestimation is apparent through age 45. By age 55, the differences disappear.

Workers with two consecutive years of zero earnings in the most recent two years represent about 8 percent to 11 percent of workers age 50 and under. They tend to be lower lifetime earners, and a disproportionate share is women. The fairly large underestimation of actual benefits for those who at age 30-45 are assumed to have no further earnings may partly explain why benefit estimates for women and lower earners are less accurate than for men and higher earners and are more likely to be underestimates. Work patterns for women have changed dramatically in the United States over the past 30 years, however, so it is possible that this conclusion is less relevant for projections made today for younger cohorts.

Advisory Board Conclusions and Recommendations

Given what was learned during this study, the Social Security Advisory Board offers a number of conclusions and recommendations for improving the Social Security Statement.

Regarding the Accuracy of the Benefit Projections:

- The projected future estimates provided on the Social Security Statement are reasonably accurate on average, although they are more accurate for older workers than for younger ones. Projected benefits, however, could and should be improved by basing them on as accurate assumptions about future lifetime earnings as are possible. SSA should consider experimenting with and evaluating alternative assumptions and projection methods, including those used by the Office of the Chief Actuary in projecting future benefits for the Trustees Report. One example of an unrealistic basis for projection involves assuming workers whose two most recent years' earnings are zero will have no further earnings over their lifetime. It is too strict and can lead to overly conservative projections. Because women and lower earners may be more likely to have intervals of time when they are out of the labor force, their benefit projections are more likely to be affected by the current assumptions. At the very least investigating alternatives to this assumption, especially for younger workers, seems warranted. Public confidence in projections, similar to those developed over time by the Office of the Chief Actuary for use in the annual Trustees

report, depends on a belief that SSA has considered the alternatives and chosen the best possible methods and assumptions taking into account both accuracy and transparency.

- SSA has begun to explore alternative ways to provide accurate and tailored benefit projections to workers and their families. The agency has recently begun an effort to provide targeted information to younger workers and to those nearing retirement age by including special inserts for the Statement that are specific to these age groups. In addition, the agency is considering new ways of displaying benefit projections that focus first on the benefit amount that may be received at the full retirement age. The Advisory Board is encouraged by these efforts and believes that these changes will improve public understanding of how Social Security retirement benefits fit into overall retirement planning. We also encourage SSA to personalize information in Statements for older workers to better illustrate the impact of different claiming and retirement ages. By contrast, showing different retirement benefit projections at various retirement and claiming ages to young workers may not be necessary.
- Furthermore, the Board would like to encourage SSA to consider providing certain additional information to younger workers about their retirement benefit. Specifically, it would give them a calculation of the monthly retirement benefit they have already earned based on their actual wages to date and assuming they have no future wages. This amount would be conceptually similar to the disability benefit amount currently provided on the Statement in that it would be based solely on the worker's current earnings record. This would inform the worker what she or he could count on receiving from Social Security in the event that the worker has no future earnings for reasons other than disability. This amount would be recalculated each year to reflect the most recent earnings information and it would demonstrate for younger workers how their future retirement benefit is based on their continued earnings. For some workers who, in fact, drop out of the labor force and have no future earnings, this calculation could be the most accurate information about their future benefit.

The Board believes that SSA, in determining whether and how to implement this additional projected benefit, should conduct a careful analysis of the impact that the Social Security benefit formula, including its progressivity and averaging period, will have on the proposed benefit projections. SSA should consider whether these social insurance features of Social Security's benefit formula will produce benefit projections which, when compared from year to year or the current projections, will produce anomalies that might be little understood by the public. Determining whether or not to include the additional information that we have suggested, how to display it, and for which age groups it would be the most valuable would require SSA to conduct empirical and focus group research on the issue.

- The Statement should also direct workers to SSA's online benefit calculator where they can enter their own assumptions about how much they will earn in the future.

Regarding the Content of the Statement:

- SSA should make the Statement as accurate, clear, and concise as possible. SSA should provide only that information that is required or necessary for making informed decisions, eliminate extraneous information, and provide more references on the Statement to other sources of information, such as the online retirement planner. In addition, SSA should consider separating out the Commissioner's message (the first page) from the factual material provided in the Statement, and transmit this material in a cover letter or on a separate attachment to the Statement. Likewise, SSA should consider separating out technical descriptions of how SSA's program work from the Statement itself and provide this information elsewhere, such as an information pamphlet, and provide information on the Statement as to where to find further information on SSA's Internet website.
- SSA should review the language it uses to describe benefit claiming options to assure that the phrasing used is both neutral and accurate.
- SSA should improve the Statement's message and information on the impact that working has on retirement benefits.
- SSA should provide a clearer, more succinct, and targeted message on the GPO/WEP provisions of law that is easier for the public to understand.

Regarding Statement Design Features: The Presentation of Information:

- SSA should seek to improve the overall readability of the Statement and should examine the impact of altering some of the Statement's design features, such as greater use of color, graphics, or enlarged font size.
- SSA should consider consulting with experts outside of the agency to assist it in designing a Social Security Statement that is state-of-the-art and that communicates a clear message that helps the American public understand Social Security's role and importance in retirement security.

Regarding Continuous Improvement of the Statement:

- The Statement should be viewed by SSA as a dynamic instrument and SSA should seek to make sure it is meaningful to its audience. SSA should consider investing more resources into periodic evaluation of the Statement to strengthen its evaluation efforts both in terms of accuracy and understandability. Development of state-of-art survey and assessment tools and improvement of its survey process are essential. The agency should also explore more sophisticated cognitive testing techniques and use them wherever there is critical information presented to the public to ascertain if the people who are reading the Statement—and other SSA publications as well—understand the messages that SSA is relaying in the manner that the agency intended. SSA should seek to answer such questions as: Are the projections and earnings

history data as accurate as possible? Is the information objective and presented as clearly as possible? Do people understand the information that is being provided to them?

- SSA should improve its processes for mailing Statements to ensure that workers are receiving the Statements to which they are entitled. In doing so, SSA should take steps to assure that Medicare-only beneficiaries receive an annual Statement, and improve its processes for handling “undeliverable” or returned Statements.

APPENDIX A

Sample Social Security Statements and Inserts

APPENDIX B

A Brief History of the Social Security Statement

Since the Social Security Act became law in 1935, workers have had the right to review their earnings records on file at SSA to ensure that the agency has a correct accounting of their lifetime earnings, and to initiate corrections where necessary. If an individual wanted to view his or her earnings record in the early days of the program, she or he could file a Wage Statement Request by visiting a local field office and filling out a postcard-sized form. Upon receiving such a request, SSA would mail a copy of the worker's earnings history to the address that the worker listed on the postcard. If there were any discrepancies between the worker's earnings record at SSA and the worker's own personal records, the worker could initiate a corrective action by visiting her or his local SSA field office and taking along with them any proofs or additional information—such as W 2 forms, old pay stubs, or other documentation from their employer—that would help SSA to correct the wage postings that were in error.

In the early 1980s, SSA began to experiment with sending out individualized Social Security “account” statements to people who requested an estimate of their projected future benefits. At that time, less than 2 percent of workers paying payroll taxes requested such a statement each year.

Displayed here is a photograph of a postcard-sized Wage Statement Request from 1958.

On August 8, 1988, SSA began providing Personal Earnings and Benefit Estimates Statements (PEBES) to Social Security number holders who requested this information. In addition to the worker's earnings history, the PEBES also provided an estimate of the benefits the worker could expect to receive upon reaching the early retirement age (age 62), the full retirement age, and age 70. Six months later, Senator Moynihan, impressed by the public's response to SSA's new Statement, introduced a bill on January 25, 1989 to make mandatory the annual provision of PEBES to all individuals age 25 and older.

Later that same year, the Social Security Act was amended by the Omnibus Budget Reconciliation Act of 1989 to require SSA to issue such statements automatically—without people having to request them—to all Social Security number holders age 25 and older, who are not yet in benefit status and for whom the agency can determine a current mailing address.³¹

³¹ P.L. 101-239, the Omnibus Budget Reconciliation Act of 1989.

The Omnibus Budget Reconciliation Act of 1990 subsequently required the IRS to disclose to SSA, upon written request from the Commissioner of Social Security, the mailing address of any taxpayer who is entitled to receive an annual Social Security Statement.³²

³² P.L. 101-508, the Omnibus Budget Reconciliation Act of 1990.

Specifically, Section 10308 of P.L. 101-239 (OBRA 89) amended Part A of Title XI of the Social Security Act to require SSA to provide to any eligible individual a “Social Security Account Statement” containing information regarding the individual's wages and self-employment income; an estimate of the aggregate of the employee and self-employment contributions of the individual for retirement, disability, and survivor benefits and for Medicare; and an estimate of the potential monthly retirement, disability, survivor and auxiliary benefits payable on the individual's account together with a description of the benefits payable under the Medicare program for individuals age 55 and over. The law defines an eligible individual as an individual who has a Social Security number, is 25 years of age or older, and has employee or self-employment earnings. The law also required SSA to take steps to assure that individuals are informed of the availability of the statement; mandated SSA to furnish statements to eligible individuals who had attained the age of 60 and were not receiving benefits from fiscal year 1995 through 1999, and biennially by fiscal year 2000 to every eligible individual who was not receiving OASDI benefits for whom a mailing address could be found.

SSA began phasing in this new requirement in February 1995 by mailing out one-time PEBES to eligible individuals age 60 and older. The mailings continued through March of 1999 to increasingly younger groups of Social Security number holders. By October 1, 1999, SSA had fully implemented the change.

At about the same time, SSA redesigned the PEBES to make it shorter, easier to read and easier to understand, and renamed the form the Social Security Statement. Since October 1999, Social Security Statements have been sent to all Americans over the age of 25 about three months before their birthday, or by special request.³³

³³ *Workers can still request a copy of their Social Security Statement at any time by calling SSA's toll-free telephone number or filing a request through the agency's Internet website. Requesting a Statement will stop the next automatic mailing and the requestor will not automatically be mailed another Statement until the following year.*

Like the PEBES that preceded it, the Social Security Statement provides a detailed record of each individual's earnings on which he or she has paid Social Security payroll taxes during their working years. In addition, the Statement provides projections of the benefits that the worker and his or her family may receive, as a result of those earnings, upon reaching the early retirement age (age 62), the full retirement age, or age 70, in the event of disability that makes that individual unable to work, or to survivors and dependents in the event of the worker's death. The Statement also informs the individual whether or not she or he has worked long enough to be entitled to Medicare and it details the amount of Social Security and Medicare payroll taxes the worker and his or her employers have paid into the system throughout their working life.

In October 2000, SSA began mailing to individuals age 55 and over a special insert along with the Social Security Statement. This special insert describes things the worker should consider when thinking about retirement. The insert is intended to help workers nearing retirement, and their families, make important retirement planning decisions before

reaching retirement age, and it highlights the various factors that workers nearing retirement need to consider, such as the long-term effects of taking a reduced benefit or the impact that remaining or re-entering the workforce would have on their monthly benefits. A sample of this insert is also provided in Appendix A.

Again in 2006, SSA implemented changes to the Statement as a result of provisions of the Social Security Protection Act of 2004.³⁴

³⁴ *P.L. 108-203, the Social Security Protection Act of 2004.*

The changes mandated by Congress in this legislation included the addition of paragraphs describing the WEP and GPO provisions of the Social Security Act. In addition, a new one-page Statement From Social Security was sent to those individuals with only non-covered earnings posted to their record.³⁵

³⁵ *Non-covered earnings are earnings from work in jobs not covered by Social Security.*

ESTABLISHMENT OF THE SOCIAL SECURITY ADVISORY BOARD

In 1994, when Congress passed Public Law 103-296 establishing the Social Security Administration as an independent agency, it also created an independent, bipartisan Advisory Board to advise the President, the Congress, and the Commissioner of Social Security on matters related to the Social Security and Supplemental Security Income programs. Under this legislation, appointments to the Board are made by the President, the Speaker of the House of Representatives, and the President pro tempore of the Senate.

Advisory Board members are appointed to staggered six year terms, made up as follows: three appointed by the President (no more than two from the same political party); and two each (no more than one from the same political party) by the Speaker of the House (in consultation with the Chairman and the Ranking Minority Member of the Committee on Ways and Means) and by the President pro tempore of the Senate (in consultation with the Chairman and Ranking Minority Member of the Committee on Finance). Presidential appointments are subject to Senate confirmation. The President designates one member of the Board to serve as Chairman for a four year term, coincident with the term of the President, or until the designation of a successor.

BOARD MEMBERS

Sylvester J. Schieber, Chairman

Sylvester J. Schieber is a private consultant on retirement and health issues based in New Market, Maryland. He retired from Watson Wyatt Worldwide in September 2006 where he had served as Vice President/U.S. Director of Benefit Consulting and Director of Research and Information. From 1981-1983, Mr. Schieber was the Director of Research at the Employee Benefit Research Institute. Earlier, he worked for the Social Security Administration as an economic analyst and as Deputy Director of the Office of Policy Analysis. Mr. Schieber is the author of numerous journal articles, policy analysis papers, and several books including: Retirement Income Opportunities in an Aging America: Coverage and Benefit Entitlement; Social Security: Perspectives on Preserving the System; and The Real Deal: the History and Future of Social Security. He served on the 1994-1996 Advisory Council on Social Security. Mr. Schieber received his Ph.D. from the University of Notre Dame. First term of office: January 1998 to September 2003. Current term of office: October 2003 to September 2009. He was appointed by the President in September 2006 to serve as Chairman of the Advisory Board from October 2006 to January 2009.

Dana K. Bilyeu

Dana K. Bilyeu is the Executive Officer of the Public Employees' Retirement System of Nevada. As the Executive Officer of the \$21 billion pension trust she is responsible for all aspects of fund management including analysis of plan funding, investment oversight, operational and strategic planning, and fiduciary and governance issues. Mrs. Bilyeu is principally responsible for the relationship with the System's independent actuary and

oversees the data reconciliation process for actuarial valuations of the System. In her capacity as the Executive Officer, Mrs. Bilyeu provides information and analysis to the Nevada Legislature in consideration of pension policy issues affecting state and local government. Prior to her appointment as the Executive Officer, Mrs. Bilyeu served for eight years as the System's Operations Officer, overseeing all aspects of benefit administration, including survivor, disability, and retirement benefit programs. Mrs. Bilyeu also was responsible for cost effectiveness measurement for all activities of the System. She was accountable for technology oversight as well as policy issues related to the public safety sector of public employment. Prior to her employment at the System, Mrs. Bilyeu was the System's legal counsel, representing the System in a variety of aspects from benefits litigation, contracts analysis, to Board governance. Mrs. Bilyeu is a member of the National Association of State Retirement Administrators, the National Council on Teacher Retirement, the National Conference of Public Employee Retirement Systems, and the National Association of Public Pension Attorneys. She also serves on the Public Employee Advisory Board for the International Foundation of Employee Benefit Plans. She received her juris doctor from California Western School of Law and her B.A. from the University of Arizona. Term of office: December 2006 to September 2010.

Dorcas R. Hardy

Dorcas R. Hardy is President of DRHardy & Associates, a government relations and public policy firm serving a diverse portfolio of clients. After her appointment by President Ronald Reagan as Assistant Secretary of Human Development Services, Ms. Hardy was appointed Commissioner of Social Security (1986 to 1989) and was appointed by President George W. Bush to chair the Policy Committee for the 2005 White House Conference on Aging. Ms. Hardy has launched and hosted her own primetime, weekly television program, "Financing Your Future," on Financial News Network and UPI Broadcasting, and "The Senior American," an NET political program for older Americans. She speaks and writes widely about domestic and international retirement financing issues and entitlement program reforms and is the co-author of *Social Insecurity: the Crisis in America's Social Security System and How to Plan Now for Your Own Financial Survival*, Random House, 1992. A former CEO of a rehabilitation technology firm, Ms. Hardy promotes redesign and modernization of the Social Security, Medicare, and disability insurance systems. Additionally, she has chaired a Task Force to rebuild vocational rehabilitation services for disabled veterans for the Department of Veterans Affairs. She received her B.A. from Connecticut College, her M.B.A. from Pepperdine University, and completed the Executive Program in Health Policy and Financial Management at Harvard University. Ms. Hardy is a Certified Senior Advisor and serves on the Board of Directors of Wright Investors Service Managed Funds, and First Coast Service Options of Florida. First term of office: April 2002 to September 2004. Current term of office: October 2004 to September 2010.

Marsha Rose Katz

Marsha Rose Katz is a Project Director at the University of Montana Rural Institute in Missoula, where her work has concentrated on assisting persons with disabilities to utilize Social Security work incentives to start their own businesses or engage in wage employment. Since coming to the Rural Institute in 1999, Ms. Katz has focused on providing training and technical assistance on both employment and SSI/SSDI to rural, frontier and tribal communities across the country. Previously, she worked for nearly 20 years in a disability rights community based organization, the Association for Community Advocacy (ACA), a local Arc in Ann Arbor, Michigan. She served as both Vice President of ACA, and Director of its Family Resource Center. It was at ACA that Ms. Katz began her nearly 30 years of individual and systems advocacy regarding programs administered by SSA, especially the SSI and SSDI programs. Ms. Katz has written numerous articles and created many widely distributed user-friendly general handouts on SSI and SSDI, the majority of which focus on the impact of work on benefits, and utilizing work incentives. She is the author of *Don't Look for Logic; An Advocate's Manual for Negotiating the SSI and SSDI Programs*, published by the Rural Institute. Her Bachelor's and Master's Degrees are from the University of Michigan. Ms. Katz's many years of experience as a trainer, technical advisor, and advocate have been guided and informed by her partnership with people with disabilities, from her husband, Bob Liston, to the people she assisted in her work with ACA and the Arc Michigan, her current work at the Rural Institute, and her longstanding participation in ADAPT, the nation's largest cross-disability, grassroots disability rights organization. Term of office: November 2006 to September 2012.

Barbara B. Kennelly

Barbara B. Kennelly became President and Chief Executive Officer of the National Committee to Preserve Social Security and Medicare in April 2002 after a distinguished 23 year career in elected public office. Mrs. Kennelly served 17 years in the United States House of Representatives representing the First District of Connecticut. During her Congressional career, Mrs. Kennelly was the first woman elected to serve as the Vice Chair of the House Democratic Caucus. Mrs. Kennelly was also the first woman to serve on the House Committee on Intelligence and to chair one of its subcommittees. She was the first woman to serve as Chief Majority Whip, and the third woman in history to serve on the 200 year-old Ways and Means Committee. During the 105th Congress, she was the ranking member of the Subcommittee on Social Security. Prior to her election to Congress, Mrs. Kennelly was Secretary of State of Connecticut. After serving in Congress, Mrs. Kennelly was appointed to the position of Counselor to the Commissioner at the Social Security Administration (SSA). As Counselor, Mrs. Kennelly worked closely with the Commissioner of Social Security, Kenneth S. Apfel, and members of Congress to inform and educate the American people on the choices they face to ensure the future solvency of Social Security. She served on the Policy Committee for the 2005 White House Conference on Aging. Mrs. Kennelly received a B.A. in Economics from Trinity College, Washington, D.C. She earned a certificate from the Harvard Business School on completion of the Harvard-Radcliffe Program in Business Administration and a Master's Degree in Government from Trinity College, Hartford. Term of office: January 2006 to September 2011.

Mark J. Warshawsky

Mark J. Warshawsky is Director of Retirement Research at Watson Wyatt Worldwide, a global human capital consulting firm. He conducts and oversees research on employer-sponsored retirement programs and policies. A frequent speaker to business and professional groups, Dr. Warshawsky is a recognized thought leader on pensions, social security, insurance and health care financing. He has written numerous articles published in leading professional journals, books and working papers, and has testified before Congress on pensions, annuities and other economic issues. A member of the Social Security Advisory Board for a term through 2012, he is also on the Advisory Board of the Pension Research Council of the Wharton School.

From 2004 to 2006, Dr. Warshawsky served as assistant secretary for economic policy at the U.S. Treasury Department. During his tenure, he played a key role in the development of the Administration's pension reform proposals, particularly pertaining to single-employer defined benefit plans, which were ultimately included in the Pension Protection Act ("PPA") of 2006. He was also involved extensively in the formulation of Social Security reform proposals, and oversaw the Department's comprehensive 2005 study of the terror risk insurance program. In addition, Dr. Warshawsky led the efforts to update and enhance substantially the measures and disclosures in the Social Security and Medicare Trustees' Reports, as well as the setting of the macroeconomic forecasts which underlie the administration's budget submissions to Congress.

Dr. Warshawsky's research has been influential in the 2001-2002 regulatory reform of minimum distribution requirements for qualified retirement plans, the increasing realization of the importance of financial protection against outliving one's financial resources in retirement, and a product innovation to integrate the immediate life annuity and long-term care insurance. For the latter research, he won a prize from the British Institute of Actuaries in 2001 for a professional article he co-authored. Favorable tax treatment for this integrated product was also included in PPA due to Dr. Warshawsky's advocacy. Dr. Warshawsky has also held senior-level economic research positions at the Internal Revenue Service, the Federal Reserve Board in Washington, D.C. and TIAA-CREF, where he established the Paul A. Samuelson Prize and organized several research conferences. A native of Chicago, he received a Ph.D. in Economics from Harvard University and a B.A. with Highest Distinction from Northwestern University. Term of office: December 2006 to September 2012.

Members of the Staff

Katherine Thornton, Staff Director
Deborah Sullivan, Deputy Staff Director
Joel Feinleib
George Schuette
Beverly Sheingorn
Jean Von Ancken

David Warner