



## SOCIAL SECURITY

The Commissioner

June 5, 2012

The Honorable Max Baucus  
Chairman, Committee on Finance  
219 Dirksen Senate Office Building  
United States Senate  
Washington, D.C. 20510

Dear Mr. Chairman:

Enclosed is a report to Congress on our review of the options for continuing to provide the annual Social Security Statement (Statement) information to the American public, which was requested in the conference report accompanying the Consolidated Appropriations Act, 2012 (P.L. 112-74).

As printing and postage rates continue to increase, it would probably cost taxpayers over a billion dollars over the next ten years to mail annual Statements to all eligible workers. Our report outlines four options for providing earnings and benefit information to eligible workers.

We will be glad to work with your staff to answer any questions you may have about this report. If you have further questions, please do not hesitate to contact me or have your staff contact Scott Frey, Deputy Commissioner for Legislation and Congressional Affairs, at (202) 358-6030.

We are sending similar letters to Representatives Harold Rogers, Dicks, Rehberg, DeLauro, Camp, Levin, Sam Johnson, and Becerra and to Senators Inouye, Cochran, Harkin, Shelby, Hatch, Stabenow, and Coburn.

Sincerely,

Michael J. Astrue

Enclosure



## SOCIAL SECURITY

The Commissioner

June 5, 2012

The Honorable Xavier Becerra  
B-316 Rayburn House Office Building  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Mr. Becerra:

Enclosed is a report to Congress on our review of the options for continuing to provide the annual Social Security Statement (Statement) information to the American public, which was requested in the conference report accompanying the Consolidated Appropriations Act, 2012 (P.L. 112-74).

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Sincerely,

Michael J. Astrue

Enclosure



## SOCIAL SECURITY

The Commissioner

June 5, 2012

The Honorable Dave Camp  
Chairman, Committee on Ways and Means  
1102 Longworth House Office Building  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Mr. Chairman:

Enclosed is a report to Congress on our review of the options for continuing to provide the annual Social Security Statement (Statement) information to the American public, which was requested in the conference report accompanying the Consolidated Appropriations Act, 2012 (P.L. 112-74).

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Sincerely,

Michael J. Astrue

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## SOCIAL SECURITY

The Commissioner

June 5, 2012

The Honorable Tom Coburn  
219 Dirksen Senate Office Building  
United States Senate  
Washington, D.C. 20510

Dear Senator Coburn:

Enclosed is a report to Congress on our review of the options for continuing to provide the annual Social Security Statement (Statement) information to the American public, which was requested in the conference report accompanying the Consolidated Appropriations Act, 2012 (P.L. 112-74).

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Sincerely,

Michael J. Astrue

Enclosure





## SOCIAL SECURITY

The Commissioner

June 5, 2012

The Honorable Thad Cochran  
S-146A Capitol Building  
United States Senate  
Washington, D.C. 20510

Dear Senator Cochran:

Enclosed is a report to Congress on our review of the options for continuing to provide the annual Social Security Statement (Statement) information to the American public, which was requested in the conference report accompanying the Consolidated Appropriations Act, 2012 (P.L. 112-74).

As printing and postage rates continue to increase, it would probably cost taxpayers over a billion dollars over the next ten years to mail annual Statements to all eligible workers. Our report outlines four options for providing earnings and benefit information to eligible workers.

We will be glad to work with your staff to answer any questions you may have about this report. If you have further questions, please do not hesitate to contact me or have your staff contact Bonnie Kind, Associate Commissioner for Budget, at (410) 965-3501.

We are sending similar letters to Representatives Harold Rogers, Dicks, Rehberg, DeLauro, Camp, Levin, Sam Johnson, and Becerra and to Senators Inouye, Harkin, Shelby, Baucus, Hatch, Stabenow, and Coburn.

Sincerely,

Michael J. Astrue

Enclosure



## SOCIAL SECURITY

The Commissioner

June 5, 2012

The Honorable Rosa L. DeLauro  
1016 Longworth House Office Building  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Ms. DeLauro:

Enclosed is a report to Congress on our review of the options for continuing to provide the annual Social Security Statement (Statement) information to the American public, which was requested in the conference report accompanying the Consolidated Appropriations Act, 2012 (P.L. 112-74).

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Sincerely,

Michael J. Astrue

Enclosure



## SOCIAL SECURITY

The Commissioner

June 5, 2012

The Honorable Norman D. Dicks  
1016 Longworth House Office Building  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Mr. Dicks:

Enclosed is a report to Congress on our review of the options for continuing to provide the annual Social Security Statement (Statement) information to the American public, which was requested in the conference report accompanying the Consolidated Appropriations Act, 2012 (P.L. 112-74).

As printing and postage rates continue to increase, it would probably cost taxpayers over a billion dollars over the next ten years to mail annual Statements to all eligible workers. Our report outlines four options for providing earnings and benefit information to eligible workers.

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Sincerely,

Michael J. Astrue

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## SOCIAL SECURITY

The Commissioner

June 5, 2012

The Honorable Tom Harkin  
Chairman, Subcommittee on Labor, Health and  
Human Services, Education, and Related Agencies  
Committee on Appropriations  
United States Senate  
Washington, D.C. 20510

Dear Mr. Chairman:

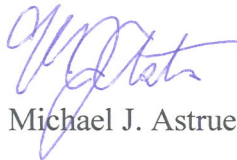
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We are sending similar letters to Representatives Rogers, Dicks, Rehberg, DeLauro, Camp, Levin, Johnson, and Becerra and to Senators Inouye, Cochran, Shelby, Baucus, Hatch, Stabenow, and Coburn.

Sincerely,



Michael J. Astrue

Enclosure



## SOCIAL SECURITY

The Commissioner

June 5, 2012

The Honorable Orrin G. Hatch  
219 Dirksen Senate Office Building  
United States Senate  
Washington, D.C. 20510

Dear Senator Hatch:

Enclosed is a report to Congress on our review of the options for continuing to provide the annual Social Security Statement (Statement) information to the American public, which was requested in the conference report accompanying the Consolidated Appropriations Act, 2012 (P.L. 112-74).

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Sincerely,

Michael J. Astrue

Enclosure



## SOCIAL SECURITY

The Commissioner

June 5, 2012

The Honorable Daniel K. Inouye  
Chairman, Committee on Appropriations  
S-128 Capitol Building  
United States Senate  
Washington, D.C. 20510

Dear Mr. Chairman:

Enclosed is a report to Congress on our review of the options for continuing to provide the annual Social Security Statement (Statement) information to the American public, which was requested in the conference report accompanying the Consolidated Appropriations Act, 2012 (P.L. 112-74).

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We are sending similar letters to Representatives Harold Rogers, Dicks, Rehberg, DeLauro, Camp, Levin, Sam Johnson, and Becerra and to Senators Cochran, Harkin, Shelby, Baucus, Hatch, Stabenow, and Coburn.

Sincerely,

Michael J. Astrue

Enclosure





## SOCIAL SECURITY

The Commissioner

June 5, 2012

The Honorable Sam Johnson  
Chairman, Social Security Subcommittee  
Committee on Ways and Means  
B-317 Rayburn House Office Building  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Mr. Chairman:

Enclosed is a report to Congress on our review of the options for continuing to provide the annual Social Security Statement (Statement) information to the American public, which was requested in the conference report accompanying the Consolidated Appropriations Act, 2012 (P.L. 112-74).

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Sincerely,

Michael J. Astrue

Enclosure



## SOCIAL SECURITY

The Commissioner

June 5, 2012

The Honorable Sander M. Levin  
1139 Longworth House Office Building  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Mr. Levin:

Enclosed is a report to Congress on our review of the options for continuing to provide the annual Social Security Statement (Statement) information to the American public, which was requested in the conference report accompanying the Consolidated Appropriations Act, 2012 (P.L. 112-74).

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We are sending similar letters to Representatives Harold Rogers, Dicks, Rehberg, DeLauro, Camp, Sam Johnson, and Becerra and to Senators Inouye, Cochran, Harkin, Shelby, Baucus, Hatch, Stabenow, and Coburn.

Sincerely,

Michael J. Astrue

Enclosure



## SOCIAL SECURITY

The Commissioner

June 5, 2012

The Honorable Dennis Rehberg  
Chairman, Subcommittee on Labor, Health and  
Human Services, Education and Related  
Agencies  
Committee on Appropriations  
2358B Rayburn House Office Building  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Mr. Chairman:

Enclosed is a report to Congress on our review of the options for continuing to provide the annual Social Security Statement (Statement) information to the American public, which was requested in the conference report accompanying the Consolidated Appropriations Act, 2012 (P.L. 112-74).

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Sincerely,

Michael J. Astrue

Enclosure





## SOCIAL SECURITY

The Commissioner

June 5, 2012

The Honorable Harold Rogers  
Chairman, Committee on Appropriations  
H-307 Capitol Building  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Mr. Chairman:

Enclosed is a report to Congress on our review of the options for continuing to provide the annual Social Security Statement (Statement) information to the American public, which was requested in the conference report accompanying the Consolidated Appropriations Act, 2012 (P.L. 112-74).

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Sincerely,

Michael J. Astrue

Enclosure



## SOCIAL SECURITY

The Commissioner

June 5, 2012

The Honorable Richard C. Shelby  
156 Dirksen Senate Office Building  
United States Senate  
Washington, D.C. 20510

Dear Senator Shelby:

Enclosed is a report to Congress on our review of the options for continuing to provide the annual Social Security Statement (Statement) information to the American public, which was requested in the conference report accompanying the Consolidated Appropriations Act, 2012 (P.L. 112-74).

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Sincerely,

Michael J. Astrue

Enclosure



## SOCIAL SECURITY

The Commissioner

June 5, 2012

The Honorable Debbie Stabenow  
Chairwoman, Subcommittee on Social Security,  
Pensions and Family Policy  
Committee on Finance  
219 Dirksen Senate Office Building  
United States Senate  
Washington, D.C. 20510

Dear Madam Chairwoman:

Enclosed is a report to Congress on our review of the options for continuing to provide the annual Social Security Statement (Statement) information to the American public, which was requested in the conference report accompanying the Consolidated Appropriations Act, 2012 (P.L. 112-74).

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Michael J. Astrue

Enclosure



# SOCIAL SECURITY STATEMENT REVIEW

A Report to Congress

Social Security Administration

June 4, 2012

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## *SOCIAL SECURITY STATEMENT REVIEW*

### **Introduction**

Since 1999, Social Security has provided an annual *Social Security Statement (Statement)* to most workers age 25 and older who are not receiving Social Security benefits, at a cost of about \$70 million a year. Due to budgetary constraints, we suspended *Statement* mailings in April 2011. This action midway through the fiscal year (FY) saved approximately \$30 million in printing and postage in FY 2011. In February 2012, we resumed mailing paper Statements to workers age 60 and older who are not already receiving Social Security benefits.

As printing and postage rates continue to increase, it could cost taxpayers more than a billion dollars over the next ten years to mail annual Statements to all eligible workers. Therefore, we have developed an easy-to-use online version of the Statement that provides eligible workers with secure and convenient access to their earnings and benefit information. We released the online Statement on May 1, 2012. Later this year, we will begin mailing an initial paper Statement to workers at age 25, and we plan to continue our practice of mailing statements to workers age 60 and older who are not already receiving benefits. This report, which was requested in the report accompanying H.R. 2055, the Consolidated Appropriations Act, 2012, discusses the legislative background of the *Statement*, the information that it provides to each worker, and the various options for providing *Statements* to the public in the future.

### **Legislative History of the *Social Security Statement***

In 1988, then-Commissioner of Social Security Dorcas Hardy made an executive decision to begin providing *Personal Earnings and Benefit Estimate Statements* to all workers.

The Omnibus Budget Reconciliation Act of 1989 (P.L. 101-239) subsequently amended title XI of the Social Security Act to provide, upon request, beginning October 1, 1990, a Social Security account statement to individuals age 25 and older who had a Social Security number and wages or self-employment earnings. We were to inform eligible individuals of the availability of the *Statement* and provide the *Statement* to individuals who had attained age 60 and were not receiving Social Security benefits from FYs 1995 through 1999. In addition, by FY 2000, we were to provide the *Statement* biennially to eligible individuals who were not receiving Social Security benefits if we could determine their address.

The Omnibus Budget Reconciliation Act of 1990 (P.L. 101-508) amended title XI of the Social Security Act to provide annual earnings and benefit statements to all workers starting in FY 2000. See Social Security Act, §1143(c)(2), 42 U.S.C. §1320B-13(c)(2).



The Social Security Protection Act of 2004 (P.L. 108-203) amended title XI of the Social Security Act to provide *Statements* to workers who were not covered by Social Security. It also provided that *Statements* for non-covered employees include an explanation of the maximum potential benefit reductions to Social Security benefits that may result from the receipt of a Federal, State, or local government pension based on non-covered employment. These provisions applied to *Statements* issued on or after January 1, 2007.

## ***Statement Content***

The four-page paper *Statement* provides all workers with estimates of their future monthly retirement, disability, and survivors benefits. It contains the estimated monthly retirement benefit payable at full retirement age, at age 70, and at age 62. For workers not fully insured for benefits, the *Statement* displays the number of work credits earned to date, as well as the number of work credits required to qualify for monthly benefits and Medicare. The *Statement* explains how the worker's benefits are estimated, e.g., the amount of wages needed to earn work credits, the assumptions we made, and how pensions based on employment in which no Social Security taxes were paid may affect the amount of Social Security benefits. It shows the annual earnings credited to the worker's record for both Social Security and Medicare, along with estimates of the taxes paid for both. We remind workers to review their earnings carefully and to contact us if they find any discrepancies so that we can correct any errors and ensure that they receive the benefits they are due. It also provides information about the various Social Security programs, factors workers should take into consideration before deciding to retire, and a list of helpful publications that are available to assist them. Beginning 2000, workers age 55 and older also received a special insert with their *Statements* containing information about retirement. In 2008, we revised this insert to include additional information and to make it easier to read. Beginning in 2008, younger workers age 25-35 received an insert highlighting what they should know about Social Security investments for retirement.

Our focus group testing and surveys have shown that the majority of respondents at all ages state that they read the *Statement* carefully and pay particular attention to the sections on earnings and benefits. In general, our surveys also show that 70 percent of respondents age 60 or older stated that they had enough information about Social Security to plan for their financial future.

## ***Current Status***

The cost of providing *Statements* to approximately 160 million workers is about \$70 million a year and is likely to rise substantially in the coming years. Due to budget constraints, we had to make difficult choices to prioritize our spending to ensure we pay accurate and timely benefits. Viewed another way, \$70 million equates to about 750 employees, who could complete 85,000 initial disability claims or conduct 70,000 continuing disability reviews. In March 2011, we suspended *Statement* mailings, which saved approximately \$30 million in printing and postage costs in FY 2011

The Department of Justice's Office of Legal Counsel and the Government Accountability Office's Comptroller General have held that agencies that reasonably anticipate a shortfall in their appropriations have both "the authority and the duty to curtail or discontinue programs and activities, including activities required by statute." *Attorney General's Authority to Reprogram Funds for the United States Marshals Service to Avoid Deficiencies*, 4B U.S. Op. Off. Legal Counsel 701,\*3, n.7, 1980 WL 20974 (June 20, 1980); *Matter of: St. Elizabeth's Hospital –District of Columbia Patients*, 61 Comp. Gen. 661, 663 (1982) (holding that a Federal hospital whose appropriation is exhausted must suspend operations in order to avoid a criminal Anti-Deficiency Act violation, despite the hospital's statutory obligation to admit qualifying patients).

In February 2012, we resumed mailing paper *Statements* to workers age 60 and older if they are not already receiving Social Security benefits. As printing and postage rates continue to increase, taxpayers would probably pay over \$1 billion over the next 10 years to mail annual *Statements* to all eligible workers. In an effort to save taxpayer money, we developed an easy-to-use online version of the *Statement* that provides eligible workers with secure and convenient access to their earnings and benefit information. Included in the online version of the *Statement* is a robust authentication process to prevent unauthorized access to workers' personal information. Individuals unable to access their information online can come into one of our local offices so that we can authenticate them in person to use the online service, or they can request a paper *Statement*. Workers also may continue to use our online Retirement Estimator, which uses a worker's actual earnings to provide accurate estimates of retirement benefits at a variety of ages.

We tested and validated the online *Statement* and authentication process to ensure protection of personal information before we released it to the public on May 1, 2012. We obtained input from Privacy experts and advocacy groups on the best methods to protect electronic services that contain personal information. By contrast, while we have made great strides in obtaining accurate addresses from the Internal Revenue Service for workers entitled to receive *Statements*, each year the U.S. Postal Service returns up to 5 million mailed *Statements* to us as undeliverable. Because there is some uncertainty about the accuracy of addresses we receive, we expect that our authentication process for our online *Statement* will make it even more secure than a mailed *Statement*.

Workers who access their *Statement* information online will receive annual emails, with a link to our online access portal, to remind them to review updated earnings information and benefit estimates. We also plan to mail an initial paper *Statement* to workers at age 25 to introduce them to our programs and services, as well as to encourage them to use the online version.

The FY 2013 President's budget includes sufficient resources to resume mailing *Statements* to all workers age 25 and older. The availability of appropriations will determine the extent to which we can resume additional mailings of the paper *Statement*.

## Options

We have considered four options for providing earnings and benefit information to eligible workers. One option is to provide *Statements* exclusively online. Under this option, workers could access their *Statement* information at any time. This option would address the growing number of people who prefer to conduct their business online. Our online *Statement* provides links to important information about our programs and services that we are unable to provide with the paper *Statement*. The information technology (IT) costs associated with developing the online *Statement* are \$1.9 million, and it will cost about \$125,000 each year to maintain the system. After one-time authentication costs, this option would save about \$70 million annually in postage and printing.

Individuals without access to a computer may be unable to readily access *Statement* information. The most recent statistics available indicate that about 70 percent of all Americans have access to a computer and the Internet. Under this option, individuals without ready access to the Internet may not be able to review their earnings annually or correct earnings errors, which could result in lower benefits. They also would lose the opportunity to monitor disability and survivors benefit estimates that can aid in financial planning.

A second option is to resume sending paper *Statements* to all individuals age 25 and older, as well as offer *Statement* information online. Workers would have annual estimates of their future benefits, an opportunity to review their earnings and make necessary corrections, and information to assist them with future financial planning. The current cost of mailing *Statements* to approximately 160 million workers is nearly \$8 million for printing and about \$62 million for postage. These costs increase each year; postage costs alone increased by 4.6 percent in 2012. If we were to send paper *Statements* to all individuals age 25 and older on a bi-annual or tri-annual basis, we would save about \$70 million in printing and postage costs for each year that we did not provide a paper *Statement*. The IT costs remain the same as the online-only option.

However, if we do not receive the President's full FY 2013 budget request, which was aligned with this option, pursuing this approach would force significant cuts in other areas that could deteriorate service to the public. Budget constraints have already led us to consolidate offices, reduce the hours our offices are open to the public, and forego replacing employees who leave the agency.

A third option, which we are currently pursuing, balances the first two approaches. We would mail *Statements* to people age 60 and older and to workers at age 25, as well as provide online access to *Statement* information. These first-time mailings for 25-year-olds would include a "Welcome to Social Security" insert that provides information about the benefits that workers are eligible for under our programs, where they can find more information about our programs, the services we offer, and what business they can transact with us online, including signing up for access to our online *Statement*. Workers could access *Statement* information online at their convenience. Individuals who are unable to access their online *Statement* information can request a paper *Statement*. Workers also can opt in or opt out of receiving online *Statements* if they prefer to do so.



This option provides workers with annual estimates of their future benefits and information to assist them with future financial planning, as well as an opportunity to review their earnings and to make necessary corrections. The combination of providing an online version of the *Statement* and also mailing a limited number of paper *Statements* to certain workers balances the statutory requirement to provide workers with annual earnings information while conserving our limited funding by conveying the information in a more cost-effective method. Using current postage and printing costs, we would spend about \$7 million per year to mail *Statements* to more than 10 million people age 60 and older and more than 4 million people age 25, saving over \$60 million per year. The IT costs remain the same as the online-only option.

Under a fourth option, we would mail *Statements* to every worker at five-year intervals, starting at age 25. For this option, younger workers would receive their first *Statement* at age 25, the second at age 30, and continue every five years. Beginning at age 60, workers would receive a *Statement* in the mail each year. Under this option, the online *Statement* also would be available to all workers as in the other three options. By providing both paper and online *Statement* options, individuals would have a paper record every five years, in addition to access to the *Statement* online. Workers could opt out of receiving paper *Statements* if they prefer to do so. Using current estimates for printing and postage, the cost would be about \$16 million annually to provide *Statements* to approximately 31 million people ages 25, 30, 35, 40, 45, 50, 55, and age 60 and older. This option would provide annual savings of approximately \$54 million. The IT costs would be the same as for the online-only option.

The chart on the following page highlights the benefits of each option.

## Online & Paper *Statement* Options Comparison

**Option 1:** Exclusively Online

**Option 2:** Online and Paper to All Workers Age 25 and Older

**Option 3:** Online and Paper to Workers Age 60 and Older, Age 25, and Anyone Who Cannot Access the Online *Statement*

**Option 4:** Online and Paper to Workers, Age 25, Age 30, Age 35, Age 40, Age 45, Age 50, Age 55, and Age 60 and Older

	Option 1	Option 2	Option 3	Option 4
Workers have immediate access to personalized benefit estimates at a time convenient for them	✓	✓	✓	✓
Workers can check the accuracy of their annual earnings at anytime	✓	✓	✓	✓
Provides online links to important information about Social Security’s programs and services	✓	✓	✓	✓
Cost efficient --saves from \$60 to \$70 million each year in administrative costs; saves up to \$1 billion over 10 years; savings would fund 630-750 full-time employees each year to handle claims and program integrity work	✓		✓	
Frees up limited agency resources to address critical workloads, reduce growing backlog of disability claims, and help prevent further deterioration of customer service	✓		✓	✓
Provides responsive service to the growing number of individuals who desire to conduct their business online	✓	✓	✓	✓
Enables workers who do not have ready access to the Internet to obtain personalized benefit estimates and review the accuracy of their earnings record		✓	✓	✓
<i>Statement</i> mailings to workers age 60 and older help individuals consider their retirement options and review the accuracy of their earnings		✓	✓	✓
“Welcome to Social Security” insert to workers attaining age 25 would provide information about the Social Security program, encourage workers to save for retirement, and inform them about how to obtain online access to view their personalized benefit estimates and review the accuracy of their annual earnings	✓	✓	✓	✓

## **Conclusion**

To make the most cost-effective use of limited resources and ensure that the important *Statement* information is available to workers, we recently resumed the mailing of *Social Security Statements* to a limited group of workers and provided online access to *Statement* information. The availability of adequate funds in the future will determine to what extent we can resume additional mailings of the paper *Statement*.