

Social Security Advisory Board

**Annual Report
Fiscal Year 2001**

October 2001

Social Security Advisory Board

An independent, bipartisan Board created by the Congress and appointed by the President and the Congress to advise the President, the Congress, and the Commissioner of Social Security on matters related to the Social Security and Supplemental Security Income programs.

October 2001

Message From the Board

In 1994, when the Congress passed legislation 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. Presidential appointees are subject to Senate confirmation.

Since the Board began meeting in the Spring of 1996, it has worked to address the broad mandate that the law provides. As this Annual Report describes, the Board's work has encompassed a number of important issues, including long-range financing for Social Security, changes in the disability programs, the agency's quality of service to the public, the need to safeguard the public's funds, the administration of the Supplemental Security Income program, the need for adequate funding for the agency, the use and misuse of Social Security numbers, and how to improve the agency's capacity for policy development, research, and program evaluation. We have issued a number of reports with recommendations, all of which have been issued by consensus and without dissent. Our reports have been widely distributed to members of Congress, the Administration, and the public. In addition, we have testified on important issues before the Congress.

This is the fourth Annual Report that the Board has issued. It describes the work that the Board has completed and the work that we currently have underway. The Board is committed to producing objective analysis and constructive recommendations that help both the Congress and the Administration in fulfilling their responsibilities with respect to the Social Security and Supplemental Security Income programs. The Board also endeavors to reach out to the public in its work, including holding public hearings.

Stanford G. Ross, Chairman

Jo Anne Barnhart

Martha Keys

David Podoff

Sylvester J. Schieber

Gerald M. Shea

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Social Security Advisory Board Annual Report Fiscal Year 2001

I. Establishment of the Board

In 1994, when the Congress passed legislation establishing the Social Security Administration as an independent agency, it also created a 7-member bipartisan Advisory Board to advise the President, the Congress, and the Commissioner of Social Security on matters relating to the Social Security and Supplemental Security Income (SSI) programs. The conference report on the legislation passed both Houses of Congress without opposition. President Clinton signed the Social Security Independence and Program Improvements Act of 1994 into law on August 15, 1994 (P.L. 103-296).

Advisory Board members are appointed to 6-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 appointees are subject to Senate confirmation.

Board members serve staggered terms. The statute provides that the initial members of the Board serve terms that expire over the course of the first 6-year period. The Chairman of the Board is appointed by the President for a 4-year term, coincident with the term of the President, or until the designation of a successor.

Stanford G. Ross was named by the President as member and Chairman of the Advisory Board and confirmed by the Senate in October 1997. In addition to the Chairman, the members of the Board are Jo Anne Barnhart, Martha Keys, David Podoff, Sylvester J. Schieber, and Gerald M. Shea.

II. The Board's Mandate

The law gives the Board the following functions:

- 1) analyzing the Nation's retirement and disability systems and making recommendations with respect to how the Old-Age, Survivors, and Disability Insurance (OASDI) programs and the Supplemental Security Income (SSI) program, supported by other public and private systems, can most effectively assure economic security;
- 2) studying and making recommendations relating to the coordination of programs that provide health security with the OASDI and SSI programs;

- 3) making recommendations to the President and to the Congress with respect to policies that will ensure the solvency of the OASDI programs, both in the short term and the long term;
- 4) making recommendations with respect to the quality of service that the Social Security Administration provides to the public;
- 5) making recommendations with respect to policies and regulations regarding the OASDI and SSI programs;
- 6) increasing public understanding of Social Security;
- 7) making recommendations with respect to a long-range research and program evaluation plan for the Social Security Administration;
- 8) reviewing and assessing any major studies of Social Security as may come to the attention of the Board; and
- 9) making recommendations with respect to such other matters as the Board determines to be appropriate.

III. Major Activities of the Board

Consistent with its broad mandate, during fiscal year 2001 the Board devoted attention to a number of issues, as described below.

A. Long-Range Financing of Social Security

In July 2001 the Board issued a report addressing Social Security's long-range financing problem, titled *Social Security: Why Action Should Be Taken Soon* (Revised Edition). The report was issued in response to requests from policy makers and others for background information that can be used in the important discussion that is currently taking place regarding the future of Social Security.

The report updated information that appeared in the Board's July 1998 report, titled *Social Security: Why Action Should Be Taken Soon*, to reflect the changes in data and assumptions included in the Report of the Social Security Trustees for 2001.

The purpose of the Board's report is to provide a reliable source of information for policy makers and the public on 1) the dimensions of the changes that are required if the Social Security system is to maintain solvency over the long term and 2) the reasons why these changes should be made soon. The report also provides a brief description of alternative proposals to address the long-range solvency problem, along with data on their impact.

In recent years there have been a variety of proposals that would change the current Social Security system to include some form of investment of funds in private equities. These proposals include allowing or requiring individuals to use a portion of the payroll tax to fund individual investment accounts, either as part of the Social Security system or as an addition to it. They also include proposals to require the government to invest a portion of the Social Security Trust Funds in equities.

A key question in evaluating these proposals is the rate of return that can be expected on such investments over the long-term. The members of the 1994-1996 Advisory Council on Social Security agreed to use a rate of 7 percent for such investments in comparing their various proposals. This reflected the rate of return over the last century. Until recently, the Office of the Chief Actuary (OCACT) of the Social Security Administration continued to use 7 percent. In its most recent estimates OCACT has used 6.5 percent.

In August 2001 the Board issued a document, titled *Estimating the Real Rate of Return on Stocks Over the Long Term*, which presents papers by three distinguished economists that examine this important question. The papers are by John Y. Campbell, Otto Eckstein Professor of Applied Economics at Harvard University; Peter Diamond, Institute Professor at the Massachusetts Institute of Technology; and John B. Shoven, Charles Schwab Professor of Economics at Stanford University.

The papers were the basis for a discussion sponsored by the Board in May 2001. The purpose of the discussion was to enable individuals from OCACT who have the responsibility for estimating the effects of changes in the Social Security system to hear a range of views on the likely real yields on equities over the long term. The papers examine the rates of return for various periods in the past and changes in the economy and the stock market that might warrant a revision in the rate of return used to estimate the Social Security reform proposals incorporating equity investment. The authors of the papers noted that in recent years the price to earnings ratios in the stock market have been significantly above historic levels. Although they varied in their recommendations, they were in agreement that, until these ratios came closer to the historic levels, a rate of return on investment lower than 7 percent should be used for future projections.

Participants in the discussion from OCACT included Stephen Goss, Chief Actuary; Alice Wade, Deputy Chief Actuary; Patrick Skirvin, Lead Economist; and Anthony Cheng, Economist. Participants also included three other distinguished economists who were members of the 1999 Technical Panel on Assumptions and Methods. These members were Eugene Steuerle, Senior Fellow, The Urban Institute; Deborah Lucas, Professor of Finance, Northwestern University and currently Chief Economist, Congressional Budget Office; and Andrew Samwick, Assistant Professor of Economics, Dartmouth College. The 1999 Technical Panel, which was sponsored by the Advisory Board, was charged with reviewing the assumptions and methods used in the long-term projections of the Social Security Trust Funds. The Panel also examined the question of how to evaluate the returns and risks involved in stock market investments. The Panel's report was published by the Board in November 1999.

During fiscal year 2001 the Board examined other actuarial issues, including the anticipated revision in the Consumer Price Index (CPI) expected to be published by the Bureau of Labor Statistics beginning in 2002. This "superlative" or chained index is aimed at providing a more current updating of the market basket of items used in compiling the CPI. The Board also met with the Director and other officials from the

Congressional Budget Office regarding the work of the CBO relating to making Social Security projections.

B. Disability Programs

From the Board's inception the Social Security Disability Insurance and Supplemental Security Income disability programs have been a primary focus of the Board's work. SSA's disability programs provide vital income support for about 10 million people. Nearly 140 million American workers are insured for Disability Insurance and rely upon this protection in case of serious illness or accident.

The disability programs have grown rapidly in recent years to the point where in fiscal year 2001 they account for about \$90 billion in Federal spending, or nearly five percent of the Federal budget. In 2001, about two-thirds of the Social Security Administration's \$7.1 billion administrative budget, nearly \$5 billion, was spent on disability work. As the baby boomers reach the age of increased likelihood of disability the growth in these programs will accelerate.

In January 2001, the Board issued a report on the agency's disability programs, titled *Charting the Future of Social Security's Disability Programs: The Need for Fundamental Change*. The report is based on the Board's extensive study of the disability programs, including meetings with hundreds of State disability agency and Office of Hearings and Appeals employees in the field who are responsible for making the agency's disability decisions. The purpose of the report was to provide the Administration and the Congress with a framework for considering the fundamental changes that need to be made if the disability programs are to meet the serious challenges they are facing.

A major finding of the report is that disability policy and administrative capacity are seriously out of alignment. The report describes the changes that the Board thinks should be considered to bridge the gap, including changes in policy, processes, institutional arrangements, and funding. Some of the changes would require Congressional action. Others would require at least the implicit concurrence of the Congress because they are likely to require additional resources.

A companion document, *Disability Decision Making: Data and Materials*, which was issued along with the Board's January report, provides background information to help readers of the report gain a fuller understanding of how the disability programs are being administered and of the major problems that are inherent in the current administrative process. This document includes extensive data on the operation of the disability programs, most of which are not routinely available to policy makers or administrators. It also includes materials describing how determinations are made, the steps in the application and appeals process, recent agency initiatives to address problems in the process, disability legislation, and major court cases that have impacted the disability process.

The data presented in the Board's report and in the companion document raise questions about consistency and equity in decision making. Over the years many reasons have been put forth to explain differences in decision making over time, among State agencies, and between State agencies and administrative law judges. However, as we observed in the report, SSA has no effective mechanism in place to provide consistent and reliable information on the extent to which the variations may represent a failure to apply program policies and procedures on a uniform basis throughout the country and throughout the disability system.

It is recommended that SSA develop and implement a new quality management system that will routinely produce the information the agency needs to properly guide disability policy and procedures and to ensure consistency and equity in decision making. The information provided should be made available to persons both within and outside of the agency who are concerned with the disability programs. These concerns were reflected in the Board's 1998 report, *How SSA's Disability Programs Can Be Improved*, which included as one of its recommendations that SSA contract for outside assistance in designing a new quality assurance system that would provide information to address the issue of consistency and equity. During fiscal year 2001, the Board met with officials from SSA and from the Health Care Financing Administration (now called the Centers for Medicare and Medicaid Services) to discuss issues relating to implementation of a quality management system.

On June 28, 2001, Chairman Ross presented testimony before the Social Security Subcommittee of the House Ways and Means Committee at a hearing on the challenges and opportunities facing the Social Security disability programs. The Board's report, *Charting the Future of Social Security's Disability Programs: The Need for Fundamental Change*, was a major focus of the hearing. In addition to identifying the fundamental issues confronting the disability programs, the Chairman emphasized that, given the magnitude and projected growth of the disability programs, it is increasingly important to reexamine how they are working and whether the policies, resources, and administrative structure that currently exist are adequate to meet future needs.

Beginning in the fall of 1999, SSA began implementing a number of changes in the disability determination process in 10 "prototype" States. The agency expects to extend these changes to the rest of the country over the next few years. These changes follow upon the process unification changes issued by the agency in the mid-1990s, which were intended to make decisions more uniform between the State disability agencies and the Office of Hearings and Appeals. The prototype initiative includes offering individuals whose claims may be denied an opportunity to have a conference with the individual who will make the disability determination. Disability examiners in the State agencies are to act as single decision makers; the opinion of a physician is not required in order to make a determination except in certain cases. In addition, in January 2000 the agency began national implementation of the Hearings Process Improvement (HPI) initiative, which was intended to improve case processing in SSA's hearing offices by using a team approach and shared accountability.

The Board has been actively monitoring the implementation of the prototype and HPI initiatives. In fiscal year 2001, the Board met with numerous officials from SSA's headquarters to discuss administrative and policy issues related to these initiatives. We made site visits to Richmond, Virginia; Fort Worth and Austin, Texas; Los Angeles and Oakland, California; Philadelphia, Pennsylvania; Newark, New Jersey; and Baltimore, Maryland. On these visits we met with DDS administrators, supervisors, examiners, quality assurance and training staff and other DDS employees, as well as with administrative law judges and other hearing office employees. The Board discussed disability issues with officials in the SSA regional offices in Texas, California, and Pennsylvania. We also met with officials from the General Accounting Office regarding the administration of SSA's disability programs.

C. Service to the Public

When legislation was enacted in 1994 establishing the Social Security Administration as a separate agency and creating an independent Social Security Advisory Board, both the Congress and the President emphasized that a major objective of the legislation was to improve service to the public. The legislation gave the Advisory Board the specific charge of making recommendations for improving the quality of service that the agency provides to the public.

Since the Board began its work in 1996, it has undertaken a continuing study of the agency's service to the public. The Board has made on-site visits to field locations across the country in order to obtain a point-of-service view of the challenges facing those who administer SSA's programs and the needs of those whom the programs are intended to serve. In September 1999 the Board issued a report, *How the Social Security Administration Can Improve Its Service to the Public*, that described how SSA was meeting its extensive service delivery demands and how its service could be improved.

Following up on the Board's recommendation that the agency urgently needs to improve its measurement of customer service needs and expectations, in October 2000 the Board and the Social Security Administration jointly sponsored a forum on the measurement and use of customer service information. This forum brought together experts from the private sector and academia to advise the agency on ways it can improve its measurement and use of customer service information so as to improve the quality of service it provides to the public.

In April 2001 the Board held a public hearing in Philadelphia at which it heard testimony from members of the public and organizations that represent populations serviced by SSA regarding the quality of service that SSA provides to the public and ideas for how service can be improved.

The Board summarized its recommendations on SSA's service to the public in its report, *Agenda for Social Security: Challenges for the New Congress and the New Administration*, issued in February 2001. The report noted that SSA is facing serious service delivery problems in carrying out its responsibilities. These problems stem from

a combination of factors, including a prolonged period of downsizing, a growing workload, and increasing program complexity. According to actuarial projections, beginning in this decade the agency's workload will increase greatly. At the same time, SSA estimates that by 2010 over 38,000 of its Federal employees will retire or leave the agency for other reasons. This is more than half of the current workforce. The agency also has a number of service delivery problems that need immediate attention: inadequate telephone service, long waiting times in field offices, and heavy workloads that lead to insufficient time to give claimants the service they need and to growing backlogs of postentitlement actions.

The Board has made four overarching recommendations for improving SSA's service to the public:

The agency needs to develop a service delivery plan that describes how it will deliver service over the short term and the long term. SSA has taken a first step in this planning effort by issuing its vision of how the agency should be operating in 2010. The new Administration should advance the work the agency has begun by developing a comprehensive and detailed plan for how the agency will meet its needs in the areas of human resources, technology, and work processes.

The Administration and the Congress need to ensure that SSA has the resources it needs to carry out its plan. The agency should develop a comprehensive workforce plan and base its appropriations requests on this plan, as directed by the 1994 legislation. SSA should also continue its efforts to develop a new work measurement system that will provide a better understanding than the agency now has of the time employees spend in carrying out the agency's responsibilities. A work-based budget outside the artificial limitation on discretionary domestic programs is recommended for the agency.

The agency needs to make major improvements in a number of its service delivery practices and strategies. The agency should follow the example of the most successful public and private entities and become more oriented toward meeting the needs and expectations of its clients. It should improve the way it measures its service and use the information it receives to guide its decisions on how to deliver high-quality service most cost-effectively.

The agency's leadership needs to address long-standing institutional problems. The Board referred specifically to the need to encourage open discussion of agency problems, the need for better communication between management in headquarters and employees in the field, and the potential for organizational changes to create a more service-oriented agency.

D. Safeguarding the Public's Funds

An important aspect of the agency's responsibility to provide high quality service to the public is ensuring that taxes are properly collected and expended. The Board is undertaking a study of how the agency might better carry out these stewardship

responsibilities. Areas that the Board is focusing on include how improvements can be made in the maintenance of Social Security earnings records, the accuracy of Supplemental Security Income payments, the conduct of continuing disability reviews, the issuance and use of Social Security numbers and cards, and various postentitlement activities that affect the accuracy of the Social Security and SSI rolls. In these and other areas SSA has a continuing challenge of balancing stewardship with other aspects of service to the public. Elements of the challenge are budgetary and staffing constraints and an agency culture that emphasizes rapid processing of claims and production over quality concerns and close scrutiny of program expenditures.

In fiscal year 2001, the Board met with SSA's Inspector General and with other officials from the Social Security Administration to discuss stewardship issues. The Board expects to publish a report on this topic in the coming months.

E. The Agency's Resource Needs

A major focus of the Board has been to examine closely the administrative capacity of the agency to carry out its mission. The Board has noted that the agency's capacity to serve the public is not as strong as it should be and that changes are urgently needed. The Board attributes this lack of capacity in part to inadequate staffing levels in key parts of the agency and to an administrative budget that does not support the full range of activities for which the agency has responsibility. SSA has often failed to analyze and communicate effectively its resource needs to the Administration and the Congress.

The Board met with agency budget officials three times during fiscal year 2001 to discuss the agency's administrative budget and staffing situation. These meetings took place in March, July and September of 2001 and included detailed discussions on the costs, benefits and outcomes of SSA's efforts to safeguard the public's funds. In February 2001 the Board met with Comptroller General David Walker regarding the capacity of Federal agencies to carry out their program responsibilities, and how the Social Security Administration compares with other agencies. In June of 2001, the Board met with representatives from the Office of Personnel Management and personnel officials from SSA to discuss workforce issues facing the Federal government and the Social Security Administration.

As noted above, in our reports we have made a number of recommendations regarding SSA's administrative budget. We have followed up these recommendations with additional efforts to inform the Congress and the Administration about the increasing budgetary pressures facing SSA now and in the future. In January 2001, the Board sent a letter to President Bush urging that SSA be given sufficient funding to enable it to improve its service to the public. In September 2001, the Board sent letters to both the House and Senate Appropriations Committees recommending that the Congress provide sufficient funding to enable the agency to begin to address some of its most critical service delivery needs.

In its 1999 report on service to the public, the Board also expressed concerns about how SSA's work measurement system drives agency resource allocations and creates perverse performance incentives for employees in the field. Since 1999, the Board has followed up on this issue by continuing to consult with SSA employees in the field and at SSA headquarters in Baltimore. In July of 2001, the Board also met with representatives from both private industry and from SSA to discuss how SSA's work measurement could be improved.

F. Supplemental Security Income

Public Law 104-193 requires that members of the Social Security Advisory Board be given an opportunity, either individually or jointly, to include their views in the Social Security Administration's annual report to the President and the Congress on the Supplemental Security Income (SSI) program.

Although the Board's comments in previous annual reports discussed a broad range of issues and recommendations relating to the SSI program specifically, in its comments in the 2001 report the Board chose to emphasize one particular issue that requires priority attention by the agency, the Administration, and the Congress: the need to ensure that the Social Security Administration has sufficient resources not only to avert the potential crisis in service delivery that the Board believes is on the agency's horizon, but also to move beyond to provide the higher level of service that the public deserves.

The Board cited the disruptions in service that occurred during the early years of the SSI program to underscore the damage that can occur to both individuals and institutions when there is failure to provide the level of resources needed to carry out important government responsibilities. It pointed to the past and future growth of the Social Security and SSI programs and to the fact that more than 9 out of 10 applications for SSI are for disability, which are particularly work intensive and therefore have important consequences for SSA's administrative capacity.

The Board noted that the agency's resource problems are most apparent in direct service delivery settings. Because SSI claimants often need personal assistance in applying for benefits, they are particularly affected by inadequate staffing in field offices. Another service delivery deficiency that is of particular concern to SSI claimants is in the agency's handling of overpayments. It is clear from our visits to the field that lack of sufficient staff to process earnings information provided by beneficiaries is a significant factor contributing to the growth in the number and amount of SSI overpayments.

During the Board's many visits to field offices around the country, Board members have found that SSA employees care deeply about safeguarding the funds that they dispense and are concerned about the integrity of their work. But today, they lack the tools they need to do their job. The Board concluded its comments by strongly urging the Administration and the Congress to provide SSA with the resources and support it needs to fulfill its service delivery responsibilities.

G. Policy, Research, and Program Evaluation

Since its inception, the Advisory Board has been concerned about the ability of the Social Security Administration to develop policy recommendations relating to the Social Security and the Supplemental Security Income programs. Several of the Board's earliest projects dealt with this topic, including its first report, *Developing Social Security Policy: How the Social Security Administration Can Provide Greater Policy Leadership*. Evaluating current program policy, conducting the research to inform new policy decisions, and developing the capacity for policy development continue to be significant concerns of the Board.

During fiscal year 2001, the Board examined several aspects of these processes. The Board met with officials of SSA's Office of Research, Evaluation, and Statistics to discuss current and projected projects of that office. ORES is currently developing two major modeling efforts. One, Modeling Income in the Near Term (MINT), is designed to simulate the economic behavior and choices of the baby boom generation. The other is a macroeconomic model intended to assess the impact of Social Security on the national economy.

ORES is also involved in a number of projects relating to the disability and SSI programs, especially the National Study of Health and Activity and a study of children with disabilities. As a result of recommendations from the Advisory Board on the need for a more comprehensive and consistent database on disability, ORES published, in September 2001, the first *Annual Statistical Report on the Social Security Disability Insurance Program*.

The Board met with the Director and staff of the Congressional Budget Office to discuss CBO's new macroeconomic model. This model has two primary purposes: to enable CBO to extend its projections of the Social Security and Medicare programs from the current 10 years to 75 years; and to analyze projected changes in these programs, including both distributional and macroeconomic effects. The model will provide both "point" estimates (i.e., a single long-range number) and stochastic estimates (i.e., the likelihood of occurrence for a range of possible outcomes).

The Board also convened a panel of representatives from the private research and industry sectors to discuss work that has been done and the issues involved in national retirement policy.

The Executive Director of the President's Commission to Strengthen Social Security briefed the Advisory Board on the work and projected agenda of the Commission. The Board has made available to the members of the Commission its recent publications relating to program financing, *Social Security: Why Action Should Be Taken Soon* (Revised Edition) and *Estimating the Real Rate of Return on Stocks Over the Long Term*.

H. Use and Misuse of Social Security Numbers

The Board has become increasingly concerned about the growing incidence of identity-related crimes, most of which involve the use of an individual's Social Security number. In addition, the Board has heard from SSA officials and from the agency's Office of Inspector General that improper attainment or theft of Social Security numbers, including counterfeit Social Security cards, play a major role in illegal immigration, unauthorized work, and the growing inaccuracies in wage reporting that have resulted in huge increases in SSA's earnings suspense file. We have been examining both the authorized and unauthorized uses of Social Security numbers, vulnerabilities in SSA's enumeration process and systems, and SSA's role in deterring identity-related crimes, illegal immigration and other security issues related to Social Security numbers. In addition, we have been keeping abreast of developments in SSA's pilot initiatives with the Immigration and Naturalization Service to improve communications and share data between these two agencies.

Over the last year, the Board has met with the Inspector General to discuss the agency's role in addressing these problems. In addition, SSN misuse has been discussed in the Board's meetings with Social Security field office staff in Ft. Worth, and with local field office managers in San Francisco and Philadelphia. The Board intends to continue its work on this important stewardship and security issue in the coming year.

IV. Board Operations and Communications

Meetings—In fiscal year 2001, the Board met at its offices eight times and held one conference call. It made six site visits for the purpose of gathering and evaluating information related to the operation of the disability programs and other aspects of SSA's service to the public.

Public Hearings—The Board conducted a public hearing in April 2001 in Philadelphia, at which it heard testimony from members of the public and organizations that represent populations served by the Social Security Administration regarding the quality of service that the Social Security Administration delivers to the public and how SSA can improve its service delivery.

Publications—During fiscal year 2001, the Board issued five reports: *Social Security: Why Action Should Be Taken Soon* (Revised Edition); *Agenda for Social Security: Challenges for the New Congress and the New Administration*; *Charting the Future of Social Security's Disability Programs: The Need for Fundamental Change*; *Disability Decision Making: Data and Materials*; and *Annual Report Fiscal Year 2000*. The Board issued *Estimating the Real Rate of Return on Stocks Over the Long Term*, a compilation of papers by distinguished economists on the expected future rate of return on private equity investments. It also commented on the Supplemental Security Income Program in "Statement on the Supplemental Security Income Program," included in the Social Security Administration's *Annual Report of the Supplemental Security Income Program*, May 2001.

Symposiums and Discussions—In October 2000, the Board and the Social Security Administration held a jointly sponsored symposium on customer service measurement. Participants included experts from the private sector and academia. In May 2001, the Board sponsored a discussion with the purpose of enabling individuals from the Office of the Chief Actuary to hear a range of views on the likely real yields on equities over the long term.

Testimony—On June 28, 2001, Chairman Ross testified before the Social Security Subcommittee of the House Ways and Means Committee on the challenges and opportunities of the Social Security disability programs.

Communications—During fiscal year 2001, the Board sent letters to President George W. Bush regarding the following: the need to give the Social Security Administration sufficient funding to enable it to improve its service to the public; service delivery problems in the disability system and the need to address budgetary shortfalls in that system; and a request that the President nominate a highly qualified individual to be Commissioner of Social Security at the earliest possible time. The Board also sent letters to the House and Senate Committees on Appropriations recommending excluding SSA's administrative budget from the statutory cap that imposes limits on the amount of discretionary government spending. The letter also recommended providing sufficient funding to enable the agency to begin to address its most critical service delivery needs.

V. Visits to Field Sites in Fiscal Year 2001

1. Richmond, Virginia, January 31, 2001

The Chairman and members of the Board staff met with the Commissioner of the Virginia Department of Rehabilitative Services and with officials and staff of the Virginia Disability Determination Services in Richmond, including the DDS director, senior management, medical staff, quality assurance staff, training staff, and disability examiners to discuss the Social Security disability programs. The Chairman and staff also met with staff and administrative law judges in the Richmond hearing office to discuss SSA's Hearings Process Improvement initiative.

2. Ft. Worth and Austin, Texas, February 7 and 8, 2001

The Chairman and members of the Board staff met with officials and staff of the Ft. Worth Social Security field office, the Ft. Worth hearing office, and the Dallas regional office including the Dallas regional commissioner, the Dallas regional chief administrative law judge, office managers, administrative law judges and other office employees to discuss service to the public and the Hearings Process Improvement initiative. In Austin, the Chairman and Board staff met with the Texas Rehabilitation Commissioner and with officials and staff of the Texas Disability Determination Services, including the DDS director, senior management, medical staff, quality assurance staff, training staff, and disability examiners to discuss the Social Security disability programs.

3. Los Angeles and Oakland/San Francisco, California, March 25-28, 2001

The Advisory Board and staff met with officials and staff of the California Disability Determination Services in Los Angeles and Oakland, including the DDS director, senior management, medical staff, quality assurance staff, training staff, and disability examiners to discuss the Social Security disability programs and SSA's disability prototype initiative. The Board and staff also met with officials and staff in the San Francisco regional office, including the regional commissioner and deputy regional commissioner, general counsel, local field office managers, staff in the San Francisco Program Service Center, the quality assurance staff, and employees in the Center for Disability to discuss disability and service to the public issues. In addition, the Board met with administrative law judges and staff in the Oakland hearing office to discuss the Hearings Process Improvement initiative.

4. Philadelphia, Pennsylvania, April 19-20, 2001

The Advisory Board and staff met with officials and staff in the Philadelphia regional office, including the acting regional commissioner, the deputy regional commissioner, the regional executive staff, managers and staff of the Mid-Atlantic Program Service Center, Center for Disability and quality assurance staffs, and staff in the Philadelphia teleservice center to discuss service to the public issues. The Board also met with field office managers of the Philadelphia metropolitan area and staff and administrative law judges in the Philadelphia East hearing office to discuss service to the public and the hearing process improvement initiative.

In addition, the Board held a public hearing on how the Social Security Administration can improve its service to the public.

5. Newark and Trenton, New Jersey, June 6-7, 2001

The Chairman and members of the Board staff met with officials and staff of the New Jersey Disability Determination Services in Newark and Trenton, including the DDS director, senior management, medical staff, quality assurance staff, training staff, disability examiners, and union stewards to discuss the Social Security disability programs. In addition, the Chairman and staff met with the director of the New Jersey Office of Temporary Disability Insurance and his executives for an overview of that program.

6. Federal Disability Determination Services and Baltimore Hearing Decision Writing Unit, Baltimore, Maryland, July 19, 2001

The Chairman and members of the Board staff met with DDS director, officials, and staff of the Federal Disability Determination Services at Social Security headquarters in Baltimore to discuss the Social Security disability programs. In addition, the Chairman and staff met with the managers of the Hearing Decision Writing Unit also located at Social Security headquarters to discuss issues related to the hearing process.

VI. Reports and Publications

1. *Estimating the Real Rate of Return on Stocks Over the Long Term*, Papers presented to the Social Security Advisory Board, August 2001.
2. *Social Security: Why Action Should Be Taken Soon* (Revised Edition), July 2001.
3. "Statement on the Supplemental Security Income Program," Additional Statement by the Social Security Advisory Board in the *Annual Report of the Supplemental Security Income Program*, Social Security Administration, May 2001.
4. *Agenda for Social Security: Challenges for the New Congress and the New Administration*, February 2001.
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8. *Selected Aspects of Disability Decision Making*, September 2000.
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17. *Social Security: Why Action Should Be Taken Soon*, July 1998.

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22. *Developing Social Security Policy: How the Social Security Administration Can Provide Greater Policy Leadership*, March 1997.

Reports are available on the Board's web site at www.ssab.gov

VII. Members of the Board

Stanford G. Ross, Chairman

Stanford Ross is a partner in the law firm of Arnold & Porter, Washington, D.C. He has dealt extensively with public policy issues while serving in the Treasury Department, on the White House domestic policy staff, as Commissioner of Social Security, and as Public Trustee of the Social Security and Medicare Trust Funds. He is a Founding Member and a former Director and President of the National Academy of Social Insurance. He has provided technical assistance on Social Security and tax issues under the auspices of the International Monetary Fund, World Bank, and U.S. Treasury Department to various foreign countries. He has taught at the law schools of Georgetown University, Harvard University, New York University, and the University of Virginia, and has been a Visiting Fellow at the Hoover Institution, Stanford University. He is the author of many papers on Social Security and Federal taxation subjects. Term of office: October 1997 to September 2002.

Jo Anne Barnhart

Jo Anne Barnhart is a political consultant and public policy consultant to State and local governments on welfare and social services program design, policy, implementation, evaluation, and legislation. From 1990 to 1993 she served as Assistant Secretary for Children and Families, Department of Health and Human Services, overseeing more than 65 programs, including Aid to Families with Dependent Children, the Job Opportunities and Basic Skills Training program, Child Support Enforcement, and various child care programs. Previously, she was Minority Staff Director for the U.S. Senate Committee on Governmental Affairs, and legislative assistant for domestic policy issues for Senator William V. Roth. Ms. Barnhart served as Political Director for the National Republican Senatorial Committee. First term of office: March 1997 to September 1998; current term of office: October 1998 to September 2004.

Martha Keys

Martha Keys served as a U.S. Representative in the 94th and 95th Congresses. She was a member of the House Ways and Means Committee and its Subcommittees on Health and Public Assistance and Unemployment Compensation. Ms. Keys also served on the Select Committee on Welfare Reform. She served in the executive branch as Special Advisor to the Secretary of Health, Education, and Welfare and as Assistant Secretary of Education. She was a member of the 1983 National Commission (Greenspan) on Social Security Reform. Martha Keys is currently consulting on public policy issues. She has held executive positions in the non-profit sector, lectured widely on public policy in universities, and served on the National Council on Aging and other Boards. Ms. Keys is the author of *Planning for Retirement: Everywoman's Legal Guide*. First term of office: November 1994 to September 1999; current term of office: October 1999 to September 2005.

David Podoff

David Podoff is visiting Associate Professor in the Department of Economics and Finance at the Baruch College of the City University of New York. Recently, he was Minority Staff Director and Chief Economist for the Senate Committee on Finance. Previously, he also served as the Committee's Minority Chief Health and Social Security Counselor and Chief Economist. In these positions on the Committee he was involved in major legislative debates with respect to the long-term solvency of Social Security, health care reform, the constitutional amendment to balance the budget, the debt ceiling, plans to balance the budget, and the accuracy of inflation measures and other government statistics. Prior to serving with the Finance Committee he was a Senior Economist with the Joint Economic Committee and directed various research units in the Social Security Administration's Office of Research and Statistics. He has taught economics at the University of Massachusetts and the University of California at Santa Barbara. He received his Ph.D. in economics from the Massachusetts Institute of Technology and a B.B.A. from the City University of New York. Term of office: October 2000 to September 2006.

Sylvester J. Schieber

Sylvester Schieber is Director of the Research and Information Center at Watson Wyatt Worldwide, where he specializes in analysis of public and private retirement policy issues and the development of special surveys and data files. From 1981 to 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 at 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. He received his Ph.D. from the University of Notre Dame. Term of office: January 1998 to September 2003.

Gerald M. Shea

Gerald M. Shea is currently assistant to the president for Government Affairs at the AFL-CIO. He previously held several positions within the AFL-CIO, serving as the director of the policy office with responsibility for health care and pensions, and also in various executive staff positions. Before joining the AFL-CIO, Mr. Shea spent 21 years with the Service Employees International Union as an organizer and local union official in Massachusetts and later on the national union's staff. He was a member of the 1994-1996 Advisory Council on Social Security. Mr. Shea serves as a public representative on the Joint Commission on the Accreditation of Health Care Organizations, is a founding Board member of the Foundation for Accountability, Chair of the RxHealth Value Project, and is on the Board of the Forum for Health Care Quality and Measurement. He is a graduate of Boston College. First term of office: January 1996 to September 1997; current term of office: October 2000 to September 2004.

Mark A. Weinberger

Mark A. Weinberger is currently Assistant Secretary of the Treasury for Tax Policy. He resigned from the Board in May 2001. He was previously the Director of the U.S. National Tax Practice for Ernst & Young LLP. Mr. Weinberger also served as Chief of Staff and Counsel to the President's 1994 Bipartisan Commission on Entitlement and Tax Reform (the Kerrey-Danforth Commission). He also is a former Commissioner of the National Commission on Retirement Policy. Mr. Weinberger served as Chief Tax and Budget Counsel to Senator John Danforth, and also as a tax advisor to the National Commission on Economic Growth and Tax Reform (the Kemp Commission), which studied fundamental tax reform. Mr. Weinberger has written and lectured extensively on tax, budget, political and retirement security issues. He graduated from Emory University; holds a Masters degree in Business Administration and a law degree from Case Western Reserve University; and has an L.L.M. from Georgetown University Law Center. Term of office: October 2000 to May 2001.

Members of the Staff

Margaret S. Malone, Staff Director

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