

**Increasing Public Understanding  
of Social Security**

**Social Security Advisory Board**

September 1997

I.	THE ROLE OF THE ADVISORY BOARD.....	1
II.	FINDINGS: SSA’S Obligation to Communicate with the Public.....	3
III.	PUBLIC UNDERSTANDING OF SOCIAL SECURITY: What the Public Thinks.....	6
IV.	RECOMMENDATIONS: What SSA Should Do To Increase Public Understanding of Social Security.....	11
V.	SSA’S PUBLIC INFORMATION ACTIVITIES.....	21
VI.	SUPPLEMENTAL VIEWS.....	27

**Social Security Advisory Board**

An independent, bipartisan Board created by 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.

September 1997

## MESSAGE FROM THE BOARD

For more than sixty years Social Security has provided basic retirement, survivors and disability protection to millions of workers and their families. Throughout its history the program has been viewed favorably by most Americans. Recent surveys found that eighty percent support the idea of taking a part of every working person's income and using it to support the Social Security system. At the same time, only thirty-five percent are very or somewhat confident in the future of Social Security, and seventy percent are aware of the changing worker-to-beneficiary ratio and the strain that this will put on future program financing. The focus by the media on the short-term financial problems that Social Security faced in the late 1970s and early 1980s, and the more recent emphasis on the shortfall in the long-term financing of the program, have had a strong negative effect on public perceptions.

As long as the issue of the long-term solvency of Social Security remains unresolved, this dichotomy between public support and lack of confidence will likely continue. But the Board believes that the public discourse about Social Security and its role in the long-term financial planning of workers and their families could be significantly aided by increased understanding of Social Security's principles, benefits, and costs. As the Board stated in its March 1997 report, "Developing Social Security Policy: How the Social Security Administration Can Provide Greater Policy Leadership," SSA has the opportunity and the responsibility to provide objective research and analysis that will be helpful in the upcoming national debate over long-term financing of the Social Security program.

The Social Security Administration recognizes that it has a responsibility to promote increased public understanding of Social Security, and we commend the increased attention that the agency is giving to communicating with the public. Nonetheless, a recent survey indicates that only one-third of Americans believe that the Social Security Administration provides clear explanations of benefits to Americans, and survey findings show that few are very confident in their knowledge about the Social Security program. Clearly, more can and should be done. In this report, we recommend a number of steps that we believe will strengthen the agency's efforts.

We look forward to working with the Commissioner and the staff of the Social Security Administration on this important endeavor.

Harlan Mathews, Chair

Jo Anne Barnhart

Lori L. Hansen

Martha Keys

Gerald M. Shea

Carolyn L. Weaver

## **The Social Security Advisory Board\***

### ***Harlan Mathews, Chair***

Harlan Mathews served as a U.S. Senator from Tennessee from January 1993 to December 1994. Prior to that, he was Secretary of the Cabinet for Tennessee Governor Ned McWherter and Tennessee's State Treasurer. During his 13-year tenure as Tennessee's State Treasurer, Senator Mathews administered a state-wide public employee pension program.

### ***Jo Anne Barnhart***

Ms. Barnhart is a political 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. Most recently, Ms. Barnhart served as Political Director for the National Republican Senatorial Committee.

### ***Lori L. Hansen***

Ms. Hansen is a Policy Analyst at the National Academy of Social Insurance. She was a Technical Assistant to former Social Security Commissioner Robert Ball in his capacity as a member of the National Commission on Social Security Reform. She was also a Special Assistant to the President and Director of Government Affairs at the Legal Services Corporation. In addition, Ms. Hansen was a senior professional staff member on the U.S. Senate Committee on Labor and Human Resources, Subcommittee on Employment, Poverty, and Migratory Labor, and was legislative assistant to Senator Gaylord Nelson, then Chairman of the Subcommittee on Social Security of the Senate Committee on Finance. She also served on the professional staff of the Senate Select Committee on Nutrition and Human Needs.

### ***Martha Keys***

Martha Keys served as a U.S. Representative in the 94<sup>th</sup> and 95<sup>th</sup> 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*.

### ***Gerald M. Shea***

Mr. Shea is the Assistant to the President for Government Affairs of the AFL-CIO. Prior to his present appointment, he held several managerial positions related to economic issues within the AFL-CIO and the Service Employees International Union. Mr. Shea served as a member of the 1994-1996 Advisory Council on Social Security.

### ***Carolyn L. Weaver***

Ms. Weaver is Director of Social Security and Pension Studies at the American Enterprise Institute. She was a member of the 1994-1996 Advisory Council on Social Security. She was a senior adviser to the 1983 National Commission on Social Security Reform and a member of both the 1987-88 Social Security Advisory Council and the 1989 Social Security Commissioner's Disability Advisory Committee. Ms. Weaver also served as Chief Professional Staff Member on Social Security for the U.S. Senate Committee on Finance. She is the editor of *Social Security's Looming Surpluses: Prospects and Implications* and *Disability and Work: Incentives, Rights, and Opportunities*, and author of *Crisis in Social Security: Economic and Political Origins*.

\* The Board currently has one vacancy.

# I. THE ROLE OF THE ADVISORY BOARD

## *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 this 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).

### *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 (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.

## ***How Board Members are Appointed***

Advisory Board members are appointed to 6-year terms, made up as follows: 3 appointed by the President (no more than two from the same political party); and 2 each (no more than one from the same political party) by the Speaker of the House (in consultation with the Chairman and 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 first member's term expired on September 30, 1996. (The Board currently has one vacancy.)

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.

## ***The Work of the Board***

The Board began holding substantive meetings in late Spring of 1996. Since that time, it has been meeting monthly, addressing a wide variety of issues important to the Social Security and SSI programs. Thus far most of the Board's efforts have centered on the examination of issues related to long-term financing for Social Security, changes in the disability programs, policy development by the Social Security Administration, a long-range research and program evaluation plan for SSA, and increasing public understanding of Social Security.

Currently the Board has three Working Groups: the Working Group on Policy Development by the Social Security Administration, the Working Group on Disability, and the Working Group on Increasing Public Understanding of Social Security.

## II. FINDINGS: SSA's Obligation to Communicate with the Public

- ◆ SSA has a responsibility to communicate in an authoritative, credible, accurate, and accessible manner with two important groups: first, the nearly 147 million workers who pay the taxes needed to finance the Social Security system; and second, the 44 million individuals who are currently receiving Social Security benefits.
- ◆ SSA has a particular obligation to inform workers, whose dedicated taxes pay for Social Security, about the benefit protections provided to them by Social Security, the financing of benefits, and the operations of the trust funds.
- ◆ SSA's efforts to communicate with the public should extend beyond providing basic descriptions of the Social Security program itself. The Social Security Administration should take the lead among government agencies in educating workers and their families about retirement planning. Adequate retirement income depends on the strength of each of the legs of the "three-legged stool" -- Social Security, employer pensions, and private savings. Helping individuals understand what they need to do to ensure their economic security in retirement should be a major objective of the agency.
- ◆ Surveys show that only a fourth of the public gets its information about Social Security from the Social Security Administration. The major portion of SSA's communications budget is used for preparing pamphlets explaining SSA's programs, and these materials are generally available to the limited population that visits a local Social Security office or makes a specific request for certain information. SSA has not had a long-range approach to increasing public understanding. Efforts that have been made in recent years have been of short duration and have not had adequate resources.
- ◆ There are significant differences in what people know about Social Security and these differences require multiple levels of information for the public. For reasons of resources and economy, most public information issued by SSA is expressed in very simple terms so that it can be distributed widely to the general public. This information may be easy to understand, but some subjects, for example, the role of Social Security in retirement planning, or how the trust funds operate, should be addressed at several levels of knowledge.

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- ◆ The public currently has an incomplete understanding of what Social Security taxes are used for. There is considerable confusion among workers and beneficiaries about the difference between the Social Security and Supplemental Security Income programs, particularly the disability portions of the programs.

The agency's public information materials do not make clear that Social Security taxes paid by workers are dedicated to paying benefits only to those who have contributed to the program over a substantial period of time. SSI benefits, on the other hand, are paid for out of general revenues and only after showing proof of need. From the beginning of the program, Social Security benefits have been paid without a means test, and have been meant to prevent dependency rather than to alleviate dependency after it has occurred. The Social Security Administration has a significant task in clearing up the public's confusion.

- ◆ Although most people are aware of the fact that survivors and disability benefits are part of Social Security, they know little about the extent of the protection that the program provides or the requirements for eligibility. A clearer understanding of the survivors and disability portions of the program would enable workers to better coordinate their insurance and other financial planning. SSA needs to do more to inform the

public about the importance of these benefits to the economic security of workers and their families. SSA also needs to do more to inform the public about specific eligibility requirements such as the age of eligibility for widow's benefits and the length of time individuals must work to be eligible for disability benefits.

- ◆ The public has not received clear and comprehensive information about the complex issues involved in ensuring the long-term financial solvency of Social Security, and SSA has done little to convey information to the public about these issues. Providing the public with balanced and objective information would improve the quality of the upcoming debate about the future of the Social Security program.
- ◆ SSA staff have developed a communications plan that sets out public information priorities and strategies for communication. However, the plan is limited in scope, and is directed primarily at short-term efforts. It is not clear that the agency considers the plan to have high priority, as it did in the past when Commissioners issued their national
- ◆ At the same time that government downsizing has reduced agency staffing, SSA has experienced increasing workloads. The combined effect has led the agency to move away from a "grass roots" approach to providing public

***The public currently has an incomplete understanding of what Social Security taxes are used for.***



information about Social Security at the community level through Field Representatives and managerial staff. Formerly, these local office employees were actively involved with community groups, employers, employee organizations, and local media to whom they provided program information as well as explanations of how Social Security fits into financial planning. This emphasis on providing information at the local level, which often was based on materials prepared at the national level, has been significantly diminished. SSA's efforts at the national level, using the mass media, cannot be expected to replace the work done at the local level. Overall, staff reductions and increasing workload demands have affected public information efforts.

- ♦ The new Personal Earnings and Benefit Estimate Statement (PEBES) 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, but its content and format need to be improved. The need for individual financial planning should be emphasized in the PEBES message.
- ♦ Another new approach for reaching the public is through electronic services such as SSA's World Wide Web site. Among Federal agencies, SSA has been a leader in use of electronic communication, but it has not yet taken full advantage of this useful new communications tool.

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### III. PUBLIC UNDERSTANDING OF SOCIAL SECURITY: What The Public Thinks

Over the years the Social Security program has enjoyed wide-spread public support. Despite this strong support, the numerous studies and surveys of public understanding of Social Security that have been made in recent years show that understanding of many aspects of Social Security is weak. For example, few understand how Social Security financing operates or how it relates to the overall Federal budget, and there is considerable confusion about disability benefits. As the summary of findings presented below illustrates, the public's knowledge about Social Security in some cases is also confused and erroneous.

Most learn about Social Security from the media, whose coverage of the subject is uneven and tends to focus on problems. Surveys show that confidence in Social Security falls during periods of high media attention. As described below, a 1996 survey found that only 35 percent were very or somewhat confident in the future of Social Security, although confidence levels varied substantially by age group.

#### *General Knowledge*

Surveys over the last three years show that although many -- a half to two-thirds -- believe that they know a fair amount or a lot about the Social Security program (EBRI, 1995, 1994; ACLI 1993), only about 21 percent are very confident of their knowledge, and 37 percent are not too or at all confident (EBRI, 1994). The level of knowledge and the confidence in that knowledge appear to have declined in the last few years.

Other findings indicate that most understand the basic structure of the program, though there are areas of doubt or confusion. Most know about the existence of benefits under the disability and survivors

program (88 percent in a 1994 NASI/EBRI poll). In addition, they are aware that benefits are related to earnings, that the program is supported by a tax on earnings, and that Social Security is not meant to be the sole source of retirement income. One survey found that 79 percent know that current workers pay for the benefits of current beneficiaries (EBRI, 1994). However, in the same survey, nearly two-thirds thought that current workers pay for their own retirement. Findings from focus groups indicate that relatively few are aware that the retirement age is scheduled to increase under current law.

Beyond the basic fact of payroll taxes, there is little understanding of how Social Security financing operates or how it relates

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to the overall Federal budget. An EBRI poll in 1994 found that nearly half of the public believe that Social Security contributes to the Federal deficit. Twenty-seven percent agreed with the statement in EBRI's 1995 poll. Focus groups conducted by SSA have found that many people know little about the nature of the trust funds and their investment policy.

### ***Survivors and Disability Benefits***

Although most people are aware of the existence of the survivors and disability parts of Social Security, there is considerable confusion, especially regarding disability. Focus groups indicate that many people do not distinguish between the Social Security (Title II) and the Supplemental Security Income (Title XVI) disability programs. A great many people know or know of someone who they believe is inappropriately getting disability benefits, though it is not clear whether this is DI or SSI. This belief that benefits are being paid to those who do not deserve them contributes to the feeling that Social Security money is being mismanaged. Some think that the money being paid in disability and survivors benefits takes away from money available for retirement.

While there is widespread recognition of the need for a disability program, there is a feeling that applying for benefits involves too

much paper work and requires the assistance of an attorney.

### ***Fraud and Waste***

Two-thirds of people in one recent survey believed that fraud and waste in Social Security would reduce their retirement benefits. Over half felt that the program was poorly managed. In an earlier poll by the same organization, these opinions were held by three-quarters of those surveyed. In addition, 41 percent believed that too many people getting benefits were cheating the program (EBRI, 1995, 1994).

### ***Source of Public Information***

Relatively few get Social Security information from official sources. In the year preceding a 1995 survey, 66 percent had heard something about Social Security from radio or television and 57 percent had read something in newspapers. (The question did not distinguish between public service announcements, news programs, commercial ads, or other forms of broadcast message.) More than 40 percent got information from their friends and co-workers. Only 27 percent got information from SSA, and 22 percent from their employers. Only a third agreed that SSA provides clear explanations of benefits to Americans (EBRI, 1995).

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Media coverage of Social Security issues is uneven and tends to focus on problems. One study found that media attention increases during periods when the program is experiencing problems, and is focused primarily on six topics: reducing benefits, financial restructuring, reducing eligibility, improving the efficiency of the program's administration, establishing an independent agency, and making the program voluntary. Of these, the greatest attention is given to reducing benefits and financial restructuring (78 percent of television coverage in 1992-1994). The media also emphasize the need for change in the program (68 percent of newspaper and television coverage). In the period from 1977 to 1995, statements favorable to change were nearly double those favoring maintaining the existing program (Jacobs, Watts, and Shapiro).

### *Lack of Confidence*

Given the nature of media coverage, it is not surprising that during periods of high media attention, confidence in the program declines (Jacobs, Watts, and Shapiro). The percentage of people who were confident of the future of Social Security declined in the late 1970s and early 1980s, the period of extensive media coverage of the short-term

financing problems of Social Security that preceded the reform amendments of 1983. It rose again in the late 1980s before beginning another decline in the early 1990s, when the issue of long-term solvency of Social Security became a frequent topic of media attention (ACLI, reported in Friedland). In a 1996 survey, only 35 percent were very or somewhat confident in the future of Social Security. There was a significant difference by age group. For respondents 65 and over the figure was 61 percent. However, for those 30-49 it was only 23 percent, and for those 18-29 it was 33 percent (AARP, 1996). Similar results, varying by age group, were found in a 1994 NASI/EBRI poll (reported in Friedland).

In a survey done for Public Agenda (1994), 70 percent were aware of the changing worker-to-beneficiary ratio and the strain that this will put on future program financing. There is not a clear idea of when the long-range problems will occur. Despite widely reported findings that many, especially young people, believe that Social Security "won't be there" when they retire, surveys and focus group discussions by SSA and others suggest that this is more an expression of concern than a reasoned judgment.

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A 1991 survey found that 93 percent of people still expected Social Security to be a part of their retirement income (Reno and Friedland). However, in 1995, 20 percent said that they believe the program will be eliminated in the future and nearly half said they think that benefits will be reduced from currently promised levels, either across the board or for those who do not need benefits (EBRI, 1995). People have more confidence that employer-sponsored retirement plans (49 percent) or personal savings (56 percent) will be available throughout retirement than that Social Security will be (30 percent) (NASI/EBRI cited in Friedland, 1994).

### ***High Public Support***

Concern about the future of Social Security does not imply a lack of public support for the program. A 1996 Cato Institute survey found that 68 percent of the public had a favorable opinion of Social Security. About 90 percent of people below retirement age agreed that “Maybe I won’t need Social Security when I retire, but I definitely want to know it’s there just in case I do.” (AARP, 1996)

In a 1996 AARP survey, 68 percent of those below the retirement age said that they would not opt out of the program if given the choice. However this is a decline of 5 points from the previous year. For people ages 30-49, the decline was 8 points, from 72 percent to 64 percent.

Support for the program is higher among women than among men, though it remains high for both groups. Ninety-one percent of women and 76 percent of men believe that the Social Security program should be continued. This might result in part from the fact that 72 percent of men but only 53 percent of women were confident that they could do better on their own.

Not surprisingly, higher income people are more likely to believe they could do better on their own. For those earning less than \$15,000, 47 percent believe that they could do better, but among those with income of \$50,000 or more, 75 percent believe this. Belief that Social Security should be continued also varies by income level: 95 percent of those with incomes below \$15,000, 87 percent of those with incomes of \$25,000 - \$34,000, and 77 percent of those with incomes of \$50,000 or more (AARP, 1996).

An EBRI poll from 1995 found that only 4 percent of those polled believed that Social Security benefits should be eliminated and only another 5 percent believed that benefits should be reduced for all people. AARP found that ten times as many people think Social Security benefits are too low compared to those who think benefits are too high (40 percent versus 4 percent).

***Concern about the future of Social Security does not imply a lack of public support for the program.***

AARP also found that more than half of non-retired people were willing to pay more Social Security taxes to be sure that the program would “be there when I retire” (55 percent) or to be sure that it would be there “for today’s older people” (54 percent). However, other polls have found less support

for raising taxes. In a Cato Institute poll in 1996, 57 percent were opposed to payroll tax increases, and a poll done for *Newsweek* in January 1997, found that 54 percent opposed a Social Security tax increase of one and a half to two percent in order to stabilize future program financing.

### *Abbreviations and Sources*

AARP - American Association of Retired Persons  
ACLI - American Council of Life Insurance  
EBRI - Employee Benefit Research Institute  
NASI - National Academy of Social Insurance

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## **IV. RECOMMENDATIONS: What SSA Should Do To Increase Public Understanding of Social Security**

### **Develop and Implement a Plan to Improve Public Understanding of Social Security**

- ♦ **The Social Security Administration should develop a comprehensive long-range plan that lays out a more energetic and innovative program for the agency with the objective of raising the level of knowledge and understanding of Social Security, and of how Social Security fits into the long-term financial planning of workers and their families.**

The Board urges SSA to take a far more active role in informing the public about Social Security and how it fits into an individual worker's long-term financial planning. This will require a rethinking of the agency's current approaches. SSA needs to consider carefully the kind of information that is useful for the public to know, and how it can most effectively deliver that information in a clear, balanced, and objective manner. Developing an effective long-range plan will require the close attention of the Commissioner.

In addition to prescribing the work of the national office, SSA should use the plan to

clarify and emphasize the role of SSA's local employees in communicating with community leaders, the local media, and the general public.

The Board recognizes that SSA has recently increased its efforts to improve public understanding of Social Security. The agency has been committed to implementation of its most recent communications plan to educate the public and its employees about Social Security. However, that plan is limited in scope, and focuses primarily on short-term objectives.

SSA should also examine how it can encourage others to contribute to the public's knowledge and understanding of Social Security, and of the role of Social Security in providing economic security for workers and their families in retirement, upon disability, or upon the death of the worker. As discussed on page 13, employer and employee organizations could be helpful in this regard. Also, a more active and open relationship with the academic community could well promote additional university course offerings as well as increase the number of research projects and published studies of Social Security issues, which should increase the level of the public's knowledge in the long term.

***The Board urges SSA to take a far more active role in informing the public about Social Security and how it fits into an individual worker's long-term financial planning.***

## **Provide Leadership in Educating the Public About Retirement Planning**

- ♦ **The Social Security Administration should take the lead among government agencies in educating workers and their families about retirement planning.**

The Board believes that SSA, as the administering agency for the Nation's most important retirement income program, should be the government's lead agency in providing the public with the information it needs to plan for financial security in retirement. The agency should ensure, however, that its efforts are coordinated with those of the Department of Labor, which has important responsibilities with respect to employer pensions, and with the Department of the Treasury, which oversees 401(k) and other tax-preferred savings instruments. These agencies represent the three legs of the often-cited "three-legged stool" -- Social Security, employer pensions, and private savings -- each of which is important in providing an adequate retirement income.

In the year 2000, the agency will fully implement the mailing of the Personal Earnings and Benefit Estimate Statement to all workers age 25 and over. This will fulfill SSA's responsibility to inform workers about the retirement, survivors, and disability benefits that they will receive from Social Security. But the Board believes that the agency should take the lead in finding ways to communicate with workers the importance of building on

Social Security with private savings and participation in employer pensions where they are available. A basic message can be included in the PEBES statement, but the Board believes that more should be done.

The level of public knowledge and understanding of retirement should be strengthened. A recent survey by the Employee Benefit Research Institute found that the majority of working Americans appear to have only a limited amount of financial knowledge regarding issues important in planning and saving for retirement. (For example, fewer than one-half of workers knew that a male retiring today at age 65 can expect to live to age 80.)

The survey also found that only one-third of current workers reported that they had tried to figure out how much money they will need to have saved by the time they retire so that they can live comfortably in retirement.

SSA data show that currently Social Security accounts for 42 percent of the income of elderly individuals, and two-thirds of the elderly receive at least half of their income from Social Security. Savings and pensions each currently account for 18-19 percent of elderly income. These data demonstrate that Social Security is the largest leg of the retirement income stool for the aged. At the same time, Social Security has always been intended to be a floor of protection, and savings and pensions are essential to an adequate income in retirement. Workers need to have a full understanding of how Social Security

***The Board believes that SSA...should be the government's lead agency in providing the public with the information it needs to plan for financial security in retirement.***



fits with other sources of retirement income and what they need to do to ensure income adequacy in retirement. The Social Security Administration is the agency that is best equipped to promote that understanding.

- ♦ **SSA should explore the possibility of creating a partnership with the private sector to develop a coordinated effort to educate the public about the need for retirement planning, including the need to save and to take advantage of employer provided pension plans. Other government agencies should be involved.**

Although perspectives vary, both the government and parts of the private sector have an interest in conveying a message to the public about the need for retirement planning. The Board recommends that SSA initiate discussions with other appropriate government agencies and with interested private entities to determine the feasibility of developing a public-private coalition to promote retirement planning.

- ♦ **SSA should actively enlist the help of employer and employee organizations in increasing worker knowledge of Social Security.**

The Social Security Administration has developed a “kit” to give to employers to help them explain the benefits that are provided by Social Security. This kit has been tested with a limited number of

employers and will soon be ready for distribution.

The Board believes that this kind of information packet, if carefully conceived, written, and produced, can be extremely useful in informing workers about the Social Security program. Having workers better informed about the benefits that are provided by Social Security is in the interest of both employers and employees. Workers can better understand why their employer is withholding Federal Insurance Contributions Act (FICA) taxes. They can be informed about the disability and survivors benefits that will be available to them and their families and the conditions for eligibility. They can also better understand how Social Security fits into their overall plan for retirement, and can assess the extent of their need to find other ways of saving, through their employer’s pension plan, individual saving, or both.

Focus groups and surveys could help SSA determine what kinds of information are most useful and how information can be presented most effectively.

If SSA is to reach the large mass of American workers, it will have to provide information not only to large employers, but to small employers as well. Although this will require more effort, it is important to remember that more than 40 percent of all private sector workers are employed by employers who have fewer than 50 workers.

***Workers need to have a full understanding of how Social Security fits with other sources of retirement income and what they need to do to ensure income adequacy in retirement.***

## ***Use New Approaches to Improve Public Understanding***

- ♦ **Beginning in 2000, the Personal Earnings and Benefit Estimate Statement (PEBES) will likely become the Social Security Administration's most important means of communicating with the public. It needs to be made as useful, accurate, and readable as possible.**

The PEBES presents SSA with an important opportunity. For the first time, SSA will directly communicate with nearly all workers. The impression that the PEBES gives to these workers about the Social Security program could be critical to the future of the program. While the PEBES by law must contain each worker's past earnings and information about future benefits, it could also provide factual information about the program (for example, as part of an annual message). Because it will go into virtually every home in the Nation, the PEBES will be how the Social Security program is perceived by the American public. If done well, the PEBES can be an effective tool for explaining the Social Security program, and can enhance public understanding and confidence. As noted above, it can also be an important tool in financial planning for workers and their families.

The PEBES should be one of the highest priorities of the agency. It must receive the most careful, high level attention with respect

to content and design. SSA acknowledges that in its current form the PEBES is difficult to understand and the format is too dense.

Concerns have been raised that the PEBES does not adequately address the fact that, under the Trustees' intermediate assumptions, the OASDI trust funds' assets will be exhausted beginning in the year 2029. Although payroll tax and other income will continue to flow into the funds, at that time tax income will be sufficient to pay only about three-fourths of program costs; that ratio is projected to decline to about two-thirds by the end of the 75-year projection period. The Board believes that the PEBES should acknowledge this long-term funding shortfall and make clear that the Congress will need to address it, as it has done in the past.

The Board recommends that SSA conduct careful testing of the PEBES, so that improvements can be made where needed. SSA should make full use of its own resources, including its Office of Communications and the Office of Program and Integrity Reviews, in designing the PEBES. It should also call upon outside assistance in its efforts to improve the document.

The Board believes that the agency must carefully evaluate the accuracy of the PEBES. It is extremely important that SSA do everything possible to assure PEBES accuracy during the phase-in period. It is critical to public confidence in Social Security that the information provided by SSA to the public always be accurate and consistent.

***The PEBES presents SSA with an important opportunity. For the first time, SSA will directly communicate with nearly all workers.***

- ♦ **SSA's Web site needs to be made more user-friendly.**

As Internet usage increases, SSA's World Wide Web site (<http://www.ssa.gov>) will gain importance as a way to communicate with the public, both for educational purposes and for providing services. Thus, the site needs to be easy to navigate and as user-friendly as possible.

As currently designed, the site provides the knowledgeable user access to considerable information. A user who knows exactly what he or she needs can find the site to be highly efficient. However, the site is less helpful to a user who is unfamiliar with the agency and its programs.

The Board believes that the Web site could play a useful role in educating the public about Social Security programs. However, SSA's Web site, as currently designed, focuses on providing specific technical information and answers to detailed questions, but does not assume the role of an educational tool for the general public.

While SSA does provide detailed information (such as actuarial estimates and facts about the disability redesign process) about some of its programs, it is difficult to find basic descriptions of the various programs the agency administers and how they differ from each other. SSA should make basic facts about program benefits and sources of funding more readily accessible.

- ♦ **The Social Security Administration should develop additional "tools" to increase public understanding of Social Security.**

Over the years SSA has developed a variety of ways to inform the public about Social Security programs. In addition to the

PEBES and its new Web site, SSA has numerous publications that provide eligibility and benefit information. Its Office of Communications currently undertakes various activities to improve public knowledge and understanding of Social Security.

Despite these efforts, it is clear that the level of the public's knowledge and understanding of Social Security remains low.

In a separate report, the Board has set forth recommendations for strengthening SSA's policy development and research capacity, including enhancing the staff who have responsibility for these functions. The Board recommends that SSA make use of this enhanced capacity to develop new ways of communicating with the public and of increasing SSA's reputation as a source of accurate and objective information about Social Security.

For example, research and policy staff could be asked to prepare papers similar to those produced by the Congressional Research Service, providing information and analysis of issues important to Social Security. These could be made widely available to the Congress, the media, and others who help inform the public.

SSA should also consider sponsoring seminars and conferences on important policy issues, bringing together a range of opinions and perspectives. This could serve to strengthen the agency's own capacity to analyze issues, as well as to inform policy makers and the larger public.

The Board supports increased consultation and cooperation between the agency and the Board in pursuing their mutual responsibility to increase the public's understanding of Social Security.

***Target Information Efforts on Areas Where Public Understanding is Weak***

- ♦ **SSA should develop ways to help the public understand the issues that are involved in assuring the long-term solvency of the Social Security system.**

Although the public is aware that Social Security financing needs to be “fixed” in the long term, it has only a weak understanding of the size of the financing problem or of the many issues that have been raised in the debate that has begun over the future of Social Security, such as how a particular change may affect current and future benefit levels, the impact on the Federal budget and on the Social Security program of different trust fund investment strategies, and the effects of increasing the age of retirement on individuals and businesses.

Many individuals and institutions will take part in this debate. However, the Board believes that because the Social Security Administration is uniquely qualified to provide policy makers and the public with data, research findings, and analysis, the agency can and should play an important role in informing the public about the issues involved in assuring the solvency of Social Security. To assure the maximum use of resources, SSA should take the initiative in coordinating its efforts with other agencies

of government. SSA should take steps to encourage others who are knowledgeable about Social Security, in the academic community and elsewhere, to contribute their efforts as well.

- ♦ **SSA should increase its efforts to inform the public about survivors and disability benefits.**

Information from focus groups shows that even when individuals are aware that Social Security provides survivors and disability benefits, their level of understanding of those benefits is weak and incomplete. They are unaware of their high potential value to millions of Americans, and to themselves, should they need them. In fact, more than 13 million people, or nearly one-third of all Social Security beneficiaries, are currently receiving benefits on the basis of disability or survivorship. Information that will be provided in the Personal Earnings and Benefit Estimate Statement (PEBES), when it begins to be mailed to nearly all workers in fiscal year 2000, should help increase awareness of the value of these benefits and the requirements that must be met to receive them. However, the Board believes that SSA should examine all of its tools of communication, including its new Web site, to see what changes can be made to make information about survivors and disability benefits more visible and understandable to the public, and to promote better understanding of the conditions of eligibility.

***...SSA should examine all of its tools of communication...to see what changes can be made to make information about survivors and disability benefits more visible and understandable to the public...***

- ♦ **SSA should also increase its efforts to provide basic program information to younger workers.**

Workers under age 25 will not receive PEBES statements, but they also have a need for information on payroll taxes, earnings records, and future retirement, survivors, and disability benefits. SSA should conduct research to determine the most effective means of meeting the information needs of younger workers and of those who will be entering the work force in the future, and should follow up with appropriate action.

- ♦ **The agency should make clear to the public that Social Security payroll taxes are used only for Social Security benefits and not for SSI.**

There is considerable public confusion between the Title II Old-Age, Survivors, and Disability programs, under which benefits are based on a worker's earnings record, and the Title XVI SSI aged, blind, and disability programs, under which benefits are paid only to those who meet income and asset requirements. Many people, according to SSA's focus group findings, think that these programs are one and the same. They do not understand that Social Security taxes are dedicated to paying Social Security benefits as an earned right only to those who have contributed to the program and to their dependents and survivors, whereas SSI benefits are paid from general revenues and are based on a showing of need.

SSA has an obligation to do more than it is currently doing to clarify more precisely what payroll taxes are being used for and what they are not being used for. For example, articles that appear in SSA's publication *Social Security Today*, which is widely distributed as a means of informing the public about Social Security programs, do not always make a clear distinction between the programs. The public media also frequently do not make a distinction.

The Board urges SSA to do more to educate the media and the public on the differences between the two programs.

- ♦ **Greater attention should be given to the already-scheduled increases in the retirement age, which will begin in less than three years.**

The Board believes that the public needs to understand that the age at which full benefits are paid (currently age 65) will be increasing as the result of legislative changes made in 1983. Surveys indicate that most people are unaware that the retirement age will increase to age 67 by the year 2022, which could have a significant impact on individual retirement and financial planning decisions. Bringing attention to this change is also important to public understanding of more recent recommendations for change that have been made, including the recommendation by a majority of the members of the 1994-1996 Advisory Council on Social Security for further increases in the retirement age.

***SSA has an obligation to do more than it is currently doing to clarify more precisely what payroll taxes are being used for and what they are not being used for.***

## ***Commit Sufficient Resources to Do the Job***

- ♦ **The Social Security Administration needs to assure that both its Office of Communications and its field offices have sufficient staff to perform their public information responsibilities, and that these staffs have appropriate experience and training.**

The Board is concerned that the staffing limitations SSA has experienced in recent years have affected its ability to perform the public information responsibilities that the Board believes are necessary. The Board questions whether the staff currently has the level of experience, training, and program knowledge that it needs to communicate effectively with the public.

The Board understands that, since the 1980s, the Office of Communications has not actively recruited new staff who have strong program knowledge or communications skills. Also, many of the current employees in public information positions are eligible or close to being eligible for retirement. It would appear to be essential to strengthen the staffing of this important function.

The Board is also concerned that the problem of inadequate staffing for public information responsibilities extends to SSA's field offices as well. As noted below (see "Make the Most of Agency Resources"), the number of employees dedicated to public information activities at the local level has also declined since the early 1980s. As in the Office of Communications, field personnel also face the problem of lack of adequate training to communicate effectively with the public.

- ♦ **In preparing its multi-year communications plan, the agency should plan for the resource needs of an expanded public information program.**

The agency's budget request for fiscal year 1998 provides for continuation of the same level of spending for public information activities as in the current year -- about \$5 million, excluding personnel costs. The Board understands that this budget is about \$1 million less than it was 5 years ago. Given the public information responsibilities that the Board believes SSA must assume in the future, the Board urges SSA to review its budget needs and plan accordingly.

***The Board is concerned that the staffing limitations SSA has experienced in recent years have affected its ability to perform the public information responsibilities that the Board believes are necessary.***

## ***Make the Most of Agency Resources***

- ♦ **As the agency's most important communicator with the public, the Commissioner of Social Security should take the lead in the effort to promote public understanding.**

Experience has shown that the Commissioner, more than any other agency official, has the authority and the ability to call the attention of the media, and therefore of the public, to matters relating to Social Security. The Board urges the Commissioner to take advantage of the opportunity to improve the public's knowledge and understanding of Social Security issues.

- ♦ **The agency's many knowledgeable employees in communities throughout the Nation constitute a valuable resource for increasing the public's understanding of Social Security. The agency should make greater use of this resource.**

Although local office managers have long performed a public information role, and, in fact, informing the public about Social Security was once regarded as a highly important aspect of the manager's job, the importance of this role has diminished over the years. The Board has been told that there are many local office managers today who do not see communicating with the public as one of their duties, in part because of other demands on their time. This problem of conflicting demands has been exacerbated by substantial reductions

in the number of managerial staff in field offices.

The Board urges SSA to place renewed emphasis on the task of promoting public understanding of Social Security through its local managers and other staff, and, where necessary, to provide training as well as appropriate and objective informational materials to help these individuals talk with the public about Social Security. Given the public's high level of interest in and concern about Social Security, it is clear that these employees could provide a valuable service in their communities by participating in discussions about Social Security and making themselves available to local media.

- ♦ **SSA should evaluate the most effective means of conducting public information activities at the field office level, including the role of managers, Field Representatives, and Metropolitan Public Affairs Specialists.**

Traditionally Field Representatives have coordinated public information activities with the local media, community groups, local government agencies, schools, and the general public. This function has diminished as the number of Field Representatives has decreased. As indicated above, the demands on managerial staff have also increased, which has limited their capacity to do public information work. SSA has recently increased the number of Metropolitan Public Affairs Specialists, and this new position may have significant potential for enhancing the performance of public information responsibilities.

***The Board urges SSA to place renewed emphasis on the task of promoting public understanding of Social Security through its local managers and other staff...***

The Board urges SSA to determine the most effective use of staff for public activities, including how to meet needs in both metropolitan and rural areas. The Board also believes it is important that staff selected for public information positions have the requisite communications skills and that appropriate training be provided.

- ♦ **SSA should consider whether its efforts to increase public understanding can be made more effective by assuring better coordination within the agency.**

There are several offices within SSA with functions that involve communicating with the public.

At the present time, the Deputy Commissioner for Communications has responsibility for planning, coordinating, and evaluating the agency's nationwide public communications program. Within each of SSA's 10 regions, there is a Regional Public Affairs Officer who is responsible for public affairs within the region. Under a recent organizational change, the Regional Public Affairs Officers have a dual reporting relationship to the Regional Commissioners and to the Deputy Commissioner for Communications.

The Board recommends that SSA carefully consider whether the current arrangement, with its varied reporting relationships, is the most effective way of providing a coordinated national effort to improve public understanding.

***...it is important that staff selected for public information positions have the requisite communications skills and that appropriate training be provided.***



## V. SSA'S PUBLIC INFORMATION ACTIVITIES

Public information has always been a function of the Social Security Administration. In the organizational structure of the 1940s, there was an Office of Informational Services that reported directly to the Social Security Board. This Office had a key role in informing the public about the new Social Security program, participation requirements, and program benefits. Successor organizations have generally had a direct reporting relationship to the Commissioner. Over the last decade, the Office has been headed by a Presidential appointee.

SSA's public information activities have generally centered on printed pamphlets for distribution through local offices, radio and television public service announcements, newsletters to advocacy groups, and packages of materials prepared at the national level for use with local media and organizations. In the past, SSA also produced short films for use in outreach activities at the field office level. Changing technology has expanded activities to cable television (and the use of videos as opposed to films) and the Internet, and created the capacity to do Personal Earnings and Benefit Estimate Statements (PEBES). Reductions in resources have meant fewer public information activities overall, but especially at the field office level (see below).

In the early 1980s, SSA had a public information campaign targeted to younger workers that emphasized survivors and disability benefits. SSA also contracted with the Advertising Council for public service campaigns on public confidence in 1988 and 1990. In addition to these larger public information efforts, SSA has had annual "national communications objectives," over the last 20 years that have attempted to establish agency priorities.

### *Overview*

Within the Social Security Administration, the major responsibility for public information is assigned to the Office of Communications. That Office has developed a National Communications Plan to "outline the strategies and activities necessary to educate the public and our own employees about Social Security." The first phase of the Plan, which began in July 1995, includes four main messages:

- ◆ SSA's programs and the fact that Social Security is more than retirement,
- ◆ The concept of social insurance: what it is and how it works,
- ◆ Program funding: taxes and administrative costs; and
- ◆ The need for a Social Security program: its history and rationale.

The second phase of the National Communications Plan is running concurrently with a continuation of Phase I. The focus of Phase II is to educate the public about options for changes in the Social Security program and to attempt to answer the principal questions being asked in the current national dialogue about Social Security.

## ***The Role of the Office of Communications***

Within the Office of Communications there is a staff of 56 employees who are involved in planning, coordinating, and evaluating SSA's public information activities and in producing most of the printed and electronic media materials used by SSA. This staff is located at SSA's headquarters in Baltimore.

The budget for public information activities in fiscal year 1997 is about \$5 million, exclusive of personnel costs. The major portion of the budget, about \$3.2 million, is for printed materials which are disseminated primarily through SSA offices across the country. The printed materials include about 90 SSA publications, including six basic informational pamphlets; materials targeted to specific issues or audiences, such as one-page fact sheets on individual State SSI supplements and an explanation of the government pension offset; and posters for display in Social Security offices and other sites.

The second largest portion of the budget, about \$1.2 million, is for contractual services primarily related to the preparation of electronic media materials. In fiscal year 1997, SSA had plans to do 7 radio or television public service announcements, 14 videos for cable television and use by SSA field offices, and 3 satellite broadcasts, including one that involves an interactive dialogue between SSA and private employers concerning retirement planning.

Included in the total budget amount is \$1.68 million which is earmarked for initiatives to strengthen public understanding of SSA programs. A portion of this money is being used for the agency's exhibits program (which includes SSA's participation at numerous meetings and selected national conventions) and for training of SSA public affairs employees. Other Office of Communications public information activities are described below.

SSA has a four-person Press Office, which became part of the Office of Communications in a recent organizational change. The primary responsibilities of the Press office are monitoring press coverage around the country (with the assistance of Regional Public Affairs Officers), serving as SSA's spokesperson to the national press corps, advising the Commissioner and executive staff on how issues will be perceived by the press, and developing strategies for dealing with the press.

The Press Office also arranges interviews with the Commissioner, including when the Commissioner is traveling in other parts of the country. In addition, it develops op-ed pieces on key issues and responds to media reports that contain inaccurate or misleading information.

## ***The Role of Other SSA Offices***

While the Office of Communications has the major role in the planning and coordination of SSA's public information efforts, an important part of the implementation of the National Communications Plan is done by SSA's field offices. SSA's 10 regional offices also have coordinating and supportive roles. Historically, SSA has used a "grass roots" approach to reach the public. Local Social Security officials have

been expected to develop close working relationships with local media and community organizations. They have greater access to local media than SSA has at the national level, where there is greater competition for air time and print space.

There is a Regional Public Affairs Officer in each of SSA's 10 regions who is responsible for public affairs within the region and who reports to the Regional Commissioner. (There is a dual reporting relationship to the Deputy Commissioner for Communications.) In addition, there are now about 60 Metropolitan Public Affairs Specialists in cities across the country. They are responsible for local press and public information activities. They report to Area Directors, who are responsible for management of SSA field offices in about 50 geographical areas in the country. SSA has been increasing the number of Metropolitan Public Affairs Specialists in recent years.

SSA's local office public information activities have changed markedly in the last decade or so. Until the early-to-mid 1980s, each field office had Field Representatives, whose primary job was to work with the public and the media on informational activities. Field Representatives also completed claims outside of SSA field offices, but they were usually thought of as public information specialists. In 1980, SSA had about 1400 Field Representatives who provided continuity of contacts within the community, especially with the media.

The effects of increased workloads and fewer staff in field offices have caused the number of Field Representatives to diminish significantly to 414 today. Furthermore, the focus of the Field Representative job has generally changed from public information to taking claims. The curtailment of public information work by local employees is believed by many long-time SSA employees to be linked to a decline in public understanding of the Social Security program. SSA is using the Metropolitan Public Affairs Specialist position in major metropolitan areas to develop working relationships with the media and the public similar to those the Field Representatives previously had. One region used its Metropolitan Public Affairs Specialists to do extensive outreach after enactment of the 1996 welfare reform legislation, and in doing so, believes that it helped public understanding of the changes.

One of the public information products that has been used extensively by field offices is a monthly information package of draft news stories and radio and television announcements that are designed for local use. There is potential for greater use of this package to convey the primary messages in the National Communications Plan, but the effectiveness of this approach is very much tied to the adequacy of staff resources at the field office level as well as nationally.

## *SSA's Current Activities*

- ◆ Informational pamphlets and fact sheets -- The Office of Communications produces six basic pamphlets covering SSA's major programs and a variety of special publications, including information sent to new beneficiaries. One of the basic publications, "Social Security: Basic Facts," explains how the program works and the need to supplement Social Security through pensions, savings and investments.
- ◆ Monthly information package -- To assist SSA field offices in their public information efforts, the Office of Communications electronically sends a package of draft news releases and information columns to all offices. There is a monthly theme (e.g., Social Security and women), and the package may include op-ed pieces, columns for release under the by-line of a local manager, and questions and answers for publication. The materials tend to focus on benefits available under the Social Security and SSI programs.
- ◆ Multi-media public service announcements and programming -- As indicated above, the Office of Communications produces a limited number of public service announcements which the Office attempts to place on national or regional radio and television. The Office has also developed seven videos that are primarily targeted to cable channels, which have been receptive to such programming. One example is the video, "Evolution of Social Security," a brief documentary describing the development of Social Security. Another video, "Planning Your Financial Future," is for use by financial planners and insurance agents.
- ◆ Information kit for employers -- The kit is a package of materials to help employers and employees understand the Social Security program and its benefits. Employers will be encouraged to reproduce the materials and distribute publications or post them on bulletin boards. According to SSA, the kits, which were tested with 60 companies of varying sizes, will be available before the end of the year for distribution to Social Security field offices for use in local and regional public information efforts.
- ◆ Social Security teachers' kit -- In 1995, SSA released a teaching aid geared toward high school students about to enter the work force. It consists of an overview of the Social Security program, five lesson options, a video tape, fact sheets, and student handouts. Materials in the kit, other than the video, are available on SSA's Internet server.
- ◆ *Social Security Today* newsletter -- This newsletter is sent to groups and organizations around the country whose membership have an interest in SSA's programs. It provides general information about the programs and current program issues.
- ◆ SSA's satellite broadcasts -- SSA uses satellite broadcasts to transmit live, interactive instructional programs to SSA staff across the country. Last year, SSA began producing and broadcasting programs to outside audiences, including employers who are linked to satellite networks. In late 1996, SSA aired "Planning for Tomorrow," a program for employers and employees on financial planning.

- ◆ Liaison activities -- The Office of Communications has an external affairs staff that works closely with organizations whose members have a strong interest in SSA's programs. This staff uses materials produced by the Office of Communications in working with these organizations, including informational exhibits for meetings or conferences sponsored by these organizations.
- ◆ Tools for SSA employees -- The Office of Communications prepares talking points and discussion papers for use by SSA employees on issues related to public understanding. It also has produced a series of slides and transparencies that employees, particularly field office employees, can use when making public presentations.

### ***Personal Earnings and Benefit Estimate Statement (PEBES)***

In 1985 SSA began to develop an individualized statement that could provide earnings and benefit information to workers. Its purpose was to let individuals know how many quarters of Social Security coverage they had earned; make the public more aware of the full range of Social Security benefits available; and provide estimates of the amount of Social Security retirement benefits the individual would receive at ages 62 and 65. Later, as the project evolved, it was decided to also include age 70 benefit estimates. Prior to sending out the new Personal Earnings and Benefit Estimate Statement (PEBES), SSA provided a "summary of earnings" statement at the public's request; however, the document gave only general information and was often difficult to understand. In 1988, SSA made the PEBES available to the public on a request basis.

An amendment to the Omnibus Budget Reconciliation Act of 1989 (which was further amended in 1990) required SSA to send the statements to individuals age 25 and older who have Social Security numbers and earnings (either wages or self-employment); are not receiving Social Security benefits; and have a determinable mailing address. The legislation stipulated how SSA should phase-in the PEBES mailings. By the year 2000, the form must be mailed annually to all workers age 25 and over. It is estimated that the PEBES will go to about 120 million individuals in the year 2000.

The PEBES project has been a major undertaking for SSA. The primary problems that have been encountered have been obtaining addresses for workers (SSA only maintains addresses for its beneficiaries); developing a computer program to gather all of the requisite information; and printing and mailing the millions of statements. SSA addressed these problems by securing available address information from the IRS, upgrading its computer systems, and contracting with an outside vendor to print and mail the documents.

In February 1995, the first automated statements were mailed to members of the public age 60 and older. Approximately 7 million statements were mailed. An additional 5.5 million statements were mailed in fiscal year 1996 to those born in the years 1936-1938. Plans are to mail 10 million statements in fiscal year 1997 to those born in the years 1939-1944.

SSA has established a workgroup that is responsible for reviewing and recommending changes to the PEBES. It is anticipated that the group will address problems recently cited by the General Accounting Office, including a dense and hard-to-follow format and hard-to-understand language and explanations. The workgroup has developed

four prototypes of a new PEBES, which will be tested over the next few months. The workgroup plans to have recommendations for SSA's executive staff by early 1998.

SSA has been successful in obtaining 85-90 percent of the address information it needs. According to SSA, the accuracy of the addresses remains a problem, however, because IRS does not have in its computer system the addresses of people who have moved, and foreign addresses are difficult to obtain.

### *Electronic Services*

SSA is examining various aspects of electronic service delivery, including World Wide Web services, electronic kiosks, and electronic wage reporting. SSA's Electronic Services Staff is working with representatives throughout the agency to conceive and develop new ways for the public to access Social Security information.

To keep pace with emerging technology, SSA has joined CommerceNet, a consortium

of public and private organizations interested in electronic services. CommerceNet, in cooperation with Nielsen, is conducting a demographic study on Internet usage. SSA is interested in this study since the results will help the agency tailor its electronic services.

SSA maintains a site on the World Wide Web (<http://www.ssa.gov>) that offers information about Social Security. Program managers throughout the agency -- especially the Office of Communications -- supply information to the site. SSA estimates that, between May 1994 and July 1997, there were approximately 1.7 million hits to the site.

Internet users can make requests online for a PEBES form. SSA completes and mails the forms to the person making the request. SSA recently held a series of public forums to explore the privacy issues related to providing PEBES statements online. A report on the privacy issues was released by SSA in early September.

## **VI. SUPPLEMENTAL VIEWS**

### **Social Security, Information, and Public Understanding Carolyn L. Weaver, Ph.D.**

Social Security is the largest federal program in the United States, paying monthly benefits to 44 million Americans and collecting taxes from over 145 million Americans who hope to collect benefits one day. It is the primary source of income for many elderly people, and, for many workers, it imposes a heavier tax burden than the federal income tax.

If for no reason other than the sheer size of Social Security, the Social Security Administration has an awesome responsibility in a representative democracy such as ours -- that of providing information to the public about the benefits, the costs, and the finances of the programs it administers that is concise, understandable, and, above all, correct. Armed with this kind of information, individuals can make reasonably well-informed judgements about necessary or desirable changes in the programs and, equally important, about necessary or desirable changes in their own financial affairs, such as how much to save, what kind and how much insurance to buy, how much risk to take on in their pensions or other investments, and when to retire.

From this perspective, I am in agreement with the spirit of the discussion and recommendations contained in this report.

Unfortunately, the incentives are weak for large public agencies to provide correct -- meaning objective and unbiased -- information on the costs and benefits of the programs they administer. In addition, the ability of large public agencies to provide concise and useful information is hampered by the sheer complexity of the programs being administered, although here too the incentives to reveal the complexities appear weak.

For these reasons, it is incumbent on the Social Security Advisory Board, as an independent body, to be vigilant in its efforts to ensure the integrity and the value of the information being provided to the public by the Social Security Administration. While this report is a step in that direction, it is, in my view, deficient.

Consider, for example, one of SSA's largest public information initiatives, the Personal Earnings and Benefit Statement (referred to as the PEBES). This is a simple document containing individualized information on a worker's past earnings and estimated taxes and his or her projected benefits at retirement or in the event of death or disability. Since 1995, a PEBES has been mailed to about 20 million older people. Under the law, by the year 2000, a PEBES must be mailed annually to all workers age 25 and older -- approximately 120 million people in the first year. The budget cost of these statements, now about \$8 million annually, is projected to rise to about \$80 million annually in FY 2000. At this price (which is not by any means inclusive), the American public should get real value. What it is likely to get is an overstatement of the benefits of Social Security and little useful information about its cost.

One clear weakness of the PEBES is that it contains incomplete information on the tax cost of Social Security. For example, the statement includes a column entitled "estimated taxes you paid," but shows only one-half of the Social Security tax -- the half paid directly by workers through payroll tax deductions

(designated the “employee’s” share of the tax), but not the half paid indirectly through adjustments in the wages they receive (designated the “employer’s share”).(1) Whether or not one accepts the view -- widely shared by economists -- that workers bear the full payroll tax, not just the half designated the employee’s share, it is impossible to present a complete picture of the cost of Social Security benefits, and ultimately the net value of Social Security, while presenting only partial information on taxes.

In addition, the PEBES shows workers their estimated future benefits but completely ignores their estimated future taxes.(2) If the idea is to inform people about the value of Social Security, which is one of the stated purposes of the PEBES, and to provide balanced information on costs and benefits, which should be an obligation of SSA’s, I can think of no reason not to project taxes and benefits.(3)

Reflecting his concern about the absence of information on estimated future taxes, Tom Jones, President of TIAA-CREF, commented as early as 1994:

“I’m not a lawyer, but my hunch is that if my company were to send out a statement that indicated what this appears to say, that you are going to get an \$18,000 a year benefit from me and you’ve paid \$22,000 for it, and I don’t say anything else about how much more you have yet to pay, I suspect that the SEC and other regulators would be shutting us down.”(4)

Another clear weakness of the PEBES is that it fails to acknowledge that Social Security benefits are significantly underfinanced in future decades. Under the Social Security Board of Trustees’ intermediate or “best guess” assumptions, the reserve funds will be exhausted by the year 2030 and only about three-quarters of benefits can be paid at that time with the revenues that will be flowing into the system. Less can be paid in later years. (The proportions are even more unfavorable if it is assumed that benefits are continued in full for those already on the rolls.) The PEBES nevertheless shows full benefit amounts for all workers, including those retiring decades in the future.

Nowhere in the PEBES is the long-range funding gap acknowledged, not even by way of a footnote.(5)

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(1) The statement also shows the “total estimated Social Security taxes paid,” which, apart from excluding the employer’s share of the tax, ignores the time value of money. All annual figures and the total accumulated figure are expressed in current or nominal dollars, without any adjustment for -- or even a footnote acknowledging -- the much higher real value of taxes paid in decades past.

(2) Benefit estimates are based on two key assumptions: first, that present law will prevail in future decades, and second, that the individual will continue working, on a continuous basis, at current earnings. Given these assumptions, the calculation of estimated taxes is entirely straightforward.

(3) In the law requiring SSA to produce the PEBES, Congress spelled out that SSA must show the employee’s earnings, the employee’s share of payroll taxes to date, and his or her estimated future benefits. SSA is not required to show the employer’s share of the tax or projected future taxes and, as discussed below, is not required to acknowledge the inadequacy of financing in future decades. SSA has chosen not to exercise its authority to provide this additional information and has not, to my knowledge, made known a concern about its absence.

(4) Transcript of proceedings of the 1994-1996 Advisory Council on Social Security, public meeting of November 18, 1994, p. 215.

(5) It is worth noting that SSA finds the space to acknowledge that benefits may be lower than shown due to early retirement, continued work while drawing benefits, limitations on total family benefits, and the receipt of certain other pensions.



As a point of reference, it is worth noting that the statements sent to today's 34-year olds show full projected benefits for retirement at 67, which for them is the year 2030. The statements sent to younger workers, those now in their mid-twenties, show full benefits in the year 2040 and later. While some might say that benefits are "fixed" in the law and that taxes can always be raised, taxes are equally "fixed" in the law. The reality is that both the benefit formula and the tax rate are specified in the law and both can and will be changed. There are two sides of the equation and they do not add up.

In my view, SSA's failure to acknowledge that posted benefits for younger workers can not, under present law and projections, be met -- and that benefits for middle-aged and older workers can not be met on a sustained basis<sup>(6)</sup> -- is a clear abrogation of its responsibility to provide objective and useful information to the public. The widespread availability of inflated benefit estimates (and the absence of any projected tax information) undermines prudent personal as well as public decision-making. Long-range reforms almost certainly will involve reductions in future benefits and these reforms are likely to be all the more difficult to achieve -- and to sustain -- because of the confusion that will have been created by the PEBES. This confusion can only be compounded by materials now being distributed by SSA reporting that younger workers will recoup in benefits the full value of the taxes they pay (accumulated with interest) up to a decade before their deaths -- despite the fact that revenues are projected to be inadequate to pay their benefits.<sup>(7)</sup>

On a smaller scale, consider the packet of materials prepared for distribution to high school teachers throughout the nation, which includes a video for students entitled (immodestly) "Social Security: The Real Story." The video is intended to educate young people about, and to broaden their understanding of, Social Security, which is perfectly appropriate. However, in enlightening students about Social Security, the video stresses the non-retirement programs -- disability and survivor benefits, in particular -- while failing to acknowledge that complex and sometime stringent eligibility requirements must be met to qualify for benefits under these programs; it makes no effort to educate students about the cost of Social Security; and it devotes precious little time (perhaps 2 minutes out of 25) to the serious long-range financing problems confronting the system. This is remarkable when one recognizes that the retirement program consumes the lion's share of Social Security taxes and is projected to be insolvent well before these students reach their sixties. A typical high school student, age 17 today, will reach the age of eligibility for full retirement benefits (which is 67 under current law) one-half century from now, or nearly two decades after the trust funds are projected to be exhausted. The disability program faces much more immediate financing problems.

Consider the treatment of the financing problem. In the final minutes of the video, a student (wisely) asks her high school teacher "So, what's the bottom line?" Her teacher responds, "There is no bottom line." No bottom line! While some people may believe this to be true, it is an odd position for SSA to be

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(6) According to actuarial projections, one-half or more of the baby-boom generation will still be alive in 2030.

(7) The suggestion that young workers will receive more than the actuarial value of taxes paid is inconsistent with the research findings of numerous outside scholars as well as with SSA's own internal research (as developed in the Office of Research and Statistics and disseminated by the Office of the Actuary to the 1994-1996 Advisory Council on Social Security).

For an example of this kind of material, whose purpose, it would appear, is public relations not public information, see "The Full Value of Social Security," Letter to the Editor, The Washington Post (June 3, 1997), p. A18, by John J. Callahan, Acting Commissioner of SSA.

promoting in a video issued by the federal government and paid for by the taxes of American workers. There is no mention of the fact that the program is trust-fund financed and must have monies on hand in order to pay benefits; no mention of the fact that the Commissioner of SSA is one of six Trustees of the Social Security trust funds which issues a report each year on the financial well-being of the system; no mention of the fact that for over a decade the Trustees have warned of a significant and growing long-range deficit; and no mention of the fact that Social Security is projected to be insolvent when these students retire.

Or consider the treatment of the disability and survivor programs. As is the case with some other materials distributed by SSA, the benefit protections afforded by these programs is stressed while information about eligibility requirements, which is critical for assessing the value of these programs and the need for supplemental protection, is glaringly absent.

There is no doubt that many people receive valuable benefits from the Social Security disability and survivor programs. It is also true, however, that many workers who become disabled, as this word is conventionally understood, and many women who become widowed receive nothing at all -- or at least nothing at all when they need it most.

A striking -- and, to me, worrisome -- aspect of Social Security is its extreme complexity. If SSA seeks to promote public understanding and to better equip people for sound personal financial planning, it must place a higher priority on informing people about restrictions on benefit eligibility.

Unlike with a conventional life insurance policy, for example, where a man knows that his wife will receive a stated sum of money in the event of his death, there is no pay-out to a surviving spouse under Social Security "survivors insurance" until or unless she: (1) is in her fifties and severely disabled, (2) is in her sixties, or (3) has in her care one of his young (i.e., under age 16) children. God forbid that she is an ordinary housewife who has spent a lifetime caring for her family, has just gotten her kids off to college, and now finds herself widowed with no good employment opportunities. (Benefits are payable to children, but only if they are under the age of 18 (or 19 if still in high school).) Even if she is 60, there is a permanent reduction in benefits if she wishes to begin drawing benefits rather than waiting until age 62. For the widow who works or must return to work, benefits are reduced and may be eliminated altogether on account of earnings.

As for disability protection, it is vitally important for people to know that they must be severely disabled to receive any benefits at all. There is no partial or temporary disability coverage under Social Security. And disability benefits are not payable for the first 5 months after the onset of disability. Finally, there is no disability protection at all for young or middle-aged women (or men) who do not have a substantial and recent work record of their own.

A true education program would provide information about these aspects of the disability and survivor programs right along with information about potential benefits. Absent this information, workers can not-- short of turning to alternative sources of information -- assess the value of these programs or the need for supplemental protection.

Finally, whether intentionally or not, the video goes beyond its stated purposes to create doubts about -- if not to undermine support for -- various kinds of reform of the Social Security system. This is not done directly, by confronting alternative arrangements and providing a balanced discussion of their costs and benefits, but indirectly and by the inference of a false alternative -- that of abandoning Social

Security. Disgruntled students carry signs saying “BAN SOCIAL SECURITY!” Words like abolish and destroy are bandied about. Says one student “We’re just trying to get rid of Social Security. That’s all.” These hapless students are then confronted with “reality:” a pleasant middle-aged man in a wheelchair (seemingly the prototype of a person with a disability for PR purposes these days) who didn’t know how he would have supported himself after his disability -- “Social Security came through for me;” an attractive female student who had lost her dad -- “Social Security helps me get by;” and finally grandpa, who recalls the Great Depression, in the days before Social Security, when his mother would rise at 3:00 a.m. to bake cookies for his father to sell on the streets just to make ends meet. And finally, they are confronted by a teacher who asks how disability and survivor benefits -- even Medicare -- would be replaced if Social Security were “abolished.”

Suffice it to say that there is no public discussion of abolishing Social Security. There are no reform proposals that would eliminate benefits for senior citizens, for people with disabilities, or for kids who have lost their parents or elderly women who have lost their husbands. There are no reform proposals that would discontinue mandatory, periodic contributions by workers to fund retirement savings or disability or survivor insurance. What there are -- and in growing numbers -- are proposals that would change the way Social Security is provided for younger workers. In the case of the retirement program, there is growing interest in moving toward a system in which workers would invest a portion of their taxes in their own, fully-funded retirement saving accounts. A proposal such as this is contained in the Final Report of the 1994-1996 Advisory Council on Social Security.<sup>(8)</sup> These proposals bear no resemblance to the false alternative implicit in SSA’s video.<sup>(9)</sup>

If we are to judge from much of the public discourse on smoking and advertising, America’s teens have impressionable young minds. SSA bears a special obligation to provide unbiased (unfiltered, if you will) information to this population.

A candid evaluation of world-wide developments suggests that a fundamentally important debate about the future of Social Security is unfolding. Whether SSA is part of that debate or not will be determined in no small measure by whether it is perceived by the public to be a good source of information. If it is not, the public will simply turn elsewhere -- to employers, pension funds, banks and other financial institutions, to friends and family, to the news media, to the Internet, or to any of a number of emerging sources of information on financial planning.

New survey results released by the Democratic Leadership Council reveal the breadth of interest in reforms that would transform the Social Security retirement program into a system of true retirement saving. The DLC reports that in a survey of 1,000 registered voters, 75 percent (including 73 percent of

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<sup>(8)</sup> See Final Report of the 1994-1996 Advisory Council on Social Security (Washington, D.C.: U.S. Government Printing Office, 1997), pp. 30-34 and 102-134. This proposal, which would gradually replace half of the retirement program with personal retirement accounts and convert the other half of the program to a flat benefit for full-career workers, was endorsed by 5 out of 13 members of the Advisory Council. This council was appointed under the law by the Secretary of Health and Human Services Donna Shalala and was chaired by University of Michigan economist Edward Gramlich, Federal Reserve Board nominee.

<sup>(9)</sup> In citing poll results showing support for continuing Social Security, the Board’s current report can be faulted for much the same reason. It implicitly suggests that there is consideration being given to eliminating Social Security, when there is not, and that people would oppose a new kind of Social Security system in future decades, which is inconsistent with numerous public opinion surveys.

Democrats -- traditionally a solid base of support for the status quo) supported allowing employees to put 2 percentage points of the Social Security tax into private retirement funds; 72 percent (including 71 percent of Democrats) supported creating a two-tier system which would provide a basic retirement benefit for all low and middle income retirees and would be supplemented by individually-controlled private savings; and a remarkable 55 percent (including 48 percent of Democrats) supported gradually requiring Americans to save for their own retirement by shifting all of the retirement portion of the payroll tax into individually-controlled personal savings accounts.(10)

While the depth of support for, or the level of knowledge about, these proposals can not be known from this or any other survey, it is clear that the American public is open to rethinking the way Social Security is structured for the decades ahead. SSA will remain on the sidelines of the debate if it fails to provide information to the American public about the range of options for reforming Social Security to meet the realities and the opportunities of the twenty-first century.

In the end, ensuring that the millions of Americans who pay for and/or receive Social Security benefits receive the information they need will take more than the admonitions of this Board or any of its members. It will take more than good intentions and vigilance on the part of SSA's commissioners and even of Congress and the Administration. There is only so much SSA can and will do.

Unbiased information and, beyond that, truly valuable information -- including, information on alternative financial arrangements that reflect the many innovations and developments in private financial markets in recent years -- arises most quickly, most predictably, and most effectively in a competitive environment. For reasons having little to do with SSA (such as the maturing of our pay-as-you-go Social Security system and the inevitable decline in implicit rates of return on workers' taxes, the explosion of 401(k) plans and other self-directed retirement savings plans, and the aging of the baby-boom generation), there is now a vibrant private sector competing head-on in the provision of retirement income, with benefits redounding to society as a whole. Competition in information will flow naturally from this competition in supply, promoting better decisions and ultimately higher standards of living.(11)

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(10) "DLC Poll Shows Democrats Marching to the 'Vital Center,'" DLC News Release, Aug. 6, 1997.

(11) Since this report is, I believe, insufficiently precise on the issue of enhancing public understanding, public support, and public confidence, I would note that my concern is with promoting public understanding with an eye toward facilitating more efficient decision-making. Information that underpins public understanding can be promoted in big ways and in small. In regard to the former, I see competition as the key. In regard to the latter, the Board's first report, entitled Developing Social Security Policy: How the Social Security Administration Can Provide Greater Policy Leadership (Washington, D.C.: Social Security Advisory Board, 1997), urged SSA to make its data more generally available to outside scholars and researchers, which would facilitate research and thereby contribute indirectly to improving our knowledge about a wide range of retirement and disability related issues. The Board also stated its intention to "study the limitations that now exist on access by outside researchers to SSA's data, methods, and assumptions, including legal, resource, and other limitations" (p.11). A broader recommendation was made by the Social Security Advisory Council in its final report (p. 22), which urged SSA to grant "private researchers greater access to agency data as well as to the economic and actuarial models used in forecasting and analysis." I wholeheartedly support these recommendations. Participants at a conference convened by the Board on June 24, 1997, entitled "Forum on a Long-Range Research and Program Evaluation Plan for the Social Security Administration," underscored the importance of SSA becoming more "user friendly" to the research community. A summary of the proceedings of this conference will be published by the Social Security Advisory Board this fall.

**Additional Views  
of  
Lori Hansen, Martha Keys, and Gerald Shea**

We are pleased that “Increasing Public Understanding of Social Security” is being issued with the unanimous vote of the Advisory Board. The report responds to a specific charge given by Congress on an important topic.

In light of the supplemental statement authored by our colleague, Carolyn Weaver, we believe a few words on the nature and scope of the report would be appropriate.

The report attempts to assess in the most general terms the current communications programs of the Social Security Administration and to offer broad recommendations for how the agency could better enhance public understanding. We do so with the convictions that the agency has a responsibility to help the public participate in a much-needed national debate on retirement income issues and that, in some basic ways, the agency is not meeting that responsibility.

This report does not attempt to provide a detailed analysis or critique of the agency’s operations. Nor does it try to prescribe the content of the information the agency should make available, other than to stress the importance of balanced information. Instead, we purposely concentrate here on the basic principles and objectives of the agency’s communications program.

Lastly, we purposely excluded from the report any consideration of whether Social Security should be substantially restructured, even though individual Board members may hold strong views on this topic that reflect the range of opinions in the current policy debate. We do not believe this report to be the time and place for the Board to comment on the separate issue of long-term financing and the many options available to meet the additional needs placed on Social Security by the aging of our population and improvements in longevity.