

April 2005

# SOCIAL SECURITY STATEMENTS

## Social Security Administration Should Better Evaluate Whether Workers Understand Their Statements





Highlights of [GAO-05-192](#), a report to congressional requesters

### Why GAO Did This Study

The Social Security Statement is the federal government’s main document for communicating with more than 140 million workers about their Social Security benefits. By law, the statement must show an individual’s annual earnings, payments into Social Security and Medicare, and projected benefits. The Social Security Administration also uses the statement to explain the various types of Social Security benefits and to encourage greater financial planning for retirement. GAO conducted a review to examine (1) how well recipients understand the current statement, (2) how the Social Security Administration is evaluating the statement’s understandability, and (3) the promising practices used by private sector companies and other industrial countries. GAO’s information was obtained from its national survey and focus groups of statement recipients, a firm that evaluates benefit statements, officials from three other countries (Canada, Sweden, and the United Kingdom), and other experts from the private sector.

### What GAO Recommends

GAO recommends that the Social Security Administration (SSA) develop a plan for regularly evaluating the statement with data from a variety of sources. The Social Security Administration should use the resulting information to determine what changes, if any, need to be made in the statement’s format and content. SSA agreed with our recommendations. [www.gao.gov/cgi-bin/getrpt?GAO-05-192](http://www.gao.gov/cgi-bin/getrpt?GAO-05-192).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Barbara Bovbjerg at (202) 512-5491 or [bovbjergb@gao.gov](mailto:bovbjergb@gao.gov).

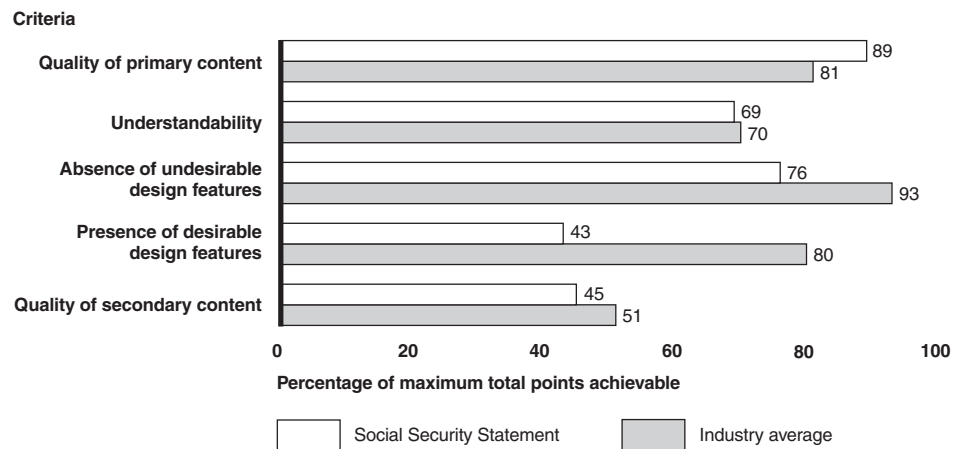
## SOCIAL SECURITY STATEMENTS

# Social Security Administration Should Better Evaluate Whether Workers Understand Their Statements

### What GAO Found

Participants in our review identified both strengths and weaknesses in the current statement’s understandability. Many respondents to GAO’s national survey recalled receiving a statement, but had little recollection of some components, for example, the information on Social Security’s future. Focus group participants provided more detailed information; they found the statement to be comprehensive but less well presented than a comparison statement they also reviewed. A firm that evaluates benefits statements had similar conclusions. The firm rated the quality of primary content and said the general understandability of the statement favorably compared with that of other statements, but use of design to help convey information and quality of secondary content fared less well.

**The Social Security Statement’s Evaluation Scores Compared with Industry Average Scores**



Source: GAO presentation of Dalbar’s data.

The Social Security Administration’s current evaluation of the statement’s understandability is limited because it does not include focus groups or data from the agency’s many public contacts. For feedback, the agency relies almost exclusively on an annual survey covering many aspects of the Social Security program. Its questions about the statement are general and change each year, limiting their effectiveness. The agency also does not routinely use data collected from such sources as its telephone call centers, walk-in traffic, or Web site to help determine whether the statement is meeting its goals.

Private sector experts and countries GAO studied use several practices the Social Security Administration may find helpful, such as regularly gathering feedback from statement recipients, customizing messages for different age groups, and changing statements every few years to keep readers interested. They also tended to design their statements in ways GAO’s focus groups preferred—for example, putting the most important information at the start.

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### **Abbreviations**

PEBES	Personal Earnings and Benefit Estimate Statement
PUMS	Public Understanding Measurement System
SSA	Social Security Administration

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United States Government Accountability Office  
Washington, DC 20548

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April 1, 2005

The Honorable Tom Delay  
Majority Leader  
House of Representatives

The Honorable Jim McCrery  
Chair, Subcommittee on Social Security  
Committee on Ways and Means  
House of Representatives

The Honorable E. Clay Shaw, Jr  
House of Representatives

Social Security, the nation's largest federal program, touches the lives of virtually all the nation's citizens. It provides a measure of economic security and financial stability by providing retirement, disability, and survivorship benefits. The Social Security Administration (SSA) provides benefits information as well as other related information on an annual statement to virtually all American workers. The Social Security Statement (the statement) represents one of the federal government's largest efforts to communicate directly with workers about their Social Security benefits. In 2003, SSA mailed statements to more than 140 million people at a cost of approximately \$45 million. Because the statement is mailed to so many homes, the Social Security Advisory Board recommended in 1997 that it should be one of the highest priorities of the agency and receive careful and high-level attention with respect to content and design.<sup>1</sup> Since then, SSA has made some significant revisions, based in part on our work, to improve the statement's clarity and understandability.<sup>2</sup> In 2000, the Social Security Commissioner testified that the statement is the most significant vehicle that SSA has to increase the public's understanding of the basic

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<sup>1</sup>The board is independent and bipartisan and advises the Commissioner of Social Security on policies related to the Social Security and the Supplemental Security Income programs.

<sup>2</sup>GAO, *SSA Benefit Statements: Well Received by the Public but Difficult to Comprehend*, [GAO/HEHS-97-19](#) (Washington, DC: December 5, 1996), and GAO, *Social Security: Providing Useful Information to the Public*, [GAO/T-HEHS-00-101](#) (Washington, DC: April 11, 2000).

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features of Social Security and enable Americans to prepare for long-term financial security.

The individualized nature of the statement and the diverse population it serves make developing a clear and understandable document a complex process. Statements must correctly list each individual's annual earnings history as well as future projections of retirement, disability, and survivorship benefits. The statement must also be understandable to an audience that varies considerably in age, educational level, and cultural background. In addition, the production and evaluation of the statement involve several SSA offices and contractors. Further, the statement may be taking on added importance as a tool for communicating to the public potential changes in Social Security. With the baby boom generation's forthcoming retirement, longer life spans, and lower birthrates, Social Security's financing shortfall will grow. The President has identified the reform of the Social Security system as a major agenda item for his administration, and if reform is enacted, educating the public about any program changes and how they will affect benefits will likely be a high priority for SSA.

Given the statement's importance, you asked us to review SSA's efforts to ensure its understandability and to do so in the context of what information private sector employers are providing to their employees and what other industrialized countries provide to citizens about their public pension plans.<sup>3</sup> Specifically, our objectives were to address (1) how well recipients understand the current statement, (2) how SSA is evaluating the statement's understandability, and (3) the promising practices used by private sector companies and other industrialized countries that could be used by the Social Security Administration. In addition, you asked us to review a person's legal rights to benefits. Appendix I summarizes the applicable caselaw regarding an individual's rights to Social Security benefits.

To answer the above questions, we collected data from a wide variety of sources. We assessed the statement's understandability and usefulness in conjunction with a GAO national random telephone survey on financial

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<sup>3</sup>Private sector defined benefit plans (plans that promise to provide a benefit that is generally based on an employee's salary and years of service) are required to furnish plan participants, upon request, a statement of their accrued benefits and total nonforfeitable pension benefits, if any, which have accrued, or the earliest date on which benefits become nonforfeitable.

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literacy. We also contracted with a private market research firm, OneWorld Communications, to conduct six focus groups that reviewed the statement's content and design and compared them with those of a private sector benefit statement. These focus groups were held in Seattle, Chicago, and Atlanta and were balanced for age, gender, and ethnicity. We also contracted with a nationally recognized benefit statement evaluation firm, Dalbar Inc., to evaluate and score the statement based on the firm's criteria for private sector benefit statements. We interviewed SSA officials to discuss their procedures for evaluating the statement. To gather data about private sector benefit statements and statements used by other industrialized countries, we interviewed private companies that specialize in benefit statement preparation and distribution as well as public pension officials in Canada, Sweden, and the United Kingdom. To determine the legally required information in both the Social Security Statement and private pension benefit statements, we reviewed applicable laws. We also analyzed caselaw on legal rights to benefits under the Social Security program. Appendix II explains the scope and methodology of our work in greater detail. We conducted our work between March 2004 and March 2005 in accordance with generally accepted government auditing standards.

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## Results in Brief

The respondents to our survey, as well as the focus group participants and the benefits consulting firm that we asked to review the statement, identified both strengths and weaknesses in its understandability. About 66 percent of people responding to our survey remembered receiving the statement, though some parts—for example, the benefit estimates and earnings history—tended to be remembered much more than the information about Social Security's future. Focus group participants generally found their earnings history and benefit estimates understandable and useful. However, they found some of the other information confusing or contradictory—for example, the role credits play in determining benefit eligibility and the role earnings play in calculating benefits. To be eligible for benefits, workers must have earned enough income over their working lifetimes to qualify for at least 40 credits.<sup>4</sup> However, once eligible, the worker's actual benefit is not determined by credits but by a measure of lifetime earnings.<sup>5</sup> Many focus group

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<sup>4</sup>A total of 4 credits can be earned in each year. In 2004, 1 credit was awarded for each \$900 of wages or self-employment income.

<sup>5</sup>In calculating retirement benefits, SSA averages an individual's 35 highest years of earnings.



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participants were still confused about these complex concepts after reading their statements. They were also confused about the statement's explanation of Social Security's solvency challenges. When participants were asked to compare the Social Security Statement with a private sector benefit statement, many found the Social Security Statement more comprehensive in scope but lacking in helpful design features, such as the use of color and graphics. Some participants also preferred the private sector statement's presentation of the need for supplemental income in retirement. The benefits consulting firm that reviewed the statement gave it a communication effectiveness score of 65 out of 100, which fell below the industry average score of 73. The firm found that the statement was strong in its presentation of benefits and use of plain language but could be improved through better design, targeted messaging, and more information on income needs in retirement.

SSA's current methods of evaluating the statement are limited. To date, SSA has evaluated the statement primarily through an annual survey of the general public. This survey is conducted for many other purposes besides evaluating the statement, and the survey's questions specifically about the statement have been general and have changed from year to year. Assessing the statement through this limited approach may not provide the depth and detail needed to comprehensively assess the statement's understandability. Also, while SSA collects and analyzes a variety of data about its services, it is not systematically collecting any data from internal sources, such as the customer call centers, walk-in traffic, and its Web site, about whether the statement is understandable or meeting its goals. For example, although correction of inaccurate earnings records is a goal of the statement and SSA officials reported that they corrected 360,000 earnings records in 2003, no data were collected to determine how many corrections resulted from receiving a statement.

Private sector benefits consultants and other industrialized countries utilize several promising practices that may be helpful to SSA, such as regularly gathering feedback from statement recipients and utilizing customized messages. All of the consultants and officials from other countries that we spoke with regularly and systematically collect feedback from recipients regarding the usefulness and understandability of their statements. For example, officials from Sweden told us that they utilized what they called "hot surveys," which are surveys that are sent out within a month of when the statement is sent to specifically assess the usefulness and understandability of the statement. This survey technique allows the recipients to give feedback about the statement while their impressions regarding the statement are relatively current. Benefits consultants and

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other countries also utilize customized messages that differ depending on the age of the recipient. For example, officials in the United Kingdom told us that younger workers receive messages emphasizing the importance of starting to save for their retirement early in their careers and workers closer to retirement receive messages regarding how to maintain their current lifestyle, including increasing personal savings and working longer. Officials at both the consulting firms and in other countries told us that workers are more likely to read and remember information that is relevant to them. Finally, consulting firm officials told us that regularly modifying the statement's appearance could help make the statement more effective, since recipients would be less likely to assume that they are receiving the same old statement year after year.

This report contains recommendations for executive action. SSA should develop a plan for regularly evaluating the statement through the collection of data from multiple sources, including information from surveys, focus groups, call centers, walk-in traffic, and the Web site. On the basis of data it receives and a review of promising practices in the private sector and other countries, SSA should consider revising the statement to include showing the personalized benefit information first and using more graphics. In its response to our draft report, SSA agreed to develop a plan for regularly evaluating the statement and will consider revising the statement as appropriate and necessary. (SSA's comments are reproduced in app. VI.)

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## Background

SSA is required by law to provide annual statements with benefits and earnings information to individuals over the age of 25 who have a Social Security number and have wages or earnings from self-employment.<sup>6</sup> The law requires each statement to contain the following:

- an estimate of the potential monthly Social Security retirement, disability, survivor, and auxiliary benefits and a description of the benefits under Medicare;<sup>7</sup>
- the amount of wages paid to the employee or income from self-employment;

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<sup>6</sup>42 U.S.C. 1320b-13.

<sup>7</sup>The law requires that only the statements sent to people aged 50 and older contain actual benefit estimates, but SSA provides benefit estimates regardless of age.

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- an estimate of the individual's aggregate taxes paid to Social Security; and
  - an estimate of the individual's aggregate taxes paid to Medicare.

Appendix III contains an example of the current statement with the legally required information highlighted.

The requirement to mail the statements was phased in beginning in fiscal year 1995, when SSA was required to mail the annual statement—then named the Personal Earnings and Benefit Estimate Statement (PEBES)—to all workers age 60 and older. In addition to the informational requirements, Congress required SSA to send the annual statement to selected age groups of workers not receiving benefits and for whom a mailing address can be determined. Starting in fiscal year 2000, SSA was required to mail the annual statement, now called the Social Security Statement, to workers age 25 and older. However, SSA officials decided to mail a larger number of statements earlier than fiscal year 2000 to phase in the added workload over several years. The accelerated schedule began in fiscal year 1996, when SSA added individuals turning 58 and 59. In subsequent years, SSA added increasingly younger people until people as young as 25 began receiving the statement in fiscal year 2000.<sup>8</sup> These statements are generally mailed about 3 months before the worker's birthday.

The current Social Security Statement has evolved over several years. The initial PEBES was a six-page document and contained information such as the worker's earnings record, benefits estimates and a question-and-answer section about Social Security. However, in a previous report, we found that PEBES did not clearly communicate the complex information that workers needed to understand about SSA's programs and benefits.<sup>9</sup> In response, SSA made significant changes to the format and presentation of the PEBES, tested a four-page Social Security Statement in 1997, and began mailing it to the public in October 1999. The newer statement was shorter, better organized, and easier to read than the PEBES, but our follow-up review in 2000 identified some remaining rough spots. The January 2005 statement retains the four-page organization of the 1999 statement and generally used green underlining to highlight the page headings for each page of the statement. Although the statement has

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<sup>8</sup>The Social Security Statement replaced PEBES in fiscal year 2000.

<sup>9</sup>See [GAO/HEHS-97-19](#).

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evolved over the years, some information in the statement has been included since it was first mailed to the public, such as the description of Social Security programs and the financial future of Social Security, including the long-term financial challenges that the system faces. To complement the statement, SSA created a special one-page insert for workers age 55 and older that was first mailed in October 2000. This insert is mailed with the statement and provides information to assist workers in making decisions about when to retire.

In addition to complying with the legal requirements, SSA has established three agency goals for the statement—to educate the public about benefits under SSA programs, to aid in financial planning, and to ensure the worker’s earnings records are complete and accurate. SSA believes that its statement is providing useful information to the general public. The following goals have remained constant since 1995, when SSA began designing earlier versions of the statement:

- To educate the public about SSA programs, the statement contains information about Social Security benefits. The statement provides information about various benefits, including retirement, disability, family, and survivor benefits.
- To aid financial planning, the statement contains information about planning for retirement. For example, the statement says that Social Security was never intended to be the only source of retirement income and that an individual needs other savings, investments, pensions, or retirement accounts to ensure having enough money to live comfortably. The statement also contains information about working and still receiving Social Security retirement benefits and makes reference to an SSA booklet to help determine the best time to retire.
- To verify earnings, the statement asks the worker to review the earnings information and make certain that the information is complete because Social Security benefits are based on earnings.

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## Statement Found to Have Both Strengths and Weaknesses in Its Understandability

The respondents to our survey, as well as the focus groups and the benefits consulting firm we asked to review the statement, identified both strengths and weaknesses in its understandability. Our survey provided general information about the statement in terms of how many people recalled receiving it and what types of information they remembered. Specifically, about 66 percent of survey respondents remembered receiving their statement.<sup>10</sup> However, more respondents remembered seeing the statement's personalized information, such as benefit estimates and earnings history, than remembered seeing the more generic information. Feedback from the focus group participants provided detailed insight about the areas of the statement they understood and how confusing information might be improved. For example, focus group participants generally found their earnings records and benefit estimates understandable and useful but had difficulty with information about how the program operated and what its long-term prospects were. When participants were asked to compare the Social Security Statement with a private sector benefit statement, many found the Social Security Statement more comprehensive, but they preferred many aspects of the private sector statement. In particular, participants liked the private sector statement's use of color and graphics. The benefits consulting firm, which evaluated the statement against the industry's best practices, scored it lower than the industry average for defined benefit statements. Officials from the firm said the statement was strong in its presentation of benefits and use of plain language but could be improved through better design, targeted messaging, and more information on income needs in retirement.

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## What Works Well in the Statement?

A majority of respondents in our national survey indicated a familiarity with the statement and could recall the personal information it contained. Our national telephone survey asked respondents if they remembered receiving a statement, whether they recalled specific sections of the statement, and how understandable and useful they found each section. Survey results indicated that approximately 66 percent of respondents who were eligible to receive a statement remembered receiving it.<sup>11</sup> Of the

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<sup>10</sup>Percentage estimates for respondents in our survey are based on a sample and are subject to sampling error. Unless otherwise noted, estimates from our survey have 95 percent confidence intervals of plus or minus 5 percentage points of the estimate. See appendix II for more information.

<sup>11</sup>Sixty-four percent of respondents remembered receiving their statement. Those who did not remember or who did not know or were unsure were prompted with a further description of the statement. Fourteen percent of those who were prompted then remembered receiving the statement.

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five sections of the statement—explanation of Social Security benefits, estimated monthly benefits upon retirement, earnings per year, general facts about Social Security benefits, and the statement on the future of Social Security—the section on earnings per year was, we believe, the easiest for most people to understand.<sup>12</sup>

The six focus groups conducted by our focus group moderator generally reported that except for several key items that were confusing or hard to understand, the information presented in the statement was understandable. These groups, composed of people of various ages and educational backgrounds, were instructed by the moderator to carefully read each page of the statement, which participants admitted is less likely to happen when they receive the statement in the mail. Participants found the benefit estimates and earnings history understandable and frequently commented that it was the information they were most likely to look at when they received the statement in the mail.<sup>13</sup> Some of the older participants found the benefit estimates particularly useful, since their estimates were based on a longer earnings history and were likely to be more accurate than those for younger participants with fewer work years. Participants appreciated the opportunity to review their earnings history, and many said they would follow the directions in the statement and call SSA's 800 number if they discovered errors. Many participants found the total amount of Social Security and Medicare taxes they paid to be understandable.

Several of these themes were echoed by the benefits consulting firm we asked to evaluate the statement. This firm, which specializes in evaluating the effectiveness and consistency of written materials from financial services institutions to their customers, reviewed and scored the statement based on the firm's standardized criteria. The firm gave the statement an overall score of 65 out of 100 based on these criteria. By comparison, the average score of private sector statements in the firm's database was 73. The firm identified the statement's strengths as

- being written in easy-to-understand language;

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<sup>12</sup>This result is statistically significant even after accounting for the multiple comparisons that can be made between proportions across the five sections. For more information see appendix II.

<sup>13</sup>Workers who do not have 40 credits do not receive benefit estimates but are told how many credits they have and how many they will need before they become eligible for benefits.

- providing benefit estimates for different retirement ages as well as for disability and survivorship;
- identifying the statement’s source and purpose;
- providing the personal data used to calculate benefits, such as date of birth and earnings record, so recipients can check information for accuracy

### What Does Not Work Well?

The survey respondents who remembered receiving a statement varied considerably in the extent to which they remembered the different types of information that SSA was trying to communicate. For example, of the people who said they remembered receiving a statement, about one-fifth remembered seeing all the major areas of information on the statement. As table 1 shows, of all the statement’s information, respondents least remembered the information on the future of Social Security.

**Table 1: Percentage of Survey Respondents Who Remembered Elements of the Social Security Statement**

<b>Element of the statement</b>	<b>Percentage of respondents who recalled seeing the element</b>
Explanation of Social Security benefits	84
Estimated monthly benefits upon retirement	90
Earnings per year	84
General facts about Social Security benefits	64
The statement on the future of Social Security	29

Source: GAO survey data.

Many focus group participants identified some of the statement’s information about the Social Security program as confusing. In some cases, participants did not understand the actual meaning of a word or phrase, such as “actuary” and “intermediate assumption” (see fig. 1 for the sentence in which the terms appear). Also, the meaning of the phrase

“compact between generations,” used to describe the pay-as-you-go nature of Social Security, was unclear to many.<sup>14</sup>

**Figure 1: Examples of Technical Terms That Focus Group Participants Found Confusing**

Excerpts from current Social Security Statement	Observations by focus group participants
<p>These estimates of the future financial status of the Social Security program were produced by the <b>actuaries at the Social Security Administration based on the intermediate assumptions from the Social Security Trustees' Annual Report to the Congress.</b></p>	<p>Some participants said they did not understand what these terms meant.</p>
<p>Social Security is a <b>compact between generations.</b> For more than 60 years, America has kept the promise of security for its workers and their families.</p>	

Source: GAO representation of information from the 2004 Social Security Statement and focus group participants.

Besides not understanding certain terms, participants across the focus groups also did not understand explanations of certain concepts discussed in the statement. For example, many participants were confused about the role of credits in determining their eligibility for retirement benefits versus the role of earnings in determining their actual retirement benefit. As figure 2 shows, these are very complex issues to explain in brief and straightforward language. While SSA has made changes to improve explanations of concepts, our focus group results suggest there is a need for further refinements. Finally, information that applies only to certain groups of workers confused some participants. For example, a couple of participants questioned whether they needed to request the free publication about the windfall elimination provision because the statement’s description of this publication is listed with other publication

<sup>14</sup>Pay-as-you-go means the taxes paid by today’s workers and their employers are used to pay the benefits for today’s retirees and other beneficiaries.



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titles that pertain to all workers and the statement does not make it clear that this provision primarily affects government workers.<sup>15</sup>

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<sup>15</sup>The windfall elimination provision affects the calculation of retirement or disability benefits if the worker received a pension from work where Social Security taxes were not taken out of his or her pay. A modified formula is used to calculate the benefit amount, resulting in a lower Social Security benefit.

**Figure 2: Excerpts of Explanations That Focus Group Participants Found Confusing**

Excerpts from current Social Security Statement	Observations by focus group participants
<p>Information from page 2 of statement</p> <p><b>Your Estimated Benefits</b>            To qualify for benefits, you earn “credits” through your work — up to four each year. This year, for example, you earn one credit for each \$900 of wages or self-employment income. When you’ve earned \$3,600, you’ve earned your four credits for the year. Most people need 40 credits, earned over their working lifetime, to receive retirement benefits. For disability and survivors benefits, young people need fewer credits to be eligible.</p> <p>We checked your records to see whether you have earned enough credits to qualify for benefits. If you haven’t earned enough yet to qualify for any type of benefit, we can’t give you an estimate now. If you continue to work, we’ll give you an estimate when you do qualify.</p>	<p>Although SSA provided an explanation of “credits” in the first paragraph shown here, many participants said they were still confused about the difference between credits and earnings when SSA explained, in the last paragraph shown here, how benefits are computed.</p>
<p>Information from page 3 of statement</p> <p><b>Help Us Keep Your Earnings Record Accurate</b>            You, your employer and Social Security share responsibility for the accuracy of your earnings record. Since you began working, we recorded your reported earnings under your name and Social Security number. We have updated your record each time your employer (or you, if you’re self-employed) reported your earnings.</p> <p>Remember, it’s your earnings, not the amount of taxes you paid or the number of credits you’ve earned, that determine your benefit amount. When we figure that amount, we base it on your average earnings over your lifetime. If our records are wrong, you may not receive all the benefits to which you’re entitled.</p>	

Source: GAO representation of information from the 2004 Social Security Statement and focus group participants.

The statement’s information about the financial stability of the Social Security system was confusing and a source of concern for most focus group participants. Virtually all participants said they were at least generally aware that Social Security is facing fiscal challenges. Several voiced concerns that their estimated benefits might not be available when they are ready to retire, given the statement’s information about the exhaustion of the trust funds and other caveats on future benefits, such as

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being estimated in today's dollars and based on current law. Many also found the reassurances on page 1 about Social Security being available upon retirement followed by the information about it facing serious financial problems to be contradictory (see fig. 3). The statement's explanation that Social Security will still be able to pay 73 cents for each dollar of scheduled retirement benefits even though the trust funds will be exhausted in 2042 confused many participants.<sup>16</sup> While most participants felt it was important to have information in the statement about Social Security's future insolvency, phrases such as "unless action is taken soon" and "we will need to resolve these issues soon" did not provide the information many felt they needed to understand the problem and what personal action, if any, they were expected to take.

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<sup>16</sup>Social Security is now taking in more money than it is paying out in benefits. The surplus taxes are going into a trust fund, which will begin to be used around 2018 when benefits will begin to exceed the amount of Social Security taxes collected. The trust funds will then be used to help pay benefits until around 2042, at which time the trust funds will be depleted. After that, Social Security taxes will only cover about 73 percent of beneficiaries full benefits under the current system.

**Figure 3: Examples of Explanations That Focus Group Participants Found Contradictory**

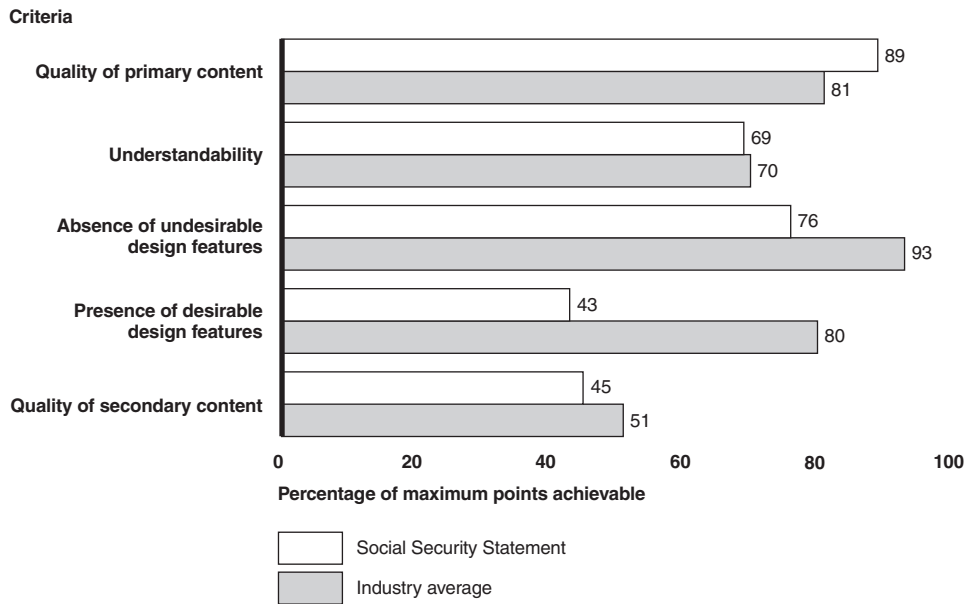
Excerpts from current Social Security Statement	Observations by focus group participants
[Social Security] is there for you when you retire, but it's more than a retirement program.	Some participants found these statements contradictory.
For more than 60 years, America has kept the promise of security for its workers and their families. But now, the Social Security system is facing serious future financial problems, and action is needed soon to make sure that the system is sound when today's younger workers are ready for retirement.	
Unless action is taken soon to strengthen Social Security, in just 14 years we will begin paying more in benefits than we collect in taxes. Without changes, by 2042 the Social Security Trust Fund will be exhausted. By then, the number of Americans 65 or older is expected to have doubled. There won't be enough younger people working to pay all the benefits owed to those who are retiring. At that point, there will be enough money to pay only about 73 cents for each dollar of scheduled benefits.	Some participants found these statements contradictory as well.

Source: GAO representation of information from the 2004 Social Security Statement and focus group participants.

The benefits consulting firm that evaluated the statement, like the focus group participants, found the statement was weak in design and conveying financial planning information. The firm designated the statement as good and awarded it points in five standardized evaluation categories.<sup>17</sup> Figure 4 shows more specifically how this score was divided among the five. The statement scored above or near the industry average in quality of primary content and understandability. However, the statement scored below the industry average in quality of secondary content and the two categories related to design features.

<sup>17</sup>Dalbar designates statements that score 80 to 100 points as excellent, statements that score 70 to 79 points as very good, and statements that score 60 to 69 points as good.

**Figure 4: Statement's Evaluation Scores Compared with Industry Average Scores**



Source: GAO presentation of Dalbar's data.

Specific reasons the statement lost points when compared with industry best practices include the following:

- The statement does not compare the retirement benefit with how much income a person may need in retirement or offer suggestions and strategies for meeting income goals through other sources of retirement income.
- The design does not clearly identify the most important information or easily lead the reader through the document. For example, the retirement benefit information is not prominent, and the statement uses multiple styles of presentation within a single page.
- Much of the statement is relevant to only certain groups of recipients, or if relevant to all recipients, the information is not customized appropriately for differing audiences. Irrelevant content can create confusion and reduce readership.
- The statement has some repetitive content and uses text instead of graphics, such as charts and tables. It also contains numerical data, other

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than a citizen's actual benefit, that may be confusing or result in a failure to communicate critical information.

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## How Much Information Do People Want?

The focus group participants had mixed opinions about the amount of information the statement should contain. On the one hand, some participants felt that the statement contained so much information that it reduced their interest in reading it. These people claimed they generally reviewed the information on pages 2 and 3—their benefit estimates and earnings history—and filed the statement away. On the other hand, some participants believed that the statement introduced certain issues but then did not provide an adequate explanation. For example, some participants wanted more information on survivorship benefits, specifically children's eligibility ages and whether statement estimates were per child or a total amount for all children. Many participants wanted retirement benefit estimates for additional ages, specifically 63, 64, and 66.<sup>18</sup> Also, while participants generally understood that the retirement age was rising, they felt the information about the full retirement age for people born between 1938 and 1960 was missing. Finally, many participants had questions about information presented early in the statement (for example, disability benefits) that information on the statement's last page answered. When SSA redesigned the statement in 1999, it reduced the need for the reader to flip to other pages to find related information. However, our focus group responses suggest that more could be done in this area (see fig. 5).

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<sup>18</sup>The Social Security Statement currently provides retirement benefit estimates for 62, the individual's full retirement age, and 70.

**Figure 5: Example of Related Information Located in Different Parts of the Statement**

Excerpts from Current Social Security Statement	Observations by focus group participants
<p>Information from page 2 of statement</p>	
<p><b>Disability</b>            You have earned enough credits to qualify for benefits. If you become disabled right now, Your monthly benefit would be about . . . \$1,169 month</p>	
<p>Information from page 4 of statement</p>	
<p><b>Disability</b>—If you become disabled before full retirement age, you can receive disability benefits after six months if you have:</p> <ul style="list-style-type: none"> <li>• enough credits from earnings (depending on you age, you must have earned six to 20 of your credits in three to 10 years before you become disabled); and</li> <li>• a physical or mental impairment that's expected to prevent you from doing "substantial" work for a year or more, or result in death.</li> </ul>	<p>When participants read information about their disability benefits, some had immediate questions about eligibility, but the information they said they needed appeared elsewhere.</p>

Source: GAO representation of information from the 2004 Social Security Statement and focus group participants.

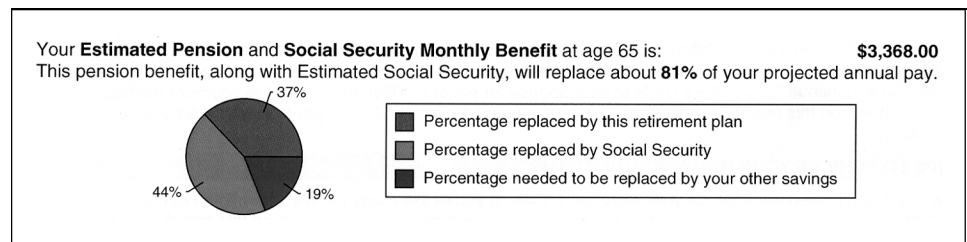
To make the statement be most effective, the benefits consulting firm recommended keeping the information on the statement brief and highly relevant to the individual, with clear directions on how to get more information. The firm recommended avoiding information attempting to encompass all recipients, since the readers generally ignore such information. For example, the message on page 1 that "Social Security is for people of all ages" does not provide any specific information for the individual. The firm defined the most important content as the benefit estimates, factors that may affect benefit amounts, and points of contact that can provide more information.

## How Do People Want the Information Presented?

When asked to compare the Social Security Statement with a private sector statement, many focus group participants recognized that the Social Security Statement had different and more complex information to

convey, but they preferred the design of the private sector statement.<sup>19</sup> Our focus group moderator asked participants to compare the Social Security Statement with a private sector statement that had been rated as excellent by the benefits consulting firm with which we contracted. The focus group moderator asked participants to compare the two statements in terms of length and presentation of information. Many participants favored the way the private sector statement grouped information and used color and graphics. Specifically, many liked the private sector statement's use of a colored pie chart illustrating what percentage Social Security and other retirement savings will be required to replace current monthly salary. (This chart is shown in fig. 6). Although the focus group participants preferred the use of color in the private sector statement, they did not discuss the likely higher costs associated with producing such statements. Some participants may not have preferred the use of color in the statement if the cost of producing such statements was significantly higher than statements with little or no color.

**Figure 6: Example of Chart in the Private Sector Statement**



Source: Principal Financial Group.

## What Specific Changes Were Suggested?

One common theme that emerged in the suggestions made by the focus groups and the benefits consulting firm was to use graphics to replace text, making some information more quickly and easily understandable. Specifically, the benefits consulting firm said that people are more likely to scan numerical data than to read large amounts of text. Figure 6 above shows a pie chart that is central to one of SSA's goals for the statement—aiding in financial planning. This chart was something that focus group participants said they liked about the private sector statement, and the

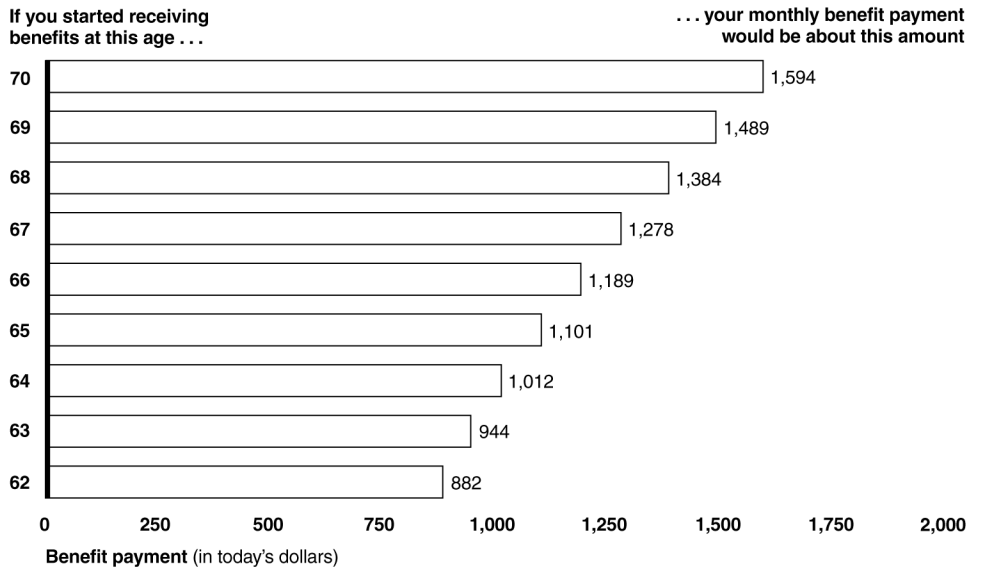
<sup>19</sup>The private sector statement that focus group participants reviewed for comparison is contained in appendix IV.



benefits consulting firm recommended it as a way to provide more context on income needs in retirement.

Some focus group participants also said they would like to see benefit estimates for the ages of 63, 64, and 66 in addition to the ages in the statement. Figure 7 shows how this information might be depicted. It helps quickly communicate that working longer may result in a higher benefit.

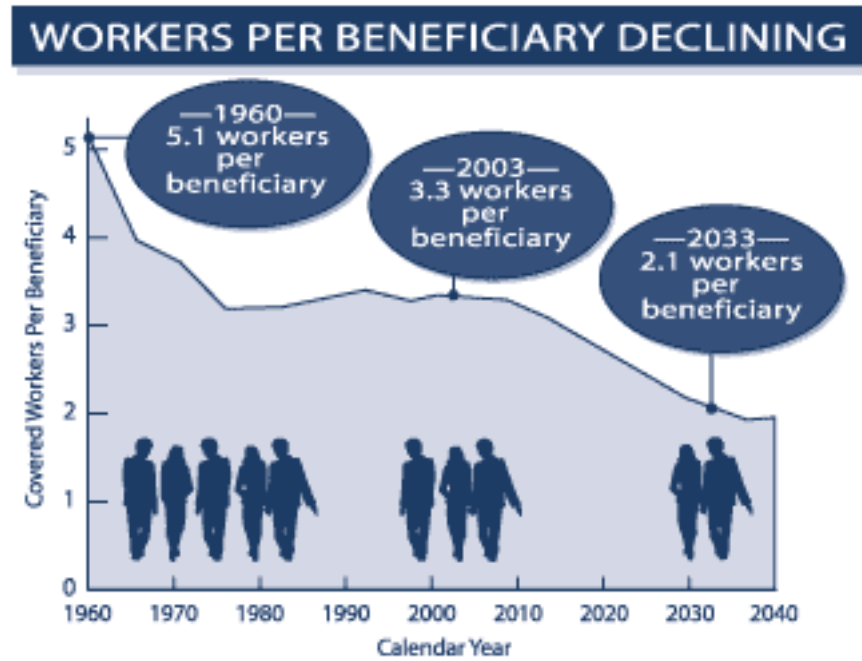
**Figure 7: Potential Illustration Showing Monthly Social Security Retirement Benefit by Age, from 62 to 70**



Source: GAO presentation of SSA data.

Additionally, SSA is currently using graphics in its other publications to illustrate many of the concepts explained with text in the statement. For example, in its publication “The Future of Social Security,” SSA uses a graphic to illustrate the demographic changes contributing to Social Security’s financial insolvency (see fig. 8).

Figure 8: Graphic Used by SSA to Illustrate Demographic Changes Affecting Social Security



Source: SSA, "The Future of Social Security" January 2004.

In addition to suggesting replacing some of the statement's text with graphics, the focus group participants and benefits consulting firm made a number of other specific recommendations about how to improve the statement. On the basis of the participants' comments, the focus group moderator recommended design improvements to help readers more quickly find and absorb information; the suggestions included combining the information on pages 1 and 4 and moving the personalized information on pages 2 and 3 to earlier in the statement because it is the information most useful to participants. The benefits consulting firm recommended improvements that focus on meeting recipients' information needs, increasing readership, minimizing unnecessary inquiries at SSA, and increasing the savings rate among U.S. citizens. For example:

- **Provide contextual information about income needs in retirement.** For example, give recipients a retirement goal, such as 80 percent of current income. Then show how much of that goal Social Security provides and how much must come from other income sources.

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- **Align the order of information with recipients' priorities.** For example, move the retirement benefit information from page 2 to page 1 and add an "Important Changes to Your Benefits" section to the beginning of the statement that documents any new changes to the recipient's calculation of benefits.
  - **Target messages to keep information highly relevant to the individual recipient.** Specific messages could be based on whether the person is receiving the statement for the first time, his or her age, or potential changes to benefit calculations. For example, a 25-year-old recipient may need information about how to begin saving instead of information on how to apply for Medicare.

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## SSA's Current Evaluation of the Statement's Understandability Is Limited

SSA has not identified any significant problems with the statement, but its evaluation of the statement's understandability is limited and may not be identifying problems that exist. SSA has relied almost exclusively on questions in its annual Public Understanding Measurement System (PUMS) survey, which assesses how much adults know about Social Security programs, guides SSA's education and communication activities, and gauges the awareness and effectiveness of the statement. Although these survey results are generally useful, if they are used as the only evaluation, they may not provide the depth and detail needed to assess the understandability of each individual section of the statement. Past survey questions about the statement have been very general, and the number and types of questions have changed from year to year. Since the current format was adopted in 1999, SSA has not used focus groups or other means to obtain detailed participant views to evaluate the complete statement. Additionally, while SSA collects a variety of data about its services, it does not systematically collect data about the statement's understandability and how well the statement is achieving its goals from internal sources, such as its customer call centers, walk-in traffic, and its Web site.

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## SSA Uses Survey to Evaluate Statement, but Its Survey Does Not Effectively Identify Problem Areas

Although the PUMS survey has been SSA's primary tool for evaluating the statement in 6 of the last 7 years, for several reasons it is difficult to evaluate the statement's understandability from the data SSA receives.<sup>20</sup> First, the questions about the statement are very general, making it difficult to obtain any detailed information. In its 2000 report, SSA's contractor for the PUMS survey recommended that SSA consider a separate project that would address all aspects of the statement and track customer satisfaction and use. However, while the 2004 survey asks respondents if they remember certain parts of the statement, it does not ask them if the information was understandable or useful.<sup>21</sup> Second, it is difficult to identify trends in the survey responses because the number and type of questions specifically about the statement have changed each year. For example, from 1999 through 2001, the PUMS survey asked respondents to rate the overall understandability of the statement, but neither the 2003 nor the 2004 survey asked the same question. Similarly, a question was added about satisfaction with the statement in the surveys for 2000 and 2001, but this question did not appear in the 2003 or 2004 survey. SSA officials said they eliminated these questions because there was a high percentage of positive responses, and because the statement had not been markedly altered in recent years, they did not expect the percentages would have changed significantly. Third, since the survey is not conducted in conjunction with any particular mailing, respondents may have received the statement months before being surveyed about its contents and may not recall certain portions of the statement or even remember receiving it. In 2003, 35 percent of survey respondents said they did not receive a statement even though every eligible worker 25 and older should have been mailed an annual statement since 1999. With over one-third of survey respondents not receiving or not remembering they received a statement, it is difficult to use survey results to fully assess the statement.

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<sup>20</sup>The PUMS survey was not conducted in 2002.

<sup>21</sup>Results of the 2004 survey were not available at this writing.

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## SSA's Use of Focus Groups for the Statement Has Been Limited

Since the statement was first mailed to workers in 1999, SSA has not conducted focus groups on the entire statement or its preferred format.<sup>22</sup> The current four-page statement was originally developed with the aid of focus groups and a national public opinion survey. The focus groups and survey respondents were asked to review a (1) one-page prototype, (2) a one-page prototype with a pamphlet, (3) a four-page prototype, and (4) a self-mailer prototype.<sup>23</sup> SSA's survey report indicates that all four prototypes were an overwhelming improvement over the six-page PEBES. However, no clear preference for a particular format emerged. The four-page format was ultimately selected, as it had a higher clarity rating for explanations of technical issues and the percentage of respondents with questions was somewhat lower than for any other prototype. In addition, respondents tended to indicate a preference for the four-page length. Since the selection of the four-page format, SSA has not had any focus groups reevaluate the entire statement. Additionally, SSA officials said they do not have plans to use focus groups unless they are going to make major changes to the statement.

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## SSA Is Not Examining Data from Internal Sources

SSA is not systematically examining data from internal sources, such as its customer call centers, walk-in traffic, or its Web site, about the statement's understandability or how well the statement is meeting its goals. SSA officials said that informal feedback comes from its 800 number, the employee suggestion program, and links on its Web site. However, SSA does not track specific data about the statement from these sources. For example, although correction of inaccurate earnings is one of SSA's primary goals for the statement, the agency does not have any way of knowing or reliably estimating how many of the reported 360,000 earnings records that were corrected in 2003 were corrected as the result of receiving a statement. Additionally, SSA's 2003 service quality report indicated that the third most common reason people called the 800 number was because of the statement, but no data are available about the specific reasons for the calls. Currently, SSA's 800 number telephone menu includes a selection option for people who are calling because they recently received their statement. However, if callers choose the selection

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<sup>22</sup>SSA has conducted focus groups on other specialized topics relating to the statement, such as creating an Internet PEBES (1998), revising the insert to the statement (2000), creating age-specific messages for the statement (2001), and revising PUMS questions (2004).

<sup>23</sup>A self-mailer is a mailing that is self-contained and does not require a separate envelope.

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option for questions about their statement and then mention that they found a mistake on their earnings history, SSA codes the call in the earnings category without any documentation that it was originally prompted by receipt of a statement. Similarly, while the SSA Web site gives users the option of selecting the statement as the subject of an inquiry, SSA does not formally review questions from the Web site about the statement for trends.

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### Other Countries Studied and Private Sector Benefits Consultants Use Several Promising Practices That May Be Helpful to SSA

Other countries we studied, as well as the private sector benefits consultants we spoke with in this country, use several promising practices that may be helpful to SSA to ensure that the statement is useful. All of them regularly and systematically collect feedback from statement recipients regarding the usefulness and understandability of their statements. Many of them also utilize customized messages that differ depending on the age of the recipient. Finally, many of the benefits consultants recommended significantly modifying the statement every few years so that recipients would be less likely to assume that it is exactly the same statement that they received the prior year.

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### Other Countries We Studied and Private Sector Benefits Consultants Regularly and Systematically Gather Feedback Regarding Their Statements

Officials of the entities we studied use various systematic methods of collecting recipient feedback to assess the understandability and effectiveness of their benefit statements. For example, officials from Sweden told us they use hot surveys, which are surveys that are sent out within a month of when the statement is mailed, and ask questions regarding the statement's understandability and usefulness. They said the results of these surveys have resulted in slight changes to their statements each year and that before changes are made, they are tested in a focus group. Swedish officials told us that this combination of surveys and focus groups helps to improve understandability. Sweden also uses design consultants from the private sector to make sure that its statements conform to industry best practices.

The benefits consulting firms that we spoke with also attempt to assess the understandability of their statements through participant feedback. For example, one consulting firm includes a detachable postage-paid survey card that asks a few questions regarding the participant's perception of the statement, including whether the participant found it to be understandable. Although even good response rates for this type of feedback mechanism are often no higher than 7 to 12 percent, the feedback received served as an indicator as to whether or not the statements were effective in meeting their objectives and provided insight

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into what changes could be made to improve their understandability and usefulness.

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## Other Countries We Studied and Private Sector Benefits Consultants Use Design Enhancements, Customized Messages, and Innovative Delivery Options

Officials from benefits consulting firms told us that they increase the usefulness of their statements by using white space, graphics, and colors, as well as by ensuring that their statements are not too text-intensive. The consultants told us their focus group participants found that the use of white space and graphics made the statement easy to read. Officials from Canada also told us about the importance of using white space as a way to make the statement more effective, and they told us that one way they maintain an ample amount of white space is by placing only the most important information, such as earnings history and benefit estimates, on the statement itself. Other, more supplemental information, such as detailed information on the importance of saving for retirement, is presented on inserts that are included with the statement. In addition to including inserts, they also limit the amount of text on their statements by providing the Web address and phone numbers that the recipient can use to obtain additional information instead of trying to put this supplemental information on the statement. Figure 9 shows an example of the type of supplemental information that Canada includes in an insert to its statement.

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**Figure 9: Example of Supplemental Information Included by Canada in an Insert**

**Taxes and your pension**

Your CPP retirement pension is **taxable**. We will not deduct income tax from your monthly payment unless you request it. Once we have approved your pension, we will send you a letter stating the amount of your pension. It will give you information on how to request tax deductions.

Source: Canada Pension Plan (Social Development Canada).

Benefit consultants also recommended keeping the statement simple and providing supplemental information through other means. For example, one benefits consultant limits the information on the statement itself only to personal information, such as projected benefit amounts and vesting status, and provides supplemental information through a Web site, which is prominently advertised on each page of the statement. The benefits consultants told us that their surveys and focus groups have indicated that participants prefer a simple statement over a statement that is text-intensive, as long as there are easily accessible resources available for

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further information. For SSA, using these design elements would probably mean (1) less text and (2) greater reliance than at present on directing recipients to the SSA Web site for additional information. However, SSA recognizes that not all workers have regular and consistent access to the Internet.

In addition to keeping the statement as simple as possible, most of the benefits consulting firms that we spoke with echoed some of the recommendations that our focus groups and contracted benefits consulting firm made. For example, many of them said placing all of the personal information, such as benefit projections and earnings history, at the front of the statement is preferable to spreading it throughout the statement. They said recipients are more likely to become interested in the statement if the most personalized information is shown on the first page. Consultants at one firm acknowledged that some recipients would simply read the first page and disregard the rest, but they said they have found that more people are likely to keep reading the information beyond the first page once the personal information has gotten their interest. According to the benefits consultants we spoke with, SSA could increase the effectiveness of the statement by putting some, if not all, of the personalized information toward the front of the statement and providing additional resources for more information.

Benefits consultants in this country and agencies in other countries also use customized messages that tailor their statements for each recipient. For example, the United Kingdom provides different messages to workers based on their age. Younger workers receive messages emphasizing the importance of starting to save for their retirement early in their careers. In contrast, workers closer to retirement receive messages regarding how to maintain their current lifestyle, including increasing personal savings and working longer. Officials in the United Kingdom told us that using these customized messages increases the likelihood that the recipients will read and understand the information contained on the statement since it is more applicable to them. Providing information that is customized for each recipient would represent a change for SSA, which currently provides all recipients with information, such as the windfall elimination provision, that is applicable to only a small number of individuals. The benefits consultants that we spoke with told us that including information on a statement that is not applicable to certain recipients could confuse the recipients and cause them not to finish reading the statement or to wonder if something is applicable to them when it is not. The benefits consultants also told us that statement recipients are more likely to take action, such



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as saving more for retirement, if they can easily understand the statement they receive.

Finally, these other producers of retirement benefit statements use various innovative delivery methods. One involves customizing the length of time between statements. For example, Canadian officials said that they formerly provided their statements every year to all recipients but now distribute their statements less often through what they call “smart mailing” and have made their statement available for viewing at any time over the Internet. Canada provides a statement only to individuals who meet certain criteria, such as joining the workforce or turning a certain age. For example, individuals who have just joined the workforce and have made contributions to the public pension system receive a statement welcoming them to the public pension system, providing them with limited information about the system, and informing them about where to go for further information. After this initial statement, workers would not receive another one for 3 to 4 years, at which point they would receive a more detailed statement that does provide a benefit estimate. Canadian officials told us that their approach saved money, since postage is the majority of each statement’s cost, and also was more effective in that when a statement did arrive, recipients were more likely to read it.

Another idea for consideration came from several benefits consultants that we spoke with, who said that when a statement is distributed annually, periodically changing the statement’s appearance could help make it more effective. One benefit consultant said annual distribution was good in that people think about retirement savings so infrequently that at least they would think about it once a year when the statement arrived. However, another consultant told us that if the statement is provided every year, its appearance should change so that recipients do not assume that it is the same old statement and disregard it. Another consultant suggested changing the appearance once every 3 years to keep the statement looking current, and another consultant said that if the statement is to be provided every year, SSA should include a “what’s new” section on the first page that highlights any changes or additions to the current year’s statement. The use of these practices would represent a change for SSA, which has been sending relatively the same statement to all eligible workers for the past 6 years. Subtle changes have been made, such as the addition of another year of earnings history and slight changes to the Commissioner’s message. However, the statement has looked virtually the same from the front since 1999. According to the consultants, recipients could get in the habit of expecting nothing new or fresh on the statement and choose to disregard it.

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## Conclusion

Our work suggests that in using the annual survey as its only evaluation method, SSA is limiting its ability to make well-informed and effective improvements to the statement. Surveys do have value; our survey, for example, did identify the general areas of the statement that were either not recalled or were less understandable than other areas. It was people in our focus groups, however, who provided a much more detailed assessment of what specific information was confusing and how the statement might be improved. Likewise, the assessment by an outside specialist helped provide information about how the statement is succeeding relative to statements from financial services institutions.

While SSA faces many challenges that private sector benefit firms do not face in communicating about their programs, there are some practices in both the private sector and other countries that, if adopted by SSA, could improve the current statement. SSA has made improvements to the statement in the past but has not comprehensively reevaluated it in approximately 6 years, and key content areas remain confusing or are not presented effectively. If key content areas of the statement confuse workers, workers might not fully understand their benefits and the role Social Security should play in their retirement planning. For instance, they might rely too heavily on their Social Security retirement income and not have enough personal savings to maintain their standard of living throughout their retirement. Additionally, because the statement does not utilize certain design features, such as placing personalized information on the first page or presenting information graphically, some recipients may not read the statement.

With the current debate on the long-term fiscal challenges facing Social Security and the need to address them, the statement will likely become an increasingly important tool for communicating how enacted changes to the program will affect benefits. Regularly evaluating the statement through multiple methods and making revisions to it will involve several SSA offices. Therefore, our work suggests that developing and implementing a plan for evaluating the statement and revising it based on that plan will require attention from SSA's senior leadership.

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## Recommendations for Executive Action

SSA should develop a plan for regularly evaluating the statement through the collection of data from multiple sources, including information from surveys, focus groups, call centers, walk-in traffic, and its Web site. On the basis of the data it receives and a review of promising practices in the private sector and other countries, SSA should consider revising the statement. These revisions could include, for example:

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- showing the personalized benefit information first,
  - using graphics to aid readers in quickly comprehending information, and
  - providing information to help recipients understand Social Security's contribution to their total retirement income.

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## Agency Comments

In commenting on a draft of this report, SSA agreed with our conclusions and recommendations. By the end of fiscal year 2005, SSA anticipates having a draft plan for regularly evaluating the statement. In addition SSA will revise the statement when appropriate and necessary, and as a first step, will utilize information from this report. We also received technical comments from the agency that were incorporated as appropriate. Appendix VI shows the agency's comments.

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We are sending copies of this report to the Commissioner of the Social Security Administration, appropriate congressional committees, and other interested parties. We will also make copies available to others on request. In addition, the report will be available at no charge on GAO's Web site at <http://www.gao.gov>.

If you have any questions concerning this report please contact me at (202) 512-7215 or George Scott at (202) 512-5932. Other contacts and acknowledgments are listed in appendix VII.

Sincerely yours,



Barbara D. Bovbjerg  
Director, Education, Workforce,  
and Income Security Issues

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# Appendix I: Court Rulings on Rights to Social Security Benefits

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Many people believe that after they have worked a lifetime and paid Social Security taxes, they have earned a legal right to Social Security benefits and that these benefits cannot be reduced or completely taken away from them. They believe that they have a contractual or property right to these benefits by virtue of their contributions to the system through the years. However, as the cases discussed below show, the courts that have examined this issue have ruled that people do not have a legal right to these benefits and that Congress may change the rules regarding eligibility. The courts have ruled that Congress has broad power to reduce, and even terminate, an individual's right to benefits.

After the passage of the Social Security Act in 1935, Congress has occasionally amended the law to deny or reduce benefits to people who had previously qualified for benefits. People adversely affected by these laws brought cases in federal court challenging the constitutionality of these laws. In deciding these cases, the federal courts have established a framework for analyzing the constitutionality of the laws and have discussed the extent to which individuals have legal rights to Social Security benefits.

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## The Precedent-Setting Decision

The first time the Supreme Court addressed this issue was in 1960 in the case of *Flemming v. Nestor*, 363 U.S. 603. Nestor, an alien, immigrated to the United States in 1913 and after working for a number of years became eligible for old age benefits, which he began receiving in 1955. In 1956, he was deported for being a member of the Communist Party from 1933 to 1939. Membership in the Communist Party became grounds for deportation in 1940. The Social Security Act was amended in 1954 and provided for the termination of old age benefits to an alien who is deported after September 1, 1954.<sup>1</sup>

Nestor challenged the law on two separate constitutional grounds. First, he argued that he had an accrued property right to his Social Security benefits and that the law violated the due process clause of the Fifth Amendment. Second, he argued the termination of the benefits amounts to an ex post facto law or a punishment without a judicial trial in violation of Article I and Article III and the Sixth Amendment to the Constitution.

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<sup>1</sup>42 U.S.C. § 402(n).

The Fifth Amendment states that no person shall be deprived of life, liberty, or property without due process of law, nor shall private property be taken for public use without just compensation. In this case, the Supreme Court held that Nestor had not been deprived of an “accrued property right” under the due process clause of the Fifth Amendment. The Court noted that entitlement to Social Security benefits is based on a worker’s earnings record and not on taxes paid. The Court stated that a worker’s non-contractual interest in benefits cannot be analogized to the interest of the holder of an annuity, where the right to benefits is based on contractual payments made. The Court also stated that to give individuals an accrued property right would deprive the Social Security Act of its flexibility to adjust to ever changing conditions. The Court relied heavily on section 1104 of the original Social Security legislation, still in effect today, in which Congress expressly reserves the “right to alter, amend, or repeal any provision.” See 42 U.S.C. § 1304.

The Court went on to state that this does not mean that Congress may modify the Social Security Act free of all constitutional restraint. The due process clause bars the withholding of non-contractual benefits if the statute manifests a patently arbitrary classification, utterly lacking in rational justification. The Court analyzed the statute that terminated old age benefits to deported aliens under this standard and concluded that it was rational for Congress to conclude that the public purse should not be utilized to contribute to the support of those deported. The Court therefore upheld the constitutionality of the statute under the due process clause.

The second issue raised was whether the termination of the benefits amounted to an ex post facto law or a punishment without a judicial trial in violation of Article I and Article III and the Sixth Amendment to the Constitution. An ex post facto law punishes an individual for past conduct that was not illegal when the conduct was engaged in. In this case, since membership in the Communist Party was not grounds for deportation when Nestor was a member, he argued that he could not be punished for his membership. The Court held that it did not consider the termination of Social Security benefits under these circumstances to have been intended as punishment and set the standard that there must be unmistakable evidence of punitive purpose before a congressional enactment of this kind is struck down.

It should be noted that the case was decided by a five-four margin. Three of the dissenters decided that the statute was unconstitutional because it violated the due process clause of the Fifth Amendment by taking away

earned insurance without just compensation. They stated that Social Security benefits are an earned right, and people earning this benefit should be able to rely on getting the benefits they paid for and have been promised. Four justices concluded that the 1954 amendment was unconstitutional because it imposes a punishment in violation of the prohibition against ex post facto laws and without a judicial trial. Despite this vigorous dissent, the majority decision is still the law today and serves as precedent for challenges to changes in the Social Security Act.<sup>2</sup>

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## Other Challenges under the Due Process Clause

In the 1970s the Supreme Court decided two challenges to provisions in the Social Security Act under the due process clause. In *Richardson v. Belcher*, 404 U.S. 78 (1971), Belcher challenged a section of the Social Security Act, which requires a reduction, or offset, in Social Security disability benefits if the individual is also receiving state worker compensation benefits.<sup>3</sup> He claimed that he was denied due process of law under the Fifth Amendment because his benefits would not have been reduced if he had received private insurance instead of worker compensation. Citing the framework established under *Nestor*, the Court held that there was a rational basis for the reduction based on receiving worker compensation benefits, and it did not violate the due process clause. The Court specifically stated that an expectation of public benefits does not confer a contractual right to receive the expected amounts.

In the second case, *Weinberger v. Salfi*, 422 U.S. 749 (1975), Mrs. Salfi's husband of less than 6 months died and she filed for widow's and child's benefits. She was denied benefits on the basis of the duration of marriage requirements of the act that define widow and child so as to exclude surviving widows and stepchildren who had relationships to the deceased wage earner for less than 9 months.<sup>4</sup> Mrs. Salfi argued that since the duration of relationship provision was intended to prevent the use of sham

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<sup>2</sup>The Court's decision was predicated, in large measure, on an examination of the purposes underlying the Social Security Act as well as an examination of the way the program was structured to achieve these purposes. Thus, a fundamental change to the purpose and the structure of the program, such as the creation of individual accounts, could lead the courts to revisit the issue of whether individuals have accrued property rights or contractual rights.

<sup>3</sup>42 U.S.C. § 424a.

<sup>4</sup>42 U.S.C. § 416(c).

marriages to secure Social Security benefits, she should be entitled to present proof that her marriage was not a sham.

Using the analysis set forth in *Nestor* and *Belcher*, the Court held that under the due process clause, as long as the statutory goals are legitimate and the classification is rationally related to the achievement of these goals, then the action of Congress is not so arbitrary as to violate the due process clause. Since the duration-of-relationship requirement operates to lessen the likelihood of sham marriages, it is related to insuring the integrity of the Social Security system and has a rational basis. The Court held that the fact that the duration of relationship provision may exclude legitimate claimants did not make it unconstitutional.

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## Gender-Based Discrimination Decisions

The Supreme Court did overturn several provisions of the Social Security Act in the 1970s on the basis of gender-based discrimination. In *Weinberger v. Wiesenfeld*, 420 U.S. 636 (1975), Ms. Wiesenfeld, the principal support of her family, died in childbirth survived by her baby and husband. Her husband applied for survivor's benefits for himself and the baby. Benefits were granted to the baby but denied the father on the grounds that the Social Security Act allowed for "mother benefit's" only to women.<sup>5</sup> The Court found that this provision deprived women of protection of their families that men receive as a result of their employment. The Court rejected the argument that since Social Security benefits are non-contractual, Congress is not required to provide a covered female employee with the same benefits as it provides to a man. The Court held that the due process clause forbids gender-based differentiation that results in the efforts of female workers covered by Social Security to receive less protection for their families than men.

In *Califano v. Goldfarb*, 430 U.S. 199 (1977), Goldfarb applied for Social Security survivor benefits after the death of his wife, but benefits were denied on the grounds that he had not been receiving at least one-half support from his wife when she died. At that time, survivor benefits based on the earnings of a deceased husband covered by the Social Security Act were payable to his widow, but survivor benefits based on the earnings of

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<sup>5</sup>42 U.S.C. § 402(g).

a deceased wife were payable to the widower only if he was receiving at least one-half of his support from his deceased wife.<sup>6</sup>

The Court held that this gender-based distinction violated the due process clause of the Fifth Amendment, following the rationale of the *Wiesenfeld* case. The Court stated that if a classification by gender is to survive constitutional challenge, it must serve important governmental objectives and must be substantially related to the achievement of these objectives. This test is harder to meet than the rational basis test, and in this case, the Court held that this gender-based distinction was not justified but was based on an unverified assumption that wives are usually dependent.

The Supreme Court did uphold a gender-based classification in *Califano v. Webster*, 430 U.S. 313 (1977). The Court upheld a provision of the act that allowed women to eliminate more low-earning years than men from the calculation of their retirement benefit.<sup>7</sup> The court found that redressing the disparity in economic condition between men and women caused by discrimination is an important governmental objective. The Court held that this provision worked directly to remedy some part of the effect of this past discrimination and was therefore constitutional.

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## Changes to Benefits as a Result of Social Security Reform

Changes made to the Social Security Act in the early 1980s as a result of Social Security reform led to several important challenges and subsequent decisions upholding the changes. An important case that involved litigation between the federal government and the states was *Bowen v. Public Agencies Opposed to Social Security Entrapment*, 477 U.S. 41 (1986). Enacted in 1950, Section 418 of Title 42, United States Code, authorizes voluntary participation by states in the Social Security system. Until 1983, this section allowed states entering into a Section 418 agreement to provide Social Security coverage to state employees to terminate these agreements after giving at least 2 years notice. In 1983, Congress repealed the termination provision, even expressly preventing termination by a state that had already provided notice, because of concerns that an increase in terminations had threatened the integrity of the system.<sup>8</sup> The state of California challenged the law, arguing it had a

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<sup>6</sup>42 U.S.C. § 402(f)(1).

<sup>7</sup>42 U.S.C. § 415(b)(3). Prior to the Court's decision, Congress had amended the law and eliminated the gender-based distinction. Pub. L. No. 92-603 § 104(b).

<sup>8</sup>Pub. L. No. 98-21.



contractual right to terminate its Section 418 agreement and that Congress had violated the due process clause of the Fifth Amendment by denying the state its contractual right without just compensation.

The Supreme Court rejected California's argument that the contract had established a property right within the meaning of the Fifth Amendment. The Court again relied heavily on Section 1104 of the Social Security Act, which reserves to Congress the right to alter, amend or repeal any provision. The Court stated that this provision was necessary to protect future generations of workers by giving Congress the flexibility to meet ever-changing conditions. The Court concluded that even though the federal government had entered into a contract with the state, Congress had reserved the power to amend the contract through legislation.

Another statutory change made in 1983 was a provision denying Social Security benefits to incarcerated felons.<sup>9</sup> Incarcerated felons challenged that provision, but decisions of various Appellate Courts in separate cases all upheld this provision.<sup>10</sup> The courts rejected due process and ex post facto law claims. As to the ex post facto law claim, the courts held that the suspension of the benefits was not considered a punishment under the strict standard set forth in *Nestor*. The D.C. Court of Appeals stated that Congress came as close to the line of unconstitutionality as possible but accepted the government's contention that the statute was primarily a cost-saving measure that eliminates retirement benefits to individuals whose basic needs are already provided at public expense.

One specific change to the Social Security Act pertaining to federal judges resulted in a court challenge in *Robinson v. Sullivan*, 905 F.2d 1199 (8th Cir. 1990). Prior to 1984, federal judges were not covered by the Social Security Act. Congress amended the law to extend Social Security coverage to the judiciary, including senior judges performing judicial services but not those senior judges who no longer performed duties.<sup>11</sup> Senior judges performing duties and senior judges not performing duties both receive their full salary. Under the legislation as enacted in 1984, however, senior judges performing duties would have their pay reduced by

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<sup>9</sup>42 U.S.C. § 402(x).

<sup>10</sup>See for example, *Jones v. Heckler*, 774 F.2d 997 (10th Cir. 1985), *Peeler v. Heckler*, 781 F.2d 649 (8th Cir. 1986), and *Wiley v. Bowen*, 824 F.2d 1120 (D.C. Cir. 1987).

<sup>11</sup>Pub. L. No. 98-21.

FICA contributions, but senior judges no longer performing duties would not. Congress, realizing the inequity in that distinction, delayed effective date of that provision of law so that it could enact corrective legislation to exempt senior judges performing judicial duties from Social Security coverage. However, Congress did not act before the provision went into effect on January 1, 1986. Legislation was not signed into law until April 8, 1986, which made the exemption for senior judges performing duties permanent and retroactive to 1983.

Judge Robinson was a senior judge who was still performing duties and had worked in covered employment prior to becoming a judge. He needed one more quarter to qualify for Social Security benefits, and he claimed, after working the first quarter of 1986, that quarter. He was determined ineligible for Social Security benefits and challenged that determination, arguing that the retroactive application of the legislation passed on April 8, 1986, violated his due process rights.

The court held that it must give retroactively applied legislation the same deference as legislation applied prospectively. Legislation readjusting rights and burdens is not unlawful solely because it upsets otherwise settled expectations. The court held that the due process clause does not prevent Congress from repealing the right to receive Social Security benefits at any time, however settled the beneficiary's expectations might be, for any reason that is not arbitrary or utterly lacking in rational justification.<sup>12</sup>

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## Summary

In summary, courts have ruled that the right to Social Security benefits is neither contractual nor a vested property right but is based entirely on statutory provisions that Congress reserves to itself to alter, amend, or repeal. A strong presumption of constitutionality attaches to decisions made by Congress in allocating scarce Social Security resources, and courts generally have upheld congressional amendments to the Social Security Act in pursuit of that goal, even where doing so has resulted in some portion of the population being excluded from receiving benefits.

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<sup>12</sup>In the early 1990s, the courts rejected challenges to the reduction of benefits under the Social Security windfall elimination provision, *Das v. Department of HHS*, 17 F.3d 1250 (9th Cir. 1994) and the excess earnings provision, *Brown v. Bowen*, 905 F.2d 632 (2nd Cir. 1990).

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# Appendix II: Scope and Methodology

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To determine the legal requirements for the statement, we reviewed the applicable laws. We determined additional agency goals for the statement by interviewing Social Security Administration (SSA) officials. We also analyzed caselaw on legal rights to benefits under the Social Security program.

To determine the strengths and weaknesses of the current statement, we conducted focus groups to gather qualitative information on recipients' attitudes, beliefs, and perceptions. We contracted with a marketing and advertising research firm, OneWorld Communications, to coordinate and moderate six focus groups. The focus groups were conducted in Seattle, Chicago, and Atlanta to ensure geographic diversity. In each city we conducted two focus groups—one for participants with some college education and below and one for participants with a college degree or higher. Each focus group had between 8 and 10 participants. Participants were required to be 25 or older, currently not receiving Social Security benefits, and not employed by the Social Security Administration or in the private pension or financial services fields. To encourage focus group participants to speak freely, we wanted to avoid having participants from widely divergent income levels within the same group. However, given the sensitivity of directly asking participants to disclose their income, we instead divided the focus groups based on education because of education's close correlation with income. To the extent possible, we also balanced the groups for ethnicity, gender, and age. Following a GAO-developed discussion guide, the moderator asked focus group participants to carefully read and then comment on each page of the statement (see app. III). Additionally, participants were asked to review a private sector statement from the Principal Financial Group (see app. IV). We chose the Principal statement as the private sector comparison because it is a defined benefit statement that represents a retirement program similar to Social Security. The Principal statement was also rated excellent by a consulting firm that compares and scores benefit statements based on standardized criteria. Only one private sector statement was chosen for comparison, given the time constraints of the focus groups. Focus group participants were asked to compare the Social Security Statement and the Principal statement on length, content, and presentation of information.

We also contracted for a national random telephone survey on the understandability and usefulness of the statement in conjunction with another GAO study on financial literacy. We developed our questions by reviewing the statement and reviewing reports from SSA's previous surveys and focus groups, as well as by consulting with benefit consultants and experts at GAO. We pretested successive drafts of the questionnaire

with members of various demographic groups and translated the survey into Spanish. Overall, a total of 17 pretests were conducted, including 5 in Spanish. Additionally, a pilot test of over 20 random calls resulted in final modifications to the survey. Analytica Research, in affiliation with Dove Consulting Group, obtained and dialed 9,784 randomly generated phone numbers between July and October 2004. The survey oversampled for African American and Hispanic respondents, and non-minorities with family incomes under \$25,000. We received a total of 1,578 usable responses. The contractor took various steps to increase the response rate, including scheduling calls throughout the week, offering cash incentives, and the mailing of postcards to non-responding numbers. The survey's response rate was 48 percent with a 59 percent cooperation rate.<sup>1</sup> The difference between the response rate and the cooperation rate suggests that the difficulty in contacting anyone on the generated phone numbers was a significant factor in the low response rate, because interviewers were able to convince nearly 60 percent of those they contacted to complete the survey.

Results from sample surveys are subject to error introduced by interviewing only a sample of the entire U.S. population, and the practical difficulties of conducting any survey may introduce other errors into estimates made from surveys. Because we followed a probability procedure based on random selections, our sample is only one of a large number of samples that we might have drawn, and thus our results are subject to sampling error. Since each sample could have provided different estimates, we express our confidence in the precision of our particular sample's results as a 95 percent confidence interval around each estimate—for example, plus or minus 10 percentage points. That is, we are 95 percent confident that each of the confidence intervals for estimates in this report will include the true value that we would have obtained had the entire population been surveyed. All percentage estimates from this survey have confidence intervals of plus or minus 5 percentage points or less, unless otherwise noted.

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<sup>1</sup>We calculated the response rate as the total number of usable surveys divided by the total eligible sample called. This is in accordance with the American Association for Public Opinion Research response rate 3. See [www.aapor.org](http://www.aapor.org) for the formula used. The cooperation rate measures the success at completing interviews with contacted people who are determined to be eligible. It is defined as the number of complete interviews divided by the total number of complete and partial interviews, refusals, and callbacks that were arranged but not completed.

In addition to the reported sampling errors, the practical difficulties of conducting any survey may introduce other types of errors, commonly referred to as nonsampling errors. For example, differences in how a particular question is interpreted, the sources of information available to respondents, or the types of people who do not respond can introduce unwanted variability into the survey results. We included steps in both the data collection and data analysis stages for the purpose of minimizing such nonsampling errors. Some of these steps included pretesting questionnaires with members of the population, reviewing answers for inconsistencies, and checking computer analyses with a second analyst.

In assessing whether certain sections of the statement were more easily understood than others, we used a statistical test based on the Bonferroni inequality that accounted for all comparisons that could be made across sections. The use of this multiple comparison test assures us that the confidence level for any statistically significant difference between sections is more than 95 percent.

Additionally, we contracted with Dalbar, a consulting firm that evaluates written communications from financial service firms to their customers and the same company that rated the Principal statement as excellent, to review the statement. Dalbar evaluated the statement against its standardized rating criteria, which are based on customer needs and preferences. Dalbar's report documented the scores achieved by the statement, maximum obtainable scores, explanations for lost points and recommendations for improvements, as well as how the statement compares with industry averages and benchmarks.

We determined how SSA is evaluating the statement through interviews and review of documents. We interviewed SSA officials about their current evaluation processes, including the use of surveys, focus groups, and information from internal sources such as their call centers, field offices, and Web site. We also reviewed past survey and focus group reports including the Public Understanding Measurement System (PUMS) survey questionnaires from 1998 to 2004, the contractor's survey summary reports for 1998 to 2003, as well as the survey and focus group reports about (1) the initial Personal Earnings and Benefit Estimate Statements (PEBES), (2) the four prototypes of the new statement, (3) an Internet statement, (4) a revised insert, and (5) the inclusion of age-specific messages. We also reviewed a 2002 SSA Inspector General report on the reliability of the data used to measure public knowledge of SSA.

To describe how private sector benefits consultants develop and assess the understandability of their benefit statements, we visited several benefits consultants, conducted interviews, and observed examples of their statements. We spoke to these benefits consultants about industry best practices for preparing an effective and understandable statement and in some cases asked the consultants to assess the strengths and weaknesses of the current Social Security Statement. In some cases, we obtained sample statements from these benefits consultants, which are included in appendix IV.

To describe how other industrialized countries develop and assess the understandability and effectiveness of their public pension system statements, we interviewed officials from the respective countries and observed examples of their statements. We also gathered information from officials in the countries we spoke with regarding their experiences with statement distribution, which included discussions on frequency of delivery and in some cases the intended recipients of their statements. In some cases, we obtained sample statements from these countries, one of which is included in appendix V.

To select the benefits consultants that we interviewed, we first selected the top three statement preparers as ranked by Dalbar. We used Dalbar's 2003 ranking for defined benefit plan statements, which ranked CIGNA, Principal, and MassMutual as the top three preparers of defined benefit pension plan statements. We also selected three other benefit consulting firms that have practices dedicated to benefit statement design. Finally, we discussed industry best practices in statement preparation with officials from a nonprofit retirement organization and academia.

To select the industrialized countries whose officials we interviewed, we performed literature searches using the Internet, past GAO reports, and public pension-related journals and articles to determine which countries provide their citizens with a public pension statement. We determined through our search that Canada, Sweden, and the United Kingdom all provided statements to their citizens and all of them had been doing so for several years, increasing the possibility that they may have developed some best practices. We performed our interviews and other correspondence with officials in these countries via telephone conferences and e-mail.

# Appendix III: 2004 Social Security Statement

*Prevent identity theft—protect your Social Security number*

**Your Social Security Statement**

*Prepared especially for Wanda Worker*

WANDA WORKER  
456 ANYWHERE AVENUE  
MAINTOWN, USA 11111-1111

January 2, 2004

**See inside for your personal information** →

**What's Inside...**

- ▼ [Your Estimated Benefits](#) ..... 2
- ▼ [Your Earnings Record](#) ..... 3
- ▼ [Some Facts About Social Security](#) ..... 4
- ▼ [If You Need More Information](#) ..... 4
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*(Para Solicitar Una Declaración en Español)*

**What Social Security Means to You**

This **Social Security Statement** will help you understand what Social Security means to you and your family. This **Statement** can help you better plan for your financial future. It gives you estimates of your Social Security benefits under current law. Each year, we will send you an updated **Statement** including your latest reported earnings.

Be sure to read this **Statement** carefully. If you think there may be a mistake, please let us know. That's important because your benefits will be based on our record of your lifetime earnings. We recommend you keep a copy of this **Statement** with your financial records.

**Social Security is for people of all ages...**  
It can help you whether you're young or old, male or female, single or with a family. It's there for you when you retire, but it's more than a retirement program. Social Security also can provide benefits if you become disabled and help support your family when you die.

**Work to build a secure future...**  
Social Security is the largest source of income for most elderly Americans today. It is very important to remember that Social Security was never intended to be your only source of income when you retire. Social Security can't do it all. You also will need other savings, investments, pensions or retirement accounts to make sure you have enough money to live comfortably when you retire.

**About Social Security's future...**  
Social Security is a compact between generations. For more than 60 years, America has kept the promise of security for its workers and their families. But now, the Social Security system is facing serious future financial problems, and action is needed soon to make sure that the system is sound when today's younger workers are ready for retirement.

Today there are almost 36 million Americans age 65 or older. Their Social Security retirement benefits are funded by today's workers and their employers who jointly pay Social Security taxes—just as the money they paid into Social Security was used to pay benefits to those who retired before them. Unless action is taken soon to strengthen Social Security, in just 15 years we will begin paying more in benefits than we collect in taxes. Without changes, by 2042 the Social Security Trust Fund will be exhausted.\* By then, the number of Americans 65 or older is expected to have doubled. There won't be enough younger people working to pay all of the benefits owed to those who are retiring. At that point, there will be enough money to pay only about 73 cents for each dollar of scheduled benefits. We will need to resolve these issues soon to make sure Social Security continues to provide a foundation of protection for future generations as it has done in the past.

**Social Security on the Net...**  
Visit [www.socialsecurity.gov](http://www.socialsecurity.gov) on the Internet to learn more about Social Security. You can read our publications, use the **Social Security Benefit Calculators** to calculate future benefits, apply for retirement, spouse's or disability benefits, or subscribe to **eNews** for up-to-date information about Social Security.

*Jo Anne B. Barnhart*  
Jo Anne B. Barnhart  
Commissioner

\*These estimates of the future financial status of the Social Security program were produced by the actuaries at the Social Security Administration based on the intermediate assumptions from the Social Security Trustees' Annual Report to the Congress.

Source: Social Security Administration.

Note: The highlighting on pages 2 through 4 shows the information legally required to be included in the statement. Also, the original statement is a two-color document.

### Your Estimated Benefits

To qualify for benefits, you earn "credits" through your work—up to four each year. This year, for example, you earn one credit for each \$900 of wages or self-employment income. When you've earned \$3,600, you've earned your four credits for the year. Most people need 40 credits, earned over their working lifetime, to receive retirement benefits. For disability and survivors benefits, young people need fewer credits to be eligible.

We checked your records to see whether you have earned enough credits to qualify for benefits. If you haven't earned enough yet to qualify for any type of benefit, we can't give you a benefit estimate now. If you continue to work, we'll give you an estimate when you do qualify.

**What we assumed**—If you have enough work credits, we estimated your benefit amounts using your average earnings over your working lifetime. For 2004 and later (up to retirement age), we assumed you'll continue to work and make about the same as you did in 2002 or 2003. We also included credits we assumed you earned last year and this year.

We can't provide your actual benefit amount until you apply for benefits. *And that amount may differ from the estimates stated below because:*

- (1) Your earnings may increase or decrease in the future.
- (2) Your estimated benefits are based on current law. *The law governing benefit amounts may change.\**
- (3) Your benefit amount may be affected by *military service, railroad employment or pensions earned through work on which you did not pay Social Security tax. Visit [www.socialsecurity.gov/mystatement](http://www.socialsecurity.gov/mystatement) to see whether your Social Security benefit amount will be affected.*

Generally, estimates for older workers are more accurate than those for younger workers because they're based on a longer earnings history with fewer uncertainties such as earnings fluctuations and future law changes.

These estimates are in today's dollars. After you start receiving benefits, they will be adjusted for cost-of-living increases.

▼ <b>*Retirement</b>	You have earned enough credits to qualify for benefits. At your current earnings rate, if you stop working and start receiving benefits...	
	At age 62, your payment would be about...	\$882 a month
	If you continue working until... your full retirement age (67 years), your payment would be about...	\$1,278 a month
	age 70, your payment would be about...	\$1,594 a month
▼ <b>*Disability</b>	You have earned enough credits to qualify for benefits. If you became disabled right now, Your payment would be about...	\$1,169 a month
▼ <b>*Family</b>	If you get retirement or disability benefits, your spouse and children also may qualify for benefits.	
▼ <b>*Survivors</b>	You have earned enough credits for your family to receive survivors benefits. If you die this year, certain members of your family <i>may</i> qualify for the following benefits.	
	Your child...	\$911 a month
	Your spouse who is caring for your child...	\$911 a month
	Your spouse, if benefits start at full retirement age...	\$1,215 a month
	Total family benefits cannot be more than...	\$2,233 a month
	Your spouse or minor child may be eligible for a special one-time death benefit of \$255.	
▼ <b>Medicare</b>	You have enough credits to qualify for Medicare at age 65. Even if you do not retire at age 65, be sure to contact Social Security three months before your 65th birthday to enroll in Medicare.	

*\*Your estimated benefits are based on current law. Congress has made changes to the law in the past and can do so at any time. The law governing benefit amounts may change because, by 2042, the payroll taxes collected will be enough to pay only about 73 percent of scheduled benefits.*

**We based your benefit estimates on these facts:**

Your name...	Wanda Worker
Your date of birth...	May 5, 1963
Your estimated taxable earnings per year after 2003...	\$35,051
Your Social Security number (only the last four digits are shown to help prevent identity theft)...	XXX-XX-2004

Source: Social Security Administration.



**▼ Help Us Keep Your Earnings Record Accurate**

You, your employer and Social Security share responsibility for the accuracy of your earnings record. Since you began working, we recorded your reported earnings under your name and Social Security number. We have updated your record each time your employer (or you, if you're self-employed) reported your earnings.

Remember, it's your earnings, not the amount of taxes you paid or the number of credits you've earned, that determine your benefit amount. When we figure that amount, we base it on your average earnings over your lifetime. If our records are wrong, you may not receive all the benefits to which you're entitled.

▼ **Review this chart carefully** using your own records to make sure our information is correct and that we've recorded each year you worked. You are the only person who can look at the earnings chart and know whether it is complete and correct.

Some or all of your earnings from **last year** may not be shown on your **Statement**. It could be that we still

were processing last year's earnings reports when your **Statement** was prepared. Your complete earnings for last year will be shown on next year's **Statement**. **Note:** If you worked for more than one employer during any year, or if you had both earnings and self-employment income, we combined your earnings for the year.

▼ **There's a limit on the amount of earnings on which you pay Social Security taxes each year.** The limit increases yearly. Earnings above the limit will not appear on your earnings chart as Social Security earnings. (For Medicare taxes, the maximum earnings amount began rising in 1991. Since 1994, all of your earnings are taxed for Medicare.)

▼ **Call us right away at 1-800-772-1213** (7 a.m.-7 p.m. your local time) if any earnings for years **before last year** are shown incorrectly. If possible, have your **W-2** or tax return for those years available. (If you live outside the U.S., follow the directions at the bottom of page 4.)

**Your Earnings Record at a Glance**

Years You Worked	Your Taxed Social Security Earnings	Your Taxed Medicare Earnings
1979	474	474
1980	1,123	1,123
1981	1,983	1,983
1982	3,293	3,293
1983	4,461	4,461
1984	5,600	5,600
1985	6,950	6,950
1986	8,813	8,813
1987	10,941	10,941
1988	12,803	12,803
1989	14,520	14,520
1990	16,308	16,308
1991	17,920	17,920
1992	19,655	19,655
1993	20,534	20,534
1994	21,730	21,730
1995	23,155	23,155
1996	24,838	24,838
1997	26,806	26,806
1998	28,720	28,720
1999	30,824	30,824
2000	33,060	33,060
2001	34,237	34,237
2002	35,051	35,051
2003	Not yet recorded	

**Did you know... Social Security is more than just a retirement program? It's here to help you when you need it most.**

You and your family may be eligible for valuable benefits:

▼ When you die, your family may be eligible to receive survivors benefits.

▼ Social Security may help you if you become disabled—even at a young age.

▼ It is possible for a young person who has worked and paid Social Security taxes in as few as two years to become eligible for disability benefits.

Social Security credits you earn move with you from job to job throughout your career.

**Total Social Security and Medicare taxes paid over your working career through the last year reported on the chart above:**

Estimated taxes paid for Social Security:		Estimated taxes paid for Medicare:	
You paid:	\$24,723	You paid:	\$5,820
Your employers paid:	\$24,723	Your employers paid:	\$5,820

**Note:** You currently pay 6.2 percent of your salary, up to \$87,900, in Social Security taxes and 1.45 percent in Medicare taxes on your entire salary. Your employer also pays 6.2 percent in Social Security taxes and 1.45 percent in Medicare taxes for you. If you are self-employed, you pay the combined employee and employer amount of 12.4 percent in Social Security taxes and 2.9 percent in Medicare taxes on your net earnings.

Source: Social Security Administration.

## Some Facts About Social Security

### About Social Security and Medicare...

Social Security pays retirement, disability, family and survivors benefits. Medicare, a separate program run by the Centers for Medicare and Medicaid Services, helps pay for inpatient hospital care, nursing care, doctors' fees, and other medical services and supplies to people age 65 and older, or to people who have been receiving Social Security disability benefits for two years or more. Your Social Security covered earnings qualify you for both programs.

### Here are some facts about Social Security's benefits:

- ▼ **Retirement**—If you were born before 1938, your full retirement age is 65. Because of a 1983 change in the law, the full retirement age will increase gradually to 67 for people born in 1960 and later. Some people retire before their full retirement age. You can retire as early as age 62 and take your benefits at a reduced rate. If you continue working after your full retirement age, you can receive higher benefits because of additional earnings and special credits for delayed retirement.
- ▼ **Disability**—If you become disabled before full retirement age, you can receive disability benefits after six months if you have:
  - enough credits from earnings (depending on your age, you must have earned six to 20 of your credits in the three to 10 years before you became disabled); and
  - a physical or mental impairment that is expected to prevent you from doing "substantial" work for a year or more, **or** result in death.
- ▼ **Family**—If you're eligible for disability or retirement benefits, your current or divorced spouse, minor children, or adult children disabled before age 22 also may receive benefits. Each may qualify for up to about 50 percent of your benefit amount. The total amount depends on how many family members qualify.
- ▼ **Survivors**—When you die, certain members of your family may be eligible for benefits:
  - your spouse age 60 or older (50 or older if disabled, or any age if caring for your children younger than age 16); and
  - your children if unmarried and younger than age 18, still in school and younger than 19 years old, or adult children disabled before age 22.

If you are divorced, your ex-spouse could be eligible for a widow's or widower's benefit on your record when you die.

**If you need more information**—Visit [www.socialsecurity.gov/mystatement](http://www.socialsecurity.gov/mystatement) on the Internet, contact any Social Security office, call 1-800-772-1213 or write to Social Security Administration, Office of Earnings Operations, P.O. Box 33026, Baltimore, MD 21290-3026. If you're deaf or hard of hearing, call TTY 1-800-325-0778. If you have questions about your personal information, you must provide your complete Social Security number. If your address is incorrect on this **Statement**, ask the Internal Revenue Service to send you a Form 8822. We don't keep your address if you're not receiving Social Security benefits.

Para solicitar una Declaración en español, llame al 1-800-772-1213

Form SSA-7005-SM-SI (01/04)

4

### Receive benefits and still work...

You can continue to work and still get retirement or survivors benefits. If you're younger than your full retirement age, there are limits on how much you can earn without affecting your benefit amount. The limits change each year. When you apply for benefits, we'll tell you what the limits are at that time and whether work would affect your monthly benefits. When you reach full retirement age, the earnings limits no longer apply.

### Before you decide to retire...

Think about your benefits for the long term. Everyone's situation is different. For example, be sure to consider the advantages and disadvantages of early retirement. If you choose to receive benefits before you reach full retirement age, your benefits will be permanently reduced. However, you'll receive benefits for a longer period of time.

To help you decide when is the best time for you to retire, we offer a free booklet, **Social Security—Retirement Benefits** (Publication No. 05-10035), that provides specific information about retirement. You can calculate future retirement benefits on our website at [www.socialsecurity.gov](http://www.socialsecurity.gov) by using the **Social Security Benefit Calculators**. There are other free publications that you may find helpful, including:

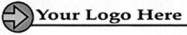
- ▼ **Understanding The Benefits** (No. 05-10024)—a general explanation of all Social Security benefits;
- ▼ **How Your Retirement Benefit Is Figured** (No. 05-10070)—an explanation of how you can calculate your benefit;
- ▼ **The Windfall Elimination Provision** (No. 05-10045)—how it affects your retirement or disability benefits;
- ▼ **Government Pension Offset** (No. 05-10007)—explanation of a law that affects spouse's or widow(er)'s benefits; and
- ▼ **When Someone Misuses Your Number** (No. 05-10064)—what to do if you're a victim of identity theft.

We also have other leaflets and fact sheets with information about specific topics such as military service, self-employment or foreign employment. You can request Social Security publications at [www.socialsecurity.gov](http://www.socialsecurity.gov) or by calling us at 1-800-772-1213.

Source: Social Security Administration.

# Appendix IV: Examples of Private Sector Retirement Statements

PERSONAL & CONFIDENTIAL  
ABC COMPANY  
PO BOX 9394  
DES MOINES, IA 50306-9394



**ABC COMPANY RETIREMENT PLAN**

000001	Contract Number: 4-12345
PAT J CUSTOMER 1	Date of Birth: 09/23/1946
1234 ANYWHERE	Date of Employment: 01/28/1985
DES MOINES, IA 50211	Plan Entry Date: 01/01/1986
	Normal Retirement Date: 10/01/2011
	Compensation: \$46,301.00
	Identification Number: XXX-XX-6789

This is your annual retirement plan statement provided to you by ABC COMPANY

**PENSION BENEFIT SUMMARY**

<u>As of January 1, 2003</u>		<u>As of Age 65</u>	
<b>Earned Monthly Benefit</b>	\$857.73	<b>Estimated Monthly Benefit*</b>	\$1,511.00
<b>Vesting Percent</b>	100.00%		

\*Your Estimated Monthly Benefit will be available on October 1, 2011. Your employer funds this pension plan. At today's rates, it would cost \$645,112.00 to provide this monthly benefit at age 65. Please see the section We've Made Some Assumptions for information about how your Estimated Monthly Benefit was calculated.

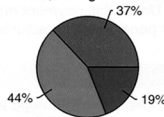
**ESTIMATED SOCIAL SECURITY**

<u>As of Age 65</u>	Estimated Monthly Social Security Benefit* \$1,857.00
---------------------	---

\*The Estimated Social Security benefit only includes your Social Security history with ABC COMPANY. For complete information regarding your Social Security Benefit, you can contact the Social Security Administration at 1-800-772-1213 or www.ssa.gov/mystatement.

**TOTAL ESTIMATED MONTHLY BENEFIT**

Your **Estimated Pension and Social Security Monthly Benefit** at age 65 is: **\$3,368.00**  
 This pension benefit, along with Estimated Social Security, will replace about **81%** of your projected annual pay.




- Percentage replaced by this retirement plan
- Percentage replaced by Social Security
- Percentage needed to be replaced by your other savings

Studies have shown you need to replace 80-100% of your income to maintain your current lifestyle in retirement. Based on our assumptions, **your estimated pension and Social Security benefits fall within the 80-100% target range** for projected annual pay replacement. You may wish to further supplement your retirement income by using other investing sources such as an IRA, mutual fund, personal savings, or annuity.


The Principal Financial Group® has a complete range of financial products and services available to help meet your retirement needs. Please call 1-800-247-8000 ext. 456 to talk to a financial counselor about the best options for you.

We prepared this statement carefully. Please review and report any discrepancies to your employer within 60 days.

WE UNDERSTAND WHAT YOU'RE WORKING FOR™




If you have questions about this statement, or your retirement plan, call or visit us at:



The Principal Retirement Service Center®  
[www.principal.com](http://www.principal.com)

Teletouch®  
1-800-547-7754



Please see the reverse side of this statement for additional information.

Source: Principal Financial Group.

Note: This statement was used in our focus groups and is a multicolor document.

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GAO-05-192 Social Security Statements

Appendix IV: Examples of Private Sector Retirement Statements


**NOTES FROM ABC COMPANY**

- You can now access your retirement plan statement on-line at [www.principal.com](http://www.principal.com).
- Need help planning for retirement? Log onto [www.principal.com](http://www.principal.com) to access the new on-line calculator. This tool provides you with an estimate of how much retirement income you will receive per month from the defined benefit plan.

**ADDITIONAL INFORMATION / BENEFITS**

- Designated beneficiary for plan money: JOHN CUSTOMER, HUSBAND, if living, otherwise to, JIM CUSTOMER, SON.
- You have just earned your 5th year of vesting service. Congratulations, you are now 100% vested in the retirement benefit.
- You are 5 years from your Normal Retirement Date. You should start planning for your retirement benefit now. Please call us at 1-800-547-7754 for help.

**ABOUT THIS STATEMENT**

 **WE'VE MADE SOME ASSUMPTIONS**

The estimated benefits shown were calculated using the information we have on file and the following assumptions:

- Terms of the pension plan will not change.
- You remain employed with annual pay increases of 3.00% until age 65.
- The current regulatory minimums and maximums do not change.

**WE'VE USED THE FOLLOWING PENSION TERMS IN THIS STATEMENT**

- **Earned Monthly Benefit:** The accrued pension benefit on 1/1/2004. This is based on the formula outlined in your plan booklet. If you terminate employment on 1/1/2004, this amount, multiplied by your Vesting Percent, would be available at your Normal Retirement Date.
- **Vesting Percent:** The non-forfeitable percentage of the pension benefit if you terminated employment on 1/1/2004.

**PENSION BENEFIT**

The pension benefit has been calculated using the plan in effect as of 1/1/2004. It assumes that you will retire at age 65 and start receiving monthly payments under the normal form of income as defined in your summary plan description booklet. If married when you retire, federal law requires your benefits be paid in the form of a joint and survivor benefit, unless you specifically choose another form of payment offered under the plan and with your spouse's consent in writing. The joint and survivor benefit provides for a monthly benefit during your lifetime, but allows you to continue 50% of the benefit to your spouse for his or her lifetime. Under this payment method, your benefits shown on this report will be reduced. If you elect another method, the pension will be adjusted accordingly. If your salary increases or decreases, accrued benefit may increase or decrease.

**TIPS TO ACHIEVE YOUR RETIREMENT DREAMS**

How much you'll need depends on your retirement goals. If you're like many people, you might need a little assistance determining the right steps to a financially secure retirement. We've prepared this report to help. Currently, the three main sources of retirement income are **Social Security, Employer Sponsored Pension Plans, and Personal Savings.**

**Social Security** – Many people in today's workforce won't receive full Social Security benefits at age 65 because the Social Security Retirement age is being phased from 65 to 67. Social Security was not intended to be a retiree's sole source of income and may cover less than 1/3 of your retirement.

**Employer Sponsored Retirement plans** – Employer sponsored retirement plans play an important role in providing a financially secure retirement. Your employer sponsors this defined benefit plan:

- A Defined Benefit plan states the benefit a participant will receive at retirement and the benefit does not fluctuate based on market conditions.

**Personal Savings** – As part of your overall retirement savings plan, you can set up an Individual Retirement Account (IRA). There are various types of IRA's available that usually offer some tax advantages\* over a personal savings account.

While your employer offers a retirement plan, you may want greater financial security at retirement. Opening a personal IRA could help. If you would like more information about your employer sponsored retirement benefits or retirement planning, call our Client Contact Center at 1-800-547-7754 or visit [www.principal.com](http://www.principal.com).

\*Withdrawals prior to age 59 1/2 may be subject to income tax including a 10% tax penalty and redemption costs.

Source: Principal Financial Group.



**Appendix IV: Examples of Private Sector Retirement Statements**

████████ Samuel S. Smith  
 As of September 30, 2004  
 ██████████  
 ██████████

## ABC Services Corp.

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**Your Estimated Benefits-If You Stop Working Now**

*These are your estimated annual pension benefits if you stopped working for us on September 30, 2004.*

		Annual Benefit Payable at 55	Annual Benefit Payable at 62	Annual Benefit Payable at NRD
<b>Accrued Benefit</b>	Annual benefit which you've already earned Your Vested Percentage	\$5,737.85 <b>x 100%</b>	\$9,681.71 <b>x 100%</b>	\$12,441.35 <b>x100%</b>
<b>Vested Benefit</b>	Annual benefit payable when you retire	\$5,737.85	\$9,681.71	\$12,441.35

**Assumptions & Important Information**

***Explaining your pension.*** Your pension plan provides you with several payment options for your benefit. The projected pension benefits shown on this statement assume you choose to receive your benefit as a series of equal monthly payments starting at your retirement date for your lifetime. If you are married at the time of your retirement, unless your spouse consents to another payment form, your benefit will be paid to you in the form of a Joint and Survivor Annuity, which continues payments to your spouse after your death. The amount of your benefit will vary depending upon the payment form you elect.

***Social Security.*** Your Social Security benefit is based on current laws and assumes past increases in your annual compensation equaled the national average used by the Social Security Administration and future compensation equals your current compensation. For more information, please refer to your annual Social Security Statement or the Social Security web site at [www.ssa.gov](http://www.ssa.gov) or call the Social Security Administration at 800-772-1213.

***Key assumptions.*** Projected benefits, including Social Security, are estimates based on your employment history and the following assumptions: current plan provisions remain in effect until you retire, you maintain continuous employment until you retire; and future compensation is equal to current compensation. All benefits have been determined in accordance with Federal government regulations currently in effect. Actual benefits may differ if your employment history is corrected, there are changes to the pension plan, changes are mandated by the Federal Government and/or actual experience varies from any of the assumptions used in determining these estimates.

***For more information.*** This statement provides you with important information regarding your pension plan benefits. More detailed information about the Plan is contained in the Summary Plan Description (employee booklet). If you need a copy of the Summary Plan Description contact your Human Resources representative.

***Review and keep this statement.*** Review the information on this statement carefully. If you have questions about your pension benefits, call Prudential Retirement/your Human Resources Representative at the number shown on the front page of the statement. Save this statement with your other important financial statements.

**News From Your Plan Sponsor**

Your pension plan can be a major source of retirement income and can help you achieve greater financial security. It's designed to reward you for your service by providing a benefit you can count on in retirement. Want to learn more about the benefits of your plan? All you need to do is log on to [www.prudential.com/online/retirement](http://www.prudential.com/online/retirement) and visit The Academy – our educational website for interactive tools, financial planning courses and a collection of financial articles.

Page 2 of 3

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[www.prudential.com/online/retirement](http://www.prudential.com/online/retirement)  
 Your gateway to account information and investment education.

**The Employees' Retirement Plan  
 of ABC Services Corporation**

Source: Prudential Financial.



**Appendix IV: Examples of Private Sector Retirement Statements**

Mary Smith, Benefits Manager  
ABC Company  
123 Main Street  
Springfield, MA 01111

**Pension Plan Benefit Statement**  
As of 01/01/2002

**ABC COMPANY RETIREMENT PLAN**

John Doe  
123 Main Street  
Springfield, MA 01111

Mary Smith  
Benefits Manager  
(012) 345-6789

*MassMutual Retirement Services*

We would be glad to answer any questions you have concerning your benefit or this statement. Please call 1-800-74-FLASH™ (35274) or find us on the web at: [www.massmutual.com/retire](http://www.massmutual.com/retire).

**BENEFIT SUMMARY**

Current Accrued Monthly Benefit ( @ NRD)	\$ 656.74	Projected Monthly Benefit ( @ NRD)	\$1,989.21
Vested Accrued Monthly Benefit ( @ NRD)	\$ 656.74	Estimated Monthly Social Security Benefit ( @ NRD)	\$1,323.70
		Early Retirement Monthly Benefit ( @ ERD)	\$ 549.02

Current Average Monthly Earnings	\$3,717.38	Projected Average Monthly Earnings ( @ NRD)	\$3,978.42
Current Benefit Service (Yrs)	8.83333	Projected Benefit Service (Yrs)	25.00000
Current Vesting Service (Yrs)	22.50000	Projected Vesting Service (Yrs)	38.66667
Current Vesting Percentage	100%		

Your beneficiary is Valerie Doe.

This summary provides you with a snapshot of your retirement plan benefits as of 01/01/2002.

**RETIREMENT GOALS**

**Is it Your Destiny to Retire Early?**

To turn your dream of early retirement into reality, start planning now. Here are some steps that can help:

**Know your retirement plan**  
Your pension plan may offer options such as a portability feature. These advantages can make your goal of early retirement easier to achieve.

**Don't procrastinate**  
Start now. It's difficult to plan to retire at 55 if you're already 50 years old and haven't planned yet. Most successful early retirees have long-range plans in place before age 40.

**Carefully consider what you'll need to live comfortably**  
Most retirees find they need between 70% and 90% of their pre-retirement income, especially if mortgages and college bills still must be paid.

**Plan for medical bills**  
Make sure to factor in health insurance premiums until Medicare kicks in at age 65. Unexpected health care costs could wipe out your retirement savings.

**Mentally prepare yourself**  
People are living longer – it's possible your retirement years could last as long as your working years. Assess your values and goals. Consider scaling back your lifestyle, or explore career directions that you can pursue given more time and sufficient income.

Please take the time to review the information contained in this statement. Contact your Plan Administrator immediately if you believe any of the data in this statement is inaccurate. If there are any discrepancies between descriptions in this statement and information in the plan document, the plan document will govern.

Source: Massachusetts Mutual Life Insurance Company.

Note: The original statement is a multicolor document.



**Appendix IV: Examples of Private Sector Retirement Statements**

The charts shown here illustrate the impact of your retirement plan on your retirement savings needs.

YOUR RETIREMENT JOURNEY

You may need to supplement a portion of your retirement and Social Security income with other savings. Using MassMutual Retirement Services' financial planning web site, The Journey™ at [www.massmutual.com/retire](http://www.massmutual.com/retire), you can estimate the additional savings required to replace all or a portion of your current income.

REPLACEMENT RATIO

100% of Today's Income

50%	33%	17%
Ratio replaced by retirement plan	Ratio replaced by Social Security	Percentage needed to be replaced by your other savings and/or other retirement plans.

This pie chart shows, in today's dollars, how your retirement plan and Social Security work toward replacing your current monthly compensation. It shows replacement of 100% of income, however current retirees tell us they need 70-90% of the income they had before retirement to maintain their lifestyle.

MONTHLY BENEFIT DATA

\$1,989.21	\$1,323.70	\$3,312.91
Projected Monthly Benefit (¢ NRD)	Estimated Monthly Social Security Benefit (¢ NRD)	Total Estimated Monthly Benefit (¢ NRD)

This chart presents your total estimated monthly benefit amount payable at your normal retirement date and is a combination of your projected monthly benefit under your retirement plan and your estimated monthly Social Security benefit. It is calculated based on the assumption that you work until your normal retirement date and continue to earn salary at your current rate. Your projected monthly retirement plan benefit is based on your projected benefit service and your average monthly earnings and is payable in your plan's normal form. Your estimated social security benefit is based on a decreasing adjustment to simulate the actual pay history over your working career. The Social Security Administration will use your actual past earnings when determining the exact benefit amount.

SPOTLIGHT

**The Journey™—A Comprehensive Approach to Preparing for the Future**  
 MassMutual Retirement Services' participant web site, The Journey™, provides:

- Interactive educational resources
- Retirement planning tools
- Sophisticated calculators, and
- Projections for your defined benefit plan benefits.

The Journey™ is divided into three main regions that help you manage your retirement program.

**My Benefit**—Receive personalized information on your defined benefit plan.

**Learn**—Learn about retirement and investing with our Quick Study calculators and Morningstar's Learning Station.

**Research**—Explore the characteristics of different investment categories. Access The Journey™ at [www.massmutual.com/retire](http://www.massmutual.com/retire).

YOUR VALUABLE BENEFIT

To demonstrate the importance of your plan benefits, we have calculated the value of your monthly retirement plan benefit. This is the dollar amount, as of your normal retirement date, needed to provide your projected monthly benefit that begins on your normal retirement date (your projected monthly benefit at NRD appears in the **Monthly Benefit Data** section of your Statement).

**The amount needed to provide your projected monthly benefit payable at normal retirement date is:**  
\$252,132.94

Depending on the terms of your plan, your retirement plan benefit may not actually be payable in a lump sum. Unless your plan has a different interest rate assumption, our calculations were made using the applicable interest rate and mortality assumptions prescribed by IRS regulations. Interest rates can fluctuate dramatically and changes will affect the dollar amount shown.

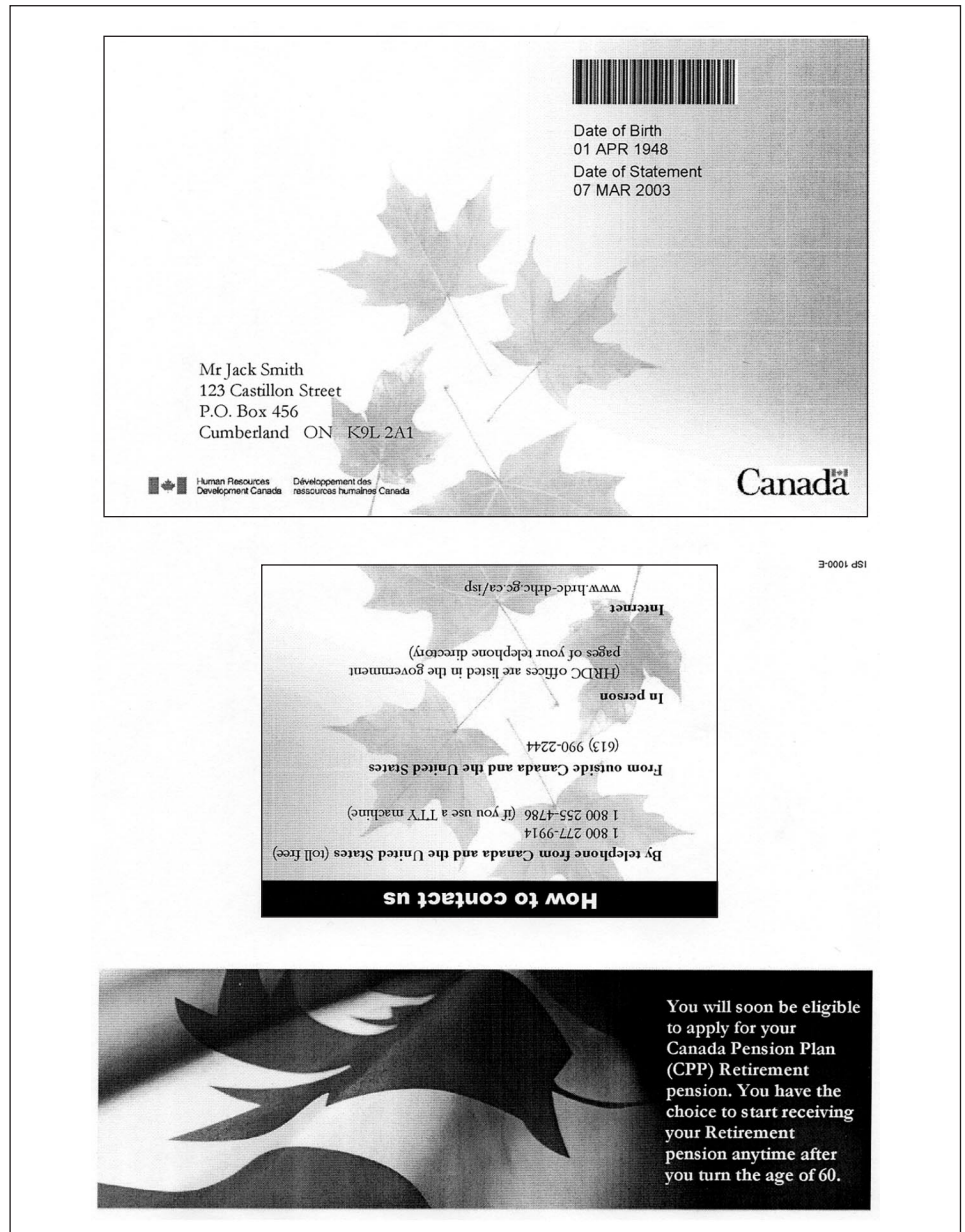
Massachusetts Mutual Life Insurance Company and affiliated companies • Springfield MA 01111-0001 L7538c 1102

Source: Massachusetts Mutual Life Insurance Company.

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# Appendix V: Example of a Statement from Canada



Source: Canada Pension Plan (Social Development Canada).

Note: The original statement is a tri-fold and a multicolor document.

**Appendix V: Example of a Statement from Canada**

**We are pleased to provide you with your Canada Pension Plan (CPP) Retirement information kit. It contains the following:**

1. An **Information sheet**, to help you decide when you want to start your Retirement pension.
2. An **Application for Retirement pension**. Some sections of the application have been filled for your convenience. If any of this information is wrong, please write the correct information in the space(s) provided.
3. Your personal **Statement of Contributions**, which provides you with a record of your contributions to the CPP (including contributions to the Quebec Pension Plan, if applicable). It also gives you an estimate of your Retirement pension at age 60 and 65.

Whether you decide to apply for your Retirement pension now or later, you can use the enclosed application. For more information about Income Security Programs and services, please visit our website at: [www.hrdc-drhc.gc.ca/isp](http://www.hrdc-drhc.gc.ca/isp)

**Your Canada Pension Plan *Statement of Contributions* 3**

Year	Your contributions (\$)	Your pensionable earnings (\$)	Year	Your contributions (\$)	Your pensionable earnings (\$)
1966	1.26	365	1986	88.86	5650
1967	7.98	420	1987	110.35	6432
1968	10.56	535	1988	136.69	7534
1969	19.90	860	1989	103.74	5453
1970	8.65	712	1990	123.11	6457
1971	12.74	1056	1991	11.00	0000
1972	23.51	1876	1992	325.47	15891
1973	26.60	2205	1993	495.88	23135
1974	30.40	2334	1994	527.89	23703
1975	35.12	3125	1995	560.80	24163
1976	32.14	3478	1996	660.38	27083
1977	39.99	3556	1997	811.70	29897
1978	42.66	3643	1998	918.09	32187
1979	54.29	3912	1999	1186.50	37400 M
1980	42.60	3856	2000	1329.90	37600 M
1981	37.06	2900	2001	1496.40	38300 M
1982	46.75	3712	2002	1673.20	39100 M
1983	0.00	0000	2003	1801.80	39900 M
1984	22.69	2094			
1985	94.00	6041			

<sup>1</sup>You only pay contributions of 4.95% on earnings between the minimum of \$3,500 and the maximum of \$39,900 for 2003, which are called "pensionable earnings".

M - MAXIMUM  
S - SELF-EMPLOYED  
D - CREDIT SPLIT

1. Based on your average earnings since age 18, if your earnings continue at this level until age 65, you could receive a **retirement pension** of **\$ 384.30** per month
2. Or at age 60, you could receive a reduced **retirement pension** of **\$ 269.01** per month
3. A survivor age 45 to 65, or, if under 45 and disabled or with dependent children, could receive a **survivor benefit** of **\$ 288.60** per month
4. A survivor age 65 or over, could receive a **survivor benefit** of **\$ 230.58** per month
5. In the event of your death, your estate could receive a **lump sum** benefit of **\$ 2305.80**

**Is everything correct on your Statement?**

Check your Statement of Contributions to make sure all your information is accurate - your CPP benefits will be based on this information.

**Is your date of birth wrong?**

Mail a copy of the other side of this Statement and your birth certificate OR your certificate of Canadian Citizenship OR your Permanent Resident Card OR your immigration documents using the envelope provided. **All documents must be originals** and will be returned to you. If you cannot provide this information please call us or visit the Social Insurance Number (SIN) website at: [www.hrdc-drhc.gc.ca/sin](http://www.hrdc-drhc.gc.ca/sin)

**Is the person named on this Statement deceased?**

If so, we apologize for any inconvenience this may cause. Mail a copy of the other side of this Statement and an original death certificate along with the SIN card using the envelope provided. Note: the SIN can continue to be used only for the purpose of the Estate of the deceased.

ESP 1000E



Human Resources / Développement des  
Development Canada / ressources humaines Canada

**Are any of your earnings or contributions wrong or missing?**

**If you were employed**

- Mail a copy of your T4 slips OR a signed letter on company letterhead from each of your employers confirming all of your earnings and contributions to the Canada Pension Plan for the year(s) that you believe are incorrect.

**If you were self-employed**

- Mail a copy of your complete T1 Income Tax Return and Notice of Assessment for the year(s) in question.

**Please send your corrections and / or Retirement application using the envelope provided**

Keep for your records

Cet état de compte est également disponible en français

Canada

Source: Canada Pension Plan (Social Development Canada).

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# Appendix VI: Comments from the Social Security Administration

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**SOCIAL SECURITY**

The Commissioner

March 18, 2005

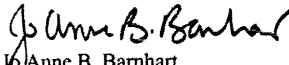
Ms. Barbara D. Bovbjerg  
Director, Education, Workforce,  
and Income Security Issues  
Room 5968  
U.S. Government Accountability Office  
Washington, D.C. 20548

Dear Ms. Bovbjerg:

Thank you for the opportunity to review and comment on the draft report "Social Security Statements: Social Security Administration Should Better Evaluate Whether Workers Understand Their Statements" (GAO-05-192). Our comments on the draft report content and recommendations are enclosed.

If you have any questions, please contact Candace Skumik, Director, Audit Management and Liaison Staff, at (410) 965-4636.

Sincerely,

  
Anne B. Barnhart

Enclosure

SOCIAL SECURITY ADMINISTRATION BALTIMORE MD 21235-0001

**COMMENTS ON THE GOVERNMENT ACCOUNTABILITY OFFICE (GAO) DRAFT REPORT "SOCIAL SECURITY STATEMENTS: SOCIAL SECURITY ADMINISTRATION SHOULD BETTER EVALUATE WHETHER WORKERS UNDERSTAND THEIR STATEMENTS" (GAO-05-192)**

Thank you for the opportunity to review and comment on the draft report's contents and recommendations. We agree that the *Social Security Statement* (the *Statement*) represents one of the Federal government's largest efforts to communicate directly with workers about their Social Security benefits. We assure you that the Social Security Administration (SSA) is committed to providing this important information in a clear and understandable manner.

We are pleased that the report identified the *Statement*'s strengths as:

- Written in easy-to-understand language;
- Providing benefit estimates for different retirement ages as well as for disability and survivors payments;
- Identifying the *Statement*'s source and purpose; and
- Providing the personal data used to calculate benefits, such as date of birth and earnings record, so recipients can check information for accuracy.

We are also pleased to know that the results of the review showed that:

- Focus group participants found their earnings history and benefit estimates understandable and useful; and
- The *Statement* was comprehensive and strong in its presentation of benefits and use of plain language.

Our response to the specific recommendations and some technical comments are provided below.

**Recommendation 1**

SSA should develop a plan for regularly evaluating the *Statement* through the collection of data from multiple sources, including information from surveys, focus groups, call centers, walk-in traffic and its web site.

**Response**

We agree. We anticipate we will have a plan drafted by the end of fiscal year 2005 for regularly evaluating the *Statement*.

**Recommendation 2**

On the basis of the data it receives and a review of promising practices in the private sector and other countries, SSA should consider revising the *Statement*. These revisions could include, for example:

- Showing the personalized benefit information first;
- Using graphics to aid readers in quickly comprehending information; and
- Providing information to help recipients understand Social Security's contribution to their total retirement income.

**Response**

We agree. We will consider revising the *Statement* as appropriate and necessary. As the first step in the process, we will utilize the information contained in this report. To ensure that we conduct an effective review, we would appreciate receiving the following research cited in the report:

- GAO's focus group report;
- GAO's survey instrument and findings;
- Any reports prepared by the private benefit statement evaluation firm;
- Information obtained from the interviews with representatives of private companies that specialize in benefit statement preparation and distribution; and
- Information obtained from discussions with officials from Canada, Sweden and the United Kingdom.

Once we evaluate that and other pertinent information, we will consider revising the *Statement* as appropriate and necessary.

**Technical Comments**

On pages 33-34, the report should use the terms "widow and child benefits," "mother benefits" and "survivor benefits," possessively (i.e., "widow's and child's benefits," "mother's benefits" and "survivor's benefits") as that is the terminology contained in section 202 of the Act.

On page 33, the term "duration of marriage" should be used instead of "duration of relationship" as it is immaterial how long the couple was in a "relationship" if the relationship was not marriage. See section 216(k) of the Act.

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# Appendix VII: GAO Contacts and Staff Acknowledgments

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## Contacts

George A. Scott, Assistant Director (202) 512-5932  
Richard L. Harada, Analyst-in-Charge (206) 287-4841

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## Staff Acknowledgments

In addition to those named above, Allison Abrams, Amy Anderson, Debra Johnson, Michael Morris, Luann Moy, Jennifer Popovic, Daniel Schwimer, Andrew Stichman, and Wendy Wierzbicki made important contributions to this report.

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Automated answering system: (800) 424-5454 or (202) 512-7470

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Gloria Jarmon, Managing Director, [JarmonG@gao.gov](mailto:JarmonG@gao.gov) (202) 512-4400  
U.S. Government Accountability Office, 441 G Street NW, Room 7125  
Washington, D.C. 20548

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## Public Affairs

Paul Anderson, Managing Director, [AndersonP1@gao.gov](mailto:AndersonP1@gao.gov) (202) 512-4800  
U.S. Government Accountability Office, 441 G Street NW, Room 7149  
Washington, D.C. 20548