

Why the Annual Social Security Earnings Statement Should be Re-instated
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Submitted to the Social Security Subcommittee
House Ways and Means Committee
July 8, 2011 Hearing on Social Security Finances

On behalf of Consumers for Paper Options, I am pleased to submit the attached statement for the record for the July 8, 2011 subcommittee hearing regarding the Social Security Administration's finances. In particular, I would like to focus attention on the SSA's termination of the annual Social Security Earnings Statement.

About Consumers for Paper Options

Consumers for Paper Options (www.paperoptions.org) is a new coalition of individuals and organizations who believe paper-based communications are critically important for millions of Americans, especially those who are not yet part of the digital revolution. While regulated entities and governments at every level need to streamline services, cut costs and improve efficiencies, preserving paper based options for information and essential services for those who need or want them should remain a crucial priority. Our goal is to preserve access to information in a way that neither hinders the natural evolution of technology nor discriminates against those who may not or cannot use it. Getting this policy right would be a positive and empowering way to bridge the digital divide and achieve important efficiency improvements while avoiding shifting extra cost burdens to consumers who can least afford them.

The Social Security Earnings Statement is an Important Tool

SSA began mailing annual earnings statements to all workers age 25 and older on Oct. 1, 1999. The statements were intended to educate workers about their benefits, allow employees the opportunity to review the accuracy of their earnings record, and be a financial planning tool to help individuals make retirement decisions. The statements also give a concise overview of the program and allow you to check your recorded earnings and taxes paid for errors.

This April, in an effort to reduce expenses, the SSA announced it would end the mailing of the annual Social Security Earnings statement for all workers over age 25. Once workers reach the age of 60, they will begin to receive the statement once again.

The SSA's elimination of the mailed annual earnings statement is more than an inconvenience. It means wage earners will no longer have a way of confirming the accuracy of the government's figures that are used to calculate Social Security benefits. The statement is also an important financial planning tool for millions of Americans as they make insurance, retirement and financial planning decisions. This loss comes just as the ranks of retiring American workers are

exploding. An online version supposedly will replace the statement, yet it will not be as complete, nor will it be accessible to those without internet connections or the ability to use the internet. The only way to get all the information contained in the former statements will be to pay a fee as high as \$80 and go through a difficult bureaucratic process.

Congress is Reviewing

Members of Congress have begun to consider the impact of the elimination of the annual earnings statement and have begun to speak out in favor of its return.

Senator Bill Nelson, in a letter cosigned by a number of his colleagues said that, “discontinuing the annual Social Security statement needlessly eliminates a critical source of information for Americans as they make insurance, financial, and retirement planning decisions. The statement is an important reference document for three key reasons: (1) it gives workers a critical tool for understanding their Social Security benefits, (2) it lists important points of contact within the Social Security Administration, and (3) it encourages workers to make sure their future benefits are not reduced or impaired by erroneous agency records when they reach retirement age.”

Sen. Ben Cardin, another members of the Senate Finance Committee said in a letter to SSA Commissioner Astrue that, “the annual earnings statement is an invaluable tool to help Americans plan for retirement.”

The GAO Testifies on the Importance of Maintaining the Annual Earnings Statement

In a recent testimony before the House Ways and Means Subcommittee on Social Security, the Government Accountability Office (GAO) described the annual earnings statement as a “key financial literacy tool that can educate the public about SSA program benefits, aid in financial planning, and ensure that workers’ earnings records are complete and accurate.” The report went on to say: “The Commissioner of SSA should take steps to ensure access to the statement for all eligible workers, including those without Internet access or English proficiency. Doing so will assure that the statement remains an important tool for communicating with all workers about the Social Security program.” (GAO-11-78T, July 8, 2011)

The GAO testified that “because the decision to suspend [mailing the statements] was made relatively abruptly, the agency faces pressure to take quick action that will restore public access to the statements. As a result,” said Barbara D. Bovbjerg, GAO’s managing director of Education, Workforce and Income Security, “officials currently are not in a position to fully redesign the statement to improve its usefulness and clarity.”

Furthermore, SSA has not yet considered how they will reach those who cannot or will not obtain the statement online, though at least some people will not be able to read statements provided only in English,” she added.

Limitations of the Online Estimator

Workers can get an estimate of their retirement benefits online using SSA's retirement estimator tool. But this tool does not provide all the information that appears in the written statement, such as estimates of disability and survivor's benefits and your complete earnings record. The online estimator also raises cyber security concerns since a citizen has to enter his or her Social Security

number to gain access to the system. The SSA has acknowledged the concerns and is hiring a contractor to address security issues.

Key Issues at Stake

Although the Social Security Administration says it plans to provide some kind of replacement information online, there are several issues at stake.

1. Those without computer access or knowledge will be denied critical information. They will be unable to confirm the accuracy of the government's record of their earnings history.
2. While the SSA has not yet finalized its plans, reports indicate that the SS statements provided online will not be as extensive as the current paper copies. This diminishes the value of the statement as an important financial planning tool.
3. Since the process is still in development, a timeline is not set; there is no certainty about when the statements will be available, how they will be accessed, or how the public will be advised of these changes.
4. Security and confidentiality of information continues to be a concern. Asking people to enter their Social Security number online (as the current online site does) raises a host of issues around cyber security and identity theft and will likely impede the site's use.
5. Access to the complete information now available in paper statements will be available online only by going through a difficult bureaucratic process and paying a fee as high as \$80.

A Paper Statement is Often the "Best Option"

The GAO pointed out that people who cannot read English or are elderly may likely be lower earners who can least afford to be uninformed about their benefits. "The statement is SSA's best option for communicating this important information and, as such, deserves to occupy a position of higher priority in SSA planning and decision making."

As government agencies work to reduce costs, they should avoid believing that going "paperless" is always an appropriate solution. It is often critically important that government service providers continue to enable citizens from key demographic groups to access paper-based information. While online access continues to grow, not all segments of society have equally adapted to the digital age.

SSA Should Reinstate the Annual Earnings Statement

We urge you to support reinstating the annual earnings statement as quickly as possible. The statement is a valuable planning tool for American wage earners and provides them with essential information as they prepare for retirement. With average Americans now expecting to change jobs 7-10 times in their lifetime, it is critical they be given a chance to check the earnings being recorded by SSA as these changes are made. The earnings statement is especially important for those millions of our citizens who do not own a computer or have reliable access to the internet. Federal government policy should recognize that when cost reductions for key government information and services are contemplated, a process should be undertaken that accounts for how citizens without access or knowledge of online information services will continue to be served.

Consumers for Paper Options appreciates this opportunity to submit testimony on this important issue and we stand ready to work with the Committee as it works to make sure all our citizens continue to receive important information and services from the federal government.

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