

GAO

Report to the Chairman, Subcommittee
on Social Security, Committee on Ways
and Means, House of Representatives

May 1997

SSA BENEFIT ESTIMATE STATEMENTS

Additional Data Needed to Improve Workload Management



**Health, Education, and
Human Services Division**

B-266284

May 20, 1997

The Honorable Jim Bunning
Chairman, Subcommittee on Social Security
Committee on Ways and Means
House of Representatives

Dear Mr. Chairman:

The Congress enacted legislation in 1990 requiring that the Social Security Administration (SSA) begin providing the public with annual statements about its Social Security earnings records and estimates of the amount of benefits individuals may receive. These statements, called Personal Earnings and Benefit Estimate Statements (PEBES), have been available to the public upon request since 1988; however, the legislation required SSA to start sending these statements automatically in fiscal year 1995 to workers reaching age 60 and older. Starting in fiscal year 2000, SSA must mail the PEBES annually to nearly every U.S. worker aged 25 and older—an estimated 123 million people. SSA projects that this effort will cost almost \$77 million in fiscal year 2000 alone, including \$48 million for production costs, such as printing and mailing the statement, and \$29 million for personnel costs.

The PEBES supplies workers with information about their earnings as recorded by SSA and their eligibility for Social Security retirement, survivors, and disability benefits. In addition, the statement provides estimates of these benefits and explains Social Security programs, instructing individuals to call SSA if they have questions or believe their earnings information is incorrect. The public depends on SSA to maintain accurate earnings records because individuals' benefits are based on these records. Most of SSA's PEBES work involves handling the public's questions and making necessary corrections to individual earnings records.

As SSA implements the PEBES requirements, it is facing increasing responsibilities in many other areas as well. By the year 2015, when baby boomers begin entering their mid-60s, the number of individuals receiving benefits will reach an estimated 50.4 million, a much larger number than the 37.4 million individuals receiving Social Security retirement and survivors benefits in 1995. Meanwhile, the Congress and SSA have begun to emphasize providing the public with service that is timely, accurate, and courteous. In the current fiscal environment, SSA is struggling to manage its growing workloads and responsibilities with fewer resources.

Concerned about the success of the PEBES initiative, you asked us to examine SSA's progress in implementing the PEBES requirements. In our previous PEBES testimony and report, we addressed how effectively the PEBES conveys information to the public and the reasonableness of its benefit estimates.¹ This report addresses the PEBES's impact on SSA's work—specifically, how well SSA has prepared for the increasing workload resulting from implementing the PEBES requirements and whether SSA's PEBES management and performance could be improved. To perform our review, we examined the results of the tests SSA used to estimate its future work requirements, SSA's PEBES budget, and workload statistics from 1995 and 1996. In addition, we met with SSA officials from the PEBES project and retirement benefits experts. We also met with SSA staff who respond to public inquiries and observed them as they answered almost 100 telephone calls. We conducted our work from October 1996 to March 1997 in accordance with generally accepted government auditing standards.

Results in Brief

SSA officials believe they will be able to handle the increasing work expected to result from the PEBES initiative; however, they lack enough information upon which to base this conclusion. Even though SSA has made two test mailings to estimate the effects of sending mandated statements and has more than 2 years' experience in mailing the PEBES, the agency has not collected reliable data on either the number of people who call or visit SSA with PEBES questions or the number of earnings corrections resulting from the PEBES mailings.

SSA could better manage the potential workload resulting from the PEBES initiative if it began now to collect more complete and accurate data on the effects of mailing the mandated statements. With these data, the agency could monitor the volume of work, assess the adequacy of its implementation plans, and have an early warning of problems so that it could adjust its plans before service to the public would be impeded. For example, if SSA would find that it needs additional staff to answer telephone calls, it may need lead time to install more telephones and train additional staff. Without adequate advance warning to complete these activities, callers may have to endure longer waiting times. Moreover, better data on the reasons people call and the problems they are having with their PEBES would provide SSA with valuable information to help improve the statement.

¹SSA Benefit Statements: Statements Are Well Received by the Public but Difficult to Comprehend (GAO/T-HEHS-96-210, Sept. 12, 1996) and SSA Benefit Statements: Well Received by the Public but Difficult to Comprehend (GAO/HEHS-97-19, Dec. 5, 1996).

Background

The Omnibus Budget and Reconciliation Acts of 1989 and 1990 require SSA to provide most workers aged 25 and older with annual unsolicited PEBES statements starting in fiscal year 2000.² The PEBES supplies information to workers on their year-by-year earnings as recorded by SSA, their eligibility for Social Security retirement, survivors, and disability benefits, and the estimated dollar amount of these benefits.³ The statement also describes Social Security programs and benefits.⁴ The legislation requires that SSA mail the PEBES according to the schedule shown in table 1.

Table 1: PEBES Mandated Mailing Requirements and Schedule

Fiscal year	Individuals to receive PEBES	SSA's volume estimates
1995	Age 60 and over	6.7 million ^a
1996-1999	Turning 60 during the year	1.6 to 1.8 million annually
2000 and beyond	Age 25 and older	123 million annually

^aThis is SSA's total of mandated statements actually mailed in fiscal year 1995.

SSA officials have, however, modified this schedule to better manage the impending workload. SSA assumes that individuals are most likely to contact the agency with questions or earnings corrections when they receive their first mandated PEBES because in many cases this will be the first time they have received a notice from SSA. Therefore, SSA officials decided to mail a larger number of statements earlier than fiscal year 2000 to distribute the work involved in first-time mailings over several years. Under SSA's accelerated schedule, more than 70 million individuals will receive their first PEBES before fiscal year 2000, leaving just over 50 million to receive their first PEBES in fiscal year 2000. Table 2 compares the volume of statements to be mailed according to SSA's accelerated mailing schedule with that to be mailed according to the mandated mailing schedule as required by the PEBES legislation.

²The 1989 act required SSA to send a PEBES every 2 years to those who have a Social Security number, have wages or net earnings from self-employment, are not currently receiving Social Security benefits, and have a current address obtainable by SSA. The act was amended in 1990 to require annual mailing of these statements.

³The legislation requires estimates of retirement benefits only for individuals aged 50 and older. SSA, however, has chosen to provide retirement benefit estimates to individuals of all ages to simplify the preparation of the statements.

⁴App. I contains a copy of a 1996 PEBES, which has been slightly reduced to fit on the page.

Table 2: Comparison of SSA's Mailing Volume Estimates for the Mandated and Accelerated Schedules

	Fiscal year					
	1995 ^a	1996	1997	1998	1999	2000 and beyond
Mandated	6.7	1.6	1.7	1.8	1.8	123.0
Accelerated ^b	6.7	5.0	10.0	20.0	30.0	123.0

^aFor fiscal year 1995, SSA mailed a PEBES only to those required by the mandated schedule, individuals turning age 60 or older.

^bThe accelerated schedule began in fiscal year 1996, when SSA mailed a PEBES to individuals turning age 60, as mandated, as well as those turning age 58 and 59 during the year. As SSA continues the accelerated schedule in subsequent years, it will mail a PEBES to increasingly younger people until people as young as 25 receive a PEBES in fiscal year 2000.

SSA's goals for the PEBES include to (1) better inform the public of potential benefits under SSA's programs, (2) help individuals plan for their financial futures, and (3) help individuals ensure that their Social Security earnings records are complete and accurate. Accurate records are important because both an individual's eligibility for benefits and the amount of benefits are based on the earnings recorded by SSA. Without the PEBES, individuals would most likely learn of inaccuracies in their earnings records⁵ only when they file a claim for benefits. By reviewing their PEBES, however, individuals can identify problems with their earnings records earlier. This early identification is thought to be less time consuming for SSA and the public because the information needed to correct the problem, such as a copy of the W-2 form showing the earnings in question, is more likely to be readily available closer to the time earnings are reported to SSA.

The PEBES Process

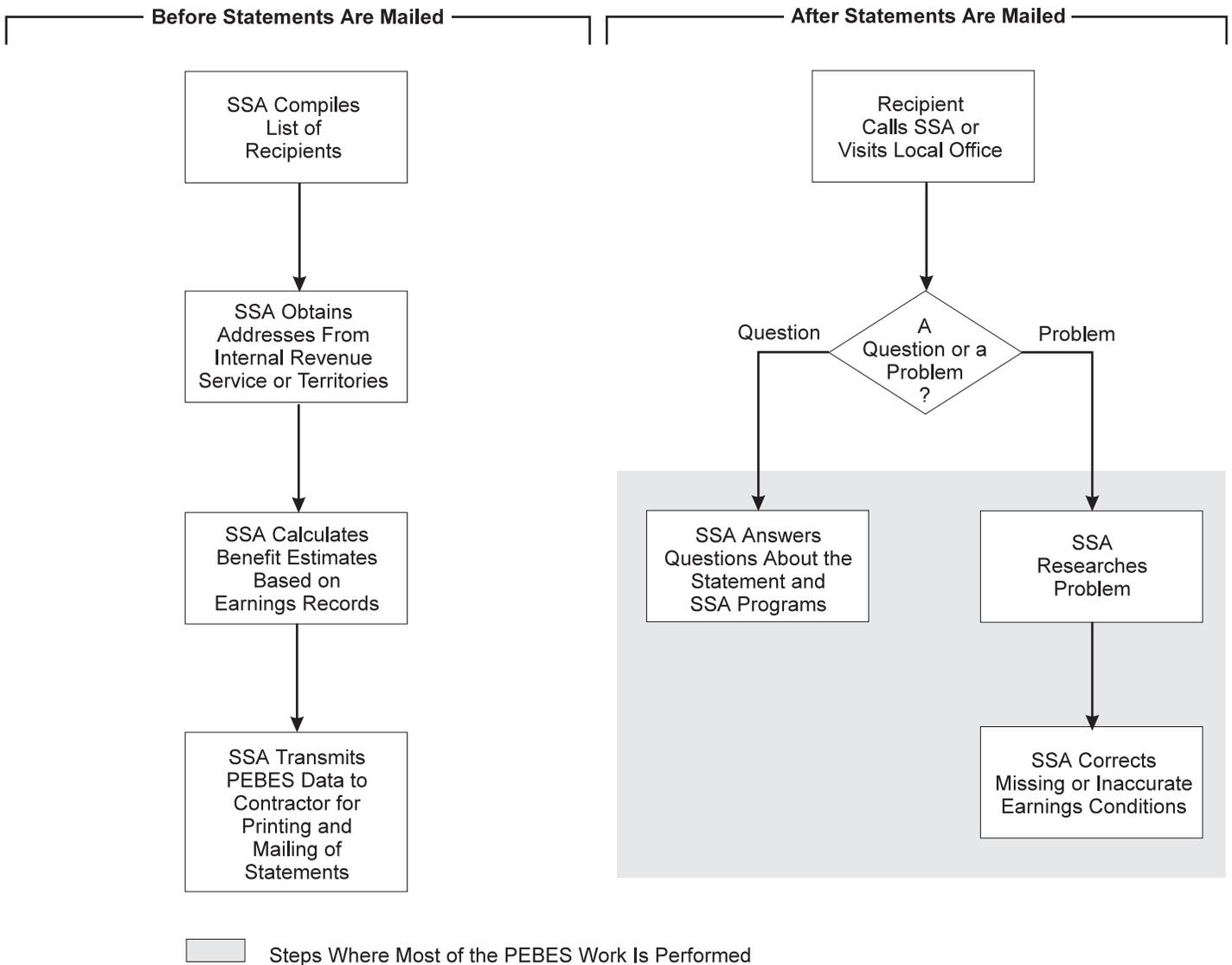
Individuals have been able to request a PEBES from SSA since 1988, and about four million people have done so each year.⁶ Therefore, as SSA began its preparations for the unsolicited mailings, it had some experience with issuing relatively small numbers of the PEBES to serve as a basis for the larger mailings. The work of mailing the PEBES falls into two categories:

⁵Overall, the chance of SSA's incorrectly recording a wage is slight. According to SSA's Accountability Report for Fiscal Year 1996, 99 percent of reported earnings are posted accurately to individuals' records. This accuracy rate, however, still results in more than 2 million in earnings items each year that cannot be linked to specific individuals' records.

⁶To enable individuals who request a PEBES to more easily obtain one, SSA began providing the statement through the Internet in March 1997. This immediately raised privacy and security concerns, prompting SSA to suspend the service. For more information on this issue, see Social Security Administration: Internet Access to Personal Earnings and Benefits Information (GAO/T-AIMD/HEHS-97-123, May 6, 1997).

(1) steps taken before the statements are mailed and (2) steps resulting from mailing the statements. Figure 1 depicts the process SSA uses to issue the PEBES.

Figure 1: The PEBES Work Process



Most of the work done before mailing the PEBES is computerized or contracted out. For example, SSA uses its computers to compile information from each individual's earnings record and calculate the benefit estimate. SSA then electronically transmits this information to a contractor for printing and mailing the statements. After individuals receive the statements, those who have questions or discover problems with their earnings as recorded may contact SSA. Unlike the work required before mailing the PEBES, responding to these questions and earnings problems can be time consuming and labor intensive.

Individuals who have questions or problems about their PEBES have options for contacting SSA: calling SSA's national 800 number, which is answered at 1 of the 37 teleservice centers; calling or visiting one of SSA's 1,300 field offices; or calling a PEBES-specific 800 number, which is answered by staff in the Division of Certification and Coverage (DCC) of the Office of Central Records Operations (OCRO). OCRO maintains records of individuals' earnings and prepares benefit computations. The PEBES-specific 800 number appears in the statement to encourage PEBES recipients to contact SSA through DCC; however, individuals also can and do contact the teleservice centers and field offices⁷ with PEBES questions.

Workers in all of these offices can answer public inquiries, which range from simple questions about the reason SSA sends out the statement to detailed questions about SSA's programs and benefits. In addition, when individuals identify earnings problems, workers can sometimes resolve them during the initial contact with the individual. Other earnings problems, however, are more time consuming. For example, if the earnings occurred before 1978, SSA staff may have to manually search through older records on microfiche to identify the problem, or SSA may have to wait for the individual to document the earnings in question to correct the problem.

SSA Lacks Information Needed to Effectively Prepare for Future PEBES Workload

Although SSA officials believe the agency will be able to handle the increasing work likely to result from the PEBES initiative, they lack sufficient information to ensure that SSA is fully prepared for this workload. Specifically, SSA has not collected reliable data on either the number of people who contact SSA with questions about the PEBES or the number of earnings corrections resulting from the PEBES mailings.

⁷As required by the Congress, many of the field office numbers are listed in the telephone book.

SSA Lacks Information on the Results of the PEBES Mailings

SSA officials believe they will be able to handle the work expected from future PEBES mailings; however, in making this assessment, SSA has relied on information that is less complete and useful than it could be. To estimate the effects of the mandated PEBES mailings on its staffing and operations, SSA conducted two tests. The first test, completed in 1994, tracked the work resulting from mailing the PEBES to a sample of more than half a million individuals aged 26 through 65. In conducting this test, however, SSA did not collect reliable data on the number of people who contacted SSA with questions about the PEBES or the reasons for these inquiries. SSA asked workers in the field offices and teleservice centers to manually tally the inquiries resulting from the test mailings, but some SSA officials expressed doubt about the accuracy of data collected using this approach. They said that manual tallies often do not provide SSA with dependable information. For example, officials told us that they believed these staff did not consistently record all PEBES-related contacts and some staff included other types of contacts in their tallies. SSA collected data on the volume of calls DCC handled through its telephone system; however, it could not identify how many of these inquiries were related to the test mailings.

The second test was designed, in part, to estimate the effect on the volume of inquiries of mailing the PEBES to the same individuals 2 years in a row. This information should help SSA test its assumption that people are most likely to contact the agency about their PEBES the first time they receive a statement. On the basis of this assumption, SSA believes that the PEBES workload will peak in fiscal year 2000 and quickly plateau at a lower level. If SSA's assumption is correct, then its strategy of mailing a PEBES to more than half the individuals targeted to receive a PEBES before fiscal year 2000 will indeed help distribute the work over the next few years, and the PEBES workload will decrease quickly after fiscal year 2000. On the other hand, if SSA's assumption is incorrect, it will be harder to predict when the volume of PEBES work will level off or begin to decrease. Consequently, staff that SSA assumes will be available for other work after fiscal year 2000 would still be needed to do the PEBES work. Although the test was conducted in 1995, SSA has yet to complete its analysis—nearly 2 years after collecting the needed data.

Now that SSA has begun mailing the PEBES under its mandated and accelerated schedules, it can monitor the actual impact of the PEBES mailings on its operations. As with the test mailings, however, SSA is not collecting sufficient data on the volume of and reasons for the PEBES inquiries from the workers who deal directly with the public. As with the

first test, SSA has collected data on the volume of calls handled through DCC's telephone system, but it cannot identify the number of such calls that relate to the mandated PEBES. In addition, neither the 800-number teleservice representatives nor field office personnel track the volume of PEBES-related inquiries they receive.

Moreover, SSA cannot determine the number of earnings corrections resulting from the PEBES mailings. SSA staff at teleservice centers, field offices, and DCC may make earnings corrections for different reasons, some of which do not relate to the PEBES mailings. For example, when the computer records new earnings in individual earnings records, the program used to enter the data also identifies potential problems. SSA staff then review these potential problems in the earnings records and make corrections if needed. Although SSA collects data on the total number of earnings corrections made agencywide, it cannot differentiate PEBES-related corrections from corrections made for other reasons.

SSA Cannot Be Sure It Is Prepared for Future PEBES Work

Because SSA has not fully tested or monitored the PEBES's impact, the agency does not know whether it will be able to effectively manage the impending PEBES work. According to its fiscal year 1998 budget, SSA would continue to direct most—an estimated 80 percent—of the PEBES work to DCC through fiscal year 2001. The budget projects that the number of DCC employees needed to complete this work will grow from 88 of its current 830 employees in fiscal year 1997 to an estimated 560 in fiscal year 2000, when SSA begins mailing 123 million mandated statements per year.⁸ SSA officials told us, however, that they recognize that DCC, as early as fiscal year 1999, will not be able to absorb all of the future PEBES work while also performing all of its other duties.

In response to this situation, agency officials plan to shift some of the PEBES work to other units; however, they have not developed an explicit time table for this nor have they decided where to shift this work. To make this decision, SSA officials would have to compare the demands of the PEBES work with the ongoing work of other units. For example, SSA is considering directing the PEBES work to the teleservice centers by changing the telephone number listed on the PEBES to the national 800 number. Yet, as we have found in our ongoing work, staff answering the national 800 number have struggled to keep pace with the rapidly growing call volumes, and SSA has initiated steps to improve callers' access and

⁸The budget refers to work-years, which in this context equals roughly the number of SSA employees required to complete this work.

reduce waiting times.⁹ If SSA directs the PEBES calls to the national 800 number without better data on the actual volume of PEBES-related calls it anticipates, it may overburden the teleservice centers and diminish the national 800 number's level of service.

Moreover, SSA needs to begin collecting complete data on the volume of PEBES inquiries now to allow sufficient lead time to prepare for any shift in handling the PEBES work. For example, if additional staff are needed to answer telephone calls, these staff may need training on the PEBES requirements or on answering PEBES-related questions. In addition, SSA may need to install more telephones or related support equipment. If lead time to complete these activities is insufficient, callers may have to endure longer waiting times and poor service once they reach a telephone representative.

Finally, the option of shifting work to other units does not account for the possible need for additional help for the field offices. If field offices receive more calls or visitors due to the PEBES than they can handle, their levels of service may suffer. Several field office managers told us that relatively few PEBES recipients have contacted their office with questions to date, but some expressed concern about what they believe will be a likely increase in calls and visits to their offices in fiscal year 2000.

Collecting and Using Key Data Could Improve PEBES's Workload Management

SSA could improve implementation of the PEBES initiative by collecting more complete data on the volume of and reasons for work resulting from the PEBES mailings. Better data on the reasons for inquiries resulting from PEBES mailings could also help SSA improve the statement by identifying parts of the statement that do not communicate clearly.

Improving PEBES Implementation

More complete data on the effects of mandatory PEBES mailings would help SSA determine these mailings' potential impact on its operations, monitor its ability to manage this growing workload, and make timely adjustments to its implementation plans if needed. These data would help SSA decide when and where to shift the PEBES work as it becomes too much for DCC to handle. Specifically, SSA could collect more complete data on the number of people who contact the agency with PEBES questions, the reasons for their calls and visits, and the number of corrections made to earnings

⁹Social Security Administration: More Cost-Effective Approaches Exist to Further Improve 800-Number Service (GAO/HEHS-97-79, forthcoming report).

records as a result of the PEBES mailings. For example, SSA could systematically collect more detailed data from the DCC telephone staff who have regular contact with the public. By making minor revisions to the types of data staff collect for each telephone call, SSA could identify both the number of calls that relate to the mandated mailings and the number that result in earnings corrections. In addition, SSA could begin to collect data on the number of PEBES-related calls to the national 800-number representatives.¹⁰ SSA could also consider collecting more detailed data on earnings corrections to allow it to differentiate PEBES-related corrections from corrections made for other reasons.

Information on the workload effects of the mandatory mailings could also indicate the need for more fundamental changes. For example, if SSA finds it has underestimated the volume of work resulting from PEBES mailings and it cannot handle this work without diminishing other services to the public, one option would be to pursue actions to permit mailing the statements less often. This would, however, require congressional action. Although most private pension programs mail yearly statements to their participants, none mails to 123 million people. We asked several benefit experts for their opinions on how often the PEBES should be mailed to individuals, but we found no consensus. Some believe that the PEBES should be mailed annually, while others believe that a less frequent mailing schedule would be adequate. SSA received more consensus from the public on this subject. The majority of those responding to two public opinion surveys conducted by SSA replied that they would be satisfied with less frequent than annual PEBES mailings. For example, if SSA adopted a 3-year staggered cycle, it would mail approximately 41 million statements a year in fiscal year 2000 and beyond rather than the projected 123 million annual statements currently planned. This approach would also reduce the estimated annual \$48 million of production costs by one-third.

Improving PEBES Redesign Effort

In addition to aiding SSA by providing early warnings of future problems, more detailed and complete information on the volume of and reasons for inquiries resulting from PEBES mailings could be used to help SSA ensure that the PEBES communicates information to the public clearly and effectively. We concluded in our December 1996 PEBES report that the current statement does not clearly convey some of the complex benefit and program information it contains. For example, PEBES 800-number

¹⁰The number of PEBES-related calls could be obtained as part of a larger effort to gather detailed information on the reasons people call the national 800 number. In our forthcoming report on SSA's national 800-number service, we discuss the benefits of collecting more detailed data, which SSA could use to better and more cost-effectively serve the public.

telephone representatives told us that the public often asks questions about the PEBES's explanation of family benefits.¹¹ These benefits are hard to explain because their amounts depend on several factors. We recommended that SSA revise the PEBES to improve its layout and design and to simplify explanations. We also concluded that SSA can ensure that its current redesign project targets the most significant weaknesses by systematically obtaining more detailed information on the volume of and reasons for PEBES inquiries being handled by the workers who deal directly with the public. Information on the reasons for these inquiries could help SSA better determine which parts of the statement pose problems for recipients. Clarifying the PEBES could help to prevent unnecessary inquiries, reducing some of the future PEBES work. In response to our findings, SSA has recently begun collecting more detailed information on the reasons for calls DCC handles. SSA's current redesign effort is expected to produce a new PEBES for the 1999 mailings.

Conclusions

The PEBES will be sent to nearly every U.S. worker aged 25 and older in fiscal year 2000 and beyond; yet SSA has not taken the necessary steps to ensure that it is fully prepared for the potential workload. For SSA to better manage the PEBES initiative and increase the likelihood of its success, the agency needs to collect more complete data on the number of people who contact SSA with questions about the PEBES, the reasons for their calls and visits, and the number of corrections made to earnings records as a result of the PEBES mailings. SSA needs to begin now to collect this information so that it has enough time to make any adjustments for handling the PEBES workload without compromising service to the public. In addition, SSA needs to begin using these data in its current effort to redesign the PEBES for its 1999 statement.

Recommendation to the Commissioner of Social Security

To better manage the PEBES initiative, we recommend that SSA systematically collect more detailed feedback from the workers who deal directly with the public on the number of and reasons for PEBES inquiries and more detailed information on the number of earnings corrections specifically linked to the PEBES mailings.

Agency Comments and Our Evaluation

In commenting on a draft of this report (see app. II), SSA said that it believes its current approach enables it to effectively monitor the PEBES

¹¹SSA uses the term "family benefits" to refer to benefits paid to a worker's spouse or young children when the worker is retired or disabled.

workload and assess the need for any changes in the process. SSA stated that it has had 2 full years of experience with the PEBES workload and believes that the data it currently collects on the number of PEBES-related inquiries and earnings corrections are sufficient to project likely future work.

We still believe, however, that SSA officials lack sufficient information to ensure that SSA is fully prepared for the PEBES workload and that the agency could better manage the potential workload with more complete and accurate data on the effects of mailing the mandated statements. Although SSA does collect data on certain aspects of the PEBES work, these data are either not detailed enough or do not accurately reflect work resulting from mandated PEBES mailings. For example, SSA officials stated that the data collected from both the PEBES-specific 800 number and SSA's system for reviewing a sample of national 800-number calls provide enough information to project the future PEBES-related inquiry workload. SSA cannot identify, however, how many PEBES-specific 800-number calls relate to the mandated PEBES mailings and how many calls result in earnings corrections. SSA officials also stated that the data SSA collects on the number of earnings corrections completed before a worker files a claim for benefits can be used to project the impact of mailing the PEBES by comparing the past volume of earnings corrections with current and future volumes. As we reported, however, the data SSA collects on this type of earnings correction also include corrections made for other reasons, making it hard to isolate the effect of the PEBES mailings. SSA officials stated that they would be interested in reviewing our suggestions about specific data elements that could be collected to help estimate future PEBES work. We will work with SSA personnel to provide specific suggestions.

In addition, SSA stated that its current technology provides the flexibility to direct the flow of PEBES-related work without adversely affecting service to the public or burdening any single operations component. We agree that SSA can shift the PEBES work by redirecting the telephone calls resulting from the PEBES mailings. Given SSA's emphasis on serving the public and improving its national 800-number service, however, more complete data on the volume of the PEBES workload will enable SSA to better monitor the impact of the work on its operating units and make timely and well-planned shifts to other units before service to the public would be compromised.

Finally, SSA agreed that redesigning the PEBES form is necessary and reported that it has already begun taking steps to improve the statement.

We are sending copies of this report to the Acting Commissioner of Social Security and other interested parties. Copies will also be made available to others on request. If you or your staff have any questions about this report, please call me on (202) 512-7215 or Cynthia Fagnoni, Assistant Director, on (202) 512-7202. Other major contributors to this report include Kay Brown, Evaluator-in-Charge; Hans Bredfeldt, Senior Evaluator; and Nora Landgraf and Elizabeth Jones, Evaluators.

Sincerely yours,

A handwritten signature in cursive script that reads "Jane L. Ross".

Jane L. Ross
Director, Income Security Issues

Contents

Letter		1
Appendix I Personal Earnings and Benefit Estimate Statement		16
Appendix II Comments From the Social Security Administration		22
Tables	Table 1: PEBES Mandated Mailing Requirements and Schedule	3
	Table 2: Comparison of SSA's Mailing Volume Estimates for the Mandated and Accelerated Schedules	4
Figure	Figure 1: The PEBES Work Process	5

Abbreviations

DCC	Division of Certification and Coverage
OCRO	Office of Central Records Operations
PEBES	Personal Earnings and Benefit Estimate Statement
SSA	Social Security Administration

Personal Earnings and Benefit Estimate Statement

Your Personal Earnings and Benefit Estimate Statement from the SOCIAL SECURITY ADMINISTRATION



February 21, 1996

JANE Q PUBLIC
123 MAIN STREET
WASHINGTON, DC 20225-0000

A Message from the Commissioner of Social Security

Last year, the Social Security Administration sent a Personal Earnings and Benefit Estimate Statement to every American 60 years of age or older who was not receiving Social Security benefits. The purpose of the mailing was to help those individuals understand the value of Social Security in their lives as they plan their financial future. This year, we are sending the statement to people like yourself who are (or soon will be) age 60.

This statement shows the estimated amount of Social Security benefits you and your family may be eligible for now and in the future. The statement also lists the earnings your employers (or you, if you're self-employed) have reported to Social Security over the years. If your records don't agree, please let us know right away. That's important because your benefits will be based on our records of your earnings.

Keep in mind, Social Security benefits are not intended to meet all your financial needs. For example, when you retire, you'll probably need other income, such as savings or a pension.

It's also important to remember that Social Security protection offers more than retirement benefits. Most workers have Social Security disability coverage to protect them from loss of income if they become severely disabled. In addition, financial protection is available to your family through Social Security survivors benefits if you should die.

To help you better understand the basic facts about Social Security, we have included some frequently asked questions on the back of this statement. If you have other questions, we'll be glad to answer them.

For over 60 years, Social Security has worked for all of us and for our families. The Social Security Board of Trustees projects that the system will continue to have adequate resources to pay benefits in full for more than 30 years. This means there is time for the Congress to make changes needed to safeguard the program's financial future. I am confident these actions will result in the continuation of the American public's widespread support for Social Security.

We look forward to serving you today and in the future.

Shirley S. Chater
Commissioner of Social Security

You and Your Social Security

This statement provides information about your own Social Security record only. It does not talk about Social Security benefits you are now getting or might get in the future on anyone else's record. We used the following information to prepare your statement:

Your Name	Jane Q. Public
Your Social Security Number	XXX-XX-XXXX
Your Date of Birth	April 26, 1937
Estimated Future Earnings 1995 On	\$33,375
Other Social Security Numbers Also Assigned to You	None

**Appendix I
Personal Earnings and Benefit Estimate
Statement**

Your Social Security Earnings

On page 4, we explain more about covered earnings and Social Security and Medicare taxes. The following chart shows your reported earnings. It may not show some or all of your earnings from last year because they are not yet recorded. This year's earnings will not be reported to us until next year.

If your own records do not agree with the earnings amounts shown, please contact us right away.

Years	Social Security			Medicare		
	Maximum Taxable Earnings	Your Reported Earnings	Estimated Taxes You Paid	Maximum Taxable Earnings	Your Reported Earnings	Estimated Taxes You Paid
1937-50	\$3,000	\$ 0	\$ 0			
1951	3,600	0	0			
1952	3,600	155	2			
1953	3,600	945	14			
1954	3,600	0	0			
1955	4,200	0	0			
1956	4,200	0	0			
1957	4,200	1,180	26			
1958	4,200	35	0			
1959	4,800	430	10			
1960	4,800	94	2			
1961	4,800	2,133	64			
1962	4,800	4,696	146			
1963	4,800	4,336	157			
1964	4,800	4,066	147			
1965	4,800	4,292	155			
1966	6,600	4,841	186	\$6,600	\$ 4,841	\$ 16
1967	6,600	5,040	196	6,600	5,040	25
1968	7,800	5,240	199	7,800	5,240	31
1969	7,800	5,560	233	7,800	5,560	33
1970	7,800	6,259	262	7,800	6,259	37
1971	7,800	6,160	283	7,800	6,160	36
1972	9,000	7,216	331	9,000	7,216	43
1973	10,800	8,405	407	10,800	8,405	84
1974	13,200	10,490	519	13,200	10,490	94
1975	14,100	10,652	527	14,100	10,652	95
1976	15,300	12,050	596	15,300	12,050	108
1977	16,500	13,578	672	16,500	13,578	122
1978	17,700	16,224	819	17,700	16,224	162
1979	22,900	16,912	859	22,900	16,912	177
1980	25,900	17,403	884	25,900	17,403	182
1981	29,700	19,732	1,055	29,700	19,732	256
1982	32,400	22,280	1,203	32,400	22,280	289
1983	35,700	22,717	1,226	35,700	22,717	295
1984	37,800	23,694	1,279	37,800	23,694	308
1985	39,600	25,411	1,448	39,600	25,411	343
1986	42,000	26,749	1,524	42,000	26,749	387
1987	43,800	27,970	1,594	43,800	27,970	405
1988	45,000	29,146	1,766	45,000	29,146	422
1989	48,000	30,139	1,826	48,000	30,139	437
1990	51,300	30,472	1,889	51,300	30,472	441
1991	53,400	30,718	1,904	125,000	30,718	445
1992	55,500	30,726	1,905	130,200	30,726	445
1993	57,600	31,307	1,941	135,000	31,307	453
1994	60,600	33,375	2,069	No Limit	33,375	483
1995	61,200	Not Yet Recorded		No Limit	Not Yet Recorded	
1996	62,700			No Limit		
Total estimated Social Security taxes paid			\$ 30,325	Total estimated Medicare taxes paid \$ 6,654		

**Appendix I
Personal Earnings and Benefit Estimate
Statement**

**Your Estimated
Social Security
Benefits**

Your work under Social Security helps you and your family to qualify for benefit payments. The kinds of benefits you might get are described below. For each benefit, you need a certain number of work credits (see page 5). Once you have enough credits, your benefit amounts depend on your average earnings over your working lifetime. We used the earnings in the chart on page 2 to figure your credits and estimate your benefits. We assumed that you will continue to work and make about the same as the latest earnings shown on your records for 1994 or 1995.

**Retirement
Benefits**

To get Social Security retirement benefits, you need 40 credits. That is also how many you need for Medicare at age 65. Your record shows that you have enough credits.

On page 5, we explain about different ages when you can retire. If you worked at your present rate up to each retirement age, your monthly amount would be about:

At age 62 (reduced benefit)	\$ 870
At full-retirement age (age 65)	\$ 1,100
At age 70	\$ 1,480

**Disability
Benefits**

On page 6, we tell you about disability benefits. If you become disabled right now, you need 37 credits to qualify for disability benefits. Of these credits, 20 had to be earned in the last 10 years. Your record shows that you have earned enough credits within the right time.

Right now, your monthly disability benefit amount would be about \$ 1,070

**Family
Benefits**

If you get retirement or disability benefits, your spouse and young children may also qualify for benefits. See page 6 for more information about family benefits.

**Survivor
Benefits**

If you die, certain members of your family may qualify for survivor benefits on your record. See page 6 for an explanation of who may qualify.

If you die this year, you need 37 credits for your survivors to get benefits. Your record shows you have enough. If they met all other requirements, monthly benefit amounts would be about:

For your child	\$ 810
For your spouse who is caring for your child	\$ 810
When your spouse reaches full-retirement age	\$ 1,080
For all your family members, if others also qualify (more children for example) \$	1,895

We may also be able to pay your spouse or eligible children a one-time death benefit of \$255.

Medicare

Medicare hospital and medical insurance is a two-part benefit program that helps protect you from the high costs of medical care. Hospital insurance benefits (Part A) help pay the cost when you are in the hospital and for certain kinds of follow-up care. Medical insurance benefits (Part B) help pay the cost of doctors' services.

If you have enough work credits, you may qualify for Medicare hospital insurance at age 65, even if you are still working. You may qualify before age 65 if you are disabled or have permanent kidney failure. Your spouse may also qualify for hospital insurance at 65 on your record.

Almost anyone who is 65 or older or who qualifies for Medicare hospital insurance can enroll for medical insurance. You must pay a monthly premium for it.

For More Information or To Correct Your Record

After you read this statement, please call 1-800-537-7005* if you have any questions, if you need to report any missing or wrong earnings on your record, if you want to apply for benefits, or if you want this statement in Spanish. This statement is not a decision on a claim for Social Security or Medicare Benefits. You do not qualify for any of these benefits unless you apply for them and meet all the requirements. This statement is just an estimate of what you may get. In the meantime, your record is updated every year. You can request a new statement to make sure it stays correct.

*Social Security treats all calls confidentially--whether they are made to our toll-free number or to one of our local offices. But we also want to be sure that you receive accurate and courteous service. That is why we have a second Social Security representative listen to some incoming and outgoing telephone calls.

**Appendix I
Personal Earnings and Benefit Estimate
Statement**

Your Earnings Record

Why does Social Security keep a record of my earnings?	We keep a record of the amount of earnings reported each year under your name and Social Security number. When you apply for benefits, we check your record to see if you worked enough over the years to qualify. Then we base the amount of your payments on your average earnings over your working lifetime.
What kinds of earnings may be on my record?	Almost all kinds of employment and self-employment earnings are covered for Social Security and Medicare: <ul style="list-style-type: none">• Most wages have been covered by Social Security taxes since 1937 and most kinds of self-employment since 1951.• Medicare taxes on both kinds of earnings started in 1966.• Some Federal, State and local government workers do not pay Social Security taxes, but most of them do pay Medicare taxes on their "Medicare qualified government earnings." If you work for wages, your employer reports the amount of your earnings to Social Security after the end of each year. If you are self-employed, you report your net earnings on your yearly income tax return. The chart on page 2 shows the amounts of earnings reported to us. If you had more than one employer during the year, your earnings from all of them have been combined.
If my work is covered for Social Security and Medicare, do all my earnings go on record?	Not necessarily. There are limits each year on how much earnings are taxable for Social Security and for Medicare. If you earn more than the maximum amount, the extra earnings will not be shown. The chart on page 2 shows the maximum amount that was taxable for each year so far. The amount was the same for both Social Security and Medicare from 1966 through 1990. The Medicare maximum amount was higher from 1991 through 1993. Beginning in 1994, there is no maximum for Medicare. You now pay the Medicare tax on <i>all</i> your wages and self-employment earnings. There is still a limit on taxable Social Security earnings, however.
Are my military service earnings on record?	Your statement shows basic military pay you earned from active duty or active duty for training since 1957 and from inactive duty for training since 1988. In some cases, you may also qualify for free earnings credits for military service from September 1940 through December 1956. We do not show these free credits on this statement. We decide if you qualify for them when you apply for benefits.
What about railroad work?	If you worked in the railroad industry for less than 10 years, your railroad earnings are included on the chart. We considered these earnings when we counted your credits and estimated your benefits. (If you have 10 or more years of railroad work, you should contact a Railroad Retirement Board office for information about railroad pension benefits.)

Your Social Security Taxes

Why does the chart on page 2 say "Estimated Taxes You Paid"?	The Internal Revenue Service collects your Social Security and Medicare taxes. We do not keep that record. To estimate the Social Security and Medicare taxes you paid, we multiplied your reported earnings by the tax rate for each year. The amounts are shown in separate columns on the chart. If you had both wages and self-employment earnings in the same year, we estimate the taxes as if the total amount was wages. If you had both Social Security earnings and government earnings that qualified for Medicare in the same year, we estimate the combined Medicare taxes you paid.
What are the tax rates this year?	You and your employer each pay Social Security taxes of 6.2 percent on the first \$62,700 of covered wages. You each also pay Medicare taxes of 1.45 percent on <i>all</i> your covered wages. If you are self-employed, your Social Security tax is 12.4 percent and your Medicare tax is 2.9 percent on the same amounts of earnings.

Form SSA-7005-SM-SI (2-96)



**Appendix I
Personal Earnings and Benefit Estimate
Statement**

Earning Social Security and Medicare Credits

What are “credits” and how do I earn them?

As you work and pay Social Security taxes, you earn Social Security credits:

- Before 1978, when your employer reported your earnings every 3 months, they were called “quarters of coverage.” Back then, you earned a quarter or credit if you earned at least \$50 dollars in a 3-month quarter.
- Starting with 1978 your employer reports your earnings just once a year and credits are based on how much you earn during the year. The amount it takes to earn a credit changes each year.
- In 1996, you get one credit for each \$640 of your covered annual earnings, up to a maximum of 4 credits for the year, no matter when you work during the year.

How many credits do I need for benefits?

On page 3, we tell you how many credits you need for each kind of benefit and whether you have enough. Most people need 40 credits (10 years of work) to qualify for benefits. Younger people need fewer credits for disability or for their family members to get survivors benefits if they should die.

What if I do not have enough credits yet?

The credits you already earned remain on your record, and you add to them as you continue to work and pay Social Security taxes. Under certain conditions, we may also use credits you earned under a foreign social security system to help you qualify for benefits.

What about credits for Medicare benefits?

When you earn credits for Social Security benefits, they also count for Medicare. However, if you have government earnings on which you pay Medicare taxes but not Social Security taxes, those are considered “Medicare-qualified government earnings.” Those earnings give you credits for Medicare but do not count for Social Security benefits.

Estimating Your Benefits

How do you figure out the amount of my Social Security benefits?

It is the earnings on your records, not the amount of taxes you paid or the number of credits you have, that we use to figure how much you will get each month. The Social Security law has a special formula for figuring benefits. The formula uses your average earnings over your entire working life. For most retirement benefit estimates, we will be averaging your 35 best years of earnings. If you become disabled or die before retirement, we may use fewer years to figure those benefits.

For the retirement estimates, we assumed that you will continue working up to retirement age. We also assumed you would keep on earning the amount shown as “Estimated Annual Earnings 1995 On.” If that still does not give you 35 years, we will use some zero years to figure your average earnings.

When I requested a statement like this several years ago, my retirement benefit was higher. What happened?

We now show benefit estimates in current dollars. If you requested a statement like this before September 1993, we had increased your retirement estimate amount on that statement by 1 percent for each remaining year up to age 62. This reflected expected economic growth. We stopped doing this to make your estimate more consistent with estimates prepared in other pension planning programs.

I worked for the government and so did my spouse. Will our government pensions affect our Social Security?

If your pension is based on work not covered by Social Security, the amount of your Social Security benefits may be lower than shown on this statement. This could include pensions from Federal, State or local governments, nonprofit organizations, or foreign entities. Your spouse’s benefits on your record may also be affected by his or her pension. For more information, ask us for the free fact sheets “A Pension From Work Not Covered By Social Security” and “Government Pension Offset.”

Retirement Benefits

When can I get retirement benefits?

You can get reduced benefits as early as age 62 or get full-retirement benefits at age 65. (Starting in the year 2000 for people born in 1938 or later, this age will increase gradually. By 2027, full-retirement age will be 67 for people born after 1959.) Your benefits may be higher if you delay retiring until after full-retirement age.

**Appendix I
Personal Earnings and Benefit Estimate
Statement**

Disability Benefits

Tell me about disability benefits.

These benefits are paid if you become totally disabled before you reach full-retirement age. To get disability benefits, three things are necessary:

- You need a certain number of work credits, and they had to be earned during a specific period of time;
- You must have a physical or mental condition that has lasted, or is expected to last, at least 12 months or to end in your death; and
- Your disability must be severe enough to keep you from doing any substantial work, not just your last job.

Benefits for Your Family

If I retire or become disabled, can my family get benefits with me?

As you work, you also build up protection for your family. Benefits may be payable to:

- Your unmarried children under age 18 (under 19 if in high school) or any age if disabled before age 22; and
- Your spouse or divorced spouse at age 62 (reduced), at full-retirement age, or at any age if caring for your qualified child who is under 16 or disabled.

Usually, each family member qualifies for a monthly benefit that is up to 50 percent of your retirement or disability benefit, subject to the limit explained below.

What about my survivors if I die?

Here again, your unmarried young or disabled children may qualify for monthly payments. We also pay benefits to widows and widowers, starting:

- At age 50 if disabled;
- At age 60 (reduced);
- At full-retirement age; or
- At any age if your widow or widower is caring for your qualified child who is under age 16 or disabled.

Is there a limit on the benefits we can get each month?

Yes. There is a limit on the amount we can pay to you and your family altogether. This total depends on the amount of your benefit and the number of family members who also qualify. The total varies, but is generally equal to about 150 to 180 percent of your retirement benefit. (It may be less for disability benefits.) The family limit also applies to benefits for your survivors.

What if my spouse also worked long enough under Social Security to get benefits?

Your spouse cannot get both his or her own benefit plus a full benefit on your record. We can only pay an amount equal to the larger of the two benefits. Your spouse should call us and ask how to get a Personal Earnings and Benefit Estimate Statement like this. When you both have statements, we can help estimate your spouse's future benefits on the two records.

If You Continue to Work

What if I take my benefits and then want to work some more?

Even if you are still working, you may qualify for benefits. Until you reach age 70, there are limits on how much you can earn without losing some or all of your Social Security retirement benefits. These limits change every year. When you apply for benefits, we will tell you what the limits are at that time and if work would affect your monthly checks and those of your qualified family members.

What if my family members work?

Earnings limits also apply to family members who get any kind of benefits on your record. Their earnings only affect their own benefit payments, however, not yours.

Do these limits also apply if I get disability benefits?

No. Different rules apply to people who get disability benefits. The disability program has incentives to help beneficiaries return to productive work.

Comments From the Social Security Administration



SOCIAL SECURITY

Office of the Commissioner
April 23, 1997

Ms. Jane L. Ross, Director
Income Security Issues
U.S. General Accounting Office
Washington, D.C. 20548

Dear Ms. Ross:

Thank you for the opportunity to comment on the draft report, "SSA Benefit Estimate Statements: Additional Data Needed to Improve Management" (GAO/HEHS-97-101). We appreciate the time and effort of the General Accounting Office (GAO) in conducting this review.

We believe that our current monitoring methods allow us to effectively monitor the Personal Earnings and Benefit Estimate Statements (PEBES) workloads and assess the need for any changes in the process. The technology that we have available to handle these workloads, both the telephone network and the earnings correction software, provide us with flexibility in directing the flow of both the inquiries and the earnings corrections without adversely affecting our service to the public or burdening any single Operations component.

While we agree that the Social Security Administration's (SSA) management information data regarding general PEBES-related inquiries is not as all-encompassing as GAO suggests it should be, SSA frequently uses manual stroke tallies to capture information. While there is a margin of error associated with such tallies, the Agency has found them overall to be a valid indicator of field experience and a fairly accurate predictor of workloads. In addition to the inquiry data obtained from the 1994 study cited in the report, SSA has two full years of PEBES experience, including anecdotal reports from the various Operations field components. With the experience and data obtained both from the Office of Central Records Operations telephone system and the Office of Program and Integrity Reviews service observation of the national 800 number traffic, we believe that we have sufficient information to project our PEBES inquiry workloads.

The management information system that now collects earnings disagreement and earnings discrepancy data is designed to give Operations more management control over the entire earnings correction process. The source that generated an earnings correction action is not necessarily material to assuring that

SOCIAL SECURITY ADMINISTRATION BALTIMORE MD 21235-0001

**Appendix II
Comments From the Social Security
Administration**

2

the disagreement or discrepancy is resolved quickly and accurately. We have data regarding how many "pre-claim" earnings corrections were performed in previous years and can compare that volume to current, and future, volumes to make reasonable assumptions on the impact of PEBES.

Nevertheless, if GAO has suggestions about specific data elements that could be collected in estimating the number of and reasons for PEBES inquiries and resultant earnings correction workloads, we would be interested in reviewing them.

Finally, we agree that redesigning the PEBES form to improve its layout and design and to simplify its explanations is necessary, and, as you know, steps are underway to do this. Further, we agree that clarification of the PEBES will help reduce unnecessary inquiries and reduce future PEBES workloads.

If you have any questions, please call me or have your staff contact Janice Warden at (410) 965-3143.

Sincerely,


John J. Callahan
Acting Commissioner
of Social Security

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