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# The Social Security Statement

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## The Social Security Statement

The Social Security Administration (SSA) is required by law to provide Social Security number (SSN) holders with annual statements that contain certain information from their Social Security records in accordance with Section 1143 of the Social Security Act, as amended. The annual statement is now referred to as the Social Security Statement or the *Statement*. The Statement is considered to be one of the important tools SSA uses to communicate with the public and also a financial literacy vehicle to assist individuals and households with retirement planning.

Under current law, the Statement must be available to SSN holders who are aged 25 or older and who have wages or net earnings from self-employment. Among other information, the Statement must contain the wages and self-employment income reported to the SSN holders' records, estimates of the payroll tax contributions they and their employers have paid, and estimates of the potential benefits they and their family members may qualify for based on those earnings.

The Statement includes an individual's earnings history year by year as shown in SSA's records. Therefore, it provides an opportunity for individuals to verify the accuracy of their earnings histories in SSA's records and to notify SSA if there are any errors. The Statement also includes information on benefit eligibility for the individual and his or her eligible family members, as well as estimates of potential Social Security benefits payable to the individual and his or her eligible family members based on the individual's earnings history. Additionally, it includes a notification that employment not covered by Social Security can result in lower Social Security benefits. The benefit estimates can help individuals adjust their expectations of what the program will provide and inform their financial planning decisions, including when to claim Social Security benefits. In addition to the annual statement, SSA also provides supplemental fact sheets to provide clarity and useful information based on the person's age group and earnings situation.

The Statement was mailed to specific age groups of individuals as required by the act starting in FY1995. In FY2010, SSA sent over 155 million Statements to SSN holders aged 25 or older who were not receiving Social Security benefits and for whom SSA could determine mailing addresses. Preparing and mailing the Statements cost about \$70 million per year during FY2000-FY2010. Due to budget constraints, SSA suspended the mailing of Statements in March 2011. Since the initial suspension in 2011, SSA's policy on the mailing of Statements has been revised several times. Since May 1, 2012, SSA has made an online version of the Statement available through a "my Social Security Account" (which allows access to an online version of the Statement) to SSN holders aged 18 or older. Under the current policy, which has been in place since January 2017, SSA automatically mails Statements only to individuals who are aged 60 or older, are not receiving Social Security benefits, and have not created "my Social Security Accounts." Any other individual must create a "my Social Security Account" to access his or her Statement online or request a mailed paper Statement from SSA.

In FY2018, there were about 38.8 million registered users of "my Social Security Account," and 16.8 million (or 43%) accessed their Statements online. In total, about 31.4 million people received or viewed their Statements in any form—paper or online—in FY2018.

A range of studies have analyzed the role the Statement plays in SSA's communication with potential beneficiaries. Some of the findings suggest that the information provided by the Statement can be influential and can increase people's program knowledge and change their behavior in Social Security claiming and applying for disabled-worker benefits. Other findings suggest that its effect on Social Security program knowledge, benefit claiming, employment, and retirement savings is small. Results of these studies vary due to differences in the data set used, research methods employed, the type of Social Security knowledge tested, and the type of older workers' behavior analyzed.

Policymakers may be interested in ways to improve the Statement, thus providing individuals more sufficient and accurate information to prepare for retirement. Those improvements may involve (1) developing more accurate benefit estimates for younger workers, women, lower earners and those with zero earnings in the two years prior to receipt of the Statement; (2) providing additional information related to benefits for spouses and survivors, benefits for workers with earnings not covered by Social Security, an accrued benefit illustration (i.e., an estimate of the worker's benefit based on his or her earnings to date, assuming no future earnings), and other retirement plan information (i.e., information on other potential vested retirement plan benefits); (3) assessing the effectiveness of the latest version of the Statement introduced in fall 2021; and (4) exploring Statement delivery methods.

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## Introduction

Social Security is the single largest federal program both in terms of its budget and the number of people in the United States who have some connection to the program.<sup>1</sup> This includes beneficiaries who receive monthly cash benefits, as well as covered workers and their employers who make mandatory payroll tax contributions to support the program.

In 2021, for example, Social Security had total income of \$1.088 trillion (primarily from dedicated payroll tax contributions) and total costs of \$1.145 trillion (primarily for benefit payments). When program costs exceed income (as they do now), asset reserves held by the Social Security trust funds supplement current payroll tax revenues to meet program expenditures. At the end of 2021, the trust funds held \$2.852 trillion in asset reserves in the form of special issue U.S. Treasury securities.<sup>2</sup>

Every month, the program pays cash benefits to more than 65 million people of all ages. Beneficiaries include retired workers, disabled workers, and the eligible family members of retired, disabled, or deceased workers (including spouses and dependent children). Currently, about 178 million people work in employment covered by Social Security.<sup>3</sup> Covered workers and their employers, as well as self-employed individuals, pay mandatory Social Security payroll taxes to support the program.<sup>4</sup> The size and scope of the program is significant considering total contributions paid by covered workers and their employers, total benefits paid to beneficiaries on a monthly basis, and the large segment of the U.S. population that has some connection to the program as a covered worker, as the eligible family member of a covered worker, and/or as a beneficiary.

The Social Security program was enacted in 1935, and Congress has expanded and modified the program numerous times over its almost 90-year history. Today, the program rules are extensive, complex, and in many cases not well understood. Some individuals may pay into the Social Security system for decades and have little understanding—or an incorrect understanding—of the benefits that they and their eligible family members can expect to receive from the program. A lack of understanding about the program and the benefits it provides can undermine public support for a contributory system with mandatory participation. It can also affect an individual's ability to plan for adequate income in retirement or following the disability or death of the worker. Social Security was not intended to be a beneficiary's sole source of income. However, for many beneficiaries, Social Security represents a sizable share of total income. An

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<sup>1</sup> Social Security is also known by its formal name, the Old-Age, Survivors, and Disability Insurance (OASDI) program. Social Security is a work-related program administered by the Social Security Administration (SSA). It protects insured workers and their eligible family members from the loss of income due to the worker's retirement, disability, or death. This report addresses the Social Security program. It does not address the Supplemental Security Income (SSI) program, a separate need-based program administered by SSA.

<sup>2</sup> SSA, Office of the Chief Actuary (OCACT), <https://www.ssa.gov/oact/ProgData/allOps.html>.

<sup>3</sup> SSA, OCACT, <https://www.ssa.gov/oact/FACTS/index.html>. OCACT estimates that about 178 million people will work in covered employment in 2022 and that about 94% of all workers in paid employment or self-employment are covered under the Social Security program.

<sup>4</sup> The Social Security payroll tax rate is 12.4%. Covered workers and their employers each pay 6.2% of the worker's covered earnings, up to maximum earnings of \$147,000 in 2022 (i.e., the taxable maximum). Self-employed individuals pay the full 12.4% of net earnings up to the taxable maximum. The taxable maximum is indexed to average wage growth in the economy and adjusted in years when a Social Security cost-of-living adjustment (COLA) is payable.

understanding of the types of benefits the program provides, when benefits are payable, and the estimated amount of benefits can help individuals make informed financial planning decisions.

The Social Security Administration (SSA) is required by law to provide Social Security number (SSN) holders with annual statements that contain certain information from their Social Security records in accordance with Section 1143 of the Social Security Act, as amended.<sup>5</sup> The original requirement was added as part of the Omnibus Budget Reconciliation Act of 1989 (P.L. 101-239). The Omnibus Budget Reconciliation Act of 1990 (P.L. 101-508) changed the frequency of the statements from biennial (every two years) to annual. It also amended the Internal Revenue Code to allow SSA to access address information from Internal Revenue Service (IRS) tax returns for purposes of mailing statements (see 26 U.S.C. §6103(m)(7)). The annual statement is now referred to as the Social Security Statement or the *Statement*.

Senator Daniel Patrick Moynihan explained the rationale for the Social Security Statement during a floor statement in January 1989. Several years earlier, Congress had passed the Social Security Amendments of 1983 (P.L. 98-21) to address the impending insolvency of the Social Security trust funds. Without the passage of the 1983 amendments or other remedial action, the Social Security system would have been unable to pay scheduled benefits in full and on time within a matter of weeks or months. Despite the enactment of the 1983 amendments, which were projected to restore long-range trust fund solvency, Senator Moynihan noted in early 1989 that a “lack of public confidence remains the biggest problem facing Social Security. Our fellow citizens do not trust their Social Security system.”<sup>6</sup> Senator Moynihan expressed the view that informing workers covered by Social Security about their personal earnings records, their Social Security tax contributions, and their future Social Security benefits in an annual statement would be a way to “reassure Americans that Social Security will be there for them.”<sup>7</sup> Moreover, Senator Moynihan further reasoned that:

All of us pay into Social Security but rarely, until we become beneficiaries, do we ever hear from Social Security. We pay our taxes to Federal, State, and local governments and we hear back from them every year—reminding us to tote up how much we've paid in and how much we still owe or are due back. We receive monthly statements from our banks and credit card companies. Yet every month, in every paycheck, we see money withheld for Social Security, but we hear nary a word from the Social Security Administration.<sup>8</sup>

The Social Security Act specifies which individuals are eligible to receive Statements and, in general terms, the information that must be contained in the Statement. Under current law, among other information, Statements must contain the wages and self-employment income reported to the SSN holders' records, estimates of the payroll tax contributions they and their employers have paid, and estimates of the potential benefits they and their family members may qualify for based on those earnings.<sup>9</sup>

Over the years, SSA has made changes to the Statement's name, content, format, and method of delivery. The general purpose of the Statement has remained the same: to provide individuals

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<sup>5</sup> See Section 1143 of the Social Security Act (*Social Security Account Statements*) at [https://www.ssa.gov/OP\\_Home/ssact/title11/1143.htm](https://www.ssa.gov/OP_Home/ssact/title11/1143.htm).

<sup>6</sup> Senate, *Congressional Record*, 101<sup>st</sup> Congress, January 25, 1989, p. S629, <https://www.govinfo.gov/app/details/GPO-CRECB-1989-pt1/GPO-CRECB-1989-pt1-6-1>.

<sup>7</sup> *Ibid.*

<sup>8</sup> *Ibid.*

<sup>9</sup> See Section 1143 of the Social Security Act, as amended. See also SSA's Program Operations Manual System, Section RM 01301.001, at <https://secure.ssa.gov/apps10/poms.nsf/lnx/0101301001>.

with (1) an opportunity to verify that their earnings histories in SSA's records are correct<sup>10</sup> and (2) an explanation and estimate of the potential Social Security benefits payable to the individual and his or her family members based on those earnings.

## Statutory Requirement

Section 1143 of the Social Security Act, as amended, requires SSA to provide a Statement to *eligible individuals*, defined as individuals who:

- have an SSN;
- are aged 25 or older; and
- have wages (or net earnings from self-employment) from jobs covered by Social Security *or* for whom information in SSA's records shows a pattern of wages or self-employment income that indicates a likelihood of noncovered employment.

The act specifies that the Statement must contain the following information:

- The individual's earnings history as shown in SSA's records.
- An estimate of the payroll tax contributions paid by the individual and his or her employer(s) based on earnings in covered employment. Payroll tax contributions must be broken down by (1) payroll taxes collected for the Social Security program and (2) payroll taxes collected for the Medicare Hospital Insurance program (Medicare Part A).<sup>11</sup>
- An estimate of the potential Social Security benefits payable on the individual's earnings record (i.e., benefits payable to the individual and to his or her eligible family members) and a description of benefits payable under the Medicare program. With respect to Statements provided to individuals who are younger than age 50, the Statement does not have to include estimates of monthly retirement benefits. If estimates of retirement benefits are not included, the Statement must include a description of the benefits (including benefits for eligible family members) that are available upon retirement.
- If an individual has noncovered employment, the Statement must include an explanation in plain language of two provisions of Social Security law that reduce Social Security benefits for individuals who receive pensions from noncovered employment: the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO). The explanation must include the maximum

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<sup>10</sup> SSA maintains a record of an individual's earnings in covered employment, specifically the portion of covered earnings subject to the Social Security payroll tax (i.e., taxable earnings). An individual's taxable earnings are used to determine whether he or she has a sufficient connection to covered employment to be eligible for future benefits. That is, an individual must have a certain amount of earnings credits (or Quarters of Coverage) to gain insured status under the program. In addition, an individual's benefit computation is based on his or her career-average taxable earnings. Some individuals may have earnings from noncovered employment (i.e., work that is not covered by Social Security). SSA also maintains a record of an individual's noncovered earnings (on and after 1978), although noncovered earnings are not subject to the Social Security payroll tax and are not counted in the Social Security benefit computation.

<sup>11</sup> Earnings in covered employment are subject to the FICA tax (paid by employees and their employers) and the SECA tax (paid by self-employed individuals). A portion of FICA/SECA tax revenues is credited to the Social Security program, and a portion is credited to the Medicare Hospital Insurance program. FICA stands for the Federal Insurance Contributions Act. SECA stands for the Self-Employment Contributions Act. For more information, see CRS Report R42035, *Social Security Primer*.

potential effects of the WEP and the GPO on the individual’s Social Security benefit amounts. (For more information, see **Appendix A.**)

The act further specifies that SSA must provide annual statements to eligible individuals who are not receiving Social Security benefits and for whom “a mailing address can be determined through such methods as the [Social Security] Commissioner determines to be appropriate.” Under Section 6103(m)(7) of the Internal Revenue Code, SSA is authorized to access address information from IRS tax returns for purposes of mailing statements. In addition, the act requires SSA to ensure that eligible individuals are informed about the availability of the Statement.

Section 1143 of the act, as amended, includes a provision indirectly related to the Statement.<sup>12</sup> Section 1143(d) (*Disclosure to Governmental Employees of Effect of Noncovered Employment*) requires state and local government employers to disclose the effect of the WEP and the GPO to employees hired on or after January 1, 2005, in positions that are not covered by Social Security.<sup>13</sup> Newly hired employees must sign statements acknowledging that they have received written notice of the maximum effect of the WEP and the GPO on potential Social Security benefits as a result of their noncovered employment. That is, they must acknowledge that they are aware that their noncovered employment may cause a reduction in their future Social Security benefit entitlement.<sup>14</sup>

## The Current Social Security Statement

### Key Points

- The Statement includes a person’s earnings history, benefit eligibility and benefit estimates, Social Security and Medicare payroll taxes paid, and other information.
- The Statement can provide an opportunity for individuals to verify their earnings records, help individuals adjust their expectations of what the program will provide, and inform their financial planning decisions, including when to claim Social Security benefits.
- Under current policy, annual Statements are available online after creating a “my Social Security Account” on SSA’s web portal. SSA automatically mails paper Statements annually to individuals who (1) are aged 60 or older, (2) have not yet claimed benefits, and (3) have not created “my Social Security Accounts.” An individual can also request a mailed paper Statement from SSA.

SSA introduced a new design for the Statement in fall 2021. In an October 4, 2021, press release, SSA noted that:

The agency conducted extensive research, review, and testing to make the updated Statement easy to understand. The new Statement is shorter, uses visuals and plain language, and includes fact sheets tailored to a person’s age and earnings history. It also includes important information people have come to expect from the Statement, such as how much a worker and family members could expect to receive in Social Security benefits and a personalized earnings history, in a clear, concise manner.<sup>15</sup>

In the press release, SSA highlighted the following elements of the redesigned Statement:

<sup>12</sup> The provision was enacted as part of the Social Security Protection Act of 2004 (P.L. 108-203, see Section 419(c)).

<sup>13</sup> For more information, see CRS Report R46961, *Social Security Coverage of State and Local Government Employees*.

<sup>14</sup> For more information, see SSA, “State and Local Government Employers—Information,” <https://www.ssa.gov/slge/>.

<sup>15</sup> SSA, “Social Security Announces Redesigned Statement—Now Available with a ‘My Social Security Account,’” press release, October 4, 2021, <https://www.ssa.gov/news/press/releases/2021/#10-2021-1>.



- (1) Benefit eligibility information and estimates right on page one in easy-to-find labeled boxes.
- (2) Personalized retirement benefit estimates right up front for all claiming ages in a color bar chart.
- (3) Earnings record in one column for easier viewing.
- (4) Added key points about benefits that are not very clear to the public.<sup>16</sup>

## Purpose of the Statement

The Statement includes an individual's *earnings history* year by year as shown in SSA's records. It is important for SSA to have a complete and accurate record of an individual's earnings history because it is used to determine an individual's eligibility for Social Security benefits (i.e., his or her insured status under the program) and the amount of benefits payable to the individual and his or her family members.<sup>17</sup> The annual Statement provides an opportunity for individuals to verify that their earnings histories in SSA's records are correct and to notify SSA if there are any errors.<sup>18</sup>

The Statement includes information on *benefit eligibility* for the individual and his or her eligible family members, as well as *estimates of potential Social Security benefits* payable to the individual and his or her eligible family members based on the individual's earnings history. Estimates of the individual's retirement benefits are provided for different claiming ages, ranging from age 62 to age 70.<sup>19</sup> Full Social Security retired-worker benefits are payable at the Social Security *full retirement age* (FRA). The FRA is 67 for workers born in 1960 or later. Individuals can claim Social Security retired-worker benefits as early as age 62, but benefits claimed before the FRA are typically subject to a permanent reduction for early retirement. Similarly, individuals can claim Social Security retired-worker benefits after the FRA. Benefits claimed after the FRA are subject to a permanent increase for delayed retirement. (The increase applies up to age 70.) The reduction for early retirement and the increase for delayed retirement can have a large impact on an individual's monthly benefit payment. For this reason, SSA provides a range of benefit estimates based on claiming age. The benefit estimates can help individuals adjust their expectations of what the program will provide and inform their financial planning decisions, including when to claim Social Security benefits.

The Statement includes *other information* such as the estimated amount of Social Security and Medicare payroll taxes that the individual and his or her employer(s) have paid into the system. In addition, it includes a notification that noncovered employment can result in lower Social Security benefits and provides a link to information about the WEP and the GPO on SSA's website.

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<sup>16</sup> Ibid.

<sup>17</sup> For more information on how Social Security benefits are calculated, see CRS Report R46658, *Social Security: Benefit Calculation*.

<sup>18</sup> Individuals can request corrections of their earnings records within the time limit for the year in question. Generally, the time limit is a period of time 3 years, 3 months, and 15 days after any year in which the individual received earnings.

<sup>19</sup> For more information, see CRS In Focus IF11115, *Social Security Retirement Benefit Claiming Age*.

## Content of the Statement

The Statement is available in two formats: a *paper Statement* and an *online Statement*. Both formats are two pages in length and contain the same information. SSA provides sample Statements on its website.

- Sample paper Statement: <https://www.ssa.gov/myaccount/assets/materials/statement-redesign-si-bw.pdf>.
- Sample online Statement: <https://www.ssa.gov/myaccount/assets/materials/statement-redesign-online.pdf>.

The information in the Statement is organized by the following categories:

- **Retirement Benefits.** The Statement identifies whether the individual has earned enough credits to qualify for retirement benefits, the individual's FRA, and the earliest age at which retirement benefits can be claimed, among other information.
- **Disability Benefits.** The Statement identifies whether the individual has earned enough credits to qualify for disability benefits and provides a monthly disability benefit estimate.
- **Survivors Benefits.** The Statement identifies whether the individual has earned enough credits for eligible family members to qualify for survivors benefits on his or her record. It provides a monthly benefit estimate for each type of family member who may qualify for benefits, such as a spouse or a minor child. It also provides an estimate of the maximum combined monthly benefit payable to all eligible family members on the individual's record under a provision called the "family maximum." The statement provides *generic* information regarding benefits for family members rather than customized benefit estimates.
- **Personalized Monthly Retirement Benefit Estimates for Different Claiming Ages.** The Statement includes a bar chart that shows the individual's estimated benefit if claimed at each age from age 62 to age 70.
- **Medicare.** The Statement identifies whether the individual has enough credits to qualify for Medicare at age 65. It provides a brief explanation about the program and identifies where to go for more information.
- **Earnings Record.** The Statement shows the individual's annual earnings in two columns: (1) earnings taxed for Social Security purposes and (2) earnings taxed for Medicare purposes.<sup>20</sup> It explains the importance of reviewing the earnings history for accuracy and provides information on how to contact SSA if there is an error.
- **Taxes Paid.** The Statement shows separate estimated cumulative totals for (1) Social Security payroll taxes paid by the individual and by his or her employer(s)

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<sup>20</sup> The Social Security payroll tax applies to earnings in covered employment *up to an annual limit* (called the taxable maximum). The taxable maximum is adjusted based on average wage growth in the economy in years when a Social Security COLA is payable. The Medicare payroll tax applies to *all* earnings in covered employment. Therefore, the two earnings amounts may differ. Additionally, the earnings of individuals who work in noncovered employment (such as some state and local government employees) are not subject to the Social Security payroll tax. However, the earnings of these individuals generally are subject to the Medicare payroll tax. For related information, see CRS Report R46961, *Social Security Coverage of State and Local Government Employees*.

- and (2) Medicare payroll taxes paid by the individual and by his or her employer(s).
- **Earnings Not Covered by Social Security.** The Statement advises the individual that participation in a retirement plan or receipt of a pension based on earnings for which he or she did not pay Social Security payroll taxes could result in lower Social Security benefits. The Statement provides a link to related information about the WEP and the GPO on SSA’s website.
  - **Important Things to Know About Your Social Security Benefits.** The Statement highlights selected information about the program, such as the availability of benefits for divorced spouses.

In addition to the two-page Statement, SSA provides supplemental fact sheets “designed to provide clarity and useful information, based on [the individual’s] age group and earnings situation.” The targeted fact sheets include the following items available on SSA’s website at <https://www.ssa.gov/myaccount/statement.html>. Relevant fact sheets are also included with mailed paper Statements.

- Retirement Ready (Fact Sheet for Workers Ages 18-48)
- Retirement Ready (Fact Sheet for Workers Ages 49-60)
- Retirement Ready (Fact Sheet for Workers Ages 61-69)
- Retirement Ready (Fact Sheet for Workers Ages 70 and Up)
- Social Security Basics for New Workers
- How You Become Eligible for Benefits
- Additional Work Can Increase Your Future Benefits
- You Have Earnings Not Covered by Social Security
- Medicare Ready

A sample paper Social Security Statement is shown in **Appendix B**.

## Method of Delivery

SSA’s policy regarding the method of delivery of the Statement has changed over the years. Under current policy, annual Statements are available online for individuals who create “my Social Security Accounts” on SSA’s web portal. SSA sends an email each year to “my Social Security Account” holders reminding them to check their annual Statements online. SSA automatically mails paper Statements annually to any individual who (1) is aged 60 or older, (2) has not yet claimed benefits, and (3) has not created a “my Social Security Account.” A Statement is mailed three months before an individual’s birthday. Individuals can also request mailed paper Statements at any time.

To create a “my Social Security Account,” an individual must be aged 18 or older and have a valid SSN, a U.S. mailing address (or a military address if deployed overseas), and an email address.<sup>21</sup> SSA uses an identity verification process designed to protect the personal information of account users, as explained in “The Online Identity Verification Process” at <https://www.ssa.gov/myaccount/security.html>.

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<sup>21</sup> To create a “my Social Security Account,” go to <https://www.ssa.gov/myaccount/statement.html>. Select the “Create your account” button.

### Delivery of the Statement: Current Policy as of January 2017

- *Automatic Mailing of Paper Statements:* SSA automatically mails Statements annually to an individual who is aged 60 or older, is not receiving Social Security benefits, and has not created a “my Social Security Account.”
- *Mailing of Paper Statements Upon Request:* Individuals may request mailed paper Statements at any time.
- *Access to Online Statements:* An individual who is aged 18 or older and has a valid SSN, a U.S. mailing address (or a military address if deployed overseas), and an email address can create a “my Social Security Account” to access his or her Statement online (and other services).

## Background and History

### Before 1989

Earnings records have been available for workers to review and initiate corrections since 1939. The Social Security Act Amendments of 1939 included a requirement that the Social Security Board (precursor to SSA) must establish and maintain records of the amounts of wages paid to each individual and make them available upon request.<sup>22</sup>

Over time, interest grew among policymakers in providing workers with information about their Social Security benefits. For example, in its 1981 report, the National Commission on Social Security, appointed by President Carter pursuant to the 1977 Social Security Amendments, recommended that SSA provide Social Security benefit illustrations to workers who requested them.<sup>23</sup> In 1988, Senator Moynihan introduced bills to require the Secretary of Health and Human Services to provide personal earnings and benefit statements, upon request, to eligible individuals covered by Social Security.<sup>24</sup> Eligible individuals would have been those who had SSNs, had wages or self-employment earnings, and had attained age 25 by October 1, 1989. The bill would also have made the Statement mandatory for those who had attained age 60 by October 1, 1991, and at least once every three years by October 1, 2000, if the mailing address could be determined.

From the 1960s to the early 1980s, SSA considered, and in some cases implemented, programs to provide more information to workers about their earnings, payroll taxes paid, and estimated benefits.<sup>25</sup> In 1988, SSA began providing the *Personal Earnings and Benefit Estimate Statement* (PEBES) on request. The PEBES provided information on (1) a worker’s earnings history; (2) the amount of Social Security taxes paid; (3) estimates of benefits received at age 62 (the early eligibility age), the FRA (ranging from 65 to 67 depending on birth year), and age 70 (the maximum age to receive delayed retirement credits); (4) estimates of disability and survivors benefits; and (5) descriptions of maximum earnings subject to Social Security payroll taxes,

<sup>22</sup> P.L. 379-76. On October 8, 1940, the Social Security Board established regulations governing, among other things, the revision of wage records. See SSA, “Special Collections: Chronology 1940s,” <https://www.ssa.gov/history/1940.html>. To increase the accuracy of the earnings data, policymakers over the years also proposed to provide annual statements to eligible workers about their earnings records and Social Security taxes paid into the system, among other information (e.g., the Social Security Fair Reporting Act of 1979 [S. 908]).

<sup>23</sup> National Commission on Social Security, *Social Security in America’s Future*, Final Report, March 1981, p. 312, <https://www.ssa.gov/history/reports/80commission.html>.

<sup>24</sup> See S. 2441 and S. 2684 in the 100<sup>th</sup> Congress. At that time, SSA was an agency within the Department of Health and Human Services (HHS). SSA became an independent agency on March 31, 1995 (P.L. 103-296).

<sup>25</sup> For more information, see Barbara A. Smith and Kenneth A. Couch, “The Social Security Statement: Background, Implementation, and Recent Developments,” *Social Security Bulletin*, vol. 74, no. 2 (2014).

Social Security payroll tax rates, Social Security earnings credits (used to determine eligibility), credits for military and railroad workers, and how benefit estimates were calculated.<sup>26</sup>

### 1989-2010

The Omnibus Budget and Reconciliation Act of 1989 amended the Social Security Act to require SSA to provide Statements to eligible individuals according to a set schedule and to inform eligible individuals about the availability of the Statement.<sup>27</sup> The legislation specified these Statements must contain the worker’s earnings history; estimated Social Security and Medicare taxes paid; estimates of potential retirement, disability, survivors, and other auxiliary benefits payable based on the eligible individual’s record; and a description of benefits payable under Medicare. Eligible individuals were those 25 years old or older with SSNs and wages or self-employment earnings. The schedule was set as:

1. Beginning no later than October 1, 1990, Statements would be sent on request to eligible individuals.
2. By no later than September 30, 1995, a Statement would be sent to each eligible individual who had attained age 60 by October 1, 1994; who was not receiving benefits under Social Security; and for whom a current mailing address could be determined. For FY1995-FY1999, a Statement would be sent to each eligible individual meeting those criteria and attaining age 60 during that period.
3. Beginning no later than October 1, 1999, Statements would be provided on a biennial basis to any eligible individual who had attained age 25, who was not receiving Social Security benefits, and for whom a mailing address could be determined. For individuals younger than age 50, a general description of benefits, but no actual benefit estimates, would be required.

The content in the Statement required by the legislation appeared to be the same as the PEBES that SSA had made available to individuals upon request since 1988. SSA redesigned the form and renamed it the *Social Security Statement* in October 1999. SSA also modified several specifications in addition to those required under the legislation. For example, SSA provided projected benefit estimates to all eligible workers including those younger than age 50. The agency also modified the mailing schedule, thus the Statement being sent to an increasingly younger age group during FY1996-FY1999.

For FY1989-FY1994, SSA sent the PEBES only on request and received about 3.5 million requests per year. SSA began automatic issuance of the PEBES in FY1995 to specific age groups based on the schedule in **Table 1**.<sup>28</sup> SSA received the same request volume (about 3.5 million per year) through FY2000, when it began sending the Social Security Statement to all workers aged 25 or older.

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<sup>26</sup> Ibid.

<sup>27</sup> P.L. 101-239.

<sup>28</sup> In March 1997, after pretesting with a small number of users, SSA began national testing of its online PEBES. Within days, news media and Members of Congress expressed concerns about privacy risks. On April 9, 1997, SSA announced that it was suspending its online PEBES to get advice on how to provide this service while protecting the privacy of personal data. The number shown in **Table 1** does not include the number of Statements viewed online. For more information, see Barbara A. Smith and Kenneth A. Couch, “The Social Security Statement: Background, Implementation, and Recent Developments,” *Social Security Bulletin*, vol. 74, no. 2 (2014); and U.S. General Accounting Office (now the Government Accountability Office), *Social Security Administration: Internet Access to Personal Earnings and Benefits Information*, testimony before House Committee on Ways and Means Subcommittee on Social Security, GAO/T-AIMD/HEHS-97-123, May 6, 1997.

**Table I. Automatic Mailings of the Social Security Statement, FY1995-FY2002**

Fiscal Year	Number of Statements Issued	Recipient Ages
1995	7.0 million	60 or older
1996	5.5 million	58-60
1997	12.4 million	53-58
1998	20.7 million	47-53
1999	26.6 million	40-47
2000	134.7 million	25 or older
2001	135.6 million	25 or older
2002	137.9 million	25 or older

**Source:** Barbara A. Smith and Kenneth A. Couch, “The Social Security Statement: Background, Implementation, and Recent Developments,” *Social Security Bulletin*, vol. 74, no. 2 (2014).

**Notes:** The Social Security Statement was named the *Personal Earnings and Benefit Estimate Statement (PEBES)* before October 1999.

SSA staggered the mailing of the Statement throughout the year. In FY2010, SSA sent over 155 million Statements to individuals aged 25 or older who were not receiving Social Security benefits and for whom SSA could determine mailing addresses.<sup>29</sup> Preparing and mailing the Statements cost about \$70 million per year during FY2000-FY2010.<sup>30</sup>

### *After 2010*

Due to budget constraints, SSA suspended the automatic mailing of Statements in March 2011. The conference report accompanying the Consolidated Appropriations Act of 2012 (P.L. 112-74) required SSA to examine the options for continuing to provide the annual Social Security Statement to the American public.<sup>31</sup> Later on, SSA issued annual Statements using two methods—mailing paper Statements to some individuals and making an online version of the Statement available to all individuals.

On February 15, 2012, SSA resumed mailing paper Statements to about 11.4 million individuals aged 60 or older who were not already receiving Social Security benefits. Then, on July 23, 2012, SSA resumed first-time mailings to about 1 million individuals aged 25. However, on October 1, 2012, in response to an increasingly difficult budget situation, SSA suspended all Statement mailings, including on-request mailings.<sup>32</sup>

In the meantime, SSA launched a secure online version of the Statement on May 1, 2012, through the “my Social Security Account.”<sup>33</sup> The online Statement was available to people aged 18 or

<sup>29</sup> SSA, Office of the Inspector General, *Congressional Response Report: Issuance of Social Security Statements*, A-03-18-50724, February 2019.

<sup>30</sup> SSA, *Social Security Statement Review*, A Report to Congress, 2012, <https://www.ssa.gov/legislation/SocialSecurityStatementReview2012.pdf>.

<sup>31</sup> U.S. Congress, House of Representatives, *Conference Report to Accompany H.R. 2055*, 112<sup>th</sup> Congress, 1<sup>st</sup> Session, Report 112-331, December 15, 2011, <https://www.congress.gov/112/crpt/hrpt331/CRPT-112hrpt331.pdf>.

<sup>32</sup> SSA, *Fiscal Year 2012 Performance and Accountability Report*, November 2012, and Barbara A. Smith and Kenneth A. Couch, “The Social Security Statement: Background, Implementation, and Recent Developments,” *Social Security Bulletin*, vol. 74, no. 2 (2014).

<sup>33</sup> SSA, “Social Security Statement Now Available Online at [www.socialsecurity.gov](http://www.socialsecurity.gov),” press release, May 1, 2012,

older and provided access to earnings records, benefit estimates, and related information.<sup>34</sup> Included in the online version of the Statement was an authentication process to prevent unauthorized access to workers' personal information. An individual unable to access information online could go into a local Social Security office to create a "my Social Security Account" and establish authentication credentials in person with the assistance of SSA staff. Alternatively, an individual could request a paper Statement.<sup>35</sup> In July 2013, SSA resumed on-request mailings (which were suspended on October 1, 2012) to those individuals who failed the electronic authentication process required to access the online Statement.<sup>36</sup>

A Joint Explanatory Statement to the Consolidated Appropriations Act of 2014 (P.L. 113-76) directed SSA to

develop a plan to significantly increase the number of individuals receiving Social Security Statements annually, either electronically or by mail. This should include a significant restoration of the mailing of statements to ensure that individuals are informed of their contributions and benefits under Social Security programs and have an opportunity to review their earnings records and correct any errors in a timely manner. The Commissioner or her designee is directed to brief the House and Senate Appropriations Committees within 60 days of enactment of this act on this plan, including the intended plan for mailing statements in fiscal year 2014.<sup>37</sup>

In 2014, SSA began mailing paper Statements automatically to individuals aged 25, 30, 35, 40, 45, 50, 55, and 60 or older who did not have online accounts ("my Social Security Accounts") to access their Social Security Statements.<sup>38</sup> In January 2017, SSA restricted the automatic mailing of paper Statements to only individuals who are aged 60 or older, are not receiving benefits, and have not created "my Social Security Accounts."<sup>39</sup> For all other individuals, SSA mails a paper Statement only on request. The change made in 2017 remains the current policy.<sup>40</sup>

**Table 2** shows the number of Statements that were mailed and the number of users who accessed online Statements from FY2011 to FY2018.

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<https://www.ssa.gov/news/press/releases/2012/#5-2012-1>.

<sup>34</sup> SSA, *Fiscal Year 2012 Performance and Accountability Report*, November 2012.

<sup>35</sup> Ibid.

<sup>36</sup> The authentication process is included in the online version of the Statement to prevent unauthorized access to workers' personal information. See SSA, *Social Security Statement Review*, A Report to Congress, 2012, <https://www.ssa.gov/legislation/SocialSecurityStatementReview2012.pdf>.

<sup>37</sup> U.S. Congress, House of Representatives, *Explanatory Statement Submitted by Mr. Rogers of Kentucky, Chairman of the House Committee on Appropriations Regarding the House Amendment to the Senate Amendment on H.R. 3547, Consolidated Appropriations Act, 2014*, 113<sup>th</sup> Congress, 2<sup>nd</sup> Session, *Congressional Record*, vol. 160, no. 9 (January 15, 2014), <https://www.congress.gov/113/crec/2014/01/15/160/9/CREC-2014-01-15-pt2-PgH475-2.pdf>.

<sup>38</sup> SSA, "Agency Resumes Mailing Social Security Statements Encourages People to Create a Secure my Social Security Account to Obtain Their Statement Online, Anytime," press release, September 16, 2014, <https://www.ssa.gov/news/press/releases/2014/#9-2014-1>. See also SSA, *Plan to Increase the Number of Individuals Annually Receiving Social Security Statements*, March 20, 2014, <https://www.ssa.gov/legislation/Social%20Security%20Statement%20Plan.pdf>.

<sup>39</sup> SSA, *Justification of Estimates for Appropriations Committees, Fiscal Year 2018*, "Budget Overview," May 2017, p. 5, <https://www.ssa.gov/budget/FY18Files/2018JEAC.pdf>. See also Barbara A. Smith, "Can Informational Interventions Be Effective Policy Tools? An Initial Assessment of the Social Security Statement," *Social Security Bulletin*, vol. 80, no. 4 (November 2020), <https://www.ssa.gov/policy/docs/ssb/v80n4/v80n4p1.html>.

<sup>40</sup> SSA, "Frequently Asked Questions: How Can I Get a Social Security Statement?," January 25, 2022, <https://faq.ssa.gov/en-US/Topic/article/KA-01741>.

**Table 2. Number of Social Security Statements Mailed and Number of Users Accessing Online Statements via “my Social Security Account”**

FY2011-FY2018

Fiscal Year	Statements Mailed			Online Statements	
	Automatic	On-Request	Total	Users Who Registered “my Social Security Account”	Users Who Accessed Online Statements
2011	74,427,249	268,060	74,695,309	—	—
2012	21,728,005	15,406	21,743,411	2,023,011	1,945,890
2013	—	7,608	7,608	8,352,201	7,135,204
2014	3,868,569	74,293	3,942,862	14,490,379	10,062,404
2015	49,577,044	515,026	50,092,070	21,139,321	12,776,556
2016	46,728,830	384,746	47,113,576	26,941,287	14,279,536
2017	13,285,401	115,617	13,401,018	32,655,922	15,654,742
2018	14,428,893	139,239	14,568,132	38,812,938	16,849,165

**Source:** SSA, Office of the Inspector General, *Congressional Response Report: Issuance of Social Security Statements*, A-03-18-50724, February 2019, Tables 1 and 2.

**Notes:** Automatic Statements were mailed to individuals based on SSA’s criteria. An on-request Statement was mailed when an individual completed a Form SSA-7004-SM-OPI or a similar form through SSA’s website. A person might receive a paper Statement and also access the online Statement.

In FY2021, SSA spent approximately \$6.7 million to mail Statements to people aged 60 or older who were not receiving Social Security benefits and who were not registered for “my Social Security Accounts.”<sup>41</sup> SSA projects a cost of approximately \$8.7 million in FY2022 and \$9.1 million in FY2023.<sup>42</sup> In 2021, SSA projected that it would have cost an additional \$81 million in FY2022 if the Statement were sent to individuals aged 25 or older who were not receiving Social Security benefits.<sup>43</sup>

## The Impact of the Statement

### Key Research Findings

A range of studies have analyzed the role the Statement plays in SSA’s communication with potential beneficiaries.

- Research studies have found that receipt of the Statement may increase some types of knowledge about the Social Security program.
- Some researchers suggest that the information provided in the Statement may influence an individual’s decision on when to claim retired-worker benefits and to apply for disabled-worker benefits, while others find no measurable effect.
- Researchers find mixed impacts of the Statement on workers’ employment decisions and few measurable impacts of the Statement on retirement savings.

<sup>41</sup> SSA, *Justification of Estimates for Appropriations Committees, Fiscal Year 2023*, “Budget Overview,” April 2022, p. 11, <https://www.ssa.gov/budget/FY23Files/FY23-JEAC.pdf>.

<sup>42</sup> Ibid.

<sup>43</sup> SSA, *Justification of Estimates for Appropriations Committees, Fiscal Year 2022*, “Budget Overview,” May 2021, p. 12, <https://www.ssa.gov/budget/FY22Files/FY22-JEAC.pdf>.



## Knowledge of the Social Security Program

Research has analyzed whether providing the Statement could increase knowledge of the Social Security program, ranging from program features such as the FRA to potential benefit amounts. Studies have found that receipt of the Statement may increase some types of knowledge about the Social Security program but not all.

One study used data from surveys commissioned by SSA to analyze the effect of the Statement on Social Security knowledge among younger workers.<sup>44</sup> The authors found that younger workers were generally knowledgeable about the Social Security program before receiving a Statement and were significantly more knowledgeable after receipt. However, even after receipt of the Statement, about 70% of respondents knew that the FRA was going to rise,<sup>45</sup> and less than 50% knew that benefits were inflation-indexed.<sup>46</sup> Therefore, the researchers suggested that SSA outreach efforts should provide more details on benefits and related factors.

Some other studies used data from the Health and Retirement Study (HRS) to study how the receipt of one's first Statement affected estimation of future Social Security retirement benefits. The HRS includes questions about expected retirement age and expected Social Security benefits (for workers) and actual retirement age and benefit levels (for retirees). One of the studies used the 1994-2008 survey waves to measure the accuracy of the estimated benefits when compared with realized benefits before and after the 1995 implementation of the Statement. The author found that the initial mailings of the Statement did not result in more accurate estimations of retirement benefit levels.<sup>47</sup> The other study used the 1992-2000 waves and found that older workers who had not previously contacted SSA about their benefits were 20 percentage points more likely to be able to estimate their future retirement benefits if they had received Statements than if they had not.<sup>48</sup>

Researchers have also analyzed the effect of the Statement on expectations of Social Security benefit receipt—whether an individual expects ever to receive benefits based on their work years, occupation, longevity, Social Security financing, and other factors. For example, one study examined how the reintroduction of Social Security Statement mailings from September 2014 through December 2016 affected individuals' expectations about Social Security benefits by using a specialized survey that followed up on previous surveys about respondents' Social Security knowledge.<sup>49</sup> The author found that recipients of the Social Security Statement were more likely than nonrecipients to expect any Social Security benefits. The effect is stronger for respondents who had less knowledge about Social Security before the Statement's reintroduction. And the estimated effect diminished quickly: Results were strongest among those who received

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<sup>44</sup> Barbara A. Smith and Kenneth A. Couch, "How Effective Is the Social Security Statement? Informing Younger Workers About Social Security," *Social Security Bulletin*, vol. 74, no. 4 (2014), pp. 1-19.

<sup>45</sup> The FRA under Social Security is rising from 65 to 67 based on the birth year. For more information, see CRS Report R44670, *The Social Security Retirement Age*.

<sup>46</sup> Social Security benefits generally increase by the COLAs. For more information, see CRS Report 94-803, *Social Security: Cost-of-Living Adjustments*.

<sup>47</sup> Andrew G. Biggs, *Improving the Social Security Statement*, Santa Monica, CA: RAND Corporation, Financial Literacy Center Working Paper No. WR-794-SSA, 2010.

<sup>48</sup> Giovanni Mastrobuoni, "The Role of Information for Retirement Behavior: Evidence Based on the Stepwise Introduction of the Social Security Statement," *Journal of Public Economics*, vol. 95, no. 7-8 (2011), pp. 913-925. The study also analyzes how receipt of the Statement likely affects the retirement behavior of workers aged 55-70. Similar results can also be found in Giovanni Mastrobuoni, *Do Social Security Statements Affect Knowledge and Behavior?* Center for Retirement Research at Boston College, Number 11-6, April 2011.

<sup>49</sup> Philip Armour, "How Did the Reintroduction of the Social Security Statement Change Workers' Expectations and Plans?," *Social Security Bulletin*, vol. 80, no. 4 (2020), pp. 23-38.

Statements in the past year, but they were reduced to almost zero for those who received Statements two or more years prior.

## Behavior of Workers

Research also analyzes how the Statement may affect individuals' behavior in Social Security retirement benefit claiming and disability insurance application, employment, and retirement savings.

### Social Security Retirement Benefit Claiming

Research has analyzed the effect of the Statement on individuals' decision on Social Security claiming. Researchers have found mixed results on this effect.

Some research finds no noticeable impact of the Statement on workers' claiming behavior. For example, one study used the HRS data and found that the information provided in the Statement was not sufficient to change workers' claiming patterns.<sup>50</sup>

Some other recent research, however, suggests that the information provided in the Statement may influence workers' decisions on Social Security claiming. One 2020 study used SSA's administrative data and suggested that the receipt of the Statement had a significant effect on the age at which workers claim retirement benefits. In particular, the study found that the receipt of two or more Statements likely reduced Social Security claiming at age 62 (the earliest eligibility age for retired-worker benefits) and that receipt of one or more Statements likely increased Social Security claiming at ages 64 and 65.<sup>51</sup> In another study, the author found that the reintroduction of Statement mailings from September 2014 through December 2016 likely affected recipients' expected Social Security claiming age. The study also found that the change in expected claiming age was not in a single direction—roughly similar proportions increased and decreased their expected claiming age after receiving the Statement, thus resulting in zero net effect.<sup>52</sup>

### Social Security Disability Insurance Application

Social Security Disability Insurance (SSDI) is part of the Social Security program. The program's disability insurance component provides cash benefits to nonelderly insured workers who experience severe, work-limiting disabilities and to their eligible spouses and children. To qualify for SSDI, workers must (1) be below Social Security's FRA, (2) be insured in the event of disability, and (3) meet the statutory definition of *disability*.<sup>53</sup>

The Social Security Statement includes the benefit estimate for disability benefits, which is the amount available to a disabled worker at the time of Statement receipt and may be relevant to an immediate SSDI applicant. Research that analyzes the impact of the Statement on SSDI applications is limited. One study exploited the phased-in introduction of the Social Security Statement between 1995 and 1999 to estimate how SSDI application decisions changed after the

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<sup>50</sup> Mastrobuoni, "The Role of Information for Retirement Behavior: Evidence Based on the Stepwise Introduction of the Social Security Statement."

<sup>51</sup> Smith, "Can Informational Interventions Be Effective Policy Tools? An Initial Assessment of the *Social Security Statement*."

<sup>52</sup> Philip Armour, "How Did the Reintroduction of the Social Security Statement Change Workers' Expectations and Plans?."

<sup>53</sup> See CRS In Focus IF10506, *Social Security Disability Insurance (SSDI)*.

receipt of the Statement. The author found that the Statement substantially increased the likelihood of DI application among older workers with prior work-limiting health conditions and estimated that about 18% of the growth in the DI program from 1992 to 2004 could be attributed to the Statement. The study also pointed out that the effect of information intervention was highly dependent on the population and type of information conveyed. Because the population with work-limiting health conditions was relatively small compared to the overall Social Security population, the overall effect of the Statement on DI behavior was negligible.<sup>54</sup>

## Labor Supply Among Older Workers

In addition to Social Security claiming, researchers are also interested in how the Social Security Statement may affect individuals' labor supply decisions—whether to work and how many hours to work. The impact of the Statement on these decisions also appears to be mixed.

Some studies suggest that receipt of the Statement encourages older individuals to work more. In one study, researchers conducted a randomized field experiment that provided information on Social Security (not duplicative of the information in the Statement) to 2,500 workers aged 60-65 and examined the effect of several aspects of informational intervention—informational mailing, online tutorials, specific information about Social Security, and vignettes—on employment. The study found that individuals who received the informational intervention were 4.2 percentage points more likely to work one year later.<sup>55</sup> In another study, the researcher uses SSA's administrative data and suggests that the receipt of the Statement increases the likelihood of employment by five to seven percentage points at each age between ages 62 and 70.<sup>56</sup>

Other researchers find that some workers reduce hours worked after receiving the Statement. One study estimated the effect of the receipt of Statements on hours worked for males born between 1932 and 1947 using the data from the HRS.<sup>57</sup> The authors found that receiving the Statement reduced annual hours worked by 119 hours on average, with notable differences among workers—those who were not working or who worked few hours tended to increase their labor supply, while those who were working full-time prior to the Statement receipt tended to decrease their labor supply. The study also investigated the underlying reasons for these effects and found that the worker's knowledge of Social Security before receipt of the Statement might play a role: Workers whose prior Social Security expectations understated their benefit levels projected in the Statements decreased hours worked, while workers who had little knowledge of their benefits or overstated them increased hours worked. Additionally, the authors found that receipt of the second Statement induced workers approaching retirement who reduced their hours worked over time to increase hours worked or to slow their reductions in labor supply. This finding regarding the second Statement confirmed the author's hypothesis that some workers might misinterpret the information they received from the initial Statement, thus causing them to reduce labor supply by

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<sup>54</sup> Philip Armour, "The Role of Information in Disability Insurance Application: An Analysis of the Social Security Statement Phase-In," *American Economic Journal: Economic Policy*, vol. 10, no. 3 (2018), pp. 1-41.

<sup>55</sup> Jeffrey B. Liebman and Erzo F.P. Luttmer, "Would People Behave Differently If They Better Understood Social Security? Evidence from a Field Experiment," *American Economic Journal: Economic Policy*, vol. 7, no. 1 (2015), pp. 275-299.

<sup>56</sup> Smith, "Can Informational Interventions Be Effective Policy Tools? An Initial Assessment of the *Social Security Statement*." The study also analyzes how receipt of the Statement likely affects the Social Security benefit claiming age.

<sup>57</sup> Philip Armour and Michael F. Lovenheim, *The Effect of Social Security Information on the Labor Supply and Savings of Older Americans*, Michigan Retirement Research Center, Working Paper 2017-361, September 2016.

more than if they had had full knowledge about how changing earnings would affect future benefits.

In another study, the author examined how the reintroduction of the Social Security Statement in 2014 affected individuals' labor supply decisions and found diverse effects across the working population. The estimates showed that, after receipt of the Statement, people who were not working in 2013 and 2014 were substantially more likely to work and people younger than age 50 tended to work more hours, while those working more than 40 hours per week decreased their labor supply.<sup>58</sup>

## Retirement Savings

Researchers are also interested in the question of whether personalized, salient information on future retirement benefits affects current retirement savings, such as in a 401(k)-type plan.<sup>59</sup> While a series of behavioral economics studies has analyzed the effect,<sup>60</sup> limited research has explored the effect of the mailing of Social Security Statements on retirement savings. Social Security and retirement savings are two separate systems that provide income sources during retirement. Research linking Social Security and retirement savings tries to analyze whether an individual's expected Social Security benefit (as projected in the Statement) can provide insight about how much, if any, the individual needs to save for retirement. This insight could change individuals' behavior with respect to retirement savings during their working years.

One study described findings from an SSA-commissioned survey between 1998 and 2004 to determine public knowledge of the program and how people used the Statement. The results showed that between 40% and 65% of respondents indicated a preference for increasing their retirement savings, and workers in their 30s and 40s, who had more time to adjust their retirement planning, were more likely than older respondents to report this retirement savings preference.<sup>61</sup> The survey, however, could not show whether or not people actually changed their retirement savings behavior.

Research also tries to examine whether receipt of the Statement can encourage individuals to increase retirement savings. One study separately identified the removal and reimplementations of the Social Security Statement from 2011 to 2014 to analyze the effect of the Statement on public-sector workers' retirement savings in the Thrift Savings Plan, a 401(k)-type plan for most federal government employees. The authors found few measurable impacts of the Statement on retirement savings.<sup>62</sup> In another study, the author examined the reintroduction of the Social

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<sup>58</sup> Philip Armour, *The Reintroduction of the Social Security Statement and Its Effect on Social Security Expectations, Retirement Savings, and Labor Supply across the Age Distribution*, Michigan Retirement Research Center, Working Paper 2017-373, September 2017.

<sup>59</sup> See CRS Insight IN11721, *Data on Retirement Contributions to Defined Contribution (DC) Plans*.

<sup>60</sup> See CRS Report R46441, *Saving for Retirement: Household Decisionmaking and Policy Options*. Behavioral research suggests that people tend to have biases in rather predictable patterns. Some see such research as suggesting the human brain has evolved too quickly to make judgments in bounded, rational ways, using heuristics—or mental shortcuts—to make decisions. These heuristics generally help people make appropriate decisions quickly and easily, but they can sometimes result in choices that make the decisionmaker worse off financially. For example, the number, order, and structure of options, as well as the process around the choice, can change decisions for many people.

<sup>61</sup> Barbara A. Smith, "The Social Security Statement: Its Contribution to Retirement Planning," *Journal of Financial Counseling and Planning*, vol. 26, no. 2 (2015), pp. 118-128.

<sup>62</sup> Susan Payne Carter and William Skimmyhorn, "Can Information Change Personal Retirement Savings? Evidence from Social Security Benefits Statement Mailings," *American Economic Association Papers and Proceedings*, vol. 108 (2018), pp. 93-97.

Security Statement in 2014, in which Statements were mailed to staggered groups of individuals by every fifth birth year (i.e, Statements were mailed to individuals aged 25, 30, 35, and so on). The author found no significant effect of the Statement on respondents' retirement savings behavior.<sup>63</sup>

## Policy Issues

### Key Issues

This section discusses several policy issues related to potential ways to improve the Statement, thus providing individuals more comprehensive and accurate information to prepare for retirement.

- The retirement benefit estimation method could be improved to provide more accurate benefit estimates for younger workers, women, lower earners, and those with zero earnings in the two years prior to receipt of the Statement.
- The Statement could be modified to include some additional information, such as benefits for spouses and survivors; benefit adjustments for those with earnings not covered under Social Security; an accrued benefit illustration (i.e., an estimate of the worker's benefit based on his or her earnings to date, assuming no future earnings); and other retirement plan information (i.e., information on other potential vested retirement plan benefits).
- The latest version of the Statement (which became available in fall 2021) addressed many design issues. SSA has expressed its intention to gather feedback from the public.
- Analysis has shown several concerns regarding the shift from mailed paper Statements toward online Statements accessible through online accounts ("my Social Security Accounts"). Strategies to expand distribution of the paper Statement and increase access to the online Statement could be explored.

## Method of Retirement Benefit Estimation

One of the goals of the Statement is to inform workers about their Social Security benefits. At the time the Statement is prepared, a worker's complete lifetime earnings are generally unknown. SSA estimates the person's future potential benefits by using the worker's historical earnings to project future earnings until retirement.<sup>64</sup> SSA uses the worker's past earnings (wage-indexed to the year two years prior to Statement receipt) to project future earnings by assuming that the worker continues to earn the same amount as in the year prior to the year of Statement receipt. If there were no earnings in the prior year, then SSA assumes that future earnings are the same as the earnings in the year two years prior to the year of Statement receipt. If there were no earnings in both of the two years prior to the year of Statement receipt, then SSA assumes no future earnings.

Previous studies have evaluated the accuracy of the current method SSA uses to estimate retirement benefits for purposes of the Statement. One 2008 study from SSA used the Modeling Income in the Near Term (MINT) microsimulation model to assess the accuracy of the Statement's estimation methodology.<sup>65</sup> The authors found that the accuracy of benefit estimates increased with the recipient's age. They also found that the estimates were less accurate for

<sup>63</sup> Philip Armour, *The Reintroduction of the Social Security Statement and Its Effect on Social Security Expectations, Retirement Savings, and Labor Supply across the Age Distribution*, Michigan Retirement Research Center, Working Paper WP 2017-373, September 2017.

<sup>64</sup> For information about the Social Security benefit calculation, see CRS Report R46658, *Social Security: Benefit Calculation*.

<sup>65</sup> Glenn R. Springstead, David A. Weaver, and Jason J. Fichtner, *Estimated Retirement Benefits in the Social Security Statement*, SSA, Research and Statistics Note No. 2008-05, 2008.

younger workers, women, lower earners, and those with zero earnings in the two years prior to receipt of the Statement.

In a 2009 report, the Social Security Advisory Board (SSAB) found similar results for the benefit estimate as the 2008 SSA study and recommended that SSA “consider experimenting with and evaluating alternative assumptions and projection methods, including those used by the Office of the Chief Actuary in projecting future benefits for the Trustees Report.”<sup>66</sup> The objective is to improve the retired-worker benefit estimates particularly for younger workers, women, and lower wage workers.

A 2020 study from SSA’s Office of Retirement and Disability Policy compares the accuracy of the current Statement estimation method and potential alternative methods of projecting earnings and benefits.<sup>67</sup> These alternative methods include looking back more than two years in the earnings record, assuming no future earnings, using scaled-worker earnings profiles (as estimated by the Office of the Chief Actuary),<sup>68</sup> using machine-learning computer models, or using regression models. The study found that the current estimation method used for purposes of the Statement performs as well as or better than any of the other methods tested.

Research has also tried to understand whether, in addition to past earnings, the characteristics of workers would help in estimating future earnings. For example, one study used the Survey of Income and Program Participation (SIPP) data linked to longitudinal tax records to determine which of several variables can best predict 20-year long-term earnings for a sample of workers aged 25-45 in 1990. The authors found that short-term earnings (one year of cross-sectional earnings measured in 1990) could provide a better prediction of workers’ subsequent 20-year cumulative earnings than their demographics, educational attainment, and occupation could.<sup>69</sup>

In addition to the benefit estimate in the Statement, a person can take advantage of the online retirement calculator in the “my Social Security Account.” Using the calculator, one can change assumptions about future earnings (e.g., including years with zero earnings) to see the impact on retirement benefits.

## Content of the Statement

This section discusses additional information that policymakers and researchers have recommended for inclusion in the Statement, such as benefits for spouses and survivors; benefit adjustments for those with earnings not covered under Social Security; an accrued benefit illustration (i.e., an estimate of the worker’s benefit based on his or her earnings to date, assuming no future earnings); and other retirement plan information (e.g., information on other potential vested retirement plan benefits).<sup>70</sup> These types of information are considered to be helpful for all workers or workers of a particular type. When evaluating what additional information would be beneficial to include in the Statement, as a practical matter, policymakers might also consider

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<sup>66</sup> Social Security Advisory Board (SSAB), *The Social Security Statement: How It Can Be Improved*, August 2009.

<sup>67</sup> SSA, *Analysis of Benefit Estimates Shown in the Social Security Statement*, Briefing Paper No. 2020-01, October 2020.

<sup>68</sup> For more information, see SSA, OACT, *Scaled Factors for Hypothetical Earnings Examples Under the 2022 Trustees Report Assumptions*, June 2022, <https://www.ssa.gov/oact/NOTES/ran3/an2022-3.pdf>.

<sup>69</sup> ChangHwan Kim, Christopher R. Tamborini, and Arthur Sakamoto, “The Sources of Life Chances: Does Education, Class Category, Occupation, or Short-Term Earnings Predict 20-Year Long-Term Earnings?,” *Sociological Science*, vol. 5 (2018), pp. 206-233.

<sup>70</sup> Proposals also suggest adding other information to the Social Security Statement. For example, S. 3675 (117<sup>th</sup> Congress), among other provisions, would include Medicare enrollment information in the Statement for those between ages 60 and 65.

how to incorporate additional information and provide a clear explanation of the information within the limited space of the Statement. If additional information were provided in paper inserts included with Statement, a further consideration would be the additional costs associated with printing and mailing the Statements.

### ***Benefits for Spouses and Survivors***

Social Security auxiliary benefits can be payable to the spouse, former spouse, and surviving spouse of a Social Security–covered worker and are equal to a specified percentage of the worker’s basic monthly benefit amount (subject to a maximum family benefit amount). For example, the spouse of a retired worker may receive up to 50% of the retired worker’s basic benefit, and the widow(er) of a retired worker may receive up to 100% of the retired worker’s basic benefit.<sup>71</sup>

The claiming behavior of the worker generally affects the access to and amount of both spousal and survivor benefits but in different ways. Under current law, a spouse can claim a spousal benefit only when the worker has claimed his or her own benefit. The spousal benefit amount may be adjusted based on the claiming age of the spouse, and it does not depend on the retired worker’s own claiming age. By contrast, the age at which the retired worker claims benefits does affect the amount of benefits payable to a surviving spouse. If the deceased worker claimed benefits before reaching his or her FRA, the surviving spouse can receive no more than the deceased worker was receiving. If the deceased worker claimed benefits after reaching his or her FRA, the surviving spouse can inherit the deceased worker’s delayed retirement credits.

While the Statement includes information detailing how a worker’s claiming age affects his or her own worker benefit amount, it communicates considerably less information about auxiliary benefit amounts. The Statement currently only provides an estimate of what the survivor benefit will be if the worker dies in the year the Statement was prepared. The Statement also notes that the amount of the survivor benefit will depend on the worker’s claiming age but does not explain how.

Among auxiliary benefits, the absence of more detailed information regarding survivor benefits in the Statement has been considered a notable issue. Research suggests that the provision linking a man’s claiming age to his spouse’s survivor benefit has important implications for the financial well-being of elderly women in widowhood.<sup>72</sup> However, several studies find that the claiming behavior of married men does not always take into account the spouse and survivor benefits but

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<sup>71</sup> A person may qualify for a spousal or survivor benefit as well as for a Social Security benefit based on his or her own work record (a retired-worker benefit). In such cases, the person effectively receives the higher of (1) the worker benefit or (2) the spousal or survivor benefit. When the person’s retired-worker benefit is higher than the spousal or survivor benefit to which he or she would be entitled, the person receives only the retired-worker benefit. Conversely, when the person’s retired-worker benefit is lower than the spousal or survivor benefit, the person is referred to as dually entitled and receives the retired-worker benefit plus a spousal or survivor benefit that is equal to the difference between the retired-worker benefit and the full spousal or survivor benefit. In this case, the person receives a total (combined) benefit amount equal to the higher spousal or survivor benefit. For more information, see CRS In Focus IF10738, *Social Security Dual Entitlement*.

<sup>72</sup> For example, see Andreas Hubener, Raimond Maurer, and Olivia S. Mitchell, “How Family Status and Social Security Claiming Options Shape Optimal Life Cycle Portfolios,” *Review of Financial Studies*, vol. 29, no. 4 (2016), pp. 937-978; Jeffrey Diebold, Jeremy Moulton, and John Scott, “Early Claiming of Higher-Earning Husbands, the Survivor Benefit, and the Incidence of Poverty Among Recent Widows,” *Journal of Pension Economics and Finance*, vol. 16, no. 4 (October 2017), pp. 485-508.

rather tends to be responsive to incentives built into their own benefits (e.g., private pensions and health insurance benefits).<sup>73</sup>

One possible explanation for these findings is that workers appear to be somewhat less knowledgeable about the survivor benefit. For example, one study found that about 20% of married individuals report being “very knowledgeable” about how their own claiming age will affect their spouses or how their spouses’ decisions will affect them.<sup>74</sup> Another study found that 18% of workers who appeared to understand the claiming age provisions of the survivor benefit correctly identified age 70 as the age at which the monthly survivor benefit amount is maximized.<sup>75</sup> In a more recent study, the authors used data from the Understanding America Study (UAS)<sup>76</sup> and suggested that knowledge of spousal and survivor benefits is low. They also found that people’s perceptions of their knowledge is misaligned with their actual knowledge, with many perceiving that they know more about Social Security than they actually do.<sup>77</sup>

Research has analyzed different types of experiments by presenting survivor benefits to married couples and found mixed effects of those informational interventions on Social Security knowledge and claiming behavior for married couples.

One study used a randomized experimental design to analyze the effects of two modifications to the survivor benefit information within the Social Security Statement on benefit knowledge and expected claiming behavior. The first modification included adding survivor benefit projections by claiming age in the Statement’s current benefit table, and the second modification inserted a special, age-targeted sheet containing detailed survivor benefit information and mailed it to workers along with the Statement. The authors found that the inserted sheet was the dominant modification for improving survivor benefit knowledge, and the modified table was equally successful as the inserted sheet at encouraging workers to report later expected claiming ages. However, almost all observed effects of the modifications to the Statement in this study were temporary (i.e., the effects faded away quickly).<sup>78</sup>

In another study, the authors used an online experiment and found that a simple information intervention that demonstrates how delayed claiming enhances survivor benefits may be insufficient to change the Social Security claiming behavior of the older husband. The study suggested other policies separating (at least partially) survivor benefits from the husband’s claiming age might be more effective in alleviating widows’ poverty.<sup>79</sup>

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<sup>73</sup> For example, see Alice M. Henriques, “How Does Social Security Claiming Respond to Incentives? Considering Husbands’ and Wives’ Benefits Separately,” *Journal of Human Resources*, vol. 53 no. 2 (Spring 2018), pp. 384-413; Steven A. Sass, Wei Sun, and Anthony Webb, “Social Security Claiming Decision of Married Men and Widow Poverty,” *Economics Letters*, vol. 119, no. 1 (April 2013), pp. 20-23.

<sup>74</sup> Mathew Greenwald et al., *What Do People Know About Social Security?* Financial Literacy Center (A joint center of the RAND Corporation, Dartmouth College, and the Wharton School), Working Paper WR-792-SSA, October 2010.

<sup>75</sup> S. Kathi Brown and Rebecca Perron, *Determining How Current and Future Social Security Beneficiaries Make Retirement Decisions*, American Association of Retired Persons, July 2011, p. 72.

<sup>76</sup> The UAS is an *Internet* panel of households of approximately 9,500 respondents representing the entire United States. For more information, see University of Southern California, “Understanding America Study,” <https://uasdata.usc.edu/index.php>.

<sup>77</sup> Katherine G. Carman and Angela A. Huang, *Social Security Household Benefits: Measuring Program Knowledge*, Michigan Retirement Research Center, Working Paper 2018-384, September 2018.

<sup>78</sup> Jeffrey Diebold and Susan Camilleri, “An Experimental Analysis of Modifications to the Survivor Benefit Information Within the Social Security Statement,” *Journal of Pension Economics and Finance*, vol. 19, no. 1 (January 2020), pp. 21-48.

<sup>79</sup> For example, one proposal would increase the surviving spouse’s benefit to the higher of (1) the deceased spouse’s



Additionally, one study conducted a survey experiment on the internet-based UAS to analyze the effects of presenting survivor benefits information on claiming behavior. The authors found that such information tends to increase suggested claiming ages only among the subgroup of respondents with the least overall knowledge about their Social Security benefits.<sup>80</sup>

### ***Benefit Adjustments for Earnings Not Covered Under Social Security***

A worker's employment or self-employment is considered covered by Social Security if the services performed in that job result in earnings that are taxable and creditable for program purposes. Although participation in Social Security is compulsory for most workers, about 6% of all workers in paid employment or self-employment are not covered by Social Security.<sup>81</sup> Noncovered workers are mainly state and local government employees covered by alternative staff-retirement systems and most permanent civilian federal employees hired before January 1, 1984, who are covered by the Civil Service Retirement System (CSRS) or other alternative retirement plan. The WEP and GPO are two separate provisions that reduce regular Social Security benefits for workers and their eligible family members if the worker receives (or is entitled to) a pension based on earnings from employment not covered by Social Security.<sup>82</sup> Based on different measures, both the WEP and GPO adjustments are linked with the noncovered pension benefit amount. For more information on the WEP and the GPO, see **Appendix A**.

In the past, the annual Social Security Statements that SSA made available to all eligible individuals provided benefit estimates based only on covered employment. No estimates of the WEP and GPO adjustments were provided because SSA does not have information on an individual's receipt of a noncovered pension until the individual self-reports noncovered pension receipt when applying for Social Security benefits. Because of this limitation, beneficiaries have argued that they were not given sufficient notice of how much their benefits would be reduced due to the WEP or the GPO.<sup>83</sup>

To address this issue, the Social Security Protection Act of 2004 (P.L. 108-203) required state and local government employers to disclose the effects of the WEP and GPO to affected employees hired on or after January 1, 2005. SSA also responded to those communication issues by inserting a description of the WEP and GPO into the Statement beginning in 2007. Starting in 2020, the Statement includes an informative block about "Earnings Not Covered by Social Security" and a separate fact sheet on the WEP and GPO accompanies the Statement.

Communication challenges remain. The Statement provides no estimates of the current WEP or GPO adjustment. Those adjustments are difficult to estimate without information on noncovered

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benefit, (2) the surviving spouse's own benefit, and (3) 75% of the couple's combined monthly benefit when both spouses were alive. The 75% survivor benefit could mediate the link between the deceased worker's benefit and the surviving spouse's benefit, because the Social Security benefit amount would partially depend on the surviving spouse's own benefit. See Anek Belbase and Laura D. Quinby, *Would Greater Awareness of Social Security Survivor Benefits Affect Claiming Decisions*, Center for Retirement Research at Boston College, Working Paper 2018-12, October 2018.

<sup>80</sup> Francisco Perez-Arce et al., "The Effects of Informational Prompts About Survivor Benefits for Spouses on Social Security Claim Intentions," *Journal of Pension Economics and Finance*, vol. 20, no. 4 (October 2021), pp. 504-515.

<sup>81</sup> SSA, OACT, *Social Security Program Fact Sheet*, January 2022, [https://www.ssa.gov/OACT/FACTS/fs2021\\_12.pdf](https://www.ssa.gov/OACT/FACTS/fs2021_12.pdf).

<sup>82</sup> For more information, see CRS In Focus IF10203, *Social Security: The Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO)*.

<sup>83</sup> For example, see SSAB, *The Windfall Elimination Provision: It's Time to Correct the Math*, October 1, 2015.

pensions, which is generally not available until the worker is entitled to such pension at a later date.

Some recent legislative proposals would require SSA to show noncovered as well as covered earnings records on the Statements. Those proposals include the Public Servants Protection and Fairness Act (H.R. 2337) and the Equal Treatment of Public Servants Act (H.R. 5834). Both bills would replace the current-law WEP formula with a proportional formula that would apply the regular Social Security benefit formula to all past earnings from both covered and noncovered employment.<sup>84</sup> The Public Servants Protection and Fairness Act, in addition, would require the Statements to include projected benefits using the proportional formula for those workers who would likely be subject to the WEP. After enactment, these proposed changes could provide future beneficiaries with some information regarding the WEP adjustment. However, because the GPO is not based on noncovered earnings, and neither bill proposes a change in the current-law GPO, an estimate of the effect of the GPO would not be possible. The exact WEP and GPO reductions would still require the information on noncovered pensions.

### ***Accrued Benefit Illustration***

The current Statement provides an estimate of an individual's retirement benefits using the worker's historical earnings and projected future earnings until retirement. In a 2009 report, the SSAB suggested that the Social Security Statement include an accrued benefit illustration. The accrued benefit amount is the monthly retirement benefit a worker has earned based on his or her actual earnings to date (i.e., a projection of future earnings is not taken into account). This amount demonstrates what the worker would receive from Social Security in the event that the worker has no future covered earnings (for example, if the worker were to switch to noncovered employment—in which case the WEP may be a factor—or drop out of the labor force).<sup>85</sup>

The accrued benefit can be considered as a lower bound estimate of an individual's retirement benefit. A comparison of the accrued benefit and the future benefit shows how future earnings can affect an individual's Social Security benefit amount. The accrued benefit would be updated annually to reflect the effect of each additional year of earnings.

### ***Other Retirement Plan Information***

Social Security is only one part of overall retirement planning for Americans. In addition to Social Security, the older population can also receive income from pensions and retirement savings, asset income, earnings, and other sources. Statistics show that Social Security accounted for 30% of aggregate income among individuals aged 65 or older in 2015, while pensions and retirement savings accounted for 36%.<sup>86</sup>

Reports have suggested that the Statement provide information to help beneficiaries understand Social Security's contribution to their total retirement income. For example, in a 2005 report, the Government Accountability Office (GAO) pointed out that the Statement did not compare the Social Security retirement benefit with how much total income a person may need in retirement

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<sup>84</sup> For more information, see CRS In Focus IF11355, *The Windfall Elimination Provision (WEP) in Social Security: Proposals for a New Proportional Formula*.

<sup>85</sup> SSAB, *The Social Security Statement: How It Can Be Improved*, August 2009.

<sup>86</sup> Irena Dushi and Brad Trenkamp, *Improving the Measurement of Retirement Income of the Aged Population*, SSA, Office of Research, Evaluation, and Statistics (ORES), Working Paper Series, No. 116, January 2021. The study shows that earnings accounted for 26% of aggregate income for individuals aged 65 or older in 2015, and other sources accounted for less than 10%.

or offer suggestions and strategies for meeting income goals through other sources of retirement income.<sup>87</sup> In a 2013 paper, the SSAB suggested that the Statement emphasize that Social Security is not intended to replace 100% of wages at retirement but rather to supplement an individual's pensions, retirement savings, and other personal savings.<sup>88</sup> This issue seems to have been addressed by the current content of the Statement, which includes related language in the section titled "Important Things to Know About Your Social Security Benefits." Moreover, in addition to the Statement, SSA now provides fact sheets to workers ages 18-60 that contain information for retirement planning.<sup>89</sup> The fact sheets include descriptions of Social Security as one source of income in retirement, other retirement income sources such as pensions and retirement savings, some basics of retirement planning, and related links.

The general retirement planning information does not apply to each individual's case. One may argue that specific information about each individual's pensions and retirement plans would help him or her plan for retirement better. In a 2014 report, GAO recommended that SSA consolidate information on potential vested retirement plan benefits with the Social Security Statement.<sup>90</sup> The Employee Retirement Income Security Act of 1974 (ERISA) authorized SSA to access a file from the IRS of past unclaimed vested retirement plan benefits for workers.<sup>91</sup> However, SSA expressed concerns that the agency has no legal or operational knowledge of retirement plans to respond to related questions from the public.<sup>92</sup>

## Design of the Statement

The design of the Statement refers to the structure of the information sheet, including the order of information; the use of graphics, color, and space; the style of language; the choice of font size; and other related factors. A well-designed Statement can help convey information and improve understandability.

In the 2000s, among many studies analyzing design features in various information sheets, two reports provided systematic analysis of the design of the Social Security Statement. One report was written by GAO in 2005. By obtaining information from its national survey and focus groups made up of Statement recipients and other officials and experts, GAO suggested that the Statement show the personalized benefit information first, use graphics to aid reader comprehension, and create targeted messages to keep information highly relevant to the

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<sup>87</sup> GAO, *Social Security Statements: Social Security Administration Should Better Evaluate Whether Workers Understand Their Statements*, GAO-05-192, April 2005.

<sup>88</sup> SSAB, *The Online Statement and MySSA Portal: SSA Should Take Additional Steps to More Effectively Communicate with the Public*, December 2013.

<sup>89</sup> SSA, *Retirement Ready: Fact Sheet for Workers Ages 18-48*, and *Retirement Ready: Fact Sheet for Workers Ages 49-60*, <https://www.ssa.gov/myaccount/statement.html>.

<sup>90</sup> GAO, *401(k) Plans: Greater Protections Needed for Forced Transfers and Inactive Accounts*, GAO-15-73, November 2014.

<sup>91</sup> ERISA established Section 1131 of the Social Security Act, which requires SSA to furnish information regarding deferred vested pension rights to pension plan participants and their dependents or survivors. For more information, see SSA, *Justification of Estimates for Appropriations Committees, Fiscal Year 2023*, "Payments to the Social Security Trust Funds," March 2022, p. 21, <https://www.ssa.gov/budget/FY23Files/FY23-JEAC.pdf>.

<sup>92</sup> GAO, *401(k) Plans: Greater Protections Needed for Forced Transfers and Inactive Accounts*, GAO-15-73, November 2014.

individual recipient.<sup>93</sup> The other report was prepared by the SSAB in 2009.<sup>94</sup> The study suggested a number of enhancements to the Statement design, including ways to improve the appearance (presenting more white space, more graphics, and less text); language (using less bureaucratic and more neutral language); and other sources of detailed or special information (referring to inserts, websites, and links).

The new version of the Statement and the accompanying fact sheets became available in fall 2021.<sup>95</sup> It appears that the new version has noticeable changes based on some of the recommendations made by GAO and the SSAB. For example, the Statement presents a worker's retirement benefits first, uses more graphics and white space, refers to other sources of retirement income, uses more targeted messages, and also changes some of the language to make the information more understandable. SSA has expressed its intention to gather feedback from the public and related parties about the impacts of the new Statement design.<sup>96</sup>

## Delivery of the Statement

As discussed earlier, in May 2012, SSA implemented “my Social Security Account” on the agency’s web portal where registered users can access their Statements online at any time. In 2017, citing ongoing budget constraints, SSA stopped mailing paper Statements to everyone except those aged 60 or older who are not receiving benefits and who do not have online accounts (“my Social Security Accounts”). Analysis has shown several concerns regarding the shift from mailed paper Statements toward online Statements.

First, the shift has resulted in a significant reduction in the number of people who received or viewed their Statements. In FY2010, SSA mailed approximately 155 million Statements, compared to 14.6 million in FY2018.<sup>97</sup> In FY2018, there were about 38.8 million registered users of “my Social Security Account,” and 16.8 million (or 43%) accessed their Statements online. In total, about 31.4 million people received or viewed their Statements in any form—paper or online—in FY2018.<sup>98</sup>

Second, evidence suggests that the transition to online accounts has created additional barriers for those who do not have internet access or are not comfortable using technology. Based on the American Community Survey, about 10.2% of the U.S. population did not have computers or internet subscriptions in the period from 2016 to 2020.<sup>99</sup> Computer ownership and internet subscription varies by age, race, and education attainment. Typically, people aged 65 or older (23.3%), those identifying as Black or African American (17.2%) and American Indian and Alaska Native (23.6%), and those with less than a high school diploma or equivalency (29.2%)

<sup>93</sup> GAO, *Social Security Statements: Social Security Administration Should Better Evaluate Whether Workers Understand Their Statements*, GAO-05-192, April 2005.

<sup>94</sup> SSAB, *The Social Security Statement: How It Can Be Improved*, August 2009.

<sup>95</sup> SSA, “Social Security Announces Redesigned Statement—Now Available with a “my Social Security Account,”” press release, October 4, 2021, <https://www.ssa.gov/news/press/releases/2021/#10-2021-1>. For the new version of the Statement, see **Figure B-1** and **Figure B-2**.

<sup>96</sup> SSA, *Annual Performance Report Fiscal Years 2021-2023*, April 2022, p. 24.

<sup>97</sup> SSA, Office of the Inspector General, *Congressional Response Report: Issuance of Social Security Statements*, A-03-18-50724, February 2019.

<sup>98</sup> Ibid.

<sup>99</sup> U.S. Census Bureau, American Community Survey, *Table S2802 Types of Internet Subscriptions by Selected Characteristics, 2020: ACS 5-Year Estimates Subject Tables*, <https://www.census.gov/programs-surveys/acs/data.html>.

were less likely to have computers or internet subscriptions compared to other groups.<sup>100</sup> A 2011 report from GAO expressed concerns that people who could not obtain Statements online were likely to be lower earners—those who could least afford to remain uninformed about their Social Security benefits.<sup>101</sup>

Third, survey data show that a majority of Americans prefer receiving Statements through the mail. For example, one 2010 study found that 76% of respondents preferred to receive Statements through the mail, compared to 7% who prefer the internet or email.<sup>102</sup> In a more recent study using the UAS, the authors found that most respondents prefer Statements to be mailed. The share of individuals who preferred paper Statements declined from 2015 to 2019, while the share of individuals who preferred both a paper Statement and an electronic (e.g., internet or email) Statement increased during the same time.<sup>103</sup> One additional study also used the UAS and found that about 40% of respondents feel uncomfortable about online transactions related to Social Security benefits, 17% of non-retirees have heard about “my Social Security Account,” and when asked about future delivery preference, about 84% of non-retirees would find mailed information at least somewhat useful.<sup>104</sup>

Legislation has been introduced that would expand the distribution of the paper Statement. For example, the Know Your Social Security Act (H.R. 4143 and S. 2204) would require SSA to mail Statements to eligible individuals aged 25 or older unless they have elected to receive the Statement electronically.<sup>105</sup> Research suggests that more Americans would receive Statements under this legislation compared to the current practice in which “my Social Security Account” users as well as individuals who have not registered for accounts do not automatically receive paper Statements in the mail and must request mailed paper Statements from SSA.<sup>106</sup>

Research also suggests alternative information delivery options, such as through employers and payroll providers and SSA digital applications. One study used the UAS and found that non-retirees would find information delivered in the workplace useful, while retirees would find in-person services from local Social Security offices useful. Non-retirees are also interested in SSA’s web-based tutorials and digital applications, but retirees are not.<sup>107</sup> With respect to expanding delivery options to include employers and payroll providers, there would be various issues to consider such as data sharing/data privacy issues, SSA’s need for additional resources,

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<sup>100</sup> Ibid.

<sup>101</sup> GAO, *Social Security Statements: Observations on SSA’s Plans for the Social Security Statement*, testimony before the Subcommittee on Social Security, Committee on Ways and Means, House of Representatives, GAO-11-787T, July 2011.

<sup>102</sup> Mathew Greenwald et al. *What Do People Know About Social Security?* Financial Literacy Center (A joint center of the RAND Corporation, Dartmouth College, and the Wharton School), Working Paper WR-792-SSA, October 2010.

<sup>103</sup> Patricia Delafuente et al., *Impact of Technology on Adult Preferences of Receiving Social Security Statement*, presentation from Current Innovations in Probability-based Household Internet Panel Research Conference, February 27, 2020.

<sup>104</sup> Lila Rabinovich and Joanne Yoong, *How Do People Want to Learn About Social Security?* University of Southern California, Center for Economic and Social Research and Leonard D. Schaeffer Center for Health Policy and Economics, Working Paper 2015-021, May 2016.

<sup>105</sup> The provision is also included in Social Security 2100: A Sacred Trust (H.R. 5723 and S. 3071 in the 117<sup>th</sup> Congress).

<sup>106</sup> For more discussion, see Jason J. Fichtner et al., *How to Help Americans Claim Social Security at the Right Age*, Bipartisan Policy Center, August 2020; and Rebecca Perron, *Paper by Choice: People of all Ages Prefer to Receive Retirement Plan Information on Paper*, American Association of Retired Persons, November 2012.

<sup>107</sup> Lila Rabinovich and Joanne Yoong, *How Do People Want to Learn About Social Security?* University of Southern California: Center for Economic and Social Research and Leonard D. Schaeffer Center for Health Policy and Economics, Working Paper 2015-021, May 2016.

and the need for cooperation from employers, among others. It is important to note that SSA would generally not share personal earnings information with other parties due to privacy concerns. It is also unclear whether individuals would be willing to share their earnings data directly or indirectly with parties that currently do not have access to such information.

## **Conclusion**

The Social Security Statement is considered to be an important tool that SSA uses to communicate with the public. It is also considered to be a financial literacy vehicle to assist individuals and households with retirement planning. Based on the mailing of the previous versions of the Statement, researchers generally agree that receipt of the Statement can increase people's knowledge about certain aspects of the Social Security program, while its effect on individuals' behavior (e.g., Social Security claiming) is uncertain. As the new version of the Statement recently became available in fall 2021, its impact on individuals' knowledge of Social Security and their employment and retirement decisions are yet to be analyzed. Additionally, since the online Statement appears to reach a smaller population than the paper Statement does, policymakers may seek strategies to increase individuals' access to the Statement either through online accounts, mailings, or other tools.

## Appendix A. The Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO)

The Social Security program includes two provisions that affect Social Security beneficiaries who also receive pensions from noncovered employment: the WEP and the GPO. Congress enacted these provisions to address equity issues created by the exclusion of some state and local government employees from Social Security coverage. The WEP, which was enacted in 1983, affects the Social Security benefits that an individual receives based on his or her own work record (as a retired or disabled worker) as well as the benefits paid to his or her eligible family members. The GPO, which was enacted in 1977 and modified in 1983, affects the Social Security benefits that an individual receives as the spouse or surviving spouse of a Social Security–covered worker.<sup>108</sup> Although the WEP and the GPO have been part of Social Security law for decades, these provisions are often not well understood by people who are affected by them. In 2004, Congress enacted legislation that requires the Statement to include information on the WEP and the GPO.<sup>109</sup> The Statement serves as a vehicle to provide an explanation of the WEP and the GPO, as well as estimates of the effect of these provisions on future Social Security benefits for individuals who receive pensions from noncovered employment and their eligible family members.

### WEP

The WEP affects individuals who have worked in both covered and noncovered employment. If an individual is receiving a pension from noncovered employment, his or her Social Security benefits are subject to reduction under the WEP if he or she has fewer than 30 years of substantial earnings in covered employment.<sup>110</sup> Under the WEP, the worker’s Social Security benefits are computed using an alternative benefit formula (the “windfall formula”) rather than the regular benefit formula. The windfall formula results in a lower initial monthly benefit for the worker. The amount of the reduction in the initial monthly benefit is limited to one-half the monthly amount of the worker’s noncovered pension. The WEP also reduces benefits payable to eligible family members on the worker’s earnings record. In December 2020, about 1.9 million Social Security beneficiaries (about 3% of beneficiaries) were affected by the WEP.<sup>111</sup>

### *Rationale for the WEP*

The regular benefit formula has a progressive structure intended to help workers with long careers in covered employment at lower wages. That is, compared to higher earners, lower-wage workers receive initial monthly benefits that replace a larger percentage of their career-average earnings.<sup>112</sup> The windfall formula is designed to remove an unintended advantage that the regular

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<sup>108</sup> The WEP was enacted as part of the Social Security Amendments of 1983 (P.L. 98-21). The GPO was enacted as part of the Social Security Amendments of 1977 (P.L. 95-216) and modified as part of the Social Security Amendments of 1983 (P.L. 98-21).

<sup>109</sup> The requirement was enacted as part of the Social Security Protection Act of 2004 (P.L. 108-203, see Section 419(b)).

<sup>110</sup> The reduction under the WEP is phased out for workers with between 21 and 30 years of substantial earnings in covered employment. Workers with 30 or more years of substantial earnings in covered employment are exempt from the WEP.

<sup>111</sup> For more information on the WEP, see CRS In Focus IF10203, *Social Security: The Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO)*.

<sup>112</sup> For more information, see CRS Report R46658, *Social Security: Benefit Calculation*.

benefit formula would otherwise provide to workers with less than a full career in covered employment (sometimes at higher wages) because they also worked in noncovered employment and receive pensions based on noncovered work.

## **GPO**

The GPO affects individuals who have worked in noncovered employment, qualify for a pension based on this noncovered employment, and also qualify for Social Security benefits as the spouse or surviving spouse of a Social Security–covered worker. If an individual is receiving a pension from noncovered employment, his or her Social Security spousal or widow(er) benefits are subject to reduction under the GPO. The individual’s Social Security spousal or widow(er) benefits are reduced by an amount equal to two-thirds of his or her noncovered pension (a two-thirds offset). Depending on the relative amounts of the two benefits, the Social Security spousal or widow(er) benefits may be reduced to zero. In December 2020, the GPO affected about 717,000 Social Security beneficiaries (about 1% of beneficiaries).<sup>113</sup>

### ***Rationale for the GPO***

The GPO is intended to replicate a provision of Social Security law known as the *dual entitlement rule*. This provision affects individuals who have worked in *covered* employment and also qualify for Social Security benefits as the spouse or surviving spouse of a Social Security–covered worker. If an individual is receiving Social Security benefits based on his or her own work in covered employment, his or her Social Security spousal or widow(er) benefits are subject to reduction under the dual entitlement rule. The individual’s Social Security spousal or widow(er) benefits are reduced by the full amount of his or her own Social Security worker benefits (a 100% offset). Depending on the relative amounts of the two benefits, the Social Security spousal or widow(er) benefits may be reduced to zero.

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<sup>113</sup> Ibid.



## Appendix B. Sample Paper Social Security Statement

**Figure B-1** and **Figure B-2** display the sample paper Social Security Statement (page 1 and page 2, respectively) available on SSA’s website.<sup>114</sup> These images are based on the new version of the Statement that became available in fall 2021.<sup>115</sup> Paper Statements are mailed to people aged 60 or older who are not receiving Social Security benefits and who are not registered for “my Social Security Accounts.” Currently, the mailed Statement and supplemental fact sheets are in black and white print. SSA indicates that it plans to begin the contract negotiation for color printing of the mailed Statement in FY2023.<sup>116</sup>

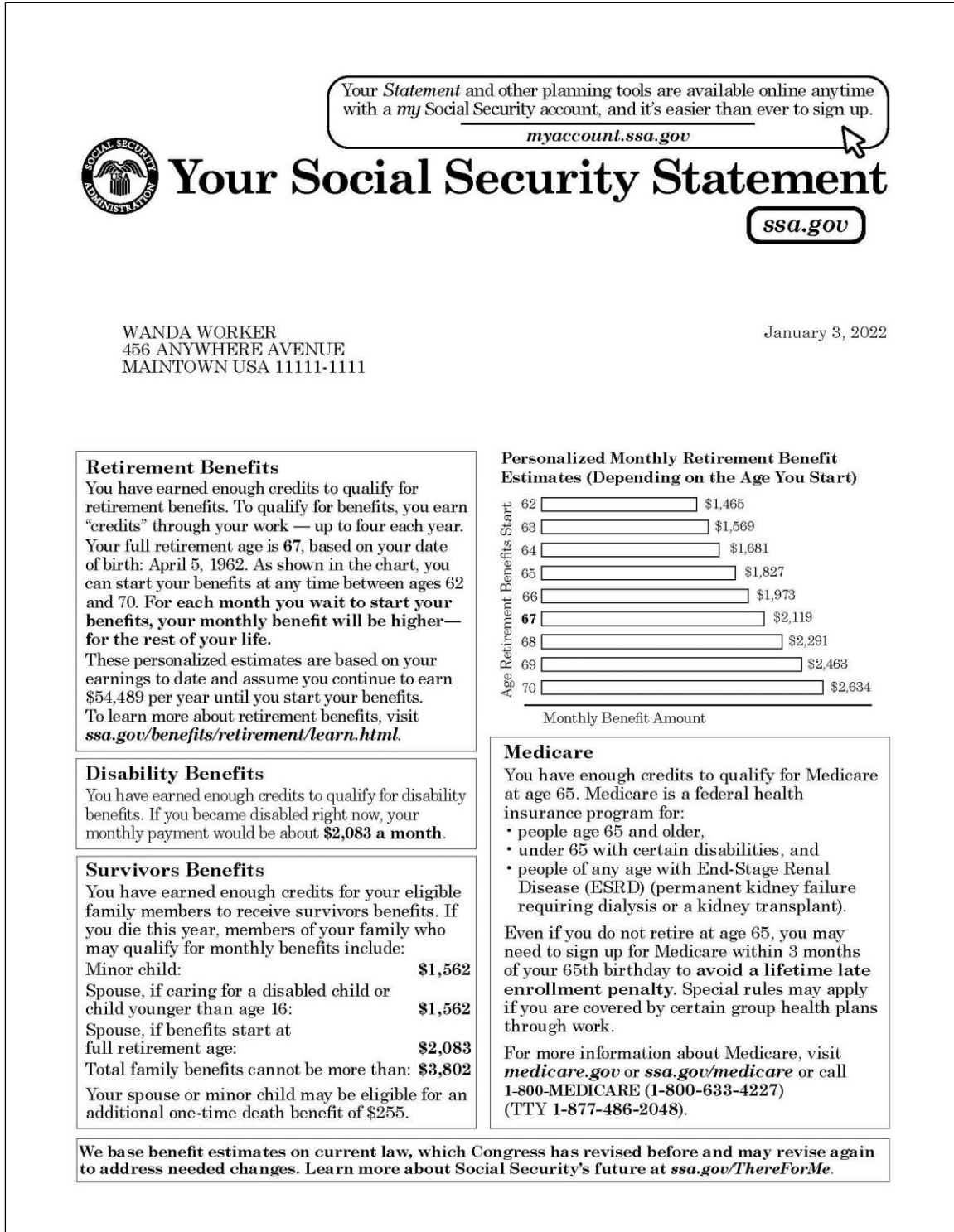
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<sup>114</sup> SSA, *Social Security Statement*, <https://www.ssa.gov/myaccount/statement.html>.

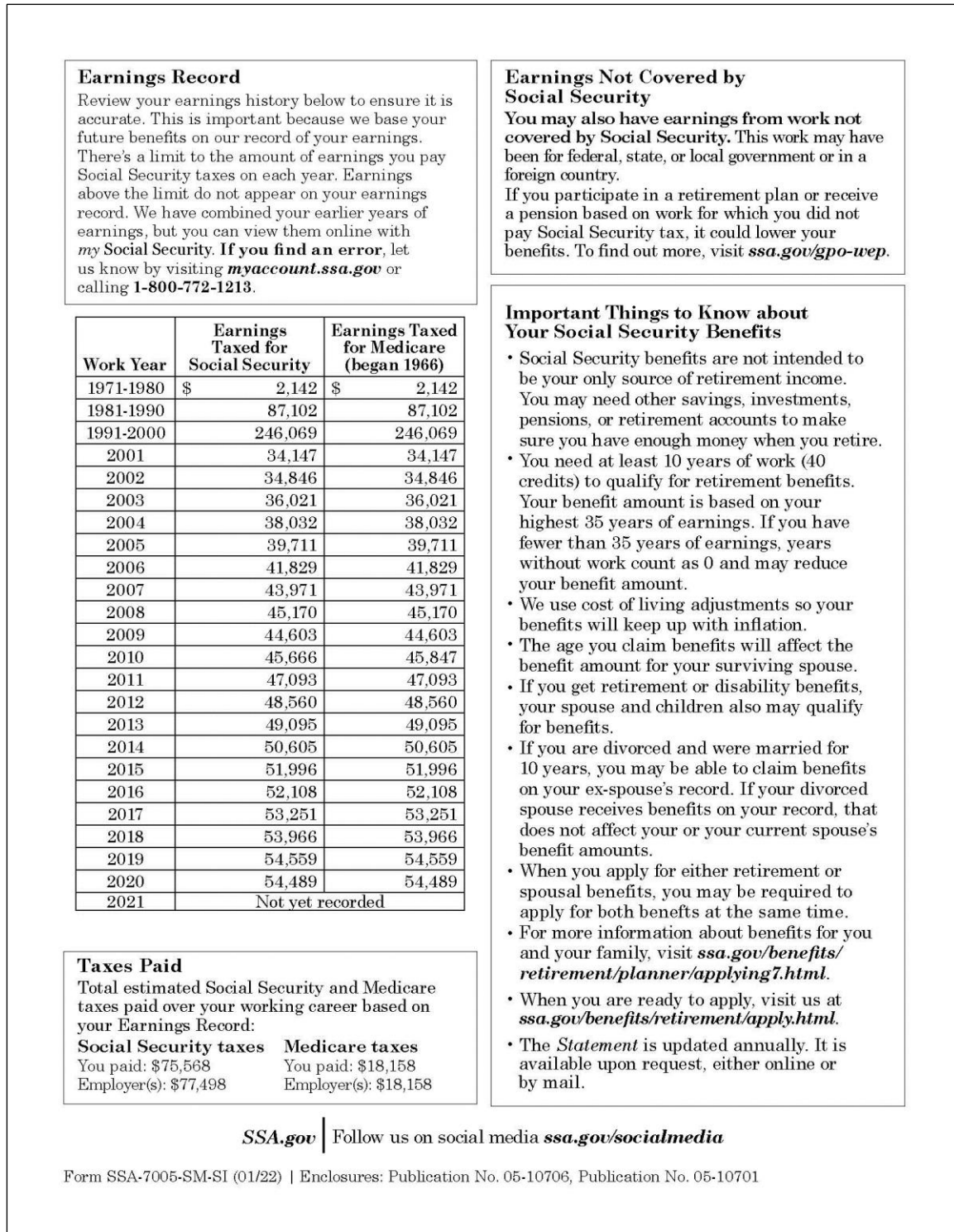
<sup>115</sup> SSA, “Social Security Announces Redesigned Statement—Now Available with a ‘my Social Security Account,’” press release, October 4, 2021, <https://www.ssa.gov/news/press/releases/2021/#10-2021-1>.

<sup>116</sup> SSA, *Annual Performance Report Fiscal Years 2021-2023*, April 2022, p. 25.

Figure B-I. Sample Paper Social Security Statement, First Page



**Figure B-2. Sample Paper Social Security Statement, Second Page**



**Source:** Social Security Administration, "Social Security Statement," <https://www.ssa.gov/myaccount/statement.html>.

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