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April 14, 2000

**HOUSE SUBCOMMITTEE ON SOCIAL SECURITY  
HEARING ON EFFORTS TO INFORM THE PUBLIC ABOUT SOCIAL SECURITY**

On April 11<sup>th</sup> the Social Security Subcommittee of the Committee on Ways and Means held a hearing on “Efforts to Inform the Public about Social Security.” This hearing focused on examining the information available to the public about the Social Security program, its benefits and its future financing. The hearing also examined recommended changes to this information and the way information is delivered to the public.

Rachel Emmons attended the hearing and the following is a summary of the proceedings.

The following members of the Subcommittee were present at the hearing: Clay Shaw (R-FL); Michael Collins (R-GA); Rob Portman (R-OH); Robert Matsui (D-CA); and Benjamin Cardin (D-MD).

The witnesses presenting oral testimony for the hearing were:

**Panel:**

- The Honorable Jerry Weller, M.C., (R-IL)
- The Honorable Peter Hoekstra, M.C., (R-MI)
- The Honorable Earl Pomeroy, M.C., (D-At Large ND)
- The Honorable John E. Sununu, M.C., (R-NH)

**The Honorable Kenneth S. Apfel, Commissioner, Social Security Administration**

**Barbara D. Bovbjerg, Associate Director, Education, Workforce and Income Security Issues; Health, Education and Human Services Division; U.S. General Accounting Office;**

accompanied by

Kay Brown, Assistant Director, Education, Workforce and Income Security Issues; Health, Education and Human Services Division; U.S. General Accounting Office;

and

Ken Stockbridge, Senior Evaluator, Education, Workforce and Income Security Issues; Health, Education and Human Services Division; U.S. General Accounting Office

**Panel:**

- Dallas L. Salisbury, President and Chief Executive Officer, Employee Benefit Research Institute
- Richard D. Thau, President, Third Millennium, New York, New York

- Gary Fazzino, Director of Federal Public Policy, Hewlett-Packard Company, on behalf of Alliance For Worker Retirement Security
- Hans Riemer, Director, 2030 Center
- Ron Gebhardtshauer, Senior Pension Fellow, American Academy of Actuaries
- Henry J. Aaron, Ph.D., Senior Fellow, Economics Studies, Brookings Institute
- Joan Entmacher, Vice President and Director, Family Economic Security, National Women's Law Center
- David C. John, Senior Policy Analyst, Social Security Heritage Foundation

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**The following are items of importance from Rep. Weller's testimony:**

**The Honorable Jerry Weller, M.C., Illinois**

- Cosponsor of legislation introduced by Rep. John Sununu that addresses the public's right to know about the state of the Social Security Trust Fund – H.R. 3578, The Social Security Right to Know Act.
- Act does two things:
  - Requires that specific information be included in the Annual Report of the Trustees of the Social Security Trust Fund detailing the state of the Social Security System
  - Requires that the Social Security Personal Earnings and Benefits Estimate Statements include information about Social Security's solvency and what rate of return taxpayers can expect from their Social Security wages
- Social Security Board of Trustees' Report has been released
  - Costs of maintaining the Social Security System will begin to exceed tax receipts in 2015
    - Unless significant reform is enacted, decisions will have to be made either to decrease benefits or increase taxes
    - Our children and grandchildren will have to pay the bill when Social Security is no longer solvent – this is wrong and the public must be made aware of it
  - By requiring that the Trustees include information regarding solvency the public will be better informed –H.R. 3578 will ensure this by requiring the annual report to include the total amount of the unfunded long-term liability of the Social Security system.
  - The Trustees' report will also show the amount of deficit or surplus the system will run in 75 years under this legislation
  - Legislation also requires that specific language be included in the report explaining the nature of the Social Security Trust Fund
- Individuals who contribute to the Social Security fund have the right to know where their retirement money is going
  - The Social Security Administration has begun mailing an annual statement – this is a good first step in making sure the public is well-informed of their own contributions to Social Security
    - Does not explain what rate of return they can expect

- Does not show the financial troubles that the Social Security Trust Fund will be experiencing
- H.R. 3578 – clarifies the annual statement and ensures that it includes information regarding the solvency of the trust fund
  - Specifically – requires that the annual statement include solvency dates based on the office of the Chief Actuary
  - Ensures that all future beneficiaries have the knowledge of when the system will begin to go bankrupt and when it will be insolvent
  - Will give beneficiaries a clearer understanding of the status of the Social Security system
  - Provides workers with the most up-to-date information

**The following are items of importance from Rep. Hoekstra’s testimony:**

**The Honorable Peter Hoekstra, Member of Congress, Michigan**

- Sometimes the information necessary to make good decisions is hard to come by or is hidden from view
  - One example of “hidden” information is what is missing from every employee’s annual W-2 tax form – the employer’s share of FICA taxes – which fund the Social Security and Medicare programs
- For seven out of 10 households, the FICA tax is the greatest of all taxes they pay – not the income tax
- Many workers are unaware of the 7.65% employer contribution to Social Security and Medicare – they are also unaware of how much their employment actually costs
- Employees also don’t realize how much of their paycheck funds Social Security and Medicare
- We can make sure employees are informed about the real costs of these programs by requiring W-2 forms to include the employer’s share of the payroll tax
- The Right to Know National Payroll Act (H.R. 1264) would give employees vital information on how payroll taxes affect their employment and how much they actually contribute to Social Security and Medicare
- Hundreds of businesses and the State of Michigan have adopted a Right to Know payroll form

**The following are items of importance from Rep. Pomeroy’s testimony:**

**The Honorable Earl Pomeroy, Member of Congress, North Dakota**

- Providing the American public with accurate information about Social Security is critical to their own retirement planning as well as to our success in reforming the program as a whole
- Want to underscore the importance of Social Security Statements in allowing individuals to plan for their retirement
  - Must approach any recommended changes to the statements in that context – rather than viewing them in terms of the debate over reform

- Must advance the public discussion of Social Security’s future not through these statements, but through discussions in Congress – with an eye toward development of a comprehensive bipartisan plan to extend the solvency of the program 75 years and beyond
- Remarks about the Social Security program in general and what it has achieved since its creation in 1935
  - Most important and most successful program ever undertaken by the federal government
  - Cornerstone for our retirement system – principal source of retirement income for two thirds of the elderly and makes up 90 percent of the income of about one third of all Americans over 65
  - Last year, Social Security benefits lifted roughly 15 million senior citizens out of poverty
  - America’s most successful family protection program
    - Today – one in three beneficiaries is under the age of 62, receiving either disability or survivor benefits
    - Almost three in 10 of today’s 20 year-olds will become disabled before reaching retirement age
    - Social Security provides the only disability protection for three out of four people in the workplace today
    - Provides survivor benefits to millions of families coping with premature death
      - One in six Americans will die before reaching 67
      - Social Security provides survivor benefits equivalent to about a \$354,000 life insurance policy
      - Social Security has had a very personal impact in the lives of millions of American families – including my own, my father passed away when I was a teenager, and my mother, my brother and I all received survivor benefits – no idea what would have done without Social Security
- Social Security Statement – one of the most critical sources of public information on Social Security benefits
  - Last October SSA began sending four-page individual statements to workers ages 25 and older not receiving Social Security benefits
    - Three-fold purpose
      - Serve a public education function by offering basic explanations of Social Security’s benefits, financial status, changes in the retirement age, and the retirement earnings test
        - Results of a Gallup poll show that these Statements have played a significant role in increasing Americans’ understanding of Social Security
          - Individuals receiving a statement are more likely to know that the amount of benefits depends on how much they earned; benefits are paid to workers who become disabled; benefits are provided to dependents of workers who die; and Social Security was designed only to provide part of total retirement
      - Help the Social Security Administration maintain accurate earnings records
        - Statements list the earnings that the SSA has on record – provide a toll-free number to call to correct errors
        - Critical because benefits are directly linked to lifetime earnings

- Assist workers with retirement and financial planning by providing them with an estimate of the benefits they and/or their families will be eligible for when they retire, if they become disabled, or if they pass away
    - Critical function – addresses the problem of inadequate savings for retirement
    - According to the Employee Benefits Research Institute (EBRI), 30 percent of American workers have no personal retirement savings, and almost 50 percent have never tried to figure out how much money they will need to save for retirement
  - Believe that annual Social Security Statements can play a critical role in addressing this savings crisis – provide workers with an estimate of their future Social Security benefits and also prompt them to examine how much they will need to save in other vehicles, such as employer-sponsored pension plans
- Comments on H.R. 3578
  - Regarding inclusion of rate of return information
    - Would require Social Security Statements to reflect the average rate of return that each individual can expect to receive and compare that rate of return to the rates of return for workers born in every year since 1900
      - Presumably, the purpose is to demonstrate to workers that internal rates of return in the program have varied from one generation to the next
        - This is not a flaw in the program’s design – Social Security is an inter-generational program in which the first beneficiaries naturally received a higher rate of return than beneficiaries today
          - For example – workers retiring in 1940 experienced a higher rate of return than later generations, because they received benefits after only contributing for a few years
        - The program was designed as a social insurance system to enable generations of workers to protect each other
      - Providing information on internal rates of return without discussing these aspects of the program present an incomplete picture to the American public
  - Description of Social Security Trust Funds
    - Legislation would require Social Security Statements to include a paragraph to the effect that Social Security Trust Fund balances “do not consist of real economic assets.”
      - On the contrary – Social Security Trust Funds consist of U.S. Treasury bonds
        - Backed by the full faith and credit of the United States
        - The United States has never defaulted on any of its financial obligations
      - Including this statement would disseminate inaccurate information to the American people – would portray the program as hopelessly bankrupt, when in fact modest prudent changes can make the system solvent for 75 years
- Congress should engage the public through open debate on long-term solvency and Social Security reform
  - The American public should be engaged in the debate about the benefits of the current Social Security system versus any alternatives

- The appropriate context for discussion of changes to the program is not in individual Social Security Statements, but through debate in Congress and among the American people
- Make modest reforms rather than create a new alternative retirement system
- With colleagues I have sponsored legislation (H.R. 3165) that would devote the entire Social Security surplus to reducing the federal debt held by the public
  - Under this proposal, debt held by the public would be reduced \$3.1 trillion over the next 15 years and eliminated by 2015
  - Proposal calls for the transfer of general fund revenue in the amount of these interest savings to the Social Security Trust Funds over the period 2011 to 2044 to extend the solvency of the program to at least 2050

**The following are items of importance from Rep. Sununu’s testimony:**

**The Honorable John Sununu, Member of Congress, New Hampshire**

- All Americans must have accurate information as they make critical decisions regarding retirement security
- Introduced H.R. 3578, “The Social Security Right to Know Act,” as part of the effort to provide more information to workers regarding Social Security
  - Legislation gives those paying Social Security taxes accurate and up-to-date information regarding taxes they pay and the benefits they can expect to receive
  - Expands access to wage statistics; clearly explains the status of the Social Security Trust fund; and discloses the rate of return paid on taxes
  - Requires that additional information be included in the Annual Report of the Trustees of the Social Security Trust Funds
    - The aggregate amount of the unfunded long-term liability of the system, and the change from the previous year’s report
    - The amount of deficit or surplus that the system will run in the last year in the 75-year projection period included in the report
    - Language explaining the nature of the Social Security trust fund, including the following wording:
 

“The Trust Fund’s balances reflect resources authorized by Congress to pay future Social Security benefits, but do not consist of real economic assets that can be used in the future to fund benefits, and that such balances are claims against the United States Treasury that, when redeemed, must be financed through increased taxes, public borrowing, benefit reduction, or elimination of other federal expenditures.”
  - Publish the economic model and all relevant data used to make financial projections
- Requires that additional information be included in the Personal Earnings and Benefit Estimate Statements (renamed “Your Social Security Statement”)
  - Explain that although Social Security currently collects more in taxes than it pays out in benefits each year, it will begin to run cash flow deficits in 2015

- Include language similar to that in the Annual Report which explains the nature of the Social Security Trust fund
- Include language explaining the average rates of return that taxpayers can expect to receive on their Social Security retirement benefits as compared to the total amount of Social Security retirement taxes that they can expect to pay – include chart 2.1 from GAO report GAO-HEHS-99-110 and the following wording:
  - “Inflation-adjusted rate of return estimates were more than 10 percent for birth groups born before 1905. They fell below 6 percent for those born in 1920, below 3 percent for those born in about 1940, and below 2 percent for those born in about 1960. They will reach 1 percent for those who will be born in about 2040.”
- Allows the Treasury Department’s Continuous Work History Sample to be made available to qualified researchers for statistical research
  - Require the Office of Research and Statistics of the Social Security Administration to make the sample available
    - Office will be able to require researchers to reimburse all costs and to impose any reasonable conditions to ensure that the data’s security is protected
    - Office will be required to take steps to ensure that any identifier that might compromise any individual’s identity is removed from the data prior to its being released
- With a projected federal budget surplus of \$4.1 trillion over the next ten years we have the opportunity to create a dramatically better, more modern, retirement Social Security system
  - This modest step of providing fundamental information to the public will help workers to better understand the current system, the need for reform, and the options they have for their own retirement security

The following questions were put forward by the members of the Subcommittee:

**Rep. Matsui: The form that has gone from the Commissioner, then to GAO, then was revised – why not let that settle in? Let the 1-800 number make the corrections. This legislation seems to be trying to move public opinion – perhaps into moving to a private account system. Publishing the rate of return could be misleading. There is a problem with factoring in the unfunded liability – the marketplace does not do this and Social Security does. Secondly, day traders have a minimal cost, with a broker that cost might be 10-20%, to amortize at the end of the day would be a very complex process – might add another 15-20%. All of these things should be factored on that statement – if not misleading information might be the result.**

Rep. Weller: The legislation works towards the goal of informing workers, it only addresses the rate of return on the taxes they pay.

**Rep. Matsui: Why is it relevant then?**

Rep. Weller: The legislation salutes the intelligence of today’s average worker. They have a right to know the average rate of return.

Rep. Sununu: Regarding the unfunded liability – it’s part of the legislation – it should appear in the Trustees’ Report. The legislation doesn’t call for comparison with any private sector vehicle.

**Rep. Matsui: What is the purpose?**

Rep. Sununu: The consumer is able to make the judgement.

**Rep. Matsui: What is the purpose? (the discussion between Reps. Matsui and Sununu was quite heated – they interrupted each other and didn’t allow one another to completely finish their comments)**

Rep. Sununu: An estimate on the rate of return is of value. There are many technical issues. I hope the Subcommittee can make an objective analysis.

**Rep. Matsui: What about the amortization issue?**

Rep. Sununu: There is room for discussion – on the context and range of historical data being provided.

Rep. Pomeroy: Rep. Sununu referred to “objective information.” What about the value of the survivor benefit – this is not calculated. The rate of return over time doesn’t reflect implementation over time – this results in different rates of return. It is prejudicial to include this information in the form without explanation. Social Security is a rock-solid commitment from the government.

**Rep. Shaw: Unfortunately, the evidence does rule this out.**

Rep. Pomeroy: Well, the citizens believe it is rock-solid.

**Rep. Shaw: We will try to get the situation changed so that is true.**

**Rep. Cardin: What about a cost analysis of this bill? It seems like we will need additional congressional staff just to explain the form. Rate of return – how would you calculate it? Would you add up all anticipated contributions, use life expectancy, factor out survivors’ benefits and disability?**

Rep. Sununu: We can factor out survivors’ benefits and disability.

**Rep. Cardin: Would it be based on current family status or average family status?**

Rep. Sununu: We would back people out – use adjusted tax base for rate of return.

**Rep. Cardin: Would the SSA have to factor this out?**

Rep. Sununu: The legislation calls for an average rate of return. Groups of workers would be looked at and then forecast average rates of return.

**Rep. Cardin: Wouldn’t an easier way be to take the age of birth and average income?**

Rep. Sununu: That is an alternative and similar approach – there are disagreements in the context of presenting this information.

**Rep. Cardin: What if we don’t relate the information to the individual? Let’s evaluate what is already being sent out. No bias – no policy objective. The wording of the legislation causes concerns.**

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**The following are items of importance from Commissioner Apfel’s testimony:**

**The Honorable Kenneth Apfel, Commissioner, Social Security Administration**

- One of the Agency’s achievements that I am most proud of is the Social Security Statement
  - Most significant vehicle we have to increase the public’s understanding of the basic features of Social Security and help them to prepare for their long-term financial security



- Beginning October 1, 1999, the SSA launched the largest customized mailing ever taken by a Federal agency when it began sending a newly-designed PEBES, now called the Social Security Statement
- Statements are mailed so that workers will automatically receive them about three months before their birth month
- Provide workers with a list of their year earnings on record at SSA, information about their eligibility for benefits, and estimates of these benefits
- Provide estimated retirement benefits at age 62, at normal retirement age and at age 70 are provided
- Contain estimated totals of the Social Security taxes that have been paid by the worker and by his/her employer over the individual's working career
- Workers have an opportunity to review the earnings (or self-employment income) posted on their Social Security record to ensure the record is complete and accurate
- Received Vice President Gore's Plain Language Award
- Changes have already been made to improve the Social Security Statement
  - Added information about Social Security's future – pointing out that Social Security will be there when workers retire, but that changes will be needed to resolve the program's long-range financial issues
  - Will continue to make changes as necessary
  - In the near future will be updating the Statement to reflect the 2000 Trustees' Report and the enactment of H.R. 5
- New Internet service – Social Security Retirement Planner
  - Help workers understand the amount of Social Security benefits they can expect in retirement
  - Offers valuable information on issues to consider when contemplating retirement, what documents are needed when applying for benefits, other potential benefits for the worker or family members, and how and where to apply for benefits
- Proposal to revise the Statement
  - SSA considered but rejected including additional information such as an individualized rate of return on the Statements
    - In September 1998, the GAO reported that there was a substantial disagreement about whether it is appropriate to apply the rate of return concept to the Social Security program
    - SSA strongly agrees that it is inappropriate to apply individual rate of return estimates to Social Security
    - The GAO report also concluded that adding rate of return information to the Statement could significantly increase its length and complexity and undermine SSA's effort to provide a simplified but useful Statement
- SSA is committed to ensuring that the public understands Social Security and its importance to them and their families' financial future

The following questions were put forward by the members of the Subcommittee:

**Rep. Matsui: Thank you for your efforts. What are the surveys saying on the second form?**

Commissioner Apfel: That people's knowledge is greater – about the key elements and Social Security in general. The majority of Americans view this as a helpful document.

**Rep. Matsui: What about making sure there was no bias in preparing the form? What checks were used?**

Commissioner Apfel: We used focus groups, mailings, surveys, and talked to organizations. We are providing good solid information and a simplified form. The Statement is a source of great personal pride – it is one of the best things we have done for years.

**Rep. Collins: What is the cost for the annual statement?**

Commissioner Apfel: \$.56 per statement. This includes production, mailing, answering questions and corrective actions.

**Rep. Collins: What about extending the time between statements?**

Commissioner Apfel: I don't disagree with that notion – but I wouldn't recommend that at all for several years. We may want to expand information for individuals as they get closer to retirement age. There shouldn't be any major changes yet.

**Rep. Collins: Can people go to the website and get this information?**

Commissioner Apfel: People can't get individual information – but there are three separate calculators for benefits, disability, etc.

**Rep. Shaw: I have one suggestion – the form is almost too slick – you don't realize when you are at your own personal information. You might want to put all the text first and put the person's information on a second page.**

Commissioner Apfel: Our goal is to continually find ways to improve the Statement. As far as rate of return – the Statement is not the appropriate vehicle for this information.

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**The following are items of importance from Associate Director Bovbjerg's testimony:**

**Barbara D. Bovbjerg, Associate Director, Education, Workforce, and Income Security Issues; Health, Education, and Human Services Division; GAO**

- Three broad types of information the public should have about the Social Security program and what role the individualized Social Security Statement might play in providing that information
  - First – individuals should have clear and easy to understand information about what benefits they can reasonably expect to receive
    - Workers should understand that their benefits depend on their average lifetime earnings
    - Workers should also understand that Social Security is meant to be only a foundation of retirement income – Social Security does not guarantee a benefit that meets the poverty threshold
    - SSA's individualized Social Security Statement is one of the key vehicles for providing the public with the basic information about Social Security

- The Statement reaches a very wide audience; starting in this fiscal year, SSA is sending the individualized Social Security Statement annually to almost every U.S. worker aged 25 and older – an estimated 126 million people each year
- Remaining rough spots in the Statement:
  - Clarity of purpose – we believe SSA could more clearly and quickly spell out the statement’s purpose and inform readers that the Agency wants them to take action (inform SSA of missing or incorrect information). Explaining inflation-adjustment of benefit estimates: The statement provides estimates in “current dollars.” Readers may not understand what this means.
  - Some explanations are still unclear: Explanations such as the one regarding the credits required for benefit eligibility may still leave the reader confuse. Also, the revised statement no longer cautions recipients that the estimates are based on their own individual earnings records and may also depend on their spouses’ earnings if they have spouses.
- Second – the public should understand the current and projected financial status of the Social Security program
  - The public needs to understand the fundamentals of Social Security financing
- Third – the public should have information to help it evaluate different proposals to restore solvency and make other program changes
  - We have concluded that three broad criteria help provide balance and structure to evaluate alternative proposals
    - The extent to which proposals would achieve sustainable solvency, including how they would affect the federal budget and the economy
    - The balance of adequacy and equity in the benefits structure
    - The feasibility of implementation and administration
  - No single criterion should be considered in isolation, and taken together these criteria highlight the difficult trade-offs that exist between efforts to achieve solvency and to maintain adequate retirement income for current and future beneficiaries
- Recent proposals call for the Social Security Statement to include estimates of the implicit rate of return
  - Substantial controversy surrounds applying the concept of rates of return to Social Security
  - Some analysts contend that the rate of return concept should not be applied to Social Security because it is a social insurance program and is not designed to provide returns on contributions
  - We have observed that rate of return estimates are inherently very uncertain – especially for specific individuals, because of the many complex factors that affect rates of return
    - Such factors include: how long individuals will live, how much they will earn, and what size families they will have
  - Instead of making simple comparisons between Social Security and historical market returns, one should make any rate of return comparisons among comprehensive return estimates for specific reform proposals that include all costs and benefits of any individual accounts as well as the Social Security components of the resulting system

- Adding rates of return to the Social Security Statement would make the statement longer and more complex and could undermine its important and specific purpose of providing benefit estimates and verifying earnings records
- The Social Security Statement is not the right vehicle for this information

The following questions were put forward by the members of the Subcommittee:

**Rep. Matsui: Has SSA responded to your concerns?**

Associate Director Bovbjerg: We are very pleased with SSA. The Statement is shorter, well designed, easier to read and clear. There are still some things that can be done, but they have been very responsive.

**Rep. Shaw: The longer the statement, the less people understand – if it is shorter it is more consumer-friendly. Could this be done with the Trustees’ Report also?**

Associate Director Bovbjerg: The Trustees’ Report is really for a different audience. It is more for technical experts, Members of Congress, etc. – it is not for everyone.



The final panel was composed of witnesses who gave testimony focusing on research and statistics and why the Social Security Statement is or is not the appropriate vehicle for certain types of information (specifically rate of return).

**Panel:**

- Dallas L. Salisbury, President and Chief Executive Officer, Employee Benefit Research Institute
- Richard D. Thau, President, Third Millennium, New York, New York
- Gary Fazzino, Director of Federal Public Policy, Hewlett-Packard Company, on behalf of Alliance For Worker Retirement Security
- Hans Riemer, Director, 2030 Center
- Ron Gebhardtshauer, Senior Pension Fellow, American Academy of Actuaries
- Henry J. Aaron, Ph.D., Senior Fellow, Economics Studies, Brookings Institute
- Joan Entmacher, Vice President and Director, Family Economic Security, National Women’s Law Center
- David C. John, Senior Policy Analyst, Social Security Heritage Foundation

The following questions were put forward by the members of the Subcommittee:

**Rep. Shaw: (read aloud information from the Social Security Statement regarding the status of the Social Security program) It seems to say what the problems are with Social Security. It is a very straightforward statement – although the information about the Earnings Limit needs to be changed.**

Henry J. Aaron (Brookings Institute): We need to remember to act early – there will be a 39 year fade in period on H.R. 5. There has always been a gradual phase in on all Social Security programs.

**Rep. Shaw: We are getting started – there are programs out there now that we can get started with.**

**Rep. Matsui: I appreciate all of the testimony today – I was viewing this hearing with some trepidation – looking at the number of witnesses – but I’ve learned a great deal. Thank you.**

**Rep. Portman: Dallas L. Salisbury – thanks for all the good work. A recent study revealed that only 50% of Americans are covered by pension plans. Ms. Entmacher – your analysis misses the point – over time there will be less need for the public money, you must look ahead 2 to 3 generations, and compare apples to apples – there will be a difference.**

Joan Entmacher (National Women’s Law Center): Glad you brought it up. I would like to credit Chairman Shaw for his proposal (private accounts) – but setting those up will require substantial amounts of federal money – which may lead to cuts in programs. That money needs to come from somewhere. If the money to fund the private accounts were put into the Social Security program we could then save on the cost of administering the private accounts.

**Rep. Portman: I think there is a creative 3<sup>rd</sup> way. Objective analysis is helpful. Rate of return – I take to heart Mr. Aaron’s comments – we need to act quickly, and we also need to remember that the Social Security program is not risk free.**

Henry J. Aaron: A comparison of rates of return is just not possible. We can’t value the rates of protection. It is also not too difficult for people to understand. There is also the fact that analysts can’t come to a consensus on how to do the numbers. If the numbers become the focus of the debate – people will be come confused, frustrated and annoyed. They will focus on the wrong issues.

**Rep. Portman: I think the statement is improved, but it still needs more information on solvency and rate of return.**

Richard D. Thau (Third Millennium): I think you can calculate rate of return. Use the amount paid in and how long – that’s what you get. *(many people in the room were shaking their heads no at this idea)*

**Rep. Portman: There are different types of risks.**

Joan Entmacher: Women are afraid of growing old and having nothing to live on. Many are relying on spousal benefits – many were not in the workforce as long or maybe not at all (many homemakers). They shouldn’t have to worry about living too long and not having money to live on. How do we improve social insurance goals?

**Rep. Shaw: I realize it’s difficult but we have to remember the purpose of this hearing and comment on the Social Security Statement – we’ll have to leave reform for another day. But what we do need to remember is that there are no guarantees if Congress doesn’t act. We also need to remember that whatever this Congress passes, it won’t be final – future Congresses will make changes.**

Copies of the witnesses' written statements are available. Please contact us if you have any questions or would like copies.

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