



Social Security

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Acting Commissioner of Social Security

Marianna LaCanfora
**Acting Deputy Commissioner
for Retirement and Disability Policy**

Sean P. Brune
**Acting Assistant Deputy Commissioner
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Perspectives Editor
Michael Leonesio

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HOW EFFECTIVE IS THE *SOCIAL SECURITY STATEMENT*? INFORMING YOUNGER WORKERS ABOUT SOCIAL SECURITY

by Barbara A. Smith and Kenneth A. Couch*

This article analyzes the impact of the Social Security Statement on younger workers' knowledge of Social Security programs and benefits, using data from surveys commissioned by the Social Security Administration (SSA). We found that younger workers generally were knowledgeable about Social Security before receiving a Statement and significantly more so afterward. Younger workers' knowledge was stronger in broader program-level aspects than in some narrower benefit-specific aspects. The gap in knowledge about benefits poses potential risks for their retirement security and indicates that SSA should emphasize certain types of information in continuing outreach efforts. We found no consistent knowledge gaps related to demographic characteristics that would indicate a need for targeted outreach to certain groups.

Introduction

In 1995, the Social Security Administration (SSA) began large-scale mailings of earnings and benefit statements to workers.¹ One of the statement's primary purposes was to provide workers with information on their Social Security benefits and to help them plan their financial futures. The *Social Security Statement* has been widely acknowledged as one of the most important of federal government communications with the public (Jackson 2005).² It stands as the largest customized mailing ever undertaken by a federal agency (SSA n.d.). Developing and distributing the *Statement* each year required a massive effort in terms of resources and work hours.

To date, research assessing the *Statement's* effect on public knowledge about Social Security has focused on older workers approaching retirement (Mastrobuoni 2009; Biggs 2010; Greenwald and others 2010; Liebman and Luttmer 2010). Even SSA-commissioned research, based on surveys conducted between 1998 and 2004 to measure the *Statement's* effect on public understanding of Social Security programs and benefits, emphasized the impact on older workers.

We decided to focus instead on younger workers, in part because of the changing nature of retirement income. Younger workers are less likely than older workers to be covered by defined benefit pension plans and more likely to be responsible for their own retirement security. For them, Social Security benefits are bound to be increasingly significant. Thus, it is essential that younger workers understand how different factors might affect the Social Security benefits they can expect to receive. Younger workers are also of interest because, although in a position to benefit most from additional information, they are less likely than older groups to seek it.³ For these reasons, we assessed how much younger workers know about Social Security, identified their knowledge gaps, and considered ways to provide them with additional information.

Selected Abbreviations

FRA	full retirement age
FY	fiscal year
SSA	Social Security Administration

* Barbara A. Smith is an economist with the Office of Policy Research, Office of Retirement Policy, Social Security Administration. Kenneth A. Couch is a professor of labor economics at the University of Connecticut.

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In addition to its focus on younger workers, this article contributes to the literature on the impact of the *Statement* by looking at changes over time in the public's understanding of Social Security. Most other studies focus on a single year and compare individuals who received a *Statement* that year with those who did not. Using surveys commissioned by SSA, we were able to look at a group of younger workers who had not received the *Statement* at the time of the first survey and contrast them with workers of the same age who had received a *Statement* at the time of a later survey. This enabled us to observe the increase in knowledge associated with receipt of the *Statement*. It also enabled us to compare groups of younger workers who had not received the *Statement* in either year and observe whether knowledge about Social Security changed even in its absence. In addition, we used a unique source of information in the analysis: the surveys conducted by the Gallup Organization in 1998 and 2001.

We assessed how younger workers' understanding of Social Security, in both broader program-level aspects and narrower benefit-specific aspects, changed across time and with receipt of the *Statement*; and we found that *Statement* receipt is associated with large and statistically significant increases in knowledge. Younger workers who received the *Statement* were very knowledgeable about the programs that Social Security offers.⁴ Particularly wide majorities understood that payroll taxes finance benefits and that benefit levels depend on lifetime earnings. However, far fewer young people knew that the full retirement age (FRA)—the age at which one becomes eligible for full retirement benefits—would begin rising incrementally in 2003, and even fewer were aware that benefits are inflation-indexed. In the article's Conclusion, we discuss how being unaware of those facts might negatively affect the retirement security of younger workers and suggest approaches SSA might take to address that knowledge gap.

Social Security Statement Background

This section presents a brief overview of the *Statement*. First, we discuss the history of its implementation. Next, we describe its content and appearance, to indicate how the *Statement* conveys various types of information to recipients. Then, by discussing the Gallup surveys, we summarize the efforts to measure the *Statement's* effectiveness.

Implementation

The Omnibus Budget and Reconciliation Act of 1989 amended the Social Security Act to require SSA to issue estimated benefit and earnings statements beginning in 1995.⁵ The legislation mandated that SSA mail these statements to workers aged 60 or older in fiscal year (FY) 1995 and, in FYs 1996 through 1999, to workers turning 60 during those years.⁶ The legislation also required SSA to send estimated benefit and earnings statements to all eligible workers aged 25 or older beginning in FY 2000. SSA modified the mailing schedule specified in the legislation to include increasingly younger recipients during FYs 1996 through 1999. As shown in the implementation schedule below, this modification enabled the agency to increase the volume of mailings gradually over time.

FY	Statements mailed	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

SSA staggered the *Statement* mailings throughout each year, with workers receiving their *Statements* about 3 months before their birthdays. Note that from this implementation schedule, we can identify, by their age, which workers would be unlikely to have received a mailing by a specific date. For example, workers aged 25 did not begin receiving mailings until FY 2000.

Content and Appearance

Legislation determines the basic content of the earnings and benefit statements. The Omnibus Budget and Reconciliation Act of 1989 specified that *Statements* must contain the worker's earnings history and Social Security and Medicare taxes paid; estimated retirement benefits payable at early retirement age (62), FRA, and age 70; estimated disability, survivor, and auxiliary benefits payable on the worker's account; and a description of benefits payable under Medicare. The Social Security Protection Act of 2004 further mandated that the *Statement* include sections on the

Windfall Elimination Provision and the Government Pension Offset beginning in 2007.⁷

Over time, the content and the placement of information in the *Statement* have undergone slight changes. In FY 1995, the first page of the original *Statement* contained a message from SSA's commissioner. The second page provided the worker's earnings history as well as Social Security and Medicare taxes paid. The third page contained the worker's estimated retirement, disability, and survivor benefit amounts, as well as a description of Medicare benefits. The fourth, fifth, and sixth pages provided additional information (including data sources and estimation methods) on the worker's earnings record, Social Security taxes paid, Social Security and Medicare credits, estimated benefits, types of benefits, and the effect of working while receiving benefits. SSA used this format for the *Statement* through FY 1999.

The FY 2000 version of the *Statement* reflected both content changes and significant focus-group-tested design changes. It eliminated information on taxes paid in each earnings year and provided only cumulative lifetime Social Security and Medicare taxes paid. A new paragraph encouraged recipients to think about the advantages and disadvantages of retiring early. A list of publications on topics related to retirement benefits also appeared.

The design changes included shortening the *Statement* from six to four pages and rearranging the order of presentation so that information on retirement, disability, and survivor benefits preceded the worker's earnings history. The revised *Statement* showed only two columns of numbers representing taxed Social Security earnings and taxed Medicare earnings for each year in a worker's earnings history. The *Statement* was modified so that numbers filled only one-half of a page, instead of an entire page as before. More white space and greater use of different font sizes and styles made the *Statement* easier to read.

Effect on Public Awareness

As the agency was implementing the *Statement*, it sought to measure the *Statement's* effect on public awareness of and knowledge about Social Security. SSA identified this objective in its strategic plans and commissioned surveys to assess the *Statement's* impact.

Strengthening public understanding of Social Security programs was one of the five goals of SSA's *Strategic Plan 1997–2002: Keeping the Promise*, issued in September 1997.⁸ In 1998, as part of that strategic plan, SSA established the Public Understanding and

Management System, under which it commissioned the Gallup Organization to conduct six surveys between 1998 and 2004 to evaluate SSA's outreach efforts, including the *Statement*.

The first survey, conducted in 1998, provided the baseline for public knowledge about Social Security. It found that Americans aged 18 or older were relatively well-informed about basic program facts. Eighty percent of respondents knew that Social Security provides survivor benefits, 83 percent knew that Social Security provides disability benefits, 87 percent knew that a tax on workers and employers finances Social Security benefits, and 89 percent knew that benefit amounts depend on earnings histories. However, fewer respondents knew certain facts affecting their future benefits: Only 65 percent knew that the FRA was going to rise, and only 59 percent knew that benefits increase with the cost of living. Respondents who stated they had received a *Statement* knew more about Social Security's programs and benefits than did those who did not report receiving a *Statement*.

The 2001 survey results revealed a significant increase from 1998 in the percentage of respondents who knew that Social Security provides survivor benefits (88 percent versus 80 percent), that Social Security provides disability benefits (89 percent versus 83 percent), that Social Security is financed by a tax on workers and employers (93 percent versus 87 percent), and that benefit levels depend on earnings histories (93 percent versus 89 percent). Although higher percentages of respondents in 2001 knew that the FRA would rise (70 percent versus 65 percent) and that benefits increase with the cost of living (67 percent versus 59 percent), knowledge in 2001 about their own benefits still lagged behind their Social Security program knowledge. Nonetheless, these results indicate a positive impact of SSA's public information campaign.

As required by its implementation schedule, SSA had sent *Statements* to workers aged 47 or older by the time of the first Gallup Organization survey in 1998. In 2001, about one-half (46.8 percent) of respondents aged 18 or older reported receiving a *Statement* in the year prior to the survey. Thus, simple contrasts of the percentages of correct responses for all workers surveyed in 1998 with those surveyed in 2001 do not cleanly capture gains in knowledge associated with *Statement* mailings because in 1998, many older workers had already received a *Statement*.

To establish a more meaningful comparison, we focused on workers aged 46 or younger who, because

of their age, probably would not have received a *Statement* at the time of the initial survey. Then, we contrasted their knowledge with that of workers aged 46 or younger several years later, after full implementation of the *Statement*. Using that approach, we were able to highlight more clearly how much additional information the *Statements* conveyed to younger workers. Although it would have been useful to provide similar contrasts for older workers, the dating of the surveys and the implementation schedule of the mailings do not align in a way that would have allowed us to perform that analysis. Nonetheless, we think researchers and policymakers can learn about the effectiveness of the *Social Security Statements* by examining only the younger individuals.

Data and Methodology

We used data from the first Gallup survey, conducted in October and November of 1998, and data from the fourth survey, conducted between August and December of 2001.⁹ Both were nationally representative surveys of adults aged 18 or older.¹⁰ Gallup interviewed 4,000 respondents in 1998 and 20,700 respondents in 2001.¹¹ Each survey included both broad-scope questions about Social Security programs and narrower questions about benefits that would more likely apply directly to a respondent's own situation. We focused on adults aged 46 or younger, relatively few of whom would have received a *Statement* at the time of the 1998 survey. To that end, we excluded from our calculations anyone who reported in that survey that he or she had ever received a *Statement*.¹² The 1998 survey thus serves as the baseline, measuring the level of understanding of Social Security programs and benefits among younger workers prior to receipt of the *Statement*.

Following the implementation schedule that sent *Statements* to progressively younger workers each year, SSA sent at least two and possibly three *Statements* to individuals aged 46 or younger by the time of the 2001 survey.¹³ By using the responses of persons aged 46 or younger to the 2001 Gallup survey and contrasting them with the responses to the same questions in 1998, when those aged 46 or younger would not have received a *Statement*, we were able to evaluate the *Statement's* effectiveness over time.

To assess the impact of the *Statement* on younger workers' knowledge, we looked at the percentages of respondents that correctly answered each of six questions: three about Social Security benefits and three about program aspects. Following is a list of the questions, presented verbatim.¹⁴

Benefits-knowledge questions

1. Social Security benefits go up automatically with the cost of living. (a) agree, (b) disagree, (c) don't know.
2. Is the youngest age you can retire and collect FULL Social Security retirement benefits fixed or will it rise in the future? (a) fixed, (b) will rise in the future, (c) don't know, (d) (refused).
3. Do all people who receive Social Security retirement benefits receive the same amount, or does it depend on how much people earned when they were working? (a) people receive the same amount, (b) it depends on how much people earned when they were working, (c) don't know, (d) (refused).

Program-knowledge questions

4. Social Security provides benefits to families of workers who die.¹⁵ (a) agree, (b) disagree, (c) don't know.
5. Social Security pays benefits to workers who become disabled.¹⁶ (a) agree, (b) disagree, (c) don't know.
6. Social Security is paid for by a tax placed on both workers and employers. (a) agree, (b) disagree, (c) don't know.

In all instances, the percentages of respondents answering "don't know" or refusing to answer were very low.¹⁷ For each question, we calculated the percentage of correct responses for all workers in our sample in the two survey years.¹⁸ We then disaggregated the results by education, income, race/ethnicity, and sex to see if the impact of the *Statement* differed across or within demographic groups.

For each of the following three pairings, we examined the difference in the percentage of correct responses:¹⁹

- Individuals who did not receive a *Statement* in 1998 and individuals who did not receive a *Statement* in 2001;
- Individuals who did not receive a *Statement* in 1998 and individuals who received a *Statement* in 2001; and
- Individuals who did not receive a *Statement* in 2001 and individuals who received a *Statement* in 2001.

The first two pairings allowed us to distinguish the effect of *Statement* receipt from general changes in knowledge about SSA's programs and benefits that might have resulted from information obtained through other channels. The third pairing enabled us to assess the impact of the *Statement* within a single year. We have also provided breakdowns by education,

income, race/ethnicity, and sex in order to determine if initial and subsequent levels of knowledge are associated with any of those characteristics.

We expected to see an increase in the percentage of correct responses between 1998 and 2001, even for respondents who did not receive a *Statement* in either year. One reason we did so is that SSA embarked on an extensive public information campaign during the rollout of the *Statement*.²⁰ Another reason is that younger workers who did not receive a *Statement* in 2001 might have received (and read and remembered) a *Statement* in 2000; or, they might have had contact with one or more *Statement* recipients in 2001. However, we expected to see an even greater increase in the percentage of correct responses between the younger workers in 1998 who did not receive a *Statement* and the younger workers in 2001 who did. To illustrate, we expected the following general trend in the percentages of questions answered correctly in each respondent group:

1998 survey, <i>Statement</i> nonrecipients	<	2001 survey, <i>Statement</i> nonrecipients	<	2001 survey, <i>Statement</i> recipients
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After calculating the actual percentages of correct responses, we calculated standard errors for the differences in the percentage of correct answers that we observed within each of the three pairings. We then used a two-tailed *t*-test to determine whether the changes in the percentage of correct answers between the groups in each of the three pairings were statistically significant.

Results

Table 1 shows that, for all workers aged 46 or younger in 2001, the percentage of correct responses for five of the six questions examined was greater among respondents who reported receiving a *Statement* than among those who did not. That outcome is consistent with our expectations. The table also shows that, for most questions, a greater percentage of respondents answered correctly in 2001 than did so in 1998, regardless of whether they received a *Statement* in 2001.²¹

However, the increase in the percentage of correct answers between the two years was noticeably larger for those who received a *Statement* in 2001. For example, for individuals who did not receive a *Statement* in either year, correct answers increased by 1.2 percentage points (from 78.5 percent to 79.7 percent) between 1998 and 2001 for the program-knowledge question about Social Security providing disability benefits.

Statement recipients in 2001 were 6.7 percentage points more likely than 1998 respondents to answer that question correctly (from 78.5 percent to 85.2 percent). Similarly, for individuals who did not receive a *Statement* in either year, correct answers increased by 2.4 percentage points (from 62.4 percent to 64.8 percent) for the benefits-knowledge question about the future rise in the FRA. *Statement* recipients in 2001 were 9.3 percentage points more likely than their 1998 counterparts to answer that question correctly (from 62.4 percent to 71.7 percent). That outcome suggests that the *Statement* is effective in informing the public about the programs and about benefits.

In significance tests, we found that the percentage of correct answers for respondents who received a *Statement* always differed significantly from the percentage of correct answers for respondents who did not. In all but one case, the percentage of correct answers was significantly higher for respondents who had received a *Statement* than it was for those who had not. In the anomaly, *Statement* recipients were less likely to provide the correct answer to the question about benefits increasing with the cost of living than were 2001 respondents who had not received a *Statement*.

Knowledge By Topic: Benefits Versus Programs

Table 1 also shows that younger workers were more knowledgeable about the types of programs SSA administers (and program financing) than they were about the details of the benefits they could expect to receive. In 1998, before most respondents aged 46 or younger had received a *Statement*, 76.1 percent knew that Social Security provides survivor benefits, 78.5 percent knew that Social Security provides disability benefits, 88.0 percent knew that Social Security is financed by a payroll tax, and 81.4 percent knew that benefit levels depend on earnings. By contrast, only 62.4 percent of respondents knew that the FRA was scheduled to rise, and only 43.8 percent knew that Social Security benefits are inflation-indexed.

Among 2001 respondents who had received the *Statement*, 85 percent or more correctly answered all three of the program-knowledge questions as well as the question about benefit levels depending on earnings. However, even after receipt of the *Statement*, only 71.7 percent knew that the FRA was going to rise, and only 49.8 percent knew that benefits increase with the cost of living. Those lower percentages hint at potential vulnerability in the retirement security of those younger individuals.

Table 1.

Percentage of workers aged 46 or younger who correctly answered each of six questions about Social Security: 1998 and 2001 survey respondents who had not received a *Statement* and 2001 survey respondents who had received a *Statement*

Correct response	1998 (<i>Statement</i> non- recipients): Percent correct	2001				
		<i>Statement</i> nonrecipients		<i>Statement</i> recipients		
		Percent correct	Difference from 1998	Percent correct	Difference from 2001 non- recipients	Difference from 1998
Benefits-knowledge questions						
Benefits rise automatically with the cost of living	43.8	52.7	8.9***	49.8	-2.9***	6.0***
FRA (the age of eligibility for full retirement benefits) will rise in coming years	62.4	64.8	2.4	71.7	6.9***	9.3***
Retirement benefit amount depends on earnings history	81.4	86.5	5.1***	93.4	6.9***	12.0***
Program-knowledge questions						
Social Security provides benefits to families of workers who die	76.1	75.4	-0.7	87.1	11.7***	11.0***
Social Security pays benefits to workers who become disabled	78.5	79.7	1.2	85.2	5.5***	6.7***
Social Security is paid for by a tax placed on both workers and employers	88.0	86.7	-1.3	90.8	4.1***	2.8**

SOURCE: Authors' calculations based on 1998 and 2001 Gallup survey results.

NOTES: In 1998, 93 percent of respondents reported not receiving a *Statement*. In 2001, 44 percent of respondents reported not receiving a *Statement* and 56 percent reported receiving a *Statement*.

* = statistically significant at the $p = .05$ level.

** = statistically significant at the $p = .02$ level.

*** = statistically significant at the $p = .01$ level.

Also of interest is the correlation between the frequency of correct responses and the placement of information in the *Social Security Statement*. High percentages of respondents correctly answered program-knowledge questions about survivor and disability benefits. The *Statement* displays information on those topics at the top of the second page, in a section titled “Your Estimated Benefits,” along with the estimated benefit amounts the individual can expect to receive. The *Statement* presents information on the third aspect of program knowledge, payroll taxes, at the top of the third page in a column of numbers labeled “Your Taxed Social Security Earnings,” under the section heading “Your Earnings Record.” By contrast, the *Statement* does not present information underlying two aspects of benefits knowledge so prominently. It contains a single sentence on the cost-of-living adjustment of benefits at the bottom of the second page, in the middle of a description of

the benefit calculation. An individual who glances over this section might not find that information. The *Statement* also does not mention the increase in the FRA directly; rather, that information is noted indirectly, on the line that provides the benefit estimate at FRA, by including the individual’s own FRA in parentheses. The percentages of correct responses to those two benefits-knowledge questions are lower than the percentages for the program-knowledge questions. However, the *Statement* notes the relationship between benefits and earnings—the subject of the third benefits-knowledge question—in two prominent locations (the first paragraph of the benefit-estimation section on the second page and the “Your Earnings Record” section at the top of the third page). Respondents were highly knowledgeable about the dependence of retirement benefit levels on lifetime earnings.

We do not argue that the placement of information in the *Statement* has a cause-and-effect relationship

with the percentage of correct answers about Social Security's programs and benefits. Other SSA informational publications may also play a role. We reviewed seven publications (five available in both print and online formats, and two online only) that provide information on retirement benefits.²² Of the five publications available in both formats, four furnish the program knowledge that Social Security provides survivor benefits and the benefits knowledge that the FRA is rising and that benefit levels depend on earnings histories.²³ Three of those publications note that Social Security provides disability benefits (program knowledge). Only two of them note that Social Security is financed by a payroll tax (program knowledge), although that information is also widely communicated on pay slips and W-2 forms. Interestingly, only one publication notes that Social Security benefits increase with the cost of living (benefits knowledge)—a fact that is not readily available elsewhere. Our review found that the *Statement* and other relevant SSA publications place more emphasis on providing program information than on benefits information. One of the consequences of that emphasis is that survey respondents are less likely to be knowledgeable about the specifics of their benefits than they are about the programs generally.

We recognize that younger workers could have learned about Social Security, especially its programs, from other sources. For example, high school and college courses in history, social studies, economics, and civics often contain references to and discussions of Social Security. Further, younger workers could have family or friends who are Social Security retired-worker, survivor, or disabled-worker beneficiaries.

Program and Benefits Knowledge by Demographic Characteristics

Statement receipt increases the percentage of correct answers, regardless of education level, income level, race/ethnicity, or sex. Table 2 shows the percentage of correct responses across demographic groups for one sample program-knowledge survey question and one sample benefits-knowledge survey question. (The appendix tables show the percentages of correct responses to all six questions for all demographic groups.)²⁴ We found no strong pattern across education levels in the percentage of correct responses, although respondents in the lowest levels tended to have lower percentages. For example, the percentage of correct responses to the benefits-knowledge question in 1998 ranged between 41.7 percent and 60.1 percent for those with no more than a high school diploma and between

66.1 percent and 67.0 percent for those with some college or a college degree. However, we note anomalies, such as the lower percentage of correct answers among those with some postgraduate education than that for respondents with only a high school diploma. Likewise, for the program-knowledge question, the percentage of correct answers in 1998 generally increased with the level of education, albeit not as sharply, from 73.8 percent for those without a high school diploma to about 78 percent for respondents with at least some college (overlooking the anomalous 64.0 percent correct for those with trade, technical, or vocational training). The results for the other benefits- and program-knowledge questions follow a roughly similar pattern (see Table A-1).

In many cases, respondents in the education levels that had the lowest percentages of correct responses in the first survey year registered a statistically significant increase in correct responses after receiving the *Statement*. For example, Table 2 shows that respondents in the three education levels with the lowest percentage of correct responses to the benefits-knowledge question in 1998 (less than a high-school diploma, high school diploma only, and postgraduate work or degree) exhibited the greatest percentage-point increases after *Statement* receipt in 2001.²⁵ We noticed similar results for the program-knowledge question. In 1998, respondents with no more than a high school diploma and those with trade, technical, or vocational training had the lowest percentages of correct responses. Those three groups exhibited the largest increases following receipt of the *Statement*. In effect, the *Statement* compressed the range of the percentage of correct responses across the education levels. In 1998, the difference between the lowest and highest percentages of correct responses to the benefits-knowledge question across the education levels was 26.3 percentage points (from 41.7 percent to 68.0 percent). Receipt of the *Statement* reduced that range to 13.0 percentage points (from 64.3 percent to 77.3 percent). For the program-knowledge question, receipt of the *Statement* reduced the range of correct responses from 14.7 to 4.2 percentage points. Consequently, the *Statement* appears to provide the most help to those with the least knowledge about Social Security.

In comparing results by income level, we note that respondents with incomes below \$50,000 tended to have lower percentages of correct answers in 1998. For the benefits-knowledge question, the percentages of correct answers among respondents in the three income groups below \$50,000 ranged from 54.7 percent to 61.5 percent. By contrast, the percentages

of correct answers among the income groups above \$50,000 ranged from 65.2 percent to 69.5 percent. However, results for the program-knowledge question reveal a less consistent pattern. Broadly, the percentage of correct responses for those with incomes under \$50,000 was around 73 percent, while for those with incomes of \$50,000 or more, it was closer to 80 percent. However, the percentage of correct responses to the program-knowledge question spiked to 77.4 percent among those with incomes from \$20,000 to \$34,999; and for those with incomes of \$100,000 or more, it dipped to 72.5 percent. Similarly, no consistent pattern emerges across income levels for the other survey questions (see Table A-2).

As with the educational levels, the income groups with the lowest percentages of correct responses in the first survey tended to register the largest increases in the percentage of correct responses after receiving the *Statement*. Table 2 shows that the increases in the percentage of correct answers to the benefits-knowledge question were larger and statistically significant for those with incomes under \$50,000. Results for the program-knowledge question reveal a similar pattern, although the highest income group (\$100,000 or more) had one of the highest increases in the percentage of correct responses (14.3 percentage points). Again, receipt of the *Statement* reduced the range in the percentage of correct responses across the income

Table 2.
Percentage of workers aged 46 or younger who correctly answered two specific questions about Social Security: 1998 and 2001 survey respondents who had not received a *Statement* and 2001 survey respondents who had received a *Statement*, by demographic characteristics

Characteristic	1998 (<i>Statement</i> non- recipients): Percent correct	2001				
		<i>Statement</i> nonrecipients		<i>Statement</i> recipients		
		Percent correct	Difference from 1998	Percent correct	Difference from 2001 non- recipients	Difference from 1998
Benefits-knowledge question						
<i>Correct response: FRA (the age of eligibility for full retirement benefits) will rise in coming years</i>						
All respondents	62.4	64.8	2.4	71.7	6.9***	9.3***
Educational attainment						
Less than high school diploma	41.7	57.0	15.3*	64.3	7.3*	22.6***
High school diploma	60.1	64.6	4.5	71.9	7.3***	11.8***
Some college	66.1	64.6	-1.5	69.8	5.2***	3.7
Trade, technical, or vocational training	68.0	69.4	1.4	67.9	-1.5	-0.1
College graduate	67.0	68.6	1.6	72.9	4.3*	5.9
Postgraduate work or degree	58.7	71.5	12.8*	77.3	5.8	18.6***
Income						
Less than \$20,000	54.7	60.3	5.6	73.2	12.9***	18.5***
\$20,000–\$34,999	61.5	67.7	6.2	70.0	2.3	8.5*
\$35,000–\$49,999	61.2	63.7	2.5	69.0	5.3**	7.8*
\$50,000–\$74,999	69.5	67.5	-2.0	72.1	4.6*	2.6
\$75,000–\$99,999	65.6	72.8	7.2	74.0	1.2	8.4
\$100,000 or more	65.2	70.8	5.6	74.4	3.6	9.2
Race/ethnicity						
White	63.9	66.9	3.0	73.0	6.1***	9.1***
Black	58.1	69.3	11.2	68.5	-0.8	10.4
Hispanic origin	55.7	53.9	-1.8	63.2	9.3***	7.5
Asian	57.9	53.7	-4.2	62.2	8.5	4.3
Sex						
Men	66.2	65.3	-0.9	75.4	10.1***	9.2***
Women	58.3	64.1	5.8*	68.2	4.1***	9.9***

(Continued)

Table 2.

Percentage of workers aged 46 or younger who correctly answered two specific questions about Social Security: 1998 and 2001 survey respondents who had not received a *Statement* and 2001 survey respondents who had received a *Statement*, by demographic characteristics—*Continued*

Characteristic	1998 (<i>Statement</i> non- recipients): Percent correct	2001				
		<i>Statement</i> nonrecipients		<i>Statement</i> recipients		
		Percent correct	Difference from 1998	Percent correct	Difference from 2001 non- recipients	Difference from 1998
Program-knowledge question						
<i>Correct response: Social Security provides benefits to families of workers who die</i>						
All respondents	76.1	75.4	-0.7	87.1	11.7***	11.0***
Educational attainment						
Less than high school diploma	73.8	77.8	4.0	89.7	11.9***	15.9***
High school diploma	74.7	77.1	2.4	86.2	9.1***	11.5***
Some college	78.7	72.9	-5.8	89.0	16.1***	10.3***
Trade, technical, or vocational training	64.0	76.7	12.7	90.0	13.3***	26.0***
College graduate	78.1	72.4	-5.7	85.8	13.4***	7.7***
Postgraduate work or degree	77.9	79.4	1.5	86.3	6.9**	8.4
Income						
Less than \$20,000	72.5	76.5	4.0	84.7	8.2***	12.2***
\$20,000–\$34,999	77.4	73.6	-3.8	86.8	13.2***	9.4***
\$35,000–\$49,999	72.7	73.3	0.6	87.4	14.1***	14.7***
\$50,000–\$74,999	79.1	76.7	-2.4	90.0	13.3***	10.9***
\$75,000–\$99,999	85.4	79.6	-5.8	86.1	6.5***	0.7
\$100,000 or more	72.5	75.7	3.2	86.8	11.1***	14.3**
Race/ethnicity						
White	76.1	75.1	-1.0	87.9	12.8***	11.8***
Black	78.4	80.6	2.2	84.7	4.1	6.3
Hispanic origin	77.4	75.7	-1.7	88.4	12.7***	11.0
Asian	63.2	60.0	-3.2	84.7	24.7***	21.5
Sex						
Men	72.9	71.9	-1.0	85.6	13.7***	12.7***
Women	79.6	78.9	-0.7	88.6	9.7***	9.0***

SOURCE: Authors' calculations based on 1998 and 2001 Gallup survey results.

NOTES: In 1998, 93 percent of respondents reported not receiving a *Statement*. In 2001, 44 percent of respondents reported not receiving a *Statement* and 56 percent reported receiving a *Statement*.

* = statistically significant at the $p = .05$ level.

** = statistically significant at the $p = .02$ level.

*** = statistically significant at the $p = .01$ level.

levels. In 1998, the difference between the lowest and the highest percentages of correct answers to the benefits-knowledge question by income group was 14.8 percentage points (from 54.7 percent to 69.5 percent). Receipt of the *Statement* reduced that range to 5.4 percentage points (from 69.0 percent to 74.4 percent). For the program-knowledge question, *Statement* receipt reduced the range of correct responses from

12.9 to 5.3 percentage points. That outcome further indicates that the *Statement* most helps the people with the least knowledge about Social Security's benefits and programs.

Among racial/ethnic groups, Table 2 shows that the percentage of correct responses to the benefits-knowledge question in 1998 was highest for white respondents, followed by blacks, Asians, and Hispanics.

However, the ranking of the racial groups by percentage of correct answers differed for 2001 respondents with no *Statement*, and differed yet again for 2001 respondents who received a *Statement*. That general pattern of changing rankings was repeated for the other benefits-knowledge questions and the program-knowledge questions (see Table A-3). An increase in the percentage of correct answers after receipt of the *Statement* was statistically significant only for white respondents (for five of the six of the questions) and for black and Asian respondents (for one of the benefits-knowledge questions). However, as was seen with the education and income groups, receipt of the *Statement* narrowed the difference between the lowest and highest percentages of correct answers across the racial/ethnic groups.

We found slight and essentially offsetting differences by sex in the percentage of correct responses to the benefits- and program-knowledge questions, as each sex scored higher than the other on three of the six questions (see Table A-4). Men were generally more likely to have higher scores on the benefits-knowledge questions, while women tended to score higher on the program-knowledge questions. After *Statement* receipt, the differences between men and women in the percentages of correct answers narrowed for all questions.

Conclusion

We found that younger workers were better informed about Social Security in 2001 than they were in 1998. Before the introduction of the *Statement*, more than 76 percent of individuals aged 46 or younger knew that Social Security provides survivor and disability benefits and that a payroll tax finances those benefits. Eighty percent knew that the Social Security benefit amount depends on a worker's earnings history. Those high percentages resulted in part from the extensive outreach campaign SSA initiated in early 1998. In 2001, after the distribution of the *Statement*, close to 90 percent of younger workers knew about SSA's programs, the financing of its benefits, and the relationship between benefits and earnings.

However, even after *Statement* receipt, only about 70 percent of respondents knew that the FRA was going to rise, and less than 50 percent knew that benefits are inflation-indexed. The gap in knowledge about those program aspects could affect the retirement security of some younger workers. For example, an individual who mistakenly equates Social Security benefits with noninflation-indexed retirement savings

might see no difference between claiming benefits early and drawing down his or her retirement savings. Additionally, as the age of eligibility for full benefits rises, benefits claimed at earlier ages will be subject to greater reductions. Individuals who do not know that benefits are inflation-indexed and that the FRA is rising are at risk of claiming benefits before their optimal time. It is thus important for workers to know those facts and to understand the implications for the benefits they will receive.

We also noticed a correlation between the type of information SSA provides in its publications, including the *Statement*, and the percentages of correct answers to the benefits- and program-knowledge questions. SSA provides program information in most of the publications we reviewed. The agency is less likely to provide information on benefits, especially information on the inflation-indexing of benefits, which is rarely mentioned in its publications.

Our results suggest that further SSA outreach efforts should provide more detail on benefits rather than overemphasizing program knowledge. Further, the lack of consistent patterns across demographic categories suggests that SSA should distribute additional information widely among the general population rather than targeting it to particular groups.

SSA might consider developing and testing some format and content changes for future versions of the *Statement* (whether mailed or online) to emphasize the adjustment of benefits for the cost of living and the rise in the FRA. The surveys cited in this article demonstrate that the *Statement* is effective in increasing recipients' knowledge of SSA's programs and benefits. Providing more emphasis on benefits information in the *Statement* and in SSA's other publications seems likely to increase younger workers' knowledge about their benefits, as future surveys could verify.

SSA should revise its publications to add information about the adjustment of benefits for the cost of living and its implications for retirement security because few of the publications that younger workers are likely to use currently mention inflation indexing. Similarly, the agency might highlight benefit information in e-mails explaining how to access the online *Statement*. SSA might also develop and test informative messages using social media such as Twitter, Facebook, and YouTube to deliver information on benefits and to encourage younger workers to access the *Statement* online.

Appendix

Table A-1.
Percentage of workers aged 46 or younger who correctly answered each of six questions about Social Security: 1998 and 2001 survey respondents who had not received a *Statement* and 2001 survey respondents who had received a *Statement*, by educational attainment

Educational attainment	1998 (<i>Statement</i> non- recipients): Percent correct	2001				
		<i>Statement</i> nonrecipients		<i>Statement</i> recipients		
		Percent correct	Difference from 1998	Percent correct	Difference from 2001 non- recipients	Difference from 1998
Benefits-knowledge questions						
<i>Correct response: Benefits rise automatically with the cost of living</i>						
All respondents	43.8	52.7	8.9***	49.8	-2.9***	6.0***
Less than high school diploma	52.5	65.2	12.7	58.1	-7.1*	5.6
High school diploma	46.4	56.4	10.0***	49.7	-6.7***	3.3
Some college	41.5	47.4	5.9	49.0	1.6	7.5*
Trade, technical, or vocational training	44.9	53.9	9.0	54.0	0.1	9.1
College graduate	41.5	45.4	3.9	46.8	1.4	5.3
Postgraduate work or degree	42.9	44.4	1.5	52.4	8.0*	9.5
<i>Correct response: FRA (the age of eligibility for full retirement benefits) will rise in coming years</i>						
All respondents	62.4	64.8	2.4	71.7	6.9***	9.3***
Less than high school diploma	41.7	57.0	15.3*	64.3	7.3*	22.6***
High school diploma	60.1	64.6	4.5	71.9	7.3***	11.8***
Some college	66.1	64.6	-1.5	69.8	5.2***	3.7
Trade, technical, or vocational training	68.0	69.4	1.4	67.9	-1.5	-0.1
College graduate	67.0	68.6	1.6	72.9	4.3*	5.9
Postgraduate work or degree	58.7	71.5	12.8*	77.3	5.8	18.6***
<i>Correct response: Retirement benefit amount depends on earnings history</i>						
All respondents	81.4	86.5	5.1***	93.4	6.9***	12.0***
Less than high school diploma	80.3	83.9	3.6	93.0	9.1***	12.7**
High school diploma	82.2	87.9	5.7*	93.1	5.2***	10.9***
Some college	82.6	87.0	4.4	94.1	7.1***	11.5***
Trade, technical, or vocational training	81.6	87.2	5.6	91.1	3.9	9.5
College graduate	80.8	85.8	5.0	93.4	7.6***	12.6***
Postgraduate work or degree	79.8	85.5	5.7	93.9	8.4***	14.1***

(Continued)

Table A-1.

Percentage of workers aged 46 or younger who correctly answered each of six questions about Social Security: 1998 and 2001 survey respondents who had not received a *Statement* and 2001 survey respondents who had received a *Statement*, by educational attainment—Continued

Educational attainment	1998 (<i>Statement</i> non- recipients): Percent correct	2001				
		<i>Statement</i> nonrecipients		<i>Statement</i> recipients		
		Percent correct	Difference from 1998	Percent correct	Difference from 2001 non- recipients	Difference from 1998
Program-knowledge questions						
<i>Correct response: Social Security provides benefits to families of workers who die</i>						
All respondents	76.1	75.4	-0.7	87.1	11.7***	11.0***
Less than high school diploma	73.8	77.8	4.0	89.7	11.9***	15.9***
High school diploma	74.7	77.1	2.4	86.2	9.1***	11.5***
Some college	78.7	72.9	-5.8	89.0	16.1***	10.3***
Trade, technical, or vocational training	64.0	76.7	12.7	90.0	13.3***	26.0***
College graduate	78.1	72.4	-5.7	85.8	13.4***	7.7***
Postgraduate work or degree	77.9	79.4	1.5	86.3	6.9**	8.4
<i>Correct response: Social Security pays benefits to workers who become disabled</i>						
All respondents	78.5	79.7	1.2	85.2	5.5***	6.7***
Less than high school diploma	90.0	85.3	-4.7	86.4	1.1	-3.6
High school diploma	78.7	82.2	3.5	85.8	3.6***	7.1***
Some college	78.7	76.9	-1.8	85.7	8.8***	7.0**
Trade, technical, or vocational training	83.7	80.0	-3.7	91.2	11.2***	7.5
College graduate	74.6	75.7	1.1	82.3	6.6***	7.7***
Postgraduate work or degree	79.8	76.6	-3.2	84.3	7.7**	4.5
<i>Correct response: Social Security is paid for by a tax placed on both workers and employers</i>						
All respondents	88.0	86.7	-1.3	90.8	4.1***	2.8**
Less than high school diploma	80.3	78.8	-1.5	90.8	12.0***	10.5
High school diploma	85.4	85.9	0.5	90.4	4.5***	5.0*
Some college	89.6	88.5	-1.1	90.0	1.5	0.4
Trade, technical, or vocational training	85.7	91.1	5.4	85.6	-5.5	-0.1
College graduate	88.9	90.9	2.0	92.4	1.5	3.5
Postgraduate work or degree	93.3	89.1	-4.2	91.0	1.9	-2.3

SOURCE: Authors' calculations based on 1998 and 2001 Gallup survey results.

NOTES: In 1998, 93 percent of respondents reported not receiving a *Statement*. In 2001, 44 percent of respondents reported not receiving a *Statement* and 56 percent reported receiving a *Statement*.

* = statistically significant at the $p = .05$ level.

** = statistically significant at the $p = .02$ level.

*** = statistically significant at the $p = .01$ level.

Table A-2.

Percentage of workers aged 46 or younger who correctly answered each of six questions about Social Security: 1998 and 2001 survey respondents who had not received a *Statement* and 2001 survey respondents who had received a *Statement*, by income

Income	1998 (<i>Statement</i> non- recipients): Percent correct	2001				
		<i>Statement</i> nonrecipients		<i>Statement</i> recipients		
		Percent correct	Difference from 1998	Percent correct	Difference from 2001 non- recipients	Difference from 1998
Benefits-knowledge questions						
<i>Correct response: Benefits rise automatically with the cost of living</i>						
All respondents	43.8	52.7	8.9***	49.8	-2.9***	6.0***
Less than \$20,000	47.0	58.8	11.8***	59.1	0.3	12.1**
\$20,000–\$34,999	44.3	50.4	6.1	52.5	2.1	8.2*
\$35,000–\$49,999	41.8	50.4	8.6*	48.6	-1.8	6.8
\$50,000–\$74,999	47.6	46.5	-1.1	48.1	1.6	0.5
\$75,000–\$99,999	35.6	53.7	18.1***	44.9	-8.8***	9.3
\$100,000 or more	44.1	49.7	5.6	53.2	3.5	9.1
<i>Correct response: FRA (the age of eligibility for full retirement benefits) will rise in coming years</i>						
All respondents	62.4	64.8	2.4	71.7	6.9***	9.3***
Less than \$20,000	54.7	60.3	5.6	73.2	12.9***	18.5***
\$20,000–\$34,999	61.5	67.7	6.2	70.0	2.3	8.5*
\$35,000–\$49,999	61.2	63.7	2.5	69.0	5.3**	7.8*
\$50,000–\$74,999	69.5	67.5	-2.0	72.1	4.6*	2.6
\$75,000–\$99,999	65.6	72.8	7.2	74.0	1.2	8.4
\$100,000 or more	65.2	70.8	5.6	74.4	3.6	9.2
<i>Correct response: Retirement benefit amount depends on earnings history</i>						
All respondents	81.4	86.5	5.1***	93.4	6.9***	12.0***
Less than \$20,000	83.2	87.1	3.9	94.2	7.1***	11.0***
\$20,000–\$34,999	80.4	85.3	4.9	92.1	6.8***	11.7***
\$35,000–\$49,999	83.2	89.8	6.6*	93.4	3.6***	10.2***
\$50,000–\$74,999	80.6	86.3	5.7	93.5	7.2***	12.9***
\$75,000–\$99,999	82.2	86.4	4.2	93.2	6.8***	11.0***
\$100,000 or more	83.8	87.5	3.7	94.3	6.8***	10.5*

(Continued)

Table A-2.

Percentage of workers aged 46 or younger who correctly answered each of six questions about Social Security: 1998 and 2001 survey respondents who had not received a *Statement* and 2001 survey respondents who had received a *Statement*, by income—Continued

Income	1998 (<i>Statement</i> non- recipients): Percent correct	2001				
		<i>Statement</i> nonrecipients		<i>Statement</i> recipients		
		Percent correct	Difference from 1998	Percent correct	Difference from 2001 non- recipients	Difference from 1998
Program-knowledge questions						
<i>Correct response: Social Security provides benefits to families of workers who die</i>						
All respondents	76.1	75.4	-0.7	87.1	11.7***	11.0***
Less than \$20,000	72.5	76.5	4.0	84.7	8.2***	12.2***
\$20,000–\$34,999	77.4	73.6	-3.8	86.8	13.2***	9.4***
\$35,000–\$49,999	72.7	73.3	0.6	87.4	14.1***	14.7***
\$50,000–\$74,999	79.1	76.7	-2.4	90.0	13.3***	10.9***
\$75,000–\$99,999	85.4	79.6	-5.8	86.1	6.5***	0.7
\$100,000 or more	72.5	75.7	3.2	86.8	11.1***	14.3**
<i>Correct response: Social Security pays benefits to workers who become disabled</i>						
All respondents	78.5	79.7	1.2	85.2	5.5***	6.7***
Less than \$20,000	81.9	84.0	2.1	90.5	6.5***	8.6**
\$20,000–\$34,999	79.0	83.0	4.0	85.5	2.5	6.5*
\$35,000–\$49,999	82.2	78.2	-4.0	83.6	5.4***	1.4
\$50,000–\$74,999	74.9	78.7	3.8	87.1	8.4***	12.2***
\$75,000–\$99,999	70.0	74.9	4.9	84.9	10.0***	14.9***
\$100,000 or more	80.9	66.2	-14.7***	80.9	14.7***	0.0
<i>Correct response: Social Security is paid for by a tax placed on both workers and employers</i>						
All respondents	88.0	86.7	-1.3	90.8	4.1***	2.8**
Less than \$20,000	82.6	83.1	0.5	87.1	4.0	4.5
\$20,000–\$34,999	86.7	85.4	-1.3	89.9	4.5***	3.2
\$35,000–\$49,999	88.0	88.8	0.8	91.9	3.1*	3.9
\$50,000–\$74,999	92.0	87.3	-4.7	90.8	3.5*	-1.2
\$75,000–\$99,999	91.1	91.6	0.5	91.5	-0.1	0.4
\$100,000 or more	89.7	92.4	2.7	93.2	0.8	3.5

SOURCE: Authors' calculations based on 1998 and 2001 Gallup survey results.

NOTES: In 1998, 93 percent of respondents reported not receiving a *Statement*. In 2001, 44 percent of respondents reported not receiving a *Statement* and 56 percent reported receiving a *Statement*.

* = statistically significant at the $p = .05$ level.

** = statistically significant at the $p = .02$ level.

*** = statistically significant at the $p = .01$ level.

Table A-3.

Percentage of workers aged 46 or younger who correctly answered each of six questions about Social Security: 1998 and 2001 survey respondents who had not received a *Statement* and 2001 survey respondents who had received a *Statement*, by race/ethnicity

Race/ethnicity	1998 (<i>Statement</i> non- recipients): Percent correct	2001				
		<i>Statement</i> nonrecipients		<i>Statement</i> recipients		
		Percent correct	Difference from 1998	Percent correct	Difference from 2001 non- recipients	Difference from 1998
Benefits-knowledge questions						
<i>Correct response: Benefits rise automatically with the cost of living</i>						
All respondents	43.8	52.7	8.9***	49.8	-2.9***	6.0***
White	41.4	50.3	8.9***	48.5	-1.8	7.1***
Black	56.2	57.4	1.2	52.6	-4.8	-3.6
Hispanic origin	60.0	61.5	1.5	55.8	-5.7	-4.2
Asian	52.6	54.6	2.0	61.6	7.0	9.0
<i>Correct response: FRA (the age of eligibility for full retirement benefits) will rise in coming years</i>						
All respondents	62.4	64.8	2.4	71.7	6.9***	9.3***
White	63.9	66.9	3.0	73.0	6.1***	9.1***
Black	58.1	69.3	11.2	68.5	-0.8	10.4
Hispanic origin	55.7	53.9	-1.8	63.2	9.3***	7.5
Asian	57.9	53.7	-4.2	62.2	8.5	4.3
<i>Correct response: Retirement benefit amount depends on earnings history</i>						
All respondents	81.4	86.5	5.1***	93.4	6.9***	12.0***
White	81.2	86.4	5.2***	93.3	6.9***	12.1***
Black	82.4	93.0	10.6*	95.5	2.5	13.1***
Hispanic origin	90.2	83.4	-6.8	94.4	11.0***	4.2
Asian	73.7	82.4	8.7	94.4	12.0***	20.7*

(Continued)

Table A-3.

Percentage of workers aged 46 or younger who correctly answered each of six questions about Social Security: 1998 and 2001 survey respondents who had not received a *Statement* and 2001 survey respondents who had received a *Statement*, by race/ethnicity—Continued

Race/ethnicity	1998 (<i>Statement</i> non- recipients): Percent correct	2001				
		<i>Statement</i> nonrecipients		<i>Statement</i> recipients		
		Percent correct	Difference from 1998	Percent correct	Difference from 2001 non- recipients	Difference from 1998
Program-knowledge questions						
<i>Correct response: Social Security provides benefits to families of workers who die</i>						
All respondents	76.1	75.4	-0.7	87.1	11.7***	11.0***
White	76.1	75.1	-1.0	87.9	12.8***	11.8***
Black	78.4	80.6	2.2	84.7	4.1	6.3
Hispanic origin	77.4	75.7	-1.7	88.4	12.7***	11.0
Asian	63.2	60.0	-3.2	84.7	24.7***	21.5
<i>Correct response: Social Security pays benefits to workers who become disabled</i>						
All respondents	78.5	79.7	1.2	85.2	5.5***	6.7***
White	77.3	78.5	1.2	85.3	6.8***	8.0***
Black	83.8	83.7	-0.1	85.9	2.2	2.1
Hispanic origin	85.5	87.4	1.9	87.4	0.0	1.9
Asian	84.2	67.2	-17.0	82.0	14.8***	-2.2
<i>Correct response: Social Security is paid for by a tax placed on both workers and employers</i>						
All respondents	88.0	86.7	-1.3	90.8	4.1***	2.8**
White	89.2	88.8	-0.4	91.6	2.8***	2.4*
Black	82.4	82.5	0.1	87.3	4.8*	4.9
Hispanic origin	79.0	82.4	3.4	87.7	5.3*	8.7
Asian	80.0	86.2	6.2	92.1	5.9	12.1

SOURCE: Authors' calculations based on 1998 and 2001 Gallup survey results.

NOTES: In 1998, 93 percent of respondents reported not receiving a *Statement*. In 2001, 44 percent of respondents reported not receiving a *Statement* and 56 percent reported receiving a *Statement*.

* = statistically significant at the $p = .05$ level.

** = statistically significant at the $p = .02$ level.

*** = statistically significant at the $p = .01$ level.

Table A-4.

Percentage of workers aged 46 or younger who correctly answered each of six questions about Social Security: 1998 and 2001 survey respondents who had not received a *Statement* and 2001 survey respondents who had received a *Statement*, by sex

Sex	1998 (<i>Statement</i> non- recipients): Percent correct	2001				
		<i>Statement</i> nonrecipients		<i>Statement</i> recipients		
		Percent correct	Difference from 1998	Percent correct	Difference from 2001 non- recipients	Difference from 1998
Benefits-knowledge questions						
<i>Correct response: Benefits rise automatically with the cost of living</i>						
All respondents	43.8	52.7	8.9***	49.8	-2.9***	6.0***
Men	47.7	52.1	4.4	52.7	0.6	5.0*
Women	39.6	53.4	13.8***	47.1	-6.3***	7.5***
<i>Correct response: FRA (the age of eligibility for full retirement benefits) will rise in coming years</i>						
All respondents	62.4	64.8	2.4	71.7	6.9***	9.3***
Men	66.2	65.3	-0.9	75.4	10.1***	9.2***
Women	58.3	64.1	5.8*	68.2	4.1***	9.9***
<i>Correct response: Retirement benefit amount depends on earnings history</i>						
All respondents	81.4	86.5	5.1***	93.4	6.9***	12.0***
Men	78.4	84.7	6.3***	92.2	7.5***	13.8***
Women	84.7	88.5	3.8*	94.7	6.2***	10.0***
Program-knowledge questions						
<i>Correct response: Social Security provides benefits to families of workers who die</i>						
All respondents	76.1	75.4	-0.7	87.1	11.7***	11.0***
Men	72.9	71.9	-1.0	85.6	13.7***	12.7***
Women	79.6	78.9	-0.7	88.6	9.7***	9.0***
<i>Correct response: Social Security pays benefits to workers who become disabled</i>						
All respondents	78.5	79.7	1.2	85.2	5.5***	6.7***
Men	78.2	77.3	-0.9	85.0	7.7***	6.8***
Women	78.9	82.2	3.3	85.3	3.1***	6.4***
<i>Correct response: Social Security is paid for by a tax placed on both workers and employers</i>						
All respondents	88.0	86.7	-2.1	90.8	4.1***	2.0
Men	91.4	88.0	-3.4**	91.8	3.8***	0.4
Women	84.1	85.4	1.3	89.9	4.5***	5.8***

SOURCE: Authors' calculations based on 1998 and 2001 Gallup survey results.

NOTES: In 1998, 93 percent of respondents reported not receiving a *Statement*. In 2001, 44 percent of respondents reported not receiving a *Statement* and 56 percent reported receiving a *Statement*.

* = statistically significant at the $p = .05$ level.

** = statistically significant at the $p = .02$ level.

*** = statistically significant at the $p = .01$ level.

Notes

¹ Between 1995 and 1999, the agency sent earnings and benefit statements to workers in selected age groups. Beginning in late 1999, the agency mailed statements to all eligible workers aged 25 or older. In 2011, for budgetary reasons, the mailings were suspended. For a detailed history of the *Social Security Statement*, see Smith and Couch (2014).

² For brevity, we refer to the *Social Security Statement* (or simply the *Statement*) in this article even when discussing years prior to 1999, during which SSA called it the *Personal Earnings and Benefit Estimate Statement*.

³ An SSA-commissioned survey conducted by the Gallup Organization in 2004 found that 22 percent of respondents aged 25–39 would seek information about Social Security in the next year, compared with 43 percent of those aged 55–59 and 47 percent of those aged 60–61.

⁴ We acknowledge a potential overstatement of the percentage of correct responses owing to acquiescence bias because many of the questions were structured to produce an “agree/disagree” response. However, this is not a major concern for our findings because we have no reason to believe that the bias changed systematically over time.

⁵ For the full history of the *Social Security Statement*, see Smith and Couch (2014). The current article covers the history of the *Statement* only for those years relevant to the analysis.

⁶ The fiscal year begins in October of the previous calendar year. For example, FY 1995 began on October 1, 1994 and ended on September 30, 1995.

⁷ In 2007, more than 49 million individuals received Social Security benefits. The Windfall Elimination Provision affected about 880,000 individuals and the Government Pension Offset affected about 440,000 (Social Security Advisory Board 2009, 8).

⁸ SSA first mentioned the importance of public understanding of Social Security programs and benefits in its 1991 strategic plan, and the theme remained significant in the agency’s 2000 and 2008 strategic plans.

⁹ After 2001, the survey questions changed significantly, partly in response to new goals in successive agency strategic plans. As a result, comparing the 1998 survey results with those of surveys conducted after 2001 is not useful.

¹⁰ Gallup provided sample weights with the survey data. We used weighted data in our analysis.

¹¹ These surveys are not publicly available.

¹² SSA mailed *Statements* to workers aged 40–47 in FY 1999, or from October 1, 1998 to September 30, 1999. Thus, individuals aged 40–47 in 1998 with birth dates in October, November, or December might have received a *Statement*. In fact, roughly 7 percent of respondents in that age group reported receiving a *Statement* prior to the interview. We removed those individuals from the baseline 1998 sample.

¹³ Workers aged 25 or older began receiving *Statements* in October 1999. A significant percentage of respondents in the 2001 survey reported that they had not received a *Statement*, in part because of the timing of the survey. Respondents were asked if they had received a *Statement* in the previous year; at the time of the survey (between August and December 2001), not everyone would have received theirs.

¹⁴ In the tables and in the discussion of our findings, we paraphrase the wording of some of the questions.

¹⁵ Although this statement is true, we note that it does not apply universally. Workers must be insured for Social Security (by accruing a certain level of earnings in covered employment or self-employment) before their dependents are eligible for survivor benefits. Most workers are insured.

¹⁶ As with the preceding question, individuals must be insured for Social Security before they are eligible for disabled-worker benefits.

¹⁷ The share of respondents refusing to answer did not exceed 0.4 percent for any question. The percentage of respondents who replied “don’t know” generally ranged between 1.0 percent and 4.1 percent for those who received a *Statement* in 2001 and between 2.0 percent and 6.6 percent for those who did not. However, greater percentages of respondents answered “don’t know” to questions 1 and 2, ranging from around 4 percent to around 9 percent. For a limited number of respondent demographic groups and questions, the percentage answering “don’t know” was as high as 19 percent.

¹⁸ We calculated correct responses as a percentage of all responses, including “don’t know” and “refused (to answer),” essentially treating those as incorrect responses. To ensure that our method did not affect the findings, we tested it against two alternative approaches to calculating the percentage of correct responses. In one, we excluded “don’t know” responses from the denominator and thus calculated correct responses as a percentage of correct plus incorrect responses. In the other, we treated “don’t know” responses as correct and calculated the sum of correct and “don’t know” responses as a percentage of total responses. Our findings were similar under each approach, most likely because the percentage of respondents selecting “don’t know” was relatively small.

¹⁹ We identify the groups in each pairing in simplified terms. For example, the complete description of the first pairing would be, “Individuals who stated in the 1998 survey that they had not received a *Statement* in the last year and individuals who stated in the 2001 survey that they had not received a *Statement* in the last year.” Because the first survey was conducted in October and November of 1998, the period for which respondents reported not receiving a *Statement* included October 1997–November 1998; and because the second survey cited here was conducted between August and December of 2001, the period for

which respondents reported not receiving a *Statement* included August 2000–December 2001.

²⁰ In his January 1998 State of the Union Address, President Clinton noted the long-term financing problems facing the Social Security program and emphasized the importance of educating the American public so that they understood the issues facing Social Security. Following the President’s speech, SSA initiated an aggressive outreach campaign that included public events and media campaigns, brochures and printed materials, and the Internet and other new technologies. The agency also reached out to national advocacy groups, major civic organizations, and other relevant stakeholders (SSA n.d.). SSA even garnered a certain amount of publicity following its initial attempt to launch an online version of the *Statement* in 1997.

²¹ The percentage of correct responses declined from 1998 only for respondents who received no *Statement* in 2001, and only for two questions—one about survivor benefits and one about a payroll tax financing Social Security. Both declines were small—about a percentage point—and not significant.

²² The five dual-format publications are *Retirement Benefits, What Every Woman Should Know, When to Start Receiving Retirement Benefits, Your Retirement Benefit: How It Is Figured*, and *How Work Affects Your Benefits*. The online-only publications, *Estimate Your Retirement Benefits* and *Plan For Your Retirement*, are, as their names imply, of interest primarily to individuals nearing retirement; therefore, younger workers are less likely to use them.

²³ SSA periodically updates the publications we reviewed, and new versions supersede prior editions. The editions that were current in the years of interest for our study, 1998 and 2001, likely did not include information on the coming FRA increases. The FRA began rising incrementally in 2003, and the 1938 birth cohort was the first to be affected.

²⁴ In a very limited number of cases, the percentage of correct responses is higher among respondents who did not receive a *Statement* in 2001 than for those who did, as shown in the appendix tables.

²⁵ That the *Statement* would have a greater effect on those less knowledgeable about Social Security should not be too surprising. Providing information on a given topic will result in a larger relative increase in knowledge for an individual who knows little about the topic than it will for one who already knows quite a bit about it.

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INCENTIVIZING DELAYED CLAIMING OF SOCIAL SECURITY RETIREMENT BENEFITS BEFORE REACHING THE FULL RETIREMENT AGE

by Melissa A. Z. Knoll and Anya Olsen*

Claiming Social Security retirement benefits before the full retirement age (FRA) results in permanently lower benefits. Therefore, delaying claiming is often considered the best decision economically. We examine a number of novel changes aimed at encouraging individuals to delay claiming in the months and years before reaching their FRA, such as changing the early retirement reductions, paying lump sums, rewarding work with bonuses, instituting a lottery, and reforming the earnings test. We use Modeling Income in the Near Term, Version 6 data to determine the socioeconomic characteristics of individuals who claim at various ages and analyze one of the incentives to encourage delayed claiming: changing the early retirement reductions. We model the incentive first with no assumed behavioral response, and then we assume a 1-year delay in benefit claiming. We find that the delay in claiming would result in larger increases to both monthly and lifetime benefits than would the incentive alone.

Introduction

Among Social Security retired-worker beneficiaries, nearly half claim their retirement benefits as early as possible, and almost all of them claim at some point before their full retirement age (FRA) (Muldoon and Kopcke 2008; Song and Manchester 2007a). Because Americans are living longer but retiring earlier (Burtless and Quinn 2002; Wise 1997), often with a lack of personal retirement savings, the timing of benefit claiming can be crucial to financial well-being in retirement. Because claiming benefits before the FRA results in permanently reduced benefits, many researchers argue that delaying claiming is often the best decision economically (Coile and others 2002; Shoven and Slavov 2013). In fact, delaying the claiming of Social Security retirement benefits is now recognized as an important way to enhance retirement security (see, for example, Munnell and Sass (2008)).

Following the notion that delaying benefit claiming can aid in the financial security of older Americans,

the National Commission on Fiscal Responsibility and Reform (2010)—also known as the Simpson-Bowles Commission—urged the Social Security Administration (SSA) to provide information to the public “with an eye toward encouraging delayed retirement” and to do so by considering “behavioral economics approaches.” In this article, we explore a number of behavioral strategies aimed at incentivizing individuals to delay claiming.

SSA’s current structure to incentivize delayed retirement benefit claiming involves decreasing monthly benefits if they are claimed before the FRA and increasing monthly benefits if they are claimed

Selected Abbreviations

DRC	delayed retirement credit
EEA	early eligibility age
FRA	full retirement age

* Melissa Knoll is a research psychologist with the Consumer Financial Protection Bureau. Anya Olsen is a social science research analyst with the Office of Retirement Policy, Office of Retirement and Disability Policy, Social Security Administration.

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Selected Abbreviations—Continued

MINT6	Modeling Income in the Near Term, Version 6
RET	retirement earnings test
SSA	Social Security Administration

after the FRA; however, the size of the annual increases in benefits after the FRA is larger than the size of the annual decreases in the months before the FRA. That incentive structure results in a number of interesting distributional outcomes and presents an opportunity to introduce policy changes that may affect those outcomes.

In keeping with the finding that most individuals claim their benefits before their FRA (with many claiming as early as possible), making the incentives to delay claiming in the months before the FRA more attractive could affect a far greater portion of the retirement-age population than do current incentives. As such, the ideas presented in this study aim to shift that reward structure so that individuals are more incentivized to delay claiming in the months and years *before* reaching their FRA. While delaying claiming benefits typically refers to claiming them sometime after the FRA, we highlight ways to encourage individuals to delay claiming beyond *when they would have chosen to claim otherwise*, which, for most individuals, is sometime before the FRA. Of course, those incentives would be the most effective for individuals whose claiming decision is not affected by other factors, such as poor health or job loss, which can force people to retire earlier than they would have otherwise.

In this article, we first describe the design of the current benefit-claiming incentive structure. Next, we present the historical context that led to this existing structure. We then provide data on the number and characteristics of people who claim benefits at various ages. Using that data, we describe the potential usefulness of better targeting the claiming-related incentives to persons who start receiving benefits before their FRA. Next, we present a number of novel ideas, based on psychological and behavioral research, intended to incentivize workers to delay claiming in the years before their FRA. Finally, we use Modeling Income in the Near Term, Version 6 (MINT6) projections to examine how potential behavioral responses to one of these ideas could affect the retirement outcomes of various groups.

Current-Law Description

Under current law, retirees can receive their full, unreduced monthly benefit upon reaching their FRA. For individuals born after 1942, the current FRA varies from age 66 to 67, based on year of birth.¹ The earliest age at which individuals can start receiving retirement benefits is 62, also called the early eligibility age (EEA). For each month that benefits are received before the FRA, those benefits are permanently reduced by early retirement reduction factors. For benefits started in the 3 years (36 months) before the FRA, the monthly reduction is 0.555 percent, or 6.7 percent a year (Table 1). For benefits started more than 3 years before the FRA, the monthly reduction is 0.416 percent, or about 5 percent a year. For example, assume an individual has an FRA of 66 and an unreduced monthly benefit of \$1,000. If that person starts receiving benefits 4 years (48 months) early at the EEA, his or her monthly benefit would be reduced by about 20 percent for the first 3 years (combined) and an additional 5 percent for the fourth year, for a total reduction of about 25 percent, reducing the monthly benefit by \$250 to \$750.

If, however, an individual waits until after reaching his or her FRA to claim benefits, the monthly benefit increases with delayed retirement credits (DRCs). DRCs can be earned each month up to age 70 and can increase benefits by about 0.667 percent a month, or 8 percent a year (Table 2).² If the same person described in our example *waited* 4 years (48 months) to claim benefits at age 70, his or her monthly benefit would increase by about 32 percent, or \$320, for a monthly benefit of \$1,320. The total increase in benefits for persons claiming at age 70 (32 percent) is larger than the total reduction for those retiring at 62 (25 percent) with a FRA of 66. Once the FRA reaches 67, the total increase from DRCs (24 percent) will be smaller than the total reduction before that FRA (30 percent); however, the dollar increase in monthly benefits for delaying benefit claiming by 1 year will still be larger for individuals after reaching the FRA than before reaching it. For example, the same individual described earlier with an FRA of 66 and an unreduced benefit of \$1,000 a month would get \$50 more in monthly benefits if he or she delayed claiming from age 62 to 63, compared with \$80 more a month if that worker delayed claiming from age 66 to 67.

Because the early retirement reduction factors (which reduce benefits for claiming early) and DRCs (which increase benefits for claiming later) are roughly actuarially fair, *lifetime benefits* are about the same for the average beneficiary regardless of claiming age.³ For individuals who retire early, monthly benefits are

Table 1.
Current-law benefit decreases for each year of claiming benefits before the full retirement age (FRA)

Year of birth	FRA	Annual percentage decrease from age—					Total percentage decrease from FRA to 62
		63 to 62	64 to 63	65 to 64	66 to 65	FRA to 66	
1943–1954	66	5.0	6.7	6.7	6.7	...	25.0
1955	66 and 2 months	5.0	6.4	6.7	6.7	1.1	25.8
1956	66 and 4 months	5.0	6.1	6.7	6.7	2.2	26.7
1957	66 and 6 months	5.0	5.8	6.7	6.7	3.3	27.5
1958	66 and 8 months	5.0	5.5	6.7	6.7	4.4	28.3
1959	66 and 10 months	5.0	5.3	6.7	6.7	5.6	29.2
1960 or later	67	5.0	5.0	6.7	6.7	6.7	30.0

SOURCE: Social Security Administration, Office of the Chief Actuary, Benefit Reduction for Early Retirement (SSA 2008), <http://www.socialsecurity.gov/OACT/quickcalc/earlyretire.html>.

NOTES: The percentages are based on calculating the reductions to the full monthly benefit amount at the FRA and expressing those amounts based on claiming age. All percentages are rounded.

... = not applicable.

Table 2.
Current-law benefit increases for each year of claiming benefits after the full retirement age (FRA)

Year of birth	FRA	Annual percentage increase from age—				Total percentage increase from FRA to 70
		FRA to 67	67 to 68	68 to 69	69 to 70	
1943–1954	66	8.0	8.0	8.0	8.0	32.0
1955	66 and 2 months	6.7	8.0	8.0	8.0	30.7
1956	66 and 4 months	5.3	8.0	8.0	8.0	29.3
1957	66 and 6 months	4.0	8.0	8.0	8.0	28.0
1958	66 and 8 months	2.7	8.0	8.0	8.0	26.7
1959	66 and 10 months	1.3	8.0	8.0	8.0	25.3
1960 or later	67	...	8.0	8.0	8.0	24.0

SOURCE: Social Security Administration, Office of the Chief Actuary, Effect of Early or Delayed Retirement on Retirement Benefits (SSA 2010), http://www.socialsecurity.gov/OACT/ProgData/ar_drc.html.

NOTES: The percentages are based on calculating the increases to the full monthly benefit amount at the FRA and expressing those amounts based on claiming age. All percentages are rounded.

... = not applicable.

reduced to take into account the longer period of time they are received. For individuals who retire later, the higher monthly benefit takes into account the shorter period of time they are received.

Auxiliary benefits, including both spousal and survivor benefits, are also reduced if they are claimed early, but different rules apply. At the FRA, a spouse is eligible to receive 50 percent of a retired-worker's benefit. Spousal retirement benefits can start at age 62 and are reduced for each month they are claimed before the FRA by slightly different reduction factors than those described earlier.⁴ However, spousal benefits do not increase if the retired worker earns DRCs.⁵

In comparison, the earliest age that survivor retirement benefits can start is age 60.⁶ Survivor benefits that start at age 60 are always reduced by the maximum reduction of 28.5 percent. (For example, a \$1,000 monthly survivor benefit at the FRA would be reduced to \$715 if benefits began at age 60.) The retired-worker's benefit claiming decision affects that of his or her surviving spouse: Survivors can receive no more than the retired worker would have received if that worker started receiving benefits before reaching his or her FRA, and survivors can also inherit DRCs if the retired worker claimed benefits after reaching his or her FRA.⁷

Legislative History

The original Social Security Act of 1935 set the age at which retirement benefits could be received at 65. The 1948 Social Security Advisory Council recommended lowering the age at which women could receive benefits to 60. The justification for doing so was that the husband's retirement benefits were inadequate to "maintain the family." Surveys at the time showed that families in which the wife was also entitled to benefits had a substantially higher standard of living. Because the majority of married men who reached age 65 had younger wives, lowering the age at which women could receive benefits would permit the younger, female spouse to claim benefits when the husband claimed benefits (Advisory Council Report on Social Security 1948). The 1956 Amendments to the Social Security Act did just that, by allowing female workers and wives to start receiving benefits at age 62 (instead of age 60, as recommended), but at a reduced level to take into account the longer period over which they would receive benefits.⁸ The 1961 Amendments lowered the age at which male retirees could receive reduced benefits to age 62 as one possible solution to the economic problem of unemployed older workers (Cohen and Mitchell 1961).⁹ The 1965 Amendments allowed widows to receive reduced benefits as early as age 60, and widowers were added in the 1972 Amendments.

The 1972 Amendments also instituted DRCs, which originally increased benefits by one-twelfth of 1 percent for each month between ages 65 and 72 in which an individual did not claim benefits (Ball 1973). DRCs were added to the law as a partial offset to the retirement earnings test (RET), which applies when individuals claim benefits before the FRA but continue to work. Specifically, beneficiaries who are younger than their FRA and have earnings over a certain threshold have their benefits either partially or fully offset by the RET (discussed in more detail later in the article).¹⁰ In 1972, some observers argued that if program participants continued to work after age 65 and did not claim benefits (because they did not want to be subject to the RET), it was only fair that they receive some additional compensation for their extra work (DeWitt 2000). DRCs were increased to 3 percent a year with the 1977 Amendments for persons reaching age 62 after 1978. The 1983 Amendments gradually increased DRCs to 8 percent a year beginning in 1990, while also incrementally increasing the FRA from age 65 to age 66 by 2009 and to age 67 by 2027. The age up to which DRCs could be earned was lowered from 72 to 70 starting in 1984 to correspond with the age at

which the RET no longer applied (SSA n.d.). The 2000 Amendments eliminated the RET for beneficiaries once they reached their FRA.¹¹

Because of the legislative changes that have been implemented over time, the age at which people start to claim benefits has shifted. Prior to the 1956 Amendments, the majority of women claimed benefits after their FRA (Chart 1). Once the law changed and allowed women to claim benefits (albeit reduced) before their FRA, the percentage of women who claimed benefits after their FRA dropped dramatically, from 78 percent in 1950 to 33 percent in 1960. By 2010, only 6 percent of women waited until after the FRA to claim benefits. However, the percentage of women claiming benefits at age 62 doubled from just over 25 percent in 1960 to over 50 percent in 2010.

We find similar patterns for men, who could claim benefits before their FRA starting with the 1961 Amendments. Seventy-eight percent of men claimed benefits after their FRA in 1950, while only about 6 percent did so in 2010 (Chart 2). The proportion of men claiming at the EEA more than doubled from about 20 percent in 1970 to almost 50 percent in 2010.¹²

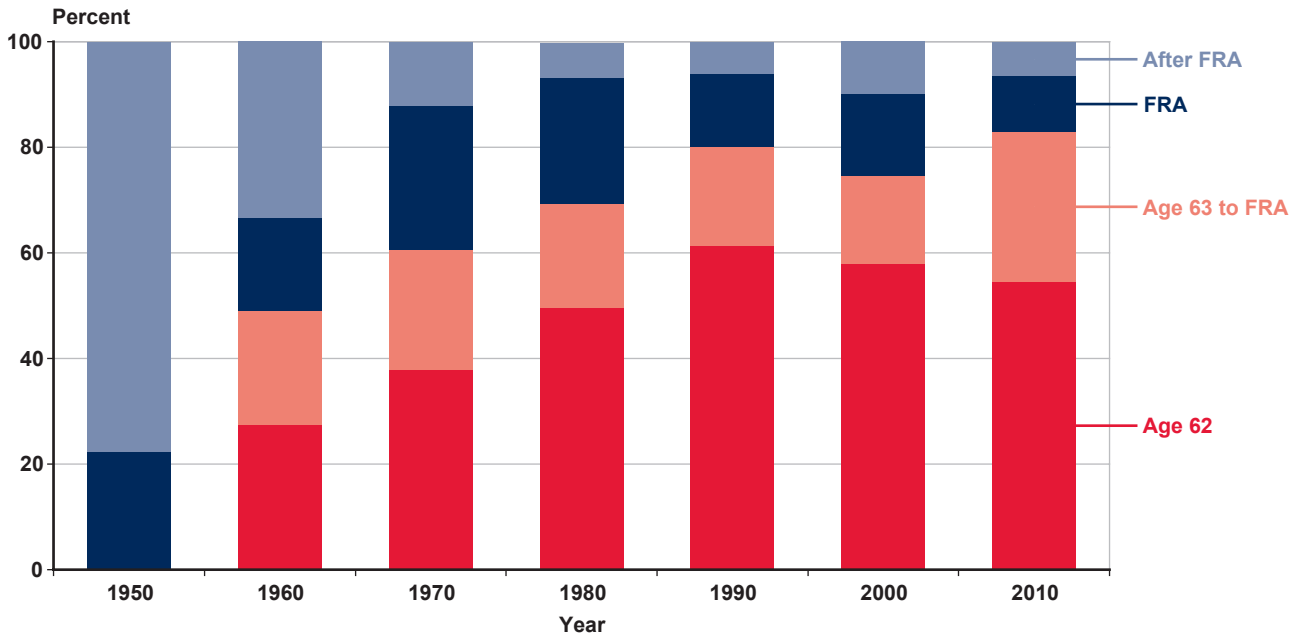
As described above, shifts in claiming behavior over time seem to follow legislative changes, suggesting that individuals may be responding to nonhealth- or non-wealth-related external cues in deciding when to claim benefits. Taken together, these findings may suggest that new incentives, such as those proposed later, could influence an individual's benefit claiming behavior.

Current Trends in Social Security Benefit Claiming Behavior

Most people claim benefits before their FRA, with many claiming as early as possible. Of the nondisabled persons who claimed benefits in 2012, around 40 percent of both men and women claimed benefits at the EEA, with most of the remaining portions claiming them by their FRA (Chart 3). On the other hand, just over 3 percent of men and women waited until after their FRA to claim benefits in that year.

In order to identify the characteristics of individuals claiming at various ages, we use SSA's MINT6 data¹³ to examine nondisabled beneficiaries in 2014 who started receiving benefits at age 62, at their FRA, and after their FRA (that is, ages 67 to 70).¹⁴ We find that individuals who claimed benefits at age 62 had lower levels of education than those who claimed at their FRA or later. As Chart 4 shows, 45 percent of individuals who claimed benefits at age 62 had only a high

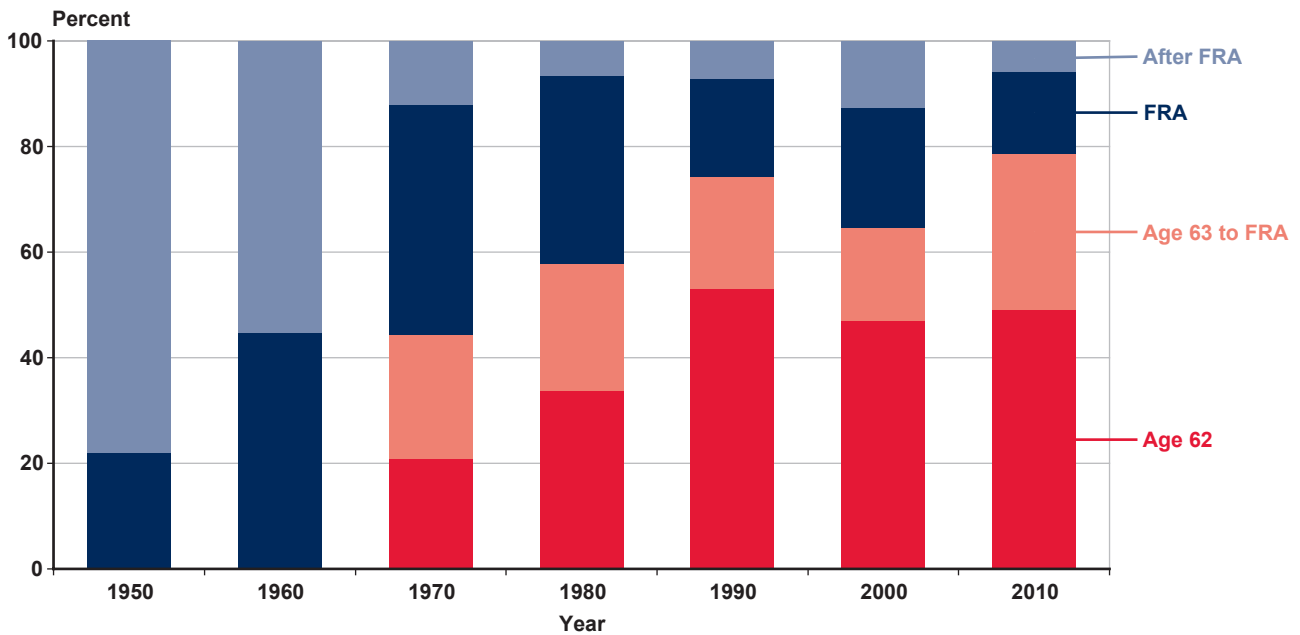
Chart 1.
Percentage distribution of retired-worker benefits awarded to women, by claim age, selected years 1950–2010



SOURCE: *Annual Statistical Supplement to the Social Security Bulletin, 2013* (SSA 2014, Table 6.B5).

NOTES: The benefits awarded in 1960 and later years do not include disability conversions at the full retirement age (FRA).

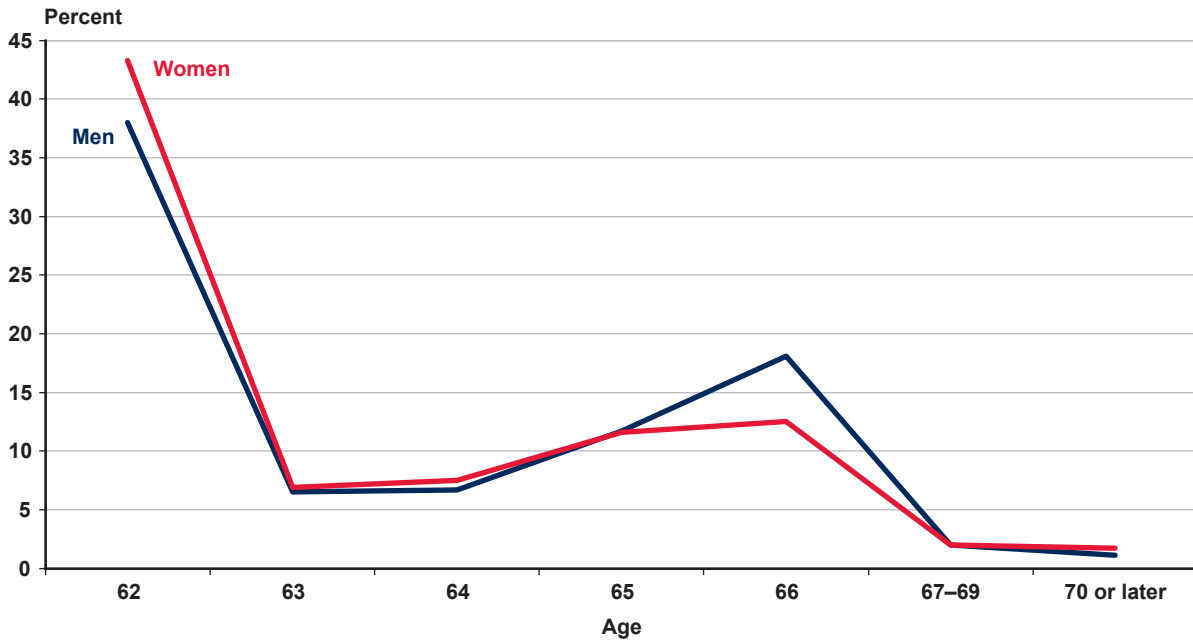
Chart 2.
Percentage distribution of retired-worker benefits awarded to men, by claim age, selected years 1950–2010



SOURCE: *Annual Statistical Supplement to the Social Security Bulletin, 2013* (SSA 2014, Table 6.B5).

NOTES: The benefits awarded in 1960 and later years do not include disability conversions at the full retirement age (FRA).

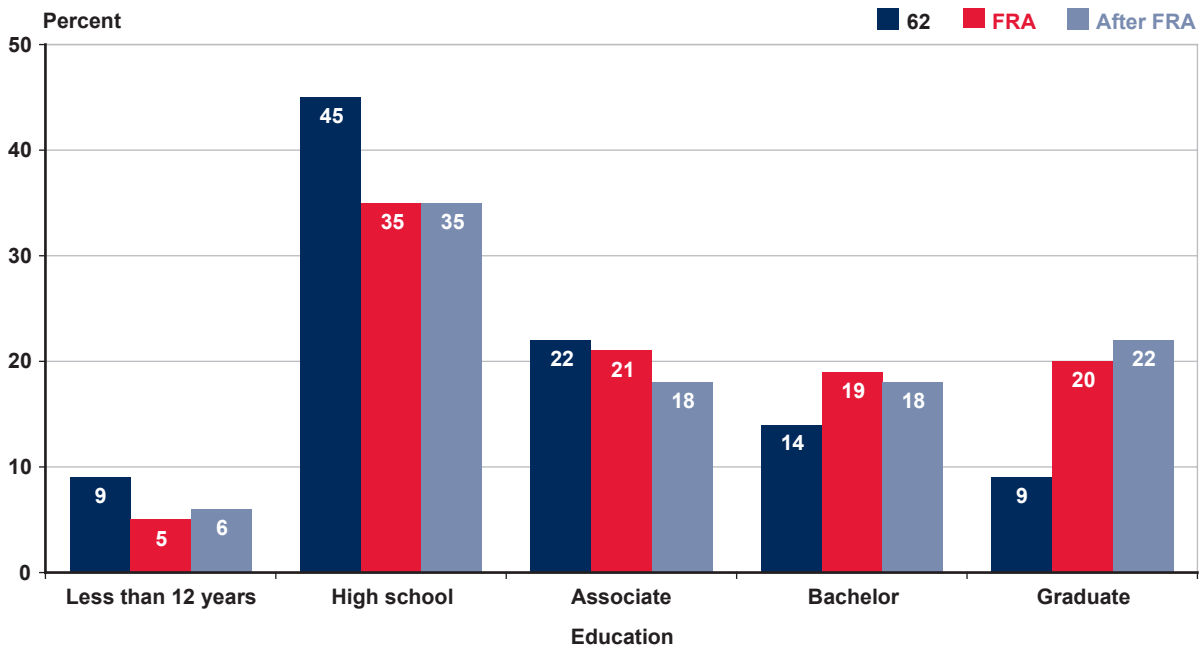
Chart 3.
Percentage of nondisabled beneficiaries at the age at which benefits began, by sex, 2012



SOURCE: *Annual Statistical Supplement to the Social Security Bulletin, 2013* (SSA 2014, Table 6.B5).

NOTE: Because disabled beneficiaries are not included in the chart, the percentages do not sum to 100.

Chart 4.
Percentage distributions of nondisabled beneficiaries, by education and claim age, 2014



SOURCE: Authors' calculations using Modeling Income in the Near Term, Version 6 projections.

NOTES: All beneficiaries are fully insured by age 62. Rounded components of percentage distributions do not necessarily sum to 100.

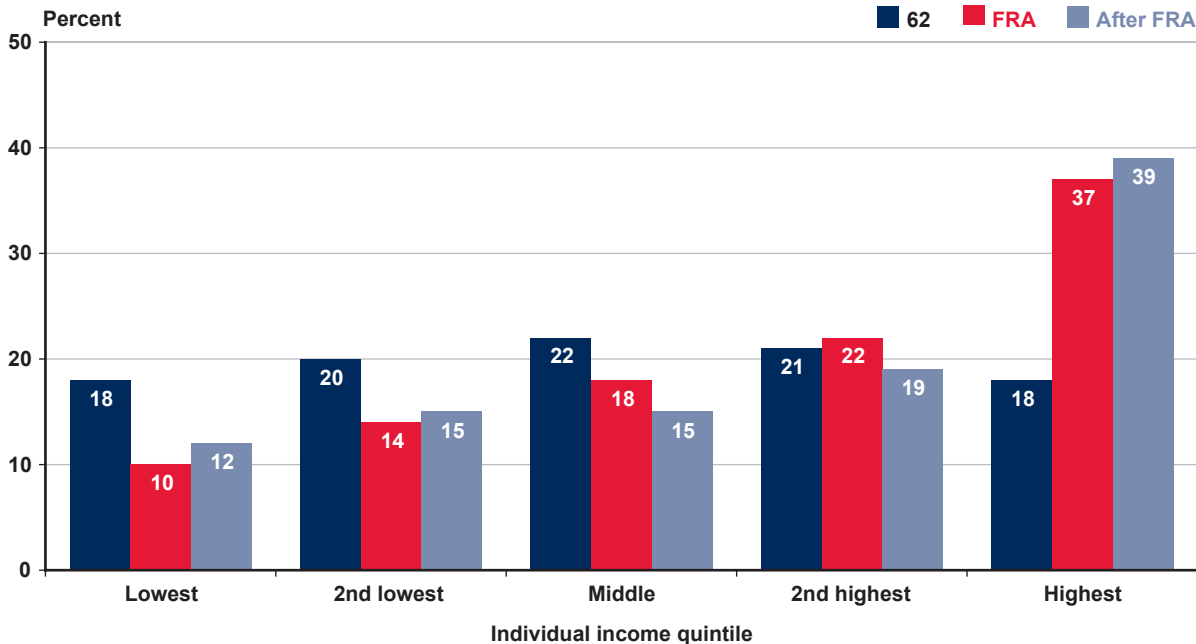
FRA = full retirement age.

school diploma compared with 35 percent in the older claiming-age groups. In addition, about 40 percent of individuals who claimed at their FRA or later had either a bachelor's or graduate degree, compared with less than a quarter of those who claimed at age 62.

Beneficiaries who claimed at their FRA or later were also much more likely to have had high individual non-Social Security income (Chart 5). Almost 60 percent of beneficiaries in those claiming-age groups had individual income in the two highest quintiles. Because those individuals had other sources of income outside of Social Security (including earnings, defined benefit pension income, and asset income)¹⁵ to help them maintain their standard of living, it makes sense that they would have claimed benefits later. For individuals who claimed at age 62, about 40 percent had individual income in the two highest quintiles. That proportion represents high individual-income persons who could have possibly afforded to wait past age 62 to claim Social Security benefits, but claimed at age 62 anyway.

The health status¹⁶ of workers often plays a role in when they decide to claim retirement benefits. As Chart 6 shows, between approximately 15 and 20 percent of beneficiaries said they were in fair or poor health at each of the claiming ages. Individuals may decide to claim benefits once they are no longer in good health, which could occur at any age between 62 and 70. However, just over 80 percent of beneficiaries who claimed benefits at age 62 reported that they were in good, very good, or excellent health, perhaps indicating that their health status was not the main motivation for claiming benefits as early as possible. Tied to health status is the degree to which individuals feel that their health limits their ability to work. For nondisabled beneficiaries who claimed benefits at age 62, about 84 percent said they had no health-related limitations on their work, while 13 percent of nondisabled beneficiaries who claimed at their FRA had any limits (Chart 7). This implies that many employed workers are healthy enough to continue working in lieu of claiming benefits at the EEA.

Chart 5.
Percentage distributions of nondisabled beneficiaries, by non-Social Security individual income quintile and claim age, 2014

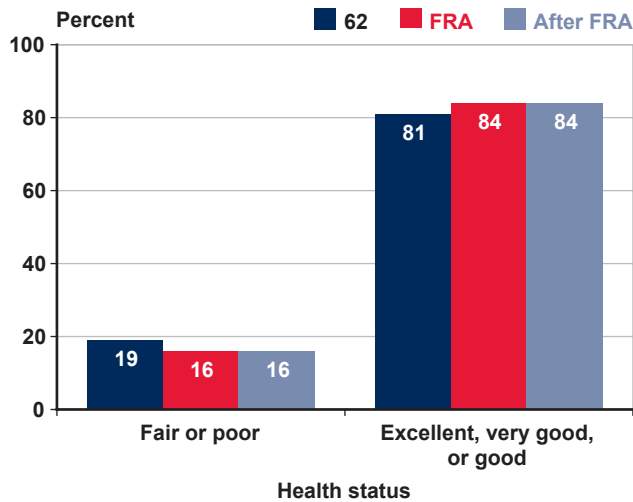


SOURCE: Authors' calculations using Modeling Income in the Near Term, Version 6 projections.

NOTES: All beneficiaries are fully insured by age 62. Rounded components of percentage distributions do not necessarily sum to 100.

FRA = full retirement age.

Chart 6.
Percentage distributions of nondisabled beneficiaries, by health status at claim age

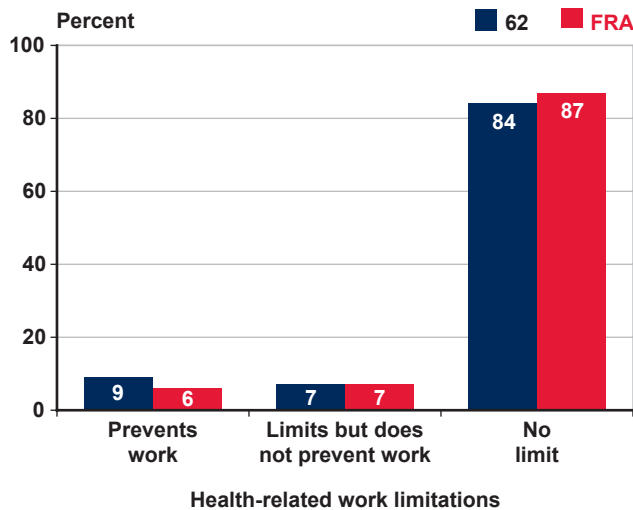


SOURCE: Authors' calculations using Modeling Income in the Near Term, Version 6 projections.

NOTES: All beneficiaries are fully insured by age 62.

FRA = full retirement age.

Chart 7.
Percentage distributions of nondisabled beneficiaries, by health-related work limitations at claim age



SOURCE: Authors' calculations using Modeling Income in the Near Term, Version 6 (MINT6) projections.

NOTES: All beneficiaries are fully insured by age 62. In MINT6, health-related work limitations are only reported for individuals up to age 67; therefore, the After FRA group is not included.

Rounded components of percentage distributions do not necessarily sum to 100.

FRA = full retirement age.

As expected, individuals who claim benefits earlier receive them for a longer period. Claimants at age 62 will receive benefits for almost 25 years, compared with about 20 years for those who claim after their FRA (Table 3). However, the average death age¹⁷ for beneficiaries who claim benefits at age 62 is only 1 year lower than it is for those who claim at their FRA or later. This means that, on average, those beneficiaries who chose to have permanently reduced benefits will still need those benefits at fairly old ages, when health costs may be at their highest and personal savings may be depleted. As the table shows, beneficiaries who claimed benefits at age 62 will receive about \$500 less per month, on average, than those who waited until at least their FRA to claim. The difference is larger when compared with individuals who wait until after their FRA to claim, as those beneficiaries receive DRCs for each month they delay claiming past their FRA.

In sum, beneficiaries who claimed benefits at age 62 had lower levels of education and income than those who waited until at least their FRA to claim. However, the proportion of nondisabled beneficiaries who reported being in fair or poor health, or having health-related limitations, was only slightly higher for those who claimed benefits at age 62 than for those who claimed later. Individuals who started receiving benefits at younger ages will receive smaller monthly amounts for a longer period than those who claimed later. Although many people have reasons for retiring early, such as becoming disabled, facing a work limitation, being laid off with few job prospects, or having to care for a disabled spouse or other family member (Helman and others 2014), there may be some individuals who claim benefits at age 62 who *could* claim them later. For example, early claimers who have higher education levels may have greater job prospects that could allow them to work longer. In addition, many early

Table 3.
Monthly retirement benefit, length of benefit receipt, and age at death averages for nondisabled beneficiaries, by claim age, 2014

Claim age	Monthly benefit (\$)	Length of benefit receipt (years)	Age at death
62	1,134	24.8	87
FRA	1,695	22.7	88
After FRA	1,789	19.8	88

SOURCE: Authors' calculations using Modeling Income in the Near Term, Version 6 projections.

claimers are in good or excellent health, which may also enable them to continue working. In fact, there has been a long-term rise in labor force participation rates among individuals aged 55 or older since the 1990s (Sok 2010).¹⁸ Lastly, the average death age is comparable in all three claiming-age groups, which means that individuals who claim early will need their benefits to last for about as long as those who claim later.

Incentives to Delay Benefit Claiming

The current structure for incentivizing delayed claiming of retirement benefits provides larger annual incentives for delaying claiming after the FRA than it does for delaying claiming before the FRA. Although the current incentive structure provides for actuarial fairness in average lifetime benefits, it is possible that a different structure could more adequately serve the needs of beneficiaries across the income distribution in terms of monthly benefit amounts. The primary reason for encouraging delayed claiming is so that retirees have more monthly income in their later years, when personal savings, if any, are more likely to be depleted and health costs are likely to be at their highest. In essence, then, the argument to delay claiming is one of increasing monthly benefits as much as possible, not necessarily maximizing lifetime benefits. From this perspective, policymakers may prefer to sacrifice some actuarial fairness in lifetime benefits in exchange for enhancing income adequacy for older Americans.

In this section, we present ideas for changing the current incentive structure to encourage delayed claiming in the years before the FRA, based on previous psychological and behavioral research. As previously noted, we are considering delayed claiming to mean that an individual claims benefits later than he or she would have chosen to claim otherwise. To inform the behavioral responses we model in our analysis, we include any available information on how similar ideas have affected claiming decisions in the past. We do not consider the impact on the agency's administrative costs or program solvency for any of these incentives.

Changing the Early Retirement Reductions

The current incentives are structured to provide the largest annual increase in benefits at the oldest claiming ages and the smallest incentive to delay claiming for individuals considering delaying just past the EEA. As noted previously, individuals who delay claiming after their FRA receive an 8 percent annual increase to their unreduced monthly benefit through DRCs. In comparison, individuals who wait to claim until at

least 3 years before their FRA receive an approximate 6.7 percent reduction to their unreduced monthly benefit for each year until they reach their FRA, while claiming 1 year earlier from age 63 to 62 results in an additional 5 percent benefit reduction (Table 1). An individual might not view this 5 percent benefit change as large enough to encourage them to claim benefits beyond age 62. Increasing the benefit for delaying claiming could be more of an incentive for individuals to delay claiming past age 62.

In addition, the prospect of earning an 8 percent increase in benefits through DRCs for delaying benefit claiming after reaching the FRA may be too far in the future for it to be a realistic incentive for the 40 percent of both men and women who currently claim at the EEA. Psychological research has shown that individuals tend to display a *present bias*, or a tendency to overweigh the value of rewards they can receive immediately. Present bias helps to describe the common finding that individuals often prefer a smaller, sooner reward to a larger, later reward (Loewenstein and Prelec 1992). Trends in benefit claiming are consistent with present bias, as an overwhelming majority of individuals are willing to accept a permanently reduced monthly benefit in order to receive their benefits sooner. If it is difficult to encourage people to delay claiming for a few months or a year, it may be unrealistic to expect them to delay claiming long enough to earn DRCs.

Increasing the benefit for delayed claiming before the FRA would make the monthly change (and therefore, annual change) in benefits from age 62 to 63 (and from age 63 to 64 for those with an FRA of 67) larger than in subsequent years. It is important to note that making the size of the *increase* larger for each month an individual delays claiming past age 62 is akin to increasing the size of the monthly *reduction* in benefits over the same period. However, under this incentive, the total reduction for claiming before the FRA would be the same as that under current law (that is, about 25 percent for individuals with an FRA of 66 who claim at age 62 and about 30 percent for those with an FRA of 67 who claim at age 62). Making the suggested changes therefore would not penalize those who cannot delay benefit claiming beyond age 62 (for example, those who become disabled or face a work limitation, are laid off and have few job prospects, or have to care for a disabled spouse or other family member) because the total reduction stays the same.

The proposed change-reductions policy option appears in Table 4 and shows that for all birth cohorts, the annual reduction in benefits from age 63 to 62

Table 4.
Option benefit decreases for each year of claiming benefits before the full retirement age (FRA)

Year of birth	FRA	Annual percentage decrease from age—					Total percentage decrease from FRA to 62
		63 to 62	64 to 63	65 to 64	66 to 65	FRA to 66	
1943–1954	66	8.0	5.7	5.7	5.7	...	25.0
1955	66 and 2 months	8.0	5.9	5.5	5.5	0.9	25.8
1956	66 and 4 months	8.0	6.2	5.3	5.3	1.8	26.7
1957	66 and 6 months	8.0	6.6	5.2	5.2	2.6	27.5
1958	66 and 8 months	8.0	7.0	5.0	5.0	3.3	28.3
1959	66 and 10 months	8.0	7.5	4.8	4.8	4.0	29.2
1960 or later	67	8.0	8.0	4.7	4.7	4.7	30.0

SOURCE: Authors' calculations.

NOTES: The percentages are based on calculating the reductions to the full monthly benefit amount at FRA and expressing those amounts based on claiming age. All percentages are rounded.

... = not applicable.

would change from about 5 percent under current law to 8 percent under the option. The change in benefits for years closer to the FRA would be smaller than under current law, providing a smaller reduction for those individuals who have waited longer to claim benefits. For example, if an individual with an FRA of 67 waits 3 years past the EEA to claim at age 65, his or her monthly benefit would be reduced by only 9.4 percent under the option compared with about 13.4 percent under current law. By keeping the same total reduction and monthly benefit amount at age 62, this option provides a larger benefit at each subsequent age before the FRA, with the largest difference in the earliest years (Chart 8). In the example in the chart, the beneficiary has an unreduced retired-worker benefit of \$1,370 at his or her FRA of 67.¹⁹ Under both the option and current law, the beneficiary's monthly benefit at age 62 would be about \$959. However, under the option, the monthly benefit at age 63 would be about \$1,067, compared with only about \$1,026 under current law. This represents an additional monthly benefit increase of about \$40 under the option for 1 year of delayed claiming from age 62 to 63.

Previous reforms to the Social Security benefit rules have resulted in changes to benefit claiming ages. Song and Manchester (2007a) found that when the FRA began to increase from age 65 (which is akin to an increase in the number of reduction factors), the overall percentage of claimants decreased, particularly among those aged 65 in that year (2003). In addition, benefit claiming also decreased by a small fraction for persons younger than their FRA, which indicated that they also responded to the FRA rule change. In their

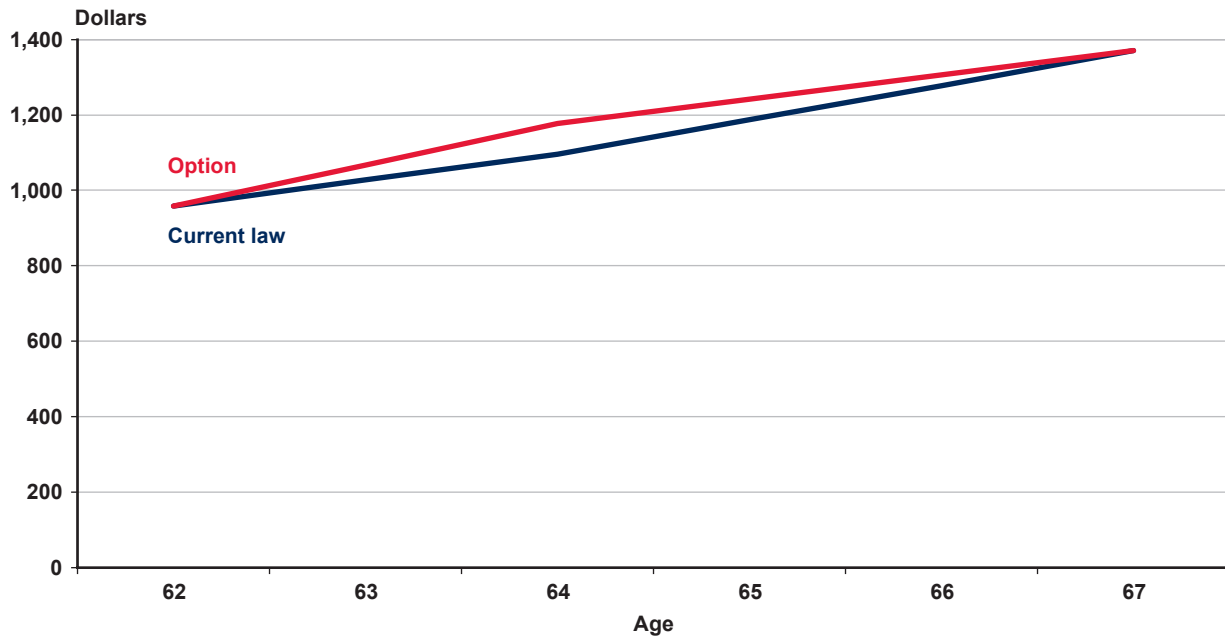
regression analysis, the authors found that a 4-month increase in the FRA results in a 1.5 and 1.7 percentage point decrease in benefit claiming rates at age 62 for women and men, respectively. Because changing the FRA results in more monthly and total early retirement reductions, it is reasonable to assume that our suggested benefit rule change—modifying the early retirement reductions—could also result in delayed claiming before the FRA.

Paying Lump-Sum Early Retirement Reductions

Social Security is essentially an inflation-adjusted annuity, which means that it provides beneficiaries with a steady stream of income from the time benefits are claimed until death. Although economic theory suggests that individuals, particularly those who are risk averse, should value an annuity's protection against longevity risk, annuities are notoriously unpopular (see, for example, Poterba, Venti, and Wise (2011)). In response to people's apparent reluctance to purchase annuities, researchers have explored individuals' preferences for annuities, as compared with lump sum payments; that is, whether individuals would be willing to give up a portion or all of a steady lifetime income stream in order to receive a lump-sum payout (see, for example, Brown, Casey, and Mitchell (2007); Brown and others (2011); Fetherstonhaugh and Ross (1999); and Orszag (2001)). Such research typically finds a strong preference for the lump-sum option. For example, lottery winners tend to prefer a smaller lump-sum payout to a larger annuity option (Brodricks 2004; Englebrecht and Anderson 2007). In addition,

Chart 8.

Difference in monthly benefit between current law and the change-reductions policy option for an individual with a full retirement age of 67 and an unreduced retired-worker benefit of \$1,370, by claim age



SOURCE: Authors' calculations.

some researchers have found that providing lump-sum bonuses to Navy personnel increased reenlistment, as compared with installment bonuses (Cylke and others 1982).

Other researchers have explored individuals' preference for a lump-sum payment specifically in the context of Social Security. In their life cycle model, Chai and others (2013) found that the average retirement age for individuals aged 60 rose by 1.4 years when a lump-sum option was introduced for DRCs. In addition, Fetherstonhaugh and Ross (1999) asked study participants to make a hypothetical decision between receiving an increase in yearly payments for delaying claiming from age 65 to 68 and receiving a lower yearly payment coupled with a one-time bonus payment to be received upon claiming benefits at age 68. Importantly, the lower yearly payment with the one-time bonus option had a lower present discounted value than the option offering an increase in yearly payments. Nevertheless, three-quarters of participants in the experiment preferred the option with the one-time bonus, while only one-quarter chose the increased yearly benefit. When participants were asked which option they thought the "average American worker" would prefer, 80 percent of them indicated that the one-time bonus payment would be a better incentive to delay claiming than the higher yearly benefit.

Because Social Security benefit payments are similar to those in an annuity (as previously noted), research exploring the appeal of trading in an annuity for a lump sum could be useful for developing incentives to encourage individuals to delay claiming their retirement benefits. Specifically, a lump-sum payment could be offered to individuals who delay claiming until after age 62.²⁰ This could be accomplished in two ways: (1) Individuals could receive a lump-sum payout in exchange for some of their monthly benefit increases, or (2) they could receive a lump-sum bonus in addition to their monthly benefit increases. The first option is similar to the hypothetical scenarios presented in Fetherstonhaugh and Ross (1999) and Chai and others (2013), which the authors found would encourage delayed claiming. Here individuals would be given an opportunity to relinquish a portion of their annuity for a lump-sum payment. In that case, the protective qualities of the annuity would be preserved, although the annuity would be smaller. The second option would allow individuals to continue receiving the current-law increase in monthly benefits before the FRA, while also receiving a lump-sum bonus for each year they delay claiming beyond age 62. To fund such an incentive, monies currently earmarked for DRCs after the FRA could be shifted to the lump-sum incentive for delaying claiming before the FRA.

Rewarding Work with Bonuses

A significant portion of beneficiaries rely on Social Security retirement benefits as their primary source of income in retirement (SSA 2012). Because such individuals are likely to not have much personal savings or other pensions, the timing of these individuals' exit from the workforce may impact their decisions to claim Social Security benefits. Research has shown that individuals are less likely to claim benefits if they are working (Gustman and Steinmeier 2002), so encouraging them to delay claiming may be akin to encouraging their continued workforce participation (Knoll 2011). Therefore, we suggest that a successful incentive to delay claiming may be one that encourages prolonged workforce participation. As DRCs were originally intended to reward individuals who continued to work past their FRA, there is a precedent for offering increased benefits for increased work. Further, in addition to the increased Social Security retirement benefits that individuals would enjoy by delaying claiming, encouraging people to work longer could enhance retirement security through other means as well, such as giving them more time to accumulate personal retirement savings (Munnell and Sass 2008).

One way to incentivize work past the EEA, thereby potentially encouraging individuals to delay claiming past that age, would be to offer those persons intermittent bonuses tied to workforce participation. For example, individuals who continue to work and do not claim benefits after the EEA could receive a bonus at each yearly interval (month 12, 24, 36, and so forth) until reaching their FRA. Behavioral economics and psychological research suggest that remitting the bonus as individuals reach each yearly milestone, rather than rolling it into the future benefit, could be particularly effective; this is because individuals tend to be present biased, which means that they prefer outcomes that are available immediately (Laibson 1997; McClure and others 2004). The knowledge that a tangible cash benefit will become available in a few months (once wages are reported) may lead individuals who are considering leaving the workforce and claiming benefits to delay making that choice.

Research also suggests that the bonuses would be most effective if each one increased in size up through the FRA, as individuals prefer increasing sequences of income rather than constant sequences (Lowenstein and Prelec 1992). Although establishing the optimal size of the bonus could be challenging, it would be reasonable to base the bonus on a percentage of the individual's annual earnings, which is reported to SSA

each year, or on a percentage of his or her unreduced monthly benefit. Similar to the taxable maximum used in the calculation of retirement benefits,²¹ there could be an income cap placed on the incentive, such that income over a certain dollar amount would not be included in the calculation of the bonus amount.

Instituting a Lottery

Recent research has shown that lotteries can successfully incentivize low-income individuals to engage in savings behavior (see, for example, Guillén and Tschoegl (2002)). Lotteries take advantage of individuals' tendency to overweigh very small probabilities (Kahneman and Tversky 1979), which leads to the lottery being overvalued. As such, lotteries can potentially create a more appealing incentive than fixed or guaranteed payouts like the ones proposed in the previous section.

A lottery system could be created wherein individuals who continue to work past age 62 and have not yet claimed benefits would be entered into an annual lottery and have a chance to win a cash prize. Under that system, only nonbeneficiaries who have earned income in the previous year would be entered into the lottery. A winner would be drawn annually because earned income is tracked on an annual basis. In order to ensure that the size of the cash prize is large enough to create a worthwhile incentive to delay benefit claiming, the prize could be a percentage of the individual's income in the previous year. Although this proposal encourages delayed claiming through increased workforce participation, a lottery could also be implemented that is directly linked to an individual's choice to not claim benefits. That is, any eligible individual who does not claim benefits in a given year could be entered into the lottery, regardless of whether he or she had earned income in the previous year.

Reforming the Earnings Test

As noted previously, individuals who claim retirement benefits before they have reached their FRA and continue working may have some or all of their monthly benefits withheld if they earn more than the earnings-test thresholds. In 2014, if a beneficiary who remains younger than his or her FRA throughout the year is working and earning more than the \$15,480 threshold, then \$1 in benefits is withheld for every \$2 in earnings above that limit. In the year during which that beneficiary reaches his or her FRA, he or she is subject to a separate RET with a higher earnings threshold (\$41,400 for 2014) and smaller offset (\$1 in

benefits is withheld for every \$3 in earnings above the limit), which applies only in the months prior to attaining his or her FRA. The RET no longer applies once a beneficiary reaches his or her FRA, which means that the beneficiary can earn any amount and receive a full benefit. Benefits are recalculated at the FRA to account for any months in which they were fully or partially withheld, resulting in a permanently higher monthly benefit for the retired worker and any auxiliary beneficiaries drawing benefits on that worker's earnings record. The RET is roughly actuarially fair over the average lifetime. Because the earnings test withholds part or all of the benefits for some working beneficiaries before they reach their FRA, it may discourage early benefit claimers from working *and* encourage persons who are working to delay claiming benefits. Policymakers have suggested eliminating or liberalizing the RET to encourage work at older ages; however, that would also increase the incentive to claim early.

Research has examined how previous changes to the RET have affected the timing of Social Security benefit claiming. In 2000, the RET was eliminated for beneficiaries between their FRA and age 70 (DeWitt 2000). There is evidence that this policy change led people to claim benefits earlier than they would have without the repeal. Song and Manchester (2007b) showed that benefit claims increased between 3 and 7 percentage points for persons reaching age 65, and between 2 and 5 percentage points for those aged 65–69. Before 2000, only 10 percent of individuals aged 65–69 had not yet claimed Social Security benefits, which means that a 2 to 5 percentage point increase represented a 20 to 50 percent change in benefit receipt among that group. Other studies found similar increases in benefit claiming (Song 2003/2004; Mastrobuoni 2006).

Because eliminating or liberalizing the RET has been found to result in earlier benefit claiming, it is possible that making the RET more stringent could result in *later* benefit claiming.²² This could be accomplished in a number of ways; for example, the RET threshold could be lowered from the current yearly amount of \$15,480, or the benefit offset (currently \$1 withheld for every \$2 in earnings over the limit) could be increased to a \$1 for \$1 withholding. The RET was included in the original Social Security Act of 1935 and required full retirement from gainful employment as a condition for receiving benefits. That stipulation was consistent with the social insurance nature of retirement benefits: Benefits would only replace

earnings that were lost because of old age (DeWitt 1999). Therefore, a stricter RET would adhere more closely to the policy's original intent and would also encourage delayed claiming before the FRA for individuals who continue to work.

Behavioral Response to the Incentives to Delay Claiming

There are numerous reasons why individuals may choose to claim benefits at the earliest opportunity. Although leaving the workforce and claiming benefits need not temporally coincide, for many people, stopping work and claiming benefits often do occur at the same time. This may be especially true for individuals who do not have personal savings or other pensions. As noted earlier, some reasons why retirement-age individuals may stop working include becoming disabled or facing a work limitation, being laid off and having few job prospects, or having to care for a disabled spouse or other family member (Helman and others 2014).

However, there may be a number of reasons unrelated to health or financial need for individuals to choose to stop working and claim benefits at the EEA. For example, concerns about the solvency of Social Security may be driving individuals to claim their retirement benefits as soon as possible (Bukspan 2011). Psychological and behavioral factors, such as viewing age 62 as an “anchor” or “reference point,” or individuals being “burnt out” (Bidewell, Griffin, and Hesketh 2006) or “tired of work” (Beehr and others 2000) may also influence people to claim at the EEA (see Knoll (2011) for a discussion). The results discussed earlier demonstrate that, for some individuals, the decision to claim benefits early is not driven primarily by limited income (Chart 5), poor health (Chart 6), and/or work limitations (Chart 7), but rather appears to be more of a voluntary choice.

Below, we show how an incentive to delay claiming might affect claiming behavior and benefits in the future. Specifically, we simulate the effects of one of the incentives described earlier: changing the early retirement reduction factors. We chose to model this particular incentive because changing the current-law framework for this option was the most straightforward, and because it is similar to other changes that have been implemented in the past, such as increasing the FRA and the DRCs. In addition, everyone who claims benefits after the option start date would be subjected to these new early retirement reductions. Because the option only changes current-law rules,

the comparison between the effects of the option alone and the option with behavioral responses is clear. Modeling some of the other options would require making assumptions in *both* the options' take-up behavior and in individuals' claiming behavior, which may make the comparison between the option alone and the behavioral response to the option less clear.

Methodology

Using SSA's MINT6 data, we compare the benefits under the option to change the early retirement reductions starting in 2014 with the benefits scheduled to be paid under current law ("scheduled benefits") and project the results for Social Security beneficiaries aged 60 or older in 2030. Given that the incentives described earlier are designed to encourage delayed claiming, we compare the results of a static simulation—in which beneficiaries do not change their behavior in response to the policy change—with two behavioral-response simulations—in which we assume a 1-year delay in benefit-start age for two subsets of individuals who claim benefits at age 62 under current law. We chose to change the behavior of individuals who claim at age 62 because this age has been shown to serve as a *reference point* for many people (Knoll and others, forthcoming) and therefore, the incentives have the potential to affect many people. The first subset of individuals whose behavior we change represents the "more-likely" scenario, in which we change the benefit-start age by 1 year only for those who are in good, very good, or excellent health; have no health-related work limitations; are in the top-three individual non-Social Security income quintiles; and have an associate, bachelor, or graduate degree. The second subset expands the number of individuals whose behavior we change by removing the income and education requirements. In this "best-case" scenario, we change the benefit-start age by 1 year only for those who are in good, very good, or excellent health and have no health-related work limitations. We keep the health requirements in the *best-case* scenario because, according to the Retirement Confidence Survey, the main reason for retiring earlier than expected was health problems or a disability (Helman and others 2014).

We chose a 1-year delay in benefit claiming from age 62 to 63 for our two scenarios by drawing on previous research that also examined potential behavioral changes to benefit claiming. Specifically, Chai and others (2013) showed a 1.4-year delay in claiming for individuals aged 60 in response to implementing

a lump sum for DRCs, and Olsen and Romig (2013) modeled a 1-year delay in claiming in response to the removal of the RET.

Results

In the static simulation, about a third of beneficiaries in 2030 would receive higher benefits under the option to change early retirement reductions, and no one would receive a lower benefit. This is because we keep the total reduction for claiming benefits at age 62 the same as under current law. The majority of persons who would receive benefit increases under the option would start receiving benefits between ages 63 and 66, as expected (Table 5). These results reflect those shown in Chart 8. About 11 percent of individuals who claim at age 62 would receive higher benefits under the option alone compared with scheduled benefits because of the change in monthly reduction factors in the months after they turn 62. The 1 percent of individuals who claim at age 67 or older with higher benefits would be auxiliary beneficiaries who receive an increase in their spousal or survivor benefit through an increase in the retired-worker's benefit. Changing the early retirement reductions would result in higher benefits compared with those under current law for beneficiaries in all of the individual non-Social Security income quintiles and education groups; however, these results are slightly regressive. For example, just under a quarter of individuals in the lowest income quintile and at the lowest education level would have higher benefits under the option alone, compared with about 35 percent of those in the highest income quintile and at the graduate education level.

Adding a behavioral response to the policy option to change early retirement reductions assumes that the policy option is implemented *and* individuals who we suggest may be able to respond to the change delay claiming benefits by 1 year. Overall, there would be a 5 percentage point increase in the proportion of beneficiaries who would receive higher benefits under the *more-likely* scenario (again, these are individuals in good, very good, or excellent health with higher education and individual income levels). There would be a 13 percentage point increase under the *best-case* scenario (again, these are individuals in good, very good, or excellent health, regardless of education or income). Among beneficiaries who claim at age 62 under current law, 11 percent would have higher benefits under the static option, compared with 21 percent under the *more-likely* behavioral response and 36 percent under the *best-case* behavioral

Table 5.
Percentage of beneficiaries aged 60 or older with lower or higher benefits compared with scheduled benefits in 2030, by selected characteristics: Static and behavioral-response simulations

Characteristic	Change reductions alone (static)		Change reductions plus more-likely behavioral response		Change reductions plus best-case behavioral response	
	Lower benefit	Higher benefit	Lower benefit	Higher benefit	Lower benefit	Higher benefit
Overall	0	32	1	37	1	45
Claim age						
62 or younger	0	11	1	21	2	36
63–66	0	62	0	62	0	62
67 or older	0	1	0	1	0	1
Individual non-Social Security income quintile						
Highest	0	35	1	43	1	45
2nd highest	0	38	1	46	1	50
Middle	0	34	1	40	1	48
2nd lowest	0	29	0	32	1	45
Lowest	0	23	0	24	1	37
Education						
Graduate	0	34	1	42	1	45
Bachelor	0	38	1	48	2	50
Associate	0	34	1	42	2	47
High school	0	28	0	29	1	43
Less than 12 years	0	24	0	26	1	35

SOURCE: Authors' calculations using Modeling Income in the Near Term, Version 6 projections.

response. The larger shares of individuals with higher benefits under the behavioral responses result from these individuals delaying benefit claiming by 1 year, which permanently increases monthly benefits. Because we only change the behavior of individuals who claim at age 62, the effect on benefits for the other claiming-age groups does not change under the static and both behavioral simulations. Changing the behavior of more individuals in the *best-case* scenario would result in more beneficiaries with lower income and education levels receiving higher benefits under the option. For example, when only changing the behavior of persons with higher income and education levels under the *more-likely* scenario, the proportion of individuals in the lowest non-Social Security individual income quintile that has higher benefits under the option alone would only increase by 1 percentage point compared with 14 percentage points in the *best-case* scenario, where individuals with lower income and education levels would also change their behavior.

Another effect of adding the behavioral responses to the simulation is that about 1 percent of beneficiaries overall would have a lower benefit (Table 5);

however this would be the result of individuals who start receiving benefits in 2030 at age 62 under current law, now waiting until 2031 to receive them at age 63. Table 6 shows that just over 330,000 beneficiaries under the *more-likely* scenario and over 770,000 beneficiaries under the *best-case* scenario would not have a benefit under the option in 2030 when they otherwise would have had one. However, when these individuals claim benefits 1 year later under the two scenarios, their benefits would be permanently increased compared with those under both current law and the static option because these individuals would be subjected to fewer early retirement reductions.

Table 7 shows the distribution of beneficiaries by the size of their benefit changes under the static and behavioral scenarios. In the static simulation, most of the affected beneficiaries would have their benefits increased by 1 to 9 percent. However, when the behavioral responses are included, a larger number of beneficiaries would have their benefits increased by 10 to 19 percent, reflecting the additional effects of claiming benefits 1 year later. A small proportion of beneficiaries would have their benefits reduced by more than 20 percent when behavioral responses are included,

Table 6.
Number (in thousands) and percentage of beneficiaries who would lose benefits compared with scheduled benefits, by claim age, 2030: Static and behavioral-response simulations

Claim age	Change reductions alone (static)		Change reductions plus more-likely behavioral response		Change reductions plus best-case behavioral response	
	Number	Percent	Number	Percent	Number	Percent
62 or younger	0	0	-337	1	-773	2
63–66	0	0	0	0	0	0
67 or older	0	0	0	0	0	0

SOURCE: Authors' calculations using Modeling in the Near Term, Version 6 projections.

Table 7.
Percentage distribution of beneficiaries with a claim age of 62 or younger in 2030, by the size of their benefit changes compared with scheduled benefits: Static and behavioral-response simulations

Simulation	Decline			No change	Increase		
	≥20	10–19	1–9		1–9	10–19	≥20
Change reductions alone (static)	0	0	0	89	11	0	0
Change reductions plus more-likely behavioral response	1	0	0	78	9	11	0
Change reductions plus best-case behavioral response	2	0	0	61	7	29	1

SOURCE: Authors' calculations using Modeling Income in the Near Term, Version 6 projections.

NOTE: Rounded components of percentage distributions do not necessarily sum to 100.

which shows the effect of not receiving Social Security benefits for the 1 year in which claiming is delayed.

For those beneficiaries who receive benefit increases under both the static and behavioral simulations, the resulting overall median benefit increase would be about 3 to 5 percent (Table 8). The largest change can be seen for persons who would claim at age 62 under current law. When just the reduction factors are changed, those beneficiaries would receive a median benefit increase of 2 percent compared with scheduled benefits. However, when the behavioral responses are added to the reduction-factor change, the median benefit increase for that group would be 11 to 12 percent. As previously discussed, shifting claiming ages by 1 year would result in a very small proportion of beneficiaries with a 100 percent benefit reduction in 2030; these individuals would then be able to claim a higher monthly benefit at age 63 in 2031.

The overall poverty rate in 2030 would not change under any of the simulations (Table 9). However, the poverty rate for beneficiaries in the lowest individual income quintile would be slightly lower under the

static option and under the two behavioral-response scenarios. These results are expected because the overall change in benefits is small under the option alone, and both the *more-likely* and *best-case* behavioral responses are limited to individuals who are in good, very good, or excellent health and have no health-related work limitations. We project that about 44 percent of all beneficiaries aged 60 or older in poverty in 2030 would be in fair or poor health and about 10 percent would have health-related work limitations. We do not change the behavior of those individuals, which is reflected in the small change in the poverty rate for those groups. In addition, almost a third of individuals in poverty would be receiving disability benefits and would therefore not be subject to either the policy change or the behavioral responses.

As noted previously, the early retirement reductions and DRCs are roughly actuarially fair for the average beneficiary over a lifetime. By changing the early retirement reductions, lifetime benefit amounts would change compared with scheduled benefits. As Chart 9 shows, the static and both behavioral

Table 8.**Median percentage change in benefits for affected beneficiaries aged 60 or older, compared with scheduled benefits, 2030: Static and behavioral-response simulations**

Claim age	Change reductions alone (static)		Change reductions plus more-likely behavioral response		Change reductions plus best-case behavioral response	
	Lower benefit	Higher benefit	Lower benefit	Higher benefit	Lower benefit	Higher benefit
Overall	a	+3	-100	+4	-100	+5
62 or younger	a	+2	-100	+11	-100	+12
63–66	a	+3	a	+4	a	+4
67 or older	a	+2	a	+2	a	+2

SOURCE: Authors' calculations using Modeling Income in the Near Term, Version 6 projections.

a. Insufficient sample size

Table 9.**Poverty rate effects for beneficiaries aged 60 or older, by selected characteristics, 2030: Static and behavioral-response simulations**

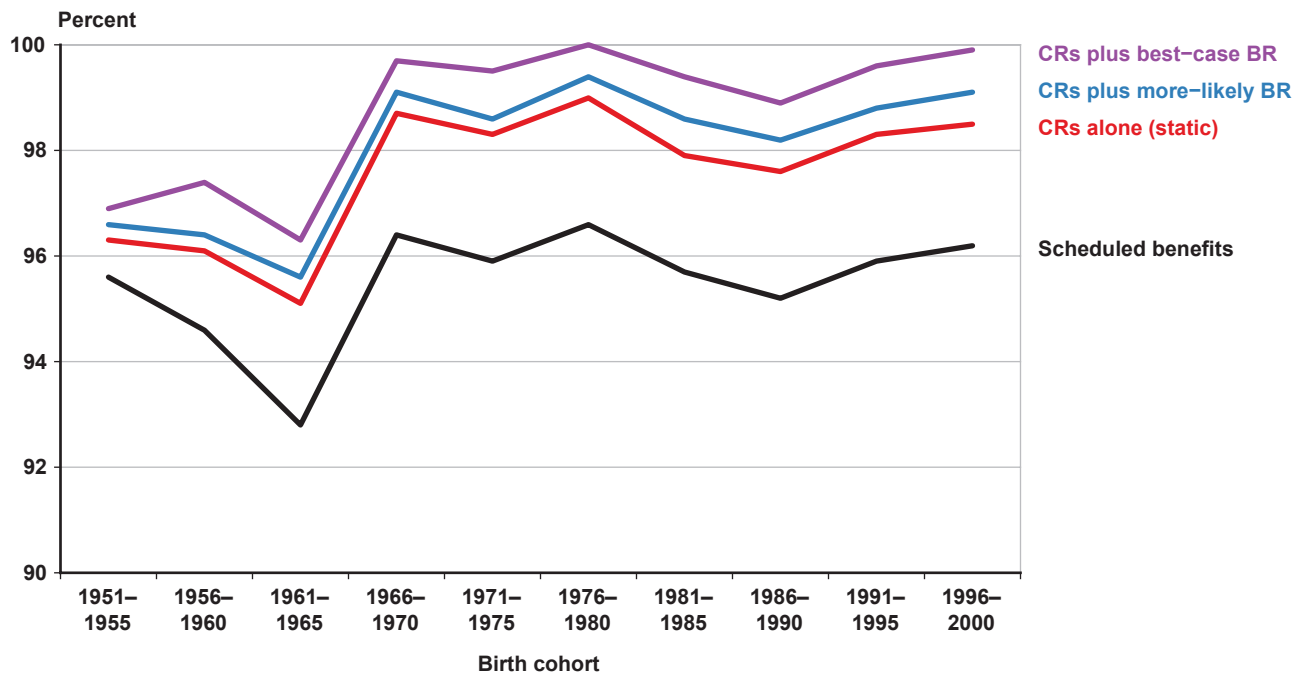
Characteristic	Projected poverty rate under current law (%)	Poverty rate effect (percentage point change)		
		Change reductions alone (static)	Change reductions plus more-likely behavioral response	Change reductions plus best-case behavioral response
Overall	3.1	0.0	0.0	0.0
Claim age				
62 or younger	4.7	0.0	0.0	0.0
63–66	1.4	-0.1	-0.1	-0.1
67 or older	1.7	0.0	0.0	0.0
Individual non-Social Security income quintile				
Highest	0.0	0.0	0.0	0.0
2nd highest	0.0	0.0	0.0	0.0
Middle	0.0	0.0	0.0	0.0
2nd lowest	0.0	0.0	0.0	0.1
Lowest	15.8	-0.2	-0.2	-0.3
Education				
Graduate	0.6	0.0	-0.1	-0.1
Bachelor	1.1	0.0	0.0	0.1
Associate	2.5	0.0	0.0	0.0
High school	4.3	-0.1	-0.1	-0.1
Less than 12 years	9.8	-0.1	-0.1	0.0

SOURCE: Authors' calculations using Modeling Income in the Near Term, Version 6 projections.

simulations result in higher median lifetime benefit/tax ratios, which compares the lifetime value of Social Security benefits received with the lifetime value of taxes paid (Leimer 1995). Compared with current law, the lifetime benefit/tax ratio under the policy option alone would be about 2 percentage points higher; under the *more-likely* behavioral scenario, the ratio would be about 2.5 percentage points higher; and

under the *best-case* behavioral scenario, it would be about 3 percentage points higher. This is the result of beneficiaries receiving a permanently increased benefit through increased reduction factors (for example, 8 percent a year instead of 5 percent from age 62 to 63), and in the case of the behavioral responses, a permanently increased benefit because of 1 year of delayed claiming.

Chart 9.
Median lifetime benefit/tax ratio for beneficiaries aged 60 or older, by birth cohort



SOURCE: Authors' calculations using Modeling Income in the Near Term, Version 6 projections.

NOTE: BR = behavioral response; CRs = change reductions.

Discussion

Motivated by the notion that the retirement benefit-incentive structure currently in place at SSA may not effectively encourage individuals to delay claiming until reaching their FRA, we used previous behavioral and psychological research to present ideas for new incentives. Because the majority of Americans claim retirement benefits before reaching their FRA, we find that incentives targeted to persons who claim early affect a larger portion of the beneficiary population than do the current incentives. The tendency for individuals to want to claim early—which is consistent with present bias—suggests that the most successful incentives to delay claiming should take into account the fact that individuals have a difficult time forfeiting immediate, albeit smaller, benefits for larger benefits in the future. Introducing new incentives, where the greatest advantages to delaying claiming occur sooner, could help prospective retirees delay claiming in the years before their FRA, thereby permanently increasing their monthly benefits.

Our simulation shows that changing the early retirement reductions to provide larger benefit increases

in the earliest post-EEA years would result in benefit increases for about a third of beneficiaries in 2030. Adding a *more-likely* behavioral response and then expanding the number of individuals whose behavior changes with the *best-case* behavioral response would increase the proportion of individuals who could potentially receive higher benefits. The most noticeable benefit increase from 1 year of delayed claiming would occur for persons who claim at age 62 under current law. Under the static option, however, the median benefit increase for that group would be 2 percent; under the *more-likely* and *best-case* behavioral responses, the median benefit increase would be 11 percent and 12 percent, respectively. Although the static option alone would provide higher benefits to about a quarter of individuals in the lowest income quintile and at the lowest education levels, incentivizing more of those individuals to delay claiming would result in even larger proportions of people in those groups that have higher benefits. Poverty rates would also decline slightly for persons in the lowest individual income quintile under all three scenarios. Compared with current law, lifetime benefits would increase across all birth cohorts through permanently

increased benefits from the higher annual early retirement reductions under the static option and the 1 year of delayed claiming under the two behavioral responses.

As with any simulation of a behavioral response to a policy change, it is difficult to determine exactly who would be affected; we have no way of distinguishing conclusively who would or would not change their behavior in response to the proposed change. Nevertheless, we can make predictions regarding who may be more or less likely to change their behavior based on relevant characteristics and previous research. In the case of the simulations presented here, we decided to limit the sample of likely responders to the policy change to those who are in good, very good, or excellent health and have no health-related work limitations. Persons who are more likely to delay claiming in response to the proposed incentives should be *able* to delay claiming; that is, they are likely not in poor health, which might limit their ability to remain in the workforce. This is also in keeping with the finding that primary reasons for retiring earlier than expected are health problems or a disability (Helman and others 2014). Our *best-case* scenario assumes that everyone in good health and without work limitations would respond to an incentive to delay claiming. In terms of income, we argue that persons who are in the highest quintiles for individual non-Social Security income are more likely to be able to support themselves financially without having to claim benefits. For those individuals, delaying claiming may be a more feasible prospect than it is for persons with lower incomes. The same might be true for individuals with at least an associate degree, which may allow for greater job prospects. These additional restrictions on the selected sample were chosen to simulate a behavioral response that we argue is *more likely* to occur.

Of course, the incentives presented here may be strong enough to encourage even persons in poor health and with work limitations to delay claiming in the years before their FRA. In that case, we would expect an even stronger effect of the incentive than what is described in the current simulation. People may delay claiming by more than 1 year; more people could respond to the change; and relevant outcome measures, such as the poverty rate and the monthly benefit amount, would see even more of a decrease or increase than what is currently described. On the other hand, the incentive modeled in our study may have a weaker effect than what is projected, potentially affecting a smaller portion of the beneficiary

population or encouraging a weaker behavioral effect (that is, less than a 1-year change in delayed claiming behavior). If this is the case, then the outcome of the incentive change would be less pronounced than what is currently projected.

Further, we only model one incentive for simplicity and to show how an example of an incentive to delay claiming behavior could affect benefits in the future. We present a number of incentives that we do not explicitly model, such as instituting a lottery or making the RET more strict, which could also affect delayed claiming behavior differently from what is projected in our simulation of changing early retirement reductions. Any or all of those additional incentives could have a stronger or weaker effect than the incentive we model, and instituting a combination of them could create even more varied results. It is also possible that some of the proposed incentives could have a differential impact on individuals with particular demographic characteristics. For example, research exploring the use of lotteries as an incentive to save has shown that they are particularly effective among low earners (Guillén and Tschoegl 2002). We might expect, then, that instituting a lottery as an incentive to delay claiming might be particularly appealing to those in the lower income quintiles. If so, this particular incentive could produce an even more pronounced effect on benefits for low-income retirees than what is projected in our simulation.

Future research could explore different effects of the various incentives presented here, by changing the affected population, the size of the behavioral response, and the type and combination of incentives introduced. Recommending and prioritizing the various incentives presented in our study, in addition to making value judgments regarding which incentives should be implemented, are beyond the scope of this article; nonetheless, the ideas presented herein could help policymakers consider new ways to encourage individuals to claim retirement benefits later than they currently do.

Conclusion

Claiming Social Security retirement benefits before the FRA results in permanently lower benefits, while delaying claiming permanently increases benefits. The tendency to claim retirement benefits at the EEA results in a large portion of the beneficiary population forfeiting significant amounts of money. Creating incentives that more effectively encourage individuals to *not* claim benefits as early as possible could have a

significant impact on the financial well-being of older Americans. The novel approaches to incentivizing delayed claiming presented here use insights from behavioral and psychological research and shift the focus on delaying claiming to the earliest-eligibility retirement years, rather than the traditional focus on delaying claiming past the FRA.

Notes

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¹ For the FRA chart, see <http://www.socialsecurity.gov/retire2/retirechart.htm>.

² For more information on DRCs, see <http://www.socialsecurity.gov/retire2/delayret.htm>.

³ For more information on the actuarial fairness of Social Security benefits, see Munnell and Sass (2012).

⁴ For more information on the spousal benefit-reduction factors, see <http://www.socialsecurity.gov/OACT/quickcalc/earlyretire.html>.

⁵ If a person claims spousal benefits before his or her FRA, a claim is also automatically made for a retired-worker benefit on his or her record if eligible to receive one. For more information on spousal benefits, see <http://www.socialsecurity.gov/retire2/yourspouse.htm>.

⁶ The FRA for survivor beneficiaries is different from that for retired workers and spouses. For more information, see <http://www.socialsecurity.gov/survivorplan/survivorchartred.htm>.

⁷ If a person claims survivor benefits before age 62 and that individual is eligible to receive benefits on his or her own record, he or she can decide when retirement benefits will start at any age from 62 to 70. For more information on survivor benefits, see <http://www.socialsecurity.gov/survivorplan/ifyou5.htm>.

⁸ The 1956 Amendments also allowed widows and female dependent parents to receive unreduced benefits at age 62.

⁹ The 1961 Amendments also allowed widowers and male dependent parents to receive unreduced benefits at age 62.

¹⁰ For more information on the RET, see <http://www.socialsecurity.gov/OACT/COLA/rtea.html>.

¹¹ For more information on these changes to the Social Security program, see <http://www.socialsecurity.gov/history/reports/crsleghist2.html>.

¹² The claiming data presented in Charts 1 and 2 show benefits awarded to individuals by year of award and age at award. Presenting claiming data for a specific birth cohort can reflect different claiming patterns. For more information on this “cohort effect,” see Muldoon and Kopcke (2008).

¹³ MINT6 is based on the 2001 and 2004 Survey of Income and Program Participation (SIPP) panel data matched to SSA data. For more information, see <http://www.socialsecurity.gov/retirementpolicy/projection-methodology.html>.

¹⁴ We do not include disabled beneficiaries in our analysis because they do not have to make a decision about when to claim retirement benefits (they receive disability benefits at the time they become disabled and automatically convert to retirement benefits when they reach their FRA).

¹⁵ Other sources included in the individual income quintile measure are means-tested income, nonmeans-tested income, and Supplemental Security Income. We calculate the quintiles for each year for all beneficiaries aged 60 or older.

¹⁶ MINT6 uses self-reported SIPP health-status measures as starting values for individuals aged 51 or older and projects them through age 67. For persons aged 68 or older, the health-status estimates come from the 1990 SIPP.

¹⁷ MINT6 projects mortality using two separate procedures that are roughly calibrated to the intermediate assumptions of the *Social Security Trustees Report*. These mortality projections are based on variables including disability status, education, income, and marital status.

¹⁸ However, this age group experienced high rates of unemployment during the recession, reaching a high of 7.2 percent in December 2009 (Sok 2010). By September 2014, the Bureau of Labor Statistics’ *Economic News Release* table on selected unemployment indicators (<http://www.bls.gov/news.release/empsit.t10.htm>) estimated that the unemployment rate for individuals aged 55 or older was 3.9 percent.

¹⁹ \$1,370 is the average primary insurance amount (that is, the unreduced benefit) in 2014 for nondisabled beneficiaries who are fully insured at age 62 (that is, our sample population, which is discussed in the Current Trends in Social Security Benefit Claiming Behavior section).

²⁰ Orszag (2001) strongly cautioned against offering a lump-sum payment to individuals before their FRA. He argued that allowing individuals younger than the FRA to opt for a lump-sum payment instead of an increased monthly payment would significantly increase poverty rates among the elderly. This is primarily because individuals would be more likely to spend the lump sum rather than save it, thereby negating the increased protection against old-age poverty that delaying claiming provides. However, behavioral economics research has shown that individuals are more likely to save larger sums of money, but more likely to spend smaller amounts (Chambers and Spencer 2008; Johnson, Parker, and Souleles 2004; Shapiro and Slemrod 2003a, 2003b). Following this notion, individuals may be more likely to save portions of a lump-sum benefit than they would the piecemeal distributions of an increased annuity payment.

²¹ For more information on the amount of earnings subject to taxation and used in the benefit computation, see <http://www.socialsecurity.gov/OACT/COLA/cbb.html>.

²² Eliminating or liberalizing the RET has also been found to increase earnings (Song and Manchester 2007b; Haider and Loughran 2008; Figinski 2012) and labor force participation (Friedberg and Webb 2009; Song and Manchester 2007b; Figinski 2012); therefore, making the RET more stringent could result in reduced earnings and labor force participation.

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IMPROVING ACCESS TO BENEFITS FOR PERSONS WITH DISABILITIES WHO WERE EXPERIENCING HOMELESSNESS: AN EVALUATION OF THE BENEFITS ENTITLEMENT SERVICES TEAM DEMONSTRATION PROJECT

by Elizabeth Kennedy and Laura King*

This study uses administrative data to evaluate the outcomes of the disability applications submitted to the Social Security Administration (SSA) through the Benefits Entitlement Services Team (B.E.S.T) Demonstration Project and to determine if the project successfully increased access to Supplemental Security Income (SSI) payments and/or Disability Insurance (DI) benefits for individuals experiencing homelessness. B.E.S.T—a unique partnership between the Los Angeles County Department of Health Services, SSA, and the California Disability Determination Services—was a collaborative effort to locate homeless adults and assist them in applying for SSI payments and/or DI benefits. B.E.S.T facilitated the completion of SSI and DI applications, including the compilation of all forms and medical evidence needed to submit the completed applications to SSA. The findings show that B.E.S.T contributed to increased access to disability benefits for applicants. Relative to other disability cases, the B.E.S.T cases had high allowance rates and short processing times.

Introduction and Background

The Benefits Entitlement Services Team (B.E.S.T) Demonstration Project was a new initiative of the Department of Health Services (DHS) of Los Angeles (LA) County to address barriers for persons with disabilities who were experiencing homelessness. In December 2009, the initiative began providing support through medical exams, mental health evaluations, and case management assistance to homeless adults applying for Supplemental Security Income (SSI) and/or Disability Insurance (DI).

The Social Security Administration (SSA) evaluated the outcomes of the applications submitted to the agency through the B.E.S.T Demonstration Project to determine if the project successfully increased access to SSI payments, DI benefits, or both for individuals experiencing homelessness. This article includes background information on the SSI and DI application process, general information on the B.E.S.T application

process, and characteristics of B.E.S.T applicants. The scope of the evaluation addresses the following three key research questions:

1. What were the allowance rates and processing times for B.E.S.T applications?
2. What combination of internal and external methods supported the B.E.S.T application process?
3. What characteristics of B.E.S.T applications increased the likelihood of an allowance?

Selected Abbreviations

B.E.S.T	Benefits Entitlement Services Team
CE	consultative examination
DDS	Disability Determination Services
DHS	Department of Health Services
DI	Disability Insurance

* Elizabeth Kennedy is a social insurance specialist and Laura King is a social science research analyst, both in the Office of Research, Demonstration, and Employment Support, Office of Retirement and Disability Policy, Social Security Administration.

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Selected Abbreviations—Continued

FO	field office
LA	Los Angeles
MBR	Master Beneficiary Record
MER	medical evidence of record
SSA	Social Security Administration
SSI	Supplemental Security Income
SSN	Social Security number
SSR	Supplemental Security Record

Homelessness and Disability

LA has one of the largest homeless populations in the United States. According to the *2009 Greater Los Angeles Homeless Count Report*, LA County had 48,053 homeless individuals¹ on a given night (LAHSA 2009). About a quarter of those individuals experienced chronic homelessness, which means that they had a disabling condition and were experiencing long-term homelessness.²

The United States Interagency Council on Homelessness, which is composed of 19 departments and agencies including SSA, has set a goal to end chronic homelessness by 2015 (as of the publication date of this article). Increasing access to SSI/DI benefits and other mainstream resources not specifically targeted to persons experiencing homelessness is essential to meeting that goal. SSI/DI benefits can help reduce the number of disabled individuals experiencing homelessness by providing income for housing and access to health insurance through Medicaid or Medicare.

However, an inability to document a disability can be a major barrier to individuals experiencing homelessness receiving the SSI payments and/or DI benefits to which they otherwise would be entitled. Individuals experiencing homelessness often have difficulty providing the evidence required to document a disability because they do not have well-established physical or mental health records. Many of those individuals do not have access to consistent care because they have no health insurance or other health benefits. After application, it can be difficult for persons experiencing homelessness to receive mail or phone calls, and the lack of income creates difficulties in obtaining transportation to appointments.

Staff members of agencies that assist individuals experiencing homelessness sometimes assist those persons with the SSI and DI application process as part of their professional role. The B.E.S.T Demonstration

Project—a collaborative effort to locate homeless adults and assist them in applying for SSI payments and DI benefits—was a unique partnership between the LA County DHS, SSA, and the California Disability Determination Services (DDS).

The project began on December 1, 2009, and ended on October 1, 2013. LA County had existing services that provided health care to individuals experiencing homelessness, but a main goal of B.E.S.T was to improve access to SSI/DI benefits by addressing barriers those individuals faced, especially the lack of medical documentation of their disability.

The LA County DHS funded B.E.S.T through a contract to a federally qualified health center, the John Wesley Community Health Institute, which had expertise in serving homeless clients. The collaboration between doctors, case managers, DHS administrative staff, and specific personnel at SSA and the DDS resulted in positive outcomes for the applicants. The LA County DHS worked with SSA, the DDS, and other LA County government offices throughout the demonstration to address issues of implementation, funding, and areas for improvement. The DHS had an administrative staff person dedicated solely to B.E.S.T, who provided policy oversight; day-to-day support, oversight, and assistance to the B.E.S.T team members; and who monitored weekly reports to ensure timely submission of cases by B.E.S.T staff.

SSI and DI Application Process

The SSI program makes payments to individuals with a qualifying disability and limited income and resources; the DI program provides benefits to eligible disabled workers and their eligible family members. Section 223 of the Social Security Act defines disability as, “the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.” In addition to meeting that definition of disability, individuals must have worked long enough and paid Social Security taxes to be “insured” and qualify for DI benefits.

The disability determination process begins when the applicant completes forms and submits them to an SSA field office (FO), which verifies nonmedical eligibility requirements and sends the case to a state DDS office if the applicant meets nonmedical eligibility requirements. The SSI program is means tested and requires income and assets below certain levels; the DI program, on the other hand, requires a certain number

of work credits based on yearly wages. The DDS makes a determination of disability based on medical evidence from the applicant's treating sources or from a consultative examination (CE)—that is, a physical or mental examination or test purchased by SSA. If the DDS determines that the applicant is not disabled, the applicant may request reconsideration, in which the DDS thoroughly reexamines all evidence used in the initial determination and any additional evidence or information submitted with the reconsideration appeal. If the applicant also receives a denial on a disability claim at the reconsideration level, he or she may request an appeal hearing before an administrative law judge. The applicant can also appeal to the following two higher levels: (1) the Appeals Council; and (2) by filing a civil suit in a federal district court, if the applicant does not agree with the Appeals Council's decision or the Council decides not to review the case.

B.E.S.T Application Process

The B.E.S.T process did not change SSA's SSI or DI claims process, but it was designed to expedite the application process and address some of the application challenges for persons experiencing homelessness. For purposes of this study, we spoke with the following three groups of staff participants to obtain background information and feedback about the process followed by B.E.S.T: LA County employees and contractors, DDS employees, and FO employees. This was necessary because the SSA staff who examined the outcomes of the B.E.S.T applications did not design the demonstration project. We asked general and targeted questions on the following topics: organizational involvement and goals, operational changes over time, roles and responsibilities, project challenges, impressions, and recommendations. We obtained feedback through an electronic bulletin board,³ which was a moderated online discussion; by e-mail; and through phone calls. (All references to the opinions and experiences of these groups later in the article refer to information obtained through these methods.)

The B.E.S.T Demonstration Project served street-based and shelter-based homeless individuals, in addition to homeless persons living in transitional housing settings or in permanent housing for less than a year. B.E.S.T identified clients through street-based outreach and referrals. B.E.S.T was composed of a multidisciplinary team that included a project director, general physician, psychiatrist, four case managers, and outreach staff. That team provided case management, physical and mental health evaluation and

documentation, transportation resources, and coordination with SSA FOs. B.E.S.T shared information with various organizations (such as hospitals, medical clinics, mental health organizations, prisons, and homeless organizations) on how to refer clients to the demonstration project, and it accepted referrals from those organizations in LA County.

Based on the data collected through the homeless count, B.E.S.T established four site locations in different areas of LA County—El Monte, City of Bell, and two locations in LA. The goal was to establish sites to address areas of greatest need and to make B.E.S.T accessible countywide. The largest site was in Downtown LA in an area known as “Skid Row,” as part of a federally qualified health center (Center for Community Health) that was already located there. The other sites were in a recuperative care and shelter program (Bell Shelter), a substance abuse treatment shelter facility (MJB Transitional Recovery), and a federally qualified health center about 20 miles east of the downtown area (Cleaver Family Wellness Clinic). Because those sites were community based, B.E.S.T was able to identify applicants and maintain contact with them using scheduled check-ins. In addition to providing physical and mental health evaluations to support the disability application, the John Wesley Community Health Institute provided ongoing care to individuals experiencing homelessness and scheduled most of the check-ins to occur concurrently with health care appointments.

B.E.S.T facilitated the completion of SSI and DI applications, including compilation of all forms and medical evidence needed for submission to SSA. The demonstration project assisted clients with applications at the initial and reconsideration level, and it referred them to public interest law firms if a hearing-level appeal was needed.⁴ B.E.S.T personnel submitted applications for SSI payments and DI benefits in person, by mail, and online, with completed forms and collected medical evidence. It assisted clients with the application process by completing the applications, obtaining medical evidence from other providers, providing physical and mental health evaluations and documentation, helping to find an appropriate representative payee, and coordinating with the FO.

In addition, B.E.S.T used an expedited process to obtain medical records requested from LA County DHS medical facilities.⁵ Medical records from the prison system and other medical facilities can take months to obtain. When B.E.S.T requested applicants' DHS records, a team of trained registered nurses familiar with LA County DHS medical records gathered the

information. The project also assisted clients by helping them find a place to stay and access to transportation.

Downtown LA, Huntington Park, Watts, and El Monte were the participating FOs. LA North, LA West, and Roseville were the participating DDS branch offices. SSA and DDS staff provided extensive and recurring training to the B.E.S.T Demonstration Project manager, front-line workers, and medical staff on the application filing process, eligibility factors, and completion of forms. DHS staff provided ongoing technical assistance to B.E.S.T and served as a liaison to SSA and the DDS. Social Security staff had an on-site presence at the downtown location for 3 months.

The DDS medical staff provided the B.E.S.T medical staff with training on SSA's evidentiary requirements. Because of that training, B.E.S.T applications were submitted with extensive staff comments, including observations about the applicant's condition, which assisted the DDS branch offices in the evaluation process.

At the FO, designated SSA claims representatives processed B.E.S.T cases. B.E.S.T staff had direct phone extensions of FO management and claims representatives participating in the project. The FO staff applied a specific combination of flags, messages, and unit codes to help the DDS branch offices identify cases as part of the B.E.S.T Demonstration Project. The FOs tracked those cases and sent reports to SSA's area office.

Contact between SSA, DDS employees, and B.E.S.T staff occurred as needed and varied greatly, from daily to once a week to twice a month. At times, DDS and B.E.S.T staff used conference calls to discuss claims statuses and to engage in doctor-to-doctor communication. That type of close contact, with frequent calls between professionals, is not a typical part of the disability determination process. If the DDS needed additional information to adjudicate a claim, it contacted B.E.S.T staff, who provided additional records.

Characteristics of B.E.S.T Applicants

B.E.S.T applicants were not randomly selected from a larger group, and there was no comparison group for this evaluation. We recognize that B.E.S.T applicants are a particularly disadvantaged subpopulation of disability applicants, and the specific outcomes (that is, specific allowance rates) cannot be generalized to other populations. However, in some instances, this article compares B.E.S.T outcomes with published national averages to provide context about the typical disability application process and experience for a select group of applicants.

The characteristics of the B.E.S.T participants who applied for SSI, DI, or both from December 2009 through December 2012⁶ are provided in Table 1. The participants were more likely to be male. Their mean age was 47, and almost 50 percent did not have a high school diploma. Less than 20 percent of the individuals who participated in B.E.S.T had any earnings history, and over 45 percent had previously applied for disability benefits. Eight percent had served in the military. Almost all of the participants applied for SSI, and about 90 percent had a mental condition as their primary impairment.⁷

Table 1.
Characteristics of B.E.S.T applicants at the time of disability application, December 2009–December 2012

Characteristic	Number	Percent
Sex		
Male	766	67.5
Female	368	32.5
Age group		
Younger than 25	50	4.4
25–29	69	6.1
30–34	105	9.3
35–39	108	9.5
40–44	167	14.7
45–49 ^a	242	21.3
50–54	242	21.3
55–59	125	11.0
60 or older	26	2.3
Education		
6th grade or less	39	3.4
7th through 11th grade	515	45.4
High school	433	38.2
More than high school	133	11.7
Unknown	14	1.2
Type of impairment		
Mental	1,015	89.5
Physical	119	10.5
Musculoskeletal	29	2.6
Cardiovascular	15	1.3
All other	75	6.6
Field office of application		
Downtown LA	798	70.4
Watts	178	15.7
Huntington Park	104	9.2
El Monte	54	4.8
Previous application		
Yes	513	45.2
No	621	54.8

(Continued)

Table 1.
Characteristics of B.E.S.T applicants at the
time of disability application, December 2009–
December 2012—Continued

Characteristic	Number	Percent
Any earnings		
Yes	220	19.4
No	914	80.6
Earnings in a month between 1999 and 2008		
Yes	145	12.8
No	989	87.2
Military service		
Yes	95	8.4
No	1,039	91.6
Type of claim		
Concurrent	366	32.3
SSI only	763	67.3
DI only	5	0.4

SOURCE: SSA administrative records.

NOTES: B.E.S.T = Benefits Entitlement Services Team;
 DI = Disability Insurance; LA = Los Angeles; SSA = Social Security
 Administration; SSI = Supplemental Security Income.

a. The mean age was 47.

Methodology

First, we verified SSA's regional office list of the Social Security numbers (SSNs) of B.E.S.T participants. Then, we used multiple administrative data sources to gather demographic and application data on B.E.S.T participants. Our methods for accomplishing those objectives, in addition to detailing the other data sources employed in this study, are discussed in the following two subsections.

Identification and Verification of B.E.S.T Participants

SSA's regional office in San Francisco identified the names and SSNs of participants in the B.E.S.T Demonstration Project. We were able to verify that all names and SSNs matched SSA records. We extracted Master Beneficiary Record (MBR)⁸ and Supplemental Security Record (SSR)⁹ data for each of the SSNs provided and compared the names associated with each SSN in those records with participant names on the B.E.S.T list. If the name matched the SSN, we considered the SSN verified.

Of the 1,194 verified SSNs, we analyzed initial disability benefit applications filed from December 2009 through December 2012, totaling 1,175 cases. The

other 19 SSNs provided by the regional office included duplicates (that is, individuals who were seen in more than one FO), individuals who applied for SSI or retirement benefits based on age (not disability benefits), and those who applied for SSI/DI at the initial level *without* the assistance of B.E.S.T and subsequently applied for a reconsideration *with* the assistance of B.E.S.T. Of the 1,175 individuals B.E.S.T assisted with submitting their SSI and/or DI applications, 41 cases lacked a medical decision at the time of the analysis. Some of those cases had no decision for reasons of unknown whereabouts of the applicant, the applicant died, or the applicant withdrew his or her claim. Others were pending decisions or had a technical (not medical) denial for not meeting eligibility requirements.

The goal of the B.E.S.T Demonstration Project was to assist homeless individuals applying for SSI payments and/or DI benefits; therefore, our analysis focuses on the medical decisions of the 1,134 applications for disability benefits submitted at the initial level through B.E.S.T from December 2009 through December 2012.

Data Sources

To describe the characteristics of B.E.S.T applicants and answer the three key research questions highlighted earlier in the article, we matched the list of 1,134 SSNs to the data available from SSA program records. Specifically, we matched SSNs to the following administrative records:

- Electronic Disability (eDib) claim file,
- Supplemental Security Record (for SSI applicants),
- Master Beneficiary Record (for DI applicants),
- Earnings Recording and Self-Employment Income System, and
- Veterans Benefits Administration database.

The eDib claim file maintains the information needed to make the determination of eligibility for benefits, including the name and SSN of the applicant, the application for benefits, supporting evidence and documentation, and correspondence between SSA and the applicant. The SSR and MBR provide historical accounts of the activity on an individual's payment record. The Earnings Recording and Self-Employment Income System contains summaries of every SSN holder's yearly earnings. The Veterans Benefits Administration database provides access to SSA staff for reviewing military discharge records pertinent to the disability application process for veterans.

Findings

In this section, we discuss the results obtained in this analysis pertaining to the three key research questions.

Research Question 1: What Were the Allowance Rates and Processing Times for B.E.S.T Applicants?

B.E.S.T applicants had relatively high allowance rates, with a 90 percent final overall allowance rate. B.E.S.T applicants also had shorter than average processing times for initial decisions. Of the allowances, 76.8 percent were SSI only, 22.7 percent were concurrent awards for SSI and DI, and 0.5 percent were DI only. To put these allowance rates in perspective, average allowance rates for all SSI and DI applications at all adjudicative levels in 2010 were 46.6 percent and 57.3 percent, respectively (SSA 2013b, Table 69 and 2013a, Table 59).¹⁰

The allowance rates for the B.E.S.T applicants at each adjudicative level of the determination process are provided in Table 2. The first two levels of the decision process take place at the DDS. The allowance rate for B.E.S.T participants at the initial level was 84.7 percent. To put this in perspective, average initial allowance rates for SSI and DI applications in 2010 were 31.3 percent and 36.7 percent, respectively (SSA 2013b, Table 70 and 2013a, Table 60). Among the B.E.S.T initial allowances, 77.6 percent were SSI only, 22.2 percent were concurrent, and 0.2 percent were DI only. Of applicants who were denied at the initial level, 61.5 percent appealed to the reconsideration level, and the allowance rate at the reconsideration level was 41.1 percent.¹¹ Of those allowances, 65.9 percent were SSI only, 29.6 percent were concurrent, and 4.6 percent were DI only. The overall DDS allowance rate for B.E.S.T participants was 88.3 percent.

The third level of the decision process is a hearing with an administrative law judge. Of the claimants issued a denial from the DDS, only 22.6 percent requested a hearing, and 70 percent of the cases that went to the hearing level received a favorable decision. To put this in perspective, average hearing-level allowance rates for all SSI and DI applications in 2010 were 56.8 percent and 68.0 percent, respectively (SSA 2013b, Table 72 and 2013a, Table 62). Of B.E.S.T claimants with allowances at the hearing level, 52.4 percent were SSI only, 38.1 percent were concurrent, and 9.5 percent were DI only. This brought the final overall allowance rate to 90 percent.

Table 2.
Allowance rates for B.E.S.T cases at each adjudicative level, December 2009–December 2012

Level of decision	Number of decisions	Allowance rate (%)
DDS		
(1) Initial	1,134	84.7
(2) Reconsideration ^{a, b}	107	41.1
Total	1,134	88.3
ODAR		
(3) Hearing	30	70.0
Overall ^c	1,134	90.0

SOURCE: SSA administrative records.

NOTES: B.E.S.T = Benefits Entitlement Services Team; DDS = Disability Determination Services; ODAR = Office Of Disability Adjudication and Review; SSA = Social Security Administration.

- SSA electronically flagged 6 percent of B.E.S.T applications as falling under the Disability Redesign Prototype Model, in which an appeal for a hearing is the first step in the appeals process and there is no reconsideration step.
- The 107 cases that went to the reconsideration step included 4 cases that received an allowance at the initial level, but chose to appeal some aspect of the initial decision.
- The total number of decisions equals the number of initial and overall DDS decisions because every B.E.S.T applicant had an initial application.

A high number of B.E.S.T claims were allowed at step 3 of the disability determination process, the first step that can result in an allowance. This indicates that many B.E.S.T applicants had some of the most highly disabling impairments.¹²

Wixon and Strand (2013) document how the steps of the determination process and the basis for medical eligibility decisions are identifiable in SSA administrative data. The agency uses a five-step sequential evaluation process to decide whether an individual is disabled.¹³ That process evaluates whether the individual is performing work (step 1), whether the individual's impairment is severe (step 2), whether the impairment meets or equals SSA's listing of impairments (step 3), whether the individual can perform his or her past work (step 4), or whether the individual can perform any work in the national economy (step 5). Applicants who are working and engaging in substantial gainful activity (SGA)¹⁴ are denied at step 1 without any consideration of medical criteria; those without severe impairments are denied at step 2; and those with the most highly disabling impairments are allowed at step 3, based on medical

criteria. Step 4 can result in a denial only and involves an analysis of whether the applicant can do the work activities involved with his or her past work. Step 5 can result in an allowance or a denial and involves an analysis of whether the applicant can do any work in the national economy.

Table 3 presents the distribution of B.E.S.T claims, classified by the evaluation step at which SSA made the final disability decision (after any appeals).¹⁵ After all appeals, 65.6 percent of all B.E.S.T claims were allowed at step 3, accounting for 72.9 percent of all allowances. More than two-thirds of all claims (67.3 percent) were decided without the need for an evaluation of medical-vocational factors (steps 4 and 5), although, as expected, the majority of denials did require a medical-vocational evaluation. Generally, allowances for SSI applications at step 3 account for nearly a third of SSI cases (SSA 2013b).

Most of the B.E.S.T allowances were for SSI only or concurrent awards for SSI payments and DI benefits.¹⁶ The mean first regular monthly SSI payment amount for those recipients was \$809.58, and both the median and mode of that payment amount was \$856.40. That included the California state supplement, which is currently \$156.40 per month. The mean federal payment amount (excluding the state supplement) that B.E.S.T participants received for their first payment was \$623.97. Both the median and mode of that payment amount was \$674.00.

For B.E.S.T participants in current-pay status as disabled-worker DI beneficiaries in October 2013,¹⁷ the

average monthly payment amount was \$809.34. The DI benefits received were lower than the average of \$1,158.49 per month for disabled workers in California in 2012 (SSA 2013a, Table 16).¹⁸ Other family DI benefits associated with the SSNs of B.E.S.T participants included spouse benefits and child benefits. Spouses and children were not B.E.S.T participants, but received payments because of the B.E.S.T allowances. Three individuals received spousal benefits, in monthly amounts of \$118.00; \$1,000.00; and \$1,338.00. Thirty-four individuals received child benefits, and the median monthly benefit amount for children was \$174.50.

SSA assigns a representative payee for beneficiaries who are not capable of managing their SSI/DI benefits. Generally, a family member or friend of the beneficiary serves as the representative payee, but professional organizations can also serve as payees. Despite the high percentage of mental disabilities among allowed B.E.S.T applicants, only about 13 percent had representative payees, which is lower than expected.

For B.E.S.T participants, the average processing time for an initial decision was 45.5 days. For a medical determination, we calculated DDS processing time at the initial level as the time between the date the initial disability application was transmitted from the FO to the DDS and the decision date, not including reconsiderations at the DDS for participants who were appealing.¹⁹ Using that measure, the average initial processing time for all disability claims nationally from December 2009 through December 2012 was 90 days (refer to the chart below).

Table 3.
Final decision for B.E.S.T cases, by the last step of the disability determination process, December 2009–December 2012 (in percent)

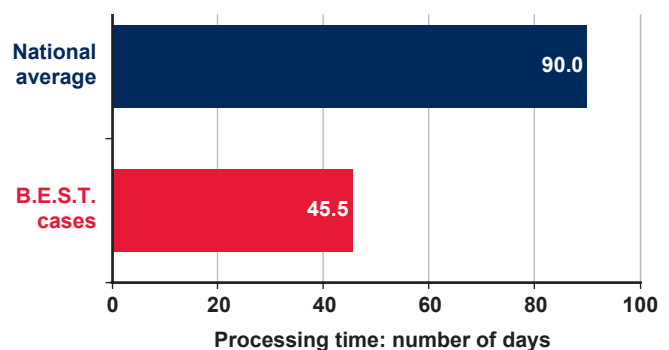
Disability determination step ^a	Allowance	Denial	Total
2	...	1.7	1.7
3	65.6	...	65.6
4	...	1.5	1.5
5	24.4	5.6	30.0
Other ^b	...	1.2	1.2
Total	90.0	10.0	100.0

SOURCE: SSA administrative records.

NOTES: B.E.S.T = Benefits Entitlement Services Team; SSA = Social Security Administration; ... = not applicable.

- a. Omits step 1 (financial eligibility).
- b. Includes insufficient evidence, failure to submit to a consultative examination, and drug abuse or alcoholism that was material to the determination of disability.

Chart.
Average initial processing time for all disability claims nationally, December 2009–December 2012



SOURCE: SSA administrative records.

NOTES: B.E.S.T = Benefits Entitlement Services Team; SSA = Social Security Administration.

Research Question 2: What Combination of Internal and External Methods Supported the B.E.S.T Application Process?

In examining the B.E.S.T cases, we found three practices that occurred at a high rate and correlated with the improved outcomes for B.E.S.T participants. First, B.E.S.T applicants’ electronic disability folders were more likely to have one or more flags for expedited handling. Second, B.E.S.T applicants were very likely to have an authorized representative. Finally, B.E.S.T applicants were very likely to provide medical evidence at the time of application. All three of those practices were promoted by the B.E.S.T process and facilitated collaboration across organizations.

All of the B.E.S.T disability folders had at least one electronic flag, and the majority of folders had more than one. There are multiple types of flags, many of which identify the case for priority handling, and flags are not mutually exclusive. Each folder can only have one flag of each type. It is quite likely that the involvement of B.E.S.T alerted SSA staff to those special situations so that the agency could trigger any applicable special-case handling procedures.

About 78 percent of the B.E.S.T disability folders had a flag to indicate homelessness, 90 percent had a flag to indicate a representative’s involvement, and 34 percent had a flag to indicate that special handling was required (Table 4). Three additional flags were

Table 4.
Percentage of B.E.S.T disability folders that received specific electronic flags, December 2009–December 2012

Type of flag	Percent
Homeless	78.1
Representative involvement	90.1
Special handling	34.2
Prototype	5.4
Dire need	1.9
Presumptive disability	0.5
Other ^a	7.2

SOURCE: SSA administrative records.

NOTES: Flags are not mutually exclusive.

B.E.S.T = Benefits Entitlement Services Team;
SSA = Social Security Administration.

- a. Flag categories with "Other" as the flag type: acquired immunodeficiency syndrome, class action/court, Congressional inquiry, critical, homicidal/potential violent, institutionalized prerelease, special Title II disability workload, subsequent claim, suicide threat, terminal illness, military casualty, and unknown.

common on B.E.S.T disability folders: Prototype,²⁰ dire need, and presumptive disability.²¹

In addition to the flagging procedures, the FOs identified B.E.S.T cases using special messages (for example, “B.E.S.T Project Claim”) and unit codes (for example, BEST) to help the DDS identify cases as part of the B.E.S.T Demonstration Project.

B.E.S.T provided authorized representative services to their clients free of charge. About 98 percent of applicants had an authorized representative on record at some point in the application process. SSI and/or DI applicants were able to choose to have an authorized representative act on their behalf. Those representatives were able to obtain information from SSA about the claim, give the agency evidence to support the claim, and represent the applicant at interviews and hearings. In interviews with FO and DDS employees, B.E.S.T’s role as authorized representatives was found to be a very helpful aspect of the demonstration project.

Consideration of objective medical evidence is a key component of the disability evaluation process. Typically, SSA requests evidence from the applicant’s own medical sources, which is called medical evidence of record (MER). The applicant or authorized representative can also provide medical evidence to SSA. When the evidence received is inadequate to determine disability, SSA will purchase a CE to obtain the necessary evidence.

According to SSA records, 85.5 percent of B.E.S.T claims had evidence supplied by the applicant or authorized representative. About 64 percent of all B.E.S.T applications had MER. Twenty percent had a CE report, compared with the national average of 48 percent for initial-level disability claims in 2010 (SSAB 2012). One possible explanation for the low rate of CEs is that only eight applicants neither supplied evidence nor provided MER.

About a third (34.4 percent) of the applications were decided based on the evidence supplied by the authorized representative or applicant (that is, there was no MER or CE). For those cases, SSA did not need to request any additional medical evidence. MER and CEs take time to obtain, so a reduction in the number of MER requests and CEs can result in a faster decision for the applicant. In addition, when supplied evidence negates the need for additional MER and CEs, it results in cost savings for SSA (that is, the fees paid to medical providers for evidence).

Table 5 shows the distributions of B.E.S.T applications across all possible combinations of types of medical evidence. B.E.S.T obtained medical evidence from other providers and had medical staff provide physical and mental health evaluations and documentation for the SSI/DI applications. The B.E.S.T process required submitting evidence along with the completed application forms to the FO, so those cases were more fully developed when the DDS received them than what would have been typical. The DDS did not have to spend as much time obtaining evidence for those cases, allowing for quicker decision making. The direct communication between B.E.S.T staff, SSA, and the DDS also decreased processing delays.

Research Question 3: What Characteristics of B.E.S.T Applications Increased the Likelihood of an Allowance?

Table 6 provides an overview of the application characteristics that were correlated with a higher likelihood of allowance. As discussed earlier, SSA staff adds electronic flags to the disability folder to identify special-case handling situations. For the B.E.S.T cases, the presence of more than one flag on an applicant’s disability folder increased the likelihood of an individual receiving an allowance. The allowance rate for cases with a single flag was 71.7 percent, while the rate for cases with more than one flag was 88 percent or higher.

As previously discussed, almost all of the B.E.S.T applicants appointed an authorized representative who remained in contact with SSA on their behalf.

Table 5. Percentage distribution of B.E.S.T applications across all combinations of types of medical evidence, December 2009–December 2012

Source of evidence	Evidence supplied		Medical evidence of record	
	Yes	No	Yes	No
Consultative examination				
Yes	16.4	3.6	18.0	2.0
No	69.1	10.9	45.6	34.4
Medical evidence of record				
Yes	49.8	13.8
No	35.7	0.7

SOURCE: SSA administrative records.

NOTES: B.E.S.T = Benefits Entitlement Services Team; SSA = Social Security Administration; ... = not applicable.

Applicants with an authorized representative had a much higher allowance rate than those without one.

As stated earlier, a very high percentage of B.E.S.T claims had evidence supplied by the claimant or an authorized representative. B.E.S.T claims with supplied evidence had a very high allowance rate (91.3 percent), which was about 10 percent higher than that for claims without supplied evidence. Conversely, the allowance rate for claims with MER was about 10 percent lower than that for claims without MER (86.5 percent and 96.1 percent, respectively). The allowance rate for claims with CEs was about 25 percent lower than that for claims without CEs (70.5 percent and 94.9 percent, respectively).

Individuals with an earnings history were more likely to be allowed for benefits than those with no earnings history (93.2 percent compared with 89.3 percent).

In addition to the characteristics shown in Table 6, we evaluated two additional characteristics—recent

Table 6. Number of applicants and allowance rates, by B.E.S.T application characteristics, December 2009–December 2012

Characteristic	Number of applicants	Allowance rate (%)
Number of flags on disability folder		
1	113	71.7
2	741	92.7
3	252	90.5
4	25	88.0
5	3	100.0
Authorized representative		
Yes	1,108	90.8
No	26	57.7
Medical evidence		
Supplied evidence		
Yes	970	91.3
No	164	82.3
Medical evidence on record		
Yes	721	86.5
No	413	96.1
Consultative examination		
Yes	227	70.5
No	907	94.9
Any earnings on record		
Yes	220	93.2
No	914	89.3

SOURCE: SSA administrative records.

NOTES: B.E.S.T = Benefits Entitlement Services Team; SSA = Social Security Administration.

earnings history and previous applications—for which we found no significant differences in allowance rates between applications with and without those characteristics. The allowance rate differential between persons with a recent earnings history (92.4 percent) and those without (89.7 percent) was not statistically significant.

B.E.S.T applicants with a previous application had a 91.0 percent allowance rate, while applicants without a previous application had an 89.2 percent allowance rate. However, these percentages are likely affected by the fact that SSA only has complete electronic data on initial cases beginning in 2006. That circumstance limited our ability to examine outcomes of any previous applications from B.E.S.T applicants. Although almost half of all B.E.S.T applicants had a previous application on record, we only had decision data on about half of those cases. Of the cases for which we had decision data, 32 percent of the original application's initial denials were due to either providing insufficient evidence (23.3 percent) or failure or refusal to submit to a CE (8.6 percent).

Conclusion

The goal of the B.E.S.T Demonstration Project was to address common barriers to receiving disability benefits for individuals experiencing homelessness, including the lack of medical evidence and difficulty navigating the disability application process. B.E.S.T staff addressed those barriers by serving as their clients' authorized representatives and providing medical evidence with completed applications. Over 1,000 individuals experiencing homelessness in LA County are now receiving benefits, which they may use for housing and other needs.

The project team successfully targeted the limited resources provided through its funding to identify individuals most likely to be eligible for benefits and to help them to access those benefits. B.E.S.T cases disproportionately met the listings, suggesting that many applicants had impairments that clearly met or exceeded the level of severity that defines disability in the Social Security Act. The vast majority of applicants had a mental impairment and no work history, and almost half of them had no high school diploma.

According to available data, a large portion of B.E.S.T applicants had applied for benefits previously and were denied because of either providing insufficient evidence or failing to submit to a CE. However, with the support provided by B.E.S.T, those individuals' claims were processed differently, resulting in

very different outcomes. The allowance rate was much higher than what would have been typical, and the DDS processed the cases in about half the usual time taken for processing disability cases. Most of the B.E.S.T allowances were for SSI only or concurrent awards for SSI and DI benefits.

In addition to contributing to increased access to disability benefits for applicants, the project reduced the number of SSA resources required to process applications. Many of the applicants had been unsuccessful with their previous applications, and without the assistance of B.E.S.T, they may have also been unsuccessful with their recent applications and could have applied repeatedly for benefits for which they were eligible. It is to both the claimant's and SSA's advantage to eliminate the need to process additional initial applications. B.E.S.T also provided medical evidence early in the claims process—which often eliminated SSA's need to pay for costly MER and CEs—and saved SSA and/or the claimant the time required to obtain that additional medical evidence.

The feedback we received from FO and DDS employees who were actively involved with B.E.S.T suggests that they found the demonstration project worthwhile and beneficial. The participating employees found B.E.S.T to be helpful and cited providing physical and mental health evaluations as “extremely helpful.” They also found B.E.S.T's efforts in completing forms, obtaining medical evidence from available non-B.E.S.T sources, and serving as authorized representatives to be helpful. SSA and DDS employees' overall impression of the B.E.S.T initiative was that it was effective—citing the completeness of submitted applications, the quick decisions made on the claims, and the high allowance rates.

Notes

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¹ Individuals were considered homeless if they met the Department of Housing and Urban Development's definition of homelessness, which includes residing in places not meant for human habitation, emergency shelters, or transitional housing for homeless persons.

² Under the federal definition, a chronically homeless individual has a disability and has experienced homelessness for at least a year, or has experienced at least four episodes of homelessness in the past 3 years.

³ SSA scheduled the electronic bulletin board for 3 days and extended it for an additional day, from February 26, 2013, through March 1, 2013.

⁴ Two of the DDS branches—LA North and LA West—are part of the Disability Redesign Prototype Model, which involves testing improvements to the disability determination process in 10 states. For initial determinations decided in those two DDS branch offices, an appeal for a hearing is the first step in the appeals process, and there is no reconsideration step.

⁵ LA County DHS medical facilities include three publicly funded acute care hospitals, a nationally recognized rehabilitation hospital, and a network of over 35 directly operated comprehensive health clinics and multiambulatory care centers.

⁶ We selected these dates based on data available when the research started.

⁷ SSA investigated the frequency of B.E.S.T decisions that involved a substance-use disorder. Among the B.E.S.T applicants, 17.5 percent had a substance-use disorder, but that was only material to the determination of disability for one applicant.

⁸ The MBR contains information about each DI claimant who has ever applied for benefits; it includes name, date of birth, date of filing, benefit amount and payment status, and information about the representative payee (if applicable).

⁹ The SSR contains information about each SSI claimant who has ever applied for payments; it provides a historical account of all activity on a particular record. The SSR includes name, date of birth, income and resources, data on eligibility, payment amounts, living arrangements, and information about the representative payee (if applicable).

¹⁰ These percentages are derived by dividing all medical allowances in a given year by all medical decisions in a given year.

¹¹ For some parts of LA County, an appeal for a hearing is the first step in the appeals process, and there is no reconsideration step.

¹² Applicants who are allowed later in the process at step 5 have impairments that, although severe, did not meet the criteria for disability purely on medical grounds.

¹³ The five-step sequential evaluation process is described in the *Federal Register* (20 CFR 404.1520 and 416.920).

¹⁴ For nonblind individuals, the monthly SGA amount for 2013 was \$1,040.

¹⁵ Step 1 determinations were not included because those decisions are made in FOs, and this evaluation focused on DDS and hearing-level decisions.

¹⁶ Less than five individuals were dually entitled beneficiaries, and several of them were not receiving payments, so the sample was too small to provide a representative average payment amount.

¹⁷ October 2013 is when SSA's Office of Research, Demonstration, and Employment Support consulted the MBR for payment data.

¹⁸ The average monthly benefit in California is higher than the national average of \$1,130.34.

¹⁹ Each fiscal year (FY), SSA publishes the average overall disability determination processing time in its *Performance and Accountability Report*. In that report, the processing time includes work performed by SSA at the FO and DDS levels; the combined average time frame was 111 days in FY2010, 109 days in FY2011, and 102 days in FY2012. See <http://www.socialsecurity.gov/finance/>.

²⁰ Under the Disability Redesign Prototype Model initiative, there is no reconsideration step of the administrative review process, and cases may be decided by disability examiners with single decision-maker authority, without sign off from a medical or psychological consultant.

²¹ SSI applicants may receive up to 6 months of SSI payments prior to the final determination of disability if the FO or DDS makes a presumptive disability determination.

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