

December 16 Board meeting at SSAB

Executive Session

Board meeting dates

The Board started the day in executive session and planned dates for upcoming Board meetings. The Board confirmed Board meeting dates for January 8 and February 23 with a half-day field trip on the morning of February 24. The Board tentatively agreed on March 23-25 for New York City. The Board agreed to have a board meeting on April 24. The only good date in May appeared to be on the first, but the Board agreed that would be too close to the April meeting. The Board discussed possibly skipping May since June 2-3 was open for everyone, but will revisit the subject in the future.

Jagadeesh plans

Jagadeesh announced that he has resigned Cato to join the Wharton School and is relocating to Philadelphia. His new schedule is working Monday through Thursday, so Friday is his new best day. Wharton knows he is on the Board and may accommodate. He will be managing a team of researchers so he may be busy.

The Disability Case Processing System (DCPS)

Next, the Board met with Terrie Gruber, chief program officer for the DCPS. The DCPS began in 2008 as a modernization project. There are 54 Disability Determination Service (DDS) offices throughout the United States and over the last 20-30 years, many have developed their own Case Processing Systems (CPSs). The two main goals of the DCPS are to 1) sustain the outdated system and 2) streamline the 54 CPSs into one system.

In 2012, Lockheed Martin won the contract to create the DCPS. The DCPS launched in beta testing in three states: Idaho, Missouri, and Illinois. To date, only 1,008 cases have been entered into the system, with 700+ cases completed. The system has received negative feedback about functionality and has had problems with cost overruns, leading the agency to bring in McKinsey and Co. to do a top-down assessment of the project and its administration. The project is now in a reboot phase.

After discussing the risks and recommendations issued by McKinsey and Co., Ms. Gruber indicated that SSA was moving to an “agile” methodology for implementing the project reboot, which will involve input from all stakeholders in the project throughout the development and launch process. SSA is also testing other software including Guidewire, which is being tested in Maine and Washington, and Midas, which is an internal project. Both are being tested in an attempt to expedite the launch of DCPS.

Disability Policy Panel (DPP) Meeting

Next, the Board heard from DPP member, Ken Nibali, about the DPP's final report and the five recommendations included.

1) Provide CDR funding that is adequate, predictable, and sustained

Board members suggested emphasizing that current CDR funding is inadequate with a graph showing historical funding levels, in order to better demonstrate the funding problems.

2) Retain the Medical Improvement Review Standard (MIRS) and strengthen its implementation

3) Strengthen other payment integrity tools

Mr. Nibali highlighted that other program integrity tools might be more efficient than CDRs in making sure the agency gets the disability decision "right the first time." These include cooperative disability investigations (CDI) units at OIG, as well as quality reviews of DDS decisions and pre-effectuation reviews at the appeals council level of adjudication. The DPP also recommended expanding CDI units into all 50 states (currently less than half have these units).

4) Strengthen links between CDRs and support for return-to-work

The DPP recommended improving return-to-work programs for those with certain CDR diaries indicating potential for medical improvement. There is currently about a 0.5% return-to-work rate among disability beneficiaries nationwide. The DPP recommended extending Ticket to Work (TTW) eligibility for one extra year for those who are ceased from the program as a result of a CDR.

5) CDRs for SSI children and youth

The final recommendation in the report focused on special considerations for SSI kids and youth, and how earlier recommendations could be adapted for this large subset of beneficiaries.

Board sponsorship of the report

The Board discussed next steps with Mr. Nibali and agreed that it is not necessary for the Board to officially endorse the report, as some members might not agree with certain points. However, the Board agreed the report should be shared broadly with the help of SSAB, focusing specifically on the Hill, the Commissioner, and disability advocates. While the Board will not endorse it, they will still communicate that they believe the report is an important public service that warrants attention at the agency and with policymakers on the Hill.

Discussion of Board's Retirement Paper

Next, Kathleen Romig introduced the Retirement Security project she has been working on for the Board. She explained that the report summarizes options to improve retirement income from three different sources: Social Security, pensions, and earnings. She emphasized that it is simply a list of options with no endorsement from the Board at this point. She reminded the Board that she is leaving this week so somebody would have to take her place.

Addressing solvency

The Board debated whether the report should address solvency with mixed opinions on whether it was necessary. Some felt more could be added about the status of retirement security in the United States.

Adding or removing options

The Board discussed whether any options should be added or removed. Some members felt there were too many options increasing benefits without offering difficult options for promoting solvency. Some felt politically infeasible options could be removed such as across-the-board benefit increases, while others felt it was ok because the report was meant to lay out the debate. The Board discussed adding more options emphasizing personal responsibility. While the report is meant to be a descriptive list of options, the Board agreed that it would not be able to come to a consensus about which options to recommend.

Menu of options

Kathleen said the Retirement Security report and Sooner Rather Than Later report are supposed to act as two menus. It is not expected that people will pick from only one of the menus. Some options that cut benefits are expected to pair with options to strengthen benefits. This is all part of the bigger discussion of Social Security and retirement security. Kathleen mentioned that there are also a lot of options that try to encourage working more and saving more. Not all of them increase benefits. The Board agreed that the introduction should be expanded to address retirement issues for different cohorts. Joel agreed to do this.

Retirement Panel

Andrew Biggs, Resident Scholar, American Enterprise Institute (AEI)

Mr. Biggs discussed three issues with the Board: 1) replacement rates; 2) how replacement rates relate to retirement security; and 3) potential gaps in retirement security.

Replacement rates

Mr. Biggs noted that the often-cited figure that Social Security replaces 40% of a typical worker's earnings is based on hypothetical workers constructed by SSA's actuaries. It does not reflect how most people think about retirement—namely, as a replacement of their most recent earnings, rather than their career-average earnings. It also doesn't address the question of how much is enough to have a secure retirement.

Mr. Biggs went over the history of the development of SSA's replacement rate calculations. He described the development of the actuaries' scaled earnings profile. This profile, while more realistic than the steady profiles formerly used, did not align with the replacement rates SSA used in the past. As a result, the actuaries developed a new method for calculating replacement rates which wage-indexes earnings to age 65 and calibrates the replacement rates to match the earlier ones. He suggested that replacement rates should come from SSA's Office of Retirement Policy, using their MINT model. He said this model is based on better data, has more analytical capability, and uses households as a unit, which makes more sense.

Replacement rates and retirement security

On retirement income adequacy, Mr. Biggs said he agrees with John Karl Scholz's estimate that about 25-30% of people are undersaving. He said that overestimating the retirement security problem could make people overlook true pockets of vulnerability.

Gaps in retirement security

Mr. Biggs said one gap in retirement security is those who never qualify for Social Security. He noted that in the bottom quintile of income, people are much less likely to receive Social Security. One example is single non-working women. He said the people with the lowest returns from the system are those who never qualify—not top earners.

Mr. Biggs identified these options:

1. Lowering or eliminating the 10-year vesting period for Social Security
2. Strengthening Social Security's minimum benefit. For example, providing a guaranteed poverty-level benefit to all, with an earned benefit for those with work histories—a “double-decker” approach commonly used in other Anglophone nations.
3. Reducing payroll taxes for older workers. He noted studies (including one from SSA) find that people near retirement are tax sensitive.

Jack VanDerhei, Research Director at the Employee Benefit Research Institute

Mr. VanDerhei presented his projections for retirement security using the Retirement Security Projection Model. This model analyzes birth cohorts from 1936-1965 with results broken out by gender and family status. The model can analyze retirement income adequacy under baseline assumptions as well as various policy scenarios.

According to this model:

- Between 72 and 79 percent of Boomer and Gen-Xers will have sufficient income for retirement unless there is long-term health cost, which decreases the percentage to 57-59 percent.
- Once you control for income levels, one of the major threats to retirement security pre-retirement is whether an employee works for an employer who offers a retirement plan. If every employer who did not offer a plan started offering one, this would have a huge impact and would boost retirement adequacy.
- In defined contribution plans, the problem with leakage is important. Behavior is not affected by whether or not enrollment is automatic or voluntary – meaning decisions on cash outs are the same whether the employee is auto enrolled in the defined contribution plan or is a volunteer.

Virginia Reno, Vice President for Income Security at the National Academy of Social Insurance (NASI)

Ms. Reno discussed the benefits of Social Security and emphasized that it is the main source of income for low and middle-income seniors.

NASI did a 3-part study using 2 focus groups in partnership with Greenwald & Associates. It surveyed American attitudes about Social Security and preference for future changes. It was an interactive exercise (trade-off analysis) to learn what Social Security changes people want and are willing to pay for. According to NASI's study:

- Nearly 7 out of 10 respondents say that, without Social Security, they'd have to make significant sacrifices or wouldn't be able to afford food, clothing or housing in retirement.
- Americans say they don't mind paying for Social Security because they value it for themselves (73%), their families (73%), and for the security and stability it provides to millions of Americans (81%).
- Across party lines, Americans don't mind paying taxes for Social Security (81% total, 72% Republican, 87% Democrat, 81% Independent).

Ms. Reno stated that people are receptive to changes in program. She stated that people do not see paying more in FICA taxes as a tax – they see it as buying a product.

Board Business

Forecasting

The Board members discussed whether the Board should engage in trust fund forecasting and the

majority felt that it should.

Presenting disability reform options to Congress

The Board discussed being ready to comment on multiple scenarios that could occur to address the disability trust fund: whether Congress acts and reallocates between the trust funds or if they engage in fundamental reform. The Board discussed the past practice of laying out what the options are rather than making concrete policy recommendations. The Board agreed that it should urge Congress to look at the options before legislating in haste and that a DI solvency report could be helpful to both sides. The Board agreed that to the extent it can, it should motivate Congress get something done. Board members discussed plans for laying out options and then determining how much the staff could take on.

Board trip

The Board discussed the March trip to New York City. Board members discussed places to visit and solicited suggestions.