The Ryan-Sununu Social Security Personal Savings Guarantee and Prosperity Act

This bill empowers workers with the freedom to choose a large personal account option for Social Security, with no change in the minimum guaranteed benefit *or* tax increases.

- From 2006-2015, the Ryan-Sununu legislation would allow workers to devote to tax-free personal accounts 5 percentage points of the current 12.4% Social Security payroll tax on the first $10,000 in wages and 2.5 percentage points on taxable wages above that. Starting in 2016, workers will then be able to shift 10 percentage points of the current 12.4% on the first $10,000 in wages and 5 percentage points on taxable wages above that. Once fully phased-in, this creates a progressive structure with an average account contribution among all workers of 6.4 percentage points.

- Workers age 55 and over would remain covered under the traditional Social Security system with no change in benefits.

- Initially, workers will be enrolled in a "life-cycle" fund that invests aggressively in a worker's early years and less aggressively in the later years. Workers may then choose from a list of index funds similar to those found in the federal Thrift Savings Plan (TSP).

- The accounts are backed up by a guaranteed minimum benefit equal to Social Security promises under current law.

- Survivors and disability benefits would continue as under the current system unchanged.

- Social Security and the reform's transition financing are placed in their own separate Social Security budget, apart from the rest of the Federal budget.

Financing the transition:

✓ The short-term Social Security surpluses now projected until 2017 are devoted to financing the transition – instead of fueling other government spending;

✓ A national spending limitation measure would limit the growth of Federal spending to 3.6% per year for eight years, with growth in subsequent years at 4.6%, consistent with current CBO projections. The savings coming from the difference from projected spending is maintained until all short-term debt issued to fund the transition is paid off in full;

✓ One of the basic assumptions of the Ryan-Sununu plan is that increased investment through personal accounts will result in increased tax revenues to the General Fund. The Ryan-Sununu plan recaptures a set portion of these projected revenue increases and dedicates them to the Social Security Trust Fund;

Key figures and dates from the Social Security Actuary's Analysis:

- Ryan-Sununu would create a permanently solvent Social Security system.
- Permanent and growing surpluses begin in 2038.
- 10-year transition cost is $1.108 trillion.
- Transition financing through revenue recapture equals $12 trillion (approximately $3.2 trillion present value).
- Transition financing through national spending limitation equals $7.3 trillion (approximately $2 trillion present value).
- Transition financing through bonds equals $739 billion in current dollars from 2006-2031.

Source: Office of the Chief Actuary of the Social Security Administration, preliminary score.

Ryan-Sununu original co-sponsors in the 109th Congress:

Representative Paul Ryan	Senator John Sununu
Representative Patrick McHenry	Senator Sam Brownback
Representative Jeb Hensarling	Senator Jim DeMint
Representative Gresham Barrett	

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