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RYAN INTRODUCES BILL TO SAVE SOCIAL SECURITY, GUARANTEE BENEFITS, PROMOTE PROSPERITY

Proposal Would Create Large Personal Account Option

WASHINGTON – U.S. Rep. Paul Ryan (R.-Wis.) today unveiled new legislation – H.R. 4851, the *Social Security Personal Savings Guarantee and Prosperity Act of 2004* – that he introduced this week to ensure that Social Security lives up to its promise for all Americans, now and in the future. The proposal would give all workers access to a more prosperous retirement, while maintaining a strong safety net, achieving full and permanent solvency for Social Security, and reducing debt and payroll taxes over the long term. Ryan was joined by House and Senate colleagues and a coalition of supporters from organizations working for greater retirement prosperity, a sound economy and government accountability to taxpayers.

"We have produced a bold new proposal to give every American worker the chance to own real wealth while also saving the Social Security safety net. This proposal means that every worker will own a piece of the U.S. economy – everyone will be a part of our free enterprise system," Ryan said.

"The retirement of the baby boom generation will put tremendous pressure on the Social Security system in the coming decades. If we stick to the status quo, down the road we will face the awful choice between cutting benefits, raising taxes, or boundless borrowing for the foreseeable future. This is unacceptable, and we have a responsibility to stop it from getting to that point," Ryan said.

"The key to fixing the system, without any benefit cuts or tax hikes, is giving workers the option to invest a significant part of their payroll taxes in tax-free personal accounts. These large accounts will give them a much better rate of return on their investment than Social Security does, while shielding them from excessive risk. This would give every worker the chance for ownership and control over their retirement savings, instead of the current system where the government owns and controls everyone's investment in Social Security," Ryan said. "Of course, people who want to stay with traditional Social Security can do so, and they will receive the benefits promised under current law."

Ryan's legislation would allow workers to devote to tax-free personal accounts 10 percentage points of the current 12.4% Social Security payroll tax on the first $10,000 of wages each year. On taxable wages above that, they can shift 5 percentage points of the 12.4% tax to their accounts. On average, workers would be dedicating 6.4 percentage points of the Social Security payroll tax to their accounts. The accounts will become part of each worker's estate and can be passed on to their children.

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The plan is completely voluntary, and workers who decide to stay in traditional Social Security rather than exercising the personal accounts option would receive the benefits promised to them under current law.

Those choosing to participate in personal accounts would have a selection of investment options and would be able to pick a fund managed by a major private investment firm, from a list officially approved for this purpose and regulated for safety and soundness – similar to the way the Thrift Savings Plan for federal employees works today. The federal government would back the personal accounts with a guarantee that workers receive at least as much as Social Security promises under current law, providing an added level of security for workers' retirement savings.

"Besides giving workers a better deal for their retirement, this is a blueprint for permanent solvency for Social Security, long-term debt reduction and payroll tax relief for all American workers. Our plan will also help control the growth rate of government spending and make sure the short-term Social Security surpluses are devoted to strengthening Social Security instead of other spending," Ryan said.

The Chief Actuary of Social Security has already scored this legislation as achieving permanent solvency for the program, without benefit reductions or tax increases. Under the Chief Actuary's score of the proposal, the following milestones would be reached:

- Social Security achieves permanent and growing surpluses by 2030.

- Social Security's $10.5 trillion unfunded liability – a huge federal debt nearly three times the size of the current federal debt held by the public – is eliminated.

- By 2019, workers amass $7 trillion in today's dollars in their accounts.

- The payroll tax is reduced to 4.2%, instead of increasing to over 20% as would be necessary to cover promised benefits under the status quo.

Ryan's legislation takes the following four steps to finance the plan to strengthen and improve Social Security:

- Puts an end to Washington's practice of using Social Security surpluses on unrelated spending by separating Social Security and the reform's transition financing from the rest of the federal budget. Instead of going to finance other projects, the short-term Social Security surpluses projected until 2018 will help finance the transition to a stronger Social Security system.

- Limits the growth rate of federal spending to an average of 3.6% for eight years, rather than the current 4.6% projection. This still permits a higher rate of growth in government spending than during the Clinton Administration, when spending grew at an average rate of 2.6%.

- Brings in greater revenue from corporate taxes, due to the new investment fueled by the personal accounts.

- To the extent needed, provides for the sale of surplus Social Security trust-fund bonds – in essence, paying Social Security back for the surpluses it has lent the federal government in the past for other government spending.

A more detailed summary of the legislation and its impact follows this release.

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