

107TH CONGRESS
2^D SESSION

H. R. 4780

To reject proposals to partially or completely substitute private saving accounts for the lifelong, guaranteed, inflation-protected insurance benefits provided through Social Security.

IN THE HOUSE OF REPRESENTATIVES

MAY 21, 2002

Mr. MATSUI (for himself, Mr. GEPHARDT, Ms. PELOSI, Mr. RANGEL, and Mrs. THURMAN) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To reject proposals to partially or completely substitute private saving accounts for the lifelong, guaranteed, inflation-protected insurance benefits provided through Social Security.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Rejection of Social Se-
5 curity Privatization Act of 2002.”

6 **SEC. 2. FINDINGS.**

7 The Congress finds the following:

1 (1) President Bush promised to partially pri-
2 vatize Social Security, and appointed a commission
3 to develop a plan on his behalf.

4 (2) The commission developed three alternative
5 plans that would partially privatize Social Security.

6 (3) The plans divert substantial monies from
7 the Social Security Trust Funds to pay for the pri-
8 vate accounts, which threatens benefits for current
9 beneficiaries by significantly weakening the financial
10 condition of the Trust Funds, in direct violation of
11 repeated assurances that current beneficiaries would
12 not be affected by privatization of Social Security.

13 (4) Plan 1 diverts Social Security revenues
14 from the Trust Funds to fund the private accounts,
15 which worsens the solvency of the Social Security
16 Trust Funds by 25 percent over the next 75 years,
17 demonstrating that privatization makes Social Secu-
18 rity's financing challenges more difficult rather than
19 less, and which would require across-the-board ben-
20 efit reductions of 20 percent over just the next 10
21 years in order to fill the gap created by the diver-
22 sion.

23 (5) Plans 2 and 3 also divert Social Security
24 revenues to private accounts, and in addition sub-
25 stantially reduce guaranteed Social Security benefits

1 for future retirees, as well as for disabled workers
2 and their families, and the survivors of deceased
3 workers.

4 (6) The plans' cuts in disability and survivor
5 benefits directly contradict the President's promise
6 that disability and survivor benefits would be pre-
7 served under privatization.

8 (7) Furthermore, these reductions in guaran-
9 teed benefits apply to all workers, regardless of
10 whether they chose to have an individual account or
11 not.

12 (8) On top of these reductions in the basic So-
13 cial Security benefit, all three of the President's pri-
14 vatization plans impose additional reductions in So-
15 cial Security benefits for those who chose to have an
16 account, so they would not receive both their full So-
17 cial Security benefit and the full proceeds from the
18 account, as many Americans have been led to believe
19 in the debate about privatization to date.

20 (9) Independent actuarial analysis by the Social
21 Security Chief Actuary shows the following:

22 (A) Plan 1 of the President's commission
23 drains \$1.2 trillion from the Trust Funds over
24 the next 10 years, a revenue loss equal to 20

1 percent of benefit payments over the same pe-
2 riod.

3 (B) Plan 2 reduces Social Security benefits
4 for future retirees by up to 46 percent, and
5 drains \$1.5 trillion from the Social Security
6 Trust Funds in the next 10 years.

7 (C) Plan 3 reduces benefits for future re-
8 tirees by up to 30 percent, it effectively raises
9 the retirement age, and it drains \$1.3 trillion
10 from the Social Security Trust Funds in the
11 next 10 years.

12 (10) Substituting private accounts for guaran-
13 teed Social Security benefits increases financial risk
14 for retirees, disabled workers and their families; re-
15 duces Social Security protections for women, low-in-
16 come workers, and many members of minority
17 groups; and erodes benefits for the dependent chil-
18 dren of workers who retire, become disabled, or die.

19 (11) The President's plans have demonstrated
20 beyond a doubt the difficult tradeoffs inherent in
21 privatization: cuts in guaranteed benefits; new finan-
22 cial risks for workers and their families; damage to
23 the Social Security Trust Funds; and the need for
24 massive subsidies from general revenues to cover the
25 cost of the transition to private accounts.

1 (12) Moreover, other proposals to privatize So-
2 cial Security, such as the “Social Security Guarantee
3 Plus” plan or the “Social Security Ownership and
4 Guarantee” plan, establish private accounts that di-
5 rectly or indirectly reduce Social Security benefits
6 through clawbacks or benefit offsets, thus placing on
7 workers the responsibility to individually assure their
8 own retirement income, which is the very essence
9 and purpose of “privatization”.

10 (13) Such privatization plans are not fiscally
11 sustainable, in that they require massive resources
12 to finance the accounts, accompanied by new Fed-
13 eral borrowing on an unprecedented scale. According
14 to independent actuarial analysis—

15 (A) the Social Security Guarantee Plus
16 plan would require \$3.6 trillion in new Federal
17 subsidies over the next 40 years, which would
18 equal \$8 trillion if the funds were borrowed,
19 and

20 (B) the Social Security Ownership and
21 Guarantee plan would require new Federal sub-
22 sidies whose accumulated value would reach
23 \$20.4 trillion over the next 75 years, plus bor-
24 rowing of \$21.3 trillion over the same period.

1 Thus, their adoption would lead to deep cutbacks in
2 guaranteed benefits for current and future retirees,
3 disabled workers and their families, and the sur-
4 vivors of deceased workers.

5 (14) Therefore, these forms of privatization also
6 do damage to the Social Security Trust Funds and
7 undermine Social Security’s ability to pay lifelong,
8 guaranteed, inflation-protected benefits.

9 **SEC. 3. REJECTION OF PRIVATIZATION.**

10 The Congress hereby commits—

11 (1) to preserve the guaranteed, lifelong, infla-
12 tion-protected benefits provided under title II of the
13 Social Security Act to retirees, disabled workers and
14 their families, and the survivors of deceased workers;
15 and

16 (2) therefore to reject—

17 (A) the President’s plans to partially pri-
18 vate Social Security, which would reduce the
19 retirement security of current and future bene-
20 ficiaries, and which would reduce guaranteed
21 Social Security benefits for retirees, disabled
22 workers, and survivors;

23 (B) other proposals to privatize Social Se-
24 curity by establishing private accounts that
25 would undermine traditional Social Security

1 benefits, such as the “Social Security Guar-
2 antee Plus” plan or the “Social Security Own-
3 ership and Guarantee” plan; and

4 (C) any and all proposals that would
5 threaten the ability of the Social Security Trust
6 Funds to sustain the lifelong, guaranteed, infla-
7 tion-protected benefits provided under the So-
8 cial Security Act today by establishing private
9 accounts that divert resources from the Trust
10 Funds, require fiscally unsustainable subsidies,
11 or are integrated with Social Security benefits
12 or financing.

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