

Thinking About Privatization: An Update

Since May 17 2005, the House Ways and Means Social Security Subcommittee has held eight hearings, generally on a two per week schedule, on “Protecting and Strengthening Social Security.” During the week of June 20, 2005, four majority Members of the Subcommittee - Chairman Jim McCrery (R-LA), former Chairman Clay Shaw (R-FL), Rep. Sam Johnson (R-TX), and Rep. Paul Ryan (R-WI) - came forward with a proposal to use the current Social Security trust fund surplus to create private accounts. While endorsing the proposal, Ways and Means Chairman Bill Thomas (R-CA) is working on his own comprehensive proposal that will deal with a wide range of retirement issues.

The Ways and Means web site, <http://waysandmeans.house.gov>, has more information about the Subcommittee hearings, including written statements from invited witnesses and hearing advisories. The Government Accountability Office (GAO) is often asked to testify. Written statements by the GAO from two recent hearings may be of particular interest:

- *Social Security Reform: Preliminary Lessons from Other Countries' Experiences*, GAO-05-810T (June 16, 2005). The GAO is working on a study regarding other countries' experience with national pension reform and this testimony presents the GAO's preliminary findings. In looking at adjustments to existing pension programs, creation of reserve funds to partially pre-fund pension programs, and creation of individual accounts, the GAO concluded that “reforms in one country are not easily replicated in another, or if they are, may not lead to the same outcome.”

- *Social Security Reform: Considerations for Individual Account Design*, GAO-05-847T (June 23, 2005). This testimony was presented at a hearing that focused on options for the administration of individual accounts. The GAO's testimony emphasizes that individual accounts, if under consideration, must be viewed in the program in its entirety, rather than as only one aspect. For individual accounts, key design issues must include all phases of a “retirement savings vehicle”: contribution phase; accumulation phase; and distribution phase. Also, features that provide more flexibility and choice, such as voluntary participation and expanding investment options, may increase system costs. The GAO points out that “greater progressivity” is not the same thing as “greater adequacy” and may result in less equity. “As a result, any evaluation of a Social Security reform proposal that includes individual accounts should consider not only the overall costs to the system but also, very importantly, the impact on individuals and families.”

PowerPoint presentation now available. In April, the Consortium for Citizens with Disabilities (CCD) Social Security Task Force created a set of seven Fact Sheets to educate people about the impact of possible Social Security program changes on people with disabilities. Each Fact Sheet is two pages. CCD encourages its member organizations (which includes NOSSCR) and others to share the Fact Sheets with their own members, elected officials and the press. Although the Fact Sheets were created as a set, people may use them separately to discuss an area of special concern. In addition, a new “Overview” Fact Sheet has been added.

A PowerPoint presentation is now available for download. It follows the Fact Sheets and includes Notes pages. The presentation can be used in its entirety or only certain slides can be used and adapted to discuss specific topics.

The Fact Sheets and presentation can be accessed at www.c-c-d.org, under “What’s New at CCD?” or on the CCD Social Security Task Force web site, www.c-c-d.org/tf-socialsec.htm. The “Thinking About Privatization” link on the NOSSCR web site, www.nosscr.org, also connects to the CCD Fact Sheets. The Fact Sheets and PowerPoint presentation will be updated and supplemented, as needed, so check the web site if you are planning to use the information.