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The Ryan-Sununu Social Security Personal Savings Guarantee and Prosperity Act (H.R. 1776, S. 857)

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.
- Workers choosing to participate in personal accounts will be enrolled in a "life-cycle" fund that automatically adjusts the worker's portfolio based on his or her age - moving near-retirees into safe, government-backed bond funds. Workers may stay with this "life-cycle" fund or choose from a list of five 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 grow federal spending at a slower rate, reducing the growth of federal spending by one percentage point a year for eight years. The savings would go to Social Security;
- ✓ 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;

Social Security Chief Actuary's Analysis:

- Permanent and growing surpluses begin in 2038.
- Permanent solvency achieved in 2051.

- The reform would also greatly increase and broaden the ownership of wealth and capital through the accounts. All workers could participate in our nation's economy as both capitalists and laborers. **Under the Chief Actuary's score, workers would accumulate over \$7 trillion in their accounts by 2024. Wealth ownership throughout the nation would become much more equal, and the concentration of wealth would be greatly reduced.**
- The official score shows that by the end of the 75-year projection period, instead of increasing the payroll tax to over 20% as would be needed to pay promised benefits under the current system, the tax would be reduced to 5.18%, enough to pay for all of the continuing disability and survivors' benefits. **This would be the largest tax cut in U.S. history. The bill includes a payroll tax cut trigger providing for this eventual tax reduction once all transition financing and debt obligations have been paid off.**
- The reform also achieves **the largest reduction in government debt in U.S. history**, by eliminating the \$12 trillion unfunded liability of Social Security, which is almost three times the current reported national debt.