

# Thinking About Privatization: An Update

February 2005

- **New Reports**

The National Academy of Social Insurance (NASI) has published a report by a nonpartisan expert panel, which urges lawmakers to pay careful attention to how and when money from individual accounts would be paid out to retirees, their spouses, and survivors if private accounts become a new part of the Social Security system or are created outside Social Security. Co-chairs of the panel are Kenneth S. Apfel, Commissioner of Social Security in the Clinton Administration and now a professor at the LBJ School of Public Affairs at the University of Texas in Austin, and Michael J. Graetz, a top Treasury official in the George H.W. Bush administration and now a law professor at Yale Law School.

The report, *Uncharted Waters: Paying Benefits From Individual Accounts in Federal Retirement Policy*, does not endorse or oppose the concept of private accounts within the Social Security system because panel members have different personal views on this question. The report includes sections on “Disabled Workers and their Families” and “Disabled Adult Children – A Profile.” It can be obtained at no cost as a PDF document at [www.nasi.org](http://www.nasi.org) or can be ordered in hard copy from the NASI web site for \$29.95.

The Economic Policy Institute (EPI) has developed a chart that shows the states with the greatest share of Social Security disability benefits and survivors benefits. The state rankings chart is available at:

[http://www.epinet.org/newsroom/releases/2005/socsecfactsheets/!ss\\_state\\_rankings.pdf](http://www.epinet.org/newsroom/releases/2005/socsecfactsheets/!ss_state_rankings.pdf).

Individual state data sheets are available at:

<http://www.epinet.org/newsroom/releases/2005/socsecfactsheets>.

The Center on Budget and Policy Priorities has published a report that shows how older individuals have been lifted out of poverty by Social Security. The report includes state-by-state data. For more information, see: <http://www.cbpp.org/2-24-05socsec-pr.htm>.

- **Senate Finance Committee Hearing**

The Senate Finance Committee, which would be the key Senate committee to consider changes to Social Security, held a hearing on “The Long Term Outlook for Social Security. The February 2, 2005, hearing had only two witnesses: Stephen C. Goss, SSA Chief Actuary, and Douglas Holtz-Eakin, Director, Congressional Budget Office (CBO). The witnesses’ written statements are available online at: <http://www.senate.gov/~finance/sitepages/hearings.htm>. The web site also includes a link to view the hearing on the Internet.

Mr. Goss’s testimony summarized the actuarial status of Social Security in the 2004 Trustees Report. The Trustees have projected that in 2018, the cost of the program will exceed tax income and the trust funds’ assets will begin to be used in order to continue payment of full benefits. The trust funds’ assets will be exhausted in 2042. At that time, tax revenue would provide payment of 73 percent of scheduled benefits. The CBO has projected exhaustion of the trust funds’ assets a decade later in 2052, with a benefit cut of 20 to 30 percent at that time to match available revenue.

- **Senate Aging Committee hearing**

On February 3, 2005, the Senate Special Committee on Aging held a hearing, “Social Security: Do We Have to Act Now?” The Senate Aging Committee has no jurisdiction over original legislation but it does study a variety of issues affecting older individuals, including Social Security. The Aging Committee’s hearing featured testimony by the Comptroller General of the United States, David M. Walker, who is the head of the Government Accountability Office (GAO). All testimony is available on the Committee’s website: <http://aging.senate.gov>. The GAO testimony also may be obtained at [www.gao.gov](http://www.gao.gov). In his conclusions, Mr. Walker noted: “Social Security does not face an immediate crisis but it does face a large and growing financial problem.” He placed Social Security reform within the context of the need to address the long-range health care financing problem of Medicare, Medicaid and the overall health care system, which he described as a “much broader challenge.” “[C]ompared to addressing our long-range health care financing problem, reforming Social Security should be easy lifting.”

- **Senator Harkin Floor Statement on the Social Security Disability Program**

Sen. Tom Harkin (D-IA), a longtime advocate on behalf of people with disabilities, gave an eloquent Senate Floor statement on January 31, 2005. After describing his own family’s reliance on Social Security benefits when he was a boy, he focused his remarks on the impact of private accounts on people with disabilities. His statement is available in the Congressional Record for January 31, 2005, page S264. The Congressional Record can be obtained online at: <http://thomas.loc.gov>.