



Social Security Choice

SOCIAL SECURITY THIS WEEK

A WEEKLY NEWSLETTER ON SOCIAL SECURITY REFORM

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Social Security Reform Delayed by Hurricane Relief and Other Issues

Social Security reform may be facing even more of an uphill battle than was expected as Congress takes up a number of other issues at the start of the session. Congressional priorities changed dramatically over the August recess, due in large part to the destruction caused by Hurricane Katrina, the existence of Supreme Court vacancies, the urgency of a spending cut package, and the soaring energy prices that faced lawmakers upon their return to Washington.

However, several key lawmakers have not judged Social Security reform down for the count for the year. According to the [Washington Times](#), “Last week, House Majority Leader Tom DeLay (R-TX) said he still hopes to move a retirement-security bill this fall that includes voluntary personal accounts.”

According to [CQ Today](#), some see the possibility that a House-passed bill could be delivered directly to the Senate floor for debate, bypassing the committee process. The possibility has most insiders agreeing that the prospects for reform this year are entirely dependent on passage in the House first. Sen. Orrin G. Hatch said that there is a group of senators dedicated to moving on the issue this year. “It’s going to be tough, but I think there’s a chance,” he said.

Derrick Max, director of the Alliance for Worker Retirement Security, [told USA Today](#), “Our members, like Congress and the American people, are rightly preoccupied with doing their part to assist in hurricane relief, recover and rebuilding, (and) I think the timing of much of the congressional agenda may have to be put on hold for a time. But as soon as Congress returns to its other legislative priorities, we would expect work to continue on Social Security reform.”

Jack Kemp: GROW Accounts Need White House Endorsement

Writing last week [on TownHall.com](#), Jack Kemp argued that if incremental Social Security reform through measures such as GROW accounts is going to succeed, it will need endorsement from the Bush administration.

He writes: "The reason it is so important for Bush to signal his support for the GROW Accounts bill is that some House members remain determined to attempt a more comprehensive bill, which may backfire. If GROW Accounts are combined with other provisions, even good tax provisions such as an expansion of 401(k) accounts - and certainly if cuts to promised future benefits are included - it could bring the bill down of its own weight.

"There is no way a significant number of House members will vote to cut Social Security benefits 12 months before the next election, and their leaders would be foolish to ask them to do so. Republican leaders did something similar in 1985, and it cost the Republicans control of the Senate the next year. Therefore, the only hope of starting personal retirement accounts this year is to pass a clean GROW Accounts bill, unadorned by any other so-called "solvency measures."

"Senate Majority Leader Bill Frist, with the concurrence of Finance Committee Chairman Charles Grassley, has committed to bringing a clean GROW Accounts bill directly to the Senate floor without first sending it through the Finance Committee, from which nothing good can possibly emerge. If the House sends the Senate a complicated bill with provisions other than the GROW Accounts, the majority leader may find it impossible to avoid referring the bill to the Finance Committee."

Financial Planners Want PRAs for their Clients

According to a recently conducted survey by the Financial Planning Association, financial planners overwhelmingly support Social Security reform. Being in contact with clients concerned about their retirement planning every day, 92.6 percent of FPA members see an urgent need to deal with Social Security's upcoming solvency crisis.

Association president James A. Barnash was quoted in a [Westchester County Business Journal](#) article as saying, "While the financial planning process often involves preparing for unanticipated financial risks, decisive action by Congress this year or next would go a long way in addressing the concerns of anyone planning for the future."

According to the article, the survey conveys a significant sensitivity of FPA's clients to Social Security's problems; over 95 percent of financial planners surveyed believe that their clients are concerned about how the ailing program's future will affect their retirement goals.

Although financial planners are divided regarding solutions to Social Security's looming insolvency, some 33 percent support either full or partial privatization, by far the most frequent solution cited. Fifty-eight percent added that a hike in the retirement age should accompany whichever solution was adopted. An astounding 75 percent believe benefits should be indexed to price growth rather than wage growth. Barnash noted that "This change alone...would go a long way toward restoring the system to fiscal solvency by maintaining a clear balance between benefits and real spending power."

The leadership of the FPA is optimistic that the survey data will help them "identify critical parts of Social Security reform that the group may be able to support or oppose if a major proposal draws significant traction in Congress."

As a first step, FPA will encourage chapters to help drive public debate.

Personal Accounts in Chile Continue to Boom

The Superintendent of the AFP System in Chile (the equivalent of PRAs) announced recently that rates of return remain high for the 7 million workers who have opted in to the personal accounts system. Over the last 36 months, the five available investment funds have averaged a real rate of return of 30.8 percent. However, only 10 percent of the participants are invested in the lowest performing option (which at 12.7 percent is still enjoying rapid growth)—overall, 90 percent of participants in the AFP system have seen returns between 27 and 55 percent over the last three years.

Upcoming Events

The Center for American Progress will host a discussion on the future of pension reform in the UK and the lessons we can learn from the UK's experience. The discussion will feature David Blunkett, MP, the Secretary of State for Work and Pensions. The event will take place Tuesday, September 13 from 3:30 – 4:30 pm. [Click here](#) for more information.

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