

**CONGRESS OF THE UNITED STATES
HOUSE OF REPRESENTATIVES**

April 4, 2005

Dear Colleague,

**THE SOCIAL SECURITY “TRUST FUND”
(actual photo)**



NOTHING BUT A FILE CABINET FULL OF IOUs

Unlike private-sector trust funds that are invested in real assets, the Social Security Trust Fund is just an accounting mechanism that represents how much the Federal Government has borrowed from surplus Social Security revenues. Congress has been spending Social Security surpluses for 60 years. We must change the system to prevent this from continuing. The only way to set aside money for future benefits is to put it in individual accounts. We must begin to set aside real cash, in real accounts, with real property rights.

Representative Jeff Flake and I have introduced a bill, HR 530, to do just that. See reverse side for details. If you would like to cosponsor or have any additional questions please call Spencer Ritchie with Rep. Sam Johnson at 54201 or Shawn Geddes with Rep. Jeff Flake at 52635.

Sincerely,

SAM JOHNSON
Member of Congress

Individual Social Security Investment Program Act of 2005, ISSIPA H.R. 530

April 2005

- Benefits remain unchanged for retirees and near retirees over the age of 55. Voluntary personal accounts are optional for those ages 21-54. Those under age 21 are only in personal accounts.
- Individuals deposit their entire 6.2% of salary into their own account while the employer's 6.2% of salary is paid into the current system for transition financing and to fund the disability and survivors programs.
- Individuals' investment options are diversified bond/stock funds like those offered in the federal employee Thrift Savings Plan (TSP). After accumulating \$10,000 in an account, a wider range of investment options is available through qualified private fund managers.
- A tradable "recognition bond" is issued for past Social Security contributions. If traded prior to retirement, proceeds must be deposited in the account to grow. Bonds are redeemable from the U.S. Treasury on the worker's 67th birthday.
- The Federal government will guarantee an annuity benefit worth 100% of poverty.
- After purchase of annuity worth 100% of poverty, (self-insuring against the government's risk) the worker's annual 6.2% contributions could be rebated as cash, making further participation voluntary.
- Those who remain in traditional Social Security would have future benefits grow at the rate of inflation, starting in 2013.
- The bill has been scored by the Social Security Actuary. The cost of doing nothing to the current system is \$10.4 trillion (in today's dollars) while the cost of this bill is \$6.8 trillion. This plan costs less than any other proposal and puts Social Security permanently on sound financial footing starting in 2046.