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HEADLINE: Studies paint dim budget picture for future of Social Security under private accounts system

BYLINE: By LEIGH STROPE, Associated Press Writer

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BODY:

Baby boomers retiring in the next two decades could face cuts in Social Security benefits under various plans to allow younger workers to invest some of their payroll taxes in the stock market, a congressional study finds.

People retiring in 2020 could see benefit cuts ranging from 4.7 percent to 10.8 percent if workers are allowed to put a portion of their payroll taxes in personal accounts. The amounts would depend on the rate of return and various changes to Social Security, such as an increase in the retirement age to 70, said the study by the Congressional Research Service, an arm of the Library of Congress. Letting workers invest some of their payroll taxes in private accounts, which President Bush supports, would worsen the financial future of Social Security, not strengthen it, the study said. Various plans considered in the report would require benefit reductions, tax increases or new sources of income to restore Social Security to sound financial footing.

A commission Bush appointed to develop a plan for private accounts meets Wednesday to examine various pension plans, including a federal thrift savings plan, and how they would be administered.

Before the 1 p.m. public meeting, the 16-member commission will gather privately, in two subgroups, to discuss fiscal and administrative matters relating to personal accounts.

By splitting in two, the commission exempts itself from federal law that requires open meetings. Open-government advocates have questioned the commission's effort at secrecy and say the move violates the intent of the law.

A separate study released Tuesday by the Center on Budget and Policy Priorities says Bush's tax cut leaves a "daunting challenge" to the commission: how to pay for private accounts.

Bush's \$1.35 trillion, 10-year tax cut has consumed most of the government's projected surpluses, and creating personal accounts from existing Social Security revenue would deepen the long-term deficit or require big cuts in benefits, the report said.

"Policy-makers might be tempted to sidestep these unappealing choices by using budget gimmicks," the study said.

Such accounting maneuvers included crediting the same funds from the annual Social Security surpluses to the trust fund and to private accounts or making loans from the rest of the budget to **Social Security trust fund** in which payments are delayed on the books.

The large baby boom generation will start putting a strain on Social Security in the coming decade as members start retiring and fewer workers pay into the system. By 2016, the system will start paying out more in benefits than it receives in taxes. The trust fund is estimated to be depleted by 2038.

The White House commission is to recommend to Bush this fall how to set up private accounts and how to pay for them, while strengthening the system's financial future.

On the Net: President Bush's Commission to Strengthen Social Security: <http://www.csss.gov>

Congressional Research Service: <http://www.house.gov/rules/crs-reports.htm>

Center on Budget and Policy Priorities: <http://www.cbpp.org/>

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