

**RESOLUTION ON SOCIAL SECURITY**

2001 GENERAL SESSION

STATE OF UTAH

**Sponsor: James A. Ferrin**

**This joint resolution of the Legislature urges Congress to enact legislation which enhances and modernizes Social Security, allowing workers, in addition to the existing public option, a private option to direct their Social Security tax contributions to individually owned separate accounts.**

*Be it resolved by the Legislature of the state of Utah:*

WHEREAS, Social Security is a federal program that requires almost unanimous participation by employed workers in the state of Utah and throughout the United States;

WHEREAS, the retirement portion of the Social Security tax is high, having risen from an initial rate of 1% of the first \$3,000 of a worker's income, up to a maximum of \$30 per year, to the present rate of 12.4% of the first \$80,400 of employee wages or self-employment income up to a maximum of \$830.80 per month or \$9,969.60 per year;

WHEREAS, the maximum Social Security retirement tax, paid by almost 11 million workers, has risen 5.51% in 2001 over the year 2000, and is now 57% higher than in 1990;

WHEREAS, because neither the employee's direct tax contribution to Social Security nor the employer's contribution on the employee's behalf appears on the employee's federal tax return, few employees understand the amount of Social Security retirement tax they actually pay each month;

WHEREAS, individuals can estimate their own Social Security tax cost by estimating 1% of annual compensation paid each month -- for example, an annual income of \$30,000 would yield an estimated monthly Social Security retirement tax cost of \$300 per month;

WHEREAS, the Social Security retirement tax consumes nearly every dollar that many workers of modest income might otherwise be able to save and invest;

WHEREAS, because higher income workers are better able to save and invest over and



28 above the amounts paid in Social Security taxes, escaping Social Security dependence, but modest  
29 income workers cannot, the system creates disproportionate dependence on the system by low and  
30 middle-income workers;

31 WHEREAS, for many lower income American workers, the Social Security retirement tax  
32 represents virtually all of the monthly retirement savings they assemble;

33 WHEREAS, with the individual retirement benefit currently ranging from a low of just a  
34 few dollars per month to a high of approximately \$1,400 per month, and the average monthly  
35 retirement benefit currently at about \$845 per month, Social Security retirement benefits amount  
36 to a below poverty level subsistence for many retirees;

37 WHEREAS, although Social Security was originally intended to merely supplement other  
38 core retirement income sources, the high tax rate prohibits many workers from ever adequately  
39 saving and investing, and as a consequence, Social Security has become the core retirement income  
40 source for many Americans;

41 WHEREAS, national demographics have shifted significantly since the system was created  
42 as a part of President Roosevelt's New Deal policies;

43 WHEREAS, in 1945, 41.9 workers supported each retiree, and today just 3.3 workers  
44 support each retiree;

45 WHEREAS, the ratio is expected to dwindle to 2 workers per retiree within the next 30  
46 years, making the current system unsustainable;

47 WHEREAS, tax receipts currently exceed benefit payments, yet, Social Security Trustees  
48 estimate that benefit payments will exceed tax receipts, producing annual deficits, beginning in  
49 approximately 15 years, or the year 2015;

50 WHEREAS, the Social Security Trustees estimate the cumulative annual deficits for years  
51 2015 through 2075 to reach \$21.6 trillion;

52 WHEREAS, it is unethical to perpetuate a system that accrues benefits for a current  
53 generation of retirees at the expense of younger workers who will likely never collect benefits but  
54 will inherit the mounting debt;

55 WHEREAS, the current system is unfair to future retirees because after a lifetime of paying  
56 into the system, a worker retains no legal right nor claim to any amount or benefit, but is subject  
57 to future congresses who will set the benefit rates;

58 WHEREAS, the current system is unfair to those who die prematurely because it is possible

59 to pay for a lifetime into the system yet draw only minimal benefit or even no benefit prior to death  
60 and leave no residual value to any heir;

61 WHEREAS, the current system is unfair to widows ~~§ [-because they may not claim all of~~  
61a ~~their~~  
62 ~~deceased husband's benefit, but only half of it, and only after attaining qualification age~~  
63 ~~themselves;]~~ **AND WIDOWERS BECAUSE THEY MUST FOREGO EITHER THEIR OWN BENEFIT OR**  
63a **THEIR DECEASED SPOUSE'S BENEFIT ("WIDOW(ER)" BENEFIT), AND MAY CLAIM THE WIDOW(ER)**  
63b **BENEFIT ONLY AFTER ATTAINING QUALIFICATION AGE THEMSELVES REGARDLESS OF THE AGE**  
63c **OF THE DECEASED SPOUSE; §**

64 WHEREAS, the current system is unfair to women who leave employment to raise families  
65 because many women in Utah and throughout the United States work and pay retirement taxes into  
66 the system for many years but never complete the required 10 years or 40 quarters, before leaving  
67 employment, making them ineligible for retirement benefits;

68 WHEREAS, the system is unfair to some ethnic minorities, including African-Americans,  
69 whose life expectancies are shorter and will typically collect benefits for a shorter time period;

70 WHEREAS, retirement security is best achieved by regularly saving and investing one's  
71 own money over a lifetime of work, and public policy regarding Social Security should support,  
72 facilitate, and encourage saving rather than discourage or deter it;

73 WHEREAS, the objective of Social Security privatization is for individual workers to have  
74 legal ownership in a retirement asset that can be used and ultimately passed on to heirs;

75 WHEREAS, even with modest return assumptions, the private, individually owned account  
76 can be expected to produce a significantly enhanced retirement income;

77 WHEREAS, private, individually owned accounts accrue value and future benefits to the  
78 workers regardless of future congressional actions;

79 WHEREAS, private, individually owned accounts grow on behalf of the worker whether  
80 or not the worker completes 40 quarters of contributions;

81 WHEREAS, private, individually owned accounts can be passed on by inheritance to  
82 spouses, children, or grandchildren, affording an opportunity for long-term inter-generational  
83 wealth accumulation;

84 WHEREAS, a national system of private, individual accounts can be perpetuated without  
85 end and without concern for projected dates of insolvency;

86 WHEREAS, private, individual accounts afford workers the opportunity to select from  
87 among multiple investment options, including government bonds or prudent, diversified  
88 investment models like those used by large pension or endowment funds;

89 WHEREAS, workers around the world are embracing privatized systems as a workable

90 solution to an overburdened government Social Security program;

91 WHEREAS, the successful pioneer Chilean model was commenced 20 years ago with at  
92 least seven other Latin American countries following suit;

93 WHEREAS, Great Britain, Australia, and Singapore have also adopted private options,  
94 similar reforms are underway in Russia, Hungary, Poland, and Kazakhstan, and the People's  
95 Republic of China have embraced a private option with workers contributing one-half of their  
96 retirement funds into an individual account system since 1996;

97 WHEREAS, some U. S. workers have enjoyed a private account system as certain  
98 municipalities, including Galveston, Texas were allowed to opt out of Social Security in favor of  
99 a privatized system prior to 1981; and

100 WHEREAS, since many Americans are unable to save and invest for retirement beyond  
101 the 12.4% payroll tax, a privatized Social Security option may be the only hope for many lower  
102 income or economically disadvantaged Americans to achieve financial empowerment and  
103 retirement security:

104 NOW, THEREFORE, BE IT RESOLVED that the Legislature of the state of Utah urge the  
105 United States Congress to enact legislation to allow individual workers to choose to remain in the  
106 current system or to select a private account option.

107 BE IT FURTHER RESOLVED that the Legislature urge that the legislation not disrupt the  
108 benefits paid to existing Social Security recipients.

109 BE IT FURTHER RESOLVED that the legislation create private accounts to be owned and  
110 controlled by individual employees or workers, allow the individual employee or worker discretion  
111 to invest among multiple prudent and diversified investment options, and create minimum  
112 guaranteed income, disability, and death benefits in the private account.

113 BE IT FURTHER RESOLVED that a copy of this resolution be sent to the Speaker of the  
114 United States House of Representatives, the President of the United States Senate, and the  
115 members of Utah's congressional delegation.

**Legislative Review Note**  
**as of 1-11-01 8:43 AM**

A limited legal review of this legislation raises no obvious constitutional or statutory concerns.

**Office of Legislative Research and General Counsel**