

# PRESS RELEASE

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## **NEW SOCIAL SECURITY REPORT IDENTIFIES KEY QUESTIONS ABOUT PAYOUTS FROM PRIVATE ACCOUNTS AT RETIREMENT, DIVORCE, DISABILITY, AND DEATH**

WASHINGTON, D.C. – Amid calls for Congress to create personal retirement accounts as part of Social Security, a new report by a non-partisan expert panel urges lawmakers to pay careful attention to how and when money from these 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. The report, released today by the National Academy of Social Insurance (NASI), addresses how people might be able to tap the funds and a number of other design issues that need to be addressed if individual accounts are added to 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.

“Most of the Social Security discussion has been about how money would build up in the accounts,” said Graetz. “This report covers, in depth, the largely neglected questions about how the money would be paid out.”

“Payouts are important,” added Apfel, “because a central goal of Social Security policy is to assure some level of adequate income.” Among questions addressed in the report are:

- How much access could retirees have to their account funds? Would they be allowed to take lump sums when they retire, or would they be required to buy annuities, insurance contracts that guarantee monthly payments for life?
- Could people be allowed to withdraw funds or borrow against the accounts before retirement age, as they can now with 401(k) savings plans? Do these answers change if the worker becomes disabled or dies before retirement?

(more)

- What rights does a spouse or former spouse have to the accounts? Would accounts be divisible property at divorce? Would spousal rights be decided in federal law or by state family law that differs from state to state?
- Could creditors reach the accounts? Would accountholders have to spend the accounts in order to become eligible for Medicaid or other benefits linked to income and assets?
- What institutions – government or private – would be responsible for making payments from the accounts? If private financial institutions, such as banks, insurance companies or brokerage firms, are responsible, would federal or state government regulate their conduct and ensure their solvency? Insurance companies today provide private life annuities and states regulate them to protect against insolvency.
- If these accounts are part of Social Security, how will they affect payouts of Social Security benefits for retirees, disabled workers and families of workers who die?

The report, *Uncharted Waters: Paying Benefits From Individual Accounts in Federal Retirement Policy*, does not endorse nor oppose the concept of private accounts within the Social Security system. Panel members have different personal views on this question. The list of panel members is attached.

“It is crucial that these payout issues be clearly understood by policymakers,” said Graetz. “They must resolve the issues discussed in this report if they make a decision to add universally available individual accounts to our current system for providing retirement income.” Apfel added, “Retirement, divorce, disability, death of a loved one – these are life-changing events. Decisions on these issues will have real consequences for American workers and their families.”

The NASI project received financial support from The Ford Foundation, the Actuarial Foundation, TIAA-CREF Institute, and the Foundation for Child Development.

To obtain a copy of the printed report, or an electronic copy, contact Simona Tudose at 202/452-8097 or by e-mail at [studose@nasi.org](mailto:studose@nasi.org).

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The National Academy of Social Insurance is a nonprofit, nonpartisan organization made up of the nation’s leading experts on social insurance. Its mission is to promote understanding and informed policymaking on social insurance and related programs through research, public education, training and the open exchange of ideas.

## List of Panel Members

### *Uncharted Waters: Paying Benefits From Individual Savings Accounts in Federal Retirement Policy* National Academy of Social Insurance

**Kenneth S. Apfel**  
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Chair in Public Affairs  
LBJ School of Public Affairs  
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**Michael Graetz**  
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Vice President and Actuary  
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Director, Benefits Policy Center  
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\* Kilolo Kijakazi was a senior policy analyst at the Center on Budget and Policy Priorities when the study panel was formed.