

ACCOUNTING

AT Think Redesign Social Security for greater retirement security

By **John N. Vitucci** April 17, 2025, 12:48 p.m. EDT 3 Min Read



Every day, elderly Americans stock grocery shelves at big-box stores — not by choice, but by necessity. Our nation's retirement system is failing them at crisis levels.

The recent preliminary disclosures by the Department of Government Efficiency about alleged Social Security payments to "individuals" age 100 to 150 has only confirmed what many have long suspected: The system is archaic and broken. Its design, oversight and operation need to be carefully reevaluated.

The approach of funding Social Security or other retirement programs with debt of the sponsor (government or private business) should be abolished. What bank would accept loans as collateral instead of property or other assets? We would never tolerate this arrangement in our personal finances, yet we have accepted it for our nation's retirement system for generations. Utilization of debt may make sense as a unique exception in crisis situations, but such a policy should not be the norm. Putting the fiscal burden on future taxpayers isn't just unfair — it's unsustainable.

One potential solution is leveraging the power of ownership and equity through a U.S. sovereign wealth fund — a state-owned investment fund that allocates capital to a diverse range of assets, including stocks, bonds, real estate and alternative investments like private equity funds or hedge funds. In this model, every government bailout, international war settlement or major economic intervention would require equity stakes to be allocated to this fund. Rather than just spending taxpayer money, we would be investing in our collective future.

Retirement age Americans would get their allocated sovereign equity fund or a floor Social Security benefit — whichever is greater. Such a benefit could be designed as a no-cost approach initially, and over time only be triggered as a guaranteed minimum benefit in the case of an unexpected financial crisis. Investment diversity features could be added to such a program to minimize citizen risk and the need for government intervention. Such a structure would limit the amount of government assistance required in the next financial crisis and protect citizens or workers so they could have a secure retirement benefit.

For decades, forward-thinking companies have used analogous hybrid structures called "floor-offset" plans. Conceived in the 1970s, the floor-offset plan protected employees against a company's inability to fund its pension plan or defined benefit plan.

Companies establish an employee stock ownership plan, in which workers can accumulate equity in their company over their career. The company would also guarantee a defined, minimum pension plan. At retirement, workers would receive either the value of their equity stake as an annuity for life or the guaranteed pension — whichever is greater. This design protects workers if their equity underperforms while allowing them to benefit if it grows substantially. Companies benefit too, as the equity portion can reduce pension obligations when investments perform well.

Floor-offset plans have successfully weathered market downturns while providing superior retirement outcomes when compared to either defined benefit or defined contribution plans alone.

A Social Security floor-offset design, utilizing a sovereign wealth fund, can help alleviate current and future Social Security funding obligations. This design lowers costs and moves our country away from using debt in the form of treasuries as funding. If designed properly, the introduction of the sovereign wealth fund feature would not disturb the Social Security promise, but could potentially enhance it. The appreciation of the interest in the sovereign wealth fund would not only provide funding for Social Security but could potentially result in citizens in retirement receiving benefits that exceed their pre-retirement income.

A multidisciplinary task force should be formed immediately to develop this system for future generations. The goal must not be limited to retirement security, but wealth creation for all Americans. Now is not the time to simply talk about innovation, it is time to really innovate. Our seniors don't need charity. They need a system that works — one that provides not just bare subsistence, but dignity and prosperity in their golden years.

Some may ask why utilize a piece of the sovereign wealth fund to help Social Security? The answer is simple: It allows the system to be funded for the next 50 to 100 years and limits Congress' ability to divert funds for other initiatives. The Social Security sovereign wealth fund offset design represents a rare opportunity to solve our retirement crisis while creating genuine economic security for all Americans.

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