

106TH CONGRESS
1ST SESSION

H. R. 3206

To amend title II of the Social Security Act and the Internal Revenue Code of 1986 to provide prospectively for personalized retirement security through personal retirement savings accounts to allow for more control by individuals over their Social Security retirement income, to amend such title and the Balanced Budget and Emergency Deficit Control Act of 1985 to protect social security surpluses, and to provide other reforms relating to benefits under such title II.

IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 3, 1999

Mr. SMITH of Michigan (for himself, Mr. STENHOLM, Mr. PORTER, Mr. KOLBE, Mr. CAMPBELL, Mr. SANFORD, Mr. SHADEGG, and Mr. TOOMEY) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on the Budget, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend title II of the Social Security Act and the Internal Revenue Code of 1986 to provide prospectively for personalized retirement security through personal retirement savings accounts to allow for more control by individuals over their Social Security retirement income, to amend such title and the Balanced Budget and Emergency Deficit Control Act of 1985 to protect social security surpluses, and to provide other reforms relating to benefits under such title II.

1 *Be it enacted by the Senate and House of Representa-*
 2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) **SHORT TITLE.**—This Act may be cited as the
 5 “Social Security Solvency Act of 1999”.

6 (b) **TABLE OF CONTENTS.**—

Sec. 1. Short title; table of contents.

Sec. 2. Findings and purposes.

TITLE I—INDIVIDUAL RETIREMENT SECURITY PROGRAM

Sec. 101. Establishment of individual retirement security program.

Sec. 102. Adjustments in amounts appropriated to the Federal Old-Age and
 Survivors Insurance Trust Fund based on reallocation percent-
 age.

Sec. 103. Adjustments to primary insurance amounts under part A of title II
 of the Social Security Act.

Sec. 104. Personal retirement savings accounts.

TITLE II—SOCIAL SECURITY SURPLUS PROTECTION

Sec. 201. Transfers of budget surpluses to Federal Old-Age and Survivors In-
 surance Trust Fund.

Sec. 202. Sequestration of Federal spending to reduce debt held by the public.

TITLE III—SOCIAL SECURITY BENEFIT REFORMS

Sec. 301. Gradual increase in retirement age and early retirement age.

Sec. 302. Adjustments to bend points in determining primary insurance
 amounts.

Sec. 303. Information relating to benefit limitations provided in social security
 account statements.

Sec. 304. Coverage of newly hired State and local employees.

Sec. 305. Increase in widow’s and widower’s insurance benefits.

Sec. 306. Elimination of earnings test.

Sec. 307. Acceleration of increase in delayed retirement credit.

Sec. 308. Authorization for reimbursement of Federal Disability Insurance
 Trust Fund for certain costs of disability insurance benefits.

Sec. 309. Study to develop recommendations for providing for elections under
 which individuals may opt for exclusion from social security
 coverage.

7 **SEC. 2. FINDINGS AND PURPOSES.**

8 (a) **FINDINGS.**—On July 15, 1999, the House Budget
 9 Committee Social Security Task Force adopted the fol-
 10 lowing Findings by unanimous vote on July 15, 1999:

1 (1) Time is the enemy of Social Security reform
2 and we should move without delay. Prompt action
3 will give us time to institute gradual reforms that
4 allow workers to plan for their retirement and mini-
5 mizes the impact for current or near-term retirees.

6 (2) The Social Security Trust Fund is a secure,
7 legal entity comprised of U.S. Treasury Bonds
8 backed by the full faith and credit of the U.S. Gov-
9 ernment. While the U.S. has never defaulted on any
10 of its obligations, these represent a legal claim on
11 future Federal revenue. Such securities will have to
12 be redeemed from funds outside the Trust Fund
13 itself.

14 (3) Any reform must consider the effects on all
15 generations, genders, and those currently receiving
16 Social Security benefits. Since current demographic
17 projections may very well underestimate future life
18 expectancy, reform proposals should insure that the
19 intergenerational balance that has characterized this
20 program remains intact.

21 (4) No payroll tax increase.

22 (5) A universal Social Security survivor and dis-
23 ability benefit program needs to be maintained. To
24 shield the disabled and those who have been in the

1 system a short time, general fund monies should be
2 used to supplement program benefits.

3 (6) Social Security surpluses should only be
4 spent for Social Security and should support a re-
5 form program that encourages savings and overall
6 economic growth.

7 (7) Investment in the capital markets presents
8 an opportunity to restore Social Security's solvency.
9 The investment income generated by savings-based
10 reform should not be used for any purpose other
11 than retirement.

12 (8) Investments in personal accounts can be
13 managed to minimize administrative costs, avoiding
14 substantial reductions rates of return on investment.
15 Individual investors can use guaranteed return secu-
16 rities and annuities to create a personal investment
17 safety net that assures a stable retirement income
18 for each worker.

19 (b) ADDITIONAL FINDINGS.—The Congress adds the
20 following to the above Findings:

21 (1) One of America's most popular Government
22 programs, Social Security, is in jeopardy. The 1998
23 Board of Trustee's report states that the current
24 system faces an actuarial deficit of 2.09 percent of
25 taxable payroll. According to the 1998 Board of

1 Trustee's report, the Social Security trust fund will
2 begin to run a deficit by 2014 and will be exhausted
3 by 2032.

4 (2) Helping assure Americans retirement secu-
5 rity is a major national goal.

6 (3) The Congress should strengthen Social Se-
7 curity to ensure Americans retirement security. The
8 changes made to strengthen Social Security should
9 create a solvent Social Security system, and avoid
10 payroll tax increases.

11 (4) The root causes of the weaknesses in the
12 current Social Security system are its inadequate
13 funding mechanism and changing demographics. So-
14 cial Security was designed in 1935 as a pay-as-you-
15 go system, in which current workers supported cur-
16 rent retirees. This design worked when America had
17 42 workers per beneficiary in 1945, but that ratio
18 has fallen over time. In 1999 there are only 3.2
19 workers per beneficiary, and by 2060 the ratio is
20 projected to fall to 1.8 workers per beneficiary. To
21 pay benefits to the rising number of retirees, the
22 Government has levied increasing payroll taxes on
23 workers. To maintain the program in its current
24 form, the Government will have to continue to raise
25 payroll taxes or substantially reduce benefits.

1 (5) The key to a more secure Social Security
2 system is increased savings and private investment.
3 We should move from a financing system based on
4 the Federal Government's power to tax workers to
5 one based on savings and investment accounts
6 owned and controlled by workers.

7 (6) Allowing workers to take advantage of high-
8 er investment returns will increase their income in
9 retirement. Over the last 100 years, the stock mar-
10 ket has earned roughly 7 percent after inflation
11 compared to a yield of 1.5 to 2 percent after infla-
12 tion projects by the Social Security Administration
13 for workers' payroll taxes. The difference is enor-
14 mous. For example, \$1,000 invested for 50 years at
15 2 percent becomes nearly \$2,700. The same amount
16 invested for 50 years at 7 percent becomes nearly
17 \$30,000.

18 (c) PURPOSES.—The purposes of this Act are as fol-
19 lows:

20 (1) To give workers and retirees more owner-
21 ship and control over their retirement savings.

22 (2) To improve the living standards of Amer-
23 ican seniors by allowing them to take advantage of
24 low-risk investment opportunities that earn higher

1 returns than those they can expect to realize under
2 the current Social Security system.

3 (3) To stimulate the American economy by in-
4 creasing savings and investment leading to higher
5 productivity, more jobs, and better wages.

6 (4) To ensure the solvency of the Social Secu-
7 rity system while maintaining an adequate reserve in
8 the Social Security trust fund.

9 **TITLE I—INDIVIDUAL RETIRE-**
10 **MENT SECURITY PROGRAM**

11 **SEC. 101. ESTABLISHMENT OF INDIVIDUAL RETIREMENT**
12 **PROGRAM.**

13 (a) IN GENERAL.—Title II of the Social Security Act
14 is amended—

15 (1) by inserting before section 201 the fol-
16 lowing:

17 “PART A—INSURANCE BENEFITS”;

18 and

19 (2) by adding at the end the following new part:

20 “PART B—INDIVIDUAL RETIREMENT SECURITY

21 PROGRAM

22 “DEPOSITS TO PERSONAL RETIREMENT SAVINGS

23 ACCOUNTS

24 “SEC. 251. (a) DESIGNATION OF PERSONAL RETIRE-
25 MENT SAVINGS ACCOUNTS.—Under regulations pre-

1 scribed by the Board of Trustees, a covered individual,
2 and the spouse of such an individual, upon the attainment
3 of a minimum deposit balance in the Interim Investment
4 Fund as described in subsection (b), may designate, in
5 writing filed with the Commissioner of Social Security in
6 such form and manner as may be prescribed in such regu-
7 lations, one or more personal retirement savings accounts
8 to which deposits with respect to the individual or spouse
9 are to be made under subsection (b). The individual or
10 spouse may designate other personal retirement savings
11 accounts in lieu of or in addition to accounts previously
12 designated, in accordance with regulations of the Board
13 of Trustees.

14 “(b) DEPOSITS TO PERSONAL RETIREMENT SAVINGS
15 ACCOUNTS.—

16 “(1) IN GENERAL.—In any case in which the
17 total amount in the Interim Investment Fund cred-
18 ited to an individual as of the end of any annual re-
19 porting month, adjusted so as to reflect net earnings
20 and net losses attributable to such amount from in-
21 vestment of the balance in the Fund under section
22 252(c), equals or exceeds the minimum deposit
23 amount, the Secretary of the Treasury shall, within
24 30 days after the end of such month, notify the indi-
25 vidual of the amount credited to such individual in

1 the Fund. If such total amount credited to such in-
2 dividual as of the end of such individual's annual re-
3 porting month is at least equal to the minimum de-
4 posit amount, pursuant to the written election of
5 such individual which is filed in accordance with reg-
6 ulations of the Board of Trustees and received by
7 the Secretary of the Treasury during the 90-day pe-
8 riod following the individual's annual reporting
9 month, the Secretary of the Treasury shall transfer
10 such total amount from such Fund to such personal
11 retirement savings accounts as are designated under
12 subsection (a) with respect to such individual.

13 “(2) DEFINITIONS.—For purposes of this
14 subsection—

15 “(A) ANNUAL REPORTING MONTH.—The
16 term ‘annual reporting month’ means, in con-
17 nection with a covered individual, a calendar
18 month of the calendar year assigned to such in-
19 dividual as his or her annual reporting month
20 according to a schedule that shall be prescribed
21 in regulations of the Board of Trustees.

22 “(B) MINIMUM DEPOSIT BALANCE.—

23 “(i) IN GENERAL.—Subject to clause
24 (ii), the term ‘minimum deposit balance’
25 means an amount equal to \$2,500.

1 “(ii) ADJUSTMENTS.—The Secretary
2 of the Treasury shall adjust annually (ef-
3 fective for annual reporting months occur-
4 ring after December 2001) the dollar
5 amount set forth in clause (i) under proce-
6 dures providing for adjustments in the
7 same manner and to the same extent as
8 adjustments are provided for under the
9 procedures used to adjust benefit amounts
10 under section 215(i)(2)(A), except that any
11 amount so adjusted that is not a multiple
12 of \$1.00 shall be rounded to the nearest
13 multiple of \$1.00.

14 “(c) LUMP SUM PAYMENT TO ESTATE UPON DEATH
15 OF ACCOUNT HOLDER.—Upon the death of the account
16 holder, the amount of any assets in the personal retire-
17 ment savings account shall be transferred in a lump sum,
18 under rules established by the Board of Trustees, to the
19 account holder’s estate.

20 “(d) PUBLIC EDUCATION EFFORT.—Under regula-
21 tions prescribed by the Board of Trustees, the Commis-
22 sioner of Social Security shall conduct a public education
23 effort. Such effort shall include dissemination to covered
24 individuals of information that will assist them in making

1 educated investment decisions under the program estab-
2 lished under this part.

3 “INTERIM INVESTMENT FUND

4 “SEC. 252. (a) ESTABLISHMENT OF INTERIM IN-
5 VESTMENT FUND.—There is established in the Treasury
6 of the United States an Interim Investment Fund. The
7 Board of Trustees shall serve as trustees of such Fund.
8 The Fund consists of all amounts derived from payments
9 into the Fund under subsection (b) and remaining after
10 investment of such amounts under subsection (c), includ-
11 ing additional amounts derived as income from such in-
12 vestments. The amounts held in the Fund are appro-
13 priated and shall remain available without fiscal year limi-
14 tation to be held for investment under subsection (c), to
15 pay the administrative expenses related to the Fund and
16 to investment under subsection (c), and to make transfers
17 to personal retirement savings accounts under section
18 251(b)(1).

19 “(b) PAYMENTS INTO INTERIM INVESTMENT
20 FUND.—

21 “(1) IN GENERAL.—During each calendar year,
22 the Secretary of the Treasury shall deposit into the
23 Interim Investment Fund, from amounts otherwise
24 available in the general fund of the Treasury, a total
25 amount equal, in the aggregate, to 100 percent of
26 the redirected social security taxes for such calendar

1 year of each individual who is a covered individual
2 for such calendar year.

3 “(2) TRANSFERS BASED ON ESTIMATES.—The
4 amounts deposited pursuant to paragraph (1) shall
5 be transferred in at least monthly payments from
6 the general fund in the Treasury to the Interim In-
7 vestment Fund, such amounts to be determined on
8 the basis of estimates by the Secretary of the Treas-
9 ury of the taxes, specified in section 251(b)(1), paid
10 to or deposited into the Treasury; and proper adjust-
11 ments shall be made in amounts subsequently trans-
12 ferred to the extent prior estimates were in excess
13 of or were less than actual amounts.

14 “(3) SEPARATE ACCOUNTING AND CRED-
15 ITING.—Subject to this paragraph, the Secretary of
16 the Treasury shall provide for prompt, separate ac-
17 counting of the amounts deposited in the Interim In-
18 vestment Fund with respect to each individual dur-
19 ing each calendar year, together with any increases
20 or decreases therein for such year so as to reflect
21 the net returns and losses from investment thereof
22 while held in the Fund during such year. Such ac-
23 counting shall also take into account any adjust-
24 ments made pursuant to paragraph (2). Under such
25 accounting, amounts initially deposited into the

1 Fund during each fiscal year with respect to the re-
2 directed social security taxes of each covered indi-
3 vidual (including net returns and losses from the in-
4 vestment thereof) shall be credited, not later than
5 the end of the succeeding fiscal year, as follows:

6 “(A) If the covered individual is not mar-
7 ried as of the end of the fiscal year in which the
8 amounts to be credited were deposited, such
9 amount shall be credited to such covered indi-
10 vidual.

11 “(B) If the covered individual is married
12 as of the end of such fiscal year—

13 “(i) 50 percent of such amounts shall
14 be credited to such covered individual, and

15 “(ii) 50 percent of such amounts shall
16 be credited to the individual who is the
17 spouse of such individual as of the end of
18 such fiscal year.

19 “(4) REDIRECTED SOCIAL SECURITY TAXES.—
20 For purposes of paragraph (1), the term ‘redirected
21 social security taxes’ of an individual for a calendar
22 year means the product derived by multiplying—

23 “(A) the sum of the total taxes paid under
24 sections 3101(a) and 3111(a) of the Internal
25 Revenue Code of 1986 with respect to such in-

1 dividual during such calendar year, and the
2 total taxes paid under section 1401(a) of such
3 Code with respect to such individual during
4 such calendar year, by

5 “(B) the reallocation percentage declared
6 for such calendar year under section 201(n)(2)
7 of this Act.

8 “(c) INVESTMENT IN COMMON STOCK AND COR-
9 PORATE BONDS IN 3 ALTERNATIVE INVESTMENT AC-
10 COUNTS.—

11 “(1) IN GENERAL.—For purposes of investment
12 of the Interim Investment Fund, the Board of
13 Trustees shall divide the Fund into 3 investment ac-
14 counts. Such accounts shall consist of the 60/40 in-
15 vestment account, the 40/60 investment account,
16 and the 80/20 investment account. The Board of
17 Trustees shall contract with appropriate investment
18 managers selected for investment of amounts held in
19 each investment account.

20 “(2) RULES RELATING TO THE 60/40 INVEST-
21 MENT ACCOUNT.—

22 “(A) DEFAULT INVESTMENT ACCOUNT.—
23 Except as provided in an election in effect
24 under paragraph (3), amounts held in the In-
25 terim Investment Fund shall be credited to the

1 60/40 investment account and invested as pro-
2 vided in subparagraph (B).

3 “(B) INVESTMENT.—Each investment
4 manager selected under paragraph (1) for in-
5 vestment of amounts held in the 60/40 invest-
6 ment account shall invest such amounts under
7 regulations which shall be prescribed by the
8 Board of Trustees so as to ensure, to the max-
9 imum extent practicable, that, of the total bal-
10 ance in the Fund credited to such account and
11 available for investment (after allowing for ad-
12 ministrative expenses)—

13 “(i) 60 percent is invested in common
14 stock in accordance with paragraph (4),
15 and

16 “(ii) 40 percent is invested in cor-
17 porate bonds in accordance with paragraph
18 (5).

19 “(3) ELECTION OF TRANSFERS TO THE 40/60
20 INVESTMENT ACCOUNT AND THE 80/20 INVESTMENT
21 ACCOUNT.—

22 “(A) IN GENERAL.—Pursuant to any indi-
23 vidual’s written election filed in accordance with
24 regulations of the Board of Trustees and re-
25 ceived by the Secretary of the Treasury during

1 the period beginning January 1 of each year
2 and ending March 31 of such year, the Sec-
3 retary of the Treasury shall transfer to any of
4 the investment accounts in the Interim Invest-
5 ment Fund (whichever is designated in such
6 election), from either of the other investment
7 accounts in the Interim Investment Fund, the
8 amount credited to such other investment ac-
9 count as of the end of the fiscal year ending
10 on September 30 of the prior calendar year.

11 “(B) INVESTMENT OF 40/60 INVESTMENT
12 ACCOUNT.—Each investment manager selected
13 under paragraph (1) for investment of amounts
14 held in the 40/60 investment account shall in-
15 vest such amounts under regulations which
16 shall be prescribed by the Board of Trustees so
17 as to ensure, to the maximum extent prac-
18 ticable, that, of the total balance in the Fund
19 credited to such account and available for in-
20 vestment (after allowing for administrative ex-
21 penses)—

22 “(i) 40 percent is invested in common
23 stock in accordance with paragraph (4),
24 and

1 “(ii) 60 percent is invested in cor-
2 porate bonds in accordance with paragraph
3 (5).

4 “(C) INVESTMENT OF 80/20 INVESTMENT
5 ACCOUNT.—Each investment manager selected
6 under paragraph (1) for investment of amounts
7 held in the 80/20 investment account shall in-
8 vest such amounts under regulations which
9 shall be prescribed by the Board of Trustees so
10 as to ensure, to the maximum extent prac-
11 ticable, that, of the total balance in the Fund
12 credited to such account and available for in-
13 vestment (after allowing for administrative ex-
14 penses)—

15 “(i) 80 percent is invested in common
16 stock in accordance with paragraph (4),
17 and

18 “(ii) 20 percent is invested in cor-
19 porate bonds in accordance with paragraph
20 (5).

21 “(4) INVESTMENT IN COMMON STOCK.—In ac-
22 cordance with regulations which shall be prescribed
23 by the Board of Trustees, the Board of Trustees
24 shall establish standards which must be met by com-
25 mon stock selected for investment of the balance of

1 the Interim Investment Fund pursuant to paragraph
2 (2)(B)(i), (3)(B)(i), or (3)(C)(i). In conformity with
3 such standards, the Board of Trustees shall select,
4 for purposes of such investment, indices which are
5 comprised of common stock the aggregate market
6 value of which is, in each case, a reasonably broad
7 representation of publicly held companies whose
8 shares are traded on the equity markets. Amounts
9 invested in common stock by each investment man-
10 ager shall be held in a portfolio designed to replicate
11 the performance of one or more of such indices.

12 “(5) INVESTMENT IN CORPORATE BONDS.—In
13 accordance with regulations which shall be pre-
14 scribed by the Board of Trustees, the Board of
15 Trustees shall establish standards which must be
16 met by corporate bonds selected for investment of
17 the balance of the Interim Investment Fund pursu-
18 ant to paragraph (2)(B)(ii), (3)(B)(ii), or (3)(C)(ii).
19 Such standards shall take into account the com-
20 peting considerations of risk and return. Amounts
21 invested in corporate bonds by each investment man-
22 ager shall be held in a portfolio which shall consist
23 of a diverse range of corporate bonds, taking into
24 full account the opposing considerations of risk and
25 maximization of return.

1 “PERIODIC REPORTS BY ACCOUNT TRUSTEE

2 “SEC. 253. (a) IN GENERAL.—The trustee of a per-
3 sonal retirement savings account shall make periodic re-
4 ports concerning the status of the account which shall
5 meet the requirements of section 408B(g)(2) of the Inter-
6 nal Revenue Code of 1986 and of this section. Each peri-
7 odic report shall be furnished to the account holder on
8 at least a semiannual basis on or before the 60th day fol-
9 lowing the period for which the report is required.

10 “(b) INFORMATION REQUIRED TO BE INCLUDED.—
11 The periodic report shall contain the following information
12 for transactions occurring during the period for which the
13 report is provided:

14 “(1) The balance in the account.

15 “(2) The rate of return for the period covered.

16 “(3) The amount of authorized personal retire-
17 ment savings account contributions.

18 “(4) The amount of distributions.

19 “(5) The name and address of the trustee.

20 “(6) Commission fees and fees for administra-
21 tive expenses charged in connection with the ac-
22 count.

23 “(7) Other information which may be required
24 from time to time by the Board of Trustees.

1 The language of the report shall be written in a form so
2 as to be understood by the average covered individual.

3 “(c) REPORTS TO BOARD OF TRUSTEES.—The
4 Board of Trustees may require the periodic report to be
5 filed with the Board at such time as the Board may speci-
6 fy in regulations under this section.

7 “(d) FAILURE BY TRUSTEE TO MAKE TIMELY PERI-
8 ODIC REPORTS.—

9 “(1) IN GENERAL.—The trustee of a personal
10 retirement savings account shall be subject to a civil
11 penalty of not to exceed \$100 a day from the date
12 of such trustee’s failure or refusal to furnish the
13 periodic report required to be furnished by the trust-
14 ee under this section until the date on which such
15 report is furnished.

16 “(2) PENALTIES ASSESSED BY BOARD OF
17 TRUSTEES.—Any civil penalty assessed by this sub-
18 section shall be imposed by the Board of Trustees
19 and collected in a civil action. The Board of Trust-
20 ees may compromise the amount of any civil penalty
21 imposed by this subsection. The Board of Trustees
22 may waive the application of this subsection with re-
23 spect to any failure if the Board of Trustees deter-
24 mines that such failure is due to reasonable cause

1 and not to intentional disregard of rules and regula-
2 tions.

3 “DEFINITIONS

4 “SEC. 254. For purposes of this title—

5 “(1) PERSONAL RETIREMENT SAVINGS AC-
6 COUNT.—The term ‘personal retirement savings ac-
7 count’ has the meaning provided in section 408B of
8 the Internal Revenue Code of 1986.

9 “(2) COVERED EMPLOYER.—The term ‘covered
10 employer’ means, for any calendar year, any person
11 on whom an excise tax is imposed under section
12 3111 of the Internal Revenue Code of 1986 with re-
13 spect to having an individual in his employ to whom
14 wages are paid by such person during such calendar
15 year.

16 “(3) COVERED INDIVIDUAL.—The term ‘cov-
17 ered individual’ means any individual—

18 “(A) with respect to whose employment by
19 a person who is covered employer for any cal-
20 endar year beginning after December 31, 2000,
21 there is imposed an excise tax under section
22 3111 of the Internal Revenue Code of 1986, or

23 “(B) on whose self-employment income for
24 a taxable year beginning after December 31,
25 2000, there is imposed a tax under section
26 1401(a) of the Internal Revenue Code of 1986.

1 “(4) BUSINESS DAY.—The term ‘business day’
2 means any day other than a Saturday, Sunday, or
3 legal holiday in the area involved.

4 “(5) BOARD OF TRUSTEES.—

5 “(A) IN GENERAL.—The term ‘Board of
6 Trustees’ means the Board of Trustees of the
7 Federal Old-Age and Survivors Insurance Trust
8 Fund and the Federal Disability Insurance
9 Trust Fund.

10 “(B) ROLE OF SECRETARY OF THE TREAS-
11 URY.—

12 “(i) IN GENERAL.—In connection with
13 the duties of the Board of Trustees under
14 this part, the Secretary of the Treasury
15 shall serve as Executive Director of the
16 Board of Trustees.

17 “(ii) STAFF.—Upon request of the
18 Board of Trustees, the Secretary may de-
19 tail, on a reimbursable basis, any of the
20 personnel of the Department of the Treas-
21 ury to the Board of Trustees to assist it in
22 carrying out its duties under this part.

23 “(iii) ADMINISTRATIVE SUPPORT.—
24 Upon the request of the Board, the Sec-
25 retary shall provide to the Board of Trust-

1 ees from the Department of the Treasury,
2 on a reimbursable basis, the administrative
3 support services necessary for the Board to
4 carry out its responsibilities under this
5 part.”.

6 (b) EFFECTIVE DATE AND NOTICE REQUIRE-
7 MENTS.—

8 (1) EFFECTIVE DATE.—The amendments made
9 by subsection (a) shall apply with respect to wages
10 paid after December 31, 2000, for pay periods end-
11 ing after such date and self-employment income for
12 taxable years beginning after such date.

13 (2) NOTICE REQUIREMENTS.—

14 (A) IN GENERAL.—Not later than October
15 1, 2000, the Commissioner of Social Security,
16 pursuant to direction by the Board of Trustees
17 of the Federal Old-Age and Survivors Insurance
18 Trust Fund and the Federal Disability Insur-
19 ance Trust Fund, shall—

20 (i) send to the last known address of
21 each eligible individual a description of the
22 program established by the amendments
23 made by this Act, which shall be written in
24 the form of a pamphlet in language which

1 may be readily understood by the average
2 worker,

3 (ii) provide for toll-free access by tele-
4 phone from all localities in the United
5 States to the Social Security Administra-
6 tion and for a site on the Internet through
7 which individuals may obtain information
8 and answers to questions regarding such
9 program, and

10 (iii) provide information to the media
11 in all localities of the United States about
12 such program, such toll-free access by tele-
13 phone, and such site on the Internet.

14 (B) ELIGIBLE INDIVIDUAL.—For purposes
15 of this paragraph, the term “eligible individual”
16 means an individual who, as of the date of the
17 pamphlet sent pursuant to subparagraph (A), is
18 indicated within the records of the Social Secu-
19 rity Administration as—

20 (i) not having attained age 65, and

21 (ii) being credited with one or more
22 quarters of coverage under section 213 of
23 the Social Security Act.

24 (C) MATTERS TO BE INCLUDED.—The
25 Commissioner of Social Security shall include

1 with the pamphlet sent to each eligible indi-
2 vidual pursuant to subparagraph (A)—

3 (i) a statement of the number of quar-
4 ters of coverage indicated in the records of
5 the Social Security Administration as of
6 the date of the description as credited to
7 such individual under section 213 of the
8 Social Security Act and the date as of
9 which such records may be considered ac-
10 curate, and

11 (ii) the number for toll-free access by
12 telephone established by the Commissioner
13 pursuant to subparagraph (A).

14 **SEC. 102. ADJUSTMENTS IN AMOUNTS APPROPRIATED TO**
15 **THE FEDERAL OLD-AGE AND SURVIVORS IN-**
16 **SURANCE TRUST FUND BASED ON RE-**
17 **ALLOCATION PERCENTAGE.**

18 (a) IN GENERAL.—Section 201 of the Social Security
19 Act (42 U.S.C. 401) is amended by adding at the end the
20 following new subsection:

21 “Reduction in Appropriations to Federal Old-Age and
22 Survivors Insurance Trust Fund Based on Realloca-
23 tion Percentage

24 “(n)(1) Under regulations prescribed by the Board
25 of Trustees of the Trust Funds (in consultation with the

1 Secretary of the Treasury) to carry out this subsection,
2 the amounts appropriated for any fiscal year under para-
3 graphs (3) and (4) of subsection (a) shall be reduced by
4 an amount equal to the product derived by multiplying—

5 “(A) the total amount which would (but for this
6 subsection) be appropriated under paragraphs (3)
7 and (4) of subsection (a) for such fiscal year, by

8 “(B) the reallocation percentage for such fiscal
9 year.

10 “(2)(A) The Board of Trustees shall declare and pub-
11 lish in the Federal Register on or before April 1 of each
12 calendar year the reallocation percentage for amounts oth-
13 erwise appropriated to the Federal Old-Age and Survivors
14 Insurance Trust Fund under paragraphs (3) and (4) of
15 subsection (a) for the fiscal year beginning on October 1
16 of such calendar year.

17 “(B) For purposes of this subsection—

18 “(i) The term ‘reallocation percentage’ for
19 amounts appropriated for any fiscal year means—

20 “(I) in the case of fiscal years preceding
21 fiscal year 2026, 20.16 percent,

22 “(II) in the case of fiscal years following
23 2025 and preceding 2039, 22.18 percent, and

24 “(III) in the case of fiscal years following
25 fiscal year 2038, the best estimate of the Board

1 of Trustees of the maximum percentage by
2 which the amounts described in subparagraph
3 (A) for the fiscal year may be reduced so as to
4 maintain a reserve in the Federal Old-Age and
5 Survivors Insurance Trust Fund as of the end
6 of such fiscal year equal to 15 percent of the
7 amount of benefits projected to be paid from
8 the Trust Fund during the next fiscal year, but
9 not in excess of 64.52 percent.

10 In making the estimate under subclause (II), the
11 Board of Trustees shall utilize the intermediate ac-
12 tuarial assumptions utilized by the Board of Trust-
13 ees for its most recent annual report issued under
14 subsection (c).”.

15 (b) RECOMMENDATIONS REGARDING REDUCTIONS IN
16 SOCIAL SECURITY TAXES.—In any case in which the
17 Board of Trustees of the Federal Old-Age and Survivors
18 Insurance Trust Fund and the Federal Disability Insur-
19 ance Trust Fund estimates that the reallocation percent-
20 age (as defined in section 201(n)(2)(B)(i) of the Social
21 Security Act for any of the next 5 fiscal years will equal
22 64.52 percent, the Board of Trustees shall include within
23 its next annual report to the Congress and the President
24 its recommendations for reductions in taxes under chap-

1 ters 2 and 21 of the Internal Revenue Code of 1986 so
2 as to avoid unnecessary surpluses in such Trust Funds.

3 **SEC. 103. ADJUSTMENTS TO PRIMARY INSURANCE**
4 **AMOUNTS UNDER PART A OF TITLE II OF THE**
5 **SOCIAL SECURITY ACT.**

6 (a) IN GENERAL.—Section 215 of the Social Security
7 Act (42 U.S.C. 415) is amended by adding at the end the
8 following new subsection:

9 “Adjustment of Primary Insurance Amount in Relation
10 to Deposits Made to Personal Retirement Savings
11 Accounts

12 “(j)(1) Except as provided in paragraph (2), an indi-
13 vidual’s primary insurance amount as determined in ac-
14 cordance with this section (before adjustments made
15 under subsection (i)) shall be equal to the excess (if any)
16 of—

17 “(A) the amount which would be so determined
18 without the application of this subsection, over

19 “(B) the monthly amount of an immediate life
20 annuity, determined on the basis of the total of all
21 amounts which have been deposited pursuant to sec-
22 tion 251(c) (indexed in the same manner as is appli-
23 cable with respect to average indexed monthly earn-
24 ings under subsection (b)) into all personal retire-
25 ment savings accounts held by such individual, plus

1 accrued interest compounded annually, assuming an
2 interest rate of 3.7 percent and using the mortality
3 table used under 412(l)(7)(C)(ii) of the Internal
4 Revenue Code of 1986.

5 “(2) In the case of an individual described in para-
6 graph (1) who becomes entitled to disability insurance
7 benefits under section 223, such individual’s primary in-
8 surance amount shall be determined without regard to
9 paragraph (1).

10 “(3) For purposes of this subsection, the term ‘imme-
11 diate life annuity’ means an annuity—

12 “(A) the annuity starting date (as defined in
13 section 72(c)(4) of the Internal Revenue Code of
14 1986) of which commences with the first month fol-
15 lowing the date of the determination, and

16 “(B) which provides for a series of substantially
17 equal monthly payments over the life expectancy of
18 the individual described in paragraph (1).”.

19 (b) CONFORMING AMENDMENT TO RAILROAD RE-
20 TIREMENT ACT OF 1974.—Section 1 of the Railroad Re-
21 tirement Act of 1974 (45 U.S.C. 231) is amended by add-
22 ing at the end the following:

23 “(s) In applying applicable provisions of the Social
24 Security Act for purposes of determining the amount of
25 the annuity to which an individual is entitled under this

1 Act, section 215(j) of the Social Security Act and part
2 B of title II of such Act shall be disregarded.”

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall apply with respect to computations and
5 recomputations of primary insurance amounts occurring
6 after December 31, 2000.

7 **SEC. 104. PERSONAL RETIREMENT SAVINGS ACCOUNTS.**

8 (a) DEDUCTION FOR CONTRIBUTIONS BY TAX-
9 PAYER.—Part VII of subchapter B of chapter 1 of the
10 Internal Revenue Code of 1986 (relating to additional
11 itemized deductions) is amended by redesignating section
12 222 as section 223 and by inserting after section 221 the
13 following new section:

14 **“SEC. 222. CONTRIBUTIONS TO PERSONAL RETIREMENT**
15 **SAVINGS ACCOUNTS.**

16 “(a) IN GENERAL.—In the case of an individual who
17 is an electing personal retirement savings account partici-
18 pant for the taxable year, there shall be allowed as a de-
19 duction an amount equal to 50 percent of the amount con-
20 tributed during such taxable year by such individual to
21 a personal retirement savings account maintained for the
22 benefit of such individual.

23 “(b) LIMITATION.—The amount of contributions
24 which may be taken into account under subsection (a)
25 shall not exceed \$2,000.

1 “(c) ELECTING PERSONAL RETIREMENT SAVINGS
2 ACCOUNT PARTICIPANT.—An individual is an electing
3 personal retirement savings account participant for any
4 taxable year if any amount is deposited under section
5 251(c) of the Social Security Act for such taxable year
6 to a personal retirement savings account maintained for
7 the benefit of such individual.

8 “(d) SPECIAL RULES.—

9 “(1) NO DEDUCTION FOR TRUSTEE-TO-TRUST-
10 EE TRANSFERS.—No deduction shall be allowed for
11 amounts transferred to an account in a rollover con-
12 tribution described in section 408B(b)(2).

13 “(2) TIME WHEN CONTRIBUTIONS DEEMED
14 MADE.—For purposes of this section, a taxpayer
15 shall be deemed to have made a contribution to a
16 personal retirement savings account on the last day
17 of the preceding taxable year if the contribution is
18 made on account of such taxable year and is made
19 not later than the time prescribed by law for filing
20 the return for such taxable year (not including ex-
21 tensions thereof).”

22 “(b) PERSONAL RETIREMENT SAVINGS ACCOUNTS.—
23 Subpart A of part I of subchapter D of chapter 1 of such
24 Code (relating to pension, profit-sharing, stock bonus

1 plans, etc.) is amended by inserting after section 408A
2 the following new section:

3 **“SEC. 408B. PERSONAL RETIREMENT SAVINGS ACCOUNTS.**

4 “(a) GENERAL RULE.—Gross income shall not in-
5 clude any amount deposited in a personal retirement sav-
6 ings account under section 251(c) of the Social Security
7 Act.

8 “(b) PERSONAL RETIREMENT SAVINGS ACCOUNT.—

9 “(1) IN GENERAL.—For purposes of this title,
10 the term ‘personal retirement savings account’
11 means a trust created or organized in the United
12 States for the exclusive benefit of an individual or
13 his beneficiaries, but only if the written governing
14 instrument creating the trust meets the following re-
15 quirements:

16 “(A) No contribution will be accepted
17 other than—

18 “(i) deposits under section 251(c) of
19 the Social Security Act,

20 “(ii) contributions made in cash, ex-
21 cept that contributions under this subpara-
22 graph may not be accepted for any taxable
23 year in excess of \$2,000, and

1 “(iii) a contribution which is a roll-
2 over contribution described in paragraph
3 (2).

4 “(B) Except as provided in subsection
5 (f)(2), no amount may be paid or distributed
6 from such trust—

7 “(i) before the date on which the ac-
8 count holder attains age 59½ or dies, or

9 “(ii) in a manner not meeting the re-
10 quirements of subsection (d).

11 “(C) The trustee of which is a regulated
12 investment company (as defined in section 851)
13 which is approved by the Secretary for purposes
14 of this section.

15 “(D) The interest of an individual in the
16 balance in his account is nonforfeitable.

17 “(2) ROLLOVER CONTRIBUTIONS.—For pur-
18 poses of paragraph (1)(A), a rollover contribution is
19 described in this paragraph if such contribution is—

20 “(A) a direct trustee-to-trustee transfer de-
21 scribed in subsection (f)(2), or

22 “(B) a transfer from an eligible retirement
23 plan (as defined in section 402(c)(8)) to the
24 personal retirement savings account if no
25 amount is includible in gross income by reason

1 of such transfer, determined by treating such
2 account as the same type of plan as the plan
3 from which such transfer were made.

4 “(c) INVESTMENT REQUIREMENTS.—

5 “(1) IN GENERAL.—Amounts in a personal re-
6 tirement savings account may be invested only in
7 regulated investment companies (as defined in sec-
8 tion 851) which are approved by the Secretary for
9 purposes of this section.

10 “(2) CRITERIA FOR SECRETARIAL APPROVAL.—

11 The Secretary may approve a regulated investment
12 company for purposes of this section only if—

13 “(A) an election is in effect under section
14 851(b)(1) for such company, and

15 “(B) the portfolio assets of such
16 company—

17 “(i) replicate the assets of a broad-
18 based index of stocks which is approved by
19 the Secretary, or

20 “(ii) are of a type determined by the
21 Secretary not to involve high risks for the
22 investor.

23 “(3) DIVERSIFICATION REQUIRED.—To the ex-
24 tent possible, the Secretary shall approve under sub-
25 paragraph (B)(i) funds in each of the following 4

1 categories: domestic stocks, domestic bonds, stocks
2 of companies having small capitalization, and foreign
3 stocks. Nothing in this subsection shall be construed
4 to preclude the use of managed funds devised so as
5 to minimize risk.

6 “(4) CONSIDERATION OF MANAGEMENT
7 COSTS.—The Secretary shall take into account man-
8 agement costs in determining whether to approve a
9 company for purposes of this section.

10 “(d) DISTRIBUTION REQUIREMENTS.—

11 “(1) IN GENERAL.—The requirements of this
12 subsection are met with respect to distributions from
13 a personal retirement savings account (other than
14 reasonable administrative fees meeting such require-
15 ments as may be prescribed in regulations of the
16 Secretary) only if such distributions are in accord-
17 ance with a payment option under paragraph (2).
18 The preceding sentence shall not apply to direct
19 trustee-to-trustee transfers described in subsection
20 (f)(2) or distributions to a deceased account holder’s
21 estate under section 251(c) of the Social Security
22 Act.

23 “(2) PAYMENT OPTIONS.—The payment options
24 under this paragraph are the following:

1 “(A) LIFETIME OPTION.—Distributions in
2 equal annual or more frequent periodic install-
3 ments payable to the account holder in equal
4 annual or more frequent periodic installments
5 over the life of the account holder. The trustee
6 of the account shall be liable under the terms
7 of the account to the account holder for the
8 timely payment of such periodic payments.

9 “(B) NONLIFETIME OPTION.—

10 “(i) IN GENERAL.—Distributions in
11 equal annual or more frequent periodic in-
12 stallments of interest only, or of interest
13 and principal. Any such payment of equal
14 installments shall continue until—

15 “(I) payment ceases at the direc-
16 tion of the account holder to the
17 trustee,

18 “(II) payment continues in ac-
19 cordance with this subparagraph but
20 at an adjusted level at the direction of
21 the account holder to the trustee, or

22 “(III) the distribution converts to
23 an option described in subparagraph
24 (A) at the direction of the account
25 holder to the trustee.

1 “(ii) LIMITATIONS.—Payments from
2 the account under a distribution described
3 in clause (i) shall be limited as of any date
4 to the extent necessary to ensure that
5 funds in the account are sufficient at all
6 times to provide a monthly payment over
7 the life expectancy of the account holder
8 (determined under reasonable actuarial as-
9 sumptions) which, when added to the ac-
10 count holder’s monthly benefit under part
11 A (if any), is at least equal to an amount
12 equal to $\frac{1}{12}$ of the poverty line (as defined
13 in section 673(2) of the Community Serv-
14 ices Block Grant Act (42 U.S.C. 9902(2))
15 and determined on such date for a family
16 of the size involved).

17 “(C) ADDITIONAL OPTIONS.—Distributions
18 in any other manner permitted under regula-
19 tions prescribed by the Secretary.

20 “(e) ACCOUNT EXEMPT FROM TAX.—

21 “(1) GENERAL RULE.—Any personal retirement
22 savings account is exempt from taxation under this
23 subtitle. Notwithstanding the preceding sentence,
24 any such account is subject to the taxes imposed by
25 section 511 (relating to imposition of tax on unre-

1 lated business income of charitable, etc. organiza-
2 tions).

3 “(2) APPLICATION OF PROHIBITED TRANS-
4 ACTIONS RULES, ETC.—Rules similar to the rules of
5 paragraphs (2), (3), and (4) of section 408(e) shall
6 apply to personal retirement savings accounts.

7 “(f) DISTRIBUTIONS TAXED AS IF SOCIAL SECURITY
8 BENEFITS.—

9 “(1) GENERAL RULE.—Amounts paid or dis-
10 tributed from a personal retirement savings account
11 shall be includible in gross income only if so includ-
12 ible under section 86, determined by treating such
13 amounts as social security benefits (as defined in
14 such section).

15 “(2) TRUSTEE-TO-TRUSTEE TRANSFERS.—No
16 amount shall be includible in gross income by reason
17 of a direct trustee-to-trustee transfer between per-
18 sonal retirement savings accounts of the same indi-
19 vidual.

20 “(3) RETURN OF EXCESS CONTRIBUTIONS.—
21 Paragraph (1) shall not apply to the distribution of
22 any contribution (other than a deposit made under
23 section 251(c) of the Social Security Act) made dur-
24 ing a taxable year to the extent that such contribu-

1 tion exceeds the dollar amount specified in sub-
2 section (b)(1)(B) if—

3 “(A) such distribution is received on or be-
4 fore the last day prescribed by law (including
5 extensions) for filing such individual’s return
6 for such taxable year,

7 “(B) such contribution is not taken into
8 account in determining the deduction allowed
9 under section 222, and

10 “(C) such distribution is accompanied by
11 the amount of net income attributable to such
12 contribution.

13 Any net income described in subparagraph (C) shall
14 be included in gross income for the taxable year in
15 which such contribution is made.

16 “(g) CERTAIN OTHER RULES TO APPLY.—The fol-
17 lowing rules shall apply to personal retirement savings ac-
18 counts in the same manner that such rules apply to indi-
19 vidual retirement accounts:

20 “(1) Section 408(h) (relating to custodial ac-
21 counts).

22 “(2) Section 408(i) (relating to reports).

23 “(h) TREATMENT AFTER DEATH OF ACCOUNT
24 HOLDER.—A personal retirement savings account shall
25 cease to be such on the date of the account holder’s death,

1 but no amount shall be includible in gross income by rea-
2 son of such cessation.”

3 (c) DEDUCTION ALLOWED WHETHER OR NOT TAX-
4 PAYER ITEMIZES OTHER DEDUCTIONS.—Subsection (a)
5 of section 62 of such Code is amended by inserting after
6 paragraph (17) the following new paragraph:

7 “(18) PERSONAL RETIREMENT SAVINGS AC-
8 COUNTS.—The deduction allowed by section 222.”

9 (d) TAX ON EXCESS CONTRIBUTIONS.—

10 (1) IN GENERAL.—Subsection (a) of section
11 4973 of such Code is amended by striking “or” at
12 the end of paragraph (4), by adding “or” at the end
13 of paragraph (5), and by inserting after paragraph
14 (5) the following new paragraph:

15 “(6) a personal retirement savings account (as
16 defined in section 408B),”.

17 (2) EXCESS CONTRIBUTION DEFINED.—Section
18 4973 is amended by adding at the end the following
19 new subsection:

20 “(g) EXCESS CONTRIBUTIONS TO PERSONAL RE-
21 TIREMENT SAVINGS ACCOUNTS.—For purposes of this
22 section—

23 “(1) IN GENERAL.—In the case of personal re-
24 tirement savings accounts maintained for the benefit
25 of any 1 beneficiary, the term ‘excess contributions’

1 means the amount by which the amount contributed
2 for the taxable year to such accounts exceeds
3 \$2,000.

4 “(2) SPECIAL RULES.—For purposes of para-
5 graph (1), the following contributions shall not be
6 taken into account:

7 “(A) Any contributions under section
8 251(c) of the Social Security Act.

9 “(B) Any trustee-to-trustee transfer.”

10 (e) CONFORMING AMENDMENTS.—

11 (1) Paragraph (1) of section 4975(e) of such
12 Code (relating to tax on prohibited transactions) is
13 amended by redesignating subparagraph (F) as sub-
14 paragraph (G), by striking “or” at the end of sub-
15 paragraph (E), and by inserting after subparagraph
16 (E) the following new subparagraph:

17 “(F) a personal retirement savings account
18 described in section 408B(b), or”.

19 (2) Paragraph (2) of section 6693(a) of such
20 Code (relating to failure to provide reports on cer-
21 tain tax favored accounts or annuities) is amended
22 by redesignating subparagraphs (C) and (D) as sub-
23 paragraphs (D) and (E), respectively, and by insert-
24 ing after subparagraph (B) the following new sub-
25 paragraph:

1 “(C) section 408B(g)(2) (relating to per-
2 sonal retirement savings accounts),”.

3 (f) CLERICAL AMENDMENTS.—

4 (1) The table of sections for part VII of sub-
5 chapter B of chapter 1 of such Code is amended by
6 striking the last item and inserting the following
7 new items:

 “Sec. 222. Contributions to personal retirement savings accounts.
 “Sec. 223. Cross reference.”

8 (2) The table of sections for subpart A of part
9 I of subchapter D of chapter 1 of such Code is
10 amended by inserting after the item relating to sec-
11 tion 408A the following new item:

 “Sec. 408B. Personal retirement savings accounts.”

12 (g) EFFECTIVE DATE.—The amendments made by
13 this section shall apply to taxable years beginning after
14 December 31, 2000.

15 **TITLE II—SOCIAL SECURITY**
16 **SURPLUS PROTECTION**

17 **SEC. 201. TRANSFERS OF BUDGET SURPLUSES TO FEDERAL**
18 **OLD-AGE AND SURVIVORS INSURANCE TRUST**
19 **FUND.**

20 Section 201 of the Social Security Act (as amended
21 by the preceding provisions of this Act) is amended further
22 by adding at the end the following new subsection:

1 “Transfers of Budget Surpluses to Federal Old-Age and
2 Survivors Insurance Trust Fund

3 “(o)(1) In addition to the amounts otherwise appro-
4 priated to the Federal Old-Age and Survivors Insurance
5 Trust Fund for each fiscal year after fiscal year 2000 and
6 before fiscal year 2010, there is hereby appropriated to
7 such Trust Fund for each such fiscal year the applicable
8 amount for such fiscal year. All amounts transferred to
9 such Trust Fund under this subsection shall be invested
10 by the Managing Trustee in the same manner and to the
11 same extent as the other assets of such Trust Fund.

12 “(2) For purposes of paragraph (1), the applicable
13 amount for any fiscal year is the amount set forth in the
14 following table:

In the case of fiscal year—	The amount is—
2001	\$11 billion
2002	\$59 billion
2003	\$51 billion
2004	\$68 billion
2005	\$79 billion
2006	\$116 billion
2007	\$134 billion
2008	\$146 billion
2009	\$165 billion.

15 “(3)(A) Subject to subparagraph (B), in any case in
16 which the reallocation percentage (as defined in subsection
17 (n)(2)(B)(i)) for any fiscal year after 2014 of the best esti-
18 mate of the Board of Trustees of the amounts otherwise
19 appropriated for the calendar year ending during such fis-
20 cal year to the Federal Old-Age and Survivors Insurance

1 Trust Fund under paragraphs (3) and (4) of subsection
2 (a) exceeds 5 percent of the social security payroll for such
3 fiscal year, the Secretary of the Treasury shall transfer
4 during the fiscal year, from the Federal Old-Age and Sur-
5 vivors Insurance Trust Fund to the general fund of the
6 Treasury, amounts equivalent to 100 percent of the excess
7 of—

8 “(i) the projected amount of the allowable
9 Trust Fund cushion reduction for such fiscal year,
10 over

11 “(ii) 5 percent of the projected social security
12 payroll for such fiscal year.

13 The amounts appropriated by this paragraph shall be
14 transferred from time to time during the fiscal year from
15 the Federal Old-Age and Survivors Insurance Trust Fund
16 to the general fund in the Treasury, such amounts to be
17 determined on the basis of estimates by the Secretary of
18 the Treasury, and proper adjustments shall be made in
19 amounts subsequently transferred to the extent prior esti-
20 mates were in excess of or were less than the actual
21 amounts.

22 “(B) In any case in which the transfer of any amount
23 to the general fund of the Treasury pursuant to subpara-
24 graph (A) for any fiscal year would (but for this subpara-
25 graph) cause—

1 “(i) the total amount transferred pursuant to
2 subparagraph (A) (including accrued net earnings
3 thereon) to exceed

4 “(ii) the total amount transferred to the Fed-
5 eral Old-Age and Survivors Insurance Trust Fund
6 pursuant to paragraph (1) (including accrued net
7 earnings thereon),

8 the amount of such transfer shall be limited to the extent
9 necessary to ensure that the total amount described in
10 clause (ii) does not exceed the total amount described in
11 clause (i), and this paragraph shall not be effective for
12 subsequent fiscal years.

13 “(4) For purposes of this subsection—

14 “(A) The term ‘social security payroll’ for any
15 fiscal year means the sum of the wages (as defined
16 in section 3121 of the Internal Revenue Code of
17 1986) reported to the Secretary of the Treasury or
18 his delegate during such fiscal year pursuant to sub-
19 title F of such Code and the self-employment income
20 (as defined in section 1402 of such Code) reported
21 to the Secretary of the Treasury or his delegate dur-
22 ing such fiscal year pursuant to subtitle F of such
23 Code.

24 “(B) The term ‘allowable Trust Fund cushion
25 reduction’ for a fiscal year means the amount by

1 which the amounts otherwise appropriated for the
 2 fiscal year to the Federal Old-Age and Survivors In-
 3 surance Trust Fund under paragraphs (3) and (4)
 4 of subsection (a) may be reduced so as to maintain
 5 a reserve in the Federal Old-Age and Survivors In-
 6 surance Trust Fund as of the end of such fiscal year
 7 equal to 50 percent of the amount of benefits pro-
 8 jected to be paid from the Trust Fund during such
 9 fiscal year.”.

10 **SEC. 202. SEQUESTRATION OF FEDERAL SPENDING TO RE-**
 11 **DUCE DEBT HELD BY THE PUBLIC.**

12 (a) SEQUESTRATION TO REDUCE THE DEBT HELD
 13 BY THE PUBLIC.—Part C of the Balanced Budget and
 14 Emergency Deficit Control Act of 1985 is amended by
 15 adding after section 253 the following new section:

16 **“SEC. 253A. SEQUESTRATION TO REDUCE THE DEBT HELD**
 17 **BY THE PUBLIC.**

18 “(a) SEQUESTRATION.—Within 15 days after Con-
 19 gress adjourns to end a session, and on the same day as
 20 a sequestration (if any) under sections 251 and 252, but
 21 after any sequestration of budget-year budgetary re-
 22 sources required by those sections, there shall be a seques-
 23 tration equivalent to the estimated net surplus in the so-
 24 cial security trust funds for the budget year, less addi-
 25 tional appropriations under section 201(o) of the Social

1 Security Act, as estimated by the Secretary of the Treas-
2 ury on September 30 of that year.

3 “(b) APPLICABILITY.—Each non-exempt account
4 within a category shall be reduced by a dollar amount cal-
5 culated by multiplying the level of budgetary resources in
6 that account at that time by the uniform percentage nec-
7 essary to carry out subsection (a). All obligational author-
8 ity reduced under this section shall be done in a manner
9 that makes such reductions permanent.”.

10 (b) REPORTS.—Section 254 of the Balanced Budget
11 and Emergency Deficit Control Act of 1985 is amended—

12 (1) in subsection (c)(1), by inserting “, and se-
13 questration to reduce debt held by the public,”;

14 (2) in subsection (c), by redesignating para-
15 graph (5) as paragraph (6) and by inserting after
16 paragraph (4) the following new paragraph:

17 “(5) REPORTS REGARDING SEQUESTRATION TO
18 REDUCE DEBT HELD BY THE PUBLIC.—The preview
19 reports shall set forth for the budget year estimates
20 for each of the following:

21 “(A) The net surplus in the social security
22 trust funds for the budget year, as estimated by
23 the Secretary of the Treasury.

24 “(B) The amount of reductions required
25 under section 253A.

1 “(C) The sequestration percentage nec-
2 essary to achieve the required reduction in ac-
3 counts under section 253A(b).”; and

4 (3) in subsection (f), by redesignating para-
5 graphs (4) and (5) as paragraphs (5) and (6), re-
6 spectively, and by inserting after paragraph (3) the
7 following new paragraph:

8 “(4) REPORTS REGARDING SEQUESTRATION TO
9 REDUCE DEBT HELD BY THE PUBLIC.—The final re-
10 ports shall contain the net surplus in the social secu-
11 rity trust funds for the budget year, as estimated by
12 the Secretary of the Treasury on September 30.”.

13 (c) DEFINITION.—Section 250(c) of the Balanced
14 Budget and Emergency Deficit Control Act of 1985 is
15 amended by adding at the end the following new para-
16 graph:

17 “(20) The term ‘social security trust funds’ re-
18 fers to the Federal Old-Age and Survivors Insurance
19 Trust Fund and the Federal Disability Insurance
20 Trust Fund.”.

21 (d) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to fiscal year 2001 and each fiscal
23 year thereafter and shall cease to have any effect after
24 the first fiscal year during which there is no debt held
25 by the public.

1 **TITLE III—SOCIAL SECURITY**
2 **BENEFIT REFORMS**

3 **SEC. 301. GRADUAL INCREASE IN RETIREMENT AGE AND**
4 **EARLY RETIREMENT AGE.**

5 (a) **NORMAL RETIREMENT AGE.**—Section 216(l) of
6 the Social Security Act (42 U.S.C. 416(l) is amended—

7 (1) in paragraph (1), by striking subparagraphs
8 (A), (B), (C), (D), and (E) and inserting the fol-
9 lowing:

10 “(A) with respect to an individual who at-
11 tains age 62 (or in the case of a widow’s or
12 widower’s insurance benefit, age 60) before
13 January 1, 2000, 65 years of age;

14 “(B) with respect to an individual who at-
15 tains age 62 (or in the case of a widow’s or
16 widower’s insurance benefit, age 60) after De-
17 cember 31, 1999 and before January 1, 2011,
18 65 years of age plus $\frac{2}{12}$ of the number of
19 months in the period beginning with January
20 2000 and ending with December of the year in
21 which the individual attains age 62 (or in the
22 case of a widow’s or widower’s insurance ben-
23 efit, age 60);

24 “(C) with respect to an individual who at-
25 tains age 62 (or in the case of a widow’s or

1 widower’s insurance benefit, age 60) after De-
2 cember 31, 2010, and before January 1, 2012,
3 67 years of age; and

4 “(D) with respect to an individual who at-
5 tains age 62 (or in the case of a widow’s or
6 widower’s insurance benefit, age 60) after De-
7 cember 31, 2011, 67 years of age plus $\frac{1}{24}$ of
8 the number of months in the period beginning
9 with January 2012 and ending with December
10 of the year in which the individual attains age
11 62 (rounded down to a full month).”; and

12 (2) by striking paragraph (3).

13 **SEC. 302. ADJUSTMENTS TO BEND POINTS IN DETER-**
14 **MINING PRIMARY INSURANCE AMOUNTS.**

15 (a) **ADDITIONAL BEND POINT.**—Section
16 215(a)(1)(A) of the Social Security Act (42 U.S.C.
17 415(a)(1)(A)) is amended—

18 (1) in clause (ii), by striking “and” at the end;

19 (2) in clause (iii), by striking “clause (ii),” and
20 inserting the following: “clause (ii) but do not exceed
21 the amount established for purposes of this clause
22 by subparagraph (B), and”; and

23 (3) by inserting after clause (iii) the following
24 new clause:

1 “(iv) the applicable percentage of the individ-
 2 ual’s average indexed monthly earnings to the extent
 3 that such earnings exceed the amount established
 4 for purposes of clause (iii), determined, in connec-
 5 tion with the calendar year in which the individual
 6 initially becomes eligible for old-age or disability in-
 7 surance benefits, or dies (before becoming eligible
 8 for such benefits), in accordance with the following
 9 table:

“Calendar year:	Applicable Percentage:
2001	13 percent
2002	11 percent
2003	9 percent
2004	7 percent
After 2004	5 percent.”.

10 (b) INITIAL LEVEL OF ADDITIONAL BEND POINT.—
 11 Section 215(a)(1)(B)(i) of such Act (42 U.S.C.
 12 415(a)(1)(B)(i)) is amended by adding at the end the fol-
 13 lowing new sentence: “For individuals who initially become
 14 eligible for old-age or disability insurance benefits, or who
 15 die (before becoming eligible for such benefit), in the cal-
 16 endar year 2000, the amount established for purposes of
 17 clause (iii) of subparagraph (A) shall be \$3,720.”.

18 (c) ANNUAL ADJUSTMENTS TO PIA FORMULA.—

19 (1) IN GENERAL.—Section 215(a)(1)(B) of
 20 such Act (42 U.S.C. 415(a)(1)(B)) is amended
 21 further—

1 (A) by redesignating clause (iii) as clause
2 (viii);

3 (B) in clause (ii), by striking “1979, each
4 of the amounts so established shall equal the
5 product of the corresponding amount” and in-
6 serting “2000, the amount established for pur-
7 poses of clause (i) of subparagraph (A) shall
8 equal the product of the amount established for
9 purposes of clause (i) of subparagraph (A)”;

10 (C) by inserting after clause (ii) the fol-
11 lowing new clauses:

12 “(iii) For individuals who initially become eligible for
13 old-age or disability insurance benefits, or who die (before
14 becoming eligible for such benefits), in any calendar year
15 after 2000, effective for such calendar year, each of the
16 amounts established under clause (i) for purposes of
17 clauses (ii) and (iii) of subparagraph (A) shall equal the
18 corresponding amount in effect for the preceding calendar
19 year, increased by the same percentage as the percentage
20 by which the Consumer Price Index for the calendar quar-
21 ter ending with September 30 of such preceding calendar
22 year exceeds the Consumer Price Index for the calendar
23 quarter ending with the preceding September 30. For pur-
24 poses of this clause, the Consumer Price Index for a cal-
25 endar quarter shall be the arithmetical mean of the Con-

1 sumer Price Index for Wage Earners and Clerical Workers
2 (CPI–W), as prepared by the Department of Labor, for
3 the 3 months in such quarter.

4 “(iv) For individuals who initially become eligible for
5 old-age or disability insurance benefits, or who die (before
6 becoming eligible for such benefits), in any calendar year
7 after 2000, effective for such calendar year—

8 “(I) the percentage in effect under clause (ii) of
9 subparagraph (A) shall be equal to the product de-
10 rived by multiplying the percentage in effect under
11 such clause for the preceding calendar year by 0.98,
12 and

13 “(II) the percentage in effect under clause (iii)
14 of subparagraph (A) shall be equal to the product
15 derived by multiplying the percentage in effect under
16 such clause for the preceding calendar year by
17 0.975.

18 “(v) For individuals who initially become eligible for
19 old-age or disability insurance benefits, or who die (before
20 becoming eligible for such benefits), in any calendar year
21 after 2005, effective for such calendar year, the percent-
22 age in effect under clause (iv) of subparagraph (A) shall
23 be equal to the product derived by multiplying the percent-
24 age in effect under such clause for the preceding calendar
25 year by 0.975.

1 “(vi)(I) Subject to section 201(p), in the case of an
2 individual who is entitled to disability insurance benefits
3 and to whom this clause applies, this subparagraph shall
4 apply as if the amendments made by the Social Security
5 Solvency Act of 1999 had not been enacted.

6 “(II) This clause applies to any individual who first
7 becomes eligible for such benefits in 2000, and whose aver-
8 age indexed monthly earnings (determined under sub-
9 section (b)) do not exceed \$1,666.66²/₃.

10 “(III) This clause also applies to any individual who
11 first becomes eligible for such benefits in any year after
12 2000, and whose average indexed monthly earnings (deter-
13 mined under subsection (b)) do not exceed the dollar
14 amount referred to in subclause (II), after applying
15 clauses (ii) and (ii) of subsection (a)(1)(B) to such dollar
16 amount, in connection with such year, in the same manner
17 and to the same extent as they apply to dollar amounts
18 in subsection (a)(1)(B)(i), except that, for purposes of this
19 subclause, the references in such clauses to 1979 and
20 1977 shall be deemed to be references to 2000 and 1998,
21 respectively.

22 “(vii) Subject to section 201(p), in the case of an in-
23 dividual who is entitled to disability insurance benefits,
24 who first becomes eligible for such benefits in any year
25 after 1999, and to whom clause (vi) does not apply, the

1 primary insurance amount of such individual shall not be
2 less than the primary insurance amount that would be de-
3 termined for such individual under this section if such in-
4 dividual's average indexed monthly earnings (determined
5 under subsection (b)) were equal to the dollar amount re-
6 ferred to in clause (vi) in connection with such year.”; and

7 (D) in clause (viii) (as redesignated), by
8 striking “amount” and inserting “dollar
9 amount”, by striking “clause (ii)” and inserting
10 “clauses (ii) and (iii)”, and by adding at the
11 end the following new sentence: “Each percent-
12 age established under clause (iv) for any cal-
13 endar year shall be rounded to the nearest
14 0.001 percent, except that any percentage so
15 established which is a multiple of 0.0005 per-
16 cent but not of 0.001 percent shall be rounded
17 to the next higher 0.001 percent.”.

18 (2) EFFECTIVE DATE.—The amendments made
19 by this subsection shall apply with respect to pri-
20 mary insurance amounts of individuals attaining
21 early retirement age (as defined in section 216(l) of
22 the Social Security Act), or dying, after December
23 31, 1999.

24 (d) MAXIMUM PERCENT REDUCTION IN PRIMARY IN-
25 SURANCE AMOUNTS.—

1 (1) IN GENERAL.—Section 215(a)(1) of such
2 Act (42 U.S.C. 415(a)(1)) is amended further by
3 adding at the end the following new subparagraph:
4 “(E)(i) An individual’s primary insurance amount as
5 otherwise determined under this section shall in no case
6 be less than such individual’s primary insurance amount
7 determined under this section as if the amendments made
8 by section 302 of the Social Security Solvency Act of 1999
9 had not been enacted, reduced by the maximum percent
10 reduction specified, in connection with the specified year
11 in which such individual initially becomes eligible for old-
12 age insurance benefits and in connection with the specified
13 next higher amount of the annual equivalent of average
14 indexed monthly earnings (determined under subsection
15 (b)), in the following table:

“Year of initial eligibility	Average indexed monthly earnings (annual equivalent)								
	\$5,000	\$10,000	\$15,000	\$20,000	\$21,000	\$22,000	\$23,000	\$24,000	\$25,000
2001	0.0	0.0	0.0	0.0	1.0	2.0	3.0	4.0	5.0
2002	0.0	0.0	0.0	0.0	1.0	2.0	3.0	4.0	5.0
2003	1.0	1.0	1.0	1.0	2.0	3.0	4.0	5.0	6.0
2004	2.0	2.0	2.0	2.0	3.0	4.0	5.0	6.0	7.0
2005	3.0	3.0	3.0	3.0	4.0	5.0	6.0	7.0	8.0
2006	4.0	4.0	4.0	4.0	5.0	6.0	7.0	8.0	9.0
2007	5.0	5.0	5.0	5.0	6.0	7.0	8.0	9.0	10.0
2008	6.0	6.0	6.0	6.0	7.0	8.0	9.0	10.0	11.0
2009	7.0	7.0	7.0	7.0	8.0	9.0	10.0	11.0	12.0
2010	8.0	8.0	8.0	8.0	9.0	10.0	11.0	12.0	13.0
2011	9.0	9.0	9.0	9.0	10.0	11.0	12.0	13.0	14.0
2012	10.0	10.0	10.0	10.0	11.0	12.0	13.0	14.0	15.0
2013	11.0	11.0	11.0	11.0	12.0	13.0	14.0	15.0	16.0
2014	12.0	12.0	12.0	12.0	13.0	14.0	15.0	16.0	17.0

1 “(ii) The dollar amounts set forth in the table under
2 clause (i) in connection with any year after 2001 shall be
3 deemed to be such dollar amounts after applying clauses
4 (ii) and (iii) of subsection (a)(1)(B) to such dollar
5 amounts, in connection with such year, in the same man-
6 ner and to the same extent as they apply to dollar amounts
7 in subsection (a)(1)(B)(i), except that, for purposes of this
8 clause, the references in such clauses to 1979 and 1977
9 shall be deemed to be references to 2001 and 1999, re-
10 spectively.”.

11 (2) EFFECTIVE DATE.—The amendment made
12 by this subsection shall apply with respect to bene-
13 fits for months after November 1999.

14 **SEC. 303. INFORMATION RELATING TO BENEFIT LIMITA-**
15 **TIONS PROVIDED IN SOCIAL SECURITY AC-**
16 **COUNT STATEMENTS.**

17 (a) IN GENERAL.—Section 1143 of the Social Secu-
18 rity Act (42 U.S.C. 1320b–13) is amended—

19 (1) in the heading for subsection (a), by strik-
20 ing “Upon Request” and inserting “of Annual
21 Statements”;

22 (2) in subsection (a)(1), by striking “Begin-
23 ning” and all that follows and inserting the fol-
24 lowing: “The Commissioner of Social Security shall
25 provide an annual social security account statement

1 (hereinafter in this section referred to as the ‘state-
2 ment’) to each eligible individual for whom a mailing
3 address can be determined through such methods as
4 the Commissioner determines to be appropriate.”;

5 (3) in subsection (a)(2)(A), by striking “at the
6 date of the request”;

7 (4) in subsection (a)(2)(B), by striking “on the
8 date of the request”;

9 (5) in subsection (a)(2)(C), by striking “on the
10 date of the request” and by striking “and” at the
11 end;

12 (6) in subsection (a)(2)(D), by inserting “in the
13 case of individuals not receiving benefits,” after
14 “(D)”, and by striking “title XVIII.” and inserting
15 “title XVIII; and”;

16 (7) by adding after subparagraph (D) the fol-
17 lowing:

18 “(E) a table setting forth an estimate, in rela-
19 tion to 1980 and every 10th year thereafter through
20 2030, of the following information:

21 “(i) the total amount of the current ad-
22 justed values of all employee, employer, and
23 self-employment contributions made with re-
24 spect to the wages and self-employment income

1 of the average earner retiring at retirement age
2 in each such year;

3 “(ii) the total amount of the current ad-
4 justed values of the social security old-age or
5 survivors benefits (as defined in section
6 202(y)(3)(D)) paid for all prior months on the
7 basis of the wages and self-employment income
8 of the average earner retiring at retirement age
9 in each such year; and

10 “(iii) the total amount of the current ad-
11 justed values of the monthly benefits which will
12 have been paid under such subsections, as of
13 the time of the death of the average earner re-
14 tiring at retirement age in each such year, on
15 the basis of his or her wages and self-employ-
16 ment income, as projected under the inter-
17 mediate actuarial assumptions utilized by the
18 Board of Trustees of the Federal Old-Age and
19 Survivors Insurance Trust Fund for its most
20 recent annual report issued under section
21 201(c).

22 For purposes of subparagraph (E), the term ‘current ad-
23 justed value’ has the meaning provided in section
24 202(y)(3)(C).’;

25 (8) by striking subsection (b);

1 (9) in subsection (c)—

2 (A) by striking the heading and inserting
3 the following:

4 “Required Estimates of Benefits”;

5 (B) by striking “(c)(1) By not later” and
6 all that follows through “With respect to” in
7 paragraph (2) and inserting “(b) With respect
8 to”; and

9 (C) by adding at the end the following new
10 sentence: “The Commissioner shall provide such
11 estimates of retirement benefit amounts to eligi-
12 ble individuals who have not attained age 50
13 upon request.”; and

14 (10) by adding at the end the following new
15 subsection:

16 “Inclusion of Statements to Retirees With Other Mailings

17 “(c) The Commissioner of Social Security shall en-
18 sure that statements provided to eligible individuals who
19 are receiving benefits under title II are included to the
20 maximum extent practicable with mailings otherwise made
21 to such individuals. The Commissioner shall consult with
22 the Secretary of the Treasury in carrying out the require-
23 ment of this subsection and such Secretary shall provide
24 such appropriate assistance to the Commissioner as is nec-
25 essary to carry out such requirements.”.

1 (b) EFFECTIVE DATE.—The amendments made by
2 subsection (a) shall apply with respect to statements pro-
3 vided on or after October 1, 2000.

4 **SEC. 304. COVERAGE OF NEWLY HIRED STATE AND LOCAL**
5 **EMPLOYEES.**

6 (a) AMENDMENTS TO THE SOCIAL SECURITY ACT.—

7 (1) IN GENERAL.—Paragraph (7) of section
8 210(a) of the Social Security Act (42 U.S.C.
9 410(a)(7)) is amended to read as follows:

10 “(7) Excluded State or local government em-
11 ployment (as defined in subsection (s));”.

12 (2) EXCLUDED STATE OR LOCAL GOVERNMENT
13 EMPLOYMENT.—

14 (A) IN GENERAL.—Section 210 of such
15 Act (42 U.S.C. 410) is amended by adding at
16 the end the following new subsection:

17 “Excluded State or Local Government Employment

18 “(s)(1) IN GENERAL.—The term ‘excluded State or
19 local government employment’ means any service per-
20 formed in the employ of a State, of any political subdivi-
21 sion thereof, or of any instrumentality of any one or more
22 of the foregoing which is wholly owned thereby, if—

23 “(A)(i) such service would be excluded from the
24 term ‘employment’ for purposes of this title if the
25 preceding provisions of this section as in effect in

1 December 2000 had remained in effect, and (ii) the
2 requirements of paragraph (2) are met with respect
3 to such service, or

4 “(B) the requirements of paragraph (3) are met
5 with respect to such service.

6 “(2) EXCEPTION FOR CURRENT EMPLOYMENT
7 WHICH CONTINUES.—

8 “(A) IN GENERAL.—The requirements of this
9 paragraph are met with respect to service for any
10 employer if—

11 “(i) such service is performed by an
12 individual—

13 “(I) who was performing substantial
14 and regular service for remuneration for
15 that employer before January 1, 2000,

16 “(II) who is a bona fide employee of
17 that employer on December 31, 1999, and

18 “(III) whose employment relationship
19 with that employer was not entered into
20 for purposes of meeting the requirements
21 of this subparagraph, and

22 “(ii) the employment relationship with that
23 employer has not been terminated after Decem-
24 ber 31, 1999.

1 “(B) TREATMENT OF MULTIPLE AGENCIES AND
2 INSTRUMENTALITIES.—For purposes of subpara-
3 graph (A), under regulations (consistent with regula-
4 tions established under section 3121(t)(2)(B) of the
5 Internal Revenue Code of 1986)—

6 “(i) all agencies and instrumentalities of a
7 State (as defined in section 218(b)) or of the
8 District of Columbia shall be treated as a single
9 employer, and

10 “(ii) all agencies and instrumentalities of a
11 political subdivision of a State (as so defined)
12 shall be treated as a single employer and shall
13 not be treated as described in clause (i).

14 “(3) EXCEPTION FOR CERTAIN SERVICES.—

15 “(A) IN GENERAL.—The requirements of this
16 paragraph are met with respect to service if such
17 service is performed—

18 “(i) by an individual who is employed by a
19 State or political subdivision thereof to relieve
20 such individual from unemployment,

21 “(ii) in a hospital, home, or other institu-
22 tion by a patient or inmate thereof as an em-
23 ployee of a State or political subdivision thereof
24 or of the District of Columbia,

1 “(iii) by an individual, as an employee of
2 a State or political subdivision thereof or of the
3 District of Columbia, serving on a temporary
4 basis in case of fire, storm, snow, earthquake,
5 flood, or other similar emergency,

6 “(iv) by any individual as an employee in-
7 cluded under section 5351(2) of title 5, United
8 States Code (relating to certain interns, student
9 nurses, and other student employees of hos-
10 pitals of the District of Columbia Government),
11 other than as a medical or dental intern or a
12 medical or dental resident in training,

13 “(v) by an election official or election
14 worker if the remuneration paid in a calendar
15 year for such service is less than \$1,000 with
16 respect to service performed during 2000, and
17 the adjusted amount determined under sub-
18 paragraph (C) for any subsequent year with re-
19 spect to service performed during such subse-
20 quent year, except to the extent that service by
21 such election official or election worker is in-
22 cluded in employment under an agreement
23 under section 218, or

24 “(vi) by an employee in a position com-
25 pensated solely on a fee basis which is treated

1 pursuant to section 211(c)(2)(E) as a trade or
2 business for purposes of inclusion of such fees
3 in net earnings from self-employment.

4 “(B) DEFINITIONS.—As used in this para-
5 graph, the terms ‘State’ and ‘political subdivision’
6 have the meanings given those terms in section
7 218(b).

8 “(C) ADJUSTMENTS TO DOLLAR AMOUNT FOR
9 ELECTION OFFICIALS AND ELECTION WORKERS.—
10 For each year after 2000, the Commissioner of So-
11 cial Security shall adjust the amount referred to in
12 subparagraph (A)(v) at the same time and in the
13 same manner as is provided under section
14 215(a)(1)(B)(ii) with respect to the amounts re-
15 ferred to in section 215(a)(1)(B)(i), except that—

16 “(i) for purposes of this subparagraph,
17 1997 shall be substituted for the calendar year
18 referred to in section 215(a)(1)(B)(ii)(II), and

19 “(ii) such amount as so adjusted, if not a
20 multiple of \$100, shall be rounded to the next
21 higher multiple of \$100 where such amount is
22 a multiple of \$50 and to the nearest multiple
23 of \$100 in any other case.

24 The Commissioner of Social Security shall determine
25 and publish in the Federal Register each adjusted

1 amount determined under this subparagraph not
2 later than November 1 preceding the year for which
3 the adjustment is made.”.

4 (B) CONFORMING AMENDMENTS.—

5 (i) Subsection (k) of section 210 of
6 such Act (42 U.S.C. 410(k)) (relating to
7 covered transportation service) is repealed.

8 (ii) Section 210(p) of such Act (42
9 U.S.C. 410(p)) is amended—

10 (I) in paragraph (2), by striking
11 “service is performed” and all that
12 follows and inserting “service is serv-
13 ice described in subsection (s)(3)(A).”;
14 and

15 (II) in paragraph (3)(A), by in-
16 serting “under subsection (a)(7) as in
17 effect in December 1999” after “sec-
18 tion”.

19 (iii) Section 218(e)(6) of such Act (42
20 U.S.C. 418(e)(6)) is amended—

21 (I) by striking subparagraph (C);

22 (II) by redesignating subpara-
23 graphs (D) and (E) as subparagraphs
24 (C) and (D), respectively; and

1 (III) by striking subparagraph
2 (F) and inserting the following:

3 “(E) service which is included as employment
4 under section 210(a).”

5 (b) AMENDMENTS TO THE INTERNAL REVENUE
6 CODE OF 1986.—

7 (1) IN GENERAL.—Paragraph (7) of section
8 3121(b) of the Internal Revenue Code of 1986 (re-
9 lating to employment) is amended to read as follows:

10 “(7) excluded State or local government em-
11 ployment (as defined in subsection (t));”.

12 (2) EXCLUDED STATE OR LOCAL GOVERNMENT
13 EMPLOYMENT.—Section 3121 of such Code is
14 amended by inserting after subsection (s) the fol-
15 lowing new subsection:

16 “(t) EXCLUDED STATE OR LOCAL GOVERNMENT EM-
17 PLOYMENT.—

18 “(1) IN GENERAL.—For purposes of this chap-
19 ter, the term ‘excluded State or local government
20 employment’ means any service performed in the
21 employ of a State, of any political subdivision there-
22 of, or of any instrumentality of any one or more of
23 the foregoing which is wholly owned thereby, if—

24 “(A)(i) such service would be excluded
25 from the term ‘employment’ for purposes of this

1 chapter if the provisions of subsection (b)(7) as
2 in effect in December 1999 had remained in ef-
3 fect, and (ii) the requirements of paragraph (2)
4 are met with respect to such service, or

5 “(B) the requirements of paragraph (3)
6 are met with respect to such service.

7 “(2) EXCEPTION FOR CURRENT EMPLOYMENT
8 WHICH CONTINUES.—

9 “(A) IN GENERAL.—The requirements of
10 this paragraph are met with respect to service
11 for any employer if—

12 “(i) such service is performed by an
13 individual—

14 “(I) who was performing sub-
15 stantial and regular service for remu-
16 neration for that employer before Jan-
17 uary 1, 2000,

18 “(II) who is a bona fide employee
19 of that employer on December 31,
20 1999, and

21 “(III) whose employment rela-
22 tionship with that employer was not
23 entered into for purposes of meeting
24 the requirements of this subpara-
25 graph, and

1 “(ii) the employment relationship with
2 that employer has not been terminated
3 after December 31, 1999.

4 “(B) TREATMENT OF MULTIPLE AGENCIES
5 AND INSTRUMENTALITIES.—For purposes of
6 subparagraph (A), under regulations—

7 “(i) all agencies and instrumentalities
8 of a State (as defined in section 218(b) of
9 the Social Security Act) or of the District
10 of Columbia shall be treated as a single
11 employer, and

12 “(ii) all agencies and instrumentalities
13 of a political subdivision of a State (as so
14 defined) shall be treated as a single em-
15 ployer and shall not be treated as de-
16 scribed in clause (i).

17 “(3) EXCEPTION FOR CERTAIN SERVICES.—

18 “(A) IN GENERAL.—The requirements of
19 this paragraph are met with respect to service
20 if such service is performed—

21 “(i) by an individual who is employed
22 by a State or political subdivision thereof
23 to relieve such individual from unemploy-
24 ment,

1 “(ii) in a hospital, home, or other in-
2 stitution by a patient or inmate thereof as
3 an employee of a State or political subdivi-
4 sion thereof or of the District of Columbia,

5 “(iii) by an individual, as an employee
6 of a State or political subdivision thereof
7 or of the District of Columbia, serving on
8 a temporary basis in case of fire, storm,
9 snow, earthquake, flood, or other similar
10 emergency,

11 “(iv) by any individual as an employee
12 included under section 5351(2) of title 5,
13 United States Code (relating to certain in-
14 terns, student nurses, and other student
15 employees of hospitals of the District of
16 Columbia Government), other than as a
17 medical or dental intern or a medical or
18 dental resident in training,

19 “(v) by an election official or election
20 worker if the remuneration paid in a cal-
21 endar year for such service is less than
22 \$1,000 with respect to service performed
23 during 2000, and the adjusted amount de-
24 termined under section 210(s)(3)(C) of the
25 Social Security Act for any subsequent

1 year with respect to service performed dur-
2 ing such subsequent year, except to the ex-
3 tent that service by such election official or
4 election worker is included in employment
5 under an agreement under section 218 of
6 the Social Security Act, or

7 “(vi) by an employee in a position
8 compensated solely on a fee basis which is
9 treated pursuant to section 1402(c)(2)(E)
10 as a trade or business for purposes of in-
11 clusion of such fees in net earnings from
12 self-employment.

13 “(B) DEFINITIONS.—As used in this para-
14 graph, the terms ‘State’ and ‘political subdivi-
15 sion’ have the meanings given those terms in
16 section 218(b) of the Social Security Act.”.

17 (3) CONFORMING AMENDMENTS.—

18 (A) Subsection (j) of such section 3121
19 (relating to covered transportation service) is
20 repealed.

21 (B) Paragraph (2) of section 3121(u) of
22 such Code (relating to application of hospital
23 insurance tax to Federal, State, and local em-
24 ployment) is amended—

1 (i) in subparagraph (B), by striking
2 “service is performed” in clause (ii) and all
3 that follows through the end of such sub-
4 paragraph and inserting “service is service
5 described in subsection (t)(3)(A).”; and

6 (ii) in subparagraph (C)(i), by insert-
7 ing “under subsection (b)(7) as in effect in
8 December 2000” after “chapter”.

9 (c) EFFECTIVE DATE.—Except as otherwise provided
10 in this section, the amendments made by this section shall
11 apply with respect to service performed after December
12 31, 2000.

13 **SEC. 305. INCREASE IN WIDOW’S AND WIDOWER’S INSUR-**
14 **ANCE BENEFITS.**

15 (a) WIDOW’S INSURANCE BENEFITS.—Section
16 202(e)(2) of the Social Security Act (42 U.S.C. 402(e)(2))
17 is amended—

18 (1) in subparagraph (A), by striking “the pri-
19 mary insurance amount” and inserting “110 percent
20 of the primary insurance amount”;

21 (2) in subparagraph (D)(i), by inserting “110
22 percent of” before “the amount”; and

23 (3) in subparagraph (D)(ii), by striking “82½
24 percent” and inserting “90¼ percent”.

1 (b) WIDOWER'S INSURANCE BENEFITS.—Section
2 202(f)(3) of such Act (42 U.S.C. 402(f)(3)) is amended—

3 (1) in subparagraph (A), by striking “the pri-
4 mary insurance amount” and inserting “110 percent
5 of the primary insurance amount”;

6 (2) in subparagraph (D)(i), by inserting “110
7 percent of” before “the amount”; and

8 (3) in subparagraph (D)(ii), by striking “82½
9 percent” and inserting “90¼ percent”.

10 (c) EFFECTIVE DATE.—The amendments made by
11 this section shall apply with respect to benefits for months
12 after December 2000.

13 **SEC. 306. ELIMINATION OF EARNINGS TEST FOR INDIVID-**
14 **UALS WHO HAVE ATTAINED RETIREMENT**
15 **AGE.**

16 (a) Section 203 of the Social Security Act (42 U.S.C.
17 403) is amended—

18 (1) in subsection (c)(1), by striking “the age of
19 seventy” and inserting “retirement age (as defined
20 in section 216(l))”;

21 (2) in paragraphs (1)(A) and (2) of subsection
22 (d), by striking “the age of seventy” each place it
23 appears and inserting “retirement age (as defined in
24 section 216(l))”;

1 (3) in subsection (f)(1)(B), by striking “was
2 age seventy or over” and inserting “was at or above
3 retirement age (as defined in section 216(l))”;

4 (4) in subsection (f)(3)—

5 (A) by striking “33 $\frac{1}{3}$ percent” and all
6 that follows through “any other individual,”
7 and inserting “50 percent of such individual’s
8 earnings for such year in excess of the product
9 of the exempt amount as determined under
10 paragraph (8),”; and

11 (B) by striking “age 70” and inserting
12 “retirement age (as defined in section 216(l))”;

13 (5) in subsection (h)(1)(A), by striking “age
14 70” each place it appears and inserting “retirement
15 age (as defined in section 216(l))”; and

16 (6) in subsection (j)—

17 (A) in the heading, by striking “Age Sev-
18 enty” and inserting “Retirement Age”; and

19 (B) by striking “seventy years of age” and
20 inserting “having attained retirement age (as
21 defined in section 216(l))”.

22 (b) UNIFORM EXEMPT AMOUNT.—Section
23 203(f)(8)(A) of the Social Security Act (42 U.S.C.
24 403(f)(8)(A)) is amended by striking “the new exempt
25 amounts (separately stated for individuals described in

1 subparagraph (D) and for other individuals) which are to
2 be applicable” and inserting “a new exempt amount which
3 shall be applicable”.

4 (c) CONFORMING AMENDMENTS.—Section
5 203(f)(8)(B) of the Social Security Act (42 U.S.C.
6 403(f)(8)(B)) is amended—

7 (1) in the matter preceding clause (i), by strik-
8 ing “Except” and all that follows through “which-
9 ever” and inserting “The exempt amount which is
10 applicable for each month of a particular taxable
11 year shall be whichever”;

12 (2) in clauses (i) and (ii), by striking “cor-
13 responding” each place it appears; and

14 (3) in the last sentence, by striking “an exempt
15 amount” and inserting “the exempt amount”.

16 (d) REPEAL OF BASIS FOR COMPUTATION OF SPE-
17 CIAL EXEMPT AMOUNT.—Section 203(f)(8)(D) of the So-
18 cial Security Act (42 U.S.C. 403(f)(8)(D)) is repealed.

19 (e) ELIMINATION OF REDUNDANT REFERENCES TO
20 RETIREMENT AGE.—Section 203 of the Social Security
21 Act (42 U.S.C. 403) is amended—

22 (1) in subsection (c), in the last sentence, by
23 striking “nor shall any deduction” and all that fol-
24 lows and inserting “nor shall any deduction be made
25 under this subsection from any widow’s or widower’s

1 insurance benefit if the widow, surviving divorced
2 wife, widower, or surviving divorced husband in-
3 volved became entitled to such benefit prior to at-
4 taining age 60.”; and

5 (2) in subsection (f)(1), by striking clause (D)
6 and inserting the following: “(D) for which such in-
7 dividual is entitled to widow’s or widower’s insurance
8 benefits if such individual became so entitled prior
9 to attaining age 60,”.

10 (f) CONFORMING AMENDMENT TO PROVISIONS FOR
11 DETERMINING AMOUNT OF INCREASE ON ACCOUNT OF
12 DELAYED RETIREMENT.—Section 202(w)(2)(B)(ii) of the
13 Social Security Act (42 U.S.C. 402(w)(2)(B)(ii)) is
14 amended—

15 (1) by striking “either”; and

16 (2) by striking “or suffered deductions under
17 section 203(b) or 203(c) in amounts equal to the
18 amount of such benefit”.

19 (g) PROVISIONS RELATING TO EARNINGS TAKEN
20 INTO ACCOUNT IN DETERMINING SUBSTANTIAL GAINFUL
21 ACTIVITY OF BLIND INDIVIDUALS.—The second sentence
22 of section 223(d)(4) of such Act (42 U.S.C. 423(d)(4))
23 is amended by striking “if section 102 of the Senior Citi-
24 zens’ Right to Work Act of 1996 had not been enacted”
25 and inserting the following: “if the amendments to section

1 203 made by section 102 of the Senior Citizens' Right
2 to Work Act of 1996 and by the Senior Citizens' Freedom
3 to Work Act of 1999 had not been enacted”.

4 (h) The amendments and repeals made by this Sec-
5 tion shall apply with respect to taxable years ending after
6 December 31, 2000.

7 **SEC. 307. ACCELERATION OF INCREASE IN DELAYED RE-**
8 **TIREMENT CREDIT.**

9 (a) IN GENERAL.—Section 202(w) of the Social Se-
10 curity Act (42 U.S.C. 402(w)) is amended—

11 (1) in paragraph (1)(A), by striking “the appli-
12 cable percentage (as determined under paragraph
13 (6))” and inserting “ $\frac{2}{3}$ of 1 percent”; and

14 (2) by striking paragraph (6).

15 (b) EFFECTIVE DATE.—The amendments made by
16 this section shall apply with respect to individuals who
17 have earnings in calendar years 2000 or later, after having
18 attained their retirement age.

19 **SEC. 308. AUTHORIZATION FOR REIMBURSEMENT OF FED-**
20 **ERAL DISABILITY INSURANCE TRUST FUND**
21 **FOR CERTAIN COSTS OF DISABILITY INSUR-**
22 **ANCE BENEFITS.**

23 (a) IN GENERAL.—Section 201 of the Social Security
24 Act (as amended by the preceding provisions of this Act)

1 is amended further by adding at the end the following new
2 subsection:

3 “Reimbursement of Federal Disability Insurance Trust

4 Fund for Certain Costs of Disability Insurance Benefits

5 “(p) Clauses (vi) and (vii) of section 215(a)(1)(B)

6 shall apply with respect to benefits paid during any fiscal

7 year only to the extent provided for in advance in an Ap-

8 propriation Act providing for reimbursement of the Fed-

9 eral Disability Insurance Trust Fund for any portion of

10 such benefits representing a net increase resulting from

11 the operation of such clauses. The Commissioner of Social

12 Security shall report to the each House of the Congress

13 as soon as practicable before each fiscal year the Commis-

14 sioner’s determination of the amounts necessary to provide

15 for any such net increase for such fiscal year.”.

16 **SEC. 309. STUDY TO DEVELOP RECOMMENDATIONS FOR**

17 **PROVIDING FOR ELECTIONS UNDER WHICH**

18 **INDIVIDUALS MAY OPT FOR EXCLUSION**

19 **FROM SOCIAL SECURITY COVERAGE.**

20 (a) IN GENERAL.—As soon as practicable after the

21 date of the enactment of this Act, the Commissioner of

22 Social Security shall conduct a thorough and comprehen-

23 sive study of the most appropriate and feasible means of

24 providing for elections under which individuals may opt

25 for exclusion from coverage under the old-age, survivors,

1 and disability insurance program under part A of title II
2 of the Social Security Act and chapters 2 and 21 of the
3 Internal Revenue Code of 1986.

4 (b) REQUIREMENTS.—In conducting the study pursu-
5 ant to this section, the Commissioner shall prepare and
6 make full use, as appropriate, of such econometric models
7 and actuarial analyses as are necessary to carry out such
8 study. Such study shall take into account the extent to
9 which the old-age, survivors, and disability insurance pro-
10 gram may accommodate such elections and the terms and
11 conditions for such elections which would most effectively
12 permit such accommodation. The Commissioner shall con-
13 duct the study pursuant to this section in consultation
14 with the Board of Trustees of the Federal Old-Age and
15 Survivors Insurance Trust Fund and the Federal Dis-
16 ability Insurance Trust Fund and with other appropriate
17 departments and agencies of the Federal Government, and
18 such other departments and agencies shall provide to the
19 Commissioner such assistance, on a reimbursable basis, as
20 may be necessary and appropriate.

21 (c) REPORT.—Not later than 180 days after the date
22 of the enactment of this Act, the Commissioner of Social
23 Security shall submit to the Committee on Ways and
24 Means of the House of Representatives and the Committee
25 on Finance of the Senate a written report containing a

1 recommendation, or alternative recommendations, for pro-
2 viding for elections described in subsection (a). Such re-
3 port shall contain a complete description of the models and
4 analyses used in carrying out the study pursuant to this
5 section and shall be accompanied by draft legislation
6 which, if enacted, would carry out the recommendations
7 contained in the report.

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