

108TH CONGRESS
2D SESSION

H. R. 4851

To reform Social Security by establishing a Personal Social Security Savings Program.

IN THE HOUSE OF REPRESENTATIVES

JULY 19, 2004

Mr. RYAN of Wisconsin (for himself, Mr. DOOLITTLE, and Mr. FRANKS of Arizona) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on the Budget and Rules, 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 reform Social Security by establishing a Personal Social Security Savings Program.

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 AND TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Social Security Personal Savings Guarantee and Pros-
6 perity Act of 2004”.

7 (b) TABLE OF CONTENTS.—The table of contents is
8 as follows:

- Sec. 1. Short title and table of contents.
 Sec. 2. Establishment of Personal Social Security Investment Program.

“PART A—INSURANCE BENEFITS

“PART B—PERSONAL SOCIAL SECURITY SAVINGS PROGRAM

- “Sec. 251. Definitions.
 “Sec. 252. Social Security Personal Savings Fund.
 “Sec. 253. Participation in Program.
 “Sec. 254. Personal social security savings accounts.
 “Sec. 255. Benefit credit certificates.
 “Sec. 256. Tier I Investment Fund.
 “Sec. 257. Tier II Investment Fund.
 “Sec. 258. Tier III Investment Options.
 “Sec. 259. Personal social security savings annuity and other distributions.
 “Sec. 260. Guarantee of promised benefits.
 “Sec. 261. Personal Social Security Savings Account Board.
 “Sec. 262. Executive Director.

- Sec. 3. Adjustments to primary insurance amounts.
 Sec. 4. General fund transfers to the Federal Old-Age and Survivors Insurance Trust Fund.
 Sec. 5. Tax treatment of accounts.
 Sec. 6. Self-Liquidating Social Security Transition Fund.
 Sec. 7. Issuance of Transition Fund Bonds.
 Sec. 8. Accounting for the Old-Age, Survivors, and Disability Insurance Program and the Personal Social Security Savings Program.
 Sec. 9. Budgetary treatment of social security.
 Sec. 10. Dedication of budget surpluses to saving social security.
 Sec. 11. National spending limitation.
 Sec. 12. Imposition of spending limitations on congressional budget resolutions.
 Sec. 13. Reduction of FICA rates resulting from Personal Social Security Savings Program.

1 **SEC. 2. ESTABLISHMENT OF PERSONAL SOCIAL SECURITY**
 2 **INVESTMENT PROGRAM.**

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

5 (1) by inserting before section 201 the fol-
 6 lowing:

7 **“PART A—INSURANCE BENEFITS”**; and

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

1 **“PART B—PERSONAL SOCIAL SECURITY SAVINGS**
2 **PROGRAM**

3 **“SEC. 251. DEFINITIONS.**

4 “For purposes of this part—

5 “(1) PARTICIPATING INDIVIDUAL.—The term
6 ‘participating individual’ has the meaning provided
7 in section 253(a).

8 “(2) BOARD.—The term ‘Board’ means the
9 Personal Social Security Savings Account Board es-
10 tablished under section 261.

11 “(3) EXECUTIVE DIRECTOR.—The term ‘Execu-
12 tive Director’ means the Executive Director ap-
13 pointed under section 262.

14 “(4) PERSONAL SOCIAL SECURITY SAVINGS AC-
15 COUNT.—The term ‘personal social security savings
16 account’ means an account established under section
17 254(a).

18 “(5) PERSONAL SOCIAL SECURITY SAVINGS AN-
19 NUITY.—The term ‘personal social security savings
20 annuity’ means an annuity approved by the Board
21 under section 259(b)(3).

22 “(6) SAVINGS FUND.—The term ‘Savings Fund’
23 means the Social Security Personal Savings Fund
24 established under section 252.

1 “(7) TIER I INVESTMENT FUND.—The term
2 ‘Tier I Investment Fund’ means the trust fund cre-
3 ated under section 256.

4 “(8) TIER II INVESTMENT FUND.—The term
5 ‘Tier II Investment Fund’ means the trust fund cre-
6 ated under section 257.

7 “(9) TIER III INVESTMENT OPTION.—The term
8 ‘Tier III Investment Option’ means an investment
9 option which is—

10 “(A) offered by an eligible entity certified
11 by the Board under section 258(b); and

12 “(B) approved by the Board under section
13 258(c).

14 **“SEC. 252. SOCIAL SECURITY PERSONAL SAVINGS FUND.**

15 “(a) ESTABLISHMENT OF SAVINGS FUND.—

16 “(1) ESTABLISHMENT.—There is established in
17 the Treasury of the United States a trust fund to
18 be known as the ‘Social Security Personal Savings
19 Fund’.

20 “(2) AMOUNTS IN FUND.—The Savings Fund
21 shall consist of all amounts transferred to or depos-
22 ited into the Savings Fund under subsection (b), in-
23 creased by the total net earnings from investments
24 of sums in the Savings Fund and reduced by the

1 total net losses from investments of the Savings
2 Fund.

3 “(3) TRUSTEES.—The Board shall serve as
4 trustees of the Savings Fund.

5 “(4) BUDGET AUTHORITY; APPROPRIATION.—
6 This part constitutes budget authority in advance of
7 appropriations Acts and represents the obligation of
8 the Board to provide for the payment of amounts
9 provided under this part. The amounts held in the
10 Savings Fund are appropriated and shall remain
11 available without fiscal year limitation.

12 “(b) DEPOSITS INTO FUND.—

13 “(1) IN GENERAL.—During each calendar year,
14 the Secretary of the Treasury shall deposit into the
15 Savings Fund, from amounts held in the Federal
16 Old-Age and Survivors Insurance Trust Fund, a
17 total amount equal, in the aggregate, to 100 percent
18 of the redirected social security contribution for such
19 calendar year of each individual who is a partici-
20 pating individual for such calendar year.

21 “(2) TRANSFERS BASED ON ESTIMATES.—

22 “(A) IN GENERAL.—The amounts depos-
23 ited pursuant to paragraph (1) shall be trans-
24 ferred in at least weekly payments from the

1 Federal Old-Age and Survivors Insurance Trust
2 Fund to the Savings Fund.

3 “(B) DETERMINATION OF AMOUNTS.—The
4 amounts transferred under subparagraph (A)
5 shall be determined on the basis of estimates,
6 made by the Commissioner of Social Security
7 and certified to the Secretary of the Treasury,
8 of the wages paid to, and self-employment in-
9 come derived by, participating individuals.
10 Proper adjustments shall be made in amounts
11 subsequently transferred to the extent prior es-
12 timates were in excess of or were less than ac-
13 tual amounts transferred.

14 “(3) REDIRECTED SOCIAL SECURITY CONTRIBU-
15 TIONS.—For purposes of paragraph (1)——

16 “(A) IN GENERAL.—The term ‘redirected
17 social security contributions’ means, with re-
18 spect to an individual for a calendar year, the
19 sum of—

20 “(i) the product derived by multi-
21 plying—

22 “(I) the sum of the total wages
23 paid to, and self-employment income
24 derived by, such individual during
25 such calendar year, to the extent such

1 total wages and self-employment in-
2 come do not exceed the base amount
3 for such calendar year; by

4 “(II) 10 percent; and

5 “(ii) the product derived by multi-
6 plying—

7 “(I) the sum of the total wages
8 paid to, and self-employment income
9 derived by, such individual during
10 such calendar year, to the extent such
11 total wages and self-employment in-
12 come exceed the base amount (taking
13 into account the limits imposed by the
14 contribution and benefit base under
15 section 230); by

16 “(II) 5 percent.

17 “(B) BASE AMOUNT.—For purposes of
18 subparagraph (A)—

19 “(i) INITIAL BASE AMOUNT.—The
20 base amount for calendar year 2005 is
21 \$10,000.

22 “(ii) ADJUSTMENTS TO BASE
23 AMOUNT.—The base amount for any cal-
24 endar year after 2005 is the product de-

1 rived by multiplying \$10,000 by a frac-
2 tion—

3 “(I) the numerator of which is
4 the national average wage index (as
5 defined in section 209(k)) for the first
6 of the 2 preceding calendar years; and

7 “(II) the denominator of which is
8 the national average wage index (as so
9 defined) for 2003.

10 “(c) AVAILABILITY.—The sums in the Savings Fund
11 are appropriated and shall remain available without fiscal
12 year limitation—

13 “(1) to invest funds in the Tier I Investment
14 Fund of the Savings Fund and the Tier II Invest-
15 ment Fund of the Savings Fund under sections 256
16 and 257, respectively;

17 “(2) to transfer into Tier III Investment Op-
18 tions under section 258;

19 “(3) to make distributions in accordance with
20 section 259; and

21 “(4) to pay the administrative expenses of the
22 Board in accordance with subsection (e).

23 “(d) LIMITATIONS ON USE OF FUNDS.—

24 “(1) IN GENERAL.—Sums in the Savings Fund
25 credited to a participating individual’s personal so-

1 cial security savings account may not be used for, or
2 diverted to, purposes other than for the exclusive
3 benefit of the participating individual or the partici-
4 pating individual’s beneficiaries under this part.

5 “(2) ASSIGNMENTS.—Sums in the Savings
6 Fund may not be assigned or alienated and are not
7 subject to execution, levy, attachment, garnishment,
8 or other legal process.

9 “(e) PAYMENT OF ADMINISTRATIVE EXPENSES.—
10 Administrative expenses incurred to carry out this part
11 shall be paid out of net earnings in the Savings Fund in
12 conjunction with the allocation of investment earnings and
13 losses under section 254(c).

14 “(f) LIMITATION.—The sums in the Savings Fund
15 shall not be appropriated for any purpose other than the
16 purposes specified in this part and may not be used for
17 any other purpose.

18 **“SEC. 253. PARTICIPATION IN PROGRAM.**

19 “(a) PARTICIPATING INDIVIDUAL.—For purposes of
20 this part, the term ‘participating individual’ means any
21 individual—

22 “(1)(A) who receives wages in any calendar
23 year after December 31, 2004, on which there is im-
24 posed a tax under section 3101(a) of the Internal
25 Revenue Code of 1986, or

1 “(B) who derives self-employment income for a
2 taxable year beginning after December 31, 2004, on
3 which there is imposed a tax under section 1401(a)
4 of the Internal Revenue Code of 1986,

5 “(2) who is born on or after January 1, 1950,
6 and

7 “(3) who has not filed an election to renounce
8 such individual’s status as a participating individual
9 under subsection (b) or has filed such an election
10 and has subsequently filed an election to reinstate
11 such individual’s status as a participating individual
12 under subsection (c).

13 “(b) RENUNCIATION OF PARTICIPATION.—

14 “(1) IN GENERAL.—An individual—

15 “(A) who has not attained retirement age
16 (as defined in section 216(l)(1)), and

17 “(B) with respect to whom no distribution
18 has been made from amounts credited to the in-
19 dividual’s personal social security savings ac-
20 count for the purchase of a personal social se-
21 curity savings annuity,

22 may elect, in such form and manner as shall be pre-
23 scribed in regulations of the Board, to renounce
24 such individual’s status as a ‘participating indi-
25 vidual’ for purposes of this part. Upon completion of

1 the procedures provided for under paragraph (2),
2 any such individual who has made such an election
3 shall not be treated as a participating individual
4 under this part, effective as if such individual had
5 never been a participating individual. The Board
6 shall provide for immediate notification of such elec-
7 tion to the Commissioner of Social Security, the Sec-
8 retary of the Treasury, and the Executive Director.

9 “(2) PROCEDURE.—The Board shall prescribe
10 by regulation procedures governing the termination
11 of an individual’s status as ‘participating individual’
12 pursuant to an election under this subsection. Such
13 procedures shall include—

14 “(A) prompt closing of the individual’s per-
15 sonal social security savings account established
16 under section 254,

17 “(B) revocation of any benefit credit cer-
18 tificate assigned to the individual’s personal so-
19 cial security savings account under section 255,
20 and

21 “(C) prompt transfer to the Federal Old-
22 Age and Survivors Insurance Trust Fund as
23 general receipts of any amount held in the Tier
24 II Investment Fund of the Savings Fund or
25 under a Tier III Investment Option pursuant to

1 section 257 or 258 and credited to such individ-
2 ual's personal social security savings account.

3 “(c) REINSTATEMENT OF PARTICIPATION.—

4 “(1) IN GENERAL.—Any individual who has
5 filed an election under subsection (b) to renounce
6 such individual's status as a ‘participating indi-
7 vidual’ under this part may elect, in such form and
8 manner as shall be prescribed in regulations of the
9 Board, to reinstate such status. Such regulations
10 shall provide for regular, periodic opportunities for
11 the filing of such an election. The Board shall pro-
12 vide for immediate notification to the Commissioner
13 of Social Security, the Secretary of the Treasury,
14 and the Executive Director of such election.

15 “(2) EFFECTIVENESS OF REINSTATEMENT.—

16 An election under this subsection shall be effective
17 with respect to wages earned, and self-employment
18 income derived, on the earliest date on which the
19 Board determines is practicable to make such elec-
20 tion effective following the date of the filing of the
21 election. The individual filing the election shall be
22 treated as becoming a participating individual under
23 this part on the effective date of the election as if
24 such individual first met the requirements of sub-
25 section (a) on such date.

1 “(3) IRREVOCABILITY.—An election under this
2 subsection shall be irrevocable.

3 **“SEC. 254. PERSONAL SOCIAL SECURITY SAVINGS AC-**
4 **COUNTS.**

5 “(a) ESTABLISHMENT OF PUBLICLY ADMINISTERED
6 SYSTEM OF PERSONAL SECURITY SAVINGS ACCOUNTS.—
7 As soon as practicable after the later of January 1, 2005,
8 or the date on which an individual becomes a participating
9 individual under this part, the Executive Director shall es-
10 tablish a personal social security savings account for such
11 individual. Such account shall be the means by which
12 amounts held in the Tier I Investment Fund and the Tier
13 II Investment Fund of the Savings Fund under sections
14 256 and 257 and amounts held under Tier III Investment
15 Options under section 258 are credited to such individual,
16 under procedures which shall be established by the Board
17 by regulation. Each account of a participating individual
18 shall be identified to such participating individual by
19 means of the participating individual’s social security ac-
20 count number.

21 “(b) ACCOUNT BALANCE.—The balance in a partici-
22 pating individual’s account at any time is the sum of—

23 “(1) the balance in the Tier I Investment Fund
24 of the Savings Fund credited to such participating
25 individual prior to transfer of the credited amount to

1 the Tier II Investment Fund of the Savings Fund;
2 plus

3 “(2) the excess of—

4 “(A) all deposits in the Tier II Investment
5 Fund of the Savings Fund credited to such par-
6 ticipating individual’s personal social security
7 savings account, subject to such increases and
8 reductions as may result from allocations made
9 to and reductions made in the account pursuant
10 to subsection (c)(1); over

11 “(B) amounts paid out of the Tier II In-
12 vestment Fund in connection with amounts
13 credited to such participating individual’s per-
14 sonal social security savings account; plus

15 “(3) the excess of—

16 “(A) the deposits in the Tier III Invest-
17 ment Options credited to such participating in-
18 dividual’s personal social security savings ac-
19 count, subject to such increases and reductions
20 as may result from amounts credited to, and re-
21 ductions made in, the account pursuant to sub-
22 section (c)(2); over

23 “(B) amounts paid out of the Tier III In-
24 vestment Options of such participating indi-
25 vidual.

1 The calculation made under paragraph (3) shall be made
2 separately for each Tier III Investment Option of the par-
3 ticipating individual. The Board shall also hold for the
4 participating individual any benefit credit certificate as-
5 signed to the participating individual's personal social se-
6 curity savings account under section 255.

7 “(c) ALLOCATION OF EARNINGS AND LOSSES.—Pur-
8 suant to regulations which shall be prescribed by the
9 Board, the Executive Director shall allocate to each per-
10 sonal social security savings account an amount equal to
11 the net earnings and net losses from each investment of
12 sums—

13 “(1) in the Tier I Investment Fund and the
14 Tier II Investment Fund which are attributable to
15 sums credited to such account reduced by an appro-
16 priate share of the administrative expenses paid out
17 of the net earnings, as determined by the Executive
18 Director; and

19 “(2) in the Tier III Investment Options which
20 are attributable to sums credited to such account re-
21 duced by the administrative expenses paid out of the
22 net earnings.

23 **“SEC. 255. BENEFIT CREDIT CERTIFICATES.**

24 “(a) IN GENERAL.—As soon as is practicable after
25 a personal social security savings account is established

1 under this part with respect to any participating indi-
2 vidual, the Board shall certify the establishment of such
3 account to the Secretary of the Treasury, and, upon re-
4 ceipt of such certification, such Secretary shall assign to
5 the account of such individual a benefit credit certificate.
6 The benefit credit certificate shall be evidenced by a paper
7 instrument provided to the participating individual setting
8 forth the terms specified in this section, and stating on
9 its face that the certificate shall be incontestable in the
10 hands of the bearer, that the certificate is supported by
11 the full faith and credit of the United States, and that
12 the United States is pledged to the satisfaction of the
13 terms of the certificate as provided in this section.

14 “(b) VALUE.—

15 “(1) FACE VALUE.—The benefit credit certifi-
16 cate shall have an initial face value equal to the total
17 estimated actuarial present value of the future
18 monthly insurance benefits under section 202 to
19 which the participating individual would be entitled,
20 and to which other individuals would be entitled
21 under section 202 based on the participating individ-
22 ual’s wages and self-employment income, payable on
23 or after the date on which such individual becomes
24 entitled to old-age insurance benefits under section
25 202(a) (or the date of such individual’s death, if ear-

1 lier) determined under current law as in effect on
2 the date of the determination, using the assumptions
3 provided under paragraph (2) and taking into ac-
4 count the reduction in the participating individual's
5 primary insurance amount under section 215(j).

6 “(2) ASSUMPTIONS.—The actuarial present
7 value determined under paragraph (1) shall be de-
8 termined—

9 “(A) taking into account solely wages and
10 self-employment income credited to the partici-
11 pating individual as of the date of the deter-
12 mination (including any amounts creditable to
13 such individual as of such date but not yet
14 credited as of such date, as estimated in accord-
15 ance with regulations which shall be prescribed
16 by the Board),

17 “(B) assuming that the participating indi-
18 vidual would become entitled to old-age insur-
19 ance benefits under section 202(a) on the day
20 such individual would attain retirement age (as
21 defined in section 216(l)(1)), and

22 “(C) using reasonable actuarial and eco-
23 nomic assumptions concerning mortality rates,
24 discount rates, wage growth, and other relevant
25 factors.

1 “(3) ADJUSTMENT TO VALUE.—Not less than
2 annually, the Board shall update the face value of
3 the benefit credit certificate to reflect any changes in
4 the total estimated actuarial present value of the fu-
5 ture monthly benefits described in paragraph (1), as
6 determined under this subsection as of the date of
7 the update.

8 “(c) REDEMPTION.—Redemption of a benefit credit
9 certificate assigned to a participating individual’s personal
10 social security savings account shall be obtained only by
11 means of the receipt of benefits under section 202 by indi-
12 viduals entitled to such benefits under part A, based on
13 the wages and self-employment income of such partici-
14 pating individual, on or after the date on which the par-
15 ticipating individual becomes entitled to old-age insurance
16 benefits under section 202(a) (or the date of such individ-
17 ual’s death, if earlier), taking into account section 215(j).
18 Payment of such benefits shall constitute full redemption
19 of such certificate.

20 **“SEC. 256. TIER I INVESTMENT FUND.**

21 “(a) ESTABLISHMENT OF TIER I INVESTMENT
22 FUND.—

23 “(1) IN GENERAL.—The Savings Fund shall in-
24 clude a separate fund to be known as the ‘Tier I In-
25 vestment Fund’.

1 “(2) AMOUNTS IN FUND.—The Tier I Invest-
2 ment Fund consists of all amounts derived from
3 payments into the Fund under section 252(b) and
4 remaining after investment of such amounts under
5 subsection (b), including additional amounts derived
6 as income from such investments.

7 “(3) USE OF FUNDS.—The amounts held in the
8 Fund are appropriated and shall remain available
9 without fiscal year limitation—

10 “(A) to be held for investment on behalf of
11 participating individuals under subsection (b),

12 “(B) to pay the administrative expenses re-
13 lated to the Fund, and

14 “(C) to make transfers from the Fund
15 under subsection (c)(2).

16 “(b) INVESTMENT OF FUND BALANCE.—For pur-
17 poses of investment of the Tier I Investment Fund, the
18 Board shall contract with appropriate professional asset
19 managers, recordkeepers, and custodians selected for in-
20 vestment of amounts held in the Fund, so as to provide
21 for investment of the balance of the Fund, in a manner
22 providing broad diversification in accordance with regula-
23 tions of the Board, in—

24 “(1) insurance contracts,

25 “(2) certificates of deposit, or

1 “(3) other instruments or obligations selected
2 by such asset managers,
3 which return the amount invested and pay interest, at a
4 specified rate or rates, on that amount during a specified
5 period of time.

6 “(c) SEPARATE CREDITING TO PERSONAL SOCIAL
7 SECURITY SAVINGS ACCOUNTS AND TRANSFERS TO THE
8 TIER II INVESTMENT FUND OR TO TIER III INVESTMENT
9 OPTIONS.—

10 “(1) CREDITING TO ACCOUNTS.—

11 “(A) IN GENERAL.—Subject to this para-
12 graph, the Board shall provide for prompt, sep-
13 arate crediting, as soon as practicable, of the
14 amounts deposited in the Tier I Investment
15 Fund to the personal social security savings ac-
16 count of each participating individual with re-
17 spect to the redirected social security contribu-
18 tions (as defined in section 252(b)(3)) of such
19 participating individual. The Board shall in-
20 clude in such crediting, with respect to each
21 such individual, any increases or decreases in
22 such amounts so as to reflect the net returns
23 and losses from investment of the balance of
24 the Fund prior to such crediting. For purposes
25 of determining such increases and decreases for

1 each calendar year, the amounts deposited into
2 the Fund in connection with such individual
3 during such calendar year shall be deemed to
4 have been deposited on June 30 of such year.

5 “(B) TREATMENT OF MARRIED PARTICI-
6 PATING INDIVIDUALS.—If the participating in-
7 dividual is married as of the end of the calendar
8 year in which the amounts to be credited were
9 deposited in the Tier I Investment Fund and
10 the spouse is also a participating individual, the
11 personal social security savings account of the
12 participating individual and the personal social
13 security savings account of his or her spouse
14 shall each be credited with 50 percent of such
15 amounts.

16 “(2) TRANSFERS FROM THE TIER I INVEST-
17 MENT FUND.—In accordance with elections filed
18 with the Board by a participating individual, any
19 amount credited to the personal social security sav-
20 ings account of such participating individual under
21 paragraph (1) shall be promptly transferred to the
22 Tier II Investment Fund of the Savings Fund for
23 investment in accordance with section 257 and, to
24 the extent available under section 258, to Tier III
25 Investment Options in accordance with section 258.

1 “(d) TREATMENT OF AMOUNTS HELD IN TIER I IN-
2 VESTMENT FUND.—Subject to this part—

3 “(1) until amounts deposited into the Tier I In-
4 vestment Fund during any calendar year are cred-
5 ited to personal social security savings accounts,
6 such amounts shall be treated as the unallocated
7 property of all participating individuals with respect
8 to whom amounts were deposited in the Fund dur-
9 ing such year, jointly held in trust for such partici-
10 pating individuals in the Savings Fund, and

11 “(2) amounts deposited into the Fund which
12 are credited to the personal social security savings
13 account of a participating individual shall be treated
14 as property of the participating individual, held in
15 trust for such participating individual in the Savings
16 Fund.

17 **“SEC. 257. TIER II INVESTMENT FUND.**

18 “(a) ESTABLISHMENT OF TIER II INVESTMENT
19 FUND.—

20 “(1) IN GENERAL.—The Savings Fund shall in-
21 clude a separate fund to be known as the ‘Tier II
22 Investment Fund’.

23 “(2) AMOUNTS IN FUND.—The Tier II Invest-
24 ment Fund consists of all amounts derived from
25 payments into the Fund under section 256(c)(2) and

1 remaining after investment of such amounts under
2 subsection (b), including additional amounts derived
3 as income from such investments.

4 “(3) USE OF FUNDS.—The amounts held in the
5 Fund are appropriated and shall remain available
6 without fiscal year limitation—

7 “(A) to be held for investment under sub-
8 section (b),

9 “(B) to pay the administrative expenses re-
10 lated to the Fund, and

11 “(C) to make transfers to Tier III Invest-
12 ment Options under section 258 or to make
13 payments under section 259.

14 “(b) PAYMENTS INTO TIER II INVESTMENT FUND.—

15 “(1) IN GENERAL.—Upon the crediting under
16 section 252 to the personal social security savings
17 account of a participating individual of any amount
18 held in the Tier I Investment Fund for any calendar
19 year, the Board shall transfer from the Tier I In-
20 vestment Fund into the Tier II Investment Fund
21 any amount so credited to such participating individ-
22 ual’s account which is not transferred to a Tier III
23 Investment Option pursuant to an election under
24 section 258(a).

1 “(2) ONGOING SEPARATE CREDITING.—Subject
2 to this paragraph, the Board shall provide for ongoing
3 separate crediting to each participating individual’s
4 personal social security savings account of the
5 amounts deposited in the Tier II Investment Fund
6 with respect to such participating individual, together
7 with any increases or decreases therein so as
8 to reflect the net returns and losses from investment
9 thereof while held in the Fund.

10 “(c) INVESTMENT IN EQUITIES AND FIXED INCOME
11 INSTRUMENTS IN 3 ALTERNATIVE INVESTMENT AC-
12 COUNTS.—

13 “(1) IN GENERAL.—For purposes of investment
14 of the Tier II Investment Fund, the Board shall divide
15 the Fund into 3 investment accounts. Such accounts
16 shall consist of the 65/35 investment account,
17 the 50/50 investment account, and the 80/20 investment
18 account. The Board shall contract with appropriate
19 investment managers, recordkeepers, and
20 custodians selected for investment of amounts held
21 in each investment account.

22 “(2) RULES RELATING TO INVESTMENT AC-
23 COUNTS.—

24 “(A) IN GENERAL.—The investment manager,
25 recordkeeper, and custodian selected for

1 investment of amounts held in each investment
2 account referred to paragraph (1) shall invest
3 such amounts under regulations which shall be
4 prescribed by the Board so as to ensure, to the
5 maximum extent practicable, that, of the total
6 balance in the Fund credited to such account
7 and available for investment (after allowing for
8 administrative expenses)—

9 “(i) the prescribed equities percentage
10 is invested in equities in accordance with
11 paragraph (4), and

12 “(ii) the prescribed fixed income in-
13 struments percentage is invested in fixed
14 income instruments in accordance with
15 paragraph (5).

16 “(B) PRESCRIBED PERCENTAGES.—For
17 purposes of subparagraph (A)—

18 “(i) THE 65/35 INVESTMENT AC-
19 COUNT.—In the case of the 65/35 invest-
20 ment account—

21 “(I) the prescribed equities per-
22 centage is 65 percent, and

23 “(II) the prescribed fixed income
24 instruments percentage is 35 percent.

1 “(ii) THE 50/50 INVESTMENT AC-
2 COUNT.—In the case of the 50/50 invest-
3 ment account—

4 “(I) the prescribed equities per-
5 centage is 50 percent, and

6 “(II) the prescribed fixed income
7 instruments percentage is 50 percent.

8 “(iii) THE 80/20 INVESTMENT AC-
9 COUNT.—In the case of the 80/20 invest-
10 ment account—

11 “(I) the prescribed equities per-
12 centage is 80 percent, and

13 “(II) the prescribed fixed income
14 instruments percentage is 20 percent.

15 “(3) ELECTION OF INVESTMENT OPTIONS.—

16 “(A) DEFAULT INVESTMENT ACCOUNT.—
17 Except as provided in an election in effect
18 under subparagraph (B), amounts held in the
19 Tier II Investment Fund shall be credited to
20 the 65/35 investment account.

21 “(B) ELECTION OF TRANSFERS BETWEEN
22 INVESTMENT ACCOUNTS.—In any case in which
23 a participating individual who has an amount in
24 such individual’s personal social security sav-
25 ings account credited to any of the investment

1 accounts in the Tier II Investment Fund files
2 with the Secretary of the Treasury a written
3 election under this subparagraph, not more fre-
4 quently than annually and in accordance with
5 regulations of the Board, the Secretary of the
6 Treasury shall transfer the full amount so cred-
7 ited in such investment account from such in-
8 vestment account to any one of the other invest-
9 ment accounts in the Tier II Investment Fund
10 (whichever is designated in such election).

11 “(4) INVESTMENT IN EQUITIES.—In accordance
12 with regulations which shall be prescribed by the
13 Board, the Board shall establish standards which
14 must be met by equities selected for investment of
15 the balance of the Tier II Investment Fund pursu-
16 ant to paragraph (2)(A)(i). In conformity with such
17 standards, the Board shall select, for purposes of
18 such investment, indices which are comprised of eq-
19 uities the aggregate market value of which is, in
20 each case, a reasonably broad representation of com-
21 panies whose shares are traded on the equity mar-
22 kets. Amounts invested in equities under an invest-
23 ment option shall be held in a portfolio designed to
24 replicate the performance of one or more of such in-
25 dices.

1 “(5) INVESTMENT IN FIXED INCOME INSTRU-
2 MENTS.—In accordance with regulations which shall
3 be prescribed by the Board, the Board shall estab-
4 lish standards which must be met by fixed income
5 instruments selected for investment of the balance of
6 the Tier II Investment Fund pursuant to paragraph
7 (2)(A)(ii). Such standards shall take into account
8 the competing considerations of risk and return.
9 Amounts invested in fixed income instruments in an
10 investment option shall be held in a portfolio which
11 shall consist of a diverse range of fixed income in-
12 struments, taking into full account the opposing con-
13 siderations of risk and maximization of return.

14 “(6) DISCLOSURE OF ADMINISTRATIVE
15 COSTS.—The Executive Director shall provide to
16 each participating individual an annual disclosure of
17 the rate of administrative costs chargeable with re-
18 spect to investment in each investment account in
19 the Tier II Investment Fund. Such disclosure shall
20 be written in a manner calculated to be understood
21 by the average participating individual.

22 “(d) ADJUSTMENT OF PRESCRIBED PERCENTAGES
23 AND ALLOWANCE OF ADDITIONAL INVESTMENT AC-
24 COUNTS.—

1 “(1) IN GENERAL.—The Board may from time
2 to time, as determined by regulation as appropriate
3 to further the purposes of this section, shall—

4 “(A) prescribe by regulation adjustments
5 to the prescribed percentages for each invest-
6 ment account,

7 “(B) establish investment accounts in the
8 Tier II Investment Fund meeting the require-
9 ments of this section in addition to those estab-
10 lished by this section, and

11 “(C) terminate investment accounts in the
12 Tier II Investment Fund.

13 “(2) 80 PERCENT LIMIT ON EQUITIES.—No in-
14 vestment account in the Tier II Investment Fund,
15 after any exercise of the Board’s authority under
16 paragraph (1), may be invested otherwise than in a
17 combination of equities and fixed income invest-
18 ments or have a prescribed equities percentage of
19 more than 80 percent.

20 “(e) TREATMENT OF AMOUNTS HELD IN TIER II IN-
21 VESTMENT FUND.—Subject to this part, amounts depos-
22 ited into, and held and accounted for in, the Tier II In-
23 vestment Fund with respect to any participating individual
24 shall continue to be treated as property of such partici-

1 participating individual, held in trust for such participating indi-
2 vidual in the Fund.

3 **“SEC. 258. TIER III INVESTMENT OPTIONS.**

4 “(a) ELECTION OF TIER III INVESTMENT OP-
5 TIONS.—

6 “(1) IN GENERAL.—A participating individual
7 may elect to direct transfers from amounts in the
8 Savings Fund credited to the personal social security
9 savings account of such individual into 1 or more
10 Tier III Investment Options in accordance with
11 paragraph (2).

12 “(2) COMMENCEMENT OF TIER III INVESTMENT
13 OPTIONS UPON ATTAINMENT OF ELECTION THRESH-
14 OLD.—In any case in which, as of the end of any
15 calendar year, the total balance in the Savings Fund
16 credited to a participating individual’s personal so-
17 cial security savings account exceeds for the first
18 time the election threshold, the Board shall, by regu-
19 lation, provide for an opportunity for such partici-
20 pating individual to make, at any time thereafter,
21 such individual’s first election of one or more of the
22 Tier III Investment Options for investment of an
23 amount in the Savings Fund credited to such ac-
24 count. Such election may be in lieu of or in addition

1 to investment in the options available with respect to
2 the Tier II Investment Fund of the Savings Fund.

3 “(3) ALLOCATION OF FUNDS.—In the case of
4 an election under paragraph (1), funds credited to
5 the personal social security savings account of the
6 participating individual and elected for transfer to
7 one or more Tier III Investment Options shall be
8 transferred to the Tier III Investment Options so
9 elected for such calendar year, in percentages speci-
10 fied in the election by the participating individual for
11 each applicable portfolio.

12 “(4) ELECTION THRESHOLD.—

13 “(A) IN GENERAL.—Subject to subpara-
14 graph (B), for purposes of this subsection the
15 term ‘election threshold’ means an amount
16 equal to \$7,000.

17 “(B) ADJUSTMENTS.—The Board shall ad-
18 just annually (effective for annual reporting
19 months occurring after December 2005) the
20 dollar amount set forth in subparagraph (A)
21 under procedures providing for adjustments in
22 the same manner and to the same extent as ad-
23 justments are provided for under the proce-
24 dures used to adjust benefit amounts under sec-
25 tion 215(i)(2)(A), except that any amount so

1 adjusted that is not a multiple of \$1.00 shall be
2 rounded to the nearest multiple of \$1.00.

3 “(5) SUBSEQUENT INVESTMENT OF AMOUNTS
4 HELD IN TIER III INVESTMENT OPTIONS.—Any
5 amounts held in one or more Tier III Investment
6 Options may be—

7 “(A) transferred at any time to one or
8 more other Tier III Investment Options, subject
9 to applicable regulations of the Board and the
10 terms governing the affected Tier III Invest-
11 ment Options, and

12 “(B) transferred, not more frequently than
13 annually, to the Tier II Investment Fund, for
14 deposit in the applicable investment account
15 then selected by the participating individual
16 under section 257.

17 “(b) CERTIFICATION OF ELIGIBLE ENTITIES.—

18 “(1) IN GENERAL.—The Board shall certify eli-
19 gible entities to offer Tier III Investment Options
20 under this part.

21 “(2) APPLICATION.—Any eligible entity that de-
22 sires to be certified by the Board to offer a Tier III
23 Investment Option shall submit an application to the
24 Board at such time, in such manner, and containing
25 such information as the Board may require.

1 “(3) REQUIREMENTS FOR APPROVAL.—The
2 Board shall not certify an eligible entity unless such
3 eligible entity agrees to the following requirements:

4 “(A) SEPARATE ACCOUNTING.—Each eligi-
5 ble entity shall, with respect to each Tier III
6 Investment Option offered by such eligible enti-
7 ty to participating individuals—

8 “(i) establish separate accounts for
9 the contributions of each participating in-
10 dividual, and any earnings properly allo-
11 cable to the contributions, and

12 “(ii) maintain separate recordkeeping
13 with respect to each account.

14 “(B) TREATMENT OF AMOUNTS HELD IN
15 FUND.—Amounts deposited into, and held and
16 accounted for in, a Tier III Investment Option
17 with respect to any participating individual
18 shall be treated as property of such partici-
19 pating individual, held in trust for such partici-
20 pating individual.

21 “(C) TRUST REQUIREMENTS.—Amounts
22 held and accounted for with respect to a partici-
23 pating individual shall be held in a trust created
24 or organized in the United States for the exclu-

1 sive benefit of such individual or his bene-
2 ficiaries.

3 “(D) EXEMPTION FROM THIRD PARTY
4 CLAIMS.—Each Tier III Investment Option
5 shall be exempt from any and all third party
6 claims against the eligible entity.

7 “(E) DISCLOSURE OF ADMINISTRATIVE
8 COSTS.—Each eligible entity offering a Tier III
9 Investment Option under this section shall pro-
10 vide to each participating individual an annual
11 disclosure of the rate of administrative costs
12 chargeable with respect to investment in such
13 Option. Such disclosure shall be written in a
14 manner calculated to be understood by the av-
15 erage participating individual. The Board shall
16 provide for coordination of disclosures with re-
17 spect to Tier III Investment Options under this
18 subparagraph so as to assist participating indi-
19 viduals in comparing alternative Options based
20 on administrative costs.

21 “(F) REPORTING TO THE EXECUTIVE DI-
22 RECTOR AND THE BOARD.—Each eligible entity
23 shall provide reports to the Executive Director
24 and the Board at such time, in such manner,

1 and containing such information as the Board
2 may require.

3 “(4) ELIGIBLE ENTITY DEFINED.—For pur-
4 poses of this section, the term ‘eligible entity’ means
5 any investment company (as defined in section 3 of
6 the Investment Company Act of 1940) or other per-
7 son that the Board determines appropriate to offer
8 Tier III Investment Options under this part.

9 “(c) APPROVAL OF TIER III INVESTMENT OP-
10 TIONS.—

11 “(1) IN GENERAL.—No funds may be trans-
12 ferred into a Tier III Investment Option unless the
13 Board has approved an application submitted under
14 paragraph (2) with respect to the option.

15 “(2) APPLICATION.—With respect to each Tier
16 III Investment Option an eligible entity certified
17 under subsection (b)(1) seeks to offer, such entity
18 shall submit an application to the Board at such
19 time, in such manner, and containing such informa-
20 tion as the Board may require.

21 “(3) QUALIFICATIONS FOR APPROVAL.—The
22 Board may not approve an application submitted
23 under paragraph (2) in connection with a Tier III
24 Investment Option unless the following requirements
25 are met:

1 “(A) MUST BE OFFERED BY CERTIFIED
2 ELIGIBLE ENTITY.—The Tier III Investment
3 Option is offered by an eligible entity certified
4 under subsection (b).

5 “(B) APPROPRIATE ALLOCATION OF IN-
6 VESTMENTS BETWEEN EQUITIES AND FIXED IN-
7 COME INSTRUMENTS.—The amount credited to
8 a participating individual’s personal social secu-
9 rity savings account which is held for invest-
10 ment in any Tier III Investment Option is in-
11 vested in a combination of equities and fixed in-
12 come instruments so as to ensure, to the max-
13 imum extent practicable, that the percentage of
14 such amount invested in equities is not more
15 than 85 percent and not less than 45 percent.

16 “(C) QUALITY FACTORS MET.—

17 “(i) IN GENERAL.—The Tier III In-
18 vestment Option meets qualifications which
19 shall be prescribed by the Board relating
20 to the quality factors described in clause
21 (ii).

22 “(ii) QUALITY FACTORS.—The quality
23 factors described in this clause are—

1 “(I) the safety and soundness of
2 the Tier III Investment Option’s pro-
3 posed investment policy;

4 “(II) the experience and record
5 of performance of the proposed invest-
6 ment option, if any;

7 “(III) the experience and record
8 of performance of the entity issuing or
9 offering such option; and

10 “(IV) such other factors as the
11 Board may determine appropriate.

12 “(d) CONSIDERATIONS FOR CERTIFICATION AND AP-
13 PROVAL.—In determining whether to certify an eligible en-
14 tity under subsection (b) or to approve a Tier III Invest-
15 ment Option under subsection (c), the Board shall—

16 “(1) act in the best interests of the partici-
17 pating individuals;

18 “(2) base its determination solely on consider-
19 ations of balancing safety and soundness of the Tier
20 III Investment Option with the maximization of re-
21 turns of such option; and

22 “(3) not base any determination related to the
23 entity or option on political or other extraneous con-
24 siderations.

1 “(e) SPONSORSHIP OF TIER III INVESTMENT OP-
2 TIONS BY MEMBERSHIP AND LABOR ORGANIZATIONS.—

3 “(1) IN GENERAL.—A membership or labor or-
4 ganization (as defined by the Board) may sponsor
5 Tier III Investment Options under contracts with el-
6 igible entities certified under subsection (b) who
7 shall administer the investment option if such invest-
8 ment option is approved by the Board under sub-
9 section (c).

10 “(2) LIMITATION TO MEMBERSHIP.—A mem-
11 bership or labor organization (as so defined) may
12 limit to the members of such organization participa-
13 tion in a Tier III Investment Option sponsored by
14 such organization.

15 “(f) DISTRIBUTIONS IN CASE OF DEATH.—Upon the
16 death of a participating individual, the amount of any as-
17 sets held under a Tier III Investment Option credited to
18 the personal social security savings account of such indi-
19 vidual shall be distributed in accordance with section
20 259(e).

21 **“SEC. 259. PERSONAL SOCIAL SECURITY SAVINGS ANNUITY**
22 **AND OTHER DISTRIBUTIONS.**

23 “(a) DATE OF INITIAL DISTRIBUTION.—Except as
24 provided in subsection (e), distributions may be made to
25 a participating individual only from amounts credited to

1 the personal social security savings account of such indi-
 2 vidual on and after the earliest of—

3 “(1) the date the participating individual at-
 4 tains retirement age (as defined in section 216(l)(1))
 5 or, if elected by the individual, early retirement age
 6 (as defined in section 216(l)(2)); or

7 “(2) the date on which the amount credited to
 8 the participating individual’s personal social security
 9 savings account is sufficient to purchase a personal
 10 social security savings annuity with a monthly ben-
 11 efit that is at least equal to the minimum annuity
 12 payment amount (as defined in subsection
 13 (b)(2)(C)(iii)).

14 “(b) PERSONAL SOCIAL SECURITY SAVINGS ANNU-
 15 ITIES.—

16 “(1) NOTICE OF AVAILABLE ANNUITIES.—Not
 17 later than the date determined under subsection (a),
 18 the Board shall notify each participating individual
 19 of—

20 “(A) the most recent listing of personal so-
 21 cial security savings annuities approved by the
 22 Board under paragraph (3); and

23 “(B) the entitlement of the participating
 24 individual to purchase such an annuity.

25 “(2) PURCHASE OF ANNUITIES.—

1 “(A) SELECTION OF ANNUITY.—Subject to
2 subparagraph (C), on the date elected by the
3 participating individual, but no earlier than the
4 date determined under subsection (a), a partici-
5 pating individual may purchase a personal so-
6 cial security savings annuity selected from
7 among the annuities approved by the Board
8 under paragraph (3).

9 “(B) TRANSFER OF ASSETS.—Upon the
10 selection of an annuity by a participating indi-
11 vidual under subparagraph (A), the Board shall
12 provide for the transfer of assets, credited to
13 the personal social security savings account of
14 the participating individual and held in the Tier
15 II Investment Fund or under 1 or more Tier
16 III Investment Options (or any combination
17 thereof), in a total amount sufficient to pur-
18 chase the annuity selected by the participating
19 individual under such subparagraph.

20 “(C) MINIMUM ANNUITY PAYMENT
21 AMOUNT.—

22 “(i) IN GENERAL.—If, at the time a
23 personal social security savings annuity is
24 purchased under subparagraph (A), the as-
25 sets credited to the personal social security

1 savings account of the participating indi-
2 vidual are sufficient to purchase a personal
3 social security savings annuity approved by
4 the Board under paragraph (3) with a
5 monthly payment that is at least equal to
6 the minimum annuity payment amount,
7 the amount of the monthly benefit pro-
8 vided by such annuity may not be less than
9 the minimum annuity payment amount.

10 “(ii) CONSTRUCTION.—Nothing in
11 this subparagraph shall be construed to
12 prohibit a participating individual from
13 using personal social security savings ac-
14 count assets to purchase a personal social
15 security savings annuity which provides for
16 a monthly payment in excess of the min-
17 imum amount required under clause (i).

18 “(iii) MINIMUM ANNUITY PAYMENT
19 AMOUNT DEFINED.—For purposes of this
20 part, the term ‘minimum annuity payment
21 amount’ means, in connection with any
22 participating individual, the excess of—

23 “(I) the deemed total part A
24 monthly benefit amount with respect
25 to the participating individual, deter-

1 mined as if section 215(j) did not
2 apply, over

3 “(II) the deemed total part A
4 monthly benefit amount with respect
5 to the participating individual, deter-
6 mined with the application of section
7 215(j).

8 “(iv) DEEMED TOTAL PART A MONTH-
9 LY BENEFIT AMOUNT.—

10 “(I) IN GENERAL.—For purposes
11 of clause (iii), the term ‘deemed total
12 part A monthly benefit amount’
13 means, with respect to a participating
14 individual, the total amount which
15 would be payable as monthly insur-
16 ance benefits under section 202 for
17 the month in which the participating
18 individual attains or would attain
19 early retirement age (as defined in
20 section 216(l)(2)), based on the par-
21 ticipating individual’s wages and self-
22 employment income, if the partici-
23 pating individual applied for old-age
24 insurance benefits under section
25 202(a) during such month and all

1 other individuals who would therefore
2 be eligible for benefits under section
3 202 for such month based on such
4 wages and self-employment income
5 applied for such benefits during such
6 month.

7 “(II) ASSUMPTIONS.—For pur-
8 poses of this clause, in the case of a
9 participating individual with respect
10 to whom determinations under this
11 clause are made prior to the month
12 described in subclause (I), the partici-
13 pating individual’s average indexed
14 monthly earnings (within the meaning
15 of section 215(b)) for such month
16 shall be projected, under regulations
17 which shall be prescribed by the
18 Board, on the basis of reasonable ac-
19 tuarial assumptions, and the Board
20 shall assume the survival through the
21 end of such month of all other individ-
22 uals described in subclause (I).

23 “(3) APPROVAL OF PERSONAL SOCIAL SECUR-
24 ITY SAVINGS ANNUITIES AND ISSUERS.—

25 “(A) CERTIFICATION OF ISSUERS.—

1 “(i) IN GENERAL.—The Board shall
2 certify issuers eligible to enter into annuity
3 contracts with participating individuals
4 under this part.

5 “(ii) APPLICATION.—Any issuer that
6 desires to be certified by the Board to
7 issue a personal social security savings an-
8 nuity shall submit an application to the
9 Board at such time, in such manner, and
10 containing such information as the Board
11 may require.

12 “(iii) SEPARATE ACCOUNTING.—As a
13 condition of certification under paragraph
14 (1), each issuer shall, with respect to each
15 personal social security savings annuity
16 issued by such issuer to participating indi-
17 viduals—

18 “(I) establish a separate account
19 for each participating individual, and

20 “(II) maintain separate record-
21 keeping with respect to each account.

22 “(iv) EXEMPTION FROM THIRD PARTY
23 CLAIMS.—Each personal social security
24 savings annuity shall be exempt from any

1 and all third party claims against the
2 issuer.

3 “(B) APPROVAL OF PERSONAL SOCIAL SE-
4 CURITY SAVINGS ANNUITIES.—

5 “(i) IN GENERAL.—No funds may be
6 used to purchase a personal social security
7 savings annuity unless the Board has ap-
8 proved an application submitted under
9 clause (ii) with respect to the annuity.

10 “(ii) APPLICATION.—With respect to
11 each personal social security savings annu-
12 ity that an issuer certified under subpara-
13 graph (A)(i) seeks to issue, such issuer
14 shall submit an application to the Board at
15 such time, in such manner, and containing
16 such information as the Board may re-
17 quire.

18 “(iii) QUALIFICATIONS FOR AP-
19 PROVAL.—

20 “(I) IN GENERAL.—The Board
21 may not approve an application under
22 clause (i) unless the personal social
23 security savings annuity that is the
24 subject of the application meets quali-
25 fications which shall be prescribed by

1 the Board relating to the quality fac-
2 tors described in subclause (II) and
3 the application demonstrates that the
4 cost-of-living protection requirement
5 described in subclause (III) are met.

6 “(II) QUALITY FACTORS.—The
7 quality factors described in this sub-
8 paragraph include the safety and
9 soundness of the annuity, the experi-
10 ence and record of performance of the
11 issuer issuing the annuity, and such
12 other factors as the Board may deter-
13 mine appropriate.

14 “(III) COST-OF-LIVING PROTEC-
15 TION REQUIREMENT.—The cost-of-liv-
16 ing requirement of this subclause is
17 met only if the terms governing the
18 annuity include procedures providing
19 for adjustments in the amount of the
20 monthly payments in the same man-
21 ner and to the same extent as adjust-
22 ments are provided for under the pro-
23 cedures used to adjust benefit
24 amounts under section 215(i)(2)(A).
25 Nothing in this subclause shall be

1 construed to preclude the terms gov-
2 erning such an annuity from pro-
3 viding for adjustments in the amount
4 of monthly payments resulting in a
5 payment for any month greater than
6 the payment for that month that
7 would result from adjustments re-
8 quired under the preceding sentence.

9 “(c) PURCHASE OF ANNUITIES IN THE EVENT OF IN-
10 SUFFICIENT ASSETS.—If a participating individual desires
11 to purchase a personal social security savings annuity
12 under subsection (b) on or after the date determined
13 under subsection (a)(1) and the assets of the personal so-
14 cial security savings account of such individual are insuffi-
15 cient to purchase a personal social security savings annu-
16 ity that provides for a monthly payment that is at least
17 equal to the minimum annuity payment amount (as de-
18 fined in subsection (b)(2)(C)(iii)), the participating indi-
19 vidual shall purchase the largest personal social security
20 savings annuity that the participating individual’s per-
21 sonal social security savings account can fund and that
22 otherwise meets the requirements of subsection (b) (in-
23 cluding the cost-of-living protection requirement of sub-
24 section (b)(3)(B)(iii)(III), and the Board shall provide for
25 appropriate certification to the Secretary of the Treasury

1 with respect to the participating individual's eligibility for
2 guarantee payments under section 260.

3 “(d) RIGHT TO USE EXCESS PERSONAL SOCIAL SE-
4 CURITY SAVINGS ACCOUNT ASSETS.—To the extent assets
5 credited to a participating individual's personal social se-
6 curity savings account remain after the purchase of an an-
7 nuity under subsection (b), the remaining assets shall be
8 payable to the participating individual at such time, in
9 such manner, and in such amounts as the participating
10 individual may specify.

11 “(e) DISTRIBUTIONS IN CASE OF DEATH.—If the
12 participating individual dies before all amounts which are
13 held in the Tier I Investment Fund or the Tier II Invest-
14 ment Fund of the Savings Fund or held under a Tier III
15 Investment Option and which are credited to the personal
16 social security savings account of the individual are other-
17 wise distributed in accordance with this section, such
18 amounts shall be distributed, under regulations which
19 shall be prescribed by the Board—

20 “(1) in any case in which one or more bene-
21 ficiaries have been designated in advance, to such
22 beneficiaries in accordance with such designation as
23 provided in such regulations, and

1 “(2) in the case of any amount not distributed
2 as described in paragraph (1), to such individual’s
3 estate.

4 “(f) PERSONAL SOCIAL SECURITY SAVINGS ANNU-
5 ITY.—For purposes of this part, the term ‘personal social
6 security savings annuity’ means an annuity that meets the
7 following requirements:

8 “(1) The annuity starting date (as defined in
9 section 72(c)(4) of the Internal Revenue Code of
10 1986) commences on the first day of the month be-
11 ginning after the date of the purchase of the annu-
12 ity.

13 “(2) The terms of the annuity provide, except
14 in any case described in subsection (e), for a month-
15 ly payment to the participating individual during the
16 life of the participating individual equal to at least
17 the minimum annuity payment amount (as defined
18 in subsection (b)(2)(C)(iii)).

19 “(3) The terms of the annuity include such
20 terms and conditions as the Board requires for the
21 protection of the annuitant (including terms meeting
22 the cost-of-living requirement of subsection
23 (b)(3)(B)(iii)(III)).

1 **“SEC. 260. GUARANTEE OF PROMISED BENEFITS.**

2 “(a) IN GENERAL.—If, for any month ending after
3 the date on which a participating individual attains retire-
4 ment age (as defined in section 216(l)(1)), the monthly
5 payment under a participating individual’s personal social
6 security savings annuity is less than the minimum annuity
7 payment amount (as defined in section 259(b)(2)(C)(iii)),
8 adjusted as provided in section 259(b)(3)(B)(iii)(III), the
9 Board shall so certify to the Secretary of the Treasury
10 and, upon receipt of such certification, such Secretary
11 shall provide to the participating individual, from amounts
12 in the Federal Old-Age and Survivors Insurance Trust
13 Fund, a guaranty payment for such month to supplement
14 the personal social security savings annuity and to guar-
15 antee full payment of such individual’s monthly promised
16 benefits.

17 “(b) GUARANTY PAYMENT.—For purposes of sub-
18 section (a), a participating individual’s guaranty payment
19 for any month is equal to the excess of—

20 “(1) the minimum annuity payment amount (as
21 defined in section 259(b)(2)(C)(iii)), adjusted as
22 provided in section 259(b)(3)(B)(iii)(III); over

23 “(2) the payment for such month of the per-
24 sonal social security savings annuity purchased by
25 the participating individual.

1 “(c) PROTECTION OF PART A NORMAL RETIREMENT
2 BENEFIT LEVELS.—

3 “(1) IN GENERAL.—In any case in which, for
4 any month ending after the date on which a partici-
5 pating individual attains retirement age (as defined
6 in section 216(l)(1))—

7 “(A) such individual’s assumed total nor-
8 mal retirement part A benefit for such month,
9 determined without the application of section
10 215(j), exceeds—

11 “(B) the sum of—

12 “(i) such individual’s assumed total
13 normal retirement part A benefit for such
14 month, determined with the application of
15 section 215(j), plus

16 “(ii) the monthly payment payable for
17 such month under such individual’s per-
18 sonal social security savings annuity,

19 the Secretary of the Treasury shall pay to such indi-
20 vidual for such month, from amounts in the Federal
21 Old-Age and Survivors Insurance Trust Fund, an
22 additional amount (if any) equal to the excess of the
23 amount described in subparagraph (A) over the
24 amount described in subparagraph (B).

1 “(2) DEFINITION.—For purposes of this sub-
2 section, the term ‘assumed total normal retirement
3 part A benefit’ means, in connection with a partici-
4 pating individual, the total amount of monthly insur-
5 ance benefits under section 202 based on such indi-
6 vidual’s wages and self-employment income (ad-
7 justed by taking into account adjustments under sec-
8 tion 215(i)) that would have been payable if such in-
9 dividual applied for old-age insurance benefits under
10 section 202(a) during the month in which such indi-
11 vidual attains retirement age (as defined in section
12 216(l)(1)).

13 **“SEC. 261. PERSONAL SOCIAL SECURITY SAVINGS ACCOUNT**
14 **BOARD.**

15 “(a) ESTABLISHMENT.—There is established in the
16 executive branch of the Government a Personal Social Se-
17 curity Savings Account Board.

18 “(b) COMPOSITION.—The Board shall be composed
19 of—

20 “(1) 3 members appointed by the President, of
21 whom 1 shall be designated by the President as
22 Chairman; and

23 “(2) 2 members appointed by the President, of
24 whom—

1 “(A) 1 shall be appointed by the President
2 after taking into consideration the recommenda-
3 tion made by the Speaker of the House of Rep-
4 resentatives in consultation with the Minority
5 Leader of the House of Representatives; and

6 “(B) 1 shall be appointed by the President
7 after taking into consideration the recommenda-
8 tion made by the Majority Leader of the Senate
9 in consultation with the Minority Leader of the
10 Senate.

11 “(c) ADVICE AND CONSENT.—Appointments under
12 subsection (b) shall be made by and with the advice and
13 consent of the Senate.

14 “(d) MEMBERSHIP REQUIREMENTS.—Members of
15 the Board shall have substantial experience, training, and
16 expertise in the management of financial investments and
17 pension benefit plans.

18 “(e) LENGTH OF APPOINTMENTS.—

19 “(1) TERMS.—A member of the Board shall be
20 appointed for a term of 4 years, except that of the
21 members first appointed under subsection (b)—

22 “(A) the Chairman shall be appointed for
23 a term of 4 years;

1 “(B) the members appointed under sub-
2 section (b)(2) shall be appointed for terms of 3
3 years; and

4 “(C) the remaining members shall be ap-
5 pointed for terms of 2 years.

6 “(2) VACANCIES.—

7 “(A) IN GENERAL.—A vacancy on the
8 Board shall be filled in the manner in which the
9 original appointment was made and shall be
10 subject to any conditions that applied with re-
11 spect to the original appointment.

12 “(B) COMPLETION OF TERM.—An indi-
13 vidual chosen to fill a vacancy shall be ap-
14 pointed for the unexpired term of the member
15 replaced.

16 “(3) EXPIRATION.—The term of any member
17 shall not expire before the date on which the mem-
18 ber’s successor takes office.

19 “(f) DUTIES.—The Board shall—

20 “(1) administer the program established under
21 this part;

22 “(2) establish policies for the investment and
23 management of the Savings Fund, including the
24 Tier I Investment Fund and the Tier II Investment
25 Fund, and amounts held under Tier III Investment

1 Options, including policies applicable to the asset
2 managers, recordkeepers, and custodians with re-
3 sponsibility for managing the investment of amounts
4 credited to personal social security investment ac-
5 counts, and for the management and operation of
6 personal social security savings annuities, which
7 shall provide for—

8 “(A) prudent investments suitable for ac-
9 cumulating funds for payment of retirement in-
10 come;

11 “(B) sound management practices; and

12 “(C) low administrative costs;

13 “(3) review the performance of investments
14 made for the Tier I Investment Fund and the Tier
15 II Investment Fund;

16 “(4) review the performance of investments
17 made under Tier III Investment Options;

18 “(5) review the management and operation of
19 personal social security savings annuities;

20 “(6) review and approve the budget of the
21 Board; and

22 “(7) comply with the fiduciary requirements of
23 part 4 of subtitle B of title I of the Employee Re-
24 tirement Income Security Act of 1974 (relating to fi-
25 duciary responsibility) in connection with any exer-

1 cise of discretion in connection with the assets of the
2 Savings Fund.

3 “(g) ADMINISTRATIVE PROVISIONS.—

4 “(1) IN GENERAL.—The Board may—

5 “(A) adopt, alter, and use a seal;

6 “(B) except as provided in paragraph (4),
7 direct the Executive Director to take such ac-
8 tion as the Board considers appropriate to
9 carry out the provisions of this part and the
10 policies of the Board in accordance with delega-
11 tions under this part;

12 “(C) upon the concurring votes of 4 mem-
13 bers, remove the Executive Director from office
14 for good cause shown;

15 “(D) provide to the Executive Director
16 such resources as are necessary to carry out the
17 duties of the Executive Director; and

18 “(E) take such other actions as may be
19 necessary to carry out the functions of the
20 Board.

21 “(2) MEETINGS.—The Board shall meet—

22 “(A) not less than once during each
23 month; and

24 “(B) at additional times at the call of the
25 Chairman.

1 “(3) EXERCISE OF POWERS.—

2 “(A) IN GENERAL.—Except as provided in
3 paragraph (1)(C), the Board shall perform the
4 functions and exercise the powers of the Board
5 on a majority vote of a quorum of the Board.
6 Three members of the Board shall constitute a
7 quorum for the transaction of business.

8 “(B) VACANCIES.—A vacancy on the
9 Board shall not impair the authority of a
10 quorum of the Board to perform the functions
11 and exercise the powers of the Board.

12 “(4) LIMITATIONS ON INVESTMENTS.—The
13 Board may not direct any person to invest or to
14 cause to be invested any sums in the Tier II Invest-
15 ment Fund or any personal social security invest-
16 ment account in a specific asset or to dispose of or
17 cause to be disposed of any specific asset of such
18 Fund or any such account.

19 “(h) COMPENSATION.—

20 “(1) IN GENERAL.—Each member of the Board
21 who is not an officer or employee of the Federal
22 Government shall be compensated at the daily rate
23 of basic pay for level IV of the Executive Schedule
24 for each day during which such member is engaged
25 in performing a function of the Board.

1 “(2) EXPENSES.—A member of the Board shall
2 be paid travel, per diem, and other necessary ex-
3 penses under subchapter I of chapter 57 of title 5,
4 United States Code, while traveling away from such
5 member’s home or regular place of business in the
6 performance of the duties of the Board.

7 “(3) SOURCE OF FUNDS.—Payments authorized
8 under this subsection shall be paid from the Tier I
9 Investment Fund or the Tier II Investment Fund,
10 as determined appropriate by the Board.

11 “(i) DISCHARGE OF RESPONSIBILITIES.—The mem-
12 bers of the Board shall discharge their responsibilities
13 solely in the interest of the participating individuals and
14 their beneficiaries under this part.

15 “(j) ANNUAL INDEPENDENT AUDIT.—The Board
16 shall annually engage an independent qualified public ac-
17 countant to audit the activities of the Board.

18 “(k) SUBMISSION OF BUDGET TO CONGRESS.—The
19 Board shall prepare and submit to the President, and, at
20 the same time, to the appropriate committees of Congress,
21 an annual budget of the expenses and other items relating
22 to the Board which shall be included as a separate item
23 in the budget required to be transmitted to Congress
24 under section 1105 of title 31, United States Code.

1 “(1) SUBMISSION OF LEGISLATIVE RECOMMENDA-
2 TIONS.—The Board may submit to the President, and, at
3 the same time, shall submit to each House of Congress,
4 any legislative recommendations of the Board relating to
5 any of its functions under this part or any other provision
6 of law.

7 **“SEC. 262. EXECUTIVE DIRECTOR.**

8 “(a) APPOINTMENT OF EXECUTIVE DIRECTOR.—The
9 Board shall appoint, without regard to the provisions of
10 law governing appointments in the competitive service, an
11 Executive Director by action agreed to by a majority of
12 the members of the Board.

13 “(b) DUTIES.—The Executive Director shall, as de-
14 termined appropriate by the Board—

15 “(1) carry out the policies established by the
16 Board;

17 “(2) invest and manage the Tier I Investment
18 Fund and the Tier II Investment Fund in accord-
19 ance with the investment policies and other policies
20 established by the Board;

21 “(3) administer the provisions of this part re-
22 lating to the Tier I Investment Fund and the Tier
23 II Investment Fund; and

24 “(4) prescribe such regulations (other than reg-
25 ulations relating to fiduciary responsibilities) as may

1 be necessary for the administration of this part re-
2 lating to the Tier I Investment Fund and the Tier
3 II Investment Fund.

4 “(c) ADMINISTRATIVE AUTHORITY.—The Executive
5 Director may, within the scope of the duties of the Execu-
6 tive Director as determined by the Board—

7 “(1) appoint such personnel as may be nec-
8 essary to carry out the provisions of this part relat-
9 ing to the Tier I Investment Fund and the Tier II
10 Investment Fund;

11 “(2) subject to approval by the Board, procure
12 the services of experts and consultants under section
13 3109 of title 5, United States Code;

14 “(3) secure directly from an Executive agency,
15 the United States Postal Service, or the Postal Rate
16 Commission any information necessary to carry out
17 the provisions of this part and the policies of the
18 Board relating to the Tier I Investment Fund and
19 the Tier II Investment Fund;

20 “(4) make such payments out of sums in the
21 Tier I Investment Fund and the Tier II Investment
22 Fund as the Executive Director determines, in ac-
23 cordance with regulations of the Board, are nec-
24 essary to carry out the provisions of this part and
25 the policies of the Board;

1 “(5) pay the compensation, per diem, and travel
2 expenses of individuals appointed under paragraphs
3 (1), (2), and (6) from the Tier I Investment Fund
4 or the Tier II Investment Fund, in accordance with
5 regulations of the Board;

6 “(6) accept and use the services of individuals
7 employed intermittently in the Government service
8 and reimburse such individuals for travel expenses,
9 authorized by section 5703 of title 5, United States
10 Code, including per diem as authorized by section
11 5702 of such title;

12 “(7) except as otherwise expressly prohibited by
13 law or the policies of the Board, delegate any of the
14 Executive Director’s functions to such employees
15 under the Board as the Executive Director may des-
16 ignate and authorize such successive redelegations of
17 such functions to such employees under the Board
18 as the Executive Director may consider to be nec-
19 essary or appropriate; and

20 “(8) take such other actions as are appropriate
21 to carry out the functions of the Executive Direc-
22 tor.”.

23 (b) EFFECTIVE DATE.—The amendments made by
24 this section shall apply with respect to wages paid after
25 December 31, 2004, for pay periods ending after such

1 date and self-employment income for taxable years begin-
2 ning after such date.

3 **SEC. 3. ADJUSTMENTS TO PRIMARY INSURANCE AMOUNTS.**

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

7 “Adjustment of Primary Insurance Amount in Relation
8 to Deposits Made to Personal Social Security Sav-
9 ings Accounts

10 “(j)(1) Except as provided in paragraph (3), the pri-
11 mary insurance amount of a participating individual under
12 the Personal Social Security Savings Accounts Program
13 under part B of this title, as determined in accordance
14 with this section before adjustments made under sub-
15 section (i), shall be equal to the product derived by multi-
16 plying—

17 “(A) the primary insurance amount as deter-
18 mined before the application of this subsection; by

19 “(B) a fraction—

20 “(i) the numerator of which is the excess
21 of—

22 “(I) the total of amount of redirected
23 social security contributions (as defined in
24 section 252(b)(3)) that would have been
25 transferred to the Social Security Personal

1 Savings Fund in connection with such indi-
2 vidual for each year after such individual
3 attained the age of 18 had the individual
4 been a participating individual on the date
5 such individual attained the age of 18, over
6 “(II) the present value of the actual
7 total amount of redirected social security
8 contributions (as so defined) deposited in
9 the Social Security Personal Savings Fund
10 in connection with such individual for each
11 year during which such individual was a
12 participating individual,
13 assuming for each year the present value of the
14 amount determined for such year, and
15 “(ii) the denominator of which is the
16 amount described in clause (i)(I),
17 rounded to the next higher multiple of \$0.10 where such
18 product is a multiple of \$0.05 but not a multiple of \$0.10
19 and to the nearest multiple of \$0.10 in any other case.
20 “(2) In determining the present values for purposes
21 of paragraph (1), the Commissioner of Social Security
22 shall assume an annual interest rate for any period equal
23 to the average annual yield on investments of the Federal
24 Old-Age and Survivors Insurance Trust Fund for such pe-
25 riod under section 201(d).

1 “(3) In the case of a participating individual who be-
 2 comes entitled to disability insurance benefits under sec-
 3 tion 223, such individual’s primary insurance amount
 4 shall be determined without regard to paragraph (1).

5 “(4) In the case of an individual who becomes entitled
 6 to benefits under section 202, other than old-age insur-
 7 ance benefits under section 202(a), on the basis of the
 8 wages and self-employment income of a participating indi-
 9 vidual who dies before such participating individual pur-
 10 chases a personal social security savings annuity under
 11 section 259, such participating individual’s primary insur-
 12 ance amount shall be determined under this section with-
 13 out regard to paragraph (1).”.

14 **SEC. 4. GENERAL FUND TRANSFERS TO THE FEDERAL OLD-**
 15 **AGE AND SURVIVORS INSURANCE TRUST**
 16 **FUND.**

17 (a) **RECAPTURE OF CORPORATE TAX ON ACCOUNT**
 18 **YIELDS.—**

19 (1) **IN GENERAL.—**In the case of fiscal years
 20 beginning after September 30, 2004, the Secretary
 21 of the Treasury, in consultation with the Personal
 22 Social Security Savings Account Board, shall esti-
 23 mate and transfer to the Federal Old-Age and Sur-
 24 vivors Insurance Trust Fund established under sec-
 25 tion 201 of the Social Security Act (42 U.S.C. 401)

1 within 3 months after the end of each fiscal year an
2 amount equal to the recapture amount for such fis-
3 cal year. For purposes of the preceding sentence, the
4 recapture amount for any fiscal year shall be equal
5 to the amount of corporate tax receipts under the
6 Internal Revenue Code of 1986 deposited in the
7 Treasury for that fiscal year which are attributable
8 to personal social security savings account invest-
9 ments under part B of title II of the Social Security
10 Act.

11 (2) INITIAL ASSUMPTIONS.—In determining the
12 recapture amount under subsection (a) for fiscal
13 years 2005 and 2006, the Secretary of the Treasury
14 shall make the following assumptions concerning the
15 total amount of taxable capital in the United States
16 represented by the total assets held by personal so-
17 cial security savings accounts established under part
18 B of title II of the Social Security Act:

19 (A) 80 percent of such total assets are a
20 net addition to national investments.

21 (B) Of the amount described in subpara-
22 graph (A), 90 percent will be invested in the
23 United States and subject to taxation under the
24 Internal Revenue Code of 1986.

1 (C) Of the amount described in subpara-
2 graph (B), 95 percent will be subject to the
3 Federal corporate tax.

4 (D) The amount described in subpara-
5 graph (C) is subject to the statutory tax rate of
6 35 percent (resulting in an effective corporate
7 tax rate of 23.9 percent on the earnings of all
8 such total assets).

9 (b) RECAPTURE OF GOVERNMENT SAVINGS OVER
10 BASELINE.—

11 (1) IN GENERAL.—In the case of fiscal years
12 beginning after September 30, 2004, the Secretary
13 of the Treasury, in consultation with the Personal
14 Social Security Savings Account Board, shall esti-
15 mate and transfer to the Federal Old-Age and Sur-
16 vivors Insurance Trust Fund established under sec-
17 tion 201 of the Social Security Act (42 U.S.C. 401)
18 within 3 months after the end of each fiscal year an
19 amount equal to the spending reductions amount for
20 such fiscal year. For purposes of the preceding sen-
21 tence, the spending reductions amount shall be an
22 amount equal to—

23 (A) for any fiscal year in the period begin-
24 ning with fiscal year 2005 and ending with fis-
25 cal year 2012, the excess of—

1 (i) 20 percent of the gross domestic
2 product (as determined by the Congres-
3 sional Budget Office) for the fiscal year for
4 which the determination is made; over

5 (ii) the product of—

6 (I) 20 percent of the gross do-
7 mestic product (as so determined) for
8 the fiscal year for which the deter-
9 mination is made; and

10 (II) 0.99, factored a number of
11 times equal to the number of fiscal
12 years during such period which end
13 with or before the fiscal year for
14 which the determination is made; and
15 (B) for any fiscal year beginning after fis-
16 cal year 2012 and ending with the termination
17 year—

18 (i) the amount determined under sub-
19 paragraph (A) for fiscal year 2012; in-
20 creased by

21 (ii) the rate of growth of the gross do-
22 mestic product (as so determined) over the
23 period beginning with fiscal year 2013 and
24 ending with the fiscal year for which the
25 determination is made.

1 (2) ACCOMODATION FOR LOW OASDI BALANCE
2 RATIO.—Notwithstanding paragraph (1)(B), in any
3 case in which the OASDI trust fund ratio is less
4 than 125 percent as of the end of the fiscal year
5 preceding each fiscal year during any period of 1 or
6 more fiscal years referred to in paragraph (1)(B)
7 and preceding the termination year—

8 (A) the spending reductions amount for
9 each fiscal year during such period shall be the
10 excess of—

11 (i) 20 percent of the gross domestic
12 product (as projected by the Department
13 of Commerce) for the fiscal year for which
14 the determination is made; over

15 (ii) the product of—

16 (I) 20 percent of the gross do-
17 mestic product (as so projected) for
18 the fiscal year for which the deter-
19 mination is made; and

20 (II) 0.99, factored a number of
21 times equal to the number of fiscal
22 years during such period which end
23 with or before the fiscal year for
24 which the determination is made plus
25 the number of fiscal years during the

1 period described in paragraph (1)(A),
2 and

3 (B) paragraph (1)(B) shall apply with re-
4 spect to subsequent fiscal years by substituting
5 for the reference, in paragraph (1)(B)(i), to fis-
6 cal year 2012 a reference to the last fiscal year
7 in such period.

8 (3) TERMINATION YEAR.—For purposes of
9 paragraph (1)(B), the “termination year” is the first
10 fiscal year, after fiscal year 2012—

11 (A) for which the OASDI trust fund ratio
12 is at least 125 percent; and

13 (B) on the last day of which there are no
14 outstanding transition obligations of the Self-
15 Liquidating Social Security Transition Fund
16 under section 6.

17 (4) OASDI TRUST FUND RATIO.—In paragraph
18 (2)(A), the term “OASDI trust fund ratio” means,
19 for a fiscal year, the ratio (expressed as a percent-
20 age) of—

21 (A) the combined balance in the Federal
22 Old-Age and Survivors Insurance Trust Fund
23 and the Federal Disability Insurance Trust
24 Fund, as of the last day of such fiscal year;
25 over

1 (B) the amount estimated by the Commis-
 2 sioner of Social Security to be the total amount
 3 to be paid from such Trust Funds during the
 4 fiscal year following such fiscal year for all pur-
 5 poses authorized by section 201 of the Social
 6 Security Act (excluding any transfer payments
 7 between such Trust Funds and reducing the
 8 amount of any transfer to the Railroad Retire-
 9 ment Account by the amount of any transfers
 10 into either such Trust Fund from such Ac-
 11 count).

12 **SEC. 5. TAX TREATMENT OF ACCOUNTS.**

13 (a) IN GENERAL.—

14 (1) IN GENERAL.—Subchapter F of chapter 1
 15 of the Internal Revenue Code of 1986 (relating to
 16 exempt organizations) is amended by adding at the
 17 end the following new part:

18 **“PART IX—PERSONAL SOCIAL SECURITY**

19 **SAVINGS PROGRAM**

“Sec. 530A. Personal social security savings program.

20 **“SEC. 530A. PERSONAL SOCIAL SECURITY SAVINGS PRO-**
 21 **GRAM.**

22 “(a) GENERAL RULE.—The Social Security Personal
 23 Savings Fund and each Tier III Investment Option are
 24 exempt from taxation under this subtitle. Notwithstanding

1 the preceding sentence, a personal social security savings
2 account is subject to the taxes imposed by section 511 (re-
3 lating to imposition of tax on unrelated business income
4 of charitable, etc. organizations).

5 “(b) DISTRIBUTIONS.—

6 “(1) IN GENERAL.—Any qualified distribution
7 from amounts credited to a personal social security
8 savings account from the Social Security Personal
9 Savings Fund or held in a Tier III Investment Op-
10 tion shall not be included in the gross income of the
11 distributee.

12 “(2) QUALIFIED DISTRIBUTION.—For purposes
13 of paragraph (1), the term ‘qualified distribution’
14 means a distribution which meets the requirements
15 of section 259 of the Social Security Act and which
16 is not a guaranty payment (as defined by section
17 260 of such Act).

18 “(c) DEFINITIONS.—For purposes of this section—

19 “(1) PERSONAL SOCIAL SECURITY SAVINGS AC-
20 COUNT.—For purposes of this section, the term ‘per-
21 sonal social security savings account’ means an ac-
22 count established under section 254(a) of the Social
23 Security Act.

24 “(2) SOCIAL SECURITY PERSONAL SAVINGS
25 FUND.—The term ‘Social Security Personal Savings

1 Fund' means the Savings Fund established under
2 section 252 of the Social Security Act.

3 “(3) TIER III INVESTMENT OPTION.—The term
4 ‘Tier III Investment Option’ has the meaning given
5 such term by section 251(9) of the Social Security
6 Act.

7 “(d) ESTATE TAX TREATMENT.—No amount shall be
8 includible in the gross estate of any individual for pur-
9 poses of chapter 11 by reason of a distribution in the case
10 of death under section 259(e) of the Social Security Act.”.

11 (2) CONFORMING AMENDMENT.—Section
12 86(d)(1)(A) of such Code is amended by inserting
13 “part A of” after “under”.

14 (3) CLERICAL AMENDMENT.—The table of
15 parts for subchapter F of chapter 1 of such Code is
16 amended by adding after the item relating to part
17 VIII the following new item:

“PART IX. PERSONAL SOCIAL SECURITY SAVINGS PROGRAM”.

18 (b) GUARANTY PAYMENTS.—Paragraph (1) of sec-
19 tion 86(d) of the Internal Revenue Act of 1986, as amend-
20 ed by subsection (b), is amended by striking “or” at the
21 end of subparagraph (A), by striking the period and in-
22 serting “, or” at the end of subparagraph (B), and by
23 adding at the end the following new subparagraph:

24 “(C) a guaranty payment under section
25 260(a), and a payment of an additional amount

1 fiscal year so as to result in an OASDI trust fund
2 ratio (as defined in section 5(b)(3)) for such fiscal
3 year equal to 125 percent.

4 (3) RULE OF CONSTRUCTION.—This section
5 shall not be construed to require redemption of obli-
6 gations of the Trust Fund for the purpose of mak-
7 ing transfers to the Transition Fund under this sec-
8 tion or for any other purpose other than to provide
9 for payment of benefits under part A of title II of
10 the Social Security Act.

11 (c) TRANSFERS BASED ON ESTIMATES.—The
12 amounts appropriated by subsection (c)(1) shall be trans-
13 ferred from time to time from the Federal Old-Age and
14 Survivors Insurance Trust Fund to the Transition Fund,
15 such amounts to be determined on the basis of estimates
16 by the Commissioner of Social Security. Proper adjust-
17 ments shall be made in amounts subsequently transferred
18 to the extent prior estimates were in excess of or were
19 less than such surplus.

20 (d) BOARD OF TRUSTEES.—

21 (1) ESTABLISHMENT.—With respect to the
22 Transition Fund, there is hereby created a body to
23 be known as the Board of Trustees of the Transition
24 Fund (in this section referred to as the “Board of
25 Trustees”) composed of the Commissioner of Social

1 Security, the Secretary of the Treasury, and the
2 members of the Personal Social Security Savings Ac-
3 count Board established under section 261 of the
4 Social Security Act.

5 (2) MEETINGS.—The Board of Trustees shall
6 meet not less frequently than once each calendar
7 year.

8 (3) DUTIES.—The duties of the Board of
9 Trustees are as follows:

10 (A) Use all funds paid into the Transition
11 Fund to redeem obligations issued under sec-
12 tion 8 as soon as practicable.

13 (B) Report to Congress not later than the
14 first day of April of each year on the operation
15 and status of the Transition Fund during the
16 preceding fiscal year and on its expected oper-
17 ation and status during the current fiscal year
18 and the next 2 fiscal years.

19 (C) Review the general policies followed in
20 managing the Transition Fund, and recommend
21 changes in such policies, including necessary
22 changes in the provisions of law which govern
23 the way in which the Transition Fund is to be
24 managed.

1 (e) POLICY DECLARATION.—It is hereby declared the
2 policy of the United States that all obligations issued
3 under section 8 are to be redeemed by the Transition
4 Fund as soon as possible.

5 (f) SUNSET.—On the first date as of which all of the
6 obligations issued under section 8 have been redeemed,
7 any balance remaining in the Transition Fund as of such
8 date shall be deposited in the Federal Old-Age and Sur-
9 vivors Insurance Trust Fund, the terms of the Board of
10 Trustees shall end, and this section shall be repealed.

11 **SEC. 7. ISSUANCE OF TRANSITION FUND BONDS.**

12 (a) ISSUANCE.—

13 (1) IN GENERAL.—The purposes for which obli-
14 gations of the United States may be issued under
15 chapter 31 of title 31, United States Code, are here-
16 by extended to authorize the issuance at par of pub-
17 lic-debt obligations by the Self-Liquidating Social
18 Security Transition Fund (in this section referred to
19 as the “Transition Fund”).

20 (2) REQUIRED ISSUANCE.—Beginning on Janu-
21 ary 1, 2005, whenever any obligation held in the
22 Federal Old-Age and Survivors Insurance Trust
23 Fund or the Federal Disability Insurance Trust
24 Fund is repaid from the general fund of the Treas-
25 ury to either of such Trust Funds, the Transition

1 Fund shall issue an obligation under this subsection
2 in an amount equal to the amount of interest and
3 principal so repaid.

4 (3) TRANSFER OF PROCEEDS.—Proceeds from
5 the issuance of any obligation issued under this sec-
6 tion shall be transferred to the general fund of the
7 Treasury.

8 (4) ACCOUNTING.—The debt owed on any obli-
9 gation issued under this section shall be considered
10 to be debt of the Transition Fund and shall be ac-
11 counted for in such manner.

12 (b) MATURITIES AND INTEREST RATE.—Such obliga-
13 tions issued by the Transition Fund for purchase by the
14 public shall have maturities fixed with due regard for the
15 needs of the Transition Fund and shall bear interest at
16 a rate equal to the average market yield (computed by the
17 Secretary of the Treasury on the basis of market
18 quotations as of the end of the calendar month next pre-
19 ceding the date of such issue) on all marketable interest-
20 bearing obligations of the United States then forming a
21 part of the public debt which are not due or callable until
22 after the expiration of 4 years from the end of such cal-
23 endar month, except that where such average market yield
24 is not a multiple of one-eighth of 1 per centum, the rate

1 of interest on such obligations shall be the multiple of one-
 2 eighth of 1 per centum nearest such market yield.

3 (c) REPAYMENT OF OBLIGATIONS.—Only funds in
 4 the Transition Fund may be used to redeem obligations
 5 issued under this section.

6 **SEC. 8. ACCOUNTING FOR THE OLD-AGE, SURVIVORS, AND**
 7 **DISABILITY INSURANCE PROGRAM AND THE**
 8 **PERSONAL SOCIAL SECURITY SAVINGS PRO-**
 9 **GRAM.**

10 Title VII of the Social Security Act is amended by
 11 inserting after section 705 (42 U.S.C. 906) the following
 12 new section:

13 “ACCOUNTING FOR THE OLD-AGE, SURVIVORS, AND DIS-
 14 ABILITY INSURANCE PROGRAM AND THE INDIVIDUAL
 15 SOCIAL SECURITY INVESTMENT PROGRAM

16 “Social Security Lockbox Budget

17 “SEC. 706. (a) At the time of the transmittal to the
 18 Congress by the President of the budget of the United
 19 States Government, the President shall transmit to each
 20 House of the Congress a separate report (to be known as
 21 the ‘Social Security Lockbox Budget’) detailing the per-
 22 formance of the Social Security Part A Account, the Social
 23 Security Part B Account, and the Self-Liquidating Social
 24 Security Transition Fund Account (established under sub-
 25 section (b)) during the preceding fiscal year. Such report
 26 shall set forth, as determined as of the end of the year—

1 section 201 of the Social Security Act (including
2 amounts received as interest on notes and obliga-
3 tions purchased by the Trust Funds under section
4 201(d) of such Act, and excluding amounts received
5 in redemption of such notes and obligations and
6 amounts received by either such Trust Fund as
7 transfers from the other such Trust Fund),

8 “(B) all amounts transferred during the year
9 from the general fund of the Treasury to the Fed-
10 eral Old-Age and Survivors Insurance Trust Fund
11 as recapture of corporate tax yields under section
12 5(a),

13 “(C) all amounts transferred during the year
14 from the general fund of the Treasury to the Fed-
15 eral Old-Age and Survivors Insurance Trust Fund
16 as recapture of Government savings over the base-
17 line under section 5(b),

18 “(D) all amounts transferred during the year
19 from the general fund of the Treasury to the Fed-
20 eral Old-Age and Survivors Insurance Trust Fund
21 under section 11 (relating to dedication of budget
22 surpluses to saving social security), and

23 “(E) all receipts during the year by the Federal
24 Old-Age and Survivors Insurance Trust Fund and
25 the Federal Disability Insurance Trust Fund under

1 section 121(e) of the Social Security Amendments of
2 1983 (relating to appropriation of amounts equiva-
3 lent to taxes on social security benefits) (42 U.S.C.
4 401 note).

5 “(2) For each fiscal year, the Social Security Part
6 A Account shall be charged with the sum of—

7 “(A) all benefits paid during the year from the
8 Federal Old-Age and Survivors Insurance Trust
9 Fund and the Federal Disability Insurance Trust
10 Fund under part A of title II of the Social Security
11 Act,

12 “(B) all redirected social security contributions
13 transferred during the year to the Social Security
14 Personal Savings Fund under section 252(b) of the
15 Social Security Act,

16 “(C) all other expenditures during the year
17 from the Trust Funds under part A of title II (ex-
18 cluding amounts expended as transfers by either
19 such Trust Fund to the other such Trust Fund and
20 amounts paid for the purchase of notes and obliga-
21 tions under section 201(d) of the Social Security
22 Act), and

23 “(D) all transfers from the Federal Old-Age
24 and Survivors Insurance Trust Fund to the Self-Liq-
25 uidating Social Security Transition Fund under sec-

1 any net decrease in the Tier II Investment Fund at-
2 tributable to investment for the fiscal year, and the
3 total amount of any net decreases in Tier III Invest-
4 ment Options attributable to investment for the fis-
5 cal year, and

6 “(C) all amounts distributed during the year
7 under section 259 from the Tier I Investment Fund,
8 the Tier II Investment Fund, and the Tier III In-
9 vestment Options.

10 “Charges and Credits to the Self-Liquidating Social
11 Security Transition Fund Account

12 “(e)(1) For each fiscal year, the Self-Liquidating So-
13 cial Security Transition Account shall be credited with—

14 “(A) all transfers to the Transition Fund from
15 the Federal Old-Age and Survivors Insurance Trust
16 Fund under section 6(b) of the Social Security Per-
17 sonal Savings Guarantee and Prosperity Act of
18 2004, and

19 “(B) all amounts expended during the fiscal
20 year from the Trust Funds in the redemption under
21 section 7(e) of such Act of obligations issued by the
22 Transition Fund under section 8 of such Act.

23 “(2) For each fiscal year, the Self-Liquidating Social
24 Security Transition Fund Account shall be charged with
25 the total amount of obligations issued during the fiscal

1 year by the Transition Fund under section 7 of the Social
2 Security Personal Savings Guarantee and Prosperity Act
3 of 2004.”.

4 **SEC. 9. BUDGETARY TREATMENT OF SOCIAL SECURITY.**

5 (a) IN GENERAL.—Section 710 of the Social Security
6 Act (42 U.S.C. 911) is amended to read as follows:

7 “BUDGETARY TREATMENT OF SOCIAL SECURITY

8 “SEC. 710. (a) IN GENERAL.—Notwithstanding any
9 other provision of law and except as provided in subsection
10 (b), the receipts and disbursements of the Federal Old-
11 Age and Survivors Insurance Trust Fund, the Federal
12 Disability Insurance Trust Fund, and the Social Security
13 Personal Savings Fund (including transfers to and from
14 the Federal Old-Age and Survivors Insurance Trust Fund
15 or the Federal Disability Insurance Trust Fund relating
16 to the acquisition or redemption of obligations acquired
17 under section 201(d) of the Social Security Act) and the
18 taxes imposed under sections 1401 and 3101 of the Inter-
19 nal Revenue Code of 1986 shall not be counted as new
20 budget authority, outlays, receipts, or deficit or surplus
21 for purposes of the budget of the Government as sub-
22 mitted by the President or the congressional budget or be
23 reported as new budget authority, outlays, receipts, or def-
24 icit or surplus in any report of the Congressional Budget
25 Office or any other agency or instrumentality of the Gov-
26 ernment

1 “(b) MATTERS INCLUDED IN THE BUDGET.—Sub-
2 section (a) shall not apply with respect to the following:

3 “(1) transfers from the general fund of the
4 Treasury to the Federal Old-Age and Survivors In-
5 surance Trust Fund under section 4(a) of the Social
6 Security Personal Savings Guarantee and Prosperity
7 Act of 2004 (relating to recapture of corporate tax
8 on account yields), which shall be treated as an ex-
9 penditure of the Government;

10 “(2) transfers from the general fund of the
11 Treasury to the Federal Old-Age and Survivors In-
12 surance Trust Fund under section 4(b) of the Social
13 Security Personal Savings Guarantee and Prosperity
14 Act of 2004 (relating to recapture of Government
15 savings over baseline), which shall be treated as an
16 expenditure of the Government;

17 “(3) transfers from the general fund of the
18 Treasury to the Federal Old-Age and Survivors In-
19 surance Trust Fund or the Federal Disability Insur-
20 ance Trust Fund under section 121(e) of the Social
21 Security Amendments of 1983 (relating to appro-
22 priation of amounts equivalent to taxes on social se-
23 curity benefits) (42 U.S.C. 401 note), which shall be
24 treated as an expenditure of the Government; and

1 “(4) revenues from taxes imposed under chap-
2 ter 1 of the Internal Revenue Code of 1986, to the
3 extent attributable to section 86 of such Code (relat-
4 ing to taxation of social security and tier 1 railroad
5 retirement benefits), which shall be treated as a re-
6 ceipt of the Government.”.

7 (b) CONFORMING AMENDMENTS.—

8 (1) Section 13301 of the Budget Enforcement
9 Act of 1990 (2 U.S.C. 632; 2 U.S.C. 632 note) is
10 repealed.

11 (2) Section 405 of the Congressional Budget
12 Act of 1974 (2 U.S.C. 655) is amended—

13 (A) by inserting “other than section 710 of
14 the Social Security Act” after “Notwith-
15 standing any other provision of law”; and

16 (B) by striking “section, not including”
17 and all that follows through “Funds,” and in-
18 serting “section” .

19 (c) EFFECTIVE DATE.—The amendments made by
20 this section shall apply with respect to fiscal years begin-
21 ning on or after October 1, 2005.

1 **SEC. 10. DEDICATION OF BUDGET SURPLUSES TO SAVING**
2 **SOCIAL SECURITY.**

3 Section 201 of the Social Security Act (as amended
4 by section 103 of this Act) is amended further by adding
5 at the end the following new subsection:

6 “(p) In the case of any fiscal year beginning after
7 September 30, 2005, for which the total amount treated
8 as income of the Federal Government in the total budget
9 of the United States have exceeded the total amount treat-
10 ed as expenditures of the Federal Government in the total
11 budget of the United States (as determined by the Direc-
12 tor of the Office of Management and Budget), not later
13 than 3 months after the end of such fiscal year, the Sec-
14 retary of the Treasury shall transfer from the general fund
15 of the Treasury to the Federal Old-Age and Survivors In-
16 surance Trust Fund an amount equal to the lesser of—

17 “(1) the total amount transferred from the
18 Trust Fund during such fiscal year to the Social Se-
19 curity Personal Savings Fund under section 252(b),
20 or

21 “(2) the amount by which such total amount
22 treated as receipts exceeded such total amount treat-
23 ed as expenditures.”.

1 **SEC. 11. NATIONAL SPENDING LIMITATION.**

2 (a) IN GENERAL.—Section 1105 of title 31, United
3 States Code, is amended by adding at the end the fol-
4 lowing new subsection:

5 “(i)(1) The budget transmitted pursuant to sub-
6 section (a) for a fiscal year shall not provide for total ex-
7 penditures for the fiscal year for which the budget is sub-
8 mitted which are greater than the national spending limi-
9 tation specified under paragraph (3).

10 “(2) For purposes of this section, the term ‘total ex-
11 penditures’ means, for any fiscal year, the sum of—

12 “(A) the net expenditures of the budget of the
13 United States for the fiscal year plus all expendi-
14 tures which are chargeable to the Social Security
15 Part A Account in the Social Security Lockbox
16 Budget for the fiscal year under section 706(c)(2) of
17 the Social Security Act; plus

18 “(B) the amount of the reduction in the total
19 amount of expenditures which are chargeable to the
20 Social Security Part A Account in the Social Secu-
21 rity Lockbox Budget for the fiscal year which is at-
22 tributable to adjustments to primary insurance
23 amounts under section 215(j) of the Social Security
24 Act.

25 “(3)(A) For each fiscal year during the period begin-
26 ning with fiscal year 2005 and ending with fiscal year

1 2012, the national spending limitation shall be equal to
2 the product derived by multiplying—

3 “(i) 20 percent of the GDP for the fiscal year
4 for which the determination is made, by

5 “(ii) 0.99, factored a number of times equal to
6 the number of fiscal years during such period which
7 end with or before the fiscal year for which the de-
8 termination is made.

9 “(B) For each fiscal year during the period beginning
10 with fiscal year 2013 and ending with fiscal year 2017,
11 the national spending limitation shall be equal to—

12 “(i) the amount of national spending limitation
13 under this subsection for fiscal year 2012, increased
14 by

15 “(ii) the rate of growth in the GDP over the pe-
16 riod beginning with fiscal year 2013 and ending with
17 the fiscal year for which the determination is made.

18 “(C) For each fiscal year during the period beginning
19 with fiscal year 2018 and ending with the termination
20 year, the national spending limitation shall be equal to—

21 “(i) the amount of the national spending limita-
22 tion under this subsection for fiscal year 2018, in-
23 creased by

24 “(ii) the sum of—

1 “(I) the rate of growth in the GDP over
2 the period beginning with fiscal year 2018 and
3 ending with the fiscal year for which the deter-
4 mination is made, plus

5 “(II) 1.75 percentage points for each fiscal
6 year during the period described in subclause
7 (I).

8 “(D) Notwithstanding subparagraphs (B) and (C), in
9 any case in which the OASDI trust fund ratio is less than
10 125 percent as of the end of the fiscal year preceding each
11 fiscal year during any period of 1 or more fiscal years re-
12 ferred to in such subparagraphs and preceding the termi-
13 nation year, the national spending limitation for each fis-
14 cal year during such period shall be the product of—

15 “(i) 20 percent of the GDP for the fiscal year
16 for which the determination is made; and

17 “(ii) 0.99, factored a number of times equal to
18 the number of fiscal years during such period which
19 end with or before the fiscal year for which the de-
20 termination is made plus the total number of fiscal
21 years referred to in subparagraph (A),

22 plus, if subparagraph (C) applied to the fiscal year pre-
23 ceding such period, the increase (if any) under subpara-
24 graph (C) in the national spending limitation for such fis-
25 cal year attributable to subparagraph (C)(ii)(II).

1 “(4) For purposes of this subsection, the term ‘termi-
2 nation year’ is the first fiscal year, after fiscal year
3 2017—

4 “(A) for which the OASDI trust fund ratio is
5 at least 125 percent; and

6 “(B) on the last day of which there are no out-
7 standing transition obligations of the Self-Liqui-
8 dating Social Security Transition Fund under sec-
9 tion 6 of the Social Security Personal Savings Guar-
10 antee and Prosperity Act of 2004.

11 “(5) For purposes of this subsection, the term ‘GDP’
12 means the gross domestic product, as projected by the De-
13 partment of Commerce.”.

14 **SEC. 12. IMPOSITION OF SPENDING LIMITATIONS ON CON-**
15 **GRESSIONAL BUDGET RESOLUTIONS.**

16 (a) CONTENTS OF CONGRESSIONAL BUDGET RESO-
17 LUTIONS.—Section 301(a) of the Congressional Budget
18 Act of 1974 is amended by adding at the end the following
19 new sentence: “The concurrent resolution on the budget
20 for fiscal year 2006 or for any ensuing fiscal year shall
21 be consistent with the spending limitation specified in sec-
22 tion 1105(i) of title 31, United States Code.”.

23 (b) SPENDING LIMITATION POINT OF ORDER.—Sec-
24 tion 312 of the Congressional Budget Act of 1974 is

1 amended by adding at the end the following new sub-
2 section:

3 “(g) SPENDING LIMITATION POINT OF ORDER.—(1)
4 It shall not be in order in the House of Representatives
5 or the Senate to consider any concurrent resolution on the
6 budget for fiscal year 2006 or for any fiscal year there-
7 after, or any amendment thereto or conference report
8 thereon, that is not consistent with the spending limitation
9 specified in section 1105(i) of title 31, United States Code.

10 “(2) Paragraph (1) may be waived or suspended in
11 the House of Representatives or the Senate only by the
12 affirmative vote of two-thirds of the Members, duly chosen
13 and sworn. An affirmative vote of two-thirds of the Mem-
14 bers, duly chosen and sworn, shall be required in the Sen-
15 ate to sustain an appeal of the ruling of the chair on such
16 point of order. Appeals in the Senate from the decisions
17 of the chair relating to paragraph (1) shall be limited to
18 one hour, to be equally divided between, and controlled
19 by, the mover and the manager of the concurrent resolu-
20 tion.”.

21 **SEC. 13. REDUCTION OF FICA RATES RESULTING FROM**
22 **PERSONAL SOCIAL SECURITY SAVINGS PRO-**
23 **GRAM.**

24 (a) EMPLOYEE CONTRIBUTION.—Section 3101 of the
25 Internal Revenue Code of 1986 (relating to tax on employ-

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

3 “(d) REDUCTION IN OLD-AGE, SURVIVORS, AND DIS-
4 ABILITY INSURANCE TAX RATE.—

5 “(1) IN GENERAL.—In any year which follows
6 a reduction year and each year thereafter, the rate
7 of tax imposed under subsection (a) shall be reduced
8 by the reduction percentage.

9 “(2) REDUCTION YEAR.—For purposes of this
10 section—

11 “(A) IN GENERAL.—The term ‘reduction
12 year’ means any year after the transition year
13 in which the OASDI rate ratio exceeds 125 per-
14 cent.

15 “(B) TRANSITION YEAR.—The term ‘tran-
16 sition year’ means the first full calendar year
17 following the termination year (as defined in
18 section 4(b)(2) of the Social Security Personal
19 Savings Guarantee and Prosperity Act of
20 2004).

21 “(3) REDUCTION PERCENTAGE.—For purposes
22 of this section, the term ‘reduction percentage’
23 means the excess of—

24 “(A) the rate in effect under subsection (a)
25 for the reduction year, over

1 “(B) the rate (rounded up to the nearest
2 one tenth of a percent) under which the OASDI
3 rate ratio for the reduction year would have
4 been 125 percent if—

5 “(i) such rate had been applicable
6 under subsection (a) and section 3111(a)
7 during such year, and

8 “(ii) the rate under section 1401(a)
9 during such year were twice such rate.

10 “(4) OASDI RATE RATIO.—The term ‘OASDI
11 rate ratio’ means, with respect to any calendar year,
12 the ratio—

13 “(A) the numerator of which is the com-
14 bined balance in the Old-Age and Survivors In-
15 surance Trust Fund and the Federal Disability
16 Insurance Trust Fund, as of the last day of
17 such calendar year, and

18 “(B) the denominator of which is the
19 amount paid from such Trust Funds during
20 such calendar year for all purposes authorized
21 by section 201 of the Social Security Act (ex-
22 cluding any transfer payments between such
23 Trust Funds and reducing the amount of any
24 transfer to the Railroad Retirement Account by

1 the amount of any transfers into either such
2 Trust Fund from such Account).

3 “(5) LIMITATION ON REDUCTION.—Paragraph
4 (1) shall not apply to any reduction to the extent
5 that such reduction would cause the rate of tax im-
6 posed under subsection (a) to be less than 4.95 per-
7 cent.”.

8 (b) EMPLOYER CONTRIBUTION.—Section 3111 of the
9 Internal Revenue Code of 1986 (relating to tax on employ-
10 ers) is amended by adding at the end the following new
11 subsection:

12 “(d) REDUCTION IN OLD-AGE, SURVIVORS, AND DIS-
13 ABILITY INSURANCE TAX RATE.—

14 “(1) IN GENERAL.—In any year which follows
15 a reduction year and each year thereafter, the rate
16 of tax imposed under subsection (a) shall be reduced
17 by the reduction percentage.

18 “(2) REDUCTION YEAR; REDUCTION PERCENT-
19 AGE.—For purposes of this section, the terms ‘re-
20 duction year’ and ‘reduction percentage’ have the
21 meanings given such terms by section 3101(d).

22 “(3) LIMITATION ON REDUCTION.—Paragraph
23 (1) shall not apply to any reduction to the extent
24 that such reduction would cause the rate of tax im-

1 posed under subsection (a) to be less than 4.95 per-
2 cent.”.

3 (c) SELF-EMPLOYMENT CONTRIBUTION.—Section
4 1401 of the Internal Revenue Code of 1986 (relating to
5 tax on self-employment income) is amended by adding at
6 the end the following new subsection:

7 “(d) REDUCTION IN OLD-AGE, SURVIVORS, AND DIS-
8 ABILITY INSURANCE TAX RATE.—

9 “(1) IN GENERAL.—In any year which follows
10 a reduction year and each year thereafter, the rate
11 of tax imposed under subsection (a) shall be reduced
12 by the reduction percentage.

13 “(2) REDUCTION YEAR; REDUCTION PERCENT-
14 AGE.—For purposes of this section, the terms ‘re-
15 duction year’ and ‘reduction percentage’ have the
16 meanings given such terms by section 3101(d).

17 “(3) LIMITATION ON REDUCTION.—Paragraph
18 (1) shall not apply to any reduction to the extent
19 that such reduction would cause the rate of tax im-
20 posed under subsection (a) to be less than 9.9 per-
21 cent.”.

○