

105TH CONGRESS
1ST SESSION

H. R. 2768

To provide for the retirement of all Americans.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 29, 1997

Mr. SANFORD introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Education and the Workforce, Rules, and Banking and Financial Services, 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 provide for the retirement of all Americans.

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 “Personal Retirement Accounts Act of 1997”.

6 (b) **TABLE OF CONTENTS.**—

Sec. 1. Short title and table of contents.
Sec. 2. Definitions.

TITLE I—CONTRIBUTIONS TO PERSONAL RETIREMENT ACCOUNTS

Sec. 101. Personal retirement account payroll deduction programs.
Sec. 102. Designation of personal retirement accounts.

- Sec. 103. Self-employed individuals.
- Sec. 104. Elective participation.
- Sec. 105. Penalties.

TITLE II—PERSONAL RETIREMENT ACCOUNTS

- Sec. 201. General requirements for personal retirement accounts.
- Sec. 202. Investment requirements.
- Sec. 203. Distribution requirements.
- Sec. 204. Insurance requirements.
- Sec. 205. Personal retirement account exempt from income tax.
- Sec. 206. Tax treatment of distributions.
- Sec. 207. Penalty on trustee for failure of personal retirement account to meet requirement.
- Sec. 208. Notification regarding insured depository institutions.
- Sec. 209. Reports.
- Sec. 210. Study on implementation of early retirement options.

TITLE III—CERTIFICATION OF FINANCIAL INSTITUTIONS OTHER THAN INSURED DEPOSITORY INSTITUTIONS

- Sec. 301. Certification of financial institutions by the Securities and Exchange Commission.
- Sec. 302. Access to records.
- Sec. 303. Revocation of certification.

TITLE IV—PERSONAL RETIREMENT ACCOUNT INSURANCE

- Sec. 401. Guarantees and supplemental minimum benefit payments.
- Sec. 402. Assessments of qualified financial institutions by the Commission.
- Sec. 403. Establishment of Social Security Savings Insurance Trust Fund.
- Sec. 404. Institution of termination proceedings by the Commission.
- Sec. 405. Liability upon termination of accounts.
- Sec. 406. Insurance logo.
- Sec. 407. Report by the Commission.

TITLE V—ENFORCEMENT AUTHORITY

- Sec. 501. Cause of action.
- Sec. 502. Jurisdiction and venue.
- Sec. 503. Right of Securities and Exchange Commission to intervene.
- Sec. 504. Awards of costs and expenses.
- Sec. 505. Limitation on actions.
- Sec. 506. Penalty for failure to timely provide required information.
- Sec. 507. Actions by Securities and Exchange Commission.

TITLE VI—TRANSITION FROM COVERAGE FOR OLD-AGE AND SURVIVORS INSURANCE BENEFITS UNDER TITLE II OF THE SOCIAL SECURITY ACT

- Sec. 601. Primary insurance amounts for transitional eligible individuals.
- Sec. 602. Certification of covered status under the old-age, survivors, and disability insurance program.
- Sec. 603. Reduction in FICA and SECA taxes with respect to eligible individuals.
- Sec. 604. Supplemental retirement benefits.
- Sec. 605. Phased in increase in social security retirement age.

- Sec. 606. Limitation in cost-of-living adjustments.
 Sec. 607. Modification of CPI calculation for social security COLAs.
 Sec. 608. Phased reduction in spousal benefits other than survivor's benefits to 33 percent of primary insurance amount.
 Sec. 609. Coverage of newly hired State and local employees.
 Sec. 610. Adjustments in formula for determining primary insurance amount.
 Sec. 611. Annual statement of accrued liability of the old-age and survivors insurance program.

TITLE VII—PROVISIONS RELATING TO FEDERAL CIVILIAN AND
MILITARY PERSONNEL

- Sec. 701. Federal civilian and military personnel.
 Sec. 702. Provisions relating to the continued operation of existing retirement systems.
 Sec. 703. Provisions relating to the new system.

TITLE VIII—SOCIAL SECURITY TRANSITION COMMISSION

- Sec. 801. Establishment of Commission.
 Sec. 802. Duties.
 Sec. 803. Membership.
 Sec. 804. Powers.
 Sec. 805. Congressional consideration of recommendations.
 Sec. 806. Definitions.
 Sec. 807. Authorization of appropriations.

1 **SEC. 2. DEFINITIONS.**

2 For purposes of this Act—

3 (1) ACCOUNT HOLDER.—The term “account
 4 holder” means, with respect to any personal retire-
 5 ment account, the individual for whose benefit such
 6 account is maintained.

7 (2) BUSINESS DAY.—The term “business day”
 8 means any day other than a Saturday, Sunday, or
 9 legal holiday in the area involved.

10 (3) COVERED EMPLOYER.—The term “covered
 11 employer” means, for any calendar year, a person
 12 for whom an eligible individual is engaged in em-
 13 ployment during the year.

1 (4) ELIGIBLE INDIVIDUAL.—The term “eligible
2 individual” means any individual who, as of January
3 1, 2000—

4 (A) is not entitled to an old-age insurance
5 benefit under section 202(a) of the Social Secu-
6 rity Act or to a disability insurance benefit
7 under section 223 of such Act, and

8 (B) has made the election under section
9 104(a).

10 (5) EMPLOYMENT.—The term “employment”
11 has the meaning provided in section 210 of the So-
12 cial Security Act.

13 (6) MINIMUM ANNUITY AMOUNT; MINIMUM AN-
14 NUITY.—

15 (A) MINIMUM ANNUITY AMOUNT.—

16 (i) IN GENERAL.—The term “mini-
17 mum annuity amount” means, as of any
18 date, the amount determined by the trust-
19 ee (under regulations issued by appropriate
20 regulatory agency) to be necessary to pur-
21 chase on such date an immediate annuity
22 which is a minimum annuity.

23 (ii) REDUCTION TO ACCOUNT FOR
24 OLD-AGE INSURANCE BENEFITS.—In the
25 case of an eligible individual who is enti-

1 tled to old-age insurance benefits under
2 section 202 of the Social Security Act, the
3 minimum annuity amount determined
4 under clause (i) shall be reduced by the ac-
5 tuarial present value, as of the date re-
6 ferred to in clause (ii), of future old-age
7 insurance benefits payable to such individ-
8 ual under such section (determined by
9 using reasonable assumptions which shall
10 be prescribed by the Commission).

11 (iii) IMMEDIATE ANNUITY.—For pur-
12 poses of clause (i), the term “immediate
13 annuity” means an annuity—

14 (I) which is purchased with a sin-
15 gle premium or annuity consideration,

16 (II) the annuity starting date (as
17 defined in section 72(c)(4) of the In-
18 ternal Revenue Code of 1986) of
19 which commences no later than 1 year
20 from the date of the purchase of the
21 annuity, and

22 (III) which provides for a series
23 of substantially equal periodic pay-
24 ments (to be made not less frequently
25 than annually) during the annuity pe-

1 riod, subject to adjustment under sub-
2 paragraph (C).

3 (B) MINIMUM ANNUITY.—

4 (i) IN GENERAL.—The term “mini-
5 mum annuity” means an annuity making
6 payments over the life (or life expectancy)
7 of the account holder which (on an annual
8 basis) equals \$9,150.

9 (ii) JOINT AND SURVIVOR ANNUITY
10 AND PRERETIREMENT SURVIVOR ANNUITY
11 REQUIREMENTS.—An annuity shall not be
12 treated as a minimum annuity within the
13 meaning of clause (i) unless the require-
14 ments of section 401(a)(11) of the Internal
15 Revenue Code of 1986 applicable to plans
16 are met with respect to such annuity.

17 (C) COST-OF-LIVING ADJUSTMENT.—

18 (i) IN GENERAL.—The Securities and
19 Exchange Commission shall—

20 (I) assume, in determining any
21 minimum annuity amount under sub-
22 paragraph (A), an annual adjustment
23 in the equal periodic payments re-
24 ferred to in subparagraph
25 (A)(iii)(III), and

1 (II) adjust annually after cal-
2 endar year 2000 the dollar amount
3 set forth in subparagraph (B)(i),
4 for increases in the cost of living in accord-
5 ance with regulations prescribed by the
6 Commission.

7 (ii) ADJUSTMENT METHOD.—The reg-
8 ulations shall provide for—

9 (I) in the case of assumptions
10 made pursuant to clause (i)(I), pro-
11 jected annual adjustments in the peri-
12 odic payments with respect to future
13 calendar years based on projected in-
14 creases in the Consumer Price Index
15 (published by the Bureau of Labor
16 Statistics) for the last calendar quar-
17 ter of each future calendar year over
18 such Index for the last calendar quar-
19 ter of the year in which the deter-
20 mination is made pursuant to sub-
21 paragraph (A)(i),

22 (II) in the case of adjustments
23 made pursuant to clause (i)(II), an
24 adjustment with respect to any cal-
25 endar year based on the increase in

1 such Consumer Price Index for the
2 calendar quarter ending September 30
3 of the preceding calendar year over
4 such Index for the calendar quarter
5 ending with September 30, 1999 (in
6 the case of adjustments made pursu-
7 ant to clause (i)(II)), and

8 (III) in either case, adjustment
9 procedures which are similar to the
10 procedures used to adjust benefit
11 amounts under section 215(i)(2)(A) of
12 the Social Security Act.

13 Any dollar amount in subparagraph (B)(i), as
14 in effect for any calendar year (taking into ac-
15 count any adjustments under this clause), shall
16 apply with respect to determinations under this
17 paragraph made during such calendar year of
18 minimum annuity amounts and of whether an
19 annuity is a minimum annuity.

20 (7) PERSONAL RETIREMENT ACCOUNT.—The
21 term “personal retirement account” has the meaning
22 provided in section 201.

23 (8) PRESCRIBED EMPLOYEE CONTRIBUTION.—
24 The term “prescribed employee contribution” means,
25 with respect to any eligible individual who is en-

1 gaged in employment for a covered employer, an
2 amount equal to 4.0 percent of the wages received
3 by such employee with respect to such employment.

4 (9) PRESCRIBED EMPLOYER CONTRIBUTION.—
5 The term “prescribed social security employer con-
6 tribution” means, with respect to a covered employer
7 for whom an eligible individual is engaged in em-
8 ployment, 4.0 percent of the wages paid by such em-
9 ployer to such individual with respect to employment
10 of such individual.

11 (10) PRESCRIBED SELF-EMPLOYMENT CON-
12 TRIBUTION.—The term “prescribed social security
13 self-employment contribution” means, with respect
14 to the self-employment income of an eligible individ-
15 ual for any calendar year, 8.0 percent of the amount
16 of such self-employment income for such calendar
17 year.

18 (11) QUALIFIED FINANCIAL INSTITUTION.—
19 The term “qualified financial institution” means any
20 financial institution if—

21 (A) such institution is an insured deposi-
22 tory institution (as defined in section 3(c)(2) of
23 the Federal Deposit Insurance Act) or an in-
24 sured credit union (as defined in section 102(7)
25 of the Federal Credit Union Act), or

1 (B) there is in effect a certification of the
 2 financial institution by the Securities and Ex-
 3 change Commission under title III.

4 (12) RETIREMENT AGE.—The term “retirement
 5 age” has the meaning provided such term by section
 6 216(l).

7 (13) SELF-EMPLOYMENT INCOME.—The term
 8 “self-employment income” has the meaning provided
 9 in section 211(b) of the Social Security Act.

10 (14) TRUSTEE-TO-TRUSTEE TRANSFER.—The
 11 term “trustee-to-trustee transfer” means a transfer
 12 by the trustee from a personal retirement account
 13 for the benefit of an individual to the trustee of an-
 14 other such account for the benefit of such individual.

15 (15) WAGES.—The term “wages” has the
 16 meaning provided in section 209 of the Social Secu-
 17 rity Act.

18 **TITLE I—CONTRIBUTIONS TO**
 19 **PERSONAL RETIREMENT AC-**
 20 **COUNTS**

21 **SEC. 101. PERSONAL RETIREMENT ACCOUNT PAYROLL DE-**
 22 **DUCTION PROGRAMS.**

23 (a) IN GENERAL.—Each person who is a covered em-
 24 ployer for any calendar year shall have in effect through-
 25 out such calendar year a personal retirement accounts

1 payroll deduction program for such person's employees
2 who are eligible individuals.

3 (b) REQUIREMENTS.—For purposes of this title, the
4 term “personal retirement account payroll deduction pro-
5 gram” means a written program maintained by a covered
6 employer if—

7 (1) under such program, the prescribed em-
8 ployee contribution is deducted from the wages of
9 each employee who is an eligible individual and paid
10 as a contribution on behalf of the employee to a per-
11 sonal retirement account of such employee des-
12 ignated in accordance with section 102,

13 (2) under such program, the covered employer
14 makes timely payment of the amount so deducted as
15 a contribution to the designated personal retirement
16 account under regulations of the Securities and Ex-
17 change Commission applying the same principles re-
18 lating to the timeliness of payment as are applicable
19 under chapter 62 of the Internal Revenue Code of
20 1986 with respect to taxes under chapter 21 of such
21 Code,

22 (3) under such program, the covered employer
23 pays as a contribution to the personal retirement ac-
24 count, together with the contribution paid pursuant

1 to paragraph (2), the prescribed employer contribu-
2 tion with respect to the employee, and

3 (4) the employer receives no compensation for
4 the cost of administering such program.

5 (c) AMOUNT DEDUCTED MAY BE ACCUMULATED BY
6 EMPLOYER IN CERTAIN CASES.—If, under the terms of
7 the governing instruments creating a personal retirement
8 account selected under section 102, contributions below a
9 specified amount will not be accepted, the requirements
10 of subsection (b)(2) shall be treated as met if amounts
11 deducted from the wages of an employee who is an eligible
12 individual are accumulated by the covered employer and
13 paid to such account otherwise in accordance with sub-
14 section (b)(2) with reference to the first day on which the
15 accumulated amount exceeds such specified amount.

16 **SEC. 102. DESIGNATION OF PERSONAL RETIREMENT AC-**
17 **COUNTS.**

18 (a) IN GENERAL.—Except as provided in subsection
19 (b), the personal retirement accounts to which contribu-
20 tions with respect to any employee who is an eligible indi-
21 vidual are required to be paid under section 101 shall be
22 such an account designated by such employee to such em-
23 ployer not later than 10 business days after the date on
24 which such employee becomes an employee of such em-
25 ployer. Any such designation shall be made in such form

1 and manner as may be prescribed in regulations of the
2 Securities and Exchange Commission.

3 (b) DESIGNATION IN ABSENCE OF TIMELY DESIGNA-
4 TION BY EMPLOYEE.—In any case in which no timely des-
5 ignation of the personal retirement account is made, the
6 covered employer shall designate such account in accord-
7 ance with regulations of the Commission.

8 (c) SUBSEQUENT SUBSTITUTION OF ACCOUNTS.—
9 The Commission shall provide by regulation for subse-
10 quent designation of a personal retirement account by an
11 account holder in lieu of an account previously designated
12 by such account holder under this section.

13 **SEC. 103. SELF-EMPLOYED INDIVIDUALS.**

14 (a) IN GENERAL.—In the case of an eligible individ-
15 ual who has self-employment income for any calendar
16 year, such individual shall make timely payments to a per-
17 sonal retirement account designated by such individual of
18 the prescribed self-employment contribution with respect
19 to such individual for such calendar year in accordance
20 with regulations of the Securities and Exchange Commis-
21 sion applying the same principles relating to timeliness of
22 payment as are applicable under chapter 62 of the Inter-
23 nal Revenue Code of 1986 with respect to taxes under
24 chapter 2 of such Code.

1 (b) DESIGNATION OF ACCOUNT.—The designation of
2 a personal retirement account for payment of prescribed
3 self-employment contributions shall be made in such form
4 and manner as may be prescribed in regulations of the
5 Securities and Exchange Commission.

6 **SEC. 104. ELECTIVE PARTICIPATION.**

7 (a) ELECTION FOR INCLUSION BY INDIVIDUALS.—

8 (1) IN GENERAL.—Any individual may, during
9 calendar year 1998, elect to be included in the defi-
10 nition of “eligible individual” under section 2(4), ir-
11 respective of whether such individual is (or may be
12 as of January 1, 2000) credited with one or more
13 quarters of coverage under section 213 of the Social
14 Security Act, by filing with the employer, the Social
15 Security Administration, and the Securities and Ex-
16 change Commission, in such form and manner as
17 shall be prescribed in regulations of the Administra-
18 tion (in consultation with the Commission), a writ-
19 ten and signed declaration of such individual’s inten-
20 tion to be treated as an eligible individual for pur-
21 poses of this title. Any such filing shall not be final
22 in the case of an individual who is engaged in em-
23 ployment as of December 31, 1998, unless a copy of
24 such filing is provided by the individual to the cov-
25 ered employer during such period.

1 (2) IRREVOCABILITY.—Any election under para-
2 graph (1) shall be irrevocable and shall be effective
3 with respect to wages paid, and self-employment in-
4 come derived, after December 31, 1999.

5 (3) SUBSEQUENT OPEN SEASONS.—The Com-
6 missioner of Social Security, in consultation with the
7 Securities and Exchange Commission, may provide
8 by regulation for subsequent periods of time during
9 which elections under paragraph (1) may be made
10 periodically (not more frequently than biennially), ef-
11 fective with respect to wages paid, and self-employ-
12 ment income derived, after one year after the close
13 of such periods.

14 **SEC. 105. PENALTIES.**

15 (a) FAILURE TO ESTABLISH PERSONAL RETIRE-
16 MENT ACCOUNT PAYROLL DEDUCTION PROGRAM.—Any
17 covered employer who fails to meet the requirements of
18 section 101 for any calendar year shall be subject to a
19 civil penalty of not to exceed—

20 (1) \$250,000, in the case of an employer who
21 is an individual, or

22 (2) \$500,000, in any other case.

23 (b) FAILURE TO MAKE DEDUCTIONS REQUIRED
24 UNDER PROGRAM.—Any covered employer who fails to
25 timely deduct in full the amount from the wages of an

1 employee who is an eligible individual as required under
2 an applicable personal retirement account payroll deduc-
3 tion program shall be subject to a civil penalty for each
4 such failure of not to exceed—

5 (1) \$250,000, in the case of an employer who
6 is an individual, or

7 (2) \$500,000, in any other case.

8 (c) FAILURE TO PAY DEDUCTED WAGES TO PER-
9 SONAL RETIREMENT ACCOUNT.—If an amount deducted
10 under a personal retirement account payroll deduction
11 program from the wages of an employee who is an eligible
12 individual is not timely paid in full to the designated per-
13 sonal retirement account in accordance with section 101,
14 the covered employer failing to make such payment—

15 (1) shall be subject to a civil penalty for each
16 such failure of not to exceed—

17 (A) \$250,000, in the case of an employer
18 who is an individual, or

19 (B) \$500,000, in any other case, and

20 (2) shall be liable to the employee for interest
21 on the unpaid amount at a rate equal to 10 percent-
22 age points in excess of the Federal short-term rate
23 under section 1274(d)(1) of the Internal Revenue
24 Code of 1986, calculated from the last day by which
25 such amount was required to be so paid to the date

1 on which such amount is paid into the designated
2 personal retirement account.

3 (d) FAILURE TO PAY PRESCRIBED SELF-EMPLOY-
4 MENT CONTRIBUTIONS TO PERSONAL RETIREMENT AC-
5 COUNT.—Any eligible individual failing to timely pay in
6 full a prescribed self-employment contribution to a des-
7 ignated personal retirement account as required under
8 section 103 shall be subject to a civil penalty for each such
9 failure of not to exceed \$250,000, plus interest on the un-
10 paid amount at a rate equal to 10 percentage points in
11 excess of the Federal short-term rate under section
12 1274(d)(1) of the Internal Revenue Code of 1986, cal-
13 culated from the last day by which such amount was re-
14 quired to be so paid to the date on which such amount
15 is paid into the designated personal retirement account.

16 (e) RULES FOR APPLICATION OF SECTION.—

17 (1) PENALTIES ASSESSED BY SECURITIES AND
18 EXCHANGE COMMISSION.—Any civil penalty assessed
19 by this section shall be imposed by the Securities
20 and Exchange Commission and collected in a civil
21 action.

22 (2) COMPROMISES.—The Commission may com-
23 promise the amount of any civil penalty imposed by
24 this section.

1 (3) AUTHORITY TO WAIVE PENALTY IN CER-
2 TAIN CASES.—The Commission may waive the appli-
3 cation of this section with respect to any failure if
4 the Commission determines that such failure is due
5 to reasonable cause and not to intentional disregard
6 of rules and regulations.

7 **TITLE II—PERSONAL** 8 **RETIREMENT ACCOUNTS**

9 **SEC. 201. GENERAL REQUIREMENTS FOR PERSONAL RE-** 10 **TIREMENT ACCOUNTS.**

11 (a) IN GENERAL.—For purposes of this Act, the term
12 “personal retirement account” means a trust created or
13 organized in the United States for the exclusive benefit
14 of an eligible individual or his beneficiaries, but only if
15 the written governing instrument creating the trust meets
16 the following requirements:

17 (1) No contribution may be made to such trust
18 unless—

19 (A) such contribution is made pursuant to
20 title I of this Act, subsection (c) or (d) of this
21 section, or section 401 of this Act, or

22 (B) such contribution is a trustee-to-trust-
23 ee transfer.

24 (2) The trustee is a qualified financial institu-
25 tion.

1 (3) The investment requirements of section 202
2 shall be met.

3 (4) The distribution limitations of section 203
4 shall be met.

5 (5) The insurance requirements of section 204
6 are met.

7 (6) The interest of an individual in the balance
8 in his account is nonforfeitable.

9 (7) The trustee makes an annual disclosure to
10 each beneficiary of all fees and other charges im-
11 posed by the trustee with respect to the trust.

12 (8) The trustee provides to the beneficiary—

13 (A) on a quarterly basis, an accounting of
14 all activity of the trust during the preceding
15 quarter, and

16 (B) on an annual basis, an accounting of
17 all activity of the trust during the preceding
18 year.

19 (b) AGGREGATION OF ACCOUNTS.—For purposes of
20 determining whether the requirements of sections 202 and
21 203 are met in a taxable year, a predecessor personal re-
22 tirement account and a successor personal retirement ac-
23 count of an account holder shall be treated as 1 account.

24 (c) CONTRIBUTIONS TO INDIVIDUAL'S NONWORKING
25 SPOUSE'S PERSONAL RETIREMENT ACCOUNT.—

1 (1) IN GENERAL.—In the case of an individual
2 to whom this paragraph applies for the taxable year,
3 there shall be allowed as a deduction from gross in-
4 come qualified nonworking spousal contributions
5 made by such individual for the taxable year.

6 (2) MAXIMUM AMOUNT OF DEDUCTION.—The
7 amount allowable as a deduction under paragraph
8 (1) to any individual for any taxable year shall not
9 exceed—

10 (A) an amount equal to 5 percent of the
11 taxpayer's adjusted gross income for the taxable
12 year, reduced (but not below zero) by

13 (B) the compensation of such individual's
14 spouse that is includible in gross income for the
15 taxable year.

16 (3) INDIVIDUALS TO WHOM PARAGRAPH (1) AP-
17 PLIES.—Paragraph (1) shall apply to any individual
18 if—

19 (A) such individual files a joint return for
20 the taxable year, and

21 (B) the amount of compensation (if any)
22 includible in such individual's gross income for
23 the taxable year is greater than the compensa-
24 tion includible in the gross income of such indi-
25 vidual's spouse for the taxable year.

1 (d) ADDITIONAL CONTRIBUTIONS TO INDIVIDUAL'S
2 OWN PERSONAL RETIREMENT ACCOUNT.—

3 (1) IN GENERAL.—An individual may make
4 contributions to the personal retirement account of
5 the individual for the taxable year.

6 (2) MAXIMUM AMOUNT OF CONTRIBUTIONS.—
7 The amount allowable as a contribution under para-
8 graph (1) to any individual for any taxable year
9 shall not exceed the amount in effect under section
10 415(c)(1) of the Internal Revenue Code of 1986 (re-
11 lating to limitation on contribution to defined con-
12 tribution plans), determined by substituting “indi-
13 vidual’s” for “participant’s” in subparagraph (B) of
14 such section 415(c)(1).

15 **SEC. 202. INVESTMENT REQUIREMENTS.**

16 (a) IN GENERAL.—The investment requirements of
17 this section are met with respect to a trust only if—

18 (1) the risk limitations of subsection (b) are
19 met,

20 (2) no asset of the trust is—

21 (A) a life insurance contract (except as
22 provided in section 204), or

23 (B) a collectible (as defined in section
24 408(m) of the Internal Revenue Code of 1986)

1 other than a coin described in section
2 408(m)(3) of such Code,

3 (3) no asset of the trust is commingled with
4 other property except in a common trust fund or
5 common investment fund,

6 (4) no person borrows any money under or by
7 use of such trust or uses any portion of such trust
8 as security for a loan.

9 (b) RISK LIMITATIONS.—The risk limitations of this
10 subsection are met only if so much of the balance in the
11 trust as does not exceed the minimum annuity amount is
12 invested in common stock having a moderate or lower risk,
13 as determined under regulations which shall be prescribed
14 by the Securities and Exchange Commission, and forming
15 a portfolio designed to replicate the performance of a com-
16 monly recognized index comprised of common stock the
17 aggregate market value of which is a reasonably complete
18 representation of the United States equity markets.

19 **SEC. 203. DISTRIBUTION REQUIREMENTS.**

20 (a) IN GENERAL.—The distribution requirements of
21 this section are met with respect to a trust only if—

22 (1) the distribution timing requirements of sub-
23 section (b) are met, and

24 (2) the distribution amount requirements of
25 subsection (c) are met.

1 (b) TIMING REQUIREMENTS.—

2 (1) IN GENERAL.—The distribution timing re-
3 quirements of this subsection are met only if—

4 (A) no distribution may be made from the
5 trust before the date the account holder attains
6 retirement age, unless the balance in the trust
7 immediately after the distribution is not less
8 than the minimum annuity amount, and

9 (B) no distribution may be made from the
10 trust before the date the account holder attains
11 age 62.

12 (2) EXCEPTIONS.—Paragraph (1) shall not
13 apply to—

14 (A) any trustee-to-trustee transfer, and

15 (B) any distribution made to a beneficiary
16 (or to the estate of the employee) on or after
17 the death of the account holder.

18 (c) AMOUNT REQUIREMENTS.—

19 (1) IN GENERAL.—The distribution amount re-
20 quirements of this subsection are met only if no dis-
21 tribution may be made from the trust on or after the
22 date the account holder attains retirement age un-
23 less the aggregate amount of distributions for any
24 year does not exceed the amount which would be

1 payable to the account holder from the trust under
2 a minimum annuity.

3 (2) EXCEPTIONS.—Paragraph (1) shall not
4 apply to any distribution if—

5 (A) subsection (b)(1) does not apply to
6 such distribution,

7 (B) the balance in the trust immediately
8 after the distribution is not less than the mini-
9 mum annuity amount, or

10 (C) the distribution is used to purchase a
11 minimum annuity.

12 (d) CROSS REFERENCE.—

**For penalty on trustee for failure of trust to meet
the distribution requirements of this section, see
section 207.**

13 **SEC. 204. INSURANCE REQUIREMENTS.**

14 (a) IN GENERAL.—The insurance requirements of
15 this section are met with respect to a trust only if the
16 trustee maintains for each calendar year insurance on the
17 life of each account holder who—

18 (1) is married, or

19 (2) has at least one dependent child with re-
20 spect to whom the same requirements are met as are
21 applicable under section 202(d)(1)(B) of the Social
22 Security Act with respect to an application filed
23 under section 202(d) of such Act.

1 (b) **REQUIRED COVERAGE.**—Insurance meets the re-
2 quirements of subsection (a) only if such insurance pro-
3 vides for a benefit payable upon the account holder’s death
4 to the account holder’s spouse (if any) and to each depend-
5 ent child (if any) described in subsection (a). Each such
6 benefit shall be equal to at least the product derived by
7 multiplying the average indexed monthly earnings (as de-
8 fined in section 215(b) of the Social Security Act) of the
9 account holder by 36.

10 **SEC. 205. PERSONAL RETIREMENT ACCOUNT EXEMPT**
11 **FROM INCOME TAX.**

12 Any personal retirement account is exempt from tax-
13 ation under subtitle A of the Internal Revenue Code of
14 1986. Notwithstanding the preceding sentence, any such
15 account is subject to the taxes imposed by section 511 of
16 such Code (relating to imposition of tax on unrelated busi-
17 ness income of charitable, etc. organizations).

18 **SEC. 206. TAX TREATMENT OF DISTRIBUTIONS.**

19 (a) **IN GENERAL.**—Except as otherwise provided in
20 this section, any amount paid or distributed out of a per-
21 sonal retirement account shall be included in the gross in-
22 come of the account holder for the taxable year in which
23 the payment or distribution is received. Notwithstanding
24 any other provision of law, the basis of the account holder
25 in such account shall be zero.

1 (b) EXCEPTION FOR AMOUNTS USED TO ACQUIRE
2 MINIMUM OR MORE GENEROUS IMMEDIATE ANNUITY.—

3 No portion of a payment or distribution out of a personal
4 retirement account shall be included in gross income so
5 long as a sufficient portion of such payment or distribu-
6 tion is used within a reasonable period to acquire an im-
7 mediate annuity which provides payments which, on an
8 annual basis, are not less than the payments under a mini-
9 mum annuity purchased on the date of such acquisition.

10 (c) EXCEPTION FOR TRANSFERS INCIDENT TO DI-

11 VORCE.—The transfer of an individual's interest in a per-
12 sonal retirement account to his spouse or former spouse
13 under a divorce or separation instrument described in sub-
14 paragraph (A) of section 71(b)(2) of the Internal Revenue
15 Code of 1986 is not to be considered a taxable transfer
16 for purposes of subtitle A of the Internal Revenue Code
17 of 1986, and such interest at the time of the transfer is
18 to be treated as a personal retirement account of such
19 spouse, and not of such individual. Thereafter such spouse
20 shall, for purposes of this title, be treated as the account
21 holder of such account.

1 **SEC. 207. PENALTY ON TRUSTEE FOR FAILURE OF PER-**
2 **SONAL RETIREMENT ACCOUNT TO MEET RE-**
3 **QUIREMENT.**

4 For purposes of section 4975 of the Internal Revenue
5 Code of 1986 (relating to tax on prohibited trans-
6 actions)—

7 (1) a personal retirement account shall be treat-
8 ed as a plan to which such section applies, and

9 (2) the term “prohibited transaction” includes
10 any failure of a personal retirement account to meet
11 any requirement of section 202 or 203.

12 **SEC. 208. NOTIFICATION REGARDING INSURED DEPOSI-**
13 **TORY INSTITUTIONS.**

14 (a) NOTIFICATION OF INSURED STATUS.—The rel-
15 evant Federal agency shall notify the Securities and Ex-
16 change Commission of the identity of each financial insti-
17 tution which is an insured depository institution or an in-
18 sured credit union not later than—

19 (1) in the case of financial institutions which
20 are insured depository institutions or insured credit
21 unions on the date of the enactment of this Act, 60
22 days after such date, or

23 (2) in any other case, 60 days after the date on
24 which the institution becomes an insured depository
25 institution or an insured credit union.

1 (b) NOTIFICATION OF TERMINATION OF INSURED
2 STATUS.—The relevant Federal agency shall notify the
3 Commission of the termination of a financial institution’s
4 status as an insured depository institution or an insured
5 credit union not later than the effective date of the termi-
6 nation of such status.

7 (c) RELEVANT FEDERAL AGENCY.—For purposes of
8 this section, the term “relevant Federal agency” means—

9 (1) in the case of an insured credit union (as
10 defined in section 101(7) of the Federal Credit
11 Union Act), the National Credit Union Administra-
12 tion Board, and

13 (2) in any other case, the appropriate Federal
14 banking agency (as defined in section 3(q) of the
15 Federal Deposit Insurance Act).

16 **SEC. 208. REPORTS.**

17 (a) IN GENERAL.—The trustee of a personal retire-
18 ment account shall make such reports regarding such ac-
19 count to the Securities and Exchange Commission and to
20 the account holder with respect to contributions (and the
21 years to which they relate), distributions, and such other
22 matters as the Commission may require under regulations.

23 (b) FILING AND FURNISHING OF REPORTS.—The re-
24 ports required by this section—

1 (1) shall be filed at such time and in such man-
2 ner as the Commission prescribes in the regulations
3 prescribed pursuant to subsection (a), and

4 (2) shall be furnished to individuals—

5 (A) not later than January 31 of the cal-
6 endar year following the calendar year to which
7 such reports relate, and

8 (B) in such manner as the Commission
9 prescribes in such regulations.

10 **SEC. 210. STUDY ON IMPLEMENTATION OF EARLY RETIRE-**
11 **MENT OPTIONS.**

12 (a) **IN GENERAL.**—As soon as practicable after the
13 date of the enactment of this Act, the Securities and Ex-
14 change Commission, in consultation with the Commis-
15 sioner of Social Security, shall conduct a study of the best
16 means of providing for options under which distributions
17 from a personal retirement account established under this
18 Act may commence in advance of the date on which the
19 account holder attains retirement age.

20 (b) **MATTERS TO BE STUDIED.**—The study con-
21 ducted pursuant to subsection (a) shall consider specifi-
22 cally—

23 (1) the extent to which minimum levels of as-
24 sets held in the account may need to be required as

1 a prerequisite for distribution of assets from the ac-
2 count at an age earlier than retirement age, and

3 (2) possible forms of distribution to which such
4 early distributions might be restricted,

5 in order to minimize any adverse affects that such early
6 distributions might have on retirement income security
7 and to forestall any likelihood of reliance by the account
8 holder in the future on other Federal or State benefit pro-
9 grams for financial support.

10 (c) REPORTS.—Not later than December 31 of each
11 calendar year beginning after the date of the enactment
12 of this Act and ending with 2003, the Commission shall
13 transmit to the President and to each House of the Con-
14 gress interim reports on the progress of the study being
15 conducted under subsection (a). Not later than December
16 31, 2004, the Commission shall submit to the President
17 and to each House of the Congress a final report on the
18 study conducted under subsection (a) setting forth the
19 Commission's conclusions and recommendations. The re-
20 port shall include any recommendations for legislation
21 that the Commission considers necessary or appropriate,
22 together with suggested legislative language necessary to
23 carry out such recommendations.

1 **TITLE III—CERTIFICATION OF**
2 **FINANCIAL INSTITUTIONS**
3 **OTHER THAN INSURED DE-**
4 **POSITORY INSTITUTIONS**

5 **SEC. 301. CERTIFICATION OF FINANCIAL INSTITUTIONS BY**
6 **THE SECURITIES AND EXCHANGE COMMIS-**
7 **SION.**

8 (a) IN GENERAL.—Any financial institution may
9 apply to the Securities and Exchange Commission (in such
10 form and manner as shall be provided by the Commission
11 by regulation) for certification under this title.

12 (b) REVIEW REQUIREMENTS.—In reviewing any ap-
13 plication for certification under this title and determining
14 whether to approve the application for certification, the
15 Commission shall consider the following factors:

16 (1) The financial history and condition of the
17 financial institution.

18 (2) The adequacy of the financial institution's
19 capital structure.

20 (3) The future earnings prospects of the finan-
21 cial institution.

22 (4) The general character and fitness of the
23 management of the financial institution.

1 (5) The risk presented by such financial institu-
2 tion to the Social Security Savings Guaranty Trust
3 Fund.

4 (6) The convenience and needs of individuals
5 who are account holders with respect to personal re-
6 tirement accounts for which the institution is to
7 serve as trustee.

8 (7) Whether the financial institution's corporate
9 powers are consistent with the purposes of this Act.

10 (c) NOTICE OF DENIAL OF APPLICATION FOR CER-
11 TIFICATION.—If the Commission votes to deny any appli-
12 cation for certification by any financial institution, the
13 Commission shall promptly notify the financial institution
14 of the denial of such application, giving specific reasons
15 in writing for the Commission's determination with ref-
16 erence to the factors described in subsection (b).

17 (d) NONDELEGATION REQUIREMENT.—The author-
18 ity of the Commission to make any determination to deny
19 any application under this section may not be delegated
20 by the Commission.

21 **SEC. 302. ACCESS TO RECORDS.**

22 (a) IN GENERAL.—The Securities and Exchange
23 Commission may from time to time require any certified
24 financial institution to file such reports as the Commission
25 may deem advisable for purposes of this title.

1 (b) REPORTS BY CERTIFIED FINANCIAL INSTITU-
2 TIONS.—

3 (1) IN GENERAL.—Each such report shall con-
4 tain a declaration by the president, by a vice presi-
5 dent, by the cashier or the treasurer, or by any other
6 officer designated by the board of directors or trust-
7 ees of the reporting certified financial institution to
8 make such declaration, that the report is true and
9 correct to the best of his knowledge and belief. The
10 correctness of such report shall be attested by the
11 signatures of at least two directors or trustees of the
12 reporting certified financial institution other than
13 the officer making such declaration, with a declara-
14 tion that the report has been examined by them and
15 to be the best of their knowledge and belief is true
16 and correct. At the time of making such reports
17 each certified financial institution shall furnish to
18 the Commission a copy thereof containing such
19 signed declaration and attestations. Nothing in this
20 paragraph shall be construed to preclude any Fed-
21 eral or State agency or instrumentality from requir-
22 ing a certified financial institution under its jurisdic-
23 tion to make additional reports at any time.

24 (2) INFORMATION TO BE PROVIDED.—In the
25 reports required to be made by paragraph (1), each

1 certified financial institution shall report the total
2 amount of the liability of the institution for balances
3 maintained in personal retirement accounts for
4 which such institution serves as trustee.

5 (3) DATA COLLECTIONS.—In addition to or in
6 connection with any other report required under this
7 subsection, the Commission shall take such action as
8 may be necessary to ensure that—

9 (A) each certified financial institution
10 maintains; and

11 (B) the Commission receives on a regular
12 basis from such institution,

13 information on the total amount of all liability of the
14 institution for balances maintained in personal re-
15 tirement accounts for which such institution serves
16 as trustee. In prescribing reporting and other re-
17 quirements for the collection of actual and accurate
18 information pursuant to this paragraph, the Com-
19 mission shall minimize the regulatory burden im-
20 posed upon certified financial institutions while tak-
21 ing into account the benefit of the information to the
22 Commission in carrying out its functions under this
23 title.

1 **SEC. 303. REVOCATION OF CERTIFICATION.**

2 (a) VOLUNTARY REVOCATION.—Any financial insti-
3 tution may revoke such institution's status as a certified
4 financial institution if such institution provides written no-
5 tice to the Securities and Exchange Commission of the in-
6 stitution's intent to revoke such status not less than 90
7 days before the effective date of such revocation.

8 (b) INVOLUNTARY REVOCATION.—

9 (1) NOTICE TO PRIMARY REGULATOR.—

10 (A) IN GENERAL.—If the Commission de-
11 termines that—

12 (i) a certified financial institution or
13 the directors or trustees of a certified fi-
14 nancial institution have engaged or are en-
15 gaging in unsafe or unsound practices in
16 conducting the business of the institution,

17 (ii) a certified financial institution is
18 in an unsafe or unsound condition to con-
19 tinue operations as a certified financial in-
20 stitution, or

21 (iii) a certified financial institution or
22 the directors or trustees of the institution
23 have violated any applicable law, regula-
24 tion, order, condition imposed in writing by
25 the Commission in connection with the ap-
26 proval of any application or other request

1 by the institution, or written agreement
2 entered into between the institution and
3 the Commission,
4 and the Commission determines that any unsafe
5 or unsound practice or condition or any viola-
6 tion specified in such notice requires the revoca-
7 tion of the certified status of the certified finan-
8 cial institution, the Commission shall take the
9 actions required under subparagraph (B).

10 (B) REQUIRED ACTIONS.—If the Commis-
11 sion makes the determination under subpara-
12 graph (A) with respect to a certified financial
13 institution, the Commission shall—

14 (i) serve written notice to the certified
15 financial institution of the Commission’s
16 intention to revoke the certified status of
17 the institution;

18 (ii) provide the certified financial in-
19 stitution with a statement of the charges
20 on the basis of which the determination to
21 revoke such institution’s certified status
22 was made; and

23 (iii) notify the certified financial insti-
24 tution of the date (not less than 30 days
25 after notice under this paragraph) and

1 place for a hearing before the Commission
2 (or any person designated by the Commis-
3 sion) with respect to the revocation of the
4 institution's certified status.

5 (2) HEARING; REVOCATION.—If, on the basis of
6 the evidence presented at a hearing before the Com-
7 mission (or any person designated by the Commis-
8 sion for such purpose), in which all issues shall be
9 determined on the record pursuant to section 554 of
10 title 5, United States Code, and the written findings
11 of the Commission (or such person) with respect to
12 such evidence (which shall be conclusive), the Com-
13 mission finds that any unsafe or unsound practice or
14 condition or any violation specified in the notice to
15 a certified financial institution under paragraph (1)
16 has been established, the Commission may issue an
17 order revoking the certified status of such institution
18 effective as of a date subsequent to such finding.

19 (3) APPEARANCE; CONSENT TO REVOCATION.—
20 Unless the institution appears at the hearing by a
21 duly authorized representative, it shall be deemed to
22 have consented to the revocation of its status as a
23 certified financial institution and revocation of such
24 status thereupon may be ordered.

1 (4) PUBLICATION OF NOTICE OF REVOCA-
2 TION.—The Commission may publish notice of such
3 revocation and the institution shall give notice of
4 such revocation to the account holder of each per-
5 sonal retirement account for which the institution
6 serves as trustee at his last address of record on the
7 books of the institution, in such manner and at such
8 time as the Commission may find to be necessary
9 and may order for the protection of account holders.

10 (5) TEMPORARY CONTINUANCE OF CERTIFI-
11 CATION AS OF REVOCATION.—After the Commission
12 has determined under the provisions of this sub-
13 section that the certified status of any financial in-
14 stitution is to be revoked, the certification of the in-
15 stitution shall continue for a period of at least 6
16 months or up to 2 years, within the discretion of the
17 Commission. No further contributions may be made
18 to any personal retirement account for which the in-
19 stitution serves as trustee after the date of such de-
20 termination of the Commission, and the institution
21 shall not advertise or hold itself out as being a quali-
22 fied financial institution unless in the same connec-
23 tion it shall also state with equal prominence that
24 such contributions may not be made. Such institu-
25 tion shall, in all other respects, be subject to the du-

1 ties and obligations of a qualified financial institu-
2 tion for the period referred to in the first sentence
3 of this paragraph from the date of such revocation,
4 and the Commission shall have the same powers and
5 rights with respect to such institution as in the case
6 of a qualified financial institution.

7 (6) TEMPORARY SUSPENSION OF CERTIFI-
8 CATION.—

9 (A) IN GENERAL.—If the Commission ini-
10 tiates a revocation proceeding under paragraph
11 (1), and the Commission, after consultation
12 with any appropriate regulatory agency with ju-
13 risdiction over the financial institution, finds
14 that the institution has no tangible capital
15 under the capital guidelines or regulations of
16 regulatory agency, the Commission may issue a
17 temporary order suspending certification of the
18 institution.

19 (B) EFFECTIVE PERIOD OF TEMPORARY
20 ORDER.—Any order issued under subparagraph
21 (A) shall become effective not earlier than 10
22 days from the date of service upon the institu-
23 tion and, unless set aside, limited, or suspended
24 by a court in proceedings authorized under this
25 paragraph, such temporary order shall remain

1 effective and enforceable until an order of the
2 Commission under paragraph (2) becomes final
3 or until the Commission dismisses the proceed-
4 ings under paragraph (2).

5 (C) JUDICIAL REVIEW.—Before the close
6 of the 10-day period beginning on the date any
7 temporary order has been served upon the insti-
8 tution under subparagraph (A), the institution
9 may apply to the United States District Court
10 for the District of Columbia, or the United
11 States district court for the judicial district in
12 which the home office of the institution is lo-
13 cated, for an injunction setting aside, limiting,
14 or suspending the enforcement, operation, or ef-
15 fectiveness of such order, and such court shall
16 have jurisdiction to issue such injunction.

17 (D) PUBLICATION OF ORDER.—The insti-
18 tution shall give notice of such order to the ac-
19 count holder of each personal retirement ac-
20 count for which the institution serves as trustee
21 in such manner and at such times as the Com-
22 mission may find to be necessary and may
23 order for the protection of account holders.

24 (E) NOTICE BY COMMISSION.—If the Com-
25 mission determines that the institution has not

1 substantially complied with the notice to con-
2 tributors required by the Commission, the Com-
3 mission may provide such notice in such man-
4 ner as the Commission may find to be nec-
5 essary and appropriate.

6 (7) FINAL DECISIONS TO REVOKE CERTIFI-
7 CATION.—Any decision by the Commission to—

8 (A) issue a temporary order revoking cer-
9 tification; or

10 (B) issue a final order revoking certifi-
11 cation;

12 shall be made by the Commission and may not be
13 delegated.

14 (8) JUDICIAL REVIEW.—Any party to any pro-
15 ceeding under this subsection to which a financial
16 institution is a party may obtain a review of any
17 order served pursuant to this subsection by the filing
18 in the court of appeals of the United States for the
19 circuit in which the home office of the financial in-
20 stitution is located, or in the United States Court of
21 Appeals for the District of Columbia Circuit, within
22 30 days after the date of service of such order, a
23 written petition praying that the order of the Com-
24 mission be modified, terminated, or set aside. A copy
25 of such petition shall be forthwith transmitted by

1 the clerk of the court to the Commission, and there-
2 upon the Commission shall file in the court the
3 record in the proceeding, as provided in section 2112
4 of title 28, United States Code. Upon the filing of
5 such petition, such court shall have jurisdiction,
6 which upon the filing of the record shall be exclusive,
7 to affirm, modify, terminate, or set aside, in whole
8 or in part, the order of the Commission. Review of
9 such proceedings shall be had as provided in chapter
10 7 of title 5, United States Code. The judgment and
11 decree of the court shall be final, except that the
12 judgment and decree shall be subject to review by
13 the Supreme Court upon certiorari, as provided in
14 section 1254 of title 28, United States Code. The
15 commencement of proceedings for judicial review
16 under this paragraph shall not, unless specifically
17 ordered by the court, operate as a stay of any order
18 issued by the Commission.

19 **TITLE IV—PERSONAL RETIRE-**
20 **MENT ACCOUNT INSURANCE**

21 **SEC. 401. GUARANTEES AND SUPPLEMENTAL MINIMUM**
22 **BENEFIT PAYMENTS.**

23 (a) DISTRIBUTIONS FROM PERSONAL RETIREMENT
24 ACCOUNTS GUARANTEED.—In any case in which the Se-
25 curities and Exchange Commission declares an insurable

1 event with respect to a qualified financial institution serv-
2 ing as trustee of a personal retirement account, subject
3 to the limitations contained in subsection (b), the Commis-
4 sion shall guarantee, in accordance with this section, the
5 timely distribution of the balance in such account to the
6 account holder in accordance with the terms governing
7 such account and the provisions of this Act.

8 (b) LIMITATION.—The amount of any account bal-
9 ance, the distribution of which is subject to the Commis-
10 sion’s guarantee under subsection (a), shall not exceed the
11 minimum annuity amount.

12 (c) AGGREGATE LIMIT ON AMOUNT GUARANTEED.—
13 Notwithstanding the preceding provisions of this section,
14 no person shall receive from the Commission, pursuant to
15 a guarantee by the Commission with respect to all per-
16 sonal retirement accounts for which such person is the ac-
17 count holder, an amount which, in the aggregate, exceeds
18 the minimum annuity amount.

19 (d) INSURABLE EVENT.—For purposes of subsection
20 (a), any of the following shall constitute an insurable event
21 with respect to a qualified financial institution serving as
22 trustee of a personal retirement account:

23 (1) the termination of the qualified status of a
24 the institution;

1 (2) inability of the qualified financial institution
2 to make full distributions of the balance in the ac-
3 count when due; and

4 (3) termination of the account under section
5 405.

6 (e) MINIMUM DISTRIBUTION LEVEL GUARANTEE.—

7 In addition to the guarantee provided under subsection
8 (a), the Commission shall guarantee a minimum distribu-
9 tion from the account as of the normal retirement date
10 in the amount of the minimum annuity amount, notwith-
11 standing that the balance in the account as of such date
12 is less than the minimum annuity amount, if—

13 (1) the account holder was not credited with
14 any quarters of coverage under section 213 of the
15 Social Security Act as of January 1, 2000,

16 (2) as of the normal retirement date, no dis-
17 tributions have been made by the individual from
18 such account holder's personal retirement account,

19 (3) the Commission determines that the failure
20 of the balance in the account to attain the level of
21 the minimum annuity amount as of the normal re-
22 tirement date is due to inadvertent and substantial
23 investment losses occurring during the 90-day period
24 ending with such date.

1 (f) ALTERNATIVE GUARANTEE ARRANGEMENTS.—

2 The Commission shall also provide for a range of alter-
3 native guarantee arrangements providing for timely dis-
4 tribution of all, or a larger portion, of the balance in the
5 personal retirement account to the account holder, which
6 may be elected by the account holder upon payment to
7 the commission of supplemental premiums.

8 (g) SUBSTITUTION OF PRIVATE INSURANCE.—The

9 Commission shall provide by regulation for substitution,
10 at the election of the account holder, of private insurance
11 secured by the account holder or by the trustee of the ac-
12 count holder's personal retirement account, providing for
13 a guarantee of timely distribution of the balance in the
14 account to the account holder, which is at least equivalent
15 to the guarantee provided for under subsection (a)

16 (h) PAYMENT OF GUARANTEES.—To the extent that

17 amounts subject to a guarantee provided for under sub-
18 section (a), (e), (f), or (g) are not payable from the per-
19 sonal retirement account, such amounts shall be payable
20 from the Social Security Savings Insurance Trust Fund.

21 (i) ENTITLEMENT TO SUPPLEMENTAL MINIMUM

22 BENEFIT PAYMENT TO ACCOUNT.—

23 (1) IN GENERAL.—In any case in which—

24 (A) an account holder attains retirement

25 age and, as of the normal retirement date, is a

1 fully insured individual (as defined in section
2 214(a) of the Social Security Act),

3 (B) as of the normal retirement date, no
4 distributions have been made by the individual
5 from such account holder's personal retirement
6 account,

7 (C) as of the normal retirement date, the
8 balance in the personal retirement account (be-
9 fore any distributions on such date) is less than
10 the minimum annuity amount, and

11 (D) the guarantee under subsection (e)
12 does not apply with respect to the balance in
13 the personal retirement account,

14 the account holder, upon application to the Commis-
15 sion filed by the account holder or the trustee of the
16 account on or after the normal retirement date and
17 in such form and manner as shall be prescribed by
18 the Commission, shall be entitled to a supplemental
19 minimum benefit payment to such account. Upon re-
20 ceipt of such application, the Commission shall cer-
21 tify to the Secretary of the Treasury the amount of
22 such payment, and the Secretary shall pay the
23 amount of such payment to such account in accord-
24 ance with such certification from funds otherwise
25 available in the general fund of the Treasury.

1 shall, by regulation, establish a risk-based assess-
2 ment system for qualified financial institutions serv-
3 ing as trustee of a personal retirement account.

4 (2) PRIVATE REINSURANCE AUTHORIZED.—In
5 carrying out this section, the Commission may—

6 (A) obtain private reinsurance covering not
7 more than 10 percent of any loss the Commis-
8 sion incurs with respect to a qualified financial
9 institution serving as trustee of a personal re-
10 tirement account; and

11 (B) base that institution’s semiannual as-
12 sessment (in whole or in part) on the cost of
13 the reinsurance.

14 (3) RISK-BASED ASSESSMENT SYSTEM DE-
15 FINED.—For purposes of this section, the term
16 “risk-based assessment system” means a system for
17 calculating a qualified financial institution’s semi-
18 annual assessment based on—

19 (A) the probability that the Social Security
20 Savings Guarantee Trust Fund will incur a loss
21 with respect to the institution, taking into con-
22 sideration the risks attributable to—

23 (i) different categories and concentra-
24 tions of assets;

1 (ii) different categories and concentra-
2 tions of liabilities, both insured and unin-
3 sured, contingent and noncontingent; and

4 (iii) any other factors the Commission
5 determines are relevant to assessing such
6 probability;

7 (B) the likely amount of any such loss; and

8 (C) the revenue needs of the Trust Fund.

9 (4) SEPARATE ASSESSMENT SYSTEMS.—The
10 Commission may establish separate risk-based as-
11 sessment systems for large and small qualified finan-
12 cial institutions.

13 (b) SETTING ASSESSMENTS.—

14 (1) ACHIEVING AND MAINTAINING DESIGNATED
15 RESERVE RATIO.—

16 (A) IN GENERAL.—The Commission shall
17 set semiannual assessments for qualified finan-
18 cial institutions—

19 (i) to maintain the reserve ratio of the
20 Trust Fund at the designated reserve
21 ratio; or

22 (ii) if the reserve ratio is less than the
23 designated reserve ratio, to increase the re-
24 serve ratio to the designated reserve ratio
25 as provided in subsection (c).

1 (B) FACTORS TO BE CONSIDERED.—In
2 carrying out subparagraph (A), the Commission
3 shall consider the Trust Fund’s—

4 (i) expected operating expenses,

5 (ii) case resolution expenditures and
6 income,

7 (iii) the effect of assessments on earn-
8 ings and capital of qualified financial insti-
9 tutions, and

10 (iv) any other factors that the Com-
11 mission may deem appropriate.

12 (C) MINIMUM ASSESSMENT.—The semi-
13 annual assessment for each qualified financial
14 institution shall be not less than \$1,000.

15 (D) DESIGNATED RESERVE RATIO DE-
16 FINED.—The designated reserve ratio of the
17 Trust Fund for each year shall be—

18 (i) 1.25 percent of so much of the
19 total of the estimated balances in personal
20 retirement accounts as is subject to the
21 Commission’s guarantee under this title, in
22 the aggregate; or

23 (ii) a higher percentage of estimated
24 balances in such accounts that the Com-
25 mission determines to be justified for that

1 year by circumstances raising a significant
2 risk of substantial future losses to the
3 Trust Fund.

4 (2) NOTICE OF ASSESSMENTS.—The Commis-
5 sion shall notify each qualified financial institution
6 of that institution’s semiannual assessment.

7 (3) SPECIAL RULE UNTIL THE TRUST FUND
8 ACHIEVES THE DESIGNATED RESERVE RATIO.—
9 Until the Trust Fund achieves the designated re-
10 serve ratio, the Commission may provide for uniform
11 percentage increases in assessments on qualified fi-
12 nancial institutions under the risk-based assessment
13 system authorized under subsection (a) to not more
14 than 10 basis points above the assessments on quali-
15 fied financial institutions under that system which
16 would be necessary, if the Trust Fund had achieved
17 the designated reserve ratio, to maintain the reserve
18 ratio of the Trust Fund at the designated reserve
19 ratio.

20 (c) SPECIAL RULE FOR RECAPITALIZING UNDER-
21 CAPITALIZED TRUST FUND.—

22 (1) IN GENERAL.—If the reserve ratio of the
23 Trust Fund is less than the designated reserve ratio
24 under subsection (b)(1)(D), the Commission shall

1 set semiannual assessment rates for qualified finan-
2 cial institutions—

3 (A) that are sufficient to increase the re-
4 serve ratio for the Trust Fund to the des-
5 ignated reserve ratio not later than 1 year after
6 such rates are set; or

7 (B) in accordance with a schedule promul-
8 gated by the Commission under paragraph (2).

9 (2) RECAPITALIZATION SCHEDULE.—For pur-
10 poses of paragraph (1)(B), the Commission shall by
11 regulation promulgate a schedule that specifies, at
12 semiannual intervals, target reserve ratios for the
13 Trust Fund, culminating in a reserve ratio that is
14 equal to the designated reserve ratio not later than
15 15 years after the date on which the schedule is im-
16 plemented.

17 (d) SEMIANNUAL PERIOD DEFINED.—For purposes
18 of this section, the term “semiannual period” means a pe-
19 riod beginning on January 1 of any calendar year and end-
20 ing on June 30 of the same year, or a period beginning
21 on July 1 of any calendar year and ending on December
22 31 of the same year.

23 (e) RECORDS TO BE MAINTAINED.—Each qualified
24 financial institution shall maintain all records that the
25 Commission may require for verifying the correctness of

1 the institution's semiannual assessments. No qualified fi-
2 nancial institution shall be required to retain those records
3 for that purpose for a period of more than 5 years from
4 the date of the filing of any certified statement, except
5 that when there is a dispute between the qualified finan-
6 cial institution and the Commission over the amount of
7 any assessment, the institution shall retain the records
8 until final determination of the issue.

9 (f) EMERGENCY SPECIAL ASSESSMENTS.—In addi-
10 tion to the other assessments on qualified financial institu-
11 tions under this section, the Commission may impose one
12 or more special assessments on qualified financial institu-
13 tions in an amount determined by the Commission if the
14 amount of any such assessment is necessary—

15 (1) to provide sufficient assessment income to
16 repay amounts borrowed from the Secretary of the
17 Treasury under section 403(c) amounts due during
18 the period with respect to which such assessment is
19 imposed; or

20 (2) for any other purpose the Commission may
21 deem necessary.

22 (g) CERTIFIED STATEMENTS; PAYMENTS.—

23 (1) CERTIFIED STATEMENTS REQUIRED.—

24 (A) IN GENERAL.—Each qualified financial
25 institution shall file with the Commission a cer-

1 tified statement containing such information as
2 the Commission may require for determining
3 the institution's semiannual assessment.

4 (B) FORM OF CERTIFICATION.—The cer-
5 tified statement required under subparagraph
6 (A) shall—

7 (i) be in such form and set forth such
8 supporting information as the Commission
9 shall prescribe; and

10 (ii) be certified by the president of the
11 qualified financial institution or any other
12 officer designated by its board of directors
13 or trustees that to the best of his or her
14 knowledge and belief, the statement is
15 true, correct and complete, and in accord-
16 ance with this Act and regulations issued
17 hereunder.

18 (2) PAYMENTS REQUIRED.—

19 (A) IN GENERAL.—Each qualified financial
20 institution shall pay to the Commission the
21 semiannual assessment imposed under sub-
22 section (b).

23 (B) FORM OF PAYMENT.—The payments
24 required under subparagraph (A) shall be made

1 in such manner and at such time or times as
2 the Commission shall prescribe by regulation.

3 (3) NEWLY INSURED INSTITUTIONS.—To facili-
4 tate the administration of this section, the Commis-
5 sion may waive the requirements of paragraphs (1)
6 and (2) for the semiannual period in which a finan-
7 cial institution becomes a qualified financial institu-
8 tion.

9 (4) PENALTY FOR FAILURE TO MAKE ACCU-
10 RATE CERTIFIED STATEMENT.—

11 (A) FIRST TIER.—Any qualified financial
12 institution which—

13 (i) maintains procedures reasonably
14 adapted to avoid any inadvertent error
15 and, unintentionally and as a result of
16 such an error, fails to submit the certified
17 statement under paragraph (1) within the
18 period of time required under paragraph
19 (1) or submits a false or misleading cer-
20 tified statement; or

21 (ii) submits the statement at a time
22 which is minimally after the time required
23 in such paragraph,

24 shall be subject to a penalty of not more than
25 \$2,000 for each day during which such failure

1 continues or such false and misleading informa-
2 tion is not corrected. The institution shall have
3 the burden of proving that an error was inad-
4 vertent or that a statement was inadvertently
5 submitted late.

6 (B) SECOND TIER.—Any qualified finan-
7 cial institution which fails to submit the cer-
8 tified statement under paragraph (1) within the
9 period of time required under paragraph (1) or
10 submits a false or misleading certified state-
11 ment in a manner not described in subpara-
12 graph (A) shall be subject to a penalty of not
13 more than \$20,000 for each day during which
14 such failure continues or such false and mis-
15 leading information is not corrected.

16 (C) THIRD TIER.—Notwithstanding sub-
17 paragraphs (A) and (B), if any qualified finan-
18 cial institution knowingly or with reckless dis-
19 regard for the accuracy of any certified state-
20 ment described in paragraph (1) submits a false
21 or misleading certified statement under para-
22 graph (1), the Commission may assess a pen-
23 alty of not more than \$1,000,000 or not more
24 than 1 percent of the total assets of the institu-
25 tion, whichever is less, per day for each day

1 during which the failure continues or the false
2 or misleading information in such statement is
3 not corrected.

4 (h) PENALTIES FOR LATE PAYMENT.—If any assess-
5 ment or penalty under this section is not paid when it is
6 due the Commission is authorized to assess a late payment
7 charge of not more than 100 percent of the payment which
8 was not timely paid. The preceding sentence shall not
9 apply to any payment made within 60 days after the date
10 on which a payment is due, if before such date, the person
11 required to make such payment obtains a waiver from the
12 Commission based upon a showing of substantial hardship
13 arising from the timely payment. The Commission is au-
14 thorized to grant a waiver under this subsection upon ap-
15 plication made by such person, but the Commission may
16 not grant a waiver if it appears that such person will be
17 unable to make the payment within 60 days after the date
18 on which it is due. If any payment is not made by the
19 last date prescribed for a payment, interest on the amount
20 of such payment at the rate imposed under section
21 6601(a) of the Internal Revenue Code of 1986 (relating
22 to interest on underpayment, nonpayment, or extensions
23 of time for payment of tax) shall be paid for the period
24 from such last date to the date paid.

1 (i) CIVIL ACTION.—If any person required to make
2 such payment fails to make the payment when due, the
3 Commission is authorized to bring a civil action in any
4 district court of the United States within the jurisdiction
5 of which the assets of the personal retirement account are
6 located, the account is administered, or in which a defend-
7 ant resides or is found for the recovery of the amount of
8 the unpaid amount (including penalties and interest), and
9 process may be served in any other district. The district
10 courts of the United States shall have jurisdiction over ac-
11 tions brought under this subsection by the Commission
12 without regard to the amount in controversy.

13 (j) GUARANTEE PRESERVED.—The Commission shall
14 not cease its guarantee on account of the failure of any
15 person to pay any amount when due under this section.

16 **SEC. 403. ESTABLISHMENT OF SOCIAL SECURITY SAVINGS**
17 **INSURANCE TRUST FUND.**

18 (a) ESTABLISHMENT.—There is established on the
19 books of the Treasury of the United States a Social Secu-
20 rity Savings Insurance Trust Fund to be used by the Se-
21 curities and Exchange Commission in carrying out its du-
22 ties under this title. Whenever in this title reference is
23 made to the term “Trust Fund” the reference shall be
24 considered to refer to the Trust Fund established under
25 this subsection.

1 (b) FLOW OF FUNDS.—

2 (1) CREDITS TO TRUST FUND.—The Trust
3 Fund shall be credited with the appropriate portion
4 of—

5 (A) funds borrowed under subsection (c),

6 (B) assessments, penalties, and interest
7 collected under this title,

8 (C) earnings on investments of the Trust
9 Fund or on assets credited to the Trust Fund
10 under this subsection,

11 (D) attorney's fees awarded to the Com-
12 mission, and

13 (E) receipts from any other operations
14 under this title.

15 (2) DEBITS FROM TRUST FUND.—Subject to
16 the provisions of subsection (a), the Trust Fund
17 shall be available—

18 (A) for making such payments as the Com-
19 mission determines are necessary to pay
20 amounts guaranteed under section 301,

21 (B) to purchase assets from a qualified fi-
22 nancial institution ceasing to be a qualified fi-
23 nancial institution when the Commission deter-
24 mines such purchase will best protect the inter-
25 ests of the Commission,

1 (C) to repay to the Secretary of the Treas-
2 ury such sums as may be borrowed (together
3 with interest thereon) under subsection (c),

4 (D) to pay the operational and administra-
5 tive expenses of the Commission under this
6 title, including reimbursement of the expenses
7 incurred by the Department of the Treasury in
8 maintaining the funds, and the Comptroller
9 General in auditing the Commission, and

10 (E) to pay to account holders the amounts
11 which are guaranteed by the Commission under
12 this title with respect to any personal retire-
13 ment account maintained by a financial institu-
14 tion which is unable to pay such amounts when
15 due.

16 (3) INVESTMENT OF TRUST FUND ASSETS.—

17 Whenever the Commission determines that the mon-
18 eys of the Trust Fund are in excess of current
19 needs, it may request the investment of such
20 amounts as it determines advisable by the Secretary
21 of the Treasury in obligations issued or guaranteed
22 by the United States but, until all borrowings under
23 subsection (c) have been repaid, the obligations in
24 which such excess moneys are invested may not yield

1 a rate of return in excess of the rate of interest pay-
2 able on such borrowings.

3 (c) ISSUANCE OF OBLIGATIONS.—The Commission is
4 authorized to issue to the Secretary of the Treasury notes
5 or other obligations in an aggregate amount of not to ex-
6 ceed \$100,000,000, in such forms and denominations,
7 bearing such maturities, and subject to such terms and
8 conditions as may be prescribed by the Secretary of the
9 Treasury. Such notes or other obligations shall bear inter-
10 est at a rate determined by the Secretary of the Treasury,
11 taking into consideration the current average market yield
12 on outstanding marketable obligations of the United
13 States of comparable maturities during the month preced-
14 ing the issuance of such notes or other obligations of the
15 Commission. The Secretary of the Treasury is authorized
16 and directed to purchase any notes or other obligations
17 issued by the Commission under this subsection, and for
18 that purpose he is authorized to use as a public debt trans-
19 action the proceeds from the sale of any securities issued
20 under chapter 31 of title 31, United States Code, and the
21 purposes for which securities may be issued under that
22 chapter are extended to include any purchase of such
23 notes and obligations. The Secretary of the Treasury may
24 at any time sell any of the notes or other obligations ac-
25 quired by him under this subsection. All redemptions, pur-

1 chases, and sales by the Secretary of the Treasury of such
2 notes or other obligations shall be treated as public debt
3 transactions of the United States.

4 (d) DEDICATED AMOUNTS.—Amounts in the Trust
5 Fund may be used only for the purposes for which the
6 Trust Fund was established and may not be used to make
7 loans to (or on behalf of) any other fund or to finance
8 any other activity of the Commission. None of the funds
9 borrowed under subsection (c) may be used to make loans
10 to (or on behalf of) any other fund.

11 (e) VOTING OF STOCK.—Any stock in a person liable
12 to the Commission under this title which is paid to the
13 Commission by such person or a member of such person's
14 controlled group in satisfaction of such person's liability
15 under this title may be voted only by the custodial trustees
16 or outside money managers of the Commission.

17 **SEC. 404. INSTITUTION OF TERMINATION PROCEEDINGS BY**
18 **THE COMMISSION.**

19 (a) IN GENERAL.—The Securities and Exchange
20 Commission may institute proceedings under this section
21 to terminate a personal retirement account whenever it de-
22 termines that the possible long-run loss of the Commission
23 with respect to the account may reasonably be expected
24 to increase unreasonably if the account is not terminated.
25 The Commission shall as soon as practicable institute pro-

1 ceedings under this section to terminate a personal retire-
2 ment account whenever the Commission determines that
3 an insurable event under paragraph (1) or (2) of section
4 401(d) has occurred. The Commission may prescribe a
5 simplified procedure to follow in terminating personal re-
6 tirement accounts as long as that procedure includes sub-
7 stantial safeguards for the rights of the account holder.
8 Notwithstanding any other provision of this title, the Com-
9 mission is authorized to pool assets of terminated personal
10 retirement accounts for purposes of administration, invest-
11 ment, payment of liabilities of all such accounts, and such
12 other purposes as it determines to be appropriate in the
13 administration of this title.

14 (b) INITIAL APPOINTMENT OF ALTERNATIVE TRUST-
15 EE.—

16 (1) IN GENERAL.—Whenever the Commission
17 makes a determination under subsection (a) with re-
18 spect to a personal retirement account, it may, upon
19 notice to the financial institution serving as trustee
20 of the account, apply to the appropriate United
21 States district court for the appointment of an alter-
22 native trustee to administer the account pending the
23 issuance of a decree under subsection (c) ordering
24 the termination of the account. If within 3 business
25 days after the filing of an application under this

1 subsection, or such other period as the court may
2 order, the financial institution consents to the ap-
3 pointment of an alternative trustee, or fails to show
4 why an alternative trustee should not be appointed,
5 the court may grant the application and appoint an
6 alternative trustee to administer the account in ac-
7 cordance with the terms governing the account until
8 the Commission determines that the account should
9 be terminated or that termination is unnecessary.
10 The Commission may request that it be appointed
11 as trustee of the account in any case.

12 (2) STANDARD FOR COURT APPOINTMENT.—
13 Notwithstanding any other provision of this Act,
14 upon the petition of a qualified financial institution
15 or the Commission, the appropriate United States
16 district court may appoint an alternative trustee in
17 accordance with the provisions of this section if the
18 interests of the account holder with respect to the
19 personal retirement account is maintained would be
20 better served by the appointment of the alternative
21 trustee.

22 (3) APPOINTMENT BY AGREEMENT BETWEEN
23 PARTIES.—The Commission and the qualified finan-
24 cial institution may agree to the appointment of an

1 alternative trustee without proceeding in accordance
2 with the requirements of paragraphs (1) and (2).

3 (c) TERMINATION PROCEEDINGS.—

4 (1) IN GENERAL.—If the Commission is re-
5 quired under subsection (a) to commence proceed-
6 ings under this section with respect to a personal re-
7 tirement account or, after issuing a notice under this
8 section to the qualified financial institution serving
9 as trustee of the account, has determined that the
10 account should be terminated, the Commission may,
11 upon notice to the institution, apply to the appro-
12 priate United States district court for a decree adju-
13 dicating that the account must be terminated in
14 order to protect the interests of the account holder
15 with respect to the account or to avoid any unrea-
16 sonable deterioration of the financial condition of the
17 account or any unreasonable increase in the liability
18 of the Trust Fund. If the alternative trustee ap-
19 pointed under subsection (b) disagrees with the de-
20 termination of the Commission under the preceding
21 sentence, he may intervene in the proceeding relat-
22 ing to the application for the decree, or make appli-
23 cation for such decree himself. Upon granting a de-
24 cree for which the Commission or alternative trustee
25 has applied under this subsection, the court shall au-

1 thorize the alternative trustee (or appoint an alter-
2 native trustee if one has not been appointed under
3 such subsection and authorize him) to assume trust-
4 eeship of the personal retirement account, and pro-
5 vide for its liquidation, in accordance with the provi-
6 sions of this section, and a transfer of its assets to
7 a successor personal retirement account, in accord-
8 ance with paragraph (2).

9 (2) TRANSFER TO SUCCESSOR ACCOUNT.—In
10 any case in which a personal retirement account is
11 terminated under this section, the Commission shall
12 provide by regulation for procedures under which se-
13 lection for the account holder of an appropriate suc-
14 cessor personal retirement account is facilitated and
15 a trustee-to-trustee transfer of the balance in the
16 terminated account to the successor account is
17 made. Whenever an alternative trustee appointed
18 under this section is exercising trusteeship authority
19 over a personal retirement account with discretion as
20 to the date upon which transfer of the assets from
21 the account to a successor account is to be per-
22 formed, the alternative trustee shall notify the Com-
23 mission at least 10 days before the date on which he
24 proposes to perform such transfer.

1 (d) TRUSTEESHIP WITHOUT TERMINATION.—If the
2 Commission and the financial institution agree that trust-
3 eeship over the personal retirement account should be as-
4 sumed by an alternative trustee appointed under this sec-
5 tion and agree to the appointment of an alternative trustee
6 without proceeding in accordance with the requirements
7 of subsection (c), the alternative trustee shall have the
8 power described in subsection (e)(1) of this section and,
9 in addition to any other duties imposed on the alternative
10 trustee under law or by agreement between the Commis-
11 sion and the financial institution, the alternative trustee
12 is subject to the duties described in subsection (e)(3).

13 (e) POWERS AND DUTIES OF ALTERNATIVE TRUST-
14 EE.—

15 (1) IN GENERAL.—An alternative trustee ap-
16 pointed under subsection (b) shall have the power—

17 (A) to do any act authorized by documents
18 governing the personal retirement account or
19 this title to be done by the financial institution
20 as trustee of the account;

21 (B) to require the transfer of all (or any
22 part) of the assets and records of the account
23 to himself as trustee;

24 (C) to invest any assets of the account
25 which he holds in accordance with the docu-

1 ments governing the account, regulations of the
2 Commission and the Securities and Exchange
3 Commission, and applicable rules of law;

4 (D) to limit payment of assets in the ac-
5 count to assets guaranteed under this title as
6 appropriate or to continue payment of some or
7 all of the assets in the account which were
8 being paid prior to his appointment;

9 (E) to do such other acts as he deems nec-
10 essary to continue operation of the account
11 without increasing the potential liability of the
12 Commission, if such acts may be done under
13 the documents governing the account; and

14 (F) to require the financial institution to
15 furnish any information with respect to the ac-
16 count which the alternative trustee may reason-
17 ably need in order to administer the account.

18 (2) TIME LIMITATION ON ALTERNATIVE TRUST-
19 EESHIP WHERE TERMINATION DOES NOT ENSUE.—
20 If the court to which application is made under sub-
21 section (c) dismisses the application with prejudice,
22 or if the Commission fails to apply for a decree
23 under subsection (c) within 30 days after the date
24 on which the alternative trustee is appointed under
25 subsection (b), the alternative trustee shall transfer

1 all assets and records of the account held by him
2 to the financial institution which had been serving
3 as trustee of the account within 3 business days
4 after such dismissal or the expiration of such 30-
5 day period, and shall not be liable to the financial
6 institution or any other person for his acts as alter-
7 native trustee except for willful misconduct, or for
8 conduct in violation of any other provision of this
9 Act. The 30-day period referred to in this paragraph
10 may be extended as provided by agreement between
11 the financial institution and the Commission or by
12 court order obtained by the Commission.

13 (3) ADDITIONAL POWERS UPON TERMI-
14 NATION.—If the court to which an application is
15 made under subsection (c) issues the decree re-
16 quested in such application, in addition to the pow-
17 ers described in paragraph (1), the alternative trust-
18 ee shall have the power—

19 (A) to collect for the account any amounts
20 due the account, including but not limited to
21 the power to collect from the persons obligated
22 to meet the contribution requirements of title I
23 or the terms of the documents governing the ac-
24 count;

1 (B) to receive any payment made by the
2 Commission to the account under this title;

3 (C) to commence, prosecute, or defend on
4 behalf of the financial institution or the account
5 any suit or proceeding involving the account;

6 (D) to issue, publish, or file such notices,
7 statements, and reports as may be required by
8 the Commission or any order of the court;

9 (E) to liquidate the assets of the account
10 and perform the transfer of such assets to a
11 successor personal retirement account as pro-
12 vided in subsection (c)(2);

13 (F) to recover payments inappropriately
14 made from the account; and

15 (G) to do such other acts as may be nec-
16 essary to comply with this Act or any order of
17 the court and to protect the interests of the ac-
18 count holder of the terminated account.

19 (4) NOTICE OF PROCEEDINGS.—As soon as
20 practicable after his appointment, the alternative
21 trustee shall give notice to interested parties of the
22 institution of proceedings under this section to de-
23 termine whether the account should be terminated or
24 to terminate the account, whichever is applicable.

1 For purposes of this paragraph, the term “interested
2 party” means—

3 (A) the financial institution,

4 (B) the account holder with respect to the
5 account was maintained, including the bene-
6 ficiary of the account holder who is deceased,

7 (C) each person who may be subject to li-
8 ability under section 406, and

9 (D) each person who may be liable for pay-
10 ments to the account.

11 (5) ADDITIONAL DUTIES.—Except to the extent
12 inconsistent with the provisions of this Act, or as
13 may be otherwise ordered by the court, an alter-
14 native trustee appointed under this section shall be
15 subject to the same duties as those of a trustee
16 under section 704 of title 11, United States Code,
17 and shall be, with respect to the account, a fiduciary
18 within the meaning of paragraph (21) of section 3
19 of the Employee Retirement Income Security Act of
20 1974 and under section 4975(e) of the Internal Rev-
21 enue Code of 1986 (except to the extent that the
22 provisions of this title are inconsistent with the re-
23 quirements applicable under part 4 of subtitle B of
24 title I of such Act and of such section 4975).

1 (f) COORDINATION WITH BANKRUPTCY OR OTHER
2 INSOLVENCY PROCEEDINGS.—An application by the Com-
3 mission under this section may be filed notwithstanding
4 the pendency in the same or any other court of any bank-
5 ruptcy, mortgage foreclosure, or equity receivership pro-
6 ceeding, or any proceeding to reorganize, conserve, or liq-
7 uidate the personal retirement account or the financial in-
8 stitution, or its assets, or any proceeding to enforce a lien
9 against assets of the account or the institution.

10 (g) COURT JURISDICTION.—Upon the filing of an ap-
11 plication for the appointment of an alternative trustee or
12 the issuance of a decree under this section, the court to
13 which an application is made shall have exclusive jurisdic-
14 tion of the account involved and its assets wherever lo-
15 cated with the powers, to the extent consistent with the
16 purposes of this section, of a court of the United States
17 having jurisdiction over cases under chapter 11 of title 11
18 of the United States Code. Pending an adjudication under
19 subsection (c), such court shall stay, and upon appoint-
20 ment by it of an alternative trustee, as provided in this
21 section, such court shall continue the stay of, any pending
22 mortgage foreclosure, equity receivership, or other pro-
23 ceeding to reorganize, conserve, or liquidate the account
24 or its assets and any other suit against any receiver, con-
25 servator, or trustee of the account or the financial institu-

1 tion, or its assets. Pending such adjudication and upon
2 the appointment by it of such alternative trustee, the court
3 may stay any proceeding to enforce a lien against property
4 of the account or the financial institution or any other suit
5 against the account or the financial institution.

6 (h) VENUE AND PROCESS.—An action under this
7 subsection may be brought in the judicial district where
8 the financial institution serving as trustee of the personal
9 retirement account is located or does business or where
10 any asset of the account or the institution is situated. A
11 district court in which such action is brought may issue
12 process with respect to such action in any other judicial
13 district.

14 (i) COMPENSATION AND PERSONNEL FOR ALTER-
15 NATIVE TRUSTEES.—

16 (1) COMPENSATION.—The amount of com-
17 pensation paid to each alternative trustee appointed
18 under the provisions of this section shall require the
19 prior approval of the Commission, and, in the case
20 of an alternative trustee appointed by a court, the
21 consent of that court.

22 (2) APPOINTMENT AND RETENTION OF PER-
23 SONNEL.—Alternative trustees appointed under this
24 section shall appoint, retain, and compensate ac-
25 countants, actuaries, and other professional service

1 personnel in accordance with regulations prescribed
2 by the Commission.

3 **SEC. 405. LIABILITY UPON TERMINATION OF ACCOUNTS.**

4 (a) IN GENERAL.—In any case in which a personal
5 retirement account is terminated in a proceeding insti-
6 tuted by the Securities and Exchange Commission under
7 section 405, each person who is the financial institution
8 serving as trustee of the account on the termination date
9 or a member of the financial institution's controlled group
10 shall incur liability to the Commission under this section.
11 The liability under this section of all such persons shall
12 be joint and several.

13 (b) AMOUNT OF LIABILITY.—The liability to the
14 Commission of a person described in subsection (a) shall
15 be the total amount of the assets of the account which
16 are guaranteed by the Commission and which are not
17 available for payment from the account, calculated from
18 the termination date in accordance with regulations pre-
19 scribed by the Commission.

20 (c) PAYMENT OF LIABILITY.—

21 (1) IN GENERAL.—Except as provided in para-
22 graph (2), the liability to the Commission under this
23 section shall be due and payable to the Commission
24 as of the termination date, in cash or securities ac-
25 ceptable to the Commission.

1 (2) SPECIAL RULE.—Payment of so much of
2 the liability as exceeds 30 percent of the collective
3 net worth of all persons described in subsection (a)
4 (including interest) shall be made under commer-
5 cially reasonable terms prescribed by the Commis-
6 sion. The parties involved shall make a reasonable
7 effort to reach agreement on such commercially rea-
8 sonable terms. Any such terms prescribed by the
9 Commission shall provide for deferral of 50 percent
10 of any amount of liability otherwise payable for any
11 year under this paragraph if a person subject to
12 such liability demonstrates to the satisfaction of the
13 Commission that no person subject to such liability
14 has any individual pre-tax profits for such person’s
15 fiscal year ending during such year.

16 (3) ALTERNATIVE ARRANGEMENTS.—The Com-
17 mission and any person liable under this section may
18 agree to alternative arrangements for the satisfac-
19 tion of liability to the Commission under this sub-
20 section.

21 (d) DEFINITIONS.—

22 (1) COLLECTIVE NET WORTH OF PERSONS SUB-
23 JECT TO LIABILITY.—

24 (A) IN GENERAL.—The collective net
25 worth of persons subject to liability in connec-

1 tion with the termination of a personal retire-
2 ment account consists of the sum of the individ-
3 ual net worths of all persons who—

4 (i) have individual net worths which
5 are greater than zero, and

6 (ii) are (as of the termination date)
7 the financial institution or members of the
8 financial institution's controlled group.

9 (B) DETERMINATION OF NET WORTH.—

10 For purposes of this paragraph, the net worth
11 of a person is—

12 (i) determined on whatever basis best
13 reflects, in the determination of the Com-
14 mission, the current status of the person's
15 operations and prospects at the time cho-
16 sen for determining the net worth of the
17 person, and

18 (ii) increased by the amount of any
19 transfers of assets made by the person
20 which are determined by the Commission
21 to be improper under the circumstances,
22 including any such transfers which would
23 be inappropriate under title 11, United
24 States Code, if the person were a debtor in
25 a case under chapter 7 of such title.

1 (C) TIMING OF DETERMINATION.—For
2 purposes of this paragraph, determinations of
3 net worth shall be made as of a day chosen by
4 the Commission (during the 120-day period
5 ending with the termination date) and shall be
6 computed without regard to any liability under
7 this section.

8 (2) PRE-TAX PROFITS.—The term “pre-tax
9 profits” means, for any fiscal year of any person,
10 such person’s consolidated net income (excluding any
11 extraordinary charges to income and including any
12 extraordinary credits to income) for such fiscal year,
13 as shown on audited financial statements prepared
14 in accordance with generally accepted accounting
15 principles, before provision for or deduction of Fed-
16 eral or other income tax and any amounts required
17 to be paid for such fiscal year under this section.
18 The Commission may by regulation require such in-
19 formation to be filed on such forms as may be nec-
20 essary to determine the existence and amount of
21 such pre-tax profits.

22 (3) CONTROLLED GROUP.—

23 (A) IN GENERAL.—The term “controlled
24 group” means, in connection with any person,
25 a group consisting of such person and all other

1 persons under common control with such per-
2 son.

3 (B) COMMON CONTROL.—The determina-
4 tion of whether two or more persons are under
5 “common control” shall be made under regula-
6 tions of the Commission which are consistent
7 and coextensive with regulations prescribed for
8 similar purposes by the Secretary of the Treas-
9 ury under subsections (b) and (c) of section
10 414 of the Internal Revenue Code of 1986.

11 (4) TERMINATION DATE.—The term “termi-
12 nation date” means—

13 (A) the date established by the Commis-
14 sion (or the alternative trustee appointed under
15 section 405(b)(2), if any) and agreed to by the
16 financial institution serving as trustee of the
17 terminated personal retirement account imme-
18 diately before the termination, or

19 (B) if no agreement is reached, the date
20 established by the court.

21 **SEC. 406. INSURANCE LOGO.**

22 (a) IN GENERAL.—Each qualified financial institu-
23 tion, while serving as trustee for a personal retirement ac-
24 count subject to the guarantee of the Securities and Ex-
25 change Commission under this title, shall display at each

1 place of business maintained by such institution a sign
2 containing only the following items:

3 (1) A statement that insured contributions to
4 personal retirement accounts maintained by the in-
5 stitution are backed by the full faith and credit of
6 the United States Government.

7 (2) A statement that amounts contributed to
8 such accounts are federally insured to the amount
9 necessary to purchase a minimum annuity.

10 (3) A patriotic symbol defined by the Commis-
11 sion by regulation.

12 The sign shall not contain any reference to a Government
13 agency and shall accord each item substantially equal
14 prominence. No person may display such a sign unless
15 such person is a qualified financial institution.

16 (b) REGULATIONS.—The Commission shall prescribe
17 regulations to carry out the purposes of this section, in-
18 cluding regulations governing the manner of display or use
19 of such signs. Initial regulations under this section shall
20 be prescribed not later than December 31, 1998.

21 (c) PENALTIES.—For each day a qualified financial
22 institution continues to violate any provision of this sec-
23 tion or any lawful provisions of regulations prescribed
24 under this section, it shall be subject to a penalty of not

1 more than \$100, which the Commission shall recover for
2 its use.

3 **SEC. 407. REPORT BY THE COMMISSION.**

4 As soon as practicable after the close of each fiscal
5 year the Securities and Exchange Commission shall trans-
6 mit to the President and the Congress a report relative
7 to the conduct of its business under this title for that fiscal
8 year. The report shall include financial statements setting
9 forth the result of its operations under this title (including
10 the source and application of its funds) for the fiscal year
11 and shall include an actuarial evaluation of the expected
12 operations and status of the Trust Fund for the next five
13 years (including a detailed statement of the actuarial as-
14 sumptions and methods used in making such evaluation).

15 **TITLE V—ENFORCEMENT**
16 **AUTHORITY**

17 **SEC. 501. CAUSE OF ACTION.**

18 The account holder with respect to a personal retire-
19 ment account who is adversely affected by an act or prac-
20 tice of any party (other than the Securities and Exchange
21 Commission or any officer or employee thereof) in viola-
22 tion of any provision of this Act, may bring an action—

23 (1) to enjoin such act or practice, or

1 (2) to obtain other appropriate equitable relief
2 (A) to redress such violation or (B) to enforce such
3 provision.

4 **SEC. 502. JURISDICTION AND VENUE.**

5 The district courts of the United States shall have
6 exclusive jurisdiction of civil actions under this title. Such
7 actions may be brought in the district where the personal
8 retirement account is administered, where the violation
9 took place, or where a defendant resides or may be found,
10 and process may be served in any other district where a
11 defendant resides or may be found. The district courts of
12 the United States shall have jurisdiction, without regard
13 to the amount in controversy or the citizenship of the par-
14 ties, to grant the relief provided for in section 501 in any
15 action.

16 **SEC. 503. RIGHT OF SECURITIES AND EXCHANGE COMMIS-**
17 **SION TO INTERVENE.**

18 A copy of the complaint or notice of appeal in any
19 action under this title shall be served upon the Securities
20 and Exchange Commission by certified mail. The relevant
21 Federal agency, the Commission, and the Commission
22 shall have the right in its discretion to intervene in any
23 action.

1 **SEC. 504. AWARDS OF COSTS AND EXPENSES.**

2 In any action brought under this title, the court in
3 its discretion may award all or a portion of the costs and
4 expenses incurred in connection with such action, includ-
5 ing reasonable attorney's fees, to any party who prevails
6 or substantially prevails in such action.

7 **SEC. 505. LIMITATION ON ACTIONS.**

8 (f) IN GENERAL.—Except as provided in subsection
9 (c), an action under this title may not be brought after
10 the later of—

11 (1) 6 years after the date on which the cause
12 of action arose, or

13 (2) 3 years after the applicable date specified in
14 subsection (b).

15 (b) APPLICABLE DATE.—The applicable date speci-
16 fied in this subsection is the earliest date on which the
17 plaintiff acquired or should have acquired actual knowl-
18 edge of the existence of such cause of action.

19 (c) CASES OF FRAUD OR CONCEALMENT.—In the
20 case of fraud or concealment, the period described in sub-
21 section (a)(2) shall be extended to 6 years after the appli-
22 cable date specified in subsection (b).

23 **SEC. 506. PENALTY FOR FAILURE TO TIMELY PROVIDE RE-**
24 **QUIRED INFORMATION.**

25 The Securities and Exchange Commission may assess
26 a penalty, payable to it, against any person who fails to

1 provide any notice or other material information required
2 under this Act or any regulations prescribed under this
3 Act within the applicable time limit specified therein. Such
4 penalty shall not exceed \$1,000 for each day for which
5 such failure continues.

6 **SEC. 507. ACTIONS BY SECURITIES AND EXCHANGE COM-**
7 **MISSION.**

8 If any person is assessed under this Act and fails to
9 pay the assessment when due, or any person otherwise
10 fails to meet any requirement of this Act, the Securities
11 and Exchange Commission may bring a civil action in any
12 district court of the United States within the jurisdiction
13 of which such person's assets are located or in which such
14 person resides or is found for the recovery of the amount
15 of the assessment or for appropriate equitable relief to re-
16 dress the violation or enforce the provisions of this Act,
17 and process may be served in any other district. The dis-
18 trict courts of the United States shall have jurisdiction
19 over actions brought under this subsection by the Commis-
20 sion without regard to the amount in controversy.

1 **TITLE VI—TRANSITION FROM**
2 **COVERAGE FOR OLD-AGE**
3 **AND SURVIVORS INSURANCE**
4 **BENEFITS UNDER TITLE II OF**
5 **THE SOCIAL SECURITY ACT**

6 **SEC. 601. PRIMARY INSURANCE AMOUNTS FOR TRANSI-**
7 **TIONAL ELIGIBLE INDIVIDUALS.**

8 (a) IN GENERAL.—Section 215(a) of the Social Secu-
9 rity Act (42 U.S.C. 415(a)) is amended by adding at the
10 end the following new paragraph:

11 “(8) Notwithstanding the preceding provisions of this
12 subsection, the primary insurance amount of an eligible
13 individual (as defined in section 2(4) of the Personal Re-
14 tirement Accounts Act of 1997) shall be determined, effec-
15 tive for January 2000, as otherwise provided under this
16 section—

17 “(A) if such individual has not attained age 62
18 as of January 1, 2000, as though such individual
19 had attained such age on such date, and

20 “(B) as though such individual had filed appli-
21 cation for old-age insurance benefits in January
22 2000.”.

23 (b) EFFECTIVE DATE.—The amendment made by
24 subsection (a) shall apply with respect to monthly insur-
25 ance benefits under part A of title II of the Social Security

1 Act (as redesignated by this Act) for which applications
2 are filed after December 31, 1999.

3 **SEC. 602. CERTIFICATION OF COVERED STATUS UNDER**
4 **THE OLD-AGE, SURVIVORS, AND DISABILITY**
5 **INSURANCE PROGRAM.**

6 Not later than July 1, 2000, the Commissioner of So-
7 cial Security shall provide a written certification to each
8 individual who has a social security account number, who
9 has been credited with wages or net earnings from self-
10 employment. Such certification shall indicate to each re-
11 cipient whether such recipient is or is not an eligible indi-
12 vidual and a description of the benefits available to such
13 individual under part A of title II of the Social Security
14 Act based on such individual's status as an eligible individ-
15 ual or otherwise.

16 **SEC. 603. REDUCTION IN FICA AND SECA TAXES WITH RE-**
17 **SPECT TO ELIGIBLE INDIVIDUALS.**

18 (a) TAX ON EMPLOYEES.—Section 3101 of the Inter-
19 nal Revenue Code of 1986 (relating to OASDI tax on em-
20 ployees) is amended—

21 (1) in subsection (a), by striking “In addition”
22 and inserting “Subject to subsection (c), in addi-
23 tion”;

24 (2) by redesignating subsection (c) as sub-
25 section (d); and

1 (3) by inserting after subsection (b) the follow-
2 ing new subsection:

3 “(c) REDUCTION IN OASDI TAX.—In the case of an
4 eligible individual (as defined in section 104(3) of the Per-
5 sonal Retirement Accounts Act of 1997), the rate of tax
6 under subsection (a) shall be 2.90 percent.”

7 (b) TAX ON EMPLOYERS.—Section 3111 of such
8 Code (relating to OASDI tax on employers) is amended—

9 (1) in subsection (a), by striking “In addition”
10 and inserting “Subject to subsection (c), in addi-
11 tion”;

12 (2) by redesignating subsection (c) as sub-
13 section (d); and

14 (3) by inserting after subsection (b) the follow-
15 ing new subsection:

16 “(d) REDUCTION IN OASDI TAX.—The rate of tax
17 under subsection (a) with respect to having in the employ-
18 er’s employ an eligible individual (as defined in section
19 104(3) of the Personal Retirement Accounts Act of 1997)
20 shall be 2.90 percent.”

21 (c) SELF-EMPLOYMENT TAX.—Subsection (a) of sec-
22 tion 1401 of such Code (relating to OASDI tax on self-
23 employment income) is amended—

1 (1) in subsection (a), by striking “In addition”
2 and inserting “Subject to subsection (e), in addi-
3 tion”;

4 (2) by redesignating subsection (c) as sub-
5 section (d); and

6 (3) by inserting after subsection (b) the follow-
7 ing new subsection:

8 “(c) **REDUCTION IN OASDI TAX.**—In the case of an
9 eligible individual (as defined in section 104(3) of the Per-
10 sonal Retirement Accounts Act of 1997), the rate of tax
11 under subsection (a) with respect to self-employment in-
12 come for taxable years ending after December 31, 1999,
13 shall be 5.80 percent.”

14 (d) **EFFECTIVE DATE.**—The amendments made by
15 this section shall apply with respect to wages received
16 after December 31, 1999, and with respect to self-employ-
17 ment income for taxable years ending after such date.

18 **SEC. 604. SUPPLEMENTAL RETIREMENT BENEFITS.**

19 (a) **IN GENERAL.**—Section 202 of the Social Security
20 Act (42 U.S.C. 402) is amended by adding at the end the
21 following new subsection:

22 “Supplemental Retirement Benefits

23 “(y)(1) Every individual—

24 “(A) who is a fully insured individual

1 “(B) who has attained retirement age (as de-
2 fined in section 216(l)),

3 “(C) who is an eligible individual (as defined in
4 section 104(3) of the Personal Retirement Accounts
5 Act of 1997),

6 “(D) to whom no distribution has been made
7 from any personal retirement account established
8 under title I of the Personal Retirement Accounts
9 Act of 1997, and

10 “(E) whose personal retirement account holds,
11 as of the date on which the individual attains retire-
12 ment age, total assets equal, in the aggregate, to
13 less than the minimum annuity amount (as defined
14 in section 2(b) of the Personal Retirement Accounts
15 Act of 1997),

16 shall be entitled to a supplemental old-age benefit for each
17 month, beginning with the month in which such individual
18 attains retirement age and ending with the month preced-
19 ing the month in which he dies.

20 “(2) Such individual’s supplemental retirement bene-
21 fit for any month shall be equal to the excess of—

22 “(A) the minimum annuity amount (as defined
23 in section 2(6)(A) of the Personal Retirement Ac-
24 counts Act of 1997) for the month, over

1 graph (2)) after December 31, 1999, and before
2 January 1, 2029, 65 years of age plus $\frac{2}{12}$ of the
3 number of months in the period beginning with Jan-
4 uary 2000 and ending with December of the year in
5 which the individual attains early retirement age (as
6 so determined); and

7 “(C) with respect to an individual who attains
8 early retirement age (as so determined) after De-
9 cember 31, 2028, 70 years of age.”; and

10 (2) by striking paragraph (3).

11 **SEC. 606. LIMITATION IN COST-OF-LIVING ADJUSTMENTS.**

12 (a) REDUCTION IN INCREASES APPLIED TO HIGHER
13 PRIMARY INSURANCE AMOUNTS.—

14 (1) IN GENERAL.—Section 215(i)(2)(A) of the
15 Social Security Act (42 U.S.C. 415(i)(2)(A)) is
16 amended—

17 (A) by redesignating clause (iii) as clause
18 (vii); and

19 (B) in clause (ii), by striking “The in-
20 crease shall” in the matter following subclause
21 (III) and all that follows through “Any in-
22 crease” and inserting the following:

23 “(iii) With respect to the amounts described in sub-
24 clauses (I) and (III) of clause (ii) and primary insurance
25 amounts described in subclause (II) of clause (ii) of indi-

1 viduals initially becoming entitled to monthly insurance
2 benefits based on their own wages and self-employment
3 income as disability insurance benefits, the increase shall
4 be derived by multiplying each of such amounts (including
5 each of those amounts as previously increased under this
6 subparagraph) by the applicable increase percentage.

7 “(iv) With respect to primary insurance amounts de-
8 scribed in subclause (II) of clause (ii) (other than primary
9 insurance amounts described in clause (iii) of this sub-
10 paragraph), the increase shall be derived by—

11 “(I) multiplying each of such amounts (includ-
12 ing each such amount as previously increased under
13 this subparagraph) by the applicable increase per-
14 centage,

15 “(II) determining among all such amounts as
16 increased under subclause (I) the primary insurance
17 amount which is at the 30th percentile of such
18 amounts, and

19 “(III) reducing each primary insurance amount
20 as increased under subclause (I) to the sum of such
21 amount determined as if there had been no reduc-
22 tion in such amount under this subclause in any pre-
23 ceding year and the amount of the increase under
24 subclause (I) in the primary insurance amount de-
25 scribed in subclause (II).

1 “(v) Any amount increased under clause (iii) or
2 clause (iv) which is not a multiple of \$0.10 shall be de-
3 creased to the next lower multiple of \$0.10.

4 “(vi) Any increase”.

5 (2) CONFORMING AMENDMENT.—The last sen-
6 tence of section 215(a)(4) of such Act (42 U.S.C.
7 415(a)(4)) is amended, in subclause (I), by striking
8 “clause (iii) of subsection (i)(2)(A)” and inserting
9 “clause (vii) of subsection (i)(2)(A)”.

10 (3) CONFORMING AMENDMENTS TO MAINTAIN
11 CURRENT LEVELS OF COST-OF-LIVING ADJUSTMENT
12 UNDER OTHER PROGRAMS.—

13 (A) SUPPLEMENTAL SECURITY INCOME
14 FOR THE AGED, BLIND, AND DISABLED.—Sec-
15 tion 1617(a)(2) of the Social Security Act (42
16 U.S.C. 1382f(a)(2)) is amended by striking “by
17 the same percentage” and all that follows
18 through “percentage,” and inserting the follow-
19 ing: “by the applicable increase percentage
20 (within the meaning of section 215(i)(1)(C))
21 used in determining the amount by which bene-
22 fit amounts under title II are increased for such
23 month”.

24 (B) SUPPLEMENTARY MEDICAL INSUR-
25 ANCE.—Section 1839(a)(3)(B) of such Act (42

1 U.S.C. 1395r(a)(3)(B)) is amended by striking
2 “by a percentage” and all that follows through
3 “November 1” and inserting the following: “by
4 the applicable increase percentage (within the
5 meaning of section 215(i)(1)(C)) used in deter-
6 mining the amount by which benefit amounts
7 under title II are increased for the month of
8 December preceding the year of the promulga-
9 tion”.

10 (C) CERTAIN VETERAN’S BENEFITS.—Sec-
11 tion 3112 of title 38, United States Code, is
12 amended—

13 (i) in subsection (a), by striking “by
14 the same percentage by which such benefit
15 amounts are increased” and inserting “by
16 the applicable increase percentage (within
17 the meaning of section 215(i)(1)(C) of
18 such Act) used in determining the amount
19 by which such benefit amounts are in-
20 creased”; and

21 (ii) in subsection (b)(1), by striking
22 “by the same percentage as the percentage
23 by which such benefit amounts are in-
24 creased” and inserting “by the applicable
25 increase percentage (within the meaning of

1 section 215(i)(1)(C) of such Act) used in
2 determining the amount by which such
3 benefit amounts are increased”.

4 (D) COST-OF-LIVING ADJUSTMENTS TO
5 LIMITATIONS ON BENEFITS AND CONTRIBU-
6 TIONS UNDER QUALIFIED PLANS.—Subsection
7 (d) of section 415 of the Internal Revenue Code
8 of 1986 (relating to cost-of-living adjustments)
9 is amended by striking “section 215(i)(2)(A)”
10 and inserting “section 215(i)(2)(A)(iii)”.

11 (4) AMENDMENT TO PRIOR APPLICABLE LAW.—
12 Section 215(i)(4) of the Social Security Act (42
13 U.S.C. 415(i)(4)) is amended by adding at the end
14 the following new sentence: “The Secretary shall
15 provide by regulation for the continued application
16 of this subsection as in effect in December 1978 as
17 provided by the preceding provisions of this para-
18 graph and the amendments referred to therein. Such
19 regulations shall provide for the application of the
20 amendments to the preceding provisions of this sub-
21 section made by section 606 of the Personal Retirement
22 Accounts Act of 1997 so as to have the same
23 effect on the corresponding provisions of this sub-
24 section as in effect in December 1978 and applicable
25 in accordance with this paragraph.”.

1 (b) EFFECTIVE DATE.—The amendments made by
2 this section shall apply with respect to adjustments effec-
3 tive with months after November 1999.

4 **SEC. 607. MODIFICATION OF CPI CALCULATION FOR SO-**
5 **CIAL SECURITY COLAS.**

6 For purposes of section 215(i) of the Social Security
7 Act, effective for cost-of-living computation quarters oc-
8 ccurring after 1997 and before the year following the year
9 in which there takes effect a revision by the Bureau of
10 Labor Statistics in the method of computing the
11 Consumer Price Index referred to in section 215(i)(1)(D)
12 of such Act, the Consumer Price Index referred to in such
13 section 215(i)(1)(D) shall be reduced by 0.5 percentage
14 points.

15 **SEC. 608. PHASED REDUCTION IN SPOUSAL BENEFITS**
16 **OTHER THAN SURVIVOR'S BENEFITS TO 33**
17 **PERCENT OF PRIMARY INSURANCE AMOUNT.**

18 (a) WIFE'S INSURANCE BENEFITS.—Section
19 202(b)(2) of the Social Security Act (42 U.S.C. 402(b)(2))
20 is amended to read as follows:

21 “(2)(A) Except as provided in subsection (q) and
22 paragraph (4) of this subsection, such wife's insurance
23 benefit for each month shall be equal to the applicable per-
24 centage of the primary insurance amount of her husband
25 (or, in the case of a divorced wife, her former husband)

1 in connection with the calendar year in which such individ-
 2 ual becomes eligible for such benefit, as specified in the
 3 following table:

“If the calendar year in which the individual be-comes eligible is:	The applicable percentage shall be:
Before calendar year 2000	50 percent
Calendar year 2000	49 percent
Calendar year 2001	48 percent
Calendar year 2002	47 percent
Calendar year 2003	46 percent
Calendar year 2004	45 percent
Calendar year 2005	44 percent
Calendar year 2006	43 percent
Calendar year 2007	42 percent
Calendar year 2008	41 percent
Calendar year 2009	40 percent
Calendar year 2010	39 percent
Calendar year 2011	38 percent
Calendar year 2012	37 percent
Calendar year 2013	36 percent
Calendar year 2014	35 percent
Calendar year 2015	34 percent
After calendar year 2015	33 percent.”.

4 “(B) For purposes of subparagraph (A)—

5 “(i) an individual shall be treated as eligible for
 6 a wife’s insurance benefit if such individual meets
 7 the requirements of subparagraphs (B), (C), and
 8 (D) of paragraph (1), and

9 “(ii) in determining when an individual becomes
 10 eligible for a wife’s insurance benefit, any break in
 11 eligibility of less than 12 consecutive months shall
 12 not be taken into account.”.

13 (b) HUSBAND’S INSURANCE BENEFITS.—Section
 14 202(c)(3) of such Act (42 U.S.C. 402(c)(3)) is amended
 15 to read as follows:

1 “(3)(A) Except as provided in subsection (q) and
 2 paragraph (2) of this subsection, such husband’s insur-
 3 ance benefit for each month shall be equal to the applica-
 4 ble percentage of the primary insurance amount of his wife
 5 (or, in the case of a divorced husband, his former wife)
 6 in connection with the calendar year in which such individ-
 7 ual becomes eligible for such benefit, as specified in the
 8 following table:

“If the calendar year in which the individual becomes eligible is:	The applicable percentage shall be:
Before calendar year 2000	50 percent
Calendar year 2000	49 percent
Calendar year 2001	48 percent
Calendar year 2002	47 percent
Calendar year 2003	46 percent
Calendar year 2004	45 percent
Calendar year 2005	44 percent
Calendar year 2006	43 percent
Calendar year 2007	42 percent
Calendar year 2008	41 percent
Calendar year 2009	40 percent
Calendar year 2010	39 percent
Calendar year 2011	38 percent
Calendar year 2012	37 percent
Calendar year 2013	36 percent
Calendar year 2014	35 percent
Calendar year 2015	34 percent
After calendar year 2015	33 percent.”.

9 “(B) For purposes of subparagraph (A)—
 10 “(i) an individual shall be treated as eligible for
 11 a husband’s insurance benefit if such individual
 12 meets the requirements of subparagraphs (B), (C),
 13 and (D) of paragraph (1), and
 14 “(ii) in determining when an individual becomes
 15 eligible for a husband’s insurance benefit, any break

1 in eligibility of less than 12 consecutive months shall
 2 not be taken into account.”.

3 **SEC. 609. COVERAGE OF NEWLY HIRED STATE AND LOCAL**
 4 **EMPLOYEES.**

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

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

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

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

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

16 “Excluded State or Local Government Employment

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

22 “(A)(i) such service would be excluded from the
 23 term ‘employment’ for purposes of this title if the
 24 preceding provisions of this section as in effect in
 25 October 1997 had remained in effect, and (ii) the re-

1 requirements of paragraph (2) are met with respect to
2 such service, or

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

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

7 “(A) IN GENERAL.—Except as provided in sub-
8 paragraph (B), the requirements of this paragraph
9 are met with respect to service for any employer if—

10 “(i) such service is performed by an indi-
11 vidual—

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

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

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

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

24 “(B) ELECTIONS FOR INCLUSION.—The re-
25 quirements of this paragraph shall be deemed not

1 met with respect to service performed by an individ-
2 ual if such individual elects in writing before Janu-
3 ary 1, 2000, in such form and manner as shall be
4 prescribed in regulations of the Commissioner of So-
5 cial Security, that the requirements of this para-
6 graph be deemed not to be met with respect to such
7 service.

8 “(C) TREATMENT OF MULTIPLE AGENCIES AND
9 INSTRUMENTALITIES.—For purposes of subpara-
10 graph (A), under regulations (consistent with regula-
11 tions established under section 3121(t)(2)(B) of the
12 Internal Revenue Code of 1986)—

13 “(i) all agencies and instrumentalities of a
14 State (as defined in section 218(b)) or of the
15 District of Columbia shall be treated as a single
16 employer, and

17 “(ii) all agencies and instrumentalities of a
18 political subdivision of a State (as so defined)
19 shall be treated as a single employer and shall
20 not be treated as described in clause (i).

21 “(3) EXCEPTION FOR CERTAIN SERVICES.—

22 “(A) IN GENERAL.—The requirements of this
23 paragraph are met with respect to service if such
24 service is performed—

1 “(i) by an individual who is employed by a
2 State or political subdivision thereof to relieve
3 such individual from unemployment,

4 “(ii) in a hospital, home, or other institu-
5 tion by a patient or inmate thereof as an em-
6 ployee of a State or political subdivision thereof
7 or of the District of Columbia,

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

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

20 “(v) by an election official or election
21 worker if the remuneration paid in a calendar
22 year for such service is less than \$1,000 with
23 respect to service performed during calendar
24 year 2000, and the adjusted amount determined
25 under subparagraph (C) for any subsequent

1 year with respect to service performed during
2 such subsequent year, except to the extent that
3 service by such election official or election work-
4 er is included in employment under an agree-
5 ment under section 218, or

6 “(vi) by an employee in a position com-
7 pensated solely on a fee basis which is treated
8 pursuant to section 211(c)(2)(E) as a trade or
9 business for purposes of inclusion of such fees
10 in net earnings from self-employment.

11 “(B) DEFINITIONS.—As used in this para-
12 graph, the terms ‘State’ and ‘political subdivision’
13 have the meanings given those terms in section
14 218(b).

15 “(C) ADJUSTMENTS TO DOLLAR AMOUNT FOR
16 ELECTION OFFICIALS AND ELECTION WORKERS.—
17 For each year after 2000, the Commissioner of So-
18 cial Security shall adjust the amount referred to in
19 subparagraph (A)(v) at the same time and in the
20 same manner as is provided under section
21 215(a)(1)(B)(ii) with respect to the amounts re-
22 ferred to in section 215(a)(1)(B)(i), except that—

23 “(i) for purposes of this subparagraph,
24 1997 shall be substituted for the calendar year
25 referred to in section 215(a)(1)(B)(ii)(II), and

1 “(ii) such amount as so adjusted, if not a
2 multiple of \$100, shall be rounded to the next
3 higher multiple of \$100 where such amount is
4 a multiple of \$50 and to the nearest multiple
5 of \$100 in any other case.

6 The Commissioner of Social Security shall determine
7 and publish in the Federal Register each adjusted
8 amount determined under this subparagraph not
9 later than November 1 preceding the year for which
10 the adjustment is made.”.

11 (B) CONFORMING AMENDMENTS.—

12 (i) Subsection (k) of section 210 of
13 such Act (42 U.S.C. 410(k)) (relating to
14 covered transportation service) is repealed.

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

17 (I) in paragraph (2), by striking
18 “service is performed” and all that
19 follows and inserting “service is serv-
20 ice described in subsection (s)(3)(A).”;
21 and

22 (II) in paragraph (3)(A), by in-
23 serting “under subsection (a)(7) as in
24 effect in December 1999” after “sec-
25 tion”.

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

3 (I) by striking subparagraph (C);

4 (II) by redesignating subpara-
5 graphs (D) and (E) as subparagraphs
6 (C) and (D), respectively; and

7 (III) by striking subparagraph
8 (F) and inserting the following:

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

11 (b) AMENDMENTS TO THE INTERNAL REVENUE
12 CODE OF 1986.—

13 (1) IN GENERAL.—Paragraph (7) of section
14 3121(b) of the Internal Revenue Code of 1986 (re-
15 lating to employment) is amended to read as follows:

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

18 (2) EXCLUDED STATE OR LOCAL GOVERNMENT
19 EMPLOYMENT.—Section 3121 of such Code is
20 amended by inserting after subsection (s) the follow-
21 ing new subsection:

22 “(t) EXCLUDED STATE OR LOCAL GOVERNMENT EM-
23 PLOYMENT.—

24 “(1) IN GENERAL.—For purposes of this chap-
25 ter, the term ‘excluded State or local government

1 employment' means any service performed in the
2 employ of a State, of any political subdivision there-
3 of, or of any instrumentality of any one or more of
4 the foregoing which is wholly owned thereby, if—

5 “(A)(i) such service would be excluded
6 from the term ‘employment’ for purposes of this
7 chapter if the provisions of subsection (b)(7) as
8 in effect in December 1999 had remained in ef-
9 fect, and

10 “(ii) the requirements of paragraph (2) are
11 met with respect to such service, or

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

14 “(2) EXCEPTION FOR CURRENT EMPLOYMENT
15 WHICH CONTINUES.—

16 “(A) IN GENERAL.—The requirements of
17 this paragraph are met with respect to service
18 for any employer if—

19 “(i) such service is performed by an
20 individual—

21 “(I) who was performing sub-
22 stantial and regular service for remu-
23 neration for that employer before Jan-
24 uary 1, 2000,

1 “(II) who is a bona fide employee
2 of that employer on December 31,
3 2000, and

4 “(III) whose employment rela-
5 tionship with that employer was not
6 entered into for purposes of meeting
7 the requirements of this subpara-
8 graph, and

9 “(ii) the employment relationship with
10 that employer has not been terminated
11 after December 31, 1999.

12 “(B) TREATMENT OF MULTIPLE AGENCIES
13 AND INSTRUMENTALITIES.—For purposes of
14 subparagraph (A), under regulations—

15 “(i) all agencies and instrumentalities
16 of a State (as defined in section 218(b) of
17 the Social Security Act) or of the District
18 of Columbia shall be treated as a single
19 employer, and

20 “(ii) all agencies and instrumentalities
21 of a political subdivision of a State (as so
22 defined) shall be treated as a single em-
23 ployer and shall not be treated as de-
24 scribed in clause (i).

25 “(3) EXCEPTION FOR CERTAIN SERVICES.—

1 “(A) IN GENERAL.—The requirements of
2 this paragraph are met with respect to service
3 if such service is performed—

4 “(i) by an individual who is employed
5 by a State or political subdivision thereof
6 to relieve such individual from unemploy-
7 ment,

8 “(ii) in a hospital, home, or other in-
9 stitution by a patient or inmate thereof as
10 an employee of a State or political subdivi-
11 sion thereof or of the District of Columbia,

12 “(iii) by an individual, as an employee
13 of a State or political subdivision thereof
14 or of the District of Columbia, serving on
15 a temporary basis in case of fire, storm,
16 snow, earthquake, flood, or other similar
17 emergency,

18 “(iv) by any individual as an employee
19 included under section 5351(2) of title 5,
20 United States Code (relating to certain in-
21 terns, student nurses, and other student
22 employees of hospitals of the District of
23 Columbia Government), other than as a
24 medical or dental intern or a medical or
25 dental resident in training,

1 “(v) by an election official or election
2 worker if the remuneration paid in a cal-
3 endar year for such service is less than
4 \$1,000 with respect to service performed
5 during 2000, and the adjusted amount de-
6 termined under section 210(s)(3)(C) of the
7 Social Security Act for any subsequent
8 year with respect to service performed dur-
9 ing such subsequent year, except to the ex-
10 tent that service by such election official or
11 election worker is included in employment
12 under an agreement under section 218 of
13 the Social Security Act, or

14 “(vi) by an employee in a position
15 compensated solely on a fee basis which is
16 treated pursuant to section 1402(c)(2)(E)
17 as a trade or business for purposes of in-
18 clusion of such fees in net earnings from
19 self-employment.

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

24 (3) CONFORMING AMENDMENTS.—

1 (A) Subsection (j) of such section 3121
2 (relating to covered transportation service) is
3 repealed.

4 (B) Paragraph (2) of section 3121(u) of
5 such Code (relating to application of hospital
6 insurance tax to Federal, State, and local em-
7 ployment) is amended—

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

13 (ii) in subparagraph (C)(i), by insert-
14 ing “under subsection (b)(7) as in effect in
15 July 1996” after “chapter”.

16 (c) EFFECTIVE DATE.—Except as otherwise provided
17 in this section, the amendments made by this section shall
18 apply with respect to service performed after December
19 31, 1997.

20 **SEC. 610. ADJUSTMENTS IN FORMULA FOR DETERMINING**
21 **PRIMARY INSURANCE AMOUNT.**

22 (a) ADDITIONAL EARNINGS BRACKET.—Section
23 215(a)(1)(A) of the Social Security Act (42 U.S.C.
24 415(a)(1)(A)) is amended—

25 (1) in clause (ii), by striking “and”;

1 (2) in clause (iii), by striking “clause (ii),” and
2 inserting the following: “clause (ii), but, in the case
3 of an individual who initially becomes eligible for
4 old-age insurance benefits (other than solely by rea-
5 son of prior entitlement to disability insurance bene-
6 fits), or who dies (before becoming eligible for such
7 benefits), after calendar year 2001, do not exceed
8 the amount established for purposes of this clause
9 by subparagraph (B), and”;

10 (3) by inserting after clause (iii) the following
11 new clause:

12 “(iv) in the case of an individual who initially
13 becomes eligible for old-age insurance benefits (other
14 than solely by reason of prior entitlement to disabili-
15 ty insurance benefits), or who dies (before becoming
16 eligible for such benefits), after calendar year 2001,
17 10 percent of the individual’s average indexed
18 monthly earnings to the extent that such earnings
19 exceed the amount established for purposes of clause
20 (iii),”.

21 (b) BEND POINT AMOUNTS.—Section 215(a)(1)(B)
22 of the Social Security Act (42 U.S.C. 415(a)(1)(B)) is
23 amended—

24 (1) in clause (ii), by inserting “and before
25 2002” after “1979” the first place it appears, and

1 by striking “by dividing—” and all that follows and
2 inserting “under clause (ix) of this subparagraph.”;

3 (2) by redesignating clause (iii) as clause (xii);

4 (3) by inserting after clause (ii) the following
5 new clauses:

6 “(iii) For individuals who initially become eligible for
7 old-age insurance benefits (other than solely by reason of
8 prior entitlement to disability insurance benefits), or who
9 die (before becoming eligible for such benefits), in any cal-
10 endar year after 2001, the amount established for pur-
11 poses of clause (i) of subparagraph (A) shall be an amount
12 equal to the product of the following factors:

13 “(I) the amount established with respect to cal-
14 endar year 1979 under clause (i) of this subpara-
15 graph for purposes of clause (i) of subparagraph
16 (A), and

17 “(II) the quotient obtained under clause (ix) of
18 this subparagraph.

19 “(iv) For individuals who initially become eligible for
20 old-age insurance benefits (other than solely by reason of
21 prior entitlement to disability insurance benefits), or who
22 die (before becoming eligible for such benefits), in any cal-
23 endar year after 2001 and before 2026, the amount estab-
24 lished for purposes of clause (ii) of subparagraph (A) shall
25 be an amount equal to the product of the following factors:

1 “(I) the amount established with respect to the
2 preceding calendar year under this subparagraph for
3 purposes of clause (ii) of subparagraph (A),

4 “(II) the quotient obtained under clause (x) of
5 this subparagraph, and

6 “(III) 0.99.

7 “(v) For individuals who initially become eligible for
8 old-age insurance benefits (other than solely by reason of
9 prior entitlement to disability insurance benefits), or who
10 die (before becoming eligible for such benefits), in any cal-
11 endar year after 2025, the amount established for pur-
12 poses of clause (ii) of subparagraph (A) shall be an
13 amount equal to the product of the following factors:

14 “(I) the amount established with respect to the
15 calendar year 2025 under clause (iv) of this sub-
16 paragraph for purposes of clause (ii) of subpara-
17 graph (A), and

18 “(II) the quotient obtained under clause (xi) of
19 this subparagraph.

20 “(vi) For individuals who initially become eligible for
21 old-age insurance benefits (other than solely by reason of
22 prior entitlement to disability insurance benefits), or who
23 die (before becoming eligible for such benefits), in the cal-
24 endar year 2002, the amount established for purposes of

1 clause (iii) of subparagraph (A) shall be an amount equal
2 to the quotient derived by dividing—

3 “(I) the amount established with respect to the
4 calendar year 2002 under clause (iv) of this sub-
5 paragraph for purposes of clause (ii) of subpara-
6 graph (A), by

7 “(II) 0.99⁵⁰.

8 “(vii) For individuals who initially become eligible for
9 old-age insurance benefits (other than solely by reason of
10 prior entitlement to disability insurance benefits), or who
11 die (before becoming eligible for such benefits), in any cal-
12 endar year after 2002 and before 2026, the amount estab-
13 lished for purposes of clause (iii) of subparagraph (A)
14 shall be an amount equal to the product of the following
15 factors:

16 “(I) the amount established with respect to the
17 preceding calendar year under this subparagraph for
18 purposes of clause (iii) of subparagraph (A),

19 “(II) the quotient obtained under clause (x) of
20 this subparagraph, and

21 “(III) 0.99.

22 “(viii) For individuals who initially become eligible for
23 old-age insurance benefits (other than solely by reason of
24 prior entitlement to disability insurance benefits), or who
25 die (before becoming eligible for such benefits), in any cal-

1 endar year after 2025, the amount established for pur-
2 poses of clause (iii) of subparagraph (A) shall be an
3 amount equal to the product of the following factors:

4 “(I) the amount established with respect to cal-
5 endar year 2025 under clause (vii) of this subpara-
6 graph for purposes of clause (iii) of subparagraph
7 (A), and

8 “(II) the quotient obtained under clause (xi) of
9 this subparagraph.

10 “(ix) The quotient obtained under this clause is the
11 quotient obtained by dividing—

12 “(I) the deemed average total wages (as defined
13 in section 209(k)(1)) for the second calendar year
14 preceding the calendar year for which the determina-
15 tion is made, by

16 “(II) the average of the total wages (as defined
17 in regulations of the Secretary and computed with-
18 out regard to the limitations specified in section
19 209(a)(1)) reported to the Secretary of the Treasury
20 or his delegate for the calendar year 1977.

21 “(x) The quotient obtained under this clause is the
22 quotient obtained by dividing—

23 “(I) the deemed average total wages (as defined
24 in section 209(k)(1)) for the second calendar year

1 preceding the calendar year for which the determina-
2 tion is made, by

3 “(II) the deemed average total wages (as de-
4 fined in section 209(k)(1)) for the third calendar
5 year preceding the calendar year for which the de-
6 termination is made.

7 “(xi) The quotient obtained under this clause is the
8 quotient obtained by dividing—

9 “(I) the deemed average total wages (as defined
10 in section 209(k)(1)) for the second calendar year
11 preceding the calendar year for which the determina-
12 tion is made, by

13 “(II) the average of the total wages (as defined
14 in regulations of the Secretary and computed with-
15 out regard to the limitations specified in section
16 209(a)(1)) reported to the Secretary of the Treasury
17 or his delegate for the calendar year 2024.”; and

18 (4) in clause (xii) (as redesignated), by striking
19 “clause (ii)” and inserting “the preceding clauses of
20 this subparagraph”.

21 (c) EFFECTIVE DATE.—The amendments made by
22 this section shall apply with respect to individuals who ini-
23 tially become eligible (within the meaning of section
24 215(a)(3)(B) of the Social Security Act) for old-age insur-
25 ance benefits under title II of the Social Security Act, or

1 who die (before becoming eligible for such benefits), in any
2 calendar year after 2001.

3 **SEC. 611. ANNUAL STATEMENT OF ACCRUED LIABILITY OF**
4 **THE OLD-AGE AND SURVIVORS INSURANCE**
5 **PROGRAM.**

6 (a) IN GENERAL.—Section 1105(a) of title 31, Unit-
7 ed States Code (relating to budget contents and submis-
8 sion to Congress) is amended by adding at the end the
9 following new paragraph:

10 “(31) a statement of the current accrued liabil-
11 ity of the Federal Government for future benefit
12 payments under the Old-Age and Survivors Insur-
13 ance Program under title II of the Social Security
14 Act.”.

15 (b) EFFECTIVE DATE.—The amendment made by
16 subsection (a) shall apply with respect to budgets submit-
17 ted for fiscal years beginning on or after October 1, 1998.

18 **TITLE VII—PROVISIONS RELAT-**
19 **ING TO FEDERAL CIVILIAN**
20 **AND MILITARY PERSONNEL**

21 **SEC. 701. FEDERAL CIVILIAN AND MILITARY PERSONNEL.**

22 (a) IN GENERAL.—Not later than December 31,
23 1998, the Office of Personnel Management, after appro-
24 priate study, shall submit to the President and each House
25 of Congress a written report containing recommendations

1 on how to provide for the application of this Act with re-
2 spect to Federal civilian and military personnel.

3 (b) REQUIREMENTS.—The report—

4 (1) shall be prepared in consultation with the
5 Social Security Administration, the Securities and
6 Exchange Commission, and other appropriate agen-
7 cies; and

8 (2) shall be accompanied by draft legislation
9 which, if enacted, would carry out the recommenda-
10 tions contained in such report.

11 **SEC. 702. PROVISIONS RELATING TO THE CONTINUED OP-**
12 **ERATION OF EXISTING RETIREMENT SYS-**
13 **TEMS.**

14 To the extent that the report and draft legislation
15 relate to provisions of law in effect before the date of en-
16 actment of this Act, each shall address at least the follow-
17 ing:

18 (1) FEDERAL EMPLOYEES' RETIREMENT SYS-
19 TEM.—

20 (A) Section 8401(11) of title 5, United
21 States Code (relating to the definition of an
22 “employee”), which includes the requirement
23 that the individual concerned be someone whose
24 civilian service is employment for the purposes

1 of title II of the Social Security Act and chap-
2 ter 21 of the Internal Revenue Code of 1986.

3 (B) Section 8421 of such title (relating to
4 annuity supplement), which includes provisions
5 incorporating the notion of the period of time
6 for which the individual is or would be entitled
7 to old-age insurance benefits under title II of
8 the Social Security Act, and provisions for com-
9 puting the amount of such supplement based on
10 the amount of certain benefits to which the in-
11 dividual would be entitled under such Act.

12 (C) Section 8442 of such title (relating to
13 rights of a widow or widower), which includes
14 provisions under which a supplementary annu-
15 ity for a widow or widower is not payable to
16 anyone who would not be entitled to certain
17 benefits under the Social Security Act, and pro-
18 visions for the computation of any such annuity
19 based on the amount of certain benefits which
20 would be payable to that individual under the
21 Social Security Act.

22 (D) Section 8443 of such title (relating to
23 rights of a child), which includes provisions
24 under which, as part of the formula for comput-
25 ing the amount of a survivor annuity for a

1 child, there is incorporated the notion of the
2 amount of child's insurance benefits which are
3 or would be payable under title II of the Social
4 Security Act.

5 (2) CIVIL SERVICE RETIREMENT SYSTEM.—

6 (A) Section 8334(k) of such title (relating
7 to special rules for determining deductions and
8 contributions for individuals subject to “offset-
9 83” treatment), which incorporates the notion
10 of the OASDI contribution made from Federal
11 wages of the individual concerned.

12 (B) Section 8349 of such title (relating to
13 offset based on certain benefits under the Social
14 Security Act), which incorporates notions relat-
15 ing to actual or constructive eligibility for bene-
16 fits under the Social Security Act, and the
17 amount of those benefits.

18 (3) COORDINATION PROVISIONS.—Provisions of
19 law involving a reduction or other adjustment in re-
20 tirement benefits (or eligibility therefor), based on
21 any individual's eligibility for benefits under title II
22 of the Social Security Act.

23 (4) OTHER RETIREMENT SYSTEMS.—Similar
24 provisions of law under other retirement systems
25 covering Federal civilian or military personnel.

1 **SEC. 703. PROVISIONS RELATING TO THE NEW SYSTEM.**

2 To the extent that the report and draft legislation
3 relate to the implementation of any other title of this Act,
4 each shall address at least the following:

5 (1) What the specifications for the personal re-
6 tirement account payroll deduction program or pro-
7 grams covering Federal civilian and military person-
8 nel shall be or, alternatively, how those specifications
9 shall be developed.

10 (2) Which agencies or instrumentalities of the
11 Federal Government shall be responsible for operat-
12 ing or maintaining which aspects of the program or
13 programs referred to in paragraph (1).

14 (3) Which penalty provisions are appropriate or
15 inappropriate with respect to the Federal Govern-
16 ment in its capacity as a “covered employer”, sub-
17 ject to what modifications (if any).

18 (4) With respect to the enforcement provisions
19 under title V, issues similar to those referred to in
20 paragraph (3).

21 **TITLE VIII—SOCIAL SECURITY**
22 **TRANSITION COMMISSION**

23 **SEC 801. ESTABLISHMENT OF COMMISSION.**

24 There is established a commission to be known as the
25 Social Security Transition Commission (in this title re-
26 ferred to as the “Commission”).

1 **SEC. 802. DUTIES.**

2 (a) FINDINGS.—The Commission shall make findings
3 regarding the most appropriate actions which should be
4 taken, together with the implementation of the provisions
5 of this Act, so that any increases in budget outlays result-
6 ing from the implementation of such provisions are mini-
7 mized and are adequately funded. Such findings shall in-
8 clude specific findings with respect to each of the following
9 possible actions:

- 10 (1) The sale of Federal assets.
- 11 (2) Budget outlay reductions.
- 12 (3) Increases in revenue.
- 13 (4) Issuance of additional obligations.

14 (b) RECOMMENDATIONS.—

15 (1) IN GENERAL.—The Commission shall make
16 specific recommendations to the Congress regarding
17 its findings under subsection (a) not later than Jan-
18 uary 1, 2001, and shall include with such rec-
19 ommendations legislative language necessary for car-
20 rying out such recommendations. The Commission
21 shall develop such legislative language after conduct-
22 ing such public hearings regarding the issues ad-
23 dressed as the Commission considers appropriate.
24 The Commission shall actively consult with the ap-
25 propriate Committees of each House of the Con-
26 gress, the Comptroller General of the United States,

1 and the Director of the Office of Management and
2 Budget in compiling such legislative language. The
3 Commission shall promptly provide, upon request, to
4 any Member of Congress a description of any infor-
5 mation used by the Commission in making its rec-
6 ommendations.

7 (2) BUDGET OUTLAY REDUCTIONS PERMA-
8 NENT.—All reductions in obligational authority con-
9 tained in the legislative language included in the
10 Commission’s recommendations shall be done in a
11 manner that makes such reductions permanent.

12 (3) ACCOMPANYING REPORT BY CBO.—The
13 Comptroller General of the United States shall pro-
14 vide appropriate assistance to the Commission in the
15 preparation of the Commission’s report and shall
16 transmit to each House of the Congress at the time
17 of the Commission’s transmittal a report containing
18 a detailed analysis of the Commission’s rec-
19 ommendations.

20 **SEC. 803. MEMBERSHIP.**

21 (a) APPOINTMENT.—

22 (1) IN GENERAL.—The Commission shall be
23 composed of 7 members appointed by the President,
24 by and with the advice and consent of the Senate.

1 (2) TRANSMITTAL OF NOMINATIONS.—The
2 President shall transmit to the Senate the nomina-
3 tions for appointment to the Commission by no later
4 than June 30, 1999.

5 (3) RECOMMENDATIONS.—In selecting individ-
6 uals for nominations for appointments to the Com-
7 mission, the President shall take into consider-
8 ation—

9 (A) with respect to the nomination of 3 of
10 the members of the Commission, recommenda-
11 tions which shall be jointly submitted by the
12 Speaker of the House of Representatives and
13 the minority leader of the House of Representa-
14 tives, and

15 (B) with respect to the nomination of 3
16 other members of the Commission, rec-
17 ommendations which shall be jointly submitted
18 by the majority leader of the Senate and the
19 minority leader of the Senate.

20 Not more than 4 members of the Commission may
21 be of the same political party.

22 (b) CHAIRMAN.—At the time the President nomi-
23 nates individuals for appointment to the Commission, the
24 President shall designate one such individual who shall
25 serve as Chairman of the Commission.

1 (c) DISQUALIFICATION.—No individual may serve as
2 a member of the Commission while such individual serves
3 as a Member of Congress or as an officer or employee of
4 the Executive branch. No individual may serve as a mem-
5 ber of the Commission if such individual is or has been
6 a registered lobbyist.

7 (d) VACANCIES.—Any vacancy in the membership of
8 the Commission shall be filled in the manner in which the
9 original appointment was made and shall not affect the
10 power of the remaining members to execute the duties of
11 the Commission.

12 (e) QUORUM.—A quorum shall consist of 4 members
13 of the Commission, except that 3 members may conduct
14 a hearing under section 804(a).

15 (f) MEETINGS.—The Commission shall meet at the
16 call of the Chairman or a majority of its members. Each
17 meeting of the Commission, other than meetings in which
18 classified information is to be discussed, shall be open to
19 the public. All the proceedings, information, and delibera-
20 tions of the Commission shall be open, upon request, to
21 the Chairmen and the ranking minority members of the
22 Committee on Government Reform and Oversight, the
23 Committee on the Budget, and the Committee on Appro-
24 priations of the House of Representatives and the Com-
25 mittee on Governmental Affairs, the Committee on the

1 Budget, and the Committee on Appropriations of the Sen-
2 ate.

3 (g) COMPENSATION AND REIMBURSEMENT OF EX-
4 PENSES.—

5 (1) COMPENSATION.—The members of the
6 Commission shall be paid for each day (including
7 travel time) during which they are engaged in the
8 actual performance of duties vested in the Commis-
9 sion. The members shall be paid—

10 (A) in the case of the Chairman, at a rate
11 not to exceed the daily equivalent of the mini-
12 mum annual rate of basic pay payable for level
13 III of the Executive Schedule under section
14 5314 of title 5, United States Code, and

15 (B) in the case of the other members, at
16 a rate not to exceed the daily equivalent of the
17 minimum annual rate of basic pay payable for
18 level IV of the Executive Schedule under section
19 5315 of such title.

20 (2) REIMBURSEMENT OF EXPENSES.—Members
21 of the Commission shall receive travel expenses, in-
22 cluding per diem in lieu of subsistence, in accord-
23 ance with sections 5702 and 5703 of title 5, United
24 States Code.

25 (h) STAFF DIRECTOR AND STAFF.—

1 (1) STAFF DIRECTOR.—The Commission shall
2 appoint a Staff Director who is not otherwise, and
3 has not during the 1-year period preceding the date
4 of such appointment served as, an officer or em-
5 ployee in the Executive branch and who is not and
6 has not been Member of Congress or a registered
7 lobbyist. The Staff Director shall be paid at a rate
8 not to exceed the rate of basic pay payable for level
9 IV of the Executive Schedule under section 5315 of
10 title 5, United States Code.

11 (2) STAFF.—

12 (A) IN GENERAL.—The Staff Director,
13 with the approval of the Commission, may ap-
14 point and fix pay of additional personnel. The
15 Staff Director may take such appointments
16 without regard to the provisions of title 5, Unit-
17 ed States Code, governing appointment in the
18 competitive service, and any personnel so ap-
19 pointed may be paid without regard to the pro-
20 visions of chapter 51 and subchapter III of
21 chapter 53 of such title relating to classification
22 and General Schedule pay rates, except that an
23 individual so appointed may not receive pay in
24 excess of the annual rate of basic pay payable

1 for level V of the Executive Schedule under sec-
2 tion 5316 of such title.

3 (B) DETAILEES.—Upon request of the
4 Staff Director, the head of any Federal depart-
5 ment or agency may detail any of the personnel
6 of that department or agency to the Commis-
7 sion to assist the Commission in carrying out
8 its duties under this Act. Not more than one-
9 third of the personnel employed by or detailed
10 to the Commission may be on detail from any
11 Government agency.

12 (3) EXPERTS AND CONSULTANTS.—The Com-
13 mission may procure by contract, to the extent funds
14 are available, the temporary or intermittent services
15 of experts or consultants pursuant to section 3109
16 of title 5, United States Code.

17 (i) OFFICES AND PROPERTY.—The Commission may
18 lease space and acquire personal property to the extent
19 funds are available.

20 (j) ASSISTANCE FROM GAO.—The Comptroller Gen-
21 eral of the United States shall provide assistance, includ-
22 ing the detailing of employees, to the Commission in ac-
23 cordance with an agreement entered into with the Com-
24 mission.

1 (k) TERMINATION.—The Commission shall terminate
2 30 days after the date of submission of the report required
3 in section 802(b).

4 **SEC. 804. POWERS.**

5 (a) HEARINGS AND OTHER ACTIVITIES.—For the
6 purpose of carrying out its duties, the Commission may
7 hold such hearings and undertake such other activities as
8 the Commission determines to be necessary to carry out
9 its duties.

10 (b) STUDIES BY GENERAL ACCOUNTING OFFICE.—
11 Upon the request of the Commission, the Comptroller
12 General shall conduct such studies or investigations as the
13 Commission determines to be necessary to carry out its
14 duties.

15 (c) COST ESTIMATES BY CONGRESSIONAL BUDGET
16 OFFICE.—

17 (1) IN GENERAL.—Upon the request of the
18 Commission, the Director of the Congressional
19 Budget Office shall provide to the Commission such
20 cost estimates as the Commission determines to be
21 necessary to carry out its duties.

22 (2) REIMBURSEMENT.—The Commission shall
23 reimburse the Director of the Congressional Budget
24 Office for expenses relating to the employment in
25 the office of the Director of such additional staff as

1 may be necessary for the Director to comply with
2 requests by the Commission under paragraph (1).

3 (d) TECHNICAL ASSISTANCE.—Upon the request of
4 the Commission, the head of a Federal agency shall pro-
5 vide such technical assistance to the Commission as the
6 Commission determines to be necessary to carry out its
7 duties.

8 (e) USE OF MAILS.—The Commission may use the
9 United States mails in the same manner and under the
10 same conditions as Federal agencies, and shall, for pur-
11 poses of the frank, be considered a commission of Con-
12 gress as described in section 3215 of title 39, United
13 States Code.

14 (f) OBTAINING INFORMATION.—The Commission
15 may secure directly from any Federal agency information
16 necessary to enable it to carry out its duties, if the infor-
17 mation may be disclosed under section 552 of title 5, Unit-
18 ed States Code. Upon request of the Chairman of the
19 Commission, the head of such agency shall furnish such
20 information to the Commission.

21 (g) ADMINISTRATIVE SUPPORT SERVICES.—Upon
22 the request of the Commission, the Administrator of Gen-
23 eral Services shall provide to the Commission on a reim-
24 bursable basis such administrative support services as the
25 Commission may request.

1 (h) ACCEPTANCE OF DONATIONS.—The Commission
2 may accept, use, and dispose of gifts or donations of serv-
3 ices or property.

4 (i) PRINTING.—For purposes of costs relating to
5 printing and binding, including the costs of personnel de-
6 tailed from the Government Printing Office, the Commis-
7 sion shall be deemed to be a committee of the Congress.

8 **SEC. 805. CONGRESSIONAL CONSIDERATION OF REC-**
9 **COMMENDATIONS.**

10 (a) INTRODUCTION OF RECOMMENDATIONS.—The
11 legislative language transmitted pursuant to section 802
12 with the recommendations of the Commission shall be in
13 the form of a joint resolution. Such joint resolution may
14 be introduced in either House of the Congress by any
15 member thereof.

16 (b) TERMS OF THE RESOLUTION.—For purposes of
17 this section, the term “joint resolution” means a joint res-
18 olution that—

19 (1) does not have a preamble;

20 (2) sets forth after the resolving clause only the
21 legislative language contained in the report from the
22 Commission; and

23 (3) is entitled a “Joint resolution approving the
24 recommendations of the Social Security Transition
25 Commission.”.

1 (c) EXPEDITED PROCEDURE.—

2 (1) REFERRAL.—A joint resolution that is in-
3 troduced in the House of Representatives shall be
4 referred to the Committee on Government Oper-
5 ations of the House of Representatives. A joint reso-
6 lution that is introduced in the Senate shall be re-
7 ferred to the Committee on Governmental Affairs of
8 the Senate.

9 (2) DISCHARGE.—If the committee to which a
10 joint resolution is referred has not reported the reso-
11 lution (or an identical resolution) by the end of the
12 30-day period beginning on the date on which the
13 Commission transmits the report to the Congress,
14 such committee shall, at the end of that period, be
15 discharged from further consideration of the resolu-
16 tion, and the resolution shall be placed on the appro-
17 priate calendar of the House of Representatives or
18 the Senate, as the case may be.

19 (3) CONSIDERATION.—

20 (A) IN GENERAL.—On or after the first
21 day after the date on which the committee to
22 which a joint resolution is referred has re-
23 ported, or has been discharged (under para-
24 graph (3)) from further consideration of, such
25 a resolution, it is in order (even though a pre-

1 vious motion to the same effect has been dis-
2 agreed to) for any member of the House of
3 Representatives or the Senate, respectively, to
4 move to proceed to the consideration of the res-
5 olution (but only on the date after the calendar
6 day on which the member announces to the
7 House concerned the member's intention to do
8 so).

9 (B) POINTS OF ORDER WAIVED.—All
10 points of order against a joint resolution (and
11 against consideration of the resolution) are
12 waived.

13 (C) MOTION TO PROCEED.—A motion to
14 proceed to the consideration of a joint resolu-
15 tion is highly privileged in the House of Rep-
16 resentatives and is privileged in the Senate and
17 is not debatable. The motion is not subject to
18 amendment, to a motion to postpone consider-
19 ation of the resolution, or to a motion to pro-
20 ceed to the consideration of other business. A
21 motion to reconsider the vote by which the mo-
22 tion to proceed is agreed to or not agreed to
23 shall not be in order. If the motion to proceed
24 is agreed to, the House of Representatives or
25 the Senate, as the case may be, shall imme-

1 diately proceed to consideration of the joint res-
2 olution without intervening motion, order, or
3 other business, and the resolution shall remain
4 the unfinished business of the House of Rep-
5 resentatives or the Senate, as the case may be,
6 until disposed of.

7 (D) LIMITED DEBATE.—Debate on a joint
8 resolution and on all debatable motions and ap-
9 peals in connection therewith shall be limited to
10 not more than 5 hours, which shall be divided
11 equally between those favoring and those oppos-
12 ing the resolution. A motion further to limit de-
13 bate on a joint resolution is in order and not
14 debatable.

15 (E) AMENDMENTS NOT IN ORDER.—An
16 amendment to a joint resolution is not in order.

17 (F) OTHER MOTIONS NOT IN ORDER.—A
18 motion to postpone consideration of a joint res-
19 olution, a motion to proceed to the consider-
20 ation of other business, or a motion to recom-
21 mit the resolution is not in order. A motion to
22 reconsider the vote by which a joint resolution
23 is agreed to or not agreed to is not in order.

24 (G) VOTE ON FINAL PASSAGE.—Imme-
25 diately following the conclusion of the debate on

1 a joint resolution and a single quorum call at
2 the conclusion of the debate if requested in ac-
3 cordance with the rules of the House of Rep-
4 resentatives or the Senate, as the case may be,
5 the vote on final passage of the resolution shall
6 occur.

7 (H) APPEALS.—Appeals from the decisions
8 of the Chair relating to the application of the
9 rules of the House of Representatives or of the
10 Senate, as the case may be, to the procedure re-
11 lating to a joint resolution shall be decided
12 without debate.

13 (4) CONSIDERATION BY OTHER HOUSE.—If, be-
14 fore the passage by one House of a joint resolution
15 that was introduced in such House, such House re-
16 ceives from the other House a joint resolution as
17 passed by such other House—

18 (A) the resolution of the other House shall
19 not be referred to a committee and may not be
20 considered in the House that receives it other-
21 wise than on final passage under subparagraph
22 (C);

23 (B) the procedure in the House in receipt
24 of the resolution of the other House, with re-
25 spect to the joint resolution that was introduced

1 in House in receipt of the resolution of the
2 other House, shall be the same as if no resolu-
3 tion had been received from the other House;
4 and

5 (C) notwithstanding subparagraph (B), the
6 vote on final passage shall be on the resolution
7 of the other House.

8 Upon disposition of a joint resolution that is re-
9 ceived by one House from the other House, it shall
10 no longer be in order to consider the joint resolution
11 that was introduced in the receiving House.

12 (5) DATE CERTAIN.—If the Senate and the
13 House of Representatives have not acted upon the
14 joint resolution by September 30, 2001, then on that
15 day or the next day of session thereafter the joint
16 resolution shall be called up by the Presiding Officer
17 of each House upon convening and a roll call vote
18 shall be conducted on passage. If the joint resolution
19 passes one House a vote on final passage shall be
20 immediately conducted in the other House.

21 (6) RULES OF THE SENATE AND HOUSE OF
22 REPRESENTATIVES.—This subsection is enacted by
23 Congress—

24 (A) as an exercise of the rulemaking power
25 of the Senate and House of Representatives, re-

1 spectively, and is deemed to be part of the rules
2 of each House, respectively, but applicable only
3 with respect to the procedure to be followed in
4 that House in the case of a joint resolution, and
5 it supersedes other rules only to the extent that
6 it is inconsistent with such rules; and

7 (B) with full recognition of the constitu-
8 tional right of either House to change the rules
9 (so far as they relate to the procedure of that
10 House) at any time, in the same manner, and
11 to the same extent as in the case of any other
12 rule of that House.

13 **SEC. 806. DEFINITIONS.**

14 As used in this title, the terms “budget outlay”, “out-
15 lay”, “new budget authority”, “direct spending”, and
16 “OMB” have the meanings given to such terms by section
17 250(c) of the Balanced Budget and Emergency Deficit
18 Control Act of 1985.

19 **SEC. 807. AUTHORIZATION OF APPROPRIATIONS.**

20 There is hereby authorized to be made available for
21 fiscal years 1999, 2000, and 2001, from amounts not oth-
22 erwise appropriated in the general fund of the Treasury,
23 such sums as are necessary to carry out the provisions
24 of this title.

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