

107TH CONGRESS
1ST SESSION

H. R. 2110

To provide for the establishment and maintenance of personal Social Security investment accounts under the Social Security system.

IN THE HOUSE OF REPRESENTATIVES

JUNE 7, 2001

Mr. PETRI introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To provide for the establishment and maintenance of personal Social Security investment accounts under the Social Security system.

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.**

4 This Act may be cited as the “Retirement Security
5 Act of 2001”.

6 **SEC. 2. INDIVIDUAL RETIREMENT INVESTMENT PROGRAM**

7 **AND PERSONAL SOCIAL SECURITY INVEST-**
8 **MENT ACCOUNTS.**

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

1 “(5) BOARD.—The term ‘Board’ means the
2 Board of Trustees of the Trust Fund authorized to
3 so serve under section 266(a).

4 “PERSONAL SOCIAL SECURITY INVESTMENT ACCOUNTS

5 “SEC. 252. (a) CERTIFICATION OF NEW ACCOUNT
6 HOLDERS.—Upon the issuance of a Social Security ac-
7 count number under section 205(c)(2) to an individual
8 born on or after July 1, 2002, the Commissioner of Social
9 Security shall certify to the Executive Director and the
10 Secretary of the Treasury the identity and Social Security
11 account number of such individual.

12 “(b) ESTABLISHMENT OF PERSONAL SOCIAL SECUR-
13 ITY INVESTMENT ACCOUNTS.—Upon receipt of any cer-
14 tification under subsection (a) with respect to an indi-
15 vidual, the Executive Director shall establish a personal
16 Social Security investment account for such individual.
17 Amounts in the Social Security Investment Trust Fund
18 shall be credited by the Executive Director to the invest-
19 ment account in accordance with this part. The investment
20 account shall be identified to the account holder by means
21 of the account holder’s Social Security account number.
22 The Executive Director shall establish an investment ac-
23 count for each account holder not later than the later of
24 January 1, 2003, or 30 days after receipt of the certifi-
25 cation with respect to the account holder.

1 “(c) INITIAL CONTRIBUTION.—Upon the establish-
2 ment of each account holder’s investment account, the
3 Secretary of the Treasury shall transfer, from amounts
4 not otherwise appropriated in the general fund of the
5 Treasury to the Trust Fund, for crediting by the Execu-
6 tive Director to such investment account under subsection
7 (b), an amount equal to \$1,000.00.

8 “(d) INVESTMENT ACCOUNT BALANCE.—The bal-
9 ance in an account holder’s investment account at any
10 time is the excess of—

11 “(1) the sum of—

12 “(A) the contribution made to the Trust
13 Fund and credited to the investment account
14 pursuant to subsection (c);

15 “(B) all contributions made to the Trust
16 Fund and credited to the investment account
17 under section 253, and

18 “(C) the total amount of the allocations
19 made to and reductions made in the investment
20 account pursuant to subsection (e),

21 over

22 “(2) the amounts paid out of the Trust Fund
23 with respect to such individual under this part.

24 “(e) ALLOCATION OF EARNINGS AND LOSSES.—Pur-
25 suant to regulations prescribed by the Executive Director,

1 the Executive Director shall allocate to each investment
2 account an amount equal to the net earnings and net
3 losses from each investment of sums in the Trust Fund
4 which are attributable, on a pro rata basis, to sums cred-
5 ited to such investment account, reduced by an appro-
6 priate share of the administrative expenses paid out of the
7 net earnings under section 256(d), as determined by the
8 Executive Director.

9 “(f) ENGAGEMENT OF QUALIFIED PUBLIC ACCOUNT-
10 ANT.—

11 “(1) IN GENERAL.—The Executive Director
12 shall annually engage, on behalf of all account hold-
13 ers, an independent qualified public accountant, who
14 shall conduct an examination of all accounts and
15 other books and records maintained in the adminis-
16 tration of this part as the public accountant con-
17 siders necessary to enable the public accountant to
18 make the determination required by paragraph (2).
19 The examination shall be conducted in accordance
20 with generally accepted auditing standards and shall
21 involve such tests of the accounts, books, and
22 records as the public accountant considers necessary.

23 “(2) EXAMINATION AND REPORT.—The public
24 accountant conducting an examination under para-
25 graph (1) shall determine whether the accounts,

1 books, and records referred to in such paragraph
2 have been maintained in conformity with generally
3 accepted accounting principles applied on a basis
4 consistent with the manner in which such principles
5 were applied during the examination conducted
6 under such paragraph during the preceding year.
7 The public accountant shall transmit to the Board
8 and the Comptroller General of the United States a
9 report on his examination, including his determina-
10 tion under this paragraph.

11 “(3) RELIANCE ON ACTUARY’S CERTIFI-
12 CATIONS.—In making a determination under para-
13 graph (2), a public accountant may rely on the cor-
14 rectness of any actuarial matter certified by an en-
15 rolled actuary if the public accountant states his re-
16 liance in the report transmitted to the Board under
17 such paragraph.

18 “(4) DEFINITION.—For the purposes of this
19 subsection, the term “qualified public accountant”
20 shall have the same meaning as is provided in sec-
21 tion 103(a)(3)(D) of the Employee Retirement In-
22 come Security Act of 1974 (29 U.S.C.
23 1023(a)(3)(D)).

24 “(g) INFORMATION REQUIRED TO BE PROVIDED TO
25 ACCOUNT HOLDERS.—

1 “(1) IN GENERAL.—The Board shall prescribe
2 regulations under which each account holder shall be
3 furnished with—

4 “(A) a periodic statement relating to the
5 account holder’s investment account; and

6 “(B) a summary description of the invest-
7 ment options under section 254 covering, and
8 an evaluation of, each such option for at least
9 the 5-year period preceding the date as of
10 which such evaluation is made.

11 “(2) TIMELY PROVISION OF INFORMATION.—In-
12 formation under this subsection shall be provided at
13 least 30 calendar days before the date provided for
14 each election under section 254(c), and in a manner
15 designed to facilitate informed decisionmaking with
16 respect to each such election.

17 “(h) ASSUMPTION OF RISK.—Each account holder
18 who elects to invest in the Fixed Income Investment Fund
19 or the Common Stock Index Investment Fund described
20 in paragraphs (2) and (3), respectively, of section 254(a)
21 shall sign an acknowledgement prescribed by the Execu-
22 tive Director which states that the account holder under-
23 stands that an investment in either such Fund is made
24 at the account holder’s risk, that the account holder is
25 not protected by the Government against any loss on such

1 investment, and that a return on such investment is not
2 guaranteed by the Government.

3 “(i) TREATMENT OF MINORS AND INCOMPETENT IN-
4 DIVIDUALS.—An election under this part to be made by
5 a minor, or an individual mentally incompetent or under
6 other legal disability, may be made by the person who is
7 constituted guardian or other fiduciary by the law of the
8 State of residence of the individual or is otherwise legally
9 vested with the care of the individual or his estate. Pay-
10 ment under this part due a minor, or an individual men-
11 tally incompetent or under other legal disability, may be
12 made to the person who is constituted guardian or other
13 fiduciary by the law of the State of residence of the claim-
14 ant or is otherwise legally vested with the care of the
15 claimant or his estate. In any case in which a guardian
16 or other fiduciary of the individual under legal disability
17 has not been appointed under the law of the State of resi-
18 dence of the individual, if any other person, in the judg-
19 ment of the Executive Director, is responsible for the care
20 of such individual, any election under this part which may
21 otherwise be made by such individual may be made by
22 such person, any payment under this part which is other-
23 wise payable to such individual may be made to such per-
24 son, and the payment of an annuity payment under this
25 part to such person bars recovery by any other person.

1 “CONTRIBUTIONS TO THE SOCIAL SECURITY INVESTMENT
2 TRUST FUND

3 “SEC. 253. (a) IN GENERAL.—The Executive Direc-
4 tor shall prescribe regulations under which each individual
5 who is eligible to claim a deduction under section 222 of
6 the Internal Revenue Code of 1986 for contributions to
7 a personal Social Security investment account shall be af-
8 forded a reasonable opportunity to make contributions to
9 the Trust Fund, for crediting to such account, either from
10 time to time or under arrangements providing for regular,
11 periodic contributions. Such arrangements may include ar-
12 rangements for contributions of wages by employers on be-
13 half of employees. Any such arrangement shall also pro-
14 vide individuals a reasonable opportunity to modify the
15 amount to be contributed under this part, or to terminate
16 such contributions.

17 “(b) LIMITATION ON CONTRIBUTIONS.—Notwith-
18 standing any other provision of this section, no contribu-
19 tion may be made under this section to any account for
20 any year to the extent that such contribution, when added
21 to prior contributions to such account for such year, ex-
22 ceeds \$10,000.

23 “(c) CREDITING PROCEDURES.—Amounts contrib-
24 uted by (or on behalf of) an account holder under this
25 section shall be deposited in the Trust Fund to the credit

1 of that account holder’s investment account in accordance
2 with such procedures as the Comptroller General of the
3 United States may, in consultation with the Executive Di-
4 rector, prescribe in regulations.

5 “(d) NONFORFEITABILITY OF CONTRIBUTIONS.—All
6 contributions made under this section shall be fully non-
7 forfeitable when made.

8 “INVESTMENT OF SOCIAL SECURITY INVESTMENT TRUST
9 FUND

10 “SEC. 254. (a) INVESTMENT FUNDS.—The Board
11 shall establish—

12 “(1) a Government Securities Investment Fund
13 under which sums in the Trust Fund are invested in
14 securities of the United States Government issued as
15 provided in subsection (e);

16 “(2) a Fixed Income Investment Fund under
17 which sums in the Trust Fund are invested in—

18 “(A) insurance contracts,

19 “(B) certificates of deposit, or

20 “(C) other instruments or obligations se-
21 lected by qualified professional asset managers,
22 which return the amount invested and pay in-
23 terest, at a specified rate or rates, on that
24 amount during a specified period of time;

25 “(3) a Common Stock Index Investment Fund
26 as provided in subsection (b); and

1 “(4) such other investment fund or funds as the
2 Board may provide by regulation.

3 “(b) INDEX GOVERNING COMMON STOCK INDEX IN-
4 VESTMENT FUNDS.—

5 “(1) SELECTION OF INDEX.—The Board shall
6 select an index which is a commonly recognized
7 index comprised of common stock the aggregate
8 market value of which is a reasonably complete rep-
9 resentation of the United States equity markets.

10 “(2) PORTFOLIO DESIGN.—The Common Stock
11 Index Investment Fund shall be invested in a port-
12 folio designed to replicate the performance of the
13 index selected under paragraph (1). The portfolio
14 shall be designed such that, to the extent prac-
15 ticable, the percentage of the Common Stock Index
16 Investment Fund that is invested in each stock is
17 the same as the percentage determined by dividing
18 the aggregate market value of all shares of that
19 stock by the aggregate market value of all shares of
20 all stocks included in such index.

21 “(c) INVESTMENT ACCORDING TO ELECTIONS.—

22 “(1) IN GENERAL.—The Executive Director
23 shall invest the sums available in the Trust Fund for
24 investment as provided in elections made under sub-
25 section (d).

1 “(2) DEFAULT INVESTMENT IN ABSENCE OF
2 ELECTION.—If an election has not been made with
3 respect to any sums in the Trust Fund available for
4 investment, the Executive Director shall invest such
5 sums in the Government Securities Investment
6 Fund.

7 “(d) SEMIANNUAL ELECTIONS.—

8 “(1) IN GENERAL.—At least twice each year, an
9 account holder may elect the investment funds re-
10 ferred to in subsection (a) into which the sums in
11 the Trust Fund credited to such account holder’s in-
12 vestment account are to be invested or reinvested.

13 “(2) INVESTMENT ACCORDING TO REGULA-
14 TIONS.—An election may be made under paragraph
15 (1) only in accordance with regulations prescribed by
16 the Executive Director and within such period as the
17 Executive Director shall provide in such regulations.

18 “(e) ISSUANCE OF SPECIAL OBLIGATIONS.—

19 “(1) AUTHORIZATION.—The Secretary of the
20 Treasury is authorized to issue special interest-bear-
21 ing obligations of the United States for purchase by
22 the Trust Fund for the Government Securities In-
23 vestment Fund.

24 “(2) REQUIREMENTS.—

1 “(A) IN GENERAL.—Obligations issued for
2 the purpose of this subsection shall have matu-
3 rities fixed with due regard to the needs of the
4 Trust Fund as determined by the Executive Di-
5 rector, and shall bear interest at a rate equal
6 to the average market yield (computed by the
7 Secretary of the Treasury on the basis of mar-
8 ket quotations as of the end of the calendar
9 month next preceding the date of issue of such
10 obligations) on all marketable interest-bearing
11 obligations of the United States then forming a
12 part of the public debt which are not due or
13 callable earlier than 4 years after the end of
14 such calendar month.

15 “(B) ROUNDING.—Any average market
16 yield computed under subparagraph (A) which
17 is not a multiple of one-eighth of 1 percent,
18 shall be rounded to the nearest multiple of one-
19 eighth of 1 percent.

20 “(f) NO VOTING RIGHTS IN SECURITIES.—The
21 Board, the Executive Director, and an account holder may
22 not exercise voting rights associated with the ownership
23 of securities by the Social Security Investment Trust
24 Fund.

1 made under subsection (b), (c), or (d) of section 202
2 to account holders entitled to benefits on the basis
3 of the wages and self-employment income of any
4 such account holder entitled to disability insurance
5 benefits, shall be made from amounts in the Trust
6 Fund credited to such account holder's investment
7 account, except to the extent that such benefit pay-
8 ments exceed the balance credited to such account
9 holder's investment account. Any amount of such
10 benefit payments in excess of the balance in such ac-
11 count holder's investment account shall be payable
12 as provided in section 201(h). The Commissioner of
13 Social Security shall provide for certification to the
14 Executive Director for payment of such benefits
15 from the Trust Fund, and the Executive Director
16 shall make such payments from the Trust Fund in
17 accordance with such certification.

18 “(c) ANNUITIES AND LUMP SUM PAYMENTS.—A dis-
19 tribution referred to in subsection (a)(2) is described in
20 this subsection if—

21 “(1) the distribution is at the election of the ac-
22 count holder made (in such form and manner as
23 shall be prescribed by the Executive Director) on or
24 after the date of the commencement of such account

1 holder's entitlement to old-age insurance benefits
2 under section 202(a),

3 “(2) the amount of each distribution is in an
4 amount, as determined by the Executive Director,
5 which is not greater than the excess of—

6 “(A) the balance credited to such account
7 holder's investment account, over

8 “(B) the amount necessary to provide for
9 benefit distributions as required under sub-
10 section (a)(1), and

11 “(3) the distributions shall be paid in the form
12 of annuities and other payments under section 256.

13 “(d) DEATH DISTRIBUTION.—

14 “(1) IN GENERAL.—A distribution from an in-
15 vestment account is in the form of a death distribu-
16 tion if such distribution is in the amount remaining
17 credited to the account holder as of the date of such
18 account holder's death and, except as provided in
19 paragraph (2), is distributed in the same manner as
20 is provided for distribution of benefit payments
21 under section 204(d).

22 “(2) PORTION OF ACCOUNT BALANCE ATTRIB-
23 UTABLE TO FEDERAL CONTRIBUTION RETURNED TO
24 UNITED STATES.—The portion of the amount re-
25 maining credited to the account holder as of the

1 date of such account holder's death which is attrib-
2 utable to the contribution made under section 252(c)
3 shall be paid to the Secretary of the Treasury for
4 deposit into the general fund of the Treasury as mis-
5 cellaneous receipts. For purposes of the preceding
6 sentence, distributions from a personal social secu-
7 rity investment account shall be treated as first
8 made from amounts attributable to the contribution
9 made under section 252(c) and then from other
10 amounts.

11 “ANNUITIES AND LUMP SUM PAYMENTS PAYABLE FROM
12 THE SOCIAL SECURITY INVESTMENT TRUST FUND

13 “SEC. 256. (a) IN GENERAL.—An account holder
14 who is entitled to old-age insurance benefits under section
15 202(a) is entitled as provided in this section to the amount
16 of the balance in the account holder's investment account
17 available for distribution under this section in accordance
18 with section 255.

19 “(b) ALTERNATIVE FORMS OF DISTRIBUTION.—Sub-
20 ject to section 258, any account holder who is entitled to
21 old-age insurance benefits under section 202(a) is entitled
22 and may elect—

23 “(1) to receive an immediate annuity from the
24 Trust Fund;

25 “(2) to defer the commencement of the pay-
26 ment of an annuity from the Trust Fund until such

1 date as the account holder specifies, but not later
2 than April 1 of the year following the year in which
3 the account holder becomes 70½ years of age;

4 “(3) to withdraw the amount of the balance in
5 the account holder’s investment account in the Trust
6 Fund in one or more substantially equal payments
7 to be made not less frequently than annually and to
8 commence before April 1 of the year following the
9 year in which the account holder becomes 70½
10 years of age; or

11 “(4) to transfer the amount of the balance in
12 the account holder’s investment account in the Trust
13 Fund to an eligible retirement plan as provided in
14 subsection (c).

15 “(c) TRANSFERS TO ELIGIBLE RETIREMENT
16 PLANS.—

17 “(1) IN GENERAL.—The Executive Director
18 shall make each transfer elected under subsection
19 (b)(4) directly to an eligible retirement plan or plans
20 (as defined in section 402(c)(8)(B) of the Internal
21 Revenue Code of 1986) identified by the account
22 holder for whom the transfer is made.

23 “(2) TRANSFER CONTINGENT UPON RECEIPT
24 OF NECESSARY INFORMATION.—A transfer may not
25 be made for an account holder under paragraph (1)

1 until the Executive Director receives from such ac-
2 count holder the information required by the Execu-
3 tive Director specifically to identify the eligible re-
4 tirement plan or plans to which the transfer is to be
5 made.

6 “(d) MODIFICATION OF ELECTIONS.—

7 “(1) IN GENERAL.—Subject to paragraph
8 (3)(A) and subsections (a) and (d) of section 258,
9 an account holder may change an election previously
10 made under this section.

11 “(2) MODIFICATION OF DATE FOR DELAYED
12 DISTRIBUTIONS.—Subject to paragraph (3)(B) and
13 section 258(d), an account holder who has made an
14 election pursuant to subsection (b)(2) may modify
15 the date specified in such election or in a previous
16 modification under this paragraph.

17 “(3) LIMITATIONS.—

18 “(A) MODIFICATIONS DISALLOWED UPON
19 COMMENCEMENT OF DISTRIBUTION.—An ac-
20 count holder may not change an election under
21 this section on or after the date on which a
22 payment is made in accordance with such elec-
23 tion or, in the case of an election to receive an
24 annuity, the date on which an annuity contract

1 is purchased to provide for the annuity elected
2 by the account holder.

3 “(B) OTHER LIMITATIONS.—A modifica-
4 tion of a date may not be made under para-
5 graph (2) on or after the date on which an an-
6 nuity contract is purchased to provide for the
7 annuity involved, and may not specify a date
8 for the commencement of an annuity earlier
9 than 90 days after the date on which the modi-
10 fication is submitted to the Executive Director
11 (or such period shorter than 90 days as the Ex-
12 ecutive Director may by regulation prescribe).

13 “(e) DEFAULT MEANS OF DISTRIBUTION.—

14 “(1) LUMP SUM DISTRIBUTIONS OF MINIMAL
15 AMOUNTS.—Notwithstanding subsection (b), if an
16 account holder becomes entitled to old-age insurance
17 benefits under section 202(a) and the balance in
18 such account holder’s investment account is \$3,500
19 or less, the Executive Director shall pay the balance
20 to the account holder in a single payment unless the
21 account holder elects, at such time and otherwise in
22 such manner as the Executive Director prescribes,
23 one of the options available under subsection (b).

24 “(2) DEFAULT ANNUITY COMMENCEMENT
25 DATE.—Unless otherwise elected under this section,

1 and subject to paragraph (1), the balance in an ac-
2 count holder's investment account shall be paid as
3 an annuity commencing for the account holder on
4 February 1 of the year following the year in which
5 the account holder becomes entitled to old-age insur-
6 ance benefits under section 202(a).

7 "PAYMENT OF ANNUITIES

8 "SEC. 257. (a) METHODS OF PAYMENT.—The Board
9 shall prescribe methods of payment of annuities under this
10 part. The methods of payment prescribed under this sub-
11 section shall include, but not be limited to—

12 "(1) a method which provides for the payment
13 of a monthly annuity only to an annuitant during
14 the life of the annuitant;

15 "(2) a method which provides for the payment
16 of a monthly annuity to an annuitant for the joint
17 lives of the annuitant and the spouse of the annu-
18 itant and an appropriate monthly annuity to the one
19 of them who survives the other of them for the life
20 of the survivor;

21 "(3) a method described in paragraph (1) which
22 provides for automatic adjustments in the amount of
23 the annuity payable so long as the amount of the
24 annuity payable in any one year shall not be less
25 than the amount payable in the previous year;

1 “(4) a method described in paragraph (2) which
2 provides for automatic adjustments in the amount of
3 the annuity payable so long as the amount of the an-
4 nuity payable in any one year shall not be less than
5 the amount payable in the previous year; and

6 “(5) a method which provides for the payment
7 of a monthly annuity—

8 “(A) to the annuitant for the joint lives of
9 the annuitant and an individual who is des-
10 ignated by the annuitant under regulations pre-
11 scribed by the Executive Director and (i) is a
12 former spouse of the annuitant, or (ii) has an
13 insurable interest in the annuitant; and

14 “(B) to the one of them who survives the
15 other of them for the life of the survivor.

16 “(b) REQUIREMENT OF ELECTION.—Subject to sec-
17 tion 258(c), under such regulations as the Executive Di-
18 rector shall prescribe, an account holder who elects under
19 section 256 to receive an annuity under this part shall
20 elect, on or before the date on which an annuity contract
21 is purchased to provide for that annuity, one of the meth-
22 ods of payment prescribed under subsection (a).

23 “(c) CONTINUED PERIOD OF 5 YEARS AVAILABILITY
24 FOR ELIMINATED METHODS.—Notwithstanding an elimi-
25 nation of a method of payment by the Board, an account

1 holder may elect the eliminated method if the elimination
2 of such method became effective less than 5 years before
3 the date on which the annuity commences.

4 “(d) CONTRACTS FOR PURCHASE OF ANNUITIES.—

5 “(1) TIME LIMIT FOR ENTERING INTO CON-
6 TRACT.—Not earlier than 90 days (or such shorter
7 period as the Executive Director may by regulation
8 prescribe) before an annuity is to commence under
9 this part, the Executive Director shall expend the
10 balance in the annuitant’s account to purchase an
11 annuity contract from any entity which, in the nor-
12 mal course of its business, sells and provides annu-
13 ities.

14 “(2) ASSURANCE OF PROVISION OF ANNUITY.—

15 The Executive Director shall assure, by contract en-
16 tered into with each entity from which an annuity
17 contract is purchased under paragraph (1), that the
18 annuity shall be provided in accordance with the
19 provisions of this part.

20 “(3) TERMS AND CONDITIONS.—An annuity

21 contract purchased under paragraph (1) shall in-
22 clude such terms and conditions as the Executive
23 Director requires for the protection of the annuitant.

24 “(4) BONDING.—The Executive Director shall

25 require, from each entity from which an annuity

1 contract is purchased under paragraph (1), a bond
2 or proof of financial responsibility sufficient to pro-
3 tect the annuitant.

4 “(e) EXEMPTION FROM LOCAL TAXATION OF
5 AMOUNTS PAID TO PURCHASE ANNUITIES.—

6 “(1) IN GENERAL.—No tax, fee, or other mone-
7 tary payment may be imposed or collected by any
8 State, or by any political subdivision or other gov-
9 ernmental authority thereof, on, or with respect to,
10 any amount paid to purchase an annuity contract
11 under this section.

12 “(2) TAXATION OF ISSUER PERMITTED.—Para-
13 graph (1) shall not be construed to exempt any com-
14 pany or other entity issuing an annuity contract
15 under this section from the imposition, payment, or
16 collection of a tax, fee, or other monetary payment
17 on the net income or profit accruing to or realized
18 by that entity from the sale of an annuity contract
19 under this section if that tax, fee, or payment is ap-
20 plicable to a broad range of business activity.

21 “PROTECTIONS FOR SPOUSES AND FORMER SPOUSES

22 “SEC. 258. (a) REQUIREMENT OF SPOUSAL CON-
23 SENT.—

24 “(1) IN GENERAL.—A married account holder
25 may make an election under subsection (b)(3) or
26 (b)(4) of section 256 or change an election pre-

1 viously made under subsection (b)(1) or (b)(2) of
2 such section only if the account holder and the ac-
3 count holder's spouse jointly waive, by written elec-
4 tion, any right which the spouse may have to a sur-
5 vivor annuity with respect to such account holder
6 under section 257 or subsection (b).

7 “(2) EXCEPTION.—Paragraph (1) shall not
8 apply to an election or change of election by an ac-
9 count holder who establishes to the satisfaction of
10 the Executive Director (at the time of the election
11 or change and in accordance with regulations pre-
12 scribed by the Executive Director)—

13 “(A) that the spouse's whereabouts cannot
14 be determined; or

15 “(B) that, due to exceptional cir-
16 cumstances, requiring the spouse's waiver would
17 otherwise be inappropriate.

18 “(b) JOINT AND SURVIVOR ANNUITY FORM APPLIES
19 UNLESS OTHERWISE ELECTED.—

20 “(1) IN GENERAL.—Notwithstanding any elec-
21 tion under subsection (b) of section 257, the method
22 described in subsection (a)(2)(B) of such section (or,
23 if more than one form of such method is available,
24 the form which the Board determines to be the one
25 which provides for a surviving spouse a survivor an-

1 nuity most closely approximating the annuity of a
2 surviving spouse under section 8442 of title 5,
3 United States Code) shall be deemed the applicable
4 method under such subsection (b) in the case of an
5 account holder who is married on the date on which
6 an annuity contract is purchased to provide for the
7 account holder’s annuity under this part.

8 “(2) EXCEPTION.—Paragraph (1) shall not
9 apply if—

10 “(A) a joint waiver of such method is
11 made, in writing, by the account holder and the
12 spouse; or

13 “(B) the account holder waives such meth-
14 od, in writing, after establishing to the satisfac-
15 tion of the Executive Director that cir-
16 cumstances described under subsection (a)(2)
17 (A) or (B) make the requirement of a joint
18 waiver inappropriate.

19 “(c) ELECTIONS AND OTHER CHANGES SUBJECT TO
20 COURT ORDERS.—

21 “(1) IN GENERAL.—An election, change of elec-
22 tion, or modification of the commencement date of
23 a deferred annuity shall not be effective under this
24 part to the extent that the election, change, modi-

1 fication, or transfer conflicts with any court decree,
2 order, or agreement described in paragraph (2).

3 “(2) REQUIREMENTS.—A court decree, order,
4 or agreement referred to in paragraph (1) is, with
5 respect to an account holder, a court decree of di-
6 vorce, annulment, or legal separation issued in the
7 case of the account holder and any former spouse of
8 the account holder or any court order or court-ap-
9 proved property settlement agreement incident to
10 the decree if—

11 “(A) the decree, order, or agreement ex-
12 pressly relates to any portion of the balance in
13 the account holder’s investment account; and

14 “(B) notice of the decree, order, or agree-
15 ment was received by the Executive Director
16 before—

17 “(i) the date on which payment is
18 made, or

19 “(ii) in the case of an annuity, the
20 date on which an annuity contract is pur-
21 chased to provide for the annuity,

22 in accordance with the election, change, modi-
23 fication, or contribution referred to in para-
24 graph (1).

1 “(3) TREATMENT OF 2 OR MORE COURT OR-
2 DERS.—The Executive Director shall prescribe regu-
3 lations under which this subsection shall be applied
4 in any case in which the Executive Director receives
5 two or more decrees, orders, or agreements referred
6 to in paragraph (1).

7 “(d) RIGHTS OF FORMER SPOUSES.—

8 “(1) IN GENERAL.—Subject to paragraphs (2)
9 through (7), a former spouse of a deceased account
10 holder who died as a fully insured individual is enti-
11 tled to a survivor annuity under this subsection if
12 and to the extent that—

13 “(A) an election under section 257(a)(5),

14 or

15 “(B) any court decree, order, or agreement
16 (described in subsection (c)(2), without regard
17 to subparagraph (B) of such subsection) which
18 relates to such deceased account holder and
19 such former spouse,
20 expressly provides for such survivor annuity.

21 “(2) WRITTEN NOTICE REQUIRED.—Paragraph
22 (1) shall apply only to payments made by the Execu-
23 tive Director after the date on which the Executive
24 Director receives written notice of the election, de-
25 cree, order, or agreement, and such additional infor-

1 mation and documentation as the Executive Director
2 may require.

3 “(3) LIMITATION ON AMOUNT.—The amount of
4 the survivor annuity payable from the Trust Fund
5 to a former spouse of a deceased account holder
6 under this section may not exceed the excess, if any,
7 of—

8 “(A) the amount of the survivor annuity
9 determined for a surviving spouse of the de-
10 ceased account holder under the method de-
11 scribed in subsection (b)(1), over

12 “(B) the total amount of all other survivor
13 annuities payable under part to other former
14 spouses of such deceased account holder based
15 on the order of precedence provided in para-
16 graph (4).

17 “(4) ORDER OF PRECEDENCE.—If more than
18 one former spouse of a deceased account holder is
19 entitled to a survivor annuity pursuant to this sub-
20 section, the amount of each such survivor annuity
21 shall be limited appropriately to carry out paragraph
22 (3) in the order of precedence established for the en-
23 titlements by the chronological order of the dates on
24 which elections are properly made pursuant to sec-
25 tion 257(a)(5) and the dates on which the court de-

1 crees, orders, or agreements applicable to the entitle-
2 ment were issued, as the case may be.

3 “(5) RULES FOR COMMENCEMENT AND TERMI-
4 NATION UNDER COURT ORDERS.—The commence-
5 ment and termination of an annuity payable under
6 this section shall be governed by the terms of the ap-
7 plicable order, decree, agreement, or election, as the
8 case may be, except that any such annuity—

9 “(A) shall not commence before—

10 “(i) the day after the account holder
11 dies; or

12 “(ii) the first day of the second month
13 beginning after the date on which the Ex-
14 ecutive Director receives written notice of
15 the order, decree, agreement, or election,
16 as the case may be, together with such ad-
17 ditional information or documentation as
18 the Executive Director may prescribe;

19 whichever is later; and

20 “(B) shall terminate no later than the last
21 day of the month before the former spouse re-
22 marries before becoming 55 years of age or
23 dies.

24 “(6) RESTRICTION ON MODIFICATIONS.—For
25 purposes of this part, a modification in a decree,

1 order, agreement, or election referred to in this sec-
2 tion shall not be effective—

3 “(A) if such modification is made after the
4 retirement or death of the account holder or an-
5 nuitant concerned; and

6 “(B) to the extent that such modification
7 involves an annuity under this part.

8 “(7) COURT ORDERS SUBJECT TO PREVIOUS
9 JOINT WAIVERS.—For the purposes of this section,
10 a court decree, order, or agreement or an election re-
11 ferred to in subsection (a) shall not be effective, in
12 the case of a former spouse, to the extent that the
13 election is inconsistent with any joint waiver pre-
14 viously executed with respect to such former spouse
15 under subsection (a)(2) or (b)(2).

16 “(8) EXCLUSIVE RECOVERY.—Any payment
17 under this subsection to any individual bars recovery
18 by any other individual.

19 “(e) WAIVERS AND MODIFICATIONS SUBJECT TO
20 PRESCRIBED PROCEDURES.—Waivers and notifications
21 required by this section and waivers of the requirements
22 for such waivers and notifications (as authorized by this
23 section) may be made only in accordance with procedures
24 prescribed by the Executive Director.

1 “(f) INAPPLICABILITY TO MINIMAL ACCOUNT BAL-
2 ANCES.—None of the provisions of this section requiring
3 notification to, or the consent or waiver of, a spouse or
4 former spouse of an account holder shall apply in any case
5 in which the balance in the account holder’s investment
6 account is \$3,500 or less.

7 “(g) APPLICABLE COURT ORDERS.—The protections
8 provided by this section are in addition to the protections
9 provided by section 263.

10 “ADMINISTRATIVE PROVISIONS

11 “SEC. 259. (a) PAYMENTS AND TRANSFERS IN AC-
12 CORDANCE WITH ELECTION.—The Executive Director
13 shall make or provide for payments and transfers in ac-
14 cordance with an election of an account holder under sec-
15 tion 256 or 257(b) or, if applicable, in accordance with
16 section 258.

17 “(b) ELECTIONS AND MODIFICATIONS OF DEFERRED
18 COMMENCEMENT DATES IN WRITING.—Any election,
19 change of election, or modification of a deferred annuity
20 commencement date made under this part shall be in writ-
21 ing and shall be filed with the Executive Director in ac-
22 cordance with regulations prescribed by the Executive Di-
23 rector.

1 “SOCIAL SECURITY INVESTMENT TRUST FUND

2 “SEC. 260. (a) IN GENERAL.—There is established
3 in the Treasury of the United States a Social Security In-
4 vestment Trust Fund.

5 “(b) AMOUNT COMPRISING THE TRUST FUND.—The
6 Trust Fund consists of the sum of all amounts contributed
7 under sections 252(c) and 253, increased by the total net
8 earnings from investments of sums in the Trust Fund
9 under section 254 or reduced by the total net losses from
10 investments of the Trust Fund under such section, and
11 reduced by the total amount of payments made from the
12 Trust Fund (including payments for administrative ex-
13 penses).

14 “(c) APPROPRIATION OF TRUST FUND AMOUNTS.—
15 The sums in the Trust Fund are appropriated and shall
16 remain available without fiscal year limitation—

17 “(1) to invest under section 254;

18 “(2) to make distributions or purchase annuity
19 contracts under this part;

20 “(3) to pay the administrative expenses in-
21 curred in carrying out this part under subsection
22 (d); and

23 “(4) to purchase insurance as provided in sub-
24 section (h)(3)(B).

1 “(d) ADMINISTRATIVE EXPENSES.—Administrative
2 expenses incurred to carry out this part shall be paid out
3 of net earnings in the Trust Fund.

4 “(e) ASSIGNMENT OR ALIENATION AND RELATED
5 MATTERS.—

6 “(1) EXCLUSIVE BENEFIT OF THE ACCOUNT
7 HOLDER.—Subject to subsection (d) and paragraphs
8 (2) and (3), sums in the Trust Fund credited to the
9 account of any account holder may not be used for,
10 or diverted to, purposes other than for the exclusive
11 benefit of the account holder or other persons to
12 whom distributions are made under section 255.

13 “(2) IMMUNITY FROM ASSIGNMENT, ALIEN-
14 ATION, AND CERTAIN OTHER LEGAL PROCESS.—Ex-
15 cept as provided in paragraph (3), sums in the
16 Trust Fund may not be assigned or alienated and
17 are not subject to execution, levy, attachment, gar-
18 nishment, or other legal process. For the purposes of
19 this paragraph, a loan made from the Trust Fund
20 to an account holder shall not be considered to be
21 an assignment or alienation.

22 “(3) EXCEPTIONS.—Moneys due or payable
23 from the Trust Fund to any person and, in the case
24 of an account holder, the balance in the individual
25 account of the account holder, shall be subject to

1 legal process for the enforcement of the legal obliga-
2 tions of such person or account holder to provide
3 child support or make alimony payments as provided
4 in section 459 or relating to the enforcement of a
5 judgment for physically, sexually, or emotionally
6 abusing a child as provided under section 263.

7 “(f) EXCLUSIVE APPROPRIATION.—The sums in the
8 Trust Fund shall not be appropriated for any purpose
9 other than the purposes specified in this section and may
10 not be used for any other purpose.

11 “(g) CONTRIBUTIONS AND EARNINGS HELD IN
12 TRUST FOR ACCOUNT HOLDERS.—All sums contributed
13 to the Trust Fund by an account holder and all net earn-
14 ings in the Trust Fund attributable to investment of such
15 sums are held in the Trust Fund in trust for such account
16 holder.

17 “(h) FIDUCIARY RESPONSIBILITIES; ENFORCEMENT
18 UNDER THE SECRETARY OF LABOR.—

19 “(1) IN GENERAL.—Under regulations of the
20 Secretary of Labor, the provisions of sections 8477
21 and 8478 of title 5, United States Code, shall apply
22 in connection with the Trust Fund in the same man-
23 ner and to the same extent as such provisions apply
24 in connection with the Thrift Savings Fund.

1 “(2) INVESTIGATIVE AUTHORITY.—Any author-
2 ity available to the Secretary of Labor under section
3 504 of the Employee Retirement Income Security
4 Act of 1974 is hereby made available to the Sec-
5 retary of Labor, and any officer designated by the
6 Secretary of Labor, to determine whether any person
7 has violated, or is about to violate, any provision ap-
8 plicable under paragraph (1).

9 “(3) EXCULPATORY PROVISIONS; INSURANCE.—

10 “(A) IN GENERAL.—Any provision in an
11 agreement or instrument which purports to re-
12 lieve a fiduciary from responsibility or liability
13 for any responsibility, obligation, or duty under
14 this part shall be void.

15 “(B) INSURANCE.—The Trust Fund shall
16 be available and may be used at the discretion
17 of the Executive Director to purchase insurance
18 to cover potential liability of persons who serve
19 in a fiduciary capacity with respect to the Trust
20 Fund, without regard to whether a policy of in-
21 surance permits recourse by the insurer against
22 the fiduciary in the case of a breach of a fidu-
23 ciary obligation.

24 “WAIVER, ALLOTMENT AND ASSIGNMENT OF PAYMENTS

25 “SEC. 261. (a) WAIVER OF ENTITLEMENT.—An indi-
26 vidual entitled to an annuity or other payment payable

1 from the Trust Fund may decline to accept all or any part
2 of the amount of the payment by a waiver signed and filed
3 with the Executive Director. The waiver may be revoked
4 in writing at any time. Payment of the annuity waived
5 may not be made for the period during which the waiver
6 is in effect.

7 “(b) ALLOTMENTS OR ASSIGNMENTS.—An individual
8 entitled to an annuity or other payment payable from the
9 Trust Fund may make allotments or assignments of
10 amounts from the annuity or other payment for such pur-
11 poses as the Executive Director considers appropriate.

12 “APPLICATION FOR ANNUITY OR OTHER PAYMENTS

13 “SEC. 262. (a) APPLICATIONS REQUIRED.—No pay-
14 ment of an annuity or other payment from the Social Se-
15 curity Investment Trust Fund under this part may be
16 made unless an application for payment of the annuity or
17 other payment is received by the Executive Director before
18 the one hundred and fifteenth anniversary of the birth of
19 the account holder.

20 “(b) APPLICATIONS WITH RESPECT TO DECEASED
21 ACCOUNT HOLDERS.—Notwithstanding subsection (a),
22 after the death of an account holder, a payment of the
23 annuity or other payment shall not be paid unless an ap-
24 plication therefor is received by the Executive Director
25 within 30 years after the death or other event which estab-
26 lishes the entitlement to the annuity or other payment.

1 “COURT ORDERS

2 “SEC. 263. (a) ALTERNATIVE PAYEES UNDER
3 COURT ORDERS.—Payments under this part which would
4 otherwise be made to an account holder or an annuitant
5 shall be paid (in whole or in part) by the Executive Direc-
6 tor to another person if and to the extent expressly pro-
7 vided for in the terms of—

8 “(1) any court decree of divorce, annulment, or
9 legal separation, or the terms of any court order or
10 court-approved property settlement agreement inci-
11 dent to any court decree of divorce, annulment, or
12 legal separation; or

13 “(2) any court order or other similar process in
14 the nature of garnishment for the enforcement of a
15 judgment rendered against such account holder or
16 annuitant, for physically, sexually, or emotionally
17 abusing a child.

18 In the event that the Executive Director, as the case may
19 be, is served with more than 1 decree, order, or other legal
20 process with respect to the same moneys due or payable
21 to any individual, such moneys shall be available to satisfy
22 such processes on a first-come, first-served basis, with any
23 such process being satisfied out of such moneys as remain
24 after the satisfaction of all such processes which have been
25 previously served.

1 “(b) WRITTEN NOTICE REQUIREMENTS.—Sub-
2 section (a) shall apply only to payments made by the Exec-
3 utive Director under this part after the date on which the
4 Executive Director receives written notice of such decree,
5 order, other legal process, or agreement, and such addi-
6 tional information and documentation as the Executive
7 Director may require.

8 “(c) DEFINITIONS.—For the purpose of this
9 section—

10 “(1) the term ‘judgment rendered for phys-
11 ically, sexually, or emotionally abusing a child’
12 means any legal claim perfected through a final en-
13 forceable judgment, which claim is based in whole or
14 in part upon the physical, sexual, or emotional abuse
15 of a child, whether or not that abuse is accompanied
16 by other actionable wrongdoing, such as sexual ex-
17 ploitation or gross negligence; and

18 “(2) the term ‘child’ means an individual under
19 18 years of age.

20 “WITHHOLDING OF STATE INCOME TAXES

21 “SEC. 264. (a) WITHHOLDING AGREEMENTS.—The
22 Executive Director shall, in accordance with this section,
23 enter into an agreement with any State within 120 days
24 of a request for agreement from the proper State official.
25 The agreement shall provide that the Executive Director
26 shall withhold State income tax in the case of the monthly

1 annuity of any annuitant who voluntarily requests, in writ-
2 ing, such withholding. The amounts withheld during any
3 calendar quarter shall be held in the Trust Fund and dis-
4 bursed to the States during the month following that cal-
5 endar quarter.

6 “(b) NO MULTIPLE REQUESTS.—An annuitant may
7 have in effect at any time only one request for withholding
8 under this section, and an annuitant may not have more
9 than two such requests in effect during any one calendar
10 year.

11 “(c) CHANGES AND REVOCATIONS.—Subject to sub-
12 section (b), an annuitant may change the State designated
13 by that annuitant for purposes of having withholdings
14 made, and may request that the withholdings be remitted
15 in accordance with such change. An annuitant also may
16 revoke any request of that annuitant for withholding. Any
17 change in the State designated or revocation is effective
18 on the first day of the month after the month in which
19 the request or the revocation is processed by the Executive
20 Director, but in no event later than on the first day of
21 the second month beginning after the day on which such
22 request or revocation is received by the Executive Direc-
23 tor.

24 “(d) RESERVATIONS TO THE UNITED STATES; RE-
25 PAYMENTS OF ERRONEOUS WITHHOLDINGS.—This sec-

1 tion does not give the consent of the United States to the
2 application of a statute which imposes more burdensome
3 requirements on the United States than on employers gen-
4 erally, or which subjects the United States or any annu-
5 itant to a penalty or liability because of this section. The
6 Executive Director may not accept pay from a State for
7 services performed in withholding State income taxes from
8 annuities. Any amount erroneously withheld from an an-
9 nuity and paid to a State by the Executive Director shall
10 be repaid by the State in accordance with regulations
11 issued by the Executive Director.

12 “(e) DEFINITION.—For the purpose of this section,
13 the term ‘annuitant’ includes a survivor who is receiving
14 an annuity from the Trust Fund.

15 “TAX TREATMENT OF THE SOCIAL SECURITY

16 INVESTMENT TRUST FUND

17 “SEC. 265. The Trust Fund shall be exempt from
18 taxation under subtitle A of the Internal Revenue Code
19 of 1986.

20 “ADMINISTRATION

21 “SEC. 266. (a) BOARD OF TRUSTEES.—

22 “(1) IN GENERAL.—The Federal Retirement
23 Thrift Investment Board established by section
24 8472(a) of title 5, United States Code, shall also
25 serve as the Board of Trustees of the Social Security
26 Investment Trust Fund.

1 “(2) DUTIES.—It shall be the duty of the
2 Board to—

3 “(A) hold the Trust Fund;

4 “(B) report to the Congress not later than
5 the first day of April of each year on the oper-
6 ation and status of the Trust Fund during the
7 preceding fiscal year and on its expected oper-
8 ation and status during the next ensuing 5 fis-
9 cal years;

10 “(C) develop investment policies which pro-
11 vide for—

12 “(i) prudent investments suitable for
13 accumulating funds for payment of retire-
14 ment income, and

15 “(ii) low administrative costs;

16 “(D) recommend improvements in adminis-
17 trative procedures and policies designed to ef-
18 fectuate the proper coordination of the program
19 established under this part with the old-age,
20 survivors, and disability insurance program es-
21 tablished under part A; and

22 “(E) review the general policies followed in
23 managing the Trust Fund and recommend
24 changes in such policies, including necessary
25 changes in the provisions of the law which gov-

1 ern the way in which the Trust Funds are to
2 be managed and invested.

3 “(b) EXECUTIVE DIRECTOR.—

4 “(1) IN GENERAL.—The Executive Director ap-
5 pointed under section 8474(a) of title 5, United
6 States Code, shall also serve as Executive Director
7 under this part.

8 “(2) DUTIES.—The Executive Director shall—

9 “(A) carry out the policies established by
10 the Board under this part;

11 “(B) invest and manage the Trust Fund in
12 accordance with the investment policies and
13 other policies established by the Board under
14 this part;

15 “(C) purchase annuity contracts and pro-
16 vide for the payment of other benefits under
17 this part;

18 “(D) administer the provisions of this part;
19 and

20 “(E) prescribe such regulations (other
21 than regulations relating to fiduciary respon-
22 sibilities) as may be necessary for the adminis-
23 tration of this part.

24 “(3) AUTHORIZED FUNCTIONS.—The Executive
25 Director may—

1 “(A) prescribe such regulations as may be
2 necessary to carry out the responsibilities of the
3 Executive Director under this part, other than
4 regulations relating to fiduciary responsibilities;

5 “(B) appoint such personnel as may be
6 necessary to carry out the provisions of this
7 part;

8 “(C) subject to approval by the Board,
9 procure the services of experts and consultants
10 under section 3109 of title 5, United States
11 Code;

12 “(D) secure directly from other agencies
13 and instrumentalities of the Federal Govern-
14 ment any information necessary to carry out
15 the provisions of this part and policies of the
16 Board under this part;

17 “(E) make such payments out of sums in
18 the Trust Fund as the Executive Director de-
19 termines are necessary to carry out the provi-
20 sions of this part and the policies of the Board
21 under this part;

22 “(F) pay the compensation, per diem, and
23 travel expenses of individuals appointed under
24 subparagraphs (B), (C), and (G) from the
25 Trust Fund;

1 “(G) accept and use the services of individ-
2 uals employed intermittently in the Government
3 service and reimburse such individuals for trav-
4 el expenses, as authorized by section 5703 of
5 title 5, United States Code, including per diem
6 as authorized by section 5702 of such title;

7 “(H) except as otherwise expressly prohib-
8 ited by law or the policies of the Board, dele-
9 gate any of the Executive Director’s functions
10 to such employees under the Board as the Ex-
11 ecutive Director may designate and authorize
12 such successive redelegations of such functions
13 to such employees under the Board as the Ex-
14 ecutive Director may consider to be necessary
15 or appropriate; and

16 “(I) take such other actions as are appro-
17 priate to carry out the functions of the Execu-
18 tive Director.

19 “(c) SOURCE OF COMPENSATION.—Notwithstanding
20 paragraph (3) of section 8476(d) of title 5, United States
21 Code, basic pay paid for any fiscal year as compensation
22 to each member of the Board (and each officer and em-
23 ployee of the Board) shall be paid from the Trust Fund
24 (in lieu of the Thrift Savings Fund) in an amount which
25 bears the same ratio to the total amount of basic pay paid

1 to such member (or officer or employee) for such fiscal
2 year as the balance in the Trust Fund as of the beginning
3 of such fiscal year bears to the total amount of such bal-
4 ance and the balance in the Thrift Savings Fund as of
5 the beginning of such fiscal year.”.

6 (b) CONFORMING AMENDMENTS.—Section 201(h) of
7 such Act (42 U.S.C. 401(h)) is amended—

8 (1) by striking “All other” in the second sen-
9 tence and inserting “Except as provided in section
10 255, all other”; and

11 (2) by adding at the end the following new sen-
12 tence: “Any reference in this part to benefits under
13 this title shall be deemed a reference to benefits en-
14 titlement to which arises under this part.”.

15 (c) EFFECTIVE DATE.—The amendments made by
16 this section shall apply with respect to payments of old-
17 age insurance benefits for months after December 2002.

18 **SEC. 3. FINANCING OF INITIAL GOVERNMENT CONTRIBU-**
19 **TIONS BY MEANS OF REDUCTION IN APPRO-**
20 **PRIATIONS TO TRUST FUNDS OF TAXES ON**
21 **RETIREMENT BENEFITS.**

22 Section 121(e) of the Social Security Amendments of
23 1983 (42 U.S.C. 401 note) is amended—

1 taxable year an amount equal to the amount contributed
2 in cash for such taxable year to the personal social security
3 investment account of any eligible individual.

4 “(b) MAXIMUM AMOUNT OF DEDUCTION.—

5 “(1) IN GENERAL.—The amount allowable as a
6 deduction under subsection (a) for any taxable year
7 for contributions to the personal social security in-
8 vestment account of an eligible individual shall not
9 exceed \$5,000.

10 “(2) SPECIAL RULE.—If the account holder of
11 any personal social security investment account
12 makes a contribution to such account for any tax-
13 able year, no other taxpayer shall be allowed a de-
14 duction for any amount contributed to such account
15 for such taxable year.

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

17 “(1) PERSONAL SOCIAL SECURITY INVESTMENT
18 ACCOUNT.—The term ‘personal social security in-
19 vestment account’ means an account established
20 under section 252 of the Social Security Act.

21 “(2) ELIGIBLE INDIVIDUAL.—The term ‘eligible
22 individual’ means, with respect to the taxpayer—

23 “(A) the taxpayer,

24 “(B) the taxpayer’s spouse, and

1 “(C) any individual with respect to whom
2 a deduction under section 151(c) is allowed to
3 the taxpayer.

4 Subparagraph (B) shall not apply unless the tax-
5 payer files a joint return for the taxable year.

6 “(d) TAX TREATMENT OF DISTRIBUTIONS.—

7 “(1) IN GENERAL.—Except as otherwise pro-
8 vided in this subsection, any amount paid or distrib-
9 uted out of a personal social security investment ac-
10 count shall be included in gross income by the payee
11 or distributee, as the case may be, in the manner
12 provided under section 72.

13 “(2) SPECIAL RULES FOR APPLYING SECTION
14 72.—For purposes of applying section 72 to any
15 amount described in paragraph (1)—

16 “(A) all personal social security investment
17 accounts of the same individual shall be treated
18 as 1 contract,

19 “(B) all distributions during any taxable
20 year shall be treated as 1 distribution, and

21 “(C) the value of the contract, income on
22 the contract, and investment in the contract
23 shall be computed as of the close of the cal-
24 endar year in which the taxable year begins.

1 For purposes of subparagraph (C), the value of the
2 contract shall be increased by the amount of any dis-
3 tributions during the calendar year.

4 “(3) TREATMENT OF DISTRIBUTIONS OF SO-
5 CIAL SECURITY BENEFITS.—

6 “(A) IN GENERAL.—Notwithstanding para-
7 graph (1), the amount of any benefit distribu-
8 tion described in section 255(b) of the Social
9 Security Act shall be included in gross income
10 (to the extent provided in section 86) as if such
11 distribution were a social security benefit (as
12 defined in section 86).

13 “(B) ALLOCATION OF INVESTMENT IN THE
14 CONTRACT.—For purposes of section 72, the
15 portion of the account which the Executive Di-
16 rector (as defined in section 251 of the Social
17 Security Act) determines is necessary to fund
18 the benefit distributions referred to in subpara-
19 graph (A) for the taxable year and all suc-
20 ceeding taxable years shall be treated as a sepa-
21 rate contract with respect to which no premium
22 or other consideration was paid.

23 “(4) CROSS REFERENCE.—

“For excise tax on certain distributions, see sec-
tion 72(t).

24 “(e) SPECIAL RULES.—

1 “(1) TIME WHEN CONTRIBUTIONS DEEMED
2 MADE.—For purposes of this section, a taxpayer
3 shall be deemed to have made a contribution to a
4 personal social security investment account on the
5 last day of the preceding taxable year if the con-
6 tribution is made on account of such taxable year
7 and is made not later than the time prescribed by
8 law for filing the return for such taxable year (not
9 including extensions thereof).

10 “(2) BENEFICIARY MUST BE UNDER AGE
11 70½.—No deduction shall be allowed under this sec-
12 tion with respect to any contribution to personal so-
13 cial security investment account if the account hold-
14 er has attained age 70½ before the close of such
15 holder’s taxable year for which the contribution was
16 made.”

17 (b) DEDUCTION ALLOWED WHETHER OR NOT TAX-
18 PAYER ITEMIZES OTHER DEDUCTIONS.—Subsection (a)
19 of section 62 of such Code is amended by inserting after
20 paragraph (17) the following new paragraph:

21 “(18) PERSONAL SOCIAL SECURITY INVEST-
22 MENT ACCOUNT CONTRIBUTIONS.—The deduction
23 allowed by section 222.”.

24 (c) CONFORMING AMENDMENTS.—

1 (1) PENALTY FOR FAILURE TO MEET MINIMUM
 2 DISTRIBUTION REQUIREMENT.—Subsection (c) of
 3 section 4974 of such Code is amended by striking
 4 “or” at the end of paragraph (4), by striking the pe-
 5 riod at the end of paragraph (5) and inserting “,
 6 or”, and by inserting after paragraph (5) the fol-
 7 lowing new paragraph:

8 “(6) any personal social security investment ac-
 9 count (as defined in section 222(c)).”.

10 (2) TREATMENT LIKE INDIVIDUAL RETIREMENT
 11 PLAN UNDER EXCISE TAX ON CERTAIN PREMATURE
 12 DISTRIBUTIONS.—Subparagraph (A) of section
 13 72(t)(3) of such Code is amended—

14 (A) by inserting “or from a personal social
 15 security investment account (as defined in sec-
 16 tion 222(c))” before the period at the end, and

17 (B) by inserting “OR FROM PERSONAL SO-
 18 CIAL SECURITY INVESTMENT ACCOUNTS” after
 19 “PLANS” in the subparagraph heading.

20 (d) CLERICAL AMENDMENT.—The table of sections
 21 for part VII of subchapter B of chapter 1 of such Code
 22 is amended by striking the last item and inserting the fol-
 23 lowing new items:

 “Sec. 222. Personal social security investment accounts.
 “Sec. 223. Cross reference.”.

1 (e) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 2002.

○