

105TH CONGRESS
2D SESSION

S. 2552

To reform Social Security by creating personalized retirement accounts, and
for other purposes.

IN THE SENATE OF THE UNITED STATES

OCTOBER 6 (legislative day, OCTOBER 2), 1998

Mr. GRAMS introduced the following bill; which was read twice and referred
to the Committee on Finance

A BILL

To reform Social Security by creating personalized retirement
accounts, and for other purposes.

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

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

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Personal Security and Wealth in Retirement Act of
6 1998”.

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

Sec. 1. Short title; table of contents.

Sec. 2. Findings.

Sec. 3. Sense of Congress.

Sec. 4. Reduction and elimination of social security taxes on individuals partici-
pating in individual retirement program.

- Sec. 5. Personalized retirement accounts funded by individual retirement payroll deduction plans and contributions by self-employed individuals.
- Sec. 6. Tax treatment of personalized retirement accounts.
- Sec. 7. No coverage under OASDI of part B eligible individuals.
- Sec. 8. Contribution recognition bonds.
- Sec. 9. Administration of personalized retirement accounts.
- Sec. 10. Dedication of on-budget surplus.
- Sec. 11. Cap on increase in mandatory spending.
- Sec. 12. Limitation on amounts expended by certain Government entities for overhead expenses.
- Sec. 13. Reduction in Federal discretionary spending and 10 year freeze.
- Sec. 14. Sale of assets.

1 **SEC. 2. FINDINGS.**

2 Congress makes the following findings:

3 (1) It is vitally important for this Nation to
 4 continue providing retirement income security for
 5 every working American and their families.

6 (2) The social security retirement system based
 7 on a pay-as-you-go model has failed to meet the
 8 challenge of the demographic changes undergoing
 9 this Nation, has produced a diminishing return for
 10 today's workers, and is projected to go bankrupt,
 11 causing financial hardship for millions of baby
 12 boomers and destroying the American dream for fu-
 13 ture generations.

14 (3) A traditional approach of raising taxes or
 15 reducing benefits to fix the social security retirement
 16 system will not work because the magnitude of the
 17 current crisis makes these bailout plans impossible,
 18 and fundamental reform is needed to preserve social
 19 security.

1 (4) Social security reform must protect current
2 and future beneficiaries, including the disadvantaged
3 and disabled adults or children, who choose to stay
4 within the traditional social security system.

5 (5) Social security reform must give the Amer-
6 ican people freedom of choice in pursuing retirement
7 security, so that our social policy will not penalize
8 those Americans who are quite able to stand on their
9 own, while providing a safety net to catch those who
10 fall.

11 (6) Social security reform must preserve a safe-
12 ty net for disadvantaged Americans, so no covered
13 person is forced to live in poverty.

14 (7) Social security reform must make every
15 American better off and no one worse off in retire-
16 ment security than under the current system.

17 (8) Social security reform must enable workers
18 to build personal retirement savings, improve the
19 rate of return on their savings, increase capital own-
20 ership, and pass their savings on to their children.

21 (9) Social security reform must replace the cur-
22 rent pay-as-you-go financing scheme with a fully
23 funded system that will not only reduce inequality
24 among generations, but also will greatly increase our

1 Nation's savings and investment rates, and therefore
2 produce prosperity.

3 (10) Social security reform must not increase
4 the tax burden of the American people and incur
5 huge new national debt.

6 (11) There is a growing national consensus that
7 the best solution to avoiding the imminent social se-
8 curity crisis is to move from a social security retire-
9 ment system that is based on a pay-as-you-go model
10 to a market-based, personalized retirement program
11 that is fully funded and that offers each American
12 improved retirement security.

13 (12) A market-based personalized retirement
14 system that is fully funded will release unprece-
15 dented upward budget pressure, reduce ballooning
16 national debt, and ensure a sustainable, healthy, and
17 strong economy.

18 (13) A market-based personalized retirement
19 system can greatly increase retirement income and
20 build personal wealth for all Americans, including
21 low-income families, without redistribution of private
22 income.

23 (14) The return on current social security in-
24 vestment is quite disappointing for today's workers,
25 and almost all workers in 2-earner families receive

1 real returns under social security of approximately
2 1 percent, with some actually receiving negative re-
3 turns.

4 (15) Over the 70-year period from 1926
5 through 1996, the average real return on the Stand-
6 ard & Poors 500 stocks was 7.56 percent, and the
7 historical data supports the conclusion that a mar-
8 ket-based, personalized retirement system will
9 produce overall positive returns.

10 (16) Under a market-based, personalized retire-
11 ment system, the annual retirement benefits for 2
12 average-income, full-time working spouses could ex-
13 ceed, in 1998 dollars, \$200,000, compared to
14 \$33,000 under the current social security program;
15 for 1 spouse earning an average income, the benefit
16 could reach \$140,000, while the current social secu-
17 rity program provides only \$29,000. Low-income
18 families would also be better off, with annual bene-
19 fits as high as \$100,000, while the current social se-
20 curity program provides only \$18,000 in annual ben-
21 efits.

22 (17) No retirement investment, including social
23 security, is risk-free, but a well-structured and regu-
24 lated market-based, personalized retirement system
25 can reduce the risk to a minimum, so that it still

1 provides workers of all income levels greater retire-
2 ment benefits than the current social security system
3 offers.

4 (18) A market-based, personalized retirement
5 system would provide a better safety net for every
6 working American and their families.

7 (19) A market-based, personalized retirement
8 system would allow Americans to control their funds
9 and resources and better plan for their retirement in
10 accordance with their needs.

11 (20) Although moving toward a market-based,
12 personalized retirement system may be costly, it is
13 still far less costly than allowing social security to
14 continue on its current course into disaster.

15 **SEC. 3. SENSE OF CONGRESS.**

16 It is the sense of Congress that—

17 (1) it is the right of American workers to
18 choose to remain in the current social security re-
19 tirement system and to be protected from that sys-
20 tem becoming insolvent; and

21 (2) the Federal Government should take all
22 necessary actions to guarantee that for those Ameri-
23 cans that choose to stay in the current social secu-
24 rity retirement system—

1 (A) there shall be no increase in the nor-
 2 mal retirement age; and

3 (B) there shall be no reduction in the
 4 amount of social security benefits that they will
 5 receive.

6 **SEC. 4. REDUCTION AND ELIMINATION OF SOCIAL SECU-**
 7 **RITY TAXES ON INDIVIDUALS PARTICIPATING**
 8 **IN INDIVIDUAL RETIREMENT PROGRAM.**

9 (a) TAX ON EMPLOYEES.—Subsection (a) of section
 10 3101 of the Internal Revenue Code of 1986 (relating to
 11 OASDI tax on employees) is amended to read as follows:

12 “(a) OLD-AGE, SURVIVORS, AND DISABILITY INSUR-
 13 ANCE.—

14 “(1) INDIVIDUALS COVERED UNDER PART A OF
 15 TITLE II OF THE SOCIAL SECURITY ACT.—In addi-
 16 tion to other taxes, there is hereby imposed on the
 17 income of every individual who is not a part B eligi-
 18 ble individual a tax equal to 6.2 percent of the wages
 19 (as defined in section 3121(a)) received by him with
 20 respect to employment (as defined in section
 21 3121(b)).

22 “(2) TRANSITIONAL TAX FOR PART B ELIGIBLE
 23 INDIVIDUALS.—In addition to other taxes, there is
 24 hereby imposed on the income of every individual
 25 who is a part B eligible individual a tax equal to 1.2

1 percent (reduced by .06 percentage point for each
 2 calendar year beginning after 2000) with respect to
 3 wages (as defined in section 3121(a)) received by
 4 him with respect to employment (as defined in sec-
 5 tion 3121(b)).”

6 (b) TAX ON EMPLOYERS.—Subsection (a) of section
 7 3111 of the Internal Revenue Code of 1986 (relating to
 8 OASDI tax on employers) is amended to read as follows:

9 “(a) OLD-AGE, SURVIVORS, AND DISABILITY INSUR-
 10 ANCE.—

11 “(1) INDIVIDUALS COVERED UNDER PART A OF
 12 TITLE II OF THE SOCIAL SECURITY ACT.—In addi-
 13 tion to other taxes, there is hereby imposed on every
 14 employer, with respect to having in the employer’s
 15 employ individuals who are not part B eligible indi-
 16 viduals, an excise tax equal to 6.2 percent of the
 17 wages (as defined in section 3121(a)) paid by him
 18 with respect to employment (as defined in section
 19 3121(b)).

20 “(2) TRANSITIONAL TAX FOR PART B ELIGIBLE
 21 INDIVIDUALS.—In addition to other taxes, there is
 22 hereby imposed on every employer an excise tax,
 23 with respect to having in the employer’s employ indi-
 24 viduals who are part B eligible individuals, equal to
 25 1.2 percent (reduced by .06 percentage point for

1 each calendar year beginning after 2000) of the
 2 wages (as defined in section 3121(a)) paid by him
 3 with respect to employment (as defined in section
 4 3121(b)).”

5 (c) SELF-EMPLOYMENT TAX.—Subsection (a) of sec-
 6 tion 1401 of such Code (relating to OASDI tax on self-
 7 employment income) is amended to read as follows:

8 “(a) OLD-AGE, SURVIVORS, AND DISABILITY INSUR-
 9 ANCE.—

10 “(1) INDIVIDUALS COVERED UNDER PART A OF
 11 THE SOCIAL SECURITY ACT.—In addition to other
 12 taxes, there shall be imposed for each taxable year,
 13 on the self-employment income of every individual
 14 who is not a part B eligible individual for the cal-
 15 endar year ending with or during such taxable year,
 16 a tax equal to 12.40 percent of the amount of the
 17 self-employment income for such taxable year.

18 “(2) TRANSITIONAL TAX FOR PART B ELIGIBLE
 19 INDIVIDUALS.—In addition to other taxes, there
 20 shall be imposed for each taxable year, on the self-
 21 employment income of every part B eligible individ-
 22 ual for the calendar year ending with or during such
 23 taxable year, a tax equal to 2.40 percent (reduced by
 24 .12 percentage point for each calendar year begin-

1 ning after 2000) of the amount of the self-employ-
 2 ment income for such taxable year.”

3 (d) PART B ELIGIBLE INDIVIDUAL.—

4 (1) TAXES ON EMPLOYEES.—Section 3121 of
 5 such Code (relating to definitions) is amended by in-
 6 serting after subsection (s) the following new sub-
 7 section:

8 “(t) PART B ELIGIBLE INDIVIDUAL.—For purposes
 9 of this chapter, the term ‘part B eligible individual’ means,
 10 for any calendar year, an individual who is an eligible indi-
 11 vidual (as defined in section 257(3) of the Social Security
 12 Act) for such calendar year.”.

13 (2) SELF-EMPLOYMENT TAX.—Section 1402 of
 14 such Code (relating to definitions) is amended by
 15 adding at the end the following new subsection:

16 “(k) PART B ELIGIBLE INDIVIDUAL.—The term
 17 ‘part B eligible individual’ means, for any calendar year,
 18 an individual who is an eligible individual (as defined in
 19 section 257(3) of the Social Security Act) for such cal-
 20 endar year.”.

21 (e) EFFECTIVE DATES.—

22 (1) IN GENERAL.—Except as otherwise pro-
 23 vided in this subsection, the amendments made by
 24 this section shall apply to remuneration paid after
 25 December 31, 1999.

1 (2) SELF-EMPLOYMENT TAX.—The amend-
 2 ments made by subsections (c) and (d)(2) shall
 3 apply to taxable years ending after December 31,
 4 1999.

5 **SEC. 5. PERSONALIZED RETIREMENT ACCOUNTS FUNDED**
 6 **BY INDIVIDUAL RETIREMENT PAYROLL DE-**
 7 **DUCTION PLANS AND CONTRIBUTIONS BY**
 8 **SELF-EMPLOYED INDIVIDUALS.**

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

11 (1) by inserting before section 201 the follow-
 12 ing:

13 “PART A—INSURANCE BENEFITS”;

14 and

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

16 “PART B—INDIVIDUAL RETIREMENT PROGRAM

17 “INDIVIDUAL RETIREMENT PAYROLL DEDUCTION PLANS

18 “SEC. 251. (a) IN GENERAL.—Each person who is
 19 a covered employer for any calendar year shall have in
 20 effect throughout such calendar year an individual retire-
 21 ment payroll deduction plan for such person’s employees
 22 who are eligible individuals and with respect to whose em-
 23 ployment by such employer during such calendar year
 24 there is, or would be (but for the amendments made by
 25 section 4 of the Personal Security and Wealth in Retire-

1 ment Act of 1998), imposed an excise tax under section
2 3111 of the Internal Revenue Code of 1986.

3 “(b) REQUIREMENTS.—For purposes of this part, the
4 term ‘individual retirement payroll deduction plan’ means
5 a written plan of a covered employer if—

6 “(1) under such plan, 5 percent of the employ-
7 ee’s wages is deducted by the employer and paid to
8 the employee’s personalized retirement account with-
9 in 10 business days after the date of payment of
10 such wages,

11 “(2) under such plan, not more than an addi-
12 tional 20 percent of the employee’s wages (as des-
13 ignated by the employee) is deducted by the em-
14 ployer and paid to the employee’s personalized re-
15 tirement account or to the personalized retirement
16 account of the employee’s spouse, child, or grand-
17 child (or any combination designated by the em-
18 ployee) within 10 business days after the date of
19 payment of such wages,

20 “(3) under such plan, the covered employer
21 pays to the personalized retirement account, to-
22 gether with the contribution paid pursuant to para-
23 graphs (1) and (2), an additional amount equal to
24 5 percent of the employee’s wages,

1 “(4) under such plan, the employee may des-
 2 ignate that no contributions be deducted under para-
 3 graph (1) for pay periods beginning after the date
 4 on which the balance in such employee’s personalized
 5 retirement account equals the minimum retirement
 6 annuity amount (as defined in section 256(c)), and

7 “(5) the employer receives no compensation for
 8 the cost of administering such plan.

9 “SELF-EMPLOYED INDIVIDUALS

10 “SEC. 252. Not later than 30 days after the close
 11 of any taxable year for which an eligible individual has
 12 self-employment income, such individual—

13 “(1) shall pay to a personalized retirement ac-
 14 count designated by such individual an amount equal
 15 to at least 10 percent of such income, and

16 “(2) may pay not more than an additional 20
 17 percent of such income to such account or to the
 18 personalized retirement account of the individual’s
 19 spouse, child, or grandchild (or any combination des-
 20 ignated by the individual).

21 “DESIGNATION OF PERSONALIZED RETIREMENT

22 ACCOUNTS

23 “SEC. 253. (a) IN GENERAL.—Except as otherwise
 24 provided in this section, the personalized retirement ac-
 25 count to which contributions with respect to any eligible
 26 individual are required to be paid by a covered employer

1 under section 251 shall be such an account designated by
2 such individual to such employer not later than 10 busi-
3 ness days after the date on which such individual becomes
4 an employee of such employer. Each employer of an eligi-
5 ble individual shall require the individual to designate such
6 account as provided under this subsection as a pre-
7 requisite for continued employment. Any such designation
8 shall be made in such form and manner as shall be pre-
9 scribed in regulations of the Commissioner of Social Secu-
10 rity.

11 “(b) DESIGNATION OF ACCOUNT BY SELF-EM-
12 PLOYED INDIVIDUALS.—The designation of a personalized
13 retirement account for payment of contributions under
14 section 252 shall be made in such form and manner as
15 shall be prescribed in regulations of the Commissioner of
16 Social Security.

17 “(c) SUBSEQUENT DESIGNATION OF OTHER AC-
18 COUNTS.—The Commissioner shall provide by regulation
19 for subsequent designation from time to time of another
20 personalized retirement account of an eligible individual
21 in lieu of the account previously designated under this sec-
22 tion.

23 “(d) OTHER DESIGNATIONS.—For purposes of con-
24 tributions under section 251(b)(2), an eligible individual
25 may designate a personalized retirement account, includ-

1 ing an account for any non-working child of such individ-
 2 ual. Any such designation shall be made in such form and
 3 manner as shall be prescribed in regulations of the Com-
 4 missioner of Social Security.

5 “ELECTION TO BECOME AN ELIGIBLE INDIVIDUAL

6 “SEC. 254. (a) IN GENERAL.—An individual (other
 7 than an individual described in section 257(3)(A))—

8 “(1) who has not attained age 62, and

9 “(2) who is not entitled to disability insurance
 10 benefits under section 223,

11 may elect to become an eligible individual for purposes of
 12 this part. An election under this section is an election filed
 13 in such form and manner as shall be prescribed in regula-
 14 tions of the Commissioner, consisting of a written and
 15 signed declaration of such individual’s intention to become
 16 an eligible individual for purposes of this part.

17 “(b) REQUIREMENTS.—Any election under sub-
 18 section (a) may take effect for any calendar year after
 19 1999 and must be so filed not later than December 15
 20 preceding the calendar year for which the election is to
 21 take effect (or December 31 preceding such calendar year
 22 in the case of an individual attaining age 18 after such
 23 December 15 and before such calendar year).

24 “(c) LIMITED REVOCABILITY.—

25 “(1) IN GENERAL.—Except as provided in para-
 26 graph (2), any election under subsection (a) shall be

1 irrevocable and shall be effective with respect to
 2 wages paid in calendar years following the election
 3 and with respect to self-employment income for tax-
 4 able years ending during such calendar years.

5 “(2) LIMITED REVOCATION.—

6 “(A) IN GENERAL.—Within 10 years of
 7 the date of an election under subsection (a), an
 8 individual may revoke such an election in favor
 9 of coverage under part A in such form and
 10 manner as shall be prescribed in regulations of
 11 the Commissioner and upon payment of the
 12 amount described in subparagraph (B) from
 13 such individual’s personalized retirement ac-
 14 count (or otherwise) to the Commissioner for
 15 deposit in the trust funds under part A.

16 “(B) AMOUNT OF PAYMENT.—The amount
 17 described in this subparagraph is equal to the
 18 sum of—

19 “(i) the amount which would have
 20 been paid (without regard to an election
 21 under subsection (a)) by the individual and
 22 the individual’s employer under sections
 23 3101(a)(1) and 3111(a)(1) or section
 24 1401(a)(1) during the period of such an
 25 election, less the amount paid by such indi-

1 vidual and such individual's employer
 2 under sections 3101(a)(2) and 3111(a)(2)
 3 or section 1401(a)(2) during such period,
 4 plus

5 “(ii) interest on the amount deter-
 6 mined under clause (i) at the rate of re-
 7 turn earned by the trust funds under part
 8 A on such an amount during the period of
 9 such an election.

10 “(C) CANCELLATION OF CONTRIBUTION
 11 RECOGNITION BOND.—Upon the revocation of
 12 an election under subsection (a), any contribu-
 13 tion recognition bond issued to the trustee of
 14 the individual's personalized retirement account
 15 pursuant to section 8 of the Personal Security
 16 and Wealth in Retirement Act of 1998 shall be
 17 canceled.

18 “(D) NO FURTHER ELECTIONS AL-
 19 LOWED.—Upon the revocation of an election
 20 under subsection (a), the individual may not
 21 make any further elections under subsection
 22 (a).

23 “DISABILITY INSURANCE; PRERETIREMENT SURVIVOR
 24 BENEFITS; TREATMENT IN THE EVENT OF DIVORCE

25 “SEC. 255. (a) IN GENERAL.—A trustee of a person-
 26 alized retirement account shall purchase, from amounts

1 available in the account, disability insurance and preretire-
2 ment survivor benefits for each account holder in accord-
3 ance with this section.

4 “(b) DISABILITY INSURANCE.—Under regulations of
5 the Commissioner of Social Security, any policy for dis-
6 ability insurance purchased pursuant to subsection (a)
7 shall meet at least the same standards for eligibility and
8 benefit levels for account holders and their spouses, surviv-
9 ing spouses, former spouses, and children, as are applica-
10 ble for beneficiaries under the disability insurance pro-
11 gram under part A, except that such benefits shall not
12 terminate by reason of retirement.

13 “(c) PRERETIREMENT SURVIVOR BENEFITS.—Under
14 regulations of the Commissioner of Social Security, any
15 policy for preretirement survivor benefits purchased pur-
16 suant to subsection (a) shall provide benefits to bene-
17 ficiaries of the account holders in such form and in such
18 amounts as are necessary, taking into account distribu-
19 tions from the account, to meet at least the same stand-
20 ards for eligibility and benefit levels applicable for wid-
21 ow’s, widower’s, and child’s insurance benefits under part
22 A.

23 “(d) TREATMENT IN THE EVENT OF DIVORCE.—
24 Notwithstanding any other provision of Federal or State
25 law, all assets in an individual’s personalized retirement

1 account on the date of marriage and throughout such mar-
2 riage shall be considered community property.

3 “ENTITLEMENT TO SUPPLEMENTAL MINIMUM BENEFIT
4 PAYMENT TO ACCOUNT

5 “SEC. 256. (a) IN GENERAL.—In any case in
6 which—

7 “(1) an eligible individual attains normal retire-
8 ment age,

9 “(2) as of the date on which the individual at-
10 tains normal retirement age, no distributions have
11 been made by the individual from any personalized
12 retirement account, and

13 “(3) on such date, the balance in such individ-
14 ual’s personalized retirement account (before any
15 distributions on such date) is less than the minimum
16 retirement annuity amount,

17 such individual, upon application to the Commissioner of
18 Social Security filed on or after such date in such form
19 and manner as shall be prescribed by the Commissioner,
20 shall be entitled to a supplemental minimum benefit pay-
21 ment to such account. Upon receipt of such application,
22 the Commissioner shall certify to the Secretary of the
23 Treasury the amount of such payment, and the Secretary
24 shall pay the amount of such payment to such account
25 in accordance with such certification from funds otherwise
26 available in the general fund of the Treasury.

1 “(b) AMOUNT OF SUPPLEMENTAL MINIMUM BENE-
 2 FIT PAYMENT.—The amount of a supplemental minimum
 3 benefit payment payable to an eligible individual’s account
 4 under subsection (a) is the excess (if any) of—

5 “(1) the minimum retirement annuity amount,
 6 over

7 “(2) the balance in such account as of such
 8 date (taking into account the present value of the
 9 future proceeds of any contribution recognition bond
 10 issued to the trustee of the individual’s account pur-
 11 suant to section 8 of the Personal Security and
 12 Wealth in Retirement Act of 1998).

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

14 “(1) MINIMUM RETIREMENT ANNUITY
 15 AMOUNT.—The term ‘minimum retirement annuity
 16 amount’ means the amount (determined under regu-
 17 lations of the Commissioner of Social Security) nec-
 18 essary to purchase a minimum retirement annuity
 19 on the date of the application filed pursuant to sub-
 20 section (a).

21 “(2) MINIMUM RETIREMENT ANNUITY.—The
 22 term ‘minimum retirement annuity’ means an imme-
 23 diate annuity making payments over the life expect-
 24 ancy of the account holder which (on a monthly
 25 basis) are equal to an amount equal to $\frac{1}{12}$ of 150

1 percent of the poverty line determined on such date
 2 for a family of 1 individual and adjusted annually
 3 thereafter by the adjustment determined under sec-
 4 tion 215(i).

5 “(3) IMMEDIATE ANNUITY.—The term ‘imme-
 6 diate annuity’ means an annuity—

7 “(A) which is purchased with a single pre-
 8 mium, and

9 “(B) the annuity starting date (as defined
 10 in paragraph (4) of section 72(c) of the Inter-
 11 nal Revenue Code of 1986) of which commences
 12 on the 1st day of the month beginning after the
 13 date of the purchase of the annuity.

14 “(4) POVERTY LINE.—The term ‘poverty line’
 15 has the meaning given that term in section 673(2)
 16 of the Community Services Block Grant Act (42
 17 U.S.C. 9902(2), including any revision required by
 18 such section.

19 “DEFINITIONS

20 “SEC. 257. For purposes of this part—

21 “(1) PERSONALIZED RETIREMENT ACCOUNT.—
 22 The term ‘personalized retirement account’ means
 23 any personalized retirement account (as defined in
 24 section 408B of the Internal Revenue Code of
 25 1986).

26 “(2) COVERED EMPLOYER.—

1 “(A) IN GENERAL.—The term ‘covered em-
 2 ployer’ means, for any calendar year, any per-
 3 son on whom an excise tax is, or would be (but
 4 for the amendments made by the Personal Se-
 5 curity and Wealth in Retirement Act of 1998),
 6 imposed under section 3111 of the Internal
 7 Revenue Code of 1986 with respect to having
 8 an individual in his employ to whom wages were
 9 paid by such person during such calendar year.

10 “(B) GOVERNMENTAL ENTITIES.—Under
 11 regulations of the Commissioner of Social Secu-
 12 rity, in applying subparagraph (A) with respect
 13 to employment by governmental entities, each
 14 such governmental entity shall be treated as a
 15 person described in subparagraph (A) in the
 16 same manner and to the same extent as such
 17 person is treated under chapter 21 of the Inter-
 18 nal Revenue Code of 1986 for purposes of sec-
 19 tion 3111 of such Code.

20 “(3) ELIGIBLE INDIVIDUAL.—The term ‘eligible
 21 individual’ means—

22 “(A) an individual who attains age 25 in
 23 any calendar year after 1999, or

24 “(B) with respect to a calendar year, an
 25 individual with respect to whom an election,

1 filed with the Commissioner of Social Security
 2 under section 254, is in effect for such calendar
 3 year.

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

7 “PENALTIES

8 “SEC. 258. (a) FAILURE TO ESTABLISH INDIVIDUAL
 9 RETIREMENT PAYROLL DEDUCTION PLAN.—Any covered
 10 employer who fails to meet the requirements of section
 11 251 or 253 for any calendar year shall be subject to a
 12 civil penalty of not to exceed the greater of—

13 “(1) \$50,000, or

14 “(2) \$1,000 for each eligible individual of such
 15 employer as of the beginning of such calendar year.

16 “(b) FAILURE TO MAKE DEDUCTIONS REQUIRED
 17 UNDER PLAN.—Any covered employer who fails to timely
 18 deduct in full the amount from the wages of an eligible
 19 individual required under an applicable individual retire-
 20 ment payroll deduction plan shall be subject to a civil pen-
 21 alty of not to exceed \$50 for each such failure.

22 “(c) FAILURE TO PAY DEDUCTED WAGES TO PER-
 23 SONALIZED RETIREMENT ACCOUNT.—If an amount de-
 24 ducted from the wages of an eligible individual under an
 25 individual retirement payroll deduction plan is not timely

1 paid in full to the designated personalized retirement ac-
 2 count in accordance with section 251—

3 “(1) the covered employer failing to make such
 4 payment shall be subject to a civil penalty of not to
 5 exceed 20 percent of the unpaid amount, in addition
 6 to any penalty under subsection (a), and

7 “(2) shall be liable to the eligible individual for
 8 interest on the unpaid amount at a rate equal to
 9 133 percent of the Federal short-term rate under
 10 section 1274(d)(1) of the Internal Revenue Code of
 11 1986, calculated from the last day by which such
 12 amount was required to be so paid to the date on
 13 which such amount is paid into the designated per-
 14 sonalized retirement account.

15 “(d) FAILURE BY SELF-EMPLOYED INDIVIDUALS TO
 16 PAY CONTRIBUTIONS.—Any individual failing to timely
 17 pay in full a prescribed individual retirement self-employ-
 18 ment contribution to a designated personalized retirement
 19 account as required under section 252 shall be subject to
 20 a civil penalty of not to exceed 20 percent of the unpaid
 21 amount, plus interest on the unpaid amount at a rate
 22 equal to 133 percent of the Federal short-term rate under
 23 section 1274(d)(1) of the Internal Revenue Code of 1986,
 24 calculated from the last day by which such amount was
 25 required to be so paid to the date on which such amount

1 is paid into the designated personalized retirement ac-
 2 count.

3 “(e) RULES FOR APPLICATION OF SECTION.—

4 “(1) PENALTIES ASSESSED BY COMMISSIONER
 5 OF SOCIAL SECURITY.—Any civil penalty assessed by
 6 this section shall be imposed by the Commissioner of
 7 Social Security and collected in a civil action.

8 “(2) COMPROMISES.—The Commissioner may
 9 compromise the amount of any civil penalty imposed
 10 by this section.

11 “(3) AUTHORITY TO WAIVE PENALTY IN CER-
 12 TAIN CASES.—The Commissioner may waive the ap-
 13 plication of this section with respect to any failure
 14 if the Commissioner determines that such failure is
 15 due to reasonable cause and not to intentional dis-
 16 regard of rules and regulations.”.

17 (b) AMOUNTS DEDUCTED TO BE SHOWN ON W-2
 18 STATEMENTS.—Subsection (a) of section 6051 of the In-
 19 ternal Revenue Code of 1986 (relating to receipts for em-
 20 ployees) is amended—

21 (1) by striking “and” at the end of paragraph
 22 (8),

23 (2) by striking the period at the end of para-
 24 graph (9) and inserting “, and”, and

1 (3) by inserting after paragraph (9) the follow-
2 ing new paragraph:

3 “(10) the total amount deducted from the em-
4 ployee’s wages under an individual retirement pay-
5 roll deduction plan established under part B of title
6 II of the Social Security Act.”.

7 (c) EXEMPTION FROM ERISA REQUIREMENTS.—
8 Subsection (b) of section 4 of the Employee Retirement
9 Income Security Act of 1974 (29 U.S.C. 1003(b)) is
10 amended—

11 (1) by striking “or” at the end of paragraph
12 (4);

13 (2) by striking the period at the end of para-
14 graph (5) and inserting “; or”; and

15 (3) by adding at the end the following new
16 paragraph:

17 “(6) such plan is an individual retirement pay-
18 roll deduction plan established under part B of title
19 II of the Social Security Act.”.

20 (d) CONFORMING AMENDMENTS.—Section 201(h) of
21 such Act (42 U.S.C. 401(h)) is amended—

22 (1) by striking “All other” in the second sen-
23 tence and inserting “Except as provided in section
24 256, all other”; and

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

5 **SEC. 6. TAX TREATMENT OF PERSONALIZED RETIREMENT**
 6 **ACCOUNTS.**

7 (a) IN GENERAL.—Subpart A of part I of subchapter
 8 D of chapter 1 of the Internal Revenue Code of 1986 (re-
 9 lating to pension, profit-sharing, stock bonus plans, etc.)
 10 is amended by inserting after section 408A the following
 11 new section:

12 **“SEC. 408B. PERSONALIZED RETIREMENT ACCOUNTS.**

13 “(a) GENERAL RULE.—Gross income shall not in-
 14 clude—

15 “(1) any amount paid to a personalized retire-
 16 ment account as the employer’s contribution under
 17 section 251(b)(3) of the Social Security Act, or

18 “(2) $\frac{1}{2}$ of the amount paid to a personalized
 19 retirement account under section 252(a) of the So-
 20 cial Security Act.

21 “(b) PERSONALIZED RETIREMENT ACCOUNT.—For
 22 purposes of this title, the term ‘personalized retirement
 23 account’ means a trust created or organized in the United
 24 States for the exclusive benefit of an eligible individual (as
 25 defined in section 257(3) of the Social Security Act) or

1 his beneficiaries, but only if the written governing instru-
 2 ment creating the trust meets the following requirements:

3 “(1) No contribution will be accepted, other
 4 than—

5 “(A) a contribution under paragraph (1),
 6 (2), or (3) of section 251(b), or subsection (a)
 7 of section 252, of the Social Security Act,

8 “(B) a contribution recognition bond, and
 9 the proceeds thereof, issued under section 8 of
 10 the Personal Security and Wealth in Retirement
 11 Act of 1998, and

12 “(C) a supplemental minimum benefit pay-
 13 ment under section 256 of the Social Security
 14 Act.

15 “(2) Except as provided in paragraph (12), no
 16 amount may be paid or distributed from such
 17 trust—

18 “(A) before the earlier of the date on
 19 which the account holder attains normal retire-
 20 ment age (determined under section 216(l) of
 21 the Social Security Act) or the date on which
 22 the account holder dies, or

23 “(B) if the account holder has not attained
 24 normal retirement age and the balance in the
 25 account immediately after the payment or dis-

1 tribution of such amount would be less than the
2 minimum retirement annuity amount (as de-
3 fined in subsection (b)(2)).

4 “(3) The trustee is a qualified investment firm
5 or financial institution approved by the Federal Per-
6 sonal Retirement Investment Board under section 9
7 of the Personal Security and Wealth in Retirement
8 Act of 1998.

9 “(4) No part of the trust fund is invested in life
10 insurance contracts.

11 “(5) The interest of an individual in the bal-
12 ance in his account vests immediately and is non-
13 forfeitable.

14 “(6) The assets of the trust will not be commin-
15 gled with other property except in a common trust
16 fund or common investment fund, which fund is
17 comprised only of assets of personalized retirement
18 accounts.

19 “(7) Under the terms governing the account,
20 contributions will be accepted irrespective of the
21 amount of the contribution.

22 “(8) Except as otherwise required by the Per-
23 sonal Security and Wealth in Retirement Act of
24 1998, the same requirements as are applicable with
25 respect to trusts under paragraph (9) of section

1 401(a) (relating to required distributions) are met
 2 with respect to the account.

3 “(9) Except as otherwise required by the Per-
 4 sonal Security and Wealth in Retirement Act of
 5 1998, the same requirements as are applicable with
 6 respect to trusts under paragraph (11) of section
 7 401(a) (relating to joint and survivor annuity and
 8 preretirement survivor annuity) are met with respect
 9 to the account (disregarding subparagraph (B)
 10 thereof), as if the annuity starting date with respect
 11 to the account holder is the earliest date on which
 12 amounts may be distributed under paragraph (2).

13 “(10) The account holder certifies that such
 14 trust is the only personalized retirement account of
 15 the holder.

16 “(11) Under terms governing the account,
 17 amounts may be distributed from such trust to pur-
 18 chase disability insurance or a policy providing for
 19 preretirement survivor benefits under section 255 of
 20 the Social Security Act.

21 Paragraphs (1), (2), and (8) shall not apply to a direct
 22 trustee-to-trustee transfer to a successor personalized re-
 23 tirement account of the same individual.

24 “(c) REQUIREMENTS.—

1 “(1) REQUIREMENTS RELATING TO TRUSTEE.—

2 Under the terms of a personalized retirement ac-
 3 count, the trustee of the account shall, with respect
 4 to the account, have the status of a fiduciary (within
 5 the meaning of the first sentence of section 3(21)(A)
 6 of the Employee Income Security in Retirement Act
 7 of 1974). The trustee shall, with respect to the ac-
 8 count, be treated as a fiduciary for purposes of sec-
 9 tion 4975(e) (as applicable under subsection (e)(3)).

10 “(2) MINIMUM RETIREMENT ANNUITY
 11 AMOUNT.—For purposes of subsection (b)(2)—

12 “(A) IN GENERAL.—The term ‘minimum
 13 retirement annuity amount’ means the amount
 14 (determined under regulations of the Commis-
 15 sioner of Social Security) necessary to purchase
 16 a minimum retirement annuity on the date of
 17 the payment or distribution referred to in sub-
 18 section (b)(2).

19 “(B) MINIMUM RETIREMENT ANNUITY.—
 20 For purposes of subparagraph (A), the term
 21 ‘minimum retirement annuity’ means an imme-
 22 diate annuity making payments over the life ex-
 23 pectancy of the account holder which (on a
 24 monthly basis) are equal to an amount equal to
 25 $\frac{1}{12}$ of 150 percent of the poverty line deter-

1 mined on such date for a family of 1 individual
 2 and adjusted annually thereafter by the adjust-
 3 ment determined under section 215(i).

4 “(C) IMMEDIATE ANNUITY.—The term
 5 ‘immediate annuity’ means an annuity—

6 “(i) which is purchased with a single
 7 premium, and

8 “(ii) the annuity starting date (as de-
 9 fined in paragraph (4) of section 72(c)) of
 10 which commences on the 1st day of the
 11 month beginning after the date of the pur-
 12 chase of the annuity.

13 “(D) POVERTY LINE.—The term ‘poverty
 14 line’ has the meaning given that term in section
 15 673(2) of the Community Services Block Grant
 16 Act (42 U.S.C. 9902(2)), including any revision
 17 required by such section.

18 “(3) INVESTMENT IN COLLECTIBLES TREATED
 19 AS A DISTRIBUTION.—For purposes of this section,
 20 subsection (m) of section 408 shall apply.

21 “(d) ACCOUNT EXEMPT FROM TAX.—

22 “(1) GENERAL RULE.—Except as provided in
 23 paragraph (2), any personalized retirement account
 24 is exempt from taxation under this title. Notwith-
 25 standing the preceding sentence, any such account is

1 subject to the taxes imposed by section 511 (relating
 2 to imposition of tax on unrelated business income
 3 of charitable, etc. organizations).

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

8 “(e) TAXATION OF DISTRIBUTIONS.—

9 “(1) IN GENERAL.—No amount paid or distrib-
 10 uted from a personalized retirement account shall be
 11 includible in gross income.

12 “(2) TREATMENT OF ROLLOVERS.—No amount
 13 shall be includible in gross income by reason of a di-
 14 rect trustee-to-trustee transfer from a personalized
 15 retirement account of an individual to a successor
 16 personalized retirement account of the same individ-
 17 ual if such transfer is made in accordance with sec-
 18 tion 408(d)(3)(A)(i).

19 “(3) TREATMENT OF DISABILITY INSURANCE
 20 AND PRERETIREMENT BENEFIT POLICY PRE-
 21 MIUMS.—No amount shall be includible in gross in-
 22 come to the extent that such amount is a premium
 23 for the purchase of disability insurance or a policy
 24 providing for preretirement survivor benefits pursu-
 25 ant to section 255 of the Social Security Act.

1 “(4) TREATMENT OF COLLECTIBLES.—
 2 Amounts treated as a distribution under subsection
 3 (c)(3) shall be includible in gross income and para-
 4 graph (1) of section 72(t) shall apply to such
 5 amounts.

6 “(e) CERTAIN OTHER RULES TO APPLY.—The fol-
 7 lowing rules shall apply to personalized retirement ac-
 8 counts in the same manner that such rules apply to indi-
 9 vidual retirement accounts:

10 “(1) Section 408(h) (relating to custodial ac-
 11 counts).

12 “(2) Sections 408(i) and 6693 (relating to re-
 13 ports).

14 “(3) Section 4975 (relating to prohibited trans-
 15 actions).”.

16 (b) EXCESS CONTRIBUTIONS.—

17 (1) IN GENERAL.—Subsection (a) of section
 18 4973 of the Internal Revenue Code of 1986 is
 19 amended by striking “or” at the end of paragraph
 20 (3), by inserting “or” at the end of paragraph (4),
 21 and by inserting after paragraph (4) the following
 22 new paragraph:

23 “(5) a personalized retirement account (as de-
 24 fined in section 408B),”.

1 (2) EXCESS CONTRIBUTIONS DEFINED.—Sec-
 2 tion 4973 of such Code is amended by adding at the
 3 end the following new subsection:

4 “(g) EXCESS CONTRIBUTIONS TO PERSONALIZED
 5 RETIREMENT ACCOUNTS.—For purposes of this section,
 6 in the case of contributions to a personalized retirement
 7 account (within the meaning of section 408B(b)), the term
 8 ‘excess contributions’ means with respect to a taxable year
 9 the sum of—

10 “(1) the excess (if any) of—

11 “(A) the amount contributed for the tax-
 12 able year to such account (other than a quali-
 13 fied rollover contribution described in section
 14 408B(e)(2)), over

15 “(B) the amount allowable as a contribu-
 16 tion for that taxable year under section
 17 408B(b)(1), and

18 “(2) the amount determined under this sub-
 19 section for the preceding taxable year, reduced by
 20 the sum of—

21 “(A) the distributions out of the account
 22 for such taxable year, and

23 “(B) the excess (if any) of the maximum
 24 amount allowable as a contribution under sec-
 25 tion 408B(b)(1) for such taxable year over the

1 amount contributed to the account for the tax-
2 able year.

3 For purposes of this subsection, any contribution which
4 is distributed from a personalized retirement account in
5 a distribution described in section 408(d)(4) shall be treat-
6 ed as an amount not contributed.”.

7 (c) CLERICAL AMENDMENT.—The table of sections
8 for subpart A of part I of subchapter D of chapter 1 of
9 such Code is amended by inserting after the item relating
10 to section 408A the following new item:

“Sec. 408B. Personalized retirement accounts.”.

11 (d) EFFECTIVE DATE.—The amendments made by
12 this section shall apply to taxable years beginning after
13 December 31, 1999.

14 **SEC. 7. NO COVERAGE UNDER OASDI OF PART B ELIGIBLE**
15 **INDIVIDUALS.**

16 (a) OLD-AGE AND SURVIVORS INSURANCE BENE-
17 FITS.—Section 202 of the Social Security Act (42 U.S.C.
18 402) is amended by adding at the end the following new
19 subsection:

20 “(y) Notwithstanding the preceding provisions of this
21 section, an eligible individual under part B (within the
22 meaning of section 257(3)) shall be deemed (except for
23 purposes of sections 226 and 226A) not entitled to bene-
24 fits under this section for any month ending after the date
25 the individual becomes such an eligible individual, and (ex-

cept for purposes of sections 226 and 226A) no other individual shall be deemed entitled to benefits under this section for any month ending after such date based on the wages or self-employment income of such eligible individual. The preceding sentence shall not apply to an individual who revokes an election under section 254(c)(2).”.

(b) **DISABILITY INSURANCE BENEFITS.**—Section 223 of such Act (42 U.S.C. 423) is amended by adding at the end the following new subsection:

“(j) Notwithstanding the preceding provisions of this section, an eligible individual under part B (within the meaning of section 257(3)) shall be deemed (except for purposes of sections 226 and 226A) not entitled to benefits under this section for any month ending after the date the individual becomes such an eligible individual, and (except for purposes of sections 226 and 226A) no other individual shall be deemed entitled to benefits under section 202 for any month ending after such date based on the wages or self-employment income of such eligible individual. The preceding sentence shall not apply to an individual who revokes an election under section 254(c)(2).”.

SEC. 8. CONTRIBUTION RECOGNITION BONDS.

(a) **CERTIFICATION OF CREDITED WAGES AND SELF-EMPLOYMENT INCOME.**—

1 (1) IN GENERAL.—Subject to paragraph (2),
2 not later than July 1 of the first calendar year for
3 which an individual is an eligible individual (as de-
4 fined in section 257(3) of the Social Security Act),
5 the Commissioner of Social Security shall certify to
6 the Secretary of the Treasury whether such individ-
7 ual was, as of immediately before such first calendar
8 year, credited with wages and self-employment in-
9 come under part A of title II of the Social Security
10 Act.

11 (2) NONAPPLICATION.—No eligible individual
12 (as so defined) who has not attained age 30 shall be
13 eligible to be issued a contribution recognition bond
14 under this section.

15 (b) ISSUANCE OF BOND.—

16 (1) IN GENERAL.—Immediately upon receipt of
17 certification under subsection (a) that such individ-
18 ual is so credited, the Secretary of the Treasury
19 shall issue a contribution recognition bond to the
20 trustee of the personalized retirement account held
21 by such individual. Such bond shall consist of an ob-
22 ligation of the United States to pay each month into
23 the personalized retirement account held by such in-
24 dividual, commencing with the applicable initial
25 month, an amount, subject to paragraph (2), equal

1 to such individual's primary insurance amount, de-
 2 termined under section 215 of the Social Security
 3 Act as if section 202(y) of such Act did not apply
 4 and such individual had applied for old-age insur-
 5 ance benefits under section 202(a) of such Act for
 6 such month, and by taking into account average in-
 7 dexed monthly earnings based solely on those wages
 8 and self-employment income that were credited as
 9 described in subsection (a).

10 (2) ADJUSTMENTS TO AMOUNTS.—In the case
 11 of—

12 (A) an individual who has attained age 50,
 13 upon the first day of the applicable initial
 14 month, the amount determined under para-
 15 graph (1) shall be increased by an amount
 16 equal to the interest accrued on such amount,
 17 at a rate equal to the rate applicable for a
 18 United States Treasury obligation with a 30-
 19 year term, during the period that begins with
 20 the date the contribution recognition bond is
 21 issued and ends with the first day of the appli-
 22 cable initial month; and

23 (B) an individual who has attained age 30
 24 but has not attained age 50, upon the first day
 25 of the applicable initial month, the amount de-

1 terminated under paragraph (1) shall be in-
2 creased by an amount equal to the percentage
3 change in the Consumer Price Index for All-
4 Urban Consumers during the period that begins
5 with the date the contribution recognition bond
6 is issued and ends with the first day of the ap-
7 plicable initial month.

8 (c) APPLICABLE INITIAL MONTH.—For purposes of
9 subsection (b), the applicable initial month in connection
10 with any individual is the later of—

11 (1) the month in which such individual attains
12 age 62, or

13 (2) the month in which such individual first
14 commences distributions from such individual's per-
15 sonalized retirement account.

16 (d) ADDITIONAL PROVISIONS.—The purposes for
17 which obligations of the United States may be issued
18 under chapter 31 of title 31, United States Code, are here-
19 by extended to authorize the issuance of public debt obli-
20 gations consisting of contribution recognition bonds issued
21 under this section. Each such obligation shall be evidenced
22 by a paper instrument in the form of a bond issued by
23 the Secretary setting forth the terms specified in this sub-
24 section, and stating on its face that the obligation shall
25 be incontestable in the hands of the trustee of such ac-

1 count, that the obligation is supported by the full faith
 2 and credit of the United States, and that the United
 3 States is pledged to the payment of the obligation, to the
 4 credit of such account, in accordance with the provisions
 5 of this section.

6 **SEC. 9. ADMINISTRATION OF PERSONALIZED RETIREMENT**
 7 **ACCOUNTS.**

8 (a) ESTABLISHMENT OF FEDERAL PERSONAL RE-
 9 TIREMENT INVESTMENT BOARD.—

10 (1) IN GENERAL.—There is established as an
 11 independent agency of the United States the Federal
 12 Personal Retirement Investment Board (in this sec-
 13 tion referred to as the “Board”).

14 (2) COMPOSITION.—The Board shall be com-
 15 posed of 9 members appointed by the President, of
 16 whom 1 shall be designated by the President as
 17 Chairman.

18 (3) ADVICE AND CONSENT.—Appointments
 19 under paragraph (2) shall be made by and with the
 20 advice and consent of the Senate.

21 (4) MEMBERSHIP REQUIREMENTS.—

22 (A) EXPERIENCE; GEOGRAPHICAL REP-
 23 RESENTATION.—Members of the Board ap-
 24 pointed under paragraph (2) shall have sub-
 25 stantial experience, training, and expertise in fi-

1 nance, investments, or insurance and shall be
2 selected to represent each of the Federal re-
3 serve districts created in accordance with sec-
4 tion 2 of the Federal Reserve Act (12 U.S.C.
5 222).

6 (B) NO GOVERNMENT OFFICERS OR EM-
7 PLOYEES.—No individual who is an officer or
8 employee of the United States may be ap-
9 pointed to serve as a member of the Board.

10 (C) NO COMPENSATION.—Members of the
11 Board shall serve without compensation except
12 that such members shall be paid travel, per
13 diem, and other necessary expenses under sub-
14 chapter I of chapter 57 of title 5, United States
15 Code, while traveling away from such member's
16 home or regular place of business in the per-
17 formance of the duties of the Board.

18 (5) LENGTH OF APPOINTMENTS.—

19 (A) TERMS.—A member of the Board ap-
20 pointed under paragraph (2) shall be appointed
21 for not more than 2 terms of 6 years each.

22 (B) VACANCIES.—

23 (i) IN GENERAL.—A vacancy on the
24 Board shall be filled in the manner in
25 which the original appointment was made

1 and shall be subject to any conditions that
 2 applied with respect to the original ap-
 3 pointment.

4 (ii) COMPLETION OF TERM.—An indi-
 5 vidual chosen to fill a vacancy shall be ap-
 6 pointed for the unexpired term of the
 7 member replaced.

8 (C) EXPIRATION.—The term of any mem-
 9 ber shall not expire before the date on which
 10 the member's successor takes office.

11 (6) DUTIES.—The Board shall—

12 (A) establish requirements for the approval
 13 of qualified investment firms and financial in-
 14 stitutions to serve as trustees of personalized
 15 retirement accounts, including the requirements
 16 that—

17 (i) the firm or institution is in busi-
 18 ness exclusively as a trustee of personal-
 19 ized retirement accounts, and

20 (ii) the firm or institution is of good
 21 character and is a substantial concern,
 22 produces evidence of financial capability,
 23 demonstrates financial soundness, and pro-
 24 vides appropriate surety;

1 (B) establish policies for the investment
2 and management of personalized retirement ac-
3 counts, including the requirement that any
4 trustee shall guarantee a minimum return of
5 2.5 percent per year for each of the investment
6 funds managed by the entity that are eligible
7 investment vehicles for personalized retirement
8 accounts (based on an average of the total re-
9 turn on each such fund over any consecutive 3-
10 year period and determined according to rules
11 and regulations of the Securities and Exchange
12 Commission that apply to the calculation of
13 minimum rates of return);

14 (C) designate, through the Federal Per-
15 sonal Retirement Deposit Corporation estab-
16 lished in accordance with subsection (b), a suc-
17 cessor trustee, in the case of a trustee of a per-
18 sonalized retirement account with respect to
19 which there is filed a bankruptcy petition (or
20 upon the initiation of a similar judicial proceed-
21 ing) against the trustee;

22 (D) maintain and disseminate to eligible
23 individuals, through such Corporation, a list of
24 approved qualified investment firms and finan-

1 cial institutions that may serve as trustees of
 2 personalized retirement accounts;

3 (E) provide, through such Corporation, an
 4 annual open season during which an eligible in-
 5 dividual may select an approved qualified in-
 6 vestment firm or financial institution to serve
 7 as the trustee of the individual's personalized
 8 retirement account; and

9 (F) provide, through such Corporation,
 10 guidance for eligible individuals (as defined in
 11 section 257(3) of the Social Security Act) re-
 12 garding risk management for the investment of
 13 personalized retirement accounts.

14 (7) ADMINISTRATIVE PROVISIONS.—

15 (A) IN GENERAL.—The Board may—

16 (i) adopt, alter, and use a seal;

17 (ii) direct the Executive Director to
 18 take such action as the Board considers
 19 appropriate to carry out the provisions of
 20 this part and the policies of the Board;

21 (iii) upon the concurring votes of 5
 22 members, remove the Executive Director
 23 from office for good cause shown; and

1 (iv) take such other actions as may be
 2 necessary to carry out the functions of the
 3 Board.

4 (8) MEETINGS.—The Board shall meet—

5 (i) not less than once during each
 6 quarter; and

7 (ii) at additional times at the call of
 8 the Chairman.

9 (9) EXERCISE OF POWERS.—

10 (i) IN GENERAL.—Except as provided
 11 in paragraph (7)(A)(iii), the Board shall
 12 perform the functions and exercise the
 13 powers of the Board on a majority vote of
 14 a quorum of the Board. 7 members of the
 15 Board shall constitute a quorum for the
 16 transaction of business.

17 (ii) VACANCIES.—A vacancy on the
 18 Board shall not impair the authority of a
 19 quorum of the Board to perform the func-
 20 tions and exercise the powers of the Board.

21 (10) APPOINTMENT OF EXECUTIVE DIREC-
 22 TOR.—

23 (A) IN GENERAL.—The Board shall ap-
 24 point, without regard to the provisions of law
 25 governing appointments in the competitive serv-

1 ice, an Executive Director by action agreed to
2 by a majority of the members of the Board.

3 (B) REQUIREMENTS.—The Executive Di-
4 rector shall have substantial experience, train-
5 ing, and expertise in finance, investments, and
6 insurance.

7 (C) DUTIES.—The Executive Director
8 shall—

9 (i) carry out the policies established
10 by the Board;

11 (ii) administer the provisions of this
12 section; and

13 (iii) prescribe such regulations (other
14 than regulations relating to fiduciary re-
15 sponsibilities) as may be necessary for the
16 administration of this section.

17 (D) ADMINISTRATIVE AUTHORITY.—The
18 Executive Director may—

19 (i) appoint such personnel as may be
20 necessary to carry out the provisions of
21 this section;

22 (ii) subject to approval by the Board,
23 procure the services of experts and consult-
24 ants under section 3109 of title 5, United
25 States Code;

1 (iii) secure directly from an Executive
2 agency, the United States Postal Service,
3 or the Postal Rate Commission any infor-
4 mation necessary to carry out the provi-
5 sions of this section and the policies of the
6 Board;

7 (iv) make such payments out of
8 amounts appropriated in accordance with
9 paragraph (13) as the Executive Director
10 determines are necessary to carry out the
11 provisions of this section and the policies
12 of the Board;

13 (v) accept and use the services of indi-
14 viduals employed intermittently in the Gov-
15 ernment service and reimburse such indi-
16 viduals for travel expenses, as authorized
17 by section 5703 of title 5, United States
18 Code, including per diem as authorized by
19 section 5702 of such title;

20 (vi) except as otherwise expressly pro-
21 hibited by law or the policies of the Board,
22 delegate any of the Executive Director's
23 functions to such employees under the
24 Board as the Executive Director may des-
25 ignate and authorize such successive re-

1 delegations of such functions to such em-
2 ployees under the Board as the Executive
3 Director may consider to be necessary or
4 appropriate; and

5 (vii) take such other actions as are
6 appropriate to carry out the functions of
7 the Executive Director.

8 (11) DISCHARGE OF RESPONSIBILITIES.—The
9 members of the Board shall discharge their respon-
10 sibilities solely in the interest of personalized retire-
11 ment account holders and beneficiaries.

12 (12) ANNUAL INDEPENDENT AUDIT.—The
13 Board shall annually engage an independent quali-
14 fied public accountant to audit the activities of the
15 Board.

16 (13) AUTHORIZATION OF APPROPRIATIONS.—
17 There is authorized to be appropriated such sums as
18 may be necessary to carry out this section.

19 (14) SUBMISSION OF BUDGET TO CONGRESS.—
20 The Board shall prepare and submit to the Presi-
21 dent, and, at the same time, to the appropriate com-
22 mittees of Congress, an annual budget of the ex-
23 penses and other items relating to the Board which
24 shall be included as a separate item in the budget

1 required to be transmitted to Congress under section
2 1105 of title 31, United States Code.

3 (b) PLAN FOR THE ESTABLISHMENT OF THE FED-
4 ERAL PERSONAL RETIREMENT DEPOSIT CORPORA-
5 TION.—

6 (1) IN GENERAL.—Not later than 90 days after
7 the date of enactment of this Act, the Board, in con-
8 sultation with the Commissioner of Social Security,
9 shall submit to Congress a legislative proposal for
10 the establishment of an independent corporation to
11 be known as the “Federal Personal Retirement De-
12 posit Corporation” (in this subsection referred to as
13 the “Corporation”).

14 (2) ORGANIZATION AND STRUCTURE.—The leg-
15 islative proposal required under paragraph (1) shall
16 establish and organize the Corporation in a manner
17 similar to the establishment and organization of the
18 Federal Home Loan Mortgage Corporation under
19 the Federal Home Loan Mortgage Corporation Act
20 (12 U.S.C. 1451 et seq.).

21 (3) PURPOSES.—The legislative proposal re-
22 quired under paragraph (1) shall authorize the Cor-
23 poration—

24 (A) to receive amounts received under an
25 individual retirement payroll deduction plan es-

1 tablished in accordance with section 251(b) of
 2 the Social Security Act (as added by section 4
 3 of the Personal Security and Wealth in Retirement
 4 Act of 1998) and to quarterly distribute
 5 such amounts to personalized retirement ac-
 6 counts under the management and supervision
 7 of approved qualified investment firms and fi-
 8 nancial institutions; and

9 (B) to carry out the responsibilities de-
 10 scribed in subparagraphs (C), (D), (E), and (F)
 11 of subsection (a)(6).

12 (4) PRIVATIZATION OF PART OF THE SOCIAL
 13 SECURITY ADMINISTRATION.—The legislative pro-
 14 posal required under paragraph (1) shall provide—

15 (A) for the privatization of those divisions
 16 of the Social Security Administration that the
 17 Board and the Commissioner of Social Security
 18 determine would be best suited to carry out the
 19 duties of the Corporation; and

20 (B) for the eventual dissolution of the re-
 21 tirement benefits division of the Social Security
 22 Administration after 100 percent of the popu-
 23 lation are eligible individuals for purposes of
 24 part B of title II of the Social Security Act (as
 25 added by section 4).

1 **SEC. 10. DEDICATION OF ON-BUDGET SURPLUS.**

2 (a) CREATION OF ACCOUNT.—There is established
 3 within the Treasury a special reserve account to be known
 4 as the “Personalized Retirement Social Security Account”
 5 (hereinafter in this section referred to as the “account”).
 6 The Secretary of the Treasury shall transfer funds in the
 7 account to the Federal Old-Age and Survivors Insurance
 8 Trust Fund established under section 201 of the Social
 9 Security Act (42 U.S.C. 401 et seq.) upon the request
 10 of the Managing Trustees of such Trust Fund.

11 (b) DEDICATION OF SURPLUS.—The Secretary of the
 12 Treasury shall pay into the account annually at the end
 13 of each fiscal year during the fiscal-year period beginning
 14 on October 1, 1998, and ending on September 30, 2008,
 15 amounts totalling, in the aggregate, the projected and ac-
 16 tual surplus, if any, in the total budget of the United
 17 States Government for that fiscal-year period.

18 (c) DEFINITION OF TOTAL BUDGET OF THE UNITED
 19 STATES GOVERNMENT.—As used in this section, the term
 20 “total budget of the United States Government” means
 21 all spending and receipt accounts of the United States
 22 Government that are designated as on-budget accounts.

23 **SEC. 11. CAP ON INCREASE IN MANDATORY SPENDING.**

24 (a) IN GENERAL.—Effective beginning with fiscal
 25 year 1999 and fiscal years thereafter, the growth of each
 26 individual mandatory program except Social Security shall

1 not exceed a level that is adjusted for beneficiary and in-
2 flation growth.

3 (b) CONGRESSIONAL BUDGET.—

4 (1) BUDGET RESOLUTION.—The congressional
5 budget resolution for a fiscal year shall not provide
6 mandatory funding levels that exceed levels estab-
7 lished in subsection (a).

8 (2) POINT OF ORDER.—It shall not be in order
9 in the Senate or the House of Representatives to
10 consider any bill, resolution, amendment, or con-
11 ference report if such bill, resolution, amendment, or
12 conference report would cause mandatory funding
13 levels to exceed levels established in subsection (a).
14 This point of order may only be waived or suspended
15 by a vote of three-fifths of the Members, duly chosen
16 and sworn.

17 (c) IMPLEMENTATION.—

18 (1) PRESIDENT'S REPORT AND RECOMMENDA-
19 TIONS.—If in any fiscal year the President projects
20 that the spending for any mandatory program will
21 exceed the level established under subsection (a), the
22 President shall, before April 15 of each fiscal year,
23 recommend to the Congress legislative changes, in-
24 cluding changes in eligibility for benefits, to address

1 the mandatory spending overages, if any, in the
2 prior, current, or budget year.

3 (2) CONGRESS ACTS.—Within 10 days after the
4 President’s recommendations are submitted, the
5 Congress shall make relevant changes in laws to re-
6 duce the mandatory spending to the cap levels as re-
7 quired under subsection (a).

8 (3) SEQUESTER.—Notwithstanding any other
9 provision of law, if the Congress fails to make such
10 changes in laws, there shall be a sequester in any
11 fiscal year to reduce spending for mandatory pro-
12 grams except Social Security if such an individual
13 program exceeded the cap levels established in sub-
14 section (a). Such sequester shall institute pro rata
15 reduction of all benefit payments made under pro-
16 grams subject to the provisions of this Act.

17 (d) DEFINITION.—For purposes of this section, the
18 term “individual mandatory program” means a program
19 that makes payments to any person, business, or unit of
20 government that seeks the payments and that meets eligi-
21 bility criteria established by law. The term includes—

22 (1) Farm Price Supports;

23 (2) Family Social Services-Foster Care and
24 Adoption Assistance;

25 (3) Guaranteed Student Loan Program;

- 1 (4) Medicaid;
- 2 (5) Hospital Insurance;
- 3 (6) Supplemental Medical Insurance;
- 4 (7) Railroad Retirement;
- 5 (8) Civil Service Pensions;
- 6 (9) Military Pensions;
- 7 (10) Unemployment Compensation;
- 8 (11) Child Nutrition Program;
- 9 (12) Supplemental Security Income;
- 10 (13) Family Support Pay;
- 11 (14) Veteran's Compensation and Pensions;
- 12 (15) Food Stamps;
- 13 (16) Housing Assistance;
- 14 (17) Vocational Rehabilitation;
- 15 (18) Readjustment Benefits;
- 16 (19) FDIC and FSLIC; and
- 17 (20) other mandatory spending programs under
- 18 categories established by the Congressional Budget
- 19 Office.

20 **SEC 12. LIMITATION ON AMOUNTS EXPENDED BY CERTAIN**
21 **GOVERNMENT ENTITIES FOR OVERHEAD EX-**
22 **PENSES.**

23 (a) DEFINITIONS.—In this section:

1 (1) COVERED GOVERNMENT ENTITY.—The
 2 term “covered government entity” means an entity
 3 of the executive or judicial branch of Government.

4 (2) OVERHEAD EXPENSES.—The term “over-
 5 head expenses” means the items specified in the fol-
 6 lowing object classifications set forth in Circular No.
 7 A–11, Office of Management and Budget, July
 8 1990:

9 (A) Contractual services and supplies (ob-
 10 ject class 20):

11 (i) Travel and transportation of per-
 12 sons (object class 21.0).

13 (ii) Transportation of things (object
 14 class 22.0).

15 (ii) Rental payments to GSA (object
 16 class 23.1).

17 (iv) Rental payments to others (object
 18 class 23.2).

19 (v) Communications, utilities, and
 20 miscellaneous charges (object class 23.3).

21 (vi) Printing and reproduction (object
 22 class 24.0).

23 (vii) Other services (object class 25.0).

24 (viii) Supplies and materials (object
 25 class 26.0).

1 (B) Acquisition of capital assets (object
2 class 30.0):

3 (i) Equipment (object class 31.0), ex-
4 cluding funds for foreign assistance.

5 (ii) Land and structures (object class
6 32.0).

7 (iii) Investments and loans (object
8 class 33.0), excluding funds for foreign as-
9 sistance.

10 (b) RULE FOR FISCAL YEARS 1999 THROUGH
11 2010.—Notwithstanding any other provision of law, with
12 respect to fiscal year 1999 and each of the 10 fiscal years
13 thereafter, a covered government entity may not obligate
14 or expend for overhead expenses an amount that exceeds
15 the amounts obligated and expended by that entity for
16 such expenses for fiscal year 1998, reduced by 15 percent.

17 (c) NONAPPLICATION OF RULES.—The rule stated in
18 subsections (b) shall not apply to the Department of De-
19 fense or the United States Postal Service.

20 (d) ADJUSTMENTS TO DISCRETIONARY CAPS.—The
21 discretionary spending limits for fiscal years 1999 through
22 2010 shall be reduced for purposes of the Congressional
23 Budget Act of 1974 and the Balanced Budget and Emer-
24 gency Deficit Control Act of 1985 to take into account
25 the requirements of this section.

1 **SEC. 13. REDUCTION IN FEDERAL DISCRETIONARY SPEND-**
2 **ING AND 10 YEAR FREEZE.**

3 (a) PRESIDENT.—Not later than 5 days after the
4 date of enactment of this Act, the President shall reduce
5 the discretionary spending limits under section 251(c) of
6 the Balanced Budget and Emergency Deficit Reduction
7 Act of 1985 (2 U.S.C. 901(c))—

8 (1) for fiscal year 1999 by 5 percent; and

9 (2) for each of the fiscal years 2000 through
10 2009 to a level equal to the levels provided for fiscal
11 year 1999 after the reduction required by paragraph
12 (1).

13 (b) CONGRESSIONAL COMMITTEES.—Not later than
14 5 days after the date of enactment of this Act, the chairs
15 of the Committees on the Budget of the Senate and the
16 House of Representatives shall revise levels under section
17 311(a) of the Congressional Budget Act of 1974 (2 U.S.C.
18 642(a)) and adjust the committee allocations under sec-
19 tion 302(a) of that Act (2 U.S.C. 633(a)) to reflect the
20 amount referred to in subsection (a).

21 **SEC. 14. SALE OF ASSETS.**

22 Not later than 120 days after the date of enactment
23 of this Act, the President shall sell, redeem, or otherwise
24 dispose of such Federally-owned lands, loans, and other
25 Federal assets so as to yield an amount equal to
26 \$268,000,000,000 which shall then be deposited into the

- 1 Personalized Retirement Social Security Account created
- 2 under section 10.

