

106TH CONGRESS
1ST SESSION

S. 588

To amend title II of the Social Security Act to provide for retirement security accounts funded by employee social security payroll deductions, to establish the Protect Social Security Account into which the Secretary of the Treasury shall deposit budget surpluses until a reform measure is enacted to ensure the long-term solvency of the OASDI trust funds, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MARCH 11, 1999

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

A BILL

To amend title II of the Social Security Act to provide for retirement security accounts funded by employee social security payroll deductions, to establish the Protect Social Security Account into which the Secretary of the Treasury shall deposit budget surpluses until a reform measure is enacted to ensure the long-term solvency of the OASDI trust funds, 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,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Social Security for the
3 21st Century Act”.

4 **SEC. 2. RETIREMENT SECURITY ACCOUNTS.**

5 (a) ESTABLISHMENT AND MAINTENANCE OF RE-
6 TIREMENT SECURITY ACCOUNTS.—Title II of the Social
7 Security Act (42 U.S.C. 401 et seq.) is amended—

8 (1) by inserting before section 201 the follow-
9 ing:

10 “PART A—INSURANCE BENEFITS”;

11 and

12 (2) by adding at the end the following:

13 “PART B—RETIREMENT SECURITY ACCOUNTS

14 “DEFINITIONS

15 “SEC. 251. In this part—

16 “(1) COMMISSIONER.—The term ‘Commis-
17 sioner’ means the Commissioner of Social Security.

18 “(2) ELECTING INDIVIDUAL.—The term ‘elect-
19 ing individual’ means an individual with respect to
20 whom an election under section 252 is in effect.

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

23 “(A) who is 18 years of age or older; and

24 “(B) who is receiving wages subject to tax
25 under section 3101(a) of the Internal Revenue

1 Code of 1986 or self-employment income sub-
 2 ject to tax under section 1401(a) of such Code.

3 “(4) RETIREMENT SECURITY ACCOUNT.—The
 4 term ‘retirement security account’ means any retire-
 5 ment security account in the Retirement Security
 6 Fund (established under section 255(a)) which is ad-
 7 ministered by the Retirement Security Fund Invest-
 8 ment Board (established under section 255(b)).

9 “(5) RETIREMENT SECURITY ACCOUNT CON-
 10 TRIBUTION.—The term ‘retirement security account
 11 contribution’ has the meaning given such term by
 12 section 252(e)(2)(A).

13 “ELECTION AND ESTABLISHMENT OF RETIREMENT
 14 SECURITY ACCOUNTS

15 “SEC. 252. (a) ELECTION.—An eligible individual
 16 may elect to make retirement security account contribu-
 17 tions to a retirement security account established under
 18 subsection (d) and maintained for the benefit of such indi-
 19 vidual.

20 “(b) ELECTION PERIOD.—An election under sub-
 21 section (a) shall be irrevocable and shall be effective with
 22 respect to wages paid or self-employment income earned
 23 during any quarter of coverage beginning after the date
 24 of such election.

25 “(c) FORM OF ELECTION.—An election under this
 26 section shall be made—

1 “(1) on W-4 forms (or any successor form), or

2 “(2) in such other manner as the Commissioner

3 may prescribe in order to ensure ease of administra-

4 tion and reductions in burdens on employers.

5 “(d) ESTABLISHMENT.—The Commissioner, within

6 30 days of the receipt of the first contribution received

7 pursuant to subsection (e) with respect to any electing in-

8 dividual, shall establish in the name of such individual a

9 retirement security account. The retirement security ac-

10 count shall be identified to the account holder by means

11 of the account holder’s social security account number.

12 “(e) CONTRIBUTIONS.—

13 “(1) IN GENERAL.—The Secretary of the

14 Treasury shall transfer from the Federal Old-Age

15 and Survivors Insurance Trust Fund, for crediting

16 by the Commissioner to a retirement security ac-

17 count of an electing individual, a retirement security

18 account contribution of such individual.

19 “(2) RETIREMENT SECURITY ACCOUNT CON-

20 TRIBUTION.—

21 “(A) IN GENERAL.—For purposes of this

22 part, the term ‘retirement security account con-

23 tribution’ means, with respect to any quarter of

24 coverage during an election period under sub-

25 section (b), an amount equal to the applicable

percentage of the amount collected under section 3101(a) or 1401(a) of the Internal Revenue Code of 1986 on account of wages or self-employment income of an electing individual for such quarter.

“(B) APPLICABLE PERCENTAGE.—For purposes of subparagraph (A), the applicable percentage for any quarter of coverage during an election period under subsection (b) shall be equal to—

“(i) in the case of amounts collected under section 3101(a) of the Internal Revenue Code of 1986, 2.5 percent for the first 4 quarters, increased (but not above 50 percent) by 2.5 percentage points for each successive 4 quarters, and

“(ii) in the case of amounts collected under section 1401(a) of such Code, 1.25 percent for the first 4 quarters, increased (but not above 25 percent) by 1.25 percentage points for each successive 4 quarters.

“(f) DESIGNATION OF INVESTMENT OPTIONS FOR RETIREMENT SECURITY ACCOUNT.—

1 “(1) DESIGNATION.—Each electing individual
 2 shall designate 1 or more investment options for the
 3 individual’s retirement security account to which re-
 4 tirement security account contributions on behalf of
 5 such individual are to be credited.

6 “(2) FORM OF DESIGNATION.—The designation
 7 described in paragraph (1) shall be made in such
 8 manner and at such intervals as the Commissioner
 9 may prescribe in order to ensure ease of administra-
 10 tion and reductions in burdens on employers.

11 “(3) DESIGNATION IN ABSENCE OF DESIGNA-
 12 TION BY INDIVIDUAL.—In any case in which no des-
 13 ignation of an investment option for an individual’s
 14 retirement security account is made, the Commis-
 15 sioner shall make such a designation in accordance
 16 with regulations.

17 “TREATMENT OF RETIREMENT SECURITY ACCOUNTS

18 “SEC. 253. Except as otherwise provided in this part,
 19 any retirement security account shall be treated in the
 20 same manner as an individual account in the Thrift Sav-
 21 ings Fund under subchapter III of chapter 84 of title 5,
 22 United States Code.

23 “RETIREMENT SECURITY ACCOUNT DISTRIBUTIONS

24 “SEC. 254. (a) DATE OF INITIAL DISTRIBUTION.—
 25 Except as provided in subsection (c), distributions may
 26 only be made from a retirement security account of an

1 electing individual on and after the date on which the indi-
 2 vidual begins receiving benefits under this title.

3 “(b) FORMS OF DISTRIBUTION.—

4 “(1) REQUIRED MONTHLY PAYMENTS.—Except
 5 as provided in paragraph (2), beginning with the
 6 date determined under subsection (a), an amount
 7 equal to not less than 75 percent of the balance in
 8 a retirement security account, as elected by the ac-
 9 count holder (in such form and manner as shall be
 10 prescribed in regulations of the Retirement Security
 11 Account Fund Investment Board), shall be paid by
 12 means of the purchase of annuities or equal monthly
 13 payments over the life expectancy of the electing in-
 14 dividual (determined under reasonable actuarial as-
 15 sumptions) in accordance with requirements (which
 16 shall be provided in regulations of the Board) simi-
 17 lar to the requirements applicable to payments of
 18 benefits under subchapter III of chapter 84 of title
 19 5, United States Code, and providing for indexing
 20 for inflation.

21 “(2) PAYMENT OF EXCESS FUNDS.—To the ex-
 22 tent funds remain in an individual’s retirement secu-
 23 rity account after the application of paragraph (1),
 24 such funds shall be payable to the individual in such
 25 manner and in such amounts as determined by the

1 individual, in accordance with rules established by
2 the Retirement Security Fund Investment Board.

3 “(c) DISTRIBUTION IN THE EVENT OF DEATH BE-
4 FORE THE DATE OF INITIAL DISTRIBUTION.—If the indi-
5 vidual dies before the date determined under subsection
6 (a), the balance in such individual’s retirement security
7 account shall be distributed in a lump sum to the individ-
8 ual’s heirs, under rules established by the Retirement Se-
9 curity Fund Investment Board.

10 “(d) TAX TREATMENT OF DISTRIBUTIONS.—All dis-
11 tributions under this section shall be exempt from any tax-
12 ation under the Internal Revenue Code of 1986.

13 “RETIREMENT SECURITY FUND

14 “SEC. 255. (a) ESTABLISHMENT.—There is estab-
15 lished and maintained in the Treasury of the United
16 States a Retirement Security Fund in the same manner
17 as the Thrift Savings Fund under sections 8437, 8438,
18 and 8439 of title 5, United States Code.

19 “(b) RETIREMENT SECURITY FUND INVESTMENT
20 BOARD.—

21 “(1) IN GENERAL.—There is established and
22 operated in the Executive Branch of the Government
23 a Retirement Security Fund Investment Board (re-
24 ferred to in this section as the ‘Board’) in the same
25 manner as the Federal Retirement Thrift Invest-

1 ment Board under subchapter VII of chapter 84 of
2 title 5, United States Code.

3 “(2) SPECIFIC INVESTMENT AND REPORTING
4 DUTIES.—

5 “(A) IN GENERAL.—The Retirement Secu-
6 rity Fund Investment Board shall manage and
7 report on the activities of the Retirement Secu-
8 rity Fund and the retirement security accounts
9 of such Fund in the same manner as the Fed-
10 eral Retirement Thrift Investment Board man-
11 ages and reports on the Thrift Savings Fund
12 and the individual accounts of such Fund under
13 subchapter VII of chapter 84 of title 5, United
14 States Code.

15 “(B) STUDY AND REPORT ON INCREASED
16 INVESTMENT OPTIONS.—

17 “(i) STUDY.—The Retirement Secu-
18 rity Fund Investment Board shall conduct
19 a study regarding ways to increase an indi-
20 vidual’s investment options with respect to
21 such individual’s retirement security ac-
22 count.

23 “(ii) REPORT.—Not later than 2
24 years after the date of enactment of the
25 Social Security for the 21st Century Act,

the Retirement Security Fund Investment Board shall submit a report to the President and Congress that contains a detailed statement of the results of the study conducted pursuant to clause (i), together with the Board's recommendations for such legislative actions as the Board considers appropriate.

“BUDGETARY TREATMENT OF RETIREMENT SECURITY

FUND AND ACCOUNTS

“SEC. 256. The receipts and disbursements of the Retirement Security Fund and any accounts within such fund shall not be included in the totals of the budget of the United States Government as submitted by the President or of the congressional budget and shall be exempt from any general budget limitation imposed by statute on expenditures and net lending (budget outlays) of the United States Government.”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to elections made after December 31, 2000.

**SEC. 2. ADJUSTMENT OF SOCIAL SECURITY BENEFIT FOR
ELECTING INDIVIDUALS.**

(a) REDUCTION OF BENEFITS UNDER OASDI UPON
ELECTION UNDER PART B.—Section 215 of the Social

1 Security Act (42 U.S.C. 415) is amended by adding at
2 the end the following:

3 “REDUCTION ON ACCOUNT OF ELECTION UNDER PART B

4 “(j)(1) Notwithstanding any other provision of this
5 section, the primary insurance amount for an electing in-
6 dividual (as defined in section 251), as determined without
7 regard to this subsection, shall be reduced by 50 percent.

8 “(2) A reduction of benefits for an electing individual
9 under paragraph (1) shall not be taken into account in
10 determining the benefit of any individual which is depend-
11 ent upon the wages and self-employment income of the
12 electing individual.”.

13 (b) EFFECTIVE DATE.—The amendment made by
14 this section shall take effect with respect to benefits re-
15 ceived after December 31, 2000.

16 **SEC. 3. PERSONAL EARNINGS AND BENEFIT ESTIMATE**
17 **STATEMENT.**

18 (a) IN GENERAL.—Section 1143(a)(2) of the Social
19 Security Act (42 U.S.C. 1320b–13(a)(2)) is amended—

20 (1) in subparagraph (C), by striking “and” at
21 the end;

22 (2) in subparagraph (D), by striking the period
23 at the end and inserting “; and”; and

24 (3) by adding at the end the following:

25 “(E) an estimate of the aggregate of the retire-
26 ment security account contributions under part B of

1 title II of the eligible individual (as defined in sec-
2 tion 251) and any amounts in the retirement secu-
3 rity account of such individual as shown by the
4 records of the Secretary on the date of the request.”.

5 **SEC. 4. ESTABLISHMENT OF SPECIAL RESERVE ACCOUNT.**

6 (a) IN GENERAL.—Section 201 of the Social Security
7 Act is amended by adding at the end the following new
8 subsection:

9 “(n)(1) There is established within the Treasury a
10 special reserve account to be known as the ‘Protect Social
11 Security Account’ (in this subsection referred to as the
12 ‘account’). The account shall be used to save budget sur-
13 pluses until a reform measure is enacted to ensure the
14 long-term solvency of the Federal Old Age and Survivors
15 Insurance Trust Fund and the Federal Disability Insur-
16 ance Trust Fund.

17 “(2) The Secretary of the Treasury shall pay into the
18 account at the end of each fiscal year in the fiscal-year
19 period beginning on October 1, 1999, and ending on Sep-
20 tember 30, 2010, an amount which in the aggregate, at
21 the end the fiscal-year period, will equal an amount equal
22 to 70 percent of the projected surplus (if any) in the total
23 budget of the United States Government for that fiscal-
24 year period.

1 “(3) Within 10 days after the date of enactment of
 2 this subsection, the Secretary of the Treasury, in consulta-
 3 tion with the Director of the Office of Management and
 4 Budget, shall project the budget surplus (if any) for the
 5 total budget of the United States Government for the fis-
 6 cal-year period beginning on October 1, 1999, and ending
 7 on September 30, 2010.

8 “(4) The Secretary of the Treasury shall invest the
 9 funds held in the account pending enactment of the reform
 10 measure referred to in paragraph (1). The purposes for
 11 which obligations of the United States may be issued
 12 under chapter 31 of title 31, United States Code, are here-
 13 by extended to authorize, in the manner provided in sub-
 14 section (d), the issuance at par of public-debt obligations
 15 for purchase for the account. The interest on, and the pro-
 16 ceeds from redemption of, any obligations held in the ac-
 17 count shall be credited to and form a part of the account.

18 “(5) In this subsection, the term ‘total budget of the
 19 United States Government’ means all spending and re-
 20 ceipt accounts of the United States Government that are
 21 designated as on-budget or off-budget accounts.”.

22 (b) EFFECTIVE DATE.—The amendment made by
 23 this section shall apply to fiscal years beginning on or
 24 after October 1, 1999.

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