

107TH CONGRESS  
2D SESSION

# S. 5

To strengthen and permanently preserve social security through the power of investment and compound interest without benefit reductions or tax increases, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

NOVEMBER 19, 2002

Mr. GRAMM (for himself and Mr. HAGEL) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To strengthen and permanently preserve social security through the power of investment and compound interest without benefit reductions or tax increases, 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 “Social Security Preservation Act”.

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

Sec. 1. Short title; table of contents.  
Sec. 2. Findings.

## TITLE I—AMENDMENTS TO THE SOCIAL SECURITY ACT

Sec. 101. Establishment of an investment-based option for social security benefits.

## “PART B—INVESTMENT-BASED SOCIAL SECURITY

“Sec. 250. Guarantee of promised benefits.

“Sec. 251. Definitions.

“Sec. 252. Social security savings accounts for employees (SAFE Accounts).

“Sec. 253. SAFE Investment Funds.

“Sec. 254. Social Security Investment Board.

“Sec. 255. SAFE Account contributions.

“Sec. 256. Social security savings annuity for eligible retirees (SAFER Annuities) and other distributions.

“Sec. 257. Money-back guarantee.

“Sec. 258. Guarantee of promised benefits.

“Sec. 259. Increased SAFE Account investment rate.

“Sec. 260. Tax treatment of accounts.

## TITLE II—AMENDMENTS TO THE INTERNAL REVENUE CODE OF 1986

Sec. 201. Reduction of FICA rates resulting from investment-based social security system.

## TITLE III—AMENDMENTS TO GRAMM-LEACH-BLILEY ACT

Sec. 301. Social Security Investment Board.

## TITLE IV—FINANCING OF INVESTMENT-BASED SOCIAL SECURITY

## Subtitle A—Dedication of Savings

Sec. 401. Dedication of part B savings to social security trust funds.

## Subtitle B—Exemption of Worker Investments From Federal Corporate Income Taxes

Sec. 411. SAFE Account and SAFER Annuity investments exempt from Federal corporate income taxes.

## Subtitle C—Amendments to Balanced Budget and Emergency Deficit Control Act of 1985

Sec. 421. Dedication of budget surpluses to saving social security.

## Subtitle D—Allocation of Transfers

Sec. 431. Allocation of transfers.

1 **SEC. 2. FINDINGS.**

2 Congress makes the following findings:

1           (1) The exploding cost of social security threat-  
2           ens to become the greatest financial crisis in Amer-  
3           ican history.

4           (2) The unfunded liability of the social security  
5           system is twice as large as the national debt of the  
6           Federal Government and exceeds the combined cost  
7           of all the wars fought in our Nation's history.

8           (3) More than a financial crisis, the current so-  
9           cial security system is fast becoming a human trag-  
10          edy that will force Americans to choose between eco-  
11          nomic opportunity for their children and retirement  
12          security for their parents.

13          (4) The cause of the crisis is a debt-based sys-  
14          tem of finance. Taxes taken from today's workers  
15          are not invested in real assets to fund the retirement  
16          of those workers. Instead, that money is used to pay  
17          for the social security benefits of current retirees.

18          (5) Under current law the retirement benefits  
19          for the 77,000,000 members of the "baby boom"  
20          generation born between 1946 and 1964 and begin-  
21          ning to retire in 10 years will have to be financed  
22          with the payroll taxes paid by a dwindling number  
23          of workers.

24          (6) By the year 2042, Congress will have to  
25          choose between increasing the payroll tax by 38 per-

1 cent or reducing each social security check by 28  
2 percent.

3 (7) Such an unacceptable choice can be avoided  
4 if immediate action is taken to transition to an in-  
5 vestment-based social security system in which work-  
6 ers will be allowed to place a portion of their payroll  
7 tax dollars in private investment accounts owned by  
8 such workers.

9 (8) By making such real investments and cre-  
10 ating real wealth, the system will benefit from what  
11 Albert Einstein called the most powerful force in the  
12 universe—the power of compound interest.

13 (9) Investment-based social security would be  
14 voluntary, guaranteed by the Federal Government,  
15 owned by the individual, and protected against both  
16 inflation and cuts imposed by Congress.

17 (10) Investing today means investing in the re-  
18 tirement security of parents and grandparents; sav-  
19 ing today means saving tomorrow's economic oppor-  
20 tunity for America's children.

1   **TITLE I—AMENDMENTS TO THE**  
 2           **SOCIAL SECURITY ACT**

3   **SEC. 101. ESTABLISHMENT OF AN INVESTMENT-BASED OP-**  
 4           **TION FOR SOCIAL SECURITY BENEFITS.**

5           (a) IN GENERAL.—Title II of the Social Security Act  
 6 (42 U.S.C. 401 et seq.) is amended—

7           (1) by inserting before section 201 the fol-  
 8           lowing:

9           “PART A—DEBT-BASED SOCIAL SECURITY”;

10          and

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

12          “PART B—INVESTMENT-BASED SOCIAL SECURITY

13           “GUARANTEE OF PROMISED BENEFITS

14          “SEC. 250. Any individual electing to receive benefits  
 15 of investment-based social security under this part shall  
 16 be guaranteed a total monthly benefit not less than the  
 17 monthly benefit promised under debt-based social security  
 18 under part A, as provided in sections 257 and 258.

19           “DEFINITIONS

20          “SEC. 251. For purposes of this part—

21           “(1) INVESTING WORKER.—

22           “(A) IN GENERAL.—Except as provided in  
 23 subparagraph (B), the term ‘investing worker’  
 24 means any individual—

1 “(i) who, before, on, or after the date  
2 of enactment of this part—

3 “(I) is employed by a covered  
4 employer, or

5 “(II) is self-employed, and

6 “(ii) who elects the option of invest-  
7 ment-based social security under this part  
8 at the time of the designation described in  
9 section 252(a)(1).

10 “(B) ELIGIBILITY WAIVER REQUIRED FOR  
11 CERTAIN INDIVIDUALS.—Such term does not in-  
12 clude any individual born before January 1,  
13 1953, unless such individual requests in writing  
14 and is granted an eligibility waiver from the So-  
15 cial Security Investment Board.

16 “(2) COVERED EMPLOYER.—The term ‘covered  
17 employer’ means, for any calendar year, any person  
18 on whom an excise tax is imposed under section  
19 3111 of the Internal Revenue Code of 1986 with re-  
20 spect to having an individual in the person’s employ  
21 to whom wages are paid by such person during such  
22 calendar year.

23 “(3) SOCIAL SECURITY SAVINGS ACCOUNTS FOR  
24 EMPLOYEES (SAFE ACCOUNT).—The term ‘social se-  
25 curity savings accounts for employees’ or ‘SAFE Ac-

count’ means any individual retirement plan (as defined in section 7701(a)(37) of the Internal Revenue Code of 1986), other than a Roth IRA (as defined in section 408A(b) of such Code), which is designated by an investing worker as a SAFE Account (in such manner as the Social Security Investment Board may prescribe) and which is administered by a SAFE Investment Fund.

“(4) SOCIAL SECURITY SAVINGS ANNUITY FOR ELIGIBLE RETIREES (SAFER ANNUITY).—The term ‘social security savings annuity for eligible retirees’ or ‘SAFER Annuity’ has the meaning given such term by section 256(b)(1)(C).

“(5) SAFE INVESTMENT FUND.—The term ‘SAFE Investment Fund’ means a fund certified by the Social Security Investment Board under section 801(f)(1) of the Gramm-Leach-Bliley Act.

“(6) SOCIAL SECURITY INVESTMENT BOARD.—The term ‘Social Security Investment Board’ or ‘Board’ means the board established under section 801 of the Gramm-Leach-Bliley Act.

“(7) SAFER ANNUITY INVESTMENT FUND.—The term ‘SAFER Annuity Investment Fund’ means a fund certified by the Social Security Invest-

1       ment Board under section 801(f)(2) of the Gramm-  
2       Leach-Bliley Act.

3               “(8)               COMMISSIONER.—The               term  
4       ‘Commissioner’ means the Commissioner of Social  
5       Security.

6       “SOCIAL SECURITY SAVINGS ACCOUNTS FOR EMPLOYEES  
7                               (SAFE ACCOUNTS)

8       “SEC. 252. (a) INITIAL DESIGNATION OF SAFE AC-  
9       COUNTS BY INVESTING WORKERS.—An individual who is  
10      an investing worker shall receive or be provided with the  
11      most recent listing of SAFE Investment Funds certified  
12      for safety and soundness by the Social Security Invest-  
13      ment Board as compiled under section 801(f)(3) of the  
14      Gramm-Leach-Bliley Act, and shall designate a SAFE Ac-  
15      count not later than 10 business days after the individual  
16      becomes an investing worker.

17       “(b) TIME DESIGNATION TAKES EFFECT.—A des-  
18      ignation under subsection (a) shall take effect with respect  
19      to the first pay period beginning more than 14 days after  
20      the date of the designation.

21       “(c) INVESTING WORKER’S CONTROL OF AND PROP-  
22      ERTY RIGHT IN DESIGNATED SAFE ACCOUNT.—

23               “(1) IN GENERAL.—An investing worker shall,  
24       at the time a designation is made under subsection  
25       (a), designate the SAFE Account to which SAFE

1 Account contributions on behalf of the investing  
2 worker are to be deposited.

3 “(2) CHANGES.—The Social Security Invest-  
4 ment Board shall by regulation provide the time and  
5 manner by which an investing worker may—

6 “(A) not more than once every 12 months,  
7 designate a different SAFE Account to which  
8 contributions are to be deposited, and

9 “(B) transfer the entire balance from one  
10 such Account to another.

11 “(3) ACCOUNT IS PROPERTY OF WORKER.—  
12 Each SAFE Account designated by an investing  
13 worker is the sole property of the worker.

14 “(d) FORM OF DESIGNATIONS.—Designations under  
15 this section shall be made—

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

17 “(2) in such other manner as the Social Secu-  
18 rity Investment Board may prescribe in order to en-  
19 sure ease of administration and reductions in bur-  
20 dens on covered employers.

21 “SAFE INVESTMENT FUNDS

22 “SEC. 253. (a) IN GENERAL.—Each SAFE Account  
23 shall be administered by a SAFE Investment Fund, which  
24 shall be certified and regulated by the Social Security In-  
25 vestment Board established under section 801 of the  
26 Gramm-Leach-Bliley Act, and shall invest the assets of

1 each SAFE Account according to the rules established by  
2 the Board.

3 “(b) INVESTMENT EARNINGS REPORT.—

4 “(1) IN GENERAL.—At least annually, each  
5 SAFE Investment Fund shall provide to each invest-  
6 ing worker with a SAFE Account managed by the  
7 Fund a SAFE Investment Status Report. Such re-  
8 port may be transmitted electronically upon the  
9 agreement of the investing worker under the terms  
10 and conditions established by the Social Security In-  
11 vestment Board.

12 “(2) CONTENTS OF REPORT.—The SAFE In-  
13 vestment Status Report, with respect to a SAFE Ac-  
14 count, shall provide the following information:

15 “(A) The total SAFE Account contribu-  
16 tions made in the last quarter, the last year,  
17 and since the Account was established.

18 “(B) The amount and rate of return  
19 earned for each period described in subpara-  
20 graph (A).

21 “(C) A projection of how much the invest-  
22 ing worker will have available on the date the  
23 worker attains normal retirement age if such  
24 contributions and earnings continue at the

1 same rate during the remaining period ending  
2 with such date.

3 “(c) GUARANTEED ACCEPTANCE POLICY.—Each  
4 SAFE Investment Fund shall accept all investing workers  
5 requesting to open SAFE Accounts in the Fund.

6 “(d) MAXIMUM ADMINISTRATIVE FEE.—Each SAFE  
7 Investment Fund shall charge each investing worker in the  
8 Fund a single, uniform annual administrative fee not to  
9 exceed 0.3 percent of the value of the assets invested in  
10 the worker’s SAFE Account.

11 “SOCIAL SECURITY INVESTMENT BOARD

12 “SEC. 254. For the establishment of the Social Secu-  
13 rity Investment Board, see section 801 of the Gramm-  
14 Leach-Bliley Act.

15 “SAFE ACCOUNT CONTRIBUTIONS

16 “SEC. 255. (a) IN GENERAL.—The Secretary of the  
17 Treasury shall transfer at least quarterly for payment by  
18 the Commissioner to a SAFE Investment Fund for deposit  
19 in a SAFE Account of an investing worker, an amount  
20 equal to the base SAFE Account investment rate, plus,  
21 if applicable, the supplemental SAFE Account investment  
22 rate of the taxable wages and self-employment income of  
23 the investing worker for the taxable year as determined  
24 under chapters 2 and 21 of the Internal Revenue Code  
25 of 1986. Transfers referred to under the preceding sen-  
26 tence shall be made from that portion of the annual uni-

1 fied Federal budget surplus derived from the annual sur-  
 2 plus income of the Federal Old-Age and Survivors Insur-  
 3 ance Trust Fund. The Social Security Investment Board  
 4 may require that such transfers be made on a more fre-  
 5 quent basis, if the Board determines such frequency is fea-  
 6 sible. No transfer may be made to a SAFE Account unless  
 7 provided for under this part.

8 “(b) BASE SAFE ACCOUNT INVESTMENT RATE.—  
 9 For purposes of this part, with respect to any taxable year,  
 10 the base SAFE Account investment rate is equal to the  
 11 greater of—

12 “(1) 3.1 percent, or

13 “(2) the investment rate established under sec-  
 14 tion 259(a)(2).

15 All assets and earnings resulting from the base SAFE Ac-  
 16 count investment rate shall be identified as base SAFE  
 17 Account assets.

18 “(c) SUPPLEMENTAL SAFE ACCOUNT INVESTMENT  
 19 RATE.—For purposes of this part, with respect to any tax-  
 20 able year, in the case of any investing worker who has  
 21 attained the age of 37 but not the age of 58 on January  
 22 1, 2003, the supplemental SAFE Account investment rate  
 23 is equal to 2 percent. All assets and earnings resulting  
 24 from the supplemental SAFE Account investment rate  
 25 shall be identified as supplemental SAFE Account assets.

1       “(d) NOTICE OF CONTRIBUTIONS.—The full amount  
 2 of an investing worker’s SAFE Account contributions  
 3 shall be shown on such worker’s W–2 tax statement, as  
 4 provided in section 6051(a)(12) of the Internal Revenue  
 5 Code of 1986.

6       “SOCIAL SECURITY SAVINGS ANNUITY FOR ELIGIBLE RE-  
 7       TIREES (SAFER ANNUITIES) AND OTHER DISTRIBUTIONS

9       “SEC. 256. (a) DATE OF INITIAL DISTRIBUTION.—  
 10 Except as provided in subsection (b)(4), distributions may  
 11 only be made from a SAFE Account of an investing work-  
 12 er on and after the earliest of—

13               “(1) the date the worker attains normal retire-  
 14       ment age, as determined under section 216 (or early  
 15       retirement age (as so determined) if elected by such  
 16       worker), or

17               “(2) the date on which the worker’s base SAFE  
 18       Account assets are sufficient—

19                       “(A) to purchase a SAFER Annuity (as  
 20       defined in subsection (b)(1)(B)) with a monthly  
 21       benefit calculated as if the worker had reached  
 22       early retirement age on such date, and

23                       “(B) to fund family or survivor benefits for  
 24       related individuals as calculated under sub-  
 25       section (b)(2).

26       “(b) FORMS OF DISTRIBUTION.—

1 “(1) SAFER ANNUITY.—

2 “(A) IN GENERAL.—Except as provided in  
3 paragraph (4) and section 257, on the date de-  
4 termined under subsection (a), the investing  
5 worker shall, in a manner to be determined by  
6 the Social Security Investment Board, directly  
7 transfer sufficient assets in an amount equal  
8 to—

9 “(i) the aggregate supplemental  
10 SAFE Account assets in the worker’s  
11 SAFE Account (if any), plus

12 “(ii) sufficient base SAFE Account  
13 assets in the worker’s SAFE Account,  
14 to purchase a SAFER Annuity from a SAFER  
15 Annuity Investment Fund.

16 “(B) SAFER ANNUITY INVESTMENT  
17 FUNDS.—

18 “(i) NOTICE OF FUNDS.—An invest-  
19 ing worker shall receive or be provided  
20 with before the date of initial distribution  
21 the most recent listing of SAFER Annuity  
22 Investment Funds certified for safety and  
23 soundness by the Social Security Invest-  
24 ment Board as compiled under section  
25 801(f)(3) of the Gramm-Leach-Bliley Act.

1 “(ii) GUARANTEED ACCEPTANCE POL-  
 2 ICY.—Each SAFER Annuity Investment  
 3 Fund shall accept all investing workers re-  
 4 questing to purchase SAFER Annuities  
 5 from the Fund.

6 “(iii) MAXIMUM ADMINISTRATIVE  
 7 FEE.—Each SAFER Annuity Investment  
 8 Fund shall charge each investing worker in  
 9 the Fund a single, uniform annual admin-  
 10 istrative fee not to exceed 0.3 percent of  
 11 the total value of the assets in the worker’s  
 12 SAFER Annuity.

13 “(iv) UNIFORM TREATMENT.—Each  
 14 SAFER Annuity Investment Fund shall  
 15 provide each investing worker of the same  
 16 age the same monthly benefit relative to  
 17 the amount of SAFE Account assets trans-  
 18 ferred, regardless of sex, race, health sta-  
 19 tus, or other characteristics.

20 “(C) SOCIAL SECURITY SAVINGS ANNUITY  
 21 FOR ELIGIBLE RETIREES (SAFER ANNUITY).—  
 22 For purposes of this part, the term ‘social secu-  
 23 rity savings annuity for eligible retirees’ or  
 24 ‘SAFER Annuity’ means an annuity—

1 “(i) the annuity starting date (as de-  
 2 fined in section 72(c)(4) of the Internal  
 3 Revenue Code of 1986) of which com-  
 4 mences on the first day of the month be-  
 5 ginning after the date of the purchase of  
 6 the annuity,

7 “(ii) that, except as provided in sub-  
 8 paragraph (E), provides for a monthly pay-  
 9 ment to the worker during the life of the  
 10 worker equal to the SAFER Annuity pay-  
 11 ment determined under subparagraph (D),  
 12 and

13 “(iii) that includes such terms and  
 14 conditions as the Social Security Invest-  
 15 ment Board requires for the protection of  
 16 the annuitant.

17 “(D) SAFER ANNUITY PAYMENT.—For  
 18 purposes of this part, the SAFER Annuity pay-  
 19 ment is equal to a monthly payment equal to  
 20 the sum of—

21 “(i) 100 percent of the investing  
 22 worker’s initial primary insurance amount  
 23 (determined under section 215 as if the  
 24 worker applied for old-age insurance bene-  
 25 fits on the date determined under sub-

1 section (a)), adjusted annually for benefit  
 2 changes reflecting the rate of return on the  
 3 annuities investment by the SAFER Annu-  
 4 ity Investment Fund, plus

5 “(ii) a bonus amount equal to 20 per-  
 6 cent of that portion of the benefits de-  
 7 scribed in clause (i) which are funded by  
 8 that portion of the SAFER Annuity de-  
 9 rived from the Base SAFE Account assets  
 10 in the worker’s SAFE Account.

11 “(E) GUARANTY PAYMENT TO ENSURE  
 12 FULL PROMISED BENEFITS.—If an investing  
 13 worker purchasing a SAFER Annuity under  
 14 subparagraph (A) on the date determined under  
 15 subsection (a)(1) has insufficient assets in the  
 16 worker’s SAFE Account for such an annuity to  
 17 provide a SAFER Annuity payment, the worker  
 18 shall purchase the largest SAFER Annuity the  
 19 worker’s SAFE Account can fund, and the  
 20 worker shall be eligible for a guaranty payment  
 21 pursuant to section 258.

22 “(2) FAMILY OR SURVIVOR BENEFITS FOR RE-  
 23 LATED INDIVIDUALS.—

24 “(A) IN GENERAL.—In the case of an in-  
 25 vesting worker whose SAFE Account has more

1           than sufficient base SAFE account assets to  
 2           purchase a SAFER Annuity providing a  
 3           SAFER Annuity payment on the date deter-  
 4           mined under subsection (a), the worker shall set  
 5           aside excess base SAFE Account assets in an  
 6           amount determined by the Social Security In-  
 7           vestment Board under subparagraph (B) to  
 8           fund family or survivor benefits for related indi-  
 9           viduals entitled to such benefits under section  
 10          202 based on the wages or self-employment in-  
 11          come of the worker.

12           “(B) DETERMINATION OF SET ASIDE  
 13          AMOUNT.—The Social Security Investment  
 14          Board shall determine and the Commissioner  
 15          shall implement rules to determine the amount  
 16          of excess assets to be set aside under subpara-  
 17          graph (A) taking into account—

18                   “(i) the base SAFE Account assets, if  
 19                   any, of each related individual described in  
 20                   subparagraph (A),

21                   “(ii) the projected buildup in the base  
 22                   SAFE Account assets of such individual, if  
 23                   any, assuming distribution at normal re-  
 24                   tirement age,

1           “(iii) the SAFER Annuity, if any,  
2           such related individual is or is projected to  
3           receive, compared to the maximum benefit  
4           such related individual receives or is pro-  
5           jected to receive under part A, and

6           “(iv) the projected interest rate for  
7           the applicable period as the Board deter-  
8           mines on the set aside date.

9           “(C) USE OF SET ASIDE AMOUNT.—The  
10          assets set aside under subparagraph (A) shall  
11          be deposited in a related individual’s SAFE Ac-  
12          count, if applicable, or shall be used to fund or  
13          supplement a SAFER Annuity the starting date  
14          of which is the date the related individual is eli-  
15          gible to receive the benefits described in sub-  
16          paragraph (A).

17          “(D) PROTECTION AGAINST ADDITIONAL  
18          ASSESSMENTS.—Once a determination and set  
19          aside is made under this paragraph with respect  
20          to any related individual, the investing worker  
21          shall be held harmless for any additional  
22          amounts necessary to fund any additional bene-  
23          fits such related individual may become entitled  
24          to under section 202.

1           “(3) RIGHT TO USE EXCESS SAFE ACCOUNT AS-  
 2           SETS.—To the extent assets remain in an investing  
 3           worker’s SAFE Account after the purchase of an  
 4           annuity under paragraph (1) and a set aside of as-  
 5           sets under paragraph (2), such excess assets shall be  
 6           payable to the worker in such manner and in such  
 7           amounts as determined by the worker.

8           “(4) DISTRIBUTION IN THE EVENT OF DEATH  
 9           BEFORE THE PURCHASE OF AN ANNUITY.—If the in-  
 10          vesting worker dies before the date determined  
 11          under subsection (a), the balance in the worker’s  
 12          SAFE Account shall be distributed in the following  
 13          manner:

14               “(A) An amount equal to the present dis-  
 15               count value of the family or survivor benefits  
 16               related individuals are entitled to under section  
 17               202 based on the wages or self-employment in-  
 18               come of the worker, for deposit or use as de-  
 19               scribed in paragraph (2)(C).

20               “(B) The remainder in a lump sum, under  
 21               rules established by the Social Security Invest-  
 22               ment Board, to the worker’s estate, subject to  
 23               applicable State laws.

24               “MONEY-BACK GUARANTEE

25           “SEC. 257. On the date determined under section  
 26   256(a), an investing worker may irrevocably elect to reject

1 investment-based social security under this part for the  
 2 full benefits such worker is eligible for under part A. Upon  
 3 such election, an investing worker's eligibility under this  
 4 part shall terminate and the balance in the worker's  
 5 SAFE Account shall be distributed to the Federal Old-  
 6 Age and Survivors Insurance Trust Fund and the Federal  
 7 Disability Insurance Trust Fund in a manner to be deter-  
 8 mined by the Social Security Investment Board.

9 "GUARANTEE OF PROMISED BENEFITS

10 "SEC. 258. (a) GUARANTEE OF PROMISED BENE-  
 11 FITS.—

12 "(1) IN GENERAL.—If an investing worker re-  
 13 ceives a monthly payment from the worker's SAFER  
 14 Annuity that is less than the SAFER Annuity pay-  
 15 ment determined under section 256(b)(1)(D), the  
 16 Commissioner shall use such sums as are necessary  
 17 from the Federal Old-Age and Survivor's Insurance  
 18 Trust Fund to provide a guaranty payment to sup-  
 19 plement the SAFER Annuity and to guarantee full  
 20 payment of such worker's monthly promised bene-  
 21 fits.

22 "(2) GUARANTY PAYMENT.—For purposes of  
 23 paragraph (1), an investing worker's guaranty pay-  
 24 ment is equal to the excess of—

25 "(A) the amount which would have been  
 26 the investing worker's monthly benefit under

1 section 202, as of the date determined under  
 2 section 256(a)(1) and adjusted for benefit in-  
 3 creases reflecting the actual cost-of-living in-  
 4 creases provided under section 215, over

5 “(B) the sum of—

6 “(i) the annuity payment funded by  
 7 that portion of the base SAFE Account as-  
 8 sets in the investing worker’s SAFE Ac-  
 9 count, divided by 120 percent, plus

10 “(ii) the annuity payment, if any,  
 11 funded by the supplemental SAFE Ac-  
 12 count assets in the investing worker’s  
 13 SAFE Account.

14 “(b) PROTECTION AGAINST INFLATION.—If the as-  
 15 sets in an investing worker’s SAFE Account are sufficient  
 16 to provide a monthly payment equal to the SAFER Annu-  
 17 ity payment determined under section 256(b)(1)(D), but  
 18 in any particular year, the SAFER Annuity payment does  
 19 not equal or exceed 120 percent of the cost-of-living ad-  
 20 justed primary insurance amount such worker would have  
 21 received under part A for months in such year, the Com-  
 22 missioner shall use such sums as are necessary from the  
 23 Federal Old-Age and Survivor’s Insurance Trust Fund to  
 24 supplement the SAFER Annuity, as provided in sub-  
 25 section (a).

1 “INCREASED SAFE ACCOUNT INVESTMENT RATE

2 “SEC. 259. (a) DETERMINATION OF RATE.—

3 “(1) NOTIFICATION OF SURPLUS RECEIPTS TO  
 4 SOCIAL SECURITY TRUST FUNDS.—For years begin-  
 5 ning after 2005, upon the determination by the  
 6 Commissioner that the annual projected non-interest  
 7 receipts of the Federal Old-Age and Survivors Insur-  
 8 ance Trust Fund and the Federal Disability Insur-  
 9 ance Trust Fund exceed the annual projected costs  
 10 of providing benefits under part A, the Commis-  
 11 sioner shall notify the Social Security Investment  
 12 Board, the President, and the Congress of such sur-  
 13 plus receipts.

14 “(2) RECALCULATION OF SAFE ACCOUNT IN-  
 15 VESTMENT RATE.—Beginning after 2005, upon re-  
 16 ceiving notification under paragraph (1), the Social  
 17 Security Investment Board shall direct the Secretary  
 18 of the Treasury to increase the transfers from the  
 19 Federal Old-Age and Survivors Insurance Trust  
 20 Fund and the Federal Disability Insurance Trust  
 21 Fund under section 255 by increasing, in increments  
 22 of tenths of a percentage point, the maximum invest-  
 23 ment rate supported by such surplus receipts. Such  
 24 increase shall be determined to ensure that—

1           “(A) a base SAFE Account investment  
 2           rate shall never be less than 3.1 percent nor  
 3           more than 8 percent, and

4           “(B) a suitable reserve shall be maintained  
 5           in such Trust Funds so that benefits payable  
 6           under part A and this part can be fully funded.

7           “(3) CONTINUING RECALCULATIONS.—Addi-  
 8           tional determinations, notifications, and recalcula-  
 9           tions under this subsection shall be made to ensure  
 10          that the SAFE Account investment rate remains at  
 11          its maximum level.

12          “(4) USE OF TRUST FUNDS ASSETS.—In any  
 13          year with respect to which the annual projected sur-  
 14          plus as determined under paragraph (1) is insuffi-  
 15          cient to maintain a base SAFE Account investment  
 16          rate of 3.1 percent, the Secretary of the Treasury  
 17          shall redeem sufficient assets of the Trust Funds to  
 18          ensure that benefits under part A are fully paid and  
 19          such rate is so maintained.

20                 “TAX TREATMENT OF ACCOUNTS

21          “SEC. 260. (a) IN GENERAL.—Except as provided in  
 22          subsection (b), any SAFE Account shall be treated in the  
 23          same manner as an individual retirement plan (as defined  
 24          in section 7701(a)(37) of the Internal Revenue Code of  
 25          1986), other than a Roth IRA (as defined in section  
 26          408A(b) of such Code).

1 “(b) EXCEPTIONS.—

2 “(1) CONTRIBUTION LIMIT.—The aggregate  
3 amount of contributions for any taxable year to the  
4 SAFE Account of an investing worker shall not ex-  
5 ceed the aggregate amount of contributions trans-  
6 ferred pursuant to section 255 on behalf of such  
7 worker.

8 “(2) NO DEDUCTION ALLOWED.—No deduction  
9 shall be allowed under section 219 of the Internal  
10 Revenue Code of 1986 for a contribution to a SAFE  
11 Account.

12 “(3) ROLLOVER CONTRIBUTIONS.—No rollover  
13 contribution may be made to a SAFE Account un-  
14 less it is from another SAFE Account. A rollover de-  
15 scribed in the preceding sentence shall not be taken  
16 into account for purposes of paragraph (1).

17 “(4) TAXATION OF DISTRIBUTIONS.—

18 “(A) SAFER ANNUITY PAYMENT.—Any  
19 payment from a SAFER Annuity purchased  
20 under section 256(b)(1) shall be treated as a  
21 social security benefit for purposes of section 86  
22 of the Internal Revenue Code of 1986.

23 “(B) DISTRIBUTION OF EXCESS ASSETS.—  
24 Any distribution from a SAFE Account under  
25 section 256(b)(3) shall be includible in gross in-

1           come under rules under section 72 of such  
2           Code.

3           “(C)       OTHER       DISTRIBUTIONS.—Any  
4           amount paid to purchase a SAFER Annuity  
5           and any other distribution under section 256  
6           shall be exempt from any taxation under such  
7           Code.

8           “(c) NONAPPLICATION OF STATE TAX.—

9           “(1) IN GENERAL.—No tax, fee, or other mone-  
10          tary payment may be imposed or collected by any  
11          State, the District of Columbia, or the Common-  
12          wealth of Puerto Rico, or by any political subdivision  
13          or other governmental authority thereof, on, or with  
14          respect to—

15               “(A) any amount paid to purchase a  
16               SAFER Annuity under section 256, or

17               “(B) any distribution under section 256  
18               (other than a distribution under subsection  
19               (b)(3) thereof).

20           “(2) RULE OF CONSTRUCTION.—Paragraph  
21          (1)(A) shall not be construed to exempt any com-  
22          pany or other entity issuing an annuity contract  
23          under this section from the imposition, payment, or  
24          collection of a tax, fee, or other monetary payment  
25          on the net income or profit accruing to or realized

1 by that entity from the sale of a SAFER Annuity  
 2 under this part if that tax, fee, or payment is appli-  
 3 cable to a broad range of business activity.”.

4 (b) SAFE ACCOUNT CONTRIBUTIONS SHOWN ON  
 5 W-2’s.—

6 (1) IN GENERAL.—Section 6051(a) of the In-  
 7 ternal Revenue Code of 1986 (relating to receipts  
 8 for employees) is amended by striking “and” at the  
 9 end of paragraph (10), by striking the period at the  
 10 end of paragraph (11) and inserting “, and”, and in-  
 11 serting after paragraph (11) the following:

12 “(12) in the case of an investing worker (as de-  
 13 fined in section 251(1) of the Social Security Act),  
 14 of the amount shown pursuant to paragraph (6), the  
 15 total amount transferred to such worker’s SAFE Ac-  
 16 count under section 255 of such Act.”.

17 (2) CONFORMING AMENDMENTS.—

18 (A) Section 6051(a)(6) of such Code is  
 19 amended by inserting “and paid as tax under  
 20 section 3111” after “section 3101”.

21 (B) Section 6051(c) of such Code is  
 22 amended by inserting “and paid as tax under  
 23 section 3111” after “section 3101”.

24 (c) EFFECTIVE DATE AND NOTICE REQUIRE-  
 25 MENTS.—

1           (1) EFFECTIVE DATE.—The amendments made  
2       by this section shall apply to designations of ac-  
3       counts made with respect to payroll periods begin-  
4       ning on or after January 1, 2003.

5           (2) NOTICE REQUIREMENTS.—

6               (A) IN GENERAL.—Not later than January  
7       1, 2003, the Commissioner of Social Security  
8       shall—

9                   (i) send to the last known address of  
10           each eligible individual a description of the  
11           program established by the amendments  
12           made by this section, that shall be written  
13           in the form of a pamphlet in language that  
14           may be readily understood by the average  
15           worker,

16                   (ii) provide for toll-free access by tele-  
17           phone from all localities in the United  
18           States and access by the Internet to the  
19           Social Security Administration through  
20           which individuals may obtain information  
21           and answers to questions regarding such  
22           program, and

23                   (iii) provide information to the media  
24           in all localities of the United States about

1           such program and such toll-free access by  
2           telephone and access by Internet.

3           (B) ELIGIBLE INDIVIDUAL.—For purposes  
4           of this paragraph, the term “eligible individual”  
5           means an individual who, as of the date of the  
6           pamphlet sent pursuant to subparagraph (A), is  
7           indicated within the records of the Social Secu-  
8           rity Administration as being credited with 1 or  
9           more quarters of coverage under section 213 of  
10          the Social Security Act (42 U.S.C. 413).

11          (C) MATTERS TO BE INCLUDED.—The  
12          Commissioner of Social Security shall include  
13          with the pamphlet sent to each eligible indi-  
14          vidual pursuant to subparagraph (A)—

15               (i) a statement of the number of quar-  
16               ters of coverage indicated in the records of  
17               the Social Security Administration as of  
18               the date of the description as credited to  
19               such individual under section 213 of such  
20               Act and the date as of which such records  
21               may be considered accurate, and

22               (ii) the number for toll-free access by  
23               telephone established by the Commissioner  
24               pursuant to subparagraph (A)(ii).

1 **TITLE II—AMENDMENTS TO THE**  
 2 **INTERNAL REVENUE CODE**  
 3 **OF 1986**

4 **SEC. 201. REDUCTION OF FICA RATES RESULTING FROM IN-**  
 5 **VESTMENT-BASED SOCIAL SECURITY SYS-**  
 6 **TEM.**

7 (a) EMPLOYEE CONTRIBUTION.—Section 3101 of the  
 8 Internal Revenue Code of 1986 (relating to tax on employ-  
 9 ees) is amended—

10 (1) in the table in subsection (a)—

11 (A) by striking “1990 or thereafter” and  
 12 inserting “1990 and until the reduction year”,

13 (B) by striking the period at the end, and

14 (C) by adding at the end the following:

“The reduction year or thereafter                      The reduction year percentage.”,

15 and

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

17 “(c) REDUCTION YEAR.—For purposes of this sec-  
 18 tion, the term ‘reduction year’ means the year beginning  
 19 after the date on which the SAFE Account investment  
 20 rate established under section 259(a)(2) of the Social Se-  
 21 curity Act is 8 percent of wages (as so defined).

22 “(d) REDUCTION YEAR PERCENTAGE.—For pur-  
 23 poses of this section, the term ‘reduction year percentage’  
 24 is equal to the sum of—

1 “(1) 4 percent, plus

2 “(2) the Federal Disability Insurance Trust  
3 Fund rate of 0.9 percent under section 201(b) of the  
4 Social Security Act.”.

5 (b) EMPLOYER CONTRIBUTION.—Section 3111 of the  
6 Internal Revenue Code of 1986 (relating to tax on employ-  
7 ees) is amended—

8 (1) in the table in subsection (a)—

9 (A) by striking “1990 or thereafter” and  
10 inserting “1990 and until the reduction year”,

11 (B) by striking the period at the end, and

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

“The reduction year or thereafter                      The reduction year percentage.”,

13 and

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

15 “(c) REDUCTION YEAR.—For purposes of this sec-  
16 tion, the term ‘reduction year’ means the year beginning  
17 after the date on which the SAFE Account investment  
18 rate established under section 259(a)(2) of the Social Se-  
19 curity Act is 8 percent of wages (as so defined).

20 “(d) REDUCTION YEAR PERCENTAGE.—For pur-  
21 poses of this section, the term ‘reduction year percentage’  
22 is equal to the sum of—

23 “(1) 4 percent, plus

1           “(2) the Federal Disability Insurance Trust  
2           Fund rate of 0.9 percent under section 201(b) of the  
3           Social Security Act.”.

4           (c) SELF-EMPLOYED CONTRIBUTION.—Section 1401  
5 of the Internal Revenue Code of 1986 (relating to tax on  
6 self-employment income) is amended—

7           (1) by striking the table in subsection (a) and  
8           inserting the following:

<b>“In the case of a taxable year</b>		
<b>Beginning:</b>	<b>And:</b>	<b>The applicable percentage is:</b>
After December 31, 1989	Before the reduction year .....	12.4
In the reduction year or thereafter.	.....	The reduction year percentage ”,

9           and

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

11           “(c) REDUCTION YEAR.—For purposes of this section,  
12 the term ‘reduction year’ means the taxable year beginning  
13 after the date on which the SAFE Account investment rate  
14 established under section 259(a)(2) of the Social Security Act  
15 is 8 percent of self-employment income (as so defined).

16           “(d) REDUCTION YEAR PERCENTAGE.—For purposes of this  
17 section, the term ‘reduction year percentage’  
18 is equal to the sum of—

19           “(1) 8 percent, plus  
20

1 “(2) the Federal Disability Insurance Trust  
 2 Fund rate of 1.8 percent under section 201(b) of the  
 3 Social Security Act.”.

4 **TITLE III—AMENDMENTS TO**  
 5 **THE GRAMM-LEACH-BLILEY ACT**

6 **SEC. 301. SOCIAL SECURITY INVESTMENT BOARD**

7 (a) IN GENERAL.—The Gramm-Leach-Bliley Act is  
 8 amended by adding at the end the following new title:

9 **“TITLE VIII—SOCIAL SECURITY**  
 10 **INVESTMENT BOARD**

11 **“SEC. 801. SOCIAL SECURITY INVESTMENT BOARD.**

12 “(a) ESTABLISHMENT.—There is established in the  
 13 Executive Branch of the Government a Social Security In-  
 14 vestment Board (in this section, referred to as the  
 15 ‘Board’).

16 “(b) COMPOSITION.—The Board shall be composed  
 17 of—

18 “(1) 2 members from the private sector ap-  
 19 pointed by the President, of whom 1 shall be des-  
 20 ignated by the President as Chairman and of  
 21 whom—

22 “(A) 1 shall be appointed by the President  
 23 after taking into consideration the recommenda-  
 24 tion made by the Speaker of the House of Rep-

1           representatives in consultation with the Minority  
2           Leader of the House of Representatives, and

3                   “(B) 1 shall be appointed by the President  
4           after taking into consideration the recommenda-  
5           tion made by the Majority Leader of the Senate  
6           in consultation with the Minority Leader of the  
7           Senate,

8                   “(2) the Secretary of the Treasury,

9                   “(3) the Chairman of the Federal Reserve  
10          Board, and

11                   “(4) the Chairman of the Securities and Ex-  
12          change Commission.

13          “(c) ADVICE AND CONSENT.—Appointments under  
14          subsection (b)(1) shall be made by and with the advice  
15          and consent of the Senate.

16          “(d) MEMBERSHIP REQUIREMENTS.—Members of  
17          the Board appointed under subsection (b)(1) shall have  
18          substantial experience, training, and expertise in finance,  
19          investments, or insurance.

20          “(e) LENGTH OF APPOINTMENTS.—

21                   “(1) TERMS.—A member of the Board ap-  
22          pointed under subsection (b)(1) shall be appointed  
23          for a term of 6 years, except that of the members  
24          first appointed under subsection (b)(1)—

1           “(A) the Chairman shall be appointed for  
2 a term of 6 years, and

3           “(B) the remaining member shall be ap-  
4 pointed for a term of 3 years.

5           “(2) VACANCIES.—

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

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

15           “(3) EXPIRATION.—The term of any member  
16 shall not expire before the earlier of—

17           “(A) the date on which the member’s suc-  
18 cessor takes office, or

19           “(B) 1 year after the member’s term is  
20 scheduled to expire.

21           “(f) DUTIES.—The Board shall—

22           “(1) certify as a SAFE Investment Fund any  
23 fund that demonstrates to the satisfaction of the  
24 Board that the manner in which such Fund will ad-  
25 minister SAFE Accounts will be consistent with the

1 requirements of part B of title II of the Social Secu-  
2 rity Act and any other applicable Federal law,

3 “(2) certify as a SAFER Annuity Investment  
4 Fund any fund that demonstrates to the satisfaction  
5 of the Board that the manner in which such Fund  
6 will administer SAFER Annuities will be consistent  
7 with the requirements of such part and any other  
8 applicable Federal law,

9 “(3) provide, under a staggered schedule, an  
10 annual listing to all workers of the SAFE Invest-  
11 ment Funds and the SAFER Annuity Investment  
12 Funds certified under paragraphs (1) and (2), the  
13 performance of such Funds, and any other informa-  
14 tion concerning such Funds as the Board determines  
15 is necessary for workers to make an informed choice,

16 “(4) establish the safety and soundness stand-  
17 ards under which all SAFE Investment Funds and  
18 SAFER Annuity Investment Funds are regulated by  
19 the Federal and State agencies authorized to oversee  
20 such Funds,

21 “(5) establish policies for the investment and  
22 management of SAFE Accounts and SAFER Annu-  
23 ities, including policies applicable to each SAFE In-  
24 vestment Fund with responsibility for managing the

1 investment options designated by investing workers,  
 2 that shall provide for—

3 “(A) prudent investment instruments suit-  
 4 able for accumulating funds for payment of re-  
 5 tirement income,

6 “(B) sound diversification of investments  
 7 by each SAFE Investment Fund and SAFER  
 8 Annuity Investment Fund, including—

9 “(i) for the first 2 years beginning  
 10 after the date of enactment of part B of  
 11 title II of the Social Security Act, an over-  
 12 all portfolio for all SAFE Accounts or  
 13 SAFER Annuities of a Fund of 60 percent  
 14 stocks and 40 percent bonds, and

15 “(ii) beginning on the date which is 2  
 16 years after such date of enactment, a per-  
 17 mitted range of allocating SAFE Account  
 18 or SAFER Annuity investments in stocks,  
 19 bonds, and other instruments, taking into  
 20 account an appropriate balance of risk and  
 21 return for the age of the investing worker,  
 22 and

23 “(C) administrative, management, and bro-  
 24 kerage fees at a rate—

1                   “(i) uniform among all SAFE Ac-  
 2                   counts managed by a SAFE Investment  
 3                   Fund or all SAFER Annuities managed by  
 4                   a SAFER Annuity Investment Fund, and  
 5                   “(ii) not to exceed a total of 30 basis  
 6                   points,

7                   “(6) assess penalties, including decertification,  
 8                   against any SAFE Investment Fund or SAFER An-  
 9                   nuity Investment Fund determined by the applicable  
 10                  Federal or State agency to be in violation of the re-  
 11                  quirements of part B of title II of the Social Secu-  
 12                  rity Act and the standards described in paragraph  
 13                  (4),

14                  “(7) review and approve the budget of the  
 15                  Board,

16                  “(8) apply such statutory requirements of the  
 17                  applicable laws regulating SAFE Investment Funds  
 18                  and SAFER Annuity Funds as the Board deems  
 19                  necessary to ensure the safety and soundness of the  
 20                  funds and the protection of and full disclosure to  
 21                  participants,

22                  “(9) exempt from such statutory requirements  
 23                  of the applicable laws regulating SAFE Investment  
 24                  Funds and SAFER Annuity Funds as the Board  
 25                  deems necessary to limit the regulatory, administra-

1       tive, legal and litigation-related costs imposed on  
 2       such funds, consistent with the limit on administra-  
 3       tive expenses in section 253(d) of the Social Security  
 4       Act,

5               “(10) make recommendations to Congress for  
 6       legislation necessary—

7                       “(A) to ensure the safety and soundness of  
 8       the funds,

9                       “(B) to protect and ensure full disclosure  
 10      to participants, and

11                      “(C) to limit the regulatory, administra-  
 12      tive, legal and litigation-related costs imposed  
 13      on such funds, and

14               “(11) carry out any other duties specified under  
 15      part B of title II of the Social Security Act.

16 In carrying out its duties under paragraph (5), the Board  
 17 shall require that each SAFE Investment Fund and  
 18 SAFER Annuity Investment Fund have not more than 3  
 19 percent of its overall portfolio in any 1 stock. However,  
 20 the Board is specifically prohibited from requiring or de-  
 21 nying the purchase of a specific stock or bond.

22       “(g) ADMINISTRATIVE PROVISIONS.—

23               “(1) IN GENERAL.—The Board may—

24                       “(A) adopt, alter, and use a seal,

1           “(B) direct the Executive Director to take  
 2           such action as the Board considers appropriate  
 3           to carry out the provisions of part B of title II  
 4           of the Social Security Act and the policies of  
 5           the Board,

6           “(C) upon the concurring votes of 4 mem-  
 7           bers, remove the Executive Director from office  
 8           for good cause shown, and

9           “(D) take such other actions as may be  
 10          necessary to carry out the functions of the  
 11          Board.

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

13               “(A) not less than once during each 2-  
 14               month period, and

15               “(B) at additional times at the call of the  
 16               Chairman.

17          “(3) EXERCISE OF POWERS.—

18               “(A) IN GENERAL.—Except as provided in  
 19               paragraph (1)(C), the Board shall perform the  
 20               functions and exercise the powers of the Board  
 21               on a majority vote of a quorum of the Board.  
 22               Three members of the Board shall constitute a  
 23               quorum for the transaction of business.

24               “(B) VACANCIES.—A vacancy on the  
 25               Board shall not impair the authority of a

1           quorum of the Board to perform the functions  
2           and exercise the powers of the Board.

3       “(h) COMPENSATION.—

4           “(1) IN GENERAL.—Each member of the Board  
5       who is not an officer or employee of the Federal  
6       Government shall be compensated at the daily rate  
7       of basic pay for level IV of the Executive Schedule  
8       for each day during which such member is engaged  
9       in performing a function of the Board.

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

16       “(i) APPOINTMENT OF EXECUTIVE DIRECTOR.—

17           “(1) IN GENERAL.—The Board shall appoint,  
18       without regard to the provisions of law governing  
19       appointments in the competitive service, an Execu-  
20       tive Director by action agreed to by a majority of  
21       the members of the Board.

22           “(2) REQUIREMENTS.—The Executive Director  
23       shall have substantial experience, training, and ex-  
24       pertise in finance, investments, and insurance.

25           “(3) DUTIES.—The Executive Director shall—

1           “(A) carry out the policies established by  
2           the Board,

3           “(B) administer the provisions of part B of  
4           title II of the Social Security Act, and

5           “(C) prescribe such regulations (other than  
6           regulations relating to fiduciary responsibilities)  
7           as may be necessary for the administration of  
8           such part.

9           “(4) ADMINISTRATIVE AUTHORITY.—The Exec-  
10          utive Director may—

11           “(A) appoint such personnel as may be  
12           necessary to carry out the provisions of part B  
13           of title II of the Social Security Act,

14           “(B) subject to approval by the Board,  
15           procure the services of experts and consultants  
16           under section 3109 of title 5, United States  
17           Code,

18           “(C) secure directly from an Executive  
19           agency, the United States Postal Service, or the  
20           Postal Rate Commission any information nec-  
21           essary to carry out the provisions of such part  
22           and the policies of the Board,

23           “(D) make such payments out of sums de-  
24           scribed in subsection (l) as the Executive Direc-  
25           tor determines are necessary to carry out the

1 provisions of such part and the policies of the  
2 Board,

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

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

18 “(G) take such other actions as are appropriate  
19 to carry out the functions of the Executive Director.

20 “(j) DISCHARGE OF RESPONSIBILITIES.—The mem-  
21 bers of the Board shall discharge their responsibilities  
22 solely in the interest of SAFE Account holders and bene-  
23 ficiaries under part B of title II of the Social Security  
24 Act.

1       “(k) ANNUAL INDEPENDENT AUDIT.—The Board  
2 shall annually engage an independent qualified public ac-  
3 countant to audit the activities of the Board.

4       “(l) SOURCE OF FUNDS.—Payments authorized  
5 under this section shall be paid from the Federal Old-Age  
6 and Survivors Insurance Trust Fund.

7       “(m) SUBMISSION OF BUDGET TO CONGRESS.—The  
8 Board shall prepare and submit to the President, and, at  
9 the same time, to the appropriate committees of Congress,  
10 an annual budget of the expenses and other items relating  
11 to the Board which shall be included as a separate item  
12 in the budget required to be transmitted to Congress  
13 under section 1105 of title 31, United States Code.

14       “(n) SUBMISSION OF LEGISLATIVE RECOMMENDA-  
15 TIONS.—The Board may submit to the President, and, at  
16 the same time, shall submit to each House of Congress,  
17 any legislative recommendations of the Board relating to  
18 any of its functions under part B of title II of the Social  
19 Security Act or any other provision of law.

20       “(o) DEFINITIONS.—For purposes of this section—

21               “(1) INVESTING WORKER.—The term ‘investing  
22 worker’ has the meaning given such term by section  
23 251(1) of the Social Security Act.

24               “(2) SAFE ACCOUNT.—The term ‘SAFE Ac-  
25 count’ means any individual retirement plan (as de-

1       fined in section 7701(a)(37) of the Internal Revenue  
 2       Code of 1986), other than a Roth IRA (as defined  
 3       in section 408A(b) of such Code), which is des-  
 4       ignated by an investing worker as a SAFE Account  
 5       (in such manner as the Secretary of the Treasury  
 6       may prescribe) and which is administered by a  
 7       SAFE Investment Fund.

8           “(3) SAFER ANNUITY.—The term ‘SAFER  
 9       Annuity’ has the meaning given such term by sec-  
 10      tion 256(b)(1)(C) of the Social Security Act.

11          “(4) SAFE INVESTMENT FUND.—The term  
 12      ‘SAFE Investment Fund’ means a fund certified by  
 13      the Board under subsection (f)(1).

14          “(5) SAFER ANNUITY INVESTMENT FUND.—  
 15      The term ‘SAFER Annuity Investment Fund’  
 16      means a fund certified by the Board under sub-  
 17      section (f)(2).”.

18      (b) CONFORMING AMENDMENT.—The table of con-  
 19      tents in section 1(b) of the Gramm-Leach-Bliley Act is  
 20      amended by adding at the end the following:

“TITLE VIII—SOCIAL SECURITY INVESTMENT BOARD

“Sec. 801. Social Security Investment Board.”.

1 **TITLE IV—FINANCING OF IN-**  
2 **VESTMENT-BASED SOCIAL SE-**  
3 **CURITY**

4 **Subtitle A—Dedication of Savings**

5 **SEC. 401. DEDICATION OF PART B SAVINGS TO SOCIAL SE-**  
6 **CURITY TRUST FUNDS.**

7       In the case of fiscal years beginning after September  
8 30, 2002, the Secretary of the Treasury, in consultation  
9 with the Social Security Investment Board, shall estimate  
10 and transfer to the Federal Old-Age and Survivors Insur-  
11 ance Trust Fund and the Federal Disability Insurance  
12 Trust Fund established under section 201 of the Social  
13 Security Act (42 U.S.C. 401) within 3 months after the  
14 end of each fiscal year an amount equal to the annual  
15 savings of the Federal Government resulting from invest-  
16 ment-based social security under part B of such Act, in-  
17 cluding any additional Federal income tax receipts result-  
18 ing from SAFER Annuity bonuses and excess SAFE Ac-  
19 count distributions under such part B.

**1 Subtitle B—Exemption of Worker**  
**2 Investments From Federal Cor-**  
**3 porate Income Taxes**

**4 SEC. 411. SAFE ACCOUNT AND SAFER ANNUITY INVEST-**  
**5 MENTS EXEMPT FROM FEDERAL CORPORATE**  
**6 INCOME TAXES.**

**7** (a) IN GENERAL.—In the case of fiscal years begin-  
**8** ning after September 30, 2002, the Secretary of the  
**9** Treasury, in consultation with the Social Security Invest-  
**10** ment Board, shall estimate and transfer to the Federal  
**11** Old-Age and Survivors Insurance Trust Fund and the  
**12** Federal Disability Insurance Trust Fund established  
**13** under section 201 of the Social Security Act (42 U.S.C.  
**14** 401) within 3 months after the end of each fiscal year  
**15** an amount equal to the recapture percentage for such fis-  
**16** cal year. For purposes of the preceding sentence, the re-  
**17** capture percentage for any fiscal year shall be equal to  
**18** the percentage of corporate income tax receipts under the  
**19** Internal Revenue Code of 1986 deposited in the Treasury  
**20** for that fiscal year which are attributable to SAFE Ac-  
**21** count and SAFER Annuity investments under part B of  
**22** the Social Security Act.

**23** (b) DETERMINATION OF RECAPTURE PERCENT-  
**24** AGE.—In determining the recapture percentage under  
**25** subsection (a) for fiscal years 2001 and 2002, the Sec-

1 retary of the Treasury shall make the following assump-  
 2 tions concerning the total amount of taxable capital in the  
 3 United States represented by the total assets held by  
 4 SAFE Accounts and SAFER Annuities established under  
 5 part B of the Social Security Act:

6 (1) 80 percent of such total assets are a net ad-  
 7 dition to national investments.

8 (2) Of the amount described in paragraph (1),  
 9 90 percent will be invested domestically and subject  
 10 to Federal taxation.

11 (3) Of the amount described in paragraph (2),  
 12 95 percent will be subject to Federal corporate in-  
 13 come tax.

14 (4) The amount described in paragraph (3) is  
 15 subject to the statutory tax rate of 35 percent, cre-  
 16 ating an effective corporate income tax rate of 23.9  
 17 percent on the earnings of such assets.

18 **Subtitle C—Amendments to Bal-**  
 19 **anced Budget and Emergency**  
 20 **Deficit Control Act of 1985**

21 **SEC. 421. DEDICATION OF BUDGET SURPLUSES TO SAVING**  
 22 **SOCIAL SECURITY.**

23 (a) IN GENERAL.—In the case of fiscal years begin-  
 24 ning after September 30, 2002, from the surplus in the  
 25 total budget of the United States Government or from

1 that portion of Federal revenues directly attributable to  
 2 the surplus income of the Federal Old-Age and Survivors  
 3 Insurance Trust Fund and the Federal Disability Insur-  
 4 ance Trust Fund established under section 201 of the So-  
 5 cial Security Act (42 U.S.C. 401), the Secretary of the  
 6 Treasury shall reimburse each quarter the Federal Old-  
 7 Age and Survivors Insurance Trust Fund in an amount  
 8 equal to the amounts transferred to SAFE Accounts  
 9 under part B of such Act for that quarter.

10 (b) ADDITIONAL FISCAL RESTRAINT TO SAVE SO-  
 11 CIAL SECURITY.—

12 (1) AMENDMENT TO DISCRETIONARY SPENDING  
 13 LIMITS TO PROVIDE AN OVERALL CAP FOR FISCAL  
 14 YEARS 2003 THROUGH 2009.—Section 251(c) of the  
 15 Balanced Budget and Emergency Deficit Control  
 16 Act of 1985 is amended (2 U.S.C. 901(c))—

17 (A) in paragraph (6), by striking “and”  
 18 after the semicolon;

19 (B) in paragraph (7)—

20 (i) by redesignating subparagraphs  
 21 (A) and (B) as subparagraphs (B) and  
 22 (C), respectively,

23 (ii) by striking the period at the end  
 24 of subparagraph (C) (as so redesignated)  
 25 and inserting “; and”, and

1 (iii) by inserting before subparagraph

2 (B) (as so redesignated) the following:

3 “(A) for the discretionary category:

4 \$\_\_\_\_\_ in new budget au-

5 thority and \$\_\_\_\_\_ in out-

6 lays, reduced by the total amount of the outlays

7 in the categories described in subparagraphs

8 (B) and (C); ”; and

9 (C) by adding at the end the following:

10 “(8) with respect to each fiscal year beginning

11 with fiscal year 2004 and ending with fiscal year

12 2009, for the discretionary category:

13 \$\_\_\_\_\_ in new budget authority

14 and \$\_\_\_\_\_ in outlays;”.

15 (2) EXTENSION OF BUDGET ENFORCEMENT

16 ACT OF 1997 ENFORCEMENT PROVISIONS THROUGH

17 FISCAL YEAR 2009.—

18 (A) AMENDMENTS TO THE BALANCED

19 BUDGET AND EMERGENCY DEFICIT CONTROL

20 ACT OF 1985.—The Balanced Budget and

21 Emergency Deficit Control Act of 1985 is

22 amended—

23 (i) in section 250(c) (2 U.S.C.

24 900(c)), add at the end the following:

1           “(20) The term ‘maximum deficit amount’  
2           means zero for fiscal year 2003 and thereafter.”;

3                   (ii) in section 251(b)(2) (2 U.S.C.  
4                   901(b)(2)), in the matter before subpara-  
5                   graph (A), by striking “2002” and insert-  
6                   ing “2009”;

7                   (iii) in section 254(c)(2) (2 U.S.C.  
8                   904(c)(2)), by striking “2002” and insert-  
9                   ing “2009”;

10                  (iv) in section 254(f)(2)(A) (2 U.S.C.  
11                  904(f)(2)(A)), by striking “2002” and in-  
12                  serting “2009”; and

13                  (v) in section 275(b), by striking  
14                  “2002” and inserting “2009”.

15                  (B) CONGRESSIONAL BUDGET ACT OF  
16                  1974.—Section 904(e) of the Congressional  
17                  Budget Act of 1974 (2 U.S.C. 621 note) is  
18                  amended by striking “2002” and inserting  
19                  “2009”.

## 20   **Subtitle D—Allocation of Transfers**

### 21   **SEC. 431. ALLOCATION OF TRANSFERS.**

22           The Secretary of the Treasury, in his or her capacity  
23   as the Managing Trustee of the Federal Old-Age and Sur-  
24   vivors Insurance Trust Fund and the Federal Disability  
25   Insurance Trust Fund established under section 201 of

1 the Social Security Act (42 U.S.C. 401), shall determine  
2 the allocation of the transfers described in sections 401,  
3 411(a), and 421(a) between such Trust Funds.

○