

108TH CONGRESS  
2D SESSION

# S. 2782

To reform social security by establishing a Personal Social Security Savings Program.

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IN THE SENATE OF THE UNITED STATES

SEPTEMBER 9, 2004

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

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## A BILL

To reform social security by establishing a Personal Social Security Savings Program.

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

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

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “Social Security Personal Savings Guarantee and Pros-  
6 perity Act of 2004”.

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

Sec. 1. Short title and table of contents.

Sec. 2. Establishment of Personal Social Security Investment Program.

“PART A—INSURANCE BENEFITS

“PART B—PERSONAL SOCIAL SECURITY SAVINGS PROGRAM

“Sec. 251. Definitions.

“Sec. 252. Social Security Personal Savings Fund.

“Sec. 253. Participation in Program.

“Sec. 254. Personal social security savings accounts.

“Sec. 255. Benefit credit certificates.

“Sec. 256. Tier I Investment Fund.

“Sec. 257. Tier II Investment Fund.

“Sec. 258. Tier III Investment Options.

“Sec. 259. Personal social security savings annuity and other distributions.

“Sec. 260. Guarantee of promised benefits.

“Sec. 261. Personal Social Security Savings Account Board.

“Sec. 262. Executive Director.

Sec. 3. Adjustments to primary insurance amounts.

Sec. 4. General fund transfers to the Federal Old-Age and Survivors Insurance Trust Fund.

Sec. 5. Tax treatment of accounts.

Sec. 6. Self-Liquidating Social Security Transition Fund.

Sec. 7. Issuance of Transition Fund Bonds.

Sec. 8. Accounting for the Old-Age, Survivors, and Disability Insurance Program and the Personal Social Security Savings Program.

Sec. 9. Budgetary treatment of social security.

Sec. 10. Dedication of budget surpluses to saving social security.

Sec. 11. National spending limitation.

Sec. 12. Imposition of spending limitations on congressional budget resolutions.

Sec. 13. Reduction of FICA rates resulting from Personal Social Security Savings Program.

**1 SEC. 2. ESTABLISHMENT OF PERSONAL SOCIAL SECURITY**  
**2 INVESTMENT PROGRAM.**

**3 (a) IN GENERAL.**—Title II of the Social Security Act  
**4 is amended—**

**5 (1) by inserting before section 201 the fol-**  
**6 lowing:**

**7 “PART A—INSURANCE BENEFITS”; and**

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

**9 “PART B—PERSONAL SOCIAL SECURITY SAVINGS**  
**10 PROGRAM**

**11 “SEC. 251. DEFINITIONS.**

**12 “For purposes of this part—**

1           “(1) PARTICIPATING INDIVIDUAL.—The term  
2           ‘participating individual’ has the meaning provided  
3           in section 253(a).

4           “(2) BOARD.—The term ‘Board’ means the  
5           Personal Social Security Savings Account Board es-  
6           tablished under section 261.

7           “(3) EXECUTIVE DIRECTOR.—The term ‘Execu-  
8           tive Director’ means the Executive Director ap-  
9           pointed under section 262.

10           “(4) PERSONAL SOCIAL SECURITY SAVINGS AC-  
11           COUNT.—The term ‘personal social security savings  
12           account’ means an account established under section  
13           254(a).

14           “(5) PERSONAL SOCIAL SECURITY SAVINGS AN-  
15           NUITY.—The term ‘personal social security savings  
16           annuity’ means an annuity approved by the Board  
17           under section 259(b)(3).

18           “(6) SAVINGS FUND.—The term ‘Savings Fund’  
19           means the Social Security Personal Savings Fund  
20           established under section 252.

21           “(7) TIER I INVESTMENT FUND.—The term  
22           ‘Tier I Investment Fund’ means the trust fund cre-  
23           ated under section 256.

1           “(8) TIER II INVESTMENT FUND.—The term  
2           ‘Tier II Investment Fund’ means the trust fund cre-  
3           ated under section 257.

4           “(9) TIER III INVESTMENT OPTION.—The term  
5           ‘Tier III Investment Option’ means an investment  
6           option which is—

7                   “(A) offered by an eligible entity certified  
8                   by the Board under section 258(b); and

9                   “(B) approved by the Board under section  
10                  258(c).

11   **“SEC. 252. SOCIAL SECURITY PERSONAL SAVINGS FUND.**

12           “(a) ESTABLISHMENT OF SAVINGS FUND.—

13                   “(1) ESTABLISHMENT.—There is established in  
14           the Treasury of the United States a trust fund to  
15           be known as the ‘Social Security Personal Savings  
16           Fund’.

17                   “(2) AMOUNTS IN FUND.—The Savings Fund  
18           shall consist of all amounts transferred to or depos-  
19           ited into the Savings Fund under subsection (b), in-  
20           creased by the total net earnings from investments  
21           of sums in the Savings Fund and reduced by the  
22           total net losses from investments of the Savings  
23           Fund.

24                   “(3) TRUSTEES.—The Board shall serve as  
25           trustees of the Savings Fund.

1 “(4) BUDGET AUTHORITY; APPROPRIATION.—

2 This part constitutes budget authority in advance of  
 3 appropriations Acts and represents the obligation of  
 4 the Board to provide for the payment of amounts  
 5 provided under this part. The amounts held in the  
 6 Savings Fund are appropriated and shall remain  
 7 available without fiscal year limitation.

8 “(b) DEPOSITS INTO FUND.—

9 “(1) IN GENERAL.—During each calendar year,  
 10 the Secretary of the Treasury shall deposit into the  
 11 Savings Fund, from amounts held in the Federal  
 12 Old-Age and Survivors Insurance Trust Fund, a  
 13 total amount equal, in the aggregate, to 100 percent  
 14 of the redirected social security contribution for such  
 15 calendar year of each individual who is a partici-  
 16 pating individual for such calendar year.

17 “(2) TRANSFERS BASED ON ESTIMATES.—

18 “(A) IN GENERAL.—The amounts depos-  
 19 ited pursuant to paragraph (1) shall be trans-  
 20 ferred in at least weekly payments from the  
 21 Federal Old-Age and Survivors Insurance Trust  
 22 Fund to the Savings Fund.

23 “(B) DETERMINATION OF AMOUNTS.—The  
 24 amounts transferred under subparagraph (A)  
 25 shall be determined on the basis of estimates,

made by the Commissioner of Social Security and certified to the Secretary of the Treasury, of the wages paid to, and self-employment income derived by, participating individuals. Proper adjustments shall be made in amounts subsequently transferred to the extent prior estimates were in excess of or were less than actual amounts transferred.

“(3) REDIRECTED SOCIAL SECURITY CONTRIBUTIONS.—For purposes of paragraph (1)—

“(A) IN GENERAL.—The term ‘redirected social security contributions’ means, with respect to an individual for a calendar year, the sum of—

“(i) the product derived by multiplying—

“(I) the sum of the total wages paid to, and self-employment income derived by, such individual during such calendar year, to the extent such total wages and self-employment income do not exceed the base amount for such calendar year; by

“(II) 10 percent; and

1 “(ii) the product derived by multi-  
 2 plying—

3 “(I) the sum of the total wages  
 4 paid to, and self-employment income  
 5 derived by, such individual during  
 6 such calendar year, to the extent such  
 7 total wages and self-employment in-  
 8 come exceed the base amount (taking  
 9 into account the limits imposed by the  
 10 contribution and benefit base under  
 11 section 230); by

12 “(II) 5 percent.

13 “(B) BASE AMOUNT.—For purposes of  
 14 subparagraph (A)—

15 “(i) INITIAL BASE AMOUNT.—The  
 16 base amount for calendar year 2005 is  
 17 \$10,000.

18 “(ii) ADJUSTMENTS TO BASE  
 19 AMOUNT.—The base amount for any cal-  
 20 endar year after 2005 is the product de-  
 21 rived by multiplying \$10,000 by a frac-  
 22 tion—

23 “(I) the numerator of which is  
 24 the national average wage index (as

1 defined in section 209(k)) for the first  
 2 of the 2 preceding calendar years; and  
 3 “(II) the denominator of which is  
 4 the national average wage index (as so  
 5 defined) for 2003.

6 “(c) AVAILABILITY.—The sums in the Savings Fund  
 7 are appropriated and shall remain available without fiscal  
 8 year limitation—

9 “(1) to invest funds in the Tier I Investment  
 10 Fund of the Savings Fund and the Tier II Invest-  
 11 ment Fund of the Savings Fund under sections 256  
 12 and 257, respectively;

13 “(2) to transfer into Tier III Investment Op-  
 14 tions under section 258;

15 “(3) to make distributions in accordance with  
 16 section 259; and

17 “(4) to pay the administrative expenses of the  
 18 Board in accordance with subsection (e).

19 “(d) LIMITATIONS ON USE OF FUNDS.—

20 “(1) IN GENERAL.—Sums in the Savings Fund  
 21 credited to a participating individual’s personal so-  
 22 cial security savings account may not be used for, or  
 23 diverted to, purposes other than for the exclusive  
 24 benefit of the participating individual or the partici-  
 25 pating individual’s beneficiaries under this part.

1           “(2) ASSIGNMENTS.—Sums in the Savings  
 2           Fund may not be assigned or alienated and are not  
 3           subject to execution, levy, attachment, garnishment,  
 4           or other legal process.

5           “(e) PAYMENT OF ADMINISTRATIVE EXPENSES.—  
 6           Administrative expenses incurred to carry out this part  
 7           shall be paid out of net earnings in the Savings Fund in  
 8           conjunction with the allocation of investment earnings and  
 9           losses under section 254(c).

10          “(f) LIMITATION.—The sums in the Savings Fund  
 11          shall not be appropriated for any purpose other than the  
 12          purposes specified in this part and may not be used for  
 13          any other purpose.

14          **“SEC. 253. PARTICIPATION IN PROGRAM.**

15          “(a) PARTICIPATING INDIVIDUAL.—For purposes of  
 16          this part, the term ‘participating individual’ means any  
 17          individual—

18                 “(1)(A) who receives wages in any calendar  
 19                 year after December 31, 2004, on which there is im-  
 20                 posed a tax under section 3101(a) of the Internal  
 21                 Revenue Code of 1986, or

22                 “(B) who derives self-employment income for a  
 23                 taxable year beginning after December 31, 2004, on  
 24                 which there is imposed a tax under section 1401(a)  
 25                 of the Internal Revenue Code of 1986,

1           “(2) who is born on or after January 1, 1950,  
2           and

3           “(3) who has not filed an election to renounce  
4           such individual’s status as a participating individual  
5           under subsection (b) or has filed such an election  
6           and has subsequently filed an election to reinstate  
7           such individual’s status as a participating individual  
8           under subsection (c).

9           “(b) RENUNCIATION OF PARTICIPATION.—

10           “(1) IN GENERAL.—An individual—

11                   “(A) who has not attained retirement age  
12                   (as defined in section 216(l)(1)), and

13                   “(B) with respect to whom no distribution  
14                   has been made from amounts credited to the in-  
15                   dividual’s personal social security savings ac-  
16                   count for the purchase of a personal social se-  
17                   curity savings annuity,

18           may elect, in such form and manner as shall be pre-  
19           scribed in regulations of the Board, to renounce  
20           such individual’s status as a ‘participating indi-  
21           vidual’ for purposes of this part. Upon completion of  
22           the procedures provided for under paragraph (2),  
23           any such individual who has made such an election  
24           shall not be treated as a participating individual  
25           under this part, effective as if such individual had

1 never been a participating individual. The Board  
2 shall provide for immediate notification of such elec-  
3 tion to the Commissioner of Social Security, the Sec-  
4 retary of the Treasury, and the Executive Director.

5 “(2) PROCEDURE.—The Board shall prescribe  
6 by regulation procedures governing the termination  
7 of an individual’s status as ‘participating individual’  
8 pursuant to an election under this subsection. Such  
9 procedures shall include—

10 “(A) prompt closing of the individual’s per-  
11 sonal social security savings account established  
12 under section 254,

13 “(B) revocation of any benefit credit cer-  
14 tificate assigned to the individual’s personal so-  
15 cial security savings account under section 255,  
16 and

17 “(C) prompt transfer to the Federal Old-  
18 Age and Survivors Insurance Trust Fund as  
19 general receipts of any amount held in the Tier  
20 II Investment Fund of the Savings Fund or  
21 under a Tier III Investment Option pursuant to  
22 section 257 or 258 and credited to such individ-  
23 ual’s personal social security savings account.

24 “(c) REINSTATEMENT OF PARTICIPATION.—

1           “(1) IN GENERAL.—Any individual who has  
2       filed an election under subsection (b) to renounce  
3       such individual’s status as a ‘participating indi-  
4       vidual’ under this part may elect, in such form and  
5       manner as shall be prescribed in regulations of the  
6       Board, to reinstate such status. Such regulations  
7       shall provide for regular, periodic opportunities for  
8       the filing of such an election. The Board shall pro-  
9       vide for immediate notification to the Commissioner  
10      of Social Security, the Secretary of the Treasury,  
11      and the Executive Director of such election.

12           “(2) EFFECTIVENESS OF REINSTATEMENT.—  
13      An election under this subsection shall be effective  
14      with respect to wages earned, and self-employment  
15      income derived, on the earliest date on which the  
16      Board determines is practicable to make such elec-  
17      tion effective following the date of the filing of the  
18      election. The individual filing the election shall be  
19      treated as becoming a participating individual under  
20      this part on the effective date of the election as if  
21      such individual first met the requirements of sub-  
22      section (a) on such date.

23           “(3) IRREVOCABILITY.—An election under this  
24      subsection shall be irrevocable.

1 **“SEC. 254. PERSONAL SOCIAL SECURITY SAVINGS AC-**  
 2 **COUNTS.**

3 “(a) ESTABLISHMENT OF PUBLICLY ADMINISTERED  
 4 SYSTEM OF PERSONAL SECURITY SAVINGS ACCOUNTS.—  
 5 As soon as practicable after the later of January 1, 2005,  
 6 or the date on which an individual becomes a participating  
 7 individual under this part, the Executive Director shall es-  
 8 tablish a personal social security savings account for such  
 9 individual. Such account shall be the means by which  
 10 amounts held in the Tier I Investment Fund and the Tier  
 11 II Investment Fund of the Savings Fund under sections  
 12 256 and 257 and amounts held under Tier III Investment  
 13 Options under section 258 are credited to such individual,  
 14 under procedures which shall be established by the Board  
 15 by regulation. Each account of a participating individual  
 16 shall be identified to such participating individual by  
 17 means of the participating individual’s social security ac-  
 18 count number.

19 “(b) ACCOUNT BALANCE.—The balance in a partici-  
 20 pating individual’s account at any time is the sum of—

21 “(1) the balance in the Tier I Investment Fund  
 22 of the Savings Fund credited to such participating  
 23 individual prior to transfer of the credited amount to  
 24 the Tier II Investment Fund of the Savings Fund;  
 25 plus

26 “(2) the excess of—

1           “(A) all deposits in the Tier II Investment  
 2           Fund of the Savings Fund credited to such par-  
 3           ticipating individual’s personal social security  
 4           savings account, subject to such increases and  
 5           reductions as may result from allocations made  
 6           to and reductions made in the account pursuant  
 7           to subsection (c)(1); over

8           “(B) amounts paid out of the Tier II In-  
 9           vestment Fund in connection with amounts  
 10          credited to such participating individual’s per-  
 11          sonal social security savings account; plus  
 12          “(3) the excess of—

13          “(A) the deposits in the Tier III Invest-  
 14          ment Options credited to such participating in-  
 15          dividual’s personal social security savings ac-  
 16          count, subject to such increases and reductions  
 17          as may result from amounts credited to, and re-  
 18          ductions made in, the account pursuant to sub-  
 19          section (c)(2); over

20          “(B) amounts paid out of the Tier III In-  
 21          vestment Options of such participating indi-  
 22          vidual.

23   The calculation made under paragraph (3) shall be made  
 24   separately for each Tier III Investment Option of the par-  
 25   ticipating individual. The Board shall also hold for the

1 participating individual any benefit credit certificate as-  
 2 signed to the participating individual's personal social se-  
 3 curity savings account under section 255.

4 “(c) ALLOCATION OF EARNINGS AND LOSSES.—Pur-  
 5 suant to regulations which shall be prescribed by the  
 6 Board, the Executive Director shall allocate to each per-  
 7 sonal social security savings account an amount equal to  
 8 the net earnings and net losses from each investment of  
 9 sums—

10 “(1) in the Tier I Investment Fund and the  
 11 Tier II Investment Fund which are attributable to  
 12 sums credited to such account reduced by an appro-  
 13 priate share of the administrative expenses paid out  
 14 of the net earnings, as determined by the Executive  
 15 Director; and

16 “(2) in the Tier III Investment Options which  
 17 are attributable to sums credited to such account re-  
 18 duced by the administrative expenses paid out of the  
 19 net earnings.

20 **“SEC. 255. BENEFIT CREDIT CERTIFICATES.**

21 “(a) IN GENERAL.—As soon as is practicable after  
 22 a personal social security savings account is established  
 23 under this part with respect to any participating indi-  
 24 vidual, the Board shall certify the establishment of such  
 25 account to the Secretary of the Treasury, and, upon re-

1 ceipt of such certification, such Secretary shall assign to  
 2 the account of such individual a benefit credit certificate.  
 3 The benefit credit certificate shall be evidenced by a paper  
 4 instrument provided to the participating individual setting  
 5 forth the terms specified in this section, and stating on  
 6 its face that the certificate shall be incontestable in the  
 7 hands of the bearer, that the certificate is supported by  
 8 the full faith and credit of the United States, and that  
 9 the United States is pledged to the satisfaction of the  
 10 terms of the certificate as provided in this section.

11 “(b) VALUE.—

12 “(1) FACE VALUE.—The benefit credit certifi-  
 13 cate shall have an initial face value equal to the total  
 14 estimated actuarial present value of the future  
 15 monthly insurance benefits under section 202 to  
 16 which the participating individual would be entitled,  
 17 and to which other individuals would be entitled  
 18 under section 202 based on the participating individ-  
 19 ual’s wages and self-employment income, payable on  
 20 or after the date on which such individual becomes  
 21 entitled to old-age insurance benefits under section  
 22 202(a) (or the date of such individual’s death, if ear-  
 23 lier) determined under current law as in effect on  
 24 the date of the determination, using the assumptions  
 25 provided under paragraph (2) and taking into ac-

1 count the reduction in the participating individual's  
2 primary insurance amount under section 215(j).

3 “(2) ASSUMPTIONS.—The actuarial present  
4 value determined under paragraph (1) shall be de-  
5 termined—

6 “(A) taking into account solely wages and  
7 self-employment income credited to the partici-  
8 pating individual as of the date of the deter-  
9 mination (including any amounts creditable to  
10 such individual as of such date but not yet  
11 credited as of such date, as estimated in accord-  
12 ance with regulations which shall be prescribed  
13 by the Board),

14 “(B) assuming that the participating indi-  
15 vidual would become entitled to old-age insur-  
16 ance benefits under section 202(a) on the day  
17 such individual would attain retirement age (as  
18 defined in section 216(l)(1)), and

19 “(C) using reasonable actuarial and eco-  
20 nomic assumptions concerning mortality rates,  
21 discount rates, wage growth, and other relevant  
22 factors.

23 “(3) ADJUSTMENT TO VALUE.—Not less than  
24 annually, the Board shall update the face value of  
25 the benefit credit certificate to reflect any changes in

1 the total estimated actuarial present value of the fu-  
 2 ture monthly benefits described in paragraph (1), as  
 3 determined under this subsection as of the date of  
 4 the update.

5 “(c) REDEMPTION.—Redemption of a benefit credit  
 6 certificate assigned to a participating individual’s personal  
 7 social security savings account shall be obtained only by  
 8 means of the receipt of benefits under section 202 by indi-  
 9 viduals entitled to such benefits under part A, based on  
 10 the wages and self-employment income of such partici-  
 11 pating individual, on or after the date on which the par-  
 12 ticipating individual becomes entitled to old-age insurance  
 13 benefits under section 202(a) (or the date of such individ-  
 14 ual’s death, if earlier), taking into account section 215(j).  
 15 Payment of such benefits shall constitute full redemption  
 16 of such certificate.

17 **“SEC. 256. TIER I INVESTMENT FUND.**

18 “(a) ESTABLISHMENT OF TIER I INVESTMENT  
 19 FUND.—

20 “(1) IN GENERAL.—The Savings Fund shall in-  
 21 clude a separate fund to be known as the ‘Tier I In-  
 22 vestment Fund’.

23 “(2) AMOUNTS IN FUND.—The Tier I Invest-  
 24 ment Fund consists of all amounts derived from  
 25 payments into the Fund under section 252(b) and

1 remaining after investment of such amounts under  
 2 subsection (b), including additional amounts derived  
 3 as income from such investments.

4 “(3) USE OF FUNDS.—The amounts held in the  
 5 Fund are appropriated and shall remain available  
 6 without fiscal year limitation—

7 “(A) to be held for investment on behalf of  
 8 participating individuals under subsection (b),

9 “(B) to pay the administrative expenses re-  
 10 lated to the Fund, and

11 “(C) to make transfers from the Fund  
 12 under subsection (c)(2).

13 “(b) INVESTMENT OF FUND BALANCE.—For pur-  
 14 poses of investment of the Tier I Investment Fund, the  
 15 Board shall contract with appropriate professional asset  
 16 managers, recordkeepers, and custodians selected for in-  
 17 vestment of amounts held in the Fund, so as to provide  
 18 for investment of the balance of the Fund, in a manner  
 19 providing broad diversification in accordance with regula-  
 20 tions of the Board, in—

21 “(1) insurance contracts,

22 “(2) certificates of deposit, or

23 “(3) other instruments or obligations selected  
 24 by such asset managers,

1 which return the amount invested and pay interest, at a  
 2 specified rate or rates, on that amount during a specified  
 3 period of time.

4 “(c) SEPARATE CREDITING TO PERSONAL SOCIAL  
 5 SECURITY SAVINGS ACCOUNTS AND TRANSFERS TO THE  
 6 TIER II INVESTMENT FUND OR TO TIER III INVESTMENT  
 7 OPTIONS.—

8 “(1) CREDITING TO ACCOUNTS.—

9 “(A) IN GENERAL.—Subject to this para-  
 10 graph, the Board shall provide for prompt, sep-  
 11 arate crediting, as soon as practicable, of the  
 12 amounts deposited in the Tier I Investment  
 13 Fund to the personal social security savings ac-  
 14 count of each participating individual with re-  
 15 spect to the redirected social security contribu-  
 16 tions (as defined in section 252(b)(3)) of such  
 17 participating individual. The Board shall in-  
 18 clude in such crediting, with respect to each  
 19 such individual, any increases or decreases in  
 20 such amounts so as to reflect the net returns  
 21 and losses from investment of the balance of  
 22 the Fund prior to such crediting. For purposes  
 23 of determining such increases and decreases for  
 24 each calendar year, the amounts deposited into  
 25 the Fund in connection with such individual

1           during such calendar year shall be deemed to  
2           have been deposited on June 30 of such year.

3           “(B) TREATMENT OF MARRIED PARTICI-  
4           PATING INDIVIDUALS.—If the participating in-  
5           dividual is married as of the end of the calendar  
6           year in which the amounts to be credited were  
7           deposited in the Tier I Investment Fund and  
8           the spouse is also a participating individual, the  
9           personal social security savings account of the  
10          participating individual and the personal social  
11          security savings account of his or her spouse  
12          shall each be credited with 50 percent of such  
13          amounts.

14          “(2) TRANSFERS FROM THE TIER I INVEST-  
15          MENT FUND.—In accordance with elections filed  
16          with the Board by a participating individual, any  
17          amount credited to the personal social security sav-  
18          ings account of such participating individual under  
19          paragraph (1) shall be promptly transferred to the  
20          Tier II Investment Fund of the Savings Fund for  
21          investment in accordance with section 257 and, to  
22          the extent available under section 258, to Tier III  
23          Investment Options in accordance with section 258.

24          “(d) TREATMENT OF AMOUNTS HELD IN TIER I IN-  
25          VESTMENT FUND.—Subject to this part—

1           “(1) until amounts deposited into the Tier I In-  
 2           vestment Fund during any calendar year are cred-  
 3           ited to personal social security savings accounts,  
 4           such amounts shall be treated as the unallocated  
 5           property of all participating individuals with respect  
 6           to whom amounts were deposited in the Fund dur-  
 7           ing such year, jointly held in trust for such partici-  
 8           pating individuals in the Savings Fund, and

9           “(2) amounts deposited into the Fund which  
 10          are credited to the personal social security savings  
 11          account of a participating individual shall be treated  
 12          as property of the participating individual, held in  
 13          trust for such participating individual in the Savings  
 14          Fund.

15   **“SEC. 257. TIER II INVESTMENT FUND.**

16          “(a) ESTABLISHMENT OF TIER II INVESTMENT  
 17          FUND.—

18               “(1) IN GENERAL.—The Savings Fund shall in-  
 19               clude a separate fund to be known as the ‘Tier II  
 20               Investment Fund’.

21               “(2) AMOUNTS IN FUND.—The Tier II Invest-  
 22               ment Fund consists of all amounts derived from  
 23               payments into the Fund under section 256(c)(2) and  
 24               remaining after investment of such amounts under

1 subsection (b), including additional amounts derived  
2 as income from such investments.

3 “(3) USE OF FUNDS.—The amounts held in the  
4 Fund are appropriated and shall remain available  
5 without fiscal year limitation—

6 “(A) to be held for investment under sub-  
7 section (b),

8 “(B) to pay the administrative expenses re-  
9 lated to the Fund, and

10 “(C) to make transfers to Tier III Invest-  
11 ment Options under section 258 or to make  
12 payments under section 259.

13 “(b) PAYMENTS INTO TIER II INVESTMENT FUND.—

14 “(1) IN GENERAL.—Upon the crediting under  
15 section 252 to the personal social security savings  
16 account of a participating individual of any amount  
17 held in the Tier I Investment Fund for any calendar  
18 year, the Board shall transfer from the Tier I In-  
19 vestment Fund into the Tier II Investment Fund  
20 any amount so credited to such participating individ-  
21 ual’s account which is not transferred to a Tier III  
22 Investment Option pursuant to an election under  
23 section 258(a).

24 “(2) ONGOING SEPARATE CREDITING.—Subject  
25 to this paragraph, the Board shall provide for ongo-

1       ing separate crediting to each participating individ-  
 2       ual's personal social security savings account of the  
 3       amounts deposited in the Tier II Investment Fund  
 4       with respect to such participating individual, to-  
 5       gether with any increases or decreases therein so as  
 6       to reflect the net returns and losses from investment  
 7       thereof while held in the Fund.

8       “(c) INVESTMENT IN EQUITIES AND FIXED INCOME  
 9       INSTRUMENTS IN 3 ALTERNATIVE INVESTMENT AC-  
 10       COUNTS.—

11               “(1) IN GENERAL.—For purposes of investment  
 12       of the Tier II Investment Fund, the Board shall di-  
 13       vide the Fund into 3 investment accounts. Such ac-  
 14       counts shall consist of the 65/35 investment account,  
 15       the 50/50 investment account, and the 80/20 invest-  
 16       ment account. The Board shall contract with appro-  
 17       priate investment managers, recordkeepers, and  
 18       custodians selected for investment of amounts held  
 19       in each investment account.

20               “(2) RULES RELATING TO INVESTMENT AC-  
 21       COUNTS.—

22               “(A) IN GENERAL.—The investment man-  
 23       ager, recordkeeper, and custodian selected for  
 24       investment of amounts held in each investment  
 25       account referred to paragraph (1) shall invest

1 such amounts under regulations which shall be  
 2 prescribed by the Board so as to ensure, to the  
 3 maximum extent practicable, that, of the total  
 4 balance in the Fund credited to such account  
 5 and available for investment (after allowing for  
 6 administrative expenses)—

7 “(i) the prescribed equities percentage  
 8 is invested in equities in accordance with  
 9 paragraph (4), and

10 “(ii) the prescribed fixed income in-  
 11 struments percentage is invested in fixed  
 12 income instruments in accordance with  
 13 paragraph (5).

14 “(B) PRESCRIBED PERCENTAGES.—For  
 15 purposes of subparagraph (A)—

16 “(i) THE 65/35 INVESTMENT AC-  
 17 COUNT.—In the case of the 65/35 invest-  
 18 ment account—

19 “(I) the prescribed equities per-  
 20 centage is 65 percent, and

21 “(II) the prescribed fixed income  
 22 instruments percentage is 35 percent.

23 “(ii) THE 50/50 INVESTMENT AC-  
 24 COUNT.—In the case of the 50/50 invest-  
 25 ment account—

1 “(I) the prescribed equities per-  
2 centage is 50 percent, and

3 “(II) the prescribed fixed income  
4 instruments percentage is 50 percent.

5 “(iii) THE 80/20 INVESTMENT AC-  
6 COUNT.—In the case of the 80/20 invest-  
7 ment account—

8 “(I) the prescribed equities per-  
9 centage is 80 percent, and

10 “(II) the prescribed fixed income  
11 instruments percentage is 20 percent.

12 “(3) ELECTION OF INVESTMENT OPTIONS.—

13 “(A) DEFAULT INVESTMENT ACCOUNT.—  
14 Except as provided in an election in effect  
15 under subparagraph (B), amounts held in the  
16 Tier II Investment Fund shall be credited to  
17 the 65/35 investment account.

18 “(B) ELECTION OF TRANSFERS BETWEEN  
19 INVESTMENT ACCOUNTS.—In any case in which  
20 a participating individual who has an amount in  
21 such individual’s personal social security sav-  
22 ings account credited to any of the investment  
23 accounts in the Tier II Investment Fund files  
24 with the Secretary of the Treasury a written  
25 election under this subparagraph, not more fre-

1           quently than annually and in accordance with  
2           regulations of the Board, the Secretary of the  
3           Treasury shall transfer the full amount so cred-  
4           ited in such investment account from such in-  
5           vestment account to any one of the other invest-  
6           ment accounts in the Tier II Investment Fund  
7           (whichever is designated in such election).

8           “(4) INVESTMENT IN EQUITIES.—In accordance  
9           with regulations which shall be prescribed by the  
10          Board, the Board shall establish standards which  
11          must be met by equities selected for investment of  
12          the balance of the Tier II Investment Fund pursu-  
13          ant to paragraph (2)(A)(i). In conformity with such  
14          standards, the Board shall select, for purposes of  
15          such investment, indices which are comprised of eq-  
16          uities the aggregate market value of which is, in  
17          each case, a reasonably broad representation of com-  
18          panies whose shares are traded on the equity mar-  
19          kets. Amounts invested in equities under an invest-  
20          ment option shall be held in a portfolio designed to  
21          replicate the performance of one or more of such in-  
22          dices.

23          “(5) INVESTMENT IN FIXED INCOME INSTRU-  
24          MENTS.—In accordance with regulations which shall  
25          be prescribed by the Board, the Board shall estab-

1       lish standards which must be met by fixed income  
 2       instruments selected for investment of the balance of  
 3       the Tier II Investment Fund pursuant to paragraph  
 4       (2)(A)(ii). Such standards shall take into account  
 5       the competing considerations of risk and return.  
 6       Amounts invested in fixed income instruments in an  
 7       investment option shall be held in a portfolio which  
 8       shall consist of a diverse range of fixed income in-  
 9       struments, taking into full account the opposing con-  
 10      siderations of risk and maximization of return.

11           “(6)   DISCLOSURE    OF    ADMINISTRATIVE  
 12      COSTS.—The Executive Director shall provide to  
 13      each participating individual an annual disclosure of  
 14      the rate of administrative costs chargeable with re-  
 15      spect to investment in each investment account in  
 16      the Tier II Investment Fund. Such disclosure shall  
 17      be written in a manner calculated to be understood  
 18      by the average participating individual.

19           “(d) ADJUSTMENT OF PRESCRIBED PERCENTAGES  
 20      AND ALLOWANCE OF ADDITIONAL INVESTMENT AC-  
 21      COUNTS.—

22           “(1) IN GENERAL.—The Board may from time  
 23      to time, as determined by regulation as appropriate  
 24      to further the purposes of this section, shall—

1           “(A) prescribe by regulation adjustments  
2           to the prescribed percentages for each invest-  
3           ment account,

4           “(B) establish investment accounts in the  
5           Tier II Investment Fund meeting the require-  
6           ments of this section in addition to those estab-  
7           lished by this section, and

8           “(C) terminate investment accounts in the  
9           Tier II Investment Fund.

10          “(2) 80 PERCENT LIMIT ON EQUITIES.—No in-  
11          vestment account in the Tier II Investment Fund,  
12          after any exercise of the Board’s authority under  
13          paragraph (1), may be invested otherwise than in a  
14          combination of equities and fixed income invest-  
15          ments or have a prescribed equities percentage of  
16          more than 80 percent.

17          “(e) TREATMENT OF AMOUNTS HELD IN TIER II IN-  
18          VESTMENT FUND.—Subject to this part, amounts depos-  
19          ited into, and held and accounted for in, the Tier II In-  
20          vestment Fund with respect to any participating individual  
21          shall continue to be treated as property of such partici-  
22          pating individual, held in trust for such participating indi-  
23          vidual in the Fund.

1 **“SEC. 258. TIER III INVESTMENT OPTIONS.**

2 “(a) ELECTION OF TIER III INVESTMENT OP-  
3 TIONS.—

4 “(1) IN GENERAL.—A participating individual  
5 may elect to direct transfers from amounts in the  
6 Savings Fund credited to the personal social security  
7 savings account of such individual into 1 or more  
8 Tier III Investment Options in accordance with  
9 paragraph (2).

10 “(2) COMMENCEMENT OF TIER III INVESTMENT  
11 OPTIONS UPON ATTAINMENT OF ELECTION THRESH-  
12 OLD.—In any case in which, as of the end of any  
13 calendar year, the total balance in the Savings Fund  
14 credited to a participating individual’s personal so-  
15 cial security savings account exceeds for the first  
16 time the election threshold, the Board shall, by regu-  
17 lation, provide for an opportunity for such partici-  
18 pating individual to make, at any time thereafter,  
19 such individual’s first election of one or more of the  
20 Tier III Investment Options for investment of an  
21 amount in the Savings Fund credited to such ac-  
22 count. Such election may be in lieu of or in addition  
23 to investment in the options available with respect to  
24 the Tier II Investment Fund of the Savings Fund.

25 “(3) ALLOCATION OF FUNDS.—In the case of  
26 an election under paragraph (1), funds credited to

1 the personal social security savings account of the  
 2 participating individual and elected for transfer to  
 3 one or more Tier III Investment Options shall be  
 4 transferred to the Tier III Investment Options so  
 5 elected for such calendar year, in percentages speci-  
 6 fied in the election by the participating individual for  
 7 each applicable portfolio.

8 “(4) ELECTION THRESHOLD.—

9 “(A) IN GENERAL.—Subject to subpara-  
 10 graph (B), for purposes of this subsection the  
 11 term ‘election threshold’ means an amount  
 12 equal to \$7,000.

13 “(B) ADJUSTMENTS.—The Board shall ad-  
 14 just annually (effective for annual reporting  
 15 months occurring after December 2005) the  
 16 dollar amount set forth in subparagraph (A)  
 17 under procedures providing for adjustments in  
 18 the same manner and to the same extent as ad-  
 19 justments are provided for under the proce-  
 20 dures used to adjust benefit amounts under sec-  
 21 tion 215(i)(2)(A), except that any amount so  
 22 adjusted that is not a multiple of \$1.00 shall be  
 23 rounded to the nearest multiple of \$1.00.

24 “(5) SUBSEQUENT INVESTMENT OF AMOUNTS  
 25 HELD IN TIER III INVESTMENT OPTIONS.—Any

1 amounts held in one or more Tier III Investment  
 2 Options may be—

3 “(A) transferred at any time to one or  
 4 more other Tier III Investment Options, subject  
 5 to applicable regulations of the Board and the  
 6 terms governing the affected Tier III Invest-  
 7 ment Options, and

8 “(B) transferred, not more frequently than  
 9 annually, to the Tier II Investment Fund, for  
 10 deposit in the applicable investment account  
 11 then selected by the participating individual  
 12 under section 257.

13 “(b) CERTIFICATION OF ELIGIBLE ENTITIES.—

14 “(1) IN GENERAL.—The Board shall certify eli-  
 15 gible entities to offer Tier III Investment Options  
 16 under this part.

17 “(2) APPLICATION.—Any eligible entity that de-  
 18 sires to be certified by the Board to offer a Tier III  
 19 Investment Option shall submit an application to the  
 20 Board at such time, in such manner, and containing  
 21 such information as the Board may require.

22 “(3) REQUIREMENTS FOR APPROVAL.—The  
 23 Board shall not certify an eligible entity unless such  
 24 eligible entity agrees to the following requirements:

1           “(A) SEPARATE ACCOUNTING.—Each eligi-  
 2           ble entity shall, with respect to each Tier III  
 3           Investment Option offered by such eligible enti-  
 4           ty to participating individuals—

5                   “(i) establish separate accounts for  
 6                   the contributions of each participating in-  
 7                   dividual, and any earnings properly allo-  
 8                   cable to the contributions, and

9                   “(ii) maintain separate recordkeeping  
 10                  with respect to each account.

11           “(B) TREATMENT OF AMOUNTS HELD IN  
 12           FUND.—Amounts deposited into, and held and  
 13           accounted for in, a Tier III Investment Option  
 14           with respect to any participating individual  
 15           shall be treated as property of such partici-  
 16           pating individual, held in trust for such partici-  
 17           pating individual.

18           “(C) TRUST REQUIREMENTS.—Amounts  
 19           held and accounted for with respect to a partici-  
 20           pating individual shall be held in a trust created  
 21           or organized in the United States for the exclu-  
 22           sive benefit of such individual or his bene-  
 23           ficiaries.

24           “(D) EXEMPTION FROM THIRD PARTY  
 25           CLAIMS.—Each Tier III Investment Option

1 shall be exempt from any and all third party  
2 claims against the eligible entity.

3 “(E) DISCLOSURE OF ADMINISTRATIVE  
4 COSTS.—Each eligible entity offering a Tier III  
5 Investment Option under this section shall pro-  
6 vide to each participating individual an annual  
7 disclosure of the rate of administrative costs  
8 chargeable with respect to investment in such  
9 Option. Such disclosure shall be written in a  
10 manner calculated to be understood by the av-  
11 erage participating individual. The Board shall  
12 provide for coordination of disclosures with re-  
13 spect to Tier III Investment Options under this  
14 subparagraph so as to assist participating indi-  
15 viduals in comparing alternative Options based  
16 on administrative costs.

17 “(F) REPORTING TO THE EXECUTIVE DI-  
18 RECTOR AND THE BOARD.—Each eligible entity  
19 shall provide reports to the Executive Director  
20 and the Board at such time, in such manner,  
21 and containing such information as the Board  
22 may require.

23 “(4) ELIGIBLE ENTITY DEFINED.—For pur-  
24 poses of this section, the term ‘eligible entity’ means  
25 any investment company (as defined in section 3 of

1 the Investment Company Act of 1940) or other per-  
 2 son that the Board determines appropriate to offer  
 3 Tier III Investment Options under this part.

4 “(c) APPROVAL OF TIER III INVESTMENT OP-  
 5 TIONS.—

6 “(1) IN GENERAL.—No funds may be trans-  
 7 ferred into a Tier III Investment Option unless the  
 8 Board has approved an application submitted under  
 9 paragraph (2) with respect to the option.

10 “(2) APPLICATION.—With respect to each Tier  
 11 III Investment Option an eligible entity certified  
 12 under subsection (b)(1) seeks to offer, such entity  
 13 shall submit an application to the Board at such  
 14 time, in such manner, and containing such informa-  
 15 tion as the Board may require.

16 “(3) QUALIFICATIONS FOR APPROVAL.—The  
 17 Board may not approve an application submitted  
 18 under paragraph (2) in connection with a Tier III  
 19 Investment Option unless the following requirements  
 20 are met:

21 “(A) MUST BE OFFERED BY CERTIFIED  
 22 ELIGIBLE ENTITY.—The Tier III Investment  
 23 Option is offered by an eligible entity certified  
 24 under subsection (b).

“(B) APPROPRIATE ALLOCATION OF INVESTMENTS BETWEEN EQUITIES AND FIXED INCOME INSTRUMENTS.—The amount credited to a participating individual’s personal social security savings account which is held for investment in any Tier III Investment Option is invested in a combination of equities and fixed income instruments so as to ensure, to the maximum extent practicable, that the percentage of such amount invested in equities is not more than 85 percent and not less than 45 percent.

“(C) QUALITY FACTORS MET.—

“(i) IN GENERAL.—The Tier III Investment Option meets qualifications which shall be prescribed by the Board relating to the quality factors described in clause (ii).

“(ii) QUALITY FACTORS.—The quality factors described in this clause are—

“(I) the safety and soundness of the Tier III Investment Option’s proposed investment policy;

“(II) the experience and record of performance of the proposed investment option, if any;

1 “(III) the experience and record  
 2 of performance of the entity issuing or  
 3 offering such option; and

4 “(IV) such other factors as the  
 5 Board may determine appropriate.

6 “(d) CONSIDERATIONS FOR CERTIFICATION AND AP-  
 7 PROVAL.—In determining whether to certify an eligible en-  
 8 tity under subsection (b) or to approve a Tier III Invest-  
 9 ment Option under subsection (c), the Board shall—

10 “(1) act in the best interests of the partici-  
 11 pating individuals;

12 “(2) base its determination solely on consider-  
 13 ations of balancing safety and soundness of the Tier  
 14 III Investment Option with the maximization of re-  
 15 turns of such option; and

16 “(3) not base any determination related to the  
 17 entity or option on political or other extraneous con-  
 18 siderations.

19 “(e) SPONSORSHIP OF TIER III INVESTMENT OP-  
 20 TIONS BY MEMBERSHIP AND LABOR ORGANIZATIONS.—

21 “(1) IN GENERAL.—A membership or labor or-  
 22 ganization (as defined by the Board) may sponsor  
 23 Tier III Investment Options under contracts with el-  
 24 igible entities certified under subsection (b) who  
 25 shall administer the investment option if such invest-

1       ment option is approved by the Board under sub-  
2       section (c).

3               “(2) LIMITATION TO MEMBERSHIP.—A mem-  
4       bership or labor organization (as so defined) may  
5       limit to the members of such organization participa-  
6       tion in a Tier III Investment Option sponsored by  
7       such organization.

8               “(f) DISTRIBUTIONS IN CASE OF DEATH.—Upon the  
9       death of a participating individual, the amount of any as-  
10      sets held under a Tier III Investment Option credited to  
11      the personal social security savings account of such indi-  
12      vidual shall be distributed in accordance with section  
13      259(e).

14   **“SEC. 259. PERSONAL SOCIAL SECURITY SAVINGS ANNUITY**  
15               **AND OTHER DISTRIBUTIONS.**

16               “(a) DATE OF INITIAL DISTRIBUTION.—Except as  
17      provided in subsection (e), distributions may be made to  
18      a participating individual only from amounts credited to  
19      the personal social security savings account of such indi-  
20      vidual on and after the earliest of—

21               “(1) the date the participating individual at-  
22      tains retirement age (as defined in section 216(l)(1))  
23      or, if elected by the individual, early retirement age  
24      (as defined in section 216(l)(2)); or

1           “(2) the date on which the amount credited to  
 2           the participating individual’s personal social security  
 3           savings account is sufficient to purchase a personal  
 4           social security savings annuity with a monthly ben-  
 5           efit that is at least equal to the minimum annuity  
 6           payment amount (as defined in subsection  
 7           (b)(2)(C)(iii)).

8           “(b) PERSONAL SOCIAL SECURITY SAVINGS ANNU-  
 9 ITIES.—

10           “(1) NOTICE OF AVAILABLE ANNUITIES.—Not  
 11           later than the date determined under subsection (a),  
 12           the Board shall notify each participating individual  
 13           of—

14                   “(A) the most recent listing of personal so-  
 15                   cial security savings annuities approved by the  
 16                   Board under paragraph (3); and

17                   “(B) the entitlement of the participating  
 18                   individual to purchase such an annuity.

19           “(2) PURCHASE OF ANNUITIES.—

20                   “(A) SELECTION OF ANNUITY.—Subject to  
 21                   subparagraph (C), on the date elected by the  
 22                   participating individual, but no earlier than the  
 23                   date determined under subsection (a), a partici-  
 24                   pating individual may purchase a personal so-  
 25                   cial security savings annuity selected from

1 among the annuities approved by the Board  
 2 under paragraph (3).

3 “(B) TRANSFER OF ASSETS.—Upon the  
 4 selection of an annuity by a participating indi-  
 5 vidual under subparagraph (A), the Board shall  
 6 provide for the transfer of assets, credited to  
 7 the personal social security savings account of  
 8 the participating individual and held in the Tier  
 9 II Investment Fund or under 1 or more Tier  
 10 III Investment Options (or any combination  
 11 thereof), in a total amount sufficient to pur-  
 12 chase the annuity selected by the participating  
 13 individual under such subparagraph.

14 “(C) MINIMUM ANNUITY PAYMENT  
 15 AMOUNT.—

16 “(i) IN GENERAL.—If, at the time a  
 17 personal social security savings annuity is  
 18 purchased under subparagraph (A), the as-  
 19 sets credited to the personal social security  
 20 savings account of the participating indi-  
 21 vidual are sufficient to purchase a personal  
 22 social security savings annuity approved by  
 23 the Board under paragraph (3) with a  
 24 monthly payment that is at least equal to  
 25 the minimum annuity payment amount,

1 the amount of the monthly benefit pro-  
 2 vided by such annuity may not be less than  
 3 the minimum annuity payment amount.

4 “(ii) CONSTRUCTION.—Nothing in  
 5 this subparagraph shall be construed to  
 6 prohibit a participating individual from  
 7 using personal social security savings ac-  
 8 count assets to purchase a personal social  
 9 security savings annuity which provides for  
 10 a monthly payment in excess of the min-  
 11 imum amount required under clause (i).

12 “(iii) MINIMUM ANNUITY PAYMENT  
 13 AMOUNT DEFINED.—For purposes of this  
 14 part, the term ‘minimum annuity payment  
 15 amount’ means, in connection with any  
 16 participating individual, the excess of—

17 “(I) the deemed total part A  
 18 monthly benefit amount with respect  
 19 to the participating individual, deter-  
 20 mined as if section 215(j) did not  
 21 apply, over

22 “(II) the deemed total part A  
 23 monthly benefit amount with respect  
 24 to the participating individual, deter-

1           mined with the application of section  
2           215(j).

3           “(iv) DEEMED TOTAL PART A MONTH-  
4           LY BENEFIT AMOUNT.—

5                   “(I) IN GENERAL.—For purposes  
6           of clause (iii), the term ‘deemed total  
7           part A monthly benefit amount’  
8           means, with respect to a participating  
9           individual, the total amount which  
10          would be payable as monthly insur-  
11          ance benefits under section 202 for  
12          the month in which the participating  
13          individual attains or would attain  
14          early retirement age (as defined in  
15          section 216(l)(2)), based on the par-  
16          ticipating individual’s wages and self-  
17          employment income, if the partici-  
18          pating individual applied for old-age  
19          insurance benefits under section  
20          202(a) during such month and all  
21          other individuals who would therefore  
22          be eligible for benefits under section  
23          202 for such month based on such  
24          wages and self-employment income

1 applied for such benefits during such  
2 month.

3 “(II) ASSUMPTIONS.—For pur-  
4 poses of this clause, in the case of a  
5 participating individual with respect  
6 to whom determinations under this  
7 clause are made prior to the month  
8 described in subclause (I), the partici-  
9 pating individual’s average indexed  
10 monthly earnings (within the meaning  
11 of section 215(b)) for such month  
12 shall be projected, under regulations  
13 which shall be prescribed by the  
14 Board, on the basis of reasonable ac-  
15 tuarial assumptions, and the Board  
16 shall assume the survival through the  
17 end of such month of all other individ-  
18 uals described in subclause (I).

19 “(3) APPROVAL OF PERSONAL SOCIAL SECU-  
20 RITY SAVINGS ANNUITIES AND ISSUERS.—

21 “(A) CERTIFICATION OF ISSUERS.—

22 “(i) IN GENERAL.—The Board shall  
23 certify issuers eligible to enter into annuity  
24 contracts with participating individuals  
25 under this part.

1           “(ii) APPLICATION.—Any issuer that  
2           desires to be certified by the Board to  
3           issue a personal social security savings an-  
4           nuity shall submit an application to the  
5           Board at such time, in such manner, and  
6           containing such information as the Board  
7           may require.

8           “(iii) SEPARATE ACCOUNTING.—As a  
9           condition of certification under paragraph  
10          (1), each issuer shall, with respect to each  
11          personal social security savings annuity  
12          issued by such issuer to participating indi-  
13          viduals—

14               “(I) establish a separate account  
15               for each participating individual, and

16               “(II) maintain separate record-  
17               keeping with respect to each account.

18          “(iv) EXEMPTION FROM THIRD PARTY  
19          CLAIMS.—Each personal social security  
20          savings annuity shall be exempt from any  
21          and all third party claims against the  
22          issuer.

23          “(B) APPROVAL OF PERSONAL SOCIAL SE-  
24          CURITY SAVINGS ANNUITIES.—

1           “(i) IN GENERAL.—No funds may be  
 2           used to purchase a personal social security  
 3           savings annuity unless the Board has ap-  
 4           proved an application submitted under  
 5           clause (ii) with respect to the annuity.

6           “(ii) APPLICATION.—With respect to  
 7           each personal social security savings annu-  
 8           ity that an issuer certified under subpara-  
 9           graph (A)(i) seeks to issue, such issuer  
 10          shall submit an application to the Board at  
 11          such time, in such manner, and containing  
 12          such information as the Board may re-  
 13          quire.

14          “(iii) QUALIFICATIONS FOR AP-  
 15          PROVAL.—

16               “(I) IN GENERAL.—The Board  
 17               may not approve an application under  
 18               clause (i) unless the personal social  
 19               security savings annuity that is the  
 20               subject of the application meets quali-  
 21               fications which shall be prescribed by  
 22               the Board relating to the quality fac-  
 23               tors described in subclause (II) and  
 24               the application demonstrates that the

1 cost-of-living protection requirement  
2 described in subclause (III) are met.

3 “(II) QUALITY FACTORS.—The  
4 quality factors described in this sub-  
5 paragraph include the safety and  
6 soundness of the annuity, the experi-  
7 ence and record of performance of the  
8 issuer issuing the annuity, and such  
9 other factors as the Board may deter-  
10 mine appropriate.

11 “(III) COST-OF-LIVING PROTEC-  
12 TION REQUIREMENT.—The cost-of-liv-  
13 ing requirement of this subclause is  
14 met only if the terms governing the  
15 annuity include procedures providing  
16 for adjustments in the amount of the  
17 monthly payments in the same man-  
18 ner and to the same extent as adjust-  
19 ments are provided for under the pro-  
20 cedures used to adjust benefit  
21 amounts under section 215(i)(2)(A).  
22 Nothing in this subclause shall be  
23 construed to preclude the terms gov-  
24 erning such an annuity from pro-  
25 viding for adjustments in the amount

1 of monthly payments resulting in a  
2 payment for any month greater than  
3 the payment for that month that  
4 would result from adjustments re-  
5 quired under the preceding sentence.

6 “(c) PURCHASE OF ANNUITIES IN THE EVENT OF IN-  
7 SUFFICIENT ASSETS.—If a participating individual desires  
8 to purchase a personal social security savings annuity  
9 under subsection (b) on or after the date determined  
10 under subsection (a)(1) and the assets of the personal so-  
11 cial security savings account of such individual are insuffi-  
12 cient to purchase a personal social security savings annu-  
13 ity that provides for a monthly payment that is at least  
14 equal to the minimum annuity payment amount (as de-  
15 fined in subsection (b)(2)(C)(iii)), the participating indi-  
16 vidual shall purchase the largest personal social security  
17 savings annuity that the participating individual’s per-  
18 sonal social security savings account can fund and that  
19 otherwise meets the requirements of subsection (b) (in-  
20 cluding the cost-of-living protection requirement of sub-  
21 section (b)(3)(B)(iii)(III), and the Board shall provide for  
22 appropriate certification to the Secretary of the Treasury  
23 with respect to the participating individual’s eligibility for  
24 guarantee payments under section 260.

1       “(d) RIGHT TO USE EXCESS PERSONAL SOCIAL SE-  
 2       CURITY SAVINGS ACCOUNT ASSETS.—To the extent assets  
 3       credited to a participating individual’s personal social se-  
 4       curity savings account remain after the purchase of an an-  
 5       nuity under subsection (b), the remaining assets shall be  
 6       payable to the participating individual at such time, in  
 7       such manner, and in such amounts as the participating  
 8       individual may specify.

9       “(e) DISTRIBUTIONS IN CASE OF DEATH.—If the  
 10      participating individual dies before all amounts which are  
 11      held in the Tier I Investment Fund or the Tier II Invest-  
 12      ment Fund of the Savings Fund or held under a Tier III  
 13      Investment Option and which are credited to the personal  
 14      social security savings account of the individual are other-  
 15      wise distributed in accordance with this section, such  
 16      amounts shall be distributed, under regulations which  
 17      shall be prescribed by the Board—

18               “(1) in any case in which one or more bene-  
 19      ficiaries have been designated in advance, to such  
 20      beneficiaries in accordance with such designation as  
 21      provided in such regulations, and

22               “(2) in the case of any amount not distributed  
 23      as described in paragraph (1), to such individual’s  
 24      estate.

1       “(f) PERSONAL SOCIAL SECURITY SAVINGS ANNU-  
 2     ITY.—For purposes of this part, the term ‘personal social  
 3     security savings annuity’ means an annuity that meets the  
 4     following requirements:

5           “(1) The annuity starting date (as defined in  
 6     section 72(c)(4) of the Internal Revenue Code of  
 7     1986) commences on the first day of the month be-  
 8     ginning after the date of the purchase of the annu-  
 9     ity.

10          “(2) The terms of the annuity provide, except  
 11     in any case described in subsection (c), for a month-  
 12     ly payment to the participating individual during the  
 13     life of the participating individual equal to at least  
 14     the minimum annuity payment amount (as defined  
 15     in subsection (b)(2)(C)(iii)).

16          “(3) The terms of the annuity include such  
 17     terms and conditions as the Board requires for the  
 18     protection of the annuitant (including terms meeting  
 19     the cost-of-living requirement of subsection  
 20     (b)(3)(B)(iii)(III)).

21     **“SEC. 260. GUARANTEE OF PROMISED BENEFITS.**

22          “(a) IN GENERAL.—If, for any month ending after  
 23     the date on which a participating individual attains retire-  
 24     ment age (as defined in section 216(l)(1)), the monthly  
 25     payment under a participating individual’s personal social

1 security savings annuity is less than the minimum annuity  
 2 payment amount (as defined in section 259(b)(2)(C)(iii)),  
 3 adjusted as provided in section 259(b)(3)(B)(iii)(III), the  
 4 Board shall so certify to the Secretary of the Treasury  
 5 and, upon receipt of such certification, such Secretary  
 6 shall provide to the participating individual, from amounts  
 7 in the Federal Old-Age and Survivors Insurance Trust  
 8 Fund, a guaranty payment for such month to supplement  
 9 the personal social security savings annuity and to guar-  
 10 antee full payment of such individual's monthly promised  
 11 benefits.

12 “(b) GUARANTY PAYMENT.—For purposes of sub-  
 13 section (a), a participating individual's guaranty payment  
 14 for any month is equal to the excess of—

15 “(1) the minimum annuity payment amount (as  
 16 defined in section 259(b)(2)(C)(iii)), adjusted as  
 17 provided in section 259(b)(3)(B)(iii)(III); over

18 “(2) the payment for such month of the per-  
 19 sonal social security savings annuity purchased by  
 20 the participating individual.

21 “(c) PROTECTION OF PART A NORMAL RETIREMENT  
 22 BENEFIT LEVELS.—

23 “(1) IN GENERAL.—In any case in which, for  
 24 any month ending after the date on which a partici-

1       pating individual attains retirement age (as defined  
2       in section 216(l)(1))—

3               “(A) such individual’s assumed total nor-  
4               mal retirement part A benefit for such month,  
5               determined without the application of section  
6               215(j), exceeds—

7               “(B) the sum of—

8                       “(i) such individual’s assumed total  
9                       normal retirement part A benefit for such  
10                      month, determined with the application of  
11                      section 215(j), plus

12                     “(ii) the monthly payment payable for  
13                     such month under such individual’s per-  
14                     sonal social security savings annuity,

15       the Secretary of the Treasury shall pay to such indi-  
16       vidual for such month, from amounts in the Federal  
17       Old-Age and Survivors Insurance Trust Fund, an  
18       additional amount (if any) equal to the excess of the  
19       amount described in subparagraph (A) over the  
20       amount described in subparagraph (B).

21               “(2) DEFINITION.—For purposes of this sub-  
22       section, the term ‘assumed total normal retirement  
23       part A benefit’ means, in connection with a partici-  
24       pating individual, the total amount of monthly insur-  
25       ance benefits under section 202 based on such indi-

1       vidual's wages and self-employment income (ad-  
 2       justed by taking into account adjustments under sec-  
 3       tion 215(i)) that would have been payable if such in-  
 4       dividual applied for old-age insurance benefits under  
 5       section 202(a) during the month in which such indi-  
 6       vidual attains retirement age (as defined in section  
 7       216(l)(1)).

8       **“SEC. 261. PERSONAL SOCIAL SECURITY SAVINGS ACCOUNT**  
 9               **BOARD.**

10       “(a) ESTABLISHMENT.—There is established in the  
 11       executive branch of the Government a Personal Social Se-  
 12       curity Savings Account Board.

13       “(b) COMPOSITION.—The Board shall be composed  
 14       of—

15               “(1) 3 members appointed by the President, of  
 16       whom 1 shall be designated by the President as  
 17       Chairman; and

18               “(2) 2 members appointed by the President, of  
 19       whom—

20               “(A) 1 shall be appointed by the President  
 21       after taking into consideration the recommenda-  
 22       tion made by the Speaker of the House of Rep-  
 23       resentatives in consultation with the Minority  
 24       Leader of the House of Representatives; and

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

6           “(c) ADVICE AND CONSENT.—Appointments under  
 7           subsection (b) shall be made by and with the advice and  
 8           consent of the Senate.

9           “(d) MEMBERSHIP REQUIREMENTS.—Members of  
 10          the Board shall have substantial experience, training, and  
 11          expertise in the management of financial investments and  
 12          pension benefit plans.

13          “(e) LENGTH OF APPOINTMENTS.—

14                 “(1) TERMS.—A member of the Board shall be  
 15                 appointed for a term of 4 years, except that of the  
 16                 members first appointed under subsection (b)—

17                         “(A) the Chairman shall be appointed for  
 18                         a term of 4 years;

19                         “(B) the members appointed under sub-  
 20                         section (b)(2) shall be appointed for terms of 3  
 21                         years; and

22                         “(C) the remaining members shall be ap-  
 23                         pointed for terms of 2 years.

24                 “(2) VACANCIES.—

1           “(A) IN GENERAL.—A vacancy on the  
 2           Board shall be filled in the manner in which the  
 3           original appointment was made and shall be  
 4           subject to any conditions that applied with re-  
 5           spect to the original appointment.

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

10          “(3) EXPIRATION.—The term of any member  
 11          shall not expire before the date on which the mem-  
 12          ber’s successor takes office.

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

14               “(1) administer the program established under  
 15               this part;

16               “(2) establish policies for the investment and  
 17               management of the Savings Fund, including the  
 18               Tier I Investment Fund and the Tier II Investment  
 19               Fund, and amounts held under Tier III Investment  
 20               Options, including policies applicable to the asset  
 21               managers, recordkeepers, and custodians with re-  
 22               sponsibility for managing the investment of amounts  
 23               credited to personal social security investment ac-  
 24               counts, and for the management and operation of

1       personal social security savings annuities, which  
2       shall provide for—

3               “(A) prudent investments suitable for ac-  
4               cumulating funds for payment of retirement in-  
5               come;

6               “(B) sound management practices; and

7               “(C) low administrative costs;

8               “(3) review the performance of investments  
9       made for the Tier I Investment Fund and the Tier  
10      II Investment Fund;

11              “(4) review the performance of investments  
12      made under Tier III Investment Options;

13              “(5) review the management and operation of  
14      personal social security savings annuities;

15              “(6) review and approve the budget of the  
16      Board; and

17              “(7) comply with the fiduciary requirements of  
18      part 4 of subtitle B of title I of the Employee Re-  
19      tirement Income Security Act of 1974 (relating to fi-  
20      duciary responsibility) in connection with any exer-  
21      cise of discretion in connection with the assets of the  
22      Savings Fund.

23      “(g) ADMINISTRATIVE PROVISIONS.—

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

25              “(A) adopt, alter, and use a seal;

1           “(B) except as provided in paragraph (4),  
 2           direct the Executive Director to take such ac-  
 3           tion as the Board considers appropriate to  
 4           carry out the provisions of this part and the  
 5           policies of the Board in accordance with delega-  
 6           tions under this part;

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

10          “(D) provide to the Executive Director  
 11          such resources as are necessary to carry out the  
 12          duties of the Executive Director; and

13          “(E) take such other actions as may be  
 14          necessary to carry out the functions of the  
 15          Board.

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

17               “(A) not less than once during each  
 18               month; and

19               “(B) at additional times at the call of the  
 20               Chairman.

21          “(3) EXERCISE OF POWERS.—

22               “(A) IN GENERAL.—Except as provided in  
 23               paragraph (1)(C), the Board shall perform the  
 24               functions and exercise the powers of the Board  
 25               on a majority vote of a quorum of the Board.

1           Three members of the Board shall constitute a  
2           quorum for the transaction of business.

3           “(B) VACANCIES.—A vacancy on the  
4           Board shall not impair the authority of a  
5           quorum of the Board to perform the functions  
6           and exercise the powers of the Board.

7           “(4) LIMITATIONS ON INVESTMENTS.—The  
8           Board may not direct any person to invest or to  
9           cause to be invested any sums in the Tier II Invest-  
10          ment Fund or any personal social security invest-  
11          ment account in a specific asset or to dispose of or  
12          cause to be disposed of any specific asset of such  
13          Fund or any such account.

14          “(h) COMPENSATION.—

15               “(1) IN GENERAL.—Each member of the Board  
16               who is not an officer or employee of the Federal  
17               Government shall be compensated at the daily rate  
18               of basic pay for level IV of the Executive Schedule  
19               for each day during which such member is engaged  
20               in performing a function of the Board.

21               “(2) EXPENSES.—A member of the Board shall  
22               be paid travel, per diem, and other necessary ex-  
23               penses under subchapter I of chapter 57 of title 5,  
24               United States Code, while traveling away from such

1 member's home or regular place of business in the  
 2 performance of the duties of the Board.

3 “(3) SOURCE OF FUNDS.—Payments authorized  
 4 under this subsection shall be paid from the Tier I  
 5 Investment Fund or the Tier II Investment Fund,  
 6 as determined appropriate by the Board.

7 “(i) DISCHARGE OF RESPONSIBILITIES.—The mem-  
 8 bers of the Board shall discharge their responsibilities  
 9 solely in the interest of the participating individuals and  
 10 their beneficiaries under this part.

11 “(j) ANNUAL INDEPENDENT AUDIT.—The Board  
 12 shall annually engage an independent qualified public ac-  
 13 countant to audit the activities of the Board.

14 “(k) SUBMISSION OF BUDGET TO CONGRESS.—The  
 15 Board shall prepare and submit to the President, and, at  
 16 the same time, to the appropriate committees of Congress,  
 17 an annual budget of the expenses and other items relating  
 18 to the Board which shall be included as a separate item  
 19 in the budget required to be transmitted to Congress  
 20 under section 1105 of title 31, United States Code.

21 “(l) SUBMISSION OF LEGISLATIVE RECOMMENDA-  
 22 TIONS.—The Board may submit to the President, and, at  
 23 the same time, shall submit to each House of Congress,  
 24 any legislative recommendations of the Board relating to

1 any of its functions under this part or any other provision  
 2 of law.

3 **“SEC. 262. EXECUTIVE DIRECTOR.**

4 “(a) APPOINTMENT OF EXECUTIVE DIRECTOR.—The  
 5 Board shall appoint, without regard to the provisions of  
 6 law governing appointments in the competitive service, an  
 7 Executive Director by action agreed to by a majority of  
 8 the members of the Board.

9 “(b) DUTIES.—The Executive Director shall, as de-  
 10 termined appropriate by the Board—

11 “(1) carry out the policies established by the  
 12 Board;

13 “(2) invest and manage the Tier I Investment  
 14 Fund and the Tier II Investment Fund in accord-  
 15 ance with the investment policies and other policies  
 16 established by the Board;

17 “(3) administer the provisions of this part re-  
 18 lating to the Tier I Investment Fund and the Tier  
 19 II Investment Fund; and

20 “(4) prescribe such regulations (other than reg-  
 21 ulations relating to fiduciary responsibilities) as may  
 22 be necessary for the administration of this part re-  
 23 lating to the Tier I Investment Fund and the Tier  
 24 II Investment Fund.

1       “(c) ADMINISTRATIVE AUTHORITY.—The Executive  
2 Director may, within the scope of the duties of the Execu-  
3 tive Director as determined by the Board—

4           “(1) appoint such personnel as may be nec-  
5 essary to carry out the provisions of this part relat-  
6 ing to the Tier I Investment Fund and the Tier II  
7 Investment Fund;

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

11          “(3) secure directly from an Executive agency,  
12 the United States Postal Service, or the Postal Rate  
13 Commission any information necessary to carry out  
14 the provisions of this part and the policies of the  
15 Board relating to the Tier I Investment Fund and  
16 the Tier II Investment Fund;

17          “(4) make such payments out of sums in the  
18 Tier I Investment Fund and the Tier II Investment  
19 Fund as the Executive Director determines, in ac-  
20 cordance with regulations of the Board, are nec-  
21 essary to carry out the provisions of this part and  
22 the policies of the Board;

23          “(5) pay the compensation, per diem, and travel  
24 expenses of individuals appointed under paragraphs  
25 (1), (2), and (6) from the Tier I Investment Fund

1 or the Tier II Investment Fund, in accordance with  
2 regulations of the Board;

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

9 “(7) except as otherwise expressly prohibited by  
10 law or the policies of the Board, delegate any of the  
11 Executive Director’s functions to such employees  
12 under the Board as the Executive Director may des-  
13 ignate and authorize such successive redelegations of  
14 such functions to such employees under the Board  
15 as the Executive Director may consider to be nec-  
16 essary or appropriate; and

17 “(8) take such other actions as are appropriate  
18 to carry out the functions of the Executive Direc-  
19 tor.”.

20 (b) EFFECTIVE DATE.—The amendments made by  
21 this section shall apply with respect to wages paid after  
22 December 31, 2004, for pay periods ending after such  
23 date and self-employment income for taxable years begin-  
24 ning after such date.

1 **SEC. 3. ADJUSTMENTS TO PRIMARY INSURANCE AMOUNTS.**

2 (a) IN GENERAL.—Section 215 of the Social Security  
3 Act (42 U.S.C. 415) is amended by adding at the end the  
4 following new subsection:

5 “Adjustment of Primary Insurance Amount in Relation  
6 to Deposits Made to Personal Social Security Sav-  
7 ings Accounts

8 “(j)(1) Except as provided in paragraph (3), the pri-  
9 mary insurance amount of a participating individual under  
10 the Personal Social Security Savings Accounts Program  
11 under part B of this title, as determined in accordance  
12 with this section before adjustments made under sub-  
13 section (i), shall be equal to the product derived by multi-  
14 plying—

15 “(A) the primary insurance amount as deter-  
16 mined before the application of this subsection; by

17 “(B) a fraction—

18 “(i) the numerator of which is the excess  
19 of—

20 “(I) the total of amount of redirected  
21 social security contributions (as defined in  
22 section 252(b)(3)) that would have been  
23 transferred to the Social Security Personal  
24 Savings Fund in connection with such indi-  
25 vidual for each year after such individual  
26 attained the age of 18 had the individual

1           been a participating individual on the date  
2           such individual attained the age of 18, over  
3           “(II) the present value of the actual  
4           total amount of redirected social security  
5           contributions (as so defined) deposited in  
6           the Social Security Personal Savings Fund  
7           in connection with such individual for each  
8           year during which such individual was a  
9           participating individual,

10          assuming for each year the present value of the  
11          amount determined for such year, and

12          “(ii) the denominator of which is the  
13          amount described in clause (i)(I),

14          rounded to the next higher multiple of \$0.10 where such  
15          product is a multiple of \$0.05 but not a multiple of \$0.10  
16          and to the nearest multiple of \$0.10 in any other case.

17          “(2) In determining the present values for purposes  
18          of paragraph (1), the Commissioner of Social Security  
19          shall assume an annual interest rate for any period equal  
20          to the average annual yield on investments of the Federal  
21          Old-Age and Survivors Insurance Trust Fund for such pe-  
22          riod under section 201(d).

23          “(3) In the case of a participating individual who be-  
24          comes entitled to disability insurance benefits under sec-

tion 223, such individual's primary insurance amount shall be determined without regard to paragraph (1).

“(4) In the case of an individual who becomes entitled to benefits under section 202, other than old-age insurance benefits under section 202(a), on the basis of the wages and self-employment income of a participating individual who dies before such participating individual purchases a personal social security savings annuity under section 259, such participating individual's primary insurance amount shall be determined under this section without regard to paragraph (1).”.

**SEC. 4. GENERAL FUND TRANSFERS TO THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND.**

(a) RECAPTURE OF CORPORATE TAX ON ACCOUNT YIELDS.—

(1) IN GENERAL.—In the case of fiscal years beginning after September 30, 2004, the Secretary of the Treasury, in consultation with the Personal Social Security Savings Account Board, shall estimate and transfer to the Federal Old-Age and Survivors Insurance Trust Fund established under section 201 of the Social Security Act (42 U.S.C. 401) within 3 months after the end of each fiscal year an amount equal to the recapture amount for such fis-

1 cal year. For purposes of the preceding sentence, the  
2 recapture amount for any fiscal year shall be equal  
3 to the amount of corporate tax receipts under the  
4 Internal Revenue Code of 1986 deposited in the  
5 Treasury for that fiscal year which are attributable  
6 to personal social security savings account invest-  
7 ments under part B of title II of the Social Security  
8 Act.

9 (2) INITIAL ASSUMPTIONS.—In determining the  
10 recapture amount under subsection (a) for fiscal  
11 years 2005 and 2006, the Secretary of the Treasury  
12 shall make the following assumptions concerning the  
13 total amount of taxable capital in the United States  
14 represented by the total assets held by personal so-  
15 cial security savings accounts established under part  
16 B of title II of the Social Security Act:

17 (A) 80 percent of such total assets are a  
18 net addition to national investments.

19 (B) Of the amount described in subpara-  
20 graph (A), 90 percent will be invested in the  
21 United States and subject to taxation under the  
22 Internal Revenue Code of 1986.

23 (C) Of the amount described in subpara-  
24 graph (B), 95 percent will be subject to the  
25 Federal corporate tax.

1           (D) The amount described in subpara-  
 2           graph (C) is subject to the statutory tax rate of  
 3           35 percent (resulting in an effective corporate  
 4           tax rate of 23.9 percent on the earnings of all  
 5           such total assets).

6           (b) RECAPTURE OF GOVERNMENT SAVINGS OVER  
 7   BASELINE.—

8           (1) IN GENERAL.—In the case of fiscal years  
 9           beginning after September 30, 2004, the Secretary  
 10          of the Treasury, in consultation with the Personal  
 11          Social Security Savings Account Board, shall esti-  
 12          mate and transfer to the Federal Old-Age and Sur-  
 13          vivors Insurance Trust Fund established under sec-  
 14          tion 201 of the Social Security Act (42 U.S.C. 401)  
 15          within 3 months after the end of each fiscal year an  
 16          amount equal to the spending reductions amount for  
 17          such fiscal year. For purposes of the preceding sen-  
 18          tence, the spending reductions amount shall be an  
 19          amount equal to—

20                (A) for any fiscal year in the period begin-  
 21                ning with fiscal year 2005 and ending with fis-  
 22                cal year 2012, the excess of—

23                   (i) 20 percent of the gross domestic  
 24                   product (as determined by the Congres-

sional Budget Office) for the fiscal year for which the determination is made; over

(ii) the product of—

(I) 20 percent of the gross domestic product (as so determined) for the fiscal year for which the determination is made; and

(II) 0.99, factored a number of times equal to the number of fiscal years during such period which end with or before the fiscal year for which the determination is made; and

(B) for any fiscal year beginning after fiscal year 2012 and ending with the termination year—

(i) the amount determined under subparagraph (A) for fiscal year 2012; increased by

(ii) the rate of growth of the gross domestic product (as so determined) over the period beginning with fiscal year 2013 and ending with the fiscal year for which the determination is made.

(2) ACCOMMODATION FOR LOW OASDI BALANCE RATIO.—Notwithstanding paragraph (1)(B), in any

1 case in which the OASDI trust fund ratio is less  
2 than 125 percent as of the end of the fiscal year  
3 preceding each fiscal year during any period of 1 or  
4 more fiscal years referred to in paragraph (1)(B)  
5 and preceding the termination year—

6 (A) the spending reductions amount for  
7 each fiscal year during such period shall be the  
8 excess of—

9 (i) 20 percent of the gross domestic  
10 product (as projected by the Department  
11 of Commerce) for the fiscal year for which  
12 the determination is made; over

13 (ii) the product of—

14 (I) 20 percent of the gross do-  
15 mestic product (as so projected) for  
16 the fiscal year for which the deter-  
17 mination is made; and

18 (II) 0.99, factored a number of  
19 times equal to the number of fiscal  
20 years during such period which end  
21 with or before the fiscal year for  
22 which the determination is made plus  
23 the number of fiscal years during the  
24 period described in paragraph (1)(A),  
25 and

1 (B) paragraph (1)(B) shall apply with re-  
 2 spect to subsequent fiscal years by substituting  
 3 for the reference, in paragraph (1)(B)(i), to fis-  
 4 cal year 2012 a reference to the last fiscal year  
 5 in such period.

6 (3) TERMINATION YEAR.—For purposes of  
 7 paragraph (1)(B), the “termination year” is the first  
 8 fiscal year, after fiscal year 2012—

9 (A) for which the OASDI trust fund ratio  
 10 is at least 125 percent; and

11 (B) on the last day of which there are no  
 12 outstanding transition obligations of the Self-  
 13 Liquidating Social Security Transition Fund  
 14 under section 6.

15 (4) OASDI TRUST FUND RATIO.—In paragraph  
 16 (2)(A), the term “OASDI trust fund ratio” means,  
 17 for a fiscal year, the ratio (expressed as a percent-  
 18 age) of—

19 (A) the combined balance in the Federal  
 20 Old-Age and Survivors Insurance Trust Fund  
 21 and the Federal Disability Insurance Trust  
 22 Fund, as of the last day of such fiscal year;  
 23 over

24 (B) the amount estimated by the Commis-  
 25 sioner of Social Security to be the total amount

1 to be paid from such Trust Funds during the  
 2 fiscal year following such fiscal year for all pur-  
 3 poses authorized by section 201 of the Social  
 4 Security Act (excluding any transfer payments  
 5 between such Trust Funds and reducing the  
 6 amount of any transfer to the Railroad Retire-  
 7 ment Account by the amount of any transfers  
 8 into either such Trust Fund from such Ac-  
 9 count).

10 **SEC. 5. TAX TREATMENT OF ACCOUNTS.**

11 (a) IN GENERAL.—

12 (1) IN GENERAL.—Subchapter F of chapter 1  
 13 of the Internal Revenue Code of 1986 (relating to  
 14 exempt organizations) is amended by adding at the  
 15 end the following new part:

16 **“PART IX—PERSONAL SOCIAL SECURITY**  
 17 **SAVINGS PROGRAM**

“Sec. 530A. Personal social security savings program.

18 **“SEC. 530A. PERSONAL SOCIAL SECURITY SAVINGS PRO-**  
 19 **GRAM.**

20 “(a) GENERAL RULE.—The Social Security Personal  
 21 Savings Fund and each Tier III Investment Option are  
 22 exempt from taxation under this subtitle. Notwithstanding  
 23 the preceding sentence, a personal social security savings  
 24 account is subject to the taxes imposed by section 511 (re-

1 relating to imposition of tax on unrelated business income  
 2 of charitable, etc. organizations).

3 “(b) DISTRIBUTIONS.—

4 “(1) IN GENERAL.—Any qualified distribution  
 5 from amounts credited to a personal social security  
 6 savings account from the Social Security Personal  
 7 Savings Fund or held in a Tier III Investment Op-  
 8 tion shall not be included in the gross income of the  
 9 distributee.

10 “(2) QUALIFIED DISTRIBUTION.—For purposes  
 11 of paragraph (1), the term ‘qualified distribution’  
 12 means a distribution which meets the requirements  
 13 of section 259 of the Social Security Act and which  
 14 is not a guaranty payment (as defined by section  
 15 260 of such Act).

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

17 “(1) PERSONAL SOCIAL SECURITY SAVINGS AC-  
 18 COUNT.—The term ‘personal social security savings  
 19 account’ means an account established under section  
 20 254(a) of the Social Security Act.

21 “(2) SOCIAL SECURITY PERSONAL SAVINGS  
 22 FUND.—The term ‘Social Security Personal Savings  
 23 Fund’ means the Savings Fund established under  
 24 section 252 of the Social Security Act.

1           “(3) TIER III INVESTMENT OPTION.—The term  
 2           ‘Tier III Investment Option’ has the meaning given  
 3           such term by section 251(9) of the Social Security  
 4           Act.

5           “(d) ESTATE TAX TREATMENT.—No amount shall be  
 6           includible in the gross estate of any individual for pur-  
 7           poses of chapter 11 by reason of a distribution in the case  
 8           of death under section 259(e) of the Social Security Act.”.

9           (2) CONFORMING AMENDMENT.—Section  
 10          86(d)(1)(A) of such Code is amended by inserting  
 11          “part A of” after “under”.

12          (3) CLERICAL AMENDMENT.—The table of  
 13          parts for subchapter F of chapter 1 of such Code is  
 14          amended by adding after the item relating to part  
 15          VIII the following new item:

          “PART IX. PERSONAL SOCIAL SECURITY SAVINGS PROGRAM”.

16          (b) GUARANTY PAYMENTS.—Paragraph (1) of sec-  
 17          tion 86(d) of the Internal Revenue Act of 1986, as amend-  
 18          ed by subsection (b), is amended by striking “or” at the  
 19          end of subparagraph (A), by striking the period and in-  
 20          serting “, or” at the end of subparagraph (B), and by  
 21          adding at the end the following new subparagraph:

22                 “(C) a guaranty payment under section  
 23                 260(a), and a payment of an additional amount  
 24                 under section 260(c), of the Social Security  
 25                 Act.”.

1 (c) EFFECTIVE DATE.—The amendments made by  
 2 this section shall apply to taxable years beginning after  
 3 December 31, 2004.

4 **SEC. 6. SELF-LIQUIDATING SOCIAL SECURITY TRANSITION**  
 5 **FUND.**

6 (a) ESTABLISHMENT.—There is hereby created on  
 7 the books of the Treasury of the United States a trust  
 8 fund to be known as the Self-Liquidating Social Security  
 9 Transition Fund (in this section referred to as the “Tran-  
 10 sition Fund”).

11 (b) DEPOSIT OF OASDI TRUST FUND SURPLUS.—

12 (1) IN GENERAL.—There are appropriated to  
 13 the Transition Fund for the fiscal year beginning in  
 14 2030, and for each fiscal year thereafter, out of any  
 15 moneys in the Federal Old-Age and Survivors Insur-  
 16 ance Trust Fund, amounts equivalent to the OASDI  
 17 trust fund surplus (as defined in paragraph (2)) for  
 18 the preceding fiscal year.

19 (2) OASDI TRUST FUND SURPLUS DEFINED.—

20 In this section, the term “OASDI trust fund sur-  
 21 plus” for a fiscal year means the dollar amount by  
 22 which the Federal Old-Age and Survivors Insurance  
 23 Trust Fund could be reduced as of the end of such  
 24 fiscal year so as to result in an OASDI trust fund

1 ratio (as defined in section 5(b)(3)) for such fiscal  
2 year equal to 125 percent.

3 (3) RULE OF CONSTRUCTION.—This section  
4 shall not be construed to require redemption of obli-  
5 gations of the Trust Fund for the purpose of mak-  
6 ing transfers to the Transition Fund under this sec-  
7 tion or for any other purpose other than to provide  
8 for payment of benefits under part A of title II of  
9 the Social Security Act.

10 (c) TRANSFERS BASED ON ESTIMATES.—The  
11 amounts appropriated by subsection (c)(1) shall be trans-  
12 ferred from time to time from the Federal Old-Age and  
13 Survivors Insurance Trust Fund to the Transition Fund,  
14 such amounts to be determined on the basis of estimates  
15 by the Commissioner of Social Security. Proper adjust-  
16 ments shall be made in amounts subsequently transferred  
17 to the extent prior estimates were in excess of or were  
18 less than such surplus.

19 (d) BOARD OF TRUSTEES.—

20 (1) ESTABLISHMENT.—With respect to the  
21 Transition Fund, there is hereby created a body to  
22 be known as the Board of Trustees of the Transition  
23 Fund (in this section referred to as the “Board of  
24 Trustees”) composed of the Commissioner of Social  
25 Security, the Secretary of the Treasury, and the

1 members of the Personal Social Security Savings Ac-  
2 count Board established under section 261 of the  
3 Social Security Act.

4 (2) MEETINGS.—The Board of Trustees shall  
5 meet not less frequently than once each calendar  
6 year.

7 (3) DUTIES.—The duties of the Board of  
8 Trustees are as follows:

9 (A) Use all funds paid into the Transition  
10 Fund to redeem obligations issued under sec-  
11 tion 8 as soon as practicable.

12 (B) Report to Congress not later than the  
13 first day of April of each year on the operation  
14 and status of the Transition Fund during the  
15 preceding fiscal year and on its expected oper-  
16 ation and status during the current fiscal year  
17 and the next 2 fiscal years.

18 (C) Review the general policies followed in  
19 managing the Transition Fund, and recommend  
20 changes in such policies, including necessary  
21 changes in the provisions of law which govern  
22 the way in which the Transition Fund is to be  
23 managed.

24 (e) POLICY DECLARATION.—It is hereby declared the  
25 policy of the United States that all obligations issued

1 under section 8 are to be redeemed by the Transition  
2 Fund as soon as possible.

3 (f) SUNSET.—On the first date as of which all of the  
4 obligations issued under section 8 have been redeemed,  
5 any balance remaining in the Transition Fund as of such  
6 date shall be deposited in the Federal Old-Age and Sur-  
7 vivors Insurance Trust Fund, the terms of the Board of  
8 Trustees shall end, and this section shall be repealed.

9 **SEC. 7. ISSUANCE OF TRANSITION FUND BONDS.**

10 (a) ISSUANCE.—

11 (1) IN GENERAL.—The purposes for which obli-  
12 gations of the United States may be issued under  
13 chapter 31 of title 31, United States Code, are here-  
14 by extended to authorize the issuance at par of pub-  
15 lic-debt obligations by the Self-Liquidating Social  
16 Security Transition Fund (in this section referred to  
17 as the “Transition Fund”).

18 (2) REQUIRED ISSUANCE.—Beginning on Janu-  
19 ary 1, 2005, whenever any obligation held in the  
20 Federal Old-Age and Survivors Insurance Trust  
21 Fund or the Federal Disability Insurance Trust  
22 Fund is repaid from the general fund of the Treas-  
23 ury to either of such Trust Funds, the Transition  
24 Fund shall issue an obligation under this subsection

1 in an amount equal to the amount of interest and  
2 principal so repaid.

3 (3) TRANSFER OF PROCEEDS.—Proceeds from  
4 the issuance of any obligation issued under this sec-  
5 tion shall be transferred to the general fund of the  
6 Treasury.

7 (4) ACCOUNTING.—The debt owed on any obli-  
8 gation issued under this section shall be considered  
9 to be debt of the Transition Fund and shall be ac-  
10 counted for in such manner.

11 (b) MATURITIES AND INTEREST RATE.—Such obliga-  
12 tions issued by the Transition Fund for purchase by the  
13 public shall have maturities fixed with due regard for the  
14 needs of the Transition Fund and shall bear interest at  
15 a rate equal to the average market yield (computed by the  
16 Secretary of the Treasury on the basis of market  
17 quotations as of the end of the calendar month next pre-  
18 ceding the date of such issue) on all marketable interest-  
19 bearing obligations of the United States then forming a  
20 part of the public debt which are not due or callable until  
21 after the expiration of 4 years from the end of such cal-  
22 endar month, except that where such average market yield  
23 is not a multiple of one-eighth of 1 per centum, the rate  
24 of interest on such obligations shall be the multiple of one-  
25 eighth of 1 per centum nearest such market yield.

1 (c) REPAYMENT OF OBLIGATIONS.—Only funds in  
 2 the Transition Fund may be used to redeem obligations  
 3 issued under this section.

4 **SEC. 8. ACCOUNTING FOR THE OLD-AGE, SURVIVORS, AND**  
 5 **DISABILITY INSURANCE PROGRAM AND THE**  
 6 **PERSONAL SOCIAL SECURITY SAVINGS PRO-**  
 7 **GRAM.**

8 Title VII of the Social Security Act is amended by  
 9 inserting after section 705 (42 U.S.C. 906) the following  
 10 new section:

11 “ACCOUNTING FOR THE OLD-AGE, SURVIVORS, AND DIS-  
 12 ABILITY INSURANCE PROGRAM AND THE INDIVIDUAL  
 13 SOCIAL SECURITY INVESTMENT PROGRAM

14 “Social Security Lockbox Budget

15 “SEC. 706. (a) At the time of the transmittal to the  
 16 Congress by the President of the budget of the United  
 17 States Government, the President shall transmit to each  
 18 House of the Congress a separate report (to be known as  
 19 the ‘Social Security Lockbox Budget’) detailing the per-  
 20 formance of the Social Security Part A Account, the Social  
 21 Security Part B Account, and the Self-Liquidating Social  
 22 Security Transition Fund Account (established under sub-  
 23 section (b)) during the preceding fiscal year. Such report  
 24 shall set forth, as determined as of the end of the year—

25 “(1) the amount of the balance of each account,

1           “(2) the amount of the total charges and the  
2           amount of the total credits to each account for the  
3           year, and

4           “(3) the amount of the total for the year of  
5           each category of charges and credits itemized in sub-  
6           section (b).

7                       “Establishment of Accounts

8           “(b) For purposes of accounting for certain receipts  
9           and disbursement of the Treasury of the United States  
10          in connection with the Old-Age, Survivors, and Disability  
11          Insurance Program under part A of title II of the Social  
12          Security Act and the Individual Social Security Invest-  
13          ment Program under part B of such title, the Secretary  
14          of the Treasury shall establish and maintain a Social Se-  
15          curity Part A Account, a Social Security Part B Account,  
16          and a Self-Liquidating Social Security Transition Fund  
17          Account.

18          “Credits and Charges to the Social Security Part A  
19                               Account

20          “(c)(1) For each fiscal year, the Social Security Part  
21          A Account shall be credited with the sum of—

22               “(A) all receipts during the year by the Federal  
23               Old-Age and Survivors Insurance Trust Fund and  
24               the Federal Disability Insurance Trust Fund under  
25               section 201 of the Social Security Act (including

1 amounts received as interest on notes and obliga-  
2 tions purchased by the Trust Funds under section  
3 201(d) of such Act, and excluding amounts received  
4 in redemption of such notes and obligations and  
5 amounts received by either such Trust Fund as  
6 transfers from the other such Trust Fund),

7 “(B) all amounts transferred during the year  
8 from the general fund of the Treasury to the Fed-  
9 eral Old-Age and Survivors Insurance Trust Fund  
10 as recapture of corporate tax yields under section  
11 5(a),

12 “(C) all amounts transferred during the year  
13 from the general fund of the Treasury to the Fed-  
14 eral Old-Age and Survivors Insurance Trust Fund  
15 as recapture of Government savings over the base-  
16 line under section 5(b),

17 “(D) all amounts transferred during the year  
18 from the general fund of the Treasury to the Fed-  
19 eral Old-Age and Survivors Insurance Trust Fund  
20 under section 11 (relating to dedication of budget  
21 surpluses to saving social security), and

22 “(E) all receipts during the year by the Federal  
23 Old-Age and Survivors Insurance Trust Fund and  
24 the Federal Disability Insurance Trust Fund under  
25 section 121(e) of the Social Security Amendments of

1       1983 (relating to appropriation of amounts equiva-  
 2       lent to taxes on social security benefits) (42 U.S.C.  
 3       401 note).

4       “(2) For each fiscal year, the Social Security Part  
 5       A Account shall be charged with the sum of—

6               “(A) all benefits paid during the year from the  
 7       Federal Old-Age and Survivors Insurance Trust  
 8       Fund and the Federal Disability Insurance Trust  
 9       Fund under part A of title II of the Social Security  
 10      Act,

11              “(B) all redirected social security contributions  
 12      transferred during the year to the Social Security  
 13      Personal Savings Fund under section 252(b) of the  
 14      Social Security Act,

15              “(C) all other expenditures during the year  
 16      from the Trust Funds under part A of title II (ex-  
 17      cluding amounts expended as transfers by either  
 18      such Trust Fund to the other such Trust Fund and  
 19      amounts paid for the purchase of notes and obliga-  
 20      tions under section 201(d) of the Social Security  
 21      Act), and

22              “(D) all transfers from the Federal Old-Age  
 23      and Survivors Insurance Trust Fund to the Self-Liq-  
 24      uidating Social Security Transition Fund under sec-

“Charges and Credits to the Social Security Part B  
Account

5       “(d)(1) For each fiscal year, the Social Security Part  
6   B Account shall be credited with—

7           “(A) all redirected social security contributions  
8           transferred during the year to the Personal Social  
9           Security Savings Fund under section 252(b) of the  
10          Social Security Act, and

“(B) any net increase in the Tier I Investment Fund attributable to investment for the fiscal year, any net increase in the Tier II Investment Fund attributable to investment for the fiscal year, and the total amount of any net increases in Tier III Investment Options attributable to investment for the fiscal year.

18       “(2) For each fiscal year, the Social Security Part  
19   B Account shall be charged with—

20 “(A) all administrative costs incurred for the  
21 fiscal year with respect to the Tier I Investment  
22 Fund, the Tier II Investment Fund, and the Tier III  
23 Investment Options,

24 “(B) any net decrease in the Tier I Investment  
25 Fund attributable to investment for the fiscal year,

1 any net decrease in the Tier II Investment Fund at-  
 2 tributable to investment for the fiscal year, and the  
 3 total amount of any net decreases in Tier III Invest-  
 4 ment Options attributable to investment for the fis-  
 5 cal year, and

6 “(C) all amounts distributed during the year  
 7 under section 259 from the Tier I Investment Fund,  
 8 the Tier II Investment Fund, and the Tier III In-  
 9 vestment Options.

10 “Charges and Credits to the Self-Liquidating Social  
 11 Security Transition Fund Account

12 “(e)(1) For each fiscal year, the Self-Liquidating So-  
 13 cial Security Transition Account shall be credited with—

14 “(A) all transfers to the Transition Fund from  
 15 the Federal Old-Age and Survivors Insurance Trust  
 16 Fund under section 6(b) of the Social Security Per-  
 17 sonal Savings Guarantee and Prosperity Act of  
 18 2004, and

19 “(B) all amounts expended during the fiscal  
 20 year from the Trust Funds in the redemption under  
 21 section 7(e) of such Act of obligations issued by the  
 22 Transition Fund under section 8 of such Act.

23 “(2) For each fiscal year, the Self-Liquidating Social  
 24 Security Transition Fund Account shall be charged with  
 25 the total amount of obligations issued during the fiscal

1 year by the Transition Fund under section 7 of the Social  
 2 Security Personal Savings Guarantee and Prosperity Act  
 3 of 2004.”.

4 **SEC. 9. BUDGETARY TREATMENT OF SOCIAL SECURITY.**

5 (a) IN GENERAL.—Section 710 of the Social Security  
 6 Act (42 U.S.C. 911) is amended to read as follows:

7 “BUDGETARY TREATMENT OF SOCIAL SECURITY

8 “SEC. 710. (a) IN GENERAL.—Notwithstanding any  
 9 other provision of law and except as provided in subsection  
 10 (b), the receipts and disbursements of the Federal Old-  
 11 Age and Survivors Insurance Trust Fund, the Federal  
 12 Disability Insurance Trust Fund, and the Social Security  
 13 Personal Savings Fund (including transfers to and from  
 14 the Federal Old-Age and Survivors Insurance Trust Fund  
 15 or the Federal Disability Insurance Trust Fund relating  
 16 to the acquisition or redemption of obligations acquired  
 17 under section 201(d) of the Social Security Act) and the  
 18 taxes imposed under sections 1401 and 3101 of the Inter-  
 19 nal Revenue Code of 1986 shall not be counted as new  
 20 budget authority, outlays, receipts, or deficit or surplus  
 21 for purposes of the budget of the Government as sub-  
 22 mitted by the President or the congressional budget or be  
 23 reported as new budget authority, outlays, receipts, or def-  
 24 icit or surplus in any report of the Congressional Budget  
 25 Office or any other agency or instrumentality of the Gov-  
 26 ernment.

1       “(b) MATTERS INCLUDED IN THE BUDGET.—Sub-  
2 section (a) shall not apply with respect to the following:

3           “(1) transfers from the general fund of the  
4 Treasury to the Federal Old-Age and Survivors In-  
5 surance Trust Fund under section 4(a) of the Social  
6 Security Personal Savings Guarantee and Prosperity  
7 Act of 2004 (relating to recapture of corporate tax  
8 on account yields), which shall be treated as an ex-  
9 penditure of the Government;

10          “(2) transfers from the general fund of the  
11 Treasury to the Federal Old-Age and Survivors In-  
12 surance Trust Fund under section 4(b) of the Social  
13 Security Personal Savings Guarantee and Prosperity  
14 Act of 2004 (relating to recapture of Government  
15 savings over baseline), which shall be treated as an  
16 expenditure of the Government;

17          “(3) transfers from the general fund of the  
18 Treasury to the Federal Old-Age and Survivors In-  
19 surance Trust Fund or the Federal Disability Insur-  
20 ance Trust Fund under section 121(e) of the Social  
21 Security Amendments of 1983 (relating to appro-  
22 priation of amounts equivalent to taxes on social se-  
23 curity benefits) (42 U.S.C. 401 note), which shall be  
24 treated as an expenditure of the Government; and

1           “(4) revenues from taxes imposed under chap-  
 2           ter 1 of the Internal Revenue Code of 1986, to the  
 3           extent attributable to section 86 of such Code (relat-  
 4           ing to taxation of social security and tier 1 railroad  
 5           retirement benefits), which shall be treated as a re-  
 6           ceipt of the Government.”.

7           (b) CONFORMING AMENDMENTS.—

8           (1) Section 13301 of the Budget Enforcement  
 9           Act of 1990 (2 U.S.C. 632; 2 U.S.C. 632 note) is  
 10          repealed.

11          (2) Section 405 of the Congressional Budget  
 12          Act of 1974 (2 U.S.C. 655) is amended—

13                 (A) by inserting “other than section 710 of  
 14                 the Social Security Act” after “Notwith-  
 15                 standing any other provision of law”; and

16                 (B) by striking “section, not including”  
 17                 and all that follows through “Funds,” and in-  
 18                 serting “section” .

19          (c) EFFECTIVE DATE.—The amendments made by  
 20          this section shall apply with respect to fiscal years begin-  
 21          ning on or after October 1, 2005.

1 **SEC. 10. DEDICATION OF BUDGET SURPLUSES TO SAVING**  
2 **SOCIAL SECURITY.**

3 Section 201 of the Social Security Act (as amended  
4 by section 103 of this Act) is amended further by adding  
5 at the end the following new subsection:

6 “(p) In the case of any fiscal year beginning after  
7 September 30, 2005, for which the total amount treated  
8 as income of the Federal Government in the total budget  
9 of the United States have exceeded the total amount treat-  
10 ed as expenditures of the Federal Government in the total  
11 budget of the United States (as determined by the Direc-  
12 tor of the Office of Management and Budget), not later  
13 than 3 months after the end of such fiscal year, the Sec-  
14 retary of the Treasury shall transfer from the general fund  
15 of the Treasury to the Federal Old-Age and Survivors In-  
16 surance Trust Fund an amount equal to the lesser of—

17 “(1) the total amount transferred from the  
18 Trust Fund during such fiscal year to the Social Se-  
19 curity Personal Savings Fund under section 252(b),  
20 or

21 “(2) the amount by which such total amount  
22 treated as receipts exceeded such total amount treat-  
23 ed as expenditures.”.

1 **SEC. 11. NATIONAL SPENDING LIMITATION.**

2 (a) IN GENERAL.—Section 1105 of title 31, United  
3 States Code, is amended by adding at the end the fol-  
4 lowing new subsection:

5 “(i)(1) The budget transmitted pursuant to sub-  
6 section (a) for a fiscal year shall not provide for total ex-  
7 penditures for the fiscal year for which the budget is sub-  
8 mitted which are greater than the national spending limi-  
9 tation specified under paragraph (3).

10 “(2) For purposes of this section, the term ‘total ex-  
11 penditures’ means, for any fiscal year, the sum of—

12 “(A) the net expenditures of the budget of the  
13 United States for the fiscal year plus all expendi-  
14 tures which are chargeable to the Social Security  
15 Part A Account in the Social Security Lockbox  
16 Budget for the fiscal year under section 706(c)(2) of  
17 the Social Security Act; plus

18 “(B) the amount of the reduction in the total  
19 amount of expenditures which are chargeable to the  
20 Social Security Part A Account in the Social Secu-  
21 rity Lockbox Budget for the fiscal year which is at-  
22 tributable to adjustments to primary insurance  
23 amounts under section 215(j) of the Social Security  
24 Act.

25 “(3)(A) For each fiscal year during the period begin-  
26 ning with fiscal year 2005 and ending with fiscal year

1 2012, the national spending limitation shall be equal to  
 2 the product derived by multiplying—

3 “(i) 20 percent of the GDP for the fiscal year  
 4 for which the determination is made, by

5 “(ii) 0.99, factored a number of times equal to  
 6 the number of fiscal years during such period which  
 7 end with or before the fiscal year for which the de-  
 8 termination is made.

9 “(B) For each fiscal year during the period beginning  
 10 with fiscal year 2013 and ending with fiscal year 2017,  
 11 the national spending limitation shall be equal to—

12 “(i) the amount of national spending limitation  
 13 under this subsection for fiscal year 2012, increased  
 14 by

15 “(ii) the rate of growth in the GDP over the pe-  
 16 riod beginning with fiscal year 2013 and ending with  
 17 the fiscal year for which the determination is made.

18 “(C) For each fiscal year during the period beginning  
 19 with fiscal year 2018 and ending with the termination  
 20 year, the national spending limitation shall be equal to—

21 “(i) the amount of the national spending limita-  
 22 tion under this subsection for fiscal year 2018, in-  
 23 creased by

24 “(ii) the sum of—

1                   “(I) the rate of growth in the GDP over  
 2                   the period beginning with fiscal year 2018 and  
 3                   ending with the fiscal year for which the deter-  
 4                   mination is made, plus

5                   “(II) 1.75 percentage points for each fiscal  
 6                   year during the period described in subclause  
 7                   (I).

8                   “(D) Notwithstanding subparagraphs (B) and (C), in  
 9                   any case in which the OASDI trust fund ratio is less than  
 10                  125 percent as of the end of the fiscal year preceding each  
 11                  fiscal year during any period of 1 or more fiscal years re-  
 12                  ferred to in such subparagraphs and preceding the termi-  
 13                  nation year, the national spending limitation for each fis-  
 14                  cal year during such period shall be the product of—

15                  “(i) 20 percent of the GDP for the fiscal year  
 16                  for which the determination is made; and

17                  “(ii) 0.99, factored a number of times equal to  
 18                  the number of fiscal years during such period which  
 19                  end with or before the fiscal year for which the de-  
 20                  termination is made plus the total number of fiscal  
 21                  years referred to in subparagraph (A),

22                  plus, if subparagraph (C) applied to the fiscal year pre-  
 23                  ceding such period, the increase (if any) under subpara-  
 24                  graph (C) in the national spending limitation for such fis-  
 25                  cal year attributable to subparagraph (C)(ii)(II).

1 “(4) For purposes of this subsection, the term ‘termi-  
 2 nation year’ is the first fiscal year, after fiscal year  
 3 2017—

4 “(A) for which the OASDI trust fund ratio is  
 5 at least 125 percent; and

6 “(B) on the last day of which there are no out-  
 7 standing transition obligations of the Self-Liqui-  
 8 dating Social Security Transition Fund under sec-  
 9 tion 6 of the Social Security Personal Savings Guar-  
 10 antee and Prosperity Act of 2004.

11 “(5) For purposes of this subsection, the term ‘GDP’  
 12 means the gross domestic product, as projected by the De-  
 13 partment of Commerce.”.

14 **SEC. 12. IMPOSITION OF SPENDING LIMITATIONS ON CON-**  
 15 **GRESSIONAL BUDGET RESOLUTIONS.**

16 (a) CONTENTS OF CONGRESSIONAL BUDGET RESO-  
 17 LUTIONS.—Section 301(a) of the Congressional Budget  
 18 Act of 1974 is amended by adding at the end the following  
 19 new sentence: “The concurrent resolution on the budget  
 20 for fiscal year 2006 or for any ensuing fiscal year shall  
 21 be consistent with the spending limitation specified in sec-  
 22 tion 1105(i) of title 31, United States Code.”.

23 (b) SPENDING LIMITATION POINT OF ORDER.—Sec-  
 24 tion 312 of the Congressional Budget Act of 1974 is

1 amended by adding at the end the following new sub-  
 2 section:

3 “(g) SPENDING LIMITATION POINT OF ORDER.—(1)  
 4 It shall not be in order in the House of Representatives  
 5 or the Senate to consider any concurrent resolution on the  
 6 budget for fiscal year 2006 or for any fiscal year there-  
 7 after, or any amendment thereto or conference report  
 8 thereon, that is not consistent with the spending limitation  
 9 specified in section 1105(i) of title 31, United States Code.

10 “(2) Paragraph (1) may be waived or suspended in  
 11 the House of Representatives or the Senate only by the  
 12 affirmative vote of two-thirds of the Members, duly chosen  
 13 and sworn. An affirmative vote of two-thirds of the Mem-  
 14 bers, duly chosen and sworn, shall be required in the Sen-  
 15 ate to sustain an appeal of the ruling of the chair on such  
 16 point of order. Appeals in the Senate from the decisions  
 17 of the chair relating to paragraph (1) shall be limited to  
 18 one hour, to be equally divided between, and controlled  
 19 by, the mover and the manager of the concurrent resolu-  
 20 tion.”.

21 **SEC. 13. REDUCTION OF FICA RATES RESULTING FROM**  
 22 **PERSONAL SOCIAL SECURITY SAVINGS PRO-**  
 23 **GRAM.**

24 (a) EMPLOYEE CONTRIBUTION.—Section 3101 of the  
 25 Internal Revenue Code of 1986 (relating to tax on employ-

ees) is amended by adding at the end the following new subsection:

“(d) REDUCTION IN OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE TAX RATE.—

“(1) IN GENERAL.—In any year which follows a reduction year and each year thereafter, the rate of tax imposed under subsection (a) shall be reduced by the reduction percentage.

“(2) REDUCTION YEAR.—For purposes of this section—

“(A) IN GENERAL.—The term ‘reduction year’ means any year after the transition year in which the OASDI rate ratio exceeds 125 percent.

“(B) TRANSITION YEAR.—The term ‘transition year’ means the first full calendar year following the termination year (as defined in section 4(b)(2) of the Social Security Personal Savings Guarantee and Prosperity Act of 2004).

“(3) REDUCTION PERCENTAGE.—For purposes of this section, the term ‘reduction percentage’ means the excess of—

“(A) the rate in effect under subsection (a) for the reduction year, over

1           “(B) the rate (rounded up to the nearest  
2           one tenth of a percent) under which the OASDI  
3           rate ratio for the reduction year would have  
4           been 125 percent if—

5                   “(i) such rate had been applicable  
6                   under subsection (a) and section 3111(a)  
7                   during such year, and

8                   “(ii) the rate under section 1401(a)  
9                   during such year were twice such rate.

10           “(4) OASDI RATE RATIO.—The term ‘OASDI  
11           rate ratio’ means, with respect to any calendar year,  
12           the ratio—

13                   “(A) the numerator of which is the com-  
14                   bined balance in the Old-Age and Survivors In-  
15                   surance Trust Fund and the Federal Disability  
16                   Insurance Trust Fund, as of the last day of  
17                   such calendar year, and

18                   “(B) the denominator of which is the  
19                   amount paid from such Trust Funds during  
20                   such calendar year for all purposes authorized  
21                   by section 201 of the Social Security Act (ex-  
22                   cluding any transfer payments between such  
23                   Trust Funds and reducing the amount of any  
24                   transfer to the Railroad Retirement Account by

1           the amount of any transfers into either such  
2           Trust Fund from such Account).

3           “(5) LIMITATION ON REDUCTION.—Paragraph  
4           (1) shall not apply to any reduction to the extent  
5           that such reduction would cause the rate of tax im-  
6           posed under subsection (a) to be less than 4.95 per-  
7           cent.”.

8           (b) EMPLOYER CONTRIBUTION.—Section 3111 of the  
9           Internal Revenue Code of 1986 (relating to tax on employ-  
10          ers) is amended by adding at the end the following new  
11          subsection:

12          “(d) REDUCTION IN OLD-AGE, SURVIVORS, AND DIS-  
13          ABILITY INSURANCE TAX RATE.—

14                 “(1) IN GENERAL.—In any year which follows  
15                 a reduction year and each year thereafter, the rate  
16                 of tax imposed under subsection (a) shall be reduced  
17                 by the reduction percentage.

18                 “(2) REDUCTION YEAR; REDUCTION PERCENT-  
19                 AGE.—For purposes of this section, the terms ‘re-  
20                 duction year’ and ‘reduction percentage’ have the  
21                 meanings given such terms by section 3101(d).

22                 “(3) LIMITATION ON REDUCTION.—Paragraph  
23                 (1) shall not apply to any reduction to the extent  
24                 that such reduction would cause the rate of tax im-

1 posed under subsection (a) to be less than 4.95 per-  
 2 cent.”.

3 (c) SELF-EMPLOYMENT CONTRIBUTION.—Section  
 4 1401 of the Internal Revenue Code of 1986 (relating to  
 5 tax on self-employment income) is amended by adding at  
 6 the end the following new subsection:

7 “(d) REDUCTION IN OLD-AGE, SURVIVORS, AND DIS-  
 8 ABILITY INSURANCE TAX RATE.—

9 “(1) IN GENERAL.—In any year which follows  
 10 a reduction year and each year thereafter, the rate  
 11 of tax imposed under subsection (a) shall be reduced  
 12 by the reduction percentage.

13 “(2) REDUCTION YEAR; REDUCTION PERCENT-  
 14 AGE.—For purposes of this section, the terms ‘re-  
 15 duction year’ and ‘reduction percentage’ have the  
 16 meanings given such terms by section 3101(d).

17 “(3) LIMITATION ON REDUCTION.—Paragraph  
 18 (1) shall not apply to any reduction to the extent  
 19 that such reduction would cause the rate of tax im-  
 20 posed under subsection (a) to be less than 9.9 per-  
 21 cent.”.

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