

105TH CONGRESS
1ST SESSION

H. R. 1611

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

IN THE HOUSE OF REPRESENTATIVES

MAY 14, 1997

Mr. PETRI introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Rules, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

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

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Retirement Security
5 Act of 1997”.

1 **SEC. 2. INDIVIDUAL RETIREMENT INVESTMENT PROGRAM**
2 **AND PERSONAL SOCIAL SECURITY INVEST-**
3 **MENT ACCOUNTS.**

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

6 (1) by inserting before section 201 the follow-
7 ing:

8 “PART A—INSURANCE BENEFITS”;

9 and

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

11 “PART B—INDIVIDUAL RETIREMENT INVESTMENT

12 PROGRAM

13 “DEFINITIONS

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

15 “(1) ACCOUNT HOLDER.—The term ‘account
16 holder’ means an individual for whom a personal so-
17 cial security investment account is established under
18 section 252(b).

19 “(2) INVESTMENT ACCOUNT.—The term ‘in-
20 vestment account’ means a personal social security
21 investment account established under section 252(b).

22 “(3) TRUST FUND.—The term ‘Trust Fund’
23 means the Social Security Investment Trust Fund
24 established under section 260.

25 “(4) EXECUTIVE DIRECTOR.—The term ‘Execu-
26 tive Director’ means the Executive Director under

1 this part authorized to so serve under section
2 266(b).

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

6 “PERSONAL SOCIAL SECURITY INVESTMENT ACCOUNTS

7 “SEC. 252. (a) CERTIFICATION OF NEW ACCOUNT
8 HOLDERS.—Upon the issuance of a Social Security ac-
9 count number under section 205(c)(2) to an individual
10 born on or after July 1, 1998, the Commissioner of Social
11 Security shall certify to the Executive Director and the
12 Secretary of the Treasury the identity and Social Security
13 account number of such individual.

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

1 January 1, 1999, or 30 days after receipt of the certifi-
2 cation with respect to the account holder.

3 “(c) INITIAL CONTRIBUTION.—Upon the establish-
4 ment of each account holder’s investment account, the
5 Secretary of the Treasury shall transfer, from amounts
6 not otherwise appropriated in the general fund of the
7 Treasury to the Trust Fund, for crediting by the Execu-
8 tive Director to such investment account under subsection
9 (b), an amount equal to \$1000.00.

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

13 “(1) the sum of—

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

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

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

23 over

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

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

11 “(f) ENGAGEMENT OF QUALIFIED PUBLIC ACCOUNT-
12 ANT.—

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

1 “(2) EXAMINATION AND REPORT.—The public
2 accountant conducting an examination under para-
3 graph (1) shall determine whether the accounts,
4 books, and records referred to in such paragraph
5 have been maintained in conformity with generally
6 accepted accounting principles applied on a basis
7 consistent with the manner in which such principles
8 were applied during the examination conducted
9 under such paragraph during the preceding year.
10 The public accountant shall transmit to the Board
11 and the Comptroller General of the United States a
12 report on his examination, including his determina-
13 tion under this paragraph.

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

21 “(4) DEFINITION.—For the purposes of this
22 subsection, the term “qualified public accountant”
23 shall have the same meaning as is provided in sec-
24 tion 103(a)(3)(D) of the Employee Retirement In-

1 come Security Act of 1974 (29 U.S.C.
2 1023(a)(3)(D)).

3 “(g) INFORMATION REQUIRED TO BE PROVIDED TO
4 ACCOUNT HOLDERS.—

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

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

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

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

21 “(h) ASSUMPTION OF RISK.—Each account holder
22 who elects to invest in the Fixed Income Investment Fund
23 or the Common Stock Index Investment Fund described
24 in paragraphs (2) and (3), respectively, of section 254(a)
25 shall sign an acknowledgement prescribed by the Execu-

1 tive Director which states that the account holder under-
2 stands that an investment in either such Fund is made
3 at the account holder's risk, that the account holder is
4 not protected by the Government against any loss on such
5 investment, and that a return on such investment is not
6 guaranteed by the Government.

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

1 such person, any payment under this part which is other-
2 wise payable to such individual may be made to such per-
3 son, and the payment of an annuity payment under this
4 part to such person bars recovery by any other person.

5 “CONTRIBUTIONS TO THE SOCIAL SECURITY INVESTMENT
6 TRUST FUND

7 “SEC. 253. (a) IN GENERAL.—The Executive Direc-
8 tor shall prescribe regulations under which each individual
9 who is eligible to claim a deduction under section 221 of
10 the Internal Revenue Code of 1986 for contributions to
11 a personal Social Security investment account shall be af-
12 forded a reasonable opportunity to make contributions to
13 the Trust Fund, for crediting to such account, either from
14 time to time or under arrangements providing for regular,
15 periodic contributions. Such arrangements may include ar-
16 rangements for contributions of wages by employers on be-
17 half of employees. Any such arrangement shall also pro-
18 vide individuals a reasonable opportunity to modify the
19 amount to be contributed under this part, or to terminate
20 such contributions.

21 “(b) LIMITATION ON CONTRIBUTIONS.—Notwith-
22 standing any other provision of this section, no contribu-
23 tion may be made under this section to any account for
24 any year to the extent that such contribution, when added
25 to prior contributions to such account for such year, ex-
26 ceeds \$7,000.

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

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

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

8 “(b) INDEX GOVERNING COMMON STOCK INDEX IN-
9 VESTMENT FUNDS.—

10 “(1) SELECTION OF INDEX.—The Board shall
11 select an index which is a commonly recognized
12 index comprised of common stock the aggregate
13 market value of which is a reasonably complete rep-
14 resentation of the United States equity markets.

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

1 “(c) INVESTMENT ACCORDING TO ELECTIONS.—

2 “(1) IN GENERAL.—The Executive Director
3 shall invest the sums available in the Trust Fund for
4 investment as provided in elections made under sub-
5 section (d).

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

12 “(d) SEMIANNUAL ELECTIONS.—

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

18 “(2) INVESTMENT ACCORDING TO REGULA-
19 TIONS.—An election may be made under paragraph
20 (1) only in accordance with regulations prescribed by
21 the Executive Director and within such period as the
22 Executive Director shall provide in such regulations.

23 “(e) ISSUANCE OF SPECIAL OBLIGATIONS.—

24 “(1) AUTHORIZATION.—The Secretary of the
25 Treasury is authorized to issue special interest-bear-

1 ing obligations of the United States for purchase by
2 the Trust Fund for the Government Securities In-
3 vestment Fund.

4 “(2) REQUIREMENTS.—

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

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

24 “(f) NO VOTING RIGHTS IN SECURITIES.—The
25 Board, the Executive Director, and an account holder may

1 not exercise voting rights associated with the ownership
2 of securities by the Social Security Investment Trust
3 Fund.

4 “DISTRIBUTIONS FROM THE SOCIAL SECURITY
5 INVESTMENT TRUST FUND

6 “SEC. 255. (a) IN GENERAL.—No distribution may
7 be made from the Social Security Investment Trust Fund
8 of any amount credited to the investment account of any
9 account holder, unless such distribution is in the form
10 of—

11 “(1) a benefit distribution described in sub-
12 section (b),

13 “(2) a distribution described in subsection (c),
14 or

15 “(3) a death distribution under subsection (d).

16 “(b) BENEFIT DISTRIBUTION.—

17 “(1) IN GENERAL.—A distribution from an in-
18 vestment account is in the form of a benefit distribu-
19 tion referred to in subsection (a)(1) if such distribu-
20 tion constitutes payment (in whole or in part) of a
21 monthly insurance benefit under part A based on the
22 wages and self-employment income of the account
23 holder.

24 “(2) PAYMENT OF MONTHLY INSURANCE BENE-
25 FITS.—Notwithstanding section 201(h), benefit pay-
26 ments required to be made under part A, other than

1 benefit payments required to be made under section
2 223 or 226 and benefit payments required to be
3 made under subsection (b), (c), or (d) of section 202
4 to account holders entitled to benefits on the basis
5 of the wages and self-employment income of any
6 such account holder entitled to disability insurance
7 benefits, shall be made from amounts in the Trust
8 Fund credited to such account holder's investment
9 account, except to the extent that such benefit pay-
10 ments exceed the balance credited to such account
11 holder's investment account. Any amount of such
12 benefit payments in excess of the balance in such ac-
13 count holder's investment account shall be payable
14 as provided in section 201(h). The Commissioner of
15 Social Security shall provide for certification to the
16 Executive Director for payment of such benefits
17 from the Trust Fund, and the Executive Director
18 shall make such payments from the Trust Fund in
19 accordance with such certification.

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

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

1 after the date of the commencement of such account
2 holder's entitlement to old-age insurance benefits
3 under section 202(a),

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

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

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

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

14 “(d) DEATH DISTRIBUTION.—

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

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

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

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

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

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

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

1 “(2) to defer the commencement of the pay-
2 ment of an annuity from the Trust Fund until such
3 date as the account holder specifies, but not later
4 than April 1 of the year following the year in which
5 the account holder becomes 70½ years of age;

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

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

17 “(c) TRANSFERS TO ELIGIBLE RETIREMENT
18 PLANS.—

19 “(1) IN GENERAL.—The Executive Director
20 shall make each transfer elected under subsection
21 (b)(4) directly to an eligible retirement plan or plans
22 (as defined in section 402(a)(5)(E) of the Internal
23 Revenue Code of 1986) identified by the account
24 holder for whom the transfer is made.

1 “(2) TRANSFER CONTINGENT UPON RECEIPT
2 OF NECESSARY INFORMATION.—A transfer may not
3 be made for an account holder under paragraph (1)
4 until the Executive Director receives from such ac-
5 count holder the information required by the Execu-
6 tive Director specifically to identify the eligible re-
7 tirement plan or plans to which the transfer is to be
8 made.

9 “(d) MODIFICATION OF ELECTIONS.—

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

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

20 “(3) LIMITATIONS.—

21 “(A) MODIFICATIONS DISALLOWED UPON
22 COMMENCEMENT OF DISTRIBUTION.—An ac-
23 count holder may not change an election under
24 this section on or after the date on which a
25 payment is made in accordance with such elec-

1 tion or, in the case of an election to receive an
2 annuity, the date on which an annuity contract
3 is purchased to provide for the annuity elected
4 by the account holder.

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

15 “(e) DEFAULT MEANS OF DISTRIBUTION.—

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

1 “(2) DEFAULT ANNUITY COMMENCEMENT
2 DATE.—Unless otherwise elected under this section,
3 and subject to paragraph (1), the balance in an ac-
4 count holder’s investment account shall be paid as
5 an annuity commencing for the account holder on
6 February 1 of the year following the year in which
7 the account holder becomes entitled to old-age insur-
8 ance benefits under section 202(a).

9 “PAYMENT OF ANNUITIES

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

14 “(1) a method which provides for the payment
15 of a monthly annuity only to an annuitant during
16 the life of the annuitant;

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

23 “(3) a method described in paragraph (1) which
24 provides for automatic adjustments in the amount of
25 the annuity payable so long as the amount of the

1 annuity payable in any one year shall not be less
2 than the amount payable in the previous year;

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

8 “(5) a method which provides for the payment
9 of a monthly annuity—

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

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

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

1 “(c) CONTINUED PERIOD OF 5 YEARS AVAILABILITY
2 FOR ELIMINATED METHODS.—Notwithstanding an elimi-
3 nation of a method of payment by the Board, an account
4 holder may elect the eliminated method if the elimination
5 of such method became effective less than 5 years before
6 the date on which the annuity commences.

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

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

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

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

23 “(3) TERMS AND CONDITIONS.—An annuity
24 contract purchased under paragraph (1) shall in-

1 clude such terms and conditions as the Executive
2 Director requires for the protection of the annuitant.

3 “(4) BONDING.—The Executive Director shall
4 require, from each entity from which an annuity
5 contract is purchased under paragraph (1), a bond
6 or proof of financial responsibility sufficient to pro-
7 tect the annuitant.

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

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

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

1 “PROTECTIONS FOR SPOUSES AND FORMER SPOUSES

2 “SEC. 258. (a) REQUIREMENT OF SPOUSAL CON-
3 SENT.—

4 “(1) IN GENERAL.—A married account holder
5 may make an election under subsection (b)(3) or
6 (b)(4) of section 256 or change an election pre-
7 viously made under subsection (b)(1) or (b)(2) of
8 such section only if the account holder and the ac-
9 count holder’s spouse jointly waive, by written elec-
10 tion, any right which the spouse may have to a sur-
11 vivor annuity with respect to such account holder
12 under section 257 or subsection (b).

13 “(2) EXCEPTION.—Paragraph (1) shall not
14 apply to an election or change of election by an ac-
15 count holder who establishes to the satisfaction of
16 the Executive Director (at the time of the election
17 or change and in accordance with regulations pre-
18 scribed by the Executive Director)—

19 “(A) that the spouse’s whereabouts cannot
20 be determined; or

21 “(B) that, due to exceptional cir-
22 cumstances, requiring the spouse’s waiver would
23 otherwise be inappropriate.

24 “(b) JOINT AND SURVIVOR ANNUITY FORM APPLIES
25 UNLESS OTHERWISE ELECTED.—

1 “(1) IN GENERAL.—Notwithstanding any elec-
2 tion under subsection (b) of section 257, the method
3 described in subsection (a)(2)(B) of such section (or,
4 if more than one form of such method is available,
5 the form which the Board determines to be the one
6 which provides for a surviving spouse a survivor an-
7 nuity most closely approximating the annuity of a
8 surviving spouse under section 8442 of title 5, Unit-
9 ed States Code) shall be deemed the applicable
10 method under such subsection (b) in the case of an
11 account holder who is married on the date on which
12 an annuity contract is purchased to provide for the
13 account holder’s annuity under this part.

14 “(2) EXCEPTION.—Paragraph (1) shall not
15 apply if—

16 “(A) a joint waiver of such method is
17 made, in writing, by the account holder and the
18 spouse; or

19 “(B) the account holder waives such meth-
20 od, in writing, after establishing to the satisfac-
21 tion of the Executive Director that cir-
22 cumstances described under subsection (a)(2)
23 (A) or (B) make the requirement of a joint
24 waiver inappropriate.

1 “(c) ELECTIONS AND OTHER CHANGES SUBJECT TO
2 COURT ORDERS.—

3 “(1) IN GENERAL.—An election, change of elec-
4 tion, or modification of the commencement date of
5 a deferred annuity shall not be effective under this
6 part to the extent that the election, change, modi-
7 fication, or transfer conflicts with any court decree,
8 order, or agreement described in paragraph (2).

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

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

20 “(B) notice of the decree, order, or agree-
21 ment was received by the Executive Director be-
22 fore—

23 “(i) the date on which payment is
24 made, or

1 “(ii) in the case of an annuity, the
2 date on which an annuity contract is pur-
3 chased to provide for the annuity,
4 in accordance with the election, change, modi-
5 fication, or contribution referred to in para-
6 graph (1).

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

13 “(d) RIGHTS OF FORMER SPOUSES.—

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

19 “(A) an election under section 257(a)(5),
20 or

21 “(B) any court decree, order, or agreement
22 (described in subsection (c)(2), without regard
23 to subparagraph (B) of such subsection) which
24 relates to such deceased account holder and
25 such former spouse,

1 expressly provides for such survivor annuity.

2 “(2) WRITTEN NOTICE REQUIRED.—Paragraph
3 (1) shall apply only to payments made by the Execu-
4 tive Director after the date on which the Executive
5 Director receives written notice of the election, de-
6 cree, order, or agreement, and such additional infor-
7 mation and documentation as the Executive Director
8 may require.

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

14 “(A) the amount of the survivor annuity
15 determined for a surviving spouse of the de-
16 ceased account holder under the method de-
17 scribed in subsection (b)(1), over

18 “(B) the total amount of all other survivor
19 annuities payable under part to other former
20 spouses of such deceased account holder based
21 on the order of precedence provided in para-
22 graph (4).

23 “(4) ORDER OF PRECEDENCE.—If more than
24 one former spouse of a deceased account holder is
25 entitled to a survivor annuity pursuant to this sub-

1 section, the amount of each such survivor annuity
2 shall be limited appropriately to carry out paragraph
3 (3) in the order of precedence established for the en-
4 titlements by the chronological order of the dates on
5 which elections are properly made pursuant to sec-
6 tion 257(a)(5) and the dates on which the court de-
7 crees, orders, or agreements applicable to the entitle-
8 ment were issued, as the case may be.

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

15 “(A) shall not commence before—

16 “(i) the day after the account holder
17 dies; or

18 “(ii) the first day of the second month
19 beginning after the date on which the Ex-
20 ecutive Director receives written notice of
21 the order, decree, agreement, or election,
22 as the case may be, together with such ad-
23 ditional information or documentation as
24 the Executive Director may prescribe;

25 whichever is later; and

1 “(B) shall terminate no later than the last
2 day of the month before the former spouse re-
3 marries before becoming 55 years of age or
4 dies.

5 “(6) RESTRICTION ON MODIFICATIONS.—For
6 purposes of this part, a modification in a decree,
7 order, agreement, or election referred to in this sec-
8 tion shall not be effective—

9 “(A) if such modification is made after the
10 retirement or death of the account holder or an-
11 nuitant concerned; and

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

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

22 “(8) EXCLUSIVE RECOVERY.—Any payment
23 under this subsection to any individual bars recovery
24 by any other individual.

1 “(e) WAIVERS AND MODIFICATIONS SUBJECT TO
2 PRESCRIBED PROCEDURES.—Waivers and notifications
3 required by this section and waivers of the requirements
4 for such waivers and notifications (as authorized by this
5 section) may be made only in accordance with procedures
6 prescribed by the Executive Director.

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

13 “(g) APPLICABLE COURT ORDERS.—The protections
14 provided by this section are in addition to the protections
15 provided by section 263.

16 “ADMINISTRATIVE PROVISIONS

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

23 “(b) ELECTIONS AND MODIFICATIONS OF DEFERRED
24 COMMENCEMENT DATES IN WRITING.—Any election,
25 change of election, or modification of a deferred annuity
26 commencement date made under this part shall be in writ-

1 ing and shall be filed with the Executive Director in ac-
2 cordance with regulations prescribed by the Executive Di-
3 rector.

4 “SOCIAL SECURITY INVESTMENT TRUST FUND

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

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

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

20 “(1) to invest under section 254;

21 “(2) to make distributions or purchase annuity
22 contracts under this part;

23 “(3) to pay the administrative expenses in-
24 curred in carrying out this part under subsection
25 (d); and

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

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

6 “(e) ASSIGNMENT OR ALIENATION AND RELATED
7 MATTERS.—

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

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

24 “(3) EXCEPTIONS.—Moneys due or payable
25 from the Trust Fund to any person and, in the case

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

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

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

19 “(h) FIDUCIARY RESPONSIBILITIES; ENFORCEMENT
20 UNDER THE SECRETARY OF LABOR.—

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

1 ner and to the same extent as such provisions apply
2 in connection with the Thrift Savings Fund.

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

11 “(3) EXCULPATORY PROVISIONS; INSURANCE.—

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

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

1 “WAIVER, ALLOTMENT AND ASSIGNMENT OF PAYMENTS

2 “SEC. 261. (a) WAIVER OF ENTITLEMENT.—An indi-
3 vidual entitled to an annuity or other payment payable
4 from the Trust Fund may decline to accept all or any part
5 of the amount of the payment by a waiver signed and filed
6 with the Executive Director. The waiver may be revoked
7 in writing at any time. Payment of the annuity waived
8 may not be made for the period during which the waiver
9 is in effect.

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

15 “APPLICATION FOR ANNUITY OR OTHER PAYMENTS

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

23 “(b) APPLICATIONS WITH RESPECT TO DECEASED
24 ACCOUNT HOLDERS.—Notwithstanding subsection (a),
25 after the death of an account holder, a payment of the
26 annuity or other payment shall not be paid unless an ap-

1 plication therefor is received by the Executive Director
2 within 30 years after the death or other event which estab-
3 lishes the entitlement to the annuity or other payment.

4 “COURT ORDERS

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

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

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

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

1 after the satisfaction of all such processes which have been
2 previously served.

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

10 “(c) DEFINITIONS.—For the purpose of this sec-
11 tion—

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

20 “(2) the term ‘child’ means an individual under
21 18 years of age.

22 “WITHHOLDING OF STATE INCOME TAXES

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

1 The agreement shall provide that the Executive Director
2 shall withhold State income tax in the case of the monthly
3 annuity of any annuitant who voluntarily requests, in writ-
4 ing, such withholding. The amounts withheld during any
5 calendar quarter shall be held in the Trust Fund and dis-
6 bursed to the States during the month following that cal-
7 endar quarter.

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

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

1 “(d) RESERVATIONS TO THE UNITED STATES; RE-
 2 PAYMENTS OF ERRONEOUS WITHHOLDINGS.—This sec-
 3 tion does not give the consent of the United States to the
 4 application of a statute which imposes more burdensome
 5 requirements on the United States than on employers gen-
 6 erally, or which subjects the United States or any annu-
 7 itant to a penalty or liability because of this section. The
 8 Executive Director may not accept pay from a State for
 9 services performed in withholding State income taxes from
 10 annuities. Any amount erroneously withheld from an an-
 11 nuity and paid to a State by the Executive Director shall
 12 be repaid by the State in accordance with regulations is-
 13 sued by the Executive Director.

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

17 “TAX TREATMENT OF THE SOCIAL SECURITY
 18 INVESTMENT TRUST FUND

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

22 “ADMINISTRATION

23 “SEC. 266. (a) BOARD OF TRUSTEES.—

24 “(1) IN GENERAL.—The Federal Retirement
 25 Thrift Investment Board established by section
 26 8472(a) of title 5, United States Code, shall also

1 serve as the Board of Trustees of the Social Security
2 Investment Trust Fund.

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

5 “(A) hold the Trust Fund;

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

12 “(C) develop investment policies which pro-
13 vide for—

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

17 “(ii) low administrative costs;

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

24 “(E) review the general policies followed in
25 managing the Trust Fund and recommend

1 changes in such policies, including necessary
2 changes in the provisions of the law which gov-
3 ern the way in which the Trust Funds are to
4 be managed and invested.

5 “(b) EXECUTIVE DIRECTOR.—

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

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

11 “(A) carry out the policies established by
12 the Board under this part;

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

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

20 “(D) administer the provisions of this part;
21 and

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

1 “(3) AUTHORIZED FUNCTIONS.—The Executive
2 Director may—

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

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

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

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

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

24 “(F) pay the compensation, per diem, and
25 travel expenses of individuals appointed under

1 subparagraphs (B), (C), and (G) from the
2 Trust Fund;

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

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

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

21 “(c) SOURCE OF COMPENSATION.—Notwithstanding
22 paragraph (3) of section 8476(d) of title 5, United States
23 Code, basic pay paid for any fiscal year as compensation
24 to each member of the Board (and each officer and em-
25 ployee of the Board) shall be paid from the Trust Fund

1 (in lieu of the Thrift Savings Fund) in an amount which
2 bears the same ratio to the total amount of basic pay paid
3 to such member (or officer or employee) for such fiscal
4 year as the balance in the Trust Fund as of the beginning
5 of such fiscal year bears to the total amount of such bal-
6 ance and the balance in the Thrift Savings Fund as of
7 the beginning of such fiscal year.

8 “FINANCING OF GOVERNMENT CONTRIBUTIONS

9 “SEC. 267. (a) AVAILABILITY OF RECEIPTS FROM
10 ASSET SALES.—

11 “(1) DEPOSIT OF FEDERAL SHARE OF RE-
12 CEIPTS.—Except as provided in paragraph (2), the
13 Federal share of receipts received by the United
14 States pursuant to a payment law that, but for this
15 subsection, would be covered into miscellaneous re-
16 cepts in the Treasury without restrictions, shall be
17 available for each fiscal year solely for purposes of
18 making initial contributions to investment accounts
19 pursuant to section 252(c).

20 “(2) REVERSION OF EXCESS RECEIPTS.—Any
21 amounts made available for any fiscal year for the
22 purposes described in paragraph (2) which remain
23 available as of the end of such fiscal year shall re-
24 vert to the general fund of the Treasury as mis-
25 cellaneous receipts.

1 “(3) PAYMENT LAW DEFINED.—For the pur-
2 poses of paragraph (1), the term ‘payment law’ has
3 the meaning given such term by section 6903(1) of
4 title 31, United States Code.

5 “(b) CONGRESSIONAL CONSIDERATION OF PRESI-
6 DENTIAL RECOMMENDATIONS FOR ADDITIONAL ASSET
7 SALES.—

8 “(1) PRESIDENTIAL FINDINGS.—As soon as
9 practicable after the date of the enactment of the
10 Retirement Security Act of 1997, the President shall
11 make findings regarding the extent to which addi-
12 tional funds are or will be required to make initial
13 contributions to the Social Security Investment
14 Trust Fund pursuant to section 252(c) and shall
15 recommend what additional sales of Federal assets
16 should be undertaken to obtain such additional
17 funds.

18 “(2) RECOMMENDATIONS.—

19 “(A) IN GENERAL.—The President shall
20 make specific recommendations to the Congress
21 regarding the President’s findings under para-
22 graph (1) not later than January 1, 1998, and
23 from time to time thereafter as the President
24 deems appropriate. The President shall include
25 with such recommendations legislative language

1 necessary for carrying out such recommenda-
2 tions. The President shall actively consult with
3 the appropriate Committees of each House of
4 the Congress, the Comptroller General of the
5 United States, and the Director of the Office of
6 Management and Budget in compiling such leg-
7 islative language. The President shall promptly
8 provide, upon request, to any Member of Con-
9 gress a description of any information used by
10 the President in making such recommendations.

11 “(B) ACCOMPANYING REPORT BY CBO.—
12 The Comptroller General of the United States
13 shall provide appropriate assistance to the
14 President in the preparation of the President’s
15 report and shall transmit to each House of the
16 Congress at the time of the President’s trans-
17 mittal a report containing a detailed analysis of
18 the President’s recommendations.

19 “(3) INTRODUCTION OF RECOMMENDATIONS.—
20 The legislative language transmitted pursuant to
21 paragraph (2) with the recommendations of the
22 President shall be in the form of a joint resolution.
23 Such joint resolution may be introduced in either
24 House of the Congress by any member thereof.

1 “(4) TERMS OF THE RESOLUTION.—For pur-
2 poses of this subsection, the term ‘joint resolution’
3 means a joint resolution that—

4 “(A) does not have a preamble;

5 “(B) sets forth after the resolving clause
6 only the legislative language contained in the
7 report from the President; and

8 “(C) is entitled a ‘Joint resolution approv-
9 ing the recommendations of the President re-
10 garding additional Federal asset sales for pur-
11 poses of part B of title II of the Social Security
12 Act.’.

13 “(5) EXPEDITED PROCEDURE.—

14 “(A) REFERRAL.—A joint resolution that
15 is introduced in the House of Representatives
16 shall be referred to the Committee on Resources
17 of the House of Representatives. A joint resolu-
18 tion that is introduced in the Senate shall be
19 referred to the Committee on Environment and
20 Public Works of the Senate.

21 “(B) DISCHARGE.—If the committee to
22 which a joint resolution is referred has not re-
23 ported the resolution (or an identical resolution)
24 by the end of the 90-day period beginning on
25 the date on which the President transmits the

1 report to the Congress, such committee shall, at
2 the end of that period, be discharged from fur-
3 ther consideration of the resolution, and the
4 resolution shall be placed on the appropriate
5 calendar of the House of Representatives or the
6 Senate, as the case may be.

7 “(C) CONSIDERATION.—

8 “(i) IN GENERAL.—On or after the
9 first day after the date on which the com-
10 mittee to which a joint resolution is re-
11 ferred has reported, or has been discharged
12 (under subparagraph (B)) from further
13 consideration of, such a resolution, it is in
14 order (even though a previous motion to
15 the same effect has been disagreed to) for
16 any member of the House of Representa-
17 tives or the Senate, respectively, to move to
18 proceed to the consideration of the resolu-
19 tion (but only on the date after the cal-
20 endar day on which the member announces
21 to the House concerned the member’s in-
22 tention to do so).

23 “(ii) POINTS OF ORDER WAIVED.—All
24 points of order against a joint resolution

1 (and against consideration of the resolu-
2 tion) are waived.

3 “(iii) MOTION TO PROCEED.—A mo-
4 tion to proceed to the consideration of a
5 joint resolution is highly privileged in the
6 House of Representatives and is privileged
7 in the Senate and is not debatable. The
8 motion is not subject to amendment, to a
9 motion to postpone consideration of the
10 resolution, or to a motion to proceed to the
11 consideration of other business. A motion
12 to reconsider the vote by which the motion
13 to proceed is agreed to or not agreed to
14 shall not be in order. If the motion to pro-
15 ceed is agreed to, the House of Represent-
16 atives or the Senate, as the case may be,
17 shall immediately proceed to consideration
18 of the joint resolution without intervening
19 motion, order, or other business, and the
20 resolution shall remain the unfinished busi-
21 ness of the House of Representatives or
22 the Senate, as the case may be, until dis-
23 posed of.

24 “(iv) LIMITED DEBATE.—Debate on a
25 joint resolution and on all debatable mo-

1 tions and appeals in connection therewith
2 shall be limited to not more than 5 hours,
3 which shall be divided equally between
4 those favoring and those opposing the reso-
5 lution. A motion further to limit debate on
6 a joint resolution is in order and not de-
7 batable.

8 “(v) AMENDMENTS NOT IN ORDER.—
9 An amendment to a joint resolution is not
10 in order.

11 “(vi) OTHER MOTIONS NOT IN
12 ORDER.—A motion to postpone consider-
13 ation of a joint resolution, a motion to pro-
14 ceed to the consideration of other business,
15 or a motion to recommit the resolution is
16 not in order. A motion to reconsider the
17 vote by which a joint resolution is agreed
18 to or not agreed to is not in order.

19 “(vii) VOTE ON FINAL PASSAGE.—Im-
20 mediately following the conclusion of the
21 debate on a joint resolution and a single
22 quorum call at the conclusion of the debate
23 if requested in accordance with the rules of
24 the House of Representatives or the Sen-

1 ate, as the case may be, the vote on final
2 passage of the resolution shall occur.

3 “(viii) APPEALS.—Appeals from the
4 decisions of the Chair relating to the appli-
5 cation of the rules of the House of Rep-
6 resentatives or of the Senate, as the case
7 may be, to the procedure relating to a joint
8 resolution shall be decided without debate.

9 “(D) CONSIDERATION BY OTHER
10 HOUSE.—If, before the passage by one House
11 of a joint resolution that was introduced in such
12 House, such House receives from the other
13 House a joint resolution as passed by such
14 other House—

15 “(i) the resolution of the other House
16 shall not be referred to a committee and
17 may not be considered in the House that
18 receives it otherwise than on final passage
19 under subparagraph (C);

20 “(ii) the procedure in the House in re-
21 ceipt of the resolution of the other House,
22 with respect to the joint resolution that
23 was introduced in the House in receipt of
24 the resolution of the other House, shall be

1 the same as if no resolution had been re-
2 ceived from the other House; and

3 “(iii) notwithstanding clause (ii), the
4 vote on final passage shall be on the reso-
5 lution of the other House.

6 Upon disposition of a joint resolution that is re-
7 ceived by one House from the other House, it
8 shall no longer be in order to consider the joint
9 resolution that was introduced in the receiving
10 House.

11 “(E) DATE CERTAIN.—If the Senate and
12 the House of Representatives have not acted
13 upon the joint resolution by the 120-day period
14 beginning on the date on which the President
15 transmits the report to the Congress, then on
16 that day or the next day of session thereafter
17 the joint resolution shall be called up by the
18 Presiding Officer of each House upon convening
19 and a roll call vote shall be conducted on pas-
20 sage. If the joint resolution passes one House
21 a vote on final passage shall be immediately
22 conducted in the other House.

23 “(F) RULES OF THE SENATE AND HOUSE
24 OF REPRESENTATIVES.—This subsection is en-
25 acted by Congress—

1 “(i) as an exercise of the rulemaking
2 power of the Senate and House of Rep-
3 resentatives, respectively, and is deemed to
4 be part of the rules of each House, respec-
5 tively, but applicable only with respect to
6 the procedure to be followed in that House
7 in the case of a joint resolution, and it su-
8 persedes other rules only to the extent that
9 it is inconsistent with such rules; and

10 “(ii) with full recognition of the con-
11 stitutional right of either House to change
12 the rules (so far as they relate to the pro-
13 cedure of that House) at any time, in the
14 same manner, and to the same extent as in
15 the case of any other rule of that House.”.

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

18 (1) by striking “All other” in the second sen-
19 tence and inserting “Except as provided in section
20 255, all other”; and

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

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply with respect to payments of old-
3 age insurance benefits for months after December 1998.

4 **SEC. 3. TAX TREATMENT OF AMOUNTS CONTRIBUTED TO,**
5 **AND DISTRIBUTIONS FROM, PERSONAL SO-**
6 **CIAL SECURITY INVESTMENT ACCOUNTS.**

7 (a) IN GENERAL.—Part VII of subchapter B of chap-
8 ter 1 of the Internal Revenue Code of 1986 (relating to
9 additional itemized deductions for individuals) is amended
10 by redesignating section 221 as section 222 and by insert-
11 ing after section 220 the following new section:

12 **“SEC. 221. PERSONAL SOCIAL SECURITY INVESTMENT AC-**
13 **COUNTS.**

14 “(a) ALLOWANCE OF DEDUCTION.—In the case of an
15 individual, there shall be allowed as a deduction for the
16 taxable year an amount equal to the amount contributed
17 in cash for such taxable year to the personal social security
18 investment account of any eligible individual.

19 “(b) MAXIMUM AMOUNT OF DEDUCTION.—

20 “(1) IN GENERAL.—The amount allowable as a
21 deduction under subsection (a) for any taxable year
22 for contributions to the personal social security in-
23 vestment account of an eligible individual shall not
24 exceed \$2,000.

1 “(2) SPECIAL RULE.—If the account holder of
2 any personal social security investment account
3 makes a contribution to such account for any tax-
4 able year, no other taxpayer shall be allowed a de-
5 duction for any amount contributed to such account
6 for such taxable year.

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

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

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

14 “(A) the taxpayer,

15 “(B) the taxpayer’s spouse, and

16 “(C) any individual with respect to whom
17 a deduction under section 151(c) is allowed to
18 the taxpayer.

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

21 “(d) TAX TREATMENT OF DISTRIBUTIONS.—

22 “(1) IN GENERAL.—Except as otherwise pro-
23 vided in this subsection, any amount paid or distrib-
24 uted out of a personal social security investment ac-
25 count shall be included in gross income by the payee

1 or distributee, as the case may be, in the manner
2 provided under section 72.

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

6 “(A) all personal social security investment
7 accounts of the same individual shall be treated
8 as 1 contract,

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

11 “(C) the value of the contract, income on
12 the contract, and investment in the contract
13 shall be computed as of the close of the cal-
14 endar year in which the taxable year begins.

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

18 “(3) TREATMENT OF DISTRIBUTIONS OF SO-
19 CIAL SECURITY BENEFITS.—

20 “(A) IN GENERAL.—Notwithstanding para-
21 graph (1), the amount of any benefit distribu-
22 tion described in section 255(b) of the Social
23 Security Act shall be included in gross income
24 (to the extent provided in section 86) as if such

1 distribution were a social security benefit (as
2 defined in section 86).

3 “(B) ALLOCATION OF INVESTMENT IN THE
4 CONTRACT.—For purposes of section 72, the
5 portion of the account which the Executive Di-
6 rector (as defined in section 251 of the Social
7 Security Act) determines is necessary to fund
8 the benefit distributions referred to in subpara-
9 graph (A) for the taxable year and all succeed-
10 ing taxable years shall be treated as a separate
11 contract with respect to which no premium or
12 other consideration was paid.

13 “(4) CROSS REFERENCE.—

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

14 “(e) SPECIAL RULES.—

15 “(1) TIME WHEN CONTRIBUTIONS DEEMED
16 MADE.—For purposes of this section, a taxpayer
17 shall be deemed to have made a contribution to a
18 personal social security investment account on the
19 last day of the preceding taxable year if the con-
20 tribution is made on account of such taxable year
21 and is made not later than the time prescribed by
22 law for filing the return for such taxable year (not
23 including extensions thereof).

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

8 (b) DEDUCTION ALLOWED WHETHER OR NOT TAX-
9 PAYER ITEMIZES OTHER DEDUCTIONS.—Subsection (a)
10 of section 62 of such Code is amended by inserting after
11 paragraph (16) the following new paragraph:

12 “(17) PERSONAL SOCIAL SECURITY INVEST-
13 MENT ACCOUNT CONTRIBUTIONS.—The deduction
14 allowed by section 221.”.

15 (c) CONFORMING AMENDMENTS.—

16 (1) PENALTY FOR FAILURE TO MEET MINIMUM
17 DISTRIBUTION REQUIREMENT.—Subsection (c) of
18 section 4974 of such Code is amended by striking
19 “or” at the end of paragraph (4), by striking the pe-
20 riod at the end of paragraph (5) and inserting “,
21 or”, and by inserting after paragraph (5) the follow-
22 ing new paragraph:

23 “(6) any personal social security investment ac-
24 count (as defined in section 221(c)).”.

1 (2) TAX ON EXCESS DISTRIBUTIONS FROM
2 QUALIFIED RETIREMENT PLANS TO APPLY.—

3 (A) Subparagraph (A) of section
4 4980A(d)(3) of such Code is amended by strik-
5 ing “and individual retirement plans” and in-
6 serting “, individual retirement plans, and per-
7 sonal social security investment accounts (as
8 defined in section 221(c))”.

9 (B) Paragraph (1) of section 4980A(e) of
10 such Code is amended by striking “and” at the
11 end of subparagraph (A), by striking the period
12 at the end of subparagraph (B) and inserting “,
13 and”, and by adding at the end the following
14 new subparagraph:

15 “(C) any personal social security invest-
16 ment account (as defined in section 221(c)).”.

17 (3) TREATMENT LIKE INDIVIDUAL RETIREMENT
18 PLAN UNDER EXCISE TAX ON CERTAIN PREMATURE
19 DISTRIBUTIONS.—Subparagraph (A) of section
20 72(t)(3) of such Code is amended—

21 (A) by inserting “or from a personal social
22 security investment account (as defined in sec-
23 tion 221(c))” before the period at the end, and

1 (B) by inserting “OR FROM PERSONAL SO-
2 CIAL SECURITY INVESTMENT ACCOUNTS” after
3 “PLANS” in the subparagraph heading.

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

“Sec. 221. Personal social security investment accounts.

“Sec. 222. Cross reference.”.

8 (e) EFFECTIVE DATE.—The amendments made by
9 this section shall apply to taxable years beginning after
10 December 31, 1998.

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