

106TH CONGRESS
2D SESSION

H. R. 4839

To amend title II of the Social Security Act and the Internal Revenue Code of 1986 to provide prospectively for personalized retirement security through personal retirement accounts to allow for more control by individuals over their Social Security retirement income.

IN THE HOUSE OF REPRESENTATIVES

JULY 12, 2000

Mr. SANFORD (for himself, Mr. BARR of Georgia, Mr. BARTON of Texas, Mr. BURTON of Indiana, Mr. BRYANT, Mr. CAMPBELL, Mrs. CHENOWETH-HAGE, Mr. COBURN, Mr. COX, Mr. DEMINT, Mr. DOOLITTLE, Mr. DUNCAN, Mr. GANSKE, Mr. GRAHAM, Mr. HERGER, Mr. HOEKSTRA, Mr. HUNTER, Mr. HYDE, Mr. JONES of North Carolina, Mr. KINGSTON, Mr. LARGENT, Mr. MCINNIS, Mr. MCINTOSH, Mr. METCALF, Mrs. MYRICK, Mr. PAUL, Mr. PICKERING, Mr. PITTS, Mr. RILEY, Mr. SALMON, Mr. SESSIONS, Mr. SCARBOROUGH, Mr. SCHAFER, Mr. SHADEGG, Mr. SHAYS, Mr. SMITH of New Jersey, Mr. SPENCE, Mr. SUNUNU, Mr. TERRY, and Mr. TOOMEY) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend title II of the Social Security Act and the Internal Revenue Code of 1986 to provide prospectively for personalized retirement security through personal retirement accounts to allow for more control by individuals over their Social Security retirement income.

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

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Personal Lockbox Act
3 of 2000”.

4 **SEC. 2. PERSONAL RETIREMENT ACCOUNT PROGRAM.**

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

7 (1) by inserting after the heading for title II
8 the following:

9 “PART A—INSURANCE BENEFITS”;

10 and

11 (2) by adding after section 233 (42 U.S.C. 433)
12 the following new part:

13 “PART B—PERSONAL RETIREMENT ACCOUNT PROGRAM

14 “Subpart 1—General Provisions

15 “DEFINITIONS

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

17 “(1) COVERED EMPLOYER.—The term ‘covered
18 employer’ means, for any calendar year, any person
19 on whom an excise tax is imposed under section
20 3111 of the Internal Revenue Code of 1986 with re-
21 spect to having an individual in his employ who was
22 born on or after January 1, 1945, and to whom
23 wages are paid by such person during such calendar
24 year.

1 “(2) COVERED INDIVIDUAL.—The term ‘cov-
2 ered individual’ means, for any calendar year, any
3 individual—

4 “(A) who was born on or after January 1,
5 1945, and

6 “(B)(i) with respect to whose employment
7 by a covered employer during such calendar
8 year there is imposed an excise tax under sec-
9 tion 3111 of the Internal Revenue Code of
10 1986, or

11 “(ii) on whose self-employment income, for
12 the taxable year beginning with or during such
13 calendar year, there is imposed a tax under sec-
14 tion 1401(a) of the Internal Revenue Code of
15 1986.

16 “(3) EMPLOYMENT.—The term ‘employment’
17 has the meaning provided in section 210.

18 “(4) PERSONAL RETIREMENT ACCOUNT.—The
19 term ‘personal retirement account’ means a trust
20 meeting the requirements of section 531 of the In-
21 ternal Revenue Code of 1986.

22 “(5) PERSONAL RETIREMENT ACCOUNT HOLD-
23 ER.—The term ‘account holder’ means, with respect
24 to any personal retirement account, the individual
25 for whose benefit such account is maintained.

1 “(6) SELF-EMPLOYMENT INCOME.—The term
2 ‘self-employment income’ has the meaning provided
3 in section 211(b).

4 “(7) WAGES.—The term ‘wages’ has the mean-
5 ing provided in section 209.

6 “DESIGNATION OF PERSONAL RETIREMENT ACCOUNTS

7 “SEC. 252. (a) DESIGNATION OF PERSONAL RETIRE-
8 MENT ACCOUNTS.—In the case of any individual who is
9 a covered individual for a calendar year after 2000 for
10 whom a personal retirement account is not otherwise des-
11 ignated under this part, a personal retirement account
12 shall be designated for such individual in accordance with
13 this section to the extent necessary to receive deposits
14 made with respect to the individual under section 253.
15 Under regulations prescribed pursuant to this section, any
16 such individual may make such designation, in writing
17 filed with the Commissioner of Social Security, the Securi-
18 ties and Exchange Commission, and the Secretary of the
19 Treasury, in such form and manner as may be prescribed
20 in such regulations. The individual may designate another
21 personal retirement account in lieu of an account pre-
22 viously designated, in accordance with such regulations.

23 “(b) DESIGNATION BY COMMISSIONER IN ABSENCE
24 OF TIMELY DESIGNATION BY INDIVIDUAL.—The initial
25 designation by an individual of a personal retirement ac-
26 count must be made within such period as shall be pre-

1 scribed in regulations under this section. In any case in
2 which there is no timely designation of a personal retire-
3 ment account with respect to such an individual, the Com-
4 missioner of Social Security shall make the designation of
5 a personal retirement account under subsection (a) on be-
6 half of such individual, in accordance with regulations pre-
7 scribed under to this section. For the purposes of desig-
8 nating such accounts, the Commissioner shall make ar-
9 rangements with certified institutions which shall be se-
10 lected by the Securities and Exchange Commission so as
11 to serve as trustees for such accounts in localities through-
12 out the United States.

13 “(c) REGULATIONS.—The regulations under this sec-
14 tion shall be prescribed by the Commissioner of Social Se-
15 curity, in consultation with the Securities and Exchange
16 Commission and the Secretary of the Treasury.

17 “FEDERAL CONTRIBUTIONS

18 “SEC. 253. (a) IN GENERAL.—Not later than 18
19 months after the end of each calendar quarter in any cal-
20 endar year after 2000 for which an individual is a covered
21 individual, the Secretary of the Treasury shall deposit into
22 such individual’s personal retirement account, from
23 amounts in the Federal Old-Age and Survivors Insurance
24 Trust Fund not otherwise required for immediate with-
25 drawal, an amount equal to the product derived by
26 multiplying—

1 “(1) the excess in the receipts of such Trust
2 Fund for such calendar quarter over the expendi-
3 tures of such Trust Fund for such calendar quarter,
4 by

5 “(2) the allocation percentage for such indi-
6 vidual for such calendar year.

7 “(b) ALLOCATION PERCENTAGE.—For purposes of
8 subsection (a), the allocation percentage for an individual
9 for a calendar year is the ratio, expressed as a percentage,
10 of—

11 “(1) the total amount of the taxes paid under
12 sections 3101(a) and 3111(a) of the Internal Rev-
13 enue Code of 1986 with respect to such individual
14 in such calendar year and the taxes paid under sec-
15 tion 1401(a) of such Code with respect to such indi-
16 vidual in such calendar year, to

17 “(2) the total amount of the taxes paid under
18 such sections 3101(a), 3111(a), and 1401(a) in such
19 calendar year with respect to all individuals who are
20 covered individuals for such calendar year.

21 “(c) ELECTRONIC PAYMENT.—Deposits made pursu-
22 ant to subsection (a) shall, to the maximum extent prac-
23 ticable, be made by electronic payment.

1 “Subpart 2—Certified Institutions

2 “CERTIFICATION OF INSTITUTIONS BY SECURITIES AND
3 EXCHANGE COMMISSION

4 “SEC 261. (a) IN GENERAL.—For purposes of meet-
5 ing the requirements of section 531 of the Internal Rev-
6 enue Code of 1986 (relating to trusteeship of personal re-
7 tirement accounts), any institution that is engaged, in a
8 fiduciary capacity, in the business of maintaining accounts
9 for individuals for purposes of investment may apply to
10 the Securities and Exchange Commission (in such form
11 and manner as shall be provided by the Commission by
12 regulation) for certification under this subpart.

13 “(b) REVIEW REQUIREMENTS.—In reviewing any ap-
14 plication for certification under this subpart and deter-
15 mining whether to approve the application for certifi-
16 cation, the Commission shall consider the following fac-
17 tors:

18 “(1) The financial history and condition of the
19 institution.

20 “(2) The adequacy of the institution’s capital
21 structure.

22 “(3) The future earnings prospects of the insti-
23 tution.

24 “(4) The general character and fitness of the
25 management of the institution.

1 “(5) The convenience and needs of individuals
2 who are account holders with respect to personal re-
3 irement accounts for which the institution is to
4 serve as trustee.

5 “(6) Whether the institution’s corporate powers
6 are consistent with the purposes of this part.

7 “(c) NOTICE OF DENIAL OF APPLICATION FOR CER-
8 TIFICATION.—If the Commission votes to deny any appli-
9 cation for certification by any institution, the Commission
10 shall promptly notify the institution of the denial of such
11 application, giving specific reasons in writing for the Com-
12 mission’s determination with reference to the factors de-
13 scribed in subsection (b).

14 “(d) NONDELEGATION REQUIREMENT.—The author-
15 ity of the Commission to make any determination to deny
16 any application under this section may not be delegated
17 by the Commission.

18 “ACCESS TO RECORDS

19 “SEC. 262. (a) IN GENERAL.—The Securities and
20 Exchange Commission may from time to time require any
21 certified institution to file such reports as the Commission
22 may deem advisable for purposes of this subpart.

23 “(b) REPORTS BY CERTIFIED INSTITUTIONS.—

24 “(1) IN GENERAL.—Each such report shall con-
25 tain a declaration by the president, by a vice presi-
26 dent, by the cashier or the treasurer, or by any other

1 officer designated by the board of directors or trust-
2 ees of the reporting certified institution to make
3 such declaration, that the report is true and correct
4 to the best of his knowledge and belief. The correct-
5 ness of such report shall be attested by the signa-
6 tures of at least two directors or trustees of the re-
7 porting certified institution other than the officer
8 making such declaration, with a declaration that the
9 report has been examined by them and to be the
10 best of their knowledge and belief is true and cor-
11 rect. At the time of making such reports each cer-
12 tified institution shall furnish to the Commission a
13 copy thereof containing such signed declaration and
14 attestations. Nothing in this paragraph shall be con-
15 strued to preclude any Federal or State agency or
16 instrumentality from requiring a certified institution
17 under its jurisdiction to make additional reports at
18 any time.

19 “(2) INFORMATION TO BE PROVIDED.—In the
20 reports required to be made by paragraph (1), each
21 certified institution shall report the total amount of
22 the liability of the institution for balances main-
23 tained in personal retirement accounts for which
24 such institution serves as trustee.

1 “(3) DATA COLLECTIONS.—In addition to or in
2 connection with any other report required under this
3 subsection, the Commission shall take such action as
4 may be necessary to ensure that—

5 “(A) each certified institution maintains;
6 and

7 “(B) the Commission receives on a regular
8 basis from such institution,
9 information on the total amount of all liability of the
10 institution for balances maintained in personal re-
11 tirement accounts for which such institution serves
12 as trustee. In prescribing reporting and other re-
13 quirements for the collection of actual and accurate
14 information pursuant to this paragraph, the Com-
15 mission shall minimize the regulatory burden im-
16 posed upon certified institutions while taking into
17 account the benefit of the information to the Com-
18 mission in carrying out its functions under this sub-
19 part.

20 “REVOCATION OF CERTIFICATION

21 “SEC. 263. (a) VOLUNTARY REVOCATION.—Any in-
22 stitution may revoke such institution’s status as a certified
23 institution if such institution provides written notice to the
24 Securities and Exchange Commission of the institution’s
25 intent to revoke such status not less than 90 days before
26 the effective date of such revocation.

1 “(b) INVOLUNTARY REVOCATION.—

2 “(1) NOTICE TO PRIMARY REGULATOR.—

3 “(A) IN GENERAL.—If the Commission de-
4 termines that—

5 “(i) a certified institution or the direc-
6 tors or trustees of a certified institution
7 have engaged or are engaging in unsafe or
8 unsound practices in conducting the busi-
9 ness of the institution,

10 “(ii) a certified institution is in an un-
11 safe or unsound condition to continue op-
12 erations as a certified institution, or

13 “(iii) a certified institution or the di-
14 rectors or trustees of the institution have
15 violated any applicable law, regulation,
16 order, condition imposed in writing by the
17 Commission in connection with the ap-
18 proval of any application or other request
19 by the institution, or written agreement
20 entered into between the institution and
21 the Commission,

22 and the Commission determines that any unsafe
23 or unsound practice or condition or any viola-
24 tion specified in such notice requires the revoca-
25 tion of the certified status of the certified insti-

1 tution, the Commission shall take the actions
2 required under subparagraph (B).

3 “(B) REQUIRED ACTIONS.—If the Com-
4 mission makes the determination under sub-
5 paragraph (A) with respect to a certified insti-
6 tution, the Commission shall—

7 “(i) serve written notice to the cer-
8 tified institution of the Commission’s in-
9 tention to revoke the certified status of the
10 institution;

11 “(ii) provide the certified institution
12 with a statement of the charges on the
13 basis of which the determination to revoke
14 such institution’s certified status was
15 made; and

16 “(iii) notify the certified institution of
17 the date (not less than 30 days after notice
18 under this paragraph) and place for a
19 hearing before the Commission (or any
20 person designated by the Commission) with
21 respect to the revocation of the institu-
22 tion’s certified status.

23 “(2) HEARING; REVOCATION.—If, on the basis
24 of the evidence presented at a hearing before the
25 Commission (or any person designated by the Com-

1 mission for such purpose), in which all issues shall
2 be determined on the record pursuant to section 554
3 of title 5, United States Code, and the written find-
4 ings of the Commission (or such person) with re-
5 spect to such evidence (which shall be conclusive),
6 the Commission finds that any unsafe or unsound
7 practice or condition or any violation specified in the
8 notice to a certified institution under paragraph (1)
9 has been established, the Commission may issue an
10 order revoking the certified status of such institution
11 effective as of a date subsequent to such finding.

12 “(3) APPEARANCE; CONSENT TO REVOCATION.—Unless the institution appears at the hearing
13 by a duly authorized representative, it shall be
14 deemed to have consented to the revocation of its
15 status as a certified institution and revocation of
16 such status thereupon may be ordered.

18 “(4) PUBLICATION OF NOTICE OF REVOCATION.—The Commission may publish notice of such
19 revocation and the institution shall give notice of
20 such revocation to the account holder of each per-
21 sonal retirement account for which the institution
22 serves as trustee at his last address of record on the
23 books of the institution, in such manner and at such
24

1 time as the Commission may find to be necessary
2 and may order for the protection of account holders.

3 “(5) TEMPORARY CONTINUANCE OF CERTIFI-
4 CATION AS OF REVOCATION.—After the Commission
5 has determined under the provisions of this sub-
6 section that the certified status of any institution is
7 to be revoked, the certification of the institution
8 shall continue for a period of at least 6 months or
9 up to 2 years, within the discretion of the Commis-
10 sion. The institution shall not advertise or hold itself
11 out as being a certified institution unless in the
12 same connection it shall also state with equal promi-
13 nence that such certification is temporarily in force
14 pending the termination of a limited continuance
15 certification after revocation thereof under this sub-
16 section. Such institution shall, in all other respects,
17 be subject to the duties and obligations of a certified
18 institution for the period referred to in the first sen-
19 tence of this paragraph from the date of such rev-
20 ocation, and the Commission shall have the same
21 powers and rights with respect to such institution as
22 in the case of a certified institution.

23 “(6) TEMPORARY SUSPENSION OF CERTIFI-
24 CATION.—

1 “(A) IN GENERAL.—If the Commission ini-
2 tiates a revocation proceeding under paragraph
3 (1), and the Commission, after consultation
4 with any appropriate regulatory agency with ju-
5 risdiction over the institution, finds that the in-
6 stitution has no tangible capital under the cap-
7 ital guidelines or regulations of regulatory agen-
8 cy, the Commission may issue a temporary
9 order suspending certification of the institution.

10 “(B) EFFECTIVE PERIOD OF TEMPORARY
11 ORDER.—Any order issued under subparagraph
12 (A) shall become effective not earlier than 10
13 days from the date of service upon the institu-
14 tion and, unless set aside, limited, or suspended
15 by a court in proceedings authorized under this
16 paragraph, such temporary order shall remain
17 effective and enforceable until an order of the
18 Commission under paragraph (2) becomes final
19 or until the Commission dismisses the pro-
20 ceedings under paragraph (2).

21 “(C) JUDICIAL REVIEW.—Before the close
22 of the 10-day period beginning on the date any
23 temporary order has been served upon the insti-
24 tution under subparagraph (A), the institution
25 may apply to the United States District Court

1 for the District of Columbia, or the United
2 States district court for the judicial district in
3 which the home office of the institution is lo-
4 cated, for an injunction setting aside, limiting,
5 or suspending the enforcement, operation, or ef-
6 fectiveness of such order, and such court shall
7 have jurisdiction to issue such injunction.

8 “(D) PUBLICATION OF ORDER.—The insti-
9 tution shall give notice of such order to the ac-
10 count holder of each personal retirement ac-
11 count for which the institution serves as trustee
12 in such manner and at such times as the Com-
13 mission may find to be necessary and may
14 order for the protection of account holders.

15 “(E) NOTICE BY COMMISSION.—If the
16 Commission determines that the institution has
17 not substantially complied with the notice to
18 contributors required by the Commission, the
19 Commission may provide such notice in such
20 manner as the Commission may find to be nec-
21 essary and appropriate.

22 “(7) FINAL DECISIONS TO REVOKE CERTIFI-
23 CATION.—Any decision by the Commission to—

24 “(A) issue a temporary order revoking cer-
25 tification; or

1 “(B) issue a final order revoking certifi-
2 cation;
3 shall be made by the Commission and may not be
4 delegated.

5 “(8) JUDICIAL REVIEW.—Any party to any pro-
6 ceeding under this subsection to which an institution
7 is a party may obtain a review of any order served
8 pursuant to this subsection by the filing in the court
9 of appeals of the United States for the circuit in
10 which the home office of the institution is located,
11 or in the United States Court of Appeals for the
12 District of Columbia Circuit, within 30 days after
13 the date of service of such order, a written petition
14 praying that the order of the Commission be modi-
15 fied, terminated, or set aside. A copy of such peti-
16 tion shall be forthwith transmitted by the clerk of
17 the court to the Commission, and thereupon the
18 Commission shall file in the court the record in the
19 proceeding, as provided in section 2112 of title 28,
20 United States Code. Upon the filing of such petition,
21 such court shall have jurisdiction, which upon the
22 filing of the record shall be exclusive, to affirm,
23 modify, terminate, or set aside, in whole or in part,
24 the order of the Commission. Review of such pro-
25 ceedings shall be had as provided in chapter 7 of

1 title 5, United States Code. The judgment and de-
2 cree of the court shall be final, except that the judg-
3 ment and decree shall be subject to review by the
4 Supreme Court upon certiorari, as provided in sec-
5 tion 1254 of title 28, United States Code. The com-
6 mencement of proceedings for judicial review under
7 this paragraph shall not, unless specifically ordered
8 by the court, operate as a stay of any order issued
9 by the Commission.

10 “INSTITUTION OF CLOSING PROCEEDINGS BY THE
11 COMMISSION

12 “SEC. 264. (a) IN GENERAL.—The Securities and
13 Exchange Commission shall as soon as practicable insti-
14 tute proceedings under this section to close a personal re-
15 tirement account whenever the Commission determines
16 that—

17 “(1) the certified status of the institution serv-
18 ing as trustee of the account ceases to be in effect,
19 or

20 “(2) the trustee of the account is unable to
21 make full distributions of the balance in the account
22 when due.

23 The Commission may prescribe a simplified procedure to
24 follow in closing personal retirement accounts as long as
25 that procedure includes substantial safeguards for the
26 rights of the account holder. Notwithstanding any other

1 provision of this part, the Commission is authorized to
2 pool assets of closed personal retirement accounts for pur-
3 poses of administration, investment, payment of liabilities
4 of all such accounts, and such other purposes as it deter-
5 mines to be appropriate in the administration of this part.

6 “(b) INITIAL APPOINTMENT OF ALTERNATIVE
7 TRUSTEE.—

8 “(1) IN GENERAL.—Whenever the Commission
9 makes a determination under subsection (a) with re-
10 spect to a personal retirement account, it may, upon
11 notice to the institution serving as trustee of the ac-
12 count, apply to the appropriate United States dis-
13 trict court for the appointment of an alternative
14 trustee to administer the account pending the
15 issuance of a decree under subsection (c) ordering
16 the closing of the account. If within 3 business days
17 after the filing of an application under this sub-
18 section, or such other period as the court may order,
19 the institution consents to the appointment of an al-
20 ternative trustee, or fails to show why an alternative
21 trustee should not be appointed, the court may grant
22 the application and appoint an alternative trustee to
23 administer the account in accordance with the terms
24 governing the account until the Commission deter-
25 mines that the account should be closed or that clos-

1 ing is unnecessary. The Commission may request
2 that it be appointed as alternative trustee of the ac-
3 count in any case.

4 “(2) STANDARD FOR COURT APPOINTMENT.—
5 Notwithstanding any other provision of this part,
6 upon the petition of a certified institution or the
7 Commission, the appropriate United States district
8 court may appoint an alternative trustee in accord-
9 ance with the provisions of this section if the inter-
10 ests of the account holder with respect to the per-
11 sonal retirement account is maintained would be bet-
12 ter served by the appointment of the alternative
13 trustee.

14 “(3) APPOINTMENT BY AGREEMENT BETWEEN
15 PARTIES.—The Commission and the institution serv-
16 ing as trustee of the account may agree to the ap-
17 pointment of an alternative trustee without pro-
18 ceeding in accordance with the requirements of para-
19 graphs (1) and (2).

20 “(c) TERMINATION PROCEEDINGS.—

21 “(1) IN GENERAL.—If the Commission is re-
22 quired under subsection (a) to commence pro-
23 ceedings under this section with respect to a per-
24 sonal retirement account or, after issuing a notice
25 under this section to the certified institution serving

1 as trustee of the account, has determined that the
2 account should be closed, the Commission may, upon
3 notice to the institution, apply to the appropriate
4 United States district court for a decree adjudi-
5 cating that the account must be closed in order to
6 protect the interests of the account holder with re-
7 spect to the account or to avoid any unreasonable
8 deterioration of the financial condition of the ac-
9 count. If the alternative trustee appointed under
10 subsection (b) disagrees with the determination of
11 the Commission under the preceding sentence, he
12 may intervene in the proceeding relating to the ap-
13 plication for the decree, or make application for such
14 decree himself. Upon granting a decree for which the
15 Commission or alternative trustee has applied under
16 this subsection, the court shall authorize the alter-
17 native trustee (or appoint an alternative trustee if
18 one has not been appointed under such subsection
19 and authorize him) to assume trusteeship of the per-
20 sonal retirement account, and provide for its liquida-
21 tion, in accordance with the provisions of this sec-
22 tion, and a transfer of its assets to a successor per-
23 sonal retirement account, in accordance with para-
24 graph (2).

1 “(2) TRANSFER TO SUCCESSOR ACCOUNT.—In
2 any case in which a personal retirement account is
3 closed under this section, the Commission shall pro-
4 vide by regulation for procedures under which selec-
5 tion for the account holder of an appropriate suc-
6 cessor personal retirement account is facilitated and
7 a trustee-to-trustee transfer of the balance in the
8 closed account to the successor account is made.
9 Whenever an alternative trustee appointed under
10 this section is exercising trusteeship authority over
11 a personal retirement account with discretion as to
12 the date upon which transfer of the assets from the
13 account to a successor account is to be performed,
14 the alternative trustee shall notify the Commission
15 at least 10 days before the date on which he pro-
16 poses to perform such transfer. The original trustee
17 of the closed account shall be liable to the trustee of
18 the successor account for the costs of the transfer.

19 “(d) TRUSTEESHIP WITHOUT CLOSING.—If the
20 Commission and the institution agree that trusteeship
21 over the personal retirement account should be assumed
22 by an alternative trustee appointed under this section and
23 agree to the appointment of an alternative trustee without
24 proceeding in accordance with the requirements of sub-
25 section (c), the alternative trustee shall have the power

1 described in subsection (e)(1) of this section and, in addi-
 2 tion to any other duties imposed on the alternative trustee
 3 under law or by agreement between the Commission and
 4 the institution, the alternative trustee is subject to the du-
 5 ties described in subsection (e)(3).

6 “(e) POWERS AND DUTIES OF ALTERNATIVE TRUST-
 7 EE.—

8 “(1) IN GENERAL.—An alternative trustee ap-
 9 pointed under subsection (b) shall have the power—

10 “(A) to do any act authorized by docu-
 11 ments governing the personal retirement ac-
 12 count or this part to be done by the institution
 13 as trustee of the account;

14 “(B) to require the transfer of all (or any
 15 part) of the assets and records of the account
 16 to himself as trustee;

17 “(C) to invest any assets of the account
 18 which he holds in accordance with the docu-
 19 ments governing the account, regulations of the
 20 Securities and Exchange Commission, and ap-
 21 plicable rules of law;

22 “(D) to limit payment of assets in the ac-
 23 count as appropriate or to continue payment of
 24 some or all of the assets in the account which
 25 were being paid prior to his appointment;

1 “(E) to do such other acts as he deems
2 necessary to continue operation of the account
3 without increasing risk of loss to the account
4 holder, if such acts may be done under the doc-
5 uments governing the account; and

6 “(F) to require the institution to furnish
7 any information with respect to the account
8 which the alternative trustee may reasonably
9 need in order to administer the account.

10 “(2) TIME LIMITATION ON ALTERNATIVE
11 TRUSTEESHIP WHERE CLOSING DOES NOT ENSUE.—
12 If the court to which application is made under sub-
13 section (c) dismisses the application with prejudice,
14 or if the Commission fails to apply for a decree
15 under subsection (c) within 30 days after the date
16 on which the alternative trustee is appointed under
17 subsection (b), the alternative trustee shall transfer
18 all assets and records of the account held by him to
19 the institution which had been serving as trustee of
20 the account within 3 business days after such dis-
21 missal or the expiration of such 30-day period, and
22 shall not be liable to the institution or any other per-
23 son for his acts as alternative trustee except for will-
24 ful misconduct, or for conduct in violation of any
25 other provision of this part. The 30-day period re-

1 ferred to in this paragraph may be extended as pro-
2 vided by agreement between the institution and the
3 Commission or by court order obtained by the Com-
4 mission.

5 “(3) ADDITIONAL POWERS UPON CLOSING.—If
6 the court to which an application is made under sub-
7 section (c) issues the decree requested in such appli-
8 cation, in addition to the powers described in para-
9 graph (1), the alternative trustee shall have the
10 power—

11 “(A) to collect for the account any
12 amounts due the account;

13 “(B) to commence, prosecute, or defend on
14 behalf of the institution or the account any suit
15 or proceeding involving the account;

16 “(C) to issue, publish, or file such notices,
17 statements, and reports as may be required by
18 the Commission or any order of the court;

19 “(D) to liquidate the assets of the account
20 and perform the transfer of such assets to a
21 successor personal retirement account as pro-
22 vided in subsection (c)(2);

23 “(E) to recover payments inappropriately
24 made from the account; and

1 “(F) to do such other acts as may be nec-
2 essary to comply with this part or any order of
3 the court and to protect the interests of the ac-
4 count holder of the closed account.

5 “(4) NOTICE OF PROCEEDINGS.—As soon as
6 practicable after his appointment, the alternative
7 trustee shall give notice to interested parties of the
8 institution of proceedings under this section to de-
9 termine whether the account should be closed or to
10 close the account, whichever is applicable. For pur-
11 poses of this paragraph, the term ‘interested party’
12 means—

13 “(A) the institution,

14 “(B) the account holder with respect to the
15 account was maintained, including the bene-
16 ficiary of the account holder who is deceased,

17 “(C) each person who may be liable for
18 payments to the account.

19 “(5) ADDITIONAL DUTIES.—Except to the ex-
20 tent inconsistent with the provisions of this part, or
21 as may be otherwise ordered by the court, an alter-
22 native trustee appointed under this section shall be
23 subject to the same duties as those of a trustee
24 under section 704 of title 11, United States Code,
25 and shall be, with respect to the account, a fiduciary

1 within the meaning of paragraph (21) of section 3
2 of the Employee Retirement Income Security Act of
3 1974 and under section 4975(e) of the Internal Rev-
4 enue Code of 1986 (except to the extent that the
5 provisions of this part are inconsistent with the re-
6 quirements applicable under part 4 of subtitle B of
7 title I of such Act and of such section 4975).

8 “(f) COORDINATION WITH BANKRUPTCY OR OTHER
9 INSOLVENCY PROCEEDINGS.—An application by the Com-
10 mission under this section may be filed notwithstanding
11 the pendency in the same or any other court of any bank-
12 ruptcy, mortgage foreclosure, or equity receivership pro-
13 ceeding, or any proceeding to reorganize, conserve, or liq-
14 uidate the personal retirement account or the institution,
15 or its assets, or any proceeding to enforce a lien against
16 assets of the account or the institution.

17 “(g) COURT JURISDICTION.—Upon the filing of an
18 application for the appointment of an alternative trustee
19 or the issuance of a decree under this section, the court
20 to which an application is made shall have exclusive juris-
21 diction of the account involved and its assets wherever lo-
22 cated with the powers, to the extent consistent with the
23 purposes of this section, of a court of the United States
24 having jurisdiction over cases under chapter 11 of title 11
25 of the United States Code. Pending an adjudication under

1 subsection (c), such court shall stay, and upon appoint-
2 ment by it of an alternative trustee, as provided in this
3 section, such court shall continue the stay of, any pending
4 mortgage foreclosure, equity receivership, or other pro-
5 ceeding to reorganize, conserve, or liquidate the account
6 or its assets and any other suit against any receiver, con-
7 servator, or trustee of the account or the institution, or
8 its assets. Pending such adjudication and upon the ap-
9 pointment by it of such alternative trustee, the court may
10 stay any proceeding to enforce a lien against property of
11 the account or the institution or any other suit against
12 the account or the institution.

13 “(h) VENUE AND PROCESS.—An action under this
14 section may be brought in the judicial district where the
15 institution serving as trustee of the personal retirement
16 account is located or does business or where any asset of
17 the account or the institution is situated. A district court
18 in which such action is brought may issue process with
19 respect to such action in any other judicial district.

20 “(i) COMPENSATION AND PERSONNEL FOR ALTER-
21 NATIVE TRUSTEES.—

22 “(1) COMPENSATION.—The amount of com-
23 pensation paid to each alternative trustee appointed
24 under the provisions of this section shall require the
25 prior approval of the Commission, and, in the case

1 of an alternative trustee appointed by a court, the
2 consent of that court.

3 “(2) APPOINTMENT AND RETENTION OF PER-
4 SONNEL.—Alternative trustees appointed under this
5 section shall appoint, retain, and compensate ac-
6 countants, actuaries, and other professional service
7 personnel in accordance with regulations prescribed
8 by the Commission.

9 “Subpart 3—Investment Standards, Reporting and
10 Disclosure Requirements, and Fiduciary Duties

11 “INVESTMENT STANDARDS

12 “SEC. 271. (a) REQUIRED FORMS OF INVEST-
13 MENT.—Under the terms governing a personal retirement
14 account, amounts held in the account shall be invested,
15 at the option of the account holder, in any of not fewer
16 than 3 forms of investment, consisting of—

17 “(1) a broad-based portfolio of common stock,

18 “(2) a portfolio consisting of United States
19 Treasury bills issued under chapter 31 of title 31,
20 United States Code, savings bonds or similar obliga-
21 tions issued under such chapter which are indexed to
22 inflation, or any combination of the foregoing, and
23 “(3) a broad-based portfolio of private sector
24 obligations.

1 “(b) REQUIRED CHOICE OF PORTFOLIOS.—Under
2 the terms governing a personal retirement account, the ac-
3 count holder shall be provided with not fewer than 5 and
4 not more than 15 portfolio options, assembled so as to
5 provide the account holder, in combination, at least the
6 options required under subsection (a). Each such portfolio
7 shall be approved by the Securities and Exchange Com-
8 mission under this section.

9 “(c) DEFAULT PORTFOLIO SELECTIONS.—Among
10 the approved portfolio options required under subsection
11 (b), one option shall be the default option, as so designated
12 by the certified institution serving as trustee of the ac-
13 count. The certified institution may designate 2 or more
14 different default options for 2 or more groups of account
15 holders, respectively, categorized by age. Any such default
16 option shall apply unless an alternative selection is made
17 by the account holder under subsection (b). Application
18 of any such default option in the case of any account hold-
19 er in the absence of an alternative selection by the account
20 holder shall be deemed to comply with applicable fiduciary
21 standards.

22 “(d) APPROVAL OF PORTFOLIOS.—A portfolio of-
23 fered for a personal retirement account may be approved
24 by the Commission only if—

1 “(1) to the extent that the portfolio provides an
2 investment form described in paragraph (1) or (3) of
3 subsection (a), the portfolio replicates the assets of
4 a broad-based index of equities or obligations meet-
5 ing requirements which shall be prescribed in regula-
6 tions of the Commission,

7 “(2) the portfolio is managed exclusively by the
8 investment manager so as to minimize risk on the
9 part of the individual investor,

10 “(3) the portfolio is constructed so as not to
11 present an unreasonable risk of loss inconsistent
12 with saving for retirement, and

13 “(4) any charge for administrative expenses in
14 connection with the account (including any fee
15 charged in connection with management of the port-
16 folio) is expressed in terms of a flat fee for a fixed
17 period of time, except that additional charges may
18 be required, in accordance with regulations of the
19 Commission, on a reasonable basis and at reasonable
20 margins, as may be necessary to allow for—

21 “(A) reasonable payment of appropriate
22 management fees to investment managers, and

23 “(B) costs relating to accounting for vol-
24 untary contributions to the account,

1 if such additional charges are set forth separately
2 and clearly identified as such.

3 “(e) SPECIAL RULES.—

4 “(1) LIMITS ON ASSET REALLOCATIONS.—The
5 Commission shall establish by regulation reasonable
6 limits on the frequency of changes in allocations of
7 assets in personal retirement accounts to invest-
8 ments permitted under this section.

9 “(2) INVESTMENT OF ACCOUNTS WITH DE
10 MINIMIS BALANCES.—In the case of a personal re-
11 tirement account with a balance of less than \$500,
12 the certified institution serving as trustee of such ac-
13 count may provide for investment of such balance
14 solely in accordance with policies established by such
15 institution. The Commission shall prescribe regula-
16 tions which shall set forth standards which such
17 policies must meet and shall provide for adequate
18 disclosure of such policies to the account holder.

19 “REPORTING AND DISCLOSURE REQUIREMENTS

20 “SEC. 272. (a) IN GENERAL.—In the case of a per-
21 sonal retirement account which does not form part of an
22 individual account plan covered under part 1 of subtitle
23 B of title I of the Employee Retirement Income Security
24 Act of 1974, rules similar to the rules of such part 1 appli-
25 cable to individual account plans covered under such part
26 1 shall apply with respect to such account and the terms

1 of any arrangement under which such account is main-
2 tained, to the extent that the application of such rules to
3 personal retirement accounts is determined by the Securi-
4 ties and Exchange Commission by regulation to be appro-
5 priate. Compliance with the requirements of this sub-
6 section may be by electronic means in the case of personal
7 retirement account holders having reasonable access there-
8 to, if such electronic means meets requirements which
9 shall be prescribed in regulations of the Commission and
10 receipt of information by the account holder by electronic
11 means is elected by the account holder in accordance with
12 such regulations.

13 “(b) GENERAL REQUIREMENTS.—In applying under
14 subsection (a) the rules of part 1 of subtitle B of title
15 I of the Employee Retirement Income Security Act of
16 1974 in the case of a personal retirement account de-
17 scribed in subsection (a), references in such part to the
18 Secretary of Labor shall be deemed to be references to
19 the Securities and Exchange Commission, references in
20 such part to a participant or beneficiary in connection with
21 an individual account plan covered under such part shall
22 be deemed to be references to the account holder with re-
23 spect to the personal retirement account, and references
24 in such part to the plan administrator or plan sponsor in
25 connection with an individual account plan covered under

1 such part shall be deemed to be references to the trustee
2 of the personal retirement account.

3 “(c) COORDINATION OF REPORTING REQUIRE-
4 MENTS.—The Securities and Exchange Commission and
5 the Secretary of Labor shall jointly issue regulations so
6 as to ensure that requirements of part 1 of subtitle B of
7 title I of the Employee Retirement Income Security Act
8 of 1974 applicable to any trustee that is a certified institu-
9 tion and the requirements of this section are mutually con-
10 sistent and to minimize administrative expense. Separate
11 inclusion of information relating to a personal retirement
12 account maintained by a certified institution in an annual
13 report filed by such institution pursuant to section 103
14 of the Employee Retirement Income Security Act of 1974
15 shall be treated as meeting the annual reporting require-
16 ment under this subsection relating to such personal re-
17 tirement account. The Secretary of Labor and the Securi-
18 ties and Exchange Commission shall provide for prompt
19 transmission to the Commission of a copy of any such an-
20 nual report filed by a certified institution with such Sec-
21 retary relating to the personal retirement account.

22 “(d) SPECIFIC TRUSTEE REQUIREMENTS.—The re-
23 quirements of this section relating to the trustee of a per-
24 sonal retirement account under this section shall not be
25 treated as met unless the trustee—

1 “(1) submits to the Securities and Exchange
2 Commission periodic evaluations of the investment
3 options available to personal retirement account
4 holders in accordance with regulations which shall be
5 prescribed by the Commission and makes such eval-
6 uations reasonably available to the personal retire-
7 ment account holders in accordance with such regu-
8 lations, and

9 “(2) the trustee provides to the personal retire-
10 ment account holder—

11 “(A) in connection with the designation of
12 the account under section 252 and at least
13 semi-annually thereafter, in language under-
14 standable by the typical account holder, infor-
15 mation describing the investment options avail-
16 able to the account holder which shall be speci-
17 fied in regulations of the Securities and Ex-
18 change Commission and which shall be suffi-
19 cient to enable a reasonably educated selection
20 of portfolio options offered by the trustee,

21 “(B) on an annual basis, a disclosure of all
22 fees and other charges imposed by the trustee
23 with respect to the personal retirement account,

1 “(C) on a quarterly basis, an accounting of
2 all activity of the personal retirement account
3 during the preceding quarter, and

4 “(D) on an annual basis, an accounting of
5 all activity of the personal retirement account
6 during the preceding year.

7 “FIDUCIARY DUTIES

8 “SEC. 273. (a) IN GENERAL.—In the case of a per-
9 sonal retirement account which does not form part of an
10 individual account plan covered under part 4 of subtitle
11 B of title I of the Employee Retirement Income Security
12 Act of 1974, rules similar to the rules of such part 4 appli-
13 cable to individual account plans covered under such part
14 4 shall apply with respect to a personal retirement account
15 and the terms of any arrangement under which such ac-
16 count is maintained.

17 “(b) GENERAL REQUIREMENTS.—In applying under
18 subsection (a) the rules of part 4 of subtitle B of title
19 I of the Employee Retirement Income Security Act of
20 1974 in the case of a personal retirement account, ref-
21 erences in such part to the Secretary of Labor shall be
22 deemed to be references to the Securities and Exchange
23 Commission, references in such part to a participants or
24 beneficiary in connection with an individual account plan
25 covered under such part shall be deemed to be references
26 to the account holder with respect to the personal retire-

1 ment account, and references in such part to the plan ad-
2 ministrator or plan sponsor in connection with an indi-
3 vidual account plan covered under such part shall be
4 deemed to be references to the trustee of the personal re-
5 tirement account.

6 “(c) LIMITATION ON LIABILITY.—Any account holder
7 who issues an instruction to the trustee of the account
8 directing an investment of funds held in the account shall
9 sign an acknowledgement prescribed by the Securities and
10 Exchange Commission which states that the account hold-
11 er understands that an investment of any amount in the
12 account is made at the account holder’s risk, that the ac-
13 count holder is not protected by the Government or by
14 the trustee against any loss on such investment, and that
15 a return on such investment is not guaranteed by the Gov-
16 ernment or by the trustee. Notwithstanding the preceding
17 provisions of this section and any other provision of Fed-
18 eral or State law, the trustee of a personal retirement ac-
19 count shall not be liable for losses suffered in connection
20 with any investment of assets held in the account unless
21 it is shown by clear and convincing evidence that the trust-
22 ee did not act in the manner in which a reasonable trustee
23 would act under the circumstances then prevailing in eval-
24 uating the risk and reward properties of the investment
25 option involved.

1 “Subpart 4—Enforcement

2 “CAUSE OF ACTION

3 “SEC. 281. The account holder with respect to a per-
4 sonal retirement account who is adversely affected by an
5 act or practice of any party (other than the Securities and
6 Exchange Commission, the Social Security Administra-
7 tion, the Department of the Treasury, or any officer or
8 employee of any of the foregoing) in violation of any provi-
9 sion of this part, may bring an action—

10 “(1) to enjoin such act or practice, or

11 “(2) to obtain other appropriate equitable relief

12 (A) to redress such violation or (B) to enforce such
13 provision.

14 “JURISDICTION AND VENUE

15 “SEC. 282. Civil actions under this subpart may be
16 brought in the district courts of the United States in the
17 district where the personal retirement account is adminis-
18 tered, where the violation took place, or where a defendant
19 resides or may be found, and process may be served in
20 any district where a defendant resides or may be found.
21 The district courts of the United State shall have jurisdic-
22 tion, without regard to the amount in controversy or the
23 citizenship of the parties, to grant the relief provided for
24 in section 281 in any action.

1 “RIGHT OF SECURITIES AND EXCHANGE COMMISSION TO
2 INTERVENE

3 “SEC. 283. A copy of the complaint or notice of ap-
4 peal in any action under this subpart shall be served upon
5 the Securities and Exchange Commission by certified mail.
6 The Commission shall each have the right to intervene in
7 any action.

8 “AWARDS OF COSTS AND EXPENSES

9 “SEC. 284. In any action brought under this subpart,
10 the court in its discretion may award all or a portion of
11 the costs and expenses incurred in connection with such
12 action, including reasonable attorney’s fees, to any party
13 who prevails or substantially prevails in such action.

14 “LIMITATION ON ACTIONS

15 “SEC. 285. (a) IN GENERAL.—Except as provided in
16 subsection (c), an action under this subpart may not be
17 brought after the later of—

18 “(1) 6 years after the date on which the cause
19 of action arose, or

20 “(2) 3 years after the applicable date specified
21 in subsection (b).

22 “(b) APPLICABLE DATE.—The applicable date speci-
23 fied in this subsection is the earliest date on which the
24 plaintiff acquired or should have acquired actual knowl-
25 edge of the existence of such cause of action.

1 “(c) CASES OF FRAUD OR CONCEALMENT.—In the
2 case of fraud or concealment, the period described in sub-
3 section (a)(2) shall be extended to 6 years after the appli-
4 cable date specified in subsection (b).

5 “PENALTY FOR FAILURE TO TIMELY PROVIDE REQUIRED
6 INFORMATION

7 “SEC. 286. The Securities and Exchange Commission
8 may assess a penalty, payable to it, against any person
9 who fails to provide any notice or other material informa-
10 tion required under this part or any regulations prescribed
11 under this part within the applicable time limit specified
12 therein. Such penalty shall not exceed \$1,000 for each day
13 for which such failure continues.

14 “ACTIONS BY SECURITIES AND EXCHANGE COMMISSION

15 “SEC. 287. If any person is assessed under this sub-
16 part and fails to pay the assessment when due, or any
17 person otherwise fails to meet any requirement of this
18 part, the Securities and Exchange Commission may bring
19 a civil action in any district court of the United States
20 within the jurisdiction of which such person’s assets are
21 located or in which such person resides or is found for
22 the recovery of the amount of the assessment or for appro-
23 priate equitable relief to redress the violation or enforce
24 the provisions of this part, and process may be served in
25 any other district. The district courts of the United States
26 shall have jurisdiction over actions brought under this sec-

1 tion by the Commission without regard to the amount in
2 controversy.

3 “CRIMINAL PENALTY FOR FRAUD OR INTENTIONAL MIS-
4 REPRESENTATION IN CONNECTION WITH INVEST-
5 MENT OPTIONS

6 “SEC. 288. Any person who makes, or causes to be
7 made, a statement or representation of a material fact for
8 use in selecting an investment option under section 271
9 that the person knows or should know is false or mis-
10 leading or knows or should know omits a material fact
11 or makes such a statement with knowing disregard for the
12 truth shall upon conviction be fined not more than
13 \$500,000 or imprisoned for not more than 5 years, or
14 both.”.

15 (b) IMPLEMENTATION.—The Securities and Ex-
16 change Commission, in consultation with the Commis-
17 sioner of Social Security and the Secretary of the Treas-
18 ury, shall establish an expedited procedure to ensure time-
19 ly implementation of the amendments made by this sec-
20 tion. The Commission shall submit to each House of the
21 Congress report on the status of such implementation not
22 later than March 1, 2001. All measures necessary to pre-
23 pare for full implementation of such amendments shall be
24 completed by the Commission, the Commissioner, and the
25 Secretary not later than July 1, 2001.

1 **SEC. 3. PERSONAL RETIREMENT ACCOUNTS.**

2 (a) IN GENERAL.—Subchapter F of chapter 1 of the
3 Internal Revenue Code of 1986 (relating to exempt organi-
4 zations) is amended by adding at the end the following
5 new part:

6 **“PART IX—PERSONAL RETIREMENT ACCOUNTS**

“Sec. 531. Personal Retirement Accounts.

7 **“SEC. 531. PERSONAL RETIREMENT ACCOUNTS.**

8 “(a) GENERAL RULE.—A personal retirement ac-
9 count shall be exempt from taxation under this subtitle.
10 Notwithstanding the preceding sentence, the personal re-
11 tirement account shall be subject to the taxes imposed by
12 section 511 (relating to imposition of tax on unrelated
13 business income of charitable organizations).

14 “(b) PERSONAL RETIREMENT ACCOUNT DEFINED.—
15 For purposes of this section—

16 “(1) IN GENERAL.—The term ‘personal retire-
17 ment account’ means a trust which is designated
18 under section 252 of the Social Security Act as a
19 personal retirement account and which is created or
20 organized in the United States for the exclusive ben-
21 efit of an individual, or the beneficiaries of such in-
22 dividual, but only if the written governing instru-
23 ment creating the trust meets the following require-
24 ments:

1 “(A) The contribution requirements of sub-
2 section (c) are met.

3 “(B) The distribution requirements of sub-
4 section (d) are met.

5 “(C) The trustee requirements of sub-
6 section (f) are met.

7 “(D) The investment requirements of sub-
8 part 3 of part B of title II of the Social Secu-
9 rity Act are met.

10 “(E) The interest of an individual in the
11 balance in his account is nonforfeitable.

12 “(2) AGGREGATION OF ACCOUNTS.—For pur-
13 poses of determining whether the requirements of
14 paragraph (1) are met in a taxable year, a prede-
15 cessor personal retirement account and a successor
16 personal retirement account of an account holder
17 shall be treated as 1 account.

18 “(c) CONTRIBUTION REQUIREMENTS.—

19 “(1) IN GENERAL.—The requirements of this
20 subsection are met if, except in the case of a rollover
21 contribution described in paragraph (2) or sub-
22 section (e)(4), no contribution will be accepted un-
23 less it is in cash, and contributions will not be ac-
24 cepted for the taxable year on behalf of any indi-
25 vidual in excess of the sum of—

1 “(A) the Federal contribution under sec-
2 tion 253 of the Social Security Act,

3 “(B) the entitlement payment for early
4 contributions under section 54, and

5 “(C) \$10,000.

6 “(2) ROLLOVER CONTRIBUTIONS FROM ELIGI-
7 BLE RETIREMENT PLANS.—

8 “(A) IN GENERAL.—A rollover contribu-
9 tion is described in this paragraph if such con-
10 tribution is—

11 “(i) an eligible rollover distribution
12 out of a qualified trust and excluded from
13 gross income under section 402(c),
14 403(a)(4), or 403(b)(8), determined, for
15 purposes of this paragraph, by treating the
16 personal retirement account as a qualified
17 trust, employee annuity, or annuity con-
18 tract, as the case may be, or

19 “(ii) an eligible rollover within the
20 meaning of section 408(d)(3)) out of an in-
21 dividual retirement account or individual
22 retirement annuity, determined, for pur-
23 poses of this paragraph, by treating the
24 contribution to the personal retirement ac-
25 count as a payment into an individual re-

1 tirement account or individual retirement
2 annuity.

3 “(B) INCLUSION IN GROSS INCOME FOR
4 ROLLOVER CONTRIBUTIONS, SPREAD OVER 4-
5 YEAR TAXABLE PERIOD.—For purposes of any
6 rollover contribution described in subparagraph
7 (A), rules similar to the rules of section
8 408A(d)(3) shall apply, except that the date in
9 subparagraph (A)(iii) thereof shall be dis-
10 regarded. The preceding sentence shall not
11 apply to a rollover contribution from a Roth
12 IRA.

13 “(C) NO ROLLOVER FROM CURRENT DE-
14 FINED CONTRIBUTION PLAN.—For purposes of
15 subparagraph (A)(i), amounts may not be rolled
16 over to a personal retirement account from any
17 defined contribution plan which is maintained
18 by the employer of the employee who is the ac-
19 count holder of the personal retirement account
20 on the date such rollover is made.

21 “(d) DISTRIBUTION REQUIREMENTS.—

22 “(1) IN GENERAL.—The distribution require-
23 ments of this paragraph are met if—

24 “(A)(i) no payment or distribution from
25 the personal retirement account from amounts

1 attributable to Federal contributions may be
2 made from the personal retirement account be-
3 fore the date the account holder attains age 62,
4 and

5 “(ii) on and after the date the account
6 holder attains age 62, no payment or distribu-
7 tion from the personal retirement account from
8 amounts attributable to Federal contributions
9 may be made in a taxable year if, immediately
10 after the distribution, the amount remaining in
11 the account that is attributable to Federal con-
12 tributions is less than the minimum annuity
13 amount, and

14 “(B) no payment or distribution from the
15 personal retirement account from amounts at-
16 tributable to voluntary contributions may be
17 made from the personal retirement account be-
18 fore the date the account holder attains age
19 59½.

20 “(2) EXCEPTIONS.—The requirements of para-
21 graph (1) shall not be treated as not met solely by
22 reason of—

23 “(A) any trustee-to-trustee transfer from a
24 personal retirement account to a successor per-
25 sonal retirement account,

1 “(B) any payment or distribution used to
2 purchase a minimum annuity or a survivor an-
3 nuity that meets the requirements of paragraph
4 (3)(B)(ii),

5 “(C) any payment or distribution from
6 amounts attributable to voluntary contributions
7 by reason of the individual’s being disabled
8 (within the meaning of section 72(m)(7)),

9 “(D) any payment or distribution made to
10 a beneficiary (or to the estate of the employee)
11 on or after the death of the account holder,

12 “(E) any payment or distribution which is
13 a return of contributions described in sub-
14 section (e)(5),

15 “(F) any payment or distribution incident
16 to divorce (within the meaning of subsection
17 (e)(6)),

18 “(G) any payment or distribution to which
19 subsection (e)(7) applies,

20 “(H) any payment or distribution to which
21 subsection (e)(8) applies,

22 “(I) any payment or distribution for ad-
23 ministrative expenses charged by the trustee of
24 the personal retirement account meeting the ap-

1 plicable requirements of section 271(d)(4) of
2 the Social Security Act, and

3 “(J) any payment or distribution which
4 fails to meet the requirements of paragraph (1)
5 with respect to which the Secretary makes the
6 good faith determination described in sub-
7 section (e)(10).

8 “(3) MINIMUM ANNUITY AMOUNT; MINIMUM
9 ANNUITY.—For purposes of this subsection—

10 “(A) MINIMUM ANNUITY AMOUNT.—

11 “(i) IN GENERAL.—The term ‘min-
12 imum annuity amount’ means, as of any
13 date, the amount determined by the trust-
14 ee (under regulations issued by the Sec-
15 retary) to be necessary to purchase on
16 such date an immediate annuity which is a
17 minimum annuity.

18 “(ii) REDUCTION TO ACCOUNT FOR
19 OLD-AGE INSURANCE BENEFITS.—In the
20 case of a personal retirement account hold-
21 er who is entitled to old-age insurance ben-
22 efits under section 202 of the Social Secu-
23 rity Act, the minimum annuity amount de-
24 termined under clause (i) shall be reduced
25 by the actuarial present value, as of the

1 date referred to in clause (iii), of future
2 old-age insurance benefits payable to such
3 individual under such section (determined
4 by using reasonable assumptions which
5 shall be prescribed by the Commission).

6 “(iii) IMMEDIATE ANNUITY.—For pur-
7 poses of clause (i), the term ‘immediate
8 annuity’ means an annuity—

9 “(I) which is purchased with a
10 single premium or annuity consider-
11 ation,

12 “(II) the annuity starting date
13 (as defined in section 72(c)(4)) of
14 which commences no later than 1 year
15 from the date of the purchase of the
16 annuity, and

17 “(III) which provides for a series
18 of substantially equal periodic pay-
19 ments (to be made not less frequently
20 than annually) during the annuity pe-
21 riod, subject to adjustment under sub-
22 paragraph (D).

23 “(B) MINIMUM ANNUITY.—

24 “(i) IN GENERAL.—The term ‘min-
25 imum annuity’ means an amount deter-

1 mined under regulations issued by the
2 Commissioner of Social Security. Such
3 amount shall be stated on a monthly basis
4 and shall assume an annuity making pay-
5 ments over the life (or life expectancy) of
6 the account holder.

7 “(ii) JOINT AND SURVIVOR ANNUITY
8 AND PRERETIREMENT SURVIVOR ANNUITY
9 REQUIREMENTS.—An annuity shall not be
10 treated as a minimum annuity within the
11 meaning of clause (i) unless the require-
12 ments of section 401(a)(11) applicable to
13 plans are met with respect to such annuity,
14 except that, for purposes of this clause, the
15 minimum required survivor annuity shall
16 be an amount such that the monthly equiv-
17 alent thereof is equal to the excess of—

18 “(I) the widow’s or widower’s in-
19 surance benefit under section 202 of
20 the Social Security Act to which the
21 surviving spouse would have been eli-
22 gible upon the personal retirement ac-
23 count holder’s death without the ap-
24 plication of section 215(a)(8) of such
25 Act, over

1 “(II) the amount of such widow’s
2 or widower’s insurance benefit.

3 “(C) LIFE EXPECTANCY TABLES.—In de-
4 termining life expectancy for purposes of sub-
5 paragraphs (A) and (B), the trustee of a per-
6 sonal retirement account shall not be treated as
7 failing to meet the requirements of this para-
8 graph if the trustee follows life expectancy ta-
9 bles prescribed by the Commissioner of Social
10 Security for purposes of this paragraph.

11 “(e) TAX TREATMENT OF DISTRIBUTIONS.—

12 “(1) IN GENERAL.—Except as otherwise pro-
13 vided in this subsection—

14 “(A) AMOUNT ATTRIBUTABLE TO FED-
15 ERAL CONTRIBUTIONS.—In the case of the por-
16 tion of any payment or distribution out of a
17 personal retirement account that is the amount
18 attributable to Federal contributions—

19 “(i) $\frac{1}{2}$ of such portion shall be treat-
20 ed as a social security benefit under sec-
21 tion 86, and

22 “(ii) $\frac{1}{2}$ of such portion shall not be
23 includible in gross income.

24 “(B) AMOUNT ATTRIBUTABLE TO VOL-
25 UNTARY CONTRIBUTIONS.—The portion of any

1 payment or distribution out of a personal retire-
 2 ment account that is the amount attributable to
 3 voluntary contributions shall not be includible
 4 in gross income.

5 “(2) EARLY WITHDRAWAL OF CONTRIBU-
 6 TIONS.—

7 “(A) IN GENERAL.—In the case of an
 8 amount paid or distributed out of a personal re-
 9 tirement account to a personal retirement ac-
 10 count holder who—

11 “(i) in the case of amounts attrib-
 12 utable to Federal contributions, has not at-
 13 tained age 62, and

14 “(ii) in the case of amounts attrib-
 15 utable to voluntary contributions, has not
 16 attained age 59½,

17 the tax of such personal retirement account
 18 holder under this chapter for the taxable year
 19 in which such amount is received shall be in-
 20 creased by an amount equal to the applicable
 21 percentage of the portion of such amount which
 22 is includible in gross income.

23 “(B) APPLICABLE PERCENTAGE.—For
 24 purposes of subparagraph (A), the term ‘appli-
 25 cable percentage’ means—

1 “(i) 100 percent in the case of
2 amounts attributable to Federal contribu-
3 tions, and

4 “(ii) 10 percent in the case of
5 amounts attributable to voluntary con-
6 tributions.

7 “(C) SPECIAL RULE.—For purposes of this
8 paragraph, the amount includible in gross in-
9 come shall be determined under section 72.

10 “(3) EXCESS DISTRIBUTIONS.—

11 “(A) IN GENERAL.—In the case of excess
12 distributions from a personal retirement ac-
13 count to a personal retirement account holder,
14 the tax of such personal retirement account
15 holder under this chapter for the taxable year
16 in which such amount is received shall be in-
17 creased by an amount equal to 10 percent of
18 the portion of such amount which is includible
19 in gross income.

20 “(B) EXCESS DISTRIBUTIONS DEFINED.—

21 For purposes of subparagraph (A), the term
22 ‘excess distribution’ means a distribution from
23 a personal retirement account that is prohibited
24 by subsection (d)(1)(A)(ii).

1 “(C) APPLICABLE RULES.—Rules similar
 2 to the rules of paragraphs (2) and (3) of sec-
 3 tion 4980A(c) (as in effect before the date of
 4 the enactment of the Taxpayer Relief Act of
 5 1997) shall apply for purposes of subparagraph
 6 (A).

7 “(4) ROLLOVER CONTRIBUTION TO SUCCESSOR
 8 PERSONAL RETIREMENT ACCOUNT.—

9 “(A) IN GENERAL.—Paragraph (1) does
 10 not apply to any amount paid or distributed out
 11 of a personal retirement account of an account
 12 holder to another personal retirement account
 13 of such account holder if such transfer meets
 14 the requirements of subparagraph (B).

15 “(B) REQUIREMENTS.—A transfer meets
 16 the requirements of this subparagraph if—

17 “(i) such transfer is a direct trustee-
 18 to-trustee transfer,

19 “(ii) the entire amount in the account
 20 from which the distribution is made is so
 21 transferred,

22 “(iii) during the 12-month period end-
 23 ing with the month preceding the month in
 24 which such transfer occurred, not more
 25 than 2 such transfers were made, and

1 “(iv) during the 3-year period ending
 2 with the month preceding the month in
 3 which such transfer occurred, not more
 4 than 4 such transfers were made.

5 “(C) INVOLUNTARY TRANSFER.—A trans-
 6 fer of assets as a result of the replacement of
 7 a trustee or closing an account under subpart
 8 II of part B of title II of the Social Security
 9 Act shall not be taken into account for purposes
 10 of clauses (iii) and (iv) of subparagraph (B).

11 “(5) CONTRIBUTIONS RETURNED BEFORE DUE
 12 DATE OF RETURN.—Paragraph (1) does not apply to
 13 the distribution of any contribution paid during a
 14 taxable year to a personal retirement account if—

15 “(A) such distribution is received on or be-
 16 fore the day prescribed by law (including exten-
 17 sions of time) for filing such individual’s return
 18 for such taxable year, and

19 “(B) such distribution is accompanied by
 20 the amount of net income attributable to such
 21 contribution.

22 In the case of such a distribution, for purposes of
 23 section 61, any net income described in subpara-
 24 graph (B) shall be deemed to have been earned and

1 receivable in the taxable year in which such con-
 2 tribution is made.

3 “(6) TRANSFER OF ACCOUNT INCIDENT TO DI-
 4 VORCE.—For purposes of this section, rules similar
 5 to the rules of section 408(d)(6) (relating to transfer
 6 of account incident to divorce) shall apply.

7 “(7) QUALIFIED FIRST-TIME HOMEBUYER DIS-
 8 TRIBUTION.—The additional tax imposed by para-
 9 graph (3) shall not apply to a distribution from
 10 amounts attributable to voluntary contributions
 11 which is a qualified first-time homebuyer distribu-
 12 tion (as defined in section 72(t)(8)).

13 “(8) TREATMENT AFTER DEATH OF ACCOUNT
 14 HOLDER.—

15 “(A) IN GENERAL.—Paragraph (1) shall
 16 not apply to distributions made on account of
 17 the death of the account holder. For purposes
 18 of this paragraph, rules similar to the rules of
 19 section 401(a)(9) shall apply to the personal re-
 20 tirement account upon the death of the account
 21 holder.

22 “(B) ACCOUNT HOLDER WHO DIES BE-
 23 FORE ATTAINING AGE 62.—

24 “(i) USE OF AMOUNTS TO PAY BENE-
 25 FITS.—In the case of the death of an ac-

1 count holder who has not attained age 62,
2 if any beneficiary of the account holder is
3 either—

4 “(I) a spouse or former spouse of
5 the account holder who has not at-
6 tained age 62 as of the date of such
7 death, or

8 “(II) a child of the account hold-
9 er who meets the requirements of sec-
10 tion 202(d) of the Social Security Act,
11 but for the filing of an application for
12 child’s insurance benefits,

13 the amounts in the account attributable to
14 Federal contributions shall be apportioned
15 in accordance with clause (ii) and trans-
16 ferred to the personal retirement account
17 of each such beneficiary and shall be pay-
18 able as a monthly annuity in accordance
19 with the entitlement of such beneficiary to
20 benefits under section 202 of the Social
21 Security Act.

22 “(ii) DETERMINATION OF
23 AMOUNTS.—

24 “(I) IN GENERAL.—The amount
25 apportioned to a beneficiary under

1 clause (i) shall be the amount equal to
2 the present value of the benefits to
3 which each beneficiary specified in
4 clause (i) is entitled under section 202
5 of the Social Security Act, as deter-
6 mined by the Commissioner of Social
7 Security.

8 “(II) PROPORTIONAL ALLOCA-
9 TION.—If amounts attributable to
10 Federal contributions is less than the
11 amount required to yield each month-
12 ly annuity described in clause (ii), the
13 Commissioner shall allocate such
14 amounts among all beneficiaries de-
15 scribed in clause (ii) on a proportional
16 basis in accordance with regulations
17 of the Commissioner.

18 “(iii) INTERIM PERSONAL RETIRE-
19 MENT ACCOUNTS FOR INDIVIDUALS WHO
20 ARE NOT EMPLOYEES.—For purposes of
21 this subparagraph, the Commissioner shall
22 provide for the establishment of interim
23 personal retirement accounts in accordance
24 with part B of title II of the Social Secu-
25 rity Act for any beneficiary referred to in

1 this subparagraph who is not a covered in-
2 dividual (as defined by section 251 of the
3 Social Security Act).

4 “(C) EXCESS AMOUNTS TREATED IN SAME
5 MANNER AS VOLUNTARY CONTRIBUTIONS.—For
6 purposes of this paragraph, amounts in the per-
7 sonal retirement account attributable to Federal
8 contributions which are in excess of the amount
9 required under subparagraph (B)(ii)(I) (if any)
10 shall be treated in the same manner as amounts
11 attributable to voluntary contributions.

12 “(9) ADMINISTRATIVE EXPENSES.—Paragraphs
13 (1), (2), and (3) shall not apply to amounts paid or
14 distributed for administrative expenses charged by
15 the trustee of the personal retirement account.

16 “(10) GOOD FAITH EXCEPTION TO ADDITIONAL
17 TAX.—The additional tax imposed by paragraph (3)
18 or (4) shall not apply if the Secretary determines
19 that—

20 “(A) the taxpayer in good faith attempted
21 to meet the requirements to which such para-
22 graph relates, and

23 “(B) any failure to meet such require-
24 ments is due to inadvertent error after the tax-

1 payer took reasonable steps to comply with such
2 requirements.

3 “(f) TRUSTEE REQUIREMENTS.—The requirements
4 of this subsection are met if the trustee—

5 “(1) in the case of a personal retirement ac-
6 count maintained by an employer which has in effect
7 an individual account plan under a qualified cash or
8 deferred arrangement (as defined in section 401(k)),
9 is the trustee of the trust forming part of such plan,
10 and

11 “(2) in any case not described in paragraph (1),
12 has in effect a certification under subpart 2 of part
13 B of title II of the Social Security Act or is an alter-
14 native trustee appointed under section 264 of such
15 Act.

16 “(g) DEFINITIONS AND SPECIAL RULES.—For pur-
17 poses of this section—

18 “(1) AMOUNT ATTRIBUTABLE TO FEDERAL
19 CONTRIBUTIONS.—The term ‘amount attributable to
20 Federal contributions’ means, with respect to any
21 payment or distribution from a personal retirement
22 account, the amount determined by multiplying the
23 total amount of such payment or distribution by the
24 ratio—

1 “(A) the numerator of which is the aggre-
2 gate of the contributions described in subpara-
3 graphs (A) and (B) of subsection (c)(1) and the
4 total amount of earnings on such contributions,
5 and

6 “(B) the denominator of which is the sum
7 of the total amount in the personal retirement
8 account immediately before such payment or
9 distribution was made.

10 “(2) AMOUNT ATTRIBUTABLE TO VOLUNTARY
11 CONTRIBUTIONS.—The term ‘amount attributable to
12 voluntary contributions’ means, with respect to any
13 payment or distribution from a personal retirement
14 account, the amount determined by multiplying the
15 total amount of such payment or distribution by the
16 ratio—

17 “(A) the numerator of which is the aggre-
18 gate of the contributions described in subsection
19 (c)(1)(C), the rollover contributions described in
20 subsection (c)(2), and the total amount of earn-
21 ings on contributions described in subsection
22 (c)(1)(C) and subsection (c)(2), and

23 “(B) the denominator of which is the sum
24 of the total amount in the personal retirement

1 account immediately before such payment or
 2 distribution was made.

3 “(3) SEPARATE ACCOUNTING FOR CONTRIBU-
 4 TIONS AND EARNINGS THEREON AND DISTRIBU-
 5 TIONS.—

6 “(A) IN GENERAL.—The trustee of any
 7 personal retirement account shall separately ac-
 8 count for—

9 “(i) contributions under subparagraph
 10 (A) of subsection (c)(1) and earnings
 11 thereon,

12 “(ii) contributions under subsection
 13 (c)(1)(B) and earnings thereon,

14 “(iii) contributions under subsection
 15 (c)(1)(C) and earnings thereon, and

16 “(iv) distributions from amounts ac-
 17 counted for under clauses (i) and (ii).

18 “(B) SUCCESSOR ACCOUNTS.—The char-
 19 acter of contributions and earnings separately
 20 accounted for under subparagraph (A) in a
 21 predecessor personal retirement account shall
 22 apply to the successor personal retirement ac-
 23 count (within the meaning of subsection (e)(4)).

24 “(4) ADDITIONAL RULES ON TAX TREATMENT
 25 OF ACCOUNT.—Rules similar to the rules of para-

1 graphs (2), (3), and (4) of section 408(e) shall
2 apply.

3 “(5) ESTATE TAX TREATMENT.—No amount
4 shall be includible in the gross estate of any indi-
5 vidual for purposes of chapter 11 by reason of an in-
6 terest in a personal retirement account.

7 “(6) COMMUNITY PROPERTY LAWS.—This sec-
8 tion shall be applied without regard to any commu-
9 nity property laws.”.

10 (b) STUDY RELATING TO REINSURANCE.—The Secu-
11 rities and Exchange Commission shall conduct a study to
12 determine the need for, and the feasibility of requiring,
13 reinsurance relating to personal retirement accounts. In
14 particular, the study shall address the need for a govern-
15 mental entity to provide such reinsurance and to which
16 providers of annuities from personal retirement accounts
17 would make payments for such reinsurance. The Commis-
18 sion shall make such recommendations to the Congress re-
19 lating to such study as the Commission determines appro-
20 piate.

21 (c) FEDERAL CONTRIBUTIONS TREATED AS EM-
22 PLOYER CONTRIBUTIONS FOR PURPOSES OF PENSION
23 NONDISCRIMINATION RULES.—

24 (1) IN GENERAL.—Subparagraph (D) of section
25 401(k)(3) of such Code (relating to application of

participation and discrimination standards) is amended by striking “and” at the end of clause (i), by striking the period at the end of clause (ii) and inserting “, and”, and by inserting after clause (ii) the following new clause:

“(iii) shall include contributions described in subparagraphs (A) and (B) of section 531(c)(1).”.

(2) INFORMATION PROVIDED TO EMPLOYER.—

Paragraph (3) of section 401(k) of such Code (relating to application of participation and discrimination standards) is amended by adding at the end the following new subparagraph:

“(H) CERTIFICATION TO EMPLOYER REGARDING PERSONAL RETIREMENT ACCOUNT.—

For purposes of subparagraph (D)(iii), an employee shall, in such manner and on such forms as the Secretary shall prescribe, certify to the employer the existence of the personal retirement account of the employee, the number of such account, the trustee for such account, and the contributions to such account under subparagraphs (A) and (B) of section 531(c)(1). Information furnished under this subparagraph shall be confidential and may not be disclosed

1 to any person for any purpose other than the
 2 purposes of subparagraph (D)(iii).”.

3 (d) CLERICAL AMENDMENT.—The table of parts for
 4 subchapter F of chapter 1 of the Internal Revenue Code
 5 of 1986 is amended by adding after the item relating to
 6 part VIII the following new item:

“Part IX. Personal Retirement accounts.”.

7 (e) EFFECTIVE DATE.—The amendments made by
 8 this subsection shall apply to taxable years beginning after
 9 December 31, 2000.

10 **SEC. 4. PRIMARY INSURANCE AMOUNTS.**

11 (a) IN GENERAL.—Section 215(a) of the Social Secu-
 12 rity Act (42 U.S.C. 415(a)) is amended by adding at the
 13 end the following new paragraph:

14 “(8)(A) Notwithstanding the preceding provisions of
 15 this subsection, solely for purposes of determining monthly
 16 insurance benefits other than disability insurance benefits,
 17 the primary insurance amount (as determined under the
 18 preceding paragraphs of this subsection) of an individual
 19 who is a personal retirement account holder (as defined
 20 in section 251) shall be reduced to the product derived
 21 by multiplying such primary insurance amount by a frac-
 22 tion (not less than zero) equal to 1 minus a fraction—

23 “(i) the numerator of which is the total of all
 24 deposits (adjusted as provided under subparagraph

1 (B)) made to the individual's personal retirement ac-
2 count pursuant to section 253 of this Act or section
3 531(e)(8) of the Internal Revenue Code of 1986
4 prior to the date on which such individual becomes
5 eligible for such benefits (or dies before becoming el-
6 igible for such benefits), and

7 “(ii) the denominator of which is the amount
8 which would be the actuarial present value as of
9 such date of the expected future benefits under sec-
10 tion 202 based on such individual's wages and self-
11 employment income if such individual became enti-
12 tled to old-age insurance benefits on such date (dis-
13 regarding the reduction under this paragraph and
14 disregarding, in the case of an individual's primary
15 insurance amount determined by reason of such in-
16 dividual's death, such individual's death on such
17 date).

18 “(B) For purposes of this paragraph, the total
19 amount of the deposits referred to in subparagraph (A)(i)
20 made during each calendar year shall be deemed to be
21 equal to such amount, plus interest on such amount com-
22 pounded annually thereafter at the rate equal to the aver-
23 age market yield (computed by the Secretary of the Treas-
24 ury on the basis of market quotations as of the end of
25 the calendar month next preceding the date of each

1 compounding) on all marketable interest-bearing obliga-
 2 tions of the United States than forming a part of the pub-
 3 lic debt which were not due or callable until after the expi-
 4 ration of four years from the end of such calendar month
 5 (rounded to the nearest one-eighth of one percent).

6 “(C) The actuarial assumptions and methods used
 7 for purposes of subparagraph (A)(ii) shall be assumptions
 8 and methods which are generally accepted for making ac-
 9 tuarial determinations, except that the Commissioner shall
 10 use reasonable life expectancy tables prescribed by the
 11 Commissioner of Social Security by regulation for pur-
 12 poses of this subparagraph which do not discriminate on
 13 the basis of gender.”.

14 (b) CONFORMING AMENDMENT PRESERVING APPRO-
 15 PRIATIONS FOR MEDICARE.—Section 121(e)(1)(B) of the
 16 Social Security Amendments of 1983 (42 U.S.C. 401
 17 note) is amended, in the first sentence, by inserting
 18 “, including the increase in such tax liabilities which
 19 would have occurred if the amendment made by section
 20 4(a) of the Personal Lockbox Act of 2000 had not been
 21 enacted” after “subparagraph (A)(ii)”.

22 **SEC. 5. CREDIT FOR CONTRIBUTIONS TO PERSONAL RE-**
 23 **TIREMENT ACCOUNTS.**

24 (a) IN GENERAL.—Part IV of subchapter A of chap-
 25 ter 1 of the Internal Revenue Code of 1986 (relating to

1 credits against tax) is amended by adding at the end the
 2 following new subpart:

3 **“Subpart H—Personal Retirement Account**
 4 **Contributions Credit**

“Sec. 54. Personal retirement account contributions credit.

5 **“SEC. 54. PERSONAL RETIREMENT ACCOUNT CONTRIBU-**
 6 **TIONS CREDIT.**

7 “(a) IN GENERAL.—

8 “(1) ENTITLEMENT TO PAYMENT.—Each eligi-
 9 ble individual shall be entitled to have a payment
 10 made on behalf of such individual for any calendar
 11 year (subject to subsection (b)) equal to \$300.

12 “(2) PAYMENT.—Notwithstanding any other
 13 provision of this title, the payment under paragraph
 14 (1) shall be paid by the Secretary (in such manner
 15 as the Secretary shall prescribe) to the personal re-
 16 tirement account of the eligible individual from
 17 amounts available in the Federal Old-Age and Sur-
 18 vivors Insurance Trust Fund.

19 “(b) LIMITATIONS.—

20 “(1) PAYMENT ALLOWED ONLY FOR 2 CAL-
 21 ENDAR YEARS.—A payment under subsection (a) on
 22 behalf of any individual may not be made for any
 23 calendar year if a payment under subsection (a) on

1 behalf of such individual was made for any 2 prior
2 calendar years.

3 “(2) LIMITATION BASED ON WAGES AND SELF-
4 EMPLOYED INCOME.—The amount which would (but
5 for this paragraph) be paid under subsection (a) for
6 the calendar year shall be reduced (but not below
7 zero) by the amount which bears the same ratio to
8 the amount which would be so paid as—

9 “(A) the excess (if any) of—

10 “(i) the individuals wage and self-em-
11 ployment income for such calendar year,
12 over

13 “(ii) \$15,000, bears to

14 “(B) \$10,000.

15 “(c) DEFINITIONS AND SPECIAL RULES.—For pur-
16 poses of this section—

17 “(1) ELIGIBLE INDIVIDUAL.—The term ‘eligible
18 individual’ means any individual—

19 “(A) who is a covered employee or covered
20 self-employed individual for a calendar year
21 after 2000 under part B of title II of the Social
22 Security Act, and

23 “(B) whose wage and self-employment in-
24 come for the calendar year is greater than
25 \$5,000.

1 “(2) WAGE AND SELF-EMPLOYMENT INCOME.—

2 The term ‘wage and self-employment income’ for a
3 calendar year means with respect to an individual
4 the sum of—

5 “(A) wages (as defined in section 3121(a))
6 received by such individual in the calendar year
7 with respect to employment (as defined in sec-
8 tion 3121(b)) on which tax is imposed under
9 section 3201, and

10 “(B) self-employment income (as defined
11 in 1402(b)) of such individual for the taxable
12 year ending in such calendar year on which tax
13 is imposed under section 1401.

14 “(3) PERSONAL RETIREMENT ACCOUNT.—The
15 term ‘personal retirement account’ has the meaning
16 given such term by section 531(b).

17 “(4) INFLATION ADJUSTMENT.—

18 “(A) IN GENERAL.—In the case of any cal-
19 endar year after 2001, the \$300 in subsection
20 (a)(1) and the \$15,000 amount in subsection
21 (b)(2)(A)(ii) shall each be increased by an
22 amount equal to—

23 “(i) such dollar amount, multiplied by

24 “(ii) the cost-of-living adjustment de-
25 termined under section 1(f)(3) for the cal-

1 endar year in which the taxable year be-
 2 gins, determined by substituting ‘calendar
 3 year 2000’ for ‘calendar year 1992’ in sub-
 4 paragraph (B) thereof.

5 “(B) ROUNDING.—If any amount deter-
 6 mined under subparagraph (A) with respect to
 7 the \$15,000 amount in subsection (b)(2)(A)(ii)
 8 is not a multiple of \$50, such amount shall be
 9 rounded to the next lowest multiple of \$50.”.

10 (b) CONFORMING AMENDMENT.—The table of sub-
 11 parts for part IV of subchapter A of chapter 1 of the In-
 12 ternal Revenue Code of 1986 is amended by adding at the
 13 end the following new item:

“Subpart H. Personal Retirement Account Contributions Credit.”.

14 (c) EFFECTIVE DATE.—The amendments made by
 15 this section shall apply to calendar years beginning after
 16 December 31, 2000.

17 **SEC. 6. EXCISE TAX ON EXCESS CONTRIBUTIONS TO PER-**
 18 **SONAL RETIREMENT ACCOUNTS.**

19 (a) IN GENERAL.—Section 4973 of the Internal Rev-
 20 enue Code of 1986 (relating to tax imposed on excess con-
 21 tributions) is amended—

22 (1) in subsection (a) by striking “or” at the end
 23 of paragraph (3), by inserting “or” at the end of
 24 paragraph (4), and by inserting after paragraph (4)
 25 the following:

1 “(5) a personal retirement account (as defined
2 in section 531),”, and

3 (2) by adding at the end the following new sub-
4 section:

5 “(g) EXCESS CONTRIBUTIONS TO PERSONAL RE-
6 TIREMENT ACCOUNTS.—

7 “(1) IN GENERAL.—For purposes of this sec-
8 tion, in the case of personal retirement accounts, the
9 term ‘excess contributions’ means the sum of—

10 “(A) the amount by which the amount con-
11 tributed for the taxable year to the accounts ex-
12 ceeds the amount allowable as a contribution
13 under section 531(c)(1)(C) (without regard to
14 section 531(c)(1) (A) and (B)) for such taxable
15 year, and

16 “(B) the amount determined under this
17 subsection for the preceding taxable year, re-
18 duced by the sum of—

19 “(i) the distributions out of the plans
20 for the taxable year (other than rollover
21 distributions) of amounts attributable to
22 voluntary contributions (as defined in sec-
23 tion 531(h)(2)), and

24 “(ii) the excess (if any) of the max-
25 imum amount which may be contributed to

1 the plans under section 531(c)(1)(C) for
 2 the taxable year over the amount contrib-
 3 uted to the plans under such section for
 4 the taxable year.

5 “(2) CONTRIBUTIONS RETURNED BEFORE
 6 DUE DATE.—For purposes of this subsection,
 7 any contribution which is distributed out of the
 8 personal retirement account in a distribution to
 9 which section 531(e)(5) applies shall be treated
 10 as an amount not so contributed.”.

11 (b) EFFECTIVE DATE.—The amendments made by
 12 this section shall apply to taxable years beginning after
 13 December 31, 2000.

14 **SEC. 7. INFORMATION REQUIREMENTS FOR STATEMENTS.**

15 (a) INFORMATION REQUIREMENTS FOR SOCIAL SE-
 16 CURITY ACCOUNT STATEMENT.—Section 1143(a) of the
 17 Social Security Act (42 U.S.C. 1320b–13(a)) is
 18 amended—

19 (1) in paragraph (2)—

20 (A) in subparagraph (B), by inserting
 21 “, including a separate estimate of the amount
 22 of interest earned on the contributions,” after
 23 “disability insurance”;

24 (B) in subparagraph (C)—

1 (i) by inserting “, including a separate
2 estimate of the amount of interest earned
3 on the contributions,” after “hospital in-
4 surance”; and

5 (ii) by striking “and” after the semi-
6 colon;

7 (C) in subparagraph (D), by striking the
8 period at the end and inserting a semicolon;

9 (D) by redesignating subparagraphs (A),
10 (B), (C), and (D) as subparagraphs (B), (C),
11 (D), and (E), respectively;

12 (E) by inserting after the matter preceding
13 subparagraph (B), as redesignated by subpara-
14 graph (D), the following:

15 “(A) the name, age, gender, mailing ad-
16 dress, and marital status of the eligible indi-
17 vidual;”;

18 (F) by adding at the end the following:

19 “(F) the total amount of the employer and
20 employee contributions for the eligible indi-
21 vidual for old-age and survivors insurance bene-
22 fits, as of the end of the month preceding the
23 date of the statement, in both actual dollars
24 and dollars adjusted for inflation;

25 “(G) the projected value of—

1 “(i) the aggregate amount of the em-
2 ployer and employee contributions for old-
3 age and survivors insurance benefits that
4 are expected to be made by or on behalf of
5 the individual prior to the individual at-
6 taining retirement age, in both actual dol-
7 lars and dollars adjusted for inflation;

8 “(ii) the annual amount of old-age
9 and survivors insurance benefits that are
10 expected to be payable on the eligible indi-
11 vidual’s account for a single individual and
12 for a married couple, in dollars adjusted
13 for inflation;

14 “(iii) the total amount of old-age and
15 survivors insurance benefits payable on the
16 eligible individual’s account for the individ-
17 ual’s life expectancy, in dollars adjusted
18 for inflation, identifying—

19 “(I) the life expectancy assumed;

20 “(II) the amount of benefits re-
21 ceived on the basis of each \$1 of con-
22 tributions made by or on behalf of the
23 individual; and

24 “(III) the projected annual rate
25 of return for the individual, taking

1 into account the date on which the
2 contributions are made in the eligible
3 individual's account and the date on
4 which the benefits are paid;

5 “(iv) the total amount of old-age and
6 survivors insurance benefits that would
7 have accumulated on the eligible individ-
8 ual's account on the date on which the in-
9 dividual attains retirement age if the con-
10 tributions for such individual had been in-
11 vested in Treasury 10-year saving bonds at
12 the prevailing interest rate for such bonds
13 as of the end of the month preceding the
14 date of the statement, in dollars adjusted
15 for inflation, identifying—

16 “(I) the date of retirement as-
17 sumed;

18 “(II) the interest rate used for
19 the projection; and

20 “(III) the amount that would be
21 received on the basis of each \$1 of
22 contributions made by or on behalf of
23 the individual;

1 “(H) the average annual rate of return,
2 adjusted for inflation, on the Treasury 10-year
3 saving bond as of the date of the statement;

4 “(I) the average annual rate of return, ad-
5 justed for inflation, on a domestic stock index
6 selected by the Commissioner of Social Secu-
7 rity, or an equivalent portfolio of common stock
8 equities that are based on a broad index of
9 United States market performance, for the pre-
10 ceding 25 years;

11 “(J) a brief statement that identifies—

12 “(i) the balance of the trust fund ac-
13 counts as of the end of the month pre-
14 ceding the date of the statement;

15 “(ii) the annual estimated balance of
16 the trust fund accounts for each of the
17 succeeding 30 years; and

18 “(iii) the assumptions used to provide
19 the information described in clauses (i)
20 and (ii), including the rates of return and
21 the nature of the investments of such trust
22 fund accounts; and

23 “(K) a simple 1-page summary and com-
24 parison of the information that is provided to

1 an eligible individual under subparagraphs (G),
2 (H), and (I).”; and

3 (2) by striking paragraph (3) and inserting the
4 following:

5 “(3) The estimated amounts required to be pro-
6 vided in a statement under this section shall be de-
7 termined by the Commissioner using a general meth-
8 odology for making such estimates, as formulated
9 and published at the beginning of each calendar year
10 by the Board of Trustees of the trust fund accounts.
11 A description of the general methodology used shall
12 be provided to the eligible individual as part of the
13 statement required under this section.

14 “(4) The Commissioner of Social Security shall
15 notify an individual who receives a social security ac-
16 count statement under this section that the indi-
17 vidual may request that the information described in
18 paragraph (2) be determined on the basis of relevant
19 information provided by the individual, including in-
20 formation regarding the individual’s income, marital
21 status, date of retirement, or race.

22 “(5) For purposes of this section—

23 “(A) the term ‘dollars adjusted for infla-
24 tion’ means—

1 “(i) dollars in constant or real value
 2 terms on the date on which the statement
 3 is issued; and

4 “(ii) an amount that is adjusted on
 5 the basis of the Consumer Price Index.

6 “(B) the term ‘eligible individual’ means
 7 an individual who—

8 “(i) has a social security account
 9 number;

10 “(ii) has attained age 25 or over; and

11 “(iii) has wages or net earnings from
 12 self-employment; and

13 “(C) the term ‘trust fund account’
 14 means—

15 “(i) the Federal Old-Age and Sur-
 16 vivors Insurance Trust Fund; and

17 “(ii) the Federal Disability Insurance
 18 Trust Fund.”.

19 (b) MANDATORY PROVISION OF STATEMENTS.—Sec-
 20 tion 1143(c)(2) of the Social Security Act (42 U.S.C.
 21 1320b–13(c)(2)) is amended by striking “With respect to”
 22 and all that follows.

23 (c) TECHNICAL AMENDMENTS.—Section 1143 of the
 24 Social Security Act (42 U.S.C. 1320b–13) is amended by

1 striking “Secretary” each place it appears and inserting
2 “Commissioner of Social Security”.

3 (d) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to statements provided for fiscal
5 years beginning after the date of enactment of this Act.

6 **SEC. 8. PROTECTION OF FEDERAL DISABILITY INSURANCE**
7 **TRUST FUND.**

8 Section 201(b) of the Social Security Act (42 U.S.C.
9 401(b)) is amended by adding at the end (after and below
10 paragraph (2)) the following:

11 “In addition to amounts otherwise appropriated under the
12 preceding provisions of this subsection, there is hereby ap-
13 propriated for each fiscal year after fiscal year 2000 to
14 the Federal Disability Insurance Trust Fund, from
15 amounts in the general fund of the Treasury not otherwise
16 appropriated, such sums as may as necessary from time
17 to time to maintain the balance ratio (as defined in section
18 709(b)) of the Federal Disability Insurance Trust Fund,
19 for the calendar year commencing during such fiscal year,
20 at not less than 20 percent. The sums to be appropriated
21 under the preceding sentence shall be determined by the
22 Board of Trustees of the Federal Old-Age and Survivors
23 Insurance Trust Fund and the Federal Disability Insur-
24 ance Trust Fund and certified by the Board of Trustees
25 to each House of the Congress as part of the Board’s re-

1 port submitted pursuant to section 709. The Board of
2 Trustees shall also transmit a copy of any such certifi-
3 cation to the Secretary of the Treasury, and upon receipt
4 thereof, such Secretary shall promptly take appropriate
5 actions in accordance with the certification.”.

