

Calendar No. 924

106TH CONGRESS
2^D SESSION**H.R. 4844****[Report No. 106-475]**

 IN THE SENATE OF THE UNITED STATES

SEPTEMBER 8, 2000

Received; read twice and referred to the Committee on Finance

OCTOBER 3 (legislative day, SEPTEMBER 22), 2000

Reported by Mr. ROTH, with an amendment

[Strike out all after the enacting clause and insert the part printed in italic]

AN ACT

To modernize the financing of the railroad retirement system
and to provide enhanced benefits to employees and bene-
ficiaries.

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

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

4 (a) ~~SHORT TITLE.~~—This Act may be cited as the
5 “~~Railroad Retirement and Survivors’ Improvement Act of~~
6 ~~2000~~”.

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

See. 1. Short title; table of contents.

TITLE I—AMENDMENTS TO RAILROAD RETIREMENT ACT OF 1974

See. 101. Expansion of widow's and widower's benefits.

See. 102. Retirement age restoration.

See. 103. Vesting requirement.

See. 104. Repeal of railroad retirement maximum.

See. 105. Investment of railroad retirement assets.

See. 106. Elimination of supplemental annuity account.

See. 107. Transfer authority revisions.

See. 108. Annual ratio projections and certifications by the Railroad Retirement Board.

TITLE II—AMENDMENTS TO THE INTERNAL REVENUE CODE OF
 1986

See. 201. Amendments to the Internal Revenue Code of 1986.

See. 202. Exemption from tax for Railroad Retirement Investment Trust.

See. 203. Repeal of supplemental annuity tax.

See. 204. Employer, employee representative, and employee tier 2 tax rate adjustments.

3 **TITLE I—AMENDMENTS TO RAIL-**
 4 **ROAD RETIREMENT ACT OF**
 5 **1974**

6 **SEC. 101. EXPANSION OF WIDOW'S AND WIDOWER'S BENE-**
 7 **FITS.**

8 (a) IN GENERAL.—Section 4(g) of the Railroad Re-
 9 tirement Act of 1974 is amended by adding at the end
 10 the following new subdivision:

11 “(10)(i) If for any month the unreduced annuity pro-
 12 vided under this section for a widow or widower is less
 13 than the widow's or widower's initial minimum amount
 14 computed pursuant to paragraph (ii) of this subdivision,
 15 the unreduced annuity shall be increased to that initial

1 minimum amount. For the purposes of this subdivision,
2 the unreduced annuity is the annuity without regard to
3 any deduction on account of work, without regard to any
4 reduction for entitlement to an annuity under section
5 2(a)(1) of this Act, without regard to any reduction for
6 entitlement to a benefit under title II of the Social Secu-
7 rity Act, and without regard to any reduction for entitle-
8 ment to a public service pension pursuant to sections
9 202(c)(7), 202(f)(2), or section 202(g)(4) of the Social Se-
10 curity Act.

11 “(ii) For the purposes of this subdivision, the widow
12 or widower’s initial minimum amount is the amount of the
13 unreduced annuity computed at the time an annuity is
14 awarded to that widow or widower, except that—

15 “(A) in subsection (g)(1)(i) ‘100 per centum’
16 shall be substituted for ‘50 per centum’; and

17 “(B) in subsection (g)(2)(ii) ‘130 per centum’
18 shall be substituted for ‘80 per centum’ both places
19 it appears.

20 “(iii) If a widow or widower who was previously enti-
21 tled to a widow’s or widower’s annuity under section
22 2(d)(1)(ii) of this Act becomes entitled to a widow’s or
23 widow’s annuity under section 2(d)(1)(i) of this Act, a new
24 initial minimum amount shall be computed at the time of

1 award of the widow's or widower's annuity under section
2 2(d)(1)(i) of this Act.”.

3 (b) **EFFECTIVE DATE.**—

4 (1) **GENERALLY.**—The amendment made by
5 this section shall take effect January 1, 2001 and
6 shall apply to annuity amounts accruing for months
7 after December 2000 in the case of annuities award-
8 ed on or after that date and in the case of annuities
9 awarded before that date if the annuity amount
10 under section 4(g) of the Railroad Retirement Act
11 was computed under section 4(g), as amended by
12 Public Law 97-35.

13 (2) **SPECIAL RULE FOR ANNUITIES AWARDED**
14 **BEFORE JANUARY 1, 2001.**—In applying the amend-
15 ments made by this section to annuities awarded be-
16 fore January 1, 2001, the calculation of the initial
17 minimum amount under new section 4(g)(10)(ii) of
18 the Act shall be made as of the date of award of the
19 widow's or widower's annuity.

20 **SEC. 102. RETIREMENT AGE RESTORATION.**

21 (a) **EMPLOYEE ANNUITIES.**—Section 3(a)(2) of the
22 Railroad Retirement Act of 1974 is amended by inserting
23 after “(2)” the following: “For purposes of this sub-
24 section, individuals entitled to an annuity under section
25 2(a)(1)(ii) of this Act shall, except for the purposes of re-

1 computations in accordance with section 215(f) of the So-
2 cial Security Act, be deemed to have attained retirement
3 age (as defined by section 216(1) of the Social Security
4 Act).”.

5 (b) SPOUSE AND SURVIVOR ANNUITIES.—Section
6 4(a)(2) of the Railroad Retirement Act of 1974 is amend-
7 ed by striking “if an” and all that follows through “section
8 2(e)(1) of this Act” and inserting “a spouse entitled to
9 an annuity under section 2(e)(1)(ii)(B) of this Act”.

10 (c) CONFORMING REPEALS.—Sections 3(a)(3),
11 4(a)(3), and 4(a)(4) of the Railroad Retirement Act are
12 repealed.

13 (d) EFFECTIVE DATES.—

14 (1) GENERALLY.—Except as provided in para-
15 graph (2), the amendments made by this section
16 shall apply to annuities that begin to accrue on or
17 after January 1, 2001.

18 (2) EXCEPTION.—The amount of the annuity
19 provided for a spouse under section 4(a) shall be
20 computed under section 4(a)(3), as in effect before
21 the date of the enactment of this section, if the an-
22 nuity amount provided under section 3(a) for the in-
23 dividual on whose employment record the spouse an-
24 nuity is based was computed under section 3(a)(3),

1 as in effect before the date of the enactment of this
2 section.

3 **SEC. 103. VESTING REQUIREMENT.**

4 (a) CERTAIN ANNUITIES FOR INDIVIDUALS.—Section
5 2(a) of the Railroad Retirement Act of 1974 is amended—

6 (1) by inserting in subdivision (1) “or, for pur-
7 poses of paragraphs (i), (iii), and (v), five years of
8 service, all of which accrues after December 31,
9 1995,” after “ten years of service”; and

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

11 “(4) An individual who is entitled to an annuity
12 under paragraph (v) of subdivision (1), but who does not
13 have at least ten years of service, shall, prior to the month
14 in which the individual attains age 62, be entitled only
15 to an annuity amount computed under section 3(a) of this
16 Act (without regard to section 3(a)(2) of this Act) or sec-
17 tion 3(f)(3) of this Act. Upon attainment of age 62, such
18 an individual may also be entitled to an annuity amount
19 computed under section 3(b), but such annuity amount
20 shall be reduced for early retirement in the same manner
21 as if the individual were entitled to an annuity under sec-
22 tion 2(a)(1)(iii).”.

23 (b) COMPUTATION RULE FOR INDIVIDUALS’ ANNU-
24 ITIES.—Section 3(a) of the Railroad Retirement Act of
25 1974, as amended by section 102 of this Act, is further

1 amended by adding at the end the following new subdivi-
2 sion:

3 “(3) If an individual entitled to an annuity under sec-
4 tion 2(a)(1)(i) or (iii) of this Act on the basis of less than
5 ten years of service is entitled to a benefit under section
6 202(a), section 202(b), or section 202(c) of the Social Se-
7 curity Act which began to accrue before the annuity under
8 section 2(a)(1)(i) or (iii) of this Act, the annuity amount
9 provided such individual under this subsection, shall be
10 computed as though the annuity under this Act began to
11 accrue on the later of (A) the date on which the benefit
12 under section 202(a), section 202(b), or section 202(c) of
13 the Social Security Act began or (B) the date on which
14 the individual first met the conditions for entitlement to
15 an age reduced annuity under this Act other than the con-
16 ditions set forth in sections 2(e)(1) and 2(e)(2) of this Act
17 and the requirement that an application be filed.”.

18 (c) SURVIVORS’ ANNUITIES.—Section 2(d)(1) of the
19 Railroad Retirement Act of 1974 is amended by inserting
20 “or five years of service, all of which accrues after Decem-
21 ber 31, 1995,” after “ten years of service”.

22 (d) LIMITATION ON ANNUITY AMOUNTS.—Section 2
23 of the Railroad Retirement Act of 1974 is amended by
24 adding at the end the following:

1 “(i) An individual entitled to an annuity under this
 2 section who has completed five years of service, all of
 3 which accrues after 1995, but who has not completed ten
 4 years of service, and the spouse, divorced spouse, and sur-
 5 vivors of such individual, shall not be entitled to an annu-
 6 ity amount provided under section 3(a), section 4(a), or
 7 section 4(f) of this Act unless the individual, or the indi-
 8 vidual’s spouse, divorced spouse, or survivors, would be en-
 9 titled to a benefit under the Social Security Act on the
 10 basis of the individual’s employment record under both the
 11 Railroad Retirement Act and the Social Security Act.”.

12 (c) COMPUTATION RULE FOR SPOUSES’ ANNU-
 13 ITIES.—Section 4(a) of the Railroad Retirement Act of
 14 1974, as amended by section 102 of this Act, is further
 15 amended by adding at the end the following new subdivi-
 16 sion:

17 “(3) If a spouse entitled to an annuity under section
 18 2(e)(1)(ii)(A), section 2(e)(1)(ii)(C), or section 2(e)(2) of
 19 this Act or a divorced spouse entitled to an annuity under
 20 section 2(e)(4) of this Act on the basis of the employment
 21 record of an employee who will have completed less than
 22 10 years of service is entitled to a benefit under section
 23 202(a), section 202(b), or section 202(e) of the Social Se-
 24 curity Act which began to accrue before the annuity under
 25 section 2(e)(1)(ii)(A), section 2(e)(1)(ii)(C), section

1 2(c)(2), or section 2(c)(4) of this Act, the annuity amount
2 provided under this subsection shall be computed as
3 though the annuity under this Act began to accrue on the
4 later of (A) the date on which the benefit under section
5 202(a), section 202(b), or section 202(e) of the Social Se-
6 curity Act began or (B) the first date on which the annu-
7 itant met the conditions for entitlement to an age reduced
8 annuity under this Act other than the conditions set forth
9 in sections 2(c)(1) and 2(c)(2) of this Act and the require-
10 ment that an application be filed.”.

11 (f) APPLICATION DEEMING PROVISION.—Section
12 5(b) of the Railroad Retirement Act of 1974 is amended
13 by striking the second sentence and inserting the fol-
14 lowing: “An application filed with the Board for an em-
15 ployee annuity, spouse annuity, or divorced spouse annuity
16 on the basis of the employment record of an employee who
17 will have completed less than ten years of service shall be
18 deemed to be an application for any benefit to which such
19 applicant may be entitled under this Act or section 202(a),
20 section 202(b), or section 202(e) of the Social Security
21 Act. An application filed with the Board for an annuity
22 on the basis of the employment record of an employee who
23 will have completed ten years of service shall, unless the
24 applicant specified otherwise, be deemed to be an applica-

1 tion for any benefit to which such applicant may be enti-
2 tled under this Act or title II of the Social Security Act.”.

3 (g) CREDITING SERVICE UNDER THE SOCIAL SECU-
4 RITY ACT.—Section 18(2) of the Railroad Retirement Act
5 of 1974 is amended—

6 (1) by inserting “or less than five years of serv-
7 ice, all of which accrues after December 31, 1995,”
8 after “ten years of service” every place it occurs;
9 and

10 (2) by inserting “or five or more years of serv-
11 ice, all of which accrues after December 31, 1995,”
12 after “ten or more years of service”.

13 (h) AUTOMATIC BENEFIT ELIGIBILITY ADJUST-
14 MENTS.—Section 19 of Railroad Retirement Act of 1974
15 is amended—

16 (1) by inserting “or five or more years of serv-
17 ice, all of which accrues after December 31, 1995,”
18 after “ten years of service” in subsection (e); and

19 (2) by inserting “or five or more years of serv-
20 ice, all of which accrues after December 31, 1995,”
21 after “ten years of service” in subsection (d)(2).

22 (i) CONFORMING AMENDMENTS.—

23 (1) Section 6(e)(1) of the Railroad Retirement
24 Act of 1974 is amended by inserting “or five or

1 more years of service, all of which accrues after De-
2 cember 31, 1995,” after “ten years of service”.

3 (2) Section 7(b)(2) of the Railroad Retirement
4 Act of 1974 is amended by inserting “or five or
5 more years of service, all of which accrues after De-
6 cember 31, 1995,” after “ten years of service”.

7 (3) Section 205(i) of the Social Security Act is
8 amended by inserting “or five or more years of serv-
9 ice, all of which accrues after December 31, 1995,”
10 after “ten years of service”.

11 (j) EFFECTIVE DATE.—The amendments made by
12 this section shall take effect January 1, 2001.

13 **SEC. 104. REPEAL OF RAILROAD RETIREMENT MAXIMUM.**

14 (a) EMPLOYEE ANNUITIES.—Section 3(f) of the Rail-
15 road Retirement Act of 1974 is amended by striking para-
16 graph (1).

17 (b) SPOUSE AND SURVIVOR ANNUITIES.—Section 4
18 of the Railroad Retirement Act of 1974 is amended by
19 striking subsection (c).

20 (c) EFFECTIVE DATE.—The amendments made by
21 this section shall be effective January 1, 2001, and shall
22 apply to annuity amounts accruing for months after De-
23 cember 2000.

1 **SEC. 105. INVESTMENT OF RAILROAD RETIREMENT ASSETS.**

2 (a) ESTABLISHMENT OF RAILROAD RETIREMENT IN-
3 VESTMENT TRUST.—Section 15 of the Railroad Retire-
4 ment Act of 1974 is amended by inserting after subsection
5 (i) the following:

6 “(j) RAILROAD RETIREMENT INVESTMENT TRUST.—

7 “(1) ESTABLISHMENT.—The Railroad Retire-
8 ment Investment Trust (hereinafter in this sub-
9 section referred to as the ‘Trust’) is hereby estab-
10 lished. The Trust shall manage and invest the assets
11 of the Railroad Retirement Trust Fund (hereinafter
12 in this section referred to as the ‘Fund’), which is
13 hereby established as a trust organized in the Dis-
14 trict of Columbia and shall, to the extent not incon-
15 sistent with this Act, be subject to the laws of the
16 District of Columbia applicable to such trusts.

17 “(2) NOT A FEDERAL AGENCY OR INSTRUMEN-
18 TIALITY.—The Trust is not a department, agency, or
19 instrumentality of the Government of the United
20 States and shall not be subject to title 31, United
21 States Code.

22 “(3) BOARD OF TRUSTEES.—

23 “(A) GENERALLY.—The Trust shall have a
24 Board of Trustees, consisting of seven mem-
25 bers, each appointed by a unanimous vote of
26 the Railroad Retirement Board. The Railroad

1 Retirement Board may remove any member so
2 appointed by unanimous vote. Of the seven
3 members, three shall represent the interests of
4 labor, three shall represent the interests of
5 management, and one shall represent the inter-
6 ests of the general public. The members of the
7 Board of Trustees shall not be considered offi-
8 cers or employees of the Government of the
9 United States.

10 “(B) QUALIFICATIONS.—Members of the
11 Board of Trustees shall be appointed only from
12 among persons who have experience and exper-
13 tise in the management of financial investments
14 and pension plans. No member of the Railroad
15 Retirement Board shall be eligible to be a mem-
16 ber of the Board of Trustees.

17 “(C) TERMS.—Except as provided in this
18 subparagraph, each member shall be appointed
19 for a 3-year term. The initial members ap-
20 pointed under this paragraph shall be divided
21 into three equal groups so nearly as may be, of
22 which one group will be appointed for a 1-year
23 term, one for a 2-year term, and one for a 3-
24 year term. A vacancy in the Board of Trustees
25 shall not affect the powers of the Board of

1 Trustees and shall be filled in the same manner
2 as the selection of the member whose departure
3 caused the vacancy. Upon the expiration of a
4 term of a member of the Board of Trustees,
5 that member shall continue to serve until a suc-
6 cessor is appointed.

7 ~~“(4) POWERS OF THE BOARD OF TRUSTEES.—~~

8 The Board of Trustees shall—

9 ~~“(A) retain independent advisers to assist~~
10 ~~it in the formulation and adoption of its invest-~~
11 ~~ment guidelines;~~

12 ~~“(B) retain independent investment man-~~
13 ~~agers to invest the assets of the Fund in a~~
14 ~~manner consistent with such investment guide-~~
15 ~~lines;~~

16 ~~“(C) invest assets in the Fund, pursuant~~
17 ~~to the policies adopted in subparagraph (A);~~

18 ~~“(D) pay administrative expenses of the~~
19 ~~Fund and the Trust from the money in the~~
20 ~~Fund; and~~

21 ~~“(E) transfer money to the disbursing~~
22 ~~agent to pay benefits payable under this Act~~
23 ~~from money in the Fund and administrative ex-~~
24 ~~penses related to those benefits.~~

1 “(5) REPORTING REQUIREMENTS AND FIDU-
2 CLARY STANDARDS.—The following reporting re-
3 quirements and fiduciary standards shall apply with
4 respect to the Railroad Retirement Trust and the
5 Railroad Retirement Trust Fund (and the assets
6 held in such Trust Fund):

7 “(A) DUTIES OF THE BOARD OF TRUST-
8 EES.—The Railroad Retirement Trust and each
9 member of the Board of Trustees shall dis-
10 charge their duties with respect to the assets of
11 the Fund solely in the interest of the Railroad
12 Retirement Board and through it, the partici-
13 pants and beneficiaries of the programs funded
14 under this Act—

15 “(i) for the exclusive purpose of—

16 “(I) providing benefits to partici-
17 pants and their beneficiaries; and

18 “(II) defraying reasonable ex-
19 penses of administering the functions
20 of the Trust;

21 “(ii) with the care, skill, prudence,
22 and diligence under the circumstances then
23 prevailing that a prudent person acting in
24 a like capacity and familiar with such mat-
25 ters would use in the conduct of an enter-

1 prise of a like character and with like
2 aims;

3 “~~(iii)~~ by diversifying investments so as
4 to minimize the risk of large losses, unless
5 under the circumstances it is clearly pru-
6 dent not to do so; and

7 “~~(iv)~~ in accordance with Trust gov-
8 erning documents and instruments insofar
9 as such documents and instruments are
10 consistent with this Act.

11 “~~(B)~~ PROHIBITIONS WITH RESPECT TO
12 MEMBERS OF THE BOARD OF TRUSTEES.—No
13 member of the Board of Trustees shall—

14 “~~(i)~~ deal with the assets of the Fund
15 in the trustee’s own interest or for the
16 trustee’s own account;

17 “~~(ii)~~ in an individual or in any other
18 capacity act in any transaction involving
19 the assets of the Fund on behalf of a party
20 (or represent a party) whose interests are
21 adverse to the interests of the Trust, the
22 Fund, the Railroad Retirement Board, or
23 the interests of participants or bene-
24 ficiaries; or

1 “(iii) receive any consideration for the
2 trustee’s own personal account from any
3 party dealing with the assets of the Fund.

4 “(C) EXCULPATORY PROVISIONS AND IN-
5 SURANCE.—Any provision in an agreement or
6 instrument that purports to relieve a trustee
7 from responsibility or liability for any responsi-
8 bility, obligation or duty under this Act shall be
9 void: *Provided, however,* That nothing shall
10 preclude—

11 “(i) the Trust from purchasing insur-
12 ance for its trustees or for itself to cover
13 liability or losses occurring by reason of
14 the act or omission of a trustee, if such in-
15 surance permits recourse by the insurer
16 against the trustee in the case of a breach
17 of a fiduciary obligation by such trustee;

18 “(ii) a trustee from purchasing insur-
19 ance to cover liability under this section
20 from and for his own account; or

21 “(iii) an employer or an employee or-
22 ganization from purchasing insurance to
23 cover potential liability of one or more
24 trustees with respect to their fiduciary re-

1 sponsibilities, obligations, and duties under
2 this section.

3 “(D) BONDING.—Every trustee and every
4 person who handles funds or other property of
5 the Fund (hereafter in this subsection referred
6 to as ‘Trust official’) shall be bonded. Such
7 bond shall provide protection to the Fund
8 against loss by reason of acts of fraud or dis-
9 honesty on the part of any Trust official, di-
10 rectly or through the connivance of others, and
11 shall be in accordance with the following:

12 “(i) The amount of such bond shall be
13 fixed at the beginning of each fiscal year
14 of the Trust by the Railroad Retirement
15 Board. Such amount shall not be less than
16 10 percent of the amount of the funds
17 handled. In no case shall such bond be less
18 than \$1,000 nor more than \$500,000, ex-
19 cept that the Railroad Retirement Board,
20 after consideration of the record, may pre-
21 scribe an amount in excess of \$500,000,
22 subject to the 10 per centum limitation of
23 the preceding sentence.

24 “(ii) It shall be unlawful for any
25 Trust official to receive, handle, disburse,

1 or otherwise exercise custody or control of
2 any of the funds or other property of the
3 Fund without being bonded as required by
4 this subsection and it shall be unlawful for
5 any Trust official, or any other person hav-
6 ing authority to direct the performance of
7 such functions, to permit such functions,
8 or any of them, to be performed by any
9 Trust official, with respect to whom the re-
10 quirements this subsection have not been
11 met.

12 “(iii) It shall be unlawful for any per-
13 son to procure any bond required by this
14 subsection from any surety or other com-
15 pany or through any agent or broker in
16 whose business operations such person has
17 any control or significant financial interest,
18 direct or indirect.

19 “(E) AUDIT AND REPORT.—

20 “(i) The Trust shall annually engage
21 an independent qualified public accountant
22 to audit the financial statements of the
23 Fund.

24 “(ii) The Trust shall submit an an-
25 nual management report to the Congress

1 not later than 180 days after the end of
2 the Trust's fiscal year. A management re-
3 port under this subsection shall include—

4 “(I) a statement of financial po-
5 sition;

6 “(II) a statement of operations;

7 “(III) a statement of cash flows;

8 “(IV) a statement on internal ac-
9 counting and administrative control
10 systems;

11 “(V) the report resulting from an
12 audit of the financial statements of
13 the Trust conducted under subpara-
14 graph (E)(i); and

15 “(VI) any other comments and
16 information necessary to inform the
17 Congress about the operations and fi-
18 nancial condition of the Trust and the
19 Fund.

20 “(iii) The Trust shall provide the
21 President, the Railroad Retirement Board,
22 and the Director of the Office of Manage-
23 ment and Budget a copy of the manage-
24 ment report when it is submitted to Con-
25 gress.

1 “(F) ENFORCEMENT.—The Railroad Re-
2 tirement Board may bring a civil action—

3 “(i) to enjoin any act or practice by
4 the Railroad Retirement Investment Trust,
5 its Board of Trustees or its employees or
6 agents that violates any provision of this
7 Act; or

8 “(ii) to obtain other appropriate relief
9 to redress such violations; or to enforce
10 any provisions of this Act.

11 “(6) RULES AND ADMINISTRATIVE POWERS.—

12 The Board of Trustees shall have the authority to
13 make rules to govern its operations; employ profes-
14 sional staff; and contract with outside advisers to
15 provide legal, accounting, investment advisory or
16 other services necessary for the proper administra-
17 tion of this subsection. In the case of contracts with
18 investment advisory services, compensation for such
19 services may be on a fixed contract fee basis or on
20 such other terms and conditions as are customary
21 for such services.

22 “(7) QUORUM.—Five members of the Board of
23 Trustees constitute a quorum to do business. Invest-
24 ment guidelines must be adopted by a unanimous
25 vote of the entire Board of Trustees. All other deci-

1 sions of the Board of Trustees shall be decided by
2 a majority vote of the quorum present. All decisions
3 of the Board of Trustees shall be entered upon the
4 records of the Board of Trustees.”.

5 (b) CONFORMING AND TECHNICAL AMENDMENTS
6 GOVERNING INVESTMENTS.—Subsection 15(e) of the
7 Railroad Retirement Act of 1974 is amended—

8 (1) beginning in the first sentence, by striking
9 “, the Dual Benefits Payments Account” and all
10 that follows through “may be made only” in the sec-
11 ond sentence and inserting “and the Dual Benefits
12 Payments Account as are not transferred to the
13 Railroad Retirement Investment Trust as the Board
14 may determine”;

15 (2) by striking “the Second Liberty Bond Act,
16 as amended” and inserting “chapter 31 of title 31”;
17 and

18 (3) by striking “the foregoing requirements”
19 and inserting “the requirements of this subsection”.

20 (c) EFFECTIVE DATE.—The amendments made by
21 this section shall take effect on the date of the enactment
22 of this section.

1 **SEC. 106. ELIMINATION OF SUPPLEMENTAL ANNUITY AC-**
2 **COUNT.**

3 (a) **SOURCE OF PAYMENTS.**—Section 7(c)(1) of the
4 Railroad Retirement Act of 1974 is amended by striking
5 “payments of supplemental annuities under section 2(b)
6 of this Act shall be made from the Railroad Retirement
7 Supplemental Account, and”.

8 (b) **ELIMINATION OF ACCOUNT.**—Section 15(e) of
9 the Railroad Retirement Act of 1974 is repealed.

10 (c) **IN GENERAL.**—Section 15(a) of the Railroad Re-
11 tirement Act of 1974 is amended by striking “; except
12 those portions of the amounts covered into the Treasury
13 under sections 3211(b),” and all that follows through the
14 end of the subsection and inserting a period.

15 (d) **EFFECTIVE DATE.**—The amendments made by
16 this section shall take effect January 1, 2001, except that
17 the Railroad Retirement Supplemental Account shall con-
18 tinue to exist until the transfer authorized by the following
19 sentence occurs: As soon as possible after December 31,
20 2000, the Board shall determine the balance in the Rail-
21 road Retirement Supplemental Account and shall direct
22 the Secretary of the Treasury to transfer such amount to
23 the Railroad Retirement Trust Fund and the Secretary
24 shall make such transfer.

1 **SEC. 107. TRANSFER AUTHORITY REVISIONS.**

2 (a) **RAILROAD RETIREMENT ACCOUNT.**—Section 15
3 of the Railroad Retirement Act of 1974 is amended by
4 adding after subsection (j) the following:

5 “(k) **TRANSFERS TO THE FUND.**—The Board shall,
6 upon establishment of the Railroad Retirement Trust
7 Fund and from time to time thereafter, direct the Sec-
8 retary of the Treasury to transfer, in such manner as will
9 maximize the investment returns to the Railroad Retire-
10 ment system, that portion of the Railroad Retirement Ac-
11 count that is not needed to pay current administrative ex-
12 penses of the Board to the Railroad Retirement Trust
13 Fund. The Secretary shall make that transfer.”.

14 (b) **RAILROAD RETIREMENT TRUST FUND.**—Section
15 15 of the Railroad Retirement Act of 1974, as amended
16 by subsection (a), is further amended by adding after sub-
17 section (k) the following:

18 “(l) **RAILROAD RETIREMENT TRUST FUND.**—The
19 Railroad Retirement Trust shall from time to time trans-
20 fer to the disbursing agent described in section 7(b)(4)
21 such amounts as may be necessary to pay benefits under
22 this Act (other than benefits paid from the Social Security
23 Equivalent Benefit Account or the Dual Benefit Payments
24 Account).”.

1 ~~(e) SOCIAL SECURITY EQUIVALENT BENEFIT AC-~~
2 ~~COUNT.—Section 15A(d)(2) of the Railroad Retirement~~
3 ~~Act of 1974 is amended to read as follows:~~

4 ~~“(2) Upon establishment of the Railroad Retirement~~
5 ~~Trust Fund and from time to time thereafter, the Board~~
6 ~~shall direct the Secretary of the Treasury to transfer, in~~
7 ~~such manner as will maximize the investment returns to~~
8 ~~the Railroad Retirement system, the balance of the Social~~
9 ~~Security Equivalent Benefit Account not needed to pay~~
10 ~~current benefits required to be paid from that Account to~~
11 ~~the Railroad Retirement Trust Fund, and the Secretary~~
12 ~~shall make that transfer. Any balance transferred under~~
13 ~~this paragraph shall be used by the Railroad Retirement~~
14 ~~Trust only to pay benefits under this Act or to purchase~~
15 ~~obligations of the United States that are backed by the~~
16 ~~full faith and credit of the United States pursuant to~~
17 ~~chapter 31 of title 31, United States Code. The proceeds~~
18 ~~of sales of, and the interest income from, such obligations~~
19 ~~shall be used by the Trust only to pay benefits under this~~
20 ~~Act.”.~~

21 ~~(2) TRANSFERS TO DISBURSING AGENT.—Sec-~~
22 ~~tion 15A(e)(1) of the Railroad Retirement Act of~~
23 ~~1974 is amended by adding at the end the following:~~
24 ~~“The Secretary shall from time to time transfer to~~

1 the disbursing agent under section 7(b)(4) amounts
2 necessary to pay those benefits.”.

3 ~~(3)~~ CONFORMING AMENDMENT.—Section
4 15A(d)(1) of the Railroad Retirement Act of 1974
5 is amended by striking the second and third sen-
6 tences.

7 (d) DUAL BENEFITS PAYMENTS ACCOUNT.—Section
8 15(d)(1) of the Railroad Retirement Act of 1974 is
9 amended by adding at the end the following: “The Sec-
10 retary of the Treasury shall from time to time transfer
11 from the Dual Benefits Payments Account to the dis-
12 bursing agent under section 7(b)(4) amounts necessary to
13 pay benefits payable from that Account.”.

14 (e) CERTIFICATION BY THE BOARD AND PAY-
15 MENT.—Paragraph (4) of section 7(b) of the Railroad Re-
16 tirement Act of 1974 is amended to read as follows:

17 “(4)(A) The Railroad Retirement Board, after con-
18 sultation with the Board of Trustees of the Railroad Re-
19 tirement Trust and the Secretary of the Treasury, shall
20 enter into an arrangement with a nongovernmental finan-
21 cial institution to serve as disbursing agent for benefits
22 payable under this Act who shall disburse consolidated
23 benefits under this Act to each recipient.

24 “(B) The Board shall from time to time certify—

1 “(i) to the Secretary of the Treasury the
2 amounts required to be transferred from the Social
3 Security Equivalent Benefit Account and the the
4 Dual Benefits Payments Account to the disbursing
5 agent to make payments of benefits and the Sec-
6 retary of the Treasury shall transfer those amounts;

7 “(ii) to the Board of Trustees of the Railroad
8 Retirement Investment Trust the amounts required
9 to be transferred from the Railroad Retirement In-
10 vestment Trust to the disbursing agent to make pay-
11 ments of benefits and the Board of Trustees shall
12 transfer those amounts; and

13 “(iii) to the disbursing agent the name and ad-
14 dress of each individual entitled to receive a pay-
15 ment, the amount of such payment, and the time at
16 which the payment should be made.”.

17 (f) BENEFIT PAYMENTS.—Section 7(e)(1) of the
18 Railroad Retirement Act of 1974 is amended—

19 (1) by striking “from the Railroad Retirement
20 Account” and inserting “by the disbursing agent
21 under subsection (b)(4) from money transferred to it
22 from the Railroad Retirement Trust Fund or the So-
23 cial Security Equivalent Benefit Account, as the case
24 may be”; and

1 (2) by inserting “by the disbursing agent under
2 subsection (b)(4) from money transferred to it”
3 after “Public Law 93-445 shall be made”.

4 (g) **TRANSITIONAL RULE FOR EXISTING OBLIGA-**
5 **TION.**—In making transfers under subsections (a) and (c),
6 the Board shall consult with the Secretary of the Treasury
7 to design an appropriate method to transfer obligations
8 held as of the date of the enactment or to convert such
9 obligations to cash prior to transfer. The Railroad Retirement
10 Trust may hold to maturity any obligations so re-
11 ceived or may redeem them prior to maturity, as the Trust
12 deems appropriate.

13 **SEC. 108. ANNUAL RATIO PROJECTIONS AND CERTIFI-**
14 **CATIONS BY THE RAILROAD RETIREMENT**
15 **BOARD.**

16 (a) **PROJECTIONS.**—Section 22(a)(1) of the Railroad
17 Retirement Act of 1974 is amended—

18 (1) by adding the following sentence after the
19 first sentence: “On or before May 1 of each year be-
20 ginning in 2002, the Railroad Retirement Board
21 shall compute its projection of the account benefits
22 ratio and the average account benefits ratio (as de-
23 fined by section 3241(e) of the Internal Revenue
24 Code of 1986) for each of the next succeeding five
25 fiscal years.”; and

1 (2) by striking “the projection prepared pursu-
2 ant to the preceding sentence” and inserting “the
3 projections prepared pursuant to the preceding two
4 sentences”.

5 (b) CERTIFICATIONS.—The Railroad Retirement Act
6 of 1974 is amended by adding at the end the following:

7 “COMPUTATION AND CERTIFICATION OF ACCOUNT
8 BENEFIT RATIOS

9 “SEC. 23. (a) On or before November 1, 2002, the
10 Railroad Retirement Board shall—

11 “(1) compute the account benefits ratios for
12 each of the most recent 10 preceding fiscal years;
13 and

14 “(2) certify the account benefits ratios for each
15 such fiscal year to the Secretary.

16 “(b) On or before November 1 of each year after
17 2002, the Railroad Retirement Board shall—

18 “(1) compute the account benefits ratio for the
19 fiscal year ending in such year; and

20 “(2) certify the account benefits ratio for such
21 fiscal year to the Secretary.

22 “(c) DEFINITION.—As used in this section, the term
23 ‘account benefit ratio’ has the meaning given that term
24 in section 3241(e) of the Internal Revenue Code of
25 1986.”.

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

4 **SEC. 201. AMENDMENTS TO THE INTERNAL REVENUE CODE**
 5 **OF 1986.**

6 Except as otherwise provided, whenever in this title
 7 an amendment or repeal is expressed in terms of an
 8 amendment to, or repeal of, a section or other provision,
 9 the reference shall be considered to be made to a section
 10 or other provision of the Internal Revenue Code of 1986.

11 **SEC. 202. EXEMPTION FROM TAX FOR RAILROAD RETIRE-**
 12 **MENT INVESTMENT TRUST.**

13 Subsection (e) of section 501 is amended by adding
 14 at the end the following new paragraph:

15 “(28) The Railroad Retirement Investment
 16 Trust established under section 15(j) of the Railroad
 17 Retirement Act of 1974.”

18 **SEC. 203. REPEAL OF SUPPLEMENTAL ANNUITY TAX.**

19 (a) **REPEAL OF TAX ON EMPLOYEE REPRESENTA-**
 20 **TIVES.**—Section 3211 is amended by striking subsection
 21 (b).

22 (b) **REPEAL OF TAX ON EMPLOYERS.**—Section 3221
 23 is amended by striking subsections (c) and (d).

1 (c) **EFFECTIVE DATE.**—The amendments made by
 2 this section shall apply to calendar years beginning after
 3 December 31, 2000.

4 **SEC. 204. EMPLOYER, EMPLOYEE REPRESENTATIVE, AND**
 5 **EMPLOYEE TIER 2 TAX RATE ADJUSTMENTS.**

6 (a) **RATE OF TAX ON EMPLOYERS.**—Subsection (b)
 7 of section 3221 is amended to read as follows:

8 “(b) **TIER 2 TAX.**—

9 “(1) **IN GENERAL.**—In addition to other taxes,
 10 there is hereby imposed on every employer an excise
 11 tax, with respect to having individuals in his employ,
 12 equal to the applicable percentage of the compensa-
 13 tion paid during any calendar year by such employer
 14 for services rendered to such employer.

15 “(2) **APPLICABLE PERCENTAGE.**—For purposes
 16 of paragraph (1), the term ‘applicable percentage’
 17 means—

18 “(A) 15.6 percent in the case of compensa-
 19 tion paid during 2001,

20 “(B) 14.2 percent in the case of compensa-
 21 tion paid during 2002, and

22 “(C) in the case of compensation paid dur-
 23 ing any calendar year after 2002, the percent-
 24 age determined under section 3241 for such cal-
 25 endar year.”.

1 (b) RATE OF TAX ON EMPLOYEE REPRESENTA-
2 TIVES.—Section 3211, as amended by section 203, is
3 amended by striking subsection (a) and inserting the fol-
4 lowing new subsections:

5 “(a) TIER 1 TAX.—In addition to other taxes, there
6 is hereby imposed on the income of each employee rep-
7 resentative a tax equal to the applicable percentage of the
8 compensation received during any calendar year by such
9 employee representative for services rendered by such em-
10 ployee representative. For purposes of the preceding sen-
11 tence, the term ‘applicable percentage’ means the percent-
12 age equal to the sum of the rates of tax in effect under
13 subsections (a) and (b) of section 3101 and subsections
14 (a) and (b) of section 3111 for the calendar year.

15 “(b) TIER 2 TAX.—

16 “(1) IN GENERAL.—In addition to other taxes,
17 there is hereby imposed on the income of each em-
18 ployee representative a tax equal to the applicable
19 percentage of the compensation received during any
20 calendar year by such employee representatives for
21 services rendered by such employee representative.

22 “(2) APPLICABLE PERCENTAGE.—For purposes
23 of paragraph (1), the term ‘applicable percentage’
24 means—

1 “(A) 14.75 percent in the case of com-
2 pensation received during 2001,

3 “(B) 14.20 percent in the case of com-
4 pensation received during 2002, and

5 “(C) in the case of compensation received
6 during any calendar year after 2002, the per-
7 centage determined under section 3241 for such
8 calendar year.

9 “(e) CROSS REFERENCE.—

**“For application of different contribution bases
with respect to the taxes imposed by subsections (a)
and (b), see section 3231(e)(2).”**

10 (c) RATE OF TAX ON EMPLOYEES.—Subsection (b)
11 of section 3201 is amended to read as follows:

12 “(b) TIER 2 TAX.—

13 “(1) IN GENERAL.—In addition to other taxes,
14 there is hereby imposed on the income of each em-
15 ployee a tax equal to the applicable percentage of
16 the compensation received during any calendar year
17 by such employee for services rendered by such em-
18 ployee.

19 “(2) APPLICABLE PERCENTAGE.—For purposes
20 of paragraph (1), the term ‘applicable percentage’
21 means—

22 “(A) 4.90 percent in the case of compensa-
23 tion received during 2001 or 2002, and

1 “(B) in the case of compensation received
 2 during any calendar year after 2002, the per-
 3 centage determined under section 3241 for such
 4 calendar year.”.

5 (d) DETERMINATION OF RATE.—Chapter 22 is
 6 amended by adding at the end thereof the following new
 7 subchapter:

8 **“Subchapter E—Tier 2 Tax Rate**
 9 **Determination**

“Sec. 3241. Determination of tier 2 tax rate based on average ac-
 count benefits ratio.

10 **“SEC. 3241. DETERMINATION OF TIER 2 TAX RATE BASED**
 11 **ON AVERAGE ACCOUNT BENEFITS RATIO.**

12 “(a) IN GENERAL.—For purposes of sections
 13 3201(b), 3211(b), and 3221(b), the applicable percentage
 14 for any calendar year is the percentage determined in ac-
 15 cordance with the table in subsection (b).

16 “(b) TAX RATE SCHEDULE.—

Average account benefits ratio		Applicable per- centage for sec- tions 3211(b) and 3221(b)	Applicable per- centage for section 3201(b)
At least	But less than		
	2.5	22.1	4.9
2.5	3.0	18.1	4.9
3.0	3.5	15.1	4.9
3.5	4.0	14.1	4.9
4.0	6.1	13.1	4.9
6.1	6.5	12.6	4.4
6.5	7.0	12.1	3.9
7.0	7.5	11.6	3.4
7.5	8.0	11.1	2.9
8.0	8.5	10.1	1.9
8.5	9.0	9.1	0.9
9.0		8.2	0

1 “(c) DEFINITIONS RELATED TO DETERMINATION OF
2 RATES OF TAX.—

3 “(1) AVERAGE ACCOUNT BENEFITS RATIO.—

4 For purposes of this section, the term ‘average ac-
5 count benefits ratio’ means, with respect to any cal-
6 endar year, the average determined by the Secretary
7 of the account benefits ratios for the 10 most recent
8 fiscal years ending before such calendar year. If the
9 amount determined under the preceding sentence is
10 not a multiple of 0.1, such amount shall be in-
11 creased to the next highest multiple of 0.1.

12 “(2) ACCOUNT BENEFITS RATIO.—For pur-
13 poses of this section, the term ‘account benefits
14 ratio’ means, with respect to any fiscal year, the
15 amount determined by the Railroad Retirement
16 Board by dividing the fair market value of the assets
17 in the Railroad Retirement Account and of the Rail-
18 road Retirement Investment Trust (and for years
19 before 2001, the Social Security Equivalent Benefits
20 Account) as of the close of such fiscal year by the
21 total benefits and administrative expenses paid from
22 the Railroad Retirement Account and the Railroad
23 Retirement Investment Trust during such fiscal
24 year.

1 “(d) NOTICE.—No later than December 1 of each
2 calendar year, the Secretary shall publish a notice in the
3 Federal Register of the rates of tax determined under this
4 section which are applicable for the following calendar
5 year.”.

6 (e) CONFORMING AMENDMENTS.—

7 (1) Section 24(d)(3)(A)(iii) is amended by
8 striking “section 3211(a)(1)” and inserting “section
9 3211(a)”.

10 (2) Section 72(r)(2)(B)(i) is amended by strik-
11 ing “section 3211(a)(2)” and inserting “section
12 3211(b)”.

13 (3) Paragraphs (2)(A)(iii)(II) and (4)(A) of
14 section 3231(e) is amended by striking “3211(a)(1)”
15 and inserting “3211(a)”.

16 (4) Section 3231(e)(2)(B)(ii)(I) is amended by
17 striking “3211(a)(2)” and inserting “3211(b)”.

18 (5) The table of subchapters for chapter 22 is
19 amended by adding at the end the following new
20 item:

“Subchapter E. Tier 2 tax rate determination.”.

21 (f) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to calendar years beginning after
23 December 31, 2000.

1 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

2 (a) *SHORT TITLE.*—*This Act may be cited as the*
 3 *“Railroad Retirement and Survivors’ Improvement Act of*
 4 *2000”.*

5 (b) *TABLE OF CONTENTS.*—

Sec. 1. Short title; table of contents.

TITLE I—AMENDMENTS TO RAILROAD RETIREMENT ACT OF 1974

Sec. 101. Expansion of widow’s and widower’s benefits.

Sec. 102. Retirement age restoration.

Sec. 103. Vesting requirement.

Sec. 104. Repeal of railroad retirement maximum.

Sec. 105. Investment of railroad retirement assets.

Sec. 106. Elimination of supplemental annuity account.

Sec. 107. Transfer authority revisions.

Sec. 108. Annual ratio projections and certifications by the Railroad Retirement Board.

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

Sec. 201. Amendments to the Internal Revenue Code of 1986.

Sec. 202. Exemption from tax for Railroad Retirement Investment Trust.

Sec. 203. Repeal of supplemental annuity tax.

Sec. 204. Employer, employee representative, and employee tier 2 tax rate adjustments.

6 **TITLE I—AMENDMENTS TO RAIL-**
 7 **ROAD RETIREMENT ACT OF**
 8 **1974**

9 **SEC. 101. EXPANSION OF WIDOW’S AND WIDOWER’S BENE-**
 10 **FITS.**

11 (a) *IN GENERAL.*—*Section 4(g) of the Railroad Retire-*
 12 *ment Act of 1974 (45 U.S.C. 231c(g)) is amended by adding*
 13 *at the end the following new subdivision:*

14 “(10)(i) *If for any month the unreduced annuity pro-*
 15 *vided under this section for a widow or widower is less than*
 16 *the widow’s or widower’s initial minimum amount com-*

1 *puted pursuant to paragraph (ii) of this subdivision, the*
2 *unreduced annuity shall be increased to that initial min-*
3 *imum amount. For the purposes of this subdivision, the un-*
4 *reduced annuity is the annuity without regard to any de-*
5 *duction on account of work, without regard to any reduc-*
6 *tion for entitlement to an annuity under section 2(a)(1)*
7 *of this Act, without regard to any reduction for entitlement*
8 *to a benefit under title II of the Social Security Act, and*
9 *without regard to any reduction for entitlement to a public*
10 *service pension pursuant to sections 202(e)(7), 202(f)(2), or*
11 *section 202(g)(4) of the Social Security Act.*

12 “(ii) *For the purposes of this subdivision, the widow*
13 *or widower’s initial minimum amount is the amount of the*
14 *unreduced annuity computed at the time an annuity is*
15 *awarded to that widow or widower, except that—*

16 “(A) *in subsection (g)(1)(i) ‘100 per centum’*
17 *shall be substituted for ‘50 per centum’; and*

18 “(B) *in subsection (g)(2)(ii) ‘130 per centum’*
19 *shall be substituted for ‘80 per centum’ both places it*
20 *appears.*

21 “(iii) *If a widow or widower who was previously enti-*
22 *tled to a widow’s or widower’s annuity under section*
23 *2(d)(1)(ii) of this Act becomes entitled to a widow’s or wid-*
24 *ower’s annuity under section 2(d)(1)(i) of this Act, a new*
25 *initial minimum amount shall be computed at the time of*

1 *award of the widow's or widower's annuity under section*
2 *2(d)(1)(i) of this Act."*

3 (b) *EFFECTIVE DATE.*—

4 (1) *IN GENERAL.*—*The amendment made by this*
5 *section shall take effect on January 1, 2001, and shall*
6 *apply to annuity amounts accruing for months after*
7 *December 2000 in the case of annuities awarded—*

8 (A) *on or after that date; and*

9 (B) *before that date, but only if the annuity*
10 *amount under section 4(g) of the Railroad Re-*
11 *irement Act of 1974 (45 U.S.C. 231c(g)) was*
12 *computed under such section, as amended by the*
13 *Omnibus Budget Reconciliation Act of 1981*
14 *(Public Law 97–35; 95 Stat. 357).*

15 (2) *SPECIAL RULE FOR ANNUITIES AWARDED BE-*
16 *FORE JANUARY 1, 2001.*—*In applying the amendment*
17 *made by this section to annuities awarded before Jan-*
18 *uary 1, 2001, the calculation of the initial minimum*
19 *amount under section 4(g)(10)(ii) of the Railroad Re-*
20 *irement Act of 1974 (45 U.S.C. 231c(g)(10)(ii)), as*
21 *added by subsection (a), shall be made as of the date*
22 *of the award of the widow's or widower's annuity.*

23 **SEC. 102. RETIREMENT AGE RESTORATION.**

24 (a) *EMPLOYEE ANNUITIES.*—*Section 3(a)(2) of the*
25 *Railroad Retirement Act of 1974 (45 U.S.C. 231b(a)(2)) is*

1 amended by inserting after “(2)” the following new sen-
2 tence: “For purposes of this subsection, individuals entitled
3 to an annuity under section 2(a)(1)(ii) of this Act shall,
4 except for the purposes of recomputations in accordance
5 with section 215(f) of the Social Security Act, be deemed
6 to have attained retirement age (as defined by section 216(l)
7 of the Social Security Act).”.

8 (b) SPOUSE AND SURVIVOR ANNUITIES.—Section
9 4(a)(2) of the Railroad Retirement Act of 1974 (45 U.S.C.
10 231c(a)(2)) is amended by striking “if an” and all that
11 follows through “section 2(c)(1) of this Act” and inserting
12 “a spouse entitled to an annuity under section
13 2(c)(1)(ii)(B) of this Act”.

14 (c) CONFORMING REPEALS.—Sections 3(a)(3), 4(a)(3),
15 and 4(a)(4) of the Railroad Retirement Act of 1974 (45
16 U.S.C. 231b(a)(3), 231c(a)(3), and 231c(a)(4)) are re-
17 pealed.

18 (d) EFFECTIVE DATES.—

19 (1) GENERALLY.—Except as provided in para-
20 graph (2), the amendments made by this section shall
21 apply to annuities that begin to accrue on or after
22 January 1, 2001.

23 (2) EXCEPTION.—The amount of the annuity
24 provided for a spouse under section 4(a) of the Rail-
25 road Retirement Act of 1974 (45 U.S.C. 231c(a))

1 *shall be computed under section 4(a)(3) of such Act,*
2 *as in effect on December 31, 2000, if the annuity*
3 *amount provided under section 3(a) of such Act (45*
4 *U.S.C. 231b(a)) for the individual on whose employ-*
5 *ment record the spouse annuity is based was com-*
6 *puted under section 3(a)(3) of such Act, as in effect*
7 *on December 31, 2000.*

8 **SEC. 103. VESTING REQUIREMENT.**

9 *(a) CERTAIN ANNUITIES FOR INDIVIDUALS.—Section*
10 *2(a) of the Railroad Retirement Act of 1974 (45 U.S.C.*
11 *231a(a)) is amended—*

12 *(1) by inserting in subdivision (1) “(or, for pur-*
13 *poses of paragraphs (i), (iii), and (v), five years of*
14 *service, all of which accrues after December 31,*
15 *1995)” after “ten years of service”, and*

16 *(2) by adding at the end the following new sub-*
17 *division:*

18 *“(4) An individual who is entitled to an annuity*
19 *under paragraph (v) of subdivision (1), but who does not*
20 *have at least ten years of service, shall, prior to the month*
21 *in which the individual attains age 62, be entitled only to*
22 *an annuity amount computed under section 3(a) of this Act*
23 *(without regard to section 3(a)(2) of this Act) or section*
24 *3(f)(3) of this Act. Upon attainment of age 62, such an in-*
25 *dividual may also be entitled to an annuity amount com-*

1 *puted under section 3(b), but such annuity amount shall*
2 *be reduced for early retirement in the same manner as if*
3 *the individual were entitled to an annuity under section*
4 *2(a)(1)(iii).”.*

5 *(b) COMPUTATION RULE FOR INDIVIDUALS’ ANNU-*
6 *ITIES.—Section 3(a) of the Railroad Retirement Act of*
7 *1974 (45 U.S.C. 231b(a)), as amended by section 102 of*
8 *this Act, is further amended by adding at the end the fol-*
9 *lowing new subdivision:*

10 *“(3) If an individual entitled to an annuity under sec-*
11 *tion 2(a)(1)(i) or (iii) of this Act on the basis of less than*
12 *ten years of service is entitled to a benefit under section*
13 *202(a), section 202(b), or section 202(c) of the Social Secu-*
14 *rity Act which began to accrue before the annuity under*
15 *section 2(a)(1)(i) or (iii) of this Act, the annuity amount*
16 *provided such individual under this subsection, shall be*
17 *computed as though the annuity under this Act began to*
18 *accrue on the later of (A) the date on which the benefit*
19 *under section 202(a), section 202(b), or section 202(c) of*
20 *the Social Security Act began, or (B) the date on which*
21 *the individual first met the conditions for entitlement to*
22 *an age reduced annuity under this Act other than the condi-*
23 *tions set forth in sections 2(e)(1) and 2(e)(2) of this Act*
24 *and the requirement that an application be filed.”.*

1 (c) *SURVIVORS' ANNUITIES.*—Section 2(d)(1) of the
2 *Railroad Retirement Act of 1974 (45 U.S.C. 231a(d)(1))*
3 *is amended by inserting “(or five years of service, all of*
4 *which accrues after December 31, 1995)” after “ten years*
5 *of service”.*

6 (d) *LIMITATION ON ANNUITY AMOUNTS.*—Section 2 of
7 *the Railroad Retirement Act of 1974 (45 U.S.C. 231a)* is
8 *amended by adding at the end the following new subsection:*
9 “(i) *An individual entitled to an annuity under this*
10 *section who has completed five years of service, all of which*
11 *accrues after 1995, but who has not completed ten years*
12 *of service, and the spouse, divorced spouse, and survivors*
13 *of such individual, shall not be entitled to an annuity*
14 *amount provided under section 3(a), section 4(a), or section*
15 *4(f) of this Act unless the individual, or the individual’s*
16 *spouse, divorced spouse, or survivors, would be entitled to*
17 *a benefit under title II of the Social Security Act on the*
18 *basis of the individual’s employment record under both this*
19 *Act and title II of the Social Security Act.”.*

20 (e) *COMPUTATION RULE FOR SPOUSES' ANNUITIES.*—
21 *Section 4(a) of the Railroad Retirement Act of 1974 (45*
22 *U.S.C. 231c(a)), as amended by section 102 of this Act, is*
23 *further amended by adding at the end the following new*
24 *subdivision:*

1 “(3) If a spouse entitled to an annuity under section
2 2(c)(1)(ii)(A), section 2(c)(1)(ii)(C), or section 2(c)(2) of
3 this Act or a divorced spouse entitled to an annuity under
4 section 2(c)(4) of this Act on the basis of the employment
5 record of an employee who will have completed less than
6 10 years of service is entitled to a benefit under section
7 202(a), section 202(b), or section 202(c) of the Social Secu-
8 rity Act which began to accrue before the annuity under
9 section 2(c)(1)(ii)(A), section 2(c)(1)(ii)(C), section 2(c)(2),
10 or section 2(c)(4) of this Act, the annuity amount provided
11 under this subsection shall be computed as though the annu-
12 ity under this Act began to accrue on the later of (A) the
13 date on which the benefit under section 202(a), section
14 202(b), or section 202(c) of the Social Security Act began
15 or (B) the first date on which the annuitant met the condi-
16 tions for entitlement to an age reduced annuity under this
17 Act other than the conditions set forth in sections 2(e)(1)
18 and 2(e)(2) of this Act and the requirement that an applica-
19 tion be filed.”.

20 (f) APPLICATION DEEMING PROVISION.—Section 5(b)
21 of the Railroad Retirement Act of 1974 (45 U.S.C. 231d(b))
22 is amended by striking the second sentence and inserting
23 the following new sentence: “An application filed with the
24 Board for an employee annuity, spouse annuity, or di-
25 vorced spouse annuity on the basis of the employment

1 *record of an employee who will have completed less than*
2 *ten years of service shall be deemed to be an application*
3 *for any benefit to which such applicant may be entitled*
4 *under this Act or section 202(a), section 202(b), or section*
5 *202(c) of the Social Security Act. An application filed with*
6 *the Board for an annuity on the basis of the employment*
7 *record of an employee who will have completed ten years*
8 *of service shall, unless the applicant specified otherwise, be*
9 *deemed to be an application for any benefit to which such*
10 *applicant may be entitled under this Act or title II of the*
11 *Social Security Act.”.*

12 *(g) CREDITING SERVICE UNDER THE SOCIAL SECU-*
13 *RITY ACT.—Section 18(2) of the Railroad Retirement Act*
14 *of 1974 (45 U.S.C. 231q(2)) is amended—*

15 *(1) by inserting “(or less than five years of serv-*
16 *ice, all of which accrues after December 31, 1995)”*
17 *after “ten years of service” each place it appears; and*

18 *(2) by inserting “(or five or more years of serv-*
19 *ice, all of which accrues after December 31, 1995)”*
20 *after “ten or more years of service”.*

21 *(h) AUTOMATIC BENEFIT ELIGIBILITY ADJUST-*
22 *MENTS.—Section 19 of Railroad Retirement Act of 1974*
23 *(45 U.S.C. 231r) is amended—*

1 (1) by inserting “(or five or more years of serv-
2 ice, all of which accrues after December 31, 1995)”
3 after “ten years of service” in subsection (c); and

4 (2) by inserting “(or five or more years of serv-
5 ice, all of which accrues after December 31, 1995)”
6 after “ten years of service” in subsection (d)(2).

7 (i) *CONFORMING AMENDMENTS.*—

8 (1) Section 6(e)(1) of the Railroad Retirement
9 Act of 1974 (45 U.S.C. 231e(1)) is amended by insert-
10 ing “(or five or more years of service, all of which ac-
11 crues after December 31, 1995)” after “ten years of
12 service”.

13 (2) Section 7(b)(2)(A) of the Railroad Retire-
14 ment Act of 1974 (45 U.S.C. 231f(b)(2)(A)) is amend-
15 ed by inserting “(or five or more years of service, all
16 of which accrues after December 31, 1995)” after “ten
17 years of service”.

18 (3) Section 205(i) of the Social Security Act (42
19 U.S.C. 405(i)) is amended by inserting “(or five or
20 more years of service, all of which accrues after De-
21 cember 31, 1995)” after “ten years of service”.

22 (4) Section 6(b)(2) of the Railroad Retirement
23 Act of 1974 (45 U.S.C. 231e(b)(2)) is amended by in-
24 serting “(or five or more years of service, all of which

1 *accrues after December 31, 1995)*” after “*ten years of*
2 *service*” the second place it appears.

3 (j) *EFFECTIVE DATE.*—*The amendments made by this*
4 *section shall take effect on January 1, 2001.*

5 **SEC. 104. REPEAL OF RAILROAD RETIREMENT MAXIMUM.**

6 (a) *EMPLOYEE ANNUITIES.*—

7 (1) *IN GENERAL.*—*Section 3(f) of the Railroad*
8 *Retirement Act of 1974 (45 U.S.C. 231b(f)) is*
9 *amended—*

10 (A) *by striking subdivision (1); and*

11 (B) *by redesignating subdivisions (2) and*
12 *(3) as subdivisions (1) and (2), respectively.*

13 (2) *CONFORMING AMENDMENTS.*—

14 (A) *The first sentence of section 3(f)(1) of*
15 *the Railroad Retirement Act of 1974 (45 U.S.C.*
16 *231b(f)(1)), as redesignated by paragraph*
17 *(1)(B), is amended by striking “, without regard*
18 *to the provisions of subdivision (1) of this sub-*
19 *section,”.*

20 (B) *Paragraphs (i) and (ii) of section*
21 *7(d)(2) of the Railroad Retirement Act of 1974*
22 *(45 U.S.C. 231f(d)(2)) are each amended by*
23 *striking “section 3(f)(3)” and inserting “section*
24 *3(f)(2)”.*

1 (b) *SPOUSE AND SURVIVOR ANNUITIES.*—Section 4 of
 2 *the Railroad Retirement Act of 1974 (45 U.S.C. 231c)* is
 3 *amended by striking subsection (c).*

4 (c) *EFFECTIVE DATE.*—The amendments made by this
 5 *section shall take effect on January 1, 2001, and shall apply*
 6 *to annuity amounts accruing for months after December*
 7 *2000.*

8 **SEC. 105. INVESTMENT OF RAILROAD RETIREMENT ASSETS.**

9 (a) *ESTABLISHMENT OF RAILROAD RETIREMENT IN-*
 10 *VESTMENT TRUST.*—Section 15 of the *Railroad Retirement*
 11 *Act of 1974 (45 U.S.C. 231n)* is amended by inserting after
 12 *subsection (i) the following new subsection:*

13 “(j) *RAILROAD RETIREMENT INVESTMENT TRUST.*—

14 “(1) *ESTABLISHMENT.*—The *Railroad Retire-*
 15 *ment Investment Trust (hereafter in this subsection*
 16 *referred to as the ‘Trust’)* is hereby established as a
 17 *Trust domiciled in the District of Columbia and*
 18 *shall, to the extent not inconsistent with this Act, be*
 19 *subject to the laws of the District of Columbia appli-*
 20 *cable to such trusts. The Trust shall manage and in-*
 21 *vest its assets in the manner set forth in this sub-*
 22 *section.*

23 “(2) *NOT A FEDERAL AGENCY OR INSTRUMEN-*
 24 *TALITY.*—The *Trust is not a department, agency, or*
 25 *instrumentality of the Government of the United*

1 *States and shall not be subject to title 31, United*
2 *States Code.*

3 “(3) *BOARD OF TRUSTEES.*—

4 “(A) *GENERALLY.*—*The Trust shall have a*
5 *Board of Trustees, consisting of 7 members, each*
6 *appointed by a unanimous vote of the Railroad*
7 *Retirement Board. The Railroad Retirement*
8 *Board may remove any member so appointed by*
9 *unanimous vote. Of the 7 members, 3 shall rep-*
10 *resent the interests of labor, 3 shall represent the*
11 *interests of management, and 1 shall represent*
12 *the interests of the general public. The members*
13 *of the Board of Trustees shall not be considered*
14 *officers or employees of the Government of the*
15 *United States.*

16 “(B) *QUALIFICATIONS.*—*Members of the*
17 *Board of Trustees shall be appointed only from*
18 *among persons who have experience and exper-*
19 *tise in the management of financial investments*
20 *and pension plans. No member of the Railroad*
21 *Retirement Board shall be eligible to be a mem-*
22 *ber of the Board of Trustees.*

23 “(C) *TERMS.*—*Except as provided in this*
24 *subparagraph, each member shall be appointed*
25 *for a 3-year term. The initial members ap-*

1 *pointed under this paragraph shall be divided*
2 *into 3 equal groups so nearly as may be, of*
3 *which one group will be appointed for a 1-year*
4 *term, one for a 2-year term, and one for a 3-year*
5 *term. A vacancy in the Board of Trustees shall*
6 *not affect the powers of the Board of Trustees*
7 *and shall be filled in the same manner as the se-*
8 *lection of the member whose departure caused the*
9 *vacancy. Upon the expiration of a term of a*
10 *member of the Board of Trustees, that member*
11 *shall continue to serve until a successor is ap-*
12 *pointed.*

13 “(4) *POWERS OF THE BOARD OF TRUSTEES.—*

14 *The Board of Trustees shall—*

15 “(A) *retain independent advisers to assist it*
16 *in the formulation and adoption of its invest-*
17 *ment guidelines;*

18 “(B) *retain independent investment man-*
19 *agers to invest the assets of the Trust in a man-*
20 *ner consistent with such investment guidelines;*

21 “(C) *invest assets of the Trust, pursuant to*
22 *the policies adopted in subparagraph (A);*

23 “(D) *pay administrative expenses of the*
24 *Trust from the assets of the Trust; and*

1 “(E) transfer money to the disbursing agent
2 or as otherwise provided in section 7(b)(4), to
3 pay benefits payable under this Act from the as-
4 sets of the Trust.

5 “(5) *REPORTING REQUIREMENTS AND FIDUCIARY*
6 *STANDARDS.—The following reporting requirements*
7 *and fiduciary standards shall apply with respect to*
8 *the Trust:*

9 “(A) *DUTIES OF THE BOARD OF TRUST-*
10 *EES.—The Trust and each member of the Board*
11 *of Trustees shall discharge their duties with re-*
12 *spect to the assets of the Trust solely in the inter-*
13 *est of the Railroad Retirement Board and*
14 *through it, the participants and beneficiaries of*
15 *the programs funded under this Act—*

16 “(i) for the exclusive purpose of—

17 “(I) providing benefits to partici-
18 pants and their beneficiaries; and

19 “(II) defraying reasonable ex-
20 penses of administering the functions
21 of the Trust;

22 “(ii) with the care, skill, prudence, and
23 diligence under the circumstances then pre-
24 vailing that a prudent person acting in a
25 like capacity and familiar with such mat-

1 *ters would use in the conduct of an enter-*
2 *prise of a like character and with like aims;*

3 *“(iii) by diversifying investments so as*
4 *to minimize the risk of large losses, unless*
5 *under the circumstances it is clearly pru-*
6 *dent not to do so; and*

7 *“(iv) in accordance with Trust gov-*
8 *erning documents and instruments insofar*
9 *as such documents and instruments are con-*
10 *sistent with this Act.*

11 *“(B) PROHIBITIONS WITH RESPECT TO*
12 *MEMBERS OF THE BOARD OF TRUSTEES.—No*
13 *member of the Board of Trustees shall—*

14 *“(i) deal with the assets of the Trust in*
15 *the trustee’s own interest or for the trustee’s*
16 *own account;*

17 *“(ii) in an individual or in any other*
18 *capacity act in any transaction involving*
19 *the assets of the Trust on behalf of a party*
20 *(or represent a party) whose interests are*
21 *adverse to the interests of the Trust, the*
22 *Railroad Retirement Board, or the interests*
23 *of participants or beneficiaries; or*

1 “(iii) receive any consideration for the
2 trustee’s own personal account from any
3 party dealing with the assets of the Trust.

4 “(C) *EXCULPATORY PROVISIONS AND INSUR-*
5 *ANCE.—Any provision in an agreement or in-*
6 *strument that purports to relieve a trustee from*
7 *responsibility or liability for any responsibility,*
8 *obligation or duty under this Act shall be void:*
9 *Provided, however, That nothing shall*
10 *preclude—*

11 “(i) the Trust from purchasing insur-
12 ance for its trustees or for itself to cover li-
13 ability or losses occurring by reason of the
14 act or omission of a trustee, if such insur-
15 ance permits recourse by the insurer against
16 the trustee in the case of a breach of a fidu-
17 ciary obligation by such trustee;

18 “(ii) a trustee from purchasing insur-
19 ance to cover liability under this section
20 from and for his own account; or

21 “(iii) an employer or an employee or-
22 ganization from purchasing insurance to
23 cover potential liability of one or more
24 trustees with respect to their fiduciary re-

1 *sponsibilities, obligations, and duties under*
2 *this section.*

3 “(D) *BONDING.*—*Every trustee and every*
4 *person who handles funds or other property of*
5 *the Trust (hereafter in this subsection referred to*
6 *as ‘Trust official’) shall be bonded. Such bond*
7 *shall provide protection to the Trust against loss*
8 *by reason of acts of fraud or dishonesty on the*
9 *part of any Trust official, directly or through the*
10 *connivance of others, and shall be in accordance*
11 *with the following:*

12 “(i) *The amount of such bond shall be*
13 *fixed at the beginning of each fiscal year of*
14 *the Trust by the Railroad Retirement*
15 *Board. Such amount shall not be less than*
16 *10 percent of the amount of the funds han-*
17 *dled. In no case shall such bond be less than*
18 *\$1,000 nor more than \$500,000, except that*
19 *the Railroad Retirement Board, after con-*
20 *sideration of the record, may prescribe an*
21 *amount in excess of \$500,000, subject to the*
22 *10 percent limitation of the preceding sen-*
23 *tence.*

24 “(ii) *It shall be unlawful for any Trust*
25 *official to receive, handle, disburse, or other-*

1 *wise exercise custody or control of any of*
2 *the funds or other property of the Trust*
3 *without being bonded as required by this*
4 *subsection and it shall be unlawful for any*
5 *Trust official, or any other person having*
6 *authority to direct the performance of such*
7 *functions, to permit such functions, or any*
8 *of them, to be performed by any Trust offi-*
9 *cial, with respect to whom the requirements*
10 *of this subsection have not been met.*

11 “(iii) *It shall be unlawful for any per-*
12 *son to procure any bond required by this*
13 *subsection from any surety or other com-*
14 *pany or through any agent or broker in*
15 *whose business operations such person has*
16 *any control or significant financial interest,*
17 *direct or indirect.*

18 “(E) *AUDIT AND REPORT.—*

19 “(i) *The Trust shall annually engage*
20 *an independent qualified public accountant*
21 *to audit the financial statements of the*
22 *Trust.*

23 “(ii) *The Trust shall submit an annual*
24 *management report to the Congress not*
25 *later than 180 days after the end of the*

1 *Trust's fiscal year. A management report*
2 *under this subsection shall include—*

3 *“(I) a statement of financial posi-*
4 *tion;*

5 *“(II) a statement of operations;*

6 *“(III) a statement of cash flows;*

7 *“(IV) a statement on internal ac-*
8 *counting and administrative control*
9 *systems;*

10 *“(V) the report resulting from an*
11 *audit of the financial statements of the*
12 *Trust conducted under clause (i); and*

13 *“(VI) any other comments and in-*
14 *formation necessary to inform the Con-*
15 *gress about the operations and finan-*
16 *cial condition of the Trust.*

17 *“(iii) The Trust shall provide the*
18 *President, the Railroad Retirement Board,*
19 *and the Director of the Office of Manage-*
20 *ment and Budget a copy of the management*
21 *report when it is submitted to Congress.*

22 *“(F) ENFORCEMENT.—The Railroad Retire-*
23 *ment Board may bring a civil action—*

24 *“(i) to enjoin any act or practice by*
25 *the Trust, its Board of Trustees or its em-*

1 *ployees or agents that violates any provi-*
2 *sion of this Act; or*

3 *“(ii) to obtain other appropriate relief*
4 *to redress such violations, or to enforce any*
5 *provisions of this Act.*

6 *“(6) APPLICATION OF FIDUCIARY STANDARDS TO*
7 *RAILROAD RETIREMENT BOARD.—*

8 *“(A) IN GENERAL.—The provisions of para-*
9 *graph (5)(A) shall apply to the members of the*
10 *Railroad Retirement Board in the discharge of*
11 *their duty to appoint the members of the Board*
12 *of Trustees under paragraph (3)(A) in the same*
13 *manner as such provisions apply to the members*
14 *of the Board of Trustees.*

15 *“(B) ENFORCEMENT.—For purposes of this*
16 *paragraph, the provisions of paragraph (5)(F)*
17 *shall apply by substituting ‘the Secretary of*
18 *Labor’ for ‘the Railroad Retirement Board’.*

19 *“(7) RULES AND ADMINISTRATIVE POWERS.—*
20 *The Board of Trustees shall have the authority to*
21 *make rules to govern its operations, employ profes-*
22 *sional staff, and contract with outside advisers to pro-*
23 *vide legal, accounting, investment advisory or other*
24 *services necessary for the proper administration of*
25 *this subsection. In the case of contracts with invest-*

1 *ment advisory services, compensation for such services*
2 *may be on a fixed contract fee basis or on such other*
3 *terms and conditions as are customary for such serv-*
4 *ices.*

5 “(8) *QUORUM.—Five members of the Board of*
6 *Trustees constitute a quorum to do business. Invest-*
7 *ment guidelines must be adopted by a unanimous vote*
8 *of the entire Board of Trustees. All other decisions of*
9 *the Board of Trustees shall be decided by a majority*
10 *vote of the quorum present. All decisions of the Board*
11 *of Trustees shall be entered upon the records of the*
12 *Board of Trustees.*

13 “(9) *FUNDING.—The expenses of the Trust and*
14 *the Board of Trustees incurred under this subsection*
15 *shall be paid from the Trust.”.*

16 (b) *CONFORMING AND TECHNICAL AMENDMENTS GOV-*
17 *ERNING INVESTMENTS.—Subsection 15(e) of the Railroad*
18 *Retirement Act of 1974 (45 U.S.C. 231n(e)) is amended—*

19 (1) *in the first sentence, by striking “, the Dual*
20 *Benefits Payments Account” and all that follows*
21 *through “may be made only” in the second sentence*
22 *and inserting “and the Dual Benefits Payments Ac-*
23 *count as are not transferred to the Railroad Retire-*
24 *ment Investment Trust as the Board may determine”;*

1 (1) *DETERMINATION.*—As soon as possible after
2 December 31, 2000, the Railroad Retirement Board
3 shall—

4 (A) determine the amount of funds in the
5 Railroad Retirement Supplemental Account
6 under section 15(c) of the Railroad Retirement
7 Act of 1974 (45 U.S.C. 231n(c)) as of the date
8 of such determination; and

9 (B) direct the Secretary of the Treasury to
10 transfer such funds to the Railroad Retirement
11 Investment Trust under section 15(j) of such Act
12 (as added by section 105).

13 (2) *TRANSFER BY SECRETARY OF THE TREAS-*
14 *URY.*—The Secretary of the Treasury shall make the
15 transfer described in paragraph (1).

16 (e) *EFFECTIVE DATE.*—

17 (1) *IN GENERAL.*—Subject to paragraph (2), the
18 amendments made by subsections (a), (b), and (c)
19 shall take effect January 1, 2001.

20 (2) *ACCOUNT IN EXISTENCE UNTIL TRANSFER*
21 *MADE.*—The Railroad Retirement Supplemental Ac-
22 count under section 15(c) of the Railroad Retirement
23 Act of 1974 (45 U.S.C. 231n(c)) shall continue to
24 exist until the date that the Secretary of the Treasury
25 makes the transfer described in subsection (d)(2).

1 **SEC. 107. TRANSFER AUTHORITY REVISIONS.**

2 (a) *RAILROAD RETIREMENT ACCOUNT.*—Section 15 of
3 *the Railroad Retirement Act of 1974 (45 U.S.C. 231n)* is
4 *amended by adding after subsection (j) the following new*
5 *subsection:*

6 “(k) *TRANSFERS TO THE TRUST.*—The Board shall,
7 *upon establishment of the Railroad Retirement Investment*
8 *Trust and from time to time thereafter, direct the Secretary*
9 *of the Treasury to transfer, in such manner as will maxi-*
10 *mize the investment returns to the Railroad Retirement sys-*
11 *tem, that portion of the Railroad Retirement Account that*
12 *is not needed to pay current administrative expenses of the*
13 *Board to the Railroad Retirement Investment Trust. The*
14 *Secretary shall make that transfer.”.*

15 (b) *TRANSFERS FROM THE RAILROAD RETIREMENT*
16 *INVESTMENT TRUST.*—Section 15 of the *Railroad Retire-*
17 *ment Act of 1974 (45 U.S.C. 231n)*, as amended by sub-
18 *section (a)*, is further amended by adding after subsection
19 *(k) the following new subsection:*

20 “(l) *RAILROAD RETIREMENT INVESTMENT TRUST.*—
21 *The Railroad Retirement Investment Trust shall from time*
22 *to time transfer to the disbursing agent described in section*
23 *7(b)(4), or as otherwise directed by the Railroad Retirement*
24 *Board pursuant to section 7(b)(4), such amounts as may*
25 *be necessary to pay benefits under this Act (other than bene-*

1 *fits paid from the Social Security Equivalent Benefit Ac-*
2 *count or the Dual Benefit Payments Account).”.*

3 (c) SOCIAL SECURITY EQUIVALENT BENEFIT AC-
4 COUNT.—

5 (1) TRANSFERS TO TRUST.—Section 15A(d)(2) of
6 the Railroad Retirement Act of 1974 (45 U.S.C.
7 231n–1(d)(2)) is amended to read as follows:

8 “(2) Upon establishment of the Railroad Retirement
9 Investment Trust and from time to time thereafter, the
10 Board shall direct the Secretary of the Treasury to transfer,
11 in such manner as will maximize the investment returns
12 to the Railroad Retirement system, the balance of the Social
13 Security Equivalent Benefit Account not needed to pay cur-
14 rent benefits and administrative expenses required to be
15 paid from that Account to the Railroad Retirement Invest-
16 ment Trust, and the Secretary shall make that transfer.
17 Any balance transferred under this paragraph shall be used
18 by the Railroad Retirement Investment Trust only to pay
19 benefits under this Act or to purchase obligations of the
20 United States that are backed by the full faith and credit
21 of the United States pursuant to chapter 31 of title 31,
22 United States Code. The proceeds of sales of, and the inter-
23 est income from, such obligations shall be used by the Trust
24 only to pay benefits under this Act.”.

1 (2) *TRANSFERS TO DISBURSING AGENT.*—Section
2 15A(c)(1) of the *Railroad Retirement Act of 1974* (45
3 U.S.C. 231n–1(c)(1)) is amended by adding at the
4 end the following new sentence: “The Secretary shall
5 from time to time transfer to the disbursing agent
6 under section 7(b)(4) amounts necessary to pay those
7 benefits.”.

8 (3) *CONFORMING AMENDMENT.*—Section
9 15A(d)(1) of the *Railroad Retirement Act of 1974* (45
10 U.S.C. 231n–1(d)(1)) is amended by striking the sec-
11 ond and third sentences.

12 (d) *DUAL BENEFITS PAYMENTS ACCOUNT.*—Section
13 15(d)(1) of the *Railroad Retirement Act of 1974* (45 U.S.C.
14 231n(d)(1)) is amended by adding at the end the following
15 new sentence: “The Secretary of the Treasury shall from
16 time to time transfer from the Dual Benefits Payments Ac-
17 count to the disbursing agent under section 7(b)(4) amounts
18 necessary to pay benefits payable from that Account.”.

19 (e) *CERTIFICATION BY THE BOARD AND PAYMENT.*—
20 Paragraph (4) of section 7(b) of the *Railroad Retirement*
21 *Act of 1974* (45 U.S.C. 231f(b)(4)) is amended to read as
22 follows:

23 “(4)(A) The *Railroad Retirement Board*, after con-
24 sultation with the *Board of Trustees of the Railroad Retire-*
25 *ment Investment Trust* and the *Secretary of the Treasury*,

1 *shall enter into an arrangement with a nongovernmental*
2 *financial institution to serve as disbursing agent for bene-*
3 *fits payable under this Act who shall disburse consolidated*
4 *benefits under this Act to each recipient. Pending the taking*
5 *effect of that arrangement, the Railroad Retirement Board*
6 *shall make appropriate provision for the payment of bene-*
7 *fits due under this Act and otherwise payable through that*
8 *arrangement.*

9 “(B) *The Board shall from time to time certify—*

10 “(i) *to the Secretary of the Treasury the amounts*
11 *required to be transferred from the Social Security*
12 *Equivalent Benefit Account and the Dual Benefits*
13 *Payments Account to the disbursing agent to make*
14 *payments of benefits and the Secretary of the Treas-*
15 *ury shall transfer those amounts;*

16 “(ii) *to the Board of Trustees of the Railroad Re-*
17 *irement Investment Trust the amounts required to be*
18 *transferred from the Railroad Retirement Investment*
19 *Trust to the disbursing agent to make payments of*
20 *benefits and the Board of Trustees shall transfer those*
21 *amounts; and*

22 “(iii) *to the disbursing agent the name and ad-*
23 *dress of each individual entitled to receive a payment,*
24 *the amount of such payment, and the time at which*
25 *the payment should be made.”.*

1 (f) *BENEFIT PAYMENTS.*—Section 7(c)(1) of the Rail-
2 road Retirement Act of 1974 (45 U.S.C. 231f(c)(1)) is
3 amended—

4 (1) by striking “from the Railroad Retirement
5 Account” and inserting “by the disbursing agent
6 under subsection (b)(4) from money transferred to it
7 from the Railroad Retirement Investment Trust or the
8 Social Security Equivalent Benefit Account, as the
9 case may be”; and

10 (2) by inserting “by the disbursing agent under
11 subsection (b)(4) from money transferred to it” after
12 “Public Law 93–445 shall be made”.

13 (g) *TRANSITIONAL RULE FOR EXISTING OBLIGA-*
14 *TION.*—In making transfers under sections 15(k) and
15 15A(d)(2) of the Railroad Retirement Act of 1974, as
16 amended by subsections (a) and (c), respectively, the Rail-
17 road Retirement Board shall consult with the Secretary of
18 the Treasury to design an appropriate method to transfer
19 obligations held as of the date of enactment of this Act or
20 to convert such obligations to cash prior to transfer. The
21 Railroad Retirement Investment Trust may hold to matu-
22 rity any obligations so received or may redeem them prior
23 to maturity, as the Trust deems appropriate.

1 **SEC. 108. ANNUAL RATIO PROJECTIONS AND CERTIFI-**
2 **CATIONS BY THE RAILROAD RETIREMENT**
3 **BOARD.**

4 (a) *PROJECTIONS.*—Section 22(a)(1) of the Railroad
5 Retirement Act of 1974 (45 U.S.C. 231u(a)(1)) is
6 amended—

7 (1) by inserting after the first sentence the fol-
8 lowing new sentence: “On or before May 1 of each
9 year beginning in 2002, the Railroad Retirement
10 Board shall compute its projection of the account ben-
11 efits ratio and the average account benefits ratio (as
12 defined by section 3241(c) of the Internal Revenue
13 Code of 1986) for each of the next succeeding five fis-
14 cal years.”; and

15 (2) by striking “the projection prepared pursu-
16 ant to the preceding sentence” and inserting “the pro-
17 jections prepared pursuant to the preceding two sen-
18 tences”.

19 (b) *CERTIFICATIONS.*—The Railroad Retirement Act of
20 1974 (45 U.S.C. 231 et seq.) is amended by adding at the
21 end the following new section:

22 “COMPUTATION AND CERTIFICATION OF ACCOUNT BENEFIT
23 RATIOS

24 “SEC. 23. (a) *INITIAL COMPUTATION AND CERTIFI-*
25 *CATION.*—On or before November 1, 2002, the Railroad Re-
26 tirement Board shall—

1 “(1) compute the account benefits ratios for each
2 of the most recent 10 preceding fiscal years, and

3 “(2) certify the account benefits ratios for each
4 such fiscal year to the Secretary.

5 “(b) COMPUTATIONS AND CERTIFICATIONS AFTER
6 2002.—On or before November 1 of each year after 2002,
7 the Railroad Retirement Board shall—

8 “(1) compute the account benefits ratio for the
9 fiscal year ending in such year, and

10 “(2) certify the account benefits ratio for such
11 fiscal year to the Secretary of the Treasury.

12 “(c) DEFINITION.—As used in this section, the term
13 ‘account benefits ratio’ has the meaning given that term in
14 section 3241(c) of the Internal Revenue Code of 1986.”.

15 **TITLE II—AMENDMENTS TO THE**
16 **INTERNAL REVENUE CODE OF**
17 **1986**

18 **SEC. 201. AMENDMENTS TO THE INTERNAL REVENUE CODE**
19 **OF 1986.**

20 *Except as otherwise provided, whenever in this title*
21 *an amendment or repeal is expressed in terms of an amend-*
22 *ment to, or repeal of, a section or other provision, the ref-*
23 *erence shall be considered to be made to a section or other*
24 *provision of the Internal Revenue Code of 1986.*

1 **SEC. 202. EXEMPTION FROM TAX FOR RAILROAD RETIRE-**
2 **MENT INVESTMENT TRUST.**

3 *Subsection (c) of section 501 is amended by adding*
4 *at the end the following new paragraph:*

5 *“(28) The Railroad Retirement Investment Trust*
6 *established under section 15(j) of the Railroad Retire-*
7 *ment Act of 1974.”.*

8 **SEC. 203. REPEAL OF SUPPLEMENTAL ANNUITY TAX.**

9 *(a) REPEAL OF TAX ON EMPLOYEE REPRESENTA-*
10 *TIVES.—Section 3211 is amended by striking subsection (b).*

11 *(b) REPEAL OF TAX ON EMPLOYERS.—Section 3221*
12 *is amended by striking subsections (c) and (d) and by redес-*
13 *ignating subsection (e) as subsection (c).*

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

17 **SEC. 204. EMPLOYER, EMPLOYEE REPRESENTATIVE, AND**
18 **EMPLOYEE TIER 2 TAX RATE ADJUSTMENTS.**

19 *(a) RATE OF TAX ON EMPLOYERS.—Subsection (b) of*
20 *section 3221 is amended to read as follows:*

21 *“(b) TIER 2 TAX.—*

22 *“(1) IN GENERAL.—In addition to other taxes,*
23 *there is hereby imposed on every employer an excise*
24 *tax, with respect to having individuals in his employ,*
25 *equal to the applicable percentage of the compensation*

1 *paid during any calendar year by such employer for*
2 *services rendered to such employer.*

3 “(2) *APPLICABLE PERCENTAGE.*—*For purposes*
4 *of paragraph (1), the term ‘applicable percentage’*
5 *means—*

6 “(A) *15.6 percent in the case of compensa-*
7 *tion paid during 2001,*

8 “(B) *14.2 percent in the case of compensa-*
9 *tion paid during 2002, and*

10 “(C) *in the case of compensation paid dur-*
11 *ing any calendar year after 2002, the percentage*
12 *determined under section 3241 for such calendar*
13 *year.”.*

14 (b) *RATE OF TAX ON EMPLOYEE REPRESENTA-*
15 *TIVES.*—*Section 3211, as amended by section 203, is*
16 *amended by striking subsection (a) and inserting the fol-*
17 *lowing new subsections:*

18 “(a) *TIER 1 TAX.*—*In addition to other taxes, there*
19 *is hereby imposed on the income of each employee represent-*
20 *ative a tax equal to the applicable percentage of the com-*
21 *pensation received during any calendar year by such em-*
22 *ployee representative for services rendered by such employee*
23 *representative. For purposes of the preceding sentence, the*
24 *term ‘applicable percentage’ means the percentage equal to*
25 *the sum of the rates of tax in effect under subsections (a)*

1 *and (b) of section 3101 and subsections (a) and (b) of sec-*
2 *tion 3111 for the calendar year.*

3 “(b) *TIER 2 TAX.*—

4 “(1) *IN GENERAL.*—*In addition to other taxes,*
5 *there is hereby imposed on the income of each em-*
6 *ployee representative a tax equal to the applicable*
7 *percentage of the compensation received during any*
8 *calendar year by such employee representatives for*
9 *services rendered by such employee representative.*

10 “(2) *APPLICABLE PERCENTAGE.*—*For purposes*
11 *of paragraph (1), the term ‘applicable percentage’*
12 *means—*

13 “(A) *14.75 percent in the case of compensa-*
14 *tion received during 2001,*

15 “(B) *14.20 percent in the case of compensa-*
16 *tion received during 2002, and*

17 “(C) *in the case of compensation received*
18 *during any calendar year after 2002, the per-*
19 *centage determined under section 3241 for such*
20 *calendar year.*

21 “(c) *CROSS REFERENCE.*—

“***For application of different contribution bases
with respect to the taxes imposed by subsections (a)
and (b), see section 3231(e)(2).***”

22 (c) *RATE OF TAX ON EMPLOYEES.*—*Subsection (b) of*
23 *section 3201 is amended to read as follows:*

24 “(b) *TIER 2 TAX.*—

1 “(1) *IN GENERAL.*—*In addition to other taxes,*
 2 *there is hereby imposed on the income of each em-*
 3 *ployee a tax equal to the applicable percentage of the*
 4 *compensation received during any calendar year by*
 5 *such employee for services rendered by such employee.*

6 “(2) *APPLICABLE PERCENTAGE.*—*For purposes*
 7 *of paragraph (1), the term ‘applicable percentage’*
 8 *means—*

9 “(A) *4.90 percent in the case of compensa-*
 10 *tion received during 2001 or 2002, and*

11 “(B) *in the case of compensation received*
 12 *during any calendar year after 2002, the per-*
 13 *centage determined under section 3241 for such*
 14 *calendar year.”.*

15 “(d) *DETERMINATION OF RATE.*—*Chapter 22 is amend-*
 16 *ed by adding at the end the following new subchapter:*

17 **“Subchapter E—Tier 2 Tax Rate**

18 **Determination**

 “*Sec. 3241. Determination of tier 2 tax rate based on average ac-*
 count benefits ratio.”

19 **“SEC. 3241. DETERMINATION OF TIER 2 TAX RATE BASED**
 20 **ON AVERAGE ACCOUNT BENEFITS RATIO.**

21 “(a) *IN GENERAL.*—*For purposes of sections 3201(b),*
 22 *3211(b), and 3221(b), the applicable percentage for any cal-*
 23 *endar year is the percentage determined in accordance with*
 24 *the table in subsection (b).*

1 “(b) *TAX RATE SCHEDULE.*—

<i>Average account benefits ratio</i>		<i>Applicable per- centage for sec- tions 3211(b) and 3221(b)</i>	<i>Applicable per- centage for section 3201(b)</i>
<i>At least</i>	<i>But less than</i>		
	2.5	22.1	4.9
2.5	3.0	18.1	4.9
3.0	3.5	15.1	4.9
3.5	4.0	14.1	4.9
4.0	6.1	13.1	4.9
6.1	6.5	12.6	4.4
6.5	7.0	12.1	3.9
7.0	7.5	11.6	3.4
7.5	8.0	11.1	2.9
8.0	8.5	10.1	1.9
8.5	9.0	9.1	0.9
9.0		8.2	0

2 “(c) *DEFINITIONS RELATED TO DETERMINATION OF*
3 *RATES OF TAX.*—

4 “(1) *AVERAGE ACCOUNT BENEFITS RATIO.*—*For*
5 *purposes of this section, the term ‘average account*
6 *benefits ratio’ means, with respect to any calendar*
7 *year, the average determined by the Secretary of the*
8 *account benefits ratios for the 10 most recent fiscal*
9 *years ending before such calendar year. If the amount*
10 *determined under the preceding sentence is not a mul-*
11 *tiple of 0.1, such amount shall be increased to the*
12 *next highest multiple of 0.1.*

13 “(2) *ACCOUNT BENEFITS RATIO.*—*For purposes*
14 *of this section, the term ‘account benefits ratio’*
15 *means, with respect to any fiscal year, the amount*
16 *determined by the Railroad Retirement Board by di-*
17 *viding the fair market value of the assets in the Rail-*

1 *road Retirement Account and of the Railroad Retirement*
2 *Investment Trust (and for years before 2001, the*
3 *Social Security Equivalent Benefits Account) as of*
4 *the close of such fiscal year by the total benefits and*
5 *administrative expenses paid from the Railroad Retirement*
6 *Account and the Railroad Retirement Investment*
7 *Trust during such fiscal year.*

8 *“(d) NOTICE.—Not later than December 1 of each cal-*
9 *endar year, the Secretary shall publish a notice in the Fed-*
10 *eral Register of the rates of tax determined under this sec-*
11 *tion which are applicable for the following calendar year.”.*

12 *(e) CONFORMING AMENDMENTS.—*

13 *(1) Section 24(d)(3)(A)(iii) is amended by strik-*
14 *ing “section 3211(a)(1)” and inserting “section*
15 *3211(a)”.*

16 *(2) Section 72(r)(2)(B)(i) is amended by striking*
17 *“section 3211(a)(2)” and inserting “section 3211(b)”.*

18 *(3) Paragraphs (2)(A)(iii)(II) and (4)(A) of sec-*
19 *tion 3231(e) are amended by striking “3211(a)(1)”*
20 *and inserting “3211(a)”.*

21 *(4) Section 3231(e)(2)(B)(ii)(I) is amended by*
22 *striking “3211(a)(2)” and inserting “3211(b)”.*

23 *(5) The table of subchapters for chapter 22 is*
24 *amended by adding at the end the following new item:*

“Subchapter E. Tier 2 tax rate determination.”.

1 (f) *EFFECTIVE DATE.*—*The amendments made by this*
2 *section shall apply to calendar years beginning after De-*
3 *cember 31, 2000.*

Calendar No. 924

106TH CONGRESS
2D SESSION

H. R. 4844

[Report No. 106-475]

AN ACT

To modernize the financing of the railroad retirement system and to provide enhanced benefits to employees and beneficiaries.

OCTOBER 3 (legislative day, SEPTEMBER 22), 2000

Reported with an amendment