checking accounts of our average American families so they are empowered to do the things they need to do to make America great.

There are three pillars of American freedom. One is economic opportunity, the second is safety of persons and property, and the third is an educated mind. We have ratcheted down economic opportunity to a point where it is changing the behavior and the way Americans function and act. It is robbing them of the dreams and the visions that have been such a special part of America.

This is the time, the perfect time, for us to be conscious of this, to leave those resources in those checking accounts and empower those families to build not only their family, their community, but their Nation, the United States of America.

I yield the floor, and I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. BUNNING). The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. KERREY. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. KERREY. Mr. President, first of all, I did not hear everything the Senator from Georgia said. As I understand it, he was talking about income tax cuts; is that correct?

Mr. COVERDELL. That is correct.

BIPARTISAN SOCIAL SECURITY REFORM ACT OF 1999

Mr. KERREY. Mr. President, the Senator from Georgia does not have to stay for this, but I agree with the fundamental principle the Senator from Georgia laid out. I may come at it slightly differently.

There have been a lot of arguments about income tax cuts and why they are needed. I call to my colleagues' attention, one of the biggest reasons is the total amount of taxes we are currently taking from the American people which totals 20.7 percent of U.S. income. That is the highest it has been since 1945, and it continues to go up.

I believe we need to measure and look at that very carefully as we decide how much in taxes we are going to take from the American people. I put myself on the side of I believe at least the fundamental principle about which the Senator from Georgia talked. There are many ways to cut taxes, and I want to talk about one way to do so this afternoon.

I rise today to talk about the introduction of a bipartisan bill called the Bipartisan Social Security Reform Act of 1999. It is the only bipartisan, bicameral—it has been introduced in the House as well—Social Security reform bill, and it is the only bill that can claim to cut taxes, cut programmatic costs, leave current retirees' benefits untouched, and it substantially increases the benefit checks of women and low- and moderate-income workers. This reform plan is a reform plan for all generations.

First, in our bill, current seniors—those who are eligible either for the old age, survivor, or disability benefits who have not had time to financially prepare for benefit changes—will not face any benefit cuts.

Second, current workers—the baby boomers and the generation Xers—will participate in a modernized and strengthened Social Security program. Our proposal gives all current and future workers a 2-percentage point payroll tax cut which they can invest in individual investment accounts. That is a $928 billion tax cut over the next 10 years.

Indeed, as I will illustrate with my presentation, what Congress should consider, when we consider the payroll tax, is do we want to take that payroll tax and pay off the national debt.

I favor a substantial debt reduction. Under our proposal, instead of going all for debt reduction, that $928 billion will be accumulated as an asset in 137 million working American households. That will add to the net worth of American working families. It is, in my view, a preferable way of dealing with the payroll taxes. It gives the baby boomers and generation Xers who have time to plan under our proposal not only a payroll tax cut, but it gives them an opportunity to invest in their future. At retirement, these workers will receive the traditional monthly benefit check. We preserve not only the old age benefit, but we preserve intact the survivor and disability benefit. This traditional defined benefit will be supplemented by the retirement wealth they have accumulated in their individual savings accounts.

Third, future workers—that is, those who are born after 1995—will not only get to participate in individual savings accounts, but they will get to start saving for their retirement at birth through our bill's KidSave account program.

Through KidSave accounts, all children will be given a stake in the American economy and a chance to build substantial retirement wealth at the same time. Each child born in the United States will receive $3,500 to invest in their retirement. When a child takes his or her first job, he or she will be able to contribute 2 percentage points of their payroll tax to the KidSave account.

Not only is this a plan for all generations—it is a plan for all income levels. Our plan has something for every wage earner. It will result in substantially higher benefit checks for low- and moderate-income workers. It will result in substantially lower taxes for high-income workers, and it has a combination of higher benefits and lower taxes for middle-income workers.

I have brought with me some examples of how real Nebraskans would be affected by our legislation. These charts compare Social Security benefit checks under current law with Social Security benefit checks under the Senate bipartisan Social Security reform plan.

The first example is a friend of mine by the name of Verner Magnuson, a retired farmer from Oakland, NE. This chart says, 75-plus. I do not think Verner would object to me telling you he was born in 1915. So Verner obviously is an individual who says: Well, what do I benefit from additional savings? He is exactly right. He does not have time to save and benefit from the buildup in cash that can occur by taking advantage of compounding interest rates.

So under current law, Verner receives a benefit check of approximately $1,500 per month. Under our bill, his check will be exactly the same, $1,500—and it will continue to grow with inflation from year to year. We make no adjustment in Verner's CPI nor in anybody's CPI over the age of 62.

The second example shows an Omaha resident and the divisional social services director for the Salvation Army, Linda Burkle. Linda, who has a relatively high income—although she may object to that description—demonstrates how higher income individuals will experience somewhat lower monthly benefits under our Social Security plan—at least during the transition period. These temporary benefit reductions for high-income people will only occur until the new Social Security program—that is to say, with individual accounts—is fully phased in. At that point high-income people will not experience reductions in overall benefits. These are temporary benefit reductions for higher income people, and they will only occur until a new program with individual accounts is fully phased in.

You can see from this chart that a baby boomer with a low or moderate income will still have a higher income benefit in our plan than under current law. A moderate-income worker, for example, will receive a monthly benefit check of $673 under current law. Since Linda will become eligible to retire for old-age benefits in 2020, her benefit check will not reflect the large benefit cuts that are expected to occur in 2034 under current law.

I will not spend a great deal of time on this point, but one thing we all need to understand is if we do not change the law, people who are under the age of 45, under current law, according to the trustees of the Social Security Administration, will experience a 25- to 33-percent cut in benefits. Ask them. If any citizen doubts that, call the Social Security Administration. If you are under the age of 45, call them up and ask them: What will my benefits be unless Congress changes the law? And they will tell you that your benefits are going to be cut 25 to 33 percent.

I have listened to my colleagues from time to time who say: Gosh, it is not going to run out of money until 2034,

and that is a long time away. Why do anything now? Why should we act now, especially when the choices are hard and people are apt to get upset with you?

The answer is, in 1983, when Congress fixed Social Security as it was about ready to not be able to pay benefits, it made a radical departure from the previous plan. In 1983, what Congress said is that we are not going to only fund current beneficiaries; we are going to fund all beneficiaries.

That is what the 75-year mark does. It is not just 75 years; we are trying to write the law so that whatever your age, whether you are born this year or you are 16 years old or you are 76 years old, that we can keep the promise we have on the table.

We cannot keep the promise we have on the table to the people under the age of 45. It is not just a small haircut they are going to take; it is a big haircut they are going to take. Or there is going to have to be a comparable—actually, a larger tax increase on their children and grandchildren. That is the current law—a big benefit cut for people under the age of 45.

You can see from this chart that a baby boomer with a low- or moderate-income will have a higher benefit under our plan than under current law. A moderate-income worker will receive a monthly benefit check of $673 under current law. Under our plan, a low-income worker will receive a benefit of $813. That is a very important point.

We believe that the current Social Security Program is not very generous to low- and moderate-income workers. We add what is called under law an additional benefit point. So for that lower wage individual, in my view, not only are there many of them today, but there are apt to be many of them in the future, who are both an important force for economic reasons as well as for moral reasons. We have to make sure that that defined benefit program is sufficient so they can live with some dignity in their retirement years.

This plan not only provides them a higher benefit check, it also provides them the thing that I think produces real financial independence, and that is ownership of some financial assets.

My third example shows how Kelly Walters, a 20-something generation Xer from Columbus, NE, will fare under our Social Security reform bill. Generation X is the first generation that will experience very significant benefit increases from our Social Security reform plan. If Kelly earns the average wage over her lifetime, she can expect to get a benefit check, under current law—assuming no tax increases—of $884 per month. Under our reform plan, she can expect to get a Social Security benefit check worth $1,329 per month. That is a 50-percent increase in benefits over current law. If she turns out to be a low-income worker throughout her lifetime, Kelly can expect to get a $536 monthly check under current law but a $1,115 benefit under our new plan. That is more than double the benefit under current law.

One of the very difficult things we are experiencing, as the occupant of the Chair knows—he was on the Ways and Means Committee in the House, and I look forward to the day when he is on the Finance Committee as well—but as the occupant of the Chair understands, what we have is a situation where people are living longer. Generation Xers are probably going to be looking forward to living to the age of 85 or 90. So it is very important that that defined benefit program be solid for them. It is also very important that they have the financial assets and wealth that allows them to sustain themselves through to the course of their old-age years.

My fourth and final example shows how the next generation of children will fare under our Social Security reform plan.

Erin Kuehl, who is only 2 years old today, will benefit not only from the 2-percent account but also from the KidSave account I described earlier. Under the current Social Security system, Erin can expect to have a Social Security benefit worth $1,037 if she earns the average pay. Under our plan, she will receive a monthly benefit worth $2,693. If she becomes a low-income worker, Erin will receive a benefit worth $629 under the current system and $1,631 under the new system—again, more than one and a half times her current expected benefit.

Many people get confused about this because they will look at the existing benefit plan and they will say: Well, that is not true. Under what shows up on her benefits, Erin is going to get a much larger check. But that assumes that Congress is going to raise taxes. The President said he is against raising payroll taxes. That presumes that Congress somehow is going to come up with some additional money. If anybody wants to do that, let them come down and argue for that. Let them come down and make a presentation or a proposal to raise taxes even more on people who get paid by the hour than we have under current law.

The message with our proposal is very clear: Our bill provides better benefits for low- and moderate-income workers. And although some high-income individuals will temporarily experience slightly lower benefits during the transition from the old system to the new system, all workers in America will eventually experience higher benefits and lower taxes than current law provides. In Nebraska alone, there are over 283,000 Social Security beneficiaries: 182,000 have an old-age benefit; 35,000 are taking the survivor or widower benefit; and the balance are in the disability program. The average monthly check under the old-age benefit is $753 for retired workers. For the widower, it is $740.

Not only is $753 not a livable monthly benefit, that is an average. That means many are getting substantially lower than that. Even in Nebraska, that is not adequate, unless it is supplemented by additional wealth and income from pensions and personal savings. This is an even lower amount and not likely to provide that individual with what they are going to need, especially with longer lifespans projected out into the future.

Our bill will ensure workers have larger benefits. Our bill also ensures they have wealth with which to supplement their retirement income.

There are tradeoffs in our bill. Although our reforms will ensure lower taxes and higher benefits from future workers, our bill does call for programmatic changes which will lower the guaranteed defined benefit check for some middle and upper workers in the future.

I don't want to sugarcoat this. Unless you are for a tax increase, if you want to walk out on the floor and say, let's raise taxes, you also favor at some point lowering benefit checks. If you don't like the idea that we are making some adjustments out in the future in benefit checks—and again, for emphasis, if you are watching this and you are over the age of 62, please don't call my office and say I am cutting your benefits. I am not. This proposal does not cut benefits for people over the age of 62. It makes adjustments out in the future. Again, if you don't like those adjustments, come down to the floor and say you want to raise taxes because that is the only option to making these kinds of adjustments.

Our bill includes a provision which instructs the Bureau of Labor Statistics to study overestimates in the CPI and correct them accordingly. When the recommendation was made well over a year ago now, it was a commission that studied this. They came back and said that the CPI was overstated 1.1 and we ought to make an adjustment, and nothing happened. I guarantee you, if they had come back and said that it is understated 1.1, there would have been 535 votes for it. It would have been unanimous in the House and Senate. But because it is overstated, we recognize that the adjustment is going to mean somebody is going to have to give up something. We make that adjustment for beneficiaries out into the future.

We think this will result in a downward adjustment in the CPI and COLAs of .5 percent. It brings the CPI much more closely in line with what real cost-of-living increases are. It doesn't reduce the cost-of-living increase. It brings us a much more accurate cost of living. In addition, the CPI adjustments will affect income tax revenues. I do not argue that it will not. But our bill allows the Social Security Administration to recapture these initial income tax revenues for the Social Security trust fund.

Another benefit change in our bill is the indexation of benefits to life expectancy. Earlier I introduced a bill with Senator MOYNIHAN that would

have moved the eligibility age. It set off a howl, a protest, and concern. I listened to those concerns. By the way, in 1997, we had 1.3 million old-age beneficiaries who became eligible for Social Security's old-age benefit. Of those 1.3 million, 1.1 million took the early benefits at 62. So when news commentators try to figure out what this does, they typically say: KERREY is proposing to move the retirement age. Not true. We are talking about eligibility age, when you are eligible for the benefit. By the way, this bill would also eliminate the earnings test that is still present. That earnings test is gone. So whenever you are eligible, if you want to continue working, that is fine under our proposal.

But this change to index benefits to life expectancy is a response to people saying: Don't move the eligibility age. We keep the eligibility age exactly as it is under current law. We do accelerate the move from 65 to 67.

Once the retirement age increases to 67, as under current law, our bill will provide for benefits that track the life expectancy of your birth cohort. I think we made that adjustment so we do not accelerate it until 67, or do we? We do? I was right the first time.

Our bill will provide for benefits, as I said, that track the life expectancy of your birth cohort. The longer your birth cohort lives, the more years over which your benefits must be spread. This may mean that retirees far in the future may experience a lower defined benefit under our program, but again, it does not affect the value of their individual account.

We have several other benefit changes in our bill, but those are the two big ones. I disclose them up front.

There is a price. Again, I say, for the third time, for those who object to it, what is your alternative? What else do you want to do? I graduated from the University of Nebraska in 1965 with a B.S. in pharmacy. It is a land grant college. I am not a Rhodes scholar. I didn't go to Yale University. I don't have a Ph.D. behind my name.

This is not difficult to figure out. The difficulty is looking at the 10 or 12 options and saying: Oh, my gosh, I don't want to pick any of those because somebody is going to get mad at me. Somebody will object to it. Somebody will criticize it.

Criticize the changes if you want, and there will be many who do, but if you are an elected official, if you are an elected representative, I hope people outside, after they have leveled their criticism will say: What is your solution? Or are you suggesting that people under the age of 45 should just be basically out of luck because we don't expect to have to worry about them in our political lifetimes or perhaps even in our physical lifetimes.

Ultimately, the public must decide whether it is willing to risk some benefit adjustments and some benefit uncertainty for the long-term gains that come with a Social Security program that includes individual accounts. Furthermore, the public must weigh the costs and benefit adjustments against the cost of doing nothing. As I said, the cost of doing nothing, if you favor doing nothing, if you favor delay, what that means is you favor, unless you have an alternative, you favor a 25 to 33 percent cut in benefits for people under the age of 45 because that is what current law provides.

This is a reform proposal that Republicans and Democrats are supporting and should be supporting. If Congress wants to get serious about Social Security reform, this is the bill to mark up. If Members want to stop talking about saving Social Security—we just had a cloture vote on the lockbox proposal. Democrats have a lockbox proposal. Everybody wants to save Social Security. If you want to save Social Security, this is the bill to rally behind. If the President, who cannot run for reelection, wants to save Social Security, this is the bill for him to embrace as well. If the public wants the politicians to enact Social Security reform legislation that shares costs across generations, protects benefits and lowers tax burdens, this is the bill to write their Congressman about.

You may detect frustration in my voice. I have been frustrated in recent weeks by our difficulty to come to a resolution of this problem. We do talk a great deal about it. I understand the difficulty. I do not underestimate the political difficulties of solving this problem. The difficulty, in my judgment, is not picking the solution. This is not like Medicare. This is not like youth violence. There are lots of things out there that are extremely complicated, that are very difficult to figure out. This one is not difficult to figure out. You just, in the end, must select which proposals, which solutions you want.

The Congressional Budget Office, the office that dictates what we do far too often around here, and the Office of Management and Budget, the executive office, recently released their midsession review that projected surpluses of $2.9 trillion over the next 10 years, 65 percent of which comes from excess FICA taxes.

What I find to be odd in our current debate is that from 1983 to 1999, after we raised taxes on working people in 1983 to prefund all Americans who were going to be eligible in the future, we raised taxes then. Every single year what Treasury does is, any excess tax, it credits the Social Security Administration with a treasury bond, an asset that has real value. This year at the start of the year, that is about $860 billion that the Social Security Administration owns for future beneficiaries. It will be over $1 trillion at the end of this year because there will be $130 billion of revenue taxes, taxation of benefits and the interest off these bonds that flow into the Social Security trust fund. The Social Security trust fund will own over $1 trillion of the bonds. It will build up to $4.5 trillion in the year 2014. From 1983 to 1999, what we did was, we ended up, after the trust fund owns bonds, Treasury ends up with cash. It ends up with cash. And it has been using that cash for all sorts of things. It has to buy something.

So basically what this excess did was made the deficit look smaller. So from 1983 to 1999, people who got paid by the hour—and 80 percent of Americans have higher FICA taxes than they have in income taxes—people who get paid by the hour shouldered a disproportionate share of deficit reduction.

Now, in 1999, that the deficit is gone and we are at a surplus, what the lockbox says is that people who get paid by the hour are going to shoulder all of the debt reduction. Every single penny of debt reduction under the President's proposal, the Democratic proposal, and the Republican proposal is paid for with payroll taxes, FICA taxes. So what we say with our proposal is not only do we want to give a tax cut to people who get paid by the hour—almost $1 trillion over a 10-year period—but what it effectively does is say that rather than paying down the national debt all of us owe, we will increase the net worth of Americans by transferring that to the asset side of their balance statement. That is basically what it does. At the end of the 10-year period, 137 million working families will have at least $1 trillion of new assets. That assumes no interest, no accumulation on that ownership.

Furthermore, each day we let go by means this problem gets harder to solve. This body rarely takes the opportunity to solve future crises. I understand that. I have been in the situation many times before. I urge and beg my colleagues to let the issue of Social Security reform be the exception to the rule. This bipartisan, bicameral bill represents a real effort to work in a truly bipartisan fashion, not just to save Social Security, but to modernize it, strengthen it, and improve it.

I urge my fellow Senators to cosponsor this bill and join with us in urging the chairman of the Finance Committee, the chairman of the Ways and Means Committee, and the President to take up and endorse a Social Security reform bill this year.

In addition, I announce that I intend, when we mark up a tax bill in the Finance Committee, to offer this piece of legislation as a way to cut substantially more taxes than anybody is currently proposing.

I thank my colleagues who are on this bill, including Senator GREGG and Senator BREAUX who are both on the floor today. I am proud to be a cosponsor of it. I praise them for their leadership. They have been fearless and future-looking. When we talk about our kids and grandkids, sometimes we don't often back those words with actions. I praise them for being willing to back, in a very courageous way, their words with action.

I ask unanimous consent that letters in support of the bill be printed in the RECORD.

There being no objection, the letters were ordered to be printed in the RECORD, as follows:

[From the Concord Coalition, June 9, 1999]

CONCORD COALITION COMMENDS BIPARTISAN SOCIAL SECURITY PLANS THAT MAKE TOUGH CHOICES AND OFFER REAL REFORM

WASHINGTON.—With the U.S. House Committee on Ways and Means holding hearings today and tomorrow on plans to reform Social Security, The Concord Coalition commends the Members of Congress who had the courage to submit bipartisan Social Security proposals that are both fiscally responsible and generationally sound. Concord singled out for praise the sponsors of the Kolbe-Stenholm bill (21st Century Retirement Security Act, H.R. 1793) and the Gregg-Breaux plan (the Senate Bipartisan Social Security Agreement).

Concord Coalition Co-Chairs and former U.S. Senators Warren Rudman (R–NH) and San Nunn (D–GA) draw three conclusions in letters addressed to Congressmen Jim Kolbe (R–AZ) and Charlie Stenholm (D–TX), and Senators Judd Gregg (R–NH), John Breaux (D–LA), Bob Kerrey (D–NE) and Charles Grassley (R–IA). ''First, changing demographics make the current pay-as-you-go benefit structure unsustainable. Absent change, the system will either burden future workers with steep tax hikes, or betray future retirees with deep benefit cuts.

''Second, there are only two roads to genuine reform, and a workable plan must pursue both. Reform must reduce Social Security's long-term burden by reducing its long-term costs. And it must make the remaining burden more bearable by increasing national savings, and hence the size of tomorrow's economic pie. Doing so requires the hard choices of fiscal discipline. In short, there are no magic bullets. . . . Third, the time for action is now. The longer reform is delayed, the worse the problem will become and the more draconian the solutions will be.

''The Concord Coalition commends your efforts because your plan recognizes each of these conclusions. We are particularly pleased that you have resisted the temptation to rely on speculative gains such as projected budget surpluses and higher market returns to close Social Security's fiscal gap. Either strategy is fraught with peril,'' Rudman and Nunn warn.

''The Concord Coalition supports the approach taken by Kolbe-Stenholm and by Gregg-Breaux because both plans are powerful antidotes to the free lunch disease that is gripping the Social Security debate. Compared with the other proposals being considered, these plans come closest to meeting the Concord Coalition's criteria. They reduce future benefits on a progressive basis, modestly raise the eligibility age, provide a more accurate Consumer Price Index, create individually owned retirement accounts without relying on projected budget surpluses, and they have bipartisan support,'' said Concord Coalition Policy Director Robert Bixby.

''The Concord Coalition also commends Chairman Archer and all of the witnesses at this week's hearings for putting forth the specifics of their Social Security reform plans. The safest place is always on the sidelines. However, if the end result of the Social Security debate is to avoid all the hard choices, we might as well launch a new government program to find the fountain of youth because otherwise we will never be able to meet all of our future benefit obligations,'' Bixby said.

THE CONCORD COALITION,
Washington DC, June 9, 1999.

Hon. JUDD GREGG,
Hon. JOHN BREAUX,
Hon. ROBERT KERREY,
Hon. CHARLES GRASSLEY,
U.S. Senate,
Washington, DC.

DEAR MR. GREGG, MR. BREAUX, MR. KERREY, AND MR. GRASSLEY: The Concord Coalition heartily commends you and the other co-sponsors of the Bipartisan Social Security Agreement. Together, you have demonstrated political courage by making the kind of hard choices that must be made to preserve Social Security in a fiscally responsible and generationally fair manner.

For the past two years the Concord Coalition has devoted much of its time and resources to promoting bipartisan dialogue on the key long-term challenges facing Social Security, and evaluating potential solutions.

Three conclusions stand out:

First, changing demographics make the current pay-as-you-go benefit structure unsustainable. Absent change, the system will either burden future workers with steep tax hikes, or betray future retirees with deep benefit cuts. Take the year 2033 as an example. While the Social Security trust fund will still be officially solvent in that year, the program is projected to be running a cash deficit of some $280 billion in today's dollars—an amount roughly equal to this year's entire budget for national defense. Closing the gap that year would require a Social Security payroll tax hike of 40% or a nearly 30% cut in benefits.

Second, there are only two roads to genuine reform, and a workable plan must pursue both. Reform must reduce Social Security's long-term burden by reducing its long-term costs. And it must make the remaining burden more bearable by increasing national savings, and hence the size of tomorrow's economic pie. Doing so requires the hard choices of fiscal discipline. In short, there are no magic bullets.

Third, the time for action is now. The longer reform is delayed, the worse the problem will become and the more draconian the solutions will be. Moreover, delay risks losing a valuable opportunity to act while the economy remains strong, the huge baby boom generation is still in its peak earning years, and the Social Security trust fund is running an ample cash surplus.

The Concord Coalition commends your efforts because the Bipartisan Agreement recognizes each of these conclusions. We are particularly pleased that you have resisted the temptation to rely on speculative gains such as projected budget surpluses and higher returns to close Social Security's fiscal gap. Either strategy is fraught with peril.

Projected budget surpluses may never come to pass. And even if they do, there are many other competing claims on this hoped for windfall. Market gains can certainly help workers earn a higher return on their payroll contributions. But it would be irresponsible to ignore structural reforms in favor of simply ''playing the spread'' between the expected returns on stocks and bonds.

Another advantage of your plan is that it does not rely on double counting assets by crediting funds both to the Social Security trust fund and to some other purpose such as debt reduction or individual accounts. Money cannot be spent twice. Plans that purport to do so are ducking the real question of how future benefits will actually be paid.

As the President's Office of Management and Budget (OMB) has observed about the trust funds:

. . . [T]hey are claims on the Treasury that, when redeemed, will have to be financed by raising taxes, borrowing from the public, or reducing benefits or other expenditures. The existence of large trust fund balances, therefore, does not, by itself, have any impact on the Government's ability to pay benefits.

Analytical Perspectives, Budget of the United States Government, Fiscal Year 2000 p. 337.

Given the difficult choices ahead, it is all too easy for elected officials to lament the problems while remaining silent on the solutions. Clearly, the authors of the Bipartisan Social Security Agreement have answered this challenge.

The Concord Coalition is currently developing its own Social Security reform proposals. While in the end Concord may not endorse every element of your plan, we recognize that there is no such thing as a ''perfect'' plan. Trade-offs will always need to be made. But we fully support the bipartisan, fiscally responsible, generationally fair path you have chosen. As the process of Social Security reform moves forward we hope that an increasing number of your colleagues will do what you have done—make the hard choices.

The Concord Coalition stands ready to assist in any way that we can.

Sincerely,

WARREN RUDMAN,
Co-Chairman.
SAM NUNN,
Co-Chairman.

NATIONAL ASSOCIATION OF MANUFACTURERS,
Washington, DC, June 3, 1999.

Hon. JUDD GREGG,
U.S. Senate,
Washington, DC.

DEAR SENATOR GREGG: American workers and future retirees would have much to gain under your bipartisan Social Security modernization plan that would allow workers the opportunity to invest a portion of their Social Security payroll taxes in personal retirement accounts. Not only does the plan help workers accumulate adequate resources for retirement, but it also restores the 75-year solvency of the Social Security Trust Fund. Individuals would own the accounts and could pass the money on to their heirs.

Thank you for your outstanding leadership as an original cosponsor of this plan; it would achieve real Social Security reform without a tax increase, accounting gimmicks or dependence on budget surpluses. This reform plan will help prepare for the retirement of the baby boom generation when the Trust Fund begins paying out more than it received in payroll taxes by 2014. At the same time, the plan would maintain a safety net for all workers, while establishing a guaranteed minimum benefit for low-income workers not available under current law.

The NAM and its 14,000 member companies appreciate your leadership of the 1997–98 bipartisan National Commission on Retirement Policy, on S. 2313 and your work this year to broaden cosponsors for the 1999 plan. Thank you for your commitment to reform and we look forward to working with you toward passage of Social Security legislation that assures retirement security for all workers and promises a viable economy for America's future.

Sincerely,

SHARON F. CANNER,
Vice President.

ALLIANCE FOR WORKER RETIREMENT SECURITY,
Washington, DC, July 15, 1999.

Hon. JUDD GREGG,
U.S. Senate,
Washington, DC.

DEAR SENATOR GREGG: On behalf of the thirty organizations that comprise the

AWRS, I would like to extend congratulations on the introduction of your Bipartisan Social Security Reform bill. While acknowledging the financial shortfall ahead, you and the other co-sponsors have succeeded in developing a plan that saves Social Security and is fair for American workers, employers, and retirees alike.

The members of AWRS are committed to the responsible reform of Social Security—not just accounting gimmicks. We are pleased to see that your bill meets all of the principles for reform set forth by the AWRS, including the creation of Personal Retirement Accounts from a portion of the FICA taxes with no FICA tax increases, no government ownership of private enterprise, and a strong safety net for all retirees while preserving the benefits of existing retirees. In fact, your bill is *more* progressive than the existing system and will result in more of our elderly being lifted out of poverty. As the debate moves forward, we will have suggestions for modest changes or elaborations, but we support your bill as an excellent staring point for reform.

We are especially pleased that your legislation restructures the existing system and reduces the huge unfunded liabilities ahead of us. Workers and employers already pay an astounding 12.4% of earnings to fund Social Security. They cannot be asked to also carry the burden of a projected $20 trillion shortfall over the next 75 years! The weight of this burden would certainly have a very negative impact on wage growth, workers' ability to save, and the overall economy.

Instead, you have wisely chosen to follow the course already charted by countries all over the world that have faced similar demographic problems in their public pension systems. More than fifteen countries—who were also facing huge future funding shortfalls—have voted to restructure their pay-as-you-go system to allow workers to invest their payroll taxes in the growing economic market. And, *no* country has chosen to simply raise taxes, create a new entitlement system, or hide the problem behind accounting gimmicks.

Along with your other co-sponsors, we commend for your courage and your ability to find responsible answers to difficult entitlements' problems. We will urge your colleagues in the Senate to get involved with you and work in a bi-partisan manner to achieve reform now. There is no better time—and the children, the workers, and the elderly in our country deserve nothing less.

Sincerely,

LEANNE J. ABDNOR.

NATIONAL ASSOCIATION FOR THE SELF-EMPLOYED,
Washington, DC, July 13, 1999.

Hon. JUDD GREGG,
U.S. Senate,
Washington, DC.

DEAR SENATOR GREGG: On behalf of the more than 330,000 members of the National Association for the Self-Employed, as well as millions of other independent entrepreneurs in America, we commend you for introducing the Senate Bipartisan Social Security Plan.

The bill that you and six of your Senate colleagues are introducing meets the criteria that the NASE has long sought for Social Security reform:

It does not increase payroll taxes or add to the current Social Security tax inequities of the self-employed.

It avoids changing retirement benefits for current and near retirees.

It actually increases the defined benefit safety net for future retirees.

It reduces the huge unfunded liability of the Social Security system, and

It permits a portion of Social Security taxes to be allocated to personal retirement accounts that workers themselves would own and control.

In addition to these noteworthy achievements, your bill would keep Social Security solvent for at least 75 years, according to the Social Security Administration's own actuaries. And it would do so without raising the retirement age, creating an entirely new entitlement system, or relying on government IOU's to prop up the Social Security Trust Fund.

This is genuine and thorough reform. It would put the nation's moral obligation to its retirees on the soundest financial footing that it's had in at least a generation.

We hope your bill will lead the way in the forthcoming effort to reform Social Security.

Sincerely,

BERNIE L. THAYER,
President and CEO.

ECONOMIC SECURITY 2000,
Washington, DC, July 15, 1999.

Hon. JUDD GREGG,
Hon. JOHN BREAUX,
Hon. BOB KERREY,
Hon. CHARLES GRASSLEY,
Washington, DC.

DEAR SENATORS GREGG, BREAUX, KERREY AND GRASSLEY: Economic Security 2000 applauds the introduction of your comprehensive, fiscally responsible Bipartisan Social Security Agreement. This plan saves Social Security for 75 years and beyond, without placing future tax burdens on younger generations. More importantly, it addresses the broader issue of retirement security by creating Personal Retirement Accounts, which open up meaningful savings and ownership to all Americans.

We commend the Bipartisan Social Security Agreement for strengthening the safety net guarantees that have been the bedrock of Social Security. In maintaining the progressive structure of the guaranteed Social Security benefit, the plan increases the defined benefit for lower-income workers whom otherwise have little or no opportunity for saving.

The Bipartisan Agreement provides a real opportunity for working Americans to build a nest egg for themselves and their children. Fifty-three percent of Americans earn less than $18,000. Yet, the $18,000 workers pays over $2,200 in payroll taxes each year. By allowing a portion of the current FICA tax to be diverted into an individually owned and controlled savings account, every American is given the opportunity to accumulate meaningful savings and real retirement security. Moreover, these accounts mirror the progressive nature of Social Security through government savings matches for lower-wage workers.

As a grassroots organization, we have a unique understanding of the American public's desire for a Social Security solution that provides real ownership and control over their retirement assets. You have demonstrated great leadership and courage by making the tough decisions necessary to preserve Social Security for today's seniors as well as future generations. We thank you for your efforts.

Sincerely,

SAM BEARD,
Founder/President.

NATIONAL ASSOCIATION OF WOMEN BUSINESS OWNERS,
Silver Springs, MD, July 14, 1999.

Hon. JUDD GREGG,
Hon. JOHN BREAUX,
Hon. BOB KERREY,
Hon. CHARLES GRASSLEY,
U.S. Senate, Washington, DC.

DEAR SENATORS GREGG, BREAUX, KERREY, AND GRASSLEY: The National Association of Women Business Owners (NAWBO) commends you for the introduction of the Senate Bi-Partisan Social Security Reform Bill. NAWBO's membership represents 9.1 million women business owners who employ 27.5 million workers, and we believe this legislation would be good for all those whom we represent.

NAWBO has extensively reviewed the Social Security reform measures being discussed in Congress, and developed a set of principles which include giving all workers the opportunity to use a portion of their FICA taxes to create Personal Retirement Accounts. No one knows better the importance of personal ownership and control than the millions of women who own businesses. We strongly support extending this principle of ownership and control to all workers through the creation of thes PRAs. Likewise, we believe the Social Security Administration must continue to provide a strong safety net-guaranteed minimum benefit-for all retirees. We must lift even more of our elderly, most of whom are women, out of poverty.

Your legislation achieves these goals and more. It reduces the unfunded liability of the Social Security System (currently set by SSA at $20 trillion over the next 75 years), saves Social Security and puts it on a permanently sustainable path. Your bill is strongly bi-partisan, which is required for any reform measure to pass Congress. In other words, it is fair to all constituencies, not just a segment of the population.

NAWBO is a member of the Alliance for Worker Retirement Security. We will continue to work with AWRS and you to secure our future.

Sincerely,

TERRY NEESE,
Past President, Corporate & Public Policy Advisor.

THE BUSINESS ROUNDTABLE,
Washington, DC, July 16, 1999.

Hon. JUDD GREGG,
U.S. Senate, Washington, DC.

DEAR SENATOR GREGG: I would like to congratulate you on your efforts to move forward this critical debate on the future of Social Security. The ''Senate Bi-Partisan Social Security Bill'' is largely consistent with the principles The Business Roundtable developed to guide its members as we participate in this important debate.

Based on the information we have reviewed, there are several positive elements of your plan that deserve special recognition. The plan is more progressive than the current system in that low-wage workers will receive a higher defined benefit than is promised from the current Social Security system. It insures that general revenues would be used responsibly to save Social Security, not create a new entitlement system. You have also stepped up to the plate and addressed the hard choices we all know must be faced. The bill would reduce the unfunded liability of the Social Security System, currently set by the Social Security Administration at $20 trillion, over the next 75 years. In addition, all workers under age 62 would receive Personal Retirement Accounts that they own, control, and can pass on to their heirs.

Of course, there are issues we would like to explore in more depth as this and other proposals are debated. For example, we have concerns about how individual accounts are invested, and would like to learn more about your proposal to model the accounts on the federal Thrift Savings Plan. We would encourage as many investment options as possible to allow individuals to diversify their accounts and prevent undue market concentration. It also is inclear how corporate governance concerns, such as the voting of

proxies, would be handled. Finally, we would like to explore the interaction between individuals accounts and employer-sponsored retirement plans. The ability of individuals to make additional voluntary contributions to their accounts under your plan may inadvertently have a negative impact on private plans. Again, this is an issue we would like to discuss with you as your proposal is fleshed out.

These issues are not meant to overshadow the critical contribution you have made to advance this debate. Most importantly, the proposal enjoys bipartisan support. The only way we will, or should, adopt comprehensive Social Security reform is if we all work together as a nation to develop a plan that keeps its promises to current retirees and those near retirement while meeting the needs of future generations.

The Business Roundtable looks forward to working with you, and with every other member of Congress as well as the Clinton Administration, to promote responsible reform of our Social Security system.

Sincerely,

M. ANTHONY BURNS,
Chairman & CEO, Ryder System, Inc., Chairman, Health and Retirement Task Force, The Business Roundtable.

COUNCIL FOR GOVERNMENT REFORM,
Arlington, VA, July 8, 1999.

Senator JUDD GREGG,
Senator JOHN BREAUX,
Senator BOB KERREY,
Senator CHARLES GRASSLEY,
Washington, DC

DEAR SENATORS GREGG, BREAUX, KERREY, AND GRASSLEY: On behalf of the Council for Government Reform's 350,000 supporters, let me congratulate you on your hard work and diligence in preparing the Senate Bipartisan Social Security bill. You are very courageous to offer a detailed plan that actually addresses some of the long-term structural and demographic problems that unquestionably confront our current pay-as-you-go system. The Council for Government Reform strongly agrees with many of the principles put forth in your legislation.

The introduction of your legislation indicates that prospects for true Social Security reform are not dead in the 106th Congress. Rather, you offer the hope that some short-sighted, new entitlement system that would even further saddle our most recently born children, as well as future generations, with high taxes will not be adopted.

Although this is not the first major proposal in the 106th Congress, the Senate Bipartisan Social Security bill actually addresses some of the underlying programs in the Social Security system. It avoids the pitfalls of adding-on additional taxes, creating new entitlement programs, or sabotaging personal retirement accounts. This legislation will spark the Social Security reform debate towards a dynamic, solvent, and efficient Social Security system for the 21st century.

The keys to bipartisan legislative potential are individual ownership of retirement accounts, guaranteed minimum benefits, and a reliance on a ''carve-out,'' rather than an ''add-on.'' The carve-out vs. add-on distinction is crucial because add-ons carry with them implicit tax increases while carve-outs allow for better investment of funds already taxed away from American workers.

The Council for Government Reform is very pleased that the Senate Bipartisan Social Security bill would eliminate the earning test. This is important to CGR's supporters nationwide, many of whom want to continue to earn income without suffering a loss in their Social Security benefits.

Equally important, this is a bipartisan bill which indicates its appeal can cross party lines and gain widespread support on Capital Hill. Given the poisonous political environment and the election coming up, only bipartisan bills stand a chance of going anywhere. The only question is whether common sense, political courage, and the public interest can prevail in bringing this debate to the forefront.

Gentleman, on behalf of the Council, I sincerely thank you for your efforts and stand ready to assist you in creating a retirement income security system that protects current retirees while saving our children and grandchildren from bankruptcy.

Very truly yours,

CHARLES G. HARDIN,
President.

UNITED SENIORS ASSOCIATION, INC.,
Fairfax, VA, July 15, 1999.

Hon. JOHN BREAUX,
Hon. JUDD GREGG,
Hon. CHARLES GRASSLEY,
Hon BOB KERREY,
U.S. Senate,
Washington, DC.

DEAR SENATORS BREAUX, GREGG, GRASSLEY, AND KERREY: United Seniors Association (USA) greatly appreciates your efforts to save Social Security. The legislation you are introducing is timely and a significant step toward improving the program.

With Social Security in serious financial trouble, you recognize that the status quo is unacceptable. No later than 2014—just 15 years away—the program will begin to pay out more than it collects in payroll tax revenue. That is when Social Security's financial crisis really begins.

According to the 1999 Trustees Report, to keep Social Security solvent for the next 75 years will require raising the payroll tax to over 18% (a 50% increase), reducing benefits by at least one-third, or some combination of the two.

USA has long advocated that the current pay-as-you-go system must be redesigned to maintain solvency and to assure higher benefits for future retirees. The creation of Personal Retirement Accounts (PRAs), owned and controlled by workers, will help achieve these goals. While we favor allowing workers to privately invest at least 5 percentage points of their payroll taxes, your legislation is an excellent start.

There are many other attractive features of the legislation that will draw widespread support. These include: protecting current beneficiaries to whom promises have been made; rewarding work by eliminating the earnings test; and encouraging workers to increase savings.

On behalf of USA's 685,000 members, thank you for your concern about the retirement security of all Americans. We look forward to working with you to pass this important legislation.

Sincerely,

DORCAS R. HARDY,
Former Commissioner of Social Security and Policy Advisor to USA.

THE 60 PLUS ASSOCIATION,
Arlington, VA, July 13, 1999.

Hon. JUDD GREGG,
U.S. Senate,
Washington, DC.

DEAR SENATOR GREGG: The 60 Plus Association strongly endorses your proposal to safeguard Social Security. Especially significant, we believe, is that your proposal is bipartisan co-sponsored by your colleagues Senators Bob Kerrey, John Breaux and Charles Robb. Clearly, any reform must be palatable to both parties. Your measure reduces the unfunded liability of the Social Security system (currently set by the Social Security system) and saves Social Security for 75 years and even longer.

Significantly, all workers under the age of 62 would receive Personal Retirement Accounts that they own, control, and, most importantly, can pass on to their heirs.

60 Plus believes it is more progressive than the current system in that low-wage workers will receive a higher defined benefit than is promised from Social Security.

Your proposal doesn't raise the age at which you can get benefits although it accelerates the current law increase to 67. Also, it does not rely on IOUs in the Social Security Trust Fund. We hope that Congress will act on it soon.

Sincerely,

JAMES L. MARTIN,
President.

Mr. GREGG. Mr. President, I rise today to introduce what I truly believe is Congress's ''last, best hope'' to place Social Security on a course of long-term health in this session of Congress. I strongly urge my colleagues to look carefully at this bipartisan, bicameral, fiscally responsible plan, and to give their support to this, our best chance to meet our important responsibility to take action so as to enable Social Security to continue to meet its historic mission of providing senior citizens with insurance against poverty in old age.

The proposal that I will discuss was negotiated over several months between a bipartisan group of committed reformers in the Senate. It already has more cosponsors than any other competing proposal. Those cosponsors include myself, Senator BOB KERREY, Senator JOHN BREAUX, Senator CHUCK GRASSLEY, Senator FRED THOMPSON, Senator CHUCK ROBB, and Senator CRAIG THOMAS.

What I want to do in my remarks is to describe what our proposal would achieve, and then to provide some details as to how it achieves these goals. It would: s

Make Social Security solvent. Not simply for 75 years, but perpetually, as far as SSA can estimate. Our proposal would leave the system on a permanently sustainable path.

Increase Social Security benefits beyond what the current system can fund. I will follow up with some details as to why and how.

It would drastically reduce taxes below current-law levels. Again, I will provide details as to why and how it does this.

It will make the system far less costly than current law, and also less costly than competing reform proposals.

It will not touch the benefits of current retirees.

It will strengthen the ''safety net'' against poverty and provide additional protections for the disabled, for widows, and for other vulnerable sectors of the population.

It will vastly reduce the federal government's unfunded liabilities.

It would use the best ideas provided by reformers across the political spectrum, and thus offers a practical opportunity for a larger bipartisan agreement.

It will provide for fairer treatment across generations, across demographic

groups. It would improve the work incentives of the current system.

I would like now to explain how our proposal achieves all of these objectives:

Our system would make the system solvent for as far as the Social Security Actuaries are able to estimate.

How does it do this? Above all else, it accomplishes this through advance funding.

As the members of this Committee know, our population is aging rapidly. Currently we have a little more than 3 workers paying into the system for every 1 retiree taking out of it. Within a generation, that ratio will be down to 2:1.

As a consequence, if we did nothing, future generations would be assessed skyrocketing tax rates in order to meet benefit promises. The projected cost (tax) rate of the Social Security system, according to the Actuaries, will be almost 18% by 2030.

The Trust Fund is not currently scheduled to become insolvent until 2034, but as most acknowledge, the existence of the Trust Fund has nothing to do with the government's ability to pay benefits. President Clinton's submitted budget for this year made the point as well as I possibly could:

> These balances are available to finance future benefit payments and other trust fund expenditures—but only in a bookkeeping sense . . . They do not consist of real economic assets that can be drawn down in the future to fund benefits. Instead, they are claims on the Treasury that, when redeemed, will have to be financed by raising taxes, borrowing from the public, or reducing benefits or other expenditures. The existence of large Trust Fund balances, therefore, does not, by itself, have any impact on the Government's ability to pay benefits.

In other words, we have a problem that arises in 2014, not in 2034, and it quickly becomes an enormous one unless we find a way to put aside savings today. This does not mean simply adding a series of credits to the Social Security Trust Fund, which would have no positive impact, as the quote from the President's budget clearly shows.

What we have to do is begin to advance fund the current system, and that means taking some of that surplus Social Security money today out of the federal coffers and into a place where it can be saved, invested—owned by individual beneficiaries. That money would belong to them immediately, even though they could not withdraw it before retirement. But it would be a real asset in their name.

By doing this, we can reduce the amount of the benefit that needs to be funded in the future by raising taxes on future generations. This is the critical objective, but it allows for flippant political attacks. If you give someone a part of their benefit today, in their personal account, and less of it later on, some will say that it is a ''cut'' in benefits. It is no such thing. Only in Washington can giving people ownership rights and real funding for a portion of their benefits, and increasing their total real value, be construed as a cut. Accepting such terminology can only lead to one conclusion—that we can't advance fund, because we simply have to be sure that every penny of future benefits comes from taxing future workers. So we need to get out of that rhetorical trap.

Our proposal has been certified by the actuaries as attaining actuarial solvency, and in fact it goes so far as to slightly overshoot. We are ''overbalanced'' in the years after 2050, and have some room to modify the proposal in some respects and yet still stay in balance.

I would note the consensus that has developed for some form of advance funding. This was one of the few recommendations that united an otherwise divided Social Security Advisory Council in 1996. The major disagreements today among policymakers consist only in the area of who should control and direct the investment opportunities created within Social Security. I believe strongly, and I believe a Congressional majority agrees, that this investment should be directed by individual beneficiaries, not by the federal government or any other public board.

We have worked with the Social Security actuaries and the Congressional Research Service to estimate the levels of benefits provided under our plan.

There are certain bottom-line points that should be recognized about our plan. Among them:

(1) Low-wage earners in every birth cohort measured would experience higher benefits under our plan than current law can sustain, even without including the proceeds from personal accounts.

(2) Average earners in every birth cohort measured would experience higher benefits under our plan than current law can sustain, even if their personal accounts only grew at the projected bond rate of 3.0%.

(3) Maximum earners in some birth cohorts would need either to achieve the historical rate of return on stocks, or to put in additional voluntary contributions, in order to exceed benefit levels of current law. However, the tax savings to high-income earners, which I will outline in the next section, will be so great that on balance they would also benefit appreciably from our reform plan.

Under current law, a low-wage individual retiring in the year 2040 at the age of 65 would be promised a monthly benefit of $752. However, due to the pending insolvency of the system, only $536 of that can be funded. We cannot know in advance how future generations would distribute the program changes between benefit cuts and tax increases. But we do know that our plan, thanks to advance funding, would offer a higher benefit to that individual, from a fully solvent system that would eliminate the need for those choices.

I will provide tables that are based on the research of the Congressional Research Service that make clear all of the above points. The CRS makes projections that assume that under current law, benefits would be paid in full until 2034, and then suddenly cut by more than 25% when the system becomes insolvent. CRS can make no other presumption in the absence of advance knowledge of how Congress would distribute the pain of benefit reductions among birth cohorts. In order to translate the CRS figures into a more plausible outcome, we added a column showing the effects that would come from the benefit reductions under current law being shared equally by all birth cohorts.

BENEFIT TABLE NO. 1.—THE BIPARTISAN PLAN'S BENEFITS WOULD BE HIGHER FOR LOW-INCOME WORKERS EVEN WITHOUT COUNTING PERSONAL ACCOUNTS

[(Assumes Steady Low-Wage Worker) (Monthly Benefit, 1999 Dollars) (Assumes Retirement at Age 65)]

Yr. and current law (benefit cuts begin in 2034)		Current law sustainable*	Bipartisan plan (bond rate no vol. contrib.)	Bipartisan plan (w/o account benefits)	Bipartisan plan (w/ 1% voluntary contributions)
2000	626	517	615	606	627
2005	624	515	620	601	645
2010	652	539	698	667	738
2015	673	556	733	687	790
2020	660	545	754	691	832
2030	690	570	776	694	877
2035	512	595	798	693	926
2040	536	621	821	689	981
2050	582	678	869	710	1051
2060	611	739	920	749	1107

*The Congressional Research Service, in the left-hand column, assumes that all of the burden of benefit changes under current law will commence in 2034. In order to produce a more realistic prediction of how the changes required under current law would be spread, the ''current law sustainable'' column assumes that they have been spread equally among birth cohorts throughout the valuation period.

BENEFIT TABLE NO. 2: THE BIPARTISAN PLAN'S BENEFITS WOULD BE HIGHER FOR AVERAGE-INCOME WORKERS EVEN IF ACCOUNTS EARN ONLY A BOND RATE OF RETURN (3.0%)

[(Assumes Steady Average-Wage Worker) (Monthly Benefit, 1999 Dollars) (Assumes Retirement at Age 65)]

Yr and current law (benefit cuts begin in 2034)		Current law sustainable*	Bipartisan plan (bond rate, no voluntary	Bipartisan plan (stock rate)	Bipartisan plan (w/ 1% vol. contributions, bond rate)
2000	1032	852	1014	1016	1029
2005	1031	852	973	982	1006
2010	1076	889	991	1014	1046
2015	1111	918	977	1024	1057
2020	1090	900	1005	1092	1115
2030	1139	941	1083	1183	1179
2035	845	982	1063	1307	1250
2040	884	1026	1093	1476	1329
2050	961	1119	1157	1672	1442
2060	1007	1221	1225	1778	1531

*The Congressional Research Service, in the left-hand column, assumes that all of the burden of benefit changes under current law will commence in 2034. In order to produce a more realistic prediction of how the changes required under current law would be spread, the ''current law sustainable'' column assumes that they have been spread equally among birth cohorts throughout the valuation period.

The alternative course is that current benefit promises would be met in full by raising taxes, both under current law and under proposals to simply transfer credits to the Social Security Trust Fund. I have also provided a table that shows the size of these tax costs, and will comment further upon them in the next portion of my statement.

I would like to point out that these figures apply to individuals retiring at

the age of 65. Thus, even with the increased actuarial adjustment for early retirement under our plan, and even though our plan would accelerate the pace at which the normal retirement age would reach its current-law target of 67, benefits under our proposal for individuals retiring at 65 would still be higher.

Our tables also show that the progressive match program for low-income individuals will also add enormously to the projected benefits that they will receive.

If there is a single most obvious and important benefit of enacting this reform, it is in the tax reductions that will result from it.

I am not referring to the most immediate tax reduction, the payroll tax cut that will be given to individuals in the form of a refund into a personal account.

The greatest reduction in taxes would come in the years from 2015 on beyond. At that time, under current law—and under many reform plans—enormous outlays from general revenues would be needed to redeem the Social Security Trust Fund, or to fund personal accounts. The net cost of the system would begin to climb. The federal government would have to collect almost 18% of national taxable payroll in the year 2030, more than 5 points of that coming from general revenues.

The hidden cost of the current Social Security system is not the payroll tax increases that everyone knows would be required after 2034, but the general tax increases that few will admit would be required starting in 2014.

With my statement, I include a table showing the effective tax rate costs of current law as well as the various actuarially sound reform proposals that have been placed before the Congress. These figures come directly from the Social Security actuaries. They include the sum of the costs of paying OASDI benefits, plus any mandatory contributions to personal accounts. (Under our proposal, additional voluntary contributions would also be permitted. But any federal ''matches'' of voluntary contributions from general revenues would be contingent upon new savings being generated.)

Let me return to our individual who is working in the year 2025 under current law. In that year, a tax increase equal to 3.61% of payroll would effectively need to be assessed through general revenues in order to pay promised benefits. As a low-income individual, his share of that burden would be less than if it were assessed through the payroll tax, but it would still be real. Under current law, his income tax burden comes to about $241 annually.

COMPARISON OF COST RATES OF CURRENT LAW AND ALTERNATIVE PLANS

[(As a percentage of taxable payroll) (Annual cost includes OASDI outlays plus contributions to personal accounts.) Peak cost year in italic]

Year	and current law	Archer/ Shaw	Senate Bipartisan	Kolbe/ Stenholm	Gramm	Nadler
2000	10.8	12.8	12.7	12.9	15.0	10.4*
2005	11.2	13.3	13.2	13.0	15.2	10.6
2010	11.9	13.9	13.4	13.4	15.6	11.2
2015	13.3	15.0	14.0	14.0	16.4	12.5
2020	15.0	16.4	14.7	14.8	17.3	12.8 (14.2)
2025	16.6	17.4	15.4	15.6	*17.6*	14.4 (15.8)
2030	17.7	*17.8*	*15.7*	*15.7*	17.1	15.5 (16.9)
2035	18.2	17.3	15.5	15.2	16.4	15.9 (17.4)
2040	18.2	16.2	14.8	14.5	15.2	16.0 (17.5)
2045	18.2	14.9	14.3	13.8	14.1	16.1 (17.5)
2050	18.3	13.8	13.9	13.3	13.4	16.3 (17.7)
2055	18.6	13.1	13.7	13.2	13.0	16.6 (18.0)
2060	19.1	12.6	13.7	13.1	12.8	16.9 (18.5)
2065	19.4	12.3	13.6	13.4	12.5	17.1 (18.8)
2070	*19.6*	12.1	13.5	13.7	12.4	*17.3 (19.0)*

(Figures come from analyses completed of each plan by Social Security actuaries. Archer/Shaw plan memo of April 29, 1999. Senate bipartisan plan (Gregg/Kerrey/Breaux/Grassley et al) memo of June 3, 1999. Kolbe/Stenholm plan memo of May 25, 1999. Gramm plan memo of April 16, 1999. Nadler plan memo of June 3, 1999. Nadler plan total cost given in parentheses, cost estimate given on assumption that stock sales reduce amount of bonds that must be redeemed from tax revenue. Due to construction of plans, cost rates for the Archer/Shaw, Gramm, and Nadler plans would vary according to rate of return received on stock investments.)

*Tax rate of Nadler plan is lower than current law not because total costs are less but because amount of national income subject to tax is greater. In order to compare total costs of Nadler plan to other plans, cost rate given in Nadler column must be multiplied by a factor that varies through time. This factor would be close to 1.06 in the beginning of the valuation period, and would gradually decline to 1.03 at the end. For example, the tax rate given as 11.2% in 2010 under the Nadler column would equate to the same total tax cost as the 11.9% figure in the current law column.

PART II—COMPARISON OF COST RATES OF CURRENT LAW AND ALTERNATIVE PLANS

[As a percentage of taxable payroll—annual cost includes OASDI outlays plus contributions to personal accounts—peak cost year in italic]

Year	Current law	Moynihan/ Kerrey
2000	10.8	*11.1 (13.1)
2005	11.2	11.0 (13.0)
2010	11.9	10.9 (12.9)
2015	13.3	11.5 (13.5)
2020	15.0	12.2 (14.2)
2025	16.6	13.2 (15.2)
2030	17.7	13.8 (15.8)
2035	18.2	14.0 (16.0)
2040	18.2	14.0 (16.0)
2045	18.2	14.0 (16.0)
2050	18.3	14.2 (16.2)
2055	18.6	14.5 (16.5)
2060	19.1	14.7 (16.7)
2065	19.4	14.8 (16.8)
2070	*19.6*	*14.9 (16.9)*

* (Analysis of Moynihan/Kerrey plan is based on SSA actuaries' memo of January 11, 1999, and is listed separately because it is the only projection provided here based on the 1998 Trustees' Report. 1999 re-estimates would vary. Unlike the other personal account proposals, the accounts in Moynihan/Kerrey plan are voluntary. The figure without parentheses assumes no contributions to, and thus no income from, personal accounts. The figure inside parentheses assumes universal participation in 2% personal accounts, for comparison with other personal account plans.)

*—Like the Nadler plan, the Moynihan/Kerrey plan would increase the share of national income subject to Social Security taxation, but to a lesser degree. Thus, tax rates will appear lower than would an equivalent amount of tax revenue collected under the Archer/Shaw, Gramm, or Kolbe/Stenholm plans. The correction factor required to translate one cost rate into another would be between 1.03–1.06 for the Nadler proposal, 1.01–1.02 for the Senate bipartisan proposal, and 1.01–1.04 for the Moynihan/Kerrey proposal.

Under our proposal, that tax burden would drop by roughly 37%, from $241 to $153.

Middle and high-income workers would not experience benefit increases as generous as those provided to low-income individuals under our plan. But we have determined that by the year 2034, an average wage earner would save the equivalent of $650 a year (1999 dollars) in income taxes, and a maximum-wage earner, $2,350 a year. I want to stress that these savings are net of any effects of re-indexing CPI upon the income tax rates. These are net tax reductions, even including our CPI reforms.

I would also stress that 2025 is not a particularly favorable example to select. Our relative tax savings get much larger after that point, growing steadily henceforth.

A look at our chart showing total costs reveals how quickly our proposal, as well as the Kolbe-Stenholm proposal, begins to reduce tax burdens.

A plan as comprehensive as ours can be picked apart by critics, provision by provision. It is easy to criticize a plan's parts in isolation from the whole, and to say that one of them is disadvantageous, heedless of the other benefits and gains provided. One reason for the specific choices that we made is revealed in this important table. The result of not making them is simply that, by the year 2030, the effective tax rate of the system will surpass 17%, an unfortunate legacy to leave to posterity.

How would current retirees be affected by our proposal?

Only in one way. Their benefits would come from a solvent system, and therefore, political pressure to cut their benefits will be reduced. Our proposal would not affect their benefits in any way. Even the required methodological corrections to the Consumer Price Index would not affect the benefits of current retirees.

Under current law, there is no way of knowing what future generations will do when the tax levels required to support this system begin to rise in the year 2014. We do not know whether future generations will be able to afford to increase the tax costs of the system to 18% of the national tax base by the year 2030, or whether other pressing national needs, such as a recession or an international conflict will make this untenable. Current law may therefore contain the seeds of political pressure to cut benefits. Moreover, as general revenues required to sustain the system grow to the levels of hundreds of billions each year, there is the risk that upper-income individuals will correctly diagnose that the system has become an irretrievably bad deal for them, and that they will walk away from this important program.

By eliminating the factors that might lead to pressure to cut benefits, our proposal would keep the benefits of seniors far more secure.

Poverty would be reduced under our proposal, even if the personal accounts do not grow at an aggressive rate. The reason for this is that our proposal would increase the progressivity of the basic defined, guaranteed Social Security benefit. It would also gradually phase in increased benefits for widows.

Moreover, our plan would protect the disabled. They would be unaffected by the changes made to build new saving into the system. Their benefits would not be impacted by the benefit offsets proportional to personal account contributions. If an individual becomes disabled prior to retirement age, they would receive their current-law benefit.

It is important to recognize that we do not face a choice between maintaining Social Security as a ''social insurance'' system and as an ''earned benefit.'' It has always served both functions, and it must continue to do so in order to sustain political support. The system must retain some features of being an ''earned benefit'' so as not be reduced to a welfare program only. This is why proposals to simply bail out the system through general revenue transfusions alone—to turn it into, effectively, another welfare program in which contributions and benefits are not related—are misguided and undermine the system's ethic.

Again, I would repeat that our proposal contains important benefits for all individuals. Guaranteed benefits on the low-income end would be increased. High income earners would be spared the large current-law tax increases that would otherwise be necessary. If we act responsibly and soon, we can accomplish a reform that serves the interests of all Americans.

By putting aside some funding today, and reducing the proportion of benefits that are financed solely by taxing future workers, our proposal would vastly reduce the system's unfunded liabilities.

Consider such a year as 2034. Under current law, the government would have a liability from general revenues to the Trust Fund equal to an approximately 5 point payroll tax increase. By advance funding benefits, our plan would reduce the cost of OASDI outlays in that year from more than 18% to less than 14%. The pressure on general revenue outlays would be reduced by more than half.

The Social Security system would be left on a sustainable course. The share of benefits each year that are unfunded liabilities would begin to go down partway through the retirement of the baby boom generation. By the end of the valuation period, the actuaries tell us, the system would have a rising amount of assets in the Trust Fund.

Mr. President, I would stress to you that our plan is not the work of any one single legislator. It is the product of painstaking negotiations conducted over several months. The seven names that you see on the proposal are not the only ones who contributed to it. We took the best ideas that we could find from serious reform plans presented across the political spectrum. Each of us had to make concessions that we did not like. But we did this in the interest of reaching a bipartisan accord.

We believe that our plan is indicative of the product that would result from a larger bipartisan negotiation in the Congress. Accordingly, we believe that it provides the best available vehicle for negotiations with the President if he chooses to become substantively involved. It was our hope to put forth a proposal on a bipartisan basis, so that the President would not have to choose between negotiating with a ''Republican plan'' or a ''Democratic plan.'' Stalemate will not save our Social Security system.

The changes effected in our bipartisan bill do not, all of them, relate solely to fixing system solvency.

One area of reforms includes improved work incentives. Our proposal would eliminate the earnings limit for retirees. It would also correct the actuarial adjustments for early and late retirement so that beneficiaries who continue to work would receive back in benefits the value of the extra payroll taxes they contributed. The proposal would also change the AIME formula so that the number of earnings years in the numerator would no longer be tied to the number of years in the denominator. In other words, every year of earnings, no matter how small, would have the effect of increasing overall benefits (Under current law, only the earnings in the top earnings years are counted towards benefits, and the more earnings years that are counted, the lower are is the resulting benefit formula.)

We also included several provisions designed to address the needs of specific sectors of the population who are threatened under current law. For example, we gradually would increase the benefits provided to widows, so that they would ultimately be at least 75% of the combined value of the benefits that husband and wife would have been entitled to on their own.

We also recognized the poor treatment of two-earner couples relative to one-earner couples under the current system. Our proposal includes five ''dropout years'' in the benefit formula pertaining to two earner couples, in recognition of the time that a spouse may have had to take out of the work force.

Unveiling a proposal as comprehensive as ours invariably creates misunderstanding as to the effect of its various provisions.

First, let me address the impact of our reforms on the Consumer Price Index. Most economists agree that further reforms are necessary to correct measures of the Consumer Price Index, and our proposal would instruct BLS to make them. Correcting the CPI would have an effect on government outlays as well as revenues. This is not a ''benefit cut'' or a ''tax increase,'' it is a correction. We would take what was incorrectly computed before and compute it correctly from now on. No one whose income stays steady in real terms would see a tax increase. No one's benefits would grow more slowly than the best available measure of inflation.

However, we wanted to be doubly certain that any effects of the CPI change upon federal revenues not become a license for the government to spend these revenues on new ventures. Accordingly, we included a ''CPI recapture'' provision to ensure that any revenues generated by this reform be returned to taxpayers as Social Security benefits, rather than being used to finance new government spending. This is the reason for the ''CPI recapture'' provision in the legislation.

Our proposal would not increase taxes in any form. The sum total of the effects of all provisions in the legislation that might increase revenues are greatly exceeded by the effects of the legislation that would cut tax levels. The chart showing total cost rates makes this clear.

Our provision to re-index the wage cap is an important compromise between competing concerns. Fiscal conservatives are opposed to arbitrarily raising the cap on taxable wages. The case made from the left is that, left unchanged, the proportion of national wages subject to Social Security taxation would actually drop.

Our proposal found a neat bipartisan compromise between these competing concerns. It would maintain the current level of benefit taxation of 86% of total national wages. This would only have an effect on total revenues if the current-law formulation would have actually caused a decrease in tax levels. If total wages outside the wage cap grow in proportion to national wages currently subject to taxation, there would be no substantive effect. This proposal basically asks competing concerns in this debate to ''put their money where their mouth is.'' If the concern is that we would otherwise have an indexing problem, this proposal would resolve it. If the concern is that we should not increase the proportion of total wages subject to taxation, this proposal meets that, too. I would further add that the figure we choose—86%—is the current-law level. Some proposals would raise this to 90%, citing the fact that at one point in history it did rise to 90%. The historical average has actually been closer to 84%, and we did not find the case for raising it to 90% to be persuasive. Keeping it at its current level of 86% is a reasonable bipartisan resolution of this issue.

In conclusion, this proposal represents our best hope to achieve meaningful and responsible bipartisan reform of Social Security in this Congress. It does not represent a partisan

''statement.'' It has not been drawn up in the spirit of ideological ''purity.'' Rather, it combines the best ideas of the most committed reformers in the Senate. I am grateful to the other negotiators who worked so hard to put together this package, and I thank them—Senator BOB KERREY, Senator JOHN BREAUX, Senator CHUCK GRASSLEY, Senator FRED THOMPSON, Senator CHUCK ROBB, and Senator CRAIG THOMAS—for their tireless efforts to get this job done.

It is not the plan that I would have drawn up by myself. It is not the plan that Senator KERREY would have drawn up by himself. Each of us had to give up something in the interest of crafting a proposal that truly represented a bipartisan compromise. Without such compromise, we will never be able to take action to safeguard benefits for our senior citizens.

I hope that my colleagues will join our bipartisan team and cosponsor this critically important legislation to reduce the unfunded liabilities of our Social Security system and to put critical funding and investment behind the benefits that it promises. I thank my colleagues and I ask unanimous consent that the full text of the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 1383

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the ''Bipartisan Social Security Reform Act of 1999.''

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

Sec. 1. Short title; table of contents.

TITLE I—INDIVIDUAL SAVINGS ACCOUNTS

Sec. 101. Individual savings accounts.
Sec. 102. Social security KidSave Accounts.
Sec. 103. Adjustments to primary insurance amounts under part A of title II of the Social Security Act.

TITLE II—SOCIAL SECURITY SYSTEM ADJUSTMENTS

Sec. 201. Adjustments to bend points in determining primary insurance amounts.
Sec. 202. Adjustment of widows' and widowers' insurance benefits.
Sec. 203. Elimination of earnings test for individuals who have attained early retirement age.
Sec. 204. Gradual increase in number of benefit computation years; use of all years in computation.
Sec. 205. Maintenance of benefit and contribution base.
Sec. 206. Reduction in the amount of certain transfers to Medicare Trust Fund.
Sec. 207. Actuarial adjustment for retirement.
Sec. 208. Improvements in process for cost-of-living adjustments.
Sec. 209. Modification of increase in normal retirement age.
Sec. 210. Modification of PIA factors to reflect changes in life expectancy.
Sec. 211. Mechanism for remedying unforeseen deterioration in social security solvency.

TITLE I—INDIVIDUAL SAVINGS ACCOUNTS

SEC. 101. INDIVIDUAL SAVINGS ACCOUNTS.

(a) ESTABLISHMENT AND MAINTENANCE OF INDIVIDUAL SAVINGS ACCOUNTS.—Title II of the Social Security Act (42 U.S.C. 401 et seq.) is amended—

(1) by inserting before section 201 the following:

''PART A—INSURANCE BENEFITS'';

and

(2) by adding at the end the following:

''PART B—INDIVIDUAL SAVINGS ACCOUNTS

''INDIVIDUAL SAVINGS ACCOUNTS

''SEC. 251. (a) ESTABLISHMENT.—

''(1) IN GENERAL.—

''(A) ESTABLISHMENT IN ABSENCE OF KIDSAVE ACCOUNT.—Except as provided in subparagraph (B), the Commissioner of Social Security, within 30 days of the receipt of the first contribution received pursuant to subsection (b) with respect to an eligible individual, shall establish in the name of such individual an individual savings account. The individual savings account shall be identified to the account holder by means of the account holder's Social Security account number.

''(B) USE OF KIDSAVE ACCOUNT.—If a KidSave Account has been established in the name of an eligible individual under section 262(a) before the date of the first contribution received by the Commissioner pursuant to subsection (b) with respect to such individual, the Commissioner shall redesignate the KidSave Account as an individual savings account for such individual.

''(2) DEFINITION OF ELIGIBLE INDIVIDUAL.—In this part, the term 'eligible individual' means any individual born after December 31, 1937.

''(b) CONTRIBUTIONS.—

''(1) AMOUNTS TRANSFERRED FROM THE TRUST FUND.—The Secretary of the Treasury shall transfer from the Federal Old-Age and Survivors Insurance Trust Fund, for crediting by the Commissioner of Social Security to an individual savings account of an eligible individual, an amount equal to the sum of any amount received by such Secretary on behalf of such individual under section 3101(a)(2) or 1401(a)(2) of the Internal Revenue Code of 1986.

''(2) OTHER CONTRIBUTIONS.—For provisions relating to additional contributions credited to individual savings accounts, see sections 531(c)(2) and 6402(l) of the Internal Revenue Code of 1986.

''(c) DESIGNATION OF INVESTMENT TYPE OF INDIVIDUAL SAVINGS ACCOUNT.—

''(1) DESIGNATION.—Each eligible individual who is employed or self-employed shall designate the investment type of individual savings account to which the contributions described in subsection (b) on behalf of such individual are to be credited.

''(2) FORM OF DESIGNATION.—The designation described in paragraph (1) shall be made in such manner and at such intervals as the Commissioner of Social Security may prescribe in order to ensure ease of administration and reductions in burdens on employers.

''(3) SPECIAL RULE FOR 2000.—Not later than January 1, 2000, any eligible individual that is employed or self-employed as of such date shall execute the designation required under paragraph (1).

''(4) DESIGNATION IN ABSENCE OF DESIGNATION BY ELIGIBLE INDIVIDUAL.—In any case in which no designation of the individual savings account is made, the Commissioner of Social Security shall make the designation of the individual savings account in accordance with regulations that take into account the competing objectives of maximizing returns on investments and minimizing the risk involved with such investments.

''(d) TREATMENT OF INCOMPETENT INDIVIDUALS.—Any designation under subsection (c)(1) to be made by an individual mentally incompetent or under other legal disability may be made by the person who is constituted guardian or other fiduciary by the law of the State of residence of the individual or is otherwise legally vested with the care of the individual or his estate. Payment under this part due an individual mentally incompetent or under other legal disability may be made to the person who is constituted guardian or other fiduciary by the law of the State of residence of the claimant or is otherwise legally vested with the care of the claimant or his estate. In any case in which a guardian or other fiduciary of the individual under legal disability has not been appointed under the law of the State of residence of the individual, if any other person, in the judgment of the Commissioner, is responsible for the care of such individual, any designation under subsection (c)(1) which may otherwise be made by such individual may be made by such person, any payment under this part which is otherwise payable to such individual may be made to such person, and the payment of an annuity payment under this part to such person bars recovery by any other person.

''DEFINITION OF INDIVIDUAL SAVINGS ACCOUNT; TREATMENT OF ACCOUNTS

''SEC. 252. (a) INDIVIDUAL SAVINGS ACCOUNT.—In this part, the term 'individual savings account' means any individual savings account in the Individual Savings Fund (established under section 254) which is administered by the Individual Savings Fund Board.

''(b) TREATMENT OF ACCOUNT.—Except as otherwise provided in this part and in section 531 of the Internal Revenue Code of 1986, any individual savings account described in subsection (a) shall be treated in the same manner as an individual account in the Thrift Savings Fund under subchapter III of chapter 84 of title 5, United States Code.

''INDIVIDUAL SAVINGS ACCOUNT DISTRIBUTIONS

''SEC. 253. (a) DATE OF INITIAL DISTRIBUTION.—Except as provided in subsection (c), distributions may only be made from an individual savings account of an eligible individual on and after the earliest of—

''(1) the date the eligible individual attains normal retirement age, as determined under section 216 (or early retirement age (as so determined) if elected by such individual), or

''(2) the date on which funds in the eligible individual's individual savings account are sufficient to provide a monthly payment over the life expectancy of the eligible individual (determined under reasonable actuarial assumptions) which, when added to the eligible individual's monthly benefit under part A (if any), is at least equal to an amount equal to 1/12 of the poverty line (as defined in section 673(2) of the Community Services Block Grant Act (42 U.S.C. 9902(2) and determined on such date for a family of the size involved) and adjusted annually thereafter by the adjustment determined under section 215(i).

''(b) FORMS OF DISTRIBUTION.—

''(1) REQUIRED MONTHLY PAYMENTS.—Except as provided in paragraph (2), beginning with the date determined under subsection (a), the balance in an individual savings account available to provide monthly payments not in excess of the amount described in subsection (a)(2) shall be paid, as elected by the account holder (in such form and manner as shall be prescribed in regulations of the Individual Savings Fund Board), by means of the purchase of annuities or equal monthly payments over the life expectancy of the eligible

individual (determined under reasonable actuarial assumptions) in accordance with requirements (which shall be provided in regulations of the Board) similar to the requirements applicable to payments of benefits under subchapter III of chapter 84 of title 5, United States Code, and providing for indexing for inflation.

''(2) PAYMENT OF EXCESS FUNDS.—To the extent funds remain in an eligible individual's individual savings account after the application of paragraph (1), such funds shall be payable to the eligible individual in such manner and in such amounts as determined by the eligible individual, subject to the provisions of subchapter III of chapter 84 of title 5, United States Code.

''(c) DISTRIBUTION IN THE EVENT OF DEATH BEFORE THE DATE OF INITIAL DISTRIBUTION.—If the eligible individual dies before the date determined under subsection (a), the balance in such individual's individual savings account shall be distributed in a lump sum, under rules established by the Individual Savings Fund Board, to the individual's heirs.

''INDIVIDUAL SAVINGS FUND

''SEC. 254. (a) ESTABLISHMENT.—There is established and maintained in the Treasury of the United States an Individual Savings Fund in the same manner as the Thrift Savings Fund under sections 8437, 8438, and 8439 (but not section 8440) of title 5, United States Code.

''(b) INDIVIDUAL SAVINGS FUND BOARD.—

''(1) IN GENERAL.—There is established and operated in the Social Security Administration an Individual Savings Fund Board in the same manner as the Federal Retirement Thrift Investment Board under subchapter VII of chapter 84 of title 5, United States Code.

''(2) SPECIFIC INVESTMENT AND REPORTING DUTIES.—

''(A) IN GENERAL.—The Individual Savings Fund Board shall manage and report on the activities of the Individual Savings Fund and the individual savings accounts of such Fund in the same manner as the Federal Retirement Thrift Investment Board manages and reports on the Thrift Savings Fund and the individual accounts of such Fund under subchapter VII of chapter 84 of title 5, United States Code.

''(B) STUDY AND REPORT ON INCREASED INVESTMENT OPTIONS.—

''(i) STUDY.—The Individual Savings Fund Board shall conduct a study regarding ways to increase an eligible individual's investment options with respect to such individual's individual savings account and with respect to rollovers or distributions from such account.

''(ii) REPORT.—Not later than 2 years after the date of enactment of the Bipartisan Social Security Reform Act of 1999, the Individual Savings Fund Board shall submit a report to the President and Congress that contains a detailed statement of the results of the study conducted pursuant to clause (i), together with the Board's recommendations for such legislative actions as the Board considers appropriate.

''BUDGETARY TREATMENT OF INDIVIDUAL SAVINGS FUND AND ACCOUNTS

''SEC. 255. The receipts and disbursements of the Individual Savings Fund and any accounts within such fund shall not be included in the totals of the budget of the United States Government as submitted by the President or of the congressional budget and shall be exempt from any general budget limitation imposed by statute on expenditures and net lending (budget outlays) of the United States Government.''.

(b) MODIFICATION OF FICA RATES.—

(1) EMPLOYEES.—Section 3101(a) of the Internal Revenue Code of 1986 (relating to tax on employees) is amended to read as follows:

''(a) OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE.—

''(1) IN GENERAL.—

''(A) INDIVIDUALS COVERED UNDER PART A OF TITLE II OF THE SOCIAL SECURITY ACT.—In addition to other taxes, there is hereby imposed on the income of every individual who is not a part B eligible individual a tax equal to 6.2 percent of the wages (as defined in section 3121(a)) received by him with respect to employment (as defined in section 3121(b)).

''(B) INDIVIDUALS COVERED UNDER PART B OF TITLE II OF THE SOCIAL SECURITY ACT.—In addition to other taxes, there is hereby imposed on the income of every part B eligible individual a tax equal to 4.2 percent of the wages (as defined in section 3121(a)) received by such individual with respect to employment (as defined in section 3121(b)).

''(2) CONTRIBUTION OF OASDI TAX REDUCTION TO INDIVIDUAL SAVINGS ACCOUNTS.—

''(A) IN GENERAL.—In addition to other taxes, there is hereby imposed on the income of every part B eligible individual an individual savings account contribution equal to the sum of—

''(i) 2 percent of the wages (as so defined) received by such individual with respect to employment (as so defined), plus

''(ii) so much of such wages (not to exceed $2,000) as designated by the individual in the same manner as described in section 251(c) of the Social Security Act.

''(B) INFLATION ADJUSTMENT.—

''(i) IN GENERAL.—In the case of any calendar year beginning after 2000, the dollar amount in subparagraph (A)(ii) shall be increased by an amount equal to—

''(I) such dollar amount, multiplied by

''(II) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year, determined by substituting 'calendar year 1999' for 'calendar year 1992' in subparagraph (B) thereof.

''(ii) ROUNDING.—If any dollar amount after being increased under clause (i) is not a multiple of $10, such dollar amount shall be rounded to the nearest multiple of $10.''.

(2) SELF-EMPLOYED.—Section 1401(a) of the Internal Revenue Code of 1986 (relating to tax on self-employment income) is amended to read as follows:

''(a) OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE.—

''(1) IN GENERAL.—

''(A) INDIVIDUALS COVERED UNDER PART A OF THE SOCIAL SECURITY ACT.—In addition to other taxes, there shall be imposed for each taxable year, on the self-employment income of every individual who is not a part B eligible individual for the calendar year ending with or during such taxable year, a tax equal to 12.40 percent of the amount of the self-employment income for such taxable year.

''(B) INDIVIDUALS COVERED UNDER PART B OF TITLE II OF THE SOCIAL SECURITY ACT.—In addition to other taxes, there is hereby imposed for each taxable year, on the self-employment income of every part B eligible individual, a tax equal to 10.4 percent of the amount of the self-employment income for such taxable year.

''(2) CONTRIBUTION OF OASDI TAX REDUCTION TO INDIVIDUAL SAVINGS ACCOUNTS.—

''(A) IN GENERAL.—In addition to other taxes, there is hereby imposed for each taxable year, on the self-employment income of every individual, an individual savings account contribution equal to the sum of—

''(i) 2 percent of the amount of the self-employment income for each individual for such taxable year, and

''(ii) so much of such self-employment income (not to exceed $2,000) as designated by the individual in the same manner as described in section 251(c) of the Social Security Act.

''(B) INFLATION ADJUSTMENT.—

''(i) IN GENERAL.—In the case of any taxable year beginning after 2000, the dollar amount in subparagraph (A)(ii) shall be increased by an amount equal to—

''(I) such dollar amount, multiplied by

''(II) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 1999' for 'calendar year 1992' in subparagraph (B) thereof.

''(ii) ROUNDING.—If any dollar amount after being increased under clause (i) is not a multiple of $10, such dollar amount shall be rounded to the nearest multiple of $10.''.

(3) PART B ELIGIBLE INDIVIDUAL.—

(A) TAXES ON EMPLOYEES.—Section 3121 of such Code (relating to definitions) is amended by inserting after subsection (s) the following:

''(t) PART B ELIGIBLE INDIVIDUAL.—For purposes of this chapter, the term 'part B eligible individual' means, for any calendar year, an individual who is an eligible individual (as defined in section 251(a)(2) of the Social Security Act) for such calendar year.''.

(B) SELF-EMPLOYMENT TAX.—Section 1402 of such Code (relating to definitions) is amended by adding at the end the following:

''(k) PART B ELIGIBLE INDIVIDUAL.—The term 'part B eligible individual' means, for any calendar year, an individual who is an eligible individual (as defined in section 251(a)(2) of the Social Security Act) for such calendar year.''.

(4) EFFECTIVE DATES.—

(A) EMPLOYEES.—The amendments made by paragraphs (1) and (3)(A) apply to remuneration paid after December 31, 1999.

(B) SELF-EMPLOYED INDIVIDUALS.—The amendments made by paragraphs (2) and (3)(B) apply to taxable years beginning after December 31, 1999.

(c) MATCHING CONTRIBUTIONS.—

(1) IN GENERAL.—Part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to credits against tax) is amended by adding at the end the following:

''Subpart H—Individual Savings Account Credits

''Sec. 54. Individual savings account credit.''.

''SEC. 54. INDIVIDUAL SAVINGS ACCOUNT CREDIT.

''(a) ALLOWANCE OF CREDIT.—Each part B eligible individual is entitled to a credit for the taxable year in an amount equal to the sum of—

''(1) $100, plus

''(2) 100 percent of the designated wages of such individual for the taxable year, plus

''(3) 100 percent of the designated self-employment income of such individual for the taxable year.

''(b) LIMITATIONS.—

''(1) AMOUNT.—The amount determined under subsection (a) with respect to such individual for any taxable year may not exceed the excess (if any) of—

''(A) an amount equal to 1 percent of the contribution and benefit base for such taxable year (as determined under section 230 of the Social Security Act), over

''(B) the sum of the amounts received by the Secretary on behalf of such individual under sections 3101(a)(2)(A)(i) and 1401(a)(2)(A)(i) for such taxable year.

''(2) FAILURE TO MAKE VOLUNTARY CONTRIBUTIONS.—In the case of a part B eligible individual with respect to whom the amount of wages designated under section 3101(a)(2)(A)(ii) plus the amount self-employment income designated under section 1401(a)(2)(A)(ii) for the taxable year is less

that $1, the credit to which such individual is entitled under this section shall be equal to zero.

''(c) DEFINITIONS.—For purposes of this section—

''(1) PART B ELIGIBLE INDIVIDUAL.—The term 'part B eligible individual' means, for any calendar year, an individual who—

''(A) is an eligible individual (as defined in section 251(a)(2) of the Social Security Act) for such calendar year, and

''(B) is not an individual with respect to whom another taxpayer is entitled to a deduction under section 151(c).

''(2) DESIGNATED WAGES.—The term 'designated wages' means with respect to any taxable year the amount designated under section 3101(a)(2)(A)(ii).

''(3) DESIGNATED SELF-EMPLOYMENT INCOME.—The term 'designated self-employment income' means with respect to any taxable year the amount designated under section 1401(a)(2)(A)(ii) for such taxable year.

''(d) CREDIT USED ONLY FOR INDIVIDUAL SAVINGS ACCOUNT.—For purposes of this title, the credit allowed under this section with respect to any part B eligible individual—

''(1) shall not be treated as a credit allowed under this part, but

''(2) shall be treated as an overpayment of tax under section 6401(b)(3) which may, in accordance with section 6402(l), only be transferred to an individual savings account established under part B of title II of the Social Security Act with respect to such individual.''.

(2) CONTRIBUTION OF CREDITED AMOUNTS TO INDIVIDUAL SAVINGS ACCOUNT.—

(A) CREDITED AMOUNTS TREATED AS OVERPAYMENT OF TAX.—Subsection (b) of section 6401 of such Code (relating to excessive credits) is amended by adding at the end the following:

''(3) SPECIAL RULE FOR CREDIT UNDER SECTION 54.—Subject to the provisions of section 6402(l), the amount of any credit allowed under section 54 for any taxable year shall be considered an overpayment.''.

(B) TRANSFER OF CREDIT AMOUNT TO INDIVIDUAL SAVINGS ACCOUNT.—Section 6402 of such Code (relating to authority to make credits or refunds) is amended by adding at the end the following:

''(l) OVERPAYMENTS ATTRIBUTABLE TO INDIVIDUAL SAVINGS ACCOUNT CREDIT.—In the case of any overpayment described in section 6401(b)(3) with respect to any individual, the Secretary shall transfer for crediting by the Commissioner of Social Security to the individual savings account of such individual, an amount equal to the amount of such overpayment.''.

(4) CONFORMING AMENDMENTS.—

(A) Section 1324(b)(2) of title 31, United States Code, is amended by inserting before the period at the end '', or enacted by the Bipartisan Social Security Reform Act of 1999''.

(B) The table of subparts for part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended by adding at the end the following:

''Subpart H. Individual Savings Account Credits.''.

(5) EFFECTIVE DATE.—The amendments made by this subsection shall apply to refunds payable after December 31, 1999.

(d) TAX TREATMENT OF INDIVIDUAL SAVINGS ACCOUNTS.—

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

''PART IX—INDIVIDUAL SAVINGS FUND AND ACCOUNTS

''Sec. 531. Individual Savings Fund and Accounts.

''SEC. 531. INDIVIDUAL SAVINGS FUND AND ACCOUNTS.

''(a) GENERAL RULE.—The Individual Savings Fund and individual savings accounts shall be exempt from taxation under this subtitle.

''(b) INDIVIDUAL SAVINGS FUND AND ACCOUNTS DEFINED.—For purposes of this section, the terms 'Individual Savings Fund' and 'individual savings account' means the fund and account established under sections 254 and 251, respectively, of part B of title II of the Social Security Act.

''(c) CONTRIBUTIONS.—

''(1) IN GENERAL.—No deduction shall be allowed for contributions credited to an individual savings account under section 251 of the Social Security Act or section 6402(l).

''(2) ROLLOVER OF INHERITANCE.—Any portion of a distribution to an heir from an individual savings account made by reason of the death of the beneficiary of such account may be rolled over to the individual savings account of the heir after such death.

''(d) DISTRIBUTIONS.—

''(1) IN GENERAL.—Any distribution from an individual savings account under section 253 of the Social Security Act shall be included in gross income under section 72.

''(2) PERIOD IN WHICH DISTRIBUTIONS MUST BE MADE FROM ACCOUNT OF DECEDENT.—In the case of amounts remaining in an individual savings account from which distributions began before the death of the beneficiary, rules similar to the rules of section 401(a)(9)(B) shall apply to distributions of such remaining amounts.

''(3) ROLLOVERS.—Paragraph (1) shall not apply to amounts rolled over under subsection (c)(2) in a direct transfer by the Commissioner of Social Security, under regulations which the Commissioner shall prescribe.''.

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

''Part IX. Individual savings fund and accounts.''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after December 31, 1999.

SEC. 102. SOCIAL SECURITY KIDSAVE ACCOUNTS.

Title II of the Social Security Act (42 U.S.C. 401 et seq.), as amended by section 101(a), is amended by adding at the end the following:

''PART C—KIDSAVE ACCOUNTS

''KIDSAVE ACCOUNTS

''SEC. 261. (a) ESTABLISHMENT.—The Commissioner of Social Security shall establish in the name of each individual born on or after January 1, 1995, a KidSave Account upon the later of—

''(1) the date of enactment of this part, or

''(2) the date of the issuance of a Social Security account number under section 205(c)(2) to such individual.

The KidSave Account shall be identified to the account holder by means of the account holder's Social Security account number.

''(b) CONTRIBUTIONS.—

''(1) IN GENERAL.—There are authorized to be appropriated and are appropriated such sums as are necessary in order for the Secretary of the Treasury to transfer from the general fund of the Treasury for crediting by the Commissioner to each account holder's KidSave Account under subsection (a), an amount equal to the sum of—

''(A) in the case of any individual born on or after January 1, 2000, $1,000, on the date of the establishment of such individual's KidSave Account, and

''(B) in the case of any individual born on or after January 1, 1995, $500, on the 1st, 2nd, 3rd, 4th, and 5th birthdays of such individual occurring on or after January 1, 2000.

''(2) ADJUSTMENT FOR INFLATION.—For any calendar year after 2009, each of the dollar amounts under paragraph (1) shall be increased by the cost-of-living adjustment determined under section 215(i) for the calendar year.

''(c) DESIGNATIONS REGARDING KIDSAVE ACCOUNTS.—

''(1) INITIAL DESIGNATIONS OF INVESTMENT VEHICLE.—A person described in subsection (d) shall, on behalf of the individual described in subsection (a), designate the investment vehicle for the KidSave Account to which contributions on behalf of such individual are to be deposited. Such designation shall be made on the application for such individual's Social Security account number.

''(2) CHANGES IN INVESTMENT VEHICLES.—The Commissioner shall by regulation provide the time and manner by which an individual or a person described in subsection (d) on behalf of such individual may change 1 or more investment vehicles for a KidSave Account.

''(d) TREATMENT OF MINORS AND INCOMPETENT INDIVIDUALS.—Any designation under subsection (c) to be made by a minor, or an individual mentally incompetent or under other legal disability, may be made by the person who is constituted guardian or other fiduciary by the law of the State of residence of the individual or is otherwise legally vested with the care of the individual or his estate. Payment under this part due a minor, or an individual mentally incompetent or under other legal disability, may be made to the person who is constituted guardian or other fiduciary by the law of the State of residence of the claimant or is otherwise legally vested with the care of the claimant or his estate. In any case in which a guardian or other fiduciary of the individual under legal disability has not been appointed under the law of the State of residence of the individual, if any other person, in the judgment of the Commissioner, is responsible for the care of such individual, any designation under subsection (c) which may otherwise be made by such individual may be made by such person, any payment under this part which is otherwise payable to such individual may be made to such person, and the payment of an annuity payment under this part to such person bars recovery by any other person.

''DEFINITIONS AND SPECIAL RULES

''SEC. 262. (a) KIDSAVE ACCOUNTS.—In this part, the term 'KidSave Account' means any KidSave Account in the Individual Savings Fund (established under section 254) which is administered by the Individual Savings Fund Board.

''(b) TREATMENT OF ACCOUNTS.—

''(1) IN GENERAL.—Except as provided in paragraph (2), any KidSave Account described in subsection (a) shall be treated in the same manner as an individual savings account under part B.

''(2) DISTRIBUTIONS.—Notwithstanding any other provision of law, distributions may only be made from a KidSave Account of an individual on or after the earlier of—

''(A) the date on which the individual begins receiving benefits under this title, or

''(B) the date of the individual's death.''.

SEC. 103. ADJUSTMENTS TO PRIMARY INSURANCE AMOUNTS UNDER PART A OF TITLE II OF THE SOCIAL SECURITY ACT.

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

''Adjustment of Primary Insurance Amount in Relation to Deposits Made to Individual Savings Accounts and KidSave Accounts

''(j)(1) Except as provided in paragraph (2), an individual's primary insurance amount as determined in accordance with this section (before adjustments made under subsection (i)) shall be equal to the excess (if any) of—

''(A) the amount which would be so determined without the application of this subsection, over

''(B) the monthly amount of an immediate life annuity, determined on the basis of the sum of—

''(A) the total of all amounts which have been credited pursuant to section 251(b) (indexed in the same manner as is applicable with respect to average indexed monthly earnings under subsection (b)) to the individual savings account held by such individual, plus

''(B) 50 percent of the accumulated value of the KidSave Account (established on behalf of such individual under section 261(a)) determined on the date such KidSave Account is redesignated as an individual savings account held by such individual under section 251(a)(1)(B), plus

''(C) accrued interest on such amounts compounded annually—

''(i) assuming an interest rate equal to the projected interest rate of the Federal Old-Age and Survivors Trust Fund, and

''(ii) using the mortality table used under 412(*l*)(7)(C)(ii) of the Internal Revenue Code of 1986.

''(2) In the case of an individual who becomes entitled to disability insurance benefits under section 223, such individual's primary insurance amount shall be determined without regard to paragraph (1).

''(3) For purposes of this subsection, the term 'immediate life annuity' means an annuity—

''(A) the annuity starting date (as defined in section 72(c)(4) of the Internal Revenue Code of 1986) of which commences with the first month following the date of the determination, and

''(B) which provides for a series of substantially equal monthly payments over the life expectancy of the individual.''.

(b) CONFORMING AMENDMENT TO RAILROAD RETIREMENT ACT OF 1974.—Section 1 of the Railroad Retirement Act of 1974 (45 U.S.C. 231) is amended by adding at the end the following:

''(s) In applying applicable provisions of the Social Security Act for purposes of determining the amount of the annuity to which an individual is entitled under this Act, section 215(j) of the Social Security Act and part B of title II of such Act shall be disregarded.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to computations and recomputations of primary insurance amounts occurring after December 31, 1999.

TITLE II—SOCIAL SECURITY SYSTEM ADJUSTMENTS

SEC. 201. ADJUSTMENTS TO BEND POINTS IN DETERMINING PRIMARY INSURANCE AMOUNTS.

(a) ADDITIONAL BEND POINT.—Section 215(a)(1)(A) of the Social Security Act (42 U.S.C. 415(a)(1)(A)) is amended—

(1) in clause (ii), by striking ''and'' at the end;

(2) in clause (iii)—

(A) by striking ''15 percent'' and inserting ''32 percent'';

(B) by striking ''clause (ii),'' and inserting the following: ''clause (ii) but do not exceed the amount established for purposes of this clause by subparagraph (B), and''; and

(3) by inserting after clause (iii) the following:

''(iv) 15 percent of the individual's average indexed monthly earnings to the extent that such earnings exceed the amount established for purposes of clause (iii),''.

(b) INITIAL LEVEL OF ADDITIONAL BEND POINT.—Section 215(a)(1)(B)(i) of such Act (42 U.S.C. 415(a)(1)(B)(i)) is amended—

(1) by striking ''clause (i) and (ii)'' and inserting ''clauses (i) and (iii)''; and

(2) by adding at the end the following: ''For individuals who initially become eligible for old-age or disability insurance benefits, or who die (before becoming eligible for such benefit), in the calendar year 2000, the amount established for purposes of clause (ii) of subparagraph (A) shall be equal to 197.5 percent of the amount established for purposes of clause (i).''.

(c) ADJUSTMENTS TO PIA FORMULA FACTORS.—Section 215(a)(1)(B) of such Act (42 U.S.C. 415(a)(1)(B)) is amended further—

(1) by redesignating clause (iii) as clause (iv);

(2) by inserting after clause (ii) the following:

''(iii) For individuals who initially become eligible for old-age or disability insurance benefits, or who die (before becoming eligible for such benefits), in any calendar year after 2005, effective for such calendar year—

''(I) the percentage in effect under clause (ii) of subparagraph (A) shall be equal to the percentage in effect under such clause for calendar year 2005 increased the applicable number of times by 3.8 percentage points,

''(II) the percentage in effect under clause (iii) of subparagraph (A) shall be equal to the percentage in effect under such clause for calendar year 2005 decreased the applicable number of times by 1.2 percentage points, and

''(III) the percentage in effect under clause (iv) of subparagraph (A) shall be equal to the percentage in effect under such clause for calendar year 2005 decreased the applicable number of times by 0.5 percentage points.

For purposes of the preceding sentence, the term 'applicable number of times' means a number equal to the lesser of 10 or the number of years beginning with 2006 and ending with the year of initial eligibility or death.''; and

(3) in clause (iv) (as redesignated), by striking ''amount'' and inserting ''dollar amount''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to primary insurance amounts of individuals attaining early retirement age (as defined in section 216(l) of the Social Security Act), or dying, after December 31, 1999.

SEC. 202. ADJUSTMENT OF WIDOWS' AND WIDOWERS' INSURANCE BENEFITS.

(a) WIDOW'S BENEFIT.—Section 202(e)(2)(A) of the Social Security Act (42 U.S.C. 402(e)(2)(A)) is amended by striking ''equal to'' and all that follows and inserting ''equal to the greater of—

''(i) the primary insurance amount (as determined for purposes of this subsection after application of subparagraphs (B) and (C)) of such deceased individual, or

''(ii) the applicable percentage of the joint benefit which would have been received by the widow or surviving divorced wife and the deceased individual for such month if such individual had not died.

For purposes of clause (ii), the applicable percentage is equal to 50 percent in 2000, increased (but not above 75 percent) by 1 percentage point in every second year thereafter.''.

(b) WIDOWER'S BENEFIT.—Section 202(f)(3)(A) of the Social Security Act (42 U.S.C. 402(b)(3)(A)) is amended by striking ''equal to'' and all that follows and inserting ''equal to the greater of—

''(i) the primary insurance amount (as determined for purposes of this subsection after application of subparagraphs (B) and (C)) of such deceased individual, or

''(ii) the applicable percentage of the joint benefit which would have been received by the widow or surviving divorced husband and the deceased individual for such month if such individual had not died.

For purposes of clause (ii), the applicable percentage is equal to 50 percent in 2000, increased (but not above 75 percent) by 1 percentage point in every second year thereafter.''.

SEC. 203. ELIMINATION OF EARNINGS TEST FOR INDIVIDUALS WHO HAVE ATTAINED EARLY RETIREMENT AGE.

(a) IN GENERAL.—Section 203 of the Social Security Act (42 U.S.C. 403) is amended—

(1) in subsection (c)(1), by striking ''the age of seventy'' and inserting ''early retirement age (as defined in section 216(l))'';

(2) in paragraphs (1)(A) and (2) of subsection (d), by striking ''the age of seventy'' each place it appears and inserting ''early retirement age (as defined in section 216(l))'';

(3) in subsection (f)(1)(B), by striking ''was age seventy or over'' and inserting ''was at or above early retirement age (as defined in section 216(l))'';

(4) in subsection (f)(3)—

(A) by striking ''33⅓ percent'' and all that follows through ''any other individual,'' and inserting ''50 percent of such individual's earnings for such year in excess of the product of the exempt amount as determined under paragraph (8),''; and

(B) by striking ''age 70'' and inserting ''early retirement age (as defined in section 216(l))'';

(5) in subsection (h)(1)(A), by striking ''age 70'' each place it appears and inserting ''early retirement age (as defined in section 216(l))''; and

(6) in subsection (j)—

(A) in the heading, by striking ''Age Seventy'' and inserting ''Early Retirement Age''; and

(B) by striking ''seventy years of age'' and inserting ''having attained early retirement age (as defined in section 216(l))''.

(b) CONFORMING AMENDMENTS ELIMINATING THE SPECIAL EXEMPT AMOUNT FOR INDIVIDUALS WHO HAVE ATTAINED AGE 62.—

(1) UNIFORM EXEMPT AMOUNT.—Section 203(f)(8)(A) of the Social Security Act (42 U.S.C. 403(f)(8)(A)) is amended by striking ''the new exempt amounts (separately stated for individuals described in subparagraph (D) and for other individuals) which are to be applicable'' and inserting ''a new exempt amount which shall be applicable''.

(2) CONFORMING AMENDMENTS.—Section 203(f)(8)(B) of the Social Security Act (42 U.S.C. 403(f)(8)(B)) is amended—

(A) in the matter preceding clause (i), by striking ''Except'' and all that follows through ''whichever'' and inserting ''The exempt amount which is applicable for each month of a particular taxable year shall be whichever'';

(B) in clauses (i) and (ii), by striking ''corresponding'' each place it appears; and

(C) in the last sentence, by striking ''an exempt amount'' and inserting ''the exempt amount''.

(3) REPEAL OF BASIS FOR COMPUTATION OF SPECIAL EXEMPT AMOUNT.—Section 203(f)(8)(D) of the Social Security Act (42 U.S.C. 403(f)(8)(D)) is repealed.

(c) ADDITIONAL CONFORMING AMENDMENTS.—

(1) ELIMINATION OF REDUNDANT REFERENCES TO RETIREMENT AGE.—Section 203 of the Social Security Act (42 U.S.C. 403) is amended—

(A) in subsection (c), in the last sentence, by striking ''nor shall any deduction'' and

all that follows and inserting ''nor shall any deduction be made under this subsection from any widow's or widower's insurance benefit if the widow, surviving divorced wife, widower, or surviving divorced husband involved became entitled to such benefit prior to attaining age 60.''; and

(B) in subsection (f)(1), by striking clause (D) and inserting the following: ''(D) for which such individual is entitled to widow's or widower's insurance benefits if such individual became so entitled prior to attaining age 60,''.

(2) CONFORMING AMENDMENT TO PROVISIONS FOR DETERMINING AMOUNT OF INCREASE ON ACCOUNT OF DELAYED RETIREMENT.—Section 202(w)(2)(B)(ii) of the Social Security Act (42 U.S.C. 402(w)(2)(B)(ii)) is amended—

(A) by striking ''either''; and

(B) by striking ''or suffered deductions under section 203(b) or 203(c) in amounts equal to the amount of such benefit''.

(3) PROVISIONS RELATING TO EARNINGS TAKEN INTO ACCOUNT IN DETERMINING SUBSTANTIAL GAINFUL ACTIVITY OF BLIND INDIVIDUALS.—The second sentence of section 223(d)(4) of such Act (42 U.S.C. 423(d)(4)) is amended by striking ''if section 102 of the Senior Citizens' Right to Work Act of 1996 had not been enacted'' and inserting the following: ''if the amendments to section 203 made by section 102 of the Senior Citizens' Right to Work Act of 1996 and by the Bipartisan Social Security Reform Act of 1999 had not been enacted''.

(d) STUDY OF THE EFFECT OF TAKING EARNINGS INTO ACCOUNT IN DETERMINING SUBSTANTIAL GAINFUL ACTIVITY OF DISABLED INDIVIDUALS.—

(1) IN GENERAL.—Not later than February 15, 2001, the Commissioner of Social Security shall conduct a study on the effect that taking earnings into account in determining substantial gainful activity of individuals receiving disability insurance benefits has on the incentive for such individuals to work and submit to Congress a report on the study.

(2) CONTENTS OF STUDY.—The study conducted under paragraph (1) shall include the evaluation of—

(A) the effect of the current limit on earnings on the incentive for individuals receiving disability insurance benefits to work;

(B) the effect of increasing the earnings limit or changing the manner in which disability insurance benefits are reduced or terminated as a result of substantial gainful activity (including reducing the benefits gradually when the earnings limit is exceeded) on—

(i) the incentive to work; and

(ii) the financial status of the Federal Disability Insurance Trust Fund;

(C) the effect of extending eligibility for the Medicare program to individuals during the period in which disability insurance benefits of the individual are gradually reduced as a result of substantial gainful activity and extending such eligibility for a fixed period of time after the benefits are terminated on—

(i) the incentive to work; and

(ii) the financial status of the Federal Hospital Insurance Trust Fund and the Federal Supplementary Medical Insurance Trust Fund; and

(D) the relationship between the effect of substantial gainful activity limits on blind individuals receiving disability insurance benefits and other individuals receiving disability insurance benefits.

(3) CONSULTATION.—The analysis under paragraph (2)(C) shall be done in consultation with the Administrator of the Health Care Financing Administration.

(e) EFFECTIVE DATE.—The amendments and repeals made by subsections (a), (b), and (c) shall apply with respect to taxable years ending after December 31, 2002.

SEC. 204. GRADUAL INCREASE IN NUMBER OF BENEFIT COMPUTATION YEARS; USE OF ALL YEARS IN COMPUTATION.

(a) IN GENERAL.—Section 215(b)(2)(A) of the Social Security Act (42 U.S.C. 415(b)(2)(A)) is amended—

(1) in clause (i), by striking ''5 years'' and inserting ''the applicable number of years for purposes of this clause''; and

(2) by striking ''Clause (ii),'' in the matter following clause (ii) and inserting the following:

''For purposes of clause (i), the applicable number of years is the number of years specified in connection with the year in which such individual reaches early retirement age (as defined in section 216(l)(2)), or, if earlier, the calendar year in which such individual dies, as set forth in the following table:

''If such calendar year is:	The applicable number of years is:
2002	4.
2003	4.
2004	3.
2005	3.
2006	2.
2007	2.
2008	1.
2009	1.
After 2009	0.

Notwithstanding the preceding sentence, the applicable number of years is 5, in the case of any individual who is entitled to old-age insurance benefits, and has a spouse who is also so entitled (or who died without having become so entitled) who has greater total wages and self-employment income credited to benefit computation years than the individual. Clause (ii),''.

(b) USE OF ALL YEARS IN COMPUTATION.—

(1) IN GENERAL.—Section 215(b)(2)(B) of the Social Security Act (42 U.S.C. 415(b)(2)(B)) is amended by striking clauses (i) and (ii) and inserting the following:

''(i)(I) for calendar years after 2001 and before 2010, the term 'benefit computation years' means those computation base years equal in number to the number determined under subparagraph (A) plus the applicable number of years determined under subclause (III), for which the total of such individual's wages and self-employment income, after adjustment under paragraph (3), is the largest;

''(II) for calendar years after 2009, the term 'benefit computation years' means all of the computation base years; and

''(III) for purposes of subclause (I), the applicable number of years is the number of years specified in connection with the year in which such individual reaches early retirement age (as defined in section 216(l)(2)), or, if earlier, the calendar year in which such individual dies, as set forth in the following table:

''If such calendar year is:	The applicable number of years is:
Before 2002	0.
2002	1.
2003	1.
2004	2.
2005	2.
2006	3.
2007	3.
2008	4.
2009	4.

''(ii) the term 'computation base years' means the calendar years after 1950, except that such term excludes any calendar year entirely included in a period of disability; and''.

(2) CONFORMING AMENDMENT.—Section 215(b)(1)(B) of the Social Security Act (42 U.S.C. 415(b)(1)(B)) is amended by striking ''in those years'' and inserting ''in an individual's computation base years determined under paragraph (2)(A)''.

(c) EFFECTIVE DATE.—

(1) SUBSECTION (a).—The amendments made by subsection (a) shall apply with respect to individuals attaining early retirement age (as defined in section 216(l)(2) of the Social Security Act) after December 31, 2001.

(2) SUBSECTION (b).—The amendment made by subsection (b) shall apply to benefit computation years beginning after December 31, 1999.

SEC. 205. MAINTENANCE OF BENEFIT AND CONTRIBUTION BASE.

(a) IN GENERAL.—Section 230 of the Social Security Act (42 U.S.C. 430) is amended to read as follows:

MAINTENANCE OF THE CONTRIBUTION AND BENEFIT BASE

''SEC. 230. (a) The Commissioner of Social Security shall determine and publish in the Federal Register on or before November 1 of each calendar year the contribution and benefit base determined under subsection (b) which shall be effective with respect to remuneration paid after such calendar year and taxable years beginning after such year.

''(b) For purposes of this section, for purposes of determining wages and self-employment income under sections 209, 211, 213, and 215 of this Act and sections 54, 1402, 3121, 3122, 3125, 6413, and 6654 of the Internal Revenue Code of 1986, and for purposes of section 4022(b)(3)(B) of Public Law 93–406, the contribution and benefit base with respect to remuneration paid in (and taxable years beginning in) any calendar year is an amount equal to 86 percent of the total wages for the preceding calendar year (within the meaning of section 209).''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to remuneration paid in (and taxable years beginning in) any calendar year after 1999.

SEC. 206. REDUCTION IN THE AMOUNT OF CERTAIN TRANSFERS TO MEDICARE TRUST FUND.

Subparagraph (A) of section 121(e)(1) of the Social Security Amendments of 1983 (42 U.S.C. 401 note), as amended by section 13215(c)(1) of the Omnibus Budget Reconciliation Act of 1993, is amended—

(1) in clause (ii), by striking ''the amounts'' and inserting ''the applicable percentage of the amounts''; and

(2) by adding at the end the following: ''For purposes of clause (ii), the applicable percentage for a year is equal to 100 percent, reduced (but not below zero) by 10 percentage points for each year after 2004.''.

SEC. 207. ACTUARIAL ADJUSTMENT FOR RETIREMENT.

(a) EARLY RETIREMENT.—

(1) IN GENERAL.—Section 202(q) of the Social Security Act (42 U.S.C. 402(q)) is amended—

(A) in paragraph (1)(A), by striking ''5/9'' and inserting ''the applicable fraction (determined under paragraph (12))''; and

(B) by adding at the end the following:

''(12) For purposes of paragraph (1)(A), the 'applicable fraction' for an individual who attains the age of 62 in—

''(A) any year before 2001, is 5/9;

''(B) 2001, is 7/12;

''(C) 2002, is 11/18;

''(D) 2003, is 23/36;

''(E) 2004, is 2/3; and

''(F) 2005 or any succeeding year, is 25/36.''.

(2) MONTHS BEYOND FIRST 36 MONTHS.—Section 202(q) of such Act (42 U.S.C. 402(q)(9)) (as amended by paragraph (1)) is amended—

(A) in paragraph (9)(A), by striking ''five-twelfths'' and inserting ''the applicable fraction (determined under paragraph (13))''; and

(B) by adding at the end the following:

''(13) For purposes of paragraph (9)(A), the 'applicable fraction' for an individual who attains the age of 62 in—

''(A) any year before 2001, is 5/12;

''(B) 2001, is 16/36;

''(C) 2002, is 16/36;

''(D) 2003, is 17/36;

''(E) 2004, is 17/36; and

''(F) 2005 or any succeeding year, is 1/2.''.

(3) EFFECTIVE DATE.—The amendments made by paragraphs (1) and (2) shall apply to individuals who attain the age of 62 in years after 1999.

(b) DELAYED RETIREMENT.—Section 202(w)(6) of the Social Security Act (42 U.S.C. 402(w)(6)) is amended—

(1) in subparagraph (C), by striking ''and'' at the end;

(2) in subparagraph (D), by striking ''2004.'' and inserting ''2004 and before 2007;''; and

(3) by adding at the end the following:

''(E) 17/24 of 1 percent in the case of an individual who attains the age of 62 in a calendar year after 2006 and before 2009;

''(F) 3/4 of 1 percent in the case of an individual who attains the age of 62 in a calendar year after 2008 and before 2011;

''(G) 19/24 of 1 percent in the case of an individual who attains the age of 62 in a calendar year after 2010 and before 2013; and

''(H) 5/6 of 1 percent in the case of an individual who attains the age of 62 in a calendar year after 2012.''.

SEC. 208. IMPROVEMENTS IN PROCESS FOR COST-OF-LIVING ADJUSTMENTS.

(a) ANNUAL DECLARATIONS OF PERSISTING UPPER LEVEL SUBSTITUTION BIAS, QUALITY-CHANGE BIAS, AND NEW-PRODUCT BIAS.—Not later than December 1, 1999, and annually thereafter, the Commissioner of the Bureau of Labor Statistics shall publish in the Federal Register an estimate of the upper level substitution bias, quality-change bias, and new-product bias retained in the Consumer Price Index, expressed in terms of a percentage point effect on the annual rate of change in the Consumer Price Index determined through the use of a superlative index that accounts for changes that consumers make in the quantities of goods and services consumed.

(b) MODIFICATION OF COST-OF-LIVING ADJUSTMENT.—Notwithstanding any other provision of law, for each calendar year after 1999 any cost-of-living adjustment described in subsection (f) shall be further adjusted by the greater of—

(1) 0.5 percentage point, or

(2) the correction for the upper level substitution bias, quality-change bias, and new-product bias (as last published by the Commissioner of the Bureau of Labor Statistics pursuant to subsection (a)).

(c) FUNDING FOR CPI IMPROVEMENTS.—

(1) IN GENERAL.—There is hereby appropriated to the Bureau of Labor Statistics in the Department of Labor, for each of fiscal years 2000, 2001, and 2002, $60,000,000 for use by the Bureau for the following purposes:

(A) Research, evaluation, and implementation of a superlative index to estimate upper level substitution bias, quality-change bias, and new-product bias in the Consumer Price Index.

(B) Expansion of the Consumer Expenditure Survey and the Point of Purchase Survey.

(2) REPORTS.—The Commissioner of the Bureau of Labor Statistics shall submit reports regarding the use of appropriations made under paragraph (1) to the Committee on Appropriations of the House of Representative and the Committee on Appropriations of the Senate upon the request of each Committee.

(d) INFORMATION SHARING.—The Commissioner of the Bureau of Labor Statistics may secure directly from the Secretary of Commerce information necessary for purposes of calculating the Consumer Price Index. Upon request of the Commissioner of the Bureau of Labor Statistics, the Secretary of Commerce shall furnish that information to the Commissioner.

(e) ADMINISTRATIVE ADVISORY COMMITTEE.—The Bureau of Labor Statistics shall, in consultation with the National Bureau of Economic Research, the American Economic Association, and the National Academy of Statisticians, establish an administrative advisory committee. The advisory committee shall periodically advise the Bureau of Labor Statistics regarding revisions of the Consumer Price Index and conduct research and experimentation with alternative data collection and estimating approaches.

(f) COST-OF-LIVING ADJUSTMENT DESCRIBED.—A cost-of-living adjustment described in this subsection is any cost-of-living adjustment for a calendar year after 1999 determined by reference to a percentage change in a consumer price index or any component thereof (as published by the Bureau of Labor Statistics of the Department of Labor and determined without regard to this section) and used in any of the following:

(1) The Internal Revenue Code of 1986.

(2) The provisions of this Act (other than programs under title XVI and any adjustment in the case of an individual who attains early retirement age before January 1, 2000).

(3) Any other Federal program.

(g) RECAPTURE OF CPI REFORM REVENUES DEPOSITED INTO THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND.—Section 201 of the Social Security Act (42 U.S.C. 401) is amended by adding at the end the following:

''(n) On July 1 of each calendar year specified in the following table, the Secretary of the Treasury shall transfer, from the general fund of the Treasury to the Federal Old-Age and Survivors Insurance Trust Fund, an amount equal to the applicable percentage for such year, specified in such table, of the total wages paid in and self-employment income credited to such year.

''For a calendar year—	The applicable percentage for the year is—
After 1999 and before 2020	0.6 percent.
After 2019 and before 2040	0.8 percent.
After 2039 and before 2060	1.0 percent.
After 2059	1.2 percent.''.

SEC. 209. MODIFICATION OF INCREASE IN NORMAL RETIREMENT AGE.

(a) IN GENERAL.—Section 216(l)(1) of the Social Security Act (42 U.S.C. 416(l)(1)) is amended—

(1) in subparagraph (B)—

(A) by striking ''2005'' and inserting ''2011''; and

(B) by adding ''and'' at the end; and

(2) by striking subparagraphs (C), (D), and (E) and inserting the following:

''(C) With respect to an individual who attains early retirement age after December 31, 2010, 67 years of age.''.

(b) CONFORMING AMENDMENT.—Paragraph (3) of section 216(l) of the Social Security Act (42 U.S.C. 416(l)) is amended to read as follows:

''(3) The age increase factor for any individual who attains early retirement age in the period consisting of the calendar years 2000 through 2010, the age increase factor shall be equal to two-twelfths of the number of months in the period beginning with January 2000 and ending with December of the year in which the individual attains early retirement age.''.

SEC. 210. MODIFICATION OF PIA FACTORS TO REFLECT CHANGES IN LIFE EXPECTANCY.

(a) MODIFICATION OF PIA FACTORS.—Section 215(a)(1) of the Social Security Act (42 U.S.C. 415(a)(1)(B)) is amended by redesignating subparagraph (D) as subparagraph (F) and by inserting after subparagraph (C) the following:

''(D)(i) For individuals who initially become eligible for old-age insurance benefits in any calendar year after 2011, each of the percentages under clauses (i), (ii), (iii), and (iv) of subparagraph (A) shall be multiplied the applicable number of times by the applicable factor.

''(ii) For purposes of clause (i)—

''(I) the term 'applicable number of times' means a number equal to the lesser of 54 or the number of years beginning with 2012 and ending with the year of initial eligibility; and

''(II) the term 'applicable factor' means .988 with respect to the first 6 applicable number of times and .997 with respect to the applicable number of times in excess of 6.

''(E) For any individual who initially becomes eligible for disability insurance benefits in any calendar year after 2011, the primary insurance amount for such individual shall be equal to the greater of—

''(i) such amount as determined under this paragraph, or

''(ii) such amount as determined under this paragraph without regard to subparagraph (D) thereof.''.

(b) STUDY OF THE EFFECT OF INCREASES IN LIFE EXPECTANCY.—

(1) STUDY PLAN.—Not later than February 15, 2001, the Commissioner of Social Security shall submit to Congress a detailed study plan for evaluating the effects of increases in life expectancy on the expected level of retirement income from social security, pensions, and other sources. The study plan shall include a description of the methodology, data, and funding that will be required in order to provide to Congress not later than February 15, 2006—

(A) an evaluation of trends in mortality and their relationship to trends in health status, among individuals approaching eligibility for social security retirement benefits;

(B) an evaluation of trends in labor force participation among individuals approaching eligibility for social security retirement benefits and among individuals receiving retirement benefits, and of the factors that influence the choice between retirement and participation in the labor force;

(C) an evaluation of changes, if any, in the social security disability program that would reduce the impact of changes in the retirement income of workers in poor health or physically demanding occupations;

(D) an evaluation of the methodology used to develop projections for trends in mortality, health status, and labor force participation among individuals approaching eligibility for social security retirement benefits and among individuals receiving retirement benefits; and

(E) an evaluation of such other matters as the Commissioner deems appropriate for evaluating the effects of increases in life expectancy.

(2) REPORT ON RESULTS OF STUDY.—Not later than February 15, 2006, the Commissioner of Social Security shall provide to Congress an evaluation of the implications of the trends studied under paragraph (1), along with recommendations, if any, of the extent to which the conclusions of such evaluations indicate that projected increases in life expectancy require modification in the social security disability program and other income support programs.

SEC. 211. MECHANISM FOR REMEDYING UNFORESEEN DETERIORATION IN SOCIAL SECURITY SOLVENCY.

(a) IN GENERAL.—Section 709 of the Social Security Act (42 U.S.C. 910) is amended—

(1) by redesignating subsection (b) as subsection (c); and

(2) by striking ''SEC. 709. (a) If the Board of Trustees'' and all that follows through ''any

such Trust Fund'' and inserting the following:

''SEC. 709. (a)(1)(A) If the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund determines at any time, using intermediate actuarial assumptions, that the balance ratio of either such Trust Fund for any calendar year during the succeeding period of 75 calendar years will be zero, the Board shall promptly submit to each House of the Congress and to the President a report setting forth its recommendations for statutory adjustments affecting the receipts and disbursements of such Trust Fund necessary to maintain the balance ratio of such Trust Fund at not less than 20 percent, with due regard to the economic conditions which created such inadequacy in the balance ratio and the amount of time necessary to alleviate such inadequacy in a prudent manner. The report shall set forth specifically the extent to which benefits would have to be reduced, taxes under section 1401, 3101, or 3111 of the Internal Revenue Code of 1986 would have to be increased, or a combination thereof, in order to obtain the objectives referred to in the preceding sentence.

''(B) In addition to any reports under subparagraph (A), the Board shall, not later than May 30, 2001, prepare and submit to Congress and the President recommendations for statutory adjustments to the disability insurance program under title II of this Act to modify the changes in disability benefits under the Bipartisan Social Security Reform Act of 1999 without reducing the balance ratio of the Federal Disability Insurance Trust Fund. The Board shall develop such recommendations in consultation with the National Council on Disability, taking into consideration the adequacy of benefits under the program, the relationship of such program with old age benefits under such title, and changes in the process for determining initial eligibility and reviewing continued eligibility for benefits under such program.

''(2)(A) The President shall, no later than 30 days after the submission of the report to the President, transmit to the Board and to the Congress a report containing the President's approval or disapproval of the Board's recommendations.

''(B) If the President approves all the recommendations of the Board, the President shall transmit a copy of such recommendations to the Congress as the President's recommendations, together with a certification of the President's adoption of such recommendations.

''(C) If the President disapproves the recommendations of the Board, in whole or in part, the President shall transmit to the Board and the Congress the reasons for that disapproval. The Board shall then transmit to the Congress and the President, no later than 60 days after the date of the submission of the original report to the President, a revised list of recommendations.

''(D) If the President approves all of the revised recommendations of the Board transmitted to the President under subparagraph (C), the President shall transmit a copy of such revised recommendations to the Congress as the President's recommendations, together with a certification of the President's adoption of such recommendations.

''(E) If the President disapproves the revised recommendations of the Board, in whole or in part, the President shall transmit to the Board and the Congress the reasons for that disapproval, together with such revisions to such recommendations as the President determines are necessary to bring such recommendations within the President's approval. The President shall transmit a copy of such recommendations, as so revised, to the Board and the Congress as the President's recommendations, together with a certification of the President's adoption of such recommendations.

''(3)(A) This paragraph is enacted by Congress—

''(i) as an exercise of the rulemaking power of the Senate and the House of Representatives, respectively, and as such it is deemed a part of the rules of each House, respectively, but applicable only with respect to the procedure to be followed in that House in the case of a joint resolution described in subparagraph (B), and it supersedes other rules only to the extent that it is inconsistent with such rules; and

''(ii) with full recognition of the constitutional right of either House to change the rules (so far as relating to the procedure of that House) at any time, in the same manner, and to the same extent as in the case of any other rule of that House.

''(B) For purposes of this paragraph, the term 'joint resolution' means only a joint resolution which is introduced within the 10-day period beginning on the date on which the President transmits the President's recommendations, together with the President's certification, to the Congress under subparagraph (B), (D), or (E) of paragraph (2), and—

''(i) which does not have a preamble;

''(ii) the matter after the resolving clause of which is as follows: 'That the Congress approves the recommendations of the President as transmitted on ___ pursuant to section 709(a) of the Social Security Act, as follows: _____', the first blank space being filled in with the appropriate date and the second blank space being filled in with the statutory adjustments contained in the recommendations; and

''(iii) the title of which is as follows: 'Joint resolution approving the recommendations of the President regarding social security.'.

''(C) A joint resolution described in subparagraph (B) that is introduced in the House of Representatives shall be referred to the Committee on Ways and Means of the House of Representatives. A joint resolution described in subparagraph (B) introduced in the Senate shall be referred to the Committee on Finance of the Senate.

''(D) If the committee to which a joint resolution described in subparagraph (B) is referred has not reported such joint resolution (or an identical joint resolution) by the end of the 20-day period beginning on the date on which the President transmits the recommendation to the Congress under paragraph (2), such committee shall be, at the end of such period, discharged from further consideration of such joint resolution, and such joint resolution shall be placed on the appropriate calendar of the House involved.

''(E)(i) On or after the third day after the date on which the committee to which such a joint resolution is referred has reported, or has been discharged (under subparagraph (D)) from further consideration of, such a joint resolution, it is in order (even though a previous motion to the same effect has been disagreed to) for any Member of the respective House to move to proceed to the consideration of the joint resolution. A Member may make the motion only on the day after the calendar day on which the Member announces to the House concerned the Member's intention to make the motion, except that, in the case of the House of Representatives, the motion may be made without such prior announcement if the motion is made by direction of the committee to which the joint resolution was referred. All points of order against the joint resolution (and against consideration of the joint resolution) are waived. The motion is highly privileged in the House of Representatives and is privileged in the Senate and is not debatable. The motion is not subject to amendment, or to a motion to postpone, or to a motion to proceed to the consideration of other business. A motion to reconsider the vote by which the motion is agreed to or disagreed to shall not be in order. If a motion to proceed to the consideration of the joint resolution is agreed to, the respective House shall immediately proceed to consideration of the joint resolution without intervening motion, order, or other business, and the joint resolution shall remain the unfinished business of the respective House until disposed of.

''(ii) Debate on the joint resolution, and on all debatable motions and appeals in connection therewith, shall be limited to not more than 2 hours, which shall be divided equally between those favoring and those opposing the joint resolution. An amendment to the joint resolution is not in order. A motion further to limit debate is in order and not debatable. A motion to postpone, or a motion to proceed to the consideration of other business, or a motion to recommit the joint resolution is not in order. A motion to reconsider the vote by which the joint resolution is agreed to or disagreed to is not in order.

''(iii) Immediately following the conclusion of the debate on a joint resolution described in subparagraph (B) and a single quorum call at the conclusion of the debate if requested in accordance with the rules of the appropriate House, the vote on final passage of the joint resolution shall occur.

''(iv) Appeals from the decisions of the Chair relating to the application of the rules of the Senate or the House of Representatives, as the case may be, to the procedure relating to a joint resolution described in subparagraph (B) shall be decided without debate.

''(F)(i) If, before the passage by one House of a joint resolution of that House described in subparagraph (B), that House receives from the other House a joint resolution described in subparagraph (B), then the following procedures shall apply:

''(I) The joint resolution of the other House shall not be referred to a committee and may not be considered in the House receiving it except in the case of final passage as provided in subclause (II).

''(II) With respect to a joint resolution described in subparagraph (B) of the House receiving the joint resolution, the procedure in that House shall be the same as if no joint resolution had been received from the other House, but the vote on final passage shall be on the joint resolution of the other House.

''(ii) Upon disposition of the joint resolution received from the other House, it shall no longer be in order to consider the joint resolution that originated in the receiving House.

''(b) If the Board of Trustees of the Federal Hospital Insurance Trust Fund or the Federal Supplementary Medical Insurance Trust Fund determines as any time that the balance ratio of either such Trust Fund''.

(b) CONFORMING AMENDMENTS.—

(1) Section 709(b) of the Social Security Act (as amended by subsection (a) of this section) is amended by striking ''any such'' and inserting ''either such''.

(2) Section 709(c) of such Act (as redesignated by subsection (a) of this section) is amended by inserting ''or (b)'' after ''subsection (a)''.

Mr. GREGG. Mr. President, I have enjoyed working with the Senators from Nebraska and Louisiana and, recently the Senator from Iowa, in developing this bipartisan plan. The Senator from Nebraska and the Senator from Louisiana have truly done an extraordinary job of bringing to the attention

of the American public the essential needs to address soon, quickly, and substantively the issue of Social Security reform.

I had the pleasure of serving 15 months as cochair, along with the Senator from Louisiana, of a commission of folks put together—a large cross-section of people—who are truly expert in the area of Social Security. As a result of that commission, we produced a bill that was an excellent piece of legislation. We were joined, in a bipartisan way, by Congressmen KOLBE and STENHOLM, Members of the House, on that bill.

The Senator from Nebraska has been on his own bill, along with the Senator from New York. They have developed another bill here. Months ago, we decided to get together and see if we could develop an even bigger coalition of membership around one concept of how to reform the Social Security system. That is what we accomplished. It has been accomplished because of the strong and vibrant leadership of those two Senators who are on the floor today, Senators BREAUX and KERREY, and also Senator GRASSLEY, who is not here but may be coming in on a number of other issues that are involved in the Social Security reform matter. His leadership has been excellent.

So, first of all, we do have a bipartisan bill. It has been pointed out by the Senator from Nebraska that this bill goes across the aisle, across ideology, and it is a substantive bill. It is a proposal that has been scored by the Social Security actuaries as creating solvency in the Social Security system for the next 100 years, at a minimum. It goes to infinity, but I like to say the next century because it is a more definable event. That is very important. It is a bipartisan effort, which shows it can be done. Second, it works, as scored by the Social Security actuaries.

Why is it important? You don't have to look very far to see why. I notice we have many Senate pages with us. These folks are juniors in high school who come here to work. They are either rising juniors, or have completed their junior year in most instances. They come here to work and see Congress in action. When they get finished with their schooling, most of them will go to college. When they get out of college, they are going to go to work. They are going to find that probably the biggest amount that comes out of their paychecks is the FICA tax, a big chunk that comes out of paychecks. They are going to pay that for all their working lives. What are they going to get back under the present system? These wonderful young people are probably hoping I won't speak too long so they can get off for the weekend. But what are they going to get out of this? Actually, they are going to get very little out of it. They will pay out a tremendous amount of taxes during their working lives and they will virtually get nothing back for it.

In fact, a person coming into the workforce in their early twenties today—the rate of return on what they pay into Social Security taxes over their working lives, or how much they get back for the amount of taxes they pay, is essentially a wash. They are not going to get any more back than they pay in. That is not much of a return for all the taxes they will pay over all those years. If you happen to be an African American, you actually will get less back, as a group of individuals, than you will end up paying.

So the system is broken. Why? It is broken because we have this huge bubble in our society, this huge population bubble called the postwar baby boom generation, of which Bill Clinton is a member, I am a member, the Senator in the Chair is a member, and the Senator from Louisiana is a member. This postwar baby boom generation is the largest demographic group in the history of our country. When Social Security was originally designed, and for all the years it has worked so well, it has always been conceived as a pyramid. It was essentially perceived that there would be many more people paying into the system than would be taking out. So you would have many people earning in order to support the people getting the benefit—a pyramid.

In fact, as late as 1950, there were about 15 people paying into the system for every 1 person taking out. By the late part of this century—right about now, in fact—we are down to about 3½ people paying in for every 1 person taking out. When the baby boomers retire, beginning in the year 2008, it starts to accelerate and it becomes an acute situation by 2014, where 2 people will be paying into the system for every 1 taking out.

In that sort of a structure, you can see we simply can't support the benefits. Instead of having a pyramid, we basically have some sort of rectangle. The older generation that will be retired—myself included—will be demanding too much in the way of benefits for the younger generation to support. As a result, we end up bankrupting the system. To express it in another way, even though there is a lot of debt in the trust fund, even though the Social Security trust fund, as the Senator from Nebraska pointed out, has literally billions of dollars of IOUs in it, they are simply that; they are paper IOUs.

What drives the Social Security problem is the fact that when the baby boom generation retires, there is a benefit that is guaranteed, a defined benefit. As a retiree, under Social Security, when we hit 2010, or whenever I take retirement, I am guaranteed a benefit, a fixed sum of money that I will get under our system of Social Security, a defined benefit.

Is there something there to pay that benefit? No, nothing. There are notes held by the Social Security trust, but those notes are not assets in the sense that there is something to back them up that is a physical asset. What backs it up is the taxing of power of the United States. The only way you can pay that defined benefit is to raise taxes on the earners of America to pay the benefits of the retired in America.

Because this generation is so huge and the defined benefit becomes so huge, we will have a massive tax increase on the earners of America, starting about the year 2014, and it accelerates radically to the point where we are literally talking, under the President's proposal on Social Security, about $1 trillion annually in new taxes, simply to support those people who are retired by the year 2035—I think it might be a little later. The fact is, it is a huge tax increase. Where do the taxes come from? The earnings of American people. They will come from the general fund, and they will end up essentially bankrupting this country.

Something needs to be done. Why have we put this plan forward? You say: It won't happen until the year 2014; that is a long way away; I don't have to worry about that.

We have to worry today because we can't answer this type of problem when it happens. We have to anticipate; we have to work to try to correct the problem before we hit the problem. Unfortunately, we are not doing much to get ready for this problem.

To address this, we have put forward this bill. What is the basic theme of this bill? The basic theme of this bill is that the way to address the problem of the Social Security liability in the outyears is to begin to save in the early years, say to the American worker today: Start saving for retirement and have some ownership in that savings. Today you think you are saving for retirement under Social Security because you are paying the Social Security taxes, but that doesn't mean anything. The Social Security taxes are being spent by the Federal Government. There is no asset we are building up which the retiree will own.

We say under our bill to the wage earner, people earning money in the marketplace—whether the job is a restaurant, a computer store, or whether they are working for the Government—we are going to let you start to save some of the assets you are paying in taxes today for your Social Security. We will allow you to start saving and owning those assets. We will take 2 percent of your present payroll tax and put it in a savings account which you control—you, the wage earner control, which you own. You own that account. You make the decision in a broad term as to how that is invested.

We do put limitations on the investment structure so you can't take high-risk investments or speculate. We take an asset, for all Americans paying Social Security tax, which they will physically have and own throughout their earning life, which will grow as they put more into it and which, when they retire, will be available to support

their retirement and to support the costs of the Social Security system.

This concept, which is called personal savings accounts, is at the core of what we are proposing as a solution to the problem. These personal savings accounts don't solve the problem completely. I wish we could do it completely with these accounts, but we can't.

As the Senator from Nebraska so eloquently and effectively pointed out—I won't retread that water—the fact is, you have to make decisions on the benefit side or you have to make decisions on the tax increase side. That is the only way you can get long-term solvency, unless you have the capacity to refund liability dramatically at a level you can't do because of the cost of supporting the present beneficiaries under the system.

There are three ways to solve the Social Security outyear problem: You can raise taxes, cut benefits, or ''prefund'' the liability. What we do is combine two of those. We prefund the liability and adjust the benefit structure. We adjust it in a constructive and effective way, as pointed out by the Senator from Nebraska.

The fundamental philosophical change in our bill is giving people ownership over part of their Social Security taxes. We say to folks: You can invest that, you can save it, and when you retire, it will be yours. In fact, it will be yours before you retire.

Under the present law, you pay all these Social Security taxes, and if you are unlucky enough to get hit by a train when you are 59 years old, you get nothing, absolutely nothing, from all the taxes you have paid in. What an unfair system that is.

We say to people: You are going to have that asset; it will be yours. If you are, unfortunately, hit by a train when you are 59, your family will own that asset. Whoever you want to pass it on to will own that—your wife, your children, cousins, nephews. We give people the opportunity to participate in that extraordinary thing called American capitalism, the marketplace where people can create wealth.

Is there a risk? Very little. The way we structured this, we tracked what Federal employees have been doing for years in the Federal Thrift Savings Plan. Any Federal employee can participate in it and have an option of placing some of their pension plan into the marketplace by choosing four different funds in which to invest. Those funds are managed by trustees under the Federal Thrift Savings Plan. One is very conservative, one is a moderate investment, and one is a more aggressive investment.

We will use the same type of structure. It will be the Social Security trustees investing these funds. Wage earners will have the right to choose whether they want to aggressively invest, moderately invest, or very conservatively invest. It is your choice. In any event, the rate of return on those assets is going to be dramatically better than the rate of return on the amount of taxes presently paid in the Social Security system. The average rate of return on taxes paid into Social Security is 2.7 percent. As I mentioned, for an earner in their twenties it is essentially zero, and for certain groups it is negative. Under our bill, the lowest rate of return possible is the rate of return of Treasury bills, which is about 3 percent. One could get significantly better than that, obviously. The average rate of return of the equities market over any 20-year period, including the Depression period, has been about 5½ percent. So presume 5½ percent is a number by which one reasonably assumes their assets will increase.

That is the essence of what we are doing. We are setting up a plan which, first, is bipartisan; second, it creates solvency in the trust fund for 100 years, the next century; third, it gives people ownership over parts of the assets which they are now paying in taxes over which they have absolutely no ownership.

A couple of other points should be made. We do not impact anybody presently in the Social Security system or about to come in the Social Security system. We say to those folks: The system is in place; you are comfortable with it; that is your system; we are not going to touch you in any way.

When the scare letters come out from the various groups which use Social Security as a way to try to raise money so people can drive around the city in their limousines and go to fancy restaurants, when the scare letters come out in envelopes looking like Social Security checks, and the letters say they will devastate your Social Security benefits, and they are directed at people already on Social Security, unfortunately, we don't have the wherewithal to send a counter letter. But if people have time to listen, they will know that is not case. We don't impact anyone presently on the Social Security system.

Our bill, more than any other that is presently pending on Social Security reform, is progressive. In other words, people at the lower income levels get a much better benefit under the proposal we put forward than people at the higher levels, and they get a better benefit than they would get in the present Social Security system or under any other Social Security proposal out there today, whether they have been scored as solvent or not. It is a progressive system.

In fact, a low-income person not only gets to save 2 percent, they can save about 3½ percent in the personal savings account because we set up a system for the next dollar after the 2 percent. They get a $100 match by the Federal Government. It works out so you basically can almost save 3.5 percent if you are in a low-income bracket, and that is a big increase in your net worth over 40 years, a huge increase in your net worth over 40 years, which is the average earning experience in America today.

In addition, our plan most importantly treats generations fairly. We are headed into a period, when our generation retires, the baby boom generation retires, when we are simply going to be unfair to younger generations. What we are going to do to them under the present Social Security system is absolutely wrong. We are going to tax this younger generation into a much lower level quality of life in order to support our retirement. Is that right? Of course, it is not right, but that is exactly what is going to happen if we do not address the Social Security problem and address it soon so we can start to build the assets necessary to prefund the liabilities, as I mentioned earlier.

Our bill addresses that issue. Our bill tries to right that shift of fairness between our generation and the younger generation, and it does it very effectively, and it is an important effort.

Importantly, our bill creates an atmosphere where people will have confidence in the Social Security system. There are a lot of people who say: I am not going to get anything when I retire. I am just going to pay a lot of taxes. I am not going to get anything.

And they are right if they happen to be a certain ethnic group or certain age level. Our bill will restore the confidence in the Social Security system, and that is absolutely critical.

In addition, we understand women have especially been disproportionately impacted by the present system. They are not treated as fairly as they should be. There are two reasons: No. 1, because many women weren't in the workforce, and No. 2, because they live longer. Our bill makes some very significant efforts in order to address the special needs of women, especially widows, in the Social Security benefits area. These were put together by the Senator from Iowa, to a large extent.

They are positive efforts to give women the opportunity to get the benefit structure that is fair to them and also encourage women to raise children at home. It could be a man, of course, but in most cases it would be a woman who wants to leave her job and raise her child for up to 5 years. She will be able to do that without being penalized by the Social Security system for having taken those 5 years out of the workforce and then coming back into the workforce. It is a very important step towards fairness towards women and especially women who decide to raise children.

I know the Senator from Louisiana wants to speak on this. He has certainly been a core player, a key player on this issue, as well as so many others. But on Medicare specifically, let me say this. We, as policy people, have an absolute obligation to pursue and accomplish Social Security reform in this Congress. There is no way we can justify passing up this opportunity. We have a President who does not have to

run for reelection, so he is under no political pressure to make a political decision. He has the flexibility and freedom to make the decisions that should be made in order to resolve this type of problem.

We know if we do not act, we will begin to run out of time quickly. We know if we cannot set up these personal accounts to start creating assets and letting those assets grow through compounded interest—which Einstein said was the greatest force known to mankind—we know if we do not get those assets started and get those accounts begun, we are going to end up running out of time, and we will not be able to solve the problem effectively. So we know we have to act. It is similar to that old oil filter ad, ''You can pay me now or pay me later.'' We know we have to act now, so we should be taking action.

We know it can be done because this bill proves it. It can be done in a bipartisan way and it can be done in a way that can be scored and approved by the Social Security trustees as working, so there is no argument about doing it and being able to do it. All we need now is the political will to do it, and that is going to take Presidential leadership.

Although the President has spoken on this issue a number of times, he has not given us the type of leadership we need to accomplish the goal. But if he wants to step forward, this is a great opportunity to do it. This bill gives him the vehicle to do it. I certainly hope he will take advantage of that chance.

In any event, I thank my fellow Senators who have worked so hard on this. I believe we have laid out a method that can control and move this forward in a positive way. I hope we can move from only the academic discussion of a bill to the passage of a law.

I yield the floor.

The PRESIDING OFFICER. The Senator from Louisiana.

Mr. BREAUX. Mr. President, I yield myself 10 minutes under the previous order.

Mr. GRAHAM. Will the Senator from Louisiana yield for purposes of a unanimous consent request?

Mr. BREAUX. I yield.

Mr. GRAHAM. I ask unanimous consent immediately after completion of the time controlled by the Senator from Louisiana, that I be given 10 minutes as in morning business.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BREAUX. Mr. President, let me first congratulate the distinguished Senator from New Hampshire for his remarks and his major contribution in this effort to bring to the floor of the Senate a proposal on reforming Social Security that, first of all, is real; it is serious, it is bipartisan. A lot of the credit goes to the Senator from New Hampshire for his diligent work in this area.

Previous to the work of the Senator from New Hampshire, we had the words of Senator BOB KERREY of Nebraska, who also joins with all of us as lead sponsors on this Social Security reform legislation. Senator KERREY has been involved in this issue of entitlement reform for a long time. He chaired the Entitlement Reform Commission and his work in the Social Security area has truly been outstanding.

It is interesting that what is happening today on the floor is this is the first time, certainly in my memory and probably in a long time, we have actually had a bipartisan proposal on reforming Social Security introduced in the Senate. Not only is it unique that it is the first time in this body, it is also even more surprising that this proposal, in addition to being bipartisan, is also bicameral. By that, of course, I mean the same proposal has also been introduced on the other side of the Capitol, over in the House, by our colleagues over there, also in a bipartisan fashion.

This is truly historic in the sense that Members of both parties and both Houses can join together in addressing an issue as important, yet at the same time as politically divisive, as Social Security has been. Yet we have been able to do that and have been joined by a number of our colleagues, particularly on the Senate Finance Committee. We have come together to make a recommendation on Social Security which I think is one that bears favorable consideration of our colleagues.

We just had a very strenuous and sometimes somewhat heated debate on the question of the Social Security lockbox, which we just voted on. We will have future debate on that. I think it is very important for all Americans to know that while we debated on this concept of a lockbox, it does not do a single thing to restore the Social Security program. It does not change the program in any way. It does not make any structural changes to Social Security. It does not increase any American's retirement options. It does not give them any additional choices about how they want to plan for their retirement future. It does not increase widows' benefits. It does not address the problems the Senator just spoke of regarding the female population in the country and the special concerns they have. It does not allow low- and middle-income workers to access any Government contributions to help them in their retirement planning and to build up a larger nest egg. The lockbox does not do anything regarding the current unfunded liabilities in the Social Security program. It certainly doesn't restore the confidence in the Social Security system.

We have heard the statements that more young people believe in flying saucers than believe Social Security is going to be there for them. So while we had a great, interesting debate on this lockbox concept, it is very important to know it does not do a single thing to take care of the problems that are facing this country in regard to the Social Security system. But this bill does. This bill has been scored by the people who have to do this for us professionally as restoring solvency to the Social Security program to the year 2075, and that is a fact. There is no debate about that. How we do it, I think, is the substance of our bill. I think it is very positive.

Let me point out, why do we have a problem in Social Security? We have been rocking along since 1935 in a pretty fortunate situation. Most people got their Social Security benefits, everything they contributed, back very quickly.

If someone retired in 1980, for instance, they got back everything they put into the Social Security system in a little over 2 years. They got back everything they put into the program. Retirees in 1980, at the age of 65, took 2.8 years to recover everything they put into the program. That is a heck of a deal for anyone. I know my father has said many times: I will never get back what I put into Social Security. He got it back in about 2.8 years. It was a very good deal for most Americans, and that is changing.

The question is, Why? Very simple: People live a lot longer and there are a lot more of them. Life expectancy—thank goodness and thank medical science and thank God—has dramatically increased over the years so people live a lot longer than they used to.

The second point is there are a lot more people. There are 77 million people in the so-called baby boom generation, those Americans born between 1946 and 1964. We have about 40 million people on Social Security today. We are getting ready to add 77 million more people into this program. It does not take rocket science to figure out why we are having problems.

We have a lot more people who are living a lot longer and earning retirement benefits through Social Security. We have fewer and fewer people left who are working to pay for those benefits. When Social Security was passed under Franklin Roosevelt, there were about 16 people working for every 1 person who was retiring. Because people live a lot longer now and there are a lot more of them, it is now down to about 3 people working for every 1 person who is earning retirement benefits and getting retirement benefits. We cannot continue on this trend. The so-called lockbox does not do a single thing to help reform the program or allow it to generate more funds to make sure the program is going to be there for the 77 million baby boomers.

For those who are on Social Security retirement now, the good news for them is it is there; they do not have to worry about it. We have never missed a payment. They will be guaranteed their payments.

Unless we do something, we are in danger of letting the program go broke. We have presented to the Senate today, and it had been presented to the other

body earlier, our recommendation in the form of a specific bill that has been scored by the people who do this work as restoring the solvency to this program to the year 2075.

How do we do it? It is not that complicated. One of the things we have done is to say that every American who pays Social Security will be required to divert 2-percentage points of their payroll tax—which is 12.4 percent payroll tax of which they pay 6.2 percent—to an individual retirement account, which is strongly supported by most Americans.

Almost two-thirds of Americans in the polls I have seen have said yes to the question: Would you like to be able to save a portion of your payroll tax in an individual retirement account that you would be able to control? There is strong support for that. I do not think they want to privatize the whole program, but they would like to have some of the money to invest for themselves, as we do as Federal employees.

I do not know if a lot of Americans realize it, those who are not Federal employees, but I can do that as a Member of the Senate. We establish our own Federal employees Thrift Savings Plan, and we can put up to 10 percent in that savings plan. We can earn interest on the market, and we get a lot better return than we get as a Government with Social Security funds. The Federal Government invests the Social Security surplus in Government bonds. It has been earning about 3 percent. That is not a good return in today's market. We need to allow individuals to do a better job with their own tax dollars.

Our plan creates a savings plan for people on Social Security where they can put 2 percent of their payroll tax into an individual retirement account which they will own, and when they pass away, it can be inherited. It will be theirs and they can invest it and hopefully get 10 percent or 15 percent or more return on their money, and they will be able to get the advantage of that higher investment when they retire and add it to the rest of their Social Security program.

It will put more money into the program. It will strengthen the program. It will allow people to become more involved in their own retirement. A lot of young people do not think it is going to be there. They think the Government does not do it very well.

This changes all of that and, I think, in a very important way. Individuals will own those proceeds, and I believe that is extremely important.

That is one of the features of our program I wanted to highlight.

In addition, we also say you can do more than that. People in lower- and middle-income brackets will be able to put an additional amount of money for an additional $1 over this 2 percent that they would put into their account. The Federal Government would match it with $100.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. BREAUX. Mr. President, I yield myself 2 additional minutes.

The Government will match it with $100. They can make additional voluntary contributions, up to 1 percent of the total wage base of $72,600, which means they will be able to get a maximum contribution of about $626 from the Federal Government.

This is a good plan. It is a solid plan. It restores Social Security viability to the year 2075, and it is something of which we need to take advantage and do it in this Congress. We cannot continue to wait.

The big problem is this has always been a political football. This effort, this bill, is bipartisan and it is bicameral. I urge my colleagues to look at the substance of our legislation. I think they, too, will find, when they review it carefully, that this is the right approach, it makes sense, it is balanced and one that can be considered favorably by this Congress this year.

Mr. President, I yield the floor.

Mr. ROBB. Mr. President, I am pleased to join my colleagues on the floor today to introduce the Bipartisan Social Security Reform Act of 1999. As one who has been involved in various reform efforts over the past three Congresses, I can honestly say that the legislation we are introducing today is, in my view, the best product we have submitted to date.

I would like to take a moment to talk about the dedication of the members who are here on the floor today. They have all demonstrated a tireless commitment to get this body to take seriously solving the tough issue of financing this program through the Baby Boom generation and beyond. This is not an easy task. Under current law, the program faces a shortfall that would require either an 18 percent payroll tax rate or a 30 percent cut in benefits. Either option would be devastating to the future workers financing the program or the future Social Security beneficiary.

This group has united around a common purpose. Instead of trying to dress up so-called lock-boxes as Social Security reform, and instead of undertaking massive Federal borrowing to finance individual accounts on top of the current system, and instead of committing future taxpayers to fix the problem, we have actually sought to solve the long-term financing dilemma in this important program. And I'm proud to say that we have done this without adopting any payroll tax increase.

By allowing all workers to take 2 percentage points of their payroll tax into individual retirement savings accounts that workers own, we ensure that not only is today's Social Security surplus being set aside for today's workers who will become tomorrow's retirees, but we also advance fund some of our future liabilities. In addition, we also use some of the surplus to boost contributions for lower income workers, ensuring that these individuals have a comparable opportunity to build wealth in their personal savings accounts. The accumulation in these accounts will supplement future Social Security benefits under the traditional program.

While we make some revisions to future benefits to bring down the financing cost of the program, we do so in a way that doesn't affect anyone currently over the age of 62, that increases the traditional Social Security benefit for low income earners, that protects women who have taken time out to raise children, and that increases the benefit for widows and widowers.

Mr. President, this is a credible plan that solves the financing challenge presented by Social Security in a truly progressive manner. I hope other colleagues who are serious about tackling the issue will not only take a close look at this proposal, but will also help us make real reform a top priority.

Mr. THOMAS. Mr. President, I am pleased to join my colleagues today in introducing a bipartisan bill to protect, preserve and improve the Social Security system for the challenges of the 21st Century.

We all know that Social Security faces massive demographic changes. For example, our population is aging rapidly. As a result, the ratio between the number of workers paying taxes into the system as compared to the number of retirees taking funds out of the system is falling swiftly. Soon, we will have fewer than two workers for each retiree. Other demographic trends are that Americans are living longer and retiring earlier.

The combined effect of these changes is that future generations will face tremendous tax burdens or massive benefit cuts in order to preserve Social Security. The longer Congress waits before reforming the law, the more painful and difficult these changes will be.

That's why I am pleased this bipartisan group has come together with credible reform legislation that will preserve Social Security in perpetuity. It achieves this important goal in large part through advance funding of the program. The bill allows workers to divert a portion of their existing Social Security taxes into a personal retirement account that they would own. This feature would enable all Americans to accumulate a cash nest egg for their retirement and would improve the rate of return on their Social Security taxes.

Currently, Congress is considering legislation to create a ''Lockbox'' that would reserve Social Security surplus revenues for Social Security alone, not other government spending as is currently the case. I support this legislation and believe it is an important first step toward saving Social Security. But to me, the true ''Lockbox'' is private retirement accounts. These accounts ensure that individual Americans, not the Federal Government, are in charge of their retirement nest egg. If the worker dies before retirement,

the accounts could be left to his or her heirs. In addition, these private accounts ensure that the Federal Government can't come back at a later time and reduce benefits. Another key feature of these accounts is that low income workers, most for the first time, will have an opportunity to own assets and create wealth.

Another way the bill makes Social Security more progressive is by increasing the guaranteed benefits for those with low incomes. Other important provisions in the legislation will improve the Social Security benefits of widows, repeal the earnings test, and correct perverse work incentives inherent in the current system.

Finally, our proposal doesn't affect current retirees. They would continue under the current system. But by reducing the tremendous unfunded liability the system faces and restoring solvency to Social Security, current retirees are protected from the potential tax increases and benefit cuts that would be necessary to preserve the system. Seniors' benefits are far more secure under this plan than they are under current law.

Again, I am pleased to join Senators GREGG, KERREY, BREAUX, GRASSLEY, THOMPSON and ROBB in introducing this important legislation. And I encourage the rest of our colleagues to examine this bill carefully because I think it has the elements necessary to achieve a bipartisan agreement to save Social Security. The sooner we act, the better. Time is not on our side.

Mr. GRASSLEY. Mr. President, I rise today to join my colleagues in introducing the Bipartisan Social Security Reform Act of 1999.

We have crafted a responsible plan to save Social Security for generations to come. By making incremental, steady changes to the Social Security system, we will be able to ensure the long-term solvency of the program without taking Draconian measures.

Not only have we designed a responsible plan, but a bipartisan plan as well. No change to the Social Security system can be made without support from both sides of the aisle. Our bill represents a true bipartisan effort to save Social Security. The Bipartisan Social Security Reform Act is co-sponsored by four Republicans and three Democrats. Similar legislation has been introduced in the House of Representatives by Congressmen KOLBE and STENHOLM. This bipartisan, bicameral support is an excellent foundation on which to build, ensuring that the basis of the American retirement system remains financially sound for future generations.

The bipartisan plan would maintain a basic floor of protection through a traditional Social Security benefit, but two percentage points of the 12.4 percent payroll tax would be redirected to individual accounts. Individuals could invest their personal accounts in any combination of the funds offered through the Social Security system. An individual who invested his or her personal account in a bond fund would receive a guaranteed interest rate. However, individuals who wish to pursue a higher rate of return through investment in a fund including equities could do so.

Our proposal would eliminate the need for future payroll tax increases by advance funding a portion of future benefits through personal accounts. With individual accounts, we provide Americans with the tools necessary to build financial independence in retirement—especially to those who previously had limited opportunities to create wealth. Under our plan, they will be able to save for retirement and benefit from economic growth.

In putting together this legislation, this group has been conscious of how changes to Social Security would affect different populations. One group that I have been particularly concerned about is women. Let me explain how our bill addresses women's needs:

Women are more likely to move in and out of the workforce to care for children or elderly parents. They should not be punished for the time that they dedicate to dependents. Our proposal provides five ''drop-out'' years to the spouse with lower earnings in every two-earner couple.

Women, on average, earn less than men. The Bipartisan Social Security Reform Act would ensure that workers with wages below the national average would receive an additional $100 contribution annually to their personal accounts when they make a contribution of at least $1. Any subsequent contributions would receive a dollar-for-dollar match so that all workers would be guaranteed a minimum contribution of one percent of the taxable wage base. For this year, that contribution would be $726. Furthermore, all wage-earners would be permitted to save up to an additional $2,000 annually through voluntary contributions to personal accounts.

In addition, our proposal creates an additional bend point to the benefit formula to boost the replacement rate for low-income workers, many of whom are women.

Women live longer than men. At age 65, men are expected to live 15 more years, whereas women are expected to live almost 20 more. Our proposal addresses that reality by allowing money accumulated in individual accounts to be passed on to surviving spouses and children. Furthermore, our proposal would increase the widow's benefit to 75 percent of the combined benefits that a husband and wife would be entitled to based on their own earnings.

Congressional Republicans and Democrats and the administration all have established saving Social Security as a top priority. Now we must move ahead with the process and provide leadership. Each year that we wait to enact legislation to save Social Security, the changes must be more pronounced to make up for the lost time. I urge my colleagues to cosponsor the Bipartisan Social Security Reform Act.

The PRESIDING OFFICER. The Senator from Florida is under a previous order to speak for up to 10 minutes.

Mr. DOMENICI. Parliamentary inquiry. Is there any order subsequent to that?

The PRESIDING OFFICER. Yes. The Senator from New Mexico will be recognized, following the Senator from Florida, for up to 10 minutes.

Mr. DOMENICI. I thank the Chair.

The PRESIDING OFFICER. The Senator from Florida is recognized for 10 minutes.

Mr. DORGAN. Mr. President, I ask unanimous consent to follow the Senator from New Mexico.

The PRESIDING OFFICER. Without objection, it is so ordered. The Senator from Florida.

PATIENTS' BILL OF RIGHTS

Mr. GRAHAM. Mr. President, I come to the floor to voice my strong objection to hidden provisions which were inserted in the so-called last amendment during the consideration of the HMO Patients' Bill of Rights.

Last night, at approximately 8 o'clock, an amendment was offered which had over 250 pages. It had been represented throughout the debate that this amendment would be of a corrective, technical nature. There were several statements made on the floor that alterations, which had been agreed to verbally, would be incorporated in that final amendment. What we find is that quite a different thing has occurred.

First, I have found that several of the areas in which I had clear representations that refinements would be made were not made. In the area, for instance, of the emergency room, one of the key issues we spent considerable time debating had to do with poststabilization coverage. It was my understanding we had arrived at an agreement as to how to correct the language which all parties had appeared to agree would be an undue restriction on the rights of patients to receive proper care in an emergency room. I am sad to have to report that those changes were not incorporated in the final version of the legislation.

I am even more offended by the fact that while the changes we thought would be there were, at least in this instance, not obtained, but more so there were extraneous issues inserted, issues that had never been considered on the floor, never considered by a committee, never debated and unknown until they were unearthed, in the case of the issue I was to raise on page 252 and 253 of the so-called manager's amendment.

What is the provision I am so concerned about? It is section 901, ''Medicare Competitive Pricing Demonstration Project.'' If you want to get the full flavor of this, let me just quote:

(a) FINDING.—The Senate finds that implementing competitive pricing in the medicare program . . . of the Social Security Act is an important goal.