

107TH CONGRESS
1ST SESSION

H. R. 1140

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

IN THE HOUSE OF REPRESENTATIVES

MARCH 21, 2001

Mr. YOUNG of Alaska (for himself, Mr. OBERSTAR, Mr. QUINN, and Mr. CLEMENT) introduced the following bill; which was referred to the Committee on Transportation and Infrastructure, and in addition to the Committee on Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

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

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

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

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Railroad Retirement and Survivors’ Improvement Act of
6 2001”.

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

Sec. 1. Short title; table of contents.

TITLE I—AMENDMENTS TO RAILROAD RETIREMENT ACT OF 1974

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

Sec. 102. Retirement age restoration.

Sec. 103. Vesting requirement.

Sec. 104. Repeal of railroad retirement maximum.

Sec. 105. Investment of railroad retirement assets.

Sec. 106. Elimination of supplemental annuity account.

Sec. 107. Transfer authority revisions.

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

TITLE II—AMENDMENTS TO THE INTERNAL REVENUE CODE OF
1986

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

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

Sec. 203. Repeal of supplemental annuity tax.

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

1 **TITLE I—AMENDMENTS TO RAIL-**
2 **ROAD RETIREMENT ACT OF**
3 **1974**

4 **SEC. 101. EXPANSION OF WIDOW'S AND WIDOWER'S BENE-**
5 **FITS.**

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

9 “(10)(i) If for any month the unreduced annuity pro-
10 vided under this section for a widow or widower is less
11 than the widow's or widower's initial minimum amount
12 computed pursuant to paragraph (ii) of this subdivision,
13 the unreduced annuity shall be increased to that initial
14 minimum amount. For the purposes of this subdivision,
15 the unreduced annuity is the annuity without regard to

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

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

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

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

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

25 (b) EFFECTIVE DATE.—

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

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

17 **SEC. 102. RETIREMENT AGE RESTORATION.**

18 (a) **EMPLOYEE ANNUITIES.**—Section 3(a)(2) of the
19 Railroad Retirement Act of 1974 is amended by inserting
20 after “(2)” the following: “For purposes of this sub-
21 section, individuals entitled to an annuity under section
22 2(a)(1)(ii) of this Act shall, except for the purposes of re-
23 computations in accordance with section 215(f) of the So-
24 cial Security Act, be deemed to have attained retirement

1 age (as defined by section 216(l) of the Social Security
2 Act).”.

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

8 (c) CONFORMING REPEALS.—Sections 3(a)(3),
9 4(a)(3), and 4(a)(4) of the Railroad Retirement Act are
10 repealed.

11 (d) EFFECTIVE DATES.—

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

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

1 **SEC. 103. VESTING REQUIREMENT.**

2 (a) CERTAIN ANNUITIES FOR INDIVIDUALS.—Section
3 2(a) of the Railroad Retirement Act of 1974 is amended—

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

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

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

21 (b) COMPUTATION RULE FOR INDIVIDUALS’ ANNU-
22 ITIES.—Section 3(a) of the Railroad Retirement Act of
23 1974, as amended by section 102 of this Act, is further
24 amended by adding at the end the following new subdivi-
25 sion:

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

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

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

23 “(i) An individual entitled to an annuity under this
24 section who has completed five years of service, all of
25 which accrues after 1995, but who has not completed ten

1 years of service, and the spouse, divorced spouse, and sur-
2 vivors of such individual, shall not be entitled to an annu-
3 ity amount provided under section 3(a), section 4(a), or
4 section 4(f) of this Act unless the individual, or the indi-
5 vidual's spouse, divorced spouse, or survivors, would be en-
6 titled to a benefit under the Social Security Act on the
7 basis of the individual's employment record under both the
8 Railroad Retirement Act and the Social Security Act.”.

9 (e) COMPUTATION RULE FOR SPOUSES' ANNU-
10 ITIES.—Section 4(a) of the Railroad Retirement Act of
11 1974, as amended by section 102 of this Act, is further
12 amended by adding at the end the following new subdivi-
13 sion:

14 “(3) If a spouse entitled to an annuity under section
15 2(c)(1)(ii)(A), section 2(c)(1)(ii)(C), or section 2(c)(2) of
16 this Act or a divorced spouse entitled to an annuity under
17 section 2(c)(4) of this Act on the basis of the employment
18 record of an employee who will have completed less than
19 10 years of service is entitled to a benefit under section
20 202(a), section 202(b), or section 202(c) of the Social Se-
21 curity Act which began to accrue before the annuity under
22 section 2(c)(1)(ii)(A), section 2(c)(1)(ii)(C), section
23 2(c)(2), or section 2(c)(4) of this Act, the annuity amount
24 provided under this subsection shall be computed as
25 though the annuity under this Act began to accrue on the

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

8 (f) APPLICATION DEEMING PROVISION.—Section
9 5(b) of the Railroad Retirement Act of 1974 is amended
10 by striking the second sentence and inserting the fol-
11 lowing: “An application filed with the Board for an em-
12 ployee annuity, spouse annuity, or divorced spouse annuity
13 on the basis of the employment record of an employee who
14 will have completed less than ten years of service shall be
15 deemed to be an application for any benefit to which such
16 applicant may be entitled under this Act or section 202(a),
17 section 202(b), or section 202(c) of the Social Security
18 Act. An application filed with the Board for an annuity
19 on the basis of the employment record of an employee who
20 will have completed ten years of service shall, unless the
21 applicant specified otherwise, be deemed to be an applica-
22 tion for any benefit to which such applicant may be enti-
23 tled under this Act or title II of the Social Security Act.”.

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

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

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

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

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

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

20 (i) CONFORMING AMENDMENTS.—

21 (1) Section 6(e)(1) of the Railroad Retirement
22 Act of 1974 is amended by inserting “or five or
23 more years of service, all of which accrues after De-
24 cember 31, 1995,” after “ten years of service”.

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

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

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

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

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

15 (b) SPOUSE AND SURVIVOR ANNUITIES.—Section 4
16 of the Railroad Retirement Act of 1974 is amended by
17 striking subsection (e).

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

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

23 (a) ESTABLISHMENT OF RAILROAD RETIREMENT IN-
24 VESTMENT TRUST.—Section 15 of the Railroad Retire-

1 ment Act of 1974 is amended by inserting after subsection
2 (i) the following:

3 “(j) RAILROAD RETIREMENT INVESTMENT TRUST.—

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

14 “(2) NOT A FEDERAL AGENCY OR INSTRUMENTEN-
15 TALITY.—The Trust is not a department, agency, or
16 instrumentality of the Government of the United
17 States and shall not be subject to title 31, United
18 States Code.

19 “(3) BOARD OF TRUSTEES.—

20 “(A) GENERALLY.—The Trust shall have a
21 Board of Trustees, consisting of seven mem-
22 bers, each appointed by a unanimous vote of
23 the Railroad Retirement Board. The Railroad
24 Retirement Board may remove any member so
25 appointed by unanimous vote. Of the seven

1 members, three shall represent the interests of
2 labor, three shall represent the interests of
3 management, and one shall represent the inter-
4 ests of the general public. The members of the
5 Board of Trustees shall not be considered offi-
6 cers or employees of the Government of the
7 United States.

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

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

1 caused the vacancy. Upon the expiration of a
2 term of a member of the Board of Trustees,
3 that member shall continue to serve until a suc-
4 cessor is appointed.

5 “(4) POWERS OF THE BOARD OF TRUSTEES.—

6 The Board of Trustees shall—

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

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

14 “(C) invest assets in the Fund, pursuant
15 to the policies adopted in subparagraph (A);

16 “(D) pay administrative expenses of the
17 Fund and the Trust from the money in the
18 Fund; and

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

23 “(5) REPORTING REQUIREMENTS AND FIDU-
24 CIARY STANDARDS.—The following reporting re-
25 quirements and fiduciary standards shall apply with

1 respect to the Railroad Retirement Trust and the
2 Railroad Retirement Trust Fund (and the assets
3 held in such Trust Fund):

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

12 “(i) for the exclusive purpose of—

13 “(I) providing benefits to partici-
14 pants and their beneficiaries; and

15 “(II) defraying reasonable ex-
16 penses of administering the functions
17 of the Trust;

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

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

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

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

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

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

23 “(iii) receive any consideration for the
24 trustee’s own personal account from any
25 party dealing with the assets of the Fund.

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

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

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

18 “(iii) an employer or an employee or-
19 ganization from purchasing insurance to
20 cover potential liability of one or more
21 trustees with respect to their fiduciary re-
22 sponsibilities, obligations, and duties under
23 this section.

24 “(D) BONDING.—Every trustee and every
25 person who handles funds or other property of

1 the Fund (hereafter in this subsection referred
2 to as ‘Trust official’) shall be bonded. Such
3 bond shall provide protection to the Fund
4 against loss by reason of acts of fraud or dis-
5 honesty on the part of any Trust official, di-
6 rectly or through the connivance of others, and
7 shall be in accordance with the following:

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

20 “(ii) It shall be unlawful for any
21 Trust official to receive, handle, disburse,
22 or otherwise exercise custody or control of
23 any of the funds or other property of the
24 Fund without being bonded as required by
25 this subsection and it shall be unlawful for

1 any Trust official, or any other person hav-
2 ing authority to direct the performance of
3 such functions, to permit such functions,
4 or any of them, to be performed by any
5 Trust official, with respect to whom the re-
6 quirements this subsection have not been
7 met.

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

15 “(E) AUDIT AND REPORT.—

16 “(i) The Trust shall annually engage
17 an independent qualified public accountant
18 to audit the financial statements of the
19 Fund.

20 “(ii) The Trust shall submit an an-
21 nual management report to the Congress
22 not later than 180 days after the end of
23 the Trust’s fiscal year. A management re-
24 port under this subsection shall include—

1 “(I) a statement of financial po-
2 sition;

3 “(II) a statement of operations;

4 “(III) a statement of cash flows;

5 “(IV) a statement on internal ac-
6 counting and administrative control
7 systems;

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

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

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

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

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

6 “(ii) to obtain other appropriate relief
7 to redress such violations, or to enforce
8 any provisions of this Act.

9 “(6) RULES AND ADMINISTRATIVE POWERS.—

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

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

1 of the Board of Trustees shall be entered upon the
2 records of the Board of Trustees.”.

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

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

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

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

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

21 **SEC. 106. ELIMINATION OF SUPPLEMENTAL ANNUITY AC-**
22 **COUNT.**

23 (a) SOURCE OF PAYMENTS.—Section 7(c)(1) of the
24 Railroad Retirement Act of 1974 is amended by striking
25 “payments of supplemental annuities under section 2(b)

1 of this Act shall be made from the Railroad Retirement
2 Supplemental Account, and”.

3 (b) **ELIMINATION OF ACCOUNT.**—Section 15(c) of
4 the Railroad Retirement Act of 1974 is repealed.

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

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

20 **SEC. 107. TRANSFER AUTHORITY REVISIONS.**

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

24 “(k) **TRANSFERS TO THE FUND.**—The Board shall,
25 upon establishment of the Railroad Retirement Trust

1 Fund and from time to time thereafter, direct the Sec-
2 retary of the Treasury to transfer, in such manner as will
3 maximize the investment returns to the Railroad Retire-
4 ment system, that portion of the Railroad Retirement Ac-
5 count that is not needed to pay current administrative ex-
6 penses of the Board to the Railroad Retirement Trust
7 Fund. The Secretary shall make that transfer.”.

8 (b) RAILROAD RETIREMENT TRUST FUND.—Section
9 15 of the Railroad Retirement Act of 1974, as amended
10 by subsection (a), is further amended by adding after sub-
11 section (k) the following:

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

19 (c) SOCIAL SECURITY EQUIVALENT BENEFIT AC-
20 COUNT.—(1) Section 15A(d)(2) of the Railroad Retire-
21 ment Act of 1974 is amended to read as follows:

22 “(2) Upon establishment of the Railroad Retirement
23 Trust Fund and from time to time thereafter, the Board
24 shall direct the Secretary of the Treasury to transfer, in
25 such manner as will maximize the investment returns to

1 the Railroad Retirement system, the balance of the Social
2 Security Equivalent Benefit Account not needed to pay
3 current benefits required to be paid from that Account to
4 the Railroad Retirement Trust Fund, and the Secretary
5 shall make that transfer. Any balance transferred under
6 this paragraph shall be used by the Railroad Retirement
7 Trust only to pay benefits under this Act or to purchase
8 obligations of the United States that are backed by the
9 full faith and credit of the United States pursuant to
10 chapter 31 of title 31, United States Code. The proceeds
11 of sales of, and the interest income from, such obligations
12 shall be used by the Trust only to pay benefits under this
13 Act.”.

14 (2) TRANSFERS TO DISBURSING AGENT.—Section
15 15A(c)(1) of the Railroad Retirement Act of 1974 is
16 amended by adding at the end the following: “The Sec-
17 retary shall from time to time transfer to the disbursing
18 agent under section 7(b)(4) amounts necessary to pay
19 those benefits.”.

20 (3) CONFORMING AMENDMENT.—Section 15A(d)(1)
21 of the Railroad Retirement Act of 1974 is amended by
22 striking the second and third sentences.

23 (d) DUAL BENEFITS PAYMENTS ACCOUNT.—Section
24 15(d)(1) of the Railroad Retirement Act of 1974 is
25 amended by adding at the end the following: “The Sec-

1 retary of the Treasury shall from time to time transfer
2 from the Dual Benefits Payments Account to the dis-
3 bursing agent under section 7(b)(4) amounts necessary to
4 pay benefits payable from that Account.”.

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

8 “(4)(A) The Railroad Retirement Board, after con-
9 sultation with the Board of Trustees of the Railroad Re-
10 tirement Trust and the Secretary of the Treasury, shall
11 enter into an arrangement with a nongovernmental finan-
12 cial institution to serve as disbursing agent for benefits
13 payable under this Act who shall disburse consolidated
14 benefits under this Act to each recipient.

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

16 “(i) to the Secretary of the Treasury the
17 amounts required to be transferred from the Social
18 Security Equivalent Benefit Account and the Dual
19 Benefits Payments Account to the disbursing agent
20 to make payments of benefits and the Secretary of
21 the Treasury shall transfer those amounts;

22 “(ii) to the Board of Trustees of the Railroad
23 Retirement Investment Trust the amounts required
24 to be transferred from the Railroad Retirement In-
25 vestment Trust to the disbursing agent to make pay-

1 ments of benefits and the Board of Trustees shall
2 transfer those amounts; and

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

7 (f) BENEFIT PAYMENTS.—Section 7(c)(1) of the
8 Railroad Retirement Act of 1974 is amended—

9 (1) by striking “from the Railroad Retirement
10 Account” and inserting “by the disbursing agent
11 under subsection (b)(4) from money transferred to it
12 from the Railroad Retirement Trust Fund or the So-
13 cial Security Equivalent Benefit Account, as the case
14 may be”; and

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

18 (g) TRANSITIONAL RULE FOR EXISTING OBLIGA-
19 TION.—In making transfers under subsections (a) and (c),
20 the Board shall consult with the Secretary of the Treasury
21 to design an appropriate method to transfer obligations
22 held as of the date of the enactment or to convert such
23 obligations to cash prior to transfer. The Railroad Retire-
24 ment Trust may hold to maturity any obligations so re-

1 ceived or may redeem them prior to maturity, as the Trust
2 deems appropriate.

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

6 (a) PROJECTIONS.—Section 22(a)(1) of the Railroad
7 Retirement Act of 1974 is amended—

8 (1) by adding the following sentence after the
9 first sentence: “On or before May 1 of each year be-
10 ginning in 2002, the Railroad Retirement Board
11 shall compute its projection of the account benefits
12 ratio and the average account benefits ratio (as de-
13 fined by section 3241(c) of the Internal Revenue
14 Code of 1986) for each of the next succeeding five
15 fiscal years.”; and

16 (2) by striking “the projection prepared pursu-
17 ant to the preceding sentence” and inserting “the
18 projections prepared pursuant to the preceding two
19 sentences”.

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

22 “COMPUTATION AND CERTIFICATION OF ACCOUNT
23 BENEFIT RATIOS

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

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

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

6 “(b) On or before November 1 of each year after
7 2002, the Railroad Retirement Board shall—

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

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

12 “(c) DEFINITION.—As used in this section, the term
13 ‘account benefit ratio’ has the meaning given that term
14 in section 3241(e) of the Internal Revenue Code of
15 1986.”.

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

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

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

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

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

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

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

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

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

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

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

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

21 “(b) TIER 2 TAX.—

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

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

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

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

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

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

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

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

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

3 “(b) TIER 2 TAX.—

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

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

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

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

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

21 “(c) CROSS REFERENCE.—

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

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

24 “(b) TIER 2 TAX.—

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

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

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

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

16 (d) DETERMINATION OF RATE.—Chapter 22 is
17 amended by adding at the end thereof the following new
18 subchapter:

19 **“Subchapter E—Tier 2 Tax Rate**
20 **Determination**

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

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

23 “(a) IN GENERAL.—For purposes of sections
24 3201(b), 3211(b), and 3221(b), the applicable percentage

1 for any calendar year is the percentage determined in ac-
 2 cordance with the table in subsection (b).

3 “(b) TAX RATE SCHEDULE.—

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

4 “(c) DEFINITIONS RELATED TO DETERMINATION OF
 5 RATES OF TAX.—

6 “(1) AVERAGE ACCOUNT BENEFITS RATIO.—

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

15 “(2) ACCOUNT BENEFITS RATIO.—For pur-
 16 poses of this section, the term ‘account benefits
 17 ratio’ means, with respect to any fiscal year, the

1 amount determined by the Railroad Retirement
2 Board by dividing the fair market value of the assets
3 in the Railroad Retirement Account and of the Rail-
4 road Retirement Investment Trust (and for years
5 before 2001, the Social Security Equivalent Benefits
6 Account) as of the close of such fiscal year by the
7 total benefits and administrative expenses paid from
8 the Railroad Retirement Account and the Railroad
9 Retirement Investment Trust during such fiscal
10 year.

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

16 (e) CONFORMING AMENDMENTS.—

17 (1) Section 24(d)(3)(A)(iii) is amended by
18 striking “section 3211(a)(1)” and inserting “section
19 3211(a)”.

20 (2) Section 72(r)(2)(B)(i) is amended by strik-
21 ing “section 3211(a)(2)” and inserting “section
22 3211(b)”.

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

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

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

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

6 (f) **EFFECTIVE DATE.**—The amendments made by
7 this section shall apply to calendar years beginning after
8 December 31, 2000.

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