S. 2260, COMMERCE-JUSTICE APPROPRIATIONS, 1999—SPENDING COMPARISONS—SENATE-REPORTED BILL—Continued

(Fiscal Year 1999, $ millions)

	Defense	Non-defense	Crime	Manda-tory	Total
Outlays	320	26,285	4,688	555	31,848

NOTE: Details may not add to totals due to rounding. Totals adjusted for consistency with current scorekeeping conventions.

Mr. GRAMS. Mr. President, I don't wish to interrupt the debate on this bill, but as no one desires to speak right now, I ask unanimous consent I be allowed to speak for up to 20 minutes as in morning business.

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

Mr. GRAMS. Thank you, Mr. President.

RETIREMENT SYSTEM: THE INTERNATIONAL EXPERIENCE

Mr. GRAMS. Mr. President, in my most recent statements before this Chamber about the Social Security system, I have taken time to discuss its history and the looming crisis, that it will shatter the retirement dreams of our hard-working Americans.

Mr. President, in my most recent statements before this chamber about the Social Security system, I discussed its history and the looming crisis that will shatter the retirement dreams of hard-working Americans. Tonight, I would like to discuss Social Security from a different perspective, by turning our focus away from the coming crisis to look at the steps other nations have taken to improve their own retirement systems. I realize that it may be hard to look outside ourselves for possible solutions to the problems our Social Security system is facing—after all, we are a nation that is typically at the forefront of innovation. But if we set aside our pride, we can learn volumes about the viable international options before us.

Retirement security programs throughout the world will face a serious challenge in the 21st century due to a massive demographic change that is now taking place. The World Bank recently warned that, across the globe, ''old-age systems are in serious financial trouble and are not sustainable in their present form.'' Europe, Japan, and the U.S. share the identical problem of postwar demographic shifts that cannot sustain massively expensive social welfare programs. How to meet this challenge is critical to providing retirement security while maintaining sustainable, global, economic growth.

The crisis awaiting our Social Security system is nearly as serious as that faced by the European Union and Japan. What is equally serious is that, while many other countries have moved far ahead of us in taking steps to reform their old-age retirement systems, Congress has yet to focus on this problem. Some of the international efforts are extremely successful; those reforms may offer useful models as we explore solutions to our Social Security system.

Currently, there are three basic models being implemented abroad that deserve our attention. The ''Latin American'' model primarily follows Chile's experience. The Organization for Economic Cooperation and Development model, or ''OECD,'' is underway in the United Kingdom, Australia, Switzerland, and Denmark. There is even a third model—the ''Notional Account″ model—that has been adopted in countries such as Sweden, Italy, Latvia, China, and is on the verge of adoption in Poland.

These models have differences, and the nations implementing them have differences as well—economic, political, and demographic. But they all share a common theme and were born out of the same fiscal crisis that is facing the United States within the next decade. Like the U.S., each of these countries has an aging population, and—before the reforms—had an inability to meet the future retirement needs of their workforce. So in an effort to avoid economic devastation for their people and their nation as a whole, they undertook various reforms that are proving to be a win-win for both current and future retirees.

How did they do it? And what lessons can we—as policy leaders—take from their experiences and apply here at home as we grapple with the shortcomings of our own retirement system? These are some of the questions I will address today in my remarks. The bottom line is that each nation faced the key challenges of taking care of those already retired or about to reach retirement age, ensuring that future retirees benefitted from the changes, and finding an affordable means of funding the transition from a pay-as-you-go government retirement system to a future financing mechanism.

Mr. President, I'll begin with the Latin American model and in particular, focus on Chile's experiences. Back in the late 1970s, Chile realized that its publicly financed pay-as-you-go retirement system would soon be unable to meet its retirement promises. After a national debate and extensive outreach, the Chilean government approved a law to fully replace its system with a system of personalized Pension Savings Accounts by 1980. Nearly two decades later, pensions in Chile are between 50 to 100 percent higher than they were under the old government system. Real wages have increased, personal savings rates have nearly tripled, and the economy has grown at a rate nearly double what it had prior to the change.

Under the Chilean plan, Pension Savings Accounts, or PSAs, were created to replace the old system and operate much like a mutual fund. Like the old government plan, PSAs were to provide workers with approximately 70 percent of their lifetime working income. That is where the similarities between Chile's old and improved retirement programs ends.

When Chile created the PSA system, the existing system of having workers and employers pay social security taxes to the government was completely eliminated. Instead, workers began to make a mandatory contribution in the amount of 10 percent of their income to their own PSA. The old employer taxes were then available to workers in the form of higher wages. Through this evolution from the old, hidden labor tax on workers to the new PSA system, workers saw real gross wages increase by five percent. Furthermore, it reduced the cost of labor—and the economy prospered.

Under the PSA system, a worker has great control over his or her retirement savings account. First, the worker has the ability to choose who will manage their fund from a pool of government-regulated companies known as ''AFPs.'' This provides the worker with the ability to move between managers, while maintaining protections from serious losses resulting from undiversified risk portfolios, theft, or fraud. The resulting competition between AFPs results in lower fees for workers, higher returns averaging 12 percent annually, and better service —something that rarely occurs with government plans.

Second, each worker is empowered to ensure the level of retirement income they desire. Armed with a passbook and account statements, these workers have the information necessary to follow their earnings growth and decide how to adjust their tax-free voluntary contributions in order to yield a specific annual income upon their retirement. For example, the Chilean system was established to provide an annual income equivalent to 70 percent of lifetime income. However, under the PSA system, income is averaging 78 percent.

Third, workers can choose from two payout options upon retirement. A worker can leave his or her funds in the PSA and take programmed withdrawals from the account with the only limitation based upon projected lifetime expectancy. Should the retiree die prior to exhausting the PSA fund, any excess amount is transferred to his or her estate. The other scenario allows a worker to use the PSA funds to purchase an annuity from a private insurance company. These annuities guarantee a monthly income as well, and is indexed for inflation. In the event of death, survivor benefits are provided to the workers' dependents. They build an estate for their heirs.

And finally, PSA accounts are not automatically forfeited to the government in the case of premature death or disability of a worker. Under the Chilean system, the fund managers provide an insurance protection through private insurance companies. The fee is in addition to the 10 percent mandatory savings contribution, and ensures the PSA funds are not lost should a worker not reach full retirement age.

Personal accounts have brought personal freedom to Chile's retirement system. Today, more than 93 percent of the workforce participates in the PSAs, which boast an accumulated investment fund of $30 billion. This is remarkable when you consider Chile is a developing nation of 14 million people with a GDP of $70 billion. Chile's success has paved the way for other Latin American countries such as Argentina, Peru, and Columbia and has sparked the momentum for reform in Mexico, Bolivia, and El Salvador.

While individual accounts are proving successful in Latin America, the OECD model utilizes a ''group'' choice approach as a key element. Rather than allowing an individual to choose his or her own fund manager, the employer or union trustee chooses for the company or occupational group as a whole. This approach most likely developed from the fact that these reforms were politically easier to ''add-on'' to the existing government pay-as-you-go pension tier. Furthermore, reform leaders worked closely with union leaders when they began to implement the next tier of private plans, and then moved the reform sector by sector.

The movement began during the 1980s in the United Kingdom. Since the end of World War II, the British had a basic, flat rate, non-means tested government pension for all who paid into the national insurance plan. By the 1970s, a new tier was added to bridge a gap between those covered by private pensions and those without them. This State Earnings Related Pension Scheme, or SERPS, promised—in exchange for a payroll tax—an earnings-based pension of 25 percent of the best 20 years of earnings, in addition to the Basic State Pension.

However, like other nations, the government pension plan was facing bankruptcy and reform was critical to the future security of its workers and of the nation as a whole. Under the leadership of Social Security Secretary Peter Lilley, the British system evolved and began to enable individuals to choose the option of a new, self-financing private pension plan.

Under the British plan, current retirees were protected, but current workers were given a choice of pension plans. Those workers had the option of either staying in the SERPS program or contracting out to a private fund. If a worker chose to remain within SERPS, they would receive a reduced pension amounting to 20 percent of their best 20 years of earnings. However, if a worker contracted out of the SERPS, they were given the opportunity to participate in an occupational pension plan, and were eventually allowed to take part in a new private, portable pension plan much like a 401(k).

To pay for the plan, a worker who chooses to contract out receives a rebate equivalent to a portion of their payroll taxes. This rebate amounts to about 4.6 percent of earnings and must be invested in an approved plan. Additional contributions can be made—tax free—by employers and employees up to a combined total limit of 17.5 percent of the individual's income. As a safety net, companies are required to guarantee that workers who contract out will receive a pension at least equivalent to what they would have under SERPS, and are limited as to the amount that can be invested in the employer's own company.

To address changing workforce trends and not hold workers captive to employer plans, the British government created the ''appropriate personal pension,'' or APP, plan which would be available to workers, as well as to the self-employed or unemployed. These fully portable plans are much like the employer plans, funded by the 4.6 percent rebate in payroll taxes, and are an alternative to the occupational plan or the SERPS. As an incentive, the British government offered an additional ''payroll tax rebate'' above the standard rebate during the APPs infancy. This made these fully portable APPs attractive options for younger workers.

While there are many safeguards—including the ability for former SERPS workers to opt back into the government-run program—the success of the English system has been overwhelming. When the transformation began, analysts expected a participation rate of a half million workers, growing to 1.75 million over time. Today, nearly 73 percent of the workforce participates in private plans, boasting a total pool worth more than $1 trillion. The resulting economic growth and ability to control entitlement spending has analysts predicting the United Kingdom will pay off its national debt by 2030. In case any of my colleagues have forgotten, that is about the same time our Social Security trust fund is anticipated to go bankrupt.

Similarly, Australia has found much success in transforming its government pay-as-you-go pension plan to a more self-directed plan. By the 1980s, its existing retirement plan offered a full pension for all Australians over age 69, although most qualified to begin drawing benefits by age 60 for women and 65 for men. Like its international neighbors, Australia was facing a future financial situation that threatened worker retirement security and Australia's standing in the global economy.

As Australia began to review its options, three goals emerged. Whatever changes were made, the new system had to provide more benefits for future retirees than they would receive under the current plan; it had to increase national savings, and any new plan had to reduce budgetary pressures facing the system. By the mid-1980s, the Australian government instituted a mandatory savings plan called ''superannuation funds.'' In 1992, the program matured into a new Superannuation Guarantee that is still a work in progress.

During the transformation process, the Australian government took key steps to change its course. First, it strengthened the income means-testing for the old age pension. In doing so, the government also added an asset test in the calculations process. This was critical since the dependence on Social Security had contributed to the decline in national savings. Second, the government made the new superannuation savings portable, and instituted a penalty for withdrawals before age 55. This provided new incentives for savings since workers could take their funds with them, and disincentives for spending one's nest egg prior to retirement. Third, the government took steps to build union investment into the savings program. Rather than giving workers wage increases, negotiators reached an agreement to provide a 3-percent contribution into a superannuation fund for all employees and called for such guarantees to be built into all future labor contracts. Fourth, the government expanded coverage of the superannuation fund to virtually all workers, and every employer is required to contribute a set amount to the fund on the employees' behalf. The required amount is currently 3 percent and will grow to 9 percent by 2002.

Since the beginning of the Australian reform, additional changes have occurred. Today, workers have more choices between which superannuation fund their mandatory savings can be invested in. Additional tax relief has been provided for voluntary savings, but savings are not tax-free when invested. As Australia reviews its overall tax structure, however, there have been discussions about making contributions tax-free and deferring taxation until the funds are withdrawn. Another key issue was the total elimination of early withdrawal. Because a retirement safety net remains in place, the goal here was to eliminate a worker from ''double dipping''—collecting from the savings fund, then coming back to the government for a pension at age 65.

The Australian reforms are considered a successful example of the OECD model. And as more initiatives are implemented, it will likely continue to prove profitable for future retirees ''down under.''

The final example I would like to touch upon is the ''notional account'' model—like the system in Sweden. Under this plan, workers receive a passbook that reflects their defined contributions and the interest being accumulated over time, but there are no real assets in the account. The fund is just a ''notion'' of what it would be if it were funded. In some respects, it might be compared to the Personal Earnings Benefit Statements U.S. workers receive from the Social Security Administration. The up-side is there is no transition cost for a nation to move from a government-run, pay-as-you-go system to a notional pay-as-you-go system. The downside is that the funds remain at risk, as do future retirees. The bottom line here is that reforms have to be real if we are going to see any long-term benefit for workers.

Mr. President, it is clear that whatever the specifics, reforms are being implemented abroad that are proving to be a great success for both today's retirees and tomorrow's. I hope we have learned that we are not operating in a vacuum here—that there are real models out there for us to review and consider.

For the United States to be successful in the reforms it undertakes to ensure retirement security, there are four key principles we must uphold. First, we must protect all current and near-term retirees. Our government made a promise to them, and we must ensure any transformation we pursue does not impact the decisions they have made for their golden years.

Second, we must ensure that any proposal holds the promise of improved benefits—and greater retirement security—for future retirees.

Today's younger generations have every right to be skeptical about government promises to revamp a system they expect to go bankrupt. They need to know there is a solution that provides retirement security for them.

Third, any proposal should encourage personal choice by allowing individuals to establish personal retirement accounts.

Fourth, the government must not turn to tax increases to fund our pursuit of retirement security.

Finally, we must recognize that any change will require courage. We must admit to ourselves we have a system that is fine today but is a time bomb waiting to explode. The decisions ahead will not be easy; if they were, they would have been made already. But the debate must begin somewhere.

On August 14, this nation will recognize the 63rd anniversary of Congress' approval of the Social Security system. It is my hope that we will mark the occasion by engaging in a national debate over how we can transform our ailing system into a vibrant retirement program for generations to come.

I thank the Chair. I yield the floor.

Mr. GREGG. Mr. President, even though it has nothing to do with this bill, I would like to congratulate the Senator from Minnesota for his truly superb analysis of the Social Security issue and especially the information he brings to this Senate relative to other countries that have pursued reform of their pension programs.

There is no question but if there is a single issue of fiscal policy which most threatens this country's economic well-being in the future and, as a result, threatens our well-being today, it is the Social Security crisis. That occurs as a function of demographics; beginning in the year 2008, the Social Security system in this country pays more out than it is taking in. It begins that cost expansion dramatically as it moves into the period 2015, and by the year 2029–2030 the system is bankrupt and the Nation is unable to afford the costs of it.

It is absolutely essential that we guarantee our children and the postwar baby-boom generation which is about to go into the system a chance to have a viable Social Security system.

Some of the ideas the Senator from Minnesota has outlined are excellent approaches to this. I congratulate him, obviously, for the intensity of thought and energy he has put into this issue. I hope he will take an opportunity to review a bill which I have cosponsored along with Senator BREAUX from Louisiana to try to address this, which bill provides long-term solvency for the next 100 years. I include some of the ideas outlined by the Senator from Minnesota.

In any event, the thoughts of the Senator from Minnesota were extremely insightful and very appropriate, and I hope people have a chance to read them and review them as we go forward.

I yield the floor.

MORNING BUSINESS

Mr. GREGG. Mr. President, I ask unanimous consent that there now be a period for morning business.

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

Mr. GRAHAM addressed the Chair.

The PRESIDING OFFICER. The Senator from Florida.

The PRESIDING OFFICER. The Senator from Florida is recognized.

Mr. GRAHAM. I thank the Chair.

(The remarks of Mr. GRAHAM, Mr. GRASSLEY, and Mr. BAUCUS, pertaining to the introduction of S. 2339 are located in today's RECORD under ''Statements on Introduced Bills and Joint Resolutions.'')

SENATOR JEFF SESSIONS RECEIVES GOLDEN GAVEL AWARD

Mr. LOTT. Mr. President, today, the Senate pauses to recognize Senator JEFF SESSIONS, who has now presided over the Senate for one hundred hours during the 105th Congress. It is a long-standing tradition in the U.S. Senate to award these members with the golden gavel.

Since the 1960's, the golden gavel has served to mark a Senator's 100th presiding hour and continues to represent our appreciation for the time that these dedicated members contribute to presiding over the U.S. Senate—a very important duty.

With respect to presiding, Senator SESSIONS and his conscientious staff have worked to assist with presiding difficulties when scheduling difficulties arose.

It is with sincere appreciation that I announce to the Senate the latest recipient of the Golden Gavel Award—Senator JEFF SESSIONS.

THE VERY BAD DEBT BOXSCORE

Mr. HELMS. Mr. President, at the close of business yesterday, Monday, July 20, 1998, the federal debt stood at $5,532,950,037,759.42 (Five trillion, five hundred thirty-two billion, nine hundred fifty million, thirty-seven thousand, seven hundred fifty-nine dollars and forty-two cents).

Five years ago, July 20, 1993, the federal debt stood at $4,335,448,000,000 (Four trillion, three hundred thirty-five billion, four hundred forty-eight million).

Ten years ago, July 20, 1988, the federal debt stood at $2,553,113,000,000 (Two trillion, five hundred fifty-three billion, one hundred thirteen million).

Fifteen years ago, July 20, 1983, the federal debt stood at $1,329,282,000,000 (One trillion, three hundred twenty-nine billion, two hundred eighty-two million).

Twenty-five years ago, July 20, 1973, the federal debt stood at $455,844,000,000 (Four hundred fifty-five billion, eight hundred forty-four million) which reflects a debt increase of more than $5 trillion—$5,077,106,037,759.42 (Five trillion, seventy-seven billion, one hundred six million, thirty-seven thousand, seven hundred fifty-nine dollars and forty-two cents) during the past 25 years.

HONORING BRUCE ABSHEER

Mr. ASHCROFT. Mr. President, I rise today to commend Bruce Absheer for his lifetime service to the Federal Bureau of Alcohol, Tobacco, and Firearms (ATF) in St. Louis, Missouri. On July 4, 1998, Mr. Absheer retired as ATF Inspector from the St. Louis Office of the Bureau, ending 31 years of dedicated service as a federal employee.

Mr. Absheer began his career with the Federal Bureau of Alcohol, Tobacco, and Firearms on May 1, 1967. During his long tenure as an Inspector, Bruce conducted on-site alcohol, tobacco, firearms, and explosives inspections of these regulated industries. The inspections included examinations, analysis, and reports on operations to evaluate compliance with the applicable laws and regulations.

Through his work, Mr. Absheer represented ATF with integrity, loyalty, and professionalism. His commitment to excellence earned him the ATF Employee of the Year for the Midwest region in 1987, setting new standards.

As our nation looks to individuals to become more active in the workforce, I commend Bruce Absheer for his outstanding performance and service and thank him for his dedication to America. We wish him the very best as he