

106TH CONGRESS
1ST SESSION

H. R. 1793

To amend title II of the Social Security Act to provide for individual security accounts funded by employee and employer Social Security payroll deductions, to extend the solvency of the old-age, survivors, and disability insurance program, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MAY 13, 1999

Mr. KOLBE (for himself, Mr. STENHOLM, Mr. SMITH of Michigan, Mr. DOOLEY of California, Mr. SANFORD, Ms. MCCARTHY of Missouri, and Mr. GREENWOOD) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Rules, 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 amend title II of the Social Security Act to provide for individual security accounts funded by employee and employer Social Security payroll deductions, to extend the solvency of the old-age, survivors, and disability insurance program, and for other purposes.

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 “21st Century Retirement Act”.

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

- Sec. 1. Short title; table of contents.
- Sec. 2. Individual security accounts.
- Sec. 3. Minimum social security benefit.
- Sec. 4. Elimination of earnings test for individuals who have attained retirement age.
- Sec. 5. Reduction in the amount of certain transfers to Medicare Trust Fund.
- Sec. 6. Increase in number of years taken into account in determining average indexed monthly earnings.
- Sec. 7. Actuarial adjustment for retirement.
- Sec. 8. Improvements in process for cost-of-living adjustments.
- Sec. 9. Adjustment to upper 2 benefit formula factors.
- Sec. 10. Phased-in increase in social security retirement ages.
- Sec. 11. Modifications in PIA formula to reflect changes in life expectancy.
- Sec. 12. Mechanism for remedying unforeseen deterioration in social security solvency.

3 **SEC. 2. INDIVIDUAL SECURITY ACCOUNTS.**

4 (a) ESTABLISHMENT AND MAINTENANCE OF INDI-
 5 VIDUAL SECURITY ACCOUNTS.—Title II of the Social Se-
 6 curity Act (42 U.S.C. 401 et seq.) is amended—

7 (1) by inserting before section 201 the fol-
 8 lowing:

9 “PART A—INSURANCE BENEFITS”;

10 and

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

12 “PART B—INDIVIDUAL SECURITY ACCOUNTS

13 “INDIVIDUAL SECURITY ACCOUNTS

14 “SEC. 251. (a) ESTABLISHMENT.—

15 “(1) IN GENERAL.—The Commissioner of So-
 16 cial Security, within 30 days of the receipt of the
 17 first contribution received pursuant to subsection (b)
 18 with respect to an eligible individual, shall establish

1 in the name of such individual an individual security
2 account. The individual security account shall be
3 identified to the account holder by means of the ac-
4 count holder's Social Security account number.

5 “(2) DEFINITION OF ELIGIBLE INDIVIDUAL.—

6 In this part, the term ‘eligible individual’ means any
7 individual born after December 31, 1944.

8 “(b) CONTRIBUTIONS.—

9 “(1) AMOUNTS TRANSFERRED FROM THE
10 TRUST FUND.—The Secretary of the Treasury shall
11 transfer from the Federal Old-Age and Survivors In-
12 surance Trust Fund, for crediting by the Commis-
13 sioner of Social Security to an individual security ac-
14 count of an eligible individual, an amount equal to
15 the sum of any amount received by such Secretary
16 on behalf of such individual under section
17 3101(a)(2) or 1401(a)(2) of the Internal Revenue
18 Code of 1986.

19 “(2) OTHER CONTRIBUTIONS.—For provisions
20 relating to additional contributions credited to indi-
21 vidual security accounts, see sections 531(c)(2) and
22 6402(l) of the Internal Revenue Code of 1986.

23 “(c) DESIGNATION OF INVESTMENT TYPE OF INDI-
24 VIDUAL SECURITY ACCOUNT.—

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

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

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

16 “(4) DESIGNATION IN ABSENCE OF DESIGNA-
17 TION BY ELIGIBLE INDIVIDUAL.—In any case in
18 which no designation of the individual security ac-
19 count is made, the Commissioner of Social Security
20 shall make the designation of the individual security
21 account in accordance with regulations that take
22 into account the competing objectives of maximizing
23 returns on investments and minimizing the risk in-
24 volved with such investments.

1 “DEFINITION OF INDIVIDUAL SECURITY ACCOUNT;

2 TREATMENT OF ACCOUNTS

3 “SEC. 252. (a) INDIVIDUAL SECURITY ACCOUNT.—

4 In this part, the term ‘individual security account’ means
5 any individual security account in the Individual Security
6 Fund (established under section 254) which is adminis-
7 tered by the Individual Security Fund Board.

8 “(b) TREATMENT OF ACCOUNT.—Except as other-
9 wise provided in this part and in section 531 of the Inter-
10 nal Revenue Code of 1986, any individual security account
11 described in subsection (a) shall be treated in the same
12 manner as an individual account in the Thrift Savings
13 Fund under subchapter III of chapter 84 of title 5, United
14 States Code.

15 “INDIVIDUAL SECURITY ACCOUNT DISTRIBUTIONS

16 “SEC. 253. (a) DATE OF INITIAL DISTRIBUTION.—

17 Except as provided in subsection (c), distributions may
18 only be made from an individual security account of an
19 eligible individual on and after the earliest of—

20 “(1) the date the eligible individual attains nor-
21 mal retirement age, as determined under section 216
22 (or early retirement age (as so determined) if elected
23 by such individual), or

24 “(2) the date on which funds in the eligible in-
25 dividual’s individual security account are sufficient
26 to provide a monthly payment over the life expect-

1 ancy of the eligible individual (determined under rea-
2 sonable actuarial assumptions) which, when added to
3 the eligible individual's monthly benefit under part A
4 (if any), is at least equal to an amount equal to $\frac{1}{12}$
5 of the poverty line (as defined in section 673(2) of
6 the Community Services Block Grant Act (42 U.S.C.
7 9902(2) and determined on such date for a family
8 of the size involved) and adjusted annually there-
9 after by the adjustment determined under section
10 215(i).

11 “(b) FORMS OF DISTRIBUTION.—

12 “(1) REQUIRED MONTHLY PAYMENTS.—Except
13 as provided in paragraph (2), beginning with the
14 date determined under subsection (a), the balance in
15 an individual security account available to provide
16 monthly payments not in excess of the amount de-
17 scribed in subsection (a)(2) shall be paid, as elected
18 by the account holder (in such form and manner as
19 shall be prescribed in regulations of the Individual
20 Security Fund Board), by means of the purchase of
21 annuities or equal monthly payments over the life
22 expectancy of the eligible individual (determined
23 under reasonable actuarial assumptions) in accord-
24 ance with requirements (which shall be provided in
25 regulations of the Board) similar to the require-

1 ments applicable to payments of benefits under sub-
2 chapter III of chapter 84 of title 5, United States
3 Code, and providing for indexing for inflation.

4 “(2) PAYMENT OF EXCESS FUNDS.—To the ex-
5 tent funds remain in an eligible individual’s indi-
6 vidual security account after the application of para-
7 graph (1) and to the extent not inconsistent with the
8 provisions of subchapter III of chapter 84 of title 5,
9 United States Code, such funds shall be payable to
10 the eligible individual in such manner and in such
11 amounts as determined by the eligible individual.

12 “(c) DISTRIBUTION IN THE EVENT OF DEATH BE-
13 FORE THE DATE OF INITIAL DISTRIBUTION.—If the eligi-
14 ble individual dies before the date determined under sub-
15 section (a), the balance in such individual’s individual se-
16 curity account shall be distributed in a lump sum, under
17 rules established by the Individual Security Fund Board,
18 to the individual’s heirs.

19 “INDIVIDUAL SECURITY FUND

20 “SEC. 254. (a) ESTABLISHMENT.—There is estab-
21 lished and maintained in the Treasury of the United
22 States an Individual Security Fund in the same manner
23 as the Thrift Savings Fund under sections 8437, 8438,
24 and 8439 (but not section 8440) of title 5, United States
25 Code.

26 “(b) INDIVIDUAL SECURITY FUND BOARD.—

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

7 “(2) SPECIFIC INVESTMENT AND REPORTING
8 DUTIES.—

9 “(A) IN GENERAL.—The Individual Secu-
10 rity Fund Board shall manage and report on
11 the activities of the Individual Security Fund
12 and the individual security accounts of such
13 Fund in the same manner as the Federal Re-
14 tirement Thrift Investment Board manages and
15 reports on the Thrift Savings Fund and the in-
16 dividual accounts of such Fund under sub-
17 chapter VII of chapter 84 of title 5, United
18 States Code.

19 “(B) STUDY AND REPORT ON INCREASED
20 INVESTMENT OPTIONS.—

21 “(i) STUDY.—The Individual Security
22 Fund Board shall conduct a study regard-
23 ing ways to increase an eligible individual’s
24 investment options with respect to such in-
25 dividual’s individual security account and

1 with respect to rollovers or distributions
2 from such account.

3 “(ii) REPORT.—Not later than 2
4 years after the date of enactment of the
5 21st Century Retirement Act of 1999, the
6 Individual Security Fund Board shall sub-
7 mit a report to the President and Congress
8 that contains a detailed statement of the
9 results of the study conducted pursuant to
10 clause (i), together with the Board’s rec-
11 ommendations for such legislative actions
12 as the Board considers appropriate.

13 “BUDGETARY TREATMENT OF INDIVIDUAL SECURITY
14 FUND AND ACCOUNTS

15 “SEC. 255. The receipts and disbursements of the In-
16 dividual Security Fund and any accounts within such fund
17 shall not be included in the totals of the budget of the
18 United States Government as submitted by the President
19 or of the congressional budget and shall be exempt from
20 any general budget limitation imposed by statute on ex-
21 penditures and net lending (budget outlays) of the United
22 States Government.”.

23 (b) MODIFICATION OF FICA RATES.—

24 (1) EMPLOYEES.—Section 3101(a) of the Inter-
25 nal Revenue Code of 1986 (relating to tax on em-
26 ployees) is amended to read as follows:

1 “(a) OLD-AGE, SURVIVORS, AND DISABILITY INSUR-
2 ANCE.—

3 “(1) IN GENERAL.—

4 “(A) INDIVIDUALS COVERED UNDER PART
5 A OF TITLE II OF THE SOCIAL SECURITY ACT.—

6 In addition to other taxes, there is hereby im-
7 posed on the income of every individual who is
8 not a part B eligible individual a tax equal to
9 6.2 percent of the wages (as defined in section
10 3121(a)) received by him with respect to em-
11 ployment (as defined in section 3121(b)).

12 “(B) INDIVIDUALS COVERED UNDER PART
13 B OF TITLE II OF THE SOCIAL SECURITY ACT.—

14 In addition to other taxes, there is hereby im-
15 posed on the income of every part B eligible in-
16 dividual a tax equal to 4.2 percent of the wages
17 (as defined in section 3121(a)) received by such
18 individual with respect to employment (as de-
19 fined in section 3121(b)).

20 “(2) CONTRIBUTION OF OASDI TAX REDUCTION
21 TO INDIVIDUAL SECURITY ACCOUNTS.—

22 “(A) IN GENERAL.—In addition to other
23 taxes, there is hereby imposed on the income of
24 every part B eligible individual an individual se-

1 curity account contribution equal to the sum
2 of—

3 “(i) 2 percent of the wages (as so de-
4 fined) received by such individual with re-
5 spect to employment (as so defined), plus

6 “(ii) so much of such wages (not to
7 exceed \$2,000) as designated by the indi-
8 vidual in the same manner as described in
9 section 251(c) of the Social Security Act.

10 “(B) INFLATION ADJUSTMENT.—

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

15 “(I) such dollar amount, multi-
16 plied by

17 “(II) the cost-of-living adjust-
18 ment determined under section 1(f)(3)
19 for the calendar year, determined by
20 substituting ‘calendar year 1999’ for
21 ‘calendar year 1992’ in subparagraph
22 (B) thereof.

23 “(ii) ROUNDING.—If any dollar
24 amount after being increased under clause
25 (i) is not a multiple of \$10, such dollar

1 amount shall be rounded to the nearest
2 multiple of \$10.”.

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

7 “(a) OLD-AGE, SURVIVORS, AND DISABILITY INSUR-
8 ANCE.—

9 “(1) IN GENERAL.—

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

19 “(B) INDIVIDUALS COVERED UNDER PART
20 B OF TITLE II OF THE SOCIAL SECURITY ACT.—
21 In addition to other taxes, there is hereby im-
22 posed for each taxable year, on the self-employ-
23 ment income of every part B eligible individual,
24 a tax equal to 10.4 percent of the amount of

1 the self-employment income for such taxable
2 year.

3 “(2) CONTRIBUTION OF OASDI TAX REDUCTION
4 TO INDIVIDUAL SECURITY ACCOUNTS.—

5 “(A) IN GENERAL.—In addition to other
6 taxes, there is hereby imposed for each taxable
7 year, on the self-employment income of every
8 individual, an individual security account con-
9 tribution equal to the sum of—

10 “(i) 2 percent of the amount of the
11 self-employment income for each individual
12 for such taxable year; and

13 “(ii) so much of such self-employment
14 income (not to exceed \$2,000) as des-
15 ignated by the individual in the same man-
16 ner as described in section 251(c) of the
17 Social Security Act.

18 “(B) INFLATION ADJUSTMENT.—

19 “(i) IN GENERAL.—In the case of any
20 taxable year beginning after 2000, the dol-
21 lar amount in subparagraph (A)(ii) shall
22 be increased by an amount equal to—

23 “(I) such dollar amount, multi-
24 plied by

1 “(II) the cost-of-living adjust-
2 ment determined under section 1(f)(3)
3 for the calendar year in which the tax-
4 able year begins, determined by sub-
5 stituting ‘calendar year 1999’ for ‘cal-
6 endar year 1992’ in subparagraph (B)
7 thereof.

8 “(ii) ROUNDING.—If any dollar
9 amount after being increased under clause
10 (i) is not a multiple of \$10, such dollar
11 amount shall be rounded to the nearest
12 multiple of \$10.”.

13 (3) PART B ELIGIBLE INDIVIDUAL.—

14 (A) TAXES ON EMPLOYEES.—Section 3121
15 of such Code (relating to definitions) is amend-
16 ed by inserting after subsection (s) the fol-
17 lowing new subsection:

18 “(t) PART B ELIGIBLE INDIVIDUAL.—For purposes
19 of this chapter, the term ‘part B eligible individual’ means,
20 for any calendar year, an individual who is an eligible indi-
21 vidual (as defined in section 251(a)(2) of the Social Secu-
22 rity Act) for such calendar year.”.

23 (B) SELF-EMPLOYMENT TAX.—Section
24 1402 of such Code (relating to definitions) is

1 amended by adding at the end the following
2 new subsection:

3 “(k) PART B ELIGIBLE INDIVIDUAL.—The term
4 ‘part B eligible individual’ means, for any calendar year,
5 an individual who is an eligible individual (as defined in
6 section 251(a)(2) of the Social Security Act) for such cal-
7 endar year.”.

8 (4) EFFECTIVE DATES.—

9 (A) EMPLOYEES.—The amendments made
10 by paragraphs (1) and (3)(A) apply to remu-
11 neration paid after December 31, 1999.

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

16 (c) MATCHING CONTRIBUTIONS.—

17 (1) IN GENERAL.—Part IV of subchapter A of
18 chapter 1 of the Internal Revenue Code of 1986 (re-
19 lating to credits against tax) is amended by adding
20 at the end the following new subpart:

21 **“Subpart H—Individual Security Account Credits**

“Sec. 54. Individual security account credit.”.

1 **“SEC. 54. INDIVIDUAL SECURITY ACCOUNT CREDIT.**

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

5 “(1) \$150,

6 “(2) 50 percent of the designated wages of such
7 individual for the taxable year,

8 “(3) 50 percent of the designated self-employ-
9 ment income of such individual for the taxable year,
10 and

11 “(4) 50 percent of the designated earned in-
12 come credit.

13 “(b) LIMITATIONS.—

14 “(1) AMOUNT.—The amount determined under
15 subparagraphs (A) and (B) of paragraph (1) with
16 respect to such individual for any taxable year may
17 not exceed the excess (if any) of—

18 “(A) \$600, over

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

23 “(2) FAILURE TO MAKE VOLUNTARY CONTRIBU-
24 TIONS.—In the case of a part B eligible individual
25 with respect to whom the amount of wages des-
26 ignated under section 3101(a)(2)(A)(ii) plus the

1 amount self-employment income designated under
2 section 1401(a)(2)(A)(ii) for the taxable year is zero,
3 the credit to which such individual is entitled under
4 this section shall be equal to zero.

5 “(c) DEFINITIONS.—For purposes of this section—

6 “(1) PART B ELIGIBLE INDIVIDUAL.—The term
7 ‘part B eligible individual’ means, for any calendar
8 year, an individual who is an eligible individual (as
9 defined in section 251(a)(2) of the Social Security
10 Act) for such calendar year.

11 “(2) DESIGNATED WAGES.—The term ‘des-
12 ignated wages’ means with respect to any taxable
13 year the amount designated under section
14 3101(a)(2)(A)(ii).

15 “(3) DESIGNATED SELF-EMPLOYMENT IN-
16 COME.—The term ‘designated self-employment in-
17 come’ means with respect to any taxable year the
18 amount designated under section 1401(a)(2)(A)(ii)
19 for such taxable year.

20 “(4) DESIGNATED EARNED INCOME CREDIT.—
21 The term ‘designated earned income credit’ means
22 the amount of the credit allowed under section 32
23 for the taxable year that is designated by the part
24 B eligible individual in the same manner as de-
25 scribed in section 251(c) of the Social Security Act.

1 “(d) CREDIT USED ONLY FOR INDIVIDUAL SECUR-
2 RITY ACCOUNT.—For purposes of this title, the credit al-
3 lowed under this section with respect to any part B eligible
4 individual—

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

7 “(2) shall be treated as an overpayment of tax
8 under section 6401(b)(3) which may, in accordance
9 with section 6402(l), only be transferred to an indi-
10 vidual security account established under part B of
11 title II of the Social Security Act with respect to
12 such individual.”.

13 (2) CONTRIBUTION OF EITC AMOUNTS TO INDI-
14 VIDUAL SECURITY ACCOUNTS.—Section 32 of such
15 Code (relating to earned income) is amended by add-
16 ing at the end the following new subsection:

17 “(o) CONTRIBUTION TO INDIVIDUAL SECURITY AC-
18 COUNT.—

19 “(1) IN GENERAL.—An eligible part B indi-
20 vidual who is allowed a credit under this section may
21 designate all or a portion of such credit as a con-
22 tribution to the individual security account estab-
23 lished on behalf of such individual.

24 “(2) CREDIT USED ONLY FOR INDIVIDUAL SE-
25 CURITY ACCOUNT.—For purposes of this title, the

1 amount designated under paragraph (1) with respect
2 to any part B eligible individual—

3 “(A) shall not be treated as a credit al-
4 lowed under this section, but

5 “(B) shall be treated as an overpayment of
6 tax under section 6401(b)(3) which may, in ac-
7 cordance with section 6402(l), only be trans-
8 ferred to an individual security account estab-
9 lished under part B of title II of the Social Se-
10 curity Act with respect to such individual.”.

11 (3) CONTRIBUTION OF CREDITED AMOUNTS TO
12 INDIVIDUAL SECURITY ACCOUNT.—

13 (A) CREDITED AMOUNTS TREATED AS
14 OVERPAYMENT OF TAX.—Subsection (b) of sec-
15 tion 6401 (relating to excessive credits) is
16 amended by adding at the end the following
17 new paragraph:

18 “(3) SPECIAL RULE FOR CREDIT UNDER SEC-
19 TIONS 32 AND 54.—Subject to the provisions of sec-
20 tion 6402(l), the following sum shall be considered
21 an overpayment—

22 “(A) SECTION 54 CREDIT.—The amount of
23 any credit allowed under section 54 for any tax-
24 able year, plus

1 “(B) SECTION 32 DESIGNATED EARNED IN-
2 COME CREDIT CONTRIBUTION.—The amount of
3 the earned income credit designated as a con-
4 tribution to an individual security account
5 under section 32(o) for the taxable year.”.

6 (B) TRANSFER OF CREDIT AMOUNT TO IN-
7 DIVIDUAL SECURITY ACCOUNT.—Section 6402
8 of such Code (relating to authority to make
9 credits or refunds) is amended by adding at the
10 end the following new subsection:

11 “(1) OVERPAYMENTS ATTRIBUTABLE TO INDIVIDUAL
12 SECURITY ACCOUNT CREDIT.—In the case of any over-
13 payment described in section 6401(b)(3) with respect to
14 any individual, the Secretary shall transfer for crediting
15 by the Commissioner of Social Security to the individual
16 security account of an such individual, an amount equal
17 to the amount of such overpayment.”.

18 (4) NOTICE TO EITC RECIPIENTS OF MATCHING
19 CONTRIBUTIONS TO INDIVIDUAL SECURITY AC-
20 COUNTS.—In connection with information and tax
21 forms relating to the credit allowed under section 32
22 of the Internal Revenue Code of 1986, the Secretary
23 of the Treasury shall provide notice of the avail-
24 ability of matching contributions pursuant to section
25 54 of such Code (as added by subsection (a) of this

1 section) to individual security accounts under part
2 B of title II of the Social Security Act.

3 (5) CONFORMING AMENDMENTS.—

4 (A) Section 1324(b)(2) of title 31, United
5 States Code, is amended by inserting before the
6 period at the end “, or enacted by the 21st
7 Century Retirement Act”.

8 (B) The table of subparts for part IV of
9 subchapter A of chapter 1 of the Internal Rev-
10 enue Code of 1986 is amended by adding at the
11 end the following new item:

“Subpart H. Individual Security Account Credits.”.

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

15 (d) TAX TREATMENT OF INDIVIDUAL SECURITY AC-
16 COUNTS.—

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

21 **“PART IX—INDIVIDUAL SECURITY FUND AND**
22 **ACCOUNTS**

“Sec. 531. Individual Security Fund and Accounts.

1 **“SEC. 531. INDIVIDUAL SECURITY FUND AND ACCOUNTS.**

2 “(a) GENERAL RULE.—The Individual Security
3 Fund and individual security accounts shall be exempt
4 from taxation under this subtitle.

5 “(b) INDIVIDUAL SECURITY FUND AND ACCOUNTS
6 DEFINED.—For purposes of this section, the terms ‘Indi-
7 vidual Security Fund’ and ‘individual security account’
8 means the fund and account established under sections
9 254 and 251, respectively, of part B of title II of the So-
10 cial Security Act.

11 “(c) CONTRIBUTIONS.—

12 “(1) IN GENERAL.—No deduction shall be al-
13 lowed for contributions credited to an individual se-
14 curity account under section 251 of the Social Secu-
15 rity Act or section 6402(l).

16 “(2) ROLLOVER OF INHERITANCE.—Any por-
17 tion of a distribution to an heir from an individual
18 security account made by reason of the death of the
19 beneficiary of such account may be rolled over to the
20 individual security account of the heir.

21 “(d) DISTRIBUTIONS.—

22 “(1) IN GENERAL.—Any distribution from an
23 individual security account under section 253 of the
24 Social Security Act shall be included in gross income
25 under section 72.

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

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

13 (2) CLERICAL AMENDMENT.—The table of
14 parts for subchapter F of chapter 1 of the Internal
15 Revenue Code of 1986 is amended by adding after
16 the item relating to part VIII the following new
17 item:

 “Part IX. Individual security fund and accounts.”.

18 (3) EFFECTIVE DATE.—The amendments made
19 by this subsection shall apply to taxable years begin-
20 ning after December 31, 1999.

21 **SEC. 3. MINIMUM SOCIAL SECURITY BENEFIT.**

22 Section 215 of the Social Security Act (42 U.S.C.
23 415) is amended by adding at the end the following:

1 “Minimum Monthly Insurance Benefit

2 “(j)(1) Notwithstanding the preceding provisions of
3 this section—

4 “(A) the primary insurance amount of a quali-
5 fied individual shall be equal to the greater of—

6 “(i) the primary insurance amount deter-
7 mined under this section (without regard to this
8 subsection), or

9 “(ii) $\frac{1}{12}$ of the applicable percentage of
10 the applicable amount, and

11 “(B) any recomputation of the primary insur-
12 ance amount of a qualified individual shall not result
13 in a primary insurance amount less than the pri-
14 mary insurance amount as in effect immediately
15 prior to such recomputation.

16 “(2) For purposes of this subsection—

17 “(A) The term ‘qualified individual’ means an
18 individual—

19 “(i) who initially becomes eligible for old-
20 age or disability insurance benefits, or dies (be-
21 fore becoming eligible for such benefits) for a
22 month beginning after December 31, 2005, and

23 “(ii) who has at least 80 quarters of cov-
24 erage.

1 “(B) The term ‘applicable amount’ means, in
2 connection with an individual, \$7,992 adjusted
3 annually—

4 “(i)(I) with respect to an individual whose
5 initial month of eligibility occurs in a year prior
6 to 2011, by the CPI increase percentage deter-
7 mined under section 215(i) for 1996 through
8 the year prior to such year of eligibility; and

9 “(II) with respect to an individual whose
10 initial month of eligibility occurs in a year after
11 2010, by the CPI increase percentage deter-
12 mined under such section for 1996 through
13 2009, and by the wage increase percentage de-
14 termined under such section for 2009 through
15 the second year prior to the year of such eligi-
16 bility; and

17 “(ii) by the CPI increase percentage deter-
18 mined under such section for all years begin-
19 ning with the year of an individual’s initial eli-
20 gibility.

21 “(C)(i) The term ‘applicable percentage’ means,
22 for computations and recomputations of a qualified
23 individual’s primary insurance amount under this
24 section whose initial eligibility occurs in any calendar

1 year specified in the table under clause (ii), the sum
 2 of—

3 “(I) the applicable base percentage speci-
 4 fied in such table in connection with such year,
 5 plus

6 “(II) the product derived by multiplying
 7 the applicable percentage increment specified in
 8 such table in connection with such year by the
 9 ratio of the number of such individual’s quar-
 10 ters of coverage (if any) in excess of the min-
 11 imum number of quarters required under sub-
 12 paragraph (A)(ii) but not in excess of twice
 13 such minimum, to such minimum.

14 “(ii) For purposes of clause (i), the applicable
 15 base percentages and applicable percentage incre-
 16 ments are set forth in connection with calendar
 17 years in the following table:

“If the calendar year is:	The applicable base percentage is:	And the applicable percentage incre- ment is:
2006	12 percent	8 percent
2007	24 percent	16 percent
2008	36 percent	24 percent
2009	48 percent	32 percent
After 2009	60 percent	40 percent.”

1 **SEC. 4. ELIMINATION OF EARNINGS TEST FOR INDIVID-**
2 **UALS WHO HAVE ATTAINED RETIREMENT**
3 **AGE.**

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

6 (1) in subsection (c)(1), by striking “the age of
7 seventy” and inserting “retirement age (as defined
8 in section 216(l))”;

9 (2) in paragraphs (1)(A) and (2) of subsection
10 (d), by striking “the age of seventy” each place it
11 appears and inserting “retirement age (as defined in
12 section 216(l))”;

13 (3) in subsection (f)(1)(B), by striking “was
14 age seventy or over” and inserting “was at or above
15 retirement age (as defined in section 216(l))”;

16 (4) in subsection (f)(3)—

17 (A) by striking “33 $\frac{1}{3}$ percent” and all
18 that follows through “any other individual,”
19 and inserting “50 percent of such individual’s
20 earnings for such year in excess of the product
21 of the exempt amount as determined under
22 paragraph (8),”; and

23 (B) by striking “age 70” and inserting
24 “retirement age (as defined in section 216(l))”;

1 (5) in subsection (h)(1)(A), by striking “age
2 70” each place it appears and inserting “retirement
3 age (as defined in section 216(l))”; and

4 (6) in subsection (j)—

5 (A) in the heading, by striking “Age Sev-
6 enty” and inserting “Retirement Age”; and

7 (B) by striking “seventy years of age” and
8 inserting “having attained retirement age (as
9 defined in section 216(l))”.

10 (b) CONFORMING AMENDMENTS ELIMINATING THE
11 SPECIAL EXEMPT AMOUNT FOR INDIVIDUALS WHO HAVE
12 ATTAINED RETIREMENT AGE.—

13 (1) UNIFORM EXEMPT AMOUNT.—Section
14 203(f)(8)(A) of the Social Security Act (42 U.S.C.
15 403(f)(8)(A)) is amended by striking “the new ex-
16 empt amounts (separately stated for individuals de-
17 scribed in subparagraph (D) and for other individ-
18 uals) which are to be applicable” and inserting “a
19 new exempt amount which shall be applicable”.

20 (2) CONFORMING AMENDMENTS.—Section
21 203(f)(8)(B) of such Act (42 U.S.C. 403(f)(8)(B))
22 is amended—

23 (A) in the matter preceding clause (i), by
24 striking “Except” and all that follows through
25 “whichever” and inserting “The exempt amount

1 which is applicable for each month of a par-
2 ticular taxable year shall be whichever”;

3 (B) in clauses (i) and (ii), by striking “cor-
4 responding” each place it appears; and

5 (C) in the last sentence, by striking “an
6 exempt amount” and inserting “the exempt
7 amount”.

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

11 (c) ADDITIONAL CONFORMING AMENDMENTS.—

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

15 (A) in subsection (c), in the last sentence,
16 by striking “nor shall any deduction” and all
17 that follows and inserting “nor shall any deduc-
18 tion be made under this subsection from any
19 widow’s or widower’s insurance benefit if the
20 widow, surviving divorced wife, widower, or sur-
21 viving divorced husband involved became enti-
22 tled to such benefit prior to attaining age 60.”;
23 and

24 (B) in subsection (f)(1), by striking sub-
25 paragraph (D) and inserting the following: “(D)

1 for which such individual is entitled to widow’s
2 or widower’s insurance benefits if such indi-
3 vidual became so entitled prior to attaining age
4 60.”.

5 (2) CONFORMING AMENDMENT TO PROVISIONS
6 FOR DETERMINING AMOUNT OF INCREASE ON AC-
7 COUNT OF DELAYED RETIREMENT.—Section
8 202(w)(2)(B)(ii) of such Act (42 U.S.C.
9 402(w)(2)(B)(ii)) is amended—

10 (A) by striking “either”; and

11 (B) by striking “or suffered deductions
12 under section 203(b) or 203(c) in amounts
13 equal to the amount of such benefit”.

14 (3) PROVISIONS RELATING TO EARNINGS
15 TAKEN INTO ACCOUNT IN DETERMINING SUBSTAN-
16 TIAL GAINFUL ACTIVITY OF BLIND INDIVIDUALS.—
17 The second sentence of section 223(d)(4) of such
18 Act (42 U.S.C. 423(d)(4)) is amended by striking
19 “if section 102 of the Senior Citizens’ Right to
20 Work Act of 1996 had not been enacted” and insert-
21 ing the following: “if the amendments to section 203
22 made by section 102 of the Senior Citizens’ Right to
23 Work Act of 1996 and by the Strengthening Social
24 Security Act of 1998 had not been enacted”.

1 (d) EFFECTIVE DATE.—The amendments and re-
2 peals made by this section shall apply with respect to tax-
3 able years ending after December 31, 1999.

4 **SEC. 5. REDUCTION IN THE AMOUNT OF CERTAIN TRANS-**
5 **FERS TO MEDICARE TRUST FUND.**

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

10 (1) in clause (ii), by striking “the amounts”
11 and inserting “the applicable percentage of the
12 amounts”; and

13 (2) by adding at the end the following: “For
14 purposes of clause (ii), the applicable percentage for
15 a year is equal to 100 percent, reduced (but not
16 below zero) by 10 percentage points for each year
17 after 2009.”.

18 **SEC. 6. INCREASE IN NUMBER OF YEARS TAKEN INTO AC-**
19 **COUNT IN DETERMINING AVERAGE INDEXED**
20 **MONTHLY EARNINGS.**

21 (a) IN GENERAL.—Section 215(b) of the Social Secu-
22 rity Act (42 U.S.C. 415(b)(1)) is amended—

23 (1) by striking subparagraph (B) of paragraph
24 (1) and inserting the following:

25 “(B) the product derived by multiplying—

1 “(i) the number of elapsed years, reduced
2 (in any case to which paragraph (2)(A)(i) ap-
3 plies) to the extent provided in paragraph
4 (2)(C), by

5 “(ii) 12.”;

6 (2) in subparagraph (A) of paragraph (2), by
7 striking all of such subparagraph as precedes
8 “Clause (ii),” and inserting the following:

9 “(2)(A) The number of an individual’s benefit com-
10 putation years equals—

11 “(i) in the case of an individual who is entitled
12 to old-age insurance benefits (except as provided in
13 the second sentence of this subparagraph), or who
14 has died, the number of his computation base years,
15 and

16 “(ii) in the case of an individual who is entitled
17 to disability insurance benefits, the number of
18 elapsed years reduced by the number of years equal
19 to one-fifth of the number of elapsed years (dis-
20 regarding any resulting fractional part of a year),
21 but not by more than 5 years.”; and

22 (3) by adding at the end of paragraph (2) the
23 following new subparagraph:

24 “(C)(i) For purposes of clause (i) of paragraph
25 (1)(B), the number of elapsed years shall be reduced pur-

1 suant to such clause by the number of years specified in
 2 connection with the calendar year in which such individual
 3 becomes eligible for old-age insurance benefits, or dies (be-
 4 fore becoming eligible for such benefits), as set forth in
 5 the following table:

“If such calendar year is:	The applicable number of years is:
2000 or 2001	5.
2002 or 2003	4.
2004 or 2005	3.
2006 or 2007	2.
2008 or 2009	1.
After 2009	0.

6 “(ii) The reduction provided in clause (i) of
 7 paragraph (1)(B) shall not apply in any case in
 8 which—

9 “(I) the individual is married at the time
 10 the individual becomes eligible for old-age insur-
 11 ance benefits or dies (before becoming eligible
 12 for such benefits), and

13 “(II) the total of the wages paid in and
 14 self-employment income credited to the pre-
 15 ceding calendar year with respect to the indi-
 16 vidual is less than the total of the wages paid
 17 in and self-employment income credited to such
 18 year with respect to the individual’s spouse.”.

19 (c) EFFECTIVE DATE.—The amendments made by
 20 this section shall apply with respect to individuals attain-
 21 ing early retirement age (as defined in section 216(l)(2)

1 of the Social Security Act) or dying after December 31,
2 1999.

3 **SEC. 7. ACTUARIAL ADJUSTMENT FOR RETIREMENT.**

4 (a) EARLY RETIREMENT.—

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

7 (A) in paragraph (1)(A), by striking “ $\frac{5}{9}$ ”
8 and inserting “the applicable fraction (deter-
9 mined under paragraph (12))”; and

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

11 “(12) For purposes of paragraph (1)(A), the ‘applica-
12 ble fraction’ for an individual who attains the age of 62
13 in—

14 “(A) any year before 2001, is $\frac{5}{9}$;

15 “(B) 2001, is $\frac{7}{12}$;

16 “(C) 2002, is $\frac{11}{18}$;

17 “(D) 2003, is $\frac{23}{36}$;

18 “(E) 2004, is $\frac{2}{3}$; and

19 “(F) 2005 or any succeeding year, is $\frac{25}{36}$.”.

20 (2) MONTHS BEYOND FIRST 36 MONTHS.—Sec-
21 tion 202(q) of such Act (42 U.S.C. 402(q)(9)) (as
22 amended by paragraph (1)) is amended—

23 (A) in paragraph (9)(A), by striking “five-
24 twelfths” and inserting “the applicable fraction
25 (determined under paragraph (13))”; and

1 (B) by adding at the end the following:

2 “(13) For purposes of paragraph (9)(A), the ‘applica-
3 ble fraction’ for an individual who attains the age of 62
4 in—

5 “(A) any year before 2001, is $\frac{5}{12}$;

6 “(B) 2001, is $\frac{16}{36}$;

7 “(C) 2002, is $\frac{16}{36}$;

8 “(D) 2003, is $\frac{17}{36}$;

9 “(E) 2004, is $\frac{17}{36}$; and

10 “(F) 2005 or any succeeding year, is $\frac{1}{2}$.”

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

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

17 (1) in subparagraph (C), by striking “and” at
18 the end;

19 (2) in subparagraph (D), by striking “2004.”
20 and inserting “2004 and before 2007;”; and

21 (3) by adding at the end the following:

22 “(E) $\frac{17}{24}$ of 1 percent in the case of an indi-
23 vidual who attains the age of 62 in a calendar year
24 after 2006 and before 2009;

1 “(F) $\frac{3}{4}$ of 1 percent in the case of an indi-
2 vidual who attains the age of 62 in a calendar year
3 after 2008 and before 2011;

4 “(G) $\frac{19}{24}$ of 1 percent in the case of an indi-
5 vidual who attains the age of 62 in a calendar year
6 after 2010 and before 2013; and

7 “(H) $\frac{5}{6}$ of 1 percent in the case of an indi-
8 vidual who attains the age of 62 in a calendar year
9 after 2012.”.

10 **SEC. 8. IMPROVEMENTS IN PROCESS FOR COST-OF-LIVING**
11 **ADJUSTMENTS.**

12 (a) ANNUAL DECLARATIONS OF ACHIEVED SUBSTI-
13 TUTION BIAS CORRECTION AND RETAINED UPPER LEVEL
14 SUBSTITUTION BIAS.—

15 (1) ACHIEVED SUBSTITUTION BIAS CORREC-
16 TION.—Not later than October 1, 1999, and annu-
17 ally thereafter, the Commissioner of the Bureau of
18 Labor Statistics shall publish in the Federal Reg-
19 ister an estimate of the number of percentage points
20 by which the annual rate of change in the Consumer
21 Price Index is reduced below the rate it would other-
22 wise have attained by reason of adjustments in the
23 determination of such index instituted by the Bu-
24 reau after December 31, 1998.

1 (2) UPPER LEVEL SUBSTITUTION BIAS.—Not
2 later than August 1, 2000, and annually thereafter,
3 the Commissioner of the Bureau of Labor Statistics
4 shall publish in the Federal Register an estimate of
5 the upper level substitution bias retained in the Con-
6 sumer Price Index, expressed in terms of a percent-
7 age point effect on the annual rate of change in the
8 Consumer Price Index for the preceding calendar
9 year determined through the use of a superlative
10 index that accounts for changes that consumers
11 make in the quantities of goods and services con-
12 sumed.

13 (b) FUNDING FOR CPI IMPROVEMENTS.—

14 (1) IN GENERAL.—There is hereby appro-
15 priated to the Bureau of Labor Statistics in the De-
16 partment of Labor, for each of fiscal years 1999,
17 2000, and 2001, \$30,000,000 for use by the Bureau
18 for the following purposes:

19 (A) Research, evaluation, and implementa-
20 tion of a superlative index to estimate upper
21 level substitution bias in the Consumer Price
22 Index.

23 (B) Expansion of the Consumer Expendi-
24 ture Survey and the Point of Purchase Survey.

1 (C) Implementation of revisions to the
2 Consumer Price Index with respect to programs
3 under title II of the Social Security Act (42
4 U.S.C. 401 et seq.).

5 (2) REPORTS.—The Commissioner of the Bu-
6 reau of Labor Statistics shall submit reports regard-
7 ing the use of appropriations made under paragraph
8 (1) to the Committee on Appropriations of the
9 House of Representative and the Committee on Ap-
10 propriations of the Senate upon the request of each
11 Committee.

12 (c) INFORMATION SHARING.—The Commissioner of
13 the Bureau of Labor Statistics may secure directly from
14 the Secretary of Commerce information necessary for pur-
15 poses of calculating the Consumer Price Index. Upon re-
16 quest of the Commissioner of the Bureau of Labor Statis-
17 tics, the Secretary of Commerce shall furnish that infor-
18 mation to the Commissioner.

19 (d) ADMINISTRATIVE ADVISORY COMMITTEE.—The
20 Bureau of Labor Statistics shall, in consultation with the
21 National Bureau of Economic Research, the American
22 Economic Association, and the National Academy of Stat-
23 isticians, establish an administrative advisory committee.
24 The advisory committee shall periodically advise the Bu-
25 reau of Labor Statistics regarding revisions of the Con-

1 sumer Price Index and conduct research and experimen-
2 tation with alternative data collection and estimating ap-
3 proaches.

4 (e) MODIFICATIONS TO COST-OF-LIVING INDEXING
5 OF BENEFITS.—

6 (1) IN GENERAL.—Section 215(i)(1)(D) of the
7 Social Security Act (42 U.S.C. 415(i)(1)(D)) is
8 amended to to read as follows:

9 “(D) the term ‘CPI increase percentage’, with
10 respect to a base quarter or cost-of-living computa-
11 tion quarter in any calendar year, means—

12 “(i) the percentage (rounded to the nearest
13 one-hundredth of 1 percent) by which the Con-
14 sumer Price Index for that quarter (as prepared
15 by the Department of Labor) exceeds such
16 index for the most recent prior calendar quarter
17 which was a base quarter under subparagraph
18 (A)(ii) or, if later, the most recent cost-of-living
19 computation quarter under subparagraph (B),

20 “(ii) reduced (but not below zero) by the
21 upper level substitution bias (rounded to the
22 nearest one-hundredth of 1 percent) retained in
23 such index (as published by the Secretary of
24 Labor pursuant to section 8(a)(2) of the 21st
25 Century Retirement Act of 1999 in connection

1 with the annual rate of change in the Consumer
2 Price Index for the preceding calendar year), to
3 the extent applicable to such percentage, and

4 “(iii) reduced further (but not below zero)
5 by the excess (if any) of 0.33 percentage points
6 over the sum of—

7 “(I) the reduction in percentage
8 points undergone by the percentage de-
9 scribed in clause (i) pursuant to clause (ii),
10 and

11 “(II) the reduction in percentage
12 points undergone by the percentage de-
13 scribed in clause (i) (rounded to the near-
14 est one-hundredth of 1 percent) attrib-
15 utable to the achieved substitution bias
16 correction (as last published by the Sec-
17 retary of Labor pursuant to section 8(a)(1)
18 of the 21st Century Retirement Act of
19 1999), to the extent applicable to such per-
20 centage.”.

21 (2) EFFECTIVE DATE.—The amendment made
22 by paragraph (1) shall apply with respect to in-
23 creases under section 215(i) of the Social Security
24 Act effective with the month of December of years
25 after 1999.

1 (f) CONSUMER PRICE INDEX ADJUSTMENTS APPLI-
2 CABLE TO INTERNAL REVENUE CODE PROVISIONS.—

3 (1) IN GENERAL.—Paragraph (3) of section
4 1(f) of the Internal Revenue Code of 1986 (defining
5 cost-of-living adjustment) is amended by striking the
6 period at the end and inserting a comma and by in-
7 serting at the end the following flush material:

8 “reduced (but not below zero) by the number of
9 percentage points determined under paragraph
10 (8) for the calendar year for which such adjust-
11 ment is being determined.”.

12 (2) LIMITATION ON INCREASES.—Subsection (f)
13 of section 1 of such Code is amended by adding at
14 the end the following new paragraph:

15 “(8) LIMITATION ON INCREASES IN CPI.—

16 “(A) IN GENERAL.—The number of per-
17 centage points determined under this paragraph
18 for any calendar year is—

19 “(i) the upper level substitution bias,
20 to the extent applicable to the percentage
21 adjustment under paragraph (3), plus

22 “(ii) the excess (if any) of 0.33 per-
23 centage points over the sum of—

24 “(I) such upper level substitution
25 bias, and

1 “(II) the achieved substitution
2 bias correction, to the extent applica-
3 ble to the percentage adjustment
4 under paragraph (3).

5 “(B) COMPUTATION OF BASE TO REFLECT
6 LIMITATION.—The Secretary shall adjust the
7 number taken into account under paragraph
8 (3)(B) so that any increase which is not taken
9 into account by reason of subparagraph (A)
10 shall not be taken into account at any time so
11 as to allow such increase for any period.

12 “(C) DEFINITIONS.—For purposes of this
13 paragraph, the terms ‘achieved substitution bias
14 correction’ and ‘upper level substitution bias’
15 mean, with respect to any 12-month period end-
16 ing on August 31 of a calendar year, the
17 achieved substitution bias correction and upper
18 level substitution bias most recently published
19 by the Secretary of Labor pursuant to section
20 8(a) of the 21st Century Retirement Act of
21 1999 for a period ending on or before August
22 31 of such calendar year.”.

23 (g) CORRESPONDING AMENDMENTS TO OTHER PRO-
24 VISIONS UTILIZING THE CONSUMER PRICE INDEX.—

1 (1) IN GENERAL.—For purposes of determining
2 the amount of any cost-of-living adjustment which
3 takes effect for benefits payable after December 31,
4 1999, with respect to any benefit described in para-
5 graph (5)—

6 (A) any increase in the relevant index (de-
7 termined without regard to this subsection)
8 shall be reduced by the number of percentage
9 points determined under paragraph (2), and

10 (B) the amount of the increase in such
11 benefit shall be equal to the product of—

12 (i) the increase in the relevant index
13 (as reduced under subparagraph (A)), and

14 (ii) the average such benefit for the
15 preceding calendar year under the program
16 described in paragraph (5) which provides
17 such benefit.

18 (2) LIMITATION ON INCREASES.—

19 (A) IN GENERAL.—The number of percent-
20 age points determined under this paragraph for
21 any calendar year is—

22 (i) the upper level substitution bias, to
23 the extent applicable to the percentage ad-
24 justment under the relevant index, plus

1 (ii) the excess (if any) of 0.33 per-
2 centage points over the sum of—

3 (I) such upper level substitution
4 bias, and

5 (II) the achieved substitution
6 bias correction, to the extent applica-
7 ble to the percentage adjustment
8 under the relevant index,.

9 (B) COMPUTATION OF BASE TO REFLECT
10 LIMITATION.—Any increase which is not taken
11 into account by reason of subparagraph (A)
12 shall not be taken into account at any time so
13 as to allow such increase for any period.

14 (3) PARAGRAPH (1) TO APPLY ONLY TO COM-
15 PUTATION OF BENEFIT AMOUNTS.—Paragraph (1)
16 shall apply only for purposes of determining the
17 amount of benefits and not for purposes of
18 determining—

19 (A) whether a threshold increase in the rel-
20 evant index has been met, or

21 (B) increases in amounts under other pro-
22 visions of law not described in paragraph (5)
23 which operate by reference to increases in such
24 benefits.

1 (4) DEFINITIONS.—For purposes of this
2 subsection—

3 (A) COST-OF-LIVING ADJUSTMENT.—The
4 term “cost-of-living adjustment” means any ad-
5 justment in the amount of benefits described in
6 paragraph (5) which is determined by reference
7 to changes in an index.

8 (B) INDEX.—

9 (i) INDEX.—The term “index” means
10 the Consumer Price Index and any other
11 index of price or wages.

12 (ii) RELEVANT INDEX.—The term
13 “relevant index” means the index on the
14 basis of which the amount of the cost-of-
15 living adjustment is determined.

16 (C) ACHIEVED SUBSTITUTION BIAS COR-
17 RECTION; UPPER LEVEL SUBSTITUTION BIAS.—
18 The terms ‘achieved substitution bias correc-
19 tion’ and ‘upper level substitution bias’ mean,
20 with respect to the applicable 12-month period
21 preceding a cost-of-living adjustment, the
22 achieved substitution bias correction and upper
23 level substitution bias most recently published
24 by the Secretary of Labor pursuant to section

1 8(a) of the 21st Century Retirement Act of
2 1999.

3 (5) BENEFITS TO WHICH SUBSECTION AP-
4 PLIES.—For purposes of this subsection, the benefits
5 described in this paragraph are—

6 (A) retired and retainer pay subject to ad-
7 justment under section 1401a of title 10,
8 United States Code;

9 (B) civil service retirement benefits under
10 section 8340 of title 5, United States Code, for-
11 eign service retirement benefits under section
12 826 of the Foreign Service Act of 1980, Central
13 Intelligence Agency retirement benefits under
14 part J of the Central Intelligence Agency Re-
15 tirement Act of 1964 for certain employees, and
16 any other benefits under any similar provision
17 under any retirement system for employees of
18 the government of the United States;

19 (C) Federal workers' compensation under
20 section 8146a of title 5, United States Code;

21 (D) benefits under section 3(a), 4(a), or
22 4(f) of the Railroad Retirement Act of 1974;
23 and

24 (E) benefits and expenditure limits under
25 title XVIII or XIX of the Social Security Act.

1 (6) BENEFIT.—For purposes of this section,
2 the term “benefit” includes a payment.

3 (h) RECAPTURE TO FEDERAL OLD-AGE AND SUR-
4 VIVORS INSURANCE TRUST FUND.—Section 201 of the
5 Social Security Act (42 U.S.C. 401) is amended by adding
6 at the end the following new subsection:

7 “(n) On July 1 of each calendar year specified in the
8 following table, the Secretary of the Treasury shall trans-
9 fer, from the general fund of the Treasury to the Federal
10 Old-Age and Survivors Insurance Trust Fund, an amount
11 equal to the applicable percentage for such year, specified
12 in such table, of the total wages paid in and self-employ-
13 ment income credited to such year.

“For a calendar year—	The applicable percentage for the year is—
After 1999 and before 2001	0.03 percent.
After 2000 and before 2002	0.07 percent.
After 2001 and before 2003	0.13 percent.
After 2002 and before 2004	0.15 percent.
After 2003 and before 2005	0.20 percent.
After 2004 and before 2006	0.24 percent.
After 2005 and before 2007	0.28 percent.
After 2006 and before 2008	0.32 percent.
After 2007 and before 2009	0.35 percent.
After 2008 and before 2010	0.38 percent.
After 2009 and before 2016	0.47 percent.
After 2015 and before 2040	0.55 percent.
After 2039 and before 2060	0.66 percent.
After 2059	0.80 percent.”.

14 **SEC. 9. ADJUSTMENT TO UPPER 2 BENEFIT FORMULA FAC-**
15 **TORS.**

16 Section 215(a)(1)(B) of the Social Security Act (42
17 U.S.C. 415(a)(1)(B)) is amended—

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

2 and

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

4 “(iii) For an individual who initially becomes eligible
5 for old-age or disability insurance benefits, or who dies
6 (before becoming eligible for such benefits), in any cal-
7 endar year after 2005, each of the amounts otherwise es-
8 tablished for purposes of clauses (ii) and (iii) of subpara-
9 graph (A) under this subparagraph shall be substituted
10 with the product derived by successively multiplying, once
11 for each year of the factoring period for such individual
12 commencing with 2006—

13 “(I) such amount (after applying this clause for
14 earlier years of the factoring period), by

15 “(II) the designated factor for such year.

16 “(iv) For purposes of clause (iii), the term ‘factoring
17 period’ means, for an individual, the period beginning with
18 2006 and ending with the earlier of—

19 “(I) the year of the individual’s initial eligibility
20 or death, or

21 “(II) 2030.

22 “(v) For purposes of clause (iii), the term ‘designated
23 factor’ means—

24 “(I) for a year prior to 2011, 0.985, and

25 “(II) for a year after 2010, 0.980.”.

1 **SEC. 10. PHASED-IN INCREASE IN SOCIAL SECURITY RE-**
2 **TIREMENT AGES.**

3 (a) NORMAL RETIREMENT AGE.—Section 216(l) of
4 the Social Security Act (42 U.S.C. 416(l) is amended—

5 (1) in paragraph (1), by striking subparagraphs
6 (A), (B), (C), (D), and (E) and inserting the fol-
7 lowing:

8 “(A) with respect to an individual who at-
9 tains age 62 (or in the case of a widow’s or
10 widower’s insurance benefit, age 60) before
11 January 1, 2000, 65 years of age;

12 “(B) with respect to an individual who at-
13 tains age 62 (or in the case of a widow’s or
14 widower’s insurance benefit, age 60) after De-
15 cember 31, 1999 and before January 1, 2011,
16 65 years of age plus $\frac{2}{12}$ of the number of
17 months in the period beginning with January
18 2000 and ending with December of the year in
19 which the individual attains age 62 (or in the
20 case of a widow’s or widower’s insurance ben-
21 efit, age 60);

22 “(C) with respect to an individual who at-
23 tains age 62 (or in the case of a widow’s or
24 widower’s insurance benefit, age 60) after De-
25 cember 31, 2010, and before January 1, 2012,
26 67 years of age; and

1 “(D) with respect to an individual who at-
2 tains age 62 (or in the case of a widow’s or
3 widower’s insurance benefit, age 60) after De-
4 cember 31, 2011, 67 years of age plus $\frac{1}{24}$ of
5 the number of months in the period beginning
6 with January 2012 and ending with December
7 of the year in which the individual attains age
8 62 (rounded down to a full month).”; and
9 (2) by striking paragraph (3).

10 (b) EARLY RETIREMENT AGE.—Section 216(l)(2) of
11 the Social Security Act (42 U.S.C. 416(l)(2)) is amended
12 to read as follows:

13 “(2) The term ‘early retirement age’ means—

14 “(A)(i) in the case of an old-age, wife’s, or
15 husband’s insurance benefit, except as provided
16 in subparagraph (B), age 62, and

17 “(ii) in the case of a widow’s or widower’s
18 insurance benefit, age 60; and

19 “(B) in the case of an old-age, wife’s, or
20 husband’s insurance benefit with respect to an
21 individual who attains age 62 after December
22 31, 2011, 62 years of age plus $\frac{1}{18}$ of the num-
23 ber of whole months elapsing since such date.”.

1 **SEC. 11. MODIFICATION OF PIA FORMULA TO REFLECT**
2 **CHANGES IN LIFE EXPECTANCY.**

3 (a) MODIFICATION OF FORMULA.—Section 215(a)(1)
4 of the Social Security Act (42 U.S.C. 415(a)(1)(B)) is
5 amended by redesignating subparagraph (D) as subpara-
6 graph (E) and by inserting after subparagraph (C) the
7 following new subparagraph:

8 “(D)(i) For individuals who initially become eligible
9 for old-age insurance benefits (or who die before becoming
10 eligible for such benefits) in any calendar year after 2011,
11 the primary insurance amount computed under this para-
12 graph shall be the product derived by multiplying such
13 amount as computed under the preceding subparagraphs
14 of this paragraph the applicable number of times by 0.995.

15 “(ii) For purposes of the clause (i), the term ‘applica-
16 ble number of times’ means a number equal to the number
17 of years beginning with 2012 and ending with the earlier
18 of the year of initial eligibility (or death) or 2045.”.

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

21 (1) STUDY PLAN.—Not later than February 15,
22 2001, the Commissioner of Social Security shall sub-
23 mit to Congress a detailed study plan for evaluating
24 the effects of increases in life expectancy on the ex-
25 pected level of retirement income from social secu-
26 rity, pensions, and other sources. The study plan

1 shall include a description of the methodology, data,
2 and funding that will be required in order to provide
3 to the Congress not later than February 15, 2006—

4 (A) an evaluation of trends in mortality
5 and their relationship to trends in health sta-
6 tus, among individuals approaching eligibility
7 for old-age insurance benefits under title II of
8 the Social Security Act;

9 (B) an evaluation of trends in labor force
10 participation among individuals approaching eli-
11 gibility for such benefits and among individuals
12 receiving such benefits, and of the factors that
13 influence the choice between retirement and
14 participation in the labor force;

15 (C) an evaluation of changes, if any, in the
16 disability insurance program under title II of
17 the Social Security Act that would reduce the
18 impact of changes in the retirement income of
19 workers in poor health or physically demanding
20 occupations;

21 (D) an evaluation of the methodology used
22 to develop projections for trends in mortality,
23 health status, and labor force participation
24 among individuals approaching eligibility for

1 old-age insurance benefits and among individ-
2 uals receiving such benefits; and

3 (E) an evaluation of such other matters as
4 the Commissioner deems appropriate for evalu-
5 ating the effects of increases in life expectancy.

6 (2) REPORT ON RESULTS OF STUDY.—Not later
7 than February 15, 2006, the Commissioner of Social
8 Security shall provide to the Congress an evaluation
9 of the implications of the trends studied under para-
10 graph (1), along with recommendations, if any, of
11 the extent to which the conclusions of such evalua-
12 tions indicate that projected increases in life expect-
13 ancy require modification in the disability insurance
14 program under title II of the Social Security Act
15 and other income support programs.

16 **SEC. 12. MECHANISM FOR REMEDYING UNFORESEEN DETE-**
17 **RIORATION IN SOCIAL SECURITY SOLVENCY.**

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

20 (1) by redesignating subsection (b) as sub-
21 section (c); and

22 (2) by striking “SEC. 709. (a) If the Board of
23 Trustees” and all that follows through “any such
24 Trust Fund” and inserting the following:

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

21 “(B) In addition to any reports under subparagraph
22 (A), the Board shall, not later than May 30, 2001, prepare
23 and submit to Congress and the President recommenda-
24 tions for statutory adjustments to the disability insurance
25 program under title II of this Act to modify the changes

1 in disability benefits under the Strengthening Social Secu-
2 rity Act of 1998 without reducing the balance ratio of the
3 Federal Disability Insurance Trust Fund. The Board shall
4 develop such recommendations in consultation with the
5 National Council on Disability, taking into consideration
6 the adequacy of benefits under the program, the relation-
7 ship of such program with old age benefits under such
8 title, and changes in the process for determining initial
9 eligibility and reviewing continued eligibility for benefits
10 under such program.

11 “(2)(A) The President shall, no later than 30 days
12 after the submission of the report to the President, trans-
13 mit to the Board and to the Congress a report containing
14 the President’s approval or disapproval of the Board’s rec-
15 ommendations.

16 “(B) If the President approves all the recommenda-
17 tions of the Board, the President shall transmit a copy
18 of such recommendations to the Congress as the Presi-
19 dent’s recommendations, together with a certification of
20 the President’s adoption of such recommendations.

21 “(C) If the President disapproves the recommenda-
22 tions of the Board, in whole or in part, the President shall
23 transmit to the Board and the Congress the reasons for
24 that disapproval. The Board shall then transmit to the
25 Congress and the President, no later than 60 days after

1 the date of the submission of the original report to the
2 President, a revised list of recommendations.

3 “(D) If the President approves all of the revised rec-
4 ommendations of the Board transmitted to the President
5 under subparagraph (C), the President shall transmit a
6 copy of such revised recommendations to the Congress as
7 the President’s recommendations, together with a certifi-
8 cation of the President’s adoption of such recommenda-
9 tions.

10 “(E) If the President disapproves the revised rec-
11 ommendations of the Board, in whole or in part, the Presi-
12 dent shall transmit to the Board and the Congress the
13 reasons for that disapproval, together with such revisions
14 to such recommendations as the President determines are
15 necessary to bring such recommendations within the
16 President’s approval. The President shall transmit a copy
17 of such recommendations, as so revised, to the Board and
18 the Congress as the President’s recommendations, to-
19 gether with a certification of the President’s adoption of
20 such recommendations.

21 “(3)(A) This paragraph is enacted by Congress—

22 “(i) as an exercise of the rulemaking power of
23 the Senate and the House of Representatives, re-
24 spectively, and as such it is deemed a part of the
25 rules of each House, respectively, but applicable only

1 with respect to the procedure to be followed in that
2 House in the case of a joint resolution described in
3 subparagraph (B), and it supersedes other rules only
4 to the extent that it is inconsistent with such rules;
5 and

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

11 “(B) For purposes of this paragraph, the term ‘joint
12 resolution’ means only a joint resolution which is intro-
13 duced within the 10-day period beginning on the date on
14 which the President transmits the President’s rec-
15 ommendations, together with the President’s certification,
16 to the Congress under subparagraph (B), (D), or (E) of
17 paragraph (2), and—

18 “(i) which does not have a preamble;

19 “(ii) the matter after the resolving clause of
20 which is as follows: ‘That the Congress approves the
21 recommendations of the President as transmitted on
22 ____ pursuant to section 709(a) of the Social Secu-
23 rity Act, as follows: _____’, the first blank space
24 being filled in with the appropriate date and the sec-

1 ond blank space being filled in with the statutory ad-
2 justments contained in the recommendations; and

3 “(iii) the title of which is as follows: ‘Joint reso-
4 lution approving the recommendations of the Presi-
5 dent regarding social security.’.

6 “(C) A joint resolution described in subparagraph
7 (B) that is introduced in the House of Representatives
8 shall be referred to the Committee on Ways and Means
9 of the House of Representatives. A joint resolution de-
10 scribed in subparagraph (B) introduced in the Senate
11 shall be referred to the Committee on Finance of the Sen-
12 ate.

13 “(D) If the committee to which a joint resolution de-
14 scribed in subparagraph (B) is referred has not reported
15 such joint resolution (or an identical joint resolution) by
16 the end of the 20-day period beginning on the date on
17 which the President transmits the recommendation to the
18 Congress under paragraph (2), such committee shall be,
19 at the end of such period, discharged from further consid-
20 eration of such joint resolution, and such joint resolution
21 shall be placed on the appropriate calendar of the House
22 involved.

23 “(E)(i) On or after the third day after the date on
24 which the committee to which such a joint resolution is
25 referred has reported, or has been discharged (under sub-

1 paragraph (D)) from further consideration of, such a joint
2 resolution, it is in order (even though a previous motion
3 to the same effect has been disagreed to) for any Member
4 of the respective House to move to proceed to the consider-
5 ation of the joint resolution. A Member may make the mo-
6 tion only on the day after the calendar day on which the
7 Member announces to the House concerned the Member's
8 intention to make the motion, except that, in the case of
9 the House of Representatives, the motion may be made
10 without such prior announcement if the motion is made
11 by direction of the committee to which the joint resolution
12 was referred. All points of order against the joint resolu-
13 tion (and against consideration of the joint resolution) are
14 waived. The motion is highly privileged in the House of
15 Representatives and is privileged in the Senate and is not
16 debatable. The motion is not subject to amendment, or
17 to a motion to postpone, or to a motion to proceed to the
18 consideration of other business. A motion to reconsider the
19 vote by which the motion is agreed to or disagreed to shall
20 not be in order. If a motion to proceed to the consideration
21 of the joint resolution is agreed to, the respective House
22 shall immediately proceed to consideration of the joint res-
23 olution without intervening motion, order, or other busi-
24 ness, and the joint resolution shall remain the unfinished
25 business of the respective House until disposed of.

1 “(ii) Debate on the joint resolution, and on all debat-
2 able motions and appeals in connection therewith, shall be
3 limited to not more than 2 hours, which shall be divided
4 equally between those favoring and those opposing the
5 joint resolution. An amendment to the joint resolution is
6 not in order. A motion further to limit debate is in order
7 and not debatable. A motion to postpone, or a motion to
8 proceed to the consideration of other business, or a motion
9 to recommit the joint resolution is not in order. A motion
10 to reconsider the vote by which the joint resolution is
11 agreed to or disagreed to is not in order.

12 “(iii) Immediately following the conclusion of the de-
13 bate on a joint resolution described in subparagraph (B)
14 and a single quorum call at the conclusion of the debate
15 if requested in accordance with the rules of the appro-
16 priate House, the vote on final passage of the joint resolu-
17 tion shall occur.

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

23 “(F)(i) If, before the passage by one House of a joint
24 resolution of that House described in subparagraph (B),
25 that House receives from the other House a joint resolu-

1 tion described in subparagraph (B), then the following
2 procedures shall apply:

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

7 “(II) With respect to a joint resolution de-
8 scribed in subparagraph (B) of the House receiving
9 the joint resolution, the procedure in that House
10 shall be the same as if no joint resolution had been
11 received from the other House, but the vote on final
12 passage shall be on the joint resolution of the other
13 House.

14 “(ii) Upon disposition of the joint resolution received
15 from the other House, it shall no longer be in order to
16 consider the joint resolution that originated in the receiv-
17 ing House.

18 “(b) If the Board of Trustees of the Federal Hospital
19 Insurance Trust Fund or the Federal Supplementary
20 Medical Insurance Trust Fund determines at any time
21 that the balance ratio of either such Trust Fund”.

22 (b) CONFORMING AMENDMENTS.—

23 (1) Section 709(b) of such Act (as amended by
24 subsection (a) of this section) is amended by striking
25 “any such” and inserting “either such”.

1 (2) Section 709(c) of such Act (as redesignated
2 by subsection (a) of this section) is amended by in-
3 serting “or (b)” after “subsection (a)”.

○