

109<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 1123

To amend title II of the Social Security Act to establish an effective real annual rate of interest at 4.7 percent for special obligations issued to the Social Security trust funds.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 3, 2005

Mr. SABO introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend title II of the Social Security Act to establish an effective real annual rate of interest at 4.7 percent for special obligations issued to the Social Security trust funds.

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.**

4       This Act may be cited as the “Preserving Social Se-  
5       curity Act of 2005”.

1 **SEC. 2. INTEREST BORNE BY, AND INCREASES IN PAR**  
2 **VALUE OF, SPECIAL OBLIGATIONS ISSUED TO**  
3 **THE SOCIAL SECURITY TRUST FUNDS.**

4 Section 201(d) of the Social Security Act (42 U.S.C.  
5 401(d)) is amended—

6 (1) by inserting “(1)” after “(d)”;

7 (2) by striking the fifth sentence and inserting  
8 the following new sentences: “Such obligations  
9 issued for purchase by the Trust Funds shall have  
10 maturities fixed with due regard for the needs of the  
11 Trust Funds and shall bear interest at an effective  
12 annual rate equal to 4.7 percent, which shall be paid  
13 to the Trust Funds semiannually. On June 30 and  
14 December 31 of each calendar year, and (with re-  
15 spect to each obligation) on its date of maturity (or  
16 date of redemption, if prior to maturity), the Man-  
17 aging Trustee shall adjust (subject to paragraph  
18 (2)) the par value of each obligation then held by ei-  
19 ther of the Trust Funds and issued for purchase by  
20 such Trust Fund so as to equal the product derived  
21 by multiplying the current par value as of imme-  
22 diately before the applicable date by the CPI adjust-  
23 ment factor (defined in paragraph (3)(A)) for the  
24 obligation in connection with the month in which the  
25 applicable date occurs (rounded, if not a multiple of  
26 \$0.01, to the nearest multiple of \$0.01).”; and

1           (3) by adding at the end the following new  
2 paragraphs:

3           “(2)(A) In any case in which the number of days in  
4 the actual adjustment period (defined in subparagraph  
5 (B)(i)) for an obligation differs from the number of days  
6 in the computation period (defined in subparagraph  
7 (B)(ii)) for the obligation, the amount by which the par  
8 value of an obligation is adjusted pursuant to paragraph  
9 (1) shall be an amount which bears the same ratio to the  
10 amount that would otherwise apply under paragraph (1)  
11 as the number of days in the actual adjustment period  
12 bears to the number of days in the computation period.

13           “(B) For purposes of subparagraph (A)—

14           “(i) The term ‘actual adjustment period’ for an  
15 obligation means the period beginning with—

16                   “(I) the date following the date of the last  
17 previous adjustment in the par value of the ob-  
18 ligation under paragraph (1), or

19                   “(II) if no such adjustment in the par  
20 value of the obligation has occurred, the date of  
21 the issuance of the obligation,

22 and ending with the date of the increase in par value  
23 to be determined under paragraph (1).

24           “(ii) The term ‘computation period’ for an obli-  
25 gation means the period beginning with the date fol-

1       lowing the adjustment reference month (defined in  
2       paragraph (3)(C)) for the obligation and ending with  
3       the last date of the adjustment computation month  
4       (defined in paragraph (3)(B)) for the obligation.

5       “(3) For purposes of this subsection—

6               “(A) The term ‘CPI adjustment factor’, for an  
7       obligation in connection with any calendar month,  
8       means the ratio (expressed as a percentage) of—

9                       “(i) the Consumer Price Index for the ad-  
10       justment computation month for the obligation  
11       in connection with such calendar month to

12                      “(ii) the Consumer Price Index for the ad-  
13       justment reference month for the obligation in  
14       connection with such calendar month.

15               “(B) The term ‘adjustment computation month’  
16       for an obligation means, in connection with a month  
17       in which occurs the date of an adjustment in par  
18       value of the obligation to be determined under para-  
19       graph (1), the first of the 2 preceding calendar  
20       months.

21               “(C) The term ‘adjustment reference month’  
22       for an obligation means, in connection with a month  
23       in which occurs the date of an adjustment in par  
24       value of the obligation to be determined under para-  
25       graph (1)—

1           “(i) the last adjustment computation  
2           month with respect to which an adjustment in  
3           par value of the obligation under paragraph (1)  
4           has occurred, or

5           “(ii) if no such adjustment in the par value  
6           of the obligation has occurred, the first of the  
7           2 months preceding the month in which such  
8           obligation was issued.

9           “(D) The term ‘Consumer Price Index’ means  
10          the Consumer Price Index for Urban Wage Earners  
11          and Clerical Workers (CPI–W), issued by the Bu-  
12          reau of Labor Statistics of the Department of  
13          Labor.”.

14 **SEC. 3. EFFECTIVE DATE AND TRANSITIONAL RULE.**

15          (a) **EFFECTIVE DATE.**—The amendments made by  
16 this Act shall apply with respect to special obligations  
17 issued on or after January 1, 2006.

18          (b) **TRANSITIONAL RULE.**—On January 1, 2006, the  
19 Secretary of the Treasury shall redeem all obligations  
20 which are held on such date by the Federal Old-Age and  
21 Survivors Insurance Trust Fund and the Federal Dis-  
22 ability Insurance Trust Fund and which were issued for  
23 purchase by the Trust Funds pursuant to section 201(d)  
24 of the Social Security Act. Upon the redemption of each  
25 such obligation, such Secretary shall immediately issue an

1 by the Trust Funds under such section 201(d) (as amend-  
2 ed by this Act) with an initial par value equal to the par  
3 value of the redeemed obligation and with a date of matu-  
4 rity which is the same as the date of maturity of the re-  
5 deemed obligation.

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