

105TH CONGRESS  
2D SESSION

# H. R. 4256

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.

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## IN THE HOUSE OF REPRESENTATIVES

JULY 16, 1998

Mr. KOLBE (for himself, Mr. STENHOLM, Mr. CAMPBELL, Mr. SMITH of Michigan, and Mr. SANFORD) 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

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## 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 of 1998”.

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. Coverage of newly hired State and local employees.
- Sec. 7. Gradual increase in number of benefit computation years; use of all years in computation.
- Sec. 8. Actuarial adjustment for retirement.
- Sec. 9. Improvements in process for cost-of-living adjustments.
- Sec. 10. Phased reduction in spousal benefits other than survivor's benefits to 33 percent of primary insurance amount.
- Sec. 11. Adjustments to bend point amounts.
- Sec. 12. Phased-in increase in social security retirement ages.
- Sec. 13. Mechanism for remedying unforeseen deterioration in social security solvency.

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

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

7 (1) by inserting before section 201 the following:  
 8 ing:

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.—The Commissioner of Social Security, within 30 days of the receipt  
 15 of the first contribution received pursuant to subsection  
 16 (b) with respect to any individual, shall establish in the  
 17

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

5 “(b) CONTRIBUTIONS.—The Secretary of the Treas-  
6 ury shall transfer from the Federal Old-Age and Survivors  
7 Insurance Trust Fund, for crediting by the Commissioner  
8 of Social Security to an individual security account of an  
9 individual, an amount equal to the sum of any amount  
10 received by such Secretary on behalf of such individual  
11 under section 3101(a)(2) or 1401(a)(2) of the Internal  
12 Revenue Code of 1986.

13 “(c) DESIGNATION OF INVESTMENT TYPE OF INDIV-  
14 IDUAL SECURITY ACCOUNT.—

15 “(1) DESIGNATION.—Each individual who is  
16 employed or self-employed shall designate the invest-  
17 ment type of individual security account to which  
18 the contributions described in subsection (b) on be-  
19 half of such individual are to be credited.

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

14 “DEFINITION OF INDIVIDUAL SECURITY ACCOUNT;  
15 TREATMENT OF ACCOUNTS

21 “(b) TREATMENT OF ACCOUNT.—Except as other-  
22 wise provided in this part, any individual security account  
23 described in paragraph (1)(A) shall be treated in the same  
24 manner as an individual account in the Thrift Savings  
25 Fund under subchapter III of chapter 84 of title 5, United  
26 States Code.

1 “INDIVIDUAL SECURITY ACCOUNT DISTRIBUTIONS

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

3 Except as provided in subsection (c), distributions may  
4 only be made from an individual security account of an  
5 individual on and after the earliest of—

6 “(1) the date the individual attains normal re-  
7 tirement age, as determined under section 216 (or  
8 early retirement age (as so determined) if elected by  
9 such individual), or

10 “(2) the date on which funds in the individual’s  
11 individual security account are sufficient to provide  
12 a monthly payment over the life expectancy of the  
13 individual (determined under reasonable actuarial  
14 assumptions) which, when added to the individual’s  
15 monthly benefit under part A (if any), is at least  
16 equal to an amount equal to  $\frac{1}{12}$  of the poverty line  
17 (as defined in section 673(2) of the Community  
18 Services Block Grant Act (42 U.S.C. 9902(2) and  
19 determined on such date for a family of the size in-  
20 volved) and adjusted annually thereafter by the ad-  
21 justment determined under section 215(i).

22 “(b) FORMS OF DISTRIBUTION.—

23 “(1) REQUIRED MONTHLY PAYMENTS.—Except  
24 as provided in paragraph (2), beginning with the  
25 date determined under subsection (a), the balance in

1 an individual security account available to provide  
2 monthly payments not in excess of the amount de-  
3 scribed in subsection (a)(2) shall be paid, as elected  
4 by the account holder (in such form and manner as  
5 shall be prescribed in regulations of the Individual  
6 Security Fund Board), by means of the purchase of  
7 annuities or otherwise in accordance with require-  
8 ments (which shall be provided in regulations of the  
9 Board) similar to the requirements applicable to an-  
10 nuities under section 8434 of title 5, United States  
11 Code (relating to annuities; methods of payment;  
12 election; purchase) and section 8435 of such title  
13 (relating to protections for spouses and former  
14 spouses) and providing for indexing for inflation.

15 “(2) PAYMENT OF EXCESS FUNDS.—To the ex-  
16 tent funds remain in an individual’s individual secu-  
17 rity account after the application of paragraph (1),  
18 such funds shall be payable to the individual in such  
19 manner and in such amounts as determined by the  
20 individual, subject to the provisions of subchapter  
21 III of chapter 84 of title 5, United States Code.

22 “(c) DISTRIBUTION IN THE EVENT OF DISABILITY  
23 OR DEATH BEFORE THE DATE OF INITIAL DISTRIBUTION.—If the individual becomes disabled or dies before  
24 TION.—If the individual becomes disabled or dies before  
25 the date determined under subsection (a), the balance in

1 such individual's individual security account shall be dis-  
2 tributed under the provisions of subchapter III of chapter  
3 84 of title 5, United States Code.

4 "INDIVIDUAL SECURITY FUND

5 "SEC. 254. (a) ESTABLISHMENT.—There is estab-  
6 lished and maintained in the Treasury of the United  
7 States an Individual Security Fund in the same manner  
8 as the Thrift Savings Fund under sections 8437, 8438,  
9 and 8439 of title 5, United States Code.

10 "(b) INDIVIDUAL SECURITY FUND BOARD.—

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

17 "(2) SPECIFIC INVESTMENT AND REPORTING  
18 DUTIES.—

19 "(A) IN GENERAL.—The Individual Secu-  
20 rity Fund Board shall manage and report on  
21 the activities of the Individual Security Fund  
22 and the individual security accounts of such  
23 Fund in the same manner as the Federal Re-  
24 tirement Thrift Investment Board manages and  
25 reports on the Thrift Savings Fund and the in-  
26 dividual accounts of such Fund under sub-

chapter VII of chapter 84 of title 5, United States Code.

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

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

“(ii) REPORT.—Not later than 5 years after the date of enactment of the 21st Century Retirement Act of 1998, the Individual Security Fund Board shall submit a report to the President and Congress that contains a detailed statement of the results of the study conducted pursuant to clause (i), together with the Board’s recommendations for such legislative actions as the Board considers appropriate.

“BUDGETARY TREATMENT OF INDIVIDUAL SECURITY FUND AND ACCOUNTS

“SEC. 255. The receipts and disbursements of the Individual Security Fund and any accounts within such fund shall not be included in the totals of the budget of the



1 United States Government as submitted by the President  
2 or of the congressional budget and shall be exempt from  
3 any general budget limitation imposed by statute on ex-  
4 penditures and net lending (budget outlays) of the United  
5 States Government.”.

6 (b) MODIFICATION OF FICA RATES.—

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

10 “(a) OLD-AGE, SURVIVORS, AND DISABILITY INSUR-  
11 ANCE.—

12 “(1) IN GENERAL.—In addition to other taxes,  
13 there is hereby imposed on the income of every indi-  
14 vidual a tax equal to 4.2 percent of the wages (as  
15 defined in section 3121(a)) received by such individ-  
16 ual with respect to employment (as defined in sec-  
17 tion 3121(b)).

18 “(2) CONTRIBUTION OF OASDI TAX REDUCTION  
19 TO INDIVIDUAL SECURITY ACCOUNTS.—

20 “(A) IN GENERAL.—In addition to other  
21 taxes, there is hereby imposed on the income of  
22 every individual an individual security account  
23 contribution equal to the sum of—

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

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

8 “(B) INFLATION ADJUSTMENT.—

9 “(i) IN GENERAL.—In the case of any  
10 calendar year beginning after 1999, the  
11 dollar amount in subparagraph (A)(ii)  
12 shall be increased by an amount equal to—

13 “(I) such dollar amount, multi-  
14 plied by

15 “(II) the cost-of-living adjust-  
16 ment determined under section 1(f)(3)  
17 for the calendar year, determined by  
18 substituting ‘calendar year 1998’ for  
19 ‘calendar year 1992’ in subparagraph  
20 (B) thereof.

21 “(ii) ROUNDING.—If any dollar  
22 amount after being increased under clause  
23 (i) is not a multiple of \$10, such dollar  
24 amount shall be rounded to the nearest  
25 multiple of \$10.”.

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

5       “(a) OLD-AGE, SURVIVORS, AND DISABILITY INSUR-  
6       ANCE.—

7           “(1) IN GENERAL.—In addition to other taxes,  
8       there is hereby imposed for each taxable year, on the  
9       self-employment income of every individual, a tax  
10      equal to 10.4 percent of the amount of the self-em-  
11      ployment income for such taxable year.

12       “(2) CONTRIBUTION OF OASDI TAX REDUCTION  
13      TO INDIVIDUAL SECURITY ACCOUNTS.—

14           “(A) IN GENERAL.—In addition to other  
15      taxes, there is hereby imposed for each taxable  
16      year, on the self-employment income of every  
17      individual, an individual security account con-  
18      tribution equal to the sum of—

19           “(i) 2 percent of the amount of the  
20      self-employment income for each individual  
21      for such taxable year; and

22           “(ii) so much of such self-employment  
23      income (not to exceed \$2,000) as des-  
24      ignated by the individual in the same man-

1           ner as described in section 251(c) of the  
2           Social Security Act.

3           “(B) INFLATION ADJUSTMENT.—

4                 “(i) IN GENERAL.—In the case of any  
5           taxable year beginning after 1999, the dol-  
6           lar amount in subparagraph (A)(ii) shall  
7           be increased by an amount equal to—

8                 “(I) such dollar amount, multi-  
9                 plied by

10                “(II) the cost-of-living adjust-  
11           ment determined under section 1(f)(3)  
12           for the calendar year in which the tax-  
13           able year begins, determined by sub-  
14           stituting ‘calendar year 1998’ for ‘cal-  
15           endar year 1992’ in subparagraph (B)  
16           thereof.

17                “(ii) ROUNDING.—If any dollar  
18           amount after being increased under clause  
19           (i) is not a multiple of \$10, such dollar  
20           amount shall be rounded to the nearest  
21           multiple of \$10.”.

22           (3) EFFECTIVE DATES.—

23                (A) EMPLOYEES.—The amendment made  
24           by paragraph (1) applies to remuneration paid  
25           after December 31, 1998.

1 (B) SELF-EMPLOYED INDIVIDUALS.—The  
2 amendment made by paragraph (2) applies to  
3 taxable years beginning after December 31,  
4 1998.

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

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

8 “Minimum Monthly Insurance Benefit

9 “(j)(1) Notwithstanding the preceding provisions of  
10 this section—

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

13 “(i) the primary insurance amount deter-  
14 mined under this section (without regard to this  
15 subsection), or

16 “(ii)  $\frac{1}{12}$  of the applicable percentage of  
17 the applicable poverty line, and

18 “(B) any recomputation of the primary insur-  
19 ance amount of a qualified individual shall not result  
20 in a primary insurance amount less than the pri-  
21 mary insurance amount as in effect immediately  
22 prior to such recomputation.

23 “(2) For purposes of this subsection—

24 “(A) The term ‘qualified individual’ means an  
25 individual—

1           “(i) who initially becomes eligible for old-  
2           age or disability insurance benefits, or dies (be-  
3           fore becoming eligible for such benefits) for a  
4           month beginning after December 31, 2005 (or  
5           whose primary insurance amount is recomputed  
6           under this section for a month beginning after  
7           such date), and

8           “(ii) who has, as of such individual’s initial  
9           month of eligibility or month of death, at least  
10          80 quarters of coverage.

11          “(B) The term ‘applicable poverty line’ means,  
12          in connection with an individual, the poverty line (as  
13          defined in section 673(2) of the Community Services  
14          Block Grant Act (42 U.S.C. 9902(2)), including any  
15          revision required by such section) for a family of the  
16          size of such individual’s family.

17          “(C)(i) The term ‘applicable percentage’ means,  
18          for computations and recomputations of a qualified  
19          individual’s primary insurance amount under this  
20          section occurring in any calendar year specified in  
21          the table under clause (ii), the sum of—

22                 “(I) the applicable base percentage speci-  
23                 fied in such table in connection with such year,  
24                 plus

1                   “(II) the product derived by multiplying  
 2                   the applicable percentage increment specified in  
 3                   such table in connection with such year by  $\frac{1}{4}$   
 4                   of the number of such individual’s quarters of  
 5                   coverage (if any) in excess of 80 but not in ex-  
 6                   cess of 160.

7                   “(ii) For purposes of clause (i), the applicable  
 8                   base percentages and applicable percentage incre-  
 9                   ments are set forth in connection with calendar  
 10                  years in the following table:

<b>“If the calendar year is:</b>	<b>The applicable base percentage is:</b>	<b>And the applicable percentage incre- ment is:</b>
2006 .....	12 percent .....	0.4 percent
2007 .....	24 percent .....	0.8 percent
2008 .....	36 percent .....	1.2 percent
2009 .....	48 percent .....	1.6 percent
After 2009 .....	60 percent .....	2.0 percent.”

11 **SEC. 4. ELIMINATION OF EARNINGS TEST FOR INDIVID-**  
 12 **UALS WHO HAVE ATTAINED RETIREMENT**  
 13 **AGE.**

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

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

19           (2) in paragraphs (1)(A) and (2) of subsection  
 20           (d), by striking “the age of seventy” each place it

1 appears and inserting “retirement age (as defined in  
2 section 216(l))”;

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

6 (4) in subsection (f)(3)—

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

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

15 (5) in subsection (h)(1)(A), by striking “age  
16 70” each place it appears and inserting “retirement  
17 age (as defined in section 216(l))”; and

18 (6) in subsection (j)—

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

21 (B) by striking “seventy years of age” and  
22 inserting “having attained retirement age (as  
23 defined in section 216(l))”.



1 (b) CONFORMING AMENDMENTS ELIMINATING THE  
2 SPECIAL EXEMPT AMOUNT FOR INDIVIDUALS WHO HAVE  
3 ATTAINED RETIREMENT AGE.—

4 (1) UNIFORM EXEMPT AMOUNT.—Section  
5 203(f)(8)(A) of the Social Security Act (42 U.S.C.  
6 403(f)(8)(A)) is amended by striking “the new ex-  
7 empt amounts (separately stated for individuals de-  
8 scribed in subparagraph (D) and for other individ-  
9 uals) which are to be applicable” and inserting “a  
10 new exempt amount which shall be applicable”.

11 (2) CONFORMING AMENDMENTS.—Section  
12 203(f)(8)(B) of such Act (42 U.S.C. 403(f)(8)(B))  
13 is amended—

14 (A) in the matter preceding clause (i), by  
15 striking “Except” and all that follows through  
16 “whichever” and inserting “The exempt amount  
17 which is applicable for each month of a particu-  
18 lar taxable year shall be whichever”;

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

21 (C) in the last sentence, by striking “an  
22 exempt amount” and inserting “the exempt  
23 amount”.

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

4       (c) ADDITIONAL CONFORMING AMENDMENTS.—

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

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

17          (B) in subsection (f)(1), by striking sub-  
18          paragraph (D) and inserting the following: “(D)  
19          for which such individual is entitled to widow’s  
20          or widower’s insurance benefits if such individ-  
21          ual became so entitled prior to attaining age  
22          60,”.

23          (2) CONFORMING AMENDMENT TO PROVISIONS  
24       FOR DETERMINING AMOUNT OF INCREASE ON AC-  
25       COUNT OF DELAYED RETIREMENT.—Section

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

(3) PROVISIONS RELATING TO EARNINGS  
TAKEN INTO ACCOUNT IN DETERMINING SUBSTANTIAL GAINFUL ACTIVITY OF BLIND INDIVIDUALS.—  
The second sentence of section 223(d)(4) of such Act (42 U.S.C. 423(d)(4)) is amended by striking “if section 102 of the Senior Citizens’ Right to Work Act of 1996 had not been enacted” and inserting the following: “if the amendments to section 203 made by section 102 of the Senior Citizens’ Right to Work Act of 1996 and by the 21st Century Retirement Act of 1998 had not been enacted”.

(d) EFFECTIVE DATE.—The amendments and repeals made by this section shall apply with respect to taxable years ending after December 31, 1997.

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

23 Subparagraph (A) of section 121(e)(1) of the Social  
24 Security Amendments of 1983, as amended by section

1 13215(c)(1) of the Omnibus Budget Reconciliation Act of  
2 1993, is amended—

3 (1) in clause (ii), by striking “the amounts”  
4 and inserting “the applicable percentage of the  
5 amounts”; and

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

11 **SEC. 6. COVERAGE OF NEWLY HIRED STATE AND LOCAL**  
12 **EMPLOYEES.**

13 (a) AMENDMENTS TO THE SOCIAL SECURITY ACT.—

14 (1) IN GENERAL.—Paragraph (7) of section  
15 210(a) of the Social Security Act (42 U.S.C.  
16 410(a)(7)) is amended to read as follows:

17 “(7) Excluded State or local government em-  
18 ployment (as defined in subsection (s));”.

19 (2) EXCLUDED STATE OR LOCAL GOVERNMENT  
20 EMPLOYMENT.—

21 (A) IN GENERAL.—Section 210 of such  
22 Act (42 U.S.C. 410) is amended by adding at  
23 the end the following:

1 “Excluded State or Local Government Employment

2 “(s)(1) IN GENERAL.—The term ‘excluded State or  
3 local government employment’ means any service per-  
4 formed in the employ of a State, of any political subdivi-  
5 sion thereof, or of any instrumentality of any 1 or more  
6 of the foregoing which is wholly owned thereby, if—

7 “(A)(i) such service would be excluded from the  
8 term ‘employment’ for purposes of this title if the  
9 preceding provisions of this section as in effect on  
10 December 31, 1999, had remained in effect, and (ii)  
11 the requirements of paragraph (2) are met with re-  
12 spect to such service, or

13 “(B) the requirements of paragraph (3) are met  
14 with respect to such service.

15 “(2) EXCEPTION FOR CURRENT EMPLOYMENT  
16 WHICH CONTINUES.—

17 “(A) IN GENERAL.—The requirements of this  
18 paragraph are met with respect to service for any  
19 employer if—

20 “(i) such service is performed by an indi-  
21 vidual—

22 “(I) who was performing substantial  
23 and regular service for remuneration for  
24 that employer before January 1, 2000,

1                   “(II) who is a bona fide employee of  
2                   that employer on December 31, 1999, and

3                   “(III) whose employment relationship  
4                   with that employer was not entered into  
5                   for purposes of meeting the requirements  
6                   of this subparagraph, and

7                   “(ii) the employment relationship with that  
8                   employer has not been terminated after Decem-  
9                   ber 31, 1999.

10                  “(B) TREATMENT OF MULTIPLE AGENCIES AND  
11                  INSTRUMENTALITIES.—For purposes of subpara-  
12                  graph (A), under regulations (consistent with regula-  
13                  tions established under section 3121(t)(2)(B) of the  
14                  Internal Revenue Code of 1986)—

15                  “(i) all agencies and instrumentalities of a  
16                  State (as defined in section 218(b)) or of the  
17                  District of Columbia shall be treated as a single  
18                  employer, and

19                  “(ii) all agencies and instrumentalities of a  
20                  political subdivision of a State (as so defined)  
21                  shall be treated as a single employer and shall  
22                  not be treated as described in clause (i).

23                  “(3) EXCEPTION FOR CERTAIN SERVICES.—

1           “(A) IN GENERAL.—The requirements of this  
2 paragraph are met with respect to service if such  
3 service is performed—

4           “(i) by an individual who is employed by a  
5 State or political subdivision thereof to relieve  
6 such individual from unemployment,

7           “(ii) in a hospital, home, or other institu-  
8 tion by a patient or inmate thereof as an em-  
9 ployee of a State or political subdivision thereof  
10 or of the District of Columbia,

11           “(iii) by an individual, as an employee of  
12 a State or political subdivision thereof or of the  
13 District of Columbia, serving on a temporary  
14 basis in case of fire, storm, snow, earthquake,  
15 flood, or other similar emergency,

16           “(iv) by any individual as an employee in-  
17 cluded under section 5351(2) of title 5, United  
18 States Code (relating to certain interns, student  
19 nurses, and other student employees of hos-  
20 pitals of the District of Columbia Government),  
21 other than as a medical or dental intern or a  
22 medical or dental resident in training,

23           “(v) by an election official or election  
24 worker if the remuneration paid in a calendar  
25 year for such service is less than \$1,000 with

1           respect to service performed during 2000, and  
2           the adjusted amount determined under sub-  
3           paragraph (C) for any subsequent year with re-  
4           spect to service performed during such subse-  
5           quent year, except to the extent that service by  
6           such election official or election worker is in-  
7           cluded in employment under an agreement  
8           under section 218, or

9           “(vi) by an employee in a position com-  
10          pensated solely on a fee basis which is treated  
11          pursuant to section 211(c)(2)(E) as a trade or  
12          business for purposes of inclusion of such fees  
13          in net earnings from self-employment.

14          “(B) DEFINITIONS.—As used in this para-  
15          graph, the terms ‘State’ and ‘political subdivision’  
16          have the meanings given those terms in section  
17          218(b).

18          “(C) ADJUSTMENTS TO DOLLAR AMOUNT FOR  
19          ELECTION OFFICIALS AND ELECTION WORKERS.—  
20          For each year after 2000, the Secretary shall adjust  
21          the amount referred to in subparagraph (A)(v) at  
22          the same time and in the same manner as is pro-  
23          vided under section 215(a)(1)(B)(ii) with respect to  
24          the amounts referred to in section 215(a)(1)(B)(i),  
25          except that—



1           “(i) for purposes of this subparagraph,  
2           1997 shall be substituted for the calendar year  
3           referred to in section 215(a)(1)(B)(ii)(II), and

4           “(ii) such amount as so adjusted, if not a  
5           multiple of \$50, shall be rounded to the nearest  
6           multiple of \$50.

7           The Commissioner of Social Security shall determine  
8           and publish in the Federal Register each adjusted  
9           amount determined under this subparagraph not  
10          later than November 1 preceding the year for which  
11          the adjustment is made.”.

12           (B) CONFORMING AMENDMENTS.—

13           (i) Subsection (k) of section 210 of  
14           such Act (42 U.S.C. 410(k)) (relating to  
15           covered transportation service) is repealed.

16           (ii) Section 210(p) of such Act (42  
17           U.S.C. 410(p)) is amended—

18           (I) in paragraph (2), by striking  
19           “service is performed” and all that  
20           follows and inserting “service is serv-  
21           ice described in subsection (s)(3)(A).”;  
22           and

23           (II) in paragraph (3)(A), by in-  
24           serting “under subsection (a)(7) as in

1 effect on December 31, 1999” after  
2 “section”.

3 (iii) Section 218(c)(6) of such Act (42  
4 U.S.C. 418(c)(6)) is amended—

5 (I) by striking subparagraph (C);

6 (II) by redesignating subpara-  
7 graphs (D) and (E) as subparagraphs  
8 (C) and (D), respectively; and

9 (III) by striking subparagraph  
10 (F) and inserting the following:

11 “(E) service which is included as employment  
12 under section 210(a).”.

13 (b) AMENDMENTS TO THE INTERNAL REVENUE  
14 CODE OF 1986.—

15 (1) IN GENERAL.—Paragraph (7) of section  
16 3121(b) of the Internal Revenue Code of 1986 (re-  
17 lating to employment) is amended to read as follows:

18 “(7) excluded State or local government em-  
19 ployment (as defined in subsection (t));”.

20 (2) EXCLUDED STATE OR LOCAL GOVERNMENT  
21 EMPLOYMENT.—Section 3121 of such Code is  
22 amended by inserting after subsection (s) the follow-  
23 ing:

24 “(t) EXCLUDED STATE OR LOCAL GOVERNMENT EM-  
25 PLOYMENT.—

1           “(1) IN GENERAL.—For purposes of this chap-  
 2           ter, the term ‘excluded State or local government  
 3           employment’ means any service performed in the  
 4           employ of a State, of any political subdivision there-  
 5           of, or of any instrumentality of any 1 or more of the  
 6           foregoing which is wholly owned thereby, if—

7                   “(A)(i) such service would be excluded  
 8                   from the term ‘employment’ for purposes of this  
 9                   chapter if the provisions of subsection (b)(7) as  
 10                  in effect on December 31, 1999, had remained  
 11                  in effect, and (ii) the requirements of para-  
 12                  graph (2) are met with respect to such service,  
 13                  or

14                  “(B) the requirements of paragraph (3)  
 15                  are met with respect to such service.

16           “(2) EXCEPTION FOR CURRENT EMPLOYMENT  
 17           WHICH CONTINUES.—

18                   “(A) IN GENERAL.—The requirements of  
 19                   this paragraph are met with respect to service  
 20                   for any employer if—

21                           “(i) such service is performed by an  
 22                           individual—

23                                   “(I) who was performing sub-  
 24                                   stantial and regular service for remu-

1                   neration for that employer before Jan-  
2                   uary 1, 2000,

3                   “(II) who is a bona fide employee  
4                   of that employer on December 31,  
5                   1999, and

6                   “(III) whose employment rela-  
7                   tionship with that employer was not  
8                   entered into for purposes of meeting  
9                   the requirements of this subpara-  
10                  graph, and

11                  “(ii) the employment relationship with  
12                  that employer has not been terminated  
13                  after December 31, 1999.

14                  “(B) TREATMENT OF MULTIPLE AGENCIES  
15                  AND INSTRUMENTALITIES.—For purposes of  
16                  subparagraph (A), under regulations—

17                  “(i) all agencies and instrumentalities  
18                  of a State (as defined in section 218(b) of  
19                  the Social Security Act) or of the District  
20                  of Columbia shall be treated as a single  
21                  employer, and

22                  “(ii) all agencies and instrumentalities  
23                  of a political subdivision of a State (as so  
24                  defined) shall be treated as a single em-

1           ployer and shall not be treated as de-  
2           scribed in clause (i).

3           “(3) EXCEPTION FOR CERTAIN SERVICES.—

4           “(A) IN GENERAL.—The requirements of  
5           this paragraph are met with respect to service  
6           if such service is performed—

7           “(i) by an individual who is employed  
8           by a State or political subdivision thereof  
9           to relieve such individual from unemploy-  
10          ment,

11          “(ii) in a hospital, home, or other in-  
12          stitution by a patient or inmate thereof as  
13          an employee of a State or political subdivi-  
14          sion thereof or of the District of Columbia,

15          “(iii) by an individual, as an employee  
16          of a State or political subdivision thereof  
17          or of the District of Columbia, serving on  
18          a temporary basis in case of fire, storm,  
19          snow, earthquake, flood, or other similar  
20          emergency,

21          “(iv) by any individual as an employee  
22          included under section 5351(2) of title 5,  
23          United States Code (relating to certain in-  
24          terns, student nurses, and other student  
25          employees of hospitals of the District of

1 Columbia Government), other than as a  
2 medical or dental intern or a medical or  
3 dental resident in training,

4 “(v) by an election official or election  
5 worker if the remuneration paid in a cal-  
6 endar year for such service is less than  
7 \$1,000 with respect to service performed  
8 during 2000, and the adjusted amount de-  
9 termined under section 210(s)(3)(C) of the  
10 Social Security Act for any subsequent  
11 year with respect to service performed dur-  
12 ing such subsequent year, except to the ex-  
13 tent that service by such election official or  
14 election worker is included in employment  
15 under an agreement under section 218 of  
16 the Social Security Act, or

17 “(vi) by an employee in a position  
18 compensated solely on a fee basis which is  
19 treated pursuant to section 1402(c)(2)(E)  
20 as a trade or business for purposes of in-  
21 clusion of such fees in net earnings from  
22 self-employment.

23 “(B) DEFINITIONS.—As used in this para-  
24 graph, the terms ‘State’ and ‘political subdivi-

1           sion’ have the meanings given those terms in  
2           section 218(b) of the Social Security Act.”.

3           (3) CONFORMING AMENDMENTS.—

4                 (A) Subsection (j) of section 3121 of such  
5           Code (relating to covered transportation serv-  
6           ice) is repealed.

7                 (B) Paragraph (2) of section 3121(u) of  
8           such Code (relating to application of hospital  
9           insurance tax to Federal, State, and local em-  
10          ployment) is amended—

11                     (i) in subparagraph (B), by striking  
12                     “service is performed” in clause (ii) and all  
13                     that follows through the end of such sub-  
14                     paragraph and inserting “service is service  
15                     described in subsection (t)(3)(A).”; and

16                     (ii) in subparagraph (C)(i), by insert-  
17                     ing “under subsection (b)(7) as in effect  
18                     on December 31, 1999” after “chapter”.

19           (c) EFFECTIVE DATE.—Except as otherwise provided  
20   in this section, the amendments made by this section shall  
21   apply with respect to service performed after December  
22   31, 1999.

1 **SEC. 7. GRADUAL INCREASE IN NUMBER OF BENEFIT COM-**  
 2 **PUTATION YEARS; USE OF ALL YEARS IN**  
 3 **COMPUTATION.**

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

6 (1) in clause (i), by striking “5 years” and in-  
 7 serting “the applicable number of years for purposes  
 8 of this clause”; and

9 (2) by striking “Clause (ii),” in the matter fol-  
 10 lowing clause (ii) and inserting the following:

11 “For purposes of clause (i), the applicable number of years  
 12 is the number of years specified in connection with the  
 13 year in which such individual reaches early retirement age  
 14 (as defined in section 216(l)(2)), or, if earlier, the calendar  
 15 year in which such individual dies, as set forth in the fol-  
 16 lowing table:

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

17 Clause (ii),”.

18 (b) USE OF ALL YEARS IN COMPUTATION.—Section  
 19 215(b)(2)(B) of the Social Security Act (42 U.S.C.



1 415(b)(2)(B)) is amended by striking clauses (i) and (ii)  
 2 and inserting the following:

3 “(i)(I) for calendar years after 2001 and before  
 4 2010, the term ‘benefit computation years’ means  
 5 those computation base years, equal in number to  
 6 the number determined under subparagraph (A)  
 7 plus the applicable number of years determined  
 8 under subclause (III), for which the total of such in-  
 9 dividual’s wages and self-employment income, after  
 10 adjustment under paragraph (3), is the largest;

11 “(II) for calendar years after 2009, the term  
 12 ‘benefit computation years’ means all of the com-  
 13 putation base years; and

14 “(III) for purposes of subclause (I), the applica-  
 15 ble number of years is the number of years specified  
 16 in connection with the year in which such individual  
 17 reaches early retirement age (as defined in section  
 18 216(l)(2)), or, if earlier, the calendar year in which  
 19 such individual dies, as set forth in the following  
 20 table:

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

1           “(ii) the term ‘computation base years’ means  
2           the calendar years after 1950, except that such term  
3           excludes any calendar year entirely included in a pe-  
4           riod of disability; and”.

5           (c) EFFECTIVE DATE.—

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

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

14   **SEC. 8. ACTUARIAL ADJUSTMENT FOR RETIREMENT.**

15          (a) EARLY RETIREMENT.—

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

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

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

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

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

1 “(B) 2001, is  $\frac{7}{12}$ ;  
 2 “(C) 2002, is  $\frac{11}{18}$ ;  
 3 “(D) 2003, is  $\frac{23}{36}$ ;  
 4 “(E) 2004, is  $\frac{2}{3}$ ; and  
 5 “(F) 2005 or any succeeding year, is  $\frac{25}{36}$ .”.

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

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

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

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

16 “(A) any year before 2001, is  $\frac{5}{12}$ ;  
 17 “(B) 2001, is  $\frac{16}{36}$ ;  
 18 “(C) 2002, is  $\frac{16}{36}$ ;  
 19 “(D) 2003, is  $\frac{17}{36}$ ;  
 20 “(E) 2004, is  $\frac{17}{36}$ ; and  
 21 “(F) 2005 or any succeeding year, is  $\frac{1}{2}$ .”.

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

1 (b) DELAYED RETIREMENT.—Section 202(w)(6) of  
 2 the Social Security Act (42 U.S.C. 402(w)(6)) is amend-  
 3 ed—

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

6 (2) in subparagraph (D), by striking “2004.”  
 7 and inserting “2004 and before 2010;” and

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

9 “(E)  $17/24$  of 1 percent in the case of an individ-  
 10 ual who attains the age of 62 in a calendar year  
 11 after 2009 and before 2012;

12 “(F)  $3/4$  of 1 percent in the case of an individ-  
 13 ual who attains the age of 62 in a calendar year  
 14 after 2011 and before 2014;

15 “(G)  $19/24$  of 1 percent in the case of an individ-  
 16 ual who attains the age of 62 in a calendar year  
 17 after 2013 and before 2016; and

18 “(H)  $5/6$  of 1 percent in the case of an individ-  
 19 ual who attains the age of 62 in a calendar year  
 20 after 2015.”.

21 **SEC. 9. IMPROVEMENTS IN PROCESS FOR COST-OF-LIVING**  
 22 **ADJUSTMENTS.**

23 (a) ANNUAL DECLARATIONS OF ACHIEVED SUBSTI-  
 24 TUTION BIAS CORRECTION AND PERSISTING UPPER  
 25 LEVEL SUBSTITUTION BIAS.—

1           (1) ACHIEVED SUBSTITUTION BIAS CORREC-  
2           TION.—Not later than October 1, 1998, and annu-  
3           ally thereafter, the Commissioner of the Bureau of  
4           Labor Statistics shall publish in the Federal Reg-  
5           ister an estimate of the number of percentage points  
6           by which the Consumer Price Index is reduced below  
7           the level it would otherwise have attained by reason  
8           of adjustments in the determination of such index  
9           instituted by the Bureau after December 31, 1997.

10          (2) UPPER LEVEL SUBSTITUTION BIAS.—Not  
11          later than August 1, 1999, and annually thereafter,  
12          the Commissioner of the Bureau of Labor Statistics  
13          shall publish in the Federal Register an estimate of  
14          the upper level substitution bias retained in the Con-  
15          sumer Price Index, expressed in terms of percentage  
16          points determined through the use of a superlative  
17          index that accounts for changes that consumers  
18          make in the quantities of goods and services con-  
19          sumed in response to changes in relative prices.

20          (b) FUNDING FOR CPI IMPROVEMENTS.—

21               (1) IN GENERAL.—There is hereby appro-  
22               priated to the Bureau of Labor Statistics in the De-  
23               partment of Labor, for each of fiscal years 1998,  
24               1999, and 2000, \$30,000,000 for use by the Bureau  
25               for the following purposes:

1 (A) Research, evaluation, and implementa-  
2 tion of a superlative index to estimate upper  
3 level substitution bias in the Consumer Price  
4 Index.

5 (B) Expansion of the Consumer Expendi-  
6 ture Survey and the Point of Purchase Survey.

7 (C) Implementation of revisions to the  
8 Consumer Price Index with respect to programs  
9 under title II of the Social Security Act (42  
10 U.S.C. 401 et seq.).

11 (2) REPORTS.—The Commissioner of the Bu-  
12 reau of Labor Statistics shall submit reports regard-  
13 ing the use of appropriations made under paragraph  
14 (1) to the Committee on Appropriations of the  
15 House of Representative and the Committee on Ap-  
16 propriations of the Senate upon the request of each  
17 Committee.

18 (c) INFORMATION SHARING.—The Commissioner of  
19 the Bureau of Labor Statistics may secure directly from  
20 the Secretary of Commerce information necessary for pur-  
21 poses of calculating the Consumer Price Index. Upon re-  
22 quest of the Commissioner of the Bureau of Labor Statis-  
23 tics, the Secretary of Commerce shall furnish that infor-  
24 mation to the Commissioner.

1       (d) ADMINISTRATIVE ADVISORY COMMITTEE.—The  
 2 Bureau of Labor Statistics shall, in consultation with the  
 3 National Bureau of Economic Research, the American  
 4 Economic Association, and the National Academy of Stat-  
 5 isticians, establish an administrative advisory committee.  
 6 The advisory committee shall periodically advise the Bu-  
 7 reau of Labor Statistics regarding revisions of the Con-  
 8 sumer Price Index and conduct research and experimen-  
 9 tation with alternative data collection and estimating ap-  
 10 proaches.

11       (e) MODIFICATIONS TO COST-OF-LIVING INDEXING  
 12 OF BENEFITS.—

13           (1) IN GENERAL.—Section 215(i)(1) of the So-  
 14 cial Security Act (42 U.S.C. 415(i)(1)) is amend-  
 15 ed—

16           (A) by striking “Consumer Price Index”  
 17 each place it occurs and inserting “Social Secu-  
 18 rity Consumer Price Index”;

19           (B) in subparagraph (D), by striking “(as  
 20 prepared by the Department of Labor)”;

21           (C) in subparagraph (G), by striking the  
 22 period at the end and inserting “; and”;

23           (4) by adding at the end the following:

24           “(H)(i) the term ‘Social Security Consumer  
 25 Price Index’, for a month in any year, means the

1 Consumer Price Index for such month (as prepared  
 2 by the Department of Labor), reduced by the great-  
 3 er of—

4 “(I) the excess of 0.5 percentage points  
 5 over the achieved bias correction (as last pub-  
 6 lished by the Secretary of Labor pursuant to  
 7 section 211(a)(1) of the 21st Century Retire-  
 8 ment Act of 1998), or

9 “(II) the upper level substitution bias (as  
 10 last published by the Secretary of Labor pursu-  
 11 ant to section 211(a)(2) of the 21st Century  
 12 Retirement Act of 1998).”.

13 **SEC. 10. PHASED REDUCTION IN SPOUSAL BENEFITS**  
 14 **OTHER THAN SURVIVOR’S BENEFITS TO 33**  
 15 **PERCENT OF PRIMARY INSURANCE AMOUNT.**

16 (a) WIFE’S INSURANCE BENEFITS.—Section  
 17 202(b)(2) of the Social Security Act (42 U.S.C. 402(b)(2))  
 18 is amended to read as follows:

19 “(2)(A) Except as provided in subsection (q) and  
 20 paragraph (4) of this subsection, such wife’s insurance  
 21 benefit for each month shall be equal to the applicable per-  
 22 centage of the primary insurance amount of her husband  
 23 (or, in the case of a divorced wife, her former husband)  
 24 for the calendar year in which such individual becomes eli-  
 25 gible for such benefit.



1       “(B) For purposes of subparagraph (A), the applica-  
 2 ble percentage for any calendar year shall be equal to 50  
 3 percent, reduced (but not below 33 percent) by 1 percent-  
 4 age point for each year after 1999.

5       “(C) For purposes of subparagraph (A)—

6               “(i) an individual shall be treated as eligible for  
 7 a wife’s insurance benefit if such individual meets  
 8 the requirements of subparagraphs (B), (C), and  
 9 (D) of paragraph (1), and

10              “(ii) in determining when an individual becomes  
 11 eligible for a wife’s insurance benefit, any break in  
 12 eligibility of less than 12 consecutive months shall  
 13 not be taken into account.”.

14       (b) HUSBAND’S INSURANCE BENEFITS.—Section  
 15 202(c)(3) of the Social Security Act (42 U.S.C. 402(c)(3))  
 16 is amended to read as follows:

17       “(3)(A) Except as provided in subsection (q) and  
 18 paragraph (2) of this subsection, such husband’s insur-  
 19 ance benefit for each month shall be equal to the applica-  
 20 ble percentage (as determined under subsection (b)(2)(B))  
 21 of the primary insurance amount of his wife (or, in the  
 22 case of a divorced husband, his former wife) for the cal-  
 23 endar year in which such individual becomes eligible for  
 24 such benefit.

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

1           “(i) an individual shall be treated as eligible for  
 2           a husband’s insurance benefit if such individual  
 3           meets the requirements of subparagraphs (B), (C),  
 4           and (D) of paragraph (1), and

5           “(ii) in determining when an individual becomes  
 6           eligible for a husband’s insurance benefit, any break  
 7           in eligibility of less than 12 consecutive months shall  
 8           not be taken into account.”.

9   **SEC. 11. ADJUSTMENTS TO BEND POINT AMOUNTS.**

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

12           (1) in clause (ii), by inserting “and before  
 13          2003” after “1979” the first place it appears, and  
 14          by striking “by dividing—” and all that follows and  
 15          inserting “under clause (viii) of this subparagraph.”;

16           (2) by redesignating clause (iii) as clause (ix);

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

18          “(iii) For individuals who initially become eligible for  
 19          old-age or disability insurance benefits, or who die (before  
 20          becoming eligible for such benefits), in any calendar year  
 21          after 2002, the amount established for purposes of clause  
 22          (i) of subparagraph (A) shall be an amount equal to the  
 23          product of—

24           “(I) the amount established with respect to cal-  
 25          endar year 1979 under clause (i) of this subpara-

1 graph for purposes of clause (i) of subparagraph  
2 (A), and

3 “(II) the quotient obtained under clause (viii)  
4 of this subparagraph.

5 “(iv) For individuals who initially become eligible for  
6 old-age or disability insurance benefits, or who die (before  
7 becoming eligible for such benefits), in any calendar year  
8 after 2002 and before 2023, the amount established for  
9 purposes of clause (ii) of subparagraph (A) shall be an  
10 amount equal to the product of—

11 “(I) the amount established with respect to the  
12 preceding calendar year under this subparagraph for  
13 purposes of clause (ii) of subparagraph (A),

14 “(II) the quotient obtained under clause (viii)  
15 of this subparagraph, and

16 “(III) 0.98.

17 “(v) For individuals who initially become eligible for  
18 old-age or disability insurance benefits, or who die (before  
19 becoming eligible for such benefits), in any calendar year  
20 after 2022, the amount established for purposes of clause  
21 (ii) of subparagraph (A) shall be an amount equal to the  
22 product of—

23 “(I) the amount established with respect to the  
24 calendar year 2022 under clause (iv) of this sub-

1 paragraph for purposes of clause (ii) of subpara-  
2 graph (A), and

3 “(II) the quotient obtained under clause (viii)  
4 of this subparagraph.

5 “(vi) For individuals who initially become eligible for  
6 old-age or disability insurance benefits, or who die (before  
7 becoming eligible for such benefits), in any calendar year  
8 after 2002 and before 2023, the amount established for  
9 purposes of clause (iii) of subparagraph (A) shall be an  
10 amount equal to the product of—

11 “(I) the amount established with respect to the  
12 preceding calendar year under this subparagraph for  
13 purposes of clause (iii) of subparagraph (A),

14 “(II) the quotient obtained under clause (viii)  
15 of this subparagraph, and

16 “(III) 0.98.

17 “(vii) For individuals who initially become eligible for  
18 old-age or disability insurance benefits, or who die (before  
19 becoming eligible for such benefits), in any calendar year  
20 after 2022, the amount established for purposes of clause  
21 (iii) of subparagraph (A) shall be an amount equal to the  
22 product of—

23 “(I) the amount established with respect to cal-  
24 endar year 2022 under clause (vii) of this subpara-

1 graph for purposes of clause (iii) of subparagraph  
2 (A), and

3 “(II) the quotient obtained under clause (viii)  
4 of this subparagraph.

5 “(viii) The quotient obtained under this clause is the  
6 quotient obtained by dividing—

7 “(I) the national average wage index (as de-  
8 fined in section 209(k)(1)) for the second calendar  
9 year preceding the calendar year for which the de-  
10 termination is made, by

11 “(II) the national average wage index (as so de-  
12 fined) for 1977.”; and

13 (4) in clause (ix) (as redesignated), by striking  
14 “clause (ii)” and inserting “the preceding clauses of  
15 this subparagraph”.

16 **SEC. 12. PHASED-IN INCREASE IN SOCIAL SECURITY RE-**  
17 **TIREMENT AGES.**

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

20 (1) in paragraph (1), by striking subparagraphs  
21 (B), (C), (D), and (E) and inserting the following:

22 “(B)(i) with respect to an individual who  
23 attains early retirement age after December 31,  
24 1999, and before January 1, 2029, 65 years of  
25 age plus  $\frac{2}{12}$  of the number of months in the

period beginning with January 2000 and ending with December of the year in which the individual attains early retirement age,

“(ii) with respect to an individual who attains early retirement age after December 31, 2028, 70 years of age, and

“(iii) with respect to an individual who attains early retirement age after December 31, 2029, 70 years of age plus  $\frac{1}{18}$  of the number of months in the period beginning with January 2030 and ending with December of the year in which the individual attains early retirement age (rounded down to a full month).”; and

(2) by striking paragraph (3).

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

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

“(A) except as otherwise provided in this paragraph, age 62 in the case of an old-age, wife’s, or husband’s insurance benefit, and age 60 in the case of a widow’s or widower’s insurance benefit;

“(B)(i)(I) except as provided in clause (ii), with respect to an individual who attains age 62

1 after December 31, 2011, and before January  
2 1, 2029, 62 years of age plus  $\frac{2}{12}$  of the num-  
3 ber of months in the period beginning with Jan-  
4 uary 2012 and ending with December of the  
5 year in which the individual attains age 62,

6 “(II) with respect to an individual who at-  
7 tains age 62 after December 31, 2028, 65 years  
8 of age, and

9 “(III) with respect to an individual who at-  
10 tains age 62 after December 31, 2029, 65 years  
11 of age plus  $\frac{1}{18}$  of the number of months in the  
12 period beginning with January 2030 and ending  
13 with December of the year in which the individ-  
14 ual attains age 62 (rounded down to a full  
15 month); and

16 “(ii)(I) in the case of widow’s and widow-  
17 er’s insurance benefits, with respect to an indi-  
18 vidual who attains age 60 after December 31,  
19 2011, and before January 1, 2029, 60 years of  
20 age plus  $\frac{2}{12}$  of the number of months in the  
21 period beginning with January 2012 and ending  
22 with December of the year in which the individ-  
23 ual attains age 60,

1           “(II) with respect to such an individual  
2           who attains age 60 after December 31, 2028,  
3           63 years of age, and

4           “(III) with respect to such an individual  
5           who attains age 60 after December 31, 2029,  
6           63 years of age plus  $\frac{1}{18}$  of the number of  
7           months in the period beginning with January  
8           2030 and ending with December of the year in  
9           which the individual attains age 60 (rounded  
10          down to a full month).”.

11 **SEC. 13. MECHANISM FOR REMEDYING UNFORESEEN DETE-**  
12 **RIORATION IN SOCIAL SECURITY SOLVENCY.**

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

15           (1) by redesignating subsection (b) as sub-  
16 section (c); and

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

20       “SEC. 709. (a)(1)(A) If the Board of Trustees of the  
21 Federal Old-Age and Survivors Insurance Trust Fund and  
22 the Federal Disability Insurance Trust Fund determines  
23 at any time, using intermediate actuarial assumptions,  
24 that the balance ratio of either such Trust Fund for any  
25 calendar year during the succeeding period of 75 calendar



1 years will be zero, the Board shall promptly submit to each  
2 House of the Congress and to the President a report set-  
3 ting forth its recommendations for statutory adjustments  
4 affecting the receipts and disbursements of such Trust  
5 Fund necessary to maintain the balance ratio of such  
6 Trust Fund at not less than 20 percent, with due regard  
7 to the economic conditions which created such inadequacy  
8 in the balance ratio and the amount of time necessary to  
9 alleviate such inadequacy in a prudent manner. The report  
10 shall set forth specifically the extent to which benefits  
11 would have to be reduced, taxes under section 1401, 3101,  
12 or 3111 of the Internal Revenue Code of 1986 would have  
13 to be increased, or a combination thereof, in order to ob-  
14 tain the objectives referred to in the preceding sentence.

15       “(B) In addition to any reports under subparagraph  
16 (A), the Board shall, not later than May 30, 2001, prepare  
17 and submit to Congress and the President recommenda-  
18 tions for statutory adjustments to the disability insurance  
19 program under title II of this Act to modify the changes  
20 in disability benefits under the 21st Century Retirement  
21 Act of 1998 without reducing the balance ratio of the Fed-  
22 eral Disability Insurance Trust Fund. The Board shall de-  
23 velop such recommendations in consultation with the Na-  
24 tional Council on Disability, taking into consideration the  
25 adequacy of benefits under the program, the relationship

1 of such program with old age benefits under such title,  
2 and changes in the process for determining initial eligi-  
3 bility and reviewing continued eligibility for benefits under  
4 such program.

5 “(2)(A) The President shall, no later than 30 days  
6 after the submission of the report to the President, trans-  
7 mit to the Board and to the Congress a report containing  
8 the President’s approval or disapproval of the Board’s rec-  
9 ommendations.

10 “(B) If the President approves all the recommenda-  
11 tions of the Board, the President shall transmit a copy  
12 of such recommendations to the Congress as the Presi-  
13 dent’s recommendations, together with a certification of  
14 the President’s adoption of such recommendations.

15 “(C) If the President disapproves the recommenda-  
16 tions of the Board, in whole or in part, the President shall  
17 transmit to the Board and the Congress the reasons for  
18 that disapproval. The Board shall then transmit to the  
19 Congress and the President, no later than 60 days after  
20 the date of the submission of the original report to the  
21 President, a revised list of recommendations.

22 “(D) If the President approves all of the revised rec-  
23 ommendations of the Board transmitted to the President  
24 under subparagraph (C), the President shall transmit a  
25 copy of such revised recommendations to the Congress as

1 the President’s recommendations, together with a certifi-  
2 cation of the President’s adoption of such recommenda-  
3 tions.

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

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

16 “(i) as an exercise of the rulemaking power of  
17 the Senate and House of Representatives, respec-  
18 tively, and as such it is deemed a part of the rules  
19 of each House, respectively, but applicable only with  
20 respect to the procedure to be followed in that  
21 House in the case of a joint resolution described in  
22 subparagraph (B), and it supersedes other rules only  
23 to the extent that it is inconsistent with such rules;  
24 and

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

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

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

14                 “(ii) the matter after the resolving clause of  
15          which is as follows: ‘That the Congress approves the  
16          recommendations of President as transmitted on  
17          \_\_\_\_\_ pursuant to section 709(a) of the Social Secu-  
18          rity Act, as follows: \_\_\_\_\_’, the first blank space  
19          being filled in with the appropriate date and the sec-  
20          ond blank space being filled in with the statutory ad-  
21          justments contained in the recommendations; and

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

1       “(C) A joint resolution described in subparagraph  
2 (B) that is introduced in the House of Representatives  
3 shall be referred to the Committee on Ways and Means  
4 of the House of Representatives. A joint resolution de-  
5 scribed in subparagraph (B) introduced in the Senate  
6 shall be referred to the Committee on Finance of the Sen-  
7 ate.

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

18       “(E)(i) On or after the third day after the date on  
19 which the committee to which such a joint resolution is  
20 referred has reported, or has been discharged (under sub-  
21 paragraph (D)) from further consideration of, such a joint  
22 resolution, it is in order (even though a previous motion  
23 to the same effect has been disagreed to) for any Member  
24 of the respective House to move to proceed to the consider-  
25 ation of the joint resolution. A Member may make the mo-

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

21       “(ii) Debate on the joint resolution, and on all debat-  
22 able motions and appeals in connection therewith, shall be  
23 limited to not more than 2 hours, which shall be divided  
24 equally between those favoring and those opposing the  
25 joint resolution. An amendment to the joint resolution is

1 not in order. A motion further to limit debate is in order  
2 and not debatable. A motion to postpone, or a motion to  
3 proceed to the consideration of other business, or a motion  
4 to recommit the joint resolution is not in order. A motion  
5 to reconsider the vote by which the joint resolution is  
6 agreed to or disagreed to is not in order.

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

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

18 “(F)(i) If, before the passage by one House of a joint  
19 resolution of that House described in subparagraph (B),  
20 that House receives from the other House a joint resolu-  
21 tion described in subparagraph (B), then the following  
22 procedures shall apply:

23 “(I) The joint resolution of the other House  
24 shall not be referred to a committee and may not be

1       considered in the House receiving it except in the  
2       case of final passage as provided in subclause (II).

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

10       “(ii) Upon disposition of the joint resolution received  
11      from the other House, it shall no longer be in order to  
12      consider the joint resolution that originated in the receiv-  
13      ing House.

14       “(b) If the Board of Trustees of the Federal Hospital  
15      Insurance Trust Fund or the Federal Supplementary  
16      Medical Insurance Trust Fund determines as any time  
17      that the balance ratio of either such Trust Fund”.

18       (b) CONFORMING AMENDMENTS.—

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

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

○