

106TH CONGRESS
1ST SESSION

S. 1383

To amend title II of the Social Security Act to provide for individual savings 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 SENATE OF THE UNITED STATES

JULY 16, 1999

Mr. GREGG (for himself, Mr. KERREY, Mr. BREAU, Mr. GRASSLEY, Mr. THOMPSON, Mr. ROBB, and Mr. THOMAS) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend title II of the Social Security Act to provide for individual savings 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 “Bipartisan Social Security Reform Act of 1999”.

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

Sec. 1. Short title; table of contents.

TITLE I—INDIVIDUAL SAVINGS ACCOUNTS

Sec. 101. Individual savings accounts.

Sec. 102. Social security KidSave Accounts.

Sec. 103. Adjustments to primary insurance amounts under part A of title II of the Social Security Act.

TITLE II—SOCIAL SECURITY SYSTEM ADJUSTMENTS

Sec. 201. Adjustments to bend points in determining primary insurance amounts.

Sec. 202. Adjustment of widows' and widowers' insurance benefits.

Sec. 203. Elimination of earnings test for individuals who have attained early retirement age.

Sec. 204. Gradual increase in number of benefit computation years; use of all years in computation.

Sec. 205. Maintenance of benefit and contribution base.

Sec. 206. Reduction in the amount of certain transfers to Medicare Trust Fund.

Sec. 207. Actuarial adjustment for retirement.

Sec. 208. Improvements in process for cost-of-living adjustments.

Sec. 209. Modification of increase in normal retirement age.

Sec. 210. Modification of PIA factors to reflect changes in life expectancy.

Sec. 211. Mechanism for remedying unforeseen deterioration in social security solvency.

1 **TITLE I—INDIVIDUAL SAVINGS** 2 **ACCOUNTS**

3 **SEC. 101. INDIVIDUAL SAVINGS ACCOUNTS.**

4 (a) ESTABLISHMENT AND MAINTENANCE OF INDI-
5 VIDUAL SAVINGS ACCOUNTS.—Title II of the Social Secu-
6 rity 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:

1 “PART B—INDIVIDUAL SAVINGS ACCOUNTS

2 “INDIVIDUAL SAVINGS ACCOUNTS

3 “SEC. 251. (a) ESTABLISHMENT.—

4 “(1) IN GENERAL.—

5 “(A) ESTABLISHMENT IN ABSENCE OF
6 KIDSAVE ACCOUNT.—Except as provided in sub-
7 paragraph (B), the Commissioner of Social Se-
8 curity, within 30 days of the receipt of the first
9 contribution received pursuant to subsection (b)
10 with respect to an eligible individual, shall es-
11 tablish in the name of such individual an indi-
12 vidual savings account. The individual savings
13 account shall be identified to the account holder
14 by means of the account holder’s Social Secu-
15 rity account number.

16 “(B) USE OF KIDSAVE ACCOUNT.—If a
17 KidSave Account has been established in the
18 name of an eligible individual under section
19 262(a) before the date of the first contribution
20 received by the Commissioner pursuant to sub-
21 section (b) with respect to such individual, the
22 Commissioner shall redesignate the KidSave
23 Account as an individual savings account for
24 such individual.

1 “(2) DEFINITION OF ELIGIBLE INDIVIDUAL.—

2 In this part, the term ‘eligible individual’ means any
3 individual born after December 31, 1937.

4 “(b) CONTRIBUTIONS.—

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

15 “(2) OTHER CONTRIBUTIONS.—For provisions
16 relating to additional contributions credited to indi-
17 vidual savings accounts, see sections 531(c)(2) and
18 6402(l) of the Internal Revenue Code of 1986.

19 “(c) DESIGNATION OF INVESTMENT TYPE OF INDIVIDUAL SAVINGS ACCOUNT.—

21 “(1) DESIGNATION.—Each eligible individual
22 who is employed or self-employed shall designate the
23 investment type of individual savings account to
24 which the contributions described in subsection (b)
25 on behalf of such individual are to be credited.

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

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

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

20 “(d) TREATMENT OF INCOMPETENT INDIVIDUALS.—
21 Any designation under subsection (c)(1) to be made by
22 an individual mentally incompetent or under other legal
23 disability may be made by the person who is constituted
24 guardian or other fiduciary by the law of the State of resi-
25 dence of the individual or is otherwise legally vested with

1 the care of the individual or his estate. Payment under
 2 this part due an individual mentally incompetent or under
 3 other legal disability may be made to the person who is
 4 constituted guardian or other fiduciary by the law of the
 5 State of residence of the claimant or is otherwise legally
 6 vested with the care of the claimant or his estate. In any
 7 case in which a guardian or other fiduciary of the indi-
 8 vidual under legal disability has not been appointed under
 9 the law of the State of residence of the individual, if any
 10 other person, in the judgment of the Commissioner, is re-
 11 sponsible for the care of such individual, any designation
 12 under subsection (c)(1) which may otherwise be made by
 13 such individual may be made by such person, any payment
 14 under this part which is otherwise payable to such indi-
 15 vidual may be made to such person, and the payment of
 16 an annuity payment under this part to such person bars
 17 recovery by any other person.

18 “DEFINITION OF INDIVIDUAL SAVINGS ACCOUNT;

19 TREATMENT OF ACCOUNTS

20 “SEC. 252. (a) INDIVIDUAL SAVINGS ACCOUNT.—In
 21 this part, the term ‘individual savings account’ means any
 22 individual savings account in the Individual Savings Fund
 23 (established under section 254) which is administered by
 24 the Individual Savings Fund Board.

25 “(b) TREATMENT OF ACCOUNT.—Except as other-
 26 wise provided in this part and in section 531 of the Inter-

nal Revenue Code of 1986, any individual savings account described in subsection (a) shall be treated in the same manner as an individual account in the Thrift Savings Fund under subchapter III of chapter 84 of title 5, United States Code.

“INDIVIDUAL SAVINGS ACCOUNT DISTRIBUTIONS

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

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

“(1) the date the eligible individual attains normal retirement age, as determined under section 216 (or early retirement age (as so determined) if elected by such individual), or

“(2) the date on which funds in the eligible individual’s individual savings account are sufficient to provide a monthly payment over the life expectancy of the eligible individual (determined under reasonable actuarial assumptions) which, when added to the eligible individual’s monthly benefit under part A (if any), is at least equal to an amount equal to $\frac{1}{12}$ of the poverty line (as defined in section 673(2) of the Community Services Block Grant Act (42 U.S.C. 9902(2) and determined on such date for a family of the size involved) and adjusted annually there-

1 after by the adjustment determined under section
 2 215(i).

3 “(b) FORMS OF DISTRIBUTION.—

4 “(1) REQUIRED MONTHLY PAYMENTS.—Except
 5 as provided in paragraph (2), beginning with the
 6 date determined under subsection (a), the balance in
 7 an individual savings account available to provide
 8 monthly payments not in excess of the amount de-
 9 scribed in subsection (a)(2) shall be paid, as elected
 10 by the account holder (in such form and manner as
 11 shall be prescribed in regulations of the Individual
 12 Savings Fund Board), by means of the purchase of
 13 annuities or equal monthly payments over the life
 14 expectancy of the eligible individual (determined
 15 under reasonable actuarial assumptions) in accord-
 16 ance with requirements (which shall be provided in
 17 regulations of the Board) similar to the require-
 18 ments applicable to payments of benefits under sub-
 19 chapter III of chapter 84 of title 5, United States
 20 Code, and providing for indexing for inflation.

21 “(2) PAYMENT OF EXCESS FUNDS.—To the ex-
 22 tent funds remain in an eligible individual’s indi-
 23 vidual savings account after the application of para-
 24 graph (1), such funds shall be payable to the eligible
 25 individual in such manner and in such amounts as

1 determined by the eligible individual, subject to the
2 provisions of subchapter III of chapter 84 of title 5,
3 United States Code.

4 “(c) DISTRIBUTION IN THE EVENT OF DEATH BE-
5 FORE THE DATE OF INITIAL DISTRIBUTION.—If the eligi-
6 ble individual dies before the date determined under sub-
7 section (a), the balance in such individual’s individual sav-
8 ings account shall be distributed in a lump sum, under
9 rules established by the Individual Savings Fund Board,
10 to the individual’s heirs.

11 “INDIVIDUAL SAVINGS FUND

12 “SEC. 254. (a) ESTABLISHMENT.—There is estab-
13 lished and maintained in the Treasury of the United
14 States an Individual Savings Fund in the same manner
15 as the Thrift Savings Fund under sections 8437, 8438,
16 and 8439 (but not section 8440) of title 5, United States
17 Code.

18 “(b) INDIVIDUAL SAVINGS FUND BOARD.—

19 “(1) IN GENERAL.—There is established and
20 operated in the Social Security Administration an
21 Individual Savings Fund Board in the same manner
22 as the Federal Retirement Thrift Investment Board
23 under subchapter VII of chapter 84 of title 5,
24 United States Code.

25 “(2) SPECIFIC INVESTMENT AND REPORTING
26 DUTIES.—

1 “(A) IN GENERAL.—The Individual Sav-
2 ings Fund Board shall manage and report on
3 the activities of the Individual Savings Fund
4 and the individual savings accounts of such
5 Fund in the same manner as the Federal Re-
6 tirement Thrift Investment Board manages and
7 reports on the Thrift Savings Fund and the in-
8 dividual accounts of such Fund under sub-
9 chapter VII of chapter 84 of title 5, United
10 States Code.

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

13 “(i) STUDY.—The Individual Savings
14 Fund Board shall conduct a study regard-
15 ing ways to increase an eligible individual’s
16 investment options with respect to such in-
17 dividual’s individual savings account and
18 with respect to rollovers or distributions
19 from such account.

20 “(ii) REPORT.—Not later than 2
21 years after the date of enactment of the
22 Bipartisan Social Security Reform Act of
23 1999, the Individual Savings Fund Board
24 shall submit a report to the President and
25 Congress that contains a detailed state-

1 ment of the results of the study conducted
 2 pursuant to clause (i), together with the
 3 Board’s recommendations for such legisla-
 4 tive actions as the Board considers appro-
 5 priate.

6 “BUDGETARY TREATMENT OF INDIVIDUAL SAVINGS FUND
 7 AND ACCOUNTS

8 “SEC. 255. The receipts and disbursements of the In-
 9 dividual Savings Fund and any accounts within such fund
 10 shall not be included in the totals of the budget of the
 11 United States Government as submitted by the President
 12 or of the congressional budget and shall be exempt from
 13 any general budget limitation imposed by statute on ex-
 14 penditures and net lending (budget outlays) of the United
 15 States Government.”.

16 (b) MODIFICATION OF FICA RATES.—

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

20 “(a) OLD-AGE, SURVIVORS, AND DISABILITY INSUR-
 21 ANCE.—

22 “(1) IN GENERAL.—

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

25 In addition to other taxes, there is hereby im-
 26 posed on the income of every individual who is

not a part B eligible individual a tax equal to 6.2 percent of the wages (as defined in section 3121(a)) received by him with respect to employment (as defined in section 3121(b)).

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

In addition to other taxes, there is hereby imposed on the income of every part B eligible individual a tax equal to 4.2 percent of the wages (as defined in section 3121(a)) received by such individual with respect to employment (as defined in section 3121(b)).

“(2) CONTRIBUTION OF OASDI TAX REDUCTION TO INDIVIDUAL SAVINGS ACCOUNTS.—

“(A) IN GENERAL.—In addition to other taxes, there is hereby imposed on the income of every part B eligible individual an individual savings account contribution equal to the sum of—

“(i) 2 percent of the wages (as so defined) received by such individual with respect to employment (as so defined), plus

“(ii) so much of such wages (not to exceed \$2,000) as designated by the indi-

vidual in the same manner as described in
section 251(c) of the Social Security Act.

“(B) INFLATION ADJUSTMENT.—

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

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

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

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

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

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

3 “(1) IN GENERAL.—

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

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

21 “(2) CONTRIBUTION OF OASDI TAX REDUCTION
22 TO INDIVIDUAL SAVINGS ACCOUNTS.—

23 “(A) IN GENERAL.—In addition to other
24 taxes, there is hereby imposed for each taxable
25 year, on the self-employment income of every

1 individual, an individual savings account con-
 2 tribution equal to the sum of—

3 “(i) 2 percent of the amount of the
 4 self-employment income for each individual
 5 for such taxable year, and

6 “(ii) so much of such self-employment
 7 income (not to exceed \$2,000) as des-
 8 ignated by the individual in the same man-
 9 ner as described in section 251(c) of the
 10 Social Security Act.

11 “(B) INFLATION ADJUSTMENT.—

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

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

18 “(II) the cost-of-living adjust-
 19 ment determined under section 1(f)(3)
 20 for the calendar year in which the tax-
 21 able year begins, determined by sub-
 22 stituting ‘calendar year 1999’ for ‘cal-
 23 endar year 1992’ in subparagraph (B)
 24 thereof.

1 “(ii) ROUNDING.—If any dollar
 2 amount after being increased under clause
 3 (i) is not a multiple of \$10, such dollar
 4 amount shall be rounded to the nearest
 5 multiple of \$10.”.

6 (3) PART B ELIGIBLE INDIVIDUAL.—

7 (A) TAXES ON EMPLOYEES.—Section 3121
 8 of such Code (relating to definitions) is amend-
 9 ed by inserting after subsection (s) the fol-
 10 lowing:

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

16 (B) SELF-EMPLOYMENT TAX.—Section
 17 1402 of such Code (relating to definitions) is
 18 amended by adding at the end the following:

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

24 (4) EFFECTIVE DATES.—

1 (A) EMPLOYEES.—The amendments made
 2 by paragraphs (1) and (3)(A) apply to remuneration paid after December 31, 1999.

4 (B) SELF-EMPLOYED INDIVIDUALS.—The
 5 amendments made by paragraphs (2) and
 6 (3)(B) apply to taxable years beginning after
 7 December 31, 1999.

8 (c) MATCHING CONTRIBUTIONS.—

9 (1) IN GENERAL.—Part IV of subchapter A of
 10 chapter 1 of the Internal Revenue Code of 1986 (relating to credits against tax) is amended by adding
 11 at the end the following:
 12

13 **“Subpart H—Individual Savings Account Credits**

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

14 **“SEC. 54. INDIVIDUAL SAVINGS ACCOUNT CREDIT.**

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

18 “(1) \$100, plus

19 “(2) 100 percent of the designated wages of
 20 such individual for the taxable year, plus

21 “(3) 100 percent of the designated self-employment income of such individual for the taxable year.

23 “(b) LIMITATIONS.—

1 “(1) AMOUNT.—The amount determined under
2 subsection (a) with respect to such individual for
3 any taxable year may not exceed the excess (if any)
4 of—

5 “(A) an amount equal to 1 percent of the
6 contribution and benefit base for such taxable
7 year (as determined under section 230 of the
8 Social Security Act), over

9 “(B) the sum of the amounts received by
10 the Secretary on behalf of such individual under
11 sections 3101(a)(2)(A)(i) and 1401(a)(2)(A)(i)
12 for such taxable year.

13 “(2) FAILURE TO MAKE VOLUNTARY CONTRIBU-
14 TIONS.—In the case of a part B eligible individual
15 with respect to whom the amount of wages des-
16 ignated under section 3101(a)(2)(A)(ii) plus the
17 amount self-employment income designated under
18 section 1401(a)(2)(A)(ii) for the taxable year is less
19 than \$1, the credit to which such individual is enti-
20 tled under this section shall be equal to zero.

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

22 “(1) PART B ELIGIBLE INDIVIDUAL.—The term
23 ‘part B eligible individual’ means, for any calendar
24 year, an individual who—

1 “(A) is an eligible individual (as defined in
2 section 251(a)(2) of the Social Security Act) for
3 such calendar year, and

4 “(B) is not an individual with respect to
5 whom another taxpayer is entitled to a deduc-
6 tion under section 151(c).

7 “(2) DESIGNATED WAGES.—The term ‘des-
8 ignated wages’ means with respect to any taxable
9 year the amount designated under section
10 3101(a)(2)(A)(ii).

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

16 “(d) CREDIT USED ONLY FOR INDIVIDUAL SAVINGS
17 ACCOUNT.—For purposes of this title, the credit allowed
18 under this section with respect to any part B eligible
19 individual—

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

22 “(2) shall be treated as an overpayment of tax
23 under section 6401(b)(3) which may, in accordance
24 with section 6402(l), only be transferred to an indi-
25 vidual savings account established under part B of

1 title II of the Social Security Act with respect to
2 such individual.”.

3 (2) CONTRIBUTION OF CREDITED AMOUNTS TO
4 INDIVIDUAL SAVINGS ACCOUNT.—

5 (A) CREDITED AMOUNTS TREATED AS
6 OVERPAYMENT OF TAX.—Subsection (b) of sec-
7 tion 6401 of such Code (relating to excessive
8 credits) is amended by adding at the end the
9 following:

10 “(3) SPECIAL RULE FOR CREDIT UNDER SEC-
11 TION 54.—Subject to the provisions of section
12 6402(l), the amount of any credit allowed under sec-
13 tion 54 for any taxable year shall be considered an
14 overpayment.”.

15 (B) TRANSFER OF CREDIT AMOUNT TO IN-
16 DIVIDUAL SAVINGS ACCOUNT.—Section 6402 of
17 such Code (relating to authority to make credits
18 or refunds) is amended by adding at the end
19 the following:

20 “(l) OVERPAYMENTS ATTRIBUTABLE TO INDIVIDUAL
21 SAVINGS ACCOUNT CREDIT.—In the case of any overpay-
22 ment described in section 6401(b)(3) with respect to any
23 individual, the Secretary shall transfer for crediting by the
24 Commissioner of Social Security to the individual savings

1 account of such individual, an amount equal to the amount
2 of such overpayment.”.

3 (4) 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 Bipar-
7 tisan Social Security Reform Act of 1999”.

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:

“Subpart H. Individual Savings Account Credits.”.

12 (5) 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 SAVINGS 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:

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

“Sec. 531. Individual Savings Fund and Accounts.

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

2 “(a) GENERAL RULE.—The Individual Savings Fund
3 and individual savings accounts shall be exempt from tax-
4 ation under this subtitle.

5 “(b) INDIVIDUAL SAVINGS FUND AND ACCOUNTS
6 DEFINED.—For purposes of this section, the terms ‘Indi-
7 vidual Savings Fund’ and ‘individual savings 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 sav-
14 ings 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 savings account made by reason of the death of the
19 beneficiary of such account may be rolled over to the
20 individual savings account of the heir after such
21 death.

22 “(d) DISTRIBUTIONS.—

23 “(1) IN GENERAL.—Any distribution from an
24 individual savings account under section 253 of the
25 Social Security Act shall be included in gross income
26 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 savings
 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 such Code is
 15 amended by adding after the item relating to part
 16 VIII the following:

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

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

20 **SEC. 102. SOCIAL SECURITY KIDSAVE ACCOUNTS.**

21 Title II of the Social Security Act (42 U.S.C. 401
 22 et seq.), as amended by section 101(a), is amended by
 23 adding at the end the following:

1 “PART C—KIDSAVE ACCOUNTS

2 “KIDSAVE ACCOUNTS

3 “SEC. 261. (a) ESTABLISHMENT.—The Commis-
 4 sioner of Social Security shall establish in the name of
 5 each individual born on or after January 1, 1995, a
 6 KidSave Account upon the later of—

7 “(1) the date of enactment of this part, or

8 “(2) the date of the issuance of a Social Secu-
 9 rity account number under section 205(c)(2) to such
 10 individual.

11 The KidSave Account shall be identified to the account
 12 holder by means of the account holder’s Social Security
 13 account number.

14 “(b) CONTRIBUTIONS.—

15 “(1) IN GENERAL.—There are authorized to be
 16 appropriated and are appropriated such sums as are
 17 necessary in order for the Secretary of the Treasury
 18 to transfer from the general fund of the Treasury
 19 for crediting by the Commissioner to each account
 20 holder’s KidSave Account under subsection (a), an
 21 amount equal to the sum of—

22 “(A) in the case of any individual born on
 23 or after January 1, 2000, \$1,000, on the date
 24 of the establishment of such individual’s
 25 KidSave Account, and

1 “(B) in the case of any individual born on
2 or after January 1, 1995, \$500, on the 1st,
3 2nd, 3rd, 4th, and 5th birthdays of such indi-
4 vidual occurring on or after January 1, 2000.

5 “(2) ADJUSTMENT FOR INFLATION.—For any
6 calendar year after 2009, each of the dollar amounts
7 under paragraph (1) shall be increased by the cost-
8 of-living adjustment determined under section 215(i)
9 for the calendar year.

10 “(c) DESIGNATIONS REGARDING KIDSAVE AC-
11 COUNTS.—

12 “(1) INITIAL DESIGNATIONS OF INVESTMENT
13 VEHICLE.—A person described in subsection (d)
14 shall, on behalf of the individual described in sub-
15 section (a), designate the investment vehicle for the
16 KidSave Account to which contributions on behalf of
17 such individual are to be deposited. Such designation
18 shall be made on the application for such individ-
19 ual’s Social Security account number.

20 “(2) CHANGES IN INVESTMENT VEHICLES.—
21 The Commissioner shall by regulation provide the
22 time and manner by which an individual or a person
23 described in subsection (d) on behalf of such indi-
24 vidual may change 1 or more investment vehicles for
25 a KidSave Account.

1 “(d) TREATMENT OF MINORS AND INCOMPETENT IN-
2 DIVIDUALS.—Any designation under subsection (c) to be
3 made by a minor, or an individual mentally incompetent
4 or under other legal disability, may be made by the person
5 who is constituted guardian or other fiduciary by the law
6 of the State of residence of the individual or is otherwise
7 legally vested with the care of the individual or his estate.
8 Payment under this part due a minor, or an individual
9 mentally incompetent or under other legal disability, may
10 be made to the person who is constituted guardian or
11 other fiduciary by the law of the State of residence of the
12 claimant or is otherwise legally vested with the care of the
13 claimant or his estate. In any case in which a guardian
14 or other fiduciary of the individual under legal disability
15 has not been appointed under the law of the State of resi-
16 dence of the individual, if any other person, in the judg-
17 ment of the Commissioner, is responsible for the care of
18 such individual, any designation under subsection (c)
19 which may otherwise be made by such individual may be
20 made by such person, any payment under this part which
21 is otherwise payable to such individual may be made to
22 such person, and the payment of an annuity payment
23 under this part to such person bars recovery by any other
24 person.

1 “DEFINITIONS AND SPECIAL RULES

2 “SEC. 262. (a) KIDSAVE ACCOUNTS.—In this part,
3 the term ‘KidSave Account’ means any KidSave Account
4 in the Individual Savings Fund (established under section
5 254) which is administered by the Individual Savings
6 Fund Board.

7 “(b) TREATMENT OF ACCOUNTS.—

8 “(1) IN GENERAL.—Except as provided in para-
9 graph (2), any KidSave Account described in sub-
10 section (a) shall be treated in the same manner as
11 an individual savings account under part B.

12 “(2) DISTRIBUTIONS.—Notwithstanding any
13 other provision of law, distributions may only be
14 made from a KidSave Account of an individual on
15 or after the earlier of—

16 “(A) the date on which the individual be-
17 gins receiving benefits under this title, or

18 “(B) the date of the individual’s death.”.

19 **SEC. 103. ADJUSTMENTS TO PRIMARY INSURANCE**
20 **AMOUNTS UNDER PART A OF TITLE II OF THE**
21 **SOCIAL SECURITY ACT.**

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

1 “Adjustment of Primary Insurance Amount in Relation
 2 to Deposits Made to Individual Savings Accounts
 3 and KidSave Accounts

4 “(j)(1) Except as provided in paragraph (2), an indi-
 5 vidual’s primary insurance amount as determined in ac-
 6 cordance with this section (before adjustments made
 7 under subsection (i)) shall be equal to the excess (if any)
 8 of—

9 “(A) the amount which would be so determined
 10 without the application of this subsection, over

11 “(B) the monthly amount of an immediate life
 12 annuity, determined on the basis of the sum of—

13 “(A) the total of all amounts which have
 14 been credited pursuant to section 251(b) (in-
 15 dexed in the same manner as is applicable with
 16 respect to average indexed monthly earnings
 17 under subsection (b)) to the individual savings
 18 account held by such individual, plus

19 “(B) 50 percent of the accumulated value
 20 of the KidSave Account (established on behalf
 21 of such individual under section 261(a)) deter-
 22 mined on the date such KidSave Account is re-
 23 designated as an individual savings account
 24 held by such individual under section
 25 251(a)(1)(B), plus

1 “(C) accrued interest on such amounts
2 compounded annually—

3 “(i) assuming an interest rate equal
4 to the projected interest rate of the Fed-
5 eral Old-Age and Survivors Trust Fund,
6 and

7 “(ii) using the mortality table used
8 under 412(l)(7)(C)(ii) of the Internal Rev-
9 enue Code of 1986.

10 “(2) In the case of an individual who becomes entitled
11 to disability insurance benefits under section 223, such in-
12 dividual’s primary insurance amount shall be determined
13 without regard to paragraph (1).

14 “(3) For purposes of this subsection, the term ‘imme-
15 diate life annuity’ means an annuity—

16 “(A) the annuity starting date (as defined in
17 section 72(c)(4) of the Internal Revenue Code of
18 1986) of which commences with the first month fol-
19 lowing the date of the determination, and

20 “(B) which provides for a series of substantially
21 equal monthly payments over the life expectancy of
22 the individual.”.

23 (b) CONFORMING AMENDMENT TO RAILROAD RE-
24 TIREMENT ACT OF 1974.—Section 1 of the Railroad Re-

1 tirement Act of 1974 (45 U.S.C. 231) is amended by add-
 2 ing at the end the following:

3 “(s) In applying applicable provisions of the Social
 4 Security Act for purposes of determining the amount of
 5 the annuity to which an individual is entitled under this
 6 Act, section 215(j) of the Social Security Act and part
 7 B of title II of such Act shall be disregarded.”

8 (c) EFFECTIVE DATE.—The amendments made by
 9 this section shall apply with respect to computations and
 10 recomputations of primary insurance amounts occurring
 11 after December 31, 1999.

12 **TITLE II—SOCIAL SECURITY** 13 **SYSTEM ADJUSTMENTS**

14 **SEC. 201. ADJUSTMENTS TO BEND POINTS IN DETER-** 15 **MINING PRIMARY INSURANCE AMOUNTS.**

16 (a) ADDITIONAL BEND POINT.—Section
 17 215(a)(1)(A) of the Social Security Act (42 U.S.C.
 18 415(a)(1)(A)) is amended—

19 (1) in clause (ii), by striking “and” at the end;

20 (2) in clause (iii)—

21 (A) by striking “15 percent” and inserting
 22 “32 percent”;

23 (B) by striking “clause (ii),” and inserting
 24 the following: “clause (ii) but do not exceed the

1 amount established for purposes of this clause
 2 by subparagraph (B), and”; and
 3 (3) by inserting after clause (iii) the following:
 4 “(iv) 15 percent of the individual’s average in-
 5 dexed monthly earnings to the extent that such
 6 earnings exceed the amount established for purposes
 7 of clause (iii),”.

8 (b) INITIAL LEVEL OF ADDITIONAL BEND POINT.—
 9 Section 215(a)(1)(B)(i) of such Act (42 U.S.C.
 10 415(a)(1)(B)(i)) is amended—

11 (1) by striking “clause (i) and (ii)” and insert-
 12 ing “clauses (i) and (iii)”; and

13 (2) by adding at the end the following: “For in-
 14 dividuals who initially become eligible for old-age or
 15 disability insurance benefits, or who die (before be-
 16 coming eligible for such benefit), in the calendar
 17 year 2000, the amount established for purposes of
 18 clause (ii) of subparagraph (A) shall be equal to
 19 197.5 percent of the amount established for pur-
 20 poses of clause (i).”.

21 (c) ADJUSTMENTS TO PIA FORMULA FACTORS.—
 22 Section 215(a)(1)(B) of such Act (42 U.S.C.
 23 415(a)(1)(B)) is amended further—

24 (1) by redesignating clause (iii) as clause (iv);

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

1 “(iii) For individuals who initially become eligible for
 2 old-age or disability insurance benefits, or who die (before
 3 becoming eligible for such benefits), in any calendar year
 4 after 2005, effective for such calendar year—

5 “(I) the percentage in effect under clause (ii) of
 6 subparagraph (A) shall be equal to the percentage in
 7 effect under such clause for calendar year 2005 in-
 8 creased the applicable number of times by 3.8 per-
 9 centage points,

10 “(II) the percentage in effect under clause (iii)
 11 of subparagraph (A) shall be equal to the percentage
 12 in effect under such clause for calendar year 2005
 13 decreased the applicable number of times by 1.2 per-
 14 centage points, and

15 “(III) the percentage in effect under clause (iv)
 16 of subparagraph (A) shall be equal to the percentage
 17 in effect under such clause for calendar year 2005
 18 decreased the applicable number of times by 0.5 per-
 19 centage points.

20 For purposes of the preceding sentence, the term ‘applica-
 21 ble number of times’ means a number equal to the lesser
 22 of 10 or the number of years beginning with 2006 and
 23 ending with the year of initial eligibility or death.”; and

24 (3) in clause (iv) (as redesignated), by striking
 25 “amount” and inserting “dollar amount”.

1 (d) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply with respect to primary insurance
 3 amounts of individuals attaining early retirement age (as
 4 defined in section 216(l) of the Social Security Act), or
 5 dying, after December 31, 1999.

6 **SEC. 202. ADJUSTMENT OF WIDOWS' AND WIDOWERS' IN-**
 7 **SURANCE BENEFITS.**

8 (a) WIDOW'S BENEFIT.—Section 202(e)(2)(A) of the
 9 Social Security Act (42 U.S.C. 402(e)(2)(A)) is amended
 10 by striking “equal to” and all that follows and inserting
 11 “equal to the greater of—

12 “(i) the primary insurance amount (as deter-
 13 mined for purposes of this subsection after applica-
 14 tion of subparagraphs (B) and (C)) of such deceased
 15 individual, or

16 “(ii) the applicable percentage of the joint ben-
 17 efit which would have been received by the widow or
 18 surviving divorced wife and the deceased individual
 19 for such month if such individual had not died.

20 For purposes of clause (ii), the applicable percentage is
 21 equal to 50 percent in 2000, increased (but not above 75
 22 percent) by 1 percentage point in every second year there-
 23 after.”.

24 (b) WIDOWER'S BENEFIT.—Section 202(f)(3)(A) of
 25 the Social Security Act (42 U.S.C. 402(b)(3)(A)) is

1 amended by striking “equal to” and all that follows and
 2 inserting “equal to the greater of—

3 “(i) the primary insurance amount (as deter-
 4 mined for purposes of this subsection after applica-
 5 tion of subparagraphs (B) and (C)) of such deceased
 6 individual, or

7 “(ii) the applicable percentage of the joint ben-
 8 efit which would have been received by the widow or
 9 surviving divorced husband and the deceased indi-
 10 vidual for such month if such individual had not
 11 died.

12 For purposes of clause (ii), the applicable percentage is
 13 equal to 50 percent in 2000, increased (but not above 75
 14 percent) by 1 percentage point in every second year there-
 15 after.”.

16 **SEC. 203. ELIMINATION OF EARNINGS TEST FOR INDIVID-**
 17 **UALS WHO HAVE ATTAINED EARLY RETIRE-**
 18 **MENT AGE.**

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

21 (1) in subsection (c)(1), by striking “the age of
 22 seventy” and inserting “early retirement age (as de-
 23 fined in section 216(l))”;

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

1 appears and inserting “early retirement age (as de-
 2 fined in 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 early 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 “early retirement age (as defined in section
 15 216(l))”;

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

19 (6) in subsection (j)—

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

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

1 (b) CONFORMING AMENDMENTS ELIMINATING THE
 2 SPECIAL EXEMPT AMOUNT FOR INDIVIDUALS WHO HAVE
 3 ATTAINED AGE 62.—

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 the Social Security Act (42 U.S.C.
 13 403(f)(8)(B)) 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 par-
 18 ticular 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”.

24 (3) REPEAL OF BASIS FOR COMPUTATION OF
 25 SPECIAL EXEMPT AMOUNT.—Section 203(f)(8)(D) of

1 the Social Security Act (42 U.S.C. 403(f)(8)(D)) is
 2 repealed.

3 (c) ADDITIONAL CONFORMING AMENDMENTS.—

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

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

16 (B) in subsection (f)(1), by striking clause
 17 (D) and inserting the following: “(D) for which
 18 such individual is entitled to widow’s or wid-
 19 ower’s insurance benefits if such individual be-
 20 came so entitled prior to attaining age 60,”.

21 (2) CONFORMING AMENDMENT TO PROVISIONS
 22 FOR DETERMINING AMOUNT OF INCREASE ON AC-
 23 COUNT OF DELAYED RETIREMENT.—Section
 24 202(w)(2)(B)(ii) of the Social Security Act (42
 25 U.S.C. 402(w)(2)(B)(ii)) is amended—

1 (A) by striking “either”; and

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

5 (3) PROVISIONS RELATING TO EARNINGS
6 TAKEN INTO ACCOUNT IN DETERMINING SUBSTAN-
7 TIAL GAINFUL ACTIVITY OF BLIND INDIVIDUALS.—
8 The second sentence of section 223(d)(4) of such
9 Act (42 U.S.C. 423(d)(4)) is amended by striking
10 “if section 102 of the Senior Citizens’ Right to
11 Work Act of 1996 had not been enacted” and insert-
12 ing the following: “if the amendments to section 203
13 made by section 102 of the Senior Citizens’ Right to
14 Work Act of 1996 and by the Bipartisan Social Se-
15 curity Reform Act of 1999 had not been enacted”.

16 (d) STUDY OF THE EFFECT OF TAKING EARNINGS
17 INTO ACCOUNT IN DETERMINING SUBSTANTIAL GAINFUL
18 ACTIVITY OF DISABLED INDIVIDUALS.—

19 (1) IN GENERAL.—Not later than February 15,
20 2001, the Commissioner of Social Security shall con-
21 duct a study on the effect that taking earnings into
22 account in determining substantial gainful activity of
23 individuals receiving disability insurance benefits has
24 on the incentive for such individuals to work and
25 submit to Congress a report on the study.

1 (2) CONTENTS OF STUDY.—The study con-
 2 ducted under paragraph (1) shall include the evalua-
 3 tion of—

4 (A) the effect of the current limit on earn-
 5 ings on the incentive for individuals receiving
 6 disability insurance benefits to work;

7 (B) the effect of increasing the earnings
 8 limit or changing the manner in which disability
 9 insurance benefits are reduced or terminated as
 10 a result of substantial gainful activity (includ-
 11 ing reducing the benefits gradually when the
 12 earnings limit is exceeded) on—

13 (i) the incentive to work; and

14 (ii) the financial status of the Federal
 15 Disability Insurance Trust Fund;

16 (C) the effect of extending eligibility for
 17 the Medicare program to individuals during the
 18 period in which disability insurance benefits of
 19 the individual are gradually reduced as a result
 20 of substantial gainful activity and extending
 21 such eligibility for a fixed period of time after
 22 the benefits are terminated on—

23 (i) the incentive to work; and

24 (ii) the financial status of the Federal
 25 Hospital Insurance Trust Fund and the

1 Federal Supplementary Medical Insurance
 2 Trust Fund; and

3 (D) the relationship between the effect of
 4 substantial gainful activity limits on blind indi-
 5 viduals receiving disability insurance benefits
 6 and other individuals receiving disability insur-
 7 ance benefits.

8 (3) CONSULTATION.—The analysis under para-
 9 graph (2)(C) shall be done in consultation with the
 10 Administrator of the Health Care Financing Admin-
 11 istration.

12 (e) EFFECTIVE DATE.—The amendments and re-
 13 peals made by subsections (a), (b), and (c) shall apply with
 14 respect to taxable years ending after December 31, 2002.

15 **SEC. 204. GRADUAL INCREASE IN NUMBER OF BENEFIT**
 16 **COMPUTATION YEARS; USE OF ALL YEARS IN**
 17 **COMPUTATION.**

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

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

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

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

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

7 Notwithstanding the preceding sentence, the applicable
 8 number of years is 5, in the case of any individual who
 9 is entitled to old-age insurance benefits, and has a spouse
 10 who is also so entitled (or who died without having become
 11 so entitled) who has greater total wages and self-employ-
 12 ment income credited to benefit computation years than
 13 the individual. Clause (ii),”.

14 (b) USE OF ALL YEARS IN COMPUTATION.—

15 (1) IN GENERAL.—Section 215(b)(2)(B) of the
 16 Social Security Act (42 U.S.C. 415(b)(2)(B)) is
 17 amended by striking clauses (i) and (ii) and insert-
 18 ing the following:

19 “(i)(I) for calendar years after 2001 and before
 20 2010, the term ‘benefit computation years’ means

1 those computation base years equal in number to the
 2 number determined under subparagraph (A) plus
 3 the applicable number of years determined under
 4 subclause (III), for which the total of such individ-
 5 ual's wages and self-employment income, after ad-
 6 justment under paragraph (3), is the largest;

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

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

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

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

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

15 SEC. 205. MAINTENANCE OF BENEFIT AND CONTRIBUTION

(a) IN GENERAL.—Section 230 of the Social Security Act (42 U.S.C. 430) is amended to read as follows:

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1 such calendar year and taxable years beginning after such
 2 year.

3 “(b) For purposes of this section, for purposes of de-
 4 termining wages and self-employment income under sec-
 5 tions 209, 211, 213, and 215 of this Act and sections 54,
 6 1402, 3121, 3122, 3125, 6413, and 6654 of the Internal
 7 Revenue Code of 1986, and for purposes of section
 8 4022(b)(3)(B) of Public Law 93–406, the contribution
 9 and benefit base with respect to remuneration paid in (and
 10 taxable years beginning in) any calendar year is an
 11 amount equal to 86 percent of the total wages for the pre-
 12 ceding calendar year (within the meaning of section
 13 209).”.

14 (b) EFFECTIVE DATE.—The amendment made by
 15 this section shall apply to remuneration paid in (and tax-
 16 able years beginning in) any calendar year after 1999.

17 **SEC. 206. REDUCTION IN THE AMOUNT OF CERTAIN TRANS-**
 18 **FERS TO MEDICARE TRUST FUND.**

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

23 (1) in clause (ii), by striking “the amounts”
 24 and inserting “the applicable percentage of the
 25 amounts”; and

1 (2) by adding at the end the following: “For
 2 purposes of clause (ii), the applicable percentage for
 3 a year is equal to 100 percent, reduced (but not
 4 below zero) by 10 percentage points for each year
 5 after 2004.”.

6 **SEC. 207. ACTUARIAL ADJUSTMENT FOR RETIREMENT.**

7 (a) **EARLY RETIREMENT.**—

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

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

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

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

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

18 “(B) 2001, is $\frac{7}{12}$;

19 “(C) 2002, is $\frac{11}{18}$;

20 “(D) 2003, is $\frac{23}{36}$;

21 “(E) 2004, is $\frac{2}{3}$; and

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

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

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

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

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

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

9 “(B) 2001, is $\frac{16}{36}$;

10 “(C) 2002, is $\frac{16}{36}$;

11 “(D) 2003, is $\frac{17}{36}$;

12 “(E) 2004, is $\frac{17}{36}$; and

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

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

17 (b) DELAYED RETIREMENT.—Section 202(w)(6) of
 18 the Social Security Act (42 U.S.C. 402(w)(6)) is
 19 amended—

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

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

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

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

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

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

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

13 **SEC. 208. IMPROVEMENTS IN PROCESS FOR COST-OF-LIV-**
 14 **ING ADJUSTMENTS.**

15 (a) ANNUAL DECLARATIONS OF PERSISTING UPPER
 16 LEVEL SUBSTITUTION BIAS, QUALITY-CHANGE BIAS,
 17 AND NEW-PRODUCT BIAS.—Not later than December 1,
 18 1999, and annually thereafter, the Commissioner of the
 19 Bureau of Labor Statistics shall publish in the Federal
 20 Register an estimate of the upper level substitution bias,
 21 quality-change bias, and new-product bias retained in the
 22 Consumer Price Index, expressed in terms of a percentage
 23 point effect on the annual rate of change in the Consumer
 24 Price Index determined through the use of a superlative

1 index that accounts for changes that consumers make in
2 the quantities of goods and services consumed.

3 (b) MODIFICATION OF COST-OF-LIVING ADJUST-
4 MENT.—Notwithstanding any other provision of law, for
5 each calendar year after 1999 any cost-of-living adjust-
6 ment described in subsection (f) shall be further adjusted
7 by the greater of—

8 (1) 0.5 percentage point, or

9 (2) the correction for the upper level substi-
10 tution bias, quality-change bias, and new-product
11 bias (as last published by the Commissioner of the
12 Bureau of Labor Statistics pursuant to subsection
13 (a)).

14 (c) FUNDING FOR CPI IMPROVEMENTS.—

15 (1) IN GENERAL.—There is hereby appro-
16 priated to the Bureau of Labor Statistics in the De-
17 partment of Labor, for each of fiscal years 2000,
18 2001, and 2002, \$60,000,000 for use by the Bureau
19 for the following purposes:

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

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

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

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

15 (e) ADMINISTRATIVE ADVISORY COMMITTEE.—The
16 Bureau of Labor Statistics shall, in consultation with the
17 National Bureau of Economic Research, the American
18 Economic Association, and the National Academy of Stat-
19 isticians, establish an administrative advisory committee.
20 The advisory committee shall periodically advise the Bu-
21 reau of Labor Statistics regarding revisions of the Con-
22 sumer Price Index and conduct research and experimen-
23 tation with alternative data collection and estimating ap-
24 proaches.

1 (f) COST-OF-LIVING ADJUSTMENT DESCRIBED.—A
 2 cost-of-living adjustment described in this subsection is
 3 any cost-of-living adjustment for a calendar year after
 4 1999 determined by reference to a percentage change in
 5 a consumer price index or any component thereof (as pub-
 6 lished by the Bureau of Labor Statistics of the Depart-
 7 ment of Labor and determined without regard to this sec-
 8 tion) and used in any of the following:

9 (1) The Internal Revenue Code of 1986.

10 (2) The provisions of this Act (other than pro-
 11 grams under title XVI and any adjustment in the
 12 case of an individual who attains early retirement
 13 age before January 1, 2000).

14 (3) Any other Federal program.

15 (g) RECAPTURE OF CPI REFORM REVENUES DEPOS-
 16 ITED INTO THE FEDERAL OLD-AGE AND SURVIVORS IN-
 17 SURANCE TRUST FUND.—Section 201 of the Social Secu-
 18 rity Act (42 U.S.C. 401) is amended by adding at the end
 19 the following:

20 “(n) On July 1 of each calendar year specified in the
 21 following table, the Secretary of the Treasury shall trans-
 22 fer, from the general fund of the Treasury to the Federal
 23 Old-Age and Survivors Insurance Trust Fund, an amount
 24 equal to the applicable percentage for such year, specified

1 in such table, of the total wages paid in and self-employ-
 2 ment income credited to such year.

“For a calendar year—	The applicable percentage for the year is—
After 1999 and before 2020	0.6 percent.
After 2019 and before 2040	0.8 percent.
After 2039 and before 2060	1.0 percent.
After 2059	1.2 percent.”.

3 **SEC. 209. MODIFICATION OF INCREASE IN NORMAL RE-**
 4 **TIREMENT AGE.**

5 (a) IN GENERAL.—Section 216(l)(1) of the Social Se-
 6 curity Act (42 U.S.C. 416(l)(1)) is amended—

7 (1) in subparagraph (B)—

8 (A) by striking “2005” and inserting
 9 “2011”; and

10 (B) by adding “and” at the end; and

11 (2) by striking subparagraphs (C), (D), and (E)
 12 and inserting the following:

13 “(C) With respect to an individual who attains
 14 early retirement age after December 31, 2010, 67
 15 years of age.”.

16 (b) CONFORMING AMENDMENT.—Paragraph (3) of
 17 section 216(l) of the Social Security Act (42 U.S.C.
 18 416(l)) is amended to read as follows:

19 “(3) The age increase factor for any individual who
 20 attains early retirement age in the period consisting of the
 21 calendar years 2000 through 2010, the age increase factor
 22 shall be equal to two-twelfths of the number of months

1 in the period beginning with January 2000 and ending
 2 with December of the year in which the individual attains
 3 early retirement age.”.

4 **SEC. 210. MODIFICATION OF PIA FACTORS TO REFLECT**
 5 **CHANGES IN LIFE EXPECTANCY.**

6 (a) MODIFICATION OF PIA FACTORS.—Section
 7 215(a)(1) of the Social Security Act (42 U.S.C.
 8 415(a)(1)(B)) is amended by redesignating subparagraph
 9 (D) as subparagraph (F) and by inserting after subpara-
 10 graph (C) the following:

11 “(D)(i) For individuals who initially become eligible
 12 for old-age insurance benefits in any calendar year after
 13 2011, each of the percentages under clauses (i), (ii), (iii),
 14 and (iv) of subparagraph (A) shall be multiplied the appli-
 15 cable number of times by the applicable factor.

16 “(ii) For purposes of clause (i)—

17 “(I) the term ‘applicable number of times’
 18 means a number equal to the lesser of 54 or the
 19 number of years beginning with 2012 and ending
 20 with the year of initial eligibility; and

21 “(II) the term ‘applicable factor’ means .988
 22 with respect to the first 6 applicable number of
 23 times and .997 with respect to the applicable num-
 24 ber of times in excess of 6.

1 “(E) For any individual who initially becomes eligible
 2 for disability insurance benefits in any calendar year after
 3 2011, the primary insurance amount for such individual
 4 shall be equal to the greater of—

5 “(i) such amount as determined under this
 6 paragraph, or

7 “(ii) such amount as determined under this
 8 paragraph without regard to subparagraph (D)
 9 thereof.”.

10 (b) STUDY OF THE EFFECT OF INCREASES IN LIFE
 11 EXPECTANCY.—

12 (1) STUDY PLAN.—Not later than February 15,
 13 2001, the Commissioner of Social Security shall sub-
 14 mit to Congress a detailed study plan for evaluating
 15 the effects of increases in life expectancy on the ex-
 16 pected level of retirement income from social secu-
 17 rity, pensions, and other sources. The study plan
 18 shall include a description of the methodology, data,
 19 and funding that will be required in order to provide
 20 to Congress not later than February 15, 2006—

21 (A) an evaluation of trends in mortality
 22 and their relationship to trends in health sta-
 23 tus, among individuals approaching eligibility
 24 for social security retirement benefits;

1 (B) an evaluation of trends in labor force
2 participation among individuals approaching eli-
3 gibility for social security retirement benefits
4 and among individuals receiving retirement ben-
5 efits, and of the factors that influence the
6 choice between retirement and participation in
7 the labor force;

8 (C) an evaluation of changes, if any, in the
9 social security disability program that would re-
10 duce the impact of changes in the retirement
11 income of workers in poor health or physically
12 demanding occupations;

13 (D) an evaluation of the methodology used
14 to develop projections for trends in mortality,
15 health status, and labor force participation
16 among individuals approaching eligibility for so-
17 cial security retirement benefits and among in-
18 dividuals receiving retirement benefits; and

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

22 (2) REPORT ON RESULTS OF STUDY.—Not later
23 than February 15, 2006, the Commissioner of Social
24 Security shall provide to Congress an evaluation of
25 the implications of the trends studied under para-

graph (1), along with recommendations, if any, of the extent to which the conclusions of such evaluations indicate that projected increases in life expectancy require modification in the social security disability program and other income support programs.

SEC. 211. MECHANISM FOR REMEDYING UNFORESEEN DETERIORATION IN SOCIAL SECURITY SOLVENCY.

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

(1) by redesignating subsection (b) as subsection (c); and

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

“SEC. 709. (a)(1)(A) If the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund determines at any time, using intermediate actuarial assumptions, that the balance ratio of either such Trust Fund for any calendar year during the succeeding period of 75 calendar years will be zero, the Board shall promptly submit to each House of the Congress and to the President a report setting forth its recommendations for statutory adjustments affecting the receipts and disbursements of such Trust

1 Fund necessary to maintain the balance ratio of such
2 Trust Fund at not less than 20 percent, with due regard
3 to the economic conditions which created such inadequacy
4 in the balance ratio and the amount of time necessary to
5 alleviate such inadequacy in a prudent manner. The report
6 shall set forth specifically the extent to which benefits
7 would have to be reduced, taxes under section 1401, 3101,
8 or 3111 of the Internal Revenue Code of 1986 would have
9 to be increased, or a combination thereof, in order to ob-
10 tain the objectives referred to in the preceding sentence.

11 “(B) In addition to any reports under subparagraph
12 (A), the Board shall, not later than May 30, 2001, prepare
13 and submit to Congress and the President recommenda-
14 tions for statutory adjustments to the disability insurance
15 program under title II of this Act to modify the changes
16 in disability benefits under the Bipartisan Social Security
17 Reform Act of 1999 without reducing the balance ratio
18 of the Federal Disability Insurance Trust Fund. The
19 Board shall develop such recommendations in consultation
20 with the National Council on Disability, taking into con-
21 sideration the adequacy of benefits under the program, the
22 relationship of such program with old age benefits under
23 such title, and changes in the process for determining ini-
24 tial eligibility and reviewing continued eligibility for bene-
25 fits under such program.

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

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

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

18 “(D) If the President approves all of the revised rec-
19 ommendations of the Board transmitted to the President
20 under subparagraph (C), the President shall transmit a
21 copy of such revised recommendations to the Congress as
22 the President’s recommendations, together with a certifi-
23 cation of the President’s adoption of such recommenda-
24 tions.

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

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

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

22 “(ii) with full recognition of the constitutional
23 right of either House to change the rules (so far as
24 relating to the procedure of that House) at any time,

1 in the same manner, and to the same extent as in
 2 the case of any other rule of that House.

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

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

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

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

22 “(C) A joint resolution described in subparagraph
 23 (B) that is introduced in the House of Representatives
 24 shall be referred to the Committee on Ways and Means
 25 of the House of Representatives. A joint resolution de-

1 scribed in subparagraph (B) introduced in the Senate
2 shall be referred to the Committee on Finance of the Sen-
3 ate.

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

14 “(E)(i) On or after the third day after the date on
15 which the committee to which such a joint resolution is
16 referred has reported, or has been discharged (under sub-
17 paragraph (D)) from further consideration of, such a joint
18 resolution, it is in order (even though a previous motion
19 to the same effect has been disagreed to) for any Member
20 of the respective House to move to proceed to the consider-
21 ation of the joint resolution. A Member may make the mo-
22 tion only on the day after the calendar day on which the
23 Member announces to the House concerned the Member’s
24 intention to make the motion, except that, in the case of
25 the House of Representatives, the motion may be made

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

17 “(ii) Debate on the joint resolution, and on all debat-
18 able motions and appeals in connection therewith, shall be
19 limited to not more than 2 hours, which shall be divided
20 equally between those favoring and those opposing the
21 joint resolution. An amendment to the joint resolution is
22 not in order. A motion further to limit debate is in order
23 and not debatable. A motion to postpone, or a motion to
24 proceed to the consideration of other business, or a motion
25 to recommit the joint resolution is not in order. A motion

1 to reconsider the vote by which the joint resolution is
2 agreed to or disagreed to is not in order.

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

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

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

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

23 “(II) With respect to a joint resolution de-
24 scribed in subparagraph (B) of the House receiving
25 the joint resolution, the procedure in that House

1 shall be the same as if no joint resolution had been
 2 received from the other House, but the vote on final
 3 passage shall be on the joint resolution of the other
 4 House.

5 “(ii) Upon disposition of the joint resolution received
 6 from the other House, it shall no longer be in order to
 7 consider the joint resolution that originated in the receiv-
 8 ing House.

9 “(b) If the Board of Trustees of the Federal Hospital
 10 Insurance Trust Fund or the Federal Supplementary
 11 Medical Insurance Trust Fund determines as any time
 12 that the balance ratio of either such Trust Fund”.

13 (b) CONFORMING AMENDMENTS.—

14 (1) Section 709(b) of the Social Security Act
 15 (as amended by subsection (a) of this section) is
 16 amended by striking “any such” and inserting “ei-
 17 ther such”.

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

○