

109TH CONGRESS
1ST SESSION

H. R. 440

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

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 1, 2005

Mr. KOLBE (for himself and Mr. BOYD) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Rules, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

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

1 *Be it enacted by the Senate and House of Representa-
2 tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE AND TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Bipartisan Retirement Security Act of 2005”.

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

- Sec. 1. Short title and table of contents.
- Sec. 2. Individual security accounts.
- Sec. 3. Minimum social security benefit.
- Sec. 4. Reduction in the amount of certain transfers to medicare trust fund.
- Sec. 5. Revised formula for average indexed monthly earnings.
- Sec. 6. Actuarial adjustment for retirement.
- Sec. 7. Corrections for CPI overstatement in cost-of-living indexation.
- Sec. 8. Adjustments to bend points in determining primary insurance amounts.
- Sec. 9. Adjustment to benefit formula factors.
- Sec. 10. Modification to PIA formula to reflect changes to life expectancy.
- Sec. 11. Treatment of disabled beneficiaries.
- Sec. 12. Maintenance of benefit and contribution base.
- Sec. 13. Acceleration of increase in social security eligibility age.
- Sec. 14. Mechanism for remedying unforeseen deterioration in social security solvency.
- Sec. 15. Increase in widow's and widower's insurance benefits.
- Sec. 16. Limitation on benefits of married couple to level of maximum worker benefits.

3 SEC. 2. INDIVIDUAL SECURITY ACCOUNTS.

4 (a) ESTABLISHMENT AND MAINTENANCE OF INDIVIDUAL SECURITY ACCOUNTS —

6 (1) IN GENERAL.—Title II of the Social Secu-
7 rity Act (42 U.S.C. 401 et seq.) is amended—

10. "PART A—INSURANCE BENEFITS": and

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

12 "PABT B=INDIVIDUAL SECURITY SYSTEM

13 “Subpart 1—Individual Security Accounts

14 “FEDERALLY-ADMINISTERED INDIVIDUAL SECURITIES

15 ACCOUNT

16 "SEC. 251. (a) ESTABLISHMENT.—

1 “(1) IN GENERAL.—Within 30 days after cred-
2 iting the first contribution under subsection (b) with
3 respect to an eligible individual, the Commissioner of
4 Social Security shall establish an individual security
5 account for such individual in the Individual Secu-
6 rity Fund. Each account shall be identified to its ac-
7 count holder by means of the account holder’s social
8 security account number.

9 “(2) ELIGIBLE INDIVIDUAL.—For purposes of
10 this part, the term ‘eligible individual’ means any in-
11 dividual born after December 31, 1949.

12 “(b) CONTRIBUTIONS.—

13 “(1) IN GENERAL.—The Secretary of the
14 Treasury shall transfer from the Federal Old-Age
15 and Survivors Insurance Trust Fund, for crediting
16 by the Commissioner of Social Security to the indi-
17 vidual security account of an eligible individual, an
18 amount equal to the sum of any amount received by
19 such Secretary on behalf of such individual under
20 section 3101(a)(2) or 1401(a)(2) of the Internal
21 Revenue Code of 1986.

22 “(2) OTHER CONTRIBUTIONS.—For provisions
23 relating to additional contributions credited to indi-
24 vidual security accounts, see sections 54(d) and
25 6402(l) of the Internal Revenue Code of 1986.

1 “(c) CREDITING REQUIREMENTS.—Except as other-
2 wise provided in section 252, contributions under sub-
3 section (b) on behalf of an eligible individual shall be cred-
4 ited—

5 “(1) to the individual security account estab-
6 lished for such individual under subsection (a); and

7 “(2) in accordance with the allocation in effect
8 with respect to such individual under subsection (d).

9 “(d) ALLOCATION AND OTHER DESIGNATIONS.—

10 “(1) IN GENERAL.—The Commissioner of So-
11 cial Security shall prescribe regulations in accord-
12 ance with which any eligible individual who is em-
13 ployed or self-employed may designate—

14 “(A) in the event that 2 or more invest-
15 ment options are available in the Individual Se-
16 curity Fund—

17 “(i) the option or options to which
18 such individual wishes to have such indi-
19 vidual’s contributions under subsection (b)
20 credited; and

21 “(ii) if such individual designates
22 more than 1 option under clause (i), how
23 such individual wishes for those contribu-
24 tions to be allocated; and

1 “(B) the amount of wages or self-employ-
2 ment income such individual wishes to des-
3 ignate for purposes of section 3101(a)(2)(C) or
4 1401(a)(2)(C) of the Internal Revenue Code of
5 1986 (as applicable), if any.

6 “(2) DEFAULT ALLOCATION.—In the absence of
7 a required designation under paragraph (1)(A), con-
8 tributions on behalf of the individual involved shall
9 be allocated in such manner as the Commissioner of
10 Social Security shall prescribe, taking into account
11 the competing objectives of maximizing returns on
12 investments and minimizing the risk involved with
13 such investments.

14 “(3) FORM OF DESIGNATION.—Any designation
15 under paragraph (1) shall be made in such manner
16 and at such intervals as the Commissioner of Social
17 Security may prescribe in order to ensure ease of ad-
18 ministration and to avoid creating an undue burden
19 on employers.

20 “(4) SPECIAL RULE FOR 2007.—Not later than
21 December 31, 2007, any eligible individual who is
22 employed or self-employed as of such date shall exe-
23 cute all designations required under paragraph (1).

24 “(e) PERIODIC STATEMENTS TO ACCOUNT HOLD-
25 ER.—

1 “(1) IN GENERAL.—The Individual Security
2 Fund Board shall prescribe regulations under which
3 each individual for whom an individual security ac-
4 count is maintained under this section shall be fur-
5 nished with—

6 “(A) a periodic statement relating to the
7 individual’s account, including, for any report-
8 ing period as of the end of which the individ-
9 ual’s account balance is at least equal to the
10 minimum balance amount (within the meaning
11 of section 252), clear and conspicuous notice to
12 that effect;

13 “(B) a summary description of any invest-
14 ment options or other choices which may be
15 available to such individual under this section
16 or under section 252 (as applicable); and

17 “(C) any forms and information necessary
18 to make a designation under subsection (d) or
19 section 252 (as applicable).

20 “(2) INFORMED DECISIONMAKING.—All infor-
21 mation, materials, and other matter furnished under
22 this subsection shall be furnished to the account
23 holder at such times and in such manner as the
24 Board considers appropriate in order to permit in-
25 formed decisionmaking.

3 “SEC. 252. (a) DEFINITIONS.—For purposes of this
4 part—

5 “(1) MINIMUM DEPOSIT AMOUNT.—

6 “(A) IN GENERAL.—The term ‘minimum
7 deposit amount’ means an amount equal to
8 \$7,500, as adjusted under subparagraph (B).

20 “(2) FEDERALLY-ADMINISTERED INDIVIDUAL
21 SECURITY ACCOUNT.—The term ‘Federally-adminis-
22 tered individual security account’ means an indi-
23 vidual security account maintained, in accordance
24 with applicable provisions of this part, in the Indi-
25 vidual Security Fund.

1 “(3) PRIVATELY-ADMINISTERED INDIVIDUAL
2 SECURITY ACCOUNT.—The term ‘privately-adminis-
3 tered individual security account’ means an indi-
4 vidual security account maintained, in accordance
5 with applicable provisions of this part, by a certified
6 institution.

7 “(4) CERTIFIED INSTITUTION.—The term ‘cer-
8 tified institution’ refers to an investment firm, credit
9 union, insurance company, or other certified institu-
10 tion under subpart 3.

11 “(b) OPTION TO DESIGNATE A PRIVATELY-ADMINIS-
12 TERED INDIVIDUAL SECURITY ACCOUNT.—

13 “(1) IN GENERAL.—Under regulations pre-
14 scribed by the Individual Security Fund Board,
15 whenever the balance in an individual’s Federally-
16 administered individual security account is at least
17 equal to the minimum deposit amount, such indi-
18 vidual shall be eligible to designate a privately-ad-
19 ministered individual security account (established
20 and maintained on such individual’s behalf) to serve
21 as such individual’s individual security account
22 under this part, in lieu of such individual’s Feder-
23 ally-administered individual security account.

24 “(2) EFFECT OF DESIGNATION.—If an indi-
25 vidual makes a designation under paragraph (1)—

1 “(A) the entire balance in the individual’s
2 Federally-administered individual security ac-
3 count shall be promptly transferred to the pri-
4 vately-administered individual security account
5 specified by such individual in such designation;
6 and

7 “(B) that privately-administered individual
8 security account shall, for all purposes, be
9 treated as the electing individual’s individual se-
10 curity account, subject to paragraph (4).

11 “(3) REGULATORY MANAGEMENT OF PRIVATE
12 INVESTMENT.—A designation under this subsection
13 shall not be effective unless it is made in such time,
14 form, and manner as the Individual Security Fund
15 Board prescribes. The Individual Security Fund
16 Board shall—

17 “(A) maintain individual account records,
18 and

19 “(B) combine account transactions with
20 certified institutions maintaining privately-ad-
21 ministered individual security accounts in ag-
22 gregate amounts,

23 in the same manner as is applicable with respect to
24 records and account transactions with respect to
25 Federally administered individual security accounts.

1 “(4) SUBSEQUENT DESIGNATIONS.—The Individual
2 Security Fund Board shall provide by regulation
3 opportunity for subsequent designation, from
4 time to time, of another individual security account
5 in lieu of the account previously designated under
6 this section, subject to the following:

7 “(A) OPTIONS AVAILABLE.—The account
8 designated under this paragraph may be either
9 within—

10 “(i) another certified institution, subject to subparagraph (B); or
11 “(ii) the Individual Security Fund.

13 “(B) MINIMUM BALANCE.—In order to
14 make a designation referred to in subparagraph
15 (A)(i), the balance in the individual’s individual
16 security account must be at least equal to the
17 minimum deposit amount. No minimum balance
18 requirement under this subparagraph shall
19 apply in the case of a designation referred to in
20 subparagraph (A)(ii).

21 “(C) ONLY 1 ACCOUNT PERMITTED AT ANY
22 TIME.—An individual may not, at any time,
23 concurrently maintain—

1 “(i) a privately-administered individual security account with each of 2 or
2 3 more certified institutions; or

4 “(ii) a privately-administered and a Federally-administered individual security account.

7 “(D) EFFECT.—A designation under this paragraph has (with respect to the individual’s respective accounts, before and after such designation) the same effect as results following a designation under paragraph (2) (with respect to the Federally-administered and privately-administered accounts involved).

14 “DISTRIBUTIONS FROM INDIVIDUAL SECURITY ACCOUNTS

15 “SEC. 253. (a) DATE OF EARLIEST DISTRIBUTION.—Except as provided in subsection (c), distributions
16 17 may not be made from the Federally-administered or privately-administered individual security account of an eligible individual (as the case may be) before the earlier of—

20 “(1) the date the eligible individual attains normal retirement age, as determined under section 216
21 22 (or early retirement age, as so determined, if elected by such individual), or

24 “(2) the date on which funds in the eligible individual’s account are sufficient to provide a monthly payment over the life expectancy of the eligible in-

1 dividual (determined under reasonable actuarial as-
2 sumptions) which, when added to the eligible individ-
3 ual's monthly benefit under part A (if any), is at
4 least equal to an amount equal to $\frac{1}{12}$ of 185 percent
5 of the poverty line (as defined in section 673(2) of
6 the Community Services Block Grant Act (42 U.S.C.
7 9902(2)) as in effect on such date for an individual)
8 and adjusted annually thereafter by the CPI in-
9 crease percentage determined under section 215(i).

10 “(b) FORMS OF DISTRIBUTION.—

11 “(1) REQUIRED MONTHLY PAYMENTS.—Except
12 as provided in paragraph (2), beginning as of the
13 date distributions begin to be made in accordance
14 with subsection (a), the balance in the individual se-
15 curity account available to provide monthly pay-
16 ments not in excess of the amount described in sub-
17 section (a)(2) shall be paid, as elected by the ac-
18 count holder (in such form and manner as shall be
19 prescribed in regulations of the Individual Security
20 Fund Board or the Securities and Exchange Com-
21 mission, as applicable), by means of the purchase of
22 annuities or equal monthly payments over the life
23 expectancy of the eligible individual (determined
24 under reasonable actuarial assumptions) in accord-
25 ance with requirements (which shall be provided in

1 regulations of the Board or Commission, as applica-
2 ble) similar to the requirements applicable to pay-
3 ments of benefits under subchapter III of chapter 84
4 of title 5, United States Code.

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

15 “(c) DISTRIBUTION IN THE EVENT OF DEATH BE-
16 FORE THE DATE OF INITIAL DISTRIBUTION.—If the eligi-
17 ble individual dies before the date determined under sub-
18 section (a), the balance in such individual’s individual se-
19 curity account shall be distributed to the individual’s heirs
20 under rules established by the Individual Security Fund
21 Board or the Securities and Exchange Commission, as ap-
22 plicable.

3 “INDIVIDUAL SECURITY FUND

4 “SEC. 261. There shall be established and maintained
5 in the Treasury of the United States an Individual Secu-
6 rity Fund in the same manner as the Thrift Savings Fund
7 under sections 8437 (excluding paragraphs (4) and (5) of
8 subsection (c) thereof), 8438, and 8439 of title 5, United
9 States Code.

10 “INDIVIDUAL SECURITY FUND BOARD

11 “SEC. 262. (a) ESTABLISHMENT.—There shall be es-
12 tablished and maintained in the Social Security Adminis-
13 tration an Individual Security Fund Board in the same
14 manner as the Federal Retirement Thrift Investment
15 Board under subchapter VII of chapter 84 of title 5,
16 United States Code.

17 "(b) SPECIFIC INVESTMENT AND REPORTING DU-
18 TIES.—The Individual Security Fund Board shall manage
19 and report on the activities of the Individual Security
20 Fund and on Federally-administered individual security
21 accounts in the same manner as the Federal Retirement
22 Thrift Investment Board manages and reports on the
23 Thrift Savings Fund and the individual accounts of such
24 Fund under subchapter VII of chapter 84 of title 5,
25 United States Code.

1 “(c) BUDGETARY TREATMENT OF INDIVIDUAL SECU-
2 RITY FUND AND ACCOUNTS.—The receipts and disburse-
3 ments of the Individual Security Fund and any accounts
4 within such Fund shall not be included in the totals of
5 the budget of the United States Government as submitted
6 by the President or of the congressional budget and shall
7 be exempt from any general budget limitation imposed by
8 statute on expenditures and net lending (budget outlays)
9 of the United States Government.

10 “(d) EXECUTIVE DIRECTOR.—The Board shall ap-
11 point an Executive Director, without regard to the provi-
12 sions of law governing appointments in the competitive
13 service. The Executive Director shall receive the same
14 compensation, and shall have, with respect to the Indi-
15 vidual Security Fund and accounts within such Fund, the
16 same duties and responsibilities, as does the Executive Di-
17 rector (appointed under section 8474(a) of title 5, United
18 States Code) with respect to the Thrift Savings Fund and
19 accounts within such Fund.

20 “Subpart 3—Certified Institutions

21 “CERTIFICATION OF INSTITUTIONS BY SECURITIES AND
22 EXCHANGE COMMISSION

23 “SEC. 271. (a) IN GENERAL.—For purposes of this
24 part, any institution that is engaged, in a fiduciary capac-
25 ity, in the business of maintaining accounts for individuals

1 for purposes of investment may apply to the Securities and
2 Exchange Commission (in such form and manner as the
3 Commission shall by regulation require) for certification
4 under this subpart.

5 “(b) REVIEW REQUIREMENTS.—In reviewing any ap-
6 plication for certification under this subpart and deter-
7 mining whether to approve the application for certifi-
8 cation, the Commission shall consider the following fac-
9 tors:

10 “(1) The financial history and condition of the
11 institution.

12 “(2) The adequacy of the institution’s capital
13 structure.

14 “(3) The future earnings prospects of the insti-
15 tution.

16 “(4) The general character and fitness of the
17 management of the institution.

18 “(5) The convenience and needs of individuals
19 who are account holders with respect to personal re-
20 tirement accounts for which the institution is to
21 serve as trustee.

22 “(6) Whether the institution’s corporate powers
23 are consistent with the purposes of this part.

1 “(7) The institution’s disclosure policies, includ-
2 ing with respect to its administrative fees, invest-
3 ment policies, and investment activities.

4 “(8) The appropriateness of—

5 “(A) the fund or funds that such institu-
6 tion proposes to offer for purposes of this part,
7 and

8 “(B) the criteria by which such institution
9 will make future decisions regarding the selec-
10 tion of new funds or the making of any other
11 modifications in the investment options offered
12 by such institution for purposes of this part, as
13 determined based on guidelines established by
14 the Commission for purposes of this paragraph.

15 “(c) NOTICE OF DENIAL OF APPLICATION FOR CER-
16 TIFICATION.—If the Commission votes to deny any appli-
17 cation for certification by any institution, the Commission
18 shall promptly notify the institution of the denial of such
19 application, giving specific reasons in writing for the Com-
20 mission’s determination with reference to the factors de-
21 scribed in subsection (b).

22 “(d) NONDELEGATION REQUIREMENT.—The author-
23 ity of the Commission to make any determination to deny
24 any application under this section may not be delegated
25 by the Commission.

1 “REVOCATION OF CERTIFICATION

2 “SEC. 272. (a) IN GENERAL.—The Securities and
3 Exchange Commission shall prescribe regulations in ac-
4 cordance with which the certified status of an institution
5 may be voluntarily or involuntarily revoked.

6 “(b) JUDICIAL REVIEW.—Any party to any involun-
7 tary revocation proceeding under this section to which an
8 institution is a party may obtain a review of any order
9 served pursuant to this section by the filing in the court
10 of appeals of the United States for the circuit in which
11 the home office of the institution is located, or in the
12 United States Court of Appeals for the District of Colum-
13 bia Circuit, within 30 days after the date of service of such
14 order, a written petition praying that the order of the
15 Commission be modified, terminated, or set aside. A copy
16 of such petition shall be forthwith transmitted by the clerk
17 of the court to the Commission, and thereupon the Com-
18 mission shall file in the court the record in the proceeding,
19 as provided in section 2112 of title 28, United States
20 Code. Upon the filing of such petition, such court shall
21 have jurisdiction, which upon the filing of the record shall
22 be exclusive, to affirm, modify, terminate, or set aside, in
23 whole or in part, the order of the Commission. Review of
24 such proceedings shall be had as provided in chapter 7
25 of title 5, United States Code. The judgment and decree

1 of the court shall be final, except that the judgment and
2 decree shall be subject to review by the Supreme Court
3 upon certiorari, as provided in section 1254 of title 28,
4 United States Code. The commencement of proceedings
5 for judicial review under this subsection shall not, unless
6 specifically ordered by the court, operate as a stay of any
7 order issued by the Commission.

8 “FIDUCIARY DUTIES

9 "SEC. 273. (a) IN GENERAL.—In the case of a pri-
10 vately-administered individual security account which does
11 not form part of an individual account plan covered under
12 part 4 of subtitle B of title I of the Employee Retirement
13 Income Security Act of 1974, rules similar to the rules
14 of such part 4 applicable to individual account plans cov-
15 ered under such part 4 shall apply with respect to a pri-
16 vately-administered individual security account and the
17 terms of any arrangement under which such account is
18 maintained.

19 "(b) GENERAL REQUIREMENTS.—In applying under
20 subsection (a) the rules of part 4 of subtitle B of title
21 I of the Employee Retirement Income Security Act of
22 1974 in the case of a privately-administered individual se-
23 curity account, references in such part to the Secretary
24 of Labor shall be deemed to be references to the Securities
25 and Exchange Commission, references in such part to a
26 participants or beneficiary in connection with an indi-

1 vidual account plan covered under such part shall be
2 deemed to be references to the account holder with respect
3 to the privately-administered individual security account,
4 and references in such part to the plan administrator or
5 plan sponsor in connection with an individual account plan
6 covered under such part shall be deemed to be references
7 to the trustee of the privately-administered individual se-
8 curity account.

9 “(c) LIMITATION ON LIABILITY.—Any account holder
10 who issues an instruction to the trustee of the account
11 directing an investment of funds held in the account shall
12 sign an acknowledgement prescribed by the Securities and
13 Exchange Commission which states that the account hold-
14 er understands that an investment of any amount in the
15 account is made at the account holder’s risk, that the ac-
16 count holder is not protected by the Government or by
17 the trustee against any loss on such investment, and that
18 a return on such investment is not guaranteed by the Gov-
19 ernment or by the trustee. Notwithstanding the preceding
20 provisions of this section and any other provision of Fed-
21 eral or State law, the trustee of a privately-administered
22 individual security account shall not be liable for losses
23 suffered in connection with any investment of assets held
24 in the account unless it is shown by clear and convincing
25 evidence that the trustee did not act in the manner in

1 which a reasonable trustee would act under the cir-
2 cumstances then prevailing in evaluating the risk and re-
3 ward properties of the investment option involved.

4 “Subpart 4—Enforcement

5 “CAUSE OF ACTION

6 “SEC. 281. The account holder with respect to a pri-
7 vately-administered individual security account who is ad-
8 versely affected by an act or practice of any party (other
9 than the Securities and Exchange Commission, the Social
10 Security Administration, the Department of the Treasury,
11 or any officer or employee of any of the foregoing) in viola-
12 tion of any provision of this part, may bring an action—

13 “(1) to enjoin such act or practice, or

14 “(2) to obtain other appropriate equitable relief

15 (A) to redress such violation or (B) to enforce such
16 provision.

17 “JURISDICTION AND VENUE

18 “SEC. 282. Civil actions under this subpart may be
19 brought in the district courts of the United States in the
20 district where the privately-administered individual secu-
21 rity account is administered, where the violation took
22 place, or where a defendant resides or may be found, and
23 process may be served in any district where a defendant
24 resides or may be found. The district courts of the United
25 State shall have jurisdiction, without regard to the amount

- 1 in controversy or the citizenship of the parties, to grant
- 2 the relief provided for in section 281 in any action.

3 "RIGHT OF SECURITIES AND EXCHANGE COMMISSION TO
4 INTERVENE

5 “SEC. 283. A copy of the complaint or notice of ap-
6 peal in any action under this subpart shall be served upon
7 the Securities and Exchange Commission by certified mail.
8 The Commission shall each have the right to intervene in
9 any action.

10 "AWARDS OF COSTS AND EXPENSES

“SEC. 284. In any action brought under this subpart, the court in its discretion may award all or a portion of the costs and expenses incurred in connection with such action, including reasonable attorney’s fees, to any party who prevails or substantially prevails in such action.

16 “LIMITATION ON ACTIONS

17 “SEC. 285. (a) IN GENERAL.—Except as provided in
18 subsection (c), an action under this subpart may not be
19 brought after the later of—

20 “(1) 6 years after the date on which the cause
21 of action arose, or

22 “(2) 3 years after the applicable date specified
23 in subsection (b).

24 "(b) APPLICABLE DATE.—The applicable date speci-
25 fied in this subsection is the earliest date on which the

1 plaintiff acquired or should have acquired actual knowl-
2 edge of the existence of such cause of action.

3 “(c) CASES OF FRAUD OR CONCEALMENT.—In the
4 case of fraud or concealment, the period described in sub-
5 section (a)(2) shall be extended to 6 years after the appli-
6 cable date specified in subsection (b).

7 "PENALTY FOR FAILURE TO TIMELY PROVIDE REQUIRED

8 INFORMATION

9 “SEC. 286. The Securities and Exchange Commission
10 may assess a penalty, payable to it, against any person
11 who fails to provide any notice or other material informa-
12 tion required under this part or any regulations prescribed
13 under this part within the applicable time limit specified
14 therein. Such penalty shall not exceed \$1,000 for each day
15 for which such failure continues.

16 “ACTIONS BY SECURITIES AND EXCHANGE COMMISSION

17 "SEC. 287. If any person is assessed under this sub-
18 part and fails to pay the assessment when due, or any
19 person otherwise fails to meet any requirement of this
20 part, the Securities and Exchange Commission may bring
21 a civil action in any district court of the United States
22 within the jurisdiction of which such person's assets are
23 located or in which such person resides or is found for
24 the recovery of the amount of the assessment or for appro-
25 priate equitable relief to redress the violation or enforce
26 the provisions of this part, and process may be served in

1 any other district. The district courts of the United States
2 shall have jurisdiction over actions brought under this sec-
3 tion by the Commission without regard to the amount in
4 controversy.

5 "CRIMINAL PENALTY FOR FRAUD OR INTENTIONAL MIS-
6 REPRESENTATION IN CONNECTION WITH INVEST-
7 MENT OPTIONS

8 "SEC. 288. Any person who makes, or causes to be
9 made, a statement or representation of a material fact for
10 use in selecting an investment option that the person
11 knows or should know is false or misleading or knows or
12 should know omits a material fact or makes such a state-
13 ment with knowing disregard for the truth shall upon con-
14 viction be fined not more than \$500,000 or imprisoned
15 for not more than 5 years, or both.".

16 (2) AUTHORIZATION FOR FUNDING OF INITIAL
17 COSTS.—There are authorized to be appropriated to
18 the Individual Security Fund Board, for each of fis-
19 cal years 2006 and 2007, such sums as may be nec-
20 essary to pay for the expenses incurred during such
21 fiscal year in the administration of part B of title
22 II of the Social Security Act during such fiscal year.

23 (b) MODIFICATION OF FICA RATES.—

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

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

3 “(1) IN GENERAL.—

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

6 In addition to other taxes, there is hereby im-
7 posed on the income of every individual who is
8 not a part B eligible individual a tax equal to
9 6.2 percent of the wages received by him with
10 respect to employment.

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

13 “(i) IN GENERAL.—In addition to
14 other taxes, there is hereby imposed on the
15 income of every part B eligible individual a
16 tax equal to the applicable percentage of
17 the wages received by such individual with
18 respect to employment.

19 “(ii) APPLICABLE PERCENTAGE.—For
20 purposes of clause (i), the term ‘applicable
21 percentage’ means the excess of 6.2 per-
22 cent, over

23 “(I) 3 percent, in the case of the
24 first \$10,000 of such wages received
25 in the calendar year, and

1 “(II) 2 percent, in the case of
2 any additional such wages received in
3 the calendar year.

4 “(2) CONTRIBUTION OF OASDI TAX REDUCTION
5 TO INDIVIDUAL SECURITY ACCOUNTS.—In addition
6 to other taxes, there is hereby imposed on the in-
7 come of every part B eligible individual for the cal-
8 endar year an individual security account contribu-
9 tion equal to the sum of—

10 “(A) 3 percent of so much of the wages as
11 does not exceed the first \$10,000 received in
12 such calendar year by such individual with re-
13 spect to employment,

14 “(B) 2 percent of the excess of—

15 “(i) such wages, over
16 “(ii) the wages taken into account
17 under subparagraph (A), plus

18 “(C) so much of such wages (not to exceed
19 \$5,000) as is designated by the individual in
20 the same manner as described in section 251(d)
21 of the Social Security Act.

22 “(3) INFLATION ADJUSTMENTS.—

23 “(A) IN GENERAL.—In the case of any cal-
24 endar year beginning after 2006, the \$10,000

1 amount in paragraphs (1) and (2) shall be in-
2 creased by an amount equal to—

3 “(i) such dollar amount, multiplied by
4 “(ii) the wage increase percentage (if
5 any) for such year.

6 “(B) DESIGNATED CONTRIBUTIONS.—In
7 the case of any calendar year beginning after
8 2006, the \$5,000 amount in paragraph (2)(C)
9 shall be increased by an amount equal to—

10 “(i) such dollar amount, multiplied by
11 “(ii) the percentage increase (if any)
12 for such year determined under section
13 215(i) of the Social Security Act.

14 “(C) ROUNDING.—If any dollar amount
15 after being increased under subparagraph (A)
16 or (B) is not a multiple of \$10, such dollar
17 amount shall be rounded to the nearest multiple
18 of \$10.

19 “(4) DEFINITIONS.—For purposes of this sub-
20 section—

21 “(A) WAGES.—The term ‘wages’ shall have
22 the meaning given to such term by section
23 3121(a).

1 “(B) EMPLOYMENT.—The term ‘employment’ shall have the meaning given to such term by section 3121(b).

4 “(C) WAGE INCREASE PERCENTAGE.—The term ‘wage increase percentage’, with respect to a calendar year, means the percentage increase which would become effective under section 215(i)(2) of the Social Security Act for such year if such increase were determined as described in section 215(i)(5)(A)(i) of such Act.”.

11 (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 follows:

15 “(a) OLD-AGE, SURVIVORS, AND DISABILITY INSUR-
16 ANCE.—

17 “(1) IN GENERAL.—

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

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

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

5 “(i) IN GENERAL.—In addition to
6 other taxes, there is hereby imposed for
7 each taxable year, on the self-employment
8 income of every part B eligible individual,
9 a tax equal to the applicable percentage of
10 the amount of the self-employment income
11 for such taxable year.

12 “(ii) APPLICABLE PERCENTAGE.—For
13 purposes of clause (i), the term ‘applicable
14 percentage’ means the excess of 12.4 per-
15 cent, over

16 “(I) 3 percent, in the case of the
17 first \$10,000 of self-employment in-
18 come received in the calendar year,
19 and

20 “(II) 2 percent, in the case of
21 any additional self-employment income
22 received in the calendar year.

23 “(2) CONTRIBUTION OF OASDI TAX REDUCTION
24 TO INDIVIDUAL SECURITY ACCOUNTS.—In addition
25 to other taxes, there is hereby imposed for each tax-

1 able year, on the self-employment income of every
2 part B eligible individual for the calendar year, an
3 individual security account contribution equal to the
4 sum of—

5 “(A) 3 percent of self-employment income
6 as does not exceed the first \$10,000 of such in-
7 come derived during the taxable year by such
8 individual,

9 “(B) 2 percent of self-employment income
10 in the case of any additional self-employment
11 income derived by such individual during the
12 taxable year, and

13 “(C) so much of such self-employment in-
14 come (not to exceed \$5,000) as is designated by
15 the individual in the same manner as described
16 in section 251(d) of the Social Security Act.

17 “(3) INFLATION ADJUSTMENTS.—

18 “(A) IN GENERAL.—In the case of any cal-
19 endar year beginning after 2006, the \$10,000
20 amount in paragraphs (1) and (2) shall be in-
21 creased by an amount equal to—

22 “(i) such dollar amount, multiplied by
23 “(ii) the wage increase percentage (if
24 any) for such year,

1 “(B) DESIGNATED CONTRIBUTIONS.—In
2 the case of any calendar year beginning after
3 2006, the \$5,000 amount in paragraph (2)(C)
4 shall be increased by an amount equal to—

5 “(i) such dollar amount, multiplied by
6 “(ii) the percentage increase (if any)
7 for such year determined under section
8 215(i) of the Social Security Act.

9 “(C) ROUNDING.—If any dollar amount
10 after being increased under subparagraph (A)
11 or (B) is not a multiple of \$10, such dollar
12 amount shall be rounded to the nearest multiple
13 of \$10.

14 “(4) DEFINITION.—For purposes of this sub-
15 section, the term ‘wage increase percentage’, with re-
16 spect to a calendar year, means the percentage in-
17 crease which would become effective under section
18 215(i)(2) of the Social Security Act in such year if
19 such increase were determined as described in sec-
20 tion 215(i)(5)(A)(i) of such Act.”.

21 (3) PART B ELIGIBLE INDIVIDUAL.—

22 (A) TAXES ON EMPLOYEES.—Section 3121
23 of such Code (relating to definitions) is amend-
24 ed by inserting after subsection (s) the fol-
25 lowing new subsection:

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

6 (B) SELF-EMPLOYMENT TAX.—Section
7 1402 of such Code (relating to definitions) is
8 amended by adding at the end the following
9 new subsection:

10 “(l) PART B ELIGIBLE INDIVIDUAL.—The term ‘part
11 B eligible individual’ means, for any calendar year, an in-
12 dividual who is an eligible individual (as defined in section
13 251(a)(2) of the Social Security Act) for such calendar
14 year.”.

15 (4) EFFECTIVE DATES.—

16 (A) EMPLOYEES.—The amendments made
17 by paragraphs (1) and (3)(A) apply to remu-
18 neration paid after December 31, 2005.

19 (B) SELF-EMPLOYED INDIVIDUALS.—The
20 amendments made by paragraphs (2) and
21 (3)(B) apply to taxable years beginning after
22 December 31, 2005.

23 (c) MATCHING CONTRIBUTIONS.—

24 (1) IN GENERAL.—Part IV of subchapter A of
25 chapter 1 of the Internal Revenue Code of 1986 (re-

1 lating to credits against tax) is amended by adding
2 at the end the following new subpart:

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

“Sec. 54. Individual security account credit.

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

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

8 “(1) \$150,

9 “(2) 50 percent of the designated wages of such
10 individual for the taxable year,

11 “(3) 50 percent of the designated self-employ-
12 ment income of such individual for the taxable year,
13 plus

14 “(4) 50 percent of the designated earned in-
15 come credit.

16 “(b) LIMITATIONS.—

17 “(1) AMOUNT.—The amount determined under
18 paragraphs (2) and (3) of subsection (a) with re-
19 spect to such individual for any taxable year may
20 not exceed the excess (if any) of—

21 “(A) \$600, over

22 “(B) the sum of the amounts received by
23 the Secretary on behalf of such individual under
24 subparagraphs (A) and (B) of section

1 3101(a)(2) and subparagraphs (A) and (B) of
2 1401(a)(2) for the taxable year.

3 “(2) FAILURE TO MAKE VOLUNTARY CONTRIBU-
4 TIONS.—In the case of a part B eligible individual
5 with respect to whom the amount of wages des-
6 ignated under section 3101(a)(2)(C) plus the
7 amount self-employment income designated under
8 section 1401(a)(2)(C) for the taxable year is zero,
9 the credit to which such individual is entitled under
10 this section shall be equal to zero.

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

12 “(1) PART B ELIGIBLE INDIVIDUAL.—The term
13 ‘part B eligible individual’ means, for any calendar
14 year, an individual who is an eligible individual (as
15 defined in section 251(a)(2) of the Social Security
16 Act) for such calendar year.

17 “(2) DESIGNATED WAGES.—The term ‘des-
18 ignated wages’ means with respect to any taxable
19 year the amount designated under section
20 3101(a)(2)(C).

21 “(3) DESIGNATED SELF-EMPLOYMENT IN-
22 COME.—The term ‘designated self-employment in-
23 come’ means with respect to any taxable year the
24 amount designated under section 1401(a)(2)(C) for
25 such taxable year.

1 “(4) DESIGNATED EARNED INCOME CREDIT.—

2 The term ‘designated earned income credit’ means
3 the amount of the credit allowed under section 32
4 for the taxable year that is designated by the part
5 B eligible individual in the same manner as de-
6 scribed in section 251(d) of the Social Security Act.

7 “(d) CREDIT USED ONLY FOR INDIVIDUAL SECU-
8 RITY ACCOUNT.—For purposes of this title, the credit al-
9 lowed under this section with respect to any part B eligible
10 individual—

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

13 “(2) shall be treated as an overpayment of tax
14 under section 6401(b)(3) which may, in accordance
15 with section 6402(l), only be transferred to an indi-
16 vidual security account established under part B of
17 title II of the Social Security Act with respect to
18 such individual.”.

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

23 “(n) CONTRIBUTION TO INDIVIDUAL SECURITY AC-
24 COUNT.—

1 “(1) IN GENERAL.—An eligible part B individual who is allowed a credit under this section may
2 designate all or a portion of such credit as a contribution to the individual security account established
3 on behalf of such individual.

6 “(2) CREDIT USED ONLY FOR INDIVIDUAL SECURITY ACCOUNT.—For purposes of this title, the
7 amount designated under paragraph (1) with respect
8 to any part B individual—

10 “(A) shall not be treated as a credit allowed under this section, but

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

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

20 (A) CREDITED AMOUNTS TREATED AS OVERPAYMENT OF TAX.—Subsection (b) of section 6401 (relating to excessive credits) is amended by adding at the end the following new paragraph:

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

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

8 “(B) SECTION 32 DESIGNATED EARNED IN-
9 COME CREDIT CONTRIBUTION.—The amount of
10 the earned income credit designated as a con-
11 tribution to an individual security account
12 under section 32(n) for the taxable year.”.

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

18 “(l) OVERPAYMENTS ATTRIBUTABLE TO INDIVIDUAL
19 SECURITY ACCOUNT CREDIT.—In the case of any over-
20 payment described in section 6401(b)(3) with respect to
21 any individual, the Secretary shall transfer for crediting
22 by the Commissioner of Social Security to the individual
23 security account of an such individual, an amount equal
24 to the amount of such overpayment.”.

(4) NOTICE TO EITC RECIPIENTS OF MATCHING CONTRIBUTIONS TO INDIVIDUAL SECURITY ACCOUNTS.—In connection with information and tax forms relating to the credit allowed under section 32 of the Internal Revenue Code of 1986, the Secretary of the Treasury shall provide notice of the availability of matching contributions pursuant to section 54 of such Code (as added by subsection (a) of this section) to individual security accounts under part B of title II of the Social Security Act.

11 (5) CONFORMING AMENDMENTS.—

12 (A) Section 1324(b)(2) of title 31, United
13 States Code, is amended by inserting before the
14 period at the end “, or enacted by the Bipar-
15 tisan Retirement Security Act of 2005”.

16 (B) The table of subparts for part IV of
17 subchapter A of chapter 1 of the Internal Rev-
18 enue Code of 1986 is amended by adding at the
19 end the following new item:

“SUBPART H. INDIVIDUAL SECURITY ACCOUNT CREDITS.”

23 (d) TAX TREATMENT OF INDIVIDUAL SECURITY AC-
24 COUNTS.—

5 "PART IX—INDIVIDUAL SECURITY SYSTEM

“Sec. 530A. Individual security fund.
“Sec. 530B. Individual security accounts.

6 "SEC. 530A. INDIVIDUAL SECURITY FUND AND FEDERALLY-
7 ADMINISTERED INDIVIDUAL SECURITY AC-
8 COUNTS.

9 "The Individual Security Fund established under sec-
10 tion 261 of the Social Security Act shall be exempt from
11 taxation under this subtitle.

12. "SEC. 530B. INDIVIDUAL SECURITY ACCOUNTS.

13 "(a) IN GENERAL.—For purposes of this section, the
14 term 'individual security account' means a Federally-ad-
15 ministered individual security account and a privately-ad-
16 ministered security account.

17 "(b) INDIVIDUAL SECURITY ACCOUNTS DEFINED.—

18 For purposes of subsection (a)—

19 “(1) FEDERALLY-ADMINISTERED SECURITY AC-
20 COUNT.—The term ‘Federally-administered indi-
21 vidual security account’ means the account estab-
22 lished under section 251 of the Social Security Act.

23 “(2) PRIVATELY-ADMINISTERED SECURITY AC-
24 COUNT.—The term ‘privately-administered individual

1 security account' means a trust created or organized
2 in the United States exclusively for the benefit of an
3 individual or his beneficiaries, but only if the written
4 governing instrument creating the trust meets the
5 following requirements:

6 “(A) Except in the case of rollover con-
7 tributions from another individual security ac-
8 count of such individual—

9 “(i) no contribution will be accepted
10 unless it is in cash,

11 “(ii) contributions will not be accepted
12 for the taxable year in excess of the sum
13 of—

14 “(I) the amounts collected with
15 respect to such beneficiary under sec-
16 tions 3101(a)(2) and 1401(a)(2), and

17 “(II) the amounts transferred to
18 such account under section 6402(l),
19 and

20 “(iii) any contributions with respect to
21 an account holder which are not accepted
22 pursuant to this paragraph are promptly
23 refunded directly to the account holder.

1 “(B) The trustee is an institution which is
2 certified under subpart 3 of part B of title II
3 of the Social Security Act.

4 “(C) No part of the trust funds will be in-
5 vested in life insurance contracts.

6 “(D) The interest of an individual in the
7 balance in his account is nonforfeitable.

8 “(E) The assets of the trust will not be
9 commingled with other property except in a
10 common trust fund or common investment
11 fund.

12 “(c) CONTRIBUTIONS.—

13 “(1) IN GENERAL.—No deduction shall be al-
14 lowed for contributions credited to an individual se-
15 curity account under part B of title II of the Social
16 Security Act or amounts transferred to such account
17 under section 6402(l).

18 “(2) ROLLOVERS.—

19 “(A) ROLLOVER FROM PRIVATELY-ADMIN-
20 ISTERED INDIVIDUAL SECURITY ACCOUNT.—
21 The entire balance of an individual security ac-
22 count of the account holder may be rolled over
23 to another individual security account of the ac-
24 count holder.

1 “(B) ROLLOVER OF INHERITANCE.—Any
2 portion of a distribution to an heir from an in-
3 dividual security account made by reason of the
4 death of the beneficiary of such account may be
5 rolled over to the individual security account of
6 the heir.

7 “(d) TAX TREATMENT OF ACCOUNTS.—

8 “(1) EXEMPTION FROM TAX.—An individual se-
9 curity account is exempt from taxation under this
10 subtitle unless such account has ceased to be an in-
11 dividual security account by reason of paragraph
12 (2). Notwithstanding the preceding sentence, any
13 such account is subject to the taxes imposed by sec-
14 tion 511 (relating to imposition of tax on unrelated
15 business income of charitable, etc. organizations).

16 “(2) ACCOUNT TERMINATIONS.—Rules similar
17 to the rules of paragraphs (2) and (4) of section
18 408(e) shall apply to privately-administered indi-
19 vidual security accounts, and any amount treated as
20 distributed under such rules shall be includible in
21 gross income and shall not be treated as a social se-
22 curity benefit for purposes of section 86.

23 “(3) ROLLOVER CONTRIBUTION.—An amount is
24 described in this paragraph as a rollover contribu-

1 tion if it meets the requirements of subparagraphs
2 (A) and (B).

3 “(A) IN GENERAL.—The requirements of
4 this subparagraph are met with respect to an
5 amount paid or distributed from an individual
6 security account to the account holder only if
7 the entire amount in such account is received
8 by the account holder and is paid into another
9 individual security account for the benefit of
10 such holder not later than the 60th day after
11 the day on which the holder receives the pay-
12 ment or distribution.

13 “(B) LIMITATION.—This paragraph shall
14 not apply to any amount described in subpara-
15 graph (A) received by an individual from a pri-
16 vately-administered individual security account
17 if, at any time during the 1-year period ending
18 on the day of such receipt, such individual re-
19 ceived on 3 other occasions any other amount
20 described in subparagraph (A) from an indi-
21 vidual security account which was not includible
22 in the individual’s gross income because of the
23 application of this paragraph.

24 “(e) DISTRIBUTIONS.—

1 “(1) IN GENERAL.—The portion of any dis-
2 tribution from an individual security account under
3 section 253 of the Social Security Act which is at-
4 tributable to amounts contributed to such account
5 under section 3101(a)(2) (other than subparagraph
6 (C) thereof) and section 1401(a)(2) (other than sub-
7 paragraph (C) thereof), together with earnings
8 thereon, shall be includible in gross income as a so-
9 cial security benefit for purposes of section 86.

10 “(2) VOLUNTARY CONTRIBUTIONS.—The por-
11 tion of any distribution from an individual security
12 account under section 253 of the Social Security Act
13 which is attributable to amounts contributed to such
14 account under section 3101(a)(2)(C), section
15 1401(a)(2)(C), and section 6402(l), together with
16 earnings thereon, shall not be includible in gross in-
17 come.

18 “(3) PERIOD IN WHICH DISTRIBUTIONS MUST
19 BE MADE FROM ACCOUNT OF DECEDENT.—In the
20 case of amounts remaining in an individual security
21 account from which distributions began before the
22 death of the beneficiary, rules similar to the rules of
23 section 401(a)(9)(B) shall apply to distributions of
24 such remaining amounts.

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

6 “(f) ACCOUNT BENEFICIARY.—For purposes of this
7 section, the account beneficiary is the individual for whose
8 benefit the individual security account is established.”.

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

“PART IX. INDIVIDUAL SECURITY SYSTEM”.

14 (3) EFFECTIVE DATE.—The amendments made
15 by this subsection shall apply to taxable years begin-
16 ning after December 31, 2005.

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

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

20 “Minimum Monthly Insurance Benefit

21 “(j)(1) Notwithstanding the preceding provisions of
22 this section—

23 “(A) the primary insurance amount of a qual-
24 fied individual shall be equal to the greater of—

1 “(i) the primary insurance amount deter-
2 mined under this section (without regard to this
3 subsection), or

4 “(ii) $\frac{1}{12}$ of the applicable percentage of
5 the applicable amount, and
6 rounded, if not a multiple of \$0.10, to the next lower
7 multiple of \$0.10, and thereafter increased as pro-
8 vided in subsection (i), and

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

14 “(2) For purposes of this subsection—

15 “(A) The term ‘qualified individual’ means an
16 individual—

17 “(i) who initially becomes eligible for old-
18 age or disability insurance benefits, or dies (be-
19 fore becoming eligible for such benefits) for a
20 month beginning after December 31, 2009, and

21 “(ii) who, in the case of any such indi-
22 vidual other than an individual eligible for old-
23 age insurance benefits, has quarters of coverage
24 greater in number than the number of such in-

1 dividual's elapsed years (as defined in sub-
2 section (a)(1)(C)(ii)).

3 “(B) The term ‘applicable amount’ means, in
4 connection with an individual—

5 “(i) in any case in which the year of such
6 individual’s initial eligibility is prior to 2014,
7 \$8,825, adjusted annually, for each year after
8 2003 and before the earlier of—

9 “(I) the year of the individual’s initial
10 eligibility, or

11 “(II) 2014,
12 by the CPI increase percentage determined
13 under section 215(i) for such year, or

14 “(ii) in any case in which the year of such
15 individual’s initial eligibility is after 2013, the
16 dollar amount determined under clause (i) for
17 2013, multiplied by the percentage (rounded to
18 the nearest one-tenth of 1 percent) by which
19 the national average wage index (as defined in
20 section 209(k)(1)) for the second year prior to
21 the year of such individual’s initial eligibility ex-
22 ceeds such index for 2011.

23 “(C)(i) In the case of a qualified individual de-
24 scribed in subparagraph (A)(i), the term ‘applicable
25 percentage’ means the sum of—

1 “(I) the product derived by multi-
2 plying 2.0 percent by the number of such
3 individual’s quarters of coverage in excess
4 of 40, to the extent that the number of
5 such quarters of coverage does not exceed
6 80, and

7 “(II) the product derived by multi-
8 plying 0.5 percent by the number of such
9 individual’s quarters of coverage, to the ex-
10 tent that the number of such quarters of
11 coverage is in excess of 80 but does not ex-
12 ceed 160.

13 “(ii) In the case of a qualified individual de-
14 scribed in subparagraph (A)(ii), the term ‘applicable
15 percentage’ means the sum of—

16 “(I) the product derived by multiplying the
17 higher pro-rated percentage increment by the
18 number of such individual’s quarters of cov-
19 erage, to the extent that the number of such
20 quarters of coverage exceeds the number of
21 such individual’s elapsed years (as defined in
22 subsection (a)(10(C)(ii)) but does not exceed
23 twice the number of such elapsed years, and

24 “(II) the product derived by multiplying
25 the lower pro-rated percentage increment by the

1 number of such individual's quarters of cov-
2 erage, to the extent that the number of such
3 quarters of coverage exceeds twice the number
4 of such elapsed years but does not exceed 4
5 times the number of such elapsed years.

6 “(iii) For purposes of clause (ii)—

7 “(I) the higher pro-rated percentage incre-
8 ment, in connection with the qualified indi-
9 vidual, is the quotient obtained by dividing 80
10 percent by the number of the individual's
11 elapsed years, and

12 “(II) the lower pro-rated percentage incre-
13 ment, in connection with the qualified indi-
14 vidual, is the quotient obtained by dividing 40
15 percent by twice the number of the individual's
16 elapsed years,

17 each of which is rounded, if a multiple of 0.05 per-
18 cent and not of 0.10 percent, to the next higher mul-
19 tiple of 0.10 percent, and in any other case to the
20 next higher multiple of 0.10 percent.

21 “(3) In the case of a qualified individual who becomes
22 eligible for old-age or disability insurance benefits, or who
23 dies (before becoming eligible to such benefits) in a year
24 prior to 2014, in lieu of the amount otherwise determined
25 under paragraph (1)(A)(ii), the amount provided under

1 paragraph (1)(A)(ii) shall be deemed to be equal to the
 2 the product derived by multiplying such amount otherwise
 3 determined by the percentage set forth in the following
 4 table in connection with such year, rounded, if not a mul-
 5 tiple of \$0.10, to the next lower multiple of \$0.10.

"If the year is:	The applicable percentage is:
2010	20
2011	40
2012	60
2013	80.".

6 SEC. 4. REDUCTION IN THE AMOUNT OF CERTAIN TRANS-

7 FERS TO MEDICARE TRUST FUND.

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

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

15 (2) by adding at the end the following: “For
 16 purposes of clause (ii), the applicable percentage for
 17 a year is equal to 100 percent, reduced (but not
 18 below zero) by 10 percentage points for each year
 19 after 2010.”.

1 SEC. 5. REVISED FORMULA FOR AVERAGE INDEXED

2 **MONTHLY EARNINGS.**

3 (a) IN GENERAL.—So much of subsection (b) of sec-
4 tion 215 of the Social Security Act (42 U.S.C. 415) as
5 precedes paragraph (3) is amended to read as follows:

6 “Average Indexed Monthly Earnings; Average Monthly
7 Wage

8 “(b)(1)(A) In the case of an individual who is entitled
9 to old-age insurance benefits (except as provided in para-
10 graph (2)(C)), or who has died (before becoming eligible
11 for such benefits or disability insurance benefits), such in-
12 dividual’s average indexed monthly earnings shall be equal
13 to the quotient obtained by dividing—

14 “(i) the total (after adjustment under
15 paragraph (3)) of his wages paid in and self-
16 employment income credited to his computation
17 base years (determined under subparagraph
18 (C)(i)), by

19 “(ii) the product derived by multiplying—
20 “(I) the number of such individual’s
21 elapsed years (determined under subpara-
22 graph (C)(ii)), by

23 “(II) 12.

24 “(B)(i) For purposes of clause (i) of subparagraph
25 (A), in the case of an individual who becomes eligible for
26 old-age insurance benefits, or dies (before becoming eligi-

1 ble for such benefits or disability insurance benefits), in
 2 any calendar year after 2004 and before 2013, if the num-
 3 ber of such individual's computation base years exceed in
 4 number the maximum number for such calendar year,
 5 those computation base years referred to in such clause
 6 shall consist only of those computation base years, equal
 7 in number to such maximum number, for which the total
 8 of such individual's wages and self-employment income,
 9 after adjustment under paragraph (3), is the largest. For
 10 purposes of this clause, the maximum number for a cal-
 11 endar year is the maximum number set forth in connection
 12 with such calendar year in the following table:

“If the calendar year is:	The maximum number of years is:
2005 or 2006	37
2007 or 2008	39
2009 or 2010	41
2011 or 2012	43.

13 “(ii) For purposes of subclause (I) of subparagraph
 14 (A)(ii), in the case of an individual who becomes eligible
 15 for old-age insurance benefits, or dies (before becoming
 16 eligible for such benefits or disability insurance benefits),
 17 in any calendar year after 2004, if the number of such
 18 individual's elapsed years exceed in number the maximum
 19 number for such calendar year, the number of elapsed
 20 years referred to in such subclause shall be deemed equal
 21 to such maximum number. For purposes of this clause,
 22 the maximum number for a calendar year is the maximum

1 number set forth in connection with such calendar year
 2 in the following table:

If the calendar year is:	The maximum number of years is:
2005 or 2006	36
2007 or 2008	37
2009 or 2010	38
2011 or 2012	39
after 2012	40.

3 “(C) For purposes of this subsection with respect to
 4 any individual—

5 “(i) the term ‘computation base year’ means
 6 any calendar year after 1950 and before—

7 “(I) in the case of an individual entitled to
 8 old-age insurance benefits or disability insur-
 9 ance benefits, the year in which occurred
 10 (whether by reason of section 202(j)(1) or oth-
 11 erwise) the first month of that entitlement, or

12 “(II) in the case of an individual who has
 13 died (without having become entitled to old-age
 14 insurance benefits), the year succeeding the
 15 year of his death,

16 except that such term excludes any calendar year en-
 17 tirely included in a period of disability, and

18 “(ii) the term ‘elapsed year’ means (except as
 19 otherwise provided by section 104(j)(2) of the Social
 20 Security Amendments of 1972) a calendar year—

21 “(I) after 1950 (or, if later, the year in
 22 which the individual attained age 21), and

1 “(II) before the year in which the individual died, or, if it occurred earlier (but after
2 1960), the year in which he attained age 62;
3
4 except that such term excludes any calendar year
5 any part of which is included in a period of disability.
6

7 “(2)(A) In the case of an individual who is entitled
8 to disability insurance benefits, such individual’s average
9 indexed monthly earnings shall be equal to the quotient
10 obtained by dividing—

11 “(i) the total (after adjustment under paragraph (3)) of his wages paid in, and self-employment
12 income credited to, those of his computation base
13 years (determined under paragraph (1)(C)(i))
14 which—

16 “(I) are elapsed years (determined under
17 paragraph (1)(C)(ii)),

18 “(II) occurred prior to his current period
19 of disability, and

20 “(III) are equal in number to the reduced
21 number determined under subparagraph (B),
22 for which the total of such individual’s wages and
23 self-employment income, after adjustment under
24 paragraph (3), is the largest, by

25 “(ii) the product derived by multiplying—

1 “(I) the number of the individual’s elapsed
2 years, by

3 “(II) 12.

4 “(B) The reduced number of an individual’s elapsed
5 years, determined under this subparagraph for purposes
6 of subparagraph (A)(i)(III), is the number of such elapsed
7 years, reduced by the number of years equal to one-fifth
8 of such number of elapsed years (disregarding any result-
9 ing fractional part of a year), but not by more than 5
10 years.

11 “(C)(i) This paragraph, once applicable with respect
12 to any individual, shall continue to apply for purposes of
13 determining such individual’s primary insurance amount
14 for purposes of any subsequent eligibility for disability or
15 old-age insurance benefits, unless, prior to the month in
16 which such eligibility begins, there occurs a period of at
17 least 12 consecutive months for which he was not entitled
18 to a disability or an old-age insurance benefit.

19 “(ii) If an individual to which this paragraph applies
20 is living with a child (of such individual or his or her
21 spouse) under the age of 3 in any calendar year which
22 is included in such individual’s elapsed years, but which
23 is not disregarded pursuant to subparagraphs (A)(i) and
24 (B) by reason of the reduction in the number of such indi-
25 vidual’s elapsed years under subparagraph (B), the num-

1 ber by which the number of such elapsed years is reduced
2 under subparagraph (B) shall be increased by one (up to
3 a combined total not exceeding 3) for each such calendar
4 year, except that—

5 “(I) no calendar year shall be disregarded by
6 reason of this clause (in determining elapsed years
7 to be taken into account under subparagraph (A)(i))
8 unless the individual was living with such child sub-
9 stantially throughout the period in which the child
10 was alive and under the age of 3 in such year and
11 the individual had no earnings as described in sec-
12 tion 203(f)(5) in such year,

13 “(II) the particular calendar years to be dis-
14 regarded under this clause (in determining such
15 elapsed years) shall be those years (not otherwise
16 disregarded under subparagraph (B)) which, before
17 the application of section 215(f), meet the conditions
18 of subclause (I), and

19 “(III) this clause shall apply only to the extent
20 that its application would not result in a lower pri-
21 mary insurance amount.

22 “(D) The reduction in the number of elapsed years
23 taken into account under subparagraph (A)(i) resulting
24 from the application of subparagraphs (B) and (C) shall

1 not in any case reduce the number of elapsed years taken
2 into account under subparagraph (A)(i) to less than 2.”.

3 (b) CONFORMING AMENDMENT.—Section
4 215(b)(3)(A) of such Act (42 U.S.C. 415(b)(3)(A)) is
5 amended by striking “for purposes of the selection there-
6 from of benefit computation years under paragraph (2)”
7 and inserting “for purposes of paragraphs (1)(B)(i) and
8 (2)(A)(i)”.

9 (c) EFFECTIVE DATE.—The amendment made by
10 subsection (a) shall apply with respect to individuals ini-
11 tially becoming eligible for old-age or disability insurance
12 benefits, or dying (before becoming eligible for such bene-
13 fits), in any calendar year after 2008. For purposes of
14 this subsection, an individual shall be deemed eligible for
15 a benefit for a month if, upon filing application therefor
16 in such month, such individual would be entitled to such
17 benefit for such month.

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

19 (a) EARLY RETIREMENT.—

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

22 (A) in paragraph (1)(A), by striking “ $\frac{5}{9}$ ”
23 and inserting “the applicable old-age benefit
24 fraction (determined under paragraph
25 (12)(A))”, and by striking “ $\frac{25}{36}$ ” and inserting

1 “the applicable spousal benefit fraction (deter-
2 mined under paragraph (12)(B))”; and

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

4 "(12) For purposes of paragraph (1)(A)—

5 “(A) the ‘applicable old-age benefit fraction’ for
6 an individual who attains the age of 62 in—

8 “(ii) 2006, is $\frac{7}{12}$;

10 “(iv) 2008, is $^{23}/36$;

11 “(v) 2009, is $\frac{2}{3}$; and

12 “(vi) 2010 or any succeeding year, is $\frac{25}{36}$;

13 and
14 “(B) the ‘applicable spousal benefit fraction’ for
15 an individual who becomes eligible for wife’s or hus-
16 band’s insurance benefits in—

18 “(ii) 2006, is $^{35}/48$;

19 “(iii) 2007, is $^{55}/_{72}$;

20 “(iv) 2008, is $^{115}_{\Lambda} \text{I}^{144}$;

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

8 “(13) For purposes of paragraph (9)(A), the ‘applica-
9 ble fraction’ for an individual who becomes eligible for old-
10 age, wife’s, or husband’s insurance benefits in—

11 “(A) any year before 2006, is $\frac{5}{12}$;

13 “(C) 2007, is 16/36;

15 “(E) 2009, is $\frac{17}{36}$; and

16 "(F) 2010 or any succeeding year, is $\frac{1}{2}$.".

21 “(14) For purposes of this subsection, an individual
22 shall be deemed eligible for a benefit for a month if, upon
23 filing application therefor in such month, such individual
24 would be entitled to such benefit for such month.”.

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

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

13 (2) in subparagraph (D), by striking “2004.”
14 and inserting “2004 and before 2009;” and

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

16 “(E) $\frac{17}{24}$ of 1 percent in the case of an indi-
17 vidual who attains the age of 62 in a calendar year
18 after 2008 and before 2011;

19 “(F) 3/4 of 1 percent in the case of an indi-
20 vidual who attains the age of 62 in a calendar year
21 after 2010 and before 2013;

22 “(G) $\frac{1}{4}$ percent in the case of an individual
23 who attains the age of 62 in a calendar year
24 after 2012 and before 2015; and

1 “(H) 5/6 of 1 percent in the case of an indi-
2 vidual who attains the age of 62 in a calendar year
3 after 2014.”.

4 SEC. 7. CORRECTIONS FOR CPI OVERSTATEMENT IN COST- 5 OF-LIVING INDEXATION.

6 (a) MODIFICATIONS TO COST-OF-LIVING INDEX-
7 ATION OF SOCIAL SECURITY BENEFITS.—

11 “(D) the term ‘CPI increase percentage’, with
12 respect to a base quarter or cost-of-living computa-
13 tion quarter in any calendar year, means the per-
14 centage (rounded to the nearest one-tenth of 1 per-
15 cent) by which the Chained Consumer Price Index
16 for All Urban Consumers (published by the Bureau
17 of Labor Statistics of the Department of Labor) for
18 the such base quarter or cost-of-living computation
19 quarter exceeds such index for the later of—

4 “(G) the Chained Consumer Price Index for All
5 Urban Consumers for a base quarter, a cost-of-living
6 computation quarter, or any other calendar quarter
7 shall be the arithmetical mean of such index (pub-
8 lished by the Bureau of Labor Statistics of the De-
9 partment of Labor as of the end of such quarter) for
10 the 3 months in such quarter.”.

16 (b) CONSUMER PRICE INDEX ADJUSTMENTS APPLI-
17 CABLE TO THE INTERNAL REVENUE CODE PROVI-
18 SIONS —

23 “(3) COST-OF-LIVING ADJUSTMENT.—

1 “(A) IN GENERAL.—For purposes of para-
2 graph (2), the cost-of-living adjustment for any
3 calendar year is the product of—

4 “(i) the CPI fraction for calendar
5 years before 2006, multiplied by

6 “(ii) the Chained CPI fraction for cal-
7 endar years after 2005,

8 reduced by 1.

9 “(B) CPI FRACTION FOR CALENDAR
10 YEARS BEFORE 2006.—The CPI fraction for cal-
11 endar years before 2006 is the fraction—

12 “(i) the numerator of which is the
13 CPI for the calendar year 2004, and

14 “(ii) the denominator of which is the
15 CPI for the calendar year 1992.

16 “(C) CHAINED CPI FRACTION FOR CAL-
17 ENDAR YEARS AFTER 2005.—The Chained CPI
18 fraction for calendar years after 2005 is the
19 fraction—

20 “(i) the numerator of which is the
21 Chained CPI for the preceding calendar
22 year, and

23 “(ii) the denominator of which is the
24 Chained CPI for the calendar year 2004.”.

25 (2) CONFORMING AMENDMENTS.—

3 “(4) CPI AND CHAINED CPI FOR ANY CAL-
4 ENDAR YEAR.—For purposes of paragraph (3)—

5 “(A) CPI.—The CPI for any calendar year
6 is the average of the Consumer Price Index as
7 of the close of the 12-month period ending on
8 August 31 of such calendar year.

14 (B) Paragraph (5) of section 1(f) of such
15 Code is amended to read as follows:

16 “(5) CONSUMER PRICE INDEX AND CHAINED
17 CONSUMER PRICE INDEX.—For purposes of para-
18 graph (4)—

19 “(A) CONSUMER PRICE INDEX.—The term
20 ‘Consumer Price Index’ means the last Con-
21 sumer Price Index for all-urban consumers pub-
22 lished by the Department of Labor. For pur-
23 poses of the preceding sentence, the revision of
24 the Consumer Price Index which is most con-

1 sistent with the Consumer Price Index for cal-
2 endar year 1986 shall be used.

3 “(B) CHAINED CONSUMER PRICE INDEX.—
4 The term ‘Chained Consumer Price Index’
5 means the initial Chained Consumer Price
6 Index for all-urban consumers published by the
7 Department of Labor.”.

8 (3) EFFECTIVE DATE.—The amendments made
9 by this subsection shall apply to taxable years begin-
10 ning after December 31, 2005.

11 (c) COST-OF-LIVING ADJUSTMENTS UNDER OTHER
12 PROVISIONS UTILIZING THE CONSUMER PRICE INDEX.—

13 (1) IN GENERAL.—Except as provided in para-
14 graph (2), for purposes of determining the amount
15 of any cost-of-living increase which takes effect for
16 benefits payable after December 31, 2005, with re-
17 spect to any benefit described in paragraph (4), any
18 such increase for the period for which the percentage
19 change is determined shall be deemed to be, in lieu
20 of the increase otherwise determined under applica-
21 ble law in connection with such benefits, the increase
22 determined under such applicable law by sub-
23 stituting the Chained CPI for any month for the
24 CPI for such month.

3 (A) IN GENERAL.—In any case in which
4 the amount of the cost-of-living increase which
5 takes effect for benefits payable after December
6 31, 2005, with respect to any benefit described
7 in paragraph (4) is determined under applicable
8 law by reference to a change in the CPI over
9 a period which is determined by reference to a
10 base period which remains constant from year
11 to year, any such increase for any period shall
12 be deemed to be, in lieu of the increase other-
13 wise determined under applicable law in connec-
14 tion with such benefits, the increase, expressed
15 as a percentage increase, equal to the product
16 of—

17 (i) the CPI fraction prior to 2006,
18 multiplied by
19 (ii) the Chained CPI fraction after
20 2005,
21 reduced by 1.

22 (B) CPI FRACTION PRIOR TO 2006.—The
23 CPI fraction prior to 2006 is the fraction—

(i) the numerator of which is the CPI

for the period, ending with or during 2004,

which corresponds to the base period, and

(ii) the denominator of which is the

CPI for the base period.

(C) CHAINED CPI FRACTION AFTER 2005.—

The Chained CPI fraction after 2005 is the

fraction—

(i) the numerator of which is the

Chained CPI for the period, ending with or

during the year preceding the year in

which the determination takes effect, which

corresponds to the base period, and

(ii) the denominator of which is the

Chained CPI for the period, ending with or

during 2004, which corresponds to the

base period.

(3) CPI AND CHAINED CPI.—For purposes of

paragraph (1)—

(A) CPI.—The CPI for any period means,

in connection with any benefit described in

paragraph (4), the average monthly Consumer

Price Index for such period, as determined

under the applicable law in connection with

such benefit (without regard to this subsection).

(B) CHAINED CPI.—The Chained CPI for any period means, in connection with any benefit described in paragraph (4), the average monthly Chained Consumer Price Index for all urban consumers (published by the Bureau of Labor Statistics of the Department of Labor) for such period, determined under applicable law in the same manner as the CPI for such period would be determined.

10 (4) RULES TO APPLY ONLY TO COMPUTATION
11 OF BENEFIT AMOUNTS.—The preceding provisions of
12 this subsection shall apply only for purposes of de-
13 termining the amount of benefits and not for pur-
14 poses of determining—

15 (A) whether a threshold increase in the
16 Consumer Price Index has been met, or
17 (B) increases in amounts under other pro-
18 visions of law not described in paragraph (5)
19 which operate by reference to increases in such
20 benefits.

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

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

4 (B) civil service retirement benefits under
5 section 8340 of title 5, United States Code, for-
6 eign service retirement benefits under section
7 826 of the Foreign Service Act of 1980, Central
8 Intelligence Agency retirement benefits under
9 part J of the Central Intelligence Agency Re-
10 tirement Act of 1964 for certain employees, and
11 any other benefits under any similar provision
12 under any retirement system for employees of
13 the government of the United States;

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

16 (D) benefits under section 3(a), 4(a), or
17 4(f) of the Railroad Retirement Act of 1974;
18 and

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

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

(d) RECAPTURE TO FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND.—Section 201 of the

1 Social Security Act (42 U.S.C. 401) is amended by adding

2 at the end the following new subsection:

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

For the following calendar years:	The applicable percentage is:
After 2006 and before 2008	0.02
After 2007 and before 2009	0.04
After 2008 and before 2010	0.10
After 2009 and before 2011	0.12
After 2010 and before 2012	0.13
After 2011 and before 2013	0.20
After 2012 and before 2014	0.24
After 2013 and before 2015	0.29
After 2014 and before 2021	0.33
After 2020 and before 2045	0.39
After 2044 and before 2065	0.47
After 2064	0.57.”

10 SEC. 8. ADJUSTMENTS TO BEND POINTS IN DETERMINING

11 PRIMARY INSURANCE AMOUNTS.

12 (a) ADDITIONAL BEND POINT.—Section
13 215(a)(1)(A) of the Social Security Act (42 U.S.C.
14 415(a)(1)(A)) is amended to read as follows:

15 “(a)(1)(A)(i) Subject to clause (ii), the primary in-
16 surance amount of an individual shall (except as otherwise
17 provided in this section) be equal to the sum of—

18 "(I) 90 percent of the individual's average in-
19 dexed monthly earnings (determined under sub-

1 section (b)) to the extent that such earnings do not
2 exceed the amount established for purposes of this
3 subclause by subparagraph (B),

4 “(II) 70 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 subclause (I) but do not exceed the amount estab-
8 lished for purposes of this subclause by subpara-
9 graph (B),

10 “(III) 20 percent of the individual’s average in-
11 dexed monthly earnings to the extent that such
12 earnings exceed the amount established for purposes
13 of subclause (II) but do not exceed the amount es-
14 tablished for purposes of this subclause by subpara-
15 graph (B), and

16 “(IV) 10 percent of the individual’s average in-
17 dexed monthly earnings to the extent that such
18 earnings exceed the amount established for purposes
19 of this clause by subparagraph (B).

20 “(ii) In the case of individuals becoming eligible for
21 old-age or disability insurance benefits, or dying (before
22 becoming eligible for such benefits), in any calendar year
23 after 2005 and before 2016—

24 “(I) In lieu of the percentage specified in sub-
25 clause (II) of clause (i), the applicable percentage

1 set forth in the following table in connection with
 2 such calendar year shall apply:

If the calendar year is:	The applicable percentage is:
2006	35.8
2007	39.6
2008	43.4
2009	47.2
2010	51.0
2011	54.8
2012	58.6
2013	62.4
2014	66.2.

3 “(II) In lieu of the percentage specified in sub-
 4 clause (III) of clause (i), the applicable percentage
 5 set forth in the following table in connection with
 6 such calendar year shall apply:

If the calendar year is:	The applicable percentage is:
2006	30.8
2007	29.6
2008	28.4
2009	27.2
2010	26.0
2011	24.8
2012	23.6
2013	22.4
2014	21.2.

7 “(III) In lieu of the percentage specified in sub-
 8 clause (IV) of clause (i), the applicable percentage
 9 set forth in the following table in connection with
 10 such calendar year shall apply:

If the calendar year is:	The applicable percentage is:
2006	14.5
2007	14.0
2008	13.5
2009	13.0
2010	12.5
2011	12.0
2012	11.5

"If the calendar year is:	The applicable percentage is:
2013	11.0
2014	10.5.”

1 (b) INITIAL LEVEL OF ADDITIONAL BEND POINT.—

2 Section 215(a)(1)(B) of such Act (42 U.S.C.

3 415(a)(1)(B)) is amended—

14 (2) by redesignating clause (iii) as clause (iv);

15 (3) by inserting after clause (ii) the following

16 new clause:

17 “(iii) 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 2005, the amount established for purposes of clause
21 (ii) of subparagraph (A) for such calendar year after 2005
22 shall be 183.8 percent of the amount established for pur-
23 poses of clause (i) for such calendar year.”; and

1 (4) in clause (iv) (as redesignated by paragraph
2 (1)), by striking “clause (ii)” and inserting “clauses
3 (ii) and (iii)”.

4 (c) EFFECTIVE DATE.—The amendments made by
5 this section shall apply with respect to individuals becom-
6 ing eligible for old-age insurance benefits or disability in-
7 surance benefits, or dying (before becoming eligible for
8 such benefits), after 2005.

9 SEC. 9. ADJUSTMENT TO BENEFIT FORMULA FACTORS.

10 Section 215(a)(1)(B) of the Social Security Act (42
11 U.S.C. 415(a)(1)(B)) (as amended by section 8) is amend-
12 ed further—

13 (1) by redesignating clause (iv) as clause (vii);
14 and

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

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

4 “(v) For purposes of clause (iii), the term ‘factoring
5 period’ means, for an individual, the period beginning with
6 2012 and ending with the earlier of—

7 “(I) the year of the individual’s initial eligibility
8 or death, or

9 “(II) 2060.

10 “(vi) For purposes of clause (iii), the term ‘des-
11 ignated factor’ means—

12 “(I) for a year prior to 2031, 0.975, except
13 that, for any such year, such factor shall be 1.000
14 with respect to amounts otherwise established for
15 purposes of subclause (I) of subparagraph (A)(i)
16 under this subparagraph, and

17 “(II) for a year after 2030, 0.985.”.

18 **SEC. 10. MODIFICATION TO PIA FORMULA TO REFLECT
19 CHANGES TO LIFE EXPECTANCY.**

20 (a) IN GENERAL.—Section 215(a)(1) of the Social
21 Security Act (42 U.S.C. 415(a)(1)(B)) is amended by re-
22 designating subparagraph (C) and (D) as subparagraphs
23 (D) and (E), respectively, and by inserting after subpara-
24 graph (B) the following new subparagraph:

1 “(C)(i) For individuals who initially become eligible
2 for old-age insurance benefits (or who die before becoming
3 eligible for such benefits) in any calendar year after 2011,
4 the primary insurance amount computed under this para-
5 graph shall be the product derived by multiplying such
6 amount as computed under the preceding subparagraphs
7 of this paragraph by the life expectancy ratio for such cal-
8 endar year.

9 “(ii) The Commissioner of Social Security, using gen-
10 erally accepted actuarial principles, shall determine and
11 publish in the Federal Register on or before November 1
12 of each calendar year the life expectancy ratio for the fol-
13 lowing calendar year.

14 “(iii) For purposes of clause (ii), the life expectancy
15 ratio for any calendar year is the ratio of—

16 “(I) the period life expectancy of an individual
17 attaining age 62 on January 1, 2008, to

18 “(II) the period life expectancy of an individual
19 attaining age 62 on January 1 of the third calendar
20 year preceding the calendar year in which the deter-
21 mination under clause (ii) is made.”.

22 (b) STUDY OF THE EFFECT OF INCREASES IN LIFE
23 EXPECTANCY.—

24 (1) STUDY PLAN.—Not later than December
25 15, 2006, the Commissioner of Social Security shall

1 submit to Congress a detailed study plan for eval-
2 uating the effects of increases in life expectancy on
3 the expected level of retirement income from social
4 security, pensions, and other sources. The study
5 plan shall include a description of the methodology,
6 data, and funding that will be required in order to
7 provide to the Congress not later than February 15,
8 2008—

9 (A) an evaluation of trends in mortality
10 and their relationship to trends in health sta-
11 tus, among individuals approaching eligibility
12 for old-age insurance benefits under title II of
13 the Social Security Act;

14 (B) an evaluation of trends in labor force
15 participation among individuals approaching eli-
16 gibility for such benefits and among individuals
17 receiving such benefits, and of the factors that
18 influence the choice between retirement and
19 participation in the labor force;

20 (C) an evaluation of changes, if any, in the
21 disability insurance program under title II of
22 the Social Security Act that would reduce the
23 impact of changes in the retirement income of
24 workers in poor health or physically demanding
25 occupations;

1 (D) an evaluation of the methodology used
2 to develop projections for trends in mortality,
3 health status, and labor force participation
4 among individuals approaching eligibility for
5 old-age insurance benefits and among individ-
6 uals receiving such benefits; and

10 (2) REPORT ON RESULTS OF STUDY.—Not later
11 than February 15, 2008, the Commissioner of Social
12 Security shall provide to the Congress an evaluation
13 of the implications of the trends studied under para-
14 graph (1), along with recommendations, if any, of
15 the extent to which the conclusions of such evalua-
16 tions indicate that projected increases in life expect-
17 ancy require modification in the disability insurance
18 program under title II of the Social Security Act
19 and other income support programs.

20 SEC. 11. TREATMENT OF DISABLED BENEFICIARIES.

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

24 “(8)(A) Notwithstanding the preceding provisions of
25 this subsection, in the case of an individual who has or

1 has had a period of disability and becomes entitled to old-
2 age insurance benefits under section 202(a) (or dies) in
3 or after 2006, the primary insurance amount of such indi-
4 vidual shall be the sum of—

5 “(i) the amount determined under subpara-
6 graph (B), and

7 “(ii) the product derived by multiplying—

8 “(I) the excess of the amount determined
9 under subparagraph (C) over the amount deter-
10 mined under subparagraph (B), by

11 “(II) the adjustment factor for such indi-
12 vidual determined under subparagraph (D).

13 “(B) The amount determined under this subpara-
14 graph is the amount of such individual’s primary insur-
15 ance amount as determined under this section without re-
16 gard to this paragraph.

17 “(C) The amount determined under this subpara-
18 graph is the amount of such individual’s primary insur-
19 ance amount as determined under this section as in effect
20 with respect to individuals becoming eligible for old-age
21 or disability insurance benefits under section 202(a) in
22 2004.

23 “(D)(i) Subject to clause (ii), the adjustment factor
24 determined under this subparagraph for any individual is
25 the ratio (not greater than 1) of—

1 “(I) the number of months, ending after the
2 date on which such individual has attained age 22
3 and preceding the earlier of such individual’s first
4 month of entitlement to old-age insurance benefits
5 under section 202(a) or the month of such individ-
6 ual’s death, which occurred during a period of dis-
7 ability of such individual, to

8 “(II) 480.

9 “(ii) In the case of an individual who has attained
10 age 22 as of the date of the enactment of the Bipartisan
11 Retirement Security Act of 2005, the adjustment factor
12 determined under this subparagraph for such individual
13 is the product derived by multiplying the ratio determined
14 under clause (i) by the ratio (not greater than 1) of—

15 “(I) the number of calendar years for which
16 contributions have been made to such individual’s in-
17 dividual security account pursuant to section
18 251(b)(1), to

19 “(II) 40.”

20 **SEC. 12. MAINTENANCE OF BENEFIT AND CONTRIBUTION
21 BASE.**

22 (a) IN GENERAL.—So much of section 230 of the So-
23 cial Security Act (42 U.S.C. 430) as precedes subsection
24 (d) is amended to read as follows:

1 “MAINTENANCE OF BENEFIT AND CONTRIBUTION BASE
2 “SEC. 230. (a) Not later than November 1 of each
3 calendar year (beginning with or after 2005), the Commis-
4 sioner shall determine and publish in the Federal Register
5 the contribution and benefit base determined under sub-
6 sections (b) and (c) which shall be effective with respect
7 to remuneration paid after such calendar year and taxable
8 years beginning after such year.

9 “(b) For purposes of this section, and for purposes
10 of determining wages and self-employment income under
11 sections 209, 211, 213, and 215 of this Act and sections
12 54, 1402, 3121, 3122, 3125, 6413, and 6654 of the Inter-
13 nal Revenue Code of 1986—

14 “(1) the ‘contribution and benefit base’ with re-
15 spect to remuneration paid (and taxable years begin-
16 ning)—

17 “(A) in 2006 shall be \$97,500,
18 “(B) in 2007 shall be \$106,800,
19 “(C) in 2008 shall be \$117,000,
20 “(D) in 2009 shall be \$129,000, and
21 “(E) in 2010 shall be \$142,500; and

22 “(2) the ‘contribution and benefit base’ with re-
23 spect to remuneration paid (and taxable years begin-
24 ning) in any calendar year after 2010 shall be equal
25 to the dollar amount equal to the lowest amount

1 which, if applied under this title as the benefit and
2 contribution base for the preceding year, would have
3 caused the total untaxed covered remuneration for
4 such year to constitute no more than 13 percent of
5 the total amount of wages paid, and self-employment
6 income derived, in such year by all individuals.

7 Each contribution and benefit base determined under
8 paragraph (2) shall (if not a multiple of \$25) be rounded
9 to the nearest multiple of \$25.

10 "(c) For purposes of this section, the term 'total
11 untaxed covered remuneration' for a calendar year means
12 the total amount of wages paid to, and self-employment
13 income derived by, all individuals in such calendar year,
14 which was, with respect to each individual paid such wages
15 and deriving such self-employment income, in excess of the
16 contribution and benefit base for that calendar year.".

17 (b) EFFECTIVE DATE.—The amendment made by
18 this section shall apply to remuneration paid in (and tax-
19 able years beginning in) any calendar year after 2005.

20 **SEC. 13. ACCELERATION OF INCREASE IN SOCIAL SECU-
21 RITY ELIGIBILITY AGE.**

22 Section 216(l) of the Social Security Act (42 U.S.C.
23 416(l) is amended—

4 “(A) with respect to an individual who attains
5 early retirement age (as defined in paragraph (2))
6 before January 1, 2000, 65 years of age; and

7 “(B) with respect to an individual who attains
8 early retirement age after December 31, 1999, and
9 before January 1, 2012, 65 years of age plus $\frac{2}{12}$ of
10 the number of months in the period beginning with
11 January 2000 and ending with December of the
12 year in which the individual attains early retirement
13 age; and

14 “(C) with respect to an individual who attains
15 early retirement age after December 31, 2011, 67
16 years of age.”; and

17 (2) by striking paragraph (3).

18 SEC. 14. MECHANISM FOR REMEDYING UNFORESEEN DETERIORATION IN SOCIAL SECURITY SOLVENCY.

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

22 (1) by redesignating subsection (b) as sub-
23 section (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 Fund necessary to maintain the balance ratio of such Trust Fund at not less than 20 percent, with due regard to the economic conditions which created such inadequacy in the balance ratio and the amount of time necessary to alleviate such inadequacy in a prudent manner. The report shall set forth specifically the extent to which benefits would have to be reduced, taxes under section 1401, 3101, or 3111 of the Internal Revenue Code of 1986 would have to be increased, or a combination thereof, in order to obtain the objectives referred to in the preceding sentence.

“(B) In addition to any reports under subparagraph (A), the Board shall, not later than May 30, 2006, prepare

1 and submit to Congress and the President recommenda-
2 tions for statutory adjustments to the disability insurance
3 program under title II of this Act to modify the changes
4 in disability benefits under the Bipartisan Retirement Se-
5 curity Act of 2005 without reducing the balance ratio of
6 the Federal Disability Insurance Trust Fund. The Board
7 shall develop such recommendations in consultation with
8 the National Council on Disability, taking into consider-
9 ation the adequacy of benefits under the program, the re-
10 lationship of such program with old age benefits under
11 such title, and changes in the process for determining ini-
12 tial eligibility and reviewing continued eligibility for bene-
13 fits under such program.

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

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

24 “(C) If the President disapproves the recommenda-
25 tions of the Board, in whole or in part, the President shall

1 transmit to the Board and the Congress the reasons for
2 that disapproval. The Board shall then transmit to the
3 Congress and the President, no later than 60 days after
4 the date of the submission of the original report to the
5 President, a revised list of recommendations.

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

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

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

1 “(i) as an exercise of the rulemaking power of
2 the Senate and the House of Representatives, re-
3 spectively, and as such it is deemed a part of the
4 rules of each House, respectively, but applicable only
5 to the extent that it is inconsistent with such rules;
6 and

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

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

19 “(i) which does not have a preamble;
20 “(ii) the matter after the resolving clause of
21 which is as follows: ‘That the Congress approves the
22 recommendations of the President as transmitted on
23 _____ pursuant to section 709(a) of the So-
24 cial Security Act, as follows: _____’, the
25 first blank space being filled in with the appropriate

1 date and the second blank space being filled in with
2 the statutory adjustments contained in the rec-
3 ommendations; and

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

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

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

24 “(E)(i) On or after the third day after the date on
25 which the committee to which such a joint resolution is

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

1 ness, and the joint resolution shall remain the unfinished
2 business of the respective House until disposed of.

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

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

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

1 “(F)(i) If, before the passage by one House of a joint
2 resolution of that House described in subparagraph (B),
3 that House receives from the other House a joint resolu-
4 tion described in subparagraph (B), then the following
5 procedures shall apply:

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

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

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

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

25 (b) CONFORMING AMENDMENTS.—

7 SEC. 15. INCREASE IN WIDOW'S AND WIDOWER'S INSUR-
8 ANCE BENEFITS.

9 (a) WIDOW'S INSURANCE BENEFITS.—Section
10 202(e) of the Social Security Act (42 U.S.C. 402(e)) is
11 amended by adding at the end the following new para-
12 graph:

13 “(9)(A) In any case in which the amount of a widow’s
14 insurance benefit (as determined under the preceding
15 paragraphs of this subsection) for the entitlement month
16 of the widow (or surviving divorced wife) is less than the
17 minimum benefit amount for such month determined
18 under subparagraph (C), the amount of such benefit for
19 such month and each succeeding month shall be increased
20 to such minimum benefit amount (or the amount most re-
21 cently established in lieu thereof under section 215(i)).

22 “(B) For purposes of this paragraph, the term ‘enti-
23 tlement month’ of a widow (or surviving divorced wife)
24 means, in connection with her benefit under this sub-
25 section, the first month of her entitlement to such benefit.

1 “(C) For purposes of subparagraph (A), the min-
2 imum benefit amount determined under this subparagraph
3 for the entitlement month of the widow (or surviving di-
4 vorced wife) is an amount equal to the lesser of—

5 “(i) 75 percent of the sum of—

6 “(I) the imputed deceased individual’s ben-
7 efit for such month, as determined under sub-
8 paragraph (D) or (E) (as applicable), and

9 “(II) the imputed survivor benefit for such
10 month, as determined under subparagraph (F),

11 or

12 “(ii) the increased benefit cap determined under
13 subparagraph (G) for such month.

14 “(D)(i) For purposes of subparagraph (C)(i)(I), if the
15 deceased individual died in a month for which he was not
16 entitled to any benefit under this title based on his wages
17 or self-employment income or the wages and self-employ-
18 ment income of the widow (or surviving divorced wife), the
19 imputed deceased individual’s benefit for the entitlement
20 month of the widow (or surviving divorced wife) is the sum
21 of—

22 “(I) the imputed old-age insurance benefit (de-
23 termined under clause (ii)) of the deceased indi-
24 vidual for her entitlement month (if any), and

1 “(II) the imputed husband’s insurance benefit
2 (determined under clause (iii)) of the deceased indi-
3 vidual for her entitlement month (if any).

4 “(ii) The amount of the imputed old-age insurance
5 benefit of the deceased individual for the entitlement
6 month of the widow (or surviving divorced wife) is the
7 amount of the old-age insurance benefit to which he would
8 have been entitled for such month—

9 “(I) determined, in the case of such a deceased
10 individual who had attained age 62 as of the date
11 of his death, as if he had applied for such benefit
12 in the month of his death and had survived through-
13 out the subsequent period ending with her entitle-
14 ment month, or

15 “(II) determined, in the case of such a deceased
16 individual who died before attaining age 62 but
17 would have attained age 62 before the end of her en-
18 titlement month, as if he had survived throughout
19 the subsequent period ending with her entitlement
20 month, and had applied for such benefit during the
21 first month for which he would have been eligible for
22 such benefit (assuming a primary insurance amount
23 for the deceased individual determined under para-
24 graph (2)(B) of this subsection).

1 For purposes of determining the deceased individual's im-
2 puted old-age insurance benefit under this clause, the de-
3 termination of whether the deceased individual was a fully-
4 insured individual (as defined in section 214(a)) shall be
5 made as of the date of his death. In any case in which
6 the deceased individual died before attaining age 62 and
7 would not have attained age 62 before the end of the enti-
8 tlement month of the widow (or surviving divorced wife),
9 the deceased individual's imputed old-age insurance ben-
10 efit shall be deemed to be zero.

11 “(iii) The amount of the imputed husband's insur-
12 ance benefit of the deceased individual for the entitlement
13 month of the widow (or surviving divorced wife) is the
14 amount of the husband's insurance benefit under sub-
15 section (c) to which he would have been entitled for such
16 month (assuming, for purposes of reduction under sub-
17 section (k)(3)(A), the entitlement to an old-age insurance
18 benefit for such month, if any, as described in clause
19 (ii))—

20 “(I) determined, in the case of such a deceased
21 individual who had attained age 62 as of the date
22 of his death, as if he had applied for such benefit
23 in the month of his death and had survived through-
24 out the subsequent period ending with her entitle-
25 ment month, or

1 “(II) determined, in the case of such a deceased
2 individual who died before attaining age 62 but
3 would have attained age 62 before the end of her en-
4 titlement month, as if he had survived throughout
5 the subsequent period ending with her entitlement
6 month and had applied for such benefit during the
7 first month for which he would have been eligible for
8 such benefit.

9 In any case in which the deceased individual died before
10 he attained age 62 and would not have attained age 62
11 before the end of the entitlement month of the widow (or
12 surviving divorced spouse), the deceased individual's im-
13 puted husband's insurance benefit shall be deemed to be
14 zero.

15 “(E)(i) For purposes of subparagraph (C), if the de-
16 ceased individual died during a month for which he other-
17 wise would have been entitled (but for his death) to an
18 old-age insurance benefit under subsection (a) or a dis-
19 ability insurance benefit under section 223, or to a hus-
20 band's insurance benefit under subsection (c) based on the
21 wages and self-employment income of the widow (or sur-
22 viving divorced wife), the imputed deceased individual's
23 benefit for the entitlement month of the widow (or sur-
24 viving divorced wife) is the sum of—

1 “(I) the amount of the old-age or disability in-
2 surance benefit (if any) to which he would have been
3 entitled for her entitlement month if he had survived
4 throughout the period subsequent to his death and
5 ending with such month, and

6 “(II) the amount of the husband’s insurance
7 benefit (if any) to which he would have been entitled
8 for her entitlement month based on her wages and
9 self-employment income if he had survived through-
10 out the period subsequent to his death and ending
11 with such month (assuming, for purposes of reduc-
12 tion under subsection (k)(3)(A), the entitlement to
13 an old-age or disability insurance benefit for such
14 month, if any, as described in subclause (I)).

15 “(ii) If the deceased individual otherwise would have
16 been entitled (but for his death) to a disability insurance
17 benefit under section 223 for the month in which he died,
18 the amount determined under clause (i) shall be deter-
19 mined as if he had survived throughout the period com-
20 mencing with the month of his death and ending with the
21 entitlement month of the widow (or surviving divorced
22 wife) and he had remained entitled to disability insurance
23 benefits throughout such period (or until becoming enti-
24 tled to old-age insurance benefits under subsection (a)
25 during such period).

1 “(F) For purposes of subparagraph (C)(i)(II)—

2 “(i) In the case of a widow (or surviving di-
3 vorced wife) who is entitled for her entitlement
4 month to an old-age insurance benefit under sub-
5 section (a) or a disability insurance benefit under
6 section 223, or otherwise would have been entitled
7 (but for the deceased individual’s death) to a wife’s
8 insurance benefit under subsection (b) for such
9 month, the amount of her imputed survivor benefit
10 for such month is the sum of—

11 “(I) the amount of such old-age or dis-
12 ability insurance benefit (if any), and

13 “(II) the amount of such wife’s insurance
14 benefit (if any), assuming, for purposes of re-
15 duction under subsection (k)(3)(A), the entitle-
16 ment to an old-age insurance or disability insur-
17 ance benefit for such month (if any), as de-
18 scribed in subclause (I).

19 “(ii) In the case of a widow (or surviving di-
20 vorced wife) who is not described in clause (i) but
21 has attained (or would attain) age 62 as of the end
22 of her entitlement month, the amount of her im-
23 puted survivor benefit is the sum of—

24 “(I) the amount of the old-age insurance
25 benefit under subsection (a) to which she would

1 be entitled for such month if she filed applica-
2 tion for such benefit during such month, and

3 “(II) the amount to which she otherwise
4 would have been entitled (but for the deceased
5 individual’s death) as a wife’s insurance benefit
6 under subsection (b) for such month, based on
7 the deceased individual’s wages and self-employ-
8 ment income, if she had filed application for
9 such benefit during such month (assuming a
10 primary insurance amount for the deceased in-
11 dividual determined under paragraph (2)(B) of
12 this subsection and assuming, for purposes of
13 reduction under subsection (k)(3)(A), the enti-
14 lement to an old-age insurance benefit for such
15 month, if any, as described in subclause (I)).

16 In any case in which the widow (or surviving divorced
17 wife) would not attain age 62 before the end of the her
18 entitlement month, her imputed survivor benefit shall be
19 deemed to be zero.

20 “(G) The increased benefit cap determined under this
21 subparagraph for the entitlement month of the widow (or
22 surviving divorced wife) is the amount which would be the
23 amount of a theoretical individual’s old-age insurance ben-
24 efit under subsection (a) (reduced as provided in sub-
25 section (q)) if—

1 “(i) such theoretical individual’s primary insurance
2 amount for the first month of entitlement were
3 equal to the average of the primary insurance
4 amounts upon which old-age insurance benefits
5 under subsection (a) are payable for—

6 “(I) in any case in which the entitlement
7 month of the widow (or surviving divorced wife)
8 is the month of December, such month, or

9 “(II) in any other case, the latest month of
10 December preceding such entitlement month,

11 “(ii) such first month of such theoretical individual’s entitlement to such old-age insurance benefit were the entitlement month of the widow (or surviving divorced spouse), and

12 “(iii) the month in which the theoretical individual attained or would attain retirement age (as defined in section 216(l)) were the month in which the widow (or surviving divorced wife) attained or would attain retirement age (as so defined).

13 “(H) If, in determining the amount of the benefit
14 under this section pursuant to this paragraph, the imputed old-age insurance benefit or imputed husband’s insurance benefit of the deceased individual was deemed to
15 be zero pursuant to the last sentence of clause (ii) or (iii)
16 of subparagraph (D), or the imputed survivor benefit of

1 the widow (or surviving divorced wife) was deemed to be
2 zero pursuant to the last sentence of subparagraph (F),
3 effective for any month after the entitlement month of the
4 widow (or surviving divorced wife) in which the deceased
5 individual would have attained age 62 or she attains age
6 62, the Commissioner shall recompute the amount of the
7 benefit under this paragraph by substituting a reference
8 to such later month for each reference in the preceding
9 provisions of this paragraph to her entitlement month.

10 “(I)(i) Any reference in this paragraph to the widow’s
11 insurance benefit (as determined under the preceding
12 paragraphs of this subsection) shall be deemed a reference
13 to such benefit, taking into account all applicable reduc-
14 tions and deductions under this title.

15 “(ii) Any reference in this paragraph to the imputed
16 old-age insurance benefit or imputed husband’s insurance
17 benefit described in subparagraph (D), the old-age insur-
18 ance benefit, disability insurance benefit, or husband’s in-
19 surance benefit described in subparagraph (E), or the old-
20 age insurance benefit, disability insurance benefit, or
21 wife’s insurance benefit described in subparagraph (F)
22 shall be deemed a reference to such benefit, taking into
23 account applicable reductions under this section but dis-
24 regarding reductions or deductions otherwise applicable
25 under this title.

1 “(iii) A widow’s insurance benefit which has been in-
2 creased under this paragraph shall be subject to all reduc-
3 tions and deductions otherwise applicable to widow’s in-
4 surance benefits under this title, except that such benefit
5 shall not be subject to any reduction otherwise applicable
6 under subsection (q)(1).”.

7 (b) WIDOWER’S INSURANCE BENEFITS.—Section
8 202(f) of such Act (42 U.S.C. 402(f)) is amended by add-
9 ing at the end the following new paragraph:

10 “(9)(A) In any case in which the amount of a wid-
11 ower’s insurance benefit (as determined under the pre-
12 ceding paragraphs of this subsection) for the entitlement
13 month of the widower (or surviving divorced husband) is
14 less than the minimum benefit amount for such month de-
15 termined under subparagraph (C), the amount of such
16 benefit for such month and each succeeding month shall
17 be increased to such minimum benefit amount (or the
18 amount most recently established in lieu thereof under
19 section 215(i)).

20 “(B) For purposes of this paragraph, the term ‘enti-
21 tlement month’ of a widower (or surviving divorced hus-
22 band) means, in connection with his benefit under this
23 subsection, the first month of his entitlement to such ben-
24 efit.

1 “(C) For purposes of subparagraph (A), the min-
2 imum benefit amount determined under this subparagraph
3 for the entitlement month of the widower (or surviving di-
4 vorced husband) is an amount equal to the lesser of—

5 “(i) 75 percent of the sum of—

6 “(I) the imputed deceased individual’s ben-
7 efit for such month, as determined under sub-
8 paragraph (D) or (E) (as applicable), and

9 “(II) the imputed survivor benefit for such
10 month, as determined under subparagraph (F),

11 or

12 “(ii) the increased benefit cap determined under
13 subparagraph (G) for such month.

14 “(D)(i) For purposes of subparagraph (C)(i)(I), if the
15 deceased individual died in a month for which she was not
16 entitled to any benefit under this title based on her wages
17 or self-employment income or the wages and self-employ-
18 ment income of the widower (or surviving divorced hus-
19 band), the imputed deceased individual’s benefit for the
20 entitlement month of the widower (or surviving divorced
21 husband) is the sum of—

22 “(I) the imputed old-age insurance benefit (de-
23 termined under clause (ii)) of the deceased indi-
24 vidual for his entitlement month (if any), and

1 “(II) the imputed wife’s insurance benefit (de-
2 termined under clause (iii)) of the deceased indi-
3 vidual for his entitlement month (if any).

4 “(ii) The amount of the imputed old-age insurance
5 benefit of the deceased individual for the entitlement
6 month of the widower (or surviving divorced husband) is
7 the amount of the old-age insurance benefit to which she
8 would have been entitled for such month—

9 “(I) determined, in the case of such a deceased
10 individual who had attained age 62 as of the date
11 of her death, as if she had applied for such benefit
12 in the month of her death and had survived through-
13 out the subsequent period ending with his entitle-
14 ment month, or

15 “(II) determined, in the case of such a deceased
16 individual who died before attaining age 62 but
17 would have attained age 62 before the end of his en-
18 titlement month, as if she had survived throughout
19 the subsequent period ending with his entitlement
20 month, and had applied for such benefit during the
21 first month for which she would have been eligible
22 for such benefit (assuming a primary insurance
23 amount for the deceased individual determined
24 under paragraph (2)(B) of this subsection).

1 For purposes of determining the deceased individual's im-
2 puted old-age insurance benefit under this clause, the de-
3 termination of whether the deceased individual was a fully-
4 insured individual (as defined in section 214(a)) shall be
5 made as of the date of her death. In any case in which
6 the deceased individual died before attaining age 62 and
7 would not have attained age 62 before the end of the enti-
8 tlement month of the widower (or surviving divorced hus-
9 band), the deceased individual's imputed old-age insurance
10 benefit shall be deemed to be zero.

11 “(iii) The amount of the imputed wife's insurance
12 benefit of the deceased individual for the entitlement
13 month of the widower (or surviving divorced husband) is
14 the amount of the wife's insurance benefit under sub-
15 section (b) to which she would have been entitled for such
16 month (assuming, for purposes of reduction under sub-
17 section (k)(3)(A), the entitlement to an old-age insurance
18 benefit for such month, if any, as described in clause
19 (ii))—

20 “(I) determined, in the case of such a deceased
21 individual who had attained age 62 as of the date
22 of her death, as if she had applied for such benefit
23 in the month of her death and had survived through-
24 out the subsequent period ending with his entitle-
25 ment month, or

1 “(II) determined, in the case of such a deceased
2 individual who died before attaining age 62 but
3 would have attained age 62 before the end of his en-
4 titlement month, as if she had survived throughout
5 the subsequent period ending with his entitlement
6 month and had applied for such benefit during the
7 first month for which she would have been eligible
8 for such benefit.

9 In any case in which the deceased individual died before
10 she attained age 62 and would not have attained age 62
11 before the end of the entitlement month of the widower
12 (or surviving divorced husband), the deceased individual’s
13 imputed husband’s insurance benefit shall be deemed to
14 be zero.

15 “(E)(i) For purposes of subparagraph (C), if the de-
16 ceased individual died during a month for which she other-
17 wise would have been entitled (but for her death) to an
18 old-age insurance benefit under subsection (a) or a dis-
19 ability insurance benefit under section 223, or to a wife’s
20 insurance benefit under subsection (b) based on the wages
21 and self-employment income of the widower (or surviving
22 divorced husband), the imputed deceased individual’s ben-
23 efit for the entitlement month of the widower (or surviving
24 divorced husband) is the sum of—

1 “(I) the amount of the old-age or disability in-
2 surance benefit (if any) to which she would have
3 been entitled for his entitlement month if she had
4 survived throughout the period subsequent to her
5 death and ending with such month, and

6 “(II) the amount of the wife’s insurance benefit
7 (if any) to which she would have been entitled for
8 his entitlement month based on his wages and self-
9 employment income if she had survived throughout
10 the period subsequent to her death and ending with
11 such month (assuming, for purposes of reduction
12 under subsection (k)(3)(A), the entitlement to an
13 old-age or disability insurance benefit for such
14 month, if any, as described in subclause (I)).

15 “(ii) If the deceased individual otherwise would have
16 been entitled (but for her death) to a disability insurance
17 benefit under section 223 for the month in which she died,
18 the amount determined under clause (i) shall be deter-
19 mined as if she had survived throughout the period com-
20 mencing with the month of her death and ending with the
21 entitlement month of the widower (or surviving divorced
22 husband) and she had remained entitled to disability in-
23 surance benefits throughout such period (or until becom-
24 ing entitled to old-age insurance benefits under subsection
25 (a) during such period).

1 “(F) For purposes of subparagraph (C)(i)(II)—

2 “(i) In the case of a widower (or surviving di-
3 vorced husband) who is entitled for his entitlement
4 month to an old-age insurance benefit under sub-
5 section (a) or a disability insurance benefit under
6 section 223, or otherwise would have been entitled
7 (but for the deceased individual’s death) to a hus-
8 band’s insurance benefit under subsection (c) for
9 such month, the amount of her imputed survivor
10 benefit for such month is the sum of—

11 “(I) the amount of such old-age or dis-
12 ability insurance benefit (if any), and

13 “(II) the amount of such husband’s insur-
14 ance benefit (if any), assuming, for purposes of
15 reduction under subsection (k)(3)(A), the enti-
16 lement to an old-age insurance or disability in-
17 surance benefit for such month (if any), as de-
18 scribed in subclause (I).

19 “(ii) In the case of a widower (or surviving di-
20 vorced husband) who is not described in clause (i)
21 but has attained (or would attain) age 62 as of the
22 end of his entitlement month, the amount of his im-
23 puted survivor benefit is the sum of—

24 “(I) the amount of the old-age insurance
25 benefit under subsection (a) to which he would

1 be entitled for such month if he filed applica-
2 tion for such benefit during such month, and

3 “(II) the amount to which he otherwise
4 would have been entitled (but for the deceased
5 individual’s death) as a husband’s insurance
6 benefit under subsection (c) for such month,
7 based on the deceased individual’s wages and
8 self-employment income, if he had filed applica-
9 tion for such benefit during such month (as-
10 suming a primary insurance amount for the de-
11 ceased individual determined under paragraph
12 (2)(B) of this subsection and assuming, for
13 purposes of reduction under subsection
14 (k)(3)(A), the entitlement to an old-age insur-
15 ance benefit for such month, if any, as de-
16 scribed in subclause (I)).

17 In any case in which the widower (or surviving divorced
18 husband) would not attain age 62 before the end of the
19 his entitlement month, his imputed survivor benefit shall
20 be deemed to be zero.

21 “(G) The increased benefit cap determined under this
22 subparagraph for the entitlement month of the widower
23 (or surviving divorced husband) is the amount which
24 would be the amount of a theoretical individual’s old-age

1 insurance benefit under subsection (a) (reduced as pro-
2 vided in subsection (q)) if—

3 “(i) such theoretical individual’s primary insur-
4 ance amount for the first month of entitlement were
5 equal to the average of the primary insurance
6 amounts upon which old-age insurance benefits
7 under subsection (a) are payable for—

8 “(I) in any case in which the entitlement
9 month of the widower (or surviving divorced
10 husband) is the month of December, such
11 month, or

12 “(II) in any other case, the latest month of
13 December preceding such entitlement month,

14 “(ii) such first month of such theoretical indi-
15 vidual’s entitlement to such old-age insurance ben-
16 efit were the entitlement month of the widower (or
17 surviving divorced husband), and

18 “(iii) the month in which the theoretical indi-
19 vidual attained or would attain retirement age (as
20 defined in section 216(l)) were the month in which
21 the widower (or surviving divorced husband) at-
22 tained or would attain retirement age (as so de-
23 fined).

24 “(H) If, in determining the amount of the benefit
25 under this section pursuant to this paragraph, the im-

1 puted old-age insurance benefit or imputed wife's insur-
2 ance benefit of the deceased individual was deemed to be
3 zero pursuant to the last sentence of clause (ii) or (iii)
4 of subparagraph (D), or the imputed survivor benefit of
5 the widower (or surviving divorced husband) was deemed
6 to be zero pursuant to the last sentence of subparagraph
7 (F), effective for any month after the entitlement month
8 of the widower (or surviving divorced husband) in which
9 the deceased individual would have attained age 62 or he
10 attains age 62, the Commissioner shall recompute the
11 amount of the benefit under this paragraph by sub-
12 tituting a reference to such later month for each ref-
13 erence in the preceding provisions of this paragraph to her
14 entitlement month.

15 “(I)(i) Any reference in this paragraph to the wid-
16 ower's insurance benefit (as determined under the pre-
17 ceding paragraphs of this subsection) shall be deemed a
18 reference to such benefit, taking into account all applicable
19 reductions and deductions under this title.

20 “(ii) Any reference in this paragraph to the imputed
21 old-age insurance benefit or imputed wife's insurance ben-
22 efit described in subparagraph (D), the old-age insurance
23 benefit, disability insurance benefit, or wife's insurance
24 benefit described in subparagraph (E), or the old-age in-
25 surance benefit, disability insurance benefit, or husband's

1 insurance benefit described in subparagraph (F) shall be
2 deemed a reference to such benefit, taking into account
3 applicable reductions under this section but disregarding
4 reductions or deductions otherwise applicable under this
5 title.

6 “(iii) A widower’s insurance benefit which has been
7 increased under this paragraph shall be subject to all re-
8 ductions and deductions otherwise applicable to widower’s
9 insurance benefits under this title, except that such benefit
10 shall not be subject to any reduction otherwise applicable
11 under subsection (q)(1).”.

12 (c) COST-OF-LIVING ADJUSTMENTS TO GUARANTEED
13 WIDOW’S AND WIDOWER’S INSURANCE BENEFITS.—Sec-
14 tion 215(i)(2)(A)(ii) of such Act (42 U.S.C.
15 415(i)(2)(A)(ii)) is amended—

16 (1) in subclause (II), by striking “and” at the
17 end;

18 (2) in subclause (III), by striking “1978.” and
19 inserting “1979, and”;

20 (3) by adding at the end the following new sub-
21 clause:

22 “(IV) the benefit amount to which an individual
23 is entitled for that month under subsection (e) or (f)
24 of section 202 if such benefit amount has been in-

1 increased under paragraph (10) of such subsection.”;
2 and

6 (d) EFFECTIVE DATE.—The amendments made by
7 this section shall apply with respect to widow's and wid-
8 ower's insurance benefits for which applications are filed
9 in months after November 2005.

10 SEC. 16. LIMITATION ON BENEFITS OF MARRIED COUPLE
11 TO LEVEL OF MAXIMUM WORKER BENEFITS.

12 (a) WIFE'S INSURANCE BENEFITS.—Section
13 202(b)(2) of the Social Security Act (42 U.S.C. 402(b)(2))
14 is amended to read as follows:

15 “(2) Except as provided in subsections (k)(5) and (q),
16 such wife’s insurance benefit for each month shall be equal
17 to the excess (not less than zero) of—

18 “(A) the lesser of—

19 “(i) 150 percent of her husband’s primary
20 insurance amount, or

1 “(II) who became entitled to such
2 benefit upon attaining age 62 during the
3 month in which her husband became enti-
4 tled to old-age insurance benefits, and

5 “(III) to whom wages and self-em-
6 ployment income were credited in each of
7 such hypothetical individual’s elapsed years
8 (within the meaning of section
9 215(b)(2)(B)(iii)) in an amount equal to
10 the maximum amount includible under this
11 title as wages and self-employment income
12 for such year, over

13 “(B) the primary insurance amount of her hus-
14 band.”.

15 (b) HUSBAND’S INSURANCE BENEFITS.—Section
16 202(c)(2) of such Act (42 U.S.C. 402(c)(2)) is amended
17 to read as follows:

18 “(2) Except as provided in subsections (k)(5) and (q),
19 such husband’s insurance benefit for each month shall be
20 equal to the excess (not less than zero) of—

21 “(A) the lesser of—

22 “(i) 150 percent of his wife’s primary in-
23 surance amount, or

24 “(ii) the primary insurance amount for
25 such month of a hypothetical individual—

1 “(I) who is entitled to old-age insur-
2 ance insurance benefits for such month,

3 “(II) who became entitled to such
4 benefit upon attaining age 62 during the
5 month in which his wife became entitled to
6 old-age insurance benefits, and

7 “(III) to whom wages and self-em-
8 ployment income were credited in each of
9 such hypothetical individual’s elapsed years
10 (within the meaning of section
11 215(b)(2)(B)(iii)) in an amount equal to
12 the maximum amount includible under this
13 title as wages and self-employment income
14 for such year, over

15 “(B) the primary insurance amount of his
16 wife.”.

17 (c) APPLICATION OF FAMILY MAXIMUM.—Section
18 203(a) of such Act (42 U.S.C. 403(a)) is amended by add-
19 ing at the end the following:

20 “(11) For purposes of determining under this sub-
21 section the amount of reduction in total monthly benefits
22 to which beneficiaries may be entitled for a month on the
23 basis of the wages and self-employment income of an indi-
24 vidual, the amount of a wife’s insurance benefit or a hus-
25 band’s insurance benefit for each month based on such

1 wages and self-employment income shall be deemed to be
2 equal to one-half of the primary insurance amount of the
3 individual for such month (subject to subsections (k)(5)
4 and (q) of section 202).”.

5 (d) EFFECTIVE DATE.—The amendments made by
6 this section shall apply with respect to wife's insurance
7 benefits and husband's insurance benefits in cases in
8 which the spouse becomes eligible for old-age insurance
9 benefits or disability insurance benefits in any calendar
10 year after 2005.

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