

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.

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## 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

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## A BILL

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

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

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

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

(b) TABLE OF CONTENTS.—The table of contents is 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.

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

(1) IN GENERAL.—Title II of the Social Security Act (42 U.S.C. 401 et seq.) is amended—

(A) by inserting before section 201 the following:

“PART A—INSURANCE BENEFITS”; and

(B) by adding at the end the following:

“PART B—INDIVIDUAL SECURITY SYSTEM

“Subpart 1—Individual Security Accounts

“FEDERALLY-ADMINISTERED INDIVIDUAL SECURITY

ACCOUNT

“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.

1 “PRIVATELY-ADMINISTERED INDIVIDUAL SECURITY  
2 ACCOUNT

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).

9 “(B) ADJUSTMENT.—The Secretary of the  
10 Treasury shall adjust annually (effective for pe-  
11 riods beginning after December 2006) the dol-  
12 lar amount set forth in subparagraph (A) under  
13 procedures providing for adjustments in the  
14 same manner and to the same extent as adjust-  
15 ments are provided for under the procedures  
16 used to adjust benefit amounts under section  
17 215(i)(2)(A), except that any amount so ad-  
18 justed that is not a multiple of \$10 shall be  
19 rounded to the nearest multiple of \$10.

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 Indi-  
2           vidual Security Fund Board shall provide by regula-  
3           tion 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, sub-  
11                          ject to subparagraph (B); or

12                          “(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 indi-  
 2 vidual security account with each of 2 or  
 3 more certified institutions; or

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

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

14 “DISTRIBUTIONS FROM INDIVIDUAL SECURITY ACCOUNTS

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

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

24 “(2) the date on which funds in the eligible in-  
 25 dividual’s account are sufficient to provide a month-  
 26 ly 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.

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.

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.

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1       “(c) BUDGETARY TREATMENT OF INDIVIDUAL SECUR-  
 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

11 “SEC. 284. In any action brought under this subpart,  
 12 the court in its discretion may award all or a portion of  
 13 the costs and expenses incurred in connection with such  
 14 action, including reasonable attorney’s fees, to any party  
 15 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 ‘employ-  
2           ment’ shall have the meaning given to such  
3           term by section 3121(b).

4           “(C) WAGE INCREASE PERCENTAGE.—The  
5           term ‘wage increase percentage’, with respect to  
6           a calendar year, means the percentage increase  
7           which would become effective under section  
8           215(i)(2) of the Social Security Act for such  
9           year if such increase were determined as de-  
10          scribed in section 215(i)(5)(A)(i) of such Act.”.

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

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  
20                   to other taxes, there shall be imposed for each  
21                   taxable year, on the self-employment income of  
22                   every individual who is not a part B eligible in-  
23                   dividual for the calendar year ending with or  
24                   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 INDIVIDUAL  
20          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 indi-  
2           vidual who is allowed a credit under this section may  
3           designate all or a portion of such credit as a con-  
4           tribution to the individual security account estab-  
5           lished on behalf of such individual.

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

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

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

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

20           (A) CREDITED AMOUNTS TREATED AS  
21           OVERPAYMENT OF TAX.—Subsection (b) of sec-  
22           tion 6401 (relating to excessive credits) is  
23           amended by adding at the end the following  
24           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.”.

1           (4) NOTICE TO EITC RECIPIENTS OF MATCHING  
 2           CONTRIBUTIONS TO INDIVIDUAL SECURITY AC-  
 3           COUNTS.—In connection with information and tax  
 4           forms relating to the credit allowed under section 32  
 5           of the Internal Revenue Code of 1986, the Secretary  
 6           of the Treasury shall provide notice of the avail-  
 7           ability of matching contributions pursuant to section  
 8           54 of such Code (as added by subsection (a) of this  
 9           section) to individual security accounts under part B  
 10          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.”

20          (6) EFFECTIVE DATE.—The amendments made  
 21          by this subsection shall apply to refunds payable  
 22          after December 31, 2005.

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

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

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 quali-  
 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.

<b>“If the year is:</b>	<b>The applicable percentage is:</b>
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-

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

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

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

<b>“If the calendar year is:</b>	<b>The maximum number of years is:</b>
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 indi-  
2           vidual died, or, if it occurred earlier (but after  
3           1960), the year in which he attained age 62;  
4           except that such term excludes any calendar year  
5           any part of which is included in a period of dis-  
6           ability.

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 para-  
12           graph (3)) of his wages paid in, and self-employment  
13           income credited to, those of his computation base  
14           years (determined under paragraph (1)(C)(i))  
15           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-

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

“(I) no calendar year shall be disregarded by reason of this clause (in determining elapsed years to be taken into account under subparagraph (A)(i)) unless the individual was living with such child substantially throughout the period in which the child was alive and under the age of 3 in such year and the individual had no earnings as described in section 203(f)(5) in such year,

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

“(III) this clause shall apply only to the extent that its application would not result in a lower primary insurance amount.

“(D) The reduction in the number of elapsed years taken into account under subparagraph (A)(i) resulting 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, and 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—

7 “(i) any year before 2006, is  $\frac{5}{9}$ ;

8 “(ii) 2006, is  $\frac{7}{12}$ ;

9 “(iii) 2007, is  $\frac{11}{18}$ ;

10 “(iv) 2008, is  $\frac{23}{36}$ ;

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—

17 “(i) any year before 2006, is  $\frac{25}{36}$ ;

18 “(ii) 2006, is  $\frac{35}{48}$ ;

19 “(iii) 2007, is  $\frac{55}{72}$ ;

20 “(iv) 2008, is  $\frac{115}{144}$ ;

21 “(v) 2009, is  $\frac{5}{6}$ ; and

22 “(vi) 2010 or any succeeding year, is  
 23  $\frac{125}{144}$ .”.

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

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

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  $\frac{5}{12}$ ;

12                   “(B) 2006, is  $\frac{16}{36}$ ;

13                   “(C) 2007, is  $\frac{16}{36}$ ;

14                   “(D) 2008, is  $\frac{17}{36}$ ;

15                   “(E) 2009, is  $\frac{17}{36}$ ; and

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

17           (3) ELIGIBILITY.—Section 202(q) of such Act  
 18           (as amended by the preceding provisions of this sub-  
 19           section) is amended further by adding at the end the  
 20           following new paragraph:

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.”.

1           (4) EFFECTIVE DATE.—The amendments made  
 2       by this subsection shall apply to individuals who, in  
 3       connection with old-age, wife’s, and husband’s insur-  
 4       ance benefits under title II of the Social Security  
 5       Act, become eligible for such benefits (within the  
 6       meaning of section 202(q)(14) of such Act (as  
 7       amended by this subsection) in years after 2005.

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)  $1\frac{7}{24}$  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)  $\frac{3}{4}$  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)  $1\frac{9}{24}$  of 1 percent in the case of an indi-  
 23      vidual who attains the age of 62 in a calendar year  
 24      after 2012 and before 2015; and

1           “(H)  $\frac{5}{6}$  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.—

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

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—

20           “(i) the most recent calendar quarter  
 21   (prior to such base quarter or cost-of-living  
 22   computation quarter) which was a base quarter  
 23   under subparagraph (A)(ii), or

24           “(ii) the most recent cost-of-living com-  
 25   putation quarter under subparagraph (B);”.

1           (2) DEFINITIONS.—Section 215(i)(1)(G) of  
2       such Act (42 U.S.C. 415(i)(1)(G)) is amended to  
3       read as follows:

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.”.

11          (3) EFFECTIVE DATE.—The amendments made  
12      by this subsection shall apply with respect to in-  
13      creases under section 215(i) of the Social Security  
14      Act effective with the month of December of years  
15      after 2004.

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

19          (1) IN GENERAL.—Paragraph (3) of section  
20      1(f) of the Internal Revenue Code of 1986 (defining  
21      Consumer Price Index) is amended to read as fol-  
22      lows:

23          “(3) COST-OF-LIVING ADJUSTMENT.—

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

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

“(ii) the Chained CPI fraction for calendar years after 2005, reduced by 1.

“(B) CPI FRACTION FOR CALENDAR YEARS BEFORE 2006.—The CPI fraction for calendar years before 2006 is the fraction—

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

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

“(C) CHAINED CPI FRACTION FOR CALENDAR YEARS AFTER 2005.—The Chained CPI fraction for calendar years after 2005 is the fraction—

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

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

(2) CONFORMING AMENDMENTS.—

1 (A) Paragraph (4) of section 1(f) of such  
2 Code is amended to read as follows:

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.

9 “(B) CHAINED CPI.—The Chained CPI for  
10 any calendar year is the average of the Chained  
11 Consumer Price Index as of the close of the 12-  
12 month period ending on August 31 of such cal-  
13 endar 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.

1           (2) INCREASES DETERMINED FROM A CON-  
2           STANT BASE YEAR.—

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—

- 1 (i) the numerator of which is the CPI  
 2 for the period, ending with or during 2004,  
 3 which corresponds to the base period, and  
 4 (ii) the denominator of which is the  
 5 CPI for the base period.

6 (C) CHAINED CPI FRACTION AFTER 2005.—  
 7 The Chained CPI fraction after 2005 is the  
 8 fraction—

- 9 (i) the numerator of which is the  
 10 Chained CPI for the period, ending with or  
 11 during the year preceding the year in  
 12 which the determination takes effect, which  
 13 corresponds to the base period, and  
 14 (ii) the denominator of which is the  
 15 Chained CPI for the period, ending with or  
 16 during 2004, which corresponds to the  
 17 base period.

18 (3) CPI AND CHAINED CPI.—For purposes of  
 19 paragraph (1)—

20 (A) CPI.—The CPI for any period means,  
 21 in connection with any benefit described in  
 22 paragraph (4), the average monthly Consumer  
 23 Price Index for such period, as determined  
 24 under the applicable law in connection with  
 25 such benefit (without regard to this subsection).

1 (B) CHAINED CPI.—The Chained CPI for  
2 any period means, in connection with any ben-  
3 efit described in paragraph (4), the average  
4 monthly Chained Consumer Price Index for all  
5 urban consumers (published by the Bureau of  
6 Labor Statistics of the Department of Labor)  
7 for such period, determined under applicable  
8 law in the same manner as the CPI for such pe-  
9 riod 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.

23 (d) RECAPTURE TO FEDERAL OLD-AGE AND SUR-  
24 VIVORS 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.

<b>“For the following calendar years:</b>	<b>The applicable percentage is:</b>
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:

<b>“If the calendar year is:</b>	<b>The applicable percentage is:</b>
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:

<b>“If the calendar year is:</b>	<b>The applicable percentage is:</b>
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:

<b>“If the calendar year is:</b>	<b>The applicable percentage is:</b>
2006 .....	14.5
2007 .....	14.0
2008 .....	13.5
2009 .....	13.0
2010 .....	12.5
2011 .....	12.0
2012 .....	11.5



<b>“If the calendar year is:</b>	<b>The applicable percentage is:</b>
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—

4 (1) in clause (i), by inserting “(as then in ef-  
5 fect)” after “subparagraph (A)”, and by adding at  
6 the end the following new sentence: “For individuals  
7 who initially become eligible for old-age or disability  
8 insurance benefits, or who die (before becoming eli-  
9 gible for such benefits) after 2005, such dollar  
10 amounts shall be deemed to have been so established  
11 in 1979 for purposes of subclauses (I) and (III) of  
12 subparagraph (A)(i), respectively, as in effect with  
13 respect to such individuals.”;

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

15 (2) by inserting after clause (iii) the following:

16 “(iv) For an individual who initially becomes eligible  
 17 for old-age insurance benefits, or who dies (before becom-  
 18 ing eligible for such benefits or disability insurance bene-  
 19 fits), in any calendar year after 2011, each of the amounts  
 20 otherwise established for purposes of subclauses (I), (II),  
 21 (III), and (IV) of subparagraph (A)(i) under this subpara-  
 22 graph shall be substituted with the product derived by suc-  
 23 cessively multiplying, once for each year of the factoring  
 24 period for such individual—

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 evalu-  
2 ating 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

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

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—

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

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 DETE-**  
 19 **RIORATION 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

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

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

24       “(B) In addition to any reports under subparagraph  
25      (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.—

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

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

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 tlement 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 insur-  
2           ance 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 indi-  
12                  vidual’s entitlement to such old-age insurance ben-  
13                  efit were the entitlement month of the widow (or  
14                  surviving divorced spouse), and

15                  “(iii) the month in which the theoretical indi-  
16                  vidual attained or would attain retirement age (as  
17                  defined in section 216(l)) were the month in which  
18                  the widow (or surviving divorced wife) attained or  
19                  would attain retirement age (as so defined).

20           “(H) If, in determining the amount of the benefit  
21           under this section pursuant to this paragraph, the im-  
22           puted old-age insurance benefit or imputed husband’s in-  
23           surance benefit of the deceased individual was deemed to  
24           be zero pursuant to the last sentence of clause (ii) or (iii)  
25           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        terminated 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 tlement 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 stituting 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        creased under paragraph (10) of such subsection.”;

2        and

3            (4) in the matter following subclause (IV)

4        (added by paragraph (3)), by striking “(I), (II), and

5        (III)” and inserting “(I), (II), (III), and (IV)”.

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

21                    “(ii) the primary insurance amount for

22                    such month of a hypothetical individual—

23                    “(I) who is entitled to old-age insur-

24                    ance insurance benefits for such month,

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.

