

109TH CONGRESS
1ST SESSION

H. R. 530

To amend title II of the Social Security Act and the Internal Revenue Code of 1986 to provide for enhanced retirement security in the form of an Individual Social Security Investment Program.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 2, 2005

Mr. SAM JOHNSON of Texas (for himself, Mr. FLAKE, Mr. FEENEY, Mr. OTTER, Mr. WILSON of South Carolina, Mr. BARTLETT of Maryland, Mr. CANNON, Mr. BURTON of Indiana, and Mr. CARTER) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend title II of the Social Security Act and the Internal Revenue Code of 1986 to provide for enhanced retirement security in the form of an Individual Social Security Investment Program.

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 “Individual Social Security Investment Program Act of
6 2005”.

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

- Sec. 1. Short title and table of contents.
- Sec. 2. Establishment of Individual Social Security Investment Program.

“PART A—INSURANCE BENEFITS

“PART B—INDIVIDUAL SOCIAL SECURITY INVESTMENT PROGRAM

- “Sec. 251. Definitions.
- “Sec. 252. Individual investment of social security contributions; part B totalization accounts.
- “Sec. 253. Tier I Investment Fund.
- “Sec. 254. Tier II Investment Fund.
- “Sec. 255. Tier III investment accounts.
- “Sec. 256. Retirement distributions.
- “Sec. 257. Recognition bonds.
- “Sec. 258. Supplemental minimum benefit payments.
- “Sec. 259. Election for participation.
- “Sec. 260. Early distribution and termination of participation in program.
- “Sec. 261. Individual Investment Board.
- “Sec. 262. Executive Director of the Individual Investment Board.
- Sec. 3. Tax treatment of Individual Social Security Investment Program.
- Sec. 4. CPI-indexed benefits for Part A beneficiaries other than disability beneficiaries.
- Sec. 5. Maintenance of adequate balances in the Social Security Trust Funds.

SEC. 2. ESTABLISHMENT OF INDIVIDUAL SOCIAL SECURITY INVESTMENT PROGRAM.

(a) IN GENERAL.—Title II of the Social Security Act is amended—

(1) by inserting before section 201 the following:

“PART A—INSURANCE BENEFITS”; and

(2) by adding at the end the following new part:

“PART B—INDIVIDUAL SOCIAL SECURITY INVESTMENT PROGRAM

“SEC. 251. DEFINITIONS.

“For purposes of this part—

1 “(1) PARTICIPANT.—The term ‘participant’
2 means—

3 “(A) any individual who is born on or after
4 January 1, 1984, and—

5 “(i) receives wages in any calendar
6 year after December 31, 2005, on which
7 there is imposed a tax under section
8 3101(a) of the Internal Revenue Code of
9 1986, or

10 “(ii) derives self-employment income
11 for a taxable year beginning after Decem-
12 ber 31, 2005, on which there is imposed a
13 tax under section 1401(a) of the Internal
14 Revenue Code of 1986, and

15 “(B) any individual who is born on or after
16 January 1, 1951, and before January 1, 1984,
17 and who, pursuant to an election filed in ac-
18 cordance with section 259, is treated under
19 such section as a participant under this part.

20 “(2) BOARD.—The term ‘Board’ means the In-
21 dividual Investment Board established under section
22 261.

23 “(3) EXECUTIVE DIRECTOR.—The term ‘Execu-
24 tive Director’ means the Executive Director ap-
25 pointed under section 262.

1 “(4) PART B TOTALIZATION ACCOUNT.—The
 2 term ‘part B totalization account’ means an account
 3 established for a participant under section 252(d).

4 “(5) TIER I INVESTMENT FUND.—The term
 5 ‘Tier I Investment Fund’ means the trust fund cre-
 6 ated under section 253.

7 “(6) TIER II INVESTMENT FUND.—The term
 8 ‘Tier II Investment Fund’ means the trust fund cre-
 9 ated under section 254.

10 “(7) TIER III INVESTMENT ACCOUNT.—The
 11 term ‘Tier III investment account’ means a trust es-
 12 tablished pursuant to section 255.

13 **“SEC. 252. INDIVIDUAL INVESTMENT OF SOCIAL SECURITY**
 14 **CONTRIBUTIONS; PART B TOTALIZATION AC-**
 15 **COUNTS.**

16 “(a) PAYMENTS INTO TIER I INVESTMENT FUND.—

17 “(1) IN GENERAL.—During each calendar year,
 18 the Secretary of the Treasury shall deposit into the
 19 Tier I Investment Fund (established under section
 20 253), from amounts held in the Federal Old-Age and
 21 Survivors Insurance Trust Fund, a total amount
 22 equal, in the aggregate, to 100 percent of the redi-
 23 rected social security contribution for such calendar
 24 year of each individual who is a participant for such
 25 calendar year.

1 “(2) REDIRECTED SOCIAL SECURITY CONTRIBU-
2 TIONS.—For purposes of paragraph (1) the term ‘re-
3 directed social security contributions’ of a partici-
4 pant for a calendar year means the product derived
5 by multiplying—

6 “(A) the sum of the total wages paid to,
7 and self-employment income derived by, the
8 participant during such calendar year (taking
9 into account limits imposed by the contribution
10 and benefit base under section 230), by

11 “(B) 6.2 percent.

12 “(3) TRANSFERS BASED ON ESTIMATES.—The
13 amounts deposited pursuant to paragraph (1) shall
14 be transferred in at least monthly payments from
15 the Federal Old-Age and Survivors Insurance Trust
16 Fund to the Tier I Investment Fund, such amounts
17 to be determined on the basis of estimates, by the
18 Commissioner of Social Security and certified to the
19 Secretary of the Treasury under part A, of the
20 wages paid to, and self-employment income derived
21 by, participants, and proper adjustments shall be
22 made in amounts subsequently transferred to the ex-
23 tent prior estimates were in excess of or were less
24 than actual amounts.

1 “(4) SEPARATE ACCOUNTING AND CRED-
2 ITING.—

3 “(A) IN GENERAL.—Subject to this para-
4 graph, the Board shall provide, after the close
5 of each calendar year, for prompt accounting of
6 the amounts deposited in the Tier I Investment
7 Fund with respect to each participant during
8 such calendar year to such individual’s part B
9 totalization account (established under sub-
10 section (d)), together with properly allocated in-
11 creases and decreases in such amounts reflect-
12 ing the net returns from investment of the bal-
13 ance of the Fund during such year under sec-
14 tion 253. For purposes of determining such in-
15 creases and decreases in such amounts for each
16 calendar year, the amounts deposited into the
17 Fund in connection with any participant during
18 such calendar year shall be deemed to have
19 been deposited on June 30 of such year.

20 “(B) CREDITING.—Under such accounting,
21 amounts deposited into the Fund during each
22 calendar year with respect to the redirected so-
23 cial security taxes of each participant (including
24 net returns and losses from the investment
25 Fund attributed to such amounts under this

1 paragraph) shall be credited to such partici-
2 pant's part B totalization account not later
3 than the end of the succeeding calendar year.

4 “(5) TREATMENT OF MARRIED INDIVIDUALS.—

5 “(A) IN GENERAL.—If, as of the end of a
6 calendar year in which the amounts to be cred-
7 ited were deposited into the Fund, the partici-
8 pant is married and his or her spouse is a par-
9 ticipant—

10 “(i) the amounts credited to the part
11 B totalization account of the participant
12 shall be limited to 50 percent of the
13 amount of the redirected social security
14 contributions of the participant for such
15 year, and

16 “(ii) the part B totalization account of
17 such spouse shall be credited with 50 per-
18 cent of the amount of such redirected so-
19 cial security contributions.

20 “(B) REPORTING REQUIREMENTS.—The
21 Board may prescribe such reporting require-
22 ments applicable to participants regarding mar-
23 ital status as the Board considers necessary to
24 carry out the provisions of subparagraph (A).

1 “(b) TRANSFERS INTO TIER II INVESTMENT
2 FUND.—

3 “(1) IN GENERAL.—Upon the crediting to a
4 participant’s part B totalization account of any
5 amount held in the Tier I Investment Fund for any
6 calendar year, the Board shall (except as provided in
7 section 260(a)(2)) transfer the amount so credited
8 to such account from the Tier I Investment Fund
9 into the Tier II Investment Fund (established under
10 section 254).

11 “(2) SEPARATE ACCOUNTING AND CRED-
12 ITING.—Subject to this paragraph, the Board shall
13 provide for ongoing separate accounting in the par-
14 ticipant’s part B totalization account of the amounts
15 deposited in the Tier II Investment Fund with re-
16 spect to such participant during each calendar year,
17 together with any increases or decreases therein for
18 such year so as to reflect the net returns and losses
19 from investment thereof under section 254 while
20 held in the Tier II Investment Fund during such
21 year.

22 “(c) DEPOSITS TO TIER III INVESTMENT AC-
23 COUNTS.—

24 “(1) IN GENERAL.—In any case in which, as of
25 the end of any calendar year, the total balance in

1 the Tier II Investment Fund credited to the partici-
2 pant's part B totalization account exceeds for the
3 first time the minimum deposit balance, the Board
4 shall, by regulation, provide for an opportunity for
5 the participant to make, at any time thereafter, the
6 participant's first election of a Tier III investment
7 account for investment of an amount credited to the
8 participant's part B totalization account. Such elec-
9 tion may be in lieu of or in addition to investment
10 in any option available with respect to the Tier II
11 Investment Fund.

12 “(2) MINIMUM DEPOSIT BALANCE.—

13 “(A) IN GENERAL.—Subject to subpara-
14 graph (B), the term ‘minimum deposit balance’
15 means an amount equal to \$10,000.

16 “(B) ADJUSTMENTS.—The Board shall ad-
17 just annually (effective for years after Decem-
18 ber 2006) the dollar amount set forth in sub-
19 paragraph (A) under procedures providing for
20 adjustments in the same manner and to the
21 same extent as adjustments are provided for
22 under the procedures used to adjust benefit
23 amounts under section 215(i)(2)(A), except that
24 any amount so adjusted that is not a multiple

1 of \$1.00 shall be rounded to the nearest mul-
2 tiple of \$1.00.

3 “(3) SUBSEQUENT INVESTMENT.—At any time
4 after a participant’s first election of a Tier III in-
5 vestment account pursuant to paragraph (1), the
6 participant may invest any portion of the balance
7 credited to the participant’s part B totalization ac-
8 count in a Tier III investment account, the Tier II
9 Investment Fund, or any combination thereof, as
10 elected by the participant from time to time in ac-
11 cordance with regulations of the Board under this
12 part.

13 “(d) ACCOUNTING FOR TOTAL INVESTED AMOUNTS
14 BY MEANS OF PART B TOTALIZATION ACCOUNTS.—

15 “(1) ESTABLISHMENT OF ACCOUNTS.—As soon
16 as practicable after the later of January 1, 2006, or
17 the date on which an individual becomes a partici-
18 pant under this part, the Executive Director shall
19 establish and maintain a part B totalization account
20 for the participant. Such account shall be the means
21 by which amounts held in the Tier I Investment
22 Fund, the Tier II Investment Fund, and any Tier
23 III investment account of such participant are cred-
24 ited to such participant under this part, under pro-
25 cedures which shall be established by the Board by

1 regulation. The part B totalization account of a par-
2 ticipant shall be identified to such participant by
3 means of the participant's social security account
4 number.

5 “(2) ACCOUNT BALANCE.—The balance in a
6 participant's part B totalization account at any time
7 is the sum of—

8 “(A) any balance in the Tier I Investment
9 Fund credited to such participant's part B to-
10 talization account prior to transfer to the Tier
11 II Investment Fund under section 252(b)(1);
12 plus

13 “(B) the excess of—

14 “(i) all deposits in the Tier II Invest-
15 ment Fund credited to such participant's
16 part B totalization account under sub-
17 section (a) (including the proceeds of any
18 sale by such participant, as provided in
19 section 257(e), of any recognition bond
20 issued in the name of the participant
21 under section 257(b)), subject to such in-
22 creases and reductions as may result from
23 allocations made to and reductions made in
24 the account pursuant to paragraph (3)(A)

1 with respect to amounts in the Tier II In-
 2 vestment Fund; over

3 “(ii) amounts credited to such partici-
 4 pant’s part B totalization account under
 5 subsection (a) paid out of the Tier II In-
 6 vestment Fund under this part; plus

7 “(C) the excess of—

8 “(i) the deposits to any Tier III in-
 9 vestment account of such participant, sub-
 10 ject to such increases and reductions as
 11 may result from allocations made to and
 12 reductions made in the Tier III investment
 13 account pursuant to paragraph (3)(B);
 14 over

15 “(ii) amounts paid out of such partici-
 16 pant’s Tier III investment account under
 17 this part.

18 “(3) ALLOCATION OF EARNINGS AND LOSSES.—

19 Pursuant to regulations which shall be prescribed by
 20 the Board, the Executive Director shall allocate to
 21 the part B totalization account of each participant—

22 “(A) the net earnings and net losses from
 23 each investment of sums in the Tier II Invest-
 24 ment Fund which are attributable to sums cred-
 25 ited to such participant’s part B totalization ac-

1 count, and reductions equal to an appropriate
2 share of the administrative expenses of the Tier
3 II Investment Fund, as determined by the Ex-
4 ecutive Director; and

5 “(B) the net earnings and net losses from
6 each investment of sums in any Tier III invest-
7 ment account of such participant, and reduc-
8 tions equal to the administrative expenses in
9 connection with the Tier III investment ac-
10 count.

11 “(e) TREATMENT OF TRANSFERS.—Transfers from
12 the Federal Old-Age and Survivors Insurance Trust Fund
13 to the Tier I Investment Fund and transfers among the
14 Tier I Investment Fund, Tier II Investment Fund, and
15 Tier III investment accounts under this part shall not be
16 included in the totals of the budget of the United States
17 Government as submitted by the President or of the con-
18 gressional budget and shall be exempt from any general
19 budget limitation imposed by statute on budget outlays of
20 the United States Government.

21 **“SEC. 253. TIER I INVESTMENT FUND.**

22 “(a) ESTABLISHMENT OF TIER I INVESTMENT
23 FUND.—There is established in the Treasury of the
24 United States a trust fund to be known as the ‘Tier I
25 Investment Fund’. The Board shall serve as trustees of

1 such Fund. The Fund consists of all amounts derived from
 2 payments into the Fund under section 252(a) and remain-
 3 ing after investment of such amounts under subsection (b)
 4 of this section, including additional amounts derived as in-
 5 come from such investments. The amounts held in the
 6 Fund are appropriated and shall remain available without
 7 fiscal year limitation—

8 “(1) to be held for investment on behalf of par-
 9 ticipants under subsection (b),

10 “(2) to pay the administrative expenses related
 11 to the Fund and to investment under subsection (b),

12 “(3) to make transfers to the Tier II Invest-
 13 ment Fund under section 252(b) or to Tier III in-
 14 vestment accounts under section 252(c),

15 “(4) to make payments under section
 16 260(a)(2), and

17 “(5) to make lump sum distributions under
 18 subsections (d) and (e).

19 “(b) INVESTMENT OF FUND BALANCE.—For pur-
 20 poses of investment of the Tier I Investment Fund, the
 21 Board shall contract with appropriate professional asset
 22 managers selected for investment of amounts held in the
 23 Fund, so as to provide for investment of the balance of
 24 the Fund, in a manner providing broad diversification in
 25 accordance with regulations of the Board, in certificates

1 of deposit or other instruments or obligations selected by
 2 such asset managers, which return the amount invested
 3 and pay interest, at a specified rate or rates, on that
 4 amount during a specified period of time.

5 “(c) TREATMENT OF AMOUNTS HELD IN TIER I IN-
 6 VESTMENT FUND.—

7 “(1) IN GENERAL.—Subject to this part—

8 “(A) until amounts deposited into the Tier
 9 I Investment Fund during any calendar year
 10 are credited to part B totalization accounts,
 11 such amounts shall be treated as the
 12 unallocated property of all participants with re-
 13 spect to whom amounts were deposited in the
 14 Fund during such year, jointly held in trust for
 15 such participants in the Fund, and

16 “(B) amounts deposited into the Fund
 17 which are credited to a participant’s part B to-
 18 talization account shall be treated as property
 19 of such participant, held in trust for such par-
 20 ticipant in the Fund.

21 “(2) LIMITATIONS ON USE OF FUNDS.—

22 “(A) IN GENERAL.—Sums in the Tier I In-
 23 vestment Fund credited to a participant’s part
 24 B totalization account may not be used for, or
 25 diverted to, purposes other than for the exclu-

1 sive benefit of the participant or the partici-
2 pant's beneficiaries under this part.

3 “(B) ASSIGNMENTS AND ALIENATION.—

4 Sums in the Fund may not be assigned or
5 alienated and are not subject to execution, levy,
6 attachment, garnishment, or other legal proc-
7 ess.

8 “(d) RETIREMENT DISTRIBUTION.—As soon as prac-
9 ticable after the commencement of the distribution under
10 section 256 of assets credited to a participant's part B
11 totalization account, the amount of any assets in the Tier
12 I Investment Fund credited to such account shall be dis-
13 tributed to such participant in a lump sum, under rules
14 established by the Board.

15 “(e) LUMP SUM PAYMENT TO ESTATE UPON DEATH
16 OF PARTICIPANT.—Upon the death of a participant, the
17 amount of any assets in the Tier I Investment Fund cred-
18 ited to such participant's part B totalization account shall
19 be transferred in a lump sum, under rules established by
20 the Board—

21 “(1) in any case in which one or more bene-
22 ficiaries have been designated in advance, in accord-
23 ance with regulations which shall be prescribed by
24 the Board, to such beneficiaries in accordance with

1 such designation as provided in such regulations,
2 and

3 “(2) in the case of any amount not distributed
4 as described in paragraph (1), to such participant’s
5 estate.

6 **“SEC. 254. TIER II INVESTMENT FUND.**

7 “(a) ESTABLISHMENT OF TIER II INVESTMENT
8 FUND.—There is established in the Treasury of the
9 United States a trust fund to be known as the ‘Tier II
10 Investment Fund’. The Board shall serve as trustees of
11 such Fund. The Fund consists of all amounts derived from
12 payments into the Fund under section 252(b)(1) and re-
13 maining after investment of such amounts under sub-
14 section (b) of this section, including additional amounts
15 derived as income from such investments. The amounts
16 held in the Fund are appropriated and shall remain avail-
17 able without fiscal year limitation—

18 “(1) to be held for investment under subsection
19 (b),

20 “(2) to pay the administrative expenses related
21 to the Fund and to investment under subsection (b),

22 “(3) to make transfers to Tier III investment
23 accounts under section 252(c)(1),

24 “(4) to make retirement distributions in accord-
25 ance with section 256, and

1 “(5) to make lump sum distributions under sec-
2 tion 256 and subsection (e) of this section.

3 “(b) INVESTMENT IN EQUITIES AND FIXED INCOME
4 INSTRUMENTS IN MANAGEMENT ACCOUNTS.—

5 “(1) IN GENERAL.—For purposes of investment
6 of the Tier II Investment Fund, the Board shall di-
7 vide the Fund into multiple management accounts.
8 Such accounts shall consist of the 60/40 manage-
9 ment account and 2 or more additional management
10 accounts providing for investment in each account in
11 a combination of equities and fixed income instru-
12 ments in accordance with prescribed percentages, as
13 provided in paragraph (2). The Board shall contract
14 with appropriate investment managers selected for
15 investment of amounts held in each management ac-
16 count.

17 “(2) RULES RELATING TO MANAGEMENT AC-
18 COUNTS.—

19 “(A) IN GENERAL.—The investment man-
20 ager selected for investment of amounts held in
21 each management account referred to in para-
22 graph (1) shall invest such amounts under reg-
23 ulations which shall be prescribed by the Board
24 so as to ensure, to the maximum extent prac-
25 ticable, that, of the total balance in the Fund

1 credited to such account and available for in-
2 vestment (after allowing for administrative ex-
3 penses)—

4 “(i) the prescribed equities percentage
5 is invested in equities in accordance with
6 paragraph (4), and

7 “(ii) the prescribed fixed income in-
8 strument percentage is invested in fixed in-
9 come instruments in accordance with para-
10 graph (5).

11 “(B) PRESCRIBED PERCENTAGES.—For
12 purposes of subparagraph (A)—

13 “(i) THE 60/40 MANAGEMENT AC-
14 COUNT.—In the case of the 60/40 manage-
15 ment account—

16 “(I) the prescribed equities per-
17 centage is 60 percent, and

18 “(II) the prescribed fixed income
19 instrument percentage is 40 percent.

20 “(ii) OTHER MANAGEMENT AC-
21 COUNTS.—In the case of any other man-
22 agement account—

23 “(I) the prescribed equities per-
24 centage is a prescribed percentage not
25 in excess of 80 percent, and

1 “(II) the prescribed fixed income
2 instrument percentage is the remain-
3 ing percentage of the amount invested
4 in the management account.

5 “(3) ELECTION OF MANAGEMENT ACCOUNTS.—

6 “(A) DEFAULT MANAGEMENT ACCOUNT.—

7 Except as provided in an election in effect
8 under subparagraph (B), amounts held in the
9 Tier II Investment Fund shall be credited to
10 the 60/40 management account.

11 “(B) ELECTION OF TRANSFERS BETWEEN
12 MANAGEMENT ACCOUNTS.—Pursuant to the
13 written election, filed in accordance with regula-
14 tions of the Board and received by the Sec-
15 retary of the Treasury during an applicable
16 election month by a participant who has an
17 amount credited to such participant’s part B
18 totalization account invested in any of the man-
19 agement accounts in the Tier II Investment
20 Fund, the Secretary of the Treasury shall
21 transfer such amount from such account to any
22 of the other management accounts in the Tier
23 II Investment Fund (whichever is designated in
24 such election).

1 “(C) APPLICABLE ELECTION MONTH.—For
2 purposes of subparagraph (B), the term ‘appli-
3 cable election month’, in connection with a par-
4 ticipant, means—

5 “(i) the calendar month in which oc-
6 curs the anniversary of such participant’s
7 birth, and

8 “(ii) the 6th calendar month following
9 such month.

10 “(4) INVESTMENT IN EQUITIES.—In accordance
11 with regulations which shall be prescribed by the
12 Board, the Board shall establish standards which
13 must be met by equities selected for investment of
14 amounts in any management account in the Tier II
15 Investment Fund pursuant to paragraph (2)(A)(i).
16 In conformity with such standards, the Board shall
17 select, for purposes of such investment, indices
18 which are comprised of equities the aggregate mar-
19 ket value of which is, in each case, a reasonably
20 broad representation of companies whose shares are
21 traded on the equity markets. Amounts invested in
22 equities by each investment manager shall be held in
23 a portfolio designed to replicate the performance of
24 one or more of such indices.

1 “(5) INVESTMENT IN FIXED INCOME INSTRU-
2 MENTS.—In accordance with regulations which shall
3 be prescribed by the Board, the Board shall estab-
4 lish standards which must be met by fixed income
5 instruments selected for investment of amounts in
6 any management account in the Tier II Investment
7 Fund pursuant to paragraph (2)(A)(ii). Such stand-
8 ards shall take into account the competing consider-
9 ations of risk and return. Amounts invested in fixed
10 income instruments by each investment manager
11 shall be held in a portfolio which shall consist of a
12 diverse range of fixed income instruments, taking
13 into full account the opposing considerations of risk
14 and maximization of return.

15 “(c) PERIODIC REPORTS BY BOARD.—

16 “(1) IN GENERAL.—The Board shall make peri-
17 odic reports concerning the status of the investment
18 in the Tier II Investment Fund of amounts credited
19 to each participant’s part B totalization account.
20 Each periodic report shall be furnished to the partic-
21 ipant on at least a semiannual basis on or before the
22 60th day following the period for which the report
23 is required.

24 “(2) INFORMATION REQUIRED TO BE IN-
25 CLUDED.—The periodic report shall contain the fol-

1 lowing information for transactions occurring during
2 the period for which the report is provided:

3 “(A) The balance in the Tier II Investment
4 Fund credited to the participant’s part B total-
5 ization account.

6 “(B) The rate of return on such balance
7 for the period covered, set forth separately for
8 each management account in the case of an in-
9 vestment in 2 or more management accounts
10 during the period.

11 “(C) The amount of authorized contribu-
12 tions made to the Tier II management account
13 and credited to the participant’s part B total-
14 ization account.

15 “(D) The name and address of the Board.

16 “(E) Commission fees and fees for admin-
17 istrative expenses charged in connection with
18 the investment in the Tier II Investment Fund
19 during the period.

20 “(F) Other information which may be re-
21 quired from time to time by the Board.

22 The language of the report shall be written in a
23 form so as to be understood by the average partici-
24 pant.

1 “(d) TREATMENT OF AMOUNTS HELD IN TIER II IN-
2 VESTMENT FUND.—

3 “(1) IN GENERAL.—Subject to this part,
4 amounts deposited into the Tier II Investment Fund
5 which are credited to a participant’s part B total-
6 ization account shall be treated as property of such
7 participant, held in trust for such participant in the
8 Fund.

9 “(2) LIMITATIONS ON USE OF FUNDS.—

10 “(A) IN GENERAL.—Sums in the Tier II
11 Investment Fund credited to a participants part
12 B totalization account may not be used for, or
13 diverted to, purposes other than for the exclu-
14 sive benefit of the participant or the partici-
15 pant’s beneficiaries under this part.

16 “(B) ASSIGNMENTS AND ALIENATION.—
17 Sums in the Fund may not be assigned or
18 alienated and are not subject to execution, levy,
19 attachment, garnishment, or other legal proc-
20 ess.

21 “(e) LUMP SUM PAYMENT TO ESTATE UPON DEATH
22 OF PARTICIPANT.—Upon the death of a participant, the
23 amount of any assets in the Tier II Investment Fund cred-
24 ited to such participant’s part B totalization account shall

1 be transferred in a lump sum, under rules established by
2 the Board—

3 “(1) in any case in which one or more bene-
4 ficiaries have been designated in advance, in accord-
5 ance with regulations which shall be prescribed by
6 the Board, to such beneficiaries in accordance with
7 such designation as provided in such regulations,
8 and

9 “(2) in the case of any amount not distributed
10 as described in paragraph (1), to such individual’s
11 estate.

12 **“SEC. 255. TIER III INVESTMENT ACCOUNTS.**

13 “(a) DESIGNATION OF TIER II INVESTMENT AC-
14 COUNTS.—Under regulations prescribed by the Board, a
15 participant, upon the initial attainment of a minimum de-
16 posit balance in amounts in the Tier II Investment Fund
17 credited to the participant’s part B totalization account,
18 as described in section 252(c), may designate to the
19 Board, in such form and manner as shall be prescribed
20 in such regulations, a Tier III investment account to
21 which deposits with respect to the individual are to be
22 made under section 252(c). The individual may designate
23 another Tier III investment account in lieu of any account
24 previously designated, in accordance with regulations of
25 the Board.

1 “(b) DEFINITION.—For purposes of this part, the
2 term ‘Tier III investment account’ means a trust created
3 or organized in the United States for the exclusive benefit
4 of a participant or his beneficiaries, but only if the written
5 governing instrument creating the trust meets the fol-
6 lowing requirements:

7 “(1) RESTRICTED CONTRIBUTIONS.—No con-
8 tribution will be accepted unless it is in the form of
9 a deposit to the account pursuant to section
10 252(c)(1).

11 “(2) TRUSTEE REQUIREMENTS.—The trustee
12 is—

13 “(A) a bank (as defined in section 581 of
14 the Internal Revenue Code of 1986),

15 “(B) an insured credit union (as defined in
16 section 101(6) of the Federal Credit Union
17 Act),

18 “(C) a corporation which, under the laws
19 of the State of its incorporation, is subject to
20 supervision and examination by the Commis-
21 sioner of Banking or other officer of such State
22 in charge of the administration of the banking
23 laws of such State,

24 “(D) a regulated investment company (as
25 defined in section 851 of the Internal Revenue

1 Code of 1986) for which an election is in effect
2 under section 851(b)(1) of such Code, or

3 “(E) any other person designated by the
4 Board under regulations prescribed under this
5 paragraph,

6 but only if the trustee demonstrates to the satisfac-
7 tion of the Board that its portfolio assets either rep-
8 licate the assets of a broad-based index of equities
9 or fixed income instruments which is approved by
10 the Board or are of a type that the Board has deter-
11 mined not to involve high risks for the investor, and
12 that the manner in which it will administer the trust
13 will be consistent with the requirements of this sec-
14 tion.

15 “(3) NONFORFEITABILITY.—The interest of an
16 individual in the balance of his account is nonforfeit-
17 able.

18 “(4) DIVERSIFICATION.—The investment op-
19 tions made available to participants by the trustee
20 include reasonably diversified options of equities,
21 fixed income instruments, or a combination of both.

22 “(5) SEPARATION OF ASSETS.—The assets of
23 the trust will not be commingled with other property
24 except in a common trust fund or common invest-
25 ment fund.

1 “(c) INVESTMENT STANDARDS.—The trustee of a
 2 Tier III investment account shall invest amounts credited
 3 to the part B totalization account of a participant which
 4 are held in such account in accordance with standards
 5 which shall be prescribed by the Board by regulation. Such
 6 standards shall ensure that investments made available to
 7 participants by the trustee are reasonably diversified, that
 8 assets held in a Tier III investment account are nonforfeit-
 9 able, and that the trustee complies with applicable fidu-
 10 ciary requirements.

11 “(d) TREATMENT OF AMOUNTS HELD IN TIER III
 12 INVESTMENT ACCOUNTS.—

13 “(1) IN GENERAL.—Subject to this part,
 14 amounts deposited into a participant’s Tier III in-
 15 vestment account are the property of such partici-
 16 pant, held in trust for such participant by the trust-
 17 ee of such account.

18 “(2) ASSIGNMENTS AND ALIENATION.—Sums
 19 in, and payments from, the account may not be as-
 20 signed or alienated and are not subject to execution,
 21 levy, attachment, garnishment, or other legal proc-
 22 ess.

23 “(e) PERIODIC REPORTS BY ACCOUNT TRUSTEE.—

24 “(1) IN GENERAL.—The trustee of a partici-
 25 pant’s Tier III investment account shall, in accord-

1 ance with regulations of the Board, make periodic
2 reports concerning the status of the account which
3 shall meet the requirements of this section. Each
4 periodic report shall be furnished to the participant
5 on at least a semiannual basis on or before the 60th
6 day following the period for which the report is re-
7 quired.

8 “(2) INFORMATION REQUIRED TO BE IN-
9 CLUDED.—The periodic report shall contain the fol-
10 lowing information for transactions occurring during
11 the period for which the report is provided:

12 “(A) The balance in the Tier III invest-
13 ment account.

14 “(B) The rate of return for the period cov-
15 ered.

16 “(C) The amount of authorized account
17 contributions.

18 “(D) The name and address of the trustee.

19 “(E) Commission fees and fees for admin-
20 istrative expenses charged in connection with
21 the account.

22 “(F) Other information which may be re-
23 quired from time to time by the Board.

1 The language of the report shall be written in a
2 form so as to be understood by the average partici-
3 pant.

4 “(3) REPORTS TO BOARD.—The Board may re-
5 quire the periodic report to be filed with the Board
6 at such time as the Board may specify in regulations
7 under this section, except that at least 1 periodic re-
8 port filed annually with Board shall provide informa-
9 tion with respect to the account as of December 31
10 preceding the date of the issuance of the report.

11 “(4) FAILURE BY TRUSTEE TO MAKE TIMELY
12 PERIODIC REPORTS.—

13 “(A) IN GENERAL.—The trustee of a Tier
14 III investment account shall be subject to a civil
15 penalty of not to exceed \$100 a day from the
16 date of such trustee’s failure or refusal to fur-
17 nish the periodic report required to be furnished
18 by the trustee under this subsection until the
19 date on which such report is furnished.

20 “(B) PENALTIES ASSESSED BY BOARD.—
21 Any civil penalty assessed by this paragraph
22 shall be imposed by the Board and collected in
23 a civil action. The Board may compromise the
24 amount of any civil penalty imposed by this
25 paragraph. The Board may waive the applica-

1 tion of this paragraph with respect to any fail-
 2 ure if the Board determines that such failure is
 3 due to reasonable cause and not to intentional
 4 disregard of rules and regulations.

5 “(f) LUMP SUM PAYMENT TO ESTATE UPON DEATH
 6 OF ACCOUNT HOLDER.—Upon the death of a participant
 7 who has an amount credited to such participant’s part B
 8 totalization account invested in a Tier III investment ac-
 9 count, such amount shall be distributed in a lump sum
 10 distribution, under rules established by the Board—

11 “(1) in any case in which one or more bene-
 12 ficiaries have been designated in advance, in accord-
 13 ance with regulations which shall be prescribed by
 14 the Board, to such beneficiaries in accordance with
 15 such designation as provided in such regulations,
 16 and

17 “(2) in the case of any amount not distributed
 18 as described in paragraph (1), to the participant’s
 19 estate.

20 **“SEC. 256. RETIREMENT DISTRIBUTIONS.**

21 “(a) IN GENERAL.—Except as provided in this sec-
 22 tion, amounts credited to a participant’s part B total-
 23 ization account may be distributed to the participant only
 24 on and after the participant’s retirement date. Such dis-
 25 tribution shall be in the form of—

1 “(1) an individual social security annuity meet-
2 ing the requirements of subsection (c),

3 “(2) a programmed withdrawal meeting the re-
4 quirements of subsection (d), or

5 “(3) a combination, meeting the requirements
6 of subsection (e), of an individual social security an-
7 nuity (meeting the requirements of subsection (b))
8 and a lump sum distribution.

9 Not later than the date on which the participant attains
10 age 62, and at any other time upon the request of the
11 participant, the Board shall notify the participant of the
12 most recent listing of forms of distribution approved under
13 this section and the entitlement (if any) of the participant
14 to such a distribution.

15 “(b) RETIREMENT DATE.—For purposes of this sec-
16 tion, the term ‘retirement date’, in connection with a par-
17 ticipant, means the earlier of—

18 “(1) any date as of which the participant has
19 attained retirement age (as defined in section
20 216(l)(1)), or

21 “(2) the date designated for distribution of the
22 balance in the participant’s part B totalization ac-
23 count pursuant to section 260.

24 “(c) PURCHASE OF ANNUITIES.—

25 “(1) IN GENERAL.—

1 “(A) SELECTION OF ANNUITY.—On the
 2 participant’s retirement date, the participant
 3 may purchase an individual social security an-
 4 nuity selected from among the annuities ap-
 5 proved by the Board under paragraph (2).

6 “(B) TRANSFER OF ASSETS.—Upon the
 7 selection by a participant under subparagraph
 8 (A), the Board shall provide for the transfer of
 9 all assets credited to the participant’s part B
 10 totalization account and determined under reg-
 11 ulations of the Board to be available for dis-
 12 tribution to purchase the annuity selected by
 13 the individual.

14 “(2) APPROVAL OF INDIVIDUAL SOCIAL SEC-
 15 RITY ANNUITIES.—

16 “(A) CERTIFICATION OF ISSUERS.—

17 “(i) IN GENERAL.—The Board shall
 18 certify issuers eligible to enter into annuity
 19 contracts with participants under this sub-
 20 section.

21 “(ii) APPLICATION.—Any issuer that
 22 desires to be certified by the Board to
 23 issue an individual social security annuity
 24 shall submit an application to the Board at
 25 such time, in such manner, and containing

1 such information as the Board may re-
2 quire.

3 “(iii) SEPARATION FROM OTHER OP-
4 ERATIONS.—As a condition of certification
5 under this subparagraph, each issuer shall
6 maintain each individual social security an-
7 nuity issued by such issuer separate from
8 all other operations of the issuer.

9 “(iv) EXEMPTION FROM THIRD PARTY
10 CLAIMS.—Each individual social security
11 annuity shall be exempt from any and all
12 third party claims against the issuer.

13 “(B) APPROVAL OF INDIVIDUAL SOCIAL
14 SECURITY ANNUITIES.—

15 “(i) IN GENERAL.—No funds may be
16 transferred into an individual social secu-
17 rity annuity unless the Board has approved
18 an application submitted under clause (ii)
19 with respect to the annuity.

20 “(ii) APPLICATION.—With respect to
21 each individual social security annuity that
22 an issuer certified under subparagraph
23 (A)(i) seeks to issue, such issuer shall sub-
24 mit an application to the Board at such

1 time, in such manner, and containing such
2 information as the Board may require.

3 “(iii) QUALIFICATIONS FOR AP-
4 PROVAL.—

5 “(I) IN GENERAL.—The Board
6 may not approve an application under
7 clause (i) unless the individual social
8 security annuity that is the subject of
9 the application meets qualifications
10 which shall be specified in regulations
11 of the Board. Such qualifications shall
12 include the safety and soundness of
13 the annuity, the experience and record
14 of performance of the issuer issuing
15 the annuity, and such other factors as
16 the Board may determine appropriate.

17 “(II) COST-OF-LIVING ADJUST-
18 MENTS.—The Board may not approve
19 an application under clause (i) unless
20 the terms of the annuity include pro-
21 cedures providing for adjustments in
22 the amount of the monthly payments
23 in the same manner and to the same
24 extent as adjustments are provided for
25 under the procedures used to adjust

1 benefit amounts under section
2 215(i)(2)(A). Nothing in this sub-
3 clause shall be construed to preclude
4 the terms governing such an annuity
5 from providing for adjustments in the
6 amount of monthly payments result-
7 ing in a payment for any month
8 greater than the payment for that
9 month that would result from adjust-
10 ments required under the preceding
11 sentence.

12 “(d) PROGRAMMED WITHDRAWAL.—

13 “(1) IN GENERAL.—On the participant’s retire-
14 ment date, the participant may elect distribution
15 under this section of the balance credited to the par-
16 ticipant’s part B totalization account as provided in
17 this subsection. Such distribution shall be in the
18 form of a combination of—

19 “(A) equal annual or more frequent peri-
20 odic installments of the principal portion of the
21 balance over twice his or her life expectancy
22 (subject to adjustments under paragraph (2)),
23 and

24 “(B) any distribution of any remaining
25 balance in accordance with this section.

1 “(2) COST-OF-LIVING ADJUSTMENTS.—Any dis-
2 tribution under paragraph (1)(A) shall, in accord-
3 ance with regulations which shall be prescribed by
4 the Board, provide for adjustments in the periodic
5 payments in the same manner and to the same ex-
6 tent as adjustments are provided for under the pro-
7 cedures used to adjust benefit amounts under sec-
8 tion 215(i)(2)(A). Nothing in this paragraph shall be
9 construed to preclude the terms governing such dis-
10 tribution from providing for adjustments in the
11 amount of monthly payments resulting in a payment
12 for any month greater than the payment for that
13 month that would result from adjustments required
14 under the preceding sentence.

15 “(3) LIMITATION.—Any distribution described
16 in paragraph (1)(B) shall be limited to the extent
17 necessary to ensure that remaining funds credited to
18 the account are sufficient to provide periodic install-
19 ments under paragraph (1) at least, on an annual
20 basis, equal to (determined under reasonable actu-
21 arial assumptions) 100 percent of the poverty line
22 for an individual (determined under the poverty
23 guidelines of the Department of Health and Human
24 Services issued under sections 652 and 673(2) of the
25 Omnibus Budget Reconciliation Act of 1981).

1 “(e) COMBINATION OF LUMP SUM PAYMENT AND
2 ANNUITY.—On the participant’s retirement date, the par-
3 ticipant may elect distribution under this section of the
4 balance credited to the participant’s part B totalization
5 account as provided in this subsection. Such distribution
6 shall be in the form of a combination of a lump sum pay-
7 ment and an annuity approved under subsection (c). Any
8 such lump sum payment shall be limited to the extent nec-
9 essary to ensure that remaining funds credited to the ac-
10 count are sufficient to provide, through the purchase of
11 such an annuity, a monthly payment over the life expect-
12 ancy of the participant (determined under reasonable ac-
13 tuarial assumptions) which is at least, on an annual basis,
14 equal to 100 percent of the poverty line for an individual
15 (determined under the poverty guidelines of the Depart-
16 ment of Health and Human Services issued under sections
17 652 and 673(2) of the Omnibus Budget Reconciliation Act
18 of 1981).

19 “(f) LUMP SUM DISTRIBUTIONS OF DE MINIMIS
20 AMOUNTS.—In any case in which, as of the date on which
21 the participant attains retirement age (as defined in sec-
22 tion 216(l)(1)), a distribution under this section has not
23 commenced, and the total amount of the assets credited
24 to the participant’s part B totalization account is less than
25 the minimum deposit balance (as defined in section

1 252(c)(2)), the preceding provisions of this section shall
 2 not apply, and such assets shall be distributed to the par-
 3 ticipant in a lump sum upon the request of the participant,
 4 under rules established by the Board.

5 “(g) PROTECTION FROM ASSIGNMENT OR ALIEN-
 6 ATION.—Distributions under this section may not be as-
 7 signed or alienated and are not subject to execution, levy,
 8 attachment, garnishment, or other legal process.

9 **“SEC. 257. RECOGNITION BONDS.**

10 “(a) CERTIFICATION OF CREDITED WAGES AND
 11 SELF-EMPLOYMENT INCOME.—Not later than July 1 fol-
 12 lowing the effective date of an election to become a partici-
 13 pant filed by an individual under section 259, the Commis-
 14 sioner of Social Security shall certify to the Secretary of
 15 the Treasury whether such individual was, as of imme-
 16 diately before such effective date, credited with wages and
 17 self-employment income under part A.

18 “(b) ISSUANCE OF BOND.—Immediately upon receipt
 19 of certification under subsection (a) that an individual is
 20 credited with wages and self-employment income under
 21 part A, the Secretary of the Treasury shall issue a recogni-
 22 tion bond in the name of such individual as an obligation
 23 of the United States, which shall be deposited in the Tier
 24 II Investment Fund and held in such Fund for such indi-
 25 vidual together with such individual’s part B totalization

1 account. The purposes for which obligations of the United
2 States may be issued under chapter 31 of title 31, United
3 States Code, are hereby extended to authorize the issuance
4 of public debt obligations consisting of recognition bonds
5 issued under this paragraph. Each such obligation shall
6 be evidenced by a paper instrument issued by the Sec-
7 retary of the Treasury setting forth the terms specified
8 in this section, and stating on its face that the obligation
9 shall be incontestable in the hands of the bearer, that the
10 obligation is supported by the full faith and credit of the
11 United States, and that the United States is pledged to
12 the payment of the obligation, in accordance with the pro-
13 visions of this section.

14 “(c) CALCULATION OF FACE VALUE.—

15 “(1) IN GENERAL.—The face value of a rec-
16 ognition bond issued in the name of an individual
17 under this section shall be the actuarial present
18 value of the future monthly insurance benefits under
19 part A to which such individual would have been en-
20 titled, and to which other individuals would have
21 been entitled under part A based on such individ-
22 ual’s wages and self-employment income, determined
23 under then current law but as if section 215(j) did
24 not apply and subject to paragraph (2) of this sub-
25 section.

1 “(2) ASSUMPTIONS.—The actuarial present
2 value determined under paragraph (1) shall be de-
3 termined—

4 “(A) taking into account solely wages and
5 self-employment income credited to such indi-
6 vidual as of the effective date of the election re-
7 ferred to in subsection (a),

8 “(B) assuming that such individual would
9 become entitled to disability insurance benefits
10 under section 223 (in lieu of old-age insurance
11 benefits under section 202(a)) on the day such
12 individual would attain retirement age (as de-
13 fined in section 216(l)), except that, in com-
14 puting average indexed monthly earnings under
15 section 215(b), the number of such individual’s
16 benefit computation years shall be determined
17 without regard to any reduction in the number
18 of elapsed years under section 215(b)(2)(A),
19 and

20 “(C) using reasonable actuarial assump-
21 tions, including reasonable current age-specific
22 and gender-specific expected mortality rates.

23 “(d) REDEMPTION.—A bond issued in the name of
24 any participant under this section shall be redeemable (by
25 the participant or other person bearing the bond after sale

1 or resale pursuant to subsection (e)) on or after the date
 2 on which such participant would attain retirement age (as
 3 defined in section 216(l)(1)), for the amount of the face
 4 value.

5 “(e) NEGOTIABILITY AND CREDITING OF PROCEEDS
 6 TO PART B TOTALIZATION ACCOUNT.—A recognition
 7 bond issued in the name of a participant under this section
 8 shall not be taken into account in determining the amount
 9 credited to the participant’s part B totalization account.
 10 Such bond shall be fully tradable on the secondary mar-
 11 kets under such procedures as may be provided in regula-
 12 tions of the Board, and any amount derived by the partici-
 13 pant from the sale of such bond shall be deposited in the
 14 Tier II Investment Fund and shall be included in the total
 15 amount credited to such participant’s part B totalization
 16 account.

17 **“SEC. 258. SUPPLEMENTAL MINIMUM BENEFIT PAYMENTS.**

18 “(a) IN GENERAL.—In any case in which—

19 “(1) a participant attains retirement age (as
 20 defined in section 216(l)(1)),

21 “(2) as of the date such participant attains
 22 such age, no distribution from amounts credited to
 23 the participant’s part B totalization account has
 24 been made to the participant under section 260, and

1 “(3) as of such date, the balance in the partici-
2 pant’s part B totalization account (subject to sub-
3 section (e)) is less than the minimum annuity
4 amount,
5 the Board shall promptly notify the participant of the par-
6 ticipant’s eligibility for a supplemental minimum benefit
7 payment under this section. The participant, upon applica-
8 tion to the Board filed by the participant on or after such
9 date and in such form and manner as shall be prescribed
10 by the Board, shall be entitled to a supplemental minimum
11 benefit payment either to the Tier II Investment Fund (to
12 the credit of the participant’s part B totalization account)
13 or to the participant’s Tier III investment account, as may
14 be specified by the participant in such application. Upon
15 receipt of such application, the Board shall certify to the
16 Secretary of the Treasury the amount of such payment,
17 and such Secretary shall pay the amount of such payment
18 to such Fund or such Tier III investment account in ac-
19 cordance with such certification from funds otherwise
20 available in the general fund of the Treasury.

21 “(b) AMOUNT OF SUPPLEMENTAL MINIMUM BEN-
22 EFIT PAYMENT.—The amount of a supplemental min-
23 imum benefit payment payable with respect to a partici-
24 pant under subsection (a) is, subject to subsection (d), the
25 excess (if any) of—

1 “(1) the minimum annuity amount as of the
2 date described in subsection (a), over

3 “(2) the amount credited to the participant’s
4 part B totalization account, (subject to subsection
5 (e)).

6 “(c) MINIMUM ANNUITY AMOUNT.—

7 “(1) IN GENERAL.—For purposes of this sec-
8 tion, the term ‘minimum annuity amount’ means an
9 amount, determined as of the date described in sub-
10 section (a), necessary to purchase an immediate life
11 annuity which provides for monthly payments which
12 are, on an annual basis, at least equal to the appli-
13 cable percentage of the poverty line as of such date
14 for an individual (determined under the poverty
15 guidelines of the Department of Health and Human
16 Services issued under sections 652 and 673(2) of the
17 Omnibus Budget Reconciliation Act of 1981).

18 “(2) APPLICABLE PERCENTAGE.—For purposes
19 of paragraph (1), the applicable percentage, in con-
20 nection a participant, shall be the excess of—

21 “(A) 100 percent, over

22 “(B) the product derived by multiplying—

23 “(i) 1.0 percentage point, by

24 “(ii) the excess (not less than zero)

25 of—

1 “(I) 140, over

2 “(II) the number of such partici-
3 pant’s quarters of coverage under part
4 A of this title.

5 “(3) IMMEDIATE LIFE ANNUITY.—For purposes
6 of paragraph (1), the term ‘immediate life annuity’
7 means an annuity—

8 “(A) the annuity starting date (as defined
9 in section 72(c)(4) of the Internal Revenue
10 Code of 1986) of which commences with the
11 first month following the date described in sub-
12 section (a), and

13 “(B) which provides for a series of sub-
14 stantial equal annual payments over the life ex-
15 pectancy of the participant.

16 “(4) ASSUMPTIONS.—Determinations of the
17 minimum annuity amount under this subsection
18 shall be based on reasonable actuarial assumptions
19 which shall be prescribed by the Board (including
20 among such assumptions reasonable charges for ad-
21 ministrative costs).

22 “(d) NEED-BASED CASH BENEFITS TAKEN INTO
23 ACCOUNT.—

24 “(1) IN GENERAL.—Under regulations which
25 shall be prescribed by the Board, in any case in

1 which a participant is entitled to, or eligible for,
2 need-based cash benefits for any month, the supple-
3 mental minimum benefit payments otherwise payable
4 to such participant for such month, as determined
5 under subsection (a), shall be reduced by the total
6 amount of such recognized governmental cash bene-
7 fits for such month.

8 “(2) NEED-BASED CASH BENEFITS.—For pur-
9 poses of paragraph (1), the term ‘need-based cash
10 benefit’ for any month means—

11 “(A) a supplemental security income ben-
12 efit under title XVI for such month, and

13 “(B) a monthly cash benefit payable to
14 such participant for such month under any
15 other need-based assistance program of the
16 United States or of any State (or political sub-
17 division thereof, as defined in section
18 218(b)(2)).

19 “(3) CONVERSION TO MONTHLY BENEFITS.—
20 For purposes of this subsection, any periodic benefit
21 which otherwise is described in paragraph (2)(B),
22 but which is paid on other than a monthly basis,
23 shall be allocated on a basis equivalent to a monthly
24 benefit (as determined by the Board), and such
25 equivalent monthly benefit shall constitute a monthly

1 cash benefit for purposes of paragraph (2)(B). For
2 purposes of this paragraph, the term ‘periodic ben-
3 efit’ includes a benefit payable in a lump sum if it
4 is a commutation of, or a substitute for, periodic
5 payments.

6 “(4) AFFECT ON OTHER LAWS.—To the extent
7 that any provision of law of the United States or of
8 any State (or political subdivision thereof, as defined
9 in section 218(b)(2)) providing for need-based cash
10 benefits takes into account supplemental minimum
11 benefit payments under this section in determining
12 eligibility for such need-based benefits or the amount
13 thereof, this section supersedes such provision and
14 such provision shall be null and void as against pub-
15 lic policy.

16 “(e) TREATMENT OF PERIODIC PAYMENTS BASED
17 ON NONCOVERED GOVERNMENTAL SERVICE.—

18 “(1) IN GENERAL.—In any case in which a par-
19 ticipant is eligible for a periodic payment which is
20 based in whole or in part on the participant’s earn-
21 ings for noncovered governmental service, for pur-
22 poses of subsection (b)(2), the amount credited to
23 such participant’s part B totalization account shall
24 be deemed to be equal to the amount derived by
25 multiplying—

1 “(A) the amount credited to such partici-
 2 pant’s part B totalization account (as deter-
 3 mined without regard to this subsection), by

4 “(B) a fraction—

5 “(i) the numerator of which is an
 6 amount equal to the individual’s adjusted
 7 average indexed monthly earnings (as de-
 8 termined under paragraph (3)), and

9 “(ii) the denominator of which is the
 10 individual’s average indexed monthly earn-
 11 ings (determined on 215(b) without regard
 12 to paragraph (3)),

13 rounded, if not a multiple of \$0.10, to the next lower
 14 multiple of \$0.10.

15 “(2) NONCOVERED GOVERNMENTAL SERVICE.—

16 For purposes of this subsection, the term ‘non-
 17 covered governmental service’ means service for the
 18 Federal Government or for a State (or political sub-
 19 division thereof, as defined in section 218(b)(2))
 20 which does not constitute ‘employment’ as defined in
 21 section 210, except that such term does not include
 22 service as a member of a uniformed service (as de-
 23 fined in section 210(m)).

24 “(3) ADJUSTED AVERAGE INDEXED MONTHLY
 25 EARNINGS.—

1 “(A) IN GENERAL.—For purposes of para-
2 graph (1)(B)(i), the adjusted average indexed
3 monthly earnings of a participant is the amount
4 of the participant’s average indexed monthly
5 earnings (determined under section 215(b)), ad-
6 justed by treating all noncovered governmental
7 service performed after 1950 on which a peri-
8 odic benefit referred to in paragraph (1) is
9 based as ‘employment’ as defined in section 210
10 for purposes of this title (together with all other
11 service performed by such individual consisting
12 of ‘employment’ as so defined).

13 “(B) METHODOLOGY.—For purposes of
14 determining average indexed monthly earnings
15 as described in subparagraph (A), the Commis-
16 sioner of Social Security shall provide by regu-
17 lation for a method for determining the amount
18 of wages derived from service performed after
19 1950 and which is to be treated as ‘employ-
20 ment’ solely for purposes of subparagraph (A).
21 Such method shall provide for reliance on em-
22 ployment records which are provided to the
23 Commissioner and which constitute a reason-
24 able basis for treatment of service as ‘employ-
25 ment’ for such purposes, together with such

1 other information received by the Commissioner
 2 as the Commissioner may consider appropriate
 3 as a reasonable basis for treatment of service as
 4 ‘employment’ for such purposes.

5 “(4) COOPERATION BY COMMISSIONER.—The
 6 Commissioner of Social Security shall provide to the
 7 Board such assistance and information as the Board
 8 may require for purposes of this subsection.

9 “(f) MARRIED COUPLES.—In the case of any 2 par-
 10 ticipants who are married, subsection (a) shall apply with
 11 respect to each such participant, upon the joint written
 12 request of such participants, by totalling the balances in
 13 the accounts referred to in subsection (a) of both such in-
 14 dividuals.

15 “(g) PROTECTION FROM ASSIGNMENT OR ALIEN-
 16 ATION.—Any supplemental minimum benefit payment
 17 under this section may not be assigned or alienated.

18 **“SEC. 259. ELECTION FOR PARTICIPATION.**

19 “(a) IN GENERAL.—Any individual who—

20 “(1) is born on or after January 1, 1951, and
 21 before January 1, 1984,

22 “(2) has not attained retirement age (as de-
 23 fined in section 216(l)(1)), and

24 “(3) has not become entitled to old-age insur-
 25 ance benefits under section 202(a),

1 may file with the Board under this section, in such form
 2 and manner as shall be prescribed in regulations of the
 3 Board, a written form electing the status of ‘participant’
 4 for purposes of this part. On and after the effective date
 5 of the election, such individual shall be treated as a partic-
 6 ipant under this part with respect to wages received in
 7 any calendar year beginning on or after such date and
 8 self-employment income for any taxable year beginning on
 9 or after such effective date.

10 “(b) EFFECTIVE DATE OF ELECTION.—An election
 11 under this section shall take effect on January 1 of the
 12 first calendar year beginning after 60 days after the date
 13 of the filing of the election in accordance with subsection
 14 (a).

15 “(c) IRREVOCABILITY.—Any election under this sec-
 16 tion shall be irrevocable.

17 **“SEC. 260. EARLY DISTRIBUTION AND TERMINATION OF**
 18 **PARTICIPATION IN PROGRAM.**

19 “(a) IN GENERAL.—In any case in which the amount
 20 credited to a participant’s part B totalization account as
 21 of any date prior to the date on which the participant at-
 22 tains retirement age (as defined in section 216(l)(1)) ac-
 23 crues to a level equal to at least the amount necessary
 24 to purchase under section 256(c) (as if such date were
 25 the participant’s retirement date) an immediate life annu-

1 ity which provides for payments which are, on an annual
2 basis, at least equal to 100 percent of the poverty line
3 as of such date for an individual (determined under the
4 poverty guidelines of the Department of Health and
5 Human Services issued under sections 652 and 673(2) of
6 the Omnibus Budget Reconciliation Act of 1981), the
7 Board shall promptly so inform the participant, and, upon
8 application of the participant filed with the Board under
9 this section in accordance with regulations of the Board—

10 “(1) the Board shall, at the election of the par-
11 ticipant, either—

12 “(A) commence distribution of the total
13 amount credited to such participant’s part B
14 totalization account in the form of an annuity
15 purchased under section 256(c), or

16 “(B) provide for consolidation of the total
17 amount credited to such account in the Tier II
18 Investment Fund and investment of such
19 amount in fixed-income instruments meeting
20 the requirements of section 254(c), until dis-
21 tribution of such amount is made under sub-
22 paragraph (A) or section 256, and

23 “(2) in lieu of the transfer, from the Tier I In-
24 vestment Fund to the Tier II Investment Fund or
25 a Tier III investment account, of any remaining

1 amount credited to such participant's part B total-
2 ization account after the date of the distribution or
3 consolidation under paragraph (1), the Board shall
4 provide for the direct payment of such remaining
5 credited amount to the participant.

6 “(b) IMMEDIATE LIFE ANNUITY.—For purposes of
7 subsection (a), the term ‘immediate life annuity’ means
8 an annuity—

9 “(1) the annuity starting date (as defined in
10 section 72(c)(4) of the Internal Revenue Code of
11 1986) of which commences with the first month fol-
12 lowing the date referred to in subsection (a), and

13 “(2) which provides for a series of substantially
14 equal annual payments over the life expectancy of
15 the participant.

16 “(c) MARRIED COUPLES.—In the case of any 2 par-
17 ticipants who are married, subsection (a) shall apply with
18 respect to each such participant, upon the joint written
19 request of such participants, by totalling the balances in
20 the accounts referred to in subsection (a) of both such in-
21 dividuals.

22 “(d) TREATMENT OF PERIODIC PAYMENTS BASED
23 ON GOVERNMENTAL SERVICE.—Section 258(e) shall
24 apply for purposes of this section in determining the

1 amount credited to a participant's part B totalization ac-
2 count.

3 **“SEC. 261. INDIVIDUAL INVESTMENT BOARD.**

4 “(a) ESTABLISHMENT.—There is established in the
5 executive branch of the Government an Individual Invest-
6 ment Board.

7 “(b) COMPOSITION.—The Board shall be composed
8 of—

9 “(1) 3 members appointed by the President, of
10 whom 1 shall be designated by the President as
11 Chairman; and

12 “(2) 2 members appointed by the President, of
13 whom—

14 “(A) 1 shall be appointed by the President
15 after taking into consideration the recommenda-
16 tion made by the Speaker of the House of Rep-
17 resentatives in consultation with the Minority
18 Leader of the House of Representatives; and

19 “(B) 1 shall be appointed by the President
20 after taking into consideration the recommenda-
21 tion made by the Majority Leader of the Senate
22 in consultation with the Minority Leader of the
23 Senate.

1 “(c) ADVICE AND CONSENT.—Appointments under
2 subsection (b) shall be made by and with the advice and
3 consent of the Senate.

4 “(d) MEMBERSHIP REQUIREMENTS.—Members of
5 the Board shall have substantial experience, training, and
6 expertise in the management of financial investments and
7 pension benefit plans.

8 “(e) LENGTH OF APPOINTMENTS.—

9 “(1) TERMS.—A member of the Board shall be
10 appointed for a term of 4 years, except that of the
11 members first appointed under subsection (b)—

12 “(A) the Chairman shall be appointed for
13 a term of 4 years;

14 “(B) the members appointed under sub-
15 section (b)(2) shall be appointed for terms of 3
16 years; and

17 “(C) the remaining members shall be ap-
18 pointed for terms of 2 years.

19 “(2) VACANCIES.—

20 “(A) IN GENERAL.—A vacancy on the
21 Board shall be filled in the manner in which the
22 original appointment was made and shall be
23 subject to any conditions that applied with re-
24 spect to the original appointment.

1 “(B) COMPLETION OF TERM.—An indi-
2 vidual chosen to fill a vacancy shall be ap-
3 pointed for the unexpired term of the member
4 replaced.

5 “(3) EXPIRATION.—The term of any member
6 shall not expire before the date on which the mem-
7 ber’s successor takes office.

8 “(f) DUTIES.—The Board shall—

9 “(1) administer the program established under
10 this part;

11 “(2) establish policies for the investment and
12 management of the Tier I Investment Fund, the
13 Tier II Investment Fund, and Tier III investment
14 accounts, including policies applicable to the asset
15 managers with responsibility for managing the in-
16 vestment of individual investment account balances,
17 and for the management and operation of individual
18 social security annuities purchased with Tier II In-
19 vestment Fund assets, which shall provide for—

20 “(A) prudent investments suitable for ac-
21 cumulating funds for payment of retirement in-
22 come;

23 “(B) sound management practices; and

24 “(C) low administrative costs;

1 “(3) review the performance of investments
2 made for the Tier I Investment Fund and the Tier
3 II Investment Fund;

4 “(4) review the management and operation of
5 individual social security annuities purchased with
6 Tier II Investment Fund assets;

7 “(5) review the performance of investments
8 made under Tier III investment accounts;

9 “(6) review and approve the budget of the
10 Board; and

11 “(7) comply with the fiduciary requirements of
12 part 4 of subtitle B of title I of the Employee Re-
13 tirement Income Security Act of 1974 (relating to fi-
14 duciary responsibility) in connection with any exer-
15 cise of discretion in connection with the assets of the
16 Tier I Investment Fund or the Tier II Investment
17 Fund.

18 “(g) ADMINISTRATIVE PROVISIONS.—

19 “(1) IN GENERAL.—The Board may—

20 “(A) adopt, alter, and use a seal;

21 “(B) except as provided in paragraph (4),
22 direct the Executive Director to take such ac-
23 tion as the Board considers appropriate to
24 carry out the provisions of this part and the

1 policies of the Board in accordance with delega-
2 tions under this part;

3 “(C) upon the concurring votes of 4 mem-
4 bers, remove the Executive Director from office
5 for good cause shown;

6 “(D) provide to the Executive Director
7 such resources as are necessary to carry out the
8 duties of the Executive Director; and

9 “(E) take such other actions as may be
10 necessary to carry out the functions of the
11 Board.

12 “(2) MEETINGS.—The Board shall meet—

13 “(A) not less than once during each
14 month; and

15 “(B) at additional times at the call of the
16 Chairman.

17 “(3) EXERCISE OF POWERS.—

18 “(A) IN GENERAL.—Except as provided in
19 paragraph (1)(C), the Board shall perform the
20 functions and exercise the powers of the Board
21 on a majority vote of a quorum of the Board.
22 Three members of the Board shall constitute a
23 quorum for the transaction of business.

24 “(B) VACANCIES.—A vacancy on the
25 Board shall not impair the authority of a

1 quorum of the Board to perform the functions
2 and exercise the powers of the Board.

3 “(4) LIMITATIONS ON INVESTMENTS.—The
4 Board may not direct any person to invest or to
5 cause to be invested any sums in the Tier II Invest-
6 ment Fund or any Tier III investment account in a
7 specific asset or to dispose of or cause to be disposed
8 of any specific asset of such Fund or any such ac-
9 count.

10 “(h) COMPENSATION.—

11 “(1) IN GENERAL.—Each member of the Board
12 who is not an officer or employee of the Federal
13 Government shall be compensated at the daily rate
14 of basic pay for level IV of the Executive Schedule
15 for each day during which such member is engaged
16 in performing a function of the Board.

17 “(2) EXPENSES.—A member of the Board shall
18 be paid travel, per diem, and other necessary ex-
19 penses under subchapter I of chapter 57 of title 5,
20 United States Code, while traveling away from such
21 member’s home or regular place of business in the
22 performance of the duties of the Board.

23 “(3) SOURCE OF FUNDS.—Payments authorized
24 under this subsection shall be paid from the Tier I

1 Investment Fund or the Tier II Investment Fund,
2 as determined appropriate by the Board.

3 “(i) DISCHARGE OF RESPONSIBILITIES.—The mem-
4 bers of the Board shall discharge their responsibilities
5 solely in the interest of the participants and their bene-
6 ficiaries under this part.

7 “(j) ANNUAL INDEPENDENT AUDIT.—The Board
8 shall annually engage an independent qualified public ac-
9 countant to audit the activities of the Board.

10 “(k) SUBMISSION OF BUDGET TO CONGRESS.—The
11 Board shall prepare and submit to the President, and, at
12 the same time, to the appropriate committees of Congress,
13 an annual budget of the expenses and other items relating
14 to the Board which shall be included as a separate item
15 in the budget required to be transmitted to Congress
16 under section 1105 of title 31, United States Code.

17 “(l) SUBMISSION OF LEGISLATIVE RECOMMENDA-
18 TIONS.—The Board may submit to the President, and, at
19 the same time, shall submit to each House of Congress,
20 any legislative recommendations of the Board relating to
21 any of its functions under this part or any other provision
22 of law.

1 **“SEC. 262. EXECUTIVE DIRECTOR OF THE INDIVIDUAL IN-**
2 **VESTMENT BOARD.**

3 “(a) APPOINTMENT OF EXECUTIVE DIRECTOR.—The
4 Board shall appoint, without regard to the provisions of
5 law governing appointments in the competitive service, an
6 Executive Director by action agreed to by a majority of
7 the members of the Board.

8 “(b) DUTIES.—The Executive Director shall, as de-
9 termined appropriate by the Board—

10 “(1) carry out the policies established by the
11 Board;

12 “(2) invest and manage the Tier I Investment
13 Fund and the Tier II Investment Fund in accord-
14 ance with the investment policies and other policies
15 established by the Board;

16 “(3) administer the provisions of this part re-
17 lating to the Tier I Investment Fund and the Tier
18 II Investment Fund; and

19 “(4) prescribe such regulations (other than reg-
20 ulations relating to fiduciary responsibilities) as may
21 be necessary for the administration of this part re-
22 lating to the Tier I Investment Fund and the Tier
23 II Investment Fund.

24 “(c) ADMINISTRATIVE AUTHORITY.—The Executive
25 Director may, within the scope of the duties of the Execu-
26 tive Director as determined by the Board—

1 “(1) appoint such personnel as may be nec-
2 essary to carry out the provisions of this part relat-
3 ing to the Tier I Investment Fund and the Tier II
4 Investment Fund;

5 “(2) subject to approval by the Board, procure
6 the services of experts and consultants under section
7 3109 of title 5, United States Code;

8 “(3) secure directly from an Executive agency,
9 the United States Postal Service, or the Postal Rate
10 Commission any information necessary to carry out
11 the provisions of this part and the policies of the
12 Board relating to the Tier I Investment Fund and
13 the Tier II Investment Fund;

14 “(4) make such payments out of sums in the
15 Tier I Investment Fund and the Tier II Investment
16 Fund as the Executive Director determines, in ac-
17 cordance with regulations of the Board, are nec-
18 essary to carry out the provisions of this part and
19 the policies of the Board;

20 “(5) pay the compensation, per diem, and travel
21 expenses of individuals appointed under paragraphs
22 (1), (2), and (6) from the Tier I Investment Fund
23 or the Tier II Investment Fund, in accordance with
24 regulations of the Board;

1 “(6) accept and use the services of individuals
2 employed intermittently in the Government service
3 and reimburse such individuals for travel expenses,
4 authorized by section 5703 of title 5, United States
5 Code, including per diem as authorized by section
6 5702 of such title;

7 “(7) except as otherwise expressly prohibited by
8 law or the policies of the Board, delegate any of the
9 Executive Director’s functions to such employees
10 under the Board as the Executive Director may des-
11 ignate and authorize such successive redelegations of
12 such functions to such employees under the Board
13 as the Executive Director may consider to be nec-
14 essary or appropriate; and

15 “(8) take such other actions as are appropriate
16 to carry out the functions of the Executive Direc-
17 tor.”.

18 (b) EFFECTIVE DATE.—The amendments made by
19 this section shall apply with respect to wages paid after
20 December 31, 2005, for pay periods ending after such
21 date and self-employment income for taxable years begin-
22 ning after such date.

23 (c) STUDY REGARDING TREATMENT OF SPOUSES
24 WHERE ONE SPOUSE IS NOT A PARTICIPANT.—As soon
25 as practicable after the date of the enactment of this Act,

1 the Individual Investment Board shall undertake a study
2 of the appropriate treatment of spouses in cases in which
3 both spouses are not participants in the Individual Social
4 Security Investment Program. The Board shall transmit
5 the results of its study to the Committee on Ways and
6 Means of the House of Representatives and the Committee
7 on Finance of the Senate not later than 6 months after
8 the first meeting of the Board. Such results shall include
9 such recommendations for legislative changes as the
10 Board determines appropriate.

11 (d) TREATMENT OF NONCITIZENS.—Nothing in the
12 amendments made by this section shall be construed to
13 result in the crediting, for any purpose under part B of
14 title II of the Social Security Act, of any amount based
15 on the wages and self-employment income of any indi-
16 vidual who is not a citizen or national of the United States
17 in any case in which such wages and self-employment in-
18 come would not be credited under part A of such title if
19 section 215(j) of such Act did not apply in the case of
20 such individual.

21 **SEC. 3. TAX TREATMENT OF INDIVIDUAL SOCIAL SECURITY**
22 **INVESTMENT PROGRAM.**

23 (a) TAXATION WITH RESPECT TO ELEMENTS OF
24 THE PROGRAM.—

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 SOCIAL SECURITY**
 6 **INVESTMENT PROGRAM**

“Sec. 530A. Individual Social Security Investment Program.

7 **“SEC. 530A. INDIVIDUAL SOCIAL SECURITY INVESTMENT**
 8 **PROGRAM.**

9 “(a) GENERAL RULE.—Any fund created, account
 10 established, or annuity under part B of title II of the So-
 11 cial Security Act is exempt from taxation under this sub-
 12 title. Notwithstanding the preceding sentence, any such
 13 fund or account is subject to the taxes imposed by section
 14 511 (relating to imposition of tax on unrelated business
 15 income of charitable, etc. organizations).

16 “(b) RECOGNITION BONDS.—Gross income shall not
 17 include—

18 “(1) the value of a recognition bond issued to
 19 a participant under section 257(b) of the Social Se-
 20 curity Act which is deposited in the Tier II Invest-
 21 ment Fund and held for such participant under such
 22 section,

23 “(2) proceeds from the sale of a recognition
 24 bond of a participant under section 257(e) of the

1 Social Security Act which are deposited in the Tier
 2 II Investment Fund and held for such participant
 3 under section 257(b) of such Act, and

4 “(3) proceeds from the redemption of a recogni-
 5 tion bond of a participant under section 257(d) of
 6 the Social Security Act deposited in the Tier II In-
 7 vestment Fund to the credit of such participant’s
 8 part B totalization account under part B of title II
 9 of such Act.

10 For purposes of this subsection, the term ‘Tier II Invest-
 11 ment Fund’ has the meaning given such term by section
 12 251(6) of the Social Security Act.

13 “(c) DISTRIBUTIONS.—A distribution from any fund
 14 or account, or any annuity payment, under part B of title
 15 II of the Social Security Act shall not be included in the
 16 gross income of the distributee or payee.”.

17 (2) CONFORMING AMENDMENT.—Section
 18 86(d)(1)(A) of such Code is amended by inserting
 19 “part A of” after “under”.

20 (3) CLERICAL AMENDMENT.—The table of
 21 parts for subchapter F of chapter 1 of such Code is
 22 amended by adding after the item relating to part
 23 VIII the following new item:

“PART IX. INDIVIDUAL SOCIAL SECURITY INVESTMENT PROGRAM”.

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

4 (b) EXCLUSION OF INDIVIDUAL INVESTMENT PRO-
5 GRAM PARTICIPANTS FROM INSURANCE BENEFITS.—Sec-
6 tion 215 of the Social Security Act (42 U.S.C. 415) is
7 amended by adding at the end the following new sub-
8 section:

9 “(j) EXCLUSION OF INDIVIDUAL INVESTMENT PRO-
10 GRAM PARTICIPANTS.—(1) Except as provided in para-
11 graph (3), a participant (as defined in section 251(1)) in
12 the Individual Social Security Investment Program under
13 part B shall not be credited with wages or self-employment
14 income under this part for purposes of determining bene-
15 fits under the old-age, survivors, and disability insurance
16 program under this part.

17 “(2) In the case of an individual who becomes a par-
18 ticipant under part B pursuant to an election filed under
19 section 259, paragraph (1) shall apply with respect to
20 wages paid in calendar years beginning on or after the
21 effective date of the election and with respect to self-em-
22 ployment income derived in taxable years ending after
23 such date.

24 “(3)(A) Paragraph (1) shall not apply in connection
25 with the determination of any such participant’s entitle-

1 ment to disability insurance benefits under section 223(a),
2 the determination of such participant's primary insurance
3 amount in connection with such entitlement, and the de-
4 termination during such entitlement of benefits based on
5 such participant's wages and self-employment income.

6 “(B) In any case in which the first month of such
7 participant's entitlement to old-age insurance benefits
8 under section 202(a) immediately follows the last month
9 of such participant's entitlement to disability insurance
10 benefits, during such participant's entitlement to old-age
11 insurance benefits, such participant's primary insurance
12 amount shall not be less than the excess of—

13 “(i) such participant's primary insurance
14 amount, determined as if paragraph (1) did not
15 apply, over

16 “(ii) the monthly payment which would be pay-
17 able to such participant under a life annuity under
18 section 256(c) commencing with such first month of
19 entitlement and providing for a series of substan-
20 tially equal annual payments over the life expectancy
21 of the participant.

22 “(4) Paragraph (1) shall not apply in connection with
23 the determination of child's insurance benefits under sec-
24 tion 202(d) or mother's or father's insurance benefits

1 under section 202(g) based on such participant’s wages
 2 and self-employment income.”.

3 **SEC. 4. CPI-INDEXED BENEFITS FOR PART A BENE-**
 4 **FICIARIES OTHER THAN DISABILITY BENE-**
 5 **FICIARIES.**

6 (a) COMPUTATION OF BEND POINTS.—Section
 7 215(a)(1)(B) of the Social Security Act (42 U.S.C.
 8 415(a)(1)(B)) is amended—

9 (1) by redesignating clause (iii) as clause (vi);

10 (2) in clause (ii), by striking “For individuals”
 11 and inserting “Subject to clause (iii), for individ-
 12 uals”;

13 (3) by inserting after clause (ii) the following
 14 new clauses:

15 “(iii) For individuals who initially become eligible for
 16 old-age insurance benefits, or who die (before becoming
 17 eligible for such benefits), in any calendar year after 2013,
 18 each of the amounts so established under the preceding
 19 provisions of this subparagraph shall be equal to the prod-
 20 uct derived by multiplying such amount (as determined
 21 before the application of this clause) by the quotient de-
 22 rived by dividing—

23 “(I) the applicable change in the CPI for the
 24 first of the 2 preceding calendar years, by

1 “(II) applicable change in the national average
2 wage index for the first of the 2 preceding calendar
3 years.

4 “(iv) For purposes of clause (iii)(I), the term ‘appli-
5 cable change in the CPI’ for a calendar year means the
6 excess of—

7 “(I) the arithmetical mean of the Consumer
8 Price Index for Urban Wage Earners and Clerical
9 Workers (issued by the Bureau of Labor Statistics)
10 for the 12 months in such calendar year, over

11 “(II) the arithmetical mean of such Consumer
12 Price Index for the 12 months in calendar year
13 2012.

14 “(v) For purposes of clause (iii)(II), the term ‘appli-
15 cable change in the national average wage index’ for a cal-
16 endar year means the excess of—

17 “(I) the national average wage index (as de-
18 fined in section 209(k)(1)) for such calendar year,
19 over

20 “(II) the national average wage index (as so de-
21 fined) for calendar year 2012.”; and

22 (4) in clause (vi) (as redesignated), by striking
23 “under clause (ii)” and inserting “under the pre-
24 ceding provisions of this subparagraph”.

1 (b) SUBSTITUTION OF CPI FOR NATIONAL AVERAGE
2 WAGE INDEX IN COMPUTING AVERAGE INDEXED MONTH-
3 LY EARNINGS.—

4 (1) IN GENERAL.—Section 215(b)(3) of such
5 Act (42 U.S.C. 415(b)(3)) is amended—

6 (A) in subparagraph (A)(ii)(I), by striking
7 “national average wage index (as defined in sec-
8 tion 209(k)(1))” and inserting “national aver-
9 age wage index (as defined in section
10 209(k)(1)) (for determinations of disability in-
11 surance benefits and other benefits based on
12 the wages and self-employment income of an in-
13 dividual entitled to disability insurance benefits)
14 or the consumer price index (for determinations
15 of other benefits)”;

16 (B) in subparagraph (A)(ii)(II), by striking
17 “national average wage index (as so defined)”
18 and inserting “national average wage index (as
19 so defined) (for determinations of disability in-
20 surance benefits and other benefits based on
21 the wages and self-employment income of an in-
22 dividual entitled to disability insurance benefits)
23 or the consumer price index (for determinations
24 of other benefits)”;

1 (C) by redesignating subparagraph (B) as
 2 subparagraph (C); and

3 (D) by inserting after subparagraph (A)
 4 the following new subparagraph:

5 “(B) For purposes of this paragraph, the term ‘con-
 6 sumer price index’ for a calendar year means the arithmet-
 7 ical mean of the Consumer Price Index for Urban Wage
 8 Earners and Clerical Workers (issued by the Bureau of
 9 Labor Statistics) for the 12 months in such calendar
 10 year.”.

11 (2) EFFECTIVE DATE.—The amendments made
 12 by this subsection shall apply with respect to the av-
 13 erage indexed monthly earnings of individuals at-
 14 taining age 62, or dying before attaining such age,
 15 on or after January 1, 2013.

16 **SEC. 5. MAINTENANCE OF ADEQUATE BALANCES IN THE**
 17 **SOCIAL SECURITY TRUST FUNDS.**

18 (a) IN GENERAL.—Section 201 of the Social Security
 19 Act (42 U.S.C. 401) is amended by adding at the end the
 20 following new subsection:

21 “(o) In addition to amounts otherwise appropriated
 22 under the preceding provisions of this section to the Trust
 23 Funds established under this section, there is hereby ap-
 24 propriated for each fiscal year to each of such Trust
 25 Funds, from amounts in the general fund of the Treasury

1 not otherwise appropriated, such sums as may be nec-
2 essary from time to time to maintain the balance ratio
3 (as defined in section 709(b)) of such Trust Fund, for the
4 calendar year commencing during such fiscal year, at not
5 less than 100 percent. The sums to be appropriated under
6 the preceding sentence shall be determined by the Com-
7 missioner of Social Security and certified by the Commis-
8 sioner to each House of the Congress not later than Octo-
9 ber 1 of such fiscal year. In making such determination
10 and certification, the Commissioner shall use the inter-
11 mediate actuarial assumptions used by the Board of
12 Trustees of the Trust Funds in its most recent annual
13 report to the Congress prepared pursuant to subsection
14 (c)(2). The Commissioner shall also transmit a copy of
15 any such certification to the Secretary of the Treasury,
16 and upon receipt thereof, such Secretary shall promptly
17 take appropriate actions in accordance with the certifi-
18 cation.”.

19 (b) EFFECTIVE DATE.—The amendment made by
20 subsection (a) shall apply with respect to fiscal years be-
21 ginning after the date of the enactment of this Act.

○