

110TH CONGRESS  
1ST SESSION

# H. R. 2002

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.

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## IN THE HOUSE OF REPRESENTATIVES

APRIL 23, 2007

Mr. SAM JOHNSON of Texas introduced the following bill; which was referred to the Committee on Ways and Means

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## 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       2007”.

7       (b) **TABLE OF CONTENTS.**—The table of contents is  
8       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 bene-  
 ficiaries.  
 Sec. 5. Maintenance of adequate balances in the Social Security Trust Funds.

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

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

5 (1) by inserting before section 201 the fol-  
 6 lowing:

7 **“PART A—INSURANCE BENEFITS”; and**

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

9 **“PART B—INDIVIDUAL SOCIAL SECURITY**  
 10 **INVESTMENT PROGRAM**

11 **“SEC. 251. DEFINITIONS.**

12 “For purposes of this part—

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

1           “(A) any individual who is born on or after  
2           January 1, 1986, and—

3           “(i) receives wages in any calendar  
4           year after December 31, 2007, on which  
5           there is imposed a tax under section  
6           3101(a) of the Internal Revenue Code of  
7           1986, or

8           “(ii) derives self-employment income  
9           for a taxable year beginning after Decem-  
10          ber 31, 2007, on which there is imposed a  
11          tax under section 1401(a) of the Internal  
12          Revenue Code of 1986, and

13          “(B) any individual who is born on or after  
14          January 1, 1953, and before January 1, 1986,  
15          and who, pursuant to an election filed in ac-  
16          cordance with section 259, is treated under  
17          such section as a participant under this part.

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

21          “(3) EXECUTIVE DIRECTOR.—The term ‘Execu-  
22          tive Director’ means the Executive Director ap-  
23          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 2008) 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, 2008, 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 SECU-  
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 1952 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 1952 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, 1953, and  
21 before January 1, 1986,

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 partici-  
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, 2007, 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       “(3)(A) Paragraph (1) shall not apply in connection  
2 with the determination of any such participant’s entitle-  
3 ment to disability insurance benefits under section 223(a),  
4 the determination of such participant’s primary insurance  
5 amount in connection with such entitlement, and the de-  
6 termination during such entitlement of benefits based on  
7 such participant’s wages and self-employment income.

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

15               “(i) such participant’s primary insurance  
16 amount, determined as if paragraph (1) did not  
17 apply, over

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

24       “(4) Paragraph (1) shall not apply in connection with  
25 the determination of child’s insurance benefits under sec-

1 tion 202(d) or mother’s or father’s insurance benefits  
 2 under section 202(g) based on such participant’s wages  
 3 and self-employment income.”.

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

7 (a) COMPUTATION OF BEND POINTS.—Section  
 8 215(a)(1)(B) of the Social Security Act (42 U.S.C.  
 9 415(a)(1)(B)) is amended—

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

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

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

16 “(iii) For individuals who initially become eligible for  
 17 old-age insurance benefits, or who die (before becoming  
 18 eligible for such benefits), in any calendar year after 2015,  
 19 each of the amounts so established under the preceding  
 20 provisions of this subparagraph shall be equal to the prod-  
 21 uct derived by multiplying such amount (as determined  
 22 before the application of this clause) by the quotient de-  
 23 rived by dividing—

24 “(I) the applicable change in the CPI for the  
 25 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          2014.

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 2014.”; 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, 2015.

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.

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