

111TH CONGRESS
1ST SESSION

H. R. 107

To reform Social Security retirement and Medicare by establishing a Personal Social Security Savings Program to create a safer, healthier, more secure, and more prosperous retirement for all Americans and to reduce the burden on young Americans.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 6, 2009

Mr. FLAKE (for himself, Ms. FOXX, and Ms. JACKSON-LEE of Texas) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Education and Labor, the Budget, Energy and Commerce, and Rules, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To reform Social Security retirement and Medicare by establishing a Personal Social Security Savings Program to create a safer, healthier, more secure, and more prosperous retirement for all Americans and to reduce the burden on young Americans.

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

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

2 (a) **SHORT TITLE.**—This Act may be cited as the
 3 “Securing Medicare and Retirement for Tomorrow Act of
 4 2009” or as the “SMART Act of 2009”.

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

Sec. 1. Short title and table of contents.

Sec. 2. Establishment of Personal Social Security Savings Program.

“PART A—INSURANCE BENEFITS

“PART B—PERSONAL SOCIAL SECURITY SAVINGS PROGRAM

“Sec. 251. Definitions.

“Sec. 252. Establishment and maintenance of personal social security ac-
 counts.

“Sec. 253. Designation of qualified social security mutual funds.

“Sec. 254. Distribution of social security retirement benefits.

“Sec. 255. Enforcement of contribution requirements.

“Sec. 256. Personal Accounts Management and Review Board.

Sec. 3. Medicare program revision.

Sec. 4. Employment taxes, tax on self-employment income.

Sec. 5. Tax treatment of distributions.

Sec. 6. Federal budget reforms.

Sec. 7. Change in Consumer Price Index used for cost-of-living increases.

7 **SEC. 2. ESTABLISHMENT OF PERSONAL SOCIAL SECURITY**
 8 **SAVINGS PROGRAM.**

9 (a) **IN GENERAL.**—Title II of the Social Security Act
 10 (42 U.S.C. 401 et seq.) is amended—

11 (1) by inserting before section 201 (42 U.S.C.
 12 401) the following:

13 **“PART A—INSURANCE BENEFITS”;**

14 and

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

1 **“PART B—PERSONAL SOCIAL SECURITY SAVINGS**

2 **PROGRAM**

3 **“SEC. 251. DEFINITIONS.**

4 “For purposes of this part—

5 “(1) PARTICIPATING INDIVIDUAL.—The term
6 ‘participating individual’ means any individual—

7 “(A)(i) who has received wages on which
8 there is imposed a tax under section 3101(a) of
9 the Internal Revenue Code of 1986, or

10 “(ii) who has derived self-employment in-
11 come on which there is imposed a tax under
12 section 1401(a) of such Code, and

13 “(B) who has not attained retirement age
14 as of January 1 of the calendar year following
15 the date of the enactment of the SMART Act
16 of 2009.

17 “(2) EMPLOYER.—The term ‘employer’ means
18 an employer within the meaning of section 3111 of
19 the Internal Revenue Code of 1986.

20 “(3) PART A RETIREMENT BENEFIT.—The
21 term ‘part A retirement benefit’ means, in connec-
22 tion with a participating individual—

23 “(A) an old-age insurance benefit provided
24 under section 202(a); and

25 “(B) a wife’s or husband’s insurance ben-
26 efit under subsection (b) or (c) of section 202

1 based on the wages and self-employment income
2 of the participating individual.

3 “(4) PART B BENEFIT.—The term ‘part B ben-
4 efit’ means, in connection with a participating indi-
5 vidual, the total amount which is credited to all per-
6 sonal social security accounts of the participating in-
7 dividual as of the date on which the participating in-
8 dividual attains retirement age (or, if earlier, dies).

9 “(5) BOARD.—The term ‘Board’ means the
10 Personal Accounts Management and Review Board
11 established under section 255.

12 “(6) PERSONAL SOCIAL SECURITY ACCOUNT.—

13 “(A) IN GENERAL.—The term ‘personal
14 social security account’ of an individual means
15 a trust (established pursuant to section 252)
16 created or organized in the United States for
17 the exclusive benefit of a participating indi-
18 vidual or such individual’s beneficiaries, but
19 only if the written governing instrument cre-
20 ating the trust meets the following require-
21 ments:

22 “(i) Except in the case of amounts
23 transferred from other personal social se-
24 curity accounts pursuant to a merger or
25 transfer authorized under subsection (e) or

1 (f) of section 252, no contribution will be
2 accepted unless it is in cash.

3 “(ii) The trustee is—

4 “(I) a bank (as defined in sub-
5 paragraph (B)), or

6 “(II) such other person who dem-
7 onstrates to the satisfaction of the
8 Board that the manner in which such
9 other person will administer the trust
10 will be consistent with the require-
11 ments of this part.

12 “(iii) The written governing instru-
13 ment provides for investment of the assets
14 of the trust in accordance with the provi-
15 sions of this part. No amount of the assets
16 of the trust will be invested in any form or
17 manner other than as authorized by this
18 part.

19 “(iv) The interest of an individual in
20 the balance of the individual’s account is
21 nonforfeitable, except as provided in sub-
22 sections (e) and (f)(3) of section 254.

23 “(v) The assets of the trust will not
24 be commingled with other property.

1 “(B) BANK.—For purposes of subpara-
2 graph (A)(ii), the term ‘bank’ means—

3 “(i) any bank (as defined in section
4 581 of the Internal Revenue Code of
5 1986),

6 “(ii) an insured credit union (within
7 the meaning of paragraph (6) or (7) of
8 section 101 of the Federal Credit Union
9 Act), and

10 “(iii) a corporation which, under the
11 laws of the State of its incorporation, is
12 subject to supervision and examination by
13 the Commissioner of Banking or other offi-
14 cer of such State in charge of the adminis-
15 tration of the banking laws of such State.

16 “(7) PART B PERSONAL SOCIAL SECURITY CON-
17 TRIBUTION.—The term ‘part B personal social secu-
18 rity contribution’ for any calendar year means an
19 amount equal to the sum of—

20 “(A) the amount of the taxes imposed
21 under section 3101(a) of the Internal Revenue
22 Code of 1986 (without regard to subsection (d)
23 thereof) on the wages paid to such individual
24 during such calendar year, plus

1 “(B) 50 percent of the amount of the taxes
2 imposed under section 1401(a) of such Code
3 (without regard to subsections (d) and (e)
4 thereof) on the self-employment income derived
5 by such individual during the taxable year end-
6 ing with or during such calendar year.

7 “(8) QUALIFIED SOCIAL SECURITY ANNUITY.—
8 The term ‘qualified social security annuity’ is an an-
9 nuity approved by the Board for purchase pursuant
10 to section 254(d) with amounts available as part B
11 benefits.

12 “(9) QUALIFIED SOCIAL SECURITY MUTUAL
13 FUND.—The term ‘qualified social security mutual
14 fund’ means an entity so designated pursuant to sec-
15 tion 253.

16 “(10) RETIREMENT AGE.—The term ‘retire-
17 ment age’ has the meaning provided under section
18 216(l).

19 “(11) SOCIAL SECURITY ESCROW FUND.—The
20 term ‘Social Security Escrow Fund’ means the fund
21 established under section 201(a).

22 **“SEC. 252. ESTABLISHMENT AND MAINTENANCE OF PER-**
23 **SONAL SOCIAL SECURITY ACCOUNTS.**

24 “(a) FUNDING AND INVESTMENT OF PERSONAL SO-
25 CIAL SECURITY ACCOUNTS.—

1 “(1) EMPLOYEES.—Not later than each due
2 date for payment by any employer, pursuant to sub-
3 title C of the Internal Revenue Code of 1986, of the
4 taxes imposed under section 3101(a) of such Code
5 on the wages paid to any participating individual,
6 such employer shall—

7 “(A) make the payment required under
8 subsection (b)(2)(B) to the participating indi-
9 vidual’s personal social security account estab-
10 lished under subsection (b)(1), and

11 “(B) provide for investment, under the
12 terms of the account, of the amount paid to the
13 account in a qualified social security mutual
14 fund designated by such individual as provided
15 in subsection (d).

16 “(2) SELF-EMPLOYED PERSONS.—Not later
17 than 15 days after each due date for payment of
18 taxes imposed under section 1401 of the Internal
19 Revenue Code of 1986 on self-employment income
20 derived by any participating individual during any
21 taxable year, such participating individual shall—

22 “(A) pay an amount equal to such partici-
23 pating individual’s part B personal social secu-
24 rity contribution described in section 251(7)(B)
25 into such individual’s personal social security

1 account established pursuant to subsection
2 (c)(1), and

3 “(B) provide for investment of such
4 amount in a qualified social security mutual
5 fund designated by such individual as provided
6 in subsection (d).

7 “(3) EFFECT OF AUDITS OR ERRORS REGARD-
8 ING TRANSFERS.—In the event of any transfer of an
9 incorrect amount under this subsection, proper ad-
10 justments shall be made in amounts subsequently
11 transferred pursuant to this subsection to the extent
12 the incorrect amount was in excess of or was less
13 than the correct amount, in accordance with regula-
14 tions prescribed by the Board.

15 “(b) ESTABLISHMENT OF ACCOUNTS BY EMPLOY-
16 ERS.—

17 “(1) IN GENERAL.—Each employer shall estab-
18 lish and maintain for each participating individual
19 employed by such employer a personal social security
20 account under a social security payroll deduction
21 plan.

22 “(2) REQUIREMENTS OF PLAN.—For purposes
23 of this part, the term ‘social security payroll deduc-
24 tion plan’ means, in connection with a participating

1 individual, a written plan of an employer with re-
2 spect to which the following requirements are met:

3 “(A) Such individual is an employee of
4 such employer and the plan applies only with
5 respect to wages paid by such employer to such
6 individual.

7 “(B) Under such plan, the portion of such
8 wages consisting of each such participating in-
9 dividual’s part B personal social security con-
10 tribution described in section 251(7)(A) for the
11 calendar year will be deducted from such indi-
12 vidual’s wages and paid to a personal social se-
13 curity account maintained by such employer for
14 such individual, in accordance with subsection
15 (a)(1).

16 “(C) The employer receives no compensa-
17 tion for the cost of administering such plan.

18 “(D) The employer does not make any en-
19 dorsement with respect to any qualified social
20 security mutual funds selected by the employer
21 for purposes of investment under subsection (d)
22 of amounts held in any personal social security
23 account.

24 “(e) PARTICIPATION BY SELF-EMPLOYED INDIVID-
25 UALS.—Each participating individual who receives self-

1 employment income for any taxable year beginning on or
2 after January 1 of the calendar following the date of the
3 enactment of the SMART Act of 2009 shall, in such form
4 and manner as shall be prescribed in regulations of the
5 Board, establish and maintain a personal social security
6 account for purposes of holding and investing such partici-
7 pating individual's part B personal social security con-
8 tribution described in section 251(7)(B) for such taxable
9 year, in accordance with subsection (a)(2).

10 “(d) INVESTMENT OF PERSONAL SOCIAL SECURITY
11 ACCOUNT FUNDS.—

12 “(1) INVESTMENT IN QUALIFIED SOCIAL SECU-
13 RITY MUTUAL FUNDS.—Except as provided in para-
14 graph (4), amounts held during any calendar year in
15 a participating individual's personal social security
16 account maintained by such individual's employer
17 shall be invested during such year only in one quali-
18 fied social security mutual fund designated by the
19 participating individual to such employer in accord-
20 ance with this subsection not later than November
21 30 of the preceding year.

22 “(2) SELECTION OF FUNDS BY EMPLOYERS.—

23 “(A) IN GENERAL.—Except as provided in
24 paragraph (4), in connection with the invest-
25 ment of amounts held during any calendar year

1 in personal social security accounts maintained
2 by an employer, such employer shall select, not
3 later than November 1 of the preceding year, 5
4 qualified social security mutual funds from
5 among which the participating individual for
6 whom each account is maintained may make
7 the designations required under paragraph (1).
8 During the 15-day period beginning on such
9 November 1, each employer shall provide to
10 each participating individual employed by such
11 employer during such period a current pro-
12 spectus regarding each of the 5 qualified social
13 security mutual funds selected by the employer,
14 together with such supplemental information as
15 may be selected by the employer and such infor-
16 mation as may be required by the Board.

17 “(B) DEFAULT FUND.—The employer
18 shall designate one of the qualified social secu-
19 rity mutual funds selected pursuant to subpara-
20 graph (A) as the default fund. In the case of
21 the failure of a participating individual to make
22 a timely designation of a qualified social secu-
23 rity mutual fund pursuant to paragraph (1),
24 the individual shall be deemed to have des-
25 ignated the default fund as the qualified social

1 security mutual fund in which amounts held in
2 the individual's personal social security account
3 will be invested.

4 “(3) SELF-EMPLOYED INDIVIDUALS.—

5 “(A) GENERAL RULE.—Except as provided
6 in paragraph (4), in the case of amounts held
7 by any participating individual in a personal so-
8 cial security account maintained pursuant to
9 subsection (c) during any calendar year, the
10 participating individual shall invest such
11 amounts during such calendar year in one
12 qualified social security mutual fund designated
13 by such individual not later than November 30
14 preceding such year, in such form and manner
15 as shall be prescribed by the Board. In any case
16 in which any such participating individual does
17 not make a timely designation in accordance
18 with the preceding sentence with respect to
19 amounts held during any calendar year, the
20 terms governing the personal social security ac-
21 count shall provide for designation of a quali-
22 fied social security mutual fund as the default
23 mutual fund in which amounts held in the ac-
24 count will be invested.

1 “(B) TREATMENT OF SELF-EMPLOYED IN-
2 DIVIDUALS WHO ARE EMPLOYERS.—Notwith-
3 standing subparagraph (A), in any case in
4 which a participating individual described in
5 subparagraph (A) in connection with investment
6 of amounts described in subparagraph (A) dur-
7 ing any calendar year is an employer of partici-
8 pating individuals who has, pursuant to para-
9 graph (2), selected qualified social security mu-
10 tual funds for investment by such participating
11 individuals during such calendar year, any des-
12 ignation by such employer under subparagraph
13 (A) of a qualified social security mutual fund
14 for investment of such amounts described in
15 subparagraph (A) during such calendar year
16 shall be from those qualified social security mu-
17 tual funds so selected pursuant to paragraph
18 (2).

19 “(4) NEWLY ESTABLISHED ACCOUNTS.—In the
20 case of a newly established personal social security
21 account maintained by an employer for an employee
22 pursuant to subsection (b) or by a self-employed in-
23 dividual pursuant to subsection (c), the requirements
24 of the preceding paragraphs of this subsection shall
25 be treated as satisfied in a timely manner with re-

1 spect to amounts held in the account during the cal-
2 endar year in which the account is established and
3 the next following calendar year if such amounts are
4 invested as otherwise provided in such paragraphs
5 within 30 days after the date of the establishment
6 of such account.

7 “(e) MULTIPLE PERSONAL SOCIAL SECURITY AC-
8 COUNTS.—

9 “(1) IN GENERAL.—In any case in which—

10 “(A) payments are required to be made
11 under subsection (b)(1) during any calendar
12 year by 2 or more employers in connection with
13 the same participating individual, or

14 “(B) payments are required to be made
15 during any calendar year by 1 or more employ-
16 ers under subsection (b)(1) in connection with
17 a participating individual and by such partici-
18 pating individual under subsection (c)(1),

19 separate personal social security accounts may be
20 maintained by or for such participating individual
21 for purposes of accepting payments made by each
22 employer and by the participating individual.

23 “(2) MERGER OF ACCOUNTS.—The Board shall
24 prescribe by regulation procedures by which a par-
25 ticipating individual may merge 2 or more personal

1 social security accounts of such participating indi-
2 vidual into a single personal social security account.

3 “(f) TRANSFERS BETWEEN ACCOUNTS UPON TERMI-
4 NATION OF EMPLOYMENT.—

5 “(1) IN GENERAL.—Not later than 90 days
6 after the date of the termination of employment of
7 a participating individual by an employer, such indi-
8 vidual shall, in accordance with regulations of the
9 Board, arrange for disinvestment of amounts held in
10 the personal social security account established by
11 such employer for such individual and transfer of
12 the amounts held in such account to—

13 “(A) any personal social security account
14 established by the employer in connection with
15 subsequent employment of such individual com-
16 mencing within such 90-day period, or

17 “(B) in any case in which, during such 90-
18 day period, no personal social security account
19 is established in connection with subsequent
20 employment of such individual, a personal social
21 security account established by such individual
22 as provided in subsection (b)(1) as if such indi-
23 vidual were self-employed.

24 “(2) DISREGARD OF CERTAIN BREAKS IN SERV-
25 ICE.—The Board shall provide rules for determining

1 whether an individual's employment has been termi-
2 nated for purposes of this subsection under which
3 breaks in service for any period occurring on a sea-
4 sonal or other regular basis each year are dis-
5 regarded in the case of any type of service with re-
6 spect to which the customary period of employment
7 during each calendar year excludes such period.

8 “(3) PROCEDURE.—In accordance with regula-
9 tions of the Board, in the case of any termination
10 of employment by an employer of a participating em-
11 ployee, the terms of the personal social security ac-
12 count of the participating employee maintained by
13 such employer and of the qualified social security
14 mutual fund designated for purposes of investment
15 of amounts held in such account shall provide for
16 any disinvestment and transfer required under para-
17 graph (1).

18 “(g) DISTRIBUTIONS.—Distributions of amounts held
19 in personal social security accounts (other than reasonable
20 investment fees and administrative expenses) shall be
21 made—

22 “(1) only as provided in section 254(d) (except
23 as otherwise provided in section 254(e)), or

24 “(2) for purposes of effecting mergers of ac-
25 counts pursuant to subsection (e)(2) or transfers to

1 other personal social security accounts pursuant to
2 subsection (f).

3 “(h) **PROPERTY RIGHTS OF PARTICIPATING INDI-**
4 **VIDUAL.**—Amounts held in a participating individual’s
5 personal social security account—

6 “(1) are the property of such participating indi-
7 vidual, and

8 “(2) except as provided in subsections (e)(2)
9 and (f)(3) of section 254, shall not be transferrable
10 or assignable, at law or in equity, and shall not be
11 subject to execution, levy, attachment, garnishment,
12 or other legal process, or to the operation of any
13 bankruptcy or insolvency law.

14 **“SEC. 253. DESIGNATION OF QUALIFIED SOCIAL SECURITY**
15 **MUTUAL FUNDS.**

16 “(a) **IN GENERAL.**—The Board shall establish a pro-
17 gram for designating entities as qualified social security
18 mutual funds for purposes of investment of amounts held
19 in personal social security accounts.

20 “(b) **APPLICATION PROCESS.**—An entity may be des-
21 ignated by the Board as a qualified social security mutual
22 fund only upon the filing by such entity of an application
23 to the Board at such time, in such manner, and containing
24 such information as the Board may require.

1 “(c) MINIMUM QUALIFICATIONS OF QUALIFIED SO-
2 CIAL SECURITY MUTUAL FUNDS.—

3 “(1) IN GENERAL.—An entity may be des-
4 ignated by the Board as a qualified social security
5 mutual fund only if such entity—

6 “(A) is an investment company;

7 “(B) is registered with the Securities and
8 Exchange Commission as an investment com-
9 pany and has been so registered for no fewer
10 than 10 years;

11 “(C) has been publicly traded or available
12 to the public for purchase and redemption for
13 no fewer than 10 years;

14 “(D) at the time of application, has a mar-
15 ket capitalization of at least \$100,000,000;

16 “(E) has not been subject to civil or crimi-
17 nal penalty with respect to its securities or in-
18 vestment operations by any government agency
19 within the past 10 years; and

20 “(F) is managed by a corporation, partner-
21 ship, limited liability company, or other person
22 that—

23 “(i) is incorporated, created, or orga-
24 nized in the United States, and

1 “(ii) has not been subject to civil or
2 criminal penalty with respect to its securi-
3 ties or investment operations by any gov-
4 ernment agency within the past 10 years.

5 “(2) INVESTMENT COMPANY.—For purposes of
6 this subsection, the term ‘investment company’ has
7 the meaning provided in section 3 of the Investment
8 Company Act of 1940.

9 “(d) OPERATIONAL REQUIREMENTS OF QUALIFIED
10 SOCIAL SECURITY MUTUAL FUNDS.—Each qualified so-
11 cial security mutual fund shall—

12 “(1) comply with all regulations prescribed by
13 the Board;

14 “(2) enter into any agreement with the Board
15 that the Board may require;

16 “(3) provide the Commissioner of Social Secu-
17 rity with such information as the Commissioner may
18 require to meet the requirements of section 254(b);

19 “(4) comply with all securities laws (as defined
20 in section 3(a)(47) of the Securities Exchange Act
21 of 1934);

22 “(5) comply with the fiduciary standards estab-
23 lished by section 404(a) of the Employee Retirement
24 Income Security Act of 1974 (29 U.S.C. 1104(a));

1 “(6) maintain its registration described in sub-
2 section (c)(1);

3 “(7) invest in the securities of no fewer than 50
4 issuers;

5 “(8) allow no single security to account for
6 more than 5 percent of the fund’s net asset value;

7 “(9) invest solely in securities issued by cor-
8 porations, trusts, partnerships, or limited liability
9 companies whose principal place of business is lo-
10 cated in the United States (or, in the case of invest-
11 ments made in investment companies, solely in in-
12 vestment companies in which at least 90 percent of
13 the underlying securities are those of corporations,
14 trusts, partnerships, or limited liability companies
15 whose principal place of business is located in the
16 United States);

17 “(10) not invest in government securities;

18 “(11) provide quarterly statements to each par-
19 ticipating individual invested in the qualified social
20 security mutual fund of the value of the partici-
21 pating individual’s investment and the change in
22 value during the preceding quarter and preceding
23 year (if applicable); and

1 “(12) provide to the Board (in a form pre-
2 scribed by the Board) at least the following informa-
3 tion—

4 “(A) not later than March 1 of each cal-
5 endar year, the value of each participating indi-
6 vidual’s investment in the qualified social secu-
7 rity mutual fund at the end of the preceding
8 calendar year;

9 “(B) within 30 days after any transfer to
10 another qualified social security mutual fund,
11 notification of such transfer; and

12 “(C) within 30 days after any distribution
13 to a participating individual, notification of
14 such distribution.

15 “(e) REQUIRED NUMBER AND TYPES OF QUALIFIED
16 SOCIAL SECURITY MUTUAL FUNDS.—

17 “(1) MINIMUM NUMBER.—The Board shall take
18 such actions as are necessary to maintain a number
19 of entities designated as qualified social security mu-
20 tual funds of not fewer than 150.

21 “(2) TYPE.—The Board shall ensure that, of
22 entities which are currently designated qualified so-
23 cial security mutual funds as of any time—

24 “(A) not fewer than 75 maintain a port-
25 folio invested solely in common stocks; and

1 “(B) not fewer than 50 maintain a port-
2 folio invested in a mix of bonds and debentures
3 and common stocks such that at least 50 per-
4 cent (by value) is invested in common stocks.

5 “(f) CRITERIA FOR DESIGNATION AS QUALIFIED SO-
6 CIAL SECURITY MUTUAL FUND.—

7 “(1) LIMITATION ON COMMON INVESTMENT
8 MANAGERS.—Under regulations which shall be pre-
9 scribed by the Board, not more than 15 entities
10 managed by the same investment manager may be
11 currently treated as of any time as qualified social
12 security mutual funds. For purposes of this para-
13 graph, the reference to an investment manager shall
14 include a reference to any affiliated person thereof
15 (as defined in section 2(a)(3) of the Investment
16 Company Act of 1940).

17 “(2) CRITERIA FOR DESIGNATION.—In deter-
18 mining whether to designate an entity as a qualified
19 social security mutual fund, the Board shall include
20 in matters taken into account at least the following:

21 “(A) the investment fees and administra-
22 tive expenses that such entity will incur;

23 “(B) the financial performance of such en-
24 tity;

1 “(C) appropriateness of the entity’s diver-
2 sification; and

3 “(D) the administrative efficiency and ac-
4 curacy of the entity.

5 “(3) ADDITIONAL CRITERIA.—The Board may
6 establish additional criteria for designation as a
7 qualified social security mutual fund and shall pub-
8 lish such criteria in advance of initiating the applica-
9 tion process.

10 “(g) ENFORCEMENT; LOSS OF DESIGNATION AS
11 QUALIFIED SOCIAL SECURITY MUTUAL FUND.—

12 “(1) LOSS OF DESIGNATION FOR NON-COMPLI-
13 ANCE.—The Board shall withdraw the designation of
14 any entity as a qualified social security mutual fund
15 if the entity fails to substantially comply with this
16 section. Any such withdrawal shall be effective im-
17 mediately upon a finding of non-compliance by the
18 Board, after notice and opportunity for an adminis-
19 trative hearing.

20 “(2) INTERMEDIATE OR ADDITIONAL SANC-
21 TIONS.—

22 “(A) IN GENERAL.—The Board may im-
23 pose fines on any person who manages a quali-
24 fied social security mutual fund for any viola-
25 tion of this section with respect to such fund.

1 Any such fine may not exceed the investment
2 fees and other income to such person arising
3 from the management of the qualified social se-
4 curity mutual fund for the 3 preceding calendar
5 years (or, in the case of a qualified social secu-
6 rity mutual fund that has not been so des-
7 ignated for the 3 preceding years, 3 times the
8 projected or actual investment fees and other
9 income arising from the management of the
10 qualified social security mutual fund for the
11 most recent calendar year for which such fund
12 was so designated). Such fines may be imposed
13 in addition to loss of designation as a qualified
14 social security mutual fund or in lieu of loss of
15 such designation, at the discretion of the
16 Board.

17 “(B) ENFORCEMENT.—The Board may
18 bring a civil action against any person referred
19 to in subparagraph (A) to enforce any fine im-
20 posed under such subparagraph. Such action
21 may be brought in the United States District
22 Court for the District of Columbia or in any
23 district court of the United States within the
24 jurisdiction of which such person resides or
25 does business, and process may be served in

1 any district where such person resides, does
2 business, or may be found.

3 “(3) LOSS OF DESIGNATION FOR POOR PER-
4 FORMANCE.—The Board may withdraw the designa-
5 tion of those qualified social security mutual funds,
6 equal in number to 10 percent of the total number
7 of qualified social security mutual funds, determined
8 annually by the Board to be the lowest performing,
9 except that the designation of any such fund may be
10 withdrawn under this paragraph only if the Board
11 determines that the entity that would be newly des-
12 ignated by the Board as a replacement would be
13 more qualified. The determination of performance
14 shall be made by comparing total return, taking into
15 account, together with any other factors determined
16 relevant by the Board, all investment income, gains
17 or losses, administrative expenses, and investment
18 fees over a period of time to be determined by the
19 Board. A withdrawal under this paragraph shall be
20 effective at the end of the calendar year in which the
21 withdrawal determination is made, after notice and
22 opportunity for an administrative hearing.

23 “(4) TRANSFERS.—The Board shall seek in-
24 structions by mail from all participating individuals
25 whose personal social security account is invested, in

1 whole or in part, in a qualified social security mu-
2 tual fund that has had its designation withdrawn
3 pursuant to paragraph (1) or (3) regarding other
4 qualified social security mutual funds to which the
5 participating individual would like the invested funds
6 transferred. If such instructions are not received by
7 the Board within 45 days (in case of a withdrawal
8 of designation under paragraph (1)) or within 1 year
9 (in the case of a withdrawal of designation under
10 paragraph (3)), then the distribution shall be made
11 to a randomly selected qualified social security mu-
12 tual fund that is invested in a mix of bonds and de-
13 bentures and common stocks such that at least 80
14 percent (by value) is invested in common stocks.

15 **“SEC. 254. DISTRIBUTION OF SOCIAL SECURITY RETIRE-**
16 **MENT BENEFITS.**

17 “(a) ELECTION OF PART A RETIREMENT BENEFITS
18 IN LIEU OF PART B BENEFITS AT RETIREMENT.—

19 “(1) IN GENERAL.—Unless a participating indi-
20 vidual elects, not later than 30 days after the date
21 on which such individual attains retirement age (and
22 not later than the date on which such individual
23 commences distribution from his or her personal so-
24 cial security account as provided in subsection (d),
25 if such date is earlier than the date on which such

1 individual attains retirement age), part A retirement
2 benefits based on such individual's wages and self-
3 employment income, such individual shall be deemed
4 to have elected to receive part B benefits and to
5 have forfeited any entitlement of such individual or
6 such individual's wife, husband, divorced wife, or di-
7 vorced husband to such part A retirement benefits.
8 Any such election may be made only in a form and
9 manner which shall be prescribed by the Commis-
10 sioner of Social Security. If such individual makes a
11 timely election of part A retirement benefits, such
12 individual shall be deemed to have forfeited such in-
13 dividual's part B benefits. No such election of part
14 A retirement benefits may be made by any individual
15 attaining retirement age after the end of the period
16 of 42 calendar years following the date of the enact-
17 ment of the SMART Act of 2009. Any such election
18 shall be effective only if it is in writing and signed
19 by the participating individual, his or her wife or
20 husband (if any), and each divorced wife or divorced
21 husband of such individual (if any). A deemed elec-
22 tion of part B benefits under this paragraph shall
23 take effect only upon the mailing of a written notice
24 of such deemed election to the spouse (if any) and
25 each former spouse (if any) of such deemed election,

1 in such form as shall be prescribed by the Commis-
2 sioner, to the last known mailing address of such
3 spouse or former spouse.

4 “(2) DISPOSITION OF PART B BENEFITS OF
5 PARTICIPATING INDIVIDUALS ELECTING PART A RE-
6 TIREMENT BENEFITS.—Not later than 30 days after
7 an election by a participating individual under para-
8 graph (1) of part A retirement benefits, the Com-
9 missioner of Social Security shall notify the qualified
10 social security mutual fund in which amounts held
11 in any personal social security account of such indi-
12 vidual are invested that such individual has elected
13 part A retirement benefits. Not later than 30 days
14 after receiving such notice, the qualified social secu-
15 rity mutual fund shall transfer the amount of such
16 individual’s part B benefits to the Social Security
17 Escrow Fund, and such amount shall be treated as
18 a part of the balance of such Fund.

19 “(b) INFORMATION TO BE PROVIDED TO PARTICI-
20 PATING INDIVIDUALS.—

21 “(1) IN GENERAL.—During—

22 “(A) the 90-day period beginning 180 days
23 before the date on which any participating indi-
24 vidual attains retirement age, and

1 “(B) the 90-day period following a request
2 filed by a participating individual with the Com-
3 missioner, in such form and manner as shall be
4 prescribed by the Commissioner, after 180 days
5 before the date on which the individual attains
6 age 62,

7 the Commissioner of Social Security shall provide
8 such individual with a retirement distribution esti-
9 mate described in paragraph (2). The Commissioner
10 shall not be required to respond to more than 1 re-
11 quest described in subparagraph (B) made by a par-
12 ticipating individual during any 1-year period.

13 “(2) RETIREMENT DISTRIBUTION ESTIMATE.—
14 The retirement distribution estimate described in
15 this paragraph is the Commissioner’s written esti-
16 mate of—

17 “(A) the part A retirement benefits that
18 the participating individual would receive, and
19 the part A retirement benefits that any other
20 individual would receive on the basis of the
21 wages and self-employment income of such par-
22 ticipating individual, if the participating indi-
23 vidual elected part A retirement benefits pursu-
24 ant to subsection (a);

1 “(B) the part B benefits that the partici-
2 pating individual would receive (including any
3 transitional part A retirement benefits under
4 subsection (e) of such participating individual
5 and each individual receiving on the basis of
6 such participating individual’s wages and self-
7 employment income) if such participating indi-
8 vidual does not make an election of part A re-
9 tirement benefits pursuant to subsection (a);

10 “(C) the estimated amount of the median
11 qualified social security annuity that the part B
12 benefits could purchase, given the current in-
13 surance market, if such benefits were used en-
14 tirely to purchase such an annuity; and

15 “(D) the maximum permissible annual
16 withdrawal of such part B benefits allowable
17 under subsection (d).

18 “(e) TRANSITIONAL PART A RETIREMENT BENE-
19 FITS.—Notwithstanding subsection (a), a participating in-
20 dividual born before 1970 who does not elect part A retire-
21 ment benefits pursuant to subsection (a), and each indi-
22 vidual who would be entitled to any such benefit on the
23 basis of such participating individual’s wages and self-em-
24 ployment income if such participating individual had made
25 such an election, shall be entitled to a transitional part

1 A retirement benefit. The transitional part A retirement
 2 benefit shall be equal to the product of the part A retire-
 3 ment benefit that would have been received if such an elec-
 4 tion had been made and the part A retirement benefit per-
 5 centage set forth in connection with the participating indi-
 6 vidual's year of birth, as set forth in the following table:

“If the year of birth is:	The part A retirement benefit percentage is:
1946	98 percent
1947	96 percent
1948	94 percent
1949	92 percent
1950	90 percent
1951	87 percent
1952	84 percent
1953	81 percent
1954	78 percent
1955	75 percent
1956	71 percent
1957	67 percent
1958	63 percent
1959	59 percent
1960	55 percent
1961	50 percent
1962	45 percent
1963	40 percent
1964	35 percent
1965	30 percent
1966	24 percent
1967	18 percent
1968	12 percent
1969	6 percent.

7 “(d) DISTRIBUTIONS OF PART B BENEFITS AND
 8 DISTRIBUTION LIMITS.—

9 “(1) IN GENERAL.—Subject to the limitations
 10 provided in this subsection, a participating indi-
 11 vidual who has not made a timely election of part A
 12 retirement benefits under subsection (a) may with-
 13 draw from any personal social security account of

1 such individual all or any portion of the balance in
2 such account.

3 “(2) MINIMUM AGE FOR WITHDRAWAL.—With-
4 draws by an individual from such individual’s per-
5 sonal social security account may be made only after
6 such individual has attained age 62.

7 “(3) ANNUAL 10-PERCENT LIMITATION.—

8 “(A) IN GENERAL.—Except as provided in
9 subsection (f) and paragraph (4), the maximum
10 permissible total withdrawal during any 1-year
11 period by a participating individual from all of
12 such individual’s personal social security ac-
13 counts is 10 percent of the aggregate value of
14 the amounts held in such accounts at the close
15 of the preceding calendar year.

16 “(B) LIMITATION WITH RESPECT TO
17 QUALIFIED SOCIAL SECURITY MUTUAL FUND.—

18 The terms governing the qualified social secu-
19 rity mutual fund in which are invested a par-
20 ticipating individual’s part B benefits held in
21 any personal social security account shall pro-
22 hibit distributions to such individual during any
23 1-year period of such part B benefits to the ex-
24 tent that the total amount of such distributions
25 exceed 10 percent of the value of the part B

1 benefits held in such account at the close of the
2 preceding calendar year.

3 “(C) INTERCHANGE OF INFORMATION.—
4 The Board shall provide by regulation for the
5 interchange of information between the man-
6 agers of personal social security accounts and
7 between qualified social security mutual funds
8 that is necessary to implement the requirements
9 of this paragraph.

10 “(4) PURCHASE OF QUALIFIED SOCIAL SECU-
11 RITY ANNUITIES.—

12 “(A) IN GENERAL.—Notwithstanding the
13 paragraph (3), a participating individual may
14 use any withdrawal permitted under paragraph
15 (2) to purchase, in accordance with regulations
16 which shall be prescribed by the Board, a quali-
17 fied social security annuity.

18 “(B) QUALIFIED SOCIAL SECURITY ANNU-
19 ITY.—For purposes of this paragraph, the term
20 ‘qualified social security annuity’ means an an-
21 nuity contract between an insurance company
22 and a participating individual that complies
23 with the following requirements:

24 “(i) The annuity contract is offered
25 by an insurance company whose principal

1 place of business is located in the United
2 States.

3 “(ii) The annuity contract is offered
4 by an insurance company approved for its
5 safety and soundness by the Board.

6 “(iii) The insurance company entering
7 into the annuity contract has insured the
8 risk that it will be unable to meet its obli-
9 gations with a reinsurance company (whose
10 principal place of business may be located
11 inside or outside the United States) that
12 will meet the obligations of the primary in-
13 surer in the event it cannot and has been
14 approved by the Board for its safety and
15 soundness.

16 “(iv) If the annuitant is a married
17 person at the time of the issuance of the
18 annuity, the annuity is in the form of a
19 qualified joint and survivor annuity. For
20 purposes of this clause, the term ‘qualified
21 joint and survivor annuity’ means an annu-
22 ity—

23 “(I) which is for the life of the
24 participating individual, with a sur-
25 vivor annuity for the life of the spouse

1 which is not less than 50 percent of
2 (and is not greater than 100 percent
3 of) the amount of the annuity which
4 is payable during the joint lives of the
5 participating individual and the
6 spouse, and

7 “(II) which is the actuarial
8 equivalent of a single annuity for the
9 life of the participating individual.

10 “(v) The terms of the annuity con-
11 tract must have been approved as fair and
12 reasonable by the Board.

13 “(e) PART B BENEFITS SUBJECT TO DOMESTIC RE-
14 LATIONS ORDERS.—

15 “(1) IN GENERAL.—A participating individual’s
16 part B benefits (including any qualified social secu-
17 rity annuity purchased with part B benefits) shall be
18 subject to, and payable in accordance with the re-
19 quirements of, any qualified domestic relations
20 order.

21 “(2) QUALIFIED DOMESTIC RELATIONS
22 ORDER.—For purposes of this subsection—

23 “(A) IN GENERAL.—The term ‘qualified
24 domestic relations order’ means a domestic rela-
25 tions order—

1 “(i) which creates or recognizes the
2 existence of an alternate payee’s right to,
3 or assigns to an alternate payee the right
4 to, receive all or a portion of the part B
5 benefits payable with respect to a partici-
6 pating individual, and

7 “(ii) with respect to which the re-
8 quirements of paragraphs (3) and (4) are
9 met.

10 “(B) DOMESTIC RELATIONS ORDER.—The
11 term ‘domestic relations order’ means any judg-
12 ment, decree, or order (including approval of a
13 property settlement agreement) which—

14 “(i) relates to the provision of child
15 support, alimony payments, or marital
16 property rights to a spouse, former spouse,
17 child, or other dependent of a participating
18 individual, and

19 “(ii) is made pursuant to a State do-
20 mestic relations law (including a commu-
21 nity property law).

22 “(3) REQUIREMENTS.—A domestic relations
23 order meets the requirements of this paragraph only
24 if—

25 “(A) such order clearly specifies—

1 “(i) the name and the last known
2 mailing address (if any) of the partici-
3 pating individual and the name and mail-
4 ing address of each alternate payee covered
5 by the order,

6 “(ii) the amount or percentage of the
7 participating individual’s part B benefits to
8 be paid from the participating individual’s
9 personal social security account (including
10 any qualified social security mutual fund in
11 which they are invested) or qualified social
12 security annuity to each such alternate
13 payee, or the manner in which such
14 amount or percentage is to be determined,

15 “(iii) the number of payments or pe-
16 riod to which such order applies, and

17 “(iv) each personal social security ac-
18 count or qualified social security annuity to
19 which such order applies, and

20 “(B) such order is directed at—

21 “(i) one or more qualified social secu-
22 rity mutual funds in which amounts cred-
23 ited to the participating individual’s per-
24 sonal social security account are invested,
25 or

1 “(ii) if some or all of the participating
2 individual’s part B benefits have been used
3 to purchase a qualified social security an-
4 nuity, the insurance company offering such
5 annuity.

6 “(4) REQUIRED SCOPE.—A domestic relations
7 order meets the requirements of this paragraph only
8 if such order—

9 “(A) does not require the provision of any
10 type or form of benefit, or any option, not oth-
11 erwise provided under the terms of the personal
12 social security account (including the qualified
13 social security mutual fund) or the qualified so-
14 cial security annuity,

15 “(B) does not require payments from the
16 account or annuity of increased benefits (deter-
17 mined on the basis of actuarial value), and

18 “(C) does not require the payment of part
19 B benefits to an alternate payee which are re-
20 quired to be paid to another alternate payee
21 under another order previously determined to
22 be a qualified domestic relations order.

23 “(5) TIMING AND FORM REQUIREMENTS.—A
24 domestic relations order shall not be treated as fail-
25 ing to meet the requirements of subparagraph (A) of

1 paragraph (4) solely because such order requires
2 that payment of benefits be made to an alternate
3 payee—

4 “(A) on or after the date on which the par-
5 ticipating attains (or would have attained) re-
6 tirement age,

7 “(B) as if the participating individual had
8 attained retirement age on the date on which
9 such payment is to begin under such order (but
10 taking into account only the present value of
11 benefits actually accrued), and

12 “(C) in any form in which such benefits
13 may be paid to the participating individual
14 under this part (other than in the form of a
15 joint and survivor annuity with respect to the
16 alternate payee and his or her subsequent
17 spouse).

18 “(6) RESPONSIBILITIES OF QUALIFIED SOCIAL
19 SECURITY MUTUAL FUNDS AND INSURANCE COMPA-
20 NIES.—

21 “(A) ACTIONS REQUIRED UPON RECEIPT
22 OF ORDER.—In the case of any domestic rela-
23 tions order received by any person that is a
24 qualified social security mutual fund or insur-
25 ance company referred to in paragraph (3)(B)

1 with respect to a personal social security ac-
2 count maintained for a participating indi-
3 vidual—

4 “(i) such person shall promptly notify
5 the participating individual and each alter-
6 nate payee of the receipt of such order and
7 such person’s procedures for determining
8 the qualified status of domestic relations
9 orders, and

10 “(ii) within a reasonable period after
11 receipt of such order, such person shall de-
12 termine whether such order is a qualified
13 domestic relations order and notify the
14 participant and each alternate payee of
15 such determination.

16 “(B) PROCEDURES FOR DETERMINING
17 QUALIFIED STATUS.—Each person referred to
18 in subparagraph (A) shall establish reasonable
19 procedures to determine the qualified status of
20 domestic relations orders with respect to per-
21 sonal social security accounts and to administer
22 distributions of part B benefits under such
23 qualified orders. Such procedures—

24 “(i) shall be in writing,

1 “(ii) shall provide for the notification
2 of each alternate payee specified in a do-
3 mestic relations order as entitled to pay-
4 ment of part B benefits with respect to the
5 personal social security account (at the ad-
6 dress included in the domestic relations
7 order) of such procedures promptly upon
8 receipt by such person of the domestic re-
9 lations order, and

10 “(iii) shall permit an alternate payee
11 to designate a representative for receipt of
12 copies of notices that are sent to the alter-
13 nate payee with respect to a domestic rela-
14 tions order.

15 “(f) DISTRIBUTION UPON DEATH OF PARTICIPATING
16 INDIVIDUAL.—

17 “(1) IN GENERAL.—If the participating indi-
18 vidual dies before all amounts consisting of such in-
19 dividual’s part B benefits held in a personal social
20 security account are otherwise distributed in accord-
21 ance with this section, subject to paragraph (3),
22 such amounts shall be distributed, under regulations
23 which shall be prescribed by the Board—

24 “(A) in any case in which one or more
25 beneficiaries have been designated in advance,

1 to such beneficiaries in accordance with such
2 designation as provided in such regulations, and

3 “(B) in the case of any amount not distrib-
4 uted as described in paragraph (1), to such in-
5 dividual’s estate.

6 “(2) SPOUSAL RIGHTS.—Notwithstanding any
7 beneficiary designation made by a participating indi-
8 vidual pursuant to paragraph (1), subject to para-
9 graph (3), a surviving spouse of the participating in-
10 dividual shall be entitled to not less than one half of
11 the deceased participating individual’s part B bene-
12 fits payable from the personal social security ac-
13 count. In any case in which compliance with the pre-
14 ceding sentence results in remaining amounts in the
15 personal social security account which are insuffi-
16 cient to provide for distribution to other beneficiaries
17 as provided in the terms governing the account, dis-
18 tributions to such other beneficiaries shall be re-
19 duced as necessary on a pro rata basis.

20 “(3) APPLICATION TOWARDS DEBTS.—Upon
21 the death of the accountholder for a personal social
22 security account, the amount in such account shall
23 be passed through to the estate of such deceased
24 accountholder and, as part of such estate, shall be
25 available, in accordance with State law, to pay debts

1 of the accountholder, including debts of medical
2 creditors of the accountholder.

3 **“SEC. 255. ENFORCEMENT OF CONTRIBUTION REQUIRE-**
4 **MENTS.**

5 “(a) **PENALTIES FOR FAILURE TO ESTABLISH SO-**
6 **CIAL SECURITY PAYROLL DEDUCTION PLAN.**—Any em-
7 ployer who fails to meet the requirements of section
8 252(b) for any calendar year shall be subject to a civil
9 penalty of not to exceed the greater of—

10 “(1) \$50,000, or

11 “(2) \$1,000 for each eligible individual of such
12 employer as of the beginning of such calendar year.

13 “(b) **PENALTIES FOR FAILURE TO MAKE DEDUC-**
14 **TIONS REQUIRED UNDER PLAN.**—Any employer who fails
15 to timely deduct in full, pursuant to section 252(a)(1), the
16 amount from the wages of a participating individual re-
17 quired under an applicable social security payroll deduc-
18 tion plan, shall be subject to a civil penalty of not to ex-
19 ceed \$50 for each such failure.

20 “(c) **PENALTIES FOR FAILURE TO PAY DEDUCTED**
21 **WAGES TO INDIVIDUAL SOCIAL SECURITY RETIREMENT**
22 **ACCOUNT.**—

23 “(1) **IN GENERAL.**—Any employer who—

24 “(A) fails to timely pay in full, in accord-
25 ance with section 252(a)(1), such individual’s

1 part B personal social security contribution de-
2 scribed in section 251(7)(B) to a personal social
3 security account established and maintained for
4 such individual pursuant to section 252(b), or

5 “(B) fails to timely provide for investment
6 of any such amount, pursuant to section
7 252(d),

8 shall be liable as described in paragraph (2).

9 “(2) LIABILITY.—In the case of any failure de-
10 scribed in paragraph (1) by an employer to pay or
11 invest any amount deducted from the wages of a
12 participating individual under a social security pay-
13 roll deduction plan, the employer—

14 “(A) shall be subject to a civil penalty of
15 not to exceed 20 percent of the unpaid or
16 uninvested amount, in addition to any penalty
17 under subsection (a), and

18 “(B) shall be liable to the participating in-
19 dividual for interest on the unpaid or
20 uninvested amount at a rate equal to 133 per-
21 cent of the Federal short-term rate under sec-
22 tion 1274(d)(1) of the Internal Revenue Code
23 of 1986, calculated from the last day by which
24 such amount was required to be so paid or in-

1 vested to the date on which such amount is so
2 paid or invested.

3 “(d) PENALTIES FOR FAILURE BY SELF-EMPLOYED
4 INDIVIDUALS TO PAY CONTRIBUTIONS.—

5 “(1) IN GENERAL.—Any individual who—

6 “(A) fails to timely pay in full, as required
7 under section 252(a)(2), such individual’s part
8 B personal social security contribution de-
9 scribed in section 251(7)(B) to a personal social
10 security account established and maintained by
11 such individual pursuant to section 252(e), or

12 “(B) fails to timely provide for investment
13 of any such amount, pursuant to section
14 252(d),

15 shall be liable as described in paragraph (2).

16 “(2) LIABILITY.—In the case of any failure de-
17 scribed in paragraph (1) by an individual to pay an
18 amount or provide for investment of such amount,
19 the individual shall be subject to a civil penalty of
20 not to exceed 20 percent of the unpaid or uninvested
21 amount, plus interest on the unpaid amount at a
22 rate equal to 133 percent of the Federal short-term
23 rate under section 1274(d)(1) of the Internal Rev-
24 enue Code of 1986, calculated from the last day by
25 which such amount was required to be so paid or in-

1 vested to the date on which such amount is so paid
2 or invested.

3 “(e) RULES FOR APPLICATION OF SECTION.—

4 “(1) PENALTIES ASSESSED BY COMMISSIONER
5 OF SOCIAL SECURITY.—Any civil penalty assessed by
6 this section shall be imposed by the Commissioner of
7 Social Security and collected in a civil action.

8 “(2) COMPROMISES.—The Commissioner may
9 compromise the amount of any civil penalty imposed
10 by this section.

11 “(3) AUTHORITY TO WAIVE PENALTY IN CER-
12 TAIN CASES.—The Commissioner may waive the ap-
13 plication of this section with respect to any failure
14 if the Commissioner determines that such failure is
15 due to reasonable cause and not to intentional dis-
16 regard of rules and regulations.

17 **“SEC. 256. PERSONAL ACCOUNTS MANAGEMENT AND RE-**
18 **VIEW BOARD.**

19 “(a) PERSONAL ACCOUNTS MANAGEMENT AND RE-
20 VIEW BOARD ESTABLISHED.—There is hereby estab-
21 lished, as an independent agency in the executive branch
22 of the Government, a Personal Accounts Management and
23 Review Board.

24 “(b) COMPOSITION AND APPOINTMENT.—

1 “(1) IN GENERAL.—The Board shall be com-
2 prised of 9 trustees—

3 “(A) 3 of whom are Government trustees
4 described in paragraph (2), and

5 “(B) 6 of whom are independent trustees
6 appointed under paragraph (3).

7 “(2) GOVERNMENT TRUSTEES.—

8 “(A) IN GENERAL.—Of the Government
9 trustees—

10 “(i) 1 trustee shall be an officer or
11 employee of the Social Security Adminis-
12 tration who shall be appointed by the Com-
13 missioner of Social Security, shall serve at
14 the pleasure of the Commissioner, and
15 shall remain, while serving as a member,
16 as an officer or employee of the Social Se-
17 curity Administration,

18 “(ii) 1 trustee shall be the Secretary
19 of the Treasury, who shall serve ex officio,
20 and

21 “(iii) 1 trustee shall be an officer or
22 employee of the Securities and Exchange
23 Commission who shall be appointed by the
24 Chairman of the Commission, shall serve
25 at the pleasure of the Chairman of the

1 Commission, and shall remain, while serv-
2 ing as a member, as an officer or employee
3 of the Commission.

4 “(B) NO ADDITIONAL COMPENSATION.—
5 Government trustees shall receive no additional
6 compensation for service on the Board, subject
7 to paragraph (4).

8 “(3) INDEPENDENT TRUSTEES.—

9 “(A) IN GENERAL.—The independent
10 trustees shall be appointed by the President, by
11 and with the advice and consent of the Senate,
12 of whom one shall be designated by the Presi-
13 dent as Chairman.

14 “(B) LENGTH OF APPOINTMENTS.—

15 “(i) TERMS.—An independent trustee
16 shall be appointed for a term of 3 years,
17 except that of the members first appointed
18 under subparagraph (A)—

19 “(I) the Chairman and one other
20 independent trustee shall be appointed
21 for a term of 3 years,

22 “(II) two other independent
23 trustees shall be appointed for a term
24 of 2 years, and

1 “(III) the two remaining inde-
2 pendent trustees shall be appointed
3 for a term of one year.

4 “(ii) VACANCIES.—

5 “(I) IN GENERAL.—A vacancy on
6 the Board shall be filled in the man-
7 ner in which the original appointment
8 was made and shall be subject to any
9 conditions that applied with respect to
10 the original appointment.

11 “(II) COMPLETION OF TERM.—
12 An individual chosen to fill a vacancy
13 shall be appointed for the unexpired
14 term of the trustee replaced.

15 “(iii) EXPIRATION.—The term of any
16 trustee shall not expire before the date on
17 which the trustee’s successor takes office.

18 “(C) COMMENCEMENT OF TERMS.—The
19 terms of the independent trustees first ap-
20 pointed under this paragraph shall commence
21 on July 1 of the calendar year following the
22 date of the enactment of the SMART Act of
23 2009.

24 “(4) EXPENSES.—A trustee shall be paid trav-
25 el, per diem, and other necessary expenses under

1 subchapter I of chapter 57 of title 5 of the United
2 States Code while traveling away from such trustee's
3 home or regular place of business in the perform-
4 ance of duties for the Board.

5 “(c) DUTIES.—The Personal Accounts Management
6 and Review Board shall—

7 “(1) operate the Social Security Escrow Fund;

8 “(2) carry out its duties and responsibilities
9 under this title;

10 “(3) designate and regulate qualified social se-
11 curity mutual funds;

12 “(4) designate and regulate qualified social se-
13 curity annuities; and

14 “(5) make such recommendations to the Presi-
15 dent and the Congress as it may from time to time
16 deem advisable with respect to the operation of the
17 programs established under this title (relating to the
18 old age, survivors, and disability insurance program
19 and the personal social security savings program),
20 title VIII (relating to special benefits relating to cer-
21 tain World War II veterans), title XVI (relating to
22 supplemental security income for the aged, blind,
23 and disabled), title XVIII (relating to Medicare),
24 and title XIX (relating to Medicaid).

1 The power of the Board to regulate qualified social secu-
2 rity mutual funds and qualified social security annuities
3 shall not be construed to limit the regulatory authority
4 of other Federal and State agencies that may regulate
5 such funds or annuities.

6 “(d) SEAL.—The Board may adopt, alter, and use
7 a seal.

8 “(e) EXERCISE OF POWERS.—

9 “(1) ACTION BY QUORUM.—The Board shall
10 perform the duties and exercise the powers of the
11 Board on a majority vote of a quorum of the Board.
12 Two of the Government trustees plus four of the
13 independent trustees shall constitute a quorum for
14 the transaction of business.

15 “(2) VACANCIES.—A vacancy on the Board
16 shall not impair the authority of a quorum of the
17 Board to perform the functions and exercise the
18 powers of the Board.

19 “(f) MEETINGS.—The Board shall meet—

20 “(1) not less than once during each month, and

21 “(2) at additional times at the call of the Chair-
22 man or a quorum of the Board.

23 “(g) LIMITATIONS ON INVESTMENTS.—The Board
24 may not direct any person to invest or to cause to be in-
25 vested any amounts held in the personal social security

1 account of any individual in a specific qualified social secu-
2 rity mutual fund or to dispose of or cause to be disposed
3 of any such investment.

4 “(h) DISCHARGE OF RESPONSIBILITIES.—The trust-
5 ees shall discharge their responsibilities solely in the inter-
6 est of the participating individuals and their beneficiaries
7 under this part.”.

8 (b) SOCIAL SECURITY ESCROW FUND.—

9 (1) MERGER OF FEDERAL OLD-AGE AND SUR-
10 VIVORS INSURANCE TRUST FUND AND FEDERAL DIS-
11 ABILITY INSURANCE TRUST FUND INTO SOCIAL SE-
12 CURITY ESCROW FUND.—Section 201 is amended by
13 striking all that precedes subsection (g) and insert-
14 ing the following:

15 “SOCIAL SECURITY ESCROW FUND

16 “Establishment of Social Security Escrow Fund

17 “SEC. 201. (a)(1) IN GENERAL.—There is estab-
18 lished in the Treasury of the United States a trust fund
19 to be known as the ‘Social Security Escrow Fund’.

20 “(2) BALANCE OF FUND.—

21 “(A) IN GENERAL.—Subject to subparagraph
22 (B), the Social Security Escrow Fund shall consist
23 of—

24 “(i) the securities held by the Federal Old-
25 Age and Survivors Insurance Trust Fund and
26 the Federal Disability Insurance Trust Fund

1 and the amount standing to the credit of such
2 Trust Funds on the effective date specified in
3 section 2(g)(1) of the SMART Act of 2009,
4 which securities and amount the Secretary of
5 the Treasury shall transfer to the Social Secu-
6 rity Escrow Fund on such date,

7 “(ii) such gifts and bequests as may be
8 made as provided in subsection (i)(1), and

9 “(iii) all amounts transferred to or depos-
10 ited into the Social Security Escrow Fund pur-
11 suant to subsection (b).

12 “(B) INVESTMENTS AND DISBURSEMENTS.—
13 The balance in the Social Security Escrow Fund
14 shall reflect the performance of investments of
15 amounts in the Social Security Escrow Fund attrib-
16 utable to transferred or deposited amounts described
17 in subparagraph (A) and reductions incurred
18 through any disbursements from the Social Security
19 Escrow Fund pursuant to subsection (d).

20 “(3) TRUSTEES.—The Personal Accounts Manage-
21 ment and Review Board (hereinafter in this section re-
22 ferred to as the ‘Board’) shall serve as trustees of the So-
23 cial Security Escrow Fund. The Secretary of the Treasury
24 shall serve as Managing Trustee of the Social Security Es-
25 crow Fund.

1 “(4) BUDGET AUTHORITY; APPROPRIATION.—This
2 part constitutes budget authority in advance of appropria-
3 tions Acts and represents the obligation of the Board to
4 provide for the payment of amounts provided under this
5 part. The amounts held in the Social Security Escrow
6 Fund are hereby appropriated for payment of such
7 amounts and shall remain available without fiscal year
8 limitation.

9 “Deposits Into Social Security Escrow Fund

10 “(b)(1) IN GENERAL.—During each calendar year
11 commencing with or after the effective date specified in
12 section 2(g)(1) of the SMART Act of 2009, the Secretary
13 of the Treasury shall deposit into the Social Security Es-
14 crow Fund, from amounts available in the general fund
15 of the Treasury, a total amount equal to the sum of—

16 “(A) 100 percent of the employer contribution
17 (as defined in paragraph (3)) for the calendar year;

18 “(B) the amount of the taxes imposed under
19 section 3101(b) of the Internal Revenue Code of
20 1986 on the wages paid during the calendar year
21 and the amount of the taxes imposed under section
22 1401(b) of such Code on self-employment income de-
23 rived during taxable years ending with or during the
24 calendar year;

1 “(C) amounts received pursuant to section
2 254(a) (relating to disposition of part B benefits of
3 participating individuals electing to receive part A
4 retirement benefits);

5 “(D) the budget reform amount (as defined in
6 section 6(a) of the SMART Act of 2009) for the fis-
7 cal year ending during such calendar year; and

8 “(E) all amounts appropriated for periods dur-
9 ing such calendar year pursuant to section 1601 (re-
10 lating to supplemental security income).

11 “(2) TRANSFERS BASED ON ESTIMATES.—

12 “(A) IN GENERAL.—The amounts deposited
13 pursuant to paragraph (1) shall be transferred in at
14 least monthly installments to the Social Security Es-
15 crow Fund.

16 “(B) DETERMINATION OF AMOUNTS.—The
17 amounts transferred under subparagraph (A) shall
18 be transferred from time to time from the general
19 fund of the Treasury, such amounts to be deter-
20 mined on the basis of estimates, made by the Com-
21 missioner of Social Security based on the best infor-
22 mation available and certified to the Secretary of the
23 Treasury, of the total amount specified in paragraph
24 (1). Proper adjustments shall be made in amounts
25 subsequently transferred to the extent prior esti-

1 whose principal places of business are located in the
2 United States.

3 “Disbursements From Social Security Escrow Fund

4 “(d)(1) IN GENERAL.—Except as provided in this
5 section, the sums in the Social Security Escrow Fund shall
6 be available for disbursement solely—

7 “(A) for payment by the Board, in accordance
8 with certifications by the Commissioner of Social Se-
9 curity pursuant to section 205(i), of—

10 “(i) part A retirement benefits;

11 “(ii) monthly insurance benefits under sub-
12 sections (d), (e), (f), (g), and (h) of section 202;

13 “(iii) disability insurance benefits under
14 section 223;

15 “(iv) lump sum death benefits under sec-
16 tion 202(i);

17 “(B) for payment by the Board, in accordance
18 with certifications which shall be made by the Com-
19 missioner of Social Security, of supplemental secu-
20 rity income benefits under title XVI;

21 “(C) for transfers to the Federal Hospital In-
22 surance Trust Fund, in the amount of Medicare
23 benefits provided under part A of title XVIII;

24 “(D) for administrative expenses payable pursu-
25 ant to subsection (f); and

1 “(E) to the extent there are excess funds as of
2 the end of any fiscal year, for transfer to the general
3 fund of the Treasury pursuant to paragraph (2)(A).

4 “(2) TREATMENT OF EXCESS FUNDS IN THE SOCIAL
5 SECURITY ESCROW FUND.—

6 “(A) IN GENERAL.—In any case in which there
7 are excess funds in the Social Security Escrow Fund
8 as of the end of any fiscal year, the Secretary of the
9 Treasury shall, as soon as practicable after the end
10 of such fiscal year, transfer from the such Fund to
11 the general fund of the Treasury an amount equal
12 to the amount of such excess funds.

13 “(B) BUDGETARY RULES IN CONNECTION WITH
14 EXCESS FUNDS.—For budgetary rules relating to ex-
15 cess funds in the Social Security Escrow Fund, see
16 section 316 of the Congressional Budget Act of
17 1974 (relating to dedication of social security sur-
18 pluses to reduction in the public debt).

19 “(3) EXCESS FUNDS.—For purposes of this sub-
20 section, the term ‘excess funds’ means, in connection with
21 any fiscal year, funds held by the Social Security Escrow
22 Fund as of the end of the fiscal year in excess of \$100
23 billion that the Commissioner of Social Security deter-
24 mines will not be necessary in the Social Security Escrow
25 Fund, taking into account projected receipts of such Fund

1 and projected outlays of such Fund, to meet the obliga-
2 tions set forth in subparagraphs (A) through (D) of para-
3 graph (1) within the next 20 years.

4 “(4) LIMITATION.—The sums in the Social Security
5 Escrow Fund shall not be appropriated for any purpose
6 other than the purposes specified in this section and may
7 not be used for any other purpose.

8 “Borrowing Authorized

9 “(e) If the amounts held by Social Security Escrow
10 Fund are insufficient to pay the disbursements authorized
11 and required by this section, the Board may issue to the
12 Secretary of the Treasury notes or other obligations in an
13 aggregate amount equal to the amount of the insuffi-
14 ciency, in such forms and denominations, bearing such
15 maturities, and subject to such terms and conditions as
16 may be prescribed by such Secretary. Such notes or other
17 obligations shall bear interest at a rate determined by such
18 Secretary, taking into consideration the current average
19 market yield on outstanding marketable obligations of the
20 United States of comparable maturities during the month
21 preceding the issuance of such notes or other obligations
22 of the Board. Such Secretary shall purchase any notes or
23 other obligations issued by the Board under this sub-
24 section, and for that purpose such Secretary may use as
25 a public debt transaction the proceeds from the sale of

1 any securities issued under chapter 31 of title 31, United
2 States Code, and the purposes for which securities may
3 be issued under that chapter are extended to include any
4 purchase of such notes and obligations. Such Secretary
5 may at any time sell any of the notes or other obligations
6 acquired by such Secretary under this subsection. All re-
7 demptions, purchases, and sales by such Secretary of such
8 notes or other obligations shall be treated as public debt
9 transactions of the United States.

10 “Government Accountability Office Report

11 “(f)(1) IN GENERAL.—The Comptroller General of
12 the United States shall annually audit the financial state-
13 ments of the Social Security Escrow Fund and report to
14 each House of the Congress on—

15 “(A) the operations of the Social Security Es-
16 crow Fund,

17 “(B) the reasonableness of the administrative
18 expenses incurred,

19 “(C) the advisability of the investments made
20 with funds in the Social Security Escrow Fund, and

21 “(D) such other matters as the Comptroller
22 General may deem desirable.

23 “(2) RECOMMENDATIONS.—The Secretary of the
24 Treasury, the Commissioner of Social Security, and the
25 Board shall timely provide the Comptroller General with

1 whatever information is requested by the Comptroller Gen-
2 eral. The Comptroller General shall, in the Comptroller
3 General's report, make recommendations to each House
4 of the Congress and the Board as he deems appropriate
5 or advisable.”.

6 (2) CONFORMING AMENDMENTS; RULE OF CON-
7 STRUCTION.—

8 (A) AMENDMENTS TO SECTION 201.—Sec-
9 tion 201 of such Act is amended further—

10 (i) in subsection (g)(1)(A), by striking
11 “Managing Trustee of the Trust Funds”
12 and all that follows through “into the
13 Treasury” and inserting “Secretary of the
14 Treasury shall pay from the Social Secu-
15 rity Escrow Fund, the Federal Hospital
16 Insurance Trust Fund, and the Federal
17 Supplementary Insurance Trust Fund
18 (hereinafter in this paragraph referred to
19 as the ‘Trust Funds’) into the Treasury”;

20 (ii) by striking “Managing Trustee”
21 each place such term otherwise appears
22 and inserting “Secretary of the Treasury”;

23 (iii) by striking the last 2 sentences of
24 subsection (g)(1)(A);

1 (iv) in subsection (g)(1)(B)(i), by
2 striking subclauses (II) and (III) and in-
3 sserting the following:

4 “(II) the portion of such costs which
5 should have been borne by the Social Secu-
6 rity Escrow Fund,”,

7 and by redesignating subclasses (IV) and
8 (V) as subclauses (III) and (IV), respec-
9 tively;

10 (v) in subsection (g)(1)(C), by striking
11 “Secretary shall” and inserting “Secretary
12 of Health and Human Services shall”;

13 (vi) in subsection (g)(1)(C)(ii), by in-
14 sserting “of Health and Human Services”
15 after “Secretary”;

16 (vii) in subsection (g)(1)(D), by in-
17 sserting “of Health and Human Services”
18 after “Secretary”;

19 (viii) in subsection (g)(2), by striking
20 the last sentence;

21 (ix) in subsection (g)(4), by striking
22 “Board of Trustees of such Trust Funds”
23 and inserting “Board”, and by striking
24 “Boards of Trustees of such Trust Funds
25 consider such action advisable, they” and

1 inserting “Board considers such action ad-
2 visable, the Board”;

3 (x) by striking subsection (h);

4 (xi) in subsection (i)(1), by striking
5 “the Federal Old-Age and Survivors Insur-
6 ance Trust Fund, the Federal Disability
7 Insurance Trust Fund,” and inserting “the
8 Social Security Escrow Fund,”;

9 (xii) in subsection (i)(2)(B), by strik-
10 ing “Federal Old-Age and Survivors Insur-
11 ance Trust Fund” and inserting “Social
12 Security Escrow Fund”;

13 (xiii) in subsection (j), by striking
14 “the Federal Old-Age and Survivors Insur-
15 ance Trust Fund, or the Federal Disability
16 Insurance Trust Fund (as determined ap-
17 propriate by the Commissioner of Social
18 Security)” and inserting “the Social Secu-
19 rity Escrow Fund”;

20 (xiv) in subsection (k), by striking
21 “the Federal Disability Insurance Trust
22 Fund and the Federal Old-Age Insurance
23 Trust Fund, as determined appropriate by
24 the Commissioner of Social Security” and

1 inserting “the Social Security Escrow
2 Fund”;

3 (xv) by striking subsection (l);

4 (xvi) in subsection (m)(3), by striking
5 “one of the Trust Funds” and inserting
6 “the Social Security Escrow Fund”, and
7 by striking “such Trust Fund” each place
8 it appears and inserting “such Fund”;

9 (xvii) by striking subsection (n); and

10 (xviii) by redesignating subsections
11 (i), (j), (k), and (m) (as amended by this
12 subparagraph) as subsections (h), (i), (j),
13 and (k), respectively.

14 (B) OTHER CONFORMING AMENDMENTS.—

15 (i) Title II of the Social Security Act
16 is amended—

17 (I) in section 202(x)(2)(B)(iii)
18 (42 U.S.C. 402(x)(2)(B)(iii)), by
19 striking “the Federal Old-Age and
20 Survivors Insurance Trust Fund and
21 the Federal Disability Insurance
22 Trust Fund, as appropriate,” and in-
23 serting “the Social Security Escrow
24 Fund”;

1 (II) in section 206(d)(5) (42
2 U.S.C. 406(d)(5)), by striking “the
3 Federal Old-Age and Survivors Insur-
4 ance Trust Fund and the Federal
5 Disability Insurance Trust Fund, as
6 appropriate” and inserting “the Social
7 Security Escrow Fund”;

8 (III) in section 208(b)(5) (42
9 U.S.C. 408(b)(5)), by striking “the
10 Federal Old-Age and Survivors Insur-
11 ance Trust Fund, or the Federal Dis-
12 ability Insurance Trust Fund, as ap-
13 propriate” and inserting “the Social
14 Security Escrow Fund”;

15 (IV) in section 215(i)(1)(F) (42
16 U.S.C. 415(i)(1)(F)), by striking “the
17 Federal Old-Age and Survivors Insur-
18 ance Trust Fund” each place it ap-
19 pears and inserting “the Social Secu-
20 rity Escrow Fund”;

21 (V) in section 217(g)(1)(A) (42
22 U.S.C. 417(g)(1)(A)), by striking “the
23 Federal Old-Age and Survivors Insur-
24 ance Trust Fund, the Federal Dis-
25 ability Insurance Trust Fund, and”

1 and inserting “the Social Security Es-
2 crow Fund and”;

3 (VI) in section 221(e) (42 U.S.C.
4 421(e)), by striking the last sentence;

5 (VII) in section 222(d)(1) (42
6 U.S.C. 422(d)(1)), by striking “the
7 Federal Old-Age and Survivors Insur-
8 ance Trust Fund and the Federal
9 Disability Insurance Trust Fund” and
10 inserting “the Social Security Escrow
11 Fund”;

12 (VIII) by striking section
13 222(d)(4) (42 U.S.C. 422(d)(4)) and
14 inserting the following:

15 “(4) The Commissioner of Social Security shall
16 determine according to such methods and procedures
17 as the Commissioner may deem appropriate the total
18 amount to be reimbursed by money paid from the
19 Social Security Escrow Fund for the cost of services
20 under this subsection.”; and

21 (IX) in section 228(g) (42 U.S.C.
22 428(g)), by striking “the Federal Old-
23 Age and Survivors Insurance Trust
24 Fund” and inserting “the Social Se-
25 curity Escrow Fund”.

1 (ii) Title VII of such Act is amend-
2 ed—

3 (I) in section 703(j) (42 U.S.C.
4 903(j)), by striking “the Federal Dis-
5 ability Insurance Trust Fund, the
6 Federal Old-Age and Survivors Insur-
7 ance Trust Fund,” and inserting “the
8 Social Security Escrow Fund”;

9 (II) in section 709 (42 U.S.C.
10 910), by striking “the Board of
11 Trustees of the Federal Old-Age and
12 Survivors Insurance Trust Fund and
13 the Federal Disability Insurance
14 Trust Fund, the Federal Hospital In-
15 surance Trust Fund, or the Federal
16 Supplementary Medical Insurance
17 Trust Fund determines at any time
18 that the balance ratio of any such
19 Trust Fund” in subsection (a) and in-
20 serting “the Personal Accounts Man-
21 agement and Review Board or the
22 Board of Trustees of the Federal
23 Hospital Insurance Trust Fund or the
24 Federal Supplementary Medical In-
25 surance Trust Fund determines at

1 any time that the balance ratio of the
2 trust fund consisting of the Social Se-
3 curity Escrow Fund (in the case of
4 the Personal Accounts Management
5 and Review Board) or either the Fed-
6 eral Hospital Insurance Trust Fund
7 or the Federal Supplementary Medical
8 Insurance Trust Fund (in the case of
9 such Board of Trustees)”, by striking
10 “for amounts which will be paid from
11 the Federal Old-Age and Survivors
12 Insurance Trust Fund and the Fed-
13 eral Disability Insurance Trust
14 Fund,” and inserting “for amounts
15 which will be paid from the Social Se-
16 curity Escrow Fund,” and by striking
17 “Trust Fund” each other place it ap-
18 pears and inserting “trust fund”; and
19 (III) in section 710(a) (42
20 U.S.C. 911(a)) by striking “the Fed-
21 eral Old-Age and Survivors Insurance
22 Trust Fund and the Federal Dis-
23 ability Insurance Trust Fund” and in-
24 serting “the Social Security Escrow
25 Fund”.

1 (iii) Title XI of such Act is amend-
2 ed—

3 (I) in section 1106 (42 U.S.C.
4 1306), by striking by striking “the
5 Federal Old-Age and Survivors Insur-
6 ance Trust Fund, the Federal Dis-
7 ability Insurance Trust Fund” and in-
8 serting “the Social Security Escrow
9 Fund,”;

10 (II) in section 1129(e)(2)(A) (42
11 U.S.C. 1320a–8(e)(2)(A)), by striking
12 “shall be transferred” and all that fol-
13 lows and inserting “shall be trans-
14 ferred to the Secretary of the Treas-
15 ury, and such amounts shall be depos-
16 ited by such Secretary into the Social
17 Security Escrow Fund.”;

18 (III) in section 1145(c) (42
19 U.S.C. 1320b–15(c)), by striking
20 paragraphs (1) and (2) and inserting
21 the following:

22 “(1) the Social Security Escrow Fund;”,

23 and by redesignating paragraphs (3)
24 and (4) as paragraphs (2) and (3), re-
25 spectively; and

1 (IV) in section 1148(j)(1)(A) (42
2 U.S.C. 1320b–19(j)(1)(A)), by strik-
3 ing “the Federal Old-Age and Sur-
4 vivors Insurance Trust Fund and the
5 Federal Disability Insurance Trust
6 Fund” and inserting “the Social Se-
7 curity Escrow Fund”, and by striking
8 the last sentence.

9 (iv) Title XVIII of such Act is amend-
10 ed—

11 (I) in section 1817(g) (42 U.S.C.
12 1395i(g)), by striking “from the Fed-
13 eral Old-Age and Survivors Insurance
14 Trust Fund and from the Federal
15 Disability Insurance Trust Fund” and
16 inserting “from the Social Security
17 Escrow Fund”;

18 (II) in section 1817(j)(1) (42
19 U.S.C. 1395i(j)(1)), by striking “from
20 either the Federal Old-Age and Sur-
21 vivors Insurance Trust Fund or the
22 Federal Disability Insurance Trust
23 Fund” and inserting “from the Social
24 Security Escrow Fund”;

1 (III) in section 1817(j)(3)(B)(i)
2 (42 U.S.C. 1395i(j)(3)(B)(i)), by
3 striking “the Federal Old-Age and
4 Survivors Insurance Trust Fund or
5 the Federal Disability Insurance
6 Trust Fund” and inserting “the So-
7 cial Security Escrow Fund”;

8 (IV) in section 1817(j)(3)(B)(i)
9 (42 U.S.C. 1395i(j)(3)(B)(i)), by
10 striking “the Federal Old-Age and
11 Survivors Insurance Trust Fund and
12 the Federal Disability Insurance
13 Trust Fund” and inserting “the So-
14 cial Security Escrow Fund”;

15 (V) in section 1817(j)(5)(B)(i)
16 (42 U.S.C. 1395i(j)(5)(B)(i)), by
17 striking “the Federal Old-Age and
18 Survivors Insurance Trust Fund and
19 the Federal Disability Insurance
20 Trust Fund” and inserting “the So-
21 cial Security Escrow Fund”;

22 (VI) in section 1817(j)(3)(B)(ii)
23 (42 U.S.C. 1395i(j)(3)(B)(ii)), by
24 striking “the Federal Old-Age and
25 Survivors Insurance Trust Fund and

1 the Federal Disability Insurance
2 Trust Fund” and inserting “the So-
3 cial Security Escrow Fund”;

4 (VII) in section 1817, by adding
5 at the end the following new sub-
6 section:

7 “(1) TRANSFERS FROM SOCIAL SECURITY ESCROW
8 FUND.—There are hereby transferred periodically to the
9 Trust Fund from the Social Security Escrow Fund
10 amounts provided under section 201(d)(1)(C).”;

11 (VIII) in section 1840(a)(2) (42
12 U.S.C. 1395s(a)(2)), by striking “the
13 Federal Old-Age and Survivors Insur-
14 ance Trust Fund and the Federal
15 Disability Insurance Trust Fund” and
16 inserting “the Social Security Escrow
17 Fund”; and

18 (IX) in section 1841(f) (42
19 U.S.C. 1395t(f)), by striking “from
20 the Federal Old-Age and Survivors
21 Insurance Trust Fund and from the
22 Federal Disability Insurance Trust
23 Fund” and inserting “from the Social
24 Security Escrow Fund”.

1 (v) AMENDMENTS TO THE RAILROAD
2 RETIREMENT ACT OF 1974.—Section 7 of
3 the Railroad Retirement Act of 1974 (45
4 U.S.C. 231e) is amended—

5 (I) in subsection (b)(2) (45
6 U.S.C. 231e(b)(2)), by striking “the
7 Managing Trustee of the Federal Old-
8 Age and Survivors Insurance Trust
9 Fund and the Federal Disability In-
10 surance Trust Fund” and inserting
11 “the Secretary of the Treasury”;

12 (II) in subsection (c)(2) (45
13 U.S.C. 231e(c)(2)), by striking “the
14 Federal Old-Age and Survivors Insur-
15 ance Trust Fund, the Federal Dis-
16 ability Insurance Trust Fund, and the
17 Federal Hospital Insurance Trust
18 Fund would place each such Trust
19 Fund” and inserting “either of the
20 trust funds consisting of the Social
21 Security Escrow Fund and the Fed-
22 eral Hospital Insurance Trust Fund
23 would place such trust fund”, by
24 striking “from the Federal Old-Age
25 and Survivors Insurance Trust Fund,

1 the Federal Disability Insurance
2 Trust Fund, or the Federal Hospital
3 Insurance Trust or to any such Trust
4 Fund” and inserting “from the Social
5 Security Escrow Fund or the Federal
6 Hospital Insurance Trust Fund or to
7 either such trust fund” and by strik-
8 ing “Trust Fund” each other place it
9 appears and inserting “trust fund”;
10 and

11 (III) in subsection (c)(4) (45
12 U.S.C. 231(c)(4)), by striking “the
13 Federal Old-Age and Survivors Insur-
14 ance Trust Fund, the Federal Dis-
15 ability Insurance Trust Fund, and the
16 Federal Hospital Insurance Trust
17 Fund” and inserting “the trust funds
18 consisting of the Social Security Es-
19 crow Fund and the Federal Hospital
20 Insurance Trust Fund”, and by strik-
21 ing “Trust Funds” each place it ap-
22 pears and inserting “trust funds”.

23 (vi) RULE OF CONSTRUCTION.—
24 Whenever any reference is made in any
25 provision of law (other than this title or a

1 provision of law amended by this title),
2 regulation, rule, record, or document to the
3 Federal Old-Age and Survivors Insurance
4 Trust Fund, the Federal Disability Insur-
5 ance Trust Fund, or both such Trust
6 Funds, such reference shall be considered
7 a reference to the Social Security Escrow
8 Fund.

9 (c) AMOUNTS DEDUCTED TO BE SHOWN ON W-2
10 STATEMENTS.—Subsection (a) of section 6051 of the In-
11 ternal Revenue Code of 1986 (relating to receipts for em-
12 ployees) is amended—

13 (1) by striking ‘and’ at the end of paragraph
14 (8);

15 (2) by striking the period at the end of para-
16 graph (9) and inserting “, and”; and

17 (3) by inserting after paragraph (9) the fol-
18 lowing new paragraph:

19 “(10) the total amount deducted from the em-
20 ployee’s wages under a social security payroll deduc-
21 tion plan established under part B of title II of the
22 Social Security Act.”.

23 (d) EXEMPTION FROM ERISA REQUIREMENTS.—
24 Subsection (b) of section 4 of the Employee Retirement

1 Income Security Act of 1974 (29 U.S.C. 1003(b)) is
2 amended—

3 (1) by striking “or” at the end of paragraph
4 (4);

5 (2) by striking the period at the end of para-
6 graph (5) and inserting “; or”; and

7 (3) by adding at the end the following new
8 paragraph:

9 “(6) such plan is a social security payroll de-
10 duction plan established under part B of title II of
11 the Social Security Act.”.

12 (e) COMPENSATION OF PERSONAL ACCOUNTS MAN-
13 AGEMENT AND REVIEW BOARD.—

14 (1) COMPENSATION OF CHAIRMAN.—Section
15 5314 of title 5 of the United States Code (relating
16 to positions at level III of the Executive Schedule)
17 is amended by adding at the end the following “.”

18 “Chairman, Personal Accounts Management
19 and Review Board.”.

20 (2) COMPENSATION OF INDEPENDENT TRUST-
21 EES.—Section 5315 of such title 5 (relating to posi-
22 tions at level IV of the Executive Schedule) is
23 amended by adding at the end the following:

1 “Independent Trustee (other than Chairman),
2 Personal Accounts Management and Review
3 Board.”.

4 (f) CONFORMING AMENDMENTS.—Section 201(h) of
5 such Act (42 U.S.C. 401(h)) is amended—

6 (1) by striking “All other” in the second sen-
7 tence and inserting “Except as provided in section
8 256, all other”; and

9 (2) by adding at the end the following new sen-
10 tence: “Any reference in this part to benefits under
11 this title shall be deemed a reference to benefits en-
12 titlement to which arises under this part.”.

13 (g) EFFECTIVE DATES.—

14 (1) IN GENERAL.—Except as provided in para-
15 graph (2), the amendments made by this section
16 shall take effect January 1 of the second calendar
17 year following the date of the enactment of this Act.

18 (2) ESTABLISHMENT OF PERSONAL ACCOUNTS
19 MANAGEMENT AND REVIEW BOARD.—Section 256 of
20 the Social Security Act (as added by this section)
21 shall take effect on the date of the enactment of this
22 Act.

1 **SEC. 3. MEDICARE PROGRAM REVISION.**

2 (a) IN GENERAL.—Title XVIII of the Social Security
3 Act is amended by inserting after section 1808 the fol-
4 lowing new section:

5 “MEDICARE PROGRAM REVISIONS IN CONNECTION WITH
6 ESTABLISHMENT OF PERSONAL SOCIAL SECURITY
7 ACCOUNTS

8 “SEC. 1809. (a) PHASE-IN OF INCREASED COINSUR-
9 ANCE.—

10 “(1) IN GENERAL.—Notwithstanding any other
11 provision of law, there is hereby imposed, with re-
12 spect to the amount of benefits for items and serv-
13 ices furnished in a year (beginning with 2034) under
14 this title, coinsurance in the participation percentage
15 specified in paragraph (2) for the year. Such coin-
16 surance shall apply after the application of any cost-
17 sharing (including deductibles and copayments) that
18 are otherwise applicable under this title.

19 “(2) PARTICIPATION PERCENTAGE.—The par-
20 ticipation percentage for any year shall be deter-
21 mined in accordance with the following:

“Participation percentage is:	Year:
2.00 percent	2034
4.00 percent	2035
6.00 percent	2036
8.00 percent	2037
11.00 percent	2038
14.00 percent	2039
17.00 percent	2040
20.00 percent	2041

“Participation percentage is:	Year:
24.00 percent	2042
28.00 percent	2043
32.00 percent	2044
36.00 percent	2045
40.00 percent	2046
45.00 percent	2047
50.00 percent	2048
55.00 percent	2049
60.00 percent	2050
65.00 percent	2051
70.00 percent	2052
75.00 percent	2053
80.00 percent	2054
85.00 percent	2055
90.00 percent	2056
95.00 percent	2057
100.00 percent	2058.

1 “(b) RULES RELATING TO APPLICATION OF ADDI-
2 TIONAL COINSURANCE.—

3 “(1) PART D.—In applying subsection (a)
4 under part D (and under part C to MA–PD
5 plans)—

6 “(A) the standard prescription drug cov-
7 erage under section 1860D–2(b) shall be modi-
8 fied through the application of the additional
9 coinsurance under subsection (a); and

10 “(B) in applying section 1860D–14, such
11 coinsurance shall be treated as beneficiary coin-
12 surance described in section 1860D–2(b)(2).

13 “(2) MEDICARE SAVINGS PROGRAM.—In apply-
14 ing title XIX, the additional coinsurance under sub-
15 section (a) shall be treated as coinsurance described
16 in section 1905(p)(3)(B).

1 “(3) MEDIGAP.—The benefits required of medi-
2 care supplemental policies under section 1882 shall
3 be determined without regard to such additional co-
4 insurance and no payments shall be made under
5 such a policy for such additional coinsurance.

6 “(4) GROUP HEALTH PLANS.—Unless otherwise
7 specifically provided after the date of the enactment
8 of this section, no provision of any group health plan
9 that refers to coinsurance or cost-sharing under this
10 title shall be treated as including such additional co-
11 insurance.

12 “(5) COVERAGE.—Nothing in this section shall
13 be construed as preventing the payment of addi-
14 tional coinsurance under subsection (a) from being
15 made—

16 “(A) from proceeds from a personal social
17 security account under section 252; or

18 “(B) from coverage under a high deduct-
19 ible health plan (as defined in section 223(c)(2)
20 of the Internal Revenue Code of 1986) or under
21 any other health policy or plan, other than a
22 medicare supplemental policy.

23 “(c) LIMITATION ON REELECTION OF PART B OR
24 PART D COVERAGE.—On or after January 1, 2034, if an

1 individual is eligible for coverage under part B or part D
2 and—

3 “(1) does not elect such coverage, or

4 “(2) elects such coverage and subsequently
5 change the election so as to no longer have such cov-
6 erage,

7 such an election shall be irrevocable and the individual
8 may not subsequently elect the respective coverage.”.

9 (b) REQUIREMENT FOR HIGH DEDUCTIBLE INSUR-
10 ANCE FOR MEDICARE RETIREES.—

11 (1) IN GENERAL.—For each month (beginning
12 with January following the period of 25 calendar
13 years following the date of the enactment of this
14 Act) in which an individual is 65 years of age or
15 older and is eligible for benefits under part A, or to
16 enroll for benefits under part B, of title XVIII of the
17 Social Security Act, the individual is required to be
18 enrolled under a high deductible health plan (as de-
19 fined in section 223(c)(2) of the Internal Revenue
20 Code of 1986) or under another health benefits plan
21 that includes benefits at least as comprehensive as
22 those provided in such a high deductible health plan.

23 (2) IMPOSITION OF TAX ON FAILURE TO OB-
24 TAIN COVERAGE.—Subchapter A of chapter 1 of the

1 Internal Revenue Code of 1986 is amended by add-
 2 ing at the end the following new part:

3 **“PART VIII—TAX ON FAILURE OF MEDICARE RE-**
 4 **TIREES TO OBTAIN QUALIFIED HEALTH IN-**
 5 **SURANCE COVERAGE**

“Sec. 59B. Failure of Medicare retirees to obtain qualified health insurance
 coverage.

6 **“SEC. 59B. FAILURE OF MEDICARE RETIREES TO OBTAIN**
 7 **QUALIFIED HEALTH INSURANCE COVERAGE.**

8 “(a) IN GENERAL.—In the case of any individual who
 9 is eligible for benefits under part A, or to enroll for bene-
 10 fits under part B, of title XVIII of the Social Security
 11 Act, there is hereby imposed a tax with respect to each
 12 month beginning in the taxable year with respect to which
 13 such individual is not covered under qualified health insur-
 14 ance at all times during such month.

15 “(b) AMOUNT OF TAX.—The tax imposed under sub-
 16 section (a) with respect to any individual for any month
 17 shall be equal to the greater of—

18 “(1) the amount determined by the Secretary of
 19 Health and Human Services to be equal to the cost
 20 of coverage under a high deductible health plan for
 21 such month, or

22 “(2) $\frac{1}{12}$ of the increase in such individual’s tax
 23 liability which would occur under section 1 for the

1 taxable year in which such month begins if section
2 139B did not apply for such taxable year.

3 “(c) EXCEPTION FOR MONTHS BEFORE INDIVIDUAL
4 ATTAINS AGE 65.—Subsection (a) shall not apply with re-
5 spect to any individual for any month unless such indi-
6 vidual has attained age 65 as of the first day of such
7 month.

8 “(d) QUALIFIED HEALTH INSURANCE.—For pur-
9 poses of this section, the term ‘qualified health insurance’
10 means a high deductible health plan (as defined in section
11 223(c)(2) of the Internal Revenue Code of 1986) or an-
12 other health benefits plan that includes benefits at least
13 as comprehensive as those provided in such a high deduct-
14 ible health plan.”.

15 (3) NOTIFICATION OF TREASURY BY HHS OF
16 FAILURES.—If the Secretary of Health and Human
17 Services determines that an individual has failed to
18 meet the requirement of paragraph (1) for a month,
19 the Secretary shall inform the Secretary of the
20 Treasury of such fact.

21 (4) AVAILABILITY OF TAX RECEIPTS.—
22 Amounts collected under section 59B of the Internal
23 Revenue Code of 1986 shall be deposited into an ac-
24 count in the Treasury that shall be available to the
25 Secretary of Health and Human Services to reim-

1 burse hospitals and other health care providers for
2 bad debts related to the provision of health care
3 services to individuals with respect to whom a tax is
4 imposed under such section.

5 **SEC. 4. EMPLOYMENT TAXES, TAX ON SELF-EMPLOYMENT**
6 **INCOME.**

7 (a) FICA TAX ON EMPLOYERS.—Section 3111 of the
8 Internal Revenue Code of 1986 is amended by adding at
9 the end the following new subsection:

10 “(d) REDUCTION IN RATE OF TAX TO REFLECT
11 FUNDING OF SOCIAL SECURITY ESCROW FUND.—

12 “(1) IN GENERAL.—If the Secretary makes the
13 certification described in paragraph (2) in any cal-
14 endar year, the rate of tax imposed by subsection (a)
15 shall be reduced by the Secretary for the next cal-
16 endar year to a rate such that—

17 “(A) the Social Security Escrow Fund is
18 projected not to have excess funds during such
19 next calendar year, and

20 “(B) the rate of tax imposed by section
21 1401(a) is equal to the sum of the tax imposed
22 by subsection (a) and section 3101(a).

23 “(2) CERTIFICATION.—If in any calendar year
24 the Social Security Escrow Fund is projected—

1 “(A) to have excess funds during the next
2 calendar year, and

3 “(B) to have no need to borrow funds for
4 the next 10 calendar years,

5 then the Secretary shall certify such projection not
6 later than September 30th of calendar year in which
7 such projection was made.

8 “(3) EXCESS FUNDS.—For purposes of this
9 subsection, the term ‘excess funds’ means that the
10 Social Security Escrow Fund will not have a balance
11 below \$100 billion at any time during the calendar
12 year.”.

13 (b) TAX ON SELF-EMPLOYMENT INCOME.—Section
14 1401 of such Code is amended by adding at the end the
15 following new subsections:

16 “(d) REDUCTION IN RATE OF TAX TO REFLECT
17 FUNDING OF SOCIAL SECURITY ESCROW FUND.—

18 “(1) IN GENERAL.—If the Secretary makes the
19 certification described in paragraph (2) in any cal-
20 endar year, the rate of tax imposed by subsection (a)
21 shall be reduced by the Secretary for taxable years
22 beginning in the next calendar year to a rate such
23 that—

1 “(A) the Social Security Escrow Fund is
2 projected not to have excess funds during such
3 next calendar year, and

4 “(B) the rate of tax imposed by subsection
5 (a) is equal to the sum of the tax imposed by
6 section 3111(a) and section 3101(a).

7 “(2) CERTIFICATION.—If in any calendar year
8 the Social Security Escrow Fund is projected by the
9 Social Security Administration—

10 “(A) to have excess funds during the next
11 calendar year, and

12 “(B) to have no need to borrow funds for
13 the next 10 calendar years,
14 then the Secretary shall certify such projection not
15 later than September 30th of calendar year in which
16 such projection was made.

17 “(3) EXCESS FUNDS.—For purposes of the pre-
18 ceding paragraph, excess funds means that the So-
19 cial Security Escrow Fund will not have a balance
20 below \$100 billion at any time during the calendar
21 year.

22 “(e) REDUCTION IN RATE OF TAX TO REFLECT
23 FUNDING OF PERSONAL SOCIAL SECURITY ACCOUNT.—
24 The amount of the tax which would (but for this sub-
25 section) be imposed by subsection (a) on the self-employ-

1 ment income of an individual for a taxable year shall be
2 reduced (but not below zero) by any amount the self-em-
3 ployed individual deposits in the personal social security
4 account of the individual under section 251(b)(1) of the
5 Social Security Act for the taxable year.”.

6 (c) FICA TAX ON EMPLOYEES.—Section 3101 of
7 such Code is amended by adding at the end the following
8 new subsection:

9 “(d) REDUCTION IN RATE OF TAX TO REFLECT
10 FUNDING OF PERSONAL SOCIAL SECURITY ACCOUNT.—
11 The amount of the tax which would (but for this sub-
12 section) be imposed by subsection (a) on the income of
13 any individual for any calendar year shall be reduced (but
14 not below zero) by any amount the employer of such indi-
15 vidual pays to the individual’s personal social security ac-
16 count under section 251(a)(2)(B) of the Social Security
17 Act for the calendar year.”.

18 (d) SOCIAL SECURITY AND MEDICARE CONTRIBU-
19 TIONS NOT REQUIRED WITH RESPECT TO RETIREES.—

20 (1) Section 3101 of such Code is amended by
21 adding at the end the following new subsection:

22 “(e) NO FICA TAX WITH RESPECT TO INDIVIDUAL
23 WHO HAS ATTAINED RETIREMENT AGE.—The tax im-
24 posed by this section shall not be imposed on the income

1 of any individual who has attained retirement age (as de-
2 fined in section 216(l) of the Social Security Act).”.

3 (2) Section 3111 of such Code, as amended by
4 this section, is amended by adding at the end the
5 following new subsection:

6 “(e) NO FICA TAX WITH RESPECT TO INDIVIDUAL
7 WHO HAS ATTAINED RETIREMENT AGE.—The tax im-
8 posed by this section shall not be imposed with respect
9 to the wages of any individual who has attained retirement
10 age (as defined in section 216(l) of the Social Security
11 Act).”.

12 (3) Section 1401 of such Code, as amended by
13 this section, is amended by adding at the end the
14 following new subsection:

15 “(f) NO SECA TAX WITH RESPECT TO INDIVIDUAL
16 WHO HAS ATTAINED RETIREMENT AGE.—The tax im-
17 posed by this section shall not be imposed on the self-em-
18 ployment income of any individual who has attained retire-
19 ment age (as defined in section 216(l) of the Social Secu-
20 rity Act).”.

21 **SEC. 5. TAX TREATMENT OF DISTRIBUTIONS.**

22 (a) IN GENERAL.—

23 (1) Paragraph (1) of Section 86(d) of the Inter-
24 nal Revenue Code of 1986 (relating to social security

1 benefit) is amended by adding at the end the fol-
2 lowing new flush sentence:

3 “Such term does not include any distribution from
4 a personal social security account or any amount re-
5 ceived as an annuity under a qualified social security
6 annuity.”.

7 (2) Part III of subchapter B of chapter 1 of
8 such Code (relating to items specifically excluded
9 from gross income) is amended by inserting after
10 section 139A the following new section:

11 **“SEC. 139B. DISTRIBUTIONS FROM PERSONAL SOCIAL SE-**
12 **CURITY ACCOUNTS AND QUALIFIED SOCIAL**
13 **SECURITY ANNUITIES.**

14 “Gross income shall not include any distribution from
15 a personal social security account or any amount received
16 as an annuity under a qualified social security annuity,
17 including any disinvestment and transfer pursuant to sec-
18 tion 252(f) of the Social Security Act.”.

19 (b) **EFFECTIVE DATE.**—The amendments made by
20 this section shall apply to distributions and amounts re-
21 ceived as an annuity after the date of the enactment of
22 this Act.

23 **SEC. 6. FEDERAL BUDGET REFORMS.**

24 (a) **ANNUAL TRANSFER OF BUDGET REFORM**
25 **AMOUNT.**—Not later than November 30 of each calendar

1 year commencing with or after the effective date referred
 2 to in section 2(g)(1) of this Act, the Secretary of Treasury
 3 shall transfer, from funds available in the general fund
 4 of the Treasury to the Social Security Escrow Fund, the
 5 budget reform amount (if any) for the fiscal year ending
 6 on September 30 of such year. Such budget reform
 7 amount for each such fiscal year is hereby appropriated,
 8 and shall remain available without fiscal year limitation,
 9 for the purposes set forth in section 252(b)(1)(D) of the
 10 Social Security Act (as amended by this Act).

11 (b) BUDGET REFORM AMOUNT DEFINED.—For pur-
 12 poses of this section, the term “budget reform amount”
 13 means, for any fiscal year, any tax revenues received by
 14 the Government of the United States during the previous
 15 fiscal year in excess of the target revenue amount for such
 16 previous fiscal year.

17 (c) TARGET REVENUE AMOUNT.—For purposes of
 18 this section, the target revenue amount for a fiscal year
 19 is the amount set forth in connection with such fiscal year
 20 in the following table:

For the following fiscal year:	The target revenue amount is:
2010	\$2,226,583,000
2011	\$2,289,781,000
2012	\$2,351,340,000
2013	\$2,414,388,000
2014	\$2,476,624,000
2015	\$2,539,686,000
2016	\$2,602,374,000
2017	\$2,661,620,000
2018	\$2,713,839,000

For the following fiscal year:	The target revenue amount is:
2019	\$2,759,941,000
2020	\$2,801,574,000
2021	\$2,844,392,000
2022	\$2,883,904,000
2023	\$2,930,783,000
2024	\$2,979,408,000
2025	\$3,025,851,000
2026	\$3,076,055,000
2027	\$3,125,712,000
2028	\$3,176,333,000
2029	\$3,223,483,000
2030	\$3,274,179,000
2031	\$3,323,715,000
2032	\$3,372,756,000
2033	\$3,426,555,000
2034	\$3,485,485,000
2035	\$3,541,705,000
2036	\$3,599,813,000
2037	\$3,666,494,000
2038	\$3,735,584,000
2039	\$3,809,846,000
2040	\$3,883,455,000
2041	\$3,955,701,000
2042	\$4,033,543,000
2043	\$4,113,343,000
2044	\$4,188,523,000
2045	\$4,270,982,000
2046	\$4,351,604,000
2047	\$4,434,549,000
2048	\$4,517,034,000
2049	\$4,600,903,000
2050	\$4,689,922,000
2051	\$4,783,922,000
2052	\$4,873,926,000
2053	\$4,969,960,000
2054	\$5,062,068,000
2055	\$5,159,031,000
2056	\$5,256,136,000
2057	\$5,354,613,000
2058	\$5,447,721,000
2059	\$5,549,438,000
2060	\$5,651,129,000
2061	\$5,752,442,000
2062	\$5,864,053,000
2063	\$5,978,264,000
2064	\$6,091,036,000
2065	\$6,217,270,000
2066	\$6,338,021,000
2067	\$6,454,702,000
2068	\$6,577,762,000
2069	\$6,698,285,000
2070	\$6,819,665,000.

1 (d) DEDICATION OF SOCIAL SECURITY SURPLUSES
2 TO REDUCTION IN THE PUBLIC DEBT.—

3 (1) IN GENERAL.—Title III of the Congres-
4 sional Budget Act of 1974 is amended by adding at
5 the end the following new section:

6 “DEDICATION OF SOCIAL SECURITY SURPLUSES TO
7 REDUCTION IN THE PUBLIC DEBT

8 “SEC. 316. (a) IN GENERAL.—

9 “(1) CONCURRENT RESOLUTIONS ON THE
10 BUDGET.—It shall not be in order in the House of
11 Representatives or the Senate to consider any con-
12 current resolution on the budget, or an amendment
13 thereto or conference report thereon, that would set
14 forth a deficit for any fiscal year for which there are
15 projected excess assets in the Social Security Escrow
16 Fund.

17 “(2) SPENDING AND TAX LEGISLATION.—It
18 shall not be in order in the House of Representatives
19 or the Senate to consider any bill, joint resolution,
20 amendment, motion, or conference report if—

21 “(A) the enactment of that bill or resolu-
22 tion, as reported;

23 “(B) the adoption and enactment of that
24 amendment; or

1 “(C) the enactment of that bill or resolu-
2 tion in the form recommended in that con-
3 ference report,
4 would cause a deficit for any fiscal year for which
5 there are projected excess assets in the Social Secu-
6 rity Escrow Fund.

7 “(b) ENFORCEMENT.—

8 “(1) BUDGETARY LEVELS WITH RESPECT TO
9 CONCURRENT RESOLUTIONS ON THE BUDGET.—For
10 purposes of enforcing any point of order under sub-
11 section (a)(1), the extent to which there is a deficit
12 for any fiscal year shall be determined on the basis
13 of budgetary aggregates set forth in the later of the
14 concurrent resolution on the budget, as reported, or
15 in the conference report on the concurrent resolution
16 on the budget, adjusted to the maximum extent al-
17 lowable under all procedures that allow budgetary
18 aggregates to be adjusted for legislation that would
19 cause a decrease in any surplus or an increase in
20 any deficit for any fiscal year covered by the concur-
21 rent resolution on the budget (other than procedures
22 described in paragraph (2)(A)(ii)).

23 “(2) CURRENT LEVELS WITH RESPECT TO
24 SPENDING AND TAX LEGISLATION.—

1 “(A) IN GENERAL.—For purposes of en-
2 forcing subsection (a)(2), the extent to which
3 there is a deficit for any fiscal year shall be—

4 “(i) calculated using the following as-
5 sumptions—

6 “(I) direct spending and revenue
7 levels at the baseline levels underlying
8 the most recently agreed to concur-
9 rent resolution on the budget; and

10 “(II) for the budget year, discre-
11 tionary spending levels at current law
12 levels and, for outyears, discretionary
13 spending levels at the baseline levels
14 underlying the most recently agreed to
15 concurrent resolution on the budget;
16 and

17 “(ii) adjusted for changes in the sur-
18 plus or deficit levels set forth in the most
19 recently agreed to concurrent resolution on
20 the budget pursuant to procedures in such
21 resolution that authorize adjustments in
22 budgetary aggregates for updated economic
23 and technical assumptions in the mid-ses-
24 sion report of the Director of the Congres-
25 sional Budget Office.

1 Such revisions shall be included in the first cur-
2 rent level report on the congressional budget
3 submitted for publication in the Congressional
4 Record after the release of such mid-session re-
5 port.

6 “(B) ADJUSTMENT IN ASSUMED REVENUE
7 LEVELS TO REFLECT PROJECTED EXCESS AS-
8 SETS IN SOCIAL SECURITY ESCROW FUND.—For
9 any fiscal year for which there are projected ex-
10 cess assets in the Social Security Escrow Fund,
11 the amount of revenue levels assumed under
12 subparagraph (A) shall be reduced, below the
13 amount which would otherwise be assumed but
14 for this subparagraph, by the amount of such
15 projected excess assets.

16 “(C) EXCESS ASSETS.—For purposes of
17 this paragraph, the term ‘excess assets’ shall, in
18 connection with any fiscal year, have the mean-
19 ing provided in 201(d)(3) of the Social Security
20 Act in connection with such fiscal year.

21 “(c) WAIVER AND APPEAL.—Subsection (a) may be
22 waived or suspended in the Senate only by an affirmative
23 vote of three-fifths of the Members, duly chosen and
24 sworn. An affirmative vote of three-fifths of the Members
25 of the Senate, duly chosen and sworn, shall be required

1 in the Senate to sustain an appeal of the ruling of the
2 Chair on a point of order raised under this section.”.

3 (2) CONFORMING AMENDMENT.—The item re-
4 relating to section 316 in the table of contents set
5 forth in section 1(b) of the Congressional Budget
6 and Impoundment Control Act of 1974 is amended
7 to read as follows:

“Sec. 316. Dedication of social security surpluses to reduction in the public
debt.”.

8 **SEC. 7. CHANGE IN CONSUMER PRICE INDEX USED FOR**
9 **COST-OF-LIVING INCREASES.**

10 (a) IN GENERAL.—Section 215(i)(1)(D) of the Social
11 Security Act (42 U.S.C. 415(i)(1)(D)) is amended by
12 striking “Consumer Price Index” and inserting “Chained
13 Consumer Price Index for all Urban Consumers”.

14 (b) EFFECTIVE DATE.—The amendment made by
15 subsection (a) shall apply with respect to increases under
16 section 215(i)(2)(A)(ii) of the Social Security Act effective
17 with the month of December of each calendar year begin-
18 ning after the date of the enactment of this Act.

○