

104TH CONGRESS
2D SESSION

S. 2175

To provide for the long-range solvency of the old-age, survivors, and disability insurance program, and for other purposes.

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 30, 1996

Mr. KERREY (for himself and Mr. SIMPSON) introduced the following bill;
which was read twice and referred to the Committee on Finance

A BILL

To provide for the long-range solvency of the old-age, survivors, and disability insurance program, and for other purposes.

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Strengthening Social
5 Security Act of 1996”.

6 **SEC. 2. PORTION OF SOCIAL SECURITY TAXES ON EMPLOY-**
7 **EES DEPOSITED INTO PERSONAL INVEST-**
8 **MENT PLANS.**

9 (a) DEDICATION OF EMPLOYEE TAXES AND SELF-
10 EMPLOYMENT TAXES.—

1 (1) TAX ON EMPLOYEES.—Subsection (a) of
2 section 3101 of the Internal Revenue Code of 1986
3 (relating to OASDI tax on employees) is amended—

4 (A) by striking the period at the end of the
5 table and inserting a semicolon; and

6 (B) by adding after and below the table
7 the following:

8 “except that, in the case of an eligible employee (as de-
9 fined in section 255(3) of the Social Security Act), the
10 rate of tax under this subsection shall be 4.2 percent with
11 respect to wages paid on or after December 31, 1996, for
12 pay periods ending after such date.”.

13 (2) SELF-EMPLOYMENT TAX.—Subsection (a)
14 of section 1401 of such Code (relating to OASDI tax
15 on self-employment income) is amended—

16 (A) by striking the period at the end of the
17 table and inserting a semicolon; and

18 (B) by adding after and below the table
19 the following:

20 “except that, in the case of an eligible self-employed indi-
21 vidual (as defined in section 255(4) of the Social Security
22 Act), the rate of tax under this subsection shall be 10.4
23 percent of the amount of the self-employment income in
24 the case of a taxable year beginning after December 31,
25 1996.”.

1 (3) EFFECTIVE DATES.—

2 (A) IN GENERAL.—Except as otherwise
3 provided in this paragraph, the amendments
4 made by this subsection shall apply to remuneration paid after December 31, 1996.
5

6 (B) SELF-EMPLOYMENT TAX.—The
7 amendments made by paragraph (2) shall apply
8 to taxable years beginning after December 31,
9 1996.

10 (b) PERSONAL INVESTMENT PLANS.—

11 (1) IN GENERAL.—Title II of the Social Security Act is amended—
12

13 (A) by inserting before section 201 the following:
14

15 “PART A—INSURANCE BENEFITS”;

16 and

17 (B) by adding at the end the following new
18 part:

19 “PART B—PERSONAL INVESTMENT PLANS

20 “PERSONAL INVESTMENT PAYROLL DEDUCTION PLANS

21 “SEC. 251. (a) IN GENERAL.—Each person who is
22 a covered employer for a calendar year shall have in effect
23 a personal investment payroll deduction plan for such calendar year for such person’s eligible employees.
24

1 “(b) REQUIREMENTS.—For purposes of this part, the
2 term ‘personal investment payroll deduction plan’ means
3 a written plan of an employer if—

4 “(1) the plan applies only with respect to wages
5 of eligible employees,

6 “(2) under such plan, the personal investment
7 plan contributions will be deducted from the employ-
8 ee’s wages and paid to the Social Security Adminis-
9 tration with respect to a personal investment plan
10 designated in accordance with section 252(a),

11 “(3) under such plan, the employer is required
12 to pay the amount so deducted with respect to the
13 specified personal investment plan within 10 busi-
14 ness days after the payment of the wages from
15 which the amount was deducted,

16 “(4) the employer receives no compensation for
17 the cost of administering such plan, and

18 “(5) the employer does not make any endorse-
19 ment with respect to any plan.

20 “(c) AMOUNTS DEDUCTED MAY BE ACCUMULATED
21 BY EMPLOYER IN CERTAIN CASES.—If, under the terms
22 of a personal investment plan designated under section
23 252(a), contributions below a specified amount will not be
24 accepted, the requirements of subsection (b)(2) shall be
25 treated as met if amounts deducted from the wages of

1 such employee are accumulated by the employer and paid
2 to such plan not later than 10 business days after the first
3 day on which the accumulated amount exceeds such speci-
4 fied amount.

5 “DESIGNATION OF PERSONAL INVESTMENT PLANS
6 UNDER PAYROLL DEDUCTION PLAN

7 “SEC. 252. (a) IN GENERAL.—Except as provided in
8 subsection (b), the personal investment plan to which the
9 personal investment plan contributions with respect to any
10 employee are required to be paid under section 251 shall
11 be a personal investment plan designated by the employee
12 to the employer not later than 10 business days after the
13 date on which the employee becomes an employee of such
14 employer. Any such designation shall be made in such
15 form and manner as may be prescribed in regulations of
16 the Commissioner of Social Security.

17 “(b) DESIGNATION IN ABSENCE OF TIMELY DES-
18 IGNATION BY EMPLOYEE.—In any case in which no timely
19 designation of the personal investment plan is made, the
20 employer shall make the designation of the personal in-
21 vestment plan in accordance with regulations of the Com-
22 missioner of Social Security.

23 “PARTICIPATION BY SELF-EMPLOYED INDIVIDUALS

24 “SEC. 253. (a) IN GENERAL.—Each eligible self-em-
25 ployed individual who receives self-employment income in
26 any taxable year beginning after December 31, 1996,

1 shall, in such form and manner as shall be prescribed in
2 regulations of the Commissioner of Social Security, de-
3 posit with the Social Security Administration with respect
4 to a personal investment plan maintained by such individ-
5 ual the personal investment plan contribution for such tax-
6 able year. Such deposit shall be made within 10 business
7 days after the receipt by such individual of such self-em-
8 ployment income.

9 “(b) AMOUNTS PAYABLE MAY BE ACCUMULATED IN
10 CERTAIN CASES.—If, under the terms of a personal in-
11 vestment plan maintained under subsection (a), contribu-
12 tions below a specified amount will not be accepted, the
13 requirements of subsection (a) shall be treated as met if
14 amounts otherwise payable under subsection (a) are accu-
15 mulated by the individual and paid to such plan not later
16 than 10 business days after the first day on which the
17 accumulated amount exceeds such specified amount.

18 “DESIGNATION OF PLANS OF SURVIVING SPOUSES AND
19 SURVIVING DIVORCED SPOUSES

20 “SEC. 254. (a) IN GENERAL.—Except as otherwise
21 provided in this section, in the case of a deceased individ-
22 ual with respect to whom a personal investment plan was
23 established and maintained pursuant to section 252 or
24 253, the trustee of such plan shall transfer the balance
25 in such plan to a personal investment plan maintained by
26 an eligible survivor if such plan is designated by the eligi-

1 ble survivor to the trustee not later than 20 business days
2 after the date of such individual's death. Any such des-
3 ignation shall be made in such form and manner as may
4 be prescribed in regulations of the Commissioner of Social
5 Security.

6 “(b) EXCEPTION IN CASE OF WRITTEN CONSENT TO
7 TRANSFER TO ANOTHER BENEFICIARY.—In any case in
8 which the eligible survivor of a deceased individual has
9 consented in writing to a transfer by such individual of
10 the balance in such individual's personal investment plan
11 to another beneficiary, the trustee of such plan shall trans-
12 fer the balance in such plan to such beneficiary within the
13 period of 20 business days following the date of such indi-
14 vidual's death.

15 “(c) DESIGNATION IN ABSENCE OF TIMELY DES-
16 IGNATION OR CONSENT BY ELIGIBLE SURVIVOR.—In any
17 case in which, upon the expiration of the 20-day period
18 described in subsection (a), there is an eligible survivor
19 but no timely designation is made by the eligible survivor
20 under subsection (a) and no consent has been made pursu-
21 ant to subsection (b), the trustee shall make the designa-
22 tion of the personal investment plan under subsection (a)
23 on behalf of such eligible survivor, in accordance with reg-
24 ulations of the Commissioner of Social Security.

1 “(d) DISPOSITION OF PLAN BALANCE WHERE NO
2 ELIGIBLE SURVIVOR EXISTS.—In any case in which, upon
3 the expiration of the 20-day period described in subsection
4 (a), no timely designation under subsection (c) has been
5 made and there is no eligible survivor, the trustee of the
6 deceased individual’s plan shall transfer the balance in
7 such plan to the estate of the deceased individual.

8 “(e) PERIOD FOR TRANSFER BY TRUSTEE.—In the
9 case of a transfer by a trustee under subsection (a), (c),
10 or (d), the trustee shall transfer the balance in the per-
11 sonal investment plan of the deceased individual within the
12 period of 20 business days following the expiration of the
13 20-day period described in such subsection.

14 “DEFINITIONS

15 “SEC. 255. For purposes of this part—

16 “(1) PERSONAL INVESTMENT PLAN.—The term
17 ‘personal investment plan’ means—

18 “(A) any personal investment retirement
19 plan in the Personal Investment Fund (estab-
20 lished under section 257) which is administered
21 by the Personal Investment Board, or

22 “(B) any individual retirement plan (as de-
23 fined in section 7701(a)(37) of the Internal
24 Revenue Code of 1986) which is administered
25 or issued by a bank or other person referred to
26 in section 408(a)(2) of such Code,

1 under terms which restrict deposits to personal in-
2 vestment plan contributions made to the plan pursu-
3 ant to section 251 or 253 and transfers made to the
4 plan pursuant to section 254, and under which dis-
5 tributions may only be made on or after the date on
6 which the individual attains age 59½, made to a
7 beneficiary (or to the estate of the individual) on or
8 after the death of the individual, or attributable to
9 the individual's becoming disabled within the mean-
10 ing of section 223(d).

11 “(2) COVERED EMPLOYER.—The term ‘covered
12 employer’ means, for any calendar year, any person
13 on whom an excise tax is imposed under section
14 3111 of the Internal Revenue Code of 1986 with re-
15 spect to having an individual in his employ to whom
16 wages are paid by such person during such calendar
17 year.

18 “(3) ELIGIBLE EMPLOYEE.—The term ‘eligible
19 employee’ means, in connection with any person who
20 is a covered employer for any calendar year begin-
21 ning after December 31, 1996, any individual—

22 “(A) with respect to whose employment by
23 such employer during such calendar year there
24 is imposed an excise tax under section 3111 of
25 the Internal Revenue Code of 1986, and

1 “(B) who does not attain the age of 55
2 years during such calendar year.

3 “(4) ELIGIBLE SELF-EMPLOYED INDIVIDUAL.—
4 The term ‘eligible self-employed individual’ means
5 any individual—

6 “(A) on whose self-employment income for
7 a taxable year beginning after December 31,
8 1996, there is imposed a tax under section
9 1401(a) of the Internal Revenue Code of 1986,
10 and

11 “(B) who does not attain the age of 55
12 years during such taxable year.

13 “(5) PERSONAL INVESTMENT PLAN CONTRIBU-
14 TION.—The term ‘personal investment plan con-
15 tribution’ means—

16 “(A) with respect to any eligible employee
17 of a covered employer, an amount equal to 2
18 percent of the wages received by such employee
19 with respect to employment by such employer,
20 and

21 “(B) with respect to the self-employment
22 income of an individual for any taxable year, an
23 amount equal to 2 percent of such income for
24 such taxable year.

1 “(6) ELIGIBLE SURVIVOR.—The term ‘eligible
 2 survivor’ of a deceased individual means such indi-
 3 vidual’s widow or, if there is no such widow, such in-
 4 dividual’s last surviving divorced wife or surviving
 5 divorced husband. Such term shall not include any
 6 such surviving divorced wife or surviving divorced
 7 husband who is married on the date of the deceased
 8 individual’s death.

9 “(7) BUSINESS DAY.—The term ‘business day’
 10 means any day other than a Saturday, Sunday, or
 11 legal holiday in the area involved.

12 “PENALTIES

13 “SEC. 256. (a) FAILURE TO ESTABLISH PERSONAL
 14 INVESTMENT PAYROLL DEDUCTION PLAN.—Any covered
 15 employer who fails to meet the requirements of section
 16 251 for any calendar year shall be subject to a civil penalty
 17 of not to exceed the greater of—

18 “(1) \$5,000, or

19 “(2) \$100 for each eligible employee of such
 20 employer as of the beginning of such calendar year.

21 “(b) FAILURE TO MAKE DEDUCTIONS REQUIRED
 22 UNDER PLAN.—Any covered employer who fails to deduct
 23 an amount from the wages of an eligible employee in ac-
 24 cordance with a personal investment payroll deduction
 25 plan shall be subject to a civil penalty of not to exceed
 26 \$500 for each such failure.

1 “(c) FAILURE BY EMPLOYER TO MAKE TIMELY PAY-
2 MENTS TO PERSONAL INVESTMENT PLAN.—If an amount
3 deducted from the wages of an eligible employee under a
4 social security payroll deduction plan is not paid to the
5 Social Security Administration with respect to the speci-
6 fied personal investment plan within the time prescribed
7 by section 251—

8 “(1) the employer shall be subject to a civil
9 penalty of not to exceed 50 percent of the amount
10 so deducted, and

11 “(2) shall be liable to the employee for interest
12 on the amount so deducted at the underpayment
13 rate determined under section 6621 of the Internal
14 Revenue Code of 1986 from the last day by which
15 such amount was required to be so paid to the date
16 on which such amount is paid into the specified per-
17 sonal investment plan.

18 “(d) FAILURE BY ELIGIBLE SELF-EMPLOYED INDI-
19 VIDUAL TO MAKE TIMELY PAYMENTS TO PERSONAL IN-
20 VESTMENT PLAN.—If a personal investment plan con-
21 tribution is not paid by an eligible self-employed individual
22 to the Social Security Administration with respect to a
23 personal investment plan maintained by the individual
24 within the time prescribed by section 253, such individual

1 shall be subject to a civil penalty of not to exceed 50 per-
2 cent of the amount of such contribution.

3 “(e) FAILURE BY TRUSTEE TO MAKE TIMELY
4 TRANSFERS.—If the balance in the personal investment
5 plan of a deceased individual is not transferred by the
6 trustee within the time prescribed by section 254—

7 “(1) the trustee shall be subject to a civil pen-
8 alty of not to exceed 50 percent of the amount of
9 the balance, and

10 “(2) shall be liable for interest on the balance
11 at the underpayment rate determined under section
12 6621 of the Internal Revenue Code of 1986 from the
13 last day by which such balance was required to be
14 so transferred to the date on which such balance is
15 transferred.

16 “(f) RULES FOR APPLICATION OF SECTION.—

17 “(1) PENALTIES ASSESSED BY COMMIS-
18 SIONER.—Any civil penalty assessed by this section
19 shall be imposed by the Commissioner of Social Se-
20 curity and collected in a civil action.

21 “(2) COMPROMISES.—The Commissioner may
22 compromise the amount of any civil penalty imposed
23 by this section.

24 “(3) AUTHORITY TO WAIVE PENALTY IN CER-
25 TAIN CASES.—The Commissioner may waive the ap-

1 plication of this section with respect to any failure
2 if the Commissioner determines that such failure is
3 due to reasonable cause and not to intentional dis-
4 regard of rules and regulations.

5 “PERSONAL INVESTMENT FUND

6 “SEC. 257. (a) ESTABLISHMENT.—There is hereby
7 established and maintained in the Treasury of the United
8 States a Personal Investment Fund in the same manner
9 as the Thrift Savings Fund under sections 8437, 8438,
10 and 8439 of title 5, United States Code.

11 “(b) PERSONAL INVESTMENT FUND BOARD.—

12 “(1) IN GENERAL.—There is established and
13 operated in the Social Security Administration a
14 Personal Investment Fund Board in the same man-
15 ner as the Federal Retirement Thrift Investment
16 Board under subchapter VII of chapter 84 of title
17 5, United States Code.

18 “(2) SPECIFIC INVESTMENT DUTIES.—The Per-
19 sonal Investment Fund shall be managed by the
20 Personal Investment Fund Board in the same man-
21 ner as the Thrift Savings Fund is managed under
22 subchapter VIII of chapter 84 of title 5, United
23 States Code.”.

24 “(2) AMOUNTS DEDUCTED TO BE SHOWN ON W-
25 2 STATEMENTS.—Subsection (a) of section 6051 of
26 the Internal Revenue Code of 1986 (relating to re-

1 ceipts for employees), as amended by section
2 301(c)(3) of the Health Insurance Portability and
3 Accountability Act of 1986, is amended—

4 (A) by striking “and” at the end of para-
5 graph (10);

6 (B) by striking the period at the end of
7 paragraph (11) and inserting “, and”; and

8 (C) by adding at the end the following new
9 paragraph:

10 “(12) the total amount deducted from the em-
11 ployee’s wages under a personal investment payroll
12 deduction plan established under part B of title II
13 of the Social Security Act.”.

14 (3) EXEMPTION FROM ERISA REQUIRE-
15 MENTS.—Subsection (b) of section 4 of the Em-
16 ployee Retirement Income Security Act of 1974 (29
17 U.S.C. 1003(b)) is amended—

18 (A) by striking “or” at the end of para-
19 graph (4);

20 (B) by striking the period at the end of
21 paragraph (5) and inserting “; or”; and

22 (C) by adding at the end the following new
23 paragraph:

24 “(6) such plan is a personal investment payroll
25 deduction plan established under part B of title II

1 of the Social Security Act and does not provide for
2 employer contributions.”.

3 (4) EFFECTIVE DATE AND NOTICE REQUIRE-
4 MENTS.—

5 (A) EFFECTIVE DATE.—The amendments
6 made by paragraph (1) (and any personal in-
7 vestment payroll deduction plan required there-
8 under) shall apply with respect to wages paid
9 after December 31, 1996, for pay periods end-
10 ing after such date and self-employment income
11 for taxable years beginning after such date.

12 (B) NOTICE REQUIREMENTS.—

13 (i) IN GENERAL.—Not later than Oc-
14 tober 1, 1997, the Commissioner of Social
15 Security shall—

16 (I) send to the last known ad-
17 dress of each eligible individual a de-
18 scription of the program established
19 by the amendments made by this sec-
20 tion, which shall be written in the
21 form of a pamphlet in language which
22 may be readily understood by the av-
23 erage worker,

24 (II) provide for toll-free access by
25 telephone from all localities in the

1 United States to the Social Security
2 Administration through which individ-
3 uals may obtain information and an-
4 swers to questions regarding such pro-
5 gram, and

6 (III) provide information to the
7 media in all localities of the United
8 States about such program and such
9 toll-free access by telephone.

10 (ii) ELIGIBLE INDIVIDUAL.—For pur-
11 poses of this subparagraph, the term “eli-
12 gible individual” means an individual who,
13 as of the date of the pamphlet sent pursu-
14 ant to clause (i), is indicated within the
15 records of the Social Security Administra-
16 tion as—

17 (I) not having attained age 55,
18 and

19 (II) being credited with one or
20 more quarters of coverage under sec-
21 tion 213 of the Social Security Act.

22 (iii) MATTERS TO BE INCLUDED.—
23 The Commissioner shall include with the
24 pamphlet sent to each eligible individual
25 pursuant to clause (i)—

1 (I) a statement of the number of
2 quarters of coverage indicated in the
3 records of the Social Security Admin-
4 istration as of the date of the descrip-
5 tion as credited to such individual
6 under section 213 of the Social Secu-
7 rity Act and the date as of which such
8 records may be considered accurate,
9 and

10 (II) the number for toll-free ac-
11 cess by telephone established by the
12 Commissioner pursuant to clause (i).

13 **SEC. 3. PHASED IN INCREASE IN SOCIAL SECURITY RETIRE-**
14 **MENT AGES.**

15 (a) NORMAL RETIREMENT AGE.—Section 216(*l*) of
16 the Social Security Act (42 U.S.C. 416(*l*)) is amended—

17 (1) by striking subparagraphs (B), (C), (D),
18 and (E) of paragraph (1) and inserting the following
19 new subparagraphs:

20 “(B) with respect to an individual who attains
21 early retirement age (as determined under para-
22 graph (2)) after December 31, 1999, and before
23 January 1, 2029, 65 years of age plus two-twelfths
24 of the number of months in the period beginning
25 with January 2000 and ending with December of

1 the year in which the individual attains early retire-
2 ment age (as so determined);

3 “(C) with respect to an individual who attains
4 early retirement age (as so determined) after De-
5 cember 31, 2028, 70 years of age; and

6 “(D) with respect to an individual who attains
7 early retirement age (as so determined) after De-
8 cember 31, 2029, 70 years of age plus one-twenty-
9 fourths of the number of months in the period be-
10 ginning with January 2030 and ending with Decem-
11 ber of the year in which the individual attains early
12 retirement age (as so determined).”; and

13 (2) by striking paragraph (3).

14 (b) EARLY RETIREMENT AGE.—Section 216(l)(2) of
15 the Social Security Act (42 U.S.C. 416(l)(2)) is amended
16 to read as follows:

17 “(2) The term ‘early retirement age’ means—

18 “(A) except as otherwise provided in this para-
19 graph, age 62 in the case of an old-age, wife’s, or
20 husband’s insurance benefit, and age 60 in the case
21 of a widow’s or widower’s insurance benefit;

22 “(B)(i)(I) except as provided in clause (ii), with
23 respect to an individual who attains early retirement
24 age (as determined under subparagraph (A)) after
25 December 31, 1999, and before January 1, 2017, 62

1 years of age plus two-twelfths of the number of
2 months in the period beginning with January 2000
3 and ending with December of the year in which the
4 individual attains early retirement age (as deter-
5 mined under subparagraph (A)),

6 “(II) with respect to an individual who attains
7 early retirement age (as so determined) after De-
8 cember 31, 2016, 65 years of age, and

9 “(III) with respect to an individual who attains
10 early retirement age (as so determined) after De-
11 cember 31, 2029, 65 years of age plus one-twenty-
12 fourths of the number of months in the period be-
13 ginning with January 2030 and ending with Decem-
14 ber of the year in which the individual attains early
15 retirement age (as determined under subparagraph
16 (A)); and

17 “(ii)(I) with respect to widow’s and widower’s
18 insurance benefits, 60 years of age plus two-twelfths
19 of the number of months in the period beginning
20 with January 2000 and ending with December of
21 the year in which the individual attains early retire-
22 ment age (as determined under subparagraph (A)),

23 “(II) with respect to such an individual who at-
24 tains early retirement age (as so determined) after
25 December 31, 2016, 63 years of age, and

1 “(III) with respect to such an individual who
 2 attains early retirement age (as so determined) after
 3 December 31, 2029, 63 years of age plus one-twen-
 4 ty-fourths of the number of months in the period be-
 5 ginning with January 2030 and ending with Decem-
 6 ber of the year in which the individual attains early
 7 retirement age (as determined under subparagraph
 8 (A)).”.

9 (c) **REDUCTION IN BENEFITS FOR EARLY RETIREES**
 10 **MAINTAINED AT CURRENT LEVEL.**—Section
 11 202(q)(9)(A) of the Social Security Act (42 U.S.C.
 12 402(q)(9)(A)) is amended by inserting “, but in no event
 13 shall be greater than 30 percent” before the semicolon.

14 **SEC. 4. LIMITATIONS ON COST-OF-LIVING ADJUSTMENTS.**

15 (a) **IN GENERAL.**—

16 (1) **REDUCTION IN INCREASES APPLIED TO**
 17 **HIGHER PRIMARY INSURANCE AMOUNTS.**—Section
 18 215(i)(2)(A) of the Social Security Act (42 U.S.C.
 19 415(i)(2)(A)) is amended—

20 (A) by redesignating clause (iii) as clause
 21 (vii); and

22 (B) in clause (ii), by striking “The in-
 23 crease shall” in the matter following subclause
 24 (III) and all that follows through “Any in-
 25 crease” and inserting the following:

1 “(iii) With respect to the amounts described in sub-
2 clauses (I) and (III) of clause (ii), the increase shall be
3 derived by multiplying each of such amounts (including
4 each of those amounts as previously increased under this
5 subparagraph) by the applicable increase percentage.

6 “(iv) With respect to primary insurance amounts de-
7 scribed in subclause (II) of clause (ii), the increase shall
8 be derived by—

9 “(I) multiplying each of such amounts (includ-
10 ing each such amount as previously increased under
11 this subparagraph) by the applicable increase per-
12 centage,

13 “(II) determining among all such amounts as
14 increased under subclause (I) the greatest primary
15 insurance amount which is below the 30th percentile
16 of such amounts, and

17 “(III) reducing each primary insurance amount
18 as increased under subclause (I) to the sum of such
19 amount determined as if there had been no reduc-
20 tion in such amount under this subclause in any pre-
21 ceding year and the amount of the increase under
22 subclause (I) in the primary insurance amount de-
23 scribed in subclause (II).

1 “(v) Any amount increased under clause (iii) or
2 clause (iv) which is not a multiple of \$0.10 shall be de-
3 creased to the next lower multiple of \$0.10.

4 “(vi) Any increase”.

5 (2) CONFORMING AMENDMENT.—The last sen-
6 tence of section 215(a)(4) of such Act (42 U.S.C.
7 415(a)(4)) is amended, in subclause (I), by striking
8 “clause (iii) of subsection (i)(2)(A)” and inserting
9 “clause (vii) of subsection (i)(2)(A)”.

10 (b) CONFORMING AMENDMENTS TO MAINTAIN CUR-
11 RENT LEVELS OF COST-OF-LIVING ADJUSTMENT UNDER
12 OTHER PROGRAMS.—

13 (1) SUPPLEMENTAL SECURITY INCOME FOR
14 THE AGED, BLIND, AND DISABLED.—Section
15 1617(a)(2) of the Social Security Act (42 U.S.C.
16 1382f(a)(2)) is amended by striking “by the same
17 percentage” and all that follows through “percent-
18 age,” and inserting the following: “by the applicable
19 increase percentage (within the meaning of section
20 215(i)(1)(C)) used in determining the amount by
21 which benefit amounts under title II are increased
22 for such month”.

23 (2) SUPPLEMENTARY MEDICAL INSURANCE.—
24 Section 1839(a)(3)(B) of such Act (42 U.S.C.
25 1395r(a)(3)(B)) is amended by striking “by a per-

1 centage” and all that follows through “November 1”
2 and inserting the following: “by the applicable in-
3 crease percentage (within the meaning of section
4 215(i)(1)(C)) used in determining the amount by
5 which benefit amounts under title II are increased
6 for the month of December preceding the year of the
7 promulgation”.

8 (3) CERTAIN VETERAN’S BENEFITS.—Section
9 3112 of title 38, United States Code, is amended—

10 (A) in subsection (a), by striking “by the
11 same percentage by which such benefit amounts
12 are increased” and inserting “by the applicable
13 increase percentage (within the meaning of sec-
14 tion 215(i)(1)(C) of such Act) used in deter-
15 mining the amount by which such benefit
16 amounts are increased”; and

17 (B) in subsection (b)(1), by striking “by
18 the same percentage as the percentage by which
19 such benefit amounts are increased” and insert-
20 ing “by the applicable increase percentage
21 (within the meaning of section 215(i)(1)(C) of
22 such Act) used in determining the amount by
23 which such benefit amounts are increased”.

24 (4) COST-OF-LIVING ADJUSTMENTS TO LIMITA-
25 TIONS ON BENEFITS AND CONTRIBUTIONS UNDER

1 QUALIFIED PLANS.—Subsection (d) of section 415 of
2 the Internal Revenue Code of 1986 (relating to cost-
3 of-living adjustments) is amended by striking “sec-
4 tion 215(i)(2)(A)” and inserting “section
5 215(i)(2)(A)(iii)”.

6 (c) AMENDMENT TO PRIOR APPLICABLE LAW.—Sec-
7 tion 215(i)(4) of the Social Security Act (42 U.S.C.
8 415(i)(4)) is amended by adding at the end the following
9 new sentence: “The Secretary shall provide by regulation
10 for the continued application of this subsection as in effect
11 in December 1978 as provided by the preceding provisions
12 of this paragraph and the amendments referred to therein.
13 Such regulations shall provide for the application of the
14 amendments to the preceding provisions of this subsection
15 made by section 4 of the Strengthening Social Security
16 Act of 1996 so as to have the same effect on the cor-
17 responding provisions of this subsection as in effect in De-
18 cember 1978 and applicable in accordance with this para-
19 graph.”.

20 (d) EFFECTIVE DATE.—The amendments made by
21 this section shall apply with respect to adjustments under
22 section 215(i) of the Social Security Act effective within
23 months after the date of the enactment of this Act.

1 **SEC. 5. MODIFICATION OF CPI CALCULATION FOR SOCIAL**
2 **SECURITY COLAS.**

3 Notwithstanding any other provision of title II of the
4 Social Security Act, with respect to calculations made
5 after December 31, 1996, with respect to any cost-of-liv-
6 ing calculation under such title, the Bureau of Labor Sta-
7 tistics of the Department of Labor shall reduce the annual
8 percentage change in the Consumer Price Indexes, as de-
9 termined without regard to this section, by .5 percentage
10 point.

11 **SEC. 6. PHASED REDUCTION IN SPOUSAL BENEFITS OTHER**
12 **THAN SURVIVOR'S BENEFITS TO 33 PERCENT**
13 **OF PRIMARY INSURANCE AMOUNT.**

14 (a) WIFE'S INSURANCE BENEFITS.—Section
15 202(b)(2) of the Social Security Act (42 U.S.C. 402(b)(2))
16 is amended to read as follows:

17 “(2)(A) Except as provided in subsection (q) and
18 paragraph (4) of this subsection, such wife's insurance
19 benefit for each month shall be equal to the applicable per-
20 centage of the primary insurance amount of her husband
21 (or, in the case of a divorced wife, her former husband)
22 in connection with the calendar year in which such individ-
23 ual becomes eligible for such benefit, as specified in the
24 following table:

“If the calendar year in which the individual becomes eligible is The applicable percentage shall be:

Before calendar year 2000	50 percent
Calendar year 2000	49 percent
Calendar year 2001	48 percent
Calendar year 2002	47 percent
Calendar year 2003	46 percent
Calendar year 2004	45 percent
Calendar year 2005	44 percent
Calendar year 2006	43 percent
Calendar year 2007	42 percent
Calendar year 2008	41 percent
Calendar year 2009	40 percent
Calendar year 2010	39 percent
Calendar year 2011	38 percent
Calendar year 2012	37 percent
Calendar year 2013	36 percent
Calendar year 2014	35 percent
Calendar year 2015	34 percent
After calendar year 2015	33 percent.”.

1 “(B) For purposes of subparagraph (A)—

2 “(i) an individual shall be treated as eligible for
3 a wife’s insurance benefit if such individual meets
4 the requirements of subparagraphs (B), (C), and
5 (D) of paragraph (1), and

6 “(ii) in determining when an individual becomes
7 eligible for a wife’s insurance benefit, any break in
8 eligibility of less than 12 consecutive months shall
9 not be taken into account.”.

10 (b) HUSBAND’S INSURANCE BENEFITS.—Section
11 202(c)(3) of such Act (42 U.S.C. 402(c)(3)) is amended
12 to read as follows:

13 “(3)(A) Except as provided in subsection (q) and
14 paragraph (2) of this subsection, such husband’s insur-
15 ance benefit for each month shall be equal to the applica-

1 ble percentage of the primary insurance amount of his wife
 2 (or, in the case of a divorced husband, his former wife)
 3 in connection with the calendar year in which such individ-
 4 ual becomes eligible for such benefit, as specified in the
 5 following table:

“If the calendar year in which the individual becomes eligible is:	The applicable percentage shall be:
Before calendar year 2000	50 percent
Calendar year 2000	49 percent
Calendar year 2001	48 percent
Calendar year 2002	47 percent
Calendar year 2003	46 percent
Calendar year 2004	45 percent
Calendar year 2005	44 percent
Calendar year 2006	43 percent
Calendar year 2007	42 percent
Calendar year 2008	41 percent
Calendar year 2009	40 percent
Calendar year 2010	39 percent
Calendar year 2011	38 percent
Calendar year 2012	37 percent
Calendar year 2013	36 percent
Calendar year 2014	35 percent
Calendar year 2015	34 percent
After calendar year 2015	33 percent.”.

6 “(B) For purposes of subparagraph (A)—
 7 “(i) an individual shall be treated as eligible for
 8 a husband’s insurance benefit if such individual
 9 meets the requirements of subparagraphs (B), (C),
 10 and (D) of paragraph (1), and
 11 “(ii) in determining when an individual becomes
 12 eligible for a husband’s insurance benefit, any break
 13 in eligibility of less than 12 consecutive months shall
 14 not be taken into account.”.

1 **SEC. 7. COVERAGE OF NEWLY HIRED STATE AND LOCAL**
 2 **EMPLOYEES.**

3 (a) AMENDMENTS TO THE SOCIAL SECURITY ACT.—

4 (1) IN GENERAL.—Paragraph (7) of section
 5 210(a) of the Social Security Act (42 U.S.C.
 6 410(a)(7)) is amended to read as follows:

7 “(7) Excluded State or local government em-
 8 ployment (as defined in subsection (r));”.

9 (2) EXCLUDED STATE OR LOCAL GOVERNMENT
 10 EMPLOYMENT.—

11 (A) IN GENERAL.—Section 210 of such
 12 Act (42 U.S.C. 410) is amended by adding at
 13 the end the following new subsection:

14 “Excluded State or Local Government Employment

15 “(r)(1) IN GENERAL.—The term ‘excluded State or
 16 local government employment’ means any service per-
 17 formed in the employ of a State, of any political subdivi-
 18 sion thereof, or of any instrumentality of any one or more
 19 of the foregoing which is wholly owned thereby, if—

20 “(A)(i) such service would be excluded from the
 21 term ‘employment’ for purposes of this title if the
 22 preceding provisions of this section as in effect in
 23 March 1997 had remained in effect, and (ii) the re-
 24 quirements of paragraph (2) are met with respect to
 25 such service, or

1 “(B) the requirements of paragraph (3) are met
2 with respect to such service.

3 “(2) EXCEPTION FOR CURRENT EMPLOYMENT WHICH
4 CONTINUES.—

5 “(A) IN GENERAL.—The requirements of this
6 paragraph are met with respect to service for any
7 employer if—

8 “(i) such service is performed by an indi-
9 vidual—

10 “(I) who was performing substantial
11 and regular service for remuneration for
12 that employer before January 1, 1997,

13 “(II) who is a bona fide employee of
14 that employer on December 31, 1996, and

15 “(III) whose employment relationship
16 with that employer was not entered into
17 for purposes of meeting the requirements
18 of this subparagraph, and

19 “(ii) the employment relationship with that
20 employer has not been terminated after Decem-
21 ber 31, 1996.

22 “(B) TREATMENT OF MULTIPLE AGENCIES AND
23 INSTRUMENTALITIES.—For purposes of subpara-
24 graph (A), under regulations (consistent with regula-

1 tions established under section 3121(t)(2)(B) of the
2 Internal Revenue Code of 1986)—

3 “(i) all agencies and instrumentalities of a
4 State (as defined in section 218(b)) or of the
5 District of Columbia shall be treated as a single
6 employer, and

7 “(ii) all agencies and instrumentalities of a
8 political subdivision of a State (as so defined)
9 shall be treated as a single employer and shall
10 not be treated as described in clause (i).

11 “(3) EXCEPTION FOR CERTAIN SERVICES.—

12 “(A) IN GENERAL.—The requirements of this
13 paragraph are met with respect to service if such
14 service is performed—

15 “(i) by an individual who is employed by a
16 State or political subdivision thereof to relieve
17 such individual from unemployment,

18 “(ii) in a hospital, home, or other institu-
19 tion by a patient or inmate thereof as an em-
20 ployee of a State or political subdivision thereof
21 or of the District of Columbia,

22 “(iii) by an individual, as an employee of
23 a State or political subdivision thereof or of the
24 District of Columbia, serving on a temporary

1 basis in case of fire, storm, snow, earthquake,
2 flood, or other similar emergency,

3 “(iv) by any individual as an employee in-
4 cluded under section 5351(2) of title 5, United
5 States Code (relating to certain interns, student
6 nurses, and other student employees of hos-
7 pitals of the District of Columbia Government),
8 other than as a medical or dental intern or a
9 medical or dental resident in training,

10 “(v) by an election official or election
11 worker if the remuneration paid in a calendar
12 year for such service is less than \$1,000 with
13 respect to service performed during 1997, and
14 the adjusted amount determined under sub-
15 paragraph (C) for any subsequent year with re-
16 spect to service performed during such subse-
17 quent year, except to the extent that service by
18 such election official or election worker is in-
19 cluded in employment under an agreement
20 under section 218, or

21 “(vi) by an employee in a position com-
22 pensated solely on a fee basis which is treated
23 pursuant to section 211(c)(2)(E) as a trade or
24 business for purposes of inclusion of such fees
25 in net earnings from self-employment.

1 “(B) DEFINITIONS.—As used in this para-
2 graph, the terms ‘State’ and ‘political subdivision’
3 have the meanings given those terms in section
4 218(b).

5 “(C) ADJUSTMENTS TO DOLLAR AMOUNT FOR
6 ELECTION OFFICIALS AND ELECTION WORKERS.—
7 For each year after 1997, the Secretary shall adjust
8 the amount referred to in subparagraph (A)(v) at
9 the same time and in the same manner as is pro-
10 vided under section 215(a)(1)(B)(ii) with respect to
11 the amounts referred to in section 215(a)(1)(B)(i),
12 except that—

13 “(i) for purposes of this subparagraph,
14 1994 shall be substituted for the calendar year
15 referred to in section 215(a)(1)(B)(ii)(II), and

16 “(ii) such amount as so adjusted, if not a
17 multiple of \$100, shall be rounded to the next
18 higher multiple of \$100 where such amount is
19 a multiple of \$50 and to the nearest multiple
20 of \$100 in any other case.

21 The Secretary shall determine and publish in the
22 Federal Register each adjusted amount determined
23 under this subparagraph not later than November 1
24 preceding the year for which the adjustment is
25 made.”.

1 (B) CONFORMING AMENDMENTS.—

2 (i) Subsection (k) of section 210 of
3 such Act (42 U.S.C. 410(k)) (relating to
4 covered transportation service) is repealed.

5 (ii) Section 210(p) of such Act (42
6 U.S.C. 410(p)) is amended—

7 (I) in paragraph (2), by striking
8 “service is performed” and all that
9 follows and inserting “service is serv-
10 ice described in subsection (r)(3)(A).”;
11 and

12 (II) in paragraph (3)(A), by in-
13 serring “under subsection (a)(7) as in
14 effect in March 1997” after “section”.

15 (3) ADDITIONAL AMENDMENTS RELATING TO
16 COVERAGE AGREEMENTS.—

17 (A) AUTHORIZATION FOR ALL STATES TO
18 EXTEND COVERAGE TO STATE AND LOCAL PO-
19 LICEMEN AND FIREMEN UNDER EXISTING COV-
20 ERAGE AGREEMENTS.—

21 (i) IN GENERAL.—Section 218(l) of
22 such Act (42 U.S.C. 418(l)) is amended—

23 (I) in paragraph (1), by striking
24 “(1)” after “(l)”, and by striking “the
25 State of” and all that follows through

1 “prior to the date of enactment of this
2 subsection” and inserting “a State en-
3 tered into pursuant to this section”;
4 and

5 (II) by striking paragraph (2).

6 (ii) CONFORMING AMENDMENT.—Sec-
7 tion 218(d)(8)(D) of such Act (42 U.S.C.
8 418(d)(8)(D)) is amended by striking
9 “agreements with the States named in”
10 and inserting “State agreements modified
11 as provided in”.

12 (iii) EFFECTIVE DATE.—The amend-
13 ments made by this subparagraph shall
14 apply with respect to modifications filed by
15 States after the date of the enactment of
16 this Act.

17 (B) CONFORMING AMENDMENTS.—Section
18 218(c)(6) of such Act (42 U.S.C. 418(c)(6)) is
19 amended—

20 (i) by striking subparagraph (C);

21 (ii) by redesignating subparagraphs
22 (D) and (E) as subparagraphs (C) and
23 (D), respectively; and

24 (iii) by striking subparagraph (F) and
25 inserting the following:

1 “(E) service which is included as employment
2 under section 210(a).”

3 (4) AUTHORITY FOR STATES TO MODIFY COV-
4 ERAGE AGREEMENTS WITH RESPECT TO ELECTION
5 OFFICIALS AND ELECTION WORKERS.—Section
6 218(c)(8) of such Act (42 U.S.C. 418(c)(8)) is
7 amended—

8 (A) by striking “on or after January 1,
9 1968,” and inserting “at any time”;

10 (B) by striking “\$100” and inserting
11 “\$1,000 with respect to service performed dur-
12 ing 1997, and the adjusted amount determined
13 under section 210(r)(3)(C) for any subsequent
14 year with respect to service performed during
15 such subsequent year”; and

16 (C) by striking the last sentence and in-
17 serting the following new sentence: “Any modi-
18 fication of an agreement pursuant to this para-
19 graph shall be effective with respect to services
20 performed in and after the calendar year in
21 which the modification is mailed or delivered by
22 other means to the Secretary.”.

23 (b) AMENDMENTS TO THE INTERNAL REVENUE
24 CODE OF 1986.—

1 (1) IN GENERAL.—Paragraph (7) of section
2 3121(b) of the Internal Revenue Code of 1986 (re-
3 lating to employment) is amended to read as follows:

4 “(7) excluded State or local government em-
5 ployment (as defined in subsection (t));”.

6 (2) EXCLUDED STATE OR LOCAL GOVERNMENT
7 EMPLOYMENT.—Section 3121 of such Code is
8 amended by inserting after subsection (s) the follow-
9 ing new subsection:

10 “(t) EXCLUDED STATE OR LOCAL GOVERNMENT EM-
11 PLOYMENT.—

12 “(1) IN GENERAL.—For purposes of this chap-
13 ter, the term ‘excluded State or local government
14 employment’ means any service performed in the
15 employ of a State, of any political subdivision there-
16 of, or of any instrumentality of any one or more of
17 the foregoing which is wholly owned thereby, if—

18 “(A)(i) such service would be excluded
19 from the term ‘employment’ for purposes of this
20 chapter if the provisions of subsection (b)(7) as
21 in effect in March 1997 had remained in effect,
22 and (ii) the requirements of paragraph (2) are
23 met with respect to such service, or

24 “(B) the requirements of paragraph (3)
25 are met with respect to such service.

1 “(2) EXCEPTION FOR CURRENT EMPLOYMENT
2 WHICH CONTINUES.—

3 “(A) IN GENERAL.—The requirements of
4 this paragraph are met with respect to service
5 for any employer if—

6 “(i) such service is performed by an
7 individual—

8 “(I) who was performing sub-
9 stantial and regular service for remun-
10 eration for that employer before Jan-
11 uary 1, 1997,

12 “(II) who is a bona fide employee
13 of that employer on December 31,
14 1996, and

15 “(III) whose employment rela-
16 tionship with that employer was not
17 entered into for purposes of meeting
18 the requirements of this subpara-
19 graph, and

20 “(ii) the employment relationship with
21 that employer has not been terminated
22 after December 31, 1996.

23 “(B) TREATMENT OF MULTIPLE AGENCIES
24 AND INSTRUMENTALITIES.—For purposes of
25 subparagraph (A), under regulations—

1 “(i) all agencies and instrumentalities
2 of a State (as defined in section 218(b) of
3 the Social Security Act) or of the District
4 of Columbia shall be treated as a single
5 employer, and

6 “(ii) all agencies and instrumentalities
7 of a political subdivision of a State (as so
8 defined) shall be treated as a single em-
9 ployer and shall not be treated as de-
10 scribed in clause (i).

11 “(3) EXCEPTION FOR CERTAIN SERVICES.—

12 “(A) IN GENERAL.—The requirements of
13 this paragraph are met with respect to service
14 if such service is performed—

15 “(i) by an individual who is employed
16 by a State or political subdivision thereof
17 to relieve such individual from unemploy-
18 ment,

19 “(ii) in a hospital, home, or other in-
20 stitution by a patient or inmate thereof as
21 an employee of a State or political subdivi-
22 sion thereof or of the District of Columbia,

23 “(iii) by an individual, as an employee
24 of a State or political subdivision thereof
25 or of the District of Columbia, serving on

1 a temporary basis in case of fire, storm,
2 snow, earthquake, flood, or other similar
3 emergency,

4 “(iv) by any individual as an employee
5 included under section 5351(2) of title 5,
6 United States Code (relating to certain in-
7 terns, student nurses, and other student
8 employees of hospitals of the District of
9 Columbia Government), other than as a
10 medical or dental intern or a medical or
11 dental resident in training,

12 “(v) by an election official or election
13 worker if the remuneration paid in a cal-
14 endar year for such service is less than
15 \$1,000 with respect to service performed
16 during 1997, and the adjusted amount de-
17 termined under section 210(r)(3)(C) of the
18 Social Security Act for any subsequent
19 year with respect to service performed dur-
20 ing such subsequent year, except to the ex-
21 tent that service by such election official or
22 election worker is included in employment
23 under an agreement under section 218 of
24 the Social Security Act, or

1 “(vi) by an employee in a position
2 compensated solely on a fee basis which is
3 treated pursuant to section 1402(c)(2)(E)
4 as a trade or business for purposes of in-
5 clusion of such fees in net earnings from
6 self-employment.

7 “(B) DEFINITIONS.—As used in this para-
8 graph, the terms ‘State’ and ‘political subdivi-
9 sion’ have the meanings given those terms in
10 section 218(b) of the Social Security Act.”.

11 (3) CONFORMING AMENDMENTS.—

12 (A) Subsection (j) of such section 3121
13 (relating to covered transportation service) is
14 repealed.

15 (B) Paragraph (2) of section 3121(u) of
16 such Code (relating to application of hospital
17 insurance tax to Federal, State, and local em-
18 ployment) is amended—

19 (i) in subparagraph (B), by striking
20 “service is performed” in clause (ii) and all
21 that follows through the end of such sub-
22 paragraph and inserting “service is service
23 described in subsection (t)(3)(A).”; and

1 (ii) in subparagraph (C)(i), by insert-
2 ing “under subsection (b)(7) as in effect in
3 March 1997” after “chapter”.

4 (c) EFFECTIVE DATE.—Except as otherwise provided
5 in this section, the amendments made by this section shall
6 apply with respect to service performed after December
7 31, 1996.

8 **SEC. 8. ADJUSTMENTS IN FORMULA FOR DETERMINING**
9 **PRIMARY INSURANCE AMOUNT.**

10 (a) ADDITIONAL EARNINGS BRACKET.—Section
11 215(a)(1)(A) of the Social Security Act (42 U.S.C.
12 415(a)(1)(A)) is amended—

13 (1) in clause (ii), by striking “and”;

14 (2) in clause (iii), by striking “clause (ii),” and
15 inserting the following: “clause (ii), but, in the case
16 of an individual who initially becomes eligible for
17 old-age or disability insurance benefits, or who dies
18 (before becoming eligible for such benefits), after
19 calendar year 2001, do not exceed the amount estab-
20 lished for purposes of this clause by subparagraph
21 (B), and”; and

22 (3) by inserting after clause (iii) the following
23 new clause:

24 “(iv) in the case of an individual who initially
25 becomes eligible for old-age or disability insurance

1 benefits, or who dies (before becoming eligible for
2 such benefits), after calendar year 2001, 10 percent
3 of the individual's average indexed monthly earnings
4 to the extent that such earnings exceed the amount
5 established for purposes of clause (iii),”.

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

9 (1) in clause (ii), by inserting “and before
10 2002” after “1979” the first place it appears, and
11 by striking “by dividing—” and all that follows and
12 inserting “under clause (ix) of this subparagraph.”;

13 (2) by redesignating clause (iii) as clause (xii);

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

16 “(iii) For individuals who initially become eligible for
17 old-age or disability insurance benefits, or who die (before
18 becoming eligible for such benefits), in any calendar year
19 after 2001, the amount established for purposes of clause
20 (i) of subparagraph (A) shall be an amount equal to the
21 product of the following factors:

22 “(I) the amount established with respect to cal-
23 endar year 1979 under clause (i) of this subpara-
24 graph for purposes of clause (i) of subparagraph
25 (A), and

1 “(II) the quotient obtained under clause (ix) of
2 this subparagraph.

3 “(iv) For individuals who initially become eligible for
4 old-age or disability insurance benefits, or who die (before
5 becoming eligible for such benefits), in any calendar year
6 after 1997 and before 2022, the amount established for
7 purposes of clause (ii) of subparagraph (A) shall be an
8 amount equal to the product of the following factors:

9 “(I) the amount established with respect to the
10 preceding calendar year under this subparagraph for
11 purposes of clause (ii) of subparagraph (A),

12 “(II) the quotient obtained under clause (x) of
13 this subparagraph, and

14 “(III) 0.98.

15 “(v) For individuals who initially become eligible for
16 old-age or disability insurance benefits, or who die (before
17 becoming eligible for such benefits), in any calendar year
18 after 2021, the amount established for purposes of clause
19 (ii) of subparagraph (A) shall be an amount equal to the
20 product of the following factors:

21 “(I) the amount established with respect to the
22 calendar year 2021 under clause (iv) of this sub-
23 paragraph for purposes of clause (ii) of subpara-
24 graph (A), and

1 “(II) the quotient obtained under clause (xi) of
2 this subparagraph.

3 “(vi) For individuals who initially become eligible for
4 old-age or disability insurance benefits, or who die (before
5 becoming eligible for such benefits), in the calendar year
6 2002, the amount established for purposes of clause (iii)
7 of subparagraph (A) shall be an amount equal to the
8 quotient derived by dividing—

9 “(I) the amount established with respect to the
10 calendar year 2002 under clause (iv) of this sub-
11 paragraph for purposes of clause (ii) of subpara-
12 graph (A), by

13 “(II) 0.98²⁵.

14 “(vii) For individuals who initially become eligible for
15 old-age or disability insurance benefits, or who die (before
16 becoming eligible for such benefits), in any calendar year
17 after 2002 and before 2022, the amount established for
18 purposes of clause (iii) of subparagraph (A) shall be an
19 amount equal to the product of the following factors:

20 “(I) the amount established with respect to the
21 preceding calendar year under this subparagraph for
22 purposes of clause (iii) of subparagraph (A),

23 “(II) the quotient obtained under clause (x) of
24 this subparagraph, and

25 “(III) 0.98.

1 “(viii) For individuals who initially become eligible for
2 old-age or disability insurance benefits, or who die (before
3 becoming eligible for such benefits), in any calendar year
4 after 2021, the amount established for purposes of clause
5 (iii) of subparagraph (A) shall be an amount equal to the
6 product of the following factors:

7 “(I) the amount established with respect to cal-
8 endar year 2021 under clause (vii) of this subpara-
9 graph for purposes of clause (iii) of subparagraph
10 (A), and

11 “(II) the quotient obtained under clause (xi) of
12 this subparagraph.

13 “(ix) The quotient obtained under this clause is the
14 quotient obtained by dividing—

15 “(I) the deemed average total wages (as defined
16 in section 209(k)(1)) for the second calendar year
17 preceding the calendar year for which the determina-
18 tion is made, by

19 “(II) the average of the total wages (as defined
20 in regulations of the Secretary and computed with-
21 out regard to the limitations specified in section
22 209(a)(1)) reported to the Secretary of the Treasury
23 or his delegate for the calendar year 1977.

24 “(x) The quotient obtained under this clause is the
25 quotient obtained by dividing—

1 “(I) the deemed average total wages (as defined
2 in section 209(k)(1)) for the second calendar year
3 preceding the calendar year for which the determina-
4 tion is made, by

5 “(II) the deemed average total wages (as de-
6 fined in section 209(k)(1)) for the third calendar
7 year preceding the calendar year for which the de-
8 termination is made.

9 “(xi) The quotient obtained under this clause is the
10 quotient obtained by dividing—

11 “(I) the deemed average total wages (as defined
12 in section 209(k)(1)) for the second calendar year
13 preceding the calendar year for which the determina-
14 tion is made, by

15 “(II) the average of the total wages (as defined
16 in regulations of the Secretary and computed with-
17 out regard to the limitations specified in section
18 209(a)(1)) reported to the Secretary of the Treasury
19 or his delegate for the calendar year 2020.”; and

20 (4) in clause (xii) (as redesignated), by striking
21 “clause (ii)” and inserting “the preceding clauses of
22 this subparagraph”.

23 (c) EFFECTIVE DATE.—The amendments made by
24 this section shall apply with respect to individuals who ini-
25 tially become eligible (within the meaning of section

1 215(a)(3)(B) of the Social Security Act) for old-age or dis-
 2 ability insurance benefits under title II of the Social Secu-
 3 rity Act, or who die (before becoming eligible for such ben-
 4 efits), in any calendar year after 1997.

5 **SEC. 9. REDIRECTION OF TAX REVENUES IN OBRA-93 TO**
 6 **OASDI TRUST FUND.**

7 Subsection (d) of section 13215 of the Omnibus
 8 Budget Reconciliation Act of 1993 is amended by insert-
 9 ing “, and ending before January 1, 1997” after “1993”.

10 **SEC. 10. ESTABLISHMENT OF THE EQUITIES FUND WITHIN**
 11 **THE FEDERAL OLD-AGE AND SURVIVORS IN-**
 12 **SURANCE TRUST FUND.**

13 (a) EQUITIES FUND.—Section 201(d) of the Social
 14 Security Act (42 U.S.C. 401(d)) is amended—

15 (1) in the second sentence, by striking “Such”
 16 and inserting “Subject to paragraph (2), such”;

17 (2) in the third sentence, by striking “(1) on
 18 original” and “(2) by purchase” inserting “(A) on
 19 original” and “(B) by purchase”, respectively;

20 (3) by inserting “(1)” after “(d)”; and

21 (4) by adding at the end the following new
 22 paragraph:

23 “(2)(A) There is hereby established within the Fed-
 24 eral Old-Age and Survivors Insurance Trust Fund (here-
 25 after in this paragraph referred to as the ‘Trust Fund’)

1 an Equities Fund. Investment by the Managing Trustee
2 of the portion of the Trust Fund consisting of amounts
3 held in the Equities Fund may be made only in a portfolio
4 designed to replicate the performance of the index selected
5 under subparagraph (B). The portfolio shall be designed
6 such that, to the extent practicable, the percentage of the
7 Equities Fund that is invested in each stock is the same
8 as the percentage determined by dividing the aggregate
9 market value of all shares of that stock by the aggregate
10 market value of all shares of all stocks included in such
11 index.

12 “(B) The Managing Trustee shall select an index
13 which is a commonly recognized index comprised of com-
14 mon stock the aggregate market value of which is a rea-
15 sonably complete representation of the United States eq-
16 uity markets.

17 “(C) The amounts of the Trust Fund held by the Eq-
18 uities Fund shall consist of amounts deposited in the Eq-
19 uities Fund under section 10(c) of the Strengthening So-
20 cial Security Act of 1996 and such amounts as may be
21 appropriated to, or deposited in, the Equities Fund as
22 hereafter provided in this section.

23 “(D) Investment by the Managing Trustee of the
24 Trust Fund of amounts in the Equities Fund shall be sub-
25 ject to guidelines and procedures prescribed by the Per-

1 sonal Investment Fund Board pursuant to subsection (n).
 2 The Managing Trustee may carry out the functions with
 3 respect to investment of amounts in the Equities Fund
 4 in a manner which is not in accordance with such guide-
 5 lines and procedures only if such functions are otherwise
 6 carried out in accordance with the requirements of this
 7 paragraph.”.

8 (b) CREDITING OF INCOME AND PROCEEDS FROM
 9 INVESTMENT IN EQUITIES.—Section 201(f) of the Social
 10 Security Act (42 U.S.C. 401(f)) is amended by adding at
 11 the end the following new sentence: “The income on, and
 12 proceeds from the sale or redemption of, equities held by
 13 the Equities Fund in the Federal Old-Age and Survivors
 14 Insurance Trust Fund shall be credited to and form a part
 15 of the Equities Fund.”.

16 (c) DEPOSITS TO EQUITIES FUND.—

17 (1) IN GENERAL.—There is transferred on Oc-
 18 tober 1 of 1997, and each of the succeeding 14 cal-
 19 endar years, to the Equities Fund, from amounts
 20 otherwise available in the Federal Old-Age and Sur-
 21 vivors Insurance Trust Fund, an amount equal to
 22 the applicable percentage of the Trust Fund.

23 (2) DETERMINATIONS AND ADJUSTMENTS.—

24 (A) APPLICABLE PERCENTAGE.—The Per-
 25 sonal Investment Fund Board shall determine

1 the applicable percentage for each fiscal year
2 under paragraph (1), such that—

3 (i) a gradual phase-in occurs during
4 the 15-year period described in paragraph
5 (1), and

6 (ii) such percentage shall not exceed
7 25 percent for fiscal year 2012.

8 (B) TRANSFERS.—Transfers under para-
9 graph (1) shall be made by the Secretary of the
10 Treasury on the basis of estimates by the Sec-
11 retary. Proper adjustments shall be made in
12 amounts subsequently appropriated to the Eq-
13 uities Fund to the extent prior estimates were
14 in excess of or were less than the actual
15 amounts.

16 (d) EFFECTIVE DATE.—The amendments made by
17 this section shall take effect on October 1, 1997, and shall
18 apply with respect to fiscal years beginning on or after
19 such date.

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