

104TH CONGRESS
1ST SESSION

S. 825

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

MAY 18 (legislative day, MAY 15), 1995

Mr. KERREY (for himself, Mr. SIMPSON, and Mr. ROBB) 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 1995”.

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, 1995, 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 1995.”.

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, 1995.

5 (B) SELF-EMPLOYMENT TAX.—The
6 amendments made by paragraph (2) shall apply
7 to taxable years beginning after December 31,
8 1995.

9 (b) PERSONAL INVESTMENT PLANS.—

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

11 (A) by inserting before section 201 the following:
12

13 “PART A—INSURANCE BENEFITS”;

14 and

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

17 “PART B—PERSONAL INVESTMENT PLANS

18 “PERSONAL INVESTMENT PAYROLL DEDUCTION PLANS

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

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, 1995,

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 provided in
21 subsection (b), in the case of a deceased individual with
22 respect to whom a personal investment plan was estab-
23 lished and maintained pursuant to section 252 or 253, the
24 trustee of such plan shall transfer the balance in such plan
25 to a personal investment plan maintained by an eligible
26 survivor if such plan is designated by the eligible survivor

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

5 “(b) DESIGNATION IN ABSENCE OF TIMELY DES-
 6 IGNATION BY ELIGIBLE SURVIVOR.—In any case in which,
 7 upon the expiration of such 20-day period, there is an eli-
 8 gible survivor but no timely designation of a personal in-
 9 vestment plan is made by the eligible survivor under sub-
 10 section (a), the trustee shall make the designation of the
 11 personal investment plan under subsection (a) on behalf
 12 of such eligible survivor, in accordance with regulations
 13 of the Commissioner of Social Security.

14 “(c) DISPOSITION OF PLAN BALANCE WHERE NO
 15 ELIGIBLE SURVIVOR EXISTS.—In any case in which, upon
 16 the expiration of such 20-day period no timely designation
 17 under subsection (b) has been made and there is no eligi-
 18 ble survivor, the trustee of the deceased individual's plan
 19 shall transfer the balance in such plan to the Federal Old-
 20 Age and Survivors Insurance Trust Fund within the pe-
 21 riod of 20 business days following the expiration of such
 22 20-day period.

23 “DEFINITIONS

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

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

1 “(A) any personal investment retirement
2 plan in the Personal Investment Fund (estab-
3 lished under section 257) which is administered
4 by the Personal Investment Board, or

5 “(B) any individual retirement plan (as de-
6 fined in section 7701(a)(37) of the Internal
7 Revenue Code of 1986) which is administered
8 or issued by a bank (as defined in section
9 408(n) of such Code),
10 under terms which restrict deposits to personal in-
11 vestment plan contributions made to the plan pursu-
12 ant to section 251 or 253 and transfers made to the
13 plan pursuant to section 254, and under which dis-
14 tributions may only be made on or after the date on
15 which the individual attains age 59½, made to a
16 beneficiary (or to the estate of the individual) on or
17 after the death of the individual, or attributable to
18 the individual’s becoming disabled within the mean-
19 ing of section 223(d).

20 “(2) COVERED EMPLOYER.—The term ‘covered
21 employer’ means, for any calendar year, any person
22 on whom an excise tax is imposed under section
23 3111 of the Internal Revenue Code of 1986 with re-
24 spect to having an individual in his employ to whom

1 wages are paid by such person during such calendar
2 year.

3 “(3) ELIGIBLE EMPLOYEE.—The term ‘eligible
4 employee’ means, in connection with any person who
5 is a covered employer for any calendar year begin-
6 ning after December 31, 1995, any individual—

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

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

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

16 “(A) on whose self-employment income for
17 a taxable year beginning after December 31,
18 1995, there is imposed a tax under section
19 1401(a) of the Internal Revenue Code of 1986,
20 and

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

23 “(5) PERSONAL INVESTMENT PLAN CONTRIBU-
24 TION.—The term ‘personal investment plan con-
25 tribution’ means—

1 “(A) with respect to any eligible employee
2 of a covered employer, an amount equal to 2
3 percent of the wages received by such employee
4 with respect to employment by such employer,
5 and

6 “(B) with respect to the self-employment
7 income of an individual for any taxable year, an
8 amount equal to 2 percent of such income for
9 such taxable year.

10 “(6) ELIGIBLE SURVIVOR.—The term ‘eligible
11 survivor’ of a deceased individual means such indi-
12 vidual’s widow or, if there is no such widow, such in-
13 dividual’s last surviving divorced wife or surviving
14 divorced husband. Such term shall not include any
15 such surviving divorced wife or surviving divorced
16 husband who is married on the date of the deceased
17 individual’s death.

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

21 “PENALTIES

22 “SEC. 256. (a) FAILURE TO ESTABLISH PERSONAL
23 INVESTMENT PAYROLL DEDUCTION PLAN.—Any covered
24 employer who fails to meet the requirements of section
25 251 for any calendar year shall be subject to a civil penalty
26 of not to exceed the greater of—

1 “(1) \$5,000, or

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

4 “(b) FAILURE TO MAKE DEDUCTIONS REQUIRED
5 UNDER PLAN.—Any covered employer who fails to deduct
6 an amount from the wages of an eligible employee in ac-
7 cordance with a personal investment payroll deduction
8 plan shall be subject to a civil penalty of not to exceed
9 \$500 for each such failure.

10 “(c) FAILURE BY EMPLOYER TO MAKE TIMELY PAY-
11 MENTS TO PERSONAL INVESTMENT PLAN.—If an amount
12 deducted from the wages of an eligible employee under a
13 social security payroll deduction plan is not paid to the
14 Social Security Administration with respect to the speci-
15 fied personal investment plan within the time prescribed
16 by section 251—

17 “(1) the employer shall be subject to a civil
18 penalty of not to exceed 50 percent of the amount
19 so deducted, and

20 “(2) shall be liable to the employee for interest
21 on the amount so deducted at the underpayment
22 rate determined under section 6621 of the Internal
23 Revenue Code of 1986 from the last day by which
24 such amount was required to be so paid to the date

1 on which such amount is paid into the specified per-
2 sonal investment plan.

3 “(d) FAILURE BY ELIGIBLE SELF-EMPLOYED INDIVIDUAL TO MAKE TIMELY PAYMENTS TO PERSONAL INVESTMENT PLAN.—If a personal investment plan contribution is not paid by an eligible self-employed individual to the Social Security Administration with respect to a personal investment plan maintained by the individual within the time prescribed by section 253, such individual shall be subject to a civil penalty of not to exceed 50 percent of the amount of such contribution.

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

16 “(1) the trustee shall be subject to a civil penalty of not to exceed 50 percent of the amount of the balance, and

19 “(2) shall be liable—

20 “(A) in the case of a transfer required to
21 be made to another personal investment plan,
22 to the widow or the surviving divorced wife or
23 surviving divorced husband (as the case may
24 be), or

1 “(B) in the case of a transfer required to
2 be made to the Federal Old-Age and Survivors
3 Insurance Trust Fund, to such Trust Fund,
4 for interest on the balance at the underpayment rate
5 determined under section 6621 of the Internal Reve-
6 nue Code of 1986 from the last day by which such
7 balance was required to be so transferred to the date
8 on which such balance is transferred to the des-
9 ignated personal investment plan.

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

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

15 “(2) COMPROMISES.—The Commissioner may
16 compromise the amount of any civil penalty imposed
17 by this section.

18 “(3) AUTHORITY TO WAIVE PENALTY IN CER-
19 TAIN CASES.—The Commissioner may waive the ap-
20 plication of this section with respect to any failure
21 if the Commissioner determines that such failure is
22 due to reasonable cause and not to intentional dis-
23 regard of rules and regulations.

24 “PERSONAL INVESTMENT FUND

25 “SEC. 257. (a) ESTABLISHMENT.—There is hereby
26 established and maintained in the Treasury of the United

1 States a Personal Investment Fund in the same manner
2 as the Thrift Savings Fund under sections 8437, 8438,
3 and 8439 of title 5, United States Code.

4 “(b) PERSONAL INVESTMENT FUND BOARD.—

5 “(1) IN GENERAL.—There is established and
6 operated in the Social Security Administration a
7 Personal Investment Fund Board in the same man-
8 ner as the Federal Retirement Thrift Investment
9 Board under subchapter VII of chapter 84 of title
10 5, United States Code.

11 “(2) SPECIFIC INVESTMENT DUTIES.—The Per-
12 sonal Investment Fund shall be managed by the
13 Personal Investment Fund Board in the same man-
14 ner as the Thrift Savings Fund is managed under
15 subchapter VIII of chapter 84 of title 5, United
16 States Code.”.

17 (2) AMOUNTS DEDUCTED TO BE SHOWN ON
18 W-2 STATEMENTS.—Subsection (a) of section 6051
19 of the Internal Revenue Code of 1986 (relating to
20 receipts for employees) is amended—

21 (A) by striking “and” at the end of para-
22 graph (9);

23 (B) by striking the period at the end of
24 paragraph (10) and inserting “, and”; and

1 (C) by adding at the end the following new
2 paragraph:

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

7 (3) EXEMPTION FROM ERISA REQUIRE-
8 MENTS.—Subsection (b) of section 4 of the Em-
9 ployee Retirement Income Security Act of 1974 (29
10 U.S.C. 1003(b)) is amended—

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

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

15 (C) by adding at the end the following new
16 paragraph:

17 “(6) such plan is a personal investment payroll
18 deduction plan established under part B of title II
19 of the Social Security Act and does not provide for
20 employer contributions.”.

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

23 (A) EFFECTIVE DATE.—The amendments
24 made by paragraph (1) (and any personal in-
25 vestment payroll deduction plan required there-

1 under) shall apply with respect to wages paid
2 after December 31, 1995, for pay periods end-
3 ing after such date and self-employment income
4 for taxable years beginning after such date.

5 (B) NOTICE REQUIREMENTS.—

6 (i) IN GENERAL.—Not later than Oc-
7 tober 1, 1995, the Commissioner of Social
8 Security shall—

9 (I) send to the last known ad-
10 dress of each eligible individual a de-
11 scription of the program established
12 by the amendments made by this sec-
13 tion, which shall be written in the
14 form of a pamphlet in language which
15 may be readily understood by the av-
16 erage worker,

17 (II) provide for toll-free access by
18 telephone from all localities in the
19 United States to the Social Security
20 Administration through which individ-
21 uals may obtain information and an-
22 swers to questions regarding such pro-
23 gram, and

24 (III) provide information to the
25 media in all localities of the United

1 States about such program and such
2 toll-free access by telephone.

3 (ii) ELIGIBLE INDIVIDUAL.—For pur-
4 poses of this subparagraph, the term “eli-
5 gible individual” means an individual who,
6 as of the date of the pamphlet sent pursu-
7 ant to clause (i), is indicated within the
8 records of the Social Security Administra-
9 tion as—

10 (I) not having attained age 55,
11 and

12 (II) being credited with one or
13 more quarters of coverage under sec-
14 tion 213 of the Social Security Act.

15 (iii) MATTERS TO BE INCLUDED.—
16 The Commissioner shall include with the
17 pamphlet sent to each eligible individual
18 pursuant to clause (i)—

19 (I) a statement of the number of
20 quarters of coverage indicated in the
21 records of the Social Security Admin-
22 istration as of the date of the descrip-
23 tion as credited to such individual
24 under section 213 of the Social Secu-
25 rity Act and the date as of which such

1 records may be considered accurate,
2 and

3 (II) the number for toll-free ac-
4 cess by telephone established by the
5 Commissioner pursuant to clause (i).

6 **SEC. 3. PHASED IN INCREASE IN SOCIAL SECURITY RETIRE-**
7 **MENT AGES.**

8 (a) NORMAL RETIREMENT AGE.—Section 216(*l*) of
9 the Social Security Act (42 U.S.C. 416(*l*)) is amended—
10 (1) by striking subparagraphs (B), (C), (D),
11 and (E) of paragraph (1) and inserting the following
12 new subparagraphs:

13 “(B) with respect to an individual who attains
14 early retirement age (as determined under para-
15 graph (2)) after December 31, 1999, and before
16 January 1, 2029, 65 years of age plus two-twelfths
17 of the number of months in the period beginning
18 with January 2000 and ending with December of
19 the year in which the individual attains early retire-
20 ment age (as so determined);

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

24 “(D) with respect to an individual who attains
25 early retirement age (as so determined) after De-

1 cember 31, 2029, 70 years of age plus one-twenty-
2 fourths of the number of months in the period be-
3 ginning with January 2030 and ending with Decem-
4 ber of the year in which the individual attains early
5 retirement age (as so determined).”; and

6 (2) by striking paragraph (3).

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

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

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

15 “(B)(i)(I) except as provided in clause (ii), with
16 respect to an individual who attains early retirement
17 age (as determined under subparagraph (A)) after
18 December 31, 1999, and before January 1, 2017, 62
19 years of age plus two-twelfths of the number of
20 months in the period beginning with January 2000
21 and ending with December of the year in which the
22 individual attains early retirement age (as deter-
23 mined under subparagraph (A)),

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

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

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

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

21 “(III) with respect to such an individual who
22 attains early retirement age (as so determined) after
23 December 31, 2029, 63 years of age plus one-twen-
24 ty-fourths of the number of months in the period be-
25 ginning with January 2030 and ending with Decem-

1 ber of the year in which the individual attains early
 2 retirement age (as determined under subparagraph
 3 (A)).”.

4 (c) REDUCTION IN BENEFITS FOR EARLY RETIREES
 5 MAINTAINED AT CURRENT LEVEL.—Section
 6 202(q)(9)(A) of the Social Security Act (42 U.S.C.
 7 402(q)(9)(A)) is amended by inserting “, but in no event
 8 shall be greater than 30 percent” before the semicolon.

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

10 (a) IN GENERAL.—

11 (1) REDUCTION IN INCREASES APPLIED TO
 12 HIGHER PRIMARY INSURANCE AMOUNTS.—Section
 13 215(i)(2)(A) of the Social Security Act (42 U.S.C.
 14 415(i)(2)(A)) is amended—

15 (A) by redesignating clause (iii) as clause
 16 (vii); and

17 (B) in clause (ii), by striking “The in-
 18 crease shall” in the matter following subclause
 19 (III) and all that follows through “Any in-
 20 crease” and inserting the following:

21 “(iii) With respect to the amounts described in
 22 subclauses (I) and (III) of clause (ii), the increase shall
 23 be derived by multiplying each of such amounts (including
 24 each of those amounts as previously increased under this
 25 subparagraph) by the applicable increase percentage.

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

4 “(I) multiplying each of such amounts (includ-
5 ing each such amount as previously increased under
6 this subparagraph) by the applicable increase per-
7 centage,

8 “(II) determining among all such amounts as
9 increased under subclause (I) the greatest primary
10 insurance amount which is below the 30th percentile
11 of such amounts, and

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

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

22 “(vi) Any increase”.

23 (2) CONFORMING AMENDMENT.—The last sen-
24 tence of section 215(a)(4) of such Act (42 U.S.C.
25 415(a)(4)) is amended, in subclause (I), by striking

1 “clause (iii) of subsection (i)(2)(A)” and inserting
 2 “clause (vii) of subsection (i)(2)(A)”.

3 (b) CONFORMING AMENDMENTS TO MAINTAIN CUR-
 4 RENT LEVELS OF COST-OF-LIVING ADJUSTMENT UNDER
 5 OTHER PROGRAMS.—

6 (1) SUPPLEMENTAL SECURITY INCOME FOR
 7 THE AGED, BLIND, AND DISABLED.—Section
 8 1617(a)(2) of the Social Security Act (42 U.S.C.
 9 1382f(a)(2)) is amended by striking “by the same
 10 percentage” and all that follows through “percent-
 11 age,” and inserting the following: “by the applicable
 12 increase percentage (within the meaning of section
 13 215(i)(1)(C)) used in determining the amount by
 14 which benefit amounts under title II are increased
 15 for such month”.

16 (2) SUPPLEMENTARY MEDICAL INSURANCE.—
 17 Section 1839(a)(3)(B) of such Act (42 U.S.C.
 18 1395r(a)(3)(B)) is amended by striking “by a per-
 19 centage” and all that follows through “November 1”
 20 and inserting the following: “by the applicable in-
 21 crease percentage (within the meaning of section
 22 215(i)(1)(C)) used in determining the amount by
 23 which benefit amounts under title II are increased
 24 for the month of December preceding the year of the
 25 promulgation”.

1 (3) CERTAIN VETERAN’S BENEFITS.—Section
2 3112 of title 38, United States Code, is amended—

3 (A) in subsection (a), by striking “by the
4 same percentage by which such benefit amounts
5 are increased” and inserting “by the applicable
6 increase percentage (within the meaning of sec-
7 tion 215(i)(1)(C) of such Act) used in deter-
8 mining the amount by which such benefit
9 amounts are increased”; and

10 (B) in subsection (b)(1), by striking “by
11 the same percentage as the percentage by which
12 such benefit amounts are increased” and insert-
13 ing “by the applicable increase percentage
14 (within the meaning of section 215(i)(1)(C) of
15 such Act) used in determining the amount by
16 which such benefit amounts are increased”.

17 (4) COST-OF-LIVING ADJUSTMENTS TO LIMITA-
18 TIONS ON BENEFITS AND CONTRIBUTIONS UNDER
19 QUALIFIED PLANS.—Subsection (d) of section 415 of
20 the Internal Revenue Code of 1986 (relating to cost-
21 of-living adjustments) is amended by striking “sec-
22 tion 215(i)(2)(A)” and inserting “section
23 215(i)(2)(A)(iii)”.

24 (c) AMENDMENT TO PRIOR APPLICABLE LAW.—Sec-
25 tion 215(i)(4) of the Social Security Act (42 U.S.C.

1 415(i)(4)) is amended by adding at the end the following
2 new sentence: “The Secretary shall provide by regulation
3 for the continued application of this subsection as in effect
4 in December 1978 as provided by the preceding provisions
5 of this paragraph and the amendments referred to therein.
6 Such regulations shall provide for the application of the
7 amendments to the preceding provisions of this subsection
8 made by section 2 of the COLA Limitation Act of 1995
9 so as to have the same effect on the corresponding provi-
10 sions of this subsection as in effect in December 1978 and
11 applicable in accordance with this paragraph.”.

12 (c) EFFECTIVE DATE.—The amendments made by
13 this section shall apply with respect to adjustments under
14 section 215(i) of the Social Security Act effective within
15 months after the date of the enactment of this Act.

16 **SEC. 5. MODIFICATION OF CPI CALCULATION FOR SOCIAL**
17 **SECURITY COLAS.**

18 Notwithstanding any other provision of title II of the
19 Social Security Act, with respect to calculations made
20 after December 31, 1995, with respect to any cost-of-liv-
21 ing calculation under such title, the Bureau of Labor Sta-
22 tistics of the Department of Labor shall reduce the annual
23 percentage change in the Consumer Price Indexes, as de-
24 termined without regard to this section, by .5 percentage
25 point.

1 **SEC. 6. PHASED REDUCTION IN SPOUSAL BENEFITS OTHER**
 2 **THAN SURVIVOR'S BENEFITS TO 33 PERCENT**
 3 **OF PRIMARY INSURANCE AMOUNT.**

4 (a) WIFE'S INSURANCE BENEFITS.—Section
 5 202(b)(2) of the Social Security Act (42 U.S.C. 402(b)(2))
 6 is amended to read as follows:

7 “(2)(A) Except as provided in subsection (q) and
 8 paragraph (4) of this subsection, such wife's insurance
 9 benefit for each month shall be equal to the applicable per-
 10 centage of the primary insurance amount of her husband
 11 (or, in the case of a divorced wife, her former husband)
 12 in connection with the calendar year in which such individ-
 13 ual becomes eligible for such benefit, as specified in the
 14 following table:

“If the calendar year in which the individual be- comes 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.”.

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

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

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

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

12 “(3)(A) Except as provided in subsection (q) and
13 paragraph (2) of this subsection, such husband’s insur-
14 ance benefit for each month shall be equal to the applica-
15 ble percentage of the primary insurance amount of his wife
16 (or, in the case of a divorced husband, his former wife)
17 in connection with the calendar year in which such individ-
18 ual becomes eligible for such benefit, as specified in the
19 following table:

<p>“If the calendar year in which the individual becomes eligible is:</p>	<p>The applicable percentage shall be:</p>
--	---

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

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

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 husband’s insurance benefit if such individual
4 meets the requirements of subparagraphs (B), (C),
5 and (D) of paragraph (1), and

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

10 **SEC. 7. COVERAGE OF NEWLY HIRED STATE AND LOCAL**
11 **EMPLOYEES.**

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

13 (1) IN GENERAL.—Paragraph (7) of section
14 210(a) of the Social Security Act (42 U.S.C.
15 410(a)(7)) is amended to read as follows:

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

18 (2) EXCLUDED STATE OR LOCAL GOVERNMENT
19 EMPLOYMENT.—

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

4 “Excluded State or Local Government Employment

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

10 “(A)(i) such service would be excluded from the
 11 term ‘employment’ for purposes of this title if the
 12 preceding provisions of this section as in effect in
 13 March 1995 had remained in effect, and (ii) the re-
 14 quirements of paragraph (2) are met with respect to
 15 such service, or

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

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

20 “(A) IN GENERAL.—The requirements of this
 21 paragraph are met with respect to service for any
 22 employer if—

23 “(i) such service is performed by an indi-
 24 vidual—

1 “(I) who was performing substantial
2 and regular service for remuneration for
3 that employer before January 1, 1996,

4 “(II) who is a bona fide employee of
5 that employer on December 31, 1995, and

6 “(III) whose employment relationship
7 with that employer was not entered into
8 for purposes of meeting the requirements
9 of this subparagraph, and

10 “(ii) the employment relationship with that
11 employer has not been terminated after Decem-
12 ber 31, 1995.

13 “(B) TREATMENT OF MULTIPLE AGENCIES AND
14 INSTRUMENTALITIES.—For purposes of subpara-
15 graph (A), under regulations (consistent with regula-
16 tions established under section 3121(t)(2)(B) of the
17 Internal Revenue Code of 1986)—

18 “(i) all agencies and instrumentalities of a
19 State (as defined in section 218(b)) or of the
20 District of Columbia shall be treated as a single
21 employer, and

22 “(ii) all agencies and instrumentalities of a
23 political subdivision of a State (as so defined)
24 shall be treated as a single employer and shall
25 not be treated as described in clause (i).

1 “(3) EXCEPTION FOR CERTAIN SERVICES.—

2 “(A) IN GENERAL.—The requirements of this
3 paragraph are met with respect to service if such
4 service is performed—

5 “(i) by an individual who is employed by a
6 State or political subdivision thereof to relieve
7 such individual from unemployment,

8 “(ii) in a hospital, home, or other institu-
9 tion by a patient or inmate thereof as an em-
10 ployee of a State or political subdivision thereof
11 or of the District of Columbia,

12 “(iii) by an individual, as an employee of
13 a State or political subdivision thereof or of the
14 District of Columbia, serving on a temporary
15 basis in case of fire, storm, snow, earthquake,
16 flood, or other similar emergency,

17 “(iv) by any individual as an employee in-
18 cluded under section 5351(2) of title 5, United
19 States Code (relating to certain interns, student
20 nurses, and other student employees of hos-
21 pitals of the District of Columbia Government),
22 other than as a medical or dental intern or a
23 medical or dental resident in training,

24 “(v) by an election official or election
25 worker if the remuneration paid in a calendar

1 year for such service is less than \$1,000 with
2 respect to service performed during 1996, and
3 the adjusted amount determined under sub-
4 paragraph (C) for any subsequent year with re-
5 spect to service performed during such subse-
6 quent year, except to the extent that service by
7 such election official or election worker is in-
8 cluded in employment under an agreement
9 under section 218, or

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

15 “(B) DEFINITIONS.—As used in this para-
16 graph, the terms ‘State’ and ‘political subdivision’
17 have the meanings given those terms in section
18 218(b).

19 “(C) ADJUSTMENTS TO DOLLAR AMOUNT FOR
20 ELECTION OFFICIALS AND ELECTION WORKERS.—
21 For each year after 1996, the Secretary shall adjust
22 the amount referred to in subparagraph (A)(v) at
23 the same time and in the same manner as is pro-
24 vided under section 215(a)(1)(B)(ii) with respect to

1 the amounts referred to in section 215(a)(1)(B)(i),
 2 except that—

3 “(i) for purposes of this subparagraph,
 4 1993 shall be substituted for the calendar year
 5 referred to in section 215(a)(1)(B)(ii)(II), and

6 “(ii) such amount as so adjusted, if not a
 7 multiple of \$100, shall be rounded to the next
 8 higher multiple of \$100 where such amount is
 9 a multiple of \$50 and to the nearest multiple
 10 of \$100 in any other case.

11 The Secretary shall determine and publish in the
 12 Federal Register each adjusted amount determined
 13 under this subparagraph not later than November 1
 14 preceding the year for which the adjustment is
 15 made.”.

16 (B) CONFORMING AMENDMENTS.—

17 (i) Subsection (k) of section 210 of
 18 such Act (42 U.S.C. 410(k)) (relating to
 19 covered transportation service) is repealed.

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

22 (I) in paragraph (2), by striking
 23 “service is performed” and all that
 24 follows and inserting “service is serv-

1 ice described in subsection (r)(3)(A).”;
 2 and

3 (II) in paragraph (3)(A), by in-
 4 serting “under subsection (a)(7) as in
 5 effect in March 1995” after “section”.

6 (3) ADDITIONAL AMENDMENTS RELATING TO
 7 COVERAGE AGREEMENTS.—

8 (A) AUTHORIZATION FOR ALL STATES TO
 9 EXTEND COVERAGE TO STATE AND LOCAL PO-
 10 LICEMEN AND FIREMEN UNDER EXISTING COV-
 11 ERAGE AGREEMENTS.—

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

14 (I) in paragraph (1), by striking
 15 “(1)” after “(l)”, and by striking “the
 16 State of” and all that follows through
 17 “prior to the date of enactment of this
 18 subsection” and inserting “a State en-
 19 tered into pursuant to this section”;
 20 and

21 (II) by striking paragraph (2).

22 (ii) CONFORMING AMENDMENT.—Sec-
 23 tion 218(d)(8)(D) of such Act (42 U.S.C.
 24 418(d)(8)(D)) is amended by striking
 25 “agreements with the States named in”

1 and inserting “State agreements modified
2 as provided in”.

3 (iii) EFFECTIVE DATE.—The amend-
4 ments made by this subparagraph shall
5 apply with respect to modifications filed by
6 States after the date of the enactment of
7 this Act.

8 (B) CONFORMING AMENDMENTS.—Section
9 218(c)(6) of such Act (42 U.S.C. 418(c)(6)) is
10 amended—

11 (i) by striking subparagraph (C);

12 (ii) by redesignating subparagraphs
13 (D) and (E) as subparagraphs (C) and
14 (D), respectively; and

15 (iii) by striking subparagraph (F) and
16 inserting the following:

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

19 (4) AUTHORITY FOR STATES TO MODIFY COV-
20 ERAGE AGREEMENTS WITH RESPECT TO ELECTION
21 OFFICIALS AND ELECTION WORKERS.—Section
22 218(c)(8) of such Act (42 U.S.C. 418(c)(8)) is
23 amended—

24 (A) by striking “on or after January 1,
25 1968,” and inserting “at any time”;

1 (B) by striking “\$100” and inserting
 2 “\$1,000 with respect to service performed dur-
 3 ing 1996, and the adjusted amount determined
 4 under section 210(r)(3)(C) for any subsequent
 5 year with respect to service performed during
 6 such subsequent year”; and

7 (C) by striking the last sentence and in-
 8 serting the following new sentence: “Any modi-
 9 fication of an agreement pursuant to this para-
 10 graph shall be effective with respect to services
 11 performed in and after the calendar year in
 12 which the modification is mailed or delivered by
 13 other means to the Secretary.”.

14 (b) AMENDMENTS TO THE INTERNAL REVENUE
 15 CODE OF 1986.—

16 (1) IN GENERAL.—Paragraph (7) of section
 17 3121(b) of the Internal Revenue Code of 1986 (re-
 18 lating to employment) is amended to read as follows:

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

21 (2) EXCLUDED STATE OR LOCAL GOVERNMENT
 22 EMPLOYMENT.—Section 3121 of such Code is
 23 amended by inserting after subsection (s) the follow-
 24 ing new subsection:

1 “(t) EXCLUDED STATE OR LOCAL GOVERNMENT EM-
2 PLOYMENT.—

3 “(1) IN GENERAL.—For purposes of this chap-
4 ter, the term ‘excluded State or local government
5 employment’ means any service performed in the
6 employ of a State, of any political subdivision there-
7 of, or of any instrumentality of any one or more of
8 the foregoing which is wholly owned thereby, if—

9 “(A)(i) such service would be excluded
10 from the term ‘employment’ for purposes of this
11 chapter if the provisions of subsection (b)(7) as
12 in effect in March 1995 had remained in effect,
13 and (ii) the requirements of paragraph (2) are
14 met with respect to such service, or

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

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

19 “(A) IN GENERAL.—The requirements of
20 this paragraph are met with respect to service
21 for any employer if—

22 “(i) such service is performed by an
23 individual—

24 “(I) who was performing sub-
25 stantial and regular service for remu-

1 neration for that employer before Jan-
2 uary 1, 1996,

3 “(II) who is a bona fide employee
4 of that employer on December 31,
5 1995, and

6 “(III) whose employment rela-
7 tionship with that employer was not
8 entered into for purposes of meeting
9 the requirements of this subpara-
10 graph, and

11 “(ii) the employment relationship with
12 that employer has not been terminated
13 after December 31, 1995.

14 “(B) TREATMENT OF MULTIPLE AGENCIES
15 AND INSTRUMENTALITIES.—For purposes of
16 subparagraph (A), under regulations—

17 “(i) all agencies and instrumentalities
18 of a State (as defined in section 218(b) of
19 the Social Security Act) or of the District
20 of Columbia shall be treated as a single
21 employer, and

22 “(ii) all agencies and instrumentalities
23 of a political subdivision of a State (as so
24 defined) shall be treated as a single em-

1 ployer and shall not be treated as de-
2 scribed in clause (i).

3 “(3) EXCEPTION FOR CERTAIN SERVICES.—

4 “(A) IN GENERAL.—The requirements of
5 this paragraph are met with respect to service
6 if such service is performed—

7 “(i) by an individual who is employed
8 by a State or political subdivision thereof
9 to relieve such individual from unemploy-
10 ment,

11 “(ii) in a hospital, home, or other in-
12 stitution by a patient or inmate thereof as
13 an employee of a State or political subdivi-
14 sion thereof or of the District of Columbia,

15 “(iii) by an individual, as an employee
16 of a State or political subdivision thereof
17 or of the District of Columbia, serving on
18 a temporary basis in case of fire, storm,
19 snow, earthquake, flood, or other similar
20 emergency,

21 “(iv) by any individual as an employee
22 included under section 5351(2) of title 5,
23 United States Code (relating to certain in-
24 terns, student nurses, and other student
25 employees of hospitals of the District of

1 Columbia Government), other than as a
2 medical or dental intern or a medical or
3 dental resident in training,

4 “(v) by an election official or election
5 worker if the remuneration paid in a cal-
6 endar year for such service is less than
7 \$1,000 with respect to service performed
8 during 1996, and the adjusted amount de-
9 termined under section 210(r)(3)(C) of the
10 Social Security Act for any subsequent
11 year with respect to service performed dur-
12 ing such subsequent year, except to the ex-
13 tent that service by such election official or
14 election worker is included in employment
15 under an agreement under section 218 of
16 the Social Security Act, or

17 “(vi) by an employee in a position
18 compensated solely on a fee basis which is
19 treated pursuant to section 1402(c)(2)(E)
20 as a trade or business for purposes of in-
21 clusion of such fees in net earnings from
22 self-employment.

23 “(B) DEFINITIONS.—As used in this para-
24 graph, the terms ‘State’ and ‘political subdivi-

1 sion’ have the meanings given those terms in
2 section 218(b) of the Social Security Act.”.

3 (3) CONFORMING AMENDMENTS.—

4 (A) Subsection (j) of such section 3121
5 (relating to covered transportation service) is
6 repealed.

7 (B) Paragraph (2) of section 3121(u) of
8 such Code (relating to application of hospital
9 insurance tax to Federal, State, and local em-
10 ployment) is amended—

11 (i) in subparagraph (B), by striking
12 “service is performed” in clause (ii) and all
13 that follows through the end of such sub-
14 paragraph and inserting “service is service
15 described in subsection (t)(3)(A).”; and

16 (ii) in subparagraph (C)(i), by insert-
17 ing “under subsection (b)(7) as in effect in
18 March 1995” after “chapter”.

19 (c) EFFECTIVE DATE.—Except as otherwise provided
20 in this section, the amendments made by this section shall
21 apply with respect to service performed after December
22 31, 1995.

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

3 (a) **ADDITIONAL EARNINGS BRACKET.**—Section
4 215(a)(1)(A) of the Social Security Act (42 U.S.C.
5 415(a)(1)(A)) is amended—

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

7 (2) in clause (iii), by striking “clause (ii),” and
8 inserting the following: “clause (ii), but, in the case
9 of an individual who initially becomes eligible for
10 old-age or disability insurance benefits, or who dies
11 (before becoming eligible for such benefits), after
12 calendar year 2001, do not exceed the amount estab-
13 lished for purposes of this clause by subparagraph
14 (B), and”; and

15 (3) by inserting after clause (iii) the following
16 new clause:

17 “(iv) in the case of an individual who initially
18 becomes eligible for old-age or disability insurance
19 benefits, or who dies (before becoming eligible for
20 such benefits), after calendar year 2001, 10 percent
21 of the individual’s average indexed monthly earnings
22 to the extent that such earnings exceed the amount
23 established for purposes of clause (iii),”.

24 (b) **BEND POINT AMOUNTS.**—Section 215(a)(1)(B)
25 of the Social Security Act (42 U.S.C. 415(a)(1)(B)) is
26 amended—

1 (1) in clause (ii), by inserting “and before
2 2002” after “1979” the first place it appears, and
3 by striking “by dividing—” and all that follows and
4 inserting “under clause (ix) of this subparagraph.”;

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

6 (3) by inserting after clause (ii) the following
7 new clauses:

8 “(iii) For individuals who initially become eligible for
9 old-age or disability insurance benefits, or who die (before
10 becoming eligible for such benefits), in any calendar year
11 after 2001, the amount established for purposes of clause
12 (i) of subparagraph (A) shall be an amount equal to the
13 product of the following factors:

14 “(I) the amount established with respect to cal-
15 endar year 1979 under clause (i) of this subpara-
16 graph for purposes of clause (i) of subparagraph
17 (A), and

18 “(II) the quotient obtained under clause (ix) of
19 this subparagraph.

20 “(iv) For individuals who initially become eligible for
21 old-age or disability insurance benefits, or who die (before
22 becoming eligible for such benefits), in any calendar year
23 after 2001 and before 2026, the amount established for
24 purposes of clause (ii) of subparagraph (A) shall be an
25 amount equal to the product of the following factors:

1 “(I) the amount established with respect to the
2 preceding calendar year under this subparagraph for
3 purposes of clause (ii) of subparagraph (A),

4 “(II) the quotient obtained under clause (x) of
5 this subparagraph, and

6 “(III) 0.99.

7 “(v) For individuals who initially become eligible for
8 old-age or disability insurance benefits, or who die (before
9 becoming eligible for such benefits), in any calendar year
10 after 2025, the amount established for purposes of clause
11 (ii) of subparagraph (A) shall be an amount equal to the
12 product of the following factors:

13 “(I) the amount established with respect to the
14 calendar year 2025 under clause (iv) of this sub-
15 paragraph for purposes of clause (ii) of subpara-
16 graph (A), and

17 “(II) the quotient obtained under clause (xi) of
18 this subparagraph.

19 “(vi) For individuals who initially become eligible for
20 old-age or disability insurance benefits, or who die (before
21 becoming eligible for such benefits), in the calendar year
22 2002, the amount established for purposes of clause (iii)
23 of subparagraph (A) shall be an amount equal to the
24 quotient derived by dividing—

1 “(I) the amount established with respect to the
2 calendar year 2002 under clause (iv) of this sub-
3 paragraph for purposes of clause (ii) of subpara-
4 graph (A), by

5 “(II) 0.99⁵⁰.

6 “(vii) For individuals who initially become eligible for
7 old-age or disability insurance benefits, or who die (before
8 becoming eligible for such benefits), in any calendar year
9 after 2002 and before 2026, the amount established for
10 purposes of clause (iii) of subparagraph (A) shall be an
11 amount equal to the product of the following factors:

12 “(I) the amount established with respect to the
13 preceding calendar year under this subparagraph for
14 purposes of clause (iii) of subparagraph (A),

15 “(II) the quotient obtained under clause (x) of
16 this subparagraph, and

17 “(III) 0.99.

18 “(viii) For individuals who initially become eligible for
19 old-age or disability insurance benefits, or who die (before
20 becoming eligible for such benefits), in any calendar year
21 after 2025, the amount established for purposes of clause
22 (iii) of subparagraph (A) shall be an amount equal to the
23 product of the following factors:

24 “(I) the amount established with respect to cal-
25 endar year 2025 under clause (vii) of this subpara-

1 graph for purposes of clause (iii) of subparagraph
2 (A), and

3 “(II) the quotient obtained under clause (xi) of
4 this subparagraph.

5 “(ix) The quotient obtained under this clause is the
6 quotient obtained by dividing—

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

11 “(II) the average of the total wages (as defined
12 in regulations of the Secretary and computed with-
13 out regard to the limitations specified in section
14 209(a)(1)) reported to the Secretary of the Treasury
15 or his delegate for the calendar year 1977.

16 “(x) The quotient obtained under this clause is the
17 quotient obtained by dividing—

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

22 “(II) the deemed average total wages (as de-
23 fined in section 209(k)(1)) for the third calendar
24 year preceding the calendar year for which the de-
25 termination is made.

1 “(xi) The quotient obtained under this clause is the
2 quotient obtained by dividing—

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

7 “(II) the average of the total wages (as defined
8 in regulations of the Secretary and computed with-
9 out regard to the limitations specified in section
10 209(a)(1)) reported to the Secretary of the Treasury
11 or his delegate for the calendar year 2024.”; and

12 (4) in clause (xii) (as redesignated), by striking
13 “clause (ii)” and inserting “the preceding clauses of
14 this subparagraph”.

15 (c) EFFECTIVE DATE.—The amendments made by
16 this section shall apply with respect to individuals who ini-
17 tially become eligible (within the meaning of section
18 215(a)(3)(B) of the Social Security Act) for old-age or dis-
19 ability insurance benefits under title II of the Social Secu-
20 rity Act, or who die (before becoming eligible for such ben-
21 efits), in any calendar year after 2001.

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

3 Subsection (d) of section 13215 of the Omnibus
 4 Budget Reconciliation Act of 1993 is amended by insert-
 5 ing “, and ending before January 1, 1996” after “1993”.

6 **SEC. 10. ESTABLISHMENT OF THE EQUITIES FUND WITHIN**
 7 **THE FEDERAL OLD-AGE AND SURVIVORS IN-**
 8 **SURANCE TRUST FUND.**

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

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

13 (2) in the third sentence, by striking “(1) on
 14 original” and “(2) by purchase” inserting “(A) on
 15 original” and “(B) by purchase”, respectively;

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

17 (4) by adding at the end the following new
 18 paragraph:

19 “(2)(A) There is hereby established within the Fed-
 20 eral Old-Age and Survivors Insurance Trust Fund (here-
 21 after in this paragraph referred to as the “Trust Fund”)
 22 an Equities Fund. Investment by the Managing Trustee
 23 of the portion of the Trust Fund consisting of amounts
 24 held in the Equities Fund may be made only in a portfolio
 25 designed to replicate the performance of the index selected
 26 under subparagraph (B). The portfolio shall be designed

1 such that, to the extent practicable, the percentage of the
2 Equities Fund that is invested in each stock is the same
3 as the percentage determined by dividing the aggregate
4 market value of all shares of that stock by the aggregate
5 market value of all shares of all stocks included in such
6 index.

7 “(B) The Managing Trustee shall select an index
8 which is a commonly recognized index comprised of com-
9 mon stock the aggregate market value of which is a rea-
10 sonably complete representation of the United States eq-
11 uity markets.

12 “(C) The amounts of the Trust Fund held by the Eq-
13 uities Fund shall consist of amounts deposited in the Eq-
14 uities Fund under section 10(c) of the Strengthening So-
15 cial Security Act of 1995 and such amounts as may be
16 appropriated to, or deposited in, the Equities Fund as
17 hereafter provided in this section.

18 “(D) Investment by the Managing Trustee of the
19 Trust Fund of amounts in the Equities Fund shall be sub-
20 ject to guidelines and procedures prescribed by the Per-
21 sonal Investment Fund Board pursuant to subsection (n).
22 The Managing Trustee may carry out the functions with
23 respect to investment of amounts in the Equities Fund
24 in a manner which is not in accordance with such guide-
25 lines and procedures only if such functions are otherwise

1 carried out in accordance with the requirements of this
2 paragraph.”.

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

11 (c) DEPOSITS TO EQUITIES FUND.—

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

18 (2) DETERMINATIONS AND ADJUSTMENTS.—

19 (A) APPLICABLE PERCENTAGE.—The Per-
20 sonal Investment Fund Board shall determine
21 the applicable percentage for each fiscal year
22 under paragraph (1), such that—

23 (i) a gradual phase-in occurs during
24 the 15-year period described in paragraph
25 (1), and

1 (ii) such percentage shall not exceed
 2 25 percent for fiscal year 2012.

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

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

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