

109<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

# S. 540

To strengthen and permanently preserve social security.

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IN THE SENATE OF THE UNITED STATES

MARCH 7, 2005

Mr. HAGEL introduced the following bill; which was read twice and referred  
to the Committee on Finance

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## A BILL

To strengthen and permanently preserve social security.

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; TABLE OF CONTENTS.**

4       (a) **SHORT TITLE.**—This Act may be cited as the  
5 “Saving Social Security Act of 2005”.

6       (b) **TABLE OF CONTENTS.**—The table of contents for  
7 this Act is as follows:

Sec. 1. Short title; table of contents.

### TITLE I—INVESTMENT-BASED SOCIAL SECURITY

Sec. 101. Establishment of an investment-based option for social security benefits.

### “PART B—INVESTMENT-BASED SOCIAL SECURITY

“Sec. 250. Definitions.

“Sec. 251. Election to waive eligibility.

“Sec. 252. Social security savings accounts for employees (SAFE accounts).

“Sec. 253. SAFE Investment Fund.

“Sec. 254. Distributions.

“Sec. 255. Social Security Investment Board.

Sec. 102. Adjustments to primary insurance amounts under part A of title II of the Social Security Act for investing workers with SAFE accounts.

Sec. 103. Tax treatment of investment-based social security.

Sec. 104. Study on use of private annuities for SAFE account distributions.

Sec. 105. Study regarding financial literacy.

## TITLE II—DEBT-BASED SOCIAL SECURITY

### SUBTITLE A—ADJUSTMENTS

Sec. 201. Modification to retirement age.

Sec. 202. Modification of PIA factors to reflect changes in life expectancy.

Sec. 203. Actuarial adjustment for retirements.

### SUBTITLE B—MAINTENANCE OF SOCIAL SECURITY TRUST FUNDS

Sec. 211. Maintenance of adequate balances in the social security trust funds.

# 1    **TITLE I—INVESTMENT-BASED** 2                   **SOCIAL SECURITY**

## 3    **SEC. 101. ESTABLISHMENT OF AN INVESTMENT-BASED OP-** 4                   **TION FOR SOCIAL SECURITY BENEFITS.**

5           (a) IN GENERAL.—Title II of the Social Security Act  
6 (42 U.S.C. 401 et seq.) is amended—

7                   (1) by inserting before section 201 the fol-  
8           lowing:

9                   **“PART A—DEBT-BASED SOCIAL SECURITY”;**

10           and

11                   (2) by adding at the end the following:

12           **“PART B—INVESTMENT-BASED SOCIAL SECURITY**

13           **“SEC. 250. DEFINITIONS.**

14           “For purposes of this part—

1           “(1) INVESTING WORKER.—The term ‘investing  
2 worker’ means any individual—

3           “(A) who after the date of enactment of  
4 this part—

5           “(i) receives wages on which there is  
6 imposed a tax under section 3101(a) of the  
7 Internal Revenue Code of 1986; or

8           “(ii) derives self-employment income  
9 on which there is imposed a tax under sec-  
10 tion 1401(a) of the Internal Revenue Code  
11 of 1986; and

12           “(B) who was born on or after January 1,  
13 1961, and does not make an election to waive  
14 investment-based social security under this part  
15 as provided under section 251(a).

16           “(2) SOCIAL SECURITY SAVINGS ACCOUNTS FOR  
17 EMPLOYEES (SAFE ACCOUNT).—The term ‘social se-  
18 curity savings accounts for employees’ or ‘SAFE Ac-  
19 count’ means an account established for an investing  
20 worker within the SAFE Investment Fund under  
21 section 252.

22           “(3) SAFE INVESTMENT FUND.—The term  
23 ‘SAFE Investment Fund’ or ‘Fund’ means the fund  
24 established under section 253.

1           “(4) SOCIAL SECURITY INVESTMENT BOARD.—  
 2           The term ‘Social Security Investment Board’ or  
 3           ‘Board’ means the board established under section  
 4           254.

5           “(5) COMMISSIONER.—The term ‘Commis-  
 6           sioner’ means the Commissioner of Social Security.

7           **“SEC. 251. ELECTION TO WAIVE ELIGIBILITY.**

8           “(a) ELECTION TO WAIVE ELIGIBILITY FOR SAFE  
 9           ACCOUNTS.—

10           “(1) IN GENERAL.—Any individual may elect to  
 11           waive eligibility under this part in such form and  
 12           manner as prescribed by the Board at any time after  
 13           such individual attains the age of 18 and before  
 14           such individual attains the age of 25. Such election  
 15           shall be irrevocable.

16           “(2) INDIVIDUAL BORN BEFORE JANUARY 1,  
 17           1981.—Notwithstanding paragraph (1), in the case  
 18           of any individual born after December 31, 1960, and  
 19           before January 1, 1981, such individual may elect to  
 20           waive eligibility under this part in such form and  
 21           manner as prescribed by the Board at any time be-  
 22           fore January 1, 2007. Such election shall be irrev-  
 23           ocable.

24           “(b) DISPOSITION OF SAFE ACCOUNT.—In the case  
 25           of any individual who makes an election under paragraph

1 (1), any assets in such individual's SAFE Account shall  
2 be paid to the Federal Old-Age and Survivors Insurance  
3 Trust Fund, and such individual's eligibility for benefits  
4 under part A shall be determined as if such Account had  
5 never been established.

6 **“SEC. 252. SOCIAL SECURITY SAVINGS ACCOUNTS FOR EM-**  
7 **PLOYEES (SAFE ACCOUNTS).**

8 “(a) ESTABLISHMENT OF SAFE ACCOUNTS.—Not  
9 later than 30 days after the date on which an individual  
10 first becomes an investing worker, the Social Security In-  
11 vestment Board shall establish a SAFE Account for such  
12 individual in the SAFE Investment Fund.

13 “(b) CONTRIBUTIONS.—

14 “(1) IN GENERAL.—The Secretary of the  
15 Treasury shall transfer from the Federal Old-Age  
16 and Survivors Insurance Trust Fund to the SAFE  
17 Investment Fund, for crediting by the Social Secu-  
18 rity Investment Board to the SAFE Account of an  
19 investing worker, an amount equal to the SAFE Ac-  
20 count contribution amount with respect to each in-  
21 vesting worker.

22 “(2) SAFE ACCOUNT CONTRIBUTION  
23 AMOUNT.—For purposes of paragraph (1), the term  
24 ‘SAFE Account contribution amount’ means, with

1 respect to an investing worker for a calendar year,  
 2 the product derived by multiplying—

3 “(A) the sum of the total wages paid to,  
 4 and self-employment income derived by, such  
 5 individual during such calendar year; by

6 “(B) 4 percent.

7 “(c) DESIGNATION OF INVESTMENTS.—

8 “(1) INITIAL DESIGNATION.—

9 “(A) IN GENERAL.—Not later than 10  
 10 days after an account is established for an in-  
 11 vesting worker under subsection (a), the invest-  
 12 ing worker shall designate to which investment  
 13 funds within the SAFE Investment Fund con-  
 14 tributions to such account under subsection (b)  
 15 shall be allocated.

16 “(B) DEFAULT ALLOCATION.—

17 “(i) IN GENERAL.—If no designation  
 18 is made pursuant to paragraph (1), the  
 19 Board shall allocate such contributions in  
 20 accordance with the life-span investment  
 21 option.

22 “(ii) LIFE-SPAN INVESTMENT OP-  
 23 TION.—For purposes of this section, the  
 24 life-span investment option shall provide  
 25 for the management and investment of

1 funds within an investing worker's SAFE  
2 account on the basis of the age of the in-  
3 vesting worker in accordance with regula-  
4 tions established by the Board. In estab-  
5 lishing regulations with respect to the life-  
6 span investment option under this sub-  
7 paragraph, the Board shall consider—

8 “(I) with respect to the youngest  
9 investing workers, investing 80 per-  
10 cent of such funds in stocks and 20  
11 percent of such funds in bonds; and

12 “(II) with respect to the oldest  
13 investing workers, investing 35 per-  
14 cent of such funds in stocks and 65  
15 percent of such funds in bonds.

16 “(2) SUBSEQUENT DESIGNATIONS.—At least  
17 twice each year, an investing worker may redesi-  
18 gnate the allocation of investments funds within the  
19 SAFE Investment Fund to which contributions with  
20 respect to such investing worker are allocated.

21 “(d) TIME DESIGNATION TAKES EFFECT.—A des-  
22 ignation under subsection (c) shall take effect with respect  
23 to contributions made beginning more than 14 days after  
24 the date of the designation.

1       “(e) INVESTING WORKER’S PROPERTY RIGHT IN THE  
2 SAFE ACCOUNT.—Each SAFE Account designated by an  
3 investing worker is the sole property of the worker.

4       “(f) FORM OF DESIGNATIONS.—Designations under  
5 this section shall be made—

6               “(1) on W-4 forms (or any successor forms); or

7               “(2) in such other manner as the Social Secu-  
8 rity Investment Board may prescribe in order to en-  
9 sure ease of administration.

10 **“SEC. 253. SAFE INVESTMENT FUND.**

11       “(a) IN GENERAL.—There shall be established and  
12 maintained in the Treasury of the United States a SAFE  
13 Investment Fund in the same manner as the Thrift Sav-  
14 ings Fund under sections 8437 (excluding paragraphs (4)  
15 and (5) of subsection (c) thereof), 8438, and 8439 of title  
16 5, United States Code, insofar as such sections are not  
17 inconsistent with the provisions of this part.

18       “(b) INVESTMENT EARNINGS REPORT.—

19               “(1) IN GENERAL.—At least annually, the  
20 SAFE Investment Fund shall provide to each invest-  
21 ing worker a SAFE Investment Status Report. Such  
22 report may be transmitted electronically upon the  
23 agreement of the investing worker under the terms  
24 and conditions established by the Social Security In-  
25 vestment Board.

1           “(2) CONTENTS OF REPORT.—The SAFE In-  
2           vestment Status Report, with respect to a SAFE Ac-  
3           count, shall provide the following information:

4                   “(A) The total SAFE Account contribu-  
5                   tions made in the last quarter, the last year,  
6                   and since the Account was established.

7                   “(B) The amount and rate of return  
8                   earned for each period described in subpara-  
9                   graph (A).

10                   “(C) A projection of how much the invest-  
11                   ing worker will have available on the date the  
12                   worker attains normal retirement age if such  
13                   contributions and earnings continue at the  
14                   same rate during the remaining period ending  
15                   with such date.

16           “(c) MAXIMUM ADMINISTRATIVE FEE.—The SAFE  
17           Investment Fund shall charge each investing worker in the  
18           Fund a single, uniform annual administrative fee not to  
19           exceed 0.57 percent of the value of the assets invested in  
20           the worker’s SAFE Account.

21   **“SEC. 254. DISTRIBUTIONS.**

22           “(a) DATE OF INITIAL DISTRIBUTION.—Except as  
23           provided in subsection (b)(4), distributions may only be  
24           made from a SAFE Account of an investing worker on  
25           and after the earliest of—

1           “(1) the date the investing worker attains nor-  
2           mal retirement age, as determined under section  
3           216; or

4           “(2) the date on which funds in the investing  
5           worker’s SAFE Account are sufficient to transfer to  
6           the Federal Old-Age and Survivors Insurance Trust  
7           Fund—

8                   “(A) an amount equal to the old-age insur-  
9                   ance amount (as calculated under subsection  
10                  (b)(1)(B)); and

11                  “(B) an amount equal to the survivor’s in-  
12                  surance amount (as calculated under subsection  
13                  (b)(2)(B)).

14           “(b) FORM OF DISTRIBUTION.—

15                  “(1) FEDERAL ANNUITY PAYMENT.—

16                   “(A) IN GENERAL.—On the date deter-  
17                   mined under subsection (a), so much of the bal-  
18                   ance in an investing worker’s SAFE Account as  
19                   does not exceed the old-age insurance amount  
20                   shall be transferred to the Federal Old-Age and  
21                   Survivors Insurance Trust Fund and the invest-  
22                   ing worker shall be entitled to a Federal annu-  
23                   ity payment.

24                  “(B) OLD-AGE INSURANCE AMOUNT.—For  
25                  purposes of this section, the old-age insurance

1 amount is an amount which is sufficient to pro-  
2 vide a Federal annuity payment which, when  
3 added to the investing worker's monthly benefit  
4 under part A, is equal to one-twelfth of 135  
5 percent of the poverty line (as defined in section  
6 673(2) of the Community Services Block Grant  
7 Act (42 U.S.C. 9902(2))).

8 “(C) FEDERAL ANNUITY PAYMENT.—For  
9 purposes of this section, the term ‘Federal an-  
10 nuity payment’ means a monthly payment from  
11 the Federal Old-Age and Survivors Insurance  
12 Trust Fund in an amount determined by the  
13 Social Security Investment Board based on the  
14 amount transferred to the Federal Old-Age and  
15 Survivors Insurance Trust Fund under sub-  
16 paragraph (A) and the life expectancy of the in-  
17 vesting worker (determined under reasonable  
18 actuarial assumptions).

19 “(2) FAMILY OR SURVIVOR BENEFITS FOR RE-  
20 LATED INDIVIDUALS.—

21 “(A) IN GENERAL.—On the date deter-  
22 mined under subsection (a), in the case of an  
23 investing worker whose SAFE Account has  
24 funds in excess of the amount required to be  
25 transferred under paragraph (1)(A), so much of

1 such excess funds as does not exceed the sur-  
2 vivor's insurance amount shall be transferred to  
3 the Federal Old-Age and Survivors Insurance  
4 Trust Fund and any related individual shall be  
5 entitled to a survivor's payment at the time  
6 such related individual meets the applicable re-  
7 quirements for a monthly payment under sec-  
8 tion 202.

9 “(B) SURVIVOR'S INSURANCE AMOUNT.—

10 For purposes of this section, the survivor's in-  
11 surance amount is an amount, determined by  
12 the Social Security Investment Board under  
13 rules established by such Board, which is suffi-  
14 cient to provide survivor's payments to all re-  
15 lated individuals.

16 “(C) SURVIVOR'S PAYMENT.—For pur-

17 poses of this section, the term ‘survivor's pay-  
18 ment’ means a monthly payment from the Fed-  
19 eral Old-Age and Survivors Insurance Trust  
20 Fund in an amount which, when added to such  
21 related individual's monthly benefit (or pro-  
22 jected monthly benefit) under this title, is equal  
23 to the benefit such related individual would be  
24 entitled to under section 202 if the investing  
25 worker had waived the application of this part.

1           “(D) RELATED INDIVIDUAL.—For pur-  
2           poses of this section, the term ‘related indi-  
3           vidual’ means, with respect to an investing  
4           worker, any individual entitled to benefits under  
5           section 202 based on the wages or self-employ-  
6           ment income of such worker.

7           “(3) PAYMENT OF EXCESS SAFE ACCOUNT  
8           FUNDS.—To the extent funds remain in an investing  
9           worker’s SAFE Account after the transfer required  
10          under paragraphs (1) and (2), such excess assets  
11          shall be payable to the worker in such manner and  
12          in such amounts as determined by the worker.

13          “(4) DISTRIBUTION IN THE EVENT OF  
14          DEATH.—If the investing worker dies before the date  
15          determined under subsection (a), the balance in the  
16          worker’s SAFE Account shall be distributed in the  
17          following manner:

18                 “(A) Not more than an amount equal to  
19                 the survivor’s insurance amount shall be trans-  
20                 ferred to the Federal Old-Age and Survivors In-  
21                 surance Trust Fund.

22                 “(B) The remainder (if any) shall be dis-  
23                 tributed in a lump sum, under rules established  
24                 by the Social Security Investment Board, to the

1 investing worker's estate, subject to applicable  
2 State laws.

3 **“SEC. 255. SOCIAL SECURITY INVESTMENT BOARD.**

4 “(a) ESTABLISHMENT.—There is established within  
5 the Social Security Administration a Social Security In-  
6 vestment Board (in this Act referred to as the ‘Board’).

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

9 “(1) 2 members from the private sector ap-  
10 pointed by the President, of whom 1 shall be des-  
11 ignated by the President as Chairman;

12 “(2) the Secretary of the Treasury;

13 “(3) the Chairman of the Federal Reserve  
14 Board; and

15 “(4) the Chairman of the Securities and Ex-  
16 change Commission.

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

20 “(d) MEMBERSHIP REQUIREMENTS.—Members of  
21 the Board appointed under subsection (b)(1) shall have  
22 substantial experience, training, and expertise in finance,  
23 investments, or insurance.

24 “(e) LENGTH OF APPOINTMENTS.—

1           “(1) TERMS.—A member of the Board ap-  
2           pointed under subsection (b)(1) shall be appointed  
3           for a term of 6 years, except that of the members  
4           first appointed under subsection (b)(1)—

5                   “(A) the Chairman shall be appointed for  
6                   a term of 6 years; and

7                   “(B) the remaining member shall be ap-  
8                   pointed for a term of 3 years.

9           “(2) VACANCIES.—

10                   “(A) IN GENERAL.—A vacancy on the  
11                   Board shall be filled in the manner in which the  
12                   original appointment was made and shall be  
13                   subject to any conditions that applied with re-  
14                   spect to the original appointment.

15                   “(B) COMPLETION OF TERM.—An indi-  
16                   vidual chosen to fill a vacancy shall be ap-  
17                   pointed for the unexpired term of the member  
18                   replaced.

19           “(3) EXPIRATION.—The term of any member  
20           shall not expire before the earlier of—

21                   “(A) the date on which the member’s suc-  
22                   cessor takes office; or

23                   “(B) 1 year after the member’s term is  
24                   scheduled to expire.

25           “(f) DUTIES.—The Board shall—

1           “(1) maintain SAFE Accounts and the SAFE  
2 Investment Fund in the same manner as the Thrift  
3 Savings Accounts and the Thrift Savings Fund are  
4 maintained by the Thrift Savings Board;

5           “(2) review and approve the budget of the  
6 Board;

7           “(3) establish policies for the administration of  
8 this part; and

9           “(4) carry out any other duties specified under  
10 this part.

11       “(g) ADMINISTRATIVE PROVISIONS.—

12           “(1) IN GENERAL.—The Board may—

13               “(A) adopt, alter, and use a seal;

14               “(B) direct the Executive Director to take  
15 such action as the Board considers appropriate  
16 to carry out the provisions of this part and the  
17 policies of the Board;

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

21               “(D) take such other actions as may be  
22 necessary to carry out the functions of the  
23 Board.

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

25               “(A) not less than once each month; and

1           “(B) at additional times at the call of the  
2 Chairman.

3           “(3) EXERCISE OF POWERS.—

4           “(A) IN GENERAL.—Except as provided in  
5 paragraph (1)(C), the Board shall perform the  
6 functions and exercise the powers of the Board  
7 on a majority vote of a quorum of the Board.  
8 Three members of the Board shall constitute a  
9 quorum for the transaction of business.

10           “(B) VACANCIES.—A vacancy on the  
11 Board shall not impair the authority of a  
12 quorum of the Board to perform the functions  
13 and exercise the powers of the Board.

14           “(h) COMPENSATION.—

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

21           “(2) EXPENSES.—A member of the Board shall  
22 be paid travel, per diem, and other necessary ex-  
23 penses under subchapter I of chapter 57 of title 5,  
24 United States Code, while traveling away from such

1 member's home or regular place of business in the  
2 performance of the duties of the Board.

3 “(i) APPOINTMENT OF EXECUTIVE DIRECTOR.—

4 “(1) IN GENERAL.—The Board shall appoint,  
5 without regard to the provisions of law governing  
6 appointments in the competitive service, an Execu-  
7 tive Director by action agreed to by a majority of  
8 the members of the Board.

9 “(2) REQUIREMENTS.—The Executive Director  
10 shall have substantial experience, training, and ex-  
11 pertise in finance, investments, and insurance.

12 “(3) DUTIES.—The Executive Director shall—

13 “(A) carry out the policies established by  
14 the Board;

15 “(B) invest and manage the SAFE Invest-  
16 ment Fund in accordance with the investment  
17 policies established by the Board;

18 “(C) administer the provisions this part;  
19 and

20 “(D) prescribe such regulations (other  
21 than regulations relating to fiduciary respon-  
22 sibilities) as may be necessary for the adminis-  
23 tration of this part.

24 “(4) ADMINISTRATIVE AUTHORITY.—The Exec-  
25 utive Director may—

1           “(A) appoint such personnel as may be  
2 necessary to carry out the provisions of this  
3 part;

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

8           “(C) secure directly from an executive  
9 agency, the United States Postal Service, or the  
10 Postal Rate Commission any information nec-  
11 essary to carry out the provisions of such part  
12 and the policies of the Board;

13           “(D) make such payments out of sums de-  
14 scribed in subsection (l) as the Executive Direc-  
15 tor determines are necessary to carry out the  
16 provisions of such part and the policies of the  
17 Board;

18           “(E) accept and use the services of individ-  
19 uals employed intermittently in the Government  
20 service and reimburse such individuals for trav-  
21 el expenses, as authorized by section 5703 of  
22 title 5, United States Code, including per diem  
23 as authorized by section 5702 of such title;

24           “(F) except as otherwise expressly prohib-  
25 ited by law or the policies of the Board, dele-

1           gate any of the Executive Director’s functions  
2           to such employees under the Board as the Ex-  
3           ecutive Director may designate and authorize  
4           such successive redelegations of such functions  
5           to such employees under the Board as the Ex-  
6           ecutive Director may consider to be necessary  
7           or appropriate; and

8                   “(G) take such other actions as are appro-  
9                   priate to carry out the functions of the Execu-  
10                  tive Director.

11           “(j) DISCHARGE OF RESPONSIBILITIES.—The mem-  
12           bers of the Board shall discharge their responsibilities  
13           solely in the interest of SAFE Account holders and bene-  
14           ficiaries under this part.

15           “(k) ANNUAL INDEPENDENT AUDIT.—The Board  
16           shall annually engage an independent qualified public ac-  
17           countant to audit the activities of the Board.

18           “(l) SOURCE OF FUNDS.—Payments authorized  
19           under this section shall be paid from administrative fees  
20           charged in accordance with section 253(c).

21           “(m) SUBMISSION OF BUDGET TO CONGRESS.—The  
22           Board shall prepare and submit to the President, and, at  
23           the same time, to the appropriate committees of Congress,  
24           an annual budget of the expenses and other items relating  
25           to the Board which shall be included as a separate item

1 in the budget required to be transmitted to Congress  
2 under section 1105 of title 31, United States Code.

3 “(n) SUBMISSION OF LEGISLATIVE RECOMMENDA-  
4 TIONS.—The Board may submit to the President, and, at  
5 the same time, shall submit to each House of Congress,  
6 any legislative recommendations of the Board relating to  
7 any of its functions under this part or any other provision  
8 of law.”.

9 (b) EFFECTIVE DATE AND NOTICE REQUIRE-  
10 MENTS.—

11 (1) EFFECTIVE DATE.—The amendments made  
12 by this section shall apply to designations of ac-  
13 counts made with respect to payroll periods begin-  
14 ning on or after January 1, 2007.

15 (2) NOTICE REQUIREMENTS.—

16 (A) IN GENERAL.—Not later than January  
17 1, 2007, the Commissioner of Social Security  
18 shall—

19 (i) send to the last known address of  
20 each eligible individual a description of the  
21 program established by the amendments  
22 made by this section, that shall be written  
23 in the form of a pamphlet in language that  
24 may be readily understood by the average  
25 worker;

1 (ii) provide for toll-free access by tele-  
2 phone from all localities in the United  
3 States and access by the Internet to the  
4 Social Security Administration through  
5 which individuals may obtain information  
6 and answers to questions regarding such  
7 program; and

8 (iii) provide information to the media  
9 in all localities of the United States about  
10 such program and such toll-free access by  
11 telephone and access by Internet.

12 (B) ELIGIBLE INDIVIDUAL.—For purposes  
13 of this paragraph, the term “eligible individual”  
14 means an individual who, as of the date of the  
15 pamphlet sent pursuant to subparagraph (A), is  
16 indicated within the records of the Social Secu-  
17 rity Administration as being credited with 1 or  
18 more quarters of coverage under section 213 of  
19 the Social Security Act (42 U.S.C. 413).

20 (C) MATTERS TO BE INCLUDED.—The  
21 Commissioner of Social Security shall include  
22 with the pamphlet sent to each eligible indi-  
23 vidual pursuant to subparagraph (A)—

24 (i) a statement of the number of quar-  
25 ters of coverage indicated in the records of

1 the Social Security Administration as of  
 2 the date of the description as credited to  
 3 such individual under section 213 of such  
 4 Act and the date as of which such records  
 5 may be considered accurate; and

6 (ii) the number for toll-free access by  
 7 telephone established by the Commissioner  
 8 pursuant to subparagraph (A)(ii).

9 **SEC. 102. ADJUSTMENTS TO PRIMARY INSURANCE**  
 10 **AMOUNTS UNDER PART A OF TITLE II OF THE**  
 11 **SOCIAL SECURITY ACT FOR INVESTING**  
 12 **WORKERS WITH SAFE ACCOUNTS.**

13 (a) IN GENERAL.—Section 215 of the Social Security  
 14 Act (42 U.S.C. 415) is amended by adding at the end the  
 15 following:

16 “Adjustment of Primary Insurance Amount in Relation  
 17 to Deposits Made to SAFE Accounts

18 “(j)(1) Except as provided in paragraph (2), an indi-  
 19 vidual’s primary insurance amount as determined in ac-  
 20 cordance with this section (before adjustments made  
 21 under subsection (i)) shall be equal to—

22 “(A) the amount which would be so determined  
 23 without the application of this subsection, multiplied  
 24 by

25 “(B) 1 minus the ratio of—

1 “(i) the sum of—

2 “(I) the total of all amounts which  
3 have been credited pursuant to section  
4 252(b) to the SAFE Account held by such  
5 individual; plus

6 “(II) accrued interest on such  
7 amounts compounded annually up to the  
8 date of initial benefit entitlement based on  
9 the earning of the individual’s SAFE Ac-  
10 count, assuming an interest rate equal to  
11 the projected interest rate of the Federal  
12 Old-Age and Survivors Trust Fund; to

13 “(ii) the expected present value of all fu-  
14 ture benefits paid based on the individual’s  
15 earnings, as of the date of initial benefit entitle-  
16 ment based on such earnings, assuming future  
17 mortality and interest rates for the Federal  
18 Old-Age and Survivors Trust Fund used in the  
19 intermediate projections of the most recent  
20 Board of Trustees report under section 201.

21 “(2) In the case of an individual who becomes entitled  
22 to disability insurance benefits under section 223, such in-  
23 dividual’s primary insurance amount shall be determined  
24 without regard to paragraph (1).”.

1 (b) CONFORMING AMENDMENT TO RAILROAD RE-  
 2 TIREMENT ACT OF 1974.—Section 1 of the Railroad Re-  
 3 tirement Act of 1974 (45 U.S.C. 231) is amended by add-  
 4 ing at the end the following:

5 “(s) In applying applicable provisions of the Social  
 6 Security Act for purposes of determining the amount of  
 7 the annuity to which an individual is entitled under this  
 8 Act, section 215(j) of the Social Security Act and part  
 9 B of title II of such Act shall be disregarded.”.

10 (c) EFFECTIVE DATE.—The amendments made by  
 11 this section shall apply with respect to computations and  
 12 recomputations of primary insurance amounts occurring  
 13 after December 31, 2006.

14 **SEC. 103. TAX TREATMENT OF INVESTMENT-BASED SOCIAL**  
 15 **SECURITY.**

16 (a) IN GENERAL.—

17 (1) IN GENERAL.—Subchapter F of chapter 1  
 18 of the Internal Revenue Code of 1986 (relating to  
 19 exempt organizations) is amended by adding at the  
 20 end the following new part:

21 **“PART IX—INVESTMENT-BASED SOCIAL**  
 22 **SECURITY**

“Sec. 530A. Investment-based social security.

1 **“SEC. 530A. INVESTMENT-BASED SOCIAL SECURITY.**

2       “(a) GENERAL RULE.—The SAFE Investment Fund  
3 and each SAFE Account are exempt from taxation under  
4 this subtitle. Notwithstanding the preceding sentence, a  
5 personal social security savings account is subject to the  
6 taxes imposed by section 511 (relating to imposition of  
7 tax on unrelated business income of charitable, etc. orga-  
8 nizations).

9       “(b) DISTRIBUTIONS.—

10           “(1) FEDERAL ANNUITY PAYMENT.—Any Fed-  
11 eral annuity payment (as defined under section  
12 254(b)(1) of the Social Security Act) shall be treat-  
13 ed as a social security benefit for purposes of section  
14 86.

15           “(2) DISTRIBUTION OF EXCESS ASSETS.—Any  
16 distribution from a SAFE Account under section  
17 254(b)(3) of the Social Security Act shall be includ-  
18 ible in gross income under rules under section 72.

19       “(c) DEFINITIONS.—For purposes of this section—

20           “(1) SAFE ACCOUNT.—The term ‘SAFE Ac-  
21 count’ means an account established under section  
22 252(a) of the Social Security Act.

23           “(2) SAFE INVESTMENT FUND.—The term  
24 ‘SAFE Investment Fund’ means the fund estab-  
25 lished under section 253 of the Social Security  
26 Act.”.

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

“PART IX. INVESTMENT-BASED SOCIAL SECURITY.”.

5           (b) EFFECTIVE DATE.—The amendments made by  
6 this section shall apply to taxable years beginning after  
7 December 31, 2006.

8 **SEC. 104. STUDY ON USE OF PRIVATE ANNUITIES FOR SAFE**  
9 **ACCOUNT DISTRIBUTIONS.**

10          (a) IN GENERAL.—The Social Security Investment  
11 Board shall conduct a study on the use of annuities pro-  
12 vided by private-sector financial institutions for the dis-  
13 tribution of SAFE account funds under section 254 of the  
14 Social Security Act.

15          (b) REPORT.—Not later than 3 years after the date  
16 of the enactment of this Act, the Social Security Invest-  
17 ment Board shall submit to the Committee on Finance  
18 of the Senate and the Committee on Ways and Means of  
19 the House of Representatives a report describing the re-  
20 sults of the study under subsection (a).

21 **SEC. 105. STUDY REGARDING FINANCIAL LITERACY.**

22          (a) STUDY.—

23               (1) IN GENERAL.—The Social Security Invest-  
24 ment Board shall conduct a thorough study of all

1 matters relating to programs to increase the finan-  
2 cial literacy of Americans.

3 (2) MATTERS STUDIED.—The matters studied  
4 by the Social Security Investment Board shall in-  
5 clude—

6 (A) existing Federal and non-Federal fi-  
7 nancial literacy programs, including a review  
8 and performance evaluation of such programs;

9 (B) the coordination of existing Federal  
10 and non-Federal financial education efforts; and

11 (C) ideas for new public initiatives to in-  
12 crease the financial literacy of all Americans.

13 (b) RECOMMENDATIONS.—The Social Security In-  
14 vestment Board shall develop recommendations on—

15 (1) streamlining existing financial literacy pro-  
16 grams;

17 (2) increasing financial literacy for all Ameri-  
18 cans; and

19 (3) new avenues for public-private partnerships  
20 in financial literacy.

21 (c) REPORT.—Not later than 6 months after the date  
22 of the enactment of this Act, the Social Security Invest-  
23 ment Board shall submit a report to the President and  
24 to Congress which shall contain a detailed statement of  
25 the findings and conclusions of the Social Security Invest-

1 ment Board, together with its recommendations for such  
 2 legislation and administrative actions as it considers ap-  
 3 propriate.

4 **TITLE II—DEBT-BASED SOCIAL**  
 5 **SECURITY**

6 **Subtitle A—Adjustments**

7 **SEC. 201. MODIFICATION TO RETIREMENT AGE.**

8 Section 215(l)(1) of the Social Security Act (42  
 9 U.S.C. 416(l)(1)) is amended—

10 (1) by striking “and” at the end of subpara-  
 11 graph (D);

12 (2) by inserting “and before January 1, 2023,”  
 13 after “December 31, 2021,” in subparagraph (E);

14 (3) by striking the period at the end of sub-  
 15 paragraph (E) and by inserting “; and”; and

16 (4) by adding at the end the following:

17 “(F) with respect to an individual who at-  
 18 tains early retirement age after December 31,  
 19 2022, 68 years of age.”.

20 **SEC. 202. MODIFICATION OF PIA FACTORS TO REFLECT**  
 21 **CHANGES IN LIFE EXPECTANCY.**

22 Section 215(a)(1) of the Social Security Act (42  
 23 U.S.C. 415(a)(1)(B)) is amended by redesignating sub-  
 24 paragraph (D) as subparagraph (F) and by inserting after  
 25 subparagraph (C) the following:

1       “(D)(i) For individuals who initially become eligible  
2 for old-age insurance benefits in any calendar year after  
3 2023, each of the percentages under clauses (i), (ii), and  
4 (iii) of subparagraph (A) shall be multiplied by the appli-  
5 cable factor for such year with respect to each year after  
6 2023 and before the year following the year of initial eligi-  
7 bility.

8       “(ii) For purposes of clause (i), the term ‘applicable  
9 factor’ means the actuarial number, expressed as a per-  
10 centage and determined by the Commissioner of Social Se-  
11 curity after taking into account the actuarial reduction  
12 under section 202(q) (without regard to the amendments  
13 made by section 203 of the Saving Social Security Act  
14 of 2005), representing the historical increase in longevity  
15 of life for the most recent year.

16       “(E) For any individual who initially becomes eligible  
17 for disability insurance benefits in any calendar year after  
18 2023, the primary insurance amount for such individual  
19 shall be equal to the greater of—

20               “(i) such amount as determined under this  
21 paragraph, or

22               “(ii) such amount as determined under this  
23 paragraph without regard to subparagraph (D)  
24 thereof.”.

1 **SEC. 203. ACTUARIAL ADJUSTMENT FOR RETIREMENTS.**

2 (a) IN GENERAL.—Section 202(q) of the Social Secu-  
3 rity Act (42 U.S.C. 402(q)) is amended—

4 (1) in paragraph (1)(A), by striking “ $\frac{5}{9}$ ” and  
5 inserting “the applicable old-age benefit fraction (de-  
6 termined under paragraph (12)(A))”, and by strik-  
7 ing “ $\frac{25}{36}$ ” and inserting “the applicable spousal  
8 benefit fraction (determined under paragraph  
9 (12)(B))”; and

10 (2) by adding at the end the following:

11 “(12) For purposes of paragraph (1)(A)—

12 “(A) the ‘applicable old-age benefit fraction’ for  
13 an individual who attains the age of 62 in—

14 “(i) any year before 2024, is  $\frac{5}{9}$ ;

15 “(ii) 2024, is  $\frac{7}{12}$ ;

16 “(iii) 2025, is  $\frac{11}{18}$ ;

17 “(iv) 2026, is  $\frac{23}{36}$ ;

18 “(v) 2027, is  $\frac{2}{3}$ ; and

19 “(vi) 2028 or any succeeding year, is  $\frac{25}{36}$ ;

20 and

21 “(B) the ‘applicable spousal benefit fraction’ for  
22 an individual who becomes eligible for wife’s or hus-  
23 band’s insurance benefits in—

24 “(i) any year before 2024, is  $\frac{25}{36}$ ;

25 “(ii) 2024, is  $\frac{13}{18}$ ;

26 “(iii) 2025, is  $\frac{27}{36}$ ;

1 “(iv) 2026, is  $\frac{7}{9}$ ;

2 “(v) 2027, is  $\frac{29}{36}$ ; and

3 “(vi) 2028 or any succeeding year, is  $\frac{5}{6}$ .”.

4 (b) MONTHS BEYOND FIRST 36 MONTHS.—Section  
5 202(q) of such Act (42 U.S.C. 402(q)) (as amended by  
6 subsection (a)) is amended—

7 (1) in paragraph (9)(A), by striking “five-  
8 twelfths” and inserting “the applicable fraction (de-  
9 termined under paragraph (13))”; and

10 (2) by adding at the end the following:

11 “(13) For purposes of paragraph (9)(A), the ‘applica-  
12 ble fraction’ for an individual who becomes eligible for old-  
13 age, wife’s, or husband’s insurance benefits in—

14 “(A) any year before 2024, is  $\frac{5}{12}$ ;

15 “(B) 2024, is  $\frac{16}{36}$ ;

16 “(C) 2025, is  $\frac{16}{36}$ ;

17 “(D) 2026, is  $\frac{17}{36}$ ;

18 “(E) 2027, is  $\frac{17}{36}$ ; and

19 “(F) 2028 or any succeeding year, is  $\frac{1}{2}$ .”.

20 (c) ELIGIBILITY.—Section 202(q) of such Act (as  
21 amended by the preceding provisions of this section) is  
22 amended further by adding at the end the following new  
23 paragraph:

24 “(14) For purposes of this subsection, an individual  
25 shall be deemed eligible for a benefit for a month if, upon

1 filing application therefor in such month, such individual  
 2 would be entitled to such benefit for such month.”.

3 (d) **EFFECTIVE DATE.**—The amendments made by  
 4 this subsection shall apply to individuals who, in connec-  
 5 tion with old-age, wife’s, and husband’s insurance benefits  
 6 under title II of the Social Security Act, become eligible  
 7 for such benefits (within the meaning of section  
 8 202(q)(14) of such Act (as amended by this subsection))  
 9 in years after 2023.

## 10 **Subtitle B—Maintenance of Social** 11 **Security Trust Funds**

### 12 **SEC. 211. MAINTENANCE OF ADEQUATE BALANCES IN THE** 13 **SOCIAL SECURITY TRUST FUNDS.**

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

17 “(o) In addition to amounts otherwise appropriated  
 18 under the preceding provisions of this section to the Trust  
 19 Funds established under this section, there is hereby ap-  
 20 propriated for each fiscal year to each of such Trust  
 21 Funds, from amounts in the general fund of the Treasury  
 22 not otherwise appropriated, such sums as may be nec-  
 23 essary from time to time to maintain the balance ratio  
 24 (as defined in section 709(b)) of such Trust Fund, for the  
 25 calendar year commencing during such fiscal year, at not

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

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

○