

1       **TITLE IV—SOCIAL SECURITY**  
 2                   **REFORM**

3   **SEC. 401. SHORT TITLE AND TABLE OF CONTENTS OF**  
 4                   **TITLE.**

5       (a) SHORT TITLE OF TITLE.—This title may be cited  
 6 as the “Social Security Personal Savings Guarantee and  
 7 Prosperity Act of 2008”.

8       (b) TABLE OF CONTENTS OF TITLE.—The table of  
 9 contents for this title is as follows:

TITLE IV—SOCIAL SECURITY REFORM

Sec. 401. Short title and table of contents of title.

Sec. 402. Establishment of Personal Social Security Savings Program.

“PART B—PERSONAL SOCIAL SECURITY SAVINGS PROGRAM

“Sec. 251. Definitions.

“Sec. 252. Social Security Personal Savings Fund.

“Sec. 253. Participation in Program.

“Sec. 254. Personal social security savings accounts.

“Sec. 255. Tier I Investment Fund.

“Sec. 256. Tier II Investment Fund.

“Sec. 257. Tier III Investment Options.

“Sec. 258. Personal social security savings annuity and other distributions.

“Sec. 259. Guarantee of promised benefits.

“Sec. 260. Personal Social Security Savings Board.

“Sec. 261. Executive Director.

Sec. 403. Monthly insurance benefits for participating individuals.

Sec. 404. Tax treatment of accounts.

Sec. 405. Self-Liquidating Social Security Transition Fund.

Sec. 406. Budgetary treatment of social security.

Sec. 407. Accounting for the Old-Age, Survivors, and Disability Insurance Program and the Personal Social Security Savings Program.

Sec. 408. Progressive indexing of benefits for old-age, wife’s, and husband’s insurance benefits.

Sec. 409. Enhancements to part A benefits.

Sec. 410. Adjustments to schedule for increases in normal retirement age.

1 **SEC. 402. ESTABLISHMENT OF PERSONAL SOCIAL SECUR-**  
2 **RITY SAVINGS PROGRAM.**

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

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

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

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

9 **“PART B—PERSONAL SOCIAL SECURITY SAVINGS**  
10 **PROGRAM**

11 **“SEC. 251. DEFINITIONS.**

12 “For purposes of this part—

13 “(1) PARTICIPATING INDIVIDUAL.—The term  
14 ‘participating individual’ has the meaning provided  
15 in section 253(a).

16 “(2) BOARD.—The term ‘Board’ means the  
17 Personal Social Security Savings Board established  
18 under section 260.

19 “(3) EXECUTIVE DIRECTOR.—The term ‘Execu-  
20 tive Director’ means the Executive Director ap-  
21 pointed under section 261.

22 “(4) PERSONAL SOCIAL SECURITY SAVINGS AC-  
23 COUNT.—The term ‘personal social security savings  
24 account’ means an account established under section  
25 254(a).

1           “(5) PERSONAL SOCIAL SECURITY SAVINGS AN-  
2           NUITY.—The term ‘personal social security savings  
3           annuity’ means an annuity approved by the Board  
4           under section 258(b)(3).

5           “(6) SAVINGS FUND.—The term ‘Savings Fund’  
6           means the Social Security Personal Savings Fund  
7           established under section 252.

8           “(7) TIER I INVESTMENT FUND.—The term  
9           ‘Tier I Investment Fund’ means the trust fund cre-  
10          ated under section 255.

11          “(8) TIER II INVESTMENT FUND.—The term  
12          ‘Tier II Investment Fund’ means the trust fund cre-  
13          ated under section 256.

14          “(9) TIER III INVESTMENT OPTION.—The term  
15          ‘Tier III Investment Option’ means an investment  
16          option which is—

17                 “(A) offered by an eligible entity certified  
18                 by the Board under section 257(b); and

19                 “(B) approved by the Board under section  
20                 257(c).

21   **“SEC. 252. SOCIAL SECURITY PERSONAL SAVINGS FUND.**

22          “(a) ESTABLISHMENT OF SAVINGS FUND.—

23                 “(1) ESTABLISHMENT.—There is established in  
24                 the Treasury of the United States a trust fund to

1 be known as the ‘Social Security Personal Savings  
2 Fund’.

3 “(2) AMOUNTS IN FUND.—The Savings Fund  
4 shall consist of—

5 “(A) all amounts transferred to or depos-  
6 ited into the Savings Fund under subsection  
7 (b), increased by the total net earnings from in-  
8 vestments of sums in the Savings Fund attrib-  
9 utable to such transferred or deposited  
10 amounts, and reduced by the total net losses  
11 from investments of such sums, and

12 “(B) the reserves held in the Annuity Re-  
13 serves Account established under section  
14 258(b)(3), increased by the total net earnings  
15 from investments of such reserves, and reduced  
16 by the total net losses from investments of such  
17 reserves.

18 “(3) TRUSTEES.—The Board shall serve as  
19 trustees of the Savings Fund.

20 “(4) BUDGET AUTHORITY; APPROPRIATION.—  
21 This part constitutes budget authority in advance of  
22 appropriations Acts and represents the obligation of  
23 the Board to provide for the payment of amounts  
24 provided under this part. The amounts held in the

1 Savings Fund are appropriated and shall remain  
2 available without fiscal year limitation.

3 “(b) DEPOSITS INTO FUND.—

4 “(1) IN GENERAL.—During each calendar year,  
5 the Secretary of the Treasury shall deposit into the  
6 Savings Fund, from amounts held in the Federal  
7 Old-Age and Survivors Insurance Trust Fund, a  
8 total amount equal, in the aggregate, to 100 percent  
9 of the redirected social security contribution for such  
10 calendar year of each individual who is a partici-  
11 pating individual for such calendar year.

12 “(2) TRANSFERS BASED ON ESTIMATES.—

13 “(A) IN GENERAL.—The amounts depos-  
14 ited pursuant to paragraph (1) shall be trans-  
15 ferred in at least weekly payments from the  
16 Federal Old-Age and Survivors Insurance Trust  
17 Fund to the Savings Fund.

18 “(B) DETERMINATION OF AMOUNTS.—The  
19 amounts transferred under subparagraph (A)  
20 shall be determined on the basis of estimates,  
21 made by the Commissioner of Social Security  
22 and certified to the Secretary of the Treasury,  
23 of the wages paid to, and self-employment in-  
24 come derived by, participating individuals.  
25 Proper adjustments shall be made in amounts

1           subsequently transferred to the extent prior es-  
2           timates were in excess of or were less than ac-  
3           tual amounts transferred.

4           “(3) REDIRECTED SOCIAL SECURITY CONTRIBU-  
5           TIONS.—For purposes of paragraph (1)——

6                   “(A) IN GENERAL.—The term ‘redirected  
7           social security contributions’ means, with re-  
8           spect to an individual for a calendar year, the  
9           sum of—

10                           “(i) the product derived by multi-  
11                           plying—

12                                   “(I) the sum of the total wages  
13                                   paid to, and self-employment income  
14                                   derived by, such individual during  
15                                   such calendar year, to the extent such  
16                                   total wages and self-employment in-  
17                                   come do not exceed the base amount  
18                                   for such calendar year; by

19   “(II) the applicable base percent-  
20   age for the calendar year; and

21                                   “(ii) the product derived by multi-  
22                                   plying—

23   “(I) the sum of the total wages  
24   paid to, and self-employment income  
25   derived by, such individual during

1 such calendar year, to the extent such  
2 total wages and self-employment in-  
3 come exceed the base amount (taking  
4 into account the limits imposed by the  
5 contribution and benefit base under  
6 section 230); by

7 “(II) the applicable supplemental  
8 percentage for the calendar year.

9 “(B) BASE AMOUNT.—For purposes of  
10 subparagraph (A)—

11 “(i) INITIAL BASE AMOUNT.—The  
12 base amount for calendar year 2011 is  
13 \$10,000.

14 “(ii) ADJUSTMENTS TO BASE  
15 AMOUNT.—The base amount for any cal-  
16 endar year after 2011 is the product de-  
17 rived by multiplying \$10,000 by a frac-  
18 tion—

19 “(I) the numerator of which is  
20 the national average wage index (as  
21 defined in section 209(k)) for the first  
22 of the 2 preceding calendar years; and

23 “(II) the denominator of which is  
24 the national average wage index (as so  
25 defined) for 2009.

1           “(C) APPLICABLE BASE PERCENTAGE.—

2           For purposes of subparagraph (A), the applica-

3           ble base percentage for a calendar year is—

4                   “(i) for calendar years after 2010 and  
5                   before 2021, 2 percent;

6                   “(ii) for calendar years after 2020  
7                   and before 2031, 4 percent;

8                   “(iii) for calendar years after 2030  
9                   and before 2041, 6 percent; and

10                   “(iv) for calendar years after 2040, 8  
11                   percent.

12           “(D) APPLICABLE SUPPLEMENTAL PER-  
13           CENTAGE.—For purposes of subparagraph (A),  
14           the applicable supplemental percentage for a  
15           calendar year is—

16                   “(i) for calendar years after 2010 and  
17                   before 2021, 1 percent;

18                   “(ii) for calendar years after 2020  
19                   and before 2031, 2 percent;

20                   “(iii) for calendar years after 2030  
21                   and before 2041, 3 percent; and

22                   “(iv) for calendar years after 2040, 4  
23                   percent.

1           “(c) AVAILABILITY.—The sums in the Savings Fund  
2 are appropriated and shall remain available without fiscal  
3 year limitation—

4           “(1) to invest funds in the Tier I Investment  
5 Fund of the Savings Fund and the Tier II Invest-  
6 ment Fund of the Savings Fund under sections 255  
7 and 256, respectively;

8           “(2) to transfer into Tier III Investment Op-  
9 tions under section 257;

10           “(3) to make distributions in accordance with  
11 section 258; and

12           “(4) to pay the administrative expenses of the  
13 Board in accordance with subsection (e).

14           “(d) LIMITATIONS ON USE OF FUNDS.—

15           “(1) IN GENERAL.—Sums in the Savings Fund  
16 credited to a participating individual’s personal so-  
17 cial security savings account may not be used for, or  
18 diverted to, purposes other than for the exclusive  
19 benefit of the participating individual or the partici-  
20 pating individual’s beneficiaries under this part.

21           “(2) ASSIGNMENTS.—Sums in the Savings  
22 Fund may not be assigned or alienated and are not  
23 subject to execution, levy, attachment, garnishment,  
24 or other legal process.

1           “(e) PAYMENT OF ADMINISTRATIVE EXPENSES.—  
2 Administrative expenses incurred to carry out this part  
3 shall be paid out of net earnings in the Savings Fund in  
4 conjunction with the allocation of investment earnings and  
5 losses under section 254(c).

6           “(f) LIMITATION.—The sums in the Savings Fund  
7 shall not be appropriated for any purpose other than the  
8 purposes specified in this part and may not be used for  
9 any other purpose.

10 **“SEC. 253. PARTICIPATION IN PROGRAM.**

11           “(a) PARTICIPATING INDIVIDUAL.—For purposes of  
12 this part, the term ‘participating individual’ means any  
13 individual—

14                   “(1)(A) who receives wages in any calendar  
15 year after December 31, 2010, on which there is im-  
16 posed a tax under section 3101(a) of the Internal  
17 Revenue Code of 1986, or

18                   “(B) who derives self-employment income for a  
19 taxable year beginning after December 31, 2010, on  
20 which there is imposed a tax under section 1401(a)  
21 of the Internal Revenue Code of 1986,

22                   “(2) who is born on or after January 1, 1954,  
23 and

24                   “(3) who has not filed an election to renounce  
25 such individual’s status as a participating individual

1 under subsection (b) or has filed such an election  
2 and has subsequently filed an election to reinstate  
3 such individual's status as a participating individual  
4 under subsection (c).

5 “(b) RENUNCIATION OF PARTICIPATION.—

6 “(1) IN GENERAL.—An individual—

7 “(A) who has not attained retirement age  
8 (as defined in section 216(l)(1)), and

9 “(B) with respect to whom no distribution  
10 has been made from amounts credited to the in-  
11 dividual's personal social security savings ac-  
12 count for the purchase of a personal social se-  
13 curity savings annuity,

14 may elect, in such form and manner as shall be pre-  
15 scribed in regulations of the Board, to renounce  
16 such individual's status as a ‘participating indi-  
17 vidual’ for purposes of this part. Upon completion of  
18 the procedures provided for under paragraph (2),  
19 any such individual who has made such an election  
20 shall not be treated as a participating individual  
21 under this part, effective as if such individual had  
22 never been a participating individual. The Board  
23 shall provide for immediate notification of such elec-  
24 tion to the Commissioner of Social Security, the Sec-  
25 retary of the Treasury, and the Executive Director.

1           “(2) PROCEDURE.—The Board shall prescribe  
2           by regulation procedures governing the termination  
3           of an individual’s status as ‘participating individual’  
4           pursuant to an election under this subsection. Such  
5           procedures shall include—

6                   “(A) prompt closing of the individual’s per-  
7                   sonal social security savings account established  
8                   under section 254,

9                   “(B) revocation of any benefit credit cer-  
10                  tificate assigned to the individual’s personal so-  
11                  cial security savings account under section 255,  
12                  and

13                  “(C) prompt transfer to the Federal Old-  
14                  Age and Survivors Insurance Trust Fund as  
15                  general receipts of any amount held in the Tier  
16                  II Investment Fund of the Savings Fund or  
17                  under a Tier III Investment Option pursuant to  
18                  section 256 or 257 and credited to such individ-  
19                  ual’s personal social security savings account.

20           “(c) REINSTATEMENT OF PARTICIPATION.—

21                   “(1) IN GENERAL.—Any individual who has  
22                   filed an election under subsection (b) to renounce  
23                   such individual’s status as a ‘participating indi-  
24                   vidual’ under this part may elect, in such form and  
25                   manner as shall be prescribed in regulations of the

1 Board, to reinstate such status. Such regulations  
2 shall provide for regular, periodic opportunities for  
3 the filing of such an election. The Board shall pro-  
4 vide for immediate notification to the Commissioner  
5 of Social Security, the Secretary of the Treasury,  
6 and the Executive Director of such election.

7 “(2) EFFECTIVENESS OF REINSTATEMENT.—  
8 An election under this subsection shall be effective  
9 with respect to wages earned, and self-employment  
10 income derived, on the earliest date on which the  
11 Board determines is practicable to make such elec-  
12 tion effective following the date of the filing of the  
13 election. The individual filing the election shall be  
14 treated as becoming a participating individual under  
15 this part on the effective date of the election as if  
16 such individual first met the requirements of sub-  
17 section (a) on such date.

18 “(3) IRREVOCABILITY.—An election under this  
19 subsection shall be irrevocable.

20 **“SEC. 254. PERSONAL SOCIAL SECURITY SAVINGS AC-**  
21 **COUNTS.**

22 “(a) ESTABLISHMENT OF PUBLICLY ADMINISTERED  
23 SYSTEM OF PERSONAL SECURITY SAVINGS ACCOUNTS.—  
24 As soon as practicable after the later of January 1, 2011,  
25 or the date on which an individual becomes a participating

1 individual under this part, the Executive Director shall es-  
2 tablish a personal social security savings account for such  
3 individual. Such account shall be the means by which  
4 amounts held in the Tier I Investment Fund and the Tier  
5 II Investment Fund of the Savings Fund under sections  
6 255 and 256 and amounts held under Tier III Investment  
7 Options under section 257 are credited to such individual,  
8 under procedures which shall be established by the Board  
9 by regulation. Each account of a participating individual  
10 shall be identified to such participating individual by  
11 means of the participating individual's social security ac-  
12 count number.

13       “(b) ACCOUNT BALANCE.—The balance in a partici-  
14 pating individual's account at any time is the sum of—

15               “(1) the balance in the Tier I Investment Fund  
16               of the Savings Fund credited to such participating  
17               individual prior to transfer of the credited amount to  
18               the Tier II Investment Fund of the Savings Fund;  
19               plus

20               “(2) the excess of—

21                       “(A) all deposits in the Tier II Investment  
22                       Fund of the Savings Fund credited to such par-  
23                       ticipating individual's personal social security  
24                       savings account, subject to such increases and  
25                       reductions as may result from allocations made

1 to and reductions made in the account pursuant  
2 to subsection (c)(1); over

3 “(B) amounts paid out of the Tier II In-  
4 vestment Fund in connection with amounts  
5 credited to such participating individual’s per-  
6 sonal social security savings account; plus

7 “(3) the excess of—

8 “(A) the deposits in the Tier III Invest-  
9 ment Options credited to such participating in-  
10 dividual’s personal social security savings ac-  
11 count, subject to such increases and reductions  
12 as may result from amounts credited to, and re-  
13 ductions made in, the account pursuant to sub-  
14 section (c)(2); over

15 “(B) amounts paid out of the Tier III In-  
16 vestment Options of such participating indi-  
17 vidual.

18 The calculation made under paragraph (3) shall be made  
19 separately for each Tier III Investment Option of the par-  
20 ticipating individual. The Board shall also hold for the  
21 participating individual any benefit credit certificate as-  
22 signed to the participating individual’s personal social se-  
23 curity savings account under section 255.

24 “(c) ALLOCATION OF EARNINGS AND LOSSES.—Pur-  
25 suant to regulations which shall be prescribed by the

1 Board, the Executive Director shall allocate to each per-  
2 sonal social security savings account an amount equal to  
3 the net earnings and net losses from each investment of  
4 sums—

5 “(1) in the Tier I Investment Fund and the  
6 Tier II Investment Fund which are attributable to  
7 sums credited to such account reduced by an appro-  
8 priate share of the administrative expenses paid out  
9 of the net earnings, as determined by the Executive  
10 Director; and

11 “(2) in the Tier III Investment Options which  
12 are attributable to sums credited to such account re-  
13 duced by the administrative expenses paid out of the  
14 net earnings.

15 **“SEC. 255. TIER I INVESTMENT FUND.**

16 “(a) ESTABLISHMENT OF TIER I INVESTMENT  
17 FUND.—

18 “(1) IN GENERAL.—The Savings Fund shall in-  
19 clude a separate fund to be known as the ‘Tier I In-  
20 vestment Fund’.

21 “(2) AMOUNTS IN FUND.—The Tier I Invest-  
22 ment Fund consists of all amounts derived from  
23 payments into the Fund under section 252(b) and  
24 remaining after investment of such amounts under

1 subsection (b), including additional amounts derived  
2 as income from such investments.

3 “(3) USE OF FUNDS.—The amounts held in the  
4 Fund are appropriated and shall remain available  
5 without fiscal year limitation—

6 “(A) to be held for investment on behalf of  
7 participating individuals under subsection (b),

8 “(B) to pay the administrative expenses re-  
9 lated to the Fund, and

10 “(C) to make transfers from the Fund  
11 under subsection (c)(2).

12 “(b) INVESTMENT OF FUND BALANCE.—For pur-  
13 poses of investment of the Tier I Investment Fund, the  
14 Board shall contract with appropriate professional asset  
15 managers, recordkeepers, and custodians selected for in-  
16 vestment of amounts held in the Fund, so as to provide  
17 for investment of the balance of the Fund, in a manner  
18 providing broad diversification in accordance with regula-  
19 tions of the Board, in—

20 “(1) insurance contracts,

21 “(2) certificates of deposit, or

22 “(3) other instruments or obligations selected  
23 by such asset managers,

1 which return the amount invested and pay interest, at a  
2 specified rate or rates, on that amount during a specified  
3 period of time.

4 “(c) SEPARATE CREDITING TO PERSONAL SOCIAL  
5 SECURITY SAVINGS ACCOUNTS AND TRANSFERS TO THE  
6 TIER II INVESTMENT FUND OR TO TIER III INVESTMENT  
7 OPTIONS.—

8 “(1) CREDITING TO ACCOUNTS.—

9 “(A) IN GENERAL.—Subject to this para-  
10 graph, the Board shall provide for prompt, sep-  
11 arate crediting, as soon as practicable, of the  
12 amounts deposited in the Tier I Investment  
13 Fund to the personal social security savings ac-  
14 count of each participating individual with re-  
15 spect to the redirected social security contribu-  
16 tions (as defined in section 252(b)(3)) of such  
17 participating individual. The Board shall in-  
18 clude in such crediting, with respect to each  
19 such individual, any increases or decreases in  
20 such amounts so as to reflect the net returns  
21 and losses from investment of the balance of  
22 the Fund prior to such crediting. For purposes  
23 of determining such increases and decreases for  
24 each calendar year, the amounts deposited into  
25 the Fund in connection with such individual

1           during such calendar year shall be deemed to  
2           have been deposited on June 30 of such year.

3           “(B) TREATMENT OF MARRIED PARTICI-  
4           PATING INDIVIDUALS.—If the participating in-  
5           dividual is married as of the end of the calendar  
6           year in which the amounts to be credited were  
7           deposited in the Tier I Investment Fund and  
8           the spouse is also a participating individual, the  
9           personal social security savings account of the  
10          participating individual and the personal social  
11          security savings account of his or her spouse  
12          shall each be credited with 50 percent of such  
13          amounts.

14          “(2) TRANSFERS FROM THE TIER I INVEST-  
15          MENT FUND.—In accordance with elections filed  
16          with the Board by a participating individual, any  
17          amount credited to the personal social security sav-  
18          ings account of such participating individual under  
19          paragraph (1) shall be promptly transferred to the  
20          Tier II Investment Fund of the Savings Fund for  
21          investment in accordance with section 256 and, to  
22          the extent available under section 257, to Tier III  
23          Investment Options in accordance with section 257.

24          “(d) TREATMENT OF AMOUNTS HELD IN TIER I IN-  
25          VESTMENT FUND.—Subject to this part—

1           “(1) until amounts deposited into the Tier I In-  
2           vestment Fund during any calendar year are cred-  
3           ited to personal social security savings accounts,  
4           such amounts shall be treated as the unallocated  
5           property of all participating individuals with respect  
6           to whom amounts were deposited in the Fund dur-  
7           ing such year, jointly held in trust for such partici-  
8           pating individuals in the Savings Fund, and

9           “(2) amounts deposited into the Fund which  
10          are credited to the personal social security savings  
11          account of a participating individual shall be treated  
12          as property of the participating individual, held in  
13          trust for such participating individual in the Savings  
14          Fund.

15       **“SEC. 256. TIER II INVESTMENT FUND.**

16          “(a) ESTABLISHMENT OF TIER II INVESTMENT  
17          FUND.—

18               “(1) IN GENERAL.—The Savings Fund shall in-  
19               clude a separate fund to be known as the ‘Tier II  
20               Investment Fund’.

21               “(2) AMOUNTS IN FUND.—The Tier II Invest-  
22               ment Fund consists of all amounts derived from  
23               payments into the Fund under section 255(c)(2) and  
24               remaining after investment of such amounts under

1 subsection (b), including additional amounts derived  
2 as income from such investments.

3 “(3) USE OF FUNDS.—The amounts held in the  
4 Fund are appropriated and shall remain available  
5 without fiscal year limitation—

6 “(A) to be held for investment under sub-  
7 section (b),

8 “(B) to pay the administrative expenses re-  
9 lated to the Fund, and

10 “(C) to make transfers to Tier III Invest-  
11 ment Options under section 257 or to make  
12 payments under section 258.

13 “(b) PAYMENTS INTO TIER II INVESTMENT FUND.—

14 “(1) IN GENERAL.—Upon the crediting under  
15 section 252 to the personal social security savings  
16 account of a participating individual of any amount  
17 held in the Tier I Investment Fund for any calendar  
18 year, the Board shall transfer from the Tier I In-  
19 vestment Fund into the Tier II Investment Fund  
20 any amount so credited to such participating individ-  
21 ual’s account which is not transferred to a Tier III  
22 Investment Option pursuant to an election under  
23 section 257(a).

24 “(2) ONGOING SEPARATE CREDITING.—Subject  
25 to this paragraph, the Board shall provide for ongo-

1       ing separate crediting to each participating individ-  
2       ual's personal social security savings account of the  
3       amounts deposited in the Tier II Investment Fund  
4       with respect to such participating individual, to-  
5       gether with any increases or decreases therein so as  
6       to reflect the net returns and losses from investment  
7       thereof while held in the Fund.

8       “(c) INVESTMENT ACCOUNTS.—

9               “(1) IN GENERAL.—For purposes of investment  
10       of the Tier II Investment Fund, the Board shall di-  
11       vide the Fund into 6 investment accounts. The  
12       Board shall contract with appropriate investment  
13       managers, recordkeepers, and custodians selected for  
14       investment of amounts held in each investment ac-  
15       count. Such accounts shall consist of—

16               “(A) a Lifecycle Investment Account,

17               “(B) a Government Securities Investment  
18       Account,

19               “(C) a Fixed Income Investment Account,

20               “(D) a Common Stock Index Investment  
21       Account,

22               “(E) a Small Capitalization Stock Index  
23       Investment Account, and

24               “(F) an International Stock Index Invest-  
25       ment Account.

1           “(2) ELECTION OF INVESTMENT OPTIONS.—

2           “(A) DEFAULT INVESTMENT ACCOUNT.—

3           Except as provided in an election in effect  
4           under subparagraph (B), amounts held in the  
5           Tier II Investment Fund shall be credited to  
6           the Lifecycle Investment Account.

7           “(B) ELECTION OF TRANSFERS BETWEEN

8           INVESTMENT ACCOUNTS.—In any case in which  
9           a participating individual who has an amount in  
10          such individual’s personal social security sav-  
11          ings account credited to any of the investment  
12          accounts in the Tier II Investment Fund files  
13          with the Secretary of the Treasury a written  
14          election under this subparagraph, not more fre-  
15          quently than annually and in accordance with  
16          regulations of the Board, the Secretary of the  
17          Treasury shall transfer the full amount so cred-  
18          ited in such investment account from such in-  
19          vestment account to any one of the other invest-  
20          ment accounts in the Tier II Investment Fund  
21          (whichever is designated in such election).

22          “(d) LIFECYCLE INVESTMENT ACCOUNT.—

23          “(1) IN GENERAL.—The investment manager,  
24          recordkeeper, and custodian selected for investment  
25          of amounts held in the Lifecycle Investment Account

1 shall invest such amounts under regulations which  
2 shall be prescribed by the Board in a mix of equities  
3 and fixed income instruments so as to ensure, to the  
4 maximum extent practicable, that, of the total bal-  
5 ance in the Fund credited to such account and avail-  
6 able for investment (after allowing for administrative  
7 expenses), the percentage invested in fixed income  
8 instruments by individuals in designated cohorts,  
9 ranging in age up to those of at least retirement  
10 age, will increase in a linear progression from 0 per-  
11 cent to 100 percent as the cohort approaches retire-  
12 ment age.

13 “(2) INVESTMENT IN EQUITIES.—In accordance  
14 with regulations which shall be prescribed by the  
15 Board, the Board shall establish standards which  
16 must be met by equities selected for investment in  
17 the Lifecycle Investment Account. In conformity  
18 with such standards, the Board shall select, for pur-  
19 poses of such investment, indices which are com-  
20 prised of equities the aggregate market value of  
21 which is, in each case, a reasonably broad represen-  
22 tation of companies whose shares are traded on the  
23 equity markets. Amounts invested in equities under  
24 an investment option shall be held in a portfolio de-

1 signed to replicate the performance of one or more  
2 of such indices.

3 “(3) INVESTMENT IN FIXED INCOME INSTRU-  
4 MENTS.—In accordance with regulations which shall  
5 be prescribed by the Board, the Board shall estab-  
6 lish standards which must be met by fixed income  
7 instruments selected for investment in the Lifecycle  
8 Investment Account. Such standards shall take into  
9 account the competing considerations of risk and re-  
10 turn. Amounts invested in fixed income instruments  
11 in an investment option shall be held in a portfolio  
12 which shall consist of a diverse range of fixed income  
13 instruments, taking into full account the opposing  
14 considerations of risk and maximization of return.

15 “(e) GOVERNMENT SECURITIES INVESTMENT AC-  
16 COUNT.—

17 “(1) IN GENERAL.—Amounts in the Govern-  
18 ment Securities Investment Account shall be in-  
19 vested in securities of the United States Government  
20 as provided in this subsection

21 “(2) ISSUANCE OF SPECIAL OBLIGATIONS.—  
22 The Secretary of the Treasury is authorized to issue  
23 special interest-bearing obligations of the United  
24 States for purchase by the Tier II Investment Fund  
25 for purposes of investment of amounts in the Gov-

1           ernment Securities Investment Account. Such obliga-  
2           tions shall have maturities fixed with due regard to  
3           the needs of the Fund as determined by the Board,  
4           and shall bear interest at a rate equal to the average  
5           market yield (computed by the Secretary of the  
6           treasury on the basis of market quotations as of the  
7           end of the calendar month next preceding the date  
8           of issue of such obligations) on all marketable inter-  
9           est-bearing obligations of the United States then  
10          forming a part of the public debt which are not due  
11          or callable earlier than 4 years after the end of such  
12          calendar month. Any average market yield computed  
13          under this paragraph which is not a multiple of one-  
14          eighth of 1 percent shall be rounded to the nearest  
15          multiple of one-eighth of 1 percent.

16          “(f) FIXED INCOME INVESTMENT ACCOUNT.—  
17          Amounts in the Fixed Income Investment Account shall  
18          be invested in instruments or obligations which return the  
19          amount invested and pay interest, at a specified rate or  
20          rates, on that amount during a specified period of time,  
21          consisting of instruments or obligations in one or more  
22          of the following categories:

23                   “(1) insurance contracts;

24                   “(2) certificates of deposit; or

1           “(3) other instruments or obligations selected  
2           by qualified professional asset managers.

3           “(g) COMMON STOCK INDEX INVESTMENT AC-  
4 COUNT.—

5           “(1) PORTFOLIO DESIGN.—Amounts held in the  
6           Common Stock Investment Account shall be invested  
7           in a portfolio of common stock designed to replicate  
8           the performance of the index selected under para-  
9           graph (2). The portfolio shall be designed such that,  
10          to the extent practicable, the percentage of the bal-  
11          ance in the Common Stock Index Investment Ac-  
12          count that is invested in each stock is the same as  
13          the percentage determined by dividing the aggregate  
14          market value of all shares of that stock by the ag-  
15          gregate market value of all shares of all stocks in-  
16          cluded in such index.

17          “(2) SELECTION OF INDEX.—The Board shall  
18          select, for purposes of investment of amounts held in  
19          the Common Stock Investment Account, an index  
20          which is a commonly recognized index comprised of  
21          common stock the aggregate market value of which  
22          is a reasonably complete representation of the  
23          United States equity markets.

24          “(h) SMALL CAPITALIZATION STOCK INDEX INVEST-  
25 MENT ACCOUNT.—

1           “(1) PORTFOLIO DESIGN.—Amounts held in the  
2           Small Capitalization Stock Index Investment Ac-  
3           count shall be invested in a portfolio of common  
4           stock designed to replicate the performance of the  
5           index selected under paragraph (2). The portfolio  
6           shall be designed such that, to the extent prac-  
7           ticable, the percentage of the balance in the Small  
8           Capitalization Stock Index Investment Account that  
9           is invested in each stock is the same as the percent-  
10          age determined by dividing the aggregate market  
11          value of all shares of that stock by the aggregate  
12          market value of all shares of all stocks included in  
13          such index.

14          “(2) SELECTION OF INDEX.—The Board shall  
15          select, for purposes of investment of amounts held in  
16          the Small Capitalization Stock Index Investment Ac-  
17          count, an index which is a commonly recognized  
18          index comprised of common stock the aggregate  
19          market value of which represents the United States  
20          equity markets excluding the common stocks in-  
21          cluded in the Common Stock Index Investment Ac-  
22          count.

23          “(i) INTERNATIONAL STOCK INDEX INVESTMENT  
24          ACCOUNT.—

1           “(1) PORTFOLIO DESIGN.—Amounts held in the  
2           International Stock Index Investment Account shall  
3           be invested in a portfolio of stock designed to rep-  
4           licate the performance of the index selected under  
5           paragraph (2). The portfolio shall be designed such  
6           that, to the extent practicable, the percentage of the  
7           balance in the International Stock Index Investment  
8           Account that is invested in each stock is the same  
9           as the percentage determined by dividing the aggre-  
10          gate market value of all shares of that stock by the  
11          aggregate market value of all shares of all stocks in-  
12          cluded in such index.

13           “(2) SELECTION OF INDEX.—The Board shall  
14          select, for purposes of investment of amounts held in  
15          the International Stock Index Investment Account,  
16          an index which is a commonly recognized index com-  
17          prised of common stock the aggregate market value  
18          of which is a reasonably complete representation of  
19          the international equity markets excluding the  
20          United States equity markets.

21           “(j) ADDITIONAL INVESTMENT OPTIONS.—The  
22          Board may from time to time, as determined by regulation  
23          as appropriate to further the purposes of this section,  
24          shall—

1           “(1) establish investment accounts in the Tier  
2           II Investment Fund meeting the requirements of  
3           this section in addition to those established by this  
4           section, and

5           “(2) terminate investment accounts in the Tier  
6           II Investment Fund established pursuant to para-  
7           graph (1).

8           “(k) DISCLOSURE OF ADMINISTRATIVE COSTS.—The  
9           Board shall provide to each participating individual an an-  
10          nual disclosure of the rate of administrative costs charge-  
11          able with respect to investment in each investment account  
12          in the Tier II Investment Fund. Such disclosure shall be  
13          written in a manner calculated to be understood by the  
14          average participating individual.

15          “(l) TREATMENT OF AMOUNTS HELD IN TIER II IN-  
16          VESTMENT FUND.—Subject to this part, amounts depos-  
17          ited into, and held and accounted for in, the Tier II In-  
18          vestment Fund with respect to any participating individual  
19          shall continue to be treated as property of such partici-  
20          pating individual, held in trust for such participating indi-  
21          vidual in the Fund.

22          **“SEC. 257. TIER III INVESTMENT OPTIONS.**

23          “(a) ELECTION OF TIER III INVESTMENT OP-  
24          TIONS.—

1           “(1) IN GENERAL.—A participating individual  
2           may elect to direct transfers from amounts in the  
3           Savings Fund credited to the personal social security  
4           savings account of such individual into 1 or more  
5           Tier III Investment Options in accordance with  
6           paragraph (2).

7           “(2) COMMENCEMENT OF TIER III INVESTMENT  
8           OPTIONS UPON ATTAINMENT OF ELECTION THRESH-  
9           OLD.—In any case in which, as of the end of any  
10          calendar year, the total balance in the Savings Fund  
11          credited to a participating individual’s personal so-  
12          cial security savings account exceeds for the first  
13          time the election threshold, the Board shall, by regu-  
14          lation, provide for an opportunity for such partici-  
15          pating individual to make, at any time thereafter,  
16          such individual’s first election of one or more of the  
17          Tier III Investment Options for investment of an  
18          amount in the Savings Fund credited to such ac-  
19          count. Such election may be in lieu of or in addition  
20          to investment in the options available with respect to  
21          the Tier II Investment Fund of the Savings Fund.

22          “(3) ALLOCATION OF FUNDS.—In the case of  
23          an election under paragraph (1), funds credited to  
24          the personal social security savings account of the  
25          participating individual and elected for transfer to

1 one or more Tier III Investment Options shall be  
2 transferred to the Tier III Investment Options so  
3 elected for such calendar year, in percentages speci-  
4 fied in the election by the participating individual for  
5 each applicable portfolio.

6 “(4) ELECTION THRESHOLD.—

7 “(A) IN GENERAL.—Subject to subpara-  
8 graph (B), for purposes of this subsection the  
9 term ‘election threshold’ means an amount  
10 equal to \$25,000.

11 “(B) ADJUSTMENTS.—The Board shall ad-  
12 just annually (effective for annual reporting  
13 months occurring after December 2011) the  
14 dollar amount set forth in subparagraph (A)  
15 under procedures providing for adjustments in  
16 the same manner and to the same extent as ad-  
17 justments are provided for under the proce-  
18 dures used to adjust benefit amounts under sec-  
19 tion 215(i)(2)(A), except that any amount so  
20 adjusted that is not a multiple of \$1.00 shall be  
21 rounded to the nearest multiple of \$1.00.

22 “(5) SUBSEQUENT INVESTMENT OF AMOUNTS  
23 HELD IN TIER III INVESTMENT OPTIONS.—Any  
24 amounts held in one or more Tier III Investment  
25 Options may be—

1           “(A) transferred at any time to one or  
2           more other Tier III Investment Options, subject  
3           to applicable regulations of the Board and the  
4           terms governing the affected Tier III Invest-  
5           ment Options, and

6           “(B) transferred, not more frequently than  
7           annually, to the Tier II Investment Fund, for  
8           deposit in the applicable investment account  
9           then selected by the participating individual  
10          under section 256.

11          “(b) CERTIFICATION OF ELIGIBLE ENTITIES.—

12           “(1) IN GENERAL.—The Board shall certify eli-  
13           gible entities to offer Tier III Investment Options  
14           under this part.

15           “(2) APPLICATION.—Any eligible entity that de-  
16           sires to be certified by the Board to offer a Tier III  
17           Investment Option shall submit an application to the  
18           Board at such time, in such manner, and containing  
19           such information as the Board may require.

20           “(3) REQUIREMENTS FOR APPROVAL.—The  
21           Board shall not certify an eligible entity unless such  
22           eligible entity agrees to the following requirements:

23           “(A) SEPARATE ACCOUNTING.—Each eligi-  
24           ble entity shall, with respect to each Tier III

1 Investment Option offered by such eligible enti-  
2 ty to participating individuals—

3 “(i) establish separate accounts for  
4 the contributions of each participating in-  
5 dividual, and any earnings properly allo-  
6 cable to the contributions, and

7 “(ii) maintain separate recordkeeping  
8 with respect to each account.

9 “(B) TREATMENT OF AMOUNTS HELD IN  
10 FUND.—Amounts deposited into, and held and  
11 accounted for in, a Tier III Investment Option  
12 with respect to any participating individual  
13 shall be treated as property of such partici-  
14 pating individual, held in trust for such partici-  
15 pating individual.

16 “(C) TRUST REQUIREMENTS.—Amounts  
17 held and accounted for with respect to a partici-  
18 pating individual shall be held in a trust created  
19 or organized in the United States for the exclu-  
20 sive benefit of such individual or his bene-  
21 ficiaries.

22 “(D) EXEMPTION FROM THIRD PARTY  
23 CLAIMS.—Each Tier III Investment Option  
24 shall be exempt from any and all third party  
25 claims against the eligible entity.

1           “(E) DISCLOSURE OF ADMINISTRATIVE  
2 COSTS.—Each eligible entity offering a Tier III  
3 Investment Option under this section shall pro-  
4 vide to each participating individual an annual  
5 disclosure of the rate of administrative costs  
6 chargeable with respect to investment in such  
7 Option. Such disclosure shall be written in a  
8 manner calculated to be understood by the av-  
9 erage participating individual. The Board shall  
10 provide for coordination of disclosures with re-  
11 spect to Tier III Investment Options under this  
12 subparagraph so as to assist participating indi-  
13 viduals in comparing alternative Options based  
14 on administrative costs.

15           “(F) REPORTING TO THE EXECUTIVE DI-  
16 RECTOR AND THE BOARD.—Each eligible entity  
17 shall provide reports to the Executive Director  
18 and the Board at such time, in such manner,  
19 and containing such information as the Board  
20 may require.

21           “(4) ELIGIBLE ENTITY DEFINED.—For pur-  
22 poses of this section, the term ‘eligible entity’ means  
23 any investment company (as defined in section 3 of  
24 the Investment Company Act of 1940) or other per-

1 son that the Board determines appropriate to offer  
2 Tier III Investment Options under this part.

3 “(c) APPROVAL OF TIER III INVESTMENT OP-  
4 TIONS.—

5 “(1) IN GENERAL.—No funds may be trans-  
6 ferred into a Tier III Investment Option unless the  
7 Board has approved an application submitted under  
8 paragraph (2) with respect to the option.

9 “(2) APPLICATION.—With respect to each Tier  
10 III Investment Option that an eligible entity cer-  
11 tified under subsection (b)(1) seeks to offer, such  
12 entity shall submit an application to the Board at  
13 such time, in such manner, and containing such in-  
14 formation as the Board may require.

15 “(3) QUALIFICATIONS FOR APPROVAL.—The  
16 Board may not approve an application submitted  
17 under paragraph (2) in connection with a Tier III  
18 Investment Option unless the following requirements  
19 are met:

20 “(A) OPTION MUST BE OFFERED BY CER-  
21 TIFIED ELIGIBLE ENTITY.—The Tier III In-  
22 vestment Option is offered by an eligible entity  
23 certified under subsection (b).

24 “(B) OPTION MUST MEET QUALITY FAC-  
25 TORS.—

1                   “(i) IN GENERAL.—The Tier III In-  
2                   vestment Option meets qualifications which  
3                   shall be prescribed by the Board relating  
4                   to the quality factors described in clause  
5                   (ii).

6                   “(ii) QUALITY FACTORS.—The quality  
7                   factors described in this clause are—

8                                 “(I) the safety and soundness of  
9                                 the Tier III Investment Option’s pro-  
10                                posed investment policy;

11                               “(II) the experience and record  
12                               of performance of the proposed invest-  
13                               ment option, if any;

14                               “(III) the experience and record  
15                               of performance of the entity issuing or  
16                               offering such option; and

17                               “(IV) such other factors as the  
18                               Board may determine appropriate.

19                   “(d) CONSIDERATIONS FOR CERTIFICATION AND AP-  
20                   PROVAL.—In determining whether to certify an eligible en-  
21                   tity under subsection (b) or to approve a Tier III Invest-  
22                   ment Option under subsection (c), the Board shall—

23                               “(1) act in the best interests of the partici-  
24                               pating individuals;

1           “(2) base its determination solely on consider-  
2           ations of balancing safety and soundness of the Tier  
3           III Investment Option with the maximization of re-  
4           turns of such option; and

5           “(3) not base any determination related to the  
6           entity or option on political or other extraneous con-  
7           siderations.

8           “(e) SPONSORSHIP OF TIER III INVESTMENT OP-  
9           TIONS BY MEMBERSHIP AND LABOR ORGANIZATIONS.—

10           “(1) IN GENERAL.—A membership or labor or-  
11           ganization (as defined by the Board) may sponsor  
12           Tier III Investment Options under contracts with el-  
13           igible entities certified under subsection (b) who  
14           shall administer the investment option if such invest-  
15           ment option is approved by the Board under sub-  
16           section (c).

17           “(2) LIMITATION TO MEMBERSHIP.—A mem-  
18           bership or labor organization (as so defined) may  
19           limit to the members of such organization participa-  
20           tion in a Tier III Investment Option sponsored by  
21           such organization.

22           “(f) DISTRIBUTIONS IN CASE OF DEATH.—Upon the  
23           death of a participating individual, the amount of any as-  
24           sets held under a Tier III Investment Option credited to  
25           the personal social security savings account of such indi-

1 vidual shall be distributed in accordance with section  
2 258(e).

3 **“SEC. 258. PERSONAL SOCIAL SECURITY SAVINGS ANNUITY**  
4 **AND OTHER DISTRIBUTIONS.**

5 “(a) DATE OF INITIAL DISTRIBUTION.—Except as  
6 provided in subsection (e), distributions may be made to  
7 a participating individual from amounts credited to the  
8 personal social security savings account of such individual  
9 only on or after the earliest of—

10 “(1) the date the participating individual at-  
11 tains retirement age (as defined in section 216(l)(1))  
12 or, if elected by the individual, early retirement age  
13 (as defined in section 216(l)(2)); or

14 “(2) the date on which the amount credited to  
15 the participating individual’s personal social security  
16 savings account is sufficient to purchase a personal  
17 social security savings annuity with a monthly ben-  
18 efit that is at least equal to the minimum annuity  
19 payment amount (as defined in subsection  
20 (b)(4)(C)(iii)).

21 “(b) PERSONAL SOCIAL SECURITY SAVINGS ANNU-  
22 ITIES.—

23 “(1) NOTICE OF AVAILABLE ANNUITIES.—Not  
24 later than the date determined under subsection (a),

1 the Board shall notify each participating individual  
2 of—

3 “(A) the most recent listing of personal so-  
4 cial security savings annuities offered by the  
5 Annuity Issuance Authority under paragraph  
6 (2); and

7 “(B) the entitlement of the participating  
8 individual to purchase such an annuity.

9 “(2) ANNUITY ISSUANCE AUTHORITY.—There is  
10 established in the office of the Board an agency  
11 which shall be known as the ‘Annuity Issuance Au-  
12 thority’. The Authority shall provide, in accordance  
13 with regulations of the Board, for the issuance of  
14 personal social security savings annuities for pur-  
15 chase from the Authority under this section and to  
16 otherwise administer the issuance of such annuities  
17 in accordance with such regulations.

18 “(3) ANNUITY RESERVES ACCOUNT.—There is  
19 established in the Savings Fund an Annuity Re-  
20 serves Account. The Account shall consist of all  
21 amounts received by the Authority from the pur-  
22 chase of personal social security savings annuities  
23 under this section (plus such amounts as may be  
24 transferred to the Account under paragraph (5)(B)),  
25 increased by the total net earnings from investments

1 of such reserves under subparagraph (A) of para-  
2 graph (5) and reduced by the total net losses from  
3 investments of such reserves under such subpara-  
4 graph.

5 “(4) PURCHASE OF ANNUITIES.—

6 “(A) SELECTION OF ANNUITY.—On a date  
7 elected by the participating individual, but no  
8 earlier than the date determined under sub-  
9 section (a), a participating individual may pur-  
10 chase a personal social security savings annuity  
11 selected from among the annuities offered by  
12 the Authority under paragraph (2).

13 “(B) TRANSFER OF ASSETS.—Upon the  
14 selection of an annuity by a participating indi-  
15 vidual under subparagraph (A), the Board shall  
16 provide for the transfer of assets, credited to  
17 the personal social security savings account of  
18 the participating individual and held in the Tier  
19 II Investment Fund or under 1 or more Tier  
20 III Investment Options (or any combination  
21 thereof), in a total amount sufficient to pur-  
22 chase the annuity selected by the participating  
23 individual from annuities offered by the Author-  
24 ity.

1                   “(C)   MINIMUM   ANNUITY   PAYMENT  
2                   AMOUNT.—

3                   “(i)   IN GENERAL.—Subject to sub-  
4                   paragraph (D), if, at the time a personal  
5                   social security savings annuity is pur-  
6                   chased under subparagraph (A), the assets  
7                   credited to the personal social security sav-  
8                   ings account of the participating individual  
9                   are sufficient to purchase a personal social  
10                  security savings annuity offered by the Au-  
11                  thority under paragraph (2) with a month-  
12                  ly annuity payment that is at least equal  
13                  to the minimum annuity payment amount,  
14                  the amount of the monthly annuity pay-  
15                  ment provided by such annuity may not be  
16                  less then the minimum annuity payment  
17                  amount.

18                  “(ii)   CONSTRUCTION.—Nothing in  
19                  this subparagraph shall be construed to  
20                  prohibit a participating individual from  
21                  using personal social security savings ac-  
22                  count assets to purchase a personal social  
23                  security savings annuity offered by the Au-  
24                  thority under paragraph (2) which provides  
25                  for a monthly payment in excess of the

1 minimum amount required under clause  
2 (i).

3 “(iii) MINIMUM ANNUITY PAYMENT  
4 AMOUNT DEFINED.—For purposes of this  
5 part, the term ‘minimum annuity payment  
6 amount’ means, as of any date, an amount  
7 equal to the monthly equivalent of 150 per-  
8 cent of the poverty line for an individual  
9 (as in effect on such date), determined  
10 under the poverty guidelines of the Depart-  
11 ment of Health and Human Services  
12 issued under sections 652 and 673(2) of  
13 the Omnibus Budget Reconciliation Act of  
14 1981.

15 “(D) PURCHASE OF ANNUITIES IN THE  
16 EVENT OF INSUFFICIENT ASSETS.—If a partici-  
17 pating individual desires, or is required under  
18 subsection (f), to purchase a personal social se-  
19 curity savings annuity under subsection (b) on  
20 or after the date determined under subsection  
21 (a)(1) and the assets of the personal social se-  
22 curity savings account of such individual are in-  
23 sufficient to purchase a personal social security  
24 savings annuity that provides for a monthly  
25 payment that is at least equal to the minimum

1 annuity payment amount (as defined in para-  
2 graph (4)(C)(iii)), the participating individual  
3 shall purchase a personal social security savings  
4 annuity with a monthly payment equal to the  
5 maximum amount that the participating indi-  
6 vidual's personal social security savings account  
7 can fund, as determined in accordance with reg-  
8 ulations which shall be prescribed by the Au-  
9 thority, and that otherwise meets the require-  
10 ments of this subsection (including the cost-of-  
11 living protection requirement of subsection  
12 (c)(1)(C)), and the Authority shall provide for  
13 appropriate certification to the Secretary of the  
14 Treasury with respect to the participating indi-  
15 vidual's eligibility for guarantee payments  
16 under section 259.

17 “(5) MAINTENANCE OF RESERVES FOR PAY-  
18 MENT OF ANNUITIES.—

19 “(A) INVESTMENT OF RESERVES.—For  
20 purposes of investment of reserves held in the  
21 Annuity Reserves Account, the Authority shall  
22 contract with appropriate investment managers,  
23 recordkeepers, and custodians selected by the  
24 Authority for investment of such reserves. Such  
25 reserves shall be invested under regulations

1           which shall be prescribed by the Authority so as  
2           to ensure, to the maximum extent practicable,  
3           that, of the total balance of the reserves (after  
4           payment of administrative expenses to such  
5           managers, recordkeepers, and custodians)—

6                   “(i) 65 percent is invested in equities  
7                   in the same manner and under the same  
8                   standards as are provided in section  
9                   256(c)(4), and

10                   “(ii) 35 percent is invested in fixed in-  
11                   come instruments in the same manner and  
12                   under the same standards as are provided  
13                   in section 256(c)(5).

14                   “(B) PROVISION FOR FULL PAYMENT OF  
15                   ANNUITIES.—Payment of personal social secu-  
16                   rity savings annuities in accordance with the  
17                   terms of such annuities shall be made, irrespec-  
18                   tive of the sufficiency of reserves in the Annuity  
19                   Reserves Fund attributable to funds obtained  
20                   from the purchase of such annuities. In the  
21                   event of any impending insufficiency in the An-  
22                   nuity Reserves Account for the next fiscal year,  
23                   the Authority shall certify to the Secretary of  
24                   the Treasury the amount of such insufficiency,  
25                   and the Secretary of the Treasury shall transfer

1 from the Federal Old-Age and Survivors Insur-  
2 ance Trust Fund to the Annuity Reserves Ac-  
3 count the amount of the insufficiency, as so cer-  
4 tified, in such installments, made prior to or  
5 during such fiscal year, as are necessary to  
6 eliminate in advance such insufficiency.

7 “(c) PERSONAL SOCIAL SECURITY SAVINGS ANNU-  
8 ITY.—

9 “(1) IN GENERAL.—For purposes of this part,  
10 the term ‘personal social security savings annuity’  
11 means an annuity that meets the following require-  
12 ments:

13 “(A) The annuity starting date (as defined  
14 in section 72(c)(4) of the Internal Revenue  
15 Code of 1986) commences on the first day of  
16 the month beginning after the date of the pur-  
17 chase of the annuity.

18 “(B) The terms of the annuity provide—

19 “(i) for a monthly payment to the  
20 participating individual during the life of  
21 the participating individual equal to at  
22 least the minimum annuity payment  
23 amount (as defined in subsection  
24 (b)(4)(C)(iii)), or

1                   “(ii) in the case of an annuity pur-  
2                   chased under subparagraph (D) of sub-  
3                   section (b)(4), the maximum monthly pay-  
4                   ment determined under regulations pre-  
5                   scribed under such subparagraph.

6                   “(C) The terms of the annuity include pro-  
7                   cedures providing for adjustments in the  
8                   amount of the monthly payments in the same  
9                   manner and to the same extent as adjustments  
10                  are provided for under the procedures used to  
11                  adjust benefit amounts under section  
12                  215(i)(2)(A). Nothing in this subparagraph  
13                  shall be construed to preclude the terms gov-  
14                  erning such an annuity from providing for ad-  
15                  justments in the amount of monthly payments  
16                  resulting in a payment for any month greater  
17                  than the payment for that month that would re-  
18                  sult from adjustments required under the pre-  
19                  ceding sentence (b)(4)(D).

20                  “(D) The terms of the annuity include  
21                  such other terms and conditions as the Board  
22                  requires for the protection of the annuitant.

23                  “(2) EXEMPTION FROM THIRD PARTY  
24                  CLAIMS.—Each personal social security savings an-

1           nuity shall be exempt from any and all third party  
2           claims against the issuer.

3           “(d) RIGHT TO USE EXCESS PERSONAL SOCIAL SE-  
4           CURITY SAVINGS ACCOUNT ASSETS.—To the extent assets  
5           credited to a participating individual’s personal social se-  
6           curity savings account remain after the purchase of an an-  
7           nuity under subsection (b), the remaining assets shall be  
8           payable to the participating individual at such time, in  
9           such manner, and in such amounts as the participating  
10          individual may specify, subject to subsection (f).

11          “(e) DISTRIBUTIONS IN CASE OF DEATH.—If the  
12          participating individual dies before all amounts which are  
13          held in the Tier I Investment Fund or the Tier II Invest-  
14          ment Fund of the Savings Fund or held under a Tier III  
15          Investment Option and which are credited to the personal  
16          social security savings account of the individual are other-  
17          wise distributed in accordance with this section, such  
18          amounts shall be distributed, under regulations which  
19          shall be prescribed by the Board—

20                 “(1) in any case in which one or more bene-  
21          ficiaries have been designated in advance, to such  
22          beneficiaries in accordance with such designation as  
23          provided in such regulations, and

1           “(2) in the case of any amount not distributed  
2           as described in paragraph (1), to such individual’s  
3           estate.

4           “(f) DATE OF FINAL DISTRIBUTION.—All amounts  
5           credited to the personal social security savings account of  
6           an individual shall be distributed, by means of the pur-  
7           chase of annuities or otherwise in a manner consistent  
8           with the requirements of this section, not later than 5  
9           years after the date the individual attains retirement age  
10          (as defined in section 216(l)). The Board shall provide by  
11          regulation for means of distribution necessary to ensure  
12          compliance with the requirements of this subsection.

13          **“SEC. 259. GUARANTEE OF PROMISED BENEFITS.**

14          “(a) IN GENERAL.—If, for any month ending after  
15          the date on which a participating individual attains retire-  
16          ment age (as defined in section 216(l)(1)), the monthly  
17          payment under a participating individual’s personal social  
18          security savings annuity is less than the minimum annuity  
19          payment amount (as defined in section 258(b)(4)(C)(iii)),  
20          adjusted as provided in section 258(c)(1)(C), the Annuity  
21          Issuance Authority shall so certify to the Secretary of the  
22          Treasury and, upon receipt of such certification, such Sec-  
23          retary shall provide to the participating individual, from  
24          amounts in the Federal Old-Age and Survivors Insurance  
25          Trust Fund, a guaranty payment for such month to sup-

1 plement the personal social security savings annuity and  
2 to guarantee full payment of such individual's monthly  
3 promised benefits.

4 “(b) GUARANTY PAYMENT.—For purposes of sub-  
5 section (a), a participating individual's guaranty payment  
6 for any month is equal to the excess of—

7 “(1) the minimum annuity payment amount (as  
8 defined in section 258(b)(4)(C)(iii)), adjusted as  
9 provided in section 258(c)(1)(C); over

10 “(2) the payment for such month of the per-  
11 sonal social security savings annuity purchased by  
12 the participating individual.

13 “(c) PROTECTION OF PART A NORMAL RETIREMENT  
14 BENEFIT LEVELS.—

15 “(1) IN GENERAL.—In any case in which, for  
16 any month ending after the date on which a partici-  
17 pating individual attains retirement age (as defined  
18 in section 216(l)(1))—

19 “(A) such individual's assumed total nor-  
20 mal retirement part A benefit for such month,  
21 exceeds

22 “(B) the monthly payment payable for  
23 such month under such individual's personal so-  
24 cial security savings annuity,

1 the Secretary of the Treasury shall pay to such indi-  
2 vidual for such month, from amounts in the Federal  
3 Old-Age and Survivors Insurance Trust Fund, an  
4 additional amount (if any) equal to the excess of the  
5 amount described in subparagraph (A) over the  
6 amount described in subparagraph (B).

7 “(2) DEFINITION.—For purposes of this sub-  
8 section, the term ‘assumed total normal retirement  
9 part A benefit’ means, in connection with a partici-  
10 pating individual, the total amount of monthly insur-  
11 ance benefits under section 202 based on such indi-  
12 vidual’s wages and self-employment income (ad-  
13 justed by taking into account adjustments under sec-  
14 tion 215(i)) that would have been payable if—

15 “(A) section 202(z) did not apply, and

16 “(B) such individual applied for old-age in-  
17 surance benefits under section 202(a) during  
18 the month in which such individual attains re-  
19 tirement age (as defined in section 216(l)(1)).

20 **“SEC. 260. PERSONAL SOCIAL SECURITY SAVINGS BOARD.**

21 “(a) ESTABLISHMENT.—There is established in the  
22 executive branch of the Government a Personal Social Se-  
23 curity Savings Board.

24 “(b) COMPOSITION.—The Board shall be composed  
25 of—

1           “(1) 3 members appointed by the President, of  
2           whom 1 shall be designated by the President as  
3           Chairman; and

4           “(2) 2 members appointed by the President, of  
5           whom—

6                   “(A) 1 shall be appointed by the President  
7                   after taking into consideration the recommenda-  
8                   tion made by the Speaker of the House of Rep-  
9                   resentatives in consultation with the Minority  
10                  Leader of the House of Representatives; and

11                   “(B) 1 shall be appointed by the President  
12                   after taking into consideration the recommenda-  
13                   tion made by the Majority Leader of the Senate  
14                   in consultation with the Minority Leader of the  
15                  Senate.

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

19           “(d) MEMBERSHIP REQUIREMENTS.—Members of  
20           the Board shall have substantial experience, training, and  
21           expertise in the management of financial investments and  
22           pension benefit plans.

23           “(e) LENGTH OF APPOINTMENTS.—

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

4           “(A) the Chairman shall be appointed for  
5 a term of 4 years;

6           “(B) the members appointed under sub-  
7 section (b)(2) shall be appointed for terms of 3  
8 years; and

9           “(C) the remaining members shall be ap-  
10 pointed for terms of 2 years.

11          “(2) VACANCIES.—

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

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

21          “(3) EXPIRATION.—The term of any member  
22 shall not expire before the date on which the mem-  
23 ber’s successor takes office.

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

1           “(1) administer the program established under  
2 this part;

3           “(2) establish policies for the investment and  
4 management of the Savings Fund, including the  
5 Tier I Investment Fund and the Tier II Investment  
6 Fund, and amounts held under Tier III Investment  
7 Options, including policies applicable to the asset  
8 managers, recordkeepers, and custodians with re-  
9 sponsibility for managing the investment of amounts  
10 credited to personal social security investment ac-  
11 counts, and for the management and operation of  
12 personal social security savings annuities, which  
13 shall provide for—

14                   “(A) prudent investments suitable for ac-  
15 cumulating funds for payment of retirement in-  
16 come;

17                   “(B) sound management practices; and

18                   “(C) low administrative costs;

19           “(3) review the performance of investments  
20 made for the Tier I Investment Fund and the Tier  
21 II Investment Fund;

22           “(4) review the performance of investments  
23 made under Tier III Investment Options;

24           “(5) review the management and operation of  
25 personal social security savings annuities;

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

3           “(7) comply with the fiduciary requirements of  
4 part 4 of subtitle B of title I of the Employee Re-  
5 tirement Income Security Act of 1974 (relating to fi-  
6 duciary responsibility) in connection with any exer-  
7 cise of discretion in connection with the assets of the  
8 Savings Fund.

9           “(g) ADMINISTRATIVE PROVISIONS.—

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

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

12                   “(B) except as provided in paragraph (4),  
13 direct the Executive Director to take such ac-  
14 tion as the Board considers appropriate to  
15 carry out the provisions of this part and the  
16 policies of the Board in accordance with delega-  
17 tions under this part;

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

21                   “(D) provide to the Executive Director  
22 such resources as are necessary to carry out the  
23 duties of the Executive Director; and

1           “(E) take such other actions as may be  
2           necessary to carry out the functions of the  
3           Board.

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

5           “(A) not less than once during each  
6           month; and

7           “(B) at additional times at the call of the  
8           Chairman.

9           “(3) EXERCISE OF POWERS.—

10           “(A) IN GENERAL.—Except as provided in  
11           paragraph (1)(C), the Board shall perform the  
12           functions and exercise the powers of the Board  
13           on a majority vote of a quorum of the Board.  
14           Three members of the Board shall constitute a  
15           quorum for the transaction of business.

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

20           “(4) LIMITATIONS ON INVESTMENTS.—The  
21           Board may not direct any person to invest or to  
22           cause to be invested any sums in the Tier II Invest-  
23           ment Fund or any personal social security invest-  
24           ment account in a specific asset or to dispose of or

1       cause to be disposed of any specific asset of such  
2       Fund or any such account.

3       “(h) COMPENSATION.—

4             “(1) IN GENERAL.—Each member of the Board  
5       who is not an officer or employee of the Federal  
6       Government shall be compensated at the daily rate  
7       of basic pay for level IV of the Executive Schedule  
8       for each day during which such member is engaged  
9       in performing a function of the Board.

10            “(2) EXPENSES.—A member of the Board shall  
11       be paid travel, per diem, and other necessary ex-  
12       penses under subchapter I of chapter 57 of title 5,  
13       United States Code, while traveling away from such  
14       member’s home or regular place of business in the  
15       performance of the duties of the Board.

16            “(3) SOURCE OF FUNDS.—Payments authorized  
17       under this subsection shall be paid from the Tier I  
18       Investment Fund or the Tier II Investment Fund,  
19       as determined appropriate by the Board.

20            “(i) DISCHARGE OF RESPONSIBILITIES.—The mem-  
21       bers of the Board shall discharge their responsibilities  
22       solely in the interest of the participating individuals and  
23       their beneficiaries under this part.

1       “(j) ANNUAL INDEPENDENT AUDIT.—The Board  
2 shall annually engage an independent qualified public ac-  
3 countant to audit the activities of the Board.

4       “(k) SUBMISSION OF BUDGET TO CONGRESS.—The  
5 Board shall prepare and submit to the President, and, at  
6 the same time, to the appropriate committees of Congress,  
7 an annual budget of the expenses and other items relating  
8 to the Board which shall be included as a separate item  
9 in the budget required to be transmitted to Congress  
10 under section 1105 of title 31, United States Code.

11       “(l) SUBMISSION OF LEGISLATIVE RECOMMENDA-  
12 TIONS.—The Board may submit to the President, and, at  
13 the same time, shall submit to each House of Congress,  
14 any legislative recommendations of the Board relating to  
15 any of its functions under this part or any other provision  
16 of law.

17 **“SEC. 261. EXECUTIVE DIRECTOR.**

18       “(a) APPOINTMENT OF EXECUTIVE DIRECTOR.—The  
19 Board shall appoint, without regard to the provisions of  
20 law governing appointments in the competitive service, an  
21 Executive Director by action agreed to by a majority of  
22 the members of the Board.

23       “(b) DUTIES.—The Executive Director shall, as de-  
24 termined appropriate by the Board—

1           “(1) carry out the policies established by the  
2 Board;

3           “(2) invest and manage the Tier I Investment  
4 Fund and the Tier II Investment Fund in accord-  
5 ance with the investment policies and other policies  
6 established by the Board;

7           “(3) administer the provisions of this part re-  
8 lating to the Tier I Investment Fund and the Tier  
9 II Investment Fund; and

10           “(4) prescribe such regulations (other than reg-  
11 ulations relating to fiduciary responsibilities) as may  
12 be necessary for the administration of this part re-  
13 lating to the Tier I Investment Fund and the Tier  
14 II Investment Fund.

15           “(c) ADMINISTRATIVE AUTHORITY.—The Executive  
16 Director may, within the scope of the duties of the Execu-  
17 tive Director as determined by the Board—

18           “(1) appoint such personnel as may be nec-  
19 essary to carry out the provisions of this part relat-  
20 ing to the Tier I Investment Fund and the Tier II  
21 Investment Fund;

22           “(2) subject to approval by the Board, procure  
23 the services of experts and consultants under section  
24 3109 of title 5, United States Code;

1           “(3) secure directly from an Executive agency,  
2           the United States Postal Service, or the Postal Rate  
3           Commission any information necessary to carry out  
4           the provisions of this part and the policies of the  
5           Board relating to the Tier I Investment Fund and  
6           the Tier II Investment Fund;

7           “(4) make such payments out of sums in the  
8           Tier I Investment Fund and the Tier II Investment  
9           Fund as the Executive Director determines, in ac-  
10          cordance with regulations of the Board, are nec-  
11          essary to carry out the provisions of this part and  
12          the policies of the Board;

13          “(5) pay the compensation, per diem, and travel  
14          expenses of individuals appointed under paragraphs  
15          (1), (2), and (6) from the Tier I Investment Fund  
16          or the Tier II Investment Fund, in accordance with  
17          regulations of the Board;

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

24          “(7) except as otherwise expressly prohibited by  
25          law or the policies of the Board, delegate any of the

1 Executive Director's functions to such employees  
2 under the Board as the Executive Director may des-  
3 ignate and authorize such successive redelegations of  
4 such functions to such employees under the Board  
5 as the Executive Director may consider to be nec-  
6 essary or appropriate; and

7 “(8) take such other actions as are appropriate  
8 to carry out the functions of the Executive Direc-  
9 tor.”.

10 (b) EFFECTIVE DATE.—The amendments made by  
11 this section shall apply with respect to wages paid after  
12 December 31, 2010, for pay periods ending after such  
13 date and self-employment income for taxable years begin-  
14 ning after such date.

15 **SEC. 403. MONTHLY INSURANCE BENEFITS FOR PARTICI-**  
16 **PATING INDIVIDUALS.**

17 Section 202 of the Social Security Act (42 U.S.C.  
18 402) is amended by adding at the end the following new  
19 subsection:

20 “Benefits for Participants Under Part B

21 “(z)(1) Notwithstanding the preceding provisions of  
22 this section—

23 “(A) a participating individual under the Per-  
24 sonal Social Security Savings Program under part B

1 shall not be entitled to old-age insurance benefits  
2 under subsection (a); and

3 “(B) except as provided in paragraph (2), no  
4 individual shall be entitled to benefits under this sec-  
5 tion on the basis of the wages and self-employment  
6 income of such a participating individual.

7 “(2) In the case of any such participating individual  
8 who dies before such individual purchases a personal social  
9 security savings annuity under section 258, paragraph  
10 (1)(B) shall not apply with respect to child’s insurance  
11 benefits under subsection (d), widow’s insurance benefits  
12 under subsection (e), widower’s insurance benefits under  
13 subsection (f), mother’s and father’s insurance benefits  
14 under subsection (g), and parent’s insurance benefits  
15 under subsection (h).”.

16 **SEC. 404. TAX TREATMENT OF ACCOUNTS.**

17 (a) IN GENERAL.—

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

22 **“PART IX—PERSONAL SOCIAL SECURITY**  
23 **SAVINGS PROGRAM**

“Sec. 530A. Personal social security savings program.

1 **“SEC. 530A. PERSONAL SOCIAL SECURITY SAVINGS PRO-**  
2 **GRAM.**

3 “(a) GENERAL RULE.—The Social Security Personal  
4 Savings Fund and each Tier III Investment Option are  
5 exempt from taxation under this subtitle. Notwithstanding  
6 the preceding sentence, sums in a personal social security  
7 savings account which are attributable to a Tier III Op-  
8 tion shall be subject to the taxes imposed by section 511  
9 (relating to imposition of tax on unrelated business income  
10 of charitable, etc. organizations).

11 “(b) DISTRIBUTIONS.—

12 “(1) IN GENERAL.—Any qualified distribution  
13 from—

14 “(A) amounts credited to a personal social  
15 security savings account from the Social Secu-  
16 rity Personal Savings Fund or attributable to a  
17 Tier III Investment Option, or

18 “(B) a personal social security savings an-  
19 nuity,

20 shall not be included in the gross income of the dis-  
21 tributee.

22 “(2) QUALIFIED DISTRIBUTION.—For purposes  
23 of paragraph (1), the term ‘qualified distribution’  
24 means a distribution which meets the requirements  
25 of section 258 of the Social Security Act and which

1 is not a guaranty payment (as defined by section  
2 259 of such Act).

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

4 “(1) PERSONAL SOCIAL SECURITY SAVINGS AC-  
5 COUNT.—The term ‘personal social security savings  
6 account’ means an account established under section  
7 254(a) of the Social Security Act.

8 “(2) PERSONAL SOCIAL SECURITY SAVINGS AN-  
9 NUIITY.—The term ‘personal social security savings  
10 annuity’ means an annuity approved by the Personal  
11 Social Security Savings Board under section  
12 258(b)(3) of the Social Security Act.

13 “(3) SOCIAL SECURITY PERSONAL SAVINGS  
14 FUND.—The term ‘Social Security Personal Savings  
15 Fund’ means the Savings Fund established under  
16 section 252 of the Social Security Act.

17 “(4) TIER III INVESTMENT OPTION.—The term  
18 ‘Tier III Investment Option’ has the meaning given  
19 such term by section 251(9) of the Social Security  
20 Act.

21 “(d) ESTATE TAX TREATMENT.—No amount shall be  
22 includible in the gross estate of any individual for pur-  
23 poses of chapter 11 by reason of an interest in the Tier  
24 I Investment Fund or the Tier II Investment Fund of the  
25 Savings Fund or held under a Tier III Investment Option

1 and which is credited to the personal social security sav-  
2 ings account of the individual.”.

3 (2) CONFORMING AMENDMENT.—Section  
4 86(d)(1)(A) of such Code is amended by inserting  
5 “part A of” after “under”.

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

“PART IX. PERSONAL SOCIAL SECURITY SAVINGS PROGRAM.”.

10 (b) GUARANTY PAYMENTS.—Paragraph (1) of sec-  
11 tion 86(d) of the Internal Revenue Act of 1986, as amend-  
12 ed by subsection (a)(2), is amended by striking “or” at  
13 the end of subparagraph (A), by striking the period and  
14 inserting “, or” at the end of subparagraph (B), and by  
15 adding at the end the following new subparagraph:

16 “(C) a guaranty payment under section  
17 259(a), and a payment of an additional amount  
18 under section 259(c), of the Social Security  
19 Act.”.

20 (c) EFFECTIVE DATE.—The amendments made by  
21 this section shall apply to taxable years beginning after  
22 December 31, 2010.

1 **SEC. 405. SELF-LIQUIDATING SOCIAL SECURITY TRANSI-**  
2 **TION FUND.**

3 Part B of title II of the Social Security Act (as added  
4 by section 101 of this Act) is amended by adding at the  
5 end the following new section:

6 **“SEC. 262. SELF-LIQUIDATING SOCIAL SECURITY TRANSI-**  
7 **TION FUND.**

8 “(a) ESTABLISHMENT.—There is hereby created on  
9 the books of the Treasury of the United States a trust  
10 fund to be known as the Self-Liquidating Social Security  
11 Transition Fund (in this section referred to as the ‘Transi-  
12 tion Fund’).

13 “(b) BOARD OF TRUSTEES.—

14 “(1) ESTABLISHMENT.—With respect to the  
15 Transition Fund, there is hereby created a body to  
16 be known as the Board of Trustees of the Transition  
17 Fund (in this section referred to as the ‘Board of  
18 Trustees’) composed of the Commissioner of Social  
19 Security, the Secretary of the Treasury, and the  
20 members of the Personal Social Security Savings  
21 Board.

22 “(2) DUTIES.—The Board of Trustees shall—

23 “(A) provide for the issuance of obligations  
24 by the Transition Fund pursuant to subsection  
25 (c),

1           “(B) provide for the receipt and manage-  
2           ment of amounts paid into the Transition Fund  
3           pursuant to subsection (d),

4           “(C) use all funds paid into the Transition  
5           Fund to redeem obligations issued under sub-  
6           section (c) as soon as practicable,

7           “(D) report to Congress not later than the  
8           first day of April of each year on the operation  
9           and status of the Transition Fund during the  
10          preceding fiscal year and on its expected oper-  
11          ation and status during the current fiscal year  
12          and the next 2 fiscal years, and

13          “(E) review the general policies followed in  
14          managing the Transition Fund, and recommend  
15          changes in such policies, including necessary  
16          changes in the provisions of law which govern  
17          the way in which the Transition Fund is to be  
18          managed.

19          “(3) MEETINGS.—The Board of Trustees shall  
20          meet not less frequently than once each calendar  
21          year.

22          “(c) ISSUANCE OF TRANSITION FUND BONDS.—

23                  “(1) ISSUANCE.—

24                  “(A) IN GENERAL.—The purposes for  
25          which obligations of the United States may be

1 issued under chapter 31 of title 31, United  
2 States Code, are hereby extended to authorize  
3 the issuance at par of public-debt obligations by  
4 the Transition Fund.

5 “(B) REQUIRED ISSUANCE.—Beginning on  
6 January 1, 2011, whenever any obligation held  
7 in the Federal Old-Age and Survivors Insurance  
8 Trust Fund or the Federal Disability Insurance  
9 Trust Fund is repaid from the general fund of  
10 the Treasury to either of such Trust Funds, the  
11 Transition Fund shall issue an obligation under  
12 this subsection in an amount equal to the  
13 amount of interest and principal so repaid.

14 “(C) TRANSFER OF PROCEEDS TO GEN-  
15 ERAL FUND OF THE TREASURY.—Proceeds  
16 from the issuance of any obligation issued  
17 under this section shall be transferred to the  
18 general fund of the Treasury.

19 “(D) ACCOUNTING.—The debt owed on  
20 any obligation issued under this section shall be  
21 considered to be debt of the Transition Fund  
22 and shall be accounted for in such manner.

23 “(2) MATURITIES AND INTEREST RATE.—Such  
24 obligations issued by the Transition Fund for pur-  
25 chase by the public shall have maturities fixed with

1 due regard for the needs of the Transition Fund and  
2 shall bear interest at a rate equal to the average  
3 market yield (computed by the Secretary of the  
4 Treasury on the basis of market quotations as of the  
5 end of the calendar month next preceding the date  
6 of such issue) on all marketable interest-bearing ob-  
7 ligations of the United States then forming a part  
8 of the public debt which are not due or callable until  
9 after the expiration of 4 years from the end of such  
10 calendar month, except that where such average  
11 market yield is not a multiple of one-eighth of 1 per  
12 centum, the rate of interest on such obligations shall  
13 be the multiple of one-eighth of 1 per centum near-  
14 est such market yield.

15 “(3) REPAYMENT OF OBLIGATIONS.—Obliga-  
16 tions issued under this subsection may be redeemed  
17 only by funds in the Transition Fund.

18 “(d) DEPOSIT OF OASDI TRUST FUND SURPLUS.—

19 “(1) IN GENERAL.—There are appropriated to  
20 the Transition Fund for the fiscal year beginning in  
21 2032, and for each fiscal year thereafter, out of any  
22 moneys in the Federal Old-Age and Survivors Insur-  
23 ance Trust Fund, amounts equivalent to the OASDI  
24 trust fund surplus (as defined in paragraph (2)) for  
25 the preceding fiscal year.

1           “(2) TRANSFERS BASED ON ESTIMATES.—The  
2           amounts appropriated by paragraph (1) shall be  
3           transferred from time to time from the Federal Old-  
4           Age and Survivors Insurance Trust Fund to the  
5           Transition Fund, such amounts to be determined on  
6           the basis of estimates by the Commissioner of Social  
7           Security. Proper adjustments shall be made in  
8           amounts subsequently transferred to the extent prior  
9           estimates were in excess of or were less than such  
10          surplus.

11          “(3) OASDI TRUST FUND SURPLUS DE-  
12          FINED.—In this section, the term ‘OASDI trust  
13          fund surplus’ for a fiscal year means the dollar  
14          amount by which the Federal Old-Age and Survivors  
15          Insurance Trust Fund could be reduced as of the  
16          end of such fiscal year so as to result in an OASDI  
17          trust fund ratio (as defined in section 201(p)(4)) for  
18          such fiscal year equal to 125 percent.

19          “(4) RULE OF CONSTRUCTION.—This section  
20          shall not be construed to require redemption of obli-  
21          gations of the Trust Fund for the purpose of mak-  
22          ing transfers to the Transition Fund under this sec-  
23          tion or for any other purpose other than to provide  
24          for payment of benefits under part A of title II of  
25          the Social Security Act.

1           “(e) REDEMPTION OF OBLIGATIONS UPON DEPOSIT  
2 OF FUNDS.—Obligations issued under subsection (c) may  
3 be redeemed only by funds in the Transition Fund. The  
4 Board of Trustees shall provide for the redemption of such  
5 obligations as soon as possible with funds deposited into  
6 the Transition Fund pursuant to subsection (d).

7           “(f) SUNSET.—On the first date as of which all of  
8 the obligations issued under subsection (c) have been re-  
9 deemed, any balance remaining in the Transition Fund  
10 as of such date shall be deposited in the Federal Old-Age  
11 and Survivors Insurance Trust Fund, the terms of the  
12 Board of Trustees shall end, the Transition Fund shall  
13 cease to exist, and this section shall be repealed.”.

14 **SEC. 406. BUDGETARY TREATMENT OF SOCIAL SECURITY.**

15           (a) IN GENERAL.—Section 710 of the Social Security  
16 Act (42 U.S.C. 911) is amended to read as follows:

17           “BUDGETARY TREATMENT OF SOCIAL SECURITY

18           “SEC. 710.

19           “Notwithstanding any other provision of law and ex-  
20 cept as provided in subsection (b), the receipts and dis-  
21 bursements shall be treated in the same manner as section  
22 13301 of the Budget Enforcement Act of 1990.”.

23           (b) EFFECTIVE DATE.—The amendments made by  
24 this section shall apply with respect to fiscal years begin-  
25 ning on or after October 1, 2010.

1 **SEC. 407. ACCOUNTING FOR THE OLD-AGE, SURVIVORS,**  
2 **AND DISABILITY INSURANCE PROGRAM AND**  
3 **THE PERSONAL SOCIAL SECURITY SAVINGS**  
4 **PROGRAM.**

5 Title VII of the Social Security Act is amended by  
6 inserting after section 705 (42 U.S.C. 906) the following  
7 new section:

8 “ACCOUNTING FOR THE OLD-AGE, SURVIVORS, AND DIS-  
9 ABILITY INSURANCE PROGRAM AND THE PERSONAL  
10 SOCIAL SECURITY SAVINGS PROGRAM

11 “Social Security Lockbox Budget

12 “SEC. 706. (a) At the time of the transmittal to the  
13 Congress by the President of the budget of the United  
14 States Government, the President shall transmit to each  
15 House of the Congress a separate report (to be known as  
16 the ‘Social Security Lockbox Budget’) detailing the per-  
17 formance during the preceding fiscal year of each of the  
18 accounts established under subsection (b). Such report  
19 shall set forth, as determined as of the end of the year—

20 “(1) the amount of the balance of each account,

21 “(2) the amount of the total charges and the  
22 amount of the total credits to each account for the  
23 year, and

24 “(3) the amount of the total for the year of  
25 each category of charges and credits itemized in sub-  
26 section (b).



1           “(B) all receipts during the year by the Federal  
2           Old-Age and Survivors Insurance Trust Fund and  
3           the Federal Disability Insurance Trust Fund under  
4           section 121(e) of the Social Security Amendments of  
5           1983 (relating to appropriation of amounts equiva-  
6           lent to taxes on social security benefits) (42 U.S.C.  
7           401 note).

8           “(2) For each fiscal year, the Social Security Part  
9           A Account shall be charged with the sum of—

10           “(A) all benefits paid during the year from the  
11           Federal Old-Age and Survivors Insurance Trust  
12           Fund and the Federal Disability Insurance Trust  
13           Fund under part A of title II of the Social Security  
14           Act,

15           “(B) all redirected social security contributions  
16           transferred during the year to the Social Security  
17           Personal Savings Fund under section 252(b),

18           “(C) all other expenditures during the year  
19           from the Trust Funds under part A of title II (ex-  
20           cluding amounts expended as transfers by either  
21           such Trust Fund to the other such Trust Fund and  
22           amounts paid for the purchase of notes and obliga-  
23           tions under section 201(d)), and

24           “(D) all transfers from the Federal Old-Age  
25           and Survivors Insurance Trust Fund to the Self-Liq-



1 any net decrease in the Tier II Investment Fund at-  
2 tributable to investment for the fiscal year, and the  
3 total amount of any net decreases in Tier III Invest-  
4 ment Options attributable to investment for the fis-  
5 cal year, and

6 “(C) annuity payments made during the year  
7 under section 258 from the Annuity Reserve Ac-  
8 count in the Savings Fund.

9 “Charges and Credits to the Self-Liquidating Social  
10 Security Transition Fund Account

11 “(e)(1) For each fiscal year, the Self-Liquidating So-  
12 cial Security Transition Account shall be credited with—

13 “(A) all transfers to the Transition Fund from  
14 the Federal Old-Age and Survivors Insurance Trust  
15 Fund under section 262(b), and

16 “(B) all amounts expended during the fiscal  
17 year from the Trust Funds in the redemption under  
18 section 262(e) of obligations issued by the Transi-  
19 tion fund under section 262(e).

20 “(2) For each fiscal year, the Self-Liquidating Social  
21 Security Transition Fund Account shall be charged with  
22 the total amount of obligations issued during the fiscal  
23 year by the Transition Fund under section 262(e)”.

1 **SEC. 408. PROGRESSIVE INDEXING OF BENEFITS FOR OLD-**  
2 **AGE, WIFE'S, AND HUSBAND'S INSURANCE**  
3 **BENEFITS.**

4 (a) IN GENERAL.—Section 215(a) of the Social Secu-  
5 rity Act (42 U.S.C. 415(a)) is amended—

6 (1) by striking “The” in paragraph (1)(A) and  
7 inserting “In the case of any benefit other than an  
8 applicable benefit to which paragraph (2) applies,  
9 the”, and

10 (2) by redesignating paragraphs (2) through  
11 (7) as paragraphs (3) through (8), respectively, and  
12 by inserting after paragraph (1) the following new  
13 paragraph:

14 “(2)(A) In the case of an applicable benefit with re-  
15 spect to any individual who initially becomes eligible for  
16 old-age insurance benefits or who dies (before becoming  
17 eligible for such benefits) in calendar year 2016 or later,  
18 the primary insurance amount of the individual shall be  
19 equal to the sum of—

20 “(i) 90 percent of the individual’s average in-  
21 dexed monthly earning (determined under subsection  
22 (b)) to the extent that such earnings do not exceed  
23 the amount established for purposes of paragraph  
24 (1)(A)(i) by paragraph (1)(B);

25 “(ii) 32 percent of the individual’s average in-  
26 dexed monthly earnings to the extent that such

1 earnings exceed the amount established for purposes  
2 of paragraph (1)(A)(i) by paragraph (1)(B) but do  
3 not exceed the amount established for purposes of  
4 this clause by subparagraph (B);

5 “(iii) 32 percent (reduced as provided in sub-  
6 paragraph (C)) of the individual’s average indexed  
7 monthly earnings to the extent that such earnings  
8 exceed the amount established for purposes of clause  
9 (ii) but do not exceed the amount established for  
10 purposes of paragraph (1)(A)(ii) by paragraph  
11 (1)(B); and

12 “(iv) 15 percent (reduced as provided in sub-  
13 paragraph (C)) of the individual’s average indexed  
14 monthly earnings to the extent that such earnings  
15 exceed the amount established for purposes of para-  
16 graph (1)(A)(ii) by paragraph (1)(B).

17 “(B)(i) For purposes of subparagraph (A)(ii), the  
18 amount established under this subparagraph for calendar  
19 year 2016 shall be the level of average indexed monthly  
20 earnings determined by the Chief Actuary of the Social  
21 Security Administration under clause (ii) as being at the  
22 30th percentile for the period of calendar years 2005  
23 through 2007.

1           “(ii) For purposes of clause (i), the average indexed  
2 monthly earnings for the period of calendar years 2005  
3 through 2007 shall be determined by—

4           “(I) determining the average indexed monthly  
5 earnings for each individual who initially became eli-  
6 gible for old-age insurance benefits or who died (be-  
7 fore becoming eligible for such benefits) during such  
8 period, except that in determining such average in-  
9 dexed monthly earnings under subsection (b), sub-  
10 section (b)(3)(A)(ii)(I) shall be applied by sub-  
11 stituting calendar year 2002 for the second calendar  
12 year described in such subsection; and

13           “(II) multiplying the amount determined for  
14 each individual under subclause (I) by the quotient  
15 obtained by dividing the national average wage index  
16 (as defined in section 209(k)(1)) for the calendar  
17 year 2014 by such index for the calendar year 2002.

18           “(iii) For purposes of subparagraph (A)(ii), the  
19 amount established under this subparagraph for any cal-  
20 endar year after 2016 shall be equal to the product of  
21 the amount in effect under clause (i) with respect to cal-  
22 endar year 2016 and the quotient obtained by dividing—

23           “(I) the national average wage index (as de-  
24 fined in section 209(k)(1)) for the second calendar

1 year preceding the calendar year for which the de-  
2 termination is being made, by

3 “(II) the national average wage index (as so de-  
4 fined) for 2014.

5 “(iv) The amount established under this subpara-  
6 graph for any calendar year shall be rounded to the near-  
7 est \$1, except that any amount so established which is  
8 a multiple of \$0.50 but not of \$1 shall be rounded to the  
9 next higher \$1.

10 “(C)(i) Except as provided in clause (ii), in the case  
11 of any calendar year after 2015, each of the percentages  
12 to which this subparagraph applies by reason of clauses  
13 (iii) or (iv) of subparagraph (A) shall be a percentage  
14 equal to such percentage multiplied by the quotient ob-  
15 tained by dividing—

16 “(I) the difference of the maximum CPI-in-  
17 dexed benefit amount for such year over the amount  
18 determined under this paragraph for an individual  
19 whose average indexed monthly earnings are equal  
20 to the amount established for purposes of subpara-  
21 graph (A)(ii) for such year, by

22 “(II) the difference of the maximum wage-in-  
23 dexed benefit amount for such year over the amount  
24 determined under this paragraph for an individual  
25 whose average indexed monthly earnings are equal

1 to the amount established for purposes of subpara-  
2 graph (A)(ii) for such year.

3 “(ii)(I) In the case of any calendar year which is a  
4 positive balance year, clause (i) shall not apply and each  
5 of the percentages to which this subparagraph applies by  
6 reason of clause (iii) or (iv) of subparagraph (B) shall be  
7 a percentage equal to the percentage determined under  
8 this subparagraph for the preceding year (determined  
9 after the application of this subparagraph).

10 “(II) In the case of any calendar year after a positive  
11 balance year which is not a positive balance year, this sub-  
12 paragraph shall be applied by substituting ‘the second cal-  
13 endar year preceding the most recent positive balance  
14 year’ for ‘2013’ each place it appears in clause (iv).

15 “(iii) For purposes of clause (i), the maximum wage-  
16 indexed benefit amount for any calendar year shall be  
17 equal to the amount determined under this paragraph (de-  
18 termined without regard to any reduction under this sub-  
19 paragraph) for an individual with wages paid in and self-  
20 employment income credited to each computation base  
21 year in an amount equal to the contribution and benefit  
22 base for each calendar year.

23 “(iv) For purposes of clause (i), the maximum CPI-  
24 indexed benefit amount for any calendar year shall be an

1 amount equal to the amount determined under clause (iii)  
2 for such year multiplied by a fraction—

3 “(I) the numerator of which is the ratio (round-  
4 ed to the nearest one-thousandth of 1 percent) of  
5 the Consumer Price Index for the second preceding  
6 year to such index for 2013; and

7 “(II) the denominator of which is the ratio  
8 (rounded to the nearest one-thousandth of 1 per-  
9 cent) of the national wage index (as defined in sec-  
10 tion 209(k)(1)) for the second year preceding such  
11 year to such index for 2013.

12 “(v)(I) For purposes of this subparagraph, a positive  
13 balance year is a calendar year following any calendar year  
14 after 2080 for which the Chief Actuary of the Social Secu-  
15 rity Administration certifies to the Secretary of the Treas-  
16 ury and the Congress that the combined balance ratio of  
17 the Federal Old-Age and Survivors Trust Fund and the  
18 Federal Disability Insurance Trust Fund is not less than  
19 100 percent for such year.

20 “(II) For purposes of subclause (I), the combined  
21 balance ratio of the Federal Old-Age and Survivors Trust  
22 Fund and the Federal Disability Insurance Trust Fund  
23 for any calendar year is the ratio of the combined balance  
24 of such Trust Funds as of the last day of such calendar  
25 year (reduced by any transfer made pursuant to section

1 201(o) in such calendar year) to the amount estimated  
2 by the Commissioner of Social Security under section  
3 201(l)(3)(B)(iii)(II) to be paid from such Trust Funds  
4 during the calendar year following such calendar year for  
5 all purposes authorized by section 201 (determined as if  
6 such following calendar year were a positive balance year).

7 “(D) For purposes of this paragraph, rules similar  
8 to the rules of subparagraphs (C) and (D) of paragraph  
9 (1) shall apply.

10 “(E) For purposes of this paragraph, the term ‘appli-  
11 cable benefit’ means any benefit under section 202 other  
12 than—

13 “(i) a child’s insurance benefit under section  
14 202(d) with respect to a child of an individual who  
15 has died;

16 “(ii) a widow’s insurance benefit under section  
17 202(e) with respect to a widow who has not attained  
18 age 60 and is under a disability (as defined in sec-  
19 tion 223(d)) which began before the end of the pe-  
20 riod specified in section 202(e)(4);

21 “(iii) a widower’s insurance benefit under sec-  
22 tion 202(f) with respect to a widower who has not  
23 attained age 60 and is under a disability (as defined  
24 in section 223(d)) which began before the end of the  
25 period specified in section 202(f)(4); and

1           “(iv) a mother’s and father’s insurance benefit  
2           under section 202(g).”.

3           (b) TREATMENT OF DISABLED BENEFICIARIES.—  
4           Section 215(a) of such Act (as amended by subsection (a))  
5           is amended further by adding at the end the following new  
6           paragraph:

7           “(9)(A) Notwithstanding the preceding provisions of  
8           this subsection, in the case of an individual who has or  
9           has had a period of disability and who initially becomes  
10          eligible for old-age insurance benefits or who dies (before  
11          becoming eligible for such benefits) in any calendar year  
12          in or after 2016, the primary insurance amount of such  
13          individual shall be the sum of—

14                 “(i) the amount determined under subpara-  
15                 graph (B); and

16                 “(ii) the product derived by multiplying—

17                         “(I) the excess of the amount determined  
18                         under subparagraph (C) over the amount deter-  
19                         mined under subparagraph (B), by

20                         “(II) the adjustment factor for such indi-  
21                         vidual determined under subparagraph (D).

22           “(B) The amount determined under this subpara-  
23           graph is the amount of such individual’s primary insur-  
24           ance amount as determined under this section without re-  
25           gard to this paragraph.

1           “(C) The amount determined under this subpara-  
2 graph is the amount of such individual’s primary insur-  
3 ance amount as determined under this section as in effect  
4 with respect to individuals becoming eligible for old-age  
5 or disability insurance benefits under section 202(a) on  
6 the date of the enactment of the Social Security Personal  
7 Savings Guarantee and Prosperity Act of 2008.

8           “(D) The adjustment factor determined under this  
9 subparagraph for any individual is the ratio (not greater  
10 than 1) of—

11                   “(i) the total number of months during which  
12 such individual is under a disability (as defined in  
13 section 223(d)) during the period beginning on the  
14 date the individual attains age 22 and ending on the  
15 first day of such individual’s first month of eligibility  
16 for old-age insurance benefits under section 202(a)  
17 (or, if earlier, the month of such individual’s death),  
18 to

19                   “(ii) the number of months during the period  
20 beginning on the date the individual attains age 22  
21 and ending on the first day of such individual’s first  
22 month of eligibility for old-age insurance benefits  
23 under section 202(a) (or, if earlier, the month of  
24 such individual’s death).”.

25           (c) CONFORMING AMENDMENTS.—

1           (1)       Subsections       (e)(2)(B)(i)(I)       and  
2       (f)(2)(B)(i)(I) of section 202 of the Social Security  
3       Act are each amended by inserting “or section  
4       215(a)(2)(B)(iii)” after “section 215(a)(1)(B)(i) and  
5       (ii)”.

6           (2) Section 203(a)(10) of such Act is amend-  
7       ed—

8           (A) in subparagraph (A)(i), by striking  
9       “215(a)(2)(B)(i)”       and       inserting  
10       “215(a)(3)(B)(i)”;

11          (B) in subparagraph (A)(ii), by striking  
12       “215(a)(2)(C)” and inserting “215(a)(3)(C)”;  
13       and

14          (C) in subparagraph (B)(ii), by striking  
15       “215(a)(2)” and inserting “215(a)(3)”.

16          (3) Section 209(k)(1) of such Act is amended  
17       by inserting “215(a)(2)(B), 215(a)(2)(C),” after  
18       “215(a)(1)(D),”.

19          (4) Section 215(a) of such Act is amended—

20          (A) in paragraph (4)(A), as redesignated  
21       by paragraph (2), by striking “paragraph (4)”  
22       and inserting “paragraph (5)”;

23          (B) in paragraph (4)(B), as redesignated  
24       by paragraph (2), by striking “paragraph  
25       (2)(A)” and inserting “paragraph (3)(A)”;

1 (C) in paragraph (5), as redesignated by  
2 paragraph (2), by striking “paragraph (3)(A)”  
3 and inserting “paragraph (4)(A)”;

4 (D) in paragraph (6)(A), as redesignated  
5 by paragraph (2), by striking “paragraph  
6 (4)(B)” and inserting “paragraph (5)(B)”; and

7 (E) in paragraph (8)(B)(ii)(I), as redesi-  
8 gated by paragraph (2), by striking “paragraph  
9 (3)(B)” and inserting “paragraph (4)(B)”.

10 (5) Section 215(d)(3) of such Act is amended—

11 (A) by striking “paragraph (4)(B)(ii)” and  
12 inserting “paragraph (5)(B)(ii)”; and

13 (B) by striking “subsection (a)(7)(C)” and  
14 inserting “subsection (a)(8)(C)”.

15 (6) Subsection 215(f) of such Act is amended—

16 (A) in paragraph (2)(B), by striking “sub-  
17 section (a)(4)(B)” and inserting “subsection  
18 (a)(5)(B)”;

19 (B) in paragraph (7), by striking “sub-  
20 section (a)(4)(B)” and inserting “subsection  
21 (a)(5)(B)”, and by striking “subsection (a)(6)”  
22 and inserting “subsection (a)(7)”;

23 (C) in paragraph (9)(A)—

24 (i) by striking “subsection (a)(7)(A)”  
25 and inserting “subsection (a)(8)(A)”; and

1 (ii) by striking “subsection (a)(7)(C)”  
2 and inserting “subsection (a)(8)(C)”; and  
3 (D) in paragraph (9)(B), by striking “sub-  
4 section (a)(7)” each place it appears and insert-  
5 ing “subsection (a)(8)”.

6 **SEC. 409. ENHANCEMENTS TO PART A BENEFITS.**

7 (a) **CPI INDEXING IN PART A BENEFIT FORMULA.**—  
8 Section 215(a)(1)(B) of the Social Security Act (42  
9 U.S.C. 415(a)(1)(B)) is amended—

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

11 (2) in clause (ii), by inserting “and before  
12 2016” after “1979”;

13 (3) in clause (iv) (as so redesignated), by in-  
14 serting “or (iii)” after “clause (ii)”; and

15 (4) by inserting after clause (ii) the following  
16 new clause:

17 “(iii) For individuals who initially become eligible for  
18 old-age or disability insurance benefits, or who die (before  
19 becoming eligible for such benefits), in any calendar year  
20 after 2015, each of the amounts so established shall be  
21 equal to the product of the corresponding amount estab-  
22 lished with respect to the calendar year 2015 under clause  
23 (ii) of this subparagraph and the quotient obtained by di-  
24 viding—

1           “(I) the Consumer Price Index for the second  
2           calendar year preceding the calendar year for which  
3           the determination is made, by

4           “(II) the Consumer Price Index for 2013.

5 For purposes of this clause, the term ‘Consumer Price  
6 Index’ for a calendar year means the arithmetical mean  
7 of the Consumer Price Index (within the meaning of such  
8 term as used in subsection (i)) for the 12 months in such  
9 calendar year.”.

10           (b) ENHANCED PART A BENEFIT LEVELS FOR LOW  
11 EARNERS.—Section 215(a) of such Act (as amended by  
12 section 408) is amended by adding at the end the following  
13 new paragraph:

14           “(10)(A) In the case of any individual who initially  
15 becomes eligible for old-age or disability insurance bene-  
16 fits, or who dies (before becoming eligible for such bene-  
17 fits), in any calendar year after 2015 and whose average  
18 indexed monthly earnings is less than twice the 35-year  
19 low earner AIME for such calendar year, each primary  
20 insurance amount otherwise determined under paragraph  
21 (1) or (2) shall be the product of—

22           “(i) such primary insurance amount as so de-  
23           termined, and

24           “(ii) the applicable adjustment factor for such  
25           individual.

1 “(B) For purposes of this paragraph, the applicable  
 2 adjustment factor for an individual is 100 percent plus  
 3 the product of—

4 “(i) the applicable percentage for the calendar  
 5 year,

6 “(ii) the applicable AIME factor, and

7 “(iii) the applicable coverage factor.

8 “(C) For purposes of subparagraph (B)(i), the appli-  
 9 cable percentage for a calendar year is the percentage set  
 10 forth in connection with such calendar year in the fol-  
 11 lowing table:

<b>“If the calendar year is:</b>	<b>The percentage is:</b>
2016 .....	4.04
2017 .....	8.08
2018 .....	12.12
2019 .....	16.16
2020 .....	20.20
2021 .....	24.24
2022 .....	28.28
2023 .....	32.32
2024 .....	36.36
2025 or thereafter .....	40.40

12 “(D) For purposes of subparagraph (B)(ii)—

13 “(i) in any case in which an individual’s aver-  
 14 age indexed monthly earnings is less than or equal  
 15 to the 30-year low earner AIME for the calendar  
 16 year referred to in subparagraph (A), the applicable  
 17 AIME factor in connection with the individual for  
 18 the calendar year is 1,

1           “(ii) in any case in which an individual’s AIME  
2           is greater than the 30-year low earner AIME for the  
3           calendar year referred to in subparagraph (A) and  
4           less than twice the 35-year low earner AIME for the  
5           calendar year, the applicable AIME factor in connec-  
6           tion with the individual for the calendar year is the  
7           quotient derived by dividing—

8                   “(I) the excess of twice the 35-year low  
9                   earner AIME for the calendar year over the in-  
10                  dividual’s average indexed monthly earnings, by

11                   “(II) the excess of twice the 35-year low  
12                  earner AIME for the calendar year over the 30-  
13                  year low earner AIME for the calendar year,  
14                  and

15           “(iii) in any case in which an individual’s aver-  
16           age indexed monthly earnings is greater than or  
17           equal to twice the 35-year low earner AIME for the  
18           calendar year referred to in subparagraph (A), the  
19           applicable AIME factor in connection with an indi-  
20           vidual for the calendar year is 0.

21           “(E) For purposes of subparagraph (B)(iii)—

22                   “(i) in any case in which the number of an indi-  
23                   vidual’s quarters of coverage earned prior to the  
24                   date on which the individual became eligible or died  
25                   as described in subparagraph (A) is less than or

1 equal to twice the number of elapsed years with re-  
2 spect to the individual, the applicable coverage factor  
3 in connection with the individual is 0,

4 “(ii) in any case in which the number of an in-  
5 dividual’s quarters of coverage earned prior to the  
6 date on which the individual became eligible or died  
7 as described in subparagraph (A) is greater than  
8 twice the number of elapsed years with respect to  
9 the individual and less than three times the number  
10 of elapsed years with respect to the individual, the  
11 applicable coverage factor in connection with the in-  
12 dividual is 1 plus the quotient derived by dividing—

13 “(I) the excess of the number of the indi-  
14 vidual’s quarters of coverage over 3 times the  
15 number of elapsed years with respect to the in-  
16 dividual, by

17 “(II) the number of elapsed years with re-  
18 spect to the individual, and

19 “(iii) in any case in which the number of an in-  
20 dividual’s quarters of coverage earned prior to the  
21 date on which the individual became eligible or died  
22 as described in subparagraph (A) is greater than or  
23 equal to 3 times the number of elapsed years with  
24 respect to the individual, the applicable coverage fac-  
25 tor in connection with the individual is 1.

1 “(F) For purposes of this paragraph—

2 “(i) The term ‘30-year low earner AIME’ for a  
3 calendar year means the amount which would be the  
4 average indexed monthly earnings of an individual—

5 “(I) whose benefit computation years are  
6 the preceding 30 calendar years, and

7 “(II) whose primary insurance amount is  
8 based solely on wages earned during such cal-  
9 endar years for 40 hours per week at an hourly  
10 rate equivalent to the minimum wage required  
11 under section 6 of the Fair Labor Standards  
12 Act of 1938 (29 U.S.C. 206) at the time such  
13 wages were earned.

14 “(ii) The term ‘35-year low earner AIME’ for  
15 a calendar year means the amount which would be  
16 the average indexed monthly earnings of an indi-  
17 vidual—

18 “(I) whose benefit computation years are  
19 the preceding 35 calendar years, and

20 “(II) whose primary insurance amount is  
21 based solely on wages earned during such cal-  
22 endar years for 40 hours per week at an hourly  
23 rate equivalent to the minimum wage required  
24 under section 6 of the Fair Labor Standards

1 Act of 1938 (29 U.S.C. 206) at the time such  
2 wages were earned

3 “(iii) The term ‘number of elapsed years’ has  
4 the meaning provided in subsection (b)(2)(B)(iii).”.

5 **SEC. 410. ADJUSTMENTS TO SCHEDULE FOR INCREASES IN**  
6 **NORMAL RETIREMENT AGE.**

7 (a) COMPLETION OF PHASE-IN OF NORMAL RETIRE-  
8 MENT AGE TO AGE 67 BY 2021.—Section 216(l) of the  
9 Social Security Act (42 U.S.C. 416(l)) is amended—

10 (1) in paragraph (1)(C), by striking “2017”  
11 and inserting “2016”;

12 (2) in paragraph (1)(D), by striking “2016”  
13 and inserting “2015”, and by striking “2022” and  
14 inserting “2021”;

15 (3) in paragraph (1)(E), by striking “2021”  
16 and inserting “2020”; and

17 (4) in paragraph (3)(B), by striking “2017”  
18 and inserting “2016”, by striking “2021” and in-  
19 serting “2020”, and by striking “2017” and insert-  
20 ing “2016”.

21 (b) ADJUSTMENTS TO NORMAL RETIREMENT AGE  
22 AFTER 2021.—Section 216(l) of such Act (as amended  
23 by subsection (a)) is amended further—

1           (1) in paragraph (1)(E), by inserting “and be-  
2           fore January 1, 2022,” after “2020,” and by strik-  
3           ing “age.” and inserting “age; and” ;

4           (2) in paragraph (1), by adding after subpara-  
5           graph (E) the following new subparagraph:

6           “(F) with respect to an individual who attains  
7           early retirement age after December 31, 2121, 67  
8           years of age plus the number of months in the age  
9           increase factor (as determined under paragraph (3))  
10          for the calendar year in which such individual at-  
11          tains early retirement age.”; and

12          (3) in paragraph (3), by adding at the end the  
13          following new subparagraph:

14          “(C) The Commissioner of Social Security shall  
15          determine (using reasonable actuarial assumptions)  
16          and publish on or before November 1 of each cal-  
17          endar year after 2020 the number of months  
18          (rounded, if not a multiple of one month, to the next  
19          lower multiple of one month) by which the life ex-  
20          pectancy as of October 1 of such calendar year of  
21          an individual attaining early retirement age on such  
22          October 1 exceeds the life expectancy as of October  
23          1, 2020, of an individual attaining early retirement  
24          age on October 1, 2020. With respect to an indi-  
25          vidual who attains early retirement age in the cal-

