

107TH CONGRESS
1ST SESSION

H. R. 3497

To amend the Social Security Act and the Internal Revenue Code of 1986 to preserve and strengthen the Social Security program through the creation of personal Social Security guarantee accounts ensuring full benefits for all workers and their families, restoring long-term Social Security solvency, to make certain benefit improvements, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

DECEMBER 13, 2001

Mr. SHAW (for himself, Mr. WELLER, Mr. FOLEY, and Mr. LEWIS of Kentucky) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Social Security Act and the Internal Revenue Code of 1986 to preserve and strengthen the Social Security program through the creation of personal Social Security guarantee accounts ensuring full benefits for all workers and their families, restoring long-term Social Security solvency, to make certain benefit improvements, and for other purposes.

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

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

2 (a) **SHORT TITLE.**—This Act may be cited as the
 3 “Social Security Guarantee Plus Act of 2001”.

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

- Sec. 1. Short title; table of contents.
- Sec. 2. Findings and Statement of purpose.

TITLE I—SOCIAL SECURITY GUARANTEE PROGRAM

- Sec. 101. Social security guarantee refundable credit.
- Sec. 102. Establishment of the social security guarantee program.

“PART B—SOCIAL SECURITY GUARANTEE PROGRAM

- “Sec. 251. Definitions.
- “Sec. 252. Establishment of program.
- “Sec. 253. Social Security guarantee accounts.
- “Sec. 254. Investment of accounts.
- “Sec. 255. Determination of monthly annuity amounts and use in determining account distribution supplements.
- “Sec. 256. Disposition of account assets.
- “Sec. 257. Administration of the program.
- Sec. 103. Benefit increases.
- Sec. 104. Tax treatment.
- Sec. 105. Annual account Statements.
- Sec. 106. Report on use of social security surpluses.

TITLE II—BENEFIT UPDATES

- Sec. 201. Elimination of the social security earnings test for individuals who have attained age 62 (age 60 in the case of widow’s and widower’s insurance benefits).
- Sec. 202. Increase in widow’s and widower’s insurance benefits.
- Sec. 203. Benefits for disabled widows and widowers without regard to age.
- Sec. 204. Repeal of 7-year restriction on eligibility for widow’s and widower’s insurance benefits based on disability.
- Sec. 205. Exemption from two-year waiting period for divorced spouse’s benefits upon other spouse’s remarriage.
- Sec. 206. Increase in amount of wages and self-employment income credited to years taken into account in determining average indexed monthly earnings for beneficiaries precluded from remunerative work occasioned by need to provide child care.
- Sec. 207. Government pension offset reduced from two-thirds to one-third of the government pension.
- Sec. 208. Guarantee of full social security benefits with accurate annual cost-of-living adjustment.

1 **SEC. 2. FINDINGS AND STATEMENT OF PURPOSE.**

2 (a) FINDINGS.—The Congress makes the following
3 findings:

4 (1) The Social Security program provides essen-
5 tial income security through retirement, disability,
6 and survivor benefits for over 45,000,000 Americans
7 of all ages, without which nearly 50 percent of sen-
8 iors would live in poverty.

9 (2) Social Security is of particular importance
10 for low earners, especially widows and women caring
11 for children, without which nearly 53 percent of el-
12 derly women would live in poverty.

13 (3) The Board of Trustees of the Social Secu-
14 rity Trust Funds project that the approaching re-
15 tirement of the baby boom generation will result in
16 the Social Security program's benefit costs exceeding
17 its tax revenues beginning in 2016; by 2038 the So-
18 cial Security Trust Funds will be fully depleted and
19 the program is projected to be able to honor only 73
20 percent of benefit commitments.

21 (4) Each payday, American workers send their
22 hard-earned payroll taxes to Social Security and in
23 return are promised protection for themselves and
24 their families upon retirement, disability, or death,
25 and that commitment must be kept.

1 (5) Changes to Social Security’s benefit struc-
2 ture to maintain solvency (such as reductions in
3 cost-of-living adjustments or COLAs and increases
4 in the Social Security “normal retirement age”
5 which is currently increasing from age 65 to age 67)
6 may weaken public support for Social Security.

7 (6) Workers who are in more need of earlier re-
8 tirement, such as police officers, firefighters, and
9 manual laborers, would be especially harmed by in-
10 creases in the age of eligibility for Social Security
11 benefits.

12 (7) Inasmuch as payroll taxes already con-
13 stitute the single largest tax burden for most Amer-
14 ican families, further tax increases would not result
15 in a sustainable program, would contribute to an
16 erosion in public support for Social Security, and
17 would further burden employers, especially small
18 businesses, harming job creation.

19 (8) Allowing the Federal Government to invest
20 workers’ payroll taxes in private financial assets in-
21 vites political interference in investment decisions
22 and may reduce economic efficiency.

23 (9) Workers’ ability to save and invest for their
24 own retirement will continue to be particularly im-

1 portant, especially for younger workers, to enhance
2 their own retirement security.

3 (10) Therefore, in light of Social Security's fi-
4 nancial challenges, the options available to address
5 these challenges, and the Nation's interest in pre-
6 serving and strengthening Social Security for the
7 coming 75 years and beyond, expanding personal re-
8 tirement savings through the creation of Social Se-
9 curity guarantee accounts as provided for in this Act
10 is a critical goal.

11 (b) STATEMENT OF PURPOSE.—The purpose of this
12 Act is to preserve and strengthen the Social Security pro-
13 gram through the creation of Social Security guarantee
14 accounts that will—

15 (1) ensure the payment of Social Security bene-
16 fits promised under current law or greater benefits
17 to all eligible workers and their families;

18 (2) provide for the long-run solvency and sus-
19 tainability of the Social Security program; and

20 (3) provide personal account assets to be used
21 exclusively for the financial security of the account
22 holder and his or her family, which assets future
23 Congresses cannot redirect for any other purpose.

1 **TITLE I—SOCIAL SECURITY**
2 **GUARANTEE PROGRAM**

3 **SEC. 101. SOCIAL SECURITY GUARANTEE REFUNDABLE**
4 **CREDIT.**

5 (a) IN GENERAL.—Chapter 25 of the Internal Rev-
6 enue Code of 1986 (relating to general provisions relating
7 to employment taxes) is amended by adding at the end
8 the following new section:

9 **“SEC. 3511. SOCIAL SECURITY GUARANTEE REFUNDABLE**
10 **CREDIT.**

11 “(a) IN GENERAL.—The Social Security guarantee
12 account established under section 253 of the Social Secu-
13 rity Act for each individual who has filed an election under
14 section 253(b) of such Act shall receive for each calendar
15 year following such election, during which such individual
16 has earned wages or to which self-employment income of
17 such individual is credited, a payment equal to the sum
18 of—

19 “(1) the credit amount determined under sub-
20 section (b) for the individual for such calendar year,
21 and

22 “(2) the credit amount (if any) determined
23 under subsection (c) for the individual for such cal-
24 endar year.

1 “(b) SUBSECTION (b) CREDIT AMOUNT.—For pur-
2 poses of subsection (a)(1), the credit amount determined
3 under this subsection for an individual for a calendar year
4 is an amount equal to 3 percent of the lesser of—

5 “(1) the sum of—

6 “(A) wages (as defined in section 3121(a))
7 received by such individual during such year on
8 which tax is imposed by section 3101, and

9 “(B) self-employment income (as defined
10 in 1402(b)) of such individual for the taxable
11 year of such individual ending in such calendar
12 year on which tax is imposed by section 1401,
13 or

14 “(2) 21 percent of the contribution and benefit
15 base (as defined in section 230 of the Social Secu-
16 rity Act) as in effect for such calendar year.

17 “(c) SUBSECTION (c) CREDIT AMOUNT.—For pur-
18 poses of subsection (a)(2), the credit amount determined
19 under this subsection for an individual for a calendar year
20 is an amount equal to 2 percent of the excess (if any)
21 of—

22 “(1) the sum described in subsection (b)(1),
23 over

24 “(2) the amount described in subsection (b)(2).

25 “(d) SPECIAL RULES.—

1 “(1) AGREEMENTS BY AMERICAN EMPLOYERS
2 OF FOREIGN AFFILIATES.—Any amounts paid pur-
3 suant to an agreement under section 3121(l) (relat-
4 ing to agreements entered into by American employ-
5 ers with respect to foreign affiliates) which are
6 equivalent to the taxes referred to in subsection
7 (b)(1)(A) shall be treated as taxes referred to in
8 such subsection.

9 “(2) COORDINATION WITH SPECIAL REFUND OF
10 SOCIAL SECURITY TAXES.—For purposes of sub-
11 section (b)(1)(A), tax imposed by section 3101 shall
12 not include any taxes to the extent the individual is
13 entitled to a special refund of such taxes under sec-
14 tion 6413(c).

15 “(e) PAYMENT.—Notwithstanding any other provi-
16 sion of this title, the payment under subsection (a) shall
17 be paid only as provided in section 253 of the Social Secu-
18 rity Act.”.

19 (b) CONFORMING AMENDMENT.—The table of sec-
20 tions for chapter 25 of such Code is amended by adding
21 at the end the following new item:

 “Sec. 3511. Social Security guarantee refundable credit.”.

22 (c) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to remuneration received, and net
24 earnings for self-employment for services performed, in

1 calendar years ending after the date of the enactment of
2 this Act.

3 **SEC. 102. ESTABLISHMENT OF THE SOCIAL SECURITY**
4 **GUARANTEE PROGRAM.**

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

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

9 “PART A—INSURANCE BENEFITS”;

10 and

11 (2) by adding at the end of such title the fol-
12 lowing new part:

13 “PART B—SOCIAL SECURITY GUARANTEE PROGRAM

14 “DEFINITIONS

15 “SEC. 251. For purposes of this part—

16 “(1) COVERED INDIVIDUAL.—The term ‘cov-
17 ered individual’ means an individual who has filed
18 an election under section 253(b).

19 “(2) ACCOUNT ASSETS.—The term ‘account as-
20 sets’ means, with respect to a Social Security guar-
21 antee account, the total amount transferred to such
22 account, increased by earnings credited under this
23 part and reduced by losses and administrative ex-
24 penses under this part.

1 “(3) CERTIFIED ACCOUNT MANAGER.—The
2 term ‘certified account manager’ means a person
3 who is certified under section 257(b).

4 “(4) BOARD.—The term ‘Board’ means the So-
5 cial Security Guarantee Board established under sec-
6 tion 257(a).

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

9 “(6) PROGRAM.—The term ‘Program’ means
10 the Social Security Guarantee Program established
11 under this part.

12 “(7) COVERED MONTHLY INSURANCE BEN-
13 EFIT.—The term ‘covered monthly insurance benefit’
14 means a monthly insurance benefit under section
15 202 or 223, other than a child’s insurance benefit
16 under section 202(d) of a child who has not attained
17 age 18 (or who is a full-time elementary or sec-
18 ondary school student (as defined in section
19 202(d)(7)(A)) and has not attained age 19).

20 “ESTABLISHMENT OF PROGRAM

21 “SEC. 252. There is hereby established a Social Secu-
22 rity Guarantee Program. The Program shall be governed
23 by regulations which shall be prescribed by the Social Se-
24 curity Guarantee Board. The Board, the Executive Direc-
25 tor appointed by the Board, the Commissioner, and the
26 Secretary of the Treasury shall consult with each other

1 in issuing regulations relating to their respective duties
2 under this part. Such regulations shall provide for appro-
3 priate exchange of information to assist them in per-
4 forming their duties under this part.

5 “SOCIAL SECURITY GUARANTEE ACCOUNTS

6 “SEC. 253. (a) ESTABLISHMENT OF ACCOUNTS.—

7 Under regulations which shall be prescribed by the Board
8 in consultation with the Secretary of the Treasury—

9 “(1) the Board shall establish a Social Security
10 guarantee account for each covered individual (for
11 whom a Social Security guarantee account has not
12 otherwise been established under this part) upon ini-
13 tial receipt of a transfer under subsection (c) with
14 respect to such covered individual, and

15 “(2) in any case described in paragraph (2) of
16 section 256(d), the Board shall establish a Social
17 Security guarantee account for the divorced spouse
18 referred to in such paragraph (2).

19 “(b) ELECTION OF STATUS AS COVERED INDI-
20 VIDUAL.—

21 “(1) IN GENERAL.—Any individual who has at-
22 tained age 18 and has been assigned a social secu-
23 rity account number under section 205(c) may elect
24 to be a covered individual under this part upon filing
25 an election under this subsection in a form and man-
26 ner which shall be prescribed in regulations of the

1 Commissioner of Social Security, in consultation
2 with the Board. Such regulations shall provide for
3 the filing of such elections during regularly sched-
4 uled intervals. Such an election shall be irrevocable
5 and shall be effective with respect to wages earned,
6 and self-employment income derived, on or after
7 January 1 following the date of such filing.

8 “(2) REQUIREMENTS.—An election by an indi-
9 vidual under this subsection is an election, filed with
10 the Commissioner, in such form and manner as shall
11 be prescribed in regulations of the Commissioner,
12 consisting of a written and signed declaration of
13 such individual’s intention to become a covered indi-
14 vidual under this part. The Commissioner shall pro-
15 vide for immediate notification to the Board and the
16 Executive Director of such election.

17 “(c) TRANSFERS OF SOCIAL SECURITY GUARANTEE
18 REFUNDABLE CREDITS.—

19 “(1) IN GENERAL.—Under regulations which
20 shall be prescribed by the Secretary of the Treasury
21 in consultation with the Board, as soon as prac-
22 ticable during the 1-year period after each calendar
23 year, while minimizing capital market distortions,
24 the Secretary of the Treasury shall transfer to each
25 covered individual’s Social Security guarantee ac-

1 count, from amounts otherwise available in the gen-
2 eral fund of the Treasury, an amount equal to the
3 sum of—

4 “(A) the amount payable to the covered in-
5 dividual’s Social Security guarantee account
6 under section 3511 of the Internal Revenue
7 Code of 1986 (relating to the Social Security
8 guarantee refundable credit) with respect to
9 wages received during such calendar year by the
10 covered individual and self-employment income
11 derived by the covered individual during the
12 such individual’s taxable year ending in such
13 calendar year, and

14 “(B) deemed interest on the amount deter-
15 mined under subparagraph (A) for the period
16 commencing with July 1 of such calendar year
17 and ending with the date of the transfer, com-
18 puted at a rate equal to the average market
19 yield (computed by the Managing Trustee on
20 the basis of market quotations as of the end of
21 the calendar month next preceding the date of
22 the transfer) on all marketable interest-bearing
23 obligations of the United States then forming a
24 part of the public debt which are not due or
25 callable earlier than 4 years after the end of

1 such calendar month (rounding any average
2 market yield computed under this paragraph
3 which is not a multiple of $\frac{1}{8}$ of 1 percent to the
4 nearest multiple of $\frac{1}{8}$ of 1 percent).

5 “(2) TRANSITION RULE.—Notwithstanding
6 paragraph (1), amounts payable to Social Security
7 guarantee accounts under paragraph (1) with re-
8 spect to the first calendar year described in para-
9 graph (1)(A) ending after the date of the enactment
10 of the Social Security Guarantee Plus Act of 2001
11 shall be paid by the Secretary of the Treasury as
12 soon as practicable after such Secretary determines
13 that the administrative mechanisms necessary to
14 provide for accurate and efficient payment of such
15 amounts have been established.

16 “(3) AVAILABILITY OF TRUST FUNDS FOR
17 TRANSFERS.—

18 “(A) RECOMMENDATIONS BY MANAGING
19 TRUSTEE.—As determined appropriate from
20 time to time by the Managing Trustee of the
21 Federal Old-Age and Survivors Insurance Trust
22 Fund and the Federal Disability Insurance
23 Trust Fund, the Managing Trustee shall trans-
24 mit to each House of the Congress the Man-
25 aging Trustee’s recommendation that amounts

1 to be transferred to Social Security guarantee
2 accounts under paragraph (1) be transferred
3 from such Trust Funds in lieu of the general
4 fund. Any such recommendation shall take ef-
5 fect only upon ratification thereof by an Act of
6 Congress.

7 “(B) DETERMINATIONS OF AVAIL-
8 ABILITY.—The Managing Trustee may not de-
9 termine that any such transfer from the Trust
10 Funds is appropriate at any time unless the
11 Managing Trustee has determined that
12 amounts in such Trust Fund are available at
13 such time for such transfers. For purposes of
14 this subparagraph, amounts in either of the
15 Trust Funds shall be considered to be available
16 for such transfers at any time only to the ex-
17 tent that the balance in such Trust Fund at
18 such time exceeds the best estimate of the Man-
19 aging Trustee of the projected withdrawals oth-
20 erwise required from such Trust Fund during
21 the next following 1-year period.

22 “(C) ASSUMPTIONS.—In making rec-
23 ommendations under this paragraph, the Man-
24 aging Trustee shall utilize the intermediate ac-
25 tual assumptions utilized by the Board of

1 Trustees of the Trust Funds for its most recent
2 annual report issued under section 201(e).

3 “(d) REQUIREMENTS FOR ACCOUNTS.—The fol-
4 lowing requirements shall be met with respect to each So-
5 cial Security guarantee account:

6 “(1) Amounts transferred to the account con-
7 sist solely of amounts transferred pursuant to this
8 part.

9 “(2) In accordance with section 254, the ac-
10 count assets are held for purposes of investment
11 under the Program by a certified account manager
12 designated by (or on behalf of) the covered indi-
13 vidual for whom such account is established under
14 the Program.

15 “(3) Disposition of the account assets is made
16 solely in accordance with section 256.

17 “(e) ACCOUNTING OF RECEIPTS AND DISBURSE-
18 MENTS UNDER THE PROGRAM.—The Board shall provide
19 by regulation for an accounting system for purposes of
20 this part—

21 “(1) which shall be maintained by or under the
22 Executive Director,

23 “(2) which shall provide for crediting of earn-
24 ings from, and debiting of losses and administrative

1 expenses from, amounts held in Social Security
2 guarantee accounts, and

3 “(3) under which receipts and disbursements
4 under the Program which are attributable to each
5 account are separately accounted for with respect to
6 such account.

7 “(f) CORRECTION OF ERRONEOUS TRANSFERS.—
8 The Board, in consultation with the Commissioner, shall
9 provide by regulation rules similar to paragraphs (4)
10 through (7) and (9) of section 205(c) and section 205(g)
11 with respect to the correction of erroneous or omitted
12 transfers of amounts to Social Security guarantee ac-
13 counts.

14 “INVESTMENT OF ACCOUNTS

15 “SEC. 254. (a) DESIGNATION OF CERTIFIED AC-
16 COUNT MANAGERS.—Under the Program, a certified ac-
17 count manager shall be designated by or on behalf of each
18 covered individual to hold for investment under this sec-
19 tion such individual’s Social Security guarantee account
20 assets.

21 “(b) PROCEDURE FOR DESIGNATION.—Any designa-
22 tion made under subsection (a) shall be made in such form
23 and manner as shall be prescribed in regulations pre-
24 scribed by the Board, following the initiation of an edu-
25 cational campaign as provided in section 257(a)(3)(C).
26 Such regulations shall provide for annual selection periods

1 during which covered individuals may make designations
2 pursuant to subsection (a). Designations made pursuant
3 to subsection (a) during any such period shall be irrev-
4 ocable for the one-year period following such period, ex-
5 cept that such regulations shall provide for such interim
6 designations as may be necessitated by the decertification
7 of a certified account manager. Such regulations shall pro-
8 vide for such designations made by the Board on behalf
9 of a covered individual in any case in which a timely des-
10 ignation is not made by the covered individual.

11 “(c) INVESTMENT GUIDELINES.—

12 “(1) IN GENERAL.—An amount equal to 60
13 percent of the balance in each Social Security guar-
14 antee account shall be invested in common stock as
15 provided in paragraph (2), and an amount equal to
16 40 percent of such balance shall be invested in fixed
17 income securities as provided in paragraph (3). For
18 such purpose, certified account managers shall offer
19 each account holder a choice of one or more port-
20 folios of each such type of investment.

21 “(2) COMMON STOCK INDEX REQUIREMENTS.—

22 The Board shall establish by regulation standards
23 which must be met by any portfolio of common stock
24 selected for investment of account assets pursuant to
25 paragraph (1), consistent with the requirement that

1 such portfolio replicate the performance of one or
2 more common stock indices comprised of common
3 stock the aggregate market value of which is, in
4 each case, a reasonably broad representation of pub-
5 licly held companies whose shares are traded on the
6 equity markets.

7 “(3) FIXED INCOME SECURITIES REQUIRE-
8 MENTS.—The Board shall establish by regulation
9 standards which must be met by fixed income securi-
10 ties selected for investment of account assets pursu-
11 ant to paragraph (1). Amounts invested in fixed in-
12 come securities by a certified account manager
13 under the Program shall be held in a portfolio which
14 shall consist of a diverse range of high-grade cor-
15 porate bonds.

16 “(d) DIVERSIFICATION STANDARDS.—The Board
17 shall specify by regulation standards governing invest-
18 ments under this section to ensure prudent diversification
19 among the investments under the Program.

20 “DETERMINATION OF MONTHLY ANNUITY AMOUNTS AND
21 USE IN DETERMINING ACCOUNT DISTRIBUTION SUP-
22 PLEMENTS

23 “SEC. 255. (a) MONTHLY ANNUITY AMOUNTS.—

24 “(1) IN GENERAL.—In accordance with regula-
25 tions of the Board meeting the requirements of this
26 section, the Commissioner shall determine a monthly

1 annuity amount in connection with such covered in-
2 dividual's Social Security guarantee account, for
3 each month—

4 “(A) which commences after such indi-
5 vidual becomes a covered individual,

6 “(B) for which such individual is entitled
7 to a covered monthly insurance benefit under
8 part A, and

9 “(C) which ends prior to or with—

10 “(i) the date of the covered individ-
11 ual's death, or

12 “(ii) if later, the date of the death of
13 the covered individual's spouse (if any), ex-
14 cept as provided in regulations prescribed
15 by the Board pursuant to paragraph (5).

16 “(2) AMOUNT.—The monthly annuity amount
17 shall be equal to the amount which would be the ini-
18 tial monthly payment under—

19 “(A) if the covered individual is not mar-
20 ried on such date, an immediate single life an-
21 nuity for the covered individual, or

22 “(B) if the covered individual is married
23 on such date, an immediate annuity for the
24 joint lives of the covered individual and the cov-
25 ered individual's spouse, together with a sur-

1 vivor annuity to the one of them who survives
2 the other of them for the life of the survivor
3 payable in monthly installments equal to $66\frac{2}{3}$
4 percent of the monthly payment of the annuity
5 that would be payable if both spouses remained
6 alive,

7 purchased with the balance of the account (deter-
8 mined after payment of the initial lump sum pay-
9 ment under section 256(c)).

10 “(3) ASSUMPTIONS.—The assumptions under
11 this subsection include the probability of survival for
12 persons born in the same year as the covered indi-
13 vidual (and the spouse, in the case of a joint annu-
14 ity), future projection of investment earnings based
15 on continued investment of the account assets, and
16 expected price inflation. Determinations under this
17 subsection shall be made in accordance with regula-
18 tions which shall be prescribed by the Board, other-
19 wise using generally accepted actuarial assumptions,
20 except that no differentiation shall be made in such
21 assumptions on the basis of sex, race, health status,
22 or other characteristics other than age.

23 “(4) ADJUSTMENTS BASED ON ADDITIONAL SO-
24 CIAL SECURITY GUARANTEE REFUNDABLE CRED-
25 ITS.—The Board shall annually augment the month-

1 ly annuity amount in connection with each Social
2 Security guarantee account by an additional monthly
3 annuity amount, determined under this subsection
4 on the basis of any additional transfer to the ac-
5 count of a Social Security guarantee refundable
6 credit for the year (plus deemed interest) under sec-
7 tion 253(c), after subtracting the amount of the an-
8 nual lump sum payment made from such account
9 under section 256(c)(2).

10 “(5) TREATMENT OF CHANGES IN MARITAL
11 STATUS AND BENEFIT ELIGIBILITY AFTER COM-
12 MENCEMENT OF ENTITLEMENT TO BENEFITS.—The
13 Board shall provide by regulation for recalculation
14 or adjustment of the monthly annuity amount deter-
15 mined under this subsection in connection with any
16 covered individual’s Social Security guarantee ac-
17 count so as to appropriately take into account any
18 entry into marriage or divorce or changes in eligi-
19 bility for benefits.

20 “(b) AMOUNT OF ACCOUNT DISTRIBUTION SUPPLE-
21 MENT.—The Board shall determine for each month the
22 amount of the monthly account distribution supplement
23 (if any) in connection with a covered individual’s Social
24 Security guarantee account and shall certify such amount
25 to the Commissioner so as to allow inclusion of such sup-

1 plement in each covered monthly insurance benefit pay-
2 ment pursuant to section 202(z) or 223(j). The amount
3 of the supplement for each benefit shall be the excess (if
4 any) of—

5 “(1) the sum of—

6 “(A) the monthly annuity amount in con-
7 nection with such account, plus

8 “(B) in the case of a covered individual
9 surviving a deceased spouse, a monthly amount
10 which would be the monthly equivalent of the
11 survivor annuity described in paragraph (2)(B)
12 in connection with the Social Security guar-
13 antee account of the deceased spouse, over

14 “(2) the amount of the benefit (as determined
15 before applying sections 202(z) and 223(j) and be-
16 fore applying any reduction or deduction applicable
17 under part A).

18 “DISPOSITION OF ACCOUNT ASSETS

19 “SEC. 256. (a) IN GENERAL.—Account assets with
20 respect to covered individuals shall be distributed solely
21 as provided in this section.

22 “(b) ACCOUNT MANAGER TRANSFERS TO THE TRUST
23 FUNDS.—

24 “(1) IN GENERAL.—In accordance with a
25 schedule which shall be prescribed in regulations of
26 the Board, each certified account manager holding

1 account assets shall make account manager trans-
2 fers to the Secretary of the Treasury. Such Sec-
3 retary shall immediately credit each such transfer to
4 the Federal Old-Age and Survivors Insurance Trust
5 Fund or the Federal Disability Insurance Trust
6 Fund, according to an appropriate distribution for-
7 mula which shall be prescribed in regulations of the
8 Executive Director. The Executive Director shall
9 provide to the certified account manager timely in-
10 formation necessary to carry out such account man-
11 ager's duties under this section.

12 “(2) DETERMINATION OF AMOUNT OF ACCOUNT
13 MANAGER TRANSFER.—The amount of each account
14 manager transfer due from a certified account man-
15 ager for any period shall be an amount equal to the
16 sum of—

17 “(A) the aggregate monthly annuity
18 amount or amounts determined under para-
19 graph (3) for the month or months ending dur-
20 ing such period in connection with the Social
21 Security guarantee accounts under the manage-
22 ment of the certified account manager under
23 the Program, and

1 “(B) the aggregate monthly account remit-
2 tance for such period described in paragraph
3 (4) in connection with such accounts.

4 “(3) AGGREGATE MONTHLY ANNUITY
5 AMOUNT.—The aggregate monthly annuity amount
6 for any month in connection with the Social Security
7 guarantee accounts under the management of any
8 certified account manager under the Program is
9 equal to the sum of all monthly annuity amounts in
10 connection with such accounts, determined under
11 section 255.

12 “(4) AGGREGATE MONTHLY ACCOUNT REMIT-
13 TANCE.—The aggregate monthly account remittance
14 for any month in connection with the Social Security
15 guarantee accounts under the management of any
16 certified account manager under the Program is
17 equal to the sum of all the amounts required to be
18 transferred during such month from the certified ac-
19 count manager to the Secretary of the Treasury for
20 crediting to the Federal Old-Age and Survivors In-
21 surance Trust Fund or the Federal Disability Insur-
22 ance Trust Fund under subsection (e)(2) in connec-
23 tion with the deaths of covered individuals for whom
24 such accounts were established under this part.

1 “(5) WITHDRAWALS FROM ACCOUNT BALANCES
2 FOR PURPOSES OF ACCOUNT MANAGER TRANS-
3 FERS.—In advance of each account manager trans-
4 fer required under this subsection to be made by a
5 certified account manager managing one or more
6 Social Security guarantee accounts under the Pro-
7 gram, the Commissioner shall certify to the Execu-
8 tive Director and to such certified account manager
9 the monthly annuity amount in connection with each
10 such account for each month during the period for
11 which such transfer is to be made. At the time of
12 such transfer, the certified account manager may
13 withdraw from the assets of each such account the
14 monthly annuity amount in connection with such ac-
15 count taken into account in determining each of the
16 aggregate monthly annuity amounts included in the
17 amount of the account manager transfer. Such with-
18 drawn assets shall be available to the certified ac-
19 count manager solely for purposes of making such
20 account manager transfer.

21 “(c) LUMP SUM PAYMENTS.—Upon initial entitle-
22 ment of a covered individual to monthly insurance benefits
23 under part A, such individual shall be entitled to—

1 “(1) an initial lump sum payment, from such
2 individual’s Social Security guarantee account, equal
3 to 5 percent of the balance in such account, and

4 “(2) a lump sum payment in connection with
5 each subsequent transfer to such account (pursuant
6 to section 253(c)) of such individual’s social security
7 guarantee refundable credits for years beginning
8 after commencement of such initial entitlement, pay-
9 able as soon as practicable after the transfer, equal
10 to 5 percent of the transferred amount (including
11 deemed interest).

12 The Executive Director shall certify to the certified ac-
13 count manager managing such account the amount of
14 each lump sum payment, and upon receipt of such certifi-
15 cation, the certified account manager shall transfer such
16 certified amount to the Secretary of the Treasury for sub-
17 sequent transfer to the covered individual. Such certifi-
18 cation shall also include such information as may be nec-
19 essary to make each lump sum payment in a timely man-
20 ner.

21 “(d) SPLITTING OF ACCOUNT ASSETS UPON DI-
22 VORCE AFTER 1 YEAR OF MARRIAGE.—Upon the divorce
23 of a covered individual for whom a Social Security guar-
24 antee account has been established under this part, from

1 a spouse to whom the covered individual had been married
2 for at least 1 year—

3 “(1) if a Social Security guarantee account has
4 been established under this part for the divorced
5 spouse of the covered individual, the Board shall di-
6 rect the appropriate certified account manager to
7 transfer—

8 “(A) from the Social Security guarantee
9 account with the greater amount of accruals
10 (including earnings) during the time of the
11 marriage,

12 “(B) to the other such account,
13 an amount equal to one-half of the difference be-
14 tween the amounts of such accruals in such ac-
15 counts, or

16 “(2) if a Social Security guarantee account has
17 not been established for the divorced spouse, the
18 Board shall establish a Social Security guarantee ac-
19 count for the divorced spouse, and shall direct the
20 appropriate certified account manager to transfer—

21 “(A) from the Social Security guarantee
22 account of the covered individual,

23 “(B) to the Social Security guarantee ac-
24 count of the divorced spouse,

1 an amount equal to one-half of the amount of accru-
2 als (including earnings) during the time of the mar-
3 riage in the Social Security guarantee account of the
4 covered individual.

5 In the case of any transfer directed under this subsection,
6 the Executive Director shall certify to the appropriate cer-
7 tified account manager the information necessary to make
8 such transfer.

9 “(e) CLOSING OF ACCOUNT UPON THE DEATH OF
10 THE COVERED INDIVIDUAL.—

11 “(1) TRANSFERS UPON DEATH BEFORE ENTI-
12 TLEMENT.—Upon the death of a covered individual
13 before the individual has become entitled to covered
14 monthly insurance benefits, the Executive Director
15 shall close out the covered individual’s Social Secu-
16 rity guarantee account. In closing out the account,
17 the Executive Director shall certify to the certified
18 account manager the amount of the account assets,
19 and, upon receipt of such certification, such certified
20 account manager shall transfer from such account
21 an amount equal to such certified amount to the
22 Secretary of the Treasury for subsequent transfer to
23 the estate of such covered individual.

24 “(2) TRANSFERS UPON DEATH AFTER ENTI-
25 TLEMENT.—

1 “(A) IN GENERAL.—In any case in which
2 the covered individual dies after the individual
3 has become entitled to covered monthly insur-
4 ance benefits, the Executive Director shall, ex-
5 cept as provided in subparagraph (B), close out
6 the covered individual’s Social Security guar-
7 antee account upon such covered individual’s
8 death.

9 “(B) DELAYED CLOSING IN THE CASE OF
10 SURVIVING SPOUSE.—If the covered individual
11 was married at the time of the covered individ-
12 ual’s death, the Executive Director shall close
13 out the covered individual’s Social Security
14 guarantee account with the close, upon the sur-
15 viving spouse’s death, of the period to which the
16 survivor annuity portion of the monthly annuity
17 amount in connection with such account is ap-
18 plicable under section 255(a). The Board shall
19 from time to time propose to the Congress rec-
20 ommendations for legislative changes necessary
21 to provide for closing of the account in a man-
22 ner and time consistent with regulations pre-
23 scribed pursuant to section 255(a)(5).

24 “(C) CERTIFICATION AND TRANSFER TO
25 TRUST FUNDS.—In closing out the account, the

1 Executive Director shall certify to the certified
2 account manager holding the covered individ-
3 ual’s account assets the amount of the account
4 assets, and such certified account manager shall
5 transfer an amount equal to such certified
6 amount to the Secretary of the Treasury for
7 crediting to the Federal Old-Age and Survivors
8 Insurance Trust Fund or the Federal Disability
9 Insurance Trust Fund, as determined appro-
10 priate under regulations of the Board.

11 “(f) CLOSING OF ACCOUNT OF COVERED INDIVID-
12 UALS WHO ARE INELIGIBLE FOR BENEFITS UPON AT-
13 TAINING RETIREMENT AGE.—In any case in which, as of
14 the date on which a covered individual attains retirement
15 age (as defined in section 216(l)), such individual is not
16 eligible for a covered monthly insurance benefit, the Com-
17 missioner shall so certify to the Executive Director and,
18 upon receipt of such certification, the Executive Director
19 shall close out the covered individual’s Social Security
20 guarantee account. In closing out the account, the Execu-
21 tive Director shall certify to the certified account manager
22 the amount of the account assets, and upon receipt of such
23 certification from the Executive Director, the account
24 manager shall transfer from such account an amount
25 equal to such certified amount to the Secretary of the

1 Treasury for subsequent transfer to the covered indi-
2 vidual.

3 “(g) ADMINISTRATIVE EXPENSES.—

4 “(1) IN GENERAL.—Under regulations which
5 shall be prescribed by the Board, account assets are
6 available for payment of the reasonable administra-
7 tive costs of the Program (including reasonable ad-
8 ministration fees charged by certified account man-
9 agers under the Program), but in no event to exceed
10 25 basis points per year of the assets under manage-
11 ment.

12 “(2) TEMPORARY AUTHORIZATION OF APPRO-
13 PRIATIONS FOR STARTUP ADMINISTRATIVE COSTS.—

14 For any such administrative costs that remain after
15 applying paragraph (1) for each of the first five fis-
16 cal years that end after the date of the enactment
17 of this part, there are authorized to be appropriated
18 such sums as may be necessary for each of such fis-
19 cal years.

20 “ADMINISTRATION OF THE PROGRAM

21 “SEC. 257. (a) GENERAL PROVISIONS.—

22 “(1) ESTABLISHMENT AND DUTIES OF THE SO-
23 CIAL SECURITY GUARANTEE BOARD.—

24 “(A) ESTABLISHMENT.—There is estab-
25 lished in the Social Security Administration a
26 Social Security Guarantee Board.

1 “(B) MEMBERSHIP.—The Board shall be
2 composed of 6 members appointed by the Board
3 of Trustees of the Federal Old-Age and Sur-
4 vivors Insurance Trust Fund and the Federal
5 Disability Insurance Trust Fund. One member
6 shall serve as Chairman, as designated by the
7 Board of Trustees. Members of the Board shall
8 have substantial experience, training, and ex-
9 pertise in the area of pension benefits, finance,
10 investment, or insurance.

11 “(C) TERMS.—

12 “(i) IN GENERAL.—A member of the
13 Board shall be appointed for a term of 9
14 years, subject only to removal by the
15 Board of Trustees for cause, except that of
16 the members first appointed—

17 “(I) two shall be appointed for a
18 term of 3 years;

19 “(II) two shall be appointed for a
20 term of 6 years; and

21 “(III) two shall be appointed for
22 a term of 9 years.

23 “(ii) VACANCIES.— A vacancy on the
24 Board shall be filled in the manner in
25 which the original appointment was made

1 and shall be subject to any conditions
2 which applied with respect to the original
3 appointment. An individual chosen to fill a
4 vacancy shall be appointed for the unex-
5 pired term of the member replaced. The
6 term of any member shall not expire before
7 the date on which the member's successor
8 takes office.

9 “(D) POWERS AND DUTIES OF THE
10 BOARD.—

11 “(i) IN GENERAL.—The Board shall
12 have powers and duties solely as provided
13 in this part. The Board shall prescribe by
14 regulation the terms of the Social Security
15 Guarantee Program established under this
16 part, including policies for investment
17 under the Program of account assets, and
18 policies for the certification and decerti-
19 fication of account managers under the
20 Program, which shall include consideration
21 of the appropriateness of the marketing
22 materials and plans of such person.

23 “(ii) BUDGETARY REQUIREMENTS.—
24 The Board shall prepare and submit to the
25 President and to the appropriate commit-

1 tees of Congress an annual budget of the
2 expenses and other items relating to the
3 Board which shall be included as a separate
4 item in the budget required to be
5 transmitted to the Congress under section
6 1105 of title 31, United States Code. The
7 Board shall provide for low administrative
8 costs such that, to the extent practicable,
9 overall administrative costs of the Program
10 do not exceed 25 basis points in relation to
11 assets under management under the Program.
12 gram.

13 “(E) ADDITIONAL AUTHORITIES OF THE
14 BOARD.—The Board may—

15 “(i) adopt, alter, and use a seal;

16 “(ii) establish policies with which the
17 Commissioner shall comply under this
18 part; and

19 “(iii) appoint and remove the Executive
20 Director, as provided in paragraph (2).

21 “(F) INDEPENDENCE OF CERTIFIED ACCOUNT
22 MANAGERS.—The policies of the Board
23 may not require a certified account manager to
24 invest or to cause to be invested any account
25 assets in a specific asset or to dispose of or

1 cause to be disposed of any specific asset so
2 held.

3 “(G) MEETINGS OF THE BOARD.—The
4 Board shall meet at the call of the Chairman or
5 upon the request of a quorum of the Board.
6 The Board shall perform the functions and ex-
7 ercise the powers of the Board on a majority
8 vote of a quorum of the Board. Four members
9 of the Board shall constitute a quorum for the
10 transaction of business.

11 “(H) COMPENSATION OF BOARD MEM-
12 BERS.—

13 “(i) IN GENERAL.—Each member of
14 the Board who is not an officer or em-
15 ployee of the Federal Government shall be
16 compensated at the daily rate of basic pay
17 for level I of the Executive Schedule for
18 each day during which such member is en-
19 gaged in performing a function of the
20 Board. Any member who is such an officer
21 or employee shall not suffer any loss of pay
22 or deduction from annual leave on the
23 basis of any time used by such member in
24 performing such a function.

1 “(ii) TRAVEL, PER DIEM, AND EX-
2 PENSES.—A member of the Board shall be
3 paid travel, per diem, and other necessary
4 expenses under subchapter I of chapter 57
5 of title 5, United States Code, while trav-
6 eling away from such member’s home or
7 regular place of business in the perform-
8 ance of the duties of the Board.

9 “(I) STANDARD FOR BOARD’S DISCHARGE
10 OF RESPONSIBILITIES.—The members of the
11 Board shall discharge their responsibilities sole-
12 ly in the interest of covered individuals and the
13 Program.

14 “(J) ANNUAL REPORT.—The Board shall
15 submit an annual report to the President, to
16 each House of the Congress, and to the Board
17 of Trustees of the Federal Old-Age and Sur-
18 vivors Insurance Trust Fund and the Federal
19 Disability Insurance Trust Fund regarding the
20 financial and operating condition of the Pro-
21 gram.

22 “(K) PUBLIC ACCOUNTANT.—

23 “(i) DEFINITION.—For purposes of
24 this subparagraph, the term ‘qualified pub-
25 lic accountant’ shall have the same mean-

1 ing as provided in section 103(a)(3)(D) of
2 the Employee Retirement Income Security
3 Act of 1974 (29 U.S.C. 1023(a)(3)(D)).

4 “(ii) ENGAGEMENT.—The Executive
5 Director, in consultation with the Board,
6 shall annually engage, on behalf of all indi-
7 viduals for whom a Social Security guar-
8 antee account is established under this
9 part, an independent qualified public ac-
10 countant, who shall conduct an examina-
11 tion of all records maintained in the ad-
12 ministration of this part that the public ac-
13 countant considers necessary.

14 “(iii) DUTIES.—The public account-
15 ant conducting an examination under
16 clause (ii) shall determine whether the
17 records referred to in such clause have
18 been maintained in conformity with gen-
19 erally accepted accounting principles. The
20 public accountant shall transmit to the
21 Board a report on his examination.

22 “(iv) RELIANCE ON CERTIFIED ACTU-
23 ARIAL MATTERS.—In making a determina-
24 tion under clause (iii), a public accountant
25 may rely on the correctness of any actu-

1 arial matter certified by an enrolled actu-
2 ary if the public accountant states his reli-
3 ance in the report transmitted to the
4 Board under such clause.

5 “(2) EXECUTIVE DIRECTOR.—

6 “(A) APPOINTMENT AND REMOVAL.—The
7 Board shall appoint, without regard to the pro-
8 visions of law governing appointments in the
9 competitive service, an Executive Director by
10 action agreed to by a majority of the members
11 of the Board. The Executive Director shall have
12 substantial experience, training, and expertise
13 in the management of financial investments and
14 pension benefit plans. The Board may, with the
15 concurrence of 4 members of the Board, remove
16 the Executive Director from office for good
17 cause shown.

18 “(B) POWERS AND DUTIES OF EXECUTIVE
19 DIRECTOR.—The Executive Director shall—

20 “(i) carry out the policies established
21 by the Board,

22 “(ii) administer the provisions of this
23 part in accordance with the policies of the
24 Board,

1 “(iii) in consultation with the Board,
2 prescribe such regulations (other than reg-
3 ulations relating to fiduciary responsibil-
4 ities) as may be necessary for the adminis-
5 tration of this part, and

6 “(iv) meet from time to time with the
7 Board upon request of the Board.

8 “(C) ADMINISTRATIVE AUTHORITIES OF
9 EXECUTIVE DIRECTOR.—The Executive Direc-
10 tor may—

11 “(i) appoint such personnel as may be
12 necessary to carry out the provisions of
13 this part,

14 “(ii) subject to approval by the Board,
15 procure the services of experts and consult-
16 ants under section 3109 of title 5, United
17 States Code,

18 “(iii) secure directly from any agency
19 or instrumentality of the Federal Govern-
20 ment any information which, in the judg-
21 ment of the Executive Director, is nec-
22 essary to carry out the provisions of this
23 part and the policies of the Board, and
24 which shall be provided by such agency or

1 instrumentality upon the request of the
2 Executive Director,

3 “(iv) pay the compensation, per diem,
4 and travel expenses of individuals ap-
5 pointed under clauses (i), (ii), and (v) of
6 this subparagraph, subject to such limits
7 as may be established by the Board,

8 “(v) accept and use the services of in-
9 dividuals employed intermittently in the
10 Government service and reimburse such in-
11 dividuals for travel expenses, as authorized
12 by section 5703 of title 5, United States
13 Code, including per diem as authorized by
14 section 5702 of such title, and

15 “(vi) except as otherwise expressly
16 prohibited by law or the policies of the
17 Board, delegate any of the Executive Di-
18 rector’s functions to such employees under
19 the Board as the Executive Director may
20 designate and authorize such successive re-
21 delegations of such functions to such em-
22 ployees under the Board as the Executive
23 Director may consider to be necessary or
24 appropriate.

1 “(3) ROLE OF THE COMMISSIONER OF SOCIAL
2 SECURITY.—The Commissioner shall—

3 “(A) prescribe such regulations (supple-
4 mentary to and consistent with the regulations
5 prescribed by the Board and the Executive Di-
6 rector) as may be necessary for carrying out the
7 duties of the Commissioner under this part,

8 “(B) meet from time to time with, and
9 provide information to, the Board upon request
10 of the Board regarding matters relating to the
11 Social Security Guarantee Program, and

12 “(C) in consultation with the Board and
13 utilizing available Federal agencies and re-
14 sources, develop a campaign to educate workers
15 about the Program.

16 “(b) CERTIFICATION AND OVERSIGHT OF ACCOUNT
17 MANAGERS.—

18 “(1) CERTIFICATION BY THE BOARD.—

19 “(A) IN GENERAL.—Any person that is a
20 qualified professional asset manager (as defined
21 in section 8438(a)(8) of title 5, United States
22 Code) may apply to the Board (in such form
23 and manner as shall be provided by the Board
24 by regulation) for certification under this sub-
25 section as a certified account manager. In mak-

1 ing certification decisions, the Board shall con-
2 sider the applicant’s general character and fit-
3 ness, financial history and future earnings pros-
4 pects, and ability to serve covered individuals
5 under the Program, and such other criteria as
6 the Board deems necessary to carry out this
7 part. Certification of any person under this sub-
8 section shall be contingent upon entry into a
9 contractual arrangement between the Board
10 and such person.

11 “(B) NONDELEGATION REQUIREMENT.—

12 The authority of the Board to make any deter-
13 mination to deny any application under this
14 subsection may not be delegated by the Board.

15 “(2) OVERSIGHT OF CERTIFIED ACCOUNT MAN-
16 AGERS.—

17 “(A) ROLE OF REGULATORY AGENCIES.—

18 The Board may enter into cooperative arrange-
19 ments with Federal and State regulatory agen-
20 cies identified by the Board as having jurisdic-
21 tion over persons eligible for certification under
22 this subsection so as to ensure that the provi-
23 sions of this part are enforced with respect to
24 certified account managers in a manner con-
25 sistent with and supportive of the requirements

1 of other provisions of Federal law applicable to
2 them. Such Federal regulatory agencies shall
3 cooperate with the Board to the extent that the
4 Board determines that such cooperation is nec-
5 essary and appropriate to ensure that the provi-
6 sions of this part are effectively implemented.

7 “(B) ACCESS TO RECORDS.—The Board
8 may from time to time require any certified ac-
9 count manager to file such reports as the Board
10 may specify by regulation as necessary for the
11 administration of this part. In prescribing such
12 regulations, the Board shall minimize the regu-
13 latory burden imposed upon certified account
14 managers while taking into account the benefit
15 of the information to the Board in carrying out
16 its functions under this part.

17 “(3) REVOCATION OF CERTIFICATION.—The
18 Board shall provide, in the contractual arrangements
19 entered into under this subsection with each certified
20 account manager, for revocation of such person’s
21 status as a certified account manager upon deter-
22 mination by the Board of such person’s failure to
23 comply with the requirements of such contractual ar-
24 rangements. Such arrangements shall include provi-

1 sion for notice and opportunity for review of any
2 such revocation.

3 “(c) FIDUCIARY RESPONSIBILITIES.—

4 “(1) IN GENERAL.—Rules similar to the provi-
5 sions of section 8477 of title 5, United States Code
6 (relating to fiduciary responsibilities; liability and
7 penalties) shall apply in connection with account as-
8 sets, in accordance with regulations which shall be
9 issued by the Board. The Board shall issue regula-
10 tions with respect to the investigative authority of
11 appropriate Federal agencies in cases involving ac-
12 count assets.

13 “(2) EXCULPATORY PROVISIONS VOIDED.—Any
14 provision in an agreement or instrument which pur-
15 ports to relieve a fiduciary from responsibility or li-
16 ability for any responsibility, obligation, or duty
17 under this part shall be void.

18 “(d) CIVIL ACTIONS BY BOARD.—If any person fails
19 to meet any requirement of this part or of any contract
20 entered into under this part, the Board may bring a civil
21 action in any district court of the United States within
22 the jurisdiction of which such person’s assets are located
23 or in which such person resides or is found, without regard
24 to the amount in controversy, for appropriate relief to re-
25 dress the violation or enforce the provisions of this part,

1 and process in such an action may be served in any dis-
2 trict.

3 “(e) PREEMPTION OF INCONSISTENT STATE LAW.—
4 A provision of this part shall not be construed to preempt
5 any provision of the law of any State or political subdivi-
6 sion thereof, or prevent a State or political subdivision
7 thereof from enacting any provision of law with respect
8 to the subject matter of this part, except to the extent
9 that such provision of State law is inconsistent with this
10 part, and then only to the extent of the inconsistency.”.

11 (b) CONFORMING AMENDMENTS.—(1) Section
12 701(b) of the Social Security Act (42 U.S.C. 901(b)) is
13 amended by striking “title II” and inserting “part A of
14 title II, the Social Security Guarantee Program under part
15 B of title II,”.

16 (2) Section 702(a)(4) of the Social Security Act (42
17 U.S.C. 902(a)(4)) is amended by inserting “other than
18 those of the Social Security Guarantee Board” after “Ad-
19 ministration”, and by striking “thereof” and inserting “of
20 the Administration in connection with the exercise of such
21 powers and the discharge of such duties”.

22 **SEC. 103. BENEFIT INCREASES.**

23 (a) OLD-AGE INSURANCE BENEFITS AND OTHER
24 BENEFITS UNDER SECTION 202.—Section 202 of the So-

1 cial Security Act (42 U.S.C. 402) is amended by adding
2 at the end the following new subsection:

3 “Account Distribution Supplements

4 “(z) Each monthly insurance benefit under this sec-
5 tion (after application of any reduction or deduction appli-
6 cable under this section or under any other provision of
7 this part) shall be increased by the amount of the account
8 distribution supplement determined for such benefit under
9 section 255.”.

10 (b) DISABILITY INSURANCE BENEFITS.—Section 223
11 of such Act (42 U.S.C. 423) is amended by adding at the
12 end the following new subsection:

13 “Account Distribution Supplements

14 “(j) Each monthly insurance benefit under this sec-
15 tion (after application of any reduction or deduction appli-
16 cable under this part) shall be increased by the amount
17 of the account distribution supplement determined for
18 such benefit under section 255.”.

19 **SEC. 104. TAX TREATMENT.**

20 (a) TAX TREATMENT OF SOCIAL SECURITY GUAR-
21 ANTEE ACCOUNTS.—Section 7701 of the Internal Revenue
22 Code of 1986 (relating to definitions) is amended by redес-
23 ignating subsection (n) as subsection (o) and by inserting
24 after (m) the following new subsection:

1 “(n) TAX TREATMENT OF SOCIAL SECURITY GUAR-
2 ANTEE ACCOUNTS.—All Social Security guarantee ac-
3 counts established under part B of title II of the Social
4 Security Act shall be exempt from taxation under this
5 title.”.

6 (b) BENEFITS TAXABLE AS SOCIAL SECURITY BENE-
7 FITS.—

8 (1) MONTHLY BENEFITS.—Section 86(d) of
9 such Code of 1986 (relating to definition of Social
10 Security benefit) is amended to read as follows:

11 “(A) a monthly benefit under part A of
12 title II of the Social Security Act (including an
13 account distribution supplement referred to in
14 section 202(z) and 223(j) of such Act), or”.

15 (2) SPECIAL RULES RELATING TO LUMP SUM
16 PAYMENT UNDER SECTION 256(c) OF SOCIAL SECU-
17 RITY ACT.—Section 86(a) of such Code is amended
18 by adding at the end the following new paragraph:

19 “(3) INCLUSION IN GROSS INCOME OF LUMP
20 SUM PAYMENT UNDER SECTION 256(c) OF SOCIAL
21 SECURITY ACT.—

22 “(A) IN GENERAL.—A lump sum payment
23 received under section 256(c) of the Social Se-
24 curity Act shall be includible in gross income in
25 the amount provided by subparagraph (B).

1 Such payment shall not be treated as a social
2 security benefit for purposes of this section.

3 “(B) AMOUNT INCLUDED IN INCOME.—

4 The portion of such lump sum payment that is
5 includible in gross income shall be equal to an
6 amount which bears the same ratio to the total
7 amount of such payment as the portion of so-
8 cial security benefits included in gross income
9 under paragraphs (1) and (2) bears to the total
10 amount of such benefits.”.

11 (3) EFFECTIVE DATE.—The amendments made
12 by this subsection shall apply to taxable years begin-
13 ning after the end of the calendar year in which this
14 Act is enacted.

15 (c) ESTATE TAX NOT TO APPLY TO ASSETS OF SO-
16 CIAL SECURITY GUARANTEE ACCOUNTS.—

17 (1) IN GENERAL.—Part IV of subchapter A of
18 chapter 11 of the Internal Revenue Code of 1986
19 (relating to taxable estate) is amended by adding at
20 the end the following new section:

21 **“SEC. 2059. SOCIAL SECURITY GUARANTEE ACCOUNTS.**

22 “For purposes of the tax imposed by section 2001,
23 the value of the taxable estate shall be determined by de-
24 ducting from the value of the gross estate an amount
25 equal to the value of the assets of a Social Security guar-

1 antee account transferred by the Secretary to the estate
2 of the decedent under section 256 of the Social Security
3 Act.”.

4 (2) CLERICAL AMENDMENT.—The table of sec-
5 tions for part IV of subchapter A of chapter 11 of
6 such Code is amended by adding at the end the fol-
7 lowing new item:

“Sec. 2059. Social Security guarantee accounts.”.

8 (3) EFFECTIVE DATE.—The amendments made
9 by this subsection shall apply to decedents dying in
10 or after the calendar year in which this Act is en-
11 acted.

12 **SEC. 105. ANNUAL ACCOUNT STATEMENTS.**

13 Section 1143 of the Social Security Act (42 U.S.C.
14 1320b–13) is amended by adding at the end the following
15 new subsection:

16 “Performance of Social Security Guarantee Accounts

17 “(d) Beginning not later than October 1, 2003, each
18 statement provided under this section shall include infor-
19 mation determined by the Social Security Guarantee
20 Board as sufficient to fully inform eligible individuals an-
21 nually of the balance, investment performance, and admin-
22 istrative expenses of their Social Security guarantee ac-
23 counts under the Social Security Guarantee Program
24 under part B of title II.”.

1 **SEC. 106. REPORT ON USE OF SOCIAL SECURITY SUR-**
2 **PLUSES.**

3 The Board of Trustees of the Federal Old-Age and
4 Survivors Insurance Trust Fund and the Federal Dis-
5 ability Insurance Trust Fund, in the Board's annual re-
6 port to the President and the Congress and based on the
7 Board's review of the financial status of such Trust
8 Funds, shall set forth—

9 (1) the Board's determination of the extent to
10 which revenues consisting of that portion of the
11 taxes under chapters 2 and 21 of the Internal Rev-
12 enue Code of 1986 to which surpluses in the Trust
13 Funds may be attributed have been appropriated to
14 defray the cost of the Social Security guarantee re-
15 fundable credits under section 3511 of such Code,
16 and

17 (2) the Board's recommendations with respect
18 to whether or to what extent such portion of such
19 taxes should be reduced or used further to defray
20 the cost of such credits.

21 **TITLE II—BENEFIT UPDATES**

22 **SEC. 201. ELIMINATION OF THE SOCIAL SECURITY EARN-**
23 **INGS TEST FOR INDIVIDUALS WHO HAVE AT-**
24 **TAINED AGE 62.**

25 (a) IN GENERAL.—Section 203 of the Social Security
26 Act (42 U.S.C. 403) is amended—

1 (1) in subsection (e)(1), by striking “retirement
2 age (as defined in section 216(l))” and inserting
3 “the age of 62”;

4 (2) in clause (B) of the last sentence of sub-
5 section (f)(1), by striking “retirement age (as de-
6 fined in section 216(l))” and inserting “the age of
7 62”;

8 (3) in subsection (f)(3), by striking “retirement
9 age (as defined in section 216(l))” and inserting
10 “the age of 62”;

11 (4) in subsection (h)(1)(A), by striking “retire-
12 ment age (as defined in section 216(l))” each place
13 it appears and inserting “the age of 62”; and

14 (5) in subsection (j)—

15 (A) in the heading, by striking “Retire-
16 ment Age” and inserting “Age 62”; and

17 (B) by striking “retirement age (as defined
18 in section 216(l))” and inserting “the age of
19 62”.

20 (b) CONFORMING AMENDMENTS ELIMINATING THE
21 SPECIAL EXEMPT AMOUNT FOR YEAR OF ATTAINING RE-
22 TIREMENT AGE.

23 (1) UNIFORM EXEMPT AMOUNT.—Section
24 203(f)(8)(A) of such Act (42 U.S.C. 403(f)(8)(A)) is
25 amended by striking “the new exempt amounts (sep-

1 arately stated for individuals described in subpara-
2 graph (D) and for other individuals) which are to be
3 applicable” and inserting “a new exempt amount
4 which shall be applicable”.

5 (2) CONFORMING AMENDMENTS.—Section
6 203(f)(8)(B) of such Act (42 U.S.C. 403(f)(8)(B))
7 is amended—

8 (A) in the matter preceding clause (i), by
9 striking “Except” and all that follows through
10 “whichever” and inserting “The exempt amount
11 which is applicable for each month of a par-
12 ticular taxable year shall be whichever”;

13 (B) in clause (i), by striking “cor-
14 responding”;

15 (C) in clause (ii)—

16 (i) by striking “the product” and all
17 that follows through “other individuals),
18 and” and inserting “the product derived by
19 multiplying the exempt amount which is in
20 effect with respect to months in the tax-
21 able year ending after 1993 and before
22 1995, by”; and

23 (ii) by striking subclause (II) and in-
24 serting the following:

1 “(II) the national average wage index
2 (as so defined) for 1992,”; and

3 (D) in the last sentence, by striking “an
4 exempt amount” and inserting “the exempt
5 amount”.

6 (3) REPEAL OF BASIS FOR COMPUTATION OF
7 SPECIAL EXEMPT AMOUNT.—Subparagraphs (D)
8 and (E) of section 203(f)(8) of such Act (42 U.S.C.
9 (f)(8)(D), (E)) are repealed.

10 (c) ADDITIONAL CONFORMING AMENDMENTS.—

11 (1) Section 203 of such Act (42 U.S.C. 403) is
12 amended—

13 (A) in subsection (b)(1)—

14 (i) by striking “(b)(1) Deductions”
15 and inserting “(b) Deductions”;

16 (ii) by striking “and from any pay-
17 ment or payments to which any other per-
18 sons are entitled on the basis of such indi-
19 vidual’s wages and self-employment in-
20 come,”;

21 (iii) by striking “until the total” and
22 all that follows through “if for such
23 month” and inserting the following: “until
24 the total of such deductions equals such in-

1 individual's benefit or benefits under section
2 202 for any month, if for such month";

3 (iv) by striking "total of benefits re-
4 ferred to in clauses (A) and (B)" and in-
5 serting "the total of such benefits"; and

6 (v) by striking "If a child" and all
7 that follows through "have been made.";

8 (B) by striking subsection (b)(2);

9 (C) by striking subsection (d);

10 (D) in subsection (f)(1), by striking "The
11 amount of" and all that follows through "Not-
12 withstanding" and inserting the following: "The
13 amount of an individual's excess earnings (as
14 defined in paragraph (3)) shall be charged to
15 months as follows: There shall be charged to
16 the first month of such taxable year an amount
17 of his excess earnings equal to the payment to
18 which he is entitled for such month under sec-
19 tion 202 (or the total of his excess earnings if
20 such excess earnings are less than such pay-
21 ment), and the balance, if any, of such excess
22 earnings shall be charged to each succeeding
23 month in such year to the extent, in the case
24 of each such month, of the payment to which
25 such individual is entitled for such month under

1 section 202, until the total of such excess has
2 been so charged. Notwithstanding”;

3 (E) in subsection (f)(3), by striking “33 $\frac{1}{3}$
4 percent” and all that follows through “other in-
5 dividual,” and inserting “50 percent of such in-
6 dividual’s earnings for such year in excess of
7 the product of the exempt amount as deter-
8 mined under paragraph (8),”;

9 (F) by striking subsection (f)(7);

10 (G) by striking subsection (f)(9); and

11 (H) in subsection (h)(1)(A)(ii), by striking
12 subclauses (I), (II), and (III) and inserting the
13 following:

14 “(I) such individual’s benefits under sec-
15 tion 202 are reduced under subsection (a) of
16 this section for any month in such taxable year,
17 and

18 “(II) in any such month there is another
19 person who also is entitled to benefits under
20 subsection (b), (c), (d), (e), (f), (g), or (h) of
21 section 202 on the basis of the same wages and
22 self-employment income and who does not live
23 in the same household as such individual.”.

24 (2) The second sentence of section 223(d)(4) of
25 such Act (42 U.S.C. 423(d)(4)) is amended by strik-

1 ing “if section 102 of the Senior Citizens’ Right to
2 Work Act of 1996 had not been enacted” and insert-
3 ing the following: “if the amendments to section 203
4 made by section 102 of the Senior Citizens’ Right to
5 Work Act of 1996 and by section 4 of the Social Se-
6 curity Guarantee Plus Act of 2001 had not been en-
7 acted”.

8 (d) EFFECTIVE DATE AND TRANSITIONAL RULE.—

9 (1) EFFECTIVE DATE.—The amendments and
10 repeals made by this section shall apply with respect
11 to taxable years ending after December 31, 2006.

12 (2) TRANSITIONAL RULE.—Notwithstanding
13 paragraph (8) of section 203(f) of the Social Secu-
14 rity Act (42 U.S.C. 403(f)(8)), the exempt amount
15 which is applicable, for purposes of such section
16 203(f), to an individual who is entitled to monthly
17 insurance benefits under section 202 of such Act but
18 who has not attained retirement age (as defined in
19 section 216(l) of such Act) before the close of the
20 taxable year involved shall be—

21 (A) for each month of any taxable year
22 ending after 2001 and before 2003, \$1,250.00,

23 (B) for each month of any taxable year
24 ending after 2002 and before 2004,
25 \$1,666.66²/₃,

1 (C) for each month of any taxable year
2 ending after 2003 and before 2005,
3 \$2,083.33¹/₃,

4 (D) for each month of any taxable year
5 ending after 2004 and before 2006, \$2,500.00,
6 and

7 (E) for each month of any taxable year
8 ending after 2005 and before 2007,
9 \$2,916.66²/₃.

10 **SEC. 202. INCREASE IN WIDOW'S AND WIDOWER'S INSUR-**
11 **ANCE BENEFITS.**

12 (a) WIDOW'S INSURANCE BENEFITS.—Section
13 202(e) of the Social Security Act (42 U.S.C. 402(e)) is
14 amended by adding at the end the following new para-
15 graph:

16 “(10)(A) In any case in which the amount of a wid-
17 ow's insurance benefit (as determined under the preceding
18 provisions of this section, taking into account applicable
19 reductions under this section) for the application month
20 of the widow (or surviving divorced wife) is less than the
21 minimum benefit amount for such month determined
22 under subparagraph (C), the amount of such benefit for
23 such month and each succeeding month shall be increased
24 to such minimum benefit amount (or the amount most re-
25 cently established in lieu thereof under section 215(i)).

1 “(B) For purposes of this paragraph, the term ‘appli-
2 cation month’ of a widow (or surviving divorced wife)
3 means the month of the filing of her application for wid-
4 ow’s insurance benefits.

5 “(C) For purposes of subparagraph (A), the min-
6 imum benefit amount determined under this subparagraph
7 for the application month is an amount equal to the lesser
8 of—

9 “(i) 75 percent of the sum of—

10 “(I) the imputed deceased individual’s ben-
11 efit for such month, as determined under sub-
12 paragraph (D) or (E) (as applicable), and

13 “(II) the imputed survivor benefit for such
14 month, as determined under subparagraph (F),
15 or

16 “(ii) the increased benefit cap determined under
17 subparagraph (G) for such month.

18 “(D)(i) For purposes of subparagraph (C)(i)(I), if the
19 deceased individual died in a month for which he was not
20 entitled to any benefit under this title based on his wages
21 or self-employment income or the wages and self-employ-
22 ment income of the widow (or surviving divorced wife), the
23 imputed deceased individual’s benefit for the application
24 month is the sum of—

1 “(I) the imputed old-age insurance benefit (de-
2 termined under clause (ii)) of the deceased indi-
3 vidual for the application month (if any), and

4 “(II) the imputed husband’s insurance benefit
5 (determined under clause (iii)) of the deceased indi-
6 vidual for the application month (if any).

7 “(ii) The amount of the imputed old-age insurance
8 benefit of the deceased individual for the application
9 month is the amount of the old-age insurance benefit to
10 which he would have been entitled for such month—

11 “(I) determined, in the case of such a deceased
12 individual who had attained age 62 as of the date
13 of his death, as if he had applied for such benefit
14 in the month of his death and had survived to the
15 end of the application month (taking into account
16 applicable reductions under this section), or

17 “(II) determined, in the case of such a deceased
18 individual who died before attaining age 62 but
19 would have attained age 62 before the end of the ap-
20 plication month, as if he had survived to the end of
21 the application month, and had applied for such ben-
22 efit on such date (assuming a primary insurance
23 amount for the deceased individual determined
24 under paragraph (2)(B) of this subsection and tak-

1 ing into account applicable reductions under this
2 section).

3 In any case in which the deceased individual died before
4 attaining age 62 and would not have attained age 62 be-
5 fore the end of the application month, the deceased indi-
6 vidual’s imputed old-age insurance benefit shall be deemed
7 to be zero.

8 “(iii) The amount of the imputed husband’s insur-
9 ance benefit of the deceased individual for the application
10 month is the amount of the husband’s insurance benefit
11 under subsection (c) to which he would have been entitled
12 for such month (reduced under subsection (k)(3)(A) as-
13 suming the entitlement to an old-age insurance benefit for
14 such month, if any, as described in clause (ii) and other-
15 wise taking into account applicable reductions under this
16 section)—

17 “(I) determined, in the case of such a deceased
18 individual who had attained age 62 as of the date
19 of his death, as if he had applied for such benefit
20 in the month of his death and had survived to the
21 end of the application month, or

22 “(II) determined, in the case of such a deceased
23 individual who died before attaining age 62 but
24 would have attained age 62 before the end of the ap-
25 plication month, as if he had survived to the end of

1 the application month and had applied for such ben-
2 efit during the application month.

3 In any case in which the deceased individual died before
4 attaining age 62 and would not have attained age 62 be-
5 fore the end of the application month, the deceased indi-
6 vidual's imputed husband's insurance benefit shall be
7 deemed to be zero.

8 “(E)(i) For purposes of subparagraph (C), if the de-
9 ceased individual died during a month for which he was
10 entitled to an old-age insurance benefit under subsection
11 (a) or a disability insurance benefit under section 223, to
12 a husband's insurance benefit under subsection (c) based
13 on the wages and self-employment income of the widow
14 (or surviving divorced wife), or to both such an old-age
15 or disability insurance benefit and such a husband's insur-
16 ance benefit, the imputed deceased individual's benefit for
17 the application month is the sum of—

18 “(I) the amount of the old-age or disability in-
19 surance benefit (if any) to which he would have been
20 entitled for the application month if he had survived
21 to the end of such month (taking into account appli-
22 cable reductions under this section), and

23 “(II) the amount of the husband's insurance
24 benefit (if any) to which he would have been entitled
25 for such month if he had survived to the end of such

1 month (taking into account applicable reductions
2 under this section, including any reduction under
3 subsection (k)(3)(A) based on the assumed entitle-
4 ment to an old-age or disability insurance benefit for
5 such month (if any) as described in subclause (I)).

6 “(ii) If the deceased individual was entitled for the
7 month in which he died to a disability insurance benefit
8 under section 223, the amount determined under clause
9 (i) shall be determined as if he had remained entitled to
10 disability insurance benefits throughout the period com-
11 mencing with the month in which he died and ending with
12 the application month (or until becoming entitled to old-
13 age insurance benefits under subsection (a) during such
14 period).

15 “(F) For purposes of subparagraph (C)(i)(II)—

16 “(i) In the case of a widow (or surviving di-
17 vorced wife) who is entitled for the month preceding
18 the application month to an old-age insurance ben-
19 efit under subsection (a) or a disability insurance
20 benefit under section 223, to a wife’s insurance ben-
21 efit under subsection (b), or to both such an old-age
22 or disability insurance benefit and such a wife’s in-
23 surance benefit, the amount of her imputed survivor
24 benefit for the application month is the sum of—

1 “(I) the amount of the old-age or disability
2 insurance benefit for the preceding month (if
3 any, taking into account applicable reductions
4 under this section), and

5 “(II) the amount of the wife’s insurance
6 benefit for the preceding month (if any, taking
7 into account applicable reductions under this
8 section, including any reduction under sub-
9 section (k)(3)(A) based on the assumed entitle-
10 ment to an old-age or disability insurance ben-
11 efit for such month (if any) as described in sub-
12 clause (I)).

13 “(ii) In the case of a widow (or surviving di-
14 vorced wife) who is not described in clause (i) but
15 has attained (or would attain) age 62 as of the end
16 of the application month, the amount of her imputed
17 survivor benefit is the sum of—

18 “(I) the amount of the old-age insurance
19 benefit under subsection (a) to which the widow
20 (or surviving divorced wife) would be entitled
21 for the application month if she filed applica-
22 tion for such benefit on the last date of such
23 month (taking into account applicable reduc-
24 tions under this section), and

1 “(II) the amount to which she would be
2 entitled as a wife’s insurance benefit under sub-
3 section (b) for the application month, based on
4 the deceased individual’s wages and self-employ-
5 ment income, if the deceased individual had
6 survived to the end of the application month
7 and she had filed application for such benefit
8 on the last date of such month (assuming a pri-
9 mary insurance amount for the deceased indi-
10 vidual determined under paragraph (2)(B) of
11 this subsection and taking into account applica-
12 ble reductions under this section, including any
13 reduction under subsection (k)(3)(A) based on
14 the assumed entitlement to an old-age insur-
15 ance benefit for such month (if any) as de-
16 scribed in subclause (I)).

17 In any case in which the widow (or surviving di-
18 vorced wife) would not attain age 62 before the end
19 of the application month, her imputed survivor ben-
20 efit shall be deemed to be zero.

21 “(G) The increased benefit cap determined under this
22 subparagraph for the application month is the amount
23 which would be the amount of a theoretical individual’s
24 old-age insurance benefit under subsection (a) (reduced as
25 provided in subsection (q)) if—

1 “(i) such theoretical individual’s primary insur-
2 ance amount for the first month of entitlement were
3 equal to the average of the primary insurance
4 amounts upon which old-age insurance benefits
5 under subsection (a) are payable for months in the
6 calendar year preceding the application month,

7 “(ii) the application month were such first
8 month of such theoretical individual’s entitlement to
9 such old-age insurance benefit, and

10 “(iii) the month in which the widow (or sur-
11 viving divorced wife) attained or would attain retire-
12 ment age (as defined in section 219(l)) were the
13 month in which the theoretical individual attained or
14 would attain retirement age (as so defined).

15 “(H) If, in determining the amount of the benefit
16 under this section pursuant to this paragraph, the im-
17 puted old-age insurance benefit or imputed husband’s in-
18 surance benefit of the deceased individual was deemed to
19 be zero pursuant to the last sentence of clause (ii) or (iii)
20 of subparagraph (D), or the imputed survivor benefit of
21 the widow (or surviving divorced wife) was deemed to be
22 zero pursuant to the last sentence of subparagraph (F),
23 effective for any month after the application month in
24 which the deceased individual attains age 62 or the widow
25 (or surviving divorced wife) attains age 62, the Commis-

1 sioner shall recompute the amount of the benefit under
2 this paragraph by substituting a reference to such month
3 for each reference in the preceding provisions of this para-
4 graph to the application month.”.

5 (b) WIDOWER’S INSURANCE BENEFITS.—Section
6 202(f) of such Act (42 U.S.C. 402(f)) is amended by add-
7 ing at the end the following new paragraph:

8 “(10)(A) In any case in which the amount of a wid-
9 ower’s insurance benefit (as determined under the pre-
10 ceding provisions of this section, taking into account appli-
11 cable reductions under this section) for the application
12 month of the widower (or surviving divorced husband) is
13 less than the minimum benefit amount for such month de-
14 termined under subparagraph (C), the amount of such
15 benefit for such month and each succeeding month shall
16 be increased to such minimum benefit amount (or the
17 amount most recently established in lieu thereof under
18 section 215(i)).

19 “(B) For purposes of this paragraph, the term ‘appli-
20 cation month’ of a widower (or surviving divorced hus-
21 band) means the month of the filing of his application for
22 widower’s insurance benefits.

23 “(C) For purposes of subparagraph (A), the min-
24 imum benefit amount determined under this subparagraph

1 for the application month is an amount equal to the lesser
2 of—

3 “(i) 75 percent of the sum of—

4 “(I) the imputed deceased individual’s ben-
5 efit for such month, as determined under sub-
6 paragraph (D) or (E) (as applicable), and

7 “(II) the imputed survivor benefit for such
8 month, as determined under subparagraph (F),
9 or

10 “(ii) the increased benefit cap for such month,
11 as determined under subparagraph (G) for such
12 month.

13 “(D)(i) For purposes of subparagraph (C)(i)(I), if the
14 deceased individual died in a month for which she was not
15 entitled to any benefit under this title based on her wages
16 or self-employment income or the wages and self-employ-
17 ment income of the widower (or surviving divorced hus-
18 band), the imputed deceased individual’s benefit for the
19 application month is the sum of—

20 “(I) the imputed old-age insurance benefit (de-
21 termined under clause (ii)) of the deceased indi-
22 vidual for the application month (if any), and

23 “(II) the imputed wife’s insurance benefit (de-
24 termined under clause (iii)) of the deceased indi-
25 vidual for the application month (if any).

1 “(ii) The amount of the imputed old-age insurance
2 benefit of the deceased individual for the application
3 month is the amount of the old-age insurance benefit to
4 which she would have been entitled for such month—

5 “(I) determined, in the case of such a deceased
6 individual who had attained age 62 as of the date
7 of her death, as if she had applied for such benefit
8 in the month of her death and had survived to the
9 end of the application month (taking into account
10 applicable reductions under this section), or

11 “(II) determined, in the case of such a deceased
12 individual who died before attaining age 62 but
13 would have attained age 62 before the end of the ap-
14 plication month, as if she had survived to the end
15 of the application month, and had applied for such
16 benefit on such date (assuming a primary insurance
17 amount for the deceased individual determined
18 under paragraph (2)(B) of this subsection and tak-
19 ing into account applicable reductions under this
20 section).

21 In any case in which the deceased individual died before
22 attaining age 62 and would not have attained age 62 be-
23 fore the end of the application month, the deceased indi-
24 vidual’s imputed old-age insurance benefit shall be deemed
25 to be zero.

1 “(iii) The amount of the imputed wife’s insurance
2 benefit of the deceased individual for the application
3 month is the amount of the wife’s insurance benefit under
4 subsection (c) to which she would have been entitled for
5 such month (reduced under subsection (k)(3)(A) assuming
6 the entitlement to an old-age insurance benefit for such
7 month, if any, as described in clause (ii) and otherwise
8 taking into account applicable reductions under this sec-
9 tion)—

10 “(I) determined, in the case of such a deceased
11 individual who had attained age 62 as of the date
12 of her death, as if she had applied for such benefit
13 in the month of her death and had survived to the
14 end of the application month, or

15 “(II) determined, in the case of such a deceased
16 individual who died before attaining age 62 but
17 would have attained age 62 before the end of the ap-
18 plication month, as if she had survived to the end
19 of the application month and had applied for such
20 benefit during the application month.

21 In any case in which the deceased individual died before
22 attaining age 62 and would not have attained age 62 be-
23 fore the end of the application month, the deceased indi-
24 vidual’s imputed wife’s insurance benefit shall be deemed
25 to be zero.

1 “(E)(i) For purposes of subparagraph (C), if the de-
2 ceased individual died during a month for which she was
3 entitled to an old-age insurance benefit under subsection
4 (a) or a disability insurance benefit under section 223, to
5 a wife’s insurance benefit under subsection (b) based on
6 the wages and self-employment income of the widower (or
7 surviving divorced husband), or to both such an old-age
8 or disability insurance benefit and such a wife’s insurance
9 benefit, the imputed deceased individual’s benefit for the
10 application month is the sum of—

11 “(I) the amount of the old-age or disability in-
12 surance benefit (if any) to which she would have
13 been entitled for the application month if she had
14 survived to the end of such month (taking into ac-
15 count applicable reductions under this section), and

16 “(II) the amount of the wife’s insurance benefit
17 (if any) to which she would have been entitled for
18 such month if she had survived to the end of such
19 month (taking into account applicable reductions
20 under this section, including any reduction under
21 subsection (k)(3)(A) based on the assumed entitle-
22 ment to an old-age or disability insurance benefit for
23 such month (if any) as described in subclause (I)).

24 “(ii) If the deceased individual was entitled for the
25 month in which she died to a disability insurance benefit

1 under section 223, the amount determined under clause
2 (i) shall be determined as if she had remained entitled to
3 disability insurance benefits throughout the period com-
4 mencing with the month in which she died and ending with
5 the application month (or until becoming entitled to old-
6 age insurance benefits under subsection (a) during such
7 period).

8 “(F) For purposes of subparagraph (C)(i)(II)—

9 “(i) In the case of a widower (or surviving di-
10 vorced husband) who is entitled for the month pre-
11 ceding the application month to an old-age insurance
12 benefit under subsection (a) or a disability insurance
13 benefit under section 223, to a husband’s insurance
14 benefit under subsection (c), or to both such an old-
15 age or disability insurance benefit and such a hus-
16 band’s insurance benefit, the amount of his imputed
17 survivor benefit for the application month is the sum
18 of—

19 “(I) the amount of the old-age or disability
20 insurance benefit for the preceding month (if
21 any, taking into account applicable reductions
22 under this section), and

23 “(II) the amount of the husband’s insur-
24 ance benefit for the preceding month (if any,
25 taking into account applicable reductions under

1 this section, including any reduction under sub-
2 section (k)(3)(A) based on the assumed entitle-
3 ment to an old-age or disability insurance ben-
4 efit for such month (if any) as described in sub-
5 clause (I)).

6 “(ii) In the case of a widower (or surviving di-
7 vorced husband) who is not described in clause (i)
8 but has attained (or would attain) age 62 as of the
9 end of the application month, the amount of his im-
10 puted survivor benefit is the sum of—

11 “(I) the amount of the old-age insurance
12 benefit under subsection (a) to which the wid-
13 ower (or surviving divorced husband) would be
14 entitled for the application month if he filed ap-
15 plication for such benefit on the last date of
16 such month (taking into account applicable re-
17 ductions under this section), and

18 “(II) the amount to which he would be en-
19 titled as a husband’s insurance benefit under
20 subsection (b) for the application month, based
21 on the deceased individual’s wages and self-em-
22 ployment income, if the deceased individual had
23 survived to the end of the application month
24 and he had filed application for such benefit on
25 the last date of such month (assuming a pri-

1 primary insurance amount for the deceased indi-
2 vidual determined under paragraph (2)(B) of
3 this subsection and taking into account applica-
4 ble reductions under this section, including any
5 reduction under subsection (k)(3)(A) based on
6 the assumed entitlement to an old-age insur-
7 ance benefit for such month (if any) as de-
8 scribed in subclause (I).

9 In any case in which the widower (or surviving di-
10 vorced husband) would not attain age 62 before the
11 end of the application month, his imputed survivor
12 benefit shall be deemed to be zero.

13 “(G) The increased benefit cap determined under this
14 subparagraph for the application month is the amount
15 which would be the amount of a theoretical individual’s
16 old-age insurance benefit under subsection (a) (reduced as
17 provided in subsection (q)) if—

18 “(i) such theoretical individual’s primary insur-
19 ance amount for the first month of entitlement were
20 equal to the average of the primary insurance
21 amounts upon which old-age insurance benefits
22 under subsection (a) are payable for months in the
23 calendar year preceding the application month,

1 “(ii) the application month were such first
2 month of such theoretical individual’s entitlement to
3 such old-age insurance benefit, and

4 “(iii) the month in which the widower (or sur-
5 viving divorced husband) attained or would attain
6 retirement age (as defined in section 219(l)) were
7 the month in which the theoretical individual at-
8 tained or would attain retirement age (as so de-
9 fined).

10 “(H) If, in determining the amount of the benefit
11 under this subsection pursuant to this paragraph, the im-
12 puted old-age insurance benefit or imputed wife’s insur-
13 ance benefit of the deceased individual was deemed to be
14 zero pursuant to the last sentence of clause (ii) or (iii)
15 of subparagraph (D), or the imputed survivor benefit of
16 the widower (or surviving divorced husband) was deemed
17 to be zero pursuant to the last sentence of subparagraph
18 (F), effective for any month after the application month
19 in which the deceased individual attains age 62 or the wid-
20 ower (or surviving divorced husband) attains age 62, the
21 Commissioner shall recompute the amount of the benefit
22 under this paragraph by substituting a reference to such
23 month for each reference in the preceding provisions of
24 this paragraph to the application month.”.

1 (c) COST-OF-LIVING ADJUSTMENTS TO GUARANTEED
2 WIDOW'S AND WIDOWER'S INSURANCE BENEFITS.—Sec-
3 tion 215(i)(2)(A)(ii) of such Act (42 U.S.C.
4 415(i)(2)(A)(ii)) is amended—

5 (1) in subclause (II), by striking “and” at the
6 end;

7 (2) in subclause (III), by striking “1978.” and
8 inserting “1979, and”;

9 (3) by adding at the end the following new sub-
10 clause:

11 “(IV) the benefit amount to which an individual
12 is entitled for that month under subsection (e) or (f)
13 of section 202 if such benefit amount has been in-
14 creased under paragraph (10) of such subsection.”;
15 and

16 (4) in the matter following subclause (IV)
17 (added by paragraph (3)), by striking “(I), (II), and
18 (III)” and inserting “(I), (II), (III), and (IV)”.

19 (d) EFFECTIVE DATE.—The amendments made by
20 this section shall apply with respect to widow's and wid-
21 ower's insurance benefits for months after November of
22 the calendar year in which this Act is enacted.

1 **SEC. 203. BENEFITS FOR DISABLED WIDOWS AND WID-**
2 **OWERS WITHOUT REGARD TO AGE.**

3 (a) **ELIGIBILITY FOR WIDOW'S INSURANCE BENE-**
4 **FITS.**—Section 202(e)(1)(B)(ii) of the Social Security Act
5 (42 U.S.C. 402(e)(1)(B)(ii)) is amended by striking “has
6 attained age 50 but has not attained age 60 and”.

7 (b) **ELIGIBILITY FOR WIDOWER'S INSURANCE BENE-**
8 **FITS.**—Section 202(f)(1)(B)(ii) of such Act (42 U.S.C.
9 402(f)(1)(B)(ii)) is amended by striking “has attained age
10 50 but has not attained age 60 and”.

11 (c) **CONFORMING AMENDMENT.**—Section
12 202(q)(3)(A) of such Act (42 U.S.C. 402(q)(3)(A)) is
13 amended by striking “If the first month” and all that fol-
14 lows through “widow's or widower's insurance benefit)”
15 and inserting “If the first month for which an individual
16 both is entitled to a wife's or husband's insurance benefit
17 and has attained age 62 or for which an individual is enti-
18 tled to a widow's or widower's insurance benefit”.

19 (d) **EFFECTIVE DATE.**—The amendments made by
20 this section shall apply with respect to monthly insurance
21 benefits payable under title II of the Social Security Act
22 for months after November of the calendar year in which
23 this Act is enacted and for which applications are filed
24 or pending after November of such year.

1 **SEC. 204. REPEAL OF 7-YEAR RESTRICTION ON ELIGIBILITY**
2 **FOR WIDOW'S AND WIDOWER'S INSURANCE**
3 **BENEFITS BASED ON DISABILITY.**

4 (a) WIDOW'S INSURANCE BENEFITS.—

5 (1) IN GENERAL.—Section 202(e) of the Social
6 Security Act (42 U.S.C. 402(e)) is amended—

7 (A) in paragraph (1)(B)(ii), by striking
8 “which began before the end of the period spec-
9 ified in paragraph (4)”;

10 (B) in paragraph (1)(F)(ii), by striking
11 “(I) in the period specified in paragraph (4)
12 and (II)”;

13 (C) by striking paragraph (4) and by re-
14 designating paragraphs (5) through (9) as
15 paragraphs (4) through (8), respectively; and

16 (D) in paragraph (4)(A)(ii) (as redesign-
17 ated), by striking “whichever” and all that fol-
18 lows through “begins” and inserting “the first
19 day of the seventeenth month before the month
20 in which her application is filed”.

21 (2) CONFORMING AMENDMENTS.—

22 (A) Section 202(e)(1)(F)(i) of such Act
23 (42 U.S.C. 402(e)(1)(F)(i)) is amended by
24 striking “paragraph (5)” and inserting “para-
25 graph (4)”.

1 (B) Section 202(e)(1)(C)(ii)(III) of such
2 Act (42 U.S.C. 402(e)(2)(C)(ii)(III)) is amend-
3 ed by striking “paragraph (8)” and inserting
4 “paragraph (7)”.

5 (C) Section 202(e)(2)(A) of such Act (42
6 U.S.C. 402(e)(2)(A)) is amended by striking
7 “paragraph (7)” and inserting “paragraph
8 (6)”.

9 (D) Section 226(e)(1)(A)(i) of such Act
10 (42 U.S.C. 426(e)(1)(A)(i)) is amended by
11 striking “202(e)(4),”.

12 (b) WIDOWER’S INSURANCE BENEFITS.—

13 (1) IN GENERAL.—Section 202(f) of such Act
14 (42 U.S.C. 402(f)) is amended—

15 (A) in paragraph (1)(B)(ii), by striking
16 “which began before the end of the period spec-
17 ified in paragraph (5)”;

18 (B) in paragraph (1)(F)(ii), by striking
19 “(I) in the period specified in paragraph (5)
20 and (II)”;

21 (C) by striking paragraph (5) and by re-
22 designating paragraphs (6) through (9) as
23 paragraphs (5) through (8), respectively; and

24 (D) in paragraph (5)(A)(ii) (as redesign-
25 ated), by striking “whichever” and all that fol-

1 lows through “begins” and inserting “the first
2 day of the seventeenth month before the month
3 in which his application is filed”.

4 (2) CONFORMING AMENDMENTS.—

5 (A) Section 202(f)(1)(F)(i) of such Act (42
6 U.S.C. 402(f)(1)(F)(i)) is amended by striking
7 “paragraph (6)” and inserting “paragraph
8 (5)”.

9 (B) Section 202(f)(1)(C)(ii)(III) of such
10 Act (42 U.S.C. 402(f)(2)(C)(ii)(III)) is amend-
11 ed by striking “paragraph (8)” and inserting
12 “paragraph (7)”.

13 (C) Section 226(e)(1)(A)(i) of such Act (as
14 amended by subsection (a)(2)) is further
15 amended by striking “202(f)(1)(B)(ii), and
16 202(f)(5)” and inserting “and
17 202(f)(1)(B)(ii)”.

18 (c) EFFECTIVE DATE.—The amendments made by
19 this section shall apply with respect to benefits for months
20 after November of the calendar year in which this Act is
21 enacted and for which applications are filed or pending
22 after November of such year.

1 **SEC. 205. EXEMPTION FROM TWO-YEAR WAITING PERIOD**
2 **FOR DIVORCED SPOUSE'S BENEFITS UPON**
3 **OTHER SPOUSE'S REMARRIAGE.**

4 (a) WIFE'S INSURANCE BENEFITS.—Section
5 202(b)(5)(A) of the Social Security Act (42 U.S.C.
6 402(b)(5)(A)) is amended by adding at the end the fol-
7 lowing new sentence: “The criterion for entitlement under
8 clause (ii) shall be deemed met upon the remarriage of
9 the insured individual to someone other than the applicant
10 during the 2-year period referred to in such clause.”.

11 (b) HUSBAND'S INSURANCE BENEFITS.—Section
12 202(c)(5)(A) of such Act (42 U.S.C. 402(c)(5)(A)) is
13 amended by adding at the end the following new sentence:
14 “The criterion for entitlement under clause (ii) shall be
15 deemed met upon the remarriage of the insured individual
16 to someone other than the applicant during the 2-year pe-
17 riod referred to in such clause.”.

18 (c) EFFECTIVE DATE.—The amendments made by
19 this section shall apply with respect to benefits for months
20 after November of the calendar year in which this Act is
21 enacted and for which applications are filed or pending
22 after November of such year.

1 **SEC. 206. INCREASE IN AMOUNT OF WAGES AND SELF-EM-**
2 **PLOYMENT INCOME CREDITED TO YEARS**
3 **TAKEN INTO ACCOUNT IN DETERMINING AV-**
4 **ERAGE INDEXED MONTHLY EARNINGS FOR**
5 **BENEFICIARIES PRECLUDED FROM REMU-**
6 **NERATIVE WORK OCCASIONED BY NEED TO**
7 **PROVIDE CHILD CARE.**

8 (a) IN GENERAL.—Section 215(b)(3) of the Social
9 Security Act (42 U.S.C. 415(b)(3)) is amended—

10 (1) in subparagraph (A), by striking “subpara-

11 graph (B)” and inserting “subparagraphs (B) and

12 (C)”, and

13 (2) by adding at the end the following new sub-

14 paragraph:

15 “(C)(i) Subject to clause (iii), in any case in which—

16 “(I) in any calendar year which is included in

17 an individual’s elapsed years, such individual was

18 living with a child (of such individual or his or her

19 spouse) under the age of 7, and

20 “(II) at any time during or after such calendar

21 year and on or before the date of the application by

22 such individual for benefits based on such individ-

23 ual’s wages and self-employment income, such indi-

24 vidual submits to the Commissioner, in such form as

25 the Commissioner shall prescribe by regulation, a

1 written statement that the requirements of subclause
2 (I) are met with respect to such calendar year,
3 the amount of the wages and self-employment income paid
4 in or credited to such year under subparagraph (A), if less
5 than the minimum credit amount for such individual for
6 such year under clause (ii), shall be deemed equal to such
7 minimum credit amount.

8 “(ii) For purposes of clause (i), the minimum credit
9 amount for an individual described in clause (i) for any
10 calendar year shall be an amount equal to the product de-
11 rived by multiplying—

12 “(I) $\frac{1}{4}$ of the average indexed monthly earnings
13 of such individual, determined as if such individual
14 became entitled to disability insurance benefits on
15 January 1 of such year, by

16 “(II) the number of months in such year during
17 which such individual meets the requirements of
18 clause (i)(I).

19 “(iii) Clause (i) shall apply only with respect to not
20 more than 5 elapsed years designated by the individual
21 described in clause (i) with respect to which such indi-
22 vidual submits a statement under clause (i)(II).

23 “(iv) Clause (i) shall not apply in the case of an indi-
24 vidual with respect to any calendar year referred to in
25 clause (i)(I), if such individual’s spouse referred to in such

1 clause was also living with the child referred to in such
2 clause in such year, and—

3 “(I) the amount of such individual’s wages and
4 self-employment income paid in or credited to such
5 year (as determined before the application of this
6 subparagraph) is greater than the amount of the
7 wages and self-employment income paid in or cred-
8 ited to such year (as so determined) of such spouse,
9 or

10 “(II) in any case in which the amount of the
11 wages and self-employment income of each spouse
12 paid in or credited to such year is equal to the
13 wages and self-employment income of the other
14 spouse paid in or credited to such year, such individ-
15 ual’s minimum credit amount determined under
16 clause (ii) for such calendar year is greater than the
17 minimum credit amount determined under clause (ii)
18 for such individual’s spouse.

19 In any case in which the requirements of neither subclause
20 (I) nor subclause (II) are met with respect to such indi-
21 vidual, the Commissioner of Social Security shall provide
22 by regulation for the application of clause (i) only with
23 respect to one of the two spouses in accordance with the
24 equities of the case.”.

1 (b) EFFECTIVE DATE.—The amendments made by
2 this section shall apply with respect to benefits for months
3 after November of the calendar year in which this Act is
4 enacted.

5 **SEC. 207. GOVERNMENT PENSION OFFSET REDUCED FROM**
6 **TWO-THIRDS TO ONE-THIRD OF THE GOVERN-**
7 **MENT PENSION.**

8 (a) WIFE’S INSURANCE BENEFITS.—Section
9 202(b)(4)(A) of the Social Security Act (42 U.S.C.
10 402(b)(4)(A)) is amended by striking “two-thirds” and in-
11 serting “one-third”.

12 (b) HUSBAND’S INSURANCE BENEFITS.—Section
13 202(c)(2)(A) of such Act (42 U.S.C. 402(b)(2)(A)) is
14 amended by striking “two-thirds” and inserting “one-
15 third”.

16 (c) WIDOW’S INSURANCE BENEFITS.—Section
17 202(e)(7)(A) of such Act (42 U.S.C. 402(e)(7)(A)) is
18 amended by striking “two-thirds” and inserting “one-
19 third”.

20 (d) WIDOWER’S INSURANCE BENEFITS.—Section
21 202(f)(2)(A) of such Act (42 U.S.C. 402(f)(2)(A)) is
22 amended by striking “two-thirds” and inserting “one-
23 third”.

24 (e) MOTHER’S AND FATHER’S INSURANCE BENE-
25 FITS.—Section 202(g)(4)(A) of the such Act (42 U.S.C.

1 402(g)(4)(A)) is amended by striking “two-thirds” and in-
2 serting “one-third”.

3 (f) EFFECTIVE DATE.—The amendments made by
4 this section shall apply with respect to benefits for months
5 after November of the calendar year in which this Act is
6 enacted.

7 **SEC. 208. GUARANTEE OF FULL SOCIAL SECURITY BENE-**
8 **FITS WITH ACCURATE ANNUAL COST-OF-LIV-**
9 **ING ADJUSTMENT.**

10 (a) IN GENERAL.—Not later than 90 days after the
11 date of the enactment of this Act, the Secretary of the
12 Treasury shall issue a benefit guarantee certificate to each
13 individual who is determined by the Commissioner of So-
14 cial Security as of the date of the issuance of the certifi-
15 cate to be entitled to monthly insurance benefits under
16 title II of the Social Security Act (42 U.S.C. 401 et seq.).
17 The Secretary shall also issue such a certificate to any
18 individual on the date such individual is determined there-
19 after to be entitled to monthly insurance benefits under
20 such title.

21 (b) BENEFIT GUARANTEE CERTIFICATE.—The ben-
22 efit guarantee certificate issued pursuant to subsection (a)
23 shall represent a legally enforceable guarantee—

24 (1) of the timely payment of the full amount of
25 future monthly insurance benefit payments to which

1 the individual is entitled under title II of the Social
2 Security Act (as determined under such title as in
3 effect on the date of the issuance of the certificate);
4 and

5 (2) that the benefits will be adjusted thereafter
6 not less frequently than annually to the extent pre-
7 scribed in provisions of such title (as in effect on the
8 date of the issuance of the certificate) providing for
9 accurate adjustments based on indices reflecting
10 changes in consumer prices as determined by the
11 Bureau of Labor Statistics or changes in wages as
12 determined by the Commissioner of Social Security,
13 as provided in section 215(i) of the Social Security
14 Act or its successor provision (as in effect on such
15 date).

16 (c) OBLIGATION TO PROVIDE PAYMENTS AS GUAR-
17 ANTEED.—Any certificate issued under the authority of
18 this section constitutes budget authority in advance of ap-
19 propriations Acts and represents the obligation of the Fed-
20 eral Government to provide for the payment to the indi-
21 vidual to whom the certificate is issued monthly insurance
22 benefits under title II of the Social Security Act (42
23 U.S.C. 401 et seq.) in amounts in accordance with the
24 guarantee set forth in the certificate.

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