

105TH CONGRESS
1ST SESSION

H. R. 336

To amend titles II and XVIII of the Social Security Act to ensure the integrity of the Social Security trust funds by reconstituting the Boards of Trustees of such trust funds and the Managing Trustee of such trust funds to increase their independence, by providing for annual investment plans to guide investment of amounts in such trust funds, and by removing unnecessary restrictions on investment and disinvestment of amounts in such trust funds.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 7, 1997

Mr. SOLOMON (for himself, Mr. COBURN, Mr. FORBES, Mr. GOSS, Mr. McINNIS, Mr. METCALF, Mr. NEY, Mr. NORWOOD, Ms. PRYCE of Ohio, Mr. ROYCE, Mr. SCHIFF, Mr. TAYLOR of North Carolina, Mr. TRAFICANT, and Mr. SMITH of New Jersey) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend titles II and XVIII of the Social Security Act to ensure the integrity of the Social Security trust funds by reconstituting the Boards of Trustees of such trust funds and the Managing Trustee of such trust funds to increase their independence, by providing for annual investment plans to guide investment of amounts in such trust funds, and by removing unnecessary restrictions on investment and disinvestment of amounts in such trust funds.

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Social Security Trust
 5 Funds Integrity Act of 1997”.

6 **SEC. 2. INDEPENDENT MANAGING TRUSTEE AND BOARD OF**
 7 **TRUSTEES.**

8 (a) IN GENERAL.—Section 201(c) of the Social Secu-
 9 rity Act is amended—

10 (1) in the seventh sentence, by redesignating
 11 paragraphs (1), (2), (3), (4), and (5) as subpara-
 12 graphs (A), (B), (C), (D), and (E), respectively;

13 (2) in the eighth sentence, by striking “para-
 14 graph (2)” and inserting “subparagraph (B)”; and

15 (3) by striking “(c) With respect to” and all
 16 that follows through “It shall be the duty” in the
 17 seventh sentence and inserting the following:

18 “(c)(1) With respect to the Federal Old-Age and Sur-
 19 vivors Insurance Trust Fund and the Federal Disability
 20 Insurance Trust Fund (hereinafter in this title referred
 21 to as the ‘Trust Funds’) there is hereby created a body
 22 to be known as the Board of Trustees of the Trust Funds
 23 (hereinafter in this title called the ‘Board of Trustees’).

24 The Board of Trustees shall be composed of—

1 “(A) 10 members appointed by the President,
2 by and with the advice and consent of the Senate,
3 as follows:

4 “(i) 2 shall be appointed after taking into
5 account recommendations by the Speaker of the
6 House of Representatives;

7 “(ii) 2 shall be appointed after taking into
8 account recommendations by the President pro
9 tempore of the Senate;

10 “(iii) 2 shall be appointed after taking into
11 account recommendations by the Minority
12 Leader of the House of Representatives;

13 “(iv) 2 shall be appointed after taking into
14 account recommendations by the Minority
15 Leader of the Senate; and

16 “(v) 2 shall be appointed after taking into
17 account recommendations by private organiza-
18 tions determined by the President to consist of
19 the 5 largest such organizations representing
20 the interests of senior citizens in the United
21 States; and

22 “(B) the Managing Trustee of the Social Secu-
23 rity Trust Funds appointed under paragraph (3)
24 (hereinafter in this title referred to as the ‘Managing
25 Trustee’).

1 The Managing Trustee shall serve as Chair of the Board
2 of Trustees. The Commissioner of Social Security shall
3 serve as Secretary of the Board of Trustees. The Board
4 of Trustees shall meet not less frequently than once each
5 calendar year.

6 “(2)(A) Of the members of the Board of Trustees ap-
7 pointed under paragraph (1)(A), not more than 5 shall
8 be of the same political party.

9 “(B) The members of the Board of Trustees ap-
10 pointed under paragraph (1)(A) shall serve for a term of
11 6 years, except that, of the first individuals appointed, one
12 individual appointed under each of clauses (i), (ii), (iii),
13 (iv), and (v) of paragraph (1)(A) shall serve for a term
14 ending December 31, 1998, and the other individual ap-
15 pointed under each of such clauses shall serve for a term
16 ending December 31, 2001, as designated by the President
17 at the time of appointment. An individual may serve as
18 such a member of the Board of Trustees after the expira-
19 tion of his or her term until his or her successor has taken
20 office. An individual appointed to fill a vacancy occurring
21 other than by the expiration of a term of office shall be
22 appointed only for the unexpired term of the individual
23 he or she succeeds. An individual may be removed as such
24 a member of the Board of Trustees only for cause and
25 only after such cause has been reported in writing to the

1 Speaker of the House of Representatives and the Presi-
2 dent pro tempore of the Senate.

3 “(C) Each member of the Board of Trustees ap-
4 pointed under paragraph (1)(A) shall receive compensa-
5 tion at the daily equivalent of the rate payable for level
6 IV of the Executive Schedule under section 5314 of title
7 5, United States Code, for each day on which such mem-
8 ber is engaged in the performance of his or her duties on
9 the Board of Trustees, and shall in addition be reimbursed
10 for the actual and necessary expenses incurred by him or
11 her in the performance of his or her duties.

12 “(3)(A) The Managing Trustee shall be appointed by
13 the President, by and with the advice and consent of the
14 Senate.

15 “(B) The Managing Trustee shall serve for a term
16 of four years, except that the first individual appointed
17 as Managing Trustee under this paragraph shall serve for
18 a term ending December 31, 2001. An individual may
19 serve as Managing Trustee after the expiration of his or
20 her term until his or her successor has taken office as
21 Managing Trustee. An individual appointed to fill a va-
22 cancy occurring other than by the expiration of a term
23 of office shall be appointed only for the unexpired term
24 of the individual he or she succeeds. An individual may
25 be removed as Managing Trustee only for cause and only

1 after such cause has been reported in writing to the
2 Speaker of the House of Representatives and the Presi-
3 dent pro tempore of the Senate.

4 “(C) The Managing Trustee shall not engage in any
5 other business, vocation, or employment. Any individual
6 who is engaging in any other business, vocation, or em-
7 ployment at the time of his or her appointment as Manag-
8 ing Trustee shall terminate or liquidate such activity no
9 later than 90 days after such appointment.

10 “(D) The Managing Trustee shall receive compensa-
11 tion at the rate payable for level III of the Executive
12 Schedule under section 5314 of title 5, United States
13 Code, and shall in addition be reimbursed for the actual
14 and necessary expenses incurred by him or her in the per-
15 formance of his or her duties.

16 “(4) The Managing Trustee and the other members
17 of the Board of Trustees shall be chosen, on the basis of
18 their integrity, impartiality, and good judgment, from
19 among individuals who, by reason of their education, expe-
20 rience, and attainments, are exceptionally qualified to per-
21 form their duties prescribed under this Act and who have
22 no conflicting interest which would hinder the performance
23 of disinterested public service either in the investment of
24 either of the Trust Funds, the Federal Hospital Insurance

1 Trust Fund, or the Federal Supplementary Medical Insur-
 2 ance Trust Fund or in the other functions and duties vest-
 3 ed in them under this Act.

4 “(5)(A) The Commissioner of Social Security shall
 5 make available to the Managing Trustee and the Board
 6 of Trustees, from the personnel, facilities, and services of
 7 the Social Security Administration, such secretarial, cleri-
 8 cal, technical, and other assistance as may be necessary
 9 or appropriate to the performance of their duties.

10 “(B) The Commissioner of Social Security and the
 11 Secretary of the Treasury shall make available to the Man-
 12 aging Trustee and the Board of Trustees such information
 13 and data held by their respective agencies as may be nec-
 14 essary or appropriate to the performance of the duties of
 15 the Managing Trustee and the Board of Trustees.

16 “(6) It shall be the duty”.

17 (b) CONFORMING AMENDMENTS.—

18 (1) FEDERAL HOSPITAL INSURANCE TRUST
 19 FUND.—Section 1817(b) of such Act is amended—

20 (A) in the seventh sentence, by redesignat-
 21 ing paragraphs (1), (2), (3), and (4) as sub-
 22 paragraphs (A), (B), (C), and (D), respectively;

23 (B) in the eighth sentence, by striking
 24 “paragraph (2)” and inserting “subparagraph
 25 (B)”; and

1 (C) by striking “(b) With respect to” and
2 all that follows through “It shall be the duty”
3 in the seventh sentence and inserting the follow-
4 ing:

5 “(b)(1) With respect to the Trust Fund, there is
6 hereby created a body to be known as the Board of Trust-
7 ees of the Trust Fund (hereinafter in this section referred
8 to as the ‘Board of Trustees’). The Board of Trustees
9 shall be composed of—

10 “(A) the individuals serving as members of the
11 Board of Trustees of the Federal Old-Age and Sur-
12 vivors Insurance Trust Fund and the Federal Dis-
13 ability Insurance Trust Fund under section
14 201(c)(1)(A), and

15 “(B) the Managing Trustee of the Social Secu-
16 rity Trust Funds (hereinafter in this section referred
17 to as the ‘Managing Trustee’) appointed under sec-
18 tion 201(c)(2).

19 The Managing Trustee shall serve as Chair of the Board
20 of Trustees. The Commissioner of Social Security shall
21 serve as Secretary of the Board of Trustees. The Board
22 of Trustees shall meet not less frequently than once each

1 calendar year. The Managing Trustee and the other mem-
2 bers of the Board of Trustees shall serve under this sub-
3 section without compensation in addition to compensation
4 received for their service under section 201(c).

5 “(2) It shall be the duty”.

6 (2) FEDERAL SUPPLEMENTARY MEDICAL IN-
7 SURANCE TRUST FUND.—Section 1841(b) of such
8 Act is amended—

9 (A) in the seventh sentence, by redesignat-
10 ing paragraphs (1), (2), (3), and (4) as sub-
11 paragraphs (A), (B), (C), and (D), respectively;

12 (B) in the eighth sentence, by striking
13 “paragraph (2)” and inserting “subparagraph
14 (B)”; and

15 (C) by striking “(b) With respect to” and
16 all that follows through “It shall be the duty”
17 in the seventh sentence and inserting the follow-
18 ing:

19 “(b)(1) With respect to the Trust Fund, there is
20 hereby created a body to be known as the Board of Trust-
21 ees of the Trust Fund (hereinafter in this section referred
22 to as the ‘Board of Trustees’). The Board of Trustees
23 shall be composed of—

1 “(A) the individuals serving as members of the
2 Board of Trustees of the Federal Old-Age and Sur-
3 vivors Insurance Trust Fund and the Federal Dis-
4 ability Insurance Trust Fund under section
5 201(c)(1)(A), and

6 “(B) the Managing Trustee of the Social Secu-
7 rity Trust Funds (hereinafter in this section referred
8 to as the ‘Managing Trustee’) appointed under sec-
9 tion 201(c)(2).

10 The Managing Trustee shall serve as Chair of the Board
11 of Trustees. The Commissioner of Social Security shall
12 serve as Secretary of the Board of Trustees. The Board
13 of Trustees shall meet not less frequently than once each
14 calendar year. The Managing Trustee and the other mem-
15 bers of the Board of Trustees shall serve under this sub-
16 section without compensation in addition to compensation
17 received for their service under section 201(c).

18 “(2) It shall be the duty”.

19 (c) EFFECTIVE DATE AND TRANSITIONAL RULES.—
20 The amendments made by this section shall take effect
21 on the date of the enactment of this Act, except that the
22 Secretary of the Treasury shall continue to serve as Man-
23 aging Trustee of the Social Security Trust Funds and the
24 members of the Board of Trustees under sections 201(c),
25 1817(b), and 1841(b) of the Social Security Act (as in

1 effect immediately before such date) shall continue to
 2 serve as the members of such Boards, until the date on
 3 which all individuals initially appointed under section
 4 201(c) of such Act (as amended by this section) take of-
 5 fice.

6 **SEC. 3. INVESTMENT OF THE SOCIAL SECURITY TRUST**
 7 **FUNDS PURSUANT TO ANNUAL INVESTMENT**
 8 **PLAN.**

9 (a) FEDERAL OLD-AGE AND SURVIVORS INSURANCE
 10 TRUST FUND AND FEDERAL DISABILITY INSURANCE
 11 TRUST FUND.—Section 201(d) of the Social Security Act
 12 is amended by striking “(d) It shall be the duty” and all
 13 that follows through “The purposes for which” and insert-
 14 ing the following:

15 “(d)(1)(A) It shall be the duty of the Managing
 16 Trustee to invest such amounts in the Trust Funds as
 17 are not necessary to meet current withdrawals in such
 18 manner and to such extent as is determined by the Manag-
 19 ing Trustee to be in accordance with the annual invest-
 20 ment plan submitted by the Board of Trustees pursuant
 21 to this paragraph.

22 “(B) The Board of Trustees shall conduct a continu-
 23 ing study and actuarial analysis of the status of the invest-
 24 ments made by the Managing Trustee pursuant to this
 25 subsection, and, on the basis of such study and analysis

1 shall, on or before August 1 of each calendar year, formu-
2 late and submit to the President and each House of the
3 Congress an investment plan to govern the investments
4 of the Trust Funds during the fiscal year beginning with
5 October 1 of such calendar year. The Board of Trustees
6 may, from time to time thereafter, submit amendments
7 to the annual investment plan in the manner in which
8 original annual investment plans are submitted, except
9 that each such amendment shall not be effective before
10 60 days after its submission.

11 “(C) Each annual investment plan shall set forth
12 standards governing the investment and disinvestment of
13 the Trust Funds which are appropriate to ensure that the
14 insurance program under this title will to the maximum
15 extent possible fulfill its intended purposes and meet the
16 needs for which it is designed in a fiscally and actuarially
17 sound manner, without being influenced or characterized
18 by budgetary or fiscal considerations irrelevant to the
19 Trust Funds or by partisan or political considerations.
20 Such plan shall be accompanied by any recommendations
21 of the Board of Trustees regarding the investment of the
22 Trust Funds, including appropriate technical legislative
23 language for any necessary modifications in the provisions
24 of this title relating to matters covered by such rec-
25 ommendations.

1 “(D) The annual investment plan submitted to each
 2 House of the Congress (and any amendment thereto), to-
 3 gether with accompanying recommendations of the Board
 4 of Trustees, shall be incorporated in a special message to
 5 each House. Such message shall be delivered to the Clerk
 6 of the House of Representatives if the House of Rep-
 7 resentatives is not in session and to the Secretary of the
 8 Senate if the Senate is not in session. Each such message
 9 shall be printed as a document for each House.

10 “(E) For purposes of making investments under this
 11 paragraph, obligations may be acquired (i) at original
 12 issue at the issue price, or (ii) by purchase of outstanding
 13 obligations at the market price.

14 “(2) The purposes for which”.

15 (b) FEDERAL HOSPITAL INSURANCE TRUST
 16 FUND.—Section 1817(c) of such Act is amended by strik-
 17 ing “(c) It shall be the duty” and all that follows through
 18 “The purposes for which” and inserting the following:

19 “(c)(1)(A) It shall be the duty of the Managing
 20 Trustee to invest such amounts in the Trust Fund as are
 21 not necessary to meet current withdrawals in such manner
 22 and to such extent as is determined by the Managing
 23 Trustee to be in accordance with the annual investment
 24 plan submitted by the Board of Trustees pursuant to this
 25 paragraph.

1 “(B) The Board of Trustees shall conduct a continu-
2 ing study and actuarial analysis of the status of the invest-
3 ments made by the Managing Trustee pursuant to this
4 subsection, and, on the basis of such study and analysis
5 shall, on or before August 1 of each calendar year, formu-
6 late and submit to the President and each House of the
7 Congress an investment plan to govern the investments
8 of the Trust Fund during the fiscal year beginning with
9 October 1 of such calendar year. The Board of Trustees
10 may, from time to time thereafter, submit amendments
11 to the annual investment plan in the manner in which
12 original annual investment plans are submitted, except
13 that each such amendment shall not be effective before
14 60 days after its submission.

15 “(C) Each annual investment plan shall set forth
16 standards governing the investment and disinvestment of
17 the Trust Fund which are appropriate to ensure that the
18 insurance program under this title will to the maximum
19 extent possible fulfill its intended purposes and meet the
20 needs for which it is designed in a fiscally and actuarially
21 sound manner, without being influenced or characterized
22 by budgetary or fiscal considerations irrelevant to the
23 Trust Fund or by partisan or political considerations.
24 Such plan shall be accompanied by any recommendations
25 of the Board of Trustees regarding the investment of the

1 Trust Fund, including appropriate technical legislative
2 language for any necessary modifications in the provisions
3 of this title relating to matters covered by such rec-
4 ommendations.

5 “(D) The annual investment plan submitted to each
6 House of the Congress (and any amendment thereto), to-
7 gether with accompanying recommendations of the Board
8 of Trustees, shall be incorporated in a special message to
9 each House. Such message shall be delivered to the Clerk
10 of the House of Representatives if the House of Rep-
11 resentatives is not in session and to the Secretary of the
12 Senate if the Senate is not in session. Each such message
13 shall be printed as a document for each House.

14 “(E) For purposes of making investments under this
15 paragraph, obligations may be acquired (i) at original
16 issue at the issue price, or (ii) by purchase of outstanding
17 obligations at the market price.

18 “(2) The purposes for which”.

19 (c) FEDERAL SUPPLEMENTARY MEDICAL INSUR-
20 ANCE TRUST FUND.—Section 1841(c) of such Act is
21 amended by striking “(c) It shall be the duty” and all
22 that follows through “The purposes for which” and insert-
23 ing the following:

24 “(c)(1)(A) It shall be the duty of the Managing
25 Trustee to invest such amounts in the Trust Fund as are

1 not necessary to meet current withdrawals in such manner
2 and to such extent as is determined by the Managing
3 Trustee to be in accordance with the annual investment
4 plan submitted by the Board of Trustees pursuant to this
5 paragraph.

6 “(B) The Board of Trustees shall conduct a continu-
7 ing study and actuarial analysis of the status of the invest-
8 ments made by the Managing Trustee pursuant to this
9 subsection, and, on the basis of such study and analysis
10 shall, on or before August 1 of each calendar year, formu-
11 late and submit to the President and each House of the
12 Congress an investment plan to govern the investments
13 of the Trust Fund during the fiscal year beginning with
14 October 1 of such calendar year. The Board of Trustees
15 may, from time to time thereafter, submit amendments
16 to the annual investment plan in the manner in which
17 original annual investment plans are submitted, except
18 that each such amendment shall not be effective before
19 60 days after its submission.

20 “(C) Each annual investment plan shall set forth
21 standards governing the investment and disinvestment of
22 the Trust Fund which are appropriate to ensure that the
23 insurance program under this title will to the maximum
24 extent possible fulfill its intended purposes and meet the
25 needs for which it is designed in a fiscally and actuarially

1 sound manner, without being influenced or characterized
2 by budgetary or fiscal considerations irrelevant to the
3 Trust Fund or by partisan or political considerations.
4 Such plan shall be accompanied by any recommendations
5 of the Board of Trustees regarding the investment of the
6 Trust Fund, including appropriate technical legislative
7 language for any necessary modifications in the provisions
8 of this title relating to matters covered by such rec-
9 ommendations.

10 “(D) The annual investment plan submitted to each
11 House of the Congress (and any amendment thereto), to-
12 gether with accompanying recommendations of the Board
13 of Trustees, shall be incorporated in a special message to
14 each House. Such message shall be delivered to the Clerk
15 of the House of Representatives if the House of Rep-
16 resentatives is not in session and to the Secretary of the
17 Senate if the Senate is not in session. Each such message
18 shall be printed as a document for each House.

19 “(E) For purposes of making investments under this
20 paragraph, obligations may be acquired (i) at original
21 issue at the issue price, or (ii) by purchase of outstanding
22 obligations at the market price.

23 “(2) The purposes for which”.

1 **SEC. 4. GREATER DISCRETION IN INVESTMENT OF THE SO-**
2 **CIAL SECURITY TRUST FUNDS.**

3 (a) FEDERAL OLD-AGE AND SURVIVORS INSURANCE
4 TRUST FUND AND FEDERAL DISABILITY INSURANCE
5 TRUST FUND.—Section 201(d) of the Social Security Act
6 (as amended by section 3 of this Act) is further amended
7 by striking the last sentence and inserting the following:
8 “The Managing Trustee may purchase such obligations
9 and other interest-bearing obligations, on original issue or
10 at the market price, and sell such obligations, if the Man-
11 aging Trustee determines that such purchase or sale is
12 in the public interest and in accordance with the annual
13 investment plan of the Board of Trustees.”.

14 (b) FEDERAL HOSPITAL INSURANCE TRUST
15 FUND.—Section 1817(c) of such Act (as amended by sec-
16 tion 3 of this Act) is further amended by striking the last
17 sentence and inserting the following: “The Managing
18 Trustee may purchase such obligations and other interest-
19 bearing obligations, on original issue or at the market
20 price, and sell such obligations, if the Managing Trustee
21 determines that such purchase or sale is in the public in-
22 terest and in accordance with the annual investment plan
23 of the Board of Trustees.”.

24 (c) FEDERAL SUPPLEMENTARY MEDICAL INSUR-
25 ANCE TRUST FUND.—Section 1841(c) of such Act (as
26 amended by section 3 of this Act) is further amended by

1 striking the last sentence and inserting in lieu thereof the
2 following: “The Managing Trustee may purchase such ob-
3 ligations and other interest-bearing obligations, on original
4 issue or at the market price, and sell such obligations, if
5 the Managing Trustee determines that such purchase or
6 sale is in the public interest and in accordance with the
7 annual investment plan of the Board of Trustees.”.

8 (d) EFFECTIVE DATE.—The amendments made by
9 this section shall take effect October 1, 1997.

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