

106TH CONGRESS
1ST SESSION

H. R. 1043

To amend title II of the Social Security Act to strengthen the Social Security system to meet the challenges of the next century.

IN THE HOUSE OF REPRESENTATIVES

MARCH 9, 1999

Mr. NADLER (for himself and Ms. PELOSI) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend title II of the Social Security Act to strengthen the Social Security system to meet the challenges of the next century.

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 Amend-
5 ments of 1999”.

1 **SEC. 2. ADDITIONAL APPROPRIATION TO FEDERAL OLD-**
2 **AGE AND SURVIVORS INSURANCE TRUST**
3 **FUND.**

4 Section 201 of the Social Security Act (42 U.S.C.
5 401) is amended by adding at the end the following new
6 subsection:

7 “(n)(1) There is hereby appropriated to the Federal
8 Old-Age and Survivors Insurance Trust Fund, in addition
9 to amounts appropriated under subsection (a), for each
10 fiscal year beginning on or after October 1, 1999, and end-
11 ing on or before September 30, 2014, amounts equal in
12 the aggregate to the applicable percentage of wages paid,
13 and self-employment income derived, in such fiscal year,
14 as specified in the following table:

“Fiscal year:	Applicable percentage:
2000	2.20
2001	1.75
2002	2.20
2003	2.08
2004	2.41
2005	2.55
2006	3.07
2007	3.43
2008	3.79
2009	4.12
2010	4.32
2011	4.49
2012	4.58
2013	4.61
2014	4.51.

15 “(2) The amounts appropriated by paragraph (1)
16 shall be transferred from time to time from the general
17 fund in the Treasury to the Federal Old-Age and Sur-
18 vivors Insurance Trust Fund, such amounts to be deter-

1 mined on the basis of estimates by the Secretary of the
 2 Treasury; and proper adjustments shall be made in
 3 amounts subsequently transferred to the extent prior esti-
 4 mates were in excess of or were less than the required
 5 amounts. All amounts transferred to the Trust Fund
 6 under the preceding sentence shall be invested by the
 7 Managing Trustee in the same manner and to the same
 8 extent as the other assets of the Trust Fund.”.

9 **SEC. 2. INVESTMENT OF THE SOCIAL SECURITY TRUST**
 10 **FUNDS.**

11 (a) IN GENERAL.—Section 201(d) of the Social Secu-
 12 rity Act (42 U.S.C. 401(d)) is amended to read as follows:

13 “(d)(1) It shall be the duty of the Managing Trustee
 14 to invest such portion of each of the Trust Funds as is
 15 not, in his judgment, required to meet current withdraw-
 16 als. Subject to paragraph (2), such investments may be
 17 made only in interest-bearing obligations of the United
 18 States or in obligations guaranteed as to both principal
 19 and interest by the United States. For such purpose such
 20 obligations may be acquired (A) on original issue at the
 21 issue price, or (B) by purchase of outstanding obligations
 22 at the market price.

23 “(2)(A) The Managing Trustee of the Federal Old-
 24 Age and Survivors Insurance Trust Fund shall establish
 25 in such Trust Fund a Common Stock Investment Account.

1 Such Account shall hold such amounts in such Trust Fund
2 as are deposited into such Account pursuant to this para-
3 graph, together with any dividends and capital gain de-
4 rived from the investment in accordance with this para-
5 graph of amounts maintained in such Account. For each
6 fiscal year, amounts held in such Account shall be invested
7 in common stock in accordance with the investment poli-
8 cies and other policies established by the Independent So-
9 cial Security Investment Oversight Board for such fiscal
10 year.

11 “(B) Subject to subparagraph (C), upon receipt by
12 the Federal Old-Age and Survivors Insurance Trust Fund
13 of any amount appropriated under subsection (n), the
14 Managing Trustee shall deposit 40 percent of such
15 amount into the Common Stock Investment Account of
16 the Trust Fund.

17 “(C) The Managing Trustee shall limit deposits into
18 the Common Stock Investment Account pursuant to sub-
19 paragraph (B), and shall provide for withdrawals from
20 such Account, to the extent necessary to ensure that the
21 portion of the total amount held in the Federal Old-Age
22 and Survivors Insurance Trust Fund which is maintained
23 in such Account does not exceed 30 percent of the total
24 amount held in such Trust Fund.

1 “(3)(A) The purposes for which obligations of the
2 United States may be issued under chapter 31 of title 31,
3 United States Code, are hereby extended to authorize the
4 issuance at par of public-debt obligations for purchase by
5 the Trust Funds under paragraph (1).

6 “(B) Such obligations issued for purchase by the
7 Trust Funds shall have maturities fixed with due regard
8 for the needs of the Trust Funds and shall bear interest
9 at a rate equal to the average market yield (computed by
10 the Managing Trustee on the basis of market quotations
11 as of the end of the calendar month next preceding the
12 date of such issue) on all marketable interest-bearing obli-
13 gations of the United States then forming a part of the
14 public debt which are not due or callable until after the
15 expiration of four years from the end of such calendar
16 month; except that where such average market yield is not
17 a multiple of one-eighth of 1 per centum, the rate of inter-
18 est of such obligations shall be the multiple of one-eighth
19 of 1 per centum nearest such market yield.

20 “(C) Each obligation issued for purchase by the
21 Trust Funds under subparagraph (A) shall be evidenced
22 by a paper instrument in the form of a bond, note, or
23 certificate of indebtedness issued by the Secretary of the
24 Treasury setting forth the principal amount, date of matu-
25 rity, and interest rate of the obligation, and stating on

1 its face that the obligation shall be incontestable in the
 2 hands of the Trust Funds, that the obligation is supported
 3 by the full faith and credit of the United States, and that
 4 the United States is pledged to the payment of the obliga-
 5 tion with respect to both principal and interest.

6 “(D) The Managing Trustee may purchase interest-
 7 bearing obligations of the United States or obligations
 8 guaranteed as to both principal and interest by the United
 9 States, other than obligations issued for purchase by the
 10 Trust Funds, on original issue or at the market price, for
 11 purposes of investment of the amounts held in the Trust
 12 Funds only where he determines that the purchase of such
 13 other obligations is in the public interest.”.

14 (b) EFFECTIVE DATE.—The amendment made by
 15 subsection (a) shall apply with respect to fiscal years be-
 16 ginning on or after October 1, 1999.

17 **SEC. 3. RULES GOVERNING INVESTMENT OF FEDERAL OLD-**
 18 **AGE AND SURVIVORS INSURANCE TRUST**
 19 **FUND IN COMMON STOCK.**

20 Title II of the Social Security Act is amended by add-
 21 ing at the end the following new section:

22 “INVESTMENT OF FEDERAL OLD-AGE AND SURVIVORS
 23 INSURANCE TRUST FUND IN COMMON STOCK

24 “SEC. 231. (a) SELECTION OF INDEX AND PORT-
 25 FOLIO DESIGN.—

1 “(1) SELECTION OF INDEX.—The Independent
2 Social Security Investment Oversight Board shall se-
3 lect, for purposes of investment of amounts held in
4 the Common Stock Investment Account of the Fed-
5 eral Old-Age and Survivors Insurance Trust Fund,
6 an index which is a commonly recognized index com-
7 prised of common stock the aggregate market value
8 of which is a reasonably complete representation of
9 the United States equity markets.

10 “(2) PORTFOLIO DESIGN.—Amounts held in the
11 Common Stock Investment Account of the Federal
12 Old-Age and Survivors Insurance Trust Fund shall
13 be invested in a portfolio designed to replicate the
14 performance of the index selected under paragraph
15 (1). The portfolio shall be designed such that, to the
16 extent practicable, the percentage of the balance in
17 such Account that is invested in each stock is the
18 same as the percentage determined by dividing the
19 aggregate market value of all shares of that stock by
20 the aggregate market value of all shares of all stocks
21 included in such index.

22 “(c) NO VOTING RIGHTS IN SECURITIES.—The Inde-
23 pendent Social Security Investment Oversight Board and
24 the Managing Trustee of the Federal Old-Age and Sur-
25 vivors Insurance Trust Fund may not exercise voting

1 rights associated with the ownership of securities by the
2 Trust Fund.

3 “(d) ENGAGEMENT OF QUALIFIED PUBLIC AC-
4 COUNTANT.—

5 “(1) IN GENERAL.—The Independent Social Se-
6 curity Investment Oversight Board shall annually
7 engage, on behalf of the Federal Old-Age and Sur-
8 vivors Insurance Trust Fund, an independent quali-
9 fied public accountant, who shall conduct an exam-
10 ination of all accounts and other books and records
11 maintained in the administration of this section as
12 the public accountant considers necessary to enable
13 the public accountant to make the determination re-
14 quired by paragraph (2). The examination shall be
15 conducted in accordance with generally accepted au-
16 diting standards and shall involve such tests of the
17 accounts, books, and records as the public account-
18 ant considers necessary.

19 “(2) EXAMINATION AND REPORT.—The public
20 accountant conducting an examination under para-
21 graph (1) shall determine whether the accounts,
22 books, and records referred to in such paragraph
23 have been maintained in conformity with generally
24 accepted accounting principles applied on a basis
25 consistent with the manner in which such principles

1 were applied during the examination conducted
2 under such paragraph during the preceding year.
3 The public accountant shall transmit to the Board
4 and the Comptroller General of the United States a
5 report on his examination, including his determina-
6 tion under this paragraph.

7 “(3) DEFINITION.—For the purposes of this
8 subsection, the term ‘qualified public accountant’
9 shall have the same meaning as is provided in sec-
10 tion 103(a)(3)(D) of the Employee Retirement In-
11 come Security Act of 1974 (29 U.S.C.
12 1023(a)(3)(D)).

13 “(e) FIDUCIARY RESPONSIBILITIES.—

14 “(1) IN GENERAL.—Under regulations of the
15 Secretary of Labor, the provisions of sections 8477
16 and 8478 of title 5, United States Code, shall apply
17 in connection with the amounts maintained in the
18 Common Stock Investment Account of the Federal
19 Old-Age and Survivors Insurance Trust Fund in the
20 same manner and to the same extent as such provi-
21 sions apply in connection with the Thrift Savings
22 Fund.

23 “(2) INVESTIGATIVE AUTHORITY.—Any author-
24 ity available to the Secretary of Labor under section
25 504 of the Employee Retirement Income Security

1 Act of 1974 is hereby made available to the Sec-
2 retary of Labor, and any officer designated by the
3 Secretary of Labor, to determine whether any person
4 has violated, or is about to violate, any provision ap-
5 plicable under paragraph (1).

6 “(3) EXCULPATORY PROVISIONS; INSURANCE.—

7 “(A) IN GENERAL.—Any provision in an
8 agreement or instrument which purports to re-
9 lieve a fiduciary from responsibility or liability
10 for any responsibility, obligation, or duty under
11 this section shall be void.

12 “(B) INSURANCE.—Amounts held in the
13 Federal Old-Age and Survivors Insurance Trust
14 Fund available for administrative expenses shall
15 be available and may be used at the discretion
16 of the Independent Social Security Investment
17 Oversight Board to purchase insurance to cover
18 potential liability of persons who serve in a fi-
19 duciary capacity with respect to amounts main-
20 tained in the Common Stock Investment Ac-
21 count of such Trust Fund, without regard to
22 whether a policy of insurance permits recourse
23 by the insurer against the fiduciary in the case
24 of a breach of a fiduciary obligation.”.

1 **SEC. 4. ESTABLISHMENT OF THE INDEPENDENT SOCIAL SE-**
2 **CURITY INVESTMENT OVERSIGHT BOARD.**

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

6 “INDEPENDENT SOCIAL SECURITY INVESTMENT
7 OVERSIGHT BOARD

8 “SEC. 706. (a) There is established in the Social Se-
9 curity Administration an Independent Social Security In-
10 vestment Oversight Board.

11 “(b) The Board shall be composed of a Chairman and
12 four additional members. The Chairman and each addi-
13 tional member shall be appointed by the President, by and
14 with the advice and consent to the Senate.

15 “(c) Members of the Board shall have substantial ex-
16 perience, training, and expertise in the management of fi-
17 nancial investments and service in a fiduciary capacity.

18 “(d)(1) A member of the Board shall be appointed
19 for a term of 10 years, except that of the members first
20 appointed—

21 “(A) the member appointed as Chairman shall
22 be appointed for a term of 10 years;

23 “(B) one member shall be appointed for a term
24 of 8 years;

1 “(C) one member shall be appointed for a term
2 of 6 years;

3 “(D) one member shall be appointed for a term
4 of 4 years; and

5 “(E) one member shall be appointed for a term
6 of 2 years,

7 as designated by the President at the time of appointment.

8 “(2)(A) A vacancy on the Board shall be filled in the
9 manner in which the original appointment was made and
10 shall be subject to any conditions which applied with re-
11 spect to the original appointment.

12 “(B) An individual chosen to fill a vacancy shall be
13 appointed for the unexpired term of the member replaced.

14 “(C) The term of any member shall not expire before
15 the date on which the member’s successor takes office.

16 “(3) An individual appointed as a member of the
17 Board may be removed from office only pursuant to a
18 finding by the President of neglect of duty or malfeasance
19 in office.

20 “(e) The member of the Board designated by the
21 President as Chairman shall serve as Chairman for a term
22 of 4 years (or until the expiration of his term as member
23 of the Board, if earlier). A member serving as Chairman
24 may be reappointed as Chairman.

25 “(f) The Board shall—

1 “(1) establish policies for investments in com-
2 mon stock of amounts in the Common Stock Invest-
3 ment Account of the Federal Old-Age and Survivors
4 Insurance Trust Fund under section 201(d)(2),
5 including—

6 “(A) the risk and return parameters for
7 such investments; and

8 “(B) the number and structure of the port-
9 folios in which such investments are main-
10 tained;

11 “(2) review bids from, and select managers for,
12 such investments;

13 “(3) annually review the performance of each
14 investment manager selected pursuant to paragraph
15 (2) and provide for reallocation of funds among
16 them by the Managing Trustee as appropriate;

17 “(4) report annually to each House of the Con-
18 gress and to the President regarding the earnings on
19 such investments and publish such reports annually
20 in the Federal Register; and

21 “(5) review and approve the budget of the
22 Board.

23 “(g)(1) The Board may—

24 “(A) adopt, alter, and use a seal;

1 “(B) establish policies with which the Managing
2 Trustee of the Federal Old-Age and Survivors Insur-
3 ance Trust Fund is required to comply under section
4 201(d)(2); and

5 “(C) take such other actions as may be nec-
6 essary to carry out the functions of the Board.

7 “(2) The policies of the Board may not require the
8 Managing Trustee to invest or to cause to be invested any
9 sums in the Federal Old-Age and Survivors Insurance
10 Trust Fund in a specific asset or to dispose of or cause
11 to be disposed of any specific asset of such Trust Fund.

12 “(h)(1) The Board shall meet—

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

14 “(B) at additional times at the call of the
15 Chairman.

16 “(2)(A) The Board shall perform the functions and
17 exercise the powers of the Board on a majority vote of
18 a quorum of the Board.

19 “(B) A vacancy on the Board shall not impair the
20 authority of a quorum of the Board to perform the func-
21 tions and exercise the powers of the Board.

22 “(3) Three members of the Board shall constitute a
23 quorum for the transaction of business.

24 “(4)(A) Each member of the Board who is not an
25 officer or employee of the Federal Government shall be

1 compensated at the daily rate of basic pay payable for level
2 IV of the Executive Schedule for each day during which
3 such member is engaged in performing a function of the
4 Board.

5 “(B) A member of the Board shall be paid travel,
6 per diem, and other necessary expenses under subchapter
7 I of chapter 57 of title 5, United States Code, while travel-
8 ing away from such member’s home or regular place of
9 business in the performance of the duties of the Board.

10 “(C) Payments authorized under this paragraph shall
11 be paid from the Federal Old-Age and Survivors Insurance
12 Trust Fund.

13 “(5) The accrued annual leave of any officer or em-
14 ployee of the Federal Government who is a member of the
15 Board shall not be charged for any time used in perform-
16 ing services for the Board.

17 “(i) The members of the Board shall discharge their
18 responsibilities solely in the interest of the Federal Old-
19 Age and Survivors Insurance Trust Fund in connection
20 with investments of amounts in the Common Stock Invest-
21 ment Account of such Trust Fund under section
22 201(d)(2).

23 “(j) The Board shall prepare and submit to the Presi-
24 dent, and, at the same time, to the appropriate committees
25 of Congress, an annual budget of the expenses and other

1 items relating to the Board which shall be included as a
 2 separate item in the budget required to be transmitted to
 3 the Congress under section 1105 of title 31, United States
 4 Code.

5 “(k) The Board may submit to the President, and,
 6 at the same time, shall submit to each House of Congress,
 7 any legislative recommendations of the Board relating to
 8 any of its functions under this section.”.

9 **SEC. 5. ADJUSTMENTS TO CONTRIBUTION AND BENEFIT**
 10 **BASE.**

11 (a) IN GENERAL.—So much of section 230 of the So-
 12 cial Security Act (42 U.S.C. 430) as precedes subsection
 13 (d) is amended to read as follows:

14 “CONTRIBUTION AND BENEFIT BASE

15 “SEC. 230. (a) The amount of the contribution and
 16 benefit base with respect to remuneration paid (and tax-
 17 able years beginning) in calendar year 2000 shall be
 18 \$99,600.

19 “(b) The Commissioner of Social Security shall deter-
 20 mine and publish in the Federal Register on or before No-
 21 vember 1 of each calendar year (after 1999) the contribu-
 22 tion and benefit base determined under subparagraph (c)
 23 which shall be effective with respect to remuneration paid
 24 after such calendar year and taxable years beginning after
 25 such year.

1 “(c)(1) Subject to paragraph (2), the amount of the
2 contribution and benefit base referred to in subsection (b)
3 shall be the amount of the contribution and benefit base
4 in effect in the year in which the determination is made
5 or, if larger, the amount determined under paragraph (2).

6 “(2)(A) In advance of determining and publishing, in
7 each calendar year consisting of calendar year 2001 or any
8 calendar year thereafter, the contribution and benefit base
9 which shall be effective with respect to remuneration paid
10 after such calendar year and taxable years beginning after
11 such year, the Commissioner shall estimate as accurately
12 as practicable the minimum contribution and benefit base
13 which would be necessary to have in effect with respect
14 to remuneration paid in the next calendar year and taxable
15 years beginning in such next calendar year to ensure that
16 90 percent of the total of all remuneration paid in such
17 next calendar year and all net earnings from self-employ-
18 ment derived during such taxable years would consist of
19 wages and self-employment income.

20 “(B) In any case in which a minimum contribution
21 and benefit base estimated under subparagraph (A) is
22 greater than the corresponding contribution and benefit
23 base which would otherwise be in effect under subsection
24 (b), such estimated contribution and benefit base shall be

1 deemed the contribution and benefit base so in effect, in
2 lieu of such corresponding contribution and benefit base.”.

3 (b) EFFECTIVE DATE.—The amendment made by
4 subsection (a) shall apply with respect to remuneration
5 paid, and taxable years beginning, after 1999.

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