

103^D CONGRESS
1ST SESSION

H. R. 367

To amend title II of the Social Security Act to provide for the investment of the Trust Fund in the same investments permitted by pension funds guaranteed by the Employee Retirement Income Security Act and to require the Trustees to meet the same prudent person standards required under that Act.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 5, 1993

Mr. SMITH of Iowa 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 provide for the investment of the Trust Fund in the same investments permitted by pension funds guaranteed by the Employee Retirement Income Security Act and to require the Trustees to meet the same prudent person standards required under that Act.

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 Fund Amendments of 1993”.

1 SEC. 2. Title II, section 201 of the Social Security
2 Act (42 U.S.C. 401) is amended by deleting subsections
3 (c) and (d) and inserting in lieu thereof the following:

4 “(c) BOARD OF TRUSTEES: DUTIES; REPORTS TO
5 CONGRESS.—With respect to the Federal Old-Age and
6 Survivors Insurance Trust Fund and the Federal Disabil-
7 ity Insurance Trust Fund (hereinafter in this subchapter
8 called the “Trust Funds”) there is hereby created a body
9 to be known as the Board of Trustees of the Trust Funds
10 (hereinafter in this subchapter called the “Board of Trust-
11 ees”) which Board of Trustees shall be composed of the
12 Secretary of the Treasury, the Secretary of Labor, and
13 the Secretary of Health and Human Services, all ex
14 officio, and of eight members of the public (not more than
15 four of whom may be from the same political party), who
16 shall be nominated by the President for a term of four
17 years and subject to confirmation by the Senate. The
18 terms of two of the members of the public shall expire
19 each year. A member of the Board of Trustees serving
20 as a member of the public and nominated and confirmed
21 to fill a vacancy occurring during a term shall be nomi-
22 nated and confirmed only for the remainder of such term.
23 An individual nominated and confirmed as a member of
24 the public may serve in such position after the expiration
25 of such member’s term until the earlier of the time at

1 which the member's successor takes office or the time at
2 which a report of the Board is first issued under para-
3 graph (2) after the expiration of the member's term. The
4 Secretary of the Treasury shall be the Managing Trustee
5 of the Board of Trustees (hereinafter in this subchapter
6 called the "Managing Trustee"). The Commissioner of So-
7 cial Security shall serve as Secretary of the Board of
8 Trustees. The Board of Trustees shall meet not less fre-
9 quently than ten times each calendar year. It shall be the
10 duty of the Board of Trustees to—

11 “(1) hold the Trust Funds;

12 “(2) report to the Congress not later than the
13 first day of April of each year on the operation and
14 status of the Trust Funds during the preceding fis-
15 cal year and on their expected operation and status
16 during the next ensuing five fiscal years;

17 “(3) report immediately to the Congress when-
18 ever the Board of Trustees is of the opinion that the
19 amount of either of the Trust Funds is unduly
20 small;

21 “(4) recommend improvements in administra-
22 tive procedures and policies designed to effectuate
23 the proper coordination of the old-age and survivors
24 insurance and Federal-State unemployment com-
25 pensation program;

1 “(5) review the general policies followed in
2 managing the Trust Funds, and recommend changes
3 in such policies, including necessary changes in the
4 provisions of the law which govern the way in which
5 the Trust Funds are to be managed; and

6 “(6) approve the investment of funds and dis-
7 charge their duties in a manner which is solely in
8 the interest of the beneficiaries of the funds; and

9 “(A) for the exclusive purpose of—

10 “(i) providing benefits for the bene-
11 ficiaries; and

12 “(ii) defraying reasonable expenses of
13 administering the fund;

14 “(B) with the care, skill, prudence, and
15 diligence under the circumstances then prevail-
16 ing that a prudent person acting in a like ca-
17 pacity and familiar with such matters would use
18 in the conduct of an enterprise of a like char-
19 acter and with like aims;

20 “(C) by diversifying the investments of the
21 plan so as to minimize the risk of large losses,
22 unless under the circumstances it is clearly pru-
23 dent not to do so; and

24 “(D) in accordance with the provisions of
25 subsection (d) below.

1 “(d) INVESTMENTS.—It shall be the duty of the Man-
2 aging Trustee to invest such portion of the Trust Funds
3 as is not, in his judgment, required to meet current with-
4 draws. Not more than one-fourth of such investments
5 (based upon the cost at the time of investment) may be
6 held in interest-bearing obligations of the United States.
7 For such purpose such obligations may be acquired (1)
8 on original issue at the issue price, or (2) by purchase
9 of outstanding obligations at the market price. The pur-
10 poses for which obligations of the United States may be
11 issued under chapter 31 of title 31 are hereby extended
12 to authorize the issuance at par of public-debt obligations
13 for purchase by the Trust Funds. Such obligations issued
14 for purchase by the Trust Funds shall have maturities
15 fixed with due regard for the needs of the Trust Funds
16 and shall bear interest at a rate equal to the average mar-
17 ket yield (computed by the Managing Trustee on the basis
18 of market quotations as of the end of the calendar month
19 next preceding the date of such issue) on all marketable
20 interest-bearing obligations of the United States then
21 forming a part of the public debt which are not due or
22 callable until after the expiration of four years from the
23 end of such calendar month; except that where such aver-
24 age market yield is not a multiple of one-eighth of 1 per
25 centum, the rate of interest of such obligations shall be

1 the multiple of one-eighth of 1 per centum nearest such
2 market yield. The Managing Trustee, with the approval
3 of a majority of the Board of Trustees, shall invest the
4 funds not required to meet current withdrawals and not
5 invested in interest-bearing obligations of the United
6 States described above, in other interest-bearing obliga-
7 tions of the United States or obligations guaranteed as
8 to both principal and interest by the United States, on
9 original issue or at the market price, and in bonds, debentures,
10 and securities in accordance with the provisions of
11 section (c).”.

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