

106TH CONGRESS  
1ST SESSION

# S. 633

To amend title II of the Social Security Act to require that investment decisions regarding the social security trust funds be made on the basis of the best interests of beneficiaries, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

MARCH 16, 1999

Mr. ASHCROFT introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend title II of the Social Security Act to require that investment decisions regarding the social security trust funds be made on the basis of the best interests of beneficiaries, 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,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Social Security Trust  
5       Funds Management Act of 1999”.

1 **SEC. 2. INVESTMENT OF THE FEDERAL OLD-AGE AND SUR-**  
2 **VIVORS INSURANCE TRUST FUND AND THE**  
3 **FEDERAL DISABILITY INSURANCE TRUST**  
4 **FUND.**

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

7 “(d)(1) Subject to paragraphs (2) and (3), it shall  
8 be the duty of the Managing Trustee to invest such por-  
9 tion of the Trust Funds as is not, in the judgment of the  
10 Trustee, required to meet current withdrawals. The Man-  
11 aging Trustee may purchase interest-bearing obligations  
12 of the United States or obligations guaranteed as to both  
13 principal and interest by the United States, on original  
14 issue or at the market price.

15 “(2)(A) If the Managing Trustee, after consultation  
16 with the Commissioner of Social Security, determines that  
17 the purchase of obligations issued in accordance with  
18 paragraph (4) is in the best interest of paying current and  
19 future benefits under this title, and will not jeopardize the  
20 payment of such benefits, the Managing Trustee may pur-  
21 chase such obligations.

22 “(B) If the Commissioner of Social Security does not  
23 concur with the investment decisions of the Managing  
24 Trustee, or believes that other investment strategies are  
25 appropriate, the Commissioner shall promptly so inform  
26 the President and Congress in writing.

1       “(3) In investing contributions made to the Trust  
2 Funds, the Managing Trustee may not invest such con-  
3 tributions in private financial markets. Neither the Man-  
4 aging Trustee nor any other officer or employee of the  
5 Federal Government shall direct private pension plans as  
6 to what type of investments to make or in which financial  
7 markets to invest.

8       “(4) The purposes for which obligations of the United  
9 States may be issued under chapter 31 of title 31, United  
10 States Code, are hereby extended to authorize the issuance  
11 at par of public-debt obligations for purchase by the Trust  
12 Funds. Such obligations issued for purchase by the Trust  
13 Funds shall have maturities fixed with due regard for the  
14 needs of the Trust Funds and shall bear interest at a rate  
15 equal to the average market yield (computed by the Man-  
16 aging Trustee on the basis of market quotations as of the  
17 end of the calendar month next preceding the date of such  
18 issue) on all marketable interest-bearing obligations of the  
19 United States then forming a part of the public debt which  
20 are not due or callable until after the expiration of four  
21 years from the end of such calendar month; except that  
22 where such average market yield is not a multiple of one-  
23 eighth of 1 percent, the rate of interest of such obligations  
24 shall be the multiple of one-eighth of 1 percent nearest  
25 such market yield. Each obligation issued for purchase by

1 the Trust Funds under this subsection shall be evidenced  
2 by a paper instrument in the form of a bond, note, or  
3 certificate of indebtedness issued by the Secretary of the  
4 Treasury setting forth the principal amount, date of matu-  
5 rity, and interest rate of the obligation, and stating on  
6 its face that the obligation shall be incontestable in the  
7 hands of the Trust Fund to which it is issued, that the  
8 obligation is supported by the full faith and credit of the  
9 United States, and that the United States is pledged to  
10 the payment of the obligation with respect to both prin-  
11 cipal and interest.”.

12 (b) EFFECTIVE DATE.—The amendment made by  
13 subsection (a) shall take effect on the date of enactment  
14 of this Act.

15 **SEC. 3. INFORMATION REQUIREMENTS FOR SOCIAL SECU-**  
16 **RITY ACCOUNT STATEMENTS.**

17 (a) IN GENERAL.—Section 1143(a) of the Social Se-  
18 curity Act (42 U.S.C. 1320b–13(a)) is amended—

19 (1) in paragraph (2)—

20 (A) in subparagraph (B), by inserting “,  
21 including a separate estimate of the amount of  
22 interest earned on the contributions,” after  
23 “disability insurance”;

24 (B) in subparagraph (C)—

1 (i) by inserting “, including a separate  
2 estimate of the amount of interest earned  
3 on the contributions,” after “hospital in-  
4 surance”; and

5 (ii) by striking “and” after the semi-  
6 colon;

7 (C) in subparagraph (D), by striking the  
8 period at the end and inserting a semicolon;

9 (D) by redesignating subparagraphs (A),  
10 (B), (C), and (D) as subparagraphs (B), (C),  
11 (D), and (E), respectively;

12 (E) by inserting after the matter preceding  
13 subparagraph (B), as redesignated by subpara-  
14 graph (D), the following:

15 “(A) the name, age, gender, mailing address,  
16 and marital status of the eligible individual;”;

17 (F) by adding at the end the following:

18 “(F) the total amount of the employer and em-  
19 ployee contributions for the eligible individual for  
20 old-age and survivors insurance benefits, as of the  
21 end of the month preceding the date of the state-  
22 ment, in both actual dollars and dollars adjusted for  
23 inflation;

24 “(G) the projected value of—

1           “(i) the aggregate amount of the employer  
2           and employee contributions for old-age and sur-  
3           vivors insurance benefits that are expected to be  
4           made by or on behalf of the individual prior to  
5           the individual attaining retirement age, in both  
6           actual dollars and dollars adjusted for inflation;

7           “(ii) the annual amount of old-age and  
8           survivors insurance benefits that are expected  
9           to be payable on the eligible individual’s ac-  
10          count for a single individual and for a married  
11          couple, in dollars adjusted for inflation;

12          “(iii) the total amount of old-age and sur-  
13          vivors insurance benefits payable on the eligible  
14          individual’s account for the individual’s life ex-  
15          pectancy, in dollars adjusted for inflation,  
16          identifying—

17                  “(I) the life expectancy assumed;

18                  “(II) the amount of benefits received  
19                  on the basis of each \$1 of contributions  
20                  made by or on behalf of the individual; and

21                  “(III) the projected annual rate of re-  
22                  turn for the individual, taking into account  
23                  the date on which the contributions are  
24                  made in the eligible individual’s account

1           and the date on which the benefits are  
2           paid;

3           “(iv) the total amount of old-age and sur-  
4           vivors insurance benefits that would have accu-  
5           mulated on the eligible individual’s account on  
6           the date on which the individual attains retire-  
7           ment age if the contributions for such indi-  
8           vidual had been invested in Treasury 10-year  
9           saving bonds at the prevailing interest rate for  
10          such bonds as of the end of the month pre-  
11          ceding the date of the statement, and, alter-  
12          natively, in the Standard and Poor’s 500, or an  
13          equivalent portfolio of common stock equities  
14          that are based on a broad index of United  
15          States market performance, in dollars adjusted  
16          for inflation, identifying—

17                       “(I) the date of retirement assumed;

18                       “(II) the interest rate used for the  
19                       projection; and

20                       “(III) the amount that would be re-  
21                       ceived on the basis of each \$1 of contribu-  
22                       tions made by or on behalf of the indi-  
23                       vidual;

1           “(H) the average annual rate of return, ad-  
2           justed for inflation, on the Treasury 10-year saving  
3           bond as of the date of the statement;

4           “(I) the average annual rate of return, adjusted  
5           for inflation, on the Standard and Poor’s 500, or an  
6           equivalent portfolio of common stock equities that  
7           are based on a broad index of United States market  
8           performance, for the preceding 25 years;

9           “(J) a brief statement that identifies—

10           “(i) the balance of the trust fund accounts  
11           as of the end of the month preceding the date  
12           of the statement;

13           “(ii) the annual estimated balance of the  
14           trust fund accounts for each of the succeeding  
15           30 years; and

16           “(iii) the assumptions used to provide the  
17           information described in clauses (i) and (ii), in-  
18           cluding the rates of return and the nature of  
19           the investments of such trust fund accounts;  
20           and

21           “(K) a simple 1-page summary and comparison  
22           of the information that is provided to an eligible in-  
23           dividual under subparagraphs (G), (H), and (I).”;  
24           and

1           (2) by striking paragraph (3) and inserting the  
2           following:

3           “(3) The estimated amounts required to be provided  
4           in a statement under this section shall be determined by  
5           the Commissioner using a general methodology for making  
6           such estimates, as formulated and published at the begin-  
7           ning of each calendar year by the Board of Trustees of  
8           the trust fund accounts. A description of the general meth-  
9           odology used shall be provided to the eligible individual  
10          as part of the statement required under this section.

11          “(4) The Commissioner of Social Security shall notify  
12          an individual who receives a social security account state-  
13          ment under this section that the individual may request  
14          that the information described in paragraph (2) be deter-  
15          mined on the basis of relevant information provided by the  
16          individual, including information regarding the individ-  
17          ual’s future income, marital status, date of retirement, or  
18          race.

19          “(5) For purposes of this section—

20                  “(A) the term ‘dollars adjusted for inflation’  
21                  means—

22                          “(i) dollars in constant or real value terms  
23                          on the date on which the statement is issued;  
24                          and

1           “(ii) an amount that is adjusted on the  
2           basis of the Consumer Price Index.

3           “(B) the term ‘eligible individual’ means an in-  
4           dividual who—

5                 “(i) has a social security account number;

6                 “(ii) has attained age 25 or over; and

7                 “(iii) has wages or net earnings from self-  
8           employment; and

9           “(C) the term ‘trust fund account’ means—

10                 “(i) the Federal Old-Age and Survivors In-  
11           surance Trust Fund; and

12                 “(ii) the Federal Disability Insurance  
13           Trust Fund.”.

14           (b) MANDATORY PROVISION OF STATEMENTS  
15 THROUGH MEANS SUCH AS THE INTERNET.—Section  
16 1143(c)(2) of the Social Security Act (42 U.S.C. 1320b-  
17 13(c)(2)) is amended—

18                 (1) in the first sentence, by inserting “(which  
19           shall include the Internet as soon as the Commis-  
20           sioner of Social Security determines that adequate  
21           measures are in place to protect the confidentiality  
22           of the information contained in the statement)” be-  
23           fore the period; and

24                 (2) by striking the second and third sentences.

1           (c) TECHNICAL AMENDMENT.—Section 1143 of the  
2 Social Security Act (42 U.S.C. 1320b–13) is amended by  
3 striking “Secretary” each place it appears and inserting  
4 “Commissioner of Social Security”.

5           (d) EFFECTIVE DATE.—The amendments made by  
6 this Act shall apply to statements provided for fiscal years  
7 beginning with fiscal year 2000.

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