A BILL FOR AN ACT

To amend section 1213 of title 55 of the Code of the Federated States of Micronesia (Annotated), as authorized by Public Law No. 18-96, by adding a new subsection (3), to require the deposit of funds appropriated to the FSM Trust Fund within 30 days from appropriation, and to require the Secretary of Finance and Administration submit proof of deposit within one business day from date of deposit, and for other purposes.

BE IT ENACTED BY THE CONGRESS OF THE FEDERATED STATES OF MICRONESIA:

Section 1. Section 1213 of title 55 of the Code of the Federated States of Micronesia (Annotated), as authorized by Public Law No. 18-96, is hereby amended by adding a new subsection (3), to read as follows:

“Section 1213. Accounts.

(1) The Fund shall be divided into an A Account, a B Account and an S Account.

(2) All contributions to the Fund shall be deposited to the A Account, except for the contributions which qualify to be deposited to the S Account, as provided for in section 1211(2) of this chapter. Thereafter, the Board shall ensure that a portion of the Fund returns in each financial year is reinvested at the end of that financial year as capital of the A Account, such portion being the amount necessary to maintain the opening balance of the A Account's capital for the following financial year at the real value of all contributions to
the Fund minus all principal repayments made on loans to
the Fund.

(3) All contributions to the Fund shall be deposited
within 30 days from the date of appropriation. The
Secretary of Finance and Administration shall submit
proof of deposit and a balance statement to the Congress
of the Federated States of Micronesia within the next
business day from the deposit.

[4] Repayment of loans to the Fund and payment of
the expenses of the Fund shall be made from the A
Account. The amount, if any, of Fund returns in each
financial year which remains after such repayment of
loans and payment of expenses, and after reinvestment in
accordance with subsection (2) of this section, shall be
transferred to the B Account. Except as provided in
this subsection or upon termination of the Fund, no
funds may ever be removed from the A Account.

The B Account shall consist of funds
transferred from the A Account and the returns therefrom
while in the B Account. Funds in the B Account may be
distributed to the National Government in accordance
with section 1214 of this chapter or transferred to the
A Account in accordance with section 1215 of this
chapter. Except as provided in this subsection or upon
termination of the Fund, no funds may ever be removed
It is anticipated that funds in the A Account will be placed in longer term, higher yielding investments than are funds in the B Account.

Funds in the S Account may be used by the contributing governments to offset the negative impact of reductions, if any, under the Renewed Compact as follows:

(a) no withdrawals shall be made from the S Account by any contributing government that receives a funding level during the first year of the Renewed Compact that is greater than, the same as, or within four percent (4%) of, its Baseline Funding level. Any contributing government that is prohibited from making a withdrawal from the S Account by this subsection, may make a transfer pursuant to section 1215(2) of this chapter;

(b) in the event that any contributing government's funding level during the first year of the Renewed Compact is reduced by more than four percent (4%) but less than twenty percent (20%) of its Baseline Funding level, that contributing government shall be entitled to draw, upon request, an amount from the S Account each year as follows, PROVIDED THAT each contributing government shall be limited to withdrawing
no more than the total of its contributions and the earnings on its contributions:

(i) first year: up to the amount of reduction minus four percent (4%) of the Baseline Funding level;

(ii) second year: up to the amount of reduction minus eight percent (8%) of the Baseline Funding level;

(iii) third year: up to the amount of the reduction minus 12 percent (12%) of the Baseline Funding level;

(iv) fourth year: up to the amount of the reduction minus 16 percent (16%) of the Baseline Funding level;

(v) fifth year: up to the amount of the reduction minus 20 percent (20%) of the Baseline Funding level;

(c) in the event that any contributing government's funding level during the first year of the Renewed Compact is reduced by more than 20 percent (20%) of the Baseline Funding level, that contributing government shall be entitled to draw down, upon request, an amount in each year, in a manner to be determined by an Act of the Congress of the Federated States of Micronesia following consultations with the affected
government.”

Section 2. This act shall become law upon approval by the President of the Federated States of Micronesia or upon its becoming law without such approval.

Date: 2/2/15  Introduced by: /s/ Wesley W. Simina

Wesley W. Simina