
A BILL FOR AN ACT

To further amend sections 1202, 1208 and 1217 of title 55 of the Code of the Federated States of Micronesia, as amended by Public Law No. 12-16, for the purposes of placing one member of each government on the Board of Trustees, establishing State sub-accounts in the FSM Trust Fund, and for other purposes.

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

1 Section 1. Section 1202 of title 55 of the Code of the Federated
2 States of Micronesia, as amended by Public Law No. 12-16, is
3 hereby further amended to read as follows:

4 "Section 1202. Definitions. Unless otherwise specified
5 or clear from the context, words and phrases used in
6 this chapter shall have the following meanings:

7 (1) 'Baseline Funding' means the amount of Compact of
8 Free Association assistance provided to a government in
9 fiscal year 2001, adjusted for inflation to the final
10 year of the first Compact;

11 (2) 'Board' means the Board of Trustees of the Fund;

12 (3) 'Contributing government' means the government of
13 any State of the FSM or the National Government once such
14 government has made a contribution of funds to the S
15 Account;

16 (4) 'FSM' means the sovereign nation of the Federated
17 States of Micronesia;

18 (5) 'Financial year' means the fiscal year of the Fund,
19 which shall be the twelve-month period ending on the last

1 day of each December;

2 (6) 'Fiscal year' means the fiscal year of the
3 National Government;

4 (7) 'Fund' means the FSM Trust Fund created by this
5 chapter, including the accounts therein;

6 (8) 'Fund custodians' means the one or more firms
7 selected by the Board to assume responsibility for the
8 physical possession of the Fund assets or evidences of
9 assets;

10 (9) 'Fund managers' means the one or more firms
11 selected by the Board to manage the investment and
12 reinvestment of the Fund's resources;

13 (10) 'Fund returns' means the returns accruing to the
14 Fund by way of income generated from the Fund's
15 resources and the capital appreciation of those
16 resources;

17 (11) 'Long-term Trust Account' means a Trust Fund or
18 Trust Account similar or identical in structure to the
19 terms of this Trust Fund, wherein an Account is designed
20 for the principal to be maintained through long-term
21 investments.

22 [~~11~~] (12) 'National Government' means the National
23 Government of the FSM;

24 [~~12~~] (13) 'Other participating government' means a
25 State [~~or local~~] government of the FSM [~~participating~~]

1 ~~pursuant to a memorandum of understanding with the~~
2 ~~National Government];~~

3 ~~[-(13)]~~ (14) 'Real value' means the value of contributions
4 to the Fund when adjusted to reflect inflation and
5 population change. For purposes of determining 'real
6 value' at any one time, the value of a contribution in the
7 form of a loan shall be the principal balance then owing.
8 The inflation adjustment shall be made to current prices
9 in line with movements in the US Consumer Price Index.
10 Population refers to the number of FSM citizens residing
11 in the FSM. When current population figures are not
12 available, the Board shall use such estimates thereof as
13 it finds to be reasonable. Such estimates may be
14 extrapolated from the most recent population census based
15 on the population growth rate prior thereto;

16 ~~[-(14)]~~ (15) 'Reinvestment' means the process whereby Fund
17 returns, whether in the form of income or appreciation,
18 become part of the capital of the Fund; and

19 ~~-(15)~~ (16) 'Renewal Compact' means the renewed economic
20 assistance provisions contained in Title Two of the
21 Compact of Free Association."

22 Section 2. Section 1208 of title 55 of the Code of the Federated
23 States of Micronesia, is hereby amended to read as follows:

24 "Section 1208. Board.

25 (1) The Fund shall have a Board of Trustees consisting

1 of five trustees appointed and removable by the President
2 of the FSM with the advice and consent of the Congress of
3 the FSM. The Board shall consist of one member from the
4 National Government, who shall act as Chairman of the
5 Board; and one member from each of the four States of the
6 FSM. Nominations for Board members who shall represent a
7 State Government shall be made to the President by the
8 Governor of the State that the nominee will represent.

9 ~~[Nominations to the Board shall take into account the need~~
10 ~~to have adequate geographical representation from within~~
11 ~~the FSM, representation of other participating governments~~
12 ~~with substantial accounts, representation of substantial~~
13 ~~foreign contributors to the Fund, and complementary~~
14 ~~experience in the fields of investment management and~~
15 ~~public finance.]~~ Each trustee shall serve for a term of
16 four years or until a successor is appointed~~[, provided,~~
17 ~~however, that two of the trustees on the initial board~~
18 ~~shall be appointed to two year terms. The Board shall~~
19 ~~elect a chairman from among its own members]~~.

20 (2) All powers of the Fund shall be vested in and
21 exercisable by the Board.

22 (3) The functions of the Board shall include:

23 • (a) obtaining, along with others, contributions to
24 the Fund;•

25 (b) operation, supervision and management of the

1 Fund; and

2 • (c) investment and distribution of resources of the
3 Fund. •

4 (4) Trustees shall serve as such without payment of
5 compensation from the Fund or any other source. Reasonable
6 expenses of the Board itself shall be provided for
7 annually in the national budget of the FSM and not paid
8 out of the Fund.

9 (5) The Board shall meet at least once per year and
10 additionally as necessary, and reasonable notice shall be
11 given of meetings.

12 (6) For the purposes of meetings of the Board, three-
13 fifths of trustees shall constitute a quorum.

14 (7) Except where otherwise provided in this chapter,
15 questions before the Board shall be decided by a majority
16 of votes of trustees present and voting at the meeting.

17 (8) The Board shall establish its own bylaws and rules of
18 procedure."

19 Section 3. Section 1217 of title 55 of the Code of the
20 Federated States of Micronesia, as amended by Public Law No. 12-16,
21 is hereby further amended to read as follows:

22 "Section 1217. Other participating government accounts.

23 (1) There are hereby created State sub-accounts,
24 including A and B sub-accounts, for each of the States of
25 the Federated States of Micronesia.

1 (2) Any donor, including the State and National
2 governments may make contributions to a State sub-account
3 or sub-accounts.

4 (3) National Government contributions to State sub-
5 accounts shall only be to the long-term, A sub-account of
6 that State or States.

7 (4) Contributions to a State sub-account made by the
8 National Government shall remain the property of the
9 National Government, with the relevant State being the
10 beneficiary of the proceeds subject to the conditions of
11 the A account. In the event the corpus of the A sub-
12 account is withdrawn or disbursed for any reason other than
13 to cover administrative or operating expenses or other
14 requirements of section 1213, or is to be transferred into
15 another Long-Term Trust Account created by the National
16 Government, then the contribution shall be reimbursed to
17 the National Government. [Contributions may be made to the
18 Fund for the benefit of other participating governments in
19 the FSM, in which case the Board shall establish separate
20 A, B and S Accounts within the Fund in the name of each
21 such government.] Such accounts shall be subject to this
22 chapter and administered in the same manner as the National
23 Government A, B and S Accounts except that distributable
24 funds or assets shall be made available to the other

1 participating governments rather than the National
2 Government.

3 (5) Fund expenses shall be prorated between the accounts
4 of different governments in proportion to their relative
5 share of the total Fund."

6 Section 4. This act shall become law upon approval by the
7 President of the Federated States of Micronesia or upon its becoming
8 law without such approval.

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10 Date: 9/11/13

Introduced by: /s/ Isaac V. Figir
Isaac V. Figir

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