July 16, 2014

The Honorable Dohsis Halbert
Speaker
18th FSM Congress
Palikir, Pohnpei FM 96941

Dear Speaker Halbert:

We are returning to Congress the following Congressional Act as Public Law 18-74:

"AN ACT TO FURTHER AMEND SECTIONS 1202, 1208 AND 1217 OF TITLE 55 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA, AS ENACTED BY PUBLIC LAW NO. 10-150 AND AMENDED BY PUBLIC LAW NO. 12-16, FOR THE PURPOSE OF PLACING ONE MEMBER OF EACH GOVERNMENT ON THE BOARD OF TRUSTEES, ESTABLISHING STATE SUB-ACCOUNTS BY THE FSM TRUST FUND, AND FOR OTHER PURPOSES."

I once again reiterate that the National Government is alone in its contribution of funds to the FSM Trust Fund, yet this Act is relegating the National Government to a minority position on the FSM Trust Fund Board, allowing the State Government representatives to dictate the operation, supervision, and management of the Fund as well as investment and distribution of resources of the Fund. Until the State Governments contribute to their sub-accounts, having the majority on the Board made up of State Government appointees makes no sense and does not protect the major investor, the National Government.

I would also note that the typographical errors contained in the original Act we returned with our transmittal dated July 1, 2014, still remain.

Sincerely,

Manny Mori
President

[Redacted] Chief Justice, FSM Supreme Court
Secretary, Department of Justice
Director, Office of SBOC
Legislative Counsel, CFSM
Library, CFSM
PIO, FM
July 11, 2014

His Excellency Manny Mori
President
Federated States of Micronesia
Palikir, Pohnpei FM 96941

Dear President Mori:

I have the honor to transmit herewith Congressional Act No. 18-73, "AN ACT TO FURTHER AMEND SECTIONS 1202, 1208 AND 1217 OF TITLE 55 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA, AS ENACTED BY PUBLIC LAW NO. 10-150 AND 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.", which was repassed on July 10, by the Eighteenth Congress of the Federated States of Micronesia, Fourth Special Session, 2014, by a three-fourths vote of all the State delegations as required and as duly certified.

Sincerely yours,

Liwiana Ramon Ioanis
Chief Clerk, Congress of the
Federated States of Micronesia
An Act

TO FURTHER AMEND SECTIONS 1202, 1208 AND 1217 OF TITLE 55 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA, AS ENACTED BY PUBLIC LAW NO. 10-150 AND 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.

INTRODUCED BY: SENATOR ISAAC V. FIGIR
DATE: MAY 15, 2014

REPASED: JULY 10, 2014

Liwiana Ramon Ioannis
Chief Clerk, FSM Congress
I hereby certify that on July 10 the foregoing act was repassed by the Eighteenth Congress of the Federated States of Micronesia, Fourth Special Session, 2014, by a three-fourths vote of all the State delegations as required under article IX, section 2(q), of the Constitution of the Federated States of Micronesia.

Donsis Halbert
Speaker
Congress of the Federated States of Micronesia
AN ACT

To further amend sections 1202, 1208 and 1217 of title 55 of the Code of the Federated States of Micronesia, as enacted by Public Law No. 10-150 and 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:

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

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

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

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

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

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

(5) 'Financial year' means the fiscal year of the Fund, which shall be the twelve-month period ending on the last
day of each December;

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

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

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

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

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

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

(12) 'National Government' means the National Government of the FSM;

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

(15) 'Reinvestment' means the process whereby Fund returns, whether in the form of income or appreciation, become part of the capital of the Fund; and

(16) 'Renewal Compact' means the renewed economic assistance provisions contained in Title Two of the Compact of Free Association."

Section 2. Section 1208 of title 55 of the Code of the Federated States of Micronesia, as enacted by Public Law No. 10-150, is hereby amended to read as follows:

"Section 1208. Board.

(1) The Fund shall have a Board of Trustees consisting of five trustees one member shall be
appointed by the President of the Federated States of Micronesia with the advice and consent of Congress. The Governor of each State of the Federated States of Micronesia shall appoint one member of the Board with the advice and consent of the respective State legislative bodies. The Minimum qualification for services as a member of the Board shall be a bachelor's degree in finance or related field, and five years of experience in the area of finance. Board members shall serve a term of four years. The President of the Federated States of Micronesia may recall the National Government appointee to the Board. The Governor of the respective State may recall its appointee to the Board. The Board shall elect a Chairman from amongst its members.

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

(3) The functions of the Board shall include:

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

(b) operation, supervision and management of the Fund; and

(c) investment and distribution of resources of the Fund.

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

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

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

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

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

(9) All expenses of the Board shall be subject to
appropriation, and shall not be considered expenses of the
Fund under section 1212."

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

"Section 1217. Other participating government accounts.

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

(2) Any donor, including the State and Foreign
Governments may make contributions to a State sub-account or sub-accounts.

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

(4) Contributions to a State sub-account made by the National Government shall remain the property of the National Government, with the relevant State being the beneficiary of the proceeds subject to the conditions of the A account. Contributions made by the National Government to a State sub-account shall not be withdrawn or disbursed except to cover the compensation and expenses of the Fund managers and custodians in carrying out their duties in administration of the Fund in accordance with sections 1212 and 1213.

(5) State sub-accounts shall be subject to this chapter and administered in the same manner as the National Government A, B and S Accounts except that distributable funds or assets shall be made available to the other participating governments rather than the National Government.

(6) States may withdraw their own contributions to their States A sub-account and contributions made on their behalf by NGO's and other donors if allowed under the terms of the contribution, beginning 2023.
(7) States may withdraw from their State B sub-account beginning 2023. Fund expenses shall be prorated between the accounts of different governments in proportion to their relative share of the total Fund."

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

______________________________, 2014

Manny Mori
President
Federated States of Micronesia