

STANDING COMMITTEE REPORT NO. 23-24

RE: J&GO/C.B. NO. 23-18

SUBJECT: TO FURTHER AMEND SECTION 208 OF TITLE 52 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA TO REDUCE THE COST-OF-LIVING ALLOWANCE AND TO FURTHER AMEND CHAPTER 2 OF TITLE 52 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA BY INSERTING A NEW SECTION 213 TO REQUIRE THE NATIONAL GOVERNMENT TO PAY 100% OF LIFE INSURANCE PLAN COSTS FOR ALL NATIONAL GOVERNMENT EMPLOYEES

SEPTEMBER 20, 2023

The Honorable Esmond B. Moses
Speaker, Twenty-Third Congress
Federated States of Micronesia
Second Regular Session, 2023

Dear Mr. Speaker:

Your Committee on Judiciary & Governmental Operations to which was referred C.B. No. 23-18, entitled:

"TO FURTHER AMEND SECTION 208 OF TITLE 52 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA (ANNOTATED), AS AMENDED BY PUBLIC LAW NO. 18-144 TO REDUCE THE COST-OF-LIVING ALLOWANCE, AND TO FURTHER AMEND CHAPTER 2 OF TITLE 52 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA (ANNOTATED), AS AMENDED BY PUBLIC LAW NOS. 18-114, 20-143, 22-170, BY INSERTING A NEW SECTION 213 IN ORDER TO REQUIRE ALL NATIONAL GOVERNMENT TO PAY 100% OF LIFE INSURANCE PLAN COSTS FOR ALL NATIONAL GOVERNMENT EMPLOYEES, TO AUTHORIZE THE DIRECTOR OF THE OFFICE OF PERSONNEL TO DESIGNATE AND CHANGE THE DESIGNATION OF THE LIFE INSURANCE PROVIDER IN CONSULTATION WITH THE DEPARTMENT OF FINANCE AND

STANDING COMMITTEE REPORT NO. 23-24

RE: J&GO/C.B. NO. 23-18

SUBJECT: TO FURTHER AMEND SECTION 208 OF TITLE 52 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA TO REDUCE THE COST-OF-LIVING ALLOWANCE AND TO FURTHER AMEND CHAPTER 2 OF TITLE 52 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA BY INSERTING A NEW SECTION 213 TO REQUIRE THE NATIONAL GOVERNMENT TO PAY 100% OF LIFE INSURANCE PLAN COSTS FOR ALL NATIONAL GOVERNMENT EMPLOYEES

SEPTEMBER 20, 2023

ADMINISTRATION, TO REQUIRE THE OFFICE OF PERSONNEL AND DEPARTMENT OF FINANCE AND ADMINISTRATION TO JOINTLY REPORT TO CONGRESS ON DESIGNATION AND ANY CHANGE IN DESIGNATED LIFE INSURANCE PROVIDER, TO REQUIRE BIENNIAL REVIEW AND REPORTING ON THE DESIGNATED LIFE INSURANCE PROVIDER, AND FOR OTHER PURPOSES.”,

begs leave to report as follows:

The intent and purpose of this bill is expressed in the title.

The Committee provides a bill summary of C.B. No. 23-18 below:

- 1) C.B. No. 23-18 reduces the cost-of-living-allowance to \$0, which will go into effect on October 1, 2023.
- 2) C.B. No. 23-18 requires the national government to cover 100% of the cost of life insurance for national government employees at a basic life insurance plan level. However, dependents of national government employees are not covered and the national government will not pay costs of life insurance coverage for dependents.

C.B. No. 23-18 authorizes the Office of Personnel to designate the life insurance provider and requires the Office of Personnel to designate a life insurance provider within 90 calendar days of the bill's enactment into law.

- 3) C.B. No. 23-18 authorizes the Office of Personnel to change the designation of a life insurance provider by regulation upon consultation with the Department of Finance and Administration.

STANDING COMMITTEE REPORT NO. 23-24

RE: J&GO/C.B. NO. 23-18

SUBJECT: TO FURTHER AMEND SECTION 208 OF TITLE 52 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA TO REDUCE THE COST-OF-LIVING ALLOWANCE AND TO FURTHER AMEND CHAPTER 2 OF TITLE 52 OF THE CODE OF THE FEDERATED STATES OF MICRONEISA BY INSERTING A NEW SECTION 213 TO REQUIRE THE NATIONAL GOVERNMENT TO PAY 100% OF LIFE INSURANCE PLAN COSTS FOR ALL NATIONAL GOVERNMENT EMPLOYEES

SEPTEMBER 20, 2023

The Office of Personnel must also consult with the Department of Finance and Administration prior to the life insurance providers designation, as the law requires the Office of Personnel to consult with the Department of Finance and Administration at least 60 calendar days prior to designation of the life insurance provider.

- 4) C.B. No. 23-18 requires the Office of Personnel and Department of Finance and Administration to jointly report to Congress on the designation of any life insurance provider.

The bill requires the joint report to be submitted to Congress at least 30 calendar days prior to designation of the life insurance provider and the joint report must detail the life insurance provider plan costs and rationale for the proposed designation.

- 5) C.B. No. 23-18 requires the Office of Personnel to conduct biennial review and reporting to Congress by May 1st of each biennial year on the designated life insurance provider beginning May 1, 2026.

The bill requires the report to Congress to detail a financial assessment on life insurance coverage costs, life insurance benefit payouts, financial stability of the provider and any recommendation to change life insurance provider designation.

- 6) The provisions of C.B. No. 23-18 go into effect upon enactment of the bill into law, with the caveat that the national government payment out of life insurance costs will begin at the earliest February 1, 2024.

STANDING COMMITTEE REPORT NO. 23-24

RE: J&GO/C.B. NO. 23-18

SUBJECT: TO FURTHER AMEND SECTION 208 OF TITLE 52 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA TO REDUCE THE COST-OF-LIVING ALLOWANCE AND TO FURTHER AMEND CHAPTER 2 OF TITLE 52 OF THE CODE OF THE FEDERATED STATES OF MICRONEISA BY INSERTING A NEW SECTION 213 TO REQUIRE THE NATIONAL GOVERNMENT TO PAY 100% OF LIFE INSURANCE PLAN COSTS FOR ALL NATIONAL GOVERNMENT EMPLOYEES

SEPTEMBER 20, 2023

Your Committee supports the removal of the COLA in consideration of the national government paying 100% of the costs to cover life insurance for national government employees. The funding usually appropriated for COLA can be used to cover most of the costs of life insurance.

It is important to provide historical context on the cost-of-living-allowance (COLA) to explain why the COLA is no longer necessary in light of the Public Service System (PSS) employee salary increase that went into effect January 1, 2023.

The COLA came into effect on March 9, 2015 in Public Law No. 18-114. The law provided for COLA, an extra \$40 in the bi-weekly paycheck to all PSS employees not receiving a premium under 52 FSMC § 163. Congress recognized the need to supplement the earnings of national government employees to sustain a livable wage as employees were struggling.

The rationale for COLA was to provide small supplemental income to PSS employees, which was significantly occurring due to the national government's freeze on PSS salaries by virtue of the freeze on annual salary step level increases¹ as enacted by Public Law No. 9-155 (52 FSMC § 509) on April 27, 1997.²

At the time of the COLA bill, the national government freeze on PSS employees salary has been in effect for over 20 years, which meant that most PSS employee salaries have remained stagnant at the base salary schedule compensation levels set under Public

¹ See SCR No. 18-133; see also SCR No. 18-157.

² The freeze on annual salary step level increases was due to need to efficiently manage personnel operations, stabilize the national government budget, and prevent misuse and abuse.

STANDING COMMITTEE REPORT NO. 23-24

RE: J&GO/C.B. NO. 23-18

SUBJECT: TO FURTHER AMEND SECTION 208 OF TITLE 52 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA TO REDUCE THE COST-OF-LIVING ALLOWANCE AND TO FURTHER AMEND CHAPTER 2 OF TITLE 52 OF THE CODE OF THE FEDERATED STATES OF MICRONEISA BY INSERTING A NEW SECTION 213 TO REQUIRE THE NATIONAL GOVERNMENT TO PAY 100% OF LIFE INSURANCE PLAN COSTS FOR ALL NATIONAL GOVERNMENT EMPLOYEES

SEPTEMBER 20, 2023

Law No. 15-41 (52 FSMC § 205) on June 20, 2008. Public Law No. 15-41 provided for a one-time increase in base salaries for PSS employees, retaining the salary freeze on step level increases. However, PSS salaries were not reflective of the rising cost for basic living necessities in the nation, including but not limited to electricity, food, rent and gas among other essentials. Based on above, Congress moved for a 45% salary increase for PSS employees. On December 15, 2022, the national government enacted Public Law No. 22-170, which increased the base salary schedule for PSS employees, significantly increasing the salary of all national government PSS employees.

In light of Congress recent legislative action to increase PSS employee salaries, the COLA is no longer needed as the significant increase in salary is sufficient for PSS employees to be able to meet their increased cost of living needs, and provide the financial support they need for themselves and their families.

Your Committee received documentation from the Department of Finance and Administration regarding COLA costs, as attached and incorporated into this report hereto.³ According to the Department of Finance and Administration, the cost of COLA to the national government at the FY23 employee levels is \$852,466. This amount will cover nearly 100% of the future costs that would be incurred by the national government to fully cover 100% of the life insurance costs for national government employees.

On January 13, 2023, the Office of Personnel reported to the Committee on the current national government life insurance provider American General Life Insurance. According to the

³ See also SCR No. 22-38.

STANDING COMMITTEE REPORT NO. 23-24

RE: J&GO/C.B. NO. 23-18

SUBJECT: TO FURTHER AMEND SECTION 208 OF TITLE 52 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA TO REDUCE THE COST-OF-LIVING ALLOWANCE AND TO FURTHER AMEND CHAPTER 2 OF TITLE 52 OF THE CODE OF THE FEDERATED STATES OF MICRONEISA BY INSERTING A NEW SECTION 213 TO REQUIRE THE NATIONAL GOVERNMENT TO PAY 100% OF LIFE INSURANCE PLAN COSTS FOR ALL NATIONAL GOVERNMENT EMPLOYEES

SEPTEMBER 20, 2023

Office of Personnel, the current cost to the national government's coverage of 50% of the basic life insurance plan is \$207,000 annually for 413 employees. Currently, the life insurance plan is optional, not mandatory.

Based on the financial figures and data from the Office of Personnel, the cost to the national government to pay 100% of life insurance costs (basic life insurance plan level) for national government employees is estimated at \$914,209. This will cover the cost of life insurance for 912 employees, including PSS exempt and ungraded employees (FY23 national government employee levels). Please see the financial figure cost breakdown below.

The estimated additional cost to cover 100% of life insurance under AGLI is \$914,209:

50% Coverage of 413 employees	- \$207,000
100% coverage of 413 employees	- \$414,000
100% coverage of 912 employees	- \$914,209 ⁴

Noteworthy to keep in mind, that majority of the 413 employees who have currently elected for the life insurance plan are employees in the higher PSS pay levels or employees receiving premiums. This means that most of national government employees at lower PSS pay grades do not have life insurance, uniquely impacting lower PSS salary employees.

Your Committee stress the need for our national government employees to have life insurance as the funeral, transportation,

⁴ These figures are subject to slight adjustments, as life insurance cost per employee is based on the salary of the employee.

STANDING COMMITTEE REPORT NO. 23-24

RE: J&GO/C.B. NO. 23-18

SUBJECT: TO FURTHER AMEND SECTION 208 OF TITLE 52 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA TO REDUCE THE COST-OF-LIVING ALLOWANCE AND TO FURTHER AMEND CHAPTER 2 OF TITLE 52 OF THE CODE OF THE FEDERATED STATES OF MICRONEISA BY INSERTING A NEW SECTION 213 TO REQUIRE THE NATIONAL GOVERNMENT TO PAY 100% OF LIFE INSURANCE PLAN COSTS FOR ALL NATIONAL GOVERNMENT EMPLOYEES

SEPTEMBER 20, 2023

and bury costs place a heavy burden on the family and community. In addition to the basic funeral expenses, the financial losses to a family can be unsurmountable when dealing with medical expenses that may have also been incurred by the deceased, placing our family members in debt for years. This uniquely impacts our employees at lower PSS pay grades and the Committee urges Congress to provide this much needed support.

Your Committee also recognizes the implications of how medical expenses related to terminal illnesses and non-communicable diseases, a prevalent cause of mortality in the nation,⁵ also burdens MiCare National Health Insurance (MiCare). The national government must take substantive steps and policy actions to ensure the longevity and stability of MiCare, which is the health insurance provider for national government employees. The national government is the top premium contribution to MiCare. As such, providing life insurance to employees may also limit the MiCare expense payouts for medical claims for expenses incurred by the deceased; helping MiCare to remain viable and not operate at a deficit.

⁵ See Dept. Comm. 22-79.

STANDING COMMITTEE REPORT NO. 23-24

RE: J&GO/C.B. NO. 23-18

SUBJECT: TO FURTHER AMEND SECTION 208 OF TITLE 52 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA TO REDUCE THE COST-OF-LIVING ALLOWANCE AND TO FURTHER AMEND CHAPTER 2 OF TITLE 52 OF THE CODE OF THE FEDERATED STATES OF MICRONEISA BY INSERTING A NEW SECTION 213 TO REQUIRE THE NATIONAL GOVERNMENT TO PAY 100% OF LIFE INSURANCE PLAN COSTS FOR ALL NATIONAL GOVERNMENT EMPLOYEES

SEPTEMBER 20, 2023

CONCLUSION

Your Committee on Judiciary and Governmental Operations has reviewed C.B. No. 23-18, and considered SCR No. 22-38 report findings and documents submitted to the Committee from the Department of Finance and Administration. Your Committee on Judiciary and Governmental Operations is in accord with the intent and purpose of C.B. No. 23-18, and recommends its passage on First reading and that it can be placed on the calendar for Second and Final reading.

Respectfully submitted,

/s/ Tiwiter Aritos
Tiwiter Aritos, chairman

/s/ Esmond B. Moses
Esmond B. Moses, member

/s/ Robson U. Romolow
Robson U. Romolow, member

Florencio Harper, member

/s/ Isaac V. Figir
Issac V. Figir, member

/s/ Paliknoa K. Welly
Paliknoa K. Welly, member