

A BILL FOR AN ACT

To establish the Federated States of Micronesia Social Security System,
and for other purposes.

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

FEDERATED STATES OF MICRONESIA

SOCIAL SECURITY SYSTEM ACT

CHAPTER 1

ESTABLISHMENT AND GENERAL PROVISIONS

Section 101. Short title. This act shall be known and cited as the
"Federated States of Micronesia Social Security System Act."

Section 102. Social Security System established. There is hereby
established a Federated States of Micronesia Social Security System, which
shall be the legal successor of the Trust Territory of the Pacific Islands
Social Security System and which shall receive the Federated States of
Micronesia's share of the assets of the Trust Territory of the Pacific
Islands Social Security System immediately upon the dissolution of the
Trust Territory of the Pacific Islands Social Security System.

Section 103. Definitions. In this act, unless the context otherwise
requires, the following definitions shall be applicable:

(1) "Agriculture labor" includes all service performed on a
farm in the employment of the owner, tenant, or other operator of a farm
for the operation, management, conservation, or improvement of such farm
and its tools and equipment or in the production or harvesting of any
commodity and its preparation for market. "Farm" includes stock, dairy,
poultry, fruit orchards, and truck garden farms, plantations, ranches,
nurseries, greenhouses, or similar structures used for raising agricultural
or horticultural commodities.

(2) "Employee" means:

(a) Any officer of a corporation;

HESA / WTA

1 (b) Any individual who, under the usual common law
2 rules applicable in determining the employer-employee relationship, has
3 the status of an employee;

4 (c) Any self-employed person who has at least one
5 employee for whom he is required to report on in a given quarter; or

6 (d) Any self-employed person who had more than \$10,000 of
7 annual gross revenue in the preceding calendar year.

8 (3) "Employment" means any service by an employee for a
9 Federated States of Micronesia employer employing him, irrespective of
10 where such employment is performed, except family employment.

11 (4) "Family employment" means employment of a worker by a
12 member of his household, his parent, or his son or daughter except that
13 the worker may apply to the Board for a determination that such employment
14 is bona fide covered employment subject to this act.

15 (5) "Wages" means remuneration paid subject to the provisions
16 of this act, including the cash value of all remuneration paid in any
17 medium other than cash and remuneration accruing to a self-employed person.
18 Remuneration accruing to a self-employed person shall be deemed to be
19 twice the amount paid to the highest paid employee reported by the
20 self-employed person in a quarter, subject to a maximum of \$1,200 per
21 quarter. Remuneration accruing to a self-employed person who has no
22 covered employees shall be deemed to be 25 percent per quarter of 10 percent
23 of the gross revenue of his business for the previous calendar year,
24 subject to a maximum of \$1,200. Remuneration paid for any service
25 which is more or less than a whole dollar, as may be prescribed by

LESA / Wtm

1 regulations, shall be computed to the nearest dollar. Wages do not
2 include:

3 (a) That part of remuneration in excess of \$1,200
4 paid in a quarterly reporting period by one employer;

5 (b) Any payment on account of sickness or accident
6 disability or medical or hospitalization expenses made by an employer to
7 or on behalf of an employee;

8 (c) Any payment made to or on behalf of an employee or
9 to his beneficiary from a trust or annuity;

10 (d) Remuneration paid in any medium other than cash to an
11 employee for service not in the course of the employer's trade or business
12 or for domestic service in the private home of an employer; or

13 (e) Remuneration paid for casual or intermittent labor
14 not performed in the course of the employer's trade or business when such
15 employment does not exceed employment in more than one week in each
16 calendar month of each quarterly reporting period.

17 (6) "Quarter" and "calendar quarter" mean a period of three
18 calendar months ending on March 31, June 30, September 30, or December 31.

19 (7) "Quarter of coverage" means a quarter in which the individual
20 has been paid \$50 or more in wages for employment subject to this act.

21 (8) "Fully insured individual" means any individual who has
22 not less than one quarter of coverage under the Trust Territory of the
23 Pacific Islands Social Security System, the Federated States of
24 Micronesia Social Security System, or its legal successor for each year
25 beginning after June 30, 1968, or for each year after attaining the age of

HESA / WSM

1 21, whichever is later, and up to but excluding the year in which he
2 attained retirement age, became disabled, or died, whichever first
3 occurred, except that in no case shall an individual be a fully insured
4 individual unless he has at least eight quarters of coverage.

5 (9) "Currently insured individual" means any individual who
6 has had not less than six quarters of coverage during the 13-quarter
7 period ending with:

8 (a) The quarter in which he died;

9 (b) The quarter in which he became entitled to old age
10 insurance benefits; or

11 (c) The quarter in which he became disabled, whichever
12 first occurs.

13 (10) "Contributions" means the tax imposed upon income of
14 covered employees and the tax imposed upon employers on account of wages
15 paid to a covered employee.

16 (11) "Board," means the Federated States of Micronesia
17 Social Security System Board of Trustees established by this act.

18 (12) "Disability" means incapacity to engage in any substantial
19 gainful employment by reason of any medically determinable physical or
20 mental impairment which could be expected to result in death or which
21 has lasted or could be expected to last for a continuous period of not
22 less than 12 months.

23 (13) "Became disabled" means the first month in which an
24 individual is under a disability and is both fully and currently insured.

25 CHAPTER 2

ADMINISTRATION

1
2 Section 201. Social Security System Board established. There is
3 hereby created a Federated States of Micronesia Social Security
4 System Board of Trustees. The Board shall consist of five members
5 appointed for two-year terms by the President of the Federated States of
6 Micronesia, with the advice and consent of Congress. The Board shall adminis-
7 ter the Social Security System and prior Government service insurance
8 programs authorized by this act. The Board shall provide for its own
9 organization and procedures. Members of the Board who are not Government
10 employees shall be paid at the rate of \$30 per day. If a member of the
11 Board is concurrently employed by the Government of the Federated States
12 of Micronesia, he shall receive his salary during attendance at Board
13 meetings; PROVIDED, that if his prorated daily salary is less than \$30
14 he shall also be entitled to receive the difference between his prorated
15 daily salary and \$30. Board members shall receive standard per diem
16 allowances when travelling to and from Board meetings, and they shall
17 receive standard per diem allowances for each day the Board meets. Actual
18 travel costs of members shall be borne by the Board.

19 Section 202. Powers and duties. The Board shall have the powers
20 and privileges of a corporation; shall have an official seal; and shall, in
21 the name of the "Federated States of Micronesia Social Security System
22 Board of Trustees," transact all business, enter into contracts, invest all
23 funds, or retain a firm to invest or reinvest funds under the Board's
24 supervision and under the rules, regulations, and conditions the
25 Board may issue from time to time, transfer, or assign such funds as

HESA / Wtm

1 herein authorized, purchase annuities, hold in trust for the purposes
2 for which received all cash, securities, and other properties of the
3 system, and in that name it may sue and be sued. The general administra-
4 tion and responsibility ~~for the~~ proper operation of this act shall be
5 vested in the Board, which shall have the power to delegate duties and
6 responsibilities to such employees as it deems feasible and desirable
7 to carry out the provisions of this act.

8 Section 203. Promulgation of regulations. The Board may promulgate,
9 amend, or rescind regulations for the administration of this act subject
10 to the approval of the President. The Board may hold hearings or make
11 decisions upon hearings delegated to others for the purpose of
12 determining any question involving any right, benefit, or obligation of
13 any person subject to this act. The Board may hire and fix the compensa-
14 tion of such employees it deems necessary within the limits of available
15 administrative funds budgeted for its operation, and it may contract
16 for special actuarial and insurance counseling on a fee basis. The
17 Board shall bond itself and its employees in such amount as it shall
18 fix. The Board shall submit to the President and the Congress of the
19 Federated States of Micronesia for each fiscal year a report of its
20 operations and the conditions of its funds, and in such report the Board
21 shall make recommendations for any amendments to this act it deems
22 desirable.

23 Section 204. Maintenance of files and records. The Board shall
24 receive and maintain files and records for all employers and all
25 employees subject to this act. Such records shall not be disclosed to any

1 person except as may be required in the administration of this act or
2 in connection with a hearing conducted in accordance with the provisions
3 of this act.

4 Section 205. Appointment of State directors. The Board shall have
5 the authority to appoint State directors and delegate such powers to such
6 directors as it may by regulation prescribe.

7 Section 206. Audit of records. The Board and its authorized
8 representatives shall have the power to audit employers' records, issue
9 subpoenas, and administer oaths appropriate to the administration of this
10 act.

11 Section 207. Employment of actuaries. The Board shall employ or
12 contract with actuaries or actuarial firms for the purpose of making
13 actuarial valuations of the Federated States of Micronesia Social Security
14 System not less frequently than once each three years after the date of
15 commencement of the system. Such reports shall be submitted to the
16 President and to Congress with appropriate recommendations for changes in
17 the system and amendments to this act.

18 Section 208. Review of determination of Board - procedure. Any
19 person aggrieved by a final order of the Board may obtain a review
20 of the order in the Trial Division of the Federated States of Micronesia
21 Supreme Court by filing, within 60 days after the entry of the order, a
22 written petition to the Court praying that the order be modified or set
23 aside in whole or in part. A copy of the petition shall be served on
24 the Board, by service on its secretary or other designated agent, and
25 thereupon the Board shall certify and file in court a copy of the

HESA / WSM

1 record upon which the order was entered. The findings of the Board
2 as to the facts, if supported by competent, material, and substantial
3 evidence, shall be conclusive. If either party applied to the Court
4 for leave to adduce additional material evidence, shows to the satis-
5 faction of the Court that there were reasonable grounds for failure
6 to adduce the evidence in the hearing before the Board or its
7 authorized representatives, and shows that such evidence is competent,
8 material, and substantial, the Court may order the additional evidence
9 to be taken by the Board and to be adduced upon the hearing in such
10 manner and subject to such conditions as the Court considers proper.
11 After receipt of further evidence together with any modified or new
12 findings or order, the Board may modify its findings and order. The
13 judgment of the Court upon the record shall be final, subject to review
14 by the Appellate Division of the Federated States of Micronesia Supreme
15 Court upon petition of any aggrieved party, including the Board
16 within 60 days from judgment.

17 Section 209. Authorization for the costs of administration. At
18 such time as the Social Security System Board of Trustees may prescribe,
19 but not later than May 1 of each year, the Social Security administration
20 shall submit to the Congress on forms and in the manner prescribed by
21 the Board, a detailed estimate of the funding required for the next
22 ensuing fiscal year for the proper administration of the Social Security
23 System and for the number of employees for which provision is made. The
24 budget shall be so presented as to show in addition to the amount which
25 is estimated to be required:

HESA / WSM

1 (1) The actual expenditures for the last completed fiscal
2 period;

3 (2) The estimated expenditures for the fiscal period in
4 progress, together with such summaries, schedules, and supporting data
5 as may be deemed necessary or as may be requested by Congress;

6 (3) A statement showing the estimated condition of the
7 Federated States of Micronesia Social Security System Retirement Fund
8 at the close of the fiscal year in progress; and

9 (4) A balanced summary of actual receipts and expenditures
10 under the fund for the last completed fiscal year and estimated receipts
11 for the fiscal year in progress and for the ensuing fiscal year. The
12 Congress shall authorize the expenditure of such amount of monies as
13 shall be deemed necessary for the administrative cost and operations of
14 the Federated States of Micronesia Social Security System from the
15 Federated States of Micronesia Social Security System Retirement Fund.

16 CHAPTER 3

17 BENEFITS

18 Section 301. Coverage. Persons in family employment, as defined,
19 are exempted from the provisions of this act. The following classes
20 of persons are subject to the provisions of this act:

21 (1) All employees as defined by this act, wherever employed
22 by a Federated States of Micronesia employer, shall be covered by this
23 act unless both the employer and the employee are currently subject to
24 the United States Social Security System or any other recognized social
25 security system. For the purposes of this act, any elected official in

ASA / NTA

1 any governmental unit or body in the Federated States of Micronesia is
2 deemed to be an employee employed by a Federated States of Micronesia
3 employer. The governmental unit or body to which such person is
4 elected is subject to the provisions of this act relating to the duties
5 and obligations of a Federated States of Micronesia employer.

6 (2) Every person who:

7 (a) Is a fully insured individual, as defined in this
8 act;

9 (b) Has attained the age of 60 years; and

10 (c) Has filed application for old age insurance shall be
11 entitled to an old age insurance benefit for each month beginning with
12 the month in which both paragraphs (a) and (b) of this subsection are
13 satisfied and ending with the month preceding the month in which he
14 dies, subject to the earnings test as set forth in this act.

15 (3) All citizens of the Federated States of Micronesia who
16 had not less than five years of employment by the Trust Territory
17 Government prior to July 1, 1968, shall be given prior service credit for
18 the establishment of insured status and determination of benefits for
19 the employee, his surviving spouse, or his dependent children, as
20 provided in this act.

21 Section 302. Surviving spouse's benefits - exceptions. The
22 surviving spouse of an individual who died fully insured, if such spouse
23 has filed an application, shall be entitled to a survivors' insurance
24 benefit for each month beginning with the month of death of his or her
25 fully insured spouse and ending with the month preceding the month in

HESA/Wtm

1 which he or she dies or the month preceding the month in which he or
2 she remarries; PROVIDED, that such benefit shall be subject to the
3 earnings test as set forth in this act.

4 Section 303. Dependents' benefit-termination of benefits-disability
5 benefits.

6 (1) Every surviving child who was dependent upon an
7 individual entitled to old age benefits or who was dependent upon an
8 individual who dies fully insured or currently insured, upon filing
9 application, shall be entitled to a child's insurance benefits for
10 each month beginning with the month of January 1970 or the month
11 of death of such individual, whichever is later, and ending with
12 the month preceding, whichever of the following first occurs:

13 (a) Attainment of the age of 18 years, except that
14 benefits are payable until the month before the attainment of the
15 age of 22 years so long as the beneficiary is a bona fide student
16 and except that benefits are payable during the disability of
17 a child who was disabled before the attainment of age 22;

18 (b) Marriage; or

19 (c) Adoption (except for adoption subsequent to the
20 death of the fully insured individual upon whom the child is
21 dependent by a step-parent, grandparent, aunt, or uncle).

22 (2) A child shall be deemed dependent upon his parent or
23 adopting parent unless such individual was not living in the same
24 household with or contributing to the support of such child. Child's
25 insurance benefits shall be paid to the individual upon whom the child

HESA / WSM

1 is currently dependent except such benefit shall be subject to the
2 earnings test as set forth in this act.

3 (3) Every individual who is a fully and currently insured
4 individual and is disabled and has been disabled for at least three
5 full calendar months, upon filing an application for disability
6 insurance benefits, shall be entitled to a disability retirement
7 pension for each month beginning with the first month of the waiting
8 period and ending with the month preceding the month in which he dies
9 or recovers from his disability, subject to the earnings test as set
10 forth in this act.

11 Section 304. Retirement and disability insurance benefits-amounts.

12 (1) An insured, eligible individual shall be paid a monthly
13 old age retirement pension for life, except for any month of disqualifica-
14 tion as provided by this act, in an amount calculated upon an annual basis
15 of 12.6 percent of the first \$10,000 of cumulative covered earnings, plus
16 2.1 percent of cumulative covered earnings in excess of \$10,000 but not
17 in excess of the next \$30,000, plus 1.05 percent of cumulative covered
18 earnings in excess of \$40,000. Earnings for employment after commence-
19 ment of payments for old age or disability insurance benefits shall be
20 included in benefit calculations upon subsequent application for benefits,
21 but such earnings shall be applicable for benefits for months after the
22 calendar year in which such earnings occurred.

23 (2) An insured, eligible individual shall be paid a minimum
24 monthly pension of \$33.60 if the pension amount calculated in accordance
25 with subsection (1) of this section is less than \$33.60 monthly.

HSA / Wttn

1 (3) An individual who is both fully and currently insured
2 and who has been under a disability for three full calendar months
3 shall be paid a monthly pension for life or until recovery from the
4 disability, except for any month of disqualification as provided by this—
5 act, in an amount calculated in accordance with the preceding subsections
6 of this section. Further, the amount of the pension as so determined
7 shall, if the individual is receiving periodic worker's compensation
8 benefits, be reduced each month by the excess of the sum of the worker's
9 compensation benefit for that amount payable under this act, over 80.
10 percent of one-twelfth of the highest annual covered wages in the period
11 consisting of the year in which the disability occurred and the
12 preceding five years. If a worker's compensation benefit was payable
13 periodically but was commuted to a lump sum, for purposes of this
14 subsection it will be considered that the periodic benefit originally
15 available was paid in each month that it would have been paid if the
16 commutation had not occurred.

17 Section 305. Reemployment after retirement-termination of benefits.
18 In the event an individual who is receiving retirement insurance
19 benefits returns to covered employment, his benefit shall be recomputed
20 at the end of the calendar year and paid as provided in this act
21 beginning with the year after the calendar year in which earnings were
22 realized from covered employment.

23 Section 306. Survivors' insurance benefit - amount.

24 (1) The surviving spouse of a fully insured individual
25 eligible in accordance with section 302 of this act shall be paid a

HESA / WTA

1 monthly pension in an amount equal to 60 percent of the retirement
2 insurance benefit calculated for the deceased spouse at the date of
3 death.

4 (2) Each eligible child of an insured individual shall be
5 entitled to a monthly pension of 15 percent of the retirement insurance
6 benefit calculated for the deceased parent at the date of death.

7 (3) If the spouse of the insured individual is eligible for
8 retirement pension based on his or her own employment coverage, the
9 survivor's insurance pension shall be reduced by the amount of such
10 retirement pension.

11 (4) In no event shall the total survivor's pension paid to
12 the spouse and children, as provided in this act, exceed the retirement
13 pension calculated for the decedent as of the date of death nor
14 shall it be less than \$33.60 a month computed prior to the application
15 of subsection (3) of this section.

16 Section 307. Lump sum benefits. If a fully insured eligible
17 individual dies before becoming entitled to receive benefits pursuant to
18 this act or if a fully insured eligible individual dies before he has
19 received payments totalling more than 4 percent of his cumulative covered
20 earnings, the survivors, heirs, or the estate of such individual shall
21 be paid a lump sum benefit after all rights to survivors' benefits
22 have terminated in an amount equal to 4 percent of the decedent's
23 cumulative covered earnings, reduced by the amount of any pension paid
24 to the insured worker and his eligible dependents, other than prior service
25 benefits paid for service for the Trust Territory Government.

HESA / Wom

1 (1) In the absence of a will, survivors shall be paid
2 in the following order:

3 (a) Spouse, children in equal shares, or guardian, if
4 such children are minors;

5 (b) Parents in equal shares; and

6 (c) Duly appointed legal representatives of the deceased
7 or, if none, to the person or persons determined to be entitled thereto
8 under the laws and customs of the last domicile of the deceased person.

9 Section 308. Prior service benefits.

10 (1) An individual having prior service credits from employment
11 by the Trust Territory Government shall receive upon retirement (including
12 disability retirement, when the individual has qualified for disability
13 retirement benefits under section 303(3) and section 304 of this act,
14 in addition to any other benefits for which he may be eligible under
15 this act) a prior service pension in an amount equal to 3 percent of
16 such employee's salary (not exceeding \$250 per month) received as of
17 July 1, 1968, if the employee was employed by the Trust Territory
18 Government on July 1, 1968, or, if not so employed, the salary received
19 as of the month in which the employee terminated his employment with the
20 Trust Territory Government prior to July 1, 1968, multiplied by the
21 number of years of creditable prior service credited to him, with a
22 minimum payment of \$10 per month.

23 (2) Survivors' insurance benefits for such employee shall be
24 determined by including prior service benefits in determination of the
25 amount of the survivors' insurance benefits as provided in this act.

FEA / WFM

1 Section 309. Earnings test. As provided in this act, an individual
2 receiving benefits pursuant to this act who concurrently earns wages
3 from covered or noncovered employment shall have his quarterly benefits
4 reduced by \$1 for each \$2 earned in a quarter; PROVIDED, that there
5 shall be no reduction for the first \$200 earned in a quarter. The
6 reduction in benefits shall be applied in the two quarters immediately
7 subsequent to the quarter in which wages were earned.

8 Section 310. Overpayments and underpayments.

9 (1) Whenever an error has been made with respect to insurance
10 payments to an individual, proper adjustments shall be made, under
11 regulations promulgated by the Board in accordance with law, by
12 increasing or decreasing subsequent payments to which such individual
13 is entitled. If such individual dies before such adjustment has been
14 completed, adjustment shall be made by increasing or decreasing sub-
15 sequently paid survivors' benefit payments payable with respect to the
16 wages which were the basis of benefits of such deceased individual.

17 (2) No adjustment shall be made when adjustment or
18 recovery would be against equity and good conscience.

19 Section 311. Payment of benefits to foreign citizens outside the
20 Federated States of Micronesia.

21 (1) Notwithstanding any other provision of this chapter, no
22 monthly benefits shall be paid under this chapter to any individual
23 who is not a citizen or national of the Federated States of Micronesia
24 for any month which is:

25 (a) After the sixth consecutive calendar month during

HEIA / WTM

1 all of which the administrator finds, on the basis of information
2 furnished to him by the Attorney General or information which otherwise
3 comes to his attention, that such individual is outside the Federated
4 States of Micronesia; and

5 (b) Prior to the first month thereafter for all of which
6 such individual has been in the Federated States of Micronesia. For
7 the purposes of the preceding sentence, after an individual has been
8 outside the Federated States of Micronesia for any period of 30 consecu-
9 tive days he shall be treated as remaining outside the Federated
10 States of Micronesia until he has been in the Federated States of
11 Micronesia for a period of 30 consecutive days.

12 (2) Paragraph (1) of this section shall not apply to any
13 individual who is a citizen of a foreign country which the administrator
14 finds has in effect a social insurance or pension system which is of
15 general application in such country and under which:

16 (a) Periodic benefits, or the actuarial equivalent
17 thereof, are paid on account of old age, retirement, or death; and

18 (b) Individuals who are citizens of the Federated
19 States of Micronesia but not citizens of such foreign country and who
20 qualify for such benefits are permitted to receive such benefits or
21 the actuarial equivalent thereof while outside such foreign country
22 without regard to the duration of the absence.

23 CHAPTER 4

24 CONTRIBUTIONS

25 Section 401. Employee contributions.

HESA / WJA

1 (1) There is hereby imposed on the income of every employee
2 a tax equal to the following percentages of wages received by the
3 employee with respect to employment subject to this act:

4 (a) With respect to wages paid from October 1, 1981, —
5 through September 30, 1985, the rate shall be 2 percent;

6 (b) With respect to wages paid from October 1, 1985, through
7 September 30, 1990, the rate shall be 3 percent;

8 (c) With respect to wages paid from October 1, 1990,
9 through September 30, 1995, the rate shall be 4 percent;

10 (d) With respect to wages paid from October 1, 1995,
11 through September 30, 2000, the rate shall be 5 percent; and

12 (e) With respect to wages paid after September 30, 2000,
13 the rate shall be 6 percent.

14 (2) The tax imposed shall be collected by the employer of the
15 taxpayer by deducting the amount of the tax from the wages as and when
16 paid. Every employer required to so deduct the tax shall be liable for
17 the payment of such tax to the Board and shall be indemnified against the
18 claims and demands of any person for the amount of any such payment made by
19 such employer.

20 Section 402. Employer contributions. There is hereby imposed on
21 every employer an excise tax, with respect to having an individual in his
22 employ, equal to the following percentages of wages paid by him with respect
23 to employment subject to this act:

24 (1) With respect to wages paid from October 1, 1981, through
25 September 30, 1985, the rate shall be 2 percent;

17234 / 1072

1 (2) With respect to wages paid from October 1, 1985, through
2 September 30, 1990, the rate shall be 3 percent;

3 (3) With respect to wages paid from October 1, 1990, through
4 September 30, 1995, the rate shall be 4 percent;

5 (4) With respect to wages paid from October 1, 1995, through
6 September 30, 2000, the rate shall be 5 percent; and

7 (5) With respect to wages paid after September 30, 2000,
8 the rate shall be 6 percent.

9 Section 403. Employee refunds. When a covered employee is
10 credited with earnings in excess of the quarterly maximum provided by
11 law for a quarter and taxes on the excess are withheld and paid into the
12 Federated States of Micronesia Social Security System Retirement Fund, the
13 excess employee's tax credited to the employee during the four quarters
14 ending September 30th of each year shall be refunded to the employee
15 within 90 days of that date; PROVIDED, that the excess employee's taxes
16 are \$1 or more. No refund, however, shall be granted to the employer
17 or employers of such employee of taxes paid by such employers on account
18 of wages paid by them to the employee.

19 Section 404. Reporting of contributions-Social Security card and
20 number. The Board shall furnish each employer with forms for record
21 keeping and reporting of contributions which shall show, in addition to
22 other information specified by the Board, the employer's account number
23 and the employee's Social Security number. Numbers shall be issued by
24 the Board from a permanent register maintained by it. Each employer
25 shall report quarterly, on the prescribed forms, and pay taxes due

HOSA / 107ms

1 thereon to the Board in accordance with Board regulations and subject
2 to interest and penalty for failure to do so. Each employee shall be
3 assigned a Social Security number and a card bearing this number.

4 CHAPTER 5

5 RETIREMENT FUND

6 Section 501. Retirement Fund - established. There is hereby
7 established a Federated States of Micronesia Social Security System
8 Retirement Fund separate and apart from all public monies or funds of the
9 Federated States of Micronesia which shall be administered
10 by the Federated States of Micronesia Social Security System board of
11 Trustees exclusively for the purposes of this act.

12 Section 502. Composition of Retirement fund - administration.

13 (1) The Federated States of Micronesia Social Security System
14 Retirement Fund shall consist of:

- 15 (a) All employee contributions;
16 (b) All employer contributions;
17 (c) All penalties and interest collected on account of
18 contributions;
19 (d) All gifts, donations, and fund transfers authorized
20 by law; and
21 (e) All interest and earnings from investment of the
22 funds.

23 (2) All monies in the Federated States of Micronesia Social
24 Security System Retirement Fund shall be administered, managed, and
25 accounted for in accordance with applicable law or regulations regarding

HESA / NFTA

1 public funds.

2 Section 503. Contingency reserve account. There shall be a
3 contingency reserve account within the Federated States of Micronesia
4 Social Security System Retirement Fund to ensure the payment of insurance
5 benefits. Funds in the Federated States of Micronesia Social Security
6 System Retirement Fund in excess of the amount determined by the Board
7 to be necessary for maintenance of the contingency account shall be
8 invested by the Board as provided in this act.

9 Section 504. Investment of funds-generally. The Board, after the
10 investigation and study, shall determine the methods of investing the
11 funds entrusted to it to insure the greatest return commensurate with
12 sound financing adequately safeguarded. The Board may invest and
13 reinvest the funds entrusted to it and may hold, purchase, sell, assign,
14 transfer, and dispose of any of the securities and investments in which
15 any funds entrusted to it are invested, and, upon such sale the proceeds
16 thereof shall be redeposited in the funds entrusted to the control of the
17 Board, subject to reinvestment or payment therefrom by order of the
18 Board.

19 Section 505. Authorized investments enumerated. The Board may
20 invest and reinvest its monies:

21 (1) In bonds or other evidences of indebtedness of the United
22 States or any of its agencies or instrumentalities;

23 (2) In bonds or other evidences of indebtedness of any state,
24 any county, incorporated municipalities, or duly organized school districts
25 of any state or territory of the United States, including bonds or

NOSA / NXM

1 evidences of indebtedness which are payable from revenues or earnings
2 specifically pledged for the payment of the principal and interest on
3 such obligations and for the payment of which a lawful sinking fund or
4 reserve fund has been established and is being maintained, but only if
5 no default in payment of principal or interest on the obligations to be
6 purchased has occurred within five years of the date of investment therein,
7 or, if such obligations were issued less than five years prior to the
8 date of investment, no default in payment of principal or interest
9 has occurred on the obligations to be purchased nor on any other
10 obligations of the issuer within five years of such investments.

11 (3) Bonds, debentures, notes, and other evidences of
12 indebtedness issued or assumed by Federated States of Micronesia
13 institutions, created or existing under the laws of the Federated States
14 of Micronesia, including housing authorities, when such obligations are
15 guaranteed as to principal and interest by the Government of the
16 Federated States of Micronesia.

17 (4) Bonds, debentures, notes, and other evidences of
18 indebtedness issued, assumed, or guaranteed by any solvent institution
19 created or existing under the laws of the United States, or any state or
20 territory thereof, or of the Federated States of Micronesia, which are
21 not in default as to principal or interest and which are secured by
22 collateral worth at least 50 percent more than the par value of the
23 entire issue of such obligations, but only if not more than one-third
24 of the total value of such required collateral shall consist of common
25 stock.

H-234 / Wm

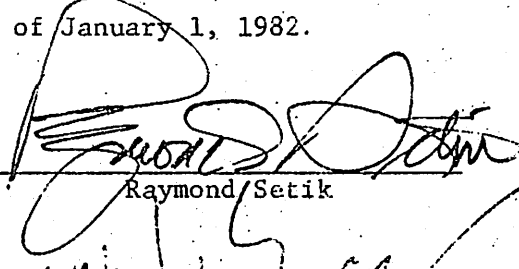
1 (5) Common stock.

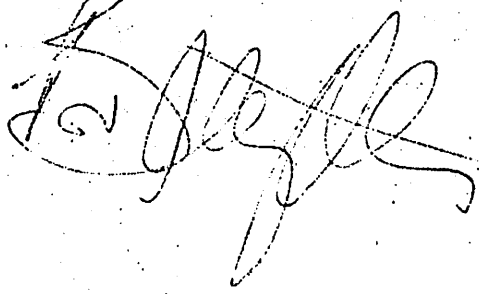
2 CHAPTER 6

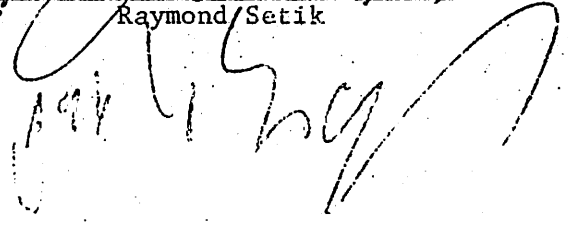
3 EFFECTIVE DATE

4 Section 601. Effective date. Upon approval by the President of
5 the Federated States of Micronesia or upon its becoming law without
6 such approval, this act shall become law as of January 1, 1982.

7
8 Date: OCTOBER 27, 1981 Introduced by:


Raymond Setik

9
10 



11
12
13
14
15
16
17
18
19
20
21
22
23
24
25