AN ACT

To amend sections 103 and 304 of title 53 of the Code of the Federated States of Micronesia, the Trust Territory Social Security Act, as amended by Public Law No. 3-11, to provide for increases in earnings allowed before reduction in monthly benefits, in quarterly taxable wages, and in retirement benefits, and for other purposes.

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

Section 1. Section 103 of title 53 of the Code of the Federated States of Micronesia, as amended by Public Law No. 3-11, is hereby further amended to read as follows:

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

(1) 'Agricultural labor' includes all service performed on a farm in the employ of the owner or tenant or other operator of a farm in connection with 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. The term 'farm' shall include stock, dairy, poultry, fruit orchards, and truck garden farms, plantations, ranches, nurseries, greenhouses, or similar structures used for raising agricultural or horticultural commodities.

(2) 'Became disabled' means the first month in which an individual is under a disability and is both fully and currently insured.

(3) 'Board' as used in this title, means the Trust Territory Social Security Board provided for by chapter 2 of this title.

(4) 'Contributions' shall mean the tax imposed upon income of covered employees and the tax imposed upon employers on
account of wages paid to a covered employee.

(5) 'Disability' means inability to engage in any substantial gainful employment by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve months.

(6) 'Earnings test' means that an individual who receives a retirement or survivor's pension and who works in covered or noncovered employment shall have his quarterly benefit reduced by one dollar for each two dollars earned in a quarter, except there shall be no reduction for the first $300 earned in a quarter. The reduction shall be applied in the subsequent two quarters immediately after the quarter in which the earnings were made.

(7) The term 'employee' means:

(a) any officer of a corporation; or

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

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

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

(8) 'Employment' means any service by an employee for the
Trust Territory employer employing him, irrespective of where such employment shall be performed, except family employment.

(9) 'Family employment' means employment of a worker by a member of his household, his parent, or his son or daughter except that the worker may apply to the Board for a determination that such employment is bona fide covered employment subject to this title.

(10) 'Insured status' for the purposes of this title:

(a) 'Fully insured individual' means any individual who has not less than one quarter of coverage for each year beginning after June 30, 1968, or for each year after attaining the age of twenty-one, whichever is later, and up to but excluding the year in which he attained retirement age, or became disabled, or died, whichever first occurred, except that in no case shall an individual be a fully insured individual unless he has at least twelve quarters of coverage;

(b) 'Currently insured individual' means any individual who has had not less than eight quarters of coverage during the thirteen quarter period ending with:

(i) the quarter in which he died; or

(ii) the quarter in which he became entitled to old age insurance benefits; or

(iii) the quarter in which he became disabled,

whichever first occurs.
(11) The term 'quarter' and the term 'calendar quarter,' mean a period of three calendar months ending on March 31, June 30, September 30, or December 31.

The term 'quarter of coverage' means a quarter in which the individual has been paid $50 or more in wages in employment subject to this title.

(12) 'Wages' means remuneration paid subject to the provisions of this title, including the cash value of all remuneration paid in any medium other than cash and remuneration accruing to a self-employed person. Remuneration accruing to a self-employed person shall be deemed to be twice the amount paid to the highest paid employee reported by the self-employed person in a quarter, subject to $2,000 maximum per quarter. Remuneration accruing to a self-employed person who has no covered employees shall be deemed to be twenty-five percent per quarter of ten percent of the gross revenue of his business for the previous calendar year, subject to $2,000 maximum. Remuneration paid for any service which is more or less than a whole dollar shall, as may be prescribed by regulations, be computed to the nearest dollar. Wages shall not include:

(a) that part of remuneration in excess of $2,000 paid in a quarterly reporting period by one employer;

(b) any payment on account of sickness or accident disability, or medical or hospitalization expenses made by an employer to or on behalf of an employee;
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(c) any payment made to or on behalf of an employee or to his beneficiary from a trust or annuity;
(d) remuneration paid in any medium other than cash to an employee for service not in the course of the employer's trade or business or for domestic service in a private home of an employer;
(e) remuneration paid for casual or intermittent labor not performed in the course of the employer's trade or business when such employment does not exceed employment in more than one week in each calendar month of each quarterly reporting period."

Section 2. Section 304 of title 53 of the Code of the Federated States of Micronesia is hereby amended to read as follows:

"Section 304. Retirement benefits.
(1) An insured, eligible individual shall be paid a monthly old age retirement pension for life, except for any month of disqualification as provided by this title, in an amount calculated upon an annual basis of 14.4 percent of the first $10,000 of cumulative covered earnings, plus 2.4 percent of cumulative covered earnings in excess of $10,000, but not in excess of the next $30,000, plus 1.2 percent of cumulative covered earnings in excess of $40,000.
(2) Earnings for employment after commencement of payments for old age or disability insurance benefits shall be included in benefit calculations upon subsequent application
for benefits, but such earnings shall be applicable for
benefits for months after the calendar year in which such
earnings occurred.

(3) An insured, eligible individual shall be paid a
maximum monthly pension of $38.40 if the pension amount
calculated in accordance with subsection (1) of this section
is less than $38.40 monthly."

Section 3. This act shall become law upon approval by the President
of the Federated States of Micronesia or upon its becoming law without such
approval, and shall take effect, upon concurrent legislation enacted by the
Governments of the Republic of Palau and the Republic of the Marshall Islands
and the approval by the High Commissioner of this act and such concurrent
legislation, except that subsection (12) of section 103, as amended by
section 1 of this act, shall take effect on October 1, 1984.

December 19, 1983

Tokiwo Nakayama
President
Federated States of Micronesia

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