

AN ACT

To amend section 1213 of title 55 of the Code of the Federated States of Micronesia (Annotated), as authorized by Public Law No. 18-96, by adding a new subsection (3), to require the deposit of funds appropriated to the FSM Trust Fund within 90 days from appropriation, and to require the Secretary of Finance and Administration to submit proof of deposit within ten business days from the date of deposit, and for other purposes.

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

1 Section 1. Section 1213 of title 55 of the Code of the
2 Federated States of Micronesia (Annotated), as authorized by
3 Public Law No. 18-96, is hereby amended by adding a new subsection
4 (3), to read as follows:

5 "Section 1213. Accounts.

6 (1) The Fund shall be divided into an A Account, a B
7 Account and an S Account.

8 (2) All contributions to the Fund shall be deposited
9 to the A Account, except for the contributions which
10 qualify to be deposited to the S Account, as provided
11 for in section 1211(2) of this chapter. Thereafter, the
12 Board shall ensure that a portion of the Fund returns in
13 each financial year is reinvested at the end of that
14 financial year as capital of the A Account, such portion
15 being the amount necessary to maintain the opening
16 balance of the A Account's capital for the following
17 financial year at the real value of all contributions to

1 the Fund minus all principal repayments made on loans to
2 the Fund.

3 (3) All contributions to the Fund shall be deposited
4 within 90 days from the date of appropriation. The
5 Secretary of Finance and Administration shall submit
6 proof of deposit and a balance statement to the Congress
7 of the Federated States of Micronesia within the next 10
8 business days from the deposit.

9 (4) Repayment of loans to the Fund and payment of the
10 expenses of the Fund shall be made from the A
11 Account. The amount, if any, of Fund returns in each
12 financial year which remains after such repayment of
13 loans and payment of expenses, and after reinvestment in
14 accordance with subsection (2) of this section, shall be
15 transferred to the B Account. Except as provided in
16 this subsection or upon termination of the Fund, no
17 funds may ever be removed from the A Account.

18 (5) The B Account shall consist of funds transferred
19 from the A Account and the returns therefrom while in
20 the B Account. Funds in the B Account may be
21 distributed to the National Government in accordance
22 with section 1214 of this chapter or transferred to the
23 A Account in accordance with section 1215 of this
24 chapter. Except as provided in this subsection or upon
25 termination of the Fund, no funds may ever be removed

1 from the B Account.

2 (6) It is anticipated that funds in the A Account
3 will be placed in longer term, higher yielding
4 investments than are funds in the B Account.

5 (7) Funds in the S Account may be used by the
6 contributing governments to offset the negative impact
7 of reductions, if any, under the Renewed Compact as
8 follows:

9 (a) no withdrawals shall be made from the S
10 Account by any contributing government that receives a
11 funding level during the first year of the Renewed
12 Compact that is greater than, the same as, or within
13 four percent (4%) of, its Baseline Funding level. Any
14 contributing government that is prohibited from making a
15 withdrawal from the S Account by this subsection, may
16 make a transfer pursuant to section 1215(2) of this
17 chapter;

18 (b) in the event that any contributing
19 government's funding level during the first year of the
20 Renewed Compact is reduced by more than four percent
21 (4%) but less than twenty percent (20%) of its Baseline
22 Funding level, that contributing government shall be
23 entitled to draw, upon request, an amount from the S
24 Account each year as follows, PROVIDED THAT, each
25 contributing government shall be limited to withdrawing

1 no more than the total of its contributions and the
2 earnings on its contributions:

3 (i) first year: up to the amount of
4 reduction minus four percent (4%) of the Baseline
5 Funding level;

6 (ii) second year: up to the amount of
7 reduction minus eight percent (8%) of the Baseline
8 Funding level;

9 (iii) third year: up to the amount of the
10 reduction minus 12 percent (12%) of the Baseline Funding
11 level;

12 (iv) fourth year: up to the amount of the
13 reduction minus 16 percent (16%) of the Baseline Funding
14 level;

15 (v) fifth year: up to the amount of the
16 reduction minus 20 percent (20%) of the Baseline Funding
17 level;

18 (c) in the event that any contributing
19 government's funding level during the first year of the
20 Renewed Compact is reduced by more than 20 percent (20%)
21 of the Baseline Funding level, that contributing
22 government shall be entitled to draw down, upon request,
23 an amount in each year, in a manner to be determined by
24 an Act of the Congress of the Federated States of
25 Micronesia following consultations with the affected

