

A BILL FOR AN ACT

To further amend Title 53 of the Code of the Federated States of Micronesia, as amended, by amending section 603 to change the definition of child, disability, fully insured and wages; by amending section 804 to change benefit levels; by enacting a new section 903 to allow for voluntary participation in the Social Security system, and for other purposes.

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

1 Section 1. Section 603 of title 53 of the Code of the
2 Federated States of Micronesia, as amended by Public Laws Nos. 5-
3 120, 7-118, 12-76 and 14-37 is hereby further amended to read as
4 follows:

5 "Section 603. Definitions. In this chapter, unless the
6 context otherwise requires, the following definitions
7 shall be applicable:

8 (1) 'Application' means the prescribed form or forms
9 provided to individuals by the Social Security
10 Administrator as the exclusive means by which an
11 individual may apply for the payment of any benefit
12 provided for in section 801, 802, 803 or 803A of this
13 act.

14 (2) 'Became disabled' means the first month in which
15 an
16 individual is under a disability.

17 (3) 'Board' means the Federated States of Micronesia
18 Social Security Board provided for by section 701 of
19 this subtitle.

1 (4) 'Child or spouse' means an applicant that the
2 court of the State in which an individual was domiciled
3 at the time of his death has or would find to be the
4 individual's child or spouse in determining the
5 devolution of intestate personal property. 'Child'
6 shall include only the deceased individual's biological
7 children and such adopted children whose confirmed
8 petition for adoption by the wage earner has been
9 presented to the Social Security Administration and who
10 were adopted by the wage earner on or prior to the wage
11 earner's 55th birthday.

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

15 (6) 'Disability' means inability to engage in any
16 substantial gainful employment by reason of any
17 medically determinable physical or mental impairment
18 which can be expected to result in death or which has
19 lasted or can be expected to last for a continuous
20 period of not less than 12 months[-] provided that the
21 physical or mental impairment is not a result of a
22 alcohol or substance abuse.

23 (7) 'Earning test' means that an individual who
24 receives a retirement, disability, or survivor benefit
25 and who works in covered or noncovered employment shall

1 have his quarterly benefit reduced by one dollar for
2 each two dollars earned in a quarter, except there shall
3 be no reduction for the first \$300 earned in a quarter.
4 The reduction shall be applied in one of the subsequent
5 two quarters immediately after the quarter in which the
6 earnings were made, or as soon as possible thereafter.

7 (8) 'Employee' means:

8 (a) any officer of a corporation; or

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

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

15 (d) any self-employed person who had more than
16 \$10,000 of annual gross revenue in the preceding
17 calendar year.

18 (9) 'Employment, covered' or 'covered employment'
19 means any service by an employee for an employer
20 incorporated or doing business within the Federated
21 States of Micronesia employing him, irrespective of
22 where such employment is performed, except family
23 employment.

24 (10) 'Employment, noncovered' or 'noncovered
25 employment' means any employment engaged in by an

1 employee where coverage is statutorily exempt in the
2 Federated States of Micronesia and which is not taxable
3 by the FSM Social Security Administration.

4 (11) 'Family employment' means employment of a worker by
5 a member of the household, a parent or a son or daughter
6 except that the worker may apply to the Board for a
7 determination that such employment is bona fide covered
8 employment subject to this subtitle.

9 (12) 'Insured status' can mean any of the following:

10 (a) 'Currently insured individual' means any
11 individual who has had not less than [~~eight~~] twenty
12 quarters of coverage during the [~~13~~] 25-quarter period
13 ending with:

14 (i) the quarter in which he died; or

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

17 (iii) the quarter in which he became disabled,
18 whichever first occurs.

19 (b) 'Fully insured individual' means any
20 individual whose total cumulative quarters of coverage
21 are at least as greater as the number of years
22 calculated from the later of the date the worker attains
23 age sixty (60), dies or becomes disabled. For this
24 purpose, partial years shall be counted as whole years
25 (for example 37.25 years would be rounded up to 38

1 years). [~~Notwithstanding anything in this section, no~~
2 ~~more than thirty eight (38) quarters of coverage are~~
3 ~~required to be fully insured, and in] In no case shall
4 an individual be a fully insured individual unless he
5 has at least 12 quarters of coverage.~~

6 (i) For individuals who attain age sixty (60),
7 die or become disabled on or before December 31, 2006,
8 no more than thirty-eight (38) quarters of coverage are
9 required to be fully insured.

10 (ii) For individuals who turn sixty (60) or die
11 after December 31, 2006, no more than fifty (50)
12 quarters of coverage and employee contributions to the
13 Social Security System of at least \$2,500 are required
14 to be fully insured. Should an individuals' employee
15 contributions total less than \$2,500 s of the date of
16 termination of employment or death, the individual or
17 their surviving spouse may pay the difference to the FSM
18 Social Security Administration in a single sum payment
19 in order to become fully insured. The surviving
20 children will be eligible for benefits so long as the
21 individual was currently insured at the time of the
22 individual's death.

23 (iii) For individuals who become disabled after
24 December 31, 2006, no more than 45 quarters of coverage
25 and employee contributions to the Social Security System

1 of at least \$1500 are required to be fully insured.
2 Should an individual's employee contribution total less
3 than \$1,500 s of the date of termination from
4 employment, the individual may pay the difference to the
5 FSM Social Security Administration in a single sum
6 payment in order to become fully insured.

7 (13) 'Quarter' and 'calendar quarter' mean a period of
8 three calendar months ending on March 31st, June 30th,
9 September 30th, or December 31st. 'Quarter of coverage'
10 means a quarter in which the individual has been paid
11 [~~\$50~~] \$300 or more in wages in employment subject to
12 this subtitle.

13 (13) 'Wages' means remuneration paid subject to the
14 provisions of this subtitle, including the cash value of
15 all remuneration paid in any medium other than cash and
16 remuneration accruing to a self-employed person.

17 Remuneration accruing to a self-employed person shall be
18 deemed to be twice the amount paid to the highest paid
19 employee reported by the self-employed person in a
20 quarter, with a maximum of \$3,000 per quarter through
21 September 30, 2003 and a maximum of \$5,000 per quarter
22 [~~thereafter~~] beginning October 1, 2003. This maximum
23 quarterly amount shall increase to \$6,000 on January 1,
24 2008, \$7,000 on January 1, 2013, \$8,000 on January 1,
25 2018, \$9,000 on January 1, 2023, and \$10,000 on January

1 1, 2028. Remuneration accruing to a self-employed
2 person who has no covered employees shall, for each
3 quarter of a year, be deemed to be [~~2.5~~] 5 percent of
4 the gross revenue of the business for the previous
5 calendar year, subject to a \$3,000 maximum per quarter
6 through September 30, 2003 and a maximum of \$5,000 per
7 quarter [~~thereafter~~] beginning October 1, 2003. The
8 maximum quarterly amount shall increase to \$6,000 on
9 January 1, 2008, \$7,000 on January 1, 2013, \$8,000 on
10 January 1, 2018, \$9,000 on January 1, 2023, and \$10,000
11 on October 1, 2028. Remuneration paid for any service
12 which is more or less than a whole dollar shall, as may
13 be prescribed by regulations, be computed to the nearest
14 dollar. Wages shall not include:

15 (a) that part of remuneration in excess of \$3,000
16 through September 30, 2003 and in excess of \$5,000
17 [~~thereafter~~] beginning October 1, 2003, in excess of
18 \$6,000 beginning January 1, 2008, in excess of \$7,000
19 beginning January 1, 2013, in excess of \$8,000 beginning
20 January 1, 2018, in excess of \$9,000 beginning on
21 January 1, 2023, and in excess of \$10,000 beginning on
22 January 1, 2028, paid in a quarterly reporting period by
23 one employer;

24 (b) any payment on account of sickness or
25 accident disability, or medical or hospitalization

1 expenses made by an employer to or on behalf of an
2 employee;

3 (c) any payment made to or on behalf of an
4 employee or to the employee's beneficiary from a trust
5 or annuity;

6 (d) remuneration paid in any medium other than
7 cash to an employee for service not in the course of the
8 employer's trade or business or for domestic service in
9 a private home of an employer;

10 (e) remuneration paid for casual or intermittent
11 labor not performed in the course of the employer's
12 trade or business when such employment does not exceed
13 employment in more than one week in each calendar month
14 of each quarterly reporting period; and

15 (f) remuneration from family employment subject
16 to the provisions of this subtitle."

17 Section 2. Section 804 of Title 53 of the Code of the
18 Federated States of Micronesia, as amended by Public Laws Nos. 5-
19 120, 7-118, 9-56 and 14-37, is hereby amended to read as follows:

20 "Section 804. Amount of retirement and disability
21 insurance benefits.

22 (1) An insured eligible individual shall be paid a
23 monthly old age benefit for life, except for any month
24 of disqualification as provided by this subtitle, in an
25 amount calculated upon an annual basis as follows: For

1 benefit payments that begin prior to January 1, 2007;
2 ~~of~~ 16.5 percent of the first \$10,000 of cumulative
3 covered earnings, plus 3 percent of cumulative covered
4 earnings in excess of \$10,000 but not in excess of the
5 next \$30,000, plus 2 percent of cumulative covered
6 earnings in excess of \$40,000. For benefit payments
7 that begin on or after January 1, 2007; 16.5 percent of
8 the first \$10,000 of cumulative covered earnings, plus
9 three percent of cumulative covered earnings in excess
10 of \$10,000 but not in excess of the next \$30,000, plus
11 two percent of cumulative covered earnings in excess of
12 440,000 but not in excess of the next \$262,500, plus one
13 percent of cumulative covered earnings in excess of
14 \$302,500. Earnings for covered employment after
15 commencement of payments for retirement or disability
16 insurance benefits shall be included in benefit
17 calculations upon subsequent application for benefits,
18 but such earnings shall be applicable for benefits for
19 months after the calendar year in which such earnings
20 occurred. For the purpose of this section cumulative
21 covered earnings includes earnings on which
22 contributions have been paid by the individual to the
23 Trust Territory Social Security System.

24 (2) An insured, eligible individual shall be paid a
25 minimum monthly benefit of ~~fifty~~ seventy five dollars

1 if the benefit amount calculated in accordance with
2 subsection (1) of this section is less than [~~fifty~~
3 seventy five dollars monthly. Effective on January 1,
4 2012, the minimum monthly benefit shall be \$100.

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

1 Section 3. Section 903 of Title 53 of the Code of the
2 Federated States of Micronesia, as amended by Public Laws Nos. 5-
3 120, is hereby renumbered section 904.

4 Section 4. Section 904 of Title 53 of the Code of the
5 Federated States of Micronesia, as amended by Public Laws Nos. 5-
6 120, is renumbered section 905.

7 Section 5. A new section 903 is hereby enacted to read as
8 follows:

9 "Section 903. Voluntary contributions.

10 (1) Any self employed person who has less than \$10,000
11 of annual gross revenue may make voluntary contributions
12 to the Social Security Administration in order to become
13 eligible to receive benefits under this Title. The
14 remuneration of such person shall be deemed to be \$1,250
15 per quarter of \$5,000 per year and such persons must pay
16 both the employee and employer contributions in order to
17 be so eligible.

18 (2) Any person who is a citizen of Micronesia and is
19 working as an employee outside of the Federated States
20 of Micronesia, Republic of Palau or Republic of the
21 Marshall Islands may make voluntary contributions to the
22 Social Security Administration in order to become
23 eligible to receive benefits. The remuneration of such
24 persons shall be deemed to be minimum of \$1,250 a
25 quarter of \$5,000 a year and such persons must pay both

1 the employee and employer contribution in order to be
2 covered."

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5 Section 6. This act shall be effective immediately upon this
6 act become law. This act shall become law upon approval by the
7 President of the Federated States of Micronesia or upon its
8 becoming law without such approval.

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10 Date: 2/29/06

Introduced by: /s/ Simiram Sipenuk
Simiram Sipenuk
(by request)

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