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A BILL FOR AN ACT

To amend sections 603, 604, 607, 708, 801, 803, 804 and 806 of title 53 of the Code of the Federated States of Micronesia (Annotated) to clarify, define and revise the administration, contribution collections and benefits of the Federated States of Micronesia Social Security, 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 (Annotated), is hereby amended to  
3 read as follows:

4           "§603. Definitions.

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

11           (2) "Became disabled" means the first month which an  
12 individual is under disability.

13           (3) "Board" means the Federated States of Micronesia  
14 Social Security Board provided for by section 701 of  
15 this subtitle.

16           (4) "Child or spouse" means an applicant of the court  
17 of the State in which an individual was domiciled at  
18 the time of his death has or would find to be the

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1 individual's child or spouse in determining the  
2 devolution of intestate personal property. "Child"  
3 shall include only the deceased individual's biological  
4 children and such adopted children whose confirmed  
5 petition for adoption by the wage earner has been  
6 presented to the Social Security Administration and who  
7 were adopted by the wage earner on or prior to the wage  
8 earner's 55<sup>th</sup> birthday of the adopting parent, shall be  
9 a "child" for the purposes of this title unless, the  
10 Social Security Administrator makes a determination  
11 that, due to exceptional circumstances, the person  
12 shall so be entitled. In reaching a determination that  
13 exceptional circumstances apply, the Social Security  
14 Administrator shall satisfy himself or herself that  
15 future eligibility for social security benefits was not  
16 a significant factor in the decision to adopt and may  
17 consider any available, relevant information including,  
18 but not limited to:

19 (a) whether the adopted child's biological  
20 mother, and/or biological father were alive at the time  
21 of adoption took place:

22 (b) if one or both biological parents were alive  
23 at the time of adoption, whether one or both parents  
24 were acting or were capable of acting as primary  
25 caregiver at that time;

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1                   (c) whether the adopting parent is a relative of  
2                   the adopted child;

3                   (d) whether, at the time the adoption took  
4                   place, there were relatives, not including the adopting  
5                   parents, who would have been appropriate guardians for  
6                   the adopted child;

7                   (e) whether the adopting parent was a primary  
8                   caregiver for the adopted child at the time of adoption  
9                   and continued in that role after the adoption took  
10                  place;

11                  (f) any other factor the Social Security  
12                  Administrator considers relevant.

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

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

22                  (7) "Earning test" means that an individual who  
23                  receives a retirement, disability, or survivor benefit  
24                  and who works in covered or non-covered employment  
25                  shall have his quarterly benefit reduced by one dollar

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1           for each two dollars earned in a quarter, except that  
2           there shall be no reduction for the first \$300 earned  
3           in a quarter. The reduction shall be applied in one of  
4           the subsequent two quarters immediately after the  
5           quarter in which the earnings were made, or as soon as  
6           possible thereafter. All benefit recipients have an  
7           affirmative duty to disclose to the FSM Social Security  
8           Administration all earnings from either covered or non-  
9           covered employment for which time they are receiving or  
10          claiming benefits. Under certain circumstances as  
11          defined in section 804, the earnings test may not apply  
12          to old age benefits received by an individual between  
13          the ages of 60 and 64 who turns 60, after January 1,  
14          2011.

15               (8) "Employee" means:

16                       (a) any officer of a corporation; or

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

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

23                       (d) any self-employed person who had more than  
24                       \$10,000 of annual gross revenue in the preceding  
25                       calendar year.

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1           (9) "Employer" means:

2                   (a) For purposes of this Act, employer means  
3           the person, business organization or other  
4           organization, or national or state or municipal  
5           government or agency, that pursuant to common law rules  
6           of employment is the actual person or organization  
7           responsible for the formation and continuation of the  
8           working relationship with employee.

9                   (b) The Social Security Administration has the  
10          right to determine the actual employer of employees for  
11          purposes of implementing this Act, and need not rely on  
12          the characterization provided.

13                  (c) Employer may be an individual, partnership,  
14          corporation or other type of business, venture or non-  
15          business organization, national or municipal or state  
16          organization or agency thereof, and which in certain  
17          circumstances may be more than one, that is responsible  
18          for the payment of all Social Security taxes. For  
19          partnerships, the liability shall be joint and several  
20          among all partners. For other types of business or  
21          non-business organizations that are not corporations,  
22          the liability shall be joint and several as if the  
23          organization was a common law partnership. For  
24          corporations, if the corporation fails to meet its tax  
25          obligations when due, the liability, shall be joint and

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1           several between the president of the corporation, and  
2           all shareholders with greater than a 30% interest in  
3           the corporation.

4           (9) Under this definition all such persons are  
5           jointly defined as the employer, for all purposes  
6           including the implementation of criminal penalties.

7           (10) "Employment covered" or "covered employment"  
8           means any service by an employee for an employer  
9           incorporated or doing business, or operating as a  
10          nonprofit organization within the Federated States of  
11          Micronesia him or her, irrespective of where such  
12          employment is performed, except family employment. Tax  
13          liability for an employee engaged in covered employment  
14          will result regardless of whether they pay other similar  
15          taxes in another jurisdiction and no credits shall be  
16          given for such payments. Covered employment also  
17          includes all employees of any vessels of whatever  
18          nature, which are flagged under FSM law, regardless of  
19          where the vessel is operating or sailing. The burden of  
20          proof is on the employer for justification for failure  
21          to withhold taxes from any employee engaged in covered  
22          employment, as defined herein.

23          (11) "Employment, non-covered" or "non-covered  
24          employment" means any employment engaged in by an  
25          employee where coverage is statutorily exempt in the

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1           Federated States of Micronesia, family employment, or  
2           employment by an employee outside of the Federated  
3           States of Micronesia, which is not taxable by the FSM  
4           Social Security Administration.

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

10          (13) "Insured status" can mean any of the following:

11                 (a) "Currently insured individual" means any  
12                 individual who has not less than 20 quarters of coverage  
13                 during the 25 quarter period 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 at age 60; or

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

19                 (b) For individuals who qualified as a  
20                 currently insured person prior to December 31, 2006, the  
21                 number of quarters to qualify as a currently insured  
22                 person was not less than eight quarters of coverage  
23                 during the 13 quarter period ending with:

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

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1                   (ii) the quarter in which he became entitled  
2                   to old age insurance benefits at age 60;

3                   (iii) the quarter in which he became  
4                   disabled, whichever occurs first.

5                   (c) "Fully insured individual" means any  
6                   individual whose total cumulative quarters of coverage  
7                   are at least as great as the number of years  
8                   calculated from the later of the date the worker  
9                   turned 21, or June 30, 1968, to the date the worker  
10                  attains age 60, or dies, or becomes disabled. For  
11                  this purpose, partial years shall be counted as whole  
12                  years (for example 37.25 years would be rounded up to  
13                  38 years). In no case shall an individual be a fully  
14                  insured individual unless he has at least 12 quarters  
15                  of coverage:

16                  (i) For individuals who attain age 60, die  
17                  or become disabled on or before December 31, 2006, no  
18                  more than 38 quarters of coverage are required to be  
19                  fully insured and there is no minimum amount required  
20                  for employee contributions to the Social Security  
21                  System.

22                  (ii) For individuals who turn 60 or die  
23                  after December 31, 2006, no more than 50 quarters of  
24                  coverage and employee contributions to the Social  
25                  Security System of at least \$2,500 are required to be



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1 fully insured. Should an individual's employee  
2 contributions total less than \$2,500 as of the date of  
3 termination of employment or death, the individual or  
4 their surviving spouse may pay the difference to the  
5 FSM Social Security Administration in a single sum  
6 payment in order to become fully insured. The  
7 surviving children will be eligible for benefits so  
8 long as the individual was currently insured at the  
9 time of the individual's death.

10 (iii) For individuals who become disabled  
11 after December 31, 2006, no more than 45 quarters of  
12 coverage and employee contributions to the Social  
13 Security System of at least \$1,500 are required to be  
14 fully insured. Should an individual's employee  
15 contribution total less than \$1,500 as of the date of  
16 termination from employment, the individual may pay  
17 the difference to the FSM Social Security  
18 Administration in a single sum payment in order to  
19 become fully insured.

20 (d) "Fully insured status" means:

21 (i) For individuals who turn 60 or die  
22 after January 1, 2010, shall have total cumulative  
23 quarters of coverage equaling 50 quarters of coverage  
24 or greater, and employee contributions to the Social  
25 Security System of at least \$2,500 are required to be

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1 fully insured. Employee contributions are the  
2 contributions defined in section 901 only. Should an  
3 individual's employee contributions total less than  
4 \$2,500 as of the date of qualification as a fully  
5 insured individual, the individual or their surviving  
6 spouse may pay the difference to the FSM Social  
7 Security Administration in a single sum payment in  
8 order to be fully insured. If the individual or the  
9 surviving spouse is unable to pay the difference on  
10 the minimum contribution, the individual or surviving  
11 spouse can opt for a lump sum payment equal to the  
12 total employee contribution.

13 (ii) "Fully insured" means for individuals  
14 who become disabled on or after January 1, 2010, at  
15 least 45 quarters of coverage are needed to be defined  
16 as fully insured, and they must also meet the  
17 definition of currently insured at the time of the  
18 onset of their disability. Additionally, employee's  
19 contributions to the Social Security System of at  
20 least \$1,500 are required to be fully insured.  
21 Should an individual's employee contribution total  
22 less than \$1,500 as of the date of disability, the  
23 individual may pay the difference to the FSM Social  
24 Security Administration in a single lump sum payment  
25 in order to be fully insured.

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1           (14) "Quarter" and "calendar quarter" mean a period  
2 of three calendar months ending on March 31<sup>st</sup>, June  
3 30<sup>th</sup>, September 30<sup>th</sup>, or December 31<sup>st</sup>. "Quarter of  
4 coverage" means a quarter in which the individual has  
5 been paid \$300 or more in wages in covered employment  
6 subject to this subtitle.

7           (15) "Wages" means remuneration paid subject to the  
8 provisions of this subtitle, including the cash value  
9 of all remuneration paid in any medium other than cash  
10 and remuneration accruing to a self-employed person.  
11 Remuneration accruing to a self-employed person shall  
12 be deemed to be twice the amount paid to the highest  
13 paid employee reported by a self-employed person in a  
14 quarter, with a maximum of \$3,000 per quarter through  
15 September 30, 2003 and a maximum of \$5,000 per quarter  
16 beginning October 1, 2003. This maximum quarterly  
17 amount shall increase to \$6,000 on January 1, 2008,  
18 \$7,000 on January 1, 2013, [~~\$8,000 on January 1, 2018.~~  
19 ~~\$9,000 on January 1, 2023, and \$10,000 on January 1,~~  
20 ~~2028.~~] And on October 1, 2018, there shall be no  
21 maximum quarterly amount on wages. Remuneration  
22 accruing to a self-employed person who has no covered  
23 employees shall, for each quarter of a year, be deemed  
24 to be five percent of the gross revenue of the  
25 business or gross revenue of all businesses for the

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1 previous calendar year, subject to a \$3,000 maximum  
2 per quarter through September 30, 2003 and a maximum  
3 of \$5,000 per quarter beginning on October 1, 2003.  
4 ~~[The]~~ This maximum quarterly amount shall increase to  
5 \$6,000 on January 1, 2008, \$7,000 on January 1, 2013,  
6 ~~[\$8,000 on January 1, 2018, \$9,000 on January 1, 2023,~~  
7 ~~and \$10,000 on October 1, 2028.]~~ and on October 1,  
8 2018, there shall be no maximum quarterly amount on  
9 wages. Remuneration paid for any service, which is  
10 more or less than a whole dollar shall, as may be  
11 prescribed by regulations, be computed to the nearest  
12 dollar. Wages shall not include:

13 (a) that part of remuneration in excess of  
14 \$3,000 through September 30, 2003 and in excess of  
15 \$5,000 beginning October 1, 2003, in excess of \$6,000  
16 beginning January 1, 2008, in excess of \$7,000  
17 beginning January 1, 2013, ~~[January 1, 2018, \$9,000 on~~  
18 ~~January 1, 2023, and \$10,000 on October 1, 2028, paid~~  
19 ~~in a quarterly reporting period by one employer;]~~ paid  
20 in a quarterly reporting period by one employer. On  
21 October 1, 2018, there shall be no maximum quarterly  
22 amount on wages paid and taxed, and all wages will be  
23 subject to taxation;

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

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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  
8 the employer's trade or business or for domestic  
9 service in a private home of an employer;

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

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

17 Section 2. Section 604 of title 53 of the Code of the  
18 Federated States of Micronesia (Annotated), is hereby amended to  
19 read as follows:

20 "§604. Susceptibility of benefits, contributions, and  
21 funds to legal process or assignment.

22 The benefits, the employee and employer contributions,  
23 and the securities in the several funds from all taxes  
24 presently or hereinafter levied shall not be subject  
25 to execution, attachment, or garnishment and shall be

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1 nonassignable except as specifically provided in this  
2 subtitle. This prohibition though does not apply in  
3 the situation where a beneficiary of social security  
4 benefits is also an employer subject to this Act, with  
5 outstanding payments due to the FSM Social Security  
6 Administration for taxes, penalties and interest.  
7 These social security benefits may be levied upon up  
8 to 100% of the benefit, at the discretion of the FSM  
9 Social Security Administration Administrator and in  
10 the interest of justice."

11 Section 3. Section 607 of title 53 of the Code of the  
12 Federated States of Micronesia (Annotated), is hereby amended to  
13 read as follows:

14 "§607. Lien for taxes.

15 (1) All taxes, including penalties and interest  
16 accrued thereon, imposed or authorized under this  
17 subtitle shall be a lien upon any property of the  
18 employer, having priority over all other claims and  
19 liens including liens for other taxes, except as  
20 provided in the Secured Transactions Act, and may be  
21 collected by levy upon such property in the same  
22 manner as the levy of an execution. Where the  
23 employer is also a beneficiary of social security  
24 benefits this section shall also authorize a levy on

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1           such social security benefits for payment of taxes,  
2           penalties and interest owed by the employer.

3           (2) All taxes, including penalties and interest  
4           accrued thereon, imposed or authorized under this  
5           subtitle owed by a state or municipal government or  
6           national government or any agency thereof, shall be  
7           subject to a writ of garnishment of all moneys owed by  
8           the FSM National Government to any state or municipal  
9           government or any agency thereof, and such writ of  
10          garnishment shall have priority over any claim for  
11          such moneys in any manner by the particular state or  
12          municipal government or agency thereof and such writs  
13          of garnishment are specifically exempt from any  
14          prohibitions under section 707 of title 6 of this  
15          code."

16          Section 4. Section 708 of title 53 of the Code of the  
17          Federated States of Micronesia (Annotated), is hereby amended to  
18          read as follows:

19          "§708. Review of Board determinations.

20          Any person aggrieved by a final order of the Board may  
21          obtain a review of the order in the Trial Division of  
22          the Supreme Court of the Federated States of  
23          Micronesia by filing in Court, within 60 days after  
24          the entry of the order, a written petition praying  
25          that the order be modified or set aside in whole or in

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1 part. A copy of the petition shall be served on the  
2 Board, by service on its secretary or other designated  
3 agent, and thereupon the Board shall certify and file  
4 in Court a copy of the record upon which the order was  
5 entered. The findings of the Board as to the facts,  
6 if supported by competent, material, and substantial  
7 evidence, shall be conclusive. If either party  
8 applies to the Court for leave to adduce additional  
9 material evidence and shows to the satisfaction of the  
10 Court that there was reasonable grounds for failure to  
11 adduce the evidence in the hearing before the Board,  
12 or its authorized representatives, and that such  
13 evidence is competent, material, and substantial, the  
14 Court may order the additional evidence to be taken by  
15 the Board and to be adduced upon the hearing in such  
16 manner and upon such conditions as the Court considers  
17 proper. The Board may modify its findings and order  
18 after receipt of further evidence together with any  
19 modified or new findings or order. The judgment of  
20 the Court upon the record shall be final, subject to  
21 review by the Appellate Divisions of the Supreme court  
22 upon petition of any aggrieved party, including the  
23 Board, within 60 days from judgment. If in the  
24 opinion of the Trial Division of the Supreme Court, or  
25 the Appellate Division of the Supreme Court, a



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1           petition or appeal is brought in bad faith, is  
2           frivolous or is brought without any substantial  
3           factual basis, then the Trial Division or Appellate  
4           Division may award costs and attorney's fees to the  
5           prevailing party."

6           Section 5. Section 801 of title 55 of the Code of the  
7 Federated States of Micronesia (Annotated), is hereby amended to  
8 read as follows:

9           "§801. Scope of Coverage; Verification of Employment;  
10          Old age benefits.

11           (1) All employees, wherever employed by an employer  
12 incorporated or doing business in the Federated States  
13 of Micronesia, shall be covered [~~unless both the~~  
14 ~~employer and the employee are currently subject to any~~  
15 ~~other recognized Social Security System~~] if they are  
16 engaged in covered employment as defined herein.  
17 Coverage is required even if the employee and employer  
18 are currently subject to another Social Security  
19 System. The administrator of the Social Security  
20 System, or his designees, shall cause at least two  
21 unannounced employment site checks to be conducted  
22 upon every non-government employee actually engaged in  
23 an employer-employee relationship that will allow him  
24 to be covered and eligible for benefits under this  
25 subtitle. The two employment site checks shall be

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1           conducted within a month of each other and both shall  
2           be conducted within the first six months of the  
3           employee's first contribution payment to the Social  
4           Security System. For the purposes of this subtitle,  
5           any elected official in any Government unit or body in  
6           the Federated States of Micronesia is deemed to be an  
7           employee employed by an employee employed by a  
8           Federated States of Micronesia employer. The  
9           governmental unit or body to which such person is  
10          elected is subject to the provisions in this subtitle  
11          relating to the duty and obligations of the Federated  
12          States of Micronesia employer.

13                 (2) Every person who:

14                         (a) is fully insured;

15                         (b) has attained age 60; and

16                         (c) has filed a complete application with the  
17          Social Security Administration for old age insurance  
18          shall be entitled to an old age insurance benefit  
19          subject to the earnings test as defined and applied in  
20          this subtitle.

21                 (3) Old age insurance benefit payments shall be  
22          paid for each month commencing with the month for  
23          which both paragraphs (2)(a) and (2)(b) of this  
24          section are satisfied and shall end with the month  
25          preceding the month in which the applicant dies.

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1           (4) Notwithstanding the provisions of subsections  
2           (2) and (3) of this section, retroactive payments  
3           shall be limited to the 12 months immediately  
4           preceding the month in which the individual entitled  
5           to the benefits has submitted an application.

6           (5) In an application for benefits under this  
7           section, whether individually or as a dependent, the  
8           applicant has the burden to come forward with evidence  
9           and to take all steps necessary to file a completed  
10          application. The Social Security Administration has  
11          the right to deny an application for benefits solely  
12          on the basis of non-compliance with the application  
13          process, or the failure of the applicant to produce  
14          reasonably available documents or information."

15          Section 6. Section 803 of title 53 of the Code of the  
16          Federated States of Micronesia (Annotated), is hereby amended to  
17          read as follows:

18                 "§803. Dependent's benefits.

19                 (1) Every surviving child who:

20                         (a) was dependent upon an individual who died  
21                         fully insured or currently insured; and

22                         (b) has filed a complete application with the  
23                         Social Security Administrator for survivor's  
24                         insurance;

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1 shall be entitled to a surviving child's insurance  
2 benefit, subject to the earnings test as defined in  
3 this subtitle.

4 (2) A surviving child's insurance benefit shall be  
5 paid for each month beginning with the month of death  
6 of the individual who died fully insured or currently  
7 insured and shall end with the month preceding the  
8 month which contains the first tot occur of the  
9 following events:

10 (a) attainment of age 22 in the case of a  
11 surviving child who is a *bono fide* student; or

12 (b) ceasing to be disabled after the  
13 attainment of age 18 in the case of a surviving child  
14 who was disabled before attainment of age 22; or

15 (c) attainment of age 18 in the case of any  
16 surviving child not described in preceding paragraphs  
17 (a) and (b) of this subsection, except that benefits  
18 shall be payable during the disability of a surviving  
19 child who was disabled before the attainment of age 22  
20 regardless of the child's age;

21 (d) marriage; or

22 (e) adoption.

23 (3) A surviving child shall be [~~deemed~~] presumed to  
24 have been dependent upon his parent or adopting parent  
25 [~~unless that parent or adopting parent was not living~~

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1           ~~in the same household with or contributing to the~~  
2           ~~support of such child prior to his death]~~ if the  
3           parent or adopting parent was contributing the  
4           majority of support of such child prior to his or her  
5           death. Consideration will also be given if the child  
6           was living in the same household as the parent or  
7           adopting parent. The regulations issued by the Social  
8           Security Administration shall determine the  
9           definitions for this section. The child's insurance  
10          benefit shall be paid to the individual upon whom the  
11          child is currently dependent, except such benefit  
12          shall be subject to the earnings test as defined in  
13          this subtitle.

14                 (4) Notwithstanding the provisions of subsections  
15                 (1) and (2) of this section, retroactive payments  
16                 shall be limited to the 12 months immediately  
17                 preceding the month in which the surviving child or  
18                 the surviving child's guardian has submitted an  
19                 application.

20                 Section 7. Section 804 of title 53 of the Code of the  
21                 Federated States of Micronesia( Annotated), is hereby amended to  
22                 read as follows:

23                         "§804. Amount of retirement and disability insurance  
24                         benefits.

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

5                   (a) For benefit payments that begin prior to  
6                   January 1, 2007; 16.5 percent of the first \$10,000 of  
7                   cumulative covered earnings, plus three percent of  
8                   cumulative covered earnings in excess of \$10,000 of  
9                   \$10,000 but not in excess of the next \$30,000, plus  
10                  two percent of cumulative covered earnings in excess  
11                  of \$40,000.

12                   (b) For benefit payments that begin on or after  
13                   January 1, 2007 but before January 1, 2011; 16.5  
14                   percent of the first \$10,000 of cumulative covered  
15                   earnings, plus three percent of cumulative covered  
16                   earnings in excess of \$10,000 but not in excess of the  
17                   next \$30,000, plus two percent of cumulative covered  
18                   earnings in excess of \$40,000 but not in excess of the  
19                   next \$262,500, plus one percent of cumulative covered  
20                   earnings in excess of \$302,500.

21                   (c) For benefit payments that begin on or  
22                   after January 1, 2011;

23                           (i) For individuals who are 65 and over;  
24                   16.5 percent of the first \$10,000 of cumulative  
25                   covered earnings, plus three percent of cumulative

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1 covered earnings in excess of \$10,000 but not in  
2 excess of the next \$30,000, plus two percent of the  
3 cumulative covered earnings in excess of \$40,000 but  
4 not in excess of the next \$262,500, plus one percent  
5 of cumulative covered earnings in excess of \$302,500.

6 (ii) For individuals who turn 60 after  
7 January 1, 2011, such individual from ages 60 to 64  
8 will receive 50 percent of the total of all the  
9 described benefits in this subsection, 16.5 percent of  
10 the first \$10,000 of cumulative covered earnings, plus  
11 three percent of cumulative covered earnings in excess  
12 of \$10,000 of cumulative covered earnings but not in  
13 excess of the \$30,000, plus two percent of the  
14 cumulative covered earnings in excess of \$40,000 but  
15 not in excess of the next \$262,500, plus one percent  
16 of cumulative covered earnings in excess of \$302,500.  
17 The payments in this subsection only, shall be made  
18 without reduction pursuant to the earnings test in  
19 section 603(7) of this subtitle.

20 (iii) For individuals under the age 60,  
21 benefit payments would be calculated the same as  
22 subsection (i) of this subsection.

23 (d) Earnings for covered employment after the  
24 commencement of payments for retirement or disability  
25 insurance benefits shall be included in benefit

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1            calculations upon subsequent application for benefits,  
2            but such earnings shall be applicable for benefits for  
3            months after the calendar year in which such earnings  
4            occurred. For the purpose of this section cumulative  
5            covered earnings includes earnings on which  
6            contributions have been paid by the individual to the  
7            Trust Territory Social Security System.

8            (e) In the event, benefits have been received  
9            under section 804(1)(c)(ii), such benefits shall be  
10           automatically adjusted when the individual reaches age  
11           65.

12           (f) For purposes of interpreting this section  
13           "benefit payments begin on" is defined to mean the  
14           date, whether retroactive or current when a benefit  
15           payment is paid for a specific month. A benefit  
16           payment may begin prior to the application date,  
17           subject to retroactive payment limitations defined in  
18           this Act.

19           (2) An insured, eligible individual shall be  
20           paid a minimum monthly benefit of \$75 if the benefit  
21           amount calculated in accordance with subsection (1) of  
22           this section is less than \$75 monthly. Effective on  
23           January 1, 2011, the minimum monthly benefit shall be  
24           \$100. The minimum monthly benefit is calculated per  
25           insured worker, not per recipient.



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1                   (3) An individual who is currently and fully  
2                   insured and who has been under a disability for three  
3                   full calendar months and the onset of disability  
4                   occurred on or after January 1, 2011, or an individual  
5                   who was fully insured and the onset of disability  
6                   occurred prior to this bill becoming law shall be paid  
7                   a monthly benefit for life or until recovery from the  
8                   disability, except for any month of disqualification  
9                   as provided by this subtitle in an amount calculated  
10                  in accordance with the preceding subsections of this  
11                  section, and for an individual with an onset of  
12                  disability on or after January 1, 2011, he or she will  
13                  receive benefits as if he or she retired at age 65,  
14                  but with existing quarters of coverage. Further, the  
15                  amount of the benefit s so determined shall, if the  
16                  individual is receiving a periodic workman's  
17                  compensation benefit, be reduced each month by the  
18                  excess of the sum of the workman's compensation  
19                  benefit for that month, and the benefit payable under  
20                  this Act over 80 percent of one-twelfth of the highest  
21                  annual covered wages in the period consisting of the  
22                  year in which the disability occurred and the  
23                  preceding five years. If a workmen's compensation  
24                  benefit was payable in periodic benefits but was  
25                  commuted to a lump sum, for purposes of this

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1 subsection it will be considered that the periodic  
2 benefit originally available was paid in each month  
3 that it would have been paid if the commutation had  
4 not occurred.

5 (4) Effective January 1, 2018, the maximum monthly  
6 benefit any recipient may receive is one thousand  
7 dollars (\$1,000) per month.

8 (5) An insured eligible individual for old age  
9 benefits may elect an alternative benefit plan upon  
10 reaching the age of 60, effective the date this bill  
11 becomes law. If an insured eligible individual elects  
12 this alternative benefit, he will be paid 70% of the  
13 monthly benefit calculated in subsection (1) of this  
14 provision, but his benefits shall not be reduced by  
15 the earnings test as defined in section 603(7) or the  
16 reduction cited in section 804(1)(c)(ii).

17 (a) For an insured eligible individual who  
18 turns 60 on or after the date this bill becomes law,  
19 he or she must make a written election for this  
20 benefit payment plan under this subsection at the time  
21 of applying for social security retirement benefits  
22 after turning age 60. This election is non-revocable,  
23 and once this election is made the benefits shall  
24 always be calculated under this subsection.

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1                   (b) For an insured eligible individual who has  
2                   already turned age 60 prior to the date this bill  
3                   becomes law, he or she must make a written election  
4                   for this benefit payment plan under this subsection  
5                   within one year of the passage of this legislation.  
6                   This election is non-revocable, and once this election  
7                   is made the benefits shall always be calculated under  
8                   this subsection. The benefit payments as calculated  
9                   under this subsection shall then begin within ninety  
10                  days of the election.

11                  (6) All beneficiaries under this section shall be  
12                  required to fill out an eligibility questionnaire  
13                  provided by the Social Security Administration at  
14                  reasonable intervals, which will enable the  
15                  Administration to determine if benefits should  
16                  continue and if eligibility for continuing benefits is  
17                  being denied. The beneficiary shall have no less than  
18                  ninety (90) days to return the completed  
19                  questionnaire. Failure to return the completed  
20                  questionnaire within the deadline provided in the  
21                  questionnaire shall be grounds for a temporary  
22                  termination of benefits, until such questionnaire is  
23                  returned. The Social Security Administration shall  
24                  pay back benefits upon receipt of the completed  
25                  questionnaire and a determination of continued

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1           eligibility, but such back benefits are limited to one  
2           year from the receipt by the Social Security  
3           Administration of the completed questionnaire."

4           Section 8. Section 806 of title 43 of the Code of title 53  
5 of the Federated States of Micronesia (Annotated), is hereby  
6 amended to read as follows:

7           "§806. Amount of survivor insurance benefits.

8           (1) The surviving spouse of a fully insured worker  
9           eligible in accordance with section 802 of this chapter  
10          shall be paid a monthly benefit or disability in an  
11          amount equal to 60 percent of the retirement or  
12          disability insurance benefit calculated for the deceased  
13          spouse at the date of death. For a fully insured worker  
14          who dies after January 1, 2011, the benefit will be  
15          calculated as if he or she retired at age 65 but with  
16          existing quarters of coverage.

17          (2) Each eligible child of an insured worker shall be  
18          entitled to a monthly benefit of 15 percent of the  
19          retirement insurance benefit calculated for the deceased  
20          parent at the date of death. For a fully insured worker  
21          who dies after January 1, 2011, the benefit will be  
22          calculated as if he or she retired at age 65, but with  
23          existing quarters of coverage.

24          (3) If the spouse of the deceased insured worker is  
25          eligible for retirement or disability benefits based on

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1 his or her own employment coverage, and is also eligible  
2 for survivors' benefits, the spouse shall receive  
3 whatever benefit pays the highest monthly benefit. In  
4 addition, the surviving spouse shall be entitled to  
5 receive a lump sum equal to four percent of the  
6 cumulative covered earnings upon which the lower benefit  
7 is based, less the sum of all benefits already received  
8 on the basis of those cumulative covered earnings. If  
9 the spouse elects to accept the lump sum payment, he or  
10 she shall lose credit for all quarters of coverage  
11 earned up to the date of application. If that  
12 individual returns to work he or she shall start over  
13 again to earn quarters of coverage leading to be  
14 currently or fully insured.

15 (4) The monthly benefit paid to the surviving  
16 child(ren) shall be based on the higher of the two  
17 benefits that have been earned by the deceased parents  
18 if fully insured or currently insured. In addition the  
19 surviving child (ren) shall be entitled to receive a  
20 lump sum equal to two percent of the other deceased  
21 parent's cumulative covered earnings, less the sum of  
22 all benefits, in any received by the deceased parent.

23 (5) The total survivor's benefit paid to the spouse and  
24 children may not exceed the retirement benefit  
25 calculated for the decedent as of the date of death

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1           except that if the surviving spouse receives benefits  
2           based on his or her own employment coverage, that amount  
3           plus the survivors' benefits for the children may exceed  
4           the amount of the deceased's retirement benefit. In no  
5           event shall the amount paid be less than the minimum  
6           established by the Social Security Administration, as  
7           set out in section 804 of title 53 of this code.

8           (6) All beneficiaries and/or guardians of dependent  
9           children under this section shall be required to fill  
10          out an eligibility questionnaire provided by the Social  
11          Security Administration at reasonable intervals, which  
12          will enable the Administration to determine if benefits  
13          should continue and if eligibility for continuing  
14          benefits is being denied. The beneficiary and/or  
15          guardians of dependent children shall have no less than  
16          ninety (90) days to return the completed questionnaire.  
17          Failure to return the completed questionnaire within the  
18          deadline provided in the questionnaire shall be grounds  
19          for a temporary termination of benefits, until such  
20          questionnaire is returned. The Social Security  
21          Administration shall pay back benefits upon receipt of  
22          the completed questionnaire and a determination of  
23          continued eligibility, but such back benefits are  
24          limited to one year from the receipt by the Social  
25          Security Administration of the completed questionnaire."

1           Section 9. This act shall become law upon approval by the  
2 President of the Federated States of Micronesia or upon its  
3 becoming law without such approval.

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5 Date: 5/01/18

Introduced by: /s/ Ferny S. Perman  
Ferny S. Perman

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