

A BILL FOR AN ACT

To further amend title 53 of the Code of the Federated States of Micronesia, as amended, by amending sections 603, 801, 802 and 803 and by adding a new section 803A and 811 to make changes in the Social Security Act, 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 is hereby amended to read as follows:  
3           "Section 603. Definitions. In this chapter, unless the  
4 context otherwise requires, the following definitions  
5 shall be applicable:  
6           (1) 'Application' means the prescribed form or forms  
7 provided to individuals by the Social Security  
8 Administrator as the exclusive means by which an  
9 individual may apply for the payment of any benefit  
10 provided for in section 801, 802, 803 or 803A of this  
11 act.  
12           (~~[1]~~2) 'Became disabled' means the first month in which an  
13 individual is under a disability [~~and is both fully and~~  
14 ~~currently insured~~].  
15           (~~[2]~~3) 'Board' means the Federated States of Micronesia  
16 Social Security Board provided for by section 701 of this  
17 subtitle.  
18           (~~[3]~~4) 'Child or spouse' means [~~that~~] an applicant [~~is the~~  
19 ~~child or spouse of an individual if~~] that the court of

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1 the State in which [~~the~~] an individual was domiciled at  
2 the time of his death has or would find [~~the applicant~~]  
3 to be the individual's child or spouse in determining the  
4 devolution of intestate personal property. 'Child' shall  
5 include the deceased individual's biological children and  
6 such adopted children whose confirmed petition for  
7 adoption by the wage earner has been presented to the  
8 Social Security Administration prior to the individual's  
9 death.

10 ([4]5) 'Contributions' means the tax imposed upon income  
11 of covered employees and the tax imposed upon employers  
12 on account of wages paid to a covered employee.

13 ([5]6) 'Disability' means inability to engage in any  
14 substantial gainful employment by reason of any medically  
15 determinable physical or mental impairment which can be  
16 expected to result in death or which has lasted or can be  
17 expected to last for a continuous period of not less than  
18 [~~twelve~~] 12 months.

19 ([6]7) 'Earning test' means that an individual who  
20 receives a retirement, disability, or survivor benefit  
21 and who works in covered or noncovered employment shall  
22 have his quarterly benefit reduced by one dollar for each  
23 two dollars earned in a quarter, except there shall be no  
24 reduction for the first \$300 earned in a quarter. The  
25 reduction shall be applied in one of the subsequent two

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1           quarters immediately after the quarter in which the  
2           earnings were made, or as soon as possible thereafter.

3           (~~7~~9) 'Employee' means:

4                   (a) any officer of a corporation; or

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

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

11                  (d) any self-employed person who had more than  
12          \$10,000 of annual gross revenue in the preceding calendar  
13          year.

14           (~~8~~10) 'Employment' means any service by an employee for  
15          an employer incorporated or doing business within the  
16          Federated States of Micronesia employing him,  
17          irrespective of where such employment is performed,  
18          except family employment.

19           (~~9~~11) 'Family employment' means employment of a worker by  
20          a member of the household, a parent or a son or daughter  
21          except that the worker may apply to the Board for a  
22          determination that such employment is bona fide covered  
23          employment subject to this subtitle.

24           (~~10~~12) 'Insured status' can mean any of the following:

25                   (a) 'Currently insured individual' means any

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1 individual who has had not less than eight quarters of  
2 coverage during the [~~thirteen~~] 13-quarter period ending  
3 with:

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

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

7 (iii) the quarter in which he became disabled,  
8 whichever first occurs.

9 (b) 'Fully insured individual' means any  
10 individual who has not less than one quarter of coverage  
11 for each year beginning after June 30, 1968, or for each  
12 year after attaining the age of [~~twenty-one~~] 21,  
13 whichever is later, and up to but excluding the year in  
14 which he attained retirement age, became disabled, or  
15 died, whichever first occurred, except that in no case  
16 shall an individual be a fully insured individual unless  
17 he has at least [~~twelve~~] 12 quarters of coverage.

18 (~~11~~)13) 'Quarter' and 'calendar quarter' mean a period of  
19 three calendar months ending on March 31st, June 30th,  
20 September 30th, or December 31st. 'Quarter of coverage'  
21 means a quarter in which the individual has been paid  
22 [~~fifty dollars~~] \$50 or more in wages in employment  
23 subject to this subtitle.

24 (~~12~~)14) 'Wages' means remuneration paid subject to the  
25 provisions of this subtitle, including the cash value of

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1 all remuneration paid in any medium other than cash and  
2 remuneration accruing to a self-employed person.

3 Remuneration accruing to a self-employed person shall be  
4 deemed to be twice the amount paid to the highest paid  
5 employee reported by the self-employed person in a  
6 quarter, [~~\$3,000 maximum per quarter~~] with a maximum of  
7 \$3,000 per quarter through December 31, 2001 and a  
8 maximum of \$5,000 per quarter thereafter. Remuneration  
9 accruing to a self-employed person who has no covered  
10 employees shall, for each quarter of a year, be deemed to  
11 be 2.5 percent of the gross revenue of the business for  
12 the previous calendar year, subject to a \$3,000 maximum  
13 per quarter through December 31, 2001 and a maximum of  
14 \$5,000 per quarter thereafter. Remuneration paid for any  
15 service which is more or less than a whole dollar shall,  
16 as may be prescribed by regulations, be computed to the  
17 nearest dollar. Wages shall not include:

18 (a) that part of remuneration in excess of \$3,000  
19 through December 31, 2001 and in excess of \$5,000  
20 thereafter paid in a quarterly reporting period by one  
21 employer;

22 (b) any payment on account of sickness or accident  
23 disability, or medical or hospitalization expenses made  
24 by an employer to or on behalf of an employee;

25 (c) any payment made to or on behalf of an

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1 employee or to the employee's beneficiary from a trust or  
2 annuity;

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

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

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

14 Section 2. Section 801 of title 53 of the Code of the  
15 Federated States of Micronesia is hereby amended to read as follows:

16 "Section 801. Scope of coverage; Verification of  
17 employment; Old age benefits.

18 (1) All employees, wherever employed by an employer  
19 incorporated or doing business in the Federated States of  
20 Micronesia, shall be covered unless both the employer and  
21 the employee are currently subject to any other  
22 recognized Social Security System. The highest  
23 administrator of the Social Security System, or his  
24 designees, shall cause at least two unannounced  
25 employment site checks to be conducted upon every non-

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1 government employee who first begins to contribute to the  
2 Social Security System after age [forty-five] 45 [years]  
3 to ensure that such non-government employee is actually  
4 engaged in an employer-employee relationship that will  
5 allow him to be covered and eligible for benefits under  
6 this subtitle. The two employment site checks shall not  
7 be conducted within 1 month [~~from~~] of each other and both  
8 shall be conducted within the first [~~6~~] six months of the  
9 employee's first contribution payment to the Social  
10 Security System. For the purposes of this subtitle, any  
11 elected official in any Government unit or body in the  
12 Federated States of Micronesia is deemed to be an  
13 employee employed by a Federated States of Micronesia  
14 employer. The governmental unit or body to which such  
15 person is elected is subject to the provisions in this  
16 subtitle relating to the duty and obligations of a  
17 Federated States of Micronesia employer.

18 (2) Every person who:

19 (a) is [~~a fully insured individual, as defined in~~  
20 ~~this subtitle~~] fully insured;

21 (b) has attained age [~~sixty years~~] 60; and

22 (c) has filed a complete application with the  
23 Social Security Administrator for old age insurance shall  
24 be entitled to an old age insurance benefit [~~for each~~  
25 ~~month, beginning with the month for which both paragraphs~~

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1           ~~(a) and (b) of this subsection are satisfied and ending~~  
2           ~~with the month preceding the month in which he dies,]~~  
3           subject to the earnings test as defined in this subtitle.

4           (3) Old age insurance benefit payments shall be paid  
5           for each month commencing with the month in which both  
6           paragraphs (2)(a) and (2)(b) of this section are  
7           satisfied and shall end with the month preceding the  
8           month in which the applicant dies.

9           (4) Notwithstanding the provisions of subsections (2)  
10          and (3) above, retroactive payments shall be limited to  
11          the twelve months immediately preceding the month in  
12          which the individual entitled to benefits satisfies all  
13          requirements of subsection (2) of this section."

14          Section 3. Section 802 of title 53 of the Code of the  
15 Federated States of Micronesia is hereby further amended to read as  
16 follows:

17          "Section 802. Surviving spouse[-s] benefits.

18          ~~[The surviving spouse of an individual who died fully~~  
19          ~~insured, if such spouse has filed application, shall be~~  
20          ~~entitled to a survivor insurance benefit for each month~~  
21          ~~beginning with the month of death of the fully insured~~  
22          ~~spouse and ending with the month preceding the month in~~  
23          ~~which the surviving spouse dies or remarries; provided,~~  
24          ~~that such benefit shall be subject to the earnings test~~  
25          ~~as defined in this subtitle.]~~



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1           (1) Every surviving spouse who:

2                   (a) was married to an individual who died fully  
3           insured; and

4                   (b) files an application;  
5           shall be entitled to a surviving spouse insurance  
6           benefit, subject to the earnings test as defined in this  
7           subtitle.

8           (2) Surviving spouse benefit payments shall be paid for  
9           each month commencing with the month of death of the  
10           fully insured spouse and ending with the month preceding  
11           the month in which the surviving spouse dies or  
12           remarries.

13           (3) Notwithstanding the provisions of subsections (1)  
14           and (2) above, retroactive payments shall be limited to  
15           the 24 months immediately preceding the month in which  
16           the surviving spouse satisfies all requirements of  
17           subsection (1) of this section."

18           Section 4. Section 803 of title 53 of the Code of the  
19 Federated States of Micronesia is hereby amended to read as follows:

20           "Section 803. ~~[Dependents benefits — Disability~~  
21           ~~benefits]~~ Surviving child's benefits.

22           ~~[(1) Every surviving child who is dependent upon an~~  
23           ~~individual entitled to old age benefits or who was~~  
24           ~~dependent upon an individual who died fully insured or~~  
25           ~~currently insured shall be entitled, upon filing~~

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1           ~~application, to a child's insurance benefit for each~~  
2           ~~month beginning with the month of death of such~~  
3           ~~individual and ending with the month preceding whichever~~  
4           ~~of the following first occurs:~~

5                   ~~(a) attainment of age eighteen years, except that~~  
6           ~~benefits are payable until the month before the~~  
7           ~~attainment of age twenty-two so long as the beneficiary~~  
8           ~~is a bona fide student, and except that benefits are~~  
9           ~~payable during the disability of a child who was disabled~~  
10           ~~before the attainment of age twenty-two;]~~

11           (1) Every surviving child who:

12                   (a) was dependent upon an individual entitled to  
13           old age benefits or who was dependent upon an individual  
14           who died fully insured or currently insured; and

15                   (b) has filed a complete application with the  
16           Social Security Administrator for survivor's insurance;  
17           shall be entitled to a child's insurance benefit, subject  
18           to the earnings test as defined in this subtitle.

19           (2) A child's insurance benefit shall be paid for each  
20           month beginning with the month of the death of the  
21           individual who died fully insured or currently insured  
22           and shall end with the month preceding the month which  
23           contains the first to occur of the following events:

24                   (a) attainment of age twenty-two (22) in the case  
25           of a child who is a bona fide student; or

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1            (b) ceasing to be disabled after attainment of age  
2            eighteen (18) in the case of a child who was disabled  
3            before attainment of age twenty-two (22); or

4            (c) attainment of age eighteen (18) in the case of  
5            any child not described in preceding paragraphs (a) and  
6            (b); or

7            ([b]d) marriage; or

8            ([e]e) adoption.

9            ~~([2]3)~~ A surviving child shall be deemed to have been  
10           dependent upon his parent or adopting parent unless [such  
11           ~~individual]~~ that parent or adopting parent was not living  
12           in the same household with or contributing to the support  
13           of such child prior to his death. The [C]child's  
14           insurance benefit[s] shall be paid to the individual upon  
15           whom the child is currently dependent, except such  
16           benefit shall be subject to the earnings test as defined  
17           in this subtitle.

18           ~~[(3) Every individual who is a fully insured individual~~  
19           ~~and is disabled and has been disabled for at least three~~  
20           ~~full calendar months, upon filing an application for~~  
21           ~~disability insurance benefits, shall be entitled to a~~  
22           ~~disability insurance benefit for each month beginning~~  
23           ~~with the first month of the waiting period and ending~~  
24           ~~with the month preceding the month in which he dies or~~  
25           ~~recovers from his disability, subject to the earnings~~

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1 ~~test as defined in this subtitle."]~~

2 (4) Notwithstanding the provisions of subsections (1)  
3 and (2) above, retroactive payments shall be limited to  
4 the 12 months immediately preceding the month in which  
5 the surviving child satisfies all requirements of  
6 subsection (1) of this section."

7 Section 5. Title 53 of the Code of the Federated States of  
8 Micronesia, as amended, is hereby further amended by adding a new  
9 section 803A to read as follows:

10 "Section 803A. Disability benefits.

11 (1) Every person who:

12 (a) is fully insured;

13 (b) is disabled and has been disabled for at least  
14 three full calendar months; and

15 (c) has filed a complete application with the  
16 Social Security Administrator for disability insurance  
17 shall be entitled to a disability insurance benefit,  
18 subject to the earnings test as defined in this subtitle.

19 (2) Disability insurance benefits shall be paid for  
20 each month, beginning with the first month of the waiting  
21 period and ending with the month preceding the month in  
22 which the disabled individual dies or recovers from his  
23 disability.

24 (3) Notwithstanding the provisions of subsections (1)  
25 and (2) above, retroactive payments shall not be made for

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1 more than the twelve months immediately preceding the  
2 month in which the disabled individual satisfies all  
3 requirements of subsection (1) of this section."

4 Section 6. Title 53 of the Code of the Federated States of  
5 Micronesia, as amended, is hereby further amended by adding a new  
6 section 811 to read as follows:

7 "Section 811. International agreements.

8 (1) Purpose of agreement. The President is authorized  
9 (subject to the succeeding provisions of this section) to  
10 enter into agreements establishing totalization  
11 arrangements between the social security system  
12 established by this title and the social security system  
13 of any foreign country, for the purposes of establishing  
14 entitlement to and the amount of old-age, survivors,  
15 disability, or derivative benefits based on a combination  
16 of an individual's periods of coverage under the social  
17 security system established by this title and the social  
18 security system of such foreign country.

19 (2) Definitions. For the purposes of this section:

20 (a) the term 'social security system' means, with  
21 respect to a foreign country, a social insurance or  
22 pension system which is of general application in the  
23 country and under which periodic benefits, or the  
24 actuarial equivalent thereof, are paid on account of old  
25 age, death, or disability; and

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1           (b) the term 'period of coverage' means a period  
2           of payment of contributions or a period of earnings based  
3           on wages for employment or on self-employment income, or  
4           any similar period recognized as equivalent thereto under  
5           this title or under the social security system of a  
6           country which is a party to an agreement entered into  
7           under this section.

8           (3) *Crediting periods of coverage; conditions of*  
9           *payment of benefits.*

10           (a) Any agreement establishing a totalization  
11           arrangement pursuant to this section shall provide:

12                   (i) that in the case of an individual who has  
13                   at least 8 quarters of coverage as defined in section  
14                   603(11) of this title and periods of coverage under the  
15                   social security system of a foreign country which is a  
16                   party to such agreement, that individual's periods of  
17                   coverage under the social security system of that foreign  
18                   country may be combined with periods of coverage under  
19                   this title and otherwise considered for the purposes of  
20                   establishing entitlement to and the amount of old-age,  
21                   survivors, and disability insurance benefits under this  
22                   title;

23                   (ii) that employment or self-employment, or  
24                   any service which is recognized as equivalent to  
25                   employment or self-employment under this title or the

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1           social security system of a foreign country which is a  
2           party to such agreement, shall, on or after the effective  
3           date of such agreement, result in a period of coverage  
4           under the system established under this title or under  
5           the system established under the laws of such foreign  
6           country, but not under both, and shall further set forth  
7           the methods and conditions for determining under which  
8           system employment, self-employment, or other service  
9           shall result in a period of coverage; and

10                   (iii) that where an individual's periods of  
11           coverage are combined, the benefit amount payable under  
12           this title shall be based on the proportion of such  
13           individual's periods of coverage which was completed  
14           under this title.

15                   (b) Any such agreement may provide that an  
16           individual who is entitled to cash benefits under this  
17           title shall, notwithstanding other provisions of title to  
18           the contrary, receive such benefits while he resides in a  
19           foreign country which is a party to such agreement.

20                   (c) Any such agreement may contain other  
21           provisions which are not inconsistent with the other  
22           provisions of this title and which the President deems  
23           appropriate to carry out the purposes of this section.

24                   (4) Regulations. The Board shall make rules and  
25           regulations and establish such procedures as are

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1           reasonable and necessary to implement and administer any  
2           agreement which has been entered into in accordance with  
3           this section.

4           (5) Reports to Congress. The Board shall include as  
5           part of its annual submission to Congress required by  
6           section 703 of this title, a report describing each  
7           agreement that was in effect at any time during the  
8           previous fiscal year. The report shall state the  
9           estimated number of individuals affected by each  
10           agreement and the effect of each agreement on the  
11           estimated income and expenditures of the programs  
12           established by this chapter."

13           Section 7. This act shall become law upon approval by the  
14 President of the Federated States of Micronesia or upon its becoming  
15 law without such approval.

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17 Date: 5/16/02

Introduced by: /s/ Joseph J. Urusemal  
Joseph J. Urusemal  
(by request)