

A BILL FOR AN ACT

To further amend Title 53 of the Code of the Federated States of Micronesia, Social Security, as amended, by amending section 603 to change the earning test, renumber section 603, clarify section 805, 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, 14-37 AND 14-86 is hereby further amended to  
4 read as 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.

20 (4) 'Child or spouse' means an applicant that the

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1 court of the State in which an individual was domiciled  
2 at the time of his death has or would find to be the  
3 individual's child or spouse in determining the  
4 devolution of intestate personal property. 'Child'  
5 shall include only the deceased individual's biological  
6 children and such adopted children whose confirmed  
7 petition for adoption by the wage earner has been  
8 presented to the Social Security Administration.  
9 Notwithstanding anything in this subsection, no person,  
10 adopted after December 31, 2006 and after the 55<sup>th</sup>  
11 birthday of the adopting parent, shall be a 'child' for  
12 the purposes of this title unless, the Social Security  
13 Administrator makes a determination that, due to  
14 exceptional circumstances, the person shall be so  
15 entitled. In reaching a determination that exceptional  
16 circumstances apply, the Social Security Administrator  
17 shall satisfy himself or herself that future eligibility  
18 for social security benefits was not a significant  
19 factor in the decision to adopt and may consider any  
20 available, relevant information including, but not  
21 limited to:

22 (a) whether the adopted child's biological  
23 mother, and/or biological father were alive at the time  
24 the adoption took place;

25 (b) if one or both biological parents were alive

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1 at the time of adoption, whether one or both parents  
2 were acting or were capable of acting as a primary  
3 caregiver at that time;

4 (c) whether the adopting parent is a relative of  
5 the adopted child;

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

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

14 (f) any other factor the Social Security  
15 Administrator considers relevant.

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

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

25 (7) 'Earning test' means that an individual who

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1 receives a retirement, disability, or survivor benefit  
2 and who works in covered or noncovered employment shall  
3 have his quarterly benefit reduced by one dollar for  
4 each [~~two~~] four dollars earned in a quarter, except  
5 there shall be no reduction for the first \$300 earned in  
6 a quarter. The reduction shall be applied in one of the  
7 subsequent two quarters immediately after the quarter in  
8 which the earnings were made, or as soon as possible  
9 thereafter. All benefit recipients have an affirmative  
10 duty to disclose to the FSM Social Security  
11 Administration all earnings from either covered or non-  
12 covered employment for any time period during which they  
13 received earnings and for which they are receiving or  
14 claiming benefits.

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 the employer-  
19 employee relationship, has the status of an employee; or

20 (c) any self-employed person who has at least one  
21 employee for whom he is required to report in a given  
22 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) 'Employment, covered' or 'covered employment'  
2 means any service by an employee for an employer  
3 incorporated or doing business within the Federated  
4 States of Micronesia employing him, irrespective of  
5 where such employment is performed, except family  
6 employment.

7           (10) 'Employment, noncovered' or 'noncovered  
8 employment' means any employment engaged in by an  
9 employee where coverage is statutorily exempt in the  
10 Federated States of Micronesia, family employment, or  
11 employment by an employee outside the Federated States  
12 of Micronesia and which is not taxable by the FSM Social  
13 Security Administration.

14           (11) 'Family employment' means employment of a worker by  
15 a member of the household, a parent or a son or daughter  
16 except that the worker may apply to the Board for a  
17 determination that such employment is bona fide covered  
18 employment subject to this subtitle.

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

20                 (a) 'Currently insured individual' means any  
21 individual who has had not less than twenty quarters of  
22 coverage during the 25-quarter period ending with:

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

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

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1 (iii) the quarter in which he became disabled,  
2 whichever first occurs.

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

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

18 (ii) For individuals who turn sixty (60) or die  
19 after December 31, 2006, no more than fifty (50)  
20 quarters of coverage and employee contributions to the  
21 Social Security System of at least \$2,500 are required  
22 to be fully insured. Should an individuals' employee  
23 contributions total less than \$2,500 as of the date of  
24 termination of employment or death, the individual or  
25 their surviving spouse may pay the difference to the FSM

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1 Social Security Administration in a single sum payment  
2 in order to become fully insured. The surviving  
3 children will be eligible for benefits so long as the  
4 individual was currently insured at the time of the  
5 individual's death.

6 (iii) For individuals who become disabled after  
7 December 31, 2006, no more than 45 quarters of coverage  
8 and employee contributions to the Social Security System  
9 of at least \$1500 are required to be fully insured.  
10 Should an individual's employee contribution total less  
11 than \$1,500 as of the date of termination from  
12 employment, the individual may pay the difference to the  
13 FSM Social Security Administration in a single sum  
14 payment in order to become fully insured.

15 (13) 'Quarter' and 'calendar quarter' mean a period of  
16 three calendar months ending on March 31st, June 30th,  
17 September 30th, or December 31st. 'Quarter of coverage'  
18 means a quarter in which the individual has been paid  
19 [~~\$50~~] \$300 or more in wages in employment subject to  
20 this subtitle.

21 [~~(13)~~] (14) 'Wages' means remuneration paid subject to  
22 the  
23 provisions of this subtitle, including the cash value of  
24 all remuneration paid in any medium other than cash and  
25 remuneration accruing to a self-employed person.

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1           Remuneration accruing to a self-employed person shall be  
2           deemed to be twice the amount paid to the highest paid  
3           employee reported by the self-employed person in a  
4           quarter, with a maximum of \$3,000 per quarter through  
5           September 30, 2003 and a maximum of \$5,000 per quarter  
6           beginning October 1, 2003. This maximum quarterly  
7           amount shall increase to \$6,000 on January 1, 2008,  
8           \$7,000 on January 1, 2013, \$8,000 on January 1, 2018,  
9           \$9,000 on January 1, 2023, and \$10,000 on January 1,  
10          2028. Remuneration accruing to a self-employed person  
11          who has no covered employees shall, for each quarter of  
12          a year, be deemed to be 5 percent of the gross revenue  
13          of the business for the previous calendar year, subject  
14          to a \$3,000 maximum per quarter through September 30,  
15          2003 and a maximum of \$5,000 per quarter beginning  
16          October 1, 2003. The maximum quarterly amount shall  
17          increase to \$6,000 on January 1, 2008, \$7,000 on January  
18          1, 2013, \$8,000 on January 1, 2018, \$9,000 on January 1,  
19          2023, and \$10,000 on October 1, 2028. Remuneration paid  
20          for any service which is more or less than a whole  
21          dollar shall, as may be prescribed by regulations, be  
22          computed to the nearest dollar. Wages shall not  
23          include:

24                   (a) that part of remuneration in excess of \$3,000  
25                   through September 30, 2003 and in excess of \$5,000



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1 beginning October 1, 2003, in excess of \$6,000 beginning  
2 January 1, 2008, in excess of \$7,000 beginning January  
3 1, 2013, in excess of \$8,000 beginning January 1, 2018,  
4 in excess of \$9,000 beginning on January 1, 2023, and in  
5 excess of \$10,000 beginning on January 1, 2028, paid in  
6 a quarterly reporting period by one employer;

7 (b) any payment on account of sickness or  
8 accident disability, or medical or hospitalization  
9 expenses made by an employer to or on behalf of an  
10 employee;

11 (c) any payment made to or on behalf of an  
12 employee or to the employee's beneficiary from a trust  
13 or annuity;

14 (d) remuneration paid in any medium other than  
15 cash to an employee for service not in the course of the  
16 employer's trade or business or for domestic service in  
17 a private home of an employer;

18 (e) remuneration paid for casual or intermittent  
19 labor not performed in the course of the employer's  
20 trade or business when such employment does not exceed  
21 employment in more than one week in each calendar month  
22 of each quarterly reporting period; and

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

25 Section 2. Section 805 of Title 53 of the Code of the

1 Federated States of Micronesia is hereby amended to read as  
2 follows:

3 "Section 805. Reemployment after retirement.  
4 In the event an individual who is receiving retirement  
5 insurance benefits returns to covered employment, the  
6 benefit shall be recomputed in accordance with the  
7 earning test at the end of the calendar year and paid as  
8 provided in this subtitle beginning with the year after  
9 the calendar year after the calendar year the earnings  
10 were made."

11 Section 3. This act shall be effective immediately upon this  
12 act becoming law. This act shall become law upon approval by the  
13 President of the Federated States of Micronesia or upon its  
14 becoming law without such approval.

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16 Date: 5/24/07

Introduced by: /s/ Roosevelt D. Kansou  
Roosevelt D. Kansou

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