A BILL FOR AN ACT

To further amend sections 1202, 1208 and 1217 of title 55 of the Code of the Federated States of Micronesia, as enacted by Public Law No. 10-150 and amended by Public Law No. 12-16, for the purposes of placing one member of each government on the Board of Trustees, establishing State sub-accounts in the FSM Trust Fund, and for other purposes.

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

1 Section 1. Section 1202 of title 55 of the Code of the Federated States of Micronesia, as amended by Public Law No. 12-16, is hereby further amended to read as follows:

"Section 1202. Definitions. Unless otherwise specified or clear from the context, words and phrases used in this chapter shall have the following meanings:

(1) 'Baseline Funding' means the amount of Compact of Free Association assistance provided to a government in fiscal year 2001, adjusted for inflation to the final year of the first Compact;

(2) 'Board' means the Board of Trustees of the Fund;

(3) 'Contributing government' means the government of any State of the FSM or the National Government once such government has made a contribution of funds to the S Account;

(4) 'FSM' means the sovereign nation of the Federated States of Micronesia;

(5) 'Financial year' means the fiscal year of the Fund, which shall be the twelve-month period ending on the last
day of each December;

(6) 'Fiscal year' means the fiscal year of the National Government;

(7) 'Fund' means the FSM Trust Fund created by this chapter, including the accounts therein;

(8) 'Fund custodians' means the one or more firms selected by the Board to assume responsibility for the physical possession of the Fund assets or evidences of assets;

(9) 'Fund managers' means the one or more firms selected by the Board to manage the investment and reinvestment of the Fund's resources;

(10) 'Fund returns' means the returns accruing to the Fund by way of income generated from the Fund's resources and the capital appreciation of those resources;

(11) 'Long-term Trust Account' means a Trust Fund or Trust Account similar or identical in structure to the terms of this Trust Fund, wherein an Account is designed for the principal to be maintained through long-term investments.

(12) 'National Government' means the National Government of the FSM;

(13) 'Other participating government' means a State [or local] government of the FSM participating pursuant.
to a memorandum of understanding with the National Government];

'(14)'Real value' means the value of contributions to the Fund when adjusted to reflect inflation and population change. For purposes of determining 'real value' at any one time, the value of a contribution in the form of a loan shall be the principal balance then owing. The inflation adjustment shall be made to current prices in line with movements in the US Consumer Price Index. Population refers to the number of FSM citizens residing in the FSM. When current population figures are not available, the Board shall use such estimates thereof as it finds to be reasonable. Such estimates may be extrapolated from the most recent population census based on the population growth rate prior thereto;

'(15)'Renovation' means the process whereby Fund returns, whether in the form of income or appreciation, become part of the capital of the Fund; and

'(16)'Renewal compact' means the renewed economic assistance provisions contained in Title Two of the Compact of Free Association.'

Section 2. Section 1208 of title 55 of the Code of the Federated States of Micronesia, as enacted by Public Law No. 10-150, is hereby amended to read as follows:

"Section 1208. Board."
[(1) The Fund shall have a Board of Trustees consisting of five trustees appointed and removable by the President of the FSM with the advice and consent of the Congress of the FSM. Nominations to the Board shall take into account the need to have adequate geographical representation from within the FSM, representation of other participating governments with substantial accounts, representation of substantial foreign contributors to the Fund, and complementary experience in the fields of investment management and public finance. Each trustee shall serve for a term of four years or until a successor is appointed, provided, however, that two of the trustees on the initial board shall be appointed to two-year terms. The Board shall elect a chairman from among its own members.]

(1) The Fund shall have a Board of Trustees consisting of five trustees one member shall be appointed by the President of the Federated States of Micronesia with the advice and consent of Congress. The Governor of each State of the Federated States of Micronesia shall appoint one member of the Board with the advice and consent of the respective State legislative bodies. The Minimum qualification for services as a member of the Board shall
be a bachelor’s degree in finance or related field, and
five years of experience in the area of finance. Board
members shall serve a term of four years. The President
of the Federated States of Micronesia may recall the
National Government appointee to the Board. The Governor
of the respective State may recall its appointee to the
Board. The Board shall elect a Chairman from amongst its
members.

(2) All powers of the Fund shall be vested in and
exercisable by the Board.

(3) The functions of the Board shall include:
• (a) obtaining, along with others, contributions to
the Fund;
• (b) operation, supervision and management of the
Fund; and
• (c) investment and distribution of resources of the
Fund.

(4) Trustees shall serve as such without payment of
compensation from the Fund or any other source. Reasonable
expenses of the Board itself shall be provided for
annually in the national budget of the FSM and not paid
out of the Fund.

(5) The Board shall meet at least once per year and
additionally as necessary, and reasonable notice shall be
given of meetings.
(6) For the purposes of meetings of the Board, three-fifths of trustees shall constitute a quorum.

(7) Except where otherwise provided in this chapter, questions before the Board shall be decided by a majority of votes of trustees present and voting at the meeting.

(8) The Board shall establish its own bylaws and rules of procedure.”

Section 3. Section 1217 of title 55 of the Code of the Federated States of Micronesia, as amended by Public Law No. 12-16, is hereby further amended to read as follows:

"Section 1217. Other participating government accounts.

[Contributions may be made to the Fund for the benefit of other participating governments in the FSM, in which case the Board shall establish separate A, B and S Accounts within the Fund in the name of each such government. Such accounts shall be subject to this chapter and administered in the same manner as the National Government A, B and S Accounts except that distributable funds or assets shall be made available to the other participating governments rather than the National Government. Fund expenses shall be prorated between the accounts of different governments in proportion to their relative share of the total Fund.]"
(1) There are hereby created State sub-accounts, including A and B sub-accounts, for each of the States of the Federated States of Micronesia.

(2) Any donor, including the State and National governments may make contributions to a State sub-account or sub-accounts.

(3) National Government contributions to State sub-accounts shall only be to the long-term, A sub-account of that State or States.

(4) Contributions to a State sub-account made by the National Government shall remain the property of the National Government, with the relevant State being the beneficiary of the proceeds subject to the conditions of the A account. In the event the corpus of the A sub-account is withdrawn or disbursed for any reason other than to cover administrative or operating expenses or other requirements of section 1213, or is to be transferred into another Long-Term Trust Account created by the National Government, then the contribution shall be reimbursed to the National Government. Such accounts shall be subject to this chapter and administered in the same manner as the National Government A, B and S Accounts except that distributable funds or assets shall be made available to the other participating governments rather than the National Government.
(5) States may withdraw their contributions to their States sub-account "A" beginning 2023.

(6) Fund expenses shall be prorated between the accounts of different governments in proportion to their relative share of the total Fund."

Section 4. This act shall become law upon approval by the President of the Federated States of Micronesia or upon its becoming law without such approval.

Date: 5/15/14

Introduced by: /s/ Isaac V. Figir

Isaac V. Figir