A BILL FOR AN ACT

To amend chapter 8 of title 53 of the Code of the Federated States of Micronesia (Annotated), by amending section 804 thereof, in order to remove the earnings test for persons at age 65 who are entitled to old age retirement benefits, by amending section 810 thereof, in order to allow individuals not fully insured at retirement age to elect to receive an optional lump-sum payment for their full tax contribution into the social security system, and for other purposes.

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

Section 1. Section 804 of title 53 of the Code of the Federated States of Micronesia (Annotated) is hereby amended to read as follows:

“Section 804. Amount of retirement and disability insurance benefits.

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

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

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

(c) For benefit payments that begin on or after January 1, 2011:

   (i) For individuals who are 65 and over; 16.5% of the first $10,000 of cumulative covered earnings, plus three percent of cumulative covered earnings in excess of $10,000 but not in excess of the next $30,000, plus two percent of the cumulative covered earnings in excess of $40,000 but not in excess of the next $262,500, plus one percent of cumulative covered earnings in excess of $302,500. These payments in this subsection shall be made without reduction pursuant to the earnings test in section 603(7) of this subtitle.

   (ii) For individuals who turn 60 after January 1, 2011, such individual from ages 60 to 64 will receive 50% of the total of all the described benefits in this subsection, 16.5% of the first $10,000 of cumulative covered earnings, plus three percent of cumulative covered earnings in excess of $10,000 but not in excess
of the next $30,000, plus two percent of the cumulative covered earnings in excess of $40,000 but not in excess of the next $262,500, plus one percent of cumulative covered earnings in excess of $302,500. These payments in this subsection shall be made without reduction pursuant to the earnings test in section 603(7) of this subtitle.

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

(d) Earnings for covered employment after commencement of payments for retirement or disability insurance benefits shall be included in benefit calculations upon subsequent application for benefits, but such earnings shall be applicable for benefits for months after the calendar year in which such earnings occurred. For the purpose of this section cumulative covered earnings includes earnings on which contributions have been paid by the individual to the Trust Territory Social Security System.

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

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

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

(3) An individual who is currently and fully insured and who has been under a disability for three full calendar months and the onset of disability occurred on or after January 01, 2011, or an individual who was fully insured and the onset of disability occurred prior to this bill becoming law shall be paid a monthly benefit for life or until recovery from the disability, except for any month of disqualification as provided by this subtitle in an amount calculated in accordance with the preceding subsections of this section, and for an individual with an onset of disability on or after January 1, 2011, he or she will receive benefits as if he or she retired at age 65, but with existing quarters of
coverage. Further, the amount of the benefit as so determined shall, if the individual is receiving a periodic workmen’s compensation benefit, be reduced each month by the excess of the sum of the workmen’s compensation benefit for that month, and the benefit payable under this Act over 80 percent of one-twelfth of the highest annual covered wages in the period consisting of the year in which the disability occurred and the preceding five years. If a workmen’s compensation benefit was payable in periodic benefits but was commuted to a lump sum, for purposes of this subsection it will be considered that the periodic benefit originally available was paid in each month that it would have been paid if the commutation had not occurred."

Section 2. Section 810 of title 55 of the Code of the Federated States of Micronesia (Annotated) is hereby amended to read as follows:

"Section 810. Optional lump sum payment to individuals not fully insured who reach retirement age. (1) Any individual who reaches retirement age and who is not fully insured for Social Security benefits may, at his or her own option, elect to have a lump sum payment of four percent for his or her total cumulative covered earnings that is equivalent to their employee social security tax contributions under section
901. If an individual elects to accept the lump sum payment, he or she shall lose credit for all quarters of coverage earned up to that point. If that individual returns to work, he or she shall start over again to earn quarters of coverage leading to being currently or fully insured. Only individuals who have resided in the Federated States of Micronesia for at least one year preceding their applications for these benefits, and who have either resided in the Federated States of Micronesia for a period of time of not less than ten years total, or who were born in the Federated States of Micronesia, are eligible for this optional lump sum payment.

(2) For the purpose of this section, total Social Security contributions include contributions paid by the individual to the Trust Territory Social Security System.”

Section 3. This act shall take effect on January 1, 2023.

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: 7/20/22  Introduced by: /s/ Ferny S. Perman  
Ferny S. Perman