
A BILL FOR AN ACT

To amend sections 1202, 1204, and 1216 of title 55 of the Code of the Federated States of Micronesia (Annotated), as amended by Public Laws Nos. 19-67, 20-185, and 21-12, to clarify definitions, to clarify the purpose and restrictions of 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
2 Federated States of Micronesia (Annotated), as amended by Public
3 Law No. 19-67, is hereby further amended to read as follows:

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

8 (1) 'Baseline Funding' means the balance of the FSM
9 Trust Fund on January 1, 2016 not including the
10 balances of the State Sub-Accounts;

11 (2) 'Board' means the Board of Trustees of the Fund
12 appointed pursuant to section 1208 of this title;

13 (3) 'Contributing government' means the government of
14 any State of the FSM or the National Government once
15 such government has made a contribution of funds to the
16 State Sub-Account's;

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

1 (5) 'Financial year' means the fiscal year of the
2 Fund, which shall be the twelve-month period ending on
3 the last day of each [~~December~~] September;

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

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

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

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

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

19 (11) 'General Fund' means the General Fund of the
20 Federated States of Micronesia, into which all
21 revenues raised pursuant to the tax laws and other
22 revenue laws shall be deposited.

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

25 (13) 'Other participating government' means a State

1 government of the FSM;

2 (14) 'Real value' means the value of contributions to
3 the Fund adjusted annually at the beginning of the
4 financial year in the same percentage as the United
5 States Bureau of Labor Statistics Consumer Price Index
6 for All Urban Consumers All Items, United States City
7 Average of the previous 12 months; and

8 (15) 'Reinvestment' means the process whereby Fund
9 returns, whether in the form of income or appreciation,
10 become part of the capital of the Fund."

11 Section 2. Section 1204 of title 55 of the Code of
12 the Federated States of Micronesia (Annotated), as amended
13 by Public Laws Nos. 19-67 and 21-12 is hereby further
14 amended to read as follows:

15 "Section 1204. Purpose.

16 ~~[(1) The purpose of the Account A and Account B~~
17 ~~portion of the Fund is to create a disciplined~~
18 ~~approach to ensure the protection of the Fund's Real~~
19 ~~Value into perpetuity while providing a sustainable~~
20 ~~source to supplement the needs of the General Fund.~~
21 ~~Specifically, the accounts shall:~~

22 ~~(a) assist the National Government and other~~
23 ~~participating governments to achieve greater financial~~
24 ~~autonomy in the management of their recurrent budgets;~~

1 ~~(b) enable the FSM at all levels of government~~
2 ~~to meet long-term maintenance and operating costs of~~
3 ~~social and economic infrastructure; and~~

4 ~~(c) enable the FSM at all levels of government~~
5 ~~to improve existing levels of social and economic~~
6 ~~infrastructure].~~

7 (1) The purpose of the Trust Fund is to establish
8 sustainable and permanent financial resources to assist
9 the National and State Governments in addressing
10 potential long-term challenges and unforeseen threats.

11 (2) The establishment of Account A and Account B is
12 to create a disciplined approach to ensure the
13 protection of the Fund's Real Value into perpetuity
14 while providing sustainable source to supplement the
15 needs of the General Fund.

16 ~~[(2)]~~ (3) The purpose of the State Sub-Account's A and
17 B of the Fund are consistent with the subsections (1)
18 above [distinct] and are further defined in section 1217
19 of this chapter."

20 Section 3. Section 1216 of title 55 of the Code of the
21 Federated States of Micronesia (Annotated), as amended by Public
22 Laws Nos. 19-67 and 20-185, is hereby further amended to read as
23 follows:

24 "Section 1216. Miscellaneous restrictions.

1 (1) Except as provided in subsection 1211(a) of this
2 chapter, the Fund shall not borrow money.

3 (2) The Fund shall not be used to guaranty the debt
4 of another person or entity.

5 ~~[(3) The Fund shall not invest more than 40 percent
6 in non-U.S. securities or instruments denominated in
7 currencies other than the U.S. dollar except as prudent
8 and necessary to avoid exchange rate risks on loans
9 which must be repaid in a currency other than the US
10 dollar.]~~

11 (3) In recognition of the existential threat from
12 climate change, it is mandate that the investments in
13 the Trust fund shall follow a sustainable investment
14 policy that integrates the considerations of the risks
15 and opportunities coming from a global transition into a
16 lower carbon economy, such as renewable and clean
17 energy. Specifically, current investment returns shall
18 be balanced against long term sustainability goals.
19 Portfolio management techniques shall evolve with the4
20 conform to the prevailing green finance policies

21 a. Investment portfolio shall seek protection
22 from investment risks associated with rapid global
23 decarbonization.

24 b. Investment portfolio shall seek investment
25 opportunities associated with a global transition to a

1 lower carbon economy such as emerging technology and
2 industries of renewable energy, energy efficiency,
3 water, waste management, carbon capture, pollution
4 control, food & sustainable agriculture, as well as
5 other goals set forth in the United Nations Sustainable
6 Development Goals (UNSDGs)."

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

10

11 Date: 5/25/21

Introduced by: /s/ Florencio S. Harper

Florencio S. Harper

(by request)

12

13

14

15

16

17

18

19

20

21

22

23

24

25