

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 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 Trust Fund is to establish  
17 sustainable and permanent financial resources to assist  
18 the National and State Governments in addressing  
19 potential long-term challenges and unforeseen threats.

20 (2) The establishment of Account A and Account B is  
21 to create a disciplined approach to ensure the  
22 protection of the Fund's Real Value into perpetuity  
23 while providing sustainable source to supplement the  
24 needs of the General Fund.

25 (3) The purpose of the State Sub-Account's A and B of

1           the Fund are consistent with the subsections (1) above  
2           and are further defined in section 1217 of this  
3           chapter.”

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

8           “Section 1216. Miscellaneous restrictions.

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

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

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

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

1                   b. Investment portfolio shall seek investment  
2                   opportunities associated with a global transition to a  
3                   lower carbon economy such as emerging technology and  
4                   industries of renewable energy, energy efficiency,  
5                   water, waste management, carbon capture, pollution  
6                   control, food & sustainable agriculture, as well as  
7                   other goals set forth in the United Nations Sustainable  
8                   Development Goals (UNSDGs)."

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

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June 1st \_\_\_\_\_, 2021

/s/ David W. Panuelo  
David W. Panuelo  
President  
Federated States of Micronesia