A BILL FOR AN ACT

To provide for a Retirement Fund, annuities, death benefits, and other incidental benefits for employees of the National Government, participating state and local governments, and other participating public entities in the Federated States of Micronesia, and to provide for widow's annuities and other benefits to the dependents of such employees, and for other purposes.

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

1 Section 1. Purpose. The purpose of this act is to provide for a retirement fund, annuities, death benefits and other incidental benefits for employees of the National Government, participating state and local governments, and other participating public entities in the Federated States of Micronesia, who become aged, deceased or otherwise incapacitated, and to provide for widow's annuities and other benefits to the dependents of such employees, thereby enabling the employees to accumulate reserves for themselves and their dependents, to meet without prejudice or hardship, the hazards of old age, disability, death and termination of employment, with the objective of encouraging qualified personnel to enter and remain in public service, thus effecting economy and efficiency in public administration.

13 Section 2. The Plan.

14 (1) In furtherance of implementing the provisions of this act, the Board of Trustees created pursuant to section 5 of this act is hereby authorized to prepare and issue a separate document establishing "The Federated States of Micronesia Civil Service Pension Plan and Trust," hereinafter referred to as "the Plan."

19 (2) The Plan shall include, but not be limited to, provisions which shall not be inconsistent with the provisions of this act, pertaining to retirement and survivor benefits including annuities, death benefits, disability benefits, and termination benefits.

3 The Board of Trustees shall promulgate the Plan and any amendments thereto as regulations in accordance with the provisions
of Chapter 1 of Title 17 of the Code of the Federated States of Micronesia, and such regulations shall have the force and effect of law.

Section 3. Participating agencies. As used in this act, "participating agencies" means the National Government of the Federated States of Micronesia, including its public corporations and quasi-governmental organizations; and each state and local government and their public corporations and quasi-governmental organizations, and other public entities in the Federated States of Micronesia participating in the Plan in accordance with the provisions of section 6 of this act. "Participating agency" means one such particular agency.

Section 4. Trust Fund. There is hereby established a "Trust Fund," which shall constitute an integral part of the Plan and which shall be separate from the general fund and all other funds. All sums representing contributions of participating agencies to the Plan, employee contributions to the Plan, and earnings thereon, shall be deposited in the Trust Fund. The Trust Fund shall also include all other assets of the Plan.

Section 5. Board of Trustees.

(1) The Plan shall be managed and its powers exercised by a Board which shall consist of seven members called Trustees to be appointed by the President with the advice and consent of the Congress. Nominations to the Board shall take into account the need to have representation of the participating states. The Board of
Trustees shall select a chairman by a majority vote. Members shall
serve for a term of four years. Of the members first appointed, two
shall serve for two years; two shall serve for three years; and three
shall serve for four years. Determination as to who shall serve what
term shall be by the drawing of lots. Vacancies shall be filled in
the same manner as the original appointment.

(2) Four Trustees shall constitute a quorum of the Board
for the transaction of business. The concurrence of four Trustees
shall constitute official action of the Board of Trustees. The Board
may adopt bylaws and regulations governing the conduct of its affairs.

(3) Each Trustee shall receive the sum of Fifteen Dollars
for his attendance at any meeting of the Board, but such compensation
shall not apply to more than four (4) meetings or exceed Sixty Dollars
in any one calendar year. No Trustee shall receive any other
compensation, but shall be reimbursed reasonable expenses for actual
travel, and shall be entitled to standard National Government per diem
rates in the discharge of his responsibilities.

(4) The Board of Trustees shall meet annually or more often
at the call of the Chairman.

Section 6. Adoption Agreements. Any state or local government,
or their public corporations or quasi-governmental organizations, or
other public entities in the Federated States of Micronesia, may
become a participating agency in the Plan by entering into an Adoption
Agreement with the Board of Trustees under which such government,
public corporation, quasi-governmental organization, or other public
entity agrees to be bound by the provisions of this act and the Plan.

Section 7. Administration Agent. The Board Trustees shall appoint an Administration Agent of the Plan and shall negotiate the administration services agreement with such Agent. This Agent shall be responsible for carrying out such duties and responsibilities under the Plan as may be assigned by the Board of Trustees and accepted by the Agent.

Section 8. Investment of Funds.

(1) The Board of Trustees shall authorize the Administration Agent to invest and reinvest all assets of the Plan. The Board of Trustees shall have full power to delegate the management of the investments as in its considered judgment seems most appropriate to the requirements and objectives of the Plan. These powers shall include, but are not limited to, the following:

(a) to hold, purchase, sell, convey, assign, transfer, dispose, lease, sub-divide or partition any assets held or proceeds thereof;

(b) to execute or cause to be executed relevant documents;

(c) to enter into protective agreements, execute proxies, grant consents; and

(d) to do all other things necessary or appropriate to its position as an owner or creditor.

(2) No member of the Board of Trustees shall have any direct or indirect interest in the income, gains or profits on any
investment made by the Plan, nor shall any Trustee receive any pay for
services in connection with any investment made by the Plan.

(3) The Board of Trustees may engage the services of a
commercial bank to provide services as necessary to the Plan and to
secure expert advice and counsel regarding investments of the Plan
assets. All costs incurred for such services shall be paid from the
Plan assets.

Section 9. Contributions.

(1) Employee members. Each employee member shall
contribute to the Plan by reduction in salary a percentage of gross
pay as determined from time to time by the Board of Trustees. The
initial contribution rate shall be 6% of gross pay. After two
credited years of participation, an employee shall be 100% vested in
the employee's contributions.

(2) Government. The initial contribution of participating
agencies to the Plan shall be 6.4% of employees' gross pay and may be
varied by the Board of Trustees from time to time in accordance with
the need to fund the Plan on an actuarially sound basis. Each
participating agency shall be advised of any such variance.

(3) If any participating agency does not appropriate or
provide the necessary funding to support the required level of
contributions established in accordance with this act, then the Board
of Trustees shall be authorized to reduce or eliminate the benefits
accorded to the employees of that participating agency in an
actuarially sound manner.
Section 10. Intent of Law. It is the intention of this act that
the timely payment of the required contributions by the participating
agencies shall be the only obligation of the participating agencies,
and all allowance, annuities, benefits, administration, custodial,
audit fees and any other fees shall be paid from the assets of the
Plan.

Section 11. Penalties. Any person who knowingly makes any false
statement or falsifies or permits to be falsified any record or
records of this Plan, or any attempt to defraud the retirement system,
shall be punishable therefore under the laws of the Federated States
of Micronesia. The Plan shall have the right to recover any payments
made under such false representations.

Section 12. Severability. If any provision of this act or any
regulation or order promulgated hereunder, or the application of any
such provision, regulation or order to any person or circumstances
shall be held invalid by a court of competent jurisdiction, this act
or any regulations or orders promulgated pursuant thereto, or the
application of such provisions, regulations or orders to persons or
circumstances other than those to which it is held invalid, shall not
be affected thereby.

Section 13. Effective date. This act shall take effect upon its
approval by the President of the Federated States of Micronesia or
upon its becoming law without such approval.

Date: 11-07-86

Introduced by: Joab N. Sigrah
(by request)