

HE SA  
JGO

---

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  
2 retirement fund, annuities, death benefits and other incidental  
3 benefits for employees of the National Government, participating state  
4 and local governments, and other participating public entities in the  
5 Federated States of Micronesia, who become aged, deceased or otherwise  
6 incapacitated, and to provide for widow's annuities and other benefits  
7 to the dependents of such employees, thereby enabling the employees to  
8 accumulate reserves for themselves and their dependents, to meet  
9 without prejudice or hardship, the hazards of old age, disability,  
10 death and termination of employment, with the objective of encouraging  
11 qualified personnel to enter and remain in public service, thus  
12 effecting economy and efficiency in public administration.

13       Section 2. The Plan.

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

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

24           (3) The Board of Trustees shall promulgate the Plan and any  
25 amendments thereto as regulations in accordance with the provisions

HE 8A  
JGO

C. B. No. 4-375

---

1 of Chapter 1 of Title 17 of the Code of the Federated States of  
2 Micronesia, and such regulations shall have the force and effect of  
3 law.

4 Section 3. Participating agencies. As used in this act,  
5 "participating agencies" means the National Government of the  
6 Federated States of Micronesia, including its public corporations and  
7 quasi-governmental organizations; and each state and local government  
8 and their public corporations and quasi-governmental organizations,  
9 and other public entities in the Federated States of Micronesia  
10 participating in the Plan in accordance with the provisions of section  
11 6 of this act. "Participating agency" means one such particular  
12 agency.

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

20 Section 5. Board of Trustees.

21 (1) The Plan shall be managed and its powers exercised by a  
22 Board which shall consist of seven members called Trustees to be  
23 appointed by the President with the advice and consent of the  
24 Congress. Nominations to the Board shall take into account the need  
25 to have representation of the participating states. The Board of

HE SA  
JGO

C. B. No. 4-375

---

1 Trustees shall select a chairman by a majority vote. Members shall  
2 serve for a term of four years. Of the members first appointed, two  
3 shall serve for two years; two shall serve for three years; and three  
4 shall serve for four years. Determination as to who shall serve what  
5 term shall be by the drawing of lots. Vacancies shall be filled in  
6 the same manner as the original appointment.

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

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

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

20 Section 6. Adoption Agreements. Any state or local government,  
21 or their public corporations or quasi-governmental organizations, or  
22 other public entities in the Federated States of Micronesia, may  
23 become a participating agency in the Plan by entering into an Adoption  
24 Agreement with the Board of Trustees under which such government,  
25 public corporation, quasi-governmental organization, or other public

HE 9A  
JG 10

C. B. No. 4-375

---

1 entity agrees to be bound by the provisions of this act and the Plan.

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

8 Section 8. Investment of Funds.

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

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

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

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

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

24 (2) No member of the Board of Trustees shall have any  
25 direct or indirect interest in the income, gains or profits on any

HESA  
JGU

C. B. No. 4-375

---

1 investment made by the Plan, nor shall any Trustee receive any pay for  
2 services in connection with any investment made by the Plan.

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

8 Section 9. Contributions.

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

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

20 (3) If any participating agency does not appropriate or  
21 provide the necessary funding to support the required level of  
22 contributions established in accordance with this act, then the Board  
23 of Trustees shall be authorized to reduce or eliminate the benefits  
24 accorded to the employees of that participating agency in an  
25 actuarially sound manner.

HEBA  
JGD

C. B. No. 4-375

1 Section 10. Intent of Law. It is the intention of this act that  
2 the timely payment of the required contributions by the participating  
3 agencies shall be the only obligation of the participating agencies,  
4 and all allowance, annuities, benefits, administration, custodial,  
5 audit fees and any other fees shall be paid from the assets of the  
6 Plan.

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

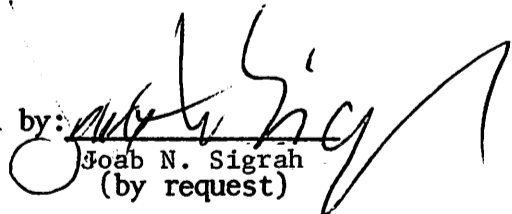
13 Section 12. Severability. If any provision of this act or any  
14 regulation or order promulgated hereunder, or the application of any  
15 such provision, regulation or order to any person or circumstances  
16 shall be held invalid by a court of competent jurisdiction, this act  
17 or any regulations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

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

24

25 Date: 11-07-86

Introduced by:

  
Joab N. Sigrah  
(by request)