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.

14 Section 2. The Plan.

15 (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."

20 (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.

25 (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, or 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 4 years. Of the members first appointed, two
shall serve for 2 years; two shall serve for 3 years; and three
shall serve for 4 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 $15 for his
attendance at any meeting of the Board, but such compensation
shall not apply to more than four meetings or exceed $60 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 of 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, subdivide 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 percent of gross pay. After 2
credited years of participation, an employee shall be 100 percent
vested in the employee's contributions.
(2) Government. The initial contribution of participating
agencies to the Plan shall be 6.4 percent 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 become law upon approval by the President of the Federated States of Micronesia or upon its becoming law without such approval.

Date: 10-16-87

Introduced by: Claude H. Phillip (by request)