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

14 Section 2. The Plan.

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

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

25 (3) The Board of Trustees shall promulgate the Plan and

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1 any amendments thereto as regulations in accordance with the
2 provisions of chapter 1 of title 17 of the Code of the Federated
3 States of Micronesia, and such regulations shall have the force and
4 effect of law.

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

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

21 Section 5. Board of Trustees.

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

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

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

12 (3) Each Trustee shall receive the sum of \$15 for his
13 attendance at any meeting of the Board, but such compensation
14 shall not apply to more than four meetings or exceed \$60 in any one
15 calendar year. No Trustee shall receive any other compensation, but
16 shall be reimbursed reasonable expenses for actual travel, and shall
17 be entitled to standard National Government per diem rates in the
18 discharge of his responsibilities.

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

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

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1 government, public corporation, quasi-governmental organization, or
2 other public entity agrees to be bound by the provisions of this act
3 and the Plan.

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

10 Section 8. Investment of Funds.

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

17 (a) To hold, purchase, sell, convey, assign,
18 transfer, dispose, lease, subdivide or partition any assets held or
19 proceeds thereof;

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

22 (c) To enter into protective agreements, execute
23 proxies, grant consents; and

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

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

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

10 Section 9. Contributions.

11 (1) Employee members. Each employee member shall
12 contribute to the Plan by reduction in salary a percentage of gross
13 pay as determined from time to time by the Board of Trustees. The
14 initial contribution rate shall be 6 percent of gross pay. After 2
15 credited years of participation, an employee shall be 100 percent
16 vested in the employee's contributions.

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

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

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1 accorded to the employees of that participating agency in an
2 actuarially sound manner.

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

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

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

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1 Section 13. Effective date. This act shall become law upon
2 approval by the President of the Federated States of Micronesia
3 or upon its becoming law without such approval.

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Date: 10-16-87

Introduced by: Claude H. Phillip
Claude H. Phillip
(by request)