
A BILL FOR AN ACT

To further amend sections 603 and 804 of title 53 of the Code of the Federated States of Micronesia, as amended by Public Laws Nos. 12-76, 14-37, 14-86, 15-73 and 16-10, to reinstate the Social Security retirement benefits received by an individual age 60 to one-hundred percent (100%), and cease the implementation of the Social Security retirement benefits of fifty percent (50%) for individuals between the ages of 60 and 64, and for other purposes.

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

1 Section 1. Section 603 of title 53 of the Code of the
2 Federated States of Micronesia, as amended by Public Laws Nos.
3 12-76, 14-37, 14-86, 15-73 and 16-10, is hereby further amended to
4 read as follows:

5 "Section 603 Definitions of title 53 of the Code of the
6 Federated States of Micronesia, as amended, is hereby
7 further amended to read as follows:

8 (1) 'Application' means the prescribed form or forms
9 provided to individuals by the Social Security
10 Administrator as the exclusive means by which an
11 individual may apply for the payment of any benefit
12 provided for in section 801, 802, 803 or 803A of this
13 act.

14 (2) 'Became disabled' means the first month in which
15 an individual is under a disability.

16 (3) 'Board' means the Federated States of Micronesia
17 Social Security Board provided for by section 701 of

1 this subtitle.

2 (4) 'Child or spouse' means an applicant that the
3 court of the State in which an individual was domiciled
4 at the time of his death has or would find to be the
5 individual's child or spouse in determining the
6 devolution of intestate personal property. 'Child'
7 shall include only the deceased individual's biological
8 children and such adopted children whose confirmed
9 petition for adoption by the wage earner has been
10 presented to the Social Security Administration and who
11 were adopted by the wage earner on or prior to the wage
12 earner's 55th birthday of the adopting parent, shall be a
13 'child' for the purposes of this title unless, the
14 Social Security Administrator makes a determination
15 that, due to exceptional circumstances, the person shall
16 be so entitled. In reaching a determination that
17 exceptional circumstances apply, the Social Security
18 Administrator shall satisfy himself or herself that
19 future eligibility for social security benefits was not
20 a significant factor in the decision to adopt and may
21 consider any available, relevant information including,
22 but not limited to:

23 (a) whether the adopted child's biological
24 mother, and/or biological father were alive at the time
25 the adoption took place;

1 (b) if one or both biological parents were alive
2 at the time of adoption, whether one or both parents
3 were acting or were capable of acting as a primary
4 caregiver at that time;

5 (c) whether the adopting parent is a relative of
6 the adopted child;

7 (d) whether, at the time the adoption took
8 place, there were relatives, not including the adopting
9 parents, who would have been appropriate guardians for
10 the adopted child;

11 (e) whether the adopting parent was a primary
12 caregiver for the adopted child at the time of adoption
13 and continued in that role after the adoption took
14 place;

15 (f) any other factor the Social Security
16 Administrator considers relevant.

17 (5) 'Contributions' means the tax imposed upon income
18 of covered employees and the tax imposed upon employers
19 on account of wages paid to a covered employee.

20 (6) 'Disability' means inability to engage in any
21 substantial gainful employment by reason of any
22 medically determinable physical or mental impairment
23 which can be expected to result in death or which has
24 lasted or can be expected to last for a continuous
25 period of not less than 12 months.

1 (7) 'Earning test' means that an individual who
2 receives a retirement, disability, or survivor benefit
3 and who works in covered or non-covered employment shall
4 have his quarterly benefit reduced by one dollar for
5 each two dollars earned in a quarter, except there shall
6 be no reduction for the first \$300 earned in a quarter.
7 The reduction shall be applied in one of the subsequent
8 two quarters immediately after the quarter in which the
9 earnings were made, or as soon as possible thereafter.
10 All benefit recipients have an affirmative duty to
11 disclose to the FSM Social Security Administration all
12 earnings from either covered or non-covered employment
13 for which time they are receiving or claiming benefits.
14 ~~[Under certain circumstances as defined in section 804,~~
15 ~~the earnings test may not apply to old age benefits~~
16 ~~received by an individual between the ages of 60 and 64~~
17 ~~who turns 60, after January 1, 2011].~~

18 (8) 'Employee' means:

19 (a) any officer of a corporation; or

20 (b) any individual who, under the usual common
21 law rules applicable in determining the employer-
22 employee relationship, has the status of an employee; or

23 (c) any self-employed person who has at least one
24 employee for whom he is required to report in a given
25 quarter; or

1 (d) any self-employed person who had more than
2 \$10,000 of annual gross revenue in the preceding
3 calendar year.

4 (9) 'Employer means:

5 (a) For purposes of this act, employer means the
6 person, business organization or other organization, or
7 national or state or municipal government or agency,
8 that pursuant to common law rules of employment is the
9 actual person or organization responsible for the
10 formation and continuation of the working relationship
11 with employee.

12 (b) The Social Security Administration has the
13 right to determine the actual employer of employees for
14 purposes of implementing this act, and need not rely on
15 the characterization provided.

16 (c) Employer may be an individual, partnership,
17 corporation or other type of business venture or non-
18 business organization, national or municipal or state
19 organization or agencies thereof, and which in certain
20 circumstances may be more than one, that is responsible
21 for the payment of all Social Security taxes. For
22 partnerships, the liability shall be joint and several
23 among all partners. For other types of business or non-
24 business organizations that are not corporations, the
25 liability shall be joint and several as if the

1 organization was a common law partnership. For
2 corporations, if the corporation fails to meet its tax
3 obligations when due, the liability shall be joint and
4 several between the president of the corporation, and
5 all shareholders with greater than a 30% interest in the
6 corporation.

7 Under this definition all such persons are jointly
8 defined as the employer, for all purposes including the
9 implementation of criminal penalties.

10 (10) 'Employment, covered' or 'covered employment'
11 means any service by an employee for an employer
12 incorporated or doing business within the Federated
13 States of Micronesia employing him, irrespective of
14 where such employment is performed, except family
15 employment.

16 (11) 'Employment, non-covered' or 'non-covered
17 employment' means any employment engaged in by an
18 employee where coverage is statutorily exempt in the
19 Federated States of Micronesia, family employment, or
20 employment by an employee outside of the Federated
21 States of Micronesia and which is not taxable by the FSM
22 Social Security Administration.

23 (12) 'Family employment' means employment of a
24 worker by a member of the household, a parent or a son
25 or daughter except that the worker may apply to the

1 Board for a determination that such employment is bona
2 fide covered employment subject to this subtitle.

3 (13) 'Insured status' can mean any of the
4 following:

5 (a) 'Currently insured individual' means any
6 individual who has had not less than 20 quarters of
7 coverage during the 25 quarter period ending with:

8 (i) the quarter in which he died; or

9 (ii) the quarter in which he became entitled
10 to old age insurance benefits at age sixty (60);

11 (iii) the quarter in which he became disabled,
12 whichever occurs first.

13 (b) For individuals who qualified as a currently
14 insured person prior to December 31, 2006, the number of
15 quarters to qualify as a currently insured person was
16 not less than eight quarters of coverage during the
17 thirteen quarter period ending with:

18 (i) the quarter in which he died; or

19 (ii) the quarter in which he became entitled
20 to old age insurance benefits at age sixty (60);

21 (iii) the quarter in which he became disabled,
22 whichever occurs first.

23 (c) 'Fully insured individual' means any
24 individual whose total cumulative quarters of coverage
25 are at least as great as the number of years calculated

1 from the later of the date the worker turned age twenty-
2 one (21), or June 30, 1968, to the date the worker
3 attains age sixty (60), dies or becomes disabled. For
4 this purpose, partial years shall be counted as whole
5 years (for example 37.25 years would be rounded up to 38
6 years). In no case shall an individual be a fully
7 insured individual unless he has at least 12 quarters of
8 coverage:

9 (i) For individuals who attain age sixty
10 (60), die or become disabled on or before December 31,
11 2006, no more than thirty-eight (38) quarters of
12 coverage are required to be fully insured and there is
13 no minimum amount required for employee contributions to
14 the Social Security System.

15 (ii) For individuals who turn sixty (60) or
16 die after December 31, 2006, no more than fifty (50)
17 quarters of coverage and employee contributions to the
18 Social Security System of at least \$2,500 are required
19 to be fully insured. Should an individual's employee
20 contributions total less than \$2,500 as of the date of
21 termination of employment or death, the individual or
22 their surviving spouse may pay the difference to the FSM
23 Social Security Administration in a single sum payment
24 in order to become fully insured. The surviving
25 children will be eligible for benefits so long as the

1 individual was currently insured at the time of the
2 individual's death.

3 (iii) For individuals who become disabled
4 after December 31, 2006, no more than 45 quarters of
5 coverage and employee contributions to the Social
6 Security System of at least \$1,500 are required to be
7 fully insured. Should an individual's employee
8 contributions total less than \$1,500 as of the date of
9 termination from employment, the individual may pay the
10 difference to the FSM Social Security Administration in
11 a single sum payment in order to become fully insured:

12 (d) 'Fully insured status' means:

13 (i) For individuals who turn sixty (60) or
14 die after January 01, 2010, shall have total cumulative
15 quarters of coverage equaling fifty (50) quarters of
16 coverage or greater, and employee contributions to the
17 Social Security System of at least \$2,500 are required
18 to be fully insured. Employee contributions are the
19 contributions defined in section 901 only. Should an
20 individual's employee contributions total less than
21 \$2,500 as of the date of qualification as a fully
22 insured individual, the individual or their surviving
23 spouse may pay the difference to the FSM Social Security
24 Administration in a single sum payment in order to be
25 fully insured. If the individual or the surviving

1 spouse is unable to pay the difference on the minimum
2 contribution, the individual or surviving spouse can opt
3 for lump sum payment equal to the total employee
4 contribution.

5 (ii) 'Fully insured' means for individuals
6 who become disabled on or after January 1, 2010, at
7 least forty-five (45) quarters of coverage are needed to
8 be defined as fully insured, and they must also meet the
9 definition of currently insured at the time of the onset
10 of their disability. Additionally, employee's
11 contributions to the Social Security System of at least
12 \$1,500 are required to be fully insured. Should an
13 individual's employee contribution total less than
14 \$1,500 as of the date of disability, the individual may
15 pay the difference to the FSM Social Security
16 Administration in a single lump sum payment in order to
17 be fully insured.

18 (14) 'Quarter' and 'calendar quarter' mean a period of
19 three calendar months ending on March 31st, June 30th,
20 September 30th, or December 31st. 'Quarter of coverage'
21 means a quarter in which the individual has been paid
22 \$300 or more in wages in covered employment subject to
23 this subtitle.

24 (15) 'Wages' means remuneration paid subject to the
25 provisions of this subtitle, including the cash value of

1 all remuneration paid in any medium other than cash and
2 remuneration accruing to a self-employed person.
3 Remuneration accruing to a self-employed person shall be
4 deemed to be twice the amount paid to the highest paid
5 employee reported by the self-employed person in a
6 quarter, with a maximum of \$3,000 per quarter through
7 September 30, 2003 and a maximum of \$5,000 per quarter
8 beginning October 1, 2003. This maximum quarterly
9 amount shall increase to \$6,000 on January 1, 2008,
10 \$7,000 on January 1, 2013, \$8,000 on January 1, 2018,
11 \$9,000 on January 1, 2023, and \$10,000 on January 1,
12 2028. Remuneration accruing to a self-employed person
13 who has no covered employees shall, for each quarter of
14 a year, be deemed to be five (5) percent of the gross
15 revenue of the business or gross revenue of all
16 businesses for the previous calendar year, subject to a
17 \$3,000 maximum per quarter through September 30, 2003
18 and a maximum of \$5,000 per quarter beginning October 1,
19 2003. This maximum quarterly amount shall increase to
20 \$6,000 on January 1, 2008, \$7,000 on January 1, 2013,
21 \$8,000 on January 1, 2018, \$9,000 on January 1, 2023,
22 and \$10,000 on October 1, 2028. Remuneration paid for
23 any service, which is more or less than a whole dollar
24 shall, as may be prescribed by regulations, be computed
25 to the nearest dollar. Wages shall not include:

1 (a) that part of remuneration in excess of \$3,000
2 through September 30, 2003 and in excess of \$5,000
3 beginning October 1, 2003, in excess of \$6,000
4 beginning January 1, 2008, in excess of \$7,000 beginning
5 January 1, 2013, in excess of \$8,000 beginning January
6 1, 2018, in excess of \$9,000 beginning on January 1,
7 2023, and in excess of \$10,000 beginning on January 1,
8 2028, paid in a quarterly reporting period by one
9 employer;

10 (b) any payment on account of sickness or
11 accident disability, or medical or hospitalization
12 expenses made by an employer to or on behalf of an
13 employee;

14 (c) any payment made to or on behalf of an
15 employee or to the employee's beneficiary from a trust
16 or annuity;

17 (d) remuneration paid in any medium other than
18 cash to an employee for service not in the course of the
19 employer's trade or business or for domestic service in
20 a private home of an employer;

21 (e) remuneration paid for casual or intermittent
22 labor not performed in the course of the employer's
23 trade or business when such employment does not exceed
24 employment in more than one week in each calendar month
25 of each quarterly reporting period; and

1 (f) remuneration from family employment subject
2 to the provisions of this subtitle."

3 Section 2. Section 804 of title 53 of the Code of the
4 Federated States of Micronesia, as amended by Public Law Nos.
5 14-37, 14-86, 15-73 and 16-10, is further hereby amended to read
6 as follows:

7 "Section 804. Amount of retirement and disability
8 insurance benefits.

9 (1) An insured eligible individual shall be paid a
10 monthly old age benefit for life, except for any month
11 of disqualification as provided by this subtitle, in an
12 amount calculated upon an annual basis as follows:

13 (a) For benefit payments that begin prior to
14 January 1, 2007; 16.5 percent of the first \$10,000 of
15 cumulative covered earnings, plus three percent of
16 cumulative covered earnings in excess of \$10,000 but not
17 in excess of the next \$30,000, plus two percent of
18 cumulative covered earnings in excess of \$40,000.

19 (b) For benefit payments that begin on or after
20 January 1, 2007 but before January 01, 2011; 16.5
21 percent of the first \$10,000 of cumulative covered
22 earnings, plus three percent of cumulative covered
23 earnings in excess of \$10,000 but not in excess of the
24 next \$30,000, plus two percent of cumulative covered
25 earnings in excess of \$40,000 but not in excess of the

1 next \$262,500, plus one percent of cumulative covered
2 earnings in excess of \$302,500.

3 ~~[(c) For benefit payments that begin on or after
4 January 1, 2011:~~

5 ~~(i) For individuals who are 65 and over,
6 16.5% of the first \$10,000 of cumulative covered
7 earnings, plus 3 percent of cumulative covered earnings
8 in excess of \$10,000 but not in excess of the next
9 \$30,000.00, plus 2% of the cumulative covered earnings
10 in excess of \$40,000 but not in excess of the next
11 \$262,500, plus one percent of cumulative covered
12 earnings in excess of \$302,500.~~

13 ~~(ii) For individuals who turn 60 after
14 January 1, 2011, such individual from ages 60 to 64 will
15 receive fifty percent (50%) of the total of all the
16 described benefits in this subsection, 16.5% of the
17 first \$10,000 of cumulative covered earnings, plus 3
18 percent of cumulative covered earnings in excess of
19 \$10,000 but not in excess of the next \$30,000, plus 2%
20 of the cumulative covered earnings in excess of \$40,000
21 but not in excess of the next \$262,500, plus one percent
22 of cumulative covered earnings in excess of \$302,500.
23 These payments in this subsection only, shall be made
24 without reduction pursuant to the earnings test in
25 section 603(7).~~

1 ~~(iii) For individuals under age 60, benefit~~
2 ~~payments would be calculated the same as subsection~~
3 ~~(i)] .~~

4 ~~[(d)]~~ (c) Earnings for covered employment after
5 commencement of payments for retirement or disability
6 insurance benefits shall be included in benefit
7 calculations upon subsequent application for benefits,
8 but such earnings shall be applicable for benefits for
9 months after the calendar year in which such earnings
10 occurred. For the purpose of this section cumulative
11 covered earnings includes earnings on which
12 contributions have been paid by the individual to the
13 Trust Territory Social Security System.

14 ~~[(e) In the event, benefits have been received~~
15 ~~under section 804(1)(c)(ii), such benefits shall be~~
16 ~~automatically adjusted when the individual reaches age~~
17 ~~65.]~~

18 ~~[(f)]~~ (d) For purposes of interpreting this section
19 "benefit payments begin on" is defined to mean the date,
20 whether retroactive or current when a benefit payment is
21 paid for a specific month. A benefit payment may begin
22 prior to the application date, subject to retroactive
23 payment limitations defined in this act.

24 (2) An insured, eligible individual shall be paid a
25 minimum monthly benefit of seventy five dollars if the

1 benefit amount calculated in accordance with subsection
2 (1) of this section is less than seventy five dollars
3 monthly. Effective on January 1, 2011, the minimum
4 monthly benefit shall be \$100. The minimum monthly
5 benefit is calculated per insured worker, not per
6 recipient.

7 (3) An individual who is currently and fully insured
8 and who has been under a disability for three full
9 calendar months and the onset of disability occurred on
10 or after January 01, 2011, or an individual who was
11 fully insured and the onset of disability occurred prior
12 to this bill becoming law shall be paid a monthly
13 benefit for life or until recovery from the disability,
14 except for any month of disqualification as provided by
15 this subtitle in an amount calculated in accordance with
16 the preceding subsections of this section, and for an
17 individual with an onset of disability on or after
18 January 1, 2011, he or she will receive benefits as if
19 he or she retired at age 65, but with existing quarters
20 of coverage. Further, the amount of the benefit as so
21 determined shall, if the individual is receiving a
22 periodic workmen's compensation benefit, be reduced each
23 month by the excess of the sum of the workmen's
24 compensation benefit for that month, and the benefit
25 payable under this act over eighty percent of one-

1 twelfth of the highest annual covered wages in the
2 period consisting of the year in which the disability
3 occurred and the preceding five years. If a workmen's
4 compensation benefit was payable in periodic benefits
5 but was commuted to a lump sum, for purposes of this
6 subsection it will be considered that the periodic
7 benefit originally available was paid in each month that
8 it would have been paid if the commutation had not
9 occurred."

10 Section 3. This act shall become law upon approval by the
11 President of the Federated States of Micronesia or upon its
12 becoming law without such approval.

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14 Date: 11/17/14

Introduced by: /s/ Dohsis Halbert
Dohsis Halbert

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