

FOURTEENTH CONGRESS OF THE FEDERATED STATES OF MICRONESIA  
CONGRESSIONAL BILL NO. 14-148, C.D.1, C.D.2

PUBLIC LAW 14-86

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AN ACT

To further amend Title 53 of the Code of the Federated States of Micronesia, as amended, by amending sections 603, 804 and 809 and to enact a new section 903 thereof, to revise certain definitions, to change benefit levels, to change the time at and circumstances in which expatriate workers may access their contributions, to allow for voluntary participation in the Social Security system, 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 5-120, 7-118, 12-76 and 14-37 is hereby further amended to read  
4 as follows:

5 "Section 603. Definitions. In this chapter, unless the  
6 context otherwise requires, the following definitions  
7 shall be applicable:

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) 'Become disabled' means the first month in which an  
15 individual is under a disability.

16 (3) 'Board' means the Federated States of Micronesia  
17 Social Security Board provided for by Section 701 of this  
18 subtitle.

19 (4) 'Child or spouse' means an applicant that the court

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1           of the State in which an individual was domiciled at the  
2           time of his death has or would find to be the  
3           individual's child or spouse in determining the  
4           devolution of interstate personal property. 'Child' shall  
5           include only the deceased individual's biological  
6           children and such adopted children whose confirmed  
7           petition for adoption by the wage earner has been  
8           presented to the Social Security Administration.

9           Notwithstanding anything in this subsection, no person,  
10          adopted after December 31, 2006 and after the 55<sup>th</sup>  
11          birthday of the adopting parent, shall be a 'child' for  
12          the purposes of this title unless, the Social Security  
13          Administrator makes a determination that, due to  
14          exceptional circumstances, the person shall be so  
15          entitled. In reaching a determination that exceptional  
16          circumstances apply, the Social Security Administrator  
17          shall satisfy himself or herself that future eligibility  
18          for social security benefits was not a significant factor  
19          in the decision to adopt and my consider any available,  
20          relevant information including, but not limited to:

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

24                 (b) If one or both biological parents were alive  
25                 at the time of adoption, whether one or both parents were

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1 acting or were capable of acting as a primary caregiver  
2 at that time;

3 (c) Whether the adopting parent is a relative of  
4 the adopted child;

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

9 (e) Whether the adopting parent was a primary  
10 caregiver for the adopted child at the time of adoption  
11 and continued in that role after the adoption took place;

12 (f) Any other factor the Social Security  
13 Administrator considers relevant.

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

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

23 (7) 'Earning test' means that an individual who  
24 receives a retirement, disability, or survivor benefit  
25 and who works in covered or noncovered employment shall

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1 have his quarterly benefit reduced by one dollar for each  
2 two dollars earned in a quarter, except there shall be no  
3 reduction for the first \$300 earned in a quarter. The  
4 reduction shall be applied in one of the subsequent two  
5 quarters immediately after the quarter in which the  
6 earnings were made, or as soon as possible thereafter.  
7 All benefit recipients have an affirmative duty to  
8 disclose to the FSM Social Security Administration all  
9 earnings from either covered or non-covered employment  
10 for any time period during which they received earnings  
11 and for which they are receiving or claiming benefits.

12 (8) 'Employee' means;

13 (a) Any officer of a corporation; or

14 (b) Any individual who, under the usual common law  
15 rules applicable in determining the employer-employee  
16 relationship, has the status of an employee; or

17 (c) Any self-employed person who has at least one  
18 employee for whom he is required to report in a given  
19 quarter; or

20 (d) Any self-employed person who had more than  
21 \$10,000 of annual gross revenue in the preceding calendar  
22 year.

23 (9) 'Employment, covered' or 'covered employment' means  
24 any service by an employee for an employer incorporated  
25 or doing business within the Federated States of

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1 Micronesia employing him, irrespective of where such  
2 employment is performed, except family employment.

3 (10) 'Employment, noncovered' or 'noncovered employment'  
4 means any employment engaged in by an employee where  
5 coverage is statutorily exempt in the Federated States of  
6 Micronesia, family employment, or employment by an  
7 employee outside the Federated Sates of Micronesia and  
8 which is not taxable by the FSM Social Security  
9 Administration.

10 (11) 'Family employment' means employment of a worker by  
11 a member of the household, a parent or a son or daughter  
12 except that the worker may apply to the Board for a  
13 determination that such employment is bona fide covered  
14 employment subject to this subtitle.

15 (12) 'Insured status' can mean any of the following:

16 (a) 'Currently insured individual' means any  
17 individual who has had not less than twenty quarters of  
18 coverage during the 25-quarter period ending with:

19 (i) The quarter in which he died; or

20 (ii) The quarter in which he became entitled to  
21 old age insurance benefits; or

22 (iii) The quarter in which he became disabled,  
23 whichever first occurs.

24 (b) 'Fully insured individual' means any  
25 individual whose total cumulative quarters of coverage

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

10 (i) For individuals who attain age sixty (60),  
11 die or become disabled on or before December 31, 2006,  
12 no more than thirty-eight (38) quarters of coverage are  
13 required to be fully insured.

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

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1 death.

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

11 (13) 'Quarter' and 'calendar quarter' mean a period of  
12 three calendar months ending on March 31<sup>st</sup>, June 30<sup>th</sup>,  
13 September 30<sup>th</sup>, or December 31<sup>st</sup>. 'Quarter of coverage'  
14 means a quarter in which the individual has been paid \$300  
15 or more in wages in covered employment subject to this  
16 subtitle.

17 (14) 'Wages' means remuneration paid subject to the  
18 provisions of this subtitle, including the cash value of  
19 all remuneration paid in any medium other than cash and  
20 remuneration accruing to a self-employed person.  
21 Remuneration accruing to a self-employed person shall be  
22 deemed to be twice the amount paid to the highest paid  
23 employee reported by the self-employed person in a  
24 quarter, with a maximum of \$3,000 per quarter through  
25 September 30, 2003 and a maximum of \$5,000 per quarter

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1 beginning October 1, 2003. This maximum quarterly amount  
2 shall increase to \$6,000 on January 1, 2008, \$7,000 on  
3 January 1, 2013, \$8,000 on January 1, 2018, \$9,000 on  
4 January 1, 2023, and \$10,000 on January 1, 2028.

5 Remuneration accruing to a self-employed person who has  
6 no covered employees shall, for each quarter of a year,  
7 be deemed to be 5 percent of the gross revenue of the  
8 business for the previous calendar year, subject to a  
9 \$3,000 maximum per quarter through September 30, 2003  
10 and a maximum of \$5,000 per quarter beginning October 1,  
11 2003. The maximum quarterly amount shall increase to  
12 \$6,000 on January 1, 2008, \$7,000 on January 1, 2013,  
13 \$8,000 on January 1, 2018, \$9,000 on January 1, 2023,  
14 and \$10,000 on January 1, 2028. Remuneration paid for  
15 any service which is more or less than a whole dollar  
16 shall, as may be prescribed by regulations, be computed  
17 to the nearest dollar. Wages shall not include:

18 (a) That part of remuneration in excess of \$3,000  
19 through September 30, 2003 and in excess of \$5,000  
20 beginning October 1, 2003, in excess of \$6,000 beginning  
21 January 1, 2008, in excess of \$7,000 beginning January  
22 1, 2013, in excess of \$8,000 beginning January 1, 2018,  
23 in excess of \$9,000 beginning January 1, 2023, and in  
24 excess of \$10,000 beginning on January 1, 2028, paid in  
25 a quarterly reporting period by one employer;



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1 (b) Any payment on account of sickness or accident  
2 disability, or medical or hospitalization expenses made by  
3 an employer to or on behalf of an employee;

4 (c) Any payment made to or on behalf of an employee  
5 or to the employee's beneficiary from a trust or annuity;

6 (d) Remuneration paid in any medium other than cash  
7 to an employee for service not in the course of the  
8 employer's trade or business or for domestic service in a  
9 private home of an employer;

10 (e) Remuneration paid for casual or intermittent  
11 labor not performed in the course of the employer's trade  
12 or business when such employment does not exceed  
13 employment in more than one week in each calendar month of  
14 each quarterly reporting period; and

15 (f) Remuneration from family employment subject to  
16 the provisions of this subtitle."

17 Section 2. Section 804 of Title 53 of the Code of the  
18 Federated States of Micronesia, as amended by Public Laws Nos. 5-  
19 120, 7-118, 9-56 and 14-37, is hereby further amended to read as  
20 follows:

21 "Section 804. Amount of retirement and disability  
22 insurance benefits.

23 (1) An insured eligible individual shall be paid a  
24 monthly old age benefit for life, except for any month of  
25 disqualification as provided by this subtitle, in an

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1 amount calculated upon an annual basis as follows: For  
2 benefit payments that begin prior to January 1, 2007;  
3 16.5 percent of the first \$10,000 of cumulative covered  
4 earnings, plus 3 percent of cumulative covered earnings  
5 in excess of \$10,000 but not in excess of the next  
6 \$30,000, plus 2 percent of cumulative covered earnings in  
7 excess of \$40,000. For benefit payments that begin on or  
8 after January 1, 2007; 16.5 percent of the first \$10,000  
9 of cumulative covered earnings, plus 3 percent of  
10 cumulative covered earnings in excess of \$10,000 but not  
11 in excess of the next \$30,000, plus 2 percent of  
12 cumulative covered earnings in excess of \$40,000 but not  
13 in excess of the next \$262,500, plus one percent of  
14 cumulative covered earnings in excess of \$302,500.  
15 Earnings for covered employment after commencement of  
16 payments for retirement or disability insurance benefits  
17 shall be included in benefit calculations upon subsequent  
18 application for benefits, but such earnings shall be  
19 applicable for benefits for months after the calendar  
20 year in which such earnings occurred. For the purpose of  
21 this section cumulative covered earnings includes  
22 earnings on which contributions have been paid by the  
23 individual to the Trust Territory Social Security System.  
24 (2) An insured, eligible individual shall be paid a  
25 minimum monthly benefit of seventy five dollars if the

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1 benefit amount calculated in accordance with subsection  
2 (1) of this section is less than seventy five dollars  
3 monthly. Effective January 1, 2012, the minimum monthly  
4 benefit shall be \$100.

5 (3) An individual who is fully insured and who has  
6 been under disability for three full calendar months  
7 shall be paid a monthly benefit for life or until  
8 recovery from the disability, except for any month of  
9 disqualification as provided by this subtitle in an  
10 amount calculated in accordance with the preceding  
11 subsections of this section. Further, the amount of the  
12 benefit as so determined shall, if the individual is  
13 receiving a periodic workmen's compensation benefit, be  
14 reduced each month by the excess of the sum of the  
15 workmen's compensation benefit for that month and the  
16 benefit payable under this act over eighty percent of  
17 one-twelfth of the highest annual covered wages in the  
18 period consisting of the year in which the disability  
19 occurred and the preceding five years. If a workmen's  
20 compensation benefit was payable in periodic benefits  
21 but was commuted to a lump sum, for purposes of this  
22 subsection it will be considered that the periodic  
23 benefit originally available was paid in each month that  
24 it would have been paid if the commutation had not  
25 occurred."

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1 Section 3. Section 809 of Title 53 of the Code of the  
2 Federated States of Micronesia, as amended by Public Law 14-37,  
3 is hereby further amended to read as follows:

4 "Section 809. Payments to foreign citizens outside  
5 Federated States of Micronesia.

6 Unless modified by a totalization or other international  
7 agreement, payments under this act shall be paid to a  
8 beneficiary who is not a citizen or national of the  
9 Federated States of Micronesia and does not reside in  
10 the Federated States of Micronesia, as follows:

11 (a) Payments shall be made to citizens and  
12 nationals of the Republic of Palau, the Republic of the  
13 Marshall Islands and the United States as if they were  
14 citizens or nationals of the Federated States of  
15 Micronesia as long as the Social Security Administration  
16 of those nations gives citizens and nationals of the  
17 Federated States of Micronesia reciprocal treatment.

18 (b) Payments shall be made to citizens and  
19 nationals of other nations in a lump sum equal to the  
20 total amount contributed to the Social Security  
21 Administration by the employee while employed in the  
22 Federated States of Micronesia as of the date the  
23 employee ceases to be a resident of the Federated States  
24 of Micronesia in accordance with paragraph (c) of this  
25 section. However, the lump sum shall be reduced by any

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1           payments made by the Social Security Administration to  
2           the employee or a surviving spouse or child before the  
3           lump sum is awarded.

4                   (c) For the purposes of this section, an  
5           individual resides in the Federated States of  
6           Micronesia if they are present in the territory of the  
7           Federated States of Micronesia for 180 days out of the  
8           last 365 days and have ties to the Federated States of  
9           Micronesia that indicate residence such as a home,  
10          vehicle, bank accounts or personal property.

11                   (d) In determining the benefits and  
12          entitlements under this title for an individual who  
13          receives a lump sum payment in accordance with  
14          paragraph (b) of this section and who subsequently  
15          returns to the Federated States of Micronesia to  
16          undertake further covered employment, no covered  
17          quarters, employee contributions or employer  
18          contributions accrued by the individual prior to  
19          receiving a lump sum payment shall be counted."

20          Section 4. Section 903 of Title 53 of the Code of the  
21          Federated States of Micronesia, as amended by Public Laws No.  
22          5-120, is hereby renumbered Section 904.

23          Section 5. Section 904 of Title 53 of the Code of the  
24          Federated States of Micronesia, as amended by Public Laws No.  
25          5-120, is renumbered Section 905.

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1 Section 6. A new section 903 is hereby enacted to read as  
2 follows:

3 "Section 903. Voluntary Contributions.

4 (1) Any self employed person who has less than \$10,000  
5 of annual gross revenue may make voluntary contributions  
6 to the Social Security Administration in order to become  
7 eligible to receive benefits under this Title. The  
8 remuneration of such person shall be deemed to be \$1,250  
9 per quarter or \$5,000 per year and such persons must pay  
10 both the employee and employer contributions in order to  
11 be so eligible.

12 (2) Any person who is a citizen of Micronesia and is  
13 working as an employee outside of the Federated States of  
14 Micronesia, Republic of Palau or Republic of the Marshall  
15 Islands may make voluntary contributions to the Social  
16 Security Administration in order to become eligible to  
17 receive benefits. The remuneration of such persons shall  
18 be deemed to be minimum of \$1,250 a quarter or \$5,000 a  
19 year and such persons must pay both the employee and  
20 employer contribution in order to be covered."

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1       Section 9. This act shall become effective immediately upon this  
2 act become law. This act shall become law upon approval by the  
3 President of the Federated States of Micronesia or upon its becoming  
4 law without such approval.

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Signed by Redley Killion for  
Joseph J. Urusemal on October 23, 2006

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