

STANDING COMMITTEE REPORT NO. 14-57

RE: C.B. NO. 14-90/HESA

SUBJECT: AMENDMENTS TO SOCIAL SECURITY LAW

SEPTEMBER 26, 2005

The Honorable Peter M. Christian  
Speaker, Fourteenth Congress  
Federated States of Micronesia  
Second Regular Session, 2005

Dear Mr. Speaker:

Your Committee on Health, Education and Social Affairs ("HESA"), to which was referred C.B. No. 14-90, entitled:

"A BILL FOR AN ACT TO FURTHER AMEND TITLE 53 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA, AS AMENDED, BY AMENDING SECTIONS 603, 605, 801, 804, 806, 807, 809, 901, AND 902 REGARDING THE OPERATION OF THE SOCIAL SECURITY ADMINISTRATION, AND FOR OTHER PURPOSES.",

begs leave to report as follows:

The intent and purpose of the bill are expressed in its title.

The subject bill would amend the social security law in a number of ways and is intended to improve the overall effectiveness and operational efficiency of the Social Security Administration.

The proposed amendments would clarify a number of definitions and eligibility provisions as well as the obligations of social security recipients. In particular, the duty of an applicant for a benefit to provide complete and accurate information would be set out more clearly.

The subject bill would also enable the Social Security Administration to proceed civilly to recover overpayments or benefits obtained by giving false information and to recover related attorneys' fees.

Importantly, the Social Security Board would be given discretion to waive penalties and interest accrued under the social security law. This will enable the Administration to pursue outstanding employer contributions more aggressively and to offer incentives to delinquent employers to enter into repayment agreements.

Under the current law, surviving spouses and dependents are

STANDING COMMITTEE REPORT NO. \_\_\_\_\_

RE: C.B. NO. 14-90/HESA

SUBJECT: AMENDMENTS TO SOCIAL SECURITY LAW

SEPTEMBER \_\_\_\_\_, 2005

entitled to receive the higher of their own benefit or that of the deceased. The subject bill amends section 806 so that surviving spouses and dependents are also entitled to a lump sum payment equivalent to 2% of the other cumulative covered earnings.

The bill would also limit the benefits to non-citizens who do not reside in the FSM such that they cannot receive more in benefits than their social security contributions.

An actuarial evaluation of a previous version of the subject bill (CB 13-228) was undertaken by Pension Administration Services Inc, which concluded that the proposed amendments would have a positive effect on the operations and on-going viability of the social security system.

A public hearing was held on this issue on September 19, 2005. Your Committee also solicited comments from the States. On the basis of the information we received, your Committee is satisfied that these changes would achieve significant efficiency gains, by clarifying certain aspects of the system, increasing tools at the disposal of the social security administration to recover debt and limiting the payment of benefits in respect of persons who are not FSM citizens or residents.

Your Committee on Health, Education and Social Affairs has given careful consideration to this bill and its purpose. Your committee, therefore, recommends the following technical changes as amendments to C.B. No. 14-90:

1. Page 5, line 8 - delete "However" and insert "Notwithstanding anything in this subsection" in lieu thereof.
2. Page 5, line 9 - delete "except that" and insert "and" in lieu thereof.
3. Page 14, line 7 - delete "largest" and insert "higher" in lieu thereof.
4. Page 14, lines 7 to 12 - delete "The surviving spouse shall be able to lump sum the other benefits (either the deceased cumulative covered earnings or his or her own covered earnings) equal to two percent less the sum

STANDING COMMITTEE REPORT NO. \_\_\_\_\_

RE: C.B. NO. 14-90/HESA

SUBJECT: AMENDMENTS TO SOCIAL SECURITY LAW

SEPTEMBER \_\_\_\_\_, 2005

- of all benefits that the deceased spouse had already received." and insert "In addition, the surviving spouse shall be entitled to receive a lump sum equal to two percent of the cumulative covered earnings upon which the lower benefit is based, less the sum of all benefits already received on the basis of those cumulative covered earnings." in lieu thereof.
5. Page 14, line 14 - delete "also".
  6. Page 14, line 14 - delete "the greater" and insert "based on the higher" in lieu thereof.
  7. Page 14, line 16 - delete "The surviving child(ren) shall be able to sump sum the other deceased parent cumulative covered earnings equal to two percent, reduced by the sum of all benefits, if any, received by the deceased parent." and insert "In addition, the surviving child(ren) shall be entitled to receive a lump sum equal to two percent of the other deceased parent's cumulative covered earnings, less the sum of all benefits, if any, received by the deceased parent." in lieu thereof.

With the foregoing amendments, your Committee on Health, Education and Social Affairs is in accord with the intent and purpose of C.B. No. 14-90 and recommends its passage on First Reading, and that it be placed on the Calendar for Second and Final Reading in the form attached hereto as C.B. No. 14-90, C.D.1.

STANDING COMMITTEE REPORT NO. \_\_\_\_\_

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SEPTEMBER \_\_\_\_\_, 2005

Respectfully submitted,

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Resio S. Moses, chairman

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Tiwiter Aritos, vice chairman

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Dohsis Halbert, member

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Roosevelt D. Kansou, member

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Manny Mori, member

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Ramon Peyal, member

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Claude H. Phillip, member