

STANDING COMMITTEE REPORT NO. 15-118

RE: C.B. NO. 15-25/W&M

SUBJECT: TRUST FUND FOR THE BENEFIT OF FORMER PRESIDENTS OF FSM

MAY 27, 2008

The Honorable Isaac V. Figir
Speaker, Fifteenth Congress
Federated States of Micronesia
Fourth Regular Session, 2008

Dear Mr. Speaker:

Your Committee on Ways and Means ("W&M"), to which was referred C.B. No. 15-25 entitled:

"A BILL FOR AN ACT TO AMEND TITLE 2 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA, AS AMENDED, BY ENACTING NEW SECTIONS 210 AND 211 OF CHAPTER 2 THEREOF, TO ESTABLISH A TRUST FUND FOR THE BENEFIT OF FORMER PRESIDENTS OF THE FEDERATED STATES OF MICRONESIA AND TO PROVIDE FOR AN ALLOWANCE TO FORMER PRESIDENTS OF THE FEDERATED STATES OF MICRONESIA PAYABLE FROM SUCH FUND, AND FOR OTHER PURPOSES."

begs leave to report as follows:

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

In the play "King Lear", William Shakespeare painted a bleak portrait of an aging former king. This is a powerful tragedy because at all times, through all the miseries that befall the character, the audience is reminded that here was a former monarch, a head of state. There is something poignant when a country treats badly its former head of state. This is why your committee feels that this bill is long overdue.

What this bill does is establish a trust fund to provide a pension to former Presidents of the FSM. This is not a new concept. The United States of America provides a lifetime pension to its former presidents. The FSM, however, never had any form of extra monetary recognition for the services of its heads of state. As a matter of fact, recently, some have suffered penury at the end of their life. Congress had to appropriate funds to defray medical costs of a former president and to help with funeral expenses. This penury of our former leaders reflects badly on us all. We should do something about it, and the present bill is a good approach that is within our means.

Your committee held a public hearing on February 21, 2008 with the Department of Finance and Administration. Testifying on behalf of the department, the Secretary of Finance, Finley S. Perman stated that he was surprised that it took this long for Congress to consider such a

STANDING COMMITTEE REPORT NO. 15-118

RE: C.B. NO. 15-25/W&M

SUBJECT: TRUST FUND FOR THE BENEFIT OF FORMER PRESIDENTS OF FSM

MAY 27, 2008

bill, and that he was in support. He preferred, however, that the trust fund be administered by the Secretary of Finance, with the corpus of the trust fund also managed by Finance along with the other investments of the national government.

For the President's Office, Special Assistant Pelsesar Petrus, mentioned that if the trust fund were managed by a board it should report promptly to the Secretary within 30 days of formation and then yearly afterwards. He also raised the importance of fundraising to increase the corpus of the trust fund.

The witnesses raised the issue of how this pension payment would affect social security payments. The Secretary also indicated that it may take about \$100,000 to start, depending on the level of the benefit. He also indicated one alternate way of funding the trust fund, which is by annual appropriation from Congress.

Other issues included minimum length of service required for vesting of the benefit, and whether a president removed for cause should be entitled to the benefit.

Upon deliberation your committee feels that the answer to these issues should be:

1. On social security, this pension plan should be a form of recognition for previous service, not wage and salary, therefore shall be excluded from the determination of eligibility for social security benefits. It should also be exempt from the wages and salary tax. There are currently a number of amendments pending to the social security law. An amendment to exclude payments under this plan can be made when the social security law is otherwise amended.
2. Our committee recognizes, however, the financial limitation of the government and feels that there should be an income threshold: a former president, working at a highly paid job after his tenure has no need for this extra income and therefore should not receive it. Your committee believes this income threshold can be dealt with at the regulation level.
3. Along the same line, the benefit should be capped at \$700 per month instead of \$1000 per month.
4. A president removed for misfeasance, such as by impeachment, should not be entitled to the payment.

STANDING COMMITTEE REPORT NO. 15-118

RE: C.B. NO. 15-25/W&M

SUBJECT: TRUST FUND FOR THE BENEFIT OF FORMER PRESIDENTS OF FSM

MAY 27, 2008

5. Once a president, always a president. There should not be a minimum length of service.
6. To start the trust fund, your committee believes that it would be more efficient to have the Secretary of Finance manage the plan instead of a board.

Your committee therefore recommends the following amendment to the C.B. No. 15-25:

1. Page 1, line 9, delete "a Board of Trustees" and insert "the Secretary of Finance and Administration" in lieu thereof;
2. Page 2, line 4, delete "\$700" and insert "\$1,000" in lieu thereof;
3. Page 2, lines 22 - 23, delete "Board of Trustees" and insert "Secretary of Finance and Administration" in lieu thereof;
4. Page 3, line 8, delete section 2 in its entirety;
5. Page 3, line 18, renumber "section 3" as "section 2"

Your Committee on Ways and Means is in accord with the intent and purpose of C.B. No. 15-25, as amended 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. 15-25, C.D.1.

STANDING COMMITTEE REPORT NO. 15-118

RE: C.B. NO. 15-25/W&M

SUBJECT: TRUST FUND FOR THE BENEFIT OF FORMER PRESIDENTS OF FSM

MAY 27, 2008

Respectfully submitted,

/s/ Dohsis Halbert
Dohsis Halbert, chairman

/s/ Setiro Paul
Setiro Paul, member

/s/ Moses A. Nelson
Moses A. Nelson, member

Claude H. Phillip, member

/s/ Fredrico O. Primo
Fredrico O. Primo, member

/s/ Peter Sitan
Peter Sitan, member

Joseph J. Urusemal, member