

STANDING COMMITTEE REPORT NO. 15-123

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

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

MAY 29, 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.

This bill establishes a trust fund for the benefit of former Presidents of the FSM. The intent of the trust fund is to provide recognition to former Presidents for the service they have provided the nation in the form of a monthly allowance.

Your committee held a public hearing on February 21, 2008 with the Department of Finance and Administration and the Office of the President. Testifying on behalf of the Department of Finance, the Secretary of Finance, Finley S. Perman stated that he was surprised that it took this long for Congress to consider such a bill, and that he was in support. He preferred, however, that the trust fund be administered by the Secretary of Finance. He also recommended the corpus of the trust fund be managed by the Department of 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 recommended that the

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preferred initial investment for the fund be at least \$100,000. He also suggested that one way of funding the trust fund could be through an 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.

Your committee recommends:

1. This allowance should be in the form of recognition for previous service, not as payment of a wage and salary. Therefore, it should be excluded from the determination of eligibility for social security benefits. As title 53 is currently enacted, only earnings from **employment** (covered or non-covered) affect the determination of eligibility for benefits and the application of the earnings test. Further, as this is in the form of a benefit from a trust fund, the allowance will not be subject to social security contributions. The allowance should also be exempt from the wages and salary tax.
2. Your committee recognizes the financial limitation of the national government and recommends an income threshold be applied to eligibility for the allowance. 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 recommends the income threshold be \$25,000 per annum, before tax. This should apply to income earned in the private or public sector. An exception to this limitation should be that a former President over the age of 60 should receive the allowance regardless of their income.
3. The benefit should also 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.
5. Once a president, always a president. There should not be a minimum length of service.
6. Your committee recommends the Secretary of Finance manage the trust fund instead of a board.

Your Committee therefore recommends the following amendment to the C.B. No. 15-25 as attached in the form of CB 15-25, C.D.2.

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Your Committee on Ways and Means is in accord with the intent and purpose of C.B. No. 15-25, C.D.2, 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.2.

Respectfully submitted,

/s/ Dohsis Halbert
Dohsis Halbert, chairman

Setiro Paul, member

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

/s/ Claude H. Phillip
Claude H. Phillip, member

Fredrico O. Primo, member

/s/ Peter Sitan
Peter Sitan, member

Joseph J. Urusemal, member