STANDING COMMITTEE REPORT NO. 15-166

RE: C.B. NO. 15-52/HESA

SUBJECT: CHANGES TO TITLE 53, SOCIAL SECURITY

DECEMBER 02, 2008

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

Dear Mr. Speaker:

Your committee on Health, Education and Social Affairs, to which was referred C.B. No. 15-52, entitled:

> "A BILL FOR AN ACT TO FURTHER AMEND TITLE 53 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA, AS AMENDED BY PUBLIC LAWS NOS. 5-120, 7-118, 9-056, 12-76, 14-37 AND 14-86, BY AMENDING THE FOLLOWING PROVISIONS OF TITLE 53, SECTIONS 603, 605, 607, 801, 802, 803, 803A, 804, 806, 809, 901, 902, AND 1006 AND ADDING NEW SECTIONS 812, AND 813, TO PROVIDE FOR GREATER FINANCIAL STABILITY FOR THE FSM SOCIAL SECURITY ADMINISTRATION AND TO REDUCE ITS UN-FUNDED LIABILITY, BY RAISING TAX RATES, PROVIDING VARYING OPTIONAL BENEFIT PAYOUTS], CLARIFYING DEFINITIONS, AND TO CHANGE RESTRICTIONS TO THE TYPES OF INVESTMENT THAT SOCIAL SECURITY MAY ENGAGE IN, 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, C.B. 15-52, proposes several amendments to Title 53 of the FSM Code, which is the law establishes the FSM Social Security Administration Program (FSMSSA). The overall intent of these proposed amendments to Title 53 of the FSM Code is to increase the level of the FSMSSA's collections and decrease the program's unfunded liabilities. Based on communications from the Administrator of the FSMSSA to the Chairman of the Committee on Health, Education and Social Affairs and the Speaker, there has been an increase in benefit payments and a decrease in collections. Some contributing factors are: (1) recent governmental reforms in the States of Chuuk and Kosrae, (2) the closure of some major businesses in the FSM; for instance, the Garment Factory in the State of Yap, and (3) some beneficiaries have exceeded their contributions yet continue to receive benefit payments. And to fulfill its mandated responsibility, the FSMSSA is currently subsidizing the monthly benefits it pays out with revenue from its Trust Fund, a practice that would, in the long run, incapacitate the viability of the program.

Proposed Amendments

The amendments to Title 53 of the FSM Code, as proposed and described by FSMSSA, are outlined below:

1. **Amendment to Section 603 (7).** The intent of this proposed amendment is to clarify that the application of the earning test may apply to old age benefits received by an individual between the ages of 60 and 64 to be consistent with certain circumstances as defined in section 804. The purpose of this amendment is to provide an incentive to eligible beneficiaries under the program to be employed and at the same time receiving a lesser benefit payment. According to the FSMSSA, this is intended to save the program and its unfunded liability. The effective date of this proposed amendment, if this bill becomes law, is on and after [~~January 1, 2008~~] January 1, 2010.

2. **Amendments to section 603(9).** The FSMSSA has offered several amendments to section 603(9). First proposed amendment is to enact a new subsection 603(9)(a) to clarify the definition of "employer" to mean, the person, business organization or other, or state or municipal government or agency thereof, that pursuant to common law rules of employment is the actual person or organization responsible for the formation and continuation of the working relationship with employee. The second amendment is to enact a new subsection 603(9)(b) to allow FSMSSA to use proper documentation in determining who is the actual employer without relying on the characterization of the employer.

The third amendment is to enact a new subsection 603(9)(c), to clarify who may be an "employer" as far as the responsibilities to pay social security taxes are concerned. The intent of the proposed amendment is to include the following as employer: an individual, a partnership, a corporation or other type of business venture or non-business organization, or a municipal or state organization or agencies thereof, and which in certain circumstances may be more than one, or any other type of business or non-business organization.

Another intent of this amendment is to determine who is potentially liable to pay taxes as an employer, partnership, or corporation. For partnership, the liability shall be joint and several. For other types of business or non-business organizations that are not corporations, the liability shall be joint and several as if the organization was a common law partnership. For corporations, the liability shall be joint and several between the president of the corporation, and all shareholders with greater than a 30% interest in the corporation.

The rational behind these proposed amendments to section 603(9) is to clarify the definition of an "employer" so that the FSMSSA can easily determine the employer's tax responsibilities so as to prevent employers from failing to pay taxes, and to give the FSMSSA an opportunity to improve tax collections.

3. **Amendments to section 603(13).** First amendment to section 603(13) is to clarify at what specific age and time an individual can apply and qualify for insured status - at the specific date the individual reaches age sixty (60) and upon application for consideration for currently insured individual. The second amendment to section 603(13) is to enact a new subsection 603(13)(b) to clarify the characteristic of an insured status to mean an individual who qualified as a currently insured person prior to December 31, 2006 if the individual has not less than eight quarters of coverage during the thirteen quarter period ending with the quarter in which he or she died; or the quarter in which he or she became entitled to old age insurance benefits at age sixty (60); or the quarter in which he or she became disabled, whichever occurs first.

The third proposed amendment to section 603(13) is to enact a new subsection 603 (13)(b)(i) to clarify that 'Fully insured' means "Individuals who attain age 60 or die after December 31, [~~2007~~] 2008, must earn at least 50 quarters of coverage and have contributed at least $2,500 to the Social Security System to be fully insured for death or old age benefits". For individual or surviving spouse to be fully insured must pay $2,500 or the difference thereof to FSMSSA in a single sum payment. The surviving children will be ineligible for benefits unless the individual or surviving spouse fulfills the requirements to be fully insured. FSMSSA estimates that this provision would decrease its unfunded accrued liability by $6.2 million. Since December 31, 2007 has already passed, the effective date of the provision would be December 31, 2008 or a date deemed appropriate by Congress.

The fourth proposed amendment to Section 603(13) is to enact a new subsection 603(13)(b)(ii) to clarify that 'Fully insured' means "Individuals who become disabled on or after January 1, 2009, must earn at least 45 quarters of coverage and have contributed at least $1,500 to the FSMSSA to be fully insured for disability benefits. If an individual's employee contribution total less than $1,500 as of the date of disability, the individual may pay the difference of the $1,500 or the total $1,500 to the FSMSSA in a single lump sum payment in order to be fully insured. FSMSSA estimates this provision would decrease its unfunded accrued liability by $1 million. Since January 1, 2008, has already passed, FSMSSA recommends this date to start January 1, 2010 or a date deemed appropriate by Congress.

4. **Amendments to Section 605.** The first proposed amendment to Section 605 is to amend subsection 605(1), to impose additional criminal penalties to employers. Hence, an employer who intentionally fails to pay the employer's FSM SS taxes or knowingly withholds FSM SS taxes from an employer's wages and does not pay the FSMSSA on behalf of that employee is guilty of a misdemeanor, and upon conviction thereof shall be imprisoned not more than one year, or fined not more than $2,000.00 or both. In addition to this criminal penalty, if the determination of guilt of the employer is within his failure to pay employee's contribution resulting in the employee denial of benefits by the FSMSSA or employer lacks quarters of coverage, which would have caused the employer to be fully insured or currently insured and eligible for benefits, the employer shall be responsible directly for the payment of all benefits that would accrue to the employee or his beneficiaries under this act. The FSMSSA can seek repayment from the employer of all benefits paid to the employee as penalty for the failure to pay.

The second proposed amendment to section 605 is to amend subsection 605(2) to change "person" to "employer". The rational behind this amendment is to use the word "employer" consistently through section 605.

The third proposed amendment to section 605 is to enact a new subsection 605(7) to impose additional criminal penalties on any employer who intentionally fails to pay taxes, and to identify the chief financial officer of municipal organizations, states of the FSM, or any agencies of any of the above as the individual liable to the program.

5. **Amendment to Section 607(2).** This particular amendment clarifies that all taxes, including penalties and interest accrued thereon, imposed or authorized under this subtitle and owed by a state or municipal government, or any agency thereof, shall be subject to a writ of garnishment of all moneys owed by the FSM National Government

to any state or municipal government or any agency thereof, and such writ of garnishment shall have priority over any claim for such moneys in any manner by the particular state or municipal government or agency thereof, and such writs of garnishment are specifically exempt from any prohibitions under Section 707 of title 6 of the Code of the Federated States of Micronesia.

6. **Amendment to Section 801.** The purpose of this amendment is to clarify that old age insurance benefit is subject to the earning test as defined and applied herein this subtitle.

7. **Amendment to Section 803(2)(a).** The proposed amendment to section 803(2)(a) is to limit surviving child benefits to age 20 for students, instead of age 22. The FSMSSA has indicated that among these surviving children, few of them are receiving benefit payments at the same time working. Therefore, this amendment is to limit the surviving child benefits to an age that may not be employable.

8. **Amendment to Section 803A.** The proposed amendment is to enact a new subsection 803A(4) to clarify that for person disabled on or before [~~December 31, 2007~~] the date this bill becomes law, that person to qualify for disability claim must be fully and currently insured.

9. **Amendment to Section 804(1)(c).** Retirement benefits that begin on or after January 1, 2008, that are paid to individuals aged 60 to 64 are proposed to be reduced by 50% until the retiree reaches age 65, at which time the benefit will automatically be adjusted to what it would have been prior to the 50% reduction. Reduced payments will not be subject to the earnings test. FSMSSA estimates this provision would decrease its unfunded accrued liability by $28.5 million. Since January 1, 2008, has already passed, the effective date of the provision would be the date the bill is passed into law or a date deemed appropriate by Congress.

10. **Amendment to Section 806.** The purpose of this amendment is to clarify that the amount of survivor insurance benefits of a fully insured worker who is eligible in accordance with section 802 of this chapter is calculated for the deceases spouse at the date of death as if the fully insured worker had retired at age 65, but with existing quarters of coverage.

11. **Amendment to Section 809.** Payment of benefits to foreign citizens outside Federated States of Micronesia. The current law is

that once a foreign citizen leaves the country, no matter how long he or she have been working in the country, he or she may receive social security benefits he or she is entitled once he or she file an application requesting such benefits. The FSMSSA has a timeframe of six months to evaluate the individual foreign citizen. application.

The amendments as proposed provided three conditions that a foreign citizen while working in the country must meet before he or she can receive social security benefits. First condition is that the individual foreign citizen must be fully insured; second, he or she must turn 60, and the third is that he or she may receive his or her social security benefit over a six months period. This six months duration is a timeframe, which enable the FSMSSA to evaluate the foreign citizen's application.

12. **Amendment to Sections 901 & 902.** FSMSSA proposes to increase the tax rate paid by employees and employers to 7% each on October 1, 2009, and then to 7.5% each five years later. FSMSSA estimates if the tax rate is increased to 7%, with a wage base of $6,000, annual collections would increase by $1,771,610.64. If the tax rate is increased to 7.5%, with a wage base of $7,000, annual collections are estimated to increase by $2,748,634.12.

13. **Amendment to Section 1006.** The first amendment is to allow the FSMSSA to invest in BBB grade bonds as reflected in Section 1006 (b)(iii).

The second amendment is to allow for FSMSSA's investments to be in the international market but only with those who exchange their currency in American Depository Receipts as reflected in Section 1006 (c).

14. The third amendment is to increase the percentage of the market value of the fund that can be invested in the stock of any one corporation from five to ten percent, to change the percentage of the market value of the fund that can be invested in any one industry group from ten to twenty-five percent and to insert a security measure so as to ensure that the portfolio is being invested only on a recognized national or regional stock exchange, physical or electronic as reflected in subsections 1006(c)(ii)(iii)(iv) of Section 1006.

Your committee notes the Social Security Administration proposed another amendment that would limit surviving spouse benefits to 120 months. However, Congress was advised by letter dated April 28, 2008, from the FSMSSA's legal counsel, that this proposed amendment is being withdrawn. Furthermore, your committee with the advise from the FSMSSA's legal counsel and concurrence of the Administrator of FSMSSA agree to withdraw Sections 812, 813, part of Section 804 relating to disability payments subject to limits outlined in section 813, part of 806 relating to election to accept lump sum payment, and part of Section 1006 relating to establishment of FSMSSA Credit Union.

Your committee notes that the bill introduced by the Social Security Administration, C.B. No. 15-52, as drafted, contains a number of technical errors. As a result, your committee wishes to include the amendments that are considered technical in the proposed C.B. No. 15-52 by FSMSSA. Your committee would like to emphasize that this redrafting is for the sake of clarity only and will continue to reflect the amendments as proposed by the FSMSSA. The proposed amendments are as follows:

1. Title, line 2, after "12-76," insert "14-34".

2. Title, line 5, delete "802", insert "and" after "902", and delete "AND ADDING NEW".

3. Title, line 6, delete "SECTIONS 812, AND 813".

4. Title line 8, delete "PROVIDING VARYING OPTIONAL".

5. Title line 9, delete "BENEFIT PAYOUTS".

6. Page 1, line 3, after "amended", insert "to read".

7. Page 1, line 5, after "603", insert "Definitions".

8. Page 2, between lines 16 and 17, delete "." after "birthday", and insert the following thereafter:

   " of the adopting parent, shall be a 'child' for the purposes of this title unless, the Social Security Administrator makes a determination that, due to exceptional circumstances, the person shall be so entitled. In reaching a determination that exceptional circumstances apply, the Social Security

Administrator shall satisfy himself or herself that future eligibility for social security benefits was not a significant factor in the decision to adopt and may consider any available, relevant information including, but not limited to:

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

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

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

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

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

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

9. Page 3, line 18, after "64", insert "who turns 60" and delete "2008", and insert "2010" in lieu thereof.

10. Page 6, line 13, delete "(c)", and insert "(b)" in lieu thereof.

11. Page 8, line 12, delete "(iv)", and insert "(d)(i) 'Fully insured' means" in lieu thereof.

12. Page 8, line 13, delete "2007", and insert "2008" in lieu thereof.

13. Page 9, lines 3 to 6, delete "The surviving children will be eligible for benefits so long as the individual was currently insured or fully insured at the time of the individual's death."

14. Page 9, line 7, delete "(v)", and insert "(d) (ii) Fully insured means" in lieu thereof.

15. Page 9, line 8, delete "2008", and insert "2009" in lieu thereof.

16. Page 15, line 25, after "taxes," insert "except as provided in the Secured Transaction Act".

17. Page 16, line 12, after "thereof" insert "and such writs of garnishment are specifically exempt from any prohibitions under Section 707 of title 6 of the Code of the Federated States of Micronesia."

18. Page 16, line 15, after "14-37", insert "is hereby further amended to", and delete "by amendment of subsection (2) and which shall".

19. Page 16, line 18, after "Employment;", insert "Old age benefits".

20. Page 16, between lines 18 and 19, insert the following:

    " (1) All employees, wherever employed by an employer incorporated or doing business in the Federated States of Micronesia, shall be covered unless both the employer and the employee are currently subject to any other recognized Social Security System. The highest administrator of the Social Security System, or his designees, shall cause at least two unannounced employment site checks to be conducted upon every non-government employee who first begins to contribute to the Social Security System after age 45 to ensure that such non-government employee is actually engaged in an employer-employee relationship that will allow him to be covered and eligible for benefits under this subtitle. The two employment site checks shall be conducted within a month of each other and both shall be conducted within the first six months of the employee's first contribution payment to the Social Security System. For the purposes of this subtitle, any elected official in any Government unit or body in the Federated States of Micronesia is deemed to be an employee employed by a Federated States of Micronesia employer. The governmental unit or body to which such person is elected is subject to the provisions in this subtitle relating to the duty and obligations of a Federated States of Micronesia employer.

21. Page 16, line 19, delete "(1)" and renumber it as "(2)".

22. Page 17, line 2, delete "(2)", and renumber it as "(3)".

23. Page 17, line 7, delete "(3)", and renumber it as "(4)", and delete "(1)" and insert "(2)" in lieu thereof.

24. Page 17, line 8, delete "(2)", and insert "(3)" in lieu thereof.

25. Page 17, line 12, delete "(4)", and renumber it as "(5)".

26. Page 17, line 18, after "compliance", insert "with the application process or the failure of the applicant to produce reasonably available documents or information".

27. Page 17, lined 19 and 25, delete them in their entirety.

28. Page 18, lines 1 to 25, delete them in their entirety.

29. Page 19, lines 1 to 6, delete them in their entirety.

30. Page 19, line 7, delete "Section 6", and insert "Section 7" in lieu thereof.

31. Page 19, lines 9 and 10, after "follows", insert ":", and delete "by amendment of subsections (2a) and which shall read as follows:".

32. Page 21, line 3, delete "Section 7", and insert "Section 6" in

lieu thereof.

33. Page 21, lines 5 and 6, after "follows", insert ":", and delete "by amendment of all subsections and which shall read as follows:".

34. Page 22, lines 2 and 3, delete "December 31, 2007", and insert "January 1, 2009" in lieu thereof.

35. Page 22, line 6, delete "Section 8", and insert "Section 7" in lieu thereof.

36. Page 22, lines 14 and 15, delete "or in the event of an election under section 812".

37. Page 22, line 24, delete "2008", and insert "2010" in lieu thereof.

38. Page 23, line 8, delete "2008", and insert "2010" in lieu thereof.

39. Page 23, line 17, after "individuals", insert "who turns 60 after January 1, 2010, such individuals from ages".

40. Page 23, line17, after "64", insert "will receive".

41. Page 25, line 7, delete "if", and insert "is" in lieu thereof.

42. Page 25, line 12, delete "2008", and insert "2010" in lieu thereof.

43. Page 25, line 12, after "2008", insert "or an individual who was fully insured and the onset of disability occurred prior to this bill becoming law".

44. Page 25, line 16, after "section", insert "and for an individual with an onset of disability on or after January 1, 2010, he or she will receive benefits as if he or she retired at age 65, but with existing quarters of coverage".

45. Page 25, lines 16, 17, and 18, delete "and as if he retired at age 65, but with existing quarters of coverage."

46. Page 26, lines 8 to 12, delete them in their entirety.

47. Page 26, line 13, delete "Section 9", and insert "Section 8" in lieu thereof.

48. Page 26, lines 15 and 16, after "follows", insert ":", and delete "by amendment of all subsections and which shall read as follows:".

49. Page 26, lines 23, 24 and 26, delete "as if the fully insured worker had retired at age 65, but with existing quarters of coverage, and insert "For a fully insured worker who dies after January 1, 2010, the benefit will be calculated as if he or she retired at age 65, but with existing quarters of coverage." in lieu thereof.

50. Page 27, lines 4, 5, and 6, delete "as if the fully insured worker had retired at age 65, but with existing quarters of coverage, and insert "For a fully insured worker who dies after January 1, 2010, the benefit will be calculated as if he or she retired at age 65, but with existing quarters of coverage." in lieu thereof.

51. Page 28, line 17, delete "Section 10", and insert "Section 9" in lieu thereof.

52. Page 28, line 25, after "Micronesia", insert "and does not reside in the Federated States of Micronesia".

53. Page 29, line 1, delete "(1)", and insert "(a)" in lieu thereof.

54. Page 29, line 8, delete "(2)", and insert "(b)" in lieu thereof.

55. Page 29, line 8, after "after", delete "the passage of this current bill", and insert "this bill becomes law" in lieu

thereof.

56. Page 29, line 20, after “d”, insert “less any monthly or periodic payments received”.

57. Page 29, line 21, delete “(3)”, and insert “(c)” in lieu thereof.

58. Page 29, line 22, delete “passage of this bill”, and insert “this bill becomes law” in lieu thereof.

59. Page 30, line 5, delete “(4)”, and insert “(d)” in lieu thereof.

60. Page 30, line 13, delete “(5)”, and insert “(e)” in lieu thereof.

61. Page 30, line 22, delete “Section 11”, and insert “Section 10” in lieu thereof.

62. Page 30, lines 24 and 25, after “following”, insert “:”, and delete “by amending subsection (1), which shall read as follows:”.

63. Page 31, line 15, delete “September 30, 2008”, and insert “January 1, 2009” in lieu thereof.

64. Page 31, line 16, delete “September 30, 2008”, and insert “January 1, 2009” in lieu thereof.

65. Page 31, line 17, delete “September 30, 2012”, and insert “January 1, 2013” in lieu thereof.

66. Page 31, line 19, delete “September 30, 2012”, and insert “January 1, 2013” in lieu thereof.

67. Page 31, line 22, delete “Section 12”, and insert “Section 11” in lieu thereof.

68. Page 31, lines 24 and 25, after “following”, insert “:”, and delete “by adding subsection (6), which shall read as follows:”.

69. Page 32, line 18, after “paid”, insert “on and”, and delete “September 30 2008”, and insert “January 1, 2009” in lieu thereof.

70. Page 32, lines 20 and 21, after “paid”, insert “on and”, and delete “September 30 2012”, and insert “January 1, 2013” in lieu thereof.

71. Page 32, lines 22 and 25, delete them in their entirety.

72. Page 33, lines 1 and 25, delete them in their entirety.

73. Page 34, lines 1 and 25, delete them in their entirety.

74. Page 35, lines 1 and 25, delete them in their entirety.

75. Page 36, lines 1 and 6, delete them in their entirety.

76. Page 36, line 7, delete “Section 15”, and insert “Section 12” in lieu thereof.

77. Page 36, line 8, delete “as amended”.

78. Page 36, line 9, after “follows”, insert “:”, and delete “and which shall read as follows:”.

79. Page 38, lines 16 and 20, delete them in their entirety.

80. Page 39, line 1, delete “Section 16”, and insert “Section 13” in lieu thereof.

Public Hearings

During March 2008, your committee traveled to each of the four states to hold public hearings on the proposed amendments with each respective state legislature and executive, as well as with members of the private sector in the states. Your committee was accompanied by the Chairman of the FSMSS Board of Trustees, Mr. Jack E. Yakana, and the FSMSS Administrator, Mr. Alexander Narruhn. Mr. Narruhn delivered a power point presentation at each hearing that set out the reasons behind the bill, and explained each proposed amendment.

Justifications for the proposed amendments

The initial slides of Mr. Narruhn's power point presentation showed that outgoing benefit payments are slowly but steadily eclipsing contributions to the program, while administration expenses are remaining relatively steady. Whereas in 2004, the program showed a surplus of $42,423, in 2007, it showed a deficit of $1,814,625.

FSMSSA presented data comparing total contributions to total benefits paid out to beneficiaries. According to the FSMSSA, the program currently has 2,283 active retirement beneficiaries. Of these, 2,118 retirees have collected more in benefits than they had contributed. Contributions to the program are insufficient to meet monthly benefit payments, so benefits are supplemented with FSMSSA investment income. FSMSSA says that the program is only 16% funded and has a $219.5 million unfunded accrued liability.

Other data regarding retirement, survivor and disability benefits was presented, as well as data regarding FSMSSA's investment income. Rather than reproducing the data in this report, electronic copies of the power point presentation are available from Congress or from FSMSSA itself.

At hearings in all the four FSM states, as well as in Guam and Hawaii, Mr. Narruhn conveyed a message that FSMSSA is trying to raise the funding of the program through contributions from 16% to 20 or 30%, through the subject bill.

Your committee will not review each hearing in each state as hearings consisted primarily of FSMSSA's power point presentation. Rather, your committee will review and comment on each proposed amendment.

Comments on proposed amendments

Proposed amendments to Section 603(7), 603(9) and 603(13): Definition of employer.

Your committee supports these amendments.

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SUBJECT: CHANGES TO TITLE 53, SOCIAL SECURITY

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Your committee notes that Public Law No. 14-86 amended the eligibility criteria for a "fully insured individual". The criteria remained 38 quarters of coverage for individuals who applied before December 31, 2006. To become eligible after December 31 2006, an individual requires at least 50 quarters of coverage and minimum employee contributions to the program of $2,500.

The amendments currently proposed by FSMSSA with regard to the definition of fully insured individual make no substantive change to what was created by Public Law No. 14-86. After reviewing the bill with representatives of FSMSSA, your committee has come to understand that FSMSSA made an error of interpretation when PL 14-86 came into effect. Rather than interpreting the new law to mean that at least 50 quarters of coverage are required to be fully insured, FSMSSA interpreted the legislative amendments as meaning "up to" 50 quarters of coverage were required.

As a result, your committee does not recommend amendments to the definition of "fully insured individual", other than to clarify that no minimum contribution to the system is required for eligibility before December 31, 2006. Your committee supports the proposed amendment that will require applicants for disability benefits to meet both the definitions of "fully" and "currently" insured. An amendment is proposed to allow this to take effect after December 31, 2009.

The bill proposes amendments to the definition of "currently insured individual". Up to December 31, 2006, eight quarters of coverage during the last thirteen quarter period are required. After that date, the requirement will be at least twenty quarters of coverage during the last twenty-five quarter period. Your committee recognizes that the date of December 31, 2006 has already passed and uses that date here simply for convenience. Your committee recommends the date, here and elsewhere in the subject bill, be amended to a date after the subject bill is scheduled to go before Congress.

Proposed amendments to Section 605(1): Imposing additional criminal penalties for failure to pay SS taxes.
Your committee supports this amendment.

Proposed amendment to Section 607(2): Lien for taxes; Writ of Garnishment
Your committee supports this proposed amendment.

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Proposed amendment to Section 801: Old age insurance benefit subject to earning test.
Your committee supports this proposed amendment.

Proposed amendment to Section 803(2): Limit surviving child benefits to age 20 for students
Your committee supports this proposed amendment.

Proposed amendment to Section 803A: Fully insured to qualify for disability benefits.
Your committee supports this amendment.

Proposed amendment Section 804(1): Reduce retirement benefits to 50% until age 65.
Your committee supports this proposed amendment

Proposed amendment Section 806: Amount of survivor insurance benefits.
Your committee supports part of the amendment and reject part of it as reflected in the committee report.

Proposed amendment to Section 809: Payment of benefits to foreign citizens.
Your committee supports this proposed amendment.

Proposed amendment to add Section 812: Lump sum option
Your committee does NOT support this proposed amendment

Proposed amendment to add Section 813: Reduce retirement benefits by 30% after contributions exhausted
Your committee does NOT support this proposed amendment

Proposed amendments to Sections 901 and 902: Increase tax rate
Your committee supports this proposed amendment.

Proposed amendments to Section 1006: Amendments to investment restrictions.
Your committee supports this proposed amendment, except establishment of a Credit Union.

Finally, your committee notes that C.B. 15-52 proposed amendments to section 809 of title 53 so that non-citizens who are not citizens of Palau, the Marshall Islands or the United States would not receive their employee contributions to the system until they reach the age of 60 and if they are fully insured. The subject group of non-citizens who had contributed to the system with the expectation that their contributions would be returned may have a basis to demand the return of their social security contributions.

Recommendations of your committee

Based on these comments received from the states and the national government and with the foregoing amendments, your Committee on Health, Education and Social Affairs is in accord with the intent and purpose of C.B. No. 15-52 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. 15-52, C.D.1.

Respectfully submitted,

/s/ Joseph J. Urusemal
Joseph J. Urusemal, chairman

/s/ Claude H. Phillip
Claude H. Phillip, vice chairman

Dohsis Halbert, member

/s/ Tesime Kofot
Tesime Kofot, member

Resio S. Moses, member

Setiro Paul, member

/s/ Joe N. Suka
Joe N. Suka, member