

STANDING COMMITTEE REPORT NO. 16-70

RE: C.B. NO. 16-25/J&GO

SUBJECT: MANDATORY RETIRMENT FOR PUBLIC
SERVICE EMPLOYEES

FEBRUARY 12, 2010

The Honorable Isaac V. Figir
Speaker, Sixteenth Congress
Federated States of Micronesia
Third Regular Session, 2010

Dear Mr. Speaker:

Your Committee on Judiciary and Governmental Operations, to which was jointly referred C.B. No. 16-25, entitled:

"To further amend section 115 of title 52 of the Code of the Federated States of Micronesia, as amended by Public Laws 10-15 and 14-56, to eliminate the mandatory retirement age for employees subject to the National Public Service System, and for other purposes."

begs leave to report as follows:

Your Committee held public hearings on December 14 and 15, 2009, in Chuuk State; December 16, 2009 in Yap State; January 14 and 15, 2010 in Kosrae State; and January 18 and 19 in Pohnpei state and January 26 2010, in Palikir.

Intent and Purpose

The intent and purpose of C.B.No.16-25 is to maintain the integrity of the Social Security (SS) system from financial pressure due to the meltdown in the global financial system. The SS system must find ways to save itself from financial collapse by withholding and delaying payments of benefits to recipients for the purposes of reinvesting the money.

Under the current law, employees subject to the National Public Service System (NPSS) must retire at the age of sixty.

This Bill therefore encourages the NPSS employees to remain in employment beyond the mandatory retirement age so as to allow the Social Security system to re-invest their benefits. Furthermore, this Bill intends to stop the brain drain within the NPSS by retaining experienced employees.

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Testimony Summary

Chuuk:

There were two public hearings held in Chuuk. The first hearing was held at the Chuuk State Legislature on December 14, 2009, and the second hearing was held at the Governor's compound on December 15, 2009.

Present at the hearings were representatives and members from the Chuuk Legislature, the Governor and cabinet members, subordinates from the executive departments, and also members of the private sector.

Chairman Sitan of your Committee on Judiciary and Governmental Operations, explained the intent and purposes of the Bill. Your Committee was informed by the state governor that Chuuk also has a mandatory retirement age law. Your Committee noted the coincidence in Chuuk State's Senate reviewing its own bill to repeal mandatory retirement age in line with the National Government's proposal.

Witnesses from the Chuuk Department of Health supported the Bill in that employees should be given the option to stay in employment.

All in all, the witnesses from Chuuk supported the full intention and purposes of C.B. No 16-25.

Yap:

On December 16, 2009, your Committee held public hearings in Yap State.

Present at the hearings were representatives and members from the Yap Legislature, the Governor and Cabinet members, subordinates from the executive departments, and also members of the private sector.

As in Chuuk's case, Chairman Sitan of your Committee explained in details the intention and purpose of the Bill. The witnesses supported the Bill., The only concern raised was in regard to the lack of opportunities for youth to join the NPSS if employees choose to remain in employment way beyond their year sixtieth year.

Kosrae:

Two separate hearings were conducted in Kosrae. The first hearing was held at the Governor's compound on January 14, 2010, and the second hearing was held at the Kosrae Legislature on January 15, 2010.

Present for the hearings were the Speaker and members of the Kosrae Legislature, members of the Kosrae Women Association, The state governor,

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members of the cabinet and subordinates from the executive departments.

Chairman Sitan opened the hearings by explaining the intent and purpose of C.B. No. 16-25. He commented that the Bill is to safeguard the survival of the Social Security System into the future by reinvesting the benefits meant to be paid out to benefactors at the mandatory retirement age of sixty. Also, the Bill intends to stop the exodus of experienced employees from leaving the Public Service at the anticipated retirement age.

Witnesses from Kosrae commented positively on the intent and purpose of the Bill and gave it their support.

Pohnpei:

On January 18 and 19, 2010 two public hearings were held in Pohnpei. The first hearing was held at the Governor's compound, and the second hearing at the Pohnpei legislature.

In attendance were the Governor of Pohnpei, his cabinet, and representatives from the executive departments, the Speaker and members of the Pohnpei Legislature and members of the public.

In both hearings Chairman Sitan explained the Bills intent and purpose. As in the case of the other states, the witnesses commented on the positive effects of the Bill and the options that one can exercise beyond the age of sixty.

The witnesses welcomed the Bill and gave full support to both its intent and purpose.

Pohnpei (Palikir):

Your Committee on Judiciary and Governmental Operations held a joint hearing with the Committee on Health and Social Affairs on Thursday, January 28, 2010.

Present for this hearing were Setiro Paul, Chairman of the Committee on Health and Social Affairs; Tony H. Otto, Vice Chairman of the Committee on Health and Social Affairs; Floor Leader, Joe N. Suka; Peter S. Sitan, Chairman of the Committee on Judiciary and Governmental Operations; Senator Joseph J. Urusemal; Senator Roger S. Mori; Senator Paliknoa K. Welly; Pelsesar Petrus, Special Assistant to the President; Marion Henry, Acting Secretary of Resources and Development; Maria Shoniber, Acting Secretary of Personnel and Angie Lambert from the Department of Finance and Administration. The hearing was staffed by Attorneys Gonzaga Puas, Allison Laffen and

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Marsha R. Kennedy.

Maria Shoniber, Acting Secretary of Personnel, clarified that this legislation and mandatory retirement only apply to those under the Public Service System and not to contracted employees.

Chairman Paul of your Committee on Health and Social Affairs stated that this bill is in line with the sentiment expressed at the National Leadership Conference of moving away from mandatory retirement and sustaining the Social Security System. Chairman Paul believes that the National Government should first loosen the mandatory retirement requirements and that the states should follow suit.

Chairman Sitan of your Committee on Judiciary and Governmental Operations reasoned that this was a good measure for the following three reasons:

1. People above age 60 are still useful contributors in the workplace;
2. People are currently being subject to mandatory retirement without adequate replacement; and
3. Raising the retirement age will lead to the greater sustainability of the Social Security system.

Senators Suka, Otto and Urusemal also stood in favor of the Bill.

Marion Henry, Acting Secretary of Department of Resources and Development, stated that his department lost some of its best employees when mandatory retirement was instituted. He also noted that the personnel system is outdated and in need of an update. He stood in support of C.B. 16-25.

Committee Discussion

Your Committee deliberated on the Bill as to its scope and contents on February 9, 2010. Your Committee adopted the view that the Bill should be presented on the floor in its current form.

Committee Recommendation

The Committee on Judiciary and Governmental Operations was the lead Committee on C.B. 16-25. Your Committee on Health and Social Affairs, upon reading this report, is in accord with the intent and purpose of C.B. 16-25. Both Committees recommend its passage on First Reading

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and that it be placed on the calendar for Second and Final Reading in
the form attached hereto as C.B. No. 16-25.

Respectfully submitted,

/s/ Peter Sitan
Peter Sitan, chairman

/s/ Fredrico O. Primo
Fredrico O. Primo, vice chairman

/s/ Dohsis Halbert
Dohsis Halbert, member

/s/ Roger S. Mori
Roger S. Mori, member

/s/ Setiro Paul
Setiro Paul, member

Isaac V. Figir, member

Paliknoa K. Welly, member