

AN ACT

To further amend sections 1202, 1208 and 1217 of title 55 of the Code of the Federated States of Micronesia, as enacted by Public Law No. 10-150 and amended by Public Law No. 12-16, for the purposes of placing one member of each government on the Board of Trustees, establishing State sub-accounts in the FSM Trust Fund, and for other purposes.

BE IT ENACTED BY THE CONGRESS OF THE FEDERATED STATES OF MICRONESIA:

1 Section 1. Section 1202 of title 55 of the Code of the
2 Federated States of Micronesia, as amended by Public Law No. 12-16,
3 is hereby further amended to read as follows:

4 "Section 1202. Definitions. Unless otherwise specified
5 or clear from the context, words and phrases used in
6 this chapter shall have the following meanings:

7 (1) 'Baseline Funding' means the amount of Compact of
8 Free Association assistance provided to a government in
9 fiscal year 2001, adjusted for inflation to the final
10 year of the first Compact;

11 (2) 'Board' means the Board of Trustees of the Fund;

12 (3) 'Contributing government' means the government of
13 any State of the FSM or the National Government once such
14 government has made a contribution of funds to the S
15 Account;

16 (4) 'FSM' means the sovereign nation of the Federated
17 States of Micronesia;

18 (5) 'Financial year' means the fiscal year of the Fund,
19 which shall be the twelve-month period ending on the last

1 day of each December;

2 (6) 'Fiscal year' means the fiscal year of the
3 National Government;

4 (7) 'Fund' means the FSM Trust Fund created by this
5 chapter, including the accounts therein;

6 (8) 'Fund custodians' means the one or more firms
7 selected by the Board to assume responsibility for the
8 physical possession of the Fund assets or evidences of
9 assets;

10 (9) 'Fund managers' means the one or more firms
11 selected by the Board to manage the investment and
12 reinvestment of the Fund's resources;

13 (10) 'Fund returns' means the returns accruing to the
14 Fund by way of income generated from the Fund's
15 resources and the capital appreciation of those
16 resources;

17 (11) 'Long-term Trust Account' means a Trust Fund or
18 Trust Account similar or identical in structure to the
19 terms of this Trust Fund, wherein an Account is designed
20 for the principal to be maintained through long-term
21 investments.

22 (12) 'National Government' means the National Government
23 of the FSM;

24 (13) 'Other participating government' means a State
25 government of the FSM;

1 (14) 'Real value' means the value of contributions to the
2 Fund when adjusted to reflect inflation and population
3 change. For purposes of determining 'real value' at any
4 one time, the value of a contribution in the form of a
5 loan shall be the principal balance then owing. The
6 inflation adjustment shall be made to current prices in
7 line with movements in the US Consumer Price Index.
8 Population refers to the number of FSM citizens residing
9 in the FSM. When current population figures are not
10 available, the Board shall use such estimates thereof as
11 it finds to be reasonable. Such estimates may be
12 extrapolated from the most recent population census based
13 on the population growth rate prior thereto;

14 (15) 'Reinvestment' means the process whereby Fund
15 returns, whether in the form of income or appreciation,
16 become part of the capital of the Fund; and

17 (16) 'Renewal Compact' means the renewed economic
18 assistance provisions contained in Title Two of the
19 Compact of Free Association."

20 Section 2. Section 1208 of title 55 of the Code of the
21 Federated States of Micronesia, as enacted by Public Law No. 10-150,
22 is hereby amended to read as follows:

23 "Section 1208. Board.

24 (1) The Fund shall have a Board of Trustees consisting
25 of five trustees one member shall be appointed by the

1 President of the Federated States of Micronesia with the
2 advice and consent of Congress. The Governor of each
3 State of the Federated States of Micronesia shall
4 appoint one member of the Board with the advice and
5 consent of the respective State legislative bodies. The
6 Minimum qualification for services as a member of the
7 Board shall be a bachelor's degree in finance or related
8 field, and five years of experience in the area of
9 finance. Board members shall serve a term of four
10 years. The President of the Federated States of
11 Micronesia may recall the National Government appointee
12 to the Board. The Governor of the respective State may
13 recall its appointee to the Board. The Board shall
14 elect a Chairman from amongst its members.

15 (2) All powers of the Fund shall be vested in and
16 exercisable by the Board.

17 (3) The functions of the Board shall include:

- 18 • (a) obtaining, along with others, contributions to
19 the Fund;•
20 (b) operation, supervision and management of the
21 Fund; and
22 • (c) investment and distribution of resources of the
23 Fund.•

24 (4) Trustees shall serve as such without payment of
25 compensation from the Fund or any other source. Reasonable

1 expenses of the Board itself shall be provided for
2 annually in the national budget of the FSM and not paid
3 out of the Fund.

4 (5) The Board shall meet at least once per year and
5 additionally as necessary, and reasonable notice shall be
6 given of meetings.

7 (6) For the purposes of meetings of the Board, three-
8 fifths of trustees shall constitute a quorum.

9 (7) Except where otherwise provided in this chapter,
10 questions before the Board shall be decided by a majority
11 of votes of trustees present and voting at the meeting.

12 (8) The Board shall establish its own bylaws and rules of
13 procedure.

14 (9) All expenses of the Board shall be subject to
15 appropriation, and shall not be considered expenses of the
16 Fund under section 1212."

17 Section 3. Section 1217 of title 55 of the Code of the
18 Federated States of Micronesia, as amended by Public Law No. 12-16,
19 is hereby further amended to read as follows:

20 "Section 1217. Other participating government accounts.

21 (1) There are hereby created State sub-accounts,
22 including A and B sub-accounts, for each of the States
23 of the Federated States of Micronesia.

24 (2) Any donor, including the State and Foreign
25 Governments may make contributions to a State sub-

1 account or sub-accounts.

2 (3) National Government contributions to State sub-
3 accounts shall only be to the long-term, A sub-account
4 of that State or States.

5 (4) Contributions to a State sub-account made by the
6 National Government shall remain the property of the
7 National Government, with the relevant State being the
8 beneficiary of the proceeds subject to the conditions of
9 the A account. Contributions made by the National
10 Government to a State sub-account shall not be withdrawn
11 or disbursed except to cover the compensation and
12 expenses of the Fund managers and custodians in carrying
13 out their duties in administration of the Fund in
14 accordance with sections 1212 and 1213.

15 (5) State sub-accounts shall be subject to this
16 chapter and administered in the same manner as the
17 National Government A, B and S Accounts except that
18 distributable funds or assets shall be made available to
19 the other participating governments rather than the
20 National Government.

21 (6) States may withdraw their own contributions to
22 their States A sub-account and contributions made on
23 their behalf by NGO's and other donors if allowed under
24 the terms of the contribution, beginning 2023.

25 (7) States may withdraw from their State

