

## Micronesia

Exchange rate: Currency is the US dollar (US\$).

### Old Age, Disability, and Survivors

#### Regulatory Framework

**First law:** 1967.

**Current law:** 1982 (social security), implemented in 1983, with 2005 and 2006 amendments.

**Type of program:** Social insurance system.

#### Coverage

Gainfully employed persons, including certain self-employed persons.

Voluntary coverage for self-employed persons who earn less than US\$10,000 a year and citizens of Micronesia working outside of Micronesia, Palau, and Marshall Islands.

Exclusions: Casual employees who work less than 1 week in any calendar month, certain self-employed persons, and family labor.

Special systems (individual retirement plans) for some government agency employees.

#### Source of Funds

**Insured person:** 6% of earnings.

The minimum earnings for contribution calculation purposes are US\$300 a quarter.

The maximum earnings for contribution calculation purposes are US\$6,000 a quarter.

Voluntarily insured persons contribute US\$600 a year (a sum equal to 12%, based on employee and employer contribution rates, of assumed earnings of US\$5,000 a year).

**Self-employed person:** 2.5% of business annual gross revenue for the previous calendar year.

The maximum earnings for contribution calculation purposes are US\$6,000 a quarter.

Voluntarily insured self-employed persons contribute US\$600 a year (a sum equal to 12%, based on employee and employer contribution rates, of assumed earnings of US\$5,000 a year).

**Employer:** 6% of twice the salary of the highest-paid employee per quarter.

**Government:** None; contributes as an employer.

#### Qualifying Conditions

**Old-age pension (earnings-tested):** Age 60 with one quarter of coverage for each year after June 1968 (or since age 21, if later) up to age 60 and a total of at least US\$2,500 in contributions. Persons who do not satisfy the minimum contribution requirement may become eligible for the pension by paying the difference in a lump-sum contribution.

A minimum pension is paid with at least 12 quarters of coverage.

Earnings test: The old-age pension is reduced by US\$1 for each US\$2 of earnings exceeding US\$300 a quarter, if the pensioner is reemployed.

The pension is payable abroad to citizens of Palau, the Marshall Islands, and the United States, under reciprocal agreement. If the insured person is eligible for an old-age pension at retirement age; is not a resident of Micronesia; and is not a citizen of Micronesia, Palau, the Marshall Islands, or the United States, a lump sum is paid equal to the total value of contributions made to Micronesia's Social Security Administration. The lump sum is reduced by the value of any payments made by Micronesia's Social Security Administration to the insured person before the lump sum is paid.

**Old-age lump-sum benefit:** Paid to insured persons who do not qualify for the old-age pension at retirement age.

The lump-sum benefit is also payable abroad to citizens of Palau, the Marshall Islands, and the United States under reciprocal agreement.

**Disability pension:** Assessed as incapable of substantial gainful activity because of a disability that will last for at least one year or result in death. Must have one quarter of coverage for each year after June 1968 (or since age 21, if later), with at least 12 quarters of coverage and a total of at least US\$1,500 in contributions. Persons who do not satisfy the minimum contribution requirement may become eligible for the pension by paying the difference in a lump-sum contribution.

Eligibility for the disability pension may cease if the insured's condition improves.

Micronesia's Social Security Administration's certified disability examiners conduct periodic examinations to assess the degree of disability.

**Dependent disabled child benefit:** Paid to a dependent child who was disabled before age 22 for the death of an insured person who was eligible for a pension. The benefit continues as long as the disability exists.

Disability benefits are payable abroad to citizens of Palau, the Marshall Islands, and the United States, under reciprocal agreement. If the insured person is eligible for a pension when the disability began; is not a resident of Micronesia; and is not a citizen of Micronesia, Palau, the Marshall Islands, or the United States, a lump sum is paid equal to the total value of contributions made to Micronesia's Social

Security Administration. The lump sum is reduced by the value of any payments made by Micronesia's Social Security Administration to the insured person before the lump sum is paid.

**Survivor pension (earnings-tested):** The deceased had 1 quarter of coverage for each year after June 1968 (or since age 21, if later), with at least 12 quarters of coverage and a total of at least US\$2,500 in contributions. If the deceased did not satisfy the minimum contribution requirement, survivors may pay the difference in a lump-sum contribution to become eligible for the pension. If the deceased did not meet these requirements but had at least 20 quarters of coverage in the last 25 quarters before death, surviving children are eligible for a pension.

Eligible survivors are the insured's spouse and dependent unmarried children younger than age 18 (age 22 if a full-time student, no limit if disabled before age 22). The pension for a spouse ceases on remarriage.

Earnings test: The survivor's pension is reduced by US\$1 for each US\$2 of earnings exceeding US\$300 a quarter.

The pension is payable abroad to citizens of Palau, the Marshall Islands, and the United States, under reciprocal agreement. If the insured person was eligible for a pension at the time of death; was not a resident of Micronesia; and was not a citizen of Micronesia, Palau, the Marshall Islands, or the United States, a lump sum is paid to survivors equal to the total value of the deceased's contributions to Micronesia's Social Security Administration. The lump sum is reduced by the value of any payments made by Micronesia's Social Security Administration to the deceased, the surviving spouse, or orphans before the lump sum is paid.

**Survivor lump-sum benefit:** Paid for the death of an insured person of retirement age who did not meet the qualifying conditions for a pension or for an insured worker who did not meet the qualifying conditions for a pension. Also paid when all survivors are no longer eligible for a survivor pension based on age, remarriage, or death. The value of any benefits previously paid must not exceed 4% of the deceased's cumulative covered earnings.

Eligible survivors are (in order of priority) the deceased's spouse, children, parents, and legal heirs.

The lump-sum survivor benefit is payable abroad to citizens of Palau and the Marshall Islands under reciprocal agreement.

### **Old-Age Benefits**

**Old-age pension (earnings-tested):** The monthly pension is based on 16.5% of the first US\$10,000 of cumulative covered earnings, plus 3% of the next US\$30,000, plus 2% of the next US\$262,500, plus 1% of cumulative earnings exceeding US\$302,500.

The minimum monthly old-age pension is US\$75.

Benefit adjustment: Benefits are adjusted according to changes in the earnings test.

**Old-age lump-sum benefit:** 4% of the insured's cumulative covered earnings are paid.

### **Permanent Disability Benefits**

**Disability pension:** The monthly pension is based on 16.5% of the first US\$10,000 of cumulative covered earnings, plus 3% of the next US\$30,000, plus 2% of the next US\$262,500, plus 1% of cumulative earnings exceeding US\$302,500.

The minimum monthly disability pension is US\$75.

**Dependent disabled child benefit:** The benefit is equal to 15% of the monthly disability pension that would have been paid to the deceased.

### **Survivor Benefits**

**Survivor pension (earnings-tested):** 60% of the deceased's pension is paid to a widow(er), regardless of age.

If the surviving spouse is eligible for the survivor pension and an old-age or disability pension in his or her own right, the greater of the two monthly benefit amounts is paid. In addition, a lump sum is paid equal to 4% of the cumulative covered earnings used to calculate the lesser of the two benefit amounts, minus the sum of any benefits already paid for those cumulative covered earnings.

**Orphan's pension (earnings-tested):** 15% of the deceased's pension is paid for each eligible child.

The maximum half orphan's pension is 40% of the deceased's pension (if there are three or more children and if a survivor pension is paid to the spouse).

The monthly benefit paid to a full orphan is based on the greater of the two benefit amounts paid to the deceased parents. In addition, a full orphan is paid a lump sum equal to 2% of the other deceased parent's cumulative covered earnings, minus the sum of any benefits already paid to that deceased parent.

The maximum full orphan's pension is 100% of the deceased's pension (if there are seven or more children).

The minimum monthly survivor pension is US\$75.

The maximum survivor pension is 100% of the deceased's pension (may be higher if the survivor pension is calculated on the surviving spouse's own contribution record).

Benefit adjustment: Benefits are adjusted according to changes in the earnings test.

**Survivor lump-sum benefit:** 4% of the deceased's total cumulative covered earnings is paid (reduced by the amount of any benefits paid to the insured and his or her eligible dependents).

***Administrative Organization***

Federated States of Micronesia Social Security Administration (<http://www.fm/fsmss>) administers the program.