

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 amendment.

Type of program: Social insurance system.

Coverage

Gainfully employed and self-employed persons.

Exclusions: Persons engaged in casual labor working 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 purposes are US\$50 a quarter.

The maximum earnings for contribution purposes are US\$5,000 a quarter.

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

The maximum earnings for contribution purposes are US\$5,000 a quarter.

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 1 quarter of coverage for each year after June 1968 (or since age 21, if later) up to age 60, 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, Marshall Islands, and the United States under reciprocal agreement. If eligible for an old-age pension at retirement age but not residing in Micronesia, 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 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, 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 a year or result in death. Must have 1 quarter of coverage for each year after June 1968 (or since age 21, if later), with at least 12 quarters of coverage or at least 8 quarters of coverage during the last 13 quarters.

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

Periodic examinations to determine the degree of disability are carried out by Micronesia's Social Security Administration's certified disability examiner.

Dependent disabled child benefit: If an active insured person who was eligible to receive a pension dies, the benefit is payable to a dependent child who was disabled before reaching age 22. The benefit may continue for as long as the disability exists.

Disability benefits are payable abroad to citizens of Palau, Marshall Islands, and the United States under reciprocal agreement. If eligible for a pension when the disability began and not residing in Micronesia, 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 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) or had at least 8 quarters of coverage in the 13 quarters before death. If the deceased was insured at the time of death but did not meet the qualifying conditions for a pension, surviving children may still receive the orphan's 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, Marshall Islands, and the United States under reciprocal agreement. If eligible for a pension at the time of death and not residing in Micronesia, 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, subject to the condition that the value of any benefits previously received does not exceed 4% of the deceased's cumulative covered earnings. Also paid when all survivors are no longer eligible to receive a survivor pension on the grounds of age, remarriage, or death, subject to the condition that the value of any benefits previously received does 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 heir.

The lump-sum survivor benefits are payable abroad to citizens of Palau and 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 of cumulative earnings, plus 2% of cumulative earnings exceeding US\$40,000.

The minimum monthly old-age pension is US\$50.

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 is 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 of cumulative earnings, plus 2% of cumulative earnings exceeding US\$40,000.

The minimum monthly disability pension is US\$50.

Dependent disabled child benefit: The benefit is equal to 15% of the monthly disability pension that would have been payable 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 also eligible for an old-age or disability pension in his or her own right, the highest monthly benefit amount is paid. In addition, the surviving spouse receives a lump sum equal to 4% of the cumulative covered earnings used to calculate the lower benefit amount, minus the sum of all benefits already received on the basis of 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 higher of the two benefit amounts earned by the deceased parents. In addition, a full orphan receives a lump sum equal to 2% of the other deceased parent's cumulative covered earnings, minus the sum of any benefits received by the 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\$50.

The maximum survivor pension is 100% of the deceased's pension (may be higher if the survivor pension is calculated on the basis of 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

United States Social Security Administration (<http://www.socialsecurity.gov>) administers the program.

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