

## Micronesia

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

### Old Age, Disability, and Survivors

#### Regulatory Framework

**First law:** 1968.

**Current law:** 1982 (social security), implemented in 1983.

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

#### Coverage

Gainfully employed persons, including certain self-employed persons.

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

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

#### Source of Funds

**Insured person:** 7.5% of earnings (January 2013).

The minimum earnings used to calculate contributions are US\$300 a quarter.

The maximum earnings used to calculate contributions are US\$7,000 (rising by US\$1,000 every five years until reaching US\$10,000 in 2028) a quarter.

**Self-employed person:** 5% of business annual gross revenue for the previous calendar year.

The maximum earnings used to calculate contributions are US\$7,000 (rising to US\$1,000 every five years until reaching US\$10,000 in 2028) a quarter.

**Employer:** 7.5% of twice the salary of the highest-paid employee per quarter (January 2013).

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

#### Qualifying Conditions

**Old-age pension (earnings tested):** Age 65 with one quarter of coverage for each year after June 1968 (or since age 21, if younger than age 21 in June 1968) up to age 60 and a total of at least 50 quarters and US\$2,500 in contributions.

A reduced benefit (no earnings test) is paid to persons aged 60-64 who meet the contribution requirements for an old-age pension. Retirement is not necessary.

The pension is payable abroad to citizens of Palau, the Marshall Islands, and the United States, under reciprocal

agreement. For citizens of other nations who are fully insured and older than age 60, benefits are paid over a six-month period.

**Old-age lump-sum benefit:** Paid to insured citizens of Micronesia who do not meet the contribution requirements for the old-age pension at retirement age.

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

**Disability pension:** Must have an assessed incapacity for substantial gainful activity due to a disability that will last for at least one year or result in death. Must have at least one quarter of coverage for each year after June 1968 (or since age 21, if younger than age 21 in June 1968) and a total of at least 45 quarters of coverage (including 20 in the last 25 quarters) and US\$1,500 in contributions.

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

Micronesia's Social Security Administration's certified disability examiners periodically assess the degree of disability.

**Dependent disabled child benefit:** Paid to a dependent child disabled before age 22 when an insured person eligible for a disability pension dies. The benefit may continue 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. For citizens of other nations who are fully insured and older than age 60, benefits are paid over a six-month period.

**Survivor pension (earnings tested):** The deceased had one quarter of coverage for each year after June 1968 (or since age 21, if younger than age 21 in June 1968) and a total of at least 50 quarters of coverage and US\$2,500 in contributions.

Eligible survivors include the insured's spouse and dependent, unmarried children younger than age 18 (age 22 if a student, no limit if the child was disabled before age 22).

The spouse's pension ceases on remarriage.

Earnings test: The survivor's pension is reduced by US\$1 for every 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. For citizens of other nations (if the deceased was fully insured and older than age 60), benefits are paid over a six-month period.

**Survivor lump-sum benefit:** If the survivor pension is less than 4% of the deceased's cumulative covered earnings, a lump sum is paid to eligible survivors.

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 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\$100.

Earnings test: The old-age pension is reduced by US\$1 for every US\$2 of earnings exceeding US\$300 a quarter.

The reduced benefit (no earnings test) is 50% of the total monthly pension.

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 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\$100.

**Dependent disabled child benefit:** 15% of the monthly disability pension the deceased received or was entitled to receive is paid.

### **Survivor Benefits**

**Spouse's pension (earnings tested):** 60% of the old-age or disability pension the deceased received or was entitled to receive is paid to a widow(er).

**Orphan's pension (earnings tested):** 15% of the old-age or disability pension the deceased received or was entitled to receive is paid for each eligible child.

The maximum combined half orphan's pension is 40% of the old-age or disability pension the deceased received or was entitled to receive (if there are three or more children and if a spouse's pension is paid).

The maximum combined full orphan's pension is 100% of the old-age or disability pension the deceased received or was entitled to receive (if there are seven or more children).

The minimum monthly survivor pension is US\$100.

The maximum monthly survivor pension is 100% of the old-age or disability pension the deceased received or was entitled to receive.

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.