August 20, 2013  
Serial No. 13-323

Honorable Sabino Anastacio  
Speaker  
House of Delegates  
9th Olbiil Era Kelulau  
P.O. Box 8  
Koror, PW 96940

Re: Signing Statement for Senate Bill No. 9-45, SD1, HD1, PD1.

Dear Speaker Anastacio:

Thank you for re-passing this bill in a timely manner and in accordance with my recommendations, as agreed. This bill is a companion bill to House Bill No. 9-8-1, HD1, SD2. These two bills cannot be considered separately from one another. The House Bill substantially increases the social security benefits for surviving spouses by allowing them to essentially ‘double-dip’ into the Social Security Fund and receive their surviving spouse benefit in addition to a retirement benefit or a disability benefit.

While the House Bill contains one side of the equation—an increase in benefits—the Senate Bill contains the other side of the equation: a fundamental restructuring of the way our Social Security System will function in order to secure the solvency of the Social Security Fund for the foreseeable future. The bill accomplishes this through two amendments to the social security law: (1) pushing the retirement age to 62 in 2015 and then 63 in 2020, and (2) the initiation of a dramatic increase in the amount of compensation that will be subject to the tax, which will result in more money being captured into the Fund. The bill increases the amount of compensation that is subject to the tax in a gradual manner. This change will gradually capture more of the earnings of our highest wage earners and without affecting our lowest wage earners. This ensures that everyone pays their fair share into the Social Security Fund. In addition, while securing the solvency of the Social Security Fund, the Senate Bill also increased the monthly basic benefit received by our lowest wage earners.

Finally, as a result of a meeting with the Ways and Means Committees in both houses, I thank the Olbiil Era Kelulau for agreeing with a recommended change upon referral in the form of the removal of the cap on the monthly basic benefit for our highest wage earners. Instead of a cap, our highest wage earners will see their monthly basic benefit increase, but the benefit will increase more slowly once their compensation subject to the tax hits a certain threshold. This compromise ensures that every contribution into the Fund will result in some form of a benefit increase. The bill reflects a balanced and fair social security system where everyone pays their fair share and everyone is adequately taken care of when they are unable to care for themselves.
I am impressed with the coordination of the two houses in passing visionary legislation that will secure the solvency of our Social Security Fund for the foreseeable future. I am looking forward to continuing to develop a strong working relationship with both houses of the Olbiil Era Kelulau.

Sincerely,

[Signature]

Tammy E. Remengesau, Jr.
President
Republic of Palau
August 20, 2013
Serial No. 13-323

Honorable Camsek E. Chin
Senate President
Senate
9th Olbiil Era Kelulau
P.O. Box 8
Koror, PW 96940

Re: Signing Statement for Senate Bill No. 9-45, SD1, HD1, PD1.

Dear Senate President Chin:

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Sincerely,

[Signature]

Tommy E. Remengesau Jr.
President
Republic of Palau
The Senate
NINTH OLBIIL ERA KELULAU
P.O. Box 8, Ngerulmud
Republic of Palau 96939

FIFTH SPECIAL Session
August 2013

INTRODUCED AS SENATE BILL NO. 9-45, SD1, HD1, PD1

AN ACT
(See Title Insident)

INTRODUCED BY SENATOR(S) Rukebai K. Inabo, Surangel Whipps, Jr., Mason N. Whipps, Raymond B. Oiouch, J. Udouch Sengebau Senior, Phillip B. Rikelai

DATE INTRODUCED April 12, 2013

SENATE ACTION

FIRST READING: April 12, 2013
REFERRED TO: Ways and Means and Financial Matters
STANDING COMMITTEE REPORT NO.: 9-71/Sp.CF 9-1
DATE ADOPTED: July 18, 2013/August 19, 2013
SECOND READING: July 18, 2013
LEGAL FORMAT: Proper
REVIEW: July 19, 2013
THIRD READING: July 19, 2013
FINAL READING: August 02, 2013/August 19, 2013

HOUSE ACTION

FIRST READING: July 30, 2013
REFERRED TO: Ways and Means
STANDING COMMITTEE REPORT NO.: 9-38
DATE ADOPTED: July 31, 2013
SECOND READING: July 31, 2013
LEGAL FORMAT: Proper
REVIEW: July 31, 2013
THIRD READING: August 8, 2013
FINAL READING: August 19, 2013

CONFERENCE COMMITTEE ACTION

DATE: None
COMMITTEE REPORT NO.: None
DATE PASSED: None
FINAL READING: None

Ann. L. Pedro
CLERK OF THE SENATE

Marcello Ngirikelau
Acting, HOUSE OF DELEGATES CLERK
NINTH OLBIIIL ERA KELULAU
Second Regular Session, April 2013

AN ACT

To amend Title 41, Chapter 7 of the Palau National Code to add to existing benefits, ensure the stability of the Social Security Retirement Fund, to raise the minimum basic benefit, and for other related purposes.

THE PEOPLE OF PALAU REPRESENTED IN THE OLBIIIL ERA KELULAU DO ENACT AS FOLLOWS:

Section 1. Legislative Findings. The Olbiil Era Kelulau finds that amendments to the Social Security System are necessary to alleviate hardship with increased cost of living for retirees due to accumulated inflation over the last five years and to ensure the stability of the fund. The minimum basic benefit has not been raised since 2007 and revisions to the basic benefit formula are needed to keep pace with the rate of inflation.

The OEK finds it necessary to repeal § 752 subsection (b) which prohibits a person from receiving two types of benefits at the same time, in order to further assist fixed income families with the rising cost of living. In addition, this bill increases the amount of earnings subject to the earning’s test from $1500 per quarter to $3,000 per quarter in order that retirees may continue receiving benefits while receiving income as a self-employed small business owner or as an employee earning less than $12,000 annually.

While increasing benefits to fixed income families, the OEK finds it prudent to increase the maximum amount of remuneration that must be contributed to the social security fund and to add to the definition of self-employed individuals to include officers and partners of organizations, businesses, and partnerships registered in Palau who do not have employees to contribute to the social security fund.

Section 2. Amendment. 41 PNC § 741 is hereby amended to read as follows:

“§ 741. Self-employed persons.

(a) A self-employed person shall be presumed to be both his own employer and his own employee, and accordingly is liable to pay to the System with respect to himself for both employer contributions and employee contributions, and shall include himself in reports under section 745.”
(b) A self-employed person who has, in a given quarter, at least one employee who receives remuneration from him, shall be presumed to receive in any quarter, as remuneration, twice the amount paid to his highest-paid employee in that quarter.

(c) A self-employed person who has, in a given quarter, no employee who receives remuneration from him, shall be presumed to receive in any quarter, as remuneration, twenty-five percent (25%) of his gross revenue in the preceding calendar year.

(d) Notwithstanding the foregoing, a self-employed retail merchant with no employee who receives remuneration from him and with less than ten thousand dollars ($10,000) of gross revenues in the preceding calendar year or a person working as a farmer, fisherman, or taxi driver, shall have the option to be covered by this chapter, provided that he reports a minimum of three hundred dollars ($300) in remuneration each quarter.

(e) For the purposes of this Chapter, a self-employed individual shall include an officer in a corporation or partner in a partnership or limited ownership corporation that is registered in Palau but does not have employees in Palau.”

Section 3. Amendment. 41 PNC § 751 is hereby amended to read as follows:

“§ 751. Basic Benefit Formula.

(a) The “Basic Benefit” monthly payment of one-twelfth (1/12) of the total of:

(1) twenty-seven percent (27%) of the first eleven thousand dollars ($11,000) of cumulative covered earnings; and

(2) two and nine tenths percent (2.90%) of cumulative covered earnings in excess of eleven thousand dollars ($11,000) but not in excess of the next thirty three thousand dollars ($33,000); and

(3) one and one half percent (1.50%) of cumulative covered earnings in excess of forty four thousand dollars ($44,000); and

(4) three quarters of one percent (0.75%) of cumulative covered earnings in excess of five hundred thousand dollars ($500,000.00).

(b) . . .

c) . . .”

Section 4. Repealer. 41 PNC § 752(b) is hereby repealed.
"§ 752. Types of benefits.

(a) . . .

(b) [RESERVED]

(c) . . ."

Section 5. Amendment. 41 PNC § 753 is hereby amended to read as follows:

"§ 753. Old age insurance benefit.

(a) A person who is fully insured and has attained the age of sixty years by September 30, 2015, sixty-two years as of October 1, 2015, or sixty-three years as of October 1, 2020, and retired is entitled to a monthly old age insurance benefit, beginning with the month in which that person became so entitled and ending with the month preceding the month in which he dies, subject to the earnings test. A person who attains the age of sixty and retires prior to attaining the age at which that person becomes entitled to a monthly old age insurance benefit under this Section shall receive a monthly old age insurance benefit that is reduced by six percent for each year remaining before the person attains the age of entitlement.

(b) . . .

. . ."

Section 6. Amendment. 41 PNC § 755 is hereby amended to read as follows:

"§ 755. Surviving spouse's insurance benefit.

(a) Subject to section 757, the surviving spouse of a person who has died while fully or currently insured is entitled to a monthly survivor's insurance benefit, beginning with the month in which the surviving spouse became so entitled and ending with the month preceding the month in which the surviving spouse dies. A widow or widower who is at least sixty (60) years of age may re-marry and continue to receive the benefit provided by this section but may not receive more than one surviving spouse's insurance benefit.

(b) The monthly amount of the benefit is sixty percent (60%) of the basic benefit applicable to the deceased wage earner at the time of his or her death if the surviving spouse is under the age of sixty (60) until September 30, 2015, under the age of sixty-two as of October 1, 2015, or under the age of sixty-three years as of October 1, 2020, and is
unmarried. The monthly amount of the benefit is one hundred percent (100%) if the
surviving spouse is at least sixty (60) by September 30, 2015, sixty-two by October 1,
2015, or sixty-three by October 1, 2020, and unmarried.

(c)...

(d) A person who is under the age of sixty (60) until September 30, 2015, sixty-
two until October 1, 2015, or sixty-three years as of October 1, 2020, and who is
employed and earns more than three thousand dollars ($3,000) in any quarter shall have
his/her surviving spouse benefit reduced by one dollar ($1) for every three dollars ($3)
for wages earned in a quarter in excess of three thousand dollars ($3,000). The
reduction shall be applied in the quarters immediately following the quarter in which
the wages were earned.”

Section 7. Amendment. 41 PNC § 742 is hereby amended as follows:

“§ 742. Maximum remuneration. The maximum amount of remuneration
received during a quarter from one employer by any one employee upon which
contributions must be deducted and contributed to the Retirement Fund is three
thousand dollars ($3,000); provided, however, that such maximum amount of
remuneration shall be increased to four thousand dollars ($4,000) on October 1, 2007
and shall be increased to five thousand dollars ($5,000) after October 1, 2008 and shall
be increased to six thousand dollars ($6,000.00) on October 1, 2015, shall be increased to
eight thousand dollars ($8,000.00) on October 1, 2017. On October 1, 2020, there will no
longer be a maximum amount of remuneration.”

Section 8. Amendment. 41 PNC § 761 is hereby amended to read as follows:

“§ 761. The earnings test.

(a) The "earnings test" means a test to determine whether the person who is
receiving the benefit is retired or otherwise dependent on the Social Security benefit.
The maximum amount of remuneration that a person may earn and still remain entitled
to a full benefit is three thousand dollars ($3,000.00) during any quarter, except as
provided in subsection (c).

(b) The person who is receiving retirement benefits shall have his or her
retirement benefit reduced by one dollar ($1) for each three dollars ($3) of wages earned
during a quarter in excess of three thousand dollars ($3,000). The reduction shall be applied in the quarters following the quarter in which the wages were earned.

(c) A person who became eligible to receive the surviving spouse benefit after December 31, 2013 shall have his surviving spouse benefit reduced by one dollar ($1) for every three dollars ($3) for wages earned in a quarter in excess of three thousand dollars ($3,000), unless:

(1) the surviving spouse beneficiary attains the age of sixty by September 30, 2015, sixty-two by September 30, 2020, or sixty-three on or after October 1, 2020; or

(2) the surviving spouse beneficiary was eligible for the surviving spouse benefit under section 755 prior to August 2, 2007.

The reduction shall be applied in the quarters immediately following the quarter in which the wages were earned.

(d) . . ."

Section 9. Effective date. This Act shall take effect on October 1, 2013, or upon becoming law without such approval, except as otherwise provided by law.

PASSED: August 19, 2013

Approved this day of , 2013.

HE. Tommy E. Remengesau, Jr.
Président
République of Palau