



Republic of the Marshall Islands  
*Jepilpilin Ke Ejukaan*

# **SOCIAL SECURITY (AMENDMENT) ACT 2016**

**Sponsored by:**

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**HON.MINISTER KALANI KANEKO**

**Approved:**

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**HON.SPEAKER KENNETH A KEDI /s/**



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**NITIJELA OF THE REPUBLIC OF THE MARSHALL ISLANDS  
37TH CONSTITUTIONAL REGULAR SESSION, 2016**



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Republic of the Marshall Islands  
*Jepilpilin Ke Ejukaan*

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**SOCIAL SECURITY (AMENDMENT) ACT 2016**

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**BILL NO 47**

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1 NITIJELA OF THE REPUBLIC OF THE MARSHALL ISLANDS  
2 37TH CONSTITUTIONAL REGULAR SESSION, 2016



3 Republic of the Marshall Islands  
4 *Jepilpilin Ke Ejukaan*

5 **SOCIAL SECURITY (AMENDMENT) ACT 2016**

6 **A BILL FOR AN ACT** to amend Title 49, Chapter 1, of the *Social Security Act* of 1990.

7 **BE IT ENACTED BY THE NITIJELA OF THE REPUBLIC OF THE MARSHALL ISLANDS**

8 **§101. Short title.**

9 This Act may be cited as the *Social Security (Amendment) Act 2016*.

10 **§102. Amendment.**

11 (1) Section 103 of the *Social Security Act* is amended as follows:

12 **§ 103. Interpretation.**

13 In this Chapter, unless the context otherwise requires:

14 (k) “**Covered Earnings**” means the worker’s or self-  
15 employed worker’s gross earnings during any quarter ~~subject~~  
16 ~~to a maximum of five thousand dollars (US \$5,000)~~ and is that  
17 amount of earnings upon which the worker, the worker’s  
18 employer and the self-employed worker makes contributions  
19 to the Administration pursuant to Sections 129 and 130 of this  
20 Chapter. ~~The maximum amount of five thousand dollars (US~~  
21 ~~\$5,000) may be increased by the Board pursuant to Section 147~~  
22 ~~of this Chapter.~~

23 (2) Section 121 of the *Social Security Act* is amended as follows:

24 **§121. Payment into the Fund.**

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(1) There shall be paid into the Fund:  
 (a) any money appropriated by the Nitijela for the purposes of the Administration, either generally or in relation to any particular purpose including;

(i) any amounts to be identified by the Administration that is necessary to balance its annual budget beginning FY 2017 and onward in order to ensure that no drawdown is made from Trust Fund investments;

(ii) Either whole or part of annual appropriation for the Administration pursuant to this section shall be used to subsidize the benefit reductions to take effect on the following dates:

(A) October 1, 2017: the amount shall be equal to two-thirds (2/3) of the reductions stated in Section 134 (c) and 134 (d); and

(B) October 1, 2018: the amount shall be equal to one-third (1/3) of the reductions stated in Section 134 (c) and 134 (d).

(3) Section 129 of the *Social Security Act* is amended as follows:

**§129. Worker’s contributions.**

(1) A worker or a self-employed worker shall contribute to the Administration an amount equal to the following percentage of such worker’s covered earnings:

(a) from the effective date of this Act up to June 30,1995 - 5%;

(b) from July 1, 1995 up to June 30, 2000, 6%. The one percent (1%) increase shall be transferred to the Social Security Health Fund;~~and~~

(c) from July 1, 2000, up to December 31, 2016 - 7%; and

(d) from January 1, 2017, and thereafter –an additional 1%.

(4) Section 130 of the *Social Security Act* is amended as follows:

**§130. Employer’s contributions.**

1 Every employer and self-employed worker shall contribute to the Fund, out  
2 of his own funds, an amount equal to the following percentages of his  
3 worker's covered earnings:

- 4 (a) from the effective date of this Act up to June 30,1995-5%;
- 5 (b) from July 1, 1995 up to June 30, 2000, 6%. The one percent  
6 (1%) increase shall be transferred to the Social Security Health  
7 Fund; ~~and~~
- 8 (c) from July 1, 2000 ~~and thereafter~~, up to December 31, 2016 -  
9 7%.; and
- 10 (d) from January 1, 2017, and thereafter -an additional 1%.

11

12 (5) Section 134 of the Social Security Act is amended as follows:

13 **§134. Basic benefit formula.**

- 14 (1) With respect to a worker or a self-employed worker, "basic  
15 benefit" means one twelfth (1/12) of the sum of the pension  
16 element and the social element calculated as follows:
- 17 (a) pension element: two percent (2%) of indexed covered  
18 earnings, plus
- 19 (b) social element: fourteen and five tenths percent (14.5%)  
20 of the first eleven thousand dollars (\$11,000) of  
21 cumulative covered earnings, plus seven-tenths percent  
22 (0.7%) of cumulative covered earnings in excess of  
23 eleven thousand dollars (\$11,000) but not in excess of  
24 forty-four thousand dollars (\$44,000). The \$11,000 and  
25 \$44,000 bend points may be increased from time to time  
26 by wage index adjustments granted by the Board  
27 pursuant to Section 147 of this Chapter;
- 28 (c) Notwithstanding subsections (1)(a) and (1)(b) however:
- 29 (i) all monthly benefits greater than \$199 shall be  
30 reduced by 5% effective of January 1, 2017; and
- 31 (ii) The maximum monthly benefit shall be one  
32 thousand dollars (US\$1,000) per month.

33

34 (6) Section 136 of the Social Security Act is amended as follows:

35 **§ 136. Old age insurance benefits.**

- 1                   (1) Entitlement to Old Age Insurance Benefits.
- 2                   (a) A service insured worker or self-employed worker, on
- 3                   or after his attainment of fifty-five (55) years of age, and
- 4                   after filing an application, shall be entitled to an early
- 5                   retirement, old age insurance benefit payable every
- 6                   month, beginning with the month those conditions
- 7                   were satisfied and ending with the month preceding the
- 8                   month of death. However, effective January 1, 2017, this
- 9                   provision shall no longer apply, and all those who
- 10                   received early retirement benefits prior to this date will
- 11                   be grandfathered.
- 12                   (b) A fully insured worker or self-employed worker, on or
- 13                   after his attainment of sixty (60) years and one (1)
- 14                   month of age, and after filing an application, shall be
- 15                   entitled to deferred retirement, old insurance benefit,
- 16                   payable every month beginning with the month those
- 17                   conditions were satisfied and ending with the month
- 18                   preceding the month of death; provided, the worker or
- 19                   self-employed worker has not applied for and received
- 20                   early retirement old age insurance benefits or normal
- 21                   retirement old age insurance benefits. However,
- 22                   effective January 1, 2017, this provision shall no longer
- 23                   apply, and all those who received deferred retirement
- 24                   benefits prior to this date will be grandfathered.
- 25                   (2) Subject to section 144 of this Chapter, the amount of old age
- 26                   insurance benefits shall be as set forth in this Subsection.
- 27                   (a) The monthly amount of the early retirement old age
- 28                   insurance benefit shall be the basic benefit reduced by
- 29                   one-half (1/2) percent for each complete month that the
- 30                   date of early retirement precedes the date the worker or
- 31                   self-employed worker attains the age of sixty (60) years,
- 32                   but not less than the minimum benefit. However,
- 33                   effective January 1, 2017, this provision shall no longer
- 34                   apply.
- 35                   (b) The monthly amount of the normal retirement, old age
- 36                   insurance benefit shall be the basic benefit, but not less
- 37                   than the minimum benefit.
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(c) The monthly amount of the deferred retirement, old age insurance benefit shall be the basic benefit increased by one-half (1/2) percent for each complete month that the date of deferred retirement follows the date the worker or the self-employed worker attains the age of sixty (60) years, but not less than the minimum benefit. However, effective January 1, 2017, this provision shall no longer apply.

(3) If a person who is receiving an old age insurance benefit accepts covered employment, the benefit shall be recomputed at the end of the calendar year. However, the following shall apply to all claims approved on or after the effective date of January 1, 2017:

(i) If after retirement, the worker or self-employed worker still engages in employment or any trade or business, his benefits will be put on hold until such employment, trade or business permanently ends.

(ii) If such worker or self-employed worker receives payment for earned vacation or sick leave hours after retirement, this will be deemed as an extension of his employment, trade or business. In such a case, his benefits will also be put on hold on the month or months covered by his paid vacation or sick leave beginning on the first day after his 60th birthday until the last day of the paid vacation or sick leave.

(7) Section 144 of the Social Security Act is amended as follows:

**§ 144. The earnings test.**

Where any of the provision of this Part provides that a benefit is subject to this Section, a worker or a self-employed worker who is in receipt of that benefit and at the same time is in covered employment, shall have his quarterly benefit reduced by one dollar (\$1.00) for every three dollars (\$3.00) earned during that quarter in excess of fifteen hundred dollars (\$1,500). The reduction shall be made as soon as practicable after the quarter in which the earnings were earned. Notwithstanding the foregoing, the earnings test is not

1 applicable in the quarter in which the worker or the self-  
2 employed worker who is receiving the benefit attains sixty-  
3 two (62) years of age or in any subsequent quarter thereafter.  
4 However, effective January 1, 2017, this provision shall no  
5 longer apply to benefits approved after this date.  
6

7 **§102. Amendment.**

8 This Act shall take effect on the date of certification in accordance with  
9 Article IV of the Constitution and the Rules and Procedures of the Nitijela

1 NITIJELA OF THE REPUBLIC OF THE MARSHALL ISLANDS  
2 37TH CONSTITUTIONAL REGULAR SESSION, 2016

3 **SOCIAL SECURITY (AMENDMENT) ACT 2016**

4 **BILL SUMMARY**

5 This Bill proposes to amend the Social Security Act of 1990 is amended to provide  
6 for changes that will lead to further financial stability of the retirement fund by  
7 removing loopholes, increasing contributions and decreasing benefits by  
8 approximately 5%. Failure to enact these amendments will cause depletion of the  
9 retirement fund within 7 years as current contributions cannot cover current  
benefits.

10 There are the MISSA reforms which are urgently need to stabilize the funds:

- 11 • It decreases benefits by 5% which will be amount to a total cost savings of  
12 \$1.1 million;  
13
- 14 • Maintain monthly benefit maxim at \$1,000 for those benefits that are greater  
15 than \$199 irrespective of the basic calculation formula. This will slow down  
16 growth of benefits in the future, while protecting the most vulnerable under  
17 \$200.
- 18 • For the new retirees, to prohibit double-dipping, of which early retirement  
19 and earning test is removed.
- 20 • The RMI Government to subsidize deficit, including a transitional reduction  
21 of benefits in FY2017 and FY2018.

22  
23 It is envisaged with this amendment will slowly improve financial stability of the  
24 retirement fund  
25

1 NITIJELA OF THE REPUBLIC OF THE MARSHALL ISLANDS  
2 37TH CONSTITUTIONAL REGULAR SESSION, 2016

**SOCIAL SECURITY (AMENDMENT) ACT 2016**

3 **SIGNATURES**

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4 **DATE:** *\_AUG 21 16* **\_INTRODUCED BY** *\_HON.MIN KALANI KANEKO\_***/S/**  
5 *Print Name* *Signature*  
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