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November 2, 1973

MEMORANDUM TO MARIANAS FILE

I talked to Peter Puidak (382-6674) at the Social Security Administration on October 31. I told him that we represented the Marianas in their negotiations with the United States and that we were trying to determine whether the existing social security system of the Marianas should be continued or whether we should recommend that, pursuant to legislation, the U.S. social security system be applied to the Marianas. I told him that I needed some help in preparing a cost/benefit analysis of the Marianas system vs. the U.S. system. He promised to send me some detailed materials but also pointed out a few basic points:

1. The coverage of employees is much more restrictive in the Marianas. The Marianas system does not cover the self-employed, certain agricultural workers, etc.
2. The tax cost of the Marianas system is also much less. The system is currently funded by a 1% tax on employers and a 1% tax on employees as opposed to a combined U.S. tax rate of over 10%. Moreover, the maximum earnings subject to tax in the Marianas is only \$300 per year as opposed to over \$10,000 in the U.S.
3. Benefits under the Marianas system are much less than under the U.S. system. For example, the minimum Marianas benefit is \$10 per month as opposed to \$80 in the U.S.

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Also, there is no disability pension in the Marianas and they require full retirement before any other benefits accrue.

Puidak point out that there might be a short-term gain in transferring to the U.S. social security system. He cited an example of an 80-year-old man with two years of work experience immediately being eligible for an \$80-per-month pension. Puidak also noted that you would have to consider what to do with the existing funds in the Marianas system and would probably want to provide for some transfer of credits from the Marianas to the U.S. system. Puidak indicated that a former employee of the Social Security Administration -- Bob Meyers -- was the person who set up the present social security system in the Trust Territories.

F.D.L.