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October 4, 1974

MEMORANDUM

To: James M. Wilson, Jr., U.S. Deputy Representative for
Micronesian Status Negotiations

From: Adrian de Graffenried, Legal Adviser, Office for
Micronesian Status Negotiations

Subj: Social Security Information, TTPI System

Attached is the data we requested from DOTA regarding the contributions to the TTPI social security system by the various sectors: government, employer and employee.

Additionally, I note: (1) TTPI Government does contribute to the system at the rate of 1%; (2) the % deduction of the employee is 1% and of the employer on the first \$950 per quarter; and (3) that under the current TTPI social security deduction scheme the maximum contribution by an employee is approximately \$40 per year. This deduction schedule was to increase to 2% of the same base figure; however, this increase was postponed temporarily.

This compares to a 5.85% deduction on the first \$13,200 per quarter under the U.S. system (42 USC 409(a)(8); §3101 IRC Code). In FY '78, the % deduction increases to 6.05%. As a historical note, the Social Security Act was applied in toto, without a phase-in, to American Samoa and Puerto Rico in 1950 and to Guam and the Virgin Islands in 1960.

The Treasury Department and Internal Revenue Service have both cleared the MPSC phase-in proposal as a legal matter, but note that the U.S. Congress could, as a matter of policy, have strong objections to making this kind of exception when it has

no precedent elsewhere in the territorial system. As a matter of policy, the U.S. Social Security Administration has no strong objections on the merit of the principle involved, but also notes a lack of precedent for this approach.