REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND
(A COMPONENT UNIT OF THE REPUBLIC OF PALAU)

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2010 AND 2009

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Republic of Palau Civil Service Pension Trust Fund:

We have audited the accompanying statements of plan net assets of the Republic of Palau Civil Service Pension Trust Fund (the Fund), a component unit of the Republic of Palau, as of September 30, 2010 and 2009, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the management of the Fund. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of the Fund as of September 30, 2010 and 2009, and the results of its operations for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in note 7 to the financial statements, at September 30, 2010 and 2009, the Fund had $1,452,609 of uninsured deposits with a bank that went into receivership on November 7, 2006. We are unable to assess the recoverability of such deposits. No provision has been recorded in the financial statements for this uncertainty.

The Management's Discussion and Analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedules of funding progress (page 25) and employer contributions (page 26), notes to required supplementary schedules (pages 27 and 28) and schedule of investment securities (pages 29 through 33) as of September 30, 2010, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of funding progress and employer contributions and notes to required supplementary schedules are supplementary information required by GASB Statement No. 25. This additional information is also the responsibility of the Fund's management. These schedules and notes have been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2011, on our consideration of the Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte & Touche LLC

May 5, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Plan Year Ended September 30, 2010

This report presents a management's discussion and analysis of the Republic of Palau Civil Service Pension Trust Fund's (the Fund) financial performance during the fiscal year ended September 30, 2010.

Introductory Section

The Fund is a defined, multi-employer plan which is a component unit of the Republic of Palau (ROP) National Government providing retirement and other benefits to employees, their spouses and dependents, of the National and State Governments, quasi-governmental organizations, ROP public corporations and other public entities of the National and State Governments.

Accounting Methods and Policies

The accounting policies of the Fund conform to accounting principles generally accepted in the United States of America. The Fund accounts for and reports plan net assets in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans* and GASB Statement No. 50, *Pension Disclosures an amendment of GASB Statement Nos. 25 and 27.* Financial statements are prepared on the accrual basis of accounting. This method records revenues when earned and expenses when liabilities are incurred.

Financial Highlights

- The *unfunded actuarial accrued liability* increased from $59,221,000 as of October 1, 2007 to $64,253,066 as of October 1, 2009, an increase of $5,032,066 or 8.5%. The funded ratio decreased from 44.95% at October 1, 2007 to 39.10% at October 1, 2009, a decrease of 13%. The required level of contribution decreased from $12,554,000 at October 1, 2007 to $8,798,000 at October 1, 2009, that includes a 30-year amortization schedule of unfunded accrued liability. Actuarial valuations are performed biennially.

- The Fund has time certificates of deposit amounting to $1,452,609 in Pacific Savings Bank (PSB) at September 30, 2010 and 2009. Although it is still uncertain if the Fund will recover these deposits, the counsel for the Estate of Johnny Reklai had initially agreed to turn over 1,500 shares of common stock of Western Caroline Trading Company to the Fund that was pledged as collateral in the event PSB defaulted on the payment. The Fund is pursuing a legal claim against the PSB Receiver.

- The Fund's investment portfolios declined in value from $38,083,374 in fiscal year 2009 to $37,692,590 in fiscal year 2010 despite posting total investment income of $2,344,215 in fiscal year 2010 and $2,900,664 in fiscal year 2009. Plan net assets decreased from $41,254,319 in fiscal year 2009 to $40,728,881 in fiscal year 2010; a decrease of $525,438.

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- The Fund withdrew $7,151,000 from investments during fiscal year 2010 to pay for benefits during the same fiscal year and withdrew $2,813,000 and $1,675,000 for fiscal years 2009 and 2008, respectively.

- The Fund did not receive appropriations in fiscal years 2010 and 2009. The last National Government appropriation to the Fund was in fiscal year 2007 in the amount of $400,000.

Overview of the Financial Statements

The following summarizes the financial condition and operations of the Fund as of and for the years ended September 30, 2010, 2009 and 2008.

The Statements of Net Assets include the Fund's assets and liabilities that provide a picture of the financial position of the Fund as of September 30, 2010, 2009 and 2008. These statements reflect resources of net assets available for pension benefits to members, retirees and beneficiaries at the end of the fiscal year reported.

STATEMENTS OF PLAN NET ASSETS

	2010	2009	2008
Assets:			
Cash and cash equivalents	$ 242,065	$ 96,518	$ 201,959
Restricted time certificate of deposit	-	-	156,990
Time certificates of deposit with an uninsured bank	1,452,609	1,452,609	1,452,609
Investments	37,692,590	38,083,374	37,995,708
Other assets	1,375,649	1,756,690	1,021,497
	$ 40,762,913	$ 41,389,191	$ 40,828,763
Liabilities and net assets:			
Liabilities	$ 34,032	$ 134,872	$ 62,311
Net assets	40,728,881	41,254,319	40,766,452
	$ 40,762,913	$ 41,389,191	$ 40,828,763

- Contributions receivable decreased from $1,693,398 in 2009 to $1,305,218 in 2010 and increased from $976,693 in 2008 to $1,693,398 in 2009; a decrease of $388,180 and an increase of $716,705, respectively.

- At September 30, 2010, 2009 and 2008, the Fund had $70,431, $63,292, and $44,804, respectively, in furniture, fixtures and equipment, net of accumulated depreciation where applicable, including office equipment, furniture and vehicles, which represent a net increase in 2010 of $7,139 over 2009 and $18,488 in 2009 over 2008. See note 3 to the financial statements for more information on the Fund's furniture, fixtures and equipment.

Revenue and Expense Analysis

The Statements of Changes in Plan Net Assets summarize the Fund's financial activities that occurred during the fiscal year as compared to amounts from previous fiscal years. The financial statements measure the change in resources available to defray pension benefits to members, retirees and beneficiaries for fiscal years 2010, 2009 and 2008.

STATEMENTS OF CHANGES IN PLAN NET ASSETS

	2010	2009	2008
Additions:			
Contributions	$ 4,953,471	$ 5,045,213	$ 4,955,345
Investment income	2,344,215	2,900,664	(6,010,011)
Other income	17,336	5,091	-
	7,315,022	7,950,968	(1,054,666)
Deductions:			
Benefit and refund payments	7,512,198	7,167,658	6,189,021
Administrative	328,262	295,443	347,631
	7,840,460	7,463,101	6,536,652
Net (decrease) increase	(525,438)	487,867	(7,591,318)
Net assets, beginning of year	41,254,319	40,766,452	48,357,770
Net assets, end of year	$ 40,728,881	$ 41,254,319	$ 40,766,452

- Contributions revenue decreased from $5,045,213 in 2009 to $4,953,471 in 2010, a decrease of $91,742 and increased from $4,955,345 in 2008 to $5,045,213 in 2009, an increase of $89,868.

- Investment income decreased from $2,900,664 in 2009 to $2,344,215 in 2010, a decrease of $556,449 and increased from $(6,010,011) in 2008 to $2,900,664 in 2009, an increase of $8,910,675.

- Benefit and refund payments increased from $7,167,658 in 2009 to $7,512,198 in 2010 and from $6,189,021 in 2008 to $7,167,658 in 2009, an increase of $344,540 and $978,637, respectively. The number of retirees and beneficiaries will continue to increase and benefit payments are expected to increase every year. The Seventh Congress (OEK) passed ROP Public Law (RPPL) No. 7-56, abolishing service retirement (30 years of service); however, before the law took effect, the Eighth OEK repealed it with RPPL No. 8-10.

- Administrative expenses include $4,214, $19,298, and $10,331 of depreciation expense of the Fund's fixed assets in fiscal years 2010, 2009 and 2008, respectively.

The Olbiil Era Kelulau (OEK), House of Delegates, proposed a measure to convert part of the current "define benefit" plan into a "define contribution" plan. The Fund's Board of Trustees responded to the proposal asking the OEK to include in the bill some fiscal reform measures that are economically required prospective changes to the structure of the Fund to rescue the Fund from fiscal insolvency while the Fund transitions from a "define benefit" plan to a "define contribution" plan.

ECONOMIC OUTLOOK

At the current level, the Fund is estimated to become insolvent in eighteen to twenty years. During fiscal year 2010, the Fund withdrew $7,151,000 from invested funds to supplement shortfall in benefit disbursements. Despite positive returns on investment of $2,344,215, plan net assets decreased by $525,536 during the same period. The value of investment portfolios also declined (depreciated) despite positive returns on investment during the same period. These are indications of a troubled Fund. Investment gains during fiscal year 2010 were not enough to compensate for the hemorrhaging of Fund assets as a result of investment drawdowns. Given these losses during the up market, the Fund will certainly suffer even greater losses during the down market.

The U.S. economy is showing signs of expansion as reflected in consumer spending, corporate profit margins, automobile sales and low cost of capital to stimulate investment. We expect interest rates to increase but not enough to slow down recovery. Consequently, we have revised our investment policy to reduce fixed income allocations in an attempt to minimize interest rate risks; increase capital equity allocations to maximize returns and further diversify large cap allocations to include growth, value and core (blend) to minimize volatility in the portfolios; and allocate small portions of assets to emerging markets to smooth out or reduce peaks and valleys in the portfolios. We will continue to monitor and make appropriate adjustments to rebalance the portfolios and adjust asset allocations as the economic situation changes. We will also continue to look for opportunities where money could be made in the short-term, but stay focused on our long-term objectives. Although our money managers' performances added value ($2,344,215) to the portfolios in FY 2010, some moderately trailed the benchmarks. We expect better performance overall in 2011 and possibly 2012.

At home, we are keeping the dialogue open with leadership (President and OEK) in an attempt to stop the hemorrhaging of trust funds (withdrawals of assets) and spare investments from further financial stress. The Seventh OEK enacted into law RPPL No. 7-56, abolishing service retirement (30 years of service); however, the Eighth OEK enacted RPPL No. 8-10 to repeal RPPL No. 7-56. After nearly ten years and three constitutional governments of continuous dialogue and lobbying, we finally succeeded in enacting RPPL No. 7-56 (abolishment of "Mandatory Service Retirement"). It took the Eighth OEK nine months to repeal RPPL No. 7-56. This was a sad moment for the Fund's Board of Trustees and management. Not to be discouraged, we continue to push for the OEK to legislate appropriate fiscal reforms that would provide economically required changes to the structure of the system to rescue the Fund from fiscal insolvency and move the Fund closer to a more fully funded and less indebted state.

We feel that the Fund plays a vital role in Palau's economy by pumping over $625,000 every month into the hands of consumers who, in turn, spend these sums to support Palau's economy. In our view, ROP (national leaders) must become more educated and aware of the fiscal status and financial condition of the Fund and the role it plays in the lives of the people and the Palau economy in order to make a well informed decision affecting the Fund. We hope this will be sooner rather than later.

CONTACTING THE FUND'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Fund's finances and to demonstrate the Fund's accountability for the money it receives. The Management's Discussion and Analysis for the year ended September 30, 2009 is set forth in the report on the audit of the Fund's financial statements which is dated June 29, 2010. That Discussion and Analysis explains the major factors impacting the 2009 financial statements. If you have questions about the 2009 or 2008 reports, or need additional information, please contact the Administrator/Chief Executive Officer at the Republic of Palau Civil Service Pension Trust Fund, P.O. Box 1767, Koror, Republic of Palau 96940, or e-mail cspp@palaunet.com or call 483-2523.

Statements of Plan Net Assets
September 30, 2010 and 2009

	2010	2009
ASSETS		
Cash and cash equivalents	$ 242,065	$ 96,518
Investments, at fair value:		
Corporate stock	23,509,960	21,356,183
Obligations of U.S. Government and agencies	6,289,760	10,678,978
Corporate bonds	5,782,345	5,055,746
Money market funds	1,911,263	791,619
Fixed income	199,262	200,848
Total investments	37,692,590	38,083,374
Receivables:		
Employers’ contributions, net	639,609	800,118
Members’ contributions, net	639,609	800,117
Other receivables	26,000	93,163
Total receivables	1,305,218	1,693,398
Furniture, fixtures and equipment, net of accumulated depreciation	70,431	63,292
Time certificates of deposit with an uninsured bank	1,452,609	1,452,609
Total assets	40,762,913	41,389,191
LIABILITIES		
Accounts payable and accrued expenses	(34,032)	(134,872)
Contingency		
Net assets - held in trust for pension benefits (see Schedule of Funding Progress)	$ 40,728,881	$ 41,254,319

See accompanying notes to financial statements.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Statements of Changes in Plan Net Assets
Years Ended September 30, 2010 and 2009

	2010	2009
Additions:		
Employers' contributions	$ 2,464,953	$ 2,510,211
Members' contributions	2,488,518	2,535,002
	4,953,471	5,045,213
Investment income:		
Net appreciation in fair value of investments	214,382	710,896
Interest	2,034,512	2,088,296
Dividends	334,099	299,128
Investment expenses	(238,778)	(197,656)
Total investment income	2,344,215	2,900,664
Other income	17,336	5,091
Total additions	7,315,022	7,950,968
Deductions:		
Benefit and refund payments:		
Normal and early retirement	5,565,807	4,900,146
Survivors	1,491,918	1,399,733
Refunds to terminated employees	367,331	674,179
Lump sum death disbursement	23,666	133,162
Disability	63,476	60,438
Total benefits	7,512,198	7,167,658
Administrative expenses	328,262	295,443
Total deductions	7,840,460	7,463,101
Net (decrease) increase	(525,438)	487,867
Plan net assets held in trust for pension benefits:		
Beginning of year	41,254,319	40,766,452
End of year	$ 40,728,881	$ 41,254,319

See accompanying notes to financial statements.

(1) Organization and Summary of Significant Accounting Policies

The following brief description of the Republic of Palau Civil Service Pension Trust Fund (the Fund) is provided for general information purposes only.

General

The Fund is a defined benefit, multi-employer plan, which is a component unit of the Republic of Palau (ROP) National Government, providing retirement, security and other benefits to employees, their spouses and dependents, of the ROP, ROP State Governments and ROP agencies, funds and public corporations. The Fund was established pursuant to Republic of Palau Public Law (RPPL) No. 2-26 passed into law on April 3, 1987, and began operations on October 1, 1987. Portions of RPPL No. 2-26 were revised by RPPL 3-21, RPPL 4-40, RPPL 4-49, RPPL 5-30, RPPL 6-37 and RPPL 7-56. The Fund is administered under the authority of a seven-member Board of Trustees appointed by the President with the advice and consent of the Senate of the ROP.

Under the provisions of RPPL No. 2-26, the Pension Fund's Board of Trustees adopted a Trust Fund Operation Plan which has the force and effect of law and which sets forth the procedures for the administration and coverage of the Plan. Amendments to the Plan are subject to the requirements of Title 6 of the Palau National Code.

Membership

As of September 30, 2010 and 2009, the ROP National Government, ROP State Governments and ROP public corporations, quasi-governmental organizations and other public entities of the National and State Governments of ROP, are participating in the Fund. Membership consisted of the following as of October 1, 2009:

Members currently receiving benefits:	
Early retirement	60
Retired - 30 years of service	299
Retired - age 60	370
Retired - RPPL 5-7	7
Survivor	377
Disability	24
	1,137
Active employees - vested	2,855
Inactive employees - vested	298
Total participants	4,290

Summary of the Principal Provisions of the Plan

Effective date:	October 1, 1987
Plan year:	October 1 through September 30

(1) Organization and Summary of Significant Accounting Policies, Continued

Eligibility to Participate

All persons becoming full-time employees of a participating agency before attaining the age of sixty shall become members as a condition of employment.

Service

Vesting Service: Includes membership service and prior service credit.

Membership Service: A year of membership service is earned for a year of service rendered a participating agency. Years of membership service shall be rounded to the nearest one year. Membership service includes accumulated sick leave and vacation leave.

Prior Service Credit: Persons becoming members of the Plan on October 1, 1987 are entitled to Prior Service Credit for services rendered as an employee of participating agencies, the Trust Territory of the Pacific Islands (TTPI), the United States Naval Government after World War II and before the establishment of the TTPI.

Pension Benefits

Retirement benefits are paid to employees (members) who are required, with certain exceptions, to retire no later than their sixtieth birthday or after thirty years of service. A member may retire after his or her fifty-fifth birthday at a reduced pension amount if the member has completed at least twenty years of government employment. A married member of a former member receiving a distribution of benefits under the Pension Fund receives reduced benefit amounts to provide survivors' benefits to his or her spouse. An unmarried member or former member may elect to receive a reduced benefit amount during his or her lifetime with an annuity payable to his or her designated beneficiary. Disability benefits are paid to qualified members for the duration of the disability. Effective May 17, 1996, through RPPL 4-49, members, who have twenty-five years or more of total service, are eligible for retirement regardless of their age and, upon such retirement, are eligible to receive pension benefits at a level established by the Board of Trustees. Effective July 1, 1999 (per RPPL 4-49 and RPPL 5-30), retirement is mandatory for all members who have thirty years or more of total service and all employees who are sixty years of age or older with certain exceptions. Beginning October 1, 2003, pursuant to RPPL 6-37, mandatory retirement may be delayed for up to five years, by specific exemption by the Board of Trustees. In December, 2008 RPPL 7-56 eliminated early retirement and thirty year mandatory service provisions. These provisions were restored through RPPL 8-10 in October, 2009.

In accordance with the directives of RPPL 5-7, the Board of Trustees adopted a resolution which provides that "no person who retires after October 1, 1997, may receive benefits under the Plan unless he or she has contributed to the Plan for at least five years or has made an actuarially equivalent lump sum contribution".

(1) Organization and Summary of Significant Accounting Policies, Continued

Pension Benefits, Continued

Currently, normal benefits are paid monthly and are two percent of each member's average monthly salary for each year of credited total service up to a maximum of thirty years total service. The average annual salary is the average of the highest three consecutive fiscal years of compensation received by a member during his or her most recent ten full fiscal years of service. For members who have not completed three consecutive fiscal years of employment during his or her most recent ten full fiscal years of service, the average annual salary is the average monthly salary during the term of the member's service multiplied by twelve.

The benefit amount that married members or unmarried members, who have elected to designate a beneficiary, receive is based on the normal benefit amount reduced by the following factors:

Factor	If the Spouse or Beneficiary is:
1.00	21 or more years older than the member
0.95	16 to 20 years older than the member
0.90	11 to 15 years older than the member
0.85	6 to 10 years older than the member
0.80	5 years younger to 5 years older than the member
0.75	6 to 10 years younger than the member
0.70	11 to 15 years younger than the member
0.65	16 or more years younger than the member

A member that meets the requirements for early retirement and elects to retire on an early retirement date is entitled to receive payment of an early retirement benefit equal to the member's normal retirement benefit reduced as follows for each month by which the member's early retirement benefit commencement precedes his or her normal retirement date:

- 1/144th per month for the first 3 years;
- 1/216th per month for the next 3 years;
- 1/288th per month for the next 5 years; and
- 1/600th per month for each additional year.

Upon the death of a member or former member with eligible survivors before commencement of the members' normal, early, or late retirement benefits or disability retirement benefits the following shall be payable:

- If the former member is not an employee at his date of death and a spouse or beneficiary survives, the total death benefits payable shall be the actuarial equivalent of the member's present value of accrued benefit.

- If the member is an employee at his date of death and a spouse or beneficiary survives, the total death benefit payable shall be the actuarial equivalent of the greater of 3 times the member's average annual salary or the member's present value of accrued benefits.

(1) Organization and Summary of Significant Accounting Policies, Continued

Pension Benefits, Continued

Upon the death of a member or former member before commencement of his normal, early, or late retirement benefit or disability retirement benefit leaving no persons eligible for survivor benefits, the following shall be payable:

- If the former member is not an employee at the date of death, a refund of the total amount of contributions made by the member.
- If the member was an employee at the date of death and had completed one year of total service, the estate of the member shall be entitled to a death benefit equal to the greater of three times the member's annual salary or the present value of the member's accrued benefit payable in the form of a single lump sum payment.

Any member who is not otherwise eligible to receive normal, early or late retirement benefits, who shall become totally and permanently disabled for service regardless of how or where the disability occurred, shall be entitled to a disability retirement annuity, provided that he or she is not receiving disability payments from the United States Government or its agencies for substantially the same ailment, and further provided that to be eligible for a disability retirement annuity from a cause unrelated to service, the member shall have had at least ten (10) years of total service credited. The amount of disability retirement annuity shall be an amount equal to the actuarial equivalent at the attained age of the member's present value of accrued benefit and shall be paid in the same form as a normal retirement benefit. Any special compensation allowance received or payable to any member because of disability resulting from accidental causes while in the performance of a specific act or acts of duty shall be deducted from the disability annuity payable by the Plan on account of the same disability.

Member Contributions

Member contribution rates are established by RPPL No. 2-26 at six percent of total payroll and are deducted from the member's salary and remitted by participating employers. Upon complete separation from service, a member with less than fifteen years membership service may elect to receive a refund of all of his or her contributions. Subsequent changes in the percentage contributed by members may be made through an amendment of the Trust Fund Operation Plan subject to the requirements of Title 6 of the Palau National Code.

Employer and Other Contributions

Employers are required to contribute an amount equal to that contributed by employees. Per the provisions of RPPL No. 2-26 and RPPL No. 3-21, the Government of the Republic of Palau shall from time to time contribute additional sums to the Fund in order to keep the Fund on a sound actuarial basis. The Government of the Republic of Palau provided $-0- of additional contributions during the years ended September 30, 2010 and 2009.

(1) Organization and Summary of Significant Accounting Policies, Continued

Net Appreciation in Fair Value of Investments

During the years ended September 30, 2010 and 2009, the Fund's investments (including investments bought, sold, as well as held during the years) appreciated in value as follows:

	Net Appreciation in Fair Value 2010	2009
Investments at fair value as determined by quoted market price:		
Obligations of U.S. Government and agencies, corporate stocks and foreign stocks	$ 214,382	$ 710,896

Plan Administration

The cost of administering the Fund is paid out of the assets of the Fund.

New Accounting Standards

During fiscal year 2010, the Fund implemented the following pronouncements:

- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which addresses whether and when intangible assets should be considered capital assets for financial reporting purposes.

- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which is intended to improve how state and local governments report information about derivative instruments - financial arrangements used by governments to manage specific risks or make investments - in their financial statements.

- GASB Technical Bulletin No. 2008-1, *Determining the Annual Required Contribution Adjustment for Postemployment Benefits*, which clarifies the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* for calculating the annual required contribution (ARC) adjustment.

- GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*, which provides guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code, and establishes requirements for recognizing and measuring the effects of the bankruptcy process on assets and liabilities, and for classifying changes in those items and related costs.

The implementation of these pronouncements did not have a material effect on the accompanying financial statements.

(1) Organization and Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The provisions of this statement are effective for periods beginning after June 15, 2010. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Fund.

In December 2009, GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, which amends Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans. The provisions of Statement 57 related to the use and reporting of the alternative measurement method are effective immediately. The provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information in OPEB plan financial statements for periods beginning after June 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Fund.

In June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*, which updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. The provisions of this statement are effective for periods beginning after June 15, 2010. Management has not evaluated the effect that the implementation of this statement will have on the financial statements of the Fund.

Basis of Accounting and Disclosure

The accounting policies of the Fund conform to accounting principles generally accepted in the United States of America as applicable to governmental agencies, specifically state and local governmental pension plans. The Fund accounts for plan net assets and reporting plan net assets in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 25 - *Financial Reporting for Defined Benefit Pension Plans* and GASB Statement No. 50, *Pension Disclosures an amendment of GASB Statements No. 25 and 27*.

The financial statements of the Fund for the years ended September 30, 2010 and 2009 have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America, which requires the use of management estimates. Under this method, revenues are recorded when earned and expenses recorded at the time liabilities are incurred. Members' contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

(1) Organization and Summary of Significant Accounting Policies, Continued

Basis of Accounting and Disclosure, Continued

An actuarial valuation of the Fund was last completed on October 1, 2009.

Concentrations of Credit Risk

Financial instruments which potentially subject the Fund to concentrations of credit risk consist principally of cash demand deposits and investments.

At September 30, 2010 and 2009, the Fund has cash deposits and investments in bank accounts that exceed federal depository insurance limits. The Fund has not experienced any losses on such accounts.

Cash and Cash Equivalents and Time Certificates of Deposit

GASB Statement No. 3 previously required government entities to present deposit risks in terms of whether the deposits fell into the following categories:

Category 1 Deposits that are federally insured or collateralized with securities held by the Fund or its agent in the Fund's name;

Category 2 Deposits that are uninsured but fully collateralized with securities held by the pledging financial institution's trust department or agent in the Fund's name; or

Category 3 Deposits that are collateralized with securities held by the pledging financial institution's trust department or agent but not in the Fund's name and non-collateralized deposits.

GASB Statement No. 40 amended GASB Statement No. 3 to in effect eliminate disclosure for deposits falling into categories 1 and 2 but retained disclosures for deposits falling under category 3. Category 3 deposits are those deposits that have exposure to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Fund's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. The Fund does not have a deposit policy for custodial credit risk.

For purposes of the statements of plan net assets, the Fund considers all cash on hand, cash held in demand accounts, and highly liquid investments with an original maturity of three months or less when purchased, except money market funds held by the Fund's investment agent, to be cash and cash equivalents. Money market funds held by the Fund's investment agent are considered investments.

(1) Organization and Summary of Significant Accounting Policies, Continued

Cash and Cash Equivalents and Time Certificates of Deposit, Continued

As of September 30, 2010 and 2009, total cash and cash equivalents were maintained in a Federal Deposit Insurance Corporation (FDIC) insured bank and amounted to $242,065 and $96,518, respectively, with corresponding bank balances of $274,007 and $156,590, respectively, with $250,000 subject to insurance coverage. Time certificates of deposit (TCDs) maintained in an uninsured bank amounted to $1,452,609 at September 30, 2010 and 2009 with corresponding bank balances of $1,462,047. The TCDs are collateralized by a first lien, existing now or in the future, on unidentified loans made by the uninsured bank in the amount of principal and interest equal to $1,000,000; and a sole recourse first lien on 1,500 shares of common stock in a local company owned by a stockholder of the uninsured bank but not to exceed $2,000,000. Accordingly, these deposits are exposed to custodial credit risk. The Fund does not require collateralization of its cash deposits; therefore, deposits in excess of depository insurance are uncollateralized. The TCDs are internally restricted for purposes of funding construction of a building to be used for operations. The Fund has not entered into a commitment to construct the building as of September 30, 2010 due to boundary disputes on the proposed construction site.

Investments

GASB Statement No. 3 previously required government entities to present investment risks in terms of whether the investments fell into the following categories:

Category 1 Investments that are insured or registered, or securities held by the Fund or its agent in the Fund’s name;

Category 2 Investments that are uninsured or unregistered for which the securities are held by the counterparty’s trust department or agent in the Fund’s name; or

Category 3 Investments that are uninsured and unregistered with securities held by the counterparty, or by its trust department or agent but not in the Fund’s name.

GASB Statement No. 40 amended GASB Statement No. 3 to eliminate disclosure for investments falling into categories 1 and 2, and provided for disclosure requirements addressing other common risks for investments such as credit risk, interest rate risk, concentration of credit risk, and foreign currency risk. GASB Statement No. 40 did retain and expand the element of custodial risk in GASB Statement No. 3.

Marketable securities held for investment purposes are stated at fair value, which is primarily based on quoted market prices. Fixed income securities are reported at amortized cost with discounts or premiums amortized using the effective interest method subject to adjustment for market declines judged to be other than temporary. The Fund’s investments are held by a bank-administered trust fund. The Fund has no investments in any commercial or industrial organization whose market value exceeds five percent or more of the net assets available for benefits.

(1) Organization and Summary of Significant Accounting Policies, Continued

Investments, Continued

The following investment policy governs the investment of assets of the Fund.

General:

1. Any pertinent restrictions existing under the laws of the ROP with respect to the Fund, that may exist now or in the future, will be the governing restriction.

2. U.S. and non-U.S. equities, American Depository Receipts, convertible bonds, preferred stocks, fixed income securities, mutual funds and short-term securities are permissible investments.

3. No individual security or any issuer, other than that of the United States Government, shall constitute more than 10% (at cost) of any investment manager’s portfolio.

4. Holdings of any issuer shall constitute no more than 5% of the outstanding securities of such issuer.

5. Investments in a registered mutual fund managed by the investment manager are subject to the prior approval of the Board of Trustees.

6. The following securities and transactions are not authorized without prior written Board of Trustees approval: letter stock and other unregistered securities; non-negotiable securities; commodities or other commodity contracts; options; futures; short sales; and, margin transactions.

7. An investment manager’s portfolio shall not be excessively over weighted in any one industry (as compared to respective benchmark index) without prior approval by timely reporting and advice to the Board of Trustees.

Investments may be made in:

A. Fixed Income

   1. All fixed income securities held in the portfolio shall have a Standard & Poor’s credit quality rating of no less “BBB”, or an equivalent credit quality rating from Moody’s (Baa) or Fitch (BBB). U.S. Treasury and U.S. Government agencies, which are unrated securities, are qualified for inclusion in the portfolio and will be considered to be of the highest rating.

   2. No more than 20% of the market value of the portfolio shall be rated less than single “A” quality, unless the investment manager has specific prior written authorization from the Board of Trustees.

   3. Total portfolio quality (capitalization weighted) shall maintain a credit quality rating of no less than “A”.

(1) Organization and Summary of Significant Accounting Policies, Continued

Investments, Continued

A. Fixed Income, Continued

4. It is the policy of the Board to place assets in Local Certificates of Deposit (Local CDs) issued by local banking institutions, with the express purpose of making funds available to the local community in the form of loans. While these Local CDs are held, they will be included in the "strategic asset allocation" as fixed income investments. However, these Local CDs and the local banking institutions must meet the following criteria on an ongoing basis:

   a. Local CDs must offer a competitive return relative to alternative issuers.

   b. The local banking institutions must provide annual audited financial statements for Board of Trustee review. The Board of Trustees is charged with monitoring the financial health of the local banking institutions. Should concerns arise with respect to the financial condition of the local banking institutions, the Board of Trustees shall take appropriate action.

   c. The local banking institution shall promptly inform the Board of Trustees, in writing, of any significant or material matters pertaining to the institution, including, but not limited to: ownership; organizational structure; financial condition; and, any material proceedings affecting the firm.

   d. Provide collateral, acceptable to the Board, to secure the Local CDs.

B. Equities

1. Consistent with the desire to maintain broad diversification, allocations to any economic or industry sector should not be excessive.

2. Equity holdings shall be restricted to readily marketable securities of corporations that are traded on the major exchanges and over the counter.

3. The investment managers shall have the discretion to invest a portion of the assets in cash reserves when they deem appropriate. However, as per the IPS, they will be evaluated against their performance benchmarks and peers on the performance of the total funds under their direct management.

4. Common stock and preferred stock of any institution or entity created or existing under the laws of the United States or any other country are permissible investments.

(1) Organization and Summary of Significant Accounting Policies, Continued

Investments, Continued

C. Cash/Cash Equivalents

1. Cash equivalent reserves shall consist of cash instruments having a credit quality rating of Standard & Poor's A-1, Moody's P-1, or their equivalent. U.S. Treasury and Agency securities, Banker Acceptances, Certificate of Deposit, and Collateralized Repurchase Agreements are also acceptable investment vehicles. Custodial Sweep Accounts must be, in the judgment of the Investment Managers, of credit quality equal or superior to the standards described above.

2. In the case of Certificates of Deposit, except as discussed under Fixed Income with respect to the Local CDs, they must be issued by FDIC insured institutions. Deposits in institutions with less than $10 million in assets may not be made in excess of $100,000 (or prevailing FDIC insurance limit), unless the Deposit is fully collateralized by U.S. Treasury Securities.

3. No single issue shall have a maturity of greater than two years.

4. Custodial Sweep Account portfolios must have an average maturity of less than one year.

GASB Statement No. 40 requires entities to provide information about the credit risk associated with their investments by disclosing the credit quality ratings.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, the Fund will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Fund's investments are held and administered by trustees in accordance with negotiated trust and custody agreements. Based on these agreements, all of these investments were held in the Fund's name by the Fund's custodial financial institutions at September 30, 2010 and 2009.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. The following is a listing of the Fund's fixed income securities at September 30, 2010 and 2009:

		2010				
		Investment Maturities (In Years)				
Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10	Rating
Mortgage and asset backed securities	$ 4,298,418	$ -	$ 28,285	$ 205,153	$ 4,064,980	AAA
Government bonds	1,991,342	-	945,302	422,427	623,613	AAA
Municipal bonds	199,262	-	-	-	199,262	AA
Corporate bonds	495,379	-	156,504	-	338,875	AAA
Corporate bonds	218,397	-	-	-	218,397	AA
Corporate bonds	228,430	-	-	228,430	-	AA-
Corporate bonds	479,763	-	282,834	196,929	-	AA+
Corporate bonds	1,112,828	-	114,535	545,333	452,960	A+
Corporate bonds	1,264,383	-	614,972	542,333	107,078	A
Corporate bonds	833,894	-	-	408,235	425,659	A-
Corporate bonds	634,840	-	354,272	280,568	-	BBB+
Corporate bonds	291,635	-	209,362	82,273	-	BBB
Corporate bonds	222,796	-	222,796	-	-	BBB-
	$ 12,271,367	$ -	$ 2,928,862	$ 2,911,681	$ 6,430,824	

(1) Organization and Summary of Significant Accounting Policies, Continued

Investments, Continued

		2009				
		Investment Maturities (In Years)				
Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10	Rating
Mortgage and asset backed securities	$ 5,520,908	$ -	$ 40,684	$ 71,304	$ 5,408,920	AAA
Government bonds	5,158,070	-	2,928,589	1,025,915	1,203,566	AAA
International bonds	200,848	-	200,848	-	-	AAA
Corporate bonds	806,581	-	488,721	-	317,860	AAA
Corporate bonds	368,515	-	164,271	-	204,244	AA
Corporate bonds	120,795	-	-	120,795	-	AA-
Corporate bonds	517,403	-	-	336,605	180,798	AA+
Corporate bonds	703,919	-	111,947	377,323	214,649	A+
Corporate bonds	1,144,367	-	306,224	510,597	327,546	A
Corporate bonds	552,674	-	-	162,806	389,868	A-
Corporate bonds	672,012	102,558	112,525	456,929	-	BBB+
Corporate bonds	169,480	-	92,834	76,646	-	BBB
	$ 15,935,572	$ 102,558	$ 4,446,643	$ 3,138,920	$ 8,247,451	

Receivables

Contributions receivable from participants and employers, all of whom are situated in the Republic of Palau, are unsecured.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is established through a provision charged to expense. Accounts are charged against the allowance when management believes that the collection of the balance is unlikely. The allowance is an amount that management believes will be adequate to absorb possible losses on existing balances that may be uncollectible, based on evaluations of collectability and prior loss experience.

Furniture, Fixtures and Equipment

Furniture, fixtures and equipment are recorded at cost. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the respective assets. Current policy is to capitalize items in excess of $500.

Administrative expenses include depreciation and amortization expense of $4,214 and $19,298 in 2010 and 2009, respectively.

Operating and Non-Operating Revenue and Expenses

Operating revenues and expenses generally result directly from the member contributions and employer contributions.

Non-operating revenues and expenses result from non-recurring income and costs such as interest.

(1) Organization and Summary of Significant Accounting Policies, Continued

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses include investment management fees, employees' accrued salaries and wages, and accrued annual leave at fiscal year end.

Taxes

The Fund is a public employees' retirement system and a component unit of the ROP government. Accordingly, the Fund is exempt from all national and state nonpayroll taxes and fees.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions to net assets available for benefits during the reporting period. Actual results could differ from those estimates.

Reclassification

Certain 2009 balances in the accompanying financial statements have been reclassified to conform to the 2010 presentation.

(2) Funding Status and Funding Progress

The funded status as of October 1, 2009, the most recent actuarial valuation date, is as follows:

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Cost Method (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b - a / c)
$ 41,254,319	$ 105,507,385	$ 64,253,066	39.10%	$ 33,027,394	194.5%

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits. The Plan uses the aggregate actuarial cost method which does not identify or separately amortize unfunded actuarial liabilities. As such, information about the Plan's funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and the information presented is intended to serve as a surrogate for the funded status and funding progress of the plan.

(2) Funding Status and Funding Progress, Continued

Additional information as of the latest actuarial valuation follows:

Valuation Date:	October 1, 2009
Actuarial Cost Method:	Aggregate cost method
Amortization Method:	Level percent open
Remaining Amortization Period:	30 years
Asset Valuation Method:	Market value, including accrued but unpaid contributions
Actuarial Assumptions:	
Investment rate of return:	8.5% per year
Projected salary increases:	3% per annum
COLAS:	0%

For financial reporting purposes, the projection of benefits does not explicitly incorporate the potential effects of the legal limit on employer contributions disclosed in note 1, Employer and Other Contributions.

(3) Furniture, Fixtures and Equipment

A summary of the Fund's furniture, fixtures and equipment is set forth below:

	Estimated Useful Lives	Balance at October 1, 2009	Additions	Deletions	Balance at September 30, 2010
Office equipment and furniture	3 - 10 years	$ 109,937	$ 11,353	$ -	$ 121,290
Vehicles	6 years	33,149	-	-	33,149
		143,086	11,353	-	154,439
Less accumulated depreciation		(79,794)	(4,214)	-	(84,008)
		$ 63,292	$ 7,139	$ -	$ 70,431

	Estimated Useful Lives	Balance at October 1, 2008	Additions	Deletions	Balance at September 30, 2009
Office equipment and furniture	3 - 10 years	$ 75,015	$ 36,422	$ (1,500)	$ 109,937
Vehicles	6 years	27,050	24,649	(18,550)	33,149
		102,065	61,071	(20,050)	143,086
Less accumulated depreciation		(57,261)	(19,298)	(3,235)	(79,794)
		$ 44,804	$ 41,773	$ (23,285)	$ 63,292

(4) Republic of Palau

RPPL 5-45 earmarked $1,000,000 to the Fund, to be derived from revenues generated from a Virtual Pachinko Business. Of this $1,000,000, RPPL 6-12, passed into law on September 30, 2001, allocated $500,000 to the Fund for the employer contribution of the Palau Community College (PCC) for employees of PCC electing to participate. PCC employees opting to retroactively participate shall be enrolled in the Fund effective as of their start date with PCC or October 1, 1987, whichever is later. These employees are required to pay into the Fund their proportionate contribution for each year of retroactive participation.

As a result of the provisions of RPPL 6-12, PCC employees who opted to claim prior year service executed payment agreements with the Fund totaling $978,907 for prior year service claimed. As these employees are not mandated to continue payment agreements and can elect to have contributions refunded upon termination of payment agreements, and due to the uncertainty of collection of the employee’s share through RPPL 6-12, the Fund has elected not to record PCC employee receivables for prior year service. The Fund received $53,695 and $64,733 from PCC employees during the years ended September 30, 2010 and 2009, respectively.

ROP has determined that remaining amounts earmarked to the Fund through RPPLs 5-45 and 6-12 will only be remitted as revenues are generated from the Virtual Pachinko Business. The Fund did not receive funds related to RPPL 6-12 and 5-45 from ROP during the years ended September 30, 2010 and 2009, respectively. Therefore, the Fund has not recognized the remaining $875,000 as a receivable or as revenue in the accompanying financial statements. However, the Fund received $52,289 and $66,289 from PCC for the employer contribution of PCC during the years ended September 30, 2010 and 2009, respectively.

(5) Administrative Expenses

A summary of the administrative expenses for the years ended September 30, 2010 and 2009, is set forth below:

	2010	2009
Personnel	$ 159,189	$ 156,985
Conference expenses	52,026	43,372
Professional fees	38,753	9,359
Staff training	33,403	29,656
Rent and utilities	8,348	7,152
Communications	5,767	3,667
Depreciation	4,214	19,298
Board compensation	2,750	2,650
Miscellaneous	23,812	23,304
	$ 328,262	$ 295,443

(6) Risk Management

The Fund is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Fund has elected to purchase commercial insurance from independent third parties for the risk of loss to which it is exposed for automobiles. The Fund does not maintain insurance coverage for office equipment and furniture. In the event of catastrophe, the Fund may be self-insured. No losses have been sustained as a result of this practice during the past three years.

(7) Contingency

The Fund is exposed to a possible contingent claim resulting from a deposit made in an uninsured bank that was later placed into receivership. The potential outcome of this matter cannot be reasonably predicted by the Fund's administration and, accordingly, no provision for a liability or potential loss that may result from settlement of this claim has been recorded in the accompanying financial statements.

The Fund has TCDs amounting to $1,452,609 in an uninsured bank at September 30, 2010 and 2009. The uninsured bank went into receivership on November 7, 2006. It is uncertain if the Fund will realize the abovementioned deposits.

Schedule of Funding Progress
September 30, 2010

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) -Aggregate Cost Method	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/01/04	Actuarial valuations are performed biennially.					
10/01/05	$ 41,965,000	$ 83,169,000	$ 41,204,000	50.46%	$ 32,706,000	126.0%
10/01/06	Actuarial valuations are performed biennially.					
10/01/07	$ 48,358,000	$ 107,579,000	$ 59,221,000	44.95%	$ 34,763,000	170.4%
10/01/08	Actuarial valuations are performed biennially.					
10/01/09	$ 41,254,319	$ 105,507,385	$ 64,253,066	39.10%	$ 33,027,394	194.5%

See accompanying Independent Auditors' Report and notes to required supplementary schedules.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Schedule of Employer Contributions
September 30, 2010

Year Ended September 30,	Annual Required Contribution	Employer Contribution	Percentage Contributed
2005	Actuarial valuations are performed biennially.		
2006	$ 10,181,000	$ 2,312,491 *	22.7%
2007	Actuarial valuations are performed biennially.		
2008	$ 12,554,000	$ 4,531,994	36.1%
2009	Actuarial valuations are performed biennially.		
2010	$ 8,798,000	$ 2,357,864	26.8%

* Required employer contribution was determined to be $8,218,640.

See accompanying Independent Auditors' Report and notes to required supplementary schedules.

(1) Actuarial Methods and Actuarial Present Value of Accumulated Plan Benefits

Accumulated plan benefits are those future periodic payments, including lump-sum distributions, that are attributable under the Fund's provisions to the service members have rendered through the most recent actuarial valuation date (October 1, 2009). Accumulated plan benefits include benefits expected to be paid to (i) retired, disabled, and terminated employees and their beneficiaries, (ii) beneficiaries of employees who have died, and to (iii) present employees and their beneficiaries. Benefits payable under all circumstances - retirement, death, disability, and termination of employment - are included, to the extent they are deemed attributable to employee service rendered through October 1, 2009.

The actuarial present value of accumulated plan benefits is determined by an independent actuarial firm and is the amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawals, or retirement) between the most recent actuarial valuation (October 1, 2009), and the expected date of payment. The significant actuarial assumptions used to calculate the actuarial present value of accumulated plan benefits are presented below, and are based on the presumption that the Fund will continue in operation. Were the Fund to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

Valuation Date:	October 1, 2009
Actuarial Cost Method:	The Plan uses the aggregate actuarial cost method which does not identify or separately amortize unfunded actuarial liabilities. As such, information about the Plan's funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and the information presented is intended to serve as a surrogate for the funded status and funding progress of the plan.
Valuation of Assets:	Market value, including accrued but unpaid contributions.
Return on Investment:	8.5% per year
Salary Increase:	3% per annum
Withdrawal Rates:	5% up to age 40, 0% thereafter
Disability Rates:	Based on 2007 U.S. Social Security Trustees Report Intermediate Assumptions.
Mortality Rates:	Non - disabled lives - Based on the 1984 Unisex Pension Mortality Table.
	Disabled lives - Based on the PBGC Mortality Table for disable persons receiving social security.

See Accompanying Independent Auditors' Report.

(1) Actuarial Methods and Actuarial Present Value of Accumulated Plan Benefits, Continued

Retirement Age:	Earlier of age 60 or 30 years of total service.
Includes inflation at:	0%
Amortization Method:	Level percent open
Remaining Amortization Period:	30 years

(2) Factors that Significantly Affect the Identification of Trends in the Amounts Reported

The ROP Congress (Olbiil Era Kelulau) enacted two laws which have potentially material effects on the amounts reported in the schedule. RPPL 4-49 and RPPL 5-30 establish that effective May 17, 1996, members, who have twenty-five years or more of total service, are eligible for retirement regardless of their age and, upon such retirement, are eligible to receive pension benefits at a level established by the Board of Trustees. The laws further provide that effective July 1, 1999, retirement is mandatory for all members who have thirty years or more of total service with certain exceptions, and that the pension is not reduced for receipt of benefits prior to age 60. By RPPL 6-37, effective October 1, 2003, mandatory retirement may be delayed for an additional five years by specific exemption by the Board of Trustees.

RPPL 5-7 directed the Board of Trustees to adopt a resolution which provides that "no person who retires after October 1, 1997, may receive benefits under the Plan unless he or she has contributed to the Plan for at least five years or has made an actuarially equivalent lump sum contribution".

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Schedule of Investment Securities
September 30, 2010

	2010 Face Value	2010 Cost	2010 Fair Value
Money Market Funds			
Western Assets US Money Market Fund a Dist (G)	$ 27,781	$ 27,781	$ 27,781
Western Assets US Money Market Fund a Dist (G)	317,903	317,903	317,903
Western Assets US Money Market Fund a Dist (G)	608,685	608,685	608,685
Western Assets US Money Market Fund a Dist (G)	163,787	163,787	163,787
Western Assets US Money Market Fund a Dist (G)	143,749	143,749	143,749
	1,261,905	1,261,905	1,261,905
Unsettled purchases	32,523	32,523	32,523
Accruals	113,854	113,854	113,854
Exchange traded and closed end funds	482,946	482,946	482,946
Cash balance	20,035	20,035	20,035
	$ 1,911,263	$ 1,911,263	$ 1,911,263

	2010 Face Value	2010 Cost	2010 Fair Value	Ratings
Obligations of U.S. Government and Agencies				
Mortgage and Asset Backed Securities				
FHLMC PL # B 15182 @ 4.5%, due 6/01/2014	$ 145,000	$ 31,122	$ 28,285	AAA
FHLMC PL # E 99197 @ 4.5%, due 9/01/2018	560,000	153,411	152,002	AAA
FHLMC PL # B 13067 @ 4.5%, due 3/01/2019	171,000	45,956	53,151	AAA
FHLMC PL # G 12121 @ 5.5%, due 4/01/2021	107,000	40,019	43,269	AAA
FHLMC PL # CO1567 @ 5%, due 5/01/2033	901,000	322,432	329,748	AAA
FNMA PL # 739821 @ 5%, due 9/1/2033	463,000	195,359	198,951	AAA
FNMA PL # 735733 @ 4.5%, due 10/01/2033	175,000	88,783	102,964	AAA
FNMA PL # 923129 @ 5.5%, due 08/01/2034	1,000,000	356,660	415,163	AAA
FHLMC PL # 781958 @ 5.075%, due 09/01/2034	182,000	54,406	56,968	AAA
FNMA PL # 735227 @ 5.500%, due 01/01/2035	141,000	51,671	56,992	AAA
FNMA PL # 735228 @ 5.500%, due 02/01/2035	324,000	121,833	135,605	AAA
FHLMC PL# G08046 @5.500%, due 3/1/2035	206,000	84,569	94,600	AAA
FNMA PL#255670 @ 5.00%, due 3/1/2035	101,000	47,396	53,925	AAA
FNMA PL#735502 @ 6.00%, due 4/1/2035	158,000	44,174	47,016	AAA
FHLMC PL #A36664 @ 5.00%, due 8/1/2035	128,000	52,771	62,809	AAA
FHLMC PL #A36685 @ 5.00%, due 8/1/2035	54,000	23,926	27,949	AAA
FHLMC PL #A37876 @ 5.00%, due 9/1/2035	326,000	196,324	197,122	AAA
FNMA PL#735897 @ 5.500%, due 10/1/2035	152,000	76,093	81,445	AAA
FNMA PL#828856 @ 5.5%, due 10/1/2035	195,000	78,735	89,021	AAA
GNMA PL#648503X @ 5.5%, due 11/15/2035	100,000	35,697	38,839	AAA
FHLMC PL #G01960 @ 5.00%, due 12/1/2035	223,000	127,752	127,949	AAA
FNMA PL#745089 @ 6.000%, due 12/1/2035	120,000	42,347	45,760	AAA
FHLMC PL#A41394 @ 5.000%, due 1/1/2036	306,000	162,802	179,306	AAA
FHLMC PL#G02168 @ 6.000%, due 4/1/2036	66,000	26,942	29,118	AAA
FNMA PL#881441 @ 5.500%, due 4/1/2036	200,000	74,584	81,616	AAA
FHLMC PL# A61533 @ 5.00%, due 06/01/2036	155,000	84,825	85,127	AAA
FNMA PL#867452 @ 6.500%, due 6/1/2036	107,000	54,457	56,741	AAA
FNMA PL#882694 @ 6.500%, due 6/1/2036	65,000	32,277	33,447	AAA
FNMA PL#897447 @ 6.000%, due 10/1/2036	487,076	240,296	238,888	AAA
FNMA PL#903749 @ 6.000%, due 10/1/2036	80,000	31,796	33,828	AAA
FHLMC PL#A55326 @ 6.000%, due 12/1/2036	275,000	130,753	135,431	AAA
FHLMC PL#1G1406 @ 5.858%, due 12/1/2036	275,000	114,744	110,296	AAA
FNMA PL#905678 @ 5.500%, due 12/1/2036	171,000	98,925	100,096	AAA
FHLMC PL#H00452 @ 5.500%, due 1/1/2037	138,000	72,006	78,527	AAA
FNMA PL#910473 @ 5.546%, due 5/1/2037	278,000	141,979	153,184	AAA
FHLMC PL#A60299 @ 6.500%, due 5/1/2037	297,000	158,817	166,803	AAA
FNMA PL#938171 @ 6.500%, due 7/1/2037	400,000	199,259	212,066	AAA
FNMA PL# AA3553 @ 5%, due 02/01/2039	89,000	81,233	82,588	AAA
FHLMC PL# A88454 @ 4.5%, due 09/01/2039	82,000	81,961	81,823	AAA
	9,403,076	4,059,092	4,298,418	
Governmental Bonds				
US Treasury Notes Ser L-2012 @ 4.750%, due 5/31/2012	130,000	128,263	139,455	AAA
US Treasury Notes Ser AA-2012 @ 1.50%, due 7/15/2012	122,000	122,028	124,468	AAA
US Treasury Notes Ser N-2012 @ 4.625%, due 7/31/2012	155,000	156,097	167,079	AAA
US Treasury Notes Ser E-2015 @ 4.250%, due 8/15/2015	450,000	491,564	514,300	AAA
US Treasury Notes Ser E-2019 @ 3.625%, due 8/15/2019	55,000	54,259	60,483	AAA
US Treasury Notes Ser B-2020 @ 3.625%, due 2/15/2020	330,000	334,370	361,944	AAA

See Accompanying Independent Auditors' Report.

Schedule of Investment Securities, Continued
September 30, 2010

	2010 Face Value	2010 Cost	2010 Fair Value	Ratings
Obligations of U.S. Government and Agencies, Continued				
Government Bonds, Continued				
Tennessee Valley Auth 1995 Pwr BDS-BK/Entry @ 6.750%, due 11/1/2025	200,000	230,004	269,788	AAA
Fannie Mae @ 5.5%, due 5/10/2027	75,000	74,625	85,242	AAA
Tennessee Vallley Auth Power Bonds Ser C-BK/Entry @ 5.880%, due 4/1/2036	100,000	112,499	125,458	AAA
US Treasury Bonds @ 4.5%, due 8/15/2039	125,000	133,090	143,125	AAA
	$ 1,742,000	$ 1,836,799	$ 1,991,342	
Municipal Bonds				
Honolulu Hawaii City and CNTY Txble B/E Go @ 6.25%, due 9/1/2031	$ 185,000	$ 185,000	$ 199,262	AA
Corporate Bonds				
Kinder Morgan Energy @ 7.125%, due 3/15/2012	$ 85,000	$ 86,030	$ 91,248	BBB
Merrill Lynch & Co. Inc. Medium Term NTS FRN Book Entry @ 0.522%, due 6/5/2012	150,000	150,000	147,738	A
Xerox Corp SR Notes Book/Entry @ 7.625%, due 6/15/2013	220,000	225,122	222,796	BBB-
American Express Conotes-Bk/Entry @ 4.875%, due 7/15/2013	145,000	151,457	156,884	BBB+
Pacificorp @ 5.450%, due 9/15/2013	150,000	153,522	167,287	A
BP Capital Markets PLC @ 5.250%, due 11/07/2013	150,000	149,903	162,893	A
US BK Natl ASSN Minn @ 6.300%, due 2/14/2014	100,000	102,864	114,535	A+
European Investment Bank BK/Entry @ 2.375%, due 3/14/2014	150,000	149,355	156,504	AAA
Gen Elec Cap Crp Global @ 0.421%, due 3/20/2014	140,000	132,367	134,361	AA+
Gatx Corp BK/Entry @ 8.750%, due 5/15/2014	100,000	99,750	118,114	BBB
Amer Express Credit Co Book/Entry @ 5.125%, due 8/25/2014	100,000	105,179	110,775	BBB+
JP Morgan Chase Co @ 5.125% due 9/15/2014	125,000	133,906	137,054	A
Berkshire Hathwy Global @ 3.200%, due 2/11/2015	140,000	139,884	148,473	AA+
Harris Corp @ 5%, due 10/1/2015	79,000	75,080	86,613	BBB+
Cisco Systems Inc. @ 5.5%, due 2/22/2016	80,000	79,767	94,372	A+
Smith Intl Inc SR Notes Book Entry @ 6.000%, due 6/15/2016	115,000	116,502	138,806	A+
Morgan Stanley Medium Term Notes-BK/Entry @ 5.750%, due 10/18/2016	140,000	141,805	151,327	A
Comcast Corp Bk/Entry @ 6.500% due 1/15/2017	120,000	132,178	142,752	BBB+
Citigroup Inc Sub Notes @ 5.500%, due 2/15/2017	175,000	168,879	180,702	A-
Merrill Lynch & Co. @ 5.70%, due 5/2/2017	220,000	220,979	227,533	A-
Kimberly-Clark Notes Book/Entry @ 6.125%, due 8/1/2017	65,000	64,803	79,361	A
JP Morgan Chase @ 6.00% due 10/01/2017	275,000	291,115	312,155	A+
Harris Corp @ 5.95%, due 12/1/2017	120,000	119,582	137,816	BBB+
Wells Fargo & Co Book/Entry @ 5.625%, due 12/11/2017	115,000	114,522	130,984	AA-
Parterre Finance Book/Entry @ 6.875%, due 6/1/2018	175,000	173,443	196,627	A
Private Export Funding Book/Entry @ 4.375%, due 3/15/2019	175,000	174,081	196,929	AA+
Morgan Stanley @ 7.30%, due 5/13/2019	100,000	99,769	115,018	A
Barclays Bank PLC @ 6.75%, due 5/22/2019	82,000	90,890	97,446	AA-
Duke Capital Corp Notes BK/Entry Callable @ 8.00%, due 10/1/2019	65,000	73,534	82,273	BBB
Burlington Northern Santa Fe Railway Co 2002-2 @ 5.140%, due 1/15/2021	250,000	209,758	228,294	A+
New Valley Generatio @ 4.687%, due 1/15/2022	100,000	77,816	89,208	AAA
Sysco Corporation @ 6.500%, due 8/1/2028	185,000	209,503	224,666	A+
Apache Fin Canada @ 7.750%, due 12/15/2029	75,000	89,333	99,473	A-
Science Applications Int Book/Entry @ 5.500%, due 7/1/2033	125,000	114,585	125,230	A-
Dominion Resource Inc SR Notes Book/Entry @ 5.250%, due 8/1/2033	175,000	174,125	200,956	A-
Alabama Pwr Co. Book/Entry @ 5.650%, due 3/15/2035	100,000	97,697	107,078	A
Wal Mart Stores Inc. Notes - Bk/Entry @ 6.500%, due 8/15/2037	175,000	176,673	218,397	AA
Pres&Fellows of Harvard Book/Entry @ 6.30%, due 10/1/2037	220,000	227,841	249,667	AAA
	$ 5,261,000	$ 5,293,599	$ 5,782,345	

	2010 Number of Shares	2010 Cost	2010 Fair Value
Corporate Stock			
Bunge Limited	2,650	$ 140,727	$ 156,774
Tyco Electronics Ltd	5,300	137,874	154,866
Adidas Ag Spon Adr	5,400	148,068	166,968
Advantest Corp Spon Adr	6,400	207,945	127,846
Aeon Company Ltd Adr	6,600	127,656	70,488
Air Liquide Adr	7,999	141,972	195,736
Astrazeneca PLC Spon Adr	3,100	165,361	157,170
Basf Se Common Stock	3,300	138,883	208,395
Banco Santander S.A.	14,474	164,886	183,241
DBS Group Hldg Ltd SP Adr	3,300	112,502	141,570

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REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Schedule of Investment Securities, Continued
September 30, 2010

	2010		
	Number of Shares	Cost	Fair Value
Corporate Stock, Continued			
Deutsche Telekom AG SP Adr	7,400	109,883	100,862
Diageo PLC Spon Adr-New	2,200	147,043	151,822
Enersis S.A. Sponsored ADR - USD-	9,100	124,728	213,941
Ericsson L M Tel Co Cl B Adr New -USD-	10,700	102,897	117,379
Erste Group Bank AG Spon Adr Austria	7,500	71,837	151,875
European Aeronautic Defense & Eur Unspon Adr	5,200	153,560	129,064
HSBC Holdings PLC SP Adr New	2,641	161,700	133,608
Invensys PLC Spos Adr New	21,300	144,773	99,045
Kao Corp-JPY Spons Adr	4,900	125,775	119,266
Komatsu Ltd. Adr New	7,300	145,475	171,039
Loreal Co Adr -USD-	8,400	158,797	188,832
Michelin CGde Unspon Adr	12,600	113,981	197,190
Mitsubishi UFJ Financial Group Inc Adr	21,000	190,927	97,230
NTT Docomo Inc Spons Adr	6,600	98,436	110,352
Nestle S A Sponsored Adr	2,400	83,640	128,232
Novartis AG Adr	2,550	134,061	147,059
Orix Corp Spons Adr	2,200	178,251	84,458
Repsol S A Sponsored Adr	7,000	175,660	180,110
Royal Dutch Shell PLC Adr CL A	2,400	159,389	144,720
Schlumberger Ltd	1,900	92,007	117,059
Sumitomo Trust & Banking Co LT-JPY Spons Adr	17,000	157,474	86,190
Swedbank AB Adr	5,900	136,164	81,715
Teva Pharmaceutical Inds LTD Adr	2,800	113,534	147,700
Toray Industries Inc Adr	2,500	190,470	138,725
Toshiba Corp Unspon Adr	3,000	83,254	87,750
Total SA Spons ADR	2,950	175,084	152,220
TotoLTD Adr	1,600	143,577	110,480
Unilever NV NY SHS-New	6,800	175,725	203,184
Vivendi SA Sponsored Adr France	6,300	164,729	171,864
Vodafone Group PLC Spons Adr New	6,500	146,122	161,265
Westfield Group Adr	5,200	115,759	125,216
Agco Corp	1,152	34,095	44,940
AK Steel Holdings Corp	2,698	52,860	37,259
Abercrombie & Fitch Co Class A	1,510	49,537	59,373
Alere Inc	1,338	38,241	41,384
Apha Natural Resources Inc	1,758	67,361	72,342
Avis Budget Group Inc.	1,862	21,076	21,692
Bally Technologies Inc.	2,375	82,876	83,006
Brinker Intl Inc	3,044	51,625	57,410
Brocade Communications Systems Inc - New	13,824	72,927	81,009
Cathay General Bancorp	5,256	60,110	62,494
Cephalon Inc	1,051	64,675	65,624
Chimera Investment Corp	15,729	59,126	62,130
Comerica Inc	1,704	47,079	63,304
Commscope Inc	4,430	104,953	105,168
Comstock Res Inc New	2,556	86,786	57,484
Constellation Brands Inc CL A	3,442	47,049	60,889
Curtiss-Wright Corp	1,726	55,683	52,298
Diamondrock Hospitality Co	4,279	39,867	40,608
Digital River Inc	1,822	51,362	62,021
Exco Resources Inc-New	3,767	49,614	56,015
Energizer Hldgs Inc	386	21,201	25,951
Enersys	1,945	45,765	48,567
Gamestop Corp New CL A	2,816	68,101	55,503
Gaylord Entertainment Co New	1,074	29,252	32,757
General Cable Corp	1,662	37,463	45,073
Hain Celestial Group Inc	2,274	39,978	54,531
Hologic Inc	7,224	109,720	115,656
Hub Group Inc CL A	780	19,970	22,823
Integra Lifesciences Holdings Corp	1,220	36,050	48,141
Jack in the Box Inc	1,656	37,388	35,505
Janus Capital Group Inc	11,399	126,594	124,819
Kansas City Southern Inds New	1,054	18,612	39,430
KeyCorp-New	11,822	77,608	94,103
King Pharmaceutical Inc	5,484	60,060	54,621
Lamar Advertising Co Class A	2,013	57,704	64,054
Landstar System Inc	1,455	56,502	56,192

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Schedule of Investment Securities, Continued
September 30, 2010

	2010		
	Number of Shares	Cost	Fair Value
Corporate Stock, Continued			
Lear Corp	349	24,545	27,547
Lincoln National Corp-IND	4,141	94,233	99,053
Marshall & Ilsley Corp New	13,435	94,019	94,582
Masco Corp De	2,754	30,241	30,322
Mircrosemi Corp	3,074	45,396	52,633
Monster Worlwide Inc	6,646	94,814	86,132
NII Holdgs Inc Class B New	2,225	47,404	91,448
Navistar Intl Corp New	860	38,425	37,530
Ntelos Holdings Corp	1,121	18,375	18,967
Old Dominion Fght Lines Inc	1,572	32,557	39,960
Opnext Inc	15,022	41,339	23,585
Owens Illinois Inc New	4,056	92,051	113,811
PMC Sierra Inc	6,147	42,688	45,242
Paetec Holdings Corp	16,958	67,995	69,697
Petrohawk Energy Corp	3,169	69,093	51,148
Pharmaceutical Productive Dev Inc	3,336	70,558	82,699
Pinnacle Entertainment Inc	5,028	48,508	56,062
Prologis SH Ben Int	4,933	58,014	58,111
Range Resources Corp	1,710	67,942	65,202
Regions Financial Corp New	9,830	47,790	71,464
SBA Communications Corp	1,757	45,826	70,807
Savvis Inc New	3,867	75,594	81,516
Smithfield Foods Inc DE	3,439	57,288	57,878
Synovus Financial Corp	34,775	111,788	85,547
Ultra Petroleum Corp-CAD	911	38,906	38,244
Valueclick Inc	5,876	69,843	76,858
Varian Medical Systems Inc	908	39,918	54,934
Wet Seal Inc CL A	15,247	56,828	51,687
Wright Medical Group Inc	3,809	63,145	54,888
Zions Bancorp	3,706	73,056	79,160
AT&T Inc	6,700	186,090	191,620
Amazon Com Inc	1,300	197,688	204,178
American Tower Corp - Class A	4,800	170,014	246,048
Apple Inc	2,800	365,213	794,500
Bank of Amarica Corp	9,700	153,199	127,089
Boeing Co	5,800	370,510	385,932
Capital One Finl Corp	4,800	110,789	189,840
Celgene Corp	2,600	122,623	149,786
Cisco Sys Inc	20,500	420,240	448,950
Walt Disney Co	7,300	248,028	241,630
DirectTV CL A	11,800	368,269	491,234
Dow Chemical Co	7,400	199,694	203,204
E I Du Pont De Nemours & Co	8,700	352,526	388,194
Express Scripts Inc. Common	7,900	397,232	384,730
Ford Motor Company	25,000	321,994	306,000
Goldman Sachs Group Inc	1,641	249,503	237,256
Google Inc Glass A	1,150	508,965	604,659
Hewlett-Packard Co	7,600	311,602	319,732
Int'l Business Machines Corp	3,600	371,668	482,904
JP Morgan Chase & Co	13,600	514,799	517,616
Las Vegas Sands Corp	4,000	130,203	139,400
McDonalds Corp	2,400	175,892	178,824
Medco Health Solutions Inc	2,700	125,640	140,562
Merck & Co Inc New	8,700	313,450	320,247
Metlife Inc	6,200	253,685	238,390
Netflix Inc	900	139,360	145,944
Occidental Petroleum Corp-Del	3,800	261,557	297,540
Oracle Copr	19,200	440,375	515,520
Peabody Energy Corp	6,800	306,090	333,268
Philip Morris Intl Inc	3,400	182,871	190,468
Precision Castparts Corp	1,500	167,410	191,025
Salesforce.com Inc	1,300	95,417	145,340
Schlumberger Ltd	4,200	268,811	258,762
Starwood Hotels & Resorts Worldwide Inc - New	2,700	137,169	141,885
Teva Pharmaceutical Inds Ltd Adr	7,000	411,362	369,250
3M Company	4,300	356,930	372,853
Union Pacific Corp	4,300	204,037	351,740

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Schedule of Investment Securities, Continued
September 30, 2010

	2010		
	Number of Shares	Cost	Fair Value
Corporate Stock, Continued			
United Parcel Service CL B	3,800	253,503	253,422
United Technologies Corp	3,800	156,756	270,674
Vale S A Spon Adr	5,000	144,753	156,350
VISA Inc Com Cl A	1,800	137,788	133,668
Credicorp Ltd - USD	140	10,815	15,946
America Movil S.A.B De CV Ser L Spons Adr	1,076	47,937	57,383
Anglo Platinum Ltd - UN Spon Adr	121	13,004	11,374
Anglo Gold Ashanti Ltd Adr	596	23,465	27,559
Banco Bradesco Spons Adr New	639	12,098	13,023
BRF-Brasil Foods S A Adr	1,116	13,661	17,331
Brasil Telecom S A Sponsored Adr Repstg Pfd Shs	354	7,264	7,027
Brasil Telecom S A Adr	353	3,786	3,043
Cnooc Ltd Spons Adr	246	38,602	47,798
China Life Insurance Co Ltd Sponsored Adr	856	56,902	50,915
China Petrolleum & Chem Adr	289	22,666	25,513
China Unicom Hong Kong Ltd Sponsored Adr	1,416	17,002	20,617
Chungwa Telecomco Ltd New Adr	712	13,228	15,963
Companhia Energetica De Minas SP Adr	1,140	17,004	18,685
Companhia De Bebidas Das Amers Spons Adr	160	15,568	19,782
Ctrip.Com International Ltd-Cny	526	17,670	25,117
Empresa Nationale De Electricidad Chile Sp Adr	274	13,291	14,804
Fomento Economico Mexicano S.A.B De CV Spons Adr	408	17,263	20,698
Gazprom Oao Spons Adr	1,575	35,123	32,996
Gerdau SA Spons Adr	1,356	19,727	18,455
Grupo Televisa SA De CV Spon Adr	257	4,857	4,862
Hon Hai Precision Global Depository Recpt Reg S	10,623	95,308	80,204
Huaneng Power Intl SP Adr	1,268	30,285	31,396
Icici Bank Ltd-Spons Adr-Inr	699	26,455	34,845
Infosys Technologie Sp Adr	401	22,659	26,991
Itau Unibanco Banco Hldg S A Adr	3,506	68,912	84,775
JSC MMC Norilsk Nickel JSC Son Adr	1,011	15,317	17,136
K B Financial Croup Inc Adr	1,146	47,474	49,129
Las Vegas Sands Corp	958	17,784	33,386
Mechel Oao Spons Adr	609	12,855	15,164
Melco Crown Entertainment Ltd-Adr	11,083	43,445	56,191
Mobile Telesystems O JSC Spon Adr	1,267	26,426	26,898
MTN Group Ltd Sponsored Adr	1,336	19,503	24,435
Naspers Ltd Spon Adr	490	18,037	23,682
Lukoil Oil Spons Adr	507	26,744	28,747
Rosneft Oil Co Oao Regs Global Depositary Receipt	4,300	34,220	28,500
Posco Spon Adr	465	52,904	53,001
Petroleo Brasileiro SA Adr	1,408	53,771	46,211
Petroleo Brasileiro SA Petrobras	956	41,561	34,674
Reliance Inds Ltd Global Dep Rcpts Rule 144A	837	37,239	36,779
SK Telecom Ltd Spon Adr	1,249	20,768	21,820
Samsung Electronics Ltd Gdr 1995 Repstg Com 144A	191	65,125	65,077
Sasol Ltd Spons Adr	308	11,269	13,795
Shinhan Financial Grp Co Ltd Adr	577	41,527	44,244
Southern Copper Corp Del	698	20,481	24,514
Standard Bank Group Adr	1,384	38,683	44,150
Taiwan Semiconductor Mfg Co Ltd Adr	2,342	22,666	23,748
Teva Pharmaceutical Inds Ltd Adr	220	13,163	11,605
Vale S A Spon Adr	3,605	101,240	112,728
Vimpelcom Ltd Adr	1,489	24,990	22,112
Vivo Participacoes SA Adr	561	15,112	15,242
Wynn Resorts Ltd	321	20,019	27,853
Yanzhou Coal Mining Co Ltd Spons Adr Repstg H Shs	1,576	32,754	38,407
	898,104	$ 21,640,969	$ 23,509,960

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