

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

FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2016 AND 2015

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Republic of Palau Civil Service Pension Trust Fund (the Fund), a component unit of the Republic of Palau, which comprise the statements of fiduciary net position as of September 30, 2016 and 2015, and the related statements of changes in fiduciary net position for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Republic of Palau Civil Service Pension Trust Fund as of September 30, 2016 and 2015, and the changes in its fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Going Concern

The accompanying financial statements have been prepared assuming the Fund will continue as a going concern. As discussed in note 6 to the financial statements, the Fund's actuarial valuation has determined that the Fund has a net pension liability of \$215,546,176 which would cause the Fund's fiduciary net position to become negative in 2018. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Implementation of New Accounting Standards

As discussed in note 1 to the financial statements, the Fund adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, effective October 1, 2015.

Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The Schedule of Changes in Net Pension Liability and Related Ratios on page 32, the Schedule of Contributions on page 33, the Schedule of Investment Rates of Return on page 34 and the Notes to Required Supplementary Schedules on pages 35 and 36 as of September 30, 2016 are supplementary information required by GASB Statement No. 67, *Financial Reporting for Pension Plans*. This supplementary information is the responsibility of the Fund's management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

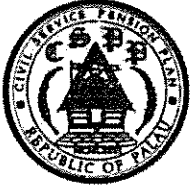
Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Fund's basic financial statements. The Schedule of Investment Securities on pages 37 through 41 as of September 30, 2016 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Investment Securities is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Investment Securities is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2017 on our consideration of the Fund's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

Deloitte & Touche LLC

May 30, 2017



REPUBLIC OF PALAU CIVIL SERVICE PENSION PLAN

Board of Trustees

Siegfried Nakamura
Chairperson

Mario Katosang
Vice Chairman

Members

William Ngiraikelau

Temmy L. Shmull

Elicita N. Moreci

Felix Okabe

Kyoko April

MANAGEMENT'S DISCUSSION AND ANALYSIS Plan Year Ended September 30, 2016

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, 2016, with selected comparative information for the fiscal years ended September 30, 2015 and 2014.

Introductory Section

The Fund is a defined benefit, cost sharing 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 as applicable to governmental agencies, specifically state and local governmental pension plans. The Fund accounts for fiduciary net position and reporting fiduciary net position in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*, and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, which were adopted during fiscal years ended September 30, 2014 and 2015, respectively. 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 *net pension liability* increased from \$204,281,232 as of September 30, 2015 to \$215,546,176 as of September 30, 2016, an increase of \$11,264,944 or 5.51%. The Board of Trustees and management of the Fund adopted a Funding Plan in April 2017 to increase current contribution levels from 12% to 20% by year 2021. The Funding Plan would increase contribution levels by 4% in year 2017 and 1% for years 2018, 2019, 2020 and 2021. With the increase in contribution levels, the Fund should realize positive net flows by year 2020.

- The Fund has time certificates of deposit (TCDs) of \$1,452,609 in Pacific Savings Bank (PSB) at September 30, 2016 and 2015. The Estate of Johnny Reklai and the Board of Trustees have signed a Settlement Agreement where the Estate will transfer possession, custody and control of the 1,500 shares of common stock of Western Caroline Trading Company to the Fund that were pledged as collateral in the event PSB defaults on the payment. Dividends collected in fiscal year 2016 were \$34,101. As such the Fund recorded a recovery of \$2,000,000 for the year ended September 30, 2016. The Fund continues to pursue legal action against the PSB Receiver, Trustee of the PSB creditors.
- The Fund's investment portfolio decreased in value from \$28,165,269 in fiscal year 2015 to \$27,441,250 in fiscal year 2016. Fiduciary net position increased from \$28,115,140 in fiscal year 2015 to \$29,421,313 in fiscal year 2016, an increase of \$1,306,173 or 4.65%.
- The Fund withdrew \$3,034,000 from investments during fiscal year 2016 to pay for benefits and administrative expenses during the same period and withdrew \$3,216,000 and \$3,775,000 for fiscal years 2015 and 2014, respectively.
- The Fund received \$312,479 and \$330,116 in fiscal year 2016 and 2015, respectively, as additional revenue from remittance and money transfer tax through RPPL No. 9-2. The Fund also received \$240,100 in fiscal year 2016 as additional revenue from foreign fishing rights fee through RPPL No. 9-35.

Overview of the Financial Statements

During the year ended September 30, 2015, the Fund adopted GASB Statement Nos. 68 and 71, which established contribution pensions provided to employees of state and local governments. The implementation resulted in the recognition of pension expense as well as the reporting of deferred outflows and inflows of resources and a net pension liability based on the Fund's proportionate share of those of the overall Plan. Refer to note 2 for details of GASB Statement Nos. 68 and 71.

The following summarizes the financial condition and operations of the Fund as of and for the years ended September 30, 2016, 2015 and 2014.

The Statements of Fiduciary Net Position includes the Fund's assets and liabilities that provide a picture of the financial position of the Fund as of September 30, 2016, 2015 and 2014. These statements reflect resources of net position available for pension benefits to members, retirees and beneficiaries at the end of the fiscal year reported.

STATEMENTS OF FIDUCIARY NET POSITION

	<u>2016</u>	<u>2015</u>	<u>2014</u> <u>(As Restated)</u>
Assets and deferred outflows of resources:			
Cash and cash equivalents	\$ 616,040	\$ 539,349	\$ 534,261
Time certificates of deposit	1,965,899	-	-
Investments	27,441,250	28,165,269	32,582,999
Other assets	<u>203,846</u>	<u>207,693</u>	<u>201,442</u>
	30,227,035	28,912,311	33,318,702
Deferred outflows of resources	<u>176,552</u>	<u>157,090</u>	<u>130,787</u>
	<u>\$ 30,403,587</u>	<u>\$ 29,069,401</u>	<u>\$ 33,449,489</u>
Liabilities, deferred inflows of resources and fiduciary net position:			
Liabilities	\$ 794,935	\$ 802,688	\$ 839,272
Deferred inflows of resources	187,339	151,573	65,531
Fiduciary net position	<u>29,421,313</u>	<u>28,115,140</u>	<u>32,544,686</u>
	<u>\$ 30,403,587</u>	<u>\$ 29,069,401</u>	<u>\$ 33,449,489</u>

- At September 30, 2016, 2015 and 2014, the Fund had \$9,953, \$23,011 and \$1,897, respectively, in capital assets, net of accumulated depreciation, which represent a net decrease of \$13,058 in 2016 over 2015 and a net increase of \$21,114 in 2015 over 2014.

Revenue and Expense Analysis

The Statements of Changes in Fiduciary Net Position summarize the Fund's financial activities that occurred during the fiscal year as compared to amounts for the previous fiscal years. The financial statements measure the change in resources available to defray pension benefits to members, retirees and beneficiaries for fiscal years 2016, 2015 and 2014.

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

	2016	2015	2014 (As Restated)
Additions:			
Contributions	\$ 6,327,409	\$ 5,829,925	\$ 5,618,205
Investment income (loss)	2,337,406	(1,201,732)	2,760,338
Recovery	2,000,000	-	-
Other income	<u>574,145</u>	<u>727,170</u>	<u>317,429</u>
	<u>11,238,960</u>	<u>5,355,363</u>	<u>8,695,972</u>
Deductions:			
Benefit and refund payments	9,506,766	9,403,007	9,298,152
Administrative expenses	<u>426,021</u>	<u>381,902</u>	<u>381,006</u>
	<u>9,932,787</u>	<u>9,784,909</u>	<u>9,679,158</u>
Net increase (decrease)	1,306,173	(4,429,546)	(983,186)
Fiduciary net position, beginning of year	<u>28,115,140</u>	<u>32,544,686</u>	<u>33,527,872</u>
Fiduciary net position, end of year	\$ <u>29,421,313</u>	\$ <u>28,115,140</u>	\$ <u>32,544,686</u>

- Contribution revenue increased from \$5,829,925 in 2015 to \$6,327,409 in 2016, an increase of \$497,484 or 8.53% and from \$5,618,205 in 2014 to \$5,829,925 in 2015, an increase of \$211,720 or 3.77%.
- Investment portfolios appreciated in fair market value by \$1,900,212 and yielded a net earnings of \$2,337,406 in 2016, with a yielded net loss of \$1,201,732 in 2015 and net earnings of \$2,760,338 in 2014.
- Benefit and refund payments increased from \$9,403,007 in 2015 to \$9,506,766 in 2016 and from \$9,298,152 in 2014 to \$9,403,007 in 2015, an increase of \$103,759 or 1.10% and \$104,855 or 1.13%, respectively. The number of retirees and beneficiaries are expected to stabilize and will slowly decline over the next several years.
- Administrative expenses include \$13,702, \$13,574 and \$18,400 of depreciation expense of the Fund's capital assets in fiscal years 2016, 2015 and 2014, respectively. Administrative expenses increased from \$381,902 in 2015 to \$426,021 in 2016 and from \$381,006 in 2014 to \$381,902 in 2015, an increase of \$44,119 or 11.55% and \$896 or 0.23%, respectively.

Economic Outlook

The Board of Trustees and management of the Fund recently added Master Limited Partnerships and Real Estate Investment Trusts to the portfolio. We believe these will further provide a well-diversified portfolio to minimize losses and add value.

The U.S. and Global Markets proved to be volatile in 2016 which continued into the first quarter of 2017. Sociopolitical events around the world continue to influence market performance.

Our strategic asset allocation, asset diversification and portfolio construction is well positioned to capture opportunities in both the up and down markets. We remain fully invested. We continue to look for opportunities where money could be made in the short-term, but we stay focused on our long-term objectives. Our portfolios appreciated in fair market value in 2016, especially in the later part of the year. The portfolio has bounced back and is expected to outperform the benchmark for the remainder of the year.

At home, we have reasons to celebrate. The Board of Trustees and management of the Fund have developed and adopted the Republic of Palau Civil Service Pension Plan Funding Plan in April 2017. This Plan is a blue print for a sustainable funding plan of the Fund. The goals, activities and ideas articulated in this funding plan are reflective of extensive consultation with our Actuary, our Financial Consultant and our stakeholders. The Board of Trustees in early 2016 created a "working group" to study the plan in depth and to address some of the financial shortfalls facing the Fund. Those goals, activities and ideas have been adopted by the Board and are included in this funding plan.

The over-arching long-term goals are: 1) to move this Retirement Fund from an indebted state to a more funded status, and 2) to ensure longevity of the Civil Service Pension Plan Retirement Fund for the current retirees/beneficiaries and current contributors who are the future retirees/beneficiaries. All activities and ideas identified in this funding plan should contribute to achieving these over-arching long-term goals. These activities and ideas are strategic actions that guide the Board of Trustees and management in moving this Retirement Fund from its current financial state to a more funded program. Such activities and ideas include 1) increasing the contribution level from 12% to 20% in the next four years, 2) increasing the mandatory retirement age from 60 to 62, 3) enacting legislation to levy a reasonable administrative fee on benefits, 4) increasing the contribution requirement from five to seven years per 33 PNC 2021 and 5) lobbying Congress to enact legislation to reduce the benefit level.

RPPL No. 9-2, an Act to reform the Fund to a more financially sustainable program was signed into law by the President of ROP on April 30, 2013. RPPL No. 9-2 eliminates the mandatory service retirement of thirty years of total service. This provision will result in a significant savings to the Fund by delaying benefit payments and prolonging members' contributions to the Fund. RPPL No. 9-2 also provides that all employees of member agencies, without regard to whether the employee is employed part-time, or on a temporary, seasonal or impermanent basis, shall contribute to the Fund by a deduction from the payroll of the employee and at the same time, ceases payment of monthly benefits to an employee/member who is re-employed subsequent to retirement. The Fund stands to realize additional contribution revenue and cost savings by ceasing monthly benefit payments through these provisions. Additionally, RPPL No. 9-2 provides a new source of revenue to the Fund through levying a four percent (4%) tax on all remittances or transfers of money outside of ROP.

RPPL No. 9-2 also caps annuity benefits at \$30,000 per year. Another provision of the law provides for a sunset clause for how much beneficiaries can be paid after the death of a member. This provision has the potential to save the Fund significant money as many beneficiaries have exhausted the value of the member's account. RPPL No. 9-2 and RPPL 9-49 will greatly improve solvency of the Fund.

The National Government has acknowledged its debts to the Fund through accrued interest on contributions and has taken an initial step to settle these debts by appropriating \$500,000 and \$400,000 through RPPL No. 9-46 and RPPL No. 9-44, the Fiscal Year 2016 Budget Act, for fiscal years 2015 and 2016, respectively, to continue payment of accrued interest from prior years.

The 10th OEK is poised to continue providing fiscal reforms to the Fund in the coming years and the Board of Trustees and management of the Fund will continue to work closely with the OEK to effectuate these much needed fiscal reforms that will nurse the Fund back to good financial health.

We feel that the Fund plays a vital role in Palau's economy by injecting over \$742,000 a month or over \$8,904,000 a year into the hands of consumers who in turn spend these sums to support the Palau 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 feel the 10th Constitutional Government leaders understand the many fiscal issues faced by the Fund and they will be the engine to drive these changes to bring the Fund from an indebted stage to a more funded status.

The Management's Discussion and Analysis for the year ended September 30, 2015 is set forth in the Fund's report on the audit of financial statements, which is dated June 28, 2016. That Discussion and Analysis explains the major factors impacting the 2015 financial statements and can be viewed at the Office of the Public Auditor's website at www.palauopa.org.

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. If you have questions about this report 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.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Statements of Fiduciary Net Position
September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>		
Cash and cash equivalents	\$ <u>616,040</u>	\$ <u>539,349</u>
Time certificates of deposit	<u>1,965,899</u>	<u>-</u>
Investments, at fair value:		
Corporate stock	14,590,352	14,214,305
Obligations of U.S. Government and agencies	7,746,170	8,674,097
Mutual funds	2,654,707	2,907,495
Corporate bonds	1,824,724	1,468,181
Money market funds	<u>625,297</u>	<u>901,191</u>
Total investments	<u>27,441,250</u>	<u>28,165,269</u>
Receivables:		
Employers' contributions, net	96,847	92,237
Members' contributions, net	96,840	92,237
Other receivables	<u>206</u>	<u>208</u>
Total receivables	<u>193,893</u>	<u>184,682</u>
Capital assets, net of accumulated depreciation	<u>9,953</u>	<u>23,011</u>
Total assets	30,227,035	28,912,311
Deferred outflows of resources from pension	<u>176,552</u>	<u>157,090</u>
Total assets and deferred outflows of resources	<u>30,403,587</u>	<u>29,069,401</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FIDUCIARY NET POSITION</u>		
Accounts payable and accrued expenses	27,332	23,559
Net pension liability	<u>767,603</u>	<u>779,129</u>
Total liabilities	794,935	802,688
Deferred inflows of resources from pension	<u>187,339</u>	<u>151,573</u>
Total liabilities and deferred inflows of resources	<u>982,274</u>	<u>954,261</u>
Fiduciary net position - held in trust for pension benefits	\$ <u>29,421,313</u>	\$ <u>28,115,140</u>

See accompanying notes to financial statements.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Statements of Changes in Fiduciary Net Position
Years Ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Additions:		
Employers' contributions	\$ 3,177,790	\$ 2,909,824
Members' contributions	<u>3,149,619</u>	<u>2,920,101</u>
	<u>6,327,409</u>	<u>5,829,925</u>
Investment income:		
Dividends	412,630	592,327
Interest	219,569	400,997
Net appreciation (depreciation) in fair value of investments	1,900,212	(2,007,645)
Investment expenses	<u>(195,005)</u>	<u>(187,411)</u>
Total investment income (loss)	<u>2,337,406</u>	<u>(1,201,732)</u>
Recovery	<u>2,000,000</u>	<u>-</u>
Other income	<u>574,145</u>	<u>727,170</u>
Total additions	<u>11,238,960</u>	<u>5,355,363</u>
Deductions:		
Benefit and refund payments:		
Normal and early retirement	6,844,979	6,754,152
Survivors	2,094,485	1,979,920
Refunds to terminated employees	462,827	432,799
Disability	97,942	56,352
Lump sum death disbursement	<u>6,533</u>	<u>179,784</u>
Total benefits	9,506,766	9,403,007
Administrative expenses	<u>426,021</u>	<u>381,902</u>
Total deductions	<u>9,932,787</u>	<u>9,784,909</u>
Net increase (decrease)	1,306,173	(4,429,546)
Fiduciary net position held in trust for pension benefits:		
Beginning of year	<u>28,115,140</u>	<u>32,544,686</u>
End of year	\$ <u>29,421,313</u>	\$ <u>28,115,140</u>

See accompanying notes to financial statements.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2016 and 2015

(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, cost sharing 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, RPPL 7-56, RPPL 8-10 and RPPL 9-2. The Fund is administered under the authority of a seven-member Board of Trustees (the Board) appointed by the President with the advice and consent of the Senate of the ROP.

Under the provisions of RPPL No. 2-26, the Board adopted a Trust Fund Operation Plan (the 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, 2016 and 2015, 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 September 30, 2015:

Inactive members currently receiving benefits	1,507
Inactive members entitled to but not yet receiving benefits	1,151
Active members	<u>3,120</u>
Total members	<u>5,778</u>

Summary of the Principal Provisions of the Plan

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

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.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2016 and 2015

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

Service, Continued

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 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. Effective July 1, 1999, pursuant to 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. 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. On April 30, 2013, RPPL 9-2 eliminated the mandatory service retirement after thirty years of service. After December 31, 2013, no employee shall be entitled to pension benefits until reaching the age of sixty.

In accordance with the directives of RPPL 5-7, the Board 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". In accordance with RPPL 9-2, members who retire after April 30, 2013 must not receive benefits greater than thirty thousand dollars per year. Further, the amount of benefits that a member receives should not be recalculated if the member is re-employed after the member begins receiving benefits under the Fund. Additionally, a member should not receive benefits during the time the member is re-employed subsequent to retirement.

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.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2016 and 2015

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

Pension Benefits, Continued

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

<u>Factor</u>	<u>If the Spouse or Beneficiary is:</u>
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	0 to 5 years younger than the member or 0 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

Surviving beneficiaries of an employee may only receive benefits up to the total present value of the employee's accrued benefit pursuant to RPPL 9-2.

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 according to the following schedule based on the age at which early retirement benefit payments begin:

- $1/12^{\text{th}}$ per year for the first 3 years before age 60;
- plus an additional $1/18^{\text{th}}$ per year for the next 3 years;
- plus an additional $1/24^{\text{th}}$ per year for the next 5 years; and
- plus an additional $1/50^{\text{th}}$ per year for each year in excess of 11 years.

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.

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.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2016 and 2015

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

Pension Benefits, Continued

- 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. RPPL 9-2 requires each employee of the National Government and all State Governments, without regard to whether the employee is employed part-time or on a temporary basis, seasonal or an impermanent basis, to contribute to the Fund through payroll deduction.

Employer and Other Contributions

Employers are required to contribute an amount equal to that contributed by employees. Pursuant to RPPL No. 2-26 and RPPL No. 3-21, the Government of the Republic of Palau must from time to time contribute additional sums to the Fund in order to keep the Fund on a sound actuarial basis. RPPL 9-2 requires the Government of ROP to make regular contributions to the Fund equal to the amount contributed by each and every employee of ROP (see note 4).

Plan Administration

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

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2016 and 2015

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

New Accounting Standards

During fiscal year 2016, the following pronouncements were implemented:

- GASB Statement No. 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting issues related to fair value measurements and requires entities to expand their fair value disclosures by determining major categories of debt and equity securities within the fair value hierarchy on the basis of the nature and risk of the investment. The implementation of this statement required additional disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques (see note 2).
- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which eliminates two of the four categories of authoritative GAAP that exist under the existing hierarchy prescribed by Statement No. 55. The two categories that will remain under the new standard are (1) GASB Statements and (2) GASB technical bulletins and implementation guides in addition to AICPA guidance that the GASB clears. The implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, addresses for certain external investment pools and their participants the accounting and financial reporting implications that result from changes in the regulatory provisions referenced by previous accounting and financial reporting standards. Those provisions were based on the Investment Company Act of 1940, Rule 2a7. Rule 2a7 contains the Securities and Exchange Commission's regulations that apply to money market funds and were significantly amended in 2014. The implementation of this statement did not have a material effect on the accompanying financial statements.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*, which aligns the reporting requirements for pensions and pension plans not covered in GASB Statements No. 67 and No. 68 with the reporting requirements in Statement No. 68. The provisions in Statement No. 73 are effective for fiscal years beginning after June 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and addresses financial reporting requirements for governments whose employees are provided with postemployment benefits other than pensions (other postemployment benefits or OPEB). The provisions in Statement No. 74 are effective for fiscal years beginning after June 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2016 and 2015

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

New Accounting Standards, Continued

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The provisions in Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*, which requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The provisions in Statement No. 77 are effective for fiscal years beginning after December 15, 2015. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In December 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions in Statement No. 78 are effective for fiscal years beginning after December 15, 2015. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*, which improves financial reporting by clarifying the financial statement presentation requirements for certain component units. The provisions in Statement No. 80 are effective for fiscal years beginning after June 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, which improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The provisions in Statement No. 81 are effective for fiscal years beginning after December 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In March 2016, GASB issued Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*, which addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The provisions in Statement No. 82 are effective for fiscal years beginning after June 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2016 and 2015

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

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 fiduciary net position and reporting fiduciary net position in accordance with the provisions of GASB Statement No. 67.

The financial statements of the Fund for the years ended September 30, 2016 and 2015 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.

An actuarial valuation of the Fund was last completed on September 30, 2015.

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, 2016 and 2015, 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

For purposes of the statements of fiduciary net position, 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.

As of September 30, 2016 and 2015, total cash and cash equivalents were maintained in a Federal Deposit Insurance Corporation (FDIC) insured bank and amounted to \$616,040 and \$539,349, respectively, with corresponding bank balances of \$609,845 and \$396,640, respectively, with \$250,000 subject to insurance coverage. The Fund does not require collateralization of its cash deposits; therefore, deposits in excess of depository insurance are uncollateralized.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2016 and 2015

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

Cash and Cash Equivalents and Time Certificates of Deposit, Continued

The Fund maintained time certificates of deposit (TCDs) in Pacific Savings Bank (PSB), an uninsured bank which went into receivership in 2006. Security for \$1,000,000 of the TCDs was documented in an agreement (enforced through Civil Action 07-112 of the Supreme Court of ROP on June 11, 2015) with an Estate (the Estate) requiring the Estate to transfer the possession, custody and control of 1,500 shares of common stock in a local company to the Fund. The transfer entitles the Fund to receive, retain, use and sell all the shares (for amounts not to exceed \$2,000,000) and to receive, retain, use and sell all share dividends issued after June 10, 2015. If the Fund recovers amounts from the PSB Receiver, Trustee of PSB Creditors, or any other duly authorized person or official or other third-party, amounts due to the Fund, the Fund will return the shares of stock to the Estate and, to the extent the Fund has sold any of the shares, the Fund should pay the Estate the following: (a) the actual sale price of the shares sold, (b) all dividends earned on all shares, and (c) interest equal to the average prevailing rate of TCDs in Palau for the year after the Fund took possession and custody of the shares of stock.

Additional TCDs maintained at PSB are collateralized by a first lien on unidentified loans made by PSB. These additional TCDs amounted to \$452,609 at September 30, 2016 and 2015 and the Fund recorded a 100% valuation allowance for these TCDs.

On November 23, 2015, the Fund received dividends of \$34,101 related to the 1,500 shares of common stock. The Fund has determined that the shares represent collateral to support the recovery of the TCDs, and that the TCDs should be recorded at cost and a recovery recorded. The Fund determined that cost (consisting of the original value of the TCDs, accrued interest and legal fees) exceeded the \$2,000,000 limit on sale of shares. The Fund has recorded TCDs of \$1,965,899 (recovery less dividends) and a \$2,000,000 recovery as of and for the year ended September 30, 2016.

Investments

Marketable securities held for investment purposes are stated at fair value using quoted market prices. Fair value is the price that would be received to sell an asset or paid to transfer a liability (ie, the exit price) in an orderly transaction between market participants at the date as of which the fair value of an asset or liability is determined. 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 position available for benefits.

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.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2016 and 2015

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

Investments, Continued

General, Continued:

2. U.S. and non-U.S. equities, American Depositary 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".
4. U.S. SEC registered mutual funds that invest in fixed income securities, either U.S. or non U.S., will not be subject to the above guidelines. However, the Board shall attempt to invest in such funds that meet the guidelines stated above.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2016 and 2015

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

Investments, Continued

A. Fixed Income, Continued

5. 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.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2016 and 2015

(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.

Asset Allocation

The Fund's policy in regard to the allocation of invested assets is established and maybe amended by the Board. The Board, with assistance from the Fund's consultant, identified an optimal broad asset class mix based on the Fund's time horizon, risk tolerances, performance expectations and asset class preferences.

The following strategic asset allocation for the Fund was selected as of September 30, 2016:

	<u>Strategic Allocation</u>
US Equities (Large Cap Value)	10%
US Equities (Large Cap Core)	10%
US Equities (Large Cap Growth)	10%
Non-US Equities (Mature Markets)	15%
Non-US Equities (Emerging Markets)	10%
Fixed Income (US Core)	35%
Fixed Income (Global)	<u>10%</u>
Total	<u>100%</u>

Receivables

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

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2016 and 2015

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

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. Bad debts are written-off against the allowance based on the specific identification method.

Capital Assets

Capital assets 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 \$13,702 and \$13,574 in 2016 and 2015, respectively.

Deferred Outflows of Resources

In addition to assets, the statements of fiduciary net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (deduction of net position) until then. The Fund has determined the changes in assumption, changes in proportion and difference between the Fund's contributions and proportionate share of contributions and pension contributions made subsequent to the measurement date qualify for reporting in this category.

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.

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.

Deferred Inflows of Resources

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (additions to net position) until then. The Fund has determined the changes in assumption, differences between projected and actual earnings on pension plan investments and changes in proportion and difference between the Fund's contributions and proportionate share of contributions qualify for reporting in this category.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2016 and 2015

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

Pensions

Pensions are required to be recognized and disclosed using the accrual basis of accounting. The Fund recognizes a net pension liability for the defined benefit pension plan, which represents the Fund's proportional share of excess total pension liability over the pension plan assets - actuarially calculated - of a cost sharing multi-employer defined benefit plan, measured one year prior to fiscal year-end and rolled forward. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the qualified pension plan and recorded as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

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 position available for benefits during the reporting period. Actual results could differ from those estimates.

(2) Investments

Rate of Return

Based on the September 30, 2015 actual valuation, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (3.96%). The money-weighted rate of return expresses investment performance, net of investment expense.

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, 2016 and 2015.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2016 and 2015

(2) Investments, Continued

Rate of Return, Continued

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, 2016 and 2015:

Investment Type	Fair Value	2016 Investment Maturities (In Years)				Moody's Rating
		Less Than 1	1 - 5	6 - 10	More Than 10	
Mortgage and asset backed securities	\$ 4,146,444	\$ 886,119	\$ 3,260,325	\$ -	\$ -	AAA
Mortgage and asset backed securities	1,752,700	-	75,424	1,241,869	435,407	Not rated
Government bonds	1,847,026	-	-	-	1,847,026	AAA
Corporate bonds	381,664	-	381,664	-	-	A2
Corporate bonds	867,941	-	384,296	483,645	-	A3
Corporate bonds	221,904	-	-	221,904	-	BAA1
Corporate bonds	353,215	-	-	227,640	125,575	BAA3
	<u>\$ 9,570,894</u>	<u>\$ 886,119</u>	<u>\$ 4,101,709</u>	<u>\$ 2,175,058</u>	<u>\$ 2,408,008</u>	

Investment Type	Fair Value	2015 Investment Maturities (In Years)				Moody's Rating
		Less Than 1	1 - 5	6 - 10	More Than 10	
Mortgage and asset backed securities	\$ 4,445,971	\$ -	\$ 3,086,773	\$ 1,181,604	\$ 177,594	AAA
Mortgage and asset backed securities	610,327	610,327	-	-	-	A2
Government bonds	3,617,799	-	838,951	-	2,778,848	AAA
Corporate bonds	310,385	-	-	310,385	-	A1
Corporate bonds	593,800	-	-	593,800	-	A3
Corporate bonds	182,814	-	-	182,814	-	AA1
Corporate bonds	108,923	-	-	108,923	-	AA2
Corporate bonds	139,765	-	-	139,765	-	AA3
Corporate bonds	132,494	-	-	132,494	-	BAA3
	<u>\$ 10,142,278</u>	<u>\$ 610,327</u>	<u>\$ 3,925,724</u>	<u>\$ 2,649,785</u>	<u>\$ 2,956,442</u>	

Fair Value Measurement

The Fund categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The following table sets forth by fair value hierarchy level assets carried at fair value at September 30, 2016 and 2015:

	Total	2016 Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level				
Debt securities				
U.S. Treasury Bonds	\$ 1,847,025	\$ 1,847,025	\$ -	\$ -
Federal National Mortgage Association	2,446,609	-	2,446,609	-
Federal Home Loan Mortgage Corporation	1,027,478	-	1,027,478	-
Federal Farm Credit Banks Funding Corporation	2,425,058	-	2,425,058	-
Corporate bonds	1,824,724	-	1,824,724	-
Total debt securities	<u>9,570,894</u>	<u>1,847,025</u>	<u>7,723,869</u>	<u>-</u>
Equity securities				
Real Estate Investment Trust	2,434,396	2,434,396	-	-
Other - U.S. equities	4,829,646	4,829,646	-	-
Other - Non- U.S. equities	7,326,310	7,326,310	-	-
Total equity securities	<u>14,590,352</u>	<u>14,590,352</u>	<u>-</u>	<u>-</u>
Total investments by fair value level	24,161,246	\$ <u>16,437,377</u>	\$ <u>7,723,869</u>	\$ <u>-</u>

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2016 and 2015

(2) Investments, Continued

Fair Value Measurement, Continued

		<u>2016</u>		
		<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
	<u>Total</u>			
Investments measured at the net asset value (NAV)				
Mutual funds	2,654,707			
Investments measured at amortized cost				
Mutual market investments	<u>625,297</u>			
	<u>\$ 27,441,250</u>			
		<u>2015</u>		
		<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
	<u>Total</u>			
Investments by fair value level				
Debt securities				
U.S. Treasury Bonds	\$ 3,617,799	\$ 3,617,799	\$ -	\$ -
Federal National Mortgage Association	3,254,156	-	3,254,156	-
Federal Home Loan Mortgage Corporation	1,072,513	-	1,072,513	-
Federal Farm Credit Banks Funding Corporation	729,629	-	729,629	-
Corporate bonds	<u>1,468,181</u>	<u>-</u>	<u>1,468,181</u>	<u>-</u>
Total debt securities	10,142,278	3,617,799	6,524,479	-
Equity securities	<u>14,214,305</u>	<u>14,214,305</u>	<u>-</u>	<u>-</u>
Total investments by fair value level	24,356,583	<u>\$ 17,832,104</u>	<u>\$ 6,524,479</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV)				
Mutual funds	2,907,495			
Investments measured at amortized cost				
Mutual market investments	<u>901,191</u>			
	<u>\$ 28,165,269</u>			

(3) Net Pension Liability

The components of the net pension liability of the Fund as of September 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Total pension liability	\$ 243,661,316	\$ 237,570,555
Fiduciary net position	<u>(28,115,140)</u>	<u>(33,289,323)</u>
Net pension liability	<u>\$ 215,546,176</u>	<u>\$ 204,281,232</u>
Fiduciary net position as a percentage of the total pension liability	11.54%	14.01%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of September 30, 2015, for the same measurement date, using the following actuarial assumptions:

Actuarial Cost Method:	Normal costs are calculated under the entry age normal method
Investment Income:	7.5% per year, net of investment expenses
Expenses:	\$300,000 each year

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2016 and 2015

(3) Net Pension Liability, Continued

Actuarial Assumptions, Continued

Inflation:	3.0%																		
Salary Increase:	3.0% per year																		
Mortality:	RP 2000 Combined Healthy Mortality Table, set forward four years for all members except disability recipients, where the table is set forward ten years																		
Termination of Employment:	5% per year prior to age 35; none after age 35																		
Disability:	<table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;"><u>Age</u></th> <th style="text-align: left;"><u>Disability</u></th> </tr> </thead> <tbody> <tr> <td>25</td> <td>0.21%</td> </tr> <tr> <td>30</td> <td>0.18%</td> </tr> <tr> <td>35</td> <td>0.25%</td> </tr> <tr> <td>40</td> <td>0.35%</td> </tr> <tr> <td>45</td> <td>0.50%</td> </tr> <tr> <td>50</td> <td>0.76%</td> </tr> <tr> <td>55</td> <td>1.43%</td> </tr> <tr> <td>60</td> <td>2.12%</td> </tr> </tbody> </table>	<u>Age</u>	<u>Disability</u>	25	0.21%	30	0.18%	35	0.25%	40	0.35%	45	0.50%	50	0.76%	55	1.43%	60	2.12%
<u>Age</u>	<u>Disability</u>																		
25	0.21%																		
30	0.18%																		
35	0.25%																		
40	0.35%																		
45	0.50%																		
50	0.76%																		
55	1.43%																		
60	2.12%																		
Retirement Age:	100% at age 60																		
Form of Payment:	Single: Straight life annuity; Married: 100% joint and survivor																		
Duty vs Non-duty related disability:	100% Duty related																		
Pre-retirement Beneficiary Benefit Members:	Present value of accrued benefit earned by the member. 80% of the workers are assumed to be married and males are assumed to be 3 years older than their spouses																		
Pre-retirement Beneficiary Benefit Former Members:	Present value of accrued benefit earned by the member. 80% of the workers are assumed to be married and males are assumed to be 3 years older than their spouses																		
Post Retirement Survivor's Benefit:	100% of the benefit the retiree was receiving prior to death. 80% of active workers are assumed to be married when they retire. Males are assumed to be 3 years older than their spouses																		

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2016 and 2015

(3) Net Pension Liability, Continued

Long-Term Expected Rate of Return

The long-term expected rate of return on the Fund's investments of 7.5% was determined using log-normal distribution analysis, creating a best-estimate range for each asset class.

Based on the September 30, 2015 actual valuation, the arithmetic real mean rates of return for each major investment class are as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Rate of Return</u>
Cash	3%	4.55%
Equity	61%	6.35%
Governmental fixed income	31%	7.75%
Corporate fixed income	<u>5%</u>	4.00%
	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 3.83% at the current measurement date from 4.22% at the prior measurement date. The discount rate was determined using the current assumed rate of return until the point where the plan fiduciary net position is negative. Using the current contribution rates, a negative position happens in 2018 for 2015. For years after 2018, a discount rate of 3.87% is used. This rate is based on the Bond Buyer General Obligation 20-year Municipal Bond Index for September.

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Fund, calculated using the discount rate of 3.83%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (2.83%) or 1.00% higher (4.83%) from the current rate.

<u>1% Decrease 2.83%</u>	<u>Current Single Discount Rate Assumption 3.83%</u>	<u>1% Increase 4.83%</u>
\$ 249,260,603	\$ 215,546,176	\$ 187,518,544

Schedule of Changes in Net Pension Liability

Based on the September 30, 2015 and 2014 actuarial valuations, the changes in net pension liability were as follows:

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 09/30/13	\$ 216,341,538	\$ 34,261,206	\$ 182,080,332
Changes for the year:			
Service cost	4,638,484	-	4,638,484
Interest	10,319,767	-	10,319,767
Assumption changes	15,568,918	-	15,568,918
Employers' contributions	-	2,820,693	(2,820,693)
Members' contributions	-	2,797,512	(2,797,512)
Net investment income	-	3,077,767	(3,077,767)
Benefit payments, including refunds of members' contributions	(9,298,152)	(9,298,152)	-
Administrative expense	-	(369,703)	369,703
Net changes	<u>21,229,017</u>	<u>(971,883)</u>	<u>22,200,900</u>
Balance at 09/30/14	<u>237,570,555</u>	<u>33,289,323</u>	<u>204,281,232</u>

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2016 and 2015

(3) Net Pension Liability, Continued

Schedule of Changes in Net Pension Liability, Continued

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Changes for the year:			
Service cost	6,086,938	-	6,086,938
Interest	10,085,993	-	10,085,993
Difference between expected and actual experience	(9,041,017)	-	(9,041,017)
Assumption changes	8,361,854	-	8,361,854
Employers' contributions	-	2,909,824	(2,909,824)
Members' contributions	-	2,920,101	(2,920,101)
Net investment loss	-	(1,219,199)	1,219,199
Benefit payments, including refunds of members' contributions	(9,403,007)	(9,403,007)	-
Administrative expense	-	(381,902)	381,902
Net changes	<u>6,090,761</u>	<u>(5,174,183)</u>	<u>11,264,944</u>
Balance at 09/30/15	\$ <u>243,661,316</u>	\$ <u>28,115,140</u>	\$ <u>215,546,176</u>

Defined Benefit Plan

Pension Liability. At September 30, 2016 and 2015, the Fund reported a liability of \$767,603 and \$779,129, respectively, for its proportionate share of the net pension liability. The Fund's proportion of the net pension liability was based on the projection of the Fund's long-term share of contributions to the Plan relative to the projected contributions of Republic of Palau, Republic of Palau's component units and other Government agencies, actuarially determined. At September 30, 2016 and 2015, the Fund's proportion was 0.3561% and 0.3814%, respectively.

Pension Expense. For the years ended September 30, 2016 and 2015, the Fund recognized pension expense of \$37,334 and \$40,332, respectively.

	2016			
	Salary and Other Benefits	Pension Expense		
		Total Contributions	Others	Total
Personnel and fringe benefits	\$ <u>197,569</u>	\$ <u>32,556</u>	\$ <u>4,778</u>	\$ <u>234,903</u>

	2015			
	Salary and Other Benefits	Pension Expense		
		Total Contributions	Others	Total
Personnel and fringe benefits	\$ <u>177,806</u>	\$ <u>10,337</u>	\$ <u>29,995</u>	\$ <u>218,138</u>

Deferred Outflows and Inflows of Resources. At September 30, 2016 and 2015, the Fund reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2016		2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 27,483	\$ -	\$ -
Change of assumptions	62,977	31,460	49,802	44,888
Net difference between projected and actual earnings on pension plan investments	8,708	-	-	2,100
Contributions subsequent to measurement date	32,556	-	10,953	-
Changes in proportion and difference between the Fund's contributions and proportionate share of contributions	<u>72,311</u>	<u>128,396</u>	<u>96,335</u>	<u>104,585</u>
	\$ <u>176,552</u>	\$ <u>187,339</u>	\$ <u>157,090</u>	\$ <u>151,573</u>

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2016 and 2015

(3) Net Pension Liability, Continued

Defined Benefit Plan, Continued

Deferred outflows resulting from contributions subsequent to measurement date will be recognized as a reduction of the net pension liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at September 30, 2016 will be recognized in pension expense as follows:

Year ending September 30,

2017	\$ (3,440)
2018	\$ (3,440)
2019	\$ (3,413)
2020	\$ (16,379)
2021	\$ (10,122)
Thereafter	\$ (6,549)

(4) Republic of Palau

Pachinko

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 \$156,231 and \$175,987 from PCC employees during the years ended September 30, 2016 and 2015, 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, 2016 and 2015, 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 \$173,497 and \$142,453 from PCC for employer contributions during the years ended September 30, 2016 and 2015, respectively.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2016 and 2015

(4) Republic of Palau, Continued

ROP Interest Receivable and Remittance Tax

The Fund has determined interest due from the ROP National Government related to delinquent contributions in prior years. The Fund believes amounts due approximate \$4.4M; however, ROP has only confirmed \$1.4M owed. Due to uncertainties in collection, the Fund has elected to record related revenue on the cash basis.

RPPL 9-2 provided a new source of revenue to the Fund through a remittance tax of four percent (4%) levied against each non-citizen person transferring money out of ROP. The remittance tax must be transferred to the Fund. For the year ended September 30, 2015, remittance tax of \$330,116 was recorded within other income in the accompanying financial statements.

RPPLs 9-46 and 9-44 appropriated, and ROP disbursed, \$500,000 and \$400,000 to the Fund for payment of interest related to delinquent prior year contributions for fiscal years 2016 and 2015, respectively. The amounts are recorded within other income in the accompanying financial statements. ROP has indicated that the source of the \$500,000 for fiscal year 2016 was \$240,100 from Fishing Rights Fees and \$259,900 from remittance tax. In fiscal year 2016, ROP transferred additional remittance tax to the Fund of \$83,175 which is recorded within other income in the accompanying financial statements. Management of the Fund is in discussions with ROP concerning possible noncompliance with RPPL 9-2.

(5) Administrative Expenses

A summary of the administrative expenses for the years ended September 30, 2016 and 2015, is set forth below:

	<u>2016</u>	<u>2015</u>
Personnel	\$ 234,903	\$ 218,138
Professional fees	51,124	19,798
Conference expenses	45,033	49,412
Staff training	33,656	32,510
Depreciation	13,702	13,574
Communications	8,580	9,511
Rent and utilities	8,000	9,093
Board compensation	2,800	3,050
Miscellaneous	<u>28,223</u>	<u>26,816</u>
	\$ <u>426,021</u>	\$ <u>381,902</u>

(6) Contingency

The Fund's actuarial valuation has determined that the Fund has a net pension liability of \$215,546,176 which would cause the Fund's fiduciary net position to become negative in 2018 (see note 8).

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2016 and 2015

(7) 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.

(8) Subsequent Event

On April 26, 2017, the Board of Trustees adopted a formal funding plan to correct the potential funding deficiency. The funding plan has not yet been implemented.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Schedule of Changes in Net Pension Liability and Related Ratios
September 30, 2016

	2015 <u>Valuation</u>	2014 <u>Valuation</u>	2013 <u>Valuation</u>
Total Pension Liability			
Service cost	\$ 6,086,938	\$ 4,638,484	\$ 5,913,261
Interest cost	10,085,993	10,319,767	9,146,830
Difference between expected and actual experience	(9,041,017)	-	-
Assumption changes	8,361,854	15,568,918	(17,639,038)
Benefit changes	-	-	(6,941,763)
Benefit payments	<u>(9,403,007)</u>	<u>(9,298,152)</u>	<u>(8,930,543)</u>
Net change in total pension liability	6,090,761	21,229,017	(18,451,253)
Total pension liability - beginning	<u>237,570,555</u>	<u>216,341,538</u>	<u>234,792,791</u>
Total pension liability - ending	\$ <u>243,661,316</u>	\$ <u>237,570,555</u>	\$ <u>216,341,538</u>
Fund Fiduciary Net Position			
Employer contributions	\$ 2,909,824	\$ 2,820,693	\$ 2,506,605
Employee contributions	2,920,101	2,797,512	2,515,177
Pension plan net investment (loss) income	(1,219,199)	3,077,767	2,628,027
Benefit payments	(9,403,007)	(9,298,152)	(8,930,543)
Pension plan administrative expense	<u>(381,902)</u>	<u>(369,703)</u>	<u>(1,905,747)</u>
Net change in plan fiduciary net position	(5,174,183)	(971,883)	(3,186,481)
Total pension liability - beginning	<u>33,289,323</u>	<u>34,261,206</u>	<u>37,447,687</u>
Plan fiduciary net position - ending	\$ <u>28,115,140</u>	\$ <u>33,289,323</u>	\$ <u>34,261,206</u>
Net pension liability - ending	\$ <u>215,546,176</u>	\$ <u>204,281,232</u>	\$ <u>182,080,332</u>
Plan fiduciary net position as a percentage of pension liability	11.54%	14.01%	15.84%
Covered employee payroll	\$ 48,497,067	\$ 47,011,550	\$ 41,776,750
Net pension liability as a percentage of covered employee payroll	444.45%	434.53%	435.84%

For the years ended September 30, 2014 and 2013, covered employee payroll presented above has been changed from amounts previously reported of \$37,054,366.

Note: This schedule is intended to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, the Fund presents information starting with GASB 67 implementation in 2014.

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

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Schedule of Contributions
September 30, 2016

<u>Actuarial Valuation Ending 09/30</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2013	\$ 10,065,829	\$ 2,515,982	\$ 7,549,847	\$ 41,776,750	6.02%
2014	\$ 10,623,488	\$ 2,768,315	\$ 7,855,173	\$ 47,011,550	5.89%
2015	\$ 10,899,899	\$ 2,890,454	\$ 8,009,445	\$ 48,497,067	5.96%

Note: This schedule is intended to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, the Fund presents information starting with GASB 67 implementation in 2014.

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

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Schedule of Investment Rates of Return
September 30, 2016

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Average money-weighted rate of return, net of investment expense	(3.96%)	8.34%	7.98%

Note: This schedule is intended to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, the Fund presents information starting with GASB 67 implementation in 2014.

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

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Required Supplementary Schedules
September 30, 2016

(1) Methods and Assumptions Used to Calculate Actuarially Determined Contributions

Valuation Date:	September 30, 2013
Timing:	Calculated on the valuation date payable in the fiscal year beginning immediately following the valuation date.
Actuarial Cost Method:	Entry-Age Normal
Amortization Method:	Level Dollar, Open
Remaining Amortization Period:	30 years
Asset Valuation Method:	Market value
Wage Inflation:	3.0%
Salary Increases:	3.0%
Inflation:	3.0%
Investment Rate of Return:	7.50%, net of pension plan investment, including inflation
Mortality:	RP 2000 Combined Mortality Table, set forward four years for all members except disability recipients, where the table is set forward 10 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. 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. On April 30, 2013, RPPL 9-2 eliminated the mandatory service retirement after thirty years of service. After December 31, 2013, no employee shall be entitled to pension benefits until reaching the age of sixty.

See Accompanying Independent Auditors' Report.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Required Supplementary Schedules
September 30, 2016

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

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". In accordance with RPPL 9-2, members who retire after April 30, 2013 must not receive benefits greater than thirty thousand dollars per year. Further, the amount of benefits that a member receives should not be recalculated if the member is re-employed after the member begins receiving benefits under the Fund. Additionally, a member should not receive benefits during the time the member is re-employed subsequent to retirement.

See Accompanying Independent Auditors' Report.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Schedule of Investment Securities
September 30, 2016

	<u>Face Value</u>	<u>Cost</u>	<u>Fair Value</u>	
Money Market Funds				
Synchrony Bank - Account# 79965329	\$ 37,241	\$ 37,241	\$ 37,241	
Synchrony Bank - Account# 79965334	13,577	13,577	13,577	
Synchrony Bank - Account# 78895568	177,107	177,107	177,107	
Synchrony Bank - Account# 79965310	66,318	66,318	66,318	
Synchrony Bank - Account# 79965292	62,998	62,998	62,998	
Synchrony Bank - Account# 78895530	217,895	217,895	217,895	
Synchrony Bank - Account# 78895549	48,835	48,835	48,835	
Synchrony Bank - Account# 58113280	1,324	1,324	1,324	
Synchrony Bank - Account# 32611808	2	2	2	
Total Money Market Funds	<u>\$ 625,297</u>	<u>\$ 625,297</u>	<u>\$ 625,297</u>	
Mutual Funds				
Templeton Global Bond Fd-Ad - Account #58113280	238,948	\$ 3,164,851	\$ 2,654,707	
Total Mutual Funds	<u>238,948</u>	<u>\$ 3,164,851</u>	<u>\$ 2,654,707</u>	
Obligations of U.S. Government and Agencies				
<u>Government Sponsored Enterprise Securities (GSE)</u>				
Federal Home Ln Bk Debenture Qtrly Actual/360 .0100%, due 08/09/2017	\$ 510,000	\$ 509,981	\$ 510,939	AAA
Federal Farm Credit Bk Debenture Monthly Actual/360 .0100%, due 05/17/2018	820,000	819,558	819,721	AAA
Federal Farm Credit Bk Debenture Monthly Actual/360 .0100%, due 04/16/2018	805,000	804,017	805,193	AAA
Federal Farm Credit Banks Debenture Monthly Actual/360 .0100%, due 04/09/2018	800,000	799,630	800,144	AAA
Federal National Mortgage Association Note Monthly Actual/360 .0100%, due 10/05/2017	835,000	834,661	835,267	AAA
Federal National Mortgage Association Medium Term Note Monthly Actual/360 .0100%, due 07/20/2017	375,000	374,923	375,180	AAA
	<u>4,145,000</u>	<u>4,142,770</u>	<u>4,146,444</u>	
<u>Mortgage and Asset Backed Securities</u>				
Freddie MAC Group #G15718FHLMC Gold 15yr Giant 5.50000%, due 12/01/2024	\$ 455,000	\$ 356,268	\$ 382,293	Not rated
Freddie MAC Group #C91495 FHLMC Gold 20YR 4.5000%, due 07/01/2032	510,000	122,665	134,246	Not rated
Fannie Mae Pool #256105 FNMA CONVINTERMEDIATE Term 15 YR 5.5000%, due 02/01/2021	2,030,000	70,473	75,424	Not rated
Fannie Mae Pool #257325 FNMA CONVINTERMEDIATE Term 20YR 5.5000%, due 08/01/2028	1,805,000	93,390	105,127	Not rated
Fannie Mae Pool #AL7883 FNMA CONVINTERMEDIATE Term 15YR 5.0000%, due 06/01/2026	290,000	225,806	242,371	Not rated
Fannie Mae Pool #AL8215 FNMA CONVINTERMEDIATE Term 15YR 5.0000%, due 06/01/2026	365,000	312,115	334,793	Not rated
Fannie Mae Pool #745418 FNMA CONLONG Term 30YR 5.5000%, due 04/01/2036	2,825,000	144,912	164,365	Not rated
Fannie Mae Pool #889887 FNMA CONINTERMEDIATE Term 15YR 5.5000%, due 09/01/2023	1,730,000	110,166	120,254	Not rated
Fannie Mae Pool #938171 FNMA CONVLONG Term 30YR 6.5000%, due 07/01/2037	400,000	27,494	31,669	Not rated
Fannie Mae Pool #995517 FNMA CONVITERMEDIATE Term 15YR 5.5000%, due 01/01/2024	3,200,000	149,339	162,159	Not rated
	<u>13,610,000</u>	<u>1,612,628</u>	<u>1,752,701</u>	
<u>Governmental Bonds</u>				
US Treasury Bonds @ 2.75%, due 08/15/2042	1,695,000	1,668,357	1,847,025	AAA
	<u>1,695,000</u>	<u>1,668,357</u>	<u>1,847,025</u>	
Total Obligations of U.S. Government and Agencies	<u>\$ 19,450,000</u>	<u>\$ 7,423,755</u>	<u>\$ 7,746,170</u>	
<u>Corporate Bonds</u>				
American Express Credit Corporation @ 1.5554%, due 05/26/2020 callable 04/25/2020 @ 100.00	\$ 265,000	\$ 266,826	\$ 266,299	A2
Wells Fargo & Company ISIN US949746SB87 @ 1.7395%, due 07/26/2021	115,000	116,857	115,365	A2
Wells Fargo & Company MTN ISIN US94974BFY11 4.1000%, due 06/03/2026	180,000	191,917	190,969	A3
Goldman Sachs Group INC. @ 3.8500%, due 07/08/2024 callable 04/08/2024 @ 100.00	185,000	194,205	196,422	A3
JPMorgan Chase & Co. @ 4.0100%, due 03/01/2021 callable 02/01/2021 @ 100.00	375,000	387,030	384,296	A3
Morgan Stanley MTN ISIN US61746BDO68 3.8750%, due 04/29/2024	90,000	92,418	96,254	A3
Citi Group, Inc. .0100%, due 09/01/2023 callable 09/01/2022 @ 100.00	105,000	105,903	105,503	BAA1
Pacific Bell Debenture ISIN US694032AT09 7.1250%, due 03/15/2026	90,000	116,215	116,401	BAA1
Citi Group Inc. NTS ISIN US172967JT97 4.4000%, due 06/10/2025	215,000	219,827	227,640	BAA3
Citi Group Inc. NTS ISIN US172967KA87 4.4500%, due 09/29/2027	120,000	124,687	125,575	BAA3
Total Corporate Bonds	<u>\$ 1,740,000</u>	<u>\$ 1,815,885</u>	<u>\$ 1,824,724</u>	

See Accompanying Independent Auditors' Report.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Schedule of Investment Securities, Continued
September 30, 2016

<u>Corporate Stock</u>	<u>Number of Shares</u>	<u>Cost</u>	<u>Fair Value</u>
Brookdale Sr Living Incorporated (BKD)	822	\$ 15,043	\$ 14,344
Hilton Worldwide Hlds Incorporated (HLT)	933	22,478	21,394
Marriott International Incorporated New Class A (MAR)	320	22,506	21,546
Alexandria Real Estate EO Incorporated REIT (ARE)	252	21,828	27,410
American Assets TR Incorporated (AAT)	643	25,867	27,893
American Tower Corporation New REIT (AMT)	297	29,557	33,659
Apartment Invt & Mgmt Company Class A REIT (AIV)	1,125	45,044	51,649
Avalonbay CMNTYS Incorporated REIT (AVB)	155	27,240	27,565
Boston Properties Incorporated REIT	488	61,197	66,510
Chesapeake Lodging TR SH BEN INT REIT (CHSP)	1,060	28,025	24,274
DCT Industrial Trust Incorporated Com New REIT (DCT)	505	19,570	24,518
DDR Corporation REIT (DDR)	1,196	21,512	20,846
Duke Realty Corporation Com New REIT (DRE)	771	20,620	21,071
Dupont Fabros Technology Incorporated REIT (DFT)	582	23,190	24,008
Equinix Incorporated Com PAR \$0.001 REIT (EQIX)	79	25,216	28,460
Equity Residential BEN INT REIT (EQR)	995	74,212	64,008
Essex Property TR Incorporated TED REIT (ESS)	310	69,752	69,037
Extra Space Storage Incorporated TED REIT (EXR)	482	41,477	38,276
Federal Realty Invt TR SH BEN INT NEW REIT (FRT)	157	23,336	24,167
Four Corners Property TR Incorporated REIT (FCPT)	831	16,768	17,725
General Growth PPTYS Incorporated New REIT (GGP)	1,120	30,034	30,912
Healthcare TR Amer Incorporated Class A New REIT (HTA)	1,251	35,527	40,808
Highwoodsptys Incorporated (HIW)	408	19,510	21,265
Kilroy Rlty Corporation REIT (KRC)	564	38,706	39,113
Kimco Rlty Corporation REIT (KIM)	1,422	42,805	41,167
Liberty Property TR SH BEN INT REIT (LPT)	429	17,385	17,310
National Retail PPTYS Incorporated REIT (NNN)	552	26,745	28,069
Omega Healthcare Invs Incorporated REIT (OHI)	588	21,146	20,845
Prologis Incorporated REIT (PLD)	1,248	54,896	66,818
Public Storage REIT (PSA)	375	82,940	83,678
Regency Ctrs Corporation REIT (REG)	627	48,297	48,586
Simon Property Group Incorporated New REIT (SPG)	764	148,943	158,156
Sun CMNTYS Incorporated	351	25,369	27,546
Washington Prime Group New REIT (WPG)	853	8,982	10,560
Well Tower Incorporated REIT (HCN)	1,022	73,647	76,415
Subtotal - Account #79965329	<u>23,577</u>	<u>1,309,370</u>	<u>1,359,608</u>
Buckeye Partners L P Unit Ltd PARTN (BPL)	410	28,013	29,356
Eat Midstream Partners LP Unit Ltd PARTN (EOM)	790	63,819	60,190
Enbridge Energy Partners L P (EEP)	1,072	40,575	27,261
Energy Transfer Prtnrs L P Unit Ltd PARTN (ETP)	4,086	192,393	151,182
Enlink Midstream Partners LP Com Unit Rep Ltd (ENLK)	1,652	43,666	29,257
Enterprise Products Partners L P (EPD)	7,209	240,932	199,185
Genesis Energy L P Unit Ltd PARTN (GEL)	1,288	54,233	48,905
Mplx LP Com Unit Rep Ltd (MPLX)	2,674	121,065	90,542
Magellan Midstream Prtnrs LP Com Unit RP KP (MMP)	1,360	104,603	96,206
Oneok Partners LP Unit Ltd PARTN (OKS)	1,162	46,604	46,422
Phillips 66 Partners LP Com Unit Rep Int (PSXP)	280	16,265	13,608
Plains All Amern Pipeline LP Unit Ltd Partn (PAA)	1,858	91,458	58,360
Shell Midstream Partners LP Unit Ltd Int (SHLX)	1,531	54,741	49,114
Spectra Energy Partners LP (SEP)	446	19,542	19,486
Sunoco Logistics Partners LP Com Units (SXL)	920	25,444	26,137
Tallgrass Energy Partners LP Com Unit (TEP)	720	31,820	34,704
Western Gas Partners LP Com Unit LP IN (WES)	528	21,977	29,066
Williams Partners LP New Com Unit Ltd PAR (WPZ)	1,415	51,816	52,624
Subtotal - Account #79965334	<u>29,401</u>	<u>1,248,966</u>	<u>1,061,605</u>
Actelion Limited Sponsored ADR (Switzerland) (ALIOY)	1,679	52,146	72,830
Anheuser Busch Inbev SA/NV Sponsored ADR (Belgium) (BUD)	1,290	132,958	169,519
Ashtead Group PLC ADR (United Kingdom) ASHTY)	546	34,735	36,058
Assa Abloy AB ADR (Sweden) (ASAZY)	9,587	66,294	97,519
Associated Brit Foods Limited ADR New (United Kingdom) (ASBFY)	1,013	29,504	34,213
Banca Mediolanums PA ADR (ITALY) (BNCDY)	2,707	45,174	36,003
BHP Billiton Limited Sponsored (Australia) (BHP)	2,875	128,676	99,619
Bristish Amern TOB PLC Sponsored ADR (United Kingdom) (BTI)	1,186	129,995	151,393
Canadian Natl RY Company (Canada) (CNI)	963	60,295	62,909
Cap Gemini SA ADR (France) (CGEMY)	1,187	49,512	58,146
Carlsberg AS Sponsored ADR (Denmark) (CABGY)	3,910	68,382	74,591
Compagniefin Richemontaq SWI ADR (Switzerland) (CFRUY)	5,794	50,587	35,384
Compass Group PLC Sponsored ADR NE (United Kingdom) (CMPGY)	4,575	78,155	88,847
Continental AG Sponsored ADR (Germany) (CTTAY)	881	40,066	37,058
Daiwa House Ind Limited ADR (Japan) (DWAHY)	4,560	86,645	124,082
Eni S P A Sponsored ADR (Italy) €	2,453	77,549	70,818
Fanuc Corporation ADR (Japan) (Fanuy)	1,814	48,597	50,785
Fresenius SE & Company KGAA Sponsored ADR (Germany) (FSNUY)	3,790	49,410	75,611
GEA Group AG ADR (Germany) (GEAGY)	877	38,037	48,697

See Accompanying Independent Auditors' Report.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Schedule of Investment Securities, Continued
September 30, 2016

Corporate Stock, Continued	Number of Shares	Cost	Fair Value
Informa PLC Sponsored ADR NE (United Kingdom) (IFJPY)	3,572	55,134	66,075
Japan TOB Incorporated ADR (Japan) (JAPAY)	5,301	87,504	107,812
KBC Group NV ADR (Belgium) (KBCSY)	1,367	40,779	39,804
KDDI Corporation ADR (Japan) (KDDIY)	7,611	82,602	117,057
Komatsu Limited Spon ADR New (Japan) (KMTUY)	2,128	49,319	48,227
Makita Corporation ADR New (Japan) (MKTAY)	1,398	80,273	98,847
Novartis A G Sponsored ADR (Switzerland) (NVS)	2,142	157,221	169,132
Novo-Nordisk A S ADR (Denmark) (NVO)	913	32,175	37,972
Prudential PLC ADR (United Kingdom) (PUK)	3,639	126,837	129,949
Red Electrica Corporacion SA ADR (Spain) (RDEIY)	5,881	51,670	63,462
Relix PLC Sponsored ADR (United Kingdom) (RELX)	3,938	67,324	75,452
Royal Dutch Shell PLC Spons ADR A (Netherlands) (RDS.A)	1,640	96,685	82,115
Royal KPN NV Sponsored ADR (Netherlands) (KKPNY)	10,868	34,375	36,093
Ryanair Hldqs PLC Sponsored ADR NE (Ireland) (RYAAY)	752	43,320	56,423
Ryohin Keikaku Company Limited ADR (Japan) (RYKKY)	1,446	40,607	58,060
Sampo OYJ ADR (Finland) (SAXPY)	3,913	79,195	87,068
SAP SE SPON ADR (Germany) (SAP)	792	69,005	72,397
Seven & I Hldqs Company Limited ADR (Japan) (SVNDY)	3,382	60,440	79,436
Shire PLC Sponsored ADR (Jersey) (SHPG)	522	100,804	101,195
Softbank Group Corporation ADR (Japan) (SFTBY)	2,325	84,995	74,872
Sony corporation ADR New (Japan) (SNE)	1,971	52,866	65,457
Sumitomomitsui Finl Group Incorporated Sponsored ADR (Japan) (SMFG)	12,543	110,115	84,665
Swedbank A B SPD ADR (Sweden) (SWDBY)	2,825	71,128	66,475
Telenor Asa Sponsored ADR (Norway) (TELNY)	2,886	65,893	49,506
Teva Pharmaceutical Industries Limited ADR (Israel) (TEVA)	1,664	90,325	76,561
Uniliver PLC Spon ADR New (United Kingdom) (UL)	1,965	81,848	93,141
Valeo Sponsored ADR (France) (VLEEY)	2,719	33,928	79,338
Vinci S A ADR (France) (VCISY)	4,082	62,471	78,121
Vivendi SA ADR (France) (VIVHY)	2,239	52,999	45,165
Wolseley PLC Jersey Sponsored ADR 20 (Jersey) (WOSYY)	15,232	75,535	86,167
Wolters Kluwer V Sponsored ADR (Netherlands) (WTKWY)	1,897	54,152	81,212
Worldpay Group PLC ADR (United Kingdom) (WPGY)	4,234	50,236	48,873
AON PLC SHS CL A (United Kingdom) (AON)	795	78,195	89,430
Signet Jewelers Limited SHS (Bermuda) (SIG)	520	44,101	38,756
Subtotal - Account #78895568	170,789	3,630,773	4,008,397
AES Corporation (AES)	4,110	49,423	52,814
Abbvie Incorporated (ABBV)	1,180	65,869	74,423
Adobe Systems Incorporated (ADBE)	910	66,857	98,771
Ameriprise FINL Incorporated (AMP)	700	66,411	69,839
Amgen Incorporated (AMGN)	370	57,560	61,720
Archer Daniels Midland Company (ADM)	1,260	50,217	53,134
Bok FINL Corporation COM NEW (BOKF)	550	31,587	37,934
Banco Bilbao Vizcaya Argentari Sponsored ADR (Spain) (BBVA)	7,370	59,925	43,925
Bank Amer Corporation (BAC)	4,630	74,177	72,460
Baxter International Incorporated (BAX)	1,800	69,025	85,680
Coty Incorporated Com Class A (COTY)	1,400	29,443	32,900
Cullen Frost Bankers Incorporated (CFR)	540	36,575	38,848
Danaher Corporation DEL (DHR)	819	63,246	64,201
Deere & company (DE)	570	49,568	48,650
Diaqeo P L C Spon ADR New (United Kingdom) (DEO)	480	57,759	55,699
DOW Chemical Company (DOW)	1,270	66,469	65,824
EQT Corporation (EQT)	900	65,408	65,358
First Rep BK San Francisco Cal (FRC)	990	56,419	76,339
General Dynamics Corporation (GD)	490	61,948	76,028
Halliburton Company (HAL)	1,220	65,192	54,754
Home Depot Incorporated (HD)	710	61,806	91,363
JPMorqan Chase & Company (JPM)	700	43,387	46,613
Lennar Corporation Class A (LEN)	1,660	72,504	70,284
M & T BK Corporation (MTB)	450	55,167	52,245
Martin Marietta Matls Incorporated (MLM)	390	52,060	69,853
Microsoft Corporation (MSFT)	1,430	63,147	82,368
Microchip Technology Incorporated (MCHP)	1,240	52,545	77,054
Mitsubishi UFJ FINL Group Incorporated Sponsored ADR (Japan) (MTU)	9,190	56,574	46,410
Mondelez International Incorporated Class A (MDLZ)	1,580	62,293	69,362
National Fuel Gas Company N J (NFG)	930	49,307	50,285
Novartis A G Sponsored ADR (Switzerland) (NVS)	900	80,267	71,064
Oshkosh Corporation (OSK)	1,120	55,279	62,720
PPG Industries Incorporated (PPG)	665	68,403	68,734
Paypal Hldqs Incorporated (PYPL)	1,330	42,148	54,490
Phillips 66 (PSX)	980	81,157	78,939
Pioneer Nat RES Company (PXD)	360	67,179	66,834
Texas Instrs Incorporated (TXN)	990	49,919	69,478
Time Warner Incorporated Com New (TWX)	1,010	67,560	80,406
Unilever V N Y SHS New (Netherlands) (UN)	1,560	67,674	71,916

See Accompanying Independent Auditors' Report.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Schedule of Investment Securities, Continued
September 30, 2016

Corporate Stock, Continued	Number of Shares	Cost	Fair Value
Walgreens Boots Alliance Incorporated (WBA)	1,070	81,977	86,263
Medtronic PLC SHS (Ireland) (MDT)	1,080	83,177	93,312
Chubb Limited (Switzerland) (CB)	560	65,905	70,364
Subtotal - Account #79965310	<u>61,464</u>	<u>2,522,513</u>	<u>2,759,658</u>
AAC Technologies Hldfs Incorporated (Cayman Islands) (AACAY)	500	31,601	50,252
Akbank Turk Anonim Sirketi ADR (Turkey) (AKBTY)	7,051	58,382	37,786
Ambev SA Sponsored ADR (Brazil) (Abev)	11,966	86,000	72,873
America Movil SAB DE CV SPON ADR L SHS (Mexico) (AMX)	2,859	45,367	32,707
BB Seguridade Participacoes SA Sponsored ADR (Brazil) (BBSEY)	4,940	56,074	45,596
Baidu Incorporated SPON ADR REP A (Cayman Islands) (BIDU)	560	75,371	101,959
Banco DO Brasil S A Sponsored ADR (Brazil) (BDORY)	9,034	111,028	63,843
Banco Macro SA SPON ADR B (Argentina) (BMA)	1,048	18,855	81,996
Bidvest Group Limited Sponsored ADR 08 (South Africa) (BDVSY)	702	12,239	16,497
CNOOC Limited Sponsored ADR (Hong Kong) (CEO)	297	50,066	37,568
China Constr BK Corporation ADR (China) (CICHY)	8,501	133,041	126,044
China Mobile Limited Sponsored ADR (Hong Kong) (CHL)	1,566	85,618	96,340
China Shenhua Energy company Limited ADR (China) (CSUAY)	3,850	44,113	30,103
Cielo S A Sponsored ADR (Brazil) (CIOXY)	6,016	54,830	60,515
Clicks Group Limited Sponsored ADR (South Africa) (CLCGY)	3,594	46,970	66,453
Commercial International BK Eqpyt S A E Sponsored ADR (eqypt) (CIBEY)	11,033	32,316	59,766
PJSC Gazprom SPON ADR (russia) (OGZPY)	8,486	65,495	36,329
Imperial Holdings Limited SPONS ADR New (South Africa) (IHLDY)	3,367	64,027	40,916
KB Financial Group Incorporated Sponsored ADR (Korea (South)) (KB)	2,067	69,784	70,712
Kasikornbank Pub Company Limited ADR (Thailand) (KPCPY)	1,575	39,888	34,091
Kimberly Clrk De Mex SAB De CV SPON ADR COM A (Mexico) (KCDMY)	4,037	62,953	45,743
Koc Hldq ADR (Turkey) (KHOLY)	2,308	63,101	49,571
Life Healthcare Grp Hldqs Limited ADR (South Africa) (LTGHY)	3,123	33,091	34,403
Localiza Rent A Car S A Sponsored Adr (Brazil) (LZRFY)	6,093	87,873	74,645
Mobile Telesystems PJSC Sponsored ADR (Russia) (MBT)	6,726	102,921	51,319
Nedbank Group Limited Sponsored ADR (South Africa) (NDBKY)	2,815	51,354	45,516
Netease Incorporated Sponsored ADR (Cayman Islands) (NTES)	518	37,832	124,724
PJSC Lukoil Sponsored ADR (russia) (LUKOY)	1,468	70,018	71,465
PLDT Incorporated Sponsored ADR (Philippines) (PHI)	1,075	65,888	38,345
PPC Limited Sponsored ADR (South Africa) (PPCLY)	7,417	48,070	5,793
PT Semen Indonesia Perseto TBK ADR (Indonesia) (PSGTY)	2,000	42,922	30,956
PT BK Mandiri Perseto TBK ADR (Indonesia) (PPER)	8,655	76,640	74,277
PT Astra International TBK ADR (Indonesia) (PTAIY)	6,144	80,204	77,679
PT Telekomunikasi Indonesia Sponsored ADR (Indonesia) (TLK)	1,368	59,337	90,397
Sanlam Limited Sponsored ADR (South Africa) (SLLDY)	4,081	38,778	37,868
Sberbank Russia Sponsored ADR (Russia) (SBRCY)	10,950	118,227	101,014
Shinhan Financial Group Co Limited SPN ADR Restrtd (Korea (South)) (SHG)	1,677	62,312	61,110
Shoprite Hldqs Limited Sponsored ADR (South Africa) (SRGHY)	2,488	43,438	34,628
Standard BK Group Limited Sponsored ADR (South Africa) (SGBLY)	4,708	57,348	48,163
Taiwan Semiconductor MFG Limited Sponsored ADR (Taiwan) (TSM)	4,605	76,038	140,867
Turkcell Iletisim Hizmetleri SPON ADR New (Turkey) (TKC)	3,924	60,920	31,627
Turk Telekomunikasyon A S ADR (Turkey) (TRKNY)	2,056	8,551	7,770
Vodacom Group Limited Sponsored ADR (South Africa) (VDMCY)	2,634	33,344	29,525
Weichai PWR Company Limited ADR (China) (WEICY)	5,103	63,241	54,740
Woolworthshldqs Limited SPON GDR NEW (South Africa) (WLWHY)	6,330	49,140	35,581
YPF Sociedad Anonima SPON ADR Class D (Argentina) (YFP)	3,506	62,067	63,879
Subtotal - Account #78895530	<u>194,821</u>	<u>2,736,673</u>	<u>2,623,951</u>
Activision Blizzard Incorporated (ATVI)	628	24,420	27,820
Adobe Systems Incorporated (ADBE)	393	33,446	42,656
Alibaba Group Hldq Limited Sponsored ADS (Cayman Islands) (BABA)	337	28,230	35,651
Alphabet Incorporated CAP STK Class C (GOOG)	76	38,217	59,074
Alphabet Incorporated CAP STK Class A (GOOGL)	86	45,246	69,149
Amazon Com Corporated (AMZN)	169	87,522	141,505
Amgen Incorporated (AMGN)	168	25,723	28,024
Apple Incorporated (AAPL)	806	86,865	91,118
Applied Matls Incorporated (AMAT)	783	18,030	23,607
Boston Scientific Corporation (BSX)	1,196	21,358	28,465
Bristolmyers Squibb Company (BMY)	424	28,279	22,862
CVS Health Corporation (CVS)	330	32,160	29,367
Celgene Corporation (CELG)	597	60,841	62,404
Centene Corporation Del (CNC)	501	33,874	33,547
Charter Communications Incorporated New Class A (CHTR)	103	22,663	27,807
Comcast Corporation New Class A (CMCSA)	454	26,256	30,118
Costco Wholesale Corporation New (COST)	139	21,315	21,199
Costar Group Incorporated (CSGP)	131	21,742	28,365
Ctrip Com International Limited American DEP SHS (Cayman Islands) (CTRP)	565	25,540	26,312
Danaher Corporation DEL (DHR)	667	39,941	52,286
Diamondback Energy Incorporated (FANG)	295	26,845	28,479
Dollar Tree Incorporated (DLTR)	433	33,906	34,177

See Accompanying Independent Auditors' Report.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Schedule of Investment Securities, Continued
September 30, 2016

<u>Corporate Stock, Continued</u>	<u>Number of Shares</u>	<u>Cost</u>	<u>Fair Value</u>
Ecolab Incorporated (ECL)	219	25,212	26,657
Facebook Incorporated Class A (FB)	763	79,284	97,870
Fidelity Natl Information Svcs (FIS)	517	37,268	39,825
Fleetcor Technologies Incorporated (FLT)	282	39,937	48,992
Fortive Corporation (FTV)	392	15,401	19,953
Home Depot Incorporated (HD)	357	44,391	45,939
Honeywell International Incorporated (HON)	421	44,711	49,084
Intuitive Surgical Incorporated Com New (ISRG)	37	21,059	26,819
JPMorgan Chase & Company (JPM)	393	24,660	26,170
Kansas City Southern Com New (KSU)	311	29,141	29,023
Lululemon Athletica Incorporated (LULU)	268	15,842	16,343
Mastercard Incorporated Class A (MA)	533	40,259	54,243
Microsoft Corporation (MSFT)	900	48,021	51,840
Micron Technology Incorporated (MU)	1,277	22,087	22,705
Moodys Corporation (MCO)	271	26,286	29,344
Netflix Incorporated (NFLX)	240	23,100	23,652
Nike Incorporated Class B (NKE)	1,234	62,759	64,970
O Reilly Automotive Incorporated New (ORLY)	100	24,386	28,011
PPG Industries Incorporated (PPG)	305	32,272	31,525
Paypal Hldqs Incorporated (PYPL)	1,137	41,283	46,583
Pepsico Incorporated (PEP)	262	26,996	28,498
Pioneer Nat Res Company (PXD)	194	26,162	36,016
Priceline Grp Incorporated Com New (PCLN)	30	39,180	44,145
Quintiles Transnatio Hldqs Incorporated (Q)	368	26,448	29,830
Raytheon Company Com New (RTN)	284	37,191	38,661
Regeneron Pharmaceuticals (REGN)	90	35,393	36,182
Salesforce Com Incorporated (CRM)	557	39,597	39,731
Service Now Incorporated (NOW)	423	28,934	33,480
Sherwin Williams Company (SHW)	113	30,058	31,263
Splunk Incorporated (SPLK)	378	20,537	22,181
Starbucks Corporation (SBUX)	1,237	60,797	66,971
Stryker Corporation (SYK)	113	12,855	13,154
Thermo Fisher Scientific Incorporated (TMO)	217	33,382	34,516
Time Warner Incorporated Com New (TWX)	368	26,723	29,296
Under Armour Incorporated Class A (UA)	388	16,919	15,008
Under Armour Incorporated Class C (UA.C)	390	16,449	13,205
Unitedhealth Group Incorporated (UNH)	534	60,136	74,760
Visa Incorporated Com Class A (V)	1,402	58,302	115,945
Zimmer Biomet Hldqs Incorporated (ZBH)	327	39,247	42,517
Zoetis Incorporated Class A (ZTS)	1,124	50,964	58,459
Allergan PLC SHS (Ireland) (AGN)	147	43,242	33,856
Nielsen Hldqs PLC SHS Eur (United Kingdom) (NLSN)	614	32,970	32,892
Mobiley V Amstelveen Ord SHS (Netherlands) (MBLY)	619	24,779	26,351
NXP Semiconductors N V (Netherlands) (NXPI)	331	27,926	33,765
Broadcom Limited SHS (Singapore) (AVGO)	304	42,168	52,446
American Tower Corporation New REIT (AMT)	399	36,291	45,219
Crown Castle International Corporation New REIT (CCI)	268	25,299	25,246
Subtotal - Account #78895549	<u>30,719</u>	<u>2,398,723</u>	<u>2,777,133</u>
Total Corporate Stock	<u>510,771</u>	<u>\$ 13,847,018</u>	<u>\$ 14,590,352</u>

See Accompanying Independent Auditors' Report.