

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, 2017 AND 2016

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, 2017 and 2016, 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, 2017 and 2016, 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 Matter

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 \$249,453,960 which would cause the Fund's fiduciary net position to become negative in 2019. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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 33, the Schedule of Contributions on page 34, the Schedule of Investment Rates of Return on page 35 and the Notes to Required Supplementary Schedules on pages 36 and 37 as of September 30, 2017 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 38 through 42 as of September 30, 2017 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 April 27, 2018 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

April 27, 2018



REPUBLIC OF PALAU CIVIL SERVICE PENSION PLAN

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MANAGEMENT'S DISCUSSION AND ANALYSIS Plan Year Ended September 30, 2017

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, 2017, with selected comparative information for the fiscal years ended September 30, 2016 and 2015.

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 \$215,546,176 as of September 30, 2016 to \$249,453,960 as of September 30, 2017, an increase of \$33,907,784 or 15.73%. The Board of Trustees and Management of the Fund adopted a Funding Plan in April of 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 of \$1,943,399 and \$1,965,899 in Pacific Savings Bank (PSB) at September 30, 2017 and 2016, respectively. 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 were \$22,500 in fiscal year 2017 and \$34,101 in fiscal year 2016. The Fund recorded a recovery of \$2,000,000 for the year ended September 30, 2016 and continues to pursue legal action against the PSB Receiver, Trustee of the PSB creditors.
- The Fund's investment portfolio decreased in value from \$27,441,250 in fiscal year 2016 to \$27,309,260 in fiscal year 2017. Fiduciary net position decreased from \$29,421,313 in fiscal year 2016 to \$29,409,477 in fiscal year 2017, a decrease of \$11,836.
- The Fund withdrew \$2,579,000 from investments during fiscal year 2017 to pay for benefits and administrative expenses during the same period and withdrew \$3,034,000 and \$3,216,000 for fiscal years 2016 and 2015, respectively.
- The Fund received \$410,989 and \$312,479 in fiscal year 2017 and 2016, respectively, as additional revenue from remittance and money transfer tax through RPPL No. 9-2. The Fund also received \$71,719 and \$240,100 in fiscal year 2017 and 2016, respectively, 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 3 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, 2017, 2016 and 2015.

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, 2017, 2016 and 2015. 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>2017</u>	<u>2016</u>	<u>2015</u>
Assets and deferred outflows of resources:			
Cash and cash equivalents	\$ 671,936	\$ 616,040	\$ 539,349
Time certificates of deposit	1,943,399	1,965,899	-
Investments	27,309,260	27,441,250	28,165,269
Other assets	<u>322,227</u>	<u>203,846</u>	<u>207,693</u>
	30,246,822	30,227,035	28,912,311
Deferred outflows of resources	<u>211,973</u>	<u>176,552</u>	<u>157,090</u>
	<u>\$ 30,458,795</u>	<u>\$ 30,403,587</u>	<u>\$ 29,069,401</u>
Liabilities, deferred inflows of resources and fiduciary net position:			
Liabilities	\$ 877,647	\$ 794,935	\$ 802,688
Deferred inflows of resources	171,671	187,339	151,573
Fiduciary net position	<u>29,409,477</u>	<u>29,421,313</u>	<u>28,115,140</u>
	<u>\$ 30,458,795</u>	<u>\$ 30,403,587</u>	<u>\$ 29,069,401</u>

Overview of the Financial Statements, Continued

- At September 30, 2017, 2016 and 2015, the Fund had \$18,201, \$9,953 and \$23,011, respectively, in capital assets, net of accumulated depreciation, which represent a net increase of \$8,248 in 2017 over 2016 and a net decrease of \$13,058 in 2016 over 2015. See note 1 to the financial statements for information on the Fund's capital assets.
- At September 30, 2017, the Fund had no long-term debt outstanding. See note 3 to the financial statements for more detailed information on the Fund's long-term liabilities and changes therein.

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 2017, 2016 and 2015.

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Additions:			
Contributions	\$ 6,823,039	\$ 6,327,409	\$ 5,829,925
Investment income (loss)	2,447,009	2,337,406	(1,201,732)
Recovery	-	2,000,000	-
Other income	<u>856,958</u>	<u>574,145</u>	<u>727,170</u>
	<u>10,127,006</u>	<u>11,238,960</u>	<u>5,355,363</u>
Deductions:			
Benefit and refund payments	9,763,956	9,506,766	9,403,007
Administrative expenses	<u>374,886</u>	<u>426,021</u>	<u>381,902</u>
	<u>10,138,842</u>	<u>9,932,787</u>	<u>9,784,909</u>
Net (decrease) increase	(11,836)	1,306,173	(4,429,546)
Fiduciary net position, beginning of year	<u>29,421,313</u>	<u>28,115,140</u>	<u>32,544,686</u>
Fiduciary net position, end of year	\$ <u>29,409,477</u>	\$ <u>29,421,313</u>	\$ <u>28,115,140</u>

- Contribution revenue increased from \$6,327,409 in 2016 to \$6,823,039 in 2017, an increase of \$495,630 and increased from \$5,829,925 in 2015 to \$6,327,409 in 2016, an increase of \$497,484.
- Investment portfolios appreciated in fair market value by \$1,945,679 and yielded net earnings of \$2,447,009 in 2017 and \$2,337,406 in 2016 and a net loss of \$1,201,732 in 2015.
- Benefit and refund payments increased from \$9,506,766 in 2016 to \$9,763,956 in 2017 and from \$9,403,007 in 2015 to \$9,506,766 in 2016, an increase of \$257,190 and \$103,759, respectively. The number of retirees and beneficiaries are expected to stabilize and will slowly decline over the next several years.
- Administrative expenses decreased from \$426,021 in 2016 to \$374,886 in 2017, a decrease of \$51,135 and increased from \$381,902 in 2015 to \$426,021 in 2016, an increase of \$44,119.

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 2017 and 2016. Sociopolitical events around the world continue to influence market performance.

Economic Outlook, Continued

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 2017 and 2016.

At home, we have reason to celebrate. The Board of Trustees and Management of Civil Service Pension Plan 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 whole 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 a legislation to reduce benefit level.

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. This legislation 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 with the Fund by appropriating \$301,000 and \$500,000 through RPPL No. 10-01 and RPPL No. 9-46 for fiscal years 2017 and 2016, respectively, to continue payment of accrued interest from prior years.

Economic Outlook, Continued

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 \$814,000 a month or over \$9,768,000 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, 2016 is set forth in the Fund's report on the audit of financial statements, which is dated May 30, 2017. That Discussion and Analysis explains the major factors impacting the 2016 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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>		
Cash and cash equivalents	\$ <u>671,936</u>	\$ <u>616,040</u>
Time certificates of deposit	<u>1,943,399</u>	<u>1,965,899</u>
Investments, at fair value:		
Corporate stock	14,605,793	14,590,352
Obligations of U.S. Government and agencies	6,679,544	7,746,170
Mutual funds	2,764,959	2,654,707
Corporate bonds	2,760,103	1,824,724
Money market funds	<u>498,861</u>	<u>625,297</u>
Total investments	<u>27,309,260</u>	<u>27,441,250</u>
Receivables:		
Employers' contributions, net	130,945	96,847
Members' contributions, net	131,079	96,840
Other receivables	<u>42,002</u>	<u>206</u>
Total receivables	<u>304,026</u>	<u>193,893</u>
Capital assets, net of accumulated depreciation	<u>18,201</u>	<u>9,953</u>
Total assets	30,246,822	30,227,035
Deferred outflows of resources from pension	<u>211,973</u>	<u>176,552</u>
Total assets and deferred outflows of resources	<u>30,458,795</u>	<u>30,403,587</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FIDUCIARY NET POSITION</u>		
Accounts payable and accrued expenses	26,997	27,332
Net pension liability	<u>850,650</u>	<u>767,603</u>
Total liabilities	877,647	794,935
Deferred inflows of resources from pension	<u>171,671</u>	<u>187,339</u>
Total liabilities and deferred inflows of resources	<u>1,049,318</u>	<u>982,274</u>
Fiduciary net position - held in trust for pension benefits	\$ <u>29,409,477</u>	\$ <u>29,421,313</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Additions:		
Employers' contributions	\$ 3,412,047	\$ 3,177,790
Members' contributions	<u>3,410,992</u>	<u>3,149,619</u>
	<u>6,823,039</u>	<u>6,327,409</u>
Investment income:		
Dividends	464,761	412,630
Interest	234,211	219,569
Net appreciation in fair value of investments	1,945,679	1,900,212
Investment expenses	<u>(197,642)</u>	<u>(195,005)</u>
Total investment income	<u>2,447,009</u>	<u>2,337,406</u>
Recovery	<u>-</u>	<u>2,000,000</u>
Other income	<u>856,958</u>	<u>574,145</u>
Total additions	<u>10,127,006</u>	<u>11,238,960</u>
Deductions:		
Benefit and refund payments:		
Normal and early retirement	6,980,655	6,844,979
Survivors	1,978,851	2,094,485
Refunds to terminated employees	522,400	462,827
Disability	94,640	97,942
Lump sum death disbursement	<u>187,410</u>	<u>6,533</u>
Total benefits	9,763,956	9,506,766
Administrative expenses	<u>374,886</u>	<u>426,021</u>
Total deductions	<u>10,138,842</u>	<u>9,932,787</u>
Net (decrease) increase	(11,836)	1,306,173
Fiduciary net position held in trust for pension benefits:		
Beginning of year	<u>29,421,313</u>	<u>28,115,140</u>
End of year	\$ <u>29,409,477</u>	\$ <u>29,421,313</u>

See accompanying notes to financial statements.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2017 and 2016

(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, 2017 and 2016, 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 (the valuation date):

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, 2017 and 2016

(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, 2017 and 2016

(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:

- 1/12th per year for the first 3 years before age 60;
- plus an additional 1/18th per year for the next 3 years;
- plus an additional 1/24th per year for the next 5 years; and
- plus an additional 1/50th 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.

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Notes to Financial Statements
September 30, 2017 and 2016

(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

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

New Accounting Standards

During fiscal year 2017, the following pronouncements were implemented:

- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which aligns the reporting requirements for pensions and pension plans not covered in GASB Statements 67 and 68 with the reporting requirements in Statement 68.
- GASB 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).
- GASB Statement No. 77, *Tax Abatement Disclosures*, which requires governments that enter into tax abatement agreements to disclose certain information about the agreements.
- GASB 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*.
- GASB 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.
- GASB 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 implementation of these statements did not have a material effect on the accompanying financial statements.

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.

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Notes to Financial Statements
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(1) Organization and Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

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 November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset. The provisions in Statement No. 83 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. The provisions in Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*, which address practice issues that have been identified during implementation and application of certain GASB Statements including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The provisions in Statement No. 85 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 May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt. The provisions in Statement No. 86 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 June 2017, GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

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September 30, 2017 and 2016

(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, 2017 and 2016 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, 2016.

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, 2017 and 2016, 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, 2017 and 2016, total cash and cash equivalents were maintained in a Federal Deposit Insurance Corporation (FDIC) insured bank and amounted to \$671,936 and \$616,040, respectively, with corresponding bank balances of \$675,695 and \$609,845, 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
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(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, 2017 and 2016 and the Fund recorded a 100% valuation allowance for these TCDs.

For the years ended September 30, 2017 and 2016, the Fund received dividends of \$22,500 and \$34,101 related to the 1,500 shares of common stock, respectively. 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 a \$2,000,000 recovery for the year ended September 30, 2016 and TCDs of \$1,943,399 and \$1,965,899 (recovery less dividends) as of September 30, 2017 and 2016, respectively.

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.

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CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2017 and 2016

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

Investments, Continued

General:

1. Any pertinent restrictions existing under the laws of the ROP with respect to the Fund, that may exist now or in the future, will be the governing restriction.
2. U.S. and non-U.S. equities, American Depository Receipts, convertible bonds, preferred stocks, fixed income securities, mutual funds and short-term securities are permissible investments.
3. No individual security or any issuer, other than that of the United States Government, and alternative investments, 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.

REPUBLIC OF PALAU
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Notes to Financial Statements
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(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 Investment Policy Statement, 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.

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Notes to Financial Statements
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(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.

D. Alternative Investments

1. Alternative investments are often structured as private investments and are generally formed as limited partnerships or limited liability companies and, in many cases, organized in low or no tax jurisdictions. The managers of these investments generally are allowed to operate with greater flexibility than most traditional investment managers and their compensation usually includes substantial performance incentives.
2. Investments strategies may include, but are not limited to, the following: statistical arbitrage, momentum trading, debt/equity financing, leveraged buyouts (LBO), venture capital, mezzanine debt, equity market neutral, real estate securities, fixed income arbitrage, equity long/short, global macro, master limited partnerships, commodities and futures, and/or structured credit products.

The foregoing allowable strategies may be pursued in any manner including through collective investment vehicles such as hedge funds, funds of hedge funds, private equity (i.e. LBO, Venture, Mezzanine Debt, etc.) funds and funds of funds, real estate funds and funds of funds, commodity pools, and structured credit products such as equity collateralized debt obligations.

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Notes to Financial Statements
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(1) Organization and Summary of Significant Accounting Policies, Continued

Investments, Continued

D. Alternative Investments, Continued

3. Allowance investments may include, but are not limited to, investments (directly or indirectly) in the following: common and preferred stocks, options, warrants, convertible securities, foreign securities, foreign currencies, commodities, commodity futures, financial futures, derivatives, mortgage-backed and mortgage-related securities, real estate, bonds (both investment-grade and non-investment-grade, including high-yield debt, distressed or other securities) and other assets. Strategies may utilize short-selling and leverage.

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, 2017:

	<u>Strategic Allocation</u>
US Equities (Large Cap Value)	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)	10%
Alternatives (Market Limited Partnership)	5%
Alternatives (Real Estate Investment Trusts)	<u>5%</u>
Total	<u>100%</u>

Receivables

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

Allowance for Doubtful Accounts

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

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2017 and 2016

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

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 \$8,248 and \$13,702 in 2017 and 2016, 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, 2017 and 2016

(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, 2016 actual valuation, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 8.12%. 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, 2017 and 2016.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2017 and 2016

(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, 2017 and 2016:

Investment Type	Fair Value	2017 Investment Maturities (In Years)				Moody's Rating
		Less Than 1	1 - 5	6 - 10	More Than 10	
Mortgage and asset backed securities	\$ 3,352,143	\$ 1,266,306	\$ 2,085,837	\$ -	\$ -	Aaa
Mortgage and asset backed securities	1,229,564	-	48,731	930,110	250,723	Not rated
Government bonds	2,097,837	-	-	-	2,097,837	Aaa
Corporate bonds	185,344	-	185,344	-	-	Aa1
Corporate bonds	943,055	75,209	377,025	490,821	-	A1
Corporate bonds	694,223	-	525,433	168,790	-	A2
Corporate bonds	937,481	-	387,000	550,481	-	A3
	<u>\$ 9,439,647</u>	<u>\$ 1,341,515</u>	<u>\$ 3,609,370</u>	<u>\$ 2,140,202</u>	<u>\$ 2,348,560</u>	

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>	

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, 2017 and 2016:

	Total	2017 Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level				
Debt securities				
U.S. Treasury Bonds	\$ 2,097,837	\$ 2,097,837	\$ -	\$ -
Federal National Mortgage Association	870,886	-	870,886	-
Federal Home Loan Mortgage Corporation	1,628,215	-	1,628,215	-
Federal Farm Credit Banks Funding Corporation	2,082,606	-	2,082,606	-
Corporate bonds	2,760,103	-	2,760,103	-
Total debt securities	<u>9,439,647</u>	<u>2,097,837</u>	<u>7,341,810</u>	-
Equity securities				
Real Estate Investment Trust	2,320,026	2,320,026	-	-
Other - U.S. equities	5,015,821	5,015,821	-	-
Other - Non- U.S. equities	7,269,946	7,269,946	-	-
Total equity securities	<u>14,605,793</u>	<u>14,605,793</u>	-	-
Total investments by fair value level	24,045,440	\$ <u>16,703,630</u>	\$ <u>7,341,810</u>	\$ -
Investments measured at the net asset value (NAV)				
Mutual funds	2,764,959			
Investments measured at amortized cost				
Mutual market investments	498,861			
	<u>\$ 27,309,260</u>			

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2017 and 2016

(2) Investments, Continued

Fair Value Measurement, Continued

	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>
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>			

(3) Net Pension Liability

The components of the net pension liability of the Fund as of September 30, 2017 and 2016 are as follows:

	2017	2016
Total pension liability	\$ 278,875,273	\$ 243,661,316
Fiduciary net position	<u>(29,421,313)</u>	<u>(28,115,140)</u>
Net pension liability	\$ <u>249,453,960</u>	\$ <u>215,546,176</u>
Fiduciary net position as a percentage of the total pension liability	10.55%	11.54%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of September 30, 2016, for the same measurement date, using the following actuarial assumptions:

Actuarial Cost Method:	Normal costs are calculated under the entry age normal method
Amortization Method:	Level dollar, open with remaining amortization period of 30 years
Asset Valuation Method:	Market Value of Assets
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, 2017 and 2016

(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:	<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	
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	

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, 2016 actual valuation, the arithmetic real mean rates of return for each major investment class are as follows:

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2017 and 2016

(3) Net Pension Liability, Continued

Long-Term Expected Rate of Return, Continued

<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 2.98% at the current measurement date from 3.83% 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 2019 for the 2016 measurement date. For years on or after 2019, a discount rate of 2.93% is used. This rate is based on the Bond Buyer General Obligation 20-year Municipal Bond Index.

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 2.98%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (1.98%) or 1.00% higher (3.98%) from the current rate.

<u>1% Decrease 1.98%</u>	<u>Current Single Discount Rate Assumption 2.98%</u>	<u>1% Increase 3.98%</u>
\$ 289,458,992	\$ 249,453,960	\$ 216,335,858

Schedule of Changes in Net Pension Liability

Based on the September 30, 2016 and 2015 actuarial valuations, the changes in net pension liability were as follows:

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balance at 09/30/14	\$ <u>237,570,555</u>	\$ <u>33,289,323</u>	\$ <u>204,281,232</u>
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>

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2017 and 2016

(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	6,858,499	-	6,858,499
Interest	9,414,565	-	9,414,565
Difference between expected and actual experience	-	-	-
Assumption changes	28,447,659	-	28,447,659
Employers' contributions	-	3,177,790	(3,177,790)
Members' contributions	-	3,149,619	(3,149,619)
Net investment income	-	2,337,406	(2,337,406)
Benefit payments, including refunds of members' contributions	(9,506,766)	(9,506,766)	-
Administrative expense	-	(426,021)	426,021
Recovery and other income	-	2,574,145	(2,574,145)
Net changes	<u>35,213,957</u>	<u>1,306,173</u>	<u>33,907,784</u>
Balance at 09/30/16	\$ <u>278,875,273</u>	\$ <u>29,421,313</u>	\$ <u>249,453,960</u>

Defined Benefit Plan

Pension Liability. At September 30, 2017 and 2016, the Fund reported a liability of \$850,650 and \$767,603, 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, 2017 and 2016, the Fund's proportion was 0.3410% and 0.3561%, respectively.

Pension Expense. For the years ended September 30, 2017 and 2016, the Fund recognized pension expense of \$57,968 and \$37,334, respectively.

Deferred Outflows and Inflows of Resources. At September 30, 2017 and 2016, the Fund reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2017		2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 21,802	\$ -	\$ 27,483
Change of assumptions	130,371	20,117	62,977	31,460
Net difference between projected and actual earnings				
on pension plan investments	7,306	1,654	8,708	-
Contributions subsequent to measurement date	26,010	-	32,556	-
Changes in proportion and difference between the Fund's contributions and proportionate share of contributions	<u>48,286</u>	<u>128,098</u>	<u>72,311</u>	<u>128,396</u>
	\$ <u>211,973</u>	\$ <u>171,671</u>	\$ <u>176,552</u>	\$ <u>187,339</u>

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, 2017 will be recognized in pension expense as follows:

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2017 and 2016

(3) Net Pension Liability, Continued

Defined Benefit Plan, Continued

Year ending September 30,

2018	\$ 5,883
2019	\$ 5,909
2020	\$ (7,516)
2021	\$ 852
2022	\$ 2,977
Thereafter	\$ 7,897

(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 \$167,627 and \$156,231 from PCC employees during the years ended September 30, 2017 and 2016, 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, 2017 and 2016, 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 \$189,558 and \$173,497 from PCC for employer contributions during the years ended September 30, 2017 and 2016, respectively.

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 \$2.8M, including lost earnings of \$1.4M; however, ROP has only confirmed interest owed of \$1.4M. Due to uncertainties in collection, the Fund has elected to record related revenue on the cash basis.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2017 and 2016

(4) Republic of Palau, Continued

ROP Interest Receivable and Remittance Tax, Continued

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 years ended September 30, 2017 and 2016, remittance tax of \$410,989 and \$83,175, respectively, were recorded within other income in the accompanying financial statements. The Fund has recorded receivables from remittance tax of \$36,886 and \$-0- as of September 30, 2017 and 2016, respectively.

RPPLs 10-01 and 9-46 appropriated, and ROP disbursed, \$301,000 and \$500,000 to the Fund for payment of interest related to delinquent prior year contributions for fiscal years 2017 and 2016, 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 2017, ROP transferred fishing rights to the Fund of \$71,719 which is recorded within other income in the accompanying financial statements.

(5) Administrative Expenses

A summary of the administrative expenses for the years ended September 30, 2017 and 2016, is set forth below:

	<u>2017</u>	<u>2016</u>
Salaries and other benefits	\$ 197,124	\$ 197,569
Conference expenses	49,072	45,033
Staff training	21,526	33,656
Communications	9,578	8,580
Rent and utilities	8,428	8,000
Professional fees	7,869	51,124
Bank charges	6,728	6,686
Board compensation	3,350	2,800
Miscellaneous	<u>13,243</u>	<u>35,239</u>
Total administrative expense before pension expense	316,918	338,687
Pension expense:		
Pension contribution	26,010	32,556
GASB 68 adjustment	<u>31,958</u>	<u>4,778</u>
	\$ <u>374,886</u>	\$ <u>426,021</u>

(6) Contingency

The Fund's actuarial valuation has determined that the Fund has a net pension liability of \$249,453,960 which would cause the Fund's fiduciary net position to become negative in 2019. 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

Notes to Financial Statements
September 30, 2017 and 2016

(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.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Schedule of Changes in Net Pension Liability and Related Ratios
September 30, 2017

	2016 <u>Valuation</u>	2015 <u>Valuation</u>	2014 <u>Valuation</u>	2013 <u>Valuation</u>
Total Pension Liability				
Service cost	\$ 6,858,499	\$ 6,086,938	\$ 4,638,484	\$ 5,913,261
Interest cost	9,414,565	10,085,993	10,319,767	9,146,830
Difference between expected and actual experience	-	(9,041,017)	-	-
Assumption changes	28,447,659	8,361,854	15,568,918	(17,639,038)
Benefit changes	-	-	-	(6,941,763)
Benefit payments	<u>(9,506,766)</u>	<u>(9,403,007)</u>	<u>(9,298,152)</u>	<u>(8,930,543)</u>
Net change in total pension liability	35,213,957	6,090,761	21,229,017	(18,451,253)
Total pension liability - beginning	<u>243,661,316</u>	<u>237,570,555</u>	<u>216,341,538</u>	<u>234,792,791</u>
Total pension liability - ending	\$ <u>278,875,273</u>	\$ <u>243,661,316</u>	\$ <u>237,570,555</u>	\$ <u>216,341,538</u>
Fund Fiduciary Net Position				
Employer contributions	\$ 3,177,790	\$ 2,909,824	\$ 2,820,693	\$ 2,506,605
Employee contributions	3,149,619	2,920,101	2,797,512	2,515,177
Pension plan net investment income (loss)	2,337,406	(1,219,199)	3,077,767	2,628,027
Benefit payments	(9,506,766)	(9,403,007)	(9,298,152)	(8,930,543)
Pension plan administrative expense	(426,021)	(381,902)	(369,703)	(1,905,747)
Recovery and other income	<u>2,574,145</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	1,306,173	(5,174,183)	(971,883)	(3,186,481)
Total pension liability - beginning	<u>28,115,140</u>	<u>33,289,323</u>	<u>34,261,206</u>	<u>37,447,687</u>
Plan fiduciary net position - ending	\$ <u>29,421,313</u>	\$ <u>28,115,140</u>	\$ <u>33,289,323</u>	\$ <u>34,261,206</u>
Net pension liability - ending	\$ <u>249,453,960</u>	\$ <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	10.55%	11.54%	14.01%	15.84%
Covered employee payroll	\$ 52,963,167	\$ 48,497,067	\$ 47,011,550	\$ 41,776,750
Net pension liability as a percentage of covered employee payroll	471.00%	444.45%	434.53%	435.84%

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, 2017

<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%
2016	\$ 14,417,419	\$ 3,134,262	\$ 11,283,157	\$ 52,963,167	5.92%

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, 2017

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Average money-weighted rate of return, net of investment expense	8.12%	(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, 2017

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

Valuation Date:	September 30, 2016, which was based on the results of the September 30, 2015 actuarial valuation
Actuarial Cost Method:	Entry-age normal
Amortization Method:	Level dollar, open
Remaining Amortization Period:	30 years
Asset Valuation Method:	Market value of assets
Price Inflation:	3.0%
Salary Increases:	3.0%
Wage Inflation:	3.0%
Investment Rate of Return:	7.50%, net of investment expense, including price 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, 2017

(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, 2017

	Face Value	Cost	Fair Value	
Money Market Funds				
Goldman Sachs Bank USA - Account#79965329	\$ 40,729	\$ 40,729	\$ 40,729	
Goldman Sachs Bank USA - Account#79965334	12,212	12,212	12,212	
Goldman Sachs Bank USA - Account#78895568	152,395	152,395	152,395	
Goldman Sachs Bank USA - Account#79965310	63,723	63,723	63,723	
Goldman Sachs Bank USA - Account#79965292	50,119	50,119	50,119	
Goldman Sachs Bank USA - Account#78895530	125,344	125,344	125,344	
Goldman Sachs Bank USA - Account#78895549	53,787	53,787	53,787	
Goldman Sachs Bank USA - Account#58113280	552	552	552	
Total Money Market Funds	<u>\$ 498,861</u>	<u>\$ 498,861</u>	<u>\$ 498,861</u>	
Mutual Funds				
Templeton Global Bond Fd-Ad - Account #58113280	226,265	\$ 2,986,057	\$ 2,764,959	
Total Mutual Funds	<u>226,265</u>	<u>\$ 2,986,057</u>	<u>\$ 2,764,959</u>	
Obligations of U.S. Government and Agencies				
<u>Government Sponsored Enterprise Securities (GSE)</u>				
Federal Home Loan Banks @ .0100%, due 10/26/18	\$ 185,000	\$ 185,030	\$ 184,974	Aaa
Federal Home Loan Banks @ .0100%, due 11/08/18	400,000	400,042	400,000	Aaa
Federal Farm Credit Banks @ .0100%, due 05/17/18	820,000	819,559	820,754	Aaa
Federal Farm Credit Banks @ .0100%, due 04/16/18	445,000	444,475	445,552	Aaa
Federal Farm Credit Banks @ .0100%, due 01/22/19	220,000	220,942	220,585	Aaa
Federal Farm Credit Banks @ .0100%, due 03/15/19	185,000	185,897	185,623	Aaa
Federal Farm Credit Banks @ .0100%, due 04/24/19	185,000	185,040	185,057	Aaa
Federal Farm Credit Banks @ .0100%, due 04/03/19	225,000	225,011	225,035	Aaa
Federal Home Loan Mortgage Corporation @ .0100%, due 07/05/19	685,000	685,000	684,562	Aaa
	<u>3,350,000</u>	<u>3,350,996</u>	<u>3,352,142</u>	
<u>Mortgage and Asset Backed Securities</u>				
Freddie Mac Group #G15718 FHLMC @ 5.5000%, due 12/01/24	\$ 455,000	\$ 239,266	\$ 251,682	Not rated
Freddie Mac Group #C91495 FHLMC @ 4.5000%, due 07/01/32	510,000	99,755	106,997	Not rated
Fannie Mae Pool #256105 FNMA @ 5.5000%, due 02/01/21	2,030,000	46,727	48,731	Not rated
Fannie Mae Pool #AL7883 FNMA @ 5.0000%, due 06/01/26	290,000	159,399	168,252	Not rated
Fannie Mae Pool #AL8215 FNMA @ 5.0000%, due 06/01/26	465,000	289,929	307,264	Not rated
Fannie Mae Pool #745418 FNMA @ 5.5000%, due 04/01/36	2,825,000	109,980	123,175	Not rated
Fannie Mae Pool #889887 FNMA @ 5.5000%, due 09/01/23	1,730,000	80,822	85,884	Not rated
Fannie Mae Pool #938171 FNMA @ 6.5000%, due 07/01/37	400,000	18,336	20,551	Not rated
Fannie Mae Pool #995517 FNMA @ 5.5000%, due 01/01/24	3,200,000	109,905	117,029	Not rated
	<u>11,905,000</u>	<u>1,154,119</u>	<u>1,229,565</u>	
<u>Governmental Bonds</u>				
U.S. Treasury Bonds @ 2.75%, due 08/15/42	645,000	634,988	637,189	Aaa
U.S. Treasury Bonds @ 2.875%, due 08/15/45	1,385,000	1,326,545	1,390,956	Aaa
U.S. Treasury Bonds @ 2.5%, due 05/15/46	75,000	70,359	69,692	Aaa
	<u>2,105,000</u>	<u>2,031,892</u>	<u>2,097,837</u>	
Total Obligations of U.S. Government and Agencies	<u>\$ 17,360,000</u>	<u>\$ 6,537,007</u>	<u>\$ 6,679,544</u>	
<u>Corporate Bonds</u>				
American Express Credit Corporation @ .0100%, due 05/26/20	\$ 265,000	\$ 266,299	\$ 267,229	A2
Apple Inc. NTS @.4527%, due 08/02/19	185,000	185,022	185,344	Aa1
BB&T Corporation @ .0100%, due 04/01/22	140,000	141,201	140,924	A2
Bank of New York Mellon Corporation @ 2.3611%, due 10/30/23	290,000	292,204	296,232	A1
General Electric Co. @ 2.3200%, due 03/15/23	190,000	193,579	194,589	A1
Goldman Sachs Group Inc. @ 2.9172%, due 11/29/23	240,000	245,262	248,846	A3
Goldman Sachs Group Inc. NTS @ 3.8500%, due 01/26/27	65,000	65,221	66,408	A3
Intel Corporation NTS @ 1.6591%, due 05/11/22	75,000	75,143	75,209	A1
JP Morgan Chase & Co. @ 2.7961%, due 03/01/21	375,000	384,329	387,000	A3
Merck & Co., Inc. @ 1.6844%, due 02/10/20	280,000	281,316	281,627	A1
Morgan Stanley @ 2.7125%, due 10/24/23	230,000	230,989	235,227	A3
Pepsico Capital Resources, Inc. NTS @ 1.6755%, due 05/02/22	95,000	95,323	95,398	A1
Wells Fargo & Company NTS @ .0100%, due 07/26/21	115,000	116,458	117,280	A2
Wells Fargo & Company @ 2.5411%, due 10/31/22	165,000	168,716	168,790	A2
Total Corporate Bonds	<u>\$ 2,710,000</u>	<u>\$ 2,741,062</u>	<u>\$ 2,760,103</u>	

See Accompanying Independent Auditors' Report.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Schedule of Investment Securities, Continued
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	Number of Shares	Cost	Fair Value
<u>Corporate Stock</u>			
Hilton Grand Vacations Incorporated (HGV)	387	\$ 10,273	\$ 14,950
Hilton Worldwide Hldgs Incorporated (HLT)	399	21,379	27,711
Marriot International Incorporated New Class A (MAR)	410	30,869	45,207
Alexandria Real Estate EQ Incorporated REIT (ARE)	411	40,837	48,897
American Assets TR Incorporated REIT (AAT)	352	14,161	13,999
American Tower Corporation New REIT (AMT)	156	15,715	21,322
Apartment Invt & Mgmt Company Class A REIT (AIV)	1,020	41,993	44,737
Boston Properties Incorporated REIT (BXP)	326	41,119	40,059
Corporate Office PPTYS TR SH Ben Int REIT (OFC)	1,113	33,798	36,540
DCT Industrial Trust Incorporated New REIT (DCT)	760	32,513	44,019
Digital Rlty TR Incorporated REIT (DLR)	405	32,550	47,924
Equinix Incorporated Com Par \$0.001 REIT (EQIX)	112	42,011	49,986
Equity Residential SH Ben Int REIT (EQR)	995	68,830	65,600
Essex Property TR Incorporated (ESS)	178	40,740	45,217
Extra Space Storage Incorporated REIT (EXR)	584	48,333	46,673
Four Corners Property TR Incorporated REIT (FCPT)	423	8,693	10,541
GGP Incorporated REIT (GGP)	1,042	26,910	21,642
Healthcare TR Amer Incorporated Class A New REIT (HTA)	1,515	43,756	45,147
Highwoods PPTYS Incorporated REIT (HIW)	762	36,824	39,693
Kilroy Rlty Corporation REIT (KRC)	720	49,908	51,206
Kimco Rlty Corporation REIT (KIM)	1,947	53,548	38,064
National Retail PPTYS Incorporated REIT (NNN)	537	25,504	22,371
Prologis Incorporated REIT (PLD)	1,410	64,297	89,479
Public Storage REIT (PSA)	348	77,732	74,469
Regency CTRS Corporation REIT (REG)	861	62,862	53,416
Retail Opportunity INVTS Corporation REIT (ROIC)	1,407	28,597	26,747
Simon Property Group Incorporated New REIT (SPG)	788	151,420	126,876
Starwood Waypoint Homes REIT (SFR)	816	24,980	29,678
Sun CMNTYS Incorporated REIT (SUI)	441	32,927	37,785
Vornado RLTY TR SH BEN INT (VNO)	810	65,975	62,273
Well Tower Incorporated REIT (HCN)	974	69,172	68,453
Subtotal - Account #79965329	<u>22,409</u>	<u>1,338,226</u>	<u>1,390,681</u>
Oneok Incorporated New (OKE)	1,150	59,984	63,722
Andeavor Logistics LP Com Unit LP INT (ANDX)	596	29,767	29,836
Antero Midstream Partners LP UNT LTD PARTN (AM)	863	26,601	27,210
Buckeye Partners LP Unit LTD PARTN (BPL)	410	28,013	23,370
EQT Midstream Partners LP Unit LTD PARTN (EQM)	794	64,104	59,526
Energy Transfer Equity LP COM UT LTD PTN (ETE)	2,348	41,191	40,808
Energy Transfer Partners LP Unit Ltd PRT Int (ETP)	6,551	197,722	119,818
Enlink Midstream Partners LP COM Unit Rep Ltd (ENLK)	1,663	43,847	27,872
Enterprise Products Partners LP (EPD)	7,228	241,401	188,434
MPLX LP Com Unit Rep Ltd (MPLX)	2,687	121,485	94,072
Magellan Midstream Partnrs LP COM Unit RP LP (MMP)	1,188	91,322	84,419
Phillips 66 Partners LP COM Unit Rep Int (PSXP)	446	24,902	23,442
Plains All Amern Pipeline LP Unit LTD PARTN (PAA)	2,601	115,716	55,115
Shell Midstream Partners LP Unit LTD INT (SHLX)	1,542	55,039	42,929
Tallgrass Energy Partners LP Com Unit (TEP)	724	31,998	34,672
Western Gas Partners LP Com Unit LP In (WES)	1,229	59,668	63,023
Williams Partners LP New COM Unit Ltd (WPZ)	1,420	51,985	55,238
Subtotal - Account #79965334	<u>33,440</u>	<u>1,284,745</u>	<u>1,033,506</u>
Anheuser Busch Inbev SA/NV Sponsored ADR (Belgium) (BUD)	824	87,455	98,303
Ashtead Group PLC ADR (United Kingdom) (ASHTY)	458	29,103	44,218
ASSA Abloy AB ADR (Sweden) (ASAZY)	8,396	58,268	95,656
Associated Brit Foods Limited ADR New (United Kingdom) (ASBFY)	1,515	48,309	64,901
Banca Mediolanum SPA ADR (Italy) (BNCDY)	2,286	38,176	39,998
BHP Billiton Limited Sponsored ADR (Australia) (BHP)	2,502	103,583	101,406
British Amern TOB PLC Sponsored ADR (United Kingdom) (BTI)	2,062	113,259	128,772
Canadian Natl RY Company (Canada) (CNI)	844	52,895	69,973
Carlsberg AS Sponsored ADR (Denmark) (CABGY)	3,939	70,819	86,229
Compagnie Fin Richemontag SWI ADR (Switzerland) (CFRUY)	4,813	41,594	44,020
Compass Group PLC Sponsored ADR (United Kingdom) (CMPGY)	3,846	68,105	81,681
Continental AG Sponsored ADR (Germany) (CTTAY)	1,154	49,822	58,596
Convatec Group PLC Un-sponsored ADR (United Kingdom) (CNVYV)	2,547	43,233	37,568
DBS Group Hldgs Limited Sponsored ADR (Singapore) (DBSDY)	1,052	56,294	64,517
Daiwa House IND Limited ADR (Japan) (DWAHY)	3,879	71,948	133,876
Deutsche Post AG Sponsored ADR (Germany) (DPSGY)	1,028	41,288	45,775
Fanuc Corporation ADR (Japan) (FANUY)	1,842	29,608	37,293
Ferguson PLC Sponsored ADR (Jersey) (Fergy)	14,019	69,604	92,091

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REPUBLIC OF PALAU
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<u>Corporate Stock, Continued</u>	<u>Number of Shares</u>	<u>Cost</u>	<u>Fair Value</u>
Fresenius SE & Company KGA A Sponsored ADR (Germany) (FSNUY)	3,278	42,739	66,121
Informa PLC Sponsored ADR NE (United Kingdom) (IFJPY)	2,170	33,570	39,129
KBC Group NV ADR (Belgium) (KBCSY)	802	23,924	33,990
KAO Corporation Sponsored (Japan) (KCRPY)	701	42,457	41,227
KDDI Corporation ADR (Japan) (KDDIY)	4,064	47,809	53,559
Komatsu Limited Spon ADR New (Japan) (KMTUY)	1,954	45,282	55,566
Makita Corporation Sponsored ADR (Japan) (MKTAY)	2,443	71,199	98,424
Michelin Compagnie Generale DE ADR (France) (MGDDY)	2,227	56,067	65,028
Nordea BK Sweden A B Sponsored ADR (Sweden) (NRBAY)	3,156	43,285	42,688
Novartis A G Sponsored ADR (Switzerland) (NVS)	1,313	98,778	112,721
Prudential PLC ADR United Kingdom (PUK)	3,191	112,499	152,881
Red Electrica Corporation SA Un-sponsored ADR (Spain) (RDEIY)	5,019	45,171	52,750
RELX PLC Sponsored ADR (United Kingdom) (RELX)	3,406	58,399	76,124
Royal Dutch Shell PLC Spons ADR A (Netherlands) (RDS.A)	1,689	97,513	102,320
Royal KPN NV Sponsored ADR (Netherlands) (KKPNY)	9,633	30,296	33,080
Ryanair Hldgs PLC Sponsored ADR NE (Ireland)	461	30,931	48,599
Ryohin Keikaku Company Limited ADR (Japan) (RYKKY)	1,764	55,802	103,898
Sampo OYJ ADR (Finland) (SAXPY)	4,090	84,450	108,115
SAP SE SPON ADR (Germany) (SAP)	1,206	105,082	132,238
Shire PLC Sponsored ADR (Jersey) (SHPG)	702	130,587	107,504
Sony Corporation Sponsored ADR (Japan) (SNE)	1,471	39,393	54,927
Statoil ASA Sponsored (Norwa) (STO)	2,648	42,813	53,198
Sumitomo Mitsui FINL Group Incorporated Sponsored ADR (Japan) (SMFG)	11,062	96,925	85,288
Suncor Energy Incorporated New (Canada) (SU)	1,715	50,059	60,143
Telenor ASA Sponsored ADR (Norway) (TELNY)	3,291	71,049	69,621
Tokyo Electron Limited ADR (Japan) (TOELY)	1,463	39,758	56,147
Unilever PLC Spon ADR New (United Kingdom) (UL)	2,162	89,889	125,310
Valeo Sponsored ADR (France) (VLEEY)	3,201	54,990	118,786
Vinci S A ADR (France) (VCISY)	4,327	67,168	102,818
Wolters Kluwer N V Sponsored ADR (Netherlands) (WTKWY)	2,196	67,944	101,495
Worldpay Group PLC ADR (United Kingdom) (WPGY)	4,390	51,596	71,917
Aon PLC SHS CL A (United Kingdom) (AON)	695	67,970	101,540
Accenture PLC Ireland SHS Class A (Ireland) (CAN)	823	100,236	111,163
Medtronic PLC SHS (Ireland) (MDT)	1,269	105,312	98,690
Subtotal - Account #78895568	<u>150,988</u>	<u>3,274,305</u>	<u>4,061,878</u>
AES Corporation (AES)	3,600	42,167	39,672
Abbvie Incorporated (ABBV)	1,050	58,821	93,303
Acadia Healthcare Company Incorporated (ACHC)	1,300	58,413	62,088
Adobe System Incorporated (ADBE)	700	52,872	104,426
Amerip Rise FINL Incorporated (AMP)	590	55,975	87,621
Amgen Incorporated (AMGN)	340	52,893	63,393
Ansys Incorporated (ANSS)	565	52,986	69,342
Archer Daniels Midland Company (ADM)	1,260	50,217	53,563
BOK Finl Corporation COM New (BOKF)	430	24,413	38,304
Banco Bilbao Vizcaya Argent ARI Sponsored ADR (Spain) (BBVA)	8,400	61,732	74,928
Bank AMER Corporation (BAC)	3,450	55,973	87,423
Baxter International Incorporated (BAX)	1,450	55,851	90,988
Capital One Finl Corporation (COF)	744	58,984	62,987
Coca Cola Company (KO)	1,200	50,279	54,012
Cullen Frost Bankers Incorporated (CFR)	420	27,768	39,866
Danaher Corporation DEL (DHR)	911	71,467	78,146
Dowupont Incorporated (DWDP)	990	51,735	68,538
EQT Corporation (EQT)	800	58,140	52,192
East West Bancorp Incorporated (EWBC)	1,039	56,758	62,111
General Dynamics Corporation (GD)	390	50,029	80,176
Halliburton Company (HAL)	1,080	55,765	49,712
Home Depot Incorporated (HD)	590	52,457	96,500
JP Morgan Chase & Company (JPM)	550	34,829	52,531
Kroger Company (KR)	2,213	64,115	44,393
Lennar Corporation Class A (LEN)	1,370	60,821	72,336
Martin Marietta Matls Incorporated (MLM)	340	45,763	70,118
Microsoft Corporation (MSFT)	1,200	53,647	89,388
Microchip Technology Incorporated (MCHP)	1,090	46,189	97,860
Mitsubishi UFJ Finl Group Incorporated Sponsored ADR (Japan) (MTU)	7,380	45,616	47,527
Mondelez International Incorporated Class A (MDLZ)	1,370	54,431	55,704
National Fuel Gas Company NJ (NFG)	1,071	56,582	60,629
Novartis A G Sponsored ADR (Switzerland) (NVS)	700	60,578	60,095
Oshkosh Corporation (OSK)	950	46,218	78,413
PPG Industries Incorporated (PPG)	703	72,675	76,388

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	Number of Shares	Cost	Fair Value
<u>Corporate Stock, Continued</u>			
Paypal Hldgs Incorporated (PYPL)	1,050	33,805	67,232
Phillips 66 (PSX)	800	66,158	73,288
Pioneer NAT RES Company (PXD)	320	58,177	47,213
Unilever N V N Y SHS New (Netherlands) (UN)	1,200	51,979	70,848
Walgreens Boots Alliance Incorporated (WBA)	880	68,085	67,954
Medtronic PLC SHS (Ireland) (MDT)	900	69,326	69,993
Chubb Limited (Switzerland) (CB)	470	55,313	66,999
Subtotal - Account #79965310	<u>55,856</u>	<u>2,200,002</u>	<u>2,778,200</u>
AAC Technologies HLDGS Incorporated ADR (CAYMAN ISLANDS) (AACAY)	248	15,674	41,658
AKBANK TURK ANONIM SIRKETI ADR (Turkey) (AKBTY)	5,915	47,219	53,273
AMBEV SA Sponsored ADR (Brazil) (ABEV)	9,600	68,102	63,264
America Movil SAB DE CV SPON ADR L SHS (Mexico) (AMX)	4,334	59,181	76,929
BB SEGURIDADE PARTICIPACOES SA Sponsored ADR (Brazil) (BBSEY)	5,472	57,303	49,193
BAIDU Incorporated SPON ADR REP A (CAYMAN ISLANDS) (BIDU)	460	66,556	113,937
BANCO DO BRASIL S A Sponsored ADR (Brazil) (BDORY)	7,289	88,875	80,536
BANCO MACRO SA SPON ADR B (Argentina) (BMA)	834	15,877	97,870
BIDVEST Group Limited Sponsored ADR 08 (South Africa) (BDVSY)	1,270	27,532	32,480
CNOOC Limited Sponsored ADR (Hong Kong) (CEO)	219	34,965	28,404
China CONSTR BK Corporation ADR (China) (CICHY)	6,922	109,208	114,857
China Mobile Limited Sponsored ADR (Hong Kong) (CHL)	1,747	95,418	88,346
China Shenhua Energy Company Limited ADR (China) (CSUAY)	3,048	34,954	28,660
CIELO S A Sponsored ADR (Brazil) (CIOXY)	9,498	71,349	65,850
Clicks Group Limited Sponsored ADR (South Africa) (CLCGY)	2,327	31,235	54,470
Commercial International BK Egypt S A E Sponsored ADR (Egypt) (CIBEY)	6,653	22,015	30,763
ENN Energy HLDGS Limited ADR (CAYMAN ISLANDS) (XNGSY)	1,388	28,844	40,233
PJSC GAZPROM SPON ADR (Russia) (OGZPY)	5,698	41,926	24,194
Hengan International Group Company Limited ADR (Hong Kong) (HEGIY)	918	35,274	42,488
Imperial Holdings Limited Spns ADR NEW (South Africa) (IHLDY)	2,655	47,832	37,603
KB Financial Group Incorporated Spns ADR (Korea) (South) (KB)	1,688	56,872	82,763
Kasikornbank Pub Company Limited ADR (Thailand) (KPCPY)	1,223	30,399	30,365
Kimberly Y CLRK DE MEX SAB DE CV SPON ADR COM A (Mexico) (KCDMY)	3,931	58,489	40,167
KOC HLDG ADR (Turkey) (KOHLY)	1,867	50,879	42,920
Life Healthcare GRP HLDGS Limited Un-sponsored ADR (South Africa) (LTGHY)	2,737	28,301	19,216
Localiza Rent A Car S A Sponsored ADR (Brazil) (LZRFY)	5,223	71,733	95,508
Mobile Telesystems P JSC Sponsored ADR (Russia) (MBT)	5,421	78,014	56,595
Nedbank Group Limited Sponsored ADR (South Africa) (MDBKY)	2,270	40,215	34,068
Netease Incorporated Sponsored ADR (CAYMAN ISLANDS) (NTES)	357	28,832	94,180
PJSC Lukoil Sponsored ADR (Russia) (LUKOY)	1,191	53,515	63,402
PLDT Incorporated Sponsored ADR (Philippines) (PHI)	853	53,053	27,228
PT Semen Indonesia Persero TBK ADR (Indonesia) (PSGTY)	1,676	33,919	25,199
PT BK Mandiri Persero TBK Un-sponsored ADR (Indonesia) (PPERY)	7,058	62,061	70,481
PT ASTRA International TBK ADR (Indonesia) (PTAIY)	5,000	63,800	58,655
P T Telekomunikasi Indonesia Sponsored ADR (Indonesia) (TLK)	1,803	38,629	61,843
Sanlam Limited Sponsored ADR (South Africa) (SLLDY)	3,313	32,007	33,203
Sberbank Russia Sponsored ADR (Russia) (SBRCY)	6,741	70,720	90,100
Shinhan Financial Group Co Limited SPN ADR RESTRD (Korea (South)) (SHG)	1,367	51,749	60,558
Shoprite HLDGS Limited Sponsored ADR (South Africa) (SRGHY)	1,997	36,665	30,598
Standard BK Group Limited Sponsored ADR (South Africa) (SGBLY)	3,808	43,171	44,508
Taiwan Semiconductor MFG Limited Sponsored ADR (Taiwan) (TSM)	3,147	57,203	118,170
TURKCELL ILETISIM HIZMETLERI SPON ADR NEW (Turkey) (TKC)	3,261	49,854	28,762
TURK TELEKOMUNIKASYON A S ADR (Turkey) (TRKNY)	4,048	15,621	15,459
Vodacom Group Limited Sponsored ADR (South Africa) (VDMCY)	3,637	42,644	43,404
Weichai PWR Company Limited ADR (China) (WEICY)	8,319	45,755	72,941
Woolworths HLDGS Limited SPON GDR NEW (South Africa) (WLWHY)	5,454	41,183	24,194
YPF Sociedad Anonima SPON ADR CLASS D (Argentina) (YPF)	3,021	55,429	67,308
Subtotal - Account #78895530	<u>166,906</u>	<u>2,290,051</u>	<u>2,574,803</u>
Adobe Systems Incorporated (ADBE)	135	12,056	20,139
Alibaba Group HLDG Limited Sponsored ADS (CAYMAN ISLANDS) (BABA)	411	36,388	70,984
Alphabet Incorporated CAP STK CLASS C (GOOG)	84	48,990	80,565
Alphabet Incorporated CAP STK CLASS A (GOOGL)	76	41,950	74,003
Amazon COM Incorporated (AMZN)	133	81,717	127,860
Apple Incorporated (APPL)	680	81,878	104,802
Becton Dickinson & Company (BDX)	197	36,367	38,602
Biogen Incorporated (BIIB)	110	31,357	34,443
Boston Scientific Corporation (BSX)	1,689	36,812	49,268
Celgene Corporation (CELG)	491	54,043	71,598
Charter Communications Incorporated NEW CLASS A (CHTR)	144	55,568	52,332
Costar Group Incorporated (CSGP)	104	18,793	27,898

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<u>Corporate Stock, Continued</u>	<u>Number of Shares</u>	<u>Cost</u>	<u>Fair Value</u>
CTrip.com International Limited American Depositary Shares (CAYMAN ISLANDS) (CTRP)	513	23,940	27,056
Dexcom Incorporated (DXCM)	226	17,713	11,057
Ecolab Incorporated (ECL)	282	34,130	36,268
Edwards Lifesciences Corporation (EW)	245	25,631	26,781
Electronic Arts Incorporated (EA)	263	21,750	31,050
Expedia Incorporated Delaware Class A (EXPE)	390	52,409	56,137
Facebook Incorporated Class A (FB)	652	82,044	111,407
Fedex Corporation (FDX)	125	25,951	28,198
Fidelity National Information Services (FIS)	302	21,819	28,204
FISERV Incorporated (FISV)	286	31,177	36,883
Fortive Corporation (FTV)	469	23,433	33,201
General Dynamics Corporation (GD)	150	26,396	30,837
Hilton Worldwide Holdings Incorporated (HLT)	464	26,960	32,225
Home Depot Incorporated (HD)	258	33,386	42,198
Honeywell International Incorporated (HON)	321	34,617	45,499
Illumina Incorporated (ILMN)	183	33,639	36,454
Intercontinental Exchange Incorporated (ICE)	555	33,232	38,129
INTUIT (INTU)	236	27,289	33,545
JPMorgan Chase & Company (JPM)	316	23,767	30,181
JD.com Incorporated SPON ADR Class A (CAYMAN ISLANDS) (JD)	717	31,194	27,389
Lilly Eli & Company (LLY)	579	47,835	49,528
Mastercard Incorporated Class A (MA)	413	34,844	58,316
Microsoft Corporation (MSFT)	1,354	80,716	100,859
Moodys Corporation (MCO)	211	20,320	29,373
Netflix Incorporated (NFLX)	165	26,283	29,923
Nike Incorporated Class B (NKE)	633	36,392	32,821
Northrop Grumman Corporation (NOC)	102	24,081	29,347
NVIDIA Corporation (NVDA)	158	17,958	28,246
Paycom Software Incorporated (PYPL)	615	25,199	39,378
Priceline Group Incorporated Class A (PCLN)	30	39,180	54,925
Raytheon Company Class A (RTN)	198	26,865	36,943
Salesforce.com Incorporated (CRM)	1,027	78,637	95,942
Servicenow Incorporated (NOW)	343	24,002	40,313
Sherwin Williams Company (SHW)	113	30,058	40,459
Skyworks Solutions Incorporated (SWKS)	275	27,220	28,023
Splunk Incorporated (SPLK)	843	50,765	56,000
Thermo Fisher Scientific Incorporated (TMO)	294	46,557	55,624
Union Pacific Corporation (UNP)	392	41,022	45,460
UnitedHealth Group Incorporated (UNH)	464	55,598	90,873
Visa Incorporated Class A (V)	1,142	53,104	120,183
Zoetis Incorporated Class A (ZTS)	692	30,494	44,122
ASML Holding N.V. N.Y. Registry Shares (Netherlands) (ASML)	262	35,591	44,853
Ferrari N.V. (Netherlands) (RACE)	262	26,839	28,938
Broadcom Limited Shares (Singapore) (AVGO)	180	25,370	43,656
American Tower Corporation New REIT (AMT)	347	37,912	47,427
Subtotal - Account #78895549	<u>22,301</u>	<u>2,109,238</u>	<u>2,766,725</u>
Total Corporate Stock	<u>451,900</u>	<u>\$ 12,496,567</u>	<u>\$ 14,605,793</u>

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