

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, 2019 AND 2018

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, 2019 and 2018, 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, 2019 and 2018, 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 indicates that the Fund has a net pension liability of \$250,868,784, which, assuming current contribution rates, would cause the Fund's fiduciary net position to become negative in 2023. 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 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (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 31, the Schedule of Contributions on page 32, the Schedule of Investment Rates of Return on page 33 and the Notes to Required Supplementary Schedules on pages 34 and 35 as of September 30, 2019 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 36 through 40 as of September 30, 2019 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 basic 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 basic 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 January 29, 2020 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's 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

January 29, 2020



REPUBLIC OF PALAU CIVIL SERVICE PENSION PLAN

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MANAGEMENT'S DISCUSSION AND ANALYSIS Plan Year Ended September 30, 2019

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, 2019, with selected comparative information for the fiscal years ended September 30, 2018 and 2017.

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* decreased from \$259,395,005 as of September 30, 2018 to \$250,868,784 as of September 30, 2019, a decrease of \$8,526,221 or 3.29%. The Board of Trustees and management of the Fund are working in collaboration with the Olbil Era Kelulau and the Ministry of Finance to determine, based on the recommendations from the actuarial study commissioned by law in fiscal year 2018, the best solution to correct the current funding deficiency. The recommendations include the possibility of increasing the retirement age, the enrollment of the private sector or an increase in current government funding to at least \$5 million annually if there will be no changes to the current plan. House Bill No. 10-126-13 is currently under deliberation.

- The Fund has time certificates of deposit of \$1,878,801 and \$1,920,899 in Pacific Savings Bank (PSB) at September 30, 2019 and 2018, 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 \$24,000 in fiscal year 2019 and \$22,500 in fiscal year 2018. 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 \$26,597,091 in fiscal year 2018 to \$25,931,203 in fiscal year 2019. Fiduciary net position decreased from \$28,613,106 in fiscal year 2018 to \$27,758,747 in fiscal year 2019, a decrease of \$854,359.
- The Fund withdrew \$1,671,000 from investments during fiscal year 2019 to pay for benefits and administrative expenses during the same period and withdrew \$1,897,000 and \$2,579,000 for fiscal years 2018 and 2017, respectively.
- The Fund received \$437,962 and \$450,072 in fiscal year 2019 and 2018, respectively, as additional revenue from remittance and money transfer tax through RPPL No. 9-2. The Fund received \$887,871 through RPPL 10-25 for fiscal year 2019.

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, 2019, 2018 and 2017.

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, 2019, 2018 and 2017. 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

	2019	2018	2017
Assets and deferred outflows of resources:			
Cash and cash equivalents	\$ 481,412	\$ 627,833	\$ 671,936
Time certificates of deposit	1,878,801	1,920,899	1,943,399
Investments	25,931,203	26,597,091	27,309,260
Other assets	<u>371,784</u>	<u>349,681</u>	<u>322,227</u>
	28,663,200	29,495,504	30,246,822
Deferred outflows of resources	<u>155,592</u>	<u>221,518</u>	<u>211,973</u>
	<u>\$ 28,818,792</u>	<u>\$ 29,717,022</u>	<u>\$ 30,458,795</u>
Liabilities, deferred inflows of resources and fiduciary net position:			
Liabilities	\$ 851,906	\$ 891,152	\$ 877,647
Deferred inflows of resources	208,139	212,764	171,671
Fiduciary net position	<u>27,758,747</u>	<u>28,613,106</u>	<u>29,409,477</u>
	<u>\$ 28,818,792</u>	<u>\$ 29,717,022</u>	<u>\$ 30,458,795</u>

Overview of the Financial Statements, Continued

- At September 30, 2019, 2018 and 2017, the Fund had \$21,872, \$16,786 and \$18,201, respectively, in capital assets, net of accumulated depreciation, which represent a net increase of \$5,086 in 2019 over 2018 and a net decrease of \$1,415 in 2018 over 2017. See note 1 to the financial statements for more detailed information on the Fund's capital assets.
- At September 30, 2019, 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 2019, 2018 and 2017.

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Additions:			
Contributions	\$ 7,194,270	\$ 7,027,064	\$ 6,823,039
Investment income	1,005,113	1,184,830	2,447,009
Other income	<u>1,384,745</u>	<u>1,221,493</u>	<u>856,958</u>
	<u>9,584,128</u>	<u>9,433,387</u>	<u>10,127,006</u>
Deductions:			
Benefit and refund payments	9,934,096	9,726,689	9,763,956
Administrative expenses	<u>504,391</u>	<u>503,069</u>	<u>374,886</u>
	<u>10,438,487</u>	<u>10,229,758</u>	<u>10,138,842</u>
Net decrease	(854,359)	(796,371)	(11,836)
Fiduciary net position, beginning of year	<u>28,613,106</u>	<u>29,409,477</u>	<u>29,421,313</u>
Fiduciary net position, end of year	\$ <u>27,758,747</u>	\$ <u>28,613,106</u>	\$ <u>29,409,477</u>

- Contribution revenue increased from \$7,027,064 in 2018 to \$7,194,270 in 2019, an increase of \$167,206 and increased from \$6,823,039 in 2017 to \$7,027,064 in 2018, an increase of \$204,025.
- Investment portfolios appreciated in fair market value by \$386,421 and yielded net earnings of \$1,005,113 in 2019 and \$1,184,830 and \$2,447,009 in 2018 and 2017, respectively.
- Benefit and refund payments increased from \$9,726,689 in 2018 to \$9,934,096 in 2019, an increase of \$207,407 and decreased from \$9,763,956 in 2017 to \$9,726,689 in 2018, a decrease of \$37,267. The number of retirees and beneficiaries are expected to stabilize and will slowly decline over the next several years.
- Administrative expenses increased from \$503,069 in 2018 to \$504,391 in 2019, an increase of \$1,322 and \$374,886 in 2017 to \$503,069 in 2018, an increase of \$128,183.

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 loss and add value.

Economic Outlook, Continued

The U.S. and Global Markets proved to be volatile in 2019 and 2018. Sociopolitical events around the world continue to influence market performance. Our strategic asset allocation, asset diversification and portfolio construction are 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 2019 and 2018.

RPPL No. 10-25 appropriated \$150,000 to the Plan to work in collaboration with the Olbiil Era Kelulau and the Ministry of Finance to commission an actuarial study that shall determine viable options toward a comprehensive reform. In the latter half of fiscal year 2018. Milliman Private Limited based in Singapore was tasked to conduct such a study. The final report from the actuarial firm offered three recommendations: 1) No change to vested leavers as well as current beneficiaries and active employees currently at age 55 and over. For active employees under age 55 - The normal retirement age would increase by 1 year every 5 years until it reaches 65. The current benefit formula would be 1% instead of 2% to be funded by 3% employee and employer contributions instead of 6%. All other features of the defined benefit rules would remain the same; 2) Enrollment of the Private Sector employees to a separate section of the Plan, however, the Private Sector would not accrue the 1% defined benefit pension. The new defined contribution section would be extended to the private sector with the same employee/employer contribution rate of 6% similar to public sector employees; and 3) Government subvention where the current subvention is to be increased to at least \$2 million annually with the above initiatives or be at least \$5 million annually without the above initiatives.

Also through RPPL No. 10-25, the Fund was appropriated \$1,000,000 for the purpose of satisfying the National Government's debt owed to the Fund. The entire amount shall come from fifty percent of the \$25 allocation of the "Pristine Paradise Environmental Fee" (PPEF) for fiscal year 2018. On the same legislation, fifty percent of the \$25 PPEF paid by each passenger shall be transmitted by the Ministry of Finance and remitted to the Fund. As of September 30, 2019, the Fund has been allotted \$1,422,521. Accordingly, the Board is lobbying the lawmakers to amend the language of the legislation to revert to the original language of \$25.

If the Board is successful in changing the law to a \$25 share of the PPEF to the Fund, it will result in additional new revenue to the Fund of an estimated \$1.5 to \$2.0 million a year.

The Management's Discussion and Analysis for the year ended September 30, 2018 is set forth in the Fund's report on the audit of financial statements, which is dated March 25, 2019. That Discussion and Analysis explains the major factors impacting the 2018 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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>		
Cash and cash equivalents	\$ 481,412	\$ 627,833
Time certificates of deposit	<u>1,878,801</u>	<u>1,920,899</u>
Investments, at fair value:		
Corporate stock	13,485,520	14,180,090
Corporate bonds	5,519,806	3,537,130
Obligations of U.S. Government and agencies	3,787,032	5,698,937
Mutual funds	2,517,662	2,707,587
Money market funds	<u>621,183</u>	<u>473,347</u>
Total investments	<u>25,931,203</u>	<u>26,597,091</u>
Receivables:		
Members' contributions, net	143,875	135,303
Employers' contributions, net	143,741	135,168
Other receivables	<u>62,296</u>	<u>62,424</u>
Total receivables	<u>349,912</u>	<u>332,895</u>
Capital assets, net of accumulated depreciation	<u>21,872</u>	<u>16,786</u>
Total assets	28,663,200	29,495,504
Deferred outflows of resources from pension	<u>155,592</u>	<u>221,518</u>
Total assets and deferred outflows of resources	<u>28,818,792</u>	<u>29,717,022</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES</u>		
<u>AND FIDUCIARY NET POSITION</u>		
Accounts payable and accrued expenses	17,173	25,585
Net pension liability	<u>834,733</u>	<u>865,567</u>
Total liabilities	851,906	891,152
Deferred inflows of resources from pension	<u>208,139</u>	<u>212,764</u>
Total liabilities and deferred inflows of resources	<u>1,060,045</u>	<u>1,103,916</u>
Fiduciary net position - held in trust for pension benefits	<u>\$ 27,758,747</u>	<u>\$ 28,613,106</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Additions:		
Employers' contributions	\$ 3,596,124	\$ 3,519,989
Members' contributions	<u>3,598,146</u>	<u>3,507,075</u>
	<u>7,194,270</u>	<u>7,027,064</u>
Investment income:		
Net appreciation in fair value of investments	386,421	714,251
Dividends	526,622	445,810
Interest	287,556	221,923
Investment expenses	<u>(195,486)</u>	<u>(197,154)</u>
Total investment income	<u>1,005,113</u>	<u>1,184,830</u>
Other income	<u>1,384,745</u>	<u>1,221,493</u>
Total additions	<u>9,584,128</u>	<u>9,433,387</u>
Deductions:		
Benefit and refund payments:		
Normal and early retirement	7,322,026	7,054,343
Survivors	1,983,289	1,997,658
Refunds to terminated employees	475,727	420,395
Disability	124,160	102,783
Lump sum death disbursement	<u>28,894</u>	<u>151,510</u>
Total benefits	9,934,096	9,726,689
Administrative expenses	<u>504,391</u>	<u>503,069</u>
Total deductions	<u>10,438,487</u>	<u>10,229,758</u>
Net decrease	(854,359)	(796,371)
Fiduciary net position held in trust for pension benefits:		
Beginning of year	<u>28,613,106</u>	<u>29,409,477</u>
End of year	<u>\$ 27,758,747</u>	<u>\$ 28,613,106</u>

See accompanying notes to financial statements.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2019 and 2018

(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 multiple 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, 2019 and 2018, 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, 2017 (the valuation date):

Inactive members currently receiving benefits	1,576
Inactive members entitled to but not yet receiving benefits	1,162
Active members	<u>3,422</u>
Total members	<u>6,160</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, 2019 and 2018

(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, 2019 and 2018

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

Pension Benefits, Continued

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

<u>Factor</u>	<u>If the Spouse or Beneficiary is:</u>
1.00	21 or more years older than the member
0.95	16 to 20 years older than the member
0.90	11 to 15 years older than the member
0.85	6 to 10 years older than the member
0.80	0 to 5 years younger than the member or 0 to 5 years older than the member
0.75	6 to 10 years younger than the member
0.70	11 to 15 years younger than the member
0.65	16 or more years younger than the member

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

A member that meets the requirements for early retirement and elects to retire on an early retirement date is entitled to receive payment of an early retirement benefit equal to the member's normal retirement benefit reduced according to the following schedule based on the age at which early retirement benefit payments begin:

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

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

- If the former member is not an employee at his date of death and a spouse or beneficiary survives, the total death benefits payable shall be the actuarial equivalent of the member's present value of accrued benefit.
- If the member is an employee at his date of death and a spouse or beneficiary survives, the total death benefit payable shall be the actuarial equivalent of the greater of 3 times the member's average annual salary or the member's present value of accrued benefits.

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

- If the former member is not an employee at the date of death, a refund of the total amount of contributions made by the member.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2019 and 2018

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

Pension Benefits, Continued

- If the member was an employee at the date of death and had completed one year of total service, the estate of the member shall be entitled to a death benefit equal to the greater of three times the member's annual salary or the present value of the member's accrued benefit payable in the form of a single lump sum payment.

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

Member Contributions

Member contribution rates are established by RPPL No. 2-26 at six percent of total payroll and are deducted from the member's salary and remitted by participating employers. Upon complete separation from service, a member with less than fifteen years' membership service may elect to receive a refund of all of his or her contributions. Subsequent changes in the percentage contributed by members may be made through an amendment of the Trust Fund Operation Plan subject to the requirements of Title 6 of the Palau National Code. RPPL 9-2 requires each employee of the National Government and all State Governments, without regard to whether the employee is employed part-time or on a temporary basis, seasonal or an impermanent basis, to contribute to the Fund through payroll deduction.

Employer and Other Contributions

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

Plan Administration

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

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2019 and 2018

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

New Accounting Standards

During the year ended September 30, 2019, the Fund implemented the following pronouncements:

- GASB 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.
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements.

The implementation of these statements did not have a material effect on the Fund's 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 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.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The provisions in Statement No. 89 are effective for fiscal years beginning after December 15, 2019. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The provisions in Statement No. 90 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.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2019 and 2018

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

New Accounting Standards, Continued

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The provisions in Statement No. 91 are effective for fiscal years beginning after December 15, 2020. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

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, 2019 and 2018 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 performed as of October 1, 2017.

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, 2019 and 2018, 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.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2019 and 2018

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

Cash and Cash Equivalents and Time Certificates of Deposit, Continued

As of September 30, 2019 and 2018, total cash and cash equivalents were maintained in a Federal Deposit Insurance Corporation (FDIC) insured bank and amounted to \$481,412 and \$627,833, respectively, with corresponding bank balances of \$496,836 and \$671,865, 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.

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. The Fund 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 recorded a \$2,000,000 recovery for the year ended September 30, 2016 and TCDs of \$1,965,899 (recovery less dividends). For the years ended September 30, 2019 and 2018, the Fund received dividends of \$24,000 and other disbursements of \$18,098 and \$22,500 related to the 1,500 shares of common stock, respectively. As of September 30, 2019 and 2018, the Fund has recorded TCDs of \$1,878,801 and \$1,920,899, respectively.

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, 2019 and 2018 and the Fund recorded a 100% valuation allowance for these TCDs.

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.

REPUBLIC OF PALAU
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Notes to Financial Statements
September 30, 2019 and 2018

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

Investments, Continued

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

General:

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

REPUBLIC OF PALAU
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Notes to Financial Statements
September 30, 2019 and 2018

(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.

REPUBLIC OF PALAU
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Notes to Financial Statements
September 30, 2019 and 2018

(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 may be 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, 2019 and 2018:

	<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, 2019 and 2018

(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 \$5,085 and \$1,415 in 2019 and 2018, 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, 2019 and 2018

(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 measurement date of September 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 4.40%. 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, 2019 and 2018.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2019 and 2018

(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, 2019 and 2018:

Investment Type	Fair Value	2019 Investment Maturities (In Years)				Moody's Rating
		Less Than 1	1 - 5	6 - 10	More Than 10	
Mortgage and asset backed securities	\$ 1,638,496	\$ 269,800	\$ 1,368,696	\$ -	\$ -	Aaa
Mortgage and asset backed securities	53,692	-	53,692	-	-	Not rated
Government bonds	2,094,844	-	94,852	-	1,999,992	Aaa
Corporate bonds	115,959	-	115,959	-	-	Aa1
Corporate bonds	1,262,971	-	1,262,971	-	-	A1
Corporate bonds	2,160,753	-	2,023,033	137,720	-	A2
Corporate bonds	1,668,937	-	1,341,124	327,813	-	A3
Corporate bonds	311,186	-	311,186	-	-	Not rated
	<u>\$ 9,306,838</u>	<u>\$ 269,800</u>	<u>\$ 6,571,513</u>	<u>\$ 465,533</u>	<u>\$ 1,999,992</u>	

Investment Type	Fair Value	2018 Investment Maturities (In Years)				Moody's Rating
		Less Than 1	1 - 5	6 - 10	More Than 10	
Mortgage and asset backed securities	\$ 734,948	\$ 734,948	\$ -	\$ -	\$ -	Aaa
Mortgage and asset backed securities	662,390	-	-	552,829	109,561	Not rated
Government bonds	4,301,599	-	665,312	1,930,741	1,705,546	Aaa
Corporate bonds	301,772	185,274	116,498	-	-	Aa1
Corporate bonds	1,298,380	-	1,002,592	295,788	-	A1
Corporate bonds	900,317	-	732,042	168,275	-	A2
Corporate bonds	1,036,661	-	550,386	486,275	-	A3
	<u>\$ 9,236,067</u>	<u>\$ 920,222</u>	<u>\$ 3,066,830</u>	<u>\$ 3,433,908</u>	<u>\$ 1,815,107</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, 2019 and 2018:

	Total	2019 Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level				
Debt securities				
U.S. Treasury Bonds	\$ 2,094,844	\$ 2,094,844	\$ -	\$ -
Federal Home Loan Mortgage Corporation	1,638,496	-	1,638,496	-
Federal National Mortgage Association	53,692	-	53,692	-
Corporate bonds	5,519,806	-	5,519,806	-
Total debt securities	<u>9,306,838</u>	<u>2,094,844</u>	<u>7,211,994</u>	<u>-</u>
Equity securities				
Real Estate Investment Trusts	2,297,465	2,297,465	-	-
Other - U.S. equities	4,596,652	4,596,652	-	-
Other - Non- U.S. equities	6,591,403	6,591,403	-	-
Total equity securities	<u>13,485,520</u>	<u>13,485,520</u>	<u>-</u>	<u>-</u>
Total investments by fair value level	22,792,358	\$ <u>15,580,364</u>	\$ <u>7,211,994</u>	\$ <u>-</u>
Investments measured at the net asset value (NAV)				
Mutual funds	2,517,662			
Investments measured at amortized cost				
Money market investments	<u>621,183</u>			
	<u>\$ 25,931,203</u>			

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2019 and 2018

(2) Investments, Continued

Fair Value Measurement, Continued

	Total	2018		
		Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level				
Debt securities				
U.S. Treasury Bonds	\$ 4,301,599	\$ 4,301,599	\$ -	\$ -
Federal National Mortgage Association	504,019	-	504,019	-
Federal Home Loan Mortgage Corporation	893,319	-	893,319	-
Corporate bonds	3,537,130	-	3,537,130	-
Total debt securities	<u>9,236,067</u>	<u>4,301,599</u>	<u>4,934,468</u>	<u>-</u>
Equity securities				
Real Estate Investment Trusts	2,377,754	2,377,754	-	-
Other - U.S. equities	5,138,212	5,138,212	-	-
Other - Non- U.S. equities	6,664,124	6,664,124	-	-
Total equity securities	<u>14,180,090</u>	<u>14,180,090</u>	<u>-</u>	<u>-</u>
Total investments by fair value level	23,416,157	\$ <u>18,481,689</u>	\$ <u>4,934,468</u>	\$ <u>-</u>
Investments measured at the net asset value (NAV)				
Mutual funds	2,707,587			
Investments measured at amortized cost				
Money market investments	<u>473,347</u>			
	\$ <u>26,597,091</u>			

(3) Net Pension Liability

The components of the net pension liability of the Fund as of September 30, 2019 and 2018 are as follows:

	2019	2018
Total pension liability	\$ 279,481,890	\$ 288,804,482
Fiduciary net position	<u>(28,613,106)</u>	<u>(29,409,477)</u>
Net pension liability	\$ <u>250,868,784</u>	\$ <u>259,395,005</u>
Fiduciary net position as a percentage of the total pension liability	10.24%	10.18%

Actuarial Assumptions

The total pension liability was determined for measurement date of September 30, 2018 by an actuarial valuation as of October 1, 2017, 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, including price inflation
Inflation:	3.0%
Interest on Member Contributions:	5.0% per year
Salary Increase:	3.0% per year

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2019 and 2018

(3) Net Pension Liability, Continued

Actuarial Assumptions, Continued

Expenses:	\$300,000 added to normal cost	
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% for ages 20 to 39; none for all other ages	
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	
Marriage Assumption:	80% of the workers are assumed to be married and males are assumed to be 3 years older than their spouses. Beneficiaries are assumed to be the opposite gender of the member.	
Duty vs Non-duty related disability:	100% Duty related	
Refund of Contributions:	80% of terminated vested members elect a refund of contributions	
Final Average Earnings:	Deferred vested members missing data for their final average earnings are assumed to have earned the average amount of current deferred vested members.	
Benefits:	Retirees and beneficiaries missing data for their monthly benefit amount are assumed to receive the average benefit of current retirees or beneficiaries, respectively.	

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2019 and 2018

(3) Net Pension Liability, Continued

Long-Term Expected Rate of Return

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

Based on the September 30, 2018 actual valuation, the arithmetic real mean rates of return for each major investment class are as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Rate of Return</u>
US Large Cap Equity	20%	8.70%
US Small/Mid Cap Equity	5%	9.13%
International Equity	15%	9.19%
Emerging Markets	10%	12.52
US Aggregate Fixed Income	35%	3.82%
Global Broad Fixed Income	10%	3.40%
Global REIT	<u>5%</u>	8.33%
	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 4.16% at the current measurement date from 3.62% 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 2023 for the 2017 measurement date. For years on or after 2023, a discount rate of 4.09% 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 as of September 30, 2018, calculated using the discount rate of 4.16%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (3.16%) or 1.00% higher (5.16%) from the current rate.

<u>1% Decrease 3.16%</u>	Current Single Discount Rate <u>Assumption 4.16%</u>	<u>1% Increase 5.16%</u>
\$ 288,518,016	\$ 250,868,784	\$ 219,470,889

Schedule of Changes in Net Pension Liability

Based on the September 30, 2018 and 2017 measurement dates, the changes in net pension liability were as follows:

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2019 and 2018

(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)
Balance at 09/30/17	\$ <u>278,875,273</u>	\$ <u>29,421,313</u>	\$ <u>249,453,960</u>
Changes for the year:			
Service cost	8,610,570	-	8,610,570
Interest	8,422,663	-	8,422,663
Difference between expected and actual experience	27,975,168	-	27,975,168
Assumption changes	(25,315,236)	-	(25,315,236)
Employers' contributions	-	3,412,047	(3,412,047)
Members' contributions	-	3,410,992	(3,410,992)
Net investment income	-	3,303,967	(3,303,967)
Benefit payments, including refunds of members' contributions	(9,763,956)	(9,763,956)	-
Administrative expense	-	(374,886)	374,886
Recovery and other income	-	-	-
Net changes	<u>9,929,209</u>	<u>(11,836)</u>	<u>9,941,045</u>
Balance at 09/30/18	<u>288,804,482</u>	<u>29,409,477</u>	<u>259,395,005</u>
Changes for the year:			
Service cost	9,253,291	-	9,253,291
Interest	10,615,203	-	10,615,203
Assumption changes	(19,464,397)	-	(19,464,397)
Employers' contributions	-	3,519,989	(3,519,989)
Members' contributions	-	3,507,075	(3,507,075)
Net investment income	-	2,406,323	(2,406,323)
Benefit payments, including refunds of members' contributions	(9,726,689)	(9,726,689)	-
Administrative expense	-	(503,069)	503,069
Recovery and other income	-	-	-
Net changes	<u>(9,322,592)</u>	<u>(796,371)</u>	<u>(8,526,221)</u>
Balance at 09/30/19	\$ <u>279,481,890</u>	\$ <u>28,613,106</u>	\$ <u>250,868,784</u>

Defined Benefit Plan

Pension Liability. At September 30, 2019 and 2018, the Fund reported a liability of \$834,733 and \$865,567, 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, 2019 and 2018, the Fund's proportion was 0.3327% and 0.3337%, respectively.

Pension Expense. For the years ended September 30, 2019 and 2018, the Fund recognized pension expense of \$42,985 and \$58,064, respectively.

Deferred Outflows and Inflows of Resources. At September 30, 2019 and 2018, the Fund reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2019 and 2018

(3) Net Pension Liability, Continued

Defined Benefit Plan, Continued

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 65,826	\$ 12,465	\$ 79,682	\$ 16,917
Change of assumptions	74,634	115,218	101,210	81,997
Net difference between projected and actual earnings				
on pension plan investments	2,376	3,638	4,765	4,230
Contributions subsequent to measurement date	12,518	-	11,599	-
Changes in proportion and difference between the Fund's contributions and proportionate share of contributions	<u>238</u>	<u>76,818</u>	<u>24,262</u>	<u>109,620</u>
	<u>\$ 155,592</u>	<u>\$ 208,139</u>	<u>\$ 221,518</u>	<u>\$ 212,764</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, 2019 will be recognized in pension expense as follows:

Year ending September 30,

2020	\$ (19,747)
2021	\$ (12,860)
2022	\$ (8,994)
2023	\$ (3,214)
2024	\$ (10,427)
Thereafter	\$ (9,823)

(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 \$154,571 and \$155,650 from PCC employees during the years ended September 30, 2019 and 2018, respectively, \$5,400 and \$4,977 of which refers to contributions for prior years.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2019 and 2018

(4) Republic of Palau, Continued

Pachinko, Continued

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, 2019 and 2018, 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 \$149,171 and \$159,692 from PCC for employer contributions during the years ended September 30, 2019 and 2018, 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.

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, 2019 and 2018, remittance taxes of \$437,962 and \$450,072, respectively, were recorded within other income in the accompanying financial statements. The Fund has recorded receivables from remittance taxes of \$42,681 and \$39,637 as of September 30, 2019 and 2018, respectively.

RPPL 10-25 appropriated, and ROP disbursed, \$887,871 and \$534,650 to the Fund for payment of interest related to delinquent prior year contributions for fiscal years 2019 and 2018, respectively. The amounts are recorded within other income in the accompanying financial statements.

(5) Administrative Expenses

A summary of the administrative expenses for the years ended September 30, 2019 and 2018, is set forth below:

	<u>2019</u>	<u>2018</u>
Salaries and wages	\$ 204,148	\$ 193,585
Professional fees	89,555	100,329
Conference expenses	42,552	31,186
Staff training	35,675	37,038
Employee benefits	19,341	18,461
Communications	4,383	10,645
Office supplies	3,726	7,223
Utilities	7,164	6,412
Bank charges	6,411	6,347
Board compensation	3,200	3,350
Miscellaneous	<u>45,251</u>	<u>30,429</u>
Total administrative expense before pension expense	461,406	445,005
Pension expense:		
Pension contribution	12,518	11,599
GASB 68 adjustment	<u>30,467</u>	<u>46,465</u>
	<u>\$ 504,391</u>	<u>\$ 503,069</u>

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2019 and 2018

(6) Contingency

The Fund's actuarial valuation has determined that the Fund has a net pension liability of \$250,868,784 which would cause the Fund's fiduciary net position to become negative in 2023. On April 26, 2017, the Board of Trustees adopted a formal funding plan to correct the potential funding deficiency. On September 27, 2017, RPPL 10-12 was enacted which appropriated \$150,000 from ROP to the Fund for the "CSPP Reform Options Actuarial Study". The purpose of the actuarial study is to determine viable options toward a comprehensive reform that will ensure long-term financial viability of the Fund. The funding plan and recommendations from the actuarial study have not yet been implemented.

(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, 2019

	2018 Valuation	2017 Valuation	2016 Valuation	2015 Valuation	2014 Valuation	2013 Valuation
Total Pension Liability						
Service cost	\$ 9,253,291	\$ 8,610,570	\$ 6,858,499	\$ 6,086,938	\$ 4,638,484	\$ 5,913,261
Interest cost	10,615,203	8,422,663	9,414,565	10,085,993	10,319,767	9,146,830
Difference between expected and actual experience	-	27,975,168	-	(9,041,017)	-	-
Assumptions changes	(19,464,397)	(25,315,236)	28,447,659	8,361,854	15,568,918	(17,639,038)
Benefit changes	-	-	-	-	-	(6,941,763)
Benefit payments	(9,726,689)	(9,763,956)	(9,506,766)	(9,403,007)	(9,298,152)	(8,930,543)
Net change in total pension liability	(9,322,592)	9,929,209	35,213,957	6,090,761	21,229,017	(18,451,253)
Total pension liability - beginning	288,804,482	278,875,273	243,661,316	237,570,555	216,341,538	234,792,791
Total pension liability - ending	<u>\$ 279,481,890</u>	<u>\$ 288,804,482</u>	<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	\$ 3,519,989	\$ 3,412,047	\$ 3,177,790	\$ 2,909,824	\$ 2,820,693	\$ 2,506,605
Employee contributions	3,507,075	3,410,992	3,149,619	2,920,101	2,797,512	2,515,177
Pension plan net investment income (loss)	2,406,323	3,303,967	2,337,406	(1,219,199)	3,077,767	2,628,027
Benefit payments	(9,726,689)	(9,763,956)	(9,506,766)	(9,403,007)	(9,298,152)	(8,930,543)
Pension plan administrative expense	(503,069)	(374,886)	(426,021)	(381,902)	(369,703)	(1,905,747)
Recovery and other income	-	-	2,574,145	-	-	-
Net change in plan fiduciary net position	(796,371)	(11,836)	1,306,173	(5,174,183)	(971,883)	(3,186,481)
Plan fiduciary net position - beginning	29,409,477	29,421,313	28,115,140	33,289,323	34,261,206	37,447,687
Plan fiduciary net position - ending	<u>\$ 28,613,106</u>	<u>\$ 29,409,477</u>	<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>\$ 250,868,784</u>	<u>\$ 259,395,005</u>	<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 total pension liability	10.24%	10.18%	10.55%	11.54%	14.01%	15.84%
Covered employee payroll	58,666,483	57,893,300	52,963,167	48,497,067	47,011,550	41,776,750
Net pension liability as a percentage of covered employee payroll	427.62%	448.06%	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.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Schedule of Contributions
September 30, 2019

<u>Actuarial Valuation Ending 09/30</u>	<u>Actuarially Employer 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%
2017	\$ 17,178,902	\$ 3,473,598	\$ 13,705,304	\$ 57,893,300	6.00%
2018	\$ 17,312,479	\$ 3,519,989	\$ 13,792,490	\$ 58,666,483	6.00%

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.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Schedule of Investment Rates of Return
September 30, 2019

	<u>2018</u> <u>Valuation</u>	<u>2017</u> <u>Valuation</u>	<u>2016</u> <u>Valuation</u>	<u>2015</u> <u>Valuation</u>	<u>2014</u> <u>Valuation</u>	<u>2013</u> <u>Valuation</u>
Average money-weighted rate of return net of investment expense	4.40%	11.23%	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.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Required Supplementary Schedules
September 30, 2019

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

Valuation Date:	September 30, 2018, which was based on the results of the October 1, 2017 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, 2019

(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, 2019

	<u>Face Value</u>	<u>Cost</u>	<u>Fair Value</u>	
<u>Money Market Funds</u>				
Ramond James Bank N.A. - Account#32611808	\$ 7	\$ 7	\$ 7	
Goldman Sachs Bank USA - Account#79965329	17,022	17,022	17,022	
Goldman Sachs Bank USA - Account#78895568	245,143	245,143	245,143	
Raymond James Bank N.A. - Account#78895568	6,106	6,106	6,106	
Goldman Sachs Bank USA - Account#79965310	91,071	91,071	91,071	
Raymond James Bank N.A. - Account#79965310	9,402	9,402	9,402	
Goldman Sachs Bank USA - Account#79965292	25,543	25,543	25,543	
Ramond James Bank N.A. - Account#79965292	69	69	69	
US Bank National Association - Account#79965292	7	7	7	
Goldman Sachs Bank USA - Account#78895530	166,194	166,194	166,194	
Client Interest Program - Account#78895549	34,595	34,595	34,595	
Goldman Sachs Bank USA - Account#116DY086	26,024	26,024	26,024	
Total Money Market Funds	<u>\$ 621,183</u>	<u>\$ 621,183</u>	<u>\$ 621,183</u>	
<u>Mutual Funds</u>				
Templeton Global Bond Fund Advisor - Account #58113280	<u>235,296</u>	<u>\$ 3,052,354</u>	<u>\$ 2,517,662</u>	
Total Mutual Funds	<u>235,296</u>	<u>\$ 3,052,354</u>	<u>\$ 2,517,662</u>	
<u>Obligations of U.S. Government and Agencies</u>				
<u>Government Sponsored Enterprise Securities (GSE)</u>				
Federal Home Loan Banks Debenture QTRLY Actual/360 .0100%, due 05/08/20	\$ 270,000	\$ 269,924	\$ 269,800	Aaa
Federal Home Loan Banks Debenture QTRLY Actual/360 .0100%, due 12/18/20	545,000	545,000	544,221	Aaa
Federal Home Loan Banks Debenture QTRLY Actual/360 .0100%, due 01/04/21	320,000	320,000	319,667	Aaa
Federal Home Loan Banks Debenture QTRLY Actual/360 .0100%, due 09/13/21	505,000	505,000	504,808	Aaa
	<u>1,640,000</u>	<u>1,639,924</u>	<u>1,638,496</u>	
<u>Mortgage and Asset Backed Securities</u>				
Fannie Mae Pool #995517 FNMA CONV Intermediate 15yr 5.5%, due 01/01/24	<u>3,200,000</u>	<u>51,498</u>	<u>53,692</u>	Not rated
	<u>3,200,000</u>	<u>51,498</u>	<u>53,692</u>	
<u>Governmental Bonds</u>				
U.S. Treasury Bonds @ 6.25%, due 05/15/30	330,000	457,801	476,012	Aaa
U.S. Treasury Bonds @ 2.875%, due 08/15/45	430,000	410,319	495,493	Aaa
U.S. Treasury Bonds @ 2.5%, due 05/15/46	955,000	853,989	1,028,487	Aaa
U.S. Treasury Notes Qtrly 0.01%, due 04/30/21	95,000	94,896	94,852	Aaa
	<u>1,810,000</u>	<u>1,817,005</u>	<u>2,094,844</u>	
Total Obligations of U.S. Government and Agencies	<u>\$ 6,650,000</u>	<u>\$ 3,508,427</u>	<u>\$ 3,787,032</u>	
<u>Corporate Bonds</u>				
American Express Company NTS Qtrly Actual/360 .0100%, due 08/01/22	\$ 270,000	\$ 268,850	\$ 270,605	A3
Apple Inc. NTS Qtrly Actual/360 2.6845%, due 02/09/22	115,000	116,624	115,959	Aa1
BB&T Corporation MTN Qtrly Actual/360 2.9688%, due 04/01/22	205,000	206,784	205,888	A2
Bank of America Corp MTN Qtrly Actual/360 3.4376%, due 01/20/23	240,000	243,276	242,878	A2
Bank of America Corporation MTN Qtrly Actual/360 2.7562%, due 06/25/22	165,000	165,227	165,589	A2
Bank of New York Mellon (3MO LIBOR+105BP) 3.3157%, due 10/30/23	290,000	292,424	294,927	A1
CitiGroup Inc. (3MO LIBOR+110BP) 3.2237%, due 05/17/24	180,000	181,242	181,568	A3
CitiGroup Inc. (3MO LIBOR+102.3BP) 3.1606%, due 06/01/24	225,000	225,752	226,490	A3
Comcast Corporation NTS Qtrly Actual/360 2.9333%, due 04/15/24	180,000	179,748	181,116	A3
John Deere Capital Corporation MTN Qtrly Actual/360 .0100%, due 06/07/23	180,000	180,836	180,536	A2
The Walt Disney Company MTN OID Qtrly Actual/360 2.5227%, due 03/04/22	140,000	141,287	140,536	A2
Fifth Third Bank of Cincinnati MTN Qtrly 2.8931%, due 02/01/22	310,000	310,000	311,186	Not rated
Goldman Sachs Group Inc. MTN Qtrly Actual/360 3.7173%, due 11/29/23	240,000	245,864	247,200	A3
Goldman Sachs Group Inc. NTS 3.8140%, due 04/23/29	135,000	125,646	143,331	A3
IBM Credit LLC NTS Qtrly Actual/360 2.5376%, due 01/20/21	140,000	140,139	140,129	A2
Intel Corporation NTS Qtrly Actual/360 2.5310%, due 05/11/22	280,000	281,829	281,495	A1
JP Morgan Chase & Co. NTS Qtrly Actual/360 3.3033%, due 01/15/23	380,000	382,459	382,964	A2
Morgan Stanley MTN OID 3.5910%, due 07/22/28	175,000	165,422	184,482	A3
Morgan Stanley MTN Qtrly Actual/360 3.6827%, due 10/24/23	230,000	231,104	234,145	A3
PNC Bank, National Association NTS Qtrly Actual/360 2.7630%, due 06/10/21	280,000	280,000	280,283	A2
Pepsico Capital Resources, Inc. NTS Qtrly Actual/360 2.6306%, due 05/02/22	275,000	274,621	276,128	A1
U.S. Bank National Association NTS Qtrly Actual/360 2.5876%, due 05/23/22	410,000	410,217	410,421	A1
Wells Fargo & Company NTS OID Qtrly Actual/360 ISIN 3.5723%, due 10/31/23	280,000	285,406	284,230	A2
Wells Fargo & Company MTN OID 3.5840%, due 05/22/28	130,000	125,531	137,720	A2
Total Corporate Bonds	<u>\$ 5,455,000</u>	<u>\$ 5,460,288</u>	<u>\$ 5,519,806</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 Worldwide Hldgs Incorporated (HLT)	228	\$ 21,320	\$ 21,230
Alexander & Baldwin Incorporated New REIT (ALEX)	740	16,854	18,137
Alexandria Real Estate EQ Incorporated REIT (ARE)	433	49,407	66,699
American Tower Corporation New REIT (AMT)	152	21,347	33,612
Americold Rlty TR REIT (COLD)	827	21,127	30,657
Boston Properties Incorporated REIT (BXP)	472	56,271	61,200
Camden Property TR SH Ben Int REIT (CPT)	541	51,280	60,056
Coresite Rlty Corporation REIT (COR)	192	18,793	23,395
Cubesmart REIT (CUBE)	1,044	31,326	36,436
Cyrusone Incorporated REIT (CONE)	228	16,174	18,035
DiamondRock Hospitality Company REIT (DRH)	2,551	25,859	26,148
Duke Realty Corporation Com New REIT (DRE)	1,130	32,464	38,386
Equinix Incorporated Com Par \$0.001 REIT (EQIX)	163	68,580	94,018
Equity Residential SH Ben Int REIT (EQR)	1,164	78,476	100,407
Essex Property TR Incorporated REIT (ESS)	192	48,093	62,717
Extra Space Storage Incorporated REIT (EXR)	534	45,631	62,383
HCP Incorporated REIT (HCP)	1,836	57,026	65,418
Healthcare TR Amer Incorporated Class A New REIT (HTA)	791	22,922	23,240
Highwoods PPTYS Incorporated REIT (HIW)	493	23,463	22,155
Invitation Homes Incorporated REIT (INVH)	1,099	28,992	32,541
JBG Smith PPTYS REIT (JBGS)	752	27,759	29,486
Kilroy Rlty Corporation REIT (KRC)	671	46,708	52,264
Kimco Rlty Corporation REIT (KIM)	1,993	36,839	41,615
MGM Growth PPTYS LLC Class A COM REIT (MGP)	839	24,730	25,212
Paramount Group Incorporated REIT (PGRE)	1,096	15,492	14,632
Pebblebrook Hotel TR REIT (PEB)	1,143	36,358	31,798
Prologis Incorporated REIT (PLD)	1,342	73,012	114,365
Regency CTRS Corporation REIT (REG)	589	38,877	40,930
Simon Property Group Incorporated New REIT (SPG)	639	116,925	99,460
Sun CMNTYS Incorporated REIT (SUI)	350	30,324	51,958
Terreno Rlty Corporation REIT (TRNO)	435	17,002	22,224
Ventas Incorporated REIT (VTR)	781	45,039	57,032
Subtotal - Account #79965329	25,440	1,244,470	1,477,846
ABB Limited Sponsored ADR (Switzerland) (ABB)	3,212	62,724	63,180
ABN AMRO BK N Vamsterdam BRH Unsporsord ADS (Netherlands) (AAVMY)	2,474	44,198	43,627
AIA Group Limited Sponsored ADR (Hong Kong) (AAGIY)	1,915	66,039	72,356
Anheuser Busch Inbev SA/NV Sponsored ADR (Belgium) (BUD)	1,256	118,402	119,508
ASSA Abloy AB ADR (Sweden) (ASAZY)	9,684	74,305	107,899
Atos Origin SA Unspord ADR (France) (AEXAY)	1,903	31,078	26,838
BHP Billiton Limited Sponsored ADR (Australia) (BHP)	1,095	32,471	54,071
Canadian Natl RY Company (Canada) (CNI)	511	32,186	45,911
Carlsberg AS Sponsored ADR (Denmark) (CABGY)	2,185	37,873	64,606
Compagnie Fin Richemont AG SWI ADR (Switzerland) (CFRUY)	4,388	37,693	32,221
Compass Group PLC Sponsored ADR (United Kingdom) (CMPGY)	2,558	46,471	65,976
Continental AG Sponsored ADR (Singapore) (DBSDY)	2,802	41,100	35,955
DBS Group Hldgs Limited Sponsored ADR (Singapore) (DBSDY)	1,003	53,664	72,529
Daiwa House IND Limited ADR (Japan) (DWAHY)	2,386	43,681	77,402
Engie Spons ADR (France) (ENGIY)	5,179	75,566	84,578
Equinor ASA Sponsored ADR (Norway) (EQNR)	1,632	26,386	30,926
Ferguson PLC Sponsored ADR (Jersey) (Fergy)	5,771	30,869	42,273
Genmab A S Sponsored ADR (Denmark) (GMAB)	1,095	22,160	22,185
Informa PLC Sponsored ADR NE (United Kingdom) (IFJPY)	1,972	30,525	41,408
KAO Corporation Unsporsord ADS (Japan) (KAOOY)	3,753	46,654	55,451
Komatsu Limited Spon ADR New (Japan) (KMTUY)	2,762	64,379	63,253
Lonza Group AG Unsporsord AdR (Switzerland) (LZAGY)	1,434	45,478	48,521
Makita Corporation Sponsored ADR (Japan) (MKTAY)	1,325	38,942	41,685
Mowi ASA Sponsored ADS (Norway) (MHGVY)	1,098	26,621	25,366
Nordea BK ABP Sponsored ADS (Finland) (NRDBY)	8,939	98,906	63,467
Novartis A G Sponsored ADR (Switzerland) (NVS)	1,583	108,909	137,563
Prudential PLC ADR (United Kingdom) (PUK)	2,925	103,985	106,441
Red Electrica Corporacion SA Unsporsord ADR (Spain) (RDEIY)	3,788	39,820	38,479
RELX PLC Sponsored ADR (United Kingdom) (RELX)	4,259	82,633	101,023
Royal DSM N V Spon ADT (Netherlands) (RDSMY)	1,647	44,930	49,558
Royal Dutch Shell PLC Spons ADR A (Netherlands) (RDS.A)	1,974	112,796	116,170
Ryanair Hldgs PLC Sponsored ADS (Ireland) (RYAAY)	696	57,382	46,200
Ryohin Keikaku Company Limited Unsporsord ADR (Japan) (RYKKY)	2,706	54,781	50,526
Safran S A Spon ADR (France) (SAFRY)	3,377	91,550	132,952
Sampo OYJ ADR (Finland) (SAXPY)	3,783	78,509	75,225
Sanofi Sponsored ADR (France) (SNY)	2,371	104,615	109,848
SAP SE SPON ADR (Germany) (SAP)	1,167	104,185	137,554
Shin Etsu Chemical Company Limited ADR (Japan) (SHECY)	2,581	59,595	69,019
Sumitomo Mitsui FINL Group Incorporated Sponsored ADR (Japan) (SMFG)	10,081	88,199	68,954
Suncor Energy Incorporated New (Canada) (SU)	2,529	81,557	79,820
Suzuki MTR Corporation Unsporsord ADR (Japan) (SZKMY)	259	51,506	43,971

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	Number of Shares	Cost	Fair Value
<u>Corporate Stock, Continued</u>			
Telenor ASA Sponsored ADR (Norway) (TELNY)	3,624	75,865	72,813
Ubisoft Entertainment SA ADR (France) (UBSFY)	2,369	38,949	34,268
Unilever PLC Spon ADR New (United Kingdom) (UL)	1,747	75,698	104,995
Vinci S A ADR (France) (VCISY)	1,877	30,522	50,555
Vivendi SA Unsponsor ADR (France) (VIVHY)	3,557	91,141	97,643
Volkswagen AG Unsponsor ADS (Germany) (VWAPY)	5,707	99,941	97,099
Wolters Kluwer N V Sponsored ADR (Netherlands) (WTKWY)	1,097	36,971	80,105
Zozo Incorporated Unsponsor ADR (Japan) (SRTTY)	5,091	19,499	23,480
Aon PLC SHS CL A (United Kingdom) (AON)	633	61,631	122,530
Accenture PLC Ireland SHS Class A (Ireland) (ACN)	539	66,294	103,677
Medtronic PLC SHS (Ireland) (MDT)	1,267	104,932	137,622
Alcon Incorporated ORD SHS (Switzerland) (ALC)	316	15,131	18,427
Subtotal - Account #78895568	<u>145,882</u>	<u>3,209,897</u>	<u>3,707,709</u>
Acadia Healthcare Company Incorporated (ACHC)	1,050	47,180	32,634
Adobe Systems Incorporated (ADBE)	420	34,225	116,025
Ameriprise FINL Incorporated (AMP)	460	43,642	67,666
Amgen Incorporated (AMGN)	380	60,703	73,533
Ansys Incorporated (ANSS)	370	34,699	81,903
BOK Finl Corporation COM NEW (BOKF)	430	24,413	34,035
Banco Bilbao Vizcaya Argentari Sponsored ADR (Spain) (BBVA)	7,590	54,762	39,468
Bank Amer Corporation (BAC)	2,790	45,792	81,384
Capital One Finl Corporation (COF)	630	49,946	57,317
Coca Cola Company (KO)	1,370	57,504	74,583
Cullen Frost Bankers Incorporated (CFR)	420	27,768	37,191
Danaher Corporation DEL (DHR)	681	54,268	98,357
East West Bancorp Incorporated (EWBC)	890	48,619	39,418
General Dynamics Corporation (GD)	330	42,877	60,301
Halliburton Company (HAL)	1,267	63,358	23,883
Home Depot Incorporated (HD)	310	30,643	71,926
JP Morgan Chase & Company (JPM)	460	29,693	54,137
Lennar Corporation Class A (LEN)	1,210	53,490	67,579
Lennar Corporation Class B (LEN.B)	27	977	1,198
Martin Marietta Matls Incorporated (MLM)	280	38,206	76,748
Microsoft Corporation (MSFT)	830	38,365	115,395
Microchip Technology Incorporated (MCHP)	830	35,171	77,115
Mitsubishi UFJ Finl Group Incorporated Sponsored ADS (Japan) (MUFG)	6,670	41,324	33,884
National Fuel Gas Company N J (NFG)	941	48,230	44,152
Novartis A G Sponsored ADR (Switzerland) (NVS)	640	47,575	55,616
Oshkosh Corporation (OSK)	860	41,421	65,188
PPG Industries Incorporated (PPG)	550	56,937	65,181
Parker Hannifin Corporation (PH)	360	60,962	65,020
Paypal Hldgs Incorporated (PYPL)	760	25,165	78,728
Phillips 66 (PSX)	650	53,659	66,560
Pioneer NAT RES Company (PXD)	250	42,424	31,443
Sony Corporation Sponsored ADR (Japan) (SNE)	1,080	53,888	63,860
Twitter Incorporated (TWTR)	1,470	48,166	60,564
Tyson Foods Incorporated Class A (TSN)	815	66,616	70,204
Unilever N V N Y SHS New (Netherlands) (UN)	990	42,823	59,430
Walgreens Boots Alliance Incorporated (WBA)	720	56,386	39,823
Allegion Pub Limited Company ORD SHS (Ireland) (ALLE)	590	61,743	61,154
Johnson Controls International PLC SHS (Ireland) (MDT)	1,440	52,068	63,201
Medtronic PLC SHS (Ireland) (MDT)	700	53,936	76,034
Alcon Incorporated ORD SHS (Switzerland) (ALC)	850	47,369	49,569
Chubb Limited (Switzerland) (CB)	360	42,368	58,118
Equity Lifestyle PPTYS Incorporated REIT (ELS)	320	28,121	42,752
Sun CMNTYS Incorporated REIT (SUI)	300	27,456	44,535
Subtotal - Account #79965310	<u>44,341</u>	<u>1,914,938</u>	<u>2,576,812</u>
AAC Technologies Hldgs Incorporated Unsponsor ADR (Cayman Islands) (AACAY)	6,286	52,155	33,278
ASM PAC Technology Limited Unsponsor ADR (Cayman Islands) (ASMVY)	1,338	46,287	49,002
Ambev SA Sponsored ADR (Brazil) (ABEV)	5,494	35,579	25,382
America Movil SAB DE CV SPON ADR L SHS (Mexico) (AMX)	4,537	61,395	67,420
Anhui Conch CEM Company Limited ADR (China) (AHCHY)	1,753	50,614	52,047
BB SEGURIDADE PARTICIPACOES SA Sponsored ADR (Brazil) (BBSEY)	5,955	60,443	50,296
BAIDU Incorporated Spon ADR REP A (Cayman Islands) (BIDU)	316	58,269	32,472
BANCO DO Brasil S A Sponsored ADR (Brazil) (BDORY)	7,794	92,624	85,321
BIDVEST Group Limited Sponsored ADR 08 (South Africa) (BDVSY)	1,262	30,365	31,763
CNOOC Limited Sponsored ADR (Hong Kong) (CEO)	333	49,203	50,699
China Constr BK Corporation ADR (China) (CICHY)	8,067	129,984	123,070
China Mobile Limited Sponsored ADR (Hong Kong) (CHL)	1,400	69,012	57,960
China Shenhua Energy Company Limited ADR (China) (CSUAY)	5,962	60,780	47,881
China Mechants BK Company Limited ADR (China) (CIHKY)	1,990	49,946	47,342
Cielo S A Sponsored ADR (Brazil) (CIOXY)	11,940	76,692	22,937

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<u>Corporate Stock, Continued</u>			
Clicks Group Limited Sponsored ADR (South Africa) (CLCGY)	876	12,336	24,842
Commercial International BK Egypt S A E Sponsored ADR (Egypt) (CIBEY)	9,446	30,770	45,039
ENN Energy Hldgs Limited Un-sponsored ADR (Cayman Islands) (XNGSY)	1,189	26,981	49,202
GAZPROM PJSC Spon ADR (Russia) (OGZPY)	4,657	29,495	32,427
Hengan International Group Co Limited Un-sponsored ADR (Hong Kong) (HEGIY)	1,178	44,104	38,618
Infosys Limited Sponsored ADR (India) (INFY)	7,912	63,935	89,959
KB Financial Group Incorporated Sponsored ADR (Korea (South)) (KB)	1,804	61,489	64,439
Kasikornbank Pub Company Limited Un-sponsored ADR (Thailand) (KPCPY)	1,466	36,223	30,101
Kimberly Clrk De Mex SAB DE CV Spon ADR Com A (Mexico) (KCDMY)	3,608	52,489	36,239
KOC Hldg ADR (Turkey) (KOHLY)	2,817	64,921	47,171
Life Healthcare Grp Hldgs Limited Un-sponsored ADR (South Africa) (LTGHY)	5,044	39,737	30,178
Mobile Telesystems PJSC Sponsored ADR (Russia) (MBT)	3,592	37,205	29,095
Mondi PLC ADR (United Kingdom) (MONDY)	846	37,032	32,486
Motus Holdings Limited Sponsored ADS (South Africa) (MOTUY)	2,519	25,369	11,434
Nedbank Group Limited Sponsored ADR (South Africa) (NDBKY)	1,985	32,965	29,694
Netease Incorporated Sponsored ADS (Cayman Islands) (NTES)	388	45,588	103,278
PJSC Lukoil Sponsored ADR (Russia) (LUKOY)	641	23,599	53,225
PLDT Incorporated Sponsored ADR (Philippines) (PHI)	1,008	43,406	22,176
PT BK Mandiri Persero TBK Un-sponsored ADR (Indonesia) (PPERY)	6,531	56,637	64,180
PT ASTRA International TBK Un-sponsored ADR (Indonesia) (PTAIY)	5,168	64,441	48,057
P T Telekomunikasi Indonesia Sponsored ADR (Indonesia) (TLK)	1,713	36,633	51,578
Sanlam Limited Sponsored ADR (South Africa) (SLLDY)	2,510	23,614	24,691
Sberbank of Russia Sponsored ADR (Russia) (SBRCY)	4,960	48,156	69,628
Shinhan Financial Group Co Limited Spn ADR Restr'd (Korea (South)) (SHG)	1,305	49,548	45,662
Shoprite Hldgs Limited Sponsored ADR (South Africa) (SRGHY)	1,868	34,874	15,108
Standard BK Group Limited Sponsored ADR (South Africa) (SGBLY)	2,621	27,804	30,197
Taiwan Semiconductor Mfg Limited Sponsored ADR (Taiwan) (TSM)	1,928	43,575	89,613
Ternium SA Sponsored ADS (Luxembourg) (TX)	1,242	33,187	23,834
Vodacom Group Limited Sponsored ADR (South Africa) (VDMCY)	3,863	45,630	30,483
Weichai Pwr Company Limited Un-sponsored ADR (China) (WEICY)	7,662	41,474	88,358
Subtotal - Account #78895530	<u>156,774</u>	<u>2,136,565</u>	<u>2,127,862</u>
Abbott Labs (ABT)	503	35,845	42,086
Adobe Systems Incorporated (ADBE)	274	57,859	75,693
Alibaba Group Hldg Limited Sponsored ADS (Cayman Islands) (BABA)	189	33,122	31,606
Alphabet Incorporated Cap Stk Class C (GOOG)	60	43,859	73,140
Alphabet Incorporated Cap Stk Class A (GOOGL)	63	48,720	76,932
Amazon Com Incorporated (AMZN)	99	95,398	171,855
Apple Incorporated (AAPL)	542	117,365	121,392
Astrazeneca PLC Sponsored ADR (United Kingdom) (AZN)	954	39,444	42,520
Automatic Data Processing Incorporated (ADP)	259	30,057	41,808
Boeing Company (BA)	164	61,874	62,397
Costco Wholesale Corporation New (COST)	85	23,394	24,489
Costar Group Incorporated (CSGP)	56	10,326	33,219
Disney Walt Cimpany Com Disney (DIS)	196	25,985	25,543
Exact Sciences Corporation (EXAS)	365	35,117	32,985
Facebook Incorporated Class A (FB)	652	114,250	116,108
Fiserv Incorporated (FISV)	507	34,845	52,520
Five Below Incorporated (FIVE)	227	29,256	28,625
Fortive Corporation (FTV)	367	22,225	25,162
Godaddy Incorporated Class A (GDDY)	540	35,371	35,629
INTUIT (INTU)	217	34,564	57,709
Intuitive Surgical Incorporated Com New (ISRG)	65	34,479	35,095
Lowe's Companies Incorporated (LOW)	549	54,688	60,368
Mastercard Incorporated Class A (MA)	330	35,337	89,618
Mercadolibre Incorporated (MELI)	43	21,428	23,703
Microsoft Corporation (MSFT)	1,446	115,355	201,037
Microchip Technology Incorporated (MCHP)	390	38,305	36,235
Moodys Corporation (MCO)	213	30,072	43,629
Nike Incorporated Class B (NKE)	775	49,701	72,788
Northrop Grumman Corporation (NOC)	99	30,562	37,104
NVIDIA Corporation (NVDA)	181	32,251	31,507
Paypal Hldgs Incorporated (PYPL)	522	38,798	54,074
Peloton Interactive Incorporated Class A Com (PTON)	201	5,395	5,045
Salesforce Com Incorporated (CRM)	675	70,109	100,197
Sherwin Williams Company (SHW)	61	19,110	33,542
Stryker Corporation (SYK)	217	37,552	46,937
Texas Instrs Incorporated (TXN)	250	28,452	32,310
Thermo Fisher Scientific Incorporated (TMO)	126	20,742	36,700
Union Pacific Corporation (UNP)	161	21,483	26,079
Unitedhealth Group Incorporated (UNH)	193	38,676	41,943
V F Corporation (VFC)	382	34,007	33,994
Veeva Systems Incorporated Class A Com (VEEV)	171	14,074	26,110
Visa Incorporated Com Class A (V)	724	44,861	124,535

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<u>Corporate Stock, Continued</u>			
Workday Incorporated Class A (WDAY)	183	32,280	31,103
Xilinx Incorporated (XLNX)	250	19,999	23,975
Zoetis Incorporated Class A (ZTS)	420	23,663	52,328
Linde PLC SHS (Ireland) (LIN)	141	23,244	27,356
Pagseguro Digital Limited Com Class A (Cayman Islands) (PAGS)	532	13,563	24,637
Ferrari N V (Netherlands) (RACE)	310	36,720	47,826
Equinix Incorporated REIT (EQIX)	66	34,271	38,069
Subtotal - Account #78895549	<u>15,995</u>	<u>1,928,053</u>	<u>2,609,262</u>
Antero Midstream Corporation (AM)	2,691	34,595	19,913
Cheniere Energy Incorporated Com New (LNG)	443	27,579	27,936
Kinder Morgan Incorporated DEL (KMI)	1,129	20,078	23,269
Oneok Incorporated New (OKE)	1,027	55,313	75,680
Tallgrass Energy LP Class A SHS (TGE)	595	13,185	11,983
Targa RES Corporation (TRGP)	605	29,400	24,303
TC Energy Corporation (Canada) (TRP)	416	20,995	21,552
Williams Companies Incorporated Del (WMB)	2,739	84,747	65,900
BP Midstream Partners LP Unit Ltd Ptnr	528	10,644	7,709
Cheniere Energy Partners LP Com Unit (CQP)	111	5,084	5,048
DCP Midstream LP Com UT LTD PTN (DCP)	135	5,183	3,538
EQM Midstream Partners LP Unit Ltd Partn (EQM)	1,266	83,632	41,398
Energy Transfer Equity LP Com UT Ltd Ptn (ET)	7,319	131,513	95,733
Enterprise Products Partners L P (EPD)	3,705	122,780	105,889
MPLX LP Com Unit Rep Ltd (MPLX)	3,337	143,318	93,469
Magellan Midstream Prtnrs LP Com Unit RP LP (MMP)	1,547	111,110	102,520
Nustar Energy LP Unit COM (NS)	451	12,026	12,773
Phillips 66 Partners LP Com Unit Rep Int (PSXP)	1,032	55,287	58,432
Plains All Amern Pipeline L P Unit Ltd Partn (PAA)	4,499	157,805	93,354
Rattler Midstream LP COM Units (RTLX)	277	5,078	4,936
Shell Midstream Partners L P Unit Ltd Int (SHLX)	1,582	55,979	32,352
Western Midstream Partners LP Com Unit LP INT (WES)	2,344	76,508	58,342
Subtotal - Account #116DY086	<u>37,778</u>	<u>1,261,839</u>	<u>986,029</u>
Total Corporate Stock	<u>426,210</u>	<u>\$ 11,695,762</u>	<u>\$ 13,485,520</u>

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