

REPUBLIC OF PALAU SOCIAL SECURITY
RETIREMENT FUND

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2012 AND 2011

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Republic of Palau Social Security Retirement Fund:

We have audited the accompanying statements of net assets of the Republic of Palau Social Security Retirement Fund (the Fund), a component unit of the Republic of Palau, as of September 30, 2012 and 2011, and the related statements of changes in net assets for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Republic of Palau Social Security Retirement Fund as of September 30, 2012 and 2011, and its changes in net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2013 on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 6 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 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. 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.

Our audit was conducted for the purpose of forming an opinion on the Fund's financial statements. The Combining Statement of Net Assets and the Combining Statement of Changes in Net Assets as of and for the year ended September 30, 2012 (pages 21 and 22), the Schedule of Administrative Deductions for the years ended September 30, 2012 and 2011 (page 23) and the Schedule of Investments as of September 30, 2012 (pages 24 through 29) are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Statement of Net Assets, the Combining Statement of Changes in Net Assets, the Schedule of Administrative Deductions and the Schedule of Investments are fairly stated in all material respects in relation to the financial statements as a whole.

Deloitte & Touche LLC

May 23, 2013



Republic of Palau
SOCIAL SECURITY ADMINISTRATION

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Management's Discussion and Analysis
Year Ended September 30, 2012

Background:

The Republic of Palau Social Security Administration (the Fund) is descended from the Trust Territory Social Security System (TTSSS), which was established on July 1, 1968. The TTSSS ended when the Trust Territory of the Pacific Islands Government devolved into four separate entities. The Republic of Palau (ROP) enacted Republic of Palau Public Law (RPPL) 2-29, the *Social Security Act of 1987*, which established the Palau Social Security Trust Fund (the Trust Fund) that took over ROP's share of assets and liabilities of the TTSSS. At that time, the assets of the Trust Fund was \$4,418,671 with 13,000 members. In fiscal year 1993, the Fund had its first actuarial valuation performed, which determined that the Trust Fund had \$8.7 million in assets and \$29.0 million in unfunded liability, and 22,265 registered members. Over the years, the Fund has registered over 67,525 members cumulatively, with net assets as of September 30, 2012 of \$92,733,154. The Fund provides retirement, disability and death benefits to qualified individuals and their survivors. Additionally, the Fund is responsible for processing, monitoring and distributing benefit claims under Prior Service Benefits Program. Further, the Fund was appointed responsibility under 41 PNC, Section 723 for the administration and operation of the Medical Savings Fund and Palau Health Insurance.

Organization:

The Fund is under the general supervision of a five-member Board of Trustees, who are appointed by the President with the advice and consent of the Senate of ROP. The Fund was established by the enactment of RPPL 2-29, revised in 1991 by RPPL 3-64, to provide for retirement, survivor, disability and death benefits to covered wage earners and self-employed persons and their qualified survivors.

Funding:

The employee contribution rate increased from 5% to 6% beginning on October 1, 2001, with a matching 6% from employers. Self-employed persons pay 12%, with a minimum creditable wage of \$300 and a maximum taxable wage of \$3,000 per quarter. On October 1, 2007, the maximum taxable wage increased to \$4,000 per quarter and then again to \$5,000 per quarter on October 2, 2008 with the passage of RPPL 7-32. Funding for the Prior Service Benefits Program relies on U.S. government appropriation to the U.S. Department of the Interior. Contributions to the Healthcare Fund are governed by RPPL 8-14, which requires each participating employee to pay the minimum contribution of 2.5% of the employees' quarterly pre-tax income. Every participating employer is required to contribute an amount equal to that contributed by the employee. The employees' contribution goes to the employees' Medical Savings Account, while the employers' contribution goes to a pooled account that funds the National Health Insurance.

Overview of Financial Statements:

The Fund's net assets for the year ended September 30, 2012 was \$92,733,154 as compared to \$80,971,967 for fiscal year 2011 and \$76,644,006 for fiscal year 2010, which was due mainly to gains in the Fund's investments. The Fund's investments continue to recover from the 2008 losses.

Statements of Net Assets:

	FY12	FY11	FY10
Total assets	\$ 93,177,134	\$ 81,405,952	\$ 77,034,434
Total liabilities	<u>443,980</u>	<u>433,985</u>	<u>390,428</u>
Net assets held in trust for benefits and other purposes	<u>\$ 92,733,154</u>	<u>\$ 80,971,967</u>	<u>\$ 76,644,006</u>

Statements of Changes in Net Assets:

Total additions	\$ 25,682,820	\$ 15,882,586	\$ 15,032,948
Total deductions	<u>13,921,633</u>	<u>11,554,625</u>	<u>10,231,310</u>
Changes in net assets	11,761,187	4,327,961	4,801,638
Net assets at beginning of year	<u>80,971,967</u>	<u>76,644,006</u>	<u>71,842,368</u>
Net assets at end of year	<u>\$ 92,733,154</u>	<u>\$ 80,971,967</u>	<u>\$ 76,644,006</u>

Fixed Assets:

At September 30 2012, 2011 and 2010, the Fund had \$336,801, \$373,469 and \$328,395, respectively, in fixed assets, net of accumulated depreciation where applicable, including land, building and improvements, office furniture and equipment and vehicles, which represent a net decrease in 2012 of \$36,668 or 9.8% over 2011 and a net increase of \$45,074 or 13.7% over 2010. See note 7 to the financial statements for more information on the Fund's fixed assets.

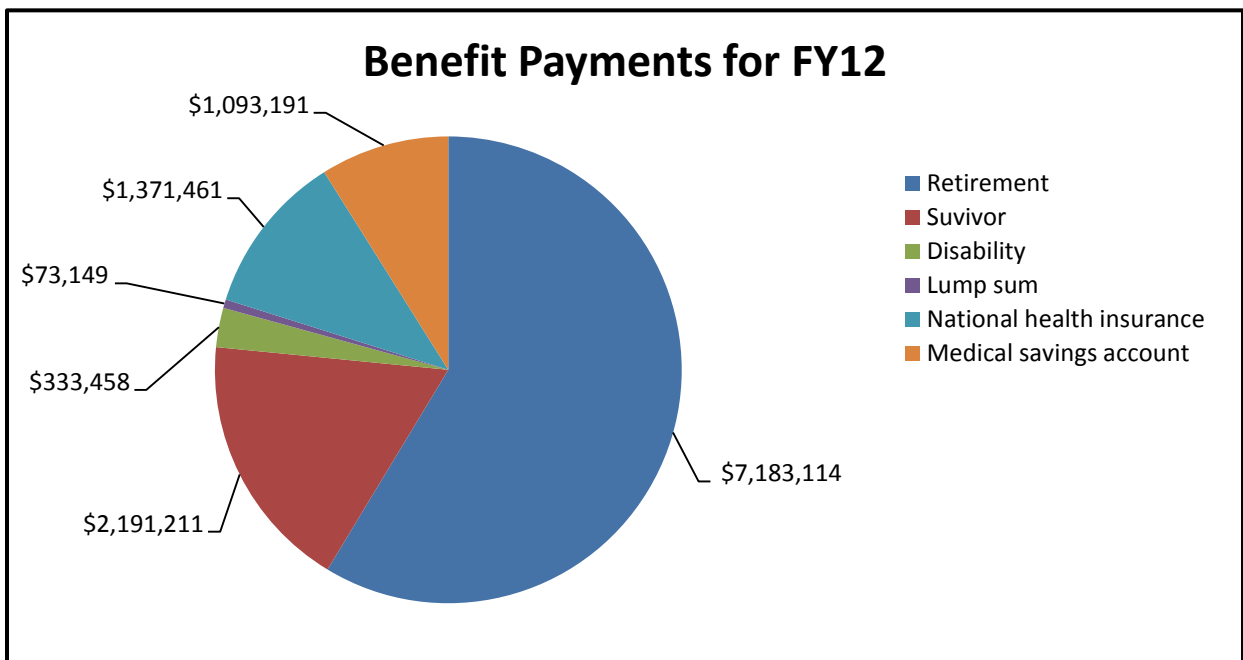
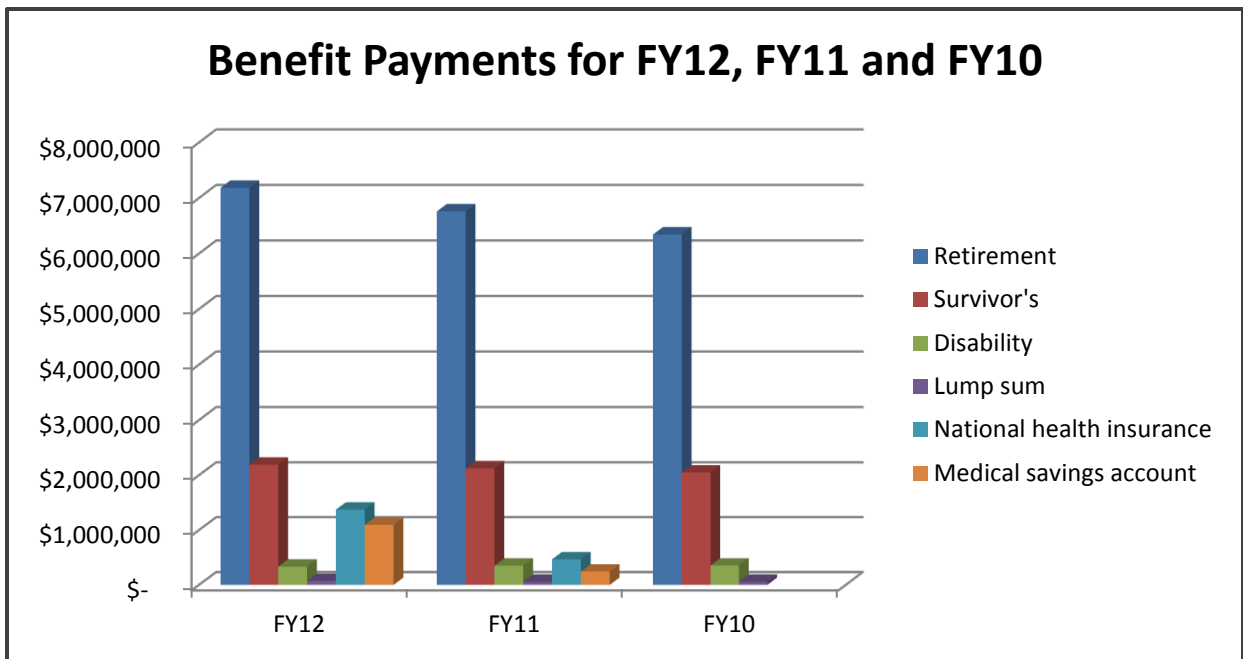
Benefit Payments:

Retirement benefits are paid to qualified workers who are fully insured as defined by law. Disability benefits are payable to qualified workers who are fully and currently insured. Benefits are also paid to the surviving spouse of deceased workers and surviving children 18 years or younger or 22, if a full-time student. Lump sum death benefits are paid after the death of an employee contributor and no survivor is eligible to receive monthly cash benefits.

Health care benefits are paid to the participating individuals only. Additionally, ROP pays subscription costs for coverage under the Healthcare program for unemployed Palauan citizens who are age 60 and older or disabled.

Total benefit payments increased by 22.5% in 2012 from \$9,999,281 to \$12,245,584, as compared to 13.6% in 2011 and 5% in 2010. The breakdown of benefit payments for fiscal years 2012, 2011 and 2010 are as follows:

Benefit Type	FY12	FY11	FY10
Retirement	\$ 7,183,114	\$ 6,757,232	\$ 6,341,956
Survivor's	\$ 2,191,211	\$ 2,125,799	\$ 2,049,131
Disability	\$ 333,458	\$ 350,558	\$ 353,272
Lump sum	\$ 73,149	\$ 56,691	\$ 57,494
National health insurance	\$ 1,371,461	\$ 465,577	\$ -
Medical savings account	\$ 1,093,191	\$ 243,424	\$ -



Actuarial Valuation:

An actuarial valuation was performed as of October 1, 2011 mainly to assess system's accrued liabilities and determination of the Fund's funded ratio (with comparative amounts as of October 1, 2008).

	2011	2008
Total accrued liability	\$ 168,614,000	\$ 160,675,000
Market value of assets	\$ 77,392,000	\$ 66,902,000
Unfunded past service liability	\$ 91,222,000	\$ 93,733,000
Funded state	46%	42%
Current value of excess employee contribution from active employee	\$ 29,487,000	\$ 30,462,000
Total deficiency	\$ 61,735,000	\$ 63,311,000

The funded accrued liability is greatly affected by the level of Fund assets, which is affected by the investment performance of the Fund. The investments of the Fund have been experiencing a positive return since 2009 and as a result of improvement in Fund asset performance, the funded ratio improved since the October 1, 2008 actuarial valuation.

Economic Outlook:

No factors have come to our attention that impact changes in the economic outlook to date.

Contacting the Fund's Financial Management:

The financial report is designed to provide a general overview of the Fund's finances and to demonstrate the Fund's accountability for the money it receives. The Management Discussion and Analysis for the year ended September 30, 2011 is set forth in the report on the audit of the Fund's financial statements which is dated April 17, 2012. That Discussion and Analysis explains the major factors impacting the 2011 financial statements. If you have questions about the 2011 or 2010 reports, or need additional information, please contact the Fund's administrator at the Republic of Palau Social Security Retirement Fund, P.O. Box 679, Koror, Republic of Palau 96940, or e-mail administration@ropssa.org or call 488-2457.

REPUBLIC OF PALAU SOCIAL SECURITY RETIREMENT FUND

Statements of Net Assets
September 30, 2012 and 2011

<u>ASSETS</u>	<u>2012</u>	<u>2011</u>
Cash	\$ 3,197,088	\$ 2,218,593
Investments:		
Corporate stock	41,847,112	33,304,548
Corporate bonds	16,230,609	14,806,075
U.S. Government obligations	15,834,672	15,297,578
Money market funds and other short-term investments	<u>3,067,219</u>	<u>2,731,302</u>
Total investments	<u>76,979,612</u>	<u>66,139,503</u>
Receivables:		
Contributions	8,390,090	7,803,519
Loan	5,563,337	5,856,694
Accrued interest and dividends	419,246	384,547
Advance and other	<u>24,354</u>	<u>33,582</u>
	14,397,027	14,078,342
Less allowance for doubtful accounts	<u>(1,741,769)</u>	<u>(1,412,941)</u>
Total receivables, net	<u>12,655,258</u>	<u>12,665,401</u>
Prepaid expense	<u>8,375</u>	<u>8,986</u>
Property, plant and equipment, net	<u>336,801</u>	<u>373,469</u>
Total assets	<u>93,177,134</u>	<u>81,405,952</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Benefits payable	286,435	286,435
Accrued liabilities and accounts payable	<u>157,545</u>	<u>147,550</u>
Total liabilities	<u>443,980</u>	<u>433,985</u>
Contingencies		
Net assets:		
Held in trust for benefits and other purposes	<u>\$ 92,733,154</u>	<u>\$ 80,971,967</u>

See accompanying notes to financial statements.

REPUBLIC OF PALAU SOCIAL SECURITY RETIREMENT FUND

Statements of Changes in Net Assets
Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Additions:		
Contributions:		
Government employees	\$ 8,788,469	\$ 7,800,278
Private employees	5,861,534	7,090,307
Self-employed individual	77,220	44,434
Penalties and interest	643,654	748,808
	<u>15,370,877</u>	<u>15,683,827</u>
Less bad debts	(328,828)	(110,109)
Total contributions, net	<u>15,042,049</u>	<u>15,573,718</u>
Investment income:		
Net increase (decrease) in the fair value of investments	7,862,565	(2,231,343)
Interest	1,611,881	1,610,721
Dividends	861,388	635,282
Total investment income, net	<u>10,335,834</u>	<u>14,660</u>
Other income	<u>304,937</u>	<u>294,208</u>
Total additions	<u>25,682,820</u>	<u>15,882,586</u>
Deductions:		
Benefit payments:		
Retirement	7,183,114	6,757,232
Survivor's	2,191,211	2,125,799
National health insurance	1,371,461	465,577
Medical savings account	1,093,191	243,424
Disability	333,458	350,558
Lump sum	73,149	56,691
Total benefit payments	<u>12,245,584</u>	<u>9,999,281</u>
Administrative	1,236,696	1,104,151
Investment management fee	326,819	341,277
Depreciation	58,004	60,158
Fund custodian fee	54,530	49,758
Total deductions	<u>13,921,633</u>	<u>11,554,625</u>
Change in net assets	11,761,187	4,327,961
Net assets at beginning of year	<u>80,971,967</u>	<u>76,644,006</u>
Net assets at end of year	<u>\$ 92,733,154</u>	<u>\$ 80,971,967</u>

See accompanying notes to financial statements.

REPUBLIC OF PALAU SOCIAL SECURITY RETIREMENT FUND

Notes to Financial Statements
September 30, 2012 and 2011

(1) Organization and Purpose

The Republic of Palau Social Security Retirement Fund (the Fund), a component unit of the Republic of Palau, was created under Republic of Palau Public Law (RPPL) No. 2-29, passed into law on May 28, 1987, and revised by RPPL No. 3-64, passed into law on December 20, 1991, and began operations in a transition phase on October 1, 1987. The Fund is administered under the authority of five trustees appointed by the President with the advice and consent of the Senate of the Republic of Palau. The Fund provides retirement, disability and death benefits to qualified individuals and their survivors. Additionally, the Fund is responsible for processing, monitoring and distributing benefit claims under the Prior Service Benefits Program (see note 3). Accordingly, the Fund established the Prior Service Fund to account for activities under this program. Further, the Fund was appointed responsibility under 41 PNC, Section 723 for the administration and operation of the Medical Savings Fund and the Palau Health Insurance (see note 4). Accordingly, the Fund established the Healthcare Fund to account for activities under the health care program.

(2) Summary of Significant Accounting Policies

Basis of Accounting

The Fund prepares its financial statements using the accrual basis of accounting. It recognizes employee and employer contributions as additions to net assets in the quarter employee earnings are paid. Benefits are recognized as deductions from net assets when the corresponding liabilities are incurred regardless of when payment is made.

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 net assets and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

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, 2012 and 2011, the Fund has cash deposits and investments in bank accounts that exceed federal depository insurance limits. The Fund has not experienced any losses in such accounts.

Cash

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

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

REPUBLIC OF PALAU SOCIAL SECURITY RETIREMENT FUND

Notes to Financial Statements
September 30, 2012 and 2011

(2) Summary of Significant Accounting Policies, Continued

Cash, Continued

- Category 2 Deposits that are uninsured but fully collateralized with securities held by the pledging financial institution's trust department or agent in the Fund's name; or
- Category 3 Deposits that are collateralized with securities held by the pledging financial institution's trust department or agent but not in the Fund's name and non-collateralized deposits.

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

For the purposes of the statements of net assets, cash is defined as cash on hand and cash held in demand accounts. Money market funds held by the Fund's investment agent are considered investments.

As of September 30, 2012 and 2011, cash was \$3,197,088 and \$2,218,593, respectively, and the corresponding bank balance was \$3,286,627 and \$2,314,594, respectively, which is maintained in one financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2012 and 2011, bank deposits in the amount of \$1,604,099 and \$1,632,419, respectively, were FDIC insured. Accordingly, the deposits are exposed to custodial credit risk. The Fund does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC coverage are uncollateralized.

Investments

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

- Category 1 Investments that are insured or registered, or securities held by the Fund or its agent in the Fund's name;
- Category 2 Investments that are uninsured or unregistered for which the securities are held by the counterparty's trust department or agent in the Fund's name; or
- Category 3 Investments that are uninsured and unregistered with securities held by the counterparty, or by its trust department or agent but not in the Fund's name.

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

REPUBLIC OF PALAU SOCIAL SECURITY RETIREMENT FUND

Notes to Financial Statements
September 30, 2012 and 2011

(2) Summary of Significant Accounting Policies, Continued

Investments, Continued

The Fund's investment policy governs the investment of assets of the Fund as follows:

- (1) Cash
 - (A) Short-term investment funds;
 - (B) U.S. Treasury and agency obligations;
 - (C) Commercial paper rated by two nationally recognized rating agencies and at least one of the ratings is A1 or P1;
 - (D) Repurchase agreements with a maximum maturity of 180 days from financial institutions or securities dealers qualified to do business as set forth below. The repurchase agreements must be collateralized at least 102% with allowable securities as set forth in the Fund's investment policy, except in the case of "due bills" which are collateralized by the financial institution's or dealer's entire inventory:
 - a) Banks must have achieved a Bankwatch/International Bank Credit Analyst rating of B or better for bank investments.
 - b) Brokers/Dealers must appear on the Primary Government Dealer list; and
 - (E) Certificates of deposit or banker's acceptances issued by financial institutions with commercial paper rating of at least P1 by Moody's Investor Service (Moody's) or A1 by Standard & Poor's (S&P).
- (2) U.S. Fixed Income
 - (A) Bonds, notes, and passthrough securities issued or guaranteed by the U.S. Government, its agencies or instrumentalities;
 - (B) U.S. corporate bonds and nonconvertible preferred stock rated BBB-/Baa3 or better by Moody's, S&P 500 or Fitch;
 - (C) Secured debt instruments with credit ratings of AAA excluding "interest only" and "principal only" derivatives securities;
 - (D) Debt issued by foreign entities in the U.S. provided that both principal and interest are payable in U.S. dollars and provided that such debt is rated BBB-/Baa3 or better by Moody's, S&P 500 or Fitch;
 - (E) The exposure of the portfolio to any one company, other than securities of the U.S. government, shall not exceed 5% of the market value of the portfolio under management by the investment manager; and
 - (F) No type of security that has been in the market for less than ten years may be purchased without prior written approval of the Fund's Board of Trustees.

REPUBLIC OF PALAU SOCIAL SECURITY RETIREMENT FUND

Notes to Financial Statements
September 30, 2012 and 2011

(2) Summary of Significant Accounting Policies, Continued

Investments, Continued

(3) U.S. Large Cap Equities

- (A) Common stock and convertible securities of U.S. Corporations provided they are listed on the New York Stock Exchange (NYSE), American Stock Exchange (AMEX), or National Association of Securities Dealers Automated Quotation (NASDAQ) with a market capitalization (at time of purchase) that falls within the range of the Russel 1000 Index;
- (B) American Depository Receipts (ADRs) that are listed on the NYSE, AMEX, or NASDAQ provided the total investment in these securities does not exceed 10% of the total assets managed by the Fund's investment manager at the time of purchase and such investments are in industries and areas of the market that the Fund's investment manager already has proven expertise;
- (C) Equity portfolios shall be diversified among issuers and industry classifications. The market value of the equity holdings in a single corporation should not exceed 5%, nor 5% of the corporation's total market capitalization; and
- (D) An investment manager's firm aggregate equity position should not exceed 5% of the corporation's total market capitalization.

(4) International Equities

- (A) Equity securities of Corporations provided they are listed on the stock exchange of countries included in the MSCI EAFE Index;
- (B) Equity securities of companies from countries included in the MSCI EMF Index are allowed, provided that the total investment in these companies does not exceed 15% of the total market value of the assets managed by the Fund's investment manager;
- (C) ADR's, EDR's and GDR's relating to any of the above are allowable; and
- (D) Portfolios shall be diversified among issuers, industry classifications and countries. The market value of the equity holdings in a single corporation should not exceed 5% of the market value of the portfolio under management by the Fund's investment manager.

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

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, the Fund will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Fund's investments are held and administered by trustees in accordance with negotiated trust and custody agreements. Based on these agreements, all of these investments were held in the Fund's name by the Fund's custodial financial institutions at September 30, 2012 and 2011.

REPUBLIC OF PALAU SOCIAL SECURITY RETIREMENT FUND

Notes to Financial Statements
September 30, 2012 and 2011

(2) Summary of Significant Accounting Policies, Continued

Investments, 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, 2012 and 2011:

Investment Type	Fair Value	2012 Investment Maturities (In Years)				Rating
		Less Than 1	1 - 5	6 - 10	More Than 10	
U.S. Treasury notes	\$ 2,699,051	\$ -	\$ 1,888,831	\$ 293,633	\$ 516,587	Aaa
Other U.S. government obligations	3,498,282	-	943,921	2,054,628	499,733	Aaa
Mortgage pass throughs	6,389,128	-	12,862	88,035	6,288,231	Aaa
State and local government	587,964	-	170,868	-	417,096	Aa1
State and local government	1,278,437	-	50,185	795,076	433,176	AA
State and local government	1,381,810	-	467,388	384,146	530,276	A
Corporate bonds	2,352,128	200,342	989,121	-	1,162,665	AAA
Corporate bonds	5,381,365	527,539	2,504,516	1,426,219	923,091	AA
Corporate bonds	5,145,654	260,415	3,192,558	677,517	1,015,164	A
Corporate bonds	3,316,453	880,110	2,106,163	330,180	-	BBB
Corporate bonds	35,009	35,009	-	-	-	Unrated
	<u>\$ 32,065,281</u>	<u>\$ 1,903,415</u>	<u>\$ 12,326,413</u>	<u>\$ 6,049,434</u>	<u>\$ 11,786,019</u>	

Investment Type	Fair Value	2011 Investment Maturities (In Years)				Rating
		Less Than 1	1 - 5	6 - 10	More Than 10	
U.S. Treasury notes	\$ 2,533,166	\$ -	\$ 1,665,913	\$ 435,313	\$ 431,940	AAA
Other U.S. government obligations	2,160,639	190,354	971,933	853,817	144,535	AAA
Mortgage pass throughs	8,740,714	-	24,458	129,746	8,586,510	AAA
State and local government	288,692	-	-	-	288,692	AAA
State and local government	1,574,367	150,000	-	672,580	751,787	AA
Corporate bonds	1,924,133	89,102	443,250	347,631	1,044,150	AAA
Corporate bonds	4,031,698	-	1,751,971	1,948,202	331,525	AA
Corporate bonds	5,319,225	34,942	2,475,011	1,035,978	1,773,294	A
Corporate bonds	3,380,805	858,134	1,773,435	624,401	124,835	BBB
Corporate bonds	150,214	150,214	-	-	-	Unrated
	<u>\$ 30,103,653</u>	<u>\$ 1,472,746</u>	<u>\$ 9,105,971</u>	<u>\$ 6,047,668</u>	<u>\$ 13,477,268</u>	

Receivables and Allowance for Doubtful Accounts

Contribution receivables are due from employers located within the Republic of Palau. These receivables are not collateralized and are non-interest bearing. The allowance for doubtful accounts is stated at an amount which management believes will be adequate to absorb possible losses on accounts receivable that may become uncollectible based on evaluations of the collectability of these accounts. The allowance is established through a provision for bad debts for contributions receivable that have been outstanding in excess of one year. Bad debts are written-off against the allowance by the specific identification method.

Fixed Assets

The Fund's fixed assets are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets. Current policy is to capitalize items in excess of \$2,500.

REPUBLIC OF PALAU SOCIAL SECURITY RETIREMENT FUND

Notes to Financial Statements
September 30, 2012 and 2011

(2) Summary of Significant Accounting Policies, Continued

Future Liabilities and Contributions

No recognition is given in the accompanying financial statements to the present value of liabilities of prospective benefit payments or the present value of future contributions required from employees or employers.

Accrued Annual Leave

The Fund recognizes costs for accrued annual leave at the time such leave is earned. Unpaid accrued annual leave is included in administrative deductions and accrued liabilities in the accompanying financial statements.

It is the policy of the Fund to record sick leave when leave is actually taken. Sick leave is compensated time for absence during working hours arising from employee illness or injury. Management has determined that the estimated amount of unused sick leave at September 30, 2012 and 2011 is not material to the financial statements.

Contributions

Contributions to the Fund are governed by RPPL No. 2-29 as revised by RPPL No. 3-64 and amended by RPPL No. 5-34, RPPL No. 6-13, RPPL No. 7-32 and RPPL No. 8-5, which imposes a tax on the quarterly income of every employee within the Republic. There is imposed on the income of every employee a tax equal to a percentage of wages received. The maximum amount of wages received increased from \$4,000 per quarter to \$5,000 per quarter effective October 2, 2008. Every employer is required to contribute an amount equal to that contributed by the employee. With respect to wages paid from October 1, 2001 and thereafter, the rate shall be six percent.

Benefit Payments

Retirement benefits are paid to qualified workers who are fully insured individuals who, as defined by RPPL No. 2-29 and as revised by RPPL No. 3-64, RPPL No. 5-34, RPPL No. 7-32 and RPPL No. 8-5, have attained the age of sixty years, and have filed an application for old age insurance benefits. 60% of basic benefits are also paid to surviving spouses of deceased workers, subject to eligibility requirements. Eligible children who are not married and not working may also receive benefits until age eighteen (18) or up until age twenty-two (22) if in school. Eligible children who become disabled before age twenty-two will continue to receive benefits for the duration of the disability. Disability benefits are paid to qualified workers for the duration of the disability or until retirement or death, at which time retirement or survivor benefits become available.

Effective August 2, 2007, the benefit payments paid monthly are computed upon an annual basis of 21.5% of the first \$11,000 of cumulative covered earnings, plus 2.9% of the next \$33,000, plus 1.5% of cumulative covered earnings in excess of \$44,000. The minimum benefit is \$98 per month effective April 1, 2007.

REPUBLIC OF PALAU SOCIAL SECURITY RETIREMENT FUND

Notes to Financial Statements
September 30, 2012 and 2011

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards

During the year ended September 30, 2012, the Fund implemented the following pronouncements:

- GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, which amends Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and addresses issues related to the frequency and timing of measurements for actuarial valuations first used to report funded status information in OPEB plan financial statements. The implementation of this pronouncement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* (an amendment of GASB Statement No. 53), which will improve financial reporting by state and local governments by clarifying the circumstances in which hedge accounting continues to be applied when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of this pronouncement did not have a material effect on the accompanying financial statements.

In December 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. The provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Fund.

In December 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*, which is designed to improve financial reporting for governmental entities by amending the requirements of Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, to better meet user needs and address reporting entity issues that have come to light since those Statements were issued in 1991 and 1999, respectively. The provisions of this statement are effective for periods beginning after June 15, 2012. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Fund.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements. The provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Fund.

REPUBLIC OF PALAU SOCIAL SECURITY RETIREMENT FUND

Notes to Financial Statements
September 30, 2012 and 2011

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In July 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The provisions of this statement are effective for periods beginning after December 15, 2011. Management has not yet determined the effect of implementation of this statement on the financial statements of the Fund.

In April 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The provisions of this statement are effective for periods beginning after December 15, 2012. Management has not yet determined the effect of implementation of this statement on the financial statements of the Fund.

In April 2012, GASB issued Statement No. 66, *Technical Corrections - 2012*, which enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The provisions of this statement are effective for periods beginning after December 15, 2012. Management has not yet determined the effect of implementation of this statement on the financial statements of the Fund.

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans*, which revises existing guidance for the financial reports of most pension plans, and Statement No. 68, *Accounting and Financial Reporting for Pensions*, which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The provisions in Statement 67 are effective for financial statements for periods beginning after June 15, 2013. The provisions in Statement 68 are effective for fiscal years beginning after June 15, 2014. Management has not yet determined the effect of implementation of these statements on the financial statements of the Fund.

(3) Prior Service Claims

Under the terms of a Prior Service Claim Adjudication Service Agreement between the Trust Territory Prior Service Trust Fund Administration and the Social Security Administration of the Republic of Palau (ROP), the ROP Social Security Administration is to provide for the processing of benefit claims and to assist in the monitoring of continuing eligibility under the Prior Service Benefits Program.

On September 15, 2005, an agreement was entered between the PSTFA Board and the U.S. Department of Interior to delegate the PSTFA Board's obligations to and responsibility for the enrollees eligible for Prior Service Benefits Program to the Social Security Systems of the ROP, the Republic of the Marshall Islands, the Federated States of Micronesia and the Retirement Fund of the Commonwealth of the Northern Mariana Islands. Based on the agreement, the Social Security Administration of each Government shall be entitled to an administrative fee not to exceed 20% of the share of allocated funds.

REPUBLIC OF PALAU SOCIAL SECURITY RETIREMENT FUND

Notes to Financial Statements
September 30, 2012 and 2011

(3) Prior Service Claims, Continued

The Fund received fund allocations of \$6,000, \$11,000 and \$120,000 on January 31, 2012, February 29, 2012 and March 31, 2012, respectively, and \$109,040 of total funds received, has been paid as benefits for the year ended September 30, 2012. The Fund received fund allocations of \$41,338, \$25,000, \$21,969, \$5,750 and \$40,000 on October 21, 2010, February 18, 2011, April 8, 2011, June 29, 2011 and August 26, 2011, respectively, and \$118,028 of total funds received, has been paid as benefits for the year ended September 30, 2011. However, while the Fund accepts the liability for any amounts received, the Fund does not accept the obligation to pay future benefits unless additional funds are received from PSTFA. At September 30, 2012 and 2011, the amount available for future benefit payments under the Prior Service Benefits Program amounted to \$33,201 and \$24,668, respectively.

(4) Healthcare Fund

Pursuant to RPPL No. 8-14, each resident in the Republic of Palau is required to have coverage for healthcare costs. Accordingly, the Medical Savings Fund and the Palau Health Insurance System (or collectively known as the Healthcare Fund) were established to promote health and social welfare to the citizens of the Republic of Palau. Under 41 PNC, Section 723, the Fund shall be responsible for the general day-to-day administration and operation of the Healthcare Fund. The Fund shall maintain records of all employees and of all contributors, including self-employed persons, in a manner deemed reasonable to the administration and operation of the two systems.

Contributions to the Healthcare Fund are governed by RPPL No. 8-14, which requires each participating employee to pay the minimum contribution of 2.5% of the employees' quarterly pre-tax income. Every participating employer is required to contribute an amount equal to that contributed by the employee. The employees' contribution goes to the employees' Medical Savings Account, while the employers' contribution goes to a pooled account that funds the National Health Insurance. Every participating self-employed individual shall be presumed to receive in any quarter, as remuneration, 25% of the self-employed individual's gross revenue and is required to pay 5% based on that amount on a quarterly basis. There is no maximum limit in contributions to the Healthcare Fund and contributions from self-employed individuals increased to \$77,220 during the year ended September 30, 2012 from \$44,434 during the year ended September 30, 2011. Beginning October 1, 2010, employers began to withhold 2.5% of employee earnings. The Fund started accepting contributions for the Healthcare Fund on January 1, 2011.

Health care benefits are paid only to the participating individuals. Additionally, the Republic of Palau pays subscription costs for coverage under the Healthcare program for unemployed Palauan citizens who are age 60 and above or disabled. Benefit payments for participating individuals started on April 1, 2011. At September 30, 2012 and 2011, total benefits paid amounted to \$2,464,652 and \$709,001 of which \$1,736,415 and \$543,803, respectively, was paid to the Belau National Hospital, a related party.

(5) Republic of Palau Civil Service Pension Trust Fund

The Fund contributes to the Palau Civil Service Pension Trust Fund (the Pension Fund), a defined benefit, cost-sharing multi-employer pension plan established and administered by the Republic of Palau.

REPUBLIC OF PALAU SOCIAL SECURITY RETIREMENT FUND

Notes to Financial Statements
September 30, 2012 and 2011

(5) Republic of Palau Civil Service Pension Trust Fund, Continued

The Pension Fund provides retirement, security and other benefits to employees, and their spouses and dependents of the Republic of Palau, Republic of Palau State Governments and Republic of Palau agencies, funds and public corporations, which are paid monthly and are two percent of each member's average monthly salary. Normal benefits are of credited total service up to a maximum of thirty years total service. Generally, benefits vest after three years of credited service. Members who retire at or after age 60, or with 25 years of vesting service, are entitled to retirement benefits. RPPL No. 2-26 is the authority under which benefit provisions are established. Member contribution rates are established by RPPL No. 2-26 at six percent (6%) of total payroll and matched dollar for dollar by the employer. The Fund contributed \$39,127, \$18,078 and \$22,372 for the Pension Fund during the fiscal years 2012, 2011 and 2010, respectively.

Under the provisions of RPPL No. 2-26, the Pension Fund's Board of Trustees adopted a Trust Fund Operation Plan which has the force and effect of law, and which sets forth the procedures for the administration and coverage of the Plan. Amendments to the Plan are subject to the requirements of Title 6 of the Palau National Code. The Fund's total payroll for fiscal years 2012 and 2011 was covered in total by the Pension Fund's pension plan.

The Pension Fund utilizes the actuarial cost method termed "agreement cost method" with actuarial assumptions used to compute the pension benefit obligation as follows: (a) a rate of return of 8.5% per year on the investment of present and future assets, (b) a 3% increase in employee salaries until retirement, and (c) members are assumed to retire at their normal retirement date.

The pension benefit obligation, which is the actuarial present value of credited projected benefits, is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and any step-rate benefits, estimated to be payable in the future as a result of employment service to date. The measure is intended to assist users to evaluate the Pension Fund's funding status on a going-concern basis, and evaluate progress made in accumulating adequate assets to pay benefits when due.

The Fund's October 1, 2011 actuarial valuation determined the unfunded pension benefit obligation as follows:

Active participants	\$ 74,716,975
Participants in pay status	62,987,516
Participants with vested deferred benefits	<u>2,323,366</u>
Total pension benefit obligation	140,027,857
Net assets available for benefits, at market value	<u>36,128,666</u>
Unfunded benefit obligation	\$ <u>103,899,191</u>

The actuarial valuation did not provide a breakdown of actuarial present value of vested and non-vested accumulated plan benefits by sponsor or net assets available for benefits by sponsor. The amount of the unfunded liability that the Fund may be liable for has not been determined and is not included as a liability in the accompanying statements of net assets.

REPUBLIC OF PALAU SOCIAL SECURITY RETIREMENT FUND

Notes to Financial Statements
September 30, 2012 and 2011

(6) Loan Receivable

On August 28, 2003, the Fund entered into a loan agreement with the National Development Bank of Palau (NDBP), an affiliated entity and a component unit of the Republic of Palau. The loan was for \$3,000,000 with a subsequent \$2,000,000 line of credit to be made available with terms and conditions to be agreed to by the parties at that time.

On August 7, 2008, the Fund entered into a new agreement to restructure the existing loan with NDBP. The loan ceiling increased to \$6,000,000, which will be disbursed in increments of \$500,000, bearing interest at a variable annual rate equal to the Fund's Fixed Income Fund Return Rate as reported monthly by the Fund's investment consultant, plus 0.5%; provided, however that the interest rate to be charged and paid by NDBP shall not be less than 4.5% nor more than 7.5% after addition of the 0.5% to the prime rate. Outstanding principal plus all unpaid interest are to be paid semi-annually, on or before June 30 and December 31 of each year, effective June 30, 2011 up to December 31, 2025.

The loan receivable from NDBP was \$5,563,337 and \$5,856,694 with interest at 4.5% at September 30, 2012 and 2011, respectively. The loan is collateralized by the full faith and credit of the Republic of Palau Government.

Principal receipts for subsequent years ending September 30 and applicable interest, are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 307,411	\$ 246,981	\$ 554,392
2014	321,401	232,991	554,392
2015	336,025	218,367	554,392
2016	350,772	203,620	554,392
2017	367,279	187,113	554,392
2018 - 2022	2,102,452	669,509	2,771,961
2023 - 2025	<u>1,777,997</u>	<u>162,375</u>	<u>1,940,372</u>
	<u>\$ 5,563,337</u>	<u>\$ 1,920,956</u>	<u>\$ 7,484,293</u>

(7) Fixed Assets

A summary of the Fund's fixed assets, at original cost, as of September 30, 2012 and 2011, is as follows:

	<u>Estimated Useful Lives</u>	<u>Balance October 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance September 30, 2012</u>
Capital assets not being depreciated:					
Land		\$ <u>207,018</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>207,018</u>
Capital assets being depreciated:					
Office furniture and equipment	4 - 13 years	367,890	21,336	-	389,226
Building and improvements	30 years	132,315	-	-	132,315
Vehicles	5 years	<u>77,195</u>	<u>-</u>	<u>-</u>	<u>77,195</u>
		577,400	21,336	-	598,736
Less accumulated depreciation		<u>(410,949)</u>	<u>(58,004)</u>	<u>-</u>	<u>(468,953)</u>
Total capital assets being depreciated		<u>166,451</u>	<u>(36,668)</u>	<u>-</u>	<u>129,783</u>
Total capital assets, net		<u>\$ 373,469</u>	<u>\$ (36,668)</u>	<u>\$ -</u>	<u>\$ 336,801</u>

REPUBLIC OF PALAU SOCIAL SECURITY RETIREMENT FUND

Notes to Financial Statements
September 30, 2012 and 2011

(7) Fixed Assets, Continued

	<u>Estimated Useful Lives</u>	<u>Balance October 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance September 30, 2011</u>
Capital assets not being depreciated:					
Land		\$ <u>207,018</u>	\$ -	\$ -	\$ <u>207,018</u>
Capital assets being depreciated:					
Office furniture and equipment	4 - 13 years	272,869	105,232	(10,211)	367,890
Building and improvements	30 years	132,315	-	-	132,315
Vehicles	5 years	<u>77,195</u>	<u>-</u>	<u>-</u>	<u>77,195</u>
		482,379	105,232	(10,211)	577,400
Less accumulated depreciation		<u>(361,002)</u>	<u>(60,158)</u>	<u>10,211</u>	<u>(410,949)</u>
Total capital assets being depreciated		<u>121,377</u>	<u>45,074</u>	<u>-</u>	<u>166,451</u>
Total capital assets, net		\$ <u>328,395</u>	\$ <u>45,074</u>	\$ <u>-</u>	\$ <u>373,469</u>

Land acquired will be exchanged for land upon which the Fund intends to construct an office facility.

(8) Contingencies

The Fund conducts its operations on land without charge in the State of Koror, through a land settlement agreement dated February 3, 1997 between ROP, the Palau Public Lands Authority, the Koror State Government and the Koror State Public Lands Authority. The land settlement agreement stipulates that ROP will retain the use of the land for a term of twenty-five years. The Fund does not have title or a lease agreement for the use of the land.

An actuarial valuation of the Fund has determined that the Fund had an actuarial deficiency of approximately \$61,735,000 as of October 1, 2011. Unless the existing deficiency is corrected, the Fund's cash flow may eventually become negative, which will cause the Fund to become depleted to the point that the Fund will not be able to meet its benefit obligations. The Fund has not developed a formal plan as of September 30, 2012, to correct this potential funding deficiency.

(9) 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 risks of losses to which it is exposed. Settled claims from these risks have not exceeded commercial insurance coverage during the past three years.

REPUBLIC OF PALAU SOCIAL SECURITY RETIREMENT FUND

Combining Statement of Net Assets
September 30, 2012

<u>ASSETS</u>	Republic of Palau Social Security Retirement Fund	Prior Service Trust Fund	Healthcare Fund	Elimination	Total
Cash	\$ 859,218	\$ 34,505	\$ 2,303,365	\$ -	\$ 3,197,088
Investments:					
Corporate stock	41,847,112	-	-	-	41,847,112
Corporate bonds	15,761,850	-	468,759	-	16,230,609
U.S. Government obligations	15,274,204	-	560,468	-	15,834,672
Money market funds and other short-term investments	1,475,146	-	1,592,073	-	3,067,219
Total investments	<u>74,358,312</u>	<u>-</u>	<u>2,621,300</u>	<u>-</u>	<u>76,979,612</u>
Receivables:					
Contributions	7,501,437	-	888,653	-	8,390,090
Loan	5,563,337	-	-	-	5,563,337
Accrued interest and dividends	416,249	-	2,997	-	419,246
Due from other funds	61,255	-	-	(61,255)	-
Advance and other	24,354	-	-	-	24,354
	<u>13,566,632</u>	<u>-</u>	<u>891,650</u>	<u>(61,255)</u>	<u>14,397,027</u>
Less allowance for doubtful accounts	(1,739,197)	-	(2,572)	-	(1,741,769)
Total receivables, net	<u>11,827,435</u>	<u>-</u>	<u>889,078</u>	<u>(61,255)</u>	<u>12,655,258</u>
Prepaid expense	6,780	-	1,595	-	8,375
Property, plant and equipment, net	260,514	-	76,287	-	336,801
Total assets	<u>87,312,259</u>	<u>34,505</u>	<u>5,891,625</u>	<u>(61,255)</u>	<u>93,177,134</u>
<u>LIABILITIES AND NET ASSETS</u>					
Liabilities:					
Benefits payable	286,435	-	-	-	286,435
Accrued liabilities and accounts payable	153,904	-	3,641	-	157,545
Due to other funds	-	1,304	59,951	(61,255)	-
Total liabilities	<u>440,339</u>	<u>1,304</u>	<u>63,592</u>	<u>(61,255)</u>	<u>443,980</u>
Net assets:					
Held in trust for benefits and other purposes	<u>\$ 86,871,920</u>	<u>\$ 33,201</u>	<u>\$ 5,828,033</u>	<u>\$ -</u>	<u>\$ 92,733,154</u>

See accompanying independent auditors' report.

REPUBLIC OF PALAU SOCIAL SECURITY RETIREMENT FUND

Combining Statement of Changes in Net Assets
Year Ended September 30, 2012

	Republic of Palau Social Security Retirement Fund	Prior Service Trust Fund	Healthcare Fund	Total
Additions:				
Contributions:				
Government employees	\$ 5,687,380	\$ -	\$ 3,101,089	\$ 8,788,469
Private employees	4,071,283	-	1,790,251	5,861,534
Self-employed individual	-	-	77,220	77,220
Penalties and interest	634,103	-	9,551	643,654
	10,392,766	-	4,978,111	15,370,877
Less bad debts	(328,828)	-	-	(328,828)
Total contributions, net	10,063,938	-	4,978,111	15,042,049
Investment income:				
Net increase in the fair value of investments	7,849,568	-	12,997	7,862,565
Interest	1,599,612	-	12,269	1,611,881
Dividends	861,388	-	-	861,388
Total investment income, net	10,310,568	-	25,266	10,335,834
Other income	165,873	137,000	2,064	304,937
Total additions	20,540,379	137,000	5,005,441	25,682,820
Deductions:				
Benefit payments:				
Retirement	7,127,396	55,718	-	7,183,114
Survivor's	2,137,889	53,322	-	2,191,211
National health insurance	-	-	1,371,461	1,371,461
Medical savings account	-	-	1,093,191	1,093,191
Disability	333,458	-	-	333,458
Lump sum	73,149	-	-	73,149
Total benefit payments	9,671,892	109,040	2,464,652	12,245,584
Administrative	955,196	19,427	262,073	1,236,696
Investment management fee	325,874	-	945	326,819
Depreciation	28,003	-	30,001	58,004
Fund custodian fee	54,530	-	-	54,530
Total deductions	11,035,495	128,467	2,757,671	13,921,633
Change in net assets	9,504,884	8,533	2,247,770	11,761,187
Net assets at beginning of year	77,367,036	24,668	3,580,263	80,971,967
Net assets at end of year	\$ 86,871,920	\$ 33,201	\$ 5,828,033	\$ 92,733,154

See accompanying independent auditors' report.

REPUBLIC OF PALAU SOCIAL SECURITY RETIREMENT FUND

Schedule of Administrative Deductions
 Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Salaries, wages and benefits	\$ 689,414	\$ 627,888
Professional services	177,476	12,738
Board members other expenses	97,591	102,705
Supplies, printing and reproduction	63,365	62,003
Credit card processing fees	33,340	17,001
Utilities	31,491	32,449
Bank service charge	24,012	19,619
Communications	19,923	19,764
Staff development and training	16,228	42,321
Office equipment	14,490	28,101
Representation and entertainment	9,109	8,007
Repairs and maintenance	9,042	14,966
Insurance	6,092	6,638
Fuel and oil	5,943	5,652
Postage stamps	4,608	8,223
Travel and transportation	4,489	30,806
Board compensation	3,750	2,750
Furniture and fixtures	3,116	9,688
Dues, subscriptions and registrations	351	1,230
Miscellaneous	<u>22,866</u>	<u>51,602</u>
 Total administrative deductions	 <u>\$ 1,236,696</u>	 <u>\$ 1,104,151</u>

See accompanying independent auditors' report.

REPUBLIC OF PALAU SOCIAL SECURITY RETIREMENT FUND

Schedule of Investments
September 30, 2012

	Cost	Fair Value
<u>Cash and Cash Equivalents</u>		
Cash	\$ 238,709	\$ 239,262
STIP 3: US Treasury & Agency	61,500	61,500
Total Cash and Cash Equivalent - Account#491206600	<u>300,209</u>	<u>300,762</u>
<u>Money Market Funds</u>		
Dreyfus Cash Management - Inst - Account #135074870	114,512	114,512
Dreyfus Cash Management - Inst - Account #135284958	1,592,073	1,592,073
Dreyfus Cash Management - Inst - Account #140340753	663,051	663,051
Dreyfus Cash Management - Inst - Account #140011107	15,253	15,253
Dreyfus Treasury & Agency Cash Mgmt - Ins - Account #140011156	381,568	381,568
Total Money Market Funds	<u>2,766,457</u>	<u>2,766,457</u>
Total Money Market Funds and Other Short-Term Investments	<u>\$ 3,066,666</u>	<u>\$ 3,067,219</u>
<u>U.S. Government Obligations</u>		
US Treasury Notes, 4.75% due on 5/15/2014	\$ 957,311	\$ 1,019,502
US Treasury Notes, 4.25% due on 8/15/2015	585,614	595,064
US Treasury Notes, 4.25% due on 11/15/2017	128,755	147,587
US Treasury Notes, 3.625% due on 8/15/2019	246,631	293,633
US Treasury Bonds, 3.5% due on 02/15/2039	540,000	516,587
Subtotal - Account#135074870	<u>2,458,311</u>	<u>2,572,373</u>
US Treasury Notes, 0.875% due on 11/30/2016	100,336	101,617
US Treasury Notes, 0.375% due on 3/15/2015	24,979	25,061
Subtotal - Account#135284958	<u>125,315</u>	<u>126,678</u>
Total U.S. Treasury Notes	<u>2,583,626</u>	<u>2,699,051</u>
<u>U.S. Government Agencies</u>		
AID-TUNISIA Unsecured 1.686%, 07/16/2019	407,388	398,496
Federal Home Loan Mortgage Corp Pool #C76358, 5% due on 2/1/2033	98,913	105,131
Federal Home Loan Mortgage Corp Pool #A47971, 5% due on 8/1/2035	57,798	61,225
Federal Home Loan Mortgage Corp Pool #A49906, 5% due on 6/1/2036	87,186	95,565
Federal Home Loan Mortgage Corp Gold Pool #A55326, 6% due on 12/1/2036	94,536	103,226
Federal Home Loan Mortgage Corp Good Pool #A60299, 6.5% due on 5/1/2037	105,792	116,679
Federal Home Loan Mortgage Corp Pool #A61533, 5% due on 6/1/2036	103,498	110,132
Federal Home Loan Mortgage Corp Pool #G01960, 5% due on 12/1/2035	128,905	134,346
Federal Home Loan Mortgage Corp Pool #G01938, 5.5% due on 9/1/2035	75,322	77,267
Federal Home Loan Mortgage Corp Gold Pool #G02168, 6% due on 4/1/2036	23,436	26,251
Federal Home Loan Mortgage Corp Gold Pool #G12121, 5.5% due on 4/1/2021	39,653	44,028
Federal Home Loan Mortgage Corp Gold Pool #G08046, 5.5% due on 3/1/2035	90,690	103,230
Federal Home Loan Mortgage Corp Good Pool #H00452, 5.5% due on 1/1/2037	67,829	74,691
Federal Home Loan Mortgage Corp Pool #1G1406 ARM, 5.81% due on 12/1/2036	93,677	101,607
Federal Home Loan Mortgage Corp Pool #C01567, 5% due on 5/1/2033	242,124	258,598
Federal Home Loan Mortgage Corp Pool #A88454, 4.5% due on 9/1/2039	319,344	329,566
Federal Home Loan Mortgage Corp Gold Pool #B13067, 4.5% due on 3/1/2019	38,829	44,007
Federal Home Loan Mortgage Corp Gold Pool #B15182, 4.5% due on 6/1/2014	12,586	12,862
Federal Home Loan Mortgage Corp Gold Pool #A36664, 5% due on 8/1/2035	54,636	63,427
Federal Home Loan Mortgage Corp Gold Pool #A36685, 5% due on 8/1/2035	26,686	30,983
Federal Home Loan Mortgage Corp Pool #A37876, 5% due on 9/1/2035	217,738	226,929
Federal Home Loan Mortgage Corp Pool #781958, 5.132% due on 9/1/2034	33,079	36,414
Federal National Mortgage Association Notes, 4% due on 4/22/2019-2010	35,000	40,896
Federal National Mortgage Association Notes, 1.3% due on 1/30/2017-2013	200,000	200,762
Federal National Mortgage Association Unsecured, 1% due on 5/21/2027-2012	350,000	350,466
Federal National Mortgage Association Unsecured Multi-Step Up note, 0.75% due on 7/17/2017-2013	234,977	235,632
Federal National Mortgage Association Pool #255670, 5% due on 4/1/2035	48,966	56,557
Federal Home Loan Mtge Corp Notes, 2.375% due on 1/13/2022	433,602	451,087
Federal National Mortgage Association Notes, 5.5% due on 5/10/2027-2017	124,375	149,268
Federal National Mortgage Association Pool #725205, 5% due on 3/1/2034	14,052	16,564
Federal National Mortgage Association Pool #735227, 5.5% due on 2/1/2035	55,201	62,717
Federal National Mortgage Association Pool #735228, 5.5% due on 2/1/2035	129,272	147,598
Federal National Mortgage Association Pool #735502, 6% due on 4/1/2035	48,518	54,821
Federal National Mortgage Association Pool #735733, 4.5% due on 10/1/2033	98,565	114,810

See accompanying independent auditors' report.

REPUBLIC OF PALAU SOCIAL SECURITY RETIREMENT FUND

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	Cost	Fair Value
<u>U.S. Government Agencies, Continued</u>		
Federal National Mortgage Association Pool #735897, 5.5% due on 10/1/2035	92,135	102,797
Federal National Mortgage Association Pool #739821, 5% due on 9/1/2033	89,099	94,788
Federal National Mortgage Association Pool #745089, 6% due on 12/1/2035	47,988	54,368
Federal National Mortgage Association Pool #794474, 6% due on 10/1/2034	152,281	170,787
Federal National Mortgage Association Pool #796274, 5.5% due on 12/1/2034	318,693	357,787
Federal National Mortgage Association Pool #810225, 6% due on 1/1/2035	231,480	257,987
Federal National Mortgage Association Pool #814915, 5.5% due on 3/1/2035	206,201	216,106
Federal National Mortgage Association Pool #826966, 5.5% due on 6/1/2035	22,566	23,801
Federal National Mortgage Association Pool #828856, 5.5% due on 10/1/2035	102,837	118,401
Federal National Mortgage Association Pool #867452, 6.5% due on 6/1/2036	50,861	57,526
Federal National Mortgage Association Pool #868936, 6% due on 5/1/2036	502,364	506,770
Federal National Mortgage Association Pool #882694, 6.5% due on 6/1/2036	33,506	37,781
Federal National Mortgage Association Pool #903749, 6% due on 10/1/2036	21,457	24,031
Federal National Mortgage Association Pool #904915, 5.5% due on 12/1/2036	48,316	53,344
Federal National Mortgage Association Pool #905678, 5.5% due on 12/1/2036	137,246	145,687
Federal National Mortgage Association Pool #910473, 5.569% due on 1/1/2037	82,883	90,353
Federal National Mortgage Association Pool #935636, 4.0% due on 9/1/2024	156,040	162,010
Federal National Mortgage Association Pool #AA3553, 5% due on 2/1/2039	114,083	122,117
Government National Mortgage Association Pool #737442, 4% due on 9/15/2040	497,147	535,629
Government National Mtg Corp Pool #648503, 5.5% due on 11/15/2035	40,364	46,397
GNMA Mortgage Pool CTFS Pool #701940 4.5% 6/15/2039	560,920	601,430
NCUA Guaranteed Notes US Govt Guaranteed 2.35% 6/12/2017	155,213	159,786
Resolution Funding Corp Bonds, 8.875% due on 7/15/2020	516,562	537,645
Tennessee Valley Auth Unsecured, 1.875% due on 8/15/2022	629,257	626,504
	<u>9,001,672</u>	<u>9,539,670</u>
Subtotal - Account#135074870	11,585,298	12,238,721
Federal Farm Credit Bank Bonds 1.05% 03/28/2016	100,156	101,939
Federal Farm Credit Bank Unsecured .7% 12/14/2015	20,000	20,000
Federal Home Loan Mtge Assoc Notes 1.3% due on 1/30/2013	15,000	15,057
Federal Home Loan Mtge Assoc Notes (Multi -Step CPN) 1.125% due on 11/21/2012	24,969	25,030
Federal Home Loan Mtge Assoc Notes (Multi-Step CPN) 0.625% due on 11/28/2014	149,895	150,072
Federal Home Loan Mtge Assoc Unsecured Multi-Step Up Note 0.75% due on 7/17/2017	9,999	10,027
NCUA Guarenteed Notes Unsecured 1.4% 6/12/2015	25,567	25,615
	<u>345,586</u>	<u>347,740</u>
Subtotal - Account#135284958	345,586	347,740
<u>Municipal Obligations</u>		
Chicago IL Build America Bonds Taxable C 6.207% 01/01/2036	486,376	530,276
Georgia St Muni Elec Auth Taxable -Sub Gen Resolution 4.43% 01/01/2022	350,000	384,146
Honolulu Hawaii City & CNTY Build America Bonds 6.25% due on 09/1/2031-2019	365,000	417,096
Honolulu Hawaii City & CNTY Build America Bonds Taxable-Ser A @ 3.424% due on 12/1/2017	140,000	155,841
Honolulu HI City & CNTY Wastewtr Sys Rev Build America Bonds Taxable-First BD-Ser B Issuer Subsidiary	110,000	125,322
Honolulu HI City & CNTY Wastewtr Sys Rev Build America Bonds 4.643% due on 7/1/2022-2020	215,000	245,246
Maui CNTY Hawaii Taxable-Ser A Recovery Zone Economic Dev Bonds 3.909% due on 6/1/2019	200,000	223,894
New Jersey St Econ Dev Auth Taxable-ref-sch Facs Constr-DD-2 3.641% 12/15/2015	284,257	294,753
New York NY Taxable Build Amer BDS-F-1 4.93% due on 12/1/2019	275,000	325,936
North Bend Washington WTR & SWR Revenue ULID #6 2% 08/01/2017	152,046	151,797
Texas St Ref-Taxable-Pub FIN Auth 4.004% due on 10/1/2023	275,000	307,854
	<u>2,852,679</u>	<u>3,162,161</u>
Subtotal - Account#135074870	2,852,679	3,162,161
Hawaii ST HSG Fin & Dev Corp Multifamily Rev HSG-Kuhio PK Terrace-Ser B 1.25% 10/01/2013	49,992	50,185
New Jersey ST Econ Dev Auth Taxable -Ref-Sch Facs Constr-DD-2 3.641% 12/15/2015	10,337	10,718
New York ST Mtge Agy Homeowner Mtge Revenue Ser 172 1.304% 04/01/2015	15,000	15,027
North Bend Washington WTR & SWR Revenue ULID #6 2% 08/01/2017	10,136	10,120
	<u>85,465</u>	<u>86,050</u>
Subtotal - Account#135284958	85,465	86,050
Total U.S. Government Obligations	<u>\$ 14,869,028</u>	<u>\$ 15,834,672</u>
<u>Corporate Bonds</u>		
African Development Bank Sub Notes 6.875% due on 10/15/2015	\$ 485,263	\$ 475,428
Alabama Power Co Bonds Ser 1, 5.65% due on 3/15/2035	195,394	219,070
American Express Co. Sr Unsecured, 4.875% due on 7/15/2013	471,710	462,182

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	Cost	Fair Value
<u>Corporate Bonds, Continued</u>		
American Intl Group Notes, 3.8% due on 3/22/2017	54,888	59,158
Apache Finance Canada Company Guaranteed, 7.75% due on 12/15/2029	181,156	220,269
BP Capital Markets Plc SR Unsecured, 5.25% due on 11/7/2013	269,824	283,980
Bank of Nova Scotia N Y AGY SR Unsecured 1.85% due on 01/12/2015	200,138	206,146
Becton Dickinson & Co SR Unsecured 1.75% due on 11/08/2016	190,744	191,447
Berkshire Hathaway Fin Company Guarant 4.6% due on 5/15/2013	145,488	138,573
Berkshire Hathaway Inc Sr Unsecured 3.2% due on 2/11/2015	587,719	609,942
Boeing Co Bonds 6.125% due on 2/15/2033	293,085	322,070
Coca cola Enterprises Inc. Notes 5% 8/15/2013	141,536	135,155
Comcast Corp Company Guaranteed, 6.5% due on 1/15/2017	233,058	254,448
Dominion Resources Inc SR Notes Ser F Putable 8/15, 5.25% due on 8/1/2033	109,100	127,327
Duke Capital Corp Senior Notes, 8% due on 10/1/2019	152,061	169,047
Ebay Inc SR Unsecured 3.25% due on 11/15/2020	364,237	387,256
European Investment Bank SR Unsub, 2.375% due on 3/14/2014	224,032	231,336
European Investment Bank SR Unsecured, 1.75% due on 3/15/2017	330,203	336,710
GATX Corp Notes, 8.75% due on 5/15/2014	149,625	167,765
General Electric Capital Corp Sr Unsecured, 5% due on 02/01/2013	257,898	253,810
General Electric Capital Corp Sr Unsecured, 6.9% due on 9/15/2015	283,638	290,403
Georgia Power Company SR Unsecured, 4.9% due on 9/15/2013	151,938	155,966
Harris Corp SR Unsecured, 5.95% due on 12/1/2017	426,444	475,760
Hewlett-Packard Co Notes 6.125% 3/1/2014	180,545	170,571
Hormel Foods Corp SR Unsecured 4.125% due on 04/15/2021	111,880	113,263
Inter-American Development Bank Notes 6.75% due on 7/15/27	269,758	291,180
Interamerican Develop Bank SR Unsub, 4.75% due on 10/19/2012	213,860	200,342
Hormel Foods Corp SR Unsecured 3.2% due on 08/07/2042	198,586	194,784
Aid Israel US Government Guaranty, 5.5% due on 9/18/2023	309,663	395,691
JP Morgan Chase & Co. Bonds, 5.125% due on 9/15/2014	322,239	321,903
JP Morgan Chase Bank Subordinated, 6% due on 10/1/2017	724,820	804,692
Kimberly Clark Corp Notes, 6.125% due on 8/1/2017	109,667	135,091
Kinder Morgan Energy Partners LP Notes, 7.125% due on 3/15/2012	149,012	161,133
Landesbank Baden-wuerttemerg Subordinated 7.625% due on 02/01/2023	295,891	297,698
Landesbank Baden-wurttt NY Subordinated 5.05% due on 12/30/2015	268,900	281,545
Mercantile Bankshares Corp Sub Notes Ser B, 4.625% due on 4/15/2013	428,623	417,929
Merrill Lynch & Co Sr Unsecured Ser MTN Flt Qtrly .56056% due on 6/5/2012	461,411	503,249
Morgan Stanley SR Unsecured, 7.3% due on 5/13/2019	149,654	176,999
Murray State Inv Trust 1 Company Guarant 4.647%, due on 03/09/2017	134,920	144,972
NA Development Bank SR Unsecured 4.375% due on 02/11/2020	527,754	538,840
PPG Industries Inc Sr Unsecured 1.9% due on 1/15/2016	225,255	232,544
Pacificorp 1st Mortgage, 5.45% due on 9/15/2013	103,545	104,449
Partnerre Finance Company Guarnt, 6.875% due on 6/1/2018	277,508	332,688
Pharmacia Corporation Debentures, 6.75% due on 12/15/2027	146,579	169,240
Pres & Fellows of Harvard Bonds, 6.3% due on 10/1/2037	337,325	379,005
Private Export Funding US Govt Guaranteed, 3.05% due on 10/15/2014	186,778	184,273
Royal Bank of Canada Unsecured 1.15% due on 03/13/2015	169,946	172,557
Ryder System Inc Notes, 5.85% due on 11/1/2016	247,243	286,322
Shell International SR Unsecured 2.375% due on 8/21/2022	99,567	100,950
Sysco Corp Debentures, 6.5% due on 8/1/2028	96,858	126,426
3M Co Unsecured 1% due on 06/26/2017	149,309	151,305
Total Capital Intl SA SR Unsecured 1.55% due on 06/28/2017	149,720	152,813
Toyota Motor Credit Corp. SR Unsecured .875% due on 07/17/2015	199,894	200,976
US Bank NA Notes 6.3% due on 02/04/2014	263,167	268,723
Wal-Mart Stores Inc SR Unsecured, 6.5% due on 8/15/2037	252,470	358,160
Wal-Mart Stores Inc Senior Notes, 3.25% due on 10/25/2020	711,831	786,429
Wells Fargo Company Sub Notes, 5% due on 11/15/2014	206,604	215,748
Wells Fargo Company SR Unsecured, 5.625% due on 12/11/2017	179,251	216,112
	<hr/>	<hr/>
Subtotal - Account#135074870	14,759,212	15,761,850
American Intl Group Notes, 3.8% due on 3/22/2017	4,989	5,378
BHP Finance USA Ltd Company Guarant 1.875% due on 11/21/2016	22,202	22,776
BP Capitol Markets PLC Company Guarant 1.00775% due on 03/11/2014	4,980	5,037
BP Capitol Markets PLC Company Guarant 2.248% due on 11/01/2016	30,312	31,404
Bank of Nova Scotia N Y AGY SR Unsecured 1.85% due on 01/12/2015	10,000	10,307
Becton Dickinson & Co SR Unsecured 1.75% due on 11/08/2016	35,761	36,220
Credit Suisse New York SR Unsecured 3.5% due on 03/23/2015	29,908	31,707

See accompanying independent auditors' report.

REPUBLIC OF PALAU SOCIAL SECURITY RETIREMENT FUND

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	Cost	Fair Value
<u>Corporate Bonds, Continued</u>		
European Investment Bank SR Unsecured, 1.75% due on 3/15/2017	15,240	15,540
General Electric Capital Corp Sr Unsecured Floating, .5746% due on 11/01/2012	34,978	35,009
Intl Bk Recon & Dev SR Unsecured .5% due on 03/26/2014	50,034	50,186
Landesbk Baden-Wurtt NY Subordinated 5.05% due on 12/30/2015	27,025	28,155
Microsoft Corp Senior Notes 1.625% due on 09/25/2015	45,027	45,649
Murray State Inv Trust 1 Company Guarant 4.647%, due on 03/09/2017	9,994	10,739
PPG Industries Inc Sr Unsecured 1.9% due on 1/15/2016	15,010	15,503
Pepsico Inc SR Unsecured .8% due on 08/25/2014	30,020	30,175
Raytheon Co SR Unsecured 1.4% due on 12/15/2014	21,442	21,334
Royal Bank of Canada Floating Rate Notes Senior Unsecured .7551% due on 04/17/2014	9,961	10,031
Royal Bank of Canada Unsecured 1.15% due on 03/13/2015	4,998	5,075
3M Co Unsecured 1% due on 06/26/2017	4,977	5,044
Total Capital Intl SA SR Unsecured 1.55% due on 06/28/2017	4,991	5,094
Toyota Motor Credit Corp. SR Unsecured .875% due on 07/17/2015	24,987	25,122
Wells Fargo Company SR Unsecured, 1.25% due on 02/13/2015	22,954	23,274
	<hr/>	<hr/>
Subtotal - Account#135284958	459,790	468,759
	<hr/>	<hr/>
Total Corporate Bonds	\$ 15,219,002	\$ 16,230,609
<u>Corporate Stock</u>		
Allergan Inc	\$ 169,225	\$ 192,318
Amazon.Com Inc	272,782	338,246
American Express Co	297,756	341,160
American Tower Corp	127,147	299,838
Apple Inc	65,572	1,180,776
Baidu Inc Adr	159,046	159,438
Boeing Idec Inc	322,260	387,946
Boeing Co	230,544	250,542
Bristol Myers Squibb Co.	257,034	246,375
CVS/Caremark Corp	512,918	639,144
Capital One Financial Corp	205,285	456,080
Cheveron Corp	294,116	338,024
Citigroup Inc	462,459	498,653
Citrix System Inc	86,553	84,182
Comcast Corp CL A	270,886	285,960
Disney Walt Co	329,941	564,624
Du Pont E.I. De Nemours & Co	139,504	180,972
EMC Corp	344,978	362,691
Ebay Inc	385,462	459,515
Express Scripts Holding Co	289,509	463,462
Exxon Mobil Corp	434,265	466,395
Freeport Mcmoran Copper & Gold Class B	182,272	201,858
General Electric Co	534,168	706,281
General Motors Co	281,684	273,000
Gilead Sciences Inc	348,638	497,475
Google Inc CL A	136,009	575,684
Halliburton Co	261,893	259,413
Home Depot Inc	300,439	501,071
Int'l Business Machines	125,171	317,606
JP Morgan Chase & Co	337,504	497,904
Kraft Foods Inc A	193,357	227,425
Las Vegas Sands Corp	101,902	92,740
Marsh & McLennan Companies Inc	183,574	183,222
Mastercard Inc Class A	229,672	302,492
McDonalds Corp	144,159	183,500
Metlife Inc Inc	150,086	127,502
Microsoft Corp	285,078	318,432
News Corporation Inc CL A	422,641	570,967
Nike Inc Cl B	91,823	94,910
Occidental Petroleum Corp	255,421	232,362
PNC Financial Services Group	157,032	189,300
Pepsico Inc	254,097	261,849
Pfizer Inc	350,496	427,420
Philip Morris International	166,680	215,856

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REPUBLIC OF PALAU SOCIAL SECURITY RETIREMENT FUND

Schedule of Investments
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	Cost	Fair Value
<u>Corporate Stock, Continued</u>		
Precision Cast Parts Corp	134,878	212,342
Qualcomm Inc	500,952	549,734
Schlumberger Ltd	363,771	390,582
Charles Schwab Corp	176,699	162,369
Time Warner Cable Inc	133,389	152,096
Union Pacific Corp	110,807	344,230
United Technologies Corp	172,422	320,989
Unitedhealth Group Inc	167,176	188,394
Ensco PLC CL A	318,085	371,008
Subtotal - Account#140011156	<u>13,229,217</u>	<u>18,146,354</u>
AT&T Inc	544,636	689,910
Abbott Laboratories	399,218	500,488
Caterpillar Inc	573,168	619,488
Celgene Corp	371,536	481,320
Chevron Corp	589,633	722,672
Cisco Systems	418,011	427,728
Coca Cola Co	538,167	606,880
Danaher Corp	545,885	645,255
Dominion Resources Inc/VA	557,809	608,810
Dow Chemical Co	482,939	515,399
Du Pont E.I. De Nemours & Co	611,268	608,267
Eaton Corp	603,045	595,602
Exxon Mobil Corp	591,042	702,427
Fedex Corporation	589,026	558,492
General Electric Co	562,436	706,281
Intel Corp	376,909	380,604
Int'l Business Machines	469,468	622,350
McDonalds Corp	458,268	550,500
Merck & Co. Inc	579,819	676,425
Microsoft Corp	413,028	470,208
Nextera Energy Inc	555,842	597,805
Oracle	455,732	497,068
PPL Corporation	587,531	604,240
Pfizer Inc	509,462	626,220
Philip Morris International	608,021	611,592
Qualcomm Inc	402,928	468,525
Schlumberger Ltd	593,978	571,407
Southern Co	447,289	539,253
Thermo Fisher Scientific Inc	371,477	447,108
United Technologies Corp	574,024	587,175
Subtotal - Account#140340753	<u>15,381,595</u>	<u>17,239,499</u>
<u>Corporate Stock - International Equities</u>		
ABB Ltd Sponsored ADR One ADR Reprs 1 Reg Sh	173,204	134,640
Aberdeen Asset Management PLC (GBP)	63,924	80,324
Admiral Group PLC (GBP)	65,896	73,045
America Movil Sab De C V Spon ADR Ser L	149,708	146,026
ARM Holdings PLC (GBP) .05	38,779	241,510
ASML Holding N.V.	44,222	112,728
Bank of Nova Scotia (CAD)	135,443	131,599
BG PLC ADR Final Instalment New	62,645	54,810
BOC Hong Kong Holdings Ltd (HKD)	64,633	76,293
Check Point Software Tech Ltd.	63,961	52,976
Cochlear Limited (AUD)	131,191	163,001
CSL Ltd (AUD) 1	160,101	223,131
Deutsche Boerse AG (EUR)	198,520	91,312
Elekta AB (B SHRS)	62,790	68,709
Essilor Intl (EUR)	108,691	168,555
Eutelsat Communications (EUR) 1	113,996	133,404
Fanuc Ltd (JPY) 50	70,238	64,484
Getinge AB (SEK) Par .050	164,875	217,361
Hang Lung Properties Ltd (HKD) 1.00	130,389	126,446

See accompanying independent auditors' report.

REPUBLIC OF PALAU SOCIAL SECURITY RETIREMENT FUND

Schedule of Investments
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	Cost	Fair Value
<u>Corporate Stock - International Equities, Continued</u>		
Hengan International Group Co Ltd (HKD)	112,834	282,811
Hon Hai Precision Ind Ltd GDR REG S	71,977	75,834
Hong Kong Land Holdings Ltd (USD) .10SQ	113,225	180,300
Hyundai Motor Co GDR REG S	55,200	102,272
Industria De Diseno Textil SA (EUR) .15	180,690	273,184
Keyence Corp (JPY) 50	35,627	56,384
Loccitane Intl SA (HKD)	75,204	84,598
Louis Vuitton Moet Hennessey (EUR) 1.5	64,517	60,140
Luxottica Group Spa Sponsored ADR One ADR Rep One Ord Sh	128,854	162,196
Mitsui Fudosan Co Ltd (JYP) 50	95,265	80,118
MTU Aero Engines Holding AG (EUR)	124,404	255,571
Noble Group Ltd (SGD)	102,254	174,275
Pearson PLC (GBP)	129,577	156,373
Qiagen NV	162,017	144,378
Rakuten Inc (JPY)	79,372	71,314
Reckitt Benckiser Group LLC (GBP) .10526	173,167	178,429
Roche Holdings AG Basel (CHF) Genusssch	109,763	112,095
Royal Dutch PLC ADR	94,256	90,233
Sage Group PLC (GBP) Par 1	140,827	182,870
Saipem Spa (EUR)	162,558	240,112
Samsung Electrics Ltd GDR 95 RPSTG Regs	62,196	72,300
Siemens AG Spons ADR (One Adr Reps One Adr Depository)	82,922	70,105
Societe Generale De Surveillance SA (CHF) 20 Regd	123,842	184,890
Syngenta AG Sponsored ADR (One ADR Reps 1/5 Ord Sh)	171,460	243,263
Taiwan Semiconductor MFG Co SPON ADR	56,865	92,136
Terumo Corp (JPY) 50	166,410	137,784
United Overseas Bank (SGD)	55,981	64,046
Woolworths Ltd (AUD) .25	100,412	143,533
Worleyparsons Ltd (Aud)	85,068	88,040
ZTE Corp (HKD)	86,076	41,321
	<u>5,206,026</u>	<u>6,461,259</u>
Total International Equities - Account#491206600		
Total Corporate Stock	<u>\$ 33,816,838</u>	<u>\$ 41,847,112</u>

See accompanying independent auditors' report.