

REPUBLIC OF PALAU SOCIAL SECURITY
RETIREMENT FUND
(A COMPONENT UNIT OF THE REPUBLIC OF PALAU)

FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2013 AND 2012

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Republic of Palau Social Security Retirement Fund:

Report on the Financial Statements

We have audited the accompanying financial statements of the Republic of Palau Social Security Retirement Fund (the Fund), a component unit of the Republic of Palau, which comprise the statements of net position as of September 30, 2013 and 2012, and the related statements of changes in 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 Social Security Retirement Fund as of September 30, 2013 and 2012, and the changes in its net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 10 to the financial statements, the accompanying 2012 financial statements have been restated for the correction of errors. Our opinion is not modified with respect to this matter.

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 12 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. 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 Combining Statement of Net Position and the Combining Statement of Changes in Net Position as of and for the year ended September 30, 2013 (pages 28 and 29), the Schedule of Administrative Deductions for the years ended September 30, 2013 and 2012 (page 30) and the Schedule of Investments as of September 30, 2013 (pages 31 through 36) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Statement of Net Position, the Combining Statement of Changes in Net Position, the Schedule of Administrative Deductions and the Schedule of Investments are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Statement of Net Position, the Combining Statement of Changes in Net Position, the Schedule of Administrative Deductions and the Schedule of Investments are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2014 on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

Deloitte & Touche LLC

April 8, 2014



Republic of Palau
SOCIAL SECURITY ADMINISTRATION

P. O. Box 679 Koror, Republic of Palau, PW 96940

Phone: (680) 488-2457 or Fax: (680) 488-1470

E-mail: administration@ropssa.org Website: www.ropssa.org

Management's Discussion and Analysis
Year Ended September 30, 2013

This Management's Discussion and Analysis (MD&A) of the Republic of Palau Social Security Administration's (the Fund) financial performance and condition for the fiscal year ended September 30, 2013 is to provide readers with management's view as to what is critical to an understanding of the Fund's historical performance and its future prospects. It is intended to be read in conjunction with the independent auditors' report as provided herein.

Organization:

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 Fund was created on May 28, 1987 by Republic of Palau Public Law (RPPL) 2-29 as codified in Title 41 of the Palau National Code Annotated (PNCA), as amended. The Fund Board of Trustees (the Trustees) is incorporated under the *Social Security Act of 1987* (the Act) to administer the Fund as an agency of the Republic of Palau (ROP). The main role of the Trustees is to provide for a Social Security Fund in ROP in which persons covered may be ensured security without hardship and complete loss of income at an old age or during disability and further, to provide survivor's insurance for their spouse and children. The Fund is compulsory, self-supporting and self-financing. It is not to be financed from public funds (except to the extent that the government, in its capacity as an employer, makes contributions to the system as required under the Act).

The Trustees:

The President of ROP appoints five board members to serve as the Board of Trustees for four-year terms subject to Senate confirmation. The Board of Trustees appoints the Administrator who manages and operates the Fund under guidance of the Board. The Administrator serves as an ex-officio member of the Board. The Board of Trustees elects its own officers to the posts of Chairman, Vice Chairman and Secretary/Treasurer to serve for the duration of their term. Any change of two or more Trustees requires an election of new officers within six months of the new installation. The Trustees of the Fund during the year were:

Board Member	Officers/Title	Appointed	Expiration
Ms. Florencia Rirou	Chairman	08/19/11	08/19/15
Mrs. Lillian G. Uludong	Vice Chairman	08/25/11	08/25/15
Ms. Johana Ngiruchelbad	Secretary/Treasurer	10/28/11	10/28/15
Mr. Francis E. Meyar	Member	10/11/11	10/11/15
Mrs. Evalista N. Kyota	Member	03/14/12	03/14/16

Human Resources (HR):

The Fund's policies and strategies are implemented through the Administrator and a management team. The management team is comprised of six managers from each functional section which includes Information Systems, Finance and Accounting, Employer Service, Member Service, Outreach/Prior Service and Disability and Health Care Fund. The new HR policies, introduced and adopted this year, addressed specific problems revealed by the Office of the Public Auditor during an oversight audit in 2011. The new policies provide for improving work ethic and an incentive award system to recognize employee loyalty and high achievement. The Fund had a total of twenty-nine full-time employees, including the Administrator, at the end of fiscal year 2013, with two vacancies. A high turnover of 31% occurred during the year due to the former Administrator's departure after eleven years with the Fund and the departure of employees seeking new opportunities. The Trustees remained diligent and positive during this period with a view that change is necessary for an organization to survive.

Contributions:

All employees and employers working and domiciled in ROP contribute 6% of remuneration to the Fund. The maximum amount of remuneration received per quarter from one employer by any one employee is \$5,000. The self-employed rate is 12% based on a minimum remuneration of \$300 per quarter. RPPL 9-11 and 9-12 were enacted and became effective on October 1, 2013 and will affect contributions from 2014 and thereafter. The measures increase the maximum remuneration received per quarter from one employer by any one employee to \$6,000 on October 1, 2015 and further increase to \$8,000 on October 1, 2017. By October 1, 2020, there will be no maximum amount of remuneration, which means that all wages earned will be taxed at the going rate of 6%. Further, the retirement age has been revised from age 60 to age 62 by October 1, 2015 or age 63 by October 1, 2020. Contributions are remitted to the Fund on a quarterly basis except for self-employed individuals who may remit contributions on an annual or quarterly basis, and the National Government who has opted to remit on a bi-weekly basis. Funding is mainly derived from contributions enabling the Fund to meet monthly benefit payments and operation costs with the remaining balance to be invested in the Fund's asset portfolio.

Contributions in fiscal years 2013 and 2012 were \$15,677,617 and \$15,793,015, respectively, a decrease of \$115,398 or a negative growth of 1%. Slow economic growth and scarce investment opportunities were some of the key external factors imposing restrictions on economic growth. This is evident from the increasing number of business closures and delinquent tax liabilities in the private and government sectors. As indicated below, government contributions exceed the private sector due to more people employed in the government.

Contributions by Sector:

Year	Government	%	Private	%	Self-Employed	%	Penalties and Interest	%	Total	%
2009	\$ 5,095,554	51%	\$ 4,635,156	46%	\$ -	0%	\$ 295,973	3%	\$ 10,026,683	100%
2010	\$ 4,906,754	45%	\$ 4,941,945	46%	\$ -	0%	\$ 963,412	9%	\$ 10,812,111	100%
2011	\$ 7,800,278	50%	\$ 7,090,307	45%	\$ 44,434	0%	\$ 748,808	5%	\$ 15,683,827	100%
2012	\$ 7,791,013	49%	\$ 7,291,773	46%	\$ 77,074	1%	\$ 633,155	4%	\$ 15,793,015	100%
2013	\$ 7,763,520	49%	\$ 7,505,542	48%	\$ 81,742	1%	\$ 326,813	2%	\$ 15,677,617	100%

Member Services:

Total active members of the Fund as of fiscal year 2013 were 11,334 which is an increase of 290 over the previous year, a growth of 3%. Consequently, there has been an upward trend of benefit recipients to active members for the last five years and currently it stands at 26%. This means that approximately 74% of members are contributing to the Fund and are expected to receive benefits in the future. The bulk of benefit payments are to retirees, 59%, followed by survivor dependents (inclusive of spouse and dependents) of 39% and lastly, disability with 2% as indicated in the table below.

ACTIVE MEMBERS			CURRENT MEMBERS RECEIVING BENEFITS				
YR	Members	% of Change	Retirement	Survivor (Dependents)	Disability	Total	(%) to Active Members
2009	11,616	4%	1,410	1,062	69	2,541	22%
2010	11,315	-3%	1,490	1,072	67	2,629	23%
2011	11,086	-2%	1,532	1,072	65	2,669	24%
2012	11,044	0%	1,601	1,036	66	2,703	24%
2013	11,334	3%	1,753	1,147	61	2,961	26%

Total active employers as of the end of the period were 2,598. New employers registered during the year were 316 with 269 remaining active, 46 closed and 1 inactive at year end. There were 113 non-filing employers that will be audited in fiscal year 2014 to ensure that all businesses file their quarterly tax returns and contribute to the Fund as required under the Act.

Benefit Payments:

The type of benefits as defined under 41 PNCA are: 1) old-Age insurance benefits, also known as retirement benefits, at age of 60. The maximum limit of the basic monthly benefit is equivalent to the highest monthly average wage over twelve of forty quarters preceding retirement. Note that RPPL 9-11 and 9-12 allow for dual benefits of retiree and surviving spouse; 2) Disability insurance benefits are for persons who are disabled and are fully or permanently insured. The basic benefit exceeds 80% of 1/12 of the highest annual remuneration up to a limit of \$6,000 per annum preceding disability with certain criteria established under guidelines; 3) surviving spouse insurance benefits are for unemployed surviving spouses at 60% of basic benefits of the deceased insurance benefits subject to earnings test if employed and 100% if age 60 and unmarried; 4) surviving child insurance benefits are for surviving children 18 years or younger, and surviving children over 18 years up to 22 years if a full-time student, subject to 15% of the deceased basic benefit insurance; and 5) lump sum benefits are paid after the death of a member at 6% of cumulative earnings less any amount of benefits received to date of the deceased to a legal appointed representative if no surviving beneficiary.

Benefits payments in fiscal year 2013 increased by \$703,959 from \$9,780,932 to \$10,484,891 in fiscal year 2012. There was a growth of 7% in benefit payments compared to a negative 1% growth of contributions during this period. The imbalance is most likely to continue for the next five years based on recent amendments of RPPL 9-11 and 9-12 that went into effect on October 1, 2013. The bulk of benefit payments was mainly for retirement at 74%, followed by survivors at 22%, disability at 3% and lump sum at 1%. The breakdown of benefit payments and percentage to total funds released for the last five years is as follows:

Benefit Payments:

YR	Retirement	%	Survivor's	%	Disability	%	Lump Sum	%	Total	%
2009	\$ 6,013,986	71%	\$ 1,989,400	24%	\$ 336,168	4%	\$ 79,944	1%	\$ 8,419,498	100%
2010	\$ 6,341,956	72%	\$ 2,049,131	23%	\$ 353,272	4%	\$ 57,494	1%	\$ 8,801,853	100%
2011	\$ 6,757,232	73%	\$ 2,125,799	23%	\$ 350,558	4%	\$ 56,691	0%	\$ 9,290,280	100%
2012	\$ 7,183,114	74%	\$ 2,191,211	22%	\$ 333,458	3%	\$ 73,149	1%	\$ 9,780,932	100%
2013	\$ 7,766,793	74%	\$ 2,268,508	22%	\$ 346,140	3%	\$ 103,450	1%	\$ 10,484,891	100%

Prior Service Retirement:

Funding for the Prior Service Benefits Program (the PSBP) relies on U.S. government appropriations from the U.S. Department of the Interior. At September 30, 2013 and 2012, the amount available for future benefits payments under the PSBP amounted to \$110,149 and \$33,201, respectively. The agreement between the Prior Service Trust Fund Administration Board and the U.S. Department of the Interior allows the Fund to accept the liability based on the amount of funding received and does not accept any future obligations to pay future benefits unless funding continues from U.S. government appropriations. As of September 30, 2013, total members receiving benefits under the PSBP were 241.

Health Care Fund (the HCF):

The National Healthcare Financing Act (NHFA) was created on May 7, 2010 under RPPL 8-14 as codified in Title 41 Chapter 9 of the PNCA. NHFA was created to meet ROP's constitutional responsibility under Article VI of the Constitution to provide health care for all residents of Palau in a duly governed and managed system that will ensure that no person is denied access to the healthcare system or turned away for lack of money. The Fund Board of Trustees appoints the Administrator to serve as the HCF Administrator responsible for administration of the Medical Savings Account (MSA) and the National Health Insurance (NHI) subject to the supervision and oversight of the National Healthcare Governing Committee (the NHGC). The powers and duties of the NHGC under the Act are to provide an orderly means to finance and deliver comprehensive healthcare coverage to the people of ROP. The NHGC has additional powers as outlined in the Act but most importantly is the authority to promulgate laws, procedures, policies, rules and regulations necessary to carry out the functions of NHFA.

As of September 30, 2013, members of the NHGC by virtue of their position and title in respective ROP agencies were as follows:

Member	Representative
Mr. Elbuchel Sadang, Chairman	Minister of Finance
Mr. Gregorio Ngirmang, Vice Chairman	Minister of Health
Mrs. Leilani N. Reklai	Governors Association
Mrs. Francisca Vogt	Chamber of Commerce
Mr. Satoru Adachi	Administrator

All employees and employers working and domiciled in ROP contribute 2.5% of remuneration to the HCF. Employees' share goes into the MSA while the employers' share of 2.5% goes into the NHI fund. Initial capital of \$50,000 was advanced by the Fund in May 2010 and contributions began on October 1, 2010. On April 1, 2011, after two quarters of contributions, benefits under the healthcare insurance commenced. Due to limitations of computer systems, the participating member data is only available in real time with available figures as of December 31, 2013 of 15,532 NHI participating members and of 14,279 MSA participating members. ROP provides 100% subsidized healthcare insurance for all citizens over 60 years of age and the unemployed including disabled individuals.

Investments:

The Board of Trustees complies with the investment policy adopted in December 1989, with the most recent amendment in May 2007, that outlined the framework to guide investment managers toward the performance desired, which is to ensure that sufficient assets will be accumulated to pay the statutory benefits of current and future retirees. Contrary to expectations given the global investment climate in the United States and international markets, the Fund achieved a portfolio growth and a return on investment of 9.26% for fiscal year 2013. Investment income of \$7,792,072 is mainly due to realized gains in corporate stocks as duly managed by investment managers. The Board of Trustees will be considering a new Investment Consultant in 2014 as part of the process of reviewing the investment processes and strategies to ensure that the asset portfolio is safe and secure investment decisions are made for the investment opportunities that will help reduce the unfunded liability as indicated by the actuarial studies prepared in October 2011. By law, the actuarial study should be carried every four years for necessary amendments of the law governing the Fund.

Year	Portfolio	Investment Income	Growth	ROI (%)
2009	\$ 63,975,898	\$ 4,412,621	6.5227%	6.8973%
2010	\$ 65,893,676	\$ 4,468,348	2.9977%	6.7811%
2011	\$ 66,139,503	\$ 14,660	0.3731%	0.0222%
2012	\$ 76,979,612	\$ 10,335,834	16.3898%	13.4267%
2013	\$ 84,105,755	\$ 7,792,072	9.2572%	9.2646%

Information Technology:

The Fund database system was created in visual FoxPro by a consultant based in the Commonwealth of the Northern Mariana Islands (the CNMI). The software in support of this database has reached its life cycle. Microsoft, who initially supported the FoxPro software, announced in 2007 that it will no longer support the software as it has reached its life cycle. A review and analysis of the IT system was carried out by CMS Consulting Services in April to June 2012. CSM Consulting Services submitted its report after the analysis with recommendations as noted below:

1. Discontinue development and non-critical enhancements of the current database (FoxPro);
2. Begin planning for development of a new database; and
3. Purchase a new network server to run the newly developed database.

It was further revealed that existing software (FoxPro) is designed to handle a capacity of 2 GB of data and presently the system is near capacity which potentially affects the sustainability of the system and the fact that the database is very unstable. An application for possible grants to assist the Fund with a new computer system upgrade was initiated through the ROP Ministry of Finance. As of July 2013, the Fund Board of Trustees was notified by the Administrator that applications for grants through the U.S. Department of the Interior were unsuccessful. The Fund Board of Trustees agreed to proceed and fund the system upgrade internally as it could no longer wait while integrity of the database information remained unstable. Funding of up to \$1 million was approved in the fiscal year 2014 budget to upgrade the computer database, software, hardware and necessary support services to bring the Fund information system current. The new computer system is anticipated to be installed and in operation by 2014. See “Significant Events in 2013” for a current status report.

Public Relations:

The Fund provides and maintains public relations through communications at the Board level with respective leaders of ROP. Internal affairs of the Fund are duly reported through the Fund's website www.ropssa.org and the Fund distributes semi-annual publications of newsletters locally. The newsletters will revert to quarterly publication beginning in fiscal year 2014. Any other announcements of vacancies and requests for proposals are normally done through local media; i.e. newspapers and local radio stations. Individual visits to retirees or disabled clients are available upon request while outreach visits to each respective state in ROP are scheduled throughout the year. In 2013, outreach visits were made to all sixteen states except Koror which will be continued in fiscal year 2014. Efforts enrolling members to social security benefits, including the health care insurance benefits, are most effective during the outreach visits. A talk show will add awareness of the Fund's public relations coverage in coming years. All employees under the Member Service Section, Disability and Prior Service Section including the Employer Service Section and Health Care Fund Section are required to take part in the public relations events. The public is encourage to obtain a copy of the Fund's newsletters, or to request the distribution channel, to be informed of changes in regulations, outreach visits, and any calendar events of the Fund.

Significant Events in 2013:

The results of the Office of the Public Auditors' report of 2011 prompted the Fund Board of Trustees to revisit all the Fund policies and regulations to ensure that weaknesses of internal control revealed are properly addressed and mitigated with new policies. A consultant was retained by the Trustees in fiscal year 2013 to assist in developing the policies critical to the survival and improvements of the Fund. Adopted policies by the Board of Trustees in fiscal year 2013 were as follows:

- Company Vehicle Policy
- Fuel Card & Fuel Purchases Policy
- Payroll Policy
- Petty Cash Policy
- Procurement Policy
- Travel Policy
- Employer Audit Policy
- SS Coverage & Benefits Policy
- Employee Personnel Manual
- Job Descriptions
- Wages & Salary
- Chart of Accounts Policy
- Cash Disbursement Policy
- Cash Receipts Policy
- Debit Card Policy
- Vault Access Policy
- Fixed Assets Policy
- G/L Reconciliation Policy
- Internet Banking Policy

Changes in forms and applications to the systems were carried out in the later part of fiscal year 2013 and the effective date and full compliance of the above guidelines was set for October 1, 2013. Apart from the policies, the Fund's computer system, mainly the software containing all databases, was created using FoxPro which was previously supported by Microsoft who announced in 2004 that use and support of the software will end in 2007. Efforts to upgrade the system failed in 2004 and management recently solicited possible grants through ROP in fiscal year 2013. Assessment of the system was carried out in fiscal year 2013 and an RFP was finally issued in February 2014. A total of ten proposals have been received and a tentative date for selection and implementation of the project is in March to April 2014. It is expected that the new computer system should be in place by year end 2014. The new system will improve availability of reports that will help management and the Fund Board of Trustees to develop a formal plan to fund the future liability of the Fund and to develop a strategic plan at a later time with the right information and assumptions available.

Subsequent Events:

RPPL 9-11 and RPPL 9-12 took effect on October 1, 2013 which changed the system, regulations and processing of benefit payments. Challenges were met at the outset when the system revealed that the basic benefit increased from \$98 to \$148 and there were no significant benefits to the low income beneficiaries, those with cumulative earnings of less than \$11,000 which affected a total of seventy-nine retirees not including dependents. The chart below shows the changes for a better understanding of before and after.

	BEFORE	AFTER
Basic Benefit	\$98	\$148
And 1/12 of the following:		
First \$11,000 of cumulative earnings	21.5%	27%
Next level \$11,000.01 to \$33,000	2.90%	No change
Next Level \$33,000.01 to \$44,000	1.50%	No change
Over \$500,000	1.50%	0.75%

Further, the survivor spouse not allowed to receive dual benefits became eligible to receive his/her retirement benefits plus his/her deceased spouse's benefit. In 2014, all dual retirees had to be recaptured and reassessed for their own benefits and their deceased spouse, subject to the earnings test. The Board of Trustees is considering an actuarial study to determine any immediate impact to the Fund and possible mitigating strategies to be in place for the duration of set maximum taxable income that is expected to cease by fiscal year 2020.

Financial Performance (Overview):

The Fund's net position for the year ended September 30, 2013 was \$100,027,523 as compared to \$92,295,101 for fiscal year 2012 and \$80,113,748 for fiscal year 2011, which was due mainly to gains in the Fund's investments. The Fund's investments continue to perform positively.

Statements of Net Position:

	2013	2012 (As Restated)	2011 (As Restated)
Total assets	\$ 101,472,801	\$ 92,739,081	\$ 80,547,733
Total liabilities	<u>1,445,278</u>	<u>443,980</u>	<u>433,985</u>
Net position held in trust for benefits and other purposes	<u>\$ 100,027,523</u>	<u>\$ 92,295,101</u>	<u>\$ 80,113,748</u>

Statements of Changes in Net Position:

Total additions	\$ 23,640,622	\$ 26,102,986	\$ 15,882,586
Total deductions	<u>15,908,200</u>	<u>13,921,633</u>	<u>12,412,844</u>
Change in net position	7,732,422	12,181,353	3,469,742
Net position at beginning of year	<u>92,295,101</u>	<u>80,113,748</u>	<u>76,644,006</u>
Net position at end of year	<u>\$ 100,027,523</u>	<u>\$ 92,295,101</u>	<u>\$ 80,113,748</u>

Contributions Receivables:

The Fund contribution receivables for the year ended September 30, 2013 was \$6,132,022 as compared to \$8,810,256 for fiscal year 2012 and \$7,803,519 for fiscal year 2011. The receivables are comprised of delinquent government contributions, several state governments and businesses in the private sector. The allowance for doubtful accounts or provision was understated since 2007 due to internal misinterpretation and application of policy by the Administrator and management. The restatement of the financial statements for fiscal year 2012 was approved by the Trustees to ensure that appropriate recognition of contributions, receivables and allowance for doubtful accounts in the past is duly recognized and fiscal 2013 and thereafter will be sound and correct. As of September 30, 2013, contributions receivable was 39% of total contributions and the provision to total receivables was at 43%. This means that nearly half of the receivables is 100% fully provided for in the event of loss or uncollectible. More emphasis will be taken on reducing the contributions receivables in fiscal year 2014.

Contributions Receivables

YR	Total Cont	A/R Cont	% to TC	Provision	% to A/R
2009	\$ 10,026,683	\$ 3,398,474	34%	\$ 825,113	24%
2010	\$ 10,812,111	\$ 4,545,900	42%	\$ 1,371,034	30%
2011	\$ 15,683,827	\$ 7,803,519	50%	\$ 1,412,941	18%
2012	\$ 15,793,015	\$ 8,810,256	56%	\$ 2,599,988	30%
2013	\$ 15,677,617	\$ 6,132,022	39%	\$ 2,642,384	43%

Fixed Assets:

At September 30 2013, 2012 and 2011, the Fund had \$306,136, \$336,801 and \$373,469, respectively, in fixed assets, net of accumulated depreciation where applicable, including land, building improvements, office furniture and equipment and vehicles, which represent a net decrease in 2013 of \$30,665 or 9.1% over 2012 and a net decrease in 2012 of \$36,668 or 9.8% over 2011. Major capital investments for fiscal year 2014 include computer system upgrades and an HCF vehicle.

Actuarial Valuation:

An actuarial valuation was performed as of October 1, 2011 mainly to assess the 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:

International Monetary Fund (IMF) Public Information Notice No. 12/54 dated February 24, 2012, states that “the economy has recovered strongly from the 2008-09 down turn. The recovery will likely continue in the near term, supported by new scheduled flights and hotel construction. The economy is projected to grow at an average 2% over the next few years with expansion of the tourism sector offsetting the expected fiscal consolidation barring a spike in global commodity prices. Inflation is expected to stay around 2% over the medium term. Growth challenges common to small islands such as Palau includes a narrow economic base, remote location, small population, insufficient infrastructure, and restrictive investment regime, which all hamper economic growth and contribute to economic volatility and vulnerability.” Moderate growth projected is a positive indication that new industries will bring in new businesses and more workforce that will contribute to the growth of the Fund and the HCF.

Management’s Discussion and Analysis for the year ended September 30, 2012 is set forth in the Fund’s report on the audit of financial statements, which is dated May 23, 2013. That Discussion and Analysis explains the major factors impacting the 2012 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:

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 MD&A is based on past performance and current situations that anticipate future outlook subject to risk and uncertainties. The actual results in the future may differ from these expectations. If you have questions about this report, 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 Position
September 30, 2013 and 2012

<u>ASSETS</u>	<u>2013</u>	2012 <u>(As Restated)</u>
Cash	\$ 7,897,122	\$ 3,197,088
Investments:		
Corporate stock	49,294,618	41,847,112
Corporate bonds	16,684,621	16,230,609
U.S. Government obligations	15,627,273	15,834,672
Money market funds and other short-term investments	<u>2,499,243</u>	<u>3,067,219</u>
Total investments	<u>84,105,755</u>	<u>76,979,612</u>
Receivables:		
Contributions	6,132,022	8,810,256
Loan	5,255,926	5,563,337
Accrued interest and dividends	391,347	419,246
Advance and other	<u>2,923</u>	<u>24,354</u>
	11,782,218	14,817,193
Less allowance for doubtful accounts	<u>(2,642,384)</u>	<u>(2,599,988)</u>
Total receivables, net	<u>9,139,834</u>	<u>12,217,205</u>
Prepaid expense	<u>23,954</u>	<u>8,375</u>
Property, plant and equipment, net	<u>306,136</u>	<u>336,801</u>
Total assets	<u>101,472,801</u>	<u>92,739,081</u>
<u>LIABILITIES AND NET POSITION</u>		
Liabilities:		
Benefits payable	1,353,974	313,886
Accrued liabilities and accounts payable	<u>91,304</u>	<u>130,094</u>
Total liabilities	<u>1,445,278</u>	<u>443,980</u>
Contingencies		
Net position:		
Held in trust for benefits and other purposes	<u>\$ 100,027,523</u>	<u>\$ 92,295,101</u>

See accompanying notes to financial statements.

REPUBLIC OF PALAU SOCIAL SECURITY RETIREMENT FUND

Statements of Changes in Net Position
Years Ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u> (As Restated)
Additions:		
Contributions:		
Government employees	\$ 7,763,520	\$ 7,791,013
Private employees	7,505,542	7,291,773
Self-employed individuals	81,742	77,074
Penalties and interest	326,813	633,155
	<u>15,677,617</u>	<u>15,793,015</u>
Less bad debts	(61,572)	(328,828)
Total contributions, net	<u>15,616,045</u>	<u>15,464,187</u>
Investment income:		
Net increase in the fair value of investments	5,389,867	7,862,565
Interest	1,463,760	1,611,881
Dividends	938,445	861,388
Total investment income, net	<u>7,792,072</u>	<u>10,335,834</u>
Other income	<u>232,505</u>	<u>302,965</u>
Total additions	<u>23,640,622</u>	<u>26,102,986</u>
Deductions:		
Benefit payments:		
Retirement	7,766,793	7,183,114
Survivor's	2,268,508	2,191,211
Medical savings account	1,952,203	1,093,191
National health insurance	1,822,027	1,371,461
Disability	346,140	333,458
Lump sum	103,450	73,149
Total benefit payments	<u>14,259,121</u>	<u>12,245,584</u>
Administrative	1,143,758	1,236,696
Investment management fee	394,216	326,819
Depreciation	55,616	58,004
Fund custodian fee	55,489	54,530
Total deductions	<u>15,908,200</u>	<u>13,921,633</u>
Change in net position	7,732,422	12,181,353
Net position at beginning of year	<u>92,295,101</u>	<u>80,113,748</u>
Net position at end of year	<u>\$ 100,027,523</u>	<u>\$ 92,295,101</u>

See accompanying notes to financial statements.

REPUBLIC OF PALAU SOCIAL SECURITY RETIREMENT FUND

Notes to Financial Statements
September 30, 2013 and 2012

(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 position in the quarter employee earnings are paid. Benefits are recognized as deductions from net position 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 position 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, 2013 and 2012, 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, 2013 and 2012

(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 position, 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, 2013 and 2012, cash was \$7,897,122 and \$3,197,088, respectively, and the corresponding bank balance was \$7,741,640 and \$3,286,627, respectively, which is maintained in one financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2013 and 2012, bank deposits in the amount of \$250,000 and \$1,604,099, 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, 2013 and 2012

(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, 2013 and 2012

(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, 2013 and 2012.

REPUBLIC OF PALAU SOCIAL SECURITY RETIREMENT FUND

Notes to Financial Statements
September 30, 2013 and 2012

(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, 2013 and 2012:

Investment Type	2013					Rating
	Fair Value	Investment Maturities (In Years)				
		Less Than 1	1 - 5	6 - 10	More Than 10	
U.S. Treasury notes	\$ 3,864,945	\$ 977,493	\$ 1,630,159	\$ 742,299	\$ 514,994	Aaa
Other U.S. government obligations	4,604,632	-	2,634,617	986,458	983,557	Aaa
Mortgage pass throughs	3,986,448	3,523	27,613	28,265	3,927,047	Aaa
State and local government	532,514	-	-	-	532,514	Aaa
State and local government	1,562,932	-	227,409	821,562	513,961	Aa
State and local government	1,075,802	-	459,162	365,873	250,767	A
Corporate bonds	2,812,399	227,203	867,634	1,216,847	500,715	Aaa
Corporate bonds	4,468,669	10,017	2,797,229	1,351,110	310,313	Aa
Corporate bonds	6,069,651	561,371	3,154,322	1,357,745	996,213	A
Corporate bonds	3,114,902	320,318	1,859,866	816,117	118,601	Baa
Corporate bonds	219,000	-	-	-	219,000	Unrated
	<u>\$ 32,311,894</u>	<u>\$ 2,099,925</u>	<u>\$ 13,658,011</u>	<u>\$ 7,686,276</u>	<u>\$ 8,867,682</u>	

Investment Type	2012					Rating
	Fair Value	Investment Maturities (In Years)				
		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>	

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, 2013 and 2012

(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, 2013 and 2012 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, 2013 and 2012

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards

During the year ended September 30, 2013, the Fund implemented the following pronouncements:

- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which addressed 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 implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, which improved 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 implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which enhanced 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 issued on or before November 30, 1989, which does not conflict or contradict GASB pronouncements. GASB Statement no. 62 superceded GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. The implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which established guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position, and GASB 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. These Statements amend the net asset reporting requirements in Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. With the implementation of GASB Statement No. 63 and Statement No. 65, the Statement of Net Assets was renamed the Statement of Net Position. In addition, the Statement of Net Position includes two new classifications separate from assets and liabilities. Amounts reported as deferred outflows of resources are reported in a separate section following assets. Likewise, amounts reported as deferred inflows of resources are reported in a separate section following liabilities.

REPUBLIC OF PALAU SOCIAL SECURITY RETIREMENT FUND

Notes to Financial Statements
September 30, 2013 and 2012

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

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.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, which improves accounting and financial reporting for state and local governments' combinations and disposals of government operations. Government combinations include mergers, acquisitions, and transfers of operations. A disposal of government operations can occur through a transfer to another government or a sale. The provisions in Statement 69 are effective for fiscal years beginning after December 15, 2013. Management has not yet determined the effect of implementation of these statements on the financial statements of the Fund.

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement. The provisions in Statement 69 are effective for fiscal years beginning after June 15, 2013. Management has not yet determined the effect of implementation of these statements on the financial statements of the Fund.

Reclassifications

Certain 2012 balances in the accompanying financial statements have been reclassified to conform to the 2013 presentation.

(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.

REPUBLIC OF PALAU SOCIAL SECURITY RETIREMENT FUND

Notes to Financial Statements
September 30, 2013 and 2012

(3) Prior Service Claims, Continued

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.

The Fund received fund allocations of \$56,100, \$38,000 and \$102,720 on November 20, 2012, March 18, 2013 and August 29, 2013, respectively, and \$103,445 of total funds received, has been paid as benefits for the year ended September 30, 2013. 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. 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, 2013 and 2012, the amount available for future benefit payments under the Prior Service Benefits Program amounted to \$110,149 and \$33,201, 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 \$81,742 during the year ended September 30, 2013 from \$77,220 during the year ended September 30, 2012. 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.

REPUBLIC OF PALAU SOCIAL SECURITY RETIREMENT FUND

Notes to Financial Statements
September 30, 2013 and 2012

(4) Healthcare Fund, Continued

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, 2013 and 2012, total benefits paid amounted to \$3,774,230 and \$2,464,652 of which \$2,111,938 and \$1,736,415, 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.

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 \$31,422, \$39,127 and \$18,078 for the Pension Fund during the fiscal years 2013, 2012 and 2011, 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 2013 and 2012 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.

REPUBLIC OF PALAU SOCIAL SECURITY RETIREMENT FUND

Notes to Financial Statements
September 30, 2013 and 2012

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

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 position.

(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 \$5,255,926 and \$5,563,337 with interest at 4.5% at September 30, 2013 and 2012, 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>
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	383,993	170,399	554,392
2019 - 2023	2,198,126	573,835	2,771,961
2024 - 2025	<u>1,298,330</u>	<u>87,650</u>	<u>1,385,980</u>
	\$ <u>5,255,926</u>	\$ <u>1,673,975</u>	\$ <u>6,929,901</u>
	- 25 -		

REPUBLIC OF PALAU SOCIAL SECURITY RETIREMENT FUND

Notes to Financial Statements
September 30, 2013 and 2012

(7) Fixed Assets

A summary of the Fund's fixed assets, at original cost, as of September 30, 2013 and 2012, is as follows:

	<u>Estimated Useful Lives</u>	<u>Balance October 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance September 30, 2013</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	389,226	24,951	-	414,177
Building and improvements	30 years	132,315	-	-	132,315
Vehicles	5 years	<u>77,195</u>	<u>-</u>	<u>-</u>	<u>77,195</u>
		598,736	24,951	-	623,687
Less accumulated depreciation		<u>(468,953)</u>	<u>(55,616)</u>	<u>-</u>	<u>(524,569)</u>
Total capital assets being depreciated		<u>129,783</u>	<u>(30,665)</u>	<u>-</u>	<u>99,118</u>
Total capital assets, net		\$ <u>336,801</u>	\$ <u>(30,665)</u>	\$ <u>-</u>	\$ <u>306,136</u>
	<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>

(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, 2013, to correct this potential funding deficiency.

REPUBLIC OF PALAU SOCIAL SECURITY RETIREMENT FUND

Notes to Financial Statements
September 30, 2013 and 2012

(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.

(10) Restatement

The financial statements as of and for the year ended September 30, 2012 have been restated to increase contributions receivable, allowance for doubtful accounts and contribution additions and decrease other income for posting errors. The following accounts have been restated as of and for the year ended September 30, 2012:

	<u>As Originally Stated</u>	<u>As Restated</u>
Contributions receivable	\$ 8,390,090	\$ 8,810,256
Allowance for doubtful accounts	\$ 1,741,769	\$ 2,599,988
Additions:		
Government employees	\$ 8,788,469	\$ 7,791,013
Private employees	\$ 5,861,534	\$ 7,291,773
Self-employed individuals	\$ 77,220	\$ 77,074
Penalties and interest	\$ 643,654	\$ 633,155
Other income	\$ 304,937	\$ 302,965

(11) Subsequent Event

On October 1, 2013, RPPL 9-11 and RPPL 9-12 were enacted which amend Title 41 of the Palau National Code as follows:

- a. Allows eligible individuals born before January 4, 1954 to receive the full amount of the surviving spouse's insurance benefits along with other benefits;
- b. Increases minimum monthly benefits to \$148;
- c. Revises the basic benefit formula. Benefit payments paid monthly are computed upon an annual basis of 27% of the first \$11,000 of the cumulative covered earnings, plus 2.9% of the next \$33,000, plus 1.5% of the next \$44,000, plus 0.75% of the cumulative covered earnings in excess of \$500,000;
- d. Revises old age retirement insurance. A person who attains the age of sixty and retires prior to attaining the age at which that person becomes entitled to a monthly old age insurance benefit shall receive a monthly insurance benefit that is reduced by six percent for each year remaining before the person attains the age of entitlement. This provision shall apply to a person who is fully insured and has attained the age of sixty years by September 30, 2015, sixty-two years as of October 1, 2015, or sixty-three years as of October 1, 2020 and retired;
- e. Increases the maximum amount of remuneration received during a quarter from one employer by any one employee upon which contributions must be deducted and contributed to the retirement fund to \$3,000. The amount shall be increased to \$6,000 on October 1, 2015, \$8,000 on October 1, 2017 and on October 1, 2020, there will be no maximum amount of remuneration; and
- f. Increases the maximum amount of remuneration that a person may earn and still remain entitled to a full benefit to \$3,000.

REPUBLIC OF PALAU SOCIAL SECURITY RETIREMENT FUND

Combining Statement of Net Position
September 30, 2013

<u>ASSETS</u>	Republic of Palau Social Security Retirement Fund	Prior Service Trust Fund	Healthcare Fund	Eliminations	Total
Cash	\$ 3,807,645	\$ 111,432	\$ 3,978,045	\$ -	\$ 7,897,122
Investments:					
Corporate stock	49,294,618	-	-	-	49,294,618
Corporate bonds	15,435,510	-	1,249,111	-	16,684,621
U.S. Government obligations	14,337,776	-	1,289,497	-	15,627,273
Money market funds and other short-term investments	2,415,691	-	83,552	-	2,499,243
Total investments	81,483,595	-	2,622,160	-	84,105,755
Receivables:					
Contributions	5,478,215	-	653,807	-	6,132,022
Loan	5,255,926	-	-	-	5,255,926
Accrued interest and dividends	385,724	-	5,623	-	391,347
Due from other funds	-	-	465,620	(465,620)	-
Advance and other	2,603	-	320	-	2,923
	11,122,468	-	1,125,370	(465,620)	11,782,218
Less allowance for doubtful accounts	(2,625,620)	-	(16,764)	-	(2,642,384)
Total receivables, net	8,496,848	-	1,108,606	(465,620)	9,139,834
Prepaid expense	21,667	-	2,287	-	23,954
Property, plant and equipment, net	241,338	-	64,798	-	306,136
Total assets	94,051,093	111,432	7,775,896	(465,620)	101,472,801
<u>LIABILITIES AND NET POSITION</u>					
Liabilities:					
Benefits payable	339,690	-	1,014,284	-	1,353,974
Accrued liabilities and accounts payable	65,468	-	25,836	-	91,304
Due to other funds	464,337	1,283	-	(465,620)	-
Total liabilities	869,495	1,283	1,040,120	(465,620)	1,445,278
Net position:					
Held in trust for benefits and other purposes	\$ 93,181,598	\$ 110,149	\$ 6,735,776	\$ -	\$100,027,523

See accompanying independent auditors' report.

REPUBLIC OF PALAU SOCIAL SECURITY RETIREMENT FUND

Combining Statement of Changes in Net Position
Year Ended September 30, 2013

	Republic of Palau Social Security Retirement Fund	Prior Service Trust Fund	Healthcare Fund	Total
Additions:				
Contributions:				
Government employees	\$ 5,125,514	\$ -	\$ 2,638,006	\$ 7,763,520
Private employees	5,178,087	-	2,327,455	7,505,542
Self-employed individuals	-	-	81,742	81,742
Penalties and interest	318,203	-	8,610	326,813
	10,621,804	-	5,055,813	15,677,617
Less bad debts	(47,380)	-	(14,192)	(61,572)
Total contributions, net	10,574,424	-	5,041,621	15,616,045
Investment income:				
Net increase (decrease) in the fair value of investments	5,408,796	-	(18,929)	5,389,867
Interest	1,438,560	-	25,200	1,463,760
Dividends	938,445	-	-	938,445
Total investment income, net	7,785,801	-	6,271	7,792,072
Other income	35,638	196,820	47	232,505
Total additions	18,395,863	196,820	5,047,939	23,640,622
Deductions:				
Benefit payments:				
Retirement	7,715,742	51,051	-	7,766,793
Survivor's	2,216,114	52,394	-	2,268,508
Medical savings account	-	-	1,952,203	1,952,203
National health insurance	-	-	1,822,027	1,822,027
Disability	346,140	-	-	346,140
Lump sum	103,450	-	-	103,450
Total benefit payments	10,381,446	103,445	3,774,230	14,259,121
Administrative	872,122	16,427	255,209	1,143,758
Investment management fee	391,819	-	2,397	394,216
Depreciation	21,925	-	33,691	55,616
Fund custodian fee	55,489	-	-	55,489
Total deductions	11,722,801	119,872	4,065,527	15,908,200
Change in net position	6,673,062	76,948	982,412	7,732,422
Net position at beginning of year, as restated	86,508,536	33,201	5,753,364	92,295,101
Net position at end of year	\$ 93,181,598	\$ 110,149	\$ 6,735,776	\$100,027,523

See accompanying independent auditors' report.

REPUBLIC OF PALAU SOCIAL SECURITY RETIREMENT FUND

Schedule of Administrative Deductions
 Years Ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Salaries, wages and benefits	\$ 635,903	\$ 689,414
Professional services	196,628	177,476
Board members other expenses	88,795	97,591
Supplies, printing and reproduction	42,849	63,365
Staff development and training	37,944	16,228
Utilities	24,365	31,491
Communications	19,194	19,923
Credit card processing fees	17,181	33,340
Travel and transportation	13,638	4,489
Bank service charge	11,173	24,012
Representation and entertainment	7,191	9,109
Repairs and maintenance	6,246	9,042
Insurance	5,527	6,092
Fuel and oil	4,122	5,943
Postage stamps	3,803	4,608
Furniture and fixtures	3,459	3,116
Special functions	3,181	-
Board compensation	2,550	3,750
Dues, subscriptions and registrations	868	351
Donations	400	-
Office equipment	-	14,490
Miscellaneous	18,741	22,866
	<u>18,741</u>	<u>22,866</u>
Total administrative deductions	<u>\$ 1,143,758</u>	<u>\$ 1,236,696</u>

See accompanying independent auditors' report.

REPUBLIC OF PALAU SOCIAL SECURITY RETIREMENT FUND

Schedule of Investments
September 30, 2013

	Cost	Fair Value
<u>Cash and Cash Equivalents</u>		
Cash	\$ 233,058	\$ 240,796
STIP 3: US Treasury & Agency	187,500	187,500
Total Cash and Cash Equivalent - Account#491206600	<u>420,558</u>	<u>428,296</u>
<u>Money Market Funds</u>		
Dreyfus Cash Management - Inst - Account #135074870	829,660	829,660
Dreyfus Cash Management - Inst - Account #135284958	83,552	83,552
Dreyfus Cash Management - Inst - Account #140340753	800,972	800,972
Dreyfus Cash Management - Inst - Account #140011107	15,253	15,253
Dreyfus Treasury & Agency Cash Mgmt - Ins - Account #140011156	341,510	341,510
Total Money Market Funds	<u>2,070,947</u>	<u>2,070,947</u>
Total Money Market Funds and Other Short-Term Investments	<u>\$ 2,491,505</u>	<u>\$ 2,499,243</u>
<u>U.S. Government Obligations</u>		
US Treasury Notes, 4.75% due on 5/15/2014	\$ 957,311	\$ 977,493
US Treasury Notes, 4.25% due on 8/15/2015	530,507	520,672
US Treasury Notes, 4.25% due on 11/15/2017	128,755	140,948
US Treasury N/B 3.125% due on 5/15/2019	253,050	242,708
US Treasury Notes, 3.625% due on 8/15/2019	246,631	277,500
US Treasury Notes, 2.125% due on 8/15/2021	371,953	371,955
US Treasury Notes, 1.625% due on 11/15/2022	401,172	370,344
US Treasury Bonds, 3.5% due on 02/15/2039	626,180	514,993
Subtotal - Account#135074870	<u>3,515,559</u>	<u>3,416,613</u>
US Treasury Notes, 0.875% due on 11/30/2016	100,336	100,445
US Treasury Notes, 0.375% due on 3/15/2015	75,045	75,179
US Treasury US Govt National, 0.25% due on 8/15/2015	149,771	149,847
US Treasury, 0.625% due on 9/30/2017	124,990	122,861
Subtotal - Account#135284958	<u>450,142</u>	<u>448,332</u>
Total U.S. Treasury Notes	<u>3,965,701</u>	<u>3,864,945</u>
<u>U.S. Government Agencies</u>		
AID-TUNISIA Unsecured 1.686%, 07/16/2019	790,442	753,044
Federal Home Loan Mortgage Corp Pool #C76358, 5% due on 2/1/2033	48,993	51,423
Federal Home Loan Mortgage Corp Pool #A47971, 5% due on 8/1/2035	41,736	43,923
Federal Home Loan Mortgage Corp Pool #A49906, 5% due on 6/1/2036	47,075	51,147
Federal Home Loan Mortgage Corp Gold Pool #A55326, 6% due on 12/1/2036	62,511	67,876
Federal Home Loan Mortgage Corp Good Pool #A60299, 6.5% due on 5/1/2037	67,664	73,358
Federal Home Loan Mortgage Corp Pool #A61533, 5% due on 6/1/2036	48,576	50,866
Federal Home Loan Mortgage Corp Pool #G01960, 5% due on 12/1/2035	68,192	70,456
Federal Home Loan Mortgage Corp Pool #G01938, 5.5% due on 9/1/2035	45,879	46,565
Federal Home Loan Mortgage Corp Gold Pool #G02168, 6% due on 4/1/2036	13,066	14,620
Federal Home Loan Mortgage Corp Gold Pool #G12121, 5.5% due on 4/1/2021	25,993	28,265
Federal Home Loan Mortgage Corp Gold Pool #G08046, 5.5% due on 3/1/2035	56,046	63,193
Federal Home Loan Mortgage Corp Good Pool #H00452, 5.5% due on 1/1/2037	40,456	44,106
Federal Home Loan Mortgage Corp Pool #1G1406 ARM, 5.889% due on 12/1/2036	32,500	34,962
Federal Home Loan Mortgage Corp Pool #C01567, 5% due on 5/1/2033	154,200	163,021
Federal Home Loan Mortgage Corp Pool #A88454, 4.5% due on 9/1/2039	198,217	202,233
Federal Home Loan Mortgage Corp Gold Pool #B13067, 4.5% due on 3/1/2019	24,799	27,613
Federal Home Loan Mortgage Corp Gold Pool #B15182, 4.5% due on 6/1/2014	3,332	3,523
Federal Home Loan Mortgage Corp Gold Pool #A36664, 5% due on 8/1/2035	31,294	36,010
Federal Home Loan Mortgage Corp Gold Pool #A36685, 5% due on 8/1/2035	13,476	15,499
Federal Home Loan Mortgage Corp Pool #A37876, 5% due on 9/1/2035	131,903	136,294
Federal Farm Credit Bank Unsecured, 2.48% due on 11/21/2024-2013	349,300	320,257
Federal Home Loan Mortgage Corp Pool #781958, 5.122% due on 9/1/2034	18,545	19,743
Federal Home Loan Mortgage Corp Unsecured, 1.125% due on 6/28/2017-2013	147,860	149,148
Federal National Mortgage Association Unsecured, 1% due on 2/27/2017-2015	328,211	325,026
Federal National Mortgage Association Notes, 4% due on 4/22/2019-2010	35,000	38,934
Federal National Mortgage Association Unsecured Multi-Step Note, 1.5% due on 6/28/2027-2013	224,955	217,418
Federal National Mortgage Association Unsecured Multi-Step Note, 1% due on 7/17/2017-2013	234,977	232,314
Federal National Mortgage Association Unsecured #255670, 1.6% due on 7/24/2019-2013	200,630	194,780

See accompanying independent auditors' report.

REPUBLIC OF PALAU SOCIAL SECURITY RETIREMENT FUND

Schedule of Investments
September 30, 2013

	Cost	Fair Value
<u>U.S. Government Agencies, Continued</u>		
Federal National Mortgage Association Unsecured Multi-Step Note, 1.75% due on 4/25/2028-2013	149,850	134,942
Federal National Mortgage Association Pool #255670, 5% due on 4/1/2035	29,355	33,622
Federal Home Loan Mtge Corp Notes, 2.375% due on 1/13/2022	433,602	418,519
Federal National Mortgage Association Notes, 5.5% due on 5/10/2027-2017	124,375	140,941
Federal National Mortgage Association Pool #725205, 5% due on 3/1/2034	8,660	10,099
Federal National Mortgage Association Pool #735227, 5.5% due on 2/1/2035	33,545	37,676
Federal National Mortgage Association Pool #735228, 5.5% due on 2/1/2035	77,556	87,489
Federal National Mortgage Association Pool #735502, 6% due on 4/1/2035	31,597	35,150
Federal National Mortgage Association Pool #735733, 4.5% due on 10/1/2033	62,752	72,020
Federal National Mortgage Association Pool #735897, 5.5% due on 10/1/2035	60,313	66,507
Federal National Mortgage Association Pool #739821, 5% due on 9/1/2033	43,488	45,797
Federal National Mortgage Association Pool #745089, 6% due on 12/1/2035	30,935	34,813
Federal National Mortgage Association Pool #794474, 6% due on 10/1/2034	108,635	118,342
Federal National Mortgage Association Pool #796274, 5.5% due on 12/1/2034	194,267	214,091
Federal National Mortgage Association Pool #810225, 6% due on 1/1/2035	148,547	161,665
Federal National Mortgage Association Pool #814915, 5.5% due on 3/1/2035	126,442	130,601
Federal National Mortgage Association Pool #826966, 5.5% due on 6/1/2035	11,702	12,203
Federal National Mortgage Association Pool #828856, 5.5% due on 10/1/2035	66,477	75,505
Federal National Mortgage Association Pool #867452, 6.5% due on 6/1/2036	31,000	33,982
Federal National Mortgage Association Pool #868936, 6% due on 5/1/2036	268,685	268,305
Federal National Mortgage Association Pool #882694, 6.5% due on 6/1/2036	24,530	27,067
Federal National Mortgage Association Pool #903749, 6% due on 10/1/2036	18,109	19,893
Federal National Mortgage Association Pool #904915, 5.5% due on 12/1/2036	26,940	29,017
Federal National Mortgage Association Pool #905678, 5.5% due on 12/1/2036	97,752	102,714
Federal National Mortgage Association Pool #910473, 5.432% due on 1/1/2037	38,345	41,467
Federal National Mortgage Association Pool #935636, 4.0% due on 9/1/2024	94,890	97,777
Federal National Mortgage Association Pool #AA3553, 5% due on 2/1/2039	46,186	48,439
Government National Mortgage Association Pool #737442, 4% due on 9/15/2040	414,727	424,461
Government National Mtg Corp Pool #648503, 5.5% due on 11/15/2035	25,365	28,804
GNMA Mortgage Pool CTFS Pool #701940 4.5% 6/15/2039	460,179	484,246
NCUA Guaranteed Notes US Govt Guaranteed 2.35% 6/12/2017	155,213	155,682
Overseas Private Inv Corp Unsecured Floating, 0.13% due on 7/15/2025	150,000	150,000
Tennessee Valley Auth Unsecured, 1.875% due on 8/15/2022	629,257	567,939
	<u>7,709,104</u>	<u>7,785,392</u>
Subtotal - Account#135074870	<u>11,674,805</u>	<u>11,650,337</u>
Federal Farm Credit Bank Unsecured .62% 10/11/2016-2013	149,775	149,340
Federal Farm Credit Bank Bonds 1.05% 3/28/2016	100,156	101,268
Federal Home Loan Mtge Corp Unsecured 1.125% due on 1/13/2016-2014	25,000	25,055
Federal Home Loan Mtge Corp Unsecured 0.75% due on 10/5/2016-2013	200,200	199,898
Federal Home Loan Mtge Corp Unsecured 0.5% due on 8/28/2015	125,394	125,185
Federal National Mtge Assoc, 0.75% due on 9/21/2016-2013	150,075	149,616
Federal Home Loan Mtge Assoc Unsecured Multi-Step Up Note 1% due on 7/17/2017-2013	9,999	9,888
NCUA Guaranteed Notes Unsecured 1.4% 6/12/2015	25,567	25,439
Overseas Private Inv Corp Unsecured Floating, 0.13% due on 7/15/2025	20,000	20,000
	<u>806,166</u>	<u>805,689</u>
Subtotal - Account#135284958	<u>806,166</u>	<u>805,689</u>
<u>Municipal Obligations</u>		
Chicago IL Build America Bonds Taxable C 6.207% 01/01/2036	281,586	250,767
Georgia St Muni Elec Auth Taxable -Sub Gen Resolution 4.43% 01/01/2022	350,000	365,872
Hawaii St HSG Fin & Dev Corp SF Mtge Purchase Revenue Txbl-FNMA MBS Pass-thru Program Ser, A	253,192	245,269
Honolulu Hawaii City & CNTY TXBL-SER, G 2.512% due on 11/1/2022	300,000	276,150
Honolulu Hawaii City & CNTY Build America Bonds 6.25% due on 09/1/2031-2019	365,000	392,547
Honolulu HI City & CNTY Wastewtr Sys Rev Build America Bonds Taxable-First BD-Ser B Issuer Subsidiary	110,000	121,415
Honolulu HI City & CNTY Wastewtr Sys Rev Build America Bonds 4.643% due on 7/1/2022-2020	215,000	231,971
Maui CNTY Hawaii Taxable-Ser A Recovery Zone Economic Dev Bonds 3.909% due on 6/1/2019	200,000	212,410
New Jersey St Econ Dev Auth Taxable-ref-sch Facs Constr-DD-2 3.641% 12/15/2015	284,257	289,343
New York NY Taxable Build Amer BDS-F-1 4.937% due on 12/1/2019	275,000	313,440
North Bend Washington WTR & SWR Revenue ULID #6 2% 08/01/2017	152,046	149,340
Texas St Ref-Taxable-Pub FIN Auth 4.004% due on 10/1/2023-2021	275,000	287,246
	<u>3,061,081</u>	<u>3,135,770</u>
Subtotal - Account#135074870	<u>3,061,081</u>	<u>3,135,770</u>

See accompanying independent auditors' report.

REPUBLIC OF PALAU SOCIAL SECURITY RETIREMENT FUND

Schedule of Investments
September 30, 2013

	Cost	Fair Value
<u>Municipal Obligations, Continued</u>		
New Jersey ST Econ Dev Auth Taxable -Ref-Sch Facs Constr-DD-2 3.641% 12/15/2015	10,337	10,522
New York ST Mtge Agy Homeowner Mtge Revenue Ser 172 1.304% 04/01/2015	15,000	14,999
North Bend Washington WTR & SWR Revenue ULID #6 2% 08/01/2017	10,136	9,956
	<hr/>	<hr/>
Subtotal - Account#135284958	35,473	35,477
	<hr/>	<hr/>
Total U.S. Government Obligations	\$ 15,577,525	\$ 15,627,273
<u>Corporate Bonds</u>		
African Development Bank Sub Notes 6.875% due on 10/15/2015	\$ 485,264	\$ 458,202
Alabama Power Co Bonds Ser 1, 5.65% due on 3/15/2035	195,394	209,358
American Intl Group Notes, 3.8% due on 3/22/2017	54,888	58,493
Apache Finance Canada Company Guaranteed, 7.75% due on 12/15/2029	181,157	191,289
Apple Inc SR Unsecured, 2.4% due on 5/3/2023	185,622	167,458
BP Capital Markets Plc SR Unsecured, 5.25% due on 11/7/2013	269,825	271,207
Bank of Nova Scotia N Y AGY SR Unsecured 1.85% due on 01/12/2015	200,139	203,492
Baxter International Inc Sr Unsecured, 3.2% due on 6/15/2023-2016	99,685	97,569
Becton Dickinson & Co SR Unsecured 1.75% due on 11/08/2016	87,639	86,746
Berkshire Hathaway Inc Sr Unsecured 3.2% due on 2/11/2015	587,719	596,068
Berkshire Hathaway Inc Sr Unsecured 3% due on 2/11/2023	173,520	168,646
Burlington Northern Inc SR Unsecured, 8.75% due on 2/25/2022	375,664	366,946
Burlington Resources Fin Company Guaranteed, 7.4% due on 12/1/2031	325,891	320,251
CVS/Caremark Corp SR Unsecured, 2.75% due on 12/1/2022-2022	149,792	138,597
Chevron Corp SR Unsecured, 1.104% due on 12/5/2017-2017	100,000	98,565
Chevron Corp SR Unsecured, 2.355% due on 12/5/2022-2022	100,000	92,067
Coca Cola Co SR Unsecured, 1.15% due on 4/1/2018	99,784	97,802
Comcast Corp SR Unsecured, 2.85% due on 1/15/2023	124,795	118,535
Dominion Resources Inc SR Notes Ser F Putable 8/15, 5.25% due on 8/1/2033	109,100	118,601
Duke Capital Corp Senior Notes, 8% due on 10/1/2019	152,061	158,094
Ebay Inc SR Unsecured 3.25% due on 10/15/2020	364,237	367,330
European Investment Bank SR Unsub, 2.375% due on 3/14/2014	224,033	227,203
European Investment Bank SR Unsecured, 1.75% due on 3/15/2017	330,203	332,202
GATX Corp Notes, 8.75% due on 5/15/2014	149,625	156,846
General Electric Capital Corp SR Unsecured Variable, 0.84285% due on 1/8/2016	626,108	627,675
General Electric Capital Corp Sr Unsecured, 6.9% due on 9/15/2015	283,638	277,513
Golondrina Leasing LLC Sink FD GTD Export Import Bank of USA, 1.822% due on 5/3/2025	219,000	219,000
Harris Corp SR Unsecured, 5.95% due on 12/1/2017	426,444	445,164
Hewlett-Packard Co Notes 6.125% 3/1/2014	180,545	163,472
Hormel Foods Corp SR Unsecured 4.125% due on 04/15/2021	111,880	103,321
Inter-American Development Bank Notes 6.75% due on 7/15/27	134,879	131,750
International Business Machines SR Unsecured, 1.625% due on 5/15/2020	99,249	93,948
Aid Israel US Government Guaranty, 5.5% due on 9/18/2023	309,663	356,265
JP Morgan Chase & Co. SR Unsecured Variable, 1.1659% due on 1/25/2018	300,000	301,905
JP Morgan Chase & Co. SR Unsecured, 3.2% due on 1/25/2023	322,442	304,044
Kinder Morgan Energy Partners LP SR Unsecured, 3.95% due on 9/1/2022-2022	149,012	147,482
Landesbank Baden-wuerttemberg Subordinated 7.625% due on 02/01/2023	456,959	426,638
Landesbank Baden-wurt NY Subordinated 5.05% due on 12/30/2015	268,900	268,198
Marathon Oil Corp SR Unsecured, 2.8% due on 11/1/2022-2022	402,888	371,944
Merrill Lynch & Co Subordinated, 5.7% due on 5/2/2017	461,411	507,785
Morgan Stanley SR Unsecured, 7.3% due on 5/13/2019	149,654	179,481
National Rural Utilities SR Unsecured Floating 0.5094% due on 5/27/2016	290,000	290,392
NA Development Bank SR Unsecured 4.375% due on 02/11/2020	433,928	433,944
PPG Industries Inc Sr Unsecured 1.9% due on 1/15/2016	225,255	228,159
Partnerre Finance Company Guarnt, 6.875% due on 6/1/2018	277,508	326,329
Pharmacia Corporation Debentures, 6.75% due on 12/15/2027	146,579	157,786
Pres & Fellows of Harvard Bonds, 6.3% due on 10/1/2037-2016	337,325	368,966
Private Export Funding US Govt Guaranteed, 3.05% due on 10/15/2014	186,778	180,061
Royal Bank of Canada Unsecured 1.15% due on 03/13/2015	169,945	171,454
Ryder System Inc Notes, 5.85% due on 11/1/2016	247,243	278,397
Shell International SR Unsecured 2.375% due on 8/21/2022	99,567	91,998
Shell International SR Unsecured, 0.625% due on 12/4/2015	114,972	115,001
Sysco Corp Debentures, 6.5% due on 8/1/2028	96,858	117,527
3M Co Unsecured 1% due on 06/26/2017	149,309	147,452
Total Capital Intl SA SR Unsecured 1.55% due on 06/28/2017	149,720	150,762
Toyota Motor Credit Corp. SR Unsecured 2.05% due on 1/12/2017	207,546	204,593

See accompanying independent auditors' report.

REPUBLIC OF PALAU SOCIAL SECURITY RETIREMENT FUND

Schedule of Investments
September 30, 2013

	Cost	Fair Value
<u>Corporate Bonds, Continued</u>		
US Bank NA Notes 6.3% due on 02/04/2014	263,167	255,050
Unilever Capital Corp SR Unsecured, 0.85 due on 8/2/2017	173,686	170,846
Verizon Communications SR Unsecured, 0.85% due on 9/14/18	99,996	105,369
Wal-Mart Stores Inc SR Unsecured, 6.5% due on 8/15/2037	252,470	310,313
Wal-Mart Stores Inc Senior Notes, 3.25% due on 10/25/2020	711,831	736,993
Wells Fargo Company Sub Notes, 5% due on 11/15/2014	206,604	209,628
Wells Fargo Company SR Unsecured, 5.625% due on 12/11/2017	179,251	206,795
Wells Fargo Company SR Unsecured Floating, 0.7938% due on 7/20/2016	150,000	150,543
Subtotal - Account#135074870	<u>15,198,247</u>	<u>15,435,510</u>
Alabama Power Co SR Unsecured 0.55%, due on 10/15/2015	49,985	49,834
American Intl Group Notes, 3.8% due on 3/22/2017	4,990	5,318
BHP Finance USA Ltd Company Guarant 1.875% due on 11/21/2016	22,202	22,465
BP Capital Markets PLC Company Guarant Floating 0.8559% due on 03/11/2014	4,980	5,014
BP Capital Markets PLC Company Guarant, 2.248% due on 11/1/2016	30,312	30,878
Bank of Nova Scotia N Y AGY SR Unsecured 1.85% due on 01/12/2015	10,000	10,175
Becton Dickinson & Co SR Unsecured 1.75% due on 11/08/2016	20,435	20,411
Berkshire Hathaway Fin Company Guarnt, 1.6% due on 5/15/2017	51,292	50,423
Berkshire Hathaway Inc SR Unsecured, 0.8% due on 2/11/2016	49,996	50,054
Bristol Myers Squibb Co Sr Unsecured, 0.875% due on 8/1/2017	49,718	48,952
Chevron Corp Sr Unsecured, 1.104% due on 12/5/2017-2017	24,748	24,641
Coca Cola Co Sr Unsecured, 1.15% due on 4/1/2018	24,946	24,451
Credit Suisse New York SR Unsecured 3.5% due on 03/23/2015	29,908	31,248
John Deere Capital Corp Sr Unsecured, 0.75% due on 1/22/2016	24,974	24,981
Ebay Inc Sr Unsecured, 1.35% due on 7/15/2017	50,786	49,653
European Investment Bank SR Unsecured, 1.75% due on 3/15/2017	15,240	15,332
General Dynamics Corp Sr Unsecured, 1% due on 11/15/2017	49,895	48,634
Intl Business Machines Sr Unsecured, 0.55% due on 2/6/2015	75,009	75,095
JP Morgan Chase & Co Sr Unsecured Variable, 1.1659% due on 1/25/2018	25,000	25,158
Landesbk Baden-Wurttt NY Subordinated 5.05% due on 12/30/2015	27,025	26,820
Microsoft Corp Senior Notes 1.625% due on 09/25/2015	45,027	45,022
Morgan Stanley Sr Unsecured Variable, 3% due on 8/31/2017	20,200	20,684
National Rural Utilities Sr Unsecured Floating, 0.5094% due on 5/27/2016	25,000	25,034
PPG Industries Inc Sr Unsecured 1.9% due on 1/15/2016	15,010	15,211
Pepsico Inc SR Unsecured .8% due on 08/25/2014	30,020	30,101
Rio Tinto Fin USA PLC Sr Unsecured Floating, 0.82325% due on 6/19/2015	25,000	25,043
Royal Bank of Canada Floating Rate Notes Senior Unsecured, 0.5676% due on 04/17/2014	9,961	10,017
Royal Bank of Canada Unsecured 1.15% due on 03/13/2015	4,998	5,045
Shell International SR Unsecured, 1.125% due on 8/21/2017	60,498	59,558
Shell International SR Unsecured, 0.625% due on 12/4/2015	49,988	50,000
3M Co Unsecured 1% due on 06/26/2017	30,040	29,490
Total Capital Intl SA SR Unsecured 1.55% due on 06/28/2017	50,990	50,254
Toyota Motor Credit Corp. SR Unsecured 2.05% due on 01/12/2017	25,943	25,574
Toyota Motor Credit Corp. SR Unsecured 1.25% due on 10/17/2015	50,063	49,284
Unilever Capital Corp Sr Unsecured, 0.85% due on 8/2/2017	66,454	65,410
Verizon Communications Sr Unsecured, 3.65% due on 9/14/2018	14,999	15,805
Wal-mart Stores Inc Sr Unsecured, 0.6% due on 4/11/2016	49,965	49,796
Wells Fargo Company SR Unsecured, 1.25% due on 02/13/2015	22,954	23,192
Wells Fargo Company SR Unsecured, 0.7938% due on 07/20/2016	15,000	15,054
Subtotal - Account#135284958	<u>1,253,551</u>	<u>1,249,111</u>
Total Corporate Bonds	<u>\$ 16,451,798</u>	<u>\$ 16,684,621</u>
<u>Corporate Stock</u>		
Allstate Corp	\$ 524,175	\$ 556,050
Amazon.Com Inc	307,102	432,381
American Express Co	297,756	453,120
American Intl Group	469,729	593,286
American Tower Corp	96,874	237,216
Amerisourcebergen Corp	200,255	226,070
Anadarko Petroleum Corp	437,572	455,651
Bank of America Corp	363,992	404,340
Biogen Idec Inc	132,437	264,114

See accompanying independent auditors' report.

REPUBLIC OF PALAU SOCIAL SECURITY RETIREMENT FUND

Schedule of Investments
September 30, 2013

	Cost	Fair Value
<u>Corporate Stock, Continued</u>		
Boeing Co	762,880	1,034,000
CME Group Inc	205,797	199,476
CVS/Caremark Corp	232,237	374,550
Canadian Pacific Railway Ltd	517,034	505,530
Celgene Corp	558,138	774,538
Chevron Corp	384,913	425,250
Cisco Systems	476,680	494,394
Citigroup Inc	644,062	884,822
Comcast Corp CL A	314,715	415,058
Disney Walt Co	242,958	573,961
EMC Corp	283,712	283,716
Ebay Inc	261,312	362,668
Express Scripts Holding Co	195,464	346,080
General Electric Co	314,233	418,075
General Motors Co	481,412	618,684
Gilead Sciences Inc	189,083	559,543
Goldman Sachs Group Inc	432,563	524,466
Google Inc CL A	427,016	986,275
Halliburton Co	384,760	524,835
Home Depot Inc	300,439	629,555
JP Morgan Chase & Co	564,500	920,082
Johnson & Johnson	295,350	329,422
Las Vegas Sands Corp	305,762	371,952
Lowe's Cos Inc	187,789	252,333
Marsh & McLennan Companies Inc	183,574	235,170
Mastercard Inc Class A	229,672	450,763
News Corp CL A	177,073	223,636
Pfizer Inc	385,908	534,285
Precision Cast Parts Corp	286,756	454,480
Schlumberger Ltd	584,604	715,715
Charles Schwab Corp	176,700	268,478
Texas Instrument Inc.	221,279	225,624
Twenty-First Century Fox, Inc.	300,468	660,147
Union Pacific Corp	110,807	450,486
United Technologies Corp	412,150	733,176
Liberty Global PLC A	196,869	238,050
Ace Ltd	226,105	233,900
TE Connectivity Ltd	225,805	227,832
Subtotal - Account#140011156	15,510,471	22,083,235
AT&T Inc	544,636	618,906
Abbott Laboratories	193,317	242,287
Abbvie Inc	205,900	326,529
Celgene Corp	226,611	601,134
Chevron Corp	589,633	753,300
Cisco Systems	418,011	524,854
Coca Cola Co	538,167	606,080
Danaher Corp	545,885	811,044
Disney Walt Co	694,536	677,145
Dominion Resources Inc/VA	578,677	743,513
Dow Chemical Co	578,737	798,720
Du Pont E.I. De Nemours & Co	611,268	708,576
Exxon Mobil Corp	679,229	746,913
Fedex Corporation	589,026	753,126
General Electric Co	562,436	742,979
Google Inc CL A	454,652	525,546
Int'l Business Machines	469,468	555,540
McDonalds Corp	458,268	577,260
Merck & Co. Inc	579,820	714,135
Microsoft Corp	413,028	525,824
Oracle	455,732	524,086
PPL Corporation	587,531	631,904
Pfizer Inc	509,462	723,870
Philip Morris International	725,984	710,038

See accompanying independent auditors' report.

REPUBLIC OF PALAU SOCIAL SECURITY RETIREMENT FUND

Schedule of Investments
September 30, 2013

	Cost	Fair Value
<u>Corporate Stock, Continued</u>		
Qualcomm Inc	402,928	504,900
Schlumberger Ltd	593,978	698,044
Southern Co	575,981	605,346
Thermo Fisher Scientific Inc	277,415	543,685
United Technologies Corp	574,024	808,650
Visa Inc CL A Shares	692,944	783,510
Eaton Corp PLC	603,045	867,384
Subtotal - Account#140340753	<u>15,930,329</u>	<u>19,954,828</u>
<u>Corporate Stock - International Equities</u>		
ABB Ltd Sponsored ADR One ADR Reprs 1 Reg Sh	173,204	169,848
Aberdeen Asset Management PLC (GBP)	85,680	116,493
Admiral Group PLC (GBP)	118,817	139,662
AIA Group Ltd (HKD)	89,213	93,992
America Movil Sab De C V Spon ADR Ser L	149,707	113,709
ARM Holdings PLC (GBP) .05	28,145	319,390
ASML Holding N.V.	34,051	159,695
Bank of Nova Scotia (CAD)	135,443	137,456
BG PLC ADR Final Instalment New	62,645	51,462
BOC Hong Kong Holdings Ltd (HKD)	64,633	77,051
Cochlear Limited (AUD)	131,191	132,027
CSL Ltd (AUD) 1	160,101	279,182
Deutsche Boerse AG (EUR)	198,520	124,124
De Sammensluttede Vognmaend Af Sh B (DKK)	101,881	121,984
Elekta AB (B SHRS)	129,149	157,617
Essilor Intl (EUR)	108,691	193,580
Fanuc Ltd (JPY) 50	104,109	98,957
First Pacific Corp	77,937	61,878
Fugro NV - CVA (Eur)	101,146	109,793
Hang Lung Properties Ltd (HKD) 1.00	130,389	126,419
Hengan International Group Co Ltd (HKD)	112,834	350,827
Hitachi Ltd (Jpy) 50	109,655	98,743
Hong Kong Land Holdings Ltd (USD) .10SQ	113,225	198,000
Hyundai Motor Co GDR REG S	55,200	160,960
Industria De Diseno Textil SA (EUR) .15	180,690	338,974
Keyence Corp (JPY) 50	35,627	83,380
Loccitane Intl SA (HKD)	75,204	83,342
Louis Vuitton Moet Hennessey (EUR) 1.5	82,925	98,481
Luxottica Group Spa Sponsored ADR One ADR Rep One Ord Sh	128,854	241,822
Mitsui Fudosan Co Ltd (JYP) 50	95,265	134,100
MTU Aero Engines Holding AG (EUR)	124,404	298,949
Noble Group Ltd (SGD)	102,254	119,655
Novo Nordisk As Sponsored ADR (One ADR One Class B SH)	86,934	93,071
Qiagen NV	162,017	166,920
Rakuten Inc (JPY)	91,926	120,873
Reckitt Benckiser Group LLC (GBP) .10526	173,167	226,877
Roche Holdings AG Basel (CHF) Genusssch	122,579	175,303
Royal Dutch PLC ADR	107,880	98,520
Samsung Electrics Ltd GDR 95 RPSTG Regs	106,362	120,983
Siemens AG Spons ADR (One Adr Reprs One Adr Depository)	82,922	84,357
Societe Generale De Surveillance SA (CHF) 20 Regd	123,842	214,862
Syngenta AG Sponsored ADR (One ADR Reprs 1/5 Ord Sh)	171,460	264,225
Taiwan Semiconductor MFG Co SPON ADR	56,865	98,775
Tencent Holdings Ltd	74,980	125,880
The Sage Group PLC (GBP)	140,823	183,306
United Overseas Bank (SGD)	55,981	65,901
Woolworths Ltd (AUD) .25	100,412	157,086
Worleyparsons Ltd (Aud)	85,068	68,064
Total International Equities - Account#491206600	<u>5,144,007</u>	<u>7,256,555</u>
Total Corporate Stock	<u>\$ 36,584,807</u>	<u>\$ 49,294,618</u>

See accompanying independent auditors' report.