

*Financial Statements, Required Supplementary  
Information and Additional Information*

**Republic of Palau Social Security Administration**  
(A Component Unit of the Republic of Palau)

*Year Ended September 30, 2021  
with Report of Independent Auditors*



**Republic of Palau Social Security Administration**  
**(A Component Unit of the Republic of Palau)**

**Financial Statements, Required Supplementary  
Information and Additional Information**

September 30, 2021

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## Report of Independent Auditors

Board of Trustees  
Republic of Palau Social Security Administration

### **Report on Financial Statements**

We have audited the accompanying financial statements of the Republic of Palau Social Security Administration (ROPSSA), a component unit of the Republic of Palau, which comprises the statement of fiduciary net position as of September 30, 2021, and the related statement of changes in fiduciary net position for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 ROPSSA as of September 30, 2021, and the changes in its net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

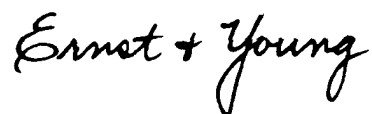
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 17 as well as the Schedule of Proportional Share of the Net Pension Liability on page 44 and the Schedule of Pension Contributions on page 45 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the 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 Financial Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Combining Statement of Fiduciary Net Position, Combining Statement of Changes in Fiduciary Net Position, and the Schedule of Revenues and Expenses as of and for the year ended September 30, 2021 on pages 46 through 51 are presented for purposes of additional analysis and are not a required part of the financial statements. This supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2024, on our consideration of ROPSSA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of ROPSSA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ROPSSA's internal control over financial reporting and compliance.

The logo for Ernst + Young, written in a black, cursive script font.

May 30, 2024



*Republic of Palau*  
**SOCIAL SECURITY ADMINISTRATION**

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## Management's Discussion and Analysis

Year Ended September 30, 2021

This Management's Discussion and Analysis (MD&A) of the Republic of Palau Social Security Administration's ("ROPSSA" or "the Administration") financial performance and condition for the fiscal year ended September 30, 2021 is to provide the readers with management's view as to what is critical to an understanding of the Administration's historical performance and its future prospects. It is intended to be read in conjunction with the independent auditors report as provided herein.

### **Organization**

ROPSSA 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. ROPSSA 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 by 3-64, 4-49, 5-34, 6-13, 7-32, 8-5, 8-14, 9-11, 9-12, 9-35, 9-46, 9-55, 9-57, 9-62, 10-1, 10-3, 10-7, 10-8, 10-12, 10-21, 10-22, 10-29, 10-42, 10-44, 10-53, and 10-56. The Board of Trustees of ROPSSA is incorporated under the *Social Security Act of 1987* (the Act) to administer ROPSSA as an agency of the Republic of Palau (ROP).

The main role of the Board of Trustees is to administer the ROP Social Security Retirement Fund ("the Retirement Fund") 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 Retirement 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 National Healthcare Financing Act (the NHFA) was created on May 7, 2010 under RPPL 8-14 as codified in Title 41 Chapter 9 of the PNCA. The 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. ROPSSA's Board of Trustees appoints the Administrator to serve as the Healthcare Fund ("HCF" or "the Healthcare Fund") Administrator who is responsible for administration of the Medical Savings Account (MSA) and the National Health Insurance (NHI) subject to the supervision and oversight of the HCF Governing Committee.

**Republic of Palau Social Security Administration**  
**(A Component Unit of the Republic of Palau)**

Management's Discussion and Analysis, continued

**ROPSSA Board of Trustees**

The ROP President 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 ROPSSA under the 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. Member, Ms. Umerang A. Imetengel vacated her membership on 10/29/20 and Vice Chairman, Mr. Francis E. Meyar vacated his membership on 4/30/21, with one vacant position remaining at the end of fiscal year 2021.

The Board held an election of new officers several times during the year and at the end of fiscal year 2021, the ROPSSA Board of Trustee members are as follows:

<b>Board Member</b>	<b>Officers/Title</b>	<b>Appointed</b>	<b>Expiration</b>
Ms. Johana Ngiruchelbad	Chairperson	11/19/19	11/19/23
Mr. Hefflin Bai	Vice Chairman	08/01/19	08/01/23
Mr. Terence Ruluked	Secretary/Treasurer	04/06/21	04/06/25
Mr. Satoru W. Adachi	Member	04/06/21	04/06/25

**HCF Governing Committee**

The powers and duties of the HCF Governing Committee under the NHFA are to provide an orderly means to finance and deliver comprehensive healthcare coverage to the people of Palau. The HCF Governing Committee also has the authority to promulgate laws, procedures, policies, rules and regulations necessary to carry out the functions of the NHFA. Currently, the HCF Governing Committee consists of the Minister of Finance, the Minister of Health, the Administrator for the Social Security Administration, a Governor's Association representative and a Chamber of Commerce representative. As of September 30, 2021, members of the HCF Governing Committee by virtue of their position and title in the respective ROP agencies were as follows:

<b>Member</b>	<b>Representative</b>
Dr. Victor Yano, Chairman	Chamber of Commerce
Minister Kaleb Udui Jr., Vice Chairman	Ministry of Finance
Governor Mary F. Remengesau, Secretary/Treasurer	Governors Association
Minister Gaafar Uherbelau, Member	Ministry of Health & Human Services
Ms. Ulai Teltull, Member	Social Security Administration

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Management's Discussion and Analysis, continued

**Human Resources**

The Administration's policies and strategies are implemented through the Administrator and a management team. The Administration is organized into five functional areas: Information Systems, Finance and Accounting, Employer Service, Member Service and Healthcare Fund Services. The total workforce of ROPSSA is thirty-two, including the Administrator. Employee turnover was 9% during fiscal year 2021 and there were three vacancies that remained unfilled at the end of fiscal year 2021.

**Contributions**

*Retirement Fund:*

All employees and employers working and domiciled in Palau contribute 7% of remuneration to the Retirement Fund. The contribution rate of 7% took effect on October 1, 2017, increasing from a contribution rate of 6%, which had been in effect since October 1, 2001. Prior to 2001, the rate of contribution increased consistently by 1% every 5 years. The rate increase was prompted by a legislative increase of \$50 per month as supplemental benefit payments to all Retirement Fund beneficiaries. The self-employed rate also increased from 12% to 14%. The minimum remuneration has not changed and remains at \$300 per quarter. There is no maximum remuneration since October 1, 2017. A self-employed individual with an employee shall receive as remuneration in any quarter, twice the amount paid to the highest paid employee in that quarter. A self-employed individual without an employee shall receive in any quarter as remuneration, 10% of his gross revenue in the current calendar year. RPPL 9-35 enacted in August 2014 amended the law to require the self-employed to declare actual salary for filing remuneration on a quarterly basis instead of annually. A self-employed individual without an employee is further exempted from contributions if he or she has reached a retirement age of 60.

Contributions to the Retirement Fund are remitted to ROPSSA on a quarterly basis. Special consideration is for the ROP National Government who remit contributions on a bi-weekly basis while some large businesses with fifteen or more employees are encouraged to file and pay contributions on a monthly basis.

Funding is mainly derived from contributions, enabling the Retirement Fund to meet monthly benefit payments and operation costs. Any excess funds available are invested in the Retirement Fund's asset portfolio. There were no excess funds available to invest in 2021 as benefit payouts exceeded contributions.



**Republic of Palau Social Security Administration**  
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Management's Discussion and Analysis, continued

**Contributions, continued**

*Healthcare Fund:*

All employees and employers working and domiciled in Palau contribute a total of 5% of remuneration to the Healthcare Fund. The employees' share of 2.5% goes directly to each individual MSA while the employers' share of 2.5% goes into the NHI fund. An initial capital of \$50,000 was advanced by ROPSSA in May 2010 and contributions began on October 1, 2010. On April 1, 2011, after two quarters of contributions, benefits under the NHI commenced. There has been no change of Healthcare Fund contribution rates since inception. There has been gradual growth of membership due to active public awareness program, growth of employment and the private sector.

The initial Healthcare Fund Regulations went through a first-time revision in 2018 as part of the efforts to gradually reform and improve services. There were new MOU's established between Palau Health Insurance (PHI) and providers in Manila and Taiwan for better medical care options. In 2019, the Administration hired a utilization reviewer in Taiwan to effectively negotiate ease of access to each provider, review scope of treatment and validate claims submitted for payment. The plan by the Administration to hire a utilization reviewer in Manila has been set aside due to the interruption of medical care to Manila because of the coronavirus. The Healthcare Fund office, which moved in February 2020 to the Ngarachamayong Cultural Center, relocated to the new Healthcare Fund building on November 16, 2020. The new office building is in the center of Koror State and was constructed at a cost of \$419,000. The building is accessible to Healthcare Fund members as well as the Retirement Fund office.

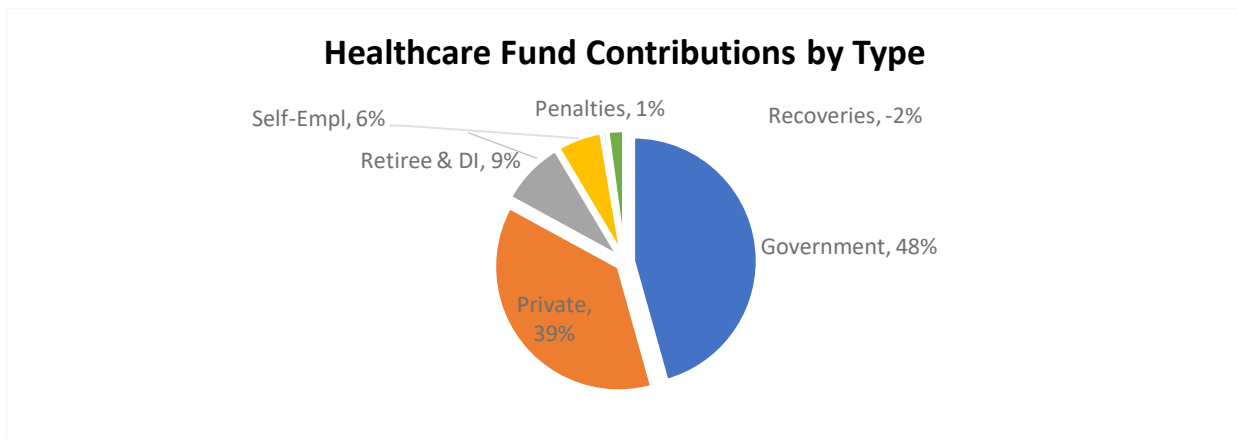
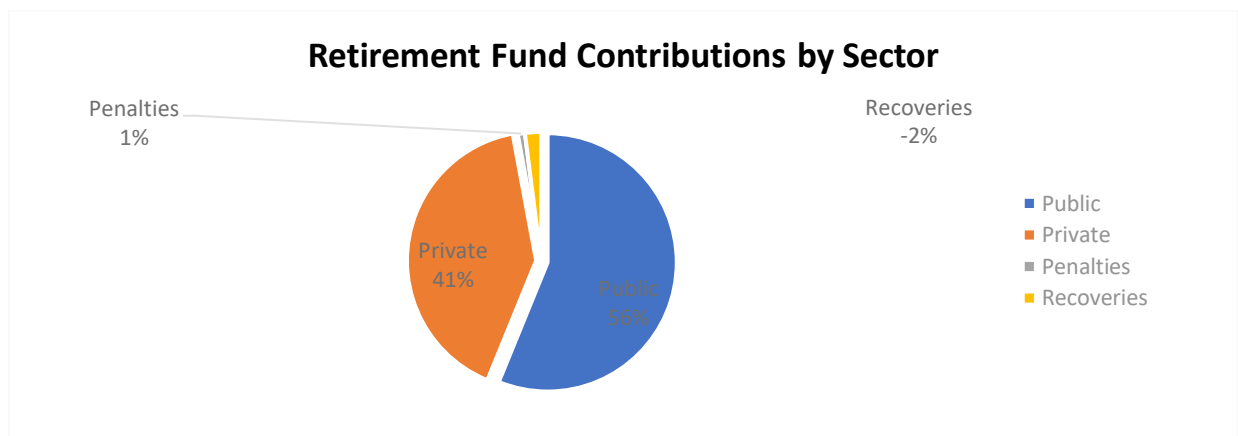
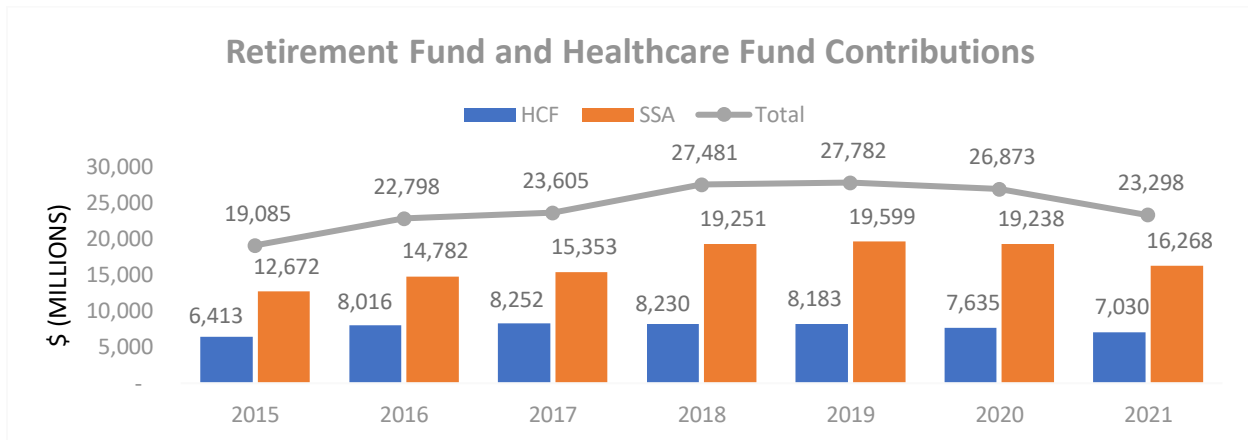
As of September 30, 2021, total members under the NHI were 15,570 versus 16,567 in 2020. NHI members were 88% of a total population of 17,614 based on a census in 2020 while MSA members were 18,161 or 100% versus 18,309 or 100% last year. The remaining 6% uninsured under the NHI are mainly persons below the age of 59 and unemployed, persons who are no longer a dependent child and not enrolled under the voluntary program. Voluntary participation carries a quarterly premium of \$41.

Contributions to the Retirement Fund and Healthcare Fund in fiscal years 2021 and 2020 were \$23,298,455 and \$26,872,728, respectively. Contributions decreased by 13.3% from the prior year due to negative impact of covid-19 on the economy. Of total contributions, 70% represents contributions to the Retirement Fund and 30% represents contributions to the Healthcare Fund. Contributions to the Healthcare Fund further reduced by 8% as a result of an amendment to NHI government subsidy of 10% of alcohol and tobacco tax having put a threshold limit of \$650,000 starter in fiscal year 2020, RPPL 10-42.

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Management's Discussion and Analysis, continued

**Contributions, continued**



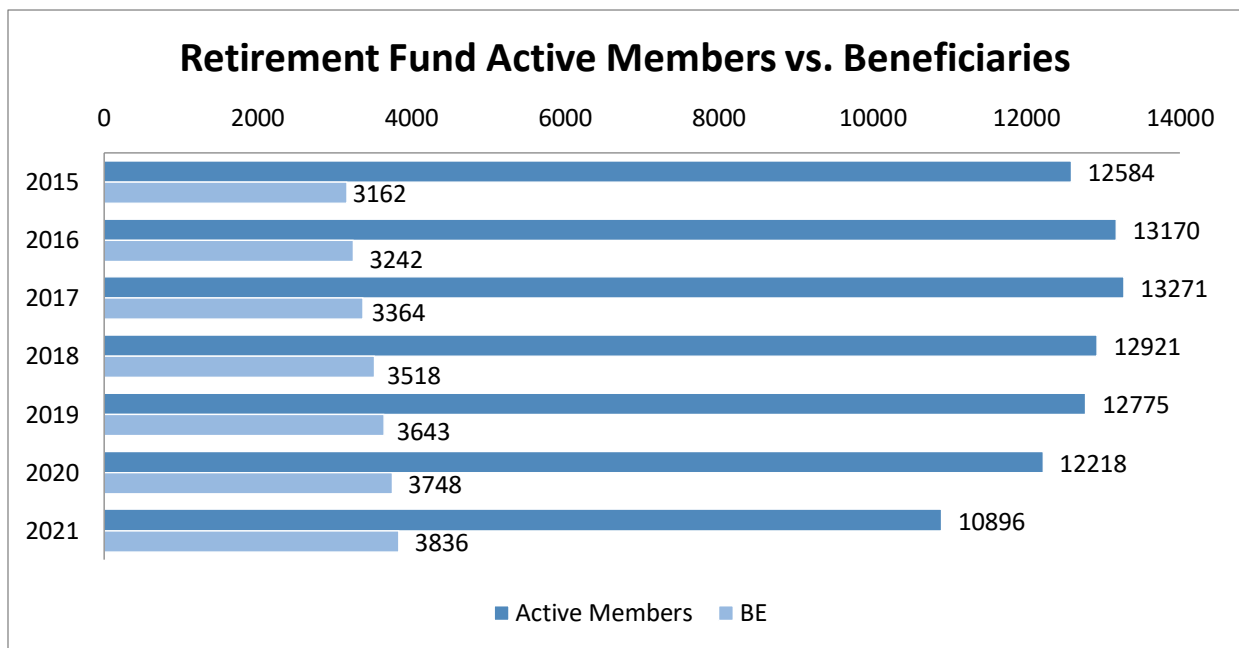
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Management’s Discussion and Analysis, continued

**Contributions, continued**

**Member Services**

Total active Retirement Fund members as of fiscal year 2021 were 10,896 versus 12,218 in 2020, a decrease of 1,322 or 11% from last year, which is due to business shut down and foreign workers leaving because of the coronavirus. On hindsight, the growth of Retirement Fund beneficiaries has been averaging 4% a year since 2013 of 2,748 mainly due to dual benefits and baby boomers retiring. Total Retirement Fund beneficiaries at fiscal year 2021 were 3,836 versus 3,748 in 2020.



Total active employers as of calendar year 2021 were 2,544 versus 2,062 in 2020. The Administration experiences challenges of tracking licensed businesses in 2018 and 2019 during which Bureau of Revenue & Taxation (BRT) issued licenses without consistent clearance of ROPSSA EINs. Prior to 2018, renewal of ROPSSA EINs expired on January 31 of each year. The closure of business EINs outside of the renewal period allows the Administration and BRT to reconcile the number of active businesses and to ensure that all employers file with ROPSSA. Beginning November 2020, ROPSSA resumed the issue of EINs before BRT’s licensing which allows the agencies to match the number of active businesses and strengthen monitoring and collection of unpaid taxes.

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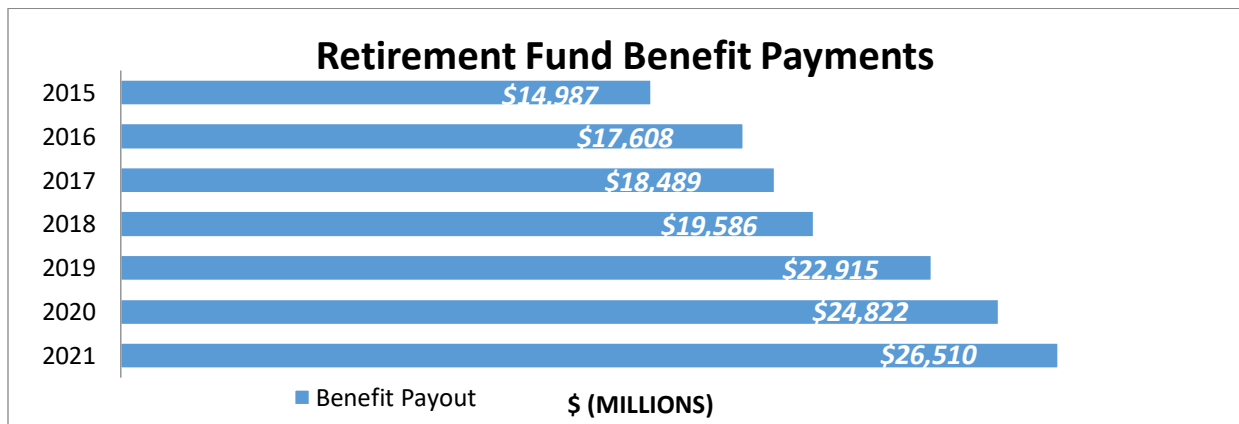
Management’s Discussion and Analysis, continued

**Retirement Fund Benefit Payments**

The types of benefits provided under the Retirement Fund are: 1) old-age insurance benefits, also known as retirement benefits; 2) surviving insurance benefits for spouse and dependents; 3) disability insurance benefits; and 4) lump sum benefits. The minimum basic monthly benefit is \$148 with the maximum limit of the basic monthly benefit being equivalent to the highest monthly average wage over twelve of forty quarters preceding retirement. Surviving spouse insurance benefits are for unemployed surviving spouses at 60% of basic benefits of the deceased’s insurance benefits subject to an earnings test if employed and at 100% if at retirement age and unmarried. Surviving spouse insurance benefits will cease if a surviving spouse remarries before retirement age and will be at 60% if remarried at retirement age.

The surviving child insurance benefits are for surviving children 18 years or younger and surviving children over 18 years and up to 22 years if a full-time student, subject to 15% of the deceased’s basic benefit insurance. 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 the disability with certain criteria established under guidelines. 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 legally appointed representative if there are no surviving beneficiaries.

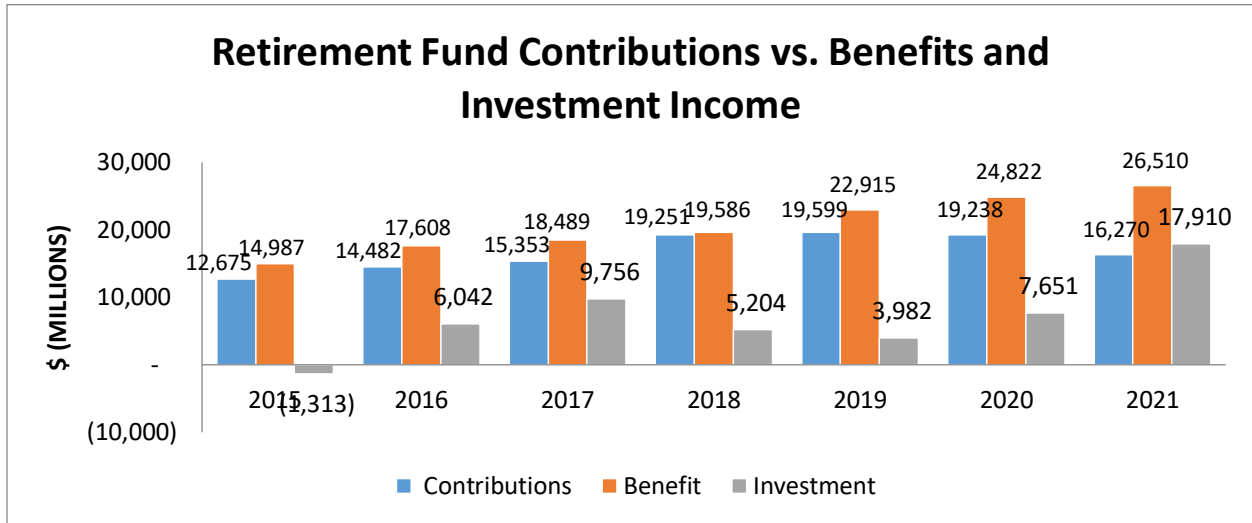
The supplemental benefit is an additional \$50 benefit outside of the Retirement Fund benefit payment formula that was created and funded by the ROP National Government under RPPL 9-46 beginning in fiscal year 2016 to present. Funding of the supplemental benefit payment from the ROP National Government in 2021 was \$3,908,950 versus \$2,760,000 in 2020. The Retirement Fund continues to be challenged in disbursing benefits due to the current level of contributions. Performance of benefits is illustrated in the graph below.



**Republic of Palau Social Security Administration  
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Management’s Discussion and Analysis, continued

**Retirement Fund Benefit Payments, continued**



**Healthcare Fund Benefit Payments**

MSA beneficiaries are designated individuals with access to funds from an individual's MSA account. You may enroll your MSA beneficiaries at the ROPSSA Office by providing the Social Security Numbers of all beneficiaries upon enrollment.

Family dependents of insured workers/employees (including non-working spouse and children under the age of 18) are covered as beneficiaries of the insured person’s MSA and by the PHI. For the disabled and the elderly (aged 60+), enrolment with the PHI is automatic with premiums paid from government subsidies based on the mean annual remuneration of all paying members.

The use of MSA funds is strictly regulated through the provisions of the PHCF act. Withdrawals of MSA balances are allowed only for the payment of medical expenses authorized by PHCF rules and regulations, and which are limited to the following:

- Expenses for outpatient (ambulatory) medical care sought on-island from authorized medical facilities, including expenses for doctor’s fees, diagnostics services, pharmaceuticals, and medical devices and consumables;
- Expenses for pharmaceuticals purchased over the counter from authorized pharmacies or drug vendors if prescribed by an accredited medical practitioner;
- Premiums of private health insurance policies purchased by the account holder, his/her family dependents, and/or other designated beneficiaries;

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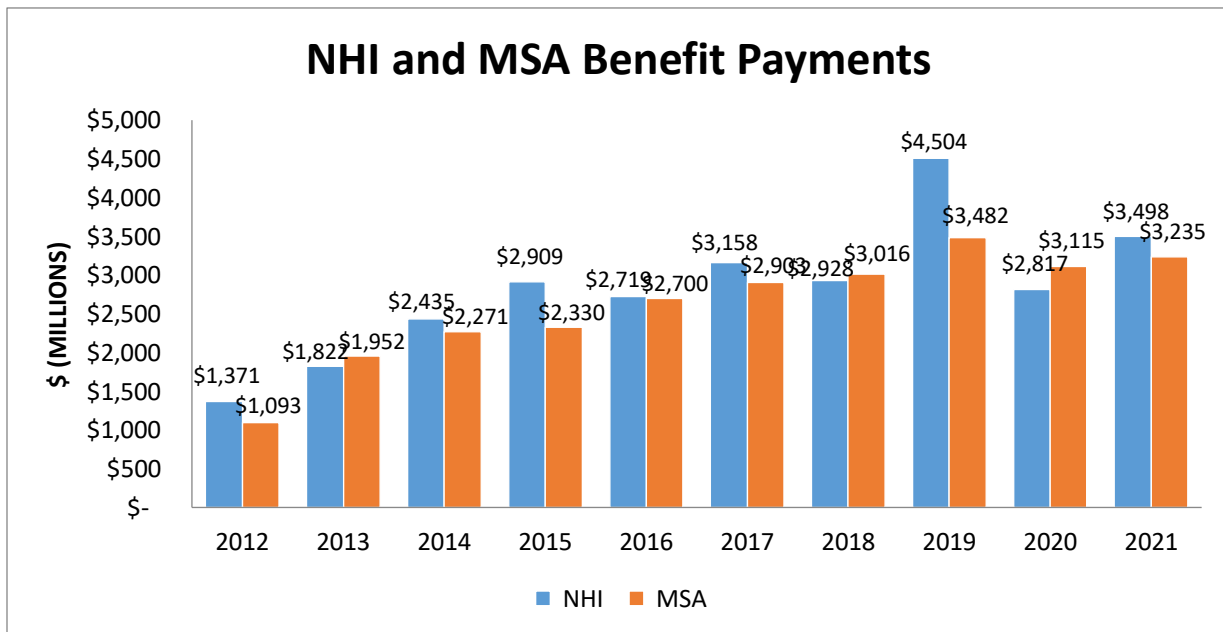
Management’s Discussion and Analysis, continued

**Healthcare Fund Benefit Payments, continued**

- Expenses for co-payments due for in-patient care covered under the Palau Health Insurance scheme, including in-patient care sought at Belau National Hospital and off-island referrals;
- Expenses for dental care and prosthesis, reading glasses and contact lenses, and other medical devices prescribed by a doctor and purchased over-the counter from authorized vendors.

The NHI provides the following health services:

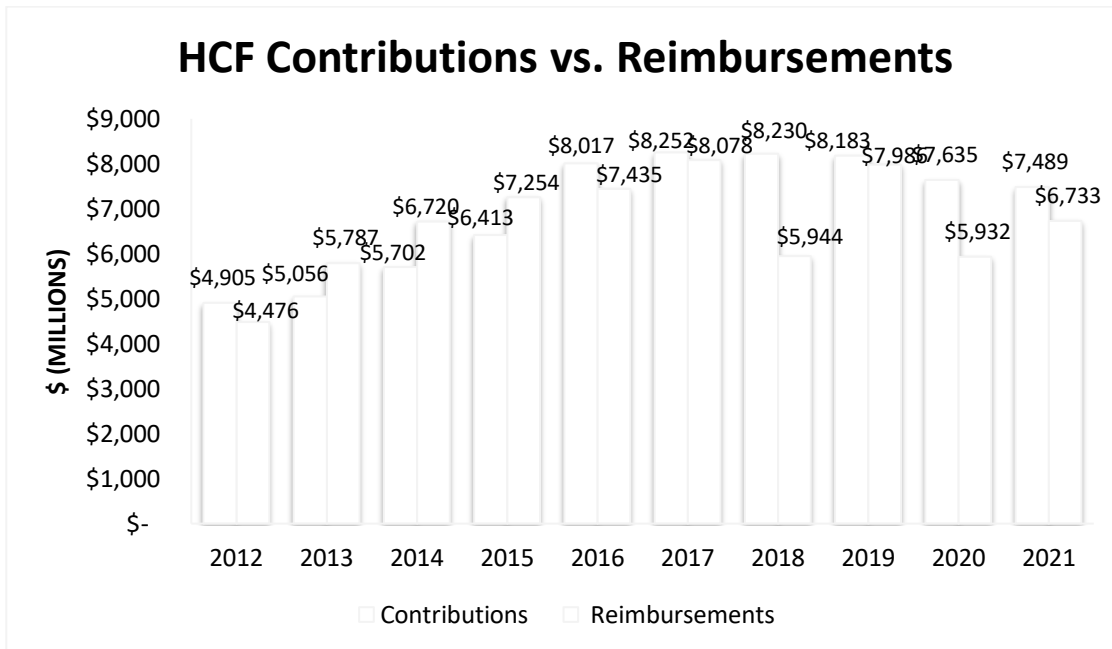
- Local Inpatient care at BNH (Belau National Hospital).
- Off-Island Medical Treatment.
- Medical transportation for approved Off-Island Referrals.
- Preventive Care Services such as annual exams both in Palau and at an approved Off-Island medical care provider.



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Management’s Discussion and Analysis, continued

**Healthcare Fund Benefit Payments**



**Statement of Net Position**

The statement of net position presents the assets, deferred outflows, liabilities, deferred inflows, and net position as of the end of the fiscal year. The statement of net position is a point of time financial statement. The purpose of the statement of net position is to present to the readers of the financial statements a fiscal snapshot of the Administration. Significant statement of net position items are discussed in the footnotes to the financial statements.

From the data presented, readers of this statement of net position are able to determine the assets available to continue in the operation of the Administration. They also are able to determine how much the Administration owes vendors and other payables. Finally, the statement of net position provides a picture of the net position (assets and deferred outflows minus liabilities and deferred inflows), which is a useful indicator of whether the financial position of the Administration is improving or deteriorating.

The Management’s Discussion and Analysis for the year ended September 30, 2020 is set forth in ROPSSA’s report on the audit of financial statements, which is dated June 27, 2022. The Discussion and Analysis explains the major factors affecting change of the 2020 financial statements and can be viewed at the Office of the Public Auditor’s website at [www.palauopa.org](http://www.palauopa.org).

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Management's Discussion and Analysis, continued

**Statement of Net Position, continued**

A summary of ROPSSA's Statements of Net Position as of September 30, 2021 compared with 2020 and 2019 is presented below:

**Summary Statements of Net Position**  
As of September 30

	2021	2020	\$ Change 2021-2020	% Change 2021-2020	2019
Assets:					
Current and other assets	\$ 8,745,821	\$ 9,685,737	\$ (939,916)	(9.7)%	\$ 9,664,513
Investments	<u>138,825,938</u>	<u>124,416,184</u>	<u>14,409,754</u>	11.6%	<u>118,835,621</u>
Total assets	<u>147,571,759</u>	<u>134,101,921</u>	<u>13,469,838</u>	10.0%	<u>128,500,134</u>
Deferred outflows of resources:					
Deferred outflows from pensions	<u>979,213</u>	<u>934,297</u>	<u>44,916</u>	4.8%	<u>527,852</u>
Liabilities:					
Current and other liabilities	<u>4,815,557</u>	<u>4,216,695</u>	<u>598,862</u>	14.2%	<u>4,116,404</u>
Deferred inflows of resources:					
Deferred inflows from pensions	<u>496,258</u>	<u>631,579</u>	<u>(135,321)</u>	(21.4)%	<u>679,248</u>
Net position:					
Held in trust for benefits	<u>\$ 143,239,157</u>	<u>\$ 130,187,944</u>	<u>\$ 13,051,213</u>	10.0%	<u>\$ 124,232,334</u>

Total ROPSSA assets increased by \$5,601,787 (or 4.4%) from 2019 to 2020 and increased by \$13,469,838 (or 10%) from 2020 to 2021. Current and other assets increased marginally by \$21,224 from 2019 to 2020 and decreased by \$939,916 (or 9.7%) from 2020 to 2021 while investments increased by \$5,580,563 (or 4.7%) from 2019 to 2020 and further increased by \$14,409,754 (or 11.6%) from 2020 to 2021. Total ROPSSA liabilities increased by \$100,291 (or 2.4%) from 2019 to 2020 and further increased by \$565,039 (or 13.4%) from 2020 to 2021. Total ROPSSA net position increased by \$5,955,610 (or 4.8%) from 2019 to 2020 and further increased by \$13,051,213 (or 10%) from 2020 to 2021.

**Statement of Revenues, Expenses, and Changes in Net Position**

Total net position of ROPSSA is affected by the changes in both assets (and deferred outflows) and liabilities (and deferred inflows) resulting in an increase in net position of \$5,955,610 (or 4.6%) in 2020 and an increase of \$13,051,213 (or 10%) in 2021.

Changes in total net position as presented on the statement of net position based on the activity presented in the statement of revenues, expenses, and changes in net position. The purpose of the statement is to present the revenues received by ROPSSA and expenses incurred by ROPSSA.



**Republic of Palau Social Security Administration**  
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Management's Discussion and Analysis, continued

**Statement of Revenues, Expenses, and Changes in Net Position, continued**

A summary of ROPSSA's Statements of Revenues, Expenses and Changes in Net Position for the year ended September 30, 2021 compared with 2020 and 2019 is presented below:

**Summary Statements of Revenues, Expenses and Changes in Net Position**  
Years Ended September 30

	2021	2020	\$ Change 2021-2020	% Change 2021-2020	2019
Additions:					
Contributions	\$ 23,298,455	\$ 26,872,728	\$ (3,574,273)	(13.3)%	\$ 27,782,148
Investment income	20,351,410	8,645,328	11,706,082	135.4%	4,519,239
Other	4,503,897	3,097,790	1,406,107	45.4%	2,706,269
Total additions	<u>48,153,762</u>	<u>38,615,846</u>	<u>9,537,916</u>	24.7%	<u>35,007,656</u>
Deductions:					
Benefits	33,339,049	30,859,278	2,479,771	8.0%	31,014,670
Administrative	1,763,500	1,800,958	(37,458)	(2.1)%	1,658,527
Total deductions	<u>35,102,549</u>	<u>32,660,236</u>	<u>2,442,313</u>	7.5%	<u>32,673,197</u>
Change in net position	<u>\$ 13,051,213</u>	<u>\$ 5,955,610</u>	<u>\$ 7,095,603</u>	119.1%	<u>\$ 2,334,459</u>

Total ROPSSA additions increased by \$3,608,190 (or 10.3%) from 2019 to 2020 and further increased by \$9,537,916 (or 24.7%) from 2020 to 2021. Contributions decreased by \$909,420 (or 3.3%) from 2019 to 2020 and further decreased by \$3,574,273 (or 13.3%) from 2020 to 2021. Investment income increased by \$4,126,089 (or 91 %) from 2019 to 2020 and further increased by \$11,706,082 (or 135%) from 2020 to 2021. Other additions increased by \$391,521 (or 14.5%) from 2019 to 2020 and further increased by \$1,406,107 (or 45.4%) from 2020 to 2021.

Total ROPSSA deductions decreased marginally by \$12,961 from 2019 to 2020 and increased by \$2,442,313 (or 7.5%) from 2020 to 2021. Benefit payments decreased by \$155,392 (or 0.5%) from 2019 to 2020 and increased by \$2,479,771 (or 8%) from 2020 to 2021 while administrative expenses increased by \$142,431 (or 8.6%) from 2019 to 2020 and decreased marginally by \$37,458 (or 2.1%) from 2020 to 2021.

**Actuarial Valuation**

An actuarial valuation issued in October 1, 2018 provides an assessment of the system's accrued liabilities and determination of the Retirement Fund's funded ratio. The unfunded liability increased by \$19,223,000 with funding ratio at 35% compared to 2017, as a result of the increase in the SSRF benefits of \$600 annual to each beneficiary, remove of wage cap inclusive of contribution rate increase to 7% for both employee and employer.

**Republic of Palau Social Security Administration**  
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Management’s Discussion and Analysis, continued

**Actuarial Valuation, continued**

Year	Net Assets Available for Benefits	Accrued Liability (AAL)	Funded Ratio	Unfunded AAL
9/30/2018	\$ 106,583,000	\$ 301,040,000	35%	\$ 194,457,000
9/30/2017	\$ 102,483,000	\$ 277,717,000	37%	\$ 175,234,000
9/30/2015	\$ 90,777,000	\$ 267,772,000	34%	\$ 176,995,000
9/30/2014	\$ 98,040,000	\$ 240,492,000	41%	\$ 142,452,000
9/30/2013	\$ 93,182,000	\$ 201,486,000	46%	\$ 108,304,000
9/30/2011	\$ 77,367,000	\$ 168,614,000	46%	\$ 91,247,000

The Board of Trustees is has taken the initiative to reach out to ADB for technical assistance to assist with long term sustainability of the Retirement Fund given the funding ratio below 50% for the past 10 years or more.

**Economic Outlook**

The ADB’s forecast on Palau’s economy is both challenging and was constrained due to the COVID-19 pandemic. For the post pandemic period, Palau’s GDP growth is expected at 3.8% in 2023 and 6.5% in 2024 with inflation rates forecasted at 8% in 2023 and 5% in 2024. The current account balance of negative -20.3% in 2020 will increase to -49.2% in 2021 and this means shortfall of revenue from operations, investment and financing. The tourism outlook is expected to eventually return to pre-COVID-19 levels if the new leadership commits to projects, which provide solutions to new challenges and/or the “new norm”. Current international arrivals have increased by 234.1% year-on-year in the third quarter of FY2023, but the year-to-date total still represents only 24.1% of FY2019’s level. Tourist arrivals from Taipei, China and the People’s Republic of China (PRC) have grown rapidly. In FY2022, tourist arrivals from Palau’s top source markets prior to the pandemic - Taipei, China, Japan, the Republic of Korea, and the PRC - remained low as direct flights had not been fully restored. Still, latest data show signs of catch-up with the resumption of scheduled flights by United Airlines and chartered flights by Taipei, China’s flag carrier, as well as a new Air Niugini connection from Port Moresby. Given the challenging economic environments in major source markets and competition from other travel destinations, the pace of recovery in tourism remains uncertain.

The inflation forecast for FY2023 of 8% is considerably higher than initially expected due to recent tax and tariff developments. The introduction of value-added taxes in January 2023 pushed up food and fuel prices and increases in electricity and wastewater tariffs raised household utility costs. Because of the resulting higher base, FY2024’s inflation forecast 5% is slightly lower than the earlier projection of 5.5%. Palau remains vulnerable to volatility in international prices because of its dependence on imported commodities. Although oil prices have declined faster than expected, they will likely rise over the rest of the year and into 2024. Further shocks to fuel or food prices from the Russian invasion of Ukraine or El Niño on agriculture are upside risks to inflation.

**Republic of Palau Social Security Administration**  
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Management's Discussion and Analysis, continued

**Economic Outlook, continued**

Fiscal gaps within Palau's economy remain despite the prospect of increased financial resources. Revenues are expected to recover only gradually in line with the positive growth outlook, although economic activity will likely remain well below pre-pandemic levels over the forecast horizon. Thus, the country is still expected to run fiscal deficits equivalent to 9.5% of GDP in FY2023 and 10.2% in FY2024. Tax reforms coinciding with already elevated inflation may dampen consumption and constrain revenue growth in the near term. The main upside risk to the fiscal outlook for FY2024 is the enhanced financial assistance package under Palau's renewed Compact of Free Association with the U.S., which was recently approved by the U.S. Congress. However, absorptive capacity remains a constraint to maximizing the uptake of increased fiscal resources.

**Contacting the Administration's Financial Management**

The financial report is designed to provide a general overview of ROPSSA's finances and to demonstrate the Administration'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 ROPSSA's Administrator at the Republic of Palau Social Security Administration, P.O. Box 679, Koror, Republic of Palau 96940, or e-mail [administration@ropssa.pw](mailto:administration@ropssa.pw) or call 488-2457.

**Republic of Palau Social Security Administration**  
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Statement of Fiduciary Net Position

September 30, 2021

<u>Assets</u>	
Cash and cash equivalents	\$ 3,578,151
Receivables, net	<u>4,291,535</u>
Investments:	
Mutual funds	108,694,096
U.S. Government obligations	14,722,470
Corporate bonds	15,127,765
Money market funds	<u>281,607</u>
Total investments	<u>138,825,938</u>
Prepaid expenses	8,624
Capital assets, net	<u>867,511</u>
Total assets	<u>147,571,759</u>
<u>Deferred Outflows of Resources</u>	
Deferred outflows of resources from pension	<u>979,213</u>
<u>Liabilities</u>	
Benefits payable	1,049,733
Accrued liabilities and accounts payable	46,474
Net pension liability	<u>3,685,527</u>
Total liabilities	<u>4,781,734</u>
<u>Deferred Inflows of Resources</u>	
Deferred inflows of resources from pension	<u>496,258</u>
<u>Net Position</u>	
Net position:	
Held in trust for benefits and other purposes	<u>\$ 143,272,980</u>

*See accompanying notes.*

**Republic of Palau Social Security Administration**  
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Statement of Changes in Fiduciary Net Position

Year Ended September 30, 2021

Additions:	
Contributions:	
Government employees	\$ 13,095,767
Private employees	9,396,830
Retirees and disabled individuals	664,215
Self-employed individuals	458,330
Penalties and interest	<u>193,129</u>
Total contributions	23,808,271
Allowance for doubtful accounts	<u>(509,816)</u>
Net contributions income	<u>23,298,455</u>
Investment income:	
Net increase in the fair value of investments	17,048,142
Dividends	2,669,223
Interest	<u>989,950</u>
Total investment income	20,707,315
Less investment expense:	
Investment management and custodial fees	<u>(355,905)</u>
Net investment income	<u>20,351,410</u>
Other additions	594,947
Republic of Palau subsidy	<u>3,908,950</u>
Total additions	<u>48,153,762</u>
Deductions:	
Benefit payments:	
Retirement	20,082,735
Survivors	5,651,246
Medical savings account	3,231,818
National health insurance	3,498,214
Disability	778,683
Lump sum	<u>96,353</u>
Total benefit payments	33,339,049
Administrative	<u>1,729,677</u>
Total deductions	<u>35,068,726</u>
Change in net position	13,085,036
Net position at beginning of the year	<u>130,187,944</u>
Net position at end of the year	<u><u>\$ 143,272,980</u></u>

*See accompanying notes.*

# **Republic of Palau Social Security Retirement Fund (A Component Unit of the Republic of Palau)**

## **Notes to Financial Statements**

September 30, 2021

### **1. Organization**

The Republic of Palau Social Security Administration (ROPSSA), a fiduciary component unit of the Republic of Palau, was initially established pursuant to Republic of Palau Public Law (RPPL) No. 2-29 (the Social Security Act of 1987), which established the Palau Social Security Trust Fund that took over the Palau share of assets and liabilities of the Trust Territory Social Security System. In 1991, RPPL No. 2-29 was repealed by RPPL No. 3-64 (the Social Security Act of 1991), which provided for retirement, survivor, disability, and death benefits to covered wage earners and self-employed persons as well as their qualified survivors through the Republic of Palau Social Security Retirement Fund (the Retirement Fund).

ROPSSA is also responsible for processing, monitoring, and distributing benefit claims under the Prior Service Benefits Program (see note 3). Accordingly, ROPSSA established the Prior Service Trust Fund to account for activities under this program.

In 2010, RPPL No. 8-14 (the National Healthcare Financing Act) established Palau's first national healthcare financing program to be administered by ROPSSA. The program consists of two components: individual Medical Savings Accounts (MSA) and a pooled universal social health insurance fund known as National Health Insurance (NHI). Accordingly, ROPSSA established the Healthcare Fund to account for activities under this program. The MSA is designed to help individuals to save money to pay for future healthcare costs including outpatient medical treatment, prescribed medications, and private health insurance premiums. The use of the MSA is limited to the Belau National Hospital and related dispensaries as well as participating MSA private clinics in Palau. The NHI is designed to complement the MSA and assist in funding inpatient medical treatment, off-island medical treatment, and medical transportation for approved off-island referrals.

ROPSSA 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.

### **2. Summary of Significant Accounting Policies**

The accounting policies of ROPSSA conform to accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental entities, specifically fiduciary funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**Republic of Palau Social Security Administration**  
**(A Component Unit of the Republic of Palau)**

Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**Basis of Accounting**

ROPSSA is accounted for as a Fiduciary Fund Type - Private Purpose Trust Fund and prepares its financial statements using the accrual basis of accounting. It recognizes employee and employer contributions as revenues in the quarter employee earnings are paid. Retirement and healthcare benefits are recognized as expenses when payable. Expenses are recorded when the corresponding liabilities are incurred regardless of when payment is made.

**Cash and cash equivalents**

For the purposes of the statement of fiduciary net position, cash and cash equivalents is defined as cash on hand and cash held in demand accounts. Money market funds held by ROPSSA's investment agent are considered investments.

**Investments**

Investments and related investment earnings are reported at fair value using quoted market prices. Fair value is the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the date as of which the fair value of an asset or liability is determined.

ROPSSA categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In certain instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy is based on the lowest level of input that is significant to the fair measurement. Investments not categorized under the fair value hierarchy are shown at either Net Asset Value (NAV) or amortized cost.

**Receivables**

Contributions 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.

**Republic of Palau Social Security Administration**  
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Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**Capital Assets**

ROPSSA's capital 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 \$1,000.

**Contributions**

Contributions to the Retirement Fund are governed by the Social Security Act of 1991, as amended, which imposes a tax on the quarterly income of every employee within the Republic. Employees are required to contribute an amount equal to 7% of wages while every employer is required to contribute an amount equal to that contributed by the employee. Effective October 1, 2017, there will no longer be a maximum taxable income per quarter.

Contributions to the Healthcare Fund are governed by the National Healthcare Financing Act, as amended, 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 individual employee contributions go to the individual employee's MSA, while the employer contributions go to a pooled account that funds the NHI. Every participating self-employed individual are presumed to receive in any quarter, as remuneration, 10% 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. All unemployed individuals may voluntarily join by paying into the NHI pool a premium of \$40.95 per quarter. The National Government pays subsidized contributions for individual citizens who are 60 years of age and unemployed, as well as for those who are disabled and unemployed. These subsidized contributions are funded by a 10% allocation of annual revenues received by the National Government from import tax on alcoholic beverages and excise tax on tobacco.

**Pensions**

Pensions are required to be recognized and disclosed using the accrual basis of accounting. ROPSSA recognizes a net pension liability for the defined benefit pension plan in which it participates, which represents ROPSSA's proportional share of excess total pension liability over the pension plan assets – actuarially calculated – of a cost-sharing multi-employer pension plan, measured one year prior to fiscal year-end and rolled forward. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred.



**Republic of Palau Social Security Administration**  
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Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**Pensions, continued**

Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense over 5 years beginning with the period in which the difference occurred.

**Deferred Outflows of Resources**

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

**Compensated Absences**

ROPSSA 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 ROPSSA 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, 2021 is not material to the financial statements.

**Republic of Palau Social Security Administration**  
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Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**Deferred Inflows of Resources**

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

**Benefit Payments**

Retirement benefit payments are made to qualified workers who are fully insured individuals who, as defined by the Social Security Act of 1991, as amended, have attained an age of 60 years prior to September 30, 2015 and have filed an application for old age insurance benefits. Thereafter, the old age insurance benefits have been redefined as follows: a fully insured worker who has attained an age of 62 years as of October 1, 2015, or 63 years as of October 1, 2020, and have filed an application for old age insurance benefits.

Retirement benefit payments are also made to surviving spouses of deceased workers, subject to eligibility requirements, as long as they do not remarry. 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 benefit payments are made to qualified workers for the duration of the disability or until retirement or death, at which time retirement or survivor benefits become available. Effective October 1, 2013, the 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. The minimum benefit is \$198 per month, effective September 27, 2017. The maximum limit of the basic monthly benefit is 100% of the highest monthly average wage of the wage earner over any 12 quarters out of the last 40 quarters preceding retirement.

**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.

**Republic of Palau Social Security Administration**  
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Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**Taxes**

ROPSSA is exempt from all national and state non-payroll taxes.

**Accounting Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**New Accounting Standards**

In 2020, GASB issued Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*, which postponed the effective dates of GASB Statement No. 84, 89, 90, 91, 92 and 93 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. In accordance with GASB Statement No. 95, management has elected to postpone implementation of these statements. During the year ended September 30, 2021, ROPSSA implemented the following pronouncements:

- GASB Statement No. 84, *Fiduciary Activities*, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.
- GASB Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statement No. 's 14 and 61*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.
- GASB Statement No. 93, *Replacement of Interbank Offered Rates*, which establishes accounting and reporting requirements related to the replacement of Interbank Offered Rates such as the London Interbank Offered Rate (LIBOR) for hedging derivative instruments. The provision removing LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of derivative instruments is effective for the year ending September 30, 2022.

The implementation of these statements did not have a material effect on the accompanying financial statements.

**Republic of Palau Social Security Administration**  
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Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**New Accounting Standards, continued**

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 87 will be effective for fiscal year ending September 30, 2022.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 89 will be effective for fiscal year ending September 30, 2022.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 91 will be effective for fiscal year ending September 30, 2023.

**Republic of Palau Social Security Administration**  
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Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**New Accounting Standards, continued**

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports, the terminology used to refer to derivative instruments and the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefits. The requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reissuance recoveries and terminology used to refer to derivative instruments are effective upon issuance. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. The remaining requirements of GASB Statement No. 92 are effective for the fiscal year ending September 30, 2022.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 94 will be effective for fiscal year ending September 30, 2023.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 96 will be effective for fiscal year ending September 30, 2023.

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Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**New Accounting Standards, continued**

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statement No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 97 will be effective for fiscal year ending September 30, 2022.

**3. Prior Service Benefits Program**

Under the terms of a Prior Service Claim Adjudication Service Agreement between ROPSSA and the Trust Territory Prior Service Trust Fund, ROPSSA is to provide for the processing of benefit claims and to assist in the monitoring of continuing eligibility under the Prior Service Program. The Prior Service Trust Fund Administration (PSTFA) will reimburse ROPSSA \$2,000 per annum plus an amount equal to 8% of the total amount of automated and manual benefit payments. Any cost for ROPSSA personnel who assist in searching and locating prior service documents in cooperation with the Prior Service Administration will be reimbursed on a dollar-for-dollar basis.

In 2005, an agreement was entered into between the PSTFA Board and the U.S. Department of the Interior to delegate the Board's obligations to and responsibility for the enrollees eligible for the Prior Service Benefits Program to the Social Security Systems of the Republic of the Marshall Islands, the Republic of Palau, 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 (SSA) of each Government shall be entitled to an administrative fee not to exceed 20% of the share of allocated funds.

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Notes to Financial Statements, continued

**3. Prior Service Benefits Program, continued**

ROPSSA assumed administrative functions and for the year ended September 30, 2021 received an allocation of \$140,400 from PSTFA. Total benefits and administrative expenses for the year ended September 30, 2021 amounted to \$118,689. However, while ROPSSA accepts the liability for any amounts received, ROPSSA does not accept the obligation to pay future benefits unless additional funds are received from PSTFA. As of September 30, 2021, the amount of \$30,442 is available for future benefit payments under the Prior Service Benefits Program.

**4. Deposits and Investments**

ROPSSA's investment policy governs the investment of assets of ROPSSA as follows:

- (i) Cash
  - a. Investments in this category must adhere to the guidelines in Rule 2a-7 under the U.S. Securities and Exchange Commission (SEC) Investment Company Act of 1940.
- (ii) Fixed Income
  - a. Bonds, notes, and pass-through securities issued or guaranteed by the U.S. Government, its agencies or instrumentalities;
  - b. U.S. corporate bonds and nonconvertible preferred stocks;
  - c. Secured debt instruments with credit ratings of AAA excluding "interest only" and "principal only" derivatives securities;
  - d. Debt issued by foreign entities; and
  - 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.
- (iii) U.S. Equities
  - a. Common stock and convertible securities of U.S. listed 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);

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Notes to Financial Statements, continued

**4. Deposits and Investments, continued**

- 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 ROPSSA's investment manager at the time of purchase and such investments are in industries and areas of the market that ROPSSA'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.
- (iv) International Equities
- a. Equity securities of Corporations provided they are listed on the stock exchange of countries included in the Morgan Stanley Capital International (MSCI) All Country World excluding US Index;
  - b. ADRs, European Depository Receipts (EDRs) and Global Depository Receipts (GDRs) relating to any of the above are allowable; and
  - c. 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 ROPSSA's investment manager.

**Deposits**

Custodial credit risk is the risk that in the event of a bank failure, ROPSSA'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. ROPSSA does not have a deposit policy for custodial credit risk.



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Notes to Financial Statements, continued

**4. Deposits and Investments, continued**

**Deposits, continued**

As of September 30, 2021, cash and cash equivalents were \$3,578,151 and the corresponding bank balances were \$3,777,102, that are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2021, bank deposits of \$250,000 were FDIC insured. ROPSSA does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC coverage and deposits in financial institutions not subject to FDIC coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk. ROPSSA has not experienced any losses in such accounts.

**Investments**

ROPSSA has the following recurring fair value measurements as of September 30, 2021:

	<u>Total</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments by fair value level:				
U.S. Treasury notes	\$ 5,343,182	\$ 5,343,182	\$ ---	\$ ---
U.S. Municipal obligations	3,886,695	---	3,886,695	---
Other U.S. Government obligations	5,492,593	---	5,492,593	---
Corporate notes and bonds	<u>15,127,765</u>	<u>---</u>	<u>15,127,765</u>	<u>---</u>
	29,850,235	<u>\$ 5,343,182</u>	<u>\$ 24,507,053</u>	<u>\$ ---</u>
Investments measured at NAV:				
Mutual funds	108,694,096			
Investments measured at amortized cost:				
Money market funds	<u>281,607</u>			
	<u>\$ 138,825,938</u>			

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, ROPSSA will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. ROPSSA'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 ROPSSA's name by ROPSSA's custodial financial institutions as of September 30, 2021.

**Republic of Palau Social Security Administration**  
**(A Component Unit of the Republic of Palau)**

Notes to Financial Statements, continued

**4. Deposits and Investments, continued**

**Investments, continued**

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 requires disclosure by issuer and amounts of investments in any one issuer that represents five percent (5%) or more of total investments for ROPSSA. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. There was no concentration of credit risk for investments as of September 30, 2021.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater is the sensitivity of its fair value to changes in market interest rates. One of the ways that ROPSSA manages its exposure to interest rate risk is by purchasing a combination of short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

As of September 30, 2021, ROPSSA's investments in fixed income debt securities were as follows:

	<u>Investment Maturities (In Years)</u>				<u>Fair Value</u>
	<u>Less Than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>Greater Than 10</u>	
U.S. Treasury notes	\$ 175,278	\$ 2,572,924	\$ 1,143,096	\$ 1,451,884	\$ 5,343,182
U.S. Municipal obligations	-	921,402	1,364,337	1,600,956	3,886,695
Other U.S. Government obligations	35,052	1,825,371	1,261,457	2,370,713	5,492,593
Corporate notes and bonds	<u>965,691</u>	<u>7,174,648</u>	<u>3,570,587</u>	<u>3,416,839</u>	<u>15,127,765</u>
	<u>\$ 1,176,021</u>	<u>\$ 12,494,345</u>	<u>\$ 7,339,477</u>	<u>\$ 8,840,392</u>	<u>\$ 29,850,235</u>

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

**Republic of Palau Social Security Administration**  
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Notes to Financial Statements, continued

**4. Deposits and Investments, continued**

**Investments, continued**

ROPSSA's credit quality distribution for debt securities as of September 30, 2021, is as follows:

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Amount</u>
U.S. Treasury notes	Aaa	\$ 5,343,182
Other U.S. Government obligations	Aaa	5,492,593
U.S. Municipal obligations	Aaa/Aa/A	2,597,094
U.S. Municipal obligations	Not Rated	1,289,601
Corporate notes and bonds	Aaa/Aa/A	11,699,855
Corporate notes and bonds	Baa/Ba/B	3,128,991
Corporate notes and bonds	Not Rated	<u>298,919</u>
		<u>\$ 29,850,235</u>

**5. Receivables**

Receivables as of September 30, 2021, including applicable allowance for doubtful accounts, are as follows:

Contributions	\$ 5,252,377
Loan	1,730,959
Accrued interest and dividends	186,612
Advances and other	<u>4,972</u>
	7,174,920
Less allowance for doubtful accounts	<u>(2,883,385)</u>
	<u>\$ 4,291,535</u>

In 2003, ROPSSA 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.

**Republic of Palau Social Security Administration**  
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Notes to Financial Statements, continued

**5. Receivables, continued**

In 2008, ROPSSA entered into an agreement to restructure the loan. The loan ceiling increased to \$6,000,000, which was disbursed in increments of \$500,000, bearing interest at a variable annual rate equal to ROPSSA's Fixed Income Fund Return Rate as reported monthly by ROPSSA's investment consultant, plus 0.5%; provided, however 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, through December 31, 2025. The loan is collateralized by the full faith and credit of the Republic of Palau Government.

**6. Capital Assets**

Capital asset activity for the year ended September 30, 2021, is as follows:

	<u>Estimated Useful Lives</u>	<u>Balance at October 1, 2020</u>	<u>Additions and Transfers</u>	<u>Deletions and Transfers</u>	<u>Balance at September 30, 2021</u>
Depreciable capital assets:					
Office furniture and equipment	4 - 13 years	\$ 1,112,633	\$ 21,330	\$ ---	\$ 1,133,963
Building and improvements	30 years	13,500	475,963	---	489,463
Vehicles	5 years	<u>66,564</u>	<u>---</u>	<u>---</u>	<u>66,564</u>
		1,192,697	497,293	---	1,689,990
Less accumulated depreciation		<u>(627,360)</u>	<u>(195,119)</u>	<u>---</u>	<u>(822,479)</u>
		<u>\$ 565,337</u>	<u>\$ 302,174</u>	<u>\$ ---</u>	<u>\$ 867,511</u>

**7. Pension Plan**

ROPSSA is statutorily responsible for providing pension benefits for ROPSSA employees through the Republic of Palau Civil Service Pension Trust Fund.

A. General Information About the Pension Plan:

*Plan Description:* ROPSSA contributes to the Republic of Palau Civil Service Plan (the Plan), a defined benefit, cost sharing multiple employer plan, which is a component unit of the Republic of Palau (ROP) National Government, providing retirement, security and other benefits to employees, their spouses and dependents, of the ROP, ROP State Governments and ROP agencies, funds and public corporations. The Plan was established pursuant to RPPL No. 2-26 (the Pension Plan and Retirement Fund Act of 1987), which established the Plan effective October 1, 1987.

**Republic of Palau Social Security Administration**  
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Notes to Financial Statements, continued

**7. Pension Plan, continued**

A. General Information About the Pension Plan, continued:

A single actuarial valuation report is performed annually covering all plan members and the same contribution rate applies to each employer. The Plan issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit plan. That report may be obtained by writing to the Plan's Administrator at the Republic of Palau Civil Service Pension Trust Fund, P.O. Box 1767, Koror, Republic of Palau 96940, or e-mail [cspp@palaunet.com](mailto:cspp@palaunet.com) or call (680) 488-2523.

*Plan Membership:* The ROP National Government, ROP State Governments and ROP public corporations, quasi-governmental organizations and other public entities of the National and State Governments of ROP, are participating in the Plan. Membership consisted of the following as of October 1, 2019 (the valuation date):

Inactive members currently receiving benefits	1,629
Inactive members entitled to but not yet receiving benefits	1,252
Active members	<u>3,480</u>
Total members	<u>6,361</u>

*Summary of the Principal Provisions of the Plan:*

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

*Eligibility to Participate:* All persons becoming full-time employees of a participating agency before attaining the age of sixty shall become members as a condition of employment.

*Vesting Service:* Includes membership service and prior service credit.

*Membership Service:* A year of membership service is earned for a year of service rendered by a participating agency. Years of membership service shall be rounded to the nearest one year. Membership service includes accumulated sick leave and vacation leave.

*Prior Service Credit:* Persons becoming members of the Plan on October 1, 1987 are entitled to Prior Service Credit for services rendered as an employee of participating agencies, the Trust Territory of the Pacific Islands (TTPI), the United States Naval Government after World War II and before the establishment of the TTPI.

**Republic of Palau Social Security Administration**  
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Notes to Financial Statements, continued

**7. Pension Plan, continued**

A. General Information About the Pension Plan, continued:

*Pension Benefits:* Retirement benefits are paid to members who are required, with certain exceptions, to retire no later than their sixtieth birthday or after thirty years of service. A member may retire after his or her fifty-fifth birthday at a reduced pension amount if the member has completed at least 20 years of government employment. A married member of a former member receiving a distribution of benefits under the Plan receives reduced benefit amounts to provide survivors' benefits to his or her spouse. An unmarried member or former member may elect to receive a reduced benefit amount during his or her lifetime with an annuity payable to his or her designated beneficiary. Disability benefits are paid to qualified members for the duration of the disability. Effective May 17, 1996, through RPPL No. 4-49, members, who have 25 years or more of total service, are eligible for retirement regardless of their age and, upon such retirement, are eligible to receive pension benefits at a level established by the Pension Plan Board of Trustees. Effective July 1, 1999, pursuant to RPPL No. 4-49 and RPPL No. 5-30, retirement is mandatory for all members who have 30 years or more of total service and all employees who are 60 years of age or older with certain exceptions. Beginning October 1, 2003, pursuant to RPPL No. 6-37, mandatory retirement may be delayed for up to 5 years, by specific exemption by the Board of Trustees. In December 2008, RPPL No. 7-56 eliminated early retirement and 30 year mandatory service provisions. These provisions were restored through RPPL No. 8-10 in October 2009. On April 30, 2013, RPPL No. 9-2 eliminated the mandatory service retirement after 30 years of service. After December 31, 2013, no employee shall be entitled to pension benefits until reaching the age of 60 years.

In accordance with the directives of RPPL No. 5-7, the Board of Trustees adopted a resolution which provides that "no person who retires after October 1, 1997, may receive benefits under the Plan unless he or she has contributed to the Plan for at least 5 years or has made an actuarially equivalent lump sum contribution". In accordance with RPPL No. 9-2, members who retire after April 30, 2013 must not receive benefits greater than \$30,000 per year. Further, the benefits amount that a member receives should not be recalculated if the member is re-employed after the member begins receiving benefits under the Plan. Additionally, a member should not receive benefits during the time the member is re-employed subsequent to retirement.

Currently, normal benefits are paid monthly and are 2% of each member's average monthly salary for each year of credited total service up to a maximum of 30 years total service. The average annual salary is the average of the highest three consecutive fiscal years of compensation received by a member during his or her most recent ten full fiscal years of service. For members who have not completed three consecutive fiscal years of employment during his or her most recent ten full fiscal years of service, the average annual salary is the average monthly salary during the term of the member's service multiplied by twelve.

**Republic of Palau Social Security Administration**  
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Notes to Financial Statements, continued

**7. Pension Plan, continued**

A. General Information About the Pension Plan, continued:

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

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

Surviving beneficiaries of an employee may only receive benefits up to the total present value of the employee's accrued benefit pursuant to RPPL No. 9-2.

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

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

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

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

**Republic of Palau Social Security Administration**  
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Notes to Financial Statements, continued

**7. Pension Plan, continued**

A. General Information About the Pension Plan, continued:

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

- If the former member is not an employee at the date of death, a refund of the total amount of contributions made by the member.
- If the member was an employee at the date of death and had completed one year of total service, the estate of the member shall be entitled to a death benefit equal to the greater of three times the member's annual salary or the present value of the member's accrued benefit payable in the form of a single lump sum payment.

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

*Actuarial Assumptions:*

The total pension liability was determined by an actuarial valuation as of September 30, 2019, with a September 30, 2020 measurement date, using the following actuarial assumptions:

Actuarial Cost Method:	Normal costs are calculated under the entry age normal method
Amortization Method:	Level dollar, open with remaining amortization period of 30 years
Asset Valuation Method:	Market Value of Assets
Investment Income:	6.74% per year, net of investment expenses, including price inflation



**Republic of Palau Social Security Administration**  
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Notes to Financial Statements, continued

**7. Pension Plan, continued**

A. General Information About the Pension Plan, continued:

Municipal Bond Index Rate: 2.22%

Year fiduciary net position  
is projected to be depleted: 2025

Price Inflation: 2.5% per year

Interest on  
Member Contributions: 5.0% per year

Salary Increase: 3.0% per year

Expenses: \$300,000 added to normal cost

Mortality: RP 2000 Combined Mortality Table, set forward four years for all members except disability recipients, where the table is set forward ten years

Termination of  
Employment: 5% for ages 20 to 39; none for all other ages

Disability:	<u>Age</u>	<u>Disability</u>
	25	0.21%
	30	0.18%
	35	0.25%
	40	0.35%
	45	0.50%
	50	0.76%
	55	1.43%
	60	2.12%

Retirement Age: 100% at age 60

Form of Payment: Single: Straight life annuity; Married: 100% joint and survivor

Marriage Assumption: 80% of the workers are assumed to be married and males are assumed to be 3 years older than their spouses. Beneficiaries are assumed to be the opposite gender of the member.

**Republic of Palau Social Security Administration**  
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Notes to Financial Statements, continued

**7. Pension Plan, continued**

A. General Information About the Pension Plan, continued

Duty vs Non-duty related disability:	100% Duty related
Refund of Contributions:	80% of terminated vested members elect a refund of contributions
Post Retirement Survivor's Benefit:	100% of the benefit the retiree was receiving prior to death
Final Average Earnings:	Deferred vested members missing data for their final average earnings are assumed to have earned the average amount of current deferred vested members.
Benefits:	Retirees and beneficiaries missing data for their monthly benefit amount are assumed to receive the average benefit of current retirees or beneficiaries, respectively.

*Investment Rate of Return:*

The long-term expected rate of return on the Plan's investments of 6.74% was determined using log-normal distribution analysis, creating a best-estimate range for each asset class.

As of September 30, 2019, the arithmetic real rates of return for each major investment class are as follows:

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

**Republic of Palau Social Security Administration**  
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Notes to Financial Statements, continued

**7. Pension Plan, continued**

A. General Information About the Pension Plan, continued

*Discount Rate:*

The discount rate used to measure the total pension liability was 2.28% at the current measurement date. The discount rate was determined using the current assumed rate of return of 6.74% until the point where the plan fiduciary net position is negative. Using the current contribution rates, a negative position happens in 2025. For years on or after 2025, the Municipal Bond Index Rate of 2.22% was used. This rate is based on the Bond Buyer General Obligation 20-year Municipal Bond Index.

*Sensitivity of Net Pension Liability to Changes in the Discount Rate:*

The following presents ROPSSA's proportionate share of the net pension liability as of September 30, 2021, calculated using the discount rate of 2.28% as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (1.28%) or 1.00% higher (3.28%) from the current rate.

1% Decrease	Current Single Discount Rate Assumption	1% Increase
<u>1.28%</u>	<u>2.28%</u>	<u>3.28%</u>
<u>\$4,301,068</u>	<u>\$3,685,527</u>	<u>\$3,177,821</u>

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

*Pension Liability:* At September 30, 2021, ROPSSA reported a liability of \$3,685,527 for its proportionate share of the net pension liability. ROPSSA's proportion of the net pension liability was based on the projection of ROPSSA's long-term share of contributions to the Plan relative to the projected contributions of Republic of Palau, Republic of Palau's component units and other Government agencies, actuarially determined. At September 30, 2021, ROPSSA's proportion was 1.0702%.

*Pension Expense:* For the year ended September 30, 2021, ROPSSA recognized pension expense of \$216,311.

**Republic of Palau Social Security Administration**  
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Notes to Financial Statements, continued

**7. Pension Plan, continued**

**B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued**

*Deferred Outflows and Inflows of Resources:* At September 30, 2021, ROPSSA reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 790,857	\$ 231,666
Net difference between projected and actual earnings on pension plan investments	6,886	4,718
Difference between expected and actual experience	124,049	97,492
Contributions subsequent to the measurement date	41,854	---
Changes in proportion and difference between ROPSSA's contributions and proportionate share of contributions	<u>15,567</u>	<u>162,382</u>
	<u>\$ 979,213</u>	<u>\$ 496,258</u>

Deferred outflows resulting from contributions subsequent to measurement date will be recognized as a reduction of the net pension liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at September 30, 2021 will be recognized in pension expense as follows:

Year Ending September 30,

2022	\$ 90,161
2023	80,882
2024	55,290
2025	68,147
2026	111,447
Thereafter	<u>35,174</u>
	<u>\$ 441,101</u>

**Republic of Palau Social Security Administration**  
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Notes to Financial Statements, continued

**8. Transfer from Republic of Palau**

RRPL No. 11-3 Section 20 appropriated \$3,908,950 to provide an additional \$50 in supplemental Social Security benefit payments to individuals receiving Social Security benefits pursuant to Title 41, subchapter VI of the Palau National Code. During the year ended September 30, 2021, ROPSSA received \$3,908,950, which is recorded as Republic of Palau subsidy, and made supplemental benefit payments of \$3,630,300, which are recorded as retirement benefit payments within the accompanying financial statements.

**9. Contingencies**

ROPSSA conducts their operations on land without charge in the State of Koror, through a land settlement agreement dated February 3, 1997 between the Republic of Palau National Government, the Palau Public Lands Authority, the Koror State Government and the Koror State Public Lands Authority. The land settlement agreement stipulates that the National Government will retain the use of the land for a term of 25 years. ROPSSA does not have title or a lease agreement for the use of the land.

An actuarial valuation has determined that the Retirement Fund had an actuarial deficiency of approximately \$438 million as of October 1, 2020. An actuarial valuation of the Healthcare Fund has determined that the Healthcare Fund had an actuarial deficiency of approximately \$162 million as of October 1, 2017. Unless the existing deficiency is corrected, ROPSSA's cash flows may eventually become negative, which will cause ROPSSA to become depleted to the point that ROPSSA will not be able to meet its benefit obligations. ROPSSA has not developed a formal plan as of September 30, 2021, to correct this potential funding deficiency.

## Supplementary and Other Information

**Republic of Palau Social Security Administration**  
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Schedules of Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability  
Last Ten Fiscal Years \* (Unaudited)

Measurement Date: September 30,	2020	2019	2018	2017	2016	2015	2014	2013
Civil Service Pension Trust Fund (Plan) total Net Pension Liability	\$ 344,384,167	\$ 308,480,463	\$ 250,868,784	\$ 259,395,005	\$ 249,453,960	\$ 215,546,176	\$ 204,281,232	\$ 182,080,332
ROPSSA's proportion of the Net Pension Liability	1.070%	1.080%	1.075%	1.119%	1.188%	1.218%	1.191%	1.249%
ROPSSA's proportionate share of the Net Pension Liability	\$ 3,685,527	\$ 3,331,441	\$ 2,696,839	\$ 2,903,556	\$ 2,964,466	\$ 2,625,302	\$ 2,432,377	\$ 2,274,001
ROPSSA's covered-employee payroll **	\$ 656,333	\$ 645,383	\$ 630,667	\$ 648,483	\$ 629,414	\$ 590,683	\$ 559,742	\$ 521,749
ROPSSA's proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll	561.53%	516.20%	427.62%	447.75%	470.99%	444.45%	434.55%	435.84%

\* Information for 2011-2012 is unavailable

\*\* Covered-employee payroll data from the actuarial valuation date with one-year lag.

**Republic of Palau Social Security Administration  
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Schedules of Required Supplementary Information

Schedule of Pension Contributions  
Last Ten Fiscal Years \* (Unaudited)

Measurement Date: September 30,	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily required contribution	\$ 168,593	\$ 152,174	\$ 186,109	\$ 192,301	\$ 171,337	\$ 132,758	\$ 126,488	\$ 78,562
Contributions in relation to the contractually required contribution	39,380	38,723	37,840	38,909	37,247	35,205	32,961	31,386
Contribution deficiency (excess)	<u>\$ 129,213</u>	<u>\$ 113,451</u>	<u>\$ 148,269</u>	<u>\$ 153,392</u>	<u>\$ 134,090</u>	<u>\$ 97,553</u>	<u>\$ 93,527</u>	<u>\$ 47,176</u>
ROPSSA's covered-employee payroll **	\$ 656,333	\$ 645,383	\$ 630,667	\$ 648,483	\$ 629,414	\$ 590,683	\$ 559,742	\$ 521,749
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	5.92%	5.96%	5.89%	6.02%

\* Information for 2011-2012 is unavailable

\*\* Covered-employee payroll data from the actuarial valuation date with one-year lag.



**Republic of Palau Social Security Administration**  
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Combining Statement of Fiduciary Net Position

September 30, 2021

	Republic of Palau Social Security Retirement Fund	Prior Service Trust Fund	Healthcare Fund	Eliminations	Total
<u>ASSETS</u>					
Assets					
Cash and cash equivalents	\$ 2,708,526	\$ 51,868	\$ 817,757	\$ ---	\$ 3,578,151
Investments:					
Mutual funds	88,004,414	---	20,689,682	---	108,694,096
U.S. Government obligations	14,722,470	---	---	---	14,722,470
Corporate bonds	15,127,765	---	---	---	15,127,765
Money market funds	281,607	---	---	---	281,607
Total investments	<u>118,136,256</u>	<u>---</u>	<u>20,689,682</u>	<u>---</u>	<u>138,825,938</u>
Receivables:					
Contributions	4,211,868	---	1,040,509	---	5,252,377
Loan	1,730,959	---	-	---	1,730,959
Accrued interest and dividends	186,445	---	167	---	186,612
Due from other funds	---	---	85,265	( 85,265 )	---
Advances and other	99	---	4,873	---	4,972
	<u>6,129,371</u>	<u>---</u>	<u>1,130,814</u>	<u>( 85,265 )</u>	<u>7,174,920</u>
Less allowance for doubtful accounts	( 2,429,579 )	---	( 453,806 )	---	( 2,883,385 )
Net receivables	<u>3,699,792</u>	<u>---</u>	<u>677,008</u>	<u>( 85,265 )</u>	<u>4,291,535</u>
Prepaid expense	7,593	---	1,031	---	8,624
Capital assets, net	210,154	---	657,357	---	867,511
Total assets	<u>124,762,321</u>	<u>51,868</u>	<u>22,842,835</u>	<u>( 85,265 )</u>	<u>147,571,759</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>					
Deferred outflows of resources from pension	<u>636,488</u>	<u>---</u>	<u>342,725</u>	<u>---</u>	<u>979,213</u>
<u>LIABILITIES</u>					
Liabilities:					
Benefits payable	572,959	---	476,774	---	1,049,733
Accrued expenses and accounts payable	22,015	---	24,459	---	46,474
Due to other funds	63,839	21,426	---	( 85,265 )	---
Net pension liability	2,395,594	---	1,289,933	---	3,685,527
Total liabilities	<u>3,054,407</u>	<u>21,426</u>	<u>1,791,166</u>	<u>( 85,265 )</u>	<u>4,781,734</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred inflows of resources from pension	<u>322,568</u>	<u>---</u>	<u>173,690</u>	<u>---</u>	<u>496,258</u>
<u>NET POSITION</u>					
Net position - Held in trust for benefits and other purposes	<u>\$ 122,021,834</u>	<u>\$ 30,442</u>	<u>\$ 21,220,704</u>	<u>\$ ---</u>	<u>\$ 143,272,980</u>

**Republic of Palau Social Security Administration**  
**(A Component Unit of the Republic of Palau)**

Combining Statement of Changes in Fiduciary Net Position

Year Ended September 30, 2021

	Republic of Palau Social Security Retirement Fund	Prior Service Trust Fund	Healthcare Fund	Total
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Total</u>
Additions:				
Contributions:				
Government employees	\$ 9,524,670	\$ ---	\$ 3,571,097	\$ 13,095,767
Private employees	6,938,209	---	2,458,621	9,396,830
Retirees and disabled individuals	---	---	664,215	664,215
Self-employed individuals	---	---	458,330	458,330
Penalties and interest	149,015	---	44,114	193,129
Total contributions	<u>16,611,894</u>	<u>---</u>	<u>7,196,377</u>	<u>23,808,271</u>
Allowance for doubtful accounts	( 343,631 )	---	( 166,185 )	( 509,816 )
Net contributions	<u>16,268,263</u>	<u>---</u>	<u>7,030,192</u>	<u>23,298,455</u>
Investment income:				
Net increase in the fair value of investments	14,688,182	---	2,359,960	17,048,142
Dividends	2,291,227	---	377,996	2,669,223
Interest	930,837	---	59,113	989,950
Net investment income	<u>17,910,246</u>	<u>---</u>	<u>2,797,069</u>	<u>20,707,315</u>
Less investment expense:				
Investment management and custodian fees	( 214,892 )	---	( 141,013 )	( 355,905 )
	<u>17,695,354</u>	<u>---</u>	<u>2,656,056</u>	<u>20,351,410</u>
Other additions	31,704	140,400	422,843	594,947
Republic of Palau subsidy	3,908,950	---	---	3,908,950
Total additions	<u>37,904,271</u>	<u>140,400</u>	<u>10,109,091</u>	<u>48,153,762</u>
Deductions:				
Benefit payments:				
Retirement	20,038,669	44,066	---	20,082,735
Survivors	5,596,405	54,841	---	5,651,246
Medical savings account	---	---	3,231,818	3,231,818
National health insurance	---	---	3,498,214	3,498,214
Disability	778,683	---	---	778,683
Lump sum	96,353	---	---	96,353
Total benefits payments	<u>26,510,110</u>	<u>98,907</u>	<u>6,730,032</u>	<u>33,339,049</u>
Administrative	1,106,723	19,782	603,172	1,729,677
Total deductions	<u>27,616,833</u>	<u>118,689</u>	<u>7,333,204</u>	<u>35,068,726</u>
Change in net position	10,287,438	21,711	2,775,887	13,085,036
Net position at beginning of year	111,734,396	8,731	18,444,817	130,187,944
Net position at end of year	<u>\$ 122,021,834</u>	<u>\$ 30,442</u>	<u>\$ 21,220,704</u>	<u>\$ 143,272,980</u>

**Republic of Palau Social Security Administration**  
**(A Component Unit of the Republic of Palau)**

Schedule of Administrative Deductions

Year Ended September 30, 2021

Administrative Deductions:	
Salaries, wages and benefits	\$ 798,300
Professional services	356,888
Board members other expenses	4,150
Credit card processing fees	99,826
Supplies, printing and reproduction	35,608
Utilities	13,048
Communications	18,194
Bank service charge	13,849
Special functions	8,697
Repairs and maintenance	18,701
Insurance	12,695
Fuel and oil	3,809
Postage stamps	3,245
Board compensation	2,154
Furniture and fixtures	7,835
Dues, subscriptions and registrations	978
Donations	650
Office equipment	2,615
Miscellaneous	<u>20,491</u>
Total administrative deductions before pension contribution and adjustment	1,421,733
GASB 68 pension adjustment	<u>307,944</u>
	<u>\$ 1,729,677</u>

**Republic of Palau Social Security Administration**  
(A Component Unit of the Republic of Palau)

Schedule of Investments

September 30, 2021

	Cost	Fair Value
Money Market Funds:		
Dreyfus Treasury & Agency Cash Mgmt - Ins - Account # 135074870	\$ 281,607	\$ 281,607
Total Money Market Funds	<u>\$ 281,607</u>	<u>\$ 281,607</u>
U.S. Government Obligations:		
US Treasury Notes 2% 10/31/2021	\$ 175,032	\$ 175,277
US Treasury Notes 1.75% 5/15/2023	124,957	128,110
US Treasury Notes 2.5% 8/15/2023	926,276	958,456
US Treasury Notes .25% 05/15/2024	499,199	497,520
US Treasury Notes 2.375% 8/15/2024	100,848	105,356
US Treasury Notes 2.875% 5/31/2025	299,672	323,448
US Treasury Notes .75% 05/31/2026	566,302	560,034
US Treasury Notes 1.625% 10/31/2026	623,741	618,096
Int Development Fin Corp Sr Unsecured Float .18% 08/13/2027	300,000	300,000
Int Development Fin Corp Sr Unsecured Float .27% 06/20/2028	225,000	225,000
US Treasury Bonds 3.5% 2/15/2039	472,421	547,611
US Treasury Bonds 3% 11/15/2044	439,207	527,135
US Treasury Bonds 2.5% 02/15/2045	399,026	377,139
Total U.S. Treasury - Account # 135074870	<u>5,151,681</u>	<u>5,343,182</u>
Federal farm credit bank float Rate .175003% 11/08/2021	24,996	25,004
Federal home Loan Bank Unsecured 2.625% 12/10/2021	10,035	10,048
Federal national mtg Assoc Pool # 935636 4% 09/01/2024	5,806	5,968
Federal farm credit bank Unsecured .7% 06/30/2025- 2021	499,699	498,605
Federal farm credit bank Unsecured .52% 10/21/2025- 2021	199,638	198,158
Federal home Loan Bank Unsecured Step-Up Fixed .625% 05/20/2026- 2021	249,920	249,630
Federal home Loan Bank Unsecured 2.5% 6/12/2026	355,478	374,843
Federal home Loan Bank Unsecured .625% 06/24/2026- 2021	500,000	498,165
Federal home Loan Bank Unsecured 3.125% 06/11/2027	404,824	450,814
Federal farm credit bank Unsecured 3.43% 12/06/2028	318,052	355,561
Federal farm credit bank Unsecured 3.27% 03/22/2029- 2022	325,128	329,700
Federal home Loan Bank Unsecured 2.125% 09/14/2029	25,568	26,177
Federal farm credit bank Unsecured 1.68% 04/29/2030- 2021	99,819	99,206
Federal farm credit bank Unsecured 1.5% 04/30/2032	160,000	156,019
Federal national mortgage Assoc Pool# Ma3124 2.5% 09/01/2032	165,710	172,414
Federal home Loan mortgage Corp Pool# C76358 5% 02/01/2033	6,544	7,099
Federal home Loan mortgage Corp Pool# C01567 5% 05/01/2033	23,948	26,613
Federal national mortgage Assn Pool# 725205 5% 03/01/2034	1,398	1,705
Federal national mortgage Assn Pool# 794474 6% 10/01/2034	21,320	24,733
Federal national mortgage Assn Pool# 796274 5.5% 12/01/2034	37,271	43,570
Federal national mortgage Assn Pool# 810225 6% 01/01/2035	24,112	27,896
Federal farm credit bank Unsecured 2.46% 02/05/2035- 2025	1,086,822	1,053,987
Federal national mortgage Assn Pool# 814915 5.5% 03/01/2035	13,568	14,906
Federal national mortgage Assn Pool# 826966 5.5% 06/01/2035	1,994	2,199
Federal home Loan mortgage Corp Pool# G01938 5.5% 09/01/2035	6,958	7,569
Federal home Loan mtg Assoc Pool # A37876 5% 09/01/2035	20,250	22,139
Federal home Loan mortgage Corp Pool# G01960 5% 12/01/2035	7,411	8,054
Federal national mtg Assoc Pool # 868936 6% 05/01/2036	31,585	33,984
Federal home Loan mortgage Corp Pool# A49906 5% 06/01/2036	7,044	8,115
Federal national mortgage Assn Pool# 904915 5.5% 12/01/2036	1,298	1,411
Gnmamortgage Poolctfs Pool #701940 4.5% 06/15/2039	107,044	118,689
Federal home Loan mtg Assoc Pool # A88454 4.5% 09/01/2039	23,007	24,752
Govt National mtg Assoc Pool# 737442 4% 09/15/2040	70,040	74,200
Tennessee Valleyauth Sr Unsecured 3.5% 12/15/2042	474,898	540,660
Total U.S. Government Agencies - Account # 135074870	<u>5,311,185</u>	<u>5,492,593</u>
Univ Of Hawaii Revenue Txbl-Ref-Ser G 2.95% 10/01/2024	100,000	105,786
Pennsylvania sturnpike Commissions ploblig Txbl-Ref (Escrowed to Maturity) 3.029% 12/01/2024	154,268	160,875
Honolulu Hawaii City & Cnty Brd Of Wtr Splywtrsys Rev Txbl-Ref-Ser B .95% 07/01/2025- 2021	475,000	476,154
Hawaii Stxbl-Ser Gb .852% 10/01/2025- 2020	180,000	178,591
Univ Of Hawaii Revenue Txbl-Ser A 1.555% 10/01/2026- 2020	210,000	210,746
Honolulu City & Cnty wstwr Sys Hi Wstwr Sys Revenue Txbl Ref Second bond resolution-Jr 2.495% 07/01/2027- 2019	295,000	312,222
Hawaii State Arpts Sys Rev Txbl-Ref-Ser E 2.13% 07/01/2028	275,000	279,254
Honolulu Hawaii City & Cnty Brd Of Wtr Splywtrsys Rev Txbl-Ref-Ser B 1.82% 07/01/2029	325,000	329,027
Honolulu City & Cnty wstwr Sys Hi Wstwr Sys Revenue Txbl Ref-Ser A 1.623% 07/01/2031- 2030	240,000	233,088
Honolulu Hawaii City & Cnty Brd Of Wtr Splywtrsys Revenue Txbl-Ref-Ser B 2.327% 07/01/2032- 2030	386,681	382,661
Univ Of Hawaii Revenue Txbl-Ref-Ser C 2.372% 10/01/2032- 2030	100,000	101,612
Honolulu Hawaii City & Cnty Brd Of Wtr Splywtrsys Revenue Txbl-Ref-Ser B 2.377% 07/01/2033- 2030	100,000	101,763
Honolulu City & Cnty Hi Txbl-Ser E 2.17% 07/01/2035- 2030	100,000	96,892
Hawaii Stxbl-Ser Fz 2.065% 08/01/2035- 2030	375,000	356,359
Hawaii Starpts Txbl-Ref-Ser-A 2.97% 07/01/2039- 2029	290,000	292,848
Honolulu City & Cnty wstwr Sys Hi Wstwr Sys Revenue Txbl Ref-Ser A 2.574% 07/01/2041- 2030	175,000	173,670
Honolulu City & Cnty Hi Txbl-Ser E 2.67% 07/01/2043- 2030	102,221	95,147
Total U.S. Municipal Obligations - Account # 135074870	<u>3,883,170</u>	<u>3,886,695</u>
Total U.S. Government Obligations	<u>\$ 14,346,036</u>	<u>\$ 14,722,470</u>

**Republic of Palau Social Security Administration**  
(A Component Unit of the Republic of Palau)

Schedule of Investments, continued

	Cost	Fair Value
Corporate Bonds:		
Private Exportfunding Secured 2.8% 05/15/2022	\$ 425,693	\$ 431,749
European Invnt Bk Sr Unsecured 2.375% 06/15/2022	251,013	253,918
Ryder Systeminc Sr Unsecured 2.5% 09/01/2022- 2022	277,708	280,024
Morgan StanleySr Unsecured Floating Rate .72451% 01/20/2023- 2022	586,365	586,205
Landesbankbaden- Wurttemberg Subordinated7.625% 02/01/2023	403,496	406,771
Berkshire Hathaway Inc Sr Unsecured3% 02/11/2023	174,744	181,372
Starbucks Corp Sr Unsecured3.1% 03/01/2023- 2023	99,990	103,592
Nutrien Ltd Sr Unsecured1.9% 05/13/2023	89,946	91,931
African Developmentbanksr Unsecured3% 09/20/2023	199,842	210,364
Wells Fargo Companysr Unsecured Flt Rt Floating Rate 1.3585% 10/31/2023- 2022	200,167	202,478
EntergyLouisianallc 1Stlien .62% 11/17/2023- 2021	179,973	180,031
Intl Bk Recon& Devsr Unsecured .25% 11/24/2023	399,828	399,072
Microsoftcorp Sr Unsecured 3.625% 12/15/2023	104,853	111,722
Morgan Stanleyvar Rt Sr Unsecured .529% 01/25/2024- 2023	200,000	200,134
Invesco Finance Plc Sr Unsecured 4% 01/30/2024	149,691	161,184
Totalcapitalintlsr Unsecured3.75% 04/10/2024	241,861	258,684
Goldman Sachs Group Inc Sr Unsecured3.85% 07/08/2024- 2024	246,724	263,733
Americanhondafinance Sr Unsecured2.15% 09/10/2024	252,069	260,010
Ross Stores Inc Sr Unsecured 3.375% 09/15/2024- 2024	99,976	106,045
Northeastutilities Sr Unsecured 3.15% 01/15/2025- 2024	292,636	312,794
Kimberlyclarkcorp Sr Unsecured 2.65% 03/01/2025	124,863	131,908
Intl Bk Recon& Devsr Unsecured .75% 03/11/2025	768,229	765,857
Export Importbankof Usa Sinking Fund 1.822% 05/03/2025	74,767	81,793
Private Exportfunding Secured 3.25% 06/15/2025	275,909	283,712
Jpmorganchase &Co Sr Unsecured Var Rt .969% 06/23/2025- 2024	250,645	250,270
Eversource Energysr Unsecured .8% 08/15/2025- 2025	174,484	172,239
Intercontinentalexchange, Inc. Sr Unsecured3.75% 12/01/2025- 2025	156,255	164,849
Mckessoncorp Newsr Unsecured .9% 12/03/2025- 2025	123,435	122,940
Analog Devices Sr Unsecured3.9% 12/15/2025- 2025	152,491	166,386
Mccormick& Co Inc Sr Unsecured .9% 02/15/2026- 2026	196,647	196,586
Hewlett Packardenterprise Co. Sr Unsecured1.75% 04/01/2026	99,960	101,413
Us Bancorp Subordinated3.1% 04/27/2026- 2026	165,360	178,052
Toyotamotor Credit Corp Sr Unsecured1.125% 06/18/2026	149,934	149,096
Royalbankof Canada Sr Unsecured1.15% 07/14/2026	200,366	198,434
Overseas Private Inv Corp Sr Unsecuredfltrt .08% 09/15/2026- 2018	175,000	175,000
Emersonelectric Co Sr Unsecured .875% 10/15/2026- 2026	89,765	88,322
Duke Energyfloridallc Secured 3.2% 01/15/2027- 2026	214,924	232,950
Kaiser Foundationhospitalsr Unsecured3.15% 05/01/2027- 2027	199,534	217,134
Apple Inc Sr Unsecured3% 06/20/2027- 2027	329,848	328,260
Borgwarner Inc Sr Unsecured 2.65% 07/01/2027- 2027	206,196	210,684
Inter- Americandevlbanknotes 6.75% 07/15/2027	119,663	127,969
Intl Bk Recon& Devunsecured Float .4643% 08/19/2027	375,000	376,890
Kimberlyclarkcorp Sr Unsecured 1.05% 09/15/2027- 2027	250,000	246,383
Toronto- Dominion Bank Sr Unsecured2.375% 11/08/2027- 2023	179,175	176,902
Nationalruralutilities Secured 3.4% 02/07/2028- 2027	128,120	136,348
Pfizer Inc Sr Unsecured3.6% 09/15/2028- 2028	110,487	112,447
Northern Trustcorp Sr Unsecured 3.15% 05/03/2029- 2029	199,998	218,074
Intelcorp Sr Unsecured2.45% 11/15/2029- 2029	198,658	203,178
Blackrockkinc Sr Unsecured2.4% 04/30/2030- 2030	160,367	164,882
Ingredion Inc Sr Unsecured2.9% 06/01/2030- 2030	255,167	261,013
Gatxcorp Sr Unsecured4% 06/30/2030- 2030	74,855	83,594
Raytheon Technologies Corp Sr Unsecured2.25% 07/01/2030- 2030	99,885	100,869
Fedex2020-1 Class Aa 1.875% 02/20/2034	187,576	186,865
State Streetcorp Subordinated 3.031% 11/01/2034- 2029	278,383	284,688
Union Pacific Corp Sr Unsecured 3.375% 02/01/2035- 2034	104,760	114,024
Smallbus Admin Ser 2016-20I C I I 2.03% 09/01/2036	143,285	145,893
Swedishexportcreditsr Unsecured05/11/2037	103,848	133,286
Pacificorp Secured6% 01/15/2039	181,860	174,086
Disneywaltco Sr Unsecured3.5% 05/13/2040- 2039	94,908	104,670
Unitehealthgroup Inc Sr Unsecured2.75% 05/15/2040- 2039	161,403	150,179
Lincolnatlcorp Sr Unsecured 7% 06/15/2040	125,779	144,891
Merck& Co Inc Sr Unsecured 2.35% 06/24/2040- 2039	145,254	142,464
Johnson& Johnsonsr Unsecured 2.1% 09/01/2040- 2040	183,820	174,322
Verizon Communications Sr Unsecured2.65% 11/20/2040- 2040	226,352	210,944
Midamerican Energyco Secured 4.4% 10/15/2044- 2044	170,885	183,266
EntergyLouisianallc Secured 4.95% 01/15/2045- 2025	127,412	136,233
Enterytexas Inc Secured5.15% 06/01/2045- 2025	248,867	274,218
Queens Health Systems Secured 4.464% 07/01/2045	125,000	145,778
Visainc Sr Unsecured4.3% 12/14/2045- 2045	303,972	313,153
Grainger W W Inc Sr Unsecured 4.2% 05/15/2047- 2046	154,953	184,587
Pubsvc Elec &Gas Secured3.85% 05/01/2049- 2048	148,607	150,744
Interstate Power &Light Sr Unsecured3.5% 09/30/2049- 2049	338,461	347,235
Total Corporate Bonds	<u>\$ 14,711,947</u>	<u>\$ 15,127,773</u>

**Republic of Palau Social Security Administration**  
**(A Component Unit of the Republic of Palau)**

Schedule of Investments, continued

	Cost	Fair Value
Mutual Funds:		
Wilshire Solutions Trust Non US Equity Fund	\$ 299,787	\$ 345,593
Wilshire Solutions Fixed Income Master Trust Fund	4,650,983	5,260,177
Wilshire Solutions Trust Credit Opportunities Fund	2,764,846	3,131,819
Wilshire Solutions Real Assets Master Trust Fund	2,040,616	2,155,061
Wilshire Solutions Trust US Equity Fund	641,892	794,464
Wilshire Solutions Trust Cash (Stif Vehicle)	3,912	3,912
DST Climate SHR Class B	9,547,946	8,998,654
Subtotal - Account # WTHF 9004-002	19,949,982	20,689,680
Wilshire Solutions Real Assets Master Trust Fund	3,591,147	4,260,727
Wilshire Solutions Trust Credit Opportunities Fund	1,841,763	2,036,089
Wilshire Solutions Trust Non US Equity Fund	16,089,094	18,224,883
Wilshire Solutions Trust US Equity Fund	11,383,000	12,517,522
Wilshire Solutions Trust Cash (Stif Vehicle)	1,682	1,682
DST Climate SHR Class B	54,074,401	50,963,511
Subtotal - Account # WTHF 9003-002	86,981,087	88,004,414
Total Mutual Funds	\$ 106,931,069	\$ 108,694,094