

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND
(A COMPONENT UNIT OF THE REPUBLIC OF PALAU)

FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Republic of Palau Civil Service Pension Trust Fund:

Report on the Financial Statements

We have audited the accompanying financial statements of the Republic of Palau Civil Service Pension Trust Fund (the Fund), a component unit of the Republic of Palau, which comprise the statements of fiduciary net position as of September 30, 2018 and 2017, and the related statements of changes in fiduciary net position for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Republic of Palau Civil Service Pension Trust Fund as of September 30, 2018 and 2017, and the changes in its fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Going Concern

The accompanying financial statements have been prepared assuming the Fund will continue as a going concern. As discussed in note 6 to the financial statements, the Fund's actuarial valuation indicates that the Fund has a net pension liability of \$259,395,005, which, assuming current contribution rates, would cause the Fund's fiduciary net position to become negative in 2022. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The Schedule of Changes in Net Pension Liability and Related Ratios on page 32, the Schedule of Contributions on page 33, the Schedule of Investment Rates of Return on page 34 and the Notes to Required Supplementary Schedules on pages 35 and 36 as of September 30, 2018 are supplementary information required by GASB Statement No. 67, *Financial Reporting for Pension Plans*. This supplementary information is the responsibility of the Fund's management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Fund's basic financial statements. The Schedule of Investment Securities on pages 37 through 41 as of September 30, 2018 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Investment Securities is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Investment Securities is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2019 on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fund's internal control over financial reporting and compliance.

Deloitte & Touche LLC

March 25, 2019



REPUBLIC OF PALAU CIVIL SERVICE PENSION PLAN

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MANAGEMENT'S DISCUSSION AND ANALYSIS Plan Year Ended September 30, 2018

This report presents a management's discussion and analysis of the Republic of Palau Civil Service Pension Trust Fund's (the Fund) financial performance during the fiscal year ended September 30, 2018, with selected comparative information for the fiscal years ended September 30, 2017 and 2016.

Introductory Section

The Fund is a defined benefit, cost sharing multiple employer plan, which is a component unit of the Republic of Palau (ROP) National Government providing retirement and other benefits to employees, their spouses and dependents, of the National and State Governments, quasi-governmental organizations, ROP public corporations and other public entities of the National and State Governments.

Accounting Methods and Policies

The accounting policies of the Fund conform to accounting principles generally accepted in the United States of America as applicable to governmental agencies, specifically state and local governmental pension plans. The Fund accounts for fiduciary net position and reporting fiduciary net position in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*, and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, which were adopted during fiscal years ended September 30, 2014 and 2015, respectively. Financial statements are prepared on the accrual basis of accounting. This method records revenues when earned and expenses when liabilities are incurred.

Financial Highlights

- The *net pension liability* increased from \$249,453,960 as of September 30, 2017 to \$259,395,005 as of September 30, 2018, an increase of \$9,941,045 or 3.99%. The Board of Trustees and management of the Fund adopted a Funding Plan in April 2017 to increase current contribution levels from 12% to 20% by year 2021. The Funding Plan would have increased contribution levels by 4% in year 2017 and 1% in year 2018 and would increase contribution levels by 1% for years 2019, 2020 and 2021. With the increase in contribution levels, the Fund should realize positive net flows by year 2020. The Funding Plan has not yet been implemented.

- The Fund has time certificates of deposit of \$1,920,899 and \$1,943,399 in Pacific Savings Bank (PSB) at September 30, 2018 and 2017, respectively. The Estate of Johnny Reklai and the Board of Trustees have signed a Settlement Agreement where the Estate will transfer possession, custody and control of the 1,500 shares of common stock of Western Caroline Trading Company to the Fund that were pledged as collateral in the event PSB defaults on the payment. Dividends collected were \$22,500 in fiscal years 2018 and 2017. The Fund recorded a recovery of \$2,000,000 for the year ended September 30, 2016 and continues to pursue legal action against the PSB Receiver, Trustee of the PSB creditors.
- The Fund's investment portfolio decreased in value from \$27,309,260 in fiscal year 2017 to \$26,597,091 in fiscal year 2018. Fiduciary net position decreased from \$29,409,477 in fiscal year 2017 to \$28,613,106 in fiscal year 2018, a decrease of \$796,371.
- The Fund withdrew \$1,897,000 from investments during fiscal year 2018 to pay for benefits and administrative expenses during the same period and withdrew \$2,579,000 and \$3,034,000 for fiscal years 2017 and 2016, respectively.
- The Fund received \$450,072 and \$410,989 in fiscal year 2018 and 2017, respectively, as additional revenue from remittance and money transfer tax through RPPL No. 9-2. The Fund received \$150,000 through RPPL 10-12 and \$534,650 through RPPL 10-25 in fiscal year 2018.

Overview of the Financial Statements

During the year ended September 30, 2015, the Fund adopted GASB Statement Nos. 68 and 71, which established contribution pensions provided to employees of state and local governments. The implementation resulted in the recognition of pension expense as well as the reporting of deferred outflows and inflows of resources and a net pension liability based on the Fund's proportionate share of those of the overall Plan. Refer to note 3 for details of GASB Statement Nos. 68 and 71.

The following summarizes the financial condition and operations of the Fund as of and for the years ended September 30, 2018, 2017 and 2016.

The Statements of Fiduciary Net Position includes the Fund's assets and liabilities that provide a picture of the financial position of the Fund as of September 30, 2018, 2017 and 2016. These statements reflect resources of net position available for pension benefits to members, retirees and beneficiaries at the end of the fiscal year reported.

STATEMENTS OF FIDUCIARY NET POSITION

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Assets and deferred outflows of resources:			
Cash and cash equivalents	\$ 627,833	\$ 671,936	\$ 616,040
Time certificates of deposit	1,920,899	1,943,399	1,965,899
Investments	26,597,091	27,309,260	27,441,250
Other assets	<u>349,681</u>	<u>322,227</u>	<u>203,846</u>
	29,495,504	30,246,822	30,227,035
Deferred outflows of resources	<u>221,518</u>	<u>211,973</u>	<u>176,552</u>
	<u>\$ 29,717,022</u>	<u>\$ 30,458,795</u>	<u>\$ 30,403,587</u>
Liabilities, deferred inflows of resources and fiduciary net position:			
Liabilities	\$ 891,152	\$ 877,647	\$ 794,935
Deferred inflows of resources	212,764	171,671	187,339
Fiduciary net position	<u>28,613,106</u>	<u>29,409,477</u>	<u>29,421,313</u>
	<u>\$ 29,717,022</u>	<u>\$ 30,458,795</u>	<u>\$ 30,403,587</u>

Overview of the Financial Statements, Continued

- At September 30, 2018, 2017 and 2016, the Fund had \$16,786, \$18,201 and \$9,953, respectively, in capital assets, net of accumulated depreciation, which represents a net decrease of \$1,415 in 2018 over 2017 and a net increase of \$8,248 in 2017 over 2016. See note 1 to the financial statements for information on the Fund's capital assets.
- At September 30, 2018, the Fund had no long-term debt outstanding. See note 3 to the financial statements for more detailed information on the Fund's long-term liabilities and changes therein.

Revenue and Expense Analysis

The Statements of Changes in Fiduciary Net Position summarize the Fund's financial activities that occurred during the fiscal year as compared to amounts for the previous fiscal years. The financial statements measure the change in resources available to defray pension benefits to members, retirees and beneficiaries for fiscal years 2018, 2017 and 2016.

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Additions:			
Contributions	\$ 7,027,064	\$ 6,823,039	\$ 6,327,409
Investment income	1,184,830	2,447,009	2,337,406
Recovery	-	-	2,000,000
Other income	<u>1,221,493</u>	<u>856,958</u>	<u>574,145</u>
	<u>9,433,387</u>	<u>10,127,006</u>	<u>11,238,960</u>
Deductions:			
Benefit and refund payments	9,726,689	9,763,956	9,506,766
Administrative expenses	<u>503,069</u>	<u>374,886</u>	<u>426,021</u>
	<u>10,229,758</u>	<u>10,138,842</u>	<u>9,932,787</u>
Net (decrease) increase	(796,371)	(11,836)	1,306,173
Fiduciary net position, beginning of year	<u>29,409,477</u>	<u>29,421,313</u>	<u>28,115,140</u>
Fiduciary net position, end of year	\$ <u>28,613,106</u>	\$ <u>29,409,477</u>	\$ <u>29,421,313</u>

- Contribution revenue increased from \$6,823,039 in 2017 to \$7,027,064 in 2018, an increase of \$204,025 and increased from \$6,327,409 in 2016 to \$6,823,039 in 2017, an increase of \$495,630.
- Investment portfolios appreciated in fair market value by \$714,251 and yielded net earnings of \$1,184,830 in 2018 and \$2,447,009 and \$2,337,406 in 2017 and 2016, respectively.
- Benefit and refund payments decreased from \$9,763,956 in 2017 to \$9,726,689 in 2018, a decrease of \$37,267 and increased from \$9,506,766 in 2016 to \$9,763,956 in 2017, an increase of \$257,190. The number of retirees and beneficiaries are expected to stabilize and will slowly decline over the next several years.
- Administrative expenses increased from \$374,886 in 2017 to \$503,069 in 2018, an increase of \$128,182 and decreased from \$426,021 in 2016 to \$374,886 in 2017, a decrease of \$51,135.

Economic Outlook

The Board of Trustees and management of the Fund recently added Master Limited Partnerships and Real Estate Investment Trusts to the portfolio. We believe these will further provide a well-diversified portfolio to minimize losses and add value.

Economic Outlook, Continued

The U.S. and Global Markets proved to be volatile in 2018 and 2017. Sociopolitical events around the world continue to influence market performance.

Our strategic asset allocation, asset diversification and portfolio construction are well positioned to capture opportunities in both the up and down markets. We remain fully invested. We continue to look for opportunities where money could be made in the short-term, but we stay focused on our long-term objectives. Our portfolios appreciated in fair market value in 2018 and 2017.

At home, we have reason to celebrate. The Board of Trustees and management of the Fund developed and adopted the Republic of Palau Civil Service Pension Trust Fund Funding Plan in April 2017. This Funding Plan is a blue print for sustainable funding. The goals, activities and ideas articulated in this Funding Plan are reflective of extensive consultation with our Actuary, our Financial Consultant and our stakeholders. The Board of Trustees in early 2016 created a "working group" to study the Funding Plan in depth and to address some of the financial shortfalls facing the Fund. Those goals, activities and ideas have been adopted by the whole Board and are included in this Funding Plan.

The over-arching long-term goals are: 1) to move this Retirement Fund from an indebted state to a more funded status, and 2) to ensure longevity of the Civil Service Pension Plan Retirement Fund for the current retirees/beneficiaries and current contributors who are the future retirees/beneficiaries. All activities and ideas identified in this funding plan should contribute to achieving these over-arching long-term goals. These activities and ideas are strategic actions that guide the Board of Trustees and management in moving this Retirement Fund from its current financial state to a more funded program. Such activities and ideas include 1) increasing the contribution level from 12% to 20% in the next four years, 2) increasing the mandatory retirement age from 60 to 62, 3) enacting legislation to levy a reasonable administrative fee on benefits, 4) increasing the contribution requirement from five to seven years per 33 PNC 2021, and 5) lobbying Congress to enact a legislation to reduce benefit levels.

RPPL No. 10-12 appropriated \$150,000 for the Fund to work in collaboration with the Olbiil Era Kelulau and the Ministry of Finance to commission an actuarial study that shall determine viable options toward a comprehensive reform. In the latter half of fiscal year 2018, Milliman Private Limited, based in Singapore, was tasked to conduct such study. Initial recommendations by the actuarial firm include 1) no change to current beneficiaries, active employees and inactive members 55 years of age and over, 2) increase in the normal retirement age by one year every five years until it reaches 65, 3) benefit formula remains at 2% for each year of service, however, a defined contribution (DC) scheme will be integrated to provide a 1% benefit through the DC Plan and 1% from the current Defined Benefit (DB) Plan, 4) private sector employers/employees will be invited to participate in the DC Plan, while public employers/employees will participate in both the DB and DC Plans with a 3% contribution to the DB Plan and 3% to DC Plan. Finalization of this study is underway and it should be completed in fiscal year 2019.

Through RPPL No. 10-25, the Fund was appropriated \$1,000,000 for the purpose of satisfying the National Government's debt owed to the Fund. The entire amount shall come from fifty percent of the \$25 allocation of the "Pristine Paradise Environmental Fee" (PPEF) for fiscal year 2018. As of September 30, 2018, only \$534,650 has been allotted. On the same legislation, fifty percent of the \$25 PPEF paid by each passenger shall be transmitted by the Ministry of Finance and remitted to the Fund. Accordingly, the Board is lobbying the lawmakers to amend the language of the legislation to revert to the original language of \$25.

Economic Outlook, Continued

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

The Management's Discussion and Analysis for the year ended September 30, 2017 is set forth in the Fund's report on the audit of financial statements, which is dated April 27, 2018. That Discussion and Analysis explains the major factors impacting the 2017 financial statements and can be viewed at the Office of the Public Auditor's website at www.palauopa.org.

Contacting the Fund's Financial Management

This financial report is designed to provide a general overview of the Fund's finances and to demonstrate the Fund's accountability for the money it receives. If you have questions about this report or need additional information, please contact the Administrator/Chief Executive Officer at the Republic of Palau Civil Service Pension Trust Fund, P.O. Box 1767, Koror, Republic of Palau 96940, or e-mail cspp@palaunet.com or call 483-2523.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Statements of Fiduciary Net Position
September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>		
Cash and cash equivalents	\$ <u>627,833</u>	\$ <u>671,936</u>
Time certificates of deposit	<u>1,920,899</u>	<u>1,943,399</u>
Investments, at fair value:		
Corporate stock	14,180,090	14,605,793
Obligations of U.S. Government and agencies	5,698,937	6,679,544
Corporate bonds	3,537,130	2,760,103
Mutual funds	2,707,587	2,764,959
Money market funds	<u>473,347</u>	<u>498,861</u>
Total investments	<u>26,597,091</u>	<u>27,309,260</u>
Receivables:		
Employers' contributions, net	135,168	130,945
Members' contributions, net	135,303	131,079
Other receivables	<u>62,424</u>	<u>42,002</u>
Total receivables	<u>332,895</u>	<u>304,026</u>
Capital assets, net of accumulated depreciation	<u>16,786</u>	<u>18,201</u>
Total assets	29,495,504	30,246,822
Deferred outflows of resources from pension	<u>221,518</u>	<u>211,973</u>
Total assets and deferred outflows of resources	<u>29,717,022</u>	<u>30,458,795</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FIDUCIARY NET POSITION</u>		
Accounts payable and accrued expenses	25,585	26,997
Net pension liability	<u>865,567</u>	<u>850,650</u>
Total liabilities	891,152	877,647
Deferred inflows of resources from pension	<u>212,764</u>	<u>171,671</u>
Total liabilities and deferred inflows of resources	<u>1,103,916</u>	<u>1,049,318</u>
Fiduciary net position - held in trust for pension benefits	\$ <u>28,613,106</u>	\$ <u>29,409,477</u>

See accompanying notes to financial statements.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Statements of Changes in Fiduciary Net Position
Years Ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Additions:		
Employers' contributions	\$ 3,519,989	\$ 3,412,047
Members' contributions	<u>3,507,075</u>	<u>3,410,992</u>
	<u>7,027,064</u>	<u>6,823,039</u>
Investment income:		
Net appreciation in fair value of investments	714,251	1,945,679
Dividends	445,810	464,761
Interest	221,923	234,211
Investment expenses	<u>(197,154)</u>	<u>(197,642)</u>
Total investment income	<u>1,184,830</u>	<u>2,447,009</u>
Other income	<u>1,221,493</u>	<u>856,958</u>
Total additions	<u>9,433,387</u>	<u>10,127,006</u>
Deductions:		
Benefit and refund payments:		
Normal and early retirement	7,054,343	6,980,655
Survivors	1,997,658	1,978,851
Refunds to terminated employees	420,395	522,400
Lump sum death disbursement	151,510	187,410
Disability	<u>102,783</u>	<u>94,640</u>
Total benefits	9,726,689	9,763,956
Administrative expenses	<u>503,069</u>	<u>374,886</u>
Total deductions	<u>10,229,758</u>	<u>10,138,842</u>
Net decrease	(796,371)	(11,836)
Fiduciary net position held in trust for pension benefits:		
Beginning of year	<u>29,409,477</u>	<u>29,421,313</u>
End of year	\$ <u>28,613,106</u>	\$ <u>29,409,477</u>

See accompanying notes to financial statements.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2018 and 2017

(1) Organization and Summary of Significant Accounting Policies

The following brief description of the Republic of Palau Civil Service Pension Trust Fund (the Fund) is provided for general information purposes only.

General

The Fund is a defined benefit, cost sharing multiple employer plan, which is a component unit of the Republic of Palau (ROP) National Government, providing retirement, security and other benefits to employees, their spouses and dependents, of the ROP, ROP State Governments and ROP agencies, funds and public corporations. The Fund was established pursuant to Republic of Palau Public Law (RPPL) No. 2-26 passed into law on April 3, 1987, and began operations on October 1, 1987. Portions of RPPL No. 2-26 were revised by RPPL 3-21, RPPL 4-40, RPPL 4-49, RPPL 5-30, RPPL 6-37, RPPL 7-56, RPPL 8-10 and RPPL 9-2. The Fund is administered under the authority of a seven-member Board of Trustees (the Board) appointed by the President with the advice and consent of the Senate of the ROP.

Under the provisions of RPPL No. 2-26, the Board adopted a Trust Fund Operation Plan (the Plan) which has the force and effect of law and which sets forth the procedures for the administration and coverage of the Plan. Amendments to the Plan are subject to the requirements of Title 6 of the Palau National Code.

Membership

As of September 30, 2018 and 2017, the ROP National Government, ROP State Governments and ROP public corporations, quasi-governmental organizations and other public entities of the National and State Governments of ROP, are participating in the Fund. Membership consisted of the following as of September 30, 2017 (the valuation date):

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

Summary of the Principal Provisions of the Plan

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

Eligibility to Participate

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

Service

Vesting Service: Includes membership service and prior service credit.

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

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2018 and 2017

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

Service, Continued

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

Pension Benefits

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

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

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

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2018 and 2017

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

Pension Benefits, Continued

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

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

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

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

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

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

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

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

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

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2018 and 2017

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

Pension Benefits, Continued

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

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

Member Contributions

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

Employer and Other Contributions

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

Plan Administration

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

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

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

New Accounting Standards

During fiscal year 2018, the following pronouncements were implemented:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, which improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.
- GASB Statement No. 85, *Omnibus 2017*, which address practice issues that have been identified during implementation and application of certain GASB Statements including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).
- GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt.

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

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

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

In June 2017, GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.

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Notes to Financial Statements
September 30, 2018 and 2017

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

New Accounting Standards, Continued

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The provisions in Statement No. 88 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

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

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The provisions in Statement No. 90 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

Basis of Accounting and Disclosure

The accounting policies of the Fund conform to accounting principles generally accepted in the United States of America as applicable to governmental agencies, specifically state and local governmental pension plans. The Fund accounts for fiduciary net position and reporting fiduciary net position in accordance with the provisions of GASB Statement No. 67.

The financial statements of the Fund for the years ended September 30, 2018 and 2017 have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America, which requires the use of management estimates. Under this method, revenues are recorded when earned and expenses recorded at the time liabilities are incurred. Members' contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

An actuarial valuation of the Fund was last completed on September 30, 2017.

REPUBLIC OF PALAU
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Notes to Financial Statements
September 30, 2018 and 2017

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

Concentrations of Credit Risk

Financial instruments which potentially subject the Fund to concentrations of credit risk consist principally of cash demand deposits and investments.

At September 30, 2018 and 2017, the Fund has cash deposits and investments in bank accounts that exceed federal depository insurance limits. The Fund has not experienced any losses on such accounts.

Cash and Cash Equivalents and Time Certificates of Deposit

For purposes of the statements of fiduciary net position, the Fund considers all cash on hand, cash held in demand accounts, and highly liquid investments with an original maturity of three months or less when purchased, except money market funds held by the Fund's investment agent, to be cash and cash equivalents. Money market funds held by the Fund's investment agent are considered investments.

As of September 30, 2018 and 2017, total cash and cash equivalents were maintained in a Federal Deposit Insurance Corporation (FDIC) insured bank and amounted to \$627,833 and \$671,936, respectively, with corresponding bank balances of \$671,865 and \$675,695, respectively, with \$250,000 subject to insurance coverage. The Fund does not require collateralization of its cash deposits; therefore, deposits in excess of depository insurance are uncollateralized.

The Fund maintained time certificates of deposit (TCDs) in Pacific Savings Bank (PSB), an uninsured bank which went into receivership in 2006. Security for \$1,000,000 of the TCDs was documented in an agreement (enforced through Civil Action 07-112 of the Supreme Court of ROP on June 11, 2015) with an Estate (the Estate) requiring the Estate to transfer the possession, custody and control of 1,500 shares of common stock in a local company to the Fund. The transfer entitles the Fund to receive, retain, use and sell all the shares (for amounts not to exceed \$2,000,000) and to receive, retain, use and sell all share dividends issued after June 10, 2015. If the Fund recovers amounts from the PSB Receiver, Trustee of PSB Creditors, or any other duly authorized person or official or other third-party, amounts due to the Fund, the Fund will return the shares of stock to the Estate and, to the extent the Fund has sold any of the shares, the Fund should pay the Estate the following: (a) the actual sale price of the shares sold, (b) all dividends earned on all shares, and (c) interest equal to the average prevailing rate of TCDs in Palau for the year after the Fund took possession and custody of the shares of stock. The Fund determined that the shares represent collateral to support the recovery of the TCDs, and that the TCDs should be recorded at cost and a recovery recorded. The Fund determined that cost (consisting of the original value of the TCDs, accrued interest and legal fees) exceeded the \$2,000,000 limit on sale of shares. The Fund recorded a \$2,000,000 recovery for the year ended September 30, 2016 and TCDs of \$1,965,899 (recovery less dividends). For the years ended September 30, 2018 and 2017, the Fund received dividends of \$22,500 related to the 1,500 shares of common stock. As of September 30, 2018 and 2017, the Fund has recorded TCDs of \$1,920,899 and \$1,943,399, respectively.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

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

Cash and Cash Equivalents and Time Certificates of Deposit, Continued

Additional TCDs maintained at PSB are collateralized by a first lien on unidentified loans made by PSB. These additional TCDs amounted to \$452,609 at September 30, 2018 and 2017 and the Fund recorded a 100% valuation allowance for these TCDs.

Investments

Marketable securities held for investment purposes are stated at fair value using quoted market prices. Fair value is the price that would be received to sell an asset or paid to transfer a liability (ie, the exit price) in an orderly transaction between market participants at the date as of which the fair value of an asset or liability is determined. Fixed income securities are reported at amortized cost with discounts or premiums amortized using the effective interest method subject to adjustment for market declines judged to be other than temporary. The Fund's investments are held by a bank-administered trust fund. The Fund has no investments in any commercial or industrial organization whose market value exceeds five percent or more of the net position available for benefits.

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

General:

1. Any pertinent restrictions existing under the laws of the ROP with respect to the Fund, that may exist now or in the future, will be the governing restriction.
2. U.S. and non-U.S. equities, American Depository Receipts, convertible bonds, preferred stocks, fixed income securities, mutual funds and short-term securities are permissible investments.
3. No individual security or any issuer, other than that of the United States Government, and alternative investments, shall constitute more than 10% (at cost) of any investment manager's portfolio.
4. Holdings of any issuer shall constitute no more than 5% of the outstanding securities of such issuer.
5. Investments in a registered mutual fund managed by the investment manager are subject to the prior approval of the Board of Trustees.
6. The following securities and transactions are not authorized without prior written Board of Trustees approval: letter stock and other unregistered securities; non-negotiable securities; commodities or other commodity contracts; options; futures; short sales; and, margin transactions.
7. An investment manager's portfolio shall not be excessively over weighted in any one industry (as compared to respective benchmark index) without prior approval by timely reporting and advice to the Board of Trustees.

REPUBLIC OF PALAU
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Notes to Financial Statements
September 30, 2018 and 2017

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

Investments, Continued

Investments may be made in:

A. Fixed Income

1. All fixed income securities held in the portfolio shall have a Standard & Poor's credit quality rating of no less "BBB", or an equivalent credit quality rating from Moody's (Baa) or Fitch (BBB). U.S. Treasury and U.S. Government agencies, which are unrated securities, are qualified for inclusion in the portfolio and will be considered to be of the highest rating.
2. No more than 20% of the market value of the portfolio shall be rated less than single "A" quality, unless the investment manager has specific prior written authorization from the Board of Trustees.
3. Total portfolio quality (capitalization weighted) shall maintain a credit quality rating of no less than "A".
4. U.S. SEC registered mutual funds that invest in fixed income securities, either U.S. or non U.S., will not be subject to the above guidelines.
5. It is the policy of the Board to place assets in Local Certificates of Deposit (Local CDs) issued by local banking institutions, with the express purpose of making funds available to the local community in the form of loans. While these Local CDs are held, they will be included in the "strategic asset allocation" as fixed income investments. However, these Local CDs and the local banking institutions must meet the following criteria on an ongoing basis:
 - a. Local CDs must offer a competitive return relative to alternative issuers.
 - b. The local banking institutions must provide annual audited financial statements for Board of Trustee review. The Board of Trustees is charged with monitoring the financial health of the local banking institutions. Should concerns arise with respect to the financial condition of the local banking institutions, the Board of Trustees shall take appropriate action.
 - c. The local banking institution shall promptly inform the Board of Trustees, in writing, of any significant or material matters pertaining to the institution, including, but not limited to: ownership; organizational structure; financial condition; and, any material proceedings affecting the firm.
 - d. Provide collateral, acceptable to the Board, to secure the Local CDs.

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

Investments, Continued

B. Equities

1. Consistent with the desire to maintain broad diversification, allocations to any economic or industry sector should not be excessive.
2. Equity holdings shall be restricted to readily marketable securities of corporations that are traded on the major exchanges and over the counter.
3. The investment managers shall have the discretion to invest a portion of the assets in cash reserves when they deem appropriate. However, as per the Investment Policy Statement, they will be evaluated against their performance benchmarks and peers on the performance of the total funds under their direct management.
4. Common stock and preferred stock of any institution or entity created or existing under the laws of the United States or any other country are permissible investments.

C. Cash/Cash Equivalents

1. Cash equivalent reserves shall consist of cash instruments having a credit quality rating of Standard & Poor's A-1, Moody's P-1, or their equivalent. U.S. Treasury and Agency securities, Banker Acceptances, Certificate of Deposit, and Collateralized Repurchase Agreements are also acceptable investment vehicles. Custodial Sweep Accounts must be, in the judgment of the Investment Managers, of credit quality equal or superior to the standards described above.
2. In the case of Certificates of Deposit, except as discussed under Fixed Income with respect to the Local CDs, they must be issued by FDIC insured institutions. Deposits in institutions with less than \$10 million in assets may not be made in excess of \$100,000 (or prevailing FDIC insurance limit), unless the Deposit is fully collateralized by U.S. Treasury Securities.
3. No single issue shall have a maturity of greater than two years.
4. Custodial Sweep Account portfolios must have an average maturity of less than one year.

D. Alternative Investments

1. Alternative investments are often structured as private investments and are generally formed as limited partnerships or limited liability companies and, in many cases, organized in low or no tax jurisdictions. The managers of these investments generally are allowed to operate with greater flexibility than most traditional investment managers and their compensation usually includes substantial performance incentives.

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

Investments, Continued

D. Alternative Investments, Continued

2. Investments strategies may include, but are not limited to, the following: statistical arbitrage, momentum trading, debt/equity financing, leveraged buyouts (LBO), venture capital, mezzanine debt, equity market neutral, real estate securities, fixed income arbitrage, equity long/short, global macro, master limited partnerships, commodities and futures, and/or structured credit products.

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

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

Asset Allocation

The Fund's policy in regard to the allocation of invested assets is established and may be amended by the Board. The Board, with assistance from the Fund's consultant, identified an optimal broad asset class mix based on the Fund's time horizon, risk tolerances, performance expectations and asset class preferences.

The following strategic asset allocation for the Fund was selected as of September 30, 2018 and 2017:

	<u>Strategic Allocation</u>
US Equities (Large Cap Value)	10%
US Equities (Large Cap Growth)	10%
Non-US Equities (Mature Markets)	15%
Non-US Equities (Emerging Markets)	10%
Fixed Income (US Core)	35%
Fixed Income (Global)	10%
Alternatives (Market Limited Partnership)	5%
Alternatives (Real Estate Investment Trusts)	<u>5%</u>
Total	<u>100%</u>

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

Receivables

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

Allowance for Doubtful Accounts

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

Capital Assets

Capital assets are recorded at cost. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the respective assets. Current policy is to capitalize items in excess of \$500.

Administrative expenses include depreciation and amortization expense of \$1,415 and \$8,248 in 2018 and 2017, respectively.

Deferred Outflows of Resources

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

Operating and Non-Operating Revenue and Expenses

Operating revenues and expenses generally result directly from the member contributions and employer contributions. Non-operating revenues and expenses result from non-recurring income and costs such as interest.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses include investment management fees, employees' accrued salaries and wages, and accrued annual leave at fiscal year end.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2018 and 2017

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

Deferred Inflows of Resources

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

Pensions

Pensions are required to be recognized and disclosed using the accrual basis of accounting. The Fund recognizes a net pension liability for the defined benefit pension plan, which represents the Fund's proportional share of excess total pension liability over the pension plan assets - actuarially calculated - of a cost sharing multi-employer defined benefit plan, measured one year prior to fiscal year-end and rolled forward. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the qualified pension plan and recorded as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

Taxes

The Fund is a public employees' retirement system and a component unit of the ROP government. Accordingly, the Fund is exempt from all national and state nonpayroll taxes and fees.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions to net position available for benefits during the reporting period. Actual results could differ from those estimates.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2018 and 2017

(2) Investments

Rate of Return

Based on the September 30, 2017 actual valuation, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 11.23%. The money-weighted rate of return expresses investment performance, net of investment expense.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, the Fund will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Fund's investments are held and administered by trustees in accordance with negotiated trust and custody agreements. Based on these agreements, all of these investments were held in the Fund's name by the Fund's custodial financial institutions at September 30, 2018 and 2017.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. The following is a listing of the Fund's fixed income securities at September 30, 2018 and 2017:

Investment Type	Fair Value	2018 Investment Maturities (In Years)				Moody's Rating
		Less Than 1	1 - 5	6 - 10	More Than 10	
Mortgage and asset backed securities	\$ 734,948	\$ 734,948	\$ -	\$ -	\$ -	Aaa
Mortgage and asset backed securities	662,390	-	-	552,829	109,561	Not rated
Government bonds	4,301,599	-	665,312	1,930,741	1,705,546	Aaa
Corporate bonds	301,772	185,274	116,498	-	-	Aa1
Corporate bonds	1,298,380	-	1,002,592	295,788	-	A1
Corporate bonds	900,317	-	732,042	168,275	-	A2
Corporate bonds	1,036,661	-	550,386	486,275	-	A3
	<u>\$ 9,236,067</u>	<u>\$ 920,222</u>	<u>\$ 3,066,830</u>	<u>\$ 3,433,908</u>	<u>\$ 1,815,107</u>	
Investment Type	Fair Value	2017 Investment Maturities (In Years)				Moody's Rating
		Less Than 1	1 - 5	6 - 10	More Than 10	
Mortgage and asset backed securities	\$ 3,352,143	\$ 1,266,306	\$ 2,085,837	\$ -	\$ -	Aaa
Mortgage and asset backed securities	1,229,564	-	48,731	930,110	250,723	Not rated
Government bonds	2,097,837	-	-	-	2,097,837	Aaa
Corporate bonds	185,344	-	185,344	-	-	Aa1
Corporate bonds	943,055	75,209	377,025	490,821	-	A1
Corporate bonds	694,223	-	525,433	168,790	-	A2
Corporate bonds	937,481	-	387,000	550,481	-	A3
	<u>\$ 9,439,647</u>	<u>\$ 1,341,515</u>	<u>\$ 3,609,370</u>	<u>\$ 2,140,202</u>	<u>\$ 2,348,560</u>	

Fair Value Measurement

The Fund categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The following table sets forth by fair value hierarchy level assets carried at fair value at September 30, 2018 and 2017:

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2018 and 2017

(2) Investments, Continued

Fair Value Measurement, Continued

	<u>Total</u>	<u>2018</u>		
		<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level				
Debt securities				
U.S. Treasury Bonds	\$ 4,301,599	\$ 4,301,599	\$ -	\$ -
Federal National Mortgage Association	504,019	-	504,019	-
Federal Home Loan Mortgage Corporation	893,319	-	893,319	-
Corporate bonds	<u>3,537,130</u>	<u>-</u>	<u>3,537,130</u>	<u>-</u>
Total debt securities	<u>9,236,067</u>	<u>4,301,599</u>	<u>4,934,468</u>	<u>-</u>
Equity securities				
Real Estate Investment Trusts	2,377,754	2,377,754	-	-
Other - U.S. equities	5,138,212	5,138,212	-	-
Other - Non- U.S. equities	<u>6,664,124</u>	<u>6,664,124</u>	<u>-</u>	<u>-</u>
Total equity securities	<u>14,180,090</u>	<u>14,180,090</u>	<u>-</u>	<u>-</u>
Total investments by fair value level	23,416,157	\$ <u>18,481,689</u>	\$ <u>4,934,468</u>	\$ <u>-</u>
Investments measured at the net asset value (NAV)				
Mutual funds	2,707,587			
Investments measured at amortized cost				
Mutual market investments	<u>473,347</u>			
	\$ <u>26,597,091</u>			
		<u>2017</u>		
		<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level				
Debt securities				
U.S. Treasury Bonds	\$ 2,097,837	\$ 2,097,837	\$ -	\$ -
Federal National Mortgage Association	870,886	-	870,886	-
Federal Home Loan Mortgage Corporation	1,628,215	-	1,628,215	-
Federal Farm Credit Banks Funding Corporation	2,082,606	-	2,082,606	-
Corporate bonds	<u>2,760,103</u>	<u>-</u>	<u>2,760,103</u>	<u>-</u>
Total debt securities	<u>9,439,647</u>	<u>2,097,837</u>	<u>7,341,810</u>	<u>-</u>
Equity securities				
Real Estate Investment Trusts	2,320,026	2,320,026	-	-
Other - U.S. equities	5,015,821	5,015,821	-	-
Other - Non- U.S. equities	<u>7,269,946</u>	<u>7,269,946</u>	<u>-</u>	<u>-</u>
Total equity securities	<u>14,605,793</u>	<u>14,605,793</u>	<u>-</u>	<u>-</u>
Total investments by fair value level	24,045,440	\$ <u>16,703,630</u>	\$ <u>7,341,810</u>	\$ <u>-</u>
Investments measured at the net asset value (NAV)				
Mutual funds	2,764,959			
Investments measured at amortized cost				
Mutual market investments	<u>498,861</u>			
	\$ <u>27,309,260</u>			

(3) Net Pension Liability

The components of the net pension liability of the Fund as of September 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 288,804,482	\$ 278,875,273
Fiduciary net position	<u>(29,409,477)</u>	<u>(29,421,313)</u>
Net pension liability	\$ <u>259,395,005</u>	\$ <u>249,453,960</u>
Fiduciary net position as a percentage of the total pension liability	10.18%	10.55%

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2018 and 2017

(3) Net Pension Liability, Continued

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of September 30, 2017, for the same measurement date, using the following actuarial assumptions:

Actuarial Cost Method:	Normal costs are calculated under the entry age normal method	
Amortization Method:	Level dollar, open with remaining amortization period of 30 years	
Asset Valuation Method:	Market Value of Assets	
Investment Income:	7.5% per year, net of investment expenses, including price inflation	
Inflation:	3.0%	
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 Healthy Mortality Table, set forward four years for all members except disability recipients, where the table is set forward ten years	
Termination of Employment:	5% for ages 20 to 39; none for all other ages	
Disability:	<u>Age</u>	<u>Disability</u>
	25	0.21%
	30	0.18%
	35	0.25%
	40	0.35%
	45	0.50%
	50	0.76%
	55	1.43%
	60	2.12%
Retirement Age:	100% at age 60	
Form of Payment:	Single: Straight life annuity; Married: 100% joint and survivor	
Marriage Assumption:	80% of the workers are assumed to be married and males are assumed to be 3 years older than their spouses. Beneficiaries are assumed to be the opposite gender of the member.	

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2018 and 2017

(3) Net Pension Liability, Continued

Actuarial Assumptions, 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.

Long-Term Expected Rate of Return

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

Based on the September 30, 2017 actual valuation, the arithmetic real mean rates of return for each major investment class are as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Rate of Return</u>
Cash	3%	4.55%
Equity	61%	6.35%
Governmental fixed income	31%	7.75%
Corporate fixed income	<u>5%</u>	4.00%
	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 3.62% at the current measurement date from 2.98% at the prior measurement date. The discount rate was determined using the current assumed rate of return until the point where the plan fiduciary net position is negative. Using the current contribution rates, a negative position happens in 2022 for the 2017 measurement date. For years on or after 2022, a discount rate of 3.57% is used. This rate is based on the Bond Buyer General Obligation 20-year Municipal Bond Index.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2018 and 2017

(3) Net Pension Liability, Continued

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Fund, calculated using the discount rate of 3.62%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (2.62%) or 1.00% higher (4.62%) from the current rate.

<u>1% Decrease 2.62%</u>	<u>Current Single Discount Rate Assumption 3.62%</u>	<u>1% Increase 4.62%</u>
\$ 300,365,732	\$ 259,395,005	\$ 225,399,620

Schedule of Changes in Net Pension Liability

Based on the September 30, 2017 and 2016 actuarial valuations, the changes in net pension liability were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 09/30/15	\$ <u>243,661,316</u>	\$ <u>28,115,140</u>	\$ <u>215,546,176</u>
Changes for the year:			
Service cost	6,858,499	-	6,858,499
Interest	9,414,565	-	9,414,565
Assumption changes	28,447,659	-	28,447,659
Employers' contributions	-	3,177,790	(3,177,790)
Members' contributions	-	3,149,619	(3,149,619)
Net investment income	-	2,337,406	(2,337,406)
Benefit payments, including refunds of members' contributions	(9,506,766)	(9,506,766)	-
Administrative expense	-	(426,021)	426,021
Recovery and other income	-	<u>2,574,145</u>	<u>(2,574,145)</u>
Net changes	<u>35,213,957</u>	<u>1,306,173</u>	<u>33,907,784</u>
Balance at 09/30/16	<u>278,875,273</u>	<u>29,421,313</u>	<u>249,453,960</u>
Changes for the year:			
Service cost	8,610,570	-	8,610,570
Interest	8,422,663	-	8,422,663
Difference between expected and actual experience	27,975,168	-	27,975,168
Assumption changes	(25,315,236)	-	(25,315,236)
Employers' contributions	-	3,412,047	(3,412,047)
Members' contributions	-	3,410,992	(3,410,992)
Net investment income	-	3,303,967	(3,303,967)
Benefit payments, including refunds of members' contributions	(9,763,956)	(9,763,956)	-
Administrative expense	-	(374,886)	374,886
Recovery and other income	-	-	-
Net changes	<u>9,929,209</u>	<u>(11,836)</u>	<u>9,941,045</u>
Balance at 09/30/17	\$ <u>288,804,482</u>	\$ <u>29,409,477</u>	\$ <u>259,395,005</u>

Defined Benefit Plan

Pension Liability. At September 30, 2018 and 2017, the Fund reported a liability of \$865,567 and \$850,650, respectively, for its proportionate share of the net pension liability. The Fund's proportion of the net pension liability was based on the projection of the Fund's long-term share of contributions to the Plan relative to the projected contributions of Republic of Palau, Republic of Palau's component units and other Government agencies, actuarially determined. At September 30, 2018 and 2017, the Fund's proportion was 0.3337% and 0.3410%, respectively.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2018 and 2017

(3) Net Pension Liability, Continued

Defined Benefit Plan, Continued

Pension Expense. For the years ended September 30, 2018 and 2017, the Fund recognized pension expense of \$58,064 and \$57,968, respectively.

Deferred Outflows and Inflows of Resources. At September 30, 2018 and 2017, the Fund reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018		2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 79,682	\$ 16,917	\$ -	\$ 21,802
Change of assumptions	101,210	81,997	130,371	20,117
Net difference between projected and actual earnings on pension plan investments	4,765	4,230	7,306	1,654
Contributions subsequent to measurement date	11,599	-	26,010	-
Changes in proportion and difference between the Fund's contributions and proportionate share of contributions	<u>24,262</u>	<u>109,620</u>	<u>48,286</u>	<u>128,098</u>
	<u>\$ 221,518</u>	<u>\$ 212,764</u>	<u>\$ 211,973</u>	<u>\$ 171,671</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, 2018 will be recognized in pension expense as follows:

Year ending September 30,

2019	\$ 3,712
2020	\$ (9,938)
2021	\$ (3,077)
2022	\$ 788
2023	\$ 6,565
Thereafter	\$ (895)

(4) Republic of Palau

Pachinko

RPPL 5-45 earmarked \$1,000,000 to the Fund, to be derived from revenues generated from a Virtual Pachinko Business. Of this \$1,000,000, RPPL 6-12, passed into law on September 30, 2001, allocated \$500,000 to the Fund for the employer contribution of the Palau Community College (PCC) for employees of PCC electing to participate. PCC employees opting to retroactively participate shall be enrolled in the Fund effective as of their start date with PCC or October 1, 1987, whichever is later. These employees are required to pay into the Fund their proportionate contribution for each year of retroactive participation.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2018 and 2017

(4) Republic of Palau, Continued

Pachinko, Continued

As a result of the provisions of RPPL 6-12, PCC employees who opted to claim prior year service executed payment agreements with the Fund totaling \$978,907 for prior year service claimed. As these employees are not mandated to continue payment agreements and can elect to have contributions refunded upon termination of payment agreements, and due to the uncertainty of collection of the employee's share through RPPL 6-12, the Fund has elected not to record PCC employee receivables for prior year service. The Fund received \$155,650 and \$167,627 from PCC employees during the years ended September 30, 2018 and 2017, respectively.

ROP has determined that remaining amounts earmarked to the Fund through RPPLs 5-45 and 6-12 will only be remitted as revenues are generated from the Virtual Pachinko Business. The Fund did not receive funds related to RPPL 6-12 and 5-45 from ROP during the years ended September 30, 2018 and 2017, respectively. Therefore, the Fund has not recognized the remaining \$875,000 as a receivable or as revenue in the accompanying financial statements. However, the Fund received \$159,692 and \$189,558 from PCC for employer contributions during the years ended September 30, 2018 and 2017, respectively.

ROP Interest Receivable and Remittance Tax

The Fund has determined interest due from the ROP National Government related to delinquent contributions in prior years. The Fund believes amounts due approximate \$2.8M, including lost earnings of \$1.4M; however, ROP has only confirmed interest owed of \$1.4M. Due to uncertainties in collection, the Fund has elected to record related revenue on the cash basis.

RPPL 9-2 provided a new source of revenue to the Fund through a remittance tax of four percent (4%) levied against each non-citizen person transferring money out of ROP. The remittance tax must be transferred to the Fund. For the years ended September 30, 2018 and 2017, remittance taxes of \$450,072 and \$410,989, respectively, were recorded within other income in the accompanying financial statements. The Fund has recorded receivables from remittance taxes of \$39,637 and \$36,886 as of September 30, 2018 and 2017, respectively.

On September 27, 2017, RPPL 10-12 was enacted which appropriated \$150,000 from ROP to the Fund for the "CSPP Reform Options Actuarial Study". The purpose of the actuarial study is to determine viable options toward a comprehensive reform that will ensure long-term financial viability of the Fund.

RPPLs 10-25 and 10-01 appropriated, and ROP disbursed, \$534,650 and \$301,000 to the Fund for payment of interest related to delinquent prior year contributions for fiscal years 2018 and 2017, respectively. The amounts are recorded within other income in the accompanying financial statements. In fiscal year 2017, ROP transferred fishing rights to the Fund of \$71,719 which is recorded within other income in the accompanying financial statements.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2018 and 2017

(5) Administrative Expenses

A summary of the administrative expenses for the years ended September 30, 2018 and 2017, is set forth below:

	<u>2018</u>	<u>2017</u>
Salaries and wages	\$ 193,585	\$ 183,338
Professional fees	100,329	7,869
Staff training	37,038	21,526
Conference expenses	31,186	49,072
Employee benefits	18,461	13,786
Communications	10,645	9,578
Office supplies	7,223	6,622
Rent and utilities	6,412	8,428
Bank charges	6,347	6,728
Board compensation	3,350	3,350
Miscellaneous	<u>30,429</u>	<u>6,621</u>
Total administrative expense before pension expense	445,005	316,918
Pension expense:		
Pension contribution	11,599	26,010
GASB 68 adjustment	<u>46,465</u>	<u>31,958</u>
	<u>\$ 503,069</u>	<u>\$ 374,886</u>

(6) Contingency

The Fund's actuarial valuation has determined that the Fund has a net pension liability of \$259,395,005 which would cause the Fund's fiduciary net position to become negative in 2022. On April 26, 2017, the Board of Trustees adopted a formal funding plan to correct the potential funding deficiency. The funding plan has not yet been implemented.

(7) Risk Management

The Fund is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Fund has elected to purchase commercial insurance from independent third parties for the risk of loss to which it is exposed for automobiles. The Fund does not maintain insurance coverage for office equipment and furniture. In the event of catastrophe, the Fund may be self-insured. No losses have been sustained as a result of this practice during the past three years.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Schedule of Changes in Net Pension Liability and Related Ratios
September 30, 2018

	2017 Valuation	2016 Valuation	2015 Valuation	2014 Valuation	2013 Valuation
Total Pension Liability					
Service cost	\$ 8,610,570	\$ 6,858,499	\$ 6,086,938	\$ 4,638,484	\$ 5,913,261
Interest cost	8,422,663	9,414,565	10,085,993	10,319,767	9,146,830
Difference between expected and actual experience	27,975,168	-	(9,041,017)	-	-
Assumption changes	(25,315,236)	28,447,659	8,361,854	15,568,918	(17,639,038)
Benefit changes	-	-	-	-	(6,941,763)
Benefit payments	<u>(9,763,956)</u>	<u>(9,506,766)</u>	<u>(9,403,007)</u>	<u>(9,298,152)</u>	<u>(8,930,543)</u>
Net change in total pension liability	9,929,209	35,213,957	6,090,761	21,229,017	(18,451,253)
Total pension liability - beginning	<u>278,875,273</u>	<u>243,661,316</u>	<u>237,570,555</u>	<u>216,341,538</u>	<u>234,792,791</u>
Total pension liability - ending	<u>\$ 288,804,482</u>	<u>\$ 278,875,273</u>	<u>\$ 243,661,316</u>	<u>\$ 237,570,555</u>	<u>\$ 216,341,538</u>
Fund Fiduciary Net Position					
Employer contributions	\$ 3,412,047	\$ 3,177,790	\$ 2,909,824	\$ 2,820,693	\$ 2,506,605
Employee contributions	3,410,992	3,149,619	2,920,101	2,797,512	2,515,177
Pension plan net investment income (loss)	3,303,967	2,337,406	(1,219,199)	3,077,767	2,628,027
Benefit payments	(9,763,956)	(9,506,766)	(9,403,007)	(9,298,152)	(8,930,543)
Pension plan administrative expense	(374,886)	(426,021)	(381,902)	(369,703)	(1,905,747)
Recovery and other income	-	2,574,145	-	-	-
Net change in plan fiduciary net position	(11,836)	1,306,173	(5,174,183)	(971,883)	(3,186,481)
Total pension liability - beginning	<u>29,421,313</u>	<u>28,115,140</u>	<u>33,289,323</u>	<u>34,261,206</u>	<u>37,447,687</u>
Plan fiduciary net position - ending	<u>\$ 29,409,477</u>	<u>\$ 29,421,313</u>	<u>\$ 28,115,140</u>	<u>\$ 33,289,323</u>	<u>\$ 34,261,206</u>
Net pension liability - ending	<u>\$ 259,395,005</u>	<u>\$ 249,453,960</u>	<u>\$ 215,546,176</u>	<u>\$ 204,281,232</u>	<u>\$ 182,080,332</u>
Plan fiduciary net position as a percentage of pension liability	10.18%	10.55%	11.54%	14.01%	15.84%
Covered employee payroll	\$ 57,893,300	\$ 52,963,167	\$ 48,497,067	\$ 47,011,550	\$ 41,776,750
Net pension liability as a percentage of covered employee payroll	448.06%	471.00%	444.45%	434.53%	435.84%

Note: This schedule is intended to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, the Fund presents information starting with GASB 67 implementation in 2014.

See accompanying Independent Auditors' Report and notes to required supplementary schedules.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Schedule of Contributions
September 30, 2018

<u>Actuarial Valuation Ending 09/30</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2013	\$ 10,065,829	\$ 2,515,982	\$ 7,549,847	\$ 41,776,750	6.02%
2014	\$ 10,623,488	\$ 2,768,315	\$ 7,855,173	\$ 47,011,550	5.89%
2015	\$ 10,899,899	\$ 2,890,454	\$ 8,009,445	\$ 48,497,067	5.96%
2016	\$ 14,417,419	\$ 3,134,262	\$ 11,283,157	\$ 52,963,167	5.92%
2017	\$ 17,178,902	\$ 3,473,598	\$ 13,705,304	\$ 57,893,300	6.00%

Note: This schedule is intended to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, the Fund presents information starting with GASB 67 implementation in 2014.

See accompanying Independent Auditors' Report and notes to required supplementary schedules.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Schedule of Investment Rates of Return
September 30, 2018

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Average money-weighted rate of return, net of investment expense	11.23%	8.12%	(3.96%)	8.34%	7.98%

Note: This schedule is intended to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, the Fund presents information starting with GASB 67 implementation in 2014.

See accompanying Independent Auditors' Report and notes to required supplementary schedules.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Required Supplementary Schedules
September 30, 2018

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

Valuation Date:	September 30, 2017, which was based on the results of the October 1, 2017 actuarial valuation
Actuarial Cost Method:	Entry-age normal
Amortization Method:	Level dollar, open
Remaining Amortization Period:	30 years
Asset Valuation Method:	Market value of assets
Price Inflation:	3.0%
Salary Increases:	3.0%
Wage Inflation:	3.0%
Investment Rate of Return:	7.50%, net of investment expense, including price inflation
Mortality:	RP 2000 Combined Mortality Table, set forward four years for all members except disability recipients, where the table is set forward 10 years.

(2) Factors that Significantly Affect the Identification of Trends in the Amounts Reported

The ROP Congress (Olbiil Era Kelulau) enacted two laws which have potentially material effects on the amounts reported in the schedule. RPPL 4-49 and RPPL 5-30 establish that effective May 17, 1996, members, who have twenty-five years or more of total service, are eligible for retirement regardless of their age and, upon such retirement, are eligible to receive pension benefits at a level established by the Board of Trustees. The laws further provide that effective July 1, 1999, retirement is mandatory for all members who have thirty years or more of total service with certain exceptions, and that the pension is not reduced for receipt of benefits prior to age 60. By RPPL 6-37, effective October 1, 2003, mandatory retirement may be delayed for an additional five years by specific exemption by the Board. In December 2008, RPPL 7-56 eliminated early retirement and thirty-year mandatory service provisions. These provisions were restored through RPPL 8-10 in October, 2009. On April 30, 2013, RPPL 9-2 eliminated the mandatory service retirement after thirty years of service. After December 31, 2013, no employee shall be entitled to pension benefits until reaching the age of sixty.

See Accompanying Independent Auditors' Report.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Required Supplementary Schedules
September 30, 2018

(2) Factors that Significantly Affect the Identification of Trends in the Amounts Reported, Continued

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

See Accompanying Independent Auditors' Report.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Schedule of Investment Securities
September 30, 2018

	Face Value	Cost	Fair Value	
Money Market Funds				
Goldman Sachs Bank USA - Account#79965329	\$ 20,641	\$ 20,641	\$ 20,641	
Goldman Sachs Bank USA - Account#78895568	195,035	195,035	195,035	
Raymond James Bank N.A. - Account#78895568	1	1	1	
Goldman Sachs Bank USA - Account#79965310	45,707	45,707	45,707	
Goldman Sachs Bank USA - Account#79965292	34,744	34,744	34,744	
Ramond James Bank N.A. - Account#79965292	39	39	39	
US Bank National Association - Account#79965292	21	21	21	
SunTrust Bank - Account#79965292	14	14	14	
Goldman Sachs Bank USA - Account#78895530	128,828	128,828	128,828	
Goldman Sachs Bank USA - Account#78895549	33,024	33,024	33,024	
Goldman Sachs Bank USA - Account#116DY086	15,293	15,293	15,293	
Total Money Market Funds	\$ 473,347	\$ 473,347	\$ 473,347	
Mutual Funds				
Templeton Global Bond Fd-Ad - Account #58113280	236,884	\$ 3,110,778	\$ 2,707,587	
Total Mutual Funds	236,884	\$ 3,110,778	\$ 2,707,587	
Obligations of U.S. Government and Agencies				
Government Sponsored Enterprise Securities (GSE)				
Federal Home Loan Mortgage Corporation @ .0100%, due 07/05/19	\$ 735,000	\$ 735,004	\$ 734,948	Aaa
	735,000	735,004	734,948	
Mortgage and Asset Backed Securities				
Freddie Mac Group #G15718 FHLMC @ 5.5000%, due 12/01/24	\$ 455,000	\$ 154,236	\$ 158,371	Not rated
Fannie Mae Pool #AL7883 FNMA @ 5.0000% , due 06/01/26	290,000	103,617	107,234	Not rated
Fannie Mae Pool #AL8215 FNMA @ 5.0000% , due 06/01/26	465,000	200,781	208,240	Not rated
Fannie Mae Pool #745418 FNMA @ 5.5000% , due 04/01/36	2,825,000	87,743	94,801	Not rated
Fannie Mae Pool #938171 FNMA @ 6.5000% , due 07/01/37	400,000	13,463	14,760	Not rated
Fannie Mae Pool #995517 FNMA @ 5.5000% , due 01/01/24	3,200,000	76,263	78,984	Not rated
	7,635,000	636,103	662,390	
Governmental Bonds				
U.S. Treasury Bonds @ 6.25%, due 05/15/30	365,000	478,641	478,022	Aaa
U.S. Treasury Bonds @ 2.875%, due 08/15/45	785,000	745,877	739,187	Aaa
U.S. Treasury Bonds @ 2.5%, due 05/15/46	560,000	493,407	488,337	Aaa
U.S. Treasury Bonds @ 2.0%, due 10/31/22	690,000	676,998	665,312	Aaa
U.S. Treasury Bonds @ 2.75%, due 02/15/24	725,000	718,051	717,272	Aaa
U.S. Treasury Bonds @ 1.625%, due 02/15/26	495,000	451,989	449,193	Aaa
U.S. Treasury Bonds @ 2.375%, due 05/15/27	805,000	766,536	764,276	Aaa
	4,425,000	4,331,499	4,301,599	
Total Obligations of U.S. Government and Agencies	\$ 12,795,000	\$ 5,702,606	\$ 5,698,937	
Corporate Bonds				
American Express Credit Corporation @ 3.0413%, due 05/26/20	\$ 265,000	\$ 265,816	\$ 267,091	A2
Apple Inc. NTS @ 2.4805%, due 08/02/19	185,000	185,010	185,274	Aa1
Apple Inc. NTS @ 0.0100%, due 02/09/22	115,000	116,497	116,498	Aa1
BB&T Corporation @ 2.9873%, due 04/01/22	205,000	206,393	206,880	A2
Bank of America Corporation MTN @ 3.0226% Due 06/25/2022	165,000	165,276	165,434	A3
Bank of New York Mellon Corporation @ 3.38888%, due 10/30/23	290,000	291,859	295,788	A1
The Walt Disney Company @ 2.7107% Due 03/04/22	140,000	141,122	141,067	A2
Goldman Sachs Group Inc. @ 3.9172% Due 11/29/23	240,000	244,457	249,934	A3
IBM Credit LLC @ 2.6075% Due 01/20/21	140,000	140,099	140,673	A1
Intel Corporation @ 2.6880% Due 05/11/22	280,000	281,523	282,360	A1
JP Morgan Chase & Co. @ 3.8007% Due 03/01/21	375,000	381,663	384,952	A3
Merck & Co., Inc. @ 2.7155% Due 02/10/20	280,000	280,765	281,109	A1
Morgan Stanley @ 3.7415% due 10/24/23	230,000	230,835	236,341	A3
Pepsico Capital Resources, Inc. @ 2.7135% Due 05/02/22	95,000	95,255	95,724	A1
State Street Corporation @ 3.2222% due 08/18/20	200,000	202,860	202,726	A1
Wells Fargo & Company @ .0100% Due 07/26/21	115,000	116,085	117,004	A2
Wells Fargo & Company @ 3.5723% Due 10/31/23	165,000	168,140	168,275	A2
Total Corporate Bonds	\$ 3,485,000	\$ 3,513,655	\$ 3,537,130	

See Accompanying Independent Auditors' Report.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Schedule of Investment Securities, Continued
September 30, 2018

<u>Corporate Stock</u>	<u>Number of Shares</u>	<u>Cost</u>	<u>Fair Value</u>
Hilton Grand Vacations Incorporated (HGV)	583	\$ 18,596	\$ 19,297
Hilton Worldwide Hldgs Incorporated (HLT)	289	21,615	23,346
Marriot International Incorporated New Class A (MAR)	241	25,927	31,819
Alexandria Real Estate EQ Incorporated REIT (ARE)	505	53,819	63,524
American Tower Corporation New REIT (AMT)	202	22,590	29,351
Apartment Invt & Mgmt Company Class A REIT (AIV)	855	35,917	37,731
Camden Property TR SH Ben Int REIT (CPT)	318	28,199	29,755
Corporate Office PTYS TR SH Ben Int REIT (OFC)	1,235	37,554	36,840
Cubesmart REIT (CUBE)	1,237	36,172	35,292
Digital Rlty TR Incorporated REIT (DLR)	365	36,528	41,055
Duke Realty Corporation Com New REIT (DRE)	1,330	36,403	37,732
Equinix Incorporated Com Par \$0.001 REIT (EQIX)	199	81,530	86,145
Equity Residential SH Ben Int REIT (EQR)	1,112	74,771	73,681
Essex Property TR Incorporated REIT (ESS)	246	57,800	60,691
Extra Space Storage Incorporated REIT (EXR)	532	44,464	46,093
Four Corners Property TR Incorporated REIT (FCPT)	279	6,604	7,168
Healthcare TR Amer Incorporated Class A New REIT (HTA)	1,452	42,260	38,725
Highwoods PPTYS Incorporated REIT (HIW)	686	33,686	32,420
Invitation Homes Incorporated REIT (INVH)	1,464	29,337	33,540
JBG Smith PPTYS REIT (JBGS)	340	12,760	12,522
Kilroy Rlty Corporation REIT (KRC)	673	46,277	48,247
Kimco Rlty Corporation REIT (KIM)	2,206	50,187	36,929
National Retail PPTYS Incorporated REIT (NNN)	326	15,533	14,611
Pebblebrook Hotel TR REIT (PEB)	806	31,009	29,314
Prologis Incorporated REIT (PLD)	1,932	93,600	130,970
Public Storage REIT (PSA)	141	33,786	28,430
Regency CTRS Corporation REIT (REG)	866	61,948	56,004
Simon Property Group Incorporated New REIT (SPG)	771	145,831	136,274
Sun CMNTYS Incorporated REIT (SUI)	420	32,150	42,647
Sunstone Hotel INVS Incorporated New REIT (SHO)	1,143	18,886	18,699
Ventas Incorporated REIT (VTR)	729	38,587	39,643
Vornado RLTY TR SH BEN INT (VNO)	861	69,125	62,853
Well Tower Incorporated REIT (WELL)	649	42,573	41,744
Subtotal - Account #79965329	<u>24,993</u>	<u>1,416,024</u>	<u>1,463,092</u>
ABB Limited Sponsored ADR (Switzerland) (ABB)	2,382	61,925	56,287
AIA Group Limited Sponsored ADR (Hong Kong) (AAGIY)	1,190	42,233	42,521
Abnamro Group NV Unspnrd ADR (Netherlands) (ABNRY)	4,355	65,051	59,311
Anheuser Busch Inbev SA/NV Sponsored ADR (Belgium) (BUD)	744	79,644	65,152
Ashtead Group PLC Un-sponsored ADR (United Kingdom) (ASHTY)	323	20,568	41,059
ASSA Abloy AB ADR (Sweden) (ASAZY)	9,684	74,305	96,453
BHP Billiton Limited Sponsored ADR (Australia) (BHP)	2,318	91,206	115,529
British Amern TOB PLC Sponsored ADR (United Kingdom) (BTI)	1,849	101,762	86,219
Canadian Natl RY Company (Canada) (CNI)	652	40,955	58,499
Carlsberg AS Sponsored ADR (Denmark) (CABGY)	2,718	47,231	65,229
Compagnie Fin Richemontag SWI ADR (Switzerland) (CFRUY)	4,388	37,693	35,938
Compass Group PLC Sponsored ADR (United Kingdom) (CMPGY)	4,138	75,179	92,058
DBS Group Hldgs Limited Sponsored ADR (Singapore) (DBSDY)	1,003	53,664	76,608
Daiwa House IND Limited ADR (Japan) (DWAHY)	3,078	56,654	91,269
Equinor ASA Sponsored ADR (Norway) (EQNR)	1,632	26,386	46,022
Ferguson PLC Sponsored ADR (Jersey) (Fergy)	9,604	50,642	81,596
Fresenius SE & Company KGAA Sponsored ADR (Germany) (FSNUY)	3,603	50,676	66,162
Genmab A S Sponsored ADR (Denmark) (GMXAY)	1,095	22,160	17,225
Informa PLC Sponsored ADR NE (United Kingdom) (IFJPY)	1,972	30,525	39,201
KAO Corporation Un-sponsored ADS (Japan) (KAOOY)	3,200	38,762	51,693
KDDI Corporation ADR (Japan) (KDDIY)	3,741	44,694	51,693
Komatsu Limited Spon ADR New (Japan) (KMTUY)	1,683	38,995	51,209
Makita Corporation Sponsored ADR (Japan) (MKTAY)	1,922	56,972	96,283
Michelin Compagnie Generale DE ADR (France) (MGDDY)	2,480	66,119	59,309
Nordea BK Sweden A B Sponsored ADR (Sweden) (NRBAY)	7,156	86,881	77,943
Novartis A G Sponsored ADR (Switzerland) (NVS)	1,304	99,423	112,353
Prudential PLC ADR (United Kingdom) (PUK)	2,925	103,987	134,228
Red Electrica Corporacion SA Un-sponsored ADR (Spain) (RDEIY)	7,993	77,724	83,743
RELX PLC Sponsored ADR (United Kingdom) (RELX)	3,724	71,389	77,943
Rogers Communications Incorporated Class B (Canada) (RCI)	1,146	57,152	58,934
Royal Dutch Shell PLC Spons ADR A (Netherlands) (RDS.A)	1,772	101,222	120,744
Ryanair Hldgs PLC Sponsored ADR NE (Ireland) (RYAAY)	613	50,297	58,873
Ryohin Keikaku Company Limited ADR (Japan) (RYKKY)	1,634	52,883	97,248
Safran S A Spon ADR (France) (SAFRY)	3,103	82,968	108,754
Sampo OYJ ADR (Finland) (SAXPY)	3,783	78,509	97,983

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REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Schedule of Investment Securities, Continued
September 30, 2018

	Number of Shares	Cost	Fair Value
<u>Corporate Stock, Continued</u>			
SAP SE SPON ADR (Germany) (SAP)	1,167	104,185	143,541
Shire PLC Sponsored ADR (Jersey) (SHPG)	534	98,014	96,798
Sonova Hldg AG ADR (Switzerland) (SONVY)	759	29,842	30,351
Sumitomo Mitsui FINL Group Incorporated Sponsored ADR (Japan) (SMFG)	10,081	88,199	80,950
Suncor Energy Incorporated New (Canada) (SU)	2,015	61,101	77,962
Telenor ASA Sponsored ADR (Norway) (TELNY)	2,909	62,279	56,836
Ubisoft Entertainment SA ADR (France) (UBSFY)	2,409	40,854	52,278
Unilever PLC Spon ADR New (United Kingdom) (UL)	1,488	61,620	81,795
Valeo Sponsored ADR (France) (VLEEY)	2,680	50,279	58,210
Vinci S A ADR (France) (VCISY)	3,099	48,757	73,806
Vivendi SA ADR (France) (VIVHY)	2,643	68,446	68,057
Wolters Kluwer N V Sponsored ADR (Netherlands) (WTKWY)	1,960	61,669	122,204
Aon PLC SHS CL A (United Kingdom) (AON)	633	61,631	97,343
Accenture PLC Ireland SHS Class A (Ireland) (CAN)	740	90,316	125,948
Medtronic PLC SHS (Ireland) (MDT)	1,267	104,932	124,635
Subtotal - Account #78895568	<u>139,291</u>	<u>3,168,560</u>	<u>3,861,985</u>
Abbvie Incorporated (ABBV)	491	28,517	46,439
Acadia Healthcare Company Incorporated (ACHC)	1,050	47,180	36,960
Adobe Systems Incorporated (ADBE)	550	42,883	148,473
Ameriprise FINL Incorporated (AMP)	510	48,385	75,307
Amgen Incorporated (AMGN)	450	71,592	93,280
Ansys Incorporated (ANSS)	415	38,919	77,472
BOK Finl Corporation COM New (BOKF)	430	24,413	41,830
Banco Bilbao Vizcaya Argent ARI Sponsored ADR (Spain) (BBVA)	8,400	61,732	52,920
Bank Amer Corporation (BAC)	3,060	49,958	90,148
Capital One Finl Corporation (COF)	700	55,496	66,451
Coca Cola Company (KO)	1,610	67,560	74,366
Cullen Frost Bankers Incorporated (CFR)	420	27,768	43,865
Danaher Corporation DEL (DHR)	821	64,737	89,210
East West Bancorp Incorporated (EWBC)	890	48,619	53,729
General Dynamics Corporation (GD)	390	50,029	79,841
Halliburton Company (HAL)	1,267	63,358	51,351
Home Depot Incorporated (HD)	378	35,941	78,303
JP Morgan Chase & Company (JPM)	500	31,976	56,420
Kroger Company (KR)	1,950	56,495	56,765
Lennar Corporation Class A (LEN)	1,210	53,490	56,495
Lennar Corporation Class B (LEN.B)	27	977	1,039
Martin Marietta Matis Incorporated (MLM)	340	45,763	61,863
Microsoft Corporation (MSFT)	990	44,974	113,226
Microchip Technology Incorporated (MCHP)	960	40,680	75,754
Mitsubishi UFJ Finl Group Incorporated Sponsored ADS (Japan) (MUFG)	6,670	41,321	41,287
Mondelez International Incorporated Class A (MDLZ)	1,280	51,062	54,989
National Fuel Gas Company N J (NFG)	1,071	56,582	60,040
Novartis A G Sponsored ADR (Switzerland) (NVS)	700	60,578	60,312
Oshkosh Corporation (OSK)	950	46,218	67,678
PPG Industries Incorporated (PPG)	663	68,560	72,353
Parker Hannifin Corporation (PH)	396	67,059	72,836
Paypal Hldgs Incorporated (PYPL)	980	31,720	86,083
Phillips 66 (PSX)	650	53,659	73,268
Pioneer NAT RES Company (PXD)	250	42,424	43,548
Sony Corporation Sponsored ADR (Japan) (SNE)	1,326	66,162	80,422
Twitter Incorporated (TWTR)	1,722	56,423	49,008
Unilever N V N Y SHS New (Netherlands) (UN)	1,060	45,876	58,883
Walgreens Boots Alliance Incorporated (WBA)	810	62,967	59,049
Johnson Controls International PLC SHS (Ireland) (MDT)	1,680	60,747	58,800
Medtronic PLC SHS (Ireland) (MDT)	830	63,940	81,647
Chubb Limited (Switzerland) (CB)	410	48,252	54,793
Equity Lifestyle PPTYS Incorporated REIT (ELS)	389	34,184	37,519
Sun Cmnyts Incorporated REIT (SUI)	371	33,954	37,671
Subtotal - Account #79965310	<u>50,017</u>	<u>2,093,130</u>	<u>2,771,693</u>
AAC Technologies Hldgs Incorporated Un-sponsored ADR (Cayman Islands) (AACAY)	3,031	25,797	31,492
ASM Pac Technology Limited ADR (Cayman Islands) (ASMVY)	755	28,168	23,070
Ambev SA Sponsored ADR (Brazil) (ABEV)	8,748	60,947	39,978
America Movil SAB DE CV SPON ADR L SHS (Mexico) (AMX)	4,015	53,347	64,481
Anhui Conch CEM Company Limited ADR (CHINA) (AHCHY)	1,411	40,060	42,601
BB SEGURIDADE PARTICIPACOES SA Sponsored ADR (Brazil) (BBSEY)	5,144	53,600	30,555
BAIDU Incorporated Spon ADR REP A (CAYMAN ISLANDS) (BIDU)	228	48,069	52,139
BANCO DO Brasil S A Sponsored ADR (Brazil) (BDORY)	6,778	81,844	49,879

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Schedule of Investment Securities, Continued
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Corporate Stock, Continued	Number of Shares	Cost	Fair Value
BANCO Macro SA Spon ADR B (Argentina) (BMA)	578	12,314	23,912
BIDVEST Group Limited Sponsored ADR 08 (South Africa) (BDVSY)	1,047	25,409	27,375
CNOOC Limited Sponsored ADR (Hong Kong) (CEO)	333	49,203	65,781
China Constr BK Corporation ADR (China) (CICHY)	6,413	102,390	112,118
China Mobile Limited Sponsored ADR (Hong Kong) (CHL)	2,103	111,247	102,900
China Shenhua Energy Company Limited ADR (China) (CSUAY)	4,226	47,373	38,626
CIELO S A Sponsored ADR (Brazil) (CIOXY)	8,710	65,708	26,609
Clicks Group Limited Sponsored ADR (South Africa) (CLCGY)	1,238	17,051	30,619
Commercial International BK Egypt S A E Sponsored ADR (Egypt) (CIBEY)	9,195	34,610	42,711
Companhia De Saneamento Basico Sponsored ADR (Brazil) (SBS)	5,361	52,313	31,630
ENN Energy HLDGS Limited ADR (CAYMAN Islands) (XNGSY)	958	19,908	33,301
PJSC Gazprom Spon ADR (Russia) (OGZPY)	7,588	50,961	37,682
Hengan International Group Company Limited ADR (Hong Kong) (HEGIY)	853	32,777	39,353
Imperial Holdings Limited Spons ADR NEW (South Africa) (IHLDY)	2,519	44,768	31,150
Infosys Limited Sponsored ADR (India) (INFY)	7,094	55,461	72,146
KB Financial Group Incorporated Spon ADR (Korea (South)) (KB)	1,573	52,644	75,944
Kasikornbank Pub Company Limited Unsponsored ADR (Thailand) (KPCPY)	1,223	30,399	32,977
Kimberly Y Clrk De Mex SAB De CV Spon ADR Com A (Mexico) (KCDMY)	3,608	52,854	32,028
KOC Hldg ADR (Turkey) (KOHLY)	2,097	52,828	29,775
Life Healthcare GRP Hldgs Limited Unsponsored ADR (South Africa) (LTGHY)	2,521	25,583	17,501
Mobile Telesystems PJSC Sponsored ADR (Russia) (MBT)	5,063	71,085	43,187
Nedbank Group Limited Sponsored ADR (South Africa) (NDBKY)	2,124	37,119	39,719
Netease Incorporated Sponsored ADR (Cayman Islands) (NTES)	327	32,719	74,638
PJSC Lukoil Sponsored ADR (Russia) (LUKOY)	889	34,798	68,167
PLDT Incorporated Sponsored ADR (Philippines) (PHI)	853	53,053	21,922
PT Semen Indonesia Persero TBK Unsponsored ADR (Indonesia) (PSGTY)	2,339	41,768	31,158
PT BK Mandiri Persero TBK Unsponsored ADR (Indonesia) (PPERY)	6,531	56,637	58,949
PT ASTRA International TBK ADR (Indonesia) (PTAIY)	4,762	60,387	46,977
P T Telekomunikasi Indonesia Sponsored ADR (Indonesia) (TLK)	1,713	36,633	41,934
Sanlam Limited Sponsored ADR (South Africa) (SLLDY)	2,510	23,614	28,064
Sberbank Russia Sponsored ADR (Russia) (SBRCY)	6,249	64,490	77,594
Shinhan Financial Group Co Limited Spn ADR Restrdr (Korea (South)) (SHG)	1,305	49,548	52,370
Shoprite HLDGS Limited Sponsored ADR (South Africa) (SRGHY)	1,868	34,874	25,298
Standard BK Group Limited Sponsored ADR (South Africa) (SGBLY)	3,115	34,240	38,520
Taiwan Semiconductor Mfg Limited Sponsored ADR (Taiwan) (TSM)	2,251	41,864	99,404
Vodacom Group Limited Sponsored ADR (South Africa) (VDMCY)	3,863	45,630	34,377
Weichai Pwr Company Limited Unsponsored ADR (China) (WEICY)	7,662	41,474	75,984
Woolworths Hldgs Limited Spon GDR New (South Africa) (WLWHY)	6,789	48,114	23,796
YPF Sociedad Anonima Spon ADR Class D (Argentina) (YPF)	3,515	65,586	54,307
Subtotal - Account #78895530	163,076	2,201,266	2,174,698
Adobe Systems Incorporated (ADBE)	276	47,401	74,506
Alibaba Group Hldg Limited Sponsored ADS (Cayman Islands) (BABA)	173	25,771	28,503
Align Technology Incorporated (ALGN)	80	27,743	31,298
Alphabet Incorporated Cap Stk Class C (GOOG)	69	47,393	82,349
Alphabet Incorporated Cap Stk Class A (GOOGL)	68	48,576	82,081
Amazon Com Incorporated (AMZN)	100	65,079	200,300
Applied Matls Incorporated (AMAT)	864	46,228	33,394
Automatic Data Processing Incorporated (ADP)	259	30,057	39,021
Baxter International Incorporated (BAX)	434	28,725	33,457
Becton Dickinson & Company (BDX)	151	29,952	39,411
Boeing Company (BA)	176	54,986	65,454
Booking Hldgs Incorporated (BKNG)	18	24,043	35,712
Bristol Myers Squibb Company (BMY)	820	47,582	50,906
Costar Group Incorporated (CSGP)	76	14,406	31,984
Edwards Lifesciences Corporation (EW)	208	20,548	36,213
Electornic Arts Incorporated (EA)	358	39,044	43,135
Expedia Group Incorporated Com New (EXPE)	272	35,302	35,491
Farfetch Limited Ord SH Class A (Cayman Islands) (FTCH)	185	5,606	5,038
Fidelity Natl Information Svcs (FIS)	222	16,028	24,214
Fiserv Incorporated (FISV)	485	26,591	39,954
Fortive Corporation (FTV)	453	25,205	38,143
Godaddy Incorporated Class A	499	30,004	41,612
Hilton Worldwide Hldgs Incorporated (HLT)	415	27,640	33,524
Honeywell International Incorporated (HON)	271	29,521	45,094
Illumina Incorporated (ILMN)	133	24,485	48,819
Intercontinental Exchange Incorporated (ICE)	566	38,283	42,388
INTUIT (INTU)	186	21,484	42,296
JPMorgan Chase & Company (JPM)	411	40,029	46,377

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Schedule of Investment Securities, Continued
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	Number of Shares	Cost	Fair Value
<u>Corporate Stock, Continued</u>			
Lowes Companies Incorporated (LOW)	547	52,893	62,807
Mastercard Incorporated Class A (MA)	323	29,310	71,903
Microsoft Corporation (MSFT)	1,652	124,714	188,939
Moodys Corporation (MCO)	210	22,771	35,112
Netflix Incorporated (NFLX)	83	14,235	31,053
Nike Incorporated Class B (NKE)	745	46,033	63,116
Northrop Grumman Corporation (NOC)	141	40,469	44,749
NVIDIA Corporation (NVDA)	212	34,623	59,576
Paypal Hldgs Incorporated (PYPL)	600	30,679	52,704
Praxair Incorporated (PX)	295	47,684	47,415
Raytheon Company Com New (RTN)	193	29,538	39,885
Salesforce Com Incorporated (CRM)	710	57,423	112,911
Sherwin Williams Company (SHW)	90	24,446	40,969
Strucker Corporation (SYK)	128	22,226	22,743
Thermo Fisher Scientific Incorporated (TMO)	199	31,890	48,572
Union Pac Corporation (UNP)	323	37,515	52,594
Unitedhealth Group Incorporated (UNH)	366	49,533	97,371
Veeva Systems Incorporated Class A Com (VEEV)	324	25,962	35,274
Visa Incorporated Com Class A (V)	882	48,028	132,379
Xilinx Incorporated (XLNX)	534	39,478	42,811
Zoetis Incorporated Class A (ZTS)	360	15,435	32,962
PageSeguro Digital Limited Com Class A (Cayman Islands) (PAGS)	965	27,664	26,702
ASML Holding N V N Y Registry SHS (Netherlands) (ASML)	159	24,690	29,895
Ferrari N V (Netherlands) (RACE)	350	40,727	48,240
American Tower Corporation New REIT (AMT)	334	41,021	48,530
Subtotal - Account #78895549	<u>18,953</u>	<u>1,876,699</u>	<u>2,819,886</u>
Antero Midstream GP LP Com SHS Repstg (AMGP)	451	7,955	7,631
Cheniere Energy Incorporated Com New (LNG)	170	10,586	11,813
Oneok Incorporated New (OKE)	935	49,602	63,384
Tallgrass Energy LP Class A SHS (TGE)	1,479	32,040	34,875
Targa RES Corporation (TRGP)	435	21,221	24,495
Williams Companies Incorporated Del (WMB)	2,984	80,857	81,135
Andeavor Logistics LP Com Unit LP Int (ANDX)	1,033	51,982	50,162
Antero Midstream Partners LP Unt Ltd Partn (AM)	1,152	31,829	33,016
BP Midstream Partners LP Unit Ltd Ptnr	528	10,644	9,926
Buckeye Partners I P Unit Ltd Ptnr (BPL)	860	34,555	30,711
Dominion Energy Mistrm Prtnrs Com UT Rep Ltd (DM)	890	13,298	15,931
EQT Midstream Partners LP Unit Ltd Partn (EQM)	1,161	78,933	61,278
Energy Transfer Equity L P Com UT Ltd Ptn (ETE)	3,392	58,339	59,123
Energy Transfer Partners LP Unit Ltd Prt Int (ETP)	2,267	58,783	50,464
Enlink Midstream Partners LP Com Unit Rep Ltd (ENLK)	311	5,724	5,797
Enterprise Products Partners L P (EPD)	3,705	122,780	106,445
MPLX LP Com Unit Rep Ltd (MPLX)	2,409	102,204	83,544
Magellan Midstream Prtnrs LP Com Unit RP LP (MMP)	1,488	109,691	100,767
Noble Midstream Partners LP Com Unit Repst (NBLX)	208	9,871	7,365
Phillips 66 Partners LP Com Unit Rep Int (PSXP)	861	46,026	44,032
Plains All Amern Pipeline L P Unit Ltd Partn (PAA)	3,615	138,646	90,411
Shell Midstream Partners L P Unit Ltd Int (SHLX)	1,582	55,981	33,823
Valero Energy Partners LP Com Unt Rep LP (VLP)	529	21,285	20,039
Western Gas Partners LP Com Unit LP IN (WES)	1,331	65,588	58,138
Western Gas Equity Partners LP Communt Ltd PT (WGP)	148	5,301	4,431
Subtotal - Account #116DY086	<u>33,924</u>	<u>1,223,721</u>	<u>1,088,736</u>
Total Corporate Stock	<u>430,254</u>	<u>\$ 11,979,400</u>	<u>\$ 14,180,090</u>

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