

*Financial Statements, Required Supplementary
Information, Supplementary and Other Information, and
Report on Internal Control and Compliance*

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

*Years ended September 30, 2022 and 2021
with Report of Independent Auditors*



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

Financial Statements, Required Supplementary
Information, Supplementary and Other Information, and
Report on Internal Control and Compliance

Years ended September 30, 2022 and 2021

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Report of Independent Auditors

Board of Trustees
Republic of Palau Social Security Administration

Opinion

We have audited the financial statements of the fiduciary activities of Republic of Palau Social Security Administration (ROPSSA), a component unit of the Republic of Palau, as of and for the years ended September 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise ROPSSA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the fiduciary activities of ROPSSA as of September 30, 2022 and 2021, and the changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ROPSSA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ROPSSA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 ROPSSA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ROPSSA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 18 as well as the Schedule of Proportional Share of the Net Pension Liability on page 46 and the Schedule of Pension Contributions on page 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 audits 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise ROPSSA's basic financial statements. The Combining Statements of Fiduciary Net Position, Combining Statements of Changes in Fiduciary Net Position, and the Schedule of Administrative Deductions as of and for the years ended September 30, 2022 and 2021 on pages 47 through 49 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, this supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

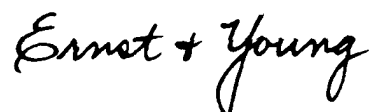
Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the Schedule of Investments on pages 53 through 55 but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2025, on our consideration of ROPSSA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of ROPSSA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ROPSSA's internal control over financial reporting and compliance.

The logo for Ernst & Young, featuring the company name in a stylized, cursive script font.

June 10, 2025



Republic of Palau
SOCIAL SECURITY ADMINISTRATION

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Management's Discussion and Analysis

Years ended September 30, 2022 and 2021

This Management's Discussion and Analysis (MD&A) of the Republic of Palau Social Security Administration's ("ROPSSA" or "the Administration") financial performance and condition for the fiscal year ended September 30, 2022, with comparative information for 2021 and 2020, is to provide the readers with management's view as to what is critical to an understanding of the Administration's historical performance and its prospects. It is intended to be read in conjunction with the independent auditors report as provided herein.

Organization

ROPSSA is descended from the Trust Territory Social Security System (TTSSS), which was established on July 1, 1968. The TTSSS ended when the Trust Territory of the Pacific Islands Government devolved into four separate entities. ROPSSA was created on May 28, 1987 by Republic of Palau Public Law (RPPL) 2-29 as codified in Title 41 of the Palau National Code Annotated (PNCA), as amended by 3-64, 4-49, 5-34, 6-13, 7-32, 8-5, 8-14, 9-11, 9-12, 9-35, 9-46, 9-55, 9-57, 9-62, 10-1, 10-3, 10-7, 10-8, 10-12, 10-21, 10-22, 10-29, 10-42, 10-44, 10-53, and 10-56. The Board of Trustees of ROPSSA is incorporated under the *Social Security Act of 1987* (the Act) to administer ROPSSA as an agency of the Republic of Palau (ROP).

The main role of the Board of Trustees is to administer the ROP Social Security Retirement Fund ("the Retirement Fund") in which persons covered may be ensured security without hardship and complete loss of income at an old age or during disability and further, to provide survivor's insurance for their spouse and children. The Retirement Fund is compulsory, self-supporting and self-financing. It is not to be financed from public funds (except to the extent that the government, in its capacity as an employer, makes contributions to the system as required under the Act).

The National Healthcare Financing Act (the NHFA) was created on May 7, 2010 under RPPL 8-14 as codified in Title 41 Chapter 9 of the PNCA. The NHFA was created to meet ROP's constitutional responsibility under Article VI of the Constitution to provide health care for all residents of Palau in a duly governed and managed system that will ensure that no person is denied access to the healthcare system or turned away for lack of money. ROPSSA's Board of Trustees appoints the Administrator to serve as the Healthcare Fund ("HCF" or "the Healthcare Fund") Administrator who is responsible for administration of the Medical Savings Account (MSA) and the National Health Insurance (NHI) subject to the supervision and oversight of the HCF Governing Committee.

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

ROPSSA Board of Trustees

The ROP President appoints five Board members to serve as the Board of Trustees for four-year terms subject to Senate confirmation. The Board of Trustees appoints the Administrator who manages and operates ROPSSA under the guidance of the Board. The Administrator serves as an ex-officio member of the Board. The Board of Trustees elects its own officers to the posts of Chairman, Vice Chairman and Secretary/Treasurer to serve for the duration of their term.

The Board held an election of new officers several times during the year and at the end of fiscal year 2022, the ROPSSA Board of Trustee members were as follows:

Board Member	Officers/Title	Appointed	Expiration
Ms. Johana Ngiruchelbad	Chairperson	11/19/19	11/19/23
Mr. Hefflin Bai	Vice Chairman	08/01/19	08/01/23
Mr. Terrence Ruluked	Secretary/Treasurer	04/06/21	04/06/25
Mr. Satoru W. Adachi	Member	04/06/21	04/06/25
Mrs. Evalista N. Kyota	Member	01/04/22	01/04/26

HCF Governing Committee

The Healthcare Fund (HCF) Governing Committee, established under the National Healthcare Financing Act (NHFA), is responsible for managing the financing and delivery of comprehensive healthcare coverage in Palau. It also has the authority to create laws, policies, rules, and regulations necessary to carry out the NHFA.

As mandated by the NHFA, members of the HCF Governing Committee are appointed based on their official positions. The Minister of Finance, the Minister of Health, and the Administrator of the Social Security Administration automatically serve as members by virtue of their roles. Additionally, the Committee includes a representative from the Governor's Association and a representative from the Chamber of Commerce.

As of September 30, 2022, members of the HCF Governing Committee by virtue of their position and title in the respective ROP agencies were as follows:

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

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Management's Discussion and Analysis, continued

Human Resources

The Administration's policies and strategies are implemented through the Administrator and a management team. The Administration is organized into five functional areas: Information Systems, Finance and Accounting, Employer Services, Member Services and Healthcare Fund Services. The total workforce of ROPSSA is thirty-five, including the Administrator. Employee turnover was 9% during fiscal years 2022 and 2021, and there were three vacancies that remained unfilled at the end of fiscal year 2022.

Contributions

Retirement Fund:

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

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

Funding is mainly derived from contributions, enabling the Retirement Fund to meet monthly benefit payments and operation costs. Any excess funds available are invested in the Retirement Fund's asset portfolio. There were no excess funds available to invest in 2022 as benefit payouts exceeded contributions.

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

Contributions, continued

Healthcare Fund:

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

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

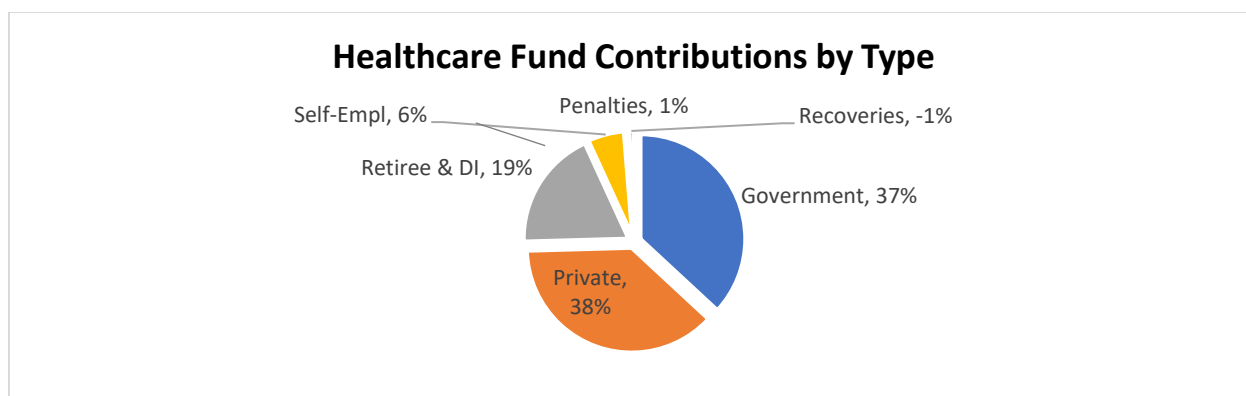
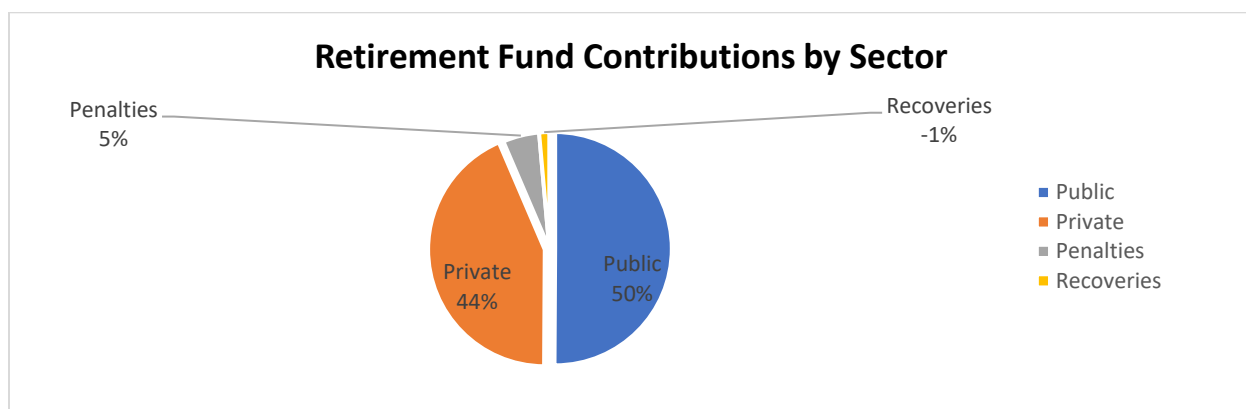
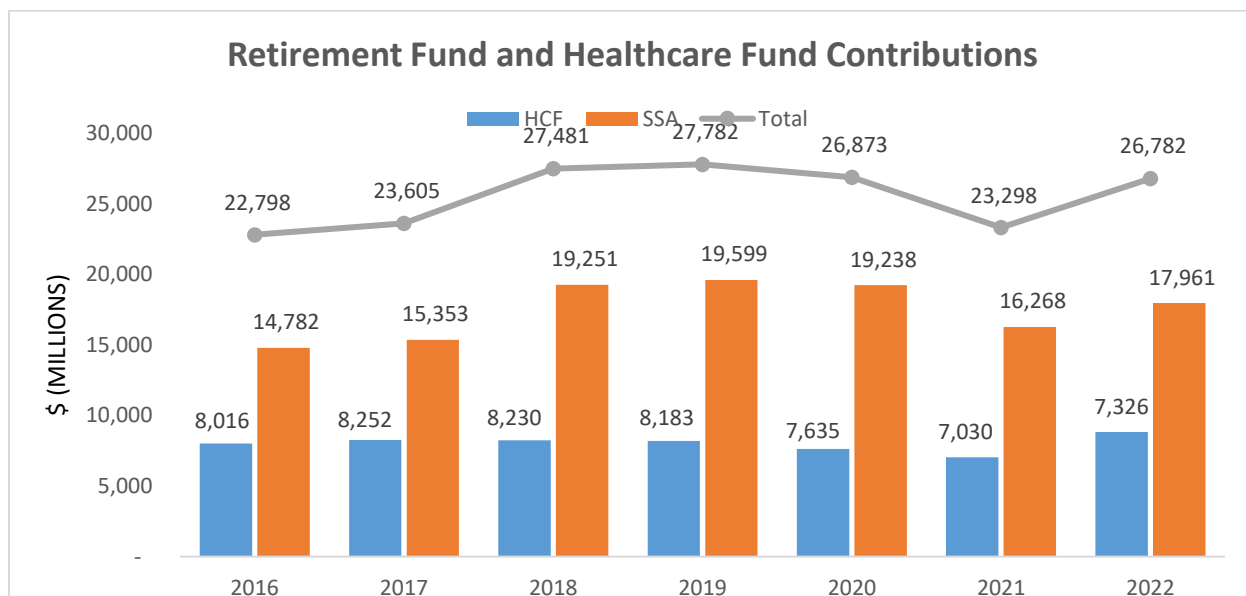
As of September 30, 2022, total members under the NHI were 15,232 versus 15,570 in 2021, while MSA members were 18,148 versus 18,161 in 2021. The remaining 12% uninsured under the NHI are mainly persons below the age of 59 and unemployed, persons who are no longer a dependent child and not enrolled under the voluntary program. Voluntary participation carries a quarterly premium of \$41.

Contributions to the Retirement Fund and Healthcare Fund in fiscal years 2022 and 2021 were \$25,286,949 and \$23,298,455 respectively. Contributions increased by 9% from the prior year due to positive impact after covid-19 on the slow economic recovery. Of total contributions, 67% represents contributions to the Retirement Fund and 33% represents contributions to the Healthcare Fund.

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Management's Discussion and Analysis, continued

Contributions, continued



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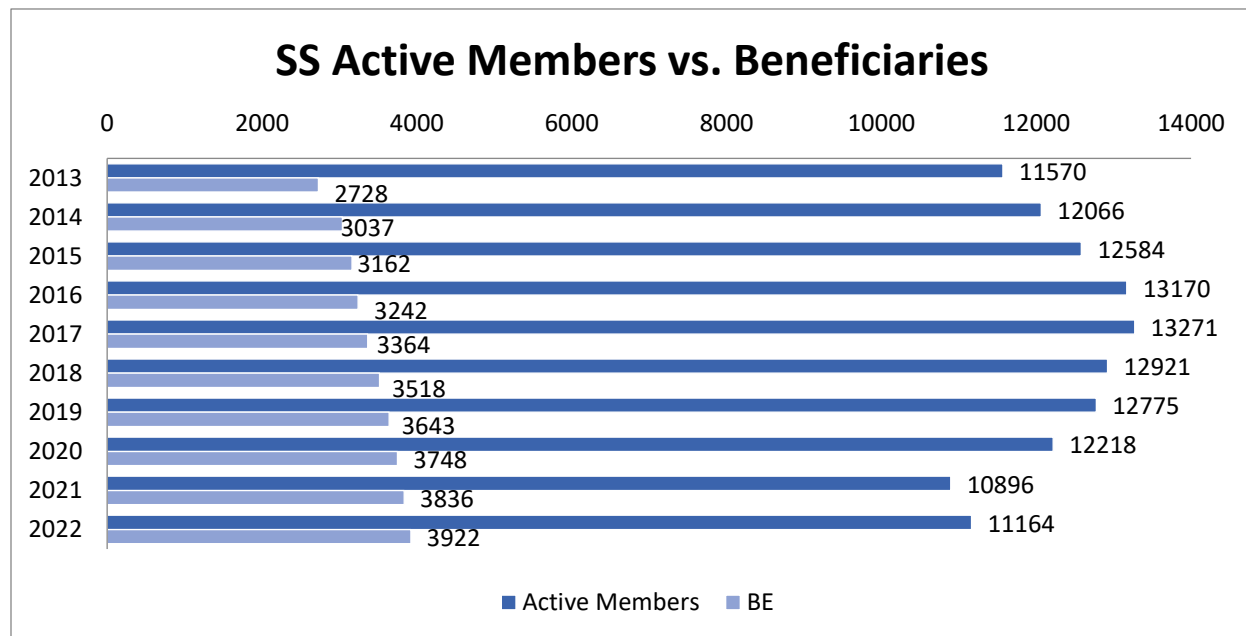
Management's Discussion and Analysis, continued

Employer Services

Total active employers as of calendar year 2022 were 2,545 versus 2,544 in 2021. The Administration experienced challenges of tracking licensed businesses in 2018 and 2019 during which the ROP Bureau of Revenue and Taxation (BRT) issued licenses without consistent clearance of ROPSSA EINs. Prior to 2018, renewal of ROPSSA EINs expired on January 31 of each year. The closure of business EINs outside of the renewal period allows the Administration and BRT to reconcile the number of active businesses and to ensure that all employers file with ROPSSA. Beginning November 2020, ROPSSA resumed the issue of EINs before BRT's licensing which allows the agencies to match the number of active businesses and strengthen monitoring and collection of unpaid taxes.

Member Services

Total active Retirement Fund members as of fiscal year 2022 were 11,164 versus 10,896 in 2021, an increase of 268 from last year, which is due to slow business recovery and foreign workers returning after the coronavirus. In hindsight, the growth of Retirement Fund beneficiaries has been averaging 4% a year since 2013 of 2,748 mainly due to dual benefits and baby boomers continuous retiring. Total Retirement Fund beneficiaries at fiscal year 2022 were 3,922 versus 3,836 in 2021.



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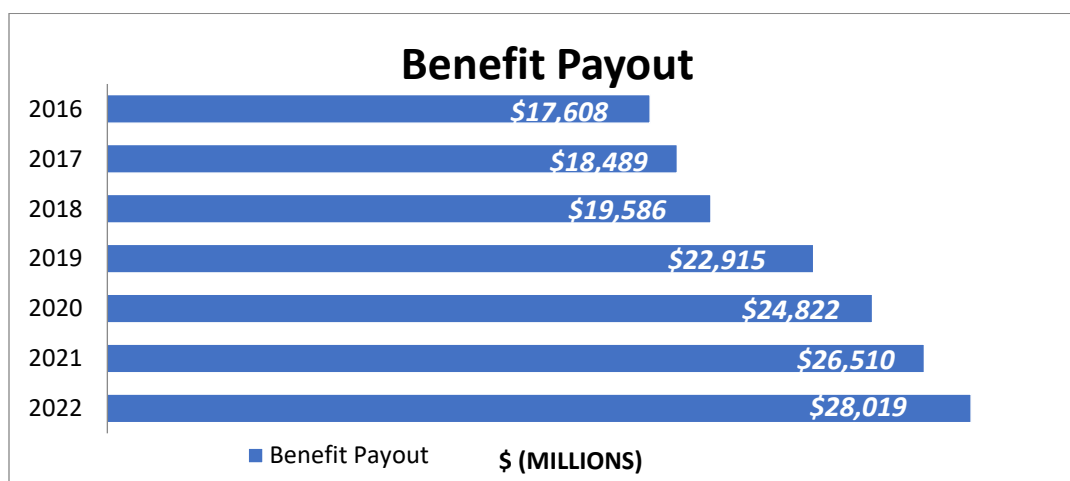
Management's Discussion and Analysis, continued

Retirement Fund Benefit Payments

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

The surviving child insurance benefits are for surviving children 18 years or younger and surviving children over 18 years and up to 22 years if a full-time student, subject to 15% of the deceased's basic benefit insurance. Disability insurance benefits are for persons who are disabled and are fully or permanently insured. The basic benefit exceeds 80% of 1/12 of the highest annual remuneration up to a limit of \$6,000 per annum preceding the disability with certain criteria established under guidelines. Lump sum benefits are paid after the death of a member at 6% of cumulative earnings less any amount of benefits received to date of the deceased to a legally appointed representative if there are no surviving beneficiaries.

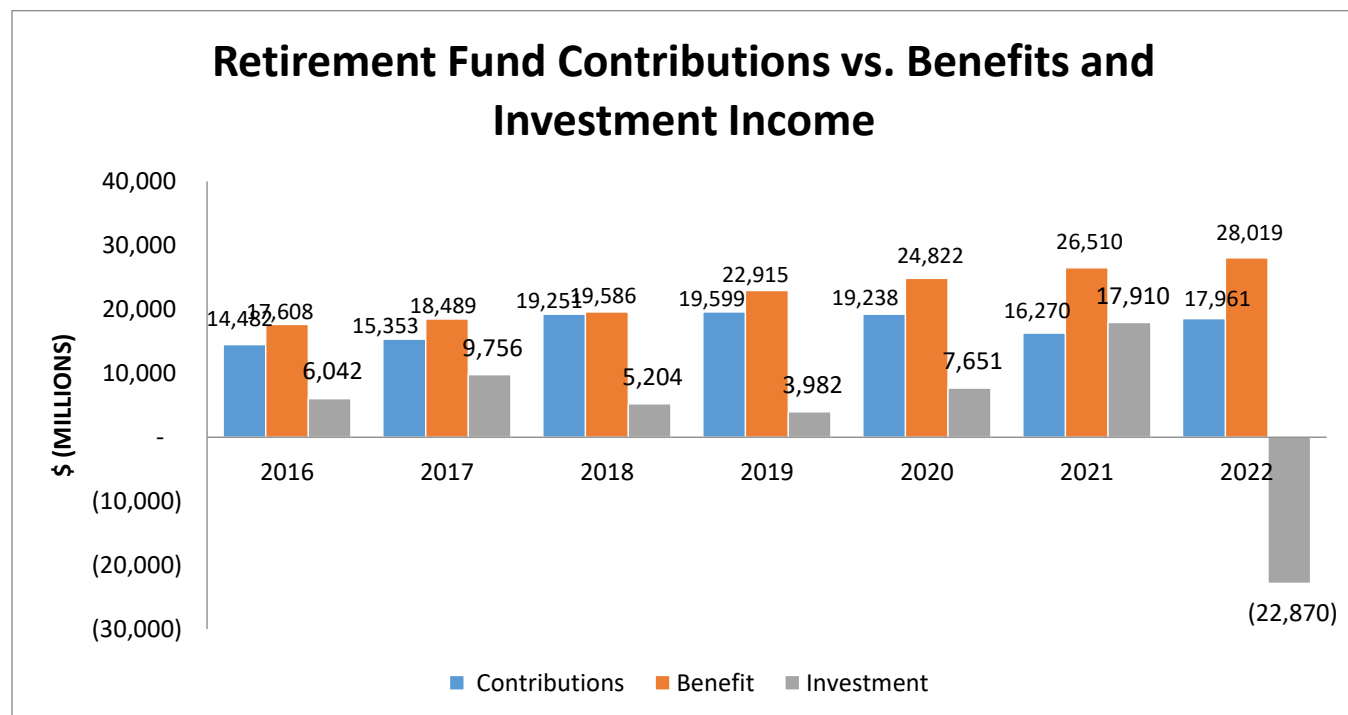
The supplemental benefit is an additional \$50 benefit outside of the Retirement Fund benefit payment formula that was created and funded by the ROP National Government under RPPL 9-46 beginning in fiscal year 2016 to present. Funding of the supplemental benefit payment from the ROP National Government in 2022 was \$1,955,000 versus \$3,908,950 in 2021. The Retirement Fund continues to be challenged in disbursing benefits due to the current level of contributions. Performance of benefit payout is illustrated in the graph below.



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

Retirement Fund Benefit Payments, continued



Healthcare Fund Benefit Payments

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

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

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

Healthcare Fund Benefit Payments, continued

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

- Expenses for outpatient (ambulatory) medical care sought on-island from authorized medical facilities, including expenses for doctor's fees, diagnostics services, pharmaceuticals, and medical devices and consumables;
- Expenses for pharmaceuticals purchased over the counter from authorized pharmacies or drug vendors if prescribed by an accredited medical practitioner;
- Premiums of private health insurance policies purchased by the account holder, his/her family dependents, and/or other designated beneficiaries;
- Expenses for co-payments due for in-patient care covered under the Palau Health Insurance scheme, including in-patient care sought at Belau National Hospital and off-island referrals;
- Expenses for dental care and prosthesis, reading glasses and contact lenses, and other medical devices prescribed by a doctor and purchased over-the counter from authorized vendors.

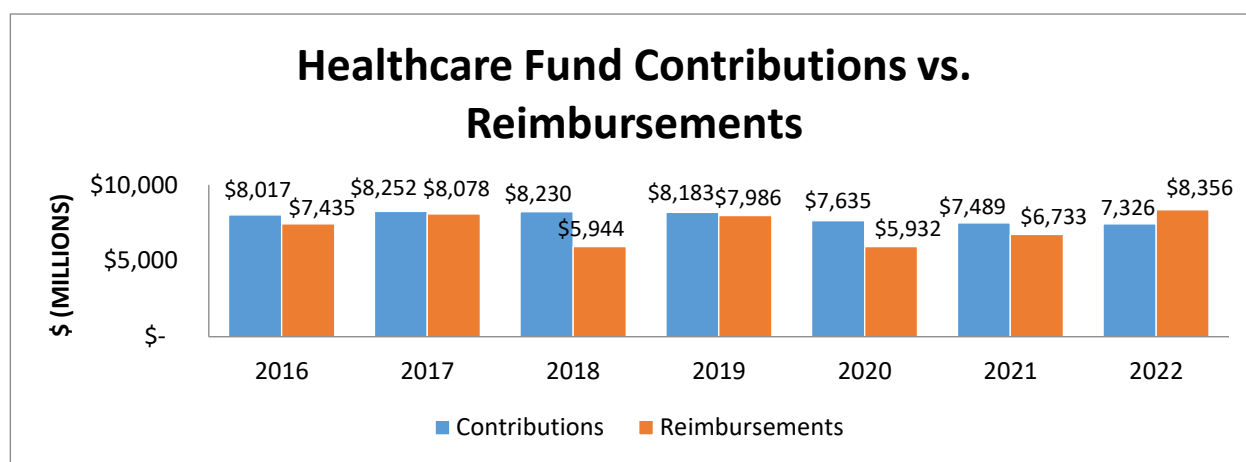
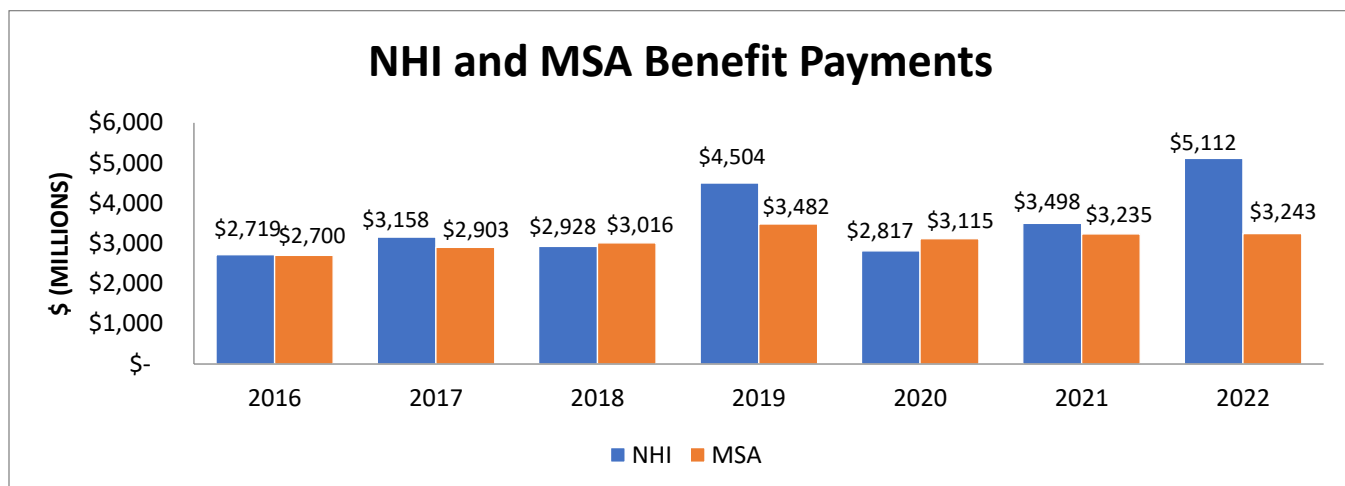
The NHI provides the following health services:

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

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

Healthcare Fund Benefit Payments, continued



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

Statement of Net Position

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

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

The Management's Discussion and Analysis for the year ended September 30, 2021 is set forth in ROPSSA's report on the audit of financial statements, which is dated, May 30, 2024. The Discussion and Analysis explains the major factors affecting change of the 2021 financial statements and can be reviewed at the Office of the Public Auditor's website at www.palauopa.org.

A summary of ROPSSA's Statements of Net Position as of September 30, 2022 compared with 2021 and 2020 is presented below:

Summary Statements of Net Position

As of September 30

	2022	2021	\$ Change 2022-2021	% Change 2022-2021	2020
Assets:					
Current and other assets	\$ 6,452,308	\$ 8,745,821	\$ (2,293,513)	(26.2)%	\$ 9,685,737
Investments	<u>104,239,555</u>	<u>138,825,938</u>	<u>(34,586,383)</u>	(24.9)%	<u>124,416,184</u>
Total assets	<u>110,691,863</u>	<u>147,571,759</u>	<u>(36,879,896)</u>	(25.0)%	<u>134,101,921</u>
Deferred outflows of resources:					
Deferred outflows from pensions	<u>801,158</u>	<u>979,213</u>	<u>(178,055)</u>	(18.2)%	<u>934,297</u>
Liabilities:					
Current and other liabilities	<u>5,526,110</u>	<u>4,781,734</u>	<u>744,376</u>	15.6%	<u>4,216,695</u>
Deferred inflows of resources:					
Deferred inflows from pensions	<u>833,551</u>	<u>496,258</u>	<u>337,293</u>	68.0%	<u>631,579</u>
Net position:					
Held in trust for benefits	<u>\$ 105,133,360</u>	<u>\$ 143,272,980</u>	<u>\$ (38,139,620)</u>	(26.6)%	<u>\$ 130,187,944</u>

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

Management's Discussion and Analysis, continued

Statement of Net Position, continued

Total ROPSSA assets increased by \$13,469,838 from 2020 to 2021 and decreased by \$36,879,896 from 2021 to 2022. Current and other assets decreased marginally by \$939,916 from 2021 to 2020 and decreased by \$2,293,513 from 2021 to 2022 while investments increased by \$14,409,754 from 2020 to 2021 and decreased by \$34,586,383 from 2021 to 2022. Total ROPSSA liabilities increased by \$565,039 from 2020 to 2021 and further increased by \$744,376 from 2021 to 2022. Total ROPSSA net position increased by \$13,085,036 from 2020 to 2021 and decreased by \$38,139,620 from 2021 to 2022.

Statement of Revenues, Expenses, and Changes in Net Position

Total net position of ROPSSA is affected by the changes in both assets (and deferred outflows) and liabilities (and deferred inflows) resulting in an increase in net position of \$13,085,036 in 2021 and a decrease of \$38,139,620 in 2022.

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

A summary of ROPSSA's Statements of Revenues, Expenses and Changes in Net Position for the year ended September 30, 2022 compared with 2021 and 2020 is presented below:

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

	2022	2021	\$ Change 2022-2021	% Change 2022-2021	2020
Additions:					
Contributions	\$ 25,286,949	\$ 23,298,455	\$ 1,988,494	8.5%	\$ 26,872,728
Investment income	(27,528,309)	20,351,410	(47,879,719)	(235.3)%	8,645,328
Other	2,589,242	4,503,897	(1,914,655)	(42.5)%	3,097,790
Total additions	347,882	48,153,762	(47,805,880)	(99.3)%	38,615,846
Deductions:					
Benefits	36,466,128	33,339,049	3,127,079	9.4%	30,859,278
Administrative	2,021,374	1,729,677	291,697	16.9%	1,800,958
Total deductions	38,487,502	35,068,726	3,418,776	9.7%	32,660,236

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

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

Total ROPSSA additions increased by \$9,537,916 from 2020 to 2021 and significantly decreased by \$47,805,880 from 2021 to 2022. Contributions decreased by \$3,574,273 from 2020 to 2021 and increased by \$1,988,494 from 2021 to 2022. Investment income increased by \$11,706,082 from 2020 to 2021 and significantly decreased by \$47,879,719 from 2021 to 2022. Other additions increased by \$1,406,107 from 2020 to 2021 and decreased by \$1,914,655 from 2021 to 2022.

Total ROPSSA deductions increased by \$2,408,490 from 2020 to 2021 and increased by \$3,418,775 from 2021 to 2022. Benefit payments decreased by \$2,479,771 from 2020 to 2021 and increased by \$3,127,079 from 2021 to 2022 while administrative expenses decreased by \$71,281 from 2020 to 2021 and increased by \$291,697 from 2021 to 2022.

Actuarial Valuation

An actuarial valuation issued October 1, 2022 provides an assessment of the system's accrued liabilities and determination of the Fund's funded ratio. The unfunded liability increased by \$78,291,000 with funding ratio at 25% compared to 2018, because of the annual increase in the SSRF benefits of \$600 to each beneficiary, removal of the wage cap, inclusive of contribution rate increase to 7% for both employee and employer.

Year	Net Assets Available for Benefits	Accrued Liability (AAL)	Funded Ratio	Unfunded AAL
9/30/2022	\$ 89,797,000	\$ 362,545,000	25%	\$ 272,748,000
9/30/2018	\$ 106,583,000	\$ 301,040,000	35%	\$ 194,457,000
9/30/2017	\$ 102,483,000	\$ 277,717,000	37%	\$ 175,234,000
9/30/2015	\$ 90,777,000	\$ 267,772,000	34%	\$ 176,995,000
9/30/2014	\$ 98,040,000	\$ 240,492,000	41%	\$ 142,452,000
9/30/2013	\$ 93,182,000	\$ 201,486,000	46%	\$ 108,304,000
9/30/2011	\$ 77,367,000	\$ 168,614,000	46%	\$ 91,247,000

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

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

Management's Discussion and Analysis, continued

Economic Outlook: Impact of Covid-19 and Road to Recovery

Palau's expected GDP growth on the road to recovery after Covid-19 pandemic is positive. The efforts and effects of mitigating programs such as the Coronavirus Relief One-Stop Shop (CROSS) Act in 2020 and the U.S. Coronavirus Aid, Relief, and Economic Security (CARES) Act in 2021 continued to ease the economic shortfall. Besides the local revenue, Palau still needs to continue to seek other sources of funding from grants and technical assistance to fully recover given Palau's economy is primarily in tourism, construction and agriculture. In essence, Palau needs to seek support and assistance from donors to improve public sector performance and to promote private sector development through policy-based programs.

The economic policies such as tax reform, pension reform, SS reform and others in progress is expected to enhance public sector performance and promote private sector development. The support of the U.S. military presence in the Pacific region mainly in Palau and continued investment in the infrastructure creates opportunities for resilient and gradual growth. Active participation of leadership in climate change initiatives is expected to provide opportunities to mitigate any significant impact of climate risks while continue to preserve Palau's natural resources for sustainable living.

The plan for FY2023 and beyond is to continue collaborating with stakeholders in support of SS Reform Policy, to maintain current levels of collection, perform timely benefit payout, increase audit of benefits and to strengthen the relationship with partners to improve tax compliance. Furthermore, this includes the continued effort to maintain and enhance the computer system, internal policies and processes for effectiveness of services.

Contacting the Administration's Financial Management

The financial report is designed to provide a general overview of ROPSSA's finances and to demonstrate the Administration's accountability for the money it receives. The MD&A is based on past performance and current situations that anticipate the future outlook subject to risk and uncertainties. The actual results in the future may differ from these expectations. If you have questions about this report, or need additional information, please contact ROPSSA's Administrator at the Republic of Palau Social Security Administration, P.O. Box 679, Koror, Republic of Palau 96940, or e-mail administration@ropssa.pw or call 488-2457.

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

Statements of Fiduciary Net Position

	September 30,	
	2022	2021
	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents	\$ 1,209,825	\$ 3,578,151
Receivables, net	<u>4,546,231</u>	<u>4,291,535</u>
Investments:		
Mutual funds	81,730,458	108,694,096
U.S. Government obligations	9,440,604	14,722,470
Corporate bonds	10,456,950	15,127,765
Money market funds	<u>2,611,543</u>	<u>281,607</u>
Total investments	<u>104,239,555</u>	<u>138,825,938</u>
Prepaid expense	8,624	8,624
Capital assets, net	<u>687,628</u>	<u>867,511</u>
Total assets	<u>110,691,863</u>	<u>147,571,759</u>
Deferred Outflows of Resources		
Deferred outflows of resources from pension	<u>801,158</u>	<u>979,213</u>
Liabilities		
Benefits payable	731,872	573,217
Medical claims payable	1,432,910	479,793
Accrued liabilities and accounts payable	59,946	43,197
Net pension liability	<u>3,301,382</u>	<u>3,685,527</u>
Total liabilities	<u>5,526,110</u>	<u>4,781,734</u>
Deferred Inflows of Resources		
Deferred inflows of resources from pension	<u>833,551</u>	<u>496,258</u>
Net Position		
Held in trust for benefits and other purposes	<u>\$ 105,133,360</u>	<u>\$ 143,272,980</u>

See accompanying notes.

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

Statements of Changes in Fiduciary Net Position

	Year ended September 30,	
	2022	2021
Additions:		
Contributions:		
Government employees	\$ 12,556,865	\$ 13,095,767
Private employees	10,902,431	9,396,830
Retirees and disabled individuals	666,394	664,215
Self-employed individuals	497,723	458,330
Penalties and interest	984,749	193,129
Total contributions	25,608,162	23,808,271
Allowance for doubtful accounts	(321,213)	(509,816)
Net contributions income	25,286,949	23,298,455
Investment income (loss):		
Net changes in the fair value of investments	(31,780,193)	17,048,142
Dividends	3,805,785	2,669,223
Interest	829,170	989,950
Total investment income (loss)	(27,145,238)	20,707,315
Less investment expense:		
Investment management and custodial fees	(383,071)	(355,905)
Net investment income (loss)	(27,528,309)	20,351,410
Other additions	634,242	594,947
Republic of Palau subsidy	1,955,000	3,908,950
Total additions	347,882	48,153,762
Deductions:		
Benefit payments:		
Retirement	21,439,003	20,082,735
Survivors	5,778,695	5,651,246
Medical savings account	3,243,238	3,231,818
National health insurance	5,112,893	3,498,214
Disability	833,497	778,683
Lump sum	58,802	96,353
Total benefit payments	36,466,128	33,339,049
Administrative	2,021,374	1,729,677
Total deductions	38,487,502	35,068,726
Change in net position	(38,139,620)	13,085,036
Net position at beginning of the year	143,272,980	130,187,944
Net position at end of the year	\$ 105,133,360	\$ 143,272,980

See accompanying notes.

Republic of Palau Social Security Retirement Fund

(A Component Unit of the Republic of Palau)

Notes to Financial Statements

Years ended September 30, 2022 and 2021

1. Organization

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

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

In 2010, RPPL No. 8-14 (the National Healthcare Financing Act) established Palau's first national healthcare financing program to be administered by ROPSSA. The program consists of two components: individual Medical Savings Accounts (MSA) and a pooled universal social health insurance fund known as National Health Insurance (NHI). Accordingly, ROPSSA established the Healthcare Fund to account for activities under this program. The MSA is designed to help individuals to save money to pay for future healthcare costs including outpatient medical treatment, prescribed medications, and private health insurance premiums. The use of the MSA is limited to the Belau National Hospital and related dispensaries as well as participating MSA private clinics in Palau. The NHI is designed to complement the MSA and assist in funding inpatient medical treatment, off-island medical treatment, and medical transportation for approved off-island referrals. Effective October 1, 2021, the administration of off island medical services and related records were transferred from Republic of Palau National Government to ROPSSA.

ROPSSA is administered under the authority of five trustees appointed by the President with the advice and consent of the Senate of the Republic of Palau.

2. Summary of Significant Accounting Policies

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

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

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Basis of Accounting

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

Cash and cash equivalents

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

Investments

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

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

Receivables

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

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

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Capital Assets

ROPSSA's capital assets are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets. Current policy is to capitalize items more than \$1,000. Estimated useful lives are as follows:

	<u>Estimated Useful Lives</u>
Office furniture and equipment	4 - 13 years
Building and improvements	30 years
Vehicles	5 years

Contributions

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

Contributions to the Healthcare Fund are governed by the National Healthcare Financing Act, as amended, which requires each participating employee to pay the minimum contribution of 2.5% of the employees' quarterly pre-tax income. Every participating employer is required to contribute an amount equal to that contributed by the employee. The individual employee contributions go to the individual employee's MSA, while the employer contributions go to a pooled account that funds the NHI. Every participating self-employed individual are presumed to receive in any quarter, as remuneration, 10% of the self-employed individual's gross revenue and is required to pay 5% based on that amount on a quarterly basis. There is no maximum limit in contributions to the Healthcare Fund. All unemployed individuals may voluntarily join by paying into the NHI pool a premium of \$40.95 per quarter. The National Government pays subsidized contributions for individual citizens who are 60 years of age and unemployed, as well as for those who are disabled and unemployed. These subsidized contributions are funded by a 10% allocation of annual revenues received by the National Government from import tax on alcoholic beverages and excise tax on tobacco.

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

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Pensions

Pensions are required to be recognized and disclosed using the accrual basis of accounting. ROPSSA recognizes a net pension liability for the defined benefit pension plan in which it participates, which represents ROPSSA's proportional share of excess total pension liability over the pension plan assets – actuarially calculated – of a cost-sharing multi-employer pension plan, measured one year prior to fiscal year-end and rolled forward.

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

Deferred Outflows of Resources

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

Compensated Absences

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

It is the policy of ROPSSA to record sick leave when leave is taken. Sick leave is compensated time for absence during working hours arising from employee illness or injury. Management has determined that the estimated amount of unused sick leave at September 30, 2022 is not material to the financial statements.

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

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Deferred Inflows of Resources

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

Benefit Payments

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

Retirement benefit payments are also made to surviving spouses of deceased workers, subject to eligibility requirements, as long as they do not remarry. Eligible children who are not married and not working may also receive benefits until age eighteen (18) or up until age twenty-two (22) if in school. Eligible children who become disabled before age twenty-two will continue to receive benefits for the duration of the disability. Disability benefit payments are made to qualified workers for the duration of the disability or until retirement or death, at which time retirement or survivor benefits become available. Effective October 1, 2013, the benefit payments paid monthly are computed upon an annual basis of 27% of the first \$11,000 of the cumulative covered earnings, plus 2.9% of the next \$33,000, plus 1.5% of the next \$44,000, plus 0.75% of the cumulative covered earnings more than \$500,000. The minimum benefit is \$198 per month, effective September 27, 2017. The maximum limit of the basic monthly benefit is 100% of the highest monthly average wage of the wage earner over any 12 quarters out of the last 40 quarters preceding retirement.

Future Liabilities and Contributions

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

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

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Taxes

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

Estimates

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

Recently Adopted Accounting Pronouncements

In 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed the effective date of GASB Statement No. 89 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. In accordance with GASB Statement No. 95, ROPSSA has elected to postpone implementation of these statements.

During the year ended September 30, 2022, ROPSSA implemented the following pronouncements:

- GASB Statement No. 87, *Leases*, which increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract.
- GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period.
- GASB Statement No. 92, *Omnibus 2020*, which enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

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

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements, continued

- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32, which increases consistency and comparability related to the reporting of fiduciary component units; mitigates costs associated with the reporting of certain pension plans and other postemployment benefit (OPEB) plans as fiduciary component units; and enhances the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.
- GASB Statement No. 98, *The Annual Comprehensive Financial Report*, which establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.
- GASB Statement No. 99, *Omnibus 2022*, which provides clarification guidance on several of its recent statements that addresses different accounting and financial reporting issues identified during implementation of the new standards and during the GASB's review of recent pronouncements. GASB Statement No. 99:
 - 1) Amends guidance in GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, requiring that the accounting and financial reporting of Supplemental Nutrition Assistance Program (SNAP) transactions should follow the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, as amended. These provisions were effective upon issuance.
 - 2) Requires disclosures related to nonmonetary transactions, in the notes to financial statements, of the measurement attribute(s) applied to the assets transferred rather than the basis of accounting for those assets. These provisions were effective upon issuance.
 - 3) Provides guidance on accounting for pledges of future revenues when resources are not received by the pledging government. The guidance addresses the process of blending a component unit created to issue debt on behalf of a primary government when that component unit is required to be presented as a blended component unit. This guidance was effective upon issuance.

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

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements, continued

- 4) Provides clarification of provisions in GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended, related to the focus of the government-wide financial statements. This guidance was effective upon issuance.
- 5) Provides terminology updates related to certain provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and terminology used in GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. These updates were effective upon issuance.
- 6) GASB Statement No. 93, *Replacement of Interbank Offered Rates*, which amended GASB Statement No. 53 to address transition away from the London Interbank Offered Rate (LIBOR). GASB Statement No. 99 extends the period during which the LIBOR is considered an appropriate benchmark interest rate to when LIBOR ceases to be determined using methodology in place as of December 31, 2021. This guidance was effective upon issuance.

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

Upcoming Accounting Pronouncements

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

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

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

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

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

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. This Statement contains guidance whose effective dates are in future periods. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 99:

- 1) Modifies guidance in GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, to bring all guarantees under the same financial reporting requirements and disclosures effective for fiscal year ending September 30, 2024.
- 2) Provides guidance on classification and reporting of derivative instruments within the scope of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for fiscal year ending September 30, 2024.
- 3) Provides clarification of provisions in GASB Statement No. 87 related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives effective for fiscal year ending September 30, 2023.

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

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

- 4) Provides clarification of provisions in GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset. Effective for fiscal year ending September 30, 2023.
- 5) Provides clarification of provisions in GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability. Effective for fiscal year ending September 30, 2023.
- 6) Modifies accounting and reporting guidance in GASB Statement No. 53 related to termination of hedge. Guidance is effective for fiscal year ending September 30, 2023.

3. Prior Service Benefits Program

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

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

For the years ended September 30, 2022 and 2021, ROPSSA assumed administrative functions and received an allocation of \$93,100 and \$140,400, respectively, from PSTFA. Total benefits and administrative expenses for the years ended September 30, 2022 and 2021 amounted to \$108,684 and \$118,689, respectively. While ROPSSA accepts the liability for any amounts received, ROPSSA does not accept the obligation to pay future benefits unless additional funds are received from PSTFA. As of September 30, 2022 and 2021, the amount of \$14,858 and \$30,442, respectively, is available for future benefit payments under the Prior Service Benefits Program.

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

4. Deposits and Investment

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

- (i) Cash
 - a. Investments in this category must adhere to the guidelines in Rule 2a-7 under the U.S. Securities and Exchange Commission (SEC) Investment Company Act of 1940.
- (ii) Fixed Income
 - a. Bonds, notes, and pass-through securities issued or guaranteed by the U.S. Government, its agencies or instrumentalities;
 - b. U.S. corporate bonds and nonconvertible preferred stocks;
 - c. Secured debt instruments with credit ratings of AAA excluding "interest only" and "principal only" derivatives securities;
 - d. Debt issued by foreign entities; and
 - e. The exposure of the portfolio to any one company, other than securities of the U.S. government, shall not exceed 5% of the market value of the portfolio under management by the investment manager.
- (iii) U.S. Equities
 - a. Common stock and convertible securities of U.S. listed Corporations provided they are listed on the New York Stock Exchange (NYSE), American Stock Exchange (AMEX), or National Association of Securities Dealers Automated Quotation (NASDAQ);
 - b. American Depositary Receipts (ADRs) that are listed on the NYSE, AMEX, or NASDAQ provided the total investment in these securities does not exceed 10% of the total assets managed by ROPSSA's investment manager at the time of purchase and such investments are in industries and areas of the market that ROPSSA's investment manager already has proven expertise;
 - c. Equity portfolios shall be diversified among issuers and industry classifications. The market value of the equity holdings in a single corporation should not exceed 5%, nor 5% of the corporation's total market capitalization; and
 - d. An investment manager's firm aggregate equity position should not exceed 5% of the corporation's total market capitalization.

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

Notes to Financial Statements, continued

4. Deposits and Investment, continued

(iv) International Equities

- a. Equity securities of Corporations provided they are listed on the stock exchange of countries included in the Morgan Stanley Capital International (MSCI) All Country World excluding US Index;
- b. ADRs, European Depository Receipts (EDRs) and Global Depository Receipts (GDRs) relating to any of the above are allowable; and
- c. Portfolios shall be diversified among issuers, industry classifications and countries. The market value of the equity holdings in a single corporation should not exceed 5% of the market value of the portfolio under management by ROPSSA's investment manager.

Deposits

Custodial credit risk is the risk that in the event of a bank failure, ROPSSA's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. ROPSSA does not have a deposit policy for custodial credit risk.

As of September 30, 2022 and 2021, cash and cash equivalents were \$1,209,825 and \$3,578,151, respectively, and the corresponding bank balances were \$1,287,609 and \$3,777,102, respectively, that are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2022 and 2021, bank deposits of \$250,000 were FDIC insured. ROPSSA does not require collateralization of its cash deposits; therefore, deposit levels more than FDIC coverage and deposits in financial institutions not subject to FDIC coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk. ROPSSA has not experienced any losses in such accounts.

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

4. Deposits and Investments, continued

Investments

ROPSSA has the following recurring fair value measurements as of September 30, 2022 and 2021:

		2022			
		<u>Fair Value Measurements Using</u>			
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
	<u>Total</u>				
Investments by fair value level:					
U.S. Treasury notes	\$ 1,899,744	\$ 1,899,744	\$ ---	\$ ---	
U.S. Municipal obligations	3,206,931	---	3,206,931	---	
Other U.S. Government obligations	4,333,929	---	4,333,929	---	
Corporate notes and bonds	<u>10,456,950</u>	<u>---</u>	<u>10,456,950</u>	<u>---</u>	
	19,897,554	<u>\$ 1,899,744</u>	<u>\$ 17,997,810</u>	<u>\$ ---</u>	
Investments measured at NAV:					
Mutual funds	81,730,458				
Investments measured at amortized cost:					
Money market funds	<u>2,611,543</u>				
	<u>\$ 104,239,555</u>				

		2021			
		<u>Fair Value Measurements Using</u>			
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
	<u>Total</u>				
Investments by fair value level:					
U.S. Treasury notes	\$ 5,343,182	\$ 5,343,182	\$ ---	\$ ---	
U.S. Municipal obligations	3,886,695	---	3,886,695	---	
Other U.S. Government obligations	5,492,593	---	5,492,593	---	
Corporate notes and bonds	<u>15,127,765</u>	<u>---</u>	<u>15,127,765</u>	<u>---</u>	
	29,850,235	<u>\$ 5,343,182</u>	<u>\$ 24,507,053</u>	<u>\$ ---</u>	
Investments measured at NAV:					
Mutual funds	108,694,096				
Investments measured at amortized cost:					
Money market funds	<u>281,607</u>				
	<u>\$ 138,825,938</u>				

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, ROPSSA will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. ROPSSA's investments are held and administered by trustees in accordance with negotiated trust and custody agreements. Based on these agreements, all these investments were held in ROPSSA's name by ROPSSA's custodial financial institutions as of September 30, 2022 and 2021.

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

4. Deposits and Investments, continued

Investments, continued

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 requires disclosure by issuer and amounts of investments in any one issuer that represents five percent (5%) or more of total investments for ROPSSA. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. There was no concentration of credit risk for investments as of September 30, 2022 and 2021.

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

As of September 30, 2022 and 2021, ROPSSA's investments in fixed income debt securities were as follows:

	2022				
	Investment Maturities (In Years)				
	Less Than 1	1 to 5	6 to 10	Greater Than 10	Fair Value
U.S. Treasury notes	\$ ---	\$ 565,133	\$ ---	\$ 1,334,611	\$ 1,899,744
U.S. Municipal obligations	---	1,283,739	989,380	933,812	3,206,931
Other U.S. Government obligations	---	1,835,218	995,373	1,503,338	4,333,929
Corporate notes and bonds	761,681	4,995,869	2,058,842	2,640,558	10,456,950
	<u>\$ 761,681</u>	<u>\$ 8,679,959</u>	<u>\$ 4,043,595</u>	<u>\$ 6,412,319</u>	<u>\$ 19,897,554</u>
	2021				
	Investment Maturities (In Years)				
	Less Than 1	1 to 5	6 to 10	Greater Than 10	Fair Value
U.S. Treasury notes	\$ 175,278	\$ 2,572,924	\$ 1,143,096	\$ 1,451,884	\$ 5,343,182
U.S. Municipal obligations	---	921,402	1,364,337	1,600,956	3,886,695
Other U.S. Government obligations	35,052	1,825,371	1,261,457	2,370,713	5,492,593
Corporate notes and bonds	965,691	7,174,648	3,570,587	3,416,839	15,127,765
	<u>\$ 1,176,021</u>	<u>\$ 12,494,345</u>	<u>\$ 7,339,477</u>	<u>\$ 8,840,392</u>	<u>\$ 29,850,235</u>

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

4. Deposits and Investments, continued

Investments, continued

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

ROPSSA's credit quality distribution for debt securities as of September 30, 2022 and 2021, is as follows:

<u>Investment Type</u>	<u>2022 Credit Rating</u>	<u>Amount</u>
U.S. Treasury notes	Aaa	\$ 1,334,612
U.S. Treasury notes	Not Rated	565,132
Other U.S. Government obligations	Aaa	3,916,178
Other U.S. Government obligations	Not Rated	417,751
U.S. Municipal obligations	A	447,605
U.S. Municipal obligations	Aa	1,520,634
U.S. Municipal obligations	Not Rated	1,238,692
Corporate notes and bonds	A	3,445,142
Corporate notes and bonds	Aa	724,279
Corporate notes and bonds	Aaa	864,604
Corporate notes and bonds	Baa	1,045,758
Corporate notes and bonds	Not Rated	<u>4,377,167</u>
		<u>\$ 19,897,554</u>
<u>Investment Type</u>	<u>2021 Credit Rating</u>	<u>Amount</u>
U.S. Treasury notes	Aaa	\$ 5,343,182
Other U.S. Government obligations	Aaa	5,492,593
U.S. Municipal obligations	A	572,102
U.S. Municipal obligations	Aa	1,864,117
U.S. Municipal obligations	Aaa	160,875
U.S. Municipal obligations	Not Rated	1,289,601
Corporate notes and bonds	A	6,194,787
Corporate notes and bonds	Aa	1,454,963
Corporate notes and bonds	Aaa	4,050,105
Corporate notes and bonds	Baa	3,128,991
Corporate notes and bonds	Not Rated	<u>298,919</u>
		<u>\$ 29,850,235</u>

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

5. Receivables

Receivables as of September 30, 2022 and 2021, including applicable allowance for doubtful accounts, are as follows:

	<u>2022</u>	<u>2021</u>
Contributions	\$6,350,814	\$5,252,377
National Development Bank of Palau (NDBP) Loan	1,155,884	1,730,959
Accrued interest and dividends	169,664	186,612
Advances and others	<u>74,468</u>	<u>4,972</u>
	7,750,830	7,174,920
Less allowance for doubtful accounts	<u>(3,204,599)</u>	<u>(2,883,385)</u>
	<u>\$4,546,231</u>	<u>\$4,291,535</u>

In 2003, ROPSSA entered into a loan agreement with NDBP, an affiliated entity and a component unit of the Republic of Palau. The loan was for \$3,000,000 with a subsequent \$2,000,000 line of credit to be made available with terms and conditions to be agreed to by the parties at that time.

In 2008, ROPSSA entered into an agreement to restructure the loan. The loan ceiling increased to \$6,000,000, which was disbursed in increments of \$500,000, bearing interest at a variable annual rate equal to ROPSSA's Fixed Income Fund Return Rate as reported monthly by ROPSSA's investment consultant, plus 0.5%; provided, however the interest rate to be charged and paid by NDBP shall not be less than 4.5% nor more than 7.5% after addition of the 0.5% to the prime rate. Outstanding principal plus all unpaid interest are to be paid semi-annually, on or before June 30 and December 31 of each year, effective June 30, 2011, through December 31, 2025. The loan is collateralized by the full faith and credit of the Republic of Palau Government.

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

6. Capital Assets

Capital asset activity for the year ended September 30, 2022 and 2021, is as follows:

		2022 Balance at October 1, 2021	Additions and Transfers	Deletions and Transfers	Balance at September 30, 2022
	Estimated Useful Lives				
Depreciable capital assets:					
Office furniture and equipment	4 - 13 years	\$ 1,133,963	\$ 27,429	\$ ---	\$ 1,161,392
Building and improvements	30 years	489,463		---	489,463
Vehicles	5 years	<u>66,564</u>	<u>---</u>	<u>---</u>	<u>66,564</u>
		1,689,990	27,429	---	1,717,419
Less accumulated depreciation		(<u>822,479</u>)	(<u>207,312</u>)	<u>---</u>	(<u>1,029,791</u>)
		<u>\$ 867,511</u>	<u>\$ (179,883)</u>	<u>\$ ---</u>	<u>\$ 687,628</u>
		2021 Balance at October 1, 2020	Additions and Transfers	Deletions and Transfers	Balance at September 30, 2021
	Estimated Useful Lives				
Depreciable capital assets:					
Office furniture and equipment	4 - 13 years	\$ 1,112,633	\$ 21,330	\$ ---	\$ 1,133,963
Building and improvements	30 years	13,500	475,963	---	489,463
Vehicles	5 years	<u>66,564</u>	<u>---</u>	<u>---</u>	<u>66,564</u>
		1,192,697	497,293	---	1,689,990
Less accumulated depreciation		(<u>627,360</u>)	(<u>195,119</u>)	<u>---</u>	(<u>822,479</u>)
		<u>\$ 565,337</u>	<u>\$ 302,174</u>	<u>\$ ---</u>	<u>\$ 867,511</u>

7. Pension Plan

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

A. General Information About the Pension Plan:

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

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

7. Pension Plan, continued

A. General Information About the Pension Plan, continued:

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

Plan Membership: The ROP National Government, ROP State Governments and ROP public corporations, quasi-governmental organizations and other public entities of the National and State Governments of ROP, are participating in the Plan. Membership consisted of the following as of October 1, 2021 (the valuation date):

Inactive members currently receiving benefits	1,730
Inactive members entitled to but not yet receiving benefits	404
Inactive nonvested members	1,105
Active members	<u>3,423</u>
Total members	<u>6,662</u>

Summary of the Principal Provisions of the Plan:

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

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

Vesting Service: Includes membership service and prior service credit.

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

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

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

7. Pension Plan, continued

A. General Information About the Pension Plan, continued:

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

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

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

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

7. Pension Plan, continued

A. General Information About the Pension Plan, continued:

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

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

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

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

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

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

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

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

7. Pension Plan, continued

A. General Information About the Pension Plan, continued:

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

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

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

Actuarial Assumptions:

The total pension liability was determined by an actuarial valuation as of October 1, 2021 using the following actuarial assumptions:

Actuarial Cost Method:	Normal costs are calculated under the entry age normal method
Amortization Method:	Level dollar, open with remaining amortization period of 30 years
Asset Valuation Method:	Market Value of Assets
Investment Income:	6.74% per year, net of investment expenses, including price inflation
Municipal Bond Index Rate:	2.17%

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

7. Pension Plan, continued

A. General Information About the Pension Plan, continued:

Year fiduciary net position
is projected to be depleted: 2027

Price Inflation: 2.5% per year

Interest on
Member Contributions: 5.0% per year

Salary Increase: 3.0% per year

Expenses: \$300,000 added to normal cost

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

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

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

Retirement Age: 100% at age 60

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

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

Duty vs Non-duty
related disability: 100% Duty related

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

7. Pension Plan, continued

A. General Information About the Pension Plan, continued:

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

Investment Rate of Return:

The long-term expected rate of return on the Plan's investments of 5.95% was determined using log-normal distribution analysis, creating a best-estimate range for each asset class.

As of July 2024, the 20-year arithmetic real rates of return for each major investment class are as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Rate of Return</u>
US Equities	46%	8.46%
Non-US Equities (Mature Markets)	10%	8.20%
Fixed Income (US Core)	40%	3.72%
Alternatives (Real Estate Investment Trusts)	<u>4%</u>	8.72%
	<u>100%</u>	

Discount Rate:

The discount rate used to measure the total pension liability was 2.23% at the current measurement date. The discount rate was determined using the current assumed rate of return of 6.74% until the point where the plan fiduciary net position is negative. Using the current contribution rates, a negative position happens in 2027. For years on or after 2027, the Municipal Bond Index Rate of 2.17% was used. This rate is based on the Bond Buyer General Obligation 20-year Municipal Bond Index.

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

7. Pension Plan, continued

A. General Information About the Pension Plan, continued:

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

The following presents ROPSSA's proportionate share of the net pension liability as of September 30, 2022, calculated using the discount rate of 2.23% as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (1.23%) or 1.00% higher (3.23%) from the current rate.

1% Decrease <u>1.23%</u>	Current Single Discount Rate Assumption <u>2.23%</u>	1% Increase <u>3.23%</u>
<u>\$3,861,255</u>	<u>\$3,301,382</u>	<u>\$2,843,548</u>

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

Pension Liability: At September 30, 2022, ROPSSA reported a liability of \$3,301,382 for its proportionate share of the net pension liability. ROPSSA's proportion of the net pension liability was based on the projection of ROPSSA's long-term share of contributions to the Plan relative to the projected contributions of Republic of Palau, Republic of Palau's component units and other Government agencies, actuarially determined. At September 30, 2022, ROPSSA's proportion was 1.0829%.

Pension Expense: For the year ended September 30, 2022, ROPSSA recognized pension expense of \$173,326.

Deferred Outflows and Inflows of Resources: At September 30, 2022, ROPSSA reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$632,079	\$164,299
Net difference between projected and actual earnings on pension plan investments	4,645	21,142
Difference between expected and actual experience	81,169	536,001
Contributions subsequent to the measurement date	44,795	---
Changes in proportion and difference between ROPSSA's contributions and proportionate share of contributions	<u>38,470</u>	<u>112,109</u>
	<u>\$801,158</u>	<u>\$833,551</u>

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

7. Pension Plan, continued

A. General Information About the Pension Plan, continued:

Deferred Outflows and Inflows of Resources, continued:

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, 2022 will be recognized in pension expense as follows:

<u>Year Ending September 30,</u>	
2023	\$(19,679)
2024	(6,890)
2025	36,754
2026	(35,446)
Thereafter	<u>(58,280)</u>
	<u>\$(83,541)</u>

8. Transfer from Republic of Palau

RRPL No. 11-2 Section 21 appropriated \$1,955,000 for the purpose of funding the increase to the supplemental benefit payment effectuated by the amendment to Title 41, Section 765 of the Palau National Code and to provide additional \$50 in supplemental Social Security benefit payment for old age insurance and disability beneficiaries. During the years ended September 30, 2022 and 2021, ROPSSA received \$1,955,000 and \$3,908,950, respectively, which is recorded as Republic of Palau subsidy, and made supplemental benefit payments of \$1,684,400 and \$3,630,300, respectively, which are recorded as retirement benefit payments within the accompanying financial statements.

9. Contingencies

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

An actuarial valuation has determined that the Retirement Fund had an actuarial deficiency of approximately \$438 million as of October 1, 2021. An actuarial valuation of the Healthcare Fund has determined that the Healthcare Fund had an actuarial deficiency of approximately \$162 million as of October 1, 2017. Unless the existing deficiency is corrected, ROPSSA's cash flows may eventually become negative, which will cause ROPSSA to become depleted to the point that ROPSSA will not be able to meet its benefit obligations. ROPSSA has not developed a formal plan as of September 30, 2022, to correct this potential funding deficiency.

Supplementary and Other Information

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

Schedules of Required Supplementary Information

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

Measurement Date: September 30,	2021	2020	2019	2018	2017	2016	2015	2014	2013
Civil Service Pension Trust Fund (Plan) total Net Pension Liability	\$ 304,866,042	\$ 344,384,167	\$ 308,480,463	\$ 250,868,784	\$ 259,395,005	\$ 249,453,960	\$ 215,546,176	\$ 204,281,232	\$ 182,080,332
ROPSSA's proportion of the Net Pension Liability	1.083%	1.070%	1.080%	1.075%	1.119%	1.188%	1.218%	1.191%	1.249%
ROPSSA's proportionate share of the Net Pension Liability	\$ 3,301,382	\$ 3,685,527	\$ 3,331,441	\$ 2,696,839	\$ 2,903,556	\$ 2,964,466	\$ 2,625,302	\$ 2,432,377	\$ 2,274,001
ROPSSA's covered-employee payroll **	\$ 653,033	\$ 656,333	\$ 645,383	\$ 630,667	\$ 648,483	\$ 629,414	\$ 590,683	\$ 559,742	\$ 521,749
ROPSSA's proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll	505.55%	561.53%	516.20%	427.62%	447.75%	470.99%	444.45%	434.55%	435.84%

* Information for 2012 is unavailable

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

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

Schedules of Required Supplementary Information

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

Measurement Date: September 30,	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily required contribution	\$ 167,504	\$ 168,593	\$ 152,174	\$ 186,109	\$ 192,301	\$ 171,337	\$ 132,758	\$ 126,488	\$ 78,562
Contributions in relation to the contractually required contribution	39,182	39,380	38,723	37,840	38,909	37,247	35,205	32,961	31,386
Contribution deficiency (excess)	<u>\$ 128,322</u>	<u>\$ 129,213</u>	<u>\$ 113,451</u>	<u>\$ 148,269</u>	<u>\$ 153,392</u>	<u>\$ 134,090</u>	<u>\$ 97,553</u>	<u>\$ 93,527</u>	<u>\$ 47,176</u>
ROPSSA's covered-employee payroll **	\$ 653,033	\$ 656,333	\$ 645,383	\$ 630,667	\$ 648,483	\$ 629,414	\$ 590,683	\$ 559,742	\$ 521,749
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	6.00%	5.92%	5.96%	5.89%	6.02%

* Information for 2012 is unavailable

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

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

Combining Statement of Fiduciary Net Position

September 30, 2022

	Republic of Palau Social Security Retirement Fund	Prior Service Trust Fund	Healthcare Fund	Eliminations	Total
Assets					
Cash and cash equivalents	\$ 1,050,371	\$ 54,443	\$ 105,011	\$ ---	\$ 1,209,825
Investments:					
Mutual funds	65,374,552	---	16,355,906	---	81,730,458
U.S. Government obligations	9,440,604	---	---	---	9,440,604
Corporate bonds	10,456,950	---	---	---	10,456,950
Money market funds	2,611,543	---	---	---	2,611,543
Total investments	<u>87,883,649</u>	<u>---</u>	<u>16,355,906</u>	<u>---</u>	<u>104,239,555</u>
Receivables:					
Contributions	5,147,391	---	1,203,423	---	6,350,814
Loan	1,155,884	---	-	---	1,155,884
Accrued interest and dividends	169,497	---	167	---	169,664
Due from other funds	---	---	334,328	(334,328)	---
Advances and other	490	---	73,978	---	74,468
	6,473,262	---	1,611,896	(334,328)	7,750,830
Less allowance for doubtful accounts	(2,689,369)	---	(515,230)	---	(3,204,599)
Net receivables	<u>3,783,893</u>	<u>---</u>	<u>1,096,666</u>	<u>(334,328)</u>	<u>4,546,231</u>
Prepaid expense	7,593	---	1,031	---	8,624
Capital assets, net	119,704	---	567,924	---	687,628
Total assets	<u>92,845,210</u>	<u>54,443</u>	<u>18,126,538</u>	<u>(334,328)</u>	<u>110,691,863</u>
Deferred Outflows of Resources					
Deferred outflows of resources from pension	470,431	---	330,727	---	801,158
Liabilities					
Benefits payable	731,872	---	---	---	731,872
Medical claims payable	---	---	1,432,910	---	1,432,910
Accrued expenses and accounts payable	25,572	---	34,374	---	59,946
Due to other funds	294,743	39,585	---	(334,328)	---
Net pension liability	1,938,533	---	1,362,849	---	3,301,382
Total liabilities	<u>2,990,720</u>	<u>39,585</u>	<u>2,830,133</u>	<u>(334,328)</u>	<u>5,526,110</u>
Deferred Inflows of Resources					
Deferred inflows of resources from pension	489,452	---	344,099	---	833,551
Net Position					
Held in trust for benefits and other purposes	<u>\$ 89,835,469</u>	<u>\$ 14,858</u>	<u>\$ 15,283,033</u>	<u>\$ ---</u>	<u>\$ 105,133,360</u>

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

Combining Statement of Changes in Fiduciary Net Position

Year ended September 30, 2022

	Republic of Palau Social Security Retirement Fund	Prior Service Trust Fund	Healthcare Fund	Total
Additions:				
Contributions:				
Government employees	\$ 9,257,336	\$ ---	\$ 3,299,529	\$ 12,556,865
Private employees	8,031,773	---	2,870,658	10,902,431
Retirees and disabled individuals	---	---	666,394	666,394
Self-employed individuals	---	---	497,723	497,723
Penalties and interest	931,370	---	53,379	984,749
Total contributions	18,220,479	---	7,387,683	25,608,162
Allowance for doubtful accounts	(259,789)	---	(61,424)	(321,213)
Net contributions	17,960,690	---	7,326,259	25,286,949
Investment income (loss):				
Net changes in the fair value of investments	(26,843,127)	---	(4,937,066)	(31,780,193)
Dividends	3,198,575	---	607,210	3,805,785
Interest	773,889	---	55,281	829,170
Net investment income (loss)	(22,870,663)	---	(4,274,575)	(27,145,238)
Less investment expense:				
Investment management and custodian fees	(323,921)	---	(59,150)	(383,071)
	(23,194,584)	---	(4,333,725)	(27,528,309)
Other additions	32,565	93,100	508,577	634,242
Republic of Palau subsidy	1,955,000	---	---	1,955,000
Total additions	(3,246,329)	93,100	3,501,111	347,882
Deductions:				
Benefit payments:				
Retirement	21,399,116	39,887	---	21,439,003
Survivors	5,728,057	50,638	---	5,778,695
Medical savings account	---	---	3,243,238	3,243,238
National health insurance	---	---	5,112,893	5,112,893
Disability	833,497	---	---	833,497
Lump sum	58,802	---	---	58,802
Total benefits payments	28,019,472	90,525	8,356,131	36,466,128
Administrative	920,564	18,159	1,082,651	2,021,374
Total deductions	28,940,036	108,684	9,438,782	38,487,502
Change in net position	(32,186,365)	(15,584)	(5,937,671)	(38,139,620)
Net position at beginning of year	122,021,834	30,442	21,220,704	143,272,980
Net position at end of year	\$ 89,835,469	\$ 14,858	\$ 15,283,033	\$ 105,133,360

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

Combining Statement of Fiduciary Net Position

September 30, 2021

	Republic of Palau Social Security Retirement Fund	Prior Service Trust Fund	Healthcare Fund	Eliminations	Total
Assets					
Cash and cash equivalents	\$ 2,708,526	\$ 51,868	\$ 817,757	\$ ---	\$ 3,578,151
Investments:					
Mutual funds	88,004,414	---	20,689,682	---	108,694,096
U.S. Government obligations	14,722,470	---	---	---	14,722,470
Corporate bonds	15,127,765	---	---	---	15,127,765
Money market funds	281,607	---	---	---	281,607
Total investments	<u>118,136,256</u>	<u>---</u>	<u>20,689,682</u>	<u>---</u>	<u>138,825,938</u>
Receivables:					
Contributions	4,211,868	---	1,040,509	---	5,252,377
Loan	1,730,959	---	-	---	1,730,959
Accrued interest and dividends	186,445	---	167	---	186,612
Due from other funds	---	---	85,265	(85,265)	---
Advances and other	99	---	4,873	---	4,972
	<u>6,129,371</u>	<u>---</u>	<u>1,130,814</u>	<u>(85,265)</u>	<u>7,174,920</u>
Less allowance for doubtful accounts	(2,429,579)	---	(453,806)	---	(2,883,385)
Net receivables	<u>3,699,792</u>	<u>---</u>	<u>677,008</u>	<u>(85,265)</u>	<u>4,291,535</u>
Prepaid expense	7,593	---	1,031	---	8,624
Capital assets, net	210,154	---	657,357	---	867,511
Total assets	<u>124,762,321</u>	<u>51,868</u>	<u>22,842,835</u>	<u>(85,265)</u>	<u>147,571,759</u>
Deferred Outflows of Resources					
Deferred outflows of resources from pension	<u>636,488</u>	<u>---</u>	<u>342,725</u>	<u>---</u>	<u>979,213</u>
Liabilities					
Benefits payable	572,959	---	258	---	573,217
Medical claims payable	---	---	479,793	---	479,793
Accrued expenses and accounts payable	22,015	---	21,182	---	43,197
Due to other funds	63,839	21,426	---	(85,265)	---
Net pension liability	<u>2,395,594</u>	<u>---</u>	<u>1,289,933</u>	<u>---</u>	<u>3,685,527</u>
Total liabilities	<u>3,054,407</u>	<u>21,426</u>	<u>1,791,166</u>	<u>(85,265)</u>	<u>4,781,734</u>
Deferred Inflows of Resources					
Deferred inflows of resources from pension	<u>322,568</u>	<u>---</u>	<u>173,690</u>	<u>---</u>	<u>496,258</u>
Net Position					
Held in trust for benefits and other purposes	<u>\$ 122,021,834</u>	<u>\$ 30,442</u>	<u>\$ 21,220,704</u>	<u>\$ ---</u>	<u>\$ 143,272,980</u>

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

Combining Statement of Changes in Fiduciary Net Position

Year ended September 30, 2021

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

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

Schedule of Administrative Deductions

	Year ended September 30,	
	<u>2022</u>	<u>2021</u>
Administrative Deductions:		
Salaries, wages and benefits	\$ 866,317	\$ 798,300
Professional services	284,226	356,888
Depreciation	207,311	---
Credit card processing fees	87,031	99,826
Office equipment	66,151	2,615
Supplies, printing and reproduction	54,167	35,608
Utilities	49,990	13,048
Communications	44,177	18,194
Board members other expenses	31,551	4,150
Repairs and maintenance	19,003	18,701
Staff development and training	17,957	---
Insurance	16,909	12,695
Bank service charge	16,043	13,849
Travel and transportation	12,167	---
Fuel and oil	8,744	3,809
Postage stamps	3,944	3,245
Special functions	2,863	8,697
Board compensation	2,600	2,154
Dues, subscriptions and registrations	822	978
Furniture and fixtures	665	7,835
Donations	550	650
Miscellaneous	<u>57,802</u>	<u>20,491</u>
Total administrative deductions before pension contribution and adjustment	1,850,990	1,421,733
GASB 68 pension adjustment	<u>170,384</u>	<u>307,944</u>
	<u>\$ 2,021,374</u>	<u>\$ 1,729,677</u>

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

Schedule of Investments

September 30, 2022

	Cost	Fair Value
Money Market Funds:		
Dreyfus Treasury & Agency Cash Mgmt - Ins - Account # 135074870	\$ 2,611,543	\$ 2,611,543
Total Money Market Funds	<u>\$ 2,611,543</u>	<u>\$ 2,611,543</u>
U.S. Government Obligations:		
US Treasury Notes .25% 5/15/2024	\$ 499,460	\$ 468,535
US Treasury Notes 2.375% 8/15/2024	100,571	96,598
US Treasury Bonds 3.625% 2/15/2024	485,879	464,940
US Treasury Bonds 2.5% 2/15/2045	397,360	267,162
US Treasury Bonds 2.875% 5/15/2052	253,294	226,463
US Treasury Bonds 3% 11/15/2044	439,503	376,046
Total U.S. Treasury - Account # 135074870	<u>2,176,067</u>	<u>1,899,744</u>
Federal Home Loan Mortgage Corp Pool# C76358 5% 2/1/2033	5,787	5,532
Federal Home Loan Mortgage Corp Pool# A49906 5% 6/1/2036	6,053	6,149
Federal Home Loan Mortgage Corp Pool# G01960 5% 12/1/2035	5,931	5,736
Federal Home Loan Mortgage Corp Pool# G01938 5.5% 9/1/2035	5,609	5,433
Federal Home Loan Mortgage Corp Pool# C01567 5% 5/1/2033	18,152	17,840
Federal Home Loan Mortgage Corp Pool# A88454 4.5% 9/1/2039	18,619	17,525
Federal Home Loan Mortgage Corp Pool# A37876 5% 9/1/2035	16,079	15,552
Federal Home Loan Bank Unsecured 3.125% 6/11/2027	404,851	387,306
Federal Home Loan Bank Unsecured 2.5% 6/12/2026	354,431	329,609
Federal Home Loan Bank Unsecured 2.125% 9/14/2029	25,501	21,899
Federal Home Loan Bank Unsecured 1.125% 5/20/2026	249,936	224,178
Federal Home Loan Bank Unsecured 1% 6/24/2026-2021	500,000	444,505
Federal Farm Credit Bank Unsecured 3.43% 12/6/2028	317,086	298,741
Federal Farm Credit Bank Unsecured 2.46% 2/5/2035-2025	1,082,807	808,766
Federal Farm Credit Bank Unsecured .7% 6/30/2025-2021	499,773	447,045
Federal Farm Credit Bank Unsecured 1.68% 4/29/2030-2021	99,837	82,392
Federal Farm Credit Bank Unsecured 1.84% 10/27/2031-2021	593,031	481,584
Federal Mortgage Assn Pool# 72520 5% 3/1/2034	1,097	1,184
Federal Mortgage Assn Pool# 794474 6% 10/1/2034	17,086	17,792
Federal Mortgage Assn Pool# 796274 5.5% 12/1/2034	32,718	34,094
Federal Mortgage Assn Pool# 810225 6% 1/1/2035	17,421	17,895
Federal Mortgage Assn Pool# 814915 5.5% 3/1/2035	10,079	9,838
Federal Mortgage Assn Pool# 826966 5.5% 6/1/2035	1,723	1,682
Federal Mortgage Assn Pool# 868936 6% 5/1/2036	23,539	22,534
Federal Mortgage Assn Pool# 904915 5.5% 12/1/2036	463	471
Federal Mortgage Assn Pool# 935636 4% 9/1/2024	2,739	2,576
Federal Mortgage Assn Pool# MA312 2.5% 9/1/2032	120,401	110,757
Govt National Mtge Assoc Pool# 737442 4% 9/15/2040	54,019	49,873
GNMA Mortgage CTFS Pool# 701940 4.5% 6/15/2039	78,855	75,288
Tennessee Valley Auth Sr Unsecured 3.5% 12/15/2042	474,583	390,153
Total U.S. Government Agencies - Account # 135074870	<u>5,038,206</u>	<u>4,333,929</u>
Hawaii St Arpts Txbl-Ref-Ser-A 2.97% 7/1/2039-2029	290,000	213,121
Hawaii St Txbl-Ser GD 2.642% 10/1/2036-2031	150,000	112,424
Hawaii St Txbl-Ser FZ 2.065% 8/1/2035-2030	375,000	268,106
Hawaii St Txbl-Ser GB .852% 10/1/2025-2020	180,000	161,676
Hawaii State Arpts Sys Rev Txbl-Ref-Ser 2.13% 7/1/2028	275,000	234,484
Honolulu City & Cnty Hi Txbl-Ser E 2.17% 7/1/2035-2030	100,000	73,622
Honolulu City & Cnty Hi Txbl-Ser E 2.67% 7/1/2043-2030	101,998	66,214
Honolulu City & Cnty Hi Brd Of Wtr Sply Wtr Sys Revenue Txbl-Ref-Ser B 2.327% 7/1/2032-2030	385,544	299,325
Honolulu City & Cnty Hi Brd Of Wtr Sply Wtr Sys Revenue Txbl-Ref-Ser B .95% 7/1/2025-2021	475,000	427,918
Honolulu City & Cnty Hi Brd Of Wtr Sply Wtr Sys Revenue Txbl-Ref-Ser B 1.82% 7/1/2029	325,000	269,406
Honolulu City & Cnty Hi Hi Wstwr Sys Revenue Txbl-Ref-Ser A 2.574% 7/1/2041-2030	175,000	121,223
Honolulu City & Cnty Hi Hi Wstwr Sys Revenue Txbl-Ref Second Bond Resolution-Jr 2.495% 7/1/2027-2019	295,000	266,937
Honolulu City & Cnty Hi Hi Wstwr Sys Revenue Txbl-Ref-Ser A 1.623% 7/1/2031-2030	240,000	186,166
Pennsylvania St Turnpike Commission Spl Oblig Txbl-Ref (Escrowed to Maturity) 3.029% 12/1/2024	153,083	145,548
Univ of Hawaii Revenue Txbl-Ref-Ser G 2.95% 10/1/2024	100,000	96,495
Univ of Hawaii Revenue Txbl-Ser A 1.555% 10/1/2026-2020	210,000	185,165
Univ of Hawaii Revenue Txbl-Ref-Ser C 2.372% 10/1/2032-2030	100,000	79,101
Total U.S. Municipal Obligations - Account # 135074870	<u>3,930,625</u>	<u>3,206,931</u>
Total U.S. Government Obligations	<u>\$ 11,144,898</u>	<u>\$ 9,440,604</u>

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

Schedule of Investments, continued

	Cost	Fair Value
Corporate Bonds:		
Swedish Export Credit Sr Unsecured 5/11/2037	\$ 103,848	\$ 100,070
African Development Bank Sr Unsecured 3% 9/20/2023	199,920	197,720
American Honda Finance Sr Unsecured 2.15% 9/10/2024	251,393	237,900
Anheuser-Busch Sr Unsecured 4.75% 1/23/2029-2028	442,384	389,872
Bank of America Corp Sr Unsecured Var Rt 4.948% 7/22/2028-2027	344,652	336,445
Black Rock Inc Sr Unsecured 2.4% 4/30/2030-2030	160,331	132,131
John Deere Capital Corp Sr Unsecured 1.75% 3/9/2027	302,391	263,028
Duke Energy Florida Llc Secured 3.2% 1/15/2027-2026	214,937	201,676
Entergy Louisiana Llc Secured 4.95% 1/15/2045-2025	127,365	112,101
Entergy Louisiana Llc 1st Lien .62% 11/17/2023-2021	107,990	103,291
Entergy Texas Inc Secured 5.15% 6/1/2045-2025	248,886	224,803
Eversource Energy Sr Unsecured .8% 8/15/2025-2025	174,611	154,774
Export Import Bank of USA Sinking Fund 1.822% 5/3/2025	51,953	53,418
Fedex 2020-1 Class AA 1.875% 2/20/2034	176,979	146,869
Goldman Sachs Group Inc Sr Unsecured 3.85% 7/8/2024-2024	246,171	239,495
Grainger W W Inc Sr Unsecured 4.2% 5/15/2047-2046	154,858	125,069
Intel Corp Sr Unsecured 2.45% 11/15/2029-2029	198,264	162,622
Inter-american Devel Bank Notes 6.75% 7/15/2027	117,254	109,391
Intercontinental Exchange Sr Unsecured 3.75% 12/1/2025-2025	154,934	144,744
Intl Bk Recon & Dev Unsecured Float 5.4963% 8/19/2027	375,000	376,961
Intl Bk Recon & Dev Sr Unsecured .25% 11/24/2023	399,884	381,784
Interstate Power & Light Sr Unsecured 3.5% 9/30/2049-2049	338,045	228,166
Invesco Finance Plc Sr Unsecured 4% 1/30/2024	149,810	147,923
JPMorgan Chase & Co Sr Unsecured Var Rt .969% 6/23/2025-2024	250,503	231,303
Johnson & Johnson Sr Unsecured 2.1% 9/1/2040-2040	183,870	123,086
Kaiser Foundation Hospital Sr Unsecured 3.15% 5/1/2027-2027	199,605	185,408
Kimberly Clark Corp Sr Unsecured 2.65% 3/1/2025	124,901	118,854
Landesbank Baden-Wuerttemberg Subordinated 7.625% 2/1/2023	390,008	376,163
Lincoln Natl Corp Sr Unsecured 7% 6/15/2040	124,826	99,236
Mccormick & Co Inc Sr Unsecured .9% 2/15/2026-2026	197,374	173,492
Microsoft Corp Sr Unsecured 3.625% 12/15/2023	104,910	104,070
Midamerican Energy Co Secured 4.4% 10/15/2044-2044	170,354	127,406
Morgan Stanley Var Rt Sr Unsecured 5.789832% 1/25/2024-2023	200,000	196,750
National Rural Utilities Secured 3.4% 2/7/2028-2027	127,680	114,703
Northeast Utilities Sr Unsecured 3.15% 1/15/2025-2024	293,281	282,238
Northern Trust Corp Sr Unsecured 3.15% 5/3/2029-2029	199,999	178,552
Nutrien Ltd Sr Unsecured 1.9% 5/13/2023	89,973	88,351
Overseas Private Inv Corp Sr Unsecured Flt Rt 5.54% 9/15/2026-2018	140,000	140,000
Pacific Corp Secured 6% 1/15/2039	179,355	124,933
Pfizer Inc Sr Unsecured 3.6% 9/15/2028-2028	109,080	93,822
Private Export Funding Secured 3.25% 6/15/2025	273,273	255,166
Pub Svc Elec & Gas Secured 3.85% 5/1/2049-2048	148,223	102,279
Queens Health Systems Secured 4.464% 7/1/2045	125,000	107,929
Queens Health Systems Secured 4.81% 7/1/2052-2052	500,000	467,470
Rtx Corporation Sr Unsecured 2.25% 7/1/2030-2030	99,896	80,799
Royal Bank Of Canada Sr Unsecured 1.15% 7/14/2026	200,303	172,496
Small Bus Admin Ser 2016-20I Cl I 2.03% 9/1/2036	114,187	101,251
Starbucks Corp Sr Unsecured 3.1% 3/1/2023-2023	99,997	99,447
State Street Corp Subordinated 3.031% 11/1/2034-2029	277,870	223,193
Toronto-Dominion Bank Sr Unsecured 2.375% 11/8/2027-2023	178,541	147,665
Total Capital Intl Sa Sr Unsecured 1.125% 4/10/2024	241,261	236,237
Toyota Motor Credit Corp Sr Unsecured 1.125% 6/18/2026	149,947	131,262
Union Pacific Corp Sr Unsecured 3.375% 2/1/2035-2034	104,774	85,421
US Bancorp Subordinated 3.1% 4/27/2026-2026	165,292	154,227
Verizon Communications Sr Unsecured 2.65% 11/20/2040-2040	226,299	146,668
Visa Inc Sr Unsecured 4.3% 12/14/2045-2045	302,571	217,802
Wells Fargo Company Sr Unsecured Flt Rt Floating Rate 5.64471% 10/31/2023-2022	200,094	199,981
Int Development Fin Corp Sr Unsecured Float 4.75% 6/20/2028	199,038	199,037
Total Corporate Bonds	<u>\$ 11,734,145</u>	<u>\$ 10,456,950</u>

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

Schedule of Investments, continued

	Cost	Fair Value
Mutual Funds:		
Wilshire Solutions Trust Credit Opportunities Fund	\$ 15,367,421	\$ 13,789,809
Wilshire Solutions Real Assets Master Trust Fund	19,565,046	17,038,896
DST Climate SHR Class B	<u>47,831,967</u>	<u>34,545,847</u>
Subtotal - Account # WTHF 9004-002	<u>82,764,434</u>	<u>65,374,552</u>
Wilshire Solutions Real Assets Master Trust Fund	3,720,816	3,151,864
Wilshire Solutions Trust Credit Opportunities Fund	2,837,889	2,546,671
Wilshire Solutions Fixed Income Master Trust Fund	4,382,741	4,272,608
DST Climate SHR Class B	<u>8,751,893</u>	<u>6,384,763</u>
Subtotal - Account # WTHF 9003-002	<u>19,693,339</u>	<u>16,355,906</u>
Total Mutual Funds	<u><u>\$ 102,457,773</u></u>	<u><u>\$ 81,730,458</u></u>