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

FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2013 AND 2012

Deloitte & Touche LLC
P.O. Box 500308
Saipan, MP 96950-0308
USA

Tel: +1 670 322 7337/0860/0861
Fax: +1 670 322 7340
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Republic of Palau Civil Service Pension Trust Fund (the Fund), a component unit of the Republic of Palau, which comprise the statements of plan net position as of September 30, 2013 and 2012, and the related statements of changes in plan net position for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Republic of Palau Civil Service Pension Trust Fund as of September 30, 2013 and 2012, and the changes in its plan net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 7 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. The Schedule of Funding Progress on page 26, the Schedule of Employer Contributions on page 27 and the Notes to Required Supplementary Schedules on pages 28 and 29 as of September 30, 2013 are supplementary information required by GASB Statement No. 25. This supplementary information is the responsibility of the Fund's management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Fund's basic financial statements. The Schedule of Investment Securities on pages 30 through 35 as of September 30, 2013 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Investment Securities is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Investment Securities is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2014 on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

Deloitte & Touche LLC

March 31, 2014

REPUBLIC OF PALAU
CIVIL SERVICE PENSION PLAN

MANAGEMENT'S DISCUSSION AND ANALYSIS
Plan Year Ended September 30, 2013

This report presents a management's discussion and analysis of the Republic of Palau Civil Service Pension Trust Fund's (the Fund) financial performance during the fiscal year ended September 30, 2013.

Introductory Section

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

Accounting Methods and Policies

The accounting policies of the Fund conform to accounting principles generally accepted in the United States of America. The Fund accounts for and reports plan net position in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans* and GASB Statement No. 50, *Pension Disclosures an amendment of GASB Statement Nos. 25 and 27*. Financial statements are prepared on the accrual basis of accounting. This method records revenues when earned and expenses when liabilities are incurred.

Financial Highlights

- The *unfunded actuarial accrued liability* increased from $64,253,066 as of October 1, 2009 to $103,899,191 as of October 1, 2011, an increase of $39,646,125 or 62%. Most of the increase of the *unfunded actuarial accrued liability* is attributed to the fact that the assumed rate of return on investment was lowered from 8.5% to 7.5%. The funded ratio decreased from 39.1% at October 1, 2009 to 25.8% at October 1, 2011, a decrease of 13.3%. The required level of contribution increased from $8,798,000 at October 1, 2009 to $12,215,000 at October 1, 2011, that includes a 30-year amortization schedule of unfunded accrued liability. Actuarial valuations are performed biennially. The next actuarial valuation will be performed for Plan Year October 1, 2013 to September 30, 2014.

- The Fund has time certificates of deposit (TCDs) of $1,452,609 in Pacific Savings Bank (PSB) at September 30, 2013 and 2012. Although it is still uncertain if the Fund will recover these deposits, the counsel for the Estate of Johnny Reklai had initially agreed to turn over 1,500 shares of common stock of Western Caroline Trading Company to the Fund that was pledged as collateral in the event PSB defaults on the payment. The Fund is pursuing a legal claim against the PSB Receiver. At September 30, 2013, the Fund recorded a 100% valuation allowance on these TCDs.

P. O. Box 1767 Koror, Republic of Palau 96940 Tel: 680-488-2523 /3502 Fax: 680-488-5555 E-mail: CSPP@Palaunet.com

- The Fund's investment portfolio increased in value from $32,100,018 in fiscal year 2012 to $33,597,662 in fiscal year 2013. Plan net position decreased from $37,447,687 in fiscal year 2012 to $34,261,206 in fiscal year 2013, a decrease of $3,186,481.

- The Fund withdrew $2,434,004 from investments during fiscal year 2013 to pay for benefits and administrative expenses during the same period and withdrew $4,308,000 and $4,394,000 for fiscal years 2012 and 2011, respectively.

- The Fund did not receive appropriations from the National Government in fiscal years 2013 and 2012.

Overview of the Financial Statements

The following summarizes the financial condition and operations of the Fund as of and for the years ended September 30, 2013, 2012 and 2011.

The Statements of Net Position includes the Fund's assets and liabilities that provide a picture of the financial position of the Fund as of September 30, 2013, 2012 and 2011. These statements reflect resources of net position available for pension benefits to members, retirees and beneficiaries at the end of the fiscal year reported.

STATEMENTS OF PLAN NET POSITION

	2013	2012	2011
Assets:			
Cash and cash equivalents	$ 248,520	$ 658,313	$ 276,299
Time certificates of deposit with an uninsured bank	-	1,452,609	1,452,609
Investments	33,597,662	32,100,018	31,688,360
Other assets	453,865	3,276,386	2,752,400
	$ 34,300,047	$ 37,487,326	$ 36,169,668
Liabilities and net position:			
Liabilities	$ 38,841	$ 39,639	$ 41,002
Net position	34,261,206	37,447,687	36,128,666
	$ 34,300,047	$ 37,487,326	$ 36,169,668

- Total receivables decreased from $3,239,803 in 2012 to $437,036 in 2013 and increased from $2,694,514 in 2011 to $3,239,803 in 2012.

- At September 30, 2013, 2012 and 2011, the Fund had $16,829, $36,583 and $57,886, respectively, in furniture, fixtures and equipment, net of accumulated depreciation where applicable, including office equipment, furniture and vehicles, which represent net decreases of $19,754 in 2013 over 2012 and $21,303 in 2012 over 2011. See note 3 to the financial statements for more information on the Fund's furniture, fixtures and equipment.

Revenue and Expense Analysis

The Statements of Changes in Plan Net Position summarize the Fund's financial activities that occurred during the fiscal year as compared to amounts for the previous fiscal years. The financial statements measure the change in resources available to defray pension benefits to members, retirees and beneficiaries for fiscal years 2013, 2012 and 2011.

STATEMENTS OF CHANGES IN PLAN NET POSITION

	2013	2012	2011
Additions:			
Contributions	$ 5,021,782	$ 5,139,818	$ 5,156,060
Investment income	2,621,503	4,614,658	(1,564,230)
Other income	6,524	89,283	23,865
	7,649,809	9,843,759	3,615,695
Deductions:			
Benefit and refund payments	8,930,543	8,123,193	7,876,766
Administrative	1,905,747	401,545	339,144
	10,836,290	8,524,738	8,215,910
Net (decrease) increase	(3,186,481)	1,319,021	(4,600,215)
Net position, beginning of year	37,447,687	36,128,666	40,728,881
Net position, end of year	$ 34,261,206	$ 37,447,687	$ 36,128,666

- Contributions revenue decreased from $5,139,818 in 2012 to $5,021,782 in 2013, a decrease of $118,036 and from $5,156,060 in 2011 to $5,139,818 in 2012, a decrease of $16,242.

- Investment portfolios appreciated in fair market value by $22,277 and yielded net earnings of $2,621,503 in 2013 and $4,614,658 in 2012 and a net loss of $1,564,230 in 2011.

- Benefit and refund payments increased from $8,123,193 in 2012 to $8,930,543 in 2013 and from $7,876,766 in 2011 to $8,123,193 in 2012, an increase of $807,350 and $246,427, respectively. The number of retirees and beneficiaries are expected to stabilize and will slowly decline over the next three years. Benefit payments are also expected to decrease over the coming years as a result of an amendment to the Fund through Republic of Palau Public Law (RPPL) No. 9-2. A study has been commissioned to determine the impact of this new legislation.

- Administrative expenses include $21,454, $21,303 and $12,545 of depreciation expense of the Fund's fixed assets in fiscal years 2013, 2012 and 2011, respectively. Administrative expenses increased from $401,545 in 2012 to $1,905,747 in 2013 and from $339,144 in 2011 to $401,545 in 2012, an increase of $1,505,202 and $62,401, respectively.

ECONOMIC OUTLOOK

The Board and management of the Fund recently added Global Bonds to the portfolios. We believe global fixed income will add value to the portfolios as the U.S. dollar continues to decline in value against other currencies.

In the fourth quarter of 2013, despite investor anxiety over the Federal Reserve's Quantitative Ease 3 (QE3) tapering, as well as fiscal concerns in Washington, China and Europe, U.S. equities hit record highs. The first quarter of 2014 indicated more of the same. The Dow Jones Industrial Average rose 29.6%, the NASDAQ Composite rose 40.1% and the S&P 500 was up 32.4% for the year. All ten sectors of the S&P 500 advanced in the fourth quarter. Industrials increased the most with a 13.5% uptick, information technology rose 13.3% and consumer discretionary advanced 10.8%.

In the fourth quarter of 2013, the bond market continued to incur losses. The Barclays Capital U.S. aggregate Bond Index declined 0.14% for the quarter. 2013 was a difficult year for fixed income markets. Interest rates climbed during the fourth quarter as the yield on a 10-year U.S. Treasury note increased to 3.02% from a low of 2.50% in October.

Our strategic asset allocation, asset diversification and portfolio construction is well positioned to capture opportunities in both up and down markets. We remain fully invested. We continue to look for opportunities where money could be made in the short-term, but we stay focused on our long-term objectives. Our money managers' performance added value to the portfolios in 2013, especially the fourth quarter of the year. In the first quarter of 2014, equities continued their fourth quarter 2013 advances despite the ongoing European economic crisis, a slowing China and the U.S. "fiscal cliff."

At home, we have reasons to celebrate. RPPL No. 9-2, an Act to reform the Fund to a more financially sustainable program was signed into law by the President of ROP on April 30, 2013. RPPL No. 9-2 eliminates the mandatory service retirement of thirty years of total service. This provision will result in a significant savings to the Fund by delaying benefit payments and prolonging members' contributions to the Fund. The Act also provides that all employees of member agencies, without regard to whether the employee is employed part-time, or on a temporary, seasonal or impermanent basis, shall contribute to the Fund by a deduction taken from the payroll of the employee and at the same time, cease payment of monthly benefits to an employee who is re-employed subsequent to retirement. The Fund stands to realize additional contribution revenue and cost savings by ceasing monthly benefit payments through these provisions. Additionally, this Act provides a new source of revenue to the Fund through levying a four percent (4%) tax on all remittances or transfers of money outside of ROP. The Act also caps annuity benefits at $30,000 per year. Another provision of the law limits surviving beneficiaries of an employee to only receive benefits up to the total present value of the employee's accrued benefit. This provision has potential to save the Fund significant money as many beneficiaries have exhausted the value of the account of the employee or member but continue to receive monthly benefits. This legislation will greatly improve solvency of the Fund.

The 9th OEK is poised to continue providing fiscal reforms to the Fund in the coming years and the Board of Trustees and management of the Fund will continue to work closely with the OEK to effectuate these much needed fiscal reforms that will nurse the Fund back to good financial health.

We feel that the Fund plays a vital role in Palau's economy by injecting over $626,000 a month or over $7,500,000 a year into the hands of consumers who in turn spend these sums to support the economy. In our view, ROP national leaders must become more educated and aware of the fiscal status and financial condition of the Fund and the role it plays in the lives of the people and the Palau economy in order to make a well informed decision affecting the Fund. We feel the 9th Constitutional Government leaders understand the many fiscal issues faced by the Fund and they will be the engine to drive these changes to bring the Fund from an indebted stage to a more funded status.

CONTACTING THE FUND'S FINANCIAL MANAGEMENT

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

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Statements of Plan Net Position
September 30, 2013 and 2012

	2013	2012
ASSETS		
Cash and cash equivalents	$ 248,520	$ 658,313
Investments, at fair value:		
Corporate stock	17,632,728	20,359,373
Obligations of U.S. Government and agencies	5,859,902	5,008,071
Corporate bonds	5,671,005	5,924,068
Mutual funds	3,425,201	-
Money market funds	1,008,826	808,506
Total investments	33,597,662	32,100,018
Receivables:		
Employers' contributions, net	218,414	1,619,348
Members' contributions, net	218,414	1,619,348
Other receivables	208	1,107
Total receivables	437,036	3,239,803
Furniture, fixtures and equipment, net of accumulated depreciation	16,829	36,583
Time certificates of deposit with an uninsured bank, net	-	1,452,609
Total assets	34,300,047	37,487,326
LIABILITIES		
Accounts payable and accrued expenses	(38,841)	(39,639)
Net position - held in trust for pension benefits (see Schedule of Funding Progress)	$ 34,261,206	$ 37,447,687

See accompanying notes to financial statements.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

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

	2013	2012
Additions:		
Employers' contributions	$ 2,506,605	$ 2,580,869
Members' contributions	2,515,177	2,558,949
	5,021,782	5,139,818
Investment income:		
Interest	2,340,109	1,898,018
Dividends	448,849	405,662
Net appreciation in fair value of investments	22,277	2,497,098
Investment expenses	(189,732)	(186,120)
Total investment income	2,621,503	4,614,658
Other income	6,524	89,283
Total additions	7,649,809	9,843,759
Deductions:		
Benefit and refund payments:		
Normal and early retirement	6,231,630	5,801,443
Survivors	1,876,760	1,763,161
Refunds to terminated employees	545,394	358,687
Lump sum death disbursement	226,287	143,729
Disability	50,472	56,173
Total benefits	8,930,543	8,123,193
Administrative expenses	1,905,747	401,545
Total deductions	10,836,290	8,524,738
Net (decrease) increase	(3,186,481)	1,319,021
Plan net position held in trust for pension benefits:		
Beginning of year	37,447,687	36,128,666
End of year	$ 34,261,206	$ 37,447,687

See accompanying notes to financial statements.

(1) Organization and Summary of Significant Accounting Policies

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

General

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

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

Membership

As of September 30, 2013 and 2012, the ROP National Government, ROP State Governments and ROP public corporations, quasi-governmental organizations and other public entities of the National and State Governments of ROP, are participating in the Fund. Membership consisted of the following as of October 1, 2011:

Members currently receiving benefits:	
Early retirement	60
Retired - 30 years of service	377
Retired - age 60	431
Retired - RPPL 5-7	7
Survivor	462
Disability	26
	1,363
Active employees - vested	2,975
Inactive employees - vested	289
Total participants	4,627

Summary of the Principal Provisions of the Plan

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

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

Eligibility to Participate

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

Service

Vesting Service: Includes membership service and prior service credit.

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

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

Pension Benefits

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

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

Pension Benefits, Continued

In accordance with the directives of RPPL 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 five years or has made an actuarially equivalent lump sum contribution". In accordance with RPPL 9-2, members who retire after April 30, 2013 may not receive benefits greater than thirty thousand dollars per year. Further, the amount of benefits that a member receives shall not be recalculated if the member is re-employed after the member begins receiving benefits under the Fund. Additionally, a member shall not receive benefits during the time the member is re-employed subsequent to retirement.

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

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:

Factor	If the Spouse or Beneficiary is:
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	5 years younger to 5 years older than the member
0.75	6 to 10 years younger than the member
0.70	11 to 15 years younger than the member
0.65	16 or more years younger than the member

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

A member that meets the requirements for early retirement and elects to retire on an early retirement date is entitled to receive payment of an early retirement benefit equal to the member's normal retirement benefit reduced as follows for each month by which the member's early retirement benefit commencement precedes his or her normal retirement date:

- $1/144^{th}$ per month for the first 3 years;
- $1/216^{th}$ per month for the next 3 years;
- $1/288^{th}$ per month for the next 5 years; and
- $1/600^{th}$ per month for each additional year.

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

Pension Benefits, Continued

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

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

- If the member is an employee at his date of death and a spouse or beneficiary survives, the total death benefit payable shall be the actuarial equivalent of the greater of 3 times the member's average annual salary or the member's present value of accrued benefits.

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

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

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

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

Member Contributions

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

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

Employer and Other Contributions

Employers are required to contribute an amount equal to that contributed by employees. Per the provisions of RPPL No. 2-26 and RPPL No. 3-21, the Government of the Republic of Palau shall from time to time contribute additional sums to the Fund in order to keep the Fund on a sound actuarial basis. Pursuant to RPPL 9-2, the Government of ROP shall make regular contributions to the Fund equal to the amount contributed by each and every employee of ROP. Additionally, an excise tax of four percent (4%) is levied against each non-citizen person transferring money out of ROP. The money transfer tax shall be remitted to the Fund. The Government of the Republic of Palau provided $-0- of additional contributions during the years ended September 30, 2013 and 2012.

Plan Administration

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

New Accounting Standards

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

- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements, which* addressed how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. The implementation of this statement did not have a material effect on the accompanying financial statements.

- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, which* improved financial reporting for governmental entities by amending the requirements of Statements No. 14, *The Financial Reporting Entity, and No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments,* to better meet user needs and address reporting entity issues that have come to light since those Statements were issued in 1991 and 1999, respectively. The implementation of this statement did not have a material effect on the accompanying financial statements.

- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which enhanced the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements issued on or before November 30, 1989, which does not conflict or contradict GASB pronouncements. GASB Statement no. 62 superceded GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. The implementation of this statement did not have a material effect on the accompanying financial statements.

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

New Accounting Standards, Continued

- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which established guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities, which* clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. These Statements amend the net asset reporting requirements in Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments,* and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. With the implementation of GASB Statement No. 63 and Statement No. 65, the Statement of Net Assets was renamed the Statement of Net Position. In addition, the Statement of Net Position includes two new classifications separate from assets and liabilities. Amounts reported as deferred outflows of resources are reported in a separate section following assets. Likewise, amounts reported as deferred inflows of resources are reported in a separate section following liabilities.

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

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

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

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

New Accounting Standards, Continued

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

Basis of Accounting and Disclosure

The accounting policies of the Fund conform to accounting principles generally accepted in the United States of America as applicable to governmental agencies, specifically state and local governmental pension plans. The Fund accounts for plan net position and reporting plan net position in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 25 - *Financial Reporting for Defined Benefit Pension Plans* and GASB Statement No. 50, *Pension Disclosures an amendment of GASB Statements No. 25 and 27*.

The financial statements of the Fund for the years ended September 30, 2013 and 2012 have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America, which requires the use of management estimates. Under this method, revenues are recorded when earned and expenses recorded at the time liabilities are incurred. Members' contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

An actuarial valuation of the Fund was last completed on October 1, 2011.

Concentrations of Credit Risk

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

At September 30, 2013 and 2012, the Fund has cash deposits and investments in bank accounts that exceed federal depository insurance limits. The Fund has not experienced any losses on such accounts.

Cash and Cash Equivalents and Time Certificates of Deposit

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

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

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

Cash and Cash Equivalents and Time Certificates of Deposit, Continued

Category 2 Deposits that are uninsured but fully collateralized with securities held by the pledging financial institution's trust department or agent in the Fund's name; or

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

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

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

As of September 30, 2013 and 2012, total cash and cash equivalents were maintained in a Federal Deposit Insurance Corporation (FDIC) insured bank and amounted to $248,520 and $658,313, respectively, with corresponding bank balances of $266,154 and $693,783, respectively, with $250,000 subject to insurance coverage. Time certificates of deposit (TCDs) maintained in an uninsured bank amounted to $1,452,609 at September 30, 2013 and 2012 with a corresponding bank balance of $1,464,047. The TCDs are collateralized by a first lien, existing now or in the future, on unidentified loans made by the uninsured bank in the amount of principal and interest equal to $1,000,000; and a sole recourse first lien on 1,500 shares of common stock in a local company owned by a stockholder of the uninsured bank but not to exceed $2,000,000. At September 30, 2013, the Fund recorded a 100% valuation allowance for these TCDs. The Fund does not require collateralization of its cash deposits; therefore, deposits in excess of depository insurance are uncollateralized. The TCDs are internally restricted for purposes of funding construction of a building to be used for operations. The Fund has not entered into a commitment to construct the building as of September 30, 2013 due to boundary disputes on the proposed construction site.

Investments

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

Category 1 Investments that are insured or registered, or securities held by the Fund or its agent in the Fund's name;

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

Investments, Continued

Category 2 Investments that are uninsured or unregistered for which the securities are held by the counterparty's trust department or agent in the Fund's name; or

Category 3 Investments that are uninsured and unregistered with securities held by the counterparty, or by its trust department or agent but not in the Fund's name.

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

Marketable securities held for investment purposes are stated at fair value, which is primarily based on quoted market prices. Fixed income securities are reported at amortized cost with discounts or premiums amortized using the effective interest method subject to adjustment for market declines judged to be other than temporary. The Fund's investments are held by a bank-administered trust fund. The Fund has no investments in any commercial or industrial organization whose market value exceeds five percent or more of the net position available for benefits.

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

General:

1. Any pertinent restrictions existing under the laws of the ROP with respect to the Fund, that may exist now or in the future, will be the governing restriction.

2. U.S. and non-U.S. equities, American Depository Receipts, convertible bonds, preferred stocks, fixed income securities, mutual funds and short-term securities are permissible investments.

3. No individual security or any issuer, other than that of the United States Government, shall constitute more than 10% (at cost) of any investment manager's portfolio.

4. Holdings of any issuer shall constitute no more than 5% of the outstanding securities of such issuer.

5. Investments in a registered mutual fund managed by the investment manager are subject to the prior approval of the Board of Trustees.

6. The following securities and transactions are not authorized without prior written Board of Trustees approval: letter stock and other unregistered securities; non-negotiable securities; commodities or other commodity contracts; options; futures; short sales; and, margin transactions.

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

Investments, Continued

General, Continued:

7. An investment manager's portfolio shall not be excessively over weighted in any one industry (as compared to respective benchmark index) without prior approval by timely reporting and advice to the Board of Trustees.

Investments may be made in:

A. Fixed Income

1. All fixed income securities held in the portfolio shall have a Standard & Poor's credit quality rating of no less "BBB", or an equivalent credit quality rating from Moody's (Baa) or Fitch (BBB). U.S. Treasury and U.S. Government agencies, which are unrated securities, are qualified for inclusion in the portfolio and will be considered to be of the highest rating.

2. No more than 20% of the market value of the portfolio shall be rated less than single "A" quality, unless the investment manager has specific prior written authorization from the Board of Trustees.

3. Total portfolio quality (capitalization weighted) shall maintain a credit quality rating of no less than "A".

4. U.S. SEC registered mutual funds that invest in fixed income securities, either U.S. or non U.S., will not be subject to the above guidelines. However, the Board shall attempt to invest in such funds that meet the guidelines stated above.

5. It is the policy of the Board to place assets in Local Certificates of Deposit (Local CDs) issued by local banking institutions, with the express purpose of making funds available to the local community in the form of loans. While these Local CDs are held, they will be included in the "strategic asset allocation" as fixed income investments. However, these Local CDs and the local banking institutions must meet the following criteria on an ongoing basis:

a. Local CDs must offer a competitive return relative to alternative issuers.

b. The local banking institutions must provide annual audited financial statements for Board of Trustee review. The Board of Trustees is charged with monitoring the financial health of the local banking institutions. Should concerns arise with respect to the financial condition of the local banking institutions, the Board of Trustees shall take appropriate action.

c. The local banking institution shall promptly inform the Board of Trustees, in writing, of any significant or material matters pertaining to the institution, including, but not limited to: ownership; organizational structure; financial condition; and, any material proceedings affecting the firm.

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

Investments, Continued

A. Fixed Income, Continued

d. Provide collateral, acceptable to the Board, to secure the Local CDs.

B. Equities

1. Consistent with the desire to maintain broad diversification, allocations to any economic or industry sector should not be excessive.

2. Equity holdings shall be restricted to readily marketable securities of corporations that are traded on the major exchanges and over the counter.

3. The investment managers shall have the discretion to invest a portion of the assets in cash reserves when they deem appropriate. However, as per the IPS, they will be evaluated against their performance benchmarks and peers on the performance of the total funds under their direct management.

4. Common stock and preferred stock of any institution or entity created or existing under the laws of the United States or any other country are permissible investments.

C. Cash/Cash Equivalents

1. Cash equivalent reserves shall consist of cash instruments having a credit quality rating of Standard & Poor’s A-1, Moody’s P-1, or their equivalent. U.S. Treasury and Agency securities, Banker Acceptances, Certificate of Deposit, and Collateralized Repurchase Agreements are also acceptable investment vehicles. Custodial Sweep Accounts must be, in the judgment of the Investment Managers, of credit quality equal or superior to the standards described above.

2. In the case of Certificates of Deposit, except as discussed under Fixed Income with respect to the Local CDs, they must be issued by FDIC insured institutions. Deposits in institutions with less than $10 million in assets may not be made in excess of $100,000 (or prevailing FDIC insurance limit), unless the Deposit is fully collateralized by U.S. Treasury Securities.

3. No single issue shall have a maturity of greater than two years.

4. Custodial Sweep Account portfolios must have an average maturity of less than one year.

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

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

Investments, Continued

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, the Fund will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Fund's investments are held and administered by trustees in accordance with negotiated trust and custody agreements. Based on these agreements, all of these investments were held in the Fund's name by the Fund's custodial financial institutions at September 30, 2013 and 2012.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. The following is a listing of the Fund's fixed income securities at September 30, 2013 and 2012:

		2013				
		Investment Maturities (In Years)				
Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10	Rating
Mortgage and asset backed securities	$ 2,989,764	$ -	$ -	$ 1,030,827	$ 1,958,937	AAA
Mortgage and asset backed securities	1,183,574	-	1,183,574	-	-	AA+
Mortgage and asset backed securities	571,219	-	571,219	-	-	AA-
Government bonds	1,115,345	-	-	-	1,115,345	AAA
Corporate bonds	548,821	-	-	548,821	-	A+
Corporate bonds	1,659,683	-	-	1,659,683	-	A
Corporate bonds	2,712,708	-	-	2,712,708	-	A-
Corporate bonds	749,793	-	-	749,793	-	BBB+
	$ 11,530,907	$ -	$ 1,754,793	$ 6,701,832	$ 3,074,282	

		2012				
		Investment Maturities (In Years)				
Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10	Rating
Mortgage and asset backed securities	$ 4,667,138	$ -	$ -	$ 528,180	$ 4,138,958	AAA
Government bonds	340,933	-	-	-	340,933	AAA
Corporate bonds	520,677	-	-	520,677	-	AA+
Corporate bonds	80,084	-	-	80,084	-	AA-
Corporate bonds	164,916	-	-	164,916	-	A+
Corporate bonds	1,122,547	-	-	1,122,547	-	A
Corporate bonds	3,766,319	-	-	3,766,319	-	A-
Corporate bonds	269,525	-	-	269,525	-	BBB+
	$ 10,932,139	$ -	$ -	$ 6,452,248	$ 4,479,891	

Receivables

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

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

Allowance for Doubtful Accounts

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

Furniture, Fixtures and Equipment

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

Administrative expenses include depreciation and amortization expense of $21,454 and $21,303 in 2013 and 2012, respectively.

Operating and Non-Operating Revenue and Expenses

Operating revenues and expenses generally result directly from the member contributions and employer contributions.

Non-operating revenues and expenses result from non-recurring income and costs such as interest.

Accounts Payable and Accrued Expenses

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

Taxes

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

Estimates

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

(2) Funding Status and Funding Progress

The funded status as of October 1, 2011, the most recent actuarial valuation date, is as follows:

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal Cost Method (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b - a / c)
$ 36,128,666	$ 140,027,857	$ 103,899,191	25.80%	$ 37,035,338	280.54 %

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Additional information as of the latest actuarial valuation follows:

Valuation Date:	October 1, 2011
Actuarial Cost Method:	Entry age normal cost method
Amortization Method:	Level percent open
Remaining Amortization Period:	30 years
Asset Valuation Method:	Market value, including accrued but unpaid contributions
Actuarial Assumptions:	
Investment rate of return:	7.5% per year
Projected salary increases:	3% per annum
COLAS:	0%

For financial reporting purposes, the projection of benefits does not explicitly incorporate the potential effects of the legal limit on employer contributions disclosed in note 1, Employer and Other Contributions.

(3) Furniture, Fixtures and Equipment

A summary of the Fund's furniture, fixtures and equipment is set forth below:

	Estimated Useful Lives	Balance at October 1, 2012	Additions	Deletions	Balance at September 30, 2013
Office equipment and furniture	3 - 10 years	$ 100,076	$ 1,700	$ -	$ 101,776
Vehicles	6 years	33,149	-	-	33,149
		133,225	1,700	-	134,925
Less accumulated depreciation		(96,642)	(21,454)	-	(118,096)
		$ 36,583	$ (19,754)	$ -	$ 16,829

	Estimated Useful Lives	Balance at October 1, 2011	Additions	Deletions	Balance at September 30, 2012
Office equipment and furniture	3 - 10 years	$ 100,076	$ -	$ -	$ 100,076
Vehicles	6 years	33,149	-	-	33,149
		133,225	-	-	133,225
Less accumulated depreciation		(75,339)	(21,303)	-	(96,642)
		$ 57,886	$ (21,303)	$ -	$ 36,583

(4) Republic of Palau

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

As a result of the provisions of RPPL 6-12, PCC employees who opted to claim prior year service executed payment agreements with the Fund totaling $978,907 for prior year service claimed. As these employees are not mandated to continue payment agreements and can elect to have contributions refunded upon termination of payment agreements, and due to the uncertainty of collection of the employee's share through RPPL 6-12, the Fund has elected not to record PCC employee receivables for prior year service. The Fund received $14,250 and $27,456 from PCC employees during the years ended September 30, 2013 and 2012, respectively.

ROP has determined that remaining amounts earmarked to the Fund through RPPLs 5-45 and 6-12 will only be remitted as revenues are generated from the Virtual Pachinko Business. The Fund did not receive funds related to RPPL 6-12 and 5-45 from ROP during the years ended September 30, 2013 and 2012, respectively. Therefore, the Fund has not recognized the remaining $875,000 as a receivable or as revenue in the accompanying financial statements. However, the Fund received $28,837 and $16,866 from PCC for employer contributions during the years ended September 30, 2013 and 2012, respectively.

(5) Administrative Expenses

A summary of the administrative expenses for the years ended September 30, 2013 and 2012, is set forth below:

	2013	2012
Provision for uninsured TCDs	$ 1,452,609	$ -
Personnel	217,064	183,275
Conference expenses	59,229	65,758
Staff training	34,697	47,717
Professional fees	26,897	14,177
Depreciation	21,454	21,303
Rent and utilities	8,882	8,395
Communications	7,397	6,030
Board compensation	4,000	1,900
Miscellaneous	73,518	52,990
	$ 1,905,747	$ 401,545

(6) Risk Management

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

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Schedule of Funding Progress
September 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age Normal Cost Method	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/01/07	$ 48,358,000	$ 107,579,000	$ 59,221,000	44.95%	$ 34,763,000	170.4%
10/01/08	Actuarial valuations are performed biennially.					
10/01/09	$ 41,254,319	$ 105,507,385	$ 64,253,066	39.10%	$ 33,027,394	194.5%
10/01/10	Actuarial valuations are performed biennially.					
10/01/11	$ 36,128,666	$ 140,027,857	$ 103,899,191	25.80%	$ 37,035,338	280.5%
10/01/12	Actuarial valuations are performed biennially.					

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

Schedule of Employer Contributions
September 30, 2013

Year Ended September 30,	Annual Required Contribution	Employer Contribution	Percentage Contributed
2008	$ 12,554,000	$ 4,531,994	36.1%
2009	Actuarial valuations are performed biennially.		
2010	$ 8,798,000	$ 2,357,864	26.8%
2011	Actuarial valuations are performed biennially.		
2012	$ 12,215,000	$ 4,030,950	33.0%
2013	Actuarial valuations are performed biennially.		

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

(1) Actuarial Methods and Actuarial Present Value of Accumulated Plan Benefits

Accumulated plan benefits are those future periodic payments, including lump-sum distributions, that are attributable under the Fund's provisions to the service members have rendered through the most recent actuarial valuation date (October 1, 2011). Accumulated plan benefits include benefits expected to be paid to (i) retired, disabled, and terminated employees and their beneficiaries, (ii) beneficiaries of employees who have died, and to (iii) present employees and their beneficiaries. Benefits payable under all circumstances - retirement, death, disability, and termination of employment - are included, to the extent they are deemed attributable to employee service rendered through October 1, 2011.

The actuarial present value of accumulated plan benefits is determined by an independent actuarial firm and is the amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawals, or retirement) between the most recent actuarial valuation (October 1, 2011), and the expected date of payment. The significant actuarial assumptions used to calculate the actuarial present value of accumulated plan benefits are presented below, and are based on the presumption that the Fund will continue in operation. Were the Fund to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

Valuation Date:	October 1, 2011
Actuarial Cost Method:	The Plan uses the entry age normal actuarial cost method to report information about the Plan's funded status and funding progress.
Valuation of Assets:	Market value, including accrued but unpaid contributions.
Return on Investment:	7.5% per year
Salary Increase:	3% per annum
Withdrawal Rates:	5% up to age 40, 0% thereafter
Disability Rates:	Based on 2007 U.S. Social Security Trustees Report Intermediate Assumptions.
Mortality Rates:	Non - disabled lives - Based on the 1984 Unisex Pension Mortality Table.
	Disabled lives - Based on the PBGC Mortality Table for disable persons receiving social security.
Retirement Age:	Earlier of age 60 or 30 years of total service.
Includes inflation at:	0%

See Accompanying Independent Auditors' Report.

(1) Actuarial Methods and Actuarial Present Value of Accumulated Plan Benefits, Continued

Amortization Method:	Level percent open
Remaining Amortization Period:	30 years

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

The ROP Congress (Olbiil Era Kelulau) enacted two laws which have potentially material effects on the amounts reported in the schedule. RPPL 4-49 and RPPL 5-30 establish that effective May 17, 1996, members, who have twenty-five years or more of total service, are eligible for retirement regardless of their age and, upon such retirement, are eligible to receive pension benefits at a level established by the Board of Trustees. The laws further provide that effective July 1, 1999, retirement is mandatory for all members who have thirty years or more of total service with certain exceptions, and that the pension is not reduced for receipt of benefits prior to age 60. By RPPL 6-37, effective October 1, 2003, mandatory retirement may be delayed for an additional five years by specific exemption by the Board of Trustees.

RPPL 5-7 directed the Board of Trustees to adopt a resolution which provides that “no person who retires after October 1, 1997, may receive benefits under the Plan unless he or she has contributed to the Plan for at least five years or has made an actuarially equivalent lump sum contribution”.

See Accompanying Independent Auditors’ Report.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Schedule of Investment Securities
September 30, 2013

	Face Value	Cost	Fair Value
Money Market Funds			
Western Asset US Money Market Fund A Dist (D) - Account #016-893706-500	$ 67,158	$ 67,158	$ 67,158
Western Asset US Money Market Fund A Dist (D) - Account #016-010073-500	235,016	235,016	235,016
Western Asset US Money Market Fund A Dist (D) - Account #016-010074-500	199,966	199,966	199,966
Western Asset US Money Market Fund A Dist (D) - Account #016-893707-500	31,198	31,198	31,198
Western Asset US Money Market Fund A Dist (D) - Account #016-893085-500	247,952	247,952	247,952
Western Asset US Money Market Fund A Dist (D) - Account #016-893084-500	56,088	56,088	56,088
Western Asset US Money Market Fund A Dist (D) - Account #016-893086-500	33,158	33,158	33,158
	870,536	870,536	870,536
Unsettled purchases - Account #016-010073-500	(15,370)	(15,370)	(15,370)
Unsettled purchases - Account #016-010074-500	64,944	64,944	64,944
Unsettled purchases - Account #016-893707-500	53,522	53,522	53,522
Unsettled purchases - Account #016-893084-500	12,546	12,546	12,546
	115,642	115,642	115,642
Cash balance - Account #016-893711-500	916	916	916
Cash balance - Account #016-893706-500	380	380	380
Cash balance - Account #016-010073-500	1,051	1,051	1,051
Cash balance - Account #016-893084-500	20,301	20,301	20,301
	22,648	22,648	22,648
Total Money Market Funds	$ 1,008,826	$ 1,008,826	$ 1,008,826

	Quantity	Cost	Fair Value
Mutual Funds			
Templeton Global Bond Fd-Ad - Account #016-893086-500	265,108	$ 3,556,360	$ 3,425,201
Total Mutual Funds	265,108	$ 3,556,360	$ 3,425,201

	Face Value	Cost	Fair Value	Ratings
Obligations of U.S. Government and Agencies				
Mortgage and Asset Backed Securities				
Fed Home Ln Bk @ 5.625%, due 06/13/2016	$ 500,000	$ 563,178	$ 571,219	AA-
Fed Natl Mtg Assn @ 1.25%, due 03/13/2017	220,000	221,999	220,931	AA+
Fed Natl Mtg Assn Step - 06/13/14 01.50 @ 0.875%, due 06/13/2017	385,000	386,988	386,779	AA+
Fed Home Ln Mtg Corp Med Term Note @ 1.50%, due 11/13/2017	570,000	578,870	575,864	AA+
FNMA PL # 256105 @ 5.5%, due 02/1/2021	2,030,000	193,604	194,979	AAA
FHLMC 15 YR GOLD PL # G 12121 @ 5.5%, due 4/01/2021	107,000	13,058	14,258	AAA
FNMA PL # 896870 @ 5.5%, due 04/1/2022	3,250,000	273,547	267,969	AAA
FNMA PL # 968649 @ 5%, due 01/01/2023	1,522,899	85,340	84,623	AAA
FNMA PL # 986196 @ 5%, due 07/01/2023	2,200,000	164,144	163,096	AAA
FNMA PL # 889887 @ 5.5%, due 09/01/2023	1,730,000	305,557	305,902	AAA
FNMA PL # 988457 @ 5.5%, due 10/01/2023	630,000	160,112	160,925	AAA
FNMA PL # 994808 @ 5.5%, due 11/01/2023	840,000	90,065	90,044	AAA
FNMA PL # 995472 @ 5.%, due 11/01/2023	1,300,000	220,947	219,000	AAA
FNMA PL # 257502 @ 5.5%, due 12/01/2023	960,000	127,618	128,093	AAA
FNMA PL # 995517 @ 5.5%, due 01/01/2024	2,410,000	332,970	336,536	AAA
FNMA PL # 995957 @ 5%, due 06/01/2024	850,000	160,496	158,738	AAA
FNMA PL # AC4446 @ 5%, due 10/01/2024	405,000	192,967	192,321	AAA
FHLMC 15 YR GOLD # G13827 @ 5%, due 3/01/2025	430,000	82,592	83,302	AAA
FNMA PL # AL1029 @ 5%, due 09/01/2025	310,000	136,406	135,003	AAA
FNMA PL # 923129 @ 5.5%, due 08/01/2034	1,000,000	113,845	128,700	AAA
FNMA PL # 867452 @ 6.5%, due 06/01/2036	107,000	15,573	17,151	AAA
FNMA PL # 882694 @ 6.5%, due 06/01/2036	65,000	12,457	13,809	AAA
FNMA PL # 897447 @ 6.0%, due 10/01/2036	487,076	70,387	76,563	AAA
FHLMC PL # 1G1406 @ 5.889%, due 12/01/2036	275,000	21,030	22,722	AAA
FHLMC 30 YR GOLD PL # A55326 @ 6.0%, due 12/01/2036	275,000	40,448	44,113	AAA
FHLMC 30 YR GOLD PL # A60299 @ 6.5%, due 05/01/2037	297,000	58,590	63,821	AAA
FNMA PL # 938171 @ 6.5%, due 07/01/2037	400,000	80,133	88,096	AAA
	23,555,975	4,702,921	4,744,557	
Governmental Bonds				
US Treasury Bonds @ 2.75%, due 08/15/2042	1,340,000	1,181,027	1,115,345	AAA
Total Obligations of U.S. Government and Agencies	$ 24,895,975	$ 5,883,948	$ 5,859,902	

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CIVIL SERVICE PENSION TRUST FUND

Schedule of Investment Securities, Continued
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Corporate Bonds	Face Value	Cost	Fair Value	Ratings
AFLAC Inc @ 8.5%, due 05/15/2019	$ 440,000	$ 527,078	$ 582,730	A-
American Express @ 8.125% due 05/20/2019	130,000	160,551	172,791	BBB+
Bank of America Corp @ 5.70%, due 01/24/2022	500,000	564,165	563,755	A-
Citigroup Inc @ 4.05%, due 07/30/2022	590,000	602,567	577,002	BBB+
General Electric Capital Corp @ 4.65%, due 10/17/2021	505,000	564,637	548,821	AA+
Goldman Sachs Group Inc @ 5.25%, due 7/27/2021`	515,000	576,302	560,494	A-
JP Morgan Chase & Co @ 4.50%, due 01/24/2022	535,000	568,057	562,472	A
MetLife Inc @ 7.717%, due 2/15/2019	440,000	518,735	555,331	A-
Morgan Stanley @ 5.75%, due 01/25/2021	505,000	583,806	565,849	A-
PNC Funding Corp @3,30%, due 03/08/2022	460,000	442,015	450,398	A-
Wells Fargo & Company & Co @ 3.45%, due 02/13/2023	565,000	569,999	531,362	A
Total Corporate Bonds	$ 5,185,000	$ 5,677,912	$ 5,671,005	

Corporate Stock	Number of Shares	Cost	Fair Value
Ace Ltd (ACE)	450	$ 40,394	$ 42,102
Allstate Corp (ALL)	2,050	97,232	103,627
Amazon Com Inc	276	76,020	86,289
American Int'l Gp Inc New (AIG)	2,250	87,275	109,417
American Express Co (Axp)	1,100	54,262	83,072
American Tower Reit Com (Amt)	600	30,234	44,478
Amerisourcebergen Corp (Abc)	700	38,041	42,770
Anadarko Pete (Apc)	900	80,096	83,691
Bank of Amerika Corp	5,450	68,503	75,210
Biogen Idec Inc	190	26,159	45,743
Boeing Co	1,650	149,907	193,875
CDN Pacific Ry Ltd New	750	94,788	92,475
Celgene Corp	925	102,169	142,577
Charles Schwab New	2,350	32,924	49,679
Chevron Corp	650	73,991	78,975
Cisco Sys Inc	3,950	89,330	92,551
Citigroup Inc New	3,370	126,387	163,479
CME Group Inc	550	41,950	40,634
Comcast Corp (New) Class A	1,700	59,702	76,695
CVS Caremark Corp	1,200	54,327	68,100
Ebay Inc	1,150	50,344	64,164
EMC Corp-Mass	1,950	52,749	49,842
Express Scripts Hldg Co Com	1,050	55,036	64,890
General Electornics Co	3,250	67,167	77,643
General Mtrs Co	3,200	92,154	115,104
Gilead Science	1,700	47,628	106,879
Goldman Sachs Grp Inc	617	85,186	97,616
Google Inc Class A	225	146,162	197,080
Halliburton Co	2,050	74,251	98,708
Home Depot Inc	1,550	58,652	117,568
Johnson & Johnson	700	55,389	60,683
JP Morgan Chase & Co	3,300	135,951	170,577
Las Vegas Sands Corporation	1,050	58,825	69,741
Liberty Global Plc Cl A New	550	38,115	43,643
Lowes Companies Inc	1,000	38,686	47,610
Marsh & Mclennan Cos Inc	1,000	33,827	43,550
Mastercard Inc Class A	140	48,707	94,189
News Corp Class A	2,612	34,429	41,949
Pfizer Inc	3,450	80,227	99,101
Precision Castparts Corp	400	74,964	90,896
Schlumberger Ltd	1,500	118,288	132,540
TE Teleconnectivity New	800	41,052	41,424
Texas Instruments	1,050	41,437	42,305
Twenty-First Century Fox	3,650	62,705	122,312
Union Pacific Corp	525	34,958	81,554
United Technologies Corp	1,250	104,259	134,775
Walt Disney Co	1,650	70,926	106,409
Subtotal - Account #016-893706-500	72,430	3,225,765	4,128,191

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Schedule of Investment Securities, Continued
September 30, 2013

	Number of Shares	Cost	Fair Value
Corporate Stock, Continued			
AK Bank Turk Anonim Sirketi -ADR	5,016	53,737	37,319
Baidu Inc Ads	555	48,464	86,125
Banco Do Brasil Sa	8,815	132,528	103,576
Banco Macro S.A Spons ADR Repstg Cl B	2,083	60,169	49,992
Bidvest Group Ltd Spon ADR	1,279	61,900	64,065
China Constr Bk Corp-CNY	8,237	132,553	126,438
China Mobile Ltd	1,754	91,703	98,978
Cielo Sa Spon ADR	3,505	74,168	96,107
Clicks Group Limited	4,900	62,514	54,561
Cnooc Ltd ADS	312	60,328	62,962
Commercial Intl Bk ADR	7,266	40,850	37,783
Compania De Beb Ambev SP ADR	1,622	57,449	62,204
Gazprom Oao Spons ADR	9,148	79,858	80,685
Grupo Televisa Sa De CV Spon ADR	1,739	45,363	48,605
Imperial Holdings Ltd Adr	3,044	69,212	66,420
KB Financial Group Inc ADR	2,287	79,710	80,091
Kimberly Clarke De Mex Sa Spon ADR -USD	6,261	84,805	90,470
KOC Holding AS Unspons ADR	2,966	73,963	69,048
Mobile Telesystems OJSC Spon ADR	5,020	100,885	111,745
Ned Bank Group Ltd Sponsored ADR	3,201	64,126	65,332
Netease.com Inc ADR	1,097	51,872	79,642
Oil Co Lukoil Spons ADR	753	44,733	47,861
Orascom Constr Inds Spon	761	33,596	25,813
Oriflame Cosmetics SA Spon Adr	3,436	74,341	54,907
Phillippine Long Distance Tel Co Spons ADR -USD	1,151	70,224	78,084
PPC Limited Unspon Adr	4,942	42,017	29,751
PT Astra International Tbk Adr	3,496	50,126	39,505
PT BK Mandiri Persero Tbk Unsponsored	10,889	91,254	73,610
PT Semen Gresik Persero ADR	1,193	32,982	26,783
PT Telekomunakasi Indonesia Spons ADR	1,937	78,480	70,332
PT United Tractors ADR	1,333	57,299	38,217
PTT Exploration and Production-THB Spons ADR	3,614	38,990	37,766
Sanlam Ltd Spon ADR	2,271	52,149	53,278
Sber Bank Russia Sponsored Adr	8,902	109,580	107,091
Shinhan Financial Grp Co Ltd Adr	2,329	92,818	94,325
Shoprite Holdings Unspon ADR	1,485	50,454	49,064
Standard BankGroup ADR	3,719	53,539	44,516
Taiwan Semiconductor Mfg Co Ltd Adr	5,550	81,619	94,128
Tiger Brands Ltd Sponsored ADR new	1,570	46,038	46,645
Turkcell Iletis Hizmet ADR	3,927	64,383	57,923
Vodacom Group Ltd Unsponsored ADR	3,160	40,946	39,216
Weichai Power Co Unspon ADR	3,619	61,121	56,094
Woolworths Hldgs Ltd	776	60,563	57,036
Wynn Macau Ltd Unspon Adr	2,360	64,241	80,712
YPF Asa Spon ADR	3,654	81,307	73,555
	156,934	2,998,957	2,948,360
Vale S.A. SP - Preferred Stock	3,441	70,088	48,897
Subtotal - Account #016-893085-500	160,375	3,069,045	2,997,257
Alexion Pharm Inc	306	29,986	35,545
Amazon.com Inc	317	69,373	99,107
American Express Co	492	37,226	37,156
American Tower Reit Com	609	39,425	45,145
Amgen Inc	399	35,105	44,658
Apple Inc	207	108,644	98,687
Applied Materials Inc	1,816	32,309	31,836
Arm Holdings Plc Ads	776	30,872	37,341
Athenahealth Inc Com	111	12,496	12,053
Best Buy Co	804	20,344	30,150
Biogen Idec Inc	268	37,696	64,524
Blackrock	191	38,222	51,688
Borgwarner Inc	380	26,748	38,528
CBS Corp New Class B shares	842	27,655	46,445
Celgene Corp	524	35,334	80,768
Cerner Corp	642	23,015	33,737
Cognizant Tech Solutions CL A	422	28,744	34,655
Costco Wholesale Corp New	302	21,955	34,781

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REPUBLIC OF PALAU
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Schedule of Investment Securities, Continued
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	Number of Shares	Cost	Fair Value
Corporate Stock, Continued			
CVS Caremark Corp	623	27,878	35,355
Danaher Corp De	1,271	60,239	88,106
Delta Air Lines Inc New	1,109	17,130	26,161
Dollar Gen Corp new	762	36,611	43,022
Ebay Inc	1,088	49,618	60,705
Ecolab Inc	344	18,869	33,973
Estee Lauder Cos Inc Cl A	498	25,964	34,810
F5 Networks Inc	343	30,558	29,432
Facebook Inc Cl	1,456	48,001	73,135
FMC Technologies Inc	637	28,536	35,302
Gilead Science	1,064	39,779	66,894
Google Inc Class A	138	86,608	120,876
JP Morgan Chase & Co	255	13,097	13,181
Liberty Global Plc Cl A New	373	30,453	29,598
Linkedin Corp A	103	24,972	25,344
Lululemon Athletica Inc	273	19,829	19,964
Mastercard Inc. class A	75	32,658	50,459
Michael Kors Holding Ltd	340	25,506	25,337
Monsanto Co New	918	69,610	95,812
Morgan Stanley	1,825	48,292	49,184
Nike Inc	569	38,184	41,332
Noble Energy Inc	522	30,754	34,979
Nxp Semiconductors Nv	913	27,525	33,973
Pioneer Natural Resources Co	196	28,367	37,005
Precision Castpart Corp	245	40,807	55,674
Priceline.Com Inc (New)	113	66,229	114,237
Qualcomm Inc	381	23,481	25,649
Ralph Lauren Corp Cl A	246	38,607	40,524
Range Resources Corp	441	34,624	33,467
Ross Stores	478	29,548	34,798
Salesforce.com Inc	1,839	64,269	95,462
SBA Communications Corp	486	28,908	39,104
Schlumberger Ltd	289	23,963	25,536
Servicenow Inc	325	15,243	16,884
Sirius Xm Radio Inc Com	9,178	26,610	35,565
Starbucks Corp	754	34,540	58,035
Twenty-First Century Fox Cl A	1,512	39,973	50,667
Ulta Salon Cos & Fragr Inc	447	40,293	53,399
Union Pacific Corp	747	70,502	116,039
United Technologies Corp	550	43,453	59,301
United Health Group Inc	421	21,700	30,148
Visa Inc Com Cl A	616	52,168	117,718
WW Grainger Inc	122	24,075	31,929
Walt Disney Co Holdings	539	30,188	34,760
Whole Foods Market Inc	170	9,262	9,945
Wynn Sorts Ltd	215	30,142	33,972
Zoetis Inc Class-A	1,365	44,194	42,479
Subtotal - Account #016-893084-500	46,582	2,346,966	3,116,035
Abbot Laboratories	2,100	78,537	69,699
Apple Inc	108	47,141	51,489
Baxter Intl Inc	900	64,731	59,121
Boeing Co	700	62,007	82,250
Charles Schwab New	4,100	71,911	86,674
Cigna Corporation Com	1,000	65,604	76,860
Deere & Co	600	52,575	48,834
Diageo Plc Spon Adr New	430	52,863	54,644
EMC Corp Mass	2,950	67,555	75,402
Express Scripts Hldg Co Com	900	58,131	55,620
Franklin Resources Inc	1,150	59,754	58,133
Goldman Sachs Group Inc	370	58,777	58,538
Hershey Company	710	61,468	65,675
Hess Corp	400	29,075	30,936
Home Depot Inc	810	58,429	61,439
Honeywell Intl Inc	400	29,902	33,216
Huntington Ingalls Industries	600	31,295	40,440
Intl Business Machines Corp	310	66,013	57,406
Intuit Inc	1,000	64,848	66,310

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REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Schedule of Investment Securities, Continued
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	Number of Shares	Cost	Fair Value
Corporate Stock, Continued			
JP Morgan Chase & Co	1,350	66,700	69,782
Kering S A Adr New	2,600	56,889	58,474
M&T Bank Corp	550	57,706	61,556
Nextera Energy Inc Com	1,020	81,374	81,763
Northeast Utilities	1,300	57,785	53,625
Northern Trust Corp	1,150	64,646	62,537
Occidental Petroleum Corp	800	67,363	74,832
Oracle Corp	1,900	64,045	63,023
Pepsico Inc	950	76,075	75,525
Qep Resources Inc	1,300	40,971	35,997
Qualcomm Inc	1,010	67,459	67,993
Schlumberger Ltd	630	48,567	55,667
Suntrust Bks	1,900	55,523	61,598
Texas Instruments	1,350	48,267	54,392
Tiffany & Co New	400	29,473	30,648
Time Warner Inc	1,550	92,450	102,006
TRW Automotive Holding Corp	1,100	62,344	78,441
UBS Ag New	3,250	52,597	66,690
Unilever NV NY Sh New	1,650	69,089	62,238
United Parcel Service Inc	720	60,717	65,786
Walt Disney Co Hldg Co	1,150	69,705	74,164
Zions Bancorp	2,850	71,819	78,147
Subtotal - Account #016-010073-500	50,018	2,442,180	2,567,570
AB Electrolox Spon	1,313	76,447	68,302
Anheuser Busch Inbev SA Spon	1,691	165,118	167,747
Assa Abloy AB Unsp Adr	4,394	88,891	100,930
Assoc British Fds Plc Adr New	1,818	52,086	55,649
Atlantia Spa Unspons Adr	9,703	77,895	98,874
Bayer Ag Spon Adr	1,317	137,246	155,327
Bayerische Motoren Werke Ag	3,590	109,262	128,594
BG Group Plc	3,476	59,683	66,253
BHP Billiton Ltd	1,484	99,832	98,686
BNP Paribas Sp Adr Repstg	4,251	110,066	143,896
British Amer Tob Spon Adr	1,111	119,951	116,822
Carlsberge As	2,675	51,681	55,266
Campagnie Fin Richenmontag Adr	6,777	62,150	67,092
Daikin Inds Ltd Unspon Adr	724	64,429	77,750
Daiwa House Inds Ltd Adr	562	112,580	105,954
Eni Spa Amer Dep	1,368	62,644	62,969
Experian Gp Ltd Adr	2,012	35,492	38,168
Getinge Ab Unspon Adr	1,787	55,040	64,028
HSBC Holdings Plc Spon Adr New	2,624	142,344	142,378
Informa Plc	5,677	87,320	96,793
Komatsu Ltd Spons Adr	2,961	68,695	74,232
Ladbrokes Plc Spons Adr	11,713	37,128	32,679
Lixil Group Corp Adr	1,683	62,725	69,575
Lloyds Banking Group	23,625	71,876	113,636
Makita Corporation Ltd Adr New	1,787	98,484	104,271
Mediolanum Spa Unspon Adr	2,887	42,953	42,410
Novartis Ag Adr	2,604	183,579	199,753
Novo Nordisk A/S Adr	629	103,862	106,439
Petrofac Ltd London Unspon Adr	3,436	36,628	38,999
Petroleum Geo-Svcs Asa Ads	3,403	52,085	42,265
Prudential Plc Adr	4,757	152,261	177,579
Red Electrica Corporacion Sa	5,090	49,356	58,077
Rexam Plc Sponsadr Comnopa	2,855	112,363	112,767
Rogers Comm Inc Cl B	1,558	77,911	67,010
Royal Dutch Shell Plc	1,369	87,876	89,916
Ryanair Hldgs Plc Adr	1,837	76,168	91,372
Sampo Oyj Unspon Adr	5,107	98,820	109,647
Sands China Ltd Unsponsore Adr	1,763	85,506	109,253
Sanofi Adr	1,773	90,258	89,767
SAP Ag	2,007	155,973	148,357
Seven & I Holdings Co Ltd Adr	1,570	110,966	114,720
Signet Jewelers Limited	1,374	95,099	98,447
Sumitomo Mitsui Finl Group Inc	17,361	154,522	168,923
Swatch Group Ag Adr The Unspons	1,992	55,417	63,963

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Schedule of Investment Securities, Continued
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	Number of Shares	Cost	Fair Value
Corporate Stock, Continued			
Swedbank Ab Spons Adr	2,611	58,002	61,019
Technip-Coflexip	2,191	58,861	64,525
Tullow Oil Plc Adr	5,080	45,348	42,316
Unilever Plc Ads	2,975	124,784	114,776
Valeo Sponsored Adr	2,322	62,982	99,080
Wolseley Plc Adr New	15,335	72,510	80,049
Yahoo Japan Cp Unspon Adr	6,531	102,910	126,375
Subtotal - Account #016-010074-500	200,540	4,456,065	4,823,675
Total Corporate Stock	529,945	$ 15,540,021	$ 17,632,728

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