



"No retiree left behind"

Volume 2, No. 4 - April 2005

THE SOCIAL SECURITY JOURNAL

A quarterly publication of the Marshall Islands Social Security Administration

MISSA opposes proposed amendments to the Social Security Act

In its 26th Constitutional Regular Session early this year, the Nitijela of the Marshall Islands started its hearing on Bills no. 50 and 57, that, if enacted into laws, would be detrimental to MISSA's capacity to pay present and future benefits to retirees and beneficiaries.

Bill no. 50 proposes to amend Section 135 of the SS Act and would allow a person entitled to old age insurance and surviving spouse benefits to receive such benefits at the same time.

Currently, this section prohibits beneficiaries who may otherwise be entitled to receive more than one type of benefit under the Act, from receiving more than one type of benefit at the same time, and requires the beneficiary to elect just one benefit to be paid-out.

In her letter to the Chairman of the Nitijela Standing Committee on Health, Educa-

tion & Social Affairs (HESA), Saane K. Aho, MISSA Administrator, objected to the bill. She said that its implications will

assuredly increase the total benefits currently being paid by the Administration, thereby jeopardizing the mid and long-term viability of the Social Security Trust Fund.

MISSA's last actuarial report dated October 1, 2003 reflected a total actuarial accrued liability (AAL) of \$205.75 million. In layman's term, AAL is the value of benefits of current and former workers that MISSA is obligated to pay as a result of pre-

sent and past contributions. These individuals comprise of the following categories:

1. Workers who are actively employed and contributing to the System;
2. Former workers who are retired and now receiving benefits, including their dependents and beneficiaries; and
3. Former workers who are not receiving benefits and are no longer making contributions, but who are



Saane K. Aho
MISSA Administrator

"As of October 1, 2003, MISSA's accrued actuarial liability (AAL) was \$205.75 million, while total assets amounted to \$41.55 million only. Therefore, by taking away the total assets from the AAL, it becomes apparent that the Retirement Fund has an unfunded liability of \$164.20 million or an unfunded percentage of 80%."

receiving benefits and are no longer making contributions, but who are

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To employers: "Please file complete and accurate quarterly tax returns to avoid penalties".



Hundreds of retirees & beneficiaries enroll in life and accident insurance program

Starting April 1, 2005, retirees, surviving spouses and disabled workers who are presently receiving benefits from MISSA will no longer worry about the financial burden (i.e. funeral expenses) their families will bear upon their death or dismemberment.

The Individual Assurance Company (IAC) of Kansas City, USA, (represented by its general agent, Veronica Wase), which has provided group life insurance coverage to hundreds of employees of the RMI Government for several years now, has recently introduced a new group life insurance plan for all retirees, surviving spouses and disabled workers, regardless of age.

* Program profile

The Individual Assurance Company or IAC, a U.S. based life, health & accident insurance company, in coordination with the Marshall Islands Social Security Administration, provides a group basic life insurance coverage of \$5,000 to enrollees at a cost of \$30.33 per month, payable through allotment and deducted from the beneficiaries' monthly benefit checks.

* Coverage

- ◆ basic life insurance benefit of \$5,000 upon death of the enrollee;
- ◆ additional accidental death insurance benefit of \$5,000, if enrollee dies in an accident before age 70, at no extra premium;
- ◆ Dismemberment insurance benefit of \$5,000, if enrollee is dismembered before age 70, due to:
 - Loss of hands or feet
 - Loss of sight in both eyes

- Loss of one hand and sight in one eye
- Loss of one hand and one foot
- Loss of one foot and sight in one eye
- ◆ Dismemberment insurance benefit of \$2,500, if enrollee is dismembered before age 70, due to:
 - Loss of one hand or one foot
 - Loss of sight in one eye

* Eligibility

Those eligible to enroll in the program are existing retirees, surviving spouses and disabled workers currently receiving benefits from MISSA. There is no age

limit upon enrollment. However, additional accidental death and dismemberment insurance benefits are limited only to those under age 70.

For those who would be eligible only in the future, they must be enrolled within 61 days after the date the retiree's application was approved by MISSA. Otherwise, they will be considered late entrants and subject to medical underwriting.

As this is a voluntary insurance program, retirees

who are not interested to join are not obliged to enroll or pay anything.

* Enrollment

Enrollment has already started since March 2005 but insurance coverage takes effect only starting April 1, 2005. Those who will enroll on or before April 30, 2005

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On March 30 and 31, 2005, about 400 retirees and beneficiaries trooped to the ECC Gym in Delap (and also at the MISSA Office in Ebeye) to enroll in the life and accident insurance program being offered by the Individual Assurance Co. (IAC). Pictured above are MISSA personnel assisting in the enrollment.



Retiree life insurance

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will be accepted regardless of his or her physical condition and will not be subject to a medical examination. Those who will enroll after April 30 will be considered late entrants and will be subject to medical underwriting.

* How to apply

Eligible retirees, survivors and disabled workers may get an application form from MISSA offices in Majuro and Ebeye during office hours. Completed application forms may be submitted to any of MISSA's Customer Service Representatives.

* Local program administration

IAC has appointed Mrs. Veronica "Nika" Wase as its General Agent in the Marshall Islands. For further inquiries, she may be reached at (692)625-0389. However, retirees are advised to report to MISSA first, as eligibility requirements have to be checked by MISSA personnel before enrollment is accepted.

* Premium administration

The monthly premium of \$30.33 is to be deducted on a monthly basis from the enrollee's benefit check.

Upon enrollment, the applicant must complete an allotment form in favor of IAC. If the net benefit amount is less than \$30.33 prior to the premium allotment being made, another allotment form must be completed (subject to MISSA's approval) to reduce an existing allotment by \$30.33 or the difference between the net benefit amount and \$30.33, as applicable.

* Claims

A Claimant must complete the IAC Claim Processing Report and submit it to MISSA, together with a copy of the death certificate signed by a doctor (or its equivalent). Copies of the two most recent payments showing premium paid for the deceased will help facilitate the process.

MISSA shall assist all claimants in completing the necessary paperwork and documentation until the claim is approved and released to the beneficiaries. In case there is a delay in the release of the payment by IAC, MISSA shall likewise assist in making follow-ups.

Claims will be processed by IAC within 48 hours upon receipt of all necessary documentation.

IAC has opened an account with one local bank in

the Marshall Islands and payments shall then be made by that bank (in the form of cashier's check) upon approval and notification by IAC.

* Frequently asked questions

Q: Can the insurance coverage be increased (i.e. from \$5,000 to \$10,000 or \$15,000), if the enrollee agrees to pay an additional premium?

A: No. The maximum coverage is only \$5,000.

Q: Is the insurance program limited only to those residing in the Marshall Islands?

A: No. Any eligible retiree, surviving spouse or disabled worker residing temporarily or permanently in any part of the globe may be enrolled.

Q: Can children of retirees enroll in the program?

A: No. This insurance program is limited only to the retirees themselves, surviving spouses of deceased retirees and disabled workers currently receiving social security benefits from MISSA.

Q: A 69 year old retiree has submitted his application form to MISSA on April 1, 2005. Two days later, he died in a vehicular accident. He has not yet paid the first premium of \$30.33, as it will only be deducted from his April benefit check, which is normally processed at the end of each month. Can his beneficiaries make a claim?

A: Yes. In an internal agreement with MISSA, IAC shall consider an applicant as "enrolled already" at the time MISSA receives the application form, even though the premium is not yet paid to IAC. The premium will just be deducted by IAC from the proceeds of the insurance benefit.

In this case, the beneficiaries shall receive \$4,969.67 as basic life insurance benefit, and an additional \$5,000 as accidental death benefit.

Q: A 71 year old surviving spouse afflicted with terminal cancer wishes to enroll in the program. Will IAC accept her application?

A: Yes, provided that she enrolls not later than April 30, 2005 to avail of the "open enrollment", regardless of her present health condition. If she will apply after April 30, 2005, she will be required to submit an "Evidence of Insurability" and will be subject to medical underwriting. Due to her ailment (cancer), it is almost certain that IAC will not accept her application (after April 30).

Q: Assuming that the abovementioned 71 year survivor

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Retiree life insurance

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has enrolled before April 30, 2005 but died a year later in an accident (not due to cancer), is she entitled to the additional \$5,000 accidental death benefit?

A: No, because accidental death benefits cover only those under age 70. In this case, her beneficiaries will get \$5,000 basic life insurance only.

Q: For those who are interested to enroll in the insurance program but are residing off-island, how should they apply?

A: They may send their request for application forms by phone, mail, fax or E-mail to the numbers and addresses indicated below. Upon receipt of the request, MISSA shall immediately send them the forms (if they are eligible).

Q: If an enrollee dies, how would the beneficiaries make a claim for insurance benefit?

A: The claimant must immediately bring a copy of the death certificate to MISSA offices in Majuro or Ebeye. A MISSA staff will assist him/her in filling up the IAC Claim

MISSA joins CMI group sessions

Richard Bruce, CMI's Dean of Student & Community Services Division, met with MISSA Administrator and Managers to assess the performance of former students and graduates of CMI who are currently employed by MISSA.

For more than a year now, CMI has been exerting extra efforts to maintain full accreditation from the Western Association of Schools and Colleges (WASC). To-date, however, WASC has not yet seen significant improvements to several key areas identified as "below U.S. standards". One of these areas was CMI's failure to provide evidence that it has a full understanding of its students' educational and support needs.

To address this finding, CMI has become very proactive and has created a variety of methods to collect information in order to better assess its programs and services. One of the methods it uses is the "focus group sessions". This process involves interviews and

dialogues between CMI and employers of CMI students and graduates. The session focuses on four main areas: (1) how effective were the college's educational training? (2) what areas did it fail to meet the employer's expectations? (3) how can CMI improve CMI's educational and support services? (4) what type of training needs would the employer wants the college to offer?

MISSA's extensive recruitment process, which includes written tests, panel interviews and thorough background checks, enables the Administration to select the best candidate from as many as forty (40) applicants vying for just one position. This is the main reason why the ten (10) graduates of CMI currently working with MISSA have performed satisfactorily and have consistently met their work requirements.

However, the vast majority of applicants who were not qualified (who were also former students and graduates of CMI), were noted to have serious deficiencies in both written and verbal communication skills. This grim reality is very alarming because if they happen to apply for positions outside the Marshall Islands, they will have very little or no chance of being hired.

The presumption that the communication skills deficiency noted from the hundreds of CMI students and graduates who applied for various positions in MISSA should be solely attributed to CMI's inability to give more focus on key result areas may be inappropriate. As a matter of fact, numerous applicants who have studied off-island also fared poorly in the qualifying written tests by MISSA, because of the same communication skills deficiency.

This chronic issue has been haunting each and every educator in the Marshall Islands since "time in memoria" and more often than not, a finger is pointed to the main root of the problem...the poor elementary and high school background and sub-standard educational system these applicants were exposed to. Without a solid elementary and high school foundation, these students may still lag behind not only in communication skills, but in other academic areas as well, despite CMI's extra efforts to inculcate them.

Another area that CMI should focus on is "hands-on exposure" to actual tasks relevant to the course taken by students. This can be made possible by requiring all graduating students to undergo on-the-job training (i.e. bookkeeping jobs for Accounting students) for at least 3 months, as part of the school curriculum. This will allow students to obtain first hand experience of what awaits them after graduation.

MISSA believes that CMI is now on the right track and is grateful to say that several of its best performing



Life insurance program eo nan retiree ro

* Melele ko ikijen Program in

Individual Assurance Company ak IAC. ej bed ilo U.S. eo im ej juon life, health im accident insurance company, im ej jermal iben Marshall Social Security Administration nan komane juon life insurance eo nan group ao an retiree ro kin drettan in \$5,000.00 ilo ien mij eo im kolla wot \$30.33 juon allin, im ej koman kin allotment jen check ko an ro rej kolla ilo kajojo allin.

* Wewein ko im rej cover

- ⇒ Ej \$5,000.00 kolla elane emij armij eo im emoj an insure;
- ⇒ Ekoba tok bar \$5,000.00 ikijen mij ko redrin, elane armij eo ej drelon ilo program in im ej mij ikijen mij ko redin im oran year eo an ediklok jen 70 year ilo an bar ejelok charge ko nan bar kollaiki;
- ⇒ Naj kolla insurance kin drettan in \$5,000.00 nan eo im ej member im edik jen 70 year drettan im ewalok wewein kein nane:
 - Elane ejako bein ak neen
 - Elane ejoran im ban lolok jen kin aoleb mej
 - Jako juon ba im jorran im ban lolokjen kin juon mej
 - Jako juon ne im juon ba
 - Jako juon ne im jorran im ban lolokjen kin juon mej
- ⇒ Jorran ko naj kolla \$2,500 elane, armij eo ej enroll ewalok joren kein nane mokta jen an tobar 70 year drettan, jorran kein rej:
 - Jako juon be ak juon ne
 - Jorran im ban lolokjen kin juon ian mej ko mejen

* Won ro rekka bwe ren drelon

Ro im rekka bwe ren drelon ilo program in ej retiree ro, kab ro im rej kolla ikijen an mej ro beleir im ro rej kolla kin aer bojrak im ban jermal ikijen naninmij im kio rej kolla jen MISSA. Ejelok jonan drelon ikijen drettan armij. Ijowot ke, ikijen mij ko rejdimkij im jorran ko ikijen motttan enbin naj ilok wot nan ro im edik oran year ko aer jen 70 year.

Ikijen ro im renaj drelon ilo iien ko tok elik, bwe rej aikuij in drelon ilowan wot 61 ran elkin an weppen retirement im survivor kolla ko aer jen MISSA. Elane jab, inem naj watok er bwe rerumij im naj aikuij koman kakolkol ko jen doctor ro.

Einwot ke insurance program in ej nan ro wot im rekonan, nan ro im rejab itok limoier in drelone program in rejab aikuij in drelon im ejelok men en rej kolla iki.

* Drelon

lien kadelon emoj an ijino ilo March 2005 botab insurance eo enaj jejet kitien ilo April 1, 2005. Ro im naj drelon mokta jen April 30, 2005 naj maron bok er jekdron ekejkan ejmur eo aer im rejab aikuij in koman kakolkol ko jen doctor ro, nan ro jet im renaj drelon elkin April 30, 2005 naj watok er bwe rerumij im renaj aikuij bwe ren koman kakolkol ko jen doctor ro.

* Ewi wewein bwe kwon maron drelon

Nan ro im rej retire, kab ro rej kolla ikijen ro beleir remij im ro rej kolla ikijen aer naminmij im ban jermal, remaron ebok application jen Office ko an MISSA ilo Majuro im Ebeye ilo awa in jerebal ko. Kani im kadedeiklok application ko im buktok nan ro rej jermal ilo Customer Service ilo Office ko an MISSA

* Ikijen bok edro in program in

Emoj an IAC jiton Mrs. Veronica "Nikka" Wase bwe eo ej General Agent ilo Marshall kein. Ikijen melele ko relab lok, call eo lok ilo telephone (692)625-0389. Botab, retiree ro rej aikuij in kebak MISSA mokta, einwot ke ikijen am bed ilo program in ej aikuij in alikar mokta jen ro rej jermal ilo MISSA.

* Ikijen bok edro in program in

Wonen eo ej drettan in \$30.33 juon allin im naj bok jen check eo am ilo kajojo allin.

Ilo iien am enroll, kwoj aikuij in koman am allotment nan IAC. Elane bwe eo am ilo check eo am edik jen \$30.33 ilo iien eo kwoj koman am allotment nan komane kolla eo am, inem kwoj aikuij in bar komane juon am allotment (im aikuij weppen jen MISSA) nan kadiklok juon ian kar allotment ko am bwe en maron jejet \$30.33 eo im kwoj aikuij in komane.

* Wewein komane Claim ko

Juon dri claim ej aikuij in kadedeik lok IAC Claim Processing Report eo im lelok nan MISSA ekoba juon copy in pepa in mij eo an im emoj an signed jen juon doctor (ak eo im einlok wot) . Copy in kolla ko ruo eliktata ej kwalok ke armij eo im emij ear kollaiklok

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Retiree insurance program

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wonen premium eo an enaj komkajlok jerbale claim eo.

MISSA enaj jiban dri claim ro kani im kadedeiklok jerbale in paper ko im aini paper ko rej aikuiji nan iien eo ej approve claim eo im drij kolla eo nan ro im aer kolla eo. Elane enaj wor rumwij ko jen IAC, MISSA enaj wonmanlok wot im jiban koman lolorjake ko nan komkaje claim ko.

Claim ko naj komane jen IAC iloan wot 48 awa ko elkin an tobrak lok paper ko im remenin aikuij.

IAC ej lomnak in kobelok juon account iben juon ian bank ilo Marshall in. Elane ededelok kobelok account, inem kolla ko naj koman jen bank in (kin cashier's check) elkin wot an approve im kojela tok jen IAC.

*** Jet ian kajitok ko ekka kajitok kaki**

Q: Emaron ke lablok aorok in insurance eo (einwot, jen \$5,000.00 nan \$10,00 ak \$15,00.00), elane armij eo ekonon kolablok kolla eo an?

A: Jab. Jonan eo ilon tata in ej \$5,000.00.

Q: Insurance program in ej nan ro wot im rej joke ilo Marshall in ke?

A: Jab. Jabdrewot ro im rej retiree, ro im rej kolla ikijen ro beleir im emoj aer mij im ro rej kolla im rar bojrak jen jerbale kin aer ninimij im rej bed im jokwe jabdrewot jikin ibelakin lal in rej bar maron in drelon.

Q: Emaron ke bar drelon ajiri ro nejin ro im rej retire?

A: Jab. Insurance program in kar komane nan wot ro rej retire, ro im emoj ro beleir, kab ro im rar bojrak jen jikin jerbale ikijen naminmij ko im rej kolla money in jiban ko jen MISSA.

Q: Juon eo ej retire im 69 an year im emoj an komane application eo an iben MISSA ilo April 1, 2005. Ruo ran elkin, emij ilo juon accident ilo wan ettor ko iloan ial ko. Ejanin jino kollaiki premium eo an kein kajuon im drettan in \$30.33 einwot ke ekka wot aer koman kolla ilo jemlok in allin. Kio, ro im ear je etaeir ilo application eo remaron ke koman claim?

A: Aet. Ilo juon kwon kar koman iben MISSA. IAC naj watoke bwe applicant eo ededelok an kar drelon ilo wot iien eo im application eo an ear tobrak iben MISSA, jekdron ne kolla eo an ejanin koman nan IAC. Kolla eo an IAC enaj wonmanlok wot im boke jen kolla eo ikijen insurance eo an.

Ilo wewein in, ro im ear kalimuri er bwe ren bok kolla eo an naj kolla \$4,969.67 ikijen basic life insurance im bar kobaiklok bar \$5,000.00 ikijen mij ko reidin ak accidental death.

Q: Juon eo im 71 year drettan im ej kolla ikijen armij eo belen im emij im ewor an naninmij in cancer im ekonon drelon ilo program in. IAC en ke maron bok application eo an?

A: Aet, kinke ear drelon mokta jen April 30, 2005, ilo kar jab kojekdron iien eo im kar kobellok nan kadelon, jekdron ne ebok naninmij in kio. Elane enaj lomnak in drelon elkin April 30, 2005, ej aikuij in boktok ibentok "Evidence of Insurability" im bwe ej aikuij in koman kolkol ko iben doctor ro. Ikijen naninmij in an (cancer), eor kojatdrikdik bwe IAC eban boke application eo an (koman elkin April 30).

Q: Eija armij in wot im konono kake ijin ilon im 71 year drettan im ear drelon mokta jen April 30, 2005 im emij juon year tok elik ikijen mij ko reidin (im jab kin cancer), ej ke aikuij in etal \$5,000.00 eo juon ikijen accidental death?

A: Jab, kinke accidental death benefit ej nan ro wot im rej ilal in 70 year drettaer. Ikijen wewein in, ro im kar



The Board Members of the Marshall Islands Retirees Association, chaired by Kaname Yamamura, are in constant liaison with MISSA, being the bridge connecting the Administration with all retirees and beneficiaries. Pictured (from left) are: Lauro Swain, Aisa Aine, Beman Lolin, Sikfrit Peter, Kaname Yamamura and Shiro Riklon.

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Retiree insurance program

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kalimur kake er bwe ren kolla naj ilok nan er basic life insurance benefit eo im ej \$5,000.00 wot.

Q: Ikijen ro im remonono in drelon ilo insurance program im rej joke ilikin, ewi wewein aer naj maron apply?

A: Rej aikuij kajitok tok ilo phone, mail, fax ak E-mail nan number im address kein walok ijin ilal. Elkin wot an tobrak tok kajitok eo, MISSA enaj ilo iien eo emokaj tata jilkin lok form ko aer (elane rekar bwe ren drelon).

Q: Elane juon eo im emoj an drelon e mij, ewi wewein an armij ro ear kalimur kake er koman aer claim ikijen money in jiban ko jen insurance?

A: Armij eo ej aikuij boktok juon copy in pepa in mij eo ilo iien eo emokaj tata nan office ko an MISSA ilo Majuro im Ebeye. Juon dri jerebal in MISSA naj jibane kane IAC Claim Processing Report eo im boklok nan IAC aoleb pepa ko im remenin aikuij nan etale im korolok kolla ko jen insurance in. Ikijen elane enaj wor rumij, MISSA enaj wonmanlok wot im jiban ikijen libjorjor e

Court authorizes MISSA to liquidate property of delinquent employer

In an unprecedented move in recent years, the Administration took possession and facilitated an auction sale of assets of a certain employer who failed to pay his obligations despite repeated demands from MISSA.

This was the result of a High Court judgment (under Civil Case no. 2004-014) in favor of MISSA, that authorized the sale by auction, tender or private sale of the defendant's assets and apply the proceeds of sale to the judgment. As the proceeds of the sale were less than the amount owed to MISSA, the defendant was further ordered by the court to pay the balance in installments.

Liquidation of assets of employers who have adamantly ignored MISSA's demand to pay is the ultimate option that the Administration may undertake, if diplomatic and amicable efforts to collect fail.

Names of non-filers published

The names of more than 200 Majuro employers who failed to file and pay their 4th quarter 2004 contributions were published in The Marshall Islands Journal earlier this year. This is one of the strategies considered by MISSA which has proven to be very effective in reducing tax delinquency.

Just a few hours before the final list was submitted to The Marshall Islands Journal, about a dozen employers who were notified hurriedly paid their dues to avoid having their names included in the list. Subsequently, another fifty (50) of those listed, voluntarily filed and settled their obligations. Those who cannot pay in full were given a more affordable payment plan and signed promissory notes.

After the April 11, 2005 deadline for contributions covering the 1st quarter of 2005 and all quarters thereafter, MISSA shall again publish the names of non filers, including those employers in Ebeye.

For those who will remain adamant and continuously ignore MISSA's demands, they will be referred to the Legal Counsel for both civil and criminal prosecution.



Pictured are part of the appliances, equipment and fixtures sold during the auction.



MISSA opposes proposed amendments to the SS Act

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fully insured based on prior contributions.

Also, as of October 1, 2003, MISSA's assets totaled \$41.55 million only. Therefore, by taking away the total assets from the AAL, it becomes apparent that the Retirement Fund has an unfunded liability of \$164.20 million or an unfunded percentage of 80%.

"Until a long-term trend toward increasing the funded percentage has been realized, the Administration must not increase future promised benefits or grant any benefit increases to those already in pay status without accompanying such increases with a means to pay for them", the Administrator said.

In further support to MISSA's objection, a real-life cost vs. benefit assessment of 9 active retirees were submitted to the Nitijela. This analysis clearly showed that the retiree alone, not including his or her surviving spouse and children, has the potential to collect up to almost 20 times the amount of money that was contributed to the Retirement Fund. "How much more will the total benefits amount to if the lifetime benefits for the surviving spouse and children are factored?", the Administrator defended.

Bill no. 57 has been introduced to abolish the **Earnings Test**, an amendment that would further result to additional financial burden to MISSA.

As provided for in Section 144, Chapter 1 of the SS Act of 1990, "a worker or a self-employed worker who is in receipt of a retirement benefit and at the same time is in covered employment, shall have his quarterly benefit reduced by \$1.00 for every \$3.00 earned during the quarter, in excess of \$1,500.00. However, The reduction shall not apply in the quarter in which he attains 62 years of age, or in any subsequent quarter thereafter". This provision is referred to as the **earnings test**, a practice that has been introduced and is being continuously enforced by almost all social security systems all over the world.

Like in Bill no. 50, MISSA and its actuary oppose Bill no. 57 as it will also increase the unfunded AAL of

MISSA. Its passage will result in anywhere between \$250,000 to \$350,000 in additional benefits per year. This will further put the RMI in the bottom, being the least funded of all 3 Social Security Systems in Micronesia.

The actuary, in fact, recommended that **NO INCREASE** in benefits be made until MISSA's assets increase significantly over time to bring the Retirement Fund to a sustainable level. "It may also be prudent to extend the earnings test beyond age 62. Social security retirement benefits are designed to provide income to those who are no longer working and as retirees continue to work, those with large income are really not in need of social security benefits to sustain them", the actuary recommended. MISSA has supported this notion as the purpose of retirement benefit is to replace income that is lost when it is no longer reasonable to

expect a person to be able to work. Therefore, while a worker is willing and able to earn wages, there are no lost wages to replace.

The MISSA Board, its Management and Staff have all worked very hard and diligently to bring its administrative costs to a bare minimum and hope that one day the Retirement Fund can increase benefits for all retirees and

"The MISSA Board, its Management and Staff have all worked very hard and diligently to bring its administrative costs to a bare minimum and hope that one day the Retirement Fund can increase benefits for all retirees and survivors."

survivors. MISSA's administrative expenses are consistently at 6%-7% of total revenues or about \$700,000 annually. This is a big contrast to the 14.5% of total revenues or \$1.55 million in administrative costs spent five years ago, before the incumbent Administrator and Board of Directors were appointed by then President Kessai Note and his Cabinet in 2000.

The public hearing for Bill nos. 50 and 57 is expected to continue with much intensity between its proponents and MISSA, but the Administration remains hopeful that the RMI Government will continue to support MISSA's efforts to reduce expenses, control benefits and improve revenue collections in the coming years, especially with a 7% increase in new benefit payments every year. For FY 2004 alone, MISSA paid out \$9.8 million in benefits.



MISSA Ebeye conducts house-to-house collection & information campaign

In its efforts to improve tax collections, the Ebeye Office of MISSA, under the direction of its new Branch Manager (Harden Lelet), started a house-to-house visit of all businesses in Ebeye. The main purpose of these visits is to offer delinquent employers who cannot afford to pay in one single payment their tax obligations to MISSA, affordable installment payment options ranging from 6 months up to 5 years, depending on the amount owed.

This action will also enable MISSA's Tax Compliance Team to conduct a survey of the total number of all business establishments and government agencies in Ebeye, the number of workers and employees currently employed, businesses that have permanently closed down and those who have not yet registered with MISSA.

Another significant purpose of this campaign is to disseminate to the public all the benefit programs and implementing guidelines of the Social Security Act of 1990. The initial feedback and queries received from



MISSA Ebeye personnel: (from left) Bernie Lojkar, Ernest Harry, Harden Lelet and Peter Anjain.

employers visited already were basically about payment deadlines and benefit eligibility requirements. To address their concerns, information materials (pamphlets) are now being circulated.

In a related development, more than 70 old age and medical retirees and surviving spouses presently receiving MISSA benefits in Ebeye have enrolled in the group life insurance program offered by the Individual Assurance Company. Their insurance coverage becomes ef-

MISSA introduces own proposed changes to the Social Security Act

Since the incumbent Administrator and Board of Directors were appointed by the President and his Cabinet in 2000, all the provisions and implementing rules of the Social Security Act of 1990 were thoroughly reviewed. After numerous and lengthy discussions, several flaws and ambiguities were identified. If not amended, these may result to different interpretations unfavorable to MISSA that may jeopardize the future viability of the Social Security Retirement Fund.

The Minister of Health, Senator Alvin Jacklick, who has always been an advocate of the Administration's long term-objectives, was consulted. After being made fully aware of these defects, he was convinced that there is really a crucial need to correct them. In a move to protect the long term interest of deserving retirees and beneficiaries, Bill no. 45 was introduced by Minister Jacklick, as follows (the proposed amendments are in

bold and underlined italicized letters while the phrases to be amended are ^{in bold superscript});

Section 2, (m) "Currently Insured" means a worker or self-employed worker that has earned at least six (6) quarters of coverage during the ^{forty (40)} **thirteen (13)** quarter period ending with quarter of retirement, disability or death, whichever first occurs.

Reason: To put more restrictions to claimants who have stopped working for a long period of time, as it will require a more recent coverage.

(p) "Disability" means the inability of a person to engage in the continued performance of their duties by **reason of any medically determinable physical or mental impairment** **and in any other form of gainful employ-**

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MISSA introduces own proposed amendments to the Social Security Act

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ment by reason of any physical or mental impairment determined by medical evidence, and expected to last for a continuous period of not less than 12 months.

Reason: To prevent a multi-skilled worker (whose impairment makes him incapable of performing a certain job but may be able to perform other gainful employment not seriously affected by his present impairment) from receiving disability benefits. The 12-month limit shall also disqualify temporarily disabled workers from receiving benefits, as they may have already gone back to their previous work after recovering from the impairment.

(r) "Earnings" means compensation of any kind, including without limitation, any salary, wage, bonus, tip, stipend, allowance or fee, paid by the employer to or on behalf of the worker in cash or in any form, but not including:

- (i) payments made by the employee as a result of an accident or sickness of the worker (other than sick leave), **including reimbursement of medical or hospitalization expenses;**
- (ii) reimbursement of medical or hospitalization expenses **reasonable per diem, travel, housing, and other allowances, including the rental value of a home furnished to the employee, to the extent that they do not exceed comparable government rates;**
- (iii) payments made to or on behalf of the worker or his beneficiary from a trust or annuity; and **including distributions from qualified pension or deferred compensation plan trusts annuities, and insurance;**
- (iv) payments made in cash, or in any form other than cash, for casual labor nor exceeding one week in any month of a quarter, if the work is not performed in the course of the employer's trade or business;
- (v) payments in the form of a scholarship, fellowship or stipend to a bona fide student at an educational institution; and**
- (vi) wages and salaries exempted by virtue of any international agreement to which the Republic of the Marshall Islands is a party.**

Reason: To establish a more clear-cut definition

of earnings

Section 122, (3) "Except with the approval of the Nitijela, the budget for the Administration for any fiscal year shall not exceed ^{twenty percent (20%)} **ten percent (10%)** of the ^{estimated} income from contributions, penalties and interest, ^{plus interest, dividends, and other income from investments of the Fund for said} **for the previous fiscal year.**

Reason: To establish a cost and revenue ratio that would prevent over-spending.

Section 139, (4) For purposes of this Section, a child shall be deemed to be or have been, at any relevant time, dependent upon a worker or self-employed worker, if the worker or self-employed worker **and his or her spouse** provided regular and ^{substantial} **full** support to or on behalf of the child. A natural or ^{legally} **statutorily** adopted child is presumed to be dependent upon the worker parent, absent evidence to the contrary. A customarily adopted child or step-child is dependent upon the worker or self-employed worker only if at the time of the worker's death, the child had lived in the worker's home continuously for one year and during that time, the customarily adopting parent or step-parent and **his or her spouse,** was ^{contributing at least one half of the child's support to} **providing the full support of the child.**

Reason: To redefine dependency of the child.

Section 145, (3) "For purposes of this Section, recovery from disability shall mean the beneficiary may once again engage in ^{the performance of the duties performed prior to the determination of the disability} **any gainful employment.**

Reason: same as in Section 2, (p). This will also enable MISSA to stop paying benefits after the claimant has recovered from the impairment, even if he or she has not found a job yet.

Section 145, (7) "With respect to applicants residing within the Republic, all medical examinations shall be performed within the Republic by a physician or physicians en-

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MISSA's own proposed amendments

(Continued from page 10)

gaged and compensated by the Social Security Administration for such duties.”

Reason: To enable MISSA to acquire the services of off-island medical examiners, if necessary.

Section 145, (8) 7 “ A final determination must be made on each complete application for disability coverage within six months or the application shall be deemed approved. **With respect to applicants residing within the Republic, all questions relating to review and determination upon the application shall be made within the republic, no recommendation from off-island sources may be considered.**

Reason: To give consideration to recommendations from off-island medical examiners who may be hired by MISSA.

Section 149 (2) “Any employer or self-employed worker who knowingly fails to report any amount of earnings paid or knowingly fails to pay any amount of contributions due, including penalties and interest to the Administration, **within ninety (90) days of their due date** is, in addition **to civil penalties**, guilty of **an the offense of Social Security tax evasion** and shall upon conviction, be liable for a fine of not more than five thousand dollars (U.S\$5,000), **or imprisonment of up to fifteen (15) months, or both.**

Section 159 “Notwithstanding any other provisions of this Chapter, in the event that a worker or a self-employed worker, or his survivors, are eligible for disability or survivor’s insurance benefits, but do not apply for those benefits or otherwise inform the Administrator that they are eligible for those benefits, the maximum period for which such benefits shall be paid retroactively preceding the date of the application for those benefits shall be **eighteen (18) months** during the first two (2) years subsequent to the effective date of this Chapter and shall be **twelve (12) six (6) months** thereafter, **provided however, that disability benefits shall not be paid earlier than the month following the worker or self-employed worker’s termination from covered employment.** In no event shall old age insurance benefits be paid retroactively prior to the date

of the application for those benefits.

Reason: To avoid double compensation, as the claimant may still be on paid sick leave.

Delinquency update

As of March 31, 2005, a total of 36 delinquent cases were already referred to MISSA’s Legal Counsel and 16 of these cases were already given court judgment in favor of MISSA, with an aggregate total of \$2.61 million.

Those delinquent employers who wish to enter into an amicable settlement will be offered an easier payment plan ranging between 6 months to 5 years.

However, those who continue to ignore MISSA’s demand to pay will be subject to both civil and criminal prosecution. A bill has already been proposed that, if enacted into a law, would enable MISSA to charge an employer who fails to pay within 90 days after due date, with Social Security tax evasion. This offense shall carry a maximum of \$5,000 or 15-month imprisonment, or both. Further, MISSA shall also strictly enforce the following penalties:

- ⇒ Any person who knowingly makes a false statement or declaration, or falsifies report to or record of MISSA shall, upon conviction, be liable to imprisonment for a period of not more than one year or a fine of not more than \$2,000, or both.
- ⇒ Any employer or self-employed worker who fails to report any amount of contributions is, at the discretion of MISSA, liable for a penalty of not more than 100% of the total amount of contributions, including worker’s & employer’s shares, or \$250, whichever is greater.
- ⇒ Any employer or self-employed worker who knowingly fails to report any amount of earnings paid or contributions due, including penalties and interest to MISSA is, upon conviction, be liable to a fine of not more than \$5,000.
- ⇒ Any person who willfully fails to allow MISSA Tax Auditors to examine and copy books, accounts, records and other information shall, upon conviction, be liable to term of imprisonment not exceeding one year, or to a fine of not more than \$5,000, or both.

In a related development, the payroll records (for the last five years) of seven businesses are now being closely scrutinized by MISSA Tax Auditors. The initial audit findings showed that most of these employers have tax deficiencies, as they failed to report several employees in their quarterly returns, some of whom are



1st Quarter's financial, investment and tax highlights

Financials

Retirement fund collections from January 1 to March 31, 2005 amounted to \$3.0 million, which is \$0.17 million or 6% higher than the collections from the same period last year. Health fund taxes amounting to \$1.48 million were also collected in the first quarter, resulting to an increase of \$0.112 million or 1% from the same period last year.

Despite the \$63,500 drop in quarterly contributions from Kwajalein employers due to manpower reduction, Ebeye's collections totaled \$0.812 million or \$34,948 higher than the same period last year.

The jump in Ebeye revenues was the result of the house-to-house visits conducted by MISSA-Ebeye Tax Compliance Team, where 10 delinquent employers applied for more affordable installment payment plans ranging from 6 months to 5 years. These payment plans have also attracted several more delinquent businesses who are still currently negotiating with MISSA.

Retirement, survivor, disability and lump sum benefits paid to more than 3,200 beneficiaries amounted to \$2.64 million, an increase of \$0.251 million or 11% from the same period last year.

On the other hand, administrative expenses for the same quarter totaled \$0.164 million, or only 5.3% of the total revenues. By law, MISSA may spend as much as 20% of the estimated tax revenues and other income from investments for the year, for administrative expenses.

As a result of effective cash management, a cash surplus of \$0.78 million was generated in the 1st quarter.

Investments

In his investment report as of March 31, 2005, Frank Armstrong of Investor Solutions, Inc., MISSA's Investment Advisor, highlighted the following:

- Investment gain for the first quarter of 2005 was \$0.269 million, which has a net Internal Rate of Return (IRR) of 0.69%.
- Interest and dividends earned totaled \$136,000.
- The total market value of MISSA investments as of March 31, 2005 amounted to \$39.2 million, reflecting an investment gain of \$12.8 million or 19.49% net IRR for the last two years.
- \$3.8 million worth of Time Certificates of Deposit (TCDs) is being held at BOMI.
- Management and brokerage fees charged by the investment advisor and custodian amounted to \$24,320 only.

Tax Compliance

To-date, a total of 63 delinquent employers have voluntarily entered into more affordable payment arrangements with MISSA which resulted in a total notes receivables of \$3.78 million as of March 31, 2005. However, only 25 or 40% were up-to-date in their monthly payments and remained current in their quarterly remittances.

There was a total of 36 delinquency cases referred to the Legal Counsel and 16 of these have court judgments already been made in favor of MISSA, having an aggregate amount of \$2.6 million. However, most of these employers have failed to pay on time.

Total employers who have registered with MISSA to-date reached 2,095. However, 1,260 or 60 % have either closed permanently or have no business activity for the last calendar year.

A total of 50 new businesses have applied for Employer Identification Number (EIN) in the 1st quarter.

Our Mission:

“to uplift the personal and economic well-being of the people of the Marshall Islands by providing them with long-term financial security in their retirement

The **Social Security Journal** is a quarterly publication of the Marshall Islands Social Security Administration.
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