



"No retiree left behind"

Volume 2, No. 6 - October 2005

# THE SOCIAL SECURITY JOURNAL

*A quarterly publication of the Marshall Islands Social Security Administration*

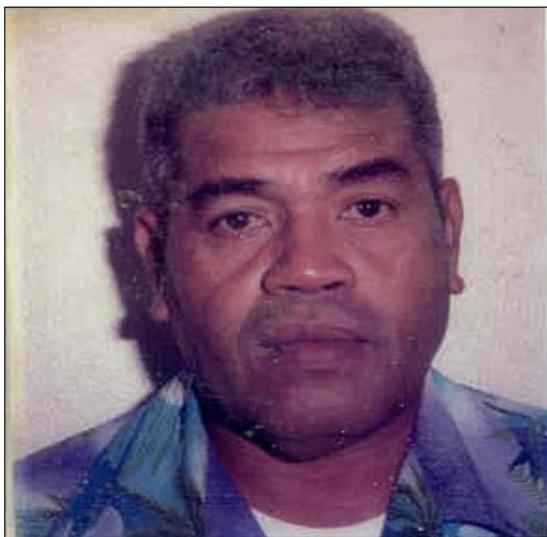
## MISSA pays tribute to Joseph Nijima Lanwi

### **MISSA's first and longest serving Administrator: 1941-2005**

Just recently, a distinguished person who was once considered as one of the pillars of the Marshall Islands Social Security Administration, passed away. Joseph Nijima Lanwi may have been gone forever, but he left a legacy that will never be forgotten, not only by his family and close friends, but by his former colleagues and the present management and staff of MISSA.

Nijima, as everyone calls him, was born on February 25, 1941 in Jabor, Jaluit. After finishing his elementary education at the Marshall Islands Intermediate School in 1959, he continued his secondary education at the Pacific Islands High School in Pohnpei until 1963. A year later, he attended the Honolulu Business College in Hawaii.

He started working as a Junior Accountant at the District Finance Department until 1964, then joined



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Ilowan raan ko rej jemlok lok, juon eo im elab jele kajien im watoke bwe ej juon ian jor ko relab an Marshall Islands Social Security Administration, ear emakit jen kij. Mene Joseph Nijima Lanwi emoj an likit kij im ilok, botab ewor jet maloken ko emoj an likiti im eben melokloki ejab iben ro nukun im jeran wot ak bareinwot ro motan im einwot management eo im staff ro an MISSA.

Nijima, einwot ilo an aoleb jella kajien, ear lotak ilo February 25, 1941, ilo Jabwor, Jaluit. Elkin wot an kar dre delok an school ilo Marshall Islands Intermediate School ilo 1959, ear wonmanlok wot im kamojlok an high school ilo Pacific Islands Central High School ilo Ponape mantak nan 1963. Juon year tok elik, ear wonmanlok wot im shool ilo Hononlulu Business College ilo Hawaii.

Ear jino jerbak einwot juon Junior Accountant ilo District Finance Office eo mantak nan 1964, ear emakit nan

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#### **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 age or during disability."*



# Present contributions are not enough to pay benefits & administrative expenses

**F**iscal Year 2005 ended with MISSA's total collections surpassing total benefit payments with just a minimal margin, resulting to accumulated cash reserves being used to sustain administrative expenses. This imbalance would have caused a significant deficit for MISSA, but because of the good performance of its investments and MISSA's tight control over its operating and administrative expenses, the Administration was still able to generate an excess of revenues over expenditures.

As of September 30, 2005, MISSA's unaudited financial statements showed that total tax collections for FY 2005 amounted to \$10.756 million, or \$0.773 million short of the \$11.529 million targeted collections. Total retirement, disability, survivor and lump-sum benefit payments reached \$10.678 million while administrative expenses amounted to \$0.754 million. If it was not for MISSA's other income amounting to \$1.311 million (interest and dividends from investments), the Administration would have suffered an operating loss of \$0.676 million.

One significant factor that resulted to the shortfall in collections was the closure of the PM & O Tuna Loining Plant in Majuro whose layoff of 800 employees reduced MISSA's tax collections by about \$0.5 million annually.

Another setback that reduced MISSA's reve-

nues was the continuous failure by certain employers, more particularly local governments and private schools, to pay-off their long-outstanding obligations amounting to several millions of dollars. A



Pictured are just a few of the 3,200 recipients of social security benefits from MISSA.



number of these employers have already been prosecuted and ordered by the high court to pay MISSA, but as most of them are financially in distress, the Administration finds difficulty in pursuing them.

In spite of these setbacks, MISSA was still able to pay off its monthly benefits, vendors and other obligations on time without drawing down from its investments. This is a reflection of MISSA's effective cash management practices and cost control. In fact, another \$0.3 million cash surplus was generated at the end of the fiscal year which was subsequently added to its offshore investments.

The Administrator and MISSA's Board of Directors are, however, anticipating that if this trend continues unattended, MISSA may ultimately face a very serious financial crisis in the near future, no matter how good it is in cash management and cost control.

As a countermove, Saane K. Aho, MISSA Administrator, consulted with Mike Spaid of Pacific Actuarial Services, LLC, MISSA's current actuary.

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# MISSA creates a Tax Audit Department

The declining level of voluntary tax compliance and the increasing number of employers whose quarterly returns seemed doubtful (e.g. gross wages are understated or certain employees are not reported) prompted the Administration to assign full-time Tax Auditors whose primary function is to examine the payroll records of employers.

Tax audits have already been performed in the past but as tax compliance officers were tasked with other functions (e.g. data entry of quarterly returns, updating of employer filing status in the computer system, monitoring of tax delinquency and payments, legal referrals, etc.), only a handful of tax audits were completed. This year, about fifty (50) employers are scheduled to be audited and MISSA expects that a significant amount of tax deficiencies by these employers will be discovered by its tax auditors.

Another purpose of the tax audit is to identify errors in employee information as reflected in the quarterly returns submitted by employers. Most of the common mistakes noted are erroneous names and SS numbers. One may think that these errors are not significant to the employees concerned. But if the list of employees whose earned quarters could not be posted (credited to their names) is closely scrutinized, it will be noted that hundreds, if not thousands of them, may lose one or more earned quarters.

The new audit team is planning to meet with the auditors from the Revenue and Taxation Office and discuss how employer information and audit findings generated by the two audit groups can be shared. Both teams can also come-up with common audit procedures and strategies.



MISSA's new Audit Team (from left): Brad Lamille, Elvie John, Mathilda Lanwi and Ave Gimao Jr.

## Ricky bids farewell to MISSA

Ricky Kurn, Head of MISSA's Tax Compliance Department, has decided to pursue an ambition he has dreamed for a long time: to be a successful businessman.

Ricky joined MISSA in 2001 as Deputy Tax Examiner. After a couple of years, the hard work and dedication he has shown was rewarded, as he was promoted to Tax Examiner. He was instrumental in MISSA's tax collection campaign, referring numerous delinquent employers for legal prosecution. The entire MISSA staff, more particularly Ricky's colleagues from the Tax Compliance Department, will surely miss him. **Good luck Ricky!**





# Tribute to Joseph Nijima Lanwi

*(Continued from page 1)*

MIECO as a Senior Clerk, and then as an Accountant of KITCO in 1968.

His ambition to be a public servant was realized when he was appointed in 1970 as the RMI Representative to the Trust Territory of the Pacific Islands. During that time, the social security systems of the governments of the Commonwealth of the Northern Mariana Islands, the Republic of Palau, the Federated States of Micronesia and the Republic of the Marshall Islands were being administered by the Trust Territory Social Security System (TTSSS) based in Saipan.

Subsequently, the Trust Territory Social Security System split up and the four governments established their own independent social security systems. During this time, Nijima ensured that the right people received the benefits they were entitled to and was very instrumental in the transfer of records from the Trust Territory to MISSA.

In 1987, the Marshall Islands Social Security System was established and Joseph N. Lanwi was appointed by then President Amata Kabua as its first Administrator.

These are just a few of Nijima's contributions to MISSA during his 11-year term:

- Significant legislative changes were pursued, developed and implemented, which resulted to the dramatic increases in social security contributions and consequently, long-awaited increases in benefit payments were realized.
- In 1989, the Administration completed the renovation of its Majuro office, expanding its size with the inclusion of a more comfortable waiting area for the members of the system, the addition of a conference room and other facilities
- MISSA's computer system capabilities were upgraded and MISSA's office in Ebeye was transferred to a more conducive location.
- The Administration placed the highest priority

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MIECO einwot juon Senior Clerk, im tok elik ear Accountant nan KITCO ilo 1968.

Kotobar eo an elab bwe en jerbai nan armij ro ear jejet kitien ilo 1970 einwot ke kar jitone bwe en RMI Representative nan Trust Territory of the Pacific Islands. Ilo kar iien in social security systems ko an Norther Marianas Islands, Republic eo an Palau, Federated States eo an Micronesia im Republic eo an Marshall Islands rar bed wot iumwin Trust Territory Social Security System (TTSSS) eo im ej bed ilo Saipan.

Ilo iien ko tok elik, Trust Territory Social Security System eo ear ajej im Kien ko emen rar wonmanlok wot im kajutak social security system ko aer make. Ilo iien in, Nijima eo ear lukun lale bwe en jejet jiban ko nan armij ro im e eo ear lab kunan ilo komakiti tok aoleb "records" jen Trust Territory nan MISSA..

Ilo kar 1987 eo, Marshall Islands Social Security System eo ear jutak im Joseph N. Lanwi kar jitone jen kar President Amata Kabua einwot Administrator eo jinointata.

Erkein jet ian tobrak ko an Nijima nan MISSA iloan year ko 11 in an kar jerbai:

- Kate bwe en koman oktak ko rekkar ilo kakien eo nan koman bwe en lablok money ko kollaiki nan social security im bwe en wor lablok in money in jiban ko nan ro im etto aer kar kotari wewein kein emoj aer kar walok.
- Ilo kar 1989 eo, Administration eo ear kadedelok kokal ko an Office eo an ilo Majuro, ilo an kar kolablok im kokmanman jikin kottar ko nan customer ro im bar einwot komane Conference room eo im bar jerbai ko jet.
- Computer system eo an MISSA ear kokajor lok im Office eo ilo Ebeye kar komakiti nan juon jikin eo ijejet im eman lok jerbai ie.
- Mottan kotobar ko an Administration eo ilontata ej bwe en emanlok "services" ak jerbai ko nan member ro an. Wewein recorde e money

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# Collections not enough to pay benefits

*(Continued from page 2)*

MISSA wants the actuary to explore on the cost of benefits in the next 15 years if:

- No changes were made to the System;
- The basic benefit is capped at a maximum monthly amount for future beneficiaries;
- Benefit payments to all current beneficiaries are immediately increased by 4%; and
- Benefit payments to all current retirees (only) are immediately increased by 4%

Further, the study will explore and explain the issues associated with:

- Allowing retirees to receive their benefits as a one-time lump sum payment instead of a monthly annuity paid over their retired lifetime.
- Elimination of the current earnings test.
- Allowing a surviving spouse who is him(her) self receiving benefits to continue to receive benefits that were being paid to the deceased spouse prior to his(her) death.

Another option that MISSA had considered was the physical re-examination of all recipients of disability benefits for more than three years. By law, MISSA has the authority to have all medical retirees re-examined by a physician every three years. If any medical retiree is found to be gainfully employed or physically fit to find gainful employment, then his or her disability benefit may be suspended or permanently stopped. Likewise, new claimants for disability benefits will pass through more rigid eligibility requirements. These moves are expected to reduce disability benefit payments in the coming years.

The Administration will also focus on the strict implementation of the earnings test. Under Section 144, Chapter I of the SS Act of 1990, "a worker or a self-employed worker who is in receipt of a

retirement benefit and at same time, is in covered employment, shall have his quarterly benefit reduced by one dollar (\$1.00) for every three dollars (\$3.00) earned during that quarter, in excess of fifteen hundred dollars (\$1,500). The reduction shall be made as soon as practicable after the quarter in which the earnings were earned. Notwithstanding the foregoing, the reduction shall not apply in the quarter in which the worker or self-employed individual who is receiving the benefit attains sixty-two (62) years of age, or in any subsequent quarter thereafter". This 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.

The earnings test for the first quarter of 2005 will be strictly implemented this month and about thirty to forty retirees and surviving spouses will have reductions in their monthly benefits from MISSA.

MISSA has also created a new department named the Tax Audit Department. Its staff will primarily focus on conducting payroll audits. In the past, MISSA was not fully equipped to focus on tax audits, but as the level of voluntary tax compliance has gone down to an alarming level, MISSA deemed this move as imperative (see related topic on page 3).

Despite MISSA's consideration of several options to increase its revenues and control benefit payments (e.g. increasing the tax rates, strict implementation of the earnings test, review of disability benefits, etc.) the Administration still believes that the unrelenting prosecution of delinquent employers, house-to-house visits and tax audit will still be the most effective ways to increase collections and reduce tax delinquency. Likewise, budgetary controls need to be in place to ensure that operating and administrative expenses will remain within approved limits.



# Tribute to Joseph Nijima Lanwi

(Continued from page 4)

on the general improvement of basic services provided to the system's members. Revised accounting standards and valuation of assets were put in place upon the advice of MISSA's financial consultants.

- An outside legal counsel was also appointed, a move which assisted greatly in MISSA's legislative efforts to sustain its benefit payments.
- It was also during the term of Joseph Lanwi when the Social Security Health Fund Act of 1991 was passed by the Nitijela, which directed MISSA to administer the Marshall Islands Social Security Health Fund. Its passage paved the way to improved medical benefits for the people of the Marshall Islands.

Joseph Lanwi's separation from MISSA in 1997 ended his noble mission to serve the people of the Marshall Islands. But what he had started did not end there. The successes that have been realized at MISSA in recent years are just a continuation of Nijima's dream of a better tomorrow for his countrymen

**WE SALUTE YOU, NIJIMA!**

(Continued from page 4)

ko (accounting) kar kokmanmani lok ekkar nan kakabileklek ko jen dri kakabileklek ro an MISSA.

- Juon lawyer jen likin kar kojobale, wewen in ear lukun lab an jiban MISSA ilo kakien ko nan koman bwe en eman wot an kojbarok money in jiban ko kollaiki.
- Eija ilo kar term eo wot an Joseph Lanwi ear ella ibben Nitijela 1991 Social Security Health Fund Act eo im kar kemlet bwe MISSA eo en bok eddo in Marshall Islands Social Security Health Fund eo. Wewein in ear jino koman bwe en eman lok jiban ko nan armij in Marshall in.

Emakit eo an Joseph Lanwi jen MISSA ilo 1997 ear koman bwe en jemlok ijo kunan Nijima nan an jerbak nan armij in Marshall Islands. Botab ijino eo an ear jab jemlok wot ijo. Tobrak ko im rej walok ilo year kein mantak ilo MISSA ej mottan wot kotobar ko an Nijima ikijen eman lok eo an armij ro mottan ilo ailin kein.

**KEMIJ KAUTIEJ YUK, NIJIMA!**

## MISSA board approves FY 2006 budget

In its last meeting for FY 2005, MISSA's board of directors approved the Administration's annual budget for FY 2006. Highlighted are as follows:

- Targeted collections amounted to \$10.64 million, which is \$0.245 million or 2.36% higher than FY 2005 actual collections.
- Other revenues are estimated at \$1.14 million, comprised of interest income and dividends from local investments. The amount

was based on FY 2005 actual figures.

- Benefit payments are budgeted at \$10.6 million, broken down as follows:
 

* Retirement benefits	\$5.80 million
* Surviving spouse benefits	2.70
* Surviving children benefits	0.86
* Disability benefits	1.20
* Lump sum payments	<u>0.04</u>
Total benefits	<b>\$10.6 million</b>

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# IAC sets new guidelines on group life insurance

**R**epresentatives of Individual Assurance Company (IAC) met with PSC and other government agencies whose employees are currently covered by the "Marshall Islands Government Group Life Insurance Program."

The purpose of their visit was to discuss the changes under supplemental benefits plan, option 4, effective November 1, 2005, as follows:

- Parents/parents in-law coverage was reduced from \$5,000 to \$4,000. However, the \$21.50 bi-weekly premium remains the same.
- Employees may only insure up to two parents and up to two parents in-law. Before, employees may enroll up to two biological parents, two adoptive parents, two parents in-law and two adoptive parents in-law.
- Any parent/parent in-law who is covered as an employee or retiree under group policy MH-02 is no longer eligible to be covered as a dependent parent or parent in-law.
- Proof of relationship (e.g. birth certificate, marriage contract, adoption document, notarized affidavit certifying relationship of a common law spouse) between the employee and each parent/parent in-law will now be required. Before, a claim was paid within twenty four hours after the death certificate was received by IAC.

Those who are currently enrolled in Option 4 and are still interested to continue are required to complete a new enrollment form and name the eligible parents/parents in-law they wish to insure. The re-enrollment period starts from October 17 and ends on November 16, 2005. Otherwise, they will lose coverage after the end of the re-enrollment period.

Those who do not wish to continue with Option 4 may also change to one of the other available dependent options, one through three.

IAC opened the group life insurance to hundreds of RMI government employees, including those employed by MIMRA, MISSA, MWSC, Nuclear Claims tribunal Port Authority and Kalgov starting March 1, 2005. So far, two MISSA employees who have enrolled in the optional dependent coverage were able to receive \$5,000 after the death of their dependents.

Enrollees who joined the program after the end of open enrollment on May 31, 2005 are required to complete an Evidence of Insurability form (EOI) that would show the applicant's past and present medical history. Likewise, he or she has to undergo a medical examination and the attending physician has to fill-up a questionnaire that would provide the basis for IAC's decision to accept or deny the application.

Any employee not currently enrolled in Option 4 but now desires Option 4, will also be subject to the EOI requirements and be required to provide proof of relationship to the named parents/parents

## FY 2006 budget

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- Investment management fees are estimated at \$100,000. This is based on current fee being charged by MISSA's investment advisor and custodian.
- Administrative expenses totaled \$0.904 million. This is 7.67% of the budgeted FY 2006 revenues. By law, MISSA is authorized to spend as much as 20% of the total revenues as administrative expenses.
- Excess of total revenues (before increase or decrease in the fair market value of investments) is budgeted at \$0.19 million.



# ILO invites MISSA to a Social Security training

For the past several months, the International Labour Organization (ILO) had embarked on a project entitled “Social Security in Pacific Island Countries” and been conducting analysis of the National Provident Funds of Fiji, Kiribati, Samoa, Solomon Islands and Vanuatu and having correspondence with the Marshall Islands, Papua New Guinea and Tonga. The project is funded by the Netherlands Government and aims to develop gender based social security policies, action plans for extension of coverage of and provide capacity building and regional support to social security agencies.

As part of the project, a training course was designed to provide line managers in social security agencies of the eight Pacific Island countries with training in social security, financial management, risk management, management information system and gender issues.

The course was conducted in two stages, the first stage being a face-to-face course in Nadi, Fiji from October 24 to 28. Then, this will be followed by a five week tutorial period by distance learning using the internet from November 7 until December 12, 2005. The course has been designed and conducted by the ILO training center in Turin, Italy. Two ILO trainers have conducted the first

phase in Nadi and were supported by two lecturers from the University of South Pacific for the learning components. The project staff of the ILO Office in Suva provided administrative support. All aspects of the course (i.e. airfare, lodging, meals and allowances) were funded by the project.

After their return from the training, the two MISSA representatives, Ave Gimao Jr. and Joseph Hesly, brought with them much information to

share with the Administration. They are now both busy working on their distance learning assignments.

Except for the Marshall Islands, the other seven countries represented in the training are all

under the National Provident Fund scheme which, in many ways, is different from the social insurance system adopted by the Marshall Islands.

During the workshop, the MISSA delegation presented a brief overview of the evolution of the Trust Territory Social Security System and how the Marshall Islands Social Security Administration was established. Being new to them, the other participants from the seven countries showed interest in how the social insurance system is administered in the RMI.

As a general rule, the national provident fund is

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Pictured are participants to the ILO sponsored social security training in Nadi, Fiji



# Overview of social security in Pacific Island Countries

*The following information are excerpts from the overview paper of social and economic conditions in five Pacific island countries (Fiji, Kiribati, Samoa, Solomon Islands and Vanuatu) compiled as a background paper for the ILO project "Social Security in Pacific Countries".*

**S**ocial security is not only a basic need; it is a basic human right. However, in the countries in the Pacific sub-region, only limited numbers of people have access to limited extent of protection from social security systems.

Lack of adequate social security represents one of the greatest challenges facing the countries in the Pacific. In the absence of comprehensive social security cover by the national system, the ultimate safety net is still provided by the traditional social practices and family support system, which tend to weaken as society transforms into a modern one. The absence of well-functioning social security systems is a major cause of poverty, ill health and high mortality.

In terms of social and economic development, Pacific Island countries are confronted with a number of impeding factors such as smallness, remoteness, geographical dispersion, political instability, limited domestic markets, dependence on foreign aid and external conditions, environmental concerns and vulnerability to natural disasters. In the context of globalization, these factors create growing regional inequalities, rendering the countries in the Pacific sub-region vulnerable to relegation into the backwater of the rapid changes in the global development.

## National Development Frameworks

Social Security is vital both in the socio-economic and in poverty reduction. All Pacific Island countries have committed themselves to attaining the Millennium Development Goals (MDG). The International Labor Organization (ILO) can make significant contributions to MDG Goal 1 of halving poverty by 2015, by assisting Pacific Island countries to extend social security schemes in or-

der to increase the number of people who will be more resilient to social shocks and hence falling into poverty.

- **In Kiribati**, the National Development Plan for 2004-2008 highlights the government's commitment to providing safety nets for the poor and the disadvantaged. The Kiribati Provident Fund (KPF) has supported the government via its investments both in Kiribati and overseas. The *Social Security in Pacific Island Countries* project (SSPIC) seeks to develop feasible, equitable and affordable safety nets for the poor and the disadvantaged and to develop national and rural social security mechanisms. There is also the need for more up-to-date and regular data and information analysis, policy development, decision-making, monitoring and evaluation. The project is relevant for National Development Goals (NPADW, UNDAF, National MDG reports) in that it supports poverty alleviation. The value added of this proposal is better retirement benefits for workers and their families.
- **In Fiji**, the Strategic Development Plan (SDP) 2003-2005 reiterates Fiji's commitment to the international and global bodies such as the UN, WTO and EU as well as regional organizations such as the Pacific Islands Forum. Of particular importance to Fiji is the government's commitment to the Millennium Development Goals to ensure that the policies in the SDP are consistent with the MDGs. Moreover, targets and indicators have been developed by the various UN agencies, the World Bank, IMF and OECD. In Fiji, after a major reform of its pension system in 1999, the Fiji National Provident Fund

*(Continued on page 10)*



# Social security in Pacific Island countries

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(FNPF) has been planning an introduction of health insurance and the extension of coverage for agricultural and self-employed workers. Technical advice is also requested on the investment of funds in domestic and overseas markets. It has been widely recognized that the current Workers Compensation Scheme is outdated and that a new system must be put in place to ensure a timely delivery of workers compensation in the event of industrial accident or occupational diseases.

- **In Samoa**, the development policies and strategies outlined in its National Development Plans have been supported by the Samoan National Provident Fund (SNPF). Since its inception in 1972, the Fund has delivered consistent growth. The SSPIC project seeks to review its current operations, its long-term sustainability and to seek ways to improve its current operations and the services provided for its members.
- **In the Solomon Islands**, the National Economic Recovery, Reform and Development Plan 2003-2006 (NERRDP) of the Government has reiterated its commitment to the MDGs, especially to eradicate extreme poverty (less than a dollar a day) and hunger by generating 500 new jobs in the private sector by the end of 2004, rising to 1,000 new jobs by the end of 2005. However, it recognizes that the internal ethnic conflicts are an obstacle to the country's swift recovery. The Solomon Islands National Provident Fund (SINPF) experienced serious

*“The Solomon Islands National Provident Fund needs to review its investment policy and develop a strategy to diversify its investment portfolio to secure the funds and maximize investment yields.”*

financial difficulties caused by massive withdrawals and a sharp decline in contributions during the period of ethnic tensions. The solvency of the Fund was threatened because of a huge and sudden reduction in liquidity of the asset. The Fund managed to survive this critical period, but the situation is still vulnerable and the sustainability of the Fund is still at risk. Following the intervention of the Regional Assistance Mission in Solomon Islands (RAMSI) in August 2003, the law and order situation has improved dramatically. It is now a critical time for the Fund to undertake reform measures to improve its financial position. The current legis-

lation which allows various grounds for withdrawal should be tightened. At the same time, the Fund should strengthen the compliance and collection of contributions. The Fund needs to review its investment policy and develop a strategy to diversify its investment

portfolio to secure the funds and maximize investment yields. The SSPIC project seeks to strengthen the operations of the SINPF, both in its daily administrative operations and its information technology systems. Furthermore, the proposal will review the existing management practices and the Fund's sustainability.

- **In Vanuatu**, the Government's National Development Plan identifies one of its national goals as improved economic and social safety nets for vulnerable groups and for women and children. The Vanuatu National Provident Fund (VNPF) seeks more technical assistance to review its financial viability since becoming one of

(Continued on page 11)



# Social security in Pacific Island countries

*(Continued from page 10)*

the newest members of ILO from the Pacific. The government has also requested direct assistance from the ILO to reform the existing workers' compensation scheme which is also outdated and based on employer liability using voluntary private insurance.

- **In Papua New Guinea**, its National Development Plan is concerned with, inter alia, promoting human resource development to reduce poverty, particularly in the most vulnerable groups in a manner that ensures sustainability and environmental protection with equal opportunity for both women and men. However, recent frequent changes in Government's leadership, corruption charges, soaring youth unemployment rates, lawlessness as well as looming threat of an HIV/AIDS epidemic, are challenges facing the Government and its development partners. The National Provident Fund

of PNG is slowly recovering from huge losses due to past mismanagement. In May 2001, it contracted AON Consulting Group, an international company, to run its operations. It is currently run as a non-profit organization (National Superannuation Fund Ltd.)

- **In Tonga**, only public sector workers have a retirement benefit scheme (which was restructured from a tax-financed pension scheme to a provident fund type retirement benefit scheme in 2000). ILO's current assistance is through a UNDP funded project that aims to introduce a national retirement benefit scheme to workers in the private sector. The draft legislation to introduce the National retirement Benefit for workers in the private sector was given priority by the cabinet legislative committee in 2004. However, implementation of the scheme has been further delayed by a number of concerns expressed by the government.

## ILO social security training

*(Continued from page 8)*

financed by employer and employee contributions and administered by the State, pay a lump-sum to the beneficiary who has reached a stipulated age and fulfills certain conditions. The amount is in most cases, equal to the sum of the contributions paid, increased by the accrued interest that has been added to the employee's account. In certain countries, there is a provision for transforming the lump-sum into an annuity. With this reserve in mind, provident funds do not guarantee (as required by ILO international labor standards on old-age, invalidity and survivor benefits), the payment of benefits in the form of periodic payments. Moreover, there is no pooling of risks among participants, as in the case with social insurance. In this

respect, the system of provident funds, with benefits based on each participant's individual account, is close to the mandatory retirement savings schemes established in some Latin American countries, Chile in particular.

It is often considered that the national provident fund system forms a first step towards more comprehensive protection of workers by the introduction of pension insurance schemes. Indeed, national provident funds have been converted into pension schemes in many countries, more particularly in the Caribbean and the Middle East. Nevertheless, this second step is often difficult one to make; there are countries where a conversion of this type has been under study for over 20 years.



# MISSA investments overperform, reach \$52.08 million at fiscal year-end

The MISSA Management and Board of Directors have two good reasons to celebrate; firstly, Deloitte Touche & Tohmatsu, MISSA's external auditors, have again issued an "unqualified opinion" on MISSA's financial statements for the fiscal year ended September 30, 2004 and found no significant reportable conditions (or audit findings) on internal control over financial reporting and on compliance in accordance with government auditing standards. Secondly, MISSA's investments performed much beyond what the Administration had expected.

In his September 30, 2005 investment performance report, Frank Armstrong of Investor Solutions, MISSA's investment advisor, presented the following highlights:

- The total market value of MISSA's investments amounted to \$52.08 million. This includes the \$3.85 million and \$5.73 million Time Certifi-

cates of Deposit (TCDs) and MISSA's shareholding at the Bank of the Marshall Islands, respectively.

- Investment gain for the last quarter of FY 2005 amounted to \$2.39 million, with 6.02% net Internal Rate of Return (IRR).
- Investment gain for FY 2005 totaled \$6.61 million, with 18.9% net IRR.
- Since the management of the fund was transferred to Investor Solutions in November 2002, the fund has almost doubled from \$23.71 million to \$42.48 million as of September 30, 2005, earning an actual net IRR of 64.30% or an annual net IRR of 19.08%, which is much higher than the global equity benchmark of 12.82%.

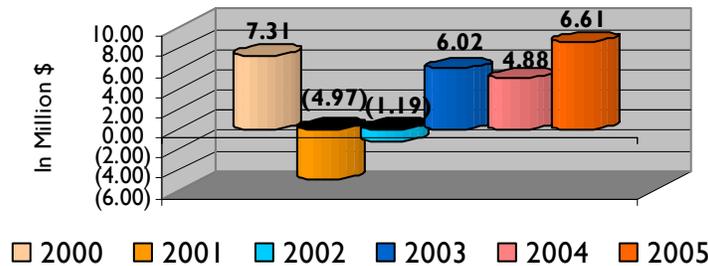
• Total management and brokerage fees for the fiscal year amounted to only \$95,488 and \$1,009, respectively.

- Estimated weighted annual expense is 0.437.
- Total estimated fund expenses for the fiscal year amounted to \$172,594.



MISSA Board (from left, standing): Suzanne M. Chutaro, Jack Niedenthal, Saane K. Aho (Administrator), Maria K. Fowler, Saeko Shoniber and Cradle Alfred. Not shown are Biram Stege and Tommy Milne.

Comparative Investment Performance



The **Social Security Journal** is a quarterly publication of the Marshall Islands Social Security Administration. For comments and articles, please write or fax to MISSA, P.O. Box 175, Majuro MH 96960, Republic of the Marshall Islands  
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