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FY 2009 audit: MISSA sets unprecedented records

- **MISSA becomes the only RMI government agency to earn an unprecedented "no finding" or clean audit for 8 consecutive years since 2002;**
- **Audit field work was completed by auditors just 43 days after the close of the fiscal year; final audit report dated November 12, 2009 was the earliest in any fiscal year in RMI history;**
- **The MISSA audit was the earliest audit to be completed for a government agency for FY 2009 within the entire Pacific region comprised of 13 APIPA member countries; and**
- **The first time that a fiscal year audit has been included in the following January Auditor General's (AG) semi-annual report to the Nitijela (all the audits aside from MISSA's in the AG's report in January 2010 are for FYs 2007 & 2008 audits.)**

The Administration's external auditors have once again commended MISSA for its quest to remain one of the country's leading government agencies in terms of accountability and good governance.

During the exit conference between Dan Fitzgerald, Director of Deloitte & Touche and the MISSA Board of Directors held on January 28, 2010, the Administration received the final audit report for FY 2009. The report was dated November 12, 2009 and contains MISSA's audited basic financial statements for FY 2009 and the independent auditor's' report on compliance with laws and regulations.

The early completion of the audit was attributed to the timely submission of audit requirements by Sheryl Profeta (MISSA's former Finance Manager and currently the Administration's Deputy Administrator & CFO) who was able to provide the trial balance and schedules in just 22 days after the close of FY 2009 in September. Because of her initiative, MISSA became the first government agency to have its books audited for FY 2009.

With the early completion and release of the MISSA audit report, the Office of the Auditor General

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Sheryl is MISSA's new CFO

MISSA has promoted Mary Sheryl Jane Profeta to the post of Deputy Administrator (for Corporate Services Division) & CFO effective November 21, 2009. Sheryl replaced Ave

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Serving the public amidst local & global challenges

MISSA sets unprecedented records

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was able to include it in their January 2010 semi-annual report to the Nitijela.

Quoting a recent report by a local newspaper, "The Marshall Islands Social Security Administration set two records with the introduction of the Auditor General's (AG) semi-annual report to the Nitijela last week."

"First, it is the only government entity to produce eight consecutive years of "findings" (problems) free audit reports."

"The second record is one of speed. The inclusion in the January 2010 AG's report of the MISSA FY 2009 report - the fiscal year ended on September 30, is apparently the first time that a fiscal year audit has been included in the following January AG's report to the Nitijela. Normally, fiscal year audits do not make it into the AG's report until August of the following year or January, two years after the end of the fiscal year."

During the exit conference with the MISSA board, Mr. Fitzgerald also congratulated the Administration as the MISSA audit was the earliest audit to be completed for a government agency for FY 2009, within the entire Pacific region comprised of 13 APIPA member countries.

As in previous years, the Administration has earned once again an "unqualified" opinion from its auditors.

An unqualified opinion is formed and expressed when, after performing their audit, the auditors found that the financial statements that have been prepared by management with the oversight of the Board of Directors, were presented fairly, in all material respects and in conformity with generally accepted accounting principles.

Except for minor issues that were enumerated in their management letter, the report did not include any matters involving MISSA's internal control over financial reporting that were considered to be *significant control deficiencies* under standards established by the American Institute of CPA's, and on its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters.

In layman's terms, this kind of report signifies a "no finding" or clean audit. The FY 2009 audit is the 8th year in a row that MISSA earned a clean audit.

A *control deficiency* exists when the design or operation of a control does not allow management of employees, in the normal course of performing their assigned functions, to prevent or detect misstatement on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the U.S. such that there is more than a remote likelihood that misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

It is noteworthy to recall that at the onset of the new millennium, MISSA's books from 1997 through 2000 were in disarray. But with a new management team, the Administration was able to attain full accountability of its financial records.

The restructuring efforts enabled MISSA to reconstruct hundreds of transactions, recover missing or misplaced documents and correct erroneous records. Subsequently, the audited financial statements from FYs 1997 through 2000 were released and all audit findings were cleared and accounted for. Likewise, the auditors also issued unqualified opinions which signified that MISSA's financial records were clean.

In FY 2002, MISSA was able to earn its first "no audit finding" in the audit of the Retirement Fund. From then on, the Administration was able to maintain strong internal controls over financial reporting that led to MISSA earning five (5) consecutive no finding audits until the departure of Alice Sanchez, MISSA's former CFO, in 2006.

Alice was subsequently replaced by Sheryl Profeta in late 2006. Sheryl's effective handling of Finance and Accounting, together with strict compliance to internal controls, policies and procedures by all department heads and staff, led MISSA to earn another no finding audits for FYs 2007 through 2009.

Sheryl is MISSA's new CFO

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Gimao Jr. who returned permanently to the Philippines in November last year.

Sheryl is a Certified Public Accountant (CPA) and held various supervisory and managerial posts in finance, accounting and audit for about fifteen years in the Philippines. She has a bachelor's degree in Accounting (cum laude) and earned several MBA units from one of the universities in the Philippines.

Sheryl joined MISSA in December 2006 as Finance Manager and consistently maintained MISSA's strong internal controls over financial recording and reporting.

The no finding audits and unqualified opinions earned by MISSA from its external auditors for FYs 2007, 2008 and 2009 were made possible because of her exemplary handling of accounting and treasury, the departments that are normally prone to non-compliance to policies and procedures. Sheryl has also closely coordinated with MISSA's Retirement Fund Division in maintaining strong internal controls over its processing and documentation of claims and benefits.

With her promotion, Sheryl's new responsibilities include the oversight of MISSA's tax compliance, tax audit and human resources departments. She will continue to manage accounting, treasury/ customer service and information technology departments. Sheryl will also be working hand-in-hand with Bill Joseph, MISSA's Deputy Administrator (for Retirement Fund Division) & COO.

Sheryl is also an active officer and member of the Filipino Association of the Marshall Islands (FAMI) and is married to Bong Profeta, Assistant EDP Manager of RRE.

MISSA's earning eight consecutive years of "no finding" audits is not an easy feat. During the 1990s, the Administration was faced with a number of serious "non-compliance" cases. But with the strong control mechanisms and policies being put in place in 2001 and subsequent years, the Administration did not experience similar cases. Likewise, MISSA was able to maintain an effective accounting system that ensured complete documentation of all transactions, including accurate processing of claims and benefits. (Photos) MISSA's Accounting and Customer Service/Treasury Personnel headed by Sheryl Profeta, Deputy Administrator & CFO.

Proposed guidelines on customary adoption of children

With the increasing number of claims MISSA receives every month, the Administration plans to enforce a more clear-cut set of guidelines in its processing of claims, more particularly in the customary adoption of children. These new guidelines have already been discussed with the Legal Counsel and approved by the Board of Directors.

Definition and interpretation relative to claim for surviving child benefits

"Child" means a person's natural, statutorily adopted, customarily adopted or step child; provided the worker's parental rights with respect to the child have not been terminated (SS Act found at 49 MIRC, Chapter 1, Part 1, Section 103 (h).

"Parent" means a person's natural, statutorily adoptive, customarily adoptive or step parent; provided that parental rights have not been terminated (SS Act found at 49 MIRC, Chapter 1, Part 1, Section 103 (ff).

"A customarily adopted child ("The Child") is presumed dependent if, at the time of his/her wage earner's/ customary adoptive parent's ("WE") death, the child had lived in the WE's home continuously for one year and during that time, the WE was contributing at least half of the child's support (SS Act found at 49 MIRC, Chapter 1, Part 6, Section 139 (4).

Eligibility requirements

A Child is eligible for surviving child benefits upon proof of the following:

1. If the customary adoption occurred prior to the date of application for retirement or disability benefits ("application"), the deceased WE must have included the Child in the list of dependents in his/her application;
2. If the customary adoption occurred after the application was approved by the administration, the WE must file an amended application with the administration listing the newly adopted child as a dependent;
3. The Child was dependent upon the deceased WE;
4. A petition for confirmation of customary adoption of the Child was filed by the WE, and a decree confirming the customary adoption of the Child by the WE was issued by the court;

Time Requirements

The following time requirements must be met:

1. Filing of the initial application for survivor benefits, including the required documents, must be made within 12 months after the death of the WE;
2. All applications for survivor child's benefits that are pending due to incomplete documentation will be denied 12 months after the death of the WE;
3. The Board may accept appeals from denied applications provided the appeal is submitted in writing within 180 days of the denial of the application.

Documentation requirements

The following must be provided in the way of documentation of eligibility before the expiration of 12 months from the date of death of the WE:

1. A certified copy of a court decree confirming the customary adoption of the Child by the WE; and
2. Evidence substantiating that the deceased WE provided at least half of the Child's support for at least a 12-month period. Such documentation may include the following:
   A. An affidavit signed by the deceased WE that the Child had lived continuously with the WE for at least 12 months, and that the WE had provided at least half of the Child's support in that 12-month period;
   B. Original school registration form or official receipt (issued by the school where the Child was enrolled) identifying the deceased WE as the payer of the tuition for the Child or as the parent/ guardian of the Child;
   C. A life insurance policy covering the WE in which the Child is the beneficiary or one of the beneficiaries;
   D. A joint bank account of the only the WE and the Child existing at the time of death of the WE;
   E. Hospital records indicating that the Child was dependent upon the deceased WE;
   F. Any other documents indicating that the Child was dependent upon the deceased WE.
3. Certification of school attendance in a form acceptable to the administration, if the Child is between 18 and 22 years of age.

Retroactive payments

Payment of surviving child benefits shall not be retroactive for a period of more than 12 months from the time the application was received.

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Proposed guidelines on customary adoption of children

Additional grounds for denial of application for surviving child benefits

1. If within the last 12 months prior to his/her death, the WE was living with the Child and the Child's natural parents under the same roof, and that during that time, one or both of the Child's natural parents are capable of supporting the Child's financial needs (e.g. education, food).
2. The adoption of the Child after the death of the WE by another parent, except for adoption by an aunt, uncle, stepparent, or grandparent.
3. If the application was received by MISSA more than 12 months after the death of the WE.

MISSA investments performed fairly well in Q4 2009

The latest investment report from Investor Solutions, Inc., MISSA's investment advisor, provided the Administration with a deep sigh of relief as its investments outside the country gained $1.0 million and registered a net internal rate of return (IRR) of 2.7% during the last quarter of 2009.

The January 1-December 31, 2009 (calendar year) performance also reflected positive gains of $9.87 million or 25.01% net IRR, outperforming the Global Equity/Fixed income 60/40 benchmark of 18.59%.

The 2009 calendar year performance was a complete turnaround from MISSA's $13.44 million loss during the previous calendar year (2008) when the market value of MISSA's investments outside the country dipped from $52.93 million to $30.49 million and registered a negative IRR of 25.4%.

Since its inception in late 2002 (the time when MISSA hired Investor Solutions, Inc.) through December 31, 2009, MISSA's investments outside the country gained a total of $21.79 million or a seven-year net IRR of 83.08%. This caused MISSA investments to almost double its total market value by the end of 2009.

If MISSA's local investments of $13.43 million (comprised of MISSA's stock ownership and Time Certificates of Deposit at BOMI and stock ownership at the Marshall Islands Service Corporation) are added, the Administration's total investments amount to $62.79 million as of December 31, 2009.

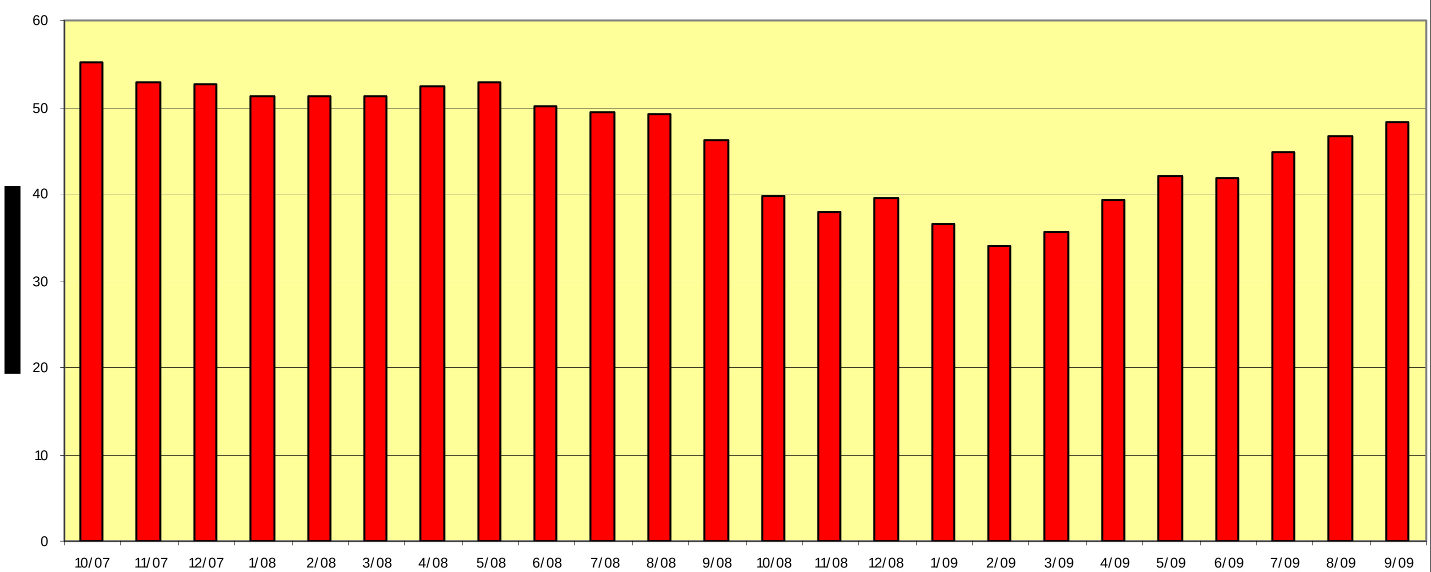
Additional income from local investments comprised of equity earnings and interest income totaled $287 thousand

According to the investment report, "Full economic recovery is still a distant glimmer. We will have to dig ourselves out of a pretty deep hole. But almost all nations have stabilized and have positive GDP growth during the last quarter, something that would have been hard to imagine just a few months ago."

MISSA's offshore investments peaked in October 2007 when its total market value reached $55 million. But a month later, it started to dip and sunk further as the Administration was not spared by the global recession that started in the United States in late 2007.

MISSA's TCDs in BOMI earn interest of 6% per year and are intended as short-term cash reserves for the Administration.

Monthly Fair Market Value of Off-Shore Investment



MISSA's cash position declines as 2009 ends

The $3.05 million contributions in Q4 2009 could not fully sustain the $3.54 million benefit payments and $194 thousand administrative expenses during the same period. This resulted to an operational deficit of $680 thousand before investment and other income.

As of December 31, 2009, MISSA's cash in bank totaled $694 thousand, or $123 thousand less than what the Administration had a year ago and $931 thousand short of MISSA's cash as of December 31, 2007.

It is noteworthy to mention that in FY 2007, MISSA was able to invest another $300 thousand from its cash surplus.

From FY 2002 through 2006, the Administration had positive cash flows that enabled MISSA to generate cash surpluses which were subsequently invested. During this period, MISSA was able to inject $300 to $500 thousand every year to its investments. No additional cash investments were made in FYs 2008 and 2009 as cash collections and investment income were just enough to sustain MISSA's benefit payments and administrative expenses.

This unfavorable trend indicates an impending cash flow dilemma that the Administration expected as early as 2006 when the combined amounts of benefit payments and administrative expenses exceeded contributions.

With benefits expected to increase steadily between 8% to 10% while collections are assumed to remain constant, MISSA is now deeply concerned about the long-term financial stability of the retirement fund. Considering MISSA's cash flow in the past several months, it is expected that a drawdown from the fund will take place sometime in May 2010.

Contributions recorded in the 4th quarter of 2009 totaled $3.05 million. Payments for retirement, disability, survivor and lump-sum benefits amounted to $3.54 million while administrative expenses totaled $194 thousand. If the $680 thousand deficit (excess of the combined amounts of benefit payments and administrative expenses over contributions) will remain constant, it may result to a deficit of about $2.7 million every year (before investment and other income). If this happens, the only option left for the Administration will be to dip into its Trust Funds in order to ensure uninterrupted benefit payments.

One factor that seriously affects MISSA's current cash flow is the inability of certain employers, more particularly a number of local governments and government corporations to settle their past due obligations to MISSA which have already ballooned to millions of dollars.

The consistent bi-weekly remittances of the RMI Government, monthly payments by MalGov, and quarterly contributions of KRS, Chugach and the rest of the top 50 employers were again the main revenue drivers for the quarter ended December 31, 2009.

MISSA increases annual Health Fund collection fee for MOH

Effective October 1, 2009, the Administration will receive an additional $60 thousand a year from the Ministry of Health (MOH). This is the result of an initiative by the MISSA Administrator, who met with representatives of MOH last December 2009.

Prior to her meeting with the MOH officials, the MISSA Administrator sent Health Secretary Justina Langidrik a formal request for MOH to increase its administrative fee of 3.5% (for the first $4 million Health Fund annual collections or a maximum of $140 thousand a year) to a fixed collection fee of $300 thousand per annum. This is in line with the Administration's goal to supplement its tax collections with other sources of revenue to mitigate the impact of a huge cash deficit the Administration is anticipating in the coming fiscal year.

Of the $1 million average administrative expenses MISSA spent annually, 68%-69% is comprised of salaries and benefits of the 31 employees working for the Administration, 4 (or 13%) of whom are directly connected with the Retirement Fund, while the remaining 27 personnel are performing functions for both Retirement and Health Funds. If MISSA will apply proportionately the cost of salaries and benefits, it will translate to about $200,100 being the share of MOH per annum. This does not include the $103,300 additional annual share of MOH for other administrative costs like legal fees, utilities, equipment and supplies. This calculation provided the Administration with the basis for the increase.

In response to the Administrator's request for an increase in collection fee, the MOH officials made a counter offer to increase it to $200 thousand a year, instead of $300 thousand. As the MISSA Administrator is aware of the current financial problems that MOH is facing, she said that she will elevate the issue to the MISSA Board. Subsequently, the MISSA Board approved the new annual fee of $200 thousand.

To document the new agreement, an addendum to the existing Administrative Agreement signed in 2003 was signed by the MISSA Administrator and Secretary Langidrik.

When the Marshall Islands Health Fund Act of 2002 was enacted into law by the Nitijela, the responsibility for the administration and oversight of the Health Fund and its programs as set out under the Social Security Health Fund Act 1991 was transferred to the Ministry of Health Services (MOH). Prior to 2002, MISSA administered the Health Fund.

The Administration's aggressive collection efforts in the past several years have directly benefited MOH as one third (1/3) of all contributions collected by MISSA goes to the Health Fund. The said amount is a big help to MOH as it is being used in the implementation of the ministry's health programs in the country.

From January 2004 through July 2009, MISSA has collected $33.45 million or an average of $5.84 million annually for the Marshall Islands Health Fund, while MOH has paid the Administration a total of $840 thousand representing 3.5% collection fee for the first $4 million collected every year as set forth in the Administrative Fee Agreement signed in 2003.

MISSA receives $99,252 additional PSTF funding

The 231 Marshallese currently receiving benefits from the Prior Service Trust Fund (PSTF) are assured of continuous benefits until the end of July 2010 as $99,252 additional funding was received by the Administration from PSTF's office in Saipan in November last year.

The money is part of the $500,000 additional funding that was approved by the Office of the Insular Affairs, US Department of Interior in early 2009. The additional funding will be divided on a pro-rata basis among the four former members of the Trust Territory - the Commonwealth of the Northern Mariana Islands, Republic of Palau, Federated States of Micronesia and the Republic of the Marshall Islands.

As of January 31, 2009, MISSA's PSTF fund amounted to almost $63 thousand.

The Administration needs at least $11 thousand a month to pay off Marshallese PSTF beneficiaries.

In March 2009, MISSA received $7,400, just enough to pay-off the benefits for the month of March 2009.

The PSTF is a US funded program that provides benefits to Micronesians with five or more years of service with the Naval Administration or Trust Territory Government prior to 1968.

When the PSTF was decentralized in April 2006, the administration of the fund was transferred to the respective social security system of each of the four former members of the Trust Territory - Commonwealth of Northern Mariana Islands Republic of Palau, Federated States of Micronesia and the Marshall Islands.

In November 2007, the fund was depleted to almost zero which forced MISSA to put on hold its benefit payments. It was resumed in January 2008 when additional funding of $108,112 was received. Another $7,784 was received in July 2008.

The fund ran out again in September 2008 and consequently, payments for September and October 2008 were put on hold until another $61,088 was received by MISSA in late 2008. This enabled the Administration to continue paying its beneficiaries up to February 2009.

Competent people - the key to MISSA's top notch performance in the past decade

Over the past decade, the public has seen the remarkable transformation of an organization that has gone through serious financial distress in the past, and the figures speak for themselves:

* Contributions grew almost two-folds, from $6.5 million in FY 1999 to $12.6 million in FY 2009;
* Benefits paid increased from $7.4 million in FY 1999 to $13.6 million in FY 2009
* Our net assets are up by 87.24% from FY 1999 ($35.0 million), now valued at $65.5 million as of December 31, 2009;
* MISSA's funded accrued actuarial liability rose almost two-folds, from 15% in 1999 to 29.5% in 2006, and 28% in 2008;
* Offshore investment gains since a new investment advisor and custodian were hired in late 2002 totaled $21.8 million, with an annual average net internal rate of return of 8.9%;
* Monthly benefit payments averaging $1.1 million are consistently made on time and continuously been enjoyed by about 3,775 beneficiaries.;
* Administrative expenses were consistently kept at sparing levels and within the approved budget, not exceeding 8-9%% of total revenues. By law, MISSA is allowed to use up to 20% of total revenues in administrative expenses.
* MISSA has not made a single withdrawal from our trust fund in nine years. Instead, we generated cash surpluses which were subsequently invested;
* The MISSA Board of Directors, Management and staff continue to gain the trust and admiration of the public for their continuous quest for accountability good governance and transparency;

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Competent people - the key to MISSA's top notch performance in the past decade

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- MISSA received clean and unqualified audit with "no findings" from its external auditors in the last eight (8) consecutive years.
- Our redoubled efforts to collect more contributions through house to house visits, payroll audits and legal actions have significantly improved tax compliance, although MISSA is behind its targeted level of 90% compliance rate;
- Our employees, who are always on the forefront of all our successes, have earned recognition for their operational efficiency and dedication to their jobs. This is a clear reflection of good leadership and effective supervision;
- We became much closer than before to our regional counterparts, the FSM and Republic of Palau Social Security Administrations, and with our collaborative efforts, have made considerable progress in improving the social security system in Micronesia.

Ten years ago, the Administration was faced with a grueling task that during that time seemed unachievable - to put back social security on a sound financial footing.

Today, MISSA is a much stronger and more financially stable organization and it is determined to improve further for its beneficiaries and the people of the Marshall Islands.

Fiduciary responsibility of the MISSA BOARD

As the steward of the country's Retirement Fund, the Board practices prudent fund management by keeping the growth of its benefits payments, operating and administrative expenses at sparing levels.

The Board has adopted corporate governance principle aimed at ensuring that all the members are independent from third party intervention and pressure, be it political or personal in nature.

As fiduciaries and trustees of the Retirement Fund, the Board is aware of its duty to ensure that the Fund remains financially viable and its assets and stability remain protected from what some may perceive to be self-serving and/or politically motivated agenda on the part of a few.

The Board has put more emphasis on ensuring that the Marshall Islands Retirement Fund is transparent and complies with disclosure requirements. It understands the importance of keeping all beneficiaries, contributors and the public fully informed of relevant developments to avoid negative perception often based on unfounded information.

Extraordinary performance by ordinary employees

Our employees, from the Administrator to our lowest ranking staff and their immediate families who remain supportive through the years, are likewise responsible for MISSA's success in the past decade. They and the MISSA Board are, and always will be, our greatest assets.

Getting the right people is not easy. Although MISSA has the luxury of choosing from hundreds of applicants who graduated from high school and a local community college, most of them do not have the academic background, work experience and skills required of the position(s). However, this lack of qualified candidates is compensated by the rigid recruitment process that MISSA adopts. Thus, MISSA has been able to pick the most qualified and trainable applicant(s).

Except for the CFO's post, MISSA's current workforce of 30 employees is comprised of 29 Marshallese whose skills and competence are undoubtedly proven. This shows that local employees, if given the right supervision and training, coupled with sound policies and procedures, could also become efficient workers and perform at par with non-Marshallese workers.

Strong legal support

One distinct advantage that MISSA has over the other agencies is the strong legal support that the Administration receives from its legal counsel.

With the ever increasing benefit payments outpacing collections in recent years, MISSA has to find other ways to maintain a positive cash flow. Otherwise, it will resort to dipping into its Trust Fund to ensure uninterrupted payment of benefits averaging $1.1 million every month and another $1.0 million in administrative expenses every year.

With the help of its legal counsel, MISSA was able to step up its collection efforts that resulted in partial and full settlement of old debts, either amicably or through court orders. In FYs 2008 and 2009, MISSA was able to collect about $2.1 million and another $1.3 million is expected to be collected this fiscal year out of these old-outstanding receivables.

Employee code of conduct

MISSA employees are constantly provided with information, verbally and in writing, about working conditions, employee benefits, acceptable conduct in the workplace and how the Administration generally relates to the em-

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Competent people - the key to MISSA's top notch performance in the past decade

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ployee. It is the hope of management and the Board that by providing the employees with such information, not only will it allow for an environment conducive to both personal and professional development, but ultimately, lead to the efficient operation of the Administration.

Tribute to former Board Members and employees

The Administration's successes in the past decade would not have been achieved without the significant contributions and dedication of certain individuals who worked with but are no longer connected with MISSA, more particularly the following former Board Members:

Grant Labaun (Board Chairman 2000-03), Tommy Milne (Board Member 2000-03, Vice-Chairman 2003-09), Biram Stege (Board Member 2000-06), and Cradle Alfred (Board Member 2000-09)

After being appointed by then President Kessai Note and his Cabinet in 2000, the newly reorganized MISSA Board comprised of Grant Labaun, Jack Niedenthal, E. Tommy Milne, Maria K. Fowler, Biram Stege, Saeko Shonliber and Cradle Alfred, faced a daunting task and successfully prevailed over the difficult challenges the Administration faced during its most turbulent years. It was during their term (from 2002 and onward) that MISSA, boosted by then newly installed Administrator, Saane K. Aho and newly hired Chief Accountant, Alice Sanchez, became fully auditable and accountable, increased revenues via the institution of aggressive tax collection policies, drastically decreased expenses and streamlined the operation of the Administration.

Suzanne Murphy Chutaro, (Board Member 2003-2006), Jeffrey Barton (Board Member 2006-2009)

When Chairman Grant Labaun and Board Member Biram Stege ended their terms in 2003, then President Kessai Note and his Cabinet appointed Jack Niedenthal as the new Board Chairman and Suzanne Murphy Chutaro and Jeffrey Barton as new Board Members

. Despite her young age, it did not take long for Suzanne to get familiar with her role in the MISSA Board and feel the urgency of carrying on the reforms initiated by the incumbent Board. During her term, Suzanne actively participated in the board's quest to control benefits and operating expenses at sparing levels despite constant attempts by certain parties to use the Retirement Fund for other purposes.

Board Member Jeffrey Barton played a key role in MISSA's enjoying a healthy cash flow during his term. As the country's Secretary of Finance, he made sure that the RMI Government consistently paid its bi-weekly remittances to MISSA. As the top contributor, any single late or non-payment of the RMI Government poses great risk to MISSA's cash position.

Lillian Andrew, Admin. Asst., Deputy Administrator 1987-2007

Mrs. Andrew started as Administrative Specialist of the then newly established Marshall Islands Social Security Administration in 1987. In 1991, she was promoted to Operations Officer and became the Deputy Administrator for Retirement Fund in 1993. During her 20 years of service, Lillian has literally reviewed almost all the claims of the more than 3,200 existing beneficiaries of MISSA and several hundreds more that have been permanently closed already. In 2007, she retired and joined the thousands of Marshallese retirees she once selflessly served for 20 years.

Alice Sanchez, Chief Accountant, CFO 2001-2006

The hiring of Alice in 2001 was the turning point to MISSA's reaching its primary objective of ensuring accountability of its financial records. With the help of her accounting staff and auditors of Deloitte & Touche, Alice

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MISSA's financial performance for Q4 2009, Jan. 2010


Tax Compliance Officers and Auditors


Claims & Benefits Team headed by Bill Joseph, Deputy Administrator & COO (right)

The Administration's $1.03 million gain from its offshore investments in the 4th quarter of 2009 plus another $287 thousand income from local investments boosted MISSA's financial position as its net assets increased to $65.54 million as of December 31, 2009. However, MISSA's investment performance in January 2010 was dismal as its market value plunged by $1.02 million. This is an indication that the world market has not yet fully stabilized.

The calendar year (2009) to date increase in net assets totaled $9.21 million or an increase of16.3% from the previous year. The huge increase in net assets is brought about by the $9.87 million increase in the fair market value of MISSA's offshore investments in CY 2009 (including interest and dividends) plus another $1.3 million interest and equity on BOMI's net income.

Contributions booked in Q4 2009 (comprised mainly of Q3 2009 contributions due on October 10, 2009) totaled $3.05 million which is $16 thousand lower than the contributions of $3.07 million during the same period last year.

Benefits continued to increase at an average rate of 8% to 8.5% and totaled $3.55 million in Q4 2009. The amount is $276 thousand or 8.4% higher than the benefits paid in the same period last year.

Total administrative expenses for Q4 2009 amounted to $194 thousand and represented 19% of the approved annual budget for FY 2010 of $1.03 million. It was also lower by $34 thousand or 14.8% when compared to the same period last year and represented 6% of MISSA's total contributions. By law, MISSA may spend up to 20% of total contributions in administrative expenses.

The Administration's current average monthly benefit payments amount to $1.18 million. Therefore, MISSA needs to collect at least $3.55 million in contributions every quarter and another $250 thousand for administrative expenses in order to sustain the $3.78 million operating cash requirements of the Administration.

If the present trend of contributions vis-à-vis the combined amounts of benefits and administrative expenses remains unchanged, MISSA's cash deficit at the end of FY 2010 (before other income) will be almost $3 million computed as follows:

Contributions	$12.21
Benefits	(14.18)
Administrative expenses	(1.00)
Cash deficit	($ 2.97)

The growing imbalance between contributions and the combined amounts of benefits and administrative expenses becomes more imminent at the onset of 2010.

As reported by Sheryl Profeta, MISSA's CFO, contributions totaled $2.21 million in January 2010 (comprised mainly of Q4 2009 contributions due on January 11, 2010). If the bi-weekly and monthly remittances of the RMI Government and MalGov, respectively, remains consistently on time, MISSA expects to collect another $1.18 million in February and March 2010. Adding the $694 thousand cash at the beginning of January 2010, MISSA will only have $4.06 million cash available for the quarter ending March 31, 2010. Deducting the quarterly benefit payments of $3.55 million and $250 administrative expenses, MISSA will have less than half a million dollars in

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MISSA's financial performance for Q4 2009, Jan. 2010

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cash at the end of March 2010. MISSA used to have at least a million dollars in cash at the end of each quarter preceding the quarterly deadline. The next quarterly deadline is due on April 10, 2010.

With the quarterly deadline (due on April 10, 2010) for the 1st quarter of 2010 fast approaching, the Administration remains optimistic that it will still have enough cash on hand to sustain its benefit payments and administrative expenses for the next quarter. If next quarter's collections fall short of what are expected, MISSA may terminate one of its two TCDs at a local bank to ensure uninterrupted benefit payments. The first TCD will mature on April and earns interest of 6% per annum. The two TCDs are MISSA's short-term cash reserves that may be withdrawn as the need arises. The last drawdown of the Administration from its investments was in early 2000 when MISSA still Administered the Health Fund.

In a related report, MISSA's Tax Compliance and Tax Audit personnel continue to double their efforts to collect past due receivables while the Administration's Retirement Fund Team remains vigilant in its task to enforce stiffer restrictions and control in the processing and approval of claims for retirement, disability, survivor and lump sum benefits.

Several promissory notes were signed in the last four months resulting from voluntary settlement of the employers' delinquent accounts and at least three court judgments in favor of MISSA totaling more than half a million dollars. These favorable court judgments were made possible because of the very strong support that MISSA is getting from its legal counsel.

MISSA's Tax Compliance Department is comprised of five personnel and is currently being headed by Bryan Edejer.

At present, MISSA, through its legal counsel, is pursuing all legal remedies to recover millions of long-outstanding obligations from a certain local government and two government owned entities. These three big employers have a combined labor force of at least three hundred employees.

To-date, MISSA's tax auditors have discovered almost $2 million in tax deficiencies and collected more than $1.3 million from more than 50 employers whose payroll records were audited since the tax audit department was created about three years ago.

About a dozen more employers comprised of local governments and private companies are currently being audited. The Tax Audit Department is comprised of four personnel and currently headed by Mathilda Lanwi.

Approved claims in Q4 2009 totaled 136. MISSA currently approves about 45 claims every month. Therefore, about 540 workers retire every year.

There were 37 beneficiaries whose benefits were permanently discontinued due to remarriage (for surviving spouses), death, and surviving children reaching the age limit or having failed to submit the required school certificates.

Tribute to former Board Members and employees

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was able to fix MISSA's books that were in disarray for several years. Subsequently, the audited financial statements from FYs 1997 through 2000 were released and all audit findings were cleared and resolved. Alice's five-year stint with MISSA has set a record that is difficult to match. For five consecutive years (2002-2006), the auditors indicated no audit findings in their audit of MISSA. Alice and her family are now living in the United States.

Harden Lelet, Ebeye Branch Manager 2004-2008

Harden's four-year stint with the Administration was the turning point in MISSA's getting back the trust and confidence of Ebeye's traditional leaders, local government officials, employers and the public. Because of his eloquence in public speaking and intrapersonal skills, he became a well-known personality among the locals and was able to reach out to the public and disseminate MISSA's tax regulations and its benefit programs.

In 2008, Harden accepted an offer to be the new Ombudsman between the RMI workforce on Kwajalein and Kwajalein Range Services (KRS). KRS is one of the two main contractors at USAKA.

KOMOL TATA TO ALL OF MISSA'S FORMER BOARD MEMBERS AND EMPLOYEES!

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For comments & articles, please write or fax to MISSA, P.O. Box 175, Majuro MH 96960, Republic of the Marshall Islands
*Tel: (692)625-3101 *** Fax: (692)625-4570 *** Email: missa3@ntamar.net*
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