"No retiree left behind" Volume 4, No. 1 - January 2007

THE SOCIAL SECURITY JOURNAL

A quarterly publication of the Marshall Islands Social Security Administration

FY 2006 - another successful yet challenging year

MISSA seeks the support of Nitijela against proposed legislations that may cause the untimely collapse of social security in the Marshall Islands.

Retirement fund collections in FY 2006 reached $11.44 million which is 7.5% higher than expected. However, it was 4% lower than last year's revenues.

Benefit payments amounted to $10.95 million which was 2.6% higher than last year's.

Administrative expenses (including investment management fees) totaled $1.0 million.

This imbalance would have created a net operating deficit of $0.5 million, but because of MISSA's other income of $2.37 million (mainly interest and dividends from investments), the Administration was still able to generate a surplus of about $1.86 million.

MISSA investments continue to enjoy exceptional gains in the past three years and now stand at $59.8 million in current market value, bringing the Administration's total assets to more than $63 million.

Tax revenues for the retirement fund have been steady at just under $11 million in the past two years. However, annual benefit payments have steadily increased by about $3 million since 2001, and MISSA expects that it will increase further to $11.5 million in 2007, coupled with administrative expenses of about $0.95 million.

The Capitol Building is Majuro's prime landmark and has stood as a symbol of long-lasting partnership between the Marshall Islands Government and the Marshall Islands Social Security Administration. The Administration continues to seek the support of Nitijela on present and future legislations that are in line with the direction of MISSA.

Despite the Administration's doubled efforts in its collection campaign (i.e. legal actions against delinquent employers, house-to-house visits, audit of payroll records) and cost cutting measures, the current trend leads MISSA's financial managers to expect a serious cash flow problem in the very near future.

At the onset of December, MISSA's

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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".

FY 2005 Audit - MISSA earned another top rating

Auditors already completed FY 2006 audit

MISSA continues to lead in the RMI government's quest for transparency, accountability and good governance. In their latest independent auditors' report, Deloitte & Touche, MISSA's external auditors, once again issued an unqualified opinion on MISSA's FY 2005 financial statements.

In layman's terms, an "unqualified opinion" simply means that the books and financial records were found by the auditors to be "clean" or free from material misstatement, after substantive tests were performed on MISSA's compliance with certain provisions of the laws, regulations, contracts, and agreements.

The auditors' accompanying management letter also confirmed that they have "no audit findings" for FY 2005, the fourth in a row since MISSA was reorganized in 2000.

MISSA is likewise proud to announce that it is one of the first three government agencies to have completed the audit requirements of its auditors for FY 2006 which resulted to the completion of their audit field work before the end of November 2006. MISSA is confident that it will once again earn another unqualified opinion from its auditors.

Saane K. Aho, Administrator & CEO

What's behind MISSA's successes?

At the center of MISSA's strategies in the past seven years are three very simple missions: (1) to be fully auditable and accountable, (2) to increase revenues via the institution of aggressive tax collection policies, and (3) drastically decrease expenses and streamline the operation of the Administration.

After seven challenging years: (1) MISSA remains fully auditable and accountable, with four consecutive years (from 2002) of *no findings* in the audits of the SS System, (2) revenues have increased from a low of $5.5 million in 1999 to over $11 million in 2006, and (3) operating expenses decreased from $1.55 million in 1999 to $0.89 million in 2006.

Employing the right people

The hiring of a new Administrator and Chief Accountant/CFO in 2000 and 2001, respectively, was one of the turning point to MISSA's path in the right direction. Subsequently, weaknesses in internal controls were identified and accounting processes fine tuned. These led to the formulation of sound policies and procedures that are in line with MISSA's mission to be fully accountable to the people of the Marshall Islands.

MISSA's present recruitment process involves a written test, a panel interview of short listed applicants by MISSA's senior managers, a hands-on computer literacy test and final interview and approval by the Administrator before the applicant is officially hired. This applies to all positions, including managers. The successful candidate is then given at least three months of probation to determine whether he or she has the skills and competencies required by the position. This very rigid hiring process enables MISSA to find the best and most qualified candidate among all applicants.

Internal controls

In layman's terms, internal controls are actions and policies that a company uses to safeguard its assets, records, information, processes and everything that an organization has.

A typical example of a strong internal control (on

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What's behind MISSA's successes?

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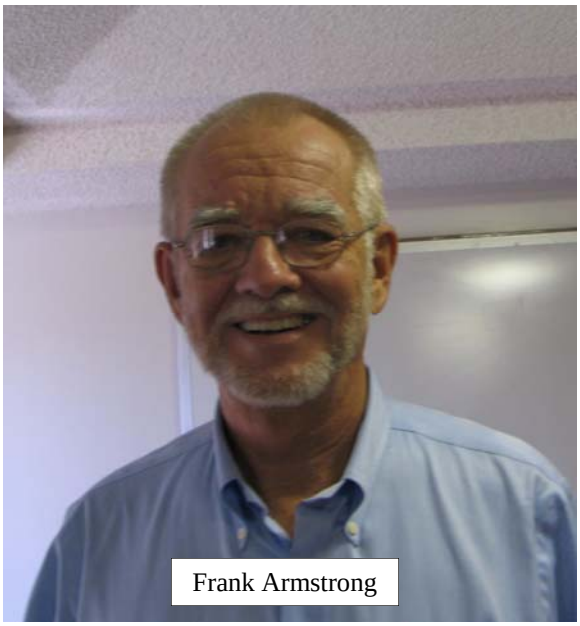
cash) that MISSA adopted is ensuring that all collections are receipted, recorded and deposited intact on the same day. Further, no single person is given access to custodial, recording and reconciliation processes involving cash. Since these controls were put in place in 2001, the series of embezzlement cases discovered by MISSA in 2000 and previous years have never been repeated.

The transaction that is mostly prone to anomaly is procurement. Prior to the purchase of any equipment or supply, MISSA requires that a purchase requisition or purchase order is prepared, checked and approved. If the amount is significant and the item is urgently needed but not included in the annual budget, the Board is consulted and the budget reprogrammed. Likewise, no single check worth more than $5,000 will be honored by the bank unless it is signed by at least one board member.



Frank Armstrong

To avoid special preference to a certain vendor or contractor more particularly on the purchase of equipment or major building repair and improvement, it is required that at least two quotations or bids are obtained from different sources. Prior to payment, an invoice or duly approved contract is required which is matched with the PR or PO to ensure that the item or service being paid for is the same item or service that was authorized for purchase.

To check whether the item was indeed received or the service performed, the receiving employee needs to sign on the invoice and indicate the date received and/or a receiving report is prepared. In the absence of any of these documents, the payment is either put on hold or not released at all.

Employee discipline

Aside from the Employee Policy Handbook and the Systems, Policies and Procedures Manual adopted and approved by the Board in 2001 and 2003, respectively, MISSA has constantly guided its employees according to the highest level of professionalism and integrity.

The following policies may look trivial to some people but the Administration believes that employees who were consistently trained to follow the most basic norms of conduct can easily adopt to more complex and demanding work environment.

- To ensure that MISSA office is opened on time, Managers are assigned (on a weekly rotation basis) to open the office no later than 8:00am and 1:00pm Monday to Friday.
- Employees are required to log out/in every time they leave the office during working hours, either on official business or not. Those on personal errands (i.e. those who pick up kids from school) have to add their accumulated time in picking up their kids from school and charge it to annual leave on a bi-weekly basis.
- Non-punching of time card will mean at least a one-hour deduction from the employee concerned.

MISSA investments yielded excellent results

One of the risks that the Board took that paved the path to MISSA's recovery was the hiring of a new investment advisor (Investor Solutions, Inc.) and an independent custodian (Fidelity Investments IBG) in late 2002.

Frank Armstrong, founder and CEO of Investor Solutions, Inc. is the man behind MISSA's investments growing two-folds in just a span of four years.

From $23.7 million in late 2002, MISSA's offshore investments grew to $47.2 million as of November 30, 2006 and yielded an actual net internal rate of return (IRR) of 79.57% or a total investment gain of $20.2 million in four years.

To-date, MISSA investments totaled $60.1 million, including TCDs and stocks held at the Bank of the Marshall Islands.

Prudent fund management

As the steward of the retirement fund, MISSA practices prudent fund management by keeping the growth of its operating expenses at sparing levels. Prior to FY 2000, administrative expenses used to represent at least 14.5% of the total revenues or about $1.6 million annually.

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MISSA presents FYs 2004 & 2005 Bi-annual Report to the President, Nitijela

"Fiscal Years 2004 & 2005 both ended with clear signs of much healthier and sound financial management than in recent years. Targeted tax collections and other revenues were attained as numerous delinquent employers came forward to avail themselves of the several payment options offered by MISSA, in order to avoid the high cost of litigation. Likewise, all benefit payments and operating expenditures were sustained within the approved budget, while MISSA's investments have consistently performed well, despite the present instability in certain parts of the globe. "

The above excerpts from MISSA's Bi-annual report for FYs 2004 & 2005 may be considered as a sequel to Jack Niedenthal's (Board Chairman) message in MISSA's Quadrennial report for FYs 2000-2003 in which he said, "As an organization, our mission for the future is simple: To continue to improve for the welfare of the people of the Marshall Islands."

These accomplishments clearly reflect MISSA's resolve to continue to lead in the RMI Government's quest for transparency,

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MISSA Board of Trustees

"Now, we can proudly say that MISSA, an organization that has struggled for many years to put back social security on a sound financial footing, has lived up to its very simple mission: *to continue to improve for the welfare of the people of the Marshall Islands."*

Financial highlights (in million $, except for no. of beneficiaries)

	FY 2005	FY 2004	FY 2003	FY 2002	FY 2001
Retirement Fund collections	$11.921	$11.357	$13.035	$9.908	$9.258
Benefit payments	10.674	9.748	9.277	8.564	8.229
Admin. expenses	0.827	0.860	0.783	0.685	0.802
Fair Market Value of investments	48.199	39.756	32.852	24.924	25.159
Total assets	56.623	48.675	42.330	34.604	35.366
Total liabilities	0.752	1.094	0.781	0.341	0.333
Net assets	55.879	47.580	41.549	34.263	35.033
No. of beneficiaries	3,240	3,105	2,963	2,859	2,833

Tax Auditors uncovered more than $0.6 million tax deficiencies in 2006, collected $275K

Since the Tax Audit Department was created in late 2005, about 25 employers have already been audited and all of them have one thing in common: the quarterly tax returns they filed and paid for the past three to six years did not reflect the correct taxable wages of either the owner and/or a number of their employees.

The largest single tax assessment so far involved a group of affiliated companies currently employing more than 100 workers, several of whom are foreigners not registered with MISSA. Thus, these employees were not included in the quarterly returns.

Had the auditors not been thorough and methodical in their verification of payroll records, a number of employers may have been able to get away with the following "ingenious" ways to avoid paying the correct social security contributions.

MISSA's Tax Compliance & Audit team

* The number of employees is underdeclared.
* The gross taxable wages of one or more employees are underdeclared
* The gross taxable wages in the monthly withholding tax return filed with Min. of Finance are lower than those in the MISSA return.
* Employer deducts the right amount from the employee but reports a lower gross taxable wages to MISSA.
* Only the owner and spouse are reported in the return, but not the employees
* Other allowances and benefits like commission, transportation, bonuses are not reported.
* Overtime pay are not reported.
* The gross taxable wages of owner or owners are less than twice the salary of the highest paid worker.
* The gross taxable wages of officers like GM, CFO and other managers are only a little higher than the regular staff.
* Big bonuses and other benefits are paid at year-end, but not reported to MISSA
* One or more bi-weekly payroll period is not included in the quarterly return (should have a total of 26 bi-weekly payroll in one year)
* Locals are being used as dummy owners by foreigners (common in taxi business).
* New or casual employees are not included in regular payroll but paid separately and not reported to MISSA.
* Part-time employees (working for more than 40 hours in a quarter) are not reported.
* Delinquent business is closed and then re-opened under a different name and different (dummy) owner.

What employers should know:

- A person who engages in any trade or business is considered a "self-employed worker, and is *deemed to have earned twice the amount of earnings paid to the highest paid worker*, or the earnings (or profit) he actually received, whichever is greater, or, if there is no other worker, he shall be deemed to have earned within a a quarter seventy-five percent (75%) of his gross revenue for that quarter.
- Payments made in cash or any form for casual labor not exceeding one week in any month of a quarter are not taxable, if the work is not performed in the course of the employer's trade or business.
- Taxi drivers are considered employees and not independent contractors. Therefore, taxi operators are mandated by law to include their drivers in their quarterly tax returns and their contributions (both employee and employer shares) remitted to MISSA.
- Employers are hereby prohibited from paying salaries and wages in cash or in any other form, except by check (section 109A, 16 MIRC Ch. 1)
- The statute of limitation allows MISSA Tax Auditors to go back and examine payroll and related records for a period of six (6) years.
- A wage earner is credited with a quarter of coverage only if his or her gross wages declared in the quarterly return is at least $250 per quarter.
- The 12% per annum interest that MISSA charges against delinquent accounts can not be waived and

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What's behind MISSA's successes?

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With the cost-cutting measures adopted by the incumbent Board since 2001, the Administration was able to reduce administrative expenses to just an average of 7% of total revenues or $0.79 million annually in the past 5 years. (By law, MISSA is authorized to allocate 20% of its total revenues in administrative expenses.)

Gone are the days when unnecessary travels and extravagant board meetings were held off-island or in the outer islands.

In an unprecedented move two years ago, the Board even proposed to reduce the 20% cap in administrative expenses to 10%. This was supported by Health Minister Alvin Jacklick who subsequently introduced a bill to have it approved. To-date, the bill is awaiting Nitijela's approval.

MISSA Board as Fiduciary

The MISSA Board is dedicated to protecting the reputation of the Administration and maintaining the public's trust by adhering to consistent standards of conduct in its decisions.

When it was installed in 2000, the first thing the incumbent Board did was to immediately cut their own travel budget to only provide for the travel of one Board Member from Ebeye to attend board meetings in Majuro. During the last 7 years, the MISS Board has not held a single board meeting outside of its own boardroom in Majuro.

As fiduciary (protector) of the Retirement Fund, the MISSA Board maintains a close oversight on how the Administration uses its resources. It is even regarded as the toughest Board on the island when it comes to approving the annual budget, as every proposed expense is closely scrutinized and if considered unnecessary or extravagant in nature, it is taken out of the budget. Only those considered vital to MISSA operations are approved.

Government support

The continuous support of President Kessai Note and his Cabinet, and the absence of political interference in MISSA operations have always been a key factor in MISSA's successes since the incumbent Administrator and Board were installed in 2000.

Likewise, the Minister and Secretary of Finance have ensured that social security contributions from the RMI government will remain current.

The majority of the lawmakers from the Nitijela have also consistently supported MISSA and is expected to continue its backing of present and future legislations that are in line with the direction of MISSA.

MISSA's FYs 2004 & 2005 Bi-annual Report

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accountability and good governance.

MISSA's Board of Trustees (2003-2006) is composed of:

1. Jack Niedenthal—Chairman
2. Tommy Milne - Vice– Chairman
3. Saeko Shoniber - Member
4. Biram Stege - Member*
5. Maria Fowler-Member
6. Cradle Alfred-Member
7. Suzanne M. Chutaro-Member*

*ended their terms in March 2006 and replaced by Finance Secretary Jefferson Barton and David Paul.

In his message, Jack Niedenthal (Board Chairman) reiterated the board's three main goals after it was constituted by newly elected President Note and his Cabinet in early 2000:

- To be fully auditable and accountable
- To increase revenues via the institution of aggressive tax collection policies mandated by the Social Security Act.
- To drastically decrease expenses and streamline the operation of the Administration.

"As this report will show, our previously stated goals have been achieved:

- MISSA remains fully auditable and accountable. For fiscal years 2004 and 2005, there were no findings in our audit for the Social Security System
- MISSA revenues continue to be maintain at high levels, from a low of $5.51 million in 1999 to $11.4 million in 2004 and $11.9 million in 2005.
- MISSA expenses have decreased from $1.55 million in 1999, or 14.5% of total revenues, to $0.86 million in 2004 and $0.83 in 2005, or only 7.6% and 6.9% of total revenues, respectively.", he said.

In her message, Saane Aho (MISSA Administrator) thanked the MISSA Board of directors, management and staff, and their families, for their selfless dedication, hardwork and support over the years. She also thanked President Kessai Note, his Cabinet, Nitijela and the people of the Marshall Islands for the opportunity of service given her.

US social security to issue SS numbers to RMI citizens without restriction

The Office of Disability and Income Security Programs of the U.S. Social Security Administration (SSA) has recently reconfirmed an existing SSA policy that allows all RMI citizens to be issued social security number (SSN) cards without any legend, pursuant to the Compact of Free Association between the United States and the Republic of the Marshall Islands.

An SSN card without a legend can be presented as proof of employment eligibility when a person is hired in the United States and is completing an Employment Eligibility Verification Form (FormI-9) for the employer.

In his letter to Ambassador Banny de Brum dated September 22, 2006, Frederick Streckwald, Assistant Deputy Commissioner for Income Security Programs said, "SSA is aware that the Compact of Free Association in place between the United States and the Republic of the Marshall Islands provides that RMI citizens may live, study and work in the United States. Therefore, SSA's policy is to issue a citizen of RMI an SSN card without any legend."

"As discussed at our recent meeting, some local SSA offices may be unfamiliar with the correct procedures to follow when a citizen of a country with a Compact of Free Association with the United States applies for an SSN card. As a result, citizens of the Marshall Islands have sometimes been prohibited from applying for an SSN or have been issued SSN cards which incorrectly show the legend "Valid ofr Work oNly with DHS Authorization."

RMI citizens and citizens of other countries with a Compact of Free Association with the United States may access SSA's website www.ssa.gov. Click on *Our Program Rules*, then click on *Program Operations Manual System*, and then click on *Table of Contents*. From here locate *RM 00203.420*. The URL is: http://policy.ssa.gov/poms.nsf/36f3b2ee954f0075852568c100630558/3914b27bd83ab2ac85256e37001leee4?OpenDocument.

A copy of the letter to Ambassador de Brummay may be obtained from MISSA and taken to any SSA office in the United States to apply for SSN cards.

For further information, SSN cards applicants may contact Darrell Blevins (410(965-3954.

Auditors uncovered more than $0.6 million tax deficiencies in 2006

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continues to accrue until the obligations are fully paid off.

In a related development, MISSA's Tax Compliance Department headed by Bill Joseph, will soon be referring more than 20 new delinquency cases to the Legal Counsel for prosecution in court.

Just recently, MISSA has filed a case in court against two government agencies for non payment of social security contributions. Consequently, a judgment was made in favor of MISSA for more than $400,000.

Bill Joseph
Tax Compliance Manager

Since last year, Bill Joseph has adopted the *zoning system* wherein each of his Tax Officers was given specific locations (i.e. Uliga, Delap, Rita) to carry out individual house-to-house surveys, personally hand carry notices, update delinquency records and negotiate for payment plans.

This will also give the Tax Officers the chance to identify employers and employees who have not registered with MISSA and determine whether or not all employees are declared and reported in their quarterly tax returns.

The number of employers whose tax contributions have been filed and paid have grown steadily in the last three years, from 406 in 2004, and then 445 and 487 in 2005 and 2006, respectively.

To-date, it is estimated that there are about 850 active employers in operation in Majuro and Ebeye and MISSA is now redoubling its efforts to increase tax compliance from as low as 40% prior to FY 2000 to almost 60% in FY 2007.

FY 2006: Another successful yet challenging year

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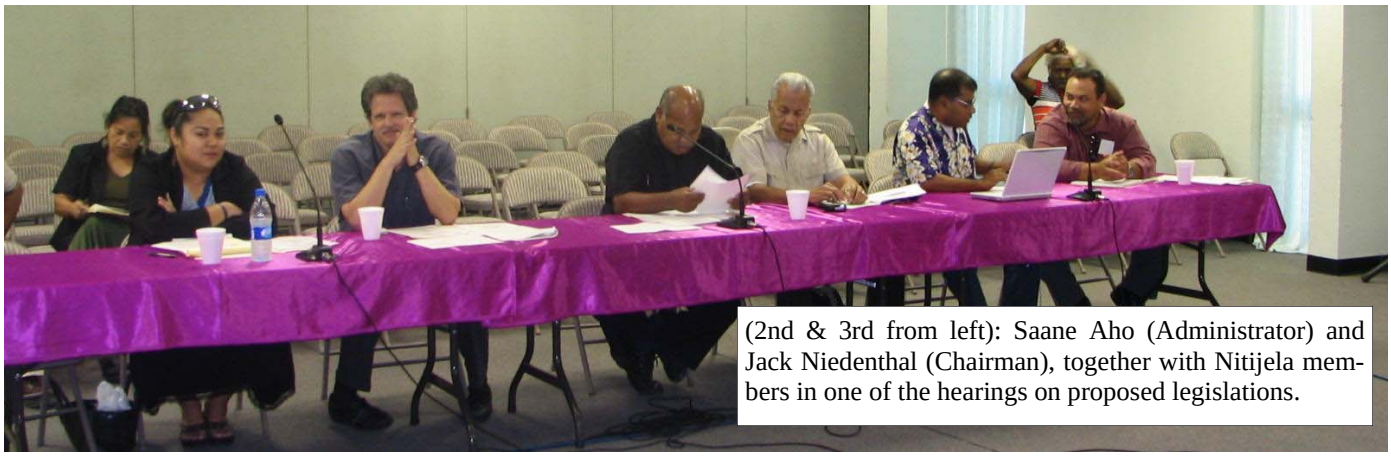
cash balance was $1.46 million. If SS contributions for the 4th quarter of 2006 (due on January 10, 2007) are added, the total cash available for the 1st quarter of 2007 will be around $4.2 million, which is barely enough to pay off benefits of $3.7 million and administrative expenses of $0.23 million in the next four months.

The Administration therefore is presently beginning to encounter the inevitable - the time when no other option is left but to dip into its trust fund to cover current benefit payments and administrative expenses.

Adding more burden to MISSA's current financial woes are a number of proposed legislations, which if passed, would widen the gap between its current total assets of $62 million and future liabilities of $220 million, or unfunded future liabilities of $158 million. These increasing pressures from Nitijela threaten the young generations of Marshallese who may not have the chance to receive benefits from the system in the future.

"Adding more burden to MISSA's current financial woes are a number of proposed legislations, which if passed, would widen the gap between its current total assets of $62 million and future liabilities of $220 million, or unfunded future liabilities of $158 million. "



(2nd & 3rd from left): Saane Aho (Administrator) and Jack Niedenthal (Chairman), together with Nitijela members in one of the hearings on proposed legislations.

Bill #57 – abolishment of the Earnings test

Under *Section 144, Chapter I* of the Social Security 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 one dollar ($1.00) for every three dollars ($3.00) earned during that quarter, in excess of fifteen hundred dollars ($1,500.00). 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 years of age or in any subsequent quarter thereafter". This provision is referred to as the **"Earnings Test",**

After three years of debate in the Nitijela, the bill to abolish the earnings test remains unresolved. The proposed legislation has been adamantly opposed by MISSA and its actuary, as it will aggravate MISSA's present unfunded future liabilities. Eliminating the earnings test will cost MISSA additional benefit payments of $2 million annually.

Likewise, abolishing the earnings test defeats the main objective of MISSA's retirement program. The purpose of retirement benefits 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.

Bill #104 – *removal of disability re-examination*

This bill seeks to remove MISSA's authority to require medical re-examination, as necessary, to determine a medical retiree's continued entitlement to receiving

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FY 2006: another successful year

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monthly medical retirement (or disability) benefits.

MISSA does not support passage of this bill for the following reasons:

1. If the disability is short-term (12 months to 3 years), MISSA must be able to conduct a follow-up re-examination to determine if the disability is still present, and if not, the medical retirement benefits must be continued.
2. Removing MISSA's authority to conduct re-examinations, as necessary, will mean that an individual with a short-term disability will be entitled to receiving disability benefits for an entire lifetime and even after he has fully recovered. This is unfair and is an act that cannot be justified to the other contributors who are the future beneficiaries of the system.
3. Putting an individual on permanent retirement, even while he/she may recover in a matter of at least one year will cause the system to expend hundreds of thousands of dollars in additional benefits every year. For example, if an individual receives $500 per month in disability benefits at age 30, and MISSA determines that the medical disability will last for 12 months, MISSA will pay out a total of $6,000 in benefits. If Bill 104 is passed, this person will be entitled to $180,000 until age 60 or more if he/she lives beyond age 60 and has surviving children upon death.
4. The bill will worsen the deficit MISSA is currently experiencing.
5. As of August 2006, the number of medical retirees totaled 250. On a monthly basis, MISSA pays out an average of $110,000 in disability benefits or $1.32 million in one year.
6. Re-examination of 192 medical retirees who have been on the disability program for more than at least 3 years is nearing completion.

   As of September 28, 2006: of the 192 medical retirees, 124 have been determined to be still disabled and continue to receive benefits, 7 have recovered but are now on early retirement, 8 have fully recovered and are physically fit to return to work, 5 have recently died, and the remaining 48 have yet to submit their re-examination forms. By December 31, 2006, those medical retirees who do not submit re-examination forms will have their benefits permanently closed.

*"The cost vs. benefit analysis clearly showed that each retiree alone, not including his or her surviving spouse and/or surviving 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 we are to factor in lifetime benefits for the surviving spouse and/or children up to 18 years of age, or 22 years of age if in school? "*

Bill #50 – This bill aims to allow one person entitlement to both old age insurance and surviving spouse benefits at the same time. Just like the other two bills mentioned earlier, enactment of this bill will result to additional millions of dollars to be paid by MISSA.

In opposition to this bill, the MISSA Administrator submitted to the Chairman of Nitijela's Standing Committee on Health, Education and Social Affairs, a real-life cost vs. benefit assessment of 9 active retirees.

"The cost vs. benefit analysis clearly showed that each retiree alone, not including his or her surviving spouse and/or surviving 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 we are to factor in lifetime benefits for the surviving spouse and/or children up to 18 years of age, or 22 years of age if in school? " she said.

Also, in the event a retiree dies and leaves behind a retired spouse and eligible dependent children, the surviving child benefits can continue on to the retiree's children. If there are no children, the retired spouse must elect between the retirement benefit that is being received, and the surviving spouse benefit that must be applied for whichever is greater. If the decision is to continue with the retirement benefit, a lump sum death benefit of 4% of the cumulative taxable earnings for the deceased retiree may be due the surviving spouse.

Welcome Sheryl & Thomas!

Mary Sheryl Jane Profeta and Thomas Patrick are the newest members of the MISSA family.

Sheryl, a Filipino Certified Pubic Accountant, is MISSA's new Finance Manager and has held various supervisory and managerial posts in finance, accounting and audit for about fifteen years in the Philippines.

She earned a Bachelor's degree in Business Administration (major in Accounting) and graduated cum laude from one of the universities in the Philippines. She also earned MBA units in the Philippines.

Sheryl Profeta

Thomas Patrick

Sheryl will head MISSA's Finance Division comprised of Accounting, Treasury, Customer Service and I.T. Departments, and will be part of MISSA's senior management team.

Thomas Patrick Jr. hails from Jabor, Jaluit and earned an Associate of Arts degree from the College of Micronesia, Pohnpei (FSM).

Before joining MISSA, Thomas has a brief stint as a classroom teacher at the Ministry of Education, He was also connected with the CARE program where he worked as Site Coordinator until the program ended last year.

Thomas also worked for four years with the Bank of Hawaii and another four years as Administrative Assistant of the Upward Bound Program at the College of the Marshall Islands.

Thomas will be assigned at MISSA's Tax Compliance Department as Tax Officer.

Study on transformation to other social security schemes under way

The initial phase of the review of the Marshall Islands Social Security System and study of other forms of social security schemes as alternatives to the current social insurance system has started.

Saane Aho, MISSA Administrator and Senator Maynard Alfred, Chairman of the Nitijela Special Committee on Social Security, visited and met with top officials of Fiji National Provident Fund (FNPF) and the International Labour Organization (ILO) based in Suva.

Some interesting facts about FNPF follow:

- PNPF is composed of seven major divisions with a total personnel of 265.
- Total assets amounted to FJ$3 billion (US$2 billion) which gives FNPF a controlling interest in Fiji's economy.
- Member contributions are similar to a bank savings account wherein a member can borrow from his own money.
- Members have the option to receive partial lumpsum benefits or full withdrawal or monthly pension benefits
- Total membership - 327,000 individuals
- Contribution rate - 8% employee / 8% employer
- Annuity factor reduece from 25% to 10% over 10-year period.
- Present annuity factor - 20%
- Early withdrawal options:
  1. Migration overseas - full withdrawal
  2. Housing assistance - 2/3 of total account balance
  3. Educational assistance
  4. Medical assistance
  5. Funeral assistance - FJ$1,000 per deceased
  6. Employment opportunity overseas (airfare, etc.)
  7. Unemployment assistance

Note: withdrawals are made from individual member's own account.

- Employee and employer share of contributions are credited or deposited to individual member (or employee) accounts. FNPF declares annual rate of return at the close of the year. Annual rate of return varies between 6% - 8% each year.
- Minimum balance of account not to fall below FJ$1,000
- FNPF is a private corporation and enjoys "no political intervention" from Fiji's lawmakers.

Two years ago, the International Labor Organization

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How is earnings test computed?

For recipients of retirement benefits who are under 62 and are working, the benefit amount shall be reduced by$1.00 for every $3.00 earned in a quarter in excess of $1,500. The adjustment in benefits will be applied as soon as practicable following the quarter in which the earnings were made and reported. No adjustment is made for claimants who have attained the age of 62 years.

Example: If a Claimant earns a total of $2,000 for a quarter, while receiving a monthly retirement benefit of $300, the benefit shall be reduced during the 3-month period, beginning with the first month after the quarter in which the earnings were made and reported. The computation follows:

Total earnings for the quarter	*$2,000*
Deduct	*(1,500)*
Balance subject to earnings test	*500*
Divide by 3	*3*
= One third	*$166.66*
Quarterly benefit ($300 x 3)	*900.00*
Deduct	*(166.66)*
Balance	*733.34*
Divide by 3	*3*
Adjusted monthly benefit	***$244.61***

Study on transformation to other social security schemes

(Continued from page 10)

(ILO) compiled an overview paper of social and economic conditions in five Pacific island countries comprised of Fiji, Kiribati, Samoa, Solomon Islands and Vanuatu.

The overview paper served as a background paper for the ILO project *Social Security in Pacific Countries.* The purpose of the project is to produce a reasonably current summary of each country in the areas that are of concern to the study of social security and the feasibility of extending coverage to the formal (employed or self-employed) sector and the informal economy in each country.

Administrator Saane Aho and Senator Maynard Alfred with FNPF officials

Considering the vast information the ILO possesses regarding social security in the Pacific region, Administrator Aho and Senator Alfred met with ILO Director A.M. Zakaria, who is also based in Suva.

The following issues were discussed;

- Introduction of committee's task in reviewing sustainability of RMI social security system and the need to assess the feasibility of adopting the provident Fund scheme as an alternative system.
- Past visits of the ILO director to the RMI (2002) and his role in advocating RMI membership into the ILO
- Mr. Zakaria indicated ILO's ability to provide technical and professional support for the project (but not financial), which may only be considered upon RMI being registered as a member of ILO.
- ILO membership process requires that:
  * the RMI Government, through the Minister of Foreign Affairs, write a simple letter of intent to the ILO Director General.
  * the ILO membership be ratified by the Cabinet or Nitijela
  * the letter of intent must be supported by cabinet decision and resolution of the Nitijela, and

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