

THE SOCIAL SECURITY JOURNAL

A quarterly publication of the Marshall Islands Social Security Administration

MISSA celebrates 3rd Retirees' Day

Since 2004, July 1st of every year has been observed as *Retirees' Day*, to pay tribute to the hundreds of retired senior and disabled citizens who have served the Marshall Islands in various employment capacities in the Government and Private sectors.

July 1st also serves as MISSA's anniversary date, as it was on July 1, 1968 when the Trust Territory Social Security System (TTSSS) was established.

This year's festivities marked the 38th year anniversary of MISSA and was held at the MISSA-USP grounds.

A short program was opened with a prayer by Pastor Lawrence Edwards and was followed by brief but inspiring messages from Malgov Mayor Riley Albertter, Patrick Chen of BOMI, Kaname Yamamura of the Retirees' Association of the Marshall Islands, MOH Minister Alvin Jacklick, and Saane Aho and Jack Niedenthal of MISSA.



Above: MISSA Administrator Saane K. Aho and Deputy Administrator Lillian Andrew, cut the 38th Year Anniversary cake to commemorate MISSA's 38th Year foundation. Below: Despite their disabilities, these retirees were still able to enjoy the fun, food and prizes during the festivities.



An unexpected guest, Brenda Lewis, a nutritionist at the Diabetes

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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".



231 PSTF beneficiaries lose benefits at year end

Another 30 eligible members who have not yet applied will no longer have the chance to benefits

Starting April 1st, MISSA administered the distribution of Prior Service Trust Fund (PSTF) checks to about 120 Marshallese retirees, 94 surviving spouses and 17 surviving children.

This was the result of the decentralization of the PSTF effective March 31, 2006 and the distribution of the left-over fund being shared by the four former Trust Territory governments: the Commonwealth of the Northern Mariana Islands, the Republic of Palau, the Federated States of Micronesia, and the Republic of the Marshall Islands.

On April 27, 2006, MISSA received \$105,409 from the PSTF office in Saipan, representing the final leftover share of the Marshall Islands after the PSTF's decentralization.

As the benefits being distributed average to about \$10,000 every month, it is expected that the fund will be fully spent at the end of this year. Unless additional funding is approved by the US Government, benefit payments will be halted indefinitely.

The PSTF is a U.S. 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. The pro-



PSTF Administrator Jerold Facey (2nd from left) turns over to the MISSA Administrator, Saane K. Aho, the first batch of PSTF benefit checks for distribution to 231 Marshallese retirees and surviving dependents. Another 30 eligible Marshallese members who have not yet applied will permanently lose their benefits unless additional funding is received from the U.S. Government.

gram is controlled by a Trust Agreement entered into by the U.S. Department of Interior and the four other former trust territory governments.

The Trust Agreement by and between the U.S. Secretary of Interior and the Prior Service Trust Fund Board and approved by the four Micronesian governments became effective on September 28, 1987. On the same year, the U.S. Congress released \$8 million for initial capitalization of the PSTF that generated over \$9.6 million in investment income to pay benefits and operating costs. To-date, more than \$16 million in benefits have already been paid.



3rd Retirees' Day

(Continued from page 1)

Wellness Center who was invited by the Administrator, caught the attention of the audience as she explained how diabetes can be controlled and cured. "Nobody but you can cure diabetes, not your doctors or the medicine you take. And you can do it through the good use of the local food available on the island and by regular exercise," she said.

As most of the audience are elderly citizens suffering from diabetes, Ms. Lewis's message came at the most appropriate time and her message became a message of hope and inspiration among the retirees.

Live entertainment was provided by the M-Polen Band while refreshments and lunch were served throughout the day. Anniversary T-shirts were also given, courtesy of BOMI.

But the center of attention was focused on the numerous outdoor games that were participated by even those confined to wheelchairs and disabled retirees. The event ended with lots of cash prizes being awarded to the winning participants.

The laughter and joy seen from the faces of the retirees overwhelmed the exhaustion felt by MISSA management and staff, as some have even stayed overnight to prepare for the food, tents, decorations and other logistics needed for the big celebration.

Simultaneous celebrations were also observed in Ebeye, where more than one hundred retirees and guests gathered together at the Beach Park.



Outdoor activities like basket weaving, coconut grating, bottle fishing and passing orange contests (pictured above and below) highlighted the 3rd Retirees' Day. Other games played were musical chair, banana eating, egg toss, balloon bursting, juggling, dancing and ro-ro (chanting),



A short program was also followed by outdoor games and cash prizes were given to the winning participants.





Additional auditors hired to perform tax audits

Two new Tax Auditors, Velma Kisino and Moss Abon, were hired very recently by MISSA to beef up its present audit team tasked to verify payroll records of employers.

Velma has attended college and completed a few short clerical courses in the United States, where she worked for about five years.

Moss is a fresh graduate of the College of the Marshall Islands where he earned an Associate degree in Business Administration and Computer Science.

With the two on board, MISSA has now six tax auditors assigned to review the payroll records of hundreds of employers believed to have either under declared or deliberately not reported the gross taxable wages of one or more of their employees in order to save on social security taxes.

Welcome aboard, Velma & Moss!

MIP-NPS Training in Guam

Two MISSA employees, together with accountants from BOMI and the Ministry of Health, attended the MIP-Non Profit Series Fund Accounting basic training and workshop held in Guam on June 13-16, 2006. The training covered the basic features of the general ledger, including installation, system administration and bank reconciliation.

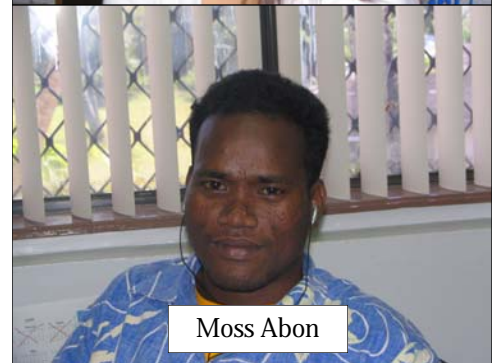
The training was facilitated by Elizabeth Holland of Holland Consulting International, a certified trainer affiliated with SAGE Software, Inc., owner of MIP-NPS.

As MISSA is still using an older version of MIP (Version 4.6), Elizabeth gave extra attention to Joe Wottokna, MISSA's I.T. Supervisor, who, with the help of Elizabeth, conducted a mock-up upgrading from version 4.6 to version 7, bypassing the other upgraded versions (5.0, 5.2, etc.) that MISSA has not yet undertaken. The trial was successful, giving Joe the confidence that MISSA will not encounter any major problems once the actual upgrade is done.

To prepare all MIP users for the actual up-



Velma Kisino



Moss Abon



Joe Wottokna receives his certificate from Elizabeth Holland.

grade, MISSA plans to invite Elizabeth Holland to conduct a customized *review/refresher* training in Majuro. The topics will include the Basic Fund Accounting and Payroll systems, as well as administration and installation issues, plus other topics and troubleshooting that MISSA specifies.

The training and upgrade are expected to be completed before the end of this year.



MISSA may have lost millions of dollars from fraudulent tax returns

For the past six months, MISSA tax auditors have already uncovered significant tax deficiencies from about a dozen employers, estimated to exceed \$0.5 million.

Initially, these employers tried to point the blame back to MISSA, saying that tax compliance personnel failed to explain to them completely MISSA's implementing tax guidelines.

However, the auditors believe otherwise. The result of their verification revealed that most of the tax deficiencies were caused by the employers intentionally under-declaring the gross taxable wages of both themselves and their employees in their quarterly tax returns.

In the past, tax audits have also been performed by MISSA's tax officers. But as they also perform other tax compliance functions (aside from payroll audit), the extent of their verification was not as in depth as what the present auditors are now doing. Thus, no significant tax deficiencies were discovered, as only a handful of employers were examined in the past.

To address the declining tax compliance and rampant under declaration of gross taxable wages by employers, the Administration created the Tax Audit Department late last year, tasked to focus only on payroll audit. In just a matter of months,

significant tax deficiencies were discovered and now the Administration is getting a big boost to its declining tax collection.

A check for \$197,508 was already received by MISSA as full settlement from a foreign-owned group of companies operating in Majuro. Likewise, two big businesses have entered into a payment

plan with an aggregate total of \$75,735 and started paying their monthly installments.

In Ebeye, two employers also settled in full their tax deficiencies with an aggregate total of \$19,196, while another grocery store owner will soon be presented with a \$46,000 tax assessment. Further, a certain foreign-owned business in Ebeye has been consistently paying in installment a \$8,779 tax assessment by MISSA.

Several more busi-

nesses in Majuro and Ebeye are currently under audit and initial findings revealed that their tax deficiencies may exceed \$200,000.

The MISSA tax auditors are now in constant communication with their counterparts from the Customs, Revenue and Taxation Office of the Ministry of Finance, in a concerted effort to bring together whatever resources both audit teams have. These include the sharing of audit findings and other information related to payroll taxes.

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The "A-Team": Tax auditors from MISSA and the RMI government attended a tax audit training sponsored by the USDA Graduate School. The 4-day seminar was facilitated by Charles Hester (seated in the middle) and focused on the techniques and methods of auditing businesses and self-employed workers who have no or incomplete records.



3 staff promoted to supervisory level

Three MISSA employees were recently promoted to supervisory positions. Joe Wottokna, who earned his Associate in Science degree in Business Studies from the College of the Marshall Islands (CMI), with a specialty in Computer Science, was promoted to Information Technology (I.T.) Supervisor. Joe's main responsibility is to assist the System Administrator in overseeing the system's daily application and ensures the continuous efficient operation of the MISSA computer system

Almitha Clement is now the Tax Compliance Supervisor. She is also a graduate of CMI where she

earned her AA degree in Liberal Arts. Almitha has been very active in monitoring delinquent employers and following up payments.

Brad Lamile was promoted to Audit Supervisor and will handle both internal and payroll audit. Brad took Business Management at CMI.

Congratulations and keep up the good work !



Joe Wottokna

Almitha Clement

Brad Lamille

MISSA is now on the net

The Marshall Islands Social Security Administration has recently launched its website, www.rmimissa.org, aimed to make MISSA globally accessible to anyone with internet access. The development of the website was courtesy of Mr. John Niedenthal, MISSA's Board Chairman

The new website contains useful information and resources related to MISSA, including guidelines and benefit programs of the Marshall Islands Social Security System. Answers to most frequently asked questions are also now available.

Internet browsers may now also find the latest update regarding MISSA announcements, changes in social security regulations and legislations, and current MISSA activities.

A Marshallese claimant residing in the U.S. or anywhere around the world and wishing to apply for retirement, disability, survivor or lump-sum benefits, could now download the application form, fill it up, and send it to MISSA's head office in Majuro for processing. This reduces processing time by as much as one month.

In a related development, Joe Wottokna, MISSA's I.T. Supervisor, attended a two-week internet and website development training facilitated by the National Telecommunications Authority (NTA). With his new knowledge on web design, layout and structuring web pages, Joe is expected to help MISSA improve its new website over time.



MISSA retains 4 seats in BOMI Board



John Niedenthal

During the most recent annual BOMI stockholders' meeting, John Niedenthal (MISSA Board Chairman), Saeko Shoniber (Board Member) and Saane K. Aho (Administrator) were re-elected to the BOMI Board. Likewise, Tommy Milne (Vice-Chairman) was also elected to the 4th seat vacated by Biram Stege, whose term as MISSA Board Member ended early this year.



Saeko Shoniber



Tommy Milne

On February 18, 1999, RMI fully repaid a loan and related interest, totaling \$1.94 million, through transferring its ownership of 94,485 shares of the Bank of Marshall Islands (BOMI) stock to MISSA. Later, 30,000 of these shares were sold to a third party that subsequently reduced MISSA's shareholdings with BOMI. At present, MISSA holds a 32% interest in BOMI and has received dividend income of \$0.86 million since then.



Saane K. Aho

Ebeye power crisis brought down collections by 12%

Q2 social security contributions were seriously reduced by about \$0.11 million or 12% from the previous quarter as a result of the massive power outages in Ebeye.

A comparative analysis of collections between the second and first quarters of 2006 revealed that almost \$0.95 million was collected during the first quarter from 40 employers. In the second quarter, only 33 employers filed and

paid with an aggregate total of \$0.84 million.

During the second quarter of 2005, \$0.89 million was paid by 45 employers.

To-date, there are 94 registered employers who are actively in operation but it is estimated that about 20 more are unregistered, mostly land and water taxi operators.

MISSA Tax Officers will now conduct an extensive survey and audit of the taxi business in Ebeye.



MISSA-Ebeye Personnel



MISSA appoints Medical Examiner

192 medical retirees now being re-examined if still eligible to benefits

MISSA has recently appointed Dr. Alexander Pinano as its chief medical examiner, a move aimed to determine whether each of the 192 medical retirees below age 60 and currently receiving disability benefits is still eligible to continue receiving such benefits. Likewise, the Medical Examiner will also be responsible for making recommendations to the Administration whether future disability claimants are really “disabled” under MISSA’s new criteria on disability.

The role of the Medical Examiner is primarily to form a second opinion whether the impairment of an existing or future medical retiree is serious enough to prevent him from engaging in the continued performance of his duties as a worker or self-employed individual.

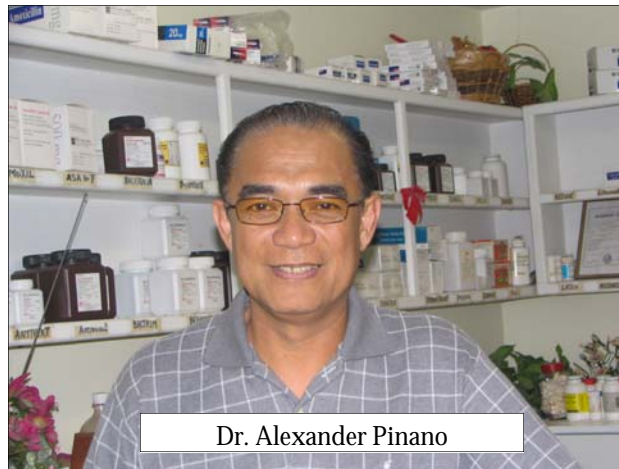
Prior to the hiring of Dr. Pinano, MISSA used to get recommendations from two different physicians employed by Majuro and Ebeye Hospitals who are also the treating sources of most of the medical retirees. However, as there were no clear-cut criteria nor specific guidelines in the evaluation process, almost all disability applications were approved easily. Thus, additional benefits are being paid which, in MISSA’s opinion, would have been significantly reduced, had proper and stricter guidelines been put in place in the past.

The appointment of a medical examiner was considered by MISSA in accordance with a provision in the Social Security Act of 1990 that requires all medical retirees to undergo re-examination every three years. If the examination indicates that the beneficiary is no longer disabled, payment of his disability benefits shall be discontinued. If the claimant refuses to submit to a medical examination or provide evidence as required by MISSA, the benefits shall likewise be discontinued.

In the U.S., continuous non-compliance to the doctor’s advice may also be a ground for discontinuing disability benefits, even if the impairment is considered severe and the symptoms still present. This includes

refusal by the patient to take medication prescribed by the doctor, taking of illegal drugs and excessive intake of alcohol.

In January 2005, the Administrator invited John Vanderburg, the program coordinator of the U.S. Social Security Disability Program in the Pacific Region, to conduct an orientation about how the U.S. disability program is administered. The two day discussion was also attended by two local doctors who were invited by MISSA.



Dr. Alexander Pinano

To ensure the consistent application of the provisions of the Social Security Act of 1990, MISSA has come up with its own guidelines and procedures that are similar to those found in the Disability Evaluation Manual of the US Social Security System, also known as the “blue book”. These guidelines and procedures are now incorporated in the MISSA Disability Handbook which was just recently adopted by

MISSA’s Board of Directors during their meeting held on April 27, 2006.

Even before the Disability Manual was adopted by the Board, the MISSA Administrator has already had a series of discussions with Dr. Pinano, who also gave his own inputs on how to go along with the re-examination.

The reexamination have already start in June and each of the 192 existing medical retirees under age 60 by July 31, 2006 and currently receiving disability benefits, including those living permanently off-island. Notifications were sent out requiring them to report immediately to MISSA. Likewise, a general notice was also posted in the Marshall Islands Journal and aired on the radio.

For those who can not report personally due to physical incapacity, MISSA sent a representative to check and confirm the medical condition of the person. Pictures shall likewise be taken as evidence.

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Medical Examiner

(Continued from page 9)

Failure to comply to the medical reexamination will result to the beneficiary's June and succeeding monthly benefits being put on hold indefinitely. Furthermore, if MISSA does not hear from the beneficiary by December 31, 2006, his disability benefits will be permanently revoked.

To-date, more than ninety (90) of the current medical retirees have already been re-examined by doctors from Majuro and Ebeye Hospitals and subsequently reassessed by the medical examiner. As expected, several of them were found to have recovered already from disability and are now fit to work. Upon recommendation of the medical examiner, the MISSA Administrator may stop the benefits of any medical retiree found to be no longer disabled.

It is estimated that the \$60,000 disability benefits being paid by MISSA every month will be reduced by a



Dr. Pinano performs a medical re-assessment on one of the 192 medical retirees required to undergo re-examination.

half, once the re-examination of these 192 disabled retirees are completed. This translates to about \$360,000 being saved by the Administration annually.

Notice to all beneficiaries receiving disability benefits from MISSA

The Marshall Islands Social Security Administration (MISSA) will now require all medical retirees under age 60 as of July 31, 2006 and who have been receiving disability benefits from MISSA for the last three (3) years, to undergo medical reexamination. This requirement also covers those living off-island.

Please report immediately to the MISSA Head Office in Majuro for further instructions. Those who can not come in person should notify immediately our Claims & Benefits Department at telephone no. 625-3101.

Your failure to comply to the medical reexamination will result to your June and succeeding monthly benefits being put on hold indefinitely. Furthermore, if we will not hear from you by December 31, 2006, MISSA shall permanently revoke your disability benefits.

Marshall Islands Social Security Administration (MISSA) ej kio kean bwe aoleb medical retiree ro im year ko aer rej ilal in 60 year ilo July 30, 2006 im ro emoj de aer ebbok aer disability benefeit ilon year ko jilu (3) rej jemlok lok bwe rej kio aikuij in bar koman kakolkol ko jen doctor ro. Wewein in ebar jelet ro im rej bed ilikin .

Jojj im mokaj im report tok nan Office eo Elab an MISSA ilo Majuro nan lukun bok melele ko. Ro im rejab maron in jedetok ilo likieo in armij rej aikuij in kojelaiktok department eo an Claims & Benefit ilo telephone number 625-3101.

Likjab im jab komani kakolkol kein enaj koman bwe check eo am ilo June im bar allin ko tok elkin ren bojrak. Bareinwot, bwe elane kemij jab ron jabdrewot jen kwe mokta jen December 31, 2006, MISSA enaj kejemlok am bok disability benefit ko.



Tax Auditors...

(Continued from page 6)

During a refresher payroll audit training at MISSA, the RMI Tax Auditors were invited and both teams were able to learn from each other their experiences and problems encountered during their audit field work.

The close alliance of MISSA and the Ministry of Finance have already gone to a higher level, as the MISSA Administrator, Saane K. Aho, and Finance Assistant Secretary for Customs, Revenue & Taxation, Casten Nemra, have had a series of discussions regarding key tax issues.

One vital concern that MISSA and the Ministry of Finance have given priority is the issue on how the taxi business will be regulated as far as taxation is concerned.

A few months ago, a team from the Ministry of Finance conducted a survey of 14 taxi owners who operate a combined fleet of 214 taxi units in Majuro. It was learned in the survey that a taxi driver pays the owner an average rental of \$30 to \$35 a day which is, more often than not, bigger than the amount the taxi drive earns, net of fuel expenses. Then, during the weekend, he is allowed to drive the taxi for one day, free of rent.

Considering this prevailing practice, the taxi operator is deemed to have earned at least \$600 a month, per taxi unit. However, in most cases, the corresponding gross revenue and social security taxes are not declared and paid by the employer. In the same manner, most of the taxi drivers do not declare and pay their income and social security taxes, too.

To address this issue, MISSA will now tax these taxi operators based on the \$600 earnings per month, per taxi unit. This means that every taxi operator who owns at least three taxi units will be deemed to have earned at least \$5,000 per quarter, the maximum gross taxable wage.

Tax Auditors are now coordinating with the local governments and department of public safety to obtain a complete listing of all taxi operators in Majuro and Ebeye. More taxes is expected to be generated from this business sector.

APIPA Training

MISSA's Chief Accountant (Newton Matthew) and Audit Supervisor (Brad Lamille) joined about 200 other Pacific Island counterparts in the 17th Annual Conference & Workshop of the Association of Pacific Islands Public Auditors (APIPA) held in Pohnpei, Federated States of Micronesia on July 24-28, 2006.

APIPA was organized in 1988 through a memorandum of agreement that was executed by the heads of audit organizations of five Pacific Island nations comprised of FSM, Palau, Commonwealth of the Northern Mariana Islands, American Samoa and the Marshall Islands. Since its inception, APIPA has expanded to include public auditors from Pohnpei, Yap, Chuuk, Kosrae, Guam, Samoa and the U.S. Virgin Islands.

The conference provided the APIPA members with required continuing professional education for their audit and accounting personnel. It has also become an important forum for discussion and interaction among members and those involved in auditing and government financial management in the Pacific region.

Each year, the hosting of the conference rotates among member countries. Marshall Islands hosted it in 2004 and next year will be the turn of American Samoa.





SS Administrators meet in Pohnpei

The Social Security System of the Federated States of Micronesia, headed by Administrator Alex Narruhn, hosted the 3rd Social Security Administrators' Conference held on July 19-22, 2006 in Pohnpei. The conference is an annual gathering among the social security systems of the Marshall Islands, Federated States of Micronesia and the Republic of Palau. MISSA hosted the 1st conference in 2003 and was followed by Palau in 2004. No conference was held in 2005, as all three systems were engrossed in the upgrade of the Fox Pro computer system they are sharing.

The MISSA delegation was headed by Saane Aho, Administrator and also included Alice Sanchez (CFO), Bill Joseph (Tax Compliance Manager) and Dunstan Lokboj (I.T. Manager).

The Social Security System of Palau was represented by its Administrator, Greg Ngirmang, who was also accompanied by his Deputy and several Managers and staff.

The conference's theme was, "The Art of Collaboration with our neighboring Social Security Systems". Just like previous annual conferences,

each system made brief presentations about its social security benefit programs, including achievements in tax collection, claims and benefits, finance and accounting, and information technology.

Jill Derickson, computer specialist from White Coconut Computers (the programmer of FoxProV9 which is commonly shared by the three systems), gave an update on the progress of the newly upgraded version.

The conference ended with all Administrators and their deputies tackling the issues about the prior service trust fund, the totalization agreement approved last year and future enhancement on Fox-ProV9 computer system.

The RMI and Palau delegations will never forget the great traditional hospitality shown by their FSM host, as they were given VIP treatment right after arrival. At the conclusion of the conference, games, farewell party and presentation of awards were held at the Nahlap Resort.

MISSA will host next year's conference and the Administration is now pondering on how it will match the hospitality shown by their FSM host.



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
Tel: (692)625-3101 *** Fax: (692)625-4570 *** Email: missa3@ntamar.net
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