The Social Security Journal

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Yokwe!

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FY2007 audit : another "no findings" audit

- the sixth year in a row for MISSA

During the most recent exit conference with Deloitte & Touche, MISSA's external auditors, the Administration was again recognized and congratulated in its quest to remain fully accountable to the people of the Marshall Islands.

In their independent auditors' report dated March 14, 2008, Deloitte & Touche expressed that, in their opinion, the financial statements of MISSA present fairly, in all material respects, the financial status of the Administration as of September 30, 2007, and the changes in financial status for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accounting terms, this type of opinion is referred to as "*unqualified opinion*". When an entity receives an unqualified opinion from its external auditors, it means that the auditors have obtained reasonable assurance that the financial statements under audit are free of material misstatement.

As part of obtaining reasonable assurance about whether MISSA's financial statements are free of material statement, the auditors performed tests of its compliance with certain provisions of laws, regulations, contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. *The result of these tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.*

In their report on internal control over MISSA's financial reporting and its operation, the auditors noted no material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

The PSTF Board of Directors is composed of the Administrators and Board Chairmen of the four former members of the Trust Territory Social Security System, comprised of RMI, FSM, Republic of Palau and CNMI.

Since FY 2002, MISSA's external auditors have not declared any audit findings in their audit of the Administration's Retirement Fund. This feat is attributed to MISSA's strong inter-

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MISSA gets additional PSTF funding

The additional $115,896 MISSA received recently guarantees that the 246 current Marshallese PSTF recipients will continue to receive their monthly benefits until August 2008. Prior to receipt of this additional funding, MISSA has put on hold all PSTF benefit checks starting November last year.

The Prior Service Trust Fund (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.

This program is controlled by a Trust Agreement between the U.S. Department of Interior and the four Trust Territory governments of the Commonwealth of the Northern Mariana Islands, Republic of Palau, Federated States of Micronesia and the Marshall Islands.

The trust agreement became effec-

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"We prepare your tomorrow today".

MISSA opposes two new proposed bills

Nitijela's Committee on Health, Education and Social Affairs, chaired by Senator David Kabua (third from left), facilitated the hearing on proposed legislations about the Earnings Test and COLA adjustment.

The Administration is faced again with proposed legislations that, if passed, will certainly accelerate the depletion of the Retirement Fund and may result to an imminent cash flow problem in the immediate term.

Bill# 6 - This bill was introduced on February 18, 2008 which seeks to amend Section 147 of the Social Security Act in order to provide for compulsory cost of living adjustments (COLA) to retirement benefits where there is an increase in the consumer price index. The bill also requires MISSA to refer to Economic, Policy, Planning and Statistics Office (EPPSO) reviews of the consumer price index.

In response to this bill, the MISSA Administrator expressed her and the Board's strong objection as, like the other proposed legislations that have been debated in the Nitijela over the past years, the current financial status of the Retirement Fund is not yet ready to allow for any direct or indirect increases in benefit payments.

The Marshall Islands Social Security Act ("Act") currently provides that once every two years the Administration shall review changes in the consumer price index and, based on the Administration's informed opinion, grant a cost of living adjustment ("COLA"), which shall be used to increase the indexed covered earnings and the minimum benefit for all workers. Bill No. 6 would force MISSA to award an automatic COLA to retirement benefits every two years when there is an increase in the consumer price index, even if such COLA would damage or destroy the financial viability of the Retirement Fund.

> *"In a recent analysis, MISSA discovered that over <u>90%</u> of all beneficiaries have already withdrawn more benefits from the Retirement Fund than they have made contributions to the Retirement Fund. Therefore, more than 90% of the beneficiaries are now receiving benefit checks which are entirely funded from the contributions of those younger persons who are still working today and who have not yet retired. If this were a Provident Fund, this 90% of the beneficiaries would have stopped receiving benefits many years ago."*

According to the most recent actuarial valuation report (October 1, 2006), the Retirement Fund's accrued liability to its current beneficiaries and contributing members was $207,653,000. However, the Retirement Fund's assets were only $61,179,000 as of the date of the study. The actuarial report explained that the Retirement Fund was vastly under funded by $146,474,000 (an under funded ratio of 71%).

The actuarial report indicated that in order to achieve or maintain financial viability of the Retirement Fund, benefits should not be increased until a long-term trend of increasing the funded ratio has been established. The enactment of Bill No. 6 with its automatic

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Kwajalein Day 2008

By PETER ANJAIN

"JOJO WUT"

February 9, 2008 was a big commemoration day for Ebeye, Kwajalein as RMI's local and traditional leaders, headed by newly elected President Litokwa Tomeing and more than half of the Cabinet members along with their spouses, celebrated Kwajalein Memorial Day. Dignitaries from all respective embassies including U.S Ambassador Clyde Bishop and ROC-Taiwan representatives, and top officers of the United States Army in Kwajalein Atoll (USAKA) also joined the celebrations.

Compared with previous years' celebrations, Kwajalein Memorial Day 2008 was the best ever. The chosen theme "Jojo Wut", has a deep and broad meaning. But in short, it means "harvesting" or "bok jen leen" as Rukwajleen would say, and could not have been more meaningful to the Marshallese people. What a sight it was! Aside from the Kwajalein band and a few others, everybody wore green outfits.

President Tomeing was the keynote speaker for the opening ceremony and highlighted his "People First" policy" and assured the community that the newly installed government will focus its efforts and address the key issues of Kwajalein to live up to its theme, "PEOPLE FIRST."

The opening ceremony was hosted by Harden Lelet, one of the newly elected Kwajalein Council members and MISSA's Branch Manager for Ebeye. Mr. Lelet is also the chairman of the coordinating committee who facilitated the celebrations. He expressed his gratitude to the visiting dignitaries and said, "It is not only your mere presence but more importantly, the commitment you have undertaken that will shed new meaning to the theme "Jojo Wut."

MISSA was represented by Administrator Saane K. Aho and Bill Joseph, Deputy Administrator. Their trip to Ebeye was also intended for them to meet and hold discussions with Ebeye retirees, but because of the daylong activities, there was only a few senior citizens who held an informal discussion with them.

MISSA Administrator, Saane K. Aho, with Minister of Transportation & Communications, Dennis Momotaro.

Senator Kaiboke Kabua (left) with Public Works Minister Kejjo Bien (middle) and Ambassador Jiba Kabua (right)

Finance Minister Jack Ading (middle) with his wife (right) and Taiwan Ambassador Bruce Linghu (left).

New proposed bills

(Continued from page 2)

increases of benefits will result in the premature decrease in the assets of the Retirement Fund rather than an increase in the assets. The Actuary recommends that the Retirement Fund's assets must increase to approximately $100,000,000 before benefit increases are approved.

The consumer price index reports from EPPSO indicate that cost of living increases in the last year are 7% to 10%. If Bill No. 6 was enacted, such automatic increases in benefits would result in the immediate payment of an additional $1,200,000 in benefits per year. Such forced increases will cause MISSA to deplete the Retirement Fund as the amount of current contributions is insufficient to cover any further increases in benefits.


This photo was taken during the hearing on COLA adjustment and earnings test

The recent decrease in contributions due to downsizing efforts on Kwajalein, other financial troubles faced by major RMI businesses and employers, and the downturn in the world economy which has impacted MISSA's investments in the last four months has increased MISSA's unfunded liability and is expected to cause a cash flow problem in the short-term.

MISSA plans on awarding a COLA as soon as the financial viability of the Retirement Fund will permit it. However, to impose automatic increases in benefits at this time will only accelerate the depletion of the Retirement Fund.

In a recent analysis, MISSA discovered that over 90% of all beneficiaries (retirees, medical retirees, and their survivors) have already withdrawn more benefits from the Retirement Fund than they have made contributions to the Retirement Fund. Therefore, more than 90% of the beneficiaries are now receiving benefit checks which are entirely funded from the contributions of those younger persons who are still working today and who have not yet retired. If this were a Provident Fund, this 90% of the beneficiaries would have stopped receiving benefits many years ago.

The Nitijela must consider whether it wishes to place an even greater burden on the current taxpayers by either increasing social security taxes, providing subsidies to the Retirement Fund through additional RMI government taxes, or forcing MISSA to deplete its trust fund reserves to allow for compulsory benefit adjustments due to cost of living increases. The Nitijela must also consider that the Retirement Fund assets are in reserve for benefits already earned by current workers, but not yet paid. The assets of the Retirement Fund belong to all those who are presently contributing, not just to the current retirees who have already, for the most part, received more from the Retirement Fund than they have contributed.

Bill# 7 - This bill seeks to amend certain provisions of the Social Security Act of 1990 in order to set a new threshold for the application of the earnings test. The current provision sets the threshold at 62 years, and requires MISSA to calculate and apply the earnings test against retirement benefits that are paid to retirees (early, normal and deferred) who have covered employment but have not yet attained the age of 62 years. This bill, however, seeks to reduce the threshold to 60 years, the effect of which is that, the earnings test will only apply to old age insurance benefits paid out to "early retirees" who continue to work.

The Earnings Test is simply illustrated as follows:

"For recipient of retirement benefits who are under 62 and working, the benefit amount shall be reduced by $1.00 for every $3.00 earned in a quarter in excess of $1,500.00 The adjustment in benefit 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."

In response to this bill, the MISSA Administrator said,

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New proposed bills

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

The Administrator also reiterated the most recent actuarial valuation report dated October 1, 2006 that explained that the Retirement Fund was vastly under funded by $146,474,000 (an under funded ratio of 71%) and made the following recommendations for consideration by MISSA and the Nitijela in order to control and reduce the unfunded accrued liability:

1. Raise the contribution rate from 7% to 9.1% through 0.2% increases per year. This is based on the projected growth in benefits from $11.1 million in 2006 to $16.3 million in 2015.
2. The ultimate goal of MISSA must be to remain viable by insuring that the amount of contributions meets or exceeds the level of benefits provided. The Retirement Fund must be protected, must continue to exist, and must be able to pay promised benefits well into the future.
3. Large benefit increases coupled with a recurrent downturn in the world economy could cause MISSA to pay more in benefits each year than it receives in contributions and earnings and could cause the Retirement Fund assets to be depleted.
4. Take such steps as may be necessary to verify benefit payments to all current beneficiaries.
5. Consider implementing a maximum benefit to limit the size of the benefit that may be earned, just as the minimum benefit has a set dollar amount of $128.99.
6. Consider combining a maximum benefit with an increase in the retirement age.
7. Consider extending the earning test beyond age 62. Social security retirement benefits are designed to provide income to those who are retired – those who are no longer working. Those "retirees" who continue to work are not retired and are not in need of retirement benefits to sustain them.

"How can we explain to our children and grandchildren that they will not be able to receive benefits during their retirement or disability because the Retirement Fund was depleted as a consequence of enactment of Bill No 7?"

MISSA further requested that the Nitijela consider the following:

1. Enactment of Bill No 7 will result in over $200,000 in additional benefits per year. An unfunded liability of 71% or $146,474,000 does not warrant a direct or indirect increase in benefits at this time.
2. MISSA has worked very hard and diligently to bring its administrative costs to a bare minimum in the hope that eventually the Retirement Fund can increase benefits for all retirees and their survivors. MISSA's current administrative expenses are consistently at 7% - 8 % of total revenues. MISSA hopes that the RMI Government will continue to support it in its efforts to reduce expenses, control benefits, and improve contribution collections in the coming years, especially since MISSA will have a 6% increase ($700,000) in new benefit payments this fiscal year. For FY 2007, MISSA paid out $11,500,000 in benefits.
3. MISSA is currently experiencing a reduction in contributions, more particularly with the recent downsizing of the workforce and the number of working hours for Marshallese employees on Kwajalein. The $70,000 decrease in contributions to the Retirement Fund in Q4 2007 from Ebeye/Kwajalein represents about a 12% reduction in contributions from this sector. A continuation of this trend will be detrimental to the Retirement Fund as contributions from Ebeye/Kwajalein represent about 24% of MISSA's total contributions.
4. MISSA's investments have suffered, along with the rest of the world, by the recent poor performance of the world economy. MISSA's investments have suffered losses of about $5,000,000 in the last four months. Further losses will increase MISSA's unfunded liability.

In her closing statement, the Administration respectfully asked the two proponents of Bill No 7 how to explain to their children and grandchildren that they will not be able to receive benefits during their retirement or disabil-

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Social security programs in Pacific island countries (second in a series)

This comparative illustration will help the readers evaluate RMI's Social Security program vis-à-vis the different SS programs in other Pacific island countries. This is published in series and includes the SS programs of Fiji, Kiribati, Marshall Islands, FSM, Palau, Papua New Guinea, Vanuatu, Western Samoa.

This article was taken from "Social Security Programs throughout the world: Asia and the Pacific, 2006" , published by the US Social Security Administration (SSA) and the International Social Security Association (ISSA) based in Geneva Switzerland)

Qualifying conditions

Fiji

Old-age benefits: *Age* 55; at any age if leaving the country permanently. Fund members with at least 10 years of contributions may elect to receive a monthly pension; a reduced pension may be paid for contributions of less than 10 years.

A lump-sum equal to total employee and employer contributions plus accumulated interest or, optionally, a monthly pension based on an annuity factor equal to 16% (for a single person) of employee and employer contributions (additional voluntary contributions are excluded) plus accumulated interest. A couple may elect to receive a monthly pension of 2/3 of the pension for a single person plus accumulated interest for as long as either spouse lives.

The annuity factor is being reduced by 1% each year until it reaches 15% (for a single person) for the financial year 2008/2009.

Drawdown payment: Workers who are members of the provident fund for at least 2 years and whose individual balance exceeds a prescribed minimum amount (F$1,000) can withdraw 2/3 of the balance for housing costs. Workers can also make withdrawals equal to 1/3 of the balance for education and medical assistance.

Permanent disability benefits: Incapacity for work in covered employment. The disabled fund member may elect to receive a lump sum or a monthly pension.

Medical certification is required. A medical board appointed by the FNPF Board may request the scheme member to have a medical examination.

A lump sum equal to total employee and employer contributions plus accumulated interest or, optionally, a monthly pension based on an annuity factor equal to 16% (for a single person) of employee and employer contributions (additional voluntary contributions are excluded) plus accumulate d interest. A couple may elect to receive a monthly pension of 2/3 of the pension for a single person plus accumulated interest for as long as either spouse lives.

The annuity factor is being reduced by 1% each year until it reaches 15% (for single person) for the financial year 2008/2009.

Survivor benefits: On the death of the fund member before retirement age, and if the surviving spouse is the only survivor, the spouse may elect to receive a lump sum or a monthly pension.

Eligible survivors are named by the fund member.

Death benefit: A lump sum is paid to survivors named by the deceased.

A lump sum equal to total employee and employer contributions plus accumulated interest is paid to named survivors. A monthly pension based on an annuity factor equal to 16% of employee and employer contributions (additional voluntary contributions are excluded) may be paid in lieu of the lump sum to a spouse.

The annuity factor is being reduced by 1% each year until it reaches 15% for the financial year 2008/2009.

Administrative organization: Appointed by the Minister of Finance, the Fiji National Provident Fund Board (http://www.fnpf.com.fj) provides general supervision and enforces the law.

Kiribati

Old-age benefits: Age 50; at any age for a woman who marries and has never withdrawn payments from her account; at any age (men and women) if emigrating permanently

Early withdrawal: Age 45 if retired permanently from employment or on providing evidence of the intention to retire permanently.

A lump sum is paid equal to the total employee and employer contributions plus accumulate interest. (if the fund member makes a partial withdrawal at age 45, the remaining amount cannot be withdrawn until age 50.)

The interest rate is 11% a year.

Interest rate adjustment: The interest rate is reviewed every 3 years by the National Provident Fund Board.

Loan scheme: Up to 70% of the member's account balance may be taken as a loan. In the event of default on the loan, the outstanding sum is payable from the account.

Permanent disability benefits: Must be assessed with a physical or mental incapacity to work.

A lump sum is paid equal to total employee and employer contributions plus accumulated interest.

The interest rate is 9% a year.

Interest rate adjustment: The interest rate is reviewed every 3 years by the National Provident Fund Board.

Survivor benefits: The deceased fund member had not withdrawn any part of the amount credited to his or her account.

Special death benefit: Paid for the death of a fund member.

A lump sum is paid equal to total employee and employer contributions plus accumulated interest. The lump sum is paid to a named survivor.

The interest rate is 11% per year.

Interest rate adjustment: The interest rate is reviewed every 3 years by the National Provident Fund Board.

Special death benefit: The benefit is equal to 50% of the amount credited to the deceased member's fund at the time of death.

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Social security programs

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The maximum death benefit is A$1,500.

Administrative organization*:* Organized on a tripartite basis and consisting of two representatives each from the government, employers, and employees,. The National Provident Fund Board administers the program.

Marshall Islands

Old-age pension: Age 60 with 1 quarter of coverage for each year after June 30, 1968 (or since age 21, if later) with at least 12 quarters of coverage. The pension is calculated on the basis of 2% of Indexed Covered Earnings (ICE), plus 14.5% of the first US$11,000 of Cumulative Covered Earnings (CCE) plus 0.7% of CCE in excess of US$11,000 up to a maximum of US$44,000.

Earnings Test: The pension is reduced by US$1 for each US$3 of earnings above US$1,500 a quarter for pensioners who are younger than age 62.

Pensions are normally payable abroad to non-citizens for 6 months only; may be paid for longer under a reciprocal agreement.

Early pension: Age 55 with at least 80 quarters of coverage. The pension is reduced by 0.5% for each month the pension is taken before age 60.

Deferred pension: A deferred pension is possible. The pension is increased by 0.5% for each month the pension is deferred after age 60.

The minimum old-age pension is $128.99 a month..

Permanent disability benefits: Incapacity for usual work. Must have 1 quarter of coverage for each year after June 30, 1968 (or since age 21, if later), with at least 12 quarters of coverage including 6 quarters of coverage during the last 40 quarters.

The pension is calculated on the basis of 2% of ICE, plus 14.5% of the first US$11,000 of CCE, plus 0.7% of CCE greater than US$11,000 up to a maximum of $44,000.

The minimum disability pension is $128.99 a month.

Survivor benefits: The deceased has 1 quarter of coverage for each year after June 30, 1968 (or since age 21, if later), or at least 6 quarters of coverage in the 40 quarters before death.

Eligible survivors are a widow(e) of any age and orphans younger than age 18 (age 22 if a full-timke student, no limit if disabled before age 22). The widow(er) receives 100% of the deceased's pension.

Orphan's pension: Each eligible child received 25% of the deceased's pension.

The minimum survivor pension is US$128.99 a month.

The maximum survivor pension is 100% of the deceased's pension.

Lump sum survivor benefit: Paid when all eligible survivors no longer qualify for survivor benefits as a result of death, remarriage, or age conditions. A lump sum is paid equal to 4% of CCE minus the total value of the survivor benefits already paid.

Administrative organization: Marshall Islands Social Security Administration administers the program.

Federated States of Micronesia (FSM)

Old-age pension: Age 60 with 1 quarter of coverage for each year after June 1968 (or since age 21, if later) up to age 60, with at least 12 quarters of coverage.

Earnings test: The old-age pension is reduced by US$1 for each US$2 of earnings exceeding US$300 a quarter, if the pensioner is reemployed.

The pension is payable abroad to citizens of Palau, Marshall Islands, and the United States under reciprocal agreement. If eligible for an old-age pension at retirement age but not residing in FSM, a lump-sum is paid equal to the total value of contributions made to FSM's SSA. The lump-sum is reduced by the value of any payments made by FSM's SSA to the insured before the lump-sum is paid.

The monthly pension is based on 16.5% of the first US$10,000 of CCE, plus 3% of the next US$30,000 of cumulative earnings, plus 2% of cumulative earnings exceeding US$40,000.

The minimum monthly old-age pension is US$50.

Benefit adjustment: Benefits are adjusted according to change in the earnings test.

Old-age lump-sum benefit: 4% of the insured's CCE and is paid to insured persons who do not qualify for the old-age pension at retirement age.

The lump-sum benefit is also payable abroad to citizens of Palau, Marshall Islands and the United States under reciprocal agreement.

Permanent disability benefits: Assessed as incapable of substantial gainful activity because of a disability that will last for at least a year or result in death. Must have 1 quarter of coverage for each year after June 1968 (or since age 21, if later), with at least 12 quarters of coverage or at least 8 quarters of coverage during the last 13 quarters.

Eligibility for the disability pension may cease if the insured's condition improves. Periodic examinations to determine the degree of disability are carried out by FSM SSA's cerified disability examiner.

The monthly pension is based on 16.5% of the first US$10,000 of CCE, plus 3% of the next US$30,000 of cumulative earnings, plus 2% of cumulative earnings exceeding US$40,000.

The minimum monthly disability pension is US$50.

Dependent disabled child benefit: If an active insured person who was eligible to receive a pension dies, the benefit is payable to a dependent child who was disabled before reaching age 22. The benefit may continue for as long as the disability exists.

Disability benefits are payable abroad to citizens of Palau, Marshall Islands, and the United States under reciprocal agreement. If eligible for a pension when the disability began and not residing in FSM, a lump-sum is paid equal to the total value of contributions made to FSM's SSA. The lump-sum is reduced by the value of any payments made by FSM's SSA to the insured before the lump-sum is paid.

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Social security programs

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The benefit is equal to 15% of the monthly disability pension that would have been payable to the deceased.

Survivor pension : The deceased had 1 quarter of coverage for each year after June 1968 (or since age 21, if later) or had at least 8 quarters of coverage in the 13 quarters before death. If the deceased was insured at the time of death but did not meet the qualifying conditions for a pension, surviving children may still receive the orphan's pension.

Eligible survivors are insured's sposeand dependent unmarried children younger than age 18 (age 22 if a full time student, no limit if disabled before age 22). The pension for a spouse cease on remarriage.

Earnings test: The survivor's pension is reduced by US$1 for each Y$2 of earnings exceeding US$300 a quarter.

The pension is payable abroad to citizens of Palau, Marshall Islands, and the United States under reciprocal agreement. If eligible for a pension at the time of death and not residing in FSM, a lump-sum is paid equal to the total value of contributions made to FSM's SSA. The lump-sum is reduced by the value of any payments made by FSM's SSA to the insured before the lump-sum is paid.

60% of the deceased's pension is paid to a widow(er), regardless of age. If the surviving spouse is also eligible for an old-age or disability pension in his or her own right, the highest monthly benefit amount is paid. In addition, the surviving spouse receives a lump-sum equal to 4% of the CCE used to calculate the lower benefit amount, minus the sum of all benefits already received on the basis of those CCE.

Survivor lump-sum benefits: Paid for the death of an insured person of retirement age who did not meet the qualifying conditions for a pension or for an insured worker who did not meet the qualifying conditions for a pension, subject to the condition that the value of benefits previously received does not exceed 4% of the deceased's CCE. Also paid when all survivors are no longer eligible to receive a survivor pension on the grounds of age, remarriage or death, subject to the conditions that the value of any benefits previously received does not exceed 4%of the deceased's CCE.

Eligible survivors are (in order of priority) the deceased's spouse, children, parents, and legal heir.

The lump-sum survivor benefits are payable abroad to citizens of Palau and Marshall Islands under reciprocal agreement.

4% of the the deceased's total CCE is paid (reduced by the amount of any benefits paid to the insured and his or her eligible dependent).

Orphan's pension: 15% of the deceased's pension is paid for each eligible child.

The maximum half orphan's pension is 40% of the deceased's pension (if there are three or more children and if a survivor pension is paid to the spouse).

The monthly benefit paid to a full orphan is based on the higher of the two benefit amounts earned by the deceased parents. In a addition, a full orphan receives a lump-sum equal to 2% of the other deceased' parent's CCE, minus the sum of any benefits received by the deceased parent.

The maximum full orphan's pension is 100% of the deceased parent's pension (if there are seven or more children).

The minimum monthly survivor pension is US$50.

The maximum survivor pension is 100% of the deceased's pension (ma be higher if the survivor pension is calculated on the basis of the surviving spouse's own contribution record).

Benefit adjustment: Benefits are adjusted according to changes in the earnings test.

Administrative organization: Federated States of Micronesia Social Security Administration administers the program.

- *The social security programs of Palau, Papua New Guinea, Vanuatu, and Western Samoa will be discussed in the next issue of the Social Security Journal.*

MISSA is now seeking the assistance of the International Labour Organization (ILO), in which the RMI was officially accepted as a member early last year, as it looks at other forms of retirement schemes as possible alternatives to the current social insurance system in RMI. This development was an initiative of President Litokwa Tomeing who, as the Nitijela Speaker in 2004, appointed a Special Committee to conduct a comprehensive review of the Marshall Islands Social Security System. In 2006, the MISSA Administrator, together with former Sen. Maynard Alfred , then Head of the Special Committee appointed by the Speaker, have formal discussions with top officials of the ILO Office for the South Pacific and Fiji National Provident Fund, as they proceeded to the initial stage of the study.

Another "no findings" audit

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nal controls and strict adherence to policies and procedures.

MISSA's accounting department currently headed by Sheryl Profeta, has continued to maintain the good accounting practices started by Alice Sanchez, former CFO, who left MISSA in 2006.

Sheryl Profeta
Finance Manager

If one may recall, Ms. Sanchez was very instrumental in helping the then newly installed MISSA Administrator and Board of Directors in 2000 to become fully auditable.

Ebeye senior citizens celebrate Retirees' Day 2008

An unusually different Friday night

By: Peter Anjain

Mon La-Mike is usually packed at around 10:00p.m. and onward on Fridays but July the fourth (2008) was a different night. It was only around 7:00p.m. but Mon La-Mike was already filled to capacity, not by young adults but by Ebeye's senior citizens. Laughter and loud music being heard from Mon La-Mike got not only the attention of the neighbors but each passerby in the area. Drawn to the noise and the unusual commotion, people went to investigate expecting to see the typical nightly merrymaking in the bar. But they were surprised to see, instead of young adults, older folks laughing & dancing their hearts out.

Yes, they were our very own retirees from Ebeye, enjoying the night and commemorating MISSA'S 40th anniversary. The postponement from the 1st to the 4th of July was mainly due to the fact that more than thirty percent of the Ebeye retirees are still actively employed on Kwajalein. MISSA-Ebeye management incidentally decided to hold everything until Friday to accommodate the retirees that are still working because it was a very special holiday for the U.S.citizens on Kwajalein.

Although Iroij Imata Kabua, Senator & Iroij Mike Kabua, Leroij Seagull Kabua, Foreign Affairs Minister Tony Debrum, and Ebeye Mayor Johnny D. Lemari were off-island during the celebration, we were fortunate to have on behalf of Kwajalein's local and traditional leaders, Senator Jeban Riklon, Deputy Chief Secretary Ataji Balos, Acting Mayor/ Councilman Iroij Felix Loeak, Leroij Emmy Kabua (Mon La-Mike Manager), NTA manager and Iroij Anjojo Kabua, Iroij JunJun James, and not to mention some of the landowners who are retirees themselves. Representing MISSA were Deputy Administrator and COO Bill Joseph and Board Vice-Chairman Tommy Milne.

Despite the fact that Ebeye branch is operated by only two staff, the program was a big success. Not only were the foods and drinks adequate but the program itself was exceptional. Ironically, facilitating the program was no other than the former MISSA-Ebeye branch manager Harden Lelet. Influenced by his eloquence and charm, the retirees participated actively in the traditional games that were prepared, like chanting, musical chair, and singing. As a matter fact, Harden was also instrumental in getting most of the old folks into the dancing floor.

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Additional PSTF fund

(Continued from page 1)

tive in 1987 and to date more than $16 million of benefits have already been paid.

As of March 31, 2003, there were 237 Marshall islanders receiving aggregate monthly benefits of about $8,527.00, at a monthly average of $36.00 per beneficiary. An additional 30 eligible members have yet to apply as they have not met the eligibility requirements.

In April 2004, John M. Niedenthal, MISSA's Board Chairman, started his term as Chairman of the PSTF. This was the result of a previous agreement that each PSTF Board Member shall act as the Chairman on a rotation basis per year.

In September 2004, PSTF officials met in Washington D.C. with U.S. Deputy Assistant Secretary Cohen and the Office of Insular Affairs. The meeting was a success as a grant for $1.6 million was awarded to the PSTF which was used to bring the beneficiary payments up to date.

Harden Lelet (right) and Bernie Lojkar

A portion of the fund amounting to $100,000 was granted as assistance fund for the decentralization of the PSTF effective October 1, 2005, which would cause the administration of the fund to be transferred to the social security system of each of the four former members of the Trust Territory.

The fund was subsequently decentralized in April 2006 and MISSA started administering the distribution of $105,000 leftover share it received.

As of September 30, 2007, MISSA has only $31,000 in reserve for PSTF which was inadequate to cover the 20% cumulative administrative fees due to MISSA estimated at almost $100,000.

In November last year, the Administration was forced to put on hold all PSTF benefit checks as the fund was almost depleted and no additional funding was guaranteed during that time.

As of the latest financial report ending June 30, 2008, the available PSTF cash balance held by MISSA was down to just $13,122.

At the current benefit level, MISSA pays about $10,000 per month to 246 Marshallese PSTF recipients. PSTF officials are now exploring all means to get additional funding from the U.S. Government.

MISSA appoints new Branch Manager for Ebeye Office

The MISSA Administrator approved the promotion and appointment of Bernadette "Bernie" Lojkar as Branch Manager for Ebeye effective June 1, 2008.

The promotion and appointment of Bernie was the result of the resignation of Harden Lelet, MISSA's former Branch Manager for Ebeye, who 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.

Prior to her promotion, Bernie served MISSA in various capacities. She first joined MISSA-Ebeye in October 2004 as Administrative Assistant and performed multiple functions for customer service, claims and benefits, treasury and accounting. In September 2007, Bernie was promoted to Tax Compliance Supervisor, a post she held until Harden Lelet's resignation.

Bernie's all-around experience in MISSA operations coupled with her good relationship with local and traditional leaders in Ebeye made her an ideal candidate for the said post.

In a related development, the Administrator also approved the promotion of Rooney Milne from Administrative Assistant to Tax Compliance Supervisor for MISSA Ebeye. Rooney will also act as I.T. Specialist and perform administrative functions.

Welcome aboard, Mathilda & Ivy!

The Administration's Tax Audit Team is now revitalized with the re-hiring of Mathilda Lanwi as Tax Audit Supervisor. Mathilda first joined MISSA in February 2005 as a Tax Officer and then was reassigned as one of the first Tax Auditors when MISSA's Tax Audit Department was first organized in 2006.


Mathilda Lanwi


Ivy Langbata

Mathilda has made a significant contribution to the early success of the Tax Audit Team. Having studied at the University of Beijing, China, for more than three years, she became adept to the Chinese language and was very effective in communicating with Chinese speaking employers, more particularly those who are being audited.

In early 2007, she left MISSA in search of better opportunities. A year after, she decided to return to MISSA.

MISSA is also pleased to announce the appointment of Ivy Langbata as Information Technology (I.T.) Clerk. Ivy has studied Computer Science at the College of Marshall Islands and is proficient in networking, internet and website development and design.

Prior to joining MISSA, Ivy was employed by Pacific Marshalls, Inc. aka Gibson's for more than two years as an I.T. staff and then was hired by C.A.R.E. Program for four years where he became more proficient in I.T. In 2003, he joined the National Telecommunication Authority (NTA) as an I.T. Specialist and in the next four years, enhanced his skills in networking and installation of high speed internet to NTA customers.

With Ivy's knowledge and skills in website development, MISSA's website, www.rmimissa@natamar.net, is now expected to evolve into a more informative and eye-catching website.

New proposed bills

(Continued from page 5)

ity because the Retirement Fund was depleted as a consequence of enactment of Bill No 7.

MISSA is now seeking again the cooperation and continuing support of Nitijela in safeguarding the Retirement Fund, not just for the current retirees and their survivors, but also for the current and future generations of workers who are at the most risk from the enactment of Bill Nos. 6 and 7.

Sharing the same position and sentiments as what MISSA believes in are newly installed Minister Amenta Matthew of the Ministry of Health Services and Senator (and former Health Minister) Alvin Jacklick, who also oppose Bill Nos. 6 & 7 and any other bills that would be detrimental to the viability of the Retirement Fund.

In a related development, all proposed legislations that remain pending after the 2007 national elections will be considered "not passed" and will have to be re-introduced to the Nitijela as a new bill. Therefore, all pending bills affecting MISSA are deemed closed but if they will be re-introduced as new bills, the Administration will certainly oppose such move.

Ebeye Retirees' Day 2008

(Continued from page 9)

Ending the entertainment for the night was a group of ladies from Buoj weto. Komol tata nan kom. Speaking of Komolol, MISSA ekonan kile im lelok kamolol nan aolep ro rar letok peier im komon bwe program eo an Retiree en bolemen im kamonono nan Retiree ro. Lelok kile ejenolok nan committe in komat eo, committee eo an kareo, serving committee eo, im eliktata im ejjab driktata dri-jerbal ro an Mon La-Mike.

Q2 Financial Highlights

The second quarter of 2008 has been a dismal quarter for the Administration as its investments continue to falter, losing $1.3 million. This resulted to year-to-date losses of $2.8 million and a negative internal rate of return of -5.38%. This downtrend also decreased MISSA's net assets to $65.5 million from last year.

Despite the big losses in investments, MISSA was still able to sustain its $3.0 million quarterly benefit payments with collections amounting to $3.6 million in the 2nd quarter, which was 21% higher than that of the same quarter last year, and likewise higher by 25% from the previous quarter.

This positive cash flow will enable the Administration to generate a cash surplus of at least $200,000 by the end of this fiscal year and inject additional funds to its offshore investments.

The strong cash position also enabled MISSA to rollover its two maturing TCDs held at BOMI worth $4.2 million which were initially held in reserve for future cash needs in the event that cash collections could no longer sustain the operational cash requirements of MISSA. These TCDs are earning an interest rate of 5% per annum.

The main revenue driver this quarter was the consistent monthly receivership payments made by MalGov that totaled $0.77 million as of the end of June 2008. However, the other 24 local governments that have long outstanding obligations to MISSA continue to face financial difficulties and remain in arrears amounting to hundreds of thousands of dollars.

The opening of the new tuna loining plant on Majuro, Pan Pacific Food (RMI), early this year has brought a modest addition to MISSA's collection in the 2nd quarter and will definitely strengthen the Administration's cash flow in the succeeding quarters.

The two main contractors in Kwajalein, Chugach Development Corporation and Kwajalein Range Services, remain to be the second and third top-paying employers, respectively. However, the recent reduction in its workforce and working hours has virtually resulted to a significant drop in social security contributions in the first two quarters of 2008.

As more Kwajalein workers are expected to lose their jobs in the near future, MISSA collections will proportionately drop. Currently, collections in Ebeye/Kwajalein represent about one fourth of MISSA's total collections and any further layoffs will definitely be detrimental to MISSA's financial viability.

The reduction of workforce and working hours has decreased MISSA collections in Kwajalein by 17%, and may drop further in the succeeding quarters. Collections in Ebeye/Kwajalein represent about 25% of MISSA's total collections.

The Administration is fully aware of an imminent drop in collections as businesses and the public continue to feel the brunt of the energy crisis and increasing prices of prime commodities. However, certain unscrupulous individuals may use this situation as an excuse and continue to defy MISSA's demands to file and pay. In this case, MISSA will exert all legal means to continue to enforce its authority over such delinquent employers.

With this in mind, the MISSA Board of Directors and senior management continue to remain firm in their judgment on what they believe is right and fair, and keep on being prudent in their decisions in handling the Marshall Islands Retirement Fund.

Tax compliance officers and tax auditors have continuously intensified their efforts in their collection campaign against delinquent employers. With the help of MISSA's Legal Counsel, numerous cases were settled in and out of court.

Various controls on eligibility requirements have already been put in place and this has been a very effective tool in reducing benefit payments in the past. Likewise, administrative expenses are being maintained at allowable limits, not exceeding 8% of total revenues. By law, MISSA is allowed to spend as much as 20% of total revenues in administrative expenses.

Despite the poor performance of its investments in the last few months, the Administration remains hopeful and confident that diversifying its investments is still the wisest strategy. Although it did not result in profits this time, it did produce significantly smaller losses than the global benchmark.

As Frank Armstrong, MISSA's investment advisor contends, diversification, as a strategy or any other strategy he could advise, won't work in every time period. Nevertheless, it is still the most prudent and appropriate over the life of MISSA's investments. And the figures clearly proved that he is indeed right. Since its inception in late 2002, MISSA's investment gains totaled $22.5 million, reflecting an annual net internal rate of return of 11.83% which has far exceeded the global benchmark of 9.73%.

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