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Yokwe!

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FY 2008 audit: MISSA earns another top rating

In addition to the "unqualified" opinion that MISSA earned from its auditors, it was another "no finding" audit, the 7th year in a row for the Administration.

While certain agencies of the government are still struggling to have their financial records ready for audit covering as much as five years back, the Administration has already received its audited financial statements and independent auditors' report for fiscal year ended September 30, 2008.

The early submission of audit requirements by Sheryl Profeta, MISSA's Finance Manager, enabled the auditors of Deloitte & Touche to start their audit field work as early as November 18, 2008. As in the past several years, the audit field work was completed within two weeks and subsequently, all pending queries and issues were cleared and resolved.

The audit report was dated January 15, 2009 and was presented to the MISSA Board by Mr. Christopher Wolseley, Director of Deloitte & Touche (Guam) during their January 29, 2009 meeting.

As in previous years, the Administration has earned once again an "unqualified" opinion from its auditors. An unqualified opinion is formed and expressed when, after performing their audit, the auditors found that the financial statements that have been prepared by management with the oversight of the Board of Directors, were presented fairly, in all material respects, in conformity with generally accepted accounting principles.

During the presentation of the report, also referred to as the "exit conference", Mr. Wolseley congratulated once again the MISSA Board and management for its commitment to be fully accountable and auditable. He also praised the Administration's collection efforts and control in benefit payments and administrative expenses.

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

In layman's terms, this kind of report signifies a "no finding" or clean audit. The FY 2008 audit is the 7th

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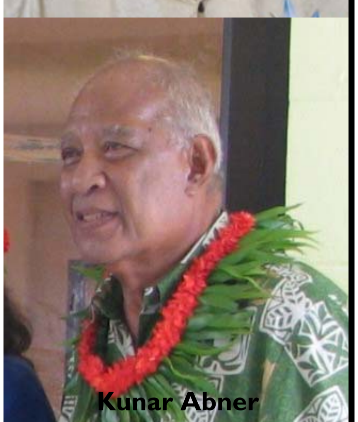
Fredly Mawilong


Jemi Nashion


Kunar Abner

President Litokwa Tomeing and his Cabinet approved the appointment of Fredly Mawilong, Jemi Nashion and Kunar Abner as MISSA's new Board Members for a three-year term.

Inside this issue:

MISSA welcomes new Board Members

During its meeting on January 9, 2009, the Cabinet approved the appointment of three new members of the MISSA Board of Directors. Their appointments were subsequently confirmed and signed by President Litokwa Tomeing.

Effective January 22, 2009, Fredly Mawilong and Jemi Nashion will take the place of E. Tommy Milne and Jefferson Barton, whose three-year terms have ended on January 21, 2009.

Fredly Mawilong is a long-time resident of Ebeye and has worked in Kwajalein since early 80s. He applied for normal retirement in 2004 but continued working until

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"We prepare your tomorrow today".

Future outlook on sustainability

Looking back into FY 2008, the Administration saw the worst months in recent financial history. The world market dipped into a steep plunge that created a global panic. Like any other investor, MISSA was not spared as its $53.95 million offshore investments at the beginning of the fiscal year dropped to $46.33 million as of September 30, 2008.

Although the current global system is highly vulnerable and uncertain at the moment, MISSA's investment portfolio is designed to ride out market volatility and market cycles. It is prudent, widely diversified and divided into 12 separate asset classes to reduce risk while achieving global market returns. MISSA believes that it has more than adequate time for its investment portfolio to recover. Aside from routine rebalancing, the Administration anticipates no changes in its investment program and strategies in the new fiscal year.

MISSA has a healthy, cash-rich balance sheet at the end of FY 2008. Of its $46.33 million offshore investments, about $17.96 million represent short-term, high quality bonds which are near cash equivalent. In addition, MISSA has Certificates of Deposit (CD) balances with BOMI of $4.55 million which earns interest at 5% per annum.

MISSA's local investments continue to grow as interest from CDs and equity earnings from BOMI were earned in FY 2008. At least another $1.3 million is expected to be earned in the coming fiscal year.

Despite the 186 reduction in the number of workers reported by Kwajalein employers, MISSA was able to maintain a positive cash flow in FY 2008. The RMI Government, KRS and Chugach Development Corporation – the two main employers in USAKA, and several big employers on Majuro who have consistently paid their contributions on time in the past, are expected to be the same revenue driving forces in the coming fiscal year.

Another significant source of revenue that MISSA expects from Kwajalein is the very generous offer by USAKA on behalf of the Army & Air Force Exchange Service (AAFES) to gratuitously contribute amounts equal to the employer's share of the MISSA and Health Fund contributions, on behalf of its 100 plus RMI citizen employees.

Under Article VI of the US-RMI Status of Forces Agreement, an agency of the U.S. Department of Defense is exempt from all taxes, customs duties, fees, charges and license requirements of the government of the Republic of the Marshall Islands. AAFES is an agency of the Department of Defense.

In addition, U.S. Government agencies and officials are immune from the jurisdiction of courts of the Republic of the Marshall Islands, pursuant to Section 174 of the Compact of Free Association, as amended. As a result, the Social Security Act is not applicable or enforceable to AAFES.

MalGov has also impacted positively on MISSA collections as it paid a total of $1.1 million since January 2008. With a new payment plan in place, another $1.1 million is expected to be paid by MalGov in FY 2009. A third of this amount comprised of Health Fund contributions, are remitted to the Ministry of Health.

Despite its huge cash reserves, MISSA is continually in search for ways to increase collections and cut on costs and expenses. As in the past years, the Administration will continue its aggressive collection campaign thru house-to-house visits, payroll audits and legal actions. It also aims to maintain benefit payments and administrative expenses at sparing levels by introducing stiffer restrictions on eligibility requirements and more cost control programs.

FY 2009 is expected to be the most challenging year for the Administration. The financial crisis that started as early as late 2007 in the U.S. and the unprecedented increases in world oil prices in mid-2008 created a domino effect worldwide. As a result, the inevitable happened – recession. It brought tremendous financial chaos to the U.S. and certain countries in Europe and in Asia. Consequently, the RMI's economy reacted accordingly and is expected to continue to struggle with difficulty in the coming year.

Although shipments of goods from overseas continue to flow in on time, consumers are still faced with spiraling price increases on basic commodities.

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Future outlook on sustainability

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As inflation continues to reach unparalleled heights, the economic condition in the country is further aggravated by the increasing level of unemployment. Thus, the purchasing power of consumers will proportionately decrease. Relatively, it will translate to lower revenues for businesses and self-employed individuals, and will be further worsened by stiff competition among them. All of these factors will seriously impact the private sector's capacity to pay present and future taxes and social security contributions on time.

"Now, MISSA finds it increasingly more difficult to deal with long-outstanding delinquencies by businesses and certain government agencies in financial distress. Many of such employers have been prosecuted and ordered by the court to pay but to no avail."

Now, MISSA finds it increasingly more difficult to deal with long-outstanding delinquencies by businesses and certain government agencies in financial distress. Many of such employers have been prosecuted and ordered by the court to pay but to no avail.

Although the Administration, as recommended by its Actuary, has considered the option to increase the combined rates of employer-employee contributions currently at 14% for Retirement Fund and 7% for Health Fund, it believes that it is not yet the right time. Such increase may put additional burden to the current financial difficulties that businesses and workers are facing.

Instead of an increase in contribution rates, MISSA's Tax Officers and Auditors were urged to double their collection and audit efforts, and remain vigilant against delinquent employers and self-employed individuals.

Another difficult challenge that the Administration continually faces is the constant introduction by certain lawmakers of legislations that, if passed into laws, would be detrimental to the financial viability of the Retirement Fund. Fortunately, the majority of the country's legislators supported and believed in MISSA's stand that the present financial position of the Retirement Fund is not yet ready to support any benefit increases.

With all of the above in mind, coupled with the fact that MISSA does not have any significant short-term liability to pay, the Administration firmly believes that benefit payments, expected to increase by about 8%, and administrative expenses will be sustained by contributions and investment income (dividends & interest) in the coming fiscal year without making any drawdown from its investments.

Lastly, the Administration continues to earn the support of the President of the Marshall Islands, his Cabinet, the Nitijela, employers and the general public. Its Board Members remain diligent and prudent in their roles as fiduciaries of the Retirement Fund while MISSA management and staff continue to remain efficient in their respective duties and responsibilities. These factors have been the main reasons why MISSA had its successes in the new millennium.

PSTF benefits assured until end of 2009

The 237 Marshallese and hundreds of Micronesians currently receiving benefits from the Prior Service Trust Fund (PSTF) are assured of continuous benefits until end of 2009 as $500,000 additional funding was approved by the Office of the Insular Affairs, US Department of Interior.

This piece of good news was brought to the attention of PSTF's Board of Directors (comprised of the Administrators and Board Chairmen of the former members of the Trust Territory) during their meeting in Guam in February 2009.

The additional funding will be divided on a pro-rata basis among the four former members of the Trust Territory - the Commonwealth of the Northern Mariana Islands, Republic of Palau, Federated States of Micronesia and the Republic of the Marshall Islands.

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

When the PSTF was decentralized in April 2006, the administration of the fund was transferred to the respective social security system of each of the four former members of the Trust Territory.

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

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

Early this month, MISSA received $7,400 , just enough to pay-off the benefits for the month of March 2009. The Administration expects to receive soon he balance of its share in the $500,000 additional funding for PSTF.

MISSA Administrator meets with Ebeye-Kwajalein employers

The Administration has now put more focus on a "reaching out" effort to increase its collections and disseminate social security information to the public, more particularly in Ebeye and Kwajalein, where about $3 million a year or 20% of the total contributions for the Marshall Islands Retirement and Health Funds are collected by MISSA.

In December 2009, the MISSA Administrator, together with Tax Managers from the Head Office and the Branch Manager of Ebeye, met with representatives of KalGov headed by Mayor Johnny Lemari.

The main purpose of the meeting was to enable MISSA to update KalGov's filing status and determine the total amount owed to MISSA as of the end of 2008.

Ebeye Staff

Although MISSA is fully aware of KalGov's financial difficulties, the welfare of KalGov's present and former employees remains a top priority. A number of them have already reached retirement age but are not able to retire as they lack the required number of contributions. For those employees who were lucky enough to reach eligibility requirements, the amount of benefits that they have received or are currently receiving had been reduced significantly as a result of non-payment of their contributions to MISSA.

Many more of those below retirement age stand to lose their chance of getting the right amount of benefits once they retire in the future.

In her follow-up visit to KalGov in February 2009, the MISSA Administrator stressed that since MISSA has already established a more accurate assessment of KalGov's tax liability ($6.8 million as of February 11, 2009), Kalgov may identify main revenue sources from major businesses in Ebeye in which local taxes derived from them will be assigned to MISSA and be applied to the debt owed by KalGov. This will be covered by a mutual agreement without any legal proceeding.

More than a year ago, the court ordered a certain local government owing millions of dollars to MISSA to assign to the Administration local taxes derived from certain business on Majuro. This scheme became one of the main revenue drivers for the Administration in 2008 and helped MISSA maintain a positive cash flow.

If MISSA and KalGov can not come to a mutual agreement, MISSA will have no option but to go through the legal process that may include receivership and other legal remedies that may be necessary.

The MISSA Administrator strongly urged KalGov to take this matter very seriously and find a more definite way that will allow the debt to be paid off over a reasonable period of time.

During their December visit, MISSA's Tax Managers, together with Ebeye's Tax Officers also took the opportunity to visit certain employers in Ebeye to follow-up on contributions that are in arrears and discuss implementing guidelines on MISSA taxes.

For the first time, the MISSA team was also able to meet with Major Chris Mills, the Director (Host Nation Activities) of the U.S. Army at Kwajalein Atoll (USAKA), who was also joined by USAKA's Legal Adviser and representatives of Kwajalein employers (KRS, Chugach and AAFES). The meeting was facilitated by Jelton Anjain, the RMI's Liaison Officer in Kwajalein Atoll.

The meeting in Kwajalein was very timely as social security issues, more particularly about Marshallese workers currently working for the Army & Air Force Exchange Service (AAFES), were discussed during the Joint Committee Meeting (JCM) held in Majuro in December. The dialogue was attended by a large group of U.S. officials headed by U.S. Ambassador Clyde Bishop and USAKA Commander Col. Frederick Clarke.

The meeting was very fruitful as subsequent communica-

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MISSA earns another top rating from its auditors

year in a row that MISSA earned a clean audit.

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

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

During the presentation of the audit report also referred to as the "exit conference", Chris Wolseley of Deloitte & Touche (right), congratulated once again the MISSA Board of Directors and Management for its commitment to be fully accountable and auditable. He also praised the Administration's collection efforts and control in benefit payments and administrative expenses.

Financial Highlights - FY 2008 Audit -
In Million $

	FY2008	FY2007	Increase(decrease)	
Total contributions	$13.47	$12.51	$0.96	7.7%
Net investment income(loss)	(6.61)	7.63	(14.11)	(181%)
Total benefits	12.55	11.65	0.90	7.7%
Net assets	63.19	69.03	(5.84)	(8.5%)
Total investments	58.56 (10.16%)	65.18	(6.62)	
Administrative expenses	1.02	0.98	0.03	3.4%
% of admin. expenses to total contributions	7.5%	7.86		

When can a wage earner receive lump sum benefits?

Recently, several inquiries have been received by MISSA about lump sum benefits, more particularly from foreigners who have made contributions to the Retirement Fund. They said that they have heard of a new law which would entitle workers who have at least 10 years (or 40 quarters) of contributions to receive lump sum benefits outright. This rumor is not true.

One basic requirement about lump sum benefits is that the wage earner should be at least 60 years of age or disabled upon application for lump sum benefits and is not eligible to receive normal retirement benefits. This means that the applicant must have less than 38 quarters of contributions and at least 60 years of age, or disabled (regardless of age).

Pursuant to Section 141 of the Social Security Act (the "Act") found at 49 MIRC:

(1) If a worker or self-employed worker permanently ceases to work for reason of old age, Illness, physical disability or any other reason which has an adverse effect on the ability of such person to perform his duties, and rights to insurance benefits under sections 36 through 39 of the Act with respect to the worker or self-employed worker have not otherwise accrued, a lump sum benefit Equal to 4% of his cumulative covered earnings (CCE) shall be paid to such worker in a lump sum payment.

(2) If after a worker or self-employed worker dies and all rights to survivor's insurance benefits with respect to the worker or the self-employed worker have ceased, a lump sum benefit equal to 4% of his CCE, less the amount of the benfits actually received by the worker or the self-employed worker, or his survivors, if any, shall be paid as set forth in Subsections 3 & 4 of this Section.

(3) The lump sum benefit payable under Subsection 2 shall be paid to the spouse, and in the absence of the spouse, shall be paid to the children in equal shares, or guardian, if such children are minors, and in the absence of both, shall be paid to the parents in equal shares.

(4) In the absence of any of the persons referred to in Subsection3, the lump sum benefit shall be paid to the persons specified under the prevailing laws and customs with respect to intestate secession in the domicile of the deceased worker's or the deceased self-employed worker's at his death.

Social security programs in Pacific island countries (fifth & last 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, Solomon Islands, Vanuatu and 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)

VANUATU (Provident Fund)

Old-age benefit: Age 55; at any age if emigrating permanently. If the member has withdrawn any amount and makes further contributions after age 55, no withdrawal is allowed until 2 years after the date of the last withdrawal, unless the member retires or dies.

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

Interest rate adjustment: Set annually by the Provident Fund Board depending on the financial performance of the fund. The current rate is 4% a year.

Disability benefit: Must be permanently incapable of any employment due to a physical or mental disability. The disability is assessed by two registered medical practitioners.

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

Interest rate adjustment: Set annually by the Provident Fund Board depending on the financial performance of the fund. The current rate is 4% a year.

Survivor benefit: Paid on the death of the fund member before retirement.

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

Eligible survivors are the spouse, dependent parents of the deceased or of his or her spouse, and children. Survivors must be named by the deceased, and the benefit is split among survivors as specified by the deceased.

Interest rate adjustment: Set annually by the Provident Fund Board depending on the financial performance of the fund. The current rate is 4% a year.

Death benefit: Paid to named survivors. A lump sum of 230,000 vatu is paid to named survivors. (Exchange rate: US$1.00 = 108.35 vatu)

Administrative organization: Ministry of Finance provides general supervision; managed by a general manager, a six-member tripartite Provident Fund Board administers the program; Provident Fund Board is responsible for appointing a commercial fund manager and for setting the investment criteria.

Sickness and maternity: No statutory benefits are provided for sickness and maternity.

The 1983 Employment Act requires employers to:

- Provide 100% of wages for sick leave for up to 21 days a year, if the employee has been in continuous employment with the employer for 12 months or more.
- Provide 50% of wages for maternity leave of up to 12 weeks (6 weeks before and 6 weeks after the expected date of childbirth). Employers are required to allow a mother to interrupt work twice a day for 30 minutes to feed a nursing child.
- Provide medical care for workers and for their dependents when the dependents are living on the employer's property.

WESTERN SAMOA (Provident Fund)

Old-age bension: Age 55, and retired from covered employment; at any age of emigrating permanently after 12 consecutive months of residence overseas. If covered employment continues after age 55, contributions must continue to the fund. If new employment begins after funds are withdrawn at age 55, the fund member must contribute for 12 months before withdrawing funds.

Early withdrawal: Age 50 and unemployed for 5 or more years.

Drawdown payment: Must have a minimum balance of 500 tala (US$1.00 = 2.67 tala). Up to 50% of the total insured person and employer contributions may be drawn down. The payment is repaid as a loan at an annual interest rate of 11%. If used for building a house, the loan must be at least 50,000 tala.

A fund member can choose from three benefit options:

- A monthly pension based on total insured person and employer contributions, plus interest;
- A monthly pension based on 75% of total insured person and employer contributions, plus interest, with the remaining 25% paid as a lump sum; or
- At age 55 fund member can opt to take a lump sum equal to the full amount in their account instead of a monthly pension.

Interest rate adjustment: The interest rate is adjusted every 3 years according to an actuarial review.

Senior citizen benefit scheme: 100 tala a month is paid. (Senior citizens also receive subsidized health care in public hospitals and free inter-island travel on public seagoing vessels).

Benefit adjustment: The senior citizen benefit is reviewed periodically by the government.

Permanent disability benefits (Disability pension): A fund member can choose from three benefit options:

- A monthly pension based on total insured person and employer contributions, plus interest;
- A monthly pension based on 75% of total insured person and employer contributions, plus interest, with the remaining 25% paid as a lump sum; or

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Social security programs

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- At age 55 fund member can opt to take a lump sum equal to the full amount in their account instead of a monthly pension.

Interest rate adjustment: The interest rate is adjusted every 3 years according to an actuarial review.

Survivor benefits (Survivor pension): 50% of the deceased's monthly pension is split among named survivors according to proportions stated by the deceased.

Death benefit: A lump sum of 2,500 tala is paid

Benefit adjustment: The death benefit is adjusted according to the financial health of the fund.

Administrative organization: Samoa National Provident Fund managed by a tripartite board, administers the scheme. Senior Citizen Benefit Scheme Department of the National Provident Fund administers the senior citizen benefit scheme.

Sickness and Maternity: No statutory cash benefits are provided.

Some medical services are provided free of charge to the population through government health centers.

Other hospital and medical services are provided under the senior citizen benefit scheme and the work injury program.

Work injury regulatory framework:

First law: 1960

Current laws: 1978 and 1989 (accident compensation, with 2003 amendment.

Type of program: Employer-liability system, involving compulsory insurance with a private carrier.

Coverage: employed persons

Exclusions: Self-employed persons

The total population is covered under a separate scheme for non-work related injuries, including injuries resulting from accident involving a motor vehicle or a boat traveling with Western Samoa.

Source of funds:

Insured person: None for work-related injuries; 1% of earnings for nonwork-related injuries.

Self-employed persons: not applicable

Employer: 1% of payroll for work-related injuries.

Government: None

An earmarked tax of 0.05 tala per galloon on motor fuel finances benefits for victims of motor vehicle and boat accidents.

Qualifying conditions:

Work injury benefits: There is no minimum qualifying period

Temporary disability benefits: 70% of the insured's earnings is paid for up to 5 years after a 5-day waiting period; may be extended. The benefit is paid for a temporary disability resulting from a work-related or a nonwork-related injury (or from motor vehicle or boat accidents).

The maximum weekly benefit is 400 tala.

Permanent disability benefits: If the assessed degree of disability is at least 80%, the weekly benefit is equal to 70% of the insured's last earnings times the assessed degree of disability. The benefit is paid until rehabilitation or death.

The maximum weekly benefit is 400 tala.

Partial permanent disability: if the assessed degree of permanent disability is less than 80% and the injured person returns to work before the period of entitlement to temporary disability benefit ceases, a lump sum is paid according to the assessed degree of disability, up to a maximum of $8,000 tala.

MISSA is now seeking the assistance of the International Labour Organization (ILO), in which the RMI was officially accepted as a member in 2007, 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.

Workers' medical benefits: benefits include reasonable medical expenses; 15,000 tala is provided for artificial limbs or treatment abroad.

Survivor benefits: A lump sum of 20,000 tala is paid to dependents. For the death of a worker, a weekly payment of up to 200 tala is also paid for a maximum of 4 years.

Funeral grant: 2,000 tala is paid for a death caused by a work-related accident (or motor vehicle or boat accidents).

Administrative organization: Labor department provides general supervision. Accident Compensation Corporation administers the program.

Local investments save MISSA from further losses

The latest report covering the first quarter of FY 2009 from Investor Solutions, Inc., MISSA's Investment Advisor, remains dismal despite the $1.59 million investment gain MISSA had in December 2008.

For the month of December, every single equity traditional asset class was solidly positive, some with double digit returns. But such gain was overshadowed by significant losses in October and November that decreased further the fair market value of the Administration's offshore investments by $6.84 million.

Despite the poor results, Frank Armstrong of Investor Solutions remains optimistic and emphasized some relatively good points:

- The bond funds are solid and compared favorably with CD rates in the U.S. in 2008. The investment policy for fixed income of short term, high quality bonds proved its worth by avoiding the entire subprime mortgage and credit fiasco.
- MISSA's portfolio did not have concentrated positions in the equity accounts that crashed. Individual firms can crash and never recover, but whole markets come back.
- While MISSA's equity funds held financial institutions as part of their index, , MISSA held no "toxic" assets. There were no hedge funds, CDOs, CDs, or other illiquid, unpriced assets.
- The entire structure of Investor Solutions' service model is totally transparent, easily verifiable, constrained by a number of sensible business checks and balances, and all funds are subject to SEC registration and FINRA regulations. This is particularly important in the post Madoff era. His Ponzi scheme could never have happened where accounts were held at an independent third party custodian. (MISSA's accounts are being held by Fidelity Investments IBG, an independent third party custodian.)

As of February 28, 2009, MISSA's total investments stand at $46.69 million. This includes MISSA's stock ownership of $8.17 million at the Bank of the Marshall Islands (BOMI) and another $4.55 million worth of TCDs earning 5% interest every year. MISSA also holds 3,000 shares of stock, at $10.00 par value, in the Marshall Islands Service Corporation (MISC).

MISSA's initial 32% ownership of BOMI, RMI's strongest and most profitable financial institution, started on February 19, 1999 when the RMI Government fully repaid a loan and related interest, totaling $1.94 million, through transferring its ownership of 94,485 shares of the BOMI stocks to MISSA. Later, 30,000 of these shares were sold to a third party that subsequently reduced MISSA's shareholding to 31%.

Since MISSA's acquisition of these shares, the Administration received dividends from BOMI amounting to about $1.2 million. (For calendar year 2007, MISSA received $0.29 million and at least another $0.30 million is expected for 2008.)

MISSA Administrator meets with Ebeye-Kwajalein employers

(Continued from page 4)

tion with USAKA resulted to a very positive response from Col. Clarke.

Currently, about 100 Marshallese workers are being employed by AAFES in Kwajalein. Although AAFES expressed its willingness to provide social security and health benefits to its Marshallese workers, it is covered by the US-RMI Status of Forces Agreement.

Under Article VI of the agreement, an agency of the U.S. Department of Defense is exempt from all taxes, customs duties, fees, charges and license requirements of the government of the Republic of the Marshall Islands. AAFES is an agency of the Department of Defense.

In addition, U.S. Government agencies and officials are immune from the jurisdiction of courts of the Republic of the Marshall Islands, pursuant to Section 174 of the Compact of Free Association, as amended. As a result, the Social Security Act is not applicable or enforceable to AAFES.

Despite such exemption from MISSA regulations, AAFES showed its generosity by offering to gratuitously contribute to the Retirement and Health Funds for its Marshallese workers.

In his letter to MISSA dated January 31, 2009, Col. Clarke said, "AAFES is prepared to offer to gratuitously contribute amounts equal to the employer's share of the MISSA and health Fund contributions, on behalf of its RMI citizen employees and transfer said funds to an appropriate Government of the Marshall Islands account". The offer was subject to certain conditions that are acceptable to the Administration.

Subsequently, MISSA has issued an Employer Identification Number (EIN) to AAFES and is currently awaiting for the quarterly returns from the second through the fourth quarters of 2008 to be filed and paid. In appreciation to the very generous offer by AAFES, MISSA will not charge any interest or penalty for AAFES's late filing and payment.

AAFES's generosity assures that, aside from being provided with a steady source of income, the 100 Marshallese workers are given the chance to receive social security benefits in their old age and during disability.

It is estimated that there are about 110 to 115 employers in Ebeye and Kwajalein that are in active operations. Aside from the three main employers in Kwajalein and Triple J, Sunrise Store and Lucky Star in Ebeye, the rest are comprised mainly of small mom and pop stores and about a dozen schools and religious organizations.

As of the last quarterly deadline (January 12, 2009), only 37 employers filed and paid their retirement and health fund contributions in Ebeye and Kwajalein. This translates to less than 35% being the compliance rate in this sector, much lower than the 60%-65% compliance rate on Majuro.

IAC increases premium rates

MISSA and the Association of Retired Persons in the Marshall Islands are covered entities under the Group Insurance Policy with the Individual Assurance Company (IAC). The policy was issued in April 2005 and represented by the Office of the RMI Public Service Commission (as the Policyholder) and also included RMI Government employees and other government agencies like MIMRA, MWSC, NCT, Ports Authority and KalGov..

Initially, under the retiree group insurance policy, the designated beneficiary(ies) who is(are) usually the immediate family of an enrolled member who had died, is entitled to receive $5,000. The monthly premium was $30.33.

Under the same group policy, MISSA employees were covered with Term Life Insurance equivalent to three times the annual salary of the enrollee at a bi-weekly premium of $0.37 per $1,000 of coverage.

In 2007, IAC claimed that claims paid to deceased retirees have far exceeded the amount of premiums being received. Thus, IAC was forced to decrease the benefit to $4,000 with the same monthly premium of $30.33. There were no changes in the MISSA employee policy.

In mid-2008, IAC met again with PSC officials to discuss further changes in the policy. IAC claimed that due to increased losses, it was necessary to increase the premium rates to sustain the program for the entire group. Subsequently, PSC agreed to increase the bi-weekly premium for employees from $0.37 to $0.49 per $1,000 of coverage. Likewise, the retiree premium was also increased from $30.33 to $35.75 bi-weekly. The increases became effective starting October 1, 2008.

More than 200 retirees enrolled in the IAC Retiree Group Insurance in 2005

MISSA and the retirees were not advised of the IAC visit, so the two parties were not able to attend the discussion between PSC and IAC. As it will take sometime for MISSA to advise all enrolled retirees of the increase, IAC agreed to extend the deadline for the rate increase (in retiree premium) to no later than April 1, 2009.

New Board Members

(Continued from page 1)

2007.

As Ebeye's representative to the MISSA Board, Mr. Mawilong will play an active role in addressing all social security concerns in Ebeye and Kwajalein.

Jemi Nashion currently holds the post of Assistant Secretary and heads the Budget Division of the Ministry of Finance. Prior to joining the RMI Government, Mr. Nashion worked in the private sector where he gained experience in insurance and retail.

Mr. Milne represented Ebeye and was appointed as Board Member in 2000 and then Board Vice-Chairman from 2003 until his term expired in January 2009. Currently, he is also one of the four MISSA representatives in the BOMI Board. Mr. Milne is currently the Administrator for Ebeye Hospital.

Mr. Barton became a Board Member in 2006 and represented the RMI Government.

Luckner "Kunar" Abner, the incumbent President of the Marshall Islands Association of Retired Persons, was also appointed to the MISSA Board effective March 18, 2009. He will replace Cradle Alfred whose term expires on March 17, 2009. Mrs. Alfred has been with the MISSA Board since 2000.

The RMI President and Cabinet have also reappointed Jack Niedenthal as Member and Chairman of the Board. Mr. Niedenthal was appointed to the Board in 2000 and was voted by the Members to be their Vice-Chairman. He was reappointed in 2003 and 2006 as Board Chairman.

Three incumbent Board Members, Maria K. Fowler, Saeko Shoniber and David Paul were also reappointed. Mrs. Fowler and Mrs. Shoniber were first appointed in 2000 and subsequently reappointed in 2003 and 2006. Mr. Paul joined the Board in 2006.

In their meeting held on January 29, 2009, the Board appointed David Paul as Vice-Chairman. Mr. Paul represents the private sector on the MISSA Board.

In a simple luncheon ceremony held in appreciation to their invaluable contributions to the Administration, the outgoing Board Members were honored and thanked by the incumbent members.

Outgoing Vice-Chairman Tommy Milne was recognized for his nine-year active role in restoring MISSA back to what it is today – a role model in terms of accountability and good governance. Mr. Milne was also very instrumental in resolving key issues affecting Ebeye retirees, workers and employers.

Board Member Jefferson Barton was recognized by the Board for ensuring the timely and consistent bi-weekly remittances of the RMI Government which comprise about 30 percent of MISSA's total collections. Had the RMI Government remiss of its payments, MISSA would have been in serious cash flow problems in the past.

Board Member Cradle Alfred was also recognized for her continuous support to the Board's prudent (and sometimes unpopular) decisions to protect the sustainability of the Retirement Fund and the long-term welfare of the majority of current and future retirees.

MISSA BOARD (2006-2009)

Despite the recent change in its composition, the incumbent Board remains firm in its mission to continuously improve for the welfare of the people of the Marshall Islands and keep on being diligent and prudent in their roles as fiduciaries of the Retirement Fund.

PUBLIC NOTICE
Clarification on Meal Allowance

Meals provided by employers to employees are NOT INCLUDED in employee earnings and are NOT TAXABLE by MISSA.

However, cash payments, payments by check, or meal allowances ARE INCLUDED in employee earnings and ARE TAXABLE by MISSA.

If you need further clarification or have questions, please visit us at our Head Office or call our Tax Compliance Department at 625-3101 or 455-3101.

MISSA's website has now evolved into a more informative & updated site

In its aim to make MISSA accessible to anyone with internet access, the Administration put up its own website ***www.rmimissa.org*** *in 2006. The site was developed with the help of Jack Niedenthal, MISSA's Board Chairman.*

With the website in place, any Marshallese claimant residing in the United States or anywhere in the globe and wishing to apply for retirement, disability, survivor or lump-sum benefits, could download the application form, fill it up and send it to MISSA's head office in Majuro for processing. This will definitely save more time and the benefits can be processed and released faster to the beneficiaries.

Internet browsers can also find the latest update regarding MISSA announcements, proposed legislations, current activities of the Administration, guidelines and benefit programs of the Marshall islands Social Security System and answers to most frequently asked questions.

To those who need more information about the Marshall Islands, links are made available, more particularly to Yokwe online (for up-to-date RMI news and events), MIVA and Bikini websites (for tourism information), RRE & MIR (for hotel reservations)

A copy of the Social Security Act (Title 49, MIRC) is also made available to show all the current provisions of the social security system in the country and serve as reference to tax and legal issues arising from different interpretations of the Act.

The website would not have evolved to what it is today without the experience and expertise of Ivy Langbata, and Joe Wottokna, MISSA's IT Clerk and I.T. Manager, respectively. Both have spent countless hours in putting up all the information, pictures and art to make the site updated and more informative.

Marshall Islands Social Security Administration

"Securing your tomorrow today"

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What's new?

Contributions up by 7.7% as FY 2008 ends

MISSA releases FYs 2006-2007 Bi-annual report

5th Annual SS Administrators' conference

Board Chairman, Investment Advisor update RMI President & Nitjela on MISSA's investment performance

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Events
Retirees' Day
Employment opportunities

Know more about the Marshall Islands

Apply for social security number

Download application form for:
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Disability benefits
Survivor benefits
Lump sum benefits

Yokwe and Welcome to MISSA Online!

2009 outlook on sustainability

Looking back into FY 2008, the Administration saw the worst months in recent financial history. The world market dipped into a steep plunge that created a global panic. Like any other investor, MISSA was not spared as its $53.95 million offshore investments at the beginning of the fiscal year dropped to $46.33 million as of September 30, 2008.

Although the current global system is highly vulnerable and uncertain at the moment, MISSA's investment portfolio is designed to ride out market volatility and market cycles. It is prudent, widely diversified and divided into 12 separate asset classes to reduce risk while achieving global market returns. MISSA believes that it has more than adequate time for its investment portfolio to recover. Aside from routine rebalancing, the Administration anticipates no changes in its investment program and strategies in the new fiscal year. Read more ...

Eel En opens on Retirees' Day

The long-awaited Retirees' Day 2008 finally came with double celebrations - first, with the traditional speeches, games, dances and partying, and then came the main highlight... the grand opening of the new retirees' building named "Eel En". The new building was a gift from the Japanese Government to all retired and disabled citizens of the Marshall Islands. Read more...

(Photo) Dr. Kazuyuki Ohdaira-Charge d' Affaires (Embassy of Japan) and Saane K. Aho, MISSA Administrator, formally open the $86,000 "Eel En" building donated by the Government of Japan to the retired senior citizens of the Marshall Islands.

Frank lectures on the ABCs of fiduciary law and practice standards

In the midst of the current global financial crisis and considerable losses incurred by numerous trust funds in the Marshall Islands, the College of the Marshall Islands Public Policy Institute invited Frank Armstrong of Investor Solutions, Inc., MISSA's Investment Advisor, to facilitate a lecture about the role, practice standards and ethical values of fiduciaries.

What is a fiduciary? A fiduciary is an individual who is required to act for the benefit of another, and occupies a position of trust to that person. Read more...

MISSA gets additional funding for Prior Service Trust Fund (PSTF)

In November 2008, MISSA received $61,088 additional PSTF funding which enabled the Administration to release its September and October 2008 benefit checks which were put on hold earlier for lack of funds. This is the third funding received in 2008.

Earlier this year (January and July), the Administration received a total of $115,896 for the almost 250 current Marshallese beneficiaries. This enabled the Administration to continue paying the monthly PSTF benefits until August 2008, after which the fund was depleted again (for the second time).

MISSA was forced to put on hold its PSTF benefit payments in November 2007 for lack of funds. Payments were then resumed in January 2008 when additional funding was received.

At present, the Administration needs at least $11,100 to meet its monthly PSTF benefit payments, including the 20% administrative fee that MISSA is entitled to. Unless additional funding is received, the current PSTF fund will only last until January 2009.

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MISSA's Website Administrators

Q4 2008 and Jan-Feb 2009 financial performance

Despite the decrease in Ebeye-Kwajalein collections by almost 18% in the fourth quarter of 2008, MISSA's total collections of $3.1 million still registered a positive growth of almost 2% from last year.

The RMI national government remains as the top revenue driver with $1.53 million of contributions for the Retirement and Health Funds. MalGov has also provided a strong cash flow for the Administration as it consistently met its monthly dues covering a new payment arrangement approved by MISSA last year.

The month of December provided a sigh of relief to the Administration as, after a dismal performance since late 2007, its offshore investments posted a gain of $1.59 million. This gain has provided a brief buffer for MISSA's offshore investment losses of $6.8 million in the fourth quarter of 2008..

MISSA's offshore investments peaked in October 2007 with a fair market value of $55.3 million. Since then, it dropped by $15.8 million or 28.6% as of the end of December 2008.

On the other hand, MISSA's investments at BOMI and MISC continue to register positive growths. Aside from the interest on TCDs, MISSA expects to receive annual dividends of at least $300 thousand for 2008 from BOMI. In 2007, MISSA received $290 thousand in dividends from BOMI. The Administration currently holds 31% controlling interest on the said bank.

In October 2008, the Administration also received dividends of $4,200 from the Marshall Islands Service Corporation (MISC). MISSA holds 3,000 shares of MISC stocks at $10.00 par value.

Benefit payments in the Q4 2008 totaled $3.3 million or 6.86% higher than the same period last year.

Administrative expenses have been consistently spent at sparing levels and within the approved budget

Although the Administration did not meet any cash flow problem in 2008, it was not able to meet its target of generating enough cash surplus at the end of 2008. In FYs 2005, 2006 and 2007 and 2008, MISSA was able to inject $1.2 million, $300 thousand, $300 thousand and $300 thousand, respectively, into its offshore investments coming from its cash reserves.

Despite the optimism brought by the US stimulus plan, the world market continues its rollercoaster ride and MISSA's investment performance remained dismal in January and February. The latest update by MISSA's Investment Advisor reflected investment losses of $2.89 million and $2.59 million, respectively. This brings the total investment losses by MISSA to $12.27 million in the first five months of FY 2009.

Top 30 taxpayers for Q4 2008

Based on January 12, 2009 quarterly deadline)

1. Marshall Islands Government	$1,351,696	16. Maji Store/Map Vision	$ 52,754
2. Chugach Development Corp.	466,417	17. Marshall Islands Shipping Corp.	49,971
3. Majuro Atoll Local Government	285,000	18. MIMRA	42,746
4. Kwajalein Range Services	173,994	19. RMI Ports Authority	41,818
5. Pacific International, Inc.	171,993	20. Marshall Islands Resort	39,943
6. Kili/Bikini/Ejit Council	141,651	21. Rongelap Atoll Local Government	36,779
7. College of the Marshall Islands	129,250	22. Majuro Water & Sewer Co.	35,754
8. Bank of the Marshall Islands	91,263	23. Majuro Stevedore & Terminal Co.	31,006
9. National Telecom Authority	89,550	24. Enewetak/Ujelang Local Gov't.	28,321
10. KAJUR	73,828	25. Pan Pacific Foods (RMI), Inc.	26,808
11. Air Marshall Islands, Inc.	69,700	26. Triple J Marshalls, Inc.	24,558
12. Pacific Marshalls/Triple J Payless	66,384	27. EULGC/Support Program Fund	24,526
13. M. I. Fishing Venture, Inc.	66,249	28. MISSA	24,226
14. Robert Reimers Enterprises	64,156	29. Pacific Blue Star/EZ Price	20,115
15. Alutiiq Security & Tech.	58,504	30. Continental Micronesia	19,408

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