

"No retiree left behind"

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# THE SOCIAL SECURITY JOURNAL

## President Kessai Note congratulates MISSA for "best audit report"

Deloitte, Touche & Tohmatsu, who issued once again an "unqualified" opinion on MISSA's financial statements.

MISSA's financial statements have consistently demonstrated this top rating in as many years since the incumbent Administrator and Board of Directors were constituted by then newly elected President Kessai Note and his Cabinet in early 2000.

This information was highlighted by the Administrator in her FYs 2003-2004 report to the President and

### MISSA

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#### Our Mission:

"to uplift the personal and economic well-being of the people of the Marshall Islands by providing them with long-term financial security in their retirement age or during disability"

## President Note... (from P1)

Members of the Nitijela dated September 15, 2004 (the complete text of the report is printed on pages 4 to 6). A copy of the audited financial statements was also furnished to the President .

Likewise, the auditors' report on compliance and on internal control over financial reporting for FY

## MISSA Administrator ... (from P1)

were Lillian Andrew and Ricky Kurn, MISSA's Deputy Administrator and Tax Examiner, respectively.

As each group had to make its own presentation, the MISSA Administrator prepared a Powerpoint presentation which depicted an overview of how the Social Security System is administered in the Marshall Islands. Her presentation focused mainly on the MISSA organization, benefit provisions of the Social Security Act of 1990 and the implementing tax guidelines. She then ended her presentation by showing a short clip of a song number rendered by the Marshall Islands Retirees Association (entitled "Ien Emman Man"), during the 1st Retirees' Day.

It was found out during the meeting that the three Systems have so many things in common, more particularly the problems on benefits and tax delinquency. This inter-sharing of ideas and brainstorming resulted to solutions and strategies being conceived by the group.

The trio has also completed the final draft of a "totalization agreement", that would allow a person who has worked in two or all of the three countries, to consolidate his SS contributions to each of

2003 revealed no audit findings. This simply means that the auditors found no reportable conditions that would indicate any misstatement in MISSA's financial statements nor non-compliance to existing laws, generally accepted accounting principles, standards and practices. Further, all unresolved audit findings related to financial transactions prior to FY 2000 were totally cleared and accounted for by MISSA.

the three SS systems to become qualified for retirement benefits. The agreement has still to be approved by the Presidents of the three governments.

Also discussed in the meeting was the status of the upgrading of the Fox-Pro computer system which is expected to be fully operational next summer. This upgraded version will replace the retirement fund software being used by the three systems for the past decade.

## Latest Actuarial Report shows a much healthier financial outlook in recent years

The actuarial report released by MISSA's new actuary, Pension Administration Services, Inc. (as of October 1, 2003) reflected an increase in MISSA's funded Actuarial Accrued Liability (AAL) from 16% in FY 2001 to 20% in FY 2003.

With respect to current and former workers who have contributed to the System, MISSA has an AAL of approximately \$205.75 million, as of October 1, 2003. Assets held cover approximately

## APIPA's 15th Annual Conference & Workshop

Three MISSA Tax Auditors and Accountants joined more than 180 other Pacific Island counterparts in the 15th Annual Conference & Workshop of the Association of Pacific Islands Public Auditors (APIPA) last July 26-30, 2004, on Majuro.

APIPA was formed in 1988 through a Memorandum of Agreement (MOA) that was executed by the heads of the audit organizations of five Pacific Island nations, comprised of FSM, Republic of Palau, Commonwealth of the Northern Mariana Islands, American Samoa and the Marshall Islands. Since its inception, APIPA has expanded to include Public Auditors from Pohnpei, Yap, Chuuk, Kosrae, Guam, Samoa and the U.S. Virgin Islands.

The conference, which lasted for a week, pro-

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

Each year, the hosting of the conference rotates among member countries. Next year's host will be the Republic of Palau.

The training sessions were grouped into three: Auditor Track (attended by Bill Joseph, Deputy Examiner), Supervisory Track (attended by Alice Sanchez, CFO) and Finance Track (attended by Newton Matthew, Accountant).

In a related event, APIPA principals held their Executive Meeting at MISSA's conference room on July 28, 2004. One of the agenda discussed in this meeting was the selection of the host to next year's conference, in which the Republic of Palau was chosen.

## MISSA Board approves FY 2005 Budget

In its regular meeting held on September 28-29, 2004, the Board of Directors approved MISSA's FY 2005 Budget:

Projected tax collections	\$11.12 million
Projected investment income	<u>1.02</u>
Total	<u>\$12.14</u>

Projected benefit payments	
Retirement benefits	\$ 5.67 million
Survivor benefits	3.49
Disability benefits	1.26
Lump-sum benefits	<u>0.04</u>
Total benefits	<u>\$10.46</u>

Administrative expenses	\$0.81 million
Investment management fees	\$100,000

The projected tax revenue of \$11.12 million is about 5% higher than the FY 2004 tax collections, while budgeted benefit payments of \$10.46 million is 7 % higher than FY 2004 actual expenditures.

The approved budget of \$0.81 million covering administrative expenses is only about 6.7% of the targeted revenue. By law, MISSA is allowed as much as 20% of the estimated income from contributions, penalties and interest, plus interest, dividends, and other income from investments for the year.

The excess of revenues over expenses before increase(decrease) in the fair market value of MISSA investments is budgeted at \$0.78 million in FY 2005.

**(Complete text of the Administrator's report to the President and Nitijela)**

September 15, 2004

His Excellency, President Kessai Note  
Republic of the Marshall Islands

Honorable Members  
Nitijela of the Marshall Islands

Dear Sirs and Madam:

On behalf of the Board of Directors of the Marshall Islands Social Security Administration (MISSA), I am pleased to present the following highlights of MISSA's performance for Fiscal Years 2003 to 2004:

**FY 2003 Audit**

In its latest audit report, our auditors Deloitte, Touche and Tohmatsu, have issued once again an "unqualified opinion" on our financial statements. MISSA has consistently earned this top rating in as many years since you and your Cabinet constituted the incumbent Administrator and Board of Directors in early 2000.

At that time, MISSA's financial records from 1997 to 2000 seemed unauditible and the new Administration was faced with the daunting task of reconstructing countless transactions, searching for missing and misplaced documents and correcting erroneous records. As immediate demands for corrective action from the new set of Board of Directors were given top priority, the new Administration, together with a reorganized accounting staff, successfully presented and defended to the auditors auditible financial statements, and consequently, earned unqualified opinions covering the said years.

This clean bill of health is a reflection of our belief that without proper accountability and transparency, there will be no good governance. And we are very proud to say that MISSA has not only fully recovered, but has already shown signs of a much healthier and sound financial management than in previous years.

Further, our auditors' report on compliance and on internal control over financial reporting in FY 2003 revealed no audit findings. This simply means that our auditors found no reportable conditions that would indicate any misstatement in our financial records or non-compliance to existing laws, generally accepted accounting principles, standards and practices. The printed audit report is expected to be released before the end of this month.

**FY 2004 Financial Highlights:**

- Our total tax collections of \$10.6 million (excluding promissory notes), has already surpassed the total FY 2003 revenues by \$1 million or an increase of 10%, and already achieved the budget of \$10.6 million for FY 2004;
- Revenues based on promissory notes and court judgment amounted to \$0.377 million. As a result of our very aggressive collection campaign started way back in 2002, the main bulk of the tax delinquencies were already recorded by MISSA in FY 2003, with a total of \$3.4 million;
- As of June 30, 2004, the total market value of MISSA investment amounted to \$38.252 million, while total investment gain for the last 12 months amounted to \$6.47 million, or a net Internal Rate of Return (IRR) of 23.72%. This enormous gain was the result of MISSA's strict adherence to

## MISSA's FYs 2003-2004 Performance Report

the Investment Policy Statement agreed and entered into with its new investment advisor, Investor Solutions, Inc.

- Interest income from investments totaled \$1 million, or an increase of 11.3 % from last year. A substantial portion of this came from the 32% interest of MISSA in the Bank of the Marshall Islands (BOMI);
- MISSA's effective cash management, coupled with more aggressive collection strategies and cost cutting measures, resulted to a cash surplus of almost \$5 million in the last four years. This allowed the Administration to inject more investment to the Retirement Trust Fund, including \$3.681 million worth of TCD's currently held at BOMI;
- Benefits paid totaled \$9.8 million, or an increase of 5.3% from last year;
- The average annual investment management fees paid in FYs 2004 and 2003 was only about \$96,343, compared to the \$255,076 paid in FY 2002. This significant savings was the result of the hiring of a new Investment Advisor and Custodian in November 2002.
- Total administrative expenses amounted to \$0.655 million, or almost 2% less than the same expenses in FY 2003 and 19% lower than the approved budget;
- Excess of revenues over expenditures totaled \$1.449 million (excluding the increase in fair market value of MISSA investments).
- The ratio of Administrative expenses to income is 5.48%, much lower than the approved budget of 7.02%. By law, MISSA is authorized to spend as much as 20% of the total revenues as administrative costs;

### Statistical information on membership and beneficiaries to-date

- As of September 15, 2004, MISSA has a registered membership of about 51,400 individuals, comprised of active contributors, past contributors who may have died already, retired or no longer actively employed, foreign workers who left RMI permanently, students and survivors of deceased workers;
- The number of employees working in both private and business sectors has increased to about 11,000;
- The number of employers whose tax contributions have been filed and paid has also increased to about 380;
- The number of beneficiaries increased to about 3,200, comprised of retirees, disabled workers, surviving spouses and children and lump sum beneficiaries. At present, MISSA's average benefit payments amount to more than \$800,000 every month.

### Future outlook on sustainability

As Fiscal Year 2004 ends shortly, more drastic improvements in tax collection strategies, stiffer restrictions on eligibility requirements and more cost control programs would be introduced in the coming fiscal year. We would keep abreast with current global developments and practices, more particularly in line with the Social Security trends in the Pacific region and the U.S. MISSA investments has already recovered from the period of recession and is expected to maintain the gains it enjoyed in the past several months. This trend is expected to increase our financial resources, thereby decreasing our unfunded Actuarial Accrued Liabilities (AAL). We have acquired the services of a new actuary and with the release of

## MISSA's FYs 2003-2004 Performance Report

the latest actuarial report before the end of this month, it is expected that MISSA's capacity to pay present and future benefits would look much healthier than in previous years.

We have thoroughly reviewed the existing provisions of the Social Security Act of 1990 and noted certain areas of concern where we need to look deeper and if necessary, amend certain provisions that have adverse effect in MISSA's interest. Likewise, we would like also to solicit your full support in opposing any bill or any future legislation that would aggravate the present deficit and uncontrollably increase MISSA's unfunded AAL. To cite one particular example, if the bill abolishing the Earnings Test is passed, the result will be an annual increase of \$290,000 in our unfunded AAL. The effect of this will be detrimental to MISSA.

On the other hand, we seek your support of future bills that are more in line with the direction of a financially sound and sustainable Social Security System. We believe that these new legislations would lead to a more equitable and affordable benefit package for our contributing members and the people of the Marshall Islands.

In closing, I would like to thank you, Mr. President, your Cabinet and the Members of the Nitijela, for the trust and confidence you have accorded me and the Members of MISSA's Board of Directors. As our Board Chairman has said, "MISSA has now earned the respect of an entire nation. As an organization, our mission for the future is simple: To continue to improve for the welfare of the people of the Marshall Islands". With your full support, we will never fail.

Sincerely,

Saane K. Aho  
Administrator

## Wagner and Bernadette become the newest members of the MISSA family

Wagner Watak, a holder of an Associate degree in Business Administration from the College of the Marshall Islands, has recently joined MISSA's Tax Compliance Team, as its newest Tax Officer and is now assigned at its Head Office in Majuro. Before joining MISSA, Wagner had a brief stint with the Ministry of Finance, as an Internist. His presence is expected to reinforce and boost MISSA's tax collection campaign, more particularly on payroll audit.

MISSA has also recently appointed Bernadette

"Bernie" Lojkar as Administrative Assistant for its Ebeye branch. Before joining MISSA, she worked with RRE-Ebeye as office manager and as a teacher at the Queen of Peace High School-Ebeye. Bernie attended the University of South Pacific in Majuro and Notre Dame High School in Guam.

**Welcome aboard, Wagner and Bernie!**

(Report eo an Administrator eo, lok nan President eo im ri-kwelok no ilo Nitijela)

September 15, 2004

His Excellency, President Kessai Note  
Republic of the Marshall Islands

Honorable Members  
Nitijela of the Marshall Islands

Dear Sirs and Madam:

Ilo etan Board of Directors ro an Marshall Islands Social Security Administration (MISSA), elab ao monono in jake man waj tobrak kein an MISSA im ear komani ilon Fiscal Year ko 2003 nan 2004.

### **FY 2003 Audit**

Kar bwinibwin eo eliktata jen dri bwinbwin ro am Deloitte, Touche and Tohmatsu, rar bar kwalok bar juon alen bwe "ejelok bwid rar maron loe" ilon book ko am. MISSA ej bed wot ilo an drebij wot ijo ilon tata ilo aoleben year kein mantak jen ke Cabinet eo ear kapeik Administrator in im bareinwot Board of Directors ro ilo kar jinoin lok kar 2000 eo.

Ilo kar iien eo, book ko an MISSA rar bwok im reban maron bwini im ekoman bwe Administration eo ekaal en jelmae juon jermal eo elab im lukun kamokmok ilo an bar kajimweiki bwijin drij-drelon in money ko, bukuti elon paper ko rejako im ko ebwid jikier im kajimweiki record ko rebwid. Ilo juon kean eo ejidimkij jen ro iuwan Board of Director ro rekel nan koman kajimwe ilo iien eo emokaj tata, Administrator eo ekal, koba ibben accountant ro rekel (elkin koman oktak ikijen dri jermal ro im korokan jerebal ko) rar maron jakemanlok book ko ralikar loaer nan bwini nan dri bwinbwin ro, im bareinwot drebiji mantak wot "ejelok bwid en maron loe" ilon year kein mantak.

Ilo an walok tobrak kien remman, ej kalikar tomak eo am bwe ilo an ejelok jejet in jermal im tiljek ilo jermal, eban walok juon kien eo eman. Innem kem kanoij in utiej buruem im ba bwe MISSA ejab bar ejimurur wot ak emanlok im etiljek lok wewein kojbaroke jen kar year ko mokta lok.

Ej bareinwot alikar, bwe ilo report eo an dri bwinbwin ro am ikijen tax ko kar aini im kab wewein am jerbale money ko ilon FY eo 2003 ej kwalok ke ejelok bwid ko rar maron loi. Wewein in ej kalikar lok bwe dri-bwinbwin ro am rar jab elolo bwid ko ilo book ko am im kim ar komani im ejelok wewein jermal kar komane im ej idabtok ibben kakien ko kio im jej jermal ilo aer. Report in enaj walok ilo jeje im maron naj drijlok ilo jemlok in lok allin in.

### **FY 2004 Financial Highlights:**

- Oran tax ko kar aini ej 10.6 million (elablok jen jonan ko kar kalimuri kaki ilo jeje), im bar ella jen jonan ko walok ilo FY 2003 kin drettan lablok in im ej \$1 million ak drettan lablok in ej 10%, eko-man bwe jen maron tobar drettan eo im kar budget e im ej \$10.6 million ilo FY 2004;
- Taxes ko ikijen wot promissory note ko ekoba jemlok ko jen Court ear tobar jonan in \$0.377 million. Itok wot jen kar kakijnene ik lok wewein aini tax ko im ar jino koman ilo kar 2002 eo, jonan drettan tax ko im emotlok iien aer kolla ak rejab kolla im rar walok ilo book ko MISSA ilo FY 2003 eo rar tobar \$3.4 millon;
- Ilo kar June 30, 2004, oran drettan money eo an MISSA ijoko kar kareloni ear \$38.252 million, im drettan money ko rar walok jen money ko rar kareloni (investment) ilon allin ko 12 rej jemlok

ear \$6.47 million, ak einwot ba bwe net Internal Rate of Return (IRR) ej 23.72%. Tobrak lablab in ej walok wot jen an MISSA lukun lore wewein ko im emoj kar erra kaki ekkar nan Investment policy Statement eo ilkin ibben investment advisor eo ad ekkal, Investor Solutions, Inc.

- Tobrak ko jen money ko kar kareloni ijoko ilikin rar drettan in \$1 million, einwot ba bwe ear kelonlok 11.3 % lablok jen year eo lok iman. Mottan eo elab ear itok jen 32% in ijo an MISSA ilo Bank of the Marshall Islands (BOMI);
- MISSA ear lukun eman an kojbaroki money ko itok wot jen an kakijnene iki wewein aini money ko im bar einwot wewein ko nan kadikdik lok wonen ko nan kojebarok program in , ekoman bwe en wor bwe kin drettan in in ebaklok \$5 million ilon year emen rej jemlok lok. Wewein ekoman bwe Administration en maron bar kadelon elonlok money ilo Retirement Trust Fund eo ekoba \$3.681 million eo im ej kio bed ilo TCD ilo BOMI;
- Woran money ko rar kollaik nan ro im rej bok jiban ear \$9.8 million, ear lablok kin 5.3% jen year eo ej jemlok lok;
- Wonen ko ekka kolla iki ilo juon year nan ro im rej letok kokabileklek ikijen kadeloni money ko bwe ren maron edrek lok ijoko ilikin im kar kolla ilon wot FY ko 2004 im 2003 kar jonan in wot \$96,343, kedilok nan \$255,076 eo kar kallaiki ilon wot FY 2002 eo. Driklok in wonen rikokabileklek rein ear itok wot jen ad kar boktok juon ad Investment Advisor im Custodian keel ilo kar November in 2002 eo.
- Woran money ko jar kollaiki ikijen jerbale im wonake program in ear \$0.655 million, ak ebakelok 2% driklok jen ad kar kola iki ilo FY 2003 eo im 19% driklok wot jen jonan eo kar kweppene ilo budget eo;
- Woran money ko rar drelontok rar lab jen drijlok kin drettan \$1.449 million (ejab koba tok nejin money ko MISSA ej kadelone ijoko ilikin).
- Jonan money ko nan kollaiki wonen jerbale program ko an MISSA in keidi nan jonan money ko kar drelontok ej 5.48%, elab an driklok jen jonan eo im kar kwoppene ilo budget eo im ej 7.02%, Ekkar nan kakien ko, MISSA emaron kojerbale drettan in 20% in aoleb in money ko aini nan jerbale im wonake program ko ar.

### **Bwinbwin ko im rej kemleleiki kin ro iuwan program in im ro rej bok aer money in jiban jene mantak wot nan rainin.**

- Mantak nan September 15, 2004, oran ro im rar drelontok ilo MISSA ear tobar 51,400 kajojo armij, ekoba ro rej jermal im kolla tok wot, im ro mokta lok im ebojrak aer kolla tok kin ke remij, retire ak bojrak jen aer jermal, armij in likin ro im emoj aer emakit jen RMI, dri school ro im ro rej kolla ikijen dri jermal ro emoj aer mij.
- Oran ro rej jermal kio ilo jikin jermal ko ekoba business ko emoj an lonlok nan 11,000;
- Oran jikin jermal ko im kolla rej jedetok im kolla ko aer emoj an wanlonlok nan 380;
- Oran ro rej kolla money in jiban ko emoj an lonlok nan 3,200 ekoba ro rej retire, ro rar bweijrak jen jermal ikijen naninmij, ro im emij ro beleir im ekoba ajiri ro kab ro rej kolla juon wot kottan. Ilo iien in jonan eo MISSA ekka an kolla iki emoj an lablok nan \$800,00 ilo aoleb allin.

### **Bwe en maron bed wot ilo an emman nan ran ko tokelik:**

Ilo an ebaktok an jemlok FY 2004, enaj wor jet jekjek ko nan ad aini tax ko im bareinwot wewin ko jet me rejelet an juon maron bok kolla ko im bareinwot bwe en lablok lale ad kejarok jen bwe en driklok ad jolok nan wonake im jerbale program kein ilo jinoin year in ej bedotok. Kem naj emakit manlok wot im lor ukuotak ko rej koman ibelakir elabtata ikijen karok ko rejelet Social Security ilo lal ko ilo Pacific kein im bareinwot ilo US. Emoj an MISSA élla jen juon ien eo ear lukun ben im aban ilo wewein an karelone



money ko ijoko ilikin im ej kajeon wot kojbarok eman in im emoj an tobrak elon allin ko rej jemlok lok. Wewein in ej letok bokleket eman bwe enaj lablok money ko, im ej ilo wewein in wot enaj koman bwe en driklok money ko jar jab kejemoji ikijen Actuarial Accrued Libalities (AAL). Emoj lo juon ad dri jerbal in kakabileklek eo ekaal eo im enaj kadiojtok report (actuarial report) eo ekel tata mokta wot jen an jemlok allin in. Ilo lale lok MISSA ej maron wot kolla iki money in jiban ko kio im ko tok elik ilo an eman lok wot jen year ko lok mokta .

Elkin am bar koman etale ko iloan kakien eo an Social Security im kar koman ilo 1990, kemij lo jikin ko im jej aikuij in lukun etali im elane ekkar en wor oktak ko nan emman lok eo an MISSA. Bareinwot, kemij lukun aikuij jiban ko relab nan bobrae jabdrewot kakien kore naj wanlintak im koman oktak an likjab ko im bareinwot koman bwe jen jab maron bobrae lablok ko an MISSA ikiji en AAL eo im ejelok money kar kejemoje nane. Nan kajion kwalok juon ian wewewin kien, elane kakien eo ej iten jolok Earning Test eo enaj koman bwe en lablok AAL kin \$290,000 ilo year otemjij. Wewein in enaj koman jorran nan MISSA.

Kemij aikuiji jiban ko am ilo jabdrewot kakien ko naj koman iien kane tok im renaj koman bwe en emorur wot im emman Social Secuiryt System eo. Ej tomak eo am in bwe kakien ko rej walintak kio ren jejet im kwon ilo juon wewein eo jenaj maron in kolla iki money in jiban ko nan ro rej kollaiki tok wot im nan armij in Marshall Islands.

Nan kojemloke, Na ij komolol yuk, Mr. President, Cabinet eo am im ro iuwan Nitijela eo, kin leke im kojatdrikrik eo kom ad door ieo im Board of Directors ro an MISSA. Einwot an kar Chairman eo an Board eo am kar ba, "MISSA emoj an tobar nebar eo ilon tata ilo juon lal, einwot juon drolul eo kajutak in armij ro, kotobar eo am nan ilju im jekalaj elab an alikar bwe ej nan wonmanlok wot im debij eman im jeraman eo an armij in Marshall Islands". Kin jiban ko relab tok jen kwe, eben am naj okjak.

Sincerely,

Saane. K. Aho  
Administrator

## What is "Earnings Test" and the detrimental effect it will bring if abolished?

As provided for in *Section 144, Chapter I* of the Social Security Act of 1990, "a worker or a self-employed worker who is in receipt of a retirement benefit and at the same time is in covered employment, shall have his quarterly benefit reduced by one dollar (\$1.00) for every three dollars (\$3.00) earned during that quarter, in excess of fifteen hundred dollars (\$1,500.00). The reduction shall be made as soon as practicable after the quarter in which the earnings were earned. Notwithstanding the foregoing, the reduction shall not apply in the quarter in which the worker or self-employed individual who is receiving the benefit attains sixty-two years of age, or in any subsequent quarter thereafter". This provision is referred to as the

"Earnings Test", a practice that has been introduced and is being continuously enforced by almost all Social Security Systems all over the world.

Early last year, a bill has been introduced to abolish the earnings test and is now being heard by the Nitijela. This proposed legislation has been adamantly opposed by MISSA and its actuary, as it will aggravate the present deficit (see related report on P1)

According to the actuary, "It may be prudent to extend the earnings test beyond age 62. Social security retirement benefits are designed to provide income to those who are no longer working and as retirees continue to work, those with large income are really not in need of social security

## Earnings Test (from P9)

benefits to sustain them." MISSA has supported this notion, as the purpose of the retirement benefits is to replace income that is lost when it is no longer reasonable to expect a person to be able to work. Therefore, while a worker is willing and able to earn wages, there are no lost wages to replace.

The actuary has also recommended that the Board of Directors consider a funding policy that seeks to raise the funded AAL from 20% to 40-50% over the next 20 to 30 years. Abolishing the earnings test would result to an increase in benefit payments which then will proportionately increase the unfunded AAL, estimated at \$290,000 every year. This is exactly a blunt contradiction to what MISSA's actuary has recommended.

Another concern that the Administrator has raised if the bill is passed, is the misconception it will create in the minds of the public, that any other benefit improvements are possible...like eliminating the payment of taxes for those who are retired but continue to work. This will be a very serious threat for MISSA's financial stability. The actuary also supported this notion. He said, "I believe that I can say with a fairly high level of certainty, that the system should not be improving benefits right now, or eliminating payment of taxes for those who are retired and continue to work. Any increases in benefits need to be accompanied with a means to pay for them."

## Latest actuarial report (from P2)

\$41.55 million (or 20% of the AAL) The unfunded AAL is therefore, \$164.20 million. In layman's term, AAL is the value of benefits of current and former workers MISSA is obligated to pay as a result of past contributions. These individuals comprise of the following categories:

1. Workers who are actively employed and contributing to the System;
2. Former workers who are retired and now receiving benefits, including their dependents and beneficiaries;
3. Former workers who are not receiving benefits and are no longer making contribu-

tions, but who are fully insured based on prior contributions.

The increase in funded AAL was greatly affected by the significant recovery of MISSA investments from a negative return of -13.25% and -4.04% in FY 2001 and FY 2002, respectively, to a gain of 11.24% in FY 2003. This resulted to an increase in the market value of MISSA's assets from \$35.03 million in FY 2001, to \$41.55 in FY 2003. This positive return in FY 2003 and what appears to be an improvement in the world economy means, that although a deficiency still remains, MISSA is now in a better position to pay current benefits into the future.

## Fines & processing fees to be enforced next year

Effective January 2, 2005, MISSA will enforce the following fines and fees. These will also cover the quarterly returns for the 4th quarter of 2004 due on January 10, 2005.

- \$1.00 fine for every wrong employee SS #, incorrect, misspelled or incomplete name
- \$5.00 fine for erroneous or incomplete Employer Identification Number (EIN)
- \$20.00 EIN application fee (if corporation or foreign business)
- \$10.00 EIN application fee (if government)
- \$10.00 EIN application fee (if private, not corp.)
- \$5.00 EIN application fee (if domestic/self-employed)
- \$5.00 fine for replacement of lost/damaged SS/ EIN card
- \$5.00 fee for Tax Clearance
- \$20.00 application fee for payment plan
- \$5.00 for each allotment approved by MISSA (chargeable to the allottee/bank)
- \$0.50/sheet for photocopying of employer records

The above fines shall be enforced to address and deter the recurring problems brought about by erroneous quarterly returns filed by employers. As a result of these errors, the contributions of certain employees have not been credited to them

## Most frequently asked questions about SS number

### Q: What is a Social Security Number?

**A:** A social security number is an eight digit, life-time number assigned to an individual to identify his or her record of earnings in employment or self-employment covered by Social Security. This number may also be assigned and given to survivors of deceased workers and students who are currently enrolled in any school in the Marshall Islands. The SS number normally starts with 04 and is followed by a hyphen. The code 04 signifies the number assigned to the Marshall Islands when RMI was still a part of the Trust Territory Social Security System before it became independent in 1968.

\*\*\*\*\*

### Q: How can I obtain a Social Security Number?

**A:** To obtain a SS number, you need to complete MISSA form SS-1 at the MISSA offices in Majuro or in Ebeye, Kwajalein and must present the following documents:

*if you are a Resident(Marshallese):*

1. Birth certificate bearing the seal of the Ministry of Internal Affairs; or
2. Original ID card issued by the Ministry of Internal Affairs; or
3. Medical record (yellow card issued by Majuro Hospital)

*if you are a Non-resident (non-Marshallese):*

1. Valid entry permit
2. Valid alien registration card
3. Valid work permit
4. Valid passport

Note 1: owners of foreign establishments and RMI government employees are exempted from the work permit issued by the Labor Office.

Note 2: for foregin students, proof of school attendance is required.

Note 3: citizens or nationals of the United States of America, the Republic of Palau and Federated States of Micronesia are exempted from the above requirements provided that they present their passport to

show their nationalities.

4. Note 4: MISSA does not charge anything for the issuance of SS number.

\*\*\*\*\*

### Q: Is it necessary to apply in person?

**A:** As a general rule, YES. However, if the applicant is below 18 years of age, the parent or guardian may apply on his or her behalf. Also, if the applicant is an employee, the employer or the employer's representative may do so.

\*\*\*\*\*

**Q: I am a dependent of a foreign employee and tried to open my own bank account and apply for a driver's license. However, I was required to give my SS number. Can I be given a number by MISSA?**

**A:** No. The primary use of the SS number is for employment purposes only. Unless you are a student or you find employment in the Marshall Islands and have submitted the 4 required documents, you will not be given an SS number.

\*\*\*\*\*

**Q: Is it necessary to obtain a new Social Security number if my SS card becomes old, unreadable or lost?**

**A:** Once you are issued an SS number, it shall be your lifetime number and no other SS number can replace it. However, if your card is damaged or lost, you may obtain a new replacement card from the MISSA offices in Majuro or in Ebeye, Kwajalein, at a cost of \$5.00.

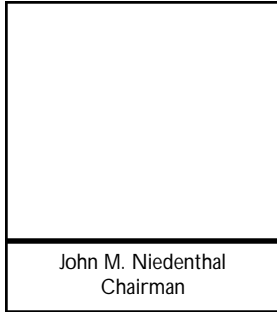
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**Q: Is it possible that my SS contributions may have been credited to another contributing worker because we have the same SS numbers?**

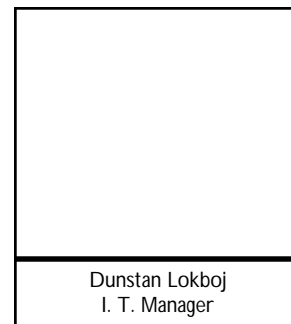
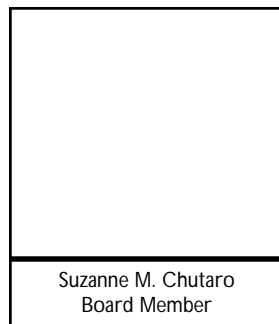
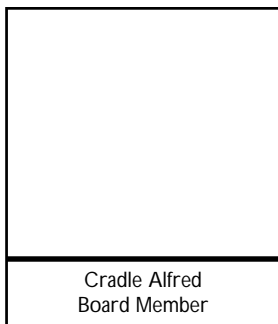
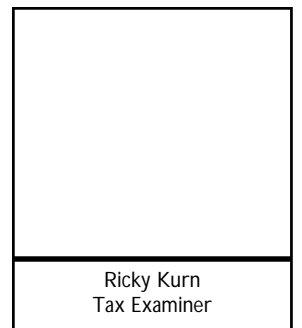
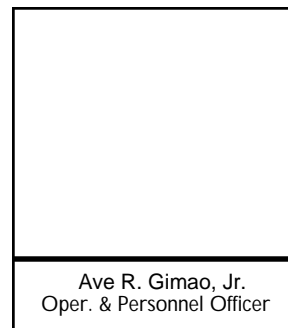
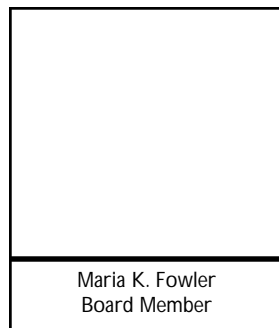
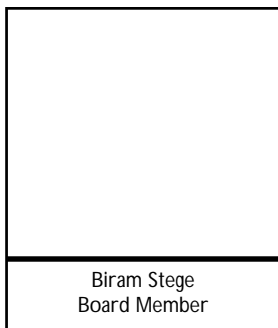
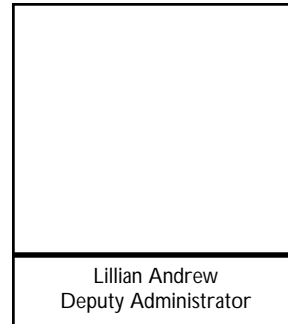
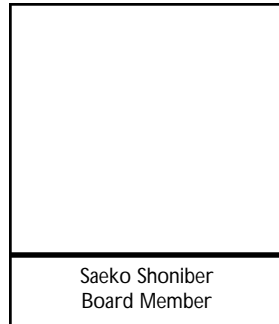
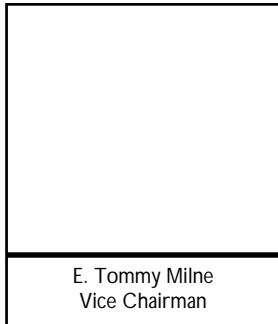
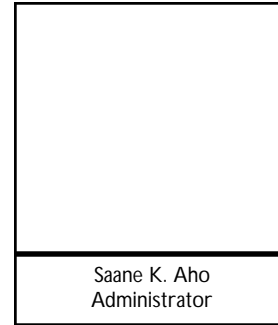
**A:** No. SS numbers are assigned in series and computer generated. SSN issuance is centralized at the MISSA Head Office in Majuro. Applications are also being received by our office in Ebeye but these are forwarded and processed in Majuro to avoid duplication in numbers.

# Getting to know MISSA's management and staff

## Board of Trustees



## Management



## Supervisors & Staff

### Claims/Benefits & Administration

(from left) Tenia Kaiko - Administrative Assistant  
Emlin Andrike - Claims & Benefits Specialist  
Rosemond Jetnil - Administrative Assistant  
Joseph Hesley - Claims & Benefits Specialist

### I.T. & Accounting

(from left) Joe Wottokna - I.T. Clerk  
Antonio Rear - Accounting Clerk  
Newton Matthew - Accountant

### Ebeye Personnel

(from left) Ernest Harry - Deputy Tax Examiner  
Bernadette Lojkar - Administrative Assistant

### Tax Compliance Team

(from left) Brad Lamille - Tax Officer  
Almitha Clement - Tax Officer  
Bill Joseph - Deputy Tax Examiner  
Wagner Watak - Tax Officer  
Ruthann Korean - Tax Officer

### Customer Service & Support Group

(from left) Priscilla Joab-Baso - Receptionist  
Angeline Balos - Cashier  
Glenn Joshua - Logistics Support  
Elvie Morales - Registration Clerk  
Catherine Jibaiur - General Custodian

## Fines and fees (from P10)

and may still be floating in the MISSA system as "unposted contributions". The brunt of these errors will be felt by the employees concerned in the future, when they apply for retirement and would then learn that some of their contributions were not credited to them. Likewise, the other fees being charged shall cover administrative and processing costs incurred by MISSA. At present, the Social Security Systems of Palau and the Federated States of Micronesia are enforcing the same penalty system and administrative fees.

It is suggested that employers obtain a copy of their employees' Social Security cards and update their records. If certain employees have lost or damaged their SS cards, they may come to the MISSA Office and get a replacement card for a fee of \$5.00. If any of them wishes to correct or update the information that that was provided on the original application for SS number (e.g. change in name because of marriage or correction in the date of birth), he or she needs to bring supporting documents to the MISSA office in order to make the appropriate changes.

## Financial Highlights

Tax collections from July 1 to September 30, 2004 amounted to \$4.400 million, an increase of \$0.368 million or 7% from the same period last year. This brings the total revenues for FY 2004 to \$10.609 million, an increase of \$1.032 million over last fiscal year.

Benefits paid from July 1 to September 30, 2004 amounted to \$2.573 million, an increase of \$0.219 million or 9.31% from the same period last year. Total payments made for FY 2004 amounted to \$9.773 million, an increase of \$0.551 million or 5.98% from last fiscal year.

On the other hand, administrative expenses for the same quarter are estimated at \$0.204 million, a drop of \$0.051 million over the same quarter last fiscal year. This brings the total administrative expenses for FY 2004 to \$0.673 million, which is 17% lower than the approved budget and only about 5% of the total revenue. By law, MISSA may spend as

much as 20% of the estimated tax revenues and other income from investments for the year, for administrative expenses.

## Investment Performance

In his August 31, 2004 investment report, Frank Armstrong of Investor Solutions, Inc., MISSA's Investment Advisor, highlighted the following:

- Investment gain for the month of August was \$0.242 million or 0.72% net Internal Rate of Return (IRR).
- Total investment gain for the last 8 months amounted to \$1.158 million, or net IRR of 3.58%.
- The total market value of MISSA investments amounted to \$37.602 million. This includes \$3.681 worth of TCDs held at BOMI.
- Asset allocations (with and without BOMI's TCDs) were both within the target parameters (60% in stocks and 40% in bonds) established by the Investment Policy Statement. As the variances are very close, no re-balancing was required.
- Investment management fees for the last 4 quarters amounted to \$80,639.15 or an average of \$20,160 per quarter. This is much lower than the \$255,076 fees paid in 2002 and \$96,343, in 2003
- Brokerage fees from November 2003 to April 30, 2004 was only \$196.87.

## Tax Highlights

- Promissory Notes (PN) signed by delinquent employers totaled \$3.84 million as of September 30, 2004. Total amount collected to-date reached \$1.15 million and estimated monthly collections is \$0.094 million.
- Court judgments in favor of MISSA cover 16 delinquent employers, with an aggregate total of \$2.51 million.
- To-date, there are already 26 cases of delinquencies referred to the Legal Counsel.
- An employer/employee survey is currently being conducted by the Tax Compliance Team, in preparation for a bigger payroll audit in the next few months.