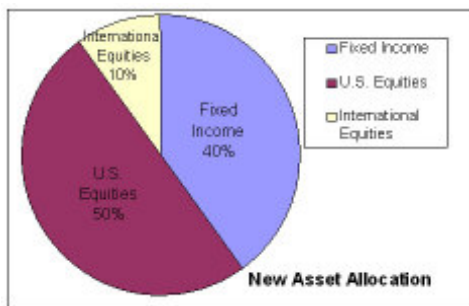
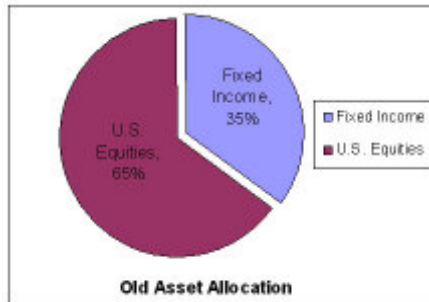




Social Security Investment

The Social Security Board of Trustees recently ordered an asset allocation study in order to help it decide the future investment allocation and posture of the Social Security Trust

Fund (the Fund) investment. The study also provided useful points for the Trustees to consider regarding how the Fund should handle its investment.



The study indicated that the Fund should increase its fixed income portion of the investment portfolio to 40%, while decreasing the amount invested in

equity from 65% to 60%. The study also indicated that the Funds should have some international equity exposure,

(Investment./Pg 4)

Social Security Revenue vs. Benefit Costs



While the Social Security Trust Funds' investments did well in 2006, with its market return on investment of about 10% (15% on equity and 5% on fixed income), it is a different story with respect to revenue from social security tax collection. Revenue from social security tax collection

was actually 4% lower in 2006, compared to 2005. The cause of the decline in revenue from collection is linked in part

(Social Security/Pg 4)

Prior Service Board Meeting



Front (L-R): Greg Ngirmang (ROP), Saane Aho (RMI), Pete Dela Cruz (CNMI),

Back (L-R): Marino Bells (ROP), Jerold Facey PSTF Administrator, Jack Yakana (FSM), Alex Narruhn (FSM)

The Prior Service Benefits Trust Fund (PSBTF) Board held its first meeting March 8, 2007. Prior Service Benefits Trust Fund is a pension program that was created by the former Trust Territory Government, and funded by the U.S. Government for those Micronesians who worked for the U.S. Military and later the Trust Territory Government from 1945 (after WW II), to July 1968 when the Trust Territory Social Security System was established.

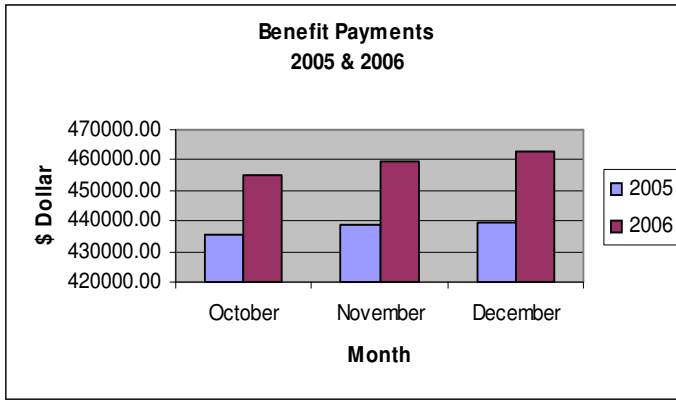
Representing Palau were Mr. Marino Bells, Chairman of the Palau Social Security Board of Trustees and Mr. Greg Ngirmang, Palau Social Security Administrator. The other three jurisdictions, Commonwealth of Northern Mariana Islands, Federated States of Micronesia and Republic of the Marshall Islands, also sent their representatives. Mr. Frank Solomon, PSBTF Advisor also attended, and of course Mr. Jerry Facey, PSBTF Administrator.

The purpose of the meeting was to review and discuss the problematic annual funding from the U.S. Government. The problematic funding became even more serious for FY 07 due to U.S. Congress not acting on FY 07 Budget,

(Prior Service/Pg 4)

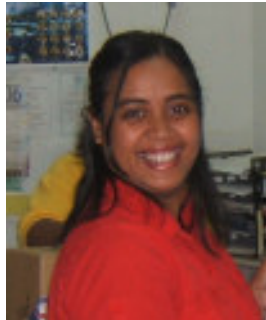
Benefits Stats...

Benefit payments for the 4th quarter of 2006 (October to December) totaled to \$1,377,903.41, surpassing last year's 4th quarter which was \$1,314,495.66. Benefit payments have increased by 4.7% in 2006 compared to the same period of 2005. During this same period of October to December, active beneficiaries averaged at 2,306 whereas last year averaged at 2,250 active participants.



Crystal & Jeany Promotion

Member Services Section welcomes Crystal Ngraidong as she was promoted to her new position as Benefits and Claims Assistant. Yes, Crystal is no stranger to us as she previously held the position of Customer Service Clerk. Crystal began working at SSA on September 2004 and two years later, she was promoted to her new position.



*Crystal Ngraidong
Benefits & Claims Assistant*

Crystal's new position is responsible for updating beneficiary information (so thoroughness and accuracy is a must) and printing benefit-checks in a timely manner. This is a key position and we are confident that she will do well.

Benefit Payments

We have finalized our survey for 2006; therefore, we have stopped benefit payments for those beneficiaries who did not complete their **survey**. Any beneficiary who did not receive his/her benefit payment for the month of March 2007 must report to Social Security immediately. Survey form is available at our office or at www.ropssa.org on the Internet.

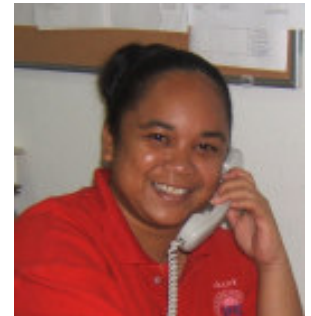
If you need more information you may contact our office and talk to Florah Tewid or Janice Mathew, at 488-2457/1823 (8:00 a.m. to 5:00 p.m.).

Benefit Payments (Tekoi er Belau)

Mora rechad el tir a mesuk a udoud ra Social Security el kmo, al sekum dirkak mnguu a ududem el kirel a ongedei el buil er chelechal rak eng kmal kirem el mei ra Social Security Administration e rulii a **survey** er kau. Al sekum eng diak ketmeklii tial babilengem eng di melemolm el diak ltobed a ududem.

Al ngar ngii a kerim e mou dengua el mera tara omtechei ra Member Services ra dengua 488-2457/1823 ra temel a ureor ra 8:00 a.m. el mo 5:00 p.m.

Crystal's new position was vacated by Jeany Spis who was also promoted. So congratulations are in order for Jeany Spis as well. Jeany now has the position, Claims Analyst. The position is responsible for handling and processing claims.



*Jeany Spis
Claims Analyst*

Did You Know...

It is important to notify us promptly whenever you change your address, change direct deposit account, change guardianship for dependent child, change your name or change your marital status. Information you give to another government agency may be provided to Social Security Administration by the other agency, but you also must report the changes to us. Forms may either be picked up at our office or available at our website (www.ropssa.org).

Front Business

What is a “Front Business”? A “Front Business” is a business in which a non-citizen owns and operates a business under the business license of a Palauan. The Palauan business license holder does not participate in any aspect of the business other than being the name on the business license. This arrangement is illegal and it carries heavy fines as well as imprisonment. In addition to being illegal the Palauan whose name appears on the business license will be liable for all debts of the business regardless of any arrangement made between the non-citizen and the Palauan.

Front Business is a problem that affects not only the person fronting; it also affects all levels of the government as well Social Security Administration. How does it affect the Social Security one might ask? Because front businesses are illegal most of them do not keep accurate payroll records. Consequently, they underreport on their taxes. By underreporting on Social Security taxes the company essentially deprives the employees from receiving future benefits. In turn the underpaid taxes become our receivables. Some receivables can be collected others not. The uncollectible receivables create a loss that the Administration would rather not have. Furthermore, the collection effort is costly not only to the Administration but the person as well. Since this is a retirement program we have a fiduciary obligation to protect the fund therefore, we will exercise all necessary and reasonable legal action to recover taxes and interests due.

The following is a true example of what happened to a person that was running a front business. A Palauan and a Chinese man agreed to open a restaurant/karaoke bar, which the Chinese was to manage. During the first year of operation they filed only the 1st Quarter taxes however, the consecutive quarters were not filed. When we served a collection notice

(Front Business/Pg4)

Promotion of Delma Mad

CONGRATULATION, Ms. Delma B. Mad for her promotion to Customer Services Clerk. If you have been reading these past Social Security Newsletters Ms. Mad is no stranger to you. Ms. Mad started as a PCC Intern in 2004; in Oct. 2005 she was hired as a temporary employee, assigned to help Shonya Kadoi to complete an employer survey project. Ms. Mad was hired as a full-time employee on August 3, 2006 as Employer Service Clerk to replace John A. Bruce. On January 2007, Ms. Mad was promoted to her new position Customer Service Clerk that was vacated by Ms. Ngiraidong.



*Delma B. Mad
Customer Service Clerk*

Social Security Card

Social Security Administration is happy to inform the public that the Social Security Number cards have been upgraded. To save time and prevent too many errors, the Information Systems Manager, Michele S. Murray installed a new template into the existing Social Security System that allows the system to automatically print the social security cards straight from any laser printer. This capability will limit the number of errors that had occurred when the number was assigned by the system and then typed onto a card. It will also save the person entering, since the information will only be entered once.



Another new feature of this card is that the person who owns the Social Security Card has to apply in person. Even those who are requesting a replacement card have to come in themselves because their signature is required now on the card before we laminate it. Unless the person is a minor, a parent or guardian can sign for them.

Be advised that if you are a first time applicant you will need a birth certificate or passport in order to apply, otherwise if you are a foreigner than you will need a passport and a provisional visa if you are going to be employed in the Republic of Palau.

Social Security New Employee

We extend our warmest welcome to Mr. Michener Besebes who became the latest addition to our family on January 15, 2007. Prior to joining Social Security Administration, Mr. Besebes served six years in the Army as



*Michener Besebes
Employer Service Clerk*

Crew Chief for Apache Helicopter. He initially served two years in Korea and then reassigned to Savannah, Georgia where he was deployed twice to Iraq. As a Crew Chief he was charged with the responsibility of maintaining combat readiness of the AH-64. Michener is replacing Delma Mad who was promoted to Customer Service.

Front Business...

on the company the Palauan owner claimed that he was under the impression the Chinese took care of all their tax obligations. The case was referred to the Attorney General's office for legal action. The Chinese was eventually convicted of running an illegal business, fined and deported. The Palauan is still awaiting his trial. Meanwhile, his Social Security tax liability is still outstanding. Unfortunately, the longer the debt remains unresolved the more interest the owner would have to pay.

Regrettably, this is not the only case we are dealing with. The benefits of fronting are short lived while the liabilities left behind by the foreigner can take years and years to resolve. We strongly advise people who are considering opening a business with a foreigner to consult with Social Security Administration.

Prior Service...

prior to the changes in the Congress Leadership. PSBTF Board, however, received unofficial assurances that the problem was temporary, and that the expected funding of about \$800,000 would be made available within the next two to three months. However, that amount would only satisfy 2007, and therefore the Board resolved to continue its effort to continue working with and through the respective governments for a more permanent funding, a multi-year funding arrangement with the U.S.

Presently there are almost 400 Palauan beneficiaries with 333 on active pay status, of the PSBTF pension program, with the average monthly benefit of \$27.00.

Social Security New Member

We are very pleased to introduce Ms. Hazel L. Tesei. She became the newest member of the Social Security Administration team on February 19, 2007. Ms. Tesei will be working with the Chief Financial Officer Ms. Tomasa D. Rechesengel in the Administrative Services Section. This section is in charge of the Financial and Data information sides of the Social Security Administration.



Hazel L. Tesei
Accountant

Human Wisdom

One needs something to believe in, something for which one can have whole-hearted enthusiasm. One needs to feel that one's life has meaning, that one is needed in this world.



By: Hannah Senesh

Investment...

therefore the Board decided, in accordance with the study, to invest 10% in international equities, while the remaining 50% will be in U.S. equities.

The study also pointed out that pension funds in the U.S. typically use 5.5% discount rate, but the Funds uses 7.5%.

While some of the recommendations of the study are under discussion and review, steps are currently being taken to implement some of them.

Social Security...

to the winding down of the Compact Road construction project and the repatriation of the workers that were involved in the project. In addition, and for the most part, it is also a reflection of Palau's economy in general and particularly the employment market in 2006 as compared with 2005.

The decline in revenue from collection, coupled with the continuing increase in benefit costs, up 5% from the previous year of 2005 versus 2006, is something that we need to monitor closely. Although the increase in benefit costs is expected (and entirely predictable), it is still a concern especially when seen in the context of changes in the social security law that came about through "riders" on RPPL 5-34. RPPL 5-34 was actually the Budget Act of FY 2000, however it contained "riders" that provided for additional benefits without the means to pay for them. Providing for additional benefits is good, if the plan provides for the means to pay for the additional costs. The total costs of the added benefits was calculated to be more than \$5 million, and caused an immediate jump in the benefit costs by 20%. Since that time the benefit costs have been increasing at that higher level at an average rate of 7% per year.

REMINDER!!

The Republic of Palau Social Security Administration wishes to inform all employers and self-employed persons that the Social Security quarterly taxes are **NOW DUE** for quarter ending March 2007. All Employers have until April 30, 2007 to make necessary payments.

ROPSSA Quarterly Newsletter

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