



Managing the Trust Funds Investment

In October 2004 the Social Security Board of Trustees (Trustees), decided to rebalance the Funds' investment and also to re-allocate and re-align its investment. Rebalancing became necessary because of the continuing higher rate of return on the Funds equity investment managed by Atalanta Sosnoff. Additionally, the mandate of the two money managers, Atalanta Sosnoff and Bank of Hawaii, were changed in order to take full advantage of the areas they excelled in. Atalanta Sosnoff's mandate was changed to equity only, and Bank of Hawaii became a fixed income manager only. The changes have been proven, over the last three years, to be a good move given the performances of these two money managers since October 2004.

In October 2006, in another investment review meeting of the Board of Trustees and the Funds' Investment Consultants, it was decided that an asset liability study should be conducted to evaluate the Funds investment posture. The study was ordered and its result was reviewed early March 2007. Based on the study and the recommendation of the Trust Funds' investment consultants, the Board of Trustees decided to liquidate its Sabre Investment (an alternative investment), and to increase the Funds' fixed income investment from 35% to 40%, by reducing the equity portion correspondingly. The remaining 60% investment in equity would be further divided with 50% remaining with and managed by Atalanta Sosnoff and the balance of 10% would be invested in international equity.

International Equity Money Manager

Through the effort mentioned above, the consultants' due diligence team identified ten international money managers to be considered for the position. Through further screening process, three were identified as potential candidates, and were asked to bid if interested. All three were interested and an interview was scheduled, which took place in Honolulu on 18-19 June 2007.

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Social Security 39th Anniversary

The Republic of Palau Social Security Administration is descended from the Trust Territory Social Security System, which was established on July 1, 1968. The Trust Territory Social Security System (TTSSS) ended when



*Social Security Front Door
Bung Ngirabekau & Isami Ngiraitib sitting
enjoying the day.*



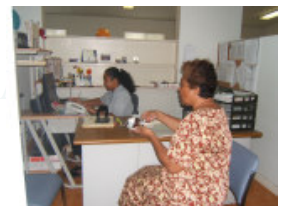
*Ngirabung Rengulbai
The First Guest*

the Trust Territory of the Pacific Islands Government devolved into four separate entities. Palau enacted Republic of Palau Public Law (RPPL) 2-29 known as the "Social Security Act of 1987", which established the Palau Social Security Trust Fund that took over the Palau share of assets and liabilities of the Trust Territory Social Security System. In 1991 the government of Palau enacted Republic of Palau Public Law (RPPL) 3-64 to replace RPPL 2-29. The law provided for retirement, survivor, disability and death benefit to covered wage earners and self-employed persons and their qualified survivors.

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TO COMMEMORATE THIS SPECIAL OCCASION WE INVITED ALL RETIREES AND MEMBERS TO SOCIAL SECURITY OFFICE FOR CAKES AND REFRESHMENTS ON MONDAY JULY 2, 2007.

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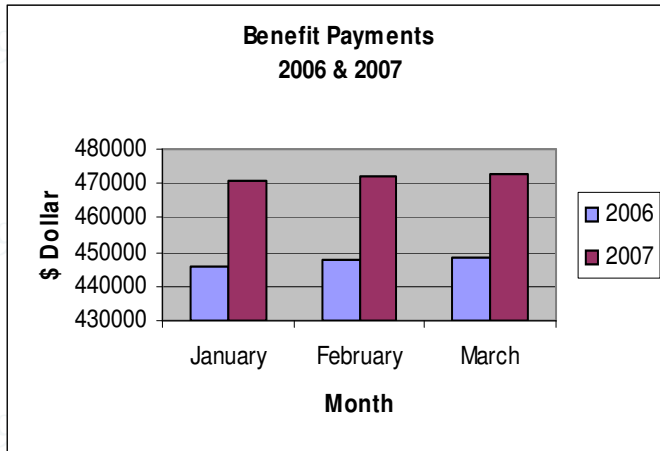
*Jeany, Claims Analyst helping
her customer Julita Tellei*



*Mars, Senior Audit & Collection Officer
helping his customer Alvina Marcil*

Benefits Stats...

Benefit payments for the 1st quarter of 2007 (January to March) totaled to \$1,415,969.16, surpassing last year's 1st quarter which was \$1,342,078.25. Benefit payments have increased by 5.2% in 2007 compared to the same period of 2006. During this same period of January to March, active beneficiaries averaged at 2,328 whereas last year averaged at 2,264 active participants.



Amnesty for Retirement

There is an ongoing effort by our Administration to identify those members of the program who are at least **60 years of age or older** and have not acquired enough quarters to retire. The original intent of this "Amnesty for Retirement" was to allow only "qualified seniors to apply and begin to receive benefits from Social Security. "Qualified" seniors here meant he/she:

- Must be head of household.
- Must not be eligible for other Social Security benefits, i.e. married to a qualified wage earner.
- Must not be receiving benefits already, i.e. surviving spouse benefit recipient.
- Must have no other means of support, i.e. a business owner (small retail merchants are not eligible).
- Must not be receiving or eligible to receive support or benefit from other persons or retirement system from anywhere.

It must be already obvious here that the sole intent was to help those citizens who need help. It was not meant to be additional income to individuals who already had some means of support from other sources. Please call our office and talk to Eva Kyota or Florah Tewid for more information.

Benefit Checks

Yes, your check looks quite different now with additional information printed on your check stub. In April 2007 we printed Social Security benefit payments using laser checks. With the assistance of Jill Derickson owner of Software Specialities, we have begun printing our checks using a laser printer instead of the old impact printer that we have been using



Member Services Section
L/R: Jeany Spis, Crystal Ngiraidong, Janice Mathew and Florah Tewid

since we started printing checks. At the same time we have made announcements through ECO PARADISE advising the beneficiaries to expect changes to their checks.

The laser checks now have information on the check stub advising you of all the adjustment(s) made (i.e. allotment, deductions, additional amount, etc.). Those of you who use GENERAL DELIVERY are encouraged to direct deposit your monies to your bank account. If you need more information about your check you may either talk to Florah Tewid or Jeany Spis.



Jill and Michele successfully programmed the first laserjet format check.

REMINDER....

A Surviving Child Insurance Benefits for students, ages 18 to 21 years old require **Certification of School Attendance** completed by a school official to continue receiving monthly benefit payments. A school certification of attendance is valid for those enrollment period certified by a school official either per school year or per semester. Failure to provide student status at the beginning of each school year or semester will cause termination of child's benefit. Forms may either be picked up at our office or available at our website (www.ropssa.org).



Social Security Tax Audits

Under 41 PNC all Employers as well as Self-Employed persons are subject to a compliance audit by the Administration. The purpose of these audits is to ensure that business owners are complying with the law. In a compliance audit we look at payroll records for a specific time period to make sure the appropriate wages were reported. There are several ways an employer becomes an audit candidate.

1. A business owner becomes a candidate for an audit by being randomly selected,
2. An employee of the business/other governmental agencies files a complaint, or
3. The Administration receives a notice from the Foreign Investment Board terminating an FIAC Licensed company.

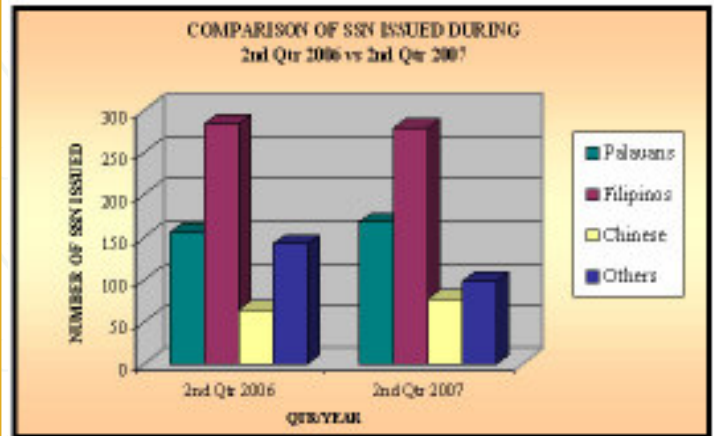
Normally, the first step in the audit process is we notify the business owner that his/her company is scheduled to be audited on a certain date and that they need to prepare copies of their payroll records for us to pick up.

If the company we are auditing fails to provide us copies of the payroll records, we will request other governmental agencies to provide us information about the company. The information provided to us by the other agencies will be used by our auditors to verify the accuracy of the taxes the company reported and paid. At the conclusion of our audit if the company is found to be in compliance we will send the company a "Thank You Letter" however, if the company is not in compliance we will send a letter informing the auditee of our findings. The auditee will have the opportunity to review our assessment. If during the review, the employer finds any discrepancies with our findings he/she will need to provide documented evidence in order for us to make any adjustments. The burden of proof is on the auditee.

Once the reviewing process is completed the employer would have to decide how he/she will settle the arrears. If a lump sum payment is not an option he/she could always ask for an installment payment plan. An installment payment plan is a binding contract between the employer and the Administration therefore, it is very crucial that the employer abides by the terms of the plan. For that reason, the employer should be realistic in setting an affordable monthly payment amount.

Although, it may appear to business owners that we are picking on them nonetheless, it is not our intent but rather our responsibility to ensure that the law is being abided by all business owners.

Social Security Number Issuance Statistics



Second Quarter 2006 vs. 2007 SSN Issuance Comparison

With the available statistical data of press time, when we compare 2nd Qtr 2006 with 2nd Qtr 2007 a total of 646 Social Security Numbers were issued during 2nd Qtr 2006. By far the most Social Security Numbers were issued to *Filipinos* at 284, *Palauans* at 156, *Chinese* nationals with 64, and *Others* with 142. The *Others* category constitutes all other nationalities **other than Filipinos, Palauans, and Chinese**. Out of the 646 Social Security Numbers issued 621 of them were issued for employment, not for employment was 11 and 14 were issued to students. Although, there is one more week left in 2nd Qtr 2007 a total of 622 SS Numbers have been issued so far. Most SS numbers were issued to *Filipinos* at 280, followed by *Palauans* at 167, *Chinese* at 77 and *Others* with 98. Out of the 622 SS Numbers issued 592 are for *employment*, 15 are *not for employment* and 15 were issued to *students*.

Social Security Tax

Under 41PNC all employers to include employers of domestic helpers are required to submit Quarterly Tax Report on gross wages earned by their employees. The Quarterly Tax Report is due one month after the end of each quarter. In other words, 1st Quarter ending March 31 is due no later than April 30; 2nd Quarter ending June 30 is due no later than July 31; 3rd Quarter ending September 30 is due no later than October 31; 4th Quarter ending December 31 is due no later than January 31 of the following year.

If these deadlines are missed there is a minimum penalty of \$250.00 and the maximum of 100% of the tax due. In addition to the penalty, there is a 1% interest a month (12% per annum) that will be assessed on any late quarterly returns. Since, the deadline is one month after the quarter ending

(Social Security Tax/Pg4)

Managing the Trust Fund...

During a pre-interview discussion between the Board of Trustees and the investment consultants, it was decided that the Fund should split its international equity investment 50-50, between value and growth, because it was expected that growth would shortly be in favor – it hasn't been doing well for some time and was expected to start to go up, and therefore the Fund should be invested in it.

After the three were interviewed, the Board of Trustees decided to hire Tradewinds, a company based in Los Angeles, CA. with \$33.5 billion in assets under management, to manage the value investment, and Franklin Templeton, a U.S. investment company with a regional office in Hong Kong, with \$166.2 billion in assets under management, was selected to manage the growth component of the international equity investment.

SSA Welcomes Maria L. Remeliik

Social Security would like to welcome Ms. Maria L. Remeliik, a Palau Community College intern who will be working with us from June 18 to August 7, 2007 as part of her degree's requirement. She will be trained in each section of this office from Member Services Section to Employer Services Section. We are very happy and grateful for her help and trust that she enjoy herself while working and learning with us.



Maria L. Remeliik
PCC Intern
Jun. 18 - Aug. 7, 2007

Human Wisdom

In commemorating the twentieth anniversary of the Social Security Act, Professor Witte said in an address published in the Social Security Bulletin (October 1955):

“Social Security, like most other major social advances, has been the product of the endeavors and work of many people over a long period of time. The contributions made by any one person have been so commingled with those of many others that the end-product cannot be attributed to any individual or group of individuals.”

EDWIN E. WITTE (1887-1960): FATHER OF SOCIAL SECURITY



SEE: <http://www.ssa.gov/history/cohenwitte.html>

Social Security Tax

there is really no reason why anybody should be late in reporting and paying his or her taxes on time.

The Social Security tax rate is 12%. The employer must deduct 6% from the taxable wages of the employee and matched equally (6%) by the employer. The maximum taxable income per quarter is \$3,000.

Business owners or self-employed persons are required to report as their presumed income, whether or not they are actually receiving any income, twice the amount of the highest paid employee in any given quarter. Under the law, they are considered both employer and employee at the same time and are required to report and pay 12% of their taxable income.

Under the Social Security Act, employers of domestic helpers must report and pay Social Security taxes on quarterly basis. However, they do not have to report themselves as required of business owners

In the event that any contributions, interest, or penalty is referred to an attorney for collection the employer shall, in addition, be liable for reasonable attorney's fees and cost of collection, including court costs.

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 June 2007. All Employers have until July 31, 2007 to make necessary payments.

DEADLINE
2nd Quarter
June 30 - Due by July 31

ROPSSA Quarterly Newsletter

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Visit us on the web: www.ropssa.org