MARSHALL ISLANDS
SOCIAL SECURITY ADMINISTRATION

(A COMPONENT UNIT OF THE REPUBLIC OF THE MARSHALL ISLANDS)

FINANCIAL STATEMENTS, ADDITIONAL INFORMATION AND INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2018 and 2017

MARSHALL ISLANDS SOCIAL SECURITY ADMINISTRATION
(A COMPONENT UNIT OF THE REPUBLIC OF THE MARSHALL ISLANDS)

Years Ended September 30, 2018 and 2017
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Deloitte & Touche LLP
361 South Marine Corps Drive
Tamuning, GU 96913-3973
USA

Tel: +1 (671) 646-3884
Fax: +1 (671) 649-4265

www.deloitte.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
Marshall Islands Social Security Administration:

Report on the Financial Statements

We have audited the accompanying financial statements of the Marshall Islands Social Security Administration (MISSA), a component unit of the Republic of the Marshall Islands, which comprise the statements of fiduciary net position as of September 30, 2018 and 2017, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MISSA as of September 30, 2018 and 2017, and the changes in its net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte.

Emphasis-of-Matter

Uncertainty Regarding Funded Ratio

As discussed in Note 9 to the financial statements, MISSA may be unable to meet its future benefit obligations. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 7 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. This supplementary information is the responsibility of MISSA's management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Other Supplementary Information listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standard generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2019 on our consideration of MISSA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MISSA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MISSA's internal control over financial reporting and compliance.

Deloitte + Touche LLP

January 21, 2019

The following Management's Discussion and Analysis (MD&A) of the Marshall Islands Social Security Administration's (MISSA) financial performance provides an overview to the financial statements of MISSA for the fiscal years ended September 30, 2018 and 2017. Since the MD&A is designed to focus on current activities, resulting changes and current known facts, we encourage the readers to consider it in conjunction with the audited financial statements, which follow this section.

REQUIRED FINANCIAL STATEMENTS

MISSA, a component unit of the Republic of the Marshall Islands (RepMar), prepares its financial statements on the accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). The Statements of Fiduciary Net Position reflect all of MISSA's assets and liabilities and provide information on the nature and amount of investments available to ensure payment of retirement, survivor, disability and lump sum benefits. All additions to and deductions from net position held in trust for retirement, disability, survivor and lump sum benefits are accounted for in the Statements of Changes in Fiduciary Net Position. This statement measures MISSA's performance over the past year in increasing or decreasing the net position available for future benefits.

FINANCIAL ANALYSIS OF MISSA

The Statements of Net Position on page 8 and the Statements of Changes in Fiduciary Net Position on page 9 provide an indication of MISSA's financial condition. While these statements measure the value of MISSA's net position and the changes to them, another important factor to consider in determining the financial health of MISSA is its actuarial funded status.

The passage of Bill No. 75 in March 2017 marked the start of the Retirement Fund's long journey to fiscal revitalization. The combined increases in contribution rate and ceiling in quarterly gross taxable wages, coupled with the increase in minimum wage, have increased contributions by $1.79 million or 9.6% higher than in FY 2017 and by $3.79 million or 25.6% higher than in FY 2016, before the new law took effect.

The benefit reduction and abolition of early and deferred retirement, and extension of the application of Earnings Test brought about by Bill No. 75 have significantly narrowed down the gap between contributions and benefits. In FY 2018, benefits totaled $20.73 million, which is $456 thousand lower than the $21.19 million paid last fiscal year. Prior to the reform bill, new claims for benefits being processed and approved by MISSA averaged 45 per month. It has now gone down to 28-30 per month. Thus, the average annual increase in benefits of about $1 million arising from new retirees prior to the MISSA law has dropped to less than $0.5 million.

The combined increase in contributions and reduction in benefits, coupled with the $2.98 million subsidy appropriated by the Government in FY 2018, has enabled MISSA to maintain a positive cash flow and strengthen its short term cash reserves. Prior to Bill No. 75, MISSA used to incur operating deficits of $6-$8 million a year forcing the Administration to dip into its Trust Fund to ensure uninterrupted benefit payments. MISSA's last investment drawdown was made in December 2016.

As of September 30, 2018, MISSA's total net position held in reserve for future benefits amounted to $79.27 million. MISSA has no debt and did not have material activity in its capital assets. Please refer to notes to financial statements for additional information concerning these matters.

A summary of MISSA's Statements of Fiduciary Net Position as of September 30, 2018, 2017 and 2016 is presented below:

	2018	2017	2016
ASSETS			
Cash and cash equivalents	$ 3,615,309	$1,363,901	$ 970,364
Receivables, net:			
Contributions	2,918,010	2,932,912	1,951,979
Other	935,697	806,654	793,487
Investments:			
Cash Management	252,535	76,368	276,230
Stocks	26,857,112	23,217,668	18,832,721
Mutual funds	46,688,465	46,275,398	44,715,832
Fixed assets, net	120,059	40,185	65,112
Total assets	81,387,187	74,713,086	67,605,725
LIABILITIES			
Accounts payable	131,645	135,200	80,118
Other liabilities and accruals	76,592	70,876	76,685
Due to affiliates	1,913,506	1,792,429	1,839,854
Total liabilities	2,121,743	1,998,505	1,996,657
NET POSITION			
Held in trust for future benefits	$79,265,444	$72,714,581	$ 65,609,068

A summary of MISSA's Statements of Changes in Fiduciary Net Position for the years ended September 30, 2018, 2017 and 2016 is presented below:

	2018	2017	2016
Additions:			
Contributions	$20,419,514	$18,333,207	$ 15,232,081
Net investment income (losses)	4,729,953	7,211,662	4,699,755
RMI Subsidy	2,976,000	3,273,600	-
Other	226,975	433,646	251,037
Total additions	28,352,442	29,252,115	20,182,873
Deductions:			
Benefit payments	20,734,016	21,189,518	20,433,323
Administrative	1,067,563	957,084	972,878
Total deductions	21,801,579	22,146,602	21,406,201
Change in net position	$ 6,550,863	$ 7,105,513	($ 1,223,328)

Management's Discussion and Analysis for the year ended September 30, 2017 is set forth in MISSA's report on the audit of its financial statements dated February 27, 2018. Such Management Discussion and Analysis explains the major factors impacting the fiscal year 2017 financial statements and can be obtained from MISSA's Administrator via the contact information on page 7.

Additions:

Consistent with previous years, the RMI Government has paid its bi-weekly remittances on time which comprised 32% of total contributions. Impacted by the full effect of the 1% increase in the Retirement Fund rate and increase in the cap on taxable wages from $5,000 to $10,000 per quarter effective March 9, 2017, and coupled with the increase in the minimum wage, net contributions have increased from $18,333,207 in fiscal year 2017 to $20,419,514 in the current fiscal year.

The following table presents MISSA's investment allocations as of September 30, 2018 with comparative figures in 2017.

	As of September 30, 2018				As of September 30, 2017			
Investment Type	**Weight**	**Target**	**Market Value ($'000)**	**Target Value ($'000)**	**Weight**	**Target**	**Market Value ($'000)**	**Target Value ($'000)**
Small Cap	4.80%	5.80%	$ 2,682	$ 3,241	5.29%	4.80%	$ 2,833	$ 2,572
Small Cap Value	7.50%	8.18%	4,190	4,570	7.77%	7.50%	4,162	4,019
Large Cap Growth	5.10%	5.36%	2,849	2,995	3.66%	3.30%	1,959	1,768
Large Cap	6.60%	6.79%	3,688	3,794	5.90%	5.40%	3,163	2,893
Large Cap Value	8.40%	9.25%	4,693	5,168	8.66%	8.40%	4,642	4,501
Int'l Small Cap	4.20%	4.15%	2,347	2,319	4.88%	4.50%	2,617	2,411
Int'l Small Cap Value	4.20%	4.14%	2,347	2,313	5.86%	5.40%	3,138	2,893
Int'l Large Cap	4.80%	4.72%	2,682	2,637	0.78%	4.50%	417	2,411
Int'l Large Cap Value	4.80%	4.78%	2,682	2,671	5.64%	5.40%	3,021	2,893
Emerging Markets	4.20%	4.24%	2,347	2,369	4.55%	4.20%	2,439	2,251
Domestic Real Estate	3.00%	3.11%	1,676	1,738	3.16%	3.30%	1,691	1,768
International Real Estate	2.40%	2.46%	1,341	1,374	3.30%	3.30%	1,770	1,768
Bonds	40.00%	36.61%	22,349	20,455	40.41%	40.00%	21,653	21,433
Cash and Equivalents	0.00%	0.41%	0	229	0.14%	0.00%	76	0
TOTAL	**100%**	**100%**	**$55,873**	**$55,873**	**100%**	**100%**	**$53,581**	**$53,581**

The above allocations are based on the latest investment policy statement adopted by the Board of Directors on August 18, 2016 wherein MISSA's total investment portfolio requires an allocation of 60% for equities and 40% for bonds. Eight months earlier, the Board, upon the recommendation of MISSA's Fund Manager, approved a temporary asset allocation of 30% global equity and 70% fixed income ratio in order to reduce portfolio rick caused by the continuous investment withdrawals by MISSA.

With the exception of MISSA's investment in Marshall Islands Holdings, Inc. (MIHI) and Marshall Islands Service Corporation (MISCo), all investments are limited to no-load mutual funds, unit investment trusts, Exchange Trade Funds, close-end mutual funds, and other diversified marketable securities.

For the year ended September 30, 2018, the fair market value of MISSA's investments in the U.S. and international markets increased by $2.29 million and totaled $55,873,001 due to the positive performance of all asset classes in MISSA's portfolio. Having maintained a positive cash flow, no investment drawdown was made in FY 2018. A total of $1.76 million in dividends and interest payments were received and subsequently reinvested. Investment management fees have increased by $9,851 from $126,704 in 2017 to $136,555 in 2018.

MISSA presently holds a 37% interest in MIHI, a local holding company incorporated on February 27, 2013. On October 31, 2013, MIHI acquired all of the outstanding common stock of Bank of the Marshall Islands (BOMI). Prior to MIHI's acquisition of BOMI, MISSA owned 65,417 shares of stocks of BOMI valued at $10,959,846. In 2014, MISSA received additional 69 shares from MIHI, increasing the Administration's shares to 65,486. In 2015, MISSA received an additional 123 shares from MIHI, increasing the Administration's shares to 65,609. In 2016, MISSA received an additional 100 shares from MIHI, increasing the Administration's shares to 65,709. In 2017, MISSA received an additional 100 shares from MIHI, increasing the Administration's shares to 65,809. In 2018, MISSA received an additional 100 shares from MIHI and sold 3,334 shares of common stock of MIHI at $150 per share, reducing the Administration's shares to 62,575.

On November 10, 2017, the Board approved the transfer of $1,000,025 from MISSA's investments with Marshall Islands Holdings, Inc. (MIHI) to the Marshall Islands Service Corporation (MISCo), or the equivalent of 76,925 MISCo shares at $13.00 per share. The transfer shall be in two installments: the first was made on December 22, 2017 and the second, on or before December 1, 2018.

As of September 30, 2018, MISSA's interest at MIHI increased in value by $1.44 million representing BOMI's fiscal year equity earnings. Annual dividend payments of $493,099 and $459,963 were received from MIHI in December 2018 for calendar year 2017 and in December 2017 for calendar year 2016, respectively. As of September 30, 2018 and 2017, the shares at MIHI and BOMI were valued at $17.39 million and $15.96 million, respectively. Likewise, MISSA holds 41,469 shares of stocks at MISCo with a current market value of $530,097.

Deductions:

Deductions represent benefit payments and administrative expenses. For the year ended September 30, 2018, total deductions amounted to $21.8 million, which is 1.56% lower than the $22.1 million paid in the previous year. Due to the benefit reduction, removal of the early and deferred retirement, and extension of the application of earnings test from 60 to 65 years of age that were brought about by the new MISSA law, benefit payments for fiscal year 2018 decreased by 2.15% to a total of $20.73 million as compared to $21.19 million paid in fiscal year 2017. Administrative expenses were maintained within the budgetary limit. For the years ended September 30, 2018 and 2017, MISSA's administrative expenses totaled $1,067,563 and $957,084 respectively. These amounts represent 5.23% and 5.22% of total contributions generated during these respective years. As mandated by the Social Security Act of 1990, MISSA's administrative expenses have an allowable ceiling of as much as 20% of total revenues for any given year.

FUTURE ECONOMIC OUTLOOK

Having felt the full positive impact of last year's reforms bill, the Administration remains optimistic that its quest for fiscal viability in both short and medium terms is now imminent. The Government's appropriation of $3 million in FY 2018 did not only fully cover MISSA's operating deficit (contributions less benefits and administrative expenses) of $1.4 million but also enabled the Administration to increase its ending cash balance to $3.6 million. With the additional $2.3 million RMI subsidy for FY 2019, MISSA's cash flow is projected to remain positive in the next twelve months.

The increase in minimum wage has also positively impacted the Administration's revenues. To monitor compliance with the minimum wage law, MISSA has required all employers to declare in their quarterly returns the hourly rate being paid to each employee together with the total hours worked during the reported quarter. The statistics that will be generated by this process will also be shared with the office of the Chief Secretary and Minimum Wage Task Force for future policy formulation and legislation.

The results of the experience study conducted in June 2017 by Wilshire Associates, MISSA's consultant and actuary, enabled MISSA to adjust its turnover, retirement and mortality assumptions to more realistic figures. In effect, MISSA's actuarial valuation as of October 1, 2017 reflected a 4% growth, increasing the funded ratio to 18%. As the effects of the 2017 reforms bill were not yet included in the valuation, another valuation as of October 1, 2018 will be conducted soon. The result of this valuation is expected to lower MISSA's accrued actuarial liability and increase the projected contributions to the plan, and thus, will significantly increase MISSA's funded ratio.

Another tax compliance issue was resolved with the recent passage of Bill 148 by the Nitijela on November 2, 2018. The new law has defined taxi drivers as employees while taxi operators, being their employers, are mandated to pay their own shares in the MISSA taxes. This will translate to additional revenue for the Administration. The new law also has given an option to non-residents to receive increased lump-sum benefits instead of the normal monthly pension from MISSA.

MISSA's aim to be compliant with fiduciary standards and practices has been reinforced with recent fiduciary trainings attended by the MISSA board. As the members are now equipped with the fundamental knowledge of their duties and responsibilities as stewards of the Retirement Fund, they are now better able to understand MISSA's investment activities and make sound decisions. The Administration has engaged the services of an investment consultant who conducted a governance assessment fiduciary process review. The assessor has identified a number of areas for attention and improvement which are now being considered by management, the Board and the current investment advisor.

To catch up with technology, the Administration is now in close collaboration with its counterparts from FSM and Palau for a joint system upgrade and to seek grant funding. The antiquated FoxPro system that MISSA is using is no longer supported by developers and needs to be converted to a modern database system. If the joint system upgrade becomes unfeasible, MISSA has considered engaging a system developer to look into the system conversion process.

Despite political and economic uncertainties for the country, the MISSA Board will continue to work closely with our legislators to continue to seek their support to search for long-term solutions and extend further the life of the Marshall Islands Retirement Fund. It is the ultimate goal of the Administration to be self-reliant and to not continuously depend on Government appropriations to remain financially sound.

CONTACTING MISSA'S FINANCIAL MANAGEMENT

This financial report is designed to provide our beneficiaries and others a general overview of MISSA's finances and to demonstrate its accountability for the money it collects. If you have questions about this report or need additional financial information, contact the Administrator, P.O. Box 175, Majuro, MH 96960 or via email at ms.saaneaho@gmail.com.

MARSHALL ISLANDS SOCIAL SECURITY ADMINISTRATION
(A COMPONENT UNIT OF THE REPUBLIC OF THE MARSHALL ISLANDS)

Statements of Fiduciary Net Position
September 30, 2018 and 2017

	2018	2017
ASSETS		
Cash	$ 3,615,309	$ 1,363,901
Receivables, net:		
Contributions	2,918,010	2,932,912
Other	935,697	806,654
Total receivables, net	3,853,707	3,739,566
Investments:		
Cash management	252,535	76,368
Stocks	26,857,112	23,217,668
Mutual funds	46,688,465	46,275,398
Total investments	73,798,112	69,569,434
Capital assets, net	120,059	40,185
Total assets	81,387,187	74,713,086
LIABILITIES		
Accounts payable	131,645	135,200
Other liabilities and accruals	76,592	70,876
Due to affiliate	1,913,506	1,792,429
Total liabilities	2,121,743	1,998,505
Contingencies		
NET POSITION		
Held in trust for retirement, disability and survivors' benefit	$ 79,265,444	$ 72,714,581

See accompanying notes to financial statements.

MARSHALL ISLANDS SOCIAL SECURITY ADMINISTRATION
(A COMPONENT UNIT OF THE REPUBLIC OF THE MARSHALL ISLANDS)

Statements of Changes in Fiduciary Net Position
Years Ended September 30, 2018 and 2017

	2018	2017
Additions:		
Contributions:		
Private employees	$ 12,788,369	$ 11,935,756
Government employees	6,542,417	5,840,515
Penalties and interest	1,088,728	853,957
Total contributions	20,419,514	18,630,228
Less allowance for doubtful accounts	-	(297,021)
Net contributions income	20,419,514	18,333,207
Investment income:		
Net change in the fair value of investments	3,100,446	5,787,469
Dividends	1,758,480	1,546,537
Interest	7,582	4,360
Total investment income	4,866,508	7,338,366
Less investment expense:		
Investment management and custodial fees	136,555	126,704
Net investment income	4,729,953	7,211,662
Other additions	226,975	433,646
RepMar subsidy	2,976,000	3,273,600
Total additions	28,352,442	29,252,115
Deductions:		
Benefit payments:		
Retirement	12,782,236	13,216,250
Survivors	7,019,856	6,897,351
Disability	810,974	887,350
Lump sum	120,950	188,567
Total benefit payments	20,734,016	21,189,518
Administrative	1,067,563	957,084
Total deductions	21,801,579	22,146,602
Change in net position	6,550,863	7,105,513
Net position at beginning of year	72,714,581	65,609,068
Net position at end of year	$ 79,265,444	$ 72,714,581

See accompanying notes to financial statements.

(1) Organization

The Marshall Islands Social Security Administration (MISSA), a component unit of the Republic of the Marshall Islands (RepMar), was established pursuant to RepMar Public Law 1990-75 (the Social Security Act of 1990), as amended. The law repealed the Social Security Act of 1987 and established MISSA to administer the Marshall Islands Social Security Retirement Fund (the Retirement Fund). The Retirement Fund was established to provide a financially sound social security system with pension benefits and early retirement, whereby workers would be ensured a measure of security in their old age and during disability, and whereby surviving spouses and surviving children of deceased workers would be ensured support after the loss of the family's income. Additionally, MISSA is responsible for processing, monitoring and distributing benefit claims under the Prior Service Benefits Program (see note 3). Accordingly, MISSA established the Prior Service Fund to account for activities under this program.

On March 20, 2016, the Cabinet of RepMar established a National Task Force to review the financial status of MISSA and to make recommendations for reform in order to prolong the longevity of the Retirement Fund. On September 29, 2016, the Nitijela enacted RepMar Public Law 2016-26 (the Social Security (Amendment) Act 2016), which implemented reform measures as recommended by the task force with an effective date of January 1, 2017. On January 12, 2017, the Nitijela enacted RepMar Public Law 2017-29 (the Social Security (Amendment) Act 2017), which further enhanced the reform measures outlined in Public Law 2016-26 and deferred the effective date to March 6, 2017.

MISSA operates under the authority of a seven-member Board of Directors appointed by the Cabinet of RepMar.

(2) Summary of Significant Accounting Policies

Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, which was subsequently amended by Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures,* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, establish financial reporting standards for governmental entities, which includes the requirement for MISSA to present Management's Discussion and Analysis (MD&A). The MD&A is considered to be required supplementary information and precedes the basic financial statements. In addition, these statements require that resources be classified for accounting and reporting purposes as held in trust for retirement, disability and survivors' benefits.

Management of MISSA has determined that, per its enabling legislation, the net position of MISSA is to be held in trust for retirement, disability and survivors' benefits.

A. Basis of Accounting

MISSA is accounted for as a Fiduciary Fund Type - Private Purpose Trust Fund and prepares its financial statements using the accrual basis of accounting. It recognizes employee and employer contributions as revenues in the quarter employee earnings are paid. Retirement benefits are recognized as expenses when payable. Expenses are recorded when the corresponding liabilities are incurred regardless of when payment is made.

(2) Summary of Significant Accounting Policies, Continued

B. Future Liabilities and Contributions

No recognition is given in the accompanying financial statements to the present value of the liabilities of prospective benefit payments or the present value of future contributions required from employees or employers.

C. Cash

For the purposes of the statements of fiduciary net position, cash includes cash on hand and cash in checking and savings accounts.

D. Investments

Investments and related investment earnings are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer liability (i.e., the exit price) in an orderly transaction between market participants at the date as of which the fair value of an asset or liability is determined.

MISSA categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America (GAAP). The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In certain instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy is based on the lowest level of input that is significant to the fair measurement. Investments not categorized under the fair value hierarchy are shown at either Net Asset Value (NAV) or amortized cost.

Investments of 20% or more of the voting stock of an investee are presumed to give the investor significant influence and are carried using the equity method. Under the equity method, the investor records, as earnings or loss, its proportionate share of the investee’s earnings or loss.

E. Receivables and the Allowance for Doubtful Accounts

Contributions receivable are due from employers located within the Republic of the Marshall Islands. These receivables are not collateralized and are non-interest bearing.

The allowance for doubtful accounts is stated at an amount which management believes will be adequate to absorb possible losses on accounts receivable that may become uncollectible based on evaluations of the collectability of these accounts. The allowance is established through a provision for bad debts charged to expense.

(2) Summary of Significant Accounting Policies, Continued

F. Fixed Assets

Fixed assets with a cost that equals or exceeds $200 are generally capitalized at the time of acquisition. Depreciation is provided using the straight-line basis over the estimated useful lives of the respective assets. The estimated useful lives of these assets are as follows:

Buildings and improvements	5 - 15 years
Motor vehicles	3 - 5 years
Computer equipment	3 years
Furniture	5 years
Office equipment	3 years

G. Deferred Outflows of Resources

In addition to assets, the statements of fiduciary net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (deduction of net position) until then. MISSA has no items that qualify for reporting in this category.

H. Compensated Absences

Annual vacation leave is earned by all permanent employees and accumulates at the rate of one working day per bi-weekly pay period. Upon termination, employees are eligible to receive compensation for their accrued annual leave balances. As of September 30, 2018 and 2017, the accumulated annual leave liability amounted to $29,342 and $31,250, respectively, and is included in the statements of fiduciary net position within other liabilities and accruals.

No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. The accumulated estimated amount of unused sick leave as of September 30, 2018 and 2017 is $17,322 and $15,800, respectively.

I. Deferred Inflows of Resources

In addition to liabilities, the statements of fiduciary net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (additions to net position) until then. MISSA has no items that qualify for reporting in this category.

J. Contributions

Contributions to the Retirement Fund are governed by the Social Security Act of 1990, as amended by the Social Security (Amendment) Act 2016, which imposes a tax on the quarterly income of every employee not currently subject to the United States Social Security System or any other recognized Social Security System. Employees are required to contribute an amount equal to 7% of wages received prior to March 6, 2017 and 8% thereafter. Every employer is required to contribute an amount equal to that contributed by employees.

Maximum quarterly taxable wages are $5,000 prior to March 6, 2017 and $10,000 thereafter.

(2) Summary of Significant Accounting Policies, Continued

K. Benefit Obligations

Retirement benefits are paid to every person who is a service insured or a fully insured individual as defined by the Social Security Act of 1990, as amended, has attained an age of 60 years prior to March 6, 2017 and has filed an application for old age insurance benefits. Thereafter, the old age insurance benefits has been redefined as follows: a fully insured worker who has attained an age of 61 years by March 6, 2017; 62 years by January 1, 2019; 63 years by January 1, 2021; 64 years by January 1, 2023; and 65 years by January 1, 2025 shall be entitled to old age insurance benefits. Effective March 6, 2017, new applications for early or deferred retirement benefits will no longer be allowed.

Benefits are also paid to surviving spouses of deceased workers, subject to eligibility requirements, as long as they do not remarry. Eligible children who are not married and are not working may also receive benefits until age eighteen (18) or up until age twenty-two (22), if in school. Eligible children who become disabled before age twenty-two will continue to receive benefits for the duration of the disability. Disability benefits are paid to qualified workers for the duration of the disability or until retirement or death, at which time retirement or survivor benefits become available.

Effective October 1, 1990, benefits are paid monthly and are computed as follows:

a) Pension element - two percent of index covered earnings, plus;

b) Social element - 14.5% of the first $11,000 of cumulative covered earnings plus 0.7% of cumulative covered earnings in excess of $11,000 but not in excess of $44,000. The $11,000 and $44,000 bend points may be increased from time to time by wage index adjustments granted by the Board of MISSA.

The minimum benefit is $129 per month, effective October 1, 1995.

Effective March 6, 2017, Public Law 2017-29 enacted MISSA to enforce a decrease in monthly benefit payments, which was to be phased in over a period of three years as follows:

Monthly	Percent of Reduction in			But Not
Benefit Range	2017	2018	2019	Less Than
$301 - $400	1.67%	3.33%	5.00%	$300
$401 - $500	2.00%	4.00%	6.00%	$380
$501 - $600	2.33%	4.67%	7.00%	$470
$601 - $700	2.67%	5.33%	8.00%	$558
$701 - $800	3.00%	6.00%	9.00%	$644
$801 - $1,700	3.33%	6.67%	10.00%	$728 - $1,440

The maximum monthly benefit for retirees prior to March 6, 2017 shall be $1,600. Thereafter, the maximum monthly benefit shall be $1,200.

(2) Summary of Significant Accounting Policies, Continued

L. New Accounting Standards

During the year ended September 30, 2018, MISSA implemented the following pronouncements:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments.

- GASB Statement No. 81, *Irrevocable Split-Interest Agreements,* which improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

- GASB Statement No. 85, *Omnibus 2017*, which address practice issues that have been identified during implementation and application of certain GASB Statements including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

- GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt.

The implementation of these statements did not have a material effect on the accompanying financial statements.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset. The provisions in Statement No. 83 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. The provisions in Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.

(2) Summary of Significant Accounting Policies, Continued

L. New Accounting Standards, Continued

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The provisions in Statement No. 88 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The provisions in Statement No. 89 are effective for fiscal years beginning after December 15, 2019. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61,* which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The provisions in Statement No. 90 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

M. Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of net position and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(3) Prior Service Benefits Program

Under the terms of a Prior Service Claim Adjudication Service Agreement between MISSA and the Trust Territory Prior Service Trust Fund, MISSA is to provide for the processing of benefit claims and to assist in the monitoring of continuing eligibility under the Prior Service Program. The Prior Service Trust Fund Administration (PSTFA) will reimburse MISSA $2,000 per annum plus an amount equal to eight percent of the total amount of automated and manual benefit payments. Any cost for MISSA personnel who assist in searching and locating prior service documents in cooperation with the Prior Service Administration will be reimbursed on a dollar for dollar basis.

On September 15, 2005, an agreement was entered into between the PSTFA Board and the U.S. Department of the Interior to delegate the Board's obligations to and responsibility for the enrollees eligible for the Prior Service Benefits Program to the Social Security Systems of the Republic of the Marshall Islands, the Republic of Palau, the Federated States of Micronesia, and the Retirement Fund of the Commonwealth of the Northern Mariana Islands. Based on the agreement, the Social Security Administration (SSA) of each Government shall be entitled to an administrative fee not to exceed 20% of the share of allocated funds.

(3) Prior Service Benefits Program, Continued

MISSA assumed administrative functions and for the years ended September 30, 2018 and 2017, received an allocation of $0 and $220,600, respectively, from PSTFA. Total benefits and administrative expenses for the years ended September 30, 2018 and 2017 amounted to $110,654 and $114,581, respectively. However, while MISSA accepts the liability for any amounts received, MISSA does not accept the obligation to pay future benefits unless additional funds are received from PSTFA. As of September 30, 2018 and 2017, the amount of $15,599 and $126,253, respectively, is available for future benefit payments under the Prior Service Benefits Program.

(4) Deposits and Investments

The deposit and investment policies of MISSA are governed by its enabling legislation. The Board is required to engage one or more fund custodians to assume responsibility for the physical possession of MISSA's investments. Legally authorized investments are as follows:

(i) Government obligations - Obligations issued or guaranteed as to principal and interest by the Government of Republic of the Marshall Islands (RepMar) or by the Government of the United States, provided that the total market value of the investments in obligations guaranteed by Government of RepMar shall at the time of purchase not exceed twenty-five percent (25%) of the total market value of all investments of MISSA, and further provided that the principal and interest on each obligation are payable in the currency of the United States.

(ii) Corporate obligations and mortgage-backed securities - Obligations of any public or private entity or corporation created or existing under the laws of the RepMar or of the United States or any state, territory or commonwealth thereof, or obligations of any other government or economic community which are payable in United States dollars, or pass through and other mortgage-backed securities provided that the obligation is issued by an agency of the United States Government or is rated in one of the four highest categories by two nationally recognized rating agencies in the United States. No investment under this heading shall exceed five percent of the market value of the Retirement Fund or ten percent of the outstanding value of the issue at the time of purchase.

(iii) Preferred and common stocks - Shares of preferred or common stocks of any corporation created or existing under the laws of the RepMar or under the laws of the United States or any state, territory or commonwealth thereof provided that the purchase of such shares shall be considered reasonable and prudent by MISSA's investment advisor at the time of purchase, that not more than fifteen percent (15%) percent of the market value of the Retirement Fund shall be invested in the stock of any one corporation, and that not more than twenty-five percent (25%) percent of the market value of the Retirement Fund shall be invested in any one industry group.

(iv) Insurance company obligations - Contracts and agreements supplemental thereto providing for participation in one or more accounts of a life insurance company authorized to do business in the RepMar or in any state, territory or commonwealth of the United States provided that the total market value of these investments at no time shall exceed ten percent (10%) of all investments of the Retirement Fund.

(4) Deposits and Investments, Continued

A. Deposits:

Custodial credit risk is the risk that in the event of a bank failure, MISSA's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. MISSA does not have a deposit policy for custodial credit risk.

As of September 30, 2018 and 2017, the carrying amount of MISSA's cash was $3,615,309 and $1,363,901, respectively, and the corresponding bank balances were $3,853,283 and $1,409,698, respectively. Of the bank balances, $647,792 and $1,336,692, respectively, were maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance. The remaining amounts of $3,205,491 and $73,006, respectively, are maintained in a financial institution not subject to depository insurance. As of September 30, 2018 and 2017, bank deposits in the amount of $250,000 were FDIC insured. MISSA does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

B. Investments:

As of September 30, 2018 and 2017, investments in marketable securities are as follows:

	2018	2017
Mutual funds	$ 46,688,465	$ 46,275,398
Exchange Traded funds	8,932,001	7,229,987
Cash management funds	252,535	76,368
	$ 55,873,001	$ 53,581,753

MISSA has the following recurring fair value measurements as of September 30, 2018 and 2017:

		Fair Value Measurements Using		
	September 30, 2018	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Exchange Traded funds	$ 8,932,001	$ 8,932,001	$ -	$ -
Mutual funds	46,688,465	46,688,465	-	-
	55,620,466	$ 55,620,466	$ -	$ -
Investments measured at amortized cost:				
Money market funds	252,535			
	$ 55,873,001			

(4) Deposits and Investments, Continued

B. Investments, Continued

	September 30, 2017	Fair Value Measurements Using: Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Exchange Traded funds	$ 7,229,987	$ 7,229,987	$ -	$ -
Mutual funds	46,275,398	46,275,398	-	-
	53,505,385	$ 53,505,385	$ -	$ -
Investments measured at amortized cost:				
Money market funds	76,368			
	$ 53,581,753			

Additionally, MISSA owns 62,575 shares of common stock of Marshall Islands Holdings, Inc. (MIHI), which engages in all aspects of holding company activities in the RMI and which is the sole shareholder of Bank of Marshall Islands (BOMI). During the year ended September 30, 2018 MISSA sold 3,334 shares of common stock of MIHI at $150/share.

MISSA also owns 41,469 shares of common stock of Marshall Islands Service Corporation (MISC), which is majority-owned by MIHI. During the year ended September 30, 2018, MISSA purchased 38,469 shares of common stock of MISC at $13/share.

The investment in MIHI is accounted for on the equity method since the investment constitutes 37% and 38%, respectively, ownership share as of September 30, 2018 and 2017. At September 30, 2018 and 2017, MISSA's investment in MIHI amounted to $17,395,014 and $15,957,681, respectively. The investment in MISC is stated at NAV. At September 30, 2018 and 2017, MISSA's investment in MISC amounted to $530,097 and $30,000, respectively.

As of September 30, 2018 and 2017, MISSA maintained bank deposits with BOMI totaling $3,205,491 and $73,006, respectively. During the years ended September 30, 2018 and 2017, MISSA received cash dividend payments from MIHI of $493,099 and $459,963, respectively.

(4) Deposits and Investments, Continued

B. Investments, Continued

During the years ended September 30, 2018 and 2017, the total net increase in fair value of investments included $2,430,530 and $1,889,541, respectively, of equity in the net earnings of MIHI.

A summarized financial information of MIHI is presented on the table below:

	As of the quarter ended September 30, 2017 and for the period from January 1, 2018 to September 30, 2018 (Unaudited)	As of and for the year ended December 31, 2017 (Audited)
Total assets	$ 125,344,714	$ 116,211,064
Total liabilities	$ 73,194,162	$ 69,282,670
Equity:		
Attributable to stockholders of MIHI	$ 48,021,161	$ 43,557,760
Noncontrolling interest	$ 4,129,391	$ 3,370,634
Net income attributed to:		
Stockholder of MIHI	$ 4,411,011	$ 5,571,751
Noncontrolling interests	$ 396,532	$ 376,310

Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. At September 30, 2018 and 2017, MISSA's investment portfolio did not include investments in debt securities. Accordingly, MISSA is not exposed to credit risk.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, MISSA will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. MISSA's investments are held and administered by trustees. MISSA's custodian holds investment securities in MISSA's name. MISSA's custodian is not affiliated or related to investment brokers. Accordingly, these investments are not exposed to custodial credit risk.

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 requires disclosure by issuer and amount of investments in any one issuer that represents five percent (5%) or more of total investments for MISSA. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. There was no concentration of credit risk for investments as of September 30, 2018 and 2017.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. MISSA does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At September 30, 2018 and 2017, MISSA's investment portfolio did not include investments in debt securities. Accordingly, MISSA is not exposed to interest rate risk.

(5) Receivables

Receivables as of September 30, 2018 and 2017, including applicable allowances for doubtful accounts, are as follows:

	2018	2017
Contributions	$ 5,021,500	$ 4,761,971
Court judgments	4,281,005	5,151,361
Notes	1,038,252	978,067
Other	179,046	97,265
	10,519,803	10,988,664
Less allowance for doubtful accounts	(6,666,096)	(7,249,098)
	$ 3,853,707	$ 3,739,566

Court judgments receivable represents amounts due from employers for delinquent contributions that have been referred to attorneys for collection and have been adjudicated by the Court. These amounts are comprised of unpaid contributions together with penalties, interest, and attorney fees and are subject to interest of 9% per annum. Notes receivable represents amounts due from employers for delinquent contributions wherein the employer has entered into a promissory note agreement with MISSA with stipulated repayment terms and conditions, including interest of 12% per annum.

(6) Related Party Transactions

As of September 30, 2018 and 2017, MISSA recorded amounts payable to the Marshall Islands Health Fund of $1,913,506 and $1,792,429, respectively, which represented unremitted basic health fund employee and employer contributions collected by MISSA at the respective year ends. Such is included in the statements of fiduciary net position as due to affiliate.

During the years ended September 30, 2018 and 2017, MISSA received an appropriation of $2,976,000 and $3,273,600, respectively, from RepMar's General Fund to subsidize monthly benefit payments as enacted by Public Law 2017-29.

(7) Capital Assets

Capital asset activity for the years ended September 30, 2018 and 2017, is as follows:

	October 1, 2017	Additions	Retirements	September 30, 2018
Buildings and improvements	$ 511,597	$ 75,500	$ -	$ 587,097
Computer equipment	117,342	32,912	(60,917)	89,337
Motor vehicles	95,300	-	-	95,300
Office equipment	95,391	2,982	-	98,373
Furniture	59,467	185	-	59,652
	879,097	111,579	(60,917)	929,759
Less accumulated depreciation and amortization	(838,912)	(31,705)	60,917	(809,700)
	$ 40,185	$ 79,874	$ -	$ 120,059

(7) Capital Assets, Continued

	October 1, 2016	Additions	Retirements	September 30, 2017
Buildings and improvements	$ 511,597	$ -	$ -	$ 511,597
Computer equipment	109,382	7,960	-	117,342
Motor vehicles	95,300	-	-	95,300
Office equipment	94,201	1,190	-	95,391
Furniture	59,467	-	-	59,467
	869,947	9,150	-	879,097
Less accumulated depreciation and amortization	(804,835)	(34,077)	-	(838,912)
	$ 65,112	$ (24,927)	$ -	$ 40,185

(8) Employee Retirement Plan

Effective March 31, 2017, MISSA implemented a defined contribution retirement savings plan (the Plan) for its employees who have completed at least 3 months of service. Plan participants may contribute up to 10% of their gross salaries, with MISSA paying 20% of the employees' share for those with two years of service, 40% for three years of service, 60% for four years of service, 80% for five years of service and 100% for six years of service or more. Withdrawal from the Plan occurs upon termination of employment, retirement at age 65, permanent disability or death. Plan assets are held in a trust fund administered by a trustee in accordance with the trust agreement. Management has the authority to establish or amend Plan provisions and contribution requirements. MISSA contributed $24,892 and $12,925 to Plan participant accounts during the years ended September 30, 2018 and 2017, respectively, and total plan assets were $51,071 and $28,377 as of September 30, 2018 and 2017, respectively.

(9) Contingencies

In September 2018, MISSA obtained an actuarial valuation of the Retirement Fund as of October 1, 2017. The valuation reported actuarial accrued liabilities and market value of assets for the Retirement Fund of $415.16 million and $72.72 million, respectively, as of October 1, 2017. The funded ratio of the Retirement Fund as of October 1, 2017 is 18%. As of September 30, 2018, MISSA recorded total fund equity of $79,249,845 in the Retirement Fund, as funds available to fund future benefit obligations. These conditions indicate that MISSA may be unable to meet its future benefit obligations. The actuarial valuation report does not reflect all of the changes in the Social Security (Amendment) Act 2017. This law will lower the liability of MISSA and will increase the projected contribution to the plan.

MISSA is of the opinion that there are outstanding contributions due to the Retirement Fund; however, a reasonable estimate of this amount cannot be made due primarily to noncompliance by employers.

(10) Risk Management

MISSA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. MISSA has elected to purchase commercial insurance from independent third parties for the risks of loss to which it is exposed. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. MISSA is also exposed to investment risk. This risk is limited by diversification of the portfolio, establishment and monitoring of investment policies and guidelines, and monitoring of investment performance. In addition, investment consultants monitor MISSA's activities and advise the Board of Directors.

MARSHALL ISLANDS SOCIAL SECURITY ADMINISTRATION
(A COMPONENT UNIT OF THE REPUBLIC OF THE MARSHALL ISLANDS)

Combining Statement of Fiduciary Net Position
September 30, 2018

	Retirement Fund	Prior Service Fund	Total Before Elimination	Elimination	Total
ASSETS					
Cash	$ 3,558,872	$ 56,437	$ 3,615,309	$ -	$ 3,615,309
Receivables, net:					
Contributions	2,918,010	-	2,918,010	-	2,918,010
Other	972,525	600	973,125	(37,428)	935,697
Total receivables, net	3,890,535	600	3,891,135	(37,428)	3,853,707
Investments:					
Cash management	252,535	-	252,535	-	252,535
Stocks	26,857,112	-	26,857,112	-	26,857,112
Mutual funds	46,688,465	-	46,688,465	-	46,688,465
Total investments	73,798,112	-	73,798,112	-	73,798,112
Capital assets, net	120,059	-	120,059	-	120,059
Total assets	81,367,578	57,037	81,424,615	(37,428)	81,387,187
LIABILITIES					
Accounts payable	131,645	-	131,645	-	131,645
Other liabilities and accruals	72,582	41,438	114,020	(37,428)	76,592
Due to affiliate	1,913,506	-	1,913,506	-	1,913,506
Total liabilities	2,117,733	41,438	2,159,171	(37,428)	2,121,743
NET POSITION					
Held in trust for retirement, disability and survivors' benefits	$ 79,249,845	$ 15,599	$ 79,265,444	$ -	$ 79,265,444

See Accompanying Independent Auditors' Report.

MARSHALL ISLANDS SOCIAL SECURITY ADMINISTRATION
(A COMPONENT UNIT OF THE REPUBLIC OF THE MARSHALL ISLANDS)

Combining Statement of Changes in Fiduciary Net Position
Year Ended September 30, 2018

	Retirement Fund	Prior Service Fund	Total Before Elimination	Elimination	Total
Additions:					
Contributions:					
Private employees	$ 12,788,369	$ -	$ 12,788,369	$ -	$ 12,788,369
Government employees	6,542,417	-	6,542,417	-	6,542,417
Penalties and interest	1,088,728	-	1,088,728	-	1,088,728
Total contributions	20,419,514	-	20,419,514	-	20,419,514
Less allowance for doubtful accounts	-	-	-	-	-
Net contributions income	20,419,514	-	20,419,514	-	20,419,514
Investment income:					
Net change in the fair value of investments	3,100,446	-	3,100,446	-	3,100,446
Dividends	1,758,480	-	1,758,480	-	1,758,480
Interest	7,582	-	7,582	-	7,582
Total investment income	4,866,508	-	4,866,508	-	4,866,508
Less investment expense:					
Management and custodial fees	136,555	-	136,555	-	136,555
Net investment income	4,729,953	-	4,729,953	-	4,729,953
Other additions	245,414		245,414	(18,439)	226,975
RepMar subsidy	2,976,000	-	2,976,000	-	2,976,000
Total additions	28,370,881	-	28,370,881	(18,439)	28,352,442
Deductions:					
Benefit payments:					
Retirement	12,750,800	31,436	12,782,236	-	12,782,236
Survivors	6,959,075	60,781	7,019,856	-	7,019,856
Disability	810,974	-	810,974	-	810,974
Lump sum	120,950	-	120,950	-	120,950
Total benefit payments	20,641,799	92,217	20,734,016	-	20,734,016
Administrative	1,067,565	18,437	1,086,002	(18,439)	1,067,563
Total deductions	21,709,364	110,654	21,820,018	(18,439)	21,801,579
Change in net position	6,661,517	(110,654)	6,550,863	-	6,550,863
Net position at beginning of year	72,588,328	126,253	72,714,581	-	72,714,581
Net position at end of year	$ 79,249,845	$ 15,599	$ 79,265,444	$ -	$ 79,265,444

See Accompanying Independent Auditors' Report.

Deloitte.

Deloitte & Touche LLP
361 South Marine Corps Drive
Tamuning, GU 96913-3973
USA

Tel: +1 (671) 646-3884
Fax: +1 (671) 649-4265

www.deloitte.com

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Marshall Islands Social Security Administration:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Marshall Islands Social Security Administration (MISSA), which comprise the statement of fiduciary net position as of September 30, 2018, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 21, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MISSA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MISSA's internal control. Accordingly, we do not express an opinion on the effectiveness of MISSA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MISSA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Deloitte.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Deloitte & Touche LLP

January 21, 2019

MARSHALL ISLANDS SOCIAL SECURITY ADMINISTRATION
(A COMPONENT UNIT OF THE REPUBLIC OF THE MARSHALL ISLANDS)

Unresolved Prior Year Findings
Year Ended September 30, 2018

There were no unresolved audit findings from prior year audits of MISSA.