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, 2020 AND 2019

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

Years Ended September 30, 2020 and 2019
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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, 2020 and 2019, 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, 2020 and 2019, 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-Matters

Uncertainty Regarding Funded Ratio

As discussed in Note 9 to the financial statements, MISSA may be unable to meet its future benefit obligations.

COVID-19

As discussed in Note 11 to the financial statements, MISSA determined that the COVID-19 pandemic may negatively impact its investments and changes in net position available for benefits. MISSA is unable to reasonably estimate its ultimate financial impact.

Our opinion is not modified with respect to these matters.

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 on pages 23 and 24 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 18, 2022 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 18, 2022

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, 2020 and 2019. 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 the 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 Fiduciary 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.

A summary of MISSA's Statements of Fiduciary Net Position as of September 30, 2020, 2019 and 2018 is presented below:

Summary Statements of Fiduciary Net Position
As of September 30

	2020	2019	$ Change 2020-2019	% Change 2020-2019	2018
Assets:					
Cash	$ 4,772,892	$ 1,595,599	$ 3,177,293	199.1%	$ 3,615,309
Time certificate of deposit	2,000,000	2,000,000	-	0.0%	-
Receivables, net	4,613,489	3,774,375	839,114	22.2%	3,853,707
Investments	78,937,572	77,472,635	1,464,937	1.9%	73,798,112
Capital assets	477,210	155,179	322,031	207.5%	120,059
Total assets	90,801,163	84,997,788	5,803,375	6.8%	81,387,187
Liabilities:					
Current and other liabilities	295,699	179,271	116,428	64.9%	208,237
Due to affiliates	2,350,881	1,664,543	686,338	41.2%	1,913,506
Total liabilities	2,646,580	1,843,814	802,766	43.5%	2,121,743
Net position:					
Held in trust for future benefits	$ 88,154,583	$ 83,153,974	$ 5,000,609	6.0%	$ 79,265,444

FINANCIAL ANALYSIS OF MISSA, CONTINUED

Despite the COVID-19 pandemic that seriously impacted the global economy, MISSA's short term time horizon remains financially healthy. Three years after the reform law was passed, MISSA's cash flow continued to remain positive. In the event of an outbreak of COVID-19 in the country, MISSA has enough cash reserves to meet its operational requirements and ensure uninterrupted benefit payments even if the country is forced into a lockdown for a couple of months. This financial turnaround would not have been made possible without the support and financial assistance from the RMI Government which appropriated $3.3 million, $3.0 million, $2.3 million and $1.6 million in FYs 2017, 2018, 2019 and 2020, respectively.

For the second year in a row, contributions surpassed benefits, reversing the negative gap between the two that has gradually widened from 2010 through 2016, before the Government intervened in 2017. This gap led to annual operating deficits to as much as $6.0 million which forced MISSA to withdraw a total of $22.3 million from its foreign investments for the period 2010-2016.

As of September 30, 2020, MISSA's total net position held in reserve for future benefits amounted to $88.15 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 Changes in Fiduciary Net Position for the years ended September 30, 2020, 2019 and 2018 is presented below:

Summary Statements of Changes in Fiduciary Net Position
Years Ended September 30

	2020	2019	$ Change 2020-2019	% Change 2020-2019	2018
Additions:					
Contributions	$ 22,944,236	$ 20,951,525	$ 1,992,711	9.5%	$ 20,419,514
Investment income	2,092,993	2,205,853	(112,860)	(5.1)%	4,729,953
RMI subsidy	1,686,400	2,314,747	(628,347)	(27.1)%	2,976,000
Other	456,283	357,788	98,495	27.5%	226,975
Total additions	27,179,912	25,829,913	1,349,999	5.2%	28,352,442
Deductions:					
Benefit payments	20,932,495	20,835,292	97,203	0.5%	20,734,016
Administrative	1,246,808	1,106,091	140,717	12.7%	1,067,563
Total deductions	22,179,303	21,941,383	237,920	1.1%	21,801,579
Change in net position	$ 5,000,609	$ 3,888,530	$ 1,112,079	28.6%	$ 6,550,863

Management's Discussion and Analysis for the year ended September 30, 2019 is set forth in MISSA's report on the audit of its financial statements dated June 16, 2020. Such Management Discussion and Analysis explains the major factors impacting the fiscal year 2020 financial statements and can be obtained from MISSA's Administrator via the contact information on page 7.

Additions:

The RMI Government remained consistent in paying its bi-weekly remittances on time which comprised 30.7% of total contributions. A number of new promissory notes were signed during the fiscal year and with growing contributions from Majuro and Kwajalein employers coupled with the continual aggressive collection efforts by MISSA's tax compliance officers, auditors and court actions, contributions increased from $20.95 million in FY 2019 to $22.94 million in FY 2020.

FINANCIAL ANALYSIS OF MISSA, CONTINUED

The following table presents MISSA's investment allocations as of September 30, 2020 with comparative figures in 2019.

	As of September 30, 2020				As of September 30, 2019			
Investment Type	**Weight**	**Target**	**Market Value ($'000)**	**Target Value ($'000)**	**Weight**	**Target**	**Market Value ($'000)**	**Target Value ($'000)**
Small Cap	5.55%	3.60%	$ 3,239	$ 2,101	5.02%	4.80%	$ 2,898	$ 2,771
Small Cap Value	3.63%	1.80%	2,119	1,051	6.28%	5.40%	3,623	3,116
Large Cap Growth	8.84%	10.80%	5,161	6,303	6.04%	6.00%	3,488	3,462
Large Cap	9.58%	12.60%	5,589	7,354	7.79%	7.80%	4,474	4,500
Large Cap Value	8.26%	10.20%	4,820	5,953	9.06%	8.40%	5,231	4,847
Int'l Small Cap	3.78%	2.40%	2,205	1,401	3.67%	3.60%	2,121	2,077
Int'l Small Cap Value	2.27%	1.80%	1,323	1,051	3.69%	3.60%	2,131	2,077
Int'l Large Cap	5.52%	6.00%	3,224	3,502	4.86%	4.80%	2,804	2,771
Int'l Large Cap Value	5.97%	4.20%	3,482	2,451	5.54%	6.00%	3,198	3,462
Emerging Markets	4.41%	3.60%	2,574	2,101	4.24%	4.20%	2,447	2,423
Domestic Real Estate	3.14%	1.80%	1,831	1,051	3.61%	3.00%	2,085	1,731
International Real Estate	2.18%	1.20%	1,273	700	2.67%	2.40%	1,540	1,385
Bonds	36.74%	40.00%	21,441	23,345	37.47%	40.00%	21,628	23,080
Cash and Equivalents	0.13%	0.00%	83	0	0.06%	0.00%	34	0
TOTAL	**100%**	**100%**	**$58,364**	**$58,364**	**100%**	**100%**	**$57,702**	**$57,702**

The above allocations are based on the current 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. As reported by MISSA's investment advisor, "year-to-date returns are particularly gratifying. Every single equity class is strongly positive."

With the exception of MISSA's investment in the 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, 2020, the fair market value of MISSA's investments in the U.S. and international markets increased by $0.660 million and totaled $58.4 million due to the positive performance of most asset classes in MISSA's portfolio. Having maintained a positive cash flow, no investment drawdown was made in FY 2020. A total of $1.6 million in dividends and interest payments were received and subsequently reinvested. Investment management fees have increased by $4,292 from $136,251 in 2019 to $140,543 in 2020.

MISSA presently holds a 36% 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. Between 2014 and 2017, MISSA received an additional 392 shares from MIHI, increasing MISSA's stockholding to 65,809 shares. In 2018, MISSA received an additional 100 shares from MIHI and exchanged 3,334 MIHI shares at $150 per share for 38,469 MISCO shares at $13 per share. This reduced MISSA's stockholding with MIHI to 62,575 shares. In 2019, MISSA received 75 additional shares from MIHI and exchanged 2,500 MIHI shares at $200 per share for $38,461 MISCO shares at $13 per share. This reduced MISSA's stockholding with MIHI to 60,150 shares.

On November 10, 2017, the Board approved the transfer of $1 million from MISSA's investments with MIHI to MISCO or the equivalent of 76,925 MISCO shares at $13.00 per share. The transfer was made in two installments: the first was made on December 22, 2017 and the second, on December 19, 2018.

FINANCIAL ANALYSIS OF MISSA, CONTINUED

As of September 30, 2020, MISSA's investment at MIHI increased in value by $0.80 million representing BOMI's fiscal year equity earnings less dividends received and value of sold shares. Annual dividend payment of $481,400 and $480,830 were received from MIHI in December 2020 for calendar year 2020 and in December 2019 for calendar year 2019, respectively. As of September 30, 2020 and 2019, the investment at MIHI amounted to $19.5 million and $18.7 million, respectively. Likewise, MISSA holds 80,080 shares of MISCO stock with a current value of $1 million.

Deductions:

Deductions represent benefit payments and administrative expenses. For the year ended September 30, 2020, total deductions amounted to $22.2 million, which is slightly higher than the $21.9 million paid in the previous year. The minimal increase was due to the removal of early retirement, extension of normal retirement age and coverage of earnings test to age 65 which significantly reduced the entry of new retirees into the retirement program. Administrative expenses were maintained within the budgetary limit. For the years ended September 30, 2020 and 2019, MISSA's administrative expenses totaled $1.2 million and $1.1 million, respectively. These amounts represent 5.43% and 5.28% 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

MISSA reached another milestone when the $22.9 million contributions for FY 2020 not only surpassed the $20.9 million benefits, but its excess also covered MISSA's $1.2 million administrative expenses in the same year to generate an operating surplus of $0.8 million before net investment income of $2.4 million. This was a complete turnaround from FY 2016 when MISSA reached its highest operating deficit of $6.2 million. Furthermore, MISSA was able to keep out of any cash deficit throughout the fiscal year. A cash flow projection until the end of September 2021 shows that MISSA's cash reserves will still be able to meet MISSA's operating requirements, subject to the timely receipt of the quarterly subsidies from the Government.

However, MISSA's robust financial health at the moment is facing serious challenges in the short-term. The threat of the COVID-19 pandemic, although mitigated by the ongoing vaccination in the country, remains a serious threat. During the height of the global pandemic outbreak in the early part of 2020, MISSA's investments outside the country dropped its market value by as much as $10.5 million with a negative 17.3% times weighted return. Fortunately, the world market bounced back in November 2020 when news broke out that COVID-19 vaccines with efficacy rate of 95% will soon be made available.

Tax delinquency remains a constant challenge to MISSA. Despite repeated demands and court orders, certain employers continue to default in their payments. Despite this setback, MISSA's tax compliance officers and auditors are determined as ever to continue with their aggressive tax collection campaign, payroll audits and legal referrals to improve, or at the least, maintain their targeted collection rate of 88% to 90% percent.

With the 3-year phasing in of the benefit reductions due to MISSA reform law having ended in 2019, it is expected that soon, benefits will again rise at an accelerating pace. With very few new workers joining the labor force, contributions will either grow at minimum level, remain stagnant or may be reduced by the continuous out-migration of local workers to the United States. If this trend continues, benefits will soon catch up with contributions and if not addressed on time, will result to another deficit and the negative gap will widen again as what MISSA had experienced in the past.

FUTURE ECONOMIC OUTLOOK, CONTINUED

The demand to either suspend or give back the 5%-10% benefit reductions brought about by MISSA reform law has become a constant issue being thrown to MISSA by its beneficiaries and has even become a persistent subject of debates in the Nitijela. If this demand is granted, MISSA will need to ask for more subsidies from the Government in order to compensate for the increase in benefit payments amounting to at least $1 million every year. To address this issue, MISSA may consider indirect ways and means to reinstate these benefit reductions in the form of health incentive programs exclusively for old age and medical retirees. However, this endeavor will likewise need the financial support of the Government and active participation of the Ministry of Health and Human Services.

Currently, the normal retirement age is 63 and this will increase further to 64 and 65 effective January 1, 2023 and January 1, 2025, respectively. However, certain parties and individuals are demanding to lower this age requirement. To abate the burden of the increasing age requirement with the 2-year multiple, MISSA is considering the option to use a 5-year multiple. This means that the age requirements of 64 and 65 will take effect starting January 1, 2026 and January 1, 2031, respectively. If these changes to MISSA law are passed by the Nitijela, MISSA will likewise need additional Government appropriation to compensate for the increase in benefits.

As of December 31, 2020, MISSA's net position have grown to around $96.3 million comprised mainly of local and foreign investments. Despite this growth, the funded status of the Retirement Fund is still at a critical level. As of the latest actuarial report dated October 1, 2018, the Fund's accrued liability has ballooned to $428.7 million while MISSA's nets position was valued only at $79.3 million, which resulted to an unfunded accrued liability of $349.5 million or 82%. Therefore, the funded status is only 18%. To increase the financial viability of the Fund, it is the aim of MISSA to generate a cash surplus of at least $1 million in the next 10 years which will be invested to grow the Fund and partially recover the $22.3 million that was drawn down from 2010 to 2016, when MISSA were facing operational deficits and cash flow crisis.

The Board has recently created an Investment Committee to oversee MISSA's investment performance. As part of the committee's terms of reference, all board members will undergo basic fiduciary training to learn the fundamental knowledge of their duties and responsibilities as stewards of the Retirement Fund. One business opportunity that MISSA is now looking into is local property development which will not only generate additional revenues for MISSA but will create labor opportunities for local workers as well.

Despite the improving financial performance of MISSA and its positive cash flow in the past three years, MISSA believes that without the continuous Government appropriation and support by the Nitijela, the short-term stability of the Fund will always face serious challenges. MISSA remains hopeful that it will continue to receive the same strong support it received from previous Administrations. It is always the goal of MISSA to work closely with our legislators to continue to seek their support to search for long-term solutions and ensure that the Marshall Islands Retirement Fund remains viable and financially healthy through the years.

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 saaneaho@rmimissa.org.

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

Statements of Fiduciary Net Position
September 30, 2020 and 2019

	2020	2019
ASSETS		
Cash	$ 4,772,892	$ 1,595,599
Receivables, net	4,613,489	3,774,375
Investments:		
Cash management	143,764	59,616
Time certificate of deposit	2,000,000	2,000,000
Stocks	20,574,241	19,770,132
Exchange traded funds	19,280,662	11,642,344
Mutual funds	38,938,905	46,000,543
Total investments	80,937,572	79,472,635
Capital assets, net	477,210	155,179
Total assets	90,801,163	84,997,788
LIABILITIES		
Accounts payable	195,984	63,641
Other liabilities and accruals	99,715	115,630
Due to affiliate	2,350,881	1,664,543
Total liabilities	2,646,580	1,843,814
Contingencies		
NET POSITION		
Held in trust for retirement, disability and survivors' benefits	$ 88,154,583	$ 83,153,974

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, 2020 and 2019

	2020	2019
Additions:		
Contributions:		
Private employees	$ 15,459,597	$ 13,403,279
Government employees	6,837,692	6,608,620
Penalties and interest	672,115	796,180
Total contributions	22,969,404	20,808,079
Recovery of (allowance for) doubtful accounts	(25,168)	143,446
Net contributions income	22,944,236	20,951,525
Investment income:		
Net change in the fair value of investments	573,279	14,417
Dividends	1,568,994	2,316,894
Interest	91,263	10,793
Total investment income	2,233,536	2,342,104
Less investment expense:		
Investment management and custodial fees	140,543	136,251
Net investment income	2,092,993	2,205,853
Other additions	456,283	357,788
RepMar subsidy	1,686,400	2,314,747
Total additions	27,179,912	25,829,913
Deductions:		
Benefit payments:		
Retirement	12,476,859	12,677,932
Survivors	7,417,197	7,217,942
Disability	833,523	803,963
Lump sum	204,916	135,455
Total benefit payments	20,932,495	20,835,292
Administrative	1,246,808	1,106,091
Total deductions	22,179,303	21,941,383
Change in net position	5,000,609	3,888,530
Net position at beginning of year	83,153,974	79,265,444
Net position at end of year	$ 88,154,583	$ 83,153,974

See accompanying notes to financial statements.

(1) Organization

The Marshall Islands Social Security Administration (MISSA), a fiduciary component unit of the Government of the Republic of the Marshall Islands (RepMar), was established pursuant to 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.

In 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. The Nitijela subsequently enacted 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. The Nitijela further enacted 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. On November 22, 2018, the Nitijela enacted Public Law 2018-98 (Social Security Amendment Act 2018), which amends certain sections of the Social Security Act to provide for: (i) cab drivers to be defined as employees subject to MISSA taxes and benefits; (ii) to increase the percentage of lump-sum payment for workers who do not have enough accrued quarters; and (iii) to provide options for non-citizens or nationals to claim lump-sum payment when they leave the Marshall Islands at the age of retirement.

MISSA operates under the authority of a nine-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. Cash and Time Certificates of Deposit

For the purposes of the statements of fiduciary net position, cash includes cash on hand and cash in checking and savings accounts. Deposits maintained in time certificates of deposit with original maturity dates greater than ninety days are separately classified.

C. 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.

D. Receivables and the Allowance for Doubtful Accounts

Contributions 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.

E. 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

(2) Summary of Significant Accounting Policies, Continued

F. 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.

G. 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, 2020 and 2019, the accumulated annual leave liability amounted to $40,913 and $28,015, 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, 2020 and 2019 is $24,203 and $19,449, respectively.

H. 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.

I. 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 8% of wages while every employer is required to contribute an amount equal to that contributed by employees. Maximum quarterly taxable wages are $10,000.

J. 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 have 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.

(2) Summary of Significant Accounting Policies, Continued

J. Benefit Obligations, Continued

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 Benefit Range	Percent of Reduction in 2017	2018	2019 and onward	But Not 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.

K. 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.

L. New Accounting Standards

During the year ended September 30, 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones the effective dates of GASB Statement No. 84, 89, 90, 91, 92 and 93 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. In accordance with GASB Statement No. 95, management has elected to postpone implementation of these statements.

(2) Summary of Significant Accounting Policies, Continued

L. New Accounting Standards, Continued

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 84 will be effective for fiscal year ending September 30, 2021.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. Management believes that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 87 will be effective for fiscal year ending September 30, 2022.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 89 will be effective for fiscal year ending September 30, 2022.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 90 will be effective for fiscal year ending September 30, 2021.

(2) Summary of Significant Accounting Policies, Continued

L. New Accounting Standards, Continued

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 91 will be effective for fiscal year ending September 30, 2023.

In January 2020, GASB issued statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports, the terminology used to refer to derivative instruments and the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefits. The requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reissuance recoveries and terminology used to refer to derivative instruments are effective upon issuance. In accordance with GASB Statement No. 95, the remaining requirements of GASB Statement No. 92 is effective for the fiscal year ending September 30, 2022.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The primary objective of this statement is to address those and other accounting and financial reporting implications of the replacement of an IBOR. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. Except for paragraphs 11b, 13, and 14, GASB Statement No. 93 will be effective for fiscal year ending September 30, 2021. The requirement in paragraphs 11b, 13, and 14 are effective for fiscal year September 30, 2022.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This statement also provides guidance for accounting and financial reporting for availability payment arrangements. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 94 will be effective for fiscal year ending September 30, 2023.

(2) Summary of Significant Accounting Policies, Continued

L. New Accounting Standards, Continued

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 96 will be effective for fiscal year ending September 30, 2023.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.* The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. GASB Statement No. 97 will be effective for fiscal year ending September 30, 2022.

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.

In 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, 2020 and 2019, received an allocation of $109,702 and $114,317, respectively, from PSTFA. Total benefits and administrative expenses for the years ended September 30, 2020 and 2019 amounted to $98,997 and $108,313, 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, 2020 and 2019, the amount of $32,308 and $21,603, 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 RepMar or by the Government of the United States, provided that the total market value of the investments in obligations guaranteed by 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 Marshall Islands 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 Marshall Islands 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 Marshall Islands 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.

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.

(4) Deposits and Investments, Continued

A. Deposits, Continued:

As of September 30, 2020 and 2019, the carrying amount of MISSA's cash and time certificate of deposit was \$6,772,892 and \$3,595,599, respectively, and the corresponding bank balances were \$6,526,820 and \$3,753,512, respectively. Of the bank balances, \$2,026,365 and \$347,702, respectively, were maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance. The remaining amounts of \$4,500,455 and \$3,405,810, respectively, are maintained in a financial institution not subject to depository insurance. As of September 30, 2020 and 2019, 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, 2020 and 2019, investments in marketable securities are as follows:

	2020	2019
Mutual funds	$ 38,938,905	$ 46,000,543
Exchange Traded funds	19,280,662	11,642,344
Cash management funds	143,764	59,616
	$ 58,363,331	$ 57,702,503

MISSA has the following recurring fair value measurements as of September 30, 2020 and 2019:

		Fair Value Measurements Using		
	September 30, 2020	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	$ 19,280,662	$ 19,280,662	$ -	$ -
Mutual funds	38,938,905	38,938,905	-	-
	58,219,567	$ 58,219,567	$ -	$ -
Investments measured at amortized cost:				
Money market funds	143,764			
	$ 58,363,331			

		Fair Value Measurements Using		
	September 30, 2019	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	$ 11,642,344	$ 11,642,344	$ -	$ -
Mutual funds	46,000,543	46,000,543	-	-
	57,642,887	$ 57,642,887	$ -	$ -
Investments measured at amortized cost:				
Money market funds	59,616			
	$ 57,702,503			

(4) Deposits and Investments, Continued

B. Investments, Continued

Additionally, MISSA owns 60,200 shares of common stock in 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, 2019, MISSA exchanged 2,500 shares of MIHI common stock at $200/share for 38,461 shares of Marshall Islands Service Corporation (MISCO) common stock at $13/share.

MISSA also owns 80,080 shares of common stock in MISCO, which is majority-owned by MIHI.

The investment in MIHI is accounted for on the equity method since the investment constitutes 36% ownership share as of September 30, 2020 and 2019. As of September 30, 2020 and 2019, MISSA's investment in MIHI amounted to $19,544,144 and $18,740,035, respectively. The investment in MISCO is stated at NAV. At September 30, 2020 and 2019, MISSA's investment in MISCO amounted to $1,030,097.

As of September 30, 2020 and 2019, MISSA maintained bank deposits with BOMI totaling $4,500,455 and $3,405,810, respectively. During the years ended September 30, 2020 and 2019, MISSA received cash dividend payments from MIHI of $480,830 and $500,133, respectively.

During the years ended September 30, 2020 and 2019, the total net increase in fair value of investments included $1,284,940 and $2,345,153, respectively, of equity in the net earnings of MIHI.

A summarized financial information of MIHI as of and for the years ended December 31, 2020 and 2019 is presented on the table below:

	2020	2019
Total assets	$ 167,798,436	$ 135,898,616
Total liabilities	$ 108,925.045	$ 79,449.431
Equity:		
Attributable to stockholders of MIHI	$ 53,201,698	$ 51,143,851
Noncontrolling interest	$ 5,671,693	$ 5,305,334
Net income attributed to:		
Stockholder of MIHI	$ 3,351,527	$ 5,074,779
Noncontrolling interests	$ 342,170	$ 373,318

Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. As of September 30, 2020 and 2019, 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.

(4) Deposits and Investments, Continued

B. Investments, Continued

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 amounts 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, 2020 and 2019.

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. As of September 30, 2020 and 2019, 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, 2020 and 2019, including applicable allowances for doubtful accounts, are as follows:

	2020	2019
Contributions	$ 4,626,142	$ 4,559,939
Court judgments	4,665,958	4,307,754
Notes	889,407	1,141,516
Due from RepMar	843,200	-
Other	125,836	287,815
	11,150,543	10,297,024
Less allowance for doubtful accounts	(6,537,054)	(6,522,649)
	$ 4,613,489	$ 3,774,375

Court judgments represent 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 represent 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) Capital Assets

Capital asset activity for the years ended September 30, 2020 and 2019, is as follows:

	October 1, 2019	Additions	Retirements	September 30, 2020
Buildings and improvements	$ 587,097	$ 355,572	$ -	$ 942,669
Computer equipment	90,782	1,970	(9,633)	83,119
Motor vehicles	133,582	57,445	(24,000)	167,027
Office equipment	51,486	1,140	(13,540)	39,086
Furniture	78,170	2,189	(18,475)	61,884
	941,117	418,316	(65,648)	1,293,785
Less accumulated depreciation and amortization	(785,938)	(96,285)	65,648	(816,575)
	$ 155,179	$ 322,031	$ -	$ 477,210

	October 1, 2018	Additions	Retirements	September 30, 2019
Buildings and improvements	$ 587,097	$ -	$ -	$ 587,097
Computer equipment	89,337	7,778	(6,333)	90,782
Motor vehicles	95,300	62,782	(24,500)	133,582
Office equipment	98,373	11,460	(58,347)	51,486
Furniture	59,652	18,518	-	78,170
	929,759	100,538	(89,180)	941,117
Less accumulated depreciation and amortization	(809,700)	(65,418)	89,180	(785,938)
	$ 120,059	$ 35,120	$ -	$ 155,179

(7) Related Party Transactions

As of September 30, 2020 and 2019, due to affiliate represents contributions payable to the Marshall Islands Health Fund of $2,350,881 and $1,664,543, respectively, which represented unremitted basic health fund employee and employer contributions collected by MISSA at the respective year ends. In return, MISSA receives a fixed fee of $200,000 per year for collecting contributions on behalf of the Marshall Islands Health Fund.

During the years ended September 30, 2020 and 2019, MISSA received an appropriation of $1,686,400 and $2,314,747, respectively, from RepMar's General Fund to subsidize monthly benefit payments as enacted by Public Law 2017-29. MISSA has recorded a receivable due from RepMar as of September 30, 2020 of $843,200 associated with these appropriations.

(8) Employee Retirement Plan

In 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 $21,994 and $23,007 to Plan participant accounts during the years ended September 30, 2020 and 2019, respectively, and total plan assets were $168,012 and $116,896 as of September 30, 2020 and 2019, respectively.

(9) Contingencies

MISSA obtained an actuarial valuation of the Retirement Fund as of October 1, 2018. The valuation reported actuarial accrued liabilities and market value of assets for the Retirement Fund of $428.74 million and $79.27 million, respectively, as of October 1, 2018. The funded ratio of the Retirement Fund as of October 1, 2018 is 18%. As of September 30, 2020, MISSA recorded total fund equity of $88,122,276 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.

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

(11) COVID-19

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. On October 28, 2020, one confirmed case was identified in the Marshall Islands that was subsequently isolated and contained. On November 17, 2020, an additional three cases were identified and which were isolated and contained. As of January 18, 2022, no community transmission has been identified. MISSA has determined that should community transmission occur within the Marshall Islands, it may negatively impact MISSA's operations and MISSA may become dependent upon the financial support of RepMar. However, the effect of the pandemic on RepMar is also uncertain and future available funding to RepMar component units may be limited. Therefore, while MISSA expects this matter to potentially have a negative impact on its investments and changes in net position available for benefits, the related financial impact cannot be reasonably estimated at this time.

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

Combining Statement of Fiduciary Net Position
September 30, 2020

	Retirement Fund	Prior Service Fund	Total Before Elimination	Elimination	Total
ASSETS					
Cash	$ 4,735,537	$ 37,355	$ 4,772,892	$ -	$ 4,772,892
Receivables, net	4,614,149	600	4,614,749	(1,260)	4,613,489
Investments:					
Cash management	143,764	-	143,764	-	143,764
Time certificate of deposit	2,000,000	-	2,000,000	-	2,000,000
Stocks	20,574,241	-	20,574,241	-	20,574,241
Exchange traded funds	19,280,662	-	19,280,662	-	19,280,662
Mutual funds	38,938,905	-	38,938,905	-	38,938,905
Total investments	80,937,572	-	80,937,572	-	80,937,572
Capital assets, net	477,210	-	477,210	-	477,210
Total assets	90,764,468	37,955	90,802,423	(1,260)	90,801,163
LIABILITIES					
Accounts payable	195,984	-	195,984	-	195,984
Other liabilities and accruals	95,327	5,648	100,975	(1,260)	99,715
Due to affiliate	2,350,881	-	2,350,881	-	2,350,881
Total liabilities	2,642,192	5,648	2,647,840	(1,260)	2,646,580
NET POSITION					
Held in trust for retirement, disability and survivors' benefits	$ 88,122,276	$ 32,307	$ 88,154,583	$ -	$ 88,154,583

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, 2020

	Retirement Fund	Prior Service Fund	Total Before Elimination	Elimination	Total
Additions:					
Contributions:					
Private employees	$ 15,459,597	$ -	$ 15,459,597	$ -	$ 15,459,597
Government employees	6,837,692	-	6,837,692	-	6,837,692
Penalties and interest	672,115	-	672,115	-	672,115
Total contributions	22,969,404	-	22,969,404	-	22,969,404
Allowance for doubtful accounts	(25,168)	-	(25,168)	-	(25,168)
Net contributions income	22,944,236	-	22,944,236	-	22,944,236
Investment income:					
Net change in the fair value of investments	573,279	-	573,279	-	573,279
Dividends	1,568,994	-	1,568,994	-	1,568,994
Interest	91,263	-	91,263	-	91,263
Total investment income	2,233,536	-	2,233,536	-	2,233,536
Less investment expense:					
Management and custodial fees	140,543	-	140,543	-	140,543
Net investment income	2,092,993	-	2,092,993	-	2,092,993
Other additions	363,071	109,702	472,773	(16,490)	456,283
RepMar subsidy	1,686,400	-	1,686,400	-	1,686,400
Total additions	27,086,700	109,702	27,196,402	(16,490)	27,179,912
Deductions:					
Benefit payments:					
Retirement	12,456,538	20,321	12,476,859	-	12,476,859
Survivors	7,355,011	62,186	7,417,197	-	7,417,197
Disability	833,523	-	833,523	-	833,523
Lump sum	204,916	-	204,916	-	204,916
Total benefit payments	20,849,988	82,507	20,932,495	-	20,932,495
Administrative	1,246,807	16,491	1,263,298	(16,490)	1,246,808
Total deductions	22,096,795	98,998	22,195,793	(16,490)	22,179,303
Change in net position	4,989,905	10,704	5,000,609	-	5,000,609
Net position at beginning of year	83,132,371	21,603	83,153,974	-	83,153,974
Net position at end of year	$ 88,122,276	$ 32,307	$ 88,154,583	$ -	$ 88,154,583

See Accompanying Independent Auditors' Report.

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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, 2020, 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 18, 2022. Our report includes an emphasis-of-matters paragraph concerning uncertainty regarding funded ratio and the impact of COVID-19.

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) as a basis for designing 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 financial statements. 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 18, 2022

Unresolved Prior Year Findings
Year Ended September 30, 2020

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