MARSHALL ISLANDS SOCIAL SECURITY ADMINISTRATION

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

FINANCIAL STATEMENTS, ADDITIONAL INFORMATION AND INDEPENDENT AUDITOR'S REPORT

YEARS ENDED SEPTEMBER 30, 2021 AND 2020

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

Years Ended September 30, 2021 and 2020
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INDEPENDENT AUDITOR'S 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, 2021 and 2020, 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.

Auditor's 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, 2021 and 2020, 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.

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.

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 standards 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 12, 2023 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 12, 2023

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, 2021 and 2020. 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, 2021, 2020 and 2019 is presented below:

Summary Statements of Fiduciary Net Position
As of September 30

	2021	2020	$ Change 2021-2020	% Change 2021-2020	2019
Assets:					
Cash	$ 4,036,935	$ 4,772,892	$ (735,957)	(15.4)%	$ 1,595,599
Time certificate of deposit	3,500,000	2,000,000	1,500,000	75.0%	2,000,000
Receivables, net	5,152,172	4,613,489	538,683	11.7%	3,774,375
Investments	93,637,998	78,937,572	14,700,426	18.6%	77,472,635
Capital assets	399,800	477,210	(77,410)	(16.2)%	155,179
Total assets	106,726,905	90,801,163	15,925,742	17.5%	84,997,788
Liabilities:					
Current and other liabilities	200,834	295,699	(94,865)	(32.1)%	179,271
Due to affiliates	2,358,756	2,350,881	7,875	0.3%	1,664,543
Total liabilities	2,559,590	2,646,580	(86,990)	(3.3)%	1,843,814
Net position:					
Held in trust for future benefits	$ 104,167,315	$ 88,154,583	$ 16,012,732	18.2%	$ 83,153,974

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. Four years after the reform law was passed, MISSA's cash flow continued to remain positive. The COVID-19 outbreak in the country in August 2022 did not have any significant impact in contributions and financial operations of MISSA. Further, MISSA has enough cash reserves to meet its operational requirements and ensure uninterrupted benefit payments even if there is a second COVID-19 outbreak that may force the country 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, $1.7 million and $1.6 million in FYs 2017, 2018, 2019, 2020 and 2021, respectively.

For the third 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, 2021, MISSA's total net position held in reserve for future benefits amounted to $104.17 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, 2021, 2020 and 2019 is presented below:

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

	2021	2020	$ Change 2021-2020	% Change 2021-2020	2019
Additions:					
Contributions	$ 22,640,520	$ 22,944,236	$ (303,716)	(1.3)%	$ 20,951,525
Investment income	13,856,118	2,092,993	11,763,125	562.0%	2,205,853
RMI subsidy	1,587,200	1,686,400	(99,200)	(5.9)%	2,314,747
Other	340,056	456,283	(116,227)	(25.5)%	357,788
Total additions	38,423,894	27,179,912	11,243,982	41.4%	25,829,913
Deductions:					
Benefit payments	21,202,996	20,932,495	270,501	1.3%	20,835,292
Administrative	1,208,166	1,246,808	(38,642)	(3.1)%	1,106,091
Total deductions	22,411,162	22,179,303	231,859	1.0%	21,941,383
Change in net position	$ 16,012,732	$ 5,000,609	$ 11,012,123	220.2%	$ 3,888,530

Management's Discussion and Analysis for the year ended September 30, 2020 is set forth in MISSA's report on the audit of its financial statements dated January 18, 2022. 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 31.9% 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 $22.97 million in FY 2020 to $25.42 million in FY 2021.

FINANCIAL ANALYSIS OF MISSA, CONTINUED

The following table presents MISSA's investment allocations as of September 30, 2021 with comparative figures in 2020.

	As of September 30, 2021				As of September 30, 2020			
Investment Type	Weight	Target	Market Value ($'000)	Target Value ($'000)	Weight	Target	Market Value ($'000)	Target Value ($'000)
Small Cap	4.97%	4.97%	$ 3,608	$ 3,608	5.55%	3.60%	$ 3,239	$ 2,101
Small Cap Value	3.08%	3.08%	2,238	2,236	3.63%	1.80%	2,119	1,051
Large Cap Growth	11.72%	11.72%	8,508	8,509	8.84%	10.80%	5,161	6,303
Large Cap	13.97%	13.97%	10,140	10,143	9.58%	12.60%	5,589	7,354
Large Cap Value	11.44%	11.44%	8,307	8,306	8.26%	10.20%	4,820	5,953
Int'l Small Cap	3.23%	3.23%	2,348	2,345	3.78%	2.40%	2,205	1,401
Int'l Small Cap Value	2.11%	2.11%	1,534	1,532	2.27%	1.80%	1,323	1,051
Int'l Large Cap	5.58%	5.58%	4,049	4,051	5.52%	6.00%	3,224	3,502
Int'l Large Cap Value	5.28%	5.27%	3,832	3,826	5.97%	4.20%	3,482	2,451
Emerging Markets	4.47%	4.47%	3,245	3,245	4.41%	3.60%	2,574	2,101
Domestic Real Estate	2.53%	2.53%	1,839	1,837	3.14%	1.80%	1,831	1,051
International Real Estate	1.52%	1.52%	1,102	1,104	2.18%	1.20%	1,273	700
Bonds	30.07%	30.07%	21,832	21,832	36.74%	40.00%	21,441	23,345
Cash and Equivalents	0.03%	0.03%	20	22	0.13%	0.00%	83	0
TOTAL	100%	100%	$72,604	$72,597	100%	100%	$58,364	$58,364

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, 2021, the fair market value of MISSA's investments in the U.S. and international markets increased by $14.2 million and totaled $72.6 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 $0.9 million in dividends and interest payments were received and subsequently reinvested. Investment management fees have increased by $24,338 from $140,543 in 2020 to $164,881 in 2021.

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. In 2020 and 2021, MISSA received 100 additional shares from MIHI, which increased MISSA's stockholding with MIHI to 60,250 shares.

FINANCIAL ANALYSIS OF MISSA, CONTINUED

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.

As of September 30, 2021, MISSA's investment at MIHI increased in value by $0.46 million representing BOMI's fiscal year equity in earnings less dividends received and value of sold shares. Annual dividend payments of $481,725 and $481,400 were received from MIHI in December 2021 for calendar year 2021 and in December 2020 for calendar year 2020, respectively. As of September 30, 2021 and 2020, the investment at MIHI amounted to $20 million and $19.5 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, 2021, total deductions amounted to $22.4 million, which is slightly higher than the $22.2 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 each of the years ended September 30, 2021 and 2020, MISSA's administrative expenses totaled $1.2 million. These amounts represent 4.75% and 5.43% 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

For the second year in a row, contributions have surpassed the combined amounts of benefits and administrative expenses, which resulted in an operating surplus of $229,358. This is a complete turnaround from FY 2016 when MISSA reached its highest operating deficit of $6.2 million. Furthermore, MISSA was able to maintain a cash positive position throughout fiscal year 2021. Projected cash flows for fiscal year 2022 indicated that MISSA's cash reserves remained positive and were sufficient to meet MISSA's operating requirements, subject to the timely receipt of the quarterly subsidies from the Government.

However, benefit payments are expected to increase soon with the passage of Bill 45 (Public Law 2021-36) on November 12, 2021, which fixed the normal retirement age to 63. The impact of this new law will be a rise in benefits estimated at $616,100 and $674,902 in 2023 and 2024, respectively. This may become another serious challenge to MISSA's long-term aim to generate on an annual basis at least a $1 million operating surplus intended to grow back the Retirement Fund.

MISSA's robust financial health in the short-term is expected to cushion the impact of COVID-19 community outbreak that started in August 2022 and lasted only for a couple of months. With the pro-active and vigilant health protocols being implemented continuously by the Ministry of Health and Human Services and the National Disaster Committee, the sporadic new cases being reported are considered insignificant to be considered as a threat to the viability of the Retirement Fund.

Tax delinquency remains a constant challenge to the Administration. 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 90% to 95% percent.

FUTURE ECONOMIC OUTLOOK, CONTINUED

The demand to either suspend or give back the 5%-10% benefit reductions brought about by the MISSA reform law has become a constant issue being pushed by MISSA's 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.

As of September 30, 2021, MISSA's net assets have grown to $104.167 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 official actuarial report dated October 1, 2018, the Fund's accrued liability has ballooned to $428.74 million while MISSA's nets assets were 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%.

Another actuarial study was conducted as of October 1, 2021. The draft actuarial report that was just recently received by the Administration has shown a significant improvement, more particularly on the funded status which had increased from 18% (in 2018) to 27% (in 2021). The report will be finalized after MISSA's audited financial statements for FY 2021 are released by its auditors.

MISSA's Investment Committee that oversees the Administration's investment performance has remained watchful and is in constant communication with the Investment Adviser to ensure that the terms and conditions in the duly approved Investment Policy Statement (IPS) are consistently and strictly followed. 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.

As 2022 ends, most major asset classes have struggled and MISSA's foreign investments were not spared. The volatility in the capital markets was beyond every investor's control. It was caused primarily by escalating inflation worldwide, concerns surround COVID-19, more particularly in China and the effects of the Ukraine-Russia war. However, our forecasts and outlook for the short and medium-term reflect more positive returns. As the Administration's cash flow is projected to remain positive in the next 12 months, its emphasis will remain with the basic market fundamentals, such as quality and profitability through diversification, as we enter the next stage of our recovery. There is no immediate plan to change the present composition of the asset classes in MISSA;s portfolio and MISSA will continue to see opportunities and optimistically welcome what the new year brings.

Despite the improving financial performance of MISSA and its positive cash flow in the past four years, the Administration 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, 2021 and 2020

	2021	2020
ASSETS		
Cash	$ 4,036,935	$ 4,772,892
Receivables, net	5,152,172	4,613,489
Investments:		
Cash management	95,931	143,764
Time certificate of deposit	3,500,000	2,000,000
Stocks	21,032,709	20,574,241
Exchange traded funds	28,425,388	19,280,662
Mutual funds	44,083,970	38,938,905
Total investments	97,137,998	80,937,572
Capital assets, net	399,800	477,210
Total assets	106,726,905	90,801,163
LIABILITIES		
Accounts payable	188,175	195,984
Other liabilities and accruals	12,659	99,715
Due to affiliate	2,358,756	2,350,881
Total liabilities	2,559,590	2,646,580
Contingencies		
NET POSITION		
Held in trust for retirement, disability and survivors' benefits	$ 104,167,315	$ 88,154,583

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, 2021 and 2020

	2021	2020
Additions:		
Contributions:		
Private employees	$ 14,501,440	$ 15,459,597
Government employees	7,231,746	6,837,692
Penalties and interest	973,620	672,115
Total contributions	22,706,806	22,969,404
Allowance for doubtful accounts	(66,286)	(25,168)
Net contributions income	22,640,520	22,944,236
Investment income:		
Net change in the fair value of investments	13,072,322	573,279
Dividends	830,437	1,568,994
Interest	118,240	91,263
Total investment income	14,020,999	2,233,536
Less investment expense:		
Investment management and custodial fees	164,881	140,543
Net investment income	13,856,118	2,092,993
Other additions	340,056	456,283
RepMar subsidy	1,587,200	1,686,400
Total additions	38,423,894	27,179,912
Deductions:		
Benefit payments:		
Retirement	12,338,493	12,476,859
Survivors	7,743,183	7,417,197
Disability	886,181	833,523
Lump sum	235,139	204,916
Total benefit payments	21,202,996	20,932,495
Administrative	1,208,166	1,246,808
Total deductions	22,411,162	22,179,303
Change in net position	16,012,732	5,000,609
Net position at beginning of year	88,154,583	83,153,974
Net position at end of year	$ 104,167,315	$ 88,154,583

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

The accounting policies of MISSA conform to accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental entities, specifically fiduciary funds. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles.

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.

(2) Summary of Significant Accounting Policies, Continued

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.

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.

(2) Summary of Significant Accounting Policies, Continued

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

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, 2021 and 2020, the accumulated annual leave liability amounted to $12,659 and $40,913, 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, 2021 and 2020 is $21,453 and $24,203, 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.

(2) Summary of Significant Accounting Policies, Continued

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.

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.

(2) Summary of Significant Accounting Policies, Continued

L. New Accounting Standards

In 2020, GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance, which postponed 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.

During the year ended September 30, 2021, MISSA implemented the following pronouncements:

- GASB Statement No. 84, Fiduciary Activities, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.
- GASB Statement No. 90, Majority Equity Interests - An Amendment of GASB Statements No. 14 and 61, which improves 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.
- GASB Statement No. 93, Replacement of Interbank Offered Rates, which establishes accounting and reporting requirements related to the replacement of Interbank Offered Rates such as the London Interbank Offered Rate (LIBOR) for hedging derivative instruments. The provision removing LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of derivative instruments is effective for the fiscal year ending September 30, 2022.

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

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 the 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 the fiscal year ending September 30, 2022.

(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 the 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. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. 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 are effective for the fiscal year ending 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 the fiscal year ending September 30, 2023.

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 the fiscal year ending September 30, 2023.

(2) Summary of Significant Accounting Policies, Continued

L. New Accounting Standards, Continued

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. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. 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.

MISSA assumed administrative functions and for the years ended September 30, 2021 and 2020, received an allocation of $83,700 and $109,702, respectively, from PSTFA. Total benefits and administrative expenses for the years ended September 30, 2021 and 2020 amounted to $94,501 and $98,997, 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, 2021 and 2020, the amount of $21,506 and $32,307, 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, 2021 and 2020, the carrying amount of MISSA's cash and time certificates of deposit was $7,536,935 and $6,772,892, respectively, and the corresponding bank balances were $7,761,454 and $6,526,820, respectively. Of the bank balances, $193,108 and $2,026,365, respectively, were maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance. The remaining amounts of $7,568,346 and $4,500,455, respectively, are maintained in a financial institution not subject to depository insurance. As of September 30, 2021 and 2020, bank deposits in the amount of $193,108 and $250,000, respectively, 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, 2021 and 2020, investments in marketable securities are as follows:

	2021	2020
Mutual funds	$ 44,083,970	$ 38,938,905
Exchange Traded funds	28,425,388	19,280,662
Cash management funds	95,931	143,764
	$ 72,605,289	$ 58,363,331

MISSA has the following recurring fair value measurements as of September 30, 2021 and 2020:

		Fair Value Measurements Using		
	September 30, 2021	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	$ 28,425,388	$ 28,425,388	$ -	$ -
Mutual funds	44,083,970	44,083,970	-	-
	72,509,358	$ 72,509,358	$ -	$ -
Investments measured at amortized cost:				
Money market funds	95,931			
	$ 72,605,289			

		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			

(4) Deposits and Investments, Continued

B. Investments, Continued

Additionally, MISSA owns 60,250 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, 2021 and 2020. As of September 30, 2021 and 2020, MISSA's investment in MIHI amounted to $20,002,612 and $19,544,144, respectively. The investment in MISCO is stated at NAV. As of September 30, 2021 and 2020, MISSA's investment in MISCO amounted to $1,030,097.

As of September 30, 2021 and 2020, MISSA maintained bank deposits with BOMI totaling $7,568,346 and $4,500,455, respectively. During the years ended September 30, 2021 and 2020, MISSA received cash dividend payments from MIHI of $481,400 and $480,830, respectively.

During the years ended September 30, 2021 and 2020, the total net increase in fair value of investments included $939,868 and $1,284,940, respectively, of equity in the net earnings of MIHI.

A summarized financial information of MIHI as of and for the years ended December 31, 2021 and 2020 is presented on the table below:

	2021	2020
Total assets	$ 185,286,064	$ 167,798,436
Total liabilities	$ 123,230,020	$ 108,925,045
Equity:		
Attributable to stockholders of MIHI	$ 56,127,730	$ 53,201,698
Noncontrolling interest	$ 5,928,314	$ 5,671,693
Net income attributed to:		
Stockholders of MIHI	$ 4,233,057	$ 3,351,527
Noncontrolling interests	$ 447,103	$ 342,170

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, 2021 and 2020, MISSA's investment portfolio did not include investments in debt securities. Accordingly, MISSA is not exposed to credit risk from investments.

(4) Deposits and Investments, Continued

B. Investments, Continued

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 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, 2021 and 2020.

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, 2021 and 2020, 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, 2021 and 2020, including applicable allowances for doubtful accounts, are as follows:

	2021	2020
Contributions	$ 5,984,319	$ 4,626,142
Court judgments	3,746,032	4,665,958
Notes	1,811,589	889,407
Interest	103,542	-
Due from RepMar	-	843,200
Other	142,585	125,836
	11,788,067	11,150,543
Less allowance for doubtful accounts	(6,635,895)	(6,537,054)
	$ 5,152,172	$ 4,613,489

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, 2021 and 2020, is as follows:

	October 1, 2020	Additions	Retirements	September 30, 2021
Buildings and improvements	$ 942,669	$ -	$ -	$ 942,669
Computer equipment	83,119	10,572	-	93,691
Motor vehicles	167,027	56,945	(86,582)	137,390
Office equipment	39,086	7,496	-	46,582
Furniture	61,884	-	-	61,884
	1,293,785	75,013	(86,582)	1,282,216
Less accumulated depreciation and amortization	(816,575)	(132,029)	66,188	(882,416)
	$ 477,210	$ (57,016)	$ (20,394)	$ 399,800

	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

(7) Related Party Transactions

As of September 30, 2021 and 2020, due to affiliate represents contributions payable to the Marshall Islands Health Fund of $2,358,756 and $2,350,881, 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, 2021 and 2020, MISSA received an appropriation of $1,587,200 and $1,686,400, 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 for $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 $20,821 and $21,994 to Plan participant accounts during the years ended September 30, 2021 and 2020, respectively, and total plan assets were $216,754 and $168,012 as of September 30, 2021 and 2020, 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, 2021, MISSA recorded total fund equity of $104,145,809 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 the containment and mitigation measures worldwide. During the year ended September 30, 2021, four confirmed cases were identified in the Marshall Islands that were isolated and contained. On August 8, 2022, community transmission was identified and MISSA has determined that such may negatively impact MISSA's business, results of operations, and financial position 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 business, results of operations, and financial position, the related financial impact cannot be reasonably estimated at this time.

(12) Subsequent Event

The market value of MISSA's Retirement Fund investments in marketable securities decreased from $72.6 million at September 30, 2021 to approximately $65 million at December 31, 2022.

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

Combining Statement of Fiduciary Net Position
September 30, 2021

	Retirement Fund	Prior Service Fund	Total Before Elimination	Elimination	Total
ASSETS					
Cash	$ 4,010,642	$ 26,293	$ 4,036,935	$ -	$ 4,036,935
Receivables, net	5,151,572	600	5,152,172	-	5,152,172
Investments:					
Cash management	95,931	-	95,931	-	95,931
Time certificate of deposit	3,500,000	-	3,500,000	-	3,500,000
Stocks	21,032,709	-	21,032,709	-	21,032,709
Exchange traded funds	28,425,388	-	28,425,388	-	28,425,388
Mutual funds	44,083,970	-	44,083,970	-	44,083,970
Total investments	97,137,998	-	97,137,998	-	97,137,998
Capital assets, net	399,800	-	399,800	-	399,800
Total assets	106,700,012	26,893	106,726,905	-	106,726,905
LIABILITIES					
Accounts payable	188,175	-	188,175	-	188,175
Other liabilities and accruals	7,272	5,387	12,659	-	12,659
Due to affiliate	2,358,756	-	2,358,756	-	2,358,756
Total liabilities	2,554,203	5,387	2,559,590	-	2,559,590
NET POSITION					
Held in trust for retirement, disability and survivors' benefits	$ 104,145,809	$ 21,506	$ 104,167,315	$ -	$ 104,167,315

See Accompanying Independent Auditor's 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, 2021

	Retirement Fund	Prior Service Fund	Total Before Elimination	Elimination	Total
Additions:					
Contributions:					
Private employees	$ 14,501,440	$ -	$ 14,501,440	$ -	$ 14,501,440
Government employees	7,231,746	-	7,231,746	-	7,231,746
Penalties and interest	973,620	-	973,620	-	973,620
Total contributions	22,706,806	-	22,706,806	-	22,706,806
Allowance for doubtful accounts	(66,286)	-	(66,286)	-	(66,286)
Net contributions income	22,640,520	-	22,640,520	-	22,640,520
Investment income:					
Net change in the fair value of investments	13,072,322	-	13,072,322	-	13,072,322
Dividends	830,437	-	830,437	-	830,437
Interest	118,240	-	118,240	-	118,240
Total investment income	14,020,999	-	14,020,999	-	14,020,999
Less investment expense:					
Management and custodial fees	164,881	-	164,881	-	164,881
Net investment income	13,856,118	-	13,856,118	-	13,856,118
Other additions	271,931	83,700	355,631	(15,575)	340,056
RepMar subsidy	1,587,200	-	1,587,200	-	1,587,200
Total additions	38,355,769	83,700	38,439,469	(15,575)	38,423,894
Deductions:					
Benefit payments:					
Retirement	12,320,181	18,312	12,338,493	-	12,338,493
Survivors	7,682,754	60,429	7,743,183	-	7,743,183
Disability	886,181	-	886,181	-	886,181
Lump sum	235,139	-	235,139	-	235,139
Total benefit payments	21,124,255	78,741	21,202,996	-	21,202,996
Administrative	1,207,981	15,760	1,223,741	(15,575)	1,208,166
Total deductions	22,332,236	94,501	22,426,737	(15,575)	22,411,162
Change in net position	16,023,533	(10,801)	16,012,732	-	16,012,732
Net position at beginning of year	88,122,276	32,307	88,154,583	-	88,154,583
Net position at end of year	$ 104,145,809	$ 21,506	$ 104,167,315	$ -	$ 104,167,315

See Accompanying Independent Auditor's Report.

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INDEPENDENT AUDITOR'S 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, 2021, 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 12, 2023. 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 12, 2023

Unresolved Prior Year Findings
Year Ended September 30, 2021

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