



REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND
(A COMPONENT UNIT OF THE REPUBLIC OF PALAU)

FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2020 AND 2019

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Republic of Palau Civil Service Pension Trust Fund:

Report on the Financial Statements

We have audited the accompanying financial statements of the Republic of Palau Civil Service Pension Trust Fund (the Fund), a component unit of the Republic of Palau, 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.

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 audits 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 the Republic of Palau Civil Service Pension Trust Fund as of September 30, 2020 and 2019, and the changes in its fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Going Concern

The accompanying financial statements have been prepared assuming the Fund will continue as a going concern. As discussed in note 6 to the financial statements, the Fund's actuarial valuation indicates that the Fund has a net pension liability of \$308,480,463, which, assuming current contribution rates, would cause the Fund's fiduciary net position to become negative in 2024. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The Schedule of Changes in Net Pension Liability and Related Ratios on page 34, the Schedule of Contributions on page 35, the Schedule of Investment Rates of Return on page 36 and the Notes to Required Supplementary Schedules on pages 37 and 38 as of September 30, 2020 are supplementary information required by GASB Statement No. 67, *Financial Reporting for Pension Plans*. This supplementary information is the responsibility of the Fund'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 basic financial statements, and other knowledge we obtained during our audit of the basic 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 that collectively comprise the Fund's basic financial statements. The Schedule of Investment Securities on pages 39 through 45 as of September 30, 2020 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Investment Securities is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Investment Securities is fairly stated, in all material respects, in relation to the basic 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 July 25, 2022 on our consideration of the Fund'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 the Fund'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 the Fund's internal control over financial reporting and compliance.

Deloitte & Touche LLC

July 25, 2022



REPUBLIC OF PALAU CIVIL SERVICE PENSION PLAN

Board of Trustees

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MANAGEMENT'S DISCUSSION AND ANALYSIS Plan Year Ended September 30, 2020

This report presents a management's discussion and analysis of the Republic of Palau Civil Service Pension Trust Fund's (the Fund) financial performance during the fiscal year ended September 30, 2020, with selected comparative information for the fiscal years ended September 30, 2019 and 2018.

Introductory Section

The Fund is a defined benefit, cost sharing multi-employer plan, which is a component unit of the Republic of Palau (ROP) National Government providing retirement and other benefits to employees, their spouses and dependents, of the National and State Governments, quasi-governmental organizations, ROP public corporations and other public entities of the National and State Governments.

Accounting Methods and Policies

The accounting policies of the Fund conform to accounting principles generally accepted in the United States of America as applicable to governmental agencies, specifically state and local governmental pension plans. The Fund accounts for fiduciary net position and reporting fiduciary net position in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*, and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, which were adopted during fiscal years ended September 30, 2014 and 2015, respectively. Financial statements are prepared on the accrual basis of accounting. This method records revenues when earned and expenses when liabilities are incurred.

Financial Highlights

- The *net pension liability* increased from \$250,868,784 as of September 30, 2019 to \$308,480,463 as of September 30, 2020, an increase of \$57,611,679 or 22.96%. The Board of Trustees and management of the Fund are working in collaboration with the Olbiil Era Kelulau and the Ministry of Finance to determine, based on the recommendations from the actuarial study commissioned by law in fiscal year 2018, the best solution to correct the current funding deficiency. The recommendations include the possibility of increasing the retirement age, the enrollment of the private sector or an increase in current government funding to at least \$5 million annually if there will be no changes to the current plan. House Bill No. 10-126-13 is currently under deliberation.

- The Fund has time certificates of deposit of \$1,854,801 and \$1,878,801 in Pacific Savings Bank (PSB) at September 30, 2020 and 2019, respectively. The Estate of Johnny Reklai and the Board of Trustees have signed a Settlement Agreement where the Estate will transfer possession, custody and control of the 1,500 shares of common stock of Western Caroline Trading Company to the Fund that were pledged as collateral in the event PSB defaults on the payment. Dividends collected were \$24,000 in fiscal years 2020 and 2019. The Fund recorded a recovery of \$2,000,000 for the year ended September 30, 2016 and continues to pursue legal action against the PSB Receiver, Trustee of the PSB creditors.
- The Fund's investment portfolio increased in value from \$25,931,203 in fiscal year 2019 to \$29,951,605 in fiscal year 2020. Fiduciary net position increased from \$27,758,747 in fiscal year 2019 to \$31,666,644 in fiscal year 2020, an increase of \$3,907,897.
- The Fund withdrew \$-0-, \$1,671,000 and \$1,897,000 from investments during fiscal years 2020, 2019 and 2018, respectively, to pay for benefits and administrative expenses during the same periods.
- The Fund received \$477,679 and \$480,643 in fiscal years 2020 and 2019, respectively, as additional revenue from remittance and money transfer tax through RPPL No. 9-2. The Fund received \$4,679,254 through RPPL 10-25 and RPPL 10-42 for fiscal year 2020 and \$887,871 through RPPL 10-25 for fiscal year 2019.

Overview of the Financial Statements

During the year ended September 30, 2015, the Fund adopted GASB Statement Nos. 68 and 71, which established contribution pensions provided to employees of state and local governments. The implementation resulted in the recognition of pension expense as well as the reporting of deferred outflows and inflows of resources and a net pension liability based on the Fund's proportionate share of those of the overall Plan. Refer to note 3 for details of GASB Statement Nos. 68 and 71.

The following summarizes the financial condition and operations of the Fund as of and for the years ended September 30, 2020, 2019 and 2018.

The Statements of Fiduciary Net Position includes the Fund's assets and liabilities that provide a picture of the financial position of the Fund as of September 30, 2020, 2019 and 2018. These statements reflect resources of net position available for pension benefits to members, retirees and beneficiaries at the end of the fiscal year reported.

STATEMENTS OF FIDUCIARY NET POSITION

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Assets and deferred outflows of resources:			
Cash and cash equivalents	\$ 288,668	\$ 481,412	\$ 627,833
Time certificates of deposit	1,854,801	1,878,801	1,920,899
Investments	29,951,605	25,931,203	26,597,091
Other assets	<u>575,164</u>	<u>371,784</u>	<u>349,681</u>
	32,670,238	28,663,200	29,495,504
Deferred outflows of resources	<u>328,232</u>	<u>155,592</u>	<u>221,518</u>
	<u>\$ 32,998,470</u>	<u>\$ 28,818,792</u>	<u>\$ 29,717,022</u>

Overview of the Financial Statements, Continued

STATEMENTS OF FIDUCIARY NET POSITION, CONTINUED

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Liabilities, deferred inflows of resources and fiduciary net position:			
Liabilities	\$ 1,147,144	\$ 851,906	\$ 891,152
Deferred inflows of resources	184,682	208,139	212,764
Fiduciary net position	<u>31,666,644</u>	<u>27,758,747</u>	<u>28,613,106</u>
	<u>\$ 32,998,470</u>	<u>\$ 28,818,792</u>	<u>\$ 29,717,022</u>

- At September 30, 2020, 2019 and 2018, the Fund had \$24,838, \$21,872 and \$16,786, respectively, in capital assets, net of accumulated depreciation, which represent net increases of \$2,966 in 2020 over 2019 and \$5,086 in 2019 over 2018. See note 1 to the financial statements for information on the Fund's capital assets.
- At September 30, 2020, the Fund had no long-term debt outstanding. See note 3 to the financial statements for more detailed information on the Fund's long-term liabilities and changes therein.

Revenue and Expense Analysis

The Statements of Changes in Fiduciary Net Position summarize the Fund's financial activities that occurred during the fiscal year as compared to amounts for the previous fiscal years. The financial statements measure the change in resources available to defray pension benefits to members, retirees and beneficiaries for fiscal years 2020, 2019 and 2018.

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Additions:			
Contributions	\$ 7,426,865	\$ 7,194,270	\$ 7,027,064
Investment income	2,020,402	1,005,113	1,184,830
Other income	<u>5,173,080</u>	<u>1,384,745</u>	<u>1,221,493</u>
	<u>14,620,347</u>	<u>9,584,128</u>	<u>9,433,387</u>
Deductions:			
Benefit and refund payments	10,299,558	9,934,096	9,726,689
Administrative expenses	<u>412,892</u>	<u>504,391</u>	<u>503,069</u>
	<u>10,712,450</u>	<u>10,438,487</u>	<u>10,229,758</u>
Net increase (decrease)	3,907,897	(854,359)	(796,371)
Fiduciary net position, beginning of year	<u>27,758,747</u>	<u>28,613,106</u>	<u>29,409,477</u>
Fiduciary net position, end of year	<u>\$ 31,666,644</u>	<u>\$ 27,758,747</u>	<u>\$ 28,613,106</u>

- Contribution revenue increased from \$7,194,270 in 2019 to \$7,426,865 in 2020, an increase of \$232,595 and from \$7,027,064 in 2018 to \$7,194,270 in 2019, an increase of \$167,206.
- Investment portfolios appreciated in fair market value by \$1,555,420 and yielded net earnings of \$2,020,402, \$1,005,113 and \$1,184,830 in 2020, 2019 and 2018, respectively.

Revenue and Expense Analysis, Continued

- Benefit and refund payments increased from \$9,934,096 in 2019 to \$10,299,558 in 2020, an increase of \$365,462 and from \$9,726,689 in 2018 to \$9,934,096 in 2019, an increase of \$207,407. The number of retirees and beneficiaries are expected to stabilize and slowly decline over the next several years.
- Administrative expenses decreased from \$504,391 in 2019 to \$412,892 in 2020, a decrease of \$91,499 and increased from \$503,069 in 2018 to \$504,391 in 2019, an increase of \$1,322.

Economic Outlook

The Board of Trustees and management of the Fund recently added Master Limited Partnerships and Real Estate Investment Trusts to the portfolio. We believe these will further provide a well-diversified portfolio to minimize losses and add value.

The U.S. and Global Markets proved to be volatile in 2020 and 2019. Sociopolitical events around the world continue to influence market performance. Our strategic asset allocation, asset diversification and portfolio construction are well positioned to capture opportunities in both the up and down markets. We remain fully invested. We continue to look for opportunities where money could be made in the short-term, but we stay focused on our long-term objectives. Our portfolios appreciated in fair market value in 2020 and 2019.

RPPL No. 10-25 appropriated \$150,000 to the Plan to work in collaboration with the Olbiil Era Kelulau and the Ministry of Finance to commission an actuarial study that shall determine viable options toward a comprehensive reform. In the latter half of fiscal year 2018, Milliman Private Limited based in Singapore was tasked to conduct such study. The final report from the actuarial firm offered three recommendations: 1) No change to vested leavers as well as current beneficiaries and active employees currently at age 55 and over. For active employees under age 55 - The normal retirement age would increase by 1 year every 5 years until it reaches 65. The current benefit formula would be 1% instead of 2% to be funded by 3% employee and employer contributions instead of 6%. All other features of the defined benefit rules would remain the same; 2) Enrollment of the Private Sector employees to a separate section of the Plan; however, the Private Sector would not accrue the 1% defined benefit pension. The new defined contribution section would be extended to the private sector with the same employee/employer contribution rate of 6% similar with public sector employees; and 3) Government subvention where the current subvention is to be increased to at least \$2 million annually with the above initiatives or be at least \$5 million annually without the above initiatives.

Also through RPPL No. 10-25, the Plan was appropriated \$1,000,000 for the purpose of satisfying the National Government's debt owed to the Fund. The entire amount shall come from fifty percent of the \$25 allocation of the "Pristine Paradise Environmental Fee" (PPEF) for fiscal year 2018. In the same legislation, fifty percent of the \$25 PPEF paid by each passenger shall be transmitted by the Ministry of Finance and be remitted to the Fund. As of September 30, 2019, the Fund has been allotted \$1,422,521. Accordingly, the Board is lobbying the lawmakers to amend the language of the legislation to revert to the original language of \$25. If the Board is successful in changing the law to a \$25 share of the PPEF to the Fund, it will result in additional new revenue to the Fund of an estimated \$1.5 to \$2.0 million a year.

The Management's Discussion and Analysis for the year ended September 30, 2019 is set forth in the Fund's report on the audit of financial statements, which is dated January 29, 2020. That Discussion and Analysis explains the major factors impacting the 2019 financial statements and can be viewed at the Office of the Public Auditor's website at www.palauopa.org.

Contacting the Fund's Financial Management

This financial report is designed to provide a general overview of the Fund's finances and to demonstrate the Fund's accountability for the money it receives. If you have questions about this report or need additional information, please contact the Administrator/Chief Executive Officer at the Republic of Palau Civil Service Pension Trust Fund, P.O. Box 1767, Koror, Republic of Palau 96940, or e-mail cspp@palaunet.com or call 483-2523.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Statements of Fiduciary Net Position
September 30, 2020 and 2019

<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 288,668	\$ 481,412
Time certificates of deposit	<u>1,854,801</u>	<u>1,878,801</u>
Investments, at fair value:		
Corporate stock	15,351,786	13,485,520
Corporate bonds and preferred securities	7,575,983	5,519,806
Obligations of U.S. Government and agencies	4,846,740	3,787,032
Mutual funds	1,390,990	2,517,662
Money market funds	<u>786,106</u>	<u>621,183</u>
Total investments	<u>29,951,605</u>	<u>25,931,203</u>
Receivables:		
Members' contributions, net	168,224	143,875
Employers' contributions, net	168,359	143,741
Other receivables	<u>213,743</u>	<u>62,296</u>
Total receivables	<u>550,326</u>	<u>349,912</u>
Capital assets, net of accumulated depreciation	<u>24,838</u>	<u>21,872</u>
Total assets	32,670,238	28,663,200
Deferred outflows of resources from pension	<u>328,232</u>	<u>155,592</u>
Total assets and deferred outflows of resources	<u>\$ 32,998,470</u>	<u>\$ 28,818,792</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES</u> <u>AND FIDUCIARY NET POSITION</u>		
Accounts payable and accrued expenses	\$ 68,897	\$ 17,173
Net pension liability	<u>1,078,247</u>	<u>834,733</u>
Total liabilities	1,147,144	851,906
Deferred inflows of resources from pension	<u>184,682</u>	<u>208,139</u>
Total liabilities and deferred inflows of resources	<u>1,331,826</u>	<u>1,060,045</u>
Fiduciary net position - held in trust for pension benefits	<u>31,666,644</u>	<u>27,758,747</u>
	<u>\$ 32,998,470</u>	<u>\$ 28,818,792</u>

See accompanying notes to financial statements.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Statements of Changes in Fiduciary Net Position
Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Additions:		
Employers' contributions	\$ 3,721,624	\$ 3,596,124
Members' contributions	<u>3,705,241</u>	<u>3,598,146</u>
	<u>7,426,865</u>	<u>7,194,270</u>
Investment income (expense):		
Net appreciation in fair value of investments	1,555,420	386,421
Dividends	391,609	526,622
Interest	270,445	287,556
Investment expenses	<u>(197,072)</u>	<u>(195,486)</u>
Total investment income	<u>2,020,402</u>	<u>1,005,113</u>
Other income:		
Appropriations	4,679,254	887,871
Remittance tax	477,679	480,643
Other	<u>16,147</u>	<u>16,231</u>
Total other income	<u>5,173,080</u>	<u>1,384,745</u>
Total additions	<u>14,620,347</u>	<u>9,584,128</u>
Deductions:		
Benefit and refund payments:		
Normal and early retirement	7,567,841	7,322,026
Survivors	1,942,335	1,983,289
Refunds to terminated employees	451,318	475,727
Disability	141,027	124,160
Lump sum death disbursement	<u>197,037</u>	<u>28,894</u>
Total benefits	10,299,558	9,934,096
Administrative expenses	<u>412,892</u>	<u>504,391</u>
Total deductions	<u>10,712,450</u>	<u>10,438,487</u>
Net increase (decrease)	3,907,897	(854,359)
Fiduciary net position held in trust for pension benefits:		
Beginning of year	<u>27,758,747</u>	<u>28,613,106</u>
End of year	<u>\$ 31,666,644</u>	<u>\$ 27,758,747</u>

See accompanying notes to financial statements.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2020 and 2019

(1) Organization and Summary of Significant Accounting Policies

The following brief description of the Republic of Palau Civil Service Pension Trust Fund (the Fund) is provided for general information purposes only.

General

The Fund is a defined benefit, cost sharing multiple employer plan, which is a component unit of the Republic of Palau (ROP) National Government, providing retirement, security and other benefits to employees, their spouses and dependents, of the ROP, ROP State Governments and ROP agencies, funds and public corporations. The Fund was established pursuant to Republic of Palau Public Law (RPPL) No. 2-26 passed into law on April 3, 1987, and began operations on October 1, 1987. Portions of RPPL No. 2-26 were revised by RPPL 3-21, RPPL 4-40, RPPL 4-49, RPPL 5-30, RPPL 6-37, RPPL 7-56, RPPL 8-10 and RPPL 9-2. The Fund is administered under the authority of a seven-member Board of Trustees (the Board) appointed by the President with the advice and consent of the Senate of the ROP.

Under the provisions of RPPL No. 2-26, the Board adopted a Trust Fund Operation Plan (the Plan) which has the force and effect of law and which sets forth the procedures for the administration and coverage of the Plan. Amendments to the Plan are subject to the requirements of Title 6 of the Palau National Code.

Membership

As of September 30, 2020 and 2019, the ROP National Government, ROP State Governments and ROP public corporations, quasi-governmental organizations and other public entities of the National and State Governments of ROP, are participating in the Fund. Membership consisted of the following as of September 30, 2019 (the valuation date):

Inactive members currently receiving benefits	1,629
Inactive members entitled to but not yet receiving benefits	1,252
Active members	<u>3,480</u>
Total members	<u>6,361</u>

Summary of the Principal Provisions of the Plan

Effective date:	October 1, 1987
Plan year:	October 1 through September 30

Eligibility to Participate

All persons becoming full-time employees of a participating agency before attaining the age of sixty shall become members as a condition of employment.

Service

Vesting Service: Includes membership service and prior service credit.

Membership Service: A year of membership service is earned for a year of service rendered a participating agency. Years of membership service shall be rounded to the nearest one year. Membership service includes accumulated sick leave and vacation leave.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2020 and 2019

(1) Organization and Summary of Significant Accounting Policies, Continued

Service, Continued

Prior Service Credit: Persons becoming members of the Plan on October 1, 1987 are entitled to Prior Service Credit for services rendered as an employee of participating agencies, the Trust Territory of the Pacific Islands (TTPI), the United States Naval Government after World War II and before the establishment of the TTPI.

Pension Benefits

Retirement benefits are paid to members who are required, with certain exceptions, to retire no later than their sixtieth birthday or after thirty years of service. A member may retire after his or her fifty-fifth birthday at a reduced pension amount if the member has completed at least twenty years of government employment. A married member of a former member receiving a distribution of benefits under the Pension Fund receives reduced benefit amounts to provide survivors' benefits to his or her spouse. An unmarried member or former member may elect to receive a reduced benefit amount during his or her lifetime with an annuity payable to his or her designated beneficiary. Disability benefits are paid to qualified members for the duration of the disability. Effective May 17, 1996, through RPPL 4-49, members, who have twenty-five years or more of total service, are eligible for retirement regardless of their age and, upon such retirement, are eligible to receive pension benefits at a level established by the Board. Effective July 1, 1999, pursuant to RPPL 4-49 and RPPL 5-30, retirement is mandatory for all members who have thirty years or more of total service and all employees who are sixty years of age or older with certain exceptions. Beginning October 1, 2003, pursuant to RPPL 6-37, mandatory retirement may be delayed for up to five years, by specific exemption by the Board. In December 2008, RPPL 7-56 eliminated early retirement and thirty-year mandatory service provisions. These provisions were restored through RPPL 8-10 in October 2009. On April 30, 2013, RPPL 9-2 eliminated the mandatory service retirement after thirty years of service. After December 31, 2013, no employee shall be entitled to pension benefits until reaching the age of sixty.

In accordance with the directives of RPPL 5-7, the Board adopted a resolution which provides that "no person who retires after October 1, 1997, may receive benefits under the Plan unless he or she has contributed to the Plan for at least five years or has made an actuarially equivalent lump sum contribution". In accordance with RPPL 9-2, members who retire after April 30, 2013 must not receive benefits greater than thirty thousand dollars per year. Further, the amount of benefits that a member receives should not be recalculated if the member is re-employed after the member begins receiving benefits under the Fund. Additionally, a member should not receive benefits during the time the member is re-employed subsequent to retirement.

Currently, normal benefits are paid monthly and are two percent of each member's average monthly salary for each year of credited total service up to a maximum of thirty years' total service. The average annual salary is the average of the highest three consecutive fiscal years of compensation received by a member during his or her most recent ten full fiscal years of service. For members who have not completed three consecutive fiscal years of employment during his or her most recent ten full fiscal years of service, the average annual salary is the average monthly salary during the term of the member's service multiplied by twelve.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2020 and 2019

(1) Organization and Summary of Significant Accounting Policies, Continued

Pension Benefits, Continued

The benefit amount that married members or unmarried members receive, who have elected to designate a beneficiary, is based on the normal benefit amount reduced by the following factors:

Factor If the Spouse or Beneficiary is:

1.00	21 or more years older than the member
0.95	16 to 20 years older than the member
0.90	11 to 15 years older than the member
0.85	6 to 10 years older than the member
0.80	0 to 5 years younger than the member or 0 to 5 years older than the member
0.75	6 to 10 years younger than the member
0.70	11 to 15 years younger than the member
0.65	16 or more years younger than the member

Surviving beneficiaries of an employee may only receive benefits up to the total present value of the employee's accrued benefit pursuant to RPPL 9-2.

A member that meets the requirements for early retirement and elects to retire on an early retirement date is entitled to receive payment of an early retirement benefit equal to the member's normal retirement benefit reduced according to the following schedule based on the age at which early retirement benefit payments begin:

- 1/12th per year for the first 3 years before age 60;
- plus an additional 1/18th per year for the next 3 years;
- plus an additional 1/24th per year for the next 5 years; and
- plus an additional 1/50th per year for each year in excess of 11 years.

Upon the death of a member or former member with eligible survivors before commencement of the members' normal, early, or late retirement benefits or disability retirement benefits the following shall be payable:

- If the former member is not an employee at his date of death and a spouse or beneficiary survives, the total death benefits payable shall be the actuarial equivalent of the member's present value of accrued benefit.
- If the member is an employee at his date of death and a spouse or beneficiary survives, the total death benefit payable shall be the actuarial equivalent of the greater of 3 times the member's average annual salary or the member's present value of accrued benefits.

Upon the death of a member or former member before commencement of his normal, early, or late retirement benefit or disability retirement benefit leaving no persons eligible for survivor benefits, the following shall be payable:

- If the former member is not an employee at the date of death, a refund of the total amount of contributions made by the member.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2020 and 2019

(1) Organization and Summary of Significant Accounting Policies, Continued

Pension Benefits, Continued

- If the member was an employee at the date of death and had completed one year of total service, the estate of the member shall be entitled to a death benefit equal to the greater of three times the member's annual salary or the present value of the member's accrued benefit payable in the form of a single lump sum payment.

Any member who is not otherwise eligible to receive normal, early or late retirement benefits, who shall become totally and permanently disabled for service regardless of how or where the disability occurred, shall be entitled to a disability retirement annuity, provided that he or she is not receiving disability payments from the United States Government or its agencies for substantially the same ailment, and further provided that to be eligible for a disability retirement annuity from a cause unrelated to service, the member shall have had at least ten (10) years of total service credited. The amount of disability retirement annuity shall be an amount equal to the actuarial equivalent at the attained age of the member's present value of accrued benefit and shall be paid in the same form as a normal retirement benefit. Any special compensation allowance received or payable to any member because of disability resulting from accidental causes while in the performance of a specific act or acts of duty shall be deducted from the disability annuity payable by the Plan on account of the same disability.

Member Contributions

Member contribution rates are established by RPPL No. 2-26 at six percent of total payroll and are deducted from the member's salary and remitted by participating employers. Upon complete separation from service, a member with less than fifteen years' membership service may elect to receive a refund of all of his or her contributions. Subsequent changes in the percentage contributed by members may be made through an amendment of the Trust Fund Operation Plan subject to the requirements of Title 6 of the Palau National Code. RPPL 9-2 requires each employee of the National Government and all State Governments, without regard to whether the employee is employed part-time or on a temporary basis, seasonal or an impermanent basis, to contribute to the Fund through payroll deduction.

Employer and Other Contributions

Employers are required to contribute an amount equal to that contributed by employees. Pursuant to RPPL No. 2-26 and RPPL No. 3-21, the Government of the Republic of Palau must from time to time contribute additional sums to the Fund in order to keep the Fund on a sound actuarial basis. RPPL 9-2 requires the Government of ROP to make regular contributions to the Fund equal to the amount contributed by each and every employee of ROP (see note 4).

Plan Administration

The cost of administering the Fund is paid out of the assets of the Fund.

REPUBLIC OF PALAU
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(1) Organization and Summary of Significant Accounting Policies, Continued

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.

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 December 31, 2020.

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 December 31, 2021.

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(1) Organization and Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In March 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 December 31, 2020.

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 December 31, 2022.

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. The remaining requirements of GASB Statement No. 92 is effective for the fiscal year ending September 30, 2022.

REPUBLIC OF PALAU
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(1) Organization and Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

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. In accordance with GASB Statement No. 95, GASB Statement No. 93 will be effective for 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 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 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. 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.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2020 and 2019

(1) Organization and Summary of Significant Accounting Policies, Continued

Basis of Accounting and Disclosure

The accounting policies of the Fund conform to accounting principles generally accepted in the United States of America as applicable to governmental agencies, specifically state and local governmental pension plans. The Fund accounts for fiduciary net position and reporting fiduciary net position in accordance with the provisions of GASB Statement No. 67.

The financial statements of the Fund for the years ended September 30, 2020 and 2019 have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America, which requires the use of management estimates. Under this method, revenues are recorded when earned and expenses recorded at the time liabilities are incurred. Members' contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. An actuarial valuation of the Fund was last performed as of October 1, 2019.

Concentrations of Credit Risk

Financial instruments which potentially subject the Fund to concentrations of credit risk consist principally of cash demand deposits and investments.

At September 30, 2020 and 2019, the Fund has cash deposits and investments in bank accounts that exceed federal depository insurance limits. The Fund has not experienced any losses on such accounts.

Cash and Cash Equivalents and Time Certificates of Deposit

For purposes of the statements of fiduciary net position, the Fund considers all cash on hand, cash held in demand accounts, and highly liquid investments with an original maturity of three months or less when purchased, except money market funds held by the Fund's investment agent, to be cash and cash equivalents. Money market funds held by the Fund's investment agent are considered investments.

As of September 30, 2020 and 2019, total cash and cash equivalents were maintained in a Federal Deposit Insurance Corporation (FDIC) insured bank and amounted to \$288,668 and \$481,412, respectively, with corresponding bank balances of \$286,232 and \$496,836, respectively, with \$250,000 subject to insurance coverage. The Fund does not require collateralization of its cash deposits; therefore, deposits in excess of depository insurance are uncollateralized.

REPUBLIC OF PALAU
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Notes to Financial Statements
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(1) Organization and Summary of Significant Accounting Policies, Continued

Cash and Cash Equivalents and Time Certificates of Deposit, Continued

The Fund maintained time certificates of deposit (TCDs) in Pacific Savings Bank (PSB), an uninsured bank which went into receivership in 2006. Security for \$1,000,000 of the TCDs was documented in an agreement (enforced through Civil Action 07-112 of the Supreme Court of ROP on June 11, 2015) with an Estate (the Estate) requiring the Estate to transfer the possession, custody and control of 1,500 shares of common stock in a local company to the Fund. The transfer entitles the Fund to receive, retain, use and sell all the shares (for amounts not to exceed \$2,000,000) and to receive, retain, use and sell all share dividends issued after June 10, 2015. If the Fund recovers amounts from the PSB Receiver, Trustee of PSB Creditors, or any other duly authorized person or official or other third-party, amounts due to the Fund, the Fund will return the shares of stock to the Estate and, to the extent the Fund has sold any of the shares, the Fund should pay the Estate the following: (a) the actual sale price of the shares sold, (b) all dividends earned on all shares, and (c) interest equal to the average prevailing rate of TCDs in Palau for the year after the Fund took possession and custody of the shares of stock. The Fund determined that the shares represent collateral to support the recovery of the TCDs, and that the TCDs should be recorded at cost and a recovery recorded. The Fund determined that cost (consisting of the original value of the TCDs, accrued interest and legal fees) exceeded the \$2,000,000 limit on sale of shares. The Fund recorded a \$2,000,000 recovery for the year ended September 30, 2016 and TCDs of \$1,965,899 (recovery less dividends). For the years ended September 30, 2020 and 2019, the Fund received dividends of \$24,000 each year, and other disbursements of \$11,000 and \$18,098 related to the 1,500 shares of common stock, respectively. As of September 30, 2020 and 2019, the Fund has recorded TCDs of \$1,854,801 and \$1,878,801, respectively.

Additional TCDs maintained at PSB are collateralized by a first lien on unidentified loans made by PSB. These additional TCDs amounted to \$452,609 at September 30, 2020 and 2019 and the Fund recorded a 100% valuation allowance for these TCDs.

Investments

Marketable securities held for investment purposes are stated at fair value using quoted market prices. Fair value is the price that would be received to sell an asset or paid to transfer a liability (ie, 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. Fixed income securities are reported at amortized cost with discounts or premiums amortized using the effective interest method subject to adjustment for market declines judged to be other than temporary. The Fund's investments are held by a bank-administered trust fund. The Fund has no investments in any commercial or industrial organization whose market value exceeds five percent or more of the net position available for benefits.

The following investment policy governs the investment of assets of the Fund.

General:

1. Any pertinent restrictions existing under the laws of the ROP with respect to the Fund, that may exist now or in the future, will be the governing restriction.

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Notes to Financial Statements
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(1) Organization and Summary of Significant Accounting Policies, Continued

Investments, Continued

General, Continued:

2. U.S. and non-U.S. equities, American Depository Receipts, convertible bonds, preferred stocks, fixed income securities, mutual funds and short-term securities are permissible investments.
3. No individual security or any issuer, other than that of the United States Government, and alternative investments, shall constitute more than 10% (at cost) of any investment manager's portfolio.
4. Holdings of any issuer shall constitute no more than 5% of the outstanding securities of such issuer.
5. Investments in a registered mutual fund managed by the investment manager are subject to the prior approval of the Board of Trustees.
6. The following securities and transactions are not authorized without prior written Board of Trustees approval: letter stock and other unregistered securities; non-negotiable securities; commodities or other commodity contracts; options; futures; short sales; and, margin transactions.
7. An investment manager's portfolio shall not be excessively over weighted in any one industry (as compared to respective benchmark index) without prior approval by timely reporting and advice to the Board of Trustees.

Investments may be made in:

A. Fixed Income

1. All fixed income securities held in the portfolio shall have a Standard & Poor's credit quality rating of no less "BBB", or an equivalent credit quality rating from Moody's (Baa) or Fitch (BBB). U.S. Treasury and U.S. Government agencies, which are unrated securities, are qualified for inclusion in the portfolio and will be considered to be of the highest rating.
2. No more than 20% of the market value of the portfolio shall be rated less than single "A" quality, unless the investment manager has specific prior written authorization from the Board of Trustees.
3. Total portfolio quality (capitalization weighted) shall maintain a credit quality rating of no less than "A".
4. U.S. SEC registered mutual funds that invest in fixed income securities, either U.S. or non U.S., will not be subject to the above guidelines.

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Notes to Financial Statements
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(1) Organization and Summary of Significant Accounting Policies, Continued

Investments, Continued

A. Fixed Income, Continued

5. It is the policy of the Board to place assets in Local Certificates of Deposit (Local CDs) issued by local banking institutions, with the express purpose of making funds available to the local community in the form of loans. While these Local CDs are held, they will be included in the “strategic asset allocation” as fixed income investments. However, these Local CDs and the local banking institutions must meet the following criteria on an ongoing basis:
 - a. Local CDs must offer a competitive return relative to alternative issuers.
 - b. The local banking institutions must provide annual audited financial statements for Board of Trustee review. The Board of Trustees is charged with monitoring the financial health of the local banking institutions. Should concerns arise with respect to the financial condition of the local banking institutions, the Board of Trustees shall take appropriate action.
 - c. The local banking institution shall promptly inform the Board of Trustees, in writing, of any significant or material matters pertaining to the institution, including, but not limited to: ownership; organizational structure; financial condition; and, any material proceedings affecting the firm.
 - d. Provide collateral, acceptable to the Board, to secure the Local CDs.

B. Equities

1. Consistent with the desire to maintain broad diversification, allocations to any economic or industry sector should not be excessive.
2. Equity holdings shall be restricted to readily marketable securities of corporations that are traded on the major exchanges and over the counter.
3. The investment managers shall have the discretion to invest a portion of the assets in cash reserves when they deem appropriate. However, as per the Investment Policy Statement, they will be evaluated against their performance benchmarks and peers on the performance of the total funds under their direct management.
4. Common stock and preferred stock of any institution or entity created or existing under the laws of the United States or any other country are permissible investments.

REPUBLIC OF PALAU
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Notes to Financial Statements
September 30, 2020 and 2019

(1) Organization and Summary of Significant Accounting Policies, Continued

Investments, Continued

C. Cash/Cash Equivalents

1. Cash equivalent reserves shall consist of cash instruments having a credit quality rating of Standard & Poor's A-1, Moody's P-1, or their equivalent. U.S. Treasury and Agency securities, Banker Acceptances, Certificate of Deposit, and Collateralized Repurchase Agreements are also acceptable investment vehicles. Custodial Sweep Accounts must be, in the judgment of the Investment Managers, of credit quality equal or superior to the standards described above.
2. In the case of Certificates of Deposit, except as discussed under Fixed Income with respect to the Local CDs, they must be issued by FDIC insured institutions. Deposits in institutions with less than \$10 million in assets may not be made in excess of \$100,000 (or prevailing FDIC insurance limit), unless the Deposit is fully collateralized by U.S. Treasury Securities.
3. No single issue shall have a maturity of greater than two years.
4. Custodial Sweep Account portfolios must have an average maturity of less than one year.

D. Alternative Investments

1. Alternative investments are often structured as private investments and are generally formed as limited partnerships or limited liability companies and, in many cases, organized in low or no tax jurisdictions. The managers of these investments generally are allowed to operate with greater flexibility than most traditional investment managers and their compensation usually includes substantial performance incentives.
2. Investments strategies may include, but are not limited to, the following: statistical arbitrage, momentum trading, debt/equity financing, leveraged buyouts (LBO), venture capital, mezzanine debt, equity market neutral, real estate securities, fixed income arbitrage, equity long/short, global macro, master limited partnerships, commodities and futures, and/or structured credit products.

The foregoing allowable strategies may be pursued in any manner including through collective investment vehicles such as hedge funds, funds of hedge funds, private equity (i.e. LBO, Venture, Mezzanine Debt, etc.) funds and funds of funds, real estate funds and funds of funds, commodity pools, and structured credit products such as equity collateralized debt obligations.

3. Allowance investments may include, but are not limited to, investments (directly or indirectly) in the following: common and preferred stocks, options, warrants, convertible securities, foreign securities, foreign currencies, commodities, commodity futures, financial futures, derivatives, mortgage-backed and mortgage-related securities, real estate, bonds (both investment-grade and non-investment-grade, including high-yield debt, distressed or other securities) and other assets. Strategies may utilize short-selling and leverage.

REPUBLIC OF PALAU
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Notes to Financial Statements
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(1) Organization and Summary of Significant Accounting Policies, Continued

Investments, Continued

Asset Allocation

The Fund's policy in regard to the allocation of invested assets is established and may be amended by the Board. The Board, with assistance from the Fund's consultant, identified an optimal broad asset class mix based on the Fund's time horizon, risk tolerances, performance expectations and asset class preferences.

The following strategic asset allocation for the Fund was selected as of September 30, 2020 and 2019:

	<u>Strategic Allocation</u>
US Equities (Large Cap Value)	10%
US Equities (Large Cap Growth)	10%
Non-US Equities (Mature Markets)	15%
Non-US Equities (Emerging Markets)	10%
Fixed Income (US Core)	35%
Fixed Income (Global)	10%
Alternatives (Market Limited Partnership)	5%
Alternatives (Real Estate Investment Trusts)	<u>5%</u>
Total	<u>100%</u>

Receivables

Contributions receivable from participants and employers, all of whom are situated in the Republic of Palau, are unsecured.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is established through a provision charged to expense. Accounts are charged against the allowance when management believes that the collection of the balance is unlikely. The allowance is an amount that management believes will be adequate to absorb possible losses on existing balances that may be uncollectible, based on evaluations of collectability and prior loss experience. Bad debts are written-off against the allowance based on the specific identification method.

Capital Assets

Capital assets are recorded at cost. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the respective assets. Current policy is to capitalize items in excess of \$500.

Administrative expenses include depreciation and amortization expense of \$2,966 and \$5,085 in 2020 and 2019, respectively.

REPUBLIC OF PALAU
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Notes to Financial Statements
September 30, 2020 and 2019

(1) Organization and Summary of Significant Accounting Policies, Continued

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, deferred outflows of resources 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. The Fund has determined the changes in assumption, changes in proportion and difference between the Fund's contributions and proportionate share of contributions and pension contributions made subsequent to the measurement date qualify for reporting in this category.

Operating and Non-Operating Revenue and Expenses

Operating revenues and expenses generally result directly from the member contributions and employer contributions. Non-operating revenues and expenses result from non-recurring income and costs such as interest.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses include investment management fees, employees' accrued salaries and wages, and accrued annual leave at fiscal year end.

Deferred Inflows of Resources

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources 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. The Fund has determined the changes in assumption, differences between projected and actual earnings on pension plan investments and changes in proportion and difference between the Fund's contributions and proportionate share of contributions qualify for reporting in this category.

Pensions

Pensions are required to be recognized and disclosed using the accrual basis of accounting. The Fund recognizes a net pension liability for the defined benefit pension plan, which represents the Fund's proportional share of excess total pension liability over the pension plan assets - actuarially calculated - of a cost sharing multi-employer defined benefit plan, measured one year prior to fiscal year-end and rolled forward. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the qualified pension plan and recorded as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

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Notes to Financial Statements
September 30, 2020 and 2019

(1) Organization and Summary of Significant Accounting Policies, Continued

Taxes

The Fund is a public employees' retirement system and a component unit of the ROP government. Accordingly, the Fund is exempt from all national and state nonpayroll taxes and fees.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions to net position available for benefits during the reporting period. Actual results could differ from those estimates.

(2) Investments

Rate of Return

Based on the measurement date of September 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 4.40%. The money-weighted rate of return expresses investment performance, net of investment expense.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, the Fund will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Fund's investments are held and administered by trustees in accordance with negotiated trust and custody agreements. Based on these agreements, all of these investments were held in the Fund's name by the Fund's custodial financial institutions at 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. The following is a listing of the Fund's fixed income securities at September 30, 2020 and 2019:

Investment Type	Fair Value	2020 Investment Maturities (In Years)				Moody's Rating
		Less Than 1	1 - 5	6 - 10	More Than 10	
Mortgage and asset backed securities	\$ 32,397	\$ -	\$ 32,397	\$ -	\$ -	Not rated
Government Sponsored Enterprise Securities	2,429,047	1,904,745	524,302	-	-	Aaa
Government Sponsored Enterprise Securities	1,454,007	-	1,454,007	-	-	Not rated
U.S. Treasury Notes	931,289	-	-	931,289	-	Aaa
Preferred securities	204,164	22,443	181,721	-	-	Not rated
Corporate bonds	442,104	-	442,104	-	-	A1
Corporate bonds	2,353,187	-	-	2,353,187	-	A2
Corporate bonds	2,938,137	-	193,402	2,624,862	119,873	A3
Corporate bonds	4,590	-	-	4,590	-	B1
Corporate bonds	18,795	-	18,795	-	-	B2
Corporate bonds	10,440	-	10,440	-	-	Baa1
Corporate bonds	11,010	-	11,010	-	-	Baa2
Corporate bonds	<u>1,593,556</u>	<u>81,714</u>	<u>1,093,230</u>	<u>363,486</u>	<u>55,126</u>	Not rated
	<u>\$ 12,422,723</u>	<u>\$ 2,008,902</u>	<u>\$ 3,961,408</u>	<u>\$ 6,277,414</u>	<u>\$ 174,999</u>	

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2020 and 2019

(2) Investments, Continued

Rate of Return, Continued

Investment Type	Fair Value	2019				Moody's Rating
		Investment Maturities (In Years)				
		Less Than 1	1 - 5	6 - 10	More Than 10	
Mortgage and asset backed securities	\$ 1,638,496	\$ 269,800	\$ 1,368,696	\$ -	\$ -	Aaa
Mortgage and asset backed securities	53,692	-	53,692	-	-	Not rated
Government bonds	2,094,844	-	94,852	-	1,999,992	Aaa
Corporate bonds	115,959	-	115,959	-	-	Aa1
Corporate bonds	1,262,971	-	1,262,971	-	-	A1
Corporate bonds	2,160,753	-	2,023,033	137,720	-	A2
Corporate bonds	1,668,937	-	1,341,124	327,813	-	A3
Corporate bonds	<u>311,186</u>	<u>-</u>	<u>311,186</u>	<u>-</u>	<u>-</u>	Not rated
	<u>\$ 9,306,838</u>	<u>\$ 269,800</u>	<u>\$ 6,571,513</u>	<u>\$ 465,533</u>	<u>\$ 1,999,992</u>	

Fair Value Measurement

The Fund categorizes its fair value measurements within the fair value hierarchy established by 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 following table sets forth by fair value hierarchy level assets carried at fair value at September 30, 2020 and 2019:

	Total	2020		
		Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level				
Debt securities				
U.S. Treasury securities	\$ 931,289	\$ 931,289	\$ -	\$ -
Federal Home Loan Banks	2,429,047	-	2,429,047	-
Federal Agriculture Mortgage Corporation	1,454,007	-	1,454,007	-
Fanny Mae Pool	32,397	-	32,397	-
Preferred securities	204,164	-	-	204,164
Corporate bonds	<u>7,371,819</u>	<u>-</u>	<u>5,716,736</u>	<u>1,655,083</u>
Total debt securities	<u>12,422,723</u>	<u>931,289</u>	<u>9,632,187</u>	<u>1,859,247</u>
Equity securities				
Real Estate Investment Trusts	1,531,919	1,531,919	-	-
Other - U.S. equities	7,372,517	7,372,517	-	-
Other - non-U.S. equities	<u>6,447,350</u>	<u>6,447,350</u>	<u>-</u>	<u>-</u>
Total equity securities	<u>15,351,786</u>	<u>15,351,786</u>	<u>-</u>	<u>-</u>
Total investments by fair value level	27,774,509	\$ <u>16,283,075</u>	\$ <u>9,632,187</u>	\$ <u>1,859,247</u>
Investments measured at the net asset value (NAV)				
Mutual funds	1,390,990			
Investments measured at amortized cost				
Money market investments	<u>786,106</u>			
	<u>\$ 29,951,605</u>			

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2020 and 2019

(2) Investments, Continued

Fair Value Measurement, Continued

	<u>Total</u>	<u>2019</u>		
		<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level				
Debt securities				
U.S. Treasury Bonds	\$ 2,094,844	\$ 2,094,844	\$ -	\$ -
Federal Home Loan Mortgage Corporation	1,638,496	-	1,638,496	-
Federal National Mortgage Association	53,692	-	53,692	-
Corporate bonds	<u>5,519,806</u>	<u>-</u>	<u>5,519,806</u>	<u>-</u>
Total debt securities	<u>9,306,838</u>	<u>2,094,844</u>	<u>7,211,994</u>	<u>-</u>
Equity securities				
Real Estate Investment Trusts	2,297,465	2,297,465	-	-
Other - U.S. equities	4,596,652	4,596,652	-	-
Other - non-U.S. equities	<u>6,591,403</u>	<u>6,591,403</u>	<u>-</u>	<u>-</u>
Total equity securities	<u>13,485,520</u>	<u>13,485,520</u>	<u>-</u>	<u>-</u>
Total investments by fair value level	22,792,358	\$ <u>15,580,364</u>	\$ <u>7,211,994</u>	\$ <u>-</u>
Investments measured at the net asset value (NAV)				
Mutual funds	2,517,662			
Investments measured at amortized cost				
Money market investments	<u>621,183</u>			
	<u>\$ 25,931,203</u>			

(3) Net Pension Liability

The components of the net pension liability of the Fund as of September 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Total pension liability	\$ 336,239,210	\$ 279,481,890
Fiduciary net position	<u>(27,758,747)</u>	<u>(28,613,106)</u>
Net pension liability	<u>\$ 308,480,463</u>	<u>\$ 250,868,784</u>
Fiduciary net position as a percentage of the total pension liability	8.26%	10.24%

Actuarial Assumptions

The total pension liability was determined for measurement date of September 30, 2019 by an actuarial valuation as of October 1, 2019, using the following actuarial assumptions:

Actuarial Cost Method:	Normal costs are calculated under the entry age normal method
Amortization Method:	Level dollar, open with remaining amortization period of 30 years
Asset Valuation Method:	Market Value of Assets

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2020 and 2019

(3) Net Pension Liability, Continued

Actuarial Assumptions, Continued

Investment Income:	6.74% per year, net of investment expenses, including price inflation	
Inflation:	2.5%	
Interest on Member Contributions:	5.0% per year	
Salary Increase:	3.0% per year	
Expenses:	\$300,000 added to normal cost	
Mortality:	RP 2000 Combined Healthy Mortality Table, set forward four years for all members except disability recipients, where the table is set forward ten years	
Termination of Employment:	5% for ages 20 to 39; none for all other ages	
Disability:	<u>Age</u>	<u>Disability</u>
	25	0.21%
	30	0.18%
	35	0.25%
	40	0.35%
	45	0.50%
	50	0.76%
	55	1.43%
	60	2.12%
Retirement Age:	100% at age 60	
Form of Payment:	Single: Straight life annuity; Married: 100% joint and survivor	
Marriage Assumption:	80% of the workers are assumed to be married and males are assumed to be 3 years older than their spouses. Beneficiaries are assumed to be the opposite gender of the member.	
Duty vs Non-duty related disability:	100% Duty related	
Refund of Contributions:	80% of terminated vested members elect a refund of contributions	

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2020 and 2019

(3) Net Pension Liability, Continued

Investment Rate of Return

The long-term expected rate of return on the Fund's investments of 6.74% was determined using log-normal distribution analysis, creating a best-estimate range for each asset class.

As of the September 30, 2019 actuarial valuation, the arithmetic real rates of return for each major investment class are as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Rate of Return</u>
US Large Cap Equity	10%	8.70%
US Large Cap Growth Equity	10%	9.13%
International Equity	15%	9.19%
Emerging Markets	10%	12.52%
US Aggregate Fixed Income	35%	3.82%
Global Broad Fixed Income	10%	3.40%
Global REIT	<u>10%</u>	8.33%
	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 2.85% at the current measurement date from 4.16% at the prior measurement date. The discount rate was determined using the current assumed rate of return until the point where the plan fiduciary net position is negative. Using the current contribution rates, a negative position happens in 2024 for the 2019 measurement date. For years on or after 2024, a discount rate of 2.81% is used. This rate is based on the Bond Buyer General Obligation 20-year Municipal Bond Index.

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Fund as of September 30, 2019, calculated using the discount rate of 2.85%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (1.85%) or 1.00% higher (3.85%) from the current rate.

<u>1% Decrease 1.85%</u>	Current Single Discount Rate <u>Assumption 2.85%</u>	<u>1% Increase 3.85%</u>
\$ 358,879,277	\$ 308,480,463	\$ 266,790,752

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2020 and 2019

(3) Net Pension Liability, Continued

Schedule of Changes in Net Pension Liability

Based on the September 30, 2019 and 2018 measurement dates, the changes in net pension liability were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 09/30/18	\$ <u>288,804,482</u>	\$ <u>29,409,477</u>	\$ <u>259,395,005</u>
Changes for the year:			
Service cost	9,253,291	-	9,253,291
Interest	10,615,203	-	10,615,203
Assumption changes	(19,464,397)	-	(19,464,397)
Employers' contributions	-	3,519,989	(3,519,989)
Members' contributions	-	3,507,075	(3,507,075)
Net investment income	-	2,406,323	(2,406,323)
Benefit payments, including refunds of members' contributions	(9,726,689)	(9,726,689)	-
Administrative expense	-	(503,069)	503,069
Recovery and other income	-	-	-
Net changes	<u>(9,322,592)</u>	<u>(796,371)</u>	<u>(8,526,221)</u>
Balance at 09/30/19	<u>279,481,890</u>	<u>28,613,106</u>	<u>250,868,784</u>
Changes for the year:			
Service cost	8,418,805	-	8,418,805
Interest	11,772,145	-	11,772,145
Difference between expected and actual experience	(11,196,567)	-	(11,196,567)
Assumption changes	57,697,033	-	57,697,033
Employers' contributions	-	3,596,124	(3,596,124)
Members' contributions	-	3,598,146	(3,598,146)
Net investment income	-	1,005,113	(1,005,113)
Benefit payments, including refunds of members' contributions	(9,934,096)	(9,934,096)	-
Administrative expense	-	(504,391)	504,391
Recovery and other income	-	1,384,745	(1,384,745)
Net changes	<u>56,757,320</u>	<u>(854,359)</u>	<u>57,611,679</u>
Balance at 09/30/20	\$ <u>336,239,210</u>	\$ <u>27,758,747</u>	\$ <u>308,480,463</u>

Defined Benefit Plan

Pension Liability. At September 30, 2020 and 2019, the Fund reported a liability of \$1,078,247 and \$834,733, respectively, for its proportionate share of the net pension liability. The Fund's proportion of the net pension liability was based on the projection of the Fund's long-term share of contributions to the Plan relative to the projected contributions of Republic of Palau, Republic of Palau's component units and other Government agencies, actuarially determined. At September 30, 2020 and 2019, the Fund's proportion was 0.3495% and 0.3327%, respectively.

Pension Expense. For the years ended September 30, 2020 and 2019, the Fund recognized pension expense of \$58,398 and \$42,985, respectively.

Deferred Outflows and Inflows of Resources. At September 30, 2020 and 2019, the Fund reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2020 and 2019

(3) Net Pension Liability, Continued

Defined Benefit Plan, Continued

	<u>2020</u>		<u>2019</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 54,833	\$ 42,036	\$ 65,826	\$ 12,465
Change of assumptions	223,771	98,299	74,634	115,218
Net difference between projected and actual earnings				
on pension plan investments	2,999	2,560	2,376	3,638
Contributions subsequent to measurement date	10,981	-	12,518	-
Changes in proportion and difference between the Fund's contributions and proportionate share of contributions	<u>35,648</u>	<u>41,787</u>	<u>238</u>	<u>76,818</u>
	<u>\$ 328,232</u>	<u>\$ 184,682</u>	<u>\$ 155,592</u>	<u>\$ 208,139</u>

Deferred outflows resulting from contributions subsequent to measurement date will be recognized as a reduction of the net pension liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at September 30, 2020 will be recognized in pension expense as follows:

Year ending September 30,

2021	\$17,226
2022	\$21,022
2023	\$26,739
2024	\$18,943
2025	\$19,037
Thereafter	\$29,602

(4) Republic of Palau

Pachinko

RPPL 5-45 earmarked \$1,000,000 to the Fund, to be derived from revenues generated from a Virtual Pachinko Business. Of this \$1,000,000, RPPL 6-12, passed into law on September 30, 2001, allocated \$500,000 to the Fund for the employer contribution of the Palau Community College (PCC) for employees of PCC electing to participate. PCC employees opting to retroactively participate shall be enrolled in the Fund effective as of their start date with PCC or October 1, 1987, whichever is later. These employees are required to pay into the Fund their proportionate contribution for each year of retroactive participation.

As a result of the provisions of RPPL 6-12, PCC employees who opted to claim prior year service executed payment agreements with the Fund totaling \$978,907 for prior year service claimed. As these employees are not mandated to continue payment agreements and can elect to have contributions refunded upon termination of payment agreements, and due to the uncertainty of collection of the employee's share through RPPL 6-12, the Fund has elected not to record PCC employee receivables for prior year service. The Fund received \$160,660 and \$154,571 from PCC employees during the years ended September 30, 2020 and 2019, respectively, \$9,993 and \$5,400 of which refers to contributions for prior years.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2020 and 2019

(4) Republic of Palau, Continued

Pachinko, Continued

ROP has determined that remaining amounts earmarked to the Fund through RPPLs 5-45 and 6-12 will only be remitted as revenues are generated from the Virtual Pachinko Business. The Fund did not receive funds related to RPPL 6-12 and 5-45 from ROP during the years ended September 30, 2020 and 2019, respectively. Therefore, the Fund has not recognized the remaining \$875,000 as a receivable or as revenue in the accompanying financial statements. However, the Fund received \$150,667 and \$149,171 from PCC for employer contributions during the years ended September 30, 2020 and 2019, respectively.

ROP Interest Receivable and Remittance Tax

The Fund has determined interest due from the ROP National Government related to delinquent contributions in prior years. The Fund believes amounts due approximate \$2.8M, including lost earnings of \$1.4M; however, ROP has only confirmed interest owed of \$1.4M. Due to uncertainties in collection, the Fund has elected to record related revenue on the cash basis.

RPPL 9-2 provided a new source of revenue to the Fund through a remittance tax of four percent (4%) levied against each non-citizen person transferring money out of ROP. The remittance tax must be transferred to the Fund. For the years ended September 30, 2020 and 2019, remittance taxes of \$477,679 and \$480,643, respectively. The Fund has recorded receivables from remittance taxes of \$56,861 and \$42,681 as of September 30, 2020 and 2019, respectively.

RPPL 10-25 appropriated, and ROP disbursed, \$865,679 and \$887,871 to the Fund for payment of interest related to delinquent prior year contributions for fiscal years 2020 and 2019, respectively. The amounts are recorded within appropriations in the accompanying financial statements.

RPPL 10-42 and 10-56 appropriated, and ROP disbursed, \$3,813,575 to the Fund during fiscal year 2020 to help maintain the ROP Civil Service Pension Plan to a sound actuarial basis. The amount is recorded within appropriations in the accompanying financial statements.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Financial Statements
September 30, 2020 and 2019

(5) Administrative Expenses

A summary of the administrative expenses for the years ended September 30, 2020 and 2019, is set forth below:

	<u>2020</u>	<u>2019</u>
Salaries and wages	\$ 189,748	\$ 204,148
Professional fees	43,563	89,555
Conference expenses	25,500	42,552
Employee benefits	17,484	19,341
Board compensation	15,876	3,200
Office supplies	7,888	3,726
Utilities	7,228	7,164
Staff training	6,902	35,675
Bank charges	6,761	6,411
Communications	2,255	4,383
Miscellaneous	<u>31,289</u>	<u>45,251</u>
 Total administrative expense before pension expense	 354,494	 461,406
Pension expense:		
Pension contribution	10,981	12,518
GASB 68 adjustment	<u>47,417</u>	<u>30,467</u>
	 <u>\$ 412,892</u>	 <u>\$ 504,391</u>

(6) Contingency

The Fund's actuarial valuation has determined that the Fund has a net pension liability of \$308,480,463 which would cause the Fund's fiduciary net position to become negative in 2024. On April 26, 2017, the Board of Trustees adopted a formal funding plan to correct the potential funding deficiency. On September 27, 2017, RPPL 10-12 was enacted which appropriated \$150,000 from ROP to the Fund for the "CSPP Reform Options Actuarial Study". The purpose of the actuarial study is to determine viable options toward a comprehensive reform that will ensure long-term financial viability of the Fund. The funding plan and recommendations from the actuarial study have not yet been implemented.

(7) Risk Management

The Fund 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. The Fund has elected to purchase commercial insurance from independent third parties for the risk of loss to which it is exposed for automobiles. The Fund does not maintain insurance coverage for office equipment and furniture. In the event of catastrophe, the Fund may be self-insured. No losses have been sustained as a result of this practice during the past three years.

(8) Subsequent Event

Effective October 1, 2021, in accordance with CSPP Resolution 004-2021, the Civil Service Pension Plan Operation Plan will exclude future participants that are Non-Palauan citizens.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Schedule of Changes in Net Pension Liability and Related Ratios
September 30, 2020

	2019 Valuation	2018 Valuation	2017 Valuation	2016 Valuation	2015 Valuation	2014 Valuation	2013 Valuation
Total Pension Liability							
Service cost	\$ 8,418,805	\$ 9,253,291	\$ 8,610,570	\$ 6,858,499	\$ 6,086,938	\$ 4,638,484	\$ 5,913,261
Interest cost	11,772,145	10,615,203	8,422,663	9,414,565	10,085,993	10,319,767	9,146,830
Difference between expected and actual experience	(11,196,567)	-	27,975,168	-	(9,041,017)	-	-
Assumptions changes	57,697,033	(19,464,397)	(25,315,236)	28,447,659	8,361,854	15,568,918	(17,639,038)
Benefit changes	-	-	-	-	-	-	(6,941,763)
Benefit payments	(9,934,096)	(9,726,689)	(9,763,956)	(9,506,766)	(9,403,007)	(9,298,152)	(8,930,543)
Net change in total pension liability	56,757,320	(9,322,592)	9,929,209	35,213,957	6,090,761	21,229,017	(18,451,253)
Total pension liability - beginning	279,481,890	288,804,482	278,875,273	243,661,316	237,570,555	216,341,538	234,792,791
Total pension liability - ending	<u>\$ 336,239,210</u>	<u>\$ 279,481,890</u>	<u>\$ 288,804,482</u>	<u>\$ 278,875,273</u>	<u>\$ 243,661,316</u>	<u>\$ 237,570,555</u>	<u>\$ 216,341,538</u>
Fund Fiduciary Net Position							
Employer contributions	\$ 3,596,124	\$ 3,519,989	\$ 3,412,047	\$ 3,177,790	\$ 2,909,824	\$ 2,820,693	\$ 2,506,605
Employee contributions	3,598,146	3,507,075	3,410,992	3,149,619	2,920,101	2,797,512	2,515,177
Pension plan net investment income (loss)	1,005,113	2,406,323	3,303,967	2,337,406	(1,219,199)	3,077,767	2,628,027
Benefit payments	(9,934,096)	(9,726,689)	(9,763,956)	(9,506,766)	(9,403,007)	(9,298,152)	(8,930,543)
Pension plan administrative expense	(504,391)	(503,069)	(374,886)	(426,021)	(381,902)	(369,703)	(1,905,747)
Recovery and other income	1,384,745	-	-	2,574,145	-	-	-
Net change in plan fiduciary net position	(854,359)	(796,371)	(11,836)	1,306,173	(5,174,183)	(971,883)	(3,186,481)
Plan fiduciary net position - beginning	28,613,106	29,409,477	29,421,313	28,115,140	33,289,323	34,261,206	37,447,687
Plan fiduciary net position - ending	<u>\$ 27,758,747</u>	<u>\$ 28,613,106</u>	<u>\$ 29,409,477</u>	<u>\$ 29,421,313</u>	<u>\$ 28,115,140</u>	<u>\$ 33,289,323</u>	<u>\$ 34,261,206</u>
Net pension liability - ending	<u>\$ 308,480,463</u>	<u>\$ 250,868,784</u>	<u>\$ 259,395,005</u>	<u>\$ 249,453,960</u>	<u>\$ 215,546,176</u>	<u>\$ 204,281,232</u>	<u>\$ 182,080,332</u>
Plan fiduciary net position as a percentage of total pension liability	8.26%	10.24%	10.18%	10.55%	11.54%	14.01%	15.84%
Covered employee payroll	59,760,383	58,666,483	57,893,300	52,963,167	48,497,067	47,011,550	41,776,750
Net pension liability as a percentage of covered employee payroll	516.20%	427.62%	448.06%	471.00%	444.45%	434.53%	435.84%

Note: This schedule is intended to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, the Fund presents information starting with GASB 67 implementation in 2014.

\$ 500,722	\$ 1,903,254	\$ 2,929,081	\$ 1,911,385	\$ (1,601,101)	\$ 2,708,064	\$ 722,280
1.75%	6.47%	9.96%	6.80%	-4.81%	7.90%	1.93%

See Accompanying Independent Auditors' Report.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Schedule of Contributions
September 30, 2020

<u>Actuarial Valuation Ending 09/30</u>	<u>Actuarially Employer Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2013	\$ 10,065,829	\$ 2,515,982	\$ 7,549,847	\$ 41,776,750	6.02%
2014	\$ 10,623,488	\$ 2,768,315	\$ 7,855,173	\$ 47,011,550	5.89%
2015	\$ 10,899,899	\$ 2,890,454	\$ 8,009,445	\$ 48,497,067	5.96%
2016	\$ 14,417,419	\$ 3,134,262	\$ 11,283,157	\$ 52,963,167	5.92%
2017	\$ 17,178,902	\$ 3,473,598	\$ 13,705,304	\$ 57,893,300	6.00%
2018	\$ 17,312,479	\$ 3,519,989	\$ 13,792,490	\$ 58,666,483	6.00%
2019	\$ 14,090,813	\$ 3,585,623	\$ 10,505,190	\$ 59,760,383	6.00%

Note: This schedule is intended to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, the Fund presents information starting with GASB 67 implementation

See Accompanying Independent Auditors' Report.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Schedule of Investment Rates of Return
September 30, 2020

	<u>2019</u> <u>Valuation</u>	<u>2018</u> <u>Valuation</u>	<u>2017</u> <u>Valuation</u>	<u>2016</u> <u>Valuation</u>	<u>2015</u> <u>Valuation</u>	<u>2014</u> <u>Valuation</u>	<u>2013</u> <u>Valuation</u>
Average money-weighted rate of return net of investment expense	3.51%	4.40%	11.23%	8.12%	(3.96%)	8.34%	7.98%

Note: This schedule is intended to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, the Fund presents information starting with GASB 67 implementation in 2014.

See Accompanying Independent Auditors' Report.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Required Supplementary Schedules
September 30, 2020

(1) Methods and Assumptions Used to Calculate Actuarially Determined Contributions

Valuation Date:	September 30, 2018, which was based on the results of the October 1, 2017 actuarial valuation
Actuarial Cost Method:	Entry-age normal
Amortization Method:	Level dollar, open
Remaining Amortization Period:	30 years
Asset Valuation Method:	Market value of assets
Price Inflation:	3.0%
Salary Increases:	3.0%
Wage Inflation:	3.0%
Investment Rate of Return:	7.50%, net of investment expense, including price inflation
Mortality:	RP 2000 Combined Mortality Table, set forward four years for all members except disability recipients, where the table is set forward 10 years.

(2) Factors that Significantly Affect the Identification of Trends in the Amounts Reported

The ROP Congress (Olbiil Era Kelulau) enacted two laws which have potentially material effects on the amounts reported in the schedule. RPPL 4-49 and RPPL 5-30 establish that effective May 17, 1996, members, who have twenty-five years or more of total service, are eligible for retirement regardless of their age and, upon such retirement, are eligible to receive pension benefits at a level established by the Board of Trustees. The laws further provide that effective July 1, 1999, retirement is mandatory for all members who have thirty years or more of total service with certain exceptions, and that the pension is not reduced for receipt of benefits prior to age 60. By RPPL 6-37, effective October 1, 2003, mandatory retirement may be delayed for an additional five years by specific exemption by the Board. In December 2008, RPPL 7-56 eliminated early retirement and thirty-year mandatory service provisions. These provisions were restored through RPPL 8-10 in October, 2009. On April 30, 2013, RPPL 9-2 eliminated the mandatory service retirement after thirty years of service. After December 31, 2013, no employee shall be entitled to pension benefits until reaching the age of sixty.

See Accompanying Independent Auditors' Report.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Notes to Required Supplementary Schedules
September 30, 2020

(2) Factors that Significantly Affect the Identification of Trends in the Amounts Reported,
Continued

RPPL 5-7 directed the Board of Trustees to adopt a resolution which provides that “no person who retires after October 1, 1997, may receive benefits under the Plan unless he or she has contributed to the Plan for at least five years or has made an actuarially equivalent lump sum contribution”. In accordance with RPPL 9-2, members who retire after April 30, 2013 must not receive benefits greater than thirty thousand dollars per year. Further, the amount of benefits that a member receives should not be recalculated if the member is re-employed after the member begins receiving benefits under the Fund. Additionally, a member should not receive benefits during the time the member is re-employed subsequent to retirement.

See Accompanying Independent Auditors’ Report.

REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND

Schedule of Investment Securities
September 30, 2020

	Face Value	Cost	Fair Value	
<u>Money Market Funds</u>				
Goldman Sachs Bank USA - Account# 79965329	\$ 36,199	\$ 36,199	\$ 36,199	
Goldman Sachs Bank USA - Account# 78895568	194,394	194,394	194,394	
Goldman Sachs Bank USA - Account# 79965310	121,519	121,519	121,519	
Goldman Sachs Bank USA - Account# 79965292	245,002	245,002	245,002	
JP Morgan Chase Bank NA - Account# 79965292	85,879	85,879	85,879	
Client Interest Program - Account# 78895549	48,183	48,183	48,183	
Goldman Sachs Bank USA - Account# 560FA675	5,329	5,329	5,329	
Client Interest Program - Account# 240UA293	1,000	1,000	1,000	
Goldman Sachs Bank USA - Account# 240UA293	48,601	48,601	48,601	
Total Money Market Funds	<u>\$ 786,106</u>	<u>\$ 786,106</u>	<u>\$ 786,106</u>	
	Quantity	Cost	Fair Value	
<u>Mutual Funds</u>				
Lazard Global Listed Infrastructure Port Inst N/L - Account# 560FA675	99,713	\$ 1,580,431	\$ 1,390,990	
Total Mutual Funds	<u>99,713</u>	<u>\$ 1,580,431</u>	<u>\$ 1,390,990</u>	
	Face Value	Cost	Fair Value	Ratings
<u>Obligations of U.S. Government and Agencies</u>				
<u>Government Sponsored Enterprise Securities (GSE)</u>				
Federal Home Loan Banks Debenture QTRLY Actual/360 .0100%, due 12/18/2020	\$ 110,000	\$ 110,000	\$ 109,996	Aaa
Federal Home Loan Banks Debenture QTRLY Actual/360 .0100%, due 01/04/2021	320,000	320,000	319,978	Aaa
Federal Home Loan Banks Debenture QTRLY Actual/360 .0100%, due 09/13/2021	505,000	505,000	504,874	Aaa
Federal Home Loan Banks Debenture QTRLY Actual/360 .0100%, due 08/04/2021	490,000	490,000	489,897	Aaa
Federal Home Loan Banks Debenture QTRLY Actual/360 1.6030%, due 08/24/2021	480,000	480,000	480,000	Aaa
Federal Home Loan Banks Debenture QTRLY Actual/360 .0100%, due 12/17/2021	525,000	525,000	524,302	Aaa
Federal Agriculture Mortgage Corporation Medium Term Note QTRLY Actual/360 .0100% due 12/22/2021	295,000	295,000	294,929	Not rated
Federal Agriculture Mortgage Corporation Medium Term Note QTRLY Actual/360 .0100% due 01/25/2022	865,000	865,000	864,161	Not rated
Federal Agriculture Mortgage Corporation Medium Term Note QTRLY Actual/360 .0100% due 02/25/2022	295,000	295,000	294,917	Not rated
Total GSE	<u>3,885,000</u>	<u>3,885,000</u>	<u>3,883,054</u>	
<u>Mortgage and Asset Backed Securities</u>				
Fannie Mae Pool #995517 FNMA CONV Intermediate 15yr 5.5%, due 01/01/24	3,200,000	30,925	32,397	
Total Mortgage and Asset Backed Securities	<u>3,200,000</u>	<u>30,925</u>	<u>32,397</u>	
<u>Governmental Bonds</u>				
U.S. Treasury Notes Qtrly 1.5%, due 02/15/2030	155,000	181,402	181,120	
U.S. Treasury Notes Qtrly 2.625%, due 02/15/2029	695,000	451,323	750,169	
Total Governmental Bonds	<u>850,000</u>	<u>632,725</u>	<u>931,289</u>	
Total Obligations of U.S. Government and Agencies	<u>\$ 7,935,000</u>	<u>\$ 4,548,650</u>	<u>\$ 4,846,740</u>	
<u>Corporate Bonds</u>				
AMERICAN EXPRESS COMPANY NTS PAYS QTRLY ACTUAL/360 ISIN US025816BX68 1.0010% DUE 08/03/2023	\$ 175,000	\$ 175,954	\$ 176,710	A3
BANK OF AMERICA CORPORATION MTN ISIN US06051GHQ55 3.9740% DUE 02/07/2030	460,000	504,770	533,043	A2
BANK OF NEW YORK MELLON (3MO LIBOR + 105BP) MTN PAYS QTRLY ACTUAL RATE 1.31825 ACTUAL/360 ISIN US06406FAF09 1.3182% DUE 10/30/2023	435,000	440,044	442,104	A1
CITIGROUP INC. NTS ISIN US172967ME81 3.9800% DUE 03/20/2030 Callable 03/20/2029@ 100.000 (172967ME8)	349,000	390,116	401,755	A3
CITIGROUP INC. NTS ISIN US172967MP39 4.4120% DUE 03/31/2031	100,000	118,539	119,873	A3
COMCAST CORPORATION NTS ISIN US20030NDA63 2.6500% DUE 02/01/2030	275,000	287,482	299,646	A2
THE WALT DISNEY COMPANY NTS ISIN US254687DR41 7.2800% DUE 06/30/2028	75,000	106,376	103,977	A2
THE WALT DISNEY COMPANY NTS ISIN US254687FL52 2.0000% DUE 09/01/2029	305,000	307,547	314,897	A2
THE WALT DISNEY COMPANY NTS ISIN US254687FQ40 3.8000% DUE 03/22/2030	90,000	108,015	106,840	A2
GOLDMAN SACHS GROUP, INC. NTS ISIN US38141GWV21 3.8140% DUE 04/23/2029	255,000	255,254	290,221	A3
GOLDMAN SACHS GROUP, INC. NTS OID ISIN US38141GWZ35 4.2230% DUE 05/01/2029	200,000	218,223	233,242	A3
INTERNATIONAL BUSINESS MACHINES CORPORATION NTS ISIN US459200KA85 3.5000% DUE 05/15/2029	280,000	297,914	322,714	A2
INTERNATIONAL BUSINESS MACHINES CORPORATION NTS ISIN US459200KJ94 1.9500% DUE 05/15/2030	155,000	160,228	159,910	A2
JPMORGAN CHASE & CO. NTS OID ISIN US46647PBE51 2.7390% DUE 10/15/2030	390,000	397,297	417,819	A2
METLIFE INC. NTS ISIN US59156RBZ01 4.5500% DUE 03/23/2030	235,000	290,324	294,497	A3
MORGAN STANLEY MTN OID ISIN US61744YAK47 3.5910% DUE 07/22/2028	280,000	275,750	314,913	A3
MORGAN STANLEY (3.772% FIXED TILL 1/24/28 THEN 3MO LIBOR +114BP) MTN OID ISIN US61744YAP34 3.7720% DUE 01/24/2029	190,000	206,459	216,868	A3
ORACLE CORPORATION NTS ISIN US68389XBV64 2.9500% DUE 04/01/2030	145,000	157,300	162,119	A3
PNC FINANCIAL SERVICES GROUP INC NTS ISIN US693475AZ80 2.5500% DUE 01/22/2030	380,000	342,375	411,601	A3
WELLS FARGO & COMPANY MTN ISIN US95000U2D40 4.1500% DUE 01/24/2029	335,000	370,993	393,987	A2
Subtotal - Account #79965292	<u>5,109,000</u>	<u>5,410,960</u>	<u>5,716,736</u>	

See Accompanying Independent Auditors' Report.

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Schedule of Investment Securities, Continued
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<u>Corporate Bonds, Continued</u>	Face Value	Cost	Fair Value	Ratings
ADVANCED MICRO DEVICES INC SR COCO 26 CONVERTIBLE TO 09/01/2026 2.1250% DUE 09/01/2026	2,000	12,448	20,452	Not rated
AIR CANADA 144A 4.0000% DUE 07/01/2025	8,000	8,285	9,053	Not rated
AIR TRANS SVCS GROUP INC SR GBLB COCO 24 CONVERTIBLE TO 10/11/2024 1.1250% DUE 10/15/2024	4,000	4,380	4,215	Not rated
AKAMAI TECHNOLOGIES INC SR GBLB COCO 25 CONVERTIBLE TO 04/30/2025 .1250% DUE 05/01/2025	23,000	26,322	29,575	Not rated
AMERICAN EAGLE OUTFITTERS INC GBLB COCO 25 CONVERTIBLE TO 04/11/2025Y ISIN US02553EAA47 3.7500% DUE 04/15/2025	2,000	3,114	3,706	Not rated
ATLAS AIR WORLDWIDE HLDGS INC SR COCO 24 CONVERTIBLE TO 05/30/2024 ISIN US049164BJ49 1.8750% DUE 06/01/2024	4,000	4,787	4,813	Not rated
ATLISSIAN INC., COCO NTS .6250% DUE 05/01/2023	7,000	11,976	15,746	Not rated
AXA SA 144A ISIN US054536AD96 7.2500% DUE 05/15/2021	9,000	10,427	7,853	Not rated
BANDWIDTH INC SR GBLB COCO 26 CONVERTIBLE TO 02/26/2026Y ISIN US05988JAA16 .2500% DUE 03/01/2026	5,000	5,000	9,985	Not rated
BILIBILI INC NTS OPT TENDER RULE 144A ISIN US090040AC09 1.2500% DUE 06/15/2027	9,000	11,035	10,824	Not rated
BIOMARIN PHARMACEUTICAL INC SR SB GBLB 27 CONVERTIBLE TO 05/13/2027Y ISIN US09061GAJ04 1.2500% DUE 05/15/2027	9,000	8,892	8,802	Not rated
BLACKLINE INC SR GBLB COCO 24 CONVERTIBLE TO 07/30/2024 .1250% DUE 08/01/2024 (09239BAB5)	7,000	13,957	9,628	Not rated
BLOOM ENERGY CORP SR GBLB COCO 25 CONVERTIBLE TO 08/13/2025 Y ISIN US093712AG22 2.5000% DUE 08/15/2025 (093712AG2)	7,000	7,030	8,894	Not rated
BLOOMIN BRANDS INC SR GBLB COCO 25 CONVERTIBLE TO 04/29/2025 Y ISIN US094235AA65 5.0000% DUE 05/01/2025 (094235AA6)	6,000	6,000	9,136	Not rated
BOOKING HOLDINGS INC SR CV 144A NT 25 CONVERTIBLE TO 05/01/2025Y ISIN US09857LAM00 .7500% DUE 05/01/2025 (09857LAM0)	13,000	14,066	16,692	A3
BRIDGEBIO PHARMA INC SR GBLB COCO 27 CONVERTIBLE TO 03/11/2027 Y ISIN US10806XAA00 2.5000% DUE 03/15/2027 (10806XAA0)	7,000	7,164	7,940	Not rated
BURLINGTON STORES INC SR GBLB COCO 25 CONVERTIBLE TO 04/11/2025 Y ISIN US122017AA43 2.2500% DUE 04/15/2025 (122017AA4)	9,000	9,832	10,724	Not rated
CNX RES CORP SR GBLB COCO 26 CONVERTIBLE TO 04/29/2026Y ISIN US12653CAF59 2.2500% DUE 05/01/2026 (12653CAF5)	3,000	3,543	3,098	Not rated
CALLAWAY GOLF CO SR GBLB COCO 26 CONVERTIBLE TO 04/29/2026 Y ISIN US131193AD62 2.7500% DUE 05/01/2026 (131193AD6)	5,000	5,120	6,789	Not rated
CANADIAN SOLAR INC NTS RULE 144A ISIN US136635AF65 2.5000% DUE 10/01/2025 (136635AF6)	5,000	5,210	5,823	Not rated
CARNIVAL CORPORATION NTS RULE 144A ISIN US143658BF88 5.7500% DUE 04/01/2023 (143658BF8)	11,000	17,974	18,795	B2
CERENICE INC SR GBLB COCO 25 CONVERTIBLE TO 05/29/2025Y 3.0000% DUE 06/01/2025 (156727AA7)	5,000	5,083	7,687	Not rated
CHART INDS INC SR SB COCO 24 CONVERTIBLE TO 11/13/2024Y 1.0000% DUE 11/15/2024 (16115QAD2)	4,000	5,502	5,544	Not rated
CHEGG INC SR GBLB COCO 25 CONVERTIBLE TO 03/13/2025 .1250% DUE 03/15/2025 (163092AD1)	12,000	13,058	18,258	Not rated
CHEGG INC SR GBLB COCO 26 CONVERTIBLE TO 08/28/2026Y DUE 09/01/2026 (163092AE9)	9,000	9,165	8,969	Not rated
CINEMARK HLDGS INC SR GBLB COCO 25 CONVERTIBLE TO 08/13/2025 Y 4.5000% DUE 08/15/2025 (17243VAA0)	5,000	5,872	4,972	Not rated
CLEVELAND-CLIFFS INC NEW SR COCO 25 CONVERTIBLE TO 01/13/2025 ISIN US185899AA92 1.5000% DUE 01/15/2025 (185899AA9)	6,000	5,280	6,200	Not rated
CLOUDFLARE INC SR GBLB COCO 25 CONVERTIBLE TO 05/13/2025Y .7500% DUE 05/15/2025 (18915MAA5)	4,000	4,028	5,385	Not rated
CONMED CORP SR GBLB COCO 24 CONVERTIBLE TO 01/30/2024 2.6250% DUE 02/01/2024 (207410AF8)	7,000	9,555	7,837	Not rated
COPA HOLDINGS SA CV RULE 144A ISIN US21720AAA07 4.5000% DUE 04/15/2025 (21720AAA0)	6,000	6,000	7,037	Not rated
COUPA SOFTWARE INC SR GBLB COCO 25 CONVERTIBLE TO 06/12/2025 .1250% DUE 06/15/2025 (22266LAC0)	6,000	8,122	10,931	Not rated
COUPA SOFTWARE INC SR GBLB COCO 26 CONVERTIBLE TO 06/11/2026 Y ISIN US22266LAE65 .3750% DUE 06/15/2026 (22266LAE6)	8,000	7,985	9,425	Not rated
CREE INC SR GBLB COCO 26 CONVERTIBLE TO 04/29/2026 Y ISIN US225447AC59 1.7500% DUE 05/01/2026 (225447AC5)	4,000	4,126	6,123	Not rated
DATADOG INC SR GBLB COCO 25 CONVERTIBLE TO 06/12/2025Y .1250% DUE 06/15/2025 (23804LAA1)	5,000	5,131	6,600	Not rated
DEXCOM INC SR GBLB COCO 23 CONVERTIBLE TO 11/29/2023 .7500% DUE 12/01/2023 (252131AH0)	9,000	14,019	22,736	Not rated
DEXCOM INC SR GBLB COCO 25 CONVERTIBLE TO 11/14/2025Y ISIN US252131AJ65 .2500% DUE 11/15/2025 (252131AJ6)	8,000	8,001	8,435	Not rated
DICKS SPORTING GOODS INC SR GBLB COCO 25 CONVERTIBLE TO 04/11/2025 Y ISIN US253393AC63 3.2500% DUE 04/15/2025 (253393AC6)	8,000	7,992	14,648	Not rated
DISH NETWORK CORPORATION COCO 26 CONVERTIBLE TO 08/14/2026 3.3750% DUE 08/15/2026 (25470MAB5)	5,000	4,877	4,590	B1
DOCUSIGN INC SR GBLB COCO 23 CONVERTIBLE TO 09/13/2023 .5000% DUE 09/15/2023 (256163AB2)	6,000	7,500	18,115	Not rated
ENVSTNET INC SUB GBLB COCO 25 CONVERTIBLE TO 08/13/2025Y ISIN US29404KAD81 .7500% DUE 08/15/2025 (29404KAD8)	13,000	13,326	13,056	Not rated
ENVISTA HOLDINGS CORPORATION SR GBLB COCO 25 CONVERTIBLE TO 05/29/2025Y ISIN US29415FAA21 2.3750% DUE 06/01/2025 (29415FAA2)	4,000	4,000	5,551	Not rated
ETSY INC SR GBLB COCO 26 CONVERTIBLE TO 09/29/2026 Y ISIN US29786AAH95 .1250% DUE 10/01/2026 (29786AAH9)	7,000	7,230	11,113	Not rated
ETSY INC SR GBLB COCO 27 CONVERTIBLE TO 08/30/2027 Y .1250% DUE 09/01/2027 (29786AAK2)	8,000	8,149	8,135	Not rated
EXACT SCIENCES CORP SR GBLB COCO 25 CONVERTIBLE TO 01/15/2025 ISIN US30063PAA30 1.0000% DUE 01/15/2025 (30063PAA3)	4,000	6,180	6,190	Not rated
EXACT SCIENCES CORP SR CV NTO.375% 27 CONVERTIBLE TO 03/11/2027 ISIN US30063PAB13 .3750% DUE 03/15/2027 (30063PAB1)	7,000	8,036	8,193	Not rated
FIVE9 INC SR GBLB COCO 25 CONVERTIBLE TO 05/29/2025 Y .5000% DUE 06/01/2025 (338307AC5)	8,000	8,100	9,668	Not rated
GCI LIBERTY INC CONVERTIBLE PAYS QTRLY 1.7500% DUE 09/30/2046 (36164VAA5)	12,000	17,340	20,562	Not rated
GUESS INC SR GBLB COCO 24 CONVERTIBLE TO 04/11/2024 2.0000% DUE 04/15/2024 (401617AD7)	4,000	2,600	3,201	Not rated

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Schedule of Investment Securities, Continued
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<u>Corporate Bonds, Continued</u>	<u>Face Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Ratings</u>
HALOZYME THERAPEUTICS INC SR GBLB COCO 24 CONVERTIBLE TO 11/29/2024 Y ISIN US40637HAA77 1.2500% DUE 12/01/2024 (40637HAA7)	7,000	7,481	8,964	Not rated
HANNON ARMSTRONG SUST INFR CAP SR GBLB CV ZRO23 CONVERTIBLE TO 08/11/2023 DUE 08/15/2023 (41068XAD2)	6,000	6,053	6,226	Not rated
HELIX ENERGY SOLUTIONS GRP INC SR GBLB COCO 26 CONVERTIBLE TO 02/12/2026 6.7500% DUE 02/15/2026 (42330PAK3)	5,000	5,000	4,090	Not rated
HUBSPOT INC SR GBLB COCO 25 CONVERTIBLE TO 05/29/2025Y .3750% DUE 06/01/2025 (443573AC4)	10,000	11,365	12,676	Not rated
IAC FINANCECO INC SR CV 144A NT 22 CONVERTIBLE TO 10/01/2022Y .8750% DUE 10/01/2022 (44931RAAO)	6,000	10,410	15,263	Not rated
IAC FINANCECO 2 INC / IAC FINANCECO 3 INC NTS RULE 144A ISIN US44932FAA57 .8750% DUE 06/15/2026 (44932FAA5)	12,000	14,064	17,133	Not rated
ILLUMINA INC SR CONV NTO.5%21 CONVERTIBLE TO 06/11/2021 ISIN US452327AH26 .5000% DUE 06/15/2021 (452327AH2)	8,000	10,876	10,264	Not rated
INSMED INC SR COCO 25 CONVERTIBLE TO 01/13/2025 ISIN US457669AA77 1.7500% DUE 01/15/2025 (457669AA7)	6,000	6,090	6,511	Not rated
INPHI CORP SR CV NT 0.75%21 CONVERTIBLE TO 08/30/2021 ISIN US45772FAC14 .7500% DUE 09/01/2021 (45772FAC1)	5,000	7,636	10,047	Not rated
INPHI CORP SR GBLB COCO 25 CONVERTIBLE TO 04/11/2025Y .7500% DUE 04/15/2025 (45772FAE7)	10,000	10,475	11,970	Not rated
INSEGO CORP SR GBLB CV NT 25 CONVERTIBLE TO 04/30/2025 3.2500% DUE 05/01/2025 (45782BAD6)	5,000	5,000	4,808	Not rated
INSULET CORP COCO 24 CONVERTIBLE TO 11/14/2024 1.3750% DUE 11/15/2024 (45784PAH4)	3,000	6,045	7,677	Not rated
INSULET CORP SR COCO 26 CONVERTIBLE TO 08/28/2026 Y ISIN US45784PAJ03 .3750% DUE 09/01/2026 (45784PAJ0)	14,000	15,411	17,828	Not rated
INVITAE CORP SR GBLB COCO 24 CONVERTIBLE TO 08/30/2024 2.0000% DUE 09/01/2024 (46185LAB9)	4,000	4,838	6,578	Not rated
KBR INC SR GBLB COCO 23 CONVERTIBLE TO 10/30/2023 ISIN US48242WAB28 2.5000% DUE 11/01/2023 (48242WAB2)	6,000	7,493	6,765	Not rated
K12 INC SR GBLB COCO 27 CONVERTIBLE TO 08/30/2027 Y 1.1250% DUE 09/01/2027 (48273UAA0)	7,000	7,143	5,838	Not rated
LENDINGTREE INC SR GBLB COCO 25 CONVERTIBLE TO 07/11/2025Y .5000% DUE 07/15/2025 (52603BAC1)	7,000	7,225	6,830	Not rated
LIBERTY MEDIA CORP DEL SR COCO 23 CONVERTIBLE TO 10/12/2023 ISIN US531229AB89 1.3750% DUE 10/15/2023 (531229AB8)	8,000	10,830	8,706	Not rated
LIBERTY MEDIA CORP DEL 1%23 CONVERTIBLE TO 01/26/2023 1.0000% DUE 01/30/2023 (531229AF9)	7,000	9,036	8,304	Not rated
LIVE NATION ENTERTAINMENT INC SR GBLB COCO 23 CONVERTIBLE TO 03/13/2023 2.5000% DUE 03/15/2023 (538034AQ2)	9,000	10,529	10,025	Not rated
LIVONGO HEALTH INC SR GBLB COCO 25 CONVERTIBLE TO 05/29/2025 Y .8750% DUE 06/01/2025 (539183AB9)	6,000	6,033	11,753	Not rated
LUMENTUM HLDGS INC SR GBLB COCO 26 CONVERTIBLE TO 12/11/2026 Y .5000% DUE 12/15/2026 (55024UAC3)	22,000	23,298	23,415	Not rated
LYFT INC SR GBLB COCO 25 CONVERTIBLE TO 05/13/2025 Y 1.5000% DUE 05/15/2025 (55087PAA2)	5,000	5,438	5,200	Not rated
MARCUS CORP DEL SR GBLB COCO 25 CONVERTIBLE TO 09/11/2025 Y 5.0000% DUE 09/15/2025 (566330AA4)	3,000	3,390	3,070	Not rated
MERCADOLIBRE INC SR GBLB COCO 28 CONVERTIBLE TO 08/14/2028 ISIN US58733RAD44 2.0000% DUE 08/15/2028 (58733RAD4)	4,000	10,106	10,071	Not rated
MERITOR INC SR COCO 37 CONVERTIBLE TO 10/15/2025 ISIN US59001KAF75 3.2500% DUE 10/15/2037 Callable 10/15/2025 @ 100.000 (59001KAF7)	10,000	9,153	10,375	Not rated
MICROCHIP TECHNOLOGY INC. SR SB COCO 25 CONVERTIBLE TO 02/13/2025 ISIN US595017AD62 1.6250% DUE 02/15/2025 (595017AD6)	4,000	7,442	8,911	Not rated
MICROCHIP TECHNOLOGY INC. COCO 27 CONVERTIBLE TO 02/11/2027 ISIN US595017AF11 1.6250% DUE 02/15/2027 (595017AF1)	16,000	23,608	24,651	Not rated
MONGODDB INC SR GBLB COCO 26 CONVERTIBLE TO 01/14/2026Y .2500% DUE 01/15/2026 (60937PAC0)	6,000	6,329	7,836	Not rated
NCL CORPORATION LTD CONVERTIBLE 144A 6.0000% DUE 05/15/2024 (62886HAS0)	11,000	12,536	16,090	Not rated
NCL CORPORATION LTD. NTS RULE 144A ISIN US62886HAW16 5.3750% DUE 08/01/2025 (62886HAW1)	4,000	4,080	4,683	Not rated
NANOSTRING TECHNOLOGIES INC SR GBLB COCO 25 CONVERTIBLE TO 02/28/2025 Y 2.6250% DUE 03/01/2025 (63009RAC3)	7,000	7,223	8,393	Not rated
NATIONAL VISION HLDGS INC SR GBLB COCO 25 CONVERTIBLE TO 05/13/2025 Y 2.5000% DUE 05/15/2025 (63845RAA5)	5,000	5,150	7,113	Not rated
NEUROCRINE BIOSCIENCES INC SR COCO 24 CONVERTIBLE TO 05/14/2024 ISIN US64125CAD11 2.2500% DUE 05/15/2024 (64125CAD1)	9,000	14,298	12,375	Not rated
NICE LIMITED RULE 144A ISIN US653656AA68 DUE 09/15/2025 (653656AA6)	8,000	8,113	8,028	Not rated
NOVELLUS SYS INC SR COCO 41 CONVERTIBLE TO 05/10/2041 OID ISIN US670008AD31 2.6250% DUE 05/15/2041 (670008AD3)	1,000	9,200	10,415	Not rated
NUANCE COMMUNICATIONS INC SR COCO 35 CONVERTIBLE TO 12/14/2035 OPT TENDER 1.0000% DUE 12/15/2035 Callable 12/20/2022 @ 100.000 (67020YAK6)	4,000	4,174	5,810	Not rated
NUANCE COMMUNICATIONS INC COCO 25 CONVERTIBLE TO 03/31/2025 ISIN US67020YAN04 1.2500% DUE 04/01/2025 (67020YAN0)	4,000	4,555	7,085	Not rated
OKTA INC SR GBLB COCO 25 CONVERTIBLE TO 08/28/2025 .1250% DUE 09/01/2025 (679295AD7)	16,000	16,428	21,070	Not rated
ON SEMICONDUCTOR CORP COCO 23 CONVERTIBLE TO 10/12/2023 ISIN US682189AP09 1.6250% DUE 10/15/2023 (682189AP0)	10,000	11,942	13,206	Not rated
PACIRA PHARMACEUTICALS INC SR GBLB COCO 25 CONVERTIBLE TO 07/30/2025 Y .7500% DUE 08/01/2025 (695127AE0)	13,000	13,489	14,013	Not rated
PALO ALTO NETWORKS INC SR GBLB COCO 23 CONVERTIBLE TO 06/29/2023 .7500% DUE 07/01/2023 (697435AD7)	20,000	22,412	22,546	Not rated
PEGASYSTEMS INC SR GBLB COCO 25 CONVERTIBLE TO 02/27/2025Y .7500% DUE 03/01/2025 (705573AA1)	8,000	8,290	9,071	Not rated

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Schedule of Investment Securities, Continued
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	Face Value	Cost	Fair Value	Ratings
<u>Corporate Bonds, Continued</u>				
PENN NATL GAMING INC GLBL COCO 26 CONVERTIBLE TO 05/13/2026 2.7500% DUE 05/15/2026 (707569AU3)	4,000	4,020	12,838	Not rated
PINDUODUO INC. DUE 10/01/2024 (722304AB8)	5,000	-	9,056	Not rated
PIONEER NAT RES CO SR GLBL COCO 25 CONVERTIBLE TO 05/13/2025 Y .2500% DUE 05/15/2025 (723787AN7)	10,000	10,915	11,010	Baa2
Q2 HLDGS INC SR GLBL COCO 26 CONVERTIBLE TO 05/28/2026 .7500% DUE 06/01/2026 (74736LAD1)	8,000	9,624	9,799	Not rated
RH SR GLBL COCO 23 CONVERTIBLE TO 06/14/2023 DUE 06/15/2023 (74967XAA1)	10,000	12,147	20,297	Not rated
REPLIGEN CORP SR GLBL COCO 24 CONVERTIBLE TO 07/11/2024 .3750% DUE 07/15/2024 (759916AB5)	8,000	8,824	11,380	Not rated
REVANCE THERAPEUTICS INC SR GLBL COCO 27 CONVERTIBLE TO 02/11/2027 Y 1.7500% DUE 02/15/2027 (761330AA7)	6,000	6,246	6,324	Not rated
RINGCENTRAL INC SR COCO 23 CONVERTIBLE TO 03/14/2023 DUE 03/15/2023 (76680RAD9)	1,000	2,273	3,359	Not rated
RINGCENTRAL INC SR GLBL COCO 25 CONVERTIBLE TO 02/28/2025Y DUE 03/01/2025 (76680RAE7)	12,000	12,667	12,780	Not rated
ROYAL CARIBBEAN CRUISES LTD. NTS RULE 144A ISIN US780153BA90 4.2500% DUE 06/15/2023 (780153BA9)	11,000	12,005	12,836	Not rated
SSR MINING INC NTS OPT TENDER ISIN US784730AB94 2.5000% DUE 04/01/2039 Callable 04/01/2026 @ 100.000 (784730AB9)	6,000	8,597	7,964	Not rated
SABRE GLBL INC. NTS RULE 144A ISIN US78573NAD49 4.0000% DUE 04/15/2025 (78573NAD4)	7,000	7,413	8,224	Not rated
SAREPTA THERAPEUTICS INC COCO 24 CONVERTIBLE TO 11/13/2024 1.5000% DUE 11/15/2024 (803607AB6)	9,000	17,902	18,662	Not rated
SEA LTD NTS RULE 144A ISIN US81141RAC43 1.0000% DUE 12/01/2024 (81141RAC4)	3,000	3,456	9,247	Not rated
SEA LTD NTS RULE 144A ISIN US81141RAE09 2.3750% DUE 12/01/2025 (81141RAE0)	13,000	13,793	24,303	Not rated
SERVICENOW INC SR GLBL COCO 22 CONVERTIBLE TO 05/27/2022 ISIN US81762PAC68 DUE 06/01/2022 (81762PAC6)	5,000	10,883	18,074	Not rated
SHOPIFY INC NTS ISIN US82509LAA52 .1250% DUE 11/01/2025 (82509LAA5)	8,000	8,539	8,941	Not rated
SNAP INC SR GLBL COCO 26 CONVERTIBLE TO 07/31/2026 .7500% DUE 08/01/2026 (83304AAB2)	11,000	14,690	15,228	Not rated
SNAP INC SR GLBL COCO 25 CONVERTIBLE TO 04/30/2025 Y .2500% DUE 05/01/2025 (83304AAC0)	7,000	4,539	9,704	Not rated
SOLAREDEGE TECHNOLOGIES INC SR COCO 25 CONVERTIBLE TO 09/11/2025 Y DUE 09/15/2025 (83417MAC8)	7,000	7,195	8,019	Not rated
SOUTHWEST AIRLS CO SR GLBL COCO 25 CONVERTIBLE TO 04/29/2025 1.2500% DUE 05/01/2025 (844741BG2)	8,000	8,512	10,440	Baa1
SPIRIT AIRLS INC SR GLBL COCO 25 CONVERTIBLE TO 05/13/2025 ISIN US848577AA03 4.7500% DUE 05/15/2025 (848577AA0)	4,000	6,154	5,812	Not rated
SPLUNK INC SR GLBL COCO 25 CONVERTIBLE TO 09/11/2025 1.1250% DUE 09/15/2025 (848637AD6)	12,000	14,996	17,319	Not rated
SPLUNK INC SR GLBL COCO 27 CONVERTIBLE TO 06/11/2027Y 1.1250% DUE 06/15/2027 (848637AE4)	16,000	16,387	17,215	Not rated
SQUARE INC SR GLBL COCO 23 CONVERTIBLE TO 05/14/2023 .5000% DUE 05/15/2023 (852234AD5)	14,000	15,825	30,311	Not rated
SQUARE INC SR GLBL COCO 25 CONVERTIBLE TO 02/28/2025Y .1250% DUE 03/01/2025 (852234AE3)	3,000	4,237	4,559	Not rated
SYNAPTICS INC SR GLBL COCO 22 CONVERTIBLE TO 06/14/2022 ISIN US87157DAD12 .5000% DUE 06/15/2022 (87157DAD1)	12,000	13,670	14,841	Not rated
TANDEM DIABETES CARE INC SR GLBL COCO 25 CONVERTIBLE TO 04/29/2025 Y 1.5000% DUE 05/01/2025 (875372AA2)	8,000	8,255	10,340	Not rated
TELADOC HEALTH INC SR GLBL COCO 27 CONVERTIBLE TO 05/27/2027 Y 1.2500% DUE 06/01/2027 (87918AAE5)	23,000	24,570	28,762	Not rated
TERADYNE INC SR COCO 23 CONVERTIBLE TO 12/13/2023 1.2500% DUE 12/15/2023 (880770AG7)	6,000	13,056	15,309	Not rated
TESLA INC SR COCO 21 CONVERTIBLE TO 02/25/2021 ISIN US88160RAC51 1.2500% DUE 03/01/2021 (88160RAC5)	9,000	12,661	53,550	Not rated
TESLA INC SR COCO 22 CONVERTIBLE TO 03/11/2022 2.3750% DUE 03/15/2022 (88160RAD3)	4,000	6,360	26,157	Not rated
TESLA INC SR GLBL COCO 24 CONVERTIBLE TO 05/14/2024 2.0000% DUE 05/15/2024 (88160RAG6)	12,000	22,179	82,950	Not rated
TWILIO INC COCO 23 CONVERTIBLE TO 05/31/2023 ISIN US90138FAB85 .2500% DUE 06/01/2023 (90138FAB8)	4,000	8,933	13,911	Not rated
II-VI INC SR GLBL COCO 22 CONVERTIBLE TO 08/31/2022 ISIN US902104AB41 .2500% DUE 09/01/2022 (902104AB4)	8,000	8,470	9,010	Not rated
2U INC SR GLBL COCO 25 CONVERTIBLE TO 04/29/2025 Y 2.2500% DUE 05/01/2025 (90214JAA9)	3,000	3,000	4,306	Not rated
WIX LTD RULE 144A ISIN US92940WAC38 DUE 08/15/2025 (92940WAC3)	10,000	10,261	9,958	Not rated
WAYFAIR INC SR GLBL COCO 24 CONVERTIBLE TO 10/30/2024 1.1250% DUE 11/01/2024 (94419LAD3)	7,000	5,969	17,986	Not rated
WAYFAIR INC SR GLBL COCO 25 CONVERTIBLE TO 09/29/2025Y .6250% DUE 10/01/2025 (94419LAL5)	9,000	9,308	9,155	Not rated
WINNEBAGO INDS INC SR GLBL COCO 25 CONVERTIBLE TO 03/28/2025 Y 1.5000% DUE 04/01/2025 (974637AA8)	7,000	7,823	7,569	Not rated
WORKDAY INC SR GLBL COCO 22 CONVERTIBLE TO 09/29/2022 .2500% DUE 10/01/2022 (98138HAF8)	15,000	19,908	23,039	Not rated
JOYY INC NTS ISIN US98426TAF30 1.3750% DUE 06/15/2026 (98426TAF3)	6,000	6,637	6,405	Not rated
ZENDESK INC SR GLBL COCO 25 CONVERTIBLE TO 06/12/2025Y .6250% DUE 06/15/2025 (98936JAC5)	13,000	13,651	15,421	Not rated
ZILLOW GROUP INC SR GLBL COCO 24 CONVERTIBLE TO 08/29/2024Y ISIN US98954MAD39 .7500% DUE 09/01/2024 (98954MAD3)	5,000	6,200	11,851	Not rated
ZILLOW GROUP INC SR GLBL COCO 25 CONVERTIBLE TO 05/13/2025 2.7500% DUE 05/15/2025 (98954MAH4)	11,000	11,922	19,005	Not rated
ZSCALER INC SR GLBL COCO 25 CONVERTIBLE TO 06/27/2025Y .1250% DUE 07/01/2025 (98980GAA0)	6,000	6,083	7,080	Not rated
ZYNGA INC SR GLBL COCO 24 CONVERTIBLE TO 05/30/2024 .2500% DUE 06/01/2024 (98986TAB4)	9,000	10,265	11,390	Not rated
Subtotal - Account # 240UA293	1,075,000	1,283,526	1,655,083	
Total Corporate Bonds	6,184,000	6,694,486	7,371,819	
<u>Preferred Securities</u>				
ARCELORMITTAL S.A. 5.5 NT LKD 23 5.5% DUE 05/18/2023 (03938L302)	305	9,112	10,202	Not rated
AVANTOR INCORPORATED 6.25 PFD CNV SR NON-CUMULATIVE 6.25% DUE 05/15/2022	270	16,016	19,640	Not rated
BANK OF NOVA SCOTIA 7.75% DUE 03/23/2021 (06417Q189)	290	8,275	6,571	Not rated
BANK OF NOVA SCOTIA NON-CUMULATIVE 5.75% DUE 03/23/2021 (06417Q197)	155	8,303	6,509	Not rated
BECTON, DICKINSON AND COMPANY 6% DP CONV PFD B NON-CUMULATIVE DUE 06/01/2023 (075887406)	160	8,078	8,424	Not rated
BROADCOM INCORPORATED 8% MCONV PFD SR A NON-CUMULATIVE SERIES ADUE 09/30/2022 (11135F200)	35	40,476	43,636	Not rated
DANAHER CORPORATION 4.75 MND CV PFD NON-CUMULATIVE 4.75% DUE 04/15/2022 (235851300)	13	15,691	19,186	Not rated
DANAHER CORPORATION 5% CONV PFD B DUE 04/15/2023 (235851409)	9	9,022	11,498	Not rated
FORTIVE CORPORATION 5% PFD CNV SER A NON-CUMULATIVE DUE 07/01/2021 (34959J207)	10	9,945	9,363	Not rated
KKR & COMPANY INCORPORATED 6% MCONV PFD C DUE 09/15/2023 (48251W401)	140	7,453	7,280	BBB+
STANLEY BLACK & DECKER I NON-CUMULATIVE 5.25% DUE 11/15/2022 (854502846)	181	17,752	18,263	BBB+
T-MOBILE US, INCORPORATED. BNT MAN EXC 23 5.25% DUE 06/01/2023 (901375105)	19	19,988	20,114	Not rated

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	Face Value	Cost	Fair Value	Ratings
<u>Preferred Securities, Continued</u>				
2020 MANDATORY EXCHANGEABLE TRST R6.5 PFD EXH 144A 6.5% DUE 05/16/2023 (901376202	7	7,035	9,300	Not rated
APTIV PLC 5.5% CNV PFD A NON-CUMULATIVE DUE 06/15/2023 (G6095L117)	125	13,573	14,178	Not rated
Subtotal - Account # 240UA293	1,719	190,719	204,164	
Total Corporate Bonds and Preferred Securities	<u>\$ 6,185,719</u>	<u>\$ 6,885,205</u>	<u>\$ 7,575,983</u>	
	Number of Shares	Cost	Fair Value	
<u>Corporate Stock</u>				
ALEXANDRIA REAL ESTATE EQ INCORPORATED REIT (ARE)	449	\$ 54,797	\$ 71,840	
AMERICAN CAMPUS CMNTYS INCORPORATED REIT (ACC)	545	19,062	19,031	
AMERICAN HOMES 4 RENT CLASS A REIT (AMH)	982	25,564	27,967	
AMERICAN TOWER CORPORATION NEW REIT (AMT)	141	22,316	34,084	
AVALONBAY CMNTYS INCORPORATED REIT (AVB)	364	72,155	54,360	
BOSTON PROPERTIES INCORPORATED REIT (BXP)	369	43,101	29,631	
CAMDEN PROPERTY TR SH BEN INT REIT (CPT)	478	45,453	42,532	
CORESITE RLTY CORPORATION REIT (COR)	170	20,432	20,210	
CUBESMART REIT (CUBE)	1,358	39,844	43,877	
CYRUSONE INCORPORATED REIT (CONE)	170	13,947	11,905	
DUKE REALTY CORPORATION COM NEW REIT (DRE)	1,744	54,924	64,354	
EASTGROUP PROPERTY INCORPORATED REIT (EGP)	210	24,902	27,159	
EQUINIX INCORPORATED REIT (EQIX)	223	107,526	169,509	
EQUITY LIFESTYLE PPTYS INCORPORATED REIT (ELS)	798	48,279	48,917	
EQUITY RESIDENTIAL SH BEN INT REIT (EQR)	949	65,300	48,712	
ESSEX PROPERTY TR INCORPORATED REIT (ESS)	82	22,476	16,465	
EXTRA SPACE STORAGE INCORPORATED REIT (EXR)	584	50,403	62,482	
HEALTHCARE TR AMER INCORPORATED CLASS A NEW REIT (HTA)	1,104	31,765	28,704	
HEALTHPEAK PROPERTIES INCORPORATED REIT (PEAK)	1,965	60,544	53,350	
HIGHWOODS PPTYS INCORPORATED REIT (HIW)	937	39,422	31,455	
HILTON WORLDWIDE HLDGS INCORPORATED (HLT)	164	13,106	13,992	
INVITATION HOMES INCORPORATED REIT (INVH)	1,581	40,325	44,252	
JBG SMITH PPTYS REIT (JBGS)	642	23,250	17,167	
KILROY RLTY CORPORATION REIT (KRC)	618	43,786	32,111	
KIMCO RLTY CORPORATION REIT (KIM)	3,330	50,509	37,496	
OMEGA HEALTHCARE INVS INCORPORATED REIT (OHI)	458	17,545	13,713	
PROLOGIS INCORPORATED. REIT (PLD)	1,464	88,691	147,308	
RETAIL OPPORTUNITY INVTs CORPORATION REIT (ROIC)	2,510	35,381	26,142	
RYMAN HOSPITALITY PPTYS INCORPORATED REIT (RHP)	386	24,230	14,205	
SIMON PROPERTY GROUP INCORPORATED NEW REIT (SPG)	593	93,804	38,355	
WELLTOWER INCORPORATED REIT (WELL)	508	28,459	27,986	
XENIA HOTELS & RESORTS INCORPORATED REIT (XHR)	1,199	11,064	10,527	
Subtotal - Account #79965329	27,075	1,332,362	1,329,798	
ABB LIMITED SPONSORED ADR (SWITZERLAND) (ABB)	5,239	111,407	133,333	
AIA GROUP LIMITED SPONSORED ADR (HONG KONG) (AAGIY)	2,669	94,298	104,556	
AIR LIQUIDE ADR (FRANCE) (AIQUY)	1,900	56,352	60,380	
ALSTOM ADR (FRANCE) (ALSMY)	14,981	78,186	74,695	
BNP PARIBAS SPONSORED ADR (FRANCE) (BNPQY)	3,295	86,247	59,840	
BANCO SANTANDER S.A. ADR (SPAIN) (SAN)	26,343	58,218	48,735	
BEIERSDORF AG ADR (GERMANY) (BDRFY)	4,502	104,865	102,416	
BHP GROUP LIMITED SPONSORED ADS (AUSTRALIA) (BHP)	1,520	54,471	78,599	
CANADIAN NATL RY COMPANY (CANADA) (CNI)	710	51,364	75,580	
CARLSBERG AS SPONSORED ADR (DENMARK) (CABGY)	3,030	62,600	81,719	
CONTINENTAL AG SPONSORED ADS (GERMANY) (CTTAY)	3,935	42,797	42,675	
DBS GROUP HOLDINGS LIMITED SPONSORED ADR (SINGAPORE) (DBSDY)	966	54,170	56,356	
DAIWA HOUSE IND LIMITED ADR (JAPAN) (DWAHY)	2,522	51,439	64,467	
ENEL SOCIETA PER AZIONI UNSPONSORD ADR (ITALY) (ENLAY)	14,915	128,851	129,746	
ENGIE SPONS ADR (FRANCE) (ENGIY)	11,933	160,535	159,807	
EQUINOR ASA SPONSORED ADR (NORWAY) (EQNR)	3,347	54,737	47,059	
FERGUSON PLC NEW SPONSRD ADS NEW (FERGY)	8,046	50,794	81,257	
FLUGHAFEN ZUERICH AG UNSPONSOR ADR (SWITZERLAND) (FLGZY)	4,802	20,423	26,469	
HEXAGON AB ADR (SWEDEN) (HXGBY)	1,010	57,805	76,489	
HITACHI LIMITED ADR 2 COM (JAPAN) (HTHIY)	1,511	112,021	101,459	
INDUSTRIA DE DISENO TEXTIL IND UNSPONSORD ADR (SPAIN) (IDEXY)	1,981	27,948	27,645	
INFORMA PLC SPONSORED ADR NE (UNITED KINGDOM) (IFJPY)	5,105	67,988	49,697	
KAO CORPORATION UNSPONSORD ADS (JAPAN) (KAOOY)	4,512	65,334	67,441	
KNORR BREMSE AG UNSPONSORED ADS (KNRRY)	1,732	46,120	51,101	
LONZA GROUP AG UNSPONSORED ADR (SWITZERLAND) (LZAGY)	1,253	50,303	77,546	
MAKITA CORPORATION SPONSORED ADR (JAPAN) (MKTAY)	2,183	70,373	103,843	
MERCK KGAA SPONSORED ADR (GERMANY) (MKKGY)	1,052	29,369	30,730	
NEXON COMPANY LIMITED UNSPONSORED ADR (JAPAN) (NEXOY)	2,867	59,748	71,233	
NINTENDO LIMITED ADR (JAPAN) (NTDOY)	2,755	138,946	194,688	
NORDEA BK ABP MED TERM NTS SPONSORED ADS (FINLAND) (NRDBY)	9,254	87,210	70,627	
NOVARTIS AG SPONSORED ADR (SWITZERLAND) (NVS)	2,096	160,881	182,268	
PRUDENTIAL PLC ADR (UNITED KINGDOM) (PUK)	2,607	94,084	74,534	

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<u>Corporate Stock, Continued</u>			
RELX PLC SPONSORED ADR (UNITED KINGDOM) (RELX)	5,931	118,401	132,676
ROYAL DSM N V SPON ADR (NETHERLANDS) (RDSMY)	2,655	80,797	109,436
RYANAIR HOLDINGS PLC SPONSORED ADS (IRELAND) (RYAAY)	781	67,231	63,855
RYOHIN KEIKAKU COMPANY LIMITED UNSPONSORD ADR (JAPAN) (RYKKY)	3,788	70,373	62,457
SAFRAN SPON ADR (FRANCE) (SAFRY)	4,706	128,351	116,497
SAMPO OYJ ADR (FINLAND) (SAXPY)	4,606	94,179	91,254
SANDVIK AB ADR (SWEDEN) (SDVKY)	3,862	76,545	75,904
SANOFI SPONSORED ADR (FRANCE) (SNY)	3,474	160,575	174,291
SAP SE SPON ADR (GERMANY) (SAP)	1,425	159,923	222,029
SHIN ETSU CHEMICAL COMPANY LIMITED ADR (JAPAN) (SHECY)	2,828	71,359	91,684
SHIMANO INCORPORATED UNSPONSORD ADR (JAPAN) (SMNNY)	2,863	45,897	56,212
SIEMENS GAMESA RENEWABLE ENERG UNSPONSORD ADR (SPAIN) (GCTAY)	7,846	28,395	42,486
SUMITOMO MITSUI FINL GROUP INCORPORATED SPONSORED ADR (JAPAN) (SMFG)	14,338	113,155	80,149
SUNCOR ENERGY INCORPORATED NEW (CANADA) (SU)	3,542	100,536	43,230
SUZUKI MTR CORPORATION UNSPONSORD ADR (JAPAN) (SZKMY)	364	67,149	61,852
TELENOR ASA SPONSORED ADR (NORWAY) (TELNY)	5,067	100,043	84,725
TESCO PLC SPONSORED ADR (UNITED KINGDOM) (TSCDY)	13,353	119,389	110,055
UNILEVER PLC SPON ADR NEW (UNITED KINGDOM) (UL)	1,682	82,186	103,746
VESTAS WIND SYSTEMS AS UNSP ADR (DENMARK) (VWDRY)	1,625	50,502	87,891
VINCI S A ADR (FRANCE) (VCISY)	2,593	47,727	54,367
VIVENDI UNSPONSORD ADR (FRANCE) (VIVHY)	5,714	148,855	159,472
VOLKSWAGEN AG UNSPONSORED ADS (GERMANY) (VWAPY)	7,894	136,693	127,188
WOLTERS KLUWER N V SPONSORED ADR (NETHERLANDS) (WTKWY)	952	45,696	81,316
Z HOLDINGS CORPORATION UNSPONSORED ADS (JAPAN) (YAHYO)	3,963	39,281	52,498
AON PLC SHS CL A (IRELAND) (AON)	745	96,375	153,694
ACCENTURE PLC IRELAND SHS CLASS A (IRELAND) (ACN)	467	72,933	105,537
LINDE PLC SHS (IRELAND) (LIN)	272	47,101	64,371
MEDTRONIC PLC SHS (IRELAND) (MDT)	1,385	122,045	143,929
	<u>263,294</u>	<u>4,881,576</u>	<u>5,359,791</u>
Subtotal - Account #78895568			
ADOBE SYSTEMS INCORPORATED (ADBE)	391	78,088	191,758
AMERIPRISE FINL INCORPORATED (AMP)	586	62,570	90,309
AMGEN INCORPORATED (AMGN)	502	89,540	127,588
ANSYS INCORPORATED (ANSS)	485	65,114	158,707
BOK FINL CORPORATIONCOM NEW (BOKF)	510	30,661	26,270
CABOT OIL & GAS CORPORATION (COG)	4,618	85,188	80,168
CAPITAL ONE FINL CORPORATION (COF)	938	72,356	67,405
CINCINNATI FINL CORPORATION (CINF)	857	65,145	66,820
COCA COLA COMPANY (KO)	1,989	88,747	98,197
COMMERCE BANCSHARES INCORPORATED (CBSH)	1,015	58,226	57,134
CORTEVA INCORPORATED (CTVA)	3,223	81,229	92,855
CULLEN FROST BANKERS INCORPORATED (CFR)	527	35,561	33,702
DANAHER CORPORATION (DHR)	830	74,864	178,724
EAST WEST BANCORP INCORPORATED (EWBC)	1,418	68,621	46,425
ELANCO ANIMAL HEALTH INCORPORATED (ELAN)	3,120	59,845	87,142
EQUITY LIFESTYLE PPTYS INCORPORATED REIT (ELS)	761	38,363	46,649
GENERAL DYNAMICS CORPORATION (GD)	507	71,541	70,184
JPMORGAN CHASE & COMPANY (JPM)	898	72,010	86,450
LENNAR CORPORATION CLASS A (LEN)	1,372	64,804	112,065
LENNAR CORPORATION CLASS B (LEN.B)	27	977	1,773
MARTIN MARIETTA MATLS INCORPORATED (MLM)	361	57,534	84,965
MICROSOFT CORPORATION (MSFT)	833	75,121	175,205
MICROCHIP TECHNOLOGY INCORPORATED. (MCHP)	1,135	65,587	116,633
MINIATRI FINL GROUP INCORPORATED SPONSORED ADS (JAPAN) (MUFJ)	9,933	54,751	39,831
NOVARTIS AG SPONSORED ADR (SWITZERLAND) (NVS)	993	77,852	86,351
OSHKOSH CORPORATION (OSK)	1,091	59,511	80,189
PNC FINL SVCS GROUP INCORPORATED (PNC)	788	88,996	86,609
PARKER-HANNIFIN CORPORATION (PH)	482	83,364	97,528
PAYPAL HLDGS INCORPORATED (PYPL)	492	39,620	96,939
PHILLIPS 66 (PSX)	1,135	87,843	58,838
PIONEER NAT RES COMPANY (PXD)	380	58,466	32,676
PROCTER AND GAMBLE COMPANY (PG)	738	100,010	102,575
QUALCOMM INCORPORATED (QCOM)	984	73,889	115,797
RPM INTERNATIONAL INCORPORATED (RPM)	1,130	57,990	93,609
SONY CORPORATION SPONSORED ADR (JAPAN) (SNE)	1,456	79,693	111,748
SUN CMNTYS INCORPORATED REIT (SUI)	355	36,390	49,917
TWITTER INCORPORATED (TWTR)	1,900	64,967	84,550
TYSON FOODS INCORPORATED CLASS A (TSN)	1,262	96,558	75,064
WALGREENS BOOTS ALLIANCE INCORPORATED (WBA)	1,096	73,219	39,368
XYLEM INCORPORATED (XYL)	1,083	88,324	91,102
ALLEGION PLC ORD SHS (IRELAND) (ALLE)	929	96,860	91,887
JOHNSON CONTROLS INTERNATIONAL PLC SHS (IRELAND) (JCI)	2,051	76,383	83,783
MEDTRONIC PLC SHS (IRELAND) (MDT)	1,034	87,063	107,453

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September 30, 2020

	Number of Shares	Cost	Fair Value
<u>Corporate Stock, Continued</u>			
ALCON AG ORD SHS (SWITZERLAND) (ALC)	1,446	81,585	82,139
CHUBB LIMITED (SWITZERLAND) (CB)	483	60,083	56,086
Subtotal - Account #79965310	<u>58,144</u>	<u>3,085,109</u>	<u>3,861,167</u>
ABBOTT LABS (ABT)	471	37,309	51,259
ADOBE SYSTEMS INCORPORATED (ADBE)	373	92,301	182,930
ALIBABA GROUP HLDG LIMITED SPONSORED ADS (CAYMAN ISLANDS) (BABA)	193	37,283	56,738
ALPHABET INCORPORATED CAP STK CLASS C (GOOG)	87	80,522	127,855
ALPHABET INCORPORATED CAP STK CLASS A (GOOGL)	86	80,192	126,042
AMAZON COM INCORPORATED (AMZN)	139	190,153	437,674
AMERICAN TOWER CORPORATION NEW REIT (AMT)	265	60,291	64,058
APPLE INCORPORATED (AAPL)	2,936	177,637	340,018
ASTRAZENECA PLC SPONSORED ADR (UNITED KINGDOM) (AZN)	1,145	50,504	62,746
BALL CORPORATION (BLL)	737	51,707	61,260
BOSTON SCIENTIFIC CORPORATION (BSX)	1,238	45,473	47,304
CHARTER COMMUNICATIONS INCORPORATED NEW CLASS A (CHTR)	46	28,325	28,720
CHIPOTLE MEXICAN GRILL INCORPORATED (CMG)	45	37,579	55,967
COSTCO WHOLESALE CORPORATION NEW (COST)	251	78,628	89,105
COSTAR GROUP INCORPORATED (CSGP)	54	22,251	45,820
EQUINIX INCORPORATED REIT (EQIX)	73	42,278	55,489
FACEBOOK INCORPORATED CLASS A (FB)	862	159,694	225,758
INTUIT (INTU)	376	78,255	122,655
IQVIA HLDGS INCORPORATED (IQV)	469	68,638	73,929
LAUDER ESTEE COMPANIES INCORPORATED CLASS A (EL)	285	51,346	62,201
LILLY ELI & COMPANY (LLY)	516	73,944	76,378
LULULEMON ATHLETICA INCORPORATED (LULU)	146	45,926	48,088
MSCI INCORPORATED (MSCI)	145	43,066	51,733
MASTERCARD INCORPORATED CLASS A (MA)	438	67,348	148,119
MICROSOFT CORPORATION (MSFT)	1,965	206,266	413,299
MOODYS CORPORATION (MCO)	277	48,469	80,289
NETFLIX INCORPORATED (NFLX)	106	39,020	53,003
NIKE INCORPORATED CLASS B (NKE)	1,073	83,016	134,704
NVIDIA CORPORATION (NVDA)	236	56,344	127,728
PAYPAL HLDGS INCORPORATED (PYPL)	598	64,135	117,824
SALESFORCE COM INCORPORATED (CRM)	890	106,719	223,675
SHOPIFY INCORPORATED CLS A (CANADA) (SHOP)	52	53,859	53,194
SQUARE INCORPORATED CLASS A (SQ)	108	16,530	17,555
TEXAS INSTRS INCORPORATED (TXN)	414	57,233	59,115
THERMO FISHER SCIENTIFIC INCORPORATED (TMO)	154	34,312	67,994
TRANSUNION (TRU)	537	40,789	45,178
UNITEDHEALTH GROUP INCORPORATED (UNH)	388	101,735	120,967
VEEVA SYSTEMS INCORPORATED CLASS A COM (VEEV)	192	24,171	53,988
VISA INCORPORATED COM CLASS A (V)	956	88,454	191,171
WORKDAY INCORPORATED CLASS A (WDAY)	244	42,073	52,492
ZOETIS INCORPORATED CLASS A (ZTS)	500	40,009	82,685
ATLISSIAN CORPORATION PLC CLASS A (UNITED KINGDOM) (TEAM)	279	41,942	50,719
LINDE PLC SHS (IRELAND) (LIN)	235	42,374	55,614
WIX COM LIMITED SHS (ISRAEL) (WIX)	162	24,056	41,286
ASML HOLDING N V N Y REGISTRY SHS (NETHERLANDS) (ASML)	97	29,060	35,819
FERRARI N V (NETHERLANDS) (RACE)	393	52,331	72,161
Subtotal - Account #78895549	<u>21,232</u>	<u>2,993,547</u>	<u>4,792,306</u>
COLFAX CORPORATION 5.75 TANGIBLE UT (CFXA)	65	10,073	8,724
Subtotal - Account #240UA293	<u>65</u>	<u>10,073</u>	<u>8,724</u>
Total Corporate Stock	<u>369,810</u>	<u>\$ 12,302,667</u>	<u>\$ 15,351,786</u>

See Accompanying Independent Auditors' Report.