

**TITLE 41  
SOCIAL SECURITY**

**TRUST TERRITORY SOCIAL SECURITY ACT**

**Chapters 1 - 5  
General Provisions  
Social Security Board  
Coverage and Benefits  
Contributions  
Retirement Fund  
[Repealed]**

§§ 101 - 505. [Repealed by RPPL 2-29 § 61.]

**SOCIAL SECURITY ACT OF 1987**

**Chapter 6  
Subchapter I  
Preliminary  
[Repealed]**

§§ 601 - 604. [Repealed by RPPL 3-64 § 1.]

**Notes**

Kruger v. Social Sec. Bd., 5 ROP Intrm. 91, 91, 92 (1995).

**Subchapter II  
Social Security Board**

§ 608. [Recodified at 41 PNCA § 708.]

§ 609. [Recodified at 41 PNCA § 709.]

§ 610. [Recodified at 41 PNCA § 710 and amended.]

§ 611. [Recodified at 41 PNCA § 711.]

§§ 612 - 617. [Repealed by RPPL 3-64 § 1.]

**Subchapter III  
Social Security Administration  
[Repealed]**

§ 620. [Recodified at 41 PNCA § 721.]

§ 621. [Recodified at 41 PNCA § 722.]

§§ 622 - 628. [Repealed by RPPL 3-64 § 1.]

**Subchapter IV  
Retirement Fund  
[Repealed]**

§§ 630 - 634. [Repealed by RPPL 3-64 § 1.]

**Subchapter IV [sic]  
Social Security Contributions  
[Repealed]**

§§ 640 - 646. [Repealed by RPPL 3-64 § 1.]

**Subchapter V  
Coverage and Benefits  
[Repealed]**

§ 650. [Repealed by RPPL 3-64 § 1.]

**Notes**

Kruger v. Social Sec. Bd., 5 ROP Intrm. 91, 91, 92 (1995).

§§ 651 - 663. [Repealed by RPPL 3-64 § 1.]

**Subchapter VI  
Offenses and Penalties  
[Repealed]**

§§ 670 - 672. [Repealed by RPPL 3-64 § 1.]

**Subchapter VII  
Miscellaneous  
[Repealed]**

§§ 680 - 685. [Repealed by RPPL 3-64 § 1.]

**Subchapter VIII  
Transitional Arrangements  
[Repealed]**

§§ 690 - 691. [Repealed by RPPL 3-64 § 1.]

**Subchapter IX  
Repeal and Effective Date  
[Repealed]**

§ 695. [Repealed by RPPL 3-64 § 1.]

**Notes**

This section repealed the Trust Territory Social Security Act subject to section 696.

§ 696. [Repealed by RPPL 3-64 § 1.]

**Notes**

This section read as follows:

§ 696. Savings.

- (1) The provisions of this section apply notwithstanding the repeal of Title 41 of the Palau National Code by section 695.
- (2) The Trust Territory Social Security Board, and the provisions of Title 41 of the Palau National Code relating to the Board, continue in existence and in effect so long as it is necessary, and to the extent that it is necessary:
  - (a) for the performance of the functions of that board under this chapter and any corresponding law of the Federated States of Micronesia or the Republic of the Marshall Islands; and
  - (b) thereafter, for the purposes of the winding-up of its affairs, and on the completion of the winding-up of its affairs the board is dissolved.
- (3) The provisions of Title 41 of the Palau National Code relating to prior service and benefits continue in effect.

**Source**

RPPL 2-29 § 62, modified.

**Chapter 7**  
**Palau Social Security System**

**Subchapter I**  
**Preliminary**

- § 701. Purpose of this chapter.
- § 702. Definitions.
- § 703. Coverage of this chapter.
- § 704. Amendment of this chapter.

**§ 701. Purpose of this chapter.**

(a) The purpose of this chapter is to effect economy and efficiency in the fields of government and business by providing for a Social Security System in the Republic of Palau under which persons covered may be ensured a measure of security in their old age or during disability, and may be given in old age an opportunity for leisure without hardship and loss of income, and, further, to provide survivor's insurance for their spouses and children.

(b) Although the System is established by an Act and is compulsory, it is to be self-supporting and self-financing, and is not to be financed from public money (except to the extent that the government, in its capacity as an employer, makes contributions to the System).

**Source**

RPPL 3-64 § 2, modified.

**§ 702. Definitions.**

(a) As used in this chapter, the following words shall have the following meanings ascribed to them unless context indicates otherwise:

(1) "Actuary" means a member of any institute or organization of qualified actuaries recognized in the Social Security By-laws.

(2) "The Board" means the Republic of Palau Social Security Board established by RPPL No. 2-29.

**PALAU SOCIAL SECURITY SYSTEM 41 PNCA § 702**

- (3) “Child” means a person’s natural child or a child adopted legally or through traditional customs, but does not include a natural child who has been adopted by some other person.
- (4) “Contributions” means employee contributions or employer contributions or both, to the Retirement Fund.
- (5) “Contributory Employment” means a period of employment within a quarter of coverage during which employee contributions were made.
- (6) “Currently insured” means having had not less than eight quarters of coverage during the thirteen quarter period ending with the quarter in which the contributor died, became entitled to old age insurance benefits, or became disabled.
- (7) “Disability” means inability to engage in any substantial gainful employment by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted, or can be expected to last for a continuous period of not less than 12 months.
- (8) “Employee” means a person who, under the usual common law rules applicable in determining the employer/employee relationship, has the status of an employee, and includes:
- (A) an officer of a corporation; and
  - (B) an elected official in any government unit or body; and
  - (C) in accordance with section 741, a self-employed person.
- (9) “Employee contributions” means contributions made under section 743 to the Retirement Fund.
- (10) “Employee contributor” means a person who is making, or has made, employee contributions.
- (11) “Employer” means a person who, under the usual common law rules applicable in determining the employer/employee relationship, has the of an employer, and includes:

(A) in relation to an officer of a corporation, the corporation; and

(B) in relation to an elected official in any governmental body or unit, the National Government or the local government concerned, as the case may be; and

(C) in relation to a self-employed person in accordance with section 741, that person.

(12) “Employer contributions” means contributions made under section 744 to the Retirement Fund.

(13) “Employment” means:

(A) in the case of a citizen of the Republic of Palau, employment anywhere in the Republic of Palau and employment outside of the Republic of Palau if such employment is with an employer incorporated or domiciled in the Republic of Palau; and

(B) in the case of any other person, employment anywhere in the Republic of Palau.

(14) “Fiscal Year” means a period of 12 months ending 30 September.

(15) “Fully insured” means having not less than one quarter of coverage under this chapter for each year beginning with the later of June 30, 1968 or the year he attains the age of 21 years, and ending with the year before the earlier of the year in which he attains retirement age, becomes disabled, or dies.

(16) “Fund” means the Retirement Fund.

(17) “Month” means a month of the calendar.

(18) “Parent” includes an adoptive parent but does not include a natural parent of an adopted child unless the child is adopted by the spouse of the natural parent.

(19) “Quarter” means a period of three months ending on March 31, June 30, September 30, or December 31 in any calendar year.

**PALAU SOCIAL SECURITY SYSTEM 41 PNCA § 702**

(20) “Quarter of coverage” means a quarter in which an employee contributor has been paid remuneration of not less than three hundred dollars (\$300) subject to this chapter and payment has been reported under section 745.

(21) “Remuneration” means remuneration paid by an employer to an employee, and includes:

(A) the cash value of remuneration paid in any medium other than cash; and

(B) the remuneration of a self-employed person; and

(C) a stipend; and

(D) allowance, but does not include;

(E) any payment on account of sickness or accident, or medical or hospitalization expenses, made to or on behalf of an employee other than sick leave pay or similar entitlements; and

(F) any payment made to or on behalf of an employee or to his beneficiary from a trust or annuity; and

(G) remuneration paid in any medium other than cash to an employee for service not in the course of the employer’s trade or business, or domestic service in a private home of the employer; and

(H) remuneration paid for casual or intermittent labor not performed in the course of the employer’s trade or business when the labor is in not more than one week in each month of each quarter; and

(I) remuneration in excess of the maximum remuneration.

(22) “The Retirement Fund” means the Social Security Retirement Fund established by section 731.

(23) “The Social Security Administration” means the Republic of Palau Social Security Administration established by RPPL No. 2-29.

(24) “The Social Security Administrator” means the Social Security Administrator appointed under section 723 (a).

(25) “The Social Security By-Laws” means the By-Laws established under section 727.

(26) “Year” means a year of the calendar ending December 31.

(27) Permanently insured means having not less than one hundred twenty (120) quarters of coverage.

(b) Any reference to adoption in the definitions of “child” and “parent” is:

(1) an adoption in accordance with recognized custom in:

(A) The Republic of Palau; or

(B) The Federated States of Micronesia; or

(C) The Marshall Islands, which has been confirmed by a court in accordance with 21 PNCA § 104 or any similar law; or

(2) an adoption anywhere in a country referred to under 21 PNCA Chapter 4; or

(3) a valid adoption under the law of some other country.

(c) On application by an employee, the Social Security Administrator may determine whether or not any employment is genuinely an employment to which this Act applies.

(d) Remuneration shall be computed to the nearest cent.

(e) A reference, direct or indirect, to an employer in relation to an employee, or an employee in relation to an employer, is a reference to them in their employer/employee relationship, and, as appropriate, includes a reference to their rights and obligations, and any other matter, arising out of that relationship.

**Source**

RPPL 3-64 § 3, modified. Subsection (a) (27) is added by RPPL 7-32 § 1(a), modified.

**PALAU SOCIAL SECURITY SYSTEM 41 PNCA § 704**

**§ 703. Coverage of this chapter.**

All employees working in the Republic of Palau are covered by and subject to the provisions of this chapter and RPPL No. 2-29. All citizens of the Republic of Palau who are employed by an employer incorporated or domiciled in the Republic of Palau and who are working outside of the Republic of Palau are also covered by and subject to the provisions of this chapter.

**Source**

RPPL 3-64 § 4, modified.

**§ 704. Amendment of this chapter.**

Any bill to amend this chapter which has financial implications for the Retirement Fund must be accompanied by a report from the actuary.

**Source**

RPPL 3-64 § 5, modified.

**Notes**

Kruger v. Social Sec. Bd., 5 ROP Intrm. 91, 92 (1995).

**Subchapter II  
Social Security Board**

- § 708. The Social Security Board.
- § 709. Incorporation of the Board.
- § 710. Membership of the Board and compensation.
- § 711. Procedures of the Board.
- § 712. General powers and functions of the Board.
- § 713. Actuary.
- § 714. Auditor.
- § 715. By-Laws.
- § 716. Hearings and claims appeals.
- § 717. Review of the decision of the Board.

**§ 708. The Social Security Board.**

There is hereby established within the Republic of Palau a Palau Social Security Board.

**Source**

RPPL 2-29 § 8, modified.

**Notes**

Previously codified at 41 PNC § 608. Caballero v. TTPI/ROP Social Security Board, (Civil Action No. 24-89, 1990) held that the Board, under prior, similar legislation, was not a government entity and, hence, not immune to suit.

**§ 709. Incorporation of the Board.**

- (a) For the purposes of and for purposes related to this chapter, the Board:
  - (1) is a corporation; and
  - (2) has perpetual succession; and
  - (3) shall have a seal; and
  - (4) may enter into contracts; and
  - (5) may acquire, hold, charge and dispose of property; and
  - (6) may sue and be sued in its corporate name; and
  - (7) has all the powers, functions, duties and responsibilities of a corporation.
- (b) The provisions of Title 12 of this Code do not apply to or in relation to the Board.

**Source**

RPPL 2-29 § 9, modified.

**Notes**

Previously codified at 41 PNC § 609.

**§ 710. Membership of the Board and compensation.**

- (a) The Board shall consist of five members, who shall be residents of the Republic of Palau, and shall be appointed by the President with the advice and consent of the Senate. Board members shall select one member to be the Chairman.
- (b) The President of the Republic shall call the first meeting of the Board.

**PALAU SOCIAL SECURITY SYSTEM     41 PNCA § 711**

Subsequently, the Board shall meet at the call of the Chairman or a majority of the members of the Board. The time and place of such meetings shall be designated by the Chairman. Minutes of all meetings shall be recorded. Three affirmative votes shall be required for any decision by the Board.

(c) Appointments to the Board shall take into account the need to have adequate geographical representation, and to have representatives of employers and employees from both the public and the private sector.

(d) Members of the Board shall be appointed for terms of four years; however, of the members initially appointed by the President, two shall serve two years, and three for four years. Thereafter, all appointments shall be for full four-year terms. Any member may be reappointed for an additional term. Members of the Board shall serve at the will of the President and may be removed from office, for cause.

(e) Subject to subsection (c) any vacancy in the membership of the Board shall be filled in the same manner for the remainder of the term of appointment of the former member.

(f) Members of the Board shall be compensated according to the rate set by law.

(g) In addition, the Social Security Administrator is an ex officio member of the Board.

**Source**

Subsection (a) added by RPPL 2-29 § 10(1), as amended by RPPL 3-64 § 57(1), modified. Subsections (b) - (e) added by RPPL 2-29 § 10, modified. Subsection (f) added by RPPL 2-29 § 10(6), as amended by RPPL 3-64 § 57(1), modified. Subsection (g) added by RPPL 2-29 § 10, modified.

**Notes**

This section previously codified at 41 PNC § 610.

**§ 711. Procedures of the Board.**

Subject to this chapter and to the Social Security By-laws, the Board may promulgate and adopt its own rules and procedures.

**Source**

RPPL 2-29 § 11, modified.

**Notes**

This section previously codified at 41 PNC § 611.

**§ 712. General powers and functions of the Board.**

(a) The Board shall exercise and perform its powers and functions under this chapter in the name of the Social Security Administration.

(b) For the purposes of this chapter, and subject to this chapter and the Social Security By-Laws, the Board may:

(1) transact any business; and

(2) enter into contracts for management, auditing and other advice and services; and

(3) issue subpoenas and administer oaths appropriate for the administration of this chapter.

(c) The Board shall bond its members and the employees of the Social Security Administration in such cases and in such amounts as the Board shall determine.

(d) The Board shall have the authority to make any rules and regulations necessary to carry out its duties and functions pursuant to this chapter and to conduct adjudicative proceedings.

(e) The Board may borrow money subject to the approval of all documents pertaining to such a loan by the President of the Republic and by joint resolution passed by a majority of both houses of the Olbiil Era Kelulau.

(f) Notwithstanding the foregoing, the Board shall be authorized to maintain a bank overdraft for the normal operation of the System.

**Source**

RPPL 2-29 § 12, as amended by RPPL 3-64 § 57(2), modified.

**Notes**

Section 1 of RPPL 3-64 states that all of RPPL 2-29 is repealed with the exception of sections 6 through 12. Section 12 was amended in its entirety in Section 57(2) of RPPL 3-64.

**PALAU SOCIAL SECURITY SYSTEM 41 PNCA § 715**

**§ 713. Actuary.**

- (a) The Board shall appoint an actuary on such terms and conditions as are agreed upon between the Social Security Administrator and the actuary.
- (b) The actuary shall make actuarial valuations of the Social Security System not less frequently than once in every four years after the effective date of this chapter.
- (c) Any report submitted to the Board following an actuarial valuation shall be submitted by the Board to the Olbiil Era Kelulau, and to the President of the Republic of Palau, with any appropriate recommendations for changes in the System and amendments to this chapter.

**Source**

RPPL 3-64 § 6, modified.

**Notes**

Kruger v. Social Sec. Bd., 5 ROP Intrm. 91, 92 (1995).

**§ 714. Auditor.**

- (a) The Board shall appoint an independent auditor, on such terms and conditions as are agreed on between the Social Security Administrator and the auditor.
- (b) The auditor shall audit the accounts of the Social Security System within 90 days after the end of the fiscal year.
- (c) The Board shall, as soon as practicable, submit the accounts and the auditor's report to the Olbiil Era Kelulau, and to the President of the Republic of Palau, and the accounts and report shall be made available to the general public upon request.
- (d) The Public Auditor shall issue annual reports on the fiscal soundness of the Social Security System, and such reports shall be provided to the Board, the President of the Republic, and the presiding officers of the Olbiil Era Kelulau.

**Source**

RPPL 3-64 § 7, modified.

**§ 715. By-Laws.**

The Board shall promulgate its own By-Laws, not inconsistent with this chapter, prescribing

all matters that are required or permitted by this chapter to be prescribed in the By-Laws, or which are necessary or convenient to be so prescribed, for carrying out or effectuating this chapter.

**Source**

RPPL 3-64 § 8, modified.

**§ 716. Hearings and claims appeals.**

(a) Subject to the Social Security By-Laws, the Board may make decisions after holding hearings, or make decisions in the light of hearings held by persons authorized to do so, for the purpose of determining any question involving any right, benefit or obligation of any person under this chapter.

(b) Any person aggrieved by a decision of the Administration involving any right, benefit or obligation of that person under this chapter may appeal that decision in the following manner:

(1) within 30 days of receipt of the Administration's decision, the aggrieved person may file a request for reconsideration of that decision with the Administration and, along with that request, may provide any reasons or additional documentary evidence which would support a reversal of the original decision;

(2) if the original decision is upheld by the Administration, then, within 30 days of receipt of the reconsidered decision, the aggrieved person may file a request for a hearing before the Board and, along with that request, may provide any reasons or additional documentary evidence which would support a reversal of the reconsidered decision by the Administration;

(3) failure to adhere to this claims appeal procedure or failure to file a request within the stated time period shall result in the denial of the appeal and the loss of the right to further appeal the decision.

**Source**

RPPL 3-64 § 9, modified.

**Notes**

Caballero v. TTPI/ROP Social Security Board, (Civil Action No. 24-89, 1990) held that the Board, under prior similar law, negligently failed to process promptly an application for benefits.

**§ 717. Review of the decision of the Board.**

(a) Any person aggrieved by a final decision of the Board may obtain a review of the decision in the Supreme Court by filing with the Clerk of Courts, within 60 days after receiving notice of the decision, a written petition praying that the decision be modified or set aside in whole or in part.

(b) A copy of the petition shall be served on the Board, and thereupon the Board shall certify and file with the Clerk of Courts a copy of the record on which the order was based.

(c) The finding of the Board as to facts, if supported by competent material and substantial evidence, is final.

(d) If a party to a hearing:

(1) applies to the Supreme Court for leave to adduce additional material evidence; and

(2) shows to the satisfaction of the court that:

(A) there were reasonable grounds for failure to adduce the evidence at the hearing before the Board or the authorized person who held the hearing; and

(B) the additional evidence is competent, material, and substantial, the court may order the additional evidence to be taken by the Board and to be adduced upon the hearing in such manner and upon such conditions as the Court thinks proper.

**Source**

RPPL 3-64 § 10, modified.

**Subchapter III  
Social Security Administration**

§ 721. Establishment of the Social Security Administration.

§ 722. Functions of the Administration.

§ 723. Appointment of the Social Security Administrator.

- § 724. Duties of the Administrator.
- § 725. Delegation by the Administrator.
- § 726. Employment records.
- § 727. Secretary, managers and other staff.
- § 728. Preparation of the budget.
- § 729. Costs of administration.

**§ 721. Establishment of the Social Security Administration.**

There is hereby established within the Republic of Palau a Social Security Administration.

**Source**  
RPPL 2-29 § 6, modified.

**§ 722. Functions of the Administration.**

- (a) The Social Security Administration is charged with responsibility for the proper operation of the Social Security System.
- (b) The powers, functions, duties and responsibilities of the Social Security Administration shall be exercised and performed by the Board.

**Source**  
RPPL 2-29 § 7, modified.

**§ 723. Appointment of the Social Security Administrator.**

- (a) The Board shall appoint a person to be the Social Security Administrator.
- (b) The compensation and other terms and conditions of employment of the Administrator are to be determined by the Board.

**Source**  
RPPL 3-64 § 11, modified.

**§ 724. Duties of the Administrator.**

The Social Security Administrator is responsible to the Board for the general administration of

**PALAU SOCIAL SECURITY SYSTEM    41 PNCA § 727**

the Social Security System, and has such other powers, functions, duties and responsibilities as are prescribed by this chapter or the Social Security By-Laws.

**Source**

RPPL 3-64 § 12, modified.

**Notes**

Caballero v. TTPI/ROP Social Security Board, (Civil Action No. 24-89, 1990.) See notes to section 716.

**§ 725. Delegation by the Administrator.**

- (a) Subject to the Social Security By-Laws the Social Security Administrator may by written instrument, delegate to any employee of the Social Security Administration any of his powers and functions under this chapter or the Social Security By-Laws.
- (b) A delegation may apply to the whole of the Republic of Palau, or to the part of the Republic of Palau specified in the instrument of delegation.
- (c) A delegation may be made subject to such limitations and conditions, as the Administrator deems proper and necessary.
- (d) A delegation is revocable, in writing, at will, and no delegation prevents the exercise or performance of a power or function by the Administrator.

**Source**

RPPL 3-64 § 13, modified.

**§ 726. Employment records.**

The Social Security Administrator shall maintain records of all employees and of all contributors, including self-employed persons referred to in this chapter.

**Source**

RPPL 3-64 § 14, modified.

**§ 727. Secretary, managers and other staff.**

- (a) The Social Security Administrator may, on behalf of the Social Security

Administration, appoint a secretary to the Board and hire such other employees necessary to carry out the provisions of this chapter.

(b) The other terms and conditions of such employment are determined by the Social Security Administrator.

(c) The duties of a person employed are as prescribed by the Social Security By-Laws and, subject to those By-Laws, as determined by the Social Security Administrator.

**Source**

RPPL 3-64 § 15, modified.

**§ 728. Preparation of the budget.**

(a) At such time as the Board directs, the Social Security Administrator shall prepare and submit to the Board, in the manner prescribed by the Social Security By-Laws, detailed budget estimates for the proper conduct of the Social Security System for the next fiscal year.

(b) The estimates shall include:

(1) the audited accounts of the Retirement Fund for the last fiscal year; and

(2) a statement showing the estimates of income and expenditures for the fiscal year in progress, together with any summaries, schedules and supporting data that the Social Security Administrator thinks necessary; and

(3) a budget showing the estimated income and expenditures for the next fiscal year.

**Source**

RPPL 3-64 § 16, modified.

**§ 729. Costs of administration.**

(a) Except with the approval of the Olbiil Era Kelulau, the budget shall not provide for administrative expenses exceeding 20% of the estimated income for the fiscal year from contributions, civil penalties, interest, and dividend income on investments.

(b) “Administrative expenses” shall include salaries, wages and allowances, the cost of office supplies and equipment, operational expenses, and the maintenance of the office, but does not include capital expenses.

**Source**  
RPPL 3-64 § 17, modified.

**Subchapter IV**  
**Retirement Fund**

- § 731. Establishment of the Retirement Fund.
- § 732. Payments into the Fund.
- § 733. Payments out of the Fund.
- § 734. Investment.

**§ 731. Establishment of the Retirement Fund.**

(a) There is hereby continued within the Social Security System a Social Security Retirement Fund.

(b) As the Retirement Fund consists of money held for the purposes of the Social Security System, it shall be kept in a separate account and apart from the Republic of Palau General Fund and any other fund or account established.

(c) The Retirement Fund shall be administered by the Social Security Administration exclusively for the purposes of this chapter.

**Source**  
RPPL 3-64 § 18, modified.

**§ 732. Payments into the Fund.**

The following shall be paid into the Retirement Fund:

- (a) all contributions; and
- (b) all civil penalties and interest; and
- (c) all gifts and donations; and

- (d) all proceeds from the investment of money from Fund; and
- (e) all proceeds from the sale of assets of the System; and
- (f) any money transferred from the Trust Territory Social Security Retirement Fund to the Fund; and
- (g) any money transferred from the Prior Service Trust Fund to the Fund.

**Source**

RPPL 3-64 § 19, modified.

**Notes**

Kruger v. Social Sec. Bd., 5 ROP Intrm. 91, 92 (1995).

**§ 733. Payments out of the Fund.**

All benefits and all expenses incurred in the operation of the Social Security System shall be paid from the Retirement Fund.

**Source**

RPPL 3-64 § 20, modified.

**Notes**

Kruger v. Social Sec. Bd., 5 ROP Intrm. 91, 92 (1995).

**§ 734. Investment.**

- (a) Investment of Fund.

(1) The Republic of Palau Social Security Trust Fund shall consist of funds or assets transferred from the Trust Territory Social Security Retirement Fund or the Prior Service Trust Fund, employee tax receipts, employer tax receipts, penalties and interest collected, gifts, donations, and fund transfers authorized by law, plus interest and earnings from the investment of fund, less benefit payments and expenses incurred in the operation of the System.

(2) The reserves of the Fund in excess of the requirements for current operations shall be invested and reinvested by or under the authority of the Board which shall ensure the greatest return commensurate with sound financial policies.

**PALAU SOCIAL SECURITY SYSTEM 41 PNCA § 734**

(3) The Board shall have the full power to manage the investments as in its considered judgment seems most appropriate to the requirements and objectives of the System, including but not limited to the power to hold, purchase, sell, convey, assign, transfer, dispose of, lease, subdivide, or partition any assets held or proceeds thereof; to execute or cause to be executed relevant documents; to enter into protective agreements, execute proxies, or grant consent; and to do all other things necessary or appropriate to its position as an owner or creditor.

(4) All proceeds and income from investments, of whatever nature, shall be credited to the account of the Fund. Transactions in marketable securities shall be carried out at prevailing market prices.

(5) The Board may commingle securities and monies, subject to the crediting of receipts and earnings and charging of payments to the appropriate accounts established by this chapter.

(6) No member of the Board and no employee of the Board, nor anyone in the immediate family of such member or employee, shall have any direct or indirect interest in the income, gains or profits on any investment made by the Board, nor shall any such person receive any pay or emolument for services in connection with any investment made by the Board. Participation in the Fund under the terms of this chapter shall not be construed to include interest, pay or emolument within the meaning of this subsection.

(7) No member, employee or agent of the Board, nor any person in the immediate family of such member, employee or agent, shall become an endorser or surety or in any manner an obligator of investments made by the Fund, nor shall any member, employee or agent be held liable for actions in good faith and in performance of his or her duties.

(8) Investments may be held in bearer form, or may be registered either in the name of the Fund or the nominee of the custodian.

(9) Due bills may be accepted from brokers against payment for securities purchased, pending delivery within a reasonable period of time of certificates representing such investments.

(b) Custodian of Fund.

The Board shall engage one or more fund custodians to assume responsibility for the physical possession of Fund assets or evidence of assets. The custodian shall submit such reports, accountings and other information in such form and at such times as requested by the Board. All costs incurred for custodial services shall be paid from the Fund. The custodian shall hold all assets for the account of the Fund and shall act only upon the instructions of the Board, its administrator, or a member, committee or agent so authorized by the Board. No custodian shall be engaged unless it:

- (1) is a United States Bank or Trust Company regulated by the Federal Reserve Board, a state authority or the federal comptroller of the currency as appropriate,
- (2) has a net worth in excess of \$10 million,
- (3) is a member of the Depository Trust Company I.D. System,
- (4) has at least ten years experience as a custodian of financial assets, and
- (5) has at least \$1 billion in custodial assets.

(c) Investment agent for the Fund.

- (1) In order to secure expert advice and counsel, the Board may engage one or more investment agents which shall be an investment counsel as hereinafter qualified. All costs incurred in this connection shall be paid from the Fund.
- (2) No person, firm or corporation shall be eligible for employment as investment counsel which acts as principal for its own account or as broker for a client other than the Fund in connection with the sale of any security to or the purchase of any security from the Fund.
- (3) No investment counsel shall be engaged unless:
  - (A) the principal business of the person, firm or corporation selected by the Board consists of rendering investment supervisory services, that is the giving of continuous advice as to the investment of funds on the basis of the individual needs of each client; and
  - (B) the person, firm or corporation and its predecessors have been

**PALAU SOCIAL SECURITY SYSTEM 41 PNCA § 734**

continuously engaged in such business for a period of five or more years;  
and

(C) the person, firm or corporation is registered as an investment advisor under the laws of the Republic of Palau or of the United States of America as from time to time are in effect; and

(D) the person, firm or corporation certifies, in writing, to the Board, that the assets under its direct investment supervision are in excess of \$200 million; and

(E) the contract between the Board and the investment counsel is of no specific duration and is voidable at any time by either party after 30 days notice is given.

(4) The Board or its designee may from time to time change operating arrangements with the investment agent in order to facilitate efficient management and timely investment action.

(5) Subject to subsection (d) of this section, no investment shall be made unless in the opinion of the investment agent it is an appropriate investment for the Fund and is an authorized investment under the provisions of this chapter or, in the absence of such opinion, unless preceded by a resolution of the Board directing the investment.

(d) Authorized Investments.

Investment may be made in:

(1) Government Obligations. Obligations issued or guaranteed as to principal and interest by the Republic of Palau National Government or by the United States Government, provided that the total market value of the investment in obligations guaranteed by the Republic of Palau National Government shall at no time exceed twenty-five percent (25%) of the total market value of all investments of the System, and further provided that the principal and interest on such obligations are payable in currency of the United States.

(2) Corporate Obligations and Mortgage Backed Securities. Obligations of any public or private entity or corporation created or existing under the laws of

the Republic of Palau or the United States or any state or territory thereof, or obligation of any other government or economic community which are payable in U.S. dollars, and other mortgage backed securities provided that:

(A) the obligation is of an agency of the U.S. Government or;

(B) the obligation is rated in one of the four highest categories by two nationally recognized rating agencies; and

(C) no investment under this heading exceeds five percent (5%) of the market value of the Fund or ten percent (10%) of the outstanding value of the issue at the time of purchase.

(3) Preferred and Common Stock. Shares of preferred or common stock of any corporation created or existing under the laws of the Republic of Palau or under the laws of the United States or any state or territory thereof, provided that:

(A) the purchase of such shares shall be considered reasonable and prudent by the investment agent at the time of purchase;

(B) not more than five percent (5%) of the market value of the Fund would be invested in the stock of any one corporation; and

(C) not more than ten percent (10%) of the market value of the Fund would be invested in any one industry group.

(4) Insurance Company Obligations. Contracts and agreements supplemental thereto providing for participation in one or more accounts of a life insurance company authorized to do business in the Republic of Palau or in any state or territory of the United States, including its separate accounts, and whether the investments allocated thereto are comprised of stocks or other securities or of real or personal property or interest therein.

(5) Interests in Real Property. Interests in improved or productive real property in which, in the informed opinion of the Board, it is prudent to invest funds of the System; provided that the total market value of these investments at no time shall exceed twenty-five percent (25%) of the total market value of all investments of the System. For purposes of this subsection, "real property"

**PALAU SOCIAL SECURITY SYSTEM 41 PNCA § 741**

includes any property treated as real property by law, including any improvements thereto. Investments in improved or productive real property may be made directly or through pooled funds, including common or collective trust funds of banks or trust companies, group or unit trusts, limited partnership, investment trusts, and other pooled funds invested on behalf of the System by investment managers retained by the System.

(6) Other Obligations and Securities. Other obligations and securities in which in the informed opinion of the Board it is prudent to invest funds of the System, whether or not the securities or stock are expressly authorized by or qualify under the foregoing paragraphs; provided that the total market value of investments under this subsection shall at no time exceed ten percent (10%) of the total market value of all investments of the System.

**Source**  
RPPL 3-64 § 21, modified.

**Subchapter V**  
**Social Security Contributions**

- § 741. Self-employed persons.
- § 742. Maximum remuneration.
- § 743. Employee contributions.
- § 744. Employer contributions.
- § 745. Reports and payment of contributions.
- § 746. Refunds.
- § 747. Employer account numbers and social security cards and numbers.
- § 748. Retired chiefs and state legislators.

**§ 741. Self-employed persons.**

(a) A self-employed person shall be presumed to be both his own employer and his own employee, and accordingly is liable to pay to the System with respect to himself for both employer contributions and employee contributions, and shall include himself in reports under section 745.

(b) A self-employed person who has, in a given quarter, at least one employee who receives remuneration from him, shall be presumed to receive in any quarter, as remuneration, twice the amount paid to his highest-paid employee in that quarter.

(c) A self-employed person who has, in a given quarter, no employee who receives remuneration from him, shall be presumed to receive in any quarter, as remuneration, twenty-five percent (25%) of his gross revenue in the preceding calendar year.

(d) Notwithstanding the foregoing, a self-employed retail merchant with no employee who receives remuneration from him and with less than ten thousand dollars (\$10,000) of gross revenues in the preceding calendar year or a person working as a farmer, fisherman, or taxi driver, shall have the option to be covered by this chapter, provided that he reports a minimum of three hundred dollars (\$300) in remuneration each quarter.

(e) For the purposes of this chapter, a self-employed individual shall include an officer in a corporation or partner in a partnership or limited ownership corporation that is registered in Palau but does not have employees in Palau.

**Source**

RPPL 3-64 § 22, modified. Amended by RPPL 9-12, § 2, modified.

**§ 742. Maximum remuneration.**

The maximum amount of remuneration received during a quarter from one employer by any one employee upon which contributions must be deducted and contributed to the Retirement Fund is three thousand dollars (\$3,000); provided, however, that such maximum amount of remuneration shall be increased to four thousand dollars (\$4,000) on October 1, 2007 and shall be increased to five thousand dollars (\$5,000) after October 1, 2008 and shall be increased to six thousand dollars (\$6,000.00) on October 1, 2015, shall be increased to eight thousand dollars (\$8,000.00) on October 1, 2017. On October 1, 2020, there will no longer be a maximum amount of remuneration.

**Source**

RPPL 3-64 § 23, modified. Amended by RPPL 7-32 § 1(b). Amended by RPPL 9-12 § 7.

**Notes**

Kruger v. Social Sec. Bd., 5 ROP Intrm. 91, 92 (1995).

**§ 743. Employee contributions.**

- (a) An employee shall contribute to the Social Security Administration amounts equal to the following percentage of remuneration received by him:
- (1) with respect to remuneration paid from 1 July 1986 through 30 September 1991 - three percent (3%),
  - (2) with respect to remuneration paid from 1 October 1991 through 30 September 1996 - four percent (4%),
  - (3) with respect to remuneration paid from 1 October 1996 through 30 September 2001 - five percent (5%),
  - (4) with respect to remuneration paid after 1 October 2001 - six percent (6%).
- (b) Employee contributions payable shall be collected by the employer of the employee by deducting the amount of the contributions from each payment of remuneration.
- (c) Every employer required to deduct employee contributions is liable for their payment to the Board, and shall be indemnified from the Retirement Fund against any claim or demand by any person for the amount of any such payment.

**Source**

RPPL 3-64 § 24, modified. Amended by RPPL 6-13 § 1.

**§ 744. Employer contributions.**

An employer shall contribute to the Social Security Administration amounts equal to the following percentage of the remuneration paid by him or, in the case of a self-employed person to whom section 741 applies, deemed to have been paid to him:

- (a) with respect to remuneration paid or deemed to have been paid from 1 July 1986 through 30 September 1991 - three percent (3%),
- (b) with respect to remuneration paid or deemed to have been paid from 1 October 1991 through 30 September 1996 - four percent (4%),
- (c) with respect to remuneration paid or deemed to have been paid from 1 October 1996

through 30 September 2001 - five percent (5%),

(d) with respect to remuneration paid or deemed to have been paid after 1 October 2001 - six percent (6%).

**Source**

RPPL 3-64 § 25, modified. Amended by RPPL 6-13 § 1.

**§ 745. Reports and payment of contributions.**

(a) Each employer shall report quarterly, on an official form, to the Social Security Administration and pay all amounts of contributions due at the end of each quarter.

(b) The official form shall be provided by the Social Security Administration to each employer, on which the employer shall show, in addition to other information specified by the Social Security Administrator, the employer account number and the employee contributor social security number assigned under section 747.

**Source**

RPPL 3-64 § 26, modified.

**§ 746. Refunds.**

(a) If an employee contributes on total remuneration in excess of the maximum remuneration defined in section 742, whether from one or more employers, and his employee contributions are withheld and paid to the Social Security Administration, the excess employee contributions during the four quarters ending on December 31<sup>st</sup> shall be refunded by the Administration to the employee within ninety (90) days after that date.

(b) No refund shall be made of an amount less than five dollars (\$5).

(c) No refund shall be made to any employer on any amount of excess employer contributions paid by him, other than to correct an error.

**Source**

RPPL 3-64 § 27, modified.

**§ 747. Employer account numbers and social security cards and numbers.**

The Social Security Administrator shall assign to each employer an account number, and to each employee contributor a social security number and a card bearing such number.

**Source**  
RPPL 3-64 § 28, modified.

**§ 748. Retired chiefs and state legislators.**

(a) A retired chief who receives remuneration for performing an obligation arising automatically due to his traditional title of chief shall not be subject to the social security contributions of this chapter on any money so earned. This exemption shall not apply to wages and salary received from any voluntarily assumed functions.

(b) A retired person who serves as a state legislator shall not be subject to the social security contributions of this chapter on any money earned from his service in a state legislature.

**Source**  
RPPL 5-34 § 32.

**Subchapter VI**  
**Coverage and Benefits**

- § 751. Basic benefit formula.
- § 752. Types of benefits.
- § 753. Old age insurance benefit.
- § 754. Disability Insurance benefit.
- § 755. Surviving spouse's insurance benefit.
- § 756. Surviving child's insurance benefit.
- § 757. Maximum and minimum amounts of survivor's insurance benefit.
- § 758. Lump sum benefits.
- § 759. Overpayment and underpayment.
- § 760. Payments to non-citizens overseas.
- § 761. [Repealed].
- § 762. Evidence of disability
- § 763. Evidence of entitlement generally.

**§ 751. Basic benefit formula.**

- (a) The “Basic Benefit” monthly payment of one-twelfth (1/12) of the total of:
- (1) twenty-seven percent (27%) of the first eleven thousand dollars (\$11,000) of cumulative covered earnings; and
  - (2) two and nine tenths percent (2.90%) of cumulative covered earnings in excess of eleven thousand dollars (\$11,000) but not in excess of the next thirty three thousand dollars (\$33,000); and
  - (3) one and one half percent (1.50%) of cumulative covered earnings in excess of forty four thousand dollars (\$44,000); and
  - (4) three quarters of one percent (0.75%) of cumulative covered earnings in excess of five hundred thousand dollars (\$500,000.00).
- (b) “Cumulative Covered Earnings” means remuneration on which employee contributions have been made.
- (c) Effective October 1, 2013, the minimum amount of the basic benefit, as applied to all benefits listed in § 752 of this chapter, shall be one hundred forty-eight dollars (\$148).

**Source**

RPPL 3-64 § 29, modified. Subsection (a) is amended in its entirety and subsection (c) is added by RPPL 7-32 § 1(c). Subsection (c) amended by RPPL 9-11 § 4. Subsection (a) amended by RPPL 9-12 § 3.

**Notes**

RPPL 9-11 § 6 reads: Rules and Regulations. Pursuant to 41 PNC § 711 and § 712 (d), the Social Security Board shall hereby promulgate rules and regulations in accordance with this Act within sixty days of enactment of this Act.

**§ 752. Types of benefits.**

- (a) The following are the types of benefit in this chapter:
- (1) old age insurance benefit, in accordance with section 753;
  - (2) disability insurance benefit, in accordance with section 754;
  - (3) surviving spouse’s insurance benefit, in accordance with section 755;

**PALAU SOCIAL SECURITY SYSTEM 41 PNCA § 753**

- (4) surviving child's insurance benefit, in accordance with section 756; and
- (5) lump sum benefit, in accordance with section 758.

(b) [Reserved]

(c) Until an election is made, the person concerned shall receive whichever of the benefits, in the opinion of the Social Security Administrator, is most beneficial to that person.

**Source**

RPPL 3-64 § 30, modified. Subsection (b) is amended by RPPL 5-34 § 29. Subsection (b) is amended by RPPL 7-32 § 1(d). Subsection (b) amended by RPPL 8-5 § 2(A). Subsection (b) repealed by RPPL 9-12 § 4.

**§ 753. Old age insurance benefit.**

- (a) A person who is fully insured and has attained the age of sixty (60) years by September 30, 2015, sixty-two (62) years as of October 1, 2015, or sixty-three (63) years as of October 1, 2020, and retired is entitled to a monthly old age insurance benefit, beginning with the month in which that person became so entitled and ending with the month preceding the month in which he dies, subject to the earnings test. A person who attains the age of sixty and retires prior to attaining the age at which that person becomes entitled to a monthly old age insurance benefit under this Section shall receive a monthly old age insurance benefit that is reduced by six percent (6%) for each year remaining before the person attains the age of entitlement.
- (b) The monthly amount of the benefit is the basic benefit, with a minimum monthly benefit of one hundred forty-eight dollars (\$148).
- (c) If a person who is receiving an old age insurance benefit returns to employment, the benefit shall be recomputed at the end of the calendar year and the recomputed benefit shall be paid on the first month of the next calendar year.
- (d) It is the responsibility of the payee to advise the Social Security Administration immediately when he returns to employment.
- (e) Subject to section 753(b) of this Chapter, the maximum limit of the basic monthly benefit is one hundred percent (100%) of the highest monthly average wage of the wage earner over any twelve (12) quarters out of the last forty (40) quarters preceding

retirement; provided, however, that such limit shall not be implemented until three (3) years from the effective date of this chapter, and provided further that such limit shall apply only to persons applying for benefits subsequent to such implementation date.

**Source**

RPPL 3-64 § 31, modified. Subsections (a) & (c) are amended by RPPL 5-34 § 29. Subsection (c) amended by RPPL 5-38 § 15. Subsections (a), (b) and (c) are amended and subsection (e) is added by RPPL 7-32 § 1(e), modified. Subsections (b) and (e) amended by RPPL 9-11 § 5. Subsection (a) amended by RPPL 9-12 § 5, modified.

**§ 754. Disability insurance benefit.**

(a) Subject to section 762, a person who is disabled and was at the time of the onset of the disability both fully and currently insured, or permanently insured, is entitled to a monthly disability insurance benefit, beginning with the month in which that person became so entitled and ending with the month before the month in which he or she dies or recovers from the disability, whichever occurs first, subject to the earnings test.

(b) Subject to subsection (a) and (b), the monthly amount of the benefit is the basic benefit, with a minimum monthly benefit per month, one hundred forty-eight dollars (\$148).

(c) Subject to Section [754(b)] of this chapter, if the person is receiving a periodic workmen's compensation benefit, the disability insurance benefit shall be reduced in any month by the amount in which the total of the workmen's compensation benefit plus the basic benefit exceeds eighty percent (80%) of one-twelfth (1/12) of the highest annual remuneration on which contributions were made in the period consisting of the year in which the disability occurred and the preceding five (5) years.

(d) If a workmen's compensation benefit was computed to a lump sum, it shall be treated as if the periodic benefit which was originally payable was in fact paid.

**Source**

RPPL 3-64 § 32, modified. Subsection (a) is amended by RPPL 5-34 § 29. Subsections (a) and (b) are amended by RPPL 7-32 § 1(f). Subsections (b) and (c) amended by RPPL 9-11 § 5, modified.

**Notes**

The Code Commission upon confirming with the HOD legal counsel has determined that the bracketed [754(b)] in subsection (c) which read 245(b) in the original legislation was a typographical error that was meant to read [754(b)].

**§ 755. Surviving spouse's insurance benefit.**

(a) Subject to section 757, the surviving spouse of a person who has died while fully or currently insured is entitled to a monthly survivor's insurance benefit, beginning with the month in which the surviving spouse became so entitled and ending with the month preceding the month in which the surviving spouse dies. A widow or widower who is at least sixty (60) years of age may re-marry and continue to receive the benefit provided by this section but may not receive more than one surviving spouse's insurance benefit.

(b) The monthly amount of the benefit is sixty percent (60%) of the basic benefit applicable to the deceased wage earner at the time of his or her death if the surviving spouse is under the age of sixty (60) until September 30, 2015, under the age of sixty-two as of October 1, 2015, or under the age of sixty-three years as of October 1, 2020, and is unmarried. The monthly amount of the benefit is one hundred percent (100%) if the surviving spouse is at least sixty (60) by September 30, 2015, sixty-two by October 1, 2015, or sixty-three by October 1, 2020, and unmarried.

(c) If the surviving spouse was born before January 1, 1954, and the surviving spouse is eligible to receive both the surviving spouse insurance benefit and another benefit, the surviving spouse shall receive the full amount of the surviving spouse insurance benefit. If the surviving spouse was born on or after January 1, 1954, and the surviving spouse is eligible to receive both the surviving spouse insurance benefit and another benefit, the surviving spouse insurance benefit shall be sixty percent (60%) of the surviving spouse insurance benefit. However, if the surviving spouse was born on or after January 1, 1954, and the surviving spouse became eligible to receive both the surviving spouse insurance benefit and another benefit prior to August 2, 2007, the surviving spouse shall receive the full amount of the surviving spouse insurance benefit.

(d) A person who is under the age of sixty (60) until September 30, 2015, sixty-two until October 1, 2015, or sixty-three years as of October 1, 2020, and who is employed and earns more than three thousand dollars (\$3,000) in any quarter shall have his/her surviving spouse benefit reduced by one dollar (\$1) for every three dollars (\$3) for wages earned in a quarter in excess of three thousand dollars (\$3,000). The reduction shall be applied in the quarters immediately following the quarter in which the wages were earned.”

(e) If a surviving spouse beneficiary is eligible to receive another benefit, such beneficiary shall have the option to receive both benefits on a monthly basis in accordance with this Chapter, or to receive either benefit in one lump sum, the amount of

which shall be determined in accordance with this Chapter, while continuing to receive the other benefit on a monthly basis in accordance with this Chapter.

**Source**

RPPL 3-64 § 33, modified. Subsections (a), (b), (c) amended and subsection (d) is added by RPPL 5-34 § 29. Subsection (a) amended by RPPL 5-38 § 15. Subsections (a), (b), and (d) amended by RPPL 7-32 § 1(g). Subsection (c) is amended by RPPL 8-5 § 2(B). Subsection (c) amended and subsection (e) added by RPPL 9-11 § 2, modified. Subsections (a), (b) and (d) amended by RPPL 9-12 § 6, modified.

**§ 756. Surviving child's insurance benefit.**

(a) Every surviving child who was, immediately before the death of a person who died fully or currently insured, dependent upon that person, is entitled to a monthly survivor's insurance benefit, beginning with the month in which the surviving child became so entitled and ending with the month preceding the month in which the child:

- (1) subject to subsection (b), attains the age of eighteen (18) years; or
- (2) marries; or
- (3) is adopted.

(b) Notwithstanding subsection (a)(1), but subject to subsections(a)(2) and (a)(3):

- (1) the benefit is payable until the month before the attainment of the age of twenty two (22) years, so long as the child is a bona fide student; and
- (2) subject to section 762, if a child is disabled before the attainment of the age of twenty two (22) years, the benefit is payable during the disability.

(c) Subject to section 758, the monthly amount of the benefit is fifteen percent (15%) of the amount of the basic benefit applicable to the deceased at the time of his death.

(d) The Board may issue rules and regulations which prescribe criteria for determining whether a person is a bona fide student.

**Source**

RPPL 3-64 § 34, modified.

**§ 757. Maximum and minimum amounts of survivor's insurance benefit.**

- (a) Subject to subsection (b), the monthly total of the survivor's insurance benefits payable with respect to a deceased employee contributor shall not exceed the basic benefit applicable to him or her immediately before his or her death, without reference to section 753(c).
- (b) The minimum amount of the total of a survivor's insurance benefit is one hundred forty-eight dollars (\$148) month, computed before the application of section 755(c).
- (c) Where there are more persons than one entitled to the survivor's benefit, any reduction by virtue of this section shall be made to all such benefits proportionately to the amount of the benefits.

**Source**

RPPL 3-64 § 35, modified. Subsections (a) and (b) amended by RPPL 7-32 § 1(h), modified. Subsection (b) amended by RPPL 9-11 § 5.

**§ 758. Lump sum benefits.**

If after an employee contributor dies and all rights to survivor's insurance benefits with respect to him or her have been terminated, a lump sum benefit equal to six percent (6%) of his or her cumulative covered earnings, less the amount of the benefits actually received by the employee contributor, if any, shall be paid:

- (a) to the spouse; or
- (b) if there is no surviving spouse, to the children, or to any guardian or trustee for the children, in equal shares; or
- (c) if there is no surviving spouse or child to the parents in equal shares; or
- (d) if there is no surviving spouse, child or parent, to the duly appointed legal representative of the deceased; or
- (e) if none of the preceding paragraphs apply, to the persons entitled to it under the laws and customs of the last domicile of the deceased.

**Source**

RPPL 3-64 § 36, modified. Amended by RPPL 7-32 § 1(i).

**§ 759. Overpayment and underpayment.**

- (a) Subject to subsections (b) and (c), any overpayment or underpayment of benefits shall be deducted from or added to any subsequent payment of benefit to or with respect to the payee, and in any event it shall, if necessary, be deducted from or added to any subsequent payment of lump sum benefit.
- (b) If there are, at the time of deduction or addition, more persons than one whose survivor's benefit may be affected by reason of the overpayment or underpayment, the necessary adjustment shall be made to all such benefits proportionately to the amount of the benefits.
- (c) No deductions shall be made when the adjustment would be made against equity and good conscience.
- (d) A deduction under subsection (a) may be made by installments, and in that case that subsection applies as if each installment related to a separate overpayment.
- (e) Nothing in this section affects the liability of an employee contributor or his estate for, or his right of his estate to, any amount of an overpayment or underpayment that is not adjusted in accordance with this section.

**Source**

RPPL 3-64 § 37, modified.

**Notes**

Caballero v. TTPI/ROP Social Security Board, (Civil Action No. 24-89, 1990) held that an applicant, whose application is not processed promptly, is entitled to prejudgment interest.

**§ 760. Payments to non-citizens overseas.**

- (a) Unless modified by a totalization or bilateral agreement, no more than six (6) months of benefit payments under this chapter shall be paid to any beneficiary who is not a citizen or national of the Republic while the beneficiary is outside of the Republic.
- (b) Notwithstanding any other provisions of this chapter, this chapter shall not operate to reduce or otherwise impair the benefits being paid to the beneficiaries on the day before the effective date of this chapter.

**Source**

RPPL 3-64 § 38, modified.

## PALAU SOCIAL SECURITY SYSTEM 41 PNCA § 760

### Notes

1. The United States Department of Interior Assistant Secretary of Territorial and International Affairs, Stella Guerra, suspended a portion of subsection (a) and stated that subsection (b) is suspended “to the extent that a national of any member of the United Nations is treated less favorably than the national of any other member of the United Nation [sic] (except the administering authority).” The portion suspended in subsection (a) followed the last word, Republic with:” ; provided, however, payments shall be made to citizens and nationals of the Federated States of Micronesia and the Republic of the Marshall Islands as if they were citizens or nationals of the Republic, if the Federated States of Micronesia and Republic of Marshall Islands, respectively, extend reciprocal benefits to citizens of the Republic of Palau.”

2. Section 471 of the Compact of Free Association between the United States of America and the Republic of Palau reads:

(a) The Government of the United States and the Government of Palau agree that they have full authority under their respective constitutions to enter into this Compact and its related agreements and to fulfill all of their respective responsibilities in accordance with the terms of this Compact and its related agreements. The Governments pledge that they are so committed.

(b) The Government of the United States and the Government of Palau shall take all necessary steps, of a general or particular character, to ensure, not later than the effective date of this Compact, that their laws, regulations and administrative procedures are such as to effect the commitments referred to in Section 471(a).

(c) Without prejudice to the effects of this Compact under international law, this Compact has the force and effect of a statute under the laws of the United States.

Section 142 of the Compact of Free Association reads:

(a) Any citizen or national of the United States may enter into, lawfully engage in occupations, and reside in Palau, subject to the right of that Government to deny entry to or deport any such citizen or national as an undesirable alien. A citizen or national of the United States may establish habitual residence or domicile in Palau only in accordance with the laws of Palau. This subsection is without prejudice to the right of the Government of Palau to regulate occupations in Palau in a non-discriminatory manner.

(b) With respect to the subject matter of this Section, the Government of Palau shall accord to citizens and nationals of the United States treatment no less favorable than that accorded to citizens of other countries; any denial of entry to or deportation of a citizen or national of the United States as an undesirable alien must be pursuant to reasonable statutory grounds.

In a section entitled “Listing of Revisions Incorporated into the January 10, 1986 Improved Compacts” on page 506 of a U.S. Government publication entitled “Compact of Free Association - Hearings before the Subcommittee on Public Lands of the Committee on Interior and Insular Affairs - 1986” Serial No. 99-9 Part IV appears the statement: “Section 142(a). A new sentence has been added to the end of this subsection recognizing Palau’s right to regulate occupations in a non-discriminatory manner.” This same statement is repeated on pages 201, 385, and 440.

Kruger v. Social Sec. Bd., 5 ROP Intrm. 91, 92, 93 (1995).

**§ 761. The earnings test.**

(a) The “earnings test” means a test to determine whether the person who is receiving the benefit is retired or otherwise dependent on the Social Security benefit. The maximum amount of remuneration that a person may earn and still remain entitled to a full benefit is three thousand dollars (\$3,000.00) during any quarter, except as provided in subsection (c).

(b) The person who is receiving retirement benefits shall have his or her retirement benefit reduced by one dollar (\$1) for each three dollars (\$3) of wages earned during a quarter in excess of three thousand dollars (\$3,000). The reduction shall be applied in the quarters following the quarter in which the wages were earned.

(c) A person who became eligible to receive the surviving spouse benefit after December 31, 2013 shall have his surviving spouse benefit reduced by one dollar (\$1) for every three dollars (\$3) for wages earned in a quarter in excess of three thousand dollars (\$3,000), unless:

(1) the surviving spouse beneficiary attains the age of sixty by September 30, 2015, sixty-two by September 30, 2020, or sixty-three on or after October 1, 2020; or

(2) the surviving spouse beneficiary was eligible for the surviving spouse benefit under section 755 prior to August 2, 2007.

The reduction shall be applied in the quarters immediately following the quarter in which the wages were earned.

(d) A surviving spouse beneficiary qualifying under subsection (c)(2) shall receive such benefit at the level in existence immediately prior to August 2, 2007, unless such beneficiary received an increase in his surviving spouse benefit as a result of the enactment of RPPL No. 7-32.

(e) Notwithstanding the foregoing, the earnings test will not be applicable:

(1) in the quarter in which the person who is receiving the benefit attains age sixty-five (65), or in any subsequent quarter; and

(2) to persons who became eligible to receive benefits prior to August 2, 2007,

## PALAU SOCIAL SECURITY SYSTEM 41 PNCA § 763

who shall receive such benefit at the level in existence immediately prior to August 2, 2007.

### Source

The law previously codified by this section was repealed by RPPL 5-30 § 30. Section 761 is added by RPPL 7-32 § 1(j), modified. Amended in its entirety by RPPL 8-5 § 2(C), modified. Subsection (d) amended by RPPL 9-11 § 3. Subsections (a), (b) and (c) amended by RPPL 9-12 § 8, modified.

### § 762. Evidence of disability.

(a) Before continuing the payment of a surviving child's insurance benefit to or on behalf of any person in accordance with section 756 (b)(2) or granting eligibility for disability insurance benefits, the Social Security Administrator may require the person concerned to undergo a medical or other examination or test or to provide other evidence, to the satisfaction of the Social Security Administrator, as to the disability.

(b) At any reasonable time while benefits are being paid on account of disability, the Social Security Administrator may require the payee to undergo an examination or test, or to provide other evidence to verify the continuance of the disability.

(c) It is the responsibility of the payee to advise the Social Security Administrator immediately when the disability ceases.

### Source

RPPL 3-64 § 40, modified.

### § 763. Evidence of entitlement generally.

(a) The Social Security Administrator may at any time require a person receiving a benefit under this chapter to produce evidence, to the satisfaction of the Social Security Administrator, of his entitlement to that benefit.

(b) If evidence required under subsection (a) is not produced within a reasonable time fixed for the purpose required by the Social Security Administrator and notified to the person concerned, the Social Security Administrator may suspend payment of the benefit until the necessary evidence is produced.

(c) In the case of a person who has not attained the age of eighteen (18) years, a requirement under subsection (a) may be directed to a parent or guardian of the person.

**Source**

RPPL 3-64 § 41, modified.

**Subchapter VII  
Offenses and Penalties**

§ 771. False statements and reports.

§ 772. Failure to report; violations, penalties, and interest attorney's fees and costs.

§ 773. Secrecy.

§ 774. Mismanagement of Fund.

**§ 771. False statements and reports.**

A person who knowingly makes a false statement or falsifies any report to or record of the Social Security Administration in an attempt to defraud the Social Security System is guilty of a misdemeanor and is liable to imprisonment for a period not exceeding twelve (12) months or a fine of not more than two thousand dollars (\$2,000) or both.

**Source**

RPPL 3-64 § 42, modified.

**§ 772. Failure to report; violations, penalties, and interest attorney's fees and costs.**

(a) An employer who fails to report any amount of remuneration paid or fails to pay any amount of contributions due to the System is liable for a civil penalty, at the discretion of the Board, of not more than one hundred percent (100%) of the amount of any contributions withheld or two hundred fifty dollars (\$250), whichever is greater.

(b) An employer who knowingly fails to report any amount of remuneration paid or knowingly fails to pay any amount of contributions due to the System is, in addition, guilty of a misdemeanor and is liable for a fine of not more than two thousand dollars (\$2,000).

(c) If any contribution or penalty imposed by this chapter is not paid on or before the date prescribed for such payment, there shall be collected, in addition to such contribution and penalty, interest on the unpaid balance of the contribution or penalty at the rate of twelve percent (12%) per annum from its due date until the date it is paid. In the event that any

**PALAU SOCIAL SECURITY SYSTEM 41 PNCA § 774**

contributions, interest, or penalty due under this chapter is referred to an attorney for collection, whether or not suit is brought for the collection thereof, the employer shall additionally be liable for reasonable attorney's fees and costs of collection, including court costs.

(d) The amount of any civil penalty, interest, attorney's fee or cost of collection shall be paid to the Retirement Fund.

**Source**  
RPPL 3-64 § 43, modified.

**§ 773. Secrecy.**

If a member of the Board, or any person employed for the purpose of this chapter, reveals to any other person any information about an employer, an employee or a person receiving a benefit under this chapter that has come to his knowledge by virtue of his employment, except:

- (a) for the purposes of this functions under this chapter; or
- (b) as required by order of a court; or
- (c) as authorized by the Board, that person is guilty of a misdemeanor and is liable to imprisonment for a period of not exceeding twelve (12) months or a fine of not more than two thousand dollars (\$2,000), or both.

**Source**  
RPPL 3-64 § 44, modified.

**§ 774. Mismanagement of Fund.**

Any person who has a fiduciary relationship with the Fund and who is found guilty of mismanagement of the Fund, whether by malfeasance, shall be guilty of a felony and is liable to imprisonment for a period not to exceed fifteen (15) years or a fine of not more than one hundred thousand dollars (\$100,000) or both.

**Source**  
RPPL 3-64 § 55, modified.

**Subchapter VIII  
Miscellaneous**

- § 781. Audit of employer's records.
- § 782. Totalization agreements.
- § 783. Taxation.
- § 784. Protection of benefits, etc.
- § 785. Service on the Administration, etc.
- § 786. Reports.
- § 787. Lien for contributions.
- § 788. Retroactive benefit payments.
- § 789. Prior Service Trust Fund.
- § 790. Division of Revenue and Taxation.
- § 791. Severability.

**§ 781. Audit of employer's records.**

Subject to the Social Security By-Laws, the Social Security Administrator may audit the records of any employer or of a self-employed person, to the extent that they have a bearing on his liability to pay contributions.

**Source**  
RPPL 3-64 § 45.

**Notes**

The section numbers in Subchapter VIII are re-numbered from (801-811 to 781-791) to conform with the Code format.

**§ 782. Totalization agreements.**

- (a) The Board shall prepare recommendations for the President of countries with which totalization agreements should be obtained. The Board shall provide the technical assistance necessary to prepare such agreements with those countries.
- (b) Totalization agreements adopted by the Republic of Palau pursuant to procedures outlined in the Palau National Code Annotated shall have the weight of law and shall be administered by the Board as part of this chapter.
- (c) The Board shall issue rules and regulations necessary to administer the totalization agreements.

**PALAU SOCIAL SECURITY SYSTEM    41 PNCA § 785**

**Source**

RPPL 3-64 § 46, modified.

**Notes**

The section numbers in Subchapter VIII are re-numbered from (801-811 to 781-791) to conform with the Code format.

**§ 783. Taxation.**

The income, property and transactions of the Social Security Administration are not subject to any tax rate, charge or impost under any other law.

**Source**

RPPL 3-64 § 47, modified.

**Notes**

The section numbers in Subchapter VIII are re-numbered from (801-811 to 781-791) to conform with the Code format.

**§ 784. Protection of benefits, etc.**

Benefits and contributions paid or payable under this chapter are not subject to execution, attachment or garnishment under any law of the Republic, and are not assignable.

**Source**

RPPL 3-64 § 48, modified.

**Notes**

The section numbers in Subchapter VIII are re-numbered from (801-811 to 781-791) to conform with the Code format.

**§ 785. Service on the Administration, etc.**

Any process or other document required or permitted by this chapter or any other law to be served on or given to the Social Security Administration, the Social Security Administrator or the Board may be served or given by delivering it to the Social Security Administrator or to the Secretary of the Board.

**Source**

RPPL 3-64 § 49, modified.

**Notes**

The section numbers in Subchapter VIII are re-numbered from (801-811 to 781-791) to conform with the Code format.

**§ 786. Reports.**

- (a) The Board shall, as soon as practicable after the end of each fiscal year, make a report to the President and to the Olbiil Era Kelulau on its operations and the functioning of the Social Security System during the fiscal year, and on the condition of its fund.
- (b) The Board may at any other time make a report to the President and the Olbiil Era Kelulau on any aspect of the Social Security System.
- (c) In a report under subsections (a) or (b), the Board may make such recommendations as to the improvement of the Social Security System and amendment to this chapter as the Board deems proper and necessary.

**Source**

RPPL 3-64 § 50, modified.

**Notes**

The section numbers in Subchapter VIII are re-numbered from (801-811 to 781-791) to conform with the Code format.

**§ 787. Lien for contributions.**

All contributions, including penalties, interest accrued, and attorney’s fees thereon, imposed or authorized under this chapter shall be a lien upon any property of the employer, having priority over all other claims and liens including liens for other taxes, subject to the Secured Transactions Act of 2011, and may be collected by levy upon such property in the same manner as the levy of an execution.

**Source**

RPPL 3-64 § 51, modified. Amended by RPPL 8-42 § 72, modified.

**Notes**

RPPL 8-42 § 72 reads: “Amendment. “Section 807” of Title 41 of the Palau National Code.....”, The Code Commission has determined that “Section 807” was a typographical error that was meant to read “Section 787”.

The effective date of RPPL 8-42 will be promulgated by the Financial Institutions Commission per RPPL 8-42 § 71.

## PALAU SOCIAL SECURITY SYSTEM 41 PNCA § 790

### Notes

The section numbers in Subchapter VIII are re-numbered from (801-811 to 781-791) to conform with the Code format.

### § 788. Retroactive benefit payments.

Notwithstanding any other provision in this chapter, in the event that a person is eligible for benefits from the Social Security System but does not apply for those benefits or otherwise informs the Administrator that the person is eligible for benefits, the maximum period for which benefits shall be paid retroactively preceding the date of application for benefits is twelve (12) months.

### Source

RPPL 3-64 § 52, modified.

### Notes

The section numbers in Subchapter VIII are re-numbered from (801-811 to 781-791) to conform with the Code format.

### § 789. Prior Service Trust Fund.

Notwithstanding any other provision of law, the provisions of Title 41 of the Palau National Code Annotated pertaining to the Prior Service Trust Fund and any benefits derived therefrom shall continue in full force and effect.

### Source

RPPL 3-64 § 53, modified.

### Notes

All of Title 41 was formerly repealed by RPPL 2-29 §§ 61 and 62 as codified at 41 PNC §§ 695 and 696. That repeal was repealed by RPPL 3-64 § 1.

The section numbers in Subchapter VIII are re-numbered from (801-811 to 781-791) to conform with the Code format.

### § 790. Division of Revenue and Taxation.

(a) Notwithstanding any other provision of law, upon the request of the Administrator, the Division of Revenue and Taxation shall provide wage record information to the Social Security System for use in determining compliance with the provisions of this chapter. The Administrator shall maintain the strictest security with this information and

shall not release the information under any circumstances.

(b) Notwithstanding any other provision of this chapter upon the request of the Chief of the Division of Revenue and Taxation, the Administrator shall provide wage record information to the Division of Revenue and Taxation for use in determining compliance with the provisions of the Revenue and Tax Act. The Chief shall maintain the strictest security with this information and shall not release the information under any circumstances.

**Source**

RPPL 3-64 § 54, modified.

**Notes**

The section numbers in Subchapter VIII are re-numbered from (801-811 to 781-791) to conform with the Code format.

**§ 791. Severability.**

If any provision of this chapter or application thereof to any person or circumstance is held invalid, the invalidity does not affect other provisions or applications of the chapter which can be given effect without the invalid provision or application, and to this end the provisions of this chapter are severable.

**Source**

RPPL 3-64 § 56, modified.

**Notes**

The section numbers in Subchapter VIII are re-numbered from (801-811 to 781-791) to conform with the Code format.

**NATIONAL HEALTHCARE FINANCING ACT 41 PNCA § 901**

**Chapter 9  
National Healthcare Financing Act**

**Subchapter I  
General Provisions**

§ 901. Definitions.

§ 902. Scope of the Act.

**§ 901. Definitions.**

In this Chapter:

(a) ‘Administration’ means the Social Security Administration, which shall administer the Medical Savings Fund and Palau Health Insurance, subject to the supervision and oversight of the National Healthcare Governing Committee as provided for in this Chapter.

(b) ‘Administrative expenses’ shall include salaries, wages and allowances, the cost of office supplies and equipment, operational expenses, and the maintenance of the office, but does not include capital expenses.

(c) ‘Administrator’ means the Social Security Administrator.

(d) ‘Contributions’ means those amounts of money paid into the Fund by workers, employers, self-employed workers, and individuals or entities, including the National Government, on behalf of designated beneficiaries.

(e) ‘Covered individual’ means any individual who makes a contribution, or for whom a contribution into the Fund is made by another individual, including but not limited to designated beneficiaries and individuals for whom the National Government makes contributions.

(f) ‘Designated beneficiary’ means any individual who is designated as a beneficiary of another individual’s Medical Savings Account.

(g) ‘Fund’ means the Medical Savings Fund created by this Act, which consists of contributions, investments, proceeds from investment, grants, donations, and proceeds

from civil or criminal suits including penalties, interest, court costs, and any other monies made available for furthering the purposes of this Act, including Medical Savings Accounts, Palau Health Insurance, and monies available for administrative purposes.

- (h) 'Healthcare facility' means any healthcare facility approved under this Act.
- (i) 'Healthcare provider' means any licensed healthcare provider approved under this Act.
- (j) 'Medical Referral Committee' means the Medical Referral Committee established by 34 PNC § 333(a).
- (k) 'Medical Savings Account' means an account administered by the Administration, registered to a particular individual, pursuant to the purposes of this Act.
- (l) 'National Government' means the National Government of the Republic of Palau.
- (m) 'National Healthcare Financing Governing Committee' or 'Committee' means the Minister of Finance or his or her designee, the Minister of Health or his or her designee, the Social Security Administrator, one representative from the Governor's Association, and one representative from the Chamber of Commerce.
- (n) 'Palau Health Insurance' means the social health insurance plan established pursuant to this Act.
- (o) 'Participating,' when used in reference to an individual or employer, means participating in the Medical Savings Fund, making contributions, being covered by a Medical Savings Account as a designated beneficiary, or being covered by Palau Health Insurance.
- (p) 'Republic' means the Republic of Palau.
- (q) 'Social Security Board,' or 'Board of Trustees,' means the Republic of Palau Social Security Board as established in Title 41 of the Palau National Code.
- (r) 'Subscription' means the payments for Palau Health Insurance for the purposes of obtaining coverage for specified catastrophic health care costs.
- (s) Unless otherwise provided, the definitions in section 702 of this title shall apply to

## NATIONAL HEALTHCARE FINANCING ACT 41 PNCA § 902

this Chapter.

### Source

RPPL 8-14 § 2, modified.

### Notes

Section 1. Legislative findings. Article VI of the Constitution provides that the National Government take positive action to promote the health and social welfare of the citizens of the Republic of Palau through the establishment of a health care finance system that provides free or subsidized health care for citizens of the Republic of Palau. Today, health care services, with their increasing costs of delivery, along with a continued escalating accounts receivable at the Ministry of Health, call for the establishment of a health care financing plan that is fiscally sustainable within the context of annual budgetary and revenue constraints. This is to meet the demand for a health system that is comprehensive in scope and coverage and meets the needs of a growing population.

The Olbiil Era Kelulau believes that a way to meet its constitutional responsibility while dealing with these various issues is through establishing a government-managed health system that will provide health care for all residents of Palau. This can be achieved through the combination of provisions for medical savings accounts and universal health insurance coverage. Safety nets will be provided to ensure that no person is denied access into the healthcare system or turned away for lack of money. An added benefit is that the population will be encouraged to adopt a healthy lifestyle, taking responsibility for their own health. Finally, Palau's government-managed health system will be equitable in providing access to medical care that not only meets the needs of a growing population but fosters the development of public and private providers of healthcare services. For these reasons, the Olbiil Era Kelulau finds it necessary to implement the National Healthcare Financing Act in order to promote and protect the health and social welfare of the population of the Republic of Palau.

### § 902. Scope of the Act.

There is hereby established a Medical Savings Fund, including individual Medical Savings Accounts and universal coverage under Palau Health Insurance.

### Source

RPPL 8-14 § 2.

**Subchapter II  
The Administration**

- § 907 The Administration.
- § 908 Powers and duties of the Committee.
- § 909 Administrator.
- § 910 Cost of administration.
- § 911 Investment.
- § 912 Coordination of Functions.

**§ 907. The Administration.**

The National Healthcare Financing Governing Committee (hereinafter the “Committee”) of the Republic of Palau, is hereby established to administer the systems established by this Act, except for investments which shall be within the exclusive authority of the Social Security Board and shall be operated in the same manner as investments under the Social Security Act.

**Source**

RPPL 8-14 § 2, modified.

**§ 908. Powers and duties of the Committee.**

- (a) The powers and duties of the Committee under this Act are to provide, maintain, operate and report on the financially sound healthcare systems established by this Act and to provide an orderly means to finance and deliver comprehensive healthcare coverage to the people of the Republic.
- (b) The Committee shall be subject to and bound by the Administrative Procedure Act as provided in 6 PNC.
- (c) The Committee shall have the following powers and duties:
  - (1) transact any business;
  - (2) enter into any contracts for management, auditing, actuarial, investment, legal, or any other advice or services;
  - (3) issue subpoenas and administer the oaths appropriate for the administration of

**NATIONAL HEALTHCARE FINANCING ACT 41 PNCA § 909**

the two plans;

(4) bond any employee of the Administration in such cases and in such amounts as necessary;

(5) have the authority to promulgate by-laws, procedures, policies, or rules and regulations, which shall have the force and effect of law, necessary to carry out any duty, operation, or function as required under this Act;

(6) carry out adjudicative proceedings;

(7) maintain bank accounts and a bank overdraft for the normal operations; and

(8) delegate any power, function, duty, or responsibility as necessary to ensure the administration and operation of the two plans and funds.

**Source**

RPPL 8-14 § 2, modified.

**§ 909. Administrator.**

(a) The Social Security Administrator (hereinafter “Administrator”), as appointed under 41 PNC § 723, shall be responsible for the general day-to-day administration and operation of the Medical Savings Fund and Palau Health Insurance.

(b) The Administrator shall have such powers, duties, and responsibilities as delegated by the Committee.

(c) The Administrator may, by written instrument, delegate any power, duty, or responsibility to any employee of the Administration. Any delegation made by the Administrator shall be made in accordance with 41 PNC § 725.

(d) The Administrator shall maintain records of all employees and of all contributors, including self-employed persons, in a manner deemed reasonable to the administration and operation of the two systems.

(e) The Administrator shall prepare and submit to the Board a detailed budget estimate for the proper operations of the Medical Savings Fund and Palau Health Insurance for each fiscal year. The estimate shall include:

- (1) the audited accounts of the Fund for the last fiscal year;
- (2) a statement showing the estimates of contributions, other income, and expenditures for the fiscal year in progress, together with any summaries, schedules, and supporting information deemed necessary; and
- (3) a budget showing the estimated income and expenditures for the next fiscal year.

**Source**  
RPPL 8-14 § 2.

**§ 910. Cost of administration.**

The annual budget for administration shall provide for administrative expenses not exceeding ten percent (10%) of the estimated income for the fiscal year from contributions and income on investments for the combined systems.

**Source**  
RPPL 8-14 § 2.

**§ 911. Investment.**

- (a) Investments of funds in excess of those required for current operations shall be invested by or under the authority of the Social Security Board, in the same manner as investments of funds under the Social Security Act.
- (b) Within ninety (90) days after the end of each fiscal year, the Committee shall submit a report to the President of the Republic of Palau, the President of the Senate, and the Speaker of the House of Delegates of the Olbiil Era Kelulau detailing the financial status of the Fund and its investments.

**Source**  
RPPL 8-14 § 2.

## NATIONAL HEALTHCARE FINANCING ACT 41 PNCA § 918

### § 912. Coordination of Functions.

The Ministry of Health, Ministry of Finance and the Administration shall enter into a Memorandum of Understanding covering the following:

- (a) The functions of each entity when operating under the provisions of this Chapter;
- (b) Sharing responsibilities to produce an annual report to the President of the Republic of Palau, the President of the Senate, and the Speaker of the House of Delegates of the Olbiil Era Kelulau covering matters such as Medical Savings Account (MSA) participation, medical care utilization, and such other matters, as requested; and
- (c) Coordination of activities among the entities to ensure objectives of this Act are met.

**Source**

RPPL 8-14 § 2, modified.

### **Subchapter III The Medical Savings Fund**

§ 917. The Medical Savings Fund.

§ 918. Organization of the Fund.

### § 917. The Medical Savings Fund.

- (a) There is hereby established a Medical Savings Fund.
- (b) Within the Medical Savings Fund, individual Medical Savings Accounts shall be established for each participating individual.

**Source**

RPPL 8-14 § 2.

### § 918. Organization of the Fund.

- (a) As of the first day of the first calendar quarter beginning at least ninety (90) days after the effective date of this Act, every employer and employee and self-employed individual

in the Republic shall participate in the Medical Savings Fund as established by this Act.

(b) Every participating individual's Medical Savings Account within the Medical Savings Fund shall become available for use by that covered individual and his or her designated beneficiaries beginning on the first day of the first calendar quarter after the month in which contributions were reported and paid into the Medical Savings Fund.

**Source**

RPPL 8-14 § 2, modified.

**Subchapter IV**

**Income**

§ 923. Income.

§ 924. Individual and employer contributions.

§ 925. Reports and payments of contributions.

**§ 923. Income.**

The following shall be paid into the Fund:

(a) Any funds appropriated, loaned, or granted by or to the National Government, any Agency or Ministry thereof, or any state government, for the purpose of healthcare, outside the regular Ministry of Health operations.

(b) Any funds granted or loaned by any nation, other than the Republic, or by any international organization, including but not limited to, the World Bank, International Monetary Fund, World Health Organization, United Nations, or the Asian Development Bank, and designated by the lender or grantor to be paid into the Fund and used by the Administration.

(c) All employee and employer contributions.

(d) All civil and criminal judgments, penalties, interest, or costs.

(e) All gifts and donations.

(f) All proceeds from the investment of money from the Fund. Investment returns

**NATIONAL HEALTHCARE FINANCING ACT 41 PNCA § 924**

attributable to amounts held in Medical Savings Accounts shall be credited to the individual Medical Savings Accounts based on the overall performance of investments.

**Source**  
RPPL 8-14 § 2.

**§ 924. Individual and employer contributions.**

(a) Every participating employee shall be required to pay a minimum contribution of two point five percent (2.5%) of his or her remuneration as defined by the Social Security Act each quarter into the Fund.

(b) The participating employee's contribution shall be collected by his or her employer by deducting the amount of the contribution appointed by the participating worker from his or her remuneration as defined by the Social Security Act. The employer shall remit that amount to the Administration on a quarterly basis along with the employer's contribution, which shall coincide with the reporting and payment requirements under 41 PNC § 745.

(c) Participating employees may also make contributions directly to the Administration in addition to the amount deducted from wages at any time. There shall be no maximum limitation on contributions made directly to the Administration by participating employees.

(d) Every participating self-employed individual:

(1) shall be presumed to be both his or her own employer and employee, and shall be liable to pay with respect to his or herself for both employer contributions and employee contributions, and shall include him or herself in any reports required under this Act. There shall be no upward limit on the amount that a participating self-employed individual may contribute to the Fund.

(2) who has, in a given quarter, at least one employee who receives remuneration from him or her, shall be presumed to receive in any quarter, as remuneration, twice the amount paid to his or her highest paid employee in that quarter and shall be required to contribute five percent (5%) per quarter based on that amount.

(3) who, in a given quarter, has no employee who receives remuneration from him or her, shall be presumed to receive in any quarter, as remuneration, twenty-

five percent (25%) of his or her gross revenue in the preceding calendar year and shall be required to contribute five percent (5%) per quarter based on that amount.

(e) Every participating employer shall be required to pay a minimum contribution of two point five percent (2.5%) of its employees' total remuneration as defined by the Social Security Act each quarter into the Fund. This contribution shall be from pre-tax revenues.

**Source**

RPPL 8-14 § 2, modified.

**§ 925. Reports and payments of contributions.**

(a) All participating employers and participating self-employed individuals shall submit to the Administration a report on an official form to the Administration and pay all amounts of contributions due at the end of each quarter.

(b) The official form shall be provided by the Administration to each employer and self-employed individual, on which the employer or self-employed individual shall show, in addition to other information required by the Administrator, the wages and salaries paid by the employer and the corresponding contributions due to be paid by the employer representing both the employer and employee contributions.

(c) Quarterly reports on official forms provided by the Administration shall be due at times as determined by the Board.

**Source**

RPPL 8-14 § 2.

**Subchapter V  
Payments**

§ 939. Payments.

§ 940. Designated Beneficiaries.

§ 941. Payments to Exiting Foreign Employees.

**NATIONAL HEALTHCARE FINANCING ACT    41 PNCA § 941**

**§ 939. Payments.**

(a) Payments may include the following:

- (1) Payments from Medical Savings Accounts for all healthcare services not explicitly excluded by law or regulation provided to covered individuals;
- (2) Payments from funds earmarked for administrative expenses incurred in the operation of the Medical Savings Fund;
- (3) Subscription payments for Palau Health Insurance;
- (4) Payments from Medical Savings Accounts for private health insurance premiums; and
- (5) Other payments or withdrawals expressly authorized and deemed appropriate by the Administration according to rules and regulations promulgated by the Administration pursuant to this Act.

(b) The Administration shall promulgate rules and regulations governing administrative procedures, collections, payments from Medical Savings Accounts, and benefits under Palau Health Insurance.

**Source**  
RPPL 8-14 § 2.

**§ 940. Designated Beneficiaries.**

Designated Beneficiaries of Medical Savings Accounts under this Act shall include, at a minimum, the participating employee, his or her spouse, and his or her dependent children. Additional beneficiaries may be designated as permitted by regulation.

**Source**  
RPPL 8-14 § 2.

**§ 941. Payments to Exiting Foreign Employees.**

All non-Palauan citizens who contributed to the Medical Savings Fund and who are permanently

exiting the Republic of Palau shall be entitled to withdraw any funds remaining in their individual Medical Savings Account after all payments due have been fully made from the Account. Such exiting employee shall submit a request for the withdrawal of contributions on an official form (which shall be supplied by the Administration), their immigration exit clearance, and any other information deemed necessary by the Administrator. There shall be a six (6) month waiting period between the exit date and the issuance of this payment from the Fund.

**Source**  
RPPL 8-14 § 2.

**Subchapter VI**  
**Claims**

§ 946. Claims.

**§ 946. Claims.**

The Administration shall promulgate rules and regulations, in accordance with 6 PNC Chapter 1, for settling claims directly with the medical provider.

**Source**  
RPPL 8-14 § 2.

**Subchapter VII**  
**Palau Health Insurance**

§ 951. Palau Health Insurance.

§ 952. Subscription fees.

§ 953. Other payments.

§ 954. Reserves.

§ 955. Benefits provided under Palau Health Insurance.

§ 956. Exclusions.

§ 957. Reimbursement to providers other than Belau National Hospital.

**NATIONAL HEALTHCARE FINANCING ACT    41 PNCA § 952**

**§ 951. Palau Health Insurance.**

There is hereby established Palau Health Insurance for the purpose of providing universal health care coverage to all residents of Palau.

**Source**  
RPPL 8-14 § 2.

**§ 952. Subscription fees.**

The following shall be paid at least quarterly beginning in the quarter in which Medical Savings Accounts become available for use by participating individuals:

- (a) The National Government shall pay subscription costs for coverage under this Act for individual citizens who are age sixty (60) and older and not working, or who are disabled and not working. The amount of the subscription payable for such individuals shall be equal to two point twenty five percent (2.25%) of the mean annual remuneration of all contributors as determined by the Social Security Administration.
- (b) Subscription costs for employees and for the self-employed, for coverage for themselves and their dependents, shall be paid from contributions to an individual Medical Savings Account. The amount of the subscription shall be two point twenty five percent (2.25%) of remuneration as defined by the Social Security Act.
- (c) Any individual whose subscription costs are not paid under subsection (b), shall have the option of reporting and paying the subscription costs on either a quarterly or on an annual basis. The amount of the subscription shall be two point twenty five percent (2.25%) of the official minimum wage amount for the reporting period.
- (d) The subscription rate may be modified by regulation after two years of operations, if required to ensure sustainability of the Palau Health Insurance system, based on the following factors:
  - (1) the annual financial balance resulting from the operations of Palau Health Insurance;
  - (2) the amount of return achieved on the investment of reserves; and
  - (3) any approved changes in benefit provisions that will likely affect the financial

situation of Palau Health Insurance in the future.

(e) The regulations shall also provide for:

(1) a reduction in the subscription cost for individuals participating in preventive care programs, as certified by the Ministry of Health;

(2) provisions allowing new enrollees to qualify for benefits of Palau Health Insurance after paying the subscription costs; and

(3) any other changes in benefit provisions.

(f) An individual loses eligibility to receive benefits under this program if the subscription is not paid for two consecutive quarters.

**Source**

RPPL 8-14 § 2, modified.

**§ 953. Other payments.**

The following may also be paid to Palau Health Insurance:

(a) Any funds appropriated, loaned, or granted by or to the National Government, any Agency or Ministry thereof, or any state government, for the purpose of Palau Health Insurance;

(b) Any funds granted or loaned by any nation, other than the Republic, or by any international organization including, but not limited to, the World Bank, International Monetary Fund, World Health Organization, United Nations, and the Asian Development Bank, and designated for use by the Administration, or in the Palau Health Insurance System, by the lender, or grantor;

(c) All civil and criminal judgments, penalties, interest, or costs;

(d) All gifts and donations; and

(e) All proceeds from the investment of money in reserves.

**Source**

**NATIONAL HEALTHCARE FINANCING ACT    41 PNCA § 955**

RPPL 8-14 § 2.

**§ 954. Reserves.**

Palau Health Insurance shall set aside funds to build a contingency reserve of at least six months of benefit expenditures, as provided for by regulation.

**Source**

RPPL 8-14 § 2.

**§ 955. Benefits provided under Palau Health Insurance.**

(a) Payments and withdrawals out of the fund shall include the following, which may be modified by regulations promulgated for the operation of Palau Health Insurance:

(1) Payments to Belau National Hospital for the costs of inpatient medical services to an insured individual, after a copayment of twenty percent (20%) of total cost up to a ceiling of two hundred dollars (\$200) to four hundred dollars (\$400), depending on household income, and after excluding the costs of personnel employed by the Ministry of Health, as established by regulations;

(2) Payments to Belau National Hospital for off-island medical care including medical evacuation services as approved by the Medical Referral Committee established by 34 PNC § 333, and provided to an insured individual, after a copayment of twenty percent (20%) of total cost up to a ceiling of one thousand dollars (\$1,000) to four thousand dollars (\$4,000), depending on household income, and after excluding the costs of personnel employed by the Ministry of Health, as established by regulations; and

(3) Other payments or withdrawals expressly authorized and deemed appropriate under the regulations.

(b) An individual shall be eligible for benefits under Palau Health Insurance beginning on the first day following two full, consecutive quarters of payment of subscription costs.

(c) The Committee shall promulgate rules and regulations governing payments from Palau Health Insurance including, but not limited to, procedures for paying the covered portion of costs, collection of the copayment amount from beneficiaries, setting income guidelines for the deductible amounts, establishing maximum benefit amounts, and expanding benefits if it is sustainable under Palau Health Insurance.

**Source**

RPPL 8-14 § 2, modified.

**§ 956. Exclusions.**

Palau Health Insurance shall not make payments or withdrawals for the following, unless benefits are expanded by regulation:

- (a) Costs, for any care related to hemodialysis;
- (b) The copayment amounts found in subdivisions (a)(1) and (2) of section 955 of this title, which shall be the responsibility of the individual receiving services;
- (c) Personnel costs at the Ministry of Health; and
- (d) Other excluded benefits as provided by regulation.

**Source**

RPPL 8-14 § 2.

**§ 957. Reimbursement to providers other than Belau National Hospital.**

The Administration may enter into agreements for reimbursement to providers other than Belau National Hospital for inpatient care and off-island referrals, including medical evacuation, provided that:

- (a) The reimbursement does not exceed the amount that would be paid to Belau National Hospital for the same services; and
- (b) Any off-island referral, including medical evacuation, is approved by the Medical Referral Committee using the same standards applied to referrals made by Belau National Hospital.

**Source**

RPPL 8-14 § 2.

**Subchapter VIII  
Miscellaneous**

- § 958. Accounts and reports.
- § 959. Bank accounts.
- § 960. Privacy.
- § 961. Offenses and penalties.
- § 962. Taxation.
- § 963. Succession.
- § 964. Severability.

**§ 958. Accounts and reports.**

(a) The Administration shall maintain accounts and records in accordance with prevailing, generally accepted accounting principles as promulgated by the United States' Financial Accounting Standards Board. Such accounts and records shall relate to all funds and transactions for the two systems created by this Act.

(b) The Board shall appoint an independent auditor on such terms and conditions as are agreed on between the Administration and the auditor. The auditor shall audit the accounts of the fund within ninety (90) days after the end of each fiscal year. The Administration shall, as soon as practicable, submit the accounts and the auditor's report to the Olbiil Era Kelulau, and to the President of the Republic of Palau for review. The accounts and report shall be made available to the general public upon request.

(c) The Public Auditor shall issue annual reports on the financial balance of the Fund, and such reports shall be provided to the Administration, the President of the Republic of Palau, and the presiding officers of the Olbiil Era Kelulau.

**Source**  
RPPL 8-14 § 2.

**§ 959. Bank accounts.**

The Administration shall maintain bank accounts as deemed necessary for the purposes of administering the Fund. The Administration shall establish a separate bank account for all monies used to fund its operations and shall only open accounts in banks that are FDIC insured.

Source  
RPPL 8-14 § 2.

**§ 960. Privacy.**

(a) No medical information obtained by the Administration regarding any individual may be released to any person, except as follows:

- (1) with the express written consent of the individual;
- (2) for the purposes of the function and operations under this Act;
- (3) as required by court order from a duly recognized jurisdiction; or
- (4) as authorized by the Committee.

(b) Any employee of the Administration or Member of the Board who reveals medical information in violation of subsection (a) shall, upon conviction, be guilty of a misdemeanor and may be sentenced to imprisonment for a period not exceeding twelve (12) months or a fine of not more than one thousand dollars (\$1,000), or both.

Source  
RPPL 8-14 § 2.

**§ 961. Offenses and penalties.**

It shall be an offense for any individual or entity to:

(a) **Knowingly Submit a False Claim or Obtain Money.** An individual who knowingly submits a false claim for benefits or obtains money from the Fund under false pretenses for the purpose of misleading, defrauding, or cheating the Fund shall, upon conviction, be guilty of a felony and may be sentenced to imprisonment for a period not exceeding five (5) years, or a fine of not more than five thousand dollars (\$5,000) or double the amount of money fraudulently obtained; whichever is greater, or both.

(b) **Knowingly Falsify Statements and Reports.** An employer who knowingly makes a false statement or falsifies any report of record for the purpose of misleading, defrauding, or cheating the Fund shall, upon conviction, be guilty of a felony and may be sentenced to

**NATIONAL HEALTHCARE FINANCING ACT 41 PNCA § 963**

imprisonment for a period not exceeding five (5) years or a fine of not more than five thousand dollars (\$5,000), or both.

(c) **Failure to Report or Pay.** An employer or self-employed individual who fails to report or pay any amount of contributions due to the Fund shall be liable for interest on the unpaid balance of the contribution at the rate of twelve percent (12%) per annum from its due date until the date it is paid. In the event that any contributions or interest due under this Act is referred to any attorney for collection, whether or not suit is brought for the collection thereof, the employer shall additionally be liable for the full cost of reasonable attorney's fees and the costs of collection, including court costs.

(d) **Knowingly Fail to Report or Pay.** An employer who knowingly fails to report or pay any amount of contributions due to the Fund shall, upon conviction, be guilty of a misdemeanor and may be sentenced to imprisonment for a period not exceeding twelve (12) months or a fine of not more than two thousand dollars (\$2,000), or both.

**Source**

RPPL 8-14 § 2, modified.

**§ 962. Taxation.**

(a) The Fund and its income, as well as the Administration, shall not be subject to any National or state taxes. This provision shall not apply to any tax or other charge imposed by the National Government, or any state government, on any employee of the Administration.

(b) Contributions shall be collected from gross earnings and shall not be subject to the tax on wages and salaries under Title 40 of the Palau National Code.

**Source**

RPPL 8-14 § 2.

**§ 963. Succession.**

(a) Upon the death of an individual who has a Medical Savings Account, the money in that account shall be used to pay off any outstanding healthcare costs incurred to a healthcare provider by that individual or other beneficiary of that individual's account for any costs incurred prior to the individual account holder's death. Additionally, any costs

due to a Healthcare Facility incurred after that individual's death directly relating to the cause of individual's death shall be paid from the individual's account.

(b) Any amount remaining from the employee's share shall be transferred to a Medical Savings Account for:

- (1) The surviving spouse; or
- (2) If there is no surviving spouse, to the children, in equal shares; or
- (3) If there are no surviving spouse or children, then to the parents, in equal shares; or
- (4) If there are no surviving spouse, children or parents, then to other designated beneficiaries, in equal shares; or
- (5) If none of the preceding subsections apply, to the persons entitled under the laws and customs of the last domicile of the deceased.

**Source**  
RPPL 8-14 § 2.

**§ 964. Severability.**

If any provision of this chapter or application thereof to any person or circumstance is held invalid, the invalidity does not affect other provisions or applications of the chapter which can be given effect without the invalid provision or application, and to this end the provisions of this chapter are severable.

**Source**  
RPPL 8-14 § 2.