

**CIVIL SERVICE PENSION TRUST FUND
OPERATION PLAN**

**REPUBLIC OF PALAU
CIVIL SERVICE PENSION TRUST FUND OPERATION PLAN**

THIS AGREEMENT, is made and entered into this 12th day of October, 1987 pursuant to the enabling Act establishing the REPUBLIC OF PALAU CIVIL SERVICE PENSION TRUST FUND OPERATION PLAN, by and between the President of the REPUBLIC OF PALAU and the Board of Trustees.¹

Section 1. Purpose.

The purpose of the REPUBLIC OF PALAU CIVIL SERVICE PENSION TRUST FUND OPERATION PLAN is to provide a retirement trust fund, and annuities and other benefits for the employees of the National and State Governments of the REPUBLIC OF PALAU who become aged or otherwise incapacitated, and widow's annuities and other benefits to the dependents of such employees, thereby enabling the employees to accumulate retirement and other benefits for themselves and their dependents, to meet without prejudice or hardship, the hazards of old age, disability, death and termination of employment, with the objective of encouraging qualified personnel to enter and remain in the service of the National and State Governments, thus effecting economy and efficiency in the administration of the National and State Governments.

¹ A subsection of RPPL 2-26 § 4 codified at 33 PNC § 2010(e) reads: "Initial Board actions exempt from Administrative Procedure Act. The Board shall be exempt and every action, rule, regulation, order or other action of the Board shall be exempt from the requirements of Title 6 of the Palau National Code, also known as the Administrative Procedure Act, while the Board is acting to adopt and is adopting the initial Trust Fund Operation Plan, but not thereafter." The signature page on file at the pension plan office does not include the signature of President Lazarus Salii.

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Section 2. Title.

There is, established for the eligible Employees of the National and State Governments, of the REPUBLIC OF PALAU, a retirement plan called the REPUBLIC OF PALAU CIVIL SERVICE PENSION TRUST FUND OPERATION PLAN.

Section 3. Definitions.

Words and phrases, when used in this Plan unless a different meaning is clearly indicated by the context, shall have the following meanings:

- (a) "Actuarial Equivalent" shall mean a form of benefit differing in time, period, or manner of payment from a specific benefit provided under the Plan but having the same value when computed using a pre-retirement interest rate of 7.5% per year, and a post retirement interest rate of 7.5% per year, and the UP-1984 Mortality Table set forward two (2) years for males and females.

For the purpose of determining the reduced monthly benefit payable a Member or Former Member who receives a joint and survivor annuity payable pursuant to Section 14, "Actuarial Equivalent" shall mean the amount of the single life annuity the Member would otherwise be entitled to receive times the following factor:

<u>Factor</u>	<u>Spouse or Beneficiary is</u>
1.00	21 or more years older than the Member
.95	16 to 20 years older than the Member
.90	11 to 15 years older than the Member
.85	6 to 10 years older than the Member
.80	0 to 5 years older than the Member
.80	0 to 5 years younger than the Member
.75	6 to 10 years younger than the Member
.70	11 to 15 years younger than the Member
.65	16 or more years younger than the Member

- (b) "Age" shall mean age at last birthday.
- (c) "Agent" means a person, firm or corporation, other than an Employee or Trustee, who is engaged by the Board to render service.
- (d) "Average Annual Salary" means the average of the highest three (3) consecutive Fiscal Years of compensation received by a Member during his most recent ten (10) full

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Fiscal Years of Total Service. In the event that the Member has not completed three (3) consecutive Fiscal Years of employment, the "Average Annual Salary" shall mean his average monthly salary during the term of his service multiplied by twelve (12). The "Average Monthly Salary" shall be 1/12th of the Member's Average Annual Salary. For purposes of this Section, compensation shall exclude any amounts received in lieu of accrued vacation time, sick leave, termination of employment or because of other extraordinary reasons.

Notwithstanding the foregoing, compensation for the Fiscal Years ending September 30, 1987 and 1988 shall mean the Member's Civil Service pay rate for each such Fiscal Year.

(e) "Board" means the Board of Trustees provided for herein as the agency responsible for the direction and operation of the affairs and business of this Plan. Title to all assets of the Plan shall be held for the Plan by the Trustees or its qualified agents or custodians.

(f) "Child" means an unmarried child, including an adopted child or recognized natural child, who receives more than one-half of his support from and lives with the Member or Employee in a regular parent-child relationship and who is under the age of 18 years, or such unmarried child regardless of age who has been examined and pronounced by two licensed physicians to be permanently physically or mentally disabled and incapable of self-support.

(g) "Custodian" means any agent that is appointed by the Board and has assumed the responsibility for the physical possession of Plan assets.

(h) "Employee" means any person employed by a Participating Agency who is also:

(1) a person who is an employee of the National Government any State Government of the Republic of Palau, or

(2) a person in the employment of a public corporation, quasi government organization or other public entity of the National or any State Government of the Republic of Palau.

Notwithstanding the foregoing, any employee whose employment is purely temporary, seasonal, intermittent, or part-time shall not be considered an Employee for purposes of the Plan and shall not become a Member of this Plan.

(i) "Fiscal Year" means the REPUBLIC OF PALAU accounting year of 12 months commencing on October 1st of each year and ending the following September 30th.

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- (j) “Former Member “ shall mean any person who having been a Member under the terms of this plan, terminates Service for any reason.
- (k) “Hour of Service” shall mean each hour for which a Member is directly or indirectly compensated or entitled to compensation from a Participating Agency for the performance of duties during the applicable Fiscal Year. In addition, a Member shall be credited eight (8) Hours of Service for each day of sick leave and vacation accrued on the Member’s date of termination of Service for any reason unless credit for such days is included under the foregoing sentence.
- (l) “Investment Agent” means any agent that is qualified and has been engaged by the Board to provide investment advice.
- (m) “Member” means any Employee as defined under paragraph (h) of this Section and who is an Employee on or after the date upon which the Act establishing this Plan is enacted.
- (n) “Membership Service” means service rendered a Participating agency by a Member on or after the date upon which the Act establishing this Plan is enacted. A year of Membership Service shall mean the computation period of twelve months which coincides with the Fiscal Year. Except, however, an Employee holding an elected office shall be credited years of Membership Service without regard to the number of Hours of Service credited during any Fiscal Year in which the Employee serves in such elected office. Years of Membership Service shall be rounded to the nearest one (1) year.
- Notwithstanding the foregoing, Membership Service for a Member for the first Fiscal Year in which this Plan is established shall begin on the first day of such Fiscal Year.
- (o) “Participating Agency” means:
- (1) the National and State Governments of the Republic of Palau; and
 - (2) each public corporation and quasi-governmental organizations, and other public entity of the National and State Governments in the Republic of Palau adopting the Plan as a Participating Agency in accordance with the provisions of Section 7 of this Plan.
- (p) “Plan” means the “REPUBLIC OF PALAU CIVIL SERVICE PENSION TRUST FUND OPERATION PLAN”.
- (q) “Present Value of Accrued Benefit” means the value of a Member’s Normal or Late

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Retirement benefit accrued at the date of such benefits valuation.

(r) “Prior Service” means Service rendered prior to the first day upon which Membership Service is first credited. A year of Prior Service shall mean the computation period of twelve months which coincides with the Fiscal Year, and years of Prior Service shall be rounded to the nearest one (1) year.

(s) “Salary” means the amount received by an Employee for service, and shall include allowance for maintenance at the prescribed rate and any post differential.

(t) “Service” means actual employment by a Participating Agency, or service otherwise creditable as herein provided.

(u) “Total Service” means the sum of Prior Service and Membership Service.

(v) “Trust Fund” means the assets of the Plan and Trust as the same shall exist from time to time.

Notes

Subsection (h) was amended by Resolution of the Board of Trustees approved by President Nakamura April 3, 1998.

Section 4. Trustees Powers.

The Plan, through its Board of Trustees, shall have and exercise each and all of the following powers:

- (a) Establish, maintain and operate the retirement program for the public Employees of the REPUBLIC OF PALAU.
- (b) Establish its internal organization and management.
- (c) Adopt a seal.
- (d) Sue or be sued.
- (e) Employ, retain or contract for the services of qualified managers and specialists, as individuals or as organizations.
- (f) Adopt such rules, regulations and policies as may be necessary for the exercise of the Plan’s powers, performance of its duties and administration of its operation.

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- (g) Adopt such rules, regulations and policies as may be necessary for the exercise of the Board's powers, performance of its duties and administration of the Plan assets.
- (h) Establish the amount of Employee contributions to the Plan.
- (i) Establish the amount of Participating Agencies contributions to the Plan.
- (j) Provide overall guidance to the Administrative Agent for the investment of the Fund assets.
- (k) Review all investment of Fund assets.
- (l) Amend the Republic of Palau Civil Service Pension Trust Fund Operation Plan, however any such amendment shall comply with Title 6 of the Palau National Code.

In addition, the Board of Trustees shall appoint an Administration Agent of the Plan and shall negotiate the administration services agreement with such Agent. This Agent shall thereafter be responsible for carrying out such duties and responsibilities assigned under the Act establishing this Plan, and such other duties and responsibilities under the Plan as may be assigned by the Board and accepted by such Agent.

Section 5. Board of Trustees.

- (a) All powers vested in the Plan shall be exercised by the Board which shall consist of seven (7) members called Trustees to be appointed by the President with the advice and consent of the Senate. The Commission shall select a chairman by a majority vote. Members shall serve for a term of four (4) years. Of the members first appointed, two (2) shall serve for two (2) years; two (2) shall serve for three (3) years; and three (3) shall serve for four (4) years. Determination as to who shall serve what term shall be by the drawing of lots. Vacancies shall be filled in the same manner as the original appointment.
- (b) Four (4) Trustees shall constitute a quorum of the Trustees for the transaction of business. The concurrence of four (4) members shall constitute official action of the Board. However, the Trustees may allocate specific duties to one or more trustees in writing, so that the transaction of business can be expedited. Upon acceptance by such Trustee or Trustees, the Trustee or Trustees so appointed may thereafter perform such specific duties without the concurrence of any other board members. The Trustees may adopt rules and regulations governing the conduct of its affairs.

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(c) Each Trustee shall receive the sum of Fifty Dollars (\$50.00) for his attendance at any meeting of the Board, but such compensation shall not apply to more than ten (10) meetings or exceed Five Hundred Dollars (\$500.00) in any one calendar year. No Trustee shall receive any other compensation, but shall be reimbursed for actual travel, subsistence and documented out-of-pocket expenses incurred in the discharge of his responsibilities, including authorized attendance at meetings held away from the REPUBLIC OF PALAU.

(d) No Trustee shall be liable for any decision made in the good faith non-malicious fulfillment of his duties.

Section 6. Administrator.

(a) The Board shall appoint an Administrator, who shall serve at the pleasure of the Board, which shall fix his compensation. The Administrator shall have full charge and control of the administration of the Plan.

(b) The powers of the Administrator shall include:

(1) To see that all rules and regulations of the Plan are enforced.

(2) To attend, unless excused by the Board, all meetings of the Board and to submit reports on the affairs of the Plan as required by the Board.

(3) To keep the Board advised on the needs of the Plan and to approve demands for payment of obligations within the purposes and amounts authorized by the Board.

(4) To keep all books, records, files and accounts of the Plan and receive all applications for annuities, benefits and refunds.

(5) To prepare periodic reports relative to the operations of the Plan and an annual report as of the close of each fiscal year reflecting the results of the financial operations of the Plan and embodying all important financial and statistical data pertinent to its operation.

(c) The Administrator may employ such clerical, medical or other assistance as shall be necessary for the proper administration of the Plan. The administrator may also engage actuarial or other professional services to assist in the administration of the Plan, to assist in the preparation of the annual reports, to advise in matters of policy and to perform the

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periodic actuarial valuations and surveys required by his Plan. The costs and expenses of the administration of the Plan, including any custodial and audit fees incurred in connection with the financial operations of the Plan, shall be paid out of the Plan assets. At least once every five (5) years an actuarial survey and investigation shall be made of the operating experience of the Plan, including a study of rates of mortality, disability, separation and other essential factors relating to the operation and funding of the Plan. Such survey shall also provide for a verification or redetermination of the rates of contributions by the National and State Governments, and other Participating Agencies. In each interim year, an actuarial valuation shall be performed to ascertain the adequacy of the Plan funding and adjust the contribution rate of the Participating Agencies as may be deemed necessary by the Board. The costs of the actuarial valuations and surveys shall be paid from the Plan.

Section 7. Palauan Members. The following Employees Shall be Members of the Plan and Subject to the provisions of this Plan:

- (a) All Employees defined in Section 3(h)(1) regardless of age or length of Service on the date upon which the Act establishing this Plan is enacted shall become Members of the Plan by virtue of their employment. Any person who shall be on an approved leave of absence on the date upon which the Act establishing this Plan is enacted shall be subject to Membership as of such date, as though he were in active Service.
- (b) All Employees defined in Section 3(h)(2) regardless of age or length of Service on the date upon which the Act establishing this Plan is enacted shall, upon submission of a written election by such agency and approval thereof by the Board, become Employees of a Participating Agency and Members of this Plan. The inclusion of these Employees in the Plan shall occur only upon such agency's submission of a written request (in the form of an Adoption Agreement) to the Board agreeing to the terms of the Plan, the Board's written approval of such request, and such agency and employees compliance with the applicable provisions of the Act establishing this Plan, this Plan and such rules and regulations as may be promulgated thereunder. However, the Board in its sole discretion, may reject any such request.
- (c) All persons becoming Employees of a Participating Agency after the date upon which the Act establishing this Plan is enacted shall become Members as a condition of employment, provided they are under the age of sixty (60) years on the date of entry into service.
- (d) The participation of any Participating Agency, and the employees thereof, under this

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Plan may be suspended or terminated at any time upon the Board giving written notice to the affected agency of its failure to comply with the applicable provisions of this Plan and failure, thereafter, of such agency to correct any and all such deficiencies, including any remedial action deemed appropriate by the Board, in a timely manner.

(e) The Plan shall include coverage of all former Government employees who served under the United States Naval Government following World War II, the Trust Territory Government, and the constitutional government of the Republic; provided, however, that the Board of Trustees shall make a determination that sufficient funds are available to provide such coverage and at the same time maintain the Fund on a sound actuarial basis.

Section 8. Ineligible Persons. The following Employees shall not be eligible for Membership:

- (a) Persons whose services are compensated on a fee basis.
- (b) Independent Contractors.
- (c) Persons whose employment is for a specific project.
- (d) Any employee whose employment is purely temporary, seasonal, intermittent or part-time.

The Board shall determine who are Employees and entitled to Membership within the meaning of this Plan.

Section 9. Prior Service.

Each person becoming a Member on the date upon which the Act establishing this Plan is enacted shall be entitled to Prior Service Credit for Service rendered as an Employee of : (1) Participating Agencies; (2) the Trust Territory of the Pacific Islands; and (3) as an employee of the United States Naval Government after World War II before the establishment of the Trust Territory of the Pacific Islands.

- (a) In the case of any Employee who shall have been a Member of a retirement fund or plan of any such government or entity, and shall have received a refund or refunds of contributions made to such fund or plan, the allowance of Prior Service credit shall be conditioned upon such person making a contribution to this Plan in the full amount of the refund or refunds received by such Employee. Payment of such contribution shall be due

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as of the date upon which the Act establishing the Plan is enacted and shall be made in lump sum, or in installments under rules prescribed by the Board.

(b) In the case of any Employee who shall have been a Member of a retirement fund or plan of any such government or entity, and shall be receiving a disability, retirement or other annuity or periodic benefit, the allowance of Prior Service shall not include the service upon which such benefit is based.

(c) Each Member entitled to Prior Service credit in addition to that recorded in his current records shall file with the Board, on a form prescribed by the Board and under such rules as it may adopt, a detailed statement of all such prior service for which the Member claims credit. Such credit shall be verified by the Board as soon as practicable after the filing thereof. Upon such verification, the Board shall cause to be issued a statement of prior service, certifying to the Member the length of Prior Service for which credit has been granted.

(d) Such Statement of Prior Service shall be final and conclusive for the purposes of the Plan as to such service, except for the correction of error; provided, that any Member may within one (1) year from the date of original issuance of such certificate, request the Board to modify or correct such Prior Service certificate. Such certificate shall become null and void upon the death of a Member and shall be canceled automatically upon receipt by a Member of a refund of his contributions. Such certificate may be reinstated only under the conditions prescribed by the provisions of this Plan.

(e) Any Employee who shall not be in the service of a Participating Agency on the date upon which the Act establishing this Plan is enacted solely because of approved leave of absence or for disability on such date, shall be entitled to receive credit for Prior Service only when such Employee shall have completed at least three (3) years of contributing Membership Service subsequent to the date upon which the Act establishing this Plan is enacted. Any Employee who shall not be in the service of a Participating Agency on the date upon which the Act establishing this Plan is enacted for reasons other than of approved leave of absence or for disability on such date, shall not thereafter be entitled to receive credit for Prior Service. Except, however, such Prior Service may be granted former employees pursuant to Section 7(e).

Section 10. Prohibition Against Double Credit for Same Period of Time.

Should a Member, for a specific period of time, be entitled to more than one of the types of service credit authorized by this Plan, he shall be allowed to obtain from said period of time only one type of Service credit, according to his election.

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Section 11. Normal Retirement Benefit.

Normal Retirement Date means the first day of the month coinciding with or following the date on which a Member or Former Member attains his 60th birthday.

The amount of monthly retirement benefit to be provided for each Member who retires on his Normal Retirement Date (which benefit is herein called his Normal Retirement Benefit), shall be equal to two percent (2%) of such Member's Average Monthly Salary for each year of credited Total Service. Years of Total Service used for determining the benefit under this Section shall be limited to thirty (30) years.

A married Member or Former Member receiving a distribution of benefits under this Section shall have the foregoing monthly Normal Retirement Benefit reduced pursuant to Section 14(a) to provide survivor benefits required by that Section. An unmarried Member or Former Member receiving a distribution of benefits shall receive a monthly Normal Retirement Benefit under this Section unless the Member elects an alternate form of distribution prior to the commencement of such distribution. Such unmarried Member, whether male or female, may elect to receive in lieu of his full Normal Retirement Benefit a reduced annuity payable during his or her lifetime with an annuity payable to his or her designated beneficiary.

Section 12. Early Retirement Benefit.

Early Retirement Date means the first day of the month (prior to the Normal Retirement Date) coinciding with or following the date on which a Member or Former Member attains his 55th birthday and has completed at least twenty (20) years of Total Service (Early Retirement Age).

A Former Member who terminates employment after satisfying the service requirement for Early Retirement and who thereafter reaches the age requirement contained herein shall be entitled to receive his benefits under this Plan.

A Member may elect to retire on an Early Retirement Date by submitting an Early Retirement application at least 60 days prior to the first day of the month in which the distribution of Early Retirement Benefits is to commence. In the event that a Member makes such an election, he may receive payment of an Early Retirement Benefit equal to his Normal Retirement Benefit reduced by 1/12th for each year (1/144th for each month) by which his Early Retirement Benefit commencement precedes his normal Retirement Date. Years of Total Service used for determining the benefit under this Section shall be limited to thirty (30) years.

A married Member or Former Member receiving a distribution of benefits under this Section shall have the foregoing monthly Early Retirement Benefit reduced pursuant to Section 14(a) to

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provide survivor benefits required by that Section.

An unmarried Member or Former Member receiving a distribution of benefits shall receive a monthly Early Retirement Benefit under this Section unless the Member elects an alternate form of distribution pursuant to Section 20(a) prior to the commencement of such distribution. Such unmarried Member, whether male or female, may elect to receive in lieu of his full Early Retirement Benefit a reduced annuity payable during his or her lifetime with an annuity payable to his or her designated beneficiary.

Early retirement schedule of reductions to be applied to the accrued level of benefits:

- a reduction of 1/12th per year for the first three years before age 60
- a reduction of 1/18th per year for the next three years
- a reduction of 1/24th per year for the next five years
- a reduction of 1/50th per year for each year in excess of 11 years

Age	Actuarial Equivalence Provided in Plan Document Section 3(a)	Early Retirement Adjustment Provided in Plan Document Section 12	Amended Early Retirement Adjustment
40	0.1768		0.1950
41	0.1917		0.2150
42	0.2080		0.2350
43	0.2257		0.2550
44	0.2451		0.2750
45	0.2663		0.2950
46	0.2895		0.3150
47	0.3148		0.3350
48	0.3426		0.3550
49	0.3731		0.3750
50	0.4066		0.4167
51	0.4433		0.4583
52	0.4837		0.5000
53	0.5281		0.5417
54	0.5771		0.5833
55	0.6311	0.5833	0.6389
56	0.6908	0.6667	0.6944
57	0.7567	0.7500	0.7500
58	0.8296	0.8333	0.8333

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59	0.9104	0.9167	0.9167
60	1.0000	1.0000	1.0000

Notes

Section 12 was initially amended by a document titled “CSPP RES. NO. 001-88” dated April 1, 1988 and approved by President Salii on April 12, 1988. The “early retirement schedule of reductions” and the “early retirement adjustment table” amended “Plan Document Section 12” by A Resolution of the Pension Fund Board of Trustees signed by the Chairman with a “Certificate of Adoption” signed by the Palau Civil Service Pension Plan Administrator dated June 28, 1996.

Section 13. Late Retirement Benefit.

Late Retirement Date means the first day of the month coinciding with or following the date on which a Member or Former Member actually retires after having attained his 60th birthday. The amount of monthly retirement benefit to be provided for each Member who retires on his Late Retirement Day (which benefit is herein called his Late Retirement Benefit), shall be equal to two percent (2%) of such Member’s Average Monthly Salary for each credited year of Total Service.

Years of Total Service used for determining the benefit under this Section shall be limited to thirty (30) years.

A married Member or Former Member receiving a distribution of benefits under this Section shall have the foregoing monthly Late Retirement Benefit reduced pursuant to Section 14(a) to provide survivor benefits required by that Section.

An unmarried Member or Former Member receiving a distribution of benefits shall receive a monthly Late Retirement Benefit under this Section unless the Member elects an alternate form of distribution prior to the commencement of such distribution. Such unmarried Member, whether male or female, may elect to receive in lieu of his full Late Retirement Benefit a reduced annuity payable during his or her lifetime with an annuity payable to his or her designated beneficiary.

Section 14. Benefits.

- (a) Unless otherwise elected as provided below, a Member or Former Member who is married on the “annuity starting date” and who retires under the Plan shall receive his benefit in the form of a joint and survivor annuity. The joint and survivor annuity shall be the Actuarial Equivalent of the single life annuity the Member would have otherwise been entitled to receive. Such joint and survivor benefits following the Member’s or

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Former Member's death shall continue to the spouse on the annuity commencement date during such spouse's lifetime at a rate equal to 100% of the rate at which such benefits were payable to the Member or Former Member.

(b) An unmarried Member or Former Member shall receive the value of his benefit in the form of a life annuity. Such unmarried Member or Former Member, however, may elect in writing to waive the life annuity pursuant to the provision of Section 20(b).

The joint and survivor annuity and the life annuity form of distribution and any other distributions shall be the Actuarial Equivalent of the benefits due the Member or Former Member.

Section 15. Disability Retirement Benefits.

(a) Any Member who is not otherwise eligible to receive Normal, Early or Late Retirement Benefits, who shall become totally and permanently disabled for Service, either mentally or physically, regardless of how or where the disability shall have occurred, shall be entitled to a disability retirement annuity, provided that he is not receiving disability payment from the United States Government or its agencies for substantially the same ailment, and further provided that to be eligible for a disability retirement annuity from a cause unrelated to Service, he shall have had at least ten (10) years of Total Service credited.

(b) A Member shall be considered totally and permanently disabled after the Board shall have received written certification by at least two (2) licensed and practicing physicians or Medical Officers selected by the Board that the Member is totally and likely to be permanently disabled for the further performance of the duties of any assigned position in the Service of the National and State Governments. If upon consideration of the report of such physicians and such other evidence as shall have been presented to it by the Member or others interested therein, it shall grant him a disability retirement annuity upon written certification that the Member has been separated from Service because of total disability of such nature as to reasonably prevent such Employee from rendering further Service. Notwithstanding the foregoing, the Board may accept certification of total and permanent disability by the Social Security Administration as proof of total and permanent disability under this Plan.

(c) The amount of disability retirement annuity shall be an amount equal to the Actuarial Equivalent at the attained age of the Member's Present Value of Accrued Benefit and shall be paid in the same form as a Normal Retirement Benefit. Any special compensation allowance received or payable to any Member because of disability

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resulting from accidental causes while in the performance of a specific act or acts of duty shall be deducted from the disability annuity payable by the Plan on account of the same disability.

(d) At least once each year during the first five (5) years following the allowance of a disability annuity to any Member, and at least once in every three (3) year period thereafter, the Board may require any disability annuitant to undergo a medical examination to be made at the place of residence of said annuitant, or at any other place mutually agreed upon, by a physician or medical officer engaged by the Board. If any examination indicated that the annuitant is no longer physically or mentally incapacitated for Service, or that he is engaged or is able to engage in a gainful occupation, payments of the disability annuity by the Plan shall be discontinued as soon as he is reinstated to the payroll following sick leave, but in no case shall payment be made for more than thirty (30) days after physicians engaged by the Board find that the annuitant is no longer incapacitated for Service.

(e) Should any disability annuitant refuse to submit to a medical examination as herein provided, payments by the Plan shall be discontinued until his withdrawal of such refusal and compliance with the provisions of this Section, and should his refusal continue for one (1) year, all rights of the Member in any disability annuity shall be revoked by the Board.

(f) Any disability annuitant who is restored to active Service shall have deductions taken for the retirement fund and upon subsequent retirement have his retirement allowance based upon all allowable Service including that upon which the disability allowance is based.

Section 16. Termination of Employment Before Entitlement to a Commencement of Benefits.

(a) Upon complete separation from service with less than fifteen (15) years Membership Service, a Member shall be entitled to receive a refund of all of his contributions.

(b) Upon complete separation from Service after a Member shall have completed three (3) years Membership Service and less than fifteen (15) years Total Service, such Member shall have the option of leaving his contributions in the Plan and receiving his Normal Retirement Benefit upon attainment of the age of sixty (60) years, without choice of any of the optional survivors benefits described in this Plan.

(c) Upon complete reparation from Service after a Member shall have completed fifteen

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(15) years Total Service and less than twenty (20) years Total Service, such Member shall receive his Normal Retirement Benefit upon attainment of the age of sixty (60), with choice of any of the optional survivors benefits described in this Plan.

(d) Upon complete separation from Service after a Member shall have completed twenty (20) years total Service, such Member shall have the option to elect to receive his Early or Normal Retirement Benefit upon satisfying the age requirements pursuant to those Sections, with choice of any of the optional survivors' benefits described in this Plan.

(e) Any Member receiving a refund of contributions shall thereby forfeit, waive and relinquish all accrued rights and benefits in the system, including all credited and creditable Service. The Board may, in its discretion, regardless of cause, withhold payment of a refund for a period not to exceed one (1) year after receipt of an application from a Member.

(f) Any Member who has received a refund shall be considered a new Member upon subsequent re-employment if such person qualifies for Membership under the provisions hereof. Such Member shall have the right to make repayment to the Plan of the amount or amounts previously received as refund. Upon the restoration of such refunds, as herein provided, such Member shall have reinstated to his account all credited Service represented by the refunds of which repayment has been made. Repayments of refunds by any Member shall include all refunds received by a Member prior, to the date of his last withdrawal from Service and shall be made in a single sum or in installments under the rules prescribed by the Board, except that in the event of installment payment, the Member seeking reinstatement of prior credited Service may execute, under rules prescribed by the Board, a life insurance policy on his life, wherein the Plan is beneficiary for the amount still due to be repaid to the Plan, the premium on such policy of insurance to be paid by the Member and in the event of the Member's death before the refund has been repaid without such life insurance having been obtained, then the annuity payable to the survivor or survivors shall be reduced pro rata.

(g) No person who retires after October 1, 1997, may receive benefits under the Plan unless he or she has contributed to the Plan for at least five years or has made an actuarially equivalent lump sum contribution.

Notes

Subsection (a) was amended by a document titled "CSPP RES NO. 002-88" approved by President Salii on May 16, 1988. Subsection (g) was added by Resolution of the Board of Trustees approved by President Nakamura April 3, 1998.

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Section 17. Death Prior to Retirement Without Survivor Benefits.

Upon death of a Member or Former Member occurring before commencement of his Normal, Early or Late Retirement Benefit or Disability Retirement Benefit, leaving no persons eligible for survivor annuities as provided in Section 19, the following shall be payable:

- (a) If the Former Member is not an Employee at the date of death, a refund of the total amount of contributions made by the Member.

- (b) If the Member was an Employee at the date of death and had completed one (1) year of Total Service, such Member shall be entitled to a death benefit equal to the greater of three (3) times the Member's Average Annual Salary or the Present Value of the Member's Accrued Benefit. Except, however, the three (3) times the Member's Annual Salary portion of the death benefit in the foregoing sentence shall not be effective until such benefit is insured for those Members in the insurable group. Payment of the death benefit payable under this Section shall be made to the estate of the Member in the form of a single lump sum payment.

Section 18. Death After Retirement Without Survivor Benefits.

Upon death of a Former Member while in receipt of a Normal, Early or Late Retirement Benefit or Disability Retirement Benefit, leaving no person entitled to survivor annuities as provided in Section 19 of this Plan, shall not have any additional death benefit payable under this Plan.

Section 19. Death Prior to Retirement with Survivor Annuity.

Upon death of a Member occurring before commencement of his Normal, Early or Late Retirement Benefit or Disability Retirement Benefit, leaving persons eligible for survivor annuities, the following shall be payable:

- (a) If the Former Member is not an Employee at his date of death and a spouse survives, a monthly annuity for the life of such spouse shall begin as soon as is administratively practical after the date of the death of the Member. The survivor annuity payable under the foregoing sentence shall be the Actuarial Equivalent of the Member's Present Value of Accrued Benefit.

- (b) If the Member is an Employee at his date of death and a spouse survives, a monthly annuity for the life of such spouse shall begin as soon as is administratively practical after the date of the death of the Member. The survivor annuity payable under the foregoing

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sentence shall be the Actuarial Equivalent of the greater of three (3) times the Member's Average Annual Salary or the Member's Present Value of Accrued Benefit. Except, however, the three (3) times the Member's Annual Salary portion of the death benefit in the foregoing sentence shall not be effective until such benefit is insured for those Members in the insurable group.

(c) Any unmarried Member, whether male or female, may elect to designate a beneficiary to receive any survivor benefits under this Plan. Such election shall be in writing and on such form as the Administrator may require.

(d) If the Former Member is not an Employee at his date of death and a beneficiary designated pursuant to (c) of this Section survives, a monthly annuity for the life of such beneficiary shall begin as soon as is administratively practical after the date of the death of the Member. The survivor annuity payable under the foregoing sentence shall be the Actuarial Equivalent of the Member's Present Value of Accrued Benefit.

(e) If the Member is an Employee at his date of death and a beneficiary designated pursuant to (c) of this Section survives, a monthly annuity for the life of such beneficiary shall begin as soon as is administratively practical after the date of the death of the Member. The survivor annuity payable under the foregoing sentence shall be Actuarial Equivalent of the greater of three (3) times the Member's Average Annual Salary or the Member's Present Value of Accrued Benefit. Except, however, the three (3) times the Member's Annual Salary portion of the death benefit in the foregoing sentence shall not be effective until such benefit is insured for those Members in the insurable group.

If more than one (1) survivor annuity is payable on behalf of a deceased Member, the annuity payable to each such survivor for their lifetime shall have a present value equal to the total value of the survivor annuities payable hereunder divided by then number of beneficiaries entitled to receive a survivor annuity. Notwithstanding the foregoing, the Administrator may in his sole discretion and in lieu of the survivor annuity payable hereunder, distribute a single lump sum payment to a survivor if the value of such survivor's benefit under this Section is less than \$2,000.

Section 20. Death After Retirement with Survivor Annuity.

Upon Death of a Former Member occurring after commencement of his Normal, Early or Late Retirement Benefit, leaving persons eligible for survivor annuities, the following shall be payable:

(a) If the Former Member's spouse at the time of benefit commencement survives, a

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monthly annuity for the life of such spouse shall begin as soon as is administratively practical after the date of the death of the Member. The survivor annuity payable under the foregoing sentence shall be equal to 100% of the monthly benefit the Former Member was entitled to receive upon his death.

(b) Upon retirement from Service, any unmarried Member, whether male or female, may elect to receive in lieu of his full Retirement Benefit a reduced annuity payable during his or her lifetime with an annuity payable upon his death to his or her designated beneficiary. To be valid, such election and designation must be made in writing on or before the commencement of benefits under this Plan using such forms as the Administrator may require and the election shall, thereafter, be irrevocable.

(c) If the Former Member's beneficiary designated at or before the time of benefit commencement pursuant to (b) of this Section survives, a monthly annuity for the life of such designated beneficiary shall begin as soon as is administratively practical after the date of the death of the Member. The survivor annuity payable under the foregoing sentence shall be equal to 100% of the monthly benefit the Former Member was entitled to receive upon his death.

If more than (1) survivor annuity is payable on behalf of a deceased Member, the annuity payable to each such survivor for their lifetime shall have a present value equal to the total value of the survivor annuities payable hereunder divided by the number of beneficiaries entitled to receive a survivor annuity.

In the event a distribution is to be made to a minor Child under the age of eighteen (18), then the Administrator may, in the Administrator's sole discretion, direct that such distribution be paid to the legal guardian, or if none, to a parent of such beneficiary or a responsible adult with whom the beneficiary maintains his residence, or to the custodian for such beneficiary, if such is permitted by law. Such a payment to the legal guardian or parent of a minor Beneficiary shall fully discharge the Trustees and the Plan from further liability on account thereof.

Section 21. Contributions by Employees.

(a) Each Member of the Plan shall contribute six percent (6%) of compensation earned and accruing to such member for Service.

(b) These contributions shall be made as a deduction from salary, notwithstanding that the salary paid in cash to such Member may be reduced thereby below any established statutory rate.

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(c) [deleted]

Contributions under this Section shall be made to this Plan immediately following close of the payroll period in which deducted.

Notes

Subsection 21(c) was “formally deleted” by a document titled “CSPP RES. NO. 003-88” approved by President Salii on June 27, 1988.

Section 22. Contributions by Participating Agencies.

The initial contribution of Participating Agencies to the Plan shall be six (6%) of the Members’ gross pay and may be varied by the Board of Trustees from time to time in accordance with the need to fund the Plan on an actuarially sound basis. In addition, the Government shall contribute such amounts as are authorized by Section 10 of the Pension Plan and Retirement Fund Act of 1987. Each Participating Agency shall be advised of any such variance. Except, however, the Board may require that the minimum contribution for a Participating Agency be separately determined using reasonable actuarial assumptions, in which case the Participating Agency’s minimum contribution shall be the amount or rate so determined. Contributions under this Section shall be made to this Plan immediately following close of the payroll period to which the contribution applies.

Section 23. Investment Powers and Duties of the Trustees.

(a) The Trustees shall invest and reinvest the Trust Fund to keep the Trust Fund invested without distinction between principal and income and in such securities or property, real or personal, wherever situated, as the Trustees shall deem advisable, including, but not limited to, stocks, common or preferred, bonds and other evidences of indebtedness or ownership, and real estate or any interest therein. The Trustees shall at all times in making investments of the Trust Fund consider, amount other factors, the short and long-term financial needs of the Plan on the basis of information furnished by the Participating Agencies. In making such investment, the Trustees shall not be restricted to securities or other property of the character expressly authorized by any applicable law for trust investments; however, the Trustees shall give due regard to any limitations imposed. Notwithstanding any provision of this Plan to the contrary, the investments of the Fund shall be restricted to those authorized by the Pension Plan and Retirement Fund Act of 1987.

(b) The Trustees may employ a bank or trust company pursuant to the terms of its usual

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and customary bank agency agreement, under which the duties of such bank or trust company shall be of a custodial, clerical and record-keeping nature.

(c) If life insurance policies have been issued under the Plan to insure the death benefits provided hereunder, the Trustees shall apply for, own, and pay premiums on such life insurance policies.

Section 24. Other Powers of the Trustees.

The Trustees, in addition to all powers and authorities under common law, statutory authority, including the Act establishing this Plan, and other provisions of this Plan, shall have the following powers and authorities, to be exercised in the Trustees' sole discretion:

(a) To purchase, or subscribe for, any securities or other property and to retain the same. In conjunction with the purchase of securities, margin accounts may be opened and maintained;

(b) To sell, exchange, convey, transfer, grant options to purchase, or otherwise dispose of any securities or other property held by the Trustees, by private contract or at public auction. No person dealing with the Trustees shall be bound to see to the application of the purchase money or to inquire into the validity, expediency, or propriety of any such sale or other disposition, with or without advertisement;

(c) To vote upon any stocks, bonds, or other securities; to give general or special proxies or powers to attorney with or without power of substitution; to exercise any conversion privileges, subscription rights or other options, and to make any payments incidental thereto; to oppose, or to consent to, or otherwise participate in, corporate reorganizations or other changes affecting corporate securities, and to delegate discretionary powers, and to pay any assessments or charges in connection therewith; and generally to exercise any of the powers of an owner with respect to stocks, bonds, securities, or other property;

(d) To cause any securities or other property to be registered in the Trustees's own name or in the name of one or more of the Trustees's nominees, and to hold any investments in bearer form, but the books and records of the trustees shall at all times show that all such investments are part of the Trust Fund

(e) To borrow or raise money for the purposed of the Plan in such amount, and upon such terms and conditions, as the Trustees shall deem advisable; and for any sum so borrowed, to issue a promissory note as Trustees, and to secure the repayment thereof by pledging all, or any part, of the Trust Fund; and no person lending money to the Trustees shall be

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bound to see to the application of the money lent or to inquire into the validity, expediency, or propriety of any borrowing;

(f) To keep such portion of the Trust Fund in cash or cash balances as the Trustees may, from time to time, deem to be in the best interests of the Plan, without liability for interest thereon;

(g) to accept and retain for such time as the Trustees may deem advisable any securities or other property received or acquired as Trustees hereunder, whether or not such securities or other property would normally be purchased as investments hereunder;

(h) To make, execute, acknowledge, and deliver any and all documents of transfer and conveyance and any and all other instruments that may be necessary or appropriate to carry out the powers herein granted;

(i) To settle, compromise, or submit to arbitration any claims, debts, or damages due to owing to or from the Plan, to commence or defend suits or legal or administrative proceedings, and to represent the Plan in all suits and legal and administrative proceedings;

(j) To employ suitable agents and counsel and to pay their reasonable expenses and compensation, and such agent or counsel may or may not be agent or counsel for the REPUBLIC OF PALAU;

(k) To apply for and procure from responsible insurance companies as an investment of the Trust Fund such annuity, or other contracts (on the life of any Member) as the Trustees shall deem proper; to exercise, at any time or from time to time, whatever rights and privileges may be granted under such annuity, or other contracts; to collect, receive, and settle for the proceeds of all such annuity, or other contracts as and when entitled to do so under the provisions thereof;

(l) To invest funds of the Trust in time deposits or savings accounts bearing a reasonable rate of interest in the Trustees's bank;

(m) To invest in Treasury Bills and other forms of United States Government obligations;

(n) To deposit monies in savings accounts or certificates of deposit in banks or savings and loan associations;

(o) To do all such acts and exercise all such rights and privileges, although not

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specifically mentioned herein, as the Trustees may deem necessary to carry out the purposes of the Plan.

Section 25. Duties of the Trustees regarding Payments.

The Trustees shall, from time to time, in accordance with the terms of the Plan, make payments out of the Trust Fund. The Trustees shall not be responsible in any way for the application of such payments.

Section 26. Audits.

(a) The Public Auditor shall maintain an oversight function on all of the assets of the Fund pursuant to the provisions of the Pension Plan and Retirement Fund Act of 1987 and the provisions of 40 PNC Chapter 2. Copies of all documents relating to the transactions of the Fund shall be forwarded to the Office of the Public Auditor immediately following each and every transaction of the Fund.

(b) The Public Auditor shall issue quarterly reports on the fiscal soundness of the Fund; such reports shall be forwarded to the Board, the President of the Republic of Palau, the presiding officers of the Olbiil Era Kelulau, and the Chief Justice of the Supreme Court.

(c) If an audit of the Plan's records shall be required for any Fiscal Year, the Trustees shall engage on behalf of all Members an independent qualified public accountant for that purpose. Such accountant shall, after an audit of the books and records of the Plan in accordance with generally accepted auditing standards, within a reasonable period after the close of the Fiscal Year, furnish to the Administrator and the Trustees a report of his audit setting forth his opinion as to whether the following Plan annual reports, are presented fairly and in conformity with generally accepted accounting principles applied consistently:

- (i) [sic] statement of the assets and liabilities of the Plan;
- (ii) statement of receipts and disbursements, a schedule of all assets held for investment purposes, a schedule of all loans or fixed income obligations in default at the close of the Plan Year;
- (iii) a list of all leases in default or uncollectible during the Plan Year;
- (iv) the most recent annual statement of assets and liabilities of any bank

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common or collective trust fund in which Plan assets are invested or such information regarding separate accounts or trusts with a bank or insurance company as the Trustees and Administrator deem necessary; and

(v) a schedule of each transaction or series of transactions involving an amount in excess of three percent (3%) of Plan assets.

All auditing and accounting fees shall be an expense of and shall be paid from the Trust Fund.

Section 27. Gender and Number.

Wherever any words are used herein in the masculine, feminine or neuter gender, they shall be construed as though they were also used in another gender in all cases where they would so apply, and whenever any words are used herein in the singular or plural form, they shall be construed as though they were also used in the other form in all cases where they would so apply.

Section 28. Legal Action.

In the event any claim, suit, or proceeding is brought regarding the Trust and/or Plan established hereunder to which the Trustees or the Administrator may be a party, and such claim, suit, or proceeding is resolved in favor of the Trustees or Administrator, they shall be entitled to be reimbursed from the Trust Fund for any and all costs, attorney's fees, and other expenses pertaining thereto incurred by them for which they shall have become liable.

Section 29. Prohibition Against Diversion of Funds.

Except as specifically permitted by law, it shall be impossible by operation of the Plan or of the Trust, by termination of either, by power of revocation or amendment, by the happening of any contingency, by collateral arrangement or by any other means, for any part of the corpus or income of any trust fund maintained pursuant to the Plan or any funds contributed thereto to be used for, or diverted to, purposes other than the exclusive benefit of Members, Former Members, or their Beneficiaries.

Section 30. Trustees' Protective Clause.

The Trustees, nor their successors, shall be responsible for the validity of any contract issued

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hereunder or for the failure on the part of the insurer to make payments provided by any such contract, or for the action of any person which may delay payment or render a contract null and void or unenforceable in whole or in part.

Section 31. Insurer's Protective Clause.

Any insurer who shall issue contracts hereunder shall not have any responsibility for the validity of this Plan or for the tax or legal aspects of this Plan. The insurer shall be protected and held harmless in acting in accordance with any written direction of the Trustees, and shall have no duty to see the application of any funds paid to the Trustees, nor be required to question any actions directed by the Trustees. Regardless of any provision of the Plan, the insurer shall not be required to take or permit any action or allow any benefit or privilege contrary to the terms of any contract which it issues hereunder, or the rules of the insurer.

Section 32. Receipt and Release for Payments.

Any payment to any Member or Former Member, his legal representative, Beneficiary, or to any guardian or committee appointed for such Member or Former Member or Beneficiary in accordance with the provisions of this Plan, shall, to the extent thereof, be in full satisfaction of all claims hereunder against the Trustees and the Administrator, either of whom may require such Member or Former Member, legal representative, Beneficiary, guardian or committee, as a condition precedent to such payment, to execute a receipt and release thereof in such form as shall be determined by the Trustees or Administrator.

Section 33. Named Fiduciaries and Allocation of Responsibility.

The "named Fiduciaries" of this Plan are (1) the Administrator, (2) the Trustees and (3) any Investment Manager appointed hereunder. The named Fiduciaries shall have only those specific powers, duties, responsibilities, and obligations as are specifically given them under this Plan. Each named Fiduciary warrants that, any directions given, information furnished, or action taken by it shall be in accordance with the provisions of this Plan, authorizing or providing for such direction, information or action. Furthermore, each named Fiduciary may rely upon any such direction, information or action of another named Fiduciary as being under this Plan, and is not required under this Plan to inquire into the propriety of any such direction, information or action. It is intended under this Agreement that each named Fiduciary shall be responsible for the proper exercise of its own powers, duties, responsibilities and obligations under this Plan. No named Fiduciary shall guarantee the Trust Fund in any manner against investment loss or depreciation in asset value. Any person, corporation or group may serve in more than one Fiduciary capacity.

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Section 34. Headings.

The headings and subheadings of this Plan have been inserted for convenience of reference and are to be ignored in any construction of the provisions hereof.

Section 35. Uniformity.

All provisions of this Plan shall be interpreted and applied in a uniform, nondiscriminatory manner.

Section 36. Re-employment of Retirees.

A Member or Former Member who again becomes an Employee after having commenced to receive his Early, Normal or Late Retirement Benefit or any other benefit under the terms of this Plan shall not continue to receive any such benefit or benefits after the date of re-employment. For purposes of this Section, Employee shall mean any Employee described in Section 3(h).

Any Employee having previously commenced to receive a Normal or Late Retirement Benefit under the terms of this Plan who again becomes a Member shall be entitled to accrue additional benefits under Sections 11 or 13 subject to the limitations therein. Any employee having previously commenced to receive an Early Retirement Benefit under the terms of this Plan who again becomes a Member and is credited three (3) years of Membership Service after the Member's date of re-employment shall be entitled to accrue additional benefits under Sections 11 or 13 subject to the limitations therein.

Section 37. Protection of Member's Benefits.

(a) Subject to the exceptions provided below, no benefit which shall be payable out of the Trust Fund to any person (including a Member or Former Member or his Beneficiary) shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge, and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, or charge the same shall be void; and no such benefit shall in any manner be liable for, or subject to, the debts, contracts, liabilities, engagements, or torts of any such person, nor shall it be subject to attachment or legal process for or against such person, and the same shall not be recognized by the Trustee, except to such extent as may be required by law.

(b) This provision shall not apply to the extent a Member or Former Member or

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Beneficiary is indebted to the Plan, for any reason, under any provision of this Plan. At the time a distribution is to be made to or for a Member's or Former Member's or Beneficiary's benefit, such distribution shall be reduced by the Actuarial Equivalent of any such indebtedness. Prior to making the foregoing reduction, however, the Member or Former Member or Beneficiary must be given written notice by the Administrator that such indebtedness is to be so paid in whole or part from his Member's or Former Member's Accrued Benefit. If the Member or Former Member or Beneficiary does not agree that the indebtedness is a valid claim against his benefit under the plan, he shall be entitled to a review of the validity of the claim in accordance with procedures provided in Sections 39 and 40.

(c) This provision shall not apply to a "qualified domestic relations order" defined in the Act establishing this Plan. The Administrator shall determine the qualified status of domestic relations orders pursuant to Section 38 and administer distributions, if any, under such qualified orders. Further, to the extent provided under a "qualified domestic relations order", a former spouse of a Member or Former Member shall be treated as the spouse or surviving spouse for all purposes under the Plan.

Section 38. Domestic Relations Order.

(a) Definitions:

(1) "Qualified Domestic Relation Order" means a domestic relations order:

(i) which creates or recognizes the existence of an alternate payee's right to, or assigns to an alternate payee the right to, receive all or a portion of the benefits payable with respect to a Member or Former Member under this Plan, and

(ii) with respect to which the requirements of paragraphs (b) and (c) of this section are met.

(2) "Domestic Relations Order" means any judgment, decree, or order (including approval of a property settlement agreement) which:

(i) relates to the provision of child support, alimony payments, or marital property rights to a spouse, (former spouse), child, or other dependent of a Member or Former Member, and

(ii) is made pursuant to a domestic relations law (including a community

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property law).

(3) “Alternate Payee” Means any spouse, former spouse, child, or other dependent of a Member or Former Member who is designated by the “Qualified domestic relations order” as having a right to receive all or a portion of the benefits payable under the Plan with respect to the concerned Member or Former Member.

(b) Requirements for a Domestic Relations Order. A domestic relations order meets the requirements of this paragraph only if such order clearly specifies the following:

(1) the name and the last known mailing address (if any) of the Member or Former Member and the name and mailing address of each alternate payee covered by the order, and

(2) the amount or percentage of the Member’s or Former Member’s benefits to be paid by the Plan to each such alternate payee, or the manner in which such amount or percentage is to be determined, and

(3) the number of payments or period to which such order applies.

(c) A Domestic Relations Order may not alter the amount, form, etc., of any benefit under this Plan. A domestic relations order meets the requirements of this paragraph only if such order:

(1) does not require a plan to provide any type or form of benefit, or any options not otherwise provided under the Plan, and

(2) does not require the Plan to provide increased benefits (determined on the basis of actuarial value), and

(3) does not require the payment of benefits to an alternate payee which are required to be paid to another alternate payee under another order previously determined to be a qualified domestic relations order.

(d) Exception for Certain Payments Made After Earliest Retirement Age.

(1) In General. In the case of any payment before a Member or Former Member has separated from service, a domestic relations order shall not be treated as failing to meet the requirements of (c)(3) of this Section solely because such order requires that payment of benefits be made to an alternate payee:

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- (i) on or after the date on which the Member or Former Member attains (or would have attained) the earliest retirement age,
- (ii) as if the Member or Former Member had retired on the date on which such payment is to begin under such order (but taking into account only the present value of the benefits actually accrued and not taking into account the present value of any subsidy for early retirement), and
- (iii) in any form in which such benefits may be paid under the Plan to the Member or Former Member (other than in the form of a joint and survivor annuity with respect to the alternate payee and his or her subsequent spouse).

(e) Plan Procedures. In case of any Domestic Relations Order (DRO) received by the Plan, its status under this Plan shall be determined under the following procedures:

(1) Promptly upon receiving a DRO, the Administrator will:

- (i) refer the DRO, issued by the Court of Jurisdiction, to the legal counsel for Plan to render an opinion within 60 days as to whether the DRO is a “qualified domestic relations order”, and
- (ii) notify the concerned Member or Former Member and any other alternate payee of the receipt by the Plan of the DRO and this procedure.

(2) Promptly upon receiving the determination made by the Plan’s legal counsel as to the status of the DRO, the concerned Member or Former Member and each alternate payee (or any representative designated by an alternate payee by written notice to the Administrator) shall be furnished a copy of such determination. The notice of determination shall state that the Administrator will commence any payments currently due under the Plan to the person or persons entitled thereto, depending on the Plan’s legal counsel’s determination as to the “qualified” status of the DRO, after the expiration of a period of 60 days commencing on the date of the mailing of the notice unless prior thereto the Administrator receives notice of the institution of legal proceedings disputing the determination. The administrator shall, as soon as practical after such 60 day period, ascertain the dollar amount currently payable to each payee pursuant to the Plan and, if the DRO is “qualified”, the DRO, and disburse any such amounts.

If there is a dispute as to the “qualified” status of a DRO, there shall not be a delay in making payments of the amounts currently due to payees. In that event, the Administrator shall direct

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that the amounts payable shall continue to be paid to the person or persons who would have been entitled to such amounts if there had been no DRO. Any determination thereafter that the DRO is a “qualified domestic relations order” shall be applied prospectively only.

Section 39. Claims Procedure.

Claims for benefits under the Plan may be filed with the Administrator with such content and in such form as may be required by the Administrator. Written notice of the disposition of a claim shall be furnished to the claimant within 90 days after the application thereof is filed. In the event the claim is denied, the reasons for the denial shall be specifically set forth in the notice in language calculated to be understood by the claimant, pertinent provisions of the Plan shall be cited, and, where appropriate, an explanation as to how the claimant can perfect the claim will be provided. In addition, the claimant shall be furnished with an explanation of the Plan’s claims review procedure.

Section 40. Claims Review Procedure.

Any Employee, Former Employee, or Beneficiary of either, who has been denied a benefit by a decision of the Administrator pursuant to Section 39 shall be entitled to request the Administrator to give further consideration to his claim by filing with the Administrator (on a form which may be obtained from the Administrator) a request for a hearing. Such request, together with a written statement of the reasons why the claimant believes his claim should be allowed, shall be filed with the Administrator no later than 60 days after receipt of the written notification provided for in Section 39. The administrator shall then conduct a hearing within the next 60 days, at which the claimant may be represented by an attorney or any other representative of his choosing and at which the claimant shall have an opportunity to submit written and oral evidence and arguments in support of his claim. At the hearing (or prior thereto upon 5 business days written notice to the Administrator) the claimant or his representative shall have an opportunity to review all documents in the possession of the Administrator which are pertinent to the claim at issue and its disallowance. Either the claimant or the Administrator may cause a court reporter to attend the hearing and record the proceedings. In such event, a complete written transcript of the proceedings shall be furnished to both parties by the court reporter. The full expense of any such court reporter and such transcripts shall be borne by the party causing the court reporter to attend the hearing.

IN WITNESS WHEREOF, this Agreement has been executed the day and year first above written.

Signed, sealed, and delivered:

**CIVIL SERVICE PENSION TRUST FUND
OPERATION PLAN**

By _____
Lazarus Salii
PRESIDENT

By _____
TRUSTEE

By _____ /s/
TRUSTEE

By _____ /s/
TRUSTEE

By _____ /s/
TRUSTEE

By _____ /s/
TRUSTEE

By _____
TRUSTEE

By _____
TRUSTEE

**CIVIL SERVICE PENSION TRUST FUND
OPERATION PLAN**

CSPP RES. NO. 001-88

**BOARD OF TRUSTEES
REPUBLIC OF PALAU CIVIL SERVICE PENSION FUND**

WHEREAS, an amendment to the Civil Service Pension Plan having been promulgated in accordance with Title 6 of the Palau National Code; and

WHEREAS, the amendment provides for an early retirement program; and

WHEREAS, the Board of Trustees of the Plan voted unanimously to adopt the early retirement amendment to the Plan at a meeting of the Board on February 23, 1988,

NOW THEREFORE, Section 12 of Civil Service Pension Plan is hereby amended to declare a program for early retirement of government employees, under the Civil Service Pension Plan, and the attached Section 12 is hereby formally adopted by the Board of Trustees.

Dated this 1st day of April, 1988.

/s/
Jonathan Maui
Chairman, CSPP BOARD OF TRUSTEES

Approved this 12th day of April, 1988.

/s/
Lazarus E. Salii
President
Republic of Palau

**CIVIL SERVICE PENSION TRUST FUND
OPERATION PLAN**

CSPP RES NO. 002-88

**BOARD OF TRUSTEES
REPUBLIC OF PALAU CIVIL SERVICE PENSION PLAN**

WHEREAS, an amendment to the Civil Service Pension Plan having been promulgated in accordance with Title 6 of the Palau National; and

WHEREAS, the Board of Trustees of the Plan voted unanimously during a meeting of the Board on February 23, 1988, to amend the Plan so that there will be no service restriction of three (3) years placed on refund of contributions upon complete separation from service,

NOW THEREFORE, Section 16(a) of the Civil Service Pension Plan is hereby formally amended and adopted by the Board of trustees as follows:

(a) Upon complete separation from service with less than fifteen (15) years Membership Service, a Member shall be entitled to receive a refund of all of his contributions.

Dated this 12th day of May, 1988.

/s/
Jonathan Maui, Chairman
CSPP Board of Trustees

Approved this 16th day of May, 1988.

/s/
Lazarus E. Salii
President
Republic of Palau

**CIVIL SERVICE PENSION TRUST FUND
OPERATION PLAN**

CSPP RES. NO. 003-88

**BOARD OF TRUSTEES
REPUBLIC OF PALAU CIVIL SERVICE PENSION PLAN**

WHEREAS, an amendment of the Civil Service Pension Plan having been promulgated in accordance with Title 6 of the Palau National Code; and

WHEREAS, the amendment discontinues the collection of 6% contribution from each retired member; and

WHEREAS, the Board of Trustees of the Plan voted to adopt this amendment to the Plan at a meeting of the Board on June 23, 1988.

NOW THEREFORE, Section 21(c) of the Plan which requires 6% contribution from each retired member until November 1, 1990, is hereby formally deleted in its entirety by the Board of Trustees.

Dated this 24th day of June, 1988.

/s/
Jonathan Maui, Chairman
CSPP Board of Trustees

Approved this 27th day of June, 1988.

/s/
Lazarus E. Salii
President
Republic of Palau

**CIVIL SERVICE PENSION TRUST FUND
OPERATION PLAN**

**Republic of Palau
Civil Service Pension Plan
P. O. Box 1767
Koror, Republic of Palau 96940**

RESOLUTION OF THE BOARD OF TRUSTEES

Whereas, an amendment to the Republic of Palau Civil Service Pension Trust Fund Operation Plan Section 3(h) was promulgated pursuant to the Administrative Procedure Act Title 6, and Title 33, Section 2021(b) of the Palau National Code; and

Whereas, The Definition of “Employee” in Section 3(h) is amended to read: “(1) a person who is an employee of the National Government or any State Government of the Republic of Palau, or (2) a person in the employment of a public corporation, quasi government organization or other public entity of the National or any State Government of the Republic of Palau”; and

Whereas, RPPL 5-7, signed into law by the President of the Republic of Palau on October 3, 1997, includes Section 21(c) that directs the Board of Trustees of the Palau Trust Fund Operation Plan to amend the Republic of Palau Civil Service Pension Plan Trust Fund Operation Plan to include a five-year minimum contribution requirement as set forth in RPPL 5-7 Section 21(b); and

Whereas, RPPL 5-7 authorizes the Board of Trustees to make this amendment without complying with the Administrative Procedure Act, Title 6 of the Palau National Code; and

Whereas, the Board of Trustees voted unanimously to include this amendment in Section 16 of the Republic of Palau Civil Service Pension Trust Fund Operation Plan as Section 16(g) to read “No person who retires after October 1, 1997, may receive benefits under the Plan unless he or she has contributed to the Plan for at least five years or has made an actuarially equivalent lump sum contribution”; and

Whereas, the Board of Trustees voted unanimously to adopt each of these amendments to the Republic of Palau Civil Service Pension Trust Fund Operation Plan during a meeting of the Board of Trustee on February 13, 1998;.

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Now therefore, the attached Section 3(h) and Section 16(g) of the Civil Service Trust Fund Operation Plan are hereby formally adopted by the Board of Trustees.

Dated this 2nd day of April, 1998.

/s/
Temmy Shmull
Chairman, Board of Trustees

Approved this 3rd day of April, 1998

/s/
Kuniwo Nakamura
President
Republic of Palau

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A RESOLUTION

A resolution to establish a level of pension benefits for early retirement as provided for in RPPL No. 4-40 as amended by RPPL No. 4-49, and for other purposes.

WHEREAS, the Pension Plan and Retirement Act of 1987, as amended by RPPL Nos. 4-40 and 4-49, provides that employees covered by the Republic of Palau Civil Service Pension Plan and Trust (“Plan”) who have twenty-five (25) years or more of total service, as defined by the Plan, shall be eligible for retirement regardless of their age, and

WHEREAS, the Plan’s Board of Trustees (“Board”) is required to establish the level of pension benefits to be paid to such eligible employees who choose to take early retirement, and

WHEREAS, the Board had planned to provide the highest but fair and equitable level of benefits to eligible employees who choose to retire early under RPPL Nos. 4-40 and 4-49, and

WHEREAS, the Board had, as early as February 9, 1996, informed the Presiding Officers of the OEK that, in order to maintain the integrity of the Republic of Palau Civil Service Pension Trust Fund as required by law and at the same time implement the early retirement provisions of RPPL No. 4-40, additional funds would be necessary, and

WHEREAS, the Board, in a communication to the Presiding Officers of the OEK, requested additional appropriation in the amount of \$4,177,744 to provide for the current level Plan benefits and for the implementation of the early retirement provisions of RPPL No. 4-40 at the current benefit formula of 2% per year of service as defined by the Plan, and

WHEREAS, the Board subsequently provided to the Presiding Officers of the OEK a specific sum of \$2,453,588 as the amount needed for Fiscal Year 1996 in order to implement service retirement at the same level of benefits, and

WHEREAS, since the enactment of RPPL No. 4-40, the OEK has replied by appropriating only \$1,000,000.00 additional funds to the Pension Fund through RPPL No. 4-49, and

WHEREAS, the Board caused a study to be made to determine the most fair and equitable level of benefits to be paid to service retirees in light of limited availability of funds, and

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WHEREAS, the Board has received and reviewed recommended changes to Section 12 of the Plan and find such recommendations to be both fair and legally acceptable, consistent with the intent of RPPL No. 4-40, as amended by RPPL No. 4-49, and the fiduciary duties of the Board to protect the Pension Fund,

NOW THEREFORE, BE IT RESOLVED that the Pension Fund Board of Trustees hereby adopts pursuant to 33 PNC § 2040 as amended by RPPL Nos. 4-40 and 4-49 the following early retirement schedule of reductions to be applied to the accrued level of benefits:

- a reduction of 1/12th per year for the first three years before age 60
- a reduction of 1/18th per year for the next three years
- a reduction of 1/24th per year for the next five years
- a reduction of 1/50th per year for each year in excess of 11 years

BE IT FURTHER RESOLVED that Plan Document Section 12, Early Retirement Adjustment, is more specifically amended as follows:

Age	Actuarial Equivalence Provided in Plan Document Section 3(a)	Early Retirement Adjustment Provided in Plan Document Section 12	Amended Early Retirement Adjustment
40	0.1768		0.1950
41	0.1917		0.2150
42	0.2080		0.2350
43	0.2257		0.2550
44	0.2451		0.2750
45	0.2663		0.2950
46	0.2895		0.3150
47	0.3148		0.3350
48	0.3426		0.3550
49	0.3731		0.3750
50	0.4066		0.4167
51	0.4433		0.4583
52	0.4837		0.5000
53	0.5281		0.5417
54	0.5771		0.5833
55	0.6311	0.5833	0.6389
56	0.6908	0.6667	0.6944
57	0.7567	0.7500	0.7500

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58	0.8296	0.8333	0.8333
59	0.9104	0.9167	0.9167
60	1.0000	1.0000	1.0000

BE IT FURTHER RESOLVED that certified copies of this Resolution be transmitted to the President of the Republic of Palau, the Honorable Kuniwo Nakamura, to the President of the Senate, the Honorable Peter L. Sugiyama, to the Speaker of the House of Delegates, the Honorable Surangel Whipps, to the Fourth Olbiil Era Kelulau, and to Plan members and retirees.

BE IT FURTHER RESOLVED that this Resolution in no way precludes the Board from amending this schedule of reductions, based on the availability of funds, to provide for a higher level of benefits for employees eligible to retire early.

_____/s/_____
Temmy Shmull
Chairman, Pension Fund Board of Trustees

Certificate of Adoption by the Pension Fund Board of Trustees

I, Antonio Bells, Administrator of the Palau Civil Service Pension Plan, hereby certify that the Pension Plan Board of Trustees, at a meeting duly noticed with quorum present held on June 19, 1996 adopted the above Resolution.

_____/s/_____
Antonio Bells
Palau Civil Service Pension Plan Administrator

Date: June 28, 1996

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REPUBLIC OF PALAU
CIVIL SERVICE PENSION PLAN
P. O. BOX 1767
KOROR, PALAU 96940

June 27, 1996

To: Board Members

From: Administrator _____ /s/

Subj.: Resolution Adopting Benefit Level pursuant to RPPL No. 4-40 and 4-49.

Please read the attached draft of the subject resolution and initial next to your name if you approve it.

As requested by the Board during the meeting of 6/19/96, the text was initially drafted by Carlos Salii and delivered on 6/21/96. A copy was immediately faxed to Colin on the same day for comments. On 6/24/96 we received a favorable comment with a couple of technical changes that may need to be made. I gave a copy of Colin's comment to Carlos on the same day (6/24/96). Mr. Salii asked me to find other assistance because he had to be off- island during the week. I approached the Assistant Attorney General, Jeffrey Tomasevich, the next morning on 6/25/96 and asked him to look at the resolution and Colin's comment.

After lunch today, 6/27/96, Jeffrey returned the draft in its original form except for the addition of the last paragraph. After reading it, I immediately called Jeffrey about Colin's comment and he said he did not have a copy of the referenced Plan Document and requested a copy. However, he said, in view of the timing of the eligibility of benefits to Plan members promised under RPPL No. 4-40 and 4-49, he recommended that the Board should proceed to adopt the resolution in order to meet the requirement of law. The adjustments suggested by Colin may be addressed later.

Therefore, if you approve the resolution, please sign next to your name below, so that the Chairman can sign the resolution as agreed in last meeting.

1. Temmy Shmull	_____ /s/
2. Santy Asanuma	_____ /s/
3. Yoich Kohama	_____ /s/
4. Tanzy Anastacio	_____ /s/
5. Ellbuchel Sadang	_____ /s/
6. Irene Soalablai	_____ /s/
7. Evans Imetengel	_____ /s/