

*Financial Statements, Supplementary Information,  
and Compliance and Internal Control*

**Federated States of Micronesia  
Social Security Administration**

(A Component Unit of the Federated States of Micronesia  
National Government)

*Years ended December 31, 2024 and 2023  
with Report of Independent Auditors*



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Federated States of Micronesia Social Security Administration  
(A Component Unit of the Federated States of Micronesia National Government)

Financial Statements, Additional Information,  
and Compliance and Internal Control

Years ended December 31, 2024 and 2023

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## Report of Independent Auditors

Board of Trustees  
FSM Social Security Administration

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of the fiduciary activities of Federated States of Micronesia (FSM) Social Security Administration (the Administration), a component unit of the FSM National Government, as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Administration's basic financial statements as listed in the table of contents (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the fiduciary activities of the Administration as of December 31, 2024 and 2023, and the changes in its net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Administration and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Administration's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Administration's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Administration's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with US GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplementary Information listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with US GAAS. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### *Other Supplementary Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Principal Valuation Results is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management. The information has not been subjected to the auditing procedures applied in our audits of the financial statements and, accordingly, we express no opinion on it.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2025, on our consideration of the Administration's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Administration's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Administration's internal control over financial reporting and compliance.

*Ernst + Young LLP*

December 12, 2025

Federated States of Micronesia Social Security Administration  
(A Component Unit of the Federated States of Micronesia National Government)

Management's Discussion and Analysis

Years ended December 31, 2024 and 2023

The following discussion and analysis provides an understanding of the Federated States of Micronesia (FSM) Social Security Administration's (FSMSSA) financial performance for fiscal year ended December 31, 2024 and 2023. This section has been prepared by the management and should be read in conjunction with the FSMSSA's financial statements and accompanying notes.

**Administration**

The FSMSSA is a successor System of the former Trust Territory Social Security System. It was established by FSM Public Law 2-74 and began its full operation on January 1, 1988. The FSMSSA provides retirement, disability and survivor benefits to the citizens of the FSM.

Under Title 53 of the FSM Code, the authority to administer the FSMSSA is vested to a six-member Board of Trustees, five of whom are nominated by the President and confirmed by the Congress of the FSM. The nominations to the Board take into account the need to have adequate geographical representation and to have representatives from public and private sector employers and employees. The members and officers of the Board of Trustees are as follows:

Jack Harris	State of Pohnpei	Chairman of the Board
Vincent Tafileluw	State of Yap	Vice Chairman
Ari JH Skilling	National Government	Member
Jason Poll	State of Chuuk	Member
Nena Ned	State of Kosrae	Member
Leon Panuelo, Jr.	Administrator	Member, Ex officio

The Administrator, who is selected by the Board, is responsible for daily operations as well as supervision of branch managers from each of the four States of the FSM.

**Funding**

The FSM Social Security System is financed by employer/employee contributions at a rate of 7.5% each, or a combined tax rate of 15% paid to the system every quarter. The FSM National and State governments as well as all private employers incorporated or doing business in the FSM are subject to social security tax. Effective January 01, 2023, the maximum quarterly taxable wages has been increased to \$9,000 from \$8,000 which was effective during the 5-year period January 01, 2018 to December 31, 2022.

As provided in the law, the maximum taxable wage base is subject to an increase of \$1,000 every 5 years to a maximum of \$10,000 until January 01, 2028.

Additional revenues are derived from interests and penalties charged to delinquent taxpayers, and other miscellaneous fees.

Federated States of Micronesia Social Security Administration  
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Management's Discussion and Analysis, continued

**Budget**

The FSM Public Law 5-120 mandates the FSMSSA to present an annual budget not exceeding 11% of its projected income for the ensuing fiscal year. The budget ceiling for year 2024 based on projected income of \$20.0 million was \$2.2 million. However, as part of management's cost cutting measures, the budget was reduced to \$1.84 million, which is 9.2% of the projected income. The actual administrative costs incurred for 2024 was \$1.74 million, or 6% surplus compared to the approved budget.

**Highlights**

- Contributions collected increased by \$3.1 million or 13.4% to \$26.3 million in 2024 compared to \$23.2 million in 2023. The increased amount was attributed mainly to the increase in wages of government employees.
- Benefit payments to Retirement Fund members or their beneficiaries increased by \$684,114 or 2.7% to \$26.2 million in 2024 compared to \$25.5 million in 2023. The increased amount was attributed mainly to new claims and to the new law allowing 65-year-old beneficiaries to continue to receive 50% of their monthly benefit while still working.
- 6,732 beneficiaries received social security benefits as of end of year 2024.
- 671 retirement, survivor and disability claims were received, and processed. To date, only 569 have been approved.
- The investment portfolio, including marketable securities and money market funds classified as part of cash and cash equivalents outperformed in 2024 with a market value of \$56.5 million as of December 31, 2024. Net investment income was recorded at \$5.4 million, a 10.5% investment return.
- Received \$2 million in funding from the FSM National Government, and this amount was used to supplement benefit payments.
- Retirement Fund net position totaled \$62.3 million as of December 31, 2024, compared to \$56.5 million as of December 31, 2023, an increase of 10.2%.
- \$800,000 from delinquent accounts was collected in 2024. Some delinquent employers remain non-compliant and will not pay their delinquent accounts. For this reason, more of these employers are being referred to legal counsel. As of first quarter 2025, \$1.1 million delinquent accounts are with court judgment.
- Close monitoring of expenses led to a budget surplus of 6% in 2024.

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Management's Discussion and Analysis, continued

- Received \$193,400 from Prior Service Trust Fund Administration (PSTFA). Prior Service benefits paid in 2024 totaled \$151,449. In October 2024, a 6% COLA was applied to all benefits.
- Effective January 1, 2023, the maximum quarterly taxable wages has been increased from \$8,000 to \$9,000 which will be applicable for 5 years until December 31, 2027.

**RESULTS OF OPERATIONS/CHANGES IN NET POSITION**

FSMSSA follows the calendar year as its reporting year. The following table presents information about FSMSSA Retirement Fund results of operations for the years ended December 31, 2024, 2023, and 2022:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Contributions	\$26,250,410	\$23,150,999	\$21,036,307
Benefit payments	(26,178,114)	(25,494,000)	(23,687,080)
Administrative expenses	( 1,735,528)	( 1,321,591)	( 1,133,903)
Other income, net	<u>2,039,566</u>	<u>2,532,697</u>	<u>1,048,659</u>
Operating deficit	376,334	( 1,131,895)	( 2,736,017)
Investment income, net	<u>5,410,925</u>	<u>7,536,995</u>	<u>(10,594,096)</u>
Change in net position	5,787,259	6,405,100	(13,330,113)
Net position at beginning of year	<u>56,498,140</u>	<u>50,093,040</u>	<u>63,423,153</u>
Net position at end of year	<u>\$62,285,399</u>	<u>\$56,498,140</u>	<u>\$50,093,040</u>

**Contributions:**

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Government	\$14,613,882	\$12,126,910	\$11,123,796
Private	11,439,938	10,771,866	9,756,454
Judgment	16,202	16,461	7,609
Penalties & Interests	<u>180,388</u>	<u>235,762</u>	<u>148,448</u>
Total	<u>\$26,250,410</u>	<u>\$23,150,999</u>	<u>\$21,036,307</u>

Contributions collected increased by \$3.1 million or 13.4% to \$26.3 million in 2024 compared to \$23.2 million in 2023, averaging a collection of \$6.6 million per quarter. The increase in collection was attributed mainly to the increase in wages of government employees

Federated States of Micronesia Social Security Administration  
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Management's Discussion and Analysis, continued

**RESULTS OF OPERATIONS/CHANGES IN NET POSITION, continued**

**Benefit Payments:**

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Retirement	\$18,275,332	\$17,732,733	\$15,936,930
Survivors	6,083,910	5,913,467	5,786,647
Disability	1,547,345	1,599,151	1,694,980
Lump Sum	<u>271,527</u>	<u>248,649</u>	<u>268,523</u>
Total	<u>\$26,178,114</u>	<u>\$25,494,000</u>	<u>\$23,687,080</u>

Benefit payments increased by \$684,114 or 2.7% to \$26.2 million in 2024 compared to \$25.5 million in 2023. The increased amount of benefit was attributed mainly to new claims and to the new law allowing 65 year old beneficiaries to continue to receive 50% of their monthly benefit while still working.

**Administrative Expense:**

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Budget	\$1,843,710	\$1,507,577	\$1,394,512
Actual	\$1,735,528	\$1,321,591	\$1,133,903
Surplus	\$ 108,182	\$ 185,986	\$ 260,609
% of Budget	6%	12%	19%

Administrative expense totaled \$1.7 million compared to \$1.3 million in 2023, an increase of 31.3%. Most expense items remain fairly stable, if not lower, leading to a budget surplus of 6% in 2024.

**Investment Income (Loss):**

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Investment	\$56,458,949	\$51,555,512	\$ 45,524,888
Income/(loss)	\$ 5,410,925	\$ 7,536,995	\$(10,594,096)
Drawdown	\$ 500,000	\$ 1,500,000	\$ 2,400,000

During the years ended December 31, 2024, 2023 and 2022, included in the Investment is cash amounting to \$590,065; \$571,134 and \$593,051, respectively.

Federated States of Micronesia Social Security Administration  
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Management's Discussion and Analysis, continued

**RESULTS OF OPERATIONS/CHANGES IN NET POSITION, continued**

Net investment income in 2024 totaled \$5.4 million, representing 10.5% returns. A drawdown of \$500,000 was made during the year to supplement benefit payments

**Other Income:**

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Appropriation from FSMNG	\$2,000,000	\$2,500,000	\$1,000,000
Prior Service Reimbursement	30,347	32,015	34,860
Miscellaneous Receipts	26,656	24,167	22,352
Tax Refunds	( 17,437)	( 23,485)	( 8,553)
<b>Total</b>	<b><u>\$2,039,566</u></b>	<b><u>\$2,532,697</u></b>	<b><u>\$1,048,659</u></b>

Other income decreased by \$493,131 as a result of lower funding received from the FSM National Government to cover benefit payments arising from the new law which allow 65-year-old beneficiaries to continue to receive 50% of their monthly benefit while still working.

Income received from Prior Service reimbursement was equivalent to 20% of Prior Service benefits paid. Miscellaneous receipts are fees collected from Social Security cards, employer's ID card, request for allotments and request for change of address.

**Net Position**

FSMSSA Statements of Net Position as of December 31, 2024, 2023 and 2022 follows:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
<b>Assets</b>			
Cash and equivalents	\$ 1,958,333	\$ 1,476,485	\$ 1,934,755
Investments	55,868,883	50,984,378	44,931,837
Other current assets	4,398,093	3,981,469	3,182,857
Fixed assets, net	<u>131,897</u>	<u>128,039</u>	<u>117,788</u>
<b>Total</b>	<b>62,357,206</b>	<b>56,570,371</b>	<b>50,167,237</b>
<b>Liabilities</b>	<u>71,807</u>	<u>72,231</u>	<u>74,197</u>
<b>Net Position</b>			
Held in trust for retirement, disability and survivors' benefits	<b><u>\$62,285,399</u></b>	<b><u>\$56,498,140</u></b>	<b><u>\$50,093,040</u></b>

Federated States of Micronesia Social Security Administration  
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Management's Discussion and Analysis, continued

**RESULTS OF OPERATIONS/CHANGES IN NET POSITION, continued**

Net position for the Retirement Fund (excluding the Prior Service Fund) increased by \$5.8 million or 10.2% to \$62.3 million in 2024 from \$56.5 million in 2023. The increase in net position was attributed mainly to the outperformance of the investment trust fund assets with market value recorded at \$56.5 million including marketable securities as of December 31, 2024. Net investment income during the year was registered at \$5.4 million, a 10.5% investment return.

The FSMSSA continues to manage the Prior Service Benefits Program for FSM citizens, which is funded by the U.S. Department of the Interior, Office of Insular Affairs. For FY 2024, total funds received from the Prior Service Trust Fund Administration (PSTFA) amounted to \$193,400 while benefits paid and administrative expense totaled \$151,449 and \$30,401, respectively. A 6% cola was applied to all benefits in October 2024.

As of December 31, 2024, the Prior Service Fund had a net position of \$130,271. Contributions decreased by 5.7% while benefit payments decreased by 4.8%.

Following are the Statements of Net Position as of December 31, 2024, 2023, and 2022 and the Statements of Changes in Net Position for the years ended December 31, 2024, 2023, and 2022 of PSTFA:

Statements of Net Position  
(Prior Service Fund)

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Assets	\$160,618	\$118,112	\$120,362
Liabilities	( 30,347)	---	( 16,726)
Net Position	<u>\$130,271</u>	<u>\$118,112</u>	<u>\$103,636</u>

Statements of Changes in Net Position  
(Prior Service Fund)

	<u>2024</u>	<u>2023</u>	<u>2022</u>
PSTFA contributions	\$193,400	\$205,019	\$105,010
Benefit payments	(151,449)	(159,036)	(172,086)
Administrative expense	( 30,401)	( 32,055)	( 34,880)
Other	<u>609</u>	<u>548</u>	<u>318</u>
Change in net position	12,159	14,476	(101,638)
Net position at beginning of year	<u>118,112</u>	<u>103,636</u>	<u>205,274</u>
Net position at end of year	<u>\$130,271</u>	<u>\$118,112</u>	<u>\$103,636</u>

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Management's Discussion and Analysis, continued

**Conclusion:**

The FSMSSA Retirement Fund net position in 2024 increased by \$5.8 million or 10.2% mainly due to the outperformance of the investment trust fund assets with investment gain recorded at \$5.4 million, a 10.5% investment return.

Total contribution collected amounted to \$26.3 million while benefits paid and administrative expense totaled \$26.2 million and \$1.7 million, respectively, for a cash shortfall of \$1.7 million. The shortfall was funded by a drawdown from the investment trust fund worth \$500,000 and \$2 million subsidy from the FSMNG.

The Board of Trustees, and management and staff of the FSMSSA will continue to pursue strategies that will help overcome some of the challenges that the Program faces. In 2024, we managed to recover \$800,000 in delinquent taxes, a major accomplishment considering the slow economic growth in the FSM.

With increasing benefit payments and unfunded accrued liability of \$320.9 million (as of January 1, 2023), management endeavors to improve its operation through the following:

1. Collection of delinquent taxes;
2. Spot audits;
3. Conduct periodic eligibility survey of current beneficiaries;
4. Monitor investment performance;
5. Control administrative expenses; and
6. Amendments to Social Security Act

We would also request the FSM National Government to continue to extend financial assistance to FSMSSA to supplement its operational shortfall so that investment drawdown could be minimized and investment returns maximized.

**Financial condition as of September 30, 2025**

Net position of the retirement fund grew by \$10.8 million to \$73.1 million as of September 30, 2025 mainly from the investment income and subsidy from FSMNG.

Contributions collected during the nine month period ending September 30, 2025 amounted to \$20.9 million while benefits paid and administrative expenses totaled \$18.4 million and \$1.2 million, respectively.

**CY2026 Outlook**

Contributions for 2026 is projected to remain at the same level of 2024 and 2025 as government employees' salary increases have already been factored in, and the next increase in taxable wages will not take effect until January 2028.

Federated States of Micronesia Social Security Administration  
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Management's Discussion and Analysis, continued

**CY2026 Outlook, continued**

Management will continue, however to remain focused on increasing collection from delinquent accounts and make employers pay their current quarterly tax dues by ongoing spot audits that will include most of the employers in all of the FSM States. Having said that, collection from contributions is estimated to be approximately \$27.5 million including collection from delinquent accounts.

Benefits will continue to increase in 2026 because of new claims that will be received, processed and approved during the year. In addition, benefits that have been stopped due to non-submission of survey forms will be paid eventually as beneficiaries submit the required survey forms. Total benefit payments projected for 2026 is \$27 million.

Administrative cost is projected to be lower if not approximately equal to 2025, currently at \$2.1 million budget. Management will continue to implement the cost cutting measures being practiced for the past several years.

Foregoing, benefit payments and administrative costs will be higher than contributions and supplemental funding will be needed to cover the cash deficit. The deficit is anticipated to be funded with drawdown from the trust fund and/or subsidy from the FSM National Government.

**Contacting FSMSSA Executives**

This MD&A is designed to provide our citizens, taxpayers, creditors and other interested parties with a general overview of the FSMSSA's finances and to demonstrate its accountability to funding agencies.

Questions concerning any of the information provided in this discussion or requests for information should be addressed to the Administrator, FSM Social Security Administration at P.O. Box L, Kolonia, Pohnpei, FM 96941.

Federated States of Micronesia Social Security Administration  
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Statements of Fiduciary Net Position

	December 31,	
	<u>2024</u>	<u>2023</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,116,207	\$ 1,594,290
Receivables:		
Contributions	4,347,750	3,971,610
Other	<u>53,087</u>	<u>10,166</u>
Total receivables	<u>4,400,837</u>	<u>3,981,776</u>
Investments:		
Fixed income	21,215,728	17,713,877
Equity and others	<u>34,653,155</u>	<u>33,270,501</u>
Total investments	<u>55,868,883</u>	<u>50,984,378</u>
Capital assets, net	<u>131,897</u>	<u>128,039</u>
Total assets	<u>\$62,517,824</u>	<u>\$56,688,483</u>
<b>Liabilities</b>		
Accounts payable	\$ 60,488	\$ 40,665
Other liabilities and accruals	<u>41,666</u>	<u>31,566</u>
Total liabilities	<u>102,154</u>	<u>72,231</u>
<b>Net Position</b>		
Held in trust for retirement, disability and survivors' benefits	<u>62,415,670</u>	<u>56,616,252</u>
Total liabilities and net position	<u>\$62,517,824</u>	<u>\$56,688,483</u>

*See accompanying notes.*

Federated States of Micronesia Social Security Administration  
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Statements of Changes in Fiduciary Net Position

	Year ended December 31,	
	<u>2024</u>	<u>2023</u>
<b>Additions:</b>		
Contributions	\$26,250,410	\$23,150,999
Investment income:		
Net change in the fair value of investments	5,705,916	7,788,159
Interest and dividends	<u>609</u>	<u>548</u>
Total investment income	5,706,525	7,788,707
Investment expense:		
Investment management and custodial fees	( 294,991)	( 251,164)
Net investment income	<u>5,411,534</u>	<u>7,537,543</u>
Other additions:		
Contributions from FSM National Government	2,000,000	2,500,000
Other	<u>250,403</u>	<u>261,201</u>
	<u>2,250,403</u>	<u>2,761,201</u>
Total additions	<u>33,912,347</u>	<u>33,449,743</u>
<b>Deductions:</b>		
Benefit payments:		
Retirement	18,308,602	17,770,647
Survivors	6,201,712	6,034,212
Disability	1,547,345	1,599,151
Lump sum	<u>271,904</u>	<u>249,026</u>
Total benefit payments	26,329,563	25,653,036
Refunds	17,437	23,485
Administrative expenses	<u>1,765,929</u>	<u>1,353,646</u>
Total deductions	<u>28,112,929</u>	<u>27,030,167</u>
Change in fiduciary net position	5,799,418	6,419,576
Net position at beginning of year	<u>56,616,252</u>	<u>50,196,676</u>
Net position at end of year	<u>\$62,415,670</u>	<u>\$56,616,252</u>

*See accompanying notes.*

Federated States of Micronesia Social Security Administration  
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Notes to Financial Statements

Years ended December 31, 2024 and 2023

**1. Organization**

The Federated States of Micronesia (FSM) Social Security Administration (the Administration) was established by Public Law 2-74, passed on February 8, 1983, and began operations on October 1, 1987, for the purpose of administering the FSM Social Security Retirement Fund (the Fund) through the provision of retirement, disability and death benefits to qualified individuals and their survivors. The Administration is administered under the authority of a six-member Board of Trustees, five of whom are appointed by the President of the Federated States of Micronesia. The Administrator, who is selected by the Board, serves as an ex-officio member. Additionally, the Administrator is responsible for processing, monitoring, and distributing benefit claims under the Prior Service Benefits Program (see Note 7). Accordingly, the Administrator established the Prior Service Fund to account for activities under this program.

**2. Summary of Significant Accounting Policies**

Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, which was subsequently amended by Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, and GASB Statement No. 61, *The Financial Reporting: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, establish financial reporting standards for governmental entities, which includes the requirement for the Administration to present Management's Discussion and Analysis (MD&A). The MD&A is considered to be required supplementary information and precedes the financial statements. In addition, these statements require that resources be classified for accounting and reporting purposes as held in trust for retirement, disability and survivors' benefits. Management of the Administration has determined that per its enabling legislation, net position of the Administration is to be held in trust for retirement, disability and survivors' benefits.

**Basis of Accounting**

The Administration is accounted for as a Fiduciary Fund Type - Private Purpose Trust Fund and is a component unit of the FSM National Government. The Administration prepares its financial statements using the accrual basis of accounting. It recognizes employee and employer contributions as revenues in the quarter employee earnings are paid. Retirement benefits are recognized as expenses when payable. Expenses are recorded when the corresponding liabilities are incurred regardless of when payment is made.

Federated States of Micronesia Social Security Administration  
(A Component Unit of the Federated States of Micronesia National Government)

Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**Accounting Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (US GAAP) requires management to make estimates and assumptions that affect the reported amounts of net position and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Future Liabilities and Contributions**

No recognition is given in the accompanying financial statements to the present value of the liabilities of prospective benefit payments or the present value of future contributions required from employees or employers.

**Cash and Cash Equivalents**

For the purposes of the statements of fiduciary net position, cash and cash equivalents include cash on hand, and cash in checking and savings accounts as well as short-term investments in money market funds with a maturity date within three months of the date acquired.

**Deposits and Investments**

The deposit and investment policies of the Administration are governed by its enabling legislation. The Board is required to engage one or more fund custodians to assume responsibility for the physical possession of the Administration's investments. Legally authorized investments are as follows:

- (i) Government obligations - Obligations issued or guaranteed as to principal and interest by the FSM National Government and/or State governments of the Federated States of Micronesia or by the Government of the United States of America (United States), provided that the principal and interest on each obligation are payable in the currency of the United States.
- (ii) Corporate obligations and mortgage-backed securities - Obligations of any public or private entity or corporation created or existing under the laws of the Federated States of Micronesia or of the United States or any state, territory or commonwealth thereof, or obligations of any other government or economic community which are payable in United States dollars, or pass through and other mortgage-backed securities provided that the obligation is issued by an agency of the United States, the FSM National Government, or is rated in one of the three highest categories by two nationally recognized rating agencies. No investment under this heading shall exceed ten percent of the market value of the Fund or ten percent of the outstanding value of the issue at the time of purchase.

Federated States of Micronesia Social Security Administration  
(A Component Unit of the Federated States of Micronesia National Government)

Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**Deposits and Investments, continued**

- (iii) Preferred and common stocks - Shares of preferred or common stocks of any corporation created or existing under the laws of the Federated States of Micronesia or under the laws of the United States or any state, territory or commonwealth thereof provided that the purchase of such shares shall be considered reasonable and prudent by the Administration's investment advisor at the time of purchase, that not more than five percent of the market value of the Fund shall be invested in the stock of any one corporation, and that not more than ten percent of the market value of the Fund shall be invested in any one industry group.
- (iv) Insurance company obligations - Contracts and agreements supplemental thereto providing for participation in one or more accounts of a life insurance company authorized to do business in the Federated States of Micronesia or in any state, territory or commonwealth of the United States provided that the total market value of these investments at no time shall exceed ten percent of all investments of the Fund.

*Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the Administration's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. The Administration does not have a deposit policy for custodial credit risk.

As of December 31, 2024 and 2023, the carrying amount of the Administration's total cash and cash equivalents were \$2,116,207 and \$1,594,290, respectively, and the corresponding bank balances were \$2,944,855 and \$1,922,867, respectively, which are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance or coverage by Securities Investor Protection Corporation (SIPC). As of December 31, 2024 and 2023, bank deposits in the amount of \$750,000, were FDIC insured. As of December 31, 2024 and 2023, bank deposits in the amount of \$340,065 and \$321,134, respectively, were subject to SIPC insurance coverage. The Administration does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

Federated States of Micronesia Social Security Administration  
(A Component Unit of the Federated States of Micronesia National Government)

Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**Deposits and Investments, continued**

*Investments*

Investments and related investment earnings are recorded at fair value using quoted market prices. Fair value is the price that would be received to sell an asset or paid to transfer a liability (i.e. the exit price) in an orderly transaction between market participants at the date as of which the fair value of an asset or liability is determined.

As of December 31, 2024 and 2023, investments are as follows:

	<u>2024</u>	<u>2023</u>
Fixed income securities:		
Domestic fixed income	\$21,215,728	\$17,713,877
Other investments:		
Domestic equities	12,626,806	12,932,261
International equities	8,986,394	9,903,635
Exchange traded funds	8,926,278	6,332,270
Real estate investment trust and tangibles	<u>4,113,677</u>	<u>4,102,335</u>
	<u>\$55,868,883</u>	<u>\$50,984,378</u>

The Administration categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. As of December 31, 2024 and 2023, all investments are quoted in active markets.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. The Administration does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

As of December 31, 2024 and 2023, the Administration's investments in fixed income securities were as follows:

	<u>2024</u>				
	<u>Investment Maturities (In Years)</u>				
	<u>Less than 1 year</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>Greater Than 10</u>	<u>Total</u>
U.S. Treasury and agencies obligations	\$1,654,955	\$ ---	\$4,920,850	\$ 1,418,284	\$ 7,994,089
Mortgage and asset-backed securities	---	457,621	120,084	9,126,709	9,704,414
Corporate notes and bonds	<u>224,108</u>	<u>556,359</u>	<u>2,736,758</u>	<u>---</u>	<u>3,517,225</u>
	<u>\$1,879,063</u>	<u>\$1,013,980</u>	<u>\$7,777,692</u>	<u>\$10,544,993</u>	<u>\$21,215,728</u>

Federated States of Micronesia Social Security Administration  
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Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**Deposits and Investments, continued**

*Investments, continued*

	2023			
	<u>Investment Maturities (In Years)</u>			
	<u>1 to 5</u>	<u>6 to 10</u>	<u>Greater Than 10</u>	<u>Total</u>
U.S. Treasury and agencies obligations	\$1,646,560	\$4,749,648	\$1,199,798	\$ 7,596,006
Mortgage and asset-backed securities	---	---	8,049,870	8,049,870
Corporate notes and bonds	<u>62,052</u>	<u>2,005,949</u>	<u>---</u>	<u>2,068,001</u>
	<u>\$1,708,612</u>	<u>\$6,755,597</u>	<u>\$9,249,668</u>	<u>\$17,713,877</u>

Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligation.

The Administration's exposure to credit risk in domestic fixed income securities as of December 31, 2024 and 2023, were as follows:

Moody's and Standard and Poors' Rating

	<u>2024</u>	<u>2023</u>
AAA	\$ 8,317,543	\$ ---
AAA/AAA	170,904	7,596,006
AA2/AA+	208,656	---
A1/A	256,734	---
A1/A-	321,040	717,713
A2/A-	75,005	---
A2/BBB+	---	227,849
A3/A-	129,906	361,100
A3/BBB+	273,927	401,709
A1/BBB+	184,209	359,629
BA1/BBB-	70,092	---
BAA2/BBB+	205,616	---
BAA2/BBB	738,117	---
BAA3/BBB-	386,973	---
BAA3/BB+	115,870	---
BAA2	229,080	---
BAA1/BBB+	322,000	---
Not Rated	<u>9,210,056</u>	<u>8,049,871</u>
	<u>\$21,215,728</u>	<u>\$17,713,877</u>

Federated States of Micronesia Social Security Administration  
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Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**Deposits and Investments, continued**

*Investments, continued*

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, the Administration will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Administration's investments are held and administered by trustees. Based on negotiated trust and custody contracts, all of these investments were held in the Administration's name by the Administration's custodial financial institutions as of December 31, 2024 and 2023. The Administration's agent is not affiliated with or related to investment brokers. Accordingly, these investments are not exposed to custodial credit risk.

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 *Deposits and Investment Risk Disclosures* requires disclosure by issuer and amounts of investments in any one issuer that represents five percent (5%) or more of total investments for the Administration. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. There was no concentration of credit risk for investments as of December 31, 2024 and 2023.

**Depreciable Capital Assets**

The cost of capital assets, if greater than \$250, is capitalized at the time of acquisition. Depreciation is provided using the straight-line basis over the estimated useful lives of the respective assets.

Capital asset activities for the years ended December 31, 2024 and 2023, were as follows:

	Estimated Useful Lives	2024			
		January 1, 2023	Additions	Retirements	December 31, 2024
Motor vehicles	5 years	\$126,394	\$ 9,643	\$(30,302)	\$105,735
Office furniture, fixtures and equipment	5 years	118,838	19,326	(13,192)	124,972
Computer software and hardware	5 years	110,588	20,000	( 1,890)	128,698
Home furnishings	5 years	<u>420</u>	---	---	<u>420</u>
		356,240	48,969	(45,384)	359,825
Accumulated depreciation		<u>(228,201)</u>	<u>(43,834)</u>	<u>44,107</u>	<u>(227,928)</u>
		<u>\$128,039</u>	<u>\$ 5,135</u>	<u>\$( 1,277)</u>	<u>\$131,897</u>

Federated States of Micronesia Social Security Administration  
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Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**Depreciable Capital Assets, continued**

		2023			
	Estimated <u>Useful Lives</u>	January 1, <u>2023</u>	<u>Additions</u>	<u>Retirements</u>	December 31, <u>2023</u>
Motor vehicles	5 years	\$117,894	\$ 8,500	\$ ---	\$126,394
Office furniture, fixtures and equipment	5 years	116,007	5,661	( 2,830)	118,838
Computer software and hardware	5 years	94,226	36,593	(20,231)	110,588
Home furnishings	5 years	<u>420</u>	<u>---</u>	<u>---</u>	<u>420</u>
		328,547	50,754	(23,061)	356,240
Accumulated depreciation		<u>(210,759)</u>	<u>(39,064)</u>	<u>21,622</u>	<u>(228,201)</u>
		<u>\$117,788</u>	<u>\$11,690</u>	<u>\$ (1,439)</u>	<u>\$128,039</u>

Depreciation expense for the years ended December 31, 2024 and 2023 amounted to \$43,834 and \$39,064, respectively, and is included as a component of administrative expenses in the accompanying statements of changes in fiduciary net position.

**Deferred Outflows of Resources**

In addition to assets, the statements of fiduciary net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (deduction of net position) until then. The Administration has no items that qualify for reporting in this category.

**Deferred Inflows of Resources**

In addition to liabilities, the statements of fiduciary net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (additions to net position) until then. The Administration has no items that qualify for reporting in this category.

**Contributions**

Contributions to the Fund are governed by the Federated States of Micronesia Social Security Act of 1983 (the "Act"), which imposes a tax on the quarterly income of every employee not currently subject to the United States Social Security Administration or any other recognized social security system.

Federated States of Micronesia Social Security Administration  
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Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**Contributions, continued**

There is tax imposed on the income of every applicable employee equal to 7.5% of wages, effective January 1, 2013. Maximum quarterly taxable wages are \$8,000 effective January 1, 2018, \$9,000 effective January 1, 2023, and \$10,000 effective January 1, 2028. Every employer is required to contribute an amount equal to that contributed by employees.

Contribution revenues recorded during the years ended December 31, 2024 and 2023 are comprised of the following:

	<u>2024</u>	<u>2023</u>
Government employment	\$14,613,882	\$12,126,910
Private employment	11,439,938	10,779,180
Judgments	16,202	16,461
Penalties and interest	<u>180,388</u>	<u>228,448</u>
	<u>\$26,250,410</u>	<u>\$23,150,999</u>

Contribution receivables at December 31, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Social security tax contributions	\$4,325,897	\$3,949,271
Beneficiaries	13,431	14,602
Others	<u>8,422</u>	<u>7,737</u>
	<u>\$4,347,750</u>	<u>\$3,971,610</u>

**Benefit Obligations**

Benefits are paid to fully insured individual. As defined by the Act, every person who has attained sixty-five (65) or sixty (60) years of age if decided to receive 50% of benefits and has filed an application for old age insurance benefits. Benefits are also paid to surviving spouses of deceased workers, subject to eligibility requirements, as long as they do not remarry or work. Eligible children who are not married or are not working may also receive benefits until the age of eighteen (18) or up to age twenty-two (22) if in school.

Eligible children who become disabled before age twenty-two (22) will continue to receive benefits for the duration of the disability. Disability benefits are paid to qualified workers for the duration of the disability, or until retirement or death, at which time retirement or survivor benefits become available.

Federated States of Micronesia Social Security Administration  
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Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**Benefit Obligations, continued**

Benefits are paid monthly and are computed on an annual basis of 16.5% of the first \$10,000 of cumulative covered earnings, plus 3% of the next \$30,000, 2% of any earnings in excess of \$40,000 but not in excess of the next \$262,500, and 1% of any earnings in excess of \$302,500. For the years ended December 31, 2024 and 2023, the minimum monthly benefit payment is \$100.

**Recently Adopted Accounting Pronouncements**

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences. The adoption of GASB Statement No. 101 during the year ended December 31, 2024 did not have a material effect in the accompanying financial statements.

**Upcoming Accounting Pronouncements**

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The primary objective of this Statement is to provide users of the government financial statements with essential information about risks related to a government's vulnerabilities due to ascertain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. GASB Statement No. 102 will be effective for fiscal year ending December 31, 2025.

In April 2024 the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. GASB Statement No. 103 will be effective for fiscal year ending December 31, 2026.

Federated States of Micronesia Social Security Administration  
(A Component Unit of the Federated States of Micronesia National Government)

Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**Upcoming Accounting Pronouncements, continued**

In September 2024 the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement also addresses certain application issues. GASB Statement No. 104 will be effective for fiscal year ending December 31, 2026.

The Administration is currently evaluating the effects the above upcoming accounting pronouncements might have on its financial statements.

**Risk Management**

The Administration is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Administration has elected to purchase automobile, and property and casualty insurance from independent third parties for the risks of loss to which it is exposed. The Administration is substantially self-insured for all other risks. Settled claims have not exceeded commercial coverage in any of the past three years.

**3. Net Position Held in Trust**

Net position is held in trust to comply with the Social Security Act of 1983. All net position of the Administration is to be used for retirement, disability and survivors' benefits.

**4. Contingencies**

*Benefit Payments*

The Administration is aware of liabilities of the fund related to retroactive benefit payments for wages not posted to the system due to unmatched social security numbers or names provided by employers, as well as liabilities related to overpayment of contributions. Management is unable to determine a reasonable estimate of the abovementioned liabilities and as such, record such retroactive benefit payments in the period where benefits are determined and become payable.

*Litigation*

The Administration is periodically a defendant in legal actions inherent to the nature of its operations. Management is of the opinion that resolution of any matters existing as of December 31, 2024 will not have a material effect on the accompanying financial statements.

Federated States of Micronesia Social Security Administration  
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Notes to Financial Statements, continued

**5. Commitments**

The Administration leases office spaces in each of its four locations expiring through 2034.

Future minimum lease payments are as follows:

<u>Years Ending</u> <u>December 31,</u>	
2025	\$ 69,154
2026	29,091
2027	16,491
2028	10,364
2029	4,236
2030 and thereafter	<u>17,297</u>
	<u>\$146,633</u>

**6. Contributions from FSM National Government**

The Administration receives periodic appropriations from the Congress of the FSM to subsidize monthly benefit payments. For the years ended December 31, 2024 and 2023, contributions received from the FSM National Government amounted \$2,000,000 and \$2,500,000, respectively, which is included in other additions in the accompanying statements of changes in fiduciary net position.

**7. Prior Service Claims**

Under the terms of a Prior Service Claim Adjudication Service Agreement between the Social Security Administration of the Federated States of Micronesia and the Trust Territory Prior Service Trust Fund, the Administration is to provide for the processing of benefit claims and to assist in the monitoring of continuing eligibility under the Prior Service Program. The Prior Service Trust Fund Administration (PSTFA) will reimburse the Administration \$8,000 per annum plus an amount equal to eight percent of the total amount of automated and manual benefit payments. Any cost for the Administration personnel who assist in searching and locating prior service documents in cooperation with the Prior Service Administration will be reimbursed on a dollar-for-dollar basis.

On September 15, 2005, an agreement was entered between the PSTFA Board and the U.S. Department of the Interior to delegate the Board's obligations and responsibility for the enrollees eligible for Prior Service Benefits Program to the Social Security Systems of the Republic of the Marshall Islands, the Republic of Palau, the Federated States of Micronesia and the Retirement Fund of the Commonwealth of the Northern Mariana Islands. Based on the agreement, the Social Security Administration (SSA) of each Government shall be entitled to an administrative fee not to exceed 20% of the share of allocated funds.

Federated States of Micronesia Social Security Administration  
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Notes to Financial Statements, continued

**7. Prior Service Claims, continued**

The Administration assumed administrative functions and for the years ended December 31, 2024 and 2023, received an allocation of \$193,400 and \$205,019, respectively, from PSTFA and is included as a component of other additions in the accompanying statement of changes in fiduciary net position. Total benefit and administrative expense for the years ended December 31, 2024 and 2023 amounted to \$181,850 and \$191,091, respectively, is included as a component of benefit payments and administrative expenses in the accompanying statement of changes in fiduciary net position. However, while the Administration accepts the liability for any amounts received, the Administration does not accept the obligation to pay future benefits unless additional funds are received from PSTFA. As of December 31, 2024 and 2023, the amount available for future benefit payments under the Prior Service Benefits Program amounted to \$130,271 and \$118,112, respectively.

**8. Retirement Plan**

The Administration has established a defined contribution retirement savings plan (the Plan) for its employees administered by a private corporation. All contract employees and other permanent employees with at least three months of service are eligible to participate in the Plan. Employee contributions can be made up to 100% of earnings. Employees have the option of electing to receive matching contribution or based contribution, which are both discretionary and subject to change by the Administration on a plan year basis. The Administration's Administrator is the designated plan administrator. During the years ended December 31, 2024 and 2023, the Administration incurred expenses of \$31,979 and \$21,113, respectively, for matching contributions, which is included as a component of administrative expenses in the accompanying statements of changes in fiduciary net position. As of December 31, 2024 and 2023, total plan assets were \$237,188 and \$174,351. Management is of the opinion that the retirement plan assets do not constitute assets of the Administration.

## Supplementary Information

Federated States of Micronesia Social Security Administration  
(A Component Unit of the Federated States of Micronesia National Government)

Combining Statements of Fiduciary Net Position

December 31, 2024

	<u>Retirement Fund</u>	<u>Prior Service Fund</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,958,333	\$157,874	\$ 2,116,207
Receivables:			
Contributions	4,347,750	---	4,347,750
Other	<u>50,343</u>	<u>2,744</u>	<u>53,087</u>
Total receivables	<u>4,398,093</u>	<u>2,744</u>	<u>4,400,837</u>
Investments:			
Fixed income	21,215,728	---	21,215,728
Equity and others	<u>34,653,155</u>	<u>---</u>	<u>34,653,155</u>
Total investments	<u>55,868,883</u>	<u>---</u>	<u>55,868,883</u>
Capital assets, net	<u>131,897</u>	<u>---</u>	<u>131,897</u>
Total assets	<u>\$62,357,206</u>	<u>\$160,618</u>	<u>\$62,517,824</u>
<b>Liabilities</b>			
Accounts payable	\$ 30,141	\$ 30,347	\$ 60,488
Other liabilities and accruals	<u>41,666</u>	<u>---</u>	<u>41,666</u>
Total liabilities	<u>71,807</u>	<u>30,347</u>	<u>102,154</u>
<b>Net Position</b>			
Held in trust for retirement, disability and survivor' benefits	<u>62,285,399</u>	<u>130,271</u>	<u>62,415,670</u>
Total liabilities and net position	<u>\$62,357,206</u>	<u>\$160,618</u>	<u>\$62,517,824</u>

Federated States of Micronesia Social Security Administration  
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Combining Statements of Fiduciary Net Position, continued

December 31, 2023

	<u>Retirement Fund</u>	<u>Prior Service Fund</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,476,485	\$117,805	\$ 1,594,290
Receivables:			
Contributions	3,971,610	---	3,971,610
Other	<u>9,859</u>	<u>307</u>	<u>10,166</u>
Total receivables	<u>3,981,469</u>	<u>307</u>	<u>3,981,776</u>
Investments:			
Fixed income	17,713,877	---	17,713,877
Equity and others	<u>33,270,501</u>	<u>---</u>	<u>33,270,501</u>
Total investments	<u>50,984,378</u>	<u>---</u>	<u>50,984,378</u>
Capital assets, net	<u>128,039</u>	<u>---</u>	<u>128,039</u>
Total assets	<u>\$56,570,371</u>	<u>\$118,112</u>	<u>\$56,688,483</u>
<b>Liabilities</b>			
Accounts payable	\$ 40,665	\$ ---	\$ 40,665
Other liabilities and accruals	<u>31,566</u>	<u>---</u>	<u>31,566</u>
Total liabilities	<u>72,231</u>	<u>---</u>	<u>72,231</u>
<b>Net Position</b>			
Held in trust for retirement, disability and survivor' benefits	<u>56,498,140</u>	<u>118,112</u>	<u>56,616,252</u>
Total liabilities and net position	<u>\$56,570,371</u>	<u>\$118,112</u>	<u>\$56,688,483</u>

Federated States of Micronesia Social Security Administration  
(A Component Unit of the Federated States of Micronesia National Government)

Combining Statements of Changes in Fiduciary Net Position

Year ended December 31, 2024

	<u>Retirement Fund</u>	<u>Prior Service Fund</u>	<u>Total</u>
<b>Additions:</b>			
Contributions	\$26,250,410	\$ ---	\$26,250,410
Investment income:			
Net change in the fair value of investments	5,705,916	---	5,705,916
Interest and dividends	<u>---</u>	<u>609</u>	<u>609</u>
Total investment income	5,705,916	609	5,706,525
Less investment expense:			
Investment management and custodial fees	( 294,991)	<u>---</u>	( 294,991)
Net investment income	<u>5,410,925</u>	<u>609</u>	<u>5,411,534</u>
Other additions:			
Contributions from FSM National Government	2,000,000	---	2,000,000
Other	<u>57,003</u>	<u>193,400</u>	<u>250,403</u>
	<u>2,057,003</u>	<u>193,400</u>	<u>2,250,403</u>
Total additions	<u>33,718,338</u>	<u>194,009</u>	<u>33,912,347</u>
<b>Deductions:</b>			
Benefit payments:			
Retirement	18,275,332	33,270	18,308,602
Survivors	6,083,910	117,802	6,201,712
Disability	1,547,345	---	1,547,345
Lump sum	<u>271,527</u>	<u>377</u>	<u>271,904</u>
Total benefit payments	<u>26,178,114</u>	<u>151,449</u>	<u>26,329,563</u>
Refunds	17,437	---	17,437
Administrative	<u>1,735,528</u>	<u>30,401</u>	<u>1,765,929</u>
Total deductions	<u>27,931,079</u>	<u>181,850</u>	<u>28,112,929</u>
Change in fiduciary net position	5,787,259	12,159	5,799,418
Net position at beginning of year	<u>56,498,140</u>	<u>118,112</u>	<u>56,616,252</u>
Net position at end of year	<u>\$62,285,399</u>	<u>\$130,271</u>	<u>\$62,415,670</u>

Federated States of Micronesia Social Security Administration  
(A Component Unit of the Federated States of Micronesia National Government)

Combining Statements of Changes in Fiduciary Net Position, continued

Year ended December 31, 2023

	Retirement <u>Fund</u>	Prior Service <u>Fund</u>	<u>Total</u>
<b>Additions:</b>			
Contributions	\$23,150,999	\$ ---	\$23,150,999
Investment income:			
Net change in the fair value of investments	7,788,159	---	7,788,159
Interest and dividends	<u>---</u>	<u>548</u>	<u>548</u>
Total investment income	7,788,159	548	7,788,707
Less investment expense:			
Investment management and custodial fees	( 251,164)	<u>---</u>	( 251,164)
Net investment income	<u>7,536,995</u>	<u>548</u>	<u>7,537,543</u>
Other additions:			
Contributions from FSM National Government	2,500,000	---	2,500,000
Other	<u>56,182</u>	<u>205,019</u>	<u>261,201</u>
	<u>2,556,182</u>	<u>205,019</u>	<u>2,761,201</u>
Total additions	<u>33,244,176</u>	<u>205,567</u>	<u>33,449,743</u>
<b>Deductions:</b>			
Benefit payments:			
Retirement	17,732,733	37,914	17,770,647
Survivors	5,913,467	120,745	6,034,212
Disability	1,599,151	---	1,599,151
Lump sum	<u>248,649</u>	<u>377</u>	<u>249,026</u>
Total benefit payments	<u>25,494,000</u>	<u>159,036</u>	<u>25,653,036</u>
Refunds	23,485	---	23,485
Administrative	<u>1,321,591</u>	<u>32,055</u>	<u>1,353,646</u>
Total deductions	<u>26,839,076</u>	<u>191,091</u>	<u>27,030,167</u>
Change in fiduciary net position	6,405,100	14,476	6,419,576
Net position at beginning of year	<u>50,093,040</u>	<u>103,636</u>	<u>50,196,676</u>
Net position at end of year	<u>\$56,498,140</u>	<u>\$118,112</u>	<u>\$56,616,252</u>

## Other Supplementary Information

Federated States of Micronesia Social Security Administration  
(A Component Unit of the Federated States of Micronesia National Government)

Principal Valuation Results

Year ended December 31, 2024

By Public Law, the Administration is required to obtain independent actuarial valuation of the Fund every three years. The following table represents key information of the two most recent valuations.

<b>Membership</b>	<b>January 1, <u>2023</u></b>	<b>January 1, <u>2020</u></b>	<b>% <u>Chg</u></b>
Active Membership			
Number of members	15,288	16,142	(5.3)
Total payroll	\$146,015,143	\$138,563,826	5.4
Average age	40.6	40.0	1.5
Average service	10.3	9.8	5.1
 Inactive Members, Fully Insured			
Number of inactive members	4,205	3,917	7.4
Average age	59.5	58.2	2.2
Average annual benefit	\$ 3,404	\$ 3,350	1.6
 Inactive Members Receiving Benefit Payments			
Number of retirees / beneficiaries	6,373	6,697	(4.8)
Average age	65.1	63.0	3.3
Average annual benefit	\$ 3,554	\$ 3,227	10.1
 <b>Assets and Liabilities</b>			
Net assets			
Market Value (MVA)	\$ 50,197,000	\$ 55,427,000	(9.4)
 Accrued Liability (AL)			
Retirees, Disabled Members and Spouses	\$170,296,000	\$166,629,000	2.2
Inactive, Fully Insured Members	67,348,000	60,896,000	10.6
Active Members	<u>133,471,000</u>	<u>132,347,000</u>	0.8
Total	<u>\$371,115,000</u>	<u>\$359,872,000</u>	3.1
 Unfunded Accrued Liability	<u>\$320,918,000</u>	<u>\$304,445,000</u>	5.4
 Funded Ratio			
MVA/AL	13.5%	15.4%	(12.3)



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## Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Trustees  
FSM Social Security Administration

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Audit Standards*), the financial statements of the Federated States of Micronesia Social Security Administration (the Administration), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements (collectively referred to as the "financial statements"), and have issued our report thereon dated December 12, 2025.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Administration's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Administration's internal control. Accordingly, we do not express an opinion on the effectiveness of the Administration's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Administration's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Ernst + Young LLP*

December 12, 2025