Financial Statements, Required Supplementary, Supplementary and Other Supplementary Information, and Internal Control and Compliance

Federated States of Micronesia
Social Security Administration

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

Years ended December 31, 2025 and 2024
with Report of Independent Auditors



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

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Years ended December 31, 2025 and 2024

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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, 2025 and 2024, 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, 2025 and 2024, 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.

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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 November 20, 2026, 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

November 20, 2026

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, 2025 and 2024

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, 2025 and 2024. 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, Exofficio

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 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 for 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.

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 2025 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 $2.05 million, which is 10.3% of the projected income. The actual administrative costs incurred for 2025 was $1.86 million, or 9% surplus compared to the approved budget.

Highlights

- Contributions collected increased by $1.6 million or 6.2% to $27.9 million in 2025 compared to $26.2 million in 2024. The increased amount was attributed to the increase in wages of both the government and private sector employees.

- Benefit payments to Retirement Fund members or their beneficiaries decreased by $1.6 million or 6.1% to $24.6 million in 2025 compared to $26.2 million in 2024. The decreased amount was attributed mainly to beneficiaries whose benefits have been put on hold pending receipt of their survey forms.

- 6,112 beneficiaries received social security benefits as of end of year 2025.

- 720 retirement, survivor and disability claims were received, and processed. To date, only 636 have been approved.

- The investment portfolio, including marketable securities and money market funds classified as part of cash and cash equivalents out performed in 2025 with a market value of $64.8 million as of December 31, 2025 as compared to 2024 market value of $56.5 million. Net investment income increased by $2.9 million and was recorded at $8.3 million with a 14.7% investment return in 2025 as compared to $5.4 million with a 10.5% investment return in 2024.

- In 2025 and 2024, received $2 million, each year, in funding from the FSM National Government, and this amount was used to supplement benefit payments.

- Retirement Fund net position totaled $74.1 million as of December 31, 2025, compared to $62.3 million as of December 31, 2024, an increase of 18.9%.

- $945,035 from delinquent accounts was collected in year 2025. 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 2026, $1.02 million delinquent accounts are with court judgment.

- Close monitoring of expenses led to a budget surplus of 9% in year 2025.

- Received $132,300 from Prior Service Trust Fund Administration (PSTFA). Prior Service benefits paid in 2025 totaled $117,432 while benefits paid in 2024 totaled $151,449 . In October 2025, 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, 2025, 2024, and 2023:

	2025	2024	2023
Contributions	$27,889,099	$26,250,410	$23,150,999
Benefit payments	(24,576,789)	(26,178,114)	(25,494,000)
Administrative expenses	(1,858,527)	(1,735,528)	(1,321,591)
Other income, net	2,029,721	2,039,566	2,532,697
Operating surplus	3,483,504	376,334	(1,131,895)
Investment income, net	8,334,713	5,410,925	7,536,995
Change in net position	11,818,217	5,787,259	6,405,100
Net position at beginning of year	62,285,399	56,498,140	50,093,040
Net position at end of year	$74,103,616	$62,285,399	$56,498,140

Contributions:

	2025	2024	2023
Government	$15,403,747	$14,613,882	$12,126,910
Private	12,336,081	11,439,938	10,771,866
Judgment	6,809	16,202	16,461
Penalties and Interests	142,462	180,388	235,762
Total	$27,889,099	$26,250,410	$23,150,999

Contributions collected increased by $1.6 million or 6.2% to $27.9 million in 2025 compared to $26.3 million in 2024, averaging a collection of $7 million per quarter. The increased amount was attributed to the increase in wages of both the government and private sector employees.

Benefit Payments:

	2025	2024	2023
Retirement	$17,394,437	$18,275,332	$17,732,733
Survivors	5,435,856	6,083,910	5,913,467
Disability	1,451,634	1,547,345	1,599,151
Lump Sum	294,862	271,527	248,649
Total	$24,576,789	$26,178,114	$25,494,000

Benefit payments decreased by $1.6 million or 6.1% to $24.6 million in 2025 compared to $26.2 million in 2024. The decreased amount was attributed mainly to beneficiaries whose benefits have been put on hold pending receipt of their survey forms.

Administrative Expense:

	2025	2024	2023
Budget	$2,052,455	$1,843,710	$1,507,577
Actual	$1,858,427	$1,735,528	$1,321,591
Surplus	$ 194,028	$ 108,182	$ 185,986
% of Budget	9%	6%	12%

Administrative expense totaled $1.9 million compared to $1.7 million in 2024, an increase of 7.1%. Most expense items remain fairly stable, if not lower, leading to a budget surplus of 9% in 2025.

Investment Income :

	2025	2024	2023
Investments	$64,779,530	$56,458,949	$51,555,512
Investment income	$ 8,334,713	$ 5,410,925	$ 7,536,995
Drawdown	$ ---	$ 500,000	$ 1,500,000

During the years ended December 31, 2025, 2024 and 2023, included in the Investments is cash amounting to $482,106; $590,065; and $571,134, respectively.

Net investment income in 2025 totaled $8.3 million, representing 14.7% returns. No drawdown was made during the year as collections were high enough to cover benefits payments and administrative expense.

Other Income:

	2025	2024	2023
Appropriation from FSMNG	$2,000,000	$2,000,000	$2,500,000
Prior Service Reimbursement	25,013	30,347	32,015
Miscellaneous Receipts	29,047	26,656	24,167
Tax Refunds	(24,339)	(17,437)	(23,485)
Total	$2,029,721	$2,039,566	$2,532,697

Other income decreased by $9,845. 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 Retirement Fund Statements of Net Position as of December 31, 2025, 2024 and 2023 follows:

	2025	2024	2023
Assets			
Cash and equivalents	$ 5,087,933	$ 1,958,333	$ 1,476,485
Investments	64,297,425	55,868,883	50,984,378
Other current assets	4,713,462	4,398,093	3,981,469
Fixed assets, net	103,343	131,897	128,039
Total	74,202,163	62,357,206	56,570,371
Liabilities	98,547	71,807	72,231
Net Position			
Held in trust for retirement, disability and survivors' benefits	$74,103,616	$62,285,399	$56,498,140

Net position for the Retirement Fund (excluding the Prior Service Fund) increased by $11.8 million or 19% to $74.1 million in 2025 from $62.3 million in 2024. The increase in net position was attributed mainly to the high investment returns of the trust fund assets with investment gain recorded at $8.3 million, a 14.7% investment return. Market value of the trust fund as of December 31, 2025 was registered at $64.8 million including money market fund. Another factor that contributed to the increase in net position was the higher tax revenue collected, adding $3.5 million in net position after paying the full scheduled benefits and administrative costs this year.

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 2025, total funds received from the Prior Service Trust Fund Administration (PSTFA) amounted to $132,300 while benefits paid and administrative expense totaled $117,432 and $25,072, respectively. A 6% cola was applied to all benefits in October 2025.

As of December 31, 2025, the Prior Service Fund had a net position of $120,778. Contributions decreased by 31.6% while benefit payments decreased by 22.5%.

Following are the Statements of Net Position as of December 31, 2025, 2024, and 2023 and the Statements of Changes in Net Position for the years ended December 31, 2025, 2024, and 2023 of PSTFA:

Statements of Net Position
(Prior Service Fund)

	2025	2024	2023
Assets	$176,684	$160,618	$118,112
Liabilities	(55,906)	(30,347)	---
Net Position	$120,778	$130,271	$118,112

Statements of Changes in Net Position
(Prior Service Fund)

	2025	2024	2023
PSTFA contributions	$132,300	$193,400	$205,019
Benefit payments	(117,432)	(151,449)	(159,036)
Administrative expense	(25,072)	(30,401)	(32,055)
Other	711	609	548
Change in net position	(9,493)	12,159	14,476
Net position at beginning of year	130,271	118,112	103,636
Net position at end of year	$120,778	$130,271	$118,112

Conclusion:

The FSMSSA Retirement Fund net position increased by $11.8 million or 19% to $74.1 million in 2025 from $62.3 million in 2024. The increase was attributed mainly to the high investment returns of the trust fund assets with investment gain recorded at $8.3 million, a 14.7% investment return. Market value of the trust fund as of December 31, 2025 was registered at $64.8 million including money market fund. Another factor that contributed to the increase in net position was the higher tax revenue collected, adding $3.5 million in net position after paying the full scheduled benefits and administrative costs this year.

Total contribution collected and other income amounted to $29.9 million while benefits paid and administrative expense totaled $24.6 million and $1.8 million, respectively, for a cash surplus of $3.5 million.

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 2025, we managed to recover $945,035 in delinquent taxes, a major accomplishment considering the slow economic growth in the FSM.

With increasing benefit payments and unfunded accrued liability of $357.6 million (as of January 1, 2026), 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 operation. For the past 2 decades, except this year, the Program was operating with a negative cash flow. During those years, the subsidy received from the FSM National Government and draw down from the trust fund assets helped pay the full scheduled benefits on a timely basis. We hope to continue to receive financial assistance from the National Government until such time that the Program achieved continued cash flow on a positive level without requiring drawdown of trust fund reserves to pay full scheduled benefits.

Financial condition as of September 30, 2026

Net position of the retirement fund grew by $5.8 million to $79.9 million as of September 30, 2026 mainly from the investment income and subsidy from FSM NG.

Contributions collected during the nine month period ending September 30, 2026 amounted to $23.02 million while benefits paid and administrative expenses totaled $19.9 million and $1.2 million, respectively.

CY2027 Outlook

Contributions for 2027 is projected to remain at the same level of 2025 and 2026 as government employees' salary increases have already been factored in, and the next increase in taxable wages will not take effect until January 2028.

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 $29.5 million including collection from delinquent accounts.

Benefits will continue to increase in 2027 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 2026, currently at $2.6 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
(A Component Unit of the Federated States of Micronesia National Government)

Statements of Fiduciary Net Position

	December 31, 2025	2024
Assets		
Cash and cash equivalents	$ 5,261,022	$ 2,116,207
Receivables:		
Contributions	4,618,223	4,347,750
Other	98,834	53,087
Total receivables	4,717,057	4,400,837
Investments:		
Fixed income	22,828,741	21,215,728
Equity and others	41,468,684	34,653,155
Total investments	64,297,425	55,868,883
Capital assets, net	103,343	131,897
Total assets	$74,378,847	$62,517,824
Liabilities		
Accounts payable	$ 94,484	$ 60,488
Other liabilities and accruals	59,969	41,666
Total liabilities	154,453	102,154
Net Position		
Held in trust for retirement, disability and survivors' benefits	74,224,394	62,415,670
Total liabilities and net position	$74,378,847	$62,517,824

See accompanying notes.

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

Statements of Changes in Fiduciary Net Position

	Year ended December 31, 2025	2024
Additions:		
Contributions	$27,889,099	$26,250,410
Investment income:		
Net change in the fair value of investments	8,593,840	5,705,916
Interest and dividends	711	609
Total investment income	8,594,551	5,706,525
Investment expense:		
Investment management and custodial fees	(259,127)	(294,991)
Net investment income	8,335,424	5,411,534
Other additions:		
Contributions from FSM National Government	2,000,000	2,000,000
Other	186,360	250,403
	2,186,360	2,250,403
Total additions	38,410,883	33,912,347
Deductions:		
Benefit payments:		
Retirement	17,414,639	18,308,602
Survivors	5,533,086	6,201,712
Disability	1,451,634	1,547,345
Lump sum	294,862	271,904
Total benefit payments	24,694,221	26,329,563
Refunds	24,339	17,437
Administrative expenses	1,883,599	1,765,929
Total deductions	26,602,159	28,112,929
Change in fiduciary net position	11,808,724	5,799,418
Net position at beginning of year	62,415,670	56,616,252
Net position at end of year	$74,224,394	$62,415,670

See accompanying notes.

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 FSM. 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.

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 FSM 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 FSM 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.

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 FSM 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 FSM 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, 2025 and 2024, the carrying amount of the Administration's total cash and cash equivalents were $5,261,022 and $2,116,207, respectively, and the corresponding bank balances were $5,654,260 and $2,944,855, 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, 2025 and 2024, bank deposits in the amount of $750,000, were FDIC insured. As of December 31, 2025 and 2024, bank deposits in the amount of $232,106 and $340,065, 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.

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, 2025 and 2024, investments are as follows:

	2025	2024
Fixed income securities:		
Domestic fixed income	$22,828,741	$21,215,728
Other investments:		
Exchange traded funds	16,796,838	8,926,278
International equities	11,744,094	8,986,394
Domestic equities	8,897,540	12,626,806
Real estate investment trust and tangibles	4,030,212	4,113,677
	$64,297,425	$55,868,883

The Administration categorizes its fair value measurements within the fair value hierarchy established by US 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.

The Administration has the following recurring fair value measurements as of December 31, 2025 and 2024:

		Fair Value Measurements Using		
	December 31, 2025	Level 1	Level 2	Level 3
Investments by fair value level:				
Fixed income securities	$22,828,741	$ 8,080,035	$14,748,706	$ ---
Equity securities	20,641,634	20,641,634	---	---
Exchange traded funds	16,796,838	16,796,838	---	---
Real estate investment trust and tangibles	4,030,212	4,030,212	---	---
Total	$64,297,425	$49,548,719	$14,748,706	$ ---

		Fair Value Measurements Using		
	December 31, 2024	Level 1	Level 2	Level 3
Investments by fair value level:				
Fixed income securities	$21,215,728	$7,994,089	$13,221,639	$ ---
Equity securities	21,613,200	21,613,200	---	---
Exchange traded funds	8,926,278	8,926,278	---	---
Real estate investment trust and tangibles	4,113,677	4,113,677	---	---
Total	$55,868,883	$42,647,244	$13,221,639	$ ---

2. Summary of Significant Accounting Policies, continued
Deposits and Investments, continued

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, 2025 and 2024, the Administration's investments in fixed income securities were as follows:

	2025				
	Investment Maturities (In Years)				
	Less than 1 year	1 to 5	6 to 10	Greater Than 10	Total
U.S. Treasury and agencies obligations	$ ---	$1,526,171	$4,109,648	$ 2,444,216	$ 8,080,035
Mortgage and asset-backed securities	---	859,021	2,808,970	583,299	4,251,290
Corporate notes and bonds	---	583,003	40,116	9,874,297	10,497,416
	$ ---	$2,968,195	$6,958,734	$12,901,812	$22,828,741

	2024				
	Investment Maturities (In Years)				
	Less than 1 year	1 to 5	6 to 10	Greater Than 10	Total
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	224,108	556,359	2,736,758	---	3,517,225
	$1,879,063	$1,013,980	$7,777,692	$10,544,993	$21,215,728

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

2. Summary of Significant Accounting Policies, continued

Deposits and Investments, continued

The Administration's exposure to credit risk in domestic fixed income securities as of December 31, 2025 and 2024, were as follows:

Moody's and Standard and Poors' Rating

	2025	2024
AAA	$ 442,869	$ 8,317,543
AAA/AAA	155,721	170,904
AA1	8,080,035	---
AA2/AA+	---	208,656
AA2/A+	214,826	---
AA3/A	206,688	---
A1/A	270,365	256,734
A1/A-	124,296	321,040
A1/BBB+	60,139	184,209
A2/A+	223,551	
A2/A-	---	75,005
A3/A	225,718	---
A3/A-	---	129,906
A3/BBB+	144,975	273,927
A	35,404	---
BAA1/BBB+	516,672	322,000
BAA1/BBB	80,031	---
BAA2	88,335	229,080
BAA2/BBB+	200,255	205,616
BAA2/BBB	1,264,229	738,117
BAA2/BBB-	52,451	---
BAA3/BBB-	338,442	386,973
BAA3/BB+	---	115,870
BA1/BBB-	---	70,092
Not Rated	10,103,739	9,210,056
	$22,828,741	$21,215,728

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, 2025 and 2024. 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, 2025 and 2024.

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, 2025 and 2024, were as follows:

		2025			
	Estimated Useful Lives	January 1, 2025	Additions	Retirements	December 31, 2025
Motor vehicles	5 years	$105,735	$ ---	$ ---	$105,735
Office furniture, fixtures and equipment	5 years	124,972	10,722	(8,426)	127,268
Computer software and hardware	5 years	128,698	8,791	(16,115)	121,374
Home furnishings	5 years	420	---	---	420
		359,825	19,513	(24,541)	354,797
Accumulated depreciation		(227,928)	(46,589)	23,063	(251,454)
		$131,897	$(27,076)	$(1,478)	$103,343

2. Summary of Significant Accounting Policies, continued

Depreciable Capital Assets, continued

		2024			
	Estimated Useful Lives	January 1, 2024	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	420	---	---	420
		356,240	48,969	(45,384)	359,825
Accumulated depreciation		(228,201)	(43,834)	44,107	(227,928)
		$128,039	$ 5,135	$(1,277)	$131,897

Depreciation expense for the years ended December 31, 2025 and 2024 amounted to $46,589 and $43,834, 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 FSM 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.

2. Summary of Significant Accounting Policies, continued

Contributions, continued

The tax imposed on the income of every applicable employee is 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, 2025 and 2024 are comprised of the following:

	2025	2024
Government employment	$15,403,747	$14,613,882
Private employment	12,336,081	11,439,938
Penalties and interest	142,462	180,388
Judgments	6,809	16,202
	$27,889,099	$26,250,410

Contribution receivables at December 31, 2025 and 2024 are as follows:

	2025	2024
Social security tax contributions	$ 4,593,928	$4,325,897
Beneficiaries	12,260	13,431
Others	12,035	8,422
	$ 4,618,223	$4,347,750

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.

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, 2025 and 2024, the minimum monthly benefit payment is $100.

Recently Adopted 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. The adoption of GASB Statement No. 102 during the year ended December 31, 2025 did not have a material effect in the accompanying financial statements.

Upcoming Accounting Pronouncements

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.

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.

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In December 2025, GASB issued Statement No. 105, Subsequent Events. The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. This Statement defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. This Statement describes the date the financial statements are available to be issued as the date at which (1) the financial statements are complete in a form and format that complies with generally accepted accounting principles and (2) approvals necessary for issuance have been obtained.

That definition modifies the subsequent events time frame throughout the GASB literature. This Statement also requires the date through which subsequent events have been evaluated to be disclosed. This Statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events. GASB Statement No. 105 will be effective for fiscal year ending December 31, 2027.

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.

4. Contingencies, continued

Litigation

The Administration is periodically a defendant in legal actions inherent to the nature of its operation. Management is of the opinion that resolution of any matters existing as of December 31, 2025 will not have a material effect on the accompanying financial statements.

5. Commitments

The Administration leases office spaces in each of its four locations expiring through 2034. The Administration entered into a new lease agreement for its office space in Pohnpei, effective January 1, 2026 and expiring on December 31, 2030.

Future minimum lease payments are as follows, excluding the new lease effective January 1, 2026:

Years ending December 31,	
2026	$35,391
2027	16,491
2028	10,364
2029	4,236
2030	4,236
Thereafter	13,061
	$83,779

6. Contributions from FSM National Government

The Administration receives periodic appropriations from the Congress of the FSM to subsidize monthly benefit payments. For each of the years ended December 31, 2025 and 2024, contributions received from the FSM National Government amounted $2,000,000, which is presented 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 FSM 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.

7. Prior Service Claims, continued

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 FSM 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.

The Administration assumed administrative functions and for the years ended December 31, 2025 and 2024, received an allocation of $132,300 and $193,400, respectively, from PSTFA and is included as a component of other additions in the accompanying statements of changes in fiduciary net position. Total benefit and administrative expense for the years ended December 31, 2025 and 2024 amounted to $142,504 and $181,850, respectively, is included as a component of benefit payments and administrative expenses in the accompanying statements 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, 2025 and 2024, the amount available for future benefit payments under the Prior Service Benefits Program amounted to $120,778 and $130,271, 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, 2025 and 2024, the Administration incurred expenses of $31,936 and $31,979, 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, 2025 and 2024, the Plan's total assets were $347,981 and $237,188, respectively. 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, 2025

	Retirement Fund	Prior Service Fund	Total
Assets			
Cash and cash equivalents	$ 5,087,933	$173,089	$ 5,261,022
Receivables:			
Contributions	4,618,223	---	4,618,223
Other	95,239	3,595	98,834
Total receivables	4,713,462	3,595	4,717,057
Investments:			
Fixed income	22,828,741	---	22,828,741
Equity and others	41,468,684	---	41,468,684
Total investments	64,297,425	---	64,297,425
Capital assets, net	103,343	---	103,343
Total assets	$74,202,163	$176,684	$74,378,847
Liabilities			
Accounts payable	$ 38,578	$ 55,906	$ 94,484
Other liabilities and accruals	59,969	---	59,969
Total liabilities	98,547	55,906	154,453
Net Position			
Held in trust for retirement, disability and survivor' benefits	74,103,616	120,778	74,224,394
Total liabilities and net position	$74,202,163	$176,684	$74,378,847

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

Combining Statements of Fiduciary Net Position, continued

December 31, 2024

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

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, 2025

	Retirement Fund	Prior Service Fund	Total
Additions:			
Contributions	$27,889,099	$ ---	$27,889,099
Investment income:			
Net change in the fair value of investments	8,593,840	---	8,593,840
Interest and dividends	---	711	711
Total investment income	8,593,840	711	8,594,551
Investment expense:			
Investment management and custodial fees	(259,127)	---	(259,127)
Net investment income	8,334,713	711	8,335,424
Other additions:			
Contributions from FSM National Government	2,000,000	---	2,000,000
Other	54,060	132,300	186,360
	2,054,060	132,300	2,186,360
Total additions	38,277,872	133,011	38,410,883
Deductions:			
Benefit payments:			
Retirement	17,394,437	20,202	17,414,639
Survivors	5,435,856	97,230	5,533,086
Disability	1,451,634	---	1,451,634
Lump sum	294,862	---	294,862
Total benefit payments	24,576,789	117,432	24,694,221
Refunds	24,339	---	24,339
Administrative	1,858,527	25,072	1,883,599
Total deductions	26,459,655	142,504	26,602,159
Change in fiduciary net position	11,818,217	(9,493)	11,808,724
Net position at beginning of year	62,285,399	130,271	62,415,670
Net position at end of year	$74,103,616	$ 120,778	$74,224,394

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, 2024

	Retirement Fund	Prior Service Fund	Total
Additions:			
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	---	609	609
Total investment income	5,705,916	609	5,706,525
Investment expense:			
Investment management and custodial fees	(294,991)	---	(294,991)
Net investment income	5,410,925	609	5,411,534
Other additions:			
Contributions from FSM National Government	2,000,000	---	2,000,000
Other	57,003	193,400	250,403
	2,057,003	193,400	2,250,403
Total additions	33,718,338	194,009	33,912,347
Deductions:			
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	271,527	377	271,904
Total benefit payments	26,178,114	151,449	26,329,563
Refunds	17,437	---	17,437
Administrative	1,735,528	30,401	1,765,929
Total deductions	27,931,079	181,850	28,112,929
Change in fiduciary net position	5,787,259	12,159	5,799,418
Net position at beginning of year	56,498,140	118,112	56,616,252
Net position at end of year	$62,285,399	$130,271	$62,415,670

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, 2025

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.

	January 1, 2026	January 1, 2023	% Chg
Membership			
Active Membership			
Number of members	14,966	15,288	(2.1)
Total payroll	$179,222,863	$146,015,143	22.7
Average age	41.1	40.6	1.2
Average service	10.2	10.3	1.0
Inactive Members, Fully Insured			
Number of inactive members	4,467	4,205	6.2
Average age	60.8	59.5	2.2
Average annual benefit	$ 3,491	$ 3,404	2.6
Inactive Members Receiving Benefit Payments			
Number of retirees / beneficiaries	6,101	6,373	(4.3)
Average age	65.8	65.1	1.1
Average annual benefit	$ 3,785	$ 3,554	6.5
Assets and Liabilities			
Net assets			
Market Value (MVA)	$ 74,252,000	$ 50,197,000	47.9
Accrued Liability (AL)			
Retirees, Disabled Members and Spouses	$201,826,000	$170,296,000	18.5
Inactive, Fully Insured Members	88,686,000	67,348,000	31.7
Active Members	141,372,000	133,471,000	5.9
Total	$431,884,000	$371,115,000	16.4
Unfunded Accrued Liability	$357,632,000	$320,918,000	11.4
Funded Ratio			
MVA/AL	17.2%	13.5%	27.4

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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, 2025, 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 November 20, 2026.

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.

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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

November 20, 2026