

P-1st Reading JGA  
4/1/24  
RS

A BILL FOR AN ACT

To amend Title 33 Chapter 20 of the Palau National Code to reform the Civil Service Pension Plan, to add new Chapter 22 to Title 33 of the Palau National Code to establish a Defined Contribution Retirement Plan and extend the Defined Contribution Retirement Plan to the private sector on a voluntary basis, and for other related purposes.

THE PEOPLE OF PALAU REPRESENTED IN THE OLBIIL ERA KELULAU DO ENACT AS FOLLOWS:

1           **Section 1. Legislative Findings.** The Olbiil Era Kelulau finds that the Republic of  
2 Palau Civil Service Pension Trust Fund Operation Plan (“Pension Plan”) has liabilities in  
3 excess of its assets, and is unsustainable. Upon the establishment of the Pension Plan in 1987,  
4 it was known that future changes would need to be made to maintain the sustainability of the  
5 Pension Plan. For over thirty years, actuarial studies conducted on the Pension Plan have  
6 reminded the Republic of the importance of developing short- and long-term solutions to  
7 improve the financial stability of the Pension Plan. The Olbiil Era Kelulau received a written  
8 report on the actuarial study conducted on the Pension Plan in 2019. That report stated that  
9 the Pension Plan, as it is currently structured, was projected to exhaust all its assets between  
10 2023 and 2025. While the Pension Plan has outpaced those projections, it now has no ability  
11 to absorb investment losses, and current benefits are funded largely by current contributions.  
12 Despite knowing of the funding gap, the Republic has not yet acted to place the Pension Plan  
13 on solid ground. As the global economy enters a period of great uncertainty, it is increasingly  
14 unwise to rely on the Pension Plan’s shrinking investment income to fund the gap between  
15 future benefits and future contributions.

16           Milliman Private Limited conducted a strategic review of the Pension Plan, dated June  
17 21, 2018. The review set forth that given projected cash flows over the next ten years, the  
18 situation for the Plan is critical. The CSPP Schedule of Employer Allocation, Schedule of  
19 Pension Amounts by Employer and Other Pension Schedules for Fiscal Year 2021 and 2022,  
20 issued in February 2025, contain an up-to-date projection which shows that the Fund is  
21 expected to become financially insolvent sometime in 2027.

22           The Pension Plan investment report released on March 31, 2025, shows investment  
23 balance reaching a new low of only \$25 million. Historically, the annual shortfall between  
24 contributions and benefit payments is supported by investment income. But as the balance of

1 the plan's investments continues to fall, the Plan will become unable to use investment income  
2 to support this difference, and the Plan will lack the investment balance needed to recover.  
3 Moreover, global market instability makes the timing of any recovery in the Pension Plan's  
4 investments difficult to predict. The audited financial report for Fiscal Year 2021 and Fiscal  
5 Year 2022 shows the Pension Plan had an investment income of \$4.4 million in Fiscal Year  
6 2021, but in Fiscal Year 2022 there was an investment loss of \$6.4 million. As a result,  
7 investment balance dropped to new low of \$25.05 million. As the Pension Plan's balance is  
8 depleted by drawdowns, it will not be able to weather future bad investment years, like 2022.  
9 Nor will it be able to fully benefit from good investment years. Therefore, there is an  
10 immediate need to reform the Pension Plan to reduce unfunded liabilities by approximately  
11 \$3 to \$4 million per annum. The total unfunded liability is staggering, now exceeding \$300  
12 million, and will continue to grow if the Pension Plan is not reformed. The Olbiil Era Kelulau  
13 finds that the Pension Plan should be converted to a hybrid plan with a defined contribution  
14 mandate that allows members to grow their (IRA) individual retirement account balance.  
15 Accumulating a comfortable IRA account when reaching retirement age should be the goal  
16 for this Bill. The aim of the reform should be to establish an annuity plan that offers improved  
17 annual withdrawals commensurate with long term gains on the market, thereby supporting an  
18 ultimately higher retirement income while linking contributions and IRA investment earnings  
19 to outcomes.

20 In establishing benefits for a new plan, generally accepted retirement income level  
21 standards should be observed and adhered to as much as possible. Details of any new plan  
22 must be considered thoroughly, and a comprehensive education and implementation plan must  
23 be developed carefully to with goal of reaching zero unfunded liability within next 20 years.

24 The concerns expressed by independent actuaries must serve as a warning that the  
25 current fund may be unable to fully support benefits it must provide to its members unless  
26 reasonable revisions are made. Any further delay in enacting statutory changes to the current  
27 system or establishing a new plan may lead to the implementation of a plan for new members  
28 with benefits sharply disparate from those provided to current members.

29 For these reasons, the Olbiil Era Kelulau finds that the Pension system must be  
30 reformed to transition unvested members and future members to a defined contribution plan,

1 while making common-sense reforms to the current plan to support its ability to provide  
2 benefits to retirees.

3 **Section 2. Amendment.** Section 2021 of Title 33 of the Palau national Code is hereby  
4 amended to include a new subsection (h) as follows:

5 “§ 2021. Trust Fund Operation Plan.

6 ...

7 (h) Notwithstanding subsections (a) through (g) of this section, the Board shall revise  
8 the existing Republic of Palau Civil Operation Plan that ensures an actuarially sound Civil  
9 Service Pension Fund and Trust immediately after the effective date of this Act. The revised  
10 plan must place the Fund and Trust on an actuarially sound basis within twenty years of the  
11 date this subsection becomes law. For the purpose of placing achieving this goal, the Board  
12 may:

13 (i) reduce the benefits payable pursuant to Sections 2042 or 2043 of this Title,  
14 but not below the actual amount contributed by or on behalf of a Member during that  
15 Member’s participation in the plan;

16 (ii) reduce benefits payable after a member’s death;

17 (iii) eliminate or reduce any cost of living adjustments;

18 (iv) modify the calculation of the normal retirement benefit, early retirement  
19 benefit, and late retirement benefit;

20 (v) make any other modifications to the Operation Plan permitted by law.

21 (i) In making the revisions pursuant to subsection (h), the Board shall prioritize  
22 fairness, equitable treatment, minimization of disruption to retirees, and preservation of  
23 reasonably held expectations. The revisions made may explicitly derogate from Sections  
24 2042, 2043, or 2044 of this Title, and to the extent an explicit derogation is made, the revision  
25 shall have the force of law as if the statutory provision has been amended.”

26 **Section 3. Amendment.** Section 2030 of Title 33 of the Palau National Code is hereby  
27 amended as follows:

28 “§ 2030. **Contributions.**

29 (a) Employee Contribution

30 (1) Each employee of the national government, government entities and all

1 state governments, as defined by the Board, and any other covered employees  
2 including all employees of national and state agencies, without regard to whether the  
3 employee is employed part-time, or on a temporary, seasonal or impermanent basis,  
4 except for employees otherwise excluded by law, shall contribute to the Fund by a  
5 deduction taken from the payroll of the employee. All persons within the scope of the  
6 definition of employees who have any appointment or contract for a term exceeding  
7 ninety (90) calendar days or who have held an employment position for a period  
8 exceeding one hundred eighty (180) calendar days shall be covered employees.

9 (2) The amount of the deduction shall be a percentage of the employee's gross  
10 pay. From the date this paragraph becomes law, such percentage shall be seven percent  
11 (7%) of the employees' gross pay. Provided however that this percentage may be  
12 modified through a regulatory amendment of the Trust Fund Operation Plan. Like all  
13 amendments to the Trust Fund Operations Plan, any such changes must fully comply  
14 with and be subject to the requirements for regulation under Title 6 of the Palau  
15 National Code. The Board shall review the percentage every five years, and must base  
16 all decisions on audited financial statements. Any change to the percentage of  
17 deduction can only be made after each five (5) year review. ~~such percentage to be~~  
18 ~~determined by the Board, as part of the Trust Fund Operation Plan. Such percentage~~  
19 ~~shall not originally exceed six percent (6%) of the employees' gross pay. Any~~  
20 ~~subsequent change of such percentage shall be made through an amendment of the~~  
21 ~~Trust Fund Operation Plan and shall be subject to the requirements of Title 6 of this~~  
22 ~~Code.~~

23 (3) ~~The rate of employee contributions to the Fund shall not be altered more~~  
24 ~~than one time every twelve (12) months. Further, no change in the rates of employee~~  
25 ~~contributions to the Fund shall be made unless it is clearly established that the change~~  
26 ~~will not result in an unsound actuarial basis for the Fund. The Board may establish an~~  
27 ~~early retirement program, subject to the requirements of Title 6 of this Code.~~

28 (b) Government Contribution.

29 (1) The Government of the Republic of Palau, and Government Entities as  
30 defined by the Board shall make regular contributions to the Fund for each employee

1        required to make contributions pursuant to subsection (a) of this Section, equal to eight  
 2        percent (8%) of each such employee's gross pay. equal to the amount contributed by  
 3        each and every employee of the Republic of Palau.

4            (2) Every State Government or other public agency shall make regular  
 5        contributions to the Fund for each employee required to make contributions pursuant  
 6        to subsection (a) of this Section, equal to eight percent (8%) of each such employee's  
 7        gross pay equal to the amount contributed by each and every one of their employees.

8            (3) The Government of the Republic of Palau shall from time to time contribute  
 9        additional sums to the Fund in order to keep the Fund on a sound actuarial basis. The  
 10       Board shall recommend to the President of the Republic of Palau and to the Speaker  
 11       of the House of Delegates and the President of the Senate the necessity and amount of  
 12       the contribution required to keep the Fund on a sound actuarial basis.

13           (4) The Board may seek injunctive and other equitable relief, including writs  
 14       of attachment, to order member agencies to pay over contributions to the Plan in  
 15       accordance with this subsection. Delinquent sums owed pursuant to this subsection  
 16       shall accrue interest at the rate of ~~six~~ twelve percent (~~6~~12%) annually commencing  
 17       three calendar days following the distribution of the payroll upon which such sum is  
 18       owed. All such sums delinquent as of the effective date of this section shall have a  
 19       penalty added thereto in the form of ~~six~~ twelve percent (~~6~~ 12%) annual interest  
 20       retroactive to the third calendar day following the distribution of the payroll upon  
 21       which each such sum was due.

22        ...”

23        **Section 4. Amendment.** Section 2040 of Title 33 of the Palau National Code is hereby  
 24       amended to read as follows:

25        **§ 2040. Mandatory and Early retirement age.**

26        (a) All employees who reach the mandatory age of retirement ~~are sixty (60) years of~~  
 27       ~~age or older~~ shall retire, except for those in employment positions exempted by the Board or  
 28       those individuals who receive specific exemptions from the Board. All justices of the Supreme  
 29       Court and judges of the judiciary National Court are exempt from mandatory retirement ~~at the~~  
 30       ~~age of sixty (60). All employees under the age of sixty and with thirty years of service may~~

1 ~~retire no later than December 31, 2013 and receive full pension benefits to which they are~~  
2 ~~entitled. After December 31, 2013 no employee shall be entitled to pension benefits until~~  
3 ~~reaching the age of sixty (60).~~

4 (b) ~~[Reserved]~~. The Mandatory Retirement Age shall be:

5 (1) Prior to January 1, 2027, sixty.

6 (2) On January 1, 2027, sixty-one.

7 (3) On January 1, 2032, sixty-two.

8 (4) On January 1, 2037, sixty-three.

9 (5) On January 1, 2042, sixty-four.

10 (6) On January 1, 2047, sixty-five.

11 (c) Each Member ~~of the national government~~ shall provide written notice to the  
12 appropriate management official six (6) months before retiring, except for those employees  
13 retiring pursuant to the mandatory retirement program under subsection (a). The Board shall  
14 waive the requirement that retiring employees provide six (6) months' notice in cases where  
15 the appropriate management official certifies to the Board in writing that requiring such notice  
16 would not be in the best interest of the ~~national government~~ National Government, or where  
17 the requirement would result in undue hardship on the employee. ~~Employees eligible to retire~~  
18 ~~before January 1, 1997 may do so without providing the six month written notice.~~

19 (d) The Board shall adopt such amendments to the Plan as are necessary to effectuate  
20 the purposes of this chapter.

21 (e) Early Retirement. Upon reaching the age of sixty, but before reaching Mandatory  
22 Retirement Age, a Member may elect Early Retirement by notifying the Board in writing of  
23 such election. Each such election shall be irrevocable. A Member who elects early retirement  
24 shall have all future benefits reduced by eight percent (8%) for each year before the Mandatory  
25 Retirement Age that such election is made. Upon retirement, any unused sick leave of a  
26 government employee shall be credited to his years of service for the purpose of computing  
27 his benefit level in relation to service prior to 1<sup>st</sup> October 2025.

28 **Section 5. Amendment.** Amend Title 33 of the Palau National Code to add a new  
29 Chapter 22, as follows:

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1 Palau Defined Contribution Retirement Plan Act

2 § 2201. Palau Defined Contribution Retirement Plan Created.

3 There is hereby created a Palau Defined Contribution Retirement Plan (the “DC  
4 Retirement Plan” or “DC Plan”), which shall constitute a fund, separate and apart from any  
5 other funds or accounts of the Republic of Palau Civil Service Pension Plan and Trust. and  
6 also separate and apart from any other funds or accounts of the National Government of the  
7 Republic of Palau. All sums appropriated by the Olbiil Era Kelulau representing contributions  
8 to the DC Retirement Plan shall be deposited into the DC Retirement Plan General Fund and  
9 shall then be deposited into each individual retirement account as may be provided for by law.  
10 All sums representing contributions of employers and participating agencies to the DC  
11 Retirement Plan shall be deposited into the DC Retirement Plan General Fund and shall,  
12 without exception, be deposited into each of the individual accounts of each DC Retirement  
13 Plan participant. All employee contributions to the DC Retirement Plan shall, without  
14 exception, be deposited into each of the individual retirement accounts of the employee as DC  
15 Retirement Plan participant.

16 § 2202. Defined Contribution Retirement Plan Members (DC Retirement Plan).

17 (a) Beginning October 01, 2026, the Palau Defined Contribution Retirement Plan (the  
18 “DC Retirement Plan”) shall be the single retirement program for all new employees and for  
19 all those employees whose employment commenced on October 1, 2021, or after. No  
20 additional new employees may be admitted to the Republic of Palau Civil Service Pension  
21 Plan and Trust (the “existing retirement system”). Members of the existing retirement system  
22 whose membership began prior to October 1, 2021, shall continue to contribute, and  
23 participate in the existing retirement system with benefits as provided for in that system, and  
24 shall not participate in the DC Retirement Plan.”

25 (b) The following persons shall be Members of the DC Retirement Plan:

26 (I) Any person who would be otherwise be a Member of the fund created in  
27 Chapter 20 of this Title (the Civil Service Pension Plan Trust Fund or CSPP Trust  
28 Fund), except for:

29 (i) Persons who are regularly contributing to the CSPP Trust Fund  
30 prior to October 1, 2021, and who were regularly making contributions at the

1 time this Chapter became law; or

2 (ii) Persons who were members of the CSPP Trust Fund at the date that  
3 this Chapter became law, and whose entitlement to a regular retirement benefit  
4 from the Fund had vested and currently receiving or will be entitled to receive  
5 upon retirement a regular retirement benefit; or

6 (iii) Persons who are presently receiving, on their own behalf, a  
7 disability benefit from the current Civil Service Pension Plan Trust Fund  
8 (CSPP Trust Fund).

9 (II) Any member of the CSPP Trust Fund who voluntarily submits a notarized  
10 form, which shall be promulgated by the Board established pursuant to Section 2010  
11 of this Title, irrevocably electing to transfer their contributions to the DC Retirement  
12 Plan. Such form shall emphasize that the election is irrevocable and should only be  
13 made after consultation with a retirement planning expert.

14 (III) Any employee in the Republic not otherwise eligible to become a DC  
15 Retirement Plan Member who petitions the Board through a form and who meets  
16 requirements the Board may set by regulation. The Board shall promulgate regulations  
17 and forms by which private sector employees and employers may elect to participate  
18 in the DC Retirement Plan.

19 § 2203. DC Retirement Plan Members not to be CSPP Trust Fund members, no contributions  
20 to the CSPP Trust Fund for DC Retirement Plan Members.

21 Any person who becomes a DC Retirement Plan Member shall cease to be a member  
22 of the CSPP Trust Fund, and, notwithstanding Chapter 20 of this Title DC Retirement Plan  
23 Members shall not make contributions to the CSPP Trust Fund, nor shall their employers make  
24 such contributions by virtue of their employment of DC Retirement Plan Members.

25 § 2204. Contributions.

26 (a) Any DC Retirement Plan Member who would be required, if they were a member  
27 of the CSPP Trust Fund, to make a contribution from their gross pay to the Fund by virtue of  
28 Section 2030 of this Title shall instead make a contribution of 6% of their gross pay to the DC  
29 Retirement Plan, by way of a deduction from their payroll. Such employee contributions  
30 shall be credited to such Plan Member's Individual Account.

1 (b) Any Employer of a DC Retirement Plan Member, who would be required to make  
2 a contribution to the CSPP Trust Fund if such Plan Member was contributing to the CSPP  
3 Trust Fund, shall instead make a regular matching contribution of three percent (3%) of the  
4 gross pay of each DC Retirement Plan Member employed, to the DC Retirement Plan  
5 creditable to such Plan Member's Individual Account.

6 (c) Any Employer of a DC Retirement Plan Member, who would be required to make  
7 a contribution to the CSPP Trust Fund if such Plan Member was contributing to the CSPP  
8 Trust Fund, shall instead make a regular matching contribution of three percent (3%) of the  
9 gross pay of each DC Retirement Plan Member employed, to the DC Retirement Plan General  
10 Fund.

11 (d) For any DC Retirement Plan Member who was previously a member of the CSPP  
12 Trust Fund established by Chapter 20 of this Title, the CSPP Trust Fund established by  
13 Chapter 20 of this Title shall make a rollover contribution to the DC Retirement Plan equal to  
14 the total amount contributed by or on behalf of such Plan Member to the DC Retirement Plan,  
15 creditable to the Plan Member's Individual Account.

16 § 2205. DC Retirement Plan Management.

17 The Board created pursuant to Section 2010 of this Title (the "Board") shall exercise  
18 overall supervision of the DC Retirement Plan, appoint an administrative agent for the DC  
19 Retirement Plan, be responsible for investments of DC Retirement Plan, provide overall  
20 guidance to the Administrative Agent for the investment of the DC Individual Retirement  
21 Accounts, and establish all necessary rules and regulations for the administration of the DC  
22 Retirement Plan fund.

23 § 2206. Administrative Agent.

24 (a) Appointment. The Board shall appoint an administrative agent to handle the day-  
25 to-day functions relating to the investment of and accounting of the assets of the DC  
26 Retirement Plan fund. The Board shall provide supervision of the Administrative Agent who  
27 may be a person, a corporation, or some other business entity, experienced in the financial  
28 management of retirement funds.

29 (b) Competitive Bid for hiring agent. The Board shall comply with the Procurement  
30 Act in PNC Title 40 Chapter 6 in hiring any agents, investment consultants, investment

1 managers, and all other persons necessary to implement this act.

2 (c) Agent's Bond and ERISA (U.S. Employee Retirement Income Security Act). The  
3 agent shall secure bonding for his performance in such amounts and of such kind as may be  
4 required by the Board for the security of the Plan, and the agent shall be subject to applicable  
5 provisions of the U.S. ERISA as determined appropriate by the Board through regulation to  
6 ensure the retirement account of each DC Retirement Plan member is protected in a manner  
7 comparable to the protections of ERISA.

8 (d) Individual Retirement Account (IRA) principle and investment earnings are not to  
9 be taxed. Drawdowns or disbursements or investment earnings from the DC Plan shall not be  
10 taxed, and the Board shall ensure that drawdown or disbursement of vested value is not subject  
11 to foreign or local tax and shall not be reduced by any foreign country levy, tax, or fee  
12 assessment, except as necessary in the Board's judgment for maximum return on investment.

13 (e) The Board shall also ensure that the DC Retirement Plan General Fund investment  
14 earnings such as interest, dividends and investment value increase shall not be taxed nor be  
15 reduced in value by any levy, fees, or tax, except as necessary in the Board's judgment for  
16 maximum return on investment.

17 (f) The Board shall also ensure that the Agent service fee is reasonable and comparable  
18 to industry standards.

19 (g) Agent exempt from civil service. For the avoidance of doubt, the Administrative  
20 Agent shall be exempted from the requirements of the National Public Service System Act  
21 found in Title 33 of this Code and all regulations promulgated thereunder

22 § 2207. IRA – Individual Retirement Account - Individually Tracked Member Account and  
23 Contribution Share.

24 (a) The contributions of all DC Retirement Plan Members, the contributions of all  
25 employers pursuant to Section 2204(a) and (b), and (d), as well as all distributions from the  
26 DC Retirement Plan General Fund to or for a DC Retirement Plan Member or their Individual  
27 Member Account, shall be individually accounted for and tracked as each DC Retirement Plan  
28 Member's "Contribution Share" in a Member Account. On a regular basis, the balance of each  
29 DC Retirement Plan Member Account shall be updated at least annually to reflect the  
30 following:

1 (i) The performance of the DC Retirement Plan's investments, adjusted by  
2 each DC Retirement Plan Member's Contribution Share.

3 (ii) Any other revenues or expenses of the DC Retirement Plan, adjusted by  
4 each DC Retirement Plan Member's Contribution Share.

5 (iii) Any distributions made from the DC Retirement Plan General Fund to or  
6 for a DC Retirement Plan Member. At all times, the total of all DC Retirement Plan  
7 Member Accounts plus the balance of the DC General Fund shall equal one hundred  
8 percent (100%) of the total assets of the DC Retirement Plan.

9 (b) Declared investment earnings for each year shall be distributed as proportional  
10 to the balance of each individual member account. Such distributions shall be declared  
11 annually based on investment report submitted by the Investment Consultant's for December  
12 31 of the year just ended. Distributions to and for each DC Retirement Plan Member, shall be  
13 individually accounted for and tracked as each such DC Retirement Plan Member's  
14 "Investment Earnings" in a Member Individual Retirement Account.

15 § 2208. DC Retirement Plan General Fund.

16 (a) The DC Retirement Plan shall keep a separate and distinct account called the DC  
17 Retirement Plan General Fund to guarantee a minimum of three percent (3%) investment  
18 return annually. Appropriations from the Olbiil Era Kelulau, unless otherwise specified,  
19 Employer Contributions pursuant to Section 2212(c) and investment earnings of this General  
20 Fund shall be accounted for separately and shall be credited to the DC Retirement Plan  
21 General Fund.

22 (b) All the investment earnings net of fees from the balance of all member accounts  
23 shall be deposited into the DC Retirement Plan General Fund and drawdown of the declared  
24 investment earnings shall be deducted from DC Retirement Plan General Fund and credited  
25 to the individual DC Retirement Plan Members' account when investment earning has been  
26 declared in accordance with Section 2207.

27 (c) Excessive holdings in the DC Retirement Plan General Fund prohibited. The  
28 maximum balance of this account shall not be more than twenty percent (20%) of the total of  
29 all the accounts of the DC Retirement Plan Members plus DC Retirement Plan General Fund.

30 (d) Any such excess balance above the set maximum defined in (c) above shall be

1 distributed as percentage of the balance of each member account. The distribution will be  
2 determined each year in accordance with the audited financial statements. Distributions to  
3 and for each individual account of DC Retirement Plan Member, shall be individually  
4 accounted for and tracked as DC Retirement Plan Member's "Supplemental Earnings" in a  
5 Member Individual Retirement Account.

6 (e) In any year in which earnings creditable to Individual Accounts pursuant to Section  
7 2207(c) are less than a net 3% return, transfer from the DC Investment Fund to such accounts  
8 shall be made such that they receive a 3% return.

9 § 2209. Rollover of CSPP Trust Fund Assets to the DC Retirement Plan.

10 (a) At the time any person who has been a contributor to the CSPP Trust Fund  
11 becomes a member of the DC Retirement Plan, the CSPP Trust Fund shall promptly make a  
12 distribution on such person's behalf to the DC Retirement Plan, consisting of the total of all  
13 Employee Contributions made to the CSPP Trust Fund.

14 (b) For all distributions pursuant to subsection (a), they shall be increased as if each  
15 Employee Contribution had grown by an interest rate of three percent (3%), compounded  
16 annually and continuously, from the date contributed to the Fund.

17 § 2210. Distributions.

18 (a) Distributions may be made from the DC Retirement Plan pursuant to this Section.  
19 All Distributions to or for a DC Retirement Plan Member shall reduce such Member's  
20 Individual Retirement Account balance pursuant to Section 2207 of this Chapter.

21 (b) At any time after reaching the age of sixty (60), a DC Retirement Plan Member  
22 may notify the Board, in a form to be promulgated by the Board, that the DC Retirement Plan  
23 Member wishes to begin receiving annuity from Member's Individual Retirement Account.  
24 Upon receiving notification that the DC Retirement Plan Member wishes to receive a  
25 Individual Retirement Account Annuity Benefit, the Board shall, pursuant to regulations that  
26 it shall promulgate, calculate a Individual Retirement Account Annuity Benefit to the DC  
27 Retirement Plan Member that will provide for a constant monthly benefit to the DC  
28 Retirement Plan Member for the actuarially determined lifespan of that Plan Member, and  
29 distribute such Retirement Benefit to the DC Retirement Plan Member on a monthly basis.  
30 The Board shall, from time to time, review the actuarially determined lifespan of each DC

1 Retirement Plan Member receiving this benefit and provide for at least a 20-year or longer  
2 benefit based on the estimated lifespan.

3 (c) Upon the death of any DC Retirement Plan Member, the Board may make a Death  
4 Distribution to such DC Retirement Plan Member's Beneficiary, or if none such exists, to the  
5 DC Retirement Plan Member's Estate. A Death Distribution shall be the total amount of the  
6 DC Retirement Plan Member's Individually Tracked Account and shall reduce such Plan  
7 Member's Contribution Share to zero.

8 (d) Upon the total and permanent disability of a Plan Member, and upon petition of  
9 such Member using a form the Board shall promulgate, the Board shall calculate a Disability  
10 Benefit to the DC Retirement Plan Member that will provide for a constant monthly benefit  
11 to the DC Retirement Plan Member for the actuarially determined lifespan of that Plan  
12 Member, and distribute such Disability Benefit to the DC Retirement Plan Member on a  
13 monthly basis. The Board shall, from time to time, review the actuarially determined lifespan  
14 of each DC Retirement Plan Member receiving this benefit and provide for at least a 15-Year  
15 annuity or longer based on the estimated lifespan. The Board shall obtain the opinion of a  
16 qualified medical doctor as to the extent of the disability and lifespan in the case of receiving  
17 all such petitions.

18 (e) Other Benefits. The Board shall within ninety days of the day this Chapter becomes  
19 law, and thereon from time to time, promulgate regulations for other benefits from the DC  
20 Retirement Plan. These benefits may include:

21 (i) Lump sum distributions not to exceed thirty percent (30%) of a  
22 Member's Individual Retirement Account, which may be authorized by the  
23 Board only once, where such member demonstrates to the satisfaction of the  
24 Board they will be adequately funded for retirement given their other sources of  
25 funds and actuarially determined lifespan.

26 (ii) Distributions to be used for funding of a Board approved annuity or  
27 insurance plan to be used to support a DC Retirement Plan Member or DC  
28 Retirement Plan Member's spouse, children, or other dependents.

29 (iii) Distributions for the purpose of funding a DC Retirement Plan  
30 Member's home, if such expense will reduce a Plan Member's retirement

1 expenses.

2 § 2210. Share of Fund not Subject to Taxes, Judgments, Liens, etc.

3 The right of any person to a share of the DC Retirement Plan Member Account or to  
4 a current or future benefit provided for in this Chapter shall not be subjected to taxes,  
5 execution, attachment, garnishment, the operation of bankruptcy, or insolvency laws, or other  
6 process whatsoever, nor shall any assignment thereof be enforceable in any court, except court  
7 orders that relate to the provision or payment of child support, spousal support, or distribution  
8 of marital property to a spouse, child or other tax dependent issued pursuant to Palau's or  
9 another jurisdiction's domestic relations law. Notwithstanding Section 2209(c), distributions  
10 to an estate shall not be used to satisfy any creditor of a decedent.

11 § 2211. Beneficiaries and Power of Attorney.

12 The Board shall promulgate forms in which DC Retirement Plan Members shall  
13 designate a beneficiary or beneficiaries to receive the Benefit pursuant to Section 2209(c), and  
14 in which DC Retirement Plan Members may designate a person authorized to act as a Power  
15 of Attorney for the purposes of making under a petition pursuant to Section 2209(d).

16 § 2212. Administrative Expenses.

17 (a) Fees Or Charges Paid By Participants. The Board of Trustees may provide for  
18 administrative fees or charges to be paid from the DC Retirement Plan in the following  
19 manner:

20 (1) For fiscal years beginning October 1, 2026, all the Employers of the DC  
21 Retirement Plan Members shall pay a matching contribution at a rate that is three  
22 percent (3%) of the member gross salary. Such amount shall be deposited into the  
23 DC Retirement Plan General Fund.

24 (b) Any amounts collected under § 2212(a), but not needed for administrative  
25 expenses, including start-up costs of the DC Retirement Plan, shall be deposited into the DC  
26 Retirement Plan General Fund and shall be allocated to the member accounts in accordance  
27 with Section 2208.

28 § 2213. Implementation.

29 (a) The Board shall promulgate all forms, rules, and regulations necessary for the  
30 implementation of this Chapter. To the extent any ambiguity exists in the law regarding the

1 DC Retirement Plan or the Fund, the Board's interpretation shall be given deference where  
2 supported by a reasonable interpretation of the law.

3 (b) Within ninety days of the day this Chapter becomes law, the Board shall  
4 promulgate all necessary procedures, rules and regulations for the withholding and receipt of  
5 all contributions and the Member Account tracking Members' contribution shares.

6 (c) Within one hundred twenty (120) days of the day this Chapter becomes law, the  
7 Board shall issue a request for proposal for investment planning and plan administration  
8 services consistent with this Chapter. All such proposals shall be received within six months  
9 of the day this Chapter becomes law, and the Board shall make its selection within one year  
10 of the day this Chapter becomes law, and concurrently shall issue an DC Retirement  
11 Operations Plan setting forth the procedures for the administration of the DC Retirement Plan,  
12 having the force of law.

13 (d) Within four months of the day this Chapter becomes law, the Board shall issue  
14 information and materials concerning the new DC Retirement Plan to all new Plan Members  
15 and potential Plan Members.

16 (e) Within one year of the day this Chapter becomes law the Board shall issue  
17 information on benefits established pursuant to Chapter 22 of Title 33.

18 § 2214. Account Statements.

19 The Board shall prepare, or cause to be prepared, on a annual basis, an account  
20 statement for each DC Retirement Plan Member, to include the amount of all contributions by  
21 or for the member, the performance of the DC Retirement Plan Member's Contribution Share  
22 (including earnings and expenses), and any distributions or benefits paid out to or for the DC  
23 Retirement Plan Member. The statement shall include, but not be limited to, a statement of  
24 the current market value of the members' account. The Board shall prescribe the form and  
25 content of the account statement consistent with the provisions of this Section as part of the  
26 Operations Plan required pursuant to Section 2213(c)."

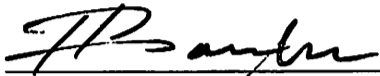
27 **Section 6. Effective Date.** This Act shall take effect on October 1, 2026.

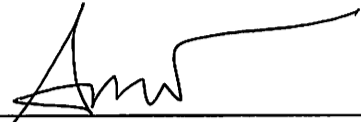
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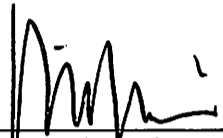
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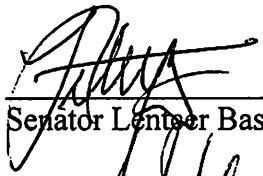
Date: 4/01/2020

Introduced by:   
Senator Rukebai Kikuo Inabo

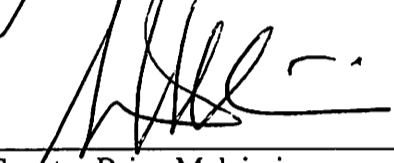
  
Senator Hokkoms Baules

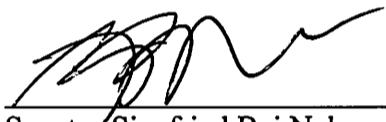
  
Senator Stevenson J. Kuartei


  
Senator Kerai Mariur

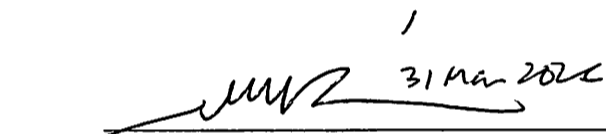
  
Senator Lenter Basilius

  
Senator Secilil Eldebechal

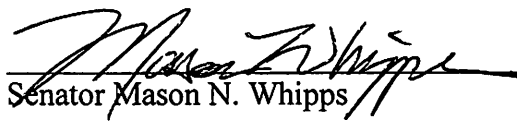
  
Senator Brian Melairei

  
Senator Siegfried Bai Nakamura

  
Senator Kazuki L. "Topps" Sungino

 31 Mar 2020  
Senator Mark U. Rudimch

  
Senator Salvador "Sadoi" Tellames

  
Senator Mason N. Whipps

  
Senator TJ Imrur Remengesau