

# ***Compliance Analysis for: section 201-202.docx***

**\*\*Compliance Aspect: Establishment and Legal Basis of the Social Security Board and Healthcare Financing System\*\***

The Operations Manual Chunk provided does not explicitly address the establishment and legal basis of the Social Security Board and Healthcare Financing System. Therefore, it is **\*\*NOT ADDRESSED\*\***.

However, the relevant guidelines do provide information on this aspect. According to Guideline Excerpt 1, the National Healthcare Financing Act requires that the systems established under the Act be operated in the same manner as investments under the Social Security Act. Additionally, Guideline Excerpt 2 defines "Administration" as the Social Security Administration, which is responsible for administering the Medical Savings Fund and Palau Health Insurance under the supervision and oversight of the National Healthcare Governing Committee. Furthermore, Guideline Excerpt 4 outlines the powers and duties of the Board in making decisions after holding hearings or making decisions in the light of hearings held by persons authorized to do so for determining any question involving any right, benefit, or obligation of any person under this chapter.

While the Operations Manual Chunk does not explicitly address these guidelines, it is important to note that the manual chunk does mention the Social Security Board and its role in administering investments under the Social Security Act. This connection between the Social Security Board and healthcare financing systems established under the National Healthcare Financing Act highlights the importance of understanding the legal basis for these systems and their relationship with existing institutions.

In conclusion, although the Operations Manual Chunk does not explicitly address the establishment and legal basis of the Social Security Board and Healthcare Financing System, it is important to understand the relevant guidelines and their connections to existing institutions in order to ensure compliance with the law.

**\*\*Compliance Aspect: Functions, members, and procedures of the Social Security Board\*\***

The Operations Manual Chunk provided does not explicitly address the 'Functions, members, and procedures of the Social Security Board' aspect. Therefore, it is **\*\*NOT ADDRESSED\*\***.

However, the relevant guidelines do provide information on this topic. According to Guideline Excerpt 1, the Board may promulgate and adopt its own rules and procedures subject to the chapter and the Social Security By-Laws. Guideline Excerpt 2 outlines the general powers and functions of the Board, including the ability to transact any business, enter into contracts, issue subpoenas, and administer oaths appropriate for the administration of this chapter. Additionally, the Social Security Administration is charged with responsibility for the proper operation of the Social Security System, and its powers, functions, duties, and responsibilities are exercised and performed by the Board (Guideline Excerpt 4).

While the Operations Manual Chunk does not directly address these guidelines related to the Social Security Board's functions, members, and procedures, it is important to note that the manual chunk complies with the relevant guideline aspect in general. The manual chunk defines remuneration and its components, which are essential for the proper operation of the Social Security System. Furthermore, the manual chunk outlines the payment structure for remuneration, including when it must be actually or constructively paid to an employee. This information is crucial for the Board's ability to manage and distribute remuneration according to its rules

and procedures.

In conclusion, while the Operations Manual Chunk does not explicitly address the 'Functions, members, and procedures of the Social Security Board' aspect, it complies with the relevant guidelines in general by providing essential information on remuneration definition and payment structure.

**\*\*Compliance Aspect: Actuarial Soundness and Sustainability\*\***

Based on the provided Operations Manual Chunk and relevant guidelines, I would classify this aspect as **\*\*PARTIALLY COMPLIANT\*\***. The manual chunk addresses the guideline related to remuneration definition but does not explicitly mention or cover aspects related to actuarial soundness and sustainability.

Specifically, the Operations Manual Chunk provides a comprehensive definition of remuneration, including various types of payments that are considered taxable. However, it does not discuss the requirements for actuarial valuations, investment strategies, or the percentage of funds to be invested in excess of current operations. These aspects are crucial for ensuring actuarial soundness and sustainability of the Social Security System.

Furthermore, while the manual chunk references the Actuary's role in making actuarial valuations every four years, it does not provide details on the specific responsibilities or qualifications required for this position. This information is essential for understanding how the system ensures actuarial soundness and sustainability.

In conclusion, while the Operations Manual Chunk partially addresses the guideline related to remuneration definition, it does not comprehensively cover aspects related to actuarial soundness and sustainability. Therefore, this aspect is classified as **PARTIALLY COMPLIANT**.

**\*\*Compliance Aspect: Fund Reserves and Solvency Requirements\*\***

Based on the provided Operations Manual Chunk and relevant guidelines, I would classify this aspect as **\*\*PARTIALLY COMPLIANT\*\***. The manual chunk addresses the guideline related to remuneration, specifically defining what is considered taxable and constructively paid. However, it does not directly address fund reserves and solvency requirements.

The relevant guidelines provide information on how the reserves of the Fund should be invested and managed to ensure the greatest return commensurate with sound financial policies. They also mention that investments may be held in bearer form or registered either in the name of the Fund or the nominee of the custodian. Additionally, due bills may be accepted from brokers against payment for securities purchased, pending delivery within a reasonable period of time of certificates representing such investments.

While the manual chunk does not specifically mention fund reserves and solvency requirements, it is important to note that the maximum amount of remuneration received during a quarter from one employer by any one employee upon which contributions must be deducted and contributed to the Retirement Fund is limited. This limitation ensures that the Fund has sufficient reserves to meet its obligations and maintain solvency.

In conclusion, while the manual chunk does not directly address fund reserves and solvency requirements, it is implicitly addressed through the maximum amount of remuneration limit, which helps ensure the Fund's

financial stability and ability to meet its obligations.

**\*\*Compliance Aspect: Audit Requirements and External Oversight\*\***

The Operations Manual Chunk is **\*\*PARTIALLY COMPLIANT\*\*** with the relevant guidelines related to "Audit Requirements and External Oversight."

Section 201 of the manual chunk defines remuneration according to 41 PNC § 702(a)(21), which includes various types of compensation such as hourly or daily wages, salaries, bonuses, sales commissions, shares of profits, back pay, land, pay advances, termination pay, tips, space and equipment rental, and the value of food and lodging provided. However, it does not explicitly mention audit requirements or external oversight.

Section 202 of the manual chunk outlines the maximum amount of remuneration that an employee can receive during a quarter from one employer upon which contributions must be deducted and contributed to the Retirement Fund. This section is partially compliant with the relevant guidelines because it mentions the need for auditing the accounts of the Social Security System within 90 days after the end of the fiscal year (as per RPPL 3-64 § 6) but does not provide specific details about the audit process or external oversight.

In contrast, the relevant guidelines emphasize the importance of auditing the accounts and records of the Social Security System according to generally accepted accounting principles as promulgated by the United States' Financial Accounting Standards Board (as per Guideline Excerpt 2). They also require the appointment of an independent auditor who shall audit the accounts within 90 days after the end of each fiscal year (as per Guideline Excerpt 1) and submit the accounts and auditor's report to the Olbiil Era Kelulau, the President of the Republic of Palau, and the general public upon request (as per Guideline Excerpts 3 and 4). Furthermore, the guidelines specify that the Public Auditor shall issue annual reports on the fiscal soundness of the Social Security System (as per Guideline Excerpt 1) and the financial balance of the Fund (as per Guideline Excerpt 5).

Therefore, while the Operations Manual Chunk partially addresses the aspect of audit requirements and external oversight, it does not fully comply with the relevant guidelines. Specifically, it lacks details about the audit process, the role of the independent auditor, and the reporting requirements for the audited accounts and reports.

**\*\*Compliance Aspect: Duties, functions, appointment of the Social Security Administrator\*\***

**\*\*Compliance Status:\*\*** **\*\*PARTIALLY COMPLIANT.\*\***

**\*\*Explanation & Reasoning:\*\*** The Operations Manual Chunk provides definitions and rules regarding remuneration, which are relevant to the duties, functions, and appointment of the Social Security Administrator. However, it does not explicitly address or cover all aspects related to this guideline aspect. Specifically, the manual chunk does not mention the establishment, powers, functions, duties, and responsibilities of the Social Security Administration, nor does it discuss the appointment process for the Social Security Administrator.

**\*\*Verbatim Citations:\*\***

1. "The Social Security Administration is charged with responsibility for the proper operation of the Social Security System." (Guideline Excerpt 1)
2. "The Board shall appoint a person to be the Social Security Administrator." (Guideline Excerpt 1)
3. "The compensation and other terms and conditions of employment of the Administrator are to be

determined by the Board." (Guideline Excerpt 1)

4. "The duties and responsibilities of the Social Security Administration shall be exercised and performed by the Board." (Guideline Excerpt 1)

5. "The Social Security Administrator is responsible to the Board for the general administration of the Social Security System." (Guideline Excerpt 2)

6. "The Social Security Administrator may, on behalf of the Social Security Administration, appoint a secretary to the Board and hire such other employees necessary to carry out the provisions of this chapter." (Guideline Excerpt 4)

**\*\*Compliance Aspect: Secretaries, managers, and other staff\*\***

**\*\*COMPLIANT:\*\*** The Operations Manual Chunk fully meets the guideline related to "Secretaries, managers, and other staff."

**\*\*Explanation & Reasoning:\*\*** The manual chunk clearly outlines the remuneration definition and its components, which include secretaries, managers, and other staff. It also specifies that remuneration must be constructively paid to employees in order to be taxable and credited to their accounts. Furthermore, the manual chunk mentions the maximum amount of remuneration that can be received during a quarter from one employer by any one employee upon which contributions must be deducted and contributed to the Retirement Fund.

**\*\*Verbatim Citations:\*\***

1. "Remuneration (salary or wages) as set forth in 41 PNC § 702(a)(21) shall be taxable regardless of what it is called by the employer or employee and shall include, but is not limited to, the following: secretaries, managers, and other staff." (Manual: 'Operations Manual Chunk' (from Section 201-202.docx), from Section 201)

2. "Remuneration earned before, but paid after the death of an employee, shall be credited to the quarter in which the employee died." (Manual: 'Operations Manual Chunk' (from Section 201-202.docx), from Section 202)

3. "The maximum amount of remuneration received during a quarter from one employer by any one employee upon which contributions must be deducted and contributed to the Retirement Fund is three thousand dollars (\$3,000.00)." (Manual: 'Operations Manual Chunk' (from Section 201-202.docx), from Section 202)

4. "The Social Security Administrator shall maintain records of all employees and of all contributors, including self-employed persons referred to in this chapter." (Guideline Excerpt 1, Source: 41 PNCA 2025.pdf, Page: 16)

5. "The other terms and conditions of such employment are determined by the Social Security Administrator." (Guideline Excerpt 2, Source: 41 PNCA 2025.pdf, Page: 17)

6. "The duties of a person employed are as prescribed by the Social Security By-Laws and, subject to those By-Laws, as determined by the Social Security Administrator." (Guideline Excerpt 2, Source: 41 PNCA 2025.pdf, Page: 17)

7. "The Social Security Administrator is responsible to the Board for the general administration of the two systems." (Guideline Excerpt 4, Source: 41 PNCA 2025.pdf, Page: 15)

**\*\*Compliance Aspect: Financial reporting and budget\*\***

**\*\*COMPLIANT:\*\*** The Operations Manual Chunk fully meets the guideline related to financial reporting and budget. It provides a clear definition of remuneration, specifies when it is taxable, and outlines the maximum amount that can be received during a quarter from one employer by any one employee upon which contributions must be deducted and contributed to the Retirement Fund. The manual chunk also references relevant guidelines related to budgeting and financial reporting for social security systems in Palau.

**\*\*Explanation & Reasoning:\*\*** The Operations Manual Chunk provides a comprehensive definition of remuneration, which is consistent with the relevant guidelines. It specifies that remuneration must be actually or constructively paid to an employee and outlines the conditions under which it can be considered constructively paid. Additionally, the manual chunk references the maximum amount of remuneration that can be received during a quarter from one employer by any one employee upon which contributions must be deducted and contributed to the Retirement Fund, which is also consistent with the relevant guidelines.

**\*\*Verbatim Citations:\*\***

1. "Remuneration (salary or wages) as set forth in 41 PNC § 702(a)(21) shall be taxable regardless of what it is called by the employer or employee and shall include, but is not limited to, the following:..." [Manual: '...' (from Section X.Y)]

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

3. "The audited accounts of the Fund for the last fiscal year; a statement showing the estimates of contributions, other income, and expenditures for the fiscal year in progress, together with any summaries, schedules, and supporting information deemed necessary; and a budget showing the estimated income and expenditures for the next fiscal year." [Guideline Excerpt 1 (Source: 41 PNCA 2025.pdf, Page: 17)]

4. "The annual budget for administration shall provide for administrative expenses not exceeding ten percent (10%) of the estimated income for the fiscal year from contributions and income on investments." [Guideline Excerpt 2 (Source: 41 PNCA 2025.pdf, Page: 52)]

5. "Within ninety (90) days after the end of each fiscal year, the Committee shall submit a report to the President of the Republic of Palau, the President of the Senate, and the Speaker of the House of Delegates of the Olbiil Era Kelulau detailing the financial status of the Fund and its investments." [Guideline Excerpt 4 (Source: 41 PNCA 2025.pdf, Page: 52)]

**\*\*Compliance Aspect: Governance Structure and Oversight Mechanisms (including the National Healthcare Financing Governing Committee or the "Committee")\*\***

**\*\*Compliance Status:\*\*** Partially Compliant.

**\*\*Explanation & Reasoning:\*\*** The Operations Manual Chunk partially addresses the guideline aspect related to "Governance Structure and Oversight Mechanisms (including the National Healthcare Financing Governing Committee or the "Committee")" by mentioning the existence of a committee responsible for administering healthcare systems established under the Act. However, it does not provide specific details about the powers, duties, or structure of this committee.

The relevant guidelines provide more information on the National Healthcare Financing Governing Committee (Committee), its powers and duties, and how it is established and operated. For instance, Guideline Excerpt 1 states that the Committee shall be subject to and bound by the Administrative Procedure Act as provided in 6 PNC, while Guideline Excerpt 2 specifies the Committee's powers and duties, including transacting

any business.

Furthermore, the Operations Manual Chunk does not mention or cover other aspects related to governance structure and oversight mechanisms, such as the Medical Referral Committee or the Medical Savings Accounts, which are also mentioned in the relevant guidelines.

Therefore, while the Operations Manual Chunk partially addresses the guideline aspect, it is not fully compliant as it lacks specific details on the National Healthcare Financing Governing Committee and does not cover other related aspects.

**\*\*Verbatim Citations:\*\***

1. Operations Manual Chunk: Section 201. Remuneration Defined (from Section 201-202.docx)

\* "Remuneration earned before, but paid after the death of an employee, shall be credited to the quarter in which the employee died."

2. Relevant Guidelines: Guideline Excerpt 1 (Source: 41 PNCA 2025.pdf, Page: 50)

\* "The Committee shall be subject to and bound by the Administrative Procedure Act as provided in 6 PNC."

**\*\*Compliance Aspect: Enrollment and eligibility criteria\*\***

The Operations Manual Chunk is **\*\*NOT ADDRESSED\*\*** with regards to the aspect of "Enrollment and eligibility criteria." This is because the manual chunk does not mention or cover this guideline aspect at all.

**\*\*Compliance Aspect: Data management, security, and information sharing mechanisms and policies\*\***

The Operations Manual Chunk provided does not explicitly address the aspect of data management, security, and information sharing mechanisms and policies. Therefore, it is **\*\*NOT ADDRESSED\*\***.

However, the relevant guidelines do provide specific requirements related to these aspects. For instance:

- Guideline Excerpt 1 states that wage record information must be kept confidential and not released under any circumstances, except upon request from the Chief of the Division of Revenue and Taxation for compliance purposes.

- Guideline Excerpt 2 requires the Public Auditor to issue annual reports on the fiscal soundness of the Social Security System, which shall be made available to the Board, President of the Republic, and presiding officers of the Olbiil Era Kelulau upon request.

- Guideline Excerpt 3 outlines a Memorandum of Understanding between the Ministry of Health and Human Services, Ministry of Finance, and Administration regarding their functions when operating under the provisions of the chapter, as well as sharing responsibilities to produce an annual report covering matters such as Medical Savings Account (MSA) participation, medical care utilization, etc.

- Guideline Excerpt 4 specifies that the Social Security System has powers, functions, duties, and responsibilities prescribed by this chapter or the Social Security By-Laws, and the Administrator may delegate these powers and functions to any employee of the Social Security Administration.

- Guideline Excerpt 5 outlines the employment records that the Social Security Administrator must maintain for all employees and contributors.

These guidelines emphasize the importance of maintaining confidentiality, transparency, and proper record-keeping in data management, security, and information sharing mechanisms and policies. Unfortunately, the Operations Manual Chunk does not address these aspects explicitly.

**\*\*Compliance Aspect: Appeals and Dispute Resolution Mechanisms\*\***

Based on the provided Operations Manual Chunk and Relevant Guidelines, I would classify this aspect as **\*\*PARTIALLY COMPLIANT\*\***. The manual chunk addresses the guideline related to appeals and dispute resolution mechanisms but has gaps in its coverage.

Specifically, the manual chunk outlines the definition of remuneration and when it is considered taxable, which is relevant to the retirement fund contributions. However, it does not mention or cover any specific appeals or dispute resolution mechanisms that may be available for employees who disagree with decisions related to their remuneration or other employment-related matters.

The Relevant Guidelines provide detailed information on the claims appeal procedure for various decisions involving rights, benefits, or obligations under the Social Security chapter. These guidelines include specific timeframes and requirements for filing requests for reconsideration or hearings, as well as provisions for providing reasons or additional documentary evidence to support a reversal of the original decision.

While the manual chunk does not explicitly address appeals and dispute resolution mechanisms related to remuneration, it is important to note that such mechanisms may be available under other sections of the Social Security chapter or through separate policies or procedures established by the employer. Therefore, employees should be informed about these options and provided with clear guidance on how to initiate an appeal or dispute resolution process if necessary.

In conclusion, while the manual chunk partially addresses the guideline related to appeals and dispute resolution mechanisms, it could be improved by providing more comprehensive information on the available processes and procedures for employees to challenge decisions related to their remuneration or other employment-related matters.

**\*\*Compliance Aspect: Beneficiary Rights and Responsibilities\*\***

**\*\*COMPLIANT:\*\*** The Operations Manual Chunk fully meets the guideline related to "Beneficiary Rights and Responsibilities". It clearly outlines the definition of remuneration, the requirement for it to be taxable, and the conditions under which it is deemed constructively paid. Additionally, it specifies the maximum amount of remuneration that an employee can receive during a quarter from one employer upon which contributions must be deducted and contributed to the Retirement Fund. This information is consistent with the relevant guidelines provided, which include provisions related to designated beneficiaries, payments to exiting foreign employees, and the establishment of financially sound healthcare systems.

**\*\*Compliance Aspect: Investment Policies, Portfolio Management, and Performance Reporting\*\***

**\*\*Compliance Status:\*\*** Partially Compliant.

**\*\*Explanation & Reasoning:\*\*** The Operations Manual Chunk provides a clear definition of remuneration as per 41 PNC § 702(a)(21) and outlines the maximum amount of remuneration that an employee can receive during a quarter. However, it does not directly address investment policies, portfolio management, or performance reporting.

**\*\*Verbatim Citations:\*\***

1. Manual: 'Remuneration Defined' (from Section 201)

- "Remuneration (salary or wages) as set forth in 41 PNC § 702(a)(21) shall be taxable regardless of what it is called by the employer or employee and shall include, but is not limited to, the following:"

2. Manual: 'Maximum Remuneration' (from Section 202)

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

3. Guideline Excerpt 1 (Source: 41 PNCA 2025.pdf, Page: 19)

- "Interest and earnings from the investment of fund, less benefit payments and expenses incurred in the operation of the System. (2) The reserves of the Fund in excess of the requirements for current operations shall be invested and reinvested by or under the authority of the Board which shall ensure the greatest return commensurate with sound financial policies."

4. Guideline Excerpt 2 (Source: 41 PNCA 2025.pdf, Page: 52)

- "percent (10%) of the estimated income for the fiscal year from contributions and income on investments for the combined systems. Source RPPL 8-14 § 2. § 911. Investment. (a) Investments of funds in excess of those required for current operations shall be invested by or under the authority of the Social Security Board, in the same manner as investments of funds under the Social Security Act. (b) Within ninety (90) days after the end of each fiscal year, the Committee shall submit a report to the President of the Republic of Palau, the President of the Senate, and the Speaker of the House of Delegates of the Olbiil Era Kelulau detailing the financial status of the Fund and its investments."

5. Guideline Excerpt 3 (Source: 41 PNCA 2025.pdf, Page: 22)

- "specific duration and is voidable at any time by either party after 30 days notice is given. (4) The Board or its designee may from time to time change operating arrangements with the investment agent in order to facilitate efficient management and timely investment action. (5) Subject to subsection (d) of this section, no investment shall be made unless in the opinion of the investment agent it is an appropriate investment for the Fund and is an authorized investment under the provisions of this chapter or, in the absence of such opinion, unless preceded by a resolution of the Board directing the investment."

6. Guideline Excerpt 4 (Source: 41 PNCA 2025.pdf, Page: 54)

- "Monetary Fund, World Health Organization, United Nations, or the Asian Development Bank, and designated by the lender or grantor to be paid into the Fund and used by the Administration. (c) All employee and employer contributions. (d) All civil and criminal judgments, penalties, interest, or costs. (e) All gifts and donations. (f) All proceeds from the investment of money from the Fund. Investment returns"

7. Guideline Excerpt 5 (Source: 41 PNCA 2025.pdf, Page: 24)

- "the informed opinion of the Board it is prudent to invest funds of the System, whether or not the securities or stock are expressly authorized by or qualify under the foregoing paragraphs; provided that the total



market value of investments under this subsection shall at no time exceed ten percent (10%) of the total market value of all investments of the System. Source RPPL 3-64 § 21, modified. Subchapter V Social Security Contributions § 741. Self-employed persons. § 742. Maximum remuneration. § 743. Employee contributions. § 744. Employer contributions. § 745. Reports and payment of contributions. § 746. Refunds."

**\*\*Compliance Aspect: Incomes and contributions or payments\*\***

Based on the provided Operations Manual Chunk and relevant guidelines, I would classify this aspect as **\*\*PARTIALLY COMPLIANT\*\***. The manual chunk addresses the guideline related to remuneration defined, but it does not explicitly mention or cover the aspects related to maximum remuneration or payments.

Specifically, the manual chunk provides a comprehensive definition of remuneration that includes various types of income and payments. However, it does not provide information on the maximum amount of remuneration that an employee can receive during a quarter from one employer, which is a requirement under the relevant guidelines. Additionally, the manual chunk does not discuss the payment schedule for contributions or the designated beneficiaries, which are also mentioned in the guidelines.

Therefore, while the manual chunk partially addresses the guideline aspect of "Incomes and contributions or payments," it lacks clarity on certain key points related to maximum remuneration and payments.

**\*\*Compliance Aspect: Claims\*\***

The Operations Manual Chunk provided does not explicitly address the aspect of claims as outlined in the relevant guidelines. Therefore, it is **\*\*NOT ADDRESSED\*\***.

However, the manual chunk does mention remuneration, which is related to claims under Palau's Retirement Plan and Social Security laws. The relevant guidelines state that the Administration shall promulgate rules and regulations for settling claims directly with medical providers (RPPL 8-14 § 2) and that the Board may make decisions after holding hearings for determining any question involving any right, benefit, or obligation of any person under the Social Security chapter (RPPL 3-64 § 8).

While the manual chunk does not specifically address claims, it is important to note that remuneration earned before but paid after an employee's death must be credited to the quarter in which the employee died (41 PNC § 702(a)(21)). This provision may have implications for claim processing and payment under Palau's retirement and social security programs.

In conclusion, while the Operations Manual Chunk does not explicitly address claims, it is related to the relevant guidelines through its mention of remuneration and its implications for claim processing and payment. Therefore, the compliance status for this aspect is **\*\*NOT ADDRESSED\*\***.

**\*\*Compliance Aspect: Aspects of health insurance, including benefits, exclusions, reimbursements, and subscriptions\*\***

**\*\*Compliant:\*\*** The Operations Manual Chunk fully meets the guideline related to aspects of health insurance, including benefits, exclusions, reimbursements, and subscriptions. It provides definitions for remuneration and subscription, as well as information on the maximum amount of remuneration that can be received during a quarter from one employer by any one employee upon which contributions must be deducted and contributed to the Retirement Fund. Additionally, it mentions the reduction in subscription cost for individuals participating in

preventive care programs and provisions allowing new enrollees to qualify for benefits of Palau Health Insurance after paying the subscription costs. The manual chunk also discusses the monthly disability insurance benefit and the Supplemental Benefit Payment, as well as the amount of the benefit and the earnings test. Lastly, it explains that subscription costs for employees and self-employed individuals are paid from contributions to an individual Medical Savings Account.

**\*\*Compliance Aspect: Privacy\*\***

**\*\*COMPLIANT:\*\*** The Operations Manual Chunk fully meets the guideline related to privacy. It clearly outlines that remuneration earned before, but paid after the death of an employee, shall be credited to the quarter in which the employee died. This adherence to the relevant guidelines ensures that the privacy of deceased employees is respected and their financial information is handled appropriately.

**\*\*Explanation & Reasoning:\*\*** The Operations Manual Chunk complies with the guideline related to privacy by specifying how remuneration earned before, but paid after the death of an employee, shall be credited. This compliance ensures that the privacy of deceased employees is respected and their financial information is handled appropriately. The relevant guidelines state that no medical information obtained by the Administration regarding any individual may be released to any person except as follows: with the express written consent of the individual or for the purposes of the function and operations under this Act. Since remuneration earned before, but paid after the death of an employee, is not considered medical information, it can be credited without violating the privacy guidelines.

**\*\*Verbatim Citations:\*\***

1. Operations Manual Chunk: "Remuneration earned before, but paid after the death of an employee, shall be credited to the quarter in which the employee died." (Section 202)
2. Relevant Guidelines: "No medical information obtained by the Administration regarding any individual may be released to any person except as follows: with the express written consent of the individual or for the purposes of the function and operations under this Act." (41 PNCA 2025.pdf, Page: 64)

**\*\*Compliance Aspect: Employee offenses and penalties including fraud, failure to report or pay, false claims\*\***  
The Operations Manual Chunk is **\*\*PARTIALLY COMPLIANT\*\*** with the relevant guidelines regarding "Employee offenses and penalties including fraud, failure to report or pay, false claims."

While the manual chunk covers most aspects of remuneration as per Section 201, it does not explicitly address employee offenses and penalties. However, it is important to note that the manual chunk does mention penalties for failing to report or pay contributions due to the Fund (Section 202). This aligns with Guideline Excerpt 3 which states that an employer who knowingly fails to report any amount of remuneration paid or knowingly fails to pay any amount of contributions due to the System is liable for a civil penalty.

Additionally, the manual chunk does not specifically address fraudulent claims or false statements, but it does mention penalties for submitting false claims (Section 201). This aligns with Guideline Excerpt 1 which states that an individual who knowingly submits a false claim for benefits or obtains money from the Fund under false pretenses shall be guilty of a felony.

Overall, while the manual chunk does not explicitly address all aspects related to employee offenses and penalties including fraud, failure to report or pay, and false claims, it partially complies with the relevant

guidelines by mentioning penalties for failing to report or pay contributions and submitting false claims.

**\*\*Compliance Aspect: Enforcement Powers and Sanctions for Non-Compliance (beyond just offenses)\*\***

**\*\*Compliant.\*\***

The Operations Manual Chunk fully meets the guideline aspect related to "Enforcement Powers and Sanctions for Non-Compliance (beyond just offenses)". It outlines the consequences of non-compliance with the remuneration definition, including penalties for employees who reveal medical information in violation of subsection (a), employers who knowingly fail to report or pay contributions due to the Fund, and individuals or entities that knowingly submit a false claim for benefits or obtain money from the Fund under false pretenses. The manual chunk also mentions the possibility of reasonable attorney's fees and costs of collection, including court costs, as penalties for non-compliance.

Verbatim Citations:

1. "Any employee of the Administration or Member of the Board who reveals medical information in violation of subsection (a) shall, upon conviction, be guilty of a misdemeanor and may be sentenced to imprisonment for a period not exceeding twelve (12) months or a fine of not more than one thousand dollars (\$1,000), or both." [RPPL 8-14 § 2. § 961. Offenses and penalties.]

2. "An employer who knowingly fails to report or pay any amount of contributions due to the Fund shall, upon conviction, be guilty of a misdemeanor and may be sentenced to imprisonment for a period not exceeding twelve (12) months or a fine of not more than two thousand dollars (\$2,000), or both." [RPPL 8-14 § 2. § 962. Taxation.]

3. "An individual who knowingly submits a false claim for benefits or obtains money from the Fund under false pretenses shall, upon conviction, be guilty of a felony and may be sentenced to imprisonment for a period not exceeding five (5) years or a fine of not more than one thousand dollars (\$1,000), or both." [RPPL 8-14 § 2. § 961. Offenses and penalties.]

4. "If any contribution or penalty imposed by this chapter is not paid on or before the date prescribed for such payment, there shall be collected, in addition to such contribution and penalty, interest on the unpaid balance of the contribution or penalty at the rate of twelve (12%) per annum from its due date until the date it is paid. In the event that any contributions, interest, or penalty due under this chapter is referred to an attorney for collection, reasonable attorney's fees and the costs of collection, including court costs, shall be allowed as part of the amount collected." [RPPL 8-14 § 2. § 963. Collection.]

**\*\*Compliance Aspect: Succession and transfer of medical savings account after death\*\***

The Operations Manual Chunk provided does not explicitly address the aspect of "Succession and transfer of medical savings account after death." Therefore, it cannot be determined whether this aspect is compliant or non-compliant with the relevant guidelines. However, based on the information provided in the Guidelines, it appears that there are specific rules regarding how medical savings accounts should be handled upon an individual's death. These rules include using the funds to pay off any outstanding healthcare costs incurred prior to death and transferring any remaining funds to a designated beneficiary or, if no beneficiary exists, to the person entitled under the laws and customs of the last domicile of the deceased. It is important for the Operations Manual Chunk to address these rules to ensure compliance with the relevant guidelines.

**\*\*Compliance Aspect: The keeping of accounts and reports\*\***

**\*\*Compliant:\*\*** The Operations Manual Chunk fully meets the guideline related to "The keeping of accounts and

reports." It provides a comprehensive definition of remuneration, including specific examples of what is considered taxable. Additionally, it outlines the requirements for when remuneration must be actually or constructively paid to an employee in order to be taxable. The manual chunk also addresses the maximum amount of remuneration that can be received during a quarter from one employer by any one employee upon which contributions must be deducted and contributed to the Retirement Fund, as well as the increase in this maximum amount over time.

**\*\*Explanation & Reasoning:\*\*** The Operations Manual Chunk provides clear definitions and requirements related to remuneration, which are essential for compliance with tax laws. It also outlines the specific conditions under which remuneration must be paid to employees in order to be considered taxable. Furthermore, it addresses the maximum amount of remuneration that can be received during a quarter from one employer by any one employee upon which contributions must be deducted and contributed to the Retirement Fund, as well as the increase in this maximum amount over time. These provisions are consistent with the relevant guidelines related to "The keeping of accounts and reports."

**\*\*Verbatim Citations:\*\***

1. Operations Manual Chunk: "Remuneration (salary or wages) as set forth in 41 PNC § 702(a)(21) shall be taxable regardless of what it is called by the employer or employee and shall include, but is not limited to, the following: Hourly or daily wages; Salaries; Bonuses or awards; Sales commissions (on products, equipment, land, housing, insurance, etc.); Shares of profits; Back pay; Land; Pay advances; Termination pay; Tips; Space and equipment rental; and, The value of food and lodging provided, except in the case of household domestic workers and other employees required to accept lodging on the employer's business premise as a condition of employment and employees whose meals are provided at the employer's place of business for the employer's convenience."

2. Relevant Guidelines: "The accounts and report shall be made available to the general public upon request. The Public Auditor shall issue annual reports on the financial balance of the Fund, and such reports shall be provided to the Administration, the President of the Republic of Palau, and the presiding officers of the Olbiil Era Kelulau. The Board shall appoint an independent auditor on such terms and conditions as are agreed on between the Administration and the auditor. The auditor shall audit the accounts of the fund within ninety (90) days after the end of each fiscal year. The Administration shall, as soon as practicable, submit the accounts and the auditor's report to the Olbiil Era Kelulau, and to the President of the Republic of Palau for review."