

Annual FSM Social Security Investment Review: CY 2003

The First Regular Board Meeting in CY 2003 took place from Friday, January 31 to Tuesday, February 4, 2003 in Honolulu, Hawaii to coincide with the program's Annual Investment Review of its portfolio. Present at the meeting were Chairman of the Board Charles Chieng, representing Yap state; Vice-



Chairman of the Board Lt. Governor Jack E. Yakana, representing Pohnpei state; Nahoy G. Selifis, at-large member from the national government; Nena Ned, representing Kosrae state; and Alexander Narruhn, FSMSS Administrator serving as the ex-officio member. Dernista Capelle, the FSMSS Deputy Administrator also attended the meeting. The Chuuk Representative was unable to attend the meeting due to personal matters. While the sun shined

brightly down on the world's most coveted getaway, the FSM Social Security Board of Trustees were tucked away in a conference room, away from the beach and the sea, and labored to make the First Annual Board Meeting a success. And a success it was. Kirk Taniguchi and Keri Tanaka from Merrill Lynch presented the status of the FSM Social Security's investments.

Then the money managers (the companies that managed the FSM Social Security's investments) did their presentations. Three companies manage the system's investments. Jim Staub represented Atalanta/Sosnoff Capital. Barry Cope represented Duff & Phelps Investment Management Co. Provident Investment Counsel sent Harlan H. Thompson to present their views on the market.

The board considered the below-average performance of Duff & Phelps over the last 10 years with the FSMSSA's investment portfolio and decided to terminate the services of Duff & Phelps Investment Management Co. The board decided to take 60% of the funding that Duff & Phelps managed and hand it over to Atalanta/Sosnoff, which is investing wholly in equities. The remaining 40% was given to Provident which is investing only in fixed income. This decision was made as a temporary solution until a better alternative will be made for the situation.

Meanwhile, Merrill Lynch is conducting an Asset Liability Test on the fund, which will result in the board knowing what to do with the money taken from Duff & Phelps. It is most likely that a new money manager will be hired to replace Duff & Phelps. A resolution was adopted by the board to create a "Social Security Week." The week will commemorate the beginning of the social security programs in Micronesia, which was on July 1, 1968. Coinciding with this date, the Social Security Week will be held during the first week of July. It will be a week marked by social security activities.

The board met the new Disability Medical Examiner Grace Kuwaramura. She filled in the vacancy that Donald Austin created when he resigned. Grace Kuwaramura signed a two-year contract. The FSMSSA presented the CY 2002 Financial Statement of the system to the board. During the meeting, the board entertained an appeal case out of Hawaii.