

Board Approves Budget for CY 2006 During 3rd Meeting

The board met for its 3rd Regular Meeting on November 11, 2005 to address an issue with Merrill Lynch



concerning Provident Investment Counsel's decision to dissolve its fixed income management division effective March 2006. Members in attendance were Representative of Pohnpei, Lt. Governor Jack E. Yakana; Representative of Chuuk, Bernes Reselap; Representative of Kosrae, Nena Ned; Representative of the National Government, Nahoy G. Selifis; and FSMSS Administrator, Alexander R. Narruhn, serving as ex-officio member. For the first item in the meeting, the board met with Merrill Lynch representatives Patrick

McFadden and Kirk Taniguchi for the quarterly investment review. The market, overall, did reasonably well during the 3rd Quarter despite events taking place such as multiple natural disasters, war in Iraq, and etc., that a lot of people thought might affect it. As of 9/30/2005, the value of money invested in the FSMSS Portfolio was \$39,739,000.

Moving on, the board appointed Jack Yakana as the new Chairman and Nahoy G. Selifis as the Vice Chairman. With the board reorganized, the administrator commenced with his presentation of the financial statements. As of September 30, 2005, assets totaled to \$40,176,772.24. Revenues from January 1 through September 30, 2005, were \$9,230,548.34 and benefits from the same period were at \$8,916,052.57. Administrative expenses as of September 30 for Calendar Year 2005 were \$671,065.31. Net increase for the year as of September 30 was \$2,454,346.43 as opposed to \$331,404.84 for the same period of 2004. This stark increase is attributed to investments. Investments saw a gain of \$2,830,883.36.

The approved budget for CY 2005 was \$982,207.85 and as of September 30, \$671,065.31 (68.32%) had been used. As of September 30, 2005, there was \$4,861,957.95 in delinquent tax collections. Audits improved to 39 audits and 47 payment agreements.

The administrator went on to present the proposed budget for Calendar Year 2006. The law mandates a budget ceiling of 11% of the projected income for the year. The requested budget for Calendar Year 2006 is 8.4% of the projected income. Because one of the FSMSSA's main goals is to increase the system's funded ratio, the administrator devised a new bill for the board to review that would introduce provisions into the law to improve tax collection methods and decrease the gap between collections and payments. After a few revisions, the board approved the bill for submission to congress.

In other areas, the board addressed a letter from the Chuuk State Health Care Plan calling for the FSMSS Branch Office in Chuuk to enroll its employees in the plan as it is required by law. The board tabled the issue for the next meeting pending legal opinion. The board was very pleased with the outcome of the meeting and looked forward to the next one in February 2006.

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