

Board Selects New Investment Consultant

On September 2 and 4, the FSMSS Board of Trustees convened on Pohnpei for a special meeting to



decide whether to maintain its current investment consultant or to select a new one. Attending the meeting were Chairman of the Board, Jack E. Yakana, who also represented Pohnpei State; Vice Chairman and National Government Representative, Nahoy G. Selifis; Yap State Representative, Charles L. Chieng; Nena Ned, representative of Kosrae; and ex-officio member, Administrator Alexander R. Narruhn.

In the month of June, the FSMSSA began accepting responses to a Request for Proposal seeking a qualified investment consultant. Of the several responses submitted, three firms showed the most promise and were thus chosen for the second phase of the selection process.

They were Merrill Lynch, Morgan Stanley and Smith Barney. During the selection process the board took into consideration these factors: 1) Investment Policy Review & Development; 2) Asset Allocation Analysis; 3) Manager Search, Due-Diligence and Selection; 3) Performance – Compliance Monitoring and Evaluation; 4) General Consulting; 5) Strategic and Tactical Planning; 6) Investment Education and Communication; 7) Research Analysis & Sub advising on Asset Allocation; 8) Advisory Services or Risk Management Services; and 9) Special Projects. After reviewing the responses submitted by each firm and listening to the presentations made by their respective representatives, the board chose Smith Barney to replace Merrill Lynch as the FSMSSA's investment consultant.

Of the three firms that made it to the last phase of the selection process, Smith Barney showed the most promise with an impressive track record. Furthermore, it had an office in Guam which is considerably closer than the other two. Having an investment consultant situated closer to home is not only convenient for the FSMSSA but would also cut down on costs should the need to travel arise. Along with this change, the board also decided to hire Citygroup Global Markets Inc. to replace Bank of Hawaii as its assets custodian. CGMI is a subsidiary of Smith Barney and by combining the consulting and custodian services of its assets under one company, the FSMSSA will be able to cut down on costs when it comes to fees.

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