

CY 2002 First Regular Board Meeting

During its first Regular Board Meeting for CY 2002, the FSMSSA Board of Trustees held its meeting in Honolulu, Hawaii from March 18-20, 2002 to coincide with the FSMSSA Annual Investment Review. Board members that were present during the meeting include Charles Chieng, Chairman of the Board representing the State of Yap; Nena Ned, Vice-Chairman representing Kosrae State; Bellarmine Ioanis from Pohnpei State; Bernes Reselap, Chuuk State and Alexander Narruhn, FSMSS Administrator serving as the ex officio member. FSM Congressman Senator John Petewon who is the Chairman of Health, Education and Social Affairs was also attending the investment review part of the meeting.

One of the main concerns that were discussed in the meeting is the negative cash flow the program is encountering due to the lack of Social Security contribution from the State of Chuuk. Discussions were taken place in an attempt to resolve the situation and the good representative from Chuuk is aware of the issue and will take this up with his State.

Another change that was also discussed is the change in the portfolio's asset allocation. The FSMSSA Consultant, Susanne M. Pearce from Merrill Lynch, recommended a change of the asset allocation to the following:

Atalanta/Sosnoff	100% in equity
Duff & Phelps	40% in equity & 60% in fixed income
Provident	40% in equity & 60% in fixed income

With this recommended change, the overall portfolio remains at 60% in equity and 40% in fixed income. The Board concurs with the change due to the volatility of the market after the September 11, 2001 tragedy. This change will help diversify the FSMSSA Investment Portfolio during this market uncertainty.

The Board also discussed the Chairman's term, which expires on May 26, 2002. The State of Yap has already endorsed the continuation of the Chairman's term to another 3 years however; it is pending its transmittal to the FSM Congress for re-nomination.

UPDATE:

1. The FSM Board of Trustees consists of only three members and the Administrator as of June 01, 2002: Nena Ned - current Vice-Chairman, Bellarmine Ioanis and Bernes Reselap. Mr. Ioanis, at times, is unavailable for meetings due to his current job at the United Nations. The Board therefore doesn't have a quorum to conduct business.
2. Susanne M. Pearce has recently resigned from Merrill Lynch to work for a charity foundation.
3. Chuuk State Government has made some efforts to pay off their debts. Per MOU signed between the National Government and Chuuk State, FSM Finance will be responsible for preparing payments of SS tax starting with pay period 13 until the end of FY 2002.
4. Public Law No. 1236 - authorizing the lending of \$941,164 to the State of Chuuk on certain terms and conditions, of funding projects and programs in the national interest. Once authorized by the State of Chuuk to enter into an agreement with the National Government regarding this loan, Chuuk State's debt in Social Security Tax will be paid in full.