

## CY 2003 3rd Regular Board Meeting

The Calendar Year 2003 3rd Regular FSMSS Board of Trustees Meeting took place on Pohnpei from



October 14 to 15, 2003. Around 8 o'clock on the morning of the 14th, the trustees began to arrive at the FSMSS Headquarters to start off the meeting. When the meeting finally started, those gathered were: Chairman of the Board and Representative of Yap, Charles Chieng; Vice-chairman of the Board and Representative of Pohnpei, Lt. Gov. Jack Yakana; Representative of Chuuk, Bernes Reselap; Representative of Kosrae, Nena Ned; the at-large member from the

National Government, Nahoy G. Selifis; and Alexander Narruhn, FSMSS Administrator serving as the ex-officio member. Dernista I. Capelle, the FSMSS Deputy Administrator, also joined the meeting. Bruce Kennedy of Provident and Kirk H. Taniguchi from Merrill Lynch

were also present to update the board on the status of the FSMSSA's investment portfolio. Bruce Kennedy's launched the two-day meeting with his presentation. Mr. Kennedy represented Provident, one of the money managers for the FSMSSA's investment portfolio. Therefore, in his presentation, he revealed to the board how the investment portfolio was doing as far as Provident handling was concerned. The meeting progressed with Kirk H. Taniguchi from Merrill Lynch supervising the investment review. He informed the FSM Social Security Board of Trustees that Merrill Lynch had conducted an Asset Liability Study of the FSMSS Investment Portfolio.

The primary purpose of an asset/liability study is to determine whether an investment fund has the right mix of stocks and bonds to meet its future liabilities (benefits due + expenses). In other words, the study takes projections for fund liabilities and forecasts expected needs of money over a period of time taking into consideration factors in all the different variables of the investment portfolio and tries to come up with ways to improve the health of the fund so as to decrease the current projected un-funded liability. With this study in mind, Merrill Lynch, in the form of Mr. Taniguchi, suggested that the board diversify the portfolio to include investments in small cap U.S. stocks and Treasury Inflation Protected securities that would improve returns without taking on an imprudent level of risk. The board agreed to look into this and to find out if it had the authority to approve such actions. The other issues that the board took up included a request from Kosrae Social Security Branch Office for the final decision on John Clarence's disability application, which was denied by the board. A policy on accounts receivable was created to enforce payments of these accounts by board and staff members. The board looked into the FSM

Proposed Pension Plan that asked the board to continue their efforts on the pension plan. The board hasn't reached a final decision regarding this issue. The board considered a letter from Senator Dohsis Halbert in regards to the newly created section in the social security law called the Totalization Agreement that would grant the FSM President to enter into such agreements with other countries.

*Posted on 11/17/03.*