

FSMSSA Participates in Investment Conference

The FSM Social Security Administrator, Alexander R. Narruhn, and the FSM Social Security Deputy



Administrator, Dernista I. Capelle attended the Federated States of Micronesia 2004 Investment Conference that took place from February 9 to 12 on Honolulu, Hawaii. The conference was attended by various dignitaries and officials from different departments in the FSM National Government. Also attending the conference was the FSM Social Security Board of Trustees. The board, comprised of Chairman and

Representative of Yap Charles L. Chieng; Vice Chairman and Representative of Pohnpei Jack E. Yakana; Representative of Chuuk Bernes O. Reselap; Representative of Kosrae Nena Ned; and the at-large member from the National Government Nahoy G. Selifis, integrated a special meeting into the investment conference and held their meeting on February 11 and 13, 2004 to interview investment managers for the fund's small cap and Treasury Inflation Protected securities (TIPS) investments. These new additions to the FSMSSA's portfolio is the result of the asset liability study conducted by Merrill Lynch. The additional investments in these two areas would diversify the FSMSSA's portfolio and would increase returns without taking on too much of a risk. The FSMSS Administrator Alexander R. Narruhn serves as the ex-officio member on the board of trustees.

The presenters at the investment conference included investment managers, investment consultants, and investment custodians. Representatives from these firms made presentations concerning their roles in the FSM and FSMSSA investments. These firms included Merrill Lynch, Fiduciary Trust International, Sirach Capital, Provident Investment Counsel, Atalanta Sosnoff Capital Corporation, Bank of Hawaii, and the First Hawaiian Bank. The money managers revealed to the FSM and FSMSSA the status of their investment portfolios. The FSM Social Security Administration has Provident Investment Counsel and Atalanta Sosnoff Capital Corporation as its money managers. Both revealed that due to the positive growth in the market economy, the portfolio had generated modest returns during the year of 2003. Provident Investment Counsel reported that the balance for the FSMSSA investment portfolio as of December 31, 2003 was registered at \$14.1 million, a substantial gain from the year 2002 which yielded a balance of \$10.7 million. Atalanta Sosnoff Capital reported similar outstanding growth for the FSMSSA Investment Portfolio. As of January 31, 2004, the portfolio had a total market value of \$20.8 million, a steep gain over the \$9.7 million of 2002.

The presenting firms outlined the status of the market economy and advised the FSM and FSMSSA on suitable investment practices to improve the health of their investment portfolios. Such topics included "Controlling the Risk of an Investment Program" that was presented by Daniel R. Patterson of Provident Investment Counsel. In this presentation, Mr. Patterson showed the benefits of diversification and maximizing returns while controlling the risk of an investment. Joseph C. Portillo, Sr. Vice President of Fiduciary Trust International covered the topic of international investing. Fiduciary Trust International specialized in managing investments in the international market and Mr. Portillo's presentation elaborated on that. Other topics that were presented during the conference included long term investing advantages and the impact of withdrawals, interest rates, how a portfolio is managed, the mutual fund controversy, and benchmarks or peer rankings. The firms also revealed their predictions and outlooks for this year as far as the market and economy are concerned. All seemed to agree that the economy will continue to improve but at a pace slightly less dramatic than was seen in 2003 which was a pleasant surprise.

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