

The Marshall Islands

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Need for transparency

A startling fact was revealed by the RMI government last week: it has been losing \$500,000 a year in excessive fees from the managers of its trust fund. Who has been minding the store? Both the US and the RMI government sit on the trust fund committee, with the US holding a majority.

Last week, the RMI government announced the trust fund committee's decision to replace fund manager, Goldman Sachs, and fund trustee, First Hawaiian Bank, with a new fund manager, Mercer, and a new trustee, State Street Bank and Trust Company. In making the change, the RMI said this move will "save" the RMI \$500,000 a year in fees.

Well, that's nice. But accepting this statement at face value means the RMI has suffered a cumulative loss of \$2 million over the past four years.

During Goldman Sachs' term as fund manager, the Journal regularly attempted to get intelligible financial reports on fund status. This proved to be difficult. A key point to be made about some of the reports we were given is that it was impossible from the information provided to tell how much the RMI was being charged by its Wall Street manager. This is extremely important information to have, as the RMI's "\$500,000 savings" admission proves.

In contrast to many Wall Street fund managers, the Marshall Islands Social Security Administration's fund manager, Investor Solutions, provides a clear and easy-to-read statement of the costs to MISSA for managing the fund. The reporting standards shown by Investor Solutions should be required of the RMI's new fund manager and trustee. More transparency is needed in the trust fund operation and the reporting to the RMI government.