

# **Government of Guam**

## **Defined Contribution Plan**

### **STATEMENT OF INVESTMENT POLICY**

#### **OBJECTIVES & GUIDELINES**



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# Government of Guam

## Defined Contribution Plan

### Investment Policy Executive Summary

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<b>Plan Type:</b>	<b>Participant-Directed Defined Contribution Plan</b>
<b>Plan Adoption Date:</b>	<b>October 1, 1995</b>
<b>Current Assets (as of March 31, 1998):</b>	<b>\$12.2 million</b>
<b>Trustee:</b>	<b>Board of Trustees</b>
<b>Record Keeper:</b>	<b>Great West</b>
<b>Investment Consultant:</b>	<b>Consulting Group</b>
<b>Current Number of Participants (3/31/98):</b>	<b>4,194</b>
<b>Plan Legal Counsel:</b>	<b>Carlsmith Ball Wichman Case &amp; Ichiki</b>
<b>Plan Options:</b>	

INVESTMENT OPTION	INVESTMENT STYLE	COMPARATIVE INDEX
I.R.T. Stable Value Fund	Stable Value	Morley Capital GIC Index
Bond Fund of America	Bond Fund	LB Aggregate Bond Index
Dodge & Cox Balanced	Balanced	60% S&P 500 / 40% LB Govt/Corp
Vanguard Index 500	Large Cap Index	Standard & Poors 500 Index
Vanguard U.S. Growth	Large Cap Growth	Russell 1000 Growth Index
Franklin Small Cap Growth I	Small Cap Growth	Russell 2000 Growth Index
Templeton Foreign I	International Equity	MSEAFE GDP Weighted Index



**STATEMENT OF INVESTMENT POLICY, OBJECTIVES, AND  
GUIDELINES**  
**Government of Guam**  
**Defined Contribution Plan**

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**GENERAL INFORMATION**

The Government of Guam Defined Contribution Plan (Plan) is a qualified employee benefit plan established and operated pursuant to applicable federal laws and regulations. The plan is also an ERISA section 404c plan, providing plan participants with ability to exercise some degree of control over the investment of the assets in their own accounts.

The Plan was adopted effective October 1, 1995. The Plan currently covers 4,194 employees.

**SCOPE OF THIS INVESTMENT POLICY**

This statement of investment policy reflects the investment policy, objectives, and constraints of the entire Plan.

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**PURPOSE OF THIS INVESTMENT POLICY STATEMENT**

This statement of investment policy is set forth by the Board of Trustees of the Plan in order to:

1. Define and assign the responsibilities of all involved parties.
2. Establish a clear understanding for all involved parties of the investment goals and objectives for Plan assets.
3. Establish a basis for evaluating investment results.
4. Ensure that Plan assets are managed in accordance with the Employment Retirement Income Security Act of 1974 (ERISA) and regulations pertaining thereto.
5. Ensure that investments available for participant selection are in accordance with ERISA section 404© and regulations pertaining thereto.



6. Provide policies regarding the expectations of plan communications regarding all participant information.

In general, the purpose of this statement is to outline a philosophy and attitude, which will guide the investment management of the assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

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## DELEGATION OF AUTHORITY

The Board of Trustees of the Plan is a fiduciary under ERISA, and is responsible for selecting and monitoring the investments available to participants within the Plan. As such, the Board of Trustees is authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

1. Investment Management Consultant. The consultant may assist the Board of Trustees in: establishing investment policy, objectives, and guidelines; selecting Portfolio Advisors; reviewing such managers over time; measuring and evaluating investment performance; and, other tasks as deemed appropriate.
2. Portfolio Advisor. The Portfolio Advisor has discretion to purchase, sell, or hold the specific securities that will be used to meet their respective option's objectives.
3. Administrator. The administrator will be responsible for all administrative functions regarding the accounting of individual participant accounts, as well as participant education regarding the Plan and investment options.
4. Co-Trustee. The Board of Trustees may appoint an outside individual or entity, such as a bank trust department, to be co-trustee. The Co-trustee will assume fiduciary responsibility for the administration of Plan assets.
5. Additional specialists such as attorneys, auditors, and others may be employed by the Board of Trustees to assist in meeting its responsibilities and obligations to administer plan assets prudently.

The Board of Trustees will not reserve any control over investment decisions, with the exception of specific limitations described in these statements. Portfolio Advisors will be held responsible and accountable to achieve the objectives herein stated. It is not believed that the limitations will hamper Portfolio Advisors.

If such experts employed are also deemed to be fiduciaries, they must acknowledge such in writing. All expenses for such experts must be customary and reasonable, and will be borne by the Plan and/or plan participants as deemed appropriate and necessary.



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## DEFINITIONS

1. "Plan" shall mean the Government of Guam Defined Contribution Plan.
2. "Board of Trustees" shall refer to the governing board established to administer the Plan as specified by applicable ordinance.
3. "ERISA" shall mean the Employee Retirement Income Security Act of 1974, any amendments thereto, and any regulations issued pertaining to the Act.
4. "Fiduciary" shall mean any individual or group of individuals as defined in ERISA, section 3 (21)(a).
5. "Portfolio Advisor" shall mean any individual or group of individuals, employed to manage the investments of all or part of the Plan assets.
6. "Administrator" shall mean any individual or organization employed to provide administrative functions regarding the accounting of individual participant accounts; and, to provide participant education on matters pertaining to the Plan and to the investment options offered.
7. "Investment Management Consultant" shall mean any individual or organization employed to provide advisory services, including advice on investment objectives and plan investment options, Portfolio Advisors searches, and performance monitoring.
8. "Securities" shall refer to the marketable investment securities, which are defined as acceptable in this statement.
9. "Participant" shall mean active, terminated, disabled, or retired members of the Government of Guam Defined Contribution Plan, with balances in the plan.

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## ASSIGNMENT OF RESPONSIBILITY

### **Responsibility of the Board of Trustees of the Plan.**

The Board of Trustees is charged by law with the responsibility for the management of the assets of the Plan. The Board of Trustees shall discharge its duties solely in the interest of the Plan, with the care, skill, prudence and diligence under the circumstances then prevailing, that a prudent man, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims. The specific responsibilities of the Board of Trustees relating to the investment management of Plan assets include:



1. Adhering to the guidelines as defined in ERISA and all other applicable regulations.
2. Selecting a diversified offering of participant investment options as defined in ERISA section 404c and for providing participants with the sufficient information necessary to allow them to make informed investment decisions.
3. Providing participants with the means to move amongst the investment options with a frequency appropriate for the volatility of investment options available.
4. Establishing reasonable and consistent investment objectives, policies and guidelines for plan investment options.
5. Prudently and diligently selecting qualified investment professionals, including Portfolio Advisor(s), Investment Consultant(s), and Custodian(s).
6. Regularly evaluating the performance of the Portfolio Advisor(s) to assure adherence to policy guidelines and investment objective progress.
7. Developing and enacting proper control procedures: For example, replacing Portfolio Advisor(s) due to fundamental change in investment management process, or failure to comply with established guidelines.

#### **Responsibility of the Investment Consultant**

The Investment Consultant's role is that of a non-discretionary advisor to the Board of Trustees of the Plan. Investment advice concerning the investment management of Plan assets will be offered by the Investment Consultant, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this statement. Specific responsibilities of the Investment Consultant include:

1. Assisting in the development and periodic review of investment policy.
2. Conducting Portfolio Advisor searches when requested by the Board of Trustees.
3. Providing "due diligence", or research, on the Portfolio Advisor(s).
4. Monitoring the performance of the Portfolio Advisor(s) to provide the Board of Trustees with the ability to determine the progress toward their respective investment objectives.
5. Communicating matters of policy, Portfolio Advisor research, and Portfolio Advisor performance to the Board of Trustees.



## **Responsibility of the Portfolio Advisor(s)**

Subject to the supervision and the direction of the Board, each Portfolio Advisor's responsibilities are limited to managing the securities held by the Portfolio it serves in accordance with the Portfolio's stated investment objectives and policies, making investment decisions for the Portfolio and placing orders to purchase and sell securities on behalf of the Portfolio.

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## **GENERAL INVESTMENT PRINCIPLES**

1. Investments shall be made solely in the interest of the participants and beneficiaries of the Plan and for the exclusive purpose of providing benefits accrued thereunder and defraying the reasonable expenses of administration.
2. The Plan shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims.
3. Participants shall be provided with a broad range of investment options to allow for diversification so as to minimize the risk of large losses.

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## **INVESTMENT MANAGEMENT POLICY**

1. Preservation of Capital - Consistent with their respective investment styles and philosophies, Portfolio Advisors should make reasonable efforts to preserve capital, understanding that losses may occur in individual securities.
2. Risk Aversion - Understanding that risk is present in all types of securities and investment styles, the Board of Trustees recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the participant's objectives. However, the Portfolio Advisors are to make reasonable efforts to control risk, and will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment style and objectives.
3. Adherence to Investment Discipline - Portfolio Advisors are expected to adhere to the investment management styles for which they were hired. Portfolio Advisors will be evaluated regularly for adherence to investment discipline.





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## INVESTMENT OBJECTIVES

In order to provide participants with an efficient retirement savings plan, the primary objective of the Government of Guam Defined Contribution Plan will be to provide participants with a diversified series of investment options so that each and every participant will have the ability to allocate amongst those options in a manner which is appropriate for their individual risk profile.

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## SPECIFIC INVESTMENT GOALS: Plan Options

The goal of each Portfolio Advisor shall be to:

1. Meet or exceed the market index, or blended market index, selected and agreed upon by the Board of Trustees that most closely corresponds to the style of investment management.
2. Display an overall level of risk in the portfolio, which is consistent with the risk, associated with the benchmark specified above. Risk will be measured by the standard deviation of returns.

Specific investment goals for each investment option are as follows:

INVESTMENT OPTION	INVESTMENT STYLE	COMPARATIVE INDEX
I.R.T. Stable Value Fund	Stable Value	Morley Capital GIC Index
Bond Fund of America	Bond Fund	LB Aggregate Bond Index
Dodge & Cox Balanced	Balanced	60% S&P 500 / 40% LB Govt/Corp
Vanguard Index 500	Large Cap Index	Standard & Poors 500 Index
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Franklin Small Cap Growth I	Small Cap Growth	Russell 2000 Growth Index
Templeton Foreign I	International Equity	MSEAFE GDP Weighted Index



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## **MARKETABILITY OF ASSETS**

The Board of Trustees requires that all of Plan assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the Plan and participants, with minimal impact on market price.

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## **SELECTION OF PORTFOLIO ADVISORS**

The Board of Trustees' selection of Portfolio Advisor(s) must be based on prudent due diligence procedures. A qualifying Portfolio Advisor must be a bank, insurance company, investment management company, or investment adviser as defined by the Registered Investment Advisers Act of 1940.

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## **PORTFOLIO ADVISOR PERFORMANCE REVIEW AND EVALUATION**

Performance reports generated by the Investment Consultant shall be compiled at least quarterly and communicated to the Board of Trustees for review. The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The Board of Trustees intends to evaluate the Portfolio Advisor(s) over at least a three-year period, but reserves the right to terminate a Portfolio Advisor for any reason including the following:

1. Investment performance which is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results.
2. Failure to adhere to any aspect of this statement of investment policy, including communication and reporting requirements.
3. Significant qualitative changes to the organization.

Portfolio Advisors shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

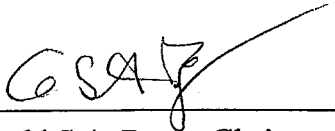
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## **INVESTMENT POLICY REVIEW**

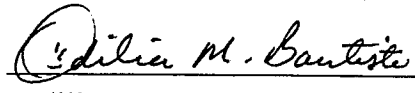
To assure continued relevance of the guidelines, objectives, financial status, and capital markets expectations as established in this statement of investment policy, the Board of Trustees plans to review investment policy at least annually.

This statement of investment policy is adopted on September 23, 1998 by the Board of Trustees of the Plan whose signatures appear below.

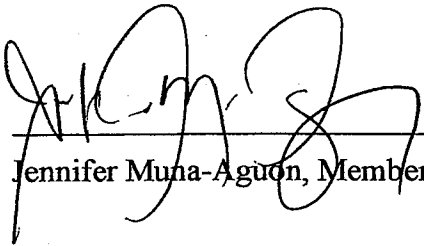
**DEFINED CONTRIBUTION RETIREMENT SYSTEM  
BOARD OF TRUSTEES**



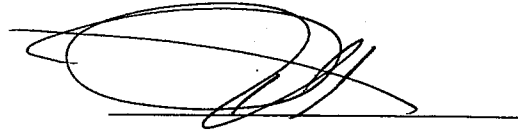
Gerald S.A. Perez, Chairman



Odilia M. Bautista, Member



Jennifer Muha-Aguon, Member



Paul D. Untalan, Member

