

INVESTMENT COMMITTEE MEETING

Tuesday, February 10, 2004, 10:19am
Retirement Fund Conference Room

MINUTES

DEFINED BENEFITS

I. CALL TO ORDER

The Retirement Fund Investment Committee meeting, for the Defined Benefits plan, was called to order at 10:19a.m., Tuesday, February 10, 2004, in the Retirement Fund Conference Room. Chairman, at the Board Frank Salas officiated, as Chair and Vice Chair were not in attendance.

Present:

Frank Salas, Chairman
Katherine T.E. Taitano, Trustee

Also Present:

Pete Tajalle, Controller
Rosalia Bordallo, Investment Specialist
Stephanie Herrera, Investment Committee Secretary
Dominica Tajalle

Vince Camacho, Great West

II. REVIEW AND APPROVAL OF MINUTES

On Motion by Mr. Tajalle, seconded by Ms. Bordallo, the minutes of November 14, 2003 and January 10, 2004, were accepted.

III. OLD BUSINESS

- Review of Summit Expenses – Per Mr. Tajalle, Cost still being finalized
- DC Interest & Penalty charges draft policy – still in preparation stage

As reported by Mr. Vince Camacho of Great West, in regards to DC Interest & Penalty it has to be adopted via the plan document. Amendment needs to be sent to Revenue & Taxation as well as to the IRS. The Law does not preclude this, but in order for anything to be implemented into the DC plan, it has to be adopted within the plan documents itself. Amendment should be prepared by the Investment Committee and submitted for Board of Trustees approval and once the Board takes action, it will be finalized through the filings.

Mr. Camacho stated that this process should go through legal council and legal will do the filings.

IV. NEW BUSINESS

- Update – International Foreign Equity Investment Manager (Small cap & Emerging Markets) SEARCH

As reported by Mr. Tajalle, Mercer has received their packages from the Retirement Fund and is working on finalizing a list of recommended managers and, is expected to finalize everything by the end of March.

- Update- Actuary RFP (Closes March 1, 2004)

As per Mr. Tajalle, due to the time frame for distribution and response from people, and the review process, Retirement Fund needs to be given more time to complete the process and to finalize. RFP was sent out on or about January 13, 2004 and has been posted.

- Review of revised “Investment Policy”

As reported by Mr. Tajalle, Mercer has submitted the revised investment policy for review and approval. The investment policy was adopted as revised by the previous board and needs to be reviewed and adopted by the new board.

Mr. Salas confirmed that this review and revision of the policy is normally done by each new board.

Ms. Taitano recommended that this process continue with this board in light of the upcoming board elections.

Ms. Bordallo confirms that this policy mirrors the existing policy. The only major change would be to update certain sections such as the asset allocation.

Ms. Taitano recommended, that for the future, the draft be submitted to show revisions made for reference purposes.

Ms. Bordallo agreed and that this will be done in the future.

Mr. Salas recommended that the policy be date specific, showing revision date. This can then be placed into chronological order for future reference.

Ms. Bordallo reported that there have been no major changes since the first adoption of the IPS and that it is only amended for changes in the board membership.

Mr. Tajalle reported that the IPS would be amended to reflect Mr. Salas recommendation to include the addition of a footer indicating page numbering of IPS.

Mr. Salas, indicates closure of discussion of IPS, and calls for a motion for approval of IPS.

Mr. Tajalle, proposed that the IPS be approved notwithstanding changes recommended by the board. Ms. Bordallo, seconded the motion.

Motion carried.

- Mercer analysis of “Prudent Man” legislation impact based on oversight meeting request

As reported by Mr. Tajalle, Mercer has provided an analysis comparing the five previous fiscal years, for actual performance vs. conservative performance, and their conservative approach was based on the expected decision a board would have taken when making an investment decision.

Mr. Tajalle also stated that this has been remitted to oversight chair for review and proper distribution the committee members.

Ms. Bordallo does not agree to the conservative method being applied by the consultant.

Mr. Tajalle reported that Rich Nuzum from Mercer had dialog with the Speaker of the Legislature. Also Mr. Tajalle, states that as far as Mr. Nuzum’s approach on the conservative, his assumption was that this would have been recommended on the conservative side of a very risk free nature in terms of that.

Mr. Camacho, stated that this approach was unrealistic and that portfolios are not always 100% risk free.

Mr. Salas stated his concern regarding the approach on the three month T Bill comparison, instead of a 50/50 or 60/40 that would have been more suitable to a comparison of existing investment guidelines.

Mr. Salas recommended that Mr. Tajalle confer with Mr. Nuzum regarding his analysis.

Mr. Tajalle reported that Mercer is going on a most very conservative approach, with no additional risk. Also adding that Mercer is trying to compare the two.

Mr. Tajalle reported that based on the conservative approach as to compare to what the Fund has achieved, with current guidelines it is at a 4.4% as oppose to a 3.7% if the Fund went the conservative way.

Ms. Bordallo suggested that there be more explanation concerning the issue of rate return so that Speaker Pangelinan understands the improbability of receiving the actuarial rate of return for each fiscal year.

Mr. Camacho supported Ms. Bordallo’s comments further stating that the actuarial rate of return is based on the long term return of the Fund (consistent over the 30 year span).

At this time the Chairman acknowledged, the Director Mr. Aflague’s presence.

Mr. Aflague reported that he just returned from a meeting at Social Security office and, would like to share his experience at this meeting.

Mr. Aflague, mentioned that there were dignitaries present at this meeting, and what was brought up was that social security is exploring the issue of separating the retirees from the health insurance negotiations (he uses the term exploring loosely). He went on to say that there were some interesting issues that may be of interest to the Retirement Fund, and that he received some data that he would like to disseminate to the board for their awareness.

V. OPEN DISCUSSION

- Status of 2004 Employee and Employer Contributions

Mr. Tajalle reported that all agencies are all current with the exception of Guam Memorial Hospital Authority, on the Define Contribution, a letter of delinquency was sent out on January 9, 2004, and that he will do a follow up.

VI. ANNOUNCEMENTS

None.

VII. ADJOURNMENT

Being that there is no further business before the Investment Committee, for the Defined Benefits Retirement plan, the Chairman adjourned this meeting at 10:50 a.m.

DEFINE CONTRIBUTION

I. CALL TO ORDER

The Retirement Fund Investment Committee meeting, for the Defined Contribution plan, was called to order at 10:50a.m., Tuesday, February 10, 2004, in the Retirement Fund Conference Room. Chairman, at the Board Frank Salas officiated, as Chair and Vice Chair were not in attendance.

Present:

Frank Salas, Chairman
Katherine T.E. Taitano, Trustee

Also Present:

Wilfred Aflague, Director
Pete Tajalle, Controller
Rosalia Bordallo, Investment Specialist
Stephanie Herrera, Investment Committee Secretary
Dominica Tajalle

Vince Camacho, Great West

II. APPROVAL OF MINUTES

NONE.

III. OLD BUSINESS

NONE

IV. NEW BUSINESS

- The Profile Series

Mr. Camacho reported that the Profile Series and the Dodge & Cox Fund are similar situation.

Mr. Camacho mentioned participants have requested the addition series and the Dodge & Cox Fund, Mr. Camacho was asked by the Board Chairman to investigate.

Mr. Camacho stated that with the addition of the Profile Series and Dodge & Cox Fund the 457 Plan, would mirror the 401 Plan in terms of investment options.

Mr. Camacho reported that there is no additional cost to applying this to the current plan, it just make more options available, and that the Define Contribution does not have a "balance fund" in the 457. It has been noticed that even with the increasing membership of the 457 plan, that the majority of the members are still uncomfortable about setting an allocation strategy opting to place in Invesco Stable Value Fund.

Mr. Camacho reported that by adding the Profile Series, the members are able to use their actual risk tolerance level, and that they don't have to worry about the "rebalancer" because, it is automatic. Define Contribution is able to offer the same thing as to the 401, which is rebate the Administrative cost for managing a profile fund, which is ten basis points to the fund, "In essence reduces the fees".

Ms. Bordallo inquired upon board approval, what will be the commencing date.

Mr. Camacho responded "March 1", and that this is not replacing a "fund" where there has to be "black out dates" to do the transfer, this would just put on line the funds.

Motion to approve the additional new profile fund for the 457 and Dodge & Cox balance fund, Ms. Bordalo motioned, seconded by Ms. Taitano.

Motion carried.

V. OPEN DISCUSSION

Mr. Camacho reported that the Define Contribution fourth quarter report indicated that the performance for the 401 is up to \$90 million dollars.

Mr. Camacho mentioned that hopefully by the end of this year considering any market recoveries or market correction that will hit the \$100 million mark.

Mr. Camacho reported the balance at the end of the quarter was \$90 million, beginning of the quarter was \$83 million for asset growth for the quarter of \$7.1 million.

Mr. Camacho reported that the growth components are \$3.8 million from contribution, so basically the Define Contribution had a \$5.1 million dollar gain for the quarter.

Mr. Camacho mentioned that distributions include, "hardships and Terminations".

Mr. Camacho reported that the 457 plan is up to \$3.2 million, and the asset growth for the quarter is \$414 thousand, the components were \$266 in contribution, and \$141 thousand in distribution, and \$289 in net investment gain for the quarter.

Ms. Taitano asked Mr. Camacho is there were any loans under the 457. Mr. Camacho indicated that there are, but the loans are not open to any other agencies except to Retirement Fund. Mr. Camacho, explains that Define Contribution needed to ensure that the payroll centers were fully aware of how records needed to be applied for loan repayments. Some agencies do not have the capabilities for additional deductions without incurring additional cost to provide software.

Mr. Aflague mentioned that has been a problem with General Fund, due to lack of funds.

Mr. Camacho mentioned that Define Contribution can not afford to roll out the loans at this point in time and, there are issues of potential loan defaults, and tax liabilities.

Mr. Camacho, reports that Define Contribution is currently working with autonomous agencies that may be able to implement this with their payroll system.

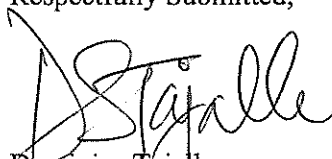
VI. ANNOUNCEMENTS

NONE.

VII. ADJOURNMENT

Being that there is no further business before the Investment Committee, for the Defined Contribution Retirement plan, the Chairman adjourned this meeting at 11:00 a.m.

Respectfully Submitted,



Dominica Tajalle