



GOVERNMENT OF GUAM
RETIREMENT FUND
 STABILITY · SECURITY · REWARDS

Felix P. Camacho
 Governor

Kaleo S. Moylan
 Lieutenant Governor

Paula M. Blas
 Acting Director

INVESTMENT COMMITTEE MEETING
 Friday, March 3, 2006, 12:00pm
 Retirement Fund Conference Room

MINUTES

I. CALL TO ORDER

The Retirement Fund Investment Committee meeting was called to order at 12:25 pm on Friday, March 3, 2006, in the Retirement Fund Conference Room. Investment Committee Chairman Wilfred P. Leon Guerrero officiated.

Board of Trustees Present:

Wilfred P. Leon Guerrero, Chairman
 Gerard A. Cruz, Member
 James J. Taylor, Member
 Joe T. San Agustin, Ex Officio

Staff Present:

Paula M. Blas, Acting Director
 Rosalia Bordallo, General Accounting Supervisor
 Stephanie Herrera, Recording Secretary
 Vince Camacho, GreatWest Retirement Services

Public Present:

Mark Heath, Metropolitan West Capital Management

II. ACTION ITEMS

A. Approval of Minutes – December 2, 2005, January 6, 2006 and February 3, 2006 Investment Committee Meetings

Committee Member Gerard Cruz, Seconded by Committee Chairman Wilfred Leon Guerrero, moved to approve the Investment Committee Meeting Minutes of January 6, 2006 and February 3, 2006 and to defer approval of December 2, 2005 meeting minutes until the next scheduled Investment Committee Meeting. Without objection, the motion was passed.

Trustees:

Joe T. San Agustin
 Chairman

Dr. Wilfred P. Leon Guerrero
 Vice-Chairman
 Investment Committee, Chairman

James J. Taylor, Ph.D.
 Secretary
 Investment Committee, Vice-Chairman

Katherine T.E. Taitano
 Trustee
 Treasurer

George A. Santos
 Trustee
 Members' & Benefits Committee, Chairman

Anthony C. Blaz
 Trustee
 Audit & Operations Committee, Chairman

Gerard A. Cruz
 Trustee

B. Approval – Principal Drawdown Schedule

A drawdown schedule was not ready to be presented at this meeting. General Accounting Supervisor Rosalia Bordallo stated that she is currently working on a schedule and that a drawdown was only needed for the 2nd pay period of the month (March 31st) for approximately \$6million dollars. Subject to review at the next Board Meeting, a motion was made by Committee Member Cruz, seconded by Committee James Taylor, to approve a drawdown of \$6million dollars for the March 31, 2006 pay period.

C. Presentation by Met West – Liquidation of Lazard ADR Portfolio

The Retirement Fund had requested the services of Metropolitan West in the selling of securities held by Lazard Asset Management. A list of securities to be sold will be provided to MetWest for review and approval. The request was agreed upon with Mark Heath, MetWest.

D. Draft Watch List Policy

It was requested by Committee Chairman Leon Guerrero to look at prior Board agendas and identify items that are pending. General Accounting Supervisor Bordallo stated that one of those items was a draft policy on how to deal with those placed on a watch list, which was requested from former Controller Pete Tajalle. A draft prepared by Investment Consultant Terry Dennison showing examples for manager review and termination was presented and reviewed. Committee member Cruz suggested that placing managers on a watch should be an automatic response from the Consultant; however removing them should be a decision made by the Board. General Accounting Supervisor Bordallo expressed her concerns on setting a time line for manager's to be placed on watch so that the Board ultimately has to make a decision within a certain time. It was decided that this issue would be tabled, pending feedback from Committee member Taylor.

E. Selection of Replacement Funds – Defined Contributions

- 1. RS Diversified Growth**
- 2. Vanguard U.S. Growth**

Vince Camacho, GreatWest Retirement Services, explained that this recommended action item goes back to April of last year and is due to underperformance. He further explained that it was not recommended that these funds be placed on a watch, it was agreed by the Board to replace these funds. A list of list of options to replace the fund had been provided to the committee members for review. Ex Officio Joe T. San Agustin and Committee Chairman Leon Guerrero expressed their concerns

regarding those members that are currently invested with the two managers that are subject termination. Committee member Cruz suggested that another option is to add on managers. Mr. Camacho stated that he could look into retaining the fund managers, while closing them; however expressed that it is important that those funds which are underperforming should not be kept. Committee member Cruz recommended that these managers be retained, but closed to new members, until such time that current members are ready to transition out. General Accounting Supervisor Bordallo also expressed her concerns with retaining these funds. She explained that when the DCPlan was created, there were set rules in place that are to be followed, which the Board agreed. One of the rules was that funds that are chosen to be offered to participants have to meet the criteria. If the rules aren't adhered to, there could be problems, where the Retirement Fund could be held liable for. Mr. Camacho added that to retain these funds will still cause a liability in terms of the fiduciary roles of the Retirement Fund. Committee member Cruz stated that he is prepared to replace these two funds. A current analysis with options to choose from was requested by Mr. Camacho by each committee member and staff for review, to be ready at the next Board meeting. Committee member Cruz moved that the RS Diversified Growth be replaced with Barron Small Cap Fund and Vanguard U.S. Growth with American Funds AMCAPR4, subject to a review of the most recent performance reports. Without objection, the recommendation was agreed upon by the committee members and staff.

F. Scheduling of Annual Review – Great West Retirement Services

The Annual Review for the DCPlan and 457 Plan was scheduled for April 7, 2006, to be included with the regularly scheduled Investment Committee Meeting.

III. OPEN ITEMS

A. Request for Proposal

Acting Director Paula Blas stated that an advertisement for the RPF, for legal services, comes out on Monday, March 6th and will be ready to be issued on that date.

B. Third Party

Acting Director Blas, advised that as requested by the committee, a RFQ (Request for Quotes) for law firms was sent out for representation from an outside Attorney for review.

C. Advisor for Defined Contribution

Acting Director Blas had put before the committee to review, an RFP for an Investment Consultant for the DC Plan. She stated that it had already been reviewed by Legal Council and the scope of services is what she wanted the committee to look at. Committee Chairman Leon Guerrero requested that this be brought before the Board at the next meeting.

IV. INFORMATIONAL ITEMS

None.

V. OPEN DISCUSSION

A report of broker's commissions by transactions, to be broken down by calendar year was requested by Ex Officio Joe T. San Agustin to be prepared by General Accounting Supervisor Bordallo.

VI. CORRESPONDENCE

None.

VII. ANNOUNCEMENTS

None.

VIII. ADJOURNMENT

There being no further business before the Investment Committee, Committee Chairman Leon Guerrero adjourned the meeting at 3:00pm.

Respectfully submitted,



STEPHANIE A. HERRERA
Recording Secretary

AFFIRMED:


WILFRED P. LEON GUERRERO, Chairman