

GOVERNMENT OF GUAM
RETIREMENT FUND
 STABILITY · SECURITY · REWARDS

Felix P. Camacho
 Governor

Kaleo S. Moylan
 Lieutenant Governor

Paula M. Blas
 Director

INVESTMENT COMMITTEE MEETING
 Friday, July 7, 2006, 12:00pm
 Retirement Fund Conference Room

MINUTES

I. CALL TO ORDER

The Retirement Fund Investment Committee meeting was called to order at 12:15 pm on Friday, July 7, 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

Staff Present:

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

ACTION ITEMS

A. Approval of Minutes – May 5, 2006 and June 2, 2006 Investment Committee Meetings

Committee Member Gerard Cruz, Seconded by Committee Member James Taylor, moved to approve the Investment Committee Meeting Minutes of May 5, 2006 and to table the minutes of June 2, 2006. Without objection, the motion was passed.

B. Grantham Mayo Van Otterloo (GMO)

A chronology and analysis of events surrounding the retention of GMO and alternatives for International Equity Investment Management was

Trustees:

Joe T. San Agustin
 Chairman

Wilfred P. Leon Guerrero, Ed. D.
 Vice-Chairman
 Investment Committee, Chairman

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

Gerard A. Cruz
 Trustee
 Treasurer

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

Anthony C. Blaz
 Trustee
 Audit & Operations Committee, Chairman

Katherine T.E. Taitano
 Trustee

provided for review and discussion by General Accounting Supervisor Rosalie Bordallo. The issue of whether or not to fund GMO was discussed by the committee members and staff. A motion was made by Committee Chairman, Wilfred Leon Guerrero to recommend to the Board to not fund GMO at this time. With that being agreed upon, the committee members and staff discussed the items under Option C. Committee Member Cruz recommended going with item c. (AXA) after getting something in writing from Legal Counsel, stating that Item 1. c. (AXA), is compliant with the selection process. General Accounting Supervisor Bordallo explained that with choosing AXA under Item 1., the emerging market percentages would have to be adjusted in the mutual fund category to allow for the additional portion for AXA on Item 3. General Accounting Supervisor Bordallo recommended that with the existing law, to go with AXA, if there is a change in the law, she recommended going with Capital Int'l, with emerging market and would recommend AXA for small cap, and for foreign equity, Fisher. For Option C., Item 2. b. (DFA) was agreed by the committee members, also pending a legal opinion from Legal Counsel. Committee Chairman Leon Guerrero asked Controller Diana Bernardo and General Accounting Supervisor Bordallo to put in writing, the recommended options with the current law and with the possible change in the law, for further review and discussion.

*At this time, the meeting recessed at 1:30 and reconvened at 1:40pm. Controller Bernardo and General Accounting Supervisor Bordallo excused themselves to prepare in writing, their recommendations for the committee members.

Upon further review of the information provided by Controller Bernardo and General Accounting Supervisor Bordallo, the committee approved funding of the following:

Before the passage of Bill 295:

Fisher - \$36 million for Foreign Equity Large Cap Segregated
DFA - \$17 million for Small Cap Mutual Fund
AXA - \$36.5 million for Foreign Equity Large Cap Mutual Fund

After the passage of Bill 295:

Fisher - \$39 million for Foreign Equity Large Cap Segregated
DFA - \$17 million for Small Cap Mutual Fund
AXA - \$36.5 million for Foreign Equity Large Cap Mutual Fund
Capital - \$36.5 million for Emerging Markets

Committee Member Cruz requested that information regarding expenses also be provided.

III. OPEN ITEMS

As reported by Acting Director Paula Blas:

1. Watch List Policy

Acting Director Blas provided the committee members with a proposed GGRF Watch List Policy. She stated that she had incorporated the changes that were made in the last meeting in which the watch list policy was discussed and included samples from other entities, as requested by the committee. The proposed policy was provided to the committee members for review and to be discussed in the next scheduled Investment Committee Meeting for recommendation and approval.

2. Legal Services – Transaction Monitoring Services

Since Board Member Tony Blaz, who is part of the evaluation panel, just got back on island and the Fund's Chairman, Joe T. San Agustin didn't want to proceed until his return, this item is still pending.

3. DC Investment Consultant

Acting Director Blas stated that the panel is ready to evaluate and has received a total of four (4) proposals.

4. DC Third Party Administrator

Acting Director Blas provided a second draft, incorporating changes that were made at the last Investment Committee Meeting.

5. Global Custody Search

Changes requested by Committee Member James Taylor were made and will be given back for review.

IV. INFORMATIONAL ITEMS

A. Mercer Quarterly Meeting

As agreed upon by the committee members and staff, meetings for quarters ending March 31, 2006 (2nd qtr) and June 30, 2006 (3rd qtr) will be set for August 9 and 10, 2006.

B. Annual Manager Review

As agreed upon by the committee members and staff, meetings will be scheduled for the week of November 13th.

V. OPEN DISCUSSION

None.

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 2:10pm.

Respectfully submitted,



STEPHANIE A. HERRERA
Recording Secretary

AFFIRMED:



WILFRED P. LEON GUERRERO, Chairman