



GOVERNMENT OF GUAM
RETIREMENT FUND
 STABILITY · SECURITY · REWARDS
INVESTMENT COMMITTEE MEETING
 Friday, August 5, 2005, 12:00 p.m.
 Retirement Fund Conference Room

Felix P. Camacho
 Governor

Kaleo S. Moylan
 Lieutenant Governor

Paula M. Blas
 Acting Director

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

MINUTES

I. CALL TO ORDER

The Retirement Fund Investment Committee Meeting was called to order at 12:25 p.m. Friday, August 5, 2005, in the Retirement Fund Conference Room. Investment Committee Acting Chairman James J. Taylor officiated.

Board of Trustees Present:

James J. Taylor, Acting Chairman
 Gerard A. Cruz, Member
 Joe T. San Agustin

Staff Present:

Paula M. Blas, Acting Director
 Rosalia Bordallo, Accountant III
 Vince Camacho, Great West Retirement Services
 Jackie Blas, Recording Secretary

II. ACTION ITEMS

A. Approval of Minutes – May 6, 2005 Investment Committee Minutes

Committee Member Gerard Cruz, seconded by Investment Committee Acting Chairman James Taylor, moved to defer approval of the Investment Committee Meeting Minutes of May 6, 2005 until the next scheduled Investment Committee Meeting. Without objection, the motion passed.

III. INFORMATIONAL ITEMS

A. Defined Contribution Plan Contribution Report

Vince Camacho, Great West Retirement Services, reported on the second quarter performance. Mr. Camacho stated that \$4.2 Million came from contributions. The net investment ending June 30, 2005 was \$1.7 Million.

Mr. Camacho stated that on the 457 Plan, the net gain for the second quarter was \$104,000.00. Committee Member Cruz questioned the forfeiture. Mr. Camacho stated that it is towards the end of the month.

Mr. Camacho reported on the contributions as of August 4, 2005. Mr. Camacho stated that all agencies are up to date with their contributions except for the Guam Public School System (GPSS) and the Superior Court which are late in their payments. Board Chairman San Agustin asked if there are any penalties for the late payments. Mr. Camacho replied "no." Mr. Camacho stated that letters were sent to the departments that are delinquent.

Rosalia Bordallo, Accountant III, stated that the Guam Memorial Hospital Authority (GMH) is having problem with providing the July 9, 2005 data. Ms. Bordallo stated that the Fund received the money but that it can't be allocated. Mr. Camacho stated that the July 9, 2005 pay period does not balance. Ms. Bordallo stated that the Fund only has the hard copy of the July 9, 2005 pay period. Mr. Camacho stated that he has received payments for the pay periods ending June 29, 2005, July 9, 2005 and July 23, 2005. Committee Member Cruz suggested to apply the cash payment of July 9, 2005 to one with data. Committee Member Cruz asked what is the remedy. Ms. Bordallo stated that she placed a call to Mr. Wilfred Aflague at GMHA. Committee Acting Chairman Taylor asked if there is a problem on the Defined Benefits Plan. Ms. Bordallo stated that both plans have the same problem. Committee Acting Chairman Taylor made a request for Management to keep track of this matter and if there is no resolution in a week, the Fund should shake some cages and maybe bring this matter to the Governor's Office. Committee Acting Chairman Taylor recommended that Acting Director Blas keep the Board posted on this matter.

Committee Acting Chairman Taylor asked about the Port Authority. Mr. Camacho stated that he received the data for the July 23, 2005 pay period but he is waiting for the data for the July 9, 2005 pay period. Mr. Camacho stated that the disk for July 9, 2005 was not compatible. Board Chairman San Agustin asked what is the percentage of members borrowing against their account. Mr. Camacho stated that it is 6% of over 300 members. Committee Acting Chairman Taylor stated that he is concerned with this issue but that this should be addressed at the Board level.

Committee Member Cruz inquired about the Plan restatement. Mr. Camacho stated that he would like to schedule a working session with the full Board to review the changes made. Mr. Camacho stated that changes were made by Legal Counsel Joanne Grimes.

Committee Acting Chairman Taylor stated that he received the materials on the allocations from Mr. Camacho. Mr. Camacho reported on the change of the two funds – Templeton and Vanguard Growth Fund. Board Chairman San Agustin asked about the transition time. Mr. Camacho stated that it would require thirty days in advance. Mr. Camacho stated that there would be a black out period to transfer funds. Committee Acting Chairman Taylor stated that there may be a problem with the way money is allocated into the Stable Value fund. Mr. Camacho stated that it was prior to the current Board taking over. Mr. Camacho stated that the change was from the previous Board's action.

Committee Acting Chairman Taylor stated that there is still a lot of money in the Invesco Stable Value Fund. Committee Acting Chairman Taylor stated that this needs to be addressed and explored. Committee Member Cruz asked what the current recommendations are. Mr. Camacho stated that there is

more risk. Committee Member Cruz asked whether the Board should be a fiduciary or a babysitter. Committee Acting Chairman Taylor recommended to get statistics on the use of the Stable Value fund for the next Investment Committee Meeting.

IV. OPEN DISCUSSION

A. Current Legislation on Investments

Acting Committee Chairman Taylor stated that Board Chairman Joe San Agustin sent the proposed bill relative to Section 8158 to the Legislature. Board Chairman San Agustin stated that he met with Speaker Mark Forbes and Speaker Forbes stated that he will schedule a public hearing on the proposed bill. Committee Acting Chairman Taylor stated that he would like to see if the whole Board approves of this. Board Chairman San Agustin stated that he would like clarification on the intention that investment managers may invest directly in stocks that do not pay dividends. Committee Acting Chairman Taylor suggested to leave the 30% and just add language that includes the purchase of stocks that do not pay dividends. Committee Member Cruz stated that it would be relevant to another section. Committee Acting Chairman Taylor stated that he does not recall a presentation of going into stocks. Board Chairman San Agustin agreed the change would be applied to 30% of the portfolio.

Committee Acting Chairman Taylor asked about the proposed legislative changes to Sections 8122.1 and 8122.2. Board Chairman San Agustin stated that this bill was brought up in 2003. Committee Member Cruz stated that he recalls that it would be an acknowledgement of problem. Board Chairman San Agustin stated that the proposed bill was reviewed by Legal Counsel Joanne Grimes. Board Chairman San Agustin stated that it has taken several years to move this forward.

Committee Acting Chairman Taylor stated that the proposed bill will protect the Fund. Board Chairman San Agustin stated that the Fund is otherwise exposed.

Committee Acting Chairman Taylor stated that the proposed change on the bill is on the qualifications for the position of Director of the Retirement Fund. Board Chairman San Agustin stated that Speaker Forbes will include this in the budget bill. Committee Member Cruz asked if the Board will have authority to hire the director.

Board Chairman San Agustin stated that, for the Committee's information, he is in the process of drafting a bill on the disability provision.

B. Status of the Request for Proposals

a. Custodial Bank

Acting Director Blas stated that the Custodial Bank RFP was sent to the Fund's Legal Counsel to see if they could assist in writing the RFP. Acting Director Blas stated that she is concerned on writing the RFP for an RFP. Committee Acting Chairman Taylor stated that he is concerned that Mercer pointed out that the Retirement Fund may have special custodial problems. Committee Member Cruz asked if the firm of Carlsmith is competent to write the RFP. Board Chairman San Agustin stated that Legal Counsel Joanne Grimes is not only an attorney but that Legal Counsel Grimes is experienced with investments.

Acting Director Blas stated that she will check on the cost of having the Fund's Legal Counsel write the RFP. Committee Acting Chairman Taylor recommended to have Management find out how much it will cost and if the firm has the expertise needed to write the RFP. Acting Director Blas stated that she will get the information from Legal Counsel.

b. Request for Proposals for DC Plan Administration

Acting Director Blas stated that there is a problem on who to have review the RFP. Committee Acting Chairman Taylor stated that it needs an operational review. Committee Acting Chairman Taylor recommended to send it to Legal Counsel and then back to the Investment Committee. Acting Director Blas stated that Legal Counsel will be reviewing it for any legal technicality. Board Chairman San Agustin stated that Legal Counsel Grimes will not be a part of the Selection Panel. Board Chairman San Agustin stated that if there is a conflict, there should be an assignment clause. Mr. Vince Camacho stated that Great West is considering the termination of the contract with Legal Counsel Grimes. Mr. Camacho stated that it was the Retirement Fund's request to hire Legal Counsel Grimes for administration. Committee Acting Chairman Taylor suggested that Great West Retirement Services terminate the contract with Legal Counsel Grimes. Mr. Camacho stated that Great West has their own corporate attorney. Mr. Camacho stated that he should get the corporate recommendation by next week. Committee Acting Chairman Taylor stated that the Investment Committee will wait to hear from Great West.

C. Status on the International Manager Contracts

Board Chairman San Agustin asked the Board to hold off on signing the contracts so there could be further review. Board Chairman San Agustin stated that he wanted to stay with the ADRs. Board Chairman San Agustin stated that he asked Rich Nuzum and Rosalia Bordallo on what the advantage is. Committee Acting Chairman Taylor asked if the five contracts are ready to be signed. Board Chairman San Agustin stated that he is asking the Board to hold back on signing the contracts. Board Chairman San Agustin stated that there appears to be very limited discussion on the issue with the previous Board.

Committee Acting Chairman Taylor stated that he is optimistic based on recommendation from Mercer. Committee Member Cruz stated that he thought that the issue had been resolved. Committee Member Cruz stated that it was decided by this Board to sign the contracts. Committee Acting Chairman Taylor stated that he would like to expedite signing the contracts. Committee Acting Chairman Taylor stated that it is an appropriate decision to move forward. Board Chairman San Agustin asked that the Fund revisit this. Board Chairman San Agustin stated that he thinks the Fund should not go with emerging markets. Committee Member Cruz stated that this matter should go before the full Board on a discussion to move forward with signing the contracts.

D. Action being taken on the Mergers of the Fixed Income Managers

Board Chairman San Agustin asked what are the costs and benefits of the proposal from Mercer. Committee Acting Chairman Taylor asked if the Fund has an alternative. Committee Acting Chairman Taylor stated that he would like to meet with Rosalia Bordallo regarding this matter.

E. Public Law 28-38

Acting Director Blas stated that there was confusion on interpreting how to apply interest. Acting Director Blas stated that this was clarified with the Fund's Legal Counsel. Acting Director Blas stated that the computation is correct. Committee Acting Chairman Taylor stated that there should be something in writing from the Fund's Legal Counsel approving Controller Pete Tajalle's instructions. Acting Director Blas stated that the Guam Public School System (GPSS) asked why the Fund was charging interest on people retiring. Board Chairman San Agustin stated the legislation that passed is based on the interest due. Committee Acting Chairman Taylor asked if the Fund's Legal Counsel is saying that Controller Tajalle's instructions are correct. Acting Director Blas stated that the question is when is the start of interest being charged. Board Chairman San Agustin stated that the member must be fully paid. Committee Acting Chairman Taylor again recommended to get a written opinion from Legal Counsel Joanne Grimes on the matter. Acting Director Blas stated that she will get a clarification in writing from Legal Counsel on Controller Tajalle's interpretation of the new law.

V. CORRESPONDENCE

None

VI. ANNOUNCEMENTS

None

VII. ADJOURNMENT

There being no further business before the Investment Committee, on motion of Investment Committee Acting Chairman James Taylor, seconded by Investment Committee Member Gerard Cruz, and without objection, the meeting was adjourned at 1:55 p.m. Motion passed.

Respectfully submitted,


JACKIE BLAS
Recording Secretary

AFFIRMED:



WILFRED P. LEON GUERRERO, Chairman