

GOVERNMENT OF GUAM  
**RETIREMENT FUND**  
STABILITY · SECURITY · REWARDS

Felix P. Camacho  
Governor

Michael W. Cruz, M.D.  
Lieutenant Governor

Paula M. Blas  
Director

**INVESTMENT COMMITTEE MEETING**  
Friday, September 1, 2006, 12:00pm  
Retirement Fund Conference Room

**MINUTES**

**I. CALL TO ORDER**

The Retirement Fund Investment Committee meeting was called to order at 12:20 pm on Friday, September 1, 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 Taylor, Member  
Joe T. San Agustin, ex-officio

**Staff Present:**

Paula M. Blas, Director  
Diana Bernardo, Controller  
Rosalia Bordallo, General Accounting Supervisor  
Stephanie Herrera, Recording Secretary

Committee Chairman Wilfred Leon Guerrero had asked Controller Diana Bernardo to invite Mark Heath, MetWest, to discuss with the Committee, the option of investing in Real Estate. Mr. Heath pointed out that Guam is currently only served by Freddie Mac and not FNMA and GNMA and if there were enough diversity in mortgages that a GovGuam Retirement Fund Mortgage Program wouldn't be necessary. Chairman Leon Guerrero expressed his interest in exploring the opportunity of providing housing to the upcoming increasing military presence (on base) and also the possibility of providing housing to other individuals (off base) and inquired how the Fund could go about doing this. A handout was provided for review and discussion by the Committee Members and Staff. Mr. Heath explained that REITS are mutual funds for Real Estate and are expensive to put together. A handout was provided for review and discussion by the Committee Members and Staff.

*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

## **II. ACTION ITEMS**

### **1. Approval of Minutes – August 4, 2006 Investment Committee Meetings**

Committee Member Gerard Cruz recommended to table the minutes of August 4, 2006.

### **2. RFP – Real Estate Investment Trusts (REITS)**

RFP for REITS was provided to the Committee Members for review and discussion. Committee Member Cruz inquired as to whether this was going to a segregated account and General Accounting Supervisor Rosalie Bordallo explained that it will be a mutual fund because a segregated managed Real Estate account is not allowed by law. Committee Member James Taylor suggested listing funds covered by Morning Star and with the help of Mercer, chose the best three (3). Committee Chairman Leon Guerrero asked if the Fund could use one of their existing managers to purchase REITS; however General Accounting Supervisor Bordallo explained that if done that way, it becomes a segregated account and that the new contracts are very restrictive in the scope of work. After review and discussion of the RFP by the Committee Members and Staff, it was decided that clarification as to what type of account the Fund should invest in, an actively managed fund or a mutual fund.

### **3. RFP – Domestic Small Cap**

RFP for Domestic Small Cap Manager was provided to Committee Members for review and discussion. Committee Member Taylor also questioned whether the Fund would need an actively managed account. Committee Chairman Leon Guerrero requested for the Staff to get clarification on this item. A follow up meeting was set for September 8, 2006 at 11:00am, before the next Board Meeting. He also requested that feedback from Mercer on Agenda Items 2 and 3 be sent to him.

### **4. Watch List Policy**

Item was tabled.

## **III. OPEN ITEMS**

### **1. DC Investment Consultant**

Director Paula Blas advised the Committee that the panel will convene this afternoon to pick up the proposals for review.

## **IV. INFORMATIONAL ITEMS**

### **1. Manager Fee Summary**

A summary fee for all of the Fund's Investment Managers was given to the Committee Members for review. The committee expressed concerns as to why some of the managers are holding large amounts of cash in money market accounts. Committee Member Taylor recommended that General Accounting Supervisor Bordallo alert the committee to situations where the Fund might be able to make more money. She explained that Deutsche holds high levels of cash because that is their strategy and that Mercer doesn't see a problem with it. The two bond managers hold high levels in cash expecting interest rates to go up. The committee members requested that she provide a graph that would show the fluctuations of an ending balance within a twelve (12) month period.

**2. Transition Manager Update**

Controller Diana Bernardo stated that Legal counsel reviewed the contract with Lynch Ryan as a discount broker and advised that because the contract is stated in such a way that with the termination of Invesco the Fund can transfer the assets to Atalanta and to instruct them to use Lynch Jones as the discount broker. She stated that this is what the Fund is proposing to do and will send a letter out to Atalanta with directions. General Accounting Supervisor Bordallo added that the process should take about one week to complete. Controller Bernardo will provide an update to the Committee at the next meeting.

**3. Mercer Report "Persistence of Manager Performance"**

Report was provided to the Committee for review.

**4. Commission Sharing Agreement in the UK MarketPlace**

Controller Bernardo received documentation from Lynch Jones regarding commission recapture in the UK which she provided to the Committee for informational purposes.

**5. Federal Mortgage Program – Mark Heath**

Information was provided for the Committee by Mark Heath.

**6. Mercer's 3<sup>rd</sup> Quarter Performance Report – Nov. 13 and 14**

Mercer's 3<sup>rd</sup> Quarter Performance Report was set for November 13 and 14, 2006.

**7. Annual Reviews of Equity Managers – Nov. 13 and 14**

The annual review for Equity managers was set for November 13 and 14, 2006.

**8. RFP REITS & Small Cap – Dec. 11, 12, and 13**

RFP's for REITS and Small Cap will be reviewed on December 11, 12 and 13, 2006.

**V. OPEN DISCUSSION**

Director Blas gave an update on the RFP for DC Manager, stating that it went to the Board, the Chairman had some questions and Committee Member Taylor suggested some changes which she had made. Committee Member Taylor approved the changes and it is to go back to the Board for final review and approval.

**VI. CORRESPONDENCE**

None.

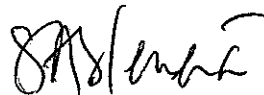
**VII. ANNOUNCEMENTS**

None.

**VIII. ADJOURNMENT**

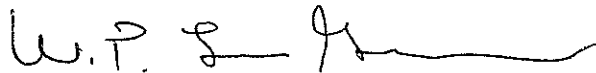
**There being no further business before the Investment Committee, Committee Chairman Leon Guerrero adjourned the meeting at 1:30pm.**

Respectfully submitted,



**STEPHANIE A. HERRERA**  
Recording Secretary

**AFFIRMED:**



**WILFRED P. LEON GUERRERO, Chairman**