

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, October 6, 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, October 6, 2006, in the Retirement Fund Conference Room. Investment Committee Member James Taylor officiated.

Board of Trustees Present:

- James Taylor, Member
- Gerard A. Cruz, Member
- Tony Blaz, Member
- Katherine Taitano, 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

II. ACTION ITEMS

1. Approval of Minutes

- a. August 4, 2006 Meeting
- b. September 1, 8, and 14, 2006 Meetings

Committee Member Gerard Cruz moved to approve the Investment Committee Meeting Minutes of August 4, 2006 and to table the Investment Committee Meeting Minutes of September 1, 8, and 14, 2006, until completion. Without objection, the motion was passed.

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

2. Investment Manager Petition Letters

- a. Davis Hamilton
- b. Metropolitan West
- c. RCM Capital Management

Controller Diane Bernardo explained that the Fund had received letters from the above listed managers requesting a change in mandate to include up to 25% in non-dividend paying stocks in the portfolio. The managers were informed that the Investment Committee will consider the petition in today's meeting and present their recommendation to the Board at their meeting on October 13, 2006. A motion was made by Committee Member Cruz, seconded by Committee Member Taylor to accept Davis Hamilton's request. Committee Member Cruz also moved to approve MetWest and RCM's requests, with clarification that it is not an exclusion of the statutory requirements and that the managers are to be informed in writing. Committee Member Taylor requested that Management prepare draft letters before the next meeting as part of a presentation to the Board.

3. RFP – Real Estate Investment Trusts (REITs)

A draft RFP for REITs was included for review by the Committee Members. Controller Bernardo stated that the only change, based on discussion during the last meeting was to the first paragraph, to include the Fund's request for professional services. A motion was made by Committee Member Cruz, seconded by Committee Member Taylor, to approve and present the RFP for REITs to the Board at the next meeting for final approval. Without objection, the motion was passed.

4. RFP – Domestic Small Cap (Mercers' GIMD – Database)

Director Paula Blas explained that whenever the Fund is searching for a Fund Manager, Mercer would request that information be entered into Mercer's GIMD Database. Board Chairman Joe T. San Agustin expressed his concerns on Mercer disclosing information to possible competitors. Director Blas stated that when an offer is submitted for an RFP, the proposals are kept non-public until an award is made and this is by letter of agreement between the Fund and Mercer. If the Fund agrees to use the GIMD Database, then the Fund enters into an agreement for non-disclosure. A motion was made by Committee Member Cruz, seconded by Committee Member Taylor, to approve and present the RFP for Domestic Small Cap to the Board for final approval along with a draft of the non-disclosure letter for Mercer's signature.

III. OPEN ITEMS

1. DC Investment Consultant

Controller Bernardo provided an update indicating the proposals were reviewed and that the RFP Committee members have met with four (4) respondents and the committee is pending a decision. Committee Member Taylor requested that a presentation be made to the Board following this meeting. As such, Committee Member Taylor moved to table this agenda item, and recess today's meeting in order to discuss this issue further before the next Board Meeting.

2. Watch List Policy

Controller Bernardo advised that the Watch List Policy has been revised for review by the Committee. Committee Member Cruz made a recommendation to add to Section 5, "that nothing within the policy will be construed to limit the Board's ability to terminate managers at will, (according to the existing contract), in accordance to contractual agreement." He also made a recommendation to add Watch List Policy under the monitoring of the Investment Managers section of the IPS. A motion was made by Committee Member Cruz, seconded by Committee Member Taylor to place this item under Action Items and to approve the Watch List Policy, with the recommended changes and to present to the Board for final approval.

IV. NEW BUSINESS

1. RFP – Transition Manager

Item was tabled.

2. RFP – Feasibility Study

Controller Bernardo requested the Committee's input as far as the verbiage on the highlighted items. Committee Member Cruz explained that the purpose of the Feasibility Study is for the Committee to look into the possibility of the Fund investing Real Estate on Guam that is federally secured or insured. The RFP was tabled for further review and discussion during the next scheduled Investment Committee Meeting.

V. INFORMATIONAL ITEMS

1. Controller Bernardo advised the Committee that at the last meeting, Atalanta was authorized to hold more than 5% in cash for up to 60 days. Currently they have less than 5% in cash.

2. A revised agenda for the Equity Managers Annual Review Meeting was included in the packet for review by Committee Members.

VI. OPEN DISCUSSION

None.

VII. CORRESPONDENCE

1. Letter from MetWest

The Fund's Chairman Joe T. San Agustin indicated that he received a letter from MetWest requesting a change in fee percentage for amounts above \$1,000,000,000 from 0.125% to 0.200% to be effective January 1, 2007.

VIII. ANNOUNCEMENTS

General Accounting Supervisor advised the Committee that the Fund is sending out letters regarding the change in contribution rate from 21.81% to 22.94% effective pay period ending October 14, 2006.

XI. ADJOURNMENT

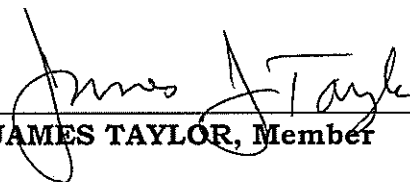
There being no further business before the Investment Committee, Committee Member Taylor recessed the meeting at 1:20pm.

Respectfully submitted,



STEPHANIE A. HERRERA
Recording Secretary

AFFIRMED:

 1/26/07
JAMES TAYLOR, Member