

GOVERNMENT OF GUAM
RETIREMENT FUND
STABILITY • SECURITY • REWARDS
INVESTMENT COMMITTEE MEETING

Friday, October 22, 2004, 11:20 a.m.
Retirement Fund Conference Room

MINUTES

Felix P. Camacho
Governor

Kaleo S. Moylan
Lieutenant Governor

Wilfred G. Aflague
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

I. CALL TO ORDER

The Retirement Fund Investment Committee Meeting was reconvened at 11:20 a.m. Friday, October 22, 2004, in the Retirement Fund Conference Room. Investment Committee Chairman Wilfred P. Leon Guerrero officiated.

Board of Trustees Present:

Wilfred P. Leon Guerrero, Chairman
James J. Taylor, Vice-Chairman
Joe T. San Agustin
Katherine Taitano

Staff Present:

Wilfred G. Aflague, Director
Paula Bamba, Administrative Services Officer
Pete Tajalle, Controller

II. APPROVAL OF MINUTES

On motion by Trustee Taylor, the Committee meeting minutes of September 3, 2004 was approved.

III. RFP- DC THIRD PARTY PLAN ADMINISTRATOR

The Evaluation Committee met on October 15, 2004. Ms. Bamba presented the rating results and the Committee's selection of the top-ranked vendor. The vendor was selected based on the ability of the vendor to manage the Defined Contribution Program as defined in the RFP. Having selected the top vendor, the Committee then requested an update of the funds proposed and, if a change in funds would affect pricing, any pricing adjustments that may be associated with such a change.

The Committee opted to utilize the Morning Star fund rating service as a basis for having the vendor make the updated fund selections. In the Morning Star rating system, individual funds are rated from one to five stars. In addition, fund companies are rated overall by using letter grades from A through F.

The Committee requested that the selected vendor update the proposed funds by utilizing funds with a Morning Star rating of four or five stars and a company rating of A or B. In addition, the selected vendor was asked to choose funds with low expense ratios. Ms. Bamba was delegated to communicate the information to the chosen vendor. She was also assigned to verify references.

Board Chairman San Agustin expressed concern that the Evaluation Committee's actions may be in violation of the procurement process. He questioned if the request to update the funds to be offered went beyond the original RFP, or the offeror is being allowed to modify or amend the original proposal. Ms. Bamba explained that the Committee was satisfied with the overall ability of the vendors who responded to the RFP. Having chosen the top vendor, the Committee requested an update to the funds being proposed. As pointed out by Trustee Taylor, the RFP allows for the Board to request changes in the funds. The final selection of the vendor to manage the program as well as the funds to be offered in the DC Plan is subject to Board approval. Chairman Leon Guerrero suggested having legal counsel review the process undertaken by the Evaluation Committee to ensure the Board would not be in violation of procurement regulations. Ms. Bamba will contact the selected vendor to seek a response time of three to five days for the proposal of an updated list of funds. As requested by Chairman Leon Guerrero, she will also ask for legal counsel's review of the RFP evaluation process.

IV. RFP CUSTODIAL BANK

Management is seeking alternate sources of information in relation to the Scope of Services for the custodial bank RFP. Mr. Tajalle stated the Committee could expect a proposed draft by mid-November. Staff is currently working off the most recent Scope of Services that is somewhat outdated.

V. DUE DILIGENCE MEETING

The Committee was provided with a draft agenda prepared by Mercer. The meetings are scheduled on November 29 through December 2, 2004. Chairman Leon Guerrero explained that the meetings are geared toward a discussion format rather than merely as presentation. This will allow them to go into the holdings and explain why they acquire or drop that specific holding.

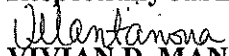
The managers are allotted fifteen minutes for the investment process, the remaining time will be an in depth review of the portfolio. Areas to be discussed include holdings by industry/sector, performance of the holdings from 2003 to 2004, performance of the holdings from inception to present, and reason for each type of holding and its relation to the style of the manager.

Board Chairman San Agustin stipulated including a category of holdings by industry indicating holdings available for immediate sale and holdings to be held to maturity. Trustee Taylor requested information relating to individual manager's turn-over ratio, and for the second and third quarter, where the managers stand in terms of their index.

VI. ADJOURNMENT

There being no further business before the Investment Committee, meeting was adjourned at 11:55 a.m.

Respectfully submitted,


VIVIAN D. MANTANONA

AFFIRMED:



WILFRED P. LEON GUERRERO, Chairman