



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, December 2, 2005, 12:00 p.m.
 Retirement Fund Conference Room

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

MINUTES

I. CALL TO ORDER

The Retirement Fund Investment Committee Meeting was called to order at 12:15 p.m. Friday, December 2, 2005, 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

Joe T. San Agustin, Ex Officio

Staff Present:

Paula M. Blas, Acting Director

Pete Tajalle, Controller

Jackie Blas, Recording Secretary

Rosalia Bordallo, Accountant III

II. ACTION ITEMS

A. Approval of Minutes – October 12, 2005 Investment Committee Meeting

Committee Member Gerard Cruz, seconded by Committee Chairman Wilfred Leon Guerrero, moved to defer approval of the Investment Committee Meeting Minutes of October 12, 2005 until the next scheduled Investment Committee Meeting. Without objection, the motion passed.

B. Approval – Motion for Board of Trustees to Direct Management, with Assistance from Mercer Investment Consulting, to Prepare a Request for Proposal for Transition Manager Services

Committee Chairman Leon Guerrero stated that in the future the Fund should include a money manager that would handle stocks that the new money managers do not want. Committee Member Cruz asked whether the Fund currently has a transition manager. Committee Chairman Leon Guerrero replied, “no.”

Committee Chairman Leon Guerrero suggested that the next time the Fund goes through this process to include in the Request for Proposal for a transitional manager. Ex Officio Joe San Agustin asked what is the role of the transition manager. Committee Member Cruz stated that the transition manager will acquire stock at market value and transfer it to newly chosen managers. Committee Chairman Leon Guerrero stated that the transitional manager can hold asset in value for an extended period of time. Ex Officio San Agustin stated that the Fund will save costs with one centralized transitional manager for the Fund.

Committee Member Cruz asked whether the Fund's existing discount brokers offer transitional services. Acting Director Paula Blas stated that the Fund has four (4) discount brokers. Acting Director Blas stated that the possibility of using one of the four discount brokers as a transition manager was being explored by Mercer Investment Consulting (Mercer).

Mrs. Rosalia Bordallo, Accountant III, mentioned that the transfer of assets has not occurred from Lazard and Aberdeen. Mrs. Bordallo asked that in the future the Investment Committee direct Management to obtain transitional services when transitioning from one manager to another manager.

Committee Member Gerard Cruz, seconded by Committee Chairman Wilfred Leon Guerrero, moved to direct Management to inquire with the Fund's existing discount brokers to determine whether they perform transitional services and the costs for such services; and if the existing discount brokers do not offer transitional services, for Management to include a transitional manager in future Request for Proposals. Without objection, the motion passed.

C. Approval – Motion for Board of Trustees to Review Attached Package Received from Milberg Weiss Relating to “Investment Transaction Monitoring.” Motion for Board of Trustees to Direct Retirement Fund Management to Further Pursue Implementation of this Type of Service

Committee Chairman Leon Guerrero stated that Milberg Weiss is proposing to monitor investment activity of investment managers to make sure that there are no illegal activities. This will be done at no cost to the Fund. Committee Chairman Leon Guerrero stated that he would like to bring this matter before the Board of Trustees for action. Committee Member Cruz stated that he has no issue with Milberg's proposal. Committee Chairman Leon Guerrero recommended getting an opinion from the Fund's Legal Counsel and also from Mercer Investment Consulting. Ex Officio San Agustin suggested finding out whether the Fund's Legal Counsel could subcontract with Milberg Weiss to acquire this type of services.

Committee Chairman Leon Guerrero stated that the Investment Committee is in agreement to obtain monitoring services and directed Management to work with the Fund's Legal Counsel if they could work with Milberg Weiss in trying to obtain this type of services. Committee Chairman Leon Guerrero stated that Milberg Weiss is willing to make a presentation to the Board of Trustees. Committee Chairman Leon Guerrero reiterated that monitoring will be done at no cost to the Fund.

Committee Chairman Wilfred Leon Guerrero, seconded by Committee Member Gerard Cruz, moved to direct Management to ask the Fund's Legal Counsel if they could work with Milberg Weiss in obtaining monitoring services. Without objection, the motion passed.

D. Approval – Motion for Board of Trustees to Fill the Position of “Investment Specialist” Due to the Needs of the Investment Section of the Division

Acting Director Blas stated that the Fund has a pay grade range assigned to the Investment Specialist position. Committee Chairman Leon Guerrero stated that the Controller and the Accountant Supervisor are doing Investment Specialist work. Committee Chairman Leon Guerrero is willing to propose to the Board to hire an Investment Specialist under a special contract. Acting Director Blas stated that the Fund, under the budget act, can not execute a personnel services contract. Committee Chairman Leon Guerrero stated that the Fund needs a full time Investment Specialist.

Acting Director Blas stated that Milliman USA will be here at the Fund on December 12, 2005. Acting Director Blas stated that Milliman will have a management report available by March 2006. Ex Officio San Agustin stated that the Fund could ask the Legislature to authorize the Fund to hire another unclassified position. Committee Chairman Leon Guerrero asked whether Management could initiate the legislation needed to hire another unclassified position. Ex Officio San Agustin stated that Speaker Mark Forbes will be scheduling a public hearing on the pending bills (Section 8157 and Section 8158, and the Medicare issue) which could be tied in with the unclassified position legislation. Committee Chairman Leon Guerrero stated that the Fund needs to hire a professional employee and recommended for Management to get the proposed legislation started. Ex Officio San Agustin suggested drafting proposed legislation to exempt the Retirement Fund from the budget law regarding personnel contracts. Acting Director Blas stated that she will get the proposed legislation started.

E. Approval – Motion Board of Trustees to Accept the Attached Committee’s Proposed Schedule for Funding of the International Managers

Committee Chairman Leon Guerrero stated that the Fund is looking to meet a 7.2% yield. Mrs. Bordallo stated that she will show how the Fund can reach the 7.2% yield (*see Appendix A*). Controller Pete Tajalle stated that this is based on asset allocation strategy.

Mrs. Bordallo stated that the U.S. Equities Actual Market Allocation is at 43.39%. The International Mutual Funds is at 11.27%. The Bonds is at 45.34%. Mrs. Bordallo stated that Mercer has stated that in order to obtain a better rate of return the Fund could tweak the Fund’s current allocation to: 38.00% for US Equities; 13.00% for International Mutual Funds; and 43.00% for bonds. Mrs. Bordallo stated that each domestic manager should only have 6 – 6.5% of the portfolio.

Mrs. Bordallo stated that the Fund needs \$53,851,997.35 to fund the new managers. Committee Chairman Leon Guerrero asked how the Fund is going to get the 7.2%. Mrs. Bordallo stated that if the Fund does not fund the new managers, the Fund will have to make 7.2%. Committee Chairman Leon Guerrero stated that the focus should be on 6.41%. Mrs. Bordallo reiterated that if the Fund remains on status quo the Fund would have to make 7.2%. Committee Member Cruz stated that the numbers are arbitrary. Committee Member Cruz stated that Mercer’s report of 2003 stated that the above strategic allocation is going to have an expected return of 7.5%. Mrs. Bordallo stated that the Fund is now making 7.8%.

Committee Chairman Leon Guerrero stated that the recommendation should be based on what the yield would be as opposed to funding the managers. Mrs. Bordallo made a comment that this decision should have been made when the Request for Proposal was put out. Committee Chairman Leon Guerrero stated that Mercer is recommending this.

Committee Member Cruz stated that the problem is with equal weigh. Mrs. Bordallo stated that Oppenheimer is on the watch list. Committee Member Cruz stated that he is recommending that it would be more prudent to reward the good managers and not to take away at an equal amount. Committee Member Cruz stated that he is recommending going at the funding requirement on the basis of managers who have not historically met their benchmark which are Dresdner and Oppenheimer. Committee Member Cruz asked how much is needed. Mrs. Bordallo stated that the Fund needs \$18 Million. Committee Member Cruz stated that his recommendation is to liquidate in the U.S. Equity side - Oppenheimer and Dresdner. Controller Tajalle recommended for Committee Member Cruz to include in his recommendation to change the equal weighing percentage.

Committee Member Cruz stated that the proposed schedule needs to be reworked.

F. Approval – Motion Board of Trustees to Approve Assignment of Citigroup Agreement to Legg Mason, Inc.

Controller Tajalle stated that the Board had directed Management to ask Legg Mason to defund Citigroup. Controller Tajalle stated that Citigroup was defunded. Controller Tajalle stated that Citigroup investments were transferred between Deutsche Management and Fiduciary Trust. Citigroup still remains as a potential fund manager although Citigroup does not have any funds under management. Committee Member Cruz asked how the investments were transferred. Controller Tajalle stated that it was 50 / 50.

Committee Member Cruz asked whether the Fund Management reviewed the work of Legg Mason. Controller Tajalle stated no, but that the Fund did receive correspondence from the Investment Consultant saying that he did not see a problem with this particular assignment. Committee Member Cruz recommended Management to obtain historical data (three, five, and ten year history) from Legg Mason and Western Asset Management Company (WamCo). Mrs. Bordallo stated that if WamCo is an effective investment manager, it might be a possibility for the Fund to get rid of the other two managers. Committee Member Cruz stated that the Fund should consider defunding and keeping the managers on a reserve list. Ex Officio San Agustin asked why keep someone who is not performing well. Committee Member Cruz stated that, without the reserve list, there is no where to go without issuing a Request for Proposal. Committee Chairman Leon Guerrero stated that the point is that the managers are not doing a bad job but they are also not doing a superb job.

Ex Officio San Agustin mentioned that he received a letter from Mercer dated November 22, 2005 regarding the termination of Lazard. Ex Officio San Agustin stated that Mercer's letter stated that Lazard underperformed the benchmark by 480 basis points which have cost the Fund approximately \$10 Million in the last ten years. Committee Chairman Leon Guerrero stated that Committee Member Cruz is proposing to keep the manager on the roster to be used again without issuing a Request for Proposal. Committee Chairman Leon Guerrero stated that Committee Member Cruz is also proposing to take the funds away from the manager and not to fire the manager but to keep the manager on a reserve list.

G. Approval – Motion Board of Trustees to Fund AXA Rosenberg Based on Correspondence Received Dated December 1, 2005

Controller Tajalle stated that AXA Rosenberg is one of the Investment Managers chosen for the International Small Cap Funds. Controller Tajalle stated that AXA Rosenberg will close to new investors on December 31, 2005. Committee Member Cruz stated that AXA Rosenberg is one of the managers on the reserve list.

H. Approval – Motion Board of Trustees to Approve Management Action of Assignment of the Deutsche Asset Management Contract to Aberdeen Based on Board of Trustees Acceptance at September 9, 2005 Board of Trustees Meeting

Controller Tajalle stated that Item II H is the appointment of Aberdeen Asset Management Inc. as Investment Manager.

III. OPEN ITEMS

A. May 6, 2005 Minutes, Item II B – Bank of New York Acquisition of Lynch, Jones & Ryan

Controller Tajalle stated that Board Chairman San Agustin had inquired why the Fund has four discount brokers. Controller Tajalle stated that Mercer's letter dated October 21, 2005 stated that the Fund does not need four discount brokers and a reduction in number would be beneficial to the Fund. Mrs. Bordallo stated that the discount broker's fee is 2¢ a share. Ex Officio San Agustin read out aloud from Mercer's letter – "Accordingly, we believe the Government of Guam Retirement Fund (GGRF) has an opportunity to improve its results by consolidating its business with one provider and negotiating a better price." Ex Officio San Agustin stated that that is the net result of Mercer's recommendation. Ex Officio San Agustin stated that the basic recommendation of Mercer's letter is that it is possible to go with one provider. Ex Officio San Agustin further read – "We suggest GGRF review its existing providers to determine the single provider that offers the best combination of price, execution capabilities, and governance." Ex Officio San Agustin stated that this may improve the Fund's results by consolidating the discount brokers. Ex Officio San Agustin stated that the main job of the Retirement Fund is investment returns. Ex Officio San Agustin stated that the Fund should seek to cut costs. Controller Tajalle stated that Mercer is offering \$25.5 Thousand to perform an analysis to see whether or not the Fund will save any money for consolidating or not.

Committee Member Cruz suggested to take a two prong approach and see what it is costing the Fund. Mrs. Bordallo stated that the question is how well they perform execution of the transactions. Committee Chairman Leon Guerrero stated that the Investment Committee should prepare a letter for Board Chairman San Agustin's signature saying that the Investment Committee would like to consider the fees.

B. September 2, 2005 Minutes, Item III B – Great West Recommends Placing the Pioneer Emerging Markets Fund on a Watch List

Controller Tajalle stated that he is working on the watch list guidelines for both the Defined Benefits and Defined Contributions and requested tabling Item III B for the next Investment Committee Meeting.

C. September 2, 2005 Minutes, Item IV B 1 – The Contract Modification to Mercer’s Contract to Address the Request For Proposal for Custodian Bank Services Has Been Forwarded to the Board of Trustees for Their Disposition

Controller Tajalle stated that the proposed contract modification to Mercer’s contract has been provided to the Board of Trustees for review. Controller Tajalle stated that this item has been left as an open item until the Board acts on it. Ex Officio San Agustin asked whether the contract is for Mercer to prepare the Request for Proposal. Acting Director Blas stated that this is based on travel and expenses. Committee Chairman Leon Guerrero stated that Mercer talked about a contract amount of \$35,000.00. Acting Director Blas stated that it is a two-part contract. Acting Director Blas stated that the existing contract (\$110,000.00) had to be modified to add an additional \$50,000.00 which includes travel and expenses. Ex Officio San Agustin asked whether Mercer will do the proposal. Acting Director Blas replied, “yes.” Acting Director Blas stated that the Fund will issue a Request for Proposal. Ex Officio San Agustin asked whether Mercer was going to do the ranking. Acting Director Blas stated that the Board will do the evaluation and ranking. Acting Director Blas stated that Mercer will do the background analysis on each offerors.

D. September 2, 2005 Minutes, Item IV B 2 – The Defined Contribution Plan Document Has Been Forwarded to the Board of Trustees for Their Disposition

Acting Director Blas stated that she will check with Mr. Vince Camacho from Great West Retirement Services regarding the status of the Defined Contribution Plan Document.

E. September 2, 2005 Minutes, Item IV C – Retirement Fund has Received all International Manager Contracts and is in the Process of Transmitting Investments to the Contracted Managers. The Custody Issue Raised by First Hawaiian Bank Regarding Capital International for Emerging Markets Has Been Reviewed by Mercer

Controller Tajalle stated that the Fund has not received a response from First Hawaiian Bank regarding the Capital issue. Committee Member Cruz asked whether the Fund could legally fund Capital. Controller Tajalle stated that according to Legal Counsel Joanne Grimes, she does not see an issue with the way the custody arrangement is set up. Acting Director Blas stated that it is with the restriction that they can’t go into co-mingled vehicles. Controller Tajalle stated that Mercer has provided six alternatives for consideration by the Board. Ex Officio San Agustin asked if the issue is whether the Fund wants the investments to go to the custodian bank or directly to Capital. Committee Member Cruz stated that the Fund can not do that until the statute on Section 8158 has been changed. Committee Member Cruz stated that this is an example of why the Fund would want a reserve list. Ex Officio San Agustin stated that he did not know that the Fund has investment managers on a reserve list.

Committee Chairman Leon Guerrero asked what is Management’s recommendation. Controller Tajalle asked where to park Capital investments in the amount of \$36 Million. Committee Chairman Leon Guerrero recommended tabling Item III E.

IV. OPEN DISCUSSION

A. Proposed Legislation for Section 8157

Controller Tajalle pointed out for the Investment Committee's records that a copy of the proposed legislation for Section 8157 is included for the record.

RECESSED: 2:15 p.m., Friday, December 2, 2005

INVESTMENT COMMITTEE MEETING RECONVENED

Tuesday, December 6, 2005, 12:00 p.m.

I. CALL TO ORDER

The Retirement Fund Investment Committee Meeting reconvened at 12:15 p.m. Tuesday, December 6, 2005, 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:

Pete Tajalle, Acting Director

Jackie Blas, Recording Secretary

Rosalia Bordallo, Accountant III

II. Approval – Motion Board of Trustees to Accept the Attached Committee's Proposed Schedule for Funding of the International Managers (Continued from recessed meeting of December 2, 2005)

Committee Chairman Leon Guerrero stated that the Committee was looking at revising what was recommended. Acting Director Pete Tajalle stated that a decision is needed on where to get the investments to be transferred to the Investment Managers chosen. Acting Director Tajalle stated that the contract between Lazard and Aberdeen regarding ADRs has been terminated. Acting Director Tajalle stated that the assets are being held by the custodian pending direction from the Fund as to its distribution. Acting Director Tajalle stated that the \$12.6 Million was liquidated by Lazard which now sits in a SEI Account pending direction from the Fund Management as to its disposition. Acting Director Tajalle stated that the other issue was the potential of transition management in order to facilitate the defunding of the current international managers. Committee Chairman Leon Guerrero stated that he thought that Management was going to ask the discount brokers whether they have the ability to function as a transitional manager.

Committee Member Gerard Cruz stated that he understood that for this execution, the managers were going to assign assets. Committee Member Cruz stated that the Committee needs to decide on where to get the money to fund the managers.

Mrs. Rosalia Bordallo, Accountant III, wanted to clarify whether Management has approval to fund the separate manager accounts through the transfer of assets. Committee Member Cruz stated that his personal preference is to use the transition managers. Committee Chairman Leon Guerrero stated that the Fund does not have such a mechanism in place and that in the future a transitional manager should be included in the Request for Proposal. Committee Member Cruz stated that he is for a transition manager. Committee Member James Taylor asked how long would it take to get a transitional manager. Mrs. Bordallo stated that the discount brokers the Fund staff met in Saipan stated that it will take three to four days to set it up and have it running. Committee Member Taylor asked whether Management will be able to determine by Friday if it is possible or not possible. Committee Chairman Leon Guerrero stated that the Committee is going to assume that the Fund does not have the option to have a transitional manager in this instance.

Committee Chairman Leon Guerrero stated that Committee Member Cruz was concerned whether all the managers are good performers. Committee Member Cruz suggested to reduce the concentration with managers who are stellar performers. Committee Member Cruz suggested to not reduce Oppenheimer and Dresdner. Committee Member Cruz stated that Terry Dennison had mentioned the combination of Atalanta and Invesco provide good investment management. Committee Member Cruz stated that the Committee should focus on Oppenheimer and Dresdner. Committee Member Cruz stated that he would like to see a recommendation on how much the Fund needs to take from equities. Committee Member Cruz stated that Capital is not going to be funded. Committee Chairman Leon Guerrero stated that the issue is where funding will come from. Acting Director Tajalle stated that the Fund needs to fund \$17 Million from the equity managers. Acting Director Tajalle stated that a decision needs to be made on the disposition of the remaining amounts of the assets which are over the asset allocation.

Acting Director Tajalle stated that he received a letter from First Hawaiian Bank indicating their position on the custody issue. Acting Director Tajalle stated that Capital is not an issue in terms of funding. Acting Director Tajalle stated that if the Fund does not want to go with Capital, the issue will be on which manager to go with. Acting Director Tajalle stated that Mercer provided six alternatives. Committee Chairman Leon Guerrero stated that he is waiting for a recommendation on funding. Mrs. Bordallo's recommendation to fund the new equity managers would be to take \$40 Million from the bonds. Mrs. Bordallo stated that the Fund has requested from Lazard \$15.4 Million. Mrs. Bordallo stated that the \$17 Million will be from Oppenheimer and/or Dresdner or split. Acting Director Tajalle asked which is the better performer of the two. Acting Director Tajalle stated to liquidate from the bond managers and split 50% from Oppenheimer and Dresdner. Acting Director Tajalle stated to liquidate not withstanding the \$36 Million from Capital. Acting Director Tajalle stated that \$80 Million represents what needs to be liquidated in order to be in compliance with the strategic asset allocation.

Committee Member Cruz asked whether once a decision is made on the Capital issue, would the Fund be at its goal. Committee Chairman Leon Guerrero asked whether the recommendation was to liquidate \$80.2 Million. Committee Chairman Leon Guerrero stated that the Fund is now talking about \$17 Million from equity managers. Acting Director Tajalle stated that the \$80.2 Million represents amounts in assets under the managers. Committee Member Taylor asked what is Management's recommendation. Mrs. Bordallo stated that she will pick Met West to liquidate.

Committee Member Taylor asked whether the Fund has a sale strategy. Mrs. Bordallo stated that it is the policy used to determine the managers. Mrs. Bordallo stated that if there is no sale strategy, the Board needs to determine who to liquidate. Acting Director Tajalle stated that the decision is on where to

liquidate the \$17 Million from equity managers. Acting Director Tajalle stated that his recommendation is to liquidate across the board. Committee Member Cruz asked how long has the Fund used Met West. Mrs. Bordallo replied, "six years." Committee Chairman Leon Guerrero stated that Met West did well in the past six years.

Acting Director Tajalle stated that \$231,750,000.00 is needed; \$122,000,000.00 will be coming from the termination of the ADR managers; \$55,898,002.65 will be coming from the remaining ADR managers plus the two fixed income managers; and the remaining \$53,851,997.35 will come from the equity managers, however, in light of the \$36 Million now available, the only requirement is \$17 Million to fund the new managers. Acting Director Tajalle stated that \$17 Million will be to fund all managers which will be spread out to the four managers. Committee Chairman Leon Guerrero recommended amending the schedule as noted.

Committee Member Taylor suggested to have Mrs. Bordallo's presentation of the allocation brought to the Board level for information purposes.

Committee Member Gerard Cruz, seconded by Committee Member James Taylor, moved to approve the Investment Committee's Recommended Schedule of Funding of the International Managers, as amended. Without objection, the motion passed.

III. INFORMATIONAL ITEMS

A. Cash in Flow/Out Flow Comparison

Committee Chairman Leon Guerrero asked what is the purpose of the cash flow statement. Mrs. Bordallo stated that an appropriation of \$60 Million is needed from the General Fund to fund retiree payments. Committee Member Taylor stated that solution No. 1 would be for the government to fund the full actuarial rate; solution No. 2 would be to change the investment policy; and solution No. 3 would be to look at going into indexing.

Committee Member Taylor stated that the Board should have a feed back on Friday on whether the Fund has the legal basis to sue the government for non-payment of contributions based on the existing law. Committee Member Taylor stated that if the Fund does have the legal basis, then the contractual relationship exists already. Committee Member Taylor stated that if the Fund does not have the legal basis, then the Fund would need to turn it into an independent trust and the trust could have the contractual relationship with the Government of Guam which will allow the trust to sue for non performance.

B. September 2, 2005 Minutes, Item IV C – Retirement Fund has Received all International Manager Contracts and is in the Process of Transmitting to the Contracted Managers. The Custody Issue Raised by First Hawaiian Bank Regarding Capital International for Emerging Markets Has Been Reviewed by Mercer (Continued from recessed meeting of December 2, 2005)

Committee Chairman Leon Guerrero stated that he thought that the issue was to be resolved by First Hawaiian Bank and Capital. Committee Chairman Leon Guerrero asked whether the Fund's Legal Counsel saying that what Capital is proposing is legal. Committee Chairman Leon Guerrero stated that First Hawaiian Bank is saying that they do not have custody of the funds. Mrs. Bordallo stated that Mr.

Terry Dennison had stated that this was a co-mingled fund and not mutual funds. Acting Director Tajalle stated that Section 8158 was to allow going into co-mingled funds. Acting Director Tajalle stated that this is not allowed right now.

Acting Director Tajalle stated that there are six alternatives recommended by Mercer for consideration by the Board: 1) allocate 100% of the emerging markets equity allocation to Capital International (Capital); 2) split this allocation roughly 50/50 between Capital and Grantham, Mayo, Van Otterloo (GMO), if available; 3) split this allocation 50/50 between GMO, if available, and DFA Investment Dimensions (DFA); 4) split this allocation 50/50 between DFA and AXA Rosenberg Investment Management (AXA Rosenberg); 5) allocate 100% of the allocation to DFA; and 6) allocate 100% of the allocation to AXA Rosenberg. Acting Director Tajalle stated that he believes that alternative No. 3 is a no go. Mrs. Bordallo stated that her recommendation is alternative No. 4 [Split this allocation 50/50 between DFA and AXA Rosenberg].

IV. ANNOUNCEMENTS

None

V. ADJOURNMENT

There being no further business before the Investment Committee, on motion of Investment Committee Member Gerard Cruz, seconded by Investment Committee Member James Taylor, and without objection, the meeting was adjourned at 1:20 p.m. Tuesday, December 6, 2005. Motion passed.

Respectfully submitted,


JACKIE BLAS
Recording Secretary

AFFIRMED:



WILFRED P. LEON GUERRERO, Chairman