

INVESTMENT COMMITTEE MEETING

Tuesday, April 6, 2004, 9:55 a.m.

Retirement Fund Conference Room

MINUTES

DEFINED BENEFITS

I. CALL TO ORDER

The Retirement Fund Investment Committee meeting, for the Defined Benefits plan, was called to order at 9:55 a.m., Tuesday, April 6, 2004, in the Retirement Fund Conference Room. Chairman of the Investment Committee, Gerard Cruz officiated.

Present:

Gerard Cruz, Vice Chairman of the Board of Trustees

Stephen Guerrero, Trustee

Wilfred Aflague, Director

Pete Tajalle, Controller

Rosalia Bordallo, Investment Specialist

Vince Camacho, Great West

II. REVIEW AND APPROVAL OF MINUTES

Motion made by Mr. Aflague, to approve minutes of March 4, 2004 as is seconded by Mr. Guerrero. Motion passed.

III. OLD BUSINESS

A. Review of Summit Expenses –

Mr. Tajalle, reported that the summit expense was \$60,594.68, the fees include the accommodation of the Hyatt Regency Guam, Video Productions and Consulting Fees. Mr. Tajalle reports that the accrual of the Summit Expenses was originally at \$71,800. Mr. Cruz, recommends that a memorandum be drafted for Board approval in the next board meeting.

Motion made by Mr. Tajalle, to approve the payment of Summit Expense in the amount of \$60,594.68, seconded by Mr. Aflague. Motion carried.

B. DC Interest & Penalty charges draft policy – Tabled by Chair due to items under review by Ms. Taitano committee.

C. Review of proposed “Administrative Error” legislation – Tabled same as above.

D. “Prudent Man” legislation –

Mr. Guerrero asked if there were any changes. Mr. Tajalle reported that the legislation was a mirror image of what was previously passed, with some minor changes as to the presentation to the Legislature; he added that the importance to the legislation was the actual establishment of the Retirement Fund as a trust fund. Mr. Guerrero asked if the draft had been forwarded to the Legislature, and Mr. Aflague, responded that Management is awaiting Board approval for submission.

Mr. Cruz asked if there were any indications that this proposed legislation would pass into statute. Mr. Camacho responded that it was a “no go”. Mr. Aflague responded that we could not really comment, but that Senator Sanford supports the legislation and the Speaker is a reasonable man. Mr. Cruz, asked what is the Speakers biggest concern. Mr. Aflague responded that the Speaker questions the need for change if investment returns are being achieved currently. Mr. Cruz, asked what argument could the Fund use to counter the Speakers comment. Mr. Aflague responded that the Investment Consultant stated the change is necessary for greater investment returns. Ms. Bordallo asked if the Fund was made a trust, would that remove responsibility from the General Fund. Mr. Aflague responded that this would only protect fund assets.

Mr. Cruz questioned Mercer recommendations as their strategy is dependent on passage of Prudent Man. Mr. Guerrero asked what management position was. Mr. Aflague responded that management supports the proposed legislation, as it could result in greater return on investments. Mr. Cruz recommended that Fund emphasis be on reduction of risk and not the possibility for greater returns, as this would be a stronger argument. Mr. Tajalle responded that Mercer made this argument at the oversight hearing. Mr. Cruz stated that education is the key, as the lay people do not understand investments and its jargon. Mr. Camacho stated that this is a very political issue. Mr. Aflague motioned that the proposed legislation be approved and given to the Board for approval. Mr. Tajalle seconded. Motion carried.

- E. Update on RFP for actuarial services - Mr. Aflague stated that there will be a meeting tomorrow with the selected consultant at 2:00 p.m.

IV. NEW BUSINESS

- A. **Status of 2004 Employee and Employer Contributions** - Mr. Tajalle reported that all agencies are current on their fiscal year 2004 contributions.
- Mr. Cruz addressed the presence of the Chairman of the Board, Frank Salas.

- B. Review of Policy for “Stale Dated Checks”.** – Mr. Cruz recommended that the length of time for stale date be extended from 120 days to 360 days. Ms. Bordallo responded that the timeframe is fine in light of the nature of system posting. Mr. Guerrero asked why there was a need for the establishment of a policy. Ms. Bordallo responded that there was no established policy. Mr. Cruz called for a motion to amend the 180 days timeframe to 360 days, or to occur at the end of the fiscal year. Mr. Aflague motioned for the approval of the policy with the stipulated amendment. Mr. Guerrero seconded. Motion carried.
- C. Review of Policy on” Bad Debt Write-Off”** – Mr. Tajalle reports that there is no existing policy on the bad debt write-off, and also asked if there were any comments or recommendations from the committee for amendments or additions to the proposed policy. Mr. Cruz asked what happens when the Fund writes-off, does the Fund seek collections. Mr. Tajalle reports that the Fund can collect and added that the question then becomes at what point does the Fund stop seeking collection, and adds that once cost of collection efforts exceeds what the Fund is trying to recover, at that point the Fund would just consider it a loss. Mr. Cruz asked if there is a “Threshold” that the Fund will not seek further efforts. Mr. Tajalle stated that should collection efforts cost exceed the outstanding balance, then the Fund would just consider it a loss. Mr. Tajalle also added that from a legal perspective, once there is no legal footing for the Fund itself to go after collections then that would be considered a loss. Mr. Cruz reports that there are legal recourses but, the question is at what point it becomes cost prohibitive to use these remedies, and for that the Fund needs to establish a threshold. Ms Bordallo reports that the Board should make the policy that in cases of fraud should the Fund report the matter to the office of the Attorney General or seek legal recourse. Mr. Cruz stated that in that case it is a criminal matter and would be a management decision. Ms. Bordallo responded that in the case of fraud, that the Board mandate management to report it to the AG’s office. Mr. Cruz stated that the Board can not make the decision for every case of fraud and that this is a management issue that falls under the day to day operations of the Fund. Mr. Guerrero asked if the Fund could work it into their SOP’s, as this does not require Board action for each and every case. Ms. Bordallo stated that the standard has been to give the person a break. Mr. Salas responded “No, No” and that if a person is unauthorized to cash checks, then prosecute. Mr. Cruz affirmed Mr. Salas comment. Mr. Camacho responded that this was a GovGuam thing. Mr. Cruz responded that if you give one person a break you are benefiting one member at the expense of the others. Mr. Salas supported Mr. Cruz statement. Mr. Salas, motioned that the committee approve the policy with the amendment to change “The Fund should aggressively pursue” to “The Fund shall aggressively pursue”. Motion was seconded by Mr. Tajalle. Motion carried.

D. Proposed Mercer visit and presentation. – Mr. Tajalle presented for committee review Mercers agenda for April 15 & 16, 2004.

E. Recommendation of Mercer for reduction of “Investment Managers” – Mr. Tajalle reported that included in their package was a letter from Mercer recommending the reduction of investment managers.

Ms. Bordallo, stated that Mercer recommended that the Fund transfer the fixed income balance from Citigroup and Fiduciary Trust to Deutsche. Ms. Bordallo questioned this as Deutsche is the investment manager that has the highest fees. Mr. Cruz questioned this recommendation. Mr. Salas recommended that this be discussed with Rich Nuzum on his visit.

F. Presentation of the draft audit report for FY ended September 30, 2002 – Mr. Tajalle stated that a draft copy is in the package for committee review.

IV. OPEN DISCUSSION

Mr. Tajalle stated that included for the committee review was a letter received from Mercer affirming their review of the investment policy statement and its validity as requested by the committee.

VI. ANNOUNCEMENTS

None.

VII. ADJOURNMENT

Being that there is no further business before the Investment Committee, for the Defined Benefits Retirement plan, the Chairman adjourned this meeting at 11:04 a.m.

Respectfully Submitted,


Dominiea Tajalle

DEFINE CONTRIBUTION

I. CALL TO ORDER

The Retirement Fund Investment Committee meeting, for the Defined Contribution plan, was called to order at 11:04 a.m., Tuesday, April 6, 2004, in the Retirement Fund Conference Room. Chairman of the Investment Committee, Gerard Cruz officiated.

Present:

Gerard Cruz, Vice Chairman of the Board of Trustees
Frank Salas, Chairman of the Board of Trustees
Stephen Guerrero, Trustee
Wilfred Aflague, Director
Pete Tajalle, Controller
Rosalia Bordallo, Investment Specialist
Vince Camacho, Great West

II. APPROVAL OF MINUTES

Mr. Tajalle, reported that there were no minutes to approve as the meeting on March 4, 2004 was tabled due to Mr. Camacho's absence.

III. OLD BUSINESS

NONE

IV. NEW BUSINESS

- A. **Status of transfer of DC functions to Great West.** – Mr. Tajalle, stated that administrative functions were being transferred to Great West. Mr. Salas asked if this would result in additional cost to the Retirement Fund. Mr. Camacho responded that this would not.
- B. **Discussion of 401a and 457 investment options.** – Mr. Tajalle stated that in a previous committee meeting, the committee approved for both plans to mirror each others investment options. Mr. Camacho stated that there were two funds in the 457 which were not included in the 401a. Mr. Tajalle motioned that both plans have the same investment options and that this be presented to the Board for their approval. Motion seconded by Mr. Salas. Motion passed.

- C. **Status of RFP for DC Plan administration** – Mr. Tajalle reported that this would be out by the end of the month. Mr. Aflague confirmed this. Mr. Cruz requested that the investment committee be involved in the process. Mr. Aflague confirmed that they would be included.
- D. **Discussion of Investment Consultant for DC Plan** – Mr. Tajalle, reported that the Fund does not currently have a consultant for the DC Plan and that the previous investment consultant performed both duties. Mr. Tajalle, stated that Mercer is only contracted to provide consulting services for the DB Plan. Mr. Camacho stated that if the Board needed to make an investment changes, then Great West would do the research, give it to Ms. Bordallo who would then pass it to the previous investment consultant. He would write up the recommendation for presentation to the Board. Mr. Cruz asked if this is something that Mercer can perform. Mr. Tajalle responded that Mercer’s contract is specific to the DB Plan. Mr. Cruz asked if this was necessary. Ms. Bordallo, responded that public perception would require it, as Great West has their own consultant. Mr. Cruz asked if this required committee action. Mr. Aflague responded that this was presented for committee informational purposes for future action.

V. OPEN DISCUSSION

NONE.

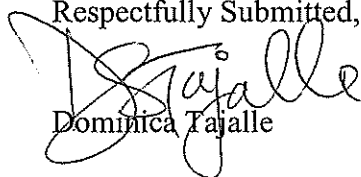
VI. ANNOUNCEMENTS

NONE.

VII. ADJOURNMENT

Being that there is no further business before the Investment Committee, for the Defined Benefits Retirement plan, the Chairman adjourned this meeting at 12:15 p.m.

Respectfully Submitted,



Dominica Tajalle