

Government of Guam Retirement Board
Preliminary Minutes
Investment Committee
Meeting of September 2, 2005
Report prepared for BOT Meeting of 9/9/05

1. ACTION: Approved minutes of 5/6/05 and 8/5/05. During the review of the minutes, management was asked to include some additional minute items on future agenda's for the Investment Committee agenda.
2. ACTION: Discussed Request from Deutsche Asset Manager
Downgrade of 1.5 million of GMAC bonds.
Deutsche recommends that we keep them because of the short expiration dates.
The Investment Committee agrees but raises concerns about existing Guam investment law. Action: Management will check with legal counsel to determine if any possibility of responding positively to the Deutsche request. If there is none, the Investment Committee recommends responding to Deutsche in the negative.
3. INFORMATION: Allianz Global investing (Large Cap Value) has appointed a new CEO.
Requested feedback from Mercer. Still approved use of Allianz. Need to review managers as part of larger review strategy.
4. INFORMATION: Pioneer Emerging Markets. Part of DC plan. Change of Management. Great West notes that changes in fund managers are a fairly normal practice. Great West offers to have its investment experts review the situation and report to the Board. The Investment Committee recommends taking Great West up on the offer. The Investment Committee notes that the Board is in the process of issuing an updated RFP for DC plan management. In addition in the recent past the Board has requested management to prepare an RFP for consulting services for the DC plan.
5. OPEN DISCUSSION: Status of proposed legislation.
 - a. 8158: Change in % that can be invested in collective investment trusts / funds.
 - b. 8157: Allows a limited amount that can be invested in stocks that don't pay dividends. Management is preparing the recommended language.
6. OPEN DISCUSSION: RFP Proposals and contracts.
 - a. Custodian Bank
 - b. DC Plan Administration
 - c. International Manager Contracts
 - d. Citigroup Defunding (Done)
 - e. DC Fund Replacement: Request that it be added to the Board Agenda.
7. Correspondence
 - a. Letter from Mercer (6/22/05). Positive effects of revising 8158 to allow 30% of the total portfolio be invested in collective investment trusts. Sees

a potential gain of 1% to 1.2%. Makes two limited recommendations that make it clear that (1) this provides additional diversification to the total GovGuam Retirement Fund and (2) that this allows investment in index funds. The Committee recommends adoption of the two suggested changes subject to concerns that the most important issue is to get the increase to 30% and to allow investing in some percentage of stocks that don't pay dividends.

- b. Letter from Mercer (6/24/05). Some additional information about item a above.
 - c. Letter from Mercer (6/24/05). Recommendation on Citigroup (active manager of bond funds). Purchased by Legg Mason [WAMCO]. Mercer recommends that the Retirement Fund drop Citigroup as an active bond manager but keep Legg Mason/WAMCO as a back up manager until such time as the Board can again go out to bid on active and backup bond managers. Mercer points out that for the time being, the Board needs to change its policy guidelines to allow the two remaining band managers to handle a larger percentage of the portfolio. The Investment Committee recommends that the Board direct management to draw up any necessary proposed changes to the policy guidelines and bring them to the Board.
 - d. E-mail from Mercer (6/25/05). Additional information about the Citigroup situation.
 - e. E-mail from Mercer (8/26/05). Aberdeen Asset Management (current International Manager / ADR manager) purchases Deutsche (Ret Fund Bond manager). Mercer believes this will be good for Deutsche and good for the Ret Fund. The Investment Committee agrees and recommends to the Board that Aberdeen be allowed to take up the Deutsche contract subject to review by Investment Counsel.
 - f. Letter from Deutsche (8/18/05) explaining the changes noted above. Request that the current Retirement Fund contract be changed to allow Aberdeen Asset Management to take over.
 - g. Letter from Deutsche (8/19/05) providing additional information on the merger from Aberdeen Asset Management.
8. Performance Review Announced for 9/6/05 and 9/7/05.