

**GovGuam
Retirement Fund
August 12, 2005**

Report of the Investment Committee Meeting of August 5, 2005

Approval of the minutes of the Meeting of May 6, 2005 was postponed until the next meeting.

The Defined Contribution Plan and 457 Reports were made. Guam Agencies were up to date with their contributions except as follows:

Port Authority: Incompatible disk

GMH: Still significantly behind. In addition it was reported that GMH was having significant problems with their payroll application.

Action Item: Management is asked to closely track the GMH payroll problem. If it continues Management is to inform the board immediately.

Great West was asked to return to the Committee with a list of recommended new funds to replace the two under performing funds on their current list.

It was noted that Great West and the Board need to review the changes that need to be made to the retirement plan restatement because of changes in federal law. This brings up the conflict of interest issue. Great West lawyers are reviewing whether to resolve the conflict of interest issue by hiring a different lawyer. Great West will report back on their action within the week. Then the review can be scheduled.

The issue of what to do about the large number of dollars in the Stable value fund was discussed. Great West was asked to provide more history about the use of the stable value fund, its performance, and the impact of the choice of the stable value fund on a person's retirement plans.

The Investment Committee discussed the following:

Current legislation on investments:

Bill to amend 8122. Deals with how the Retirement Fund is to handle administrative errors:

1. Errors in records
2. Errors in the amount of contributions
3. Errors in the computation of benefits.

The Board needs to determine its position on this bill.

Bill to amend 8158. This is the bill that increases the amount that may be invested in mutual funds. The increase is to 30% from 10%. There was unanimous agreement on the part of the committee and the Chair (who

was in attendance) that this bill should be supported. Action on this bill is necessary to move forward the implementation of the investment policy. In addition it was agreed between the Chair and the members of the Investment Committee, that this bill should be clarified with the intent that investment managers may invest a certain amount of their stock portfolios directly in stocks that did not pay dividends. The purpose is to broaden the universe of stocks that would be available to the Fund's managers. Management was asked to develop the language to add to the bill to make this happen.

The Custodial Bank RFP was discussed. Management was asked to ask the Fund lawyers whether they would be able to assist in drafting this document.

The DC Plan and the 457 Plan have been combined together into one RFP that re-bids the management of both plans. The Retirement Fund lawyers are reviewing the draft RFP. Action by Great West to obtain separate lawyers will help in removing issues related to conflict of interest (see above). Some discussion was had about elements that needed to be incorporated into the RFP. The RFP is to be reviewed by the Investment Committee after the legal review.

Management is currently implementing the plan recommended by the Mercer Consultant. This deals with the changes in the investment managers for the bond portfolio.

Public Law 28-38 was briefly reviewed. This law provides guidance about how to apply interest in certain situations. The Fund Controller has drawn up an interpretation of certain sections of the new law. The Fund's lawyers have approved this interpretation. Management was asked to have the Fund's Lawyers provide a written statement or legal opinion to that effect.

The new proposed international manager contracts are approved and are ready for signature of the Chair, based on approved board actions taken in the past. However the Chair has expressed some concerns about the process and has asked for a process review. Mercer has provided a letter reviewing the process and the rationale for the process. This matter will be brought up at the August 12, 2005 Board meeting.