

I Mina'Trentai Dos Na Liheslaturan Guahan
Bill Log Sheet

BILL NO.	SPONSOR	TITLE	DATE INTRODUCED	DATE REFERRED	CMTE REFERRED	PUBLIC HEARING DATE	DATE COMMITTEE REPORT FILED	FISCAL NOTES
245-32 (COR)	Vicente (ben) C. Pangelinan	AN ACT TO AMEND SECTIONS 8144, 8145, AND 8149, ARTICLE 1, CHAPTER 8, TITLE 4 OF THE GUAM CODE ANNOTATED RELATIVE TO CUSTODIANS, INVESTMENT AGENTS, AND BANK DEPOSITS.	12/19/13 3:01 p.m.	12/20/13	Committee on Appropriations, Public Debt, Legal Affairs, Retirement, Public Parks, Recreation, Historic Preservation, and Land	1/14/14 2:00 p.m.	1/27/2014	Fiscal Note Requested 12/24/13 Fiscal Note Waiver 1/13/14
	DATE PASSED	TITLE	TRANSMITTED		DUE DATE	<small>DATE SIGNED BY I MAGA'LAHEN GUAHAN</small>	PUBLIC LAW NO.	NOTES
	2/14/2014	AN ACT TO AMEND §§ 8144, 8145 AND 8149 OF ARTICLE 1, CHAPTER 8 OF TITLE 4, GUAM CODE ANNOTATED, RELATIVE TO CUSTODIANS, INVESTMENT AGENTS, AND BANK DEPOSITS.	2/18/14	12:37 p.m.	3/1/2014			



I Mina'trentai Dos na Liheslaturan Guåhan

Senator Vicente (ben) Cabrera Pangelinan (D)

JAN 23 2014

The Honorable Judith T. Won Pat, Ed.D.
Speaker
I Mina'trentai Dos Na Liheslaturan Guåhan
155 Hesler Place
Hagåtña, Guam 96910

VIA: The Honorable Rory J. Respicio
Chairperson, Committee on Rules

RE: Committee Report on Bill No. 245-32 (COR), As Amended


Dear Speaker Won Pat:

Transmitted herewith is the Committee Report on Bill No. 245-32 (COR), as amended, An Act to amend Sections 8144, 8145, and 8149, Article I, Chapter 8, Title 4 of the Guam Code Annotated relative to Custodians, Investment Agents, and Bank Deposits, sponsored by Senator Vicente (ben) Cabrera Pangelinan, which was referred to the Committee on Appropriations, Public Debt, Legal Affairs, Retirement, Public Parks, Recreation, Historic Preservation and Land.

Committee votes are as follows:

3 TO PASS
0 NOT TO PASS
4 TO REPORT OUT ONLY
0 TO ABSTAIN
0 TO PLACE IN INACTIVE FILE

Si Yu'os Ma'åse',


Vicente (ben) Cabrera Pangelinan
Chairman

Chairman
Committee on Appropriations,
Public Debt, Legal Affairs,
Retirement, Public Parks,
Recreation, Historic Preservation
and Land

Member
Committee on Education,
Public Libraries
and Women's Affairs

Member
Committee on General
Government Operations and
Cultural Affairs

Member
Committee on Municipal
Affairs, Tourism, Housing and
Hagåtña Restoration and
Development Authority

Member
Committee on Health &
Human Services, Health
Insurance Reform, Economic
Development and Senior
Citizens

Member
Committee on Aviation, Ground
Transportation, Regulatory
Concerns and Future
Generations

2014 JAN 27 PM 2:50

**COMMITTEE REPORT
ON**

Bill No. 245-32 (COR), As Amended

**Sponsored by Senator Vicente (ben) Cabrera
Pangelinan**

**An Act to amend Sections 8144, 8145, and 8149,
Article 1, Chapter 8, Title 4 of the Guam Code
Annotated relative to Custodians, Investment
Agents, and Bank Deposits.**



I Mina'trentai Dos na Liheslaturan Guåhan

Senator Vicente (ben) Cabrera Pangelinan (D)

JAN 23 2014

MEMORANDUM

To: All Members
Committee on Appropriations, Public Debt, Legal Affairs,
Retirement, Public Parks, Recreation, Historic Preservation and
Land.

From: Senator Vicente (ben) Cabrera Pangelinan
Committee Chairperson

Subject: Committee Report on Bill No. 245-32 (COR), As Amended

Transmitted herewith for your consideration is the Committee Report on Bill No. 245-32 (COR, as amended, An Act to amend Sections 8144, 8145, and 8149, Article 1, Chapter 8, Title 4 of the Guam Code Annotated relative to Custodians, Investment Agents, and Bank Deposits, sponsored by Senator Vicente (ben) Cabrera Pangelinan.

This report includes the following:

1. Committee Voting Sheet
2. Committee Report Narrative
3. Copy of Bill No. 245-32 (COR) As Introduced
4. Copy of Bill No. 245-32 (COR), As Amended
5. Public Hearing Sign-in Sheet
6. Copy of Fiscal Note Request
7. Copy of COR referral Bill No. 245-32 (COR)
8. Notices of Public Hearing
9. Copy of the Public Hearing Agenda
10. Miscellaneous: (1) Letter from Joann Grimes dated 12/11/13; (2) 3rd Quarter 2013 Performance Review of the GGRF

Please take the appropriate action on the attached voting sheet. Your attention to this matter is greatly appreciated. Should you have any questions or concerns, please do not hesitate to contact my office.

Si Yu'os Ma'åse',

Vicente (ben) Cabrera Pangelinan
Chairman

Chairman
Committee on Appropriations,
Public Debt, Legal Affairs,
Retirement, Public Parks,
Recreation, Historic Preservation
and Land

Member
Committee on Education,
Public Libraries
and Women's Affairs

Member
Committee on General
Government Operations and
Cultural Affairs

Member
Committee on Municipal
Affairs, Tourism, Housing and
Hagåtña Restoration and
Development Authority

Member
Committee on Health &
Human Services, Health
Insurance Reform, Economic
Development and Senior
Citizens




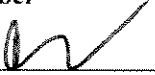

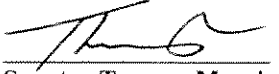
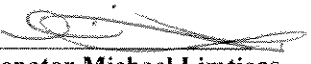
Member
Committee on Aviation, Ground
Transportation, Regulatory
Concerns and Future
Generations

I MINA' TRENTAI DOS NA LIHESLATURAN GUÅHAN

Committee Voting Sheet

Committee on Appropriations, Public Debt, Legal Affairs, Retirement,
Public Parks, Recreation, Historic Preservation and Land

Bill No. 245-32 (COR), As Amended: An Act to amend Sections 8144, 8145, and 8149, Article 1, Chapter 8, Title 4 of the Guam Code Annotated relative to Custodians, Investment Agents, and Bank Deposits.

Committee Members	To Pass	Not To Pass	Report Out Only	Abstain	Inactive File
 Senator Vicente (ben) Cabrera Pangelinan Chairman	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
 Vice Speaker BJ Cruz Vice Chairperson	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
 Speaker Judith T. Won Pat Member	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____ Senator Tina Rose Muña-Barnes Member	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
 Senator Dennis Rodriguez, Jr. Member	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
 Senator Michael San Nicolas Member	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
 Senator Tommy Morrison Member	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
 Senator Michael Limtiaco Member	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



I Mina'trentai Dos na Liheslaturan Guåhan

Senator Vicente (ben) Cabrera Pangelinan (D)

Committee Report

Bill No. 245-32 (COR): An Act to amend Sections 8144, 8145, and 8149, Article 1, Chapter 8, Title 4 of the Guam Code Annotated relative to Custodians, Investment Agents, and Bank Deposits.

I. OVERVIEW

The Committee on Appropriations, Public Debt, Legal Affairs, Retirement, Public Parks, Recreation, Historic Preservation and Land convened a public hearing on Tuesday, January 14, 2014 at 2:00 pm in *I Liheslatura's* public hearing room.

Public Notice Requirements

Notices were disseminated via hand-delivery and e-mail to all senators and all main media broadcasting outlets on January 8, 2014 (5-Day Notice), and again on January 12, 2014 (48 Hour Notice).

(a) Committee Members and Senators Present

Senator Vicente (ben) Cabrera Pangelinan, Chairman
Senator Judith Won Pat, Member
Senator Michael San Nicolas, Member
Senator Michael Limtiaco, Member
Senator Tommy Morrison, Member
Senator Frank Aguon
Senator Chris Duenas
Senator Tony Ada
Senator Aline Yamashita
Senator Brant McCreadie

(b) Appearing before the Committee

Mr. Joe T. San Agustin, Chairman of the Board of Trustees,
Government of Guam Retirement Board
Ms. Joann Grimes, Legal Attorney for the Government of Guam
Retirement Board
Ms. Maggie Ralbovsky, CFA, Wilshire Associates, Government of
Guam Retirement Fund Consultant for the Defined Benefit Plan

(c) Written Testimonies

None

Chairman
Committee on Appropriations,
Public Debt, Legal Affairs,
Retirement, Public Parks,
Recreation, Historic Preservation
and Land

Member
Committee on Education,
Public Libraries
and Women's Affairs

Member
Committee on General
Government Operations and
Cultural Affairs

Member
Committee on Municipal
Affairs, Tourism, Housing and
Hagåtña Restoration and
Development Authority

Member
Committee on Health &
Human Services, Health
Insurance Reform, Economic
Development and Senior
Citizens

Member
Committee on Aviation, Ground
Transportation, Regulatory
Concerns and Future
Generations

II. COMMITTEE PROCEEDINGS

Chairman Pangelinan: The next bill is on agenda is Bill No. 245, introduced by myself An Act to amend Sections 8144, 8145, and 8149, Article 1, Chapter 8, Title 4 of the Guam Code Annotated relative to Custodians, Investment Agents, and Bank Deposits.

At this time, we have with us Ms. Maggie Ralbovsky, Chairman of the Retirement Board, former Speaker Joe T. San Agustin and Ms. Joann Grimes. Let's start with Joann since you signed up first. Thank you and welcome, ladies and gentlemen.

Bill Sponsor Summary

Chairman Pangelinan: Very briefly, the bill would set some licensing guidelines for consultants of the government of Guam that manages its money. This was made necessary as a result of a previous law that was passed that upon review made have created some issues that were not clearly identified during the time the amendment was made and discussed and enacted. The Retirement Fund felt that it was necessary to much more clearly define what would be the appropriate licensing requirements for those consultants that it retains to manage and advise it on the investment of the beneficiary's money.

Testimonies

Ms. Joann Grimes: Thank you, Mr. Chair and committee members. The Retirement Fund Board supports Bill 245 and I'd like to give a little background as to the origins of this bill.

For a number of years now the Fund has been proposing changes to the Defined Benefit Plan investment statute, which is a statute that governs how the Fund, held in trust for the benefit of its members are invested. The Defined Benefit Plan statute is essentially what's known as a legal list; it tells what is permissible to be invested and the managers who manage the Fund's assets look at the statute and they have entire legal departments to make sure that they comply because these are important matters for compliance. Bill 170, that was later enacted into law, Public Law 32-086 was a result of an almost two year effort to amend some of the statutes that increased the flexibility of the Board of Trustees to get the greatest opportunity to manage the funds with changing markets. Ms. Ralbovsky can go into more details of that. But the basic intent was to eliminate unintended results because of the way a lot of different provisions in the statute worked together.

Bill 170 was that effort and it passed into law and a few of the provisions that were added we are suggesting tweaking them because we think it is going to result in consequences that were not intended in terms of protection of the Fund. Before going into the proposed deletions, I thought I would give a background so you would understand how the Retirement Fund is managed; its assets of 1.56 billion dollars. The Retirement Fund Board hires consultants, including actuaries who, in consultation with the Board develop a plan to invest the assets with an assumed rate of return and with that assumed rate of return they work with investment consultants to help to design an asset allocation for the Fund's portfolio consistent with the assumed rate of return,

given that risk profile. That happens to be Wilshire Associates and Maggie Ralbovsky is from Wilshire.

Then, with Wilshire's assistance, investment managers are hired to manage the Trust's assets in various asset classes. Just to by way of example, this is going to be a show and tell – this happens to be a 3rd Quarter Report [shows Senators Report]. This is a pie chart showing the investments in asset classifications; real estate, US equity, international, US fixed income and among those classes managers are hired and it happens that as of the 3rd Quarter, there four domestic equity managers, four international equity managers, three fixed income managers and three real estate managers.

Bill 170, later enacted into law would have provided for certain additional level asset managers managing certain types of fixed income classes, which Maggie can go into. The Fund was about to issue RFPs to solicit certain fixed income managers, but as a result of some of these changes I think it's going to inhibit the ability of the Fund to seek those investment managers. Going back to the management – in order to ensure that the Trust's assets are protected the Trustees meet with their managers annually and they go over how the managers performed for that year. They met quarterly with Wilshire. They go over the manager's performance over the quarter and the Fund also looks at monthly reports. By the way, the quarterly reports are provided to you, Mr. Chair.

So, the monitoring of the managers is periodic and consistent with industry standards. The addition of some of the provisions in Bill 170, we think are going to detract from the ability to carefully and thoroughly monitor – if I could turn to the proposed revisions right now.

Section 8144, which deals with custodians ----- let me back up. Bill 170 raised the Tier I Capital requirements for banks, custodians, bank trust companies from 10 million dollars to 1 billion dollars. That's a significant jump and we think that the increase of Tier I Capital is sufficient to ensure that we're talking with big players. The addition of any rolling 12-month period, we believe is unnecessary to ensure that the vendor is indeed big. But the bigger concern is in any rolling 12-month period can be viewed as meaning any 12-month period; in fact the period that may occur not prior to the time of measurement. As it stands now there are at least three periods of time where capital is measured. One when a vendor proposes under an RFP. Two at the time of contract and then again upon monitoring. So, we think that those levels are sufficient and a more frequent measurement does not materially add to the protection of the Fund and in fact can be misinterpreted to not applying to the period of contract.

Our similar concern is raised with the measurement of any 12-month rolling period for measurement of assets under management for investment agents. Again, Bill 170 raised the asset under management from 200 million dollars to one billion dollars. We think that that is sufficient to ensure that the managers are big. Ms. Ralbovsky will review later the asset levels of the 14 managers retained by the Fund.

If I might just speak a little bit on monitoring. The monitoring that I explained to you on annually, quarterly and monthly we believe is sufficient to protect the Fund and that a continual level of monitoring, which may be interpreted because of lack of clarification to mean almost

daily is onerous and probably would not be material effective for the amount of time spent monitoring on almost a daily basis. It's not common, so I think that for purposes of the Fund, the Trustees delegating to its investment consultant to do monitoring, I think that would be a difficult duty to delegate.

I want to move on now to the other floor amendment that required investment consultants to be in good standing with the financial industry regulatory authority, FINRA and the Security Exchange Commission on a continuous and ongoing basis. First, the 'on a continuous and ongoing basis' - similarly again the ongoing and continuous basis could mean - it's ridiculous but it could be second by second but for a daily or monthly, it's a little bit too often to monitor whether someone is in good standing. I think that the periodic monitoring being done now is sufficient to protect the Fund.

More importantly, though the FINRA requirements, I believe for the investment consultants and the investment managers retained by the Fund are not necessary because none of them of broker dealers who would be members of the Financial Industry Regulatory Authority. So, the requirements would be unnecessary and would limit the types of managers who would be answering the Fund's request for proposals.

As drafted now when combined with the 1 billion dollars of assets under management, as well as the requirement that a manager be a FINRA member would result in really only a few firms being able to be an investment manager because they would really be the big broker dealer firms, the names you have on the tip of your tongue. From the investment consultant side, which is the role that Wilshire plays that develops the asset allocation and helps the Fund hire managers. Section 8143(b) already prohibits broker dealers or firms that serve as principal or as a broker for other clients. They cannot be investment consultants so they also must be a FINRA member. I think that would just knock out all potential firms from being able to serve its investment consultants. I think that the purposes of the additional language were very well intentioned but may result in internal inconsistencies within the statute and probably not providing the protection that is desired.

The Fund greatly appreciates the business background and the intent behind the amendments and would love to work with anyone seeking to amend the investment statute. It's a very, very complicated statute, as all legal list statutes are. It's not a generalized prudent investible. There's a lot of moving pieces and one amendment in one provision can easily conflict with another provision. It is a very complicated statute. But, I believe that the protections that were in place before Bill 170 was in place are adequate to protect the Fund.

Lastly, there's a requirement of being in good standing with the Security and Exchange Commission on a continuous and ongoing basis. I would like to say that that provision I believe is already being met because Section 8145(c)(4) already requires all investment advisors to comply with the laws of the United States. Those laws include the Securities and Exchange Act of 1933, 1934, the Investment Advisory Act of 1940. So, all of those things are in place and require that the vendors to the Fund to file what's known as the Form ADB that filed upon the proposal, that's filed at contract and that's what Wilshire monitors on a periodic basis and every manager that has a material change in their status must file with the SEC. Luckily the SEC laws

are already out there operating and we are tagging along with the SEC laws to protect the funds. I believe that the SEC protections are already in place without needing to have that amendment. Not that it's a bad amendment. It's fine. But I think maybe what's problematic is it may not be possible to get on good standing certificate from the SEC and I am not sure if that's possible. So, rather than creating a requirement that may not be achievable, I think we can rely on the existing provisions in the statute. Thank you.

Chairman Pangelinan: Thank you very much, Ms. Grimes. Speaker San Agustin, did you have any additional comments?

Mr. Joe T. San Agustin: Thank you, Mr. Chairman. One of the things I observed, we got the Legislature right here. Whose missing? Vice Speaker BJ Cruz. First of all I want to thank the Legislature for passing original bill. As you know, you Mr. Speaker and the rest of the Committee, our staff and our investment consultant worked on this bill for more than two years. It's really unfortunate that on the last day, we could have met together and maybe talk about the amendment. Nevertheless, it has gone through. To give you some investment numbers, an appreciation – like Joann said – we have over 1.5 billion dollars now. We are generating around 15 million dollars each month just to pay our retirees. We have roughly over 15,000 members and we are generating a greater return 14%-21% per year at this point in time.

Now, by these provisions the way the law is now it would limit basically our potential for earning capacity because it would restrict the number of people we can deal with. The flexibility of the Fund that we have worked with for more than 20 years has now been basically derailed. You worked hard on this and a lot of people worked hard on this.

Since 1995, the Fund has only experienced two fiscal year losses of 1.4 in 2002, 14% in 2008 because of the recession and in 2011 2%. But over that, since 1995 it has averaged over 15% per year. So, because of investment portfolio and diversification and the way its managed through the investment managers right down to the allocation process that provided us the necessary flexibility to diversify the Fund. We just don't put it all in US markets. We invest all over the world. You have to be able to show that the people – we are generating over 15 million dollars a month just to pay the annuities and we have to assure that. Otherwise, we will have to go back to you guys to raise the contribution rate. This is what we have spent many times discussing. How can we control the cost of the pension fund. The unfunded contribution alone is around 26%. I wouldn't even venture to guess all this double dipping. That impact is going to be unfunded because you put them all on retirement and luckily they will go on the DC plan and will continue to pay there. The government itself is going to be paying twice, but that's your policy call. From the Fund itself, we need to be able to satisfy 7,000-8,000 retirees there now and they are growing; the survivors are growing and out there. We need to keep this Fund moving to assure them – we certainly don't want to go far to see what a mismanagement fund can be. All we have to do is go 21 miles to the north of us to see what can happen because of poor mismanagement of funds.

We have to be on the lookout at all times. The diversification of the Fund – the Fund started out very centralized. I remember the time when we could only invest in bank securities. I remember I had to go to Bank of America in San Francisco, we put the money in a savings account and then

in a TCD. Back in 1977, we expanded. We expanded to the point where now we are increasing the benefits. Our security ratio is – it's not something to be proud of, but at least we are able to provide the people that we are working for the benefits – we have about 7,000 retirees averaging about 30,000 dollars in annuities and with the generosity of the Legislature, giving them \$1800 a year plus the \$4200 of supplemental that is added to these people that are in the low income. These are the people that foster this government. We cannot ignore them.

We must protect the Fund and we must grow. We suggested earlier that perhaps a round table discussion – maybe it's time that we get the members of the Legislature and the Board together. This is 1.6 billion dollars asset. That's why the Tier I raised the Fund from 200 million dollars to 1 billion dollars because we protected our Fund. We need to protect our Fund. We are not going to deal with people that has less than our Fund. When you talk about limiting the pool of resources that we can avail ourselves, then what you're doing is raising the cost. You are actually raising the investment cost. Competition will be lessened. You have to diversify to widen – I can see the intent. Now FIRNA, I understand is only for brokerage firms. They don't necessarily have to be for investment consultants. We have regulations that say that. There's nothing wrong with being a member of FIRNA. But why limit yourself to just this group of people? You are limiting the competition. Just like source of supply. If you have the main source of supply, you can dictate the price.

I saw you yesterday [during a special session], Mr. Speaker when you argued on that loan program. Now that we make the loan very nice for security, why not ask for concession? Of course now I will be sitting on the other side of the table – high interest rate, why not? You can negotiate. You have to look at the bond rating. The better security the bond, the bond interest rate goes down. The more secure the loan, which is now by providing the attorney's fees involved – but at the same time, why suggest that. If you are going to assure the lender that you are going to recoup the attorney's fees that means you potentially will default on the loan. That's why most court decisions usually allow for attorney's fees. It's up to the court to decide what is reasonable attorney's fees to recover. But just the thought of it ... the loan is risky and therefore the rates will go up. So the same thing here. When you limit the pool of resources, you limit the pool of investment advisors. That means, why will dictate the price?

We are out here dealing with the market – we have a merging market; China, Germany, all over the country. Our Fund is so diversified. Without diversification, I will be very honest with you, we will be like our next door neighbor (CNMI). We will not be able to meet the 15 million dollar payroll each month. I ask the members of this body to consider the work that you did and for the last two years and to have this bill dead on its tracks. We need to move. We need to progress. We need to expand. We have 1.5 billion dollars with the largest trust fund on Guam. As a matter of fact, just last year we had a big argument when the administration wanted to tap into it. This belongs to the employees. This does not belong to the government of Guam. We are trustees of the Fund of the employees. It is our fiduciary responsibility. We could lose our home. None of you could lose your home for what you do on the floor. If you remember what happened with the Guam Memorial Hospital. We sued the Board of Trustees of the hospital and the members of that Board got their home assessed. Remember that?

That's the same here. We have to treat the employee's money as a sacred trust. I ask each one of you to please let us talk about it. If you want to change something, let's talk about it. Let's discuss it. Senator San Nicolas, I appreciate your work but let's talk about it. We may not have the monopoly, but at least let's discuss it. The bottom line is, you folks are going to have to take the blunt of it if something should happen. If something happens, you will be faced with 15,000 government employee and retirees. Is that the legacy you want to leave them? As oversight, you have adequate resources – we are open, we are very transparent. I have all the reports, you can look all you want. I look forward, Mr. Chairman for our round table discussion so you can really look at it. Where is our money going? We would love to invest in Guam, but you know just as well as I do there is not much investment opportunity on the island to assure the safety of the Fund and to get that kind of interest rate.

Mr. Chairman, please consider this amendment. Let's talk about it and let's work on it. Right now, it's dead on its tracks and we can't do anything. Thank you, Mr. Chair.

Chairman Pangelinan: Thank you and if you keep telling us you have 1.5 billion dollars, the Governor is going to want to borrow some money to fix Sanchez (High School).

Ms. Maggie Ralbovsky: Thank you, Mr. Chair and committee members. My name is Maggie Ralbovsky and I work for Wilshire Associates. We are the investment consultants to the Retirement Fund. First, I would like to echo what the Chairman (San Agustin) just mentioned that I applaud the passing of Bill 170. I think the law was a big step forward from the original investment statute. The original statute was first drafted in the 1950's and at the time it probably was state of the art, but the world has evolved since then. A lot of new development has happened in the financial market. The new law will give us a lot of other new tools to access some of the financial market segments that the old law prohibited us from accessing, which will result in being a more diversified portfolio and we expect a positive impact to the long term result.

Now there are a couple of technicalities in the new law that actually makes the implementation of the new law close to impossible. Here's why: maybe it would be good to take a step back to talk about the different kinds of players in the financial markets. In the beginning of time, there were broker dealers because the security industry started by helping companies raise money. That's what broker dealers do. The security firms will take the company public, they will issue debts for a particular company to help companies raise money so corporations can perform their operations. Broker dealers were the source where people go buy investment assets. So, you would go to a brokerage firm to open an account, the brokerage firm would act on your behalf and you would own those securities at the brokerage firm. A brokerage firm performs the function of a custodian, an investment manager, as well as a person who does the transaction.

As time goes on, those duties were actually separated. Today, if you look all the public funds in US, virtually nobody uses the broker dealer as the consultant or custodian. The reason is as time goes on financial instruments become more and more complicated and broker dealers become bigger and bigger, it spotlights that if a company, a big broker dealer issue securities on one side, treats securities on the other side of the firm and manages money on yet another side of the firm, there are many cross dealings within the firm that the lack of transparency causes concern,

especially with public funds. If you Google conflict of interest, you will find many lawsuits about 10-15 years ago when the model was not unbundled. So, 10-15 years ago when a public fund used a broker dealer as the beginning source to do all their transactions, what happened was there was a lot of ancillary services a broker dealer provided, not directly with the investor, rather money managers - because money managers have to trade through the broker dealer, they have to participate in their IPOs or whatever the broker dealer is coming up with. The broker dealer may also transact on a soft dollar basis, which means that they will provide managers research and managers will direct trades to these firms because they want to get the research.

So there are many cross dealings that cause concern. The development is such that today if you look at the functions of different kinds of players play, it is entirely unbundled. So, using the Retirement Fund as an example, we use Northern Trust as the custodian, which means it doesn't matter which manager you hire, the assets is the custody of Northern Trust. Northern Trust has no say as to what to do with the assets. They take instructions from the money managers. For example, we have a money manager called Eaton Bends, which is a small cap manager. Eaton Bends is hired to manage a particular portion of the assets. But, we do not touch the money. Eaton Bends does not have custody of money. There is no way them manager can take the money. The manager will make a decision to buy a particular stock and the manager will send this particular trade to a broker. This broker will be unrelated to any of the other vendors of the fund. But the manager will shop around to find the best execution source. So, this broker today could be Goldman Sachs, tomorrow could be JP Morgan. It depends on who can give the manager the best execution.

The manager will transact with the broker and once you transact the settlement happens in 3 days. So, you don't have to pay them today to buy that stock. If you want to buy Apple, you send a trade order through a broker, then the settlement would come from Northern Trust. Northern Trust would be given the instructions to settle this trade. That is how a transaction is done. It is entirely unbundled and each part of the chain that is charged is transparent. There is no behind the door payment. It is entirely transparent. It also helps with the multiple sources of governance. It is a good governance structure, which can prevent fraud risk as well.

If you look at other vendors of the Retirement Fund, Wilshire for example is only providing advice. We do not buy securities. We do not tell the managers which securities to buy. We do not trade with the managers. We do not have custody of the assets. All we provide is advice to the Board for an explicit fee. There is no other payment from the manager. It is an entirely transparent fee structure. It is a hard dollar service and the Board will be guided by Wilshire and have a discussion to perform their fiduciary duties and decide on asset allocation. Once the asset allocation is decided we need to hire managers to populate the asset allocation. Based on the procurement law, it is an entirely public process. So, the money manager RFPs will be published in a pension investment magazine, which is the largest, most widely distributed investment management magazine in the country. All the managers who are qualified under the minimum requirements will be allowed to submit their bid. The Board will evaluate the RFP and select the most competitive bid to populate those asset allocations. The Board does not decide on which securities to buy and that's really as second derivative in this whole entire process.

The issue I have with the requirement of FINRA is that it limits our fishing pool to only broker dealers because FINRA is a self regulatory organization for broker dealers. Only broker dealers are members of FINRA. If you think of about the unbundling that I just explained the money managers who are not affiliated with broker dealers, they are not members of FIRNA nor do they have a need to be a member of FIRNA because they do not sell securities. They buy securities and they execute through a broker dealer. Now consultants also are not members of FIRNA because we don't touch the money. We do not need to be security industry licensed because we don't sell securities. So, FINRA only regulates security dealers; people who actually sell securities. Therefore, by requiring all investment consultants to be members of FINRA, basically there is only one manager in the entire list that Guam is using can qualify. All the other managers are not members of FINRA, including us.

That is really a pretty fatal provision for us to implement this law. That is my biggest issue with the law. We cannot even issue an RFP because if we do that we are limiting our candidate pool to maybe less than 10 in the entire world that can qualify. That is number 1.

I also want to provide a little big background on the billion dollar requirement for minimum AUM. If you look at the current managers, we have 14 managers. The largest manager has 4 trillion dollars under management. The smallest manager has 3.5 billion dollars under management. If you think about how investment managers operate, their assets walking out of the door every day – those are the talents, the people and you need to be able to have enough revenue to pay these people so you can attract talents to manage assets. The investment management industry is a very competitive industry. It is very hard for a very small manager to compete for talents. That is why we think it is important to move up the standard of minimal requirement of 200 million dollars to 1 billion dollars. To tell you the truth, a billion dollars is a very small manager these days. On average, Guam's managers has about 50-60 billion dollars under management. So, for a 60 billion dollar manager to drop to a billion, they will have to fire most of their people, if you think about it. It is a very high margin for us to operate. I think that's another reason we didn't think the rolling 12-month period is necessary because if our smallest manager, for example has 3.5 billion dollars, if that manager's assets drop to billion dollars, that means your revenue would drop by 67%, which means they will not be able to support all the talents they have and they will have to fire people, they would have to do something to compensate for the fact that you actually lost 67% of your revenue.

Before they drop to a billion dollars in asset the firm will probably disintegrate. The truth out there is that the industry has really consolidated significantly. It becomes very hard for small managers or start up managers to compete. Now that is not to say that there is not a place for small managers. There are certain niche strategies somebody may come up with that could give room for new managers. But for the mainstream strategies, really it is very competitive, especially when we issue RFPs to the entire world for people to compete. We're talking about big managers.

Mr. Joe T. San Agustin: I might add that when the asset with the people that we deal with drop, we would not hesitate to fire them because we do not want our asset to be at risk. The minute that asset shows gradual decline, we change right away. We know the pathway and we know the trend. We won't wait until they are broke. For us, we want to get out fast. That's why the 1

billion dollars tier – it doesn't have to go down that level, Wilshire is a 4 billion dollar company. The minute they start losing 1 billion dollars, we will start looking for another firm.

Chairman Pangelinan: Thank you very much. Mr. Chairman, Maggie and Joan, one of things of course we are very conscience of locally is social responsibility. I know there may be some arguments with this but we believe that pension funds and such, investment firms, investment funds, some have an element of social responsibility as part of their investment strategy. For the Retirement Fund on Guam, one of the things we have always tried to convince the Fund and maybe even cajole and forced the Fund to consider in the past its local responsibility to the community that as a pension fund based in this community contributions made by income earned in this community that perhaps the Fund should consider investments in the local community, as well. Not everything but of course a portion of it that advances and enhances everyone else's social and economic position in the community.

One of the things when we were debating these issues was looking at that and trying to build that conscience-ness back into the investment strategy, investment criteria, and investment consideration, whichever word you would feel more comfortable with and that we won't overstep our boundary with regards to your fiduciary responsibilities. Criteria, condition, etc. sparked some of this debate and this requirement. So, one of the things I would like to maybe consider and ask the Fund, maybe not in this bill but certainly in some future discussions on any additional changes that we may want to make to the Fund is have a small carve out or a portion of the Fund that we understand will be a little bit riskier because of the size and the economy based on where we would be investing, but provide that opportunity to enhance local capacity and local employment for some of our local investment managers and investment advisors. Is that something that you believe would be in the realm of possibilities that this body could work with through the Fund in providing that objective in meeting from a policy standpoint from this government as it deals with the Fund that is funded and populated by the dollars earned by government workers?

Ms. Joann Grimes: Thank you Mr. Chair. I think you are talking about the use of local talent on Guam to serve as some sort of investment advisor as opposed to talking about direct investments. Certainly, I think we can discuss with the Fund maybe a carve out certain dollar amounts of assets that can be managed by anyone; anyone can respond an RFP. But maybe that wouldn't have the same 1 billion dollar cap on it. I think Ms. Ralbovsky can speak more toward the type of investment that would lend itself to; not the traditional, but maybe some alternative type of investments.

Ms. Maggie Ralbovsky: Many state funds actually have carve outs for value use base investments. So, these investments are not with a goal of seeking total return but rather to support certain values that are important to the sponsor. Some of these programs may be emerging manager programs so there are certain state funds that would carve out a portion to support emerging managers, managers that are start up managers. They would have to set up certain criteria. There are also carve outs for minorities, for the disabled, for veterans to support social agendas for particular domiciles. Those have definitely been done. Actually many state funds do have those provisions. But I do think that is independent of the issue we are talking about today.

Chairman Pangelinan: I believe it is.

Ms. Maggie Ralbovsky: I don't think it is off the table because it has been done. It just has to be done in a thoughtful manner and define what is the importance of the social goals and values that we want to support.

Chairman Pangelinan: I wanted to bring it up because that was part of the discussion on the floor in making some of the amendments that were being proposed. Those were some of the thinking behind and they may not have perfectly fit together but those are the issues and those were the concerns and some of the objectives that some members of the body were looking at. I think they are permissible and desirable in some instances for our community. It's just how do we achieve them and I know they are not directly linked to the criteria here so we understand the difference of the two. But, that is some of the background in terms of the discussion.

Mr. Joe T. San Agustin: The history of the Fund has always had that policy. The Fund did attract a lot of business to Guam. We financed McDonald's for Guam, the Duty Free Shop when it first came, the Ada's Funeral Home we financed when we first started. But the opportunities to invest are competition. We can't provide less than we can get on others on return. If you can get returns on 10% on some place else, why would you want to go down or 5%? That's the point. We have a fiduciary relationship for that particular spread. Now, if there is any equal opportunity involved – we buy a lot of mortgages. You may not know, but indirectly when a mortgage is due from a bank when it goes out on an open market, we do participate. There's nothing wrong with that. But we have to compete. Certainly you don't want us to lend money less than the fair market value.

I don't know how we can justify that – just because of social motivation. Because I want to socially invest in Guam; let's put it that way. But at 1%, when I can get it for 10% elsewhere? We have fiduciary responsibility to the members of the Fund.

Chairman Pangelinan: I certainly understand that.

Mr. Joe T. San Agustin: Competition; we welcome that.

Chairman Pangelinan: There are instances where funds make that conscience decision to do so and it's kind of like getting veteran's points on your application.

Mr. Joe T. San Agustin: They are welcome – but it's got to be at a rate... where do we sacrifice? You can get a return on the same amount of money twice as much as your return. I am sure you will say, well I will give it to this guy because he's local for 3% but I can get it at 10% elsewhere. Now how do I account for that 8% difference?

Chairman Pangelinan: I understand and there are ways.

Mr. Joe T. San Agustin: Now if you want to carve it out for let's say 10% of the Fund, then somebody has to pay the difference.

Chairman Pangelinan: It's built in the same rate of return....

Mr. Joe T. San Agustin: We did it way back with Guam Housing. Remember that? The Guam Housing came back and borrowed money less than what we were charging them. That's why they went to Citibank. I think we lent them at 7%; they were able to get it at 4%. So they went to Citibank and borrowed money and paid us off. But we did provide the initial – we gave them the starting money. There are many firms on Guam that we helped start up. Once they get started, other banks see the good investment. But we took at risk to begin with. We can still do that. We have asked SBA people many times to give us an opportunity to participate. But other banks compete.

Chairman Pangelinan: Thank you very much, Mr. Speaker.

Senator Michael San Nicolas: Thank you Mr. Chairman. Speaker San Agustin, I just want to first thank you for all your hard work on the Fund. You have been one of the career champions of our Retirement Fund and all of our retirees have a serious debt of gratitude to you for of all of your service making in sure that the Fund is protected, well managed and well maintained. I just wanted to state for the record because my Dad is a retiree and my Mom will be a soon-to-be retiree. It's always important that as much as we think of the Retirement Fund as a big picture scenario it really is personal for so many people here in this room. A lot of our families are retirees so it really hits close to home.

Mr. Joe T. San Agustin: This is your turn, now. I am on the way out. You guys have to take over.

Senator Michael San Nicolas: That was the reason why I really wanted to talk about these amendments. I can understand the rolling 12-month period amendment - we can be flexible there. For me, one of the key amendments that we are talking about today is the FINRA and the SEC amendments. I came from the investment industry. I was a licensed investment advisor with FINRA and part of the requirement to getting that license is to not only be tested, but to be audited every year. One of the big safety nets of that audit is to make sure that the practices that I am doing are maintained to that standard - that ethical code. Any small problem that I had, I could immediately lose my license and I could lose my ability to practice. So, not only was getting the FINRA license a pre-qualifier for me to be able to go out and say, I am an investment advisor it also gave that seal of approval that I an audited advisor and somebody's looking at all of my work and making sure that my work is being held to a certain standard.

When I was going through this bill on the floor and with the courtesy of the Chairman, it really jumped out at me that we did not have that as a hurdle to becoming a manager of the Fund. That was the reason I proffered the amendment because when you look at the FINRA background, they had 1,541 disciplinary actions in 2012 that they took against people who were licensed under them when they went in there and they audited them and said, you are not doing your job right. They took disciplinary action. They levied more than 68 million dollars in fines to everybody who had that license. So, all these judgments, all these regulations – there's a third party regulatory body that's looking at the work and saying, is what you advised the client suitable for

their objectives. Now when I didn't see that here in any of the laws that we were working with in Bill 170 that was the reason I proffered the amendment.

So, I want to ask a couple of questions. My first question is: Of these managers you are recommending, who is monitoring them because I'll throw out a very popular name in the last couple of years who was managing 14 billion dollars and that guy's name was Bernie Madoff. He was not FIRNA licensed and he had Form 80, part 1 and part 2. He was managing billions, not 1.5 billion dollars that we have. There was no one guarding the hen house. Are you auditing all of these managers? Are you going in there and determining whether or not what they are doing meet certain suitability requirements?

My other question is: How many fines have you levied on managers? How much in millions have you recovered for managers who have mismanaged because certainly there had to be managers who did not do their job properly.

Ms. Maggie Ralbovsky: Thank you for the question. I used to work for Goldman Sachs and I was licensed in the beginning of my career so I know exactly what you are talking about. I actually changed jobs because there was a lot of inherent conflict of interest in my old job. I think I explained the inherent conflict of interest in my earlier statement. FIRNA is a self regulatory entity that only regulates security broker dealers or investment advisors that actually sell securities. It does not regulate the buy-side. So, there's the sell-side and the buy-side. The investment managers on the buy-side do not buy securities directly. They buy securities through a broker dealer. They send their trades through a broker dealer to buy the security.

The investment managers are regulated by the SEC. So are we. The SEC does annual audits and they also do random audits. They will show up in the office and subpoena all the different records. They also have a regulatory sanction. They also do fines. You could probably pull up the SEC fines, as well to see how much fines they have done. The SEC is a government agency that also regulates FINRA. FINRA is under SEC regulation and FINRA is not a government agency. It is membership based, self regulatory organization, just like the CFA Institute that I belong to.

There's different regulatory entities in the investment management industry and because of the unbundling of the services to the different parts of the financial market, the SEC is the ultimate regulator in this industry. Now speaking of the role of us. We do manager researches, both on the investment side as well as the operational side. With regard to Bernie Madoff: Bernie Madoff was a fraud case and you could do all the due diligence you want and if somebody wants to defraud you, especially in the case of Bernie Madoff he used to run NASDA. He used to run FINRA – NASDA is FINRA's predecessor. He used to run that organization. We could have locks in our homes and if somebody wants to break the lock they will find a way to do it. There are definitely bad apples out there and our firm has never invested with Bernie Madoff because we couldn't understand why there is such a sustainable manager that could generate returns months after months and nobody else could copy it. That was just too good to be true because there are so many talents in this industry. How can somebody be like that; nobody could copy their strategies. That was the reason. Not because we think he was a fraud. We just couldn't understand how somebody could – he would explain to you a strategy, then you would try to

replicate the strategy but you could never replicate his strategy. So, if you do not understand it, we do not invest in it.

I think sometimes it's common sense that if it is too good to be true, it's probably too good to be true. That probably protected us. We are not a regulator. We do not fine managers. If we find a manager that is unsuitable for the Fund or a manager that actually has not performed, it's our contractual duty to fire the manager. The manager does not hold the assets. The manager cannot walk with our assets. Another thing with Bernie Madoff is that he did not use a custodian, he self custodied. All the assets you invest with him you do not put in Northern Trust. You actually wired it to Bernie Madoff. That's another issue that actually will not happen for this Fund because we have all our assets with Northern Trust. We see it with entire transparency – QSIP by QSIP. I hope that answers your questions.

Senator Michael San Nicolas: My question was, do you audit the managers? Do you go in there and look at whether or not the advice they are giving suitable on a continuous basis, not just for the Retirement Fund because the Retirement Fund might do well with the manager one year, but the next year the manager might be completely unsuitable.

Ms. Maggie Ralbovsky: We hire a manager to fulfill certain mandates. As I mentioned we have 14 managers. We divide up the investment to large cap, small cap, international, emerging markets. A manager is hired to fulfill a particular mandate and we look at their profile every single quarter. Because Northern Trust has all the holdings, we get all the holdings, we put the holdings into our system and when it runs through we will see if the manager is fulfilling that mandate. If a large cap manager all of a sudden started buying international security that is a breach based on that particular mandate.

Senator Michael San Nicolas: I understand that. That's why I am a little confused. When you say that a licensed broker dealer is only regulated to sell securities, that's incorrect. I did exactly what you do.

Ms. Maggie Ralbovsky: Did you sell ETFs? Did you sell that?

Senator Michael San Nicolas: It was not that side of the business. But I was doing, I was recommending to my clients asset allocation from professional managers. What my responsibility was to make sure that that allocation was meeting the objective, but what FINRA did was they made sure – they were the third party that looked at my work. They made sure my work was suitable for my client. The reason why the self regulatory aspect was so effective was because those are professionals looking at professionals and saying, we know what's suitable for that kind of a client, why are you recommending that? With respect what you do for the Fund, who regulates you?

Ms. Maggie Ralbovsky: The SEC. We are registered with the SEC.

Senator Michael San Nicolas: So the SEC regulates you.

Ms. Maggie Ralbovsky: Yes, and also the money managers.

Senator Michael San Nicolas: Do you think that if we do this amendment, perhaps we can step back from the FINRA part but we should maintain the SEC requirement?

Ms. Maggie Ralbovsky: The SEC is already there. It's a duplication of what

Senator Michael San Nicolas: What I am reading here is that it's saying it's a duplication.

Ms. Joann Grimes: If I may interject. You don't see the word SEC in the current statute. It's subsumed in Section 1845(c)(4), which says: *such person, firm or corporation is registered as an investment adviser under the laws of the United States of America as from time to time in effect.* The laws are going to be --- for example the Securities and Exchange Act of 1933, the Securities Exchange Act of 1934 and the Investment Advisers Act of 1940 and those are the general laws that you are probably subject to and that will automatically be in effect for whatever position the contractor happens to have; whatever they are required to be licensed.

Senator Michael San Nicolas: How often does the Fund check how they are doing with SEC?

Ms. Joann Grimes: First at the proposal stage because they have to make a certification. Two at the contract stage and then periodically through the monitoring. I'll tell you where it comes up. Remember I said the actuary has an assumed return? When they look back at actual performance over the long period verses that return, there is going to be a flag if the asset allocation or something else of the performance of the managers - at each level something is going to trigger to actual performance. So at that stage, that's when the Board of Trustees is monitoring the asset allocation and performance of the managers.

Ms. Maggie Ralbovsky: So the ABB Part 2 is the disclosure document. All the money managers have to submit to the SEC at least once a year and if anything hasn't happened within the year, they also are required to file such a disclosure. This disclosure is being sent to us, as well so we actually have people go through all these filings to make sure we understand if anything has happened with the manager. We have actually keep a log. We have a data base that keeps all these historical ABBs and keep a log as to the material changes that has happened with the managers.

Chairman Pangelinan: The Board itself also monitors the financial managers and the financial advisors and compares it against what the objective is in terms of the rate of returns and the Board meets once a week, once a month plus quarterly reviews of the performance.

Ms. Maggie Ralbovsky: Quarterly reviews, yes.

Ms. Joann Grimes: Yes and I think there's a concept of suitability that you raised a number of times. I think at this level the suitability is less on the individual asset, for example Apple stock, but more on the suitability of the classes where there is large cap growth. So it's at a little bit higher level than an individual asset. The monitoring is going to be done at a higher level for suitability.

Ms. Maggie Ralbovsky: And the Board also has a due diligence to schedule at least once a year for these managers to come to Guam and present to the Board and report their activities and anything that needs to be disclosed, they will disclose.

Mr. Joe T. San Agustin: By the end of next month, the managers will come to Guam and also for the record provision next week, as a matter of fact. So, you folks are welcome to join us. The OPA is always there. We do have these investment managers come to Guam and they make their presentations and are reviewed by our investment consultants plus Joann always goes after them. We also have a Bernstein firm in San Diego who look at all these transactions and will bring them to court. So, we have people that will go after them and sue them. We went after Lehman Brothers and Country Wide. I can share the results with you. We have all these people on tap to watch in addition to them come in plus the fact that our Trustees attend a lot of these investment fund conferences. As a matter of fact, we have one in January in the Philippines where all the retirement funds in the area attend.

There is transparency any time. We can provide any one of the members the report.

Chairman Pangelinan: Thank you and Si Yu'os Ma'ase for your presence this afternoon.

Thank you very much for your testimony. This concludes the testimony on Bill No. 245. There being no additional individuals to present any additional testimony, this Committee will continue to remain open for the acceptance of any additional information or public testimony on the bill discussed. You can submit those testimonies to my office directly on Soledad Avenue, as well as the Guam Legislature or through any of the electronic processes either email at office@guam.net or through our website at senbenp.com

This hearing is adjourned.

III. FINDINGS & RECOMMENDATIONS

The Committee on Appropriations, Public Debt, Legal Affairs, Retirement, Public Parks, Recreation, Historic Preservation and Land, hereby reports Bill No. 245-32 (COR), as amended with the recommendation TO REPORT OUT ONLY.

I MINA 'TRENTAI DOS NA LIHESLATURAN GUAHAN
2013 (FIRST) REGULAR SESSION

Bill No. 245-32 (COR)

Introduced By: V.C. Pangelinan

2013 DEC 19 PM 3:01

AN ACT TO AMEND SECTIONS 8144, 8145, AND 8149, ARTICLE 1, CHAPTER 8, TITLE 4 OF THE GUAM CODE ANNOTATED RELATIVE TO CUSTODIANS, INVESTMENT AGENTS, AND BANK DEPOSITS.

BE IT ENACTED BY THE PEOPLE OF GUAM:

1 **Section 1.** Legislative Findings and Intent. *I Liheslaturan Guahan* finds that
2 Sections 8144, 8145, and 8149 of Article 1, Chapter 8, Title 4 of the Guam Code
3 Annotated, were recently amended and passed into law in Public Law No. 32-086
4 as part of a broader effort to improve the Government of Guam's ability to meet its
5 obligations to fund the Government of Guam Retirement Fund Defined Benefit
6 Plan.

7 *I Liheslaturan Guahan* finds that one of the purposes of the amendments in
8 Public Law No. 32-086 was to remove certain statutory limitations that may result
9 in unintended consequences adversely impacting the investment goals of the
10 Government of Guam Retirement Fund.

11 *I Liheslaturan Guahan* finds that further amendments are needed to
12 minimize unintended consequences, and therefore intends to amend Sections 8144,
13 8145, and 8149 of Article 1, Chapter 8, Title 4 of the Guam Code Annotated to
14 repeal certain requirements that will result in unintended consequences that are not
15 in the best interest of the Government of Guam Retirement Fund.

1 **Section 2.** Section 8144, Article 1, Chapter 8, Title 4 of the Guam Code
2 Annotated, amended by Public Law No. 32-086 is hereby further amended to read:

3 “§8144. Custodian. The Board *shall* engage one or more custodians to
4 assume responsibility for the physical possession of fund assets or evidences of
5 assets. The custodian shall submit such reports, accountings and other information
6 in such form and at such times as requested by the Board. All costs incurred for
7 custodial services *shall* be a direct charge to Investment Income. The custodian
8 *shall* hold all assets for the account of the Government of Guam Retirement Fund
9 and *shall* act *only* upon the instructions of the Board, its *ex-officio* director or a
10 member, committee or agent so authorized by the Board. No custodian shall be
11 engaged unless it:

12 (a) has been continuously engaged in rendering custody services for
13 a period of ten (10) or more years; and

14 (b) is organized under the laws of the United States or a state or
15 territory thereof; and

16 (c) has Tier 1 capital in excess of One Billion Dollars
17 (\$1,000,000,000) ~~in any rolling 12 month period~~; and

18 (d) is a member of the Federal Reserve System whose deposits are
19 insured by the Federal Deposit Insurance Corporation or any successor
20 thereto; or

21 (e) notwithstanding any of the above, any locally chartered bank
22 may be a custodian of the Retirement Fund.”

23 **Section 3.** Section 8145, Article 1, Chapter 8, Title 4 of the Guam Code
24 Annotated, amended by Public Law No. 32-086 is hereby further amended to read:

25 “§ 8145. **Investment Agent.**

1 (a) In order to secure expert advice and counsel, the Board may
2 engage an investment agent to serve as investment counsel which shall be
3 either an investment counsel or a bank trust department as hereinafter
4 qualified; and one or more Investment Agents to serve as investment
5 manager(s) to manage asset classes identified by the Board upon the
6 recommendation of investment counsel. All costs incurred in this connection
7 shall be a direct charge to Investment Income.

8 (b) No person, firm or corporation shall be eligible for employment
9 as investment counsel which acts as principal for its own account or as broker
10 for a client other than the Fund in connection with the sale of any security to
11 or the purchase of any security from the Fund.

12 (c) No investment agent shall be engaged *unless*:

13 (1) the principal business of the person, firm or corporation
14 selected by the Board consists of rendering investment supervisory
15 services, that is, the giving of continuous advice as to the investment of
16 Funds on the basis of the individual needs of each client; and

17 (2) the principal ownership or control of such person, firm or
18 corporation rests with individuals who are actively engaged in such
19 business; and

20 (3) such person, firm or corporation and its predecessors have
21 been continuously engaged in such business for a period of ten (10) or
22 more years; and

23 (4) such person, firm or corporation is registered as an
24 investment adviser under the laws of the United States of America as
25 from time to time in effect; and ~~is in good standing with the Financial~~

1 ~~Industry Regulatory Authority (FINRA) and the Security and~~
2 ~~Exchange Commission (SEC) on a continuous and ongoing basis; and~~

3 (5) the contract between the Board and the investment agent
4 is of no specific duration and is voidable at any time by either party;
5 and

6 (6) such person, firm or corporation certifies in writing, to the
7 Board, that the assets under its direct investment supervision are in
8 excess of One Billion Dollars (\$1,000,000,000) ~~in any rolling 12~~
9 ~~month period.~~

10 (d) The Board shall not engage a bank trust department *unless* it:

11 (1) certifies in writing, to the Board, that the assets under its
12 direct investment supervision are in excess of One Billion Dollars
13 (\$1,000,000,000) ~~in any rolling 12 month period;~~ and

14 (2) has been, together with its predecessors, continuously
15 engaged in supervising investments for a period of ten (10) or more
16 years; and

17 (3) is organized under the laws of the United States or a state
18 or territory thereof; and

19 (4) has Tier 1 capital in excess of One Billion Dollars
20 (\$1,000,000,000) ~~in any rolling 12 month period;~~ and

21 (5) is a member of the Federal Reserve System whose
22 deposits are insured by the Federal Deposit Insurance Corporation or
23 any successor thereto.

24 (e) The Board or its designee under § 8143(a), shall establish and
25 may from time to time change operating arrangements with the Investment

1 Agent in order to facilitate efficient management and timely investment
2 action.

3 (f) No investment *shall* be made unless in the opinion of the
4 Investment Agent it is an appropriate investment for the Fund and is an
5 authorized investment under §§ 8143 through § 8159, inclusive, or in the
6 absence of such opinion, unless preceded by a resolution of the Board
7 directing the investment.”

8 **Section 4.** Section 8149, Article 1, Chapter 8, Title 4 of the Guam Code
9 Annotated, amended by Public Law No. 32-086 is hereby further amended to read:

10 “§ 8149. Same: Bank Deposits; Other Cash Equivalents.

11 (a) Interest-bearing time deposits, demand deposits, and cash sweep
12 deposit accounts in banks organized under the laws of the United States or
13 any state or territory thereof, provided that said bank:

14 (1) has Tier 1 capital in excess of One Billion Dollars
15 (\$1,000,000,000) ~~in any rolling 12-month period~~; and

16 (2) is a member of the Federal Reserve System; and

17 (3) together with any predecessors, have been conducting a
18 banking business for a continuous period of ten (10) or more years; or

19 (4) any bank or savings and loan association chartered in
20 Guam and a member of the Federal Deposit Insurance Corporation or
21 the Federal Home Loan Bank System.

22 (b) Cash equivalents purchased in investment funds authorized
23 under Section 8158 or in exchange-traded funds authorized under Section
24 8158.1; in amounts and for durations approved by the Board in connection
25 with the management of uninvested cash balances; such purchases *shall* be
26 excluded from limitations of § 8158(e) and § 8158.1(b).”

1 **Section 5.** Effective Date. This Act shall become effective retroactively to
2 the enactment date of Public Law No. 32-86, November 27, 2013.

3 **Section 6.** Severability. If any provision of this Act or its application to any
4 person or circumstance is held invalid, the invalidity shall not affect any other
5 provision or applications of this Act which can be given effect without the invalid
6 provision or application, and to this end the provisions of the Act are severable.

I MINA 'TRENTAI DOS NA LIHESLATURAN GUAHAN
2013 (FIRST) REGULAR SESSION

Bill No. 245-32 (COR)

Introduced By: V.C. Pangelinan

**As Amended by the Committee on
Appropriations, Public Debt, Legal Affairs, Retirement,
Public Parks, Recreation, Historic Preservation, and Land**

**AN ACT TO AMEND SECTIONS 8144, 8145, AND
8149, ARTICLE 1, CHAPTER 8, TITLE 4 OF THE
GUAM CODE ANNOTATED RELATIVE TO
CUSTODIANS, INVESTMENT AGENTS, AND BANK
DEPOSITS.**

BE IT ENACTED BY THE PEOPLE OF GUAM:

1 **Section 1.** Legislative Findings and Intent. *I Liheslaturan Guahan* finds that
2 Sections 8144, 8145, and 8149 of Article 1, Chapter 8, Title 4 of the Guam Code
3 Annotated, were recently amended and passed into law in Public Law No. 32-086
4 as part of a broader effort to improve the Government of Guam's ability to meet its
5 obligations to fund the Government of Guam Retirement Fund Defined Benefit
6 Plan.

7 *I Liheslaturan Guahan* finds that one of the purposes of the amendments in
8 Public Law No. 32-086 was to remove certain statutory limitations that may result
9 in unintended consequences adversely impacting the investment goals of the
10 Government of Guam Retirement Fund.

11 *I Liheslaturan Guahan* finds that further amendments are needed to
12 minimize unintended consequences, and therefore intends to amend Sections 8144,
13 8145, and 8149 of Article 1, Chapter 8, Title 4 of the Guam Code Annotated to
14 repeal certain requirements that will result in unintended consequences that are not
15 in the best interest of the Government of Guam Retirement Fund.

1 **Section 2.** Section 8144, Article 1, Chapter 8, Title 4 of the Guam Code
2 Annotated, amended by Public Law No. 32-086 is hereby further amended to read:

3 “§8144. Custodian. The Board *shall* engage one or more custodians to
4 assume responsibility for the physical possession of fund assets or evidences of
5 assets. The custodian shall submit such reports, accountings and other information
6 in such form and at such times as requested by the Board. All costs incurred for
7 custodial services *shall* be a direct charge to Investment Income. The custodian
8 *shall* hold all assets for the account of the Government of Guam Retirement Fund
9 and *shall* act *only* upon the instructions of the Board, its *ex-officio* director or a
10 member, committee or agent so authorized by the Board. No custodian shall be
11 engaged unless it:

12 (a) has been continuously engaged in rendering custody services for
13 a period of ten (10) or more years; and

14 (b) is organized under the laws of the United States or a state or
15 territory thereof; and

16 (c) has Tier 1 capital in excess of One Billion Dollars
17 (\$1,000,000,000) ~~in any rolling 12 month period~~; and

18 (d) is a member of the Federal Reserve System whose deposits are
19 insured by the Federal Deposit Insurance Corporation or any successor
20 thereto; or

21 (e) notwithstanding any of the above, any locally chartered bank
22 may be a custodian of the Retirement Fund.”

23 **Section 3.** Section 8145, Article 1, Chapter 8, Title 4 of the Guam Code
24 Annotated, amended by Public Law No. 32-086 is hereby further amended to read:

25 “§ 8145. **Investment Agent.**

1 (a) In order to secure expert advice and counsel, the Board may
2 engage an investment agent to serve as investment counsel which shall be
3 either an investment counsel or a bank trust department as hereinafter
4 qualified; and one or more Investment Agents to serve as investment
5 manager(s) to manage asset classes identified by the Board upon the
6 recommendation of investment counsel. All costs incurred in this connection
7 shall be a direct charge to Investment Income.

8 (b) No person, firm or corporation shall be eligible for employment
9 as investment counsel which acts as principal for its own account or as broker
10 for a client other than the Fund in connection with the sale of any security to
11 or the purchase of any security from the Fund.

12 (c) No investment agent shall be engaged *unless*:

13 (1) the principal business of the person, firm or corporation
14 selected by the Board consists of rendering investment supervisory
15 services, that is, the giving of continuous advice as to the investment of
16 Funds on the basis of the individual needs of each client; and

17 (2) the principal ownership or control of such person, firm or
18 corporation rests with individuals who are actively engaged in such
19 business; and

20 (3) such person, firm or corporation and its predecessors have
21 been continuously engaged in such business for a period of ten (10) or
22 more years; and

23 (4) such person, firm or corporation is registered as an
24 investment adviser under the laws of the United States of America as
25 from time to time in effect to include the Securities and Exchange Act
26 of 1933, 1934 and the Investment Advisory Act of 1940 and

1 ~~subsequent amendments; and is in good standing with the Financial~~
2 ~~Industry Regulatory Authority (FINRA) and the Security and~~
3 ~~Exchange Commission (SEC) on a continuous and ongoing basis; and~~

4 (5) the contract between the Board and the investment agent
5 is of no specific duration and is voidable at any time by either party;
6 and

7 (6) such person, firm or corporation certifies in writing, to the
8 Board, that the assets under its direct investment supervision are in
9 excess of One Billion Dollars (\$1,000,000,000) ~~in any rolling 12~~
10 ~~month period.~~

11 (d) The Board shall not engage a bank trust department *unless* it:

12 (1) certifies in writing, to the Board, that the assets under its
13 direct investment supervision are in excess of One Billion Dollars
14 (\$1,000,000,000) ~~in any rolling 12 month period; and~~

15 (2) has been, together with its predecessors, continuously
16 engaged in supervising investments for a period of ten (10) or more
17 years; and

18 (3) is organized under the laws of the United States or a state
19 or territory thereof; and

20 (4) has Tier 1 capital in excess of One Billion Dollars
21 (\$1,000,000,000) ~~in any rolling 12 month period; and~~

22 (5) is a member of the Federal Reserve System whose
23 deposits are insured by the Federal Deposit Insurance Corporation or
24 any successor thereto.

25 (e) The Board or its designee under § 8143(a), shall establish and
26 may from time to time change operating arrangements with the Investment

1 Agent in order to facilitate efficient management and timely investment
2 action.

3 (f) *No investment shall be made unless in the opinion of the*
4 *Investment Agent it is an appropriate investment for the Fund and is an*
5 *authorized investment under §§ 8143 through § 8159, inclusive, or in the*
6 *absence of such opinion, unless preceded by a resolution of the Board*
7 *directing the investment.”*

8 **Section 4.** Section 8149, Article 1, Chapter 8, Title 4 of the Guam Code
9 Annotated, amended by Public Law No. 32-086 is hereby further amended to read:

10 “§ 8149. Same: Bank Deposits; Other Cash Equivalents.

11 (a) Interest-bearing time deposits, demand deposits, and cash sweep
12 deposit accounts in banks organized under the laws of the United States or
13 any state or territory thereof, provided that said bank:

14 (1) has Tier 1 capital in excess of One Billion Dollars
15 ~~(\$1,000,000,000) in any rolling 12 month period;~~ and

16 (2) is a member of the Federal Reserve System; and

17 (3) together with any predecessors, have been conducting a
18 banking business for a continuous period of ten (10) or more years; or

19 (4) any bank or savings and loan association chartered in
20 Guam and a member of the Federal Deposit Insurance Corporation or
21 the Federal Home Loan Bank System.

22 (b) Cash equivalents purchased in investment funds authorized
23 under Section 8158 or in exchange-traded funds authorized under Section
24 8158.1; in amounts and for durations approved by the Board in connection
25 with the management of uninvested cash balances; such purchases *shall* be
26 excluded from limitations of § 8158(e) and § 8158.1(b).”

1 **Section 5.** Effective Date. This Act shall become effective retroactively to
2 the enactment date of Public Law No. 32-86, November 27, 2013.

3 **Section 6.** Severability. If any provision of this Act or its application to any
4 person or circumstance is held invalid, the invalidity shall not affect any other
5 provision or applications of this Act which can be given effect without the invalid
6 provision or application, and to this end the provisions of the Act are severable.



Mina'trentai Dos na Liheslaturan Guahan
32ND GUAM LEGISLATURE

Senator Vicente "ben" Cabrera Pangelinan

**COMMITTEE ON APPROPRIATIONS, PUBLIC DEBT, LEGAL AFFAIRS, RETIREMENT,
PUBLIC PARKS, RECREATION, HISTORIC PRESERVATION AND LAND**

Friday, January 17, 2014

Bill No. 245

SIGN UP SHEET

NAME	ADDRESS	PHONE	EMAIL	WRITTEN	ORAL	SUPPORT	
						Yes	No
Joann Grimes	GGKF Legal Counsel						
Joe T. BAN Aguon	GGKF chairman						
Maggie Robinson	Wildfire Assoc.						

324 W. Soledad Ave. Hagatna, Guam 96910

Ph. 473-4236 Fax. 473-4238

Email: senbenp@guam.net



**GOVERNMENT OF GUAM RETIREMENT FUND
POSITION STATEMENT ON BILL 245-32**

January 13, 2014

I. Support for Bill 245-32

The Government of Guam Retirement Fund supports Bill 245-32. If enacted into law, Bill 245-32 would eliminate certain floor amendments added to Bill 170-32 (subsequently enacted as Public Law No. 32-086) that were meant to protect the Retirement Fund's investments of Defined Benefit Plan assets held in trust, but in practice will not result in the type of protections intended by the floor amendments. The Fund appreciates and supports efforts to protect its investment portfolio, but must speak up when legislative drafting will hinder these laudable goals.

Bill 170-32 was introduced to amend certain investment provisions in the Defined Benefit Plan statute (codified at Title 4, Chapter 9, Article 1 of the Guam Code Annotated). The amendments to investment provisions were made carefully after a comprehensive and thorough review of policy goals, to clarify and amend statutory constraints inapposite to those goals. One of the primary purposes of Bill 170-32 was to remove certain statutory limitations that could result in unintended consequences adversely impacting the investment goals of the Fund. Bill 245-32 is consistent with those goals, and should be passed and enacted into law to eliminate similar types of unintended consequences, consistent with the underlying purposes of Bill 170-32.

II. Section-by-Section Summary of Provision to be "Repealed" by Bill 245-32

	Provision Added to Bill 170-32 and Proposed to be "Repealed" (Deleted) by Bill 245-32	Rationale for "Repeal"
§ 8144	<p>§ 8144. Custodian.</p> <p>The Board shall engage one or more custodians to assume responsibility for the physical possession of fund assets or evidences of assets. The custodian shall submit such reports, accountings and other information in such form and at such times as requested by the Board. All costs incurred for custodial services shall be a direct charge to Investment Income. The custodian shall hold all assets for the account of the Government of Guam Retirement Fund and shall act only upon the instructions of the Board, its ex-officio director or a</p>	

<p>actively engaged in such business; and</p> <p>(3) Such person, firm or corporation and its predecessors have been continuously engaged in such business for a period of ten (10) or more years; and</p> <p>(4) Such person, firm or corporation is registered as an investment adviser under the laws of the United States of America as from time to time in effect; and is in good standing with the Financial Industry Regulatory Authority (FINRA) and the Security and Exchange Commission (SEC) on a continuous and ongoing basis; and</p> <p>(5) The contract between the Board and the investment agent is of no specific duration and is voidable at any time by either party; and</p> <p>(6) Such person, firm or corporation certifies in writing, to the Board, that the assets under its direct investment supervision are in excess of One Billion Dollars (\$1,000,000,000) in any rolling 12 month period.</p> <p>(d) The Board shall not engage a bank trust department unless it:</p> <p>(1) Certifies in writing, to the Board, that the assets under its direct investment supervision are in excess of One Billion Dollars (\$1,000,000,000) in any rolling 12 month period; and</p> <p>(2) Has been, together with its predecessors, continuously engaged in supervising investments for a period of ten (10) or more years; and</p> <p>(3) Is organized under the laws of the United States or a state or territory thereof; and</p> <p>(4) Has Tier 1 capital in excess of One Billion Dollars (\$1,000,000,000) in any rolling 12 month period; and</p> <p>(5) Is a member of the Federal Reserve System whose deposits are insured by the Federal Deposit Insurance Corporation or any successor thereto.</p> <p>(e) The Board or its designee under § 8143(a), shall establish and may from time to time change operating arrangements with the Investment Agent in order to facilitate efficient management and timely investment</p>	<p>Floor amendment to Bill 170-32 was intended to protect the Fund by imposing additional requirements on the Fund and the investment agents retained by the Fund.</p> <p>In practice, however, these floor amendments may not be achievable (even if FINRA and SEC were to issue good standing determinations), are duplicative of statutory and administrative protections, and will inhibit competition.</p> <p>The addition of “in any rolling 1 month period” can be interpreted to mean a rolling 12 month period prior to, but not at the time of contracting or during performance of the contract, which was not the intention of the floor amendment.</p>
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in connection with its proposal in response to an RFP, upon contract and performance thereunder, and as monitored from time to time by the Retirement Fund and its authorized delegates.

The floor amendments contained in Public Law No. 32-086 will now require these assessments to be measured and met “in any rolling 12 month period”. Although well-intentioned, this new requirement could lead to the unintended consequence of rendering a custodian, bank trust department, or bank eligible under Sections 8144, 8145, or 8149 even if it had Tier 1 capital in excess of \$1 billion only once in its history – for one consecutive 12-month period – because “any” 12-month period can mean any one 12-month period, and not necessarily the recent and prior 12 month period. This type of ambiguity could not have been intended when enacting Public Law No. 32-086. Even if further amended to apply to every prior rolling 12 month period, this requirement would impose unreasonable monitoring efforts without corresponding benefits. The Retirement Fund’s past and continuing practice to monitor compliance with capital requirements at various stages of procurement, contracting, performance, and oversight, are reasonable and sufficient to ensure compliance with Tier 1 capital requirements. The more frequent measurement of capital (presumably daily) would be administratively burdensome and would not materially improve the quality of custodians, bank trust departments, or banks relative to the onerous increased monitoring efforts to be taken by the Retirement Fund to continually measure capital on a rolling basis.

B. Increased Assets Under Direct Supervision Better Achieve Purposes Sought by More Frequent Measurement of Assets Under Direct Supervision

Bill 170-32 amending Section 8145 similarly increased the amount of assets under investment agent’s direct supervision from more than \$200 million to more than \$1 billion, measured “in any 12 month period”.

This assessment must now be measured and met “in any rolling 12 month period”. Although well-intentioned, this new requirement could lead to the unintended consequence of rendering an investment agent eligible under Section 8145 even if it directly supervised assets in excess of \$1 billion only once in its history – for one consecutive 12-month period – because “any” 12-month period can mean any one 12-month period, and not necessarily the recent and prior 12 month period. Even if further amended to apply to every prior rolling 12 month period, this requirement would impose unreasonable monitoring efforts without corresponding benefits. The Retirement Fund’s past and continuing practice to monitor compliance with assets under direct supervision at various stages of procurement, contracting, performance, and oversight, are sufficient to ensure compliance with this requirement. More frequent measurement of assets under an investment agent’s direct supervision would not materially improve the quality of investment agents relative to the onerous increased monitoring efforts to be taken by the Retirement Fund to continually measure assets under direct supervision on a rolling basis.

C. FINRA “Good Standing” Requirement is Inappropriate; SEC “Good Standing” Requirement is Redundant; and Neither May Be Obtainable on “a continuous and ongoing basis”

Authority (FINRA) and the Security and Exchange Commission (SEC) on a continuous and ongoing basis” does not materially improve upon, or confer greater protections than, the existing registered investment advisor requirement in Section 8145, already within the purview of the SEC. More importantly, however, the combination of these changes to Section 8145 is likely to result in significant unintended and adverse consequences, described below.

First, FINRA is not a government entity, but a self-regulatory membership based entity comprised of brokerage firms and firms offering brokerage services. Practically speaking, only FINRA members would be able to obtain “good standing” references, assuming that FINRA provides such references or certification. Institutional investment managers and independent consultants not affiliated with brokerage firms are not FINRA members. The unintended consequence is that, if investment agents must be FINRA members, and if FINRA members are primarily brokerage firms, then only the firms that can act as brokers for other clients and/or principals for their own accounts would be eligible to serve. This requirement would significantly reduce the pool of qualified vendors by essentially eliminating the majority of institutional investment managers and independent consultants seeking to be retained to provide investment advice and counsel to the Retirement Fund.

Second, no FINRA member could work as an investment counsel because Section 8145(b) reflects the long-standing intent to ensure that investment counsel is independent. Section 8145(b) specifically prohibits brokers from being eligible for employment as investment counsel. If Section 8145(c) requires investment agents (including investment counsel) to be FINRA members in good standing, yet prohibits brokers from serving as investment counsel under Section 8145(b), then the unintended consequence is that in practical terms, no firm would be eligible to serve as investment counsel.

Third, the FINRA good standing requirement combined with more than \$1 billion of assets under direct supervision means that, in practical terms, only a few large global brokerage firm affiliates would be able to serve as investment managers.

Severely limiting the pool of potential eligible investment managers and completely eliminating the pool of potential investment counsel is an unintended consequence that cannot have been intended by Public Law No. 32-086.

2. “Good Standing” Determination May Not Be Obtainable “on a continuous and ongoing basis”

The FINRA good standing requirement may not be obtainable from FINRA and/or the SEC. Even if it were obtainable, it will be administratively onerous for the Retirement Fund to monitor on a “continuous and ongoing basis”. Substantively, this onerous requirement is not necessary to protect the Retirement Fund in light of existing statutory and contractual requirements and protections under the existing procurement, contracting, and monitoring process. Existing protections include, but are not limited to, disclosures made in SEC Form ADV. The SEC website describes the Form ADV as follows:



December 12, 2013

To: Mr. Joe T. San Agustin, Chairman of the Board of Trustees, GGRF
From: Maggie W. Ralbovsky, CFA, Managing Director, Wilshire Associates
CC: Board of Trustees, GGRF, and the Director, GGRF
Re: Public Law No. 32-086

Public Law No. 32-086, recently signed by the Governor, provides additional tools for GGRF to fully utilize the available investment opportunity set in the financial markets, and is expected to have a positive long term impact on the investment results of the investment program.

In reviewing a few amendments to the original bill, however, it was revealed that Section 8145 (4) may be problematic to GGRF's implementation of the new law. There is an added sentence which requires all Investment Agents (investment managers, custodians and consultants) to be "in good standing with the Financial Industry Regulatory Authority (FINRA) and the Securities Exchange Commission (SEC) continuously and on an on-going basis." This provision is problematic because it would severely restrict the Investment Agents that GGRF can contract with to only brokerage firms or affiliates of brokerage firms. Additionally, the "good standing" requirement is undefined and would be impossible for the Fund to monitor.

Specifically:

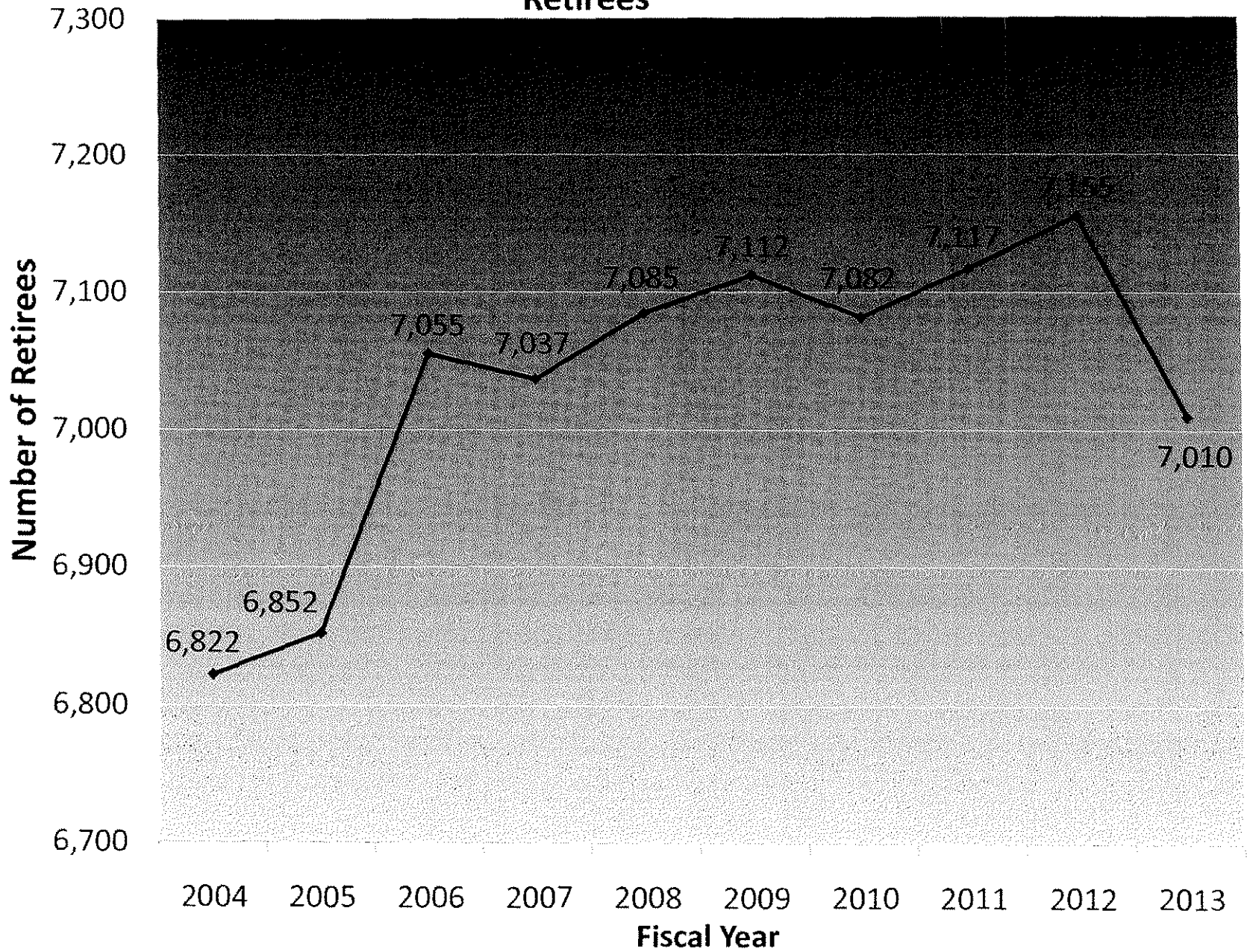
1. Financial Industry Regulatory Authority (FINRA) is not a government entity, but a self-regulatory membership-based entity of brokerage firms. Institutional managers or independent consultants not affiliated with brokerage firms or bank trust departments are not members of FINRA. By requiring FINRA membership, GGRF would essentially eliminate the majority of the institutional investment managers and consultants from consideration as the Fund's Investment Agent.
2. The term "in good standing" would be subject to interpretation. There is no "certificate of good standing" or similar document that can be obtained from these entities, and, therefore, it will be an impossible task for the Fund to determine whether an Investment Agent is or is not in "good standing."

Wilshire strongly believes that this portion of Section 8145 (4) should be removed from the statute to ensure an inclusive and fair process for the Fund to select and maintain qualified Investment Agents.

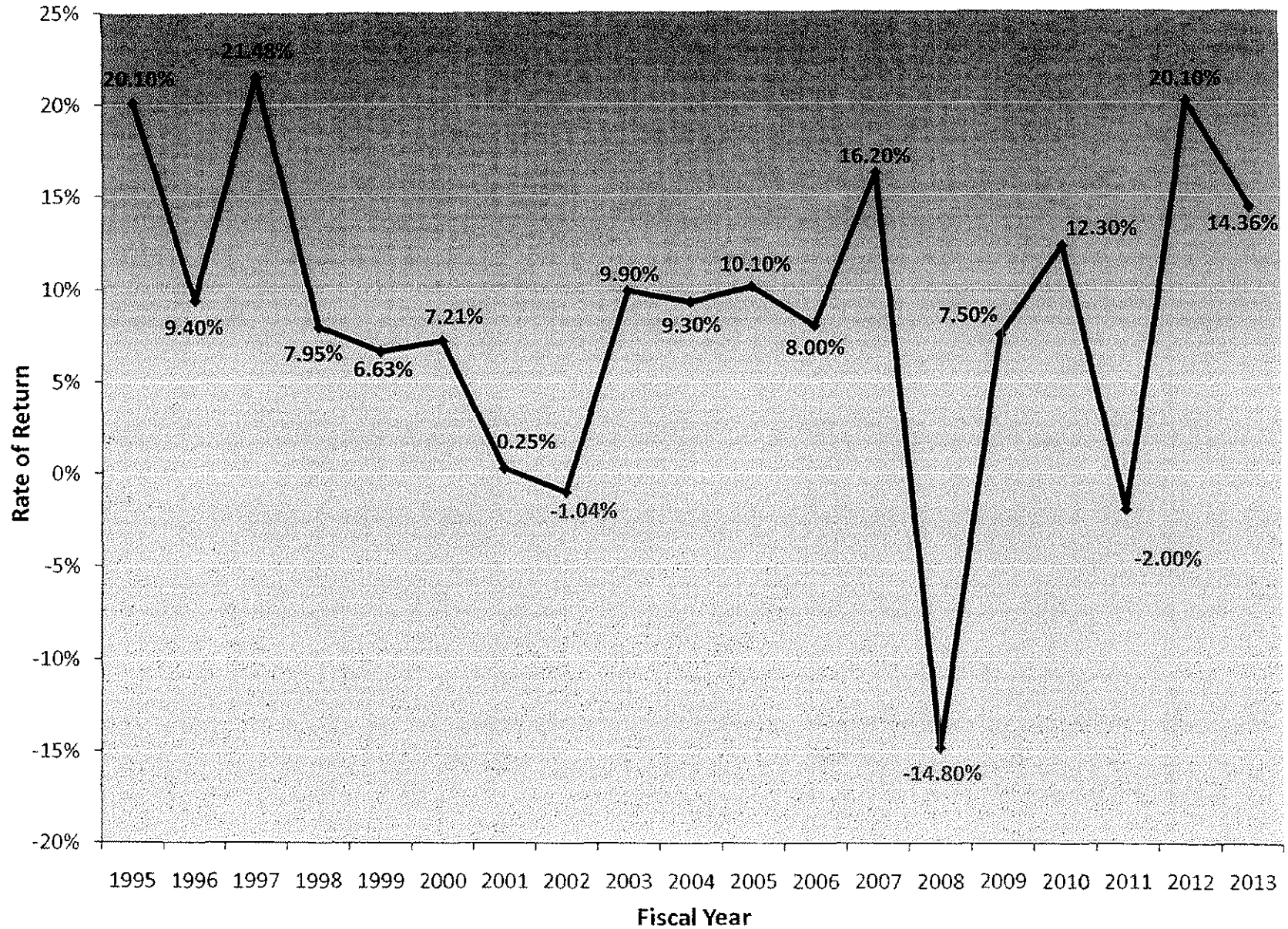
Maggie Ralbovsky, CFA
Managing Director

A handwritten signature in black ink that reads "Maggie Ralbovsky".

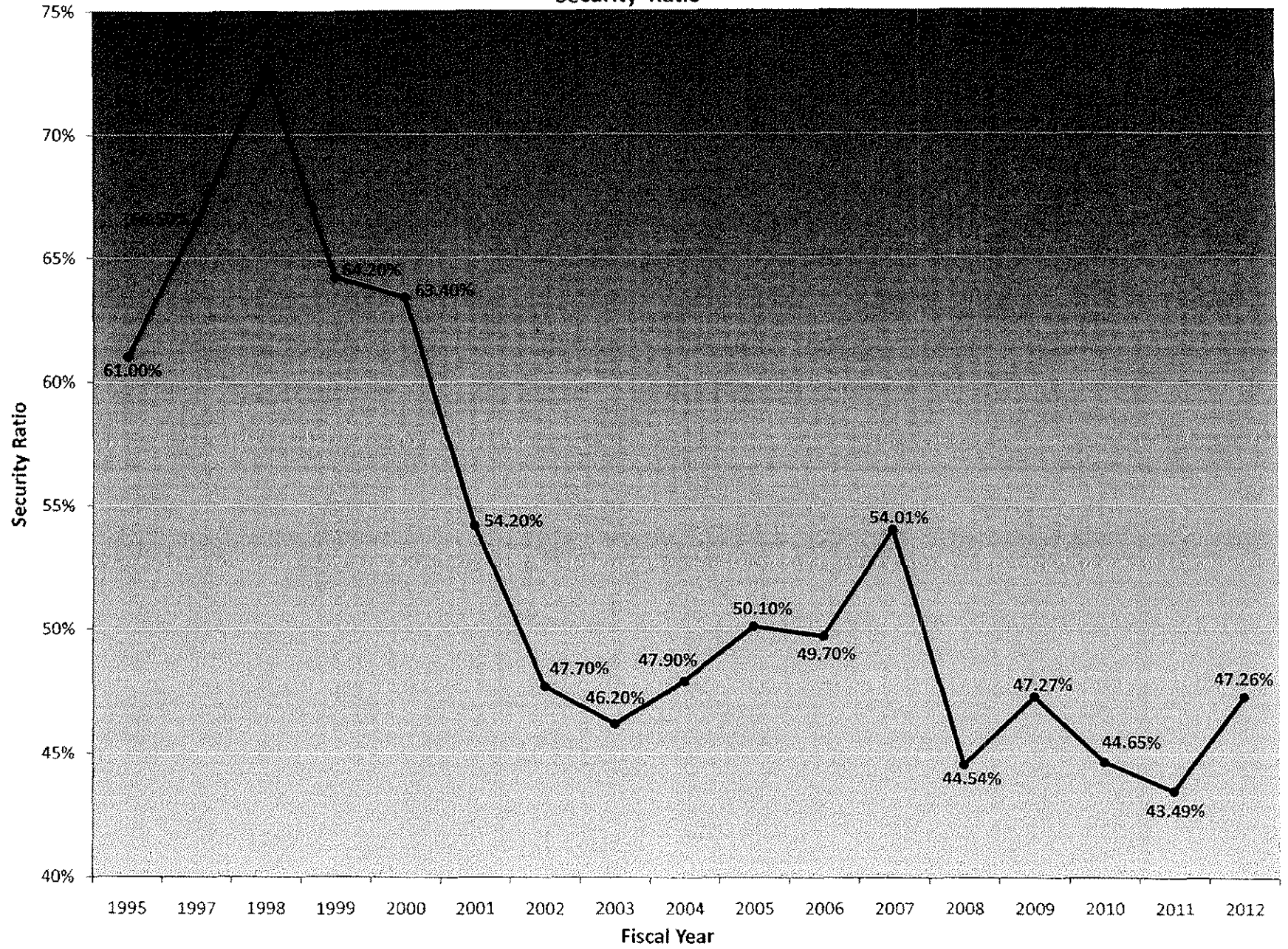
**Government of Guam Retirement Fund
Defined Benefit Plan
Retirees**



**Government of Guam Retirement Fund
Defined Benefit Plan
Rate of Return**



Government of Guam Retirement Fund
Defined Benefit Plan
Security Ratio





COMMITTEE ON RULES

I Mina'trentai Dos na Liheslaturan Guåhan • The 32nd Guam Legislature

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Senator
Rory J. Respicio
CHAIRPERSON
MAJORITY LEADER

Senator
Thomas C. Ada
VICE CHAIRPERSON
ASSISTANT MAJORITY LEADER

Senator
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Member
MINORITY LEADER

Senator
Aline Yamashita
Member

Certification of

Waiver of

Fiscal Note Requirement

This is to certify that the Committee on Rules submitted to the Bureau of Budget and Management Research (BBMR) a request for a fiscal note, or applicable waiver, on **BILL NO. 245-32 (COR)**, "AN ACT TO AMEND SECTIONS 8144, 8145, AND 8149, ARTICLE 1, CHAPTER 8, TITLE 4 OF THE GUAM CODE ANNOTATED RELATIVE TO CUSTODIANS, INVESTMENT AGENTS AND BANK DEPOSITS." – on December 24, 2013. COR hereby certifies that BBMR confirmed receipt of this request December 24, 2013 at 2:26 PM.

COR further certifies that a response to this request was not received. **Therefore, pursuant to 2 GCA §9105, the requirement for a fiscal note, or waiver thereof, on Bill 245-32 to be included in the committee report on said bill, is hereby waived.**

Certified by:

Senator Rory J. Respicio
Chairperson, Committee on Rules

January 27, 2014

Date



COMMITTEE ON RULES

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Member

December 24, 2013

VIA E-MAIL
john.rios@bbmr.guam.gov

John A. Rios
Director
Bureau of Budget & Management Research
P.O. Box 2950
Hagåtña, Guam 96910

RE: Request for Fiscal Notes– Bill Nos. 241-32 (COR), 242-32(COR), 243-32 (COR), 244-32 (COR) and 245-32 (COR)

Hafa Adai Mr. Rios:

Transmitted herewith is a listing of *I Mina'trentai Dos na Liheslaturan Guåhan's* most recently introduced bills. Pursuant to 2 GCA §9103, I respectfully request the preparation of fiscal notes for the referenced bills.

Si Yu'os ma'åse' for your attention to this matter.

Very Truly Yours,

Senator Rory J. Respicio
Chairperson of the Committee on Rules

Attachment (1)

Cc: Clerk of the Legislature

Bill Nos.	Sponsor	Title
241-32 (COR)	R.J. RESPICIO T.C. ADA T. R. MUÑA BARNES	AN ACT TO AMEND TITLE 3 GCA § 13106; TO ADD A NEW TITLE 3 GCA § 13107; TO RENUMBER THE EXISTING §§ 13107-13109; TO AMEND ITEM (b) OF TITLE 3 GCA § 6105; TO AMEND ITEMS (a) AND (b), AND TO DELETE ITEM (c) OF TITLE 5 GCA CHAPTER 40 § 40110; RELATIVE TO A VACANCY IN A MAYOR'S OR VICE MAYOR'S OFFICE, AND TO PROVIDE FOR A SPECIAL ELECTION TO FILL ANY VACANCY AMONG GUAM MAYORS OR VICE MAYORS, PROVIDED THAT SUCH VACANCY OR VACANCIES OCCUR 240 DAYS OR MORE BEFORE THE DATE OF THE NEXT GENERAL ELECTION FOR MAYORS AND VICE MAYORS.
242-32 (COR)	Brant T. McCreadie	AN ACT TO AMEND §28.65 OF CHAPTER 28, TITLE 9, GUAM CODE ANNOTATED, RELATIVE TO THE CRIME OF INDECENT EXPOSURE.
243-32 (COR)	Michael F.Q. San Nicolas	AN ACT TO IMPLEMENT THE LAW ENFORCEMENT PAY ADJUSTMENT FOR EMPLOYEES OF THE UNIFIED JUDICIARY OF GUAM, FUND CAPITAL IMPROVEMENTS TO THE MUNICIPAL MARKET OF MANGILAO AND TO CREATE THE RESPONSIBLE NON- PROFIT ENDOWMENT FUND, BY AMENDING §2 OF CHAPTER I AND ADDING §§ 13, 14 AND 15 TO CHAPTER XI, EACH OF PUBLIC LAW 32-68.
244-32 (COR)	FRANK B. AGUON, JR.	AN ACT AMENDING PUBLIC LAW 32-068 RELATIVE TO WITHHOLDING TAX REVENUE COLLECTIONS AND MAKING APPROPRIATIONS TO THE UNIFIED JUDICIARY FOR LAW ENFORCEMENT SALARY INCREASE IMPLEMENTATION.
245-32 (COR)	Vicente (ben) C. Pangelinan	AN ACT TO AMEND SECTIONS 8144, 8145, AND 8149, ARTICLE 1, CHAPTER 8, TITLE 4 OF THE GUAM CODE ANNOTATED RELATIVE TO CUSTODIANS, INVESTMENT AGENTS, AND BANK DEPOSITS.



COMMITTEE ON RULES

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Senator
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Senator
V. Anthony Ada
Member
MINORITY LEADER


Senator
Aline Yamashita
Member

December 20, 2013

MEMORANDUM

To: Rennae Meno
Clerk of the Legislature

Attorney Therese M. Terlaje
Legislative Legal Counsel

From: Senator Rory J. Respicio 
Chairperson of the Committee on Rules

Subject: Referral of Bill No. 245-32(COR)

As the Chairperson of the Committee on Rules, I am forwarding my referral of **Bill No. 245-32(COR)**.

Please ensure that the subject bill is referred, in my name, to the respective committee, as shown on the attachment. I also request that the same be forwarded to all members of *I Mina'trentai Dos na Liheslaturan Guåhan*.

Should you have any questions, please feel free to contact our office at 472-7679.

Si Yu'os Ma'åse!

Attachment

I Mina'Trentai Dos Na Liheslaturan Guahan
Bill Log Sheet

BILL NO.	SPONSOR	TITLE	DATE INTRODUCED	DATE REFERRED	CMTE REFERRED	PUBLIC HEARING DATE	DATE COMMITTEE REPORT FILED	FISCAL NOTES
245-32 (COR)	Vicente (ben) C. Pangelinan	AN ACT TO AMEND SECTIONS 8144, 8145, AND 8149, ARTICLE 1, CHAPTER 8, TITLE 4 OF THE GUAM CODE ANNOTATED RELATIVE TO CUSTODIANS, INVESTMENT AGENTS, AND BANK DEPOSITS.	12/19/13 3:01 p.m.	12/20/13	Committee on Appropriations, Public Debt, Legal Affairs, Retirement, Public Parks, Recreation, Historic Preservation, and Land			



Lisa Dames <cipo@guamlegislature.org>

Public Hearing - FIRST NOTICE

Lisa Dames <cipo@guamlegislature.org>

Tue, Jan 7, 2014 at 3:46 PM

To: phmaterials@guamlegislature.org, PHrg Notice <phnotice@guamlegislature.org>

Please disregard the previous email. See corrected date for public hearing. Thank you.

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faks gi 473-4238, patsino imel gi office@senbenp.com Este na nutisiu inapási nu i fendon gubetrnamento.

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Lisa Dames

Chief of Staff

I MINA'TRENTAI DOS NA LIHESLATURAN GUAHAN

Senator Vicente (ben) Cabrera Pangelinan

Committee on Appropriations, Public Debt, Legal Affairs, Retirement, Public Parks, Recreation, Historic Preservation, and Land.

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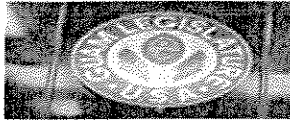
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Lisa Dames <cipo@guamlegislature.org>

Public Hearing - FIRST NOTICE

Lisa Dames <cipo@guamlegislature.org>

Tue, Jan 7, 2014 at 3:43 PM

To: news@k57.com, news@guampdn.com, Sabrina Salas <sabrina@kuam.com>, Jason Salas <jason@kuam.com>, Mindy Aguon <mindy@kuam.com>, Krystal Paco <krystal@kuam.com>, clynt@k57.com, Betsy Brown <betsy@k57.com>, Kevin Kerrigan <kevin@k57.com>, Jon Anderson <editor@mvguam.com>, "Gerardo R. Partido" <gerry@mvguam.com>, marvic@mvguam.com, louella@mvguam.com, rgibson@k57.com, ALICIA PEREZ <aliciaperez69@hotmail.com>, Alicia Perez <perezksto@gmail.com>, Gaynor Daleno <gdumat-ol@guampdn.com>, "Daleno, Gaynor D" <gdumat-ol@guam.gannett.com>, Steve Limtiaco <slimtiaco@guampdn.com>, Oyaol Ngirairiki <odngirairiki@guampdn.com>, Jerick Sablan <jpsablan@guampdn.com>, Lifestyles_PDN <life@guampdn.com>

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Lisa Dames
Chief of Staff

I MINA'TRENTAI DOS NA LIHESLATURAN GUAHAN

Senator Vicente (ben) Cabrera Pangelinan

Committee on Appropriations, Public Debt, Legal Affairs, Retirement, Public Parks, Recreation, Historic Preservation, and Land.

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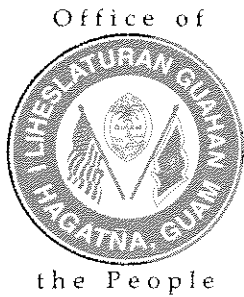
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I Mina'trentai Dos na Liheslaturan Guahan

Senator Vicente (ben) Cabrera Pangelinan (D)

January 7, 2014

Memorandum

To: All Senators

From: Senator Vicente (ben) Cabrera Pangelinan 

Re: Public Hearing – FIRST NOTICE

Chairman
Committee on Appropriations,
Public Debt, Legal Affairs,
Retirement, Public Parks,
Recreation, Historic Preservation
and Land

Member
Committee on Education,
Public Libraries
and Women's Affairs

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Committee on General
Government Operations and
Cultural Affairs

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Committee on Municipal
Affairs, Tourism, Housing and
Hagåtña Restoration and
Development Authority

Member
Committee on Health &
Human Services, Health
Insurance Reform, Economic
Development and Senior
Citizens

Member
Committee on Aviation, Ground
Transportation, Regulatory
Concerns and Future
Generations

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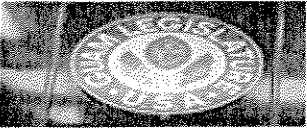
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Memo to All Senators
January 7, 2014
Page 2

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Lisa Dames <cipo@guamlegislature.org>

Public Hearing - SECOND Notice

Lisa Dames <cipo@guamlegislature.org>
 To: PHrg Notice <phnotice@guamlegislature.org>

Fri, Jan 10, 2014 at 2:27 PM

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—
Lisa Dames
Chief of Staff
I MINA'TRENTAI DOS NA LIHESLATURAN GUAHAN
Senator Vicente (ben) Cabrera Pangelinan
Committee on Appropriations, Public Debt, Legal Affairs, Retirement, Public
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Lisa Dames <cipo@guamlegislature.org>

Public Hearing - SECOND Notice

Lisa Dames <cipo@guamlegislature.org>

Fri, Jan 10, 2014 at 2:26 PM

To: news@k57.com, news@guampdn.com, Sabrina Salas <sabrina@kuam.com>, Jason Salas <jason@kuam.com>, Mindy Aguon <mindy@kuam.com>, Krystal Paco <krystal@kuam.com>, Ken Quintanilla <kenq@kuam.com>, Jon Anderson <editor@mvguam.com>, "Gerardo R. Partido" <gerry@mvguam.com>, marvic@mvguam.com, louella@mvguam.com, rgibson@k57.com, ALICIA PEREZ <aliciaperez69@hotmail.com>, Alicia Perez <perezksto@gmail.com>, Gaynor Daleno <gdumat-ol@guampdn.com>, "Daleno, Gaynor D" <gdumat-ol@guam.gannett.com>, Steve Limtiaco <slimtiaco@guampdn.com>, Oyaol Ngirairiki <odngirairiki@guampdn.com>, Jerick Sablan <jpsablan@guampdn.com>, Lifestyles_PDN <life@guampdn.com>

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Lisa Dames
Chief of Staff

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Senator Vicente (ben) Cabrera Pangelinan

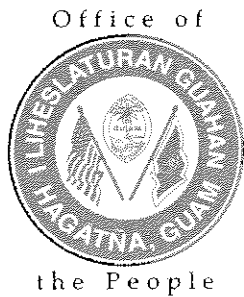
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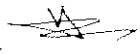
I Mina'trentai Dos na Liheslaturan Guahan

Senator Vicente (ben) Cabrera Pangelinan (D)

January 10, 2014

Memorandum

To: All Senators

From: Senator Vicente (ben) Cabrera Pangelinan 

Re: Public Hearing – SECOND NOTICE

Chairman
Committee on Appropriations,
Public Debt, Legal Affairs,
Retirement, Public Parks,
Recreation, Historic Preservation
and Land

Member
Committee on Education,
Public Libraries
and Women's Affairs

Member
Committee on General
Government Operations and
Cultural Affairs

Member
Committee on Municipal
Affairs, Tourism, Housing and
Hagåtña Restoration and
Development Authority

Member
Committee on Health &
Human Services, Health
Insurance Reform, Economic
Development and Senior
Citizens

Member
Committee on Aviation, Ground
Transportation, Regulatory
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Website: <http://senbenp.com>

Memo to All Senators
January 10, 2014
Page 2

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Listserv: phnotice@guamlegislature.org
 As of January 8, 2014

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Mina'trentai Dos na Liheslaturan Guahan
32nd GUAM LEGISLATURE
Senator Vicente (ben) Cabrera Pangelinan
Committee on Appropriations, Public Debt,
Legal Affairs, Retirement, Public Parks, Recreation,
Historic Preservation, and Land

**INEKUNGOK PUPBLEKO
(PUBLIC HEARING)**

gi Måttes, gi diha 14 gi Ineru, 2014
Tuesday, January 14, 2014

Kuåtton Inekungok Pubbleko gi I Liheslaturan Guahan
(Guam Legislature Public Hearing Room)

alas dos gi despues di talo'ani
(2:00 PM)

**TAREHA
(AGENDA)**

**Priniponi Siha:
(Bills)**

Bill No. 228-32 (LS) – Introduced by Senator Michael San Nicolas – An Act to exempt beneficiaries of the Defined Benefit Retirement Plan from the suspension of their annuity payments for limited term appointments as school bus drivers or automotive mechanics, by amending Subsection (a) of 58121, Article 1, Chapter 8, Title 4, Guam Code Annotated.

Bill No. 245-32 (COR) – Introduced by Senator Vicente Pangelinan – An Act to amend Sections 8144, 8145, and 8149, Article 1, Chapter 8, Title 4 of the Guam Code Annotated relative to Custodians, Investment Agents, and Bank Deposits.

Bill No. 218-32 (LS) – Introduced by Senator Brant McCreadie: An Act to reserve and appropriate the sum of \$4,800,000 upon the maturity of the Government of Guam Limited Obligation: Business Privilege Tax Bonds Series 2013C Bond, to provide additional funding for the construction of a new Simon Sanchez High School, and related purposes.

Bill No. 225-32 (COR) – Introduced by Speaker Judith Won Pat: An Act to Add a New Chapter 58C to Title 5 of the Guam Code Annotated, Relative to the renovation or construction of a new Simon Sanchez High School and to Amend and Renumber 522425(q) Article 4, Chapter 22, Division 2, Title 5, Guam Code Annotated, Relative to Revaluation of Real Property Taxes and to Amend 553101 of Title 17 Guam Code Annotated, Relative to Early Childhood Program Fund.

Bill No. 226-32 (COR) – Introduced by Speaker Judith Won Pat: An Act to Add a New Chapter 58D to Title 5 Guam Code Annotated Relative to the Finance, Design, Renovation, Rehabilitation, Construction or Maintenance of Public Schools.

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32nd GUAM LEGISLATURE
Senator Vicente (ben) Cabrera Pangelinan
Committee on Appropriations, Public Debt, Legal Affairs, Retirement,
Public Parks, Recreation, Historic Preservation, and Land

**INEKUNGOK PUPBLEKO
(PUBLIC HEARING)**

gi Mättes, gi diha 14 gi Ineru, 2014
Tuesday, January 14, 2014

**Kuaiton Inekungok Pubbleko gi Liheslaturan Guahan
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alas dos gi despues di tale'ani
(2:00 PM)

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§22425(g) Article 4, Chapter 22, Division 2, Title 5, Guam Code
Annotated, Relative to Revaluation of Real Property Taxes and to
Amend §53101 of Title 17 Guam Code Annotated, Relative to Early
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32nd GUAM LEGISLATURE

Senator Vicente (ben) Cabrera Pangelinan

Committee on Appropriations, Public Debt, Legal Affairs, Retirement, Public
Parks, Recreation, Historic Preservation, and Land

**INEKUNGOK PUPBLEKO
(PUBLIC HEARING)**

**gi Måttes, gi díha 14 gi Ineru, 2014
Tuesday, January 14, 2014**

**Kuåtton Inekungok Pupbleko gi I Liheslaturan Guåhan
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(2:00 PM)**

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32nd GUAM LEGISLATURE

Senator Vicente (ben) Cabrera Pangelinan

Committee on Appropriations, Public Debt, Legal Affairs, Retirement, Public Parks, Recreation, Historic Preservation, and Land

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Memorandum To: Paula M. Blas, Director
Government of Guam Retirement Fund

Reference No.: 039145-2

From: Joanne L. Grimes

Date: December 11, 2013

Subject: Proposed Repeal of Floor Amendments to Bill 170-32 Enacted as Public Law No. 32-086

I. Background

Bill 170-32 was introduced to amend certain investment provisions of Article 1, Chapter 8, Title 4 of the Guam Code Annotated, in order to improve the government of Guam's ability to meet its obligations to fund the Defined Benefit Plan. One of the purposes of the amendments in Bill 170-32 was to remove certain statutory limitations that could result in unintended consequences adversely impacting the investment goals of the Fund.

Bill 170-32 was amended on the floor, and the floor amendments are likely to result in unintended consequences of the type that were meant to be avoided. To remedy the adverse impact of the floor amendments, we have prepared a Bill to Amend Sections 8144, 8145, and 8149, Article 1, Chapter 8, Title 4 of the Guam Code Annotated relative to Custodians, Investment Agents, and Bank Deposits. The rationale supporting the enactment of the Bill is set forth below.

II. Rationale for Repeal of Floor Amendments

A. Tier 1 Capital Need Not Be Measured "in any rolling 12 month period"

Bill 170-32 as introduced intended to increase Tier 1 capital requirements from more than \$10 million to more than \$1 billion in (1) Section 8144 pertaining to custodians; (2) Section 8145 pertaining to bank trust departments; and (3) Section 8149 pertaining to banks. Minimum capital requirements in the past have been, and in the future will continue to be, periodically assessed, commencing from a contractor's initial certification and representations in connection with its proposal in response to an RFP, upon contract and performance thereunder, and as monitored from time to time by the Retirement Fund and its authorized delegates.

The floor amendments now contained in Public Law No. 32-086 require these assessments to be measured and met "in any rolling 12 month period". Although well-intentioned, this new requirement could lead to the unintended consequence of rendering a custodian, bank trust department, or bank eligible under Sections 8144, 8145, or 8149 even if it had Tier 1 capital in excess of \$1 billion only once in its history – for one consecutive 12-month period – because "any" 12-month period can mean any one 12-month period, and not necessarily the recent and prior 12 month period. This type of ambiguity could not have been intended when

enacting Public Law No. 32-086. The Retirement Fund's past and continuing practice to monitor compliance with capital requirements at various stages of procurement, contracting, performance, and oversight, are reasonable and sufficient to ensure compliance with Tier 1 capital requirements. The more frequent measurement of capital (presumably daily) would be administratively burdensome and would not materially improve the quality of custodians, bank trust departments, or banks relative to the onerous increased monitoring efforts to be taken by the Retirement Fund to continually measure capital on a rolling basis.

B. Assets Under Direct Supervision Need Not Be Measured "in any rolling 12 month period"

Bill 170-32 amending Section 8145 similarly increased the amount of assets under investment agent's direct supervision from more than \$200 million to more than \$1 billion, measured "in any 12 month period".

The floor amendments now contained in Public Law No. 32-086 require these assessments to be measured and met "in any rolling 12 month period". Although well-intentioned, this new requirement could lead to the unintended consequence of rendering an investment agent eligible under Section 8145 even if it directly supervised assets in excess of \$1 billion only once in its history – for one consecutive 12-month period – because "any" 12-month period can mean any one 12-month period, and not necessarily the recent and prior 12 month period. This type of ambiguity was not intended by I Liheslaturan Guahan in enacting Public Law No. 32-086. The Retirement Fund's past and continuing practice to monitor compliance with assets under direct supervision at various stages of procurement, contracting, performance, and oversight, are sufficient to ensure compliance with this requirement. More frequent measurement of assets under an investment agent's direct supervision would not materially improve the quality of investment agents relative to the onerous increased monitoring efforts to be taken by the Retirement Fund to continually measure assets under direct supervision on a rolling basis.

C. FINRA "Good Standing" Requirement is Inappropriate; SEC "Good Standing" Requirement is Redundant; and Neither May Be Obtainable on "a continuous and ongoing basis"

Floor amendments to Bill 170-32 that further amend Section 8145 will severely limit the potential pool of future investment agents who can meet minimum qualifications to offer their services to Retirement Fund.

1. All "Investment Agents" Currently Retained By the Retirement Fund are Investment Advisors Registered with the Securities and Exchange Commission, But None are Members of the Financial Industry Regulatory Authority

The term "investment agent" in Section 8145 refers to both "investment counsel" and "investment manager(s)". All investment agents must meet the requirements of Section 8145(c), as amended. Additionally, investment counsel must meet the requirements of Section 8145(b), which provides:

No person, firm, or corporation shall be eligible for employment as investment counsel which acts as principal for its own account or as a broker for a client other than the Fund in connection with the sale of any security to or the purchase of any security from the Fund.

Section 8145(b) (emphasis added). As applied to prospective contracts and Requests for Proposals (RFPs), Public Law No. 32-086:6 changed three key requirements applied to all future investment agents.

First, the level of assets under the investment agent's direct investment supervision was increased from more than \$200 million to more than \$1 billion.

Second, the prior statute required all investment agents to be "registered as an investment adviser under the laws of the United States of America as from time to time in effect" but under Public Law No. 32-086, they also will be required to be "in good standing with the Financial Industry Regulatory Authority (FINRA) and the Security and Exchange Commission (SEC) on a continuous and ongoing basis".

Third, the prior statute required the principal ownership and control of the investment agent's firm to rest with individuals who are actively engaged in such business. The "and" was replaced with "or" to clarify that publicly traded companies with corresponding public ownership would not be disqualified from serving as investment agents.

The purpose of Bill 170-32, before the floor amendments, was to improve the quality and experience of investment agents retained by the Retirement Fund, and to increase the pool of potential investment agents seeking to be retained. However, the newly added requirement that all investment agents be "in good standing with the Financial Industry Regulatory Authority (FINRA) and the Security and Exchange Commission (SEC) on a continuous and ongoing basis" does not materially improve upon, or confer greater protections than, the existing registered investment advisor requirement in Section 8145, already within the purview of the SEC. More importantly, however, the combination of these changes to Section 8145 is likely to result in significant unintended and adverse consequences, described below.

First, FINRA is not a government entity, but a self-regulatory membership based entity comprised of brokerage firms and firms offering brokerage services. Practically speaking, only FINRA members would be able to obtain "good standing" references, assuming that FINRA provides such references or certification. Institutional investment managers and independent consultants not affiliated with brokerage firms are not FINRA members. The unintended consequence is that, if investment agents must be FINRA members, and if FINRA members are primarily brokerage firms, then only the firms that can act as brokers for other clients and/or principals for their own accounts would be eligible to serve. This requirement would

significantly reduce the pool of qualified vendors by essentially eliminating the majority of institutional investment managers and independent consultants seeking to be retained to provide investment advice and counsel to the Retirement Fund.

Second, no FINRA member could work as an investment counsel because Section 8145(b) reflects the long-standing intent to ensure that investment counsel is independent. Section 8145(b) specifically prohibits brokers from being eligible for employment as investment counsel. If Section 8145(c) requires investment agents (including investment counsel) to be FINRA members in good standing, yet prohibits brokers from serving as investment counsel under Section 8145(b), then the unintended consequence is that in practical terms, no firm would be eligible to serve as investment counsel.

Third, the FINRA good standing requirement combined with more than \$1 billion of assets under direct supervision means that, in practical terms, only a few large global brokerage firm affiliates would be able to serve as investment managers.

Severely limiting the pool of potential eligible investment managers and completely eliminating the pool of potential investment counsel is an unintended consequence that cannot have been intended by Public Law No. 32-086.

2. “Good Standing” Determination May Not Be Obtainable “on a continuous and ongoing basis”

The FINRA good standing requirement may not be obtainable from FINRA and/or the SEC. Even if it were obtainable, it will be administratively onerous for the Retirement Fund to monitor on a “continuous and ongoing basis”. Substantively, this onerous requirement is not necessary to protect the Retirement Fund in light of existing statutory and contractual requirements and protections under the existing procurement, contracting, and monitoring process. Existing protections include, but are not limited to, disclosures made in SEC Form ADV. The SEC website describes the Form ADV as follows:

Form ADV is the uniform form used by investment advisers to register with both the Securities and Exchange Commission (SEC) and state securities authorities. The form consists of two parts. Part 1 requires information about the investment adviser’s business, ownership, clients, employees, business practices, affiliations, and any disciplinary events of the adviser or its employees. Part 1 is organized in a check-the-box, fill-in-the-blank format. The SEC reviews the information from this part of the form to process registrations and manage its regulatory and examination programs. Although designed for a regulatory purpose, investment adviser filings of Part 1 are available to the public on the SEC’s Investment Adviser Public Disclosure (IAPD) website at www.adviserinfo.sec.gov.

Beginning in 2011, Part 2 requires investment advisers to prepare narrative brochures written in plain English that contain

information such as the types of advisory services offered, the adviser's fee schedule, disciplinary information, conflicts of interest, and the educational and business background of management and key advisory personnel of the adviser. The brochure is the primary disclosure document that investment advisers provide to their clients. When filed, the brochures are available to the public on the IAPD website.

Investment advisers are required to deliver annually to clients a summary of material changes to the brochure and either deliver a complete updated brochure or offer to provide the client with the updated brochure. In addition, an investment adviser must deliver to clients a brochure supplement that provides information about the specific employees, acting on behalf of the investment adviser, who actually provide the investment advice to the client. The brochure supplement also includes contact information for the person's supervisor in case the client has a concern about the person. The brochure supplement must be delivered either before or at the time that the employee begins to provide investment advice to a client. An updated supplement must be delivered to clients when there is new disclosure of a disciplinary event, or a material change to disciplinary information that has already been disclosed.

With these SEC requirements already in place, and when combined with existing statutory and contractual provisions applicable to registered investment advisers under the laws of the United States, the requirement to monitor SEC "good standing" on a "continuous and ongoing basis" is unnecessary and administratively burdensome, without providing any material improvement in the quality of the investment agents retained by the Retirement Fund.

III. Summary of Floor Amendments and Impact on Sections 8144, 8145, and 8149

Enclosed with this memorandum is a summary of the floor amendments that are now contained in Public Law No. 32-086.

IV. Bill to Amend Sections 8144, 8145, and 8149

Enclosed is a Bill to Amend Sections 8144, 8145, and 8149 by repealing the floor amendments.

Section-by-Section Description of Senator San Nicolas' Additional Changes and Consequences of Changes

Section of Article 1, Chapter 8, Title 4	Description of Changes	Rationale for Proposed Changes
8144	<p>§ 8144. Custodian.</p> <p>The Board shall engage one or more bank trust departments <u>custodians</u> to assume responsibility for the physical possession of fund assets or evidences of assets. The custodian shall submit such reports, accountings and other information in such form and at such times as requested by the Board. All costs incurred for custodial services shall be a direct charge to Investment Income. The custodian shall hold all assets for the account of the Government of Guam Retirement Fund and shall act only upon the instructions of the Board, its ex-officio director or a member, committee or agent so authorized by the Board. No custodian shall be engaged unless it:</p> <p>(a) Has been continuously engaged in rendering trust custody services for a period of ten (10) or more years; and</p> <p>(b) Is organized under the laws of the United States or a state or territory thereof; and</p> <p>(c) Has <u>Tier 1 capital in excess of One Billion Dollars (1,000,000,000) in any rolling 12 month period</u>; and</p> <p>(d) Is a member of the Federal Reserve System whose deposits are insured by the Federal Deposit Insurance Corporation or any successor thereto; or</p> <p>(e) Notwithstanding any of the above, any locally chartered bank may be a custodian of the Retirement Fund.</p>	<p>Measurement of Tier 1 capital is "in any rolling 12 month period" which can be interpreted to mean a rolling 12 month period prior to, but not at the time or, contracting.</p>
8145	<p>§ 8145. Investment Agent.</p> <p>(a) In order to secure expert advice and counsel, the Board may engage an investment agent to serve as investment counsel which shall be either an</p>	

	<p>investment counsel or a bank trust department as hereinafter qualified; and one or more Investment Agents to serve as investment manager(s) to manage asset classes identified by the Board upon the recommendation of investment counsel. All costs incurred in this connection shall be a direct charge to Investment Income.</p> <p>(b) No person, firm or corporation shall be eligible for employment as investment counsel which acts as principal for its own account or as broker for a client other than the Fund in connection with the sale of any security to or the purchase of any security from the Fund.</p> <p>(c) No investment agent shall be engaged unless:</p> <p>(1) The principal business of the person, firm or corporation selected by the Board consists of rendering investment supervisory services, that is, the giving of continuous advice as to the investment of Funds on the basis of the individual needs of each client; and</p> <p>(2) The principal ownership or control of such person, firm or corporation rests with individuals who are actively engaged in such business; and</p> <p>(3) Such person, firm or corporation and its predecessors have been continuously engaged in such business for a period of ten (10) or more years; and</p> <p>(4) Such person, firm or corporation is registered as an investment adviser under the laws of the United States of America as from time to time in effect; <u>and is in good standing with the Financial Industry Regulatory Authority (FINRA) and the Security and Exchange Commission (SEC) on a continuous and ongoing basis;</u>and</p> <p>(5) The contract between the Board and the investment agent is of no specific duration and is voidable at any time by either party; and</p> <p>(6) Such person, firm or corporation certifies in writing, to the Board, that the assets under its direct investment supervision are in excess of One</p>	<p>Requires the Fund to obtain from FINRA and the SEC, on a continuous and ongoing basis, determinations of good standing. This changes the current practice of obtaining Form ADV disclosures and contractual representations during procurement, contracting, and periodic monitoring , that all investment agents (including investment counsel and investment managers). Assumes that FINRA and SEC will issue good standing determinations.</p>
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	<p>Billion Dollars (\$1,000,000,000) <u>in any rolling 12 month period.</u></p> <p>(d) The Board shall not engage a bank trust department unless it:</p> <p>(1) Certifies in writing, to the Board, that the assets under its direct investment supervision are in excess of One Billion Dollars (\$1,000,000,000) <u>in any rolling 12 month period;</u> and</p> <p>(2) Has been, together with its predecessors, continuously engaged in supervising investments for a period of ten (10) or more years; and</p> <p>(3) Is organized under the laws of the United States or a state or territory thereof; and</p> <p>(4) Has Tier 1 capital in excess of One Billion Dollars (\$1,000,000,000) <u>in any rolling 12 month period;</u> and</p> <p>(5) Is a member of the Federal Reserve System whose deposits are insured by the Federal Deposit Insurance Corporation or any successor thereto.</p> <p>(e) The Board or its designee under § 8143(a), shall establish and may from time to time change operating arrangements with the Investment Agent in order to facilitate efficient management and timely investment action.</p> <p>(f) No investment shall be made unless in the opinion of the Investment Agent it is an appropriate investment for the Fund and is an authorized investment under §§ 8143 through § 8159, inclusive, or in the absence of such opinion, unless preceded by a resolution of the Board directing the investment.</p>	<p>Measurement of assets is “in any rolling 12 month period” which can be interpreted to mean a rolling 12 month period prior to, but not at the time of, contracting.</p> <p>Measurement of assets is “in any rolling 12 month period” which can be interpreted to mean a rolling 12 month period prior to, but not at the time of, contracting.</p> <p>Measurement of Tier 1 capital is “in any rolling 12 month period” which can be interpreted to mean a rolling 12 month period prior to, but not at the time of, contracting.</p>
8149	<p>§ 8149. Same: Bank Deposits; Other Cash Equivalents.</p> <p>(a) Interest-bearing time deposits, demand deposits, and cash sweep deposit accounts in banks organized under the laws of the United States or any state or territory thereof, provided that said bank:</p>	<p>Measurement of Tier 1 capital is “in any</p>

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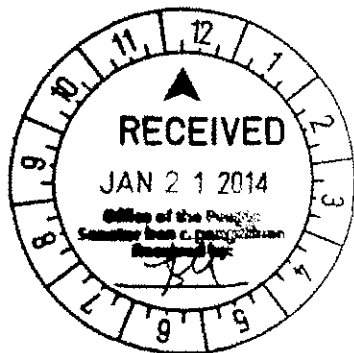
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W Wilshire

Government of Guam Retirement Fund
Third Quarter 2013 Performance Review

November 20, 2013



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FUNDING

Market Update

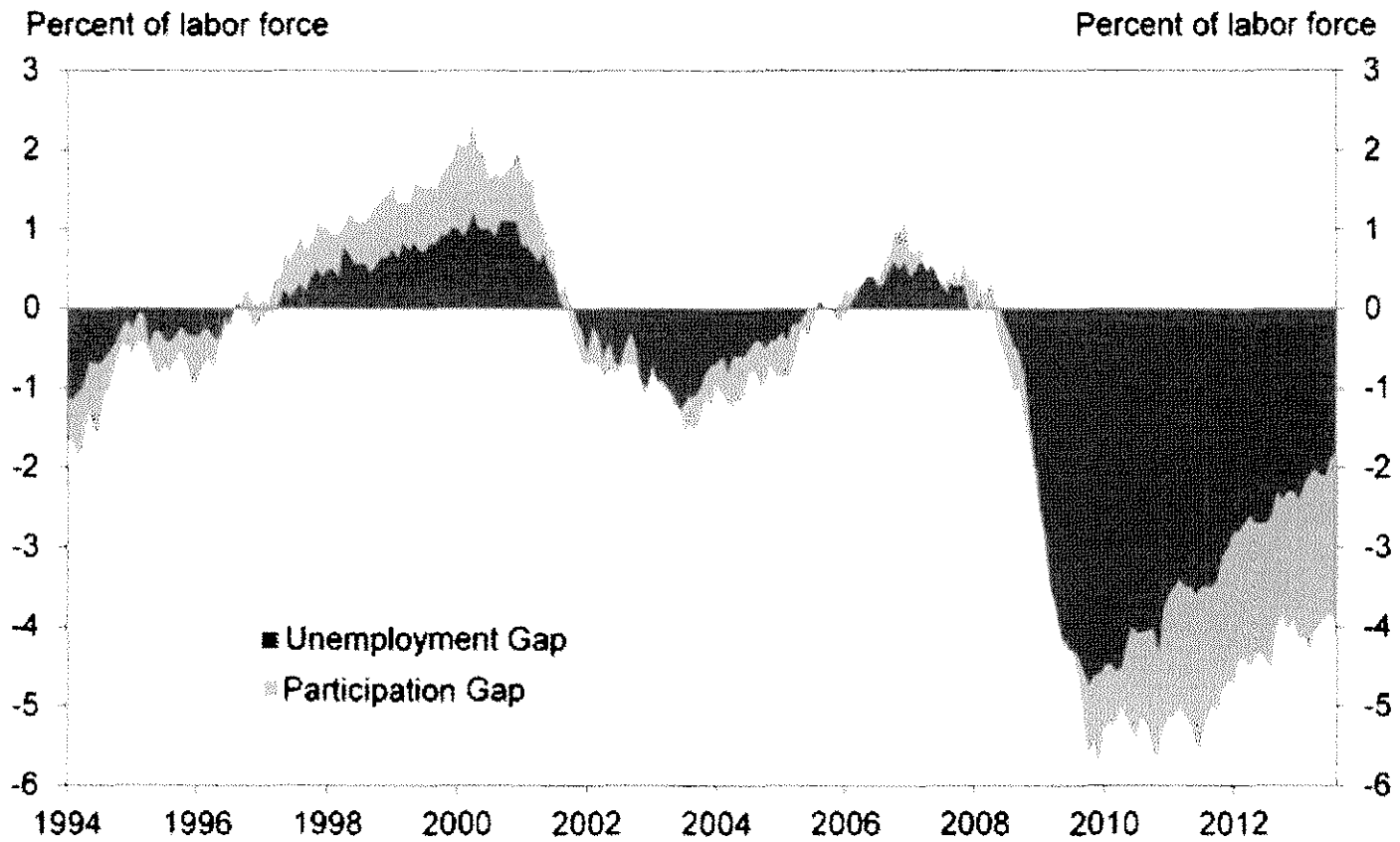
Pulling from an extensive record of public speeches and FOMC meeting transcripts, Fed Chair-nominee Janet Yellen's views on a number of policy-relevant issues are summarized below:

- ✓ Probably the most differentiating feature of Yellen's public communications relative to other Fed officials has been her focus on "optimal control" considerations in illustrating potential future paths for the fed funds rate, which generally suggest a more accommodative path than current consensus expectations. Yellen also believes the real equilibrium fed funds rate is substantially below its historical average.
- ✓ Yellen has expressed confidence in the benefits of QE in the past, and has generally not suggested that the costs of QE are substantial enough to warrant any changes to the stance of policy. She believes that most of the increase in unemployment since the crisis has been cyclical rather than structural in nature, and will be looking for a broad-based improvement in labor market indicators before deciding that a "substantial" improvement has occurred.
- ✓ FOMC meeting transcripts show that Yellen generally erred on the side of preferring more accommodation during 2006 and 2007 (detailed transcripts are delayed 5 years), but expressed significant concern about inflation during the mid-1990s.

Expecting a Late Fed Exit



- Lots of slack in the labor market.



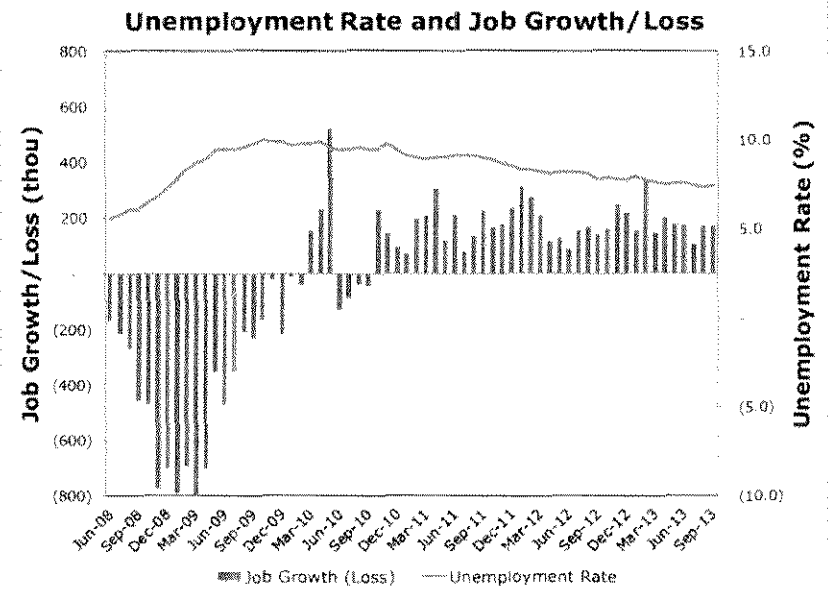
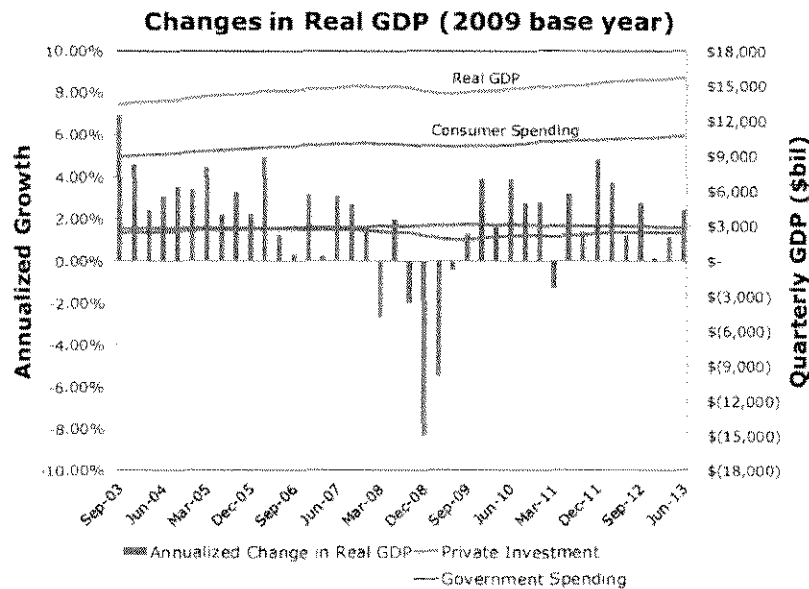
Source: Department of Labor. GS Global Investment Research.

September 30, 2013		Key Economic Indicators			
CPI (all items) Seasonally adjusted	Monthly Change		Cumulative Change		
	Sep-13	0.3	3-Month	0.5	
	Aug-13	0.1	12-Month	1.3	
	Jul-13	0.2	10-Yr Annual	2.4	
Breakeven Inflation	10-Year	2.2			
Consumer Sentiment Unv. of Michigan Survey	Sep-13	77.5			
	Aug-13	82.1			
	1-Yr Ago	78.3	10-Yr Avg	78.5	
Manufacturing Inst. for Supply Mgmt Purchasing Mngrs' Idx	Sep-13	56.2	Change in Manufacturing Sector		
	Aug-13	55.7	>50	Expansion	
	1-Yr Avg	52.4	<50	Contraction	

- Job creation very slow
- Inflation well behaved
- Consumer sentiment at average levels
- Economic activity is on path for sustained recovery

Note: Seasonally adjusted CPI data is utilized to better reflect short-term pricing activity.

Sept/2013 CPI and Employment figures based on Federal Reserve of Philadelphia Survey of Professional Forecasters



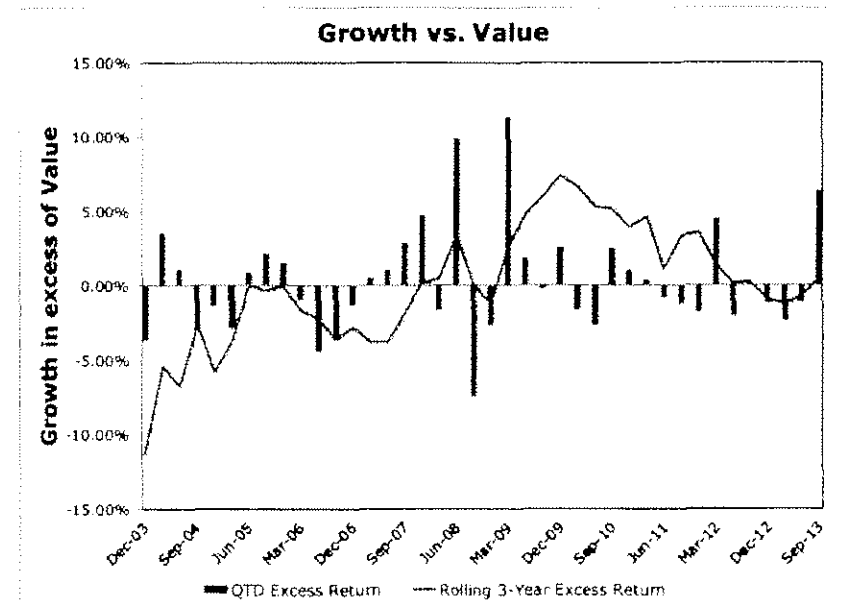
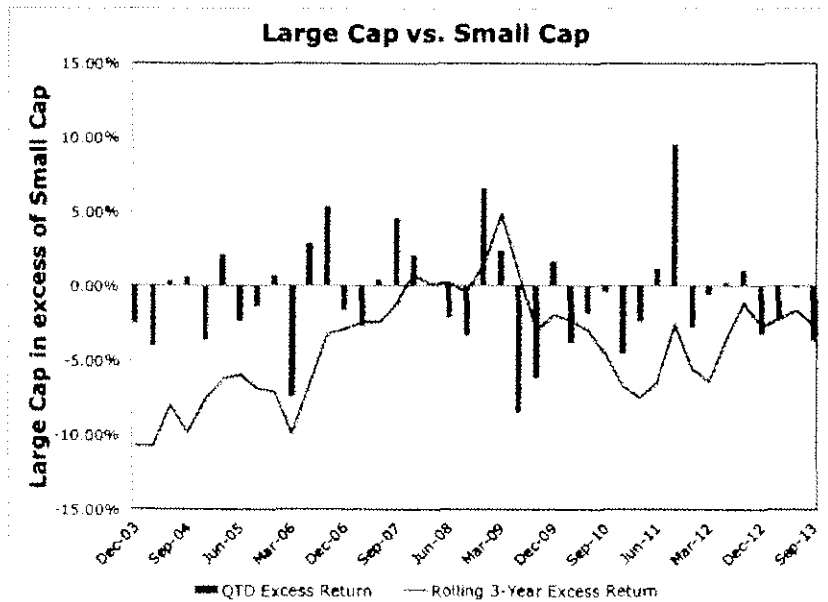
Data sources: Bureau of Economic Analysis, Bureau of Labor Statistics, Federal Reserve Bank of St. Louis, Barclays Capital

U.S. Equity Market



September 30, 2013	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
Wilshire 5000	6.0	20.9	21.0	16.5	10.4	8.2
Wilshire U.S. Large Cap	5.6	20.1	19.8	16.2	10.0	7.9
Wilshire U.S. Small Cap	9.6	27.4	31.4	19.4	14.3	11.3
Wilshire U.S. Large Growth	9.3	21.5	20.6	16.3	11.3	8.1
Wilshire U.S. Large Value	2.7	19.0	19.3	16.0	8.7	7.6
Wilshire U.S. Small Growth	12.6	33.5	35.8	21.0	15.8	12.0
Wilshire U.S. Small Value	6.8	22.1	27.4	17.7	12.8	10.6
Wilshire REIT Index	-3.0	2.7	5.3	12.5	5.6	9.4
MSCI USA Minimum Volatility Index	2.7	15.9	13.8	15.3	9.1	7.8
FTSE RAFI U.S. 1000 Index	5.2	22.8	25.5	17.2	13.2	n.a.

- Strong US equity market performance
- Growth led value, and small caps outpaced large caps
- REITs underperformed on interest rate concerns



Data sources: Wilshire Compass, Wilshire Atlas

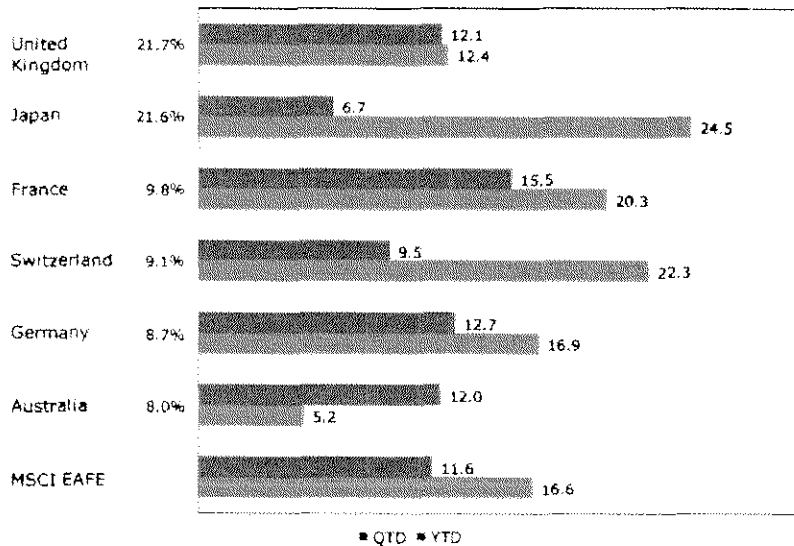
Non-U.S. Equity Market



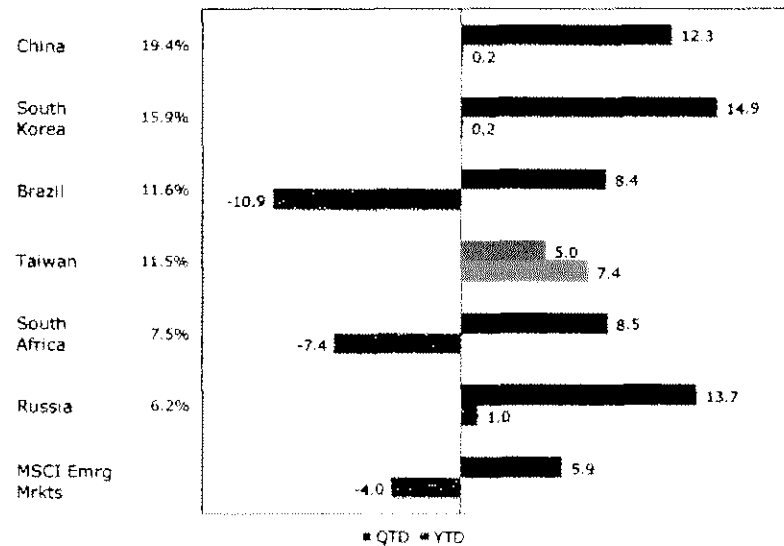
September 30, 2013	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
MSCI ACWI ex-US (\$g)	10.2	10.5	17.0	6.4	6.7	9.2
MSCI EAFE (\$g)	11.6	16.6	24.3	9.0	6.9	8.5
MSCI Emerging Markets (\$g)	5.9	-4.0	1.3	0.0	7.6	13.2
MSCI Frontier Markets (\$g)	6.3	18.5	22.1	4.5	-2.2	7.7
MSCI ACWI ex-US Growth (\$g)	8.9	10.7	16.5	6.5	6.7	8.8
MSCI ACWI ex-US Value (\$g)	11.5	10.2	17.4	6.4	6.8	9.7
MSCI ACWI ex-US Small (\$g)	12.5	14.8	20.5	7.6	11.8	11.5
MSCI EAFE Minimum Volatility Idx	6.9	14.5	14.8	9.6	8.1	10.9
FTSE RAFI Developed ex-US Index	13.6	17.7	26.5	7.5	7.3	n.a.
MSCI EAFE LC	7.6	19.8	28.8	9.6	6.0	6.8
MSCI Emerging Markets LC	5.8	0.8	6.2	3.1	8.5	12.8

- Strong quarter for international equity markets
- Emerging markets were flat YTD, but negative in USD terms
- Brazil was hardest hit by capital outflows

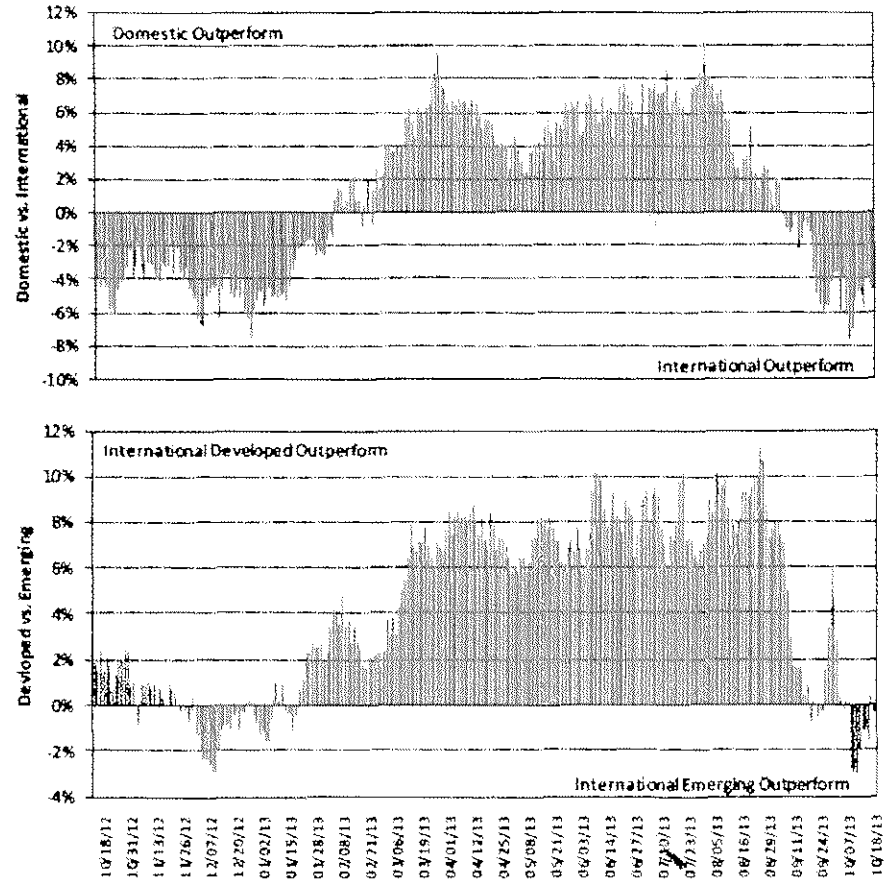
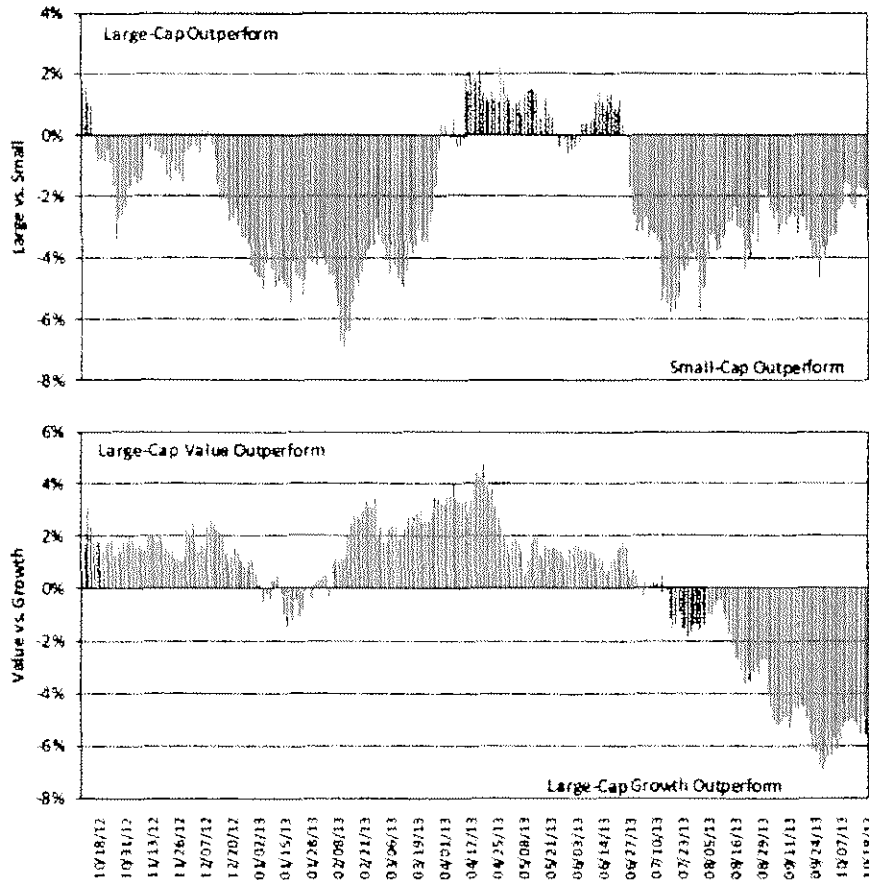
MSCI EAFE: Largest Countries and Return



MSCI EM: Largest Countries and Return



Segment Rotations



Charts above display the comparative performance of certain style, size, or region groups, based off rolling three-month returns (calculated daily). Left-hand axis represents magnitude of outperformance for each particular style, size, or region grouping.

† Market Indexes Used:							
Large Cap:	Wilshire US Large Cap Index	Large Value:	Wilshire US Large Value Index	Domestic:	Wilshire 5000 Index	Developed Int'l:	MSCI Developed x-US
Small Cap:	Wilshire US Small Cap Index	Large Growth:	Wilshire US Large Growth Index	International:	MSCI ACWI x-US Index	Emerging Mkts:	MSCI Emerging Mkts

† Source: Wilshire Atlas

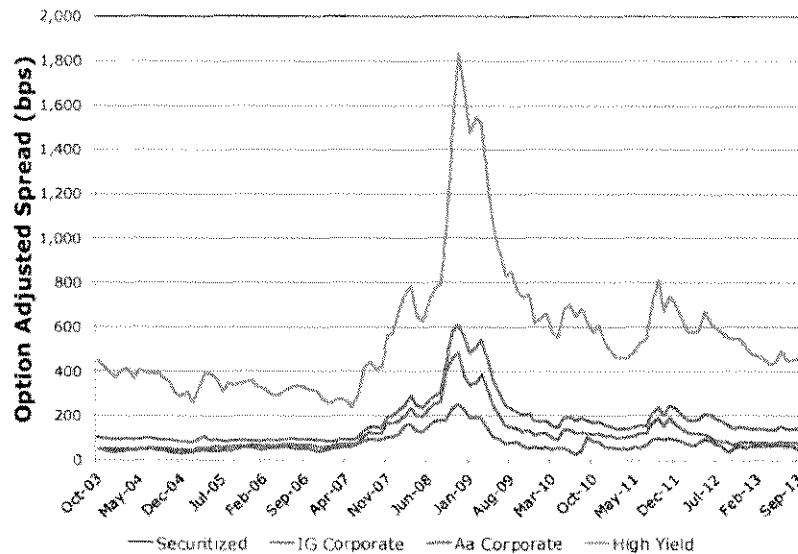
U.S. Fixed Income Market



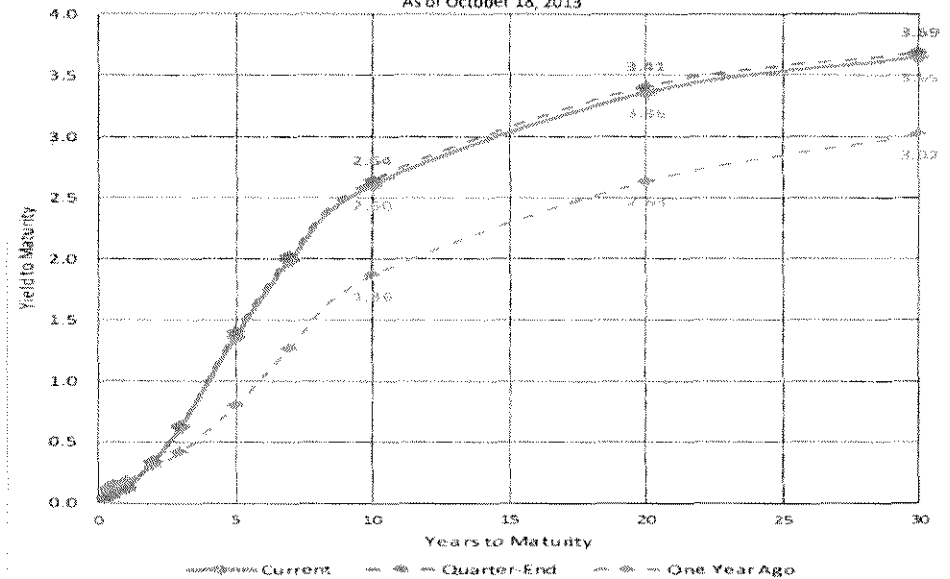
September 30, 2013	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
Barclays Aggregate Bond Index	0.6	-1.9	-1.7	2.9	5.4	4.6
Barclays Treasury Index	0.1	-2.0	-2.1	2.2	4.0	4.3
Barclays Govt-Related Index	0.3	-2.8	-2.2	2.3	4.4	4.3
Barclays Securitized Index	1.0	-1.0	-1.1	2.8	4.9	4.7
Barclays Corporate IG Index	0.8	-2.6	-1.6	4.4	9.2	5.3
Barclays LT Govt/Credit Index	-0.8	-8.7	-8.3	4.7	9.1	6.3
Barclays LT Treasury Index	-2.2	-9.9	-10.6	3.6	6.5	6.1
Barclays LT Govt-Related Index	-0.4	-9.8	-8.3	4.9	7.7	6.7
Barclays LT Corporate IG Index	0.1	-7.4	-6.5	5.4	11.7	6.3
Barclays U.S. TIPS Index	0.7	-6.7	-6.1	4.0	5.3	5.2
Barclays High Yield Index	2.3	3.7	7.1	9.2	13.5	8.9
Treasury Bills	0.0	0.1	0.1	0.1	0.2	1.7

- Broad bond market had negative YTD return due to Fed rate hike worries
- High Yield continued to perform relatively better
- TIPs were hard hit in 2Q

Barclays Fixed Income Indexes - OAS



U.S. Treasury Yield Curve ³
As of October 18, 2013



³ Source: U.S. Department of the Treasury, Daily Treasury Yield Curve Rates ₉

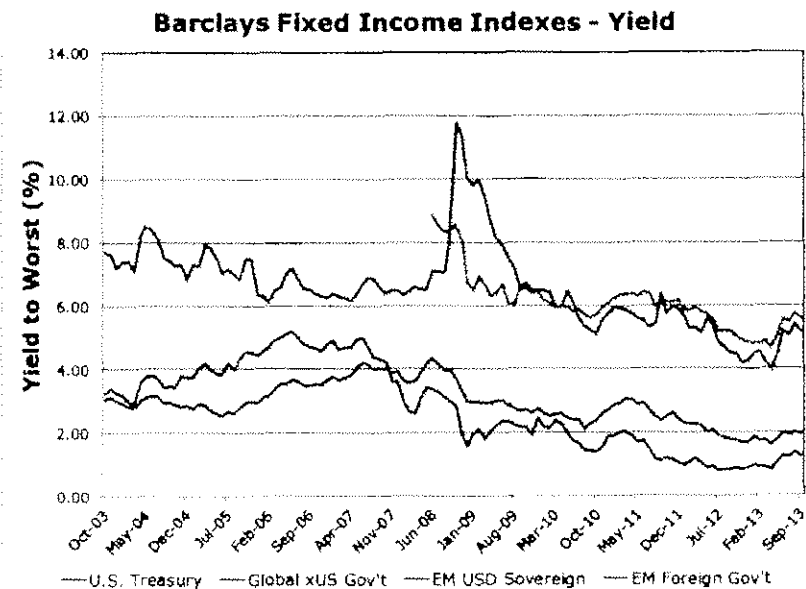
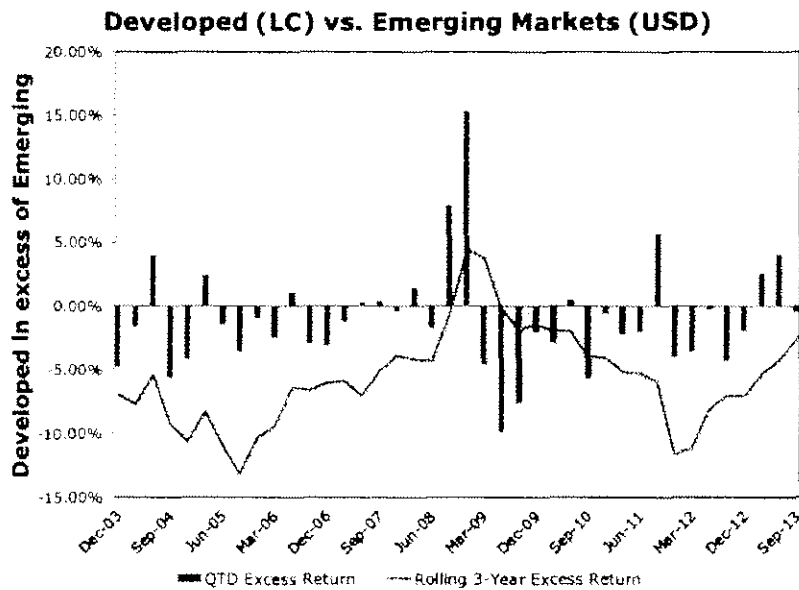
Non-U.S. Fixed Income Market



September 30, 2013	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
Developed Markets						
Barclays Global Aggregate xUS	4.4	-2.4	-3.4	1.5	4.8	5.1
Barclays Global Aggregate xUS *	1.0	0.8	2.1	3.1	4.7	4.3
Barclays Wrld Govt xUS IL Bond	5.9	-1.4	1.9	4.2	4.4	6.4
Barclays Wrld Govt xUS IL Bond *	0.5	-1.1	1.6	4.2	4.9	5.2
Emerging Mkts (Hard Currency)						
Barclays EM USD Aggregate	1.4	-5.2	-2.1	5.7	10.4	8.9
Emerging Mkts (Foreign Currency)						
Barclays EM Local Currency Govt	2.3	-4.0	-0.2	3.5	6.6	n.a.
Barclays EM Local Currency Govt *	0.0	-2.2	-0.4	2.7	4.7	n.a.
Euro vs. Dollar	4.1	2.7	5.2	-0.3	-0.8	1.5
Yen vs. Dollar	1.2	-11.9	-20.7	-5.2	1.6	1.3
Pound vs. Dollar	6.8	-0.4	0.3	0.9	-1.9	-0.3

- International bond market had a “relief rally” this quarter when the Fed surprised the market by not starting the highly anticipated “tapering”.
- US Dollar weakened in the meantime.

* Returns are reported in terms of local market investors, which removes currency effects.



Data sources: Wilshire Compass, Barclays Capital

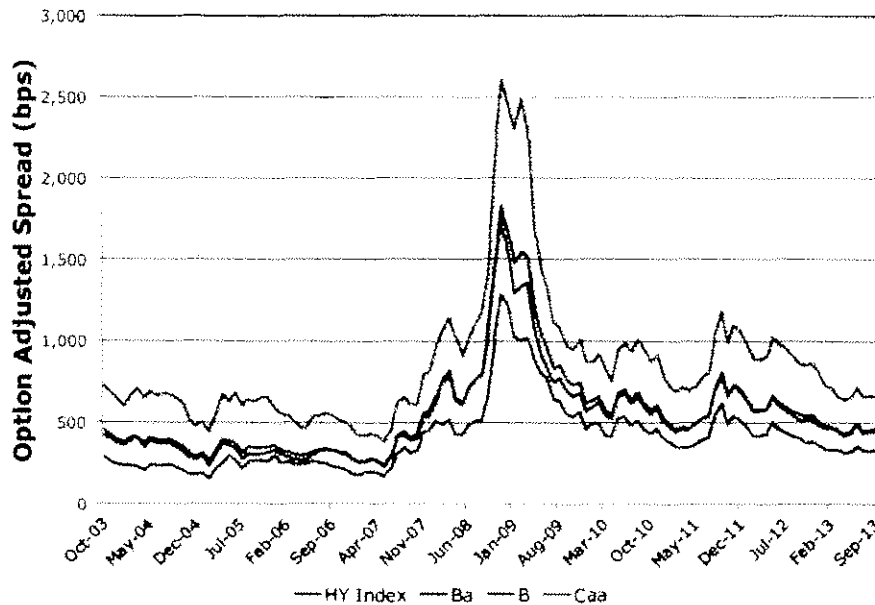
High Yield Bond Market



September 30, 2013	Weight	Qtr	Ytd	1 Yr	3 Yr
Barclays High Yield Index	100%	2.3	3.7	7.1	9.2
Quality Distribution					
Ba U.S. High Yield	38.6%	1.8	1.8	4.7	8.2
B U.S. High Yield	42.9%	2.3	3.6	7.3	9.2
Caa U.S. High Yield	17.6%	3.7	9.2	12.8	11.4
Ca to D U.S. High Yield	0.7%	-5.2	-4.7	1.9	5.8
Non-Rated U.S. High Yield	0.2%	2.5	4.2	6.1	12.5

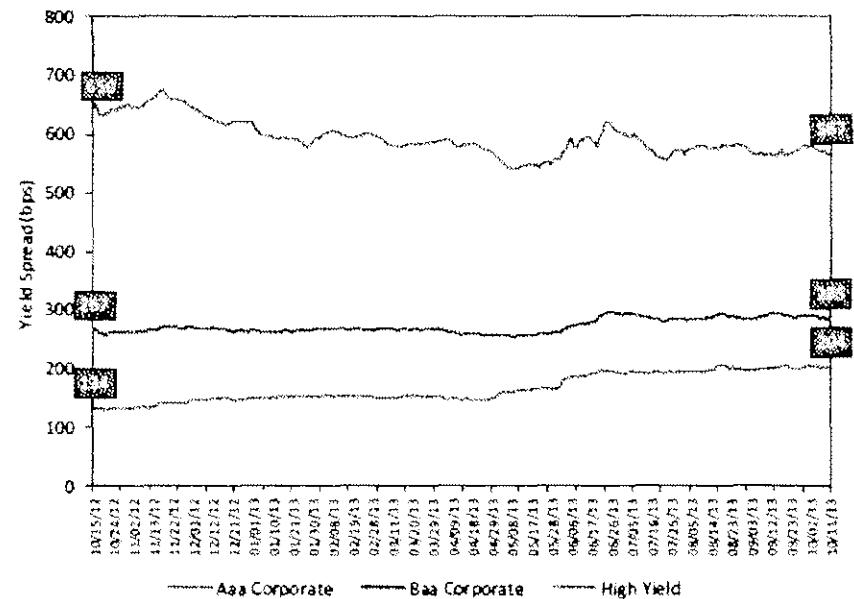
- CCC rally continued
- Yield spread is at historical average levels
- Default rate is below average

Barclays High Yield Indexes - OAS



Data sources: Barclays Capital

Yield to Maturity Spread ^{1,2}



^{1,2} Source: Barclays Capital and Wilshire Axiom

Diversification, Diversification, Diversification



Annual Asset Class Returns - Best to Worst

2008	2009	2010	2011	2012	YTD 2013
Core Bond 5.2%	Emrg Mrkts 79.0%	REITs 28.6%	U.S. TIPS 13.6%	Emrg Mrkts 18.6%	U.S. Equity 20.9%
T-Bills 2.0%	High Yield 58.2%	Emrg Mrkts 19.2%	REITs 9.2%	Developed 17.9%	Developed 16.6%
U.S. TIPS -2.3%	Developed 32.5%	U.S. Equity 17.2%	Core Bond 7.8%	REITs 17.6%	High Yield 3.7%
High Yield -26.2%	REITs 28.6%	Commodities 16.8%	High Yield 5.0%	U.S. Equity 16.1%	REITs 2.7%
Commodities -35.6%	U.S. Equity 28.3%	High Yield 15.1%	U.S. Equity 1.0%	High Yield 15.8%	T-Bills 0.1%
U.S. Equity -37.2%	Commodities 18.9%	Developed 8.2%	T-Bills 0.1%	U.S. TIPS 7.0%	Core Bond -1.9%
REITs -39.2%	U.S. TIPS 11.4%	Core Bond 6.5%	Developed -11.7%	Core Bond 4.2%	Emrg Mrkts -4.0%
Developed -43.1%	Core Bond 5.9%	U.S. TIPS 6.3%	Commodities -13.3%	T-Bills 0.1%	U.S. TIPS -6.7%
Emrg Mrkts -53.2%	T-Bills 0.2%	T-Bills 0.1%	Emrg Mrkts -18.2%	Commodities -1.0%	Commodities -8.6%

Annualized
5-Year

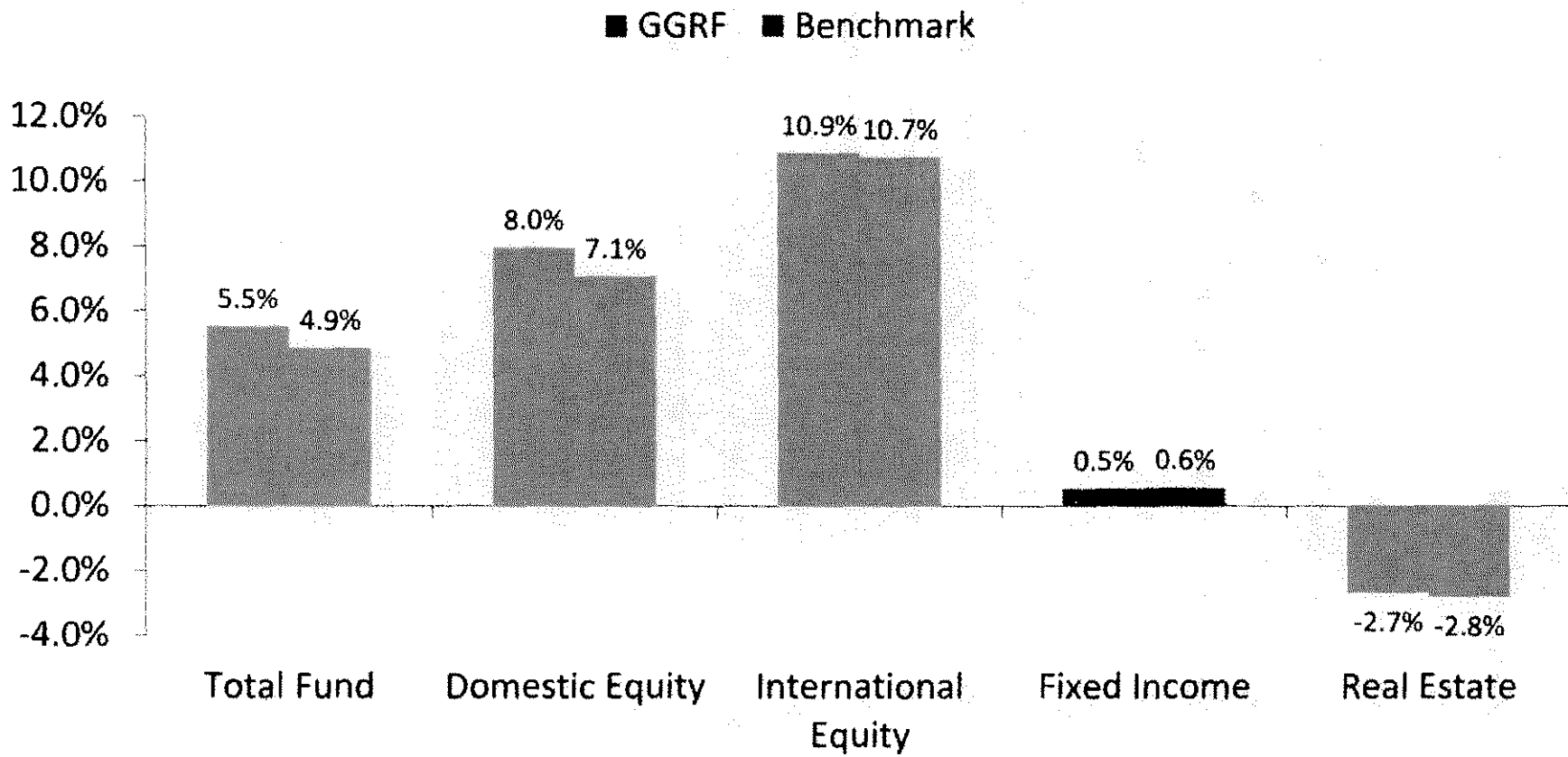
2008-2012
High Yield 10.3%
U.S. TIPS 7.0%
Core Bond 5.9%
REITs 5.2%
U.S. Equity 2.0%
T-Bills 0.5%
Emrg Mrkts -0.6%
Developed -3.2%
Commodities -5.2%

Data sources: Wilshire Compass

Note: Developed asset class is developed markets ex-U.S., ex-Canada.

Executive Summary
GGRF Portfolio Performance

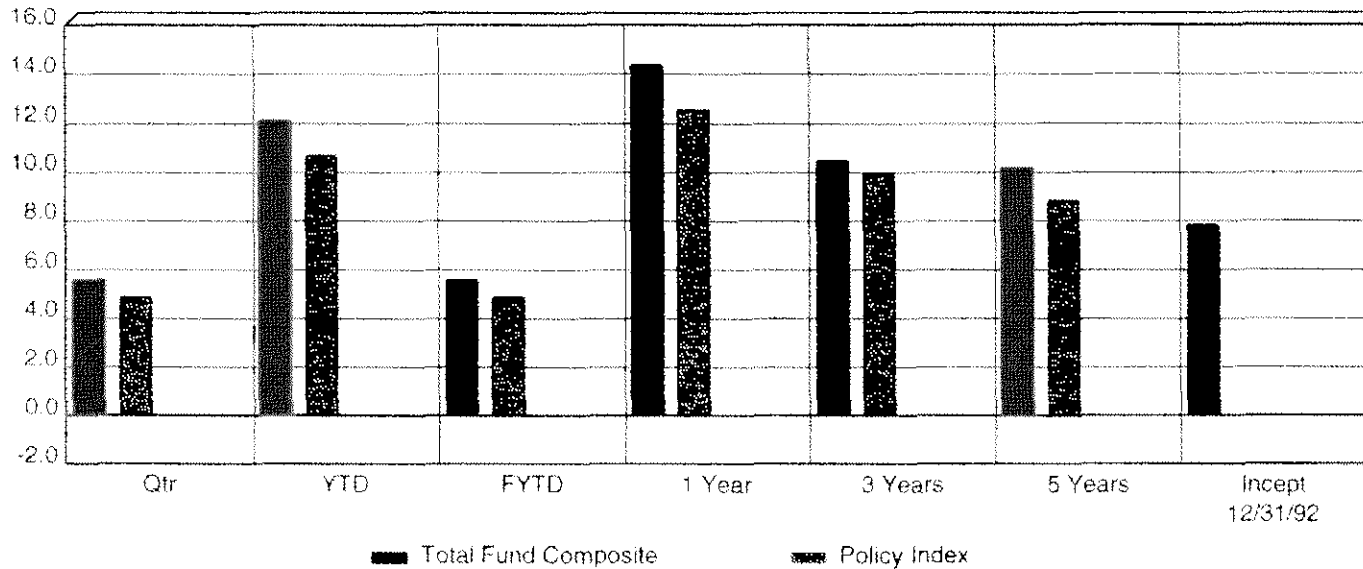
3Q13 Returns vs. Benchmarks



Total Fund Composite



Periods Ended September 30, 2013



Total Returns	Qtr	YTD	FYTD	1 Year	3 Years	5 Years	Incept 12/31/92
Total Fund Composite	5.52	12.08	14.36	14.36	10.41	10.13	7.80
Policy Index	4.86	10.61	12.55	12.55	9.88	8.78	

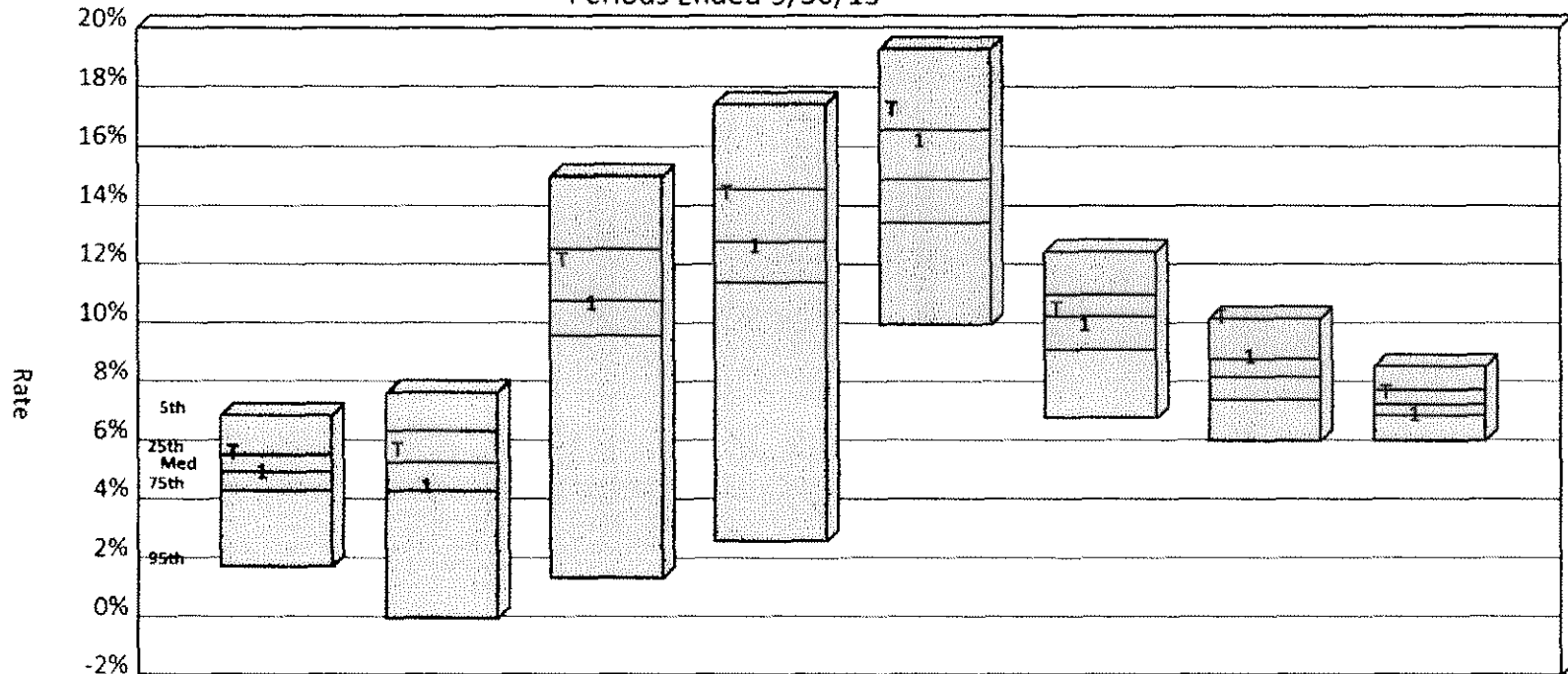
Policy explanation in Appendix.

*GGRF's fiscal year starts on October 1st.

Total Fund Universe Comparison



TUCS Total Ret of Master Trusts - Public
Periods Ended 9/30/13



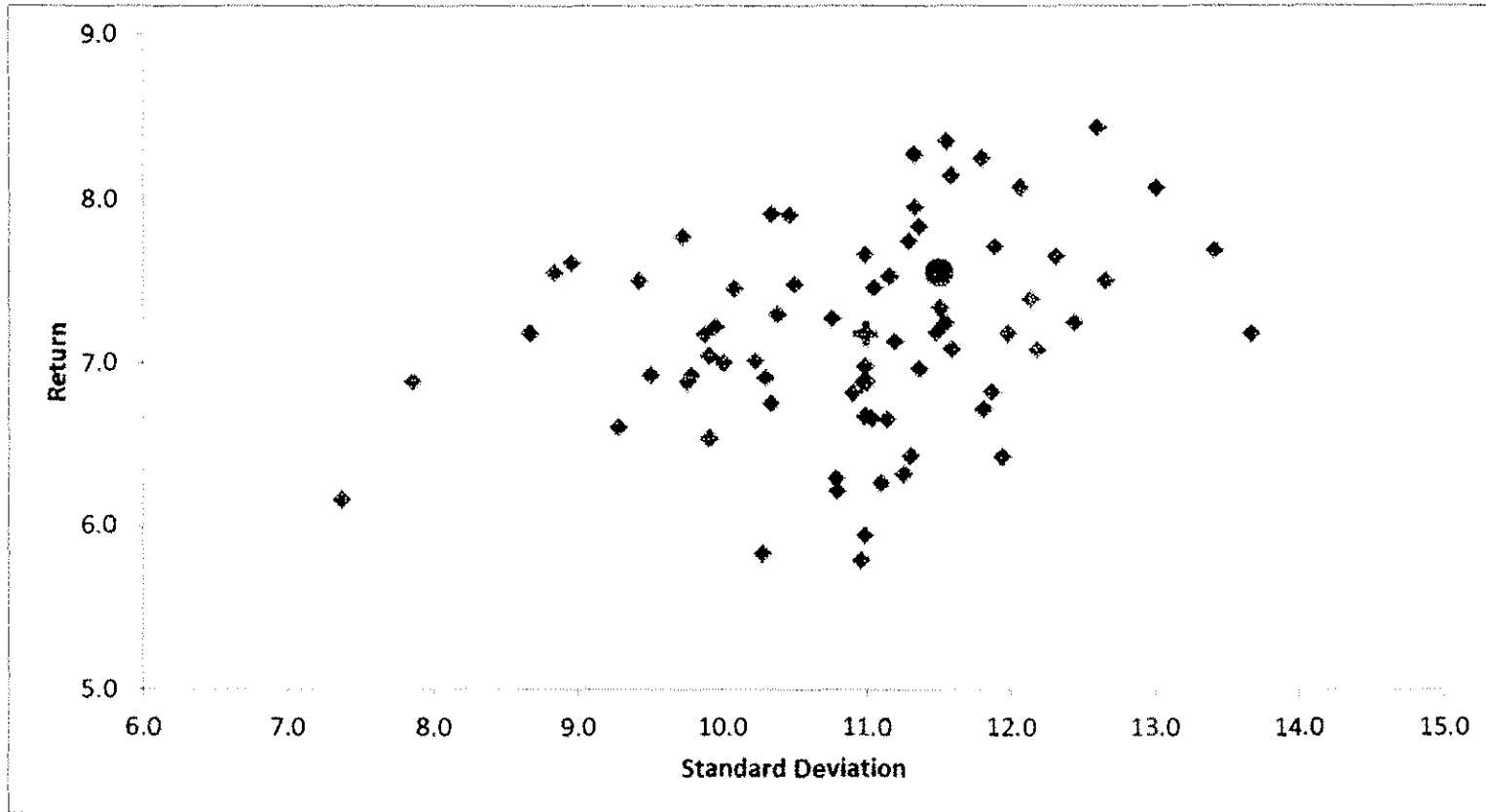
Manager returns are Net of Fees

	<u>1 Quarter</u>	<u>2 Quarters</u>	<u>3 Quarters</u>	<u>1 Year</u>	<u>2 Years</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
T Total Fund Composite	5.52 (24)	5.63 (38)	12.08 (35)	14.36 (26)	17.19 (13)	10.41 (43)	10.13 (5)	7.55 (30)
1 Policy Index	4.86 (53)	4.37 (72)	10.61 (51)	12.55 (51)	16.12 (28)	9.88 (60)	8.78 (24)	6.81 (75)
Median	4.92	5.23	10.73	12.73	14.84	10.20	8.11	7.18
Number of Funds	167	165	164	164	157	149	125	102

Total Fund Risk/Return Analysis



Ten Years Ending September 30, 2013



Description	Legend	Net Fee Return		Standard Deviation	
		Value	Rank	Value	Rank
Guam Total Fund Composite	●	7.55	30	11.51	29
Median	+	7.18		10.99	

Total Fund Asset Allocation



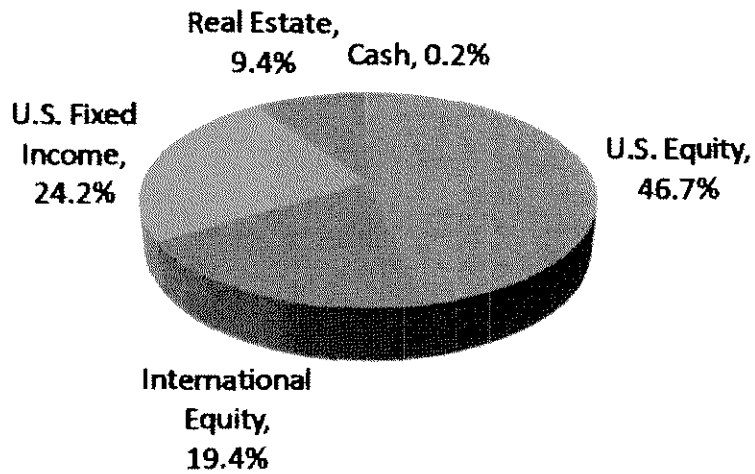
Quarter Ended 9/30/13

Manager Name	Equity		Bonds		Cash		Intl Equity		Intl Bonds		Real Estate		Special Invest		Other		As Allocated To Manager	
	\$(000)	%	\$(000)	%	\$(000)	%	\$(000)	%	\$(000)	%	\$(000)	%	\$(000)	%	\$(000)	%	\$(000)	%
BlackRock Russell 1000 Index	216,691	14.4		0.0	0	0.0		0.0		0.0		0.0		0.0		0.0	216,691	14.4
Eaton Vance	80,349	5.3		0.0	1,223	0.1	0	0.0		0.0		0.0		0.0		0.0	81,572	5.4
INTECH	159,754	10.6		0.0	900	0.1	0	0.0		0.0	0	0.0		0.0		0.0	160,654	10.6
Numeric	89,267	5.9		0.0	1,137	0.1	0	0.0		0.0		0.0		0.0		0.0	90,404	6.0
Robeco	151,160	10.0		0.0	5,048	0.3	0	0.0		0.0		0.0		0.0		0.0	156,207	10.3
Domestic Equity Composite	697,220	46.2	0	0.0	8,308	0.6	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	705,528	46.7
Franklin Templeton		0.0	119,654	7.9	5,404	0.4		0.0		0.0		0.0		0.0		0.0	125,058	8.3
Garcia Hamilton and Associates		0.0	122,443	8.1	430	0.0		0.0		0.0		0.0		0.0		0.0	122,872	8.1
Income Research Management		0.0	117,001	7.7	838	0.1	0	0.0		0.0		0.0		0.0		0.0	117,840	7.8
Domestic Fixed Composite	0	0.0	359,098	23.8	6,672	0.4	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	365,770	24.2
EARNEST		0.0		0.0	1,046	0.1	66,181	4.4		0.0		0.0		0.0		0.0	67,227	4.5
Fisher Investments		0.0		0.0	1,583	0.1	67,941	4.5		0.0		0.0		0.0		0.0	69,524	4.6
DFA Intl Small Co		0.0		0.0	0	0.0	78,986	5.2		0.0		0.0		0.0		0.0	78,986	5.2
Capital International		0.0		0.0	0	0.0	77,896	5.2		0.0		0.0		0.0		0.0	77,896	5.2
International Equity Comp	0	0.0	0	0.0	2,629	0.2	291,005	19.3	0	0.0	0	0.0	0	0.0	0	0.0	293,634	19.4
Cornerstone		0.0		0.0	1,289	0.1	0	0.0		0.0	55,411	3.7		0.0		0.0	56,700	3.8
Security Capital		0.0		0.0	950	0.1	0	0.0		0.0	83,663	5.5		0.0		0.0	84,613	5.6
Real Estate Comp	0	0.0	0	0.0	2,239	0.1	0	0.0	0	0.0	139,074	9.2	0	0.0	0	0.0	141,313	9.4
Short Term Account		0.0		0.0	3,536	0.2		0.0		0.0		0.0		0.0		0.0	3,536	0.2
Cash Composite	0	0.0	0	0.0	3,536	0.2	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	3,536	0.2
As Invested by Managers	697,220	46.2	359,098	23.8	23,384	1.5	291,005	19.3	0	0	139,074	9.2	0	0	0	0	1,509,781	100.0
As Allocated to Managers	705,528	46.7	365,770	24.2	3,536	0.2	293,634	19.4	0	0	141,313	9.4	0	0	0	0	1,509,781	100.0
Total Fund Policy Targets	603,913	40.0	452,934	30.0	0	0	301,956	20.0	0	0	150,978	10.0	0	0	0	0	1,509,781	100.0

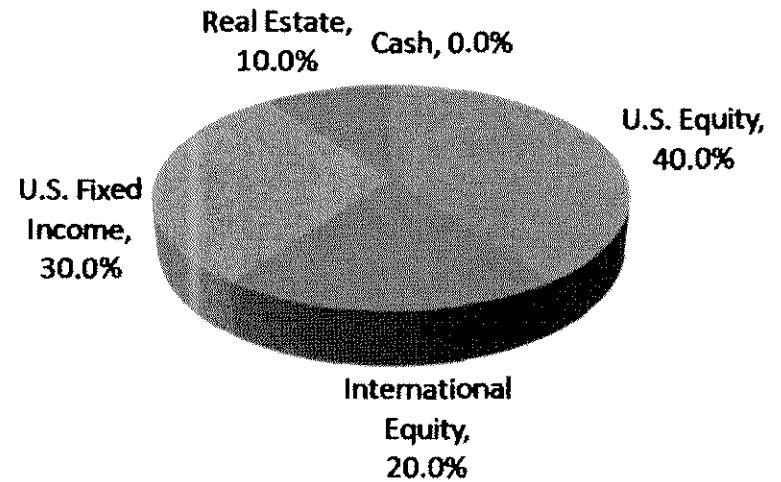
Total Fund Asset Allocation as of 9/30/13



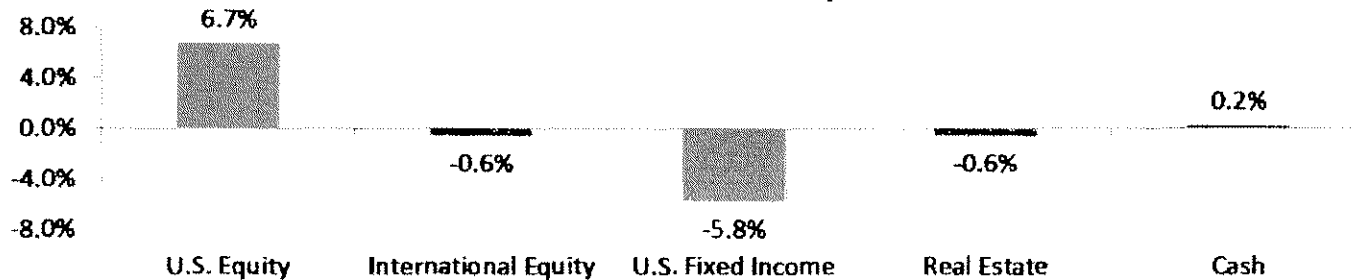
Actual Allocation



Policy Allocation



Actual vs. Policy



➤ U.S. Equity is over-weighted and should be used as liquidity source.

Sources of Fund Growth



Quarter Ended 9/30/13

Manager Name	Beginning Value \$(000)	Net Contrib \$(000)	Distrib & Adm Fees \$(000)	Invest Fees \$(000)	Invest Gain/Loss \$(000)	Ending Value \$(000)	Time Wtd Return (%)
BlackRock Russell 1000 Index	99,880	111,611	0	0	5,200	216,691	6.02
Eaton Vance	71,578	-424	0	152	10,570	81,572	14.62
INTECH	97,811	53,973	0	120	8,989	160,654	8.17
MetWest	112,134	-117,814	0	75	5,754	0	NA
Numeric	88,203	-5,502	0	165	7,869	90,404	8.88
Robeco	97,975	51,184	0	80	7,128	156,207	5.06
Winslow	96,646	-102,043	0	119	5,516	0	NA
Domestic Equity Composite	664,226	-9,014	0	710	51,026	705,528	7.95
Franklin Templeton	125,100	-804	0	52	814	125,058	0.61
Garcia Hamilton and Associates	123,663	-1,660	0	45	913	122,872	0.71
Income Research Management	118,539	-1,057	0	56	413	117,840	0.30
Domestic Fixed Composite	367,302	-3,521	0	153	2,141	365,770	0.54
EARNEST	60,853	-308	0	93	6,776	67,227	11.02
Fisher Investments	62,948	-315	0	97	6,989	69,524	10.99
DFA Intl Small Co	69,635	-951	0	0	10,302	78,986	14.98
Capital International	72,997	0	0	0	4,899	77,896	6.71
International Equity Comp	266,433	-1,574	0	191	28,966	293,634	10.86
Cornerstone	58,077	-447	0	68	-862	56,700	-1.60
Security Capital	88,304	-717	0	161	-2,813	84,613	-3.38
Real Estate Comp	146,381	-1,164	0	229	-3,675	141,313	-2.67

Sources of Fund Growth – Cont'd



Quarter Ended 9/30/13

Manager Name	Beginning Value \$(000)	Net Contrib \$(000)	Distrib & Adm Fees \$(000)	Invest Fees \$(000)	Invest Gain/Loss \$(000)	Ending Value \$(000)	Time Wtd Return (%)
Short Term Account	3,717	15,534	15,758	0	44	3,536	0.02
Cash Composite	3,717	15,534	15,758	0	44	3,536	0.02
Total Fund Composite	1,448,060	261	15,759	1,282	78,763	1,509,781	5.52

Sources of Portfolio Growth



Quarter Ended 9/30/13

Quarter	Beginning Value \$(000)	Net Contrib \$(000)	Distrib & Adm Fees \$(000)	Invest Fees \$(000)	Invest Gain/Loss \$(000)	Ending Value \$(000)	Time Wtd Return (%)
03/93	NA	NA	NA	NA	NA	NA	4.50
06/93	NA	NA	NA	NA	NA	NA	2.40
09/93	NA	NA	NA	NA	NA	NA	4.10
12/93	NA	NA	NA	NA	NA	NA	-0.20
1993	NA	NA	NA	NA	NA	NA	11.17
03/94	NA	NA	NA	NA	NA	NA	-3.60
06/94	NA	NA	NA	NA	NA	NA	-1.10
09/94	NA	NA	NA	NA	NA	NA	1.10
12/94	NA	NA	NA	NA	NA	NA	0.40
1994	NA	NA	NA	NA	NA	NA	-3.23
03/95	NA	NA	NA	NA	NA	NA	6.10
06/95	NA	NA	NA	NA	NA	NA	8.40
09/95	NA	NA	NA	NA	NA	NA	4.10
12/95	NA	NA	NA	NA	NA	NA	5.60
1995	NA	NA	NA	NA	NA	NA	26.43
03/96	NA	NA	NA	NA	NA	NA	-0.40
06/96	NA	NA	NA	NA	NA	NA	1.60
09/96	NA	NA	NA	NA	NA	NA	2.30
12/96	NA	NA	NA	NA	NA	NA	4.90
1996	NA	NA	NA	NA	NA	NA	8.59
03/97	NA	NA	NA	NA	NA	NA	0.50
06/97	NA	NA	NA	NA	NA	NA	9.60
09/97	NA	NA	NA	NA	NA	NA	5.10
12/97	NA	NA	NA	NA	NA	NA	2.70
1997	NA	NA	NA	NA	NA	NA	18.89

Sources of Portfolio Growth – Cont'd



Quarter Ended 9/30/13

Quarter	Beginning Value \$(000)	Net Contrib \$(000)	Distrib & Adm Fees \$(000)	Invest Fees \$(000)	Invest Gain/Loss \$(000)	Ending Value \$(000)	Time Wtd Return (%)
03/98	NA	NA	NA	NA	NA	NA	7.10
06/98	NA	NA	NA	NA	NA	NA	2.50
09/98	NA	NA	NA	NA	NA	NA	-4.20
12/98	NA	NA	NA	NA	NA	NA	7.80
1998	NA	NA	NA	NA	NA	NA	13.37
03/99	NA	NA	NA	NA	NA	NA	0.00
06/99	NA	NA	NA	NA	NA	NA	3.00
09/99	NA	NA	NA	NA	NA	NA	-3.90
12/99	NA	NA	NA	NA	NA	NA	3.50
1999	NA	NA	NA	NA	NA	NA	2.45
03/00	NA	NA	NA	NA	NA	NA	0.80
06/00	NA	NA	NA	NA	NA	NA	0.40
09/00	NA	NA	NA	NA	NA	NA	2.30
12/00	NA	NA	NA	NA	NA	NA	3.40
2000	NA	NA	NA	NA	NA	NA	7.05
03/01	NA	NA	NA	NA	NA	NA	-2.70
06/01	NA	NA	NA	NA	NA	NA	1.30
09/01	NA	NA	NA	NA	NA	NA	-1.70
12/01	NA	NA	NA	NA	NA	NA	2.60
2001	NA	NA	NA	NA	NA	NA	-0.59
03/02	NA	NA	NA	NA	NA	NA	0.20
06/02	NA	NA	NA	NA	NA	NA	-1.60
09/02	NA	NA	NA	NA	NA	NA	-2.40
12/02	NA	NA	NA	NA	NA	1,139,829	3.20
2002	NA	NA	NA	NA	NA	1,139,829	-0.69

Sources of Portfolio Growth – Cont'd



Quarter Ended 9/30/13

Quarter	Beginning Value \$(000)	Net Contrib \$(000)	Distrib & Adm Fees \$(000)	Invest Fees \$(000)	Invest Gain/Loss \$(000)	Ending Value \$(000)	Time Wtd Return (%)
03/03	1,139,829	NA	NA	NA	NA	1,121,251	-0.35
06/03	1,121,251	NA	NA	NA	NA	1,178,555	7.03
09/03	1,178,555	NA	NA	NA	NA	1,148,925	-0.19
12/03	1,148,925	NA	NA	NA	NA	1,214,705	6.43
2003	1,139,829	NA	NA	NA	NA	1,214,705	13.29
03/04	1,214,705	NA	NA	NA	NA	1,228,390	2.58
06/04	1,228,390	NA	NA	NA	NA	1,196,595	-0.82
09/04	1,196,595	NA	NA	NA	NA	1,189,274	0.93
12/04	1,189,274	NA	NA	NA	NA	1,239,013	5.84
2004	1,214,705	NA	NA	NA	NA	1,239,013	8.68
03/05	1,239,013	NA	NA	NA	NA	1,214,394	-0.37
06/05	1,214,394	NA	NA	NA	NA	1,211,153	1.63
09/05	1,211,153	NA	NA	NA	NA	1,227,265	2.77
12/05	1,227,265	NA	NA	NA	NA	1,225,933	1.86
2005	1,239,013	NA	NA	NA	NA	1,225,933	5.99
03/06	1,225,933	NA	NA	NA	NA	1,244,588	2.35
06/06	1,244,588	NA	NA	NA	NA	1,230,722	-0.43
09/06	1,230,722	NA	NA	NA	NA	1,264,170	4.04
12/06	1,264,170	NA	NA	NA	NA	1,317,498	5.53
2006	1,225,933	NA	NA	NA	NA	1,317,498	11.89
03/07	1,317,498	NA	NA	NA	NA	1,323,454	2.01
06/07	1,323,454	NA	NA	NA	NA	1,362,800	3.91
09/07	1,362,800	NA	NA	NA	NA	1,395,185	3.51
12/07	1,395,185	NA	NA	NA	NA	1,380,269	-0.11
2007	1,317,498	NA	NA	NA	NA	1,380,269	9.59

Sources of Portfolio Growth – Cont'd



Quarter Ended 9/30/13

Quarter	Beginning Value \$(000)	Net Contrib \$(000)	Distrib & Adm Fees \$(000)	Invest Fees \$(000)	Invest Gain/Loss \$(000)	Ending Value \$(000)	Time Wtd Return (%)
03/08	1,380,269	NA	NA	NA	NA	1,278,742	-6.21
06/08	1,278,742	NA	NA	NA	NA	1,264,168	-0.07
09/08	1,264,168	NA	NA	NA	NA	1,129,662	-9.30
12/08	1,129,662	NA	NA	NA	NA	975,455	-11.60
2008	1,380,269	NA	NA	NA	NA	975,455	-24.85
03/09	975,455	NA	NA	NA	NA	917,541	-4.49
06/09	917,541	NA	NA	NA	NA	1,032,477	13.37
09/09	1,032,477	NA	NA	NA	NA	1,170,070	12.37
12/09	1,170,070	NA	NA	NA	NA	1,201,124	3.61
2009	975,455	NA	NA	NA	NA	1,201,124	26.07
03/10	1,201,124	NA	NA	NA	NA	1,240,946	4.66
06/10	1,240,946	NA	NA	NA	NA	1,150,332	-6.29
09/10	1,150,332	NA	NA	NA	NA	1,253,941	10.13
12/10	1,253,941	NA	NA	NA	NA	1,323,932	6.78
2010	1,201,124	NA	NA	NA	NA	1,323,932	15.33
03/11	1,323,932	6	14,206	1,003	60,160	1,368,890	4.51
06/11	1,368,890	0	13,907	1,075	12,523	1,366,431	0.83
09/11	1,366,431	102	16,470	1,514	-174,622	1,173,926	-12.91
12/11	1,173,926	26	15,630	1,118	87,440	1,244,644	7.35
2011	1,323,932	134	60,213	4,710	-14,499	1,244,644	-1.47
03/12	1,244,644	136	12,081	1,093	120,317	1,351,923	9.66
06/12	1,351,923	20,239	10,404	1,106	-34,249	1,326,404	-2.62
09/12	1,326,404	41	13,812	1,191	64,082	1,375,524	4.77
12/12	1,375,524	5	14,344	1,173	28,853	1,388,866	2.03
2012	1,244,644	20,422	50,640	4,563	179,003	1,388,866	14.15

Sources of Portfolio Growth – Cont'd



Quarter Ended 9/30/13

Quarter	Beginning Value \$(000)	Net Contrib \$(000)	Distrib & Adm Fees \$(000)	Invest Fees \$(000)	Invest Gain/Loss \$(000)	Ending Value \$(000)	Time Wtd Return (%)
03/13	1,388,866	38	13,656	1,150	85,640	1,459,738	6.11
06/13	1,459,738	0	13,329	1,299	2,949	1,448,060	0.10
09/13	1,448,060	261	15,759	1,282	78,763	1,509,781	5.52
Total Period	1,139,829	20,595 (Sum)	153,598 (Sum)	13,003 (Sum)	331,856 (Sum)	1,509,781	7.80 (Annualized)

U.S. Equity Composite

U.S. Equity Highlights and Recommendations



Managers	Allocations				Notes on Manager Performance	Notes on Manager Ranking/Status
	Minimum	Targets	Maximum	Actual		
<u>Domestic Large Cap Core Equity</u> Blackrock R1000 Index Fund	9.00%	12.00%	15.00%	14.35%	Index Fund	
<u>Domestic Large Cap Growth Equity</u> INTECH	6.00%	9.00%	12.00%	10.64%	Outperformed by 6 bp	Wilshire Focus List
<u>Domestic Large Cap Value</u> Robeco (Boston Partners)	6.00%	9.00%	12.00%	10.35%	Outperformed by 111 bp	
<u>Small Cap Equity</u> Eaton Vance	2.50%	5.00%	7.50%	5.40%	Outperformed by 441 bp	Manager On Watch
Numeric	2.50%	5.00%	7.50%	5.99%	Underperformed by 132 bps	
Total US Equity	29.00%	40.00%	51.00%	46.73%	Outperformed by 89 bps	

Summary

- Numeric underperformed the benchmark by -132 bps this quarter, but year-to-date and trailing 1 year relative performances remain strong at +585 bps and +839 bps, respectively. The strategy's value-style tilt contributed to some of the relative underperformance this quarter versus the Russell 2000 Index as growth-style was heavily favored.
- Wilshire recommends keeping Eaton Vance on watch due to its underperformance since inception. This quarter's positive performance versus the benchmark helped recover some of the earlier underperformance. Stock selections in Energy and Consumer Discretionary attributed to most of the gains. Wilshire continues to rank this strategy highly. However, performance near-term should continue to be closely monitored. This watch period is open-ended pending the company's performance improvement.

Manager Comments



INTECH

- * INTECH offers a competitive Large Cap Growth product that is designed to outperform the Russell 1000 Growth Index by 3-4% with a targeted tracking error of 4-5%. The strategy employed by the firm is unique as the firm does not forecast expected returns but rather forecasts relative volatility and covariance through the firm's proprietary mathematical process. This process is coupled with a disciplined portfolio construction methodology and a very strong implementation effort. INTECH's volatility optimization process focuses on benefiting from "good" volatility, or volatilities that tend to be amply compensated by the market.
- * This strategy continues to be on Wilshire's Focus List, a list of our "top pick" managers.

Robeco

- * Robeco Boston Partners Large Cap Value strategy is team managed, headed by Mark Donovan, CFA and David Pyle, CFA. The investment process is based on a three circle stock selection criteria; valuation, business fundamentals, and catalyst for change which is then subject to fundamental analysis for understanding the competitive analysis. The investment process is intrinsic value oriented and the resulting portfolio is diversified. The team has a successful track record and has been able to protect well on the downside, yet still participate nicely on the upside.

Numeric

- * Numeric Investors offers a competitive Core strategy that utilizes multiple proprietary quantitative models with a qualitative overlay to actively manage the product. The product is designed to outperform the Russell 2000 by 3% with a target tracking error of 4.5% (though the tracking error has been as low as sub-1% in some low volatility environments.)
- * Given the team's dynamic approach that strives to constantly innovate in order to account for continuous changes in market behavior, Wilshire views the product as having a competitive edge.
- * No new developments have occurred since March when Numeric announced it was searching for a buyer. The situation remains closely monitored.

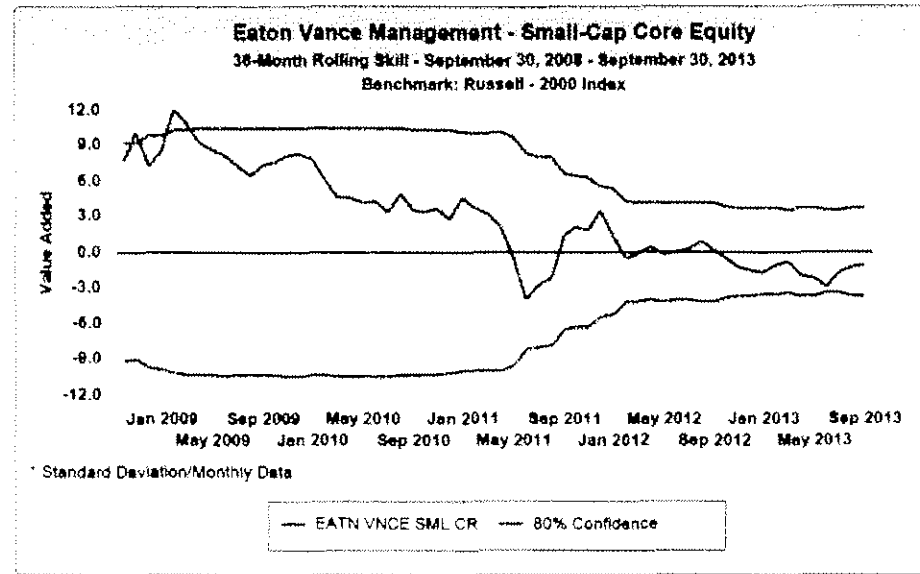
Eaton Vance

- * The Small Cap Core strategy is headed by Nancy Tooke, a long-time industry veteran with nearly 40 years of experience who joined Eaton Vance in 2006. The strategy is fundamental research based, with a focus of purchasing high quality small cap stocks. The time tested approach, however, is experiencing difficulties during the recent liquidity driven low quality rallying market environment.
- * Some additional analysis was prepared to examine this environment, on the next 2 pages.
- * Wilshire recommends keeping the manager on Watch due to its underperformance.

Eaton Vance Small Cap Core



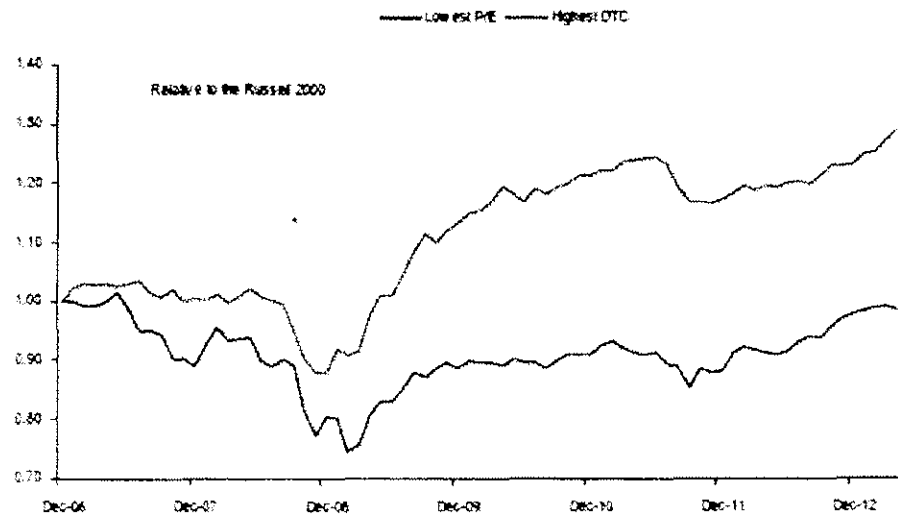
- The underperformance has not reached statistically significant level
 - Outperformance this quarter was attributed to overweights in growth companies and stock selection in the Energy sector.



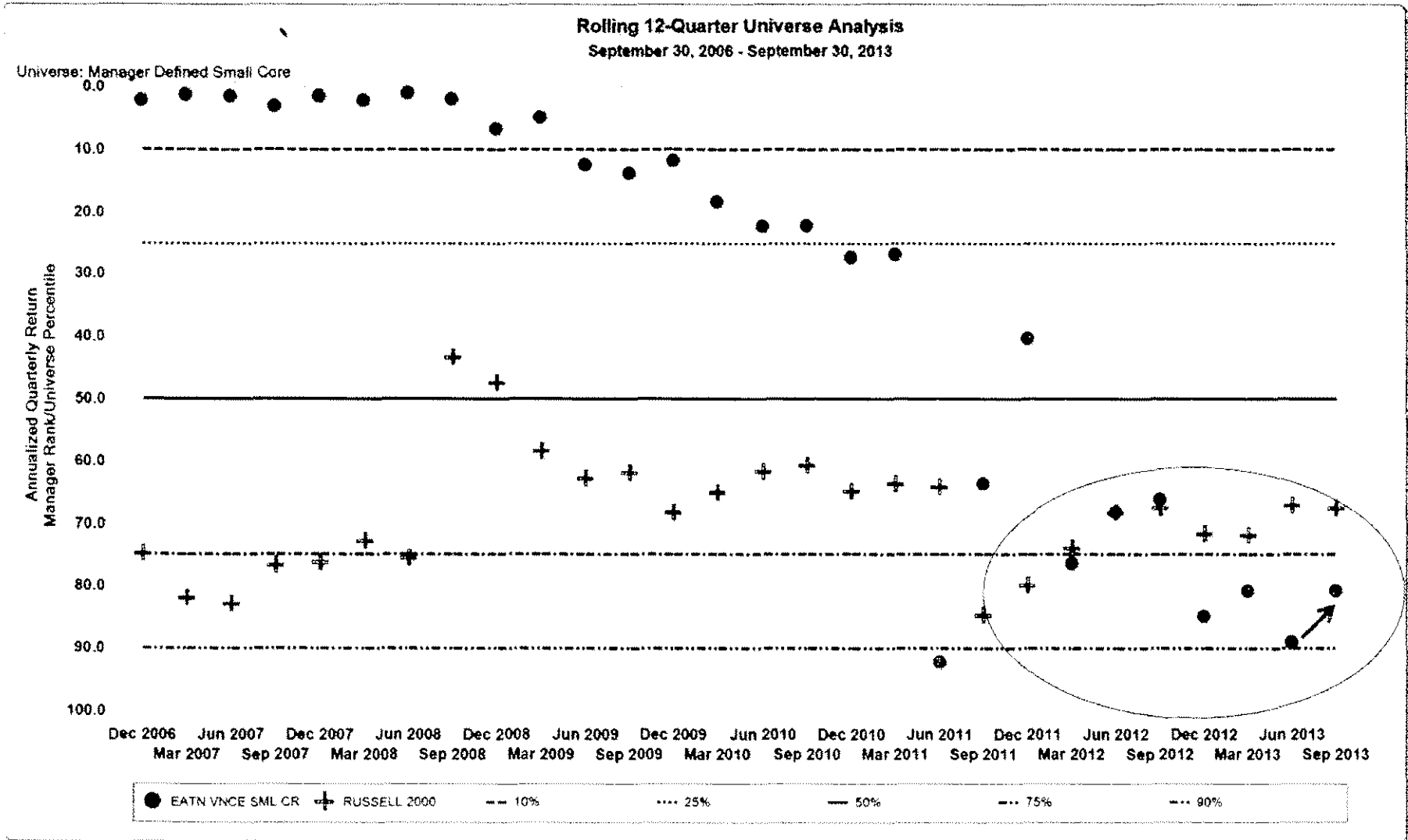
- The market environment in the past 18 - 24 month has not favored high quality focused style:

Highest leverage ratio stocks significantly outperformed low debt-to-equity ratio stocks, due to the Fed "put"

Eaton Vance holds mostly low debt, high quality stocks, with majority of the holdings net debt free



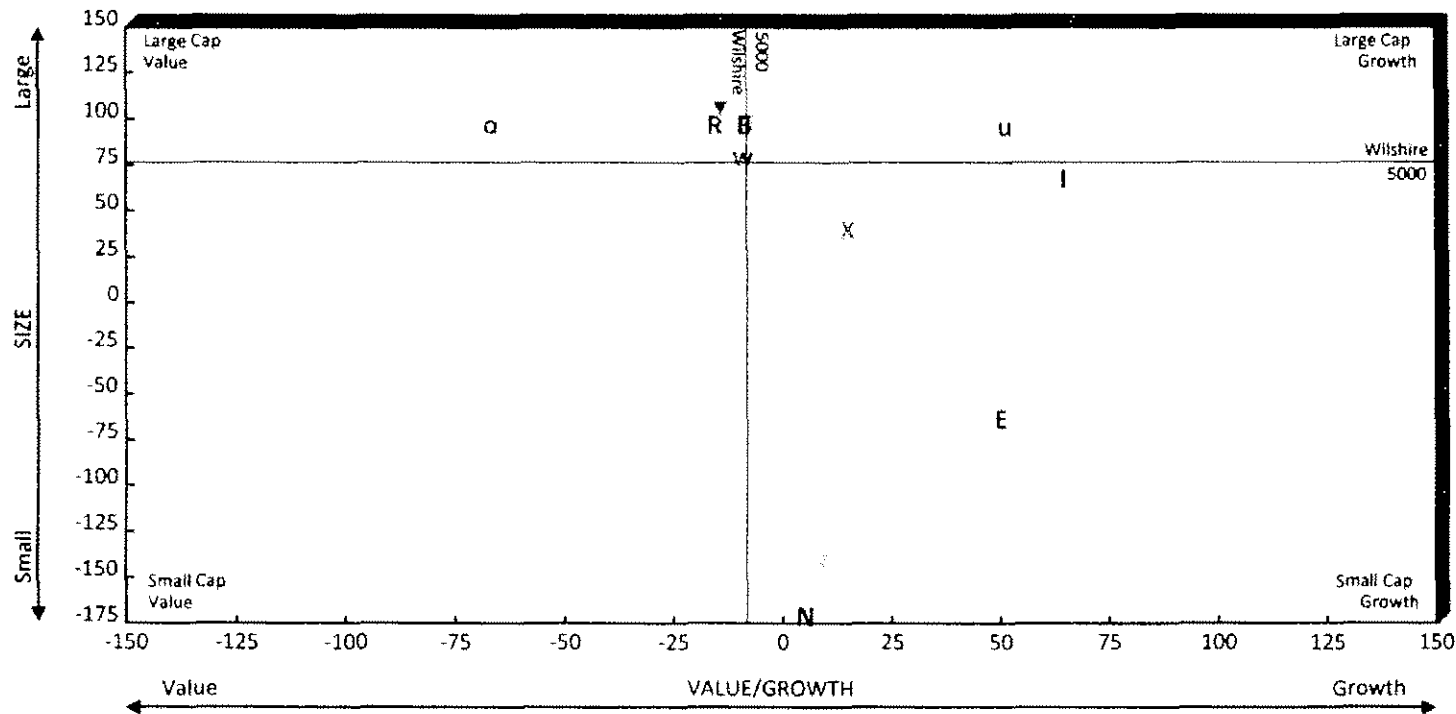
Eaton Vance Small Cap Core



U.S. Equity Style Analysis



Quarter Ended 9/30/13
Growth/Value vs Size

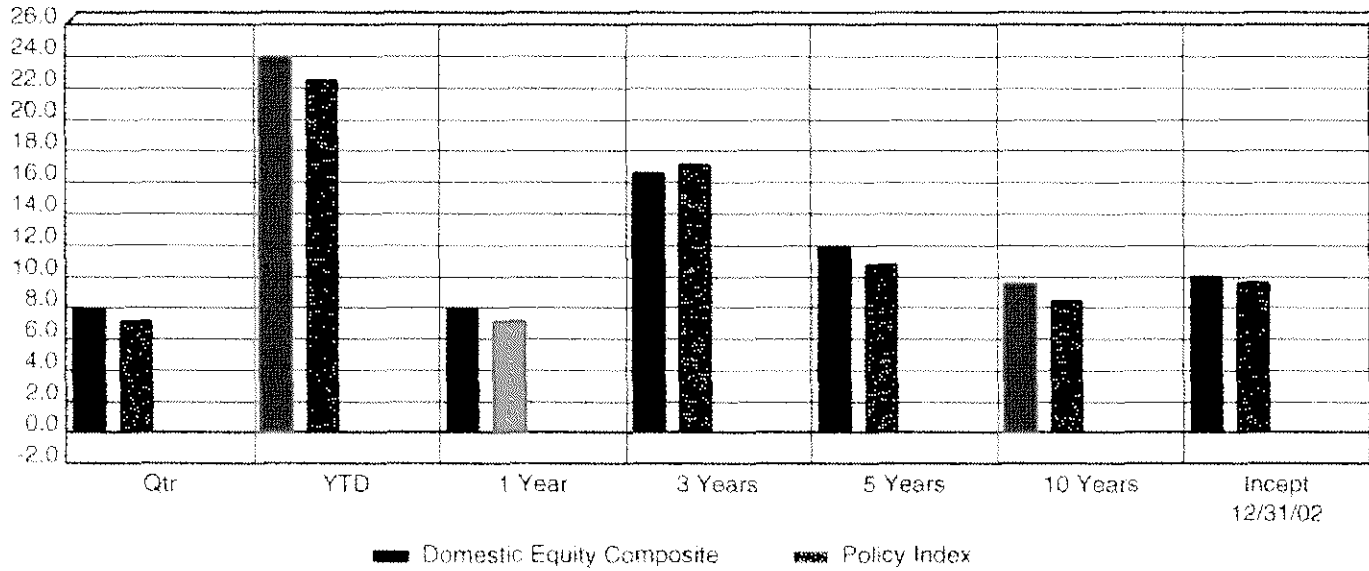


Name	Legend	Growth-Value	Size	Name	Legend	Growth-Value	Size
BlackRock Russell 1000 Index	B	-5.69	93.41	Russell 1000 Growth	u	52.39	92.81
INTECH	I	66.65	64.17	Russell 1000 Value	o	-65.64	93.98
Robeco	R	-14.28	93.51	Russell 2000	f	10.95	-142.04
Eaton Vance	E	51.44	-67.10	Wilshire 5000	w	-8.39	76.62
Numeric	N	5.96	-174.36	Standard & Poor's 500	v	-12.86	105.24
Domestic Equity Composite	X	16.15	36.63				
Russell 1000	f	-5.60	93.38				

Domestic Equity Composite



Periods Ended September 30, 2013



Total Returns	Qtr	YTD	1 Year	3 Years	5 Years	10 Years	Incept 12/31/02
Domestic Equity Composite	7.95	23.83	7.95	16.58	11.89	9.47	9.97
Policy Index	7.06	22.47	7.06	17.10	10.73	8.44	9.58

Policy explanation in Appendix.

Domestic Equity Fund Return Table



Quarter Ended 9/30/13

Manager	1 Quarter	2 Quarters	3 Quarters	1 Year	3 Years	5 Years	Since 9/30/03	Inception Date	Inception Return
BlackRock Russell 1000 Index	6.02	8.85	20.78	20.92				3/31/12	15.79
Russell 1000	6.02	8.83	20.76	20.90				3/31/12	15.74
Value Added	0.00	0.02	0.02	0.02					0.04
INTECH	8.17	11.11	20.57	18.49	17.23			3/31/09	21.60
Russell 1000 Growth	8.12	10.35	20.88	19.27	16.94			3/31/09	21.34
Value Added	0.06	0.76	-0.31	-0.78	0.29				0.26
Robeco	5.06	11.37	23.93	25.57	18.42	11.20		6/30/08	10.33
Russell 1000 Value	3.95	7.28	20.49	22.33	16.25	8.87		6/30/08	7.13
Value Added	1.11	4.09	3.44	3.24	2.18	2.34			3.20
Eaton Vance	14.62	14.47	28.32	32.43	15.91			9/30/10	15.91
Russell 2000	10.21	13.61	27.69	30.05	18.28			9/30/10	18.28
Value Added	4.41	0.87	0.63	2.38	-2.37				-2.37
Numeric	8.88	17.49	33.54	38.44	23.15			9/30/10	23.15
Russell 2000	10.21	13.61	27.69	30.05	18.28			9/30/10	18.28
Value Added	-1.32	3.88	5.86	8.39	4.87				4.87
Domestic Equity Composite	7.95	11.71	23.83	24.82	16.58	11.89	9.47	12/31/02	9.97
Policy Index	7.06	10.02	22.47	23.15	17.10	10.73	8.44	12/31/02	9.58
Value Added	0.89	1.68	1.36	1.68	-0.51	1.16	1.02		0.39

Non-U.S. Equity Composite

Non-U.S. Equity Highlights and Recommendations



Managers	Allocations				Notes on Manager Performance	Notes on Manager Ranking/Status
	Minimum	Targets	Maximum	Actual		
<i>International Large Cap Equity</i>						
EARNEST Partners	3.63%	4.63%	5.63%	4.45%	Underperformed by 54 bps	Wilshire Focus List
Fisher Investment	3.63%	4.63%	5.63%	4.60%	Underperformed by 57 bps	
<i>International Small Cap Equity</i>						
Dimensional Fund Advisors	3.00%	5.00%	7.00%	5.23%	Outperformed by 2 bps	Wilshire Focus List
<i>Emerging Markets Equity</i>						
Capital Guardian	3.75%	5.75%	7.75%	5.16%	Outperformed by 94 bps	
Total Non-US Equity	14.00%	20.00%	26.00%	19.44%	Outperformed by 12 bps	

Comments:

- No organizational changes were noted in this composite.
- No changes recommended.

Manager Comments



Earnest Partners

- * Earnest holds a relatively concentrated portfolio of 55 stocks and demonstrated a slight value tilt. The manager's organization is considered very strong and stable with wide spread employee ownership and majority of the partners' annual compensation getting re-invested in the products the firm manages. Firm employs industry and country specialists who had prior working experience in sectors they cover to research companies.
- * The firm offers a unique approach to investing in international securities that utilizes a proprietary quantitative screen as well as a proprietary risk model. The portfolio inclusion requires a potential upside of 30% or more. The risk model is based on the firm's alternative method of analyzing risk that uses a downside deviation statistic opposed to a tracking error statistic. The reliance on a screening model may mean certain periods of underperformance when the quant model fails to capture new risks in the market.
- * The Strategy continues to be on Wilshire's Focus List, a list of our "top picks".

Fisher Investments

- * Fisher Investments is an independent employee-owned investment management firm but the concentrated ownership with Mr. Fisher's family is a concern of Wilshire's. Fisher Investments Institutional Group is a separate and distinct business unit that serves the institutional markets through two research platforms and several products. The firm was founded in 1979 by Ken Fisher, who is widely known for his tenure as a columnist for Forbes Magazine and as the author of a couple of investment books. The client base is approximately 38% institutional, which continues to grow as a percentage of total assets.
- * The Foreign Equity strategy is led by an experienced five-person Investment Policy Committee (IPC). The investment philosophy is primarily top down driven complemented with quantitative screens and fundamental analysis. The process focuses on strategic attributes of companies, and is relatively qualitative but also very methodical. The final portfolio is reasonably diversified with adequate risk control.

Manager Comments



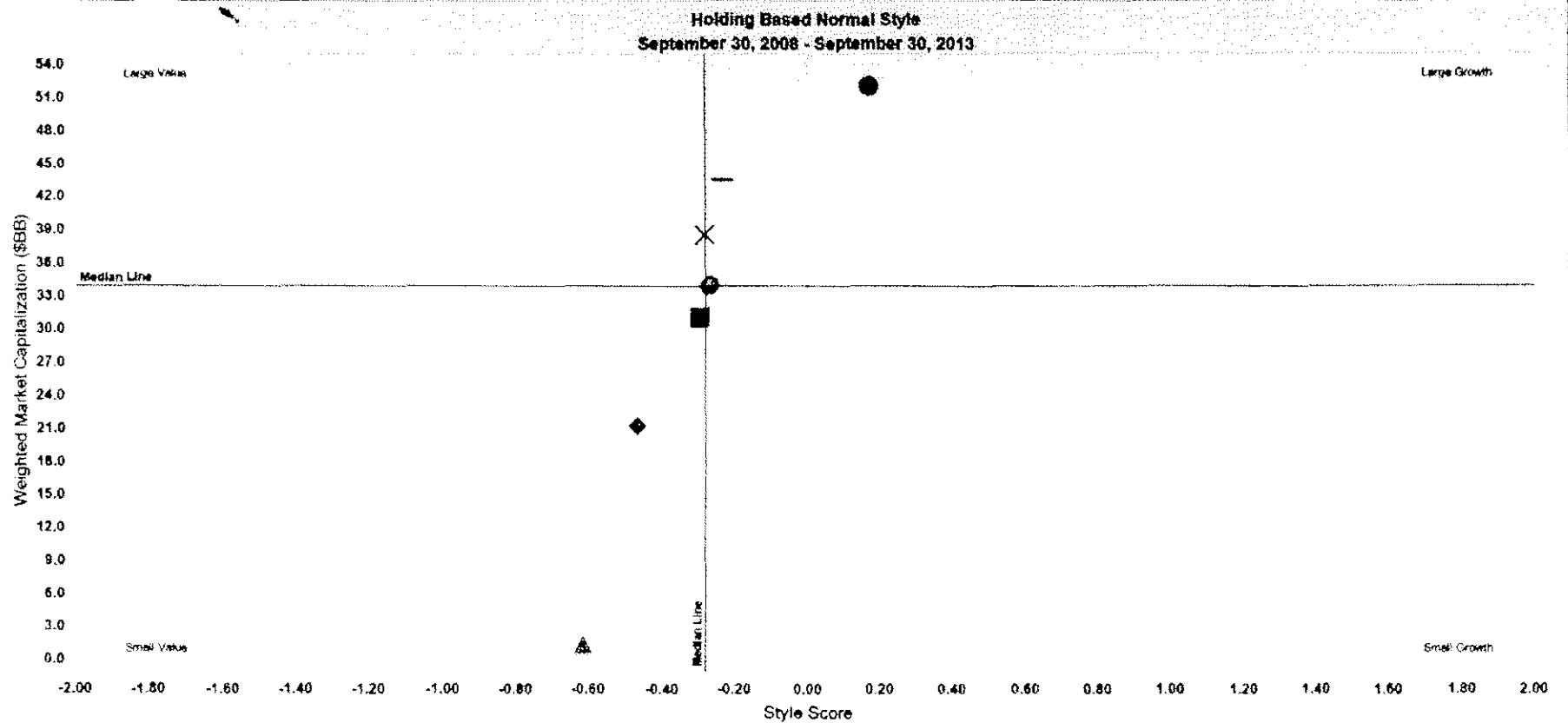
Dimensional Fund Advisors

- * DFA's process is quantitative based "enhanced indexing" with qualitative "negative selection" filters used to screen out companies that are government held or have a tightly held ownership structure, companies in extreme financial distress, and investment companies. While DFA may not have superior security specific information, they do perform significant research on the factors behind the investment thesis.
- * The process renders very diversified portfolios that exhibit a modest value and smaller cap bias. The firm continues to demonstrate an impressive ability to add value through their patient trading process.
- * The strategy continues to be on Wilshire's Focus List, a list of our "top picks".

Capital International

- * The firm's unique culture and ownership structure has enabled it to retain key employees across the entire organization. Employees are paid competitive salaries, and investment professionals also receive variable compensation which is based on long-term investment results, measured over a rolling four-year period.
- * The strategy offers diversified exposure to emerging markets, and may at times exhibit a growth bias. The strategy employs the firm's multiple portfolio manager system, with approximately 75% of the portfolio managed by six portfolio managers and 25% managed by the firm's research analysts. The product is managed by an experienced and stable team and the firm has very deep research resources; however, we continue to monitor the firm's asset levels as Capital Guardian has experienced notable client outflows over the past few years.

International Equity Style Map



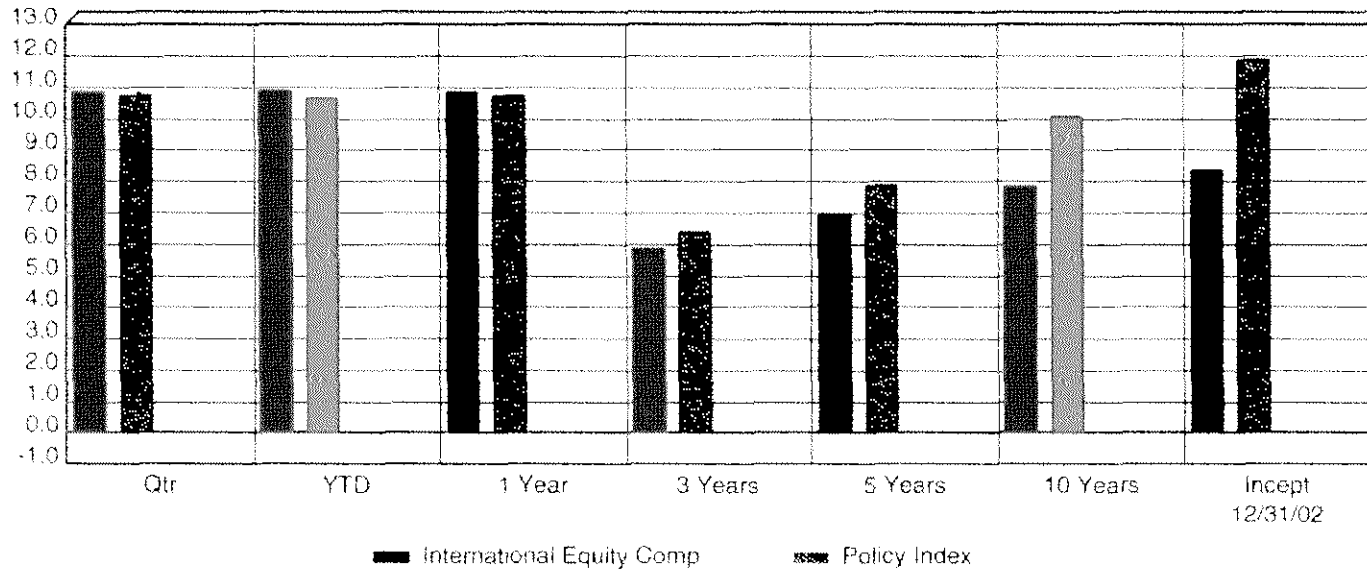
* Quarterly Data

- EARNEST Partners, LLC - International Equity
- ▲ Dimensional Fund Advisors - World ex US Small Cap
- International Equity Composite
- × MSCI - AC World Ex USA IMI Index (\$Net)
- Fisher Investments (FI) - FIIG Foreign Equity
- ◆ Capital International, Inc. - Emerging Markets Growth Fund, Inc.
- MSCI - AC World Ex-USA Index (\$Net)

Int'l Equity Composite



Periods Ended September 30, 2013



Total Returns	Qtr	YTD	1 Year	3 Years	5 Years	10 Years	Incept 12/31/02
International Equity Comp	10.86	10.88	10.86	5.84	6.92	7.81	8.35
Policy Index	10.74	10.65	10.74	6.38	7.87	10.05	11.85

Policy explanation in Appendix.

Int'l Equity Fund Return Table



Quarter Ended 9/30/13

Manager	1 Quarter	2 Quarters	3 Quarters	1 Year	3 Years	5 Years	Since 9/30/03	Inception Date	Inception Return
EARNEST	11.02	8.58	13.17	22.24				3/31/11	4.56
MSCI EAFE Index (N)	11.56	10.47	16.14	23.77				3/31/11	6.05
Value Added	-0.54	-1.89	-2.98	-1.53					-1.49
Fisher Investments	10.99	10.44	16.86	25.16	9.42	7.90		3/31/06	3.37
MSCI EAFE Index (N)	11.56	10.47	16.14	23.77	8.47	6.35		3/31/06	2.86
Value Added	-0.57	-0.04	0.72	1.39	0.95	1.55			0.51
DFA Intl Small Co	14.98	12.44	19.43	27.14	10.38	10.64		3/31/06	4.63
Policy Index	14.96	10.96	18.99	26.14	10.30	10.85		3/31/06	2.99
Value Added	0.02	1.49	0.44	1.00	0.08	-0.21			1.65
MSCI EAFE Small Cap (N)	15.52	12.61	22.09	29.43	11.25	11.42		3/31/06	3.34
Capital International	6.71	-1.73	-2.46	3.44	-2.86	6.04		9/30/06	5.81
MSCI EM Index (N)	5.77	-2.78	-4.35	0.98	-0.33	7.22		9/30/06	5.94
Value Added	0.94	1.05	1.89	2.46	-2.53	-1.18			-0.13
International Equity Comp	10.86	7.03	10.88	18.45	5.84	6.92	7.81	12/31/02	8.35
Policy Index	10.74	6.70	10.65	17.45	6.38	7.87	10.05	12/31/02	11.85
Value Added	0.12	0.34	0.23	1.00	-0.54	-0.95	-2.24		-3.49

U.S. Fixed Income Composite

U.S. Fixed Income Composite Highlights and Recommendations



Managers	Allocations				Notes on Manager Performance	Notes on Manager Ranking/Status
	Minimum	Targets	Maximum	Actual		
<i>Domestic Fixed Income</i>						
Franklin Templeton	8.34%	10.00%	15.00%	8.28%	Outperformed by 4 bps	Manager On Watch
Garcia Hamilton	8.33%	10.00%	15.00%	8.14%	Outperformed by 14 bps	
Income Research Management	8.33%	10.00%	15.00%	7.81%	Underperformed by 26 bps	
Total Fixed Income	25.00%	30.00%	45.00%	24.23%	Underperformed by 2 bps	

Comments:

- Wilshire recommends keeping Franklin on Watch due to its underperformance since inception. Watch period is open ended or until the since inception underperformance is corrected.
- No changes recommended.

Franklin Templeton International (FTI)

- * FTI is a publicly traded firm with a global research platform. The firm has developed a systematic forecasting and portfolio construction process utilizing its broad global research capabilities.
- * The Core Bond platform tend to hold many securities due to the size of the firm's AUM. This may prove to compromise the strategy's nimbleness and compromise performance.
- * The strategy is currently on Watch due to long term underperformance.

Garcia Hamilton

- * Garcia Hamilton, majority owned by a couple of individuals, constructs a concentrated high quality focused sector rotating portfolio that only focuses on government and corporate sectors. Contrary of FTI, the firm's platform is thinly staffed, and risk management is limited to sector and quality focus. This creates a style that tend to have large tracking error vs. the benchmark.
- * The strategy employs a sector rotation method. Portfolios tend to be fairly concentrated with 35 to 45 securities. A majority of the portfolio is invested agency MBS or corporates. The team only looks at spread products in the 2-9 year part of the curve and only if securities are rated A or above. Treasuries are used for long bond exposure but do not make up a large part of the portfolio. The firm takes advantage of its small size to invest in out-of-benchmark sectors including mortgage balloons, Corporate Inflation Protected Securities (CIPS), and callable agencies.

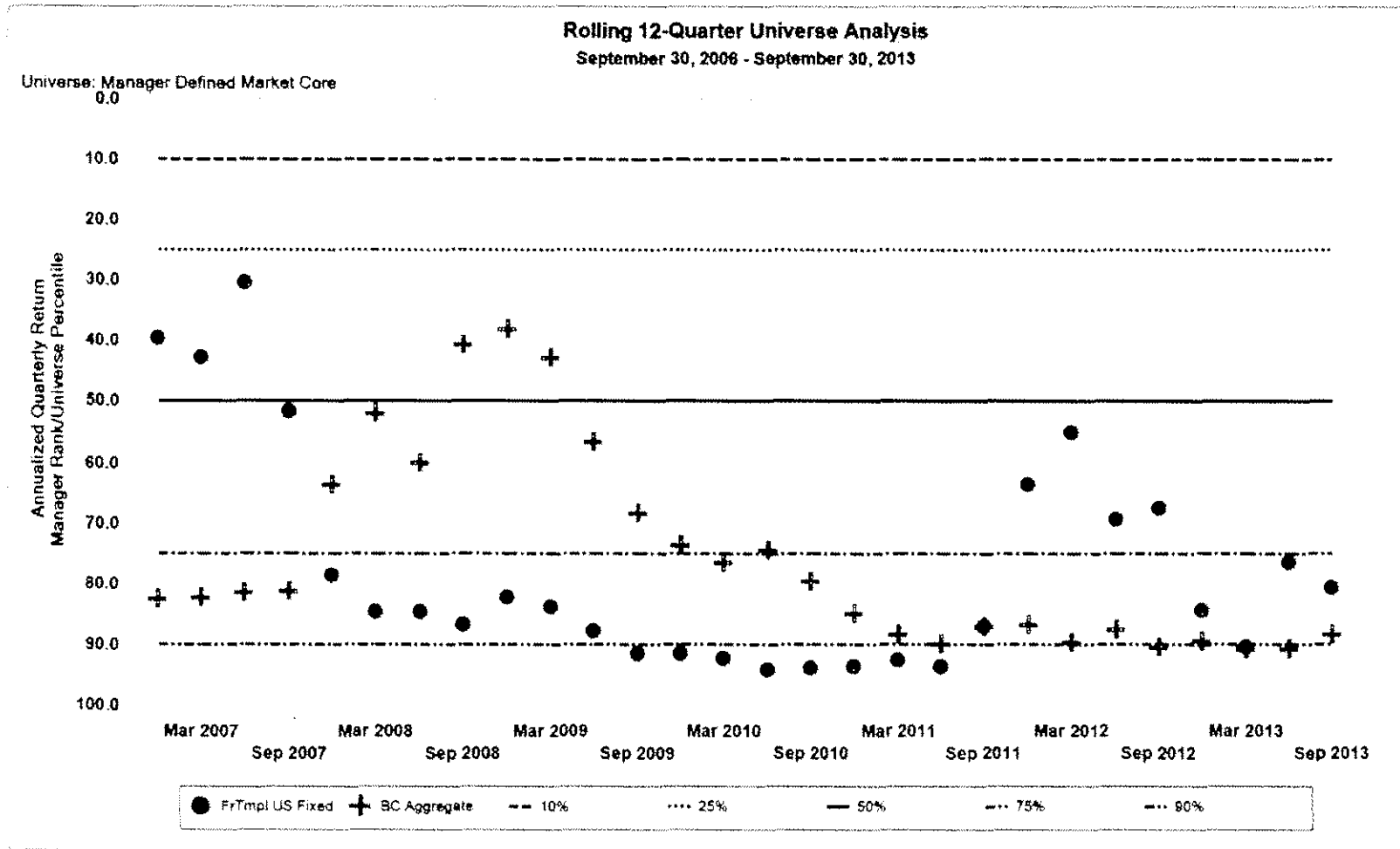
Income Research

- * Income Research & Management (IR&M) is a solid organization with an experienced investment team that has a long track record working together. IR&M boasts an experienced and extremely stable investment team. The firm promotes a collaborative environment but the final decisions are left to the senior most investment professionals.
- * Their relatively smaller AUM (~ \$35 billion) compared to some of the larger institutional fixed income managers allows IR&M to be more nimble in its security selection. The size of the product gives them access to smaller markets that larger firms may not be able to effectively access. Their smaller size and security selection focus would make them a suitable complement to a larger strategy with a more top down approach.

Franklin Templeton US Core Universe Comparison



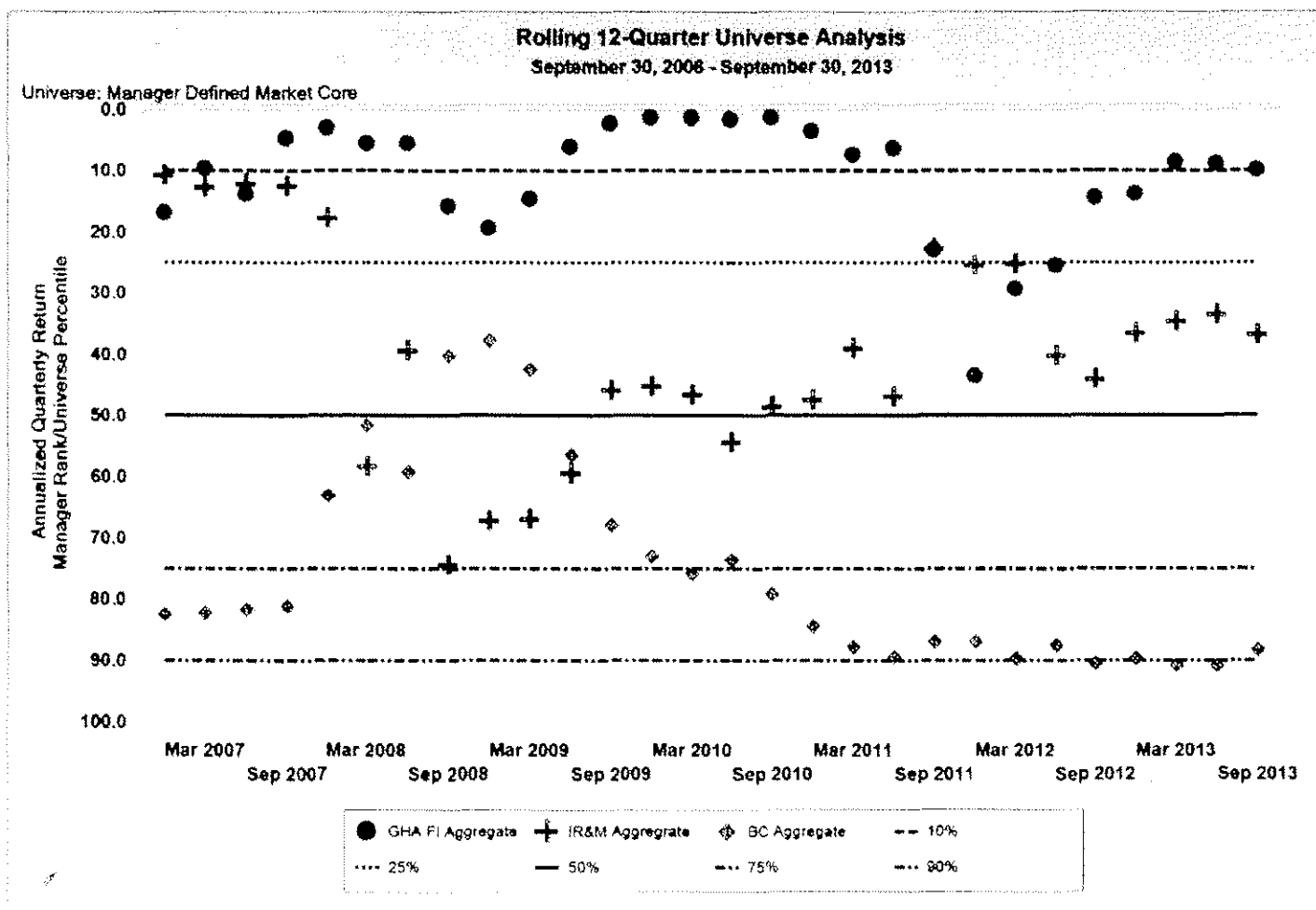
* Franklin has consistently ranked towards the bottom of the core manager universe on a rolling 3 year basis.



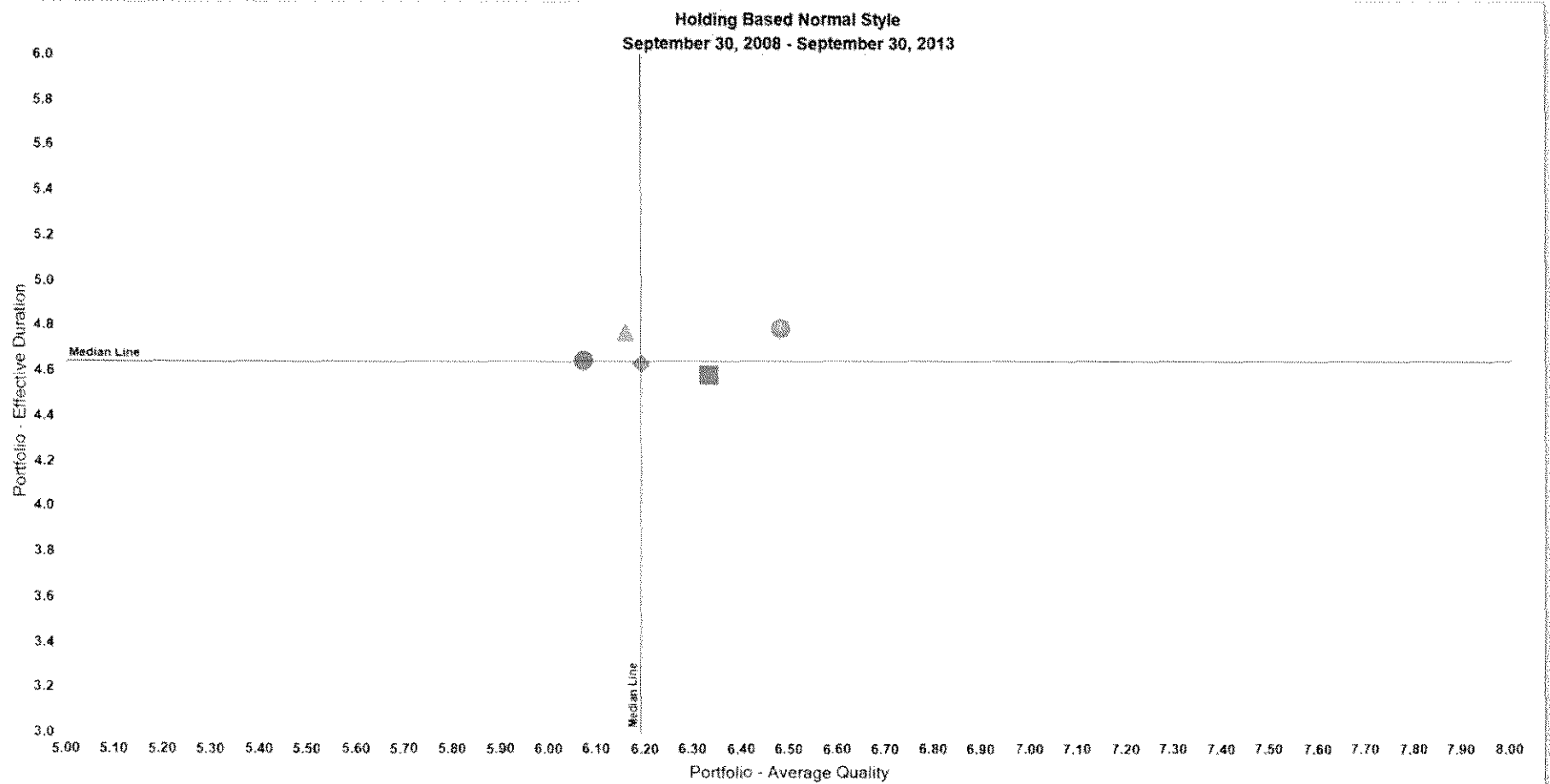
Universe Comparison



- The other two fixed income managers have ranked mostly above median in the US core fixed income universe.



Fixed Income Style Map



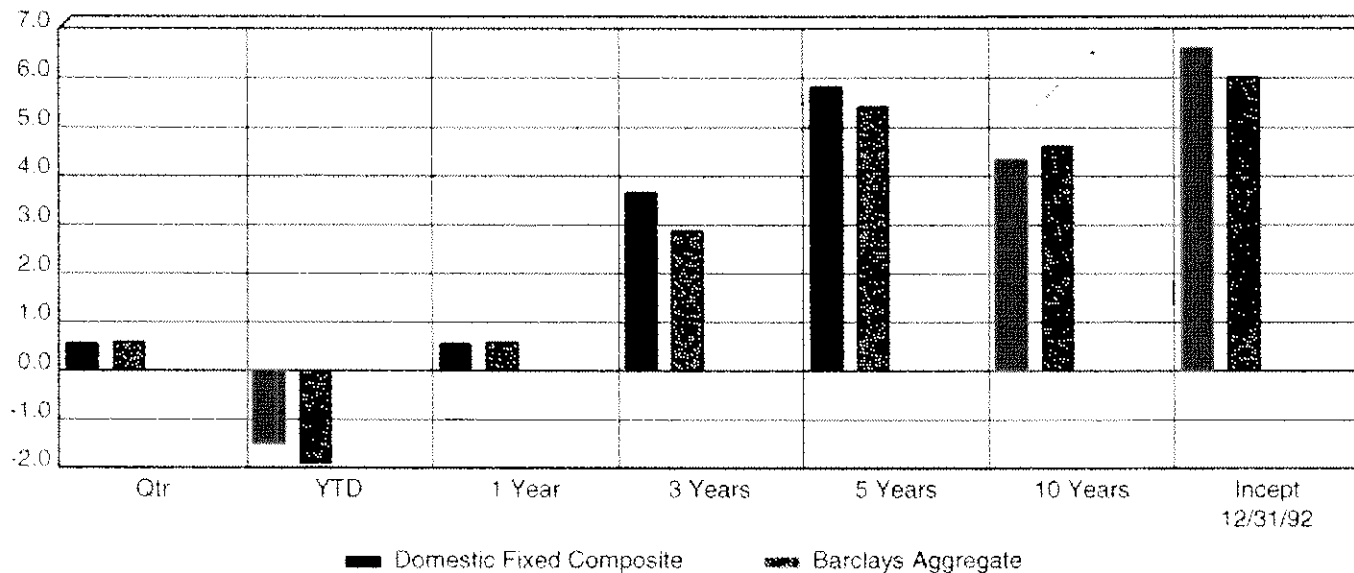
* Quarterly Date

-
-

Fixed Income Composite



Periods Ended September 30, 2013



Total Returns	Qtr	YTD	1 Year	3 Years	5 Years	10 Years	Incept 12/31/92
Domestic Fixed Composite	0.54	-1.52	0.54	3.64	5.82	4.31	6.60
Barclays Aggregate	0.57	-1.89	0.57	2.86	5.41	4.59	6.01

Fixed Income Fund Return Table



Quarter Ended 9/30/13

Manager	1 Quarter	2 Quarters	3 Quarters	1 Year	3 Years	5 Years	Since 3/31/11	Inception Date	Inception Return
Franklin Templeton	0.61	-1.87	-1.79	-1.58	2.82	5.70	3.67	12/31/92	5.52
Barclays Aggregate	0.57	-1.77	-1.89	-1.68	2.86	5.41	3.81	12/31/92	6.01
Value Added	0.04	-0.10	0.10	0.10	-0.04	0.29	-0.14		-0.49
Garcia Hamilton and Associates	0.71	-1.69	-1.03	0.07	4.68	8.04	5.43	9/30/08	8.04
Barclays Aggregate	0.57	-1.77	-1.89	-1.68	2.86	5.41	3.81	9/30/08	5.41
Value Added	0.14	0.08	0.86	1.75	1.82	2.63	1.62		2.63
Income Research Management	0.30	-2.17	-1.75	-0.89	3.42	3.37	4.21	9/30/08	3.37
Barclays Aggregate	0.57	-1.77	-1.89	-1.68	2.86	5.41	3.81	9/30/08	5.41
Value Added	-0.26	-0.40	0.14	0.79	0.56	-2.04	0.39		-2.04
Domestic Fixed Composite	0.54	-1.91	-1.52	-0.80	3.64	5.82	4.44	12/31/92	6.60
Barclays Aggregate	0.57	-1.77	-1.89	-1.68	2.86	5.41	3.81	12/31/92	6.01
Value Added	-0.02	-0.14	0.37	0.88	0.78	0.41	0.62		0.59

REITs Composite

Real Estate Composite

Highlights and Recommendations



Managers	Allocations				Notes on Manager Performance	Notes on Manager Ranking/Status
	Minimum	Targets	Maximum	Actual		
<i>Real Estate</i>						
Comerstone	0.00%	4.00%	4.80%	3.76%	Outperformed by 120 bps	
Security Capital	0.00%	6.00%	7.20%	5.60%	Underperformed by 58 bps	Wilshire Focus List
Total Real Estate Securities	0.00%	10.00%	12.00%	9.36%	Outperformed by 13 bps	

Comments:

- Security Capital performance will be closely monitored, but no immediate change is recommended at this time.

Cornerstone

- * A subsidiary of Babson Capital Management, Cornerstone has been increasing its presence in the real estate securities management business, a shift from its traditional private real estate investment expertise. Wilshire views this shift positively as the professionals can leverage their experience from the private real estate management businesses.
- * The team utilizes multiple proprietary tools to assess the capital and property markets along with a focus on the management quality. The ultimate portfolio is moderately concentrated with a tilt towards companies having favorable earnings growth at a reasonable price.

Security Capital

- * The JPMorgan U.S. Real Estate Income Fund, for which Security Capital sub-advises, is a concentrated, valuation-focused REIT strategy that, at times, tends toward contrarian positioning.
- * The cash flow-centric process is adhered to with strict discipline and will experience periods of sustained underperformance should the market not abide by fundamentals. Driving the research process is a fairly large and experienced team of seven analysts, three market strategists, and CIO Anthony Manno. Stock selections are included in a portfolio of 20-25 names that are fed through a portfolio optimizer in an attempt to maximize the portfolio's expected Sharpe Ratio. While the use of a portfolio optimizer is differentiated among REIT managers, it is unclear whether the optimizer adds value. The portfolio is constructed bottom-up and, as a result, will often exhibit notable sector over/underweights.
- * The Strategy continues to be on Wilshire's Focus List, a list of our "top picks".

Real Estate Composite



Periods Ended September 30, 2013



Total Returns	Qtr	YTD	1 Year	3 Years	5 Years	10 Years	Incept 12/31/08
Real Estate Comp	-2.67	2.34	-2.67	11.31			17.46
Wilshire Real Est. Secs	-2.80	2.93	-2.80	12.43			17.96

Real Estate Fund Return Table



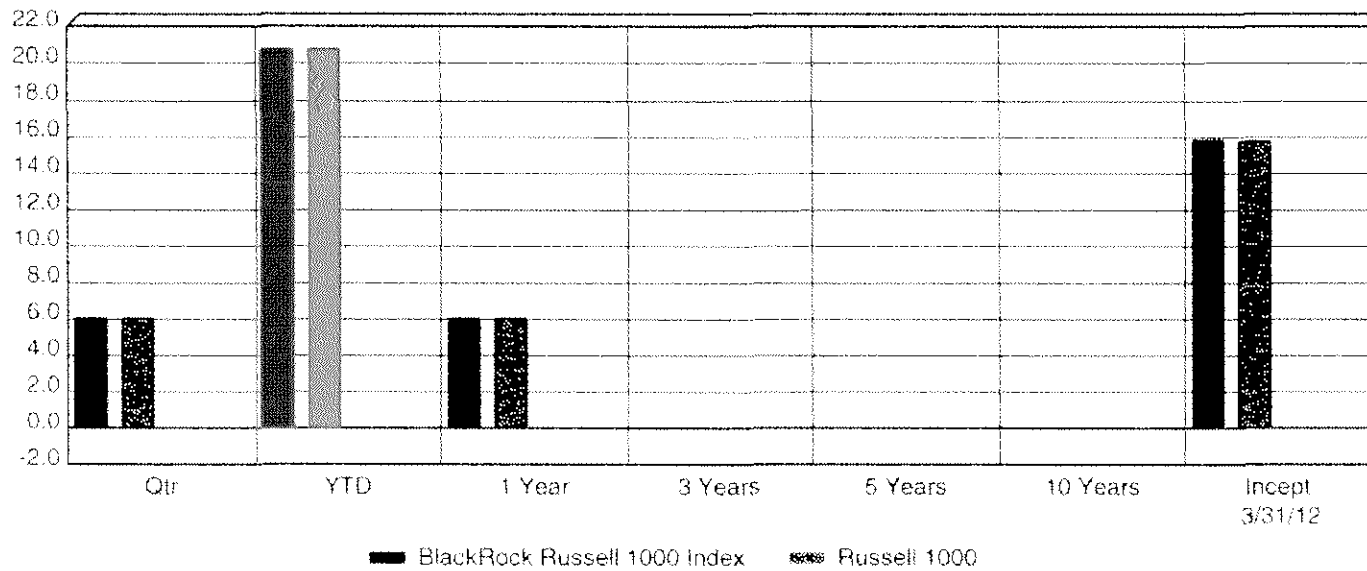
Quarter Ended 9/30/13

Manager	1 Quarter	2 Quarters	3 Quarters	1 Year	3 Years	5 Years	Since 9/30/03	Inception Date	Inception Return
Cornerstone	-1.60	-4.22	2.64	5.39	12.15			12/31/08	18.34
Wilshire Real Est. Secs	-2.80	-4.17	2.93	5.47	12.43			12/31/08	17.96
Value Added	1.20	-0.05	-0.29	-0.07	-0.27				0.38
Security Capital	-3.38	-4.12	2.15	4.06	10.75			12/31/08	16.95
Wilshire Real Est. Secs	-2.80	-4.17	2.93	5.47	12.43			12/31/08	17.96
Value Added	-0.58	0.05	-0.78	-1.40	-1.67				-1.01
Real Estate Comp	-2.67	-4.16	2.34	4.59	11.31			12/31/08	17.46
Wilshire Real Est. Secs	-2.80	-4.17	2.93	5.47	12.43			12/31/08	17.96
Value Added	0.13	0.01	-0.58	-0.87	-1.11				-0.50

Manager Detail

Domestic Equity Managers

Periods Ended September 30, 2013

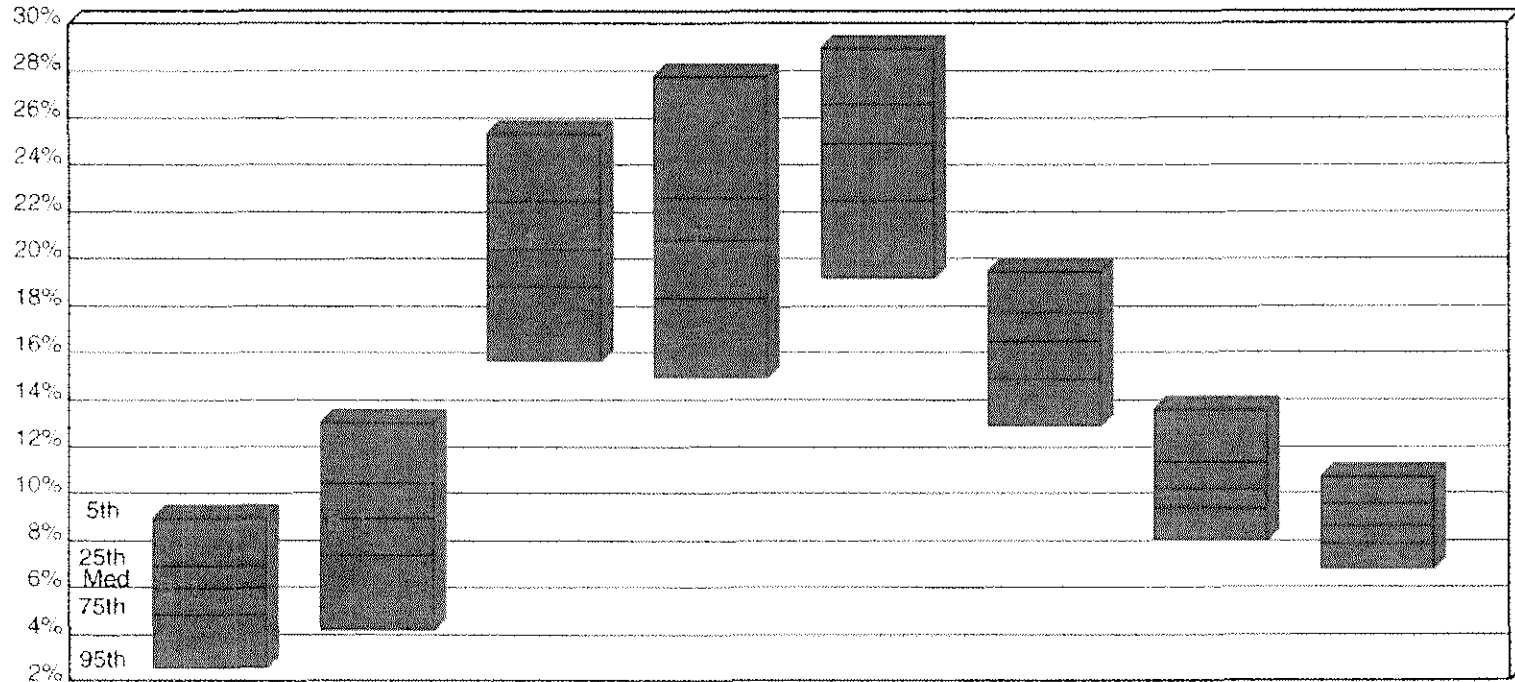


Total Returns	Qtr	YTD	1 Year	3 Years	5 Years	10 Years	Incept 3/31/12
BlackRock Russell 1000 Index	6.02	20.78	6.02				15.79
Russell 1000	6.02	20.76	6.02				15.74

Active Large Cap Core Equity Universe



Periods Ended September 30, 2013



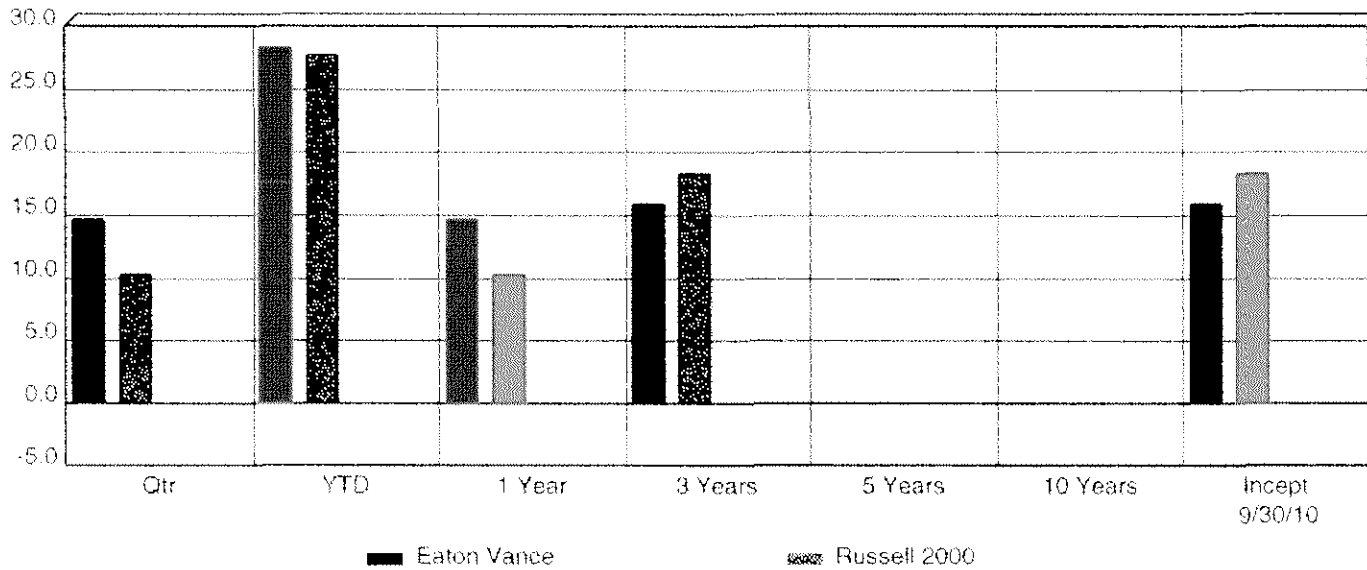
	1 Quarter	2 Quarters	3 Quarters	1 Year	2 Years	3 Years	5 Years	10 Years
B BlackRock Russell 1000 Index	6.02 (48)	8.85 (52)	20.78 (43)	20.92 (49)				
1 Russell 1000	6.02 (48)	8.83 (53)	20.76 (43)	20.90 (49)				
5th %tile	8.91	13.01	25.28	27.74	28.91	19.44	13.51	10.68
25th %tile	6.91	10.42	22.38	22.60	26.54	17.73	11.30	9.54
Median	5.97	8.93	20.37	20.81	24.89	16.47	10.16	8.62
75th %tile	4.81	7.34	18.80	18.33	22.45	14.90	9.35	7.81
95th %tile	2.57	4.20	15.66	15.00	19.19	12.93	7.96	6.77
Number of Funds	207	207	207	207	204	199	188	145

*Compass Total Returns of Active Large Core Equity Portfolios Universe - Gross of Fees

Eaton Vance Management



Periods Ended September 30, 2013

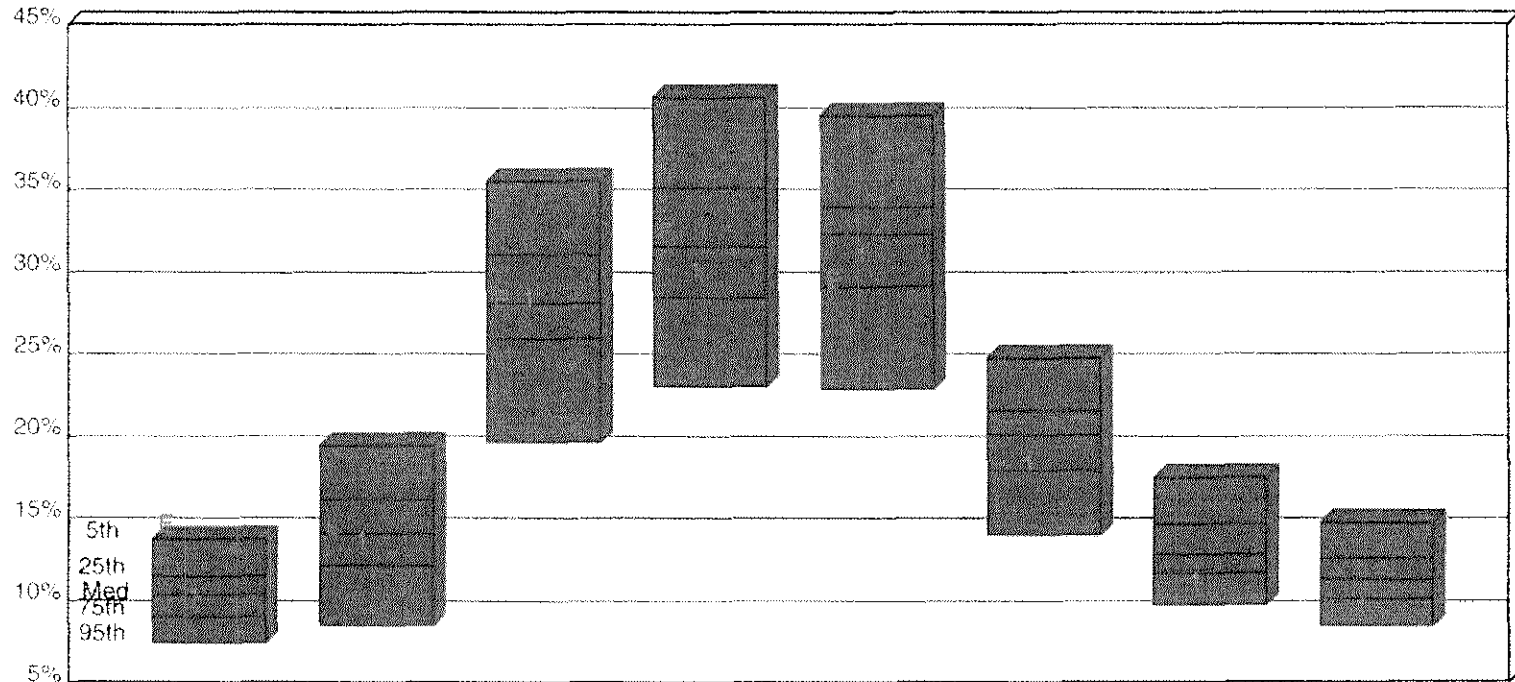


Total Returns	Qtr	YTD	1 Year	3 Years	5 Years	10 Years	Incept 9/30/10
Eaton Vance	14.62	28.32	14.62	15.91			15.91
Russell 2000	10.21	27.69	10.21	18.28			16.28

Active Small Cap Core Equity Universe



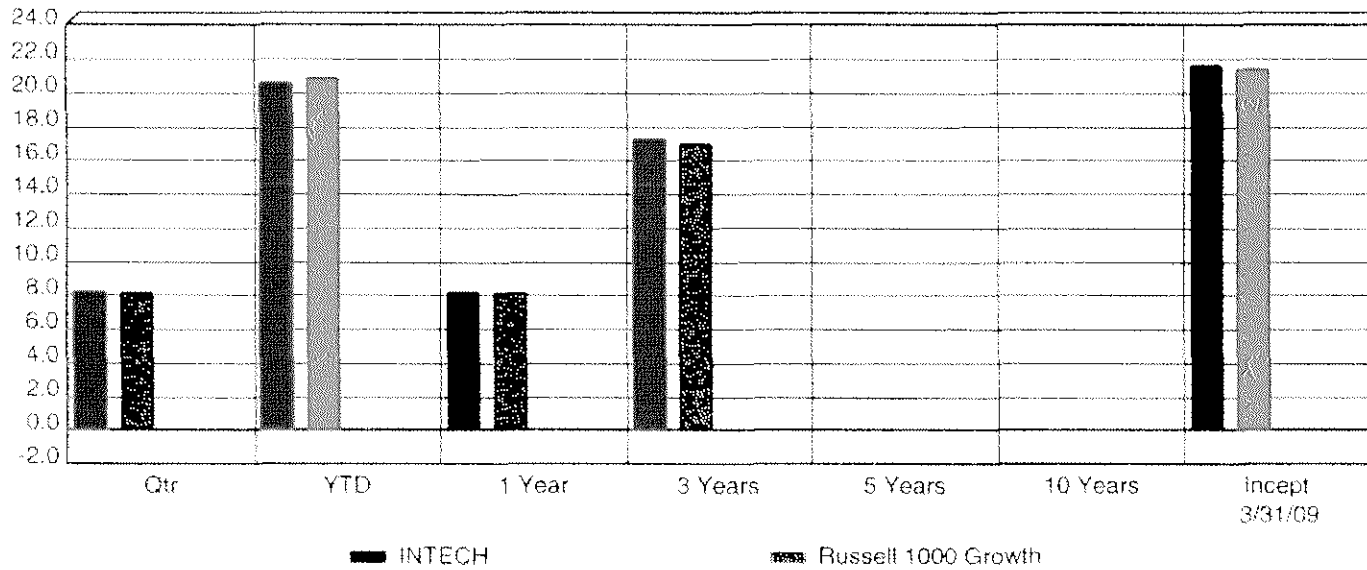
Periods Ended September 30, 2013



	1 Quarter	2 Quarters	3 Quarters	1 Year	2 Years	3 Years	5 Years	10 Years
■ Eaton Vance	14.62 (3)	14.47 (46)	28.32 (49)	32.43 (44)	29.50 (73)	15.91 (91)	11.15 (83)	9.64 (85)
□ Russell 2000	10.21 (52)	13.61 (58)	27.69 (54)	30.05 (66)	30.98 (62)	18.28 (69)		
5th %tile	13.68	19.37	35.49	40.56	39.46	24.72	17.49	14.70
25th %tile	11.50	16.16	31.06	35.12	33.91	21.58	14.63	12.59
Median	10.34	14.10	28.07	31.56	32.26	20.03	12.81	11.34
75th %tile	9.00	12.14	25.93	28.41	29.12	17.93	11.69	10.11
95th %tile	7.50	8.53	19.59	23.05	22.85	13.99	9.78	8.50
Number of Funds	143	143	142	142	140	135	125	90

¹Compass Total Returns of Active Small Cap Core Equity Portfolios Universe - Gross of Fees

Periods Ended September 30, 2013

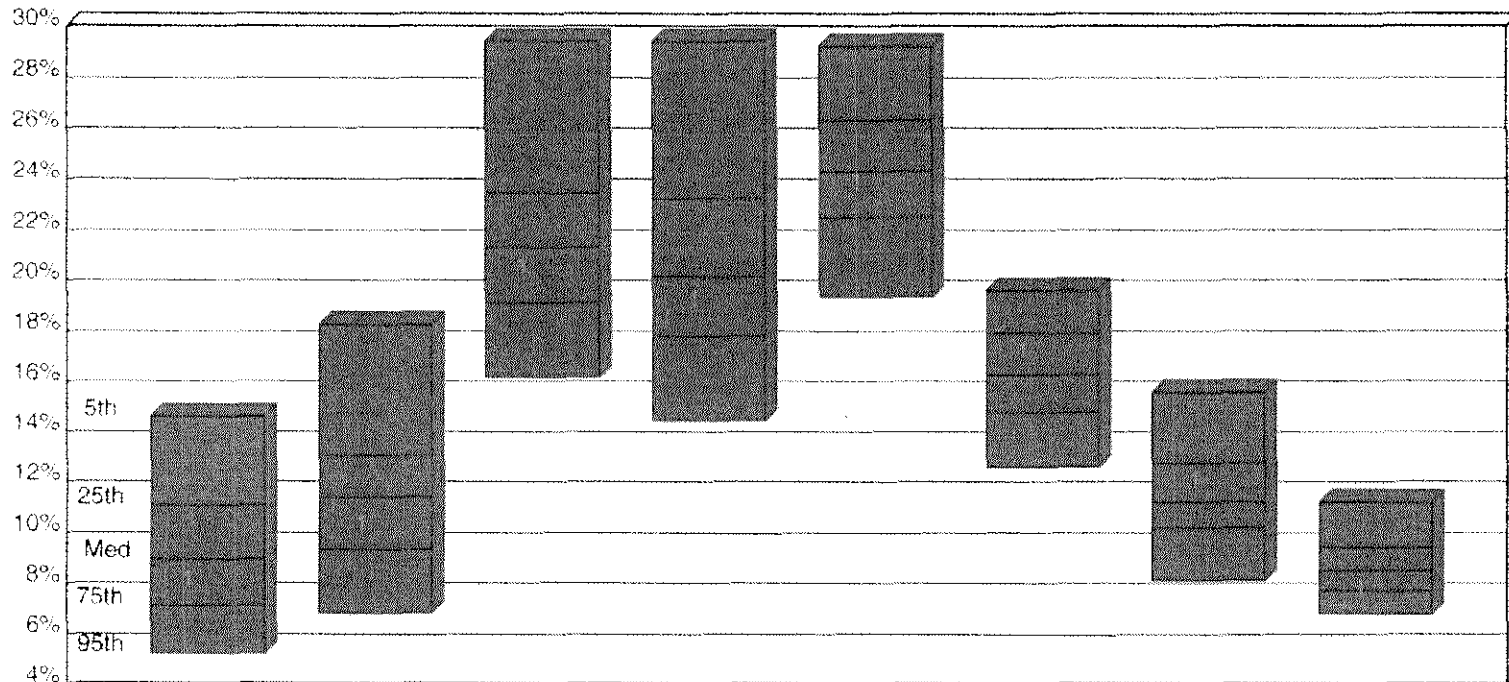


Total Returns	Qtr	YTD	1 Year	3 Years	5 Years	10 Years	Incept 3/31/09
INTECH	8.17	20.57	8.17	17.23			21.60
Russell 1000 Growth	8.12	20.88	8.12	16.94			21.34

Active Large Cap Growth Equity Universe



Periods Ended September 30, 2013



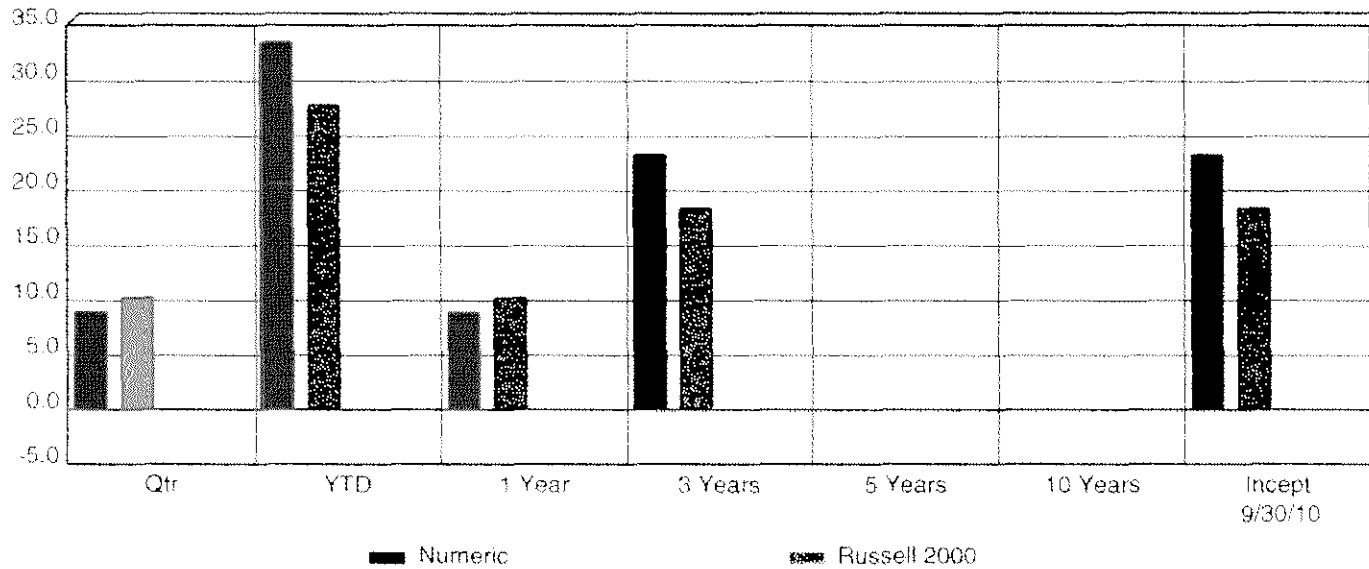
	1 Quarter	2 Quarters	3 Quarters	1 Year	2 Years	3 Years	5 Years	10 Years
I INTECH	8.17 (61)	11.11 (52)	20.57 (57)	18.49 (68)	23.90 (57)	17.23 (36)		
1. Russell 1000 Growth	8.12 (63)	10.35 (63)	20.88 (54)	19.27 (63)	24.14 (52)	16.94 (41)	12.07 (35)	7.83 (72)
5th %tile	14.55	18.21	29.37	29.38	29.18	19.55	15.54	11.17
25th %tile	11.05	13.04	23.44	23.21	26.32	17.89	12.73	9.39
Median	8.94	11.37	21.32	20.14	24.28	16.25	11.20	8.48
75th %tile	7.09	9.31	19.10	17.78	22.44	14.74	10.16	7.74
95th %tile	5.23	6.81	16.16	14.40	19.31	12.58	8.09	6.82
Number of Funds	247	247	246	244	244	239	225	173

*Compass Total Returns of Active Large Growth Equity Portfolios Universe - Gross of Fees

Numeric Investors



Periods Ended September 30, 2013

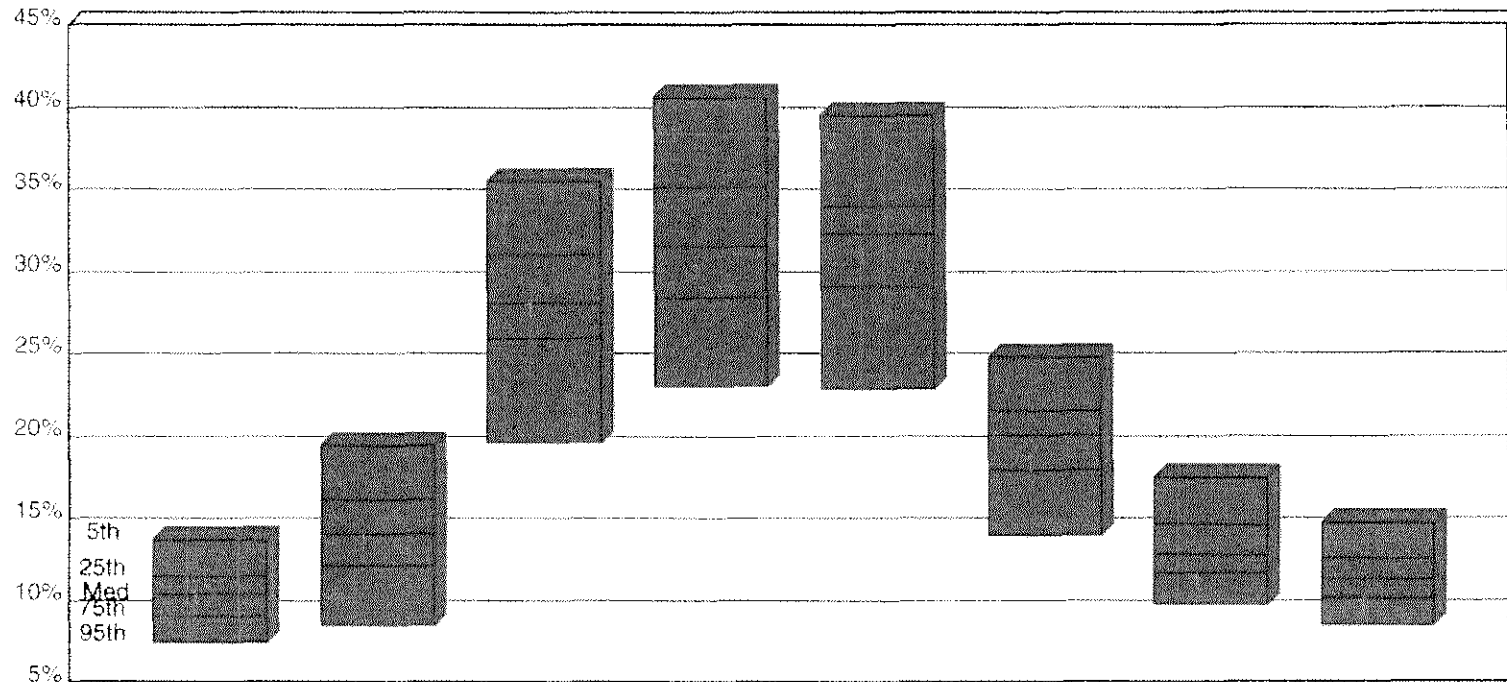


Total Returns	Qtr	YTD	1 Year	3 Years	5 Years	10 Years	Incept 9/30/10
Numeric	8.88	33.54	8.88	23.15			23.15
Russell 2000	10.21	27.69	10.21	18.28			18.28

Active Small Cap Core Equity Universe



Periods Ended September 30, 2013

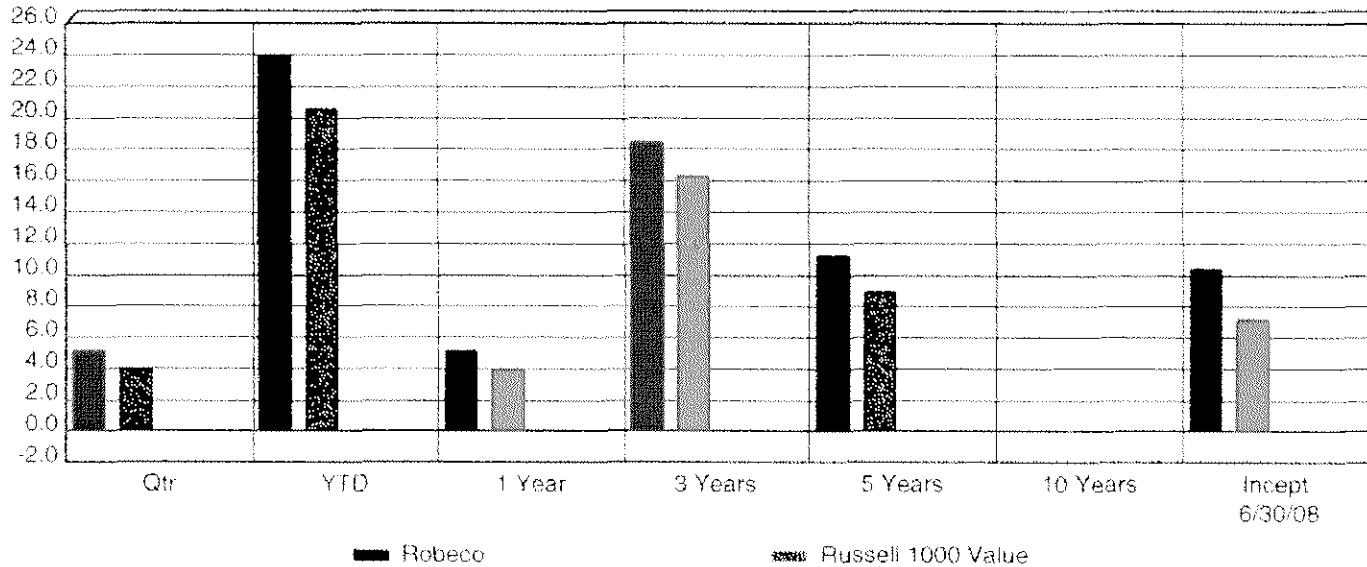


	1 Quarter	2 Quarters	3 Quarters	1 Year	2 Years	3 Years	5 Years	10 Years
N Numeric	8.88 (79)	17.49 (11)	33.54 (11)	38.44 (11)	37.46 (9)	23.15 (10)	11.15 (83)	9.64 (85)
1. Russell 2000	10.21 (52)	13.61 (58)	27.69 (54)	30.05 (66)	30.98 (62)	18.28 (69)		
5th %tile	13.68	19.37	35.49	40.56	39.46	24.72	17.49	14.70
25th %tile	11.50	16.16	31.06	35.12	33.91	21.58	14.63	12.59
Median	10.34	14.10	28.07	31.56	32.26	20.03	12.81	11.34
75th %tile	9.00	12.14	25.93	28.41	29.12	17.93	11.69	10.11
95th %tile	7.50	8.53	19.59	23.05	22.85	13.99	9.78	8.50
Number of Funds	143	143	142	142	140	135	125	90

Robeco Investment Management



Periods Ended September 30, 2013

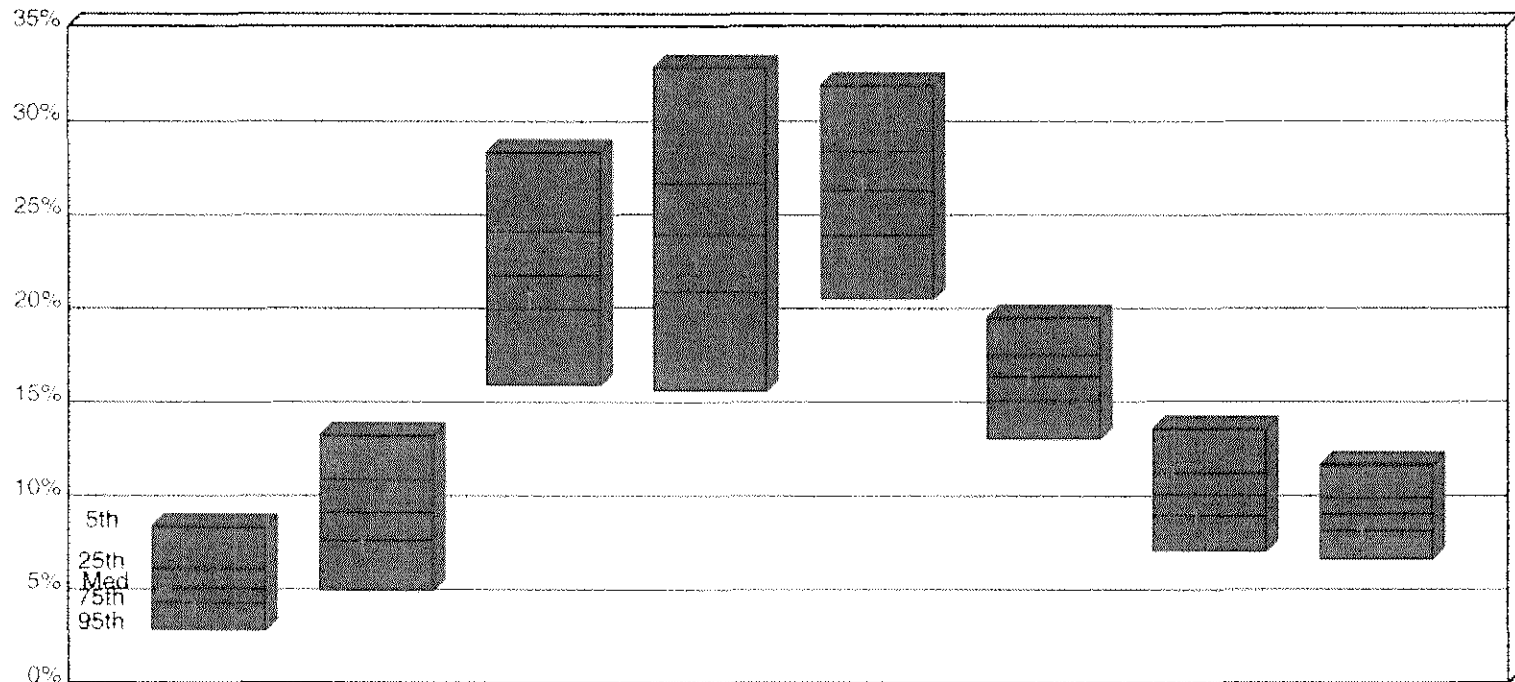


Total Returns	Qtr	YTD	1 Year	3 Years	5 Years	10 Years	Incept 6/30/08
Robeco	5.06	23.93	5.06	18.42	11.20		10.33
Russell 1000 Value	3.95	20.49	3.95	16.25	8.87		7.13

Active Large Cap Value Equity Universe



Periods Ended September 30, 2013

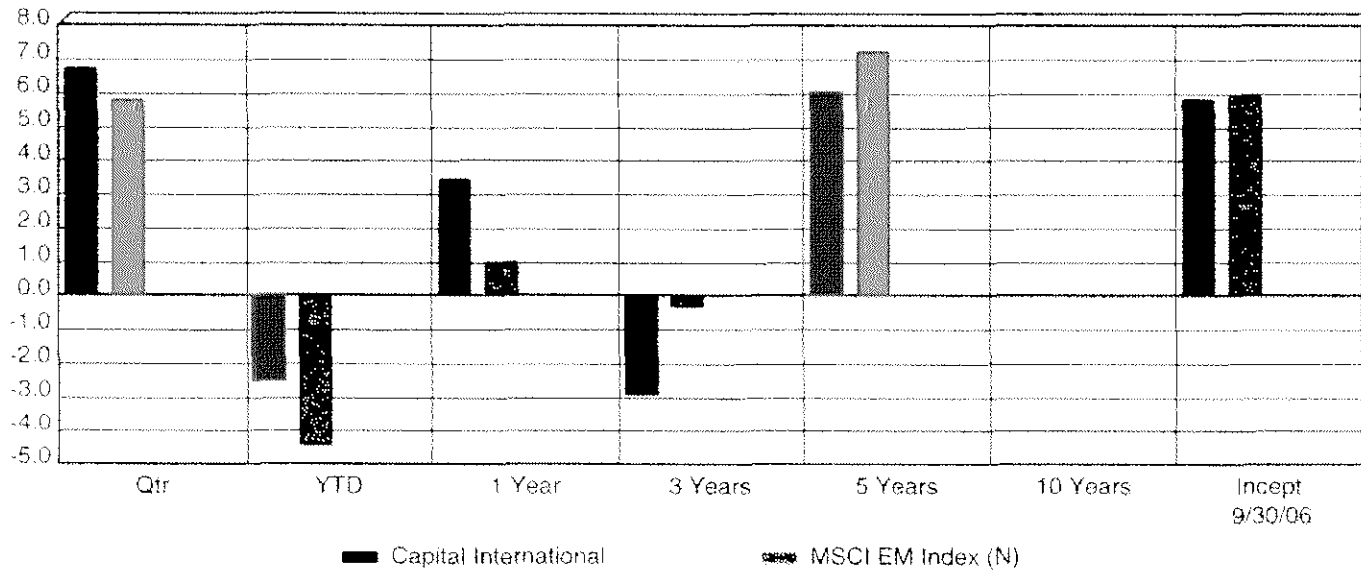


	1 Quarter	2 Quarters	3 Quarters	1 Year	2 Years	3 Years	5 Years	10 Years
8 Robeco	5.06 (50)	11.37 (16)	23.93 (25)	25.57 (32)	29.67 (15)	18.42 (13)	11.20 (26)	
1 Russell 1000 Value	3.95 (84)	7.28 (79)	20.49 (66)	22.33 (62)	26.54 (46)	16.25 (51)	8.87 (76)	7.98 (77)
5th %tile	8.29	13.21	28.28	32.74	31.87	19.45	13.55	11.62
25th %tile	6.09	10.82	24.06	26.58	28.35	17.53	11.26	9.86
Median	5.08	9.12	21.75	23.87	26.27	16.33	10.10	9.02
75th %tile	4.28	7.64	19.92	20.84	23.87	15.08	8.97	8.11
95th %tile	2.88	4.96	15.88	15.61	20.52	13.03	7.11	6.64
Number of Funds	270	270	270	270	264	262	244	194

*Compass Total Returns of Active Large Value Equity Portfolios Universe - Gross of Fees

International Equity Managers

Periods Ended September 30, 2013

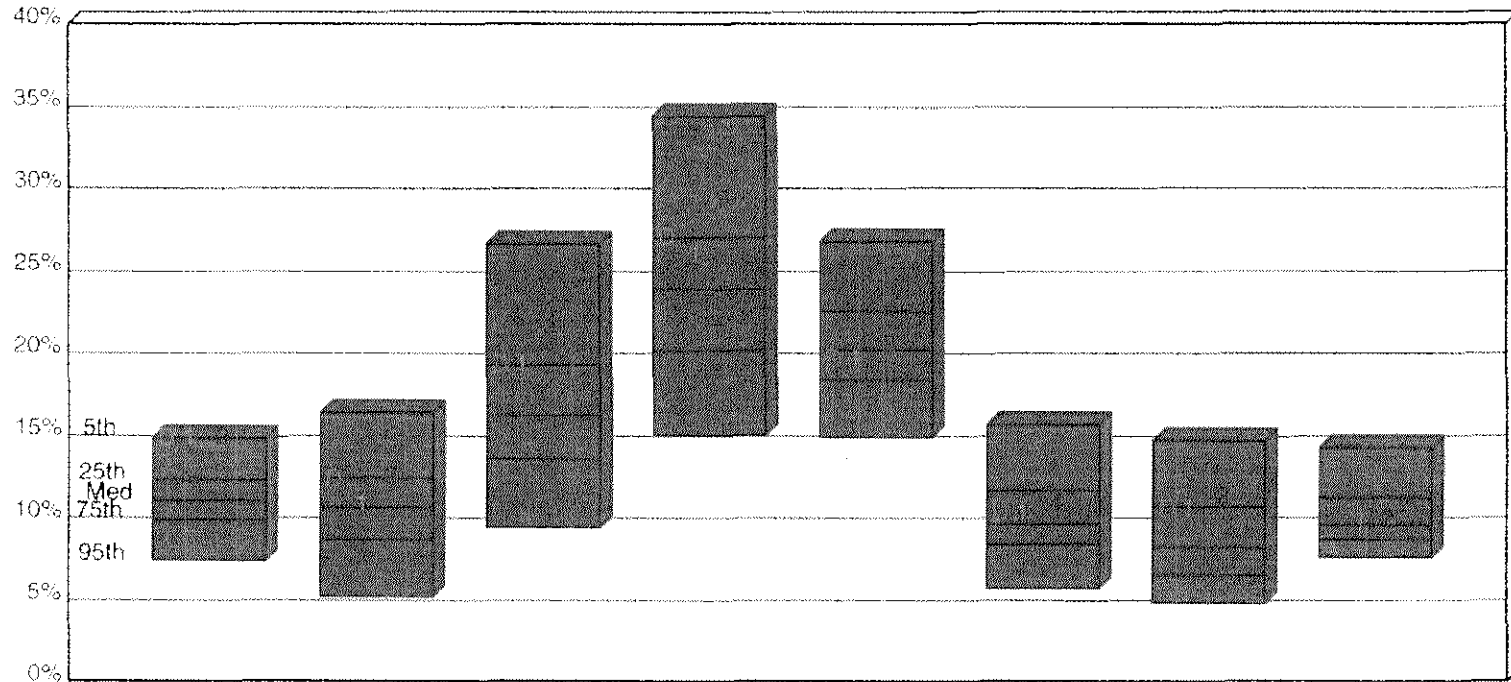


Total Returns	Qtr	YTD	1 Year	3 Years	5 Years	10 Years	Incept 9/30/06
Capital International	6.71	-2.46	3.44	-2.86	6.04	-	5.81
MSCI EM Index (N)	5.77	-4.35	0.98	-0.33	7.22	-	5.94

Active EAFE International Equity Universe



Periods Ended September 30, 2013



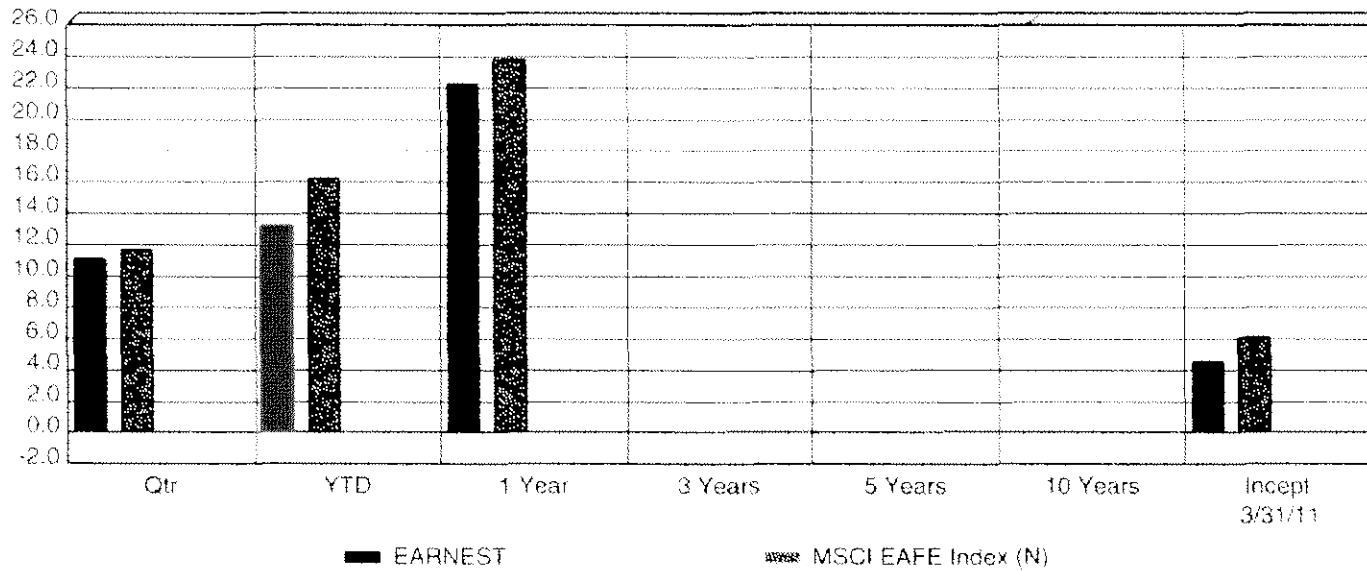
	1 Quarter	2 Quarters	3 Quarters	1 Year	2 Years	3 Years	5 Years	10 Years
D DFA Intl Small Co	14.98 (4)	12.44 (24)	19.43 (23)	27.14 (23)	19.77 (54)	10.38 (37)	10.64 (25)	
1 Policy Index	14.96 (4)	10.96 (42)	18.99 (26)	26.14 (29)	19.16 (63)	10.30 (39)	10.85 (23)	10.01 (42)
2 MSCI EAFE Small Cap (N)	15.52 (3)	12.61 (23)	22.09 (12)	29.43 (14)	20.70 (45)	11.25 (29)	11.42 (16)	10.29 (38)
5th %tile	14.84	16.43	26.60	34.42	26.74	15.65	14.72	14.28
25th %tile	12.31	12.38	19.28	27.01	22.52	11.65	10.67	11.20
Median	11.10	10.62	16.22	23.90	20.28	9.64	8.27	9.58
75th %tile	9.91	8.72	13.56	20.20	18.42	8.37	6.52	8.68
95th %tile	7.41	5.21	9.42	15.04	14.92	5.74	4.81	7.62
Number of Funds	336	335	335	335	325	323	301	212

*Compass Total Returns of Active EAFE International Equity Portfolios Universe - Gross of Fees

EARNEST



Periods Ended September 30, 2013

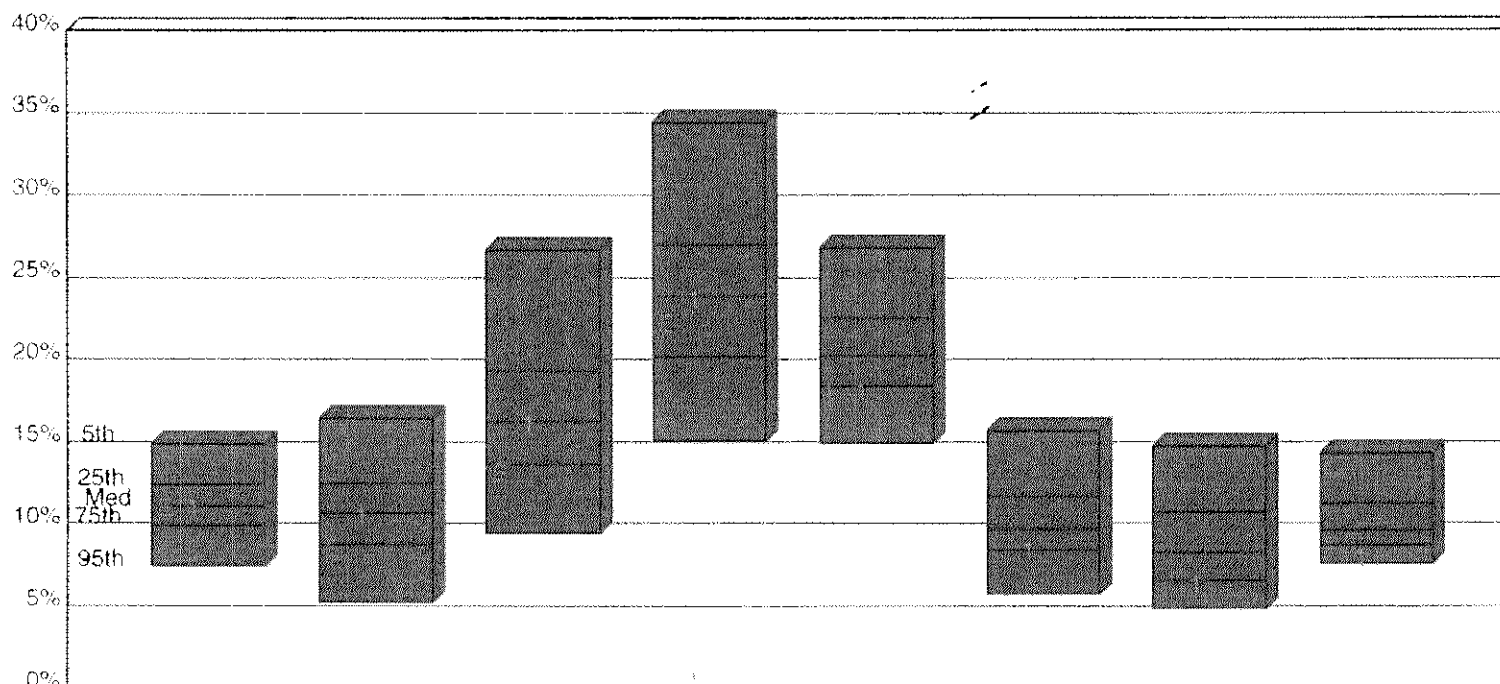


Total Returns	Qtr	YTD	1 Year	3 Years	5 Years	10 Years	Incept 3/31/11
EARNEST	11.02	13.17	22.24				4.56
MSCI EAFE Index (N)	11.56	16.14	23.77				6.05

Active EAFE International Equity Universe



Periods Ended September 30, 2013



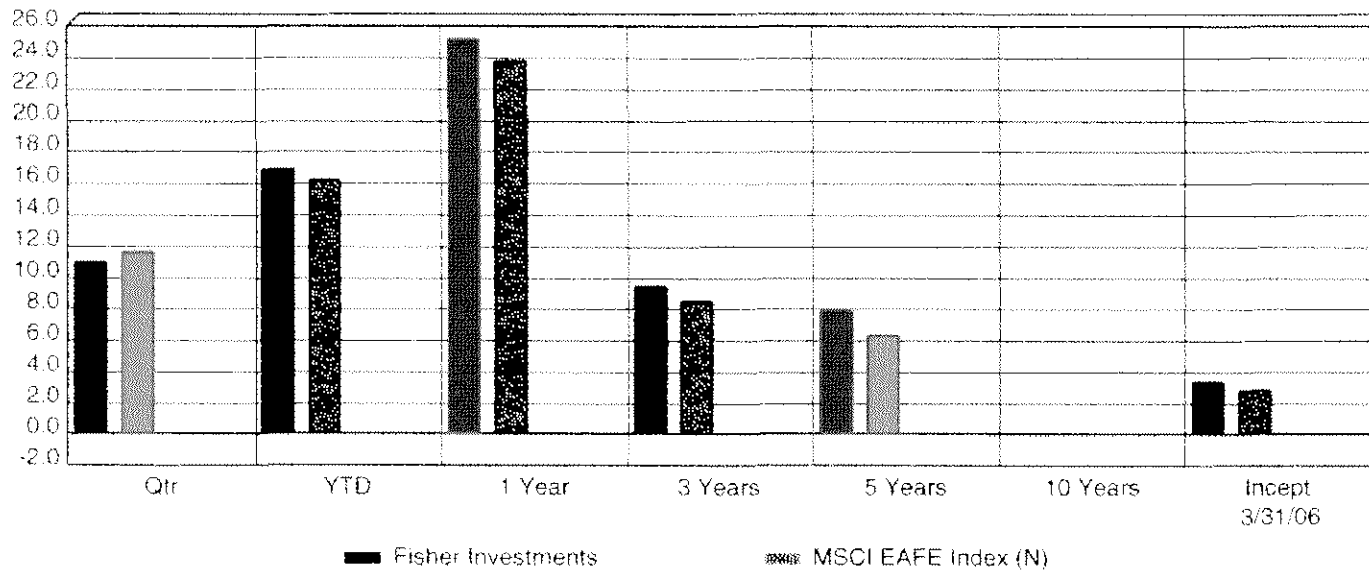
	1 Quarter	2 Quarters	3 Quarters	1 Year	2 Years	3 Years	5 Years	10 Years
⊠ EARNEST	11.02 (52)	8.58 (76)	13.17 (78)	22.24 (61)	18.12 (76)			
⊠ MSCI EAFE Index (N)	11.56 (39)	10.47 (53)	16.14 (51)	23.77 (51)	18.66 (70)	8.47 (72)	6.35 (78)	8.01 (86)
5th %tile	14.84	16.43	26.60	34.42	26.74	15.65	14.72	14.28
25th %tile	12.31	12.38	19.28	27.01	22.52	11.65	10.67	11.20
Median	11.10	10.62	16.22	23.90	20.28	9.64	8.27	9.58
75th %tile	9.91	8.72	13.56	20.20	18.42	8.37	6.52	8.68
95th %tile	7.41	5.21	9.42	15.04	14.92	5.74	4.81	7.62
Number of Funds	336	335	335	335	325	323	301	212

*Compass Total Returns of Active EAFE International Equity Portfolios Universe - Gross of Fees

Fisher Investments



Periods Ended September 30, 2013

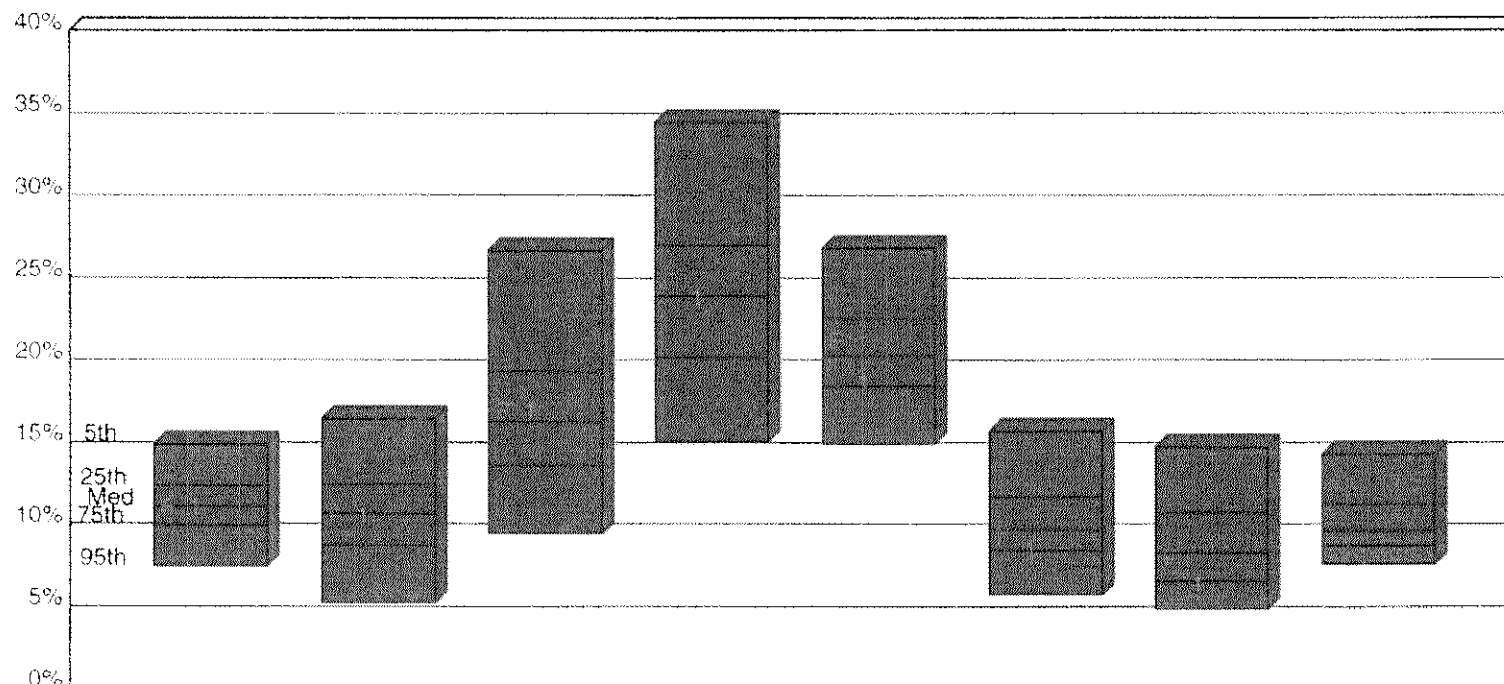


Total Returns	Qtr	YTD	1 Year	3 Years	5 Years	10 Years	Incept 3/31/06
Fisher Investments	10.99	16.86	25.16	9.42	7.90		3.37
MSCI EAFE Index (N)	11.56	16.14	23.77	8.47	6.35		2.86

Active EAFE International Equity Universe



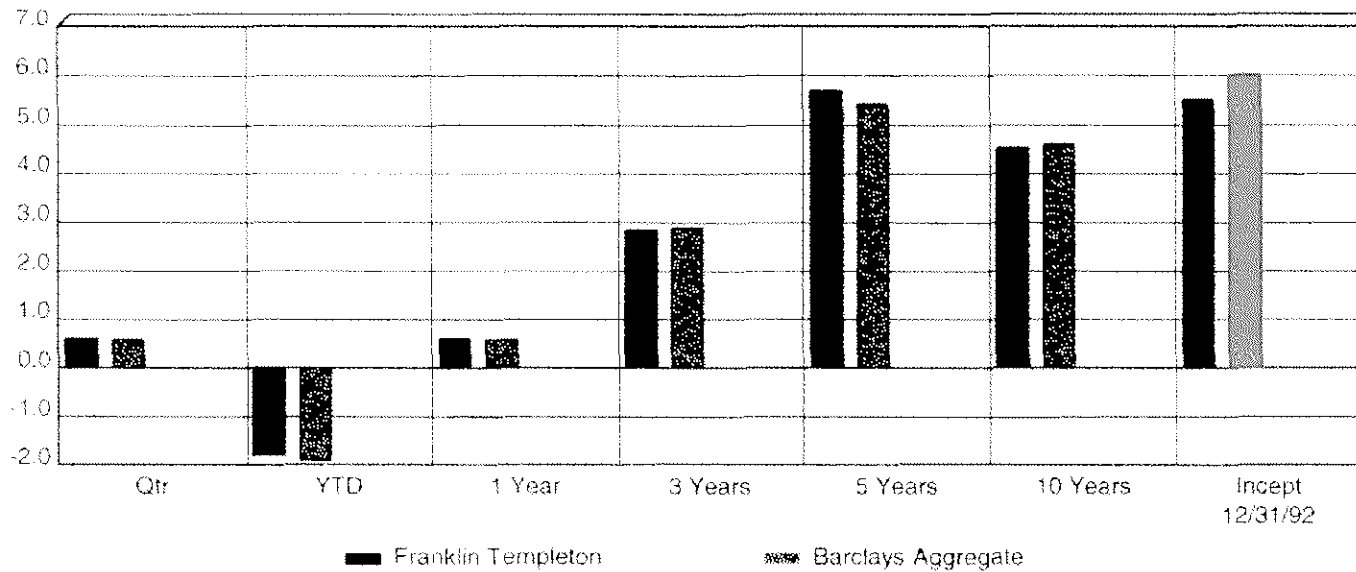
Periods Ended September 30, 2013



	1 Quarter	2 Quarters	3 Quarters	1 Year	2 Years	3 Years	5 Years	10 Years
Fisher Investments	10.99 (54)	10.44 (53)	16.86 (41)	25.16 (39)	21.18 (39)	9.42 (53)	7.90 (54)	8.01 (86)
MSCI EAFE Index (N)	11.56 (39)	10.47 (53)	16.14 (51)	23.77 (51)	18.66 (70)	8.47 (72)	6.35 (78)	
5th %tile	14.84	16.43	26.60	34.42	26.74	15.65	14.72	14.28
25th %tile	12.31	12.38	19.28	27.01	22.52	11.65	10.67	11.20
Median	11.10	10.62	16.22	23.90	20.28	9.64	8.27	9.58
75th %tile	9.91	8.72	13.56	20.20	18.42	8.37	6.52	8.68
95th %tile	7.41	5.21	9.42	15.04	14.92	5.74	4.81	7.62
Number of Funds	336	335	335	335	325	323	301	212

Fixed Income Managers

Periods Ended September 30, 2013

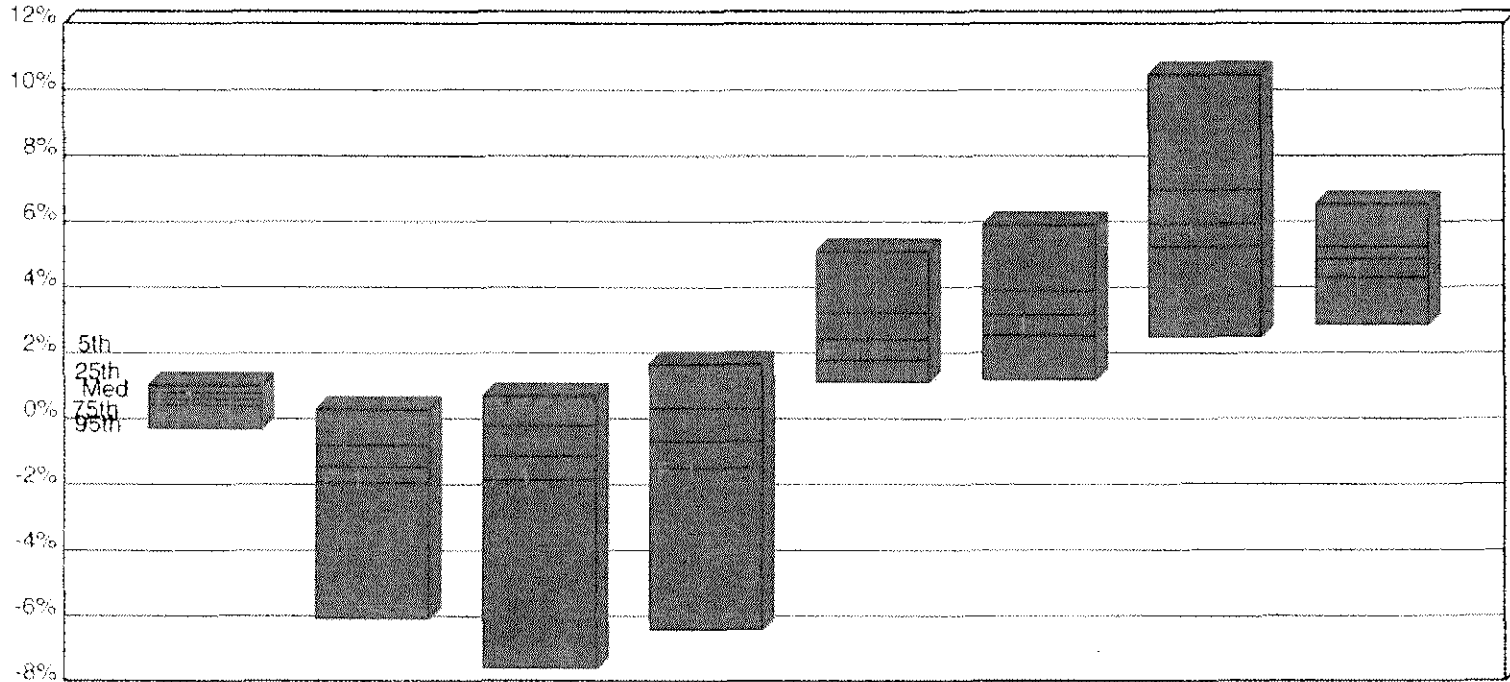


Total Returns	Qtr	YTD	1 Year	3 Years	5 Years	10 Years	Incept 12/31/92
Franklin Templeton	0.61	-1.79	0.61	2.82	5.70	4.52	5.52
Barclays Aggregate	0.57	-1.89	0.57	2.86	5.41	4.59	6.01

Active Core Fixed Income Universe



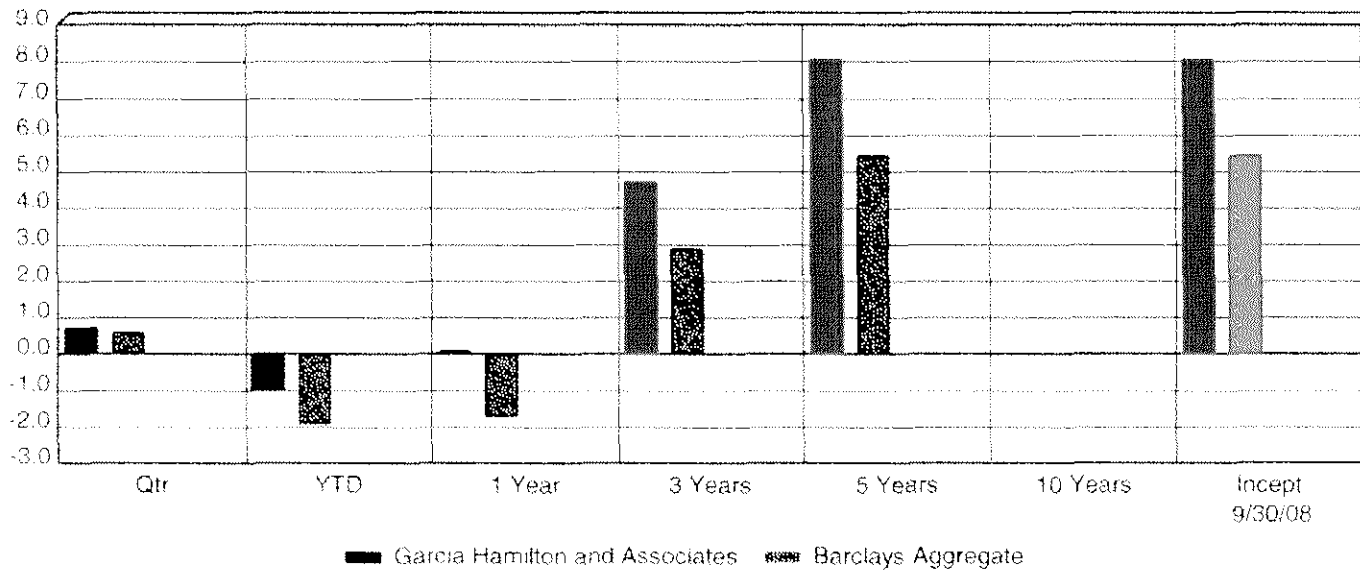
Periods Ended September 30, 2013



	1 Quarter	2 Quarters	3 Quarters	1 Year	2 Years	3 Years	5 Years	10 Years
Franklin Templeton	0.61 (52)	-1.87 (71)	-1.79 (71)	-1.58 (77)	2.04 (65)	2.82 (64)	5.70 (59)	4.52 (67)
Barclays Aggregate	0.57 (59)	-1.77 (65)	-1.89 (76)	-1.68 (79)	1.68 (81)	2.86 (62)	5.41 (68)	4.59 (63)
5th %tile	1.03	0.27	0.69	1.65	5.09	5.91	10.45	6.53
25th %tile	0.78	-0.80	-0.19	0.30	3.23	3.91	6.97	5.24
Median	0.62	-1.48	-1.15	-0.70	2.42	3.16	5.94	4.87
75th %tile	0.42	-1.94	-1.87	-1.50	1.78	2.53	5.23	4.30
95th %tile	-0.29	-6.07	-7.58	-6.38	1.11	1.19	2.49	2.86
Number of Funds	408	408	407	407	404	399	378	325

*Compass Total Returns of Active Core Fixed Income Portfolios Universe - Gross of Fees

Periods Ended September 30, 2013

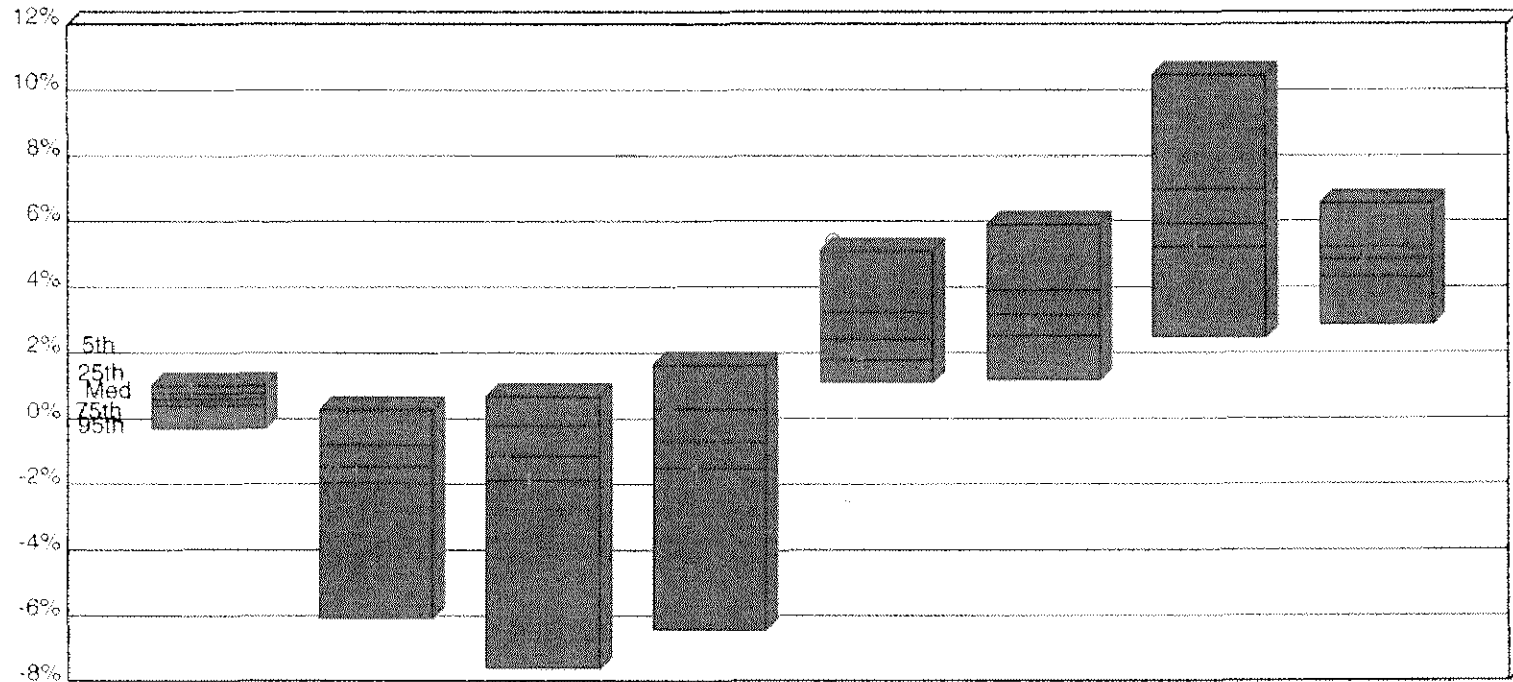


Total Returns	Qtr	YTD	1 Year	3 Years	5 Years	10 Years	Incept 9/30/08
Garcia Hamilton and Associates	0.71	-1.03	0.07	4.68	8.04	8.04	8.04
Barclays Aggregate	0.57	-1.89	-1.68	2.86	5.41	5.41	5.41

Active Core Fixed Income Universe



Periods Ended September 30, 2013



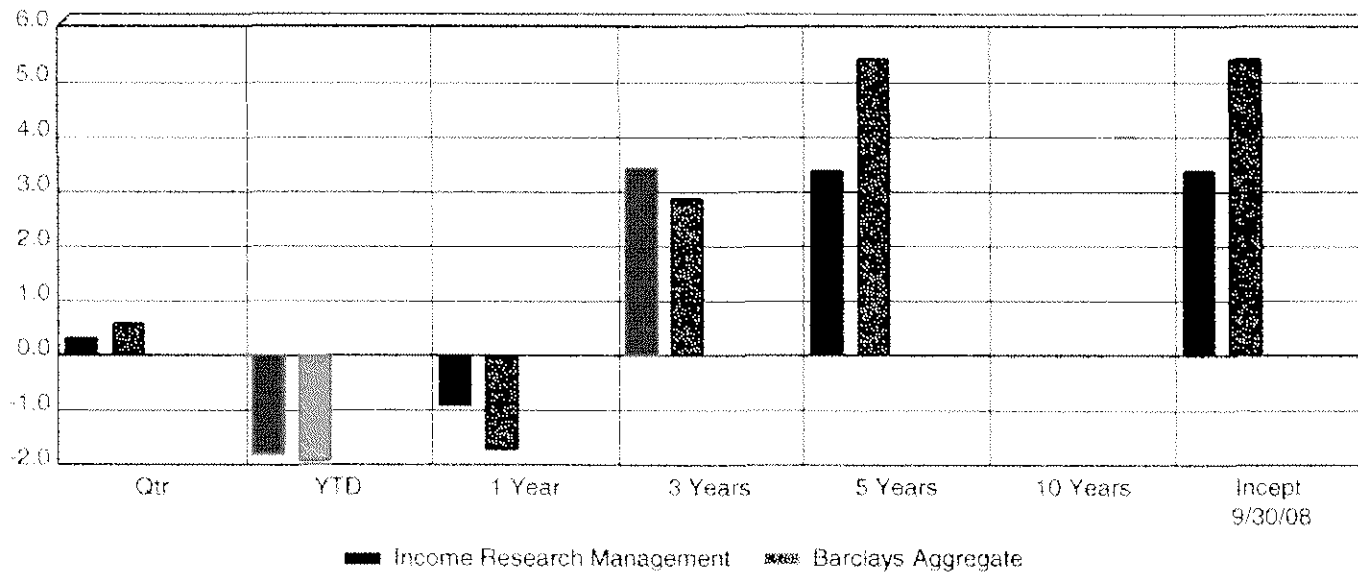
	1 Quarter	2 Quarters	3 Quarters	1 Year	2 Years	3 Years	5 Years	10 Years
Garcia Hamilton and Assoc.	0.71 (35)	-1.69 (61)	-1.03 (46)	0.07 (29)	5.33 (3)	4.68 (12)	8.04 (11)	
Barclays Aggregate	0.57 (59)	-1.77 (65)	-1.89 (76)	-1.68 (79)	1.68 (81)	2.86 (62)	5.41 (68)	4.59 (63)
5th %tile	1.03	0.27	0.69	1.65	5.09	5.91	10.45	6.53
25th %tile	0.78	-0.80	-0.19	0.30	3.23	3.91	6.97	5.24
Median	0.62	-1.48	-1.15	-0.70	2.42	3.16	5.94	4.87
75th %tile	0.42	-1.94	-1.87	-1.50	1.78	2.53	5.23	4.30
95th %tile	-0.29	-6.07	-7.58	-6.38	1.11	1.19	2.49	2.86
Number of Funds	408	408	407	407	404	399	378	325

*Compass Total Returns of Active Core Fixed Income Portfolios Universe - Gross of Fees

Income Research & Management



Periods Ended September 30, 2013

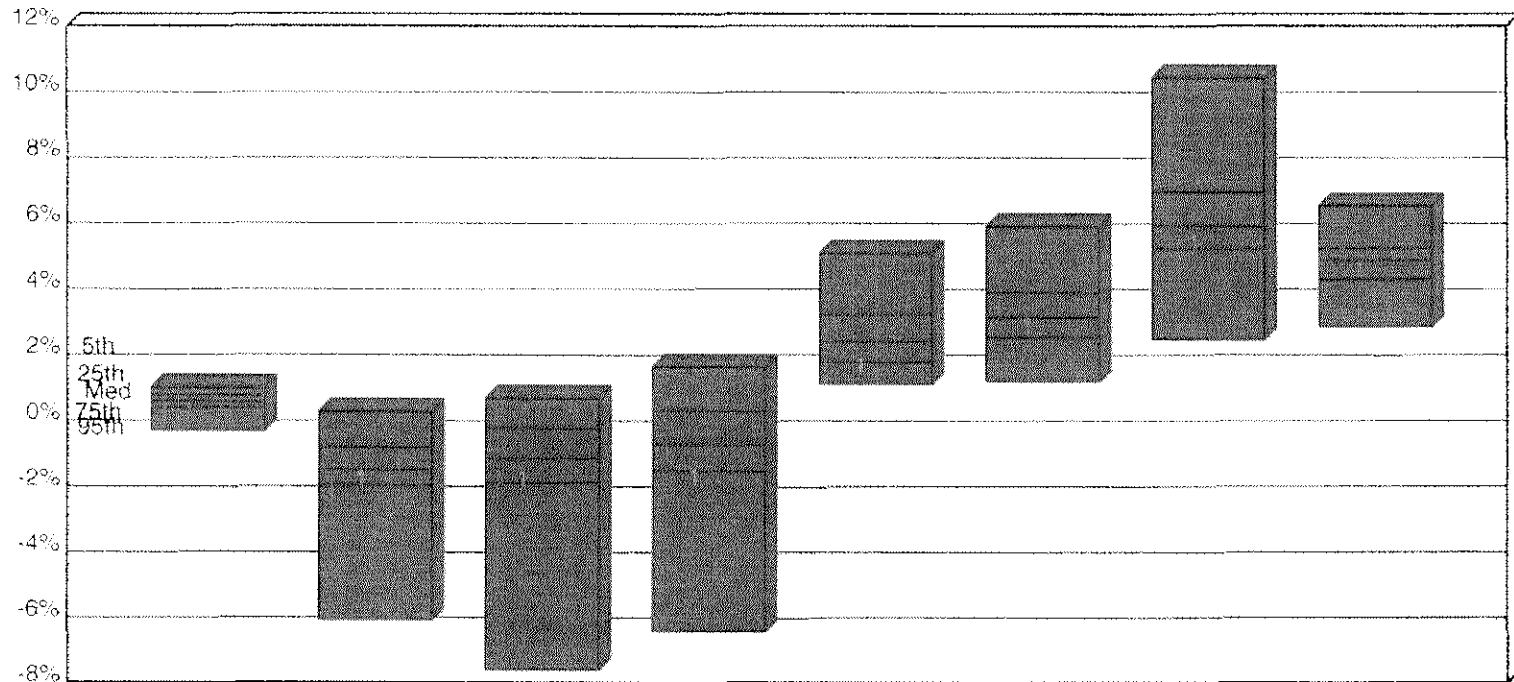


Total Returns	Qtr	YTD	1 Year	3 Years	5 Years	10 Years	Incept 9/30/08
Income Research Management	0.30	-1.75	-0.89	3.42	3.37		3.37
Barclays Aggregate	0.57	-1.89	-1.68	2.86	5.41		5.41

Active Core Fixed Income Universe



Periods Ended September 30, 2013



	1 Quarter	2 Quarters	3 Quarters	1 Year	2 Years	3 Years	5 Years	10 Years
I Income Research Mgmt	0.30 (85)	-2.17 (86)	-1.75 (69)	-0.89 (57)	2.98 (30)	3.42 (37)	3.37 (89)	
I Barclays Aggregate	0.57 (59)	-1.77 (65)	-1.89 (76)	-1.68 (79)	1.68 (81)	2.86 (62)	5.41 (68)	4.59 (63)
5th %tile	1.03	0.27	0.69	1.65	5.09	5.91	10.45	6.53
25th %tile	0.78	-0.80	-0.19	0.30	3.23	3.91	6.97	5.24
Median	0.62	-1.48	-1.15	-0.70	2.42	3.16	5.94	4.87
75th %tile	0.42	-1.94	-1.87	-1.50	1.78	2.53	5.23	4.30
95th %tile	-0.29	-6.07	-7.58	-6.38	1.11	1.19	2.49	2.86
Number of Funds	408	408	407	407	404	399	378	325

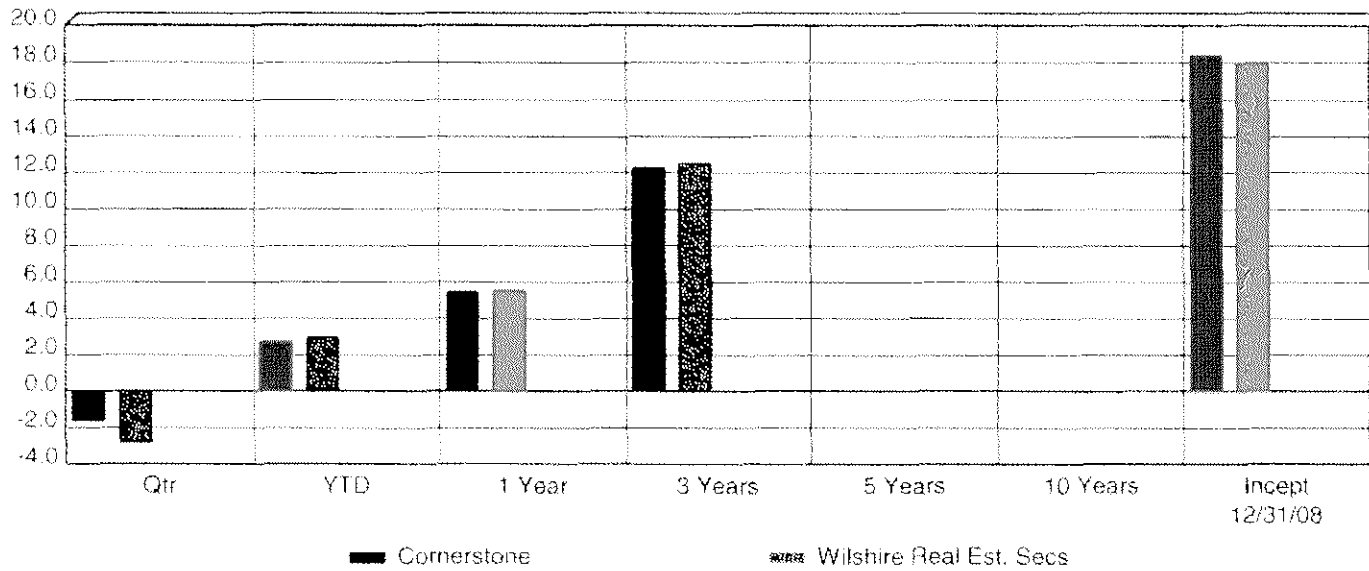
*Compass Total Returns of Active Core Fixed Income Portfolios Universe - Gross of Fees

Real Estate Managers

Cornerstone Real Estate Advisers



Periods Ended September 30, 2013

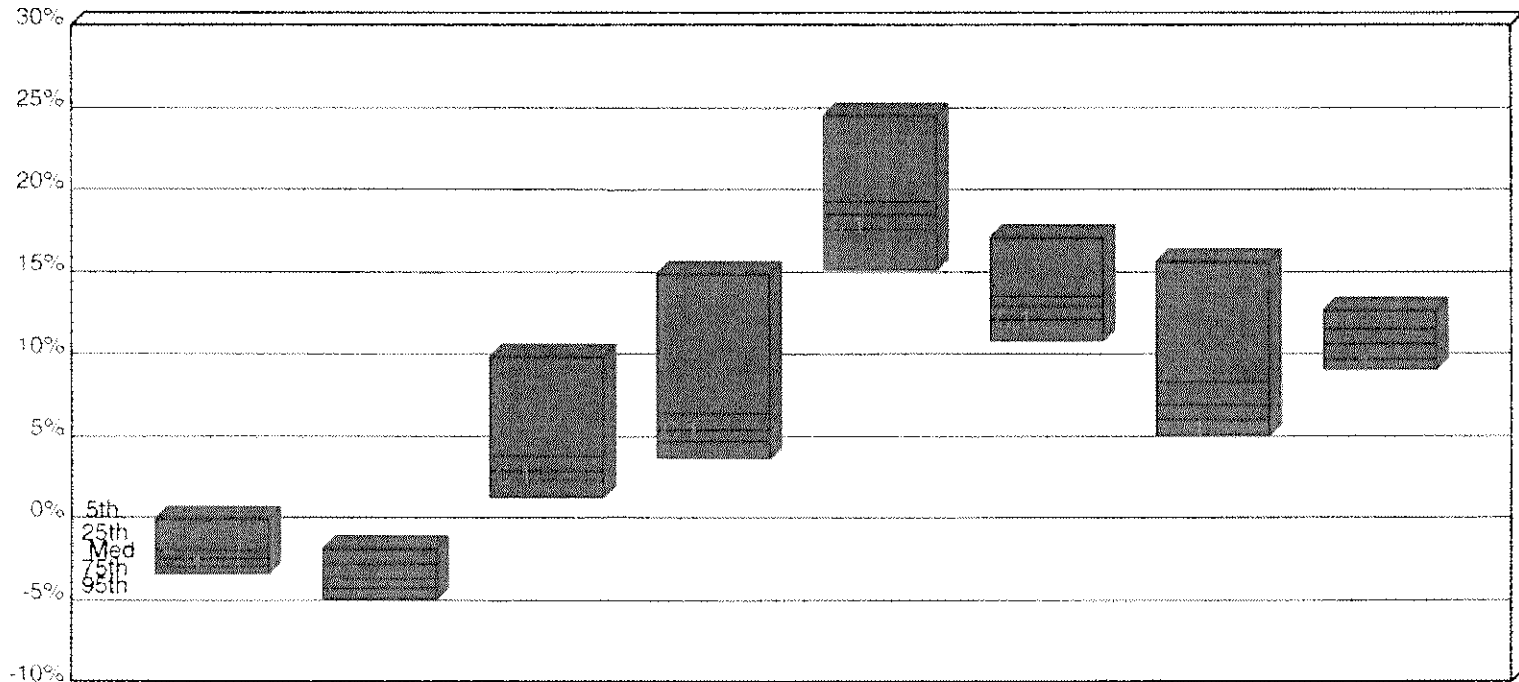


Total Returns	Qtr	YTD	1 Year	3 Years	5 Years	10 Years	Incept 12/31/08
Cornerstone	-1.60	2.64	5.39	12.15			18.34
Wilshire Real Est. Secs	-2.80	2.93	5.47	12.43			17.96

REIT Universe



Periods Ended September 30, 2013

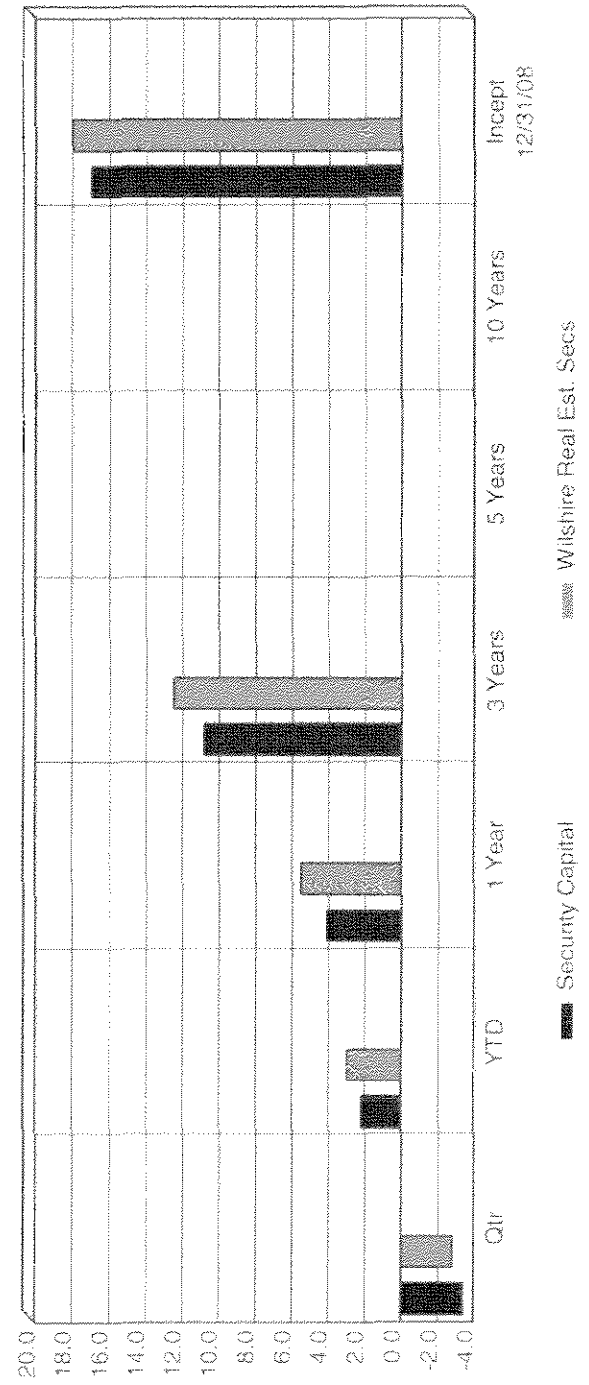


	1 Quarter	2 Quarters	3 Quarters	1 Year	2 Years	3 Years	5 Years	10 Years
Cornerstone	-1.60 (18)	-4.22 (73)	2.64 (52)	5.39 (54)	17.88 (66)	12.15 (68)	5.49 (78)	9.46 (87)
1. Wilshire Real Est. Secs	-2.80 (69)	-4.17 (71)	2.93 (47)	5.47 (49)	18.17 (59)	12.43 (60)	5.49 (78)	9.46 (87)
5th %tile	-0.10	-1.90	9.84	14.85	24.49	17.05	15.60	12.64
25th %tile	-1.98	-2.82	3.72	6.38	19.31	13.48	8.34	11.49
Median	-2.48	-3.70	2.83	5.40	18.49	12.90	6.94	10.65
75th %tile	-2.91	-4.28	2.32	4.68	17.60	12.07	6.04	9.69
95th %tile	-3.35	-4.91	1.32	3.69	15.17	10.83	5.06	9.03
Number of Funds	43	42	42	42	42	41	37	32

*Compass Total Returns of REIT Equity Portfolios Universe - Gross of Fees

Security Capital

Periods Ended September 30, 2013

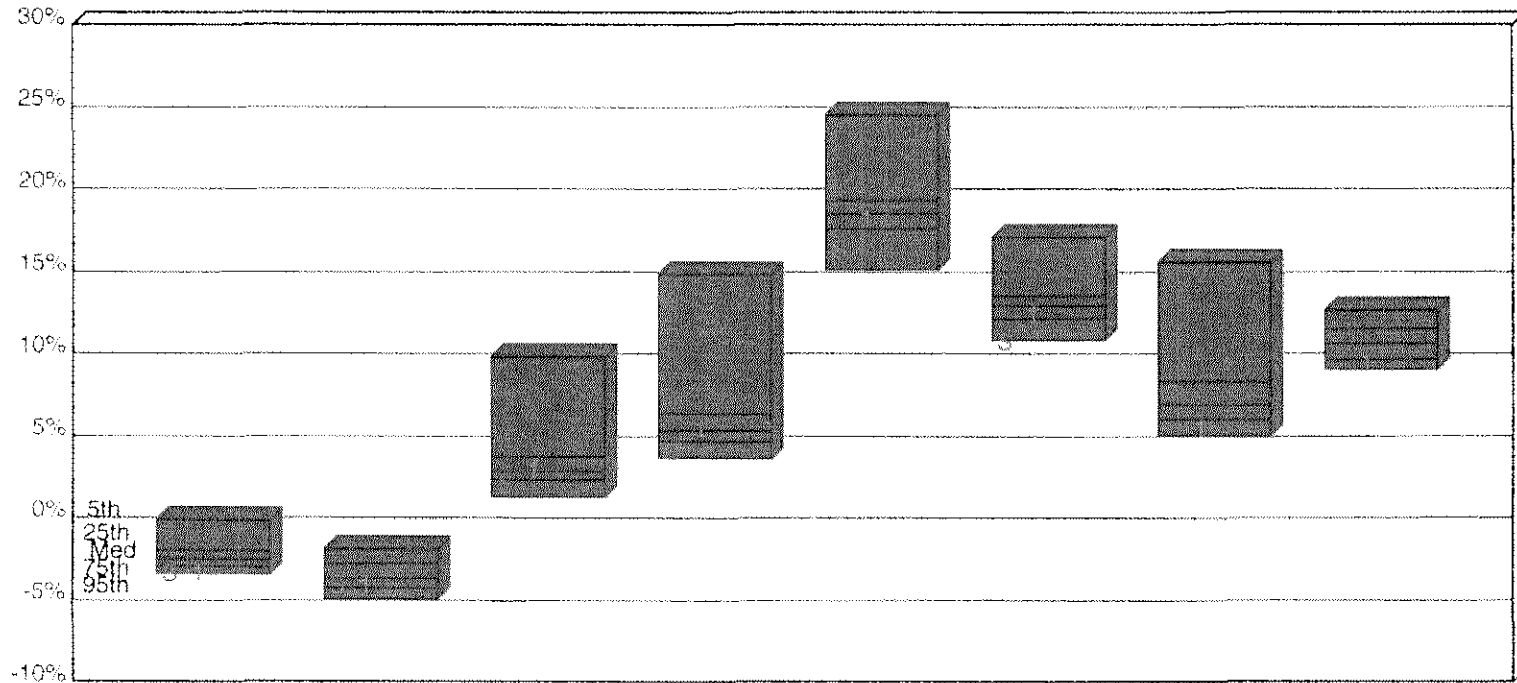


Total Returns	Qtr	YTD	1 Year	3 Years	5 Years	10 Years	Incept 12/31/08
Security Capital	-3.38	2.15	4.06	10.75	16.95	16.95	16.95
Wilshire Real Est. Secs	-2.80	2.93	5.47	12.43	17.96	17.96	17.96

REIT Universe



Periods Ended September 30, 2013



	1 Quarter	2 Quarters	3 Quarters	1 Year	2 Years	3 Years	5 Years	10 Years
Security Capital	-3.38 (95)	-4.12 (71)	2.15 (83)	4.06 (90)	16.36 (85)	10.75 (95)	5.49 (78)	9.46 (87)
Wilshire Real Est. Secs	-2.80 (69)	-4.17 (71)	2.93 (47)	5.47 (49)	18.17 (59)	12.43 (60)	5.49 (78)	9.46 (87)
5th %tile	-0.10	-1.90	9.84	14.85	24.49	17.05	15.60	12.64
25th %tile	-1.98	-2.82	3.72	6.38	19.31	13.48	8.34	11.49
Median	-2.48	-3.70	2.83	5.40	18.49	12.90	6.94	10.65
75th %tile	-2.91	-4.28	2.32	4.68	17.60	12.07	6.04	9.69
95th %tile	-3.35	-4.91	1.32	3.69	15.17	10.83	5.06	9.03
Number of Funds	43	42	42	42	42	41	37	32

*Compass Total Returns of REIT Equity Portfolios Universe - Gross of Fees

Appendix

Policy Definitions



Total Fund STRATEGIC POLICY		07/01/10- 12/31/12	1/1/13- present
Asset Class	Benchmark	Target	Target
Domestic Equity	Russell 1000	30.0%	30.0%
	Russell 2000	10.0%	10.0%
Domestic Fixed Income	Barclays Aggregate	30.0%	30.0%
International Equity	MSCI EAFE Index (N)	9.2%	9.2%
	MSCI EAFE Small Cap (N)	5.0%	
	MSCI World Ex USA Small (N)		5.0%
	MSCI Emerging Mkts (N)	5.8%	5.8%
Real Estate	Wilshire Real Est. Sec	10.0%	10.0%
Total		100%	100%

Policy Definitions – Cont'd



Domestic Equity Composite POLICY		3/31/02-present
Asset Class	Benchmark	Target
Domestic Equity	Russell 1000	75%
	Russell 2000	25%
Total		100%

Policy Definitions – Cont'd



International Equity Composite CUSTOM POLICY		6/30/00- 12/31/12	1/1/13- present
Asset Class	Benchmark	Target	Target
International Equity	MSCI EAFE Index (N)	46%	46%
	MSCI EAFE Small Cap (N)	25%	
	MSCI World Ex USA Small (N)		25%
	MSCI Emerging Markets (N)	29%	29%
Total		100%	100%

Glossary



- Absolute Return – an investment in a fund with a goal of consistent positive returns, one sub-category is referred to as "market neutral"
- Actual Allocation – the actual current percentage weightings of a portfolio
- Asset Allocation – the way a portfolio is allocated to different assets such as stocks and bonds
- Canadian Dollar – the currency of Canada
- Citi Non-US WGBI – Citigroup Non-U.S. World Government Bond Index and is an index of government bonds from foreign countries
- Citigroup High Grade – an index of high quality bonds rated AAA/AA with maturities of 10 years or greater
- Consumer Price Index - a measure of price changes in consumer goods and services such as gasoline, food, and automobiles. Also referred to as "inflation"
- Core Bond – refers to an investment in U.S. Government, corporate and other bonds representing higher safety
- Wilshire 4500 – an index of the small to medium size stocks of the U.S. stock market and equals the DJ Wilshire 5000 minus the S&P 500
- Wilshire 5000 – an index of all listed stocks in the U.S.
- Wilshire Real Est. Secs – an index of real estate operating companies and REITs (real estate investment trusts)
- Wilshire Large Cap – an index of the largest 750 stocks in the U.S. stock market
- Wilshire Large Growth - an index consisting of stocks from the Wilshire Large Cap index that are generally growing faster than other large stocks
- Wilshire Large Value – an index consisting of stocks from the Wilshire Large Cap index that are generally lower in price-earnings ratios relative to other large stocks
- Wilshire Small Cap – an index of the 1750 stocks after the Wilshire Large Cap which are smaller in size
- Wilshire Small Growth - an index consisting of stocks from the Wilshire Small Cap index that are generally growing faster than other small stocks
- Wilshire Small Value – an index consisting of stocks from the Wilshire Small Cap index that are generally lower in price-earnings ratios relative to other small stocks
- Domestic Equity - stock or any other security representing an ownership interest in a U.S. corporation
- Domestic Equity Composite – represents Guam's total investment in U.S. stocks
- Equity (in local currency) – the returns received from stocks owned by an investor in a foreign country in that country's currency
- Equity (in U.S. dollars) – the returns received from non-U.S. stocks owned by a U.S. investor, in U.S. Dollars
- Equity Style Analysis – compares a stock portfolio to various characteristics of the overall market
- Euro – the currency of the European Union
- Exchange Rates - the rate at which one currency can be exchanged for another, such as how many Mexican Pesos can I buy with one U.S. dollar
- First Boston High Yield – an index of bonds that are below investment grade (less than BBB) and are considered riskier
- High Yield – an investment in bonds of corporations who are considered below investment grade (less than BBB) and are considered riskier
- Index – a basket of stocks or bonds representing a particular market or a portion of it
- International Equity Composite – represents Guam's investments in stocks of non-U.S. companies

Glossary – Cont'd



Int'l Equity - stocks of non-U.S. companies

Barclays Aggregate – an index that represents the U.S. bond market. Bonds in the index include U.S. Government, Corporation and Mortgage bonds

Barclays U.S. TIPS – an index of U.S. Treasury Inflation Protected Bonds

Barclays Credit – an index of U.S. corporate bonds

Barclays Mortgages – an index of mortgage bonds

Barclays Treasury – an index of U.S. government bonds

Barclays Universal – an index of all Barclays bond indexes

Market Neutral - a sub-category of absolute return

MSCI ACWI x US – stands for Morgan Stanley Capital International All Country World Index excluding the U.S. and refers to an index of stocks all the countries of the world except the U.S.

MSCI EAFE – stands for Morgan Stanley Capital International Europe, Australia and the Far East and refers to an index of stocks from developed countries in these regions or the world, such as U.K. and Japan

MSCI EM – stands for Morgan Stanley Capital International Emerging Markets and refers to an index of stocks from countries that are considered developing such as China and India

Policy Index – an index that represents the total benchmark of all Guam's investments

Russell 2000 – an index that refers to 2000 smaller size U.S. stocks, by market cap

S&P 500 – an index consisting of 500 of the larger stocks in the United States representing a diversity of industries

S&P 400 Mid Cap – an index that refers to the next 400 medium size U.S. stocks after the S&P 500

S&P 600 Small Cap – an index that refers to the next 600 smaller size U.S. stocks after the S&P 400 Mid Cap

Standard Deviation – a measure of an investment's volatility. A volatile stock would have a high standard deviation.

Target Allocation – the target portfolio weightings in different assets such as stocks and bonds

Time Weighted Return – the actual rate of return or earnings for the particular period, adjusted for cash flow additions or deletions

TIP's – refers to Treasury Inflation Protected securities which are U.S. government bonds that pay interest plus inflation

Total Fixed Composite – represents the Guam's investments in bonds

Total Fund Composite – represents Guam's investments in all asset classes

Total Return – the return of a particular portfolio that includes both increases or decreases in asset values as well as dividends and/or interests received

Treasury Bills – U.S. Government bonds that mature in less than 91 days

Variance – refers to the amount of movement in prices of a particular portfolio; a portfolio that moves a lot has a higher variance

Yen – the currency of Japan



FILE COPY

I MINA'TRENTAI DOS NA LIHESLATURAN GUÅHAN
THIRTY-SECOND GUAM LEGISLATURE
155 Hesler Place, Hagåtña, Guam 96910

February 18, 2014

The Honorable Edward J.B. Calvo
I Maga'lahren Guåhan
Ufisinan I Maga'lahi
Hagåtña, Guam 96910

Dear *Maga'lahi* Calvo:

Transmitted herewith is Bill No. 245-32(COR) which was passed by *I Mina'Trentai Dos Na Liheslaturan Guåhan* on February 14, 2014.

Sincerely,

TINA ROSE MUÑA BARNES
Legislative Secretary

Enclosure (1)

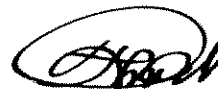
OFFICE OF THE GOVERNOR
CENTRAL FILES

RECEIVED
TIME 12:37 PM DATE 2/18/14

**I MINA'TRENTAI DOS NA LIHESLATURAN GUÅHAN
2014 (SECOND) Regular Session**

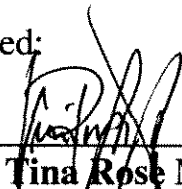
CERTIFICATION OF PASSAGE OF AN ACT TO I MAGA'LAHEN GUÅHAN

This is to certify that **Bill No. 245-32 (COR), "AN ACT TO AMEND §§ 8144, 8145 AND 8149 OF ARTICLE 1, CHAPTER 8 OF TITLE 4, GUAM CODE ANNOTATED, RELATIVE TO CUSTODIANS, INVESTMENT AGENTS, AND BANK DEPOSITS,"** was on the 14th day of February, 2014, duly and regularly passed.



**Judith T. Won Pat, Ed.D.
Speaker**

Attested:



**Tina Rose Muña Barnes
Legislative Secretary**

This Act was received by *I Maga'lahen Guåhan* this 18TH day of FEBRUARY,
2014, at
12:37 o'clock P.M.



**Assistant Staff Officer
Maga'lahi's Office**

APPROVED:

**EDWARD J.B. CALVO
*I Maga'lahen Guåhan***

Date: _____

Public Law No. _____

I MINA'TRENTAI DOS NA LIHESLATURAN GUÅHAN
2013 (FIRST) Regular Session

Bill No. 245-32 (COR)

As amended by the Committee on Appropriations,
Public Debt, Legal Affairs, Retirement, Public Parks,
Recreation, Historic Preservation, and Land; and
further amended on the Floor.

Introduced by:

Vicente (ben) C. Pangelinan

T. C. Ada

V. Anthony Ada

FRANK B. AGUON, JR.

B. J.F. Cruz

Chris M. Dueñas

Michael T. Limtiaco

Brant T. McCreadie

Tommy Morrison

T. R. Muña Barnes

R. J. Respicio

Dennis G. Rodriguez, Jr.

Michael F. Q. San Nicolas

Aline A. Yamashita, Ph.D.

Judith T. Won Pat, Ed.D.

**AN ACT TO AMEND §§ 8144, 8145 AND 8149 OF
ARTICLE 1, CHAPTER 8 OF TITLE 4, GUAM
CODE ANNOTATED, RELATIVE TO
CUSTODIANS, INVESTMENT AGENTS, AND
BANK DEPOSITS.**

1 **BE IT ENACTED BY THE PEOPLE OF GUAM:**

2 **Section 1. Legislative Findings and Intent.** *I Liheslaturan Guåhan* finds
3 that §§ 8144, 8145 and 8149 of Article 1, Chapter 8, Title 4 of the Guam Code
4 Annotated, were recently amended by Public Law No. 32-086 as part of a broader

1 effort to improve the government of Guam’s ability to meet its obligations to fund
2 the Government of Guam Retirement Fund Defined Benefit Plan.

3 *I Liheslaturan Guåhan* finds that one of the purposes of the amendments in
4 Public Law No. 32-086 was to remove certain statutory limitations that may result
5 in unintended consequences adversely impacting the investment goals of the
6 Government of Guam Retirement Fund.

7 *I Liheslaturan Guåhan* finds that further amendments are needed to
8 minimize unintended consequences, and therefore intends to amend §§ 8144, 8145
9 and 8149 of Article 1, Chapter 8, Title 4, Guam Code Annotated, to repeal certain
10 requirements that will result in unintended consequences that are *not* in the best
11 interests of the Government of Guam Retirement Fund.

12 **Section 2.** § 8144 of Article 1, Chapter 8, Title 4, Guam Code Annotated,
13 as *amended* by Public Law No. 32-086, is hereby further *amended* to read:

14 **“§ 8144. Custodian.**

15 The Board *shall* engage one or more custodians to assume
16 responsibility for the physical possession of fund assets or evidences
17 of assets. The custodian *shall* submit such reports, accountings and
18 other information in such form and at such times as requested by the
19 Board. All costs incurred for custodial services *shall* be a direct
20 charge to Investment Income. The custodian *shall* hold all assets for
21 the account of the Government of Guam Retirement Fund and *shall*
22 act *only* upon the instructions of the Board, its *ex-officio* director, or a
23 member, committee or agent so authorized by the Board. No
24 custodian shall be engaged *unless* it:

25 (a) has been continuously engaged in rendering custody
26 services for a period of ten (10) or more years; and

1 (b) is organized under the laws of the United States or a state
2 or territory thereof; and

3 (c) has Tier 1 capital in excess of One Billion Dollars
4 (\$1,000,000,000); and

5 (d) is a member of the Federal Reserve System whose
6 deposits are insured by the Federal Deposit Insurance Corporation or
7 any successor thereto; or

8 (e) notwithstanding any of the above, any locally chartered
9 bank may be a custodian of the Retirement Fund.”

10 **Section 3.** § 8145 of Article 1, Chapter 8, Title 4, Guam Code Annotated,
11 as *amended* by Public Law No. 32-086, is hereby further *amended* to read:

12 “§ 8145. **Investment Agent.**

13 (a) In order to secure expert advice and counsel, the Board
14 may engage an investment agent to serve as investment counsel which
15 *shall* be either an investment counsel or a bank trust department as
16 hereinafter qualified; and one or more investment agents to serve as
17 investment manager(s) to manage asset classes identified by the Board
18 upon the recommendation of investment counsel. All costs incurred in
19 this connection *shall* be a direct charge to Investment Income.

20 (b) *No* person, firm or corporation shall be eligible for
21 employment as investment counsel which acts as principal for its own
22 account or as broker for a client other than the Fund in connection
23 with the sale of any security to or the purchase of any security from
24 the Fund.

25 (c) *No* investment agent shall be engaged *unless*:

26 (1) the principal business of the person, firm or
27 corporation selected by the Board consists of rendering

1 investment supervisory services, that is, the giving of
2 continuous advice as to the investment of Funds on the basis of
3 the individual needs of each client; and

4 (2) the principal ownership or control of such person,
5 firm or corporation rests with individuals who are actively
6 engaged in such business; and

7 (3) such person, firm or corporation and its
8 predecessors have been continuously engaged in such business
9 for a period of ten (10) or more years; and

10 (4) such person, firm or corporation is registered as an
11 investment adviser under the laws of the United States of
12 America, as from time to time in effect, such as the Securities
13 Exchange Act of 1934, and the Investment Advisers Act of
14 1940, as amended; and

15 (5) the contract between the Board and the investment
16 agent is of no specific duration and is voidable at any time by
17 either party; and

18 (6) such person, firm or corporation certifies in
19 writing, to the Board, that the assets under its direct investment
20 supervision are in excess of One Billion Dollars
21 (\$1,000,000,000).

22 (d) The Board *shall not* engage a bank trust department
23 *unless* it:

24 (1) certifies in writing, to the Board, that the assets
25 under its direct investment supervision are in excess of One
26 Billion Dollars (\$1,000,000,000); and

1 (2) has been, together with its predecessors,
2 continuously engaged in supervising investments for a period of
3 ten (10) or more years; and

4 (3) is organized under the laws of the United States, or
5 a state or territory thereof; and

6 (4) has Tier 1 capital in excess of One Billion Dollars
7 (\$1,000,000,000); and

8 (5) is a member of the Federal Reserve System whose
9 deposits are insured by the Federal Deposit Insurance
10 Corporation or any successor thereto.

11 (e) The Board, or its designee under § 8143(a), *shall*
12 establish and may from time to time change operating arrangements
13 with the Investment Agent in order to facilitate efficient management
14 and timely investment action.

15 (f) No investment shall be made *unless* in the opinion of the
16 Investment Agent it is an appropriate investment for the Fund and is
17 an authorized investment under §§ 8143 through § 8159, inclusive, or
18 in the absence of such opinion, *unless* preceded by a resolution of the
19 Board directing the investment.”

20 **Section 4.** § 8149 of Article 1, Chapter 8, Title 4, Guam Code Annotated,
21 as *amended* by Public Law No. 32-086, is hereby further *amended* to read:

22 “§ 8149. **Same: Bank Deposits; Other Cash Equivalents.**

23 (a) Interest-bearing time deposits, demand deposits, and cash
24 sweep deposit accounts in banks organized under the laws of the
25 United States, or any state or territory thereof; *provided*, that said
26 bank:

1 (1) has Tier 1 capital in excess of One Billion Dollars
2 (\$1,000,000,000); and

3 (2) is a member of the Federal Reserve System; and

4 (3) together with any predecessors, have been
5 conducting a banking business for a continuous period of ten
6 (10) or more years; or

7 (4) any bank or savings and loan association chartered
8 in Guam, and a member of the Federal Deposit Insurance
9 Corporation or the Federal Home Loan Bank System.

10 (b) Cash equivalents purchased in investment funds
11 authorized under § 8158 or in exchange-traded funds authorized under
12 § 8158.1; in amounts and for durations approved by the Board in
13 connection with the management of uninvested cash balances; such
14 purchases *shall* be excluded from limitations of § 8158(e) and §
15 8158.1(b).”

16 **Section 5. Effective Date.** This Act *shall* become effective retroactively
17 to the enactment date of Public Law No. 32-86, November 27, 2013.

18 **Section 6. Severability.** *If* any provision of this Act or its application to
19 any person or circumstance is held invalid, the invalidity *shall not* affect any other
20 provision or applications of this Act which can be given effect without the invalid
21 provision or application, and to this end the provisions of the Act are severable.

LEGISLATIVE SESSION

I MINA'TRENTAI DOS NA LIHESLATURAN

2014 (SECOND) Regular Session

Voting Sheet

Speaker Antonio R. Unipingco Legislative Session Hall
February 1, 2014

Bill No. 245-32 (COR)

As amended by the Committee on Appropriations,
Public Debt, Legal Affairs, Retirement, Public Parks,
Recreation, Historic Preservation, and Land

NAME	Yea	Nay	Not Voting/ Abstained	Out During Roll Call	Absent
Senator Thomas "Tom" C. ADA	✓				
Senator V. Anthony "Tony" ADA	✓				
Senator Frank Blas AGUON Jr.	✓				
Vice-Speaker Benjamin J.F. CRUZ	✓				
Senator Christopher M. DUENAS	✓				
Senator Michael LIMTIACO	✓				
Senator Brant McCREADIE	✓				
Senator Thomas "Tommy" MORRISON	✓				
Senator Tina Rose MUÑA BARNES	✓				
Senator Vicente (ben) Cabrera PANGELINAN	✓				
Senator Rory J. RESPICIO	✓				
Senator Dennis G. RODRIGUEZ, Jr.	✓				
Senator Michael F. Q.SAN NICOLAS	✓	1			
Speaker Judith T. WON PAT, Ed.D.	✓				
Senator Aline A. YAMASHITA, Ph.D.	✓				

TOTAL

15

Yea


Nay

Not Voting/
Abstained

Out During
Roll Call

Absent

CERTIFIED TRUE AND CORRECT:



 Clerk of the Legislature

I = Pass



COMMITTEE ON RULES

I Mina'trentai Dos na Liheslaturan Guåhan • The 32nd Guam Legislature

155 Hesler Place, Hagåtña, Guam 96910 • www.guamlegislature.com

E-mail: roryforguam@gmail.com • Tel: (671)472-7679 • Fax: (671)472-3547

Senator
Rory J. Respicio
CHAIRPERSON
MAJORITY LEADER

January 13, 2014

Senator
Thomas C. Ada
VICE CHAIRPERSON
ASSISTANT MAJORITY LEADER

Memorandum

Senator
Vicente (Ben) C. Pangelinan
Member

To: Rennae Meno
Clerk of the Legislature

Speaker
Judith T.P. Won Pat, Ed.D.
Member

From: Senator Rory J. Respicio
Majority Leader & Rules Chair

Senator
Dennis G. Rodriguez, Jr.
Member

Subject: Fiscal Notes /Waivers

Vice-Speaker
Benjamin J.F. Cruz
Member

Hafa Adai!

Attached please find the fiscal notes, or waivers for the bill numbers listed below.

Please note that the fiscal notes, or waivers, are issued on the bills as introduced.

Legislative Secretary
Tina Rose Muña Barnes
Member

FISCAL NOTES:

Bill Nos. 235-32 (COR), 236-32 (COR), 237-32 (COR); 239-32 (COR), 240-32 (COR), 241-32 (COR), and 242-32 (COR)

Senator
Frank Blas Aguon, Jr.
Member

WAIVER:

Bill No. 245-32 (COR)

Senator
Michael F.Q. San Nicolas
Member

Senator
V. Anthony Ada
Member
MINORITY LEADER

Please forward the same to MIS for posting on our website. Please contact our office should you have any questions regarding this matter.

Senator
Aline Yamashita
Member

Si Yu'os ma'åse'!

2014 JAN 13 PM 2:38

**BUREAU OF BUDGET & MANAGEMENT RESEARCH**

OFFICE OF THE GOVERNOR
Post Office Box 2950, Hagåtña Guam 96932

EDDIE BAZA CALVO
GOVERNOR

RAY TENORIO
LIEUTENANT GOVERNOR

JOHN A. RIOS
DIRECTOR

JOSE S. CALVO
DEPUTY DIRECTOR

FACSIMILE INFORMATION PAGE

PLEASE DELIVER TO: Senator Rory Respicio

FACSIMILE NUMBER: 472-3547

FROM: BBMR

Total Pages including this page: 15

If you do not receive legible copies of all the pages, please call back as soon

as possible. Phone numbers (671) 475-9412/9450. Fax number (671) 472-2825

RE: Fiscal Note on the following Bill Nos.: 235-32(COR), 236-32(COR), 237-32(COR), 239-32(COR), 240-32(COR), 241-32(COR), 242-32(COR) and Fiscal Note Waiver on the following Bill Nos.: 245-32(COR).

COMMENTS: Fiscal Notes to be picked up via Central Files.

Thank You!

**BUREAU OF BUDGET & MANAGEMENT RESEARCH**OFFICE OF THE GOVERNOR
Post Office Box 2950, Hagåtña Guam 96932EDDIE BAZA CALVO
GOVERNORJOHN A. RIOS
DIRECTORRAY TENORIO
LIEUTENANT GOVERNORJOSE S. CALVO
DEPUTY DIRECTOR

JAN 10 2014

Senator Rory J. Respicio
Chairperson, Committee on Rules
I Mina'trentai Unu na Liheslaturan Guåhan
The 31st Guam Legislature
155 Hesler Place
Hagåtña, Guam 96932

Hafa Adai Senator Respicio:

Transmitted herewith is Fiscal Note on the following Bill Nos.: 235-32(COR), 236-32(COR), 237-32(COR), 239-32(COR), 240-32(COR), 241-32(COR) and Fiscal Note Waiver on the following Bill Nos.: 245-32(COR), ^{242-32(LOR)}

If you have any question(s), please do not hesitate to call the office at 475-9412/9106.

JOHN A. RIOS
Director

Enclosures
cc: Senator Vicente (ben) Pangelinan

**BUREAU OF BUDGET & MANAGEMENT RESEARCH**

OFFICE OF THE GOVERNOR
Post Office Box 2950, Hagåtña Guam 96932

EDDIE BAZA CALVO
GOVERNOR

RAY TENORIO
LIEUTENANT GOVERNOR

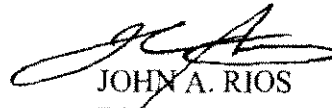
JOHN A. RIOS
DIRECTOR

JOSE S. CALVO
DEPUTY DIRECTOR

JAN 10 2014

The Bureau requests that Bill No(s). 245-32 (COR) be granted a waiver pursuant to Public Law 12-229 as amended for the following reason(s):

Bill No. 245-32 is an Act to amend Sections 8144, 8145, and 8149, Article 1, Chapter 8, Title 4 of the Guam Code Annotated Relative to Custodians, Investment Agents, and Bank Deposits. The intent of the aforementioned bill is administrative in nature in that the proposed amendments will remove certain statutory limitations that could result in unintended consequences adversely impacting the investment goals of the Government of Guam Retirement Fund.


JOHN A. RIOS
Director



COMMITTEE ON RULES

I Mina'trentai Dos na Liheslaturan Guåhan • The 32nd Guam Legislature
155 Hesler Place, Hagåtña, Guam 96910 • www.guamlegislature.com
E-mail: roryforguam@gmail.com • Tel: (671)472-7679 • Fax: (671)472-3547

Senator
Rory J. Respicio
CHAIRPERSON
MAJORITY LEADER

Senator
Thomas C. Ada
VICE CHAIRPERSON
ASSISTANT MAJORITY LEADER

Senator
Vicente (Ben) C. Pangelinan
Member

Speaker
Judith T.P. Won Pat, Ed.D.
Member

Senator
Dennis G. Rodriguez, Jr.
Member

Vice-Speaker
Benjamin J.F. Cruz
Member

Legislative Secretary
Tina Rose Muña Barnes
Member

Senator
Frank Blas Aguon, Jr.
Member

Senator
Michael F.Q. San Nicolas
Member

Senator
V. Anthony Ada
Member
MINORITY LEADER

Senator
Aline Yamashita
Member

December 24, 2013

VIA E-MAIL

john.rios@bbmr.guam.gov

John A. Rios
Director
Bureau of Budget & Management Research
P.O. Box 2950
Hagåtña, Guam 96910

RE: Request for Fiscal Notes– Bill Nos. 241-32 (COR), 242-32(COR), 243-32 (COR), 244-32 (COR) and 245-32 (COR)

Hafa Adai Mr. Rios:

Transmitted herewith is a listing of *I Mina'trentai Dos na Liheslaturan Guåhan's* most recently introduced bills. Pursuant to 2 GCA §9103, I respectfully request the preparation of fiscal notes for the referenced bills.

Si Yu'os ma'åse' for your attention to this matter.

Very Truly Yours,

Senator Rory J. Respicio
Chairperson of the Committee on Rules

Attachment (1)

Cc: Clerk of the Legislature

Bill Nos.	Sponsor	Title
241-32 (COR)	R.J. RESPICIO T.C. ADA T. R. MUÑA BARNES	AN ACT TO AMEND TITLE 3 GCA § 13106; TO ADD A NEW TITLE 3 GCA § 13107; TO RENUMBER THE EXISTING §§ 13107-13109; TO AMEND ITEM (b) OF TITLE 3 GCA § 6105; TO AMEND ITEMS (a) AND (b), AND TO DELETE ITEM (c) OF TITLE 5 GCA CHAPTER 40 § 40110; RELATIVE TO A VACANCY IN A MAYOR'S OR VICE MAYOR'S OFFICE, AND TO PROVIDE FOR A SPECIAL ELECTION TO FILL ANY VACANCY AMONG GUAM MAYORS OR VICE MAYORS, PROVIDED THAT SUCH VACANCY OR VACANCIES OCCUR 240 DAYS OR MORE BEFORE THE DATE OF THE NEXT GENERAL ELECTION FOR MAYORS AND VICE MAYORS.
242-32 (COR)	Brant T. McCreadie	AN ACT TO AMEND §28.65 OF CHAPTER 28, TITLE 9, GUAM CODE ANNOTATED, RELATIVE TO THE CRIME OF INDECENT EXPOSURE.
243-32 (COR)	Michael F.Q. San Nicolas	AN ACT TO IMPLEMENT THE LAW ENFORCEMENT PAY ADJUSTMENT FOR EMPLOYEES OF THE UNIFIED JUDICIARY OF GUAM, FUND CAPITAL IMPROVEMENTS TO THE MUNICIPAL MARKET OF MANGILAO AND TO CREATE THE RESPONSIBLE NON- PROFIT ENDOWMENT FUND, BY AMENDING §2 OF CHAPTER I AND ADDING §§ 13, 14 AND 15 TO CHAPTER XI, EACH OF PUBLIC LAW 32-68.
244-32 (COR)	FRANK B. AGUON, JR.	AN ACT AMENDING PUBLIC LAW 32-068 RELATIVE TO WITHHOLDING TAX REVENUE COLLECTIONS AND MAKING APPROPRIATIONS TO THE UNIFIED JUDICIARY FOR LAW ENFORCEMENT SALARY INCREASE IMPLEMENTATION.
245-32 (COR)	Vicente (ben) C. Pangelinan	AN ACT TO AMEND SECTIONS 8144, 8145, AND 8149, ARTICLE 1, CHAPTER 8, TITLE 4 OF THE GUAM CODE ANNOTATED RELATIVE TO CUSTODIANS, INVESTMENT AGENTS, AND BANK DEPOSITS.



COMMITTEE ON RULES

I Mina'trentai Dos na Liheslaturan Guåhan • The 32nd Guam Legislature
155 Hesler Place, Hagåtña, Guam 96910 • www.guamlegislature.com
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Senator
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Member

Senator
Michael F.Q. San Nicolas
Member

Senator
V. Anthony Ada
Member
MINORITY LEADER


Senator
Aline Yamashita
Member

December 20, 2013

MEMORANDUM

To: Rennae Meno
Clerk of the Legislature

Attorney Therese M. Terlaje
Legislative Legal Counsel

From: Senator Rory J. Respicio 
Chairperson of the Committee on Rules

Subject: Referral of Bill No. 245-32(COR)

As the Chairperson of the Committee on Rules, I am forwarding my referral of **Bill No. 245-32(COR)**.

Please ensure that the subject bill is referred, in my name, to the respective committee, as shown on the attachment. I also request that the same be forwarded to all members of *I Mina'trentai Dos na Liheslaturan Guåhan*.

Should you have any questions, please feel free to contact our office at 472-7679.

Si Yu'os Ma'åse!

Attachment

I MINA 'TRENTAI DOS NA LIHESLATURAN GUAHAN
2013 (FIRST) REGULAR SESSION

Bill No. 245-32 (COR)

Introduced By: V.C. Pangelinan

2013
DEC 19 PM 3:01
★
D

AN ACT TO AMEND SECTIONS 8144, 8145, AND
8149, ARTICLE 1, CHAPTER 8, TITLE 4 OF THE
GUAM CODE ANNOTATED RELATIVE TO
CUSTODIANS, INVESTMENT AGENTS, AND BANK
DEPOSITS.

BE IT ENACTED BY THE PEOPLE OF GUAM:

1 **Section 1.** Legislative Findings and Intent. *I Liheslaturan Guahan* finds that
2 Sections 8144, 8145, and 8149 of Article 1, Chapter 8, Title 4 of the Guam Code
3 Annotated, were recently amended and passed into law in Public Law No. 32-086
4 as part of a broader effort to improve the Government of Guam's ability to meet its
5 obligations to fund the Government of Guam Retirement Fund Defined Benefit
6 Plan.

7 *I Liheslaturan Guahan* finds that one of the purposes of the amendments in
8 Public Law No. 32-086 was to remove certain statutory limitations that may result
9 in unintended consequences adversely impacting the investment goals of the
10 Government of Guam Retirement Fund.

11 *I Liheslaturan Guahan* finds that further amendments are needed to
12 minimize unintended consequences, and therefore intends to amend Sections 8144,
13 8145, and 8149 of Article 1, Chapter 8, Title 4 of the Guam Code Annotated to
14 repeal certain requirements that will result in unintended consequences that are not
15 in the best interest of the Government of Guam Retirement Fund.

1 **Section 2.** Section 8144, Article 1, Chapter 8, Title 4 of the Guam Code
2 Annotated, amended by Public Law No. 32-086 is hereby further amended to read:

3 “§8144. Custodian. The Board *shall* engage one or more custodians to
4 assume responsibility for the physical possession of fund assets or evidences of
5 assets. The custodian shall submit such reports, accountings and other information
6 in such form and at such times as requested by the Board. All costs incurred for
7 custodial services *shall* be a direct charge to Investment Income. The custodian
8 *shall* hold all assets for the account of the Government of Guam Retirement Fund
9 and *shall* act *only* upon the instructions of the Board, its *ex-officio* director or a
10 member, committee or agent so authorized by the Board. No custodian shall be
11 engaged unless it:

12 (a) has been continuously engaged in rendering custody services for
13 a period of ten (10) or more years; and

14 (b) is organized under the laws of the United States or a state or
15 territory thereof; and

16 (c) has Tier 1 capital in excess of One Billion Dollars
17 (\$1,000,000,000) ~~in any rolling 12-month period~~; and

18 (d) is a member of the Federal Reserve System whose deposits are
19 insured by the Federal Deposit Insurance Corporation or any successor
20 thereto; or

21 (e) notwithstanding any of the above, any locally chartered bank
22 may be a custodian of the Retirement Fund.”

23 **Section 3.** Section 8145, Article 1, Chapter 8, Title 4 of the Guam Code
24 Annotated, amended by Public Law No. 32-086 is hereby further amended to read:

25 “§ 8145. **Investment Agent.**

1 (a) In order to secure expert advice and counsel, the Board may
2 engage an investment agent to serve as investment counsel which shall be
3 either an investment counsel or a bank trust department as hereinafter
4 qualified; and one or more Investment Agents to serve as investment
5 manager(s) to manage asset classes identified by the Board upon the
6 recommendation of investment counsel. All costs incurred in this connection
7 shall be a direct charge to Investment Income.

8 (b) No person, firm or corporation shall be eligible for employment
9 as investment counsel which acts as principal for its own account or as broker
10 for a client other than the Fund in connection with the sale of any security to
11 or the purchase of any security from the Fund.

12 (c) No investment agent shall be engaged *unless*:

13 (1) the principal business of the person, firm or corporation
14 selected by the Board consists of rendering investment supervisory
15 services, that is, the giving of continuous advice as to the investment of
16 Funds on the basis of the individual needs of each client; and

17 (2) the principal ownership or control of such person, firm or
18 corporation rests with individuals who are actively engaged in such
19 business; and

20 (3) such person, firm or corporation and its predecessors have
21 been continuously engaged in such business for a period of ten (10) or
22 more years; and

23 (4) such person, firm or corporation is registered as an
24 investment adviser under the laws of the United States of America as
25 from time to time in effect; and ~~is in good standing with the Financial~~

1 ~~Industry Regulatory Authority (FINRA) and the Security and~~
2 ~~Exchange Commission (SEC) on a continuous and ongoing basis; and~~

3 (5) the contract between the Board and the investment agent
4 is of no specific duration and is voidable at any time by either party;
5 and

6 (6) such person, firm or corporation certifies in writing, to the
7 Board, that the assets under its direct investment supervision are in
8 excess of One Billion Dollars (\$1,000,000,000) ~~in any rolling 12~~
9 ~~month period.~~

10 (d) The Board shall not engage a bank trust department *unless* it:

11 (1) certifies in writing, to the Board, that the assets under its
12 direct investment supervision are in excess of One Billion Dollars
13 (\$1,000,000,000) ~~in any rolling 12 month period~~; and

14 (2) has been, together with its predecessors, continuously
15 engaged in supervising investments for a period of ten (10) or more
16 years; and

17 (3) is organized under the laws of the United States or a state
18 or territory thereof; and

19 (4) has Tier 1 capital in excess of One Billion Dollars
20 (\$1,000,000,000) ~~in any rolling 12 month period~~; and

21 (5) is a member of the Federal Reserve System whose
22 deposits are insured by the Federal Deposit Insurance Corporation or
23 any successor thereto.

24 (e) The Board or its designee under § 8143(a), shall establish and
25 may from time to time change operating arrangements with the Investment

1 Agent in order to facilitate efficient management and timely investment
2 action.

3 (f) *No investment shall be made unless in the opinion of the*
4 *Investment Agent it is an appropriate investment for the Fund and is an*
5 *authorized investment under §§ 8143 through § 8159, inclusive, or in the*
6 *absence of such opinion, unless preceded by a resolution of the Board*
7 *directing the investment.”*

8 **Section 4.** Section 8149, Article 1, Chapter 8, Title 4 of the Guam Code
9 Annotated, amended by Public Law No. 32-086 is hereby further amended to read:

10 “§ 8149. Same: Bank Deposits; Other Cash Equivalents.

11 (a) Interest-bearing time deposits, demand deposits, and cash sweep
12 deposit accounts in banks organized under the laws of the United States or
13 any state or territory thereof, provided that said bank:

14 (1) has Tier 1 capital in excess of One Billion Dollars
15 (\$1,000,000,000) ~~in any rolling 12 month period~~; and

16 (2) is a member of the Federal Reserve System; and

17 (3) together with any predecessors, have been conducting a
18 banking business for a continuous period of ten (10) or more years; or

19 (4) any bank or savings and loan association chartered in
20 Guam and a member of the Federal Deposit Insurance Corporation or
21 the Federal Home Loan Bank System.

22 (b) Cash equivalents purchased in investment funds authorized
23 under Section 8158 or in exchange-traded funds authorized under Section
24 8158.1; in amounts and for durations approved by the Board in connection
25 with the management of uninvested cash balances; such purchases *shall be*
26 *excluded from limitations of § 8158(e) and § 8158.1(b).”*

1 **Section 5.** Effective Date. This Act shall become effective retroactively to
2 the enactment date of Public Law No. 32-86, November 27, 2013.

3 **Section 6.** Severability. If any provision of this Act or its application to any
4 person or circumstance is held invalid, the invalidity shall not affect any other
5 provision or applications of this Act which can be given effect without the invalid
6 provision or application, and to this end the provisions of the Act are severable.