



Felix P. Camacho
Governor

Michael W. Cruz, M.D.
Lieutenant Governor

Paula M. Blas
Director

Trustees

Joe T. San Agustin
Chairman

Wilfred P. Leon Guerrero, Ed.D.
Vice-Chairman
Investment Committee, Chairman

James J. Taylor, Ph.D.
Secretary
Investment Committee, Vice-Chairman

Gerard A. Cruz
Treasurer
Audit & Operations Committee,
Chairman

George A. Santos
Members' & Benefits Committee,
Chairman

Katherine T.E. Taitano
Trustee

Antolina S. Leon Guerrero
Trustee

INVESTMENT COMMITTEE MEETING
DEFINED BENEFIT PLAN
Friday, July 11, 2008, 12:00pm
Retirement Fund Conference Room

MINUTES

I. CALL TO ORDER

The Retirement Fund Investment Committee meeting was called to order at 12:25pm on Friday, July 11, 2008, in the Retirement Fund Conference Room. Investment Committee Chairman Wilfred Leon Guerrero officiated.

Board of Trustees Present:

Wilfred Leon Guerrero, Chairman
Gerry Cruz, Member

Staff Present:

Paula M. Blas, Director
Diana Bernardo, Controller
Stephanie Herrera, Recording Secretary

II. ACTION ITEMS

1. Approval of Minutes – June 13, 2008

A motion was made by Committee Member Cruz, to approve the minutes of June 13, 2008, subject to correction. Without objection, the motion was passed.

III. OPEN ITEMS

1. Contracts Pending

As reported by Director Blas:

a. Custodial Bank Services

The custodial agreement for Northern Trust is ready to be signed. For the securities lending agreement, the collateral options that Northern Trust is requesting the Fund to make a selection from needs clarification from a legal standpoint because of Guam being a US Territory and not a state. Their legal counsel and the Fund's legal counsel are verifying if the options are ok to use as collateral. Director Blas indicated that she requested for Northern Trust to provide 4 types of collateral options in the event the Fund can participate in any of them. She added that the custodial agreement doesn't have to be linked to signing the securities lending agreement at this time. However the Fund needs to make sure that they can enter into a securities lending program. The target date for conversion is October 1, 2008.

b. REITS – Real Estate Investment Trusts

1. Cornerstone RE Advisers

The contract for Cornerstone has been forwarded to legal counsel for signature.

2. Security Capital Research Mgmt

The contract is pending.

c. U.S. Domestic Small Cap Core Equity

1. Thomson Horstmann Bryant (THB)

The contract for THB has been signed and they are ready to be funded.

d. U.S. Domestic Core Fixed Income

1. Income Research Management (IRM)

The contract for IRM has been signed and they are ready to be funded.

2. Davis Hamilton

The contract for Davis has been signed and the account will be set up next week. Once IRM and Davis are ready, the Fund will terminate Aberdeen and allocate the funds to the 2 managers.

e. U.S. Domestic Large Cap Growth Equity

- 1. INTECH**
- 2. Winslow Capital**

Both contracts are pending.

2. Proxy Voting RFP

The RFP is pending a decision.

3. Exchange Traded Funds – Bill 283

Bill 283 is at the Governor's Office awaiting signature.

IV. NEW BUSINESS

1. Draft Proxy Voting Policy

The draft guidelines were provided to the committee for review. Because there is no policy in place right now, the managers use the IPS as a guide and vote in compliance with the IPS. If the Fund decides to go with a 3rd party, the managers would still be sending proxy voting research papers to the Fund for review on how to vote. Director Blas indicated that she has requested for General Accounting Supervisor Bordallo to check in the last year, how many proxy voting issues came up with the managers and how they voted on it to get a volume and quantify what the Fund is looking at. Committee Chairman Leon Guerrero stated that his concerns were to not have individual(s) who serve on multiple Boards. Director Blas stated that it is stated in the draft policy and the managers would be informed that they are to vote in compliance with the policy, once in place. Relative to the proposal for the Proxy Voting RFP Committee Chairman Leon Guerrero requested that a meeting be scheduled to discuss the proposal submitted for the RFP.

2. Enhanced Indexing

3. Enhanced Yield

Information on enhanced indexing and enhanced yield was provided to the committee for review. Committee Chairman Leon Guerrero stated that this custom indexing is what the Fund was doing when the Fund had the restriction on dividend paying stocks. Committee Member Cruz added that it is a custom index created using existing indexes and it is managed separately. The enhanced indexing could be a useful tool in determining what funds to not continue investing in. It was decided to request that Mercer give options on how to use enhanced indexing at the next meeting.

4. Accomplishments and Challenges (2004-2007)

Item was added to the agenda. Committee Chairman Leon Guerrero indicated that the Fund Chairman requested that the Investment Committee do a review of accomplishments and challenges. He made a list of items done including an asset allocation change, revisiting the contracts and relationships with all managers with the exception of the investment consultant, strengthening the due diligence by hiring BLBG, hiring a consultant for the DC Plan, and change in managers and investment laws. Pending items discussed were the change in investment consultant for the DB Plan, the disposal of the Fund's assets how to shorten the procurement process, and possibly setting up a health care and savings account for the retirees.

V. INFORMATIONAL ITEMS

1. Asset Allocation Summary

An asset allocation summary was provided to the Committee for informational purposes.

2. Investment Summaries By Manager

Investment summaries by manager were provided to the Committee for informational purposes.

3. Investment – Fee and Income Summaries

Investment fees and income summaries by manager were provided to the Committee for informational purposes.

4. Securities Concentration Report

The securities concentration report was provided to the Committee for informational purposes

VI. OPEN DISCUSSION

VII. CORRESPONDENCE

None.

VIII. ANNOUNCEMENTS

None.

IX. ADJOURNMENT

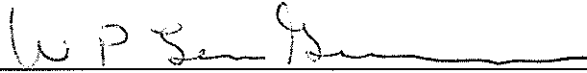
There being no further business before the Investment Committee, Committee Chairman Leon Guerrero, seconded by Committee Member Cruz moved to adjourn the meeting at 2:00pm.

Respectfully submitted,



STEPHANIE A. HERRERA
Recording Secretary

AFFIRMED:



Wilfred Leon Guerrero, Chairman