

GOVERNMENT OF GUAM
RETIREMENT FUND
 STABILITY · SECURITY · REWARDS

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

Antolina S. Leon Guerrero
 Secretary

Gerard A. Cruz
 Treasurer
 Audit & Operations Committee,
 Chairman

George A. Santos
 Members' & Benefits Committee,
 Chairman

Katherine T.E. Taitano
 Trustee

Wilfred G. Aflague
 Trustee

**INVESTMENT COMMITTEE MEETING
 DEFINED BENEFIT PLAN**

Friday, October 16, 2009, 12:00pm
 Retirement Fund Conference Room

MINUTES

I. CALL TO ORDER

The Retirement Fund Investment Committee meeting was called to order at 12:35pm on Friday, October 16, 2009, in the Retirement Fund Conference Room. Investment Committee Chairman Leon Guerrero officiated.

Board of Trustees Present:

Wilfred Leon Guerrero, Chairman
 Gerry Cruz, Member
 Wilfred Aflague, Member
 Joe T. San Agustin, Ex-Officio

Staff Present:

Paula Blas, Director
 Diana Bernardo, Controller
 Rosie Bordallo, General Accounting Supervisor
 Stephanie Herrera, Recording Secretary

II. ACTION ITEMS

1. Approval of Minutes – September 11, 2009

A motion was made by Committee Member Cruz, seconded by Committee Member Aflague to approve the minutes of September 11, 2009, subject to correction. Without objection, the motion was passed.

III. OPEN ITEMS

1. Funding of the Following Managers:

a. U.S. Domestic Small Cap

- **Thomsom Hortsmann & Bryant (THB) – Partially Funded**
- **Mandate Also Partially Funded via Exchange Traded Funds (ETF)**

b. REITS – Security Capital and Cornerstone Partially Funded

Both items a. and b. remain open items and will be discussed during the December 16 and 17, 2009 Quarterly Meetings with Terry Dennison of Mercer Investment Consulting, Inc.

2. Securities Lending

General Accounting Supervisor indicated that a request was made to Northern Trust to provide another analysis which was requested by the Committee at the last meeting. Controller Bernardo stated that she received an email from Northern Trust indicating that they are working on it.

3. Investment Committee Goals & Objectives

A list of goals and objectives for the Committee to accomplish over the next 5 years based on what was discussed at prior meetings was provided to the Committee for review. The Committee had concerns of the staff involved in overseeing the investments section and Committee Chairman Leon Guerrero had requested for Controller Bernardo to obtain literature on positions that exist in other retirement plans, which she provided to the Committee to review. Currently there is no Chief Investment Officer employed at the Fund and no investment staff, however the Controller's position does include investments. Another concern of the Committee was that the Fund currently relies heavily on the Investment Consultant.

Committee Member Cruz suggested that the Fund come up with an organizational chart that would make sense given the resources and the complications of the Fund's accounting and investments department given the understanding that the Committee would like to see staff dedicated to investments, not necessarily making trades, but to be able to understand the portfolio. Committee Chairman Leon Guerrero suggested that the Fund come up with a time table in terms of making recommendations as per the Committee's discussions. A target date of 2nd quarter March 2010 has been set for a proposed staffing pattern to be reviewed at the Committee level and be submitted to the Board.

Committee Chairman Leon Guerrero inquired as to the status of the Members and Benefits Committee's 5 year plan because there are issues that relate to benefits that need to be addressed. Director Blas indicated she will follow up with M&B Committee Member George Santos.

IV. New Business

Amendment to 4GCA, Section 8154 – Investments in Fixed Income

Director Blas provided a draft bill, amending Section 8154, to the Committee for review. The bill deals with U.S. domestic bonds to be able to allow for any type of securities that are currently held in the Barclays Capital U.S. Aggregate Bond Index to be invested under the statute. She stated that the bill makes reference to the Barclays Index in terms of Legislative intent; however it does not specifically state the Barclays Index, it states an index eligible security. The Fund currently uses the Barclays Index as their benchmark; if the index changes, the Fund would still be allowed to invest in it.

Director Blas indicated that the law is still permissive in that it states exactly what the Fund can invest in. What the Fund is indicating is what it can invest in, which are the bonds that are listed under the Barclays Index; therefore, anything that is included in the index is investment grade and would be allowed.

Section A of 8154 deals strictly with U.S. domestic, Section B deals with foreign bonds. The amendment was tailored at the request of the Fund Chairman at the last Board meeting. He indicated that he wanted to address the issue with the CMO's and the CMBS's.

General Accounting Supervisor Bordallo added that if the index is used as to what the Fund is allowed to invest in, the index should only have high grade bonds and if something new comes into play then it would be allowed; if it is a good type of investment, it will ultimately get into the index. What's currently in the index is what the Fund is allowed to invest in. The proposed amendment offers more flexibility than what the Fund currently has.

The Committee inquired as to whether or not the Fund can use portfolio assets to construct a building. Director Blas indicated that the Fund's Legal Counsel is currently looking into it and stated that Legislative approval would be required to lease a Government owned building space.

The Committee decided to hold off on the amendment to 4GCA, of Section 8154, pending clarification from Legal Counsel regarding the construction and lease of a building for income purposes.

V. INFORMATIONAL ITEMS

1. Asset Allocation Summaries

Asset allocation summary statements were provided to the Committee for review and informational purposes.

2. Income Summary

An income summary report was provided to the Committee for review and informational purposes.

VI. OPEN DISCUSSION

Agenda for the Quarter Ended 9/30/09 Performance Meetings

The quarterly performance meetings have been scheduled for Wednesday, December 16, 2009 and Thursday, December 17, 2009 beginning at 9am. The Board meeting is scheduled for Friday, December 18, 2009 at 12noon.

VII. CORRESPONDENCE

None.

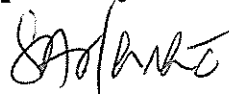
VIII. ANNOUNCEMENTS

None.

IX. ADJOURNMENT

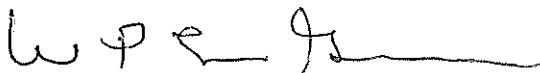
There being no further business before the Investment Committee, Committee Chairman Leon Guerrero, moved to adjourn the meeting at 2:05pm.

Respectfully submitted,



STEPHANIE A. HERRERA
Recording Secretary

AFFIRMED:



Wilfred Leon Guerrero, Chairman