

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, July 9, 2010, 12:00pm
Retirement Fund Conference Room

MINUTES

I. CALL TO ORDER

The Retirement Fund Investment Committee meeting was called to order at 12:15pm on Friday, July 9, 2010, in the Retirement Fund Conference Room. Investment Committee Acting Chairman Cruz officiated.

Board of Trustees Present:

Gerard A. Cruz, Acting Chairman
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:

- a. June 11, 2010 – Investment Committee Meeting
- b. December 16 and 17, 2009 – Due Diligence Meeting (Qtr Ended 9/30/09)
- c. March 24 & 25, 2010 – Investment Committee Meeting/Due Diligence Meeting (Qtr Ended 12/31/09)
- d. May 27, 2010– Due Diligence Meeting (Qtr Ended 3/31/10)

A motion was made by Committee Member Aflague, seconded by Acting Committee Chairman Cruz to approve the minutes of June 11, 2010 and December 16 & 17, 2009 subject to correction and to table the March 24 & 25, 2010 and May 27, 2010 minutes. Without objection, the motion was passed.

III. OPEN ITEMS

1. Request for Proposal - International Large Cap Equity Manager

Director Blas stated that the interviews were conducted on July 7th & 8th and the selection panel will submit their recommendations to the Board at the next Board Meeting.

2. Investment Committee 5 Year Plan

Item 3: Acting Committee Chairman Cruz suggested having the Custodian Bank do their annual review in August 2010 during the next Due Diligence Meetings. Acting Committee Chairman Cruz also suggested having the Investment Policy Statement be on review, to have it done in August when Terry Dennison, Mercer Investment Consulting, Inc. is here, keeping it synonymous with the Asset Allocation Policy. He stated that within the international mandate, the Fund has approximately \$50 million with an ETF, but once the new manager is hired, those funds will be split and once that is done, the Fund will be complete with all managers. The Fund has on tap funding 2 managers who have been approved in the Small Cap Domestic.

Items 4 -8: Director Blas indicated that the Investment Statute is reviewed on a monthly basis by the Investment Committee as things start to reveal themselves. She also indicated that the actuarial rate of return right now is at 7% and there are no recommendations from Mercer to adjust it. Acting Committee Chairman Cruz stated that Mercer can calculate, based on the Fund's strategic allocation, what the expected return should be and suggested, in preparation for review of the asset allocation, giving Terry Dennison, Mercer Investment Consulting, Inc. advance notice stating that the Fund would be looking for the expected return of the Fund's existing strategic allocation, if it has changed. He added that if the Committee has the expected return of the Fund's existing strategic allocation, it can be compared to Richard Wright, Milliman, Inc. already published actuarial rate of return, the Committee can determine whether it needs to change one or the other. Director Blas added that a request could be made to Terry Dennison, Mercer Investment Consulting, Inc., to provide an updated expected rate of return.

Item 9: It was decided by the Committee to revisit investment related contracts over 5 years old in August 2010. Acting Committee Chairman

Cruz suggested coming up with a check list of items including scope and best practices in the industries that are not currently in the contract, that the Committee could ask the Investment Consultant.

Item. 10: Director Blas indicated that the Fund is working with Department of Public Works on the RFP for the Architect & Engineering for the feasibility study for a new building.

Item 11. c.: Director Blas stated that now that the Hay Study was completed, the Department of Administration is working on the details of how it is to be implemented which will be completed in August 2010. She added that it has already been adopted by the Governor and needs to be adopted by the Legislature.

Item 12: Director Blas stated that there are advantages and disadvantages of pursuing autonomy and the Fund's concern is it's position depends on the Legislature. Board Chairman San Agustin indicated that is establishing a Trustee relationship. Director Blas added that in order to formalize that Trustee relationship, it has to be signed by all the parties, including the Governor, the Legislature and the Retirement Fund Board.

IV. NEW BUSINESS

None.

V. INFORMATIONAL ITEMS

1. Securities Lending – Update from Northern Trust

The Fund received an email from Northern Trust responding to their questions on securities lending and potential income, providing two options for review and discussion by the Committee. This item was deferred for discussion with Terry Dennison, Mercer Investment Consulting, Inc. during the August 26, 2010 Due Diligence Meeting.

2. Bernstein 6/22/10 Ltr

A letter from Bernstein Litowitz Berger & Grossman LLP was addressed to the Board Chairman providing a list of settled securities class action cases. In their letter they indicated that they will be providing an update of their Securities Litigation to include the first and second quarters of 2010, which will be mailed in mid-July 2010. General Accounting Supervisor Bordallo stated that the Fund does not have a loss to the assets with some of the companies listed at this time and so the Fund would not receive any money.

3. Asset Allocation Summaries

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

4. Income Summary

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

5. Next Quarterly Performance Meetings – August 26 and 27, 2010

The Quarterly Performance Meetings are scheduled for August 26 and 27, 2010.

VI. OPEN DISCUSSION

None.

VII. CORRESPONDENCE

None.

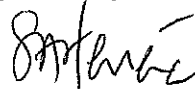
VIII. ANNOUNCEMENTS

None.

IX. ADJOURNMENT

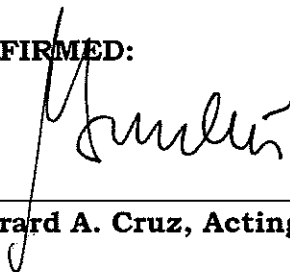
There being no further business before the Investment Committee, Committee Acting Chairman Cruz, moved to adjourn the meeting at 1:15pm.

Respectfully submitted,



STEPHANIE A. HERRERA
Recording Secretary

AFFIRMED:



Gerard A. Cruz, Acting Chairman