


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

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 CONTRIBUTION PLAN**

Friday, August 31, 2007, 12:00pm
Retirement Fund Conference Room

MINUTES

I. CALL TO ORDER

The Retirement Fund Investment Committee meeting was called to order at 12:35 pm on Friday, August 31, 2007, in the Retirement Fund Conference Room. Investment Committee Chairman Wilfred Leon Guerrero officiated.

Board of Trustees Present:

Wilfred Leon Guerrero, Chairman
Gerard A. Cruz, Member
James Taylor, Member
Joe T. San Agustin, Ex-Officio

Staff Present:

Paula M. Blas, Director
Rosie Bordallo, General Accounting Supervisor
Stephanie Herrera, Recording Secretary

II. ACTION ITEMS

1. Approval of Minutes – July 27, 2007

A motion was made by Committee Member Cruz, seconded by Committee Chairman Leon Guerrero to approve the minutes of June 27, 2007, subjected to correction. Without objection, the motion was passed.

III. OPEN ITEMS

1. Proxy Voting RFP - Pending

Director Blas stated that Controller Diana Bernardo is still working on the draft for the RFP for Proxy Voting.

IV. NEW BUSINESS

1. Franklin Templeton 8/21/07 Letter

A letter was addressed to the Fund's Chairman from Franklin Templeton advising the Fund that the corporate bond Residential Capital, a lender for subprime loans, has fallen below the minimum credit quality requirements of the Fund. General Accounting Supervisor provided the current price (as of today's date) and indicated that the current value is the market value and the current price is the book (original) value. The 3 bonds were purchased within the last 6 months. She reported that for the first bond, the units were 1.255 and purchased at 1.296, with a current market value of \$897,000. She also stated that this bond will not mature until 6/30/2015 and the Fund is facing a paper loss of \$399,000. Interest for the bonds is earned on a semi-annually basis and General Accounting Supervisor reported that for the first 2 bonds, interest in the amount of \$25,000 and \$16,000 was received. The recommendation from Franklin Templeton is to hold on to the bond and as indicated in their letter, they will monitor it and report to the Fund on a bi-weekly basis. Committee Member Cruz made a recommendation to obtain more information, to have an analysis done on the bonds by both from Franklin Templeton and Mercer and to advise Franklin Templeton that a decision will be subject to receipt of the analysis on the bonds. Committee Member Taylor recommended not to make a decision, but agreed that information should be requested. General Accounting Supervisor Bordallo indicated that Franklin Templeton has full discretion on the assets and the Fund has the right to tell them to sell, because the bond fell short, it was their obligation to inform the Fund. She agreed that she would not recommend advising Franklin Templeton on a decision of what to do with the bonds. Director Blas added that the Fund should address Franklin Templeton and cite the law, stating that they are to inform the Fund of the status and take the position that it is their decision. It was also recommended to request that Mercer advise the Fund on the position of Residential Capital as a company. General Accounting Supervisor also suggested inquiring from Aberdeen Asset Management about their portfolio because they also hold Residential Capital.

V. INFORMATIONAL ITEMS

1. Bernstein's 8/01/07 Report

General Accounting Supervisor Bordallo indicated that the Fund does not have anything to file at this time because the Fund does not hold any of the companies listed in its portfolio.

2. Investment Fee and Income Summary

A fee and income summary was provided for review and discussion. The report shows instances where one manager sells holdings and another manager is purchasing the same holdings. Committee Chairman recommended addressing Mercer on situations where one manager is selling a stock or bond and another manager is purchasing the same stock or bond. General Accounting Supervisor Bordallo indicated the Fund could ask Mercer to advise them on how to handle those situations.

3. Investment Summaries by Manager

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

VI. OPEN DISCUSSION

1. Schedule for 9/30/07 Quarterly Performance Meeting

It was decided to move the Board meeting to November 16, 2007 and schedule the Quarterly Performance Meetings for November 14, 15 and 16, 2007.

2. Schedule for Annual Review of Domestic Equity Managers

None. ?

VII. CORRESPONDENCE

- 1. From Mercer – “Turmoil in the Credit (and other) Markets”**
- 2. From Capital International, Inc. – “The Market Crisis in Context”**
- 3. From Custodian – “Capital International”**

Committee Chairman Leon Guerrero indicated that initially, FHB informed the Fund that they had a problem with the way Capital International was handling the Custodian and that FHB stated they do not have custody over stocks and bonds, but have custody over units. Fund Chairman San Agustin explained that that Capital International wants to maintain a consul that they can dictate how the funds are distributed, they do not want to go through a Custodian. Committee Chairman recommended obtaining an opinion from the Fund’s legal counsel regarding this issue.

VIII. ANNOUNCEMENTS

None.

IX. ADJOURNMENT

There being no further business before the Investment Committee, Committee Chairman Leon Guerrero adjourned the meeting at 2:20pm.

Respectfully submitted,



STEPHANIE A. HERRERA
Recording Secretary

AFFIRMED:



Wilfred Leon Guerrero, Chairman