


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 BENEFIT PLAN**

Friday, November 30, 2007, 1:00pm
Retirement Fund Conference Room

MINUTES

I. CALL TO ORDER

The Retirement Fund Investment Committee meeting was called to order at 1:30pm on Friday, November 30, 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

Staff Present:

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

II. ACTION ITEMS

1. Approval of Minutes – November 15, 2007

A motion was made by Committee Chairman Leon Guerrero, seconded by Committee Member Cruz to approve the minutes of November 15, 2007, subject to correction. Without objection, the motion was passed.

III. OPEN ITEMS

1. RFP's Pending

As reported by Director Blas:

a. Custodial Bank Services

According to the Chairman, the selection panel will be ready to make a decision at the next Board Meeting on December 14, 2007.

b. REITS – Real Estate Investment Trusts

The selection panel will meet with the 3 firms on February 6, 2008.

c. U.S. Domestic Small Cap Core Equity

Director Blas stated that she is waiting for Dr. Taylor's analysis, who is meeting today with Committee Member Cruz.

d. U.S. Domestic Core Fixed Income

The selection panel will meet with 9 firms on January 15, 17, 18, 2008.

e. U.S. Domestic Large Cap Growth Equity

Item pending.

f. U.S. Domestic Large Cap Value Equity

The selection panel will meet with 3 firms on December 5, 2007. Committee Member Cruz stated that the selection panel can bring a recommendation for a selection to the December 14, 2007 Board Meeting.

IV. NEW BUSINESS

1. Draft Bill – “Exchange Traded Funds”

Committee Member Cruz stated that during a discussion with Joanne Grimes, Legal Counsel, while she was on Guam last month and prior discussion with Terry Dennison, Mercer, there was a discussion about exchange traded funds and using that as a vehicle for a number of things, one which was to get the same exposure in certain mandates if the Fund had to move funds out of a particular manager. He indicated that Legal Counsel stated that there isn't a particular section of law that would allow the Fund to invest in exchange traded funds and recommended adding this piece of legislation so that it is explicit that the Fund has the authority to invest in exchange traded funds. Instead of amending the statute, Legal Counsel has added a section in the draft provided to the Committee. Director Blas added that this could also be a way

of providing a solution for the transition if the Fund wanted to move or terminated an old manager and is in search of a new manager, the assets of the old manager could be moved into this. Committee Member Taylor suggested removing the portion in the header which states a percentage. Director Blas stated that she will confirm with Legal Counsel if it would be in conflict to remove the percentage and leave it up to the discretion of the Board.

V. INFORMATIONAL ITEMS

1. Mercers' – 4th Qtr 9/30/07 Defined Benefit – Performance Flash Report

The policy doesn't include REITs which was adopted November 2006. Committee Member Cruz stated that although the Fund is not funded on some of the mandates, it should be included in the policy. Based on this report, the Fund is significantly underweighted in fixed income, which is not the case. Controller Bernardo stated that Mercer could be asked to change the policy section of the performance report. In the report (provided by the Fund), the total manager portfolio is at market value, not cost. General Accounting Supervisor Bordallo stated that the asset allocation summary report (provided by the Fund) mimics what Mercer has recommend, the asset allocation is at market; however the law states that it can't go above a certain percentage at cost. She verified that with the cost numbers, it is still in compliance with the law; however the report only shows compliance with asset allocation. Committee Chairman Leon Guerrero requested for a report that shows cost which General Accounting Supervisor Bordallo will can prepare and add into the report. Committee Chairman Leon Guerrero requested that Management issue a letter to Mercer about not being present for the due diligence meetings and the fact that their performance flash report came in after those meetings.

2. Bernstein's 8/01/07 Report

Controller Bernardo indicated that there were no claims filed.

3. Investments – Fee and Income Summaries

A fee and income summary was provided to the Committee for information purposes.

4. Investment Summaries By Manager

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

5. Asset Allocation Summary

Item reviewed with Item V. 1.

VI. OPEN DISCUSSION

Director Blas indicated that the RFP for Proxy Voting will be posted online and issued on December 20, 2007. A motion was made by Committee Chairman Leon Guerrero, seconded by Committee Member Cruz to establish a committee for Proxy Voting to be recommended to the Board as himself, the Fund Chairman and Director Blas on the committee.

VII. CORRESPONDENCE

1. Davis Hamilton – 11/19/07 Letter Re: “SubPrime Exposure”

A letter was issued by Davis Hamilton indicating that they are not affected by subprime exposure.

2. RCM – 11/27/07 Letter RE: “Effects of Financial Sector Volatility”

Item was not discussed.

VIII. ANNOUNCEMENTS

None.

IX. ADJOURNMENT

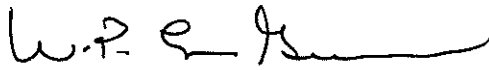
There being no further business before the Investment Committee, Committee Chairman Leon Guerrero adjourned the meeting at 2:30pm.

Respectfully submitted,



**STEPHANIE A. HERRERA
Recording Secretary**

AFFIRMED:



Wilfred Leon Guerrero, Chairman