



GOVERNMENT OF GUAM  
**RETIREMENT FUND**  
 STABILITY · SECURITY · REWARDS

**Felix P. Camacho**  
 Governor

**Michael W. Cruz, M.D.**  
 Lieutenant Governor

**Paula M. Blas**  
 Director

**BOARD OF TRUSTEES**  
**Reconvened Regular Meeting**  
 Friday, March 6, 2009, 12:00 p.m.  
 Retirement Fund Conference Room

*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

**MINUTES**

**DEFINED CONTRIBUTIONS**

**I. ATTENDANCE, QUORUM, AND CALL TO ORDER**

After determining a quorum was present, the Retirement Fund Board of Trustees Regular Meeting for the Defined Contribution Plan reconvened at 12:38 p.m. Friday, March 6, 2009, in the Retirement Fund Conference Room. Chairman Joe T. San Agustin officiated.

**Board of Trustees Present:**

Joe T. San Agustin, Chairman  
 Wilfred P. Leon Guerrero, Vice-Chairman  
 Gerard A. Cruz, Treasurer  
 James J. Taylor, Secretary  
 Katherine T.E. Taitano, Trustee  
 Antolina S. Leon Guerrero, Trustee

**Board of Trustees Absent:**

George A. Santos, Trustee

**Staff Present:**

Paula Blas, Director  
 Diana Bernardo, Controller  
 Rosalia Bordallo, General Accounting Supervisor  
 Jackie Blas, Recording Secretary  
 Mike Perez, Great-West Retirement Services

**Public Present:**

Terry Dennison, Mercer Investment Consulting, Inc.

## II. INVESTMENT COMMITTEE REPORT

Vice-Chairman Wilfred Leon Guerrero reported that the Investment Committee meeting was held on February 13, 2009. The Committee reviewed and approved the Investment Committee Minutes of January 9, 2009.

Vice-Chairman Leon Guerrero also reported that the Investment Committee held its performance review for the quarter ending December 31, 2009 with Mercer Investment Consulting, Inc.

Vice-Chairman Leon Guerrero stated that there are two items for the Board's action from the performance review.

**1. Replacement of American Bond Funds of America** - Vice-Chairman Leon Guerrero stated that Terry Dennison of Mercer Investment Consulting, Inc. (Mercer) recommended that the Board should consider replacing the American Bond Funds of America due to continued poor performance. Vice-Chairman Leon Guerrero stated that the Investment Committee supports Mr. Dennison's recommendation. Mr. Dennison stated that his recommendation is to replace American Bond Funds of America and then for Mercer to perform a search for a replacement manager. Mr. Dennison stated that when a replacement is made, it will rollover. Chairman San Agustin asked whether the participants will be informed. Mr. Dennison replied, "Yes." Mr. Dennison stated that the search should be within one month. Mike Perez of Great-West Retirement Services (Great-West) stated that he will notify the participants when the changes are made.

**Treasurer Gerard Cruz, seconded by Secretary James Taylor, moved to accept Mercer Investment Consulting, Inc.'s recommendation to replace American Bond Funds of America and to begin search for a replacement. Without objection, the motion passed.**

**2. Replacement of BlackRock Aurora Fund** - Vice-Chairman Leon Guerrero stated that Mr. Dennison provided an overview of the possible replacements for the BlackRock Aurora Fund. Vice-Chairman Leon Guerrero stated that the Investment Committee is recommending replacing the BlackRock Aurora Fund with the Champlain Investments Partners Fund. Vice-Chairman Leon Guerrero stated that Mr. Dennison indicated that Champlain does well in all market environments. Mr. Dennison stated that the following five candidates have been identified to replace BlackRock Fund Aurora:

- a. Champlain Investments Partners
- b. Dimensional Fund Advisors
- c. Atlanta Capital Management Company
- d. IronBridge Capital Management
- e. Jennison Associates

**Champlain Investments Partners (Champlain)** - Mr. Dennison stated that Champlain's investment process begins with the S&P 600 Index as a proxy for high-quality small cap securities. The firm seeks companies with attractive sector-specific factors.

Mr. Dennison stated that the investment team looks for consumer names with brand loyalty and “low fashion risk” for health care companies that have minimal exposure to government payers, technology firms must not have a significant risk of obsolescence, industrial companies should be innovators and/or problem solvers, and financials should be diversified beyond typical “spread” businesses. Mr. Dennison stated that Champlain is rated very highly.

**Dimensional Fund Advisors (DFA)** - Mr. Dennison stated that DFA are patient traders. Mr. Dennison stated that trading opportunities for all stocks are monitored and must be favorable before purchase. Mr. Dennison stated that DFA’s research supports the firm’s belief that small companies provide higher long-term returns than larger companies, and also provide greater diversification benefits. The Small Cap Strategy’s goal is to capture the returns of the small company asset class.

**Atlanta Capital Management Co. (Atlanta)** - Mr. Dennison stated that Atlanta has lower quality stocks which lead the market. Mr. Dennison stated that DFA is very much quality oriented. Mr. Dennison stated that Atlanta believes that applying independent fundamental research and investing in high-quality companies that are trading at reasonable valuations will generate attractive risk-adjusted rates of return over full market cycles. Mr. Dennison stated that due to Atlanta’s conservative, risk controlled investment process and focus on higher quality, more established names, we expect the strategy to underperform in speculative markets or when only a few industries or sectors dominate the market.

**IronBridge Capital Management (IronBridge)** - Mr. Dennison stated that IronBridge believes that superior investment returns are achieved by owning companies that can deliver cash flow return on investment that is greater than its cost of capital, and which is not reflected in the current stock price.

**Jennison Associates (Jennison)** – Mr. Dennison stated that Jennison’s strategy focuses on the companies that it believes are most likely to produce superior investment performance over the intermediate-to-longer term.

Mr. Dennison provided a comparison of performance over three years:

Atlanta	-1.7	(2nd percentile)
Champlain	-1.3	(1st percentile)
DFA	-10.2	(49th percentile)
IronBridge	-7.1	(25th percentile)
Jennison	-8.7	(36th percentile)

Mr. Dennison stated that Champlain is strong on the first percentile and does well in all market environments. Mr. Dennison stated that Jennison is in the middle. Mr. Dennison stated that Jennison has been a strong performer. Mr. Dennison stated that Atlanta outperformed the down market and underperformed on the up market. Mr. Dennison stated that DFA has been sliding downward. Mr. Dennison stated that IronBridge is volatile.

Mr. Dennison provided an Up and Down Markets Performance Analysis:

	Up Market	Down Market	All Markets
Atlanta	44%	100%	69%
Champlain	67%	100%	81%
DFA	56%	29%	44%
IronBridge	67%	71%	69%
Jennison	67%	43%	56%

Mr. Dennison provided a Returns Consistency Analysis:

	Average Percentile Ranking	Benchmark
Atlanta	40%	69%
Champlain	29%	69%
DFA	54%	31%
IronBridge	41%	62%
Jennison	33%	69%

Mr. Dennison stated that he recommends Champlain as the replacement for the BlackRock Aurora Fund. Rosalia Bordallo, General Accounting Supervisor, inquired about Champlain's expense ratio being fairly high. Mr. Dennison stated that the returns are net of fees.

**Chairman Joe T. San Agustin, seconded by Treasurer Gerard Cruz, moved to accept Mercer Investment Consulting, Inc.'s recommendation of replacing the BlackRock Aurora Fund with the Champlain Investments Partners Fund. Without objection, the motion passed.**

Vice-Chairman Leon Guerrero requested that Great-West provide notice to the participants. Mr. Perez stated that he will provide sixty days notice. Director Blas stated that she will work with Mr. Perez on providing the notice to the participants.

**3. REITS Fund and Treasury Inflation Protected Securities Fund** – Mr. Dennison stated that although no action is required at this time, the Board should consider adding the following to the Defined Contribution Plan Portfolio sometime in the future:

- a. A REITS Fund
- b. A Treasury Inflation Protected Securities Fund

Mr. Dennison stated that with the inflation as low as it is, there is no advantage to a Treasury Inflation Protected Securities Fund. Mr. Dennison stated that, sometime down the road, the Retirement Fund would need to allow participants to defend themselves against potentially large increases in inflation. Mr. Dennison suggested adding a REITS fund. Mr. Dennison stated that we can not offer private equity and hedge funds because it needs to be valued daily. Mr. Dennison stated that we can not offer a fund that invests in private real estate because the value can not be appraised daily, but we could have a REITS fund because they have closing prices daily. Mr. Dennison stated that it is important that the Board be aware of what other funds are thinking about or what funds are being added.

4. **Hybrid Defined Benefit (DB)/Defined Contribution (DC) Plan** – Vice-Chairman Leon Guerrero stated that Mr. Dennison provided a discussion of the advantages and disadvantages of a Hybrid DB/DC Plan.

**III. OPEN DISCUSSION / GENERAL PUBLIC INPUT**

None

**IV. ANNOUNCEMENTS**

Vice-Chairman Leon Guerrero stated that the next Quarterly Performance Meeting is scheduled for May 28, and 29, 2009.

**V. ADJOURNMENT**

**There being no further business before the Board for the Defined Contribution Plan, on motion of Treasurer Gerard Cruz, seconded by Trustee Antolina Leon Guerrero, and without objection, the meeting was adjourned at 1:10 p.m. Motion passed.**

**I hereby certify that the foregoing is a full, true and correct copy of the Minutes of March 6, 2009 Reconvened Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on July 31, 2009.**



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**Antolina S. Leon Guerrero, Board Secretary**

**RECORDING SECRETARY:**



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**Jackie Blas**