



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

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Investment Committee, Chairman

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Wilfred G. Aflague  
Trustee

August 28, 2009

**To: Joe T. San Agustin, Board Chairman**  
**From: Wilfred Leon Guerrero, Investment Committee Chairman**  
**Subject: Investment Committee Meeting – August 27, 2009**

**Defined Benefit Plan**

On August 27, 2009, the Fund held its quarterly performance meeting for June 30, 2009.

In attendance were Trustees Gerard Cruz, Wilfred Aflague, Joe T. San Agustin, Katherine Taitano, Antolina Leon Guerrero, and I. Other attendees were Terry Dennison of Mercer Investment Consulting Inc., Doris Brooks from the Office of the Public Auditor, Paula Blas, Diana Bernardo and Rosalia Bordallo.

**The following were approved for Board Action:**

**1) Aberdeen \$700,000 Settlement Offer**

The Investment Committee discussed Aberdeen's Settlement Offer as noted in Blair Nicholas' August 26, 2009 email.

**Recommendation:**

The Committee recommends that the Fund accept Aberdeen's \$700,000 settlement offer for the three investment violations identified by Bernstein, noting that:

- i) The Fund's acceptance does not relieve Aberdeen from liability should other investment violations be identified.
- ii) The Fund will hold off on requiring that the three investments be sold by the current manager, pending a complete review of Aberdeen's holdings.
- iii) The \$700,000 will be used for current operations.

## 2) Thomson Horstmann & Bryant, Inc (THB)

Terry Dennison indicated that he discussed Mercer's concerns with THB and is willing to 1) partially fund THB at 40% of the mandate, 2) add more money to ETFs, or 3) perform a search for another manager.

**Recommendation:** The Committee recommends:

- i) Funding THB at 40% of the mandate, which is approximately \$45M. (This will be taken from the Domestic Large Cap Equity Mandates of Atalanta and Metropolitan West),
- ii) Not providing additional funding to the Exchange Traded Funds (ETFs) at this time, and
- iii) Performing a search for another Domestic Small Cap Equity Manager.

## 3) REITS

Terry Dennison recommended funding **Cornerstone** up to 50% of the mandate, and not providing further funding to **Security Capital** at this time due to their more aggressive investment style.

**Recommendation:** The Committee recommends accepting Terry's recommendation to:

- i.) Fund **Cornerstone** up to 50% of the mandate, which is approximately another \$12M.
- ii.) Not providing further funding to **Security Capital** at this time.

## **Informational Items:**

### 4) Capital International

After a lengthy discussion with Terry Dennison, the Committee agreed that no changes will be made to the funding and target allocations for Capital International at this time.

### 5) Metropolitan West 8/07/09 Letter

The Committee discussed Met West's August 7, 2009 letter with Terry Dennison, noting that although Met West's purchase of a 3% position in SLF (Fin's Select Sector Spdr) will not violate the investment guidelines/statutes, it is contrary to their Domestic Large Cap Equity Mandate.

Management will respond to Met West's letter accordingly.

### 6) Securities Lending

Based on discussions with Terry Dennison, the Board's decision to reinstate Securities Lending should be based on an analysis provided by Northern Trust. The analysis should summarize the costs and benefits to the Fund.

## 7) **Investment Committee Goals & Objectives**

The Goals & Objectives discussed during the 8/14/09 Investment Committee Mtg were discussed with Terry Dennison, noting the following:

1. Item 2a: Actuarial Rate of Return – will be revisited every 2 years.
2. Item 2b: Asset Allocation Policy – will be revisited yearly with a Study done every 3 years.
3. Item 3: Portfolio Rebalancing – will be done at every Quarterly Performance Mtg.
4. Item 4: Achieve Approved Actuarial Rate or Higher – will be reviewed yearly.
5. Item 6 was added: Annual Review of Investment Statutes.