



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, November 17, 2009, 12:00pm  
 Retirement Fund Conference Room

**MINUTES**

**I. CALL TO ORDER**

The Retirement Fund Investment Committee meeting was called to order at 12:20pm on Friday, November 17, 2009, in the Retirement Fund Conference Room. Investment Committee Chairman Leon Guerrero officiated.

**Board of Trustees Present:**

Wilfred Leon Guerrero, Chairman  
 Gerry Cruz, Member  
 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 – October 16, 2009**

A motion was made by Committee Chairman Leon Guerrero to approve the minutes of October 16, 2009, subject to correction. Without objection, the motion was passed.

### III. OPEN ITEMS

#### 1. Funding of the Following Managers:

##### a. U.S. Domestic Small Cap

###### - **Thomsom Hortsmann & Bryant (THB) – Partially Funded**

Controller Bernardo indicated THB is pending additional funding, if any and there is an RFP out for another Domestic Small Cap Manager. Director Blas stated that the RFP closed on November 9, 2009 with 30 submissions received and the Fund will open up those proposals on Thursday to establish the minimum qualifications and then it will then go to Mercer, who also included it on their data base so they can do an analysis.

###### - **Mandate Also Partially Funded via Exchange Traded Funds (ETF)**

##### b. REITS – Security Capital and Cornerstone Partially Funded

Controller Bernardo stated that the REITs managers have been partially funded with \$13.8million to Security Capital \$21.2million to Cornerstone and based on the current asset allocation, they can be funded by up to \$47million for Security Capital and \$71million for Cornerstone.

The Fund is not recommending any action for the above items at this time. All the above items remain open items and will be discussed during the December 16 and 17, 2009 Quarterly Meetings with Terry Dennison of Mercer Investment Consulting, Inc.

#### 2. Securities Lending

Controller Bernardo provided additional information received from Northern Trust, which was requested by the Committee on securities lending. In August, Mercer stated that the Fund needed an analysis in order to make a decision on securities lending and in June, Northern Trust provided an analysis; however it assumed there were no credit limits or borrower restrictions. General Accounting Supervisor Bordallo had sent Northern Trust a few questions, one of which being, "Would it be possible for the Fund to invest only in treasuries?" (Item 3 of document provided on file). Northern replied that the Fund could and the gross annual revenue would be approximately \$682,000.

Given the risks associated with participation in the program, the Committee recommended that the Fund not participate in Securities Lending at this time. This item will be discussed during the December

16 and 17, 2009 Quarterly Meetings with Terry Dennison of Mercer Investment Consulting, Inc.

### **3. Investment Committee Goals & Objectives**

At the last meeting, the Committee requested that the Fund prepare a proposed organizational chart which the Fund anticipated completion by March 2010. Director Blas indicated that the organization chart is subject to positions being approved by the Civil Service Commission. Committee Chairman Leon Guerrero requested that it be added in to the list of goals and objectives. The Committee reviewed the Draft Matrix and indicated that it will be submitted for approval during the January 2010 Board meeting.

## **IV. New Business**

### **1. IRM Request to Extend Guideline Waiver**

Controller Bernardo provided an email from Stephen Weiss, of IRM in which he indicated that IRM would like an extension of the 6 month guideline waiver that was granted in March. IRM is a fixed income manager who acquired their portfolio from Aberdeen and determined that a portion of their portfolio was not investment grade. At that time, IRM did not have a current market for liquidation with a price they were comfortable with so they requested that they be able to develop what they termed a transition portfolio that they would keep on the side and liquidate as the market improved. Upon liquidation, they would be able to purchase securities that were consistent with their own existing bond portfolio. The report from IRM shows how they have liquidated from \$61million down to \$32million in the last 6 months. Because holding this transition portfolio was in violation of the investment guidelines, they also requested for a waiver of the investments guidelines at that time, while they liquidated the stock over time, in which they were granted. A motion was made by Committee Member Cruz, seconded by Committee Aflague to grant another 6 month waiver.

### **2. Security Capital Conference Call**

The Committee had a conference call with Security Capital as an introduction to their presentation at the Due Diligence meetings on December 16 and 17, 2009.

## **V. INFORMATIONAL ITEMS**

### **1. Asset Allocation Summaries**

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

## **2. Income Summary**

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

## **VI. OPEN DISCUSSION**

### **1. Update on Amendment to 4GCA, Section 8154/Construction and Lease of a New Building**

Director Blas stated that the Fund would need legislative approval to lease office space whether it's to public or private. At the last Committee meeting, the Committee wanted Legal Counsel to give direction of the real estate side of it so all issues could be submitted at one time; however because the two issues are separate, the Committee motioned to move forward with the Amendment to 4GCA, Section 8154.

## **VII. CORRESPONDENCE**

None.

## **VIII. ANNOUNCEMENTS**

None.

## **IX. ADJOURNMENT**

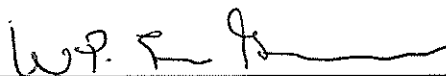
**There being no further business before the Investment Committee, Committee Chairman Leon Guerrero, moved to adjourn the meeting at 1:40pm.**

**Respectfully submitted,**



**STEPHANIE A. HERRERA**  
**Recording Secretary**

**AFFIRMED:**



**Wilfred Leon Guerrero, Chairman**