

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

Felix P. Camacho  
Governor

Michael W. Cruz, M.D.  
Lieutenant Governor

Paula M. Blas  
Director

**INVESTMENT COMMITTEE MEETING**  
**DEFINED BENEFIT PLAN**  
Friday, April 9, 2010, 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**

**I. CALL TO ORDER**

The Retirement Fund Investment Committee Meeting for the Defined Benefit Plan was called to order at 12:25 p.m. Friday, April 9, 2010, in the Retirement Fund Conference Room. Investment Committee Chairman Wilfred P. Leon Guerrero officiated.

**Board of Trustees Present:**

Wilfred P. Leon Guerrero, Chairman  
Gerard A. Cruz, Member  
Wilfred G. Aflague, Member  
Joe T. San Agustin, Ex Officio

**Staff Present:**

Paula Blas, Director  
Diana Bernardo, Controller  
Rosalia Bordallo, General Accounting Supervisor  
Jackie Blas, Recording Secretary

## **II. ACTION ITEMS**

### **A. Investment Committee/Due Diligence Meeting Minutes – March 24 and 25, 2010**

Controller Diana Bernardo stated that the March 24 and 25, 2010 Due Diligence Meeting minutes are not ready at this time. Controller Bernardo recommended tabling the March 24 and 25, 2010 minutes until the next Committee meeting.

### **B. Due Diligence Meeting Minutes:**

- 1. December 2009 – For Quarter Ended September 30, 2009**
- 2. August 2009 – For Quarter Ended June 30, 2009**
- 3. May 2009 – For Quarter Ended March 31, 2009**
- 4. March 2009 – For Quarter Ended December 31, 2008**

Controller Bernardo stated that the March, May and August 2009 Due Diligence Meeting minutes are ready for the Committee's approval, subject to corrections. Chairman Leon Guerrero recommended approval pending further corrections.

Controller Bernardo stated that there are about ten more pages on the December 2009 Due Diligence Meeting minutes. Controller Bernardo recommended tabling the December 2009 minutes until the next Committee meeting.

**Committee Chairman Wilfred Leon Guerrero, seconded by Committee Member Wilfred Aflague, moved to approve the Due Diligence Meeting Minutes of March 2009, May 2009, and August 2009, subject to correction. Without objection, the motion passed.**

## **III. OPEN ITEMS**

### **A. Request for Proposal (RFP) For:**

- 1. International Large Cap Equity Manager**

Director Paula Blas stated that the RFP closed. Mercer Investment Consulting, Inc. (Mercer) will provide a list by the end of April 2010. Director Blas suggested deferring discussion since Board Chairman Joe T. San Agustin will be off-island. Board Chairman San Agustin recommended getting someone else to sit in the Selection Panel. Director Blas stated that Trustee Katherine Taitano would also need to be replaced since she had asked to be replaced as a member of the Selection Panel. Committee Chairman Leon Guerrero recommended having Committee Member Wilfred Aflague and Trustee Antolina Leon Guerrero sit in the Selection Panel. Director Blas stated that she will reaffirm the Selection Panel members at the April 2010 Board meeting.

Board Chairman San Agustin asked whether the Large Cap allocation exceeded. Controller Bernardo replied, "Yes." Committee Chairman Leon Guerrero asked whether there is a policy on rebalancing. Rosalia Bordallo, General Accounting Supervisor, replied, "Yes, and it is reviewed once a year." Board Chairman San Agustin asked whether it is rebalanced as funds are available. Controller Bernardo stated that it is rebalanced as funds are needed. Committee Chairman Leon Guerrero stated that it looks like when funds are needed is when we rebalance.

Controller Bernardo stated that it might have been done once last year. Board Chairman San Agustin asked what is the actual rebalancing for equity target. Director Blas replied, "33.3%." Committee Member Gerard Cruz stated that we have been rebalancing frequently because of the funding of the new managers. Committee Member Cruz stated that once the managers are at their target allocation, rebalancing will be done once a year. Committee Member Cruz stated that he had discussed Tactical Emerging Markets rebalancing with Terry Dennison of Mercer.

## **B. Securities Lending**

Committee Chairman Leon Guerrero stated that this item is still pending.

## **C. Investment Committee Five Year Plan**

Committee Chairman Leon Guerrero inquired about item No. 10 (Perform Feasibility Study for a New Building) of the Committee's Five Year Plan. Director Blas stated that the study has been completed and it was supposed to be presented today but, Mr. Nick Captain is off-island. Director Blas stated that she asked Mr. Captain to make a presentation at the May meeting. Director Blas stated that the price will increase within six months. Committee Chairman Leon Guerrero stated that the question is what kind of development. Director Blas stated that there are different phases. We would like to know whether it is feasible to build. Committee Chairman Leon Guerrero suggested checking whether Mr. Captain is available to make his presentation at the April Board meeting. Director Blas stated that she will check whether Mr. Captain is able to make a presentation at the April Board meeting.

Committee Chairman Leon Guerrero inquired about item No. 11c (Submit a Request to the Civil Service Commission (CSC) to: 1) Amend the Investment Specialist Qualifications, and 2) Reassign the Pay Grade for the Position). Director Blas stated that she did follow up with CSC. CSC has not assigned a pay grade. Director Blas stated that CSC is backed logged with cases. Committee Chairman Leon Guerrero stated that the Retirement Fund is looking for the ability to hire someone that is not a part of the Government of Guam structure. Committee Member Aflague asked why we can't go to the Legislature to have them create such a position. Committee Member Aflague asked what other positions does the Retirement Fund want or need to create. Director Blas stated that she will work on establishing positions to bring before the Legislature.

Committee Chairman Leon Guerrero inquired about item No. 11d (Establish an Internship Program). Director Blas stated that she is working with the University of Guam (UOG) on this item.

Committee Chairman Leon Guerrero inquired about item No. 12 (Seek Autonomous Agency Status). Committee Chairman Leon Guerrero stated that this was supposed to be done no later than March 2010. Director Blas stated that this is pending Legal Counsel's review. Director Blas stated that she will follow up with Legal Counsel.

#### **IV. NEW BUSINESS**

##### **A. Reconsideration of Termination of Thomson Horstmann Bryant (THB)**

Board Chairman San Agustin stated that there was no indication from Mercer regarding the termination of THB. Two new managers will be funded at \$45 Million. Board Chairman San Agustin asked what is the rationale of defunding and giving to new firms. Board Chairman San Agustin asked who the new manager is. Director Blas replied, "Eaton Vance." Committee Chairman Leon Guerrero stated that we reluctantly funded THB. Committee Member Cruz stated that THB was the one manager left in the search. Board Chairman San Agustin stated that he is concerned as to why Mercer did not say anything. Committee Member Cruz stated that the two have the same methodology. Committee Member Cruz stated for the record, that if you look at the Exchange Traded Funds (ETFs), it started at \$17 Million and it has grown to \$25 Million without active management. Director Blas stated that there was a 16.8 cost increase. Committee Chairman Leon Guerrero asked what the justification is. Controller Bernardo stated that we should not say that the ETFs are doing better than THB. We need better justification. Director Blas stated that the justification is in the report. Committee Chairman Leon Guerrero stated that Mr. Dennison said to do it right away. Mrs. Bordallo stated that Mr. Dennison's comment was nothing solid, it was very subjective. Mrs. Bordallo stated that six months is too short a time to fire a manager. Committee Chairman Leon Guerrero stated that the Investment Committee never felt comfortable funding THB. Committee Member Cruz suggested to defund THB a little. The Selection Panel was confident with the two new managers selected.

Board Chairman San Agustin asked what was the cost of AXA's termination. Controller Bernardo stated that the redemption for Small Cap was \$2.1 Million and about \$28 Million for Large Cap. Committee Chairman Leon Guerrero recommended to request from Mr. Dennison for additional justification of the termination of THB. Director Blas stated that when the Board approved the termination, notice was sent. Controller Bernardo suggested making a firm decision. The redemption letter has not been signed. Committee Chairman Leon Guerrero stated that he is concerned of the termination within a six-month period. Committee Chairman Leon Guerrero stated that the Committee should have the additional information from Mercer at the April Board meeting.

#### **V. INFORMATIONAL ITEMS**

##### **A. Asset Allocation Summaries**

Controller Bernardo stated that the Domestic Large Cap is over its target allocation and the Small Cap is below its target allocation. It is now 11.9%, below 11.25%. Director Blas suggested holding off on rebalancing until we have the new managers. Committee Member Aflague stated that the allocation should be flexible in time. Committee Chairman Leon Guerrero inquired about rebalancing. Mrs. Bordallo stated that the Investment Policy Statement (IPS) could be changed by the Investment Committee. Committee Chairman Leon Guerrero recommended to check the IPS whether it says that rebalancing be done annually, if so, then we must rebalance annually.

**B. Income Summary**

Controller Bernardo stated that the Year-To-Date total is \$15 Million. In February it was \$1.2 Million. Board Chairman San Agustin stated that it was \$31 Million compared to \$37 Million in 2009. Mrs. Bordallo stated that the bond interest is beginning to drop. Mrs. Bordallo stated that the Retirement Fund sold off bonds. Board Chairman San Agustin commented that we reached bottom on bonds.

**VI. OPEN DISCUSSION**

**A. Quarterly Performance Meetings – May 27 and 28, 2010**

Committee Chairman Leon Guerrero stated that the next Quarterly Performance Meetings will be held on May 27 and 28, 2010. Board Chairman San Agustin stated that he will be off-island at that time. Controller Bernardo stated that Franklin Templeton will not be able to attend the meeting and is requesting for a conference call.

Committee Member Cruz asked whether letters were sent to the bond managers regarding the amendment to the fixed income provision that was recently passed. Director Blas stated that she will send a copy of the Public Law.

**VII. CORRESPONDENCE**

None

**VIII. ANNOUNCEMENTS**

None


**IX. ADJOURNMENT**

**There being no further business before the Investment Committee, on motion of Investment Committee Chairman Wilfred Leon Guerrero, seconded by Investment Committee Member Gerard Cruz, and without objection, the meeting was adjourned at 1:59 p.m. Motion passed.**

Respectfully submitted,

  
**JACKIE BLAS**  
Recording Secretary

**AFFIRMED:**



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**GERARD A. CRUZ, Acting Chairman**