



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

**Eddie Baza Calvo**  
 Governor

**Ray Tenorio**  
 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 August 31, 2012  
 Retirement Fund Conference Room

**MINUTES**

**I. CALL TO ORDER**

The Retirement Fund Investment Committee meeting was called to order at 11:10am on Friday August 31, 2012, in the Retirement Fund Conference Room. Investment Committee Chairman Leon Guerrero officiated.

**Board of Trustees Present:**

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

**Staff Present:**

Paula Blas, Director  
 Diana Bernardo, Controller  
 Rosalie Bordallo, General Accounting Supervisor

**Other Present:**

Maggie Ralbovsky, Wilshire

**II. ACTION ITEMS**

1. **July 27, 2012 Regular Investment Committee Mtg**
2. **May 30, and 31, 2012 Due Diligence Mtg for the Qtr Ended 3/31/2012**

A motion was made by Committee Member Aflague seconded by Committee Vice Chairman Cruz to approve the minutes of the July 27, 2012 Regular Investment Committee Meeting and the minutes of the May 30 and 31, 2012 Due Diligence Meetings, subject to any technical and/or grammatical corrections. Without objection, the motion was passed.

### **III. OPEN ITEMS**

#### **1. Investment Committee 5 Year Plan**

Item not discussed at this time.

#### **2. Draft Bill to Amend Investment Statute**

A draft bill to amend the investment statute was prepared by Joanne Grimes, Legal Counsel for Board approval. Director Blas stated that the bill is based on the approval of the changes made at the last Due Diligence Meeting. Joanne Grimes went through the entire investment section to make sure that everything now is consistent and in compliance. The format still follows the way it reads in the actual code.

Maggie Ralbovsky, Wilshire stated that aside from changing some of the wording from previous versions, there are 3 major changes in the statute. The first is to now define any investment under a particular section as not counting towards the commingled fund limit. For example, for U.S. equity there is a definition of what kind of securities should be held, now the Fund holds an index fund which is a commingled fund. If the investment is under the U.S. equity category, it's not counted towards the commingled fund limit. The same thing is true for non-U.S. equity and for fixed income which frees up the commingled fund limit of 30% for usage in categories other than defined elsewhere in the statute.

The second change is to allow up to 8% in non-investment grade rated securities which was the high yield securities that was discussed in the previous meetings.

The third change is to allow equity up to 70% (from 50%) because it's actually more consistent with the current allocation. In the current allocation if international equity is not counted towards commingled funds it is actually over 50% in the allocation.

Director Blas added that the draft bill is being submitted to the Investment Committee for approval and if approved will be submitted to the Board for approval and then to the Legislature. The Legislative findings and intent will be filled in once the bill is approved.

Committee Vice Chairman Cruz indicated that there are other changes that should be made such as Section IV, Item (c) Has capital and surplus in excess of Ten Million Dollars (\$10,000,000) and Section V, Item (c) (6) Such person, firm or corporation certifies in writing, to the board, that the assets under its direct investment supervision are in excess of Two Hundred Million dollars (\$200,000,000) and Item (d) (4) Has capital and surplus in excess of Ten Million Dollars (\$10,000,000).

A motion was made by Committee Chairman Leon Guerrero seconded by Committee Vice Chairman Cruz to approve the recommended changes by Maggie Ralbovsky, Wilshire subject to the changes recommended by Committee Vice Chairman Cruz. Without objection, the motion was passed.

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

##### **1. Domestic Small Cap Equity – Recommendation**

Based on discussion with Maggie Ralbovsky, Wilshire at the August 31, 2012 Due Diligence Meeting, she would like to constrain the top market cap to the largest holding in the Russell 2000 because the current guideline does not have a bottom constraint, this does not add a bottom constraint, but rather change the definition of small cap to be below the largest holding of the Russell 2000. The Committee recommends revising the current maximum holding size of \$3 billion market cap to the largest holding in the Russell 2000 market cap.

#### **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.

##### **3. Securities Lending**

A report on securities lending was provided to the Committee for review and informational purposes.

#### **VI. OPEN DISCUSSION**

None.

**VII. CORRESPONDENCE**

None.

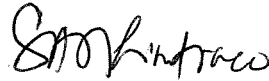
**VIII. ANNOUNCEMENTS**

1. Due Diligence Meeting: August 29 and 30, 2012

**IX. ADJOURNMENT**

**There being no further business before the Investment Committee, a motion was made by Committee Chairman Leon Guerrero to adjourn the meeting at 11:20am.**

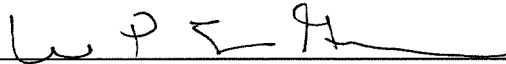
**Respectfully submitted,**



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**STEPHANIE A.H. LIMTIACO**  
**Recording Secretary**

**AFFIRMED:**



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**Wilfred P. Leon Guerrero, Ed.D**  
**Investment Committee Chairman**