



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

**Katherine T.E. Taitano**  
Trustee

**James R.F. Duenas**  
Trustee

**David M. O'Brien**  
Trustee

**INVESTMENT COMMITTEE MEETING  
DEFINED BENEFIT PLAN**

Thursday, August 29, 2013  
Retirement Fund Conference Room

**MINUTES**

**I. CALL TO ORDER**

The Retirement Fund Investment Committee Meeting was called to order at 1:30 p.m. Thursday, August 29, 2013, 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, Vice Chairman  
James R.F. Duenas, Member

**Staff Present:**

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

**Investment Consultant Present:**

Maggie Ralbovsky, Wilshire Associates

## II. ACTION ITEMS

1. July 25, 2013 Regular Investment Committee Meeting Minutes
2. February 20, and 21, 2013 Due Diligence Meeting for the Quarter Ended December 31, 2012 Minutes
3. May 29, and 30, 2013 Due Diligence Meeting for the Quarter Ended March 31, 2013 Minutes

A motion was made by Committee Vice Chairman Gerard Cruz, seconded by Committee Member James Duenas, to approve the minutes of July 25, 2013 Regular Investment Committee Meeting, and the minutes of the February 20-21, 2013 Due Diligence Meeting, subject to technical corrections, and to table the minutes of the May 29, and 30, 2013 Due Diligence Meeting. Without objection, the motion was passed.

## III. OPEN ITEMS

None

## IV. NEW BUSINESS

None

## V. INFORMATIONAL ITEMS

1. Asset Allocation Summaries

A copy of the asset allocation summary statements was provided to the Committee for review and informational purposes. Committee Chairman Leon Guerrero stated that the asset allocation summary needs to be revised due to the termination of Metropolitan West and Winslow Capital. Maggie Ralbovsky of Wilshire Associates stated that because of the restructuring that was done, she is proposing to change the minimums, maximums, and targets of the U.S. Domestic Large Cap Equity Managers. The proposed revision of the target allocations are as follows:

<b>Proposed Allocations</b>			
<b>Manager</b>	<b>Minimum</b>	<b>Target</b>	<b>Maximum</b>
<b>Value:</b>			
Robeco	7%	9% (+/- 2% around target)	11%
<b>Core:</b>			
BlackRock Index	9%	12% (+/- 3% around target)	15%
<b>Growth:</b>			
INTECH	7%	9% (+/- 2% around target)	11%

Committee Vice Chairman Gerard Cruz inquired about the post-transfer allocation. Ms. Ralbovsky stated that we are currently at 35.5%. Committee Vice Chairman Cruz asked whether the Retirement Fund expects to pull money down this month. Controller Diana Bernardo, replied, "No."

**Committee Vice Chairman Gerard Cruz, seconded by Committee Member James Duenas, moved to accept the Investment Consultant's recommendation to revise the asset allocation as follows: 1) The Value Strategy a Minimum of 7%, the Target 9%, and the Maximum 11%; 2) The Core Strategy a Minimum of 9%, the Target 12%, and the Maximum 15%; and 3) The Growth Strategy a Minimum of 7%, the Target 9%, and the Maximum 11%. Without objection, the motion passed.**

Committee Chairman Leon Guerrero stated that the Retirement Fund's total portfolio as of August 23, 2013 is \$1.488 Billion.

## **2. Income Summary**

A summary of interest and dividend income was provided to the Committee for review and informational purposes.

## **3. Securities Lending**

A summary of securities lending earnings was provided to the Committee for review and informational purposes.

## **4. BlackRock Transition Update**

Ms. Ralbovsky stated that the transition was performed as scheduled. The execution was very successful. The realized cost was 3 basis points, which was below the estimated median of 9 basis points. The transition was completed in the first week of August 2013.

## **5. Performance Overview**

Ms. Ralbovsky stated that the quarter was a volatile quarter. The portfolio ranked above median in the peer universe. For a very difficult quarter, it was up 10 basis points.

Ms. Ralbovsky stated that most managers have done well. There are a couple of underperforming managers. Ms. Ralbovsky stated that she recommends keeping Eaton Vance and Franklin Templeton on the Watch List.

**Committee Vice Chairman Gerard Cruz, seconded by Committee Member James Duenas, moved to accept the Investment Consultant's recommendation to keep Eaton Vance and Franklin Templeton on the Watch List. Without objection, the motion passed.**

## **VI. OPEN DISCUSSION**

### **1. Bill 170-32 – Amendments to the Defined Benefit Investment Statute**

Committee Chairman Leon Guerrero inquired about Bill 170-32. Director Paula Blas stated that the public hearing on Bill 170-32 is scheduled for tomorrow, August 30, 2013, at 5:30 p.m. at the Legislative Public Hearing Room. Director Blas stated that the Retirement Fund will be submitting a testimony in support of the bill. Ms. Ralbovsky will be present to answer any questions.

Committee Chairman Leon Guerrero asked Director Blas, for the record, to explain why the investment statute is being amended. Director Blas stated that it is for more investment diversification based on the Retirement Fund's Investment Consultant's recommendation. Ms. Ralbovsky stated that it will give the Retirement Fund more opportunity to take advantage of the available investment opportunities set and improve return and reduce risk potentials. It will also enhance the featured risk of the adjusted return. Ms. Ralbovsky stated that she prepared some slides as a support of the concept just in case it is called for. The slides show the main changes on the category investment limits:

- **Non-US Issues (Debt and Equity Combined)**  
Increase limit from the current 15% to 35% to recognize the "World Opportunity Set."
- **Fixed Income Securities Rated Below BBB-**  
Allow up to 8% allocation (currently at 0%) to expand diversification opportunities.
- **For Statute Limit Testing, Classify Investments by Asset Class rather than by Investment Vehicles**  
Recognize just because a security is held through an investment fund does not change the nature of the security to make it different from being held directly by the Retirement Fund; and to allow for alternative investment strategies to qualify via investing in the commingled/mutual fund subject to limits.

### **2. Transition Manager - Request for Proposal (RFP)**

Controller Bernardo stated that Ms. Ralbovsky had indicated that she wants two (2) separate RFPs. Ms. Ralbovsky stated that sometimes people have two transition managers – one for fixed income and one for equity, but they can be the same firm. Director Blas stated that the RFP should ask for both a fixed income and equity.

## **VII. CORRESPONDENCE**

None

## **VIII. ANNOUNCEMENTS**

### **1. Next Due Diligence Meeting: November 20, and 21, 2013**

Director Blas informed the Committee that the next due diligence meeting is tentatively scheduled for November 20, and 21, 2013.

**IX. ADJOURNMENT**

**There being no further business before the Investment Committee, a motion was made by Committee Vice Chairman Gerard Cruz, seconded by Committee Member James Duenas, to adjourn the meeting at 1:55 p.m. Without objection, the motion was passed.**

**Respectfully submitted,**



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**JACKIE M. BLAS**  
Recording Secretary

**AFFIRMED:**



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**WILFRED P. LEON GUERRERO, Ed.D.**  
Investment Committee Chairman