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**INVESTMENT COMMITTEE MEETING
DEFINED CONTRIBUTION 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 9:00 a.m. for Conference Call and 1:55 p.m. for Regular Committee Meeting on 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
Alice Taijeron, Great-West Retirement Services

Investment Consultant Present (Via Conference Call):

Terry Dennison, Mercer Investment Consulting, Inc.

II. ACTION ITEMS

1. July 25, 2013 Regular Investment Committee Meeting Minutes
2. July 25, 2013 Due Diligence Meeting for the Quarter Ended June 30, 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 July 25, 2013 Due Diligence Meeting, subject to technical corrections. Without objection, the motion was passed.

III. OPEN ITEMS

None

IV. NEW BUSINESS

1. Search Reports - Conference Call with Terry Dennison
 - a. Mid Cap Equity (Franklin Small Mid-Cap Growth)

Mr. Dennison stated that Mercer identified four (4) candidate managers for the Mid Cap Core and also included the incumbent manager:

- Champlain Mid Cap Fund Institutional
- ClearBridge Mid Cap Core Fund I
- Franklin Small-Mid Cap Growth Fund A (Incumbent)
- Hartford MidCap Fund Y
- RidgeWorth Mid-Cap Value Equity Fund I

Mr. Dennison stated that in some cases the fund's name does not indicate the manager. They'll name the fund something that's related to them and will hire an advisor. RidgeWorth Mid-Cap Value Equity Fund I is managed by Ceredex Value Advisors. We want to look at the manager and not the fund organization itself.

Looking at the total fund assets, all except Champlain are in between the \$1 and \$4 Billion in total fund assets. There are two key characteristics, the price range ratio or P/E and the price to book or P/B. The Russell MidCap has a P/E ratio of 18.8. RidgeWorth, ClearBridge, and Champlain all have a growth tilt. Hartford has a value tilt. The Mutual Fund US Equity Mid Cap Core has a ratio of 21.8. The Mid Cap Core Mutual Fund average is heavier in growth type stocks than the index. RidgeWorth with 25.0 P/E has an extreme tilt.

Mr. Dennison stated that turnover is an issue because it gives you an insight into the manger. Turnover is how many times per year the portfolio turns over. If there are 50 stocks in a portfolio and the turnover is 100, that means they are turning over the portfolio 100% per net year. A lot of the funds are long-term investor while RidgeWorth is the more opportunistic investor. The expense ratio matters and that's because of the need for the plan to generate some revenue, revenue share also matters. Franklin has a relative attractive revenue share of 0.40%.

Mr. Dennison stated that Mercer used four (4) factors in rating managers:

- Idea Generation
- Portfolio Construction
- Implementation
- Business Management

The rating ranges from:

- -
- =
- +
- ++

It's a good thing to have ++ on Idea Generation because that's the most point characteristic to have good ideas. Champlain also has ++ on Business Management. Champlain is a well-managed firm with a clear focus on small and mid cap investing.

The overall rating ranges from:

- A
- B+
- B
- C

Mr. Dennison stated that Champlain's rating of A (T) shows a higher than average tracking error. Tracking error is deviation from the index.

ClearBridge has a rating of B+ because they were not able to get a ++ on Idea Generation. ClearBridge has a strong cash-generating capability and good balance sheets. It's a quality company earning a lot of cash. A lot of managers focus on earnings.

Mr. Dennison stated that both Franklin and Hartford are A rated managers. Hartford is sub-advised by Wellington Management Company. Wellington is one of the largest investment manager firms in the world. Hartford focuses on strategy. RidgeWorth is another A rated manager with a ++ rating on Idea Generation.

Mr. Dennison stated that in the 5-year growth period, RidgeWorth was in the 2nd percentile. In the 1-year growth period to June 2006 RidgeWorth was in the 8th percentile, June 2007 11th percentile, June 2008 86th percentile, June 2009 6th percentile, June 2010 5th percentile, June 2011 62nd percentile, June 2012 63rd percentile, and June 2013 18th percentile. ClearBridge had a very poor year in 1-year growth to June 2010 which was in the 94th percentile. In the 3-year growth, ClearBridge has that consistency in performance.

Mr. Dennison stated that Champlain produces less risk and more returns. RidgeWorth is a little riskier but produces the highest return. Hartford is more of a low risk manager.

Mr. Dennison stated that 4th quartile performance for 3 years is something we would like to avoid. This is the performance that got Franklin fired. RidgeWorth had 85.0% in the 1st quartile and 10.0% in the 2nd quartile. RidgeWorth is more volatile.

Mr. Dennison stated that he would rank ClearBridge No. 1, and RidgeWorth No. 2. Investment Committee Vice Chairman Gerard Cruz asked Mr. Dennison to explain the differences in the information ratio between ClearBridge (0.0), RidgeWorth (1.2), and Hartford (-0.3) and whether there is any relevance to his ranking. Mr. Dennison stated that the information ratio is the return divided by the tracking error. We would be looking for a positive information ratio. Hartford may have a decent excess return of -1.6%. Hartford has the lowest tracking error, but they also have the lowest excess return. Mr. Dennison stated that he has a concern about volatility. You can pick either No. 1 or No. 2.

Investment Committee Chairman Leon Guerrero asked Mr. Dennison how he would rate the candidates. Mr. Dennison stated that if the Board's objective is high returns and accepting volatility, then he would rate RidgeWorth first and ClearBridge second. If the Board is looking at something stable, then you will be looking at ClearBridge. Mr. Dennison stated that the issue he has with RidgeWorth is that their numbers do not look too good. The difference is the return rate. Trustee James Duenas stated that ClearBridge is more of a growth fund and RidgeWorth is more of a value fund. Mr. Dennison stated that ClearBridge's price range ratio is 22.2 and RidgeWorth is 25.0. They both have a relatively growth characteristic. RidgeWorth is more of a growth strategy.

b. Large Cap Growth (Nuveen Winslow Large-Cap Growth)

Mr. Dennison stated that Mercer identified four (4) candidate managers for the Large Cap Growth and also included the incumbent manager:

- Harbor Capital Appreciation Fund Institutional
- Nuveen Winslow Large-Cap Growth Fund I (Incumbent)
- T Rowe Price Blue Chip Growth Fund
- T Rowe Price Institutional Large-Cap Growth Fund
- Wells Fargo Advantage Capital Growth Fund Institutional

Mr. Dennison stated that there are two (2) T Rowe Price funds. The T Rowe Price Blue Chip Growth Fund is on the high quality, a highly regarded franchise. The T Rowe Price Institutional Large-Cap Growth Fund is more opportunistic. T Rowe Price Institutional is little more aggressive.

Mr. Dennison stated that T Rowe Price Institutional has an earnings ratio of 18.9 which is below the index. T Rowe Price Institutional has a cheaper expense ratio.

Harbor Capital Appreciation Fund has an overall rating of A and a ++ on Idea Generation. Both T Rowe Price Blue Chip and T Rowe Price Institutional have A ratings with ++ on Idea Generation. T Rowe Price Institutional has a higher growth than the T Rowe Price Blue Chip.

Mr. Dennison stated that in the 5-year growth period, T Rowe Price Institutional was in the 6th percentile. In the 1-year growth period to June 2008, T Rowe 85th percentile and in June 2009 14th

percentile. Wells Fargo in June 2009 was in the 97th percentile. Harbor Capital in June 2010 was in the 64th percentile.

Investment Committee Chairman Leon Guerrero asked Mr. Dennison for his rating. Mr. Dennison stated that he will rank T Rowe Price Institutional Large-Cap Growth Fund No. 1. T Rowe Price Institutional ranked 25th on the average percentile and outperformed at 65% of the time. T Rowe Price Institutional would be your best choice. Harbor Capital would be another choice if the Board wants to go a little conservative.

2. Search Reports – Investment Committee Discussion
a. Mid-Cap Equity (Franklin Small Mid-Cap Growth)

Committee Vice Chairman Gerard Cruz provided a summary of the discussion the Investment Committee had with Terry Dennison of Mercer Investment Consultant, Inc. (Mercer) via conference call. Mercer reviewed five (5) investment manager candidates for the Mid Cap Core search, which includes:

- Champlain Mid Cap Fund Institutional
- ClearBridge Mid Cap Core Fund I
- Franklin Small-Mid Cap Growth Fund A (Incumbent)
- Hartford MidCap Fund Y
- RidgeWorth Mid-Cap Value Equity Fund I

Committee Vice Chairman Cruz stated that based on Mercer's review and evaluation, ClearBridge Mid Cap Core Fund I ranked No. 1, and RidgeWorth Mid-Cap Value Equity Fund I ranked No. 2.

Committee Vice Chairman Cruz stated that Mr. Dennison commented that although ClearBridge does not have an overall performance rating as high as RidgeWorth, it has a more consistent pattern of earnings and returns. Mr. Dennison's rationale for ranking ClearBridge No. 1 was his personal feeling of preferring consistency over large volatility. Committee Vice Chairman Cruz stated that RidgeWorth does have a much better information ratio. This means more of their return is a result of manager performance rather than market. Over the five-year period, RidgeWorth has been in the top tier much more consistently than any of the managers. In the last five years, RidgeWorth was in the first quartile 17 times and has never been in the fourth quartile. ClearBridge has been in the first quartile five times and in the second quartile 11 times. This shows the consistency of earnings for ClearBridge.

Committee Chairman Leon Guerrero stated that there was a concern on revenue sharing. Committee Member Duenas pointed out that Franklin Templeton has an expense ratio of 0.99% and 0.40% revenue share; and ClearBridge has an expense ratio of 0.86% and 0.15% revenue share, which is 25% less than what we are receiving from Franklin Templeton. Committee Member Duenas stated that in order to balance out the expenses, an additional 25% has to be allocated from somewhere. If the 25% is allocated from the participants, it will technically push up the expense ratio to 1.11%. Committee Member Duenas stated that RidgeWorth has an expense ratio of 1.09% and 0.60% revenue share, which is 20% above the revenue share. Committee Member Duenas asked whether it is legally possible to take the extra 20% and place it in the participants' account, which will offset the 1.09% bringing it up to 0.89%. Committee Vice Chairman Cruz stated that he is not sure whether it could be allocated among the participants. Committee Chairman Leon Guerrero stated that this is a legal issue,

but the Committee should not drop Committee Member Duenas' concern. This is something we need to explore further.

Committee Chairman Leon Guerrero stated that the Committee learned of the terminology of "Bundle DC Plan, and Unbundled DC Plan." What we have is a Bundle DC Plan. Committee Member Duenas stated that the bundle plan is where revenue sharing is used to cover the administrative cost and unbundled is where the cost is divided among all the participants. Committee Vice Chairman Cruz stated that the cost is divided between all the participants. It is our choice to choose a share class that has revenue sharing, but we could also choose a share class without revenue sharing. Committee Member Duenas stated that not all participants currently have share classes that have revenue sharing. Committee Vice Chairman Cruz stated that not all investments in our menu have revenue sharing. Committee Vice Chairman Cruz stated that we could opt for the cheapest share class with no revenue sharing and that will address Committee Member Duenas' concern. Committee Member Duenas stated that if you go with the cheapest share class with no revenue sharing it might offset the earnings. Committee Vice Chairman Cruz stated that if there's no revenue sharing then the expense ratio will go down. We could opt for a share class that reduces the expense ratio and the administrative cost will be allocated to all participants that are in that share class.

Committee Vice Chairman Cruz stated that the concern he is hearing is that there are some participants who are in share classes with no revenue sharing that are not paying anything. Committee Chairman Leon Guerrero asked what kind of agreement we have with Great-West Retirement Services (Great-West). Committee Vice Chairman Cruz stated that our agreement with Great-West is that they will invest in whatever funds we want and choose whatever share class we want. Committee Vice Chairman Cruz stated that we do not have a bundle plan. The bundle plan is where the Third Party Administrator (TPA) is also the consultant and they have their own custodian and investment vehicles and this is not what we have with Great-West.

Committee Chairman Leon Guerrero suggested discussing the expense ratio further with Mr. Dennison. We need to make a decision on the replacement for Franklin Templeton.

Committee Vice Chairman Gerard Cruz, seconded by Committee Member James Duenas, move to nominate ClearBridge Mid Cap Core Fund I to replace Franklin Small-Mid Cap Growth Fund A. Without objection, the motion passed.

b. Large Cap Growth (Nuveen Winslow Large-Cap Growth)

Committee Vice Chairman Cruz stated that Mercer reviewed five (5) investment manager candidates for the Large Cap Growth search, which includes:

- Harbor Capital Appreciation Fund Institutional
- Nuveen Winslow Large-Cap Growth Fund I (Incumbent)
- T Rowe Price Blue Chip Growth Fund
- T Rowe Price Institutional Large Cap Growth Fund
- Wells Fargo Advantage Capital Growth Fund Institutional

Committee Vice Chairman Cruz stated that based on Mercer's review and evaluation, T Rowe Price Institutional Large-Cap Growth Fund ranked No. 1. and Harbor Capital Appreciation Fund Institutional ranked No. 2. Committee Vice Chairman Cruz stated that based on Mercer's review and evaluation, their recommendation is T Rowe Price Institutional Large Cap Growth Fund.

Committee Member James Duenas, seconded by Committee Vice Chairman Gerard Cruz, move to nominate T Rowe Price Institutional Large Cap Growth Fund to replace Nuveen Winslow Large-Cap Growth Fund. Without objection, the motion passed.

V. INFORMATIONAL ITEMS

None

VI. OPEN DISCUSSION

None

VII. CORRESPONDENCE

None

VIII. ANNOUNCEMENTS

- 1. Next Due Diligence Meeting: October 30, 2013**

Committee Chairman Leon Guerrero informed the Committee members that the next Quarterly Performance meeting is tentatively scheduled for October 30, 2013.

IX. ADJOURNMENT

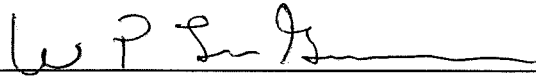
There being no further business before the Investment Committee, a motion was made by Committee Chairman Gerard Cruz, seconded by Committee Member James Duenas, to adjourn the meeting at 2:30 p.m. Without objection, the motion was passed.

Respectfully submitted,



JACKIE M. BLAS
Recording Secretary

AFFIRMED:



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