



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, February 27, 2014  
Retirement Fund Conference Room

**MINUTES**

**I. CALL TO ORDER**

The Retirement Fund Investment Committee Meeting was called to order at 2:32 p.m. Thursday, February 27, 2014, 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  
Joe T. San Agustin, Ex Officio  
David M. O'Brien, Trustee

**Staff Present:**

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

**Investment Consultant Present:**

Maggie Ralbovsky, Wilshire Associates

## **II. ACTION ITEMS**

- 1. January 30, 2014 Regular Investment Committee Meeting Minutes**
- 2. November 20, and 21, 2013 Due Diligence Meeting for the Quarter Ended September 30, 2013**

**A motion was made by Committee Vice Chairman Gerard Cruz, seconded by Committee Member James Duenas, to approve the minutes of January 30, 2014 Regular Investment Committee Meeting and the minutes of the November 20, and 21, 2013 Due Diligence Meeting, subject to technical corrections. 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. Maggie Ralbovsky of Wilshire Associates stated that the U.S. Equity is almost at 36%, which is very close to our maximum of 36%. This will require close monitoring if it does not go over 36%. Fixed Income is at 23.36%, which is below the low range of 25%. Ms. Ralbovsky stated that the question is whether to move that up above the low range. If we move this up above the 25%, we will not be in technical violation of the Investment Policy Statement (IPS). Committee Vice Chairman Gerard Cruz asked whether we need to bring the 35.96% down. Ms. Ralbovsky stated to bring it down at least 2%. Committee Vice Chairman Cruz asked whether we need to bring the Fixed Income up to 25% and take it from Domestic Equity. Ms. Ralbovsky stated that you can take it from the cheapest source, which is the Index Fund. Committee Vice Chairman Cruz asked whether it will be spread evenly to the Fixed Income managers. Ms. Ralbovsky replied, "Yes." Committee Vice Chairman Cruz stated that we are in the mist of changing the strategic allocation. Director Paula Blas stated that we are going through a transition. Trustee David O'Brien stated that it is a set Board policy, so the Investment Committee's recommendation would be to have the Board waive the asset allocation policy. Committee Vice Chairman Cruz stated that he agrees with Trustee O'Brien. Ms. Ralbovsky stated that it is really up to the Committee since we are in technical violation of the IPS. Committee Member James Duenas asked if this is pending the outcome of Bill 245-32. Rosalia Bordallo, General Accounting Supervisor, stated that from what she has heard, rebalancing should have occurred sometime ago. Trustee O'Brien stated that it is a Board policy and the Board could change the policy temporarily or permanently. The Committee is only changing the range. Committee Vice Chairman Cruz stated that it is to put money into a mandate within the next twelve months that we are going to pull money from. Ms. Bordallo stated that Asset Allocation is the prime mover for making returns. A rebalancing policy is in place so that when these things occur, it takes a notion out of wanting to hold on to those gains and not selling them. Committee Vice Chairman Cruz stated that we are in the process of implementing a new Strategic

Allocation and currently the cost to rebalance out weighs the benefit of having to pull out. Committee Vice Chairman Cruz stated that this will be reviewed again at the next Due Diligence Meeting in May 2014.

**Committee Member James Duenas, seconded by Committee Vice Chairman Gerard Cruz, moved to make a recommendation to the Board of Trustees for a six months waiver on the ranges in the asset allocation. Without objection, the motion unanimously passed.**

**Watch List and TBA Issue** - Ms. Ralbovsky reported that Eaton Vance is on watch and Franklin Templeton is on watch for performance reasons. Ms. Ralbovsky stated that Franklin Templeton has a TBA issue, which was disclosed in December 2013. The Board needs to send a letter to Franklin Templeton stating that it is the current interpretation of the statute that TBAs should not be purchased. Committee Chairman Leon Guerrero stated that he wants something on record that the Board acted on this.

**Committee Vice Chairman Gerard Cruz, seconded by Committee Member James Duenas, moved to make a recommendation to the Board of Trustees that a letter be sent to Franklin Templeton to discontinue the purchase of TBAs. Without objection, the motion unanimously passed.**

**Request for Proposals (RFPs)** – Committee Chairman Leon Guerrero stated that the Committee will be recommending that the Board issue RFPs pending the outcome of Bill 245-32.

**Committee Vice Chairman Gerard Cruz, seconded by Committee Member James Duenas, moved to make a recommendation to the Board of Trustees to issue three Request for Proposals for the Transition Manager, the High Yield Bond Manager, and the Global REITs Manager, pending the passage of the amended Investment Statutes. Without objection, the motion unanimously passed.**

## **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.

## **VI. OPEN DISCUSSION**

None

## **VII. CORRESPONDENCE**

None

**VIII. ANNOUNCEMENTS**

**1. Next Due Diligence Meeting: May 28, and 29, 2014**

Committee Chairman Leon Guerrero informed the Committee that the next due diligence meeting is tentatively scheduled for May 28, and 29, 2014.

**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 3:07 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