

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

**Felix P. Camacho**  
*Governor*

**Michael W. Cruz, M.D.**  
*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, May 14, 2010, 12:00 p.m.  
Retirement Fund Conference Room

**MINUTES**

**I. CALL TO ORDER**

The Retirement Fund Investment Committee Meeting for the Defined Benefit Plan was called to order at 12:20 p.m. Friday, May 14, 2010, in the Retirement Fund Conference Room. Investment Committee Acting Chairman Gerard A. Cruz officiated.

**Board of Trustees Present:**

Gerard A. Cruz, Acting Chairman  
Wilfred G. Aflague, Member

**Staff Present:**

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

## **II. ACTION ITEMS**

### **A. Approval of Minutes**

- 1. April 9, 2010 Investment Committee Meeting Minutes**
- 2. March 24 and 25, 2010 Investment Committee and Due Diligence Meeting Minutes (For Quarter Ended December 31, 2009)**
- 3. December 2009 Due Diligence Meeting Minutes (For Quarter Ended September 30, 2009)**

**Committee Member Wilfred Aflague, seconded by Committee Acting Chairman Gerard Cruz, moved to approve the Investment Committee Meeting Minutes of April 9, 2010, subject to corrections. Without objection, the motion passed.**

Committee Acting Chairman Cruz stated that the March 24 and 25, 2010 Investment Committee and Due Diligence Meeting Minutes (Item No. 2) and December 2009 Due Diligence Meeting Minutes (Item No. 3) are being tabled.

### **B. Davis Hamilton Jackson & Associates (DHJA): Name Change and Change in Control**

- Director Paula Blas stated that she received a letter from DHJA informing the Retirement Fund that they will be changing their name and ownership to Garcia Hamilton & Associates (GHA). It is an organizational change. Committee Acting Chairman Cruz stated that DHJA is performing well. Rosalia Bordallo, General Accounting Supervisor, stated that Affiliated Managers Group's (AMG) ownership percentage was purchased by GHA. Director Blas stated that she received Legal Counsel's opinion which states that "Subject to any substantive assessment, recommendations and opinion about GHA by your investment consultant, Mercer Investment Consulting, Inc., we see no legal impediment to the Fund delivering its written consent to the name and ownership change described in the April 2, 2010 letter."

### **C. Income Research & Management (IRM): Request to Extend Guideline Waiver –**

Committee Acting Chairman Cruz recommended to table IRM's request until the due diligence meeting in May. Investment Committee Member Wilfred Aflague asked whether Terry Dennison of Mercer Investment Consulting, Inc. (Mercer) has any major concerns. Committee Acting Chairman Cruz replied, "No." Director Blas stated that the Investment Committee will review this matter during the due diligence meeting scheduled for May 27 and 28, 2010.

### **D. Offer by Contrarian Capital Management (Contrarian) to Purchase Lehman Holdings**

- Director Blas stated that Contrarian is interested in purchasing the Retirement Fund's general unsecured claim against Lehman Brothers Holdings Inc. Director Blas stated that this was forwarded to Nicholas Blair of Bernstein, Litowitz, Berger & Grossman (BLBG) for their input. Director Blas stated that claims will be purchased on a first offered, first bought basis. Committee Acting Chairman Cruz asked whether it is priced yet. Director Blas replied, "No." Committee Member Aflague asked what the price would be. Mrs. Bordallo stated that it would probably be 70¢ on the dollar. Committee Member Aflague recommended to have Mr. Dennison look into this. Director Blas stated that this will be discussed with Mr. Dennison. Committee Acting Chairman Cruz recommended to hold off on this until the due diligence meeting in May. Committee Member Aflague asked whether we will make money. Committee Acting Chairman Cruz stated that if we purchased it at a discount. Committee Acting Chairman Cruz stated that the sell of Lehman stocks

will yield - first claim of liquidated value. Committee Acting Chairman Cruz stated that this item will be tabled.

### III. OPEN ITEMS

**A. Request for Proposal (RFP): International Large Cap Equity Manager** - Director Blas stated that she received Mercer's analysis. Director Blas stated that Trustee Wilfred Aflague, Secretary Antolina Leon Guerrero and Trustee George Santos are the panel members. Director Blas stated that she will set up a preliminary meeting with the panel.

**B. Securities Lending** – Committee Acting Chairman Cruz stated that the Investment Committee recommends to continue tabling this item.

**C. Investment Committee 5 Year Plan** – Committee Acting Chairman Cruz stated that this item is being tabled.

### IV. NEW BUSINESS

None

### V. INFORMATIONAL ITEMS

**A. Asset Allocation Summaries** - Mrs. Bordallo suggested that, in the future, the Investment Committee members review the asset allocation report which is presented at the Committee meetings every month. With the Committee reviewing the report, there will be no surprises when liquidation is done. Mrs. Bordallo stated that Board Chairman Joe T. San Agustin was very upset with the loss sustained with the termination of AXA. Mrs. Bordallo stated that the basis of termination was because of management change. Director Blas stated that, in the future, when terminating a manager, we want to make sure that we check whether we will lose money. Committee Acting Chairman Cruz stated that it depends if purchase follows the acquisition. Director Blas stated that Chairman San Agustin wants to make sure that we point out if there are any losses that will be incurred. Director Blas stated that Chairman San Agustin's concern is that Management did not point out the loss anticipated. Director Blas indicated we liquidated the portfolio and parked it in Exchange Traded Funds (ETFs). Committee Member Aflague stated that it comes down to timing on when we liquidate. Committee Acting Chairman Cruz stated that Chairman San Agustin wants to time liquidation, but we can not time the market. Committee Acting Chairman Cruz stated that he does not think that we will be going through this process of terminating a manager again.

Committee Acting Chairman Cruz mentioned that Large Cap International is taking a beating. There is nothing we can do with Fisher. Committee Acting Chairman Cruz stated that even the index is not doing well. Committee Acting Chairman Cruz stated that the ETF is up a couple of millions.

**B. Income Summary** – Director Blas stated that this item was covered earlier.

**C. Response to Franklin Templeton's Questions Regarding Public Law 30-120** - Director Blas stated that she received an opinion from Legal Counsel stating that she concurs with Mercer's responses to the questions regarding Public Law 30-120. Director Blas stated that Legal Counsel

provided her concurrence and comments to Mr. Michael J. Materasso's questions. Director Blas stated that Mr. Dennison stated that it should fall under §8154.

Director Blas stated that question No. 7 deals with U.S. instrumentalities. Committee Acting Chairman Cruz recommended that the Retirement Fund follow Legal Counsel's opinion.

**D. Mercer's Research Notes on Security Capital Research & Management and AXA Rosenberg** - Director Blas stated that she received an email from Omar Love of Mercer on the recent Mercer research note for the Security Capital strategy the Retirement Fund is invested in. Mr. Love's email stated that there has been no change to the strategy's rating and Mercer continues to view Security Capital highly. Director Blas stated that the research note provides details on the firm's team stability asset growth. Director Blas stated that also included were two research views on AXA. Although the Retirement Fund is no longer invested in AXA, the research views provide details on a coding error affecting the portfolio optimization process that was discovered in June 2009 and announced in April 2010. This item will be discussed with Mr. Dennison during the May 2010 due diligence meeting.

## **VI. OPEN DISCUSSION**

**A. Quarterly Performance Meetings: May 27 and 28, 2010** – Director Blas stated that the Quarter Ended March 31, 2010 Performance Meetings and Annual Manager Reviews are scheduled for May 27 and 28, 2010.

## **VII. CORRESPONDENCE**

None

## **VIII. ANNOUNCEMENTS**

Director Blas stated that Investment Committee Chairman Wilfred Leon Guerrero is currently off-island but will be participating at the May 28, 2010 Board meeting via conference call.


## **IX. ADJOURNMENT**

**There being no further business before the Investment Committee, on motion of Investment Committee Member Wilfred Aflague, seconded by Investment Committee Acting Chairman Gerard Cruz, and without objection, the meeting was adjourned at 1:20 p.m. Motion passed.**

Respectfully submitted,

  
**JACKIE BLAS**  
Recording Secretary

**AFFIRMED:**

  
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**GERARD A. CRUZ, Acting Chairman**