



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

James R.F. Duenas
 Trustee

BOARD OF TRUSTEES
Regular Meeting
 Friday, May 31, 2013, 12:30 p.m.
 Retirement Fund Conference Room

MINUTES

DEFINED BENEFITS

I. ATTENDANCE, QUORUM, AND CALL TO ORDER

After determining a quorum was present, the Retirement Fund Board of Trustees Regular Meeting for the Defined Benefits Plan was called to order at 1:27 p.m. Friday, May 31, 2013, in the Retirement Fund Conference Room. Chairman Joe T. San Agustin officiated.

Board of Trustees Present:

Joe T. San Agustin, Chairman
 Wilfred P. Leon Guerrero, Vice Chairman
 Antolina S. Leon Guerrero, Secretary
 Gerard A. Cruz, Treasurer
 George A. Santos, Trustee
 James R.F. Duenas, Trustee

Board of Trustees Absent:

Katherine T.E. Taitano, Trustee (*Excused*)

Staff Present:

Paula Blas, Director
 Diana Bernardo, Controller
 Rosalia Bordallo, General Accounting Supervisor
 Jackie Blas, Recording Secretary
 Alice Tajeron, Great-West Retirement Services

Investment Consultant Present:

Maggie Ralbovsky, Wilshire Associates

Public Present:

Ricky Hernandez, Senator Ben Pangelinan's Office
 Mark Heath, Metropolitan West Capital Management
 Ken Quintanilla, KUAM

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. March 29, 2013 Regular Meeting, April 1, 2013 Reconvened Meeting, and April 26, 2013 Regular Meeting

On motion of Secretary Antolina Leon Guerrero, seconded by Trustee George Santos, moved to table the Minutes of March 29, 2013 Regular Meeting, April 1, 2013 Reconvened Meeting, and April 26, 2013 Regular Meeting. Without objection, the motion unanimously passed.

III. CORRESPONDENCE

A. Testimony in Support of the Guam Regional Medical City Hospital's Application for the Issuance of a Tax Qualifying Tax Certificate

Chairman San Agustin stated that there was a concern regarding his testimony in support of the Guam Regional Medical City Hospital's application for the issuance of a Tax Qualifying Tax Certificate. Chairman San Agustin stated that he was speaking on behalf of our members. Vice Chairman Wilfred Leon Guerrero stated that he heard the media saying that the Chairman was speaking on his own behalf. Secretary Antolina Leon Guerrero asked what the protocol for speaking on behalf of the Board is. Chairman San Agustin asked whether he has to call for a special meeting in order to testify. Chairman San Agustin stated that he was elected Board Chairman to represent the Board. Chairman San Agustin asked whether there are any objections on his testimony or to expressing the interest of our members. Secretary Leon Guerrero stated that the question is the process of representing the Board. Secretary Leon Guerrero stated that she is on the same side with the Chairman on the issuance of a Tax Qualifying Tax Certificate. Vice Chairman Leon Guerrero stated that a Board member should get the consensus of the Board if speaking on their behalf. Treasurer Gerard Cruz stated that the Board is asking that a draft of the testimony be provided to the Board before hand. Controller Diana Bernardo commented that Chairman San Agustin did not mention that he was testifying on behalf of the Retirement Fund and the Trustees in his testimony, but it might appear to be on behalf of the Board since the testimony was on the Retirement Fund's letterhead. Vice Chairman Leon Guerrero stated that if it requires the Board's decision, it should come before the Board. Secretary Leon Guerrero reiterated that she wanted to clarify the process.

B. George A. Santos' Letter of Retirement Resignation

Director Paula Blas stated that Trustee Santos has submitted his letter of retirement resignation effective June 30, 2013. Chairman San Agustin stated that Trustee Santos' resignation is so noted.

IV. INFORMATIONAL ITEMS

None

V. DIRECTOR'S REPORT - EXECUTIVE SUMMARY

1. *Candelaria Rios, et al. vs. Joseph Ada, et al. (Special Proceeding Case No. SP206-93)* –

Director Blas stated that the Retirement Fund maintains a list of deceased COLA Awardees who did not name a beneficiary, or whose beneficiary may be deceased. COLA award disbursements for these individuals will be made to their respective estates. Director Blas stated that there are about 320 COLA Awardees that have not been paid at all. Treasurer Cruz stated some awards are too small of an amount. Director Blas stated that there are some large amounts. Director Blas stated that there is a

Small Claims Affidavit for awards below \$20,000. Rosalia Bordallo, General Accounting Supervisor, stated that some awardees listed their friends as beneficiaries with no contact information.

2. ***Bernstein Litowitz Berger and Grossmann (BLBG)*** - Director Blas stated that BLBG's Litigation Status Report dated May 17, 2013 on the following lawsuits is provided for the Board's information. Director Blas stated that these cases are highly confidential and BLBG asked that the cases not be discussed in a public forum.

- **Lehman Brothers**
- **Genzyme Corporation**
- **AXA Rosenberg**
- **MF Global**

Director Blas stated that Management has started the process on the list of settlements and recoveries. Chairman San Agustin inquired about the amount of recovery. Controller Bernardo stated that they are still working on it. Chairman San Agustin stated that the Retirement Fund's exposure is as follows:

- Lehman Brothers - \$3.85 Million
- Genzyme Corporation - \$1.75 Million
- AXA Rosenberg - \$35 Million
- MF Global - \$2 Million

3. ***Request for Proposal (RFP) - Legal Services: Portfolio Monitoring and Securities Litigation*** - Director Blas stated that evaluations for a second portfolio monitoring service are ongoing. The Selection Panel consists of George Santos, Antolina Leon Guerrero, and Katherine Taitano. Director Blas stated that a replacement is needed for Trustee Santos. Chairman San Agustin suggested closing this issue. Trustee Santos agreed with Chairman San Agustin on closing the issue. Chairman San Agustin stated that he is concerned of why it's taking too long to make a decision. Chairman San Agustin appointed Trustee James Duenas to sit on the Selection Panel and make a report by the next Board meeting.

4. ***Board of Trustees Election*** - Director Blas stated that the Retirement Fund in cooperation with Guam Election Commission will hold an election on August 10, 2013 to fill the Active Member vacancy due to the retirement of Trustee George Santos on June 30, 2013. Solicitation for candidates interested in filing the position will be advertised in the Pacific Daily News and/or Marianas Variety. The election will be conducted at the Retirement Fund Office in Maite.

Financial Report

1. ***Contributions*** - Director Blas stated that as of May 28, 2013, all agencies are current with their Fiscal Year 2013 employee and employer contributions.

2. ***Financial Statements*** - Director Blas stated that the books for the month ending April 2013 were closed on May 15, 2013.

3. ***Fiscal Year 2013 Retirees' Supplemental Benefits*** - Director Blas stated that supplemental benefits for retirees and survivors for the month of May 2013 were paid.

4. ***Fiscal Year 2013 Medicare Reimbursements*** - Director Blas stated that the Retirement Fund received the May 2013 allotment from the General Fund and reimbursements were processed

accordingly. Director Blas stated that there will be a shortfall for July. Chairman San Agustin asked whether the Legislature was informed. Director Blas replied, "Yes." Director Blas stated that the appropriation increased, but the full appropriation was not given. Ms. Bordallo stated that the number of retirees eligible for Medicare Reimbursement keeps increasing every year. Chairman San Agustin stated that Medicare is not a political issue yet. Chairman San Agustin mentioned that he met with the Philippine Consulate regarding Medicare coverage at the new hospital.

VI. LEGAL COUNSEL'S REPORT

No report was made at this time.

VII. TREASURER'S REPORT OF FINANCIAL STATUS

Treasurer Cruz stated that the Treasurer's Report is provided at this meeting. It covers the Retirement Fund's Statement of Plan Assets (unaudited) and Prior Year Receivables for both the Defined Benefit (DB) Plan and the Defined Contribution (DC) Plan for the month ended April 30, 2013. Treasurer Cruz stated that the market is doing very well. The Retirement Fund's portfolio is \$1.52 Billion. The total receivables are \$80 Million; the total cash and cash equivalents is \$6 Million; the total fixed assets is under \$1 Million; and the total liabilities is \$60 Million. The total assets as of April 30, 2013 are \$1.875 Billion. Treasurer Cruz stated that there is no recommendation for a drawdown at this time.

VIII. STANDING COMMITTEE REPORTS

A. Members and Benefits Committee

Trustee George Santos presented his Committee's May 2013 report to the Board of Trustees. Trustee Santos reported that there are no disability cases pending.

Trustee George Santos, seconded by Treasurer Gerard Cruz, moved to approve the recommendation of the Members and Benefits Committee contained on Pages 4 through 13, including the attached Annuity Worksheets, based on the Committee's review and findings during their meeting of May 15, 2013 and subsequent meetings thereafter. Without objection, the motion unanimously passed.

B. Investment Committee

Vice Chairman Leon Guerrero reported that the Quarterly Performance Meeting for the Quarter Ended March 31, 2013 was held on May 29, and 30, 2013. The Regular Investment Committee Meeting was held on May 30, 2013.

Performance for the Quarter Ended March 31, 2013 - Vice Chairman Leon Guerrero stated that the Retirement Fund's Investment Consultant, Maggie Ralbovsky of Wilshire Associates, provided an overview of the DB Plan's Investment Performance noting the following:

- For the Quarter Ended March 31, 2013, the Retirement Fund's Portfolio outperformed its benchmark index by 14 basis points, ranking at the 27th percentile of Wilshire's peer group universe for the quarter. The Retirement Fund's return was 6.11% and the Benchmark return was 5.97%. The Retirement Fund's portfolio is \$1.497 Billion.

Investment Legislation - Vice Chairman Leon Guerrero stated that there is a change to be made in the investment legislation to read "Prudent Person" instead of "Prudent Investor," then it will be submitted to the Legislature. The Board indicated that they have no objection to the change.

Investment Consultant's Manager Evaluation Summary – Vice Chairman Leon Guerrero stated that Ms. Ralbovsky noted the following:

Watch List - Eaton Vance and Franklin Templeton will be kept on the Watch List.

Winslow Capital

- At the beginning of March 2013, Winslow Capital announced extensive organizational changes. Wilshire views these changes to be materially negative due to:
 - Bart Wear and Clark Winslow are the key decision makers
 - Bart Wear will be retiring
 - Clark Winslow will pass on CIO responsibilities to Justin Kelly
 - With the departure of Bart Wear, the reduced role of Clark Winslow, and the lack of "strings attached" to Justin Kelly, Wilshire had concerns over possible further "cash out" movements by members of the Winslow team.

Metropolitan West

- During the first four months of 2013, organizational changes occurred within Metropolitan West. Organizational changes included the departures of the following individuals:
 - Gary Lisenbee, the last remaining founding partner of Metropolitan West
 - Jay Cunningham, one of the original team's analysts
 - Andy Shapiro, the senior trader
 - Sandra Incontro, President and head of risk control
 - 4 senior client servicing officers, including the Retirement Fund's client servicing officer Eric Smith

Ms. Ralbovsky noted that Wilshire views these changes to be material, and noted that the remaining team appears to be committed to stay at least for the time being. She also noted that Wilshire recommends termination of both Winslow Capital and Metropolitan West.

Vice Chairman Leon Guerrero stated that Ms. Ralbovsky stated that with Winslow it's the timing of the change and sale of the firm. There is one retirement, one reduced role in the company, and the change of the CEO to Justin Kelly.

Trustee Cruz stated that there is a recommendation to accept Wilshire's recommendation to terminate Winslow Capital and Metropolitan West, subject to:

1. Management obtaining a written confirmation of the organizational changes to include a discussion on the future outlook of both Winslow Capital and Metropolitan West.
2. Transition Account - Solicitation of the appropriate quotes via our Investment Consultant to determine which assets can be crossed over and transferred to Robeco and INTECH. Assets will be distributed as follows:
 - 25% to Robeco

- 25% to INTECH
- 50% to Russell 1000 Index Fund

Based on the response from Winslow Capital and Metropolitan West, the Investment Committee will determine whether to continue to accept Wilshire's recommendation and make its recommendation at the next Board meeting.

Secretary Leon Guerrero stated that the Board is in agreement to terminate the contracts if their responses confirm the facts presented. Vice Chairman Leon Guerrero stated that the contracts will be terminated upon receiving confirmation. Chairman San Agustin stated that the contracting officer is the Board.

Treasurer Gerard Cruz, seconded by Trustee James Duenas, moved to accept Wilshire Associates' recommendation to terminate Winslow Capital and Metropolitan West, subject to Management obtaining a written confirmation of the organizational changes to include a discussion on the future outlook of both Winslow Capital and Metropolitan West. Without objection, the motion unanimously passed.

Transition Account – Treasurer Cruz stated that the recommendation also requires solicitation of three quotes via the Retirement Fund's Investment Consultant to determine which assets can be crossed over and transferred to Robeco and INTECH.

Treasurer Gerard Cruz, seconded by Trustee James Duenas, moved to accept Wilshire Associates' recommendation to solicit three quotes for a transition account. Without objection, the motion unanimously passed.

Treasurer Gerard Cruz, seconded by Trustee James Duenas, moved to accept Wilshire Associates, recommendation for distribution of assets: 25% to Robeco, 25% to INTECH, and 50% to Russell 1000 Index Fund. Without objection, the motion unanimously passed.

Invacare Corporation Securities Litigation – Director Blas stated that BLBG is recommending that the Retirement Fund consider seeking a role as Lead Plaintiff in this litigation.

Treasurer Gerard Cruz, seconded by Trustee George Santos, moved to approve that the Retirement Fund become the Lead Plaintiff in the litigation against Invacare Corporation. Without objection, the motion unanimously passed.

Annual Manager Reviews – Vice Chairman Leon Guerrero stated that the annual reviews were conducted for the following managers:

- Income Research & Management
- Garcia Hamilton
- Franklin Templeton

Next Quarterly Performance Meeting for Quarter Ended June 30, 2013 – Vice Chairman Leon Guerrero stated that the next Quarterly Performance Meeting is tentatively scheduled for August 28, and 29, 2013.

IX. TRAVEL REPORT

A. Secretary Antolina Leon Guerrero and Director Paula Blas: IFEBP Portfolio Concepts and Management Conference - May 6-9, 2013, Wharton School, Philadelphia

Chairman San Agustin stated that Secretary Leon Guerrero and Director Blas' travel report on the IFEBP Portfolio Concepts and Management Conference they attended on May 6-9, 2013 at the Wharton School in Philadelphia, Pennsylvania, are submitted for the Board's information.

X. OLD BUSINESS

None

XI. NEW BUSINESS

None

XII. OPEN DISCUSSION / GENERAL PUBLIC INPUT

None

XIII. ANNOUNCEMENTS

None

XIV. ADJOURNMENT

There being no further business before the Board for the Defined Benefits Plan, on motion of Trustee George Santos, seconded by Secretary Antolina Leon Guerrero, and without objection, the meeting was adjourned at 2:55 p.m. Motion unanimously passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of May 31, 2013 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on June 28, 2013.



ANTOLINA S. LEON GUERRERO, Board Secretary

RECORDING SECRETARY:



Jackie Blas