



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

**(Vacant)**  
Members' & Benefits Committee,  
Chairman

**Katherine T.E. Taitano**  
Trustee

**James R.F. Duenas**  
Trustee

**INVESTMENT COMMITTEE MEETING  
DEFINED BENEFIT PLAN**

Thursday, July 25, 2013  
Retirement Fund Conference Room

**MINUTES**

**I. CALL TO ORDER**

The Retirement Fund Investment Committee Meeting was called to order at 2:15 p.m. Thursday, July 25, 2013, in the Retirement Fund Conference Room. Investment Committee Chairman Wilfred P. Leon Guerrero officiated.

**Board of Trustees Present:**

Wilfred P. Leon Guerrero, Chairman  
James R.F. Duenas, Trustee

**Staff Present:**

Diana Bernardo, Controller  
Rosalia Bordallo, General Accounting Supervisor

## **II. ACTION ITEMS**

- 1. March 8, 2013 Regular Investment Committee Meeting Minutes**
- 2. April 25, 2013 Regular Investment Committee Meeting Minutes**
- 3. May 30, 2013 Regular Investment Committee Meeting Minutes**
- 4. June 14, 2013 Regular Investment Committee Meeting Minutes**
- 5. February 20, and 21, 2013 Due Diligence Meeting for the Quarter Ended December 31, 2012 Minutes**
- 6. May 29, and 30, 2013 Due Diligence Meeting for the Quarter Ended March 31, 2013 Minutes**

**A motion was made by Committee Chairman Wilfred Leon Guerrero, seconded by Committee Member James Duenas, to approve the minutes of March 8, 2013, April 25, 2013, May 30, 2013, and June 14, 2013 Regular Investment Committee Meetings, subject to technical correction, and to table the minutes of February 20-21, 2013, and May 29-30, 2013 Due Diligence Meetings. 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. Controller Diana Bernardo stated that the asset allocation still reflects amounts from Met West and Winslow, which were terminated. Amounts from the two accounts will go into Robeco and BlackRock at the end of July or August 1, 2013. Chairman Leon Guerrero asked whether there are any managers exceeding the maximum target. Controller Bernardo stated that there are a few over target which is Domestic Large Cap and Domestic Small Cap. Chairman Leon Guerrero asked whether everything is within range except Fixed Income. Trustee James Duenas stated that it also includes Admin Cash. Controller Bernardo stated that with Fixed Income being below the minimum of 25%, Trustee Gerard Cruz indicated that we should not put money into it, he doesn't want to chase a downward market. We can address the issue when Maggie Ralbovsky of Wilshire Associates gets here in August. Chairman Leon Guerrero and Trustee Duenas indicated that they do not have a problem with this.

### **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**

Chairman Leon Guerrero stated that he is concerned of the procurement process of a transition manager. Controller Bernardo stated that Legal Counsel provided a memo dated June 12, 2013 regarding the procurement process of a transition manager. Chairman Leon Guerrero stated that this is revealing to him because the same situation occurred in the past. Controller Bernardo stated that the issue arose in the past when Mr. Terry Dennison of Mercer Investment Consultant, Inc. was still the Retirement Fund's Defined Benefit (DB) Plan consultant. Chairman Leon Guerrero stated that the Retirement Fund had the law changed so that we could get into ETF. What we are doing is not using ETFs. Chairman Leon Guerrero stated that Legal Counsel is saying that the movement of assets using BlackRock as transition manager makes sense. Controller Bernardo stated that Legal Counsel is saying it makes sense given the facts and the circumstances. Controller Bernardo stated that Legal Counsel's memo states that "Based on all of these factors, and the recommendations in Wilshire's memorandum, it is appropriate and prudent, and not inconsistent with the goals of public procurement, to retain a transition manager without issuing an RFP announcing a \$220 Million stock sale. The terms and conditions of the retention will need to be reviewed to ensure that the Fund is protected in the same manner as it would be had the engagement resulted from an RFP process." Chairman Leon Guerrero stated that he is concerned with what had happened in the past. What changed? Controller Bernardo stated that we had a different investment consultant.

Chairman Leon Guerrero stated that the Retirement Fund was fortunate that we have someone on board that could take care of this. Controller Bernardo stated that we were not fortunate in having BlackRock on board, BlackRock was one of the three entities we got a quotation from, and they had the lowest quote. Chairman Leon Guerrero asked whether BlackRock has the ability to function as a transition manager. Controller Bernardo replied, "Yes." Chairman Leon Guerrero stated that the law needs to be amended. Controller Bernardo stated that there is no reason for an amendment. Rosalie Bordallo, General Accounting Supervisor, stated that we could do an RFP for a "stand-by" transition manager. Chairman Leon Guerrero agreed to issue an RFP for a "stand-by" transition manager. Chairman Leon Guerrero suggested asking Legal Counsel why is it that in the past it took at least three years before we got a new manager and now we can hire a transition manager. Controller Bernardo stated that she will get a clarification from Legal Counsel. Mrs. Bordallo stated that the process should not take three years. It takes at least two months. The Board just needs to push it. Chairman Leon Guerrero asked what is the time frame from the issuance of an RFP for submitting proposals. Ms. Bordallo stated that it is normally 30 days. Controller Bernardo stated that she will go through the process: Once the recommendation is made by the Board to go out on an RFP, the RFP is issued and proposals are submitted within 30 days. The proposals will then go to the Director for review, and then it goes to the Investment Consultant for review and recommendation. The Investment Consultant will then return it to the Director within 2-3 weeks. The Selection Committee will then meet which will take probably another month. A recommendation is then made to the Board and if the Board approves, it goes into the negotiations stage. Chairman Leon Guerrero stated that the process

Controller Bernardo just went through indicates that it takes at least five months. Controller Bernardo stated that there may also be other delays. Chairman Leon Guerrero stated that he recalls that at one time the procurement process took at least a year. Controller Bernardo stated that another factor is a delay in the timing of when the Selection Committee meets because someone may be off-island.

**VI. OPEN DISCUSSION**

**1. Investment Legislation**

Controller Bernardo informed the Committee that the public hearing on the proposed legislation regarding the change of the investment statute is scheduled for August 30, 2013 at 3:00 p.m. Controller Bernardo stated that Ms. Ralbovsky will be attending the public hearing.

**VII. CORRESPONDENCE**

None

**VIII. ANNOUNCEMENTS**


**1. Next Due Diligence Meeting: August 28, and 29, 2013**

Controller Bernardo informed the Committee that the next due diligence meeting is tentatively scheduled for August 28-29, 2013.

**IX. ADJOURNMENT**

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

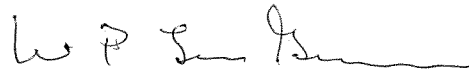
Respectfully submitted,



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**JACKIE M. BLAS**  
Recording Secretary

**AFFIRMED:**



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