



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**

Friday, June 14, 2013  
Retirement Fund Conference Room

**MINUTES**

**I. CALL TO ORDER**

The Retirement Fund Investment Committee Meeting was called to order at 12:57 p.m. Friday, June 14, 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, Trustee  
Joe T. San Agustin, Ex Officio

**Staff Present:**

Paula Blas, Director  
Diana Bernardo, Controller  
Jackie Blas, Recording Secretary

## **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. February 20, and 21, 2013 Due Diligence Meeting for the Quarter Ended December 31, 2012 Minutes**
- 5. May 29, and 30, 2013 Due Diligence Meeting for the Quarter Ended March 31, 2013 Minutes**

**A motion was made by Vice Chairman Gerard Cruz, seconded by Trustee James Duenas, to table the minutes of March 8, 2013, April 25, 2013, and May 30, 2013 Regular Investment Committee Meetings, and the 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**

- 1. Metropolitan West June 3, 2013 Letter**

Director Paula Blas stated that the instructions from the last Board meeting was for Management to send a letter to Metropolitan West reaffirming what the Retirement Fund's Investment Consultant had reported regarding their organizational changes, their anticipated changes and their outlook for the future. Their response was that changes in professionals have occurred.

- 2. Winslow Capital June 3, 2013 Letter**

Director Blas stated that the instructions from the last Board meeting was for Management to send a letter to Winslow Capital reaffirming what the Retirement Fund's Investment Consultant had reported regarding their organization changes, their anticipated changes and their outlook for the future. Their response was that changes in personnel have occurred and there are no current plans for future organizational changes.

- 3. Wilshire's Recommendation for Transition Manager**

Director Blas stated that Maggie Ralbovsky of Wilshire Associates was instructed to solicit three quotes for transition manager services. The three quotes were provided by Ms. Ralbovsky. Director Blas stated that she solicited the Retirement Fund's Legal Counsel's advice whether the report from Ms. Ralbovsky would have to go through a Request for Proposal (RFP) and Legal Counsel had stated that we do not have to issue an RFP.

Chairman Leon Guerrero stated that Metropolitan West and Winslow Capital's response is that their organizational structure has not changed. Chairman Leon Guerrero stated that the Retirement Fund's concern is that their personnel have changed. Director Blas stated that the recommendation at the last Board meeting was to terminate Winslow Capital and Metropolitan West subject to confirmation from

the managers of their organizational changes. Ex Officio Joe T. San Agustin stated that he is more interested in performance and these managers should be given a chance. Chairman Leon Guerrero stated that the Committee's recommendation to the Board was to terminate subject to Management obtaining a written confirmation of the organization changes to include a discussion on the future outlook of both Winslow Capital and Metropolitan West; solicitations of the appropriate quotes via the Retirement Fund's Investment Consultant to determine which assets can be crossed over and transferred to Robeco and INTECH; and assets will be distributed as follows: 1) 25% to Robeco; 2) 25% to INTECH; and 3) 50% to an Index Fund. Chairman Leon Guerrero stated that based on the response from the companies, the Investment Committee will determine whether to continue to accept Wilshire's recommendation or to convene a special meeting for further deliberation.

Ex Officio San Agustin suggested to either terminate Winslow Capital and Metropolitan West or placed them on the Watch List. Trustee James Duenas stated that the managers are saying that there is no day-to-day impact on investments. Has there been an impact? Vice Chairman Gerard Cruz stated that the companies are hired with the understanding that the people that were picking the stocks were the people that were on the organizational chart. Those people have left and the process and positions may be the same. The question is whether those people would have the same competency that those that left have. Trustee Duenas asked whether the impact of the changes show since they left the company. Vice Chairman Cruz stated that we will not see the impact of their departure for another two to four years.

Chairman Leon Guerrero stated that the Committee feels they should terminate the managers and will make a recommendation to the Board to terminate. Chairman Leon Guerrero stated that Ms. Ralbovsky stated that the current management team holds the near term record, but not the long term record.

Ex Officio San Agustin stated that another concern is the transition cost if the two companies are terminated. Director Blas stated that Legal Counsel's memo addresses that issue. Director Blas stated that Ms. Ralbovsky is recommending that we go with the BlackRock manager which will cost \$195,000 to do this whole transition. Legal Counsel's memo took the different scenarios into consideration and one of them was liquidating and then moving them proportionally to what the Board had approved. This came back as not a good thing to do because the Retirement Fund would end up being out of the market for three days. Director Blas stated that the other scenario was using a transition manager which Ms. Ralbovsky was recommending. Ex Officio San Agustin asked whether the Retirement Fund will allow BlackRock to choose and pick which stocks to accept. Ex Officio San Agustin stated that we need to ask BlackRock for their plan. Director Blas asked the Committee members whether they are in agreement to accept Ms. Ralbovsky's recommendation for BlackRock, then we could let BlackRock know to forward the agreement for transition. Chairman Leon Guerrero reiterated that based on verification from Metropolitan West and Winslow Capital, the Investment Committee still maintains that the managers should be terminated due to changes in personnel and to accept Ms. Ralbovsky's recommendation for BlackRock as the transition manager. Chairman Leon Guerrero stated that this matter will be brought back to the Board at their June 28, 2013 meeting.

**Chairman Wilfred Leon Guerrero, seconded by Vice Chairman Gerard Cruz, moved to approve to make a recommendation to the Board of Trustees to terminate Winslow Capital and Metropolitan West due to changes in personnel, and to accept Wilshire's recommendation for BlackRock to be the transition manager. Without objection, the motion was unanimously passed.**

## **V. INFORMATIONAL ITEMS**

### **1. Asset Allocation Summaries**

Controller Diana Bernardo stated that a copy of the asset allocation summary statements is provided to the Committee for review and information purposes. Controller Bernardo stated that the Retirement Fund's market value assets as of June 11, 2013 were \$1.467 Billion. Controller Bernardo noted that of the managers, Capital International reflected market below cost of about \$17 Million.

### **2. Income Summary**

Controller Bernardo stated that a summary of interest and dividend income is provided to the Committee for review and informational purposes. Controller Bernardo stated that interest and dividend for May was \$2.7 Million.

### **3. Securities Lending**

Controller Bernardo stated that a summary of securities lending earnings is provided to the Committee for review and informational purposes. Controller Bernardo stated that the income on securities lending for May was \$58,000.

### **4. Litigation Proceeds**

Controller Bernardo stated that the analysis of the litigation proceeds provided is a draft and is subject to change because some of the class periods are pre 2007-2008. Controller Bernardo stated that they need to go back and see if there were any other proceeds prior to 2009. There were \$2.9 Million in litigation proceeds between 2009 and 2012. The analysis also reflects approximately \$2.87 Million in proceeds for WorldCom during and between 2007 and 2008. For AIG, the amount recovered was \$79,000 and there was a \$4 Million loss. The analysis reflects \$29 Million in losses and recoveries of \$5.8 Million for Fiscal Year 2007 to 2012. Chairman Leon Guerrero asked whether the projected loss of \$29 Million is acceptable. Controller Bernardo stated that it is dependent on the settlement. Chairman Leon Guerrero asked whether the recovery is acceptable. Vice Chairman Cruz replied, "Yes." Ex Officio San Agustin asked how much dividend the Retirement Fund is receiving. Controller Bernardo stated that she would need to go back several years to get this information.

## **VI. OPEN DISCUSSION**

None

## **VII. CORRESPONDENCE**

None

**VIII. ANNOUNCEMENTS**

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

Director Blas informed the Committee that the next due diligence meeting is tentatively scheduled for August 28, and 29, 2013.

**IX. ADJOURNMENT**

There being no further business before the Investment Committee, a motion was made by Vice Chairman Gerard Cruz, seconded by Trustee James Duenas, to adjourn the meeting at 1:37 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