



GOVERNMENT OF GUAM
RETIREMENT FUND
STABILITY • SECURITY • REWARDS

Eddie Baza Calvo
Governor

Ray Tenorio
Lieutenant Governor

Paula M. Blas
Director

INVESTMENT COMMITTEE MEETING
DEFINED BENEFIT PLAN
Thursday, May 30, 2013
Retirement Fund Conference Room

MINUTES

I. CALL TO ORDER

The Retirement Fund Investment Committee Meeting was called to order at 2:35 p.m. Thursday, May 30, 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
Rosalia Bordallo, General Accounting Supervisor

Investment Consultant Present:

Maggie Ralbovsky, Wilshire Associates

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

II. ACTION ITEMS

- 1. March 8, 2013 Regular Investment Committee Meeting Minutes**
- 2. April 25, 2013 Regular Investment Committee Meeting Minutes**
- 3. November 28, and 29, 2012 Due Diligence Meeting for the Quarter Ended September 30, 2012 Minutes**
- 4. February 20, and 21, 2013 Due Diligence Meeting for the Quarter Ended December 31, 2012 Minutes**

A motion was made by Vice Chairman Gerard Cruz, seconded by Trustee James Duenas, to approve the minutes of the November 28, and 29, 2012 Due Diligence Meeting, subject to technical corrections, and to table the minutes of March 8, 2013 and April 25, 2013 Regular Investment Committee Meetings, and the February 20, and 21, 2013 Due Diligence Meeting. Without objection, the motion was passed.

III. OPEN ITEMS

- 1. Investment Statute**

Director Paula Blas stated that the proposed legislation has not been submitted to the Legislature because Ex Officio Joe T. San Agustin had some reservations with using the word "Prudent Investor." Ex Officio San Agustin suggested amending the word used. Vice Chairman Gerard Cruz recommended removing all references to "Prudent Investor" and replacing it with "Prudent Person." Chairman Leon Guerrero stated that the Committee has no problem with replacing the word "Investor" with the word "Person." The Retirement Fund's Investment Consultant, Maggie Ralbovsky of Wilshire Associates, asked whether with the change of the word "Investor" to "Person" the proposed legislation will be good to go. Ex Officio San Agustin replied, "Yes." Director Blas stated that she will submit the proposed legislation to the Legislature for introduction and then they will call her for a date. Ms. Ralbovsky asked whether the Legislature could possibly schedule a date in the latter part of August. Director Blas stated that July and August is a busy time for the Legislature due to the budget hearings. Ms. Ralbovsky suggested moving the August Board meeting to August 2nd and have the due diligence on July 31st and August 1st. Director Blas stated that she will check with Senator Ben Pangelinan's Office and work out a date in August or September for a roundtable discussion and she will inform Ms. Ralbovsky of the date.

- 2. Winslow Capital and Metropolitan West**

Ms. Ralbovsky stated that the Investment Committee has discussed Metropolitan West and Winslow Capital's organizational changes. Ms. Ralbovsky stated that the concern with Winslow Capital is that the people who generate the track record are no longer there. The concern with Metropolitan West is that the majority of the previous team has moved to Aristotle.

Ms. Ralbovsky stated that her recommendation is to terminate both Winslow Capital and Metropolitan West. The transfer of funds (approximately \$220 Million) should be half to Robeco (25%) and INTECH (25%) and the other half to the Russell 1000 Index Fund (50%). Ms. Ralbovsky suggested using BlackRock as the transition manager and for BlackRock to do a pre-trade analysis. Chairman Leon Guerrero asked Ms. Ralbovsky whether it is appropriate for the Board to take action on her

recommendation without the Board communicating with the two managers. Vice Chairman Cruz stated that the Board could terminate the managers at any time. Chairman Leon Guerrero thinks that it should be on record that the Board has communicated directly with the two managers.

Chairman Leon Guerrero suggested for Director Blas to write a letter to Winslow Capital and Metropolitan West that the Board is concerned with their changes in personnel. If the two companies verify the changes in personnel, then the Board could take action to terminate. Ms. Ralbovsky stated that the letter should also include a request for the two companies to provide a future outlook of their company.

Chairman Leon Guerrero stated that the Committee's recommendation to the Board will be as follows:

1. To terminate Winslow Capital and Metropolitan West based on changes in personnel, and if the Investment Consultant's findings are verified.

Chairman Wilfred Leon Guerrero, seconded by Vice Chairman Gerard Cruz, moved to terminate Winslow Capital and Metropolitan West based on changes in personnel, and if the Investment Consultant's findings are verified. Without objection, the motion unanimously passed.

2. To engage BlackRock as a Transition Manager to facilitate the transfer as follows:
 - 25% to Robeco
 - 25% to INTECH
 - 50% to Russell 1000 Index Fund

Ms. Ralbovsky stated that she will initiate the solicitation of three quotes for a pre-trade analysis of the transition cost which she will provide to the Retirement Fund. Director Blas stated that once a selection is made and the agreement is in place, a termination letter will be sent to Winslow Capital and Metropolitan West to stop trading.

Vice Chairman Gerard Cruz, seconded by Trustee James Duenas, moved to approve to have the Retirement Fund's Investment Consultant solicit three quotes for a pre-trade analysis of the transition cost for the distribution of 25% to Robeco, 25% to INTECH, and 50% to Russell 1000 Index Fund. Without objection, the motion unanimously passed.

IV. NEW BUSINESS

1. **Bernstein Litowitz Berger and Grossman (BLBG) Email – 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. Invacare is a pharmaceutical company. Director Blas stated that BLBG is estimating a loss of about \$191,000.00. Vice Chairman Cruz asked what the nature of the lawsuit is. Director Blas stated that it is a violation of lending securities.

Vice Chairman Gerard Cruz, seconded by Trustee James Duenas, moved to accept Bernstein Litowitz Berger and Grossman's recommendation for the Retirement Fund to become the Lead Plaintiff in the litigation against Invacare Corporation. Without objection, the motion unanimously passed.

V. INFORMATIONAL ITEMS

1. Asset Allocation Summaries

Controller Bernardo stated that a copy of the asset allocation summary statements is provided to the Committee for review and informational purposes.

2. Income Summary

Controller Bernardo stated that a summary of interest and dividend income is provided to the Committee for review and informational purposes. Ex Officio San Agustin asked what the overall rate of return is. Ms. Ralbovsky stated that it is 8.1%.

3. Securities Lending

Controller Bernardo stated that a summary of securities lending earnings is provided to the Committee for review and informational purposes. Chairman Leon Guerrero stated that the securities lending year-to-date earnings is \$93,000.00.

VI. OPEN DISCUSSION

None

VII. CORRESPONDENCE

None

VIII. ANNOUNCEMENTS


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

Director Blas stated that the next due diligence meeting is tentatively scheduled for August 29-30, 2013.

IX. ADJOURNMENT

There being no further business before the Investment Committee, a motion was made by Chairman Wilfred Leon Guerrero, seconded by Vice Chairman Gerard Cruz, to adjourn the meeting at 3:10 p.m. Without objection, the motion was passed.

Respectfully submitted,



JACKIE M. BLAS
Recording Secretary

AFFIRMED:


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