



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

Katherine T.E. Taitano
Trustee

James R.F. Duenas
Trustee

David M. O'Brien
Trustee

INVESTMENT COMMITTEE MEETING
DEFINED BENEFIT PLAN
Friday, December 13, 2013
Retirement Fund Conference Room

MINUTES

I. CALL TO ORDER

The Retirement Fund Investment Committee Meeting was called to order at 12:50 p.m. Friday, December 13, 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, Member
Joe T. San Agustin, Ex Officio
David M. O'Brien, Trustee

Staff Present:

Paula Blas, Director
Diana Bernardo, Controller
Rosalia Bordallo, General Accounting Supervisor

II. ACTION ITEMS

- 1. November 21, 2013 Regular Investment Committee Meeting Minutes**
- 2. August 28, and 29, 2013 Due Diligence Meeting for the Quarter Ended June 30, 2013 Minutes**
- 3. November 20, and 21, 2013 Due Diligence Meeting for the Quarter Ended September 30, 2013**

A motion was made by Committee Vice Chairman Gerard Cruz, seconded by Committee Member James Duenas, to approve the minutes of November 21, 2013 Regular Investment Committee Meeting, subject to technical corrections; and to table the minutes of the August 28, and 29, 2013 and November 20, and 21, 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. Committee Chairman Leon Guerrero inquired about the size of the Retirement Fund's portfolio. Controller Diana Bernardo stated that as of December 10, 2013, the Retirement Fund's portfolio is \$1.56 Billion. Committee Vice Chairman Gerard Cruz asked whether the changes were made on the target allocation. Controller Bernardo stated that the change was made on the Domestic Large Cap because of the elimination of Winslow and Metropolitan West.

- 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. Litigation Settlements**

Controller Bernardo stated that an analysis of litigation proceeds is provided for review and informational purposes as requested by Ex Officio Joe San Agustin. The analysis includes the Securities, Class Period, Shares, Sales Price, Cost, Loss, and Recovery. Committee Vice Chairman Cruz asked whether the Retirement Fund's loss was \$4.2 Million on AIG. Controller Bernardo replied,

“Yes, \$4.2 Million.” Controller Bernardo stated that she is still adding on to this as there could be some proceeds received prior to 2006. There are instances where settlements are received in different increments. Trustee David O’Brien asked whether the total recovery is net of fees. Committee Vice Chairman Cruz stated that it is net of fees. Trustee O’Brien asked which securities is the Retirement Fund a lead plaintiff. Controller Bernardo replied, “Genzyme and Invacare.” Committee Chairman Leon Guerrero asked Ex Officio San Agustin if this is the information he is looking for. Ex Officio San Agustin replied, “Yes, in one way.” Ex Officio San Agustin stated that the Retirement Fund’s loss is \$35 Million and we only recovered \$6 Million. Ex Officio San Agustin asked if there is any way you could identify who the managers are. We want to make sure that we don’t deal with the same managers that we got rid off. Ex Officio San Agustin asked whether the recovery of \$6 Million from a \$35 Million loss is a defensible rate of recovery. Committee Vice Chairman Cruz stated that some recoveries like Worldcom and Enron are acceptable. Controller Bernardo stated that it is all dependent on what the settlement is and how it is allocated. Director Paula Blas stated that distribution is relative to the amount of shares owned. Ex Officio San Agustin asked what is our exposure as a Board. Trustee O’Brien stated that as soon as the Retirement Fund becomes aware of it, the Board immediately pursues recovery action. This becomes a factor in the evaluation of the managers. Committee Chairman Leon Guerrero proposed that this matter be place in the next meeting agenda to be discussed further with Maggie Ralbovsky of Wilshire Associates.

5. Proposed Repeal of Floor Amendments to Bill 170-32 Enacted as Public Law 32-086

Director Blas stated that based on the amendments passed which were the Financial Industry Regulatory Authority (FINRA) requirement and “in any rolling 12 month period” in various sections of the law, the Retirement Fund is going to request that they be deleted. Director Blas stated that Senator Ben Pangelinan is waiting for the draft bill repealing the floor amendments. Committee Vice Chairman Cruz asked whether the deletion under Custodian of “bank trust departments” is a new recommendation the Retirement Fund is going to make. Director Blas stated that it has already been taken out and replaced with the word “custodians.” Director Blas stated that the custodian does not necessarily have to be a bank trust department. Committee Chairman Leon Guerrero asked whether there is any disagreement on this between Legal Counsel and Ms. Ralbovsky. Director Blas replied, “No, they are saying the same thing.” Committee Vice Chairman Cruz stated that the only thing being changed is the deletion of the FINRA requirement and any rolling 12 month period. Ex Officio San Agustin stated that what he wants to emphasize to the Legislature is that the amendment itself will lead into limiting the availability of the people the Retirement Fund is going to deal with and by doing that then the transaction cost and commission will increase which means a net reduction in the returns. Director Blas stated that our current managers are not FINRA members. Committee Chairman Leon Guerrero stated that Senator Ben Pangelinan was invited to our next Board meeting. Director Blas stated that she will forward the draft bill repealing the floor amendments to Senator Pangelinan’s office.

VI. OPEN DISCUSSION

None

VII. CORRESPONDENCE

None

VIII. ANNOUNCEMENTS

1. Next Due Diligence Meeting: February 26, and 27, 2014

Committee Chairman Leon Guerrero informed the Committee that the next due diligence meeting is tentatively scheduled for February 26, and 27, 2014.

IX. ADJOURNMENT

There being no further business before the Investment Committee, a motion was made by Committee Vice Chairman Gerard Cruz, seconded by Committee Member James Duenas, to adjourn the meeting at 1:30 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