



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

Anthony C. Blaz
Trustee

David M. O'Brien
Trustee

INVESTMENT COMMITTEE MEETING
DEFINED BENEFIT PLAN
Thursday, July 24, 2014
Retirement Fund Conference Room

MINUTES

I. CALL TO ORDER

The Retirement Fund Investment Committee Meeting was called to order at 2:55 p.m. Thursday, July 24, 2014, 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
Anthony C. Blaz, Member
Joe T. San Agustin, Ex Officio

Staff Present:

Paula Blas, Director
Diana Bernardo, Controller
Alice Taijeron, Director, Client Relations & Plan Counseling, Great-West Financial

II. ACTION ITEMS

- 1. June 20, 2014 Regular Investment Committee Meeting Minutes**
- 2. May 28, and 29, 2014 Due Diligence Meeting for the Quarter Ended March 31, 2014 Minutes**

A motion was made by Committee Vice Chairman Gerard Cruz, seconded by Committee Member Anthony Blaz, to approve the minutes of June 20, 2014 Regular Investment Committee Meeting, subject to technical corrections; and to table the minutes of the May 28, and 29, 2014 Due Diligence Meetings. Without objection, the motion unanimously passed.

III. OPEN ITEMS

None

IV. NEW BUSINESS

- 1. 5-Year Plan**

Committee Chairman Leon Guerrero stated that the Retirement Fund's investment portfolio is reviewed quarterly for rebalancing. The investment performance review is conducted quarterly. Annual reviews are conducted with the Fund Managers and the Custodial Bank. Committee Chairman Leon Guerrero stated that the following are reviewed annually during the Second Quarter Performance Review:

- Asset Allocation Policy
- Investment Statutes
- Actuarial Rate of Return
- Achieve Approved Actuarial Rate of Return or Higher

Committee Chairman Leon Guerrero stated that he is concerned with the evaluation of the Director's position. The Director is being evaluated without a financial incentive. Board Chairman Joe San Agustin stated that the Director's salary is tied in to the Governor's salary. Director Paula Blas stated that the Board has the autonomy to hire the Director. Committee Chairman Leon Guerrero stated that he would like to see the section of the law regarding the Director's salary being tied in to the Governor's salary so that the Board could amend it. Director Blas stated that she will provide that section of the law.

Committee Chairman Leon Guerrero suggested that the 5-Year Plan be revised so that the items listed are specific and that actual dates are included. Controller Diana Bernardo stated that she will revise the 5-Year Plan. Committee Chairman Leon Guerrero also noted to delete item Nos. 10 and 12 from the 5-Year Plan.

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 Bernardo stated that as of July 18, 2014, the Retirement Fund's portfolio is \$1.652 Billion. Controller Bernardo stated that Fixed Income and the Domestic Large Cap are still outside of their target allocation ranges.

2. Income Summary

A summary of interest and dividend income was provided to the Committee for review and informational purposes. Controller Bernardo stated that the total interest and dividend income for June 2014 was \$3.353 Million and the total interest and dividend income year-to-date total is \$26 Million.

3. Securities Lending

A summary of securities lending earnings was provided to the Committee for review and informational purposes. Controller Bernardo stated that the Securities Lending income for June 2014 was \$20,000 and that the income to date for the year is \$225,183.

4. Litigation Settlements

A summary of litigation proceeds from Fiscal Year 2006 to Fiscal Year 2014 was provided to the Committee for review and informational purposes. Controller Bernardo stated that the summary also indicates the managers involved. Controller Bernardo stated that the Retirement Fund's recovery from FY2006 to date is \$6.3 Million or 16.2%. Recovery on Worldcom was \$3.1 Million or 53.9% and Enron was \$2.1 Million or 52%. Board Chairman San Agustin pointed out that we have a \$38 Million exposure with a \$6 Million recovery.

VI. OPEN DISCUSSION

None

VII. CORRESPONDENCE

1. Security Capital – June 17, 2014 Letter

Controller Bernardo stated that the Retirement Fund's Investment Consultant, Maggie Ralbovsky of Wilshire Associates, drafted a response to Security Capital's letter, which is provided for the Committee's review. Committee Vice Chairman Gerard Cruz indicated that the draft response is okay to send out.

2. Numeric Investors – June 24, 2014 Letter

Controller Bernardo stated that Numeric Investors had indicated that they will be merging with Man Group PLC. Numeric is asking for the Retirement Fund's consent to the assignment of the Agreement. Controller Bernardo stated that Ms. Ralbovsky has reviewed this and indicated that her view of it is neutral, but Wilshire will monitor the situation going forward. Committee Vice Chairman Cruz indicated that there is no problem with the merger.

Committee Vice Chairman Gerard Cruz, seconded by Committee Member Anthony Blaz, moved to recommend to the Board of Trustees the Investment Committee's approval of Numeric Investors' merger with Man Group PLC and give its consent to the assignment of the Agreement. Without objection, the motion unanimously passed.

VIII. ANNOUNCEMENTS

1. Next Due Diligence Meeting: September 24, and 25, 2014

Committee Chairman Leon Guerrero informed the Committee that the next due diligence meeting is scheduled for September 24, and 25, 2014.

2. Request for Proposals (RFPs) for Investment Management Services

Director Blas informed the Committee that the three (3) RFPs closed on July 10, 2014. The proposals of all the offerors that are deemed to meet the minimum requirements will be forwarded to Ms. Ralbovsky for review and analysis. Director Blas stated that there will be 3 Selection Panels: 1) Transition Management Services, 2) Active High Yield Bonds, and 3) Global Real Estate Securities. Committee Chairman Leon Guerrero stated that the appointment for the Selection Panels will be made during tomorrow's Board meeting.

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 Anthony Blaz, to adjourn the meeting at 3:25 p.m. Without objection, the motion unanimously passed.

Respectfully submitted,



JACKIE M. BLAS
Recording Secretary

AFFIRMED:



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