



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, September 25, 2014
Retirement Fund Conference Room

MINUTES

I. CALL TO ORDER

The Retirement Fund Investment Committee Meeting was called to order at 12:15 p.m. Thursday, September 25, 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
Rosalia Bordallo, General Accounting Supervisor
Alice Tajjeron, Client Relations & Plan Counseling, Great-West Financial

II. ACTION ITEMS

- 1. August 15, 2014 Regular Investment Committee Meeting Minutes**
- 2. May 28, and 29, 2014 Due Diligence Meeting for the Quarter Ended March 31, 2014 Minutes**

Committee Vice Chairman Gerard Cruz, seconded by Committee Member Anthony Blaz, moved to approve the Minutes of the August 15, 2014 Regular Investment Committee Meeting and the Minutes of the May 28, and 29, 2014 Due Diligence Meetings, subject to technical corrections. Without objection, the motion unanimously passed.

III. OPEN ITEMS

None

IV. NEW BUSINESS

- 1. 5-Year Plan**

Vice Chairman Leon Guerrero stated that he had asked Director Paula Blas to place the review of vendors and the staff and Trustee professional development in the Investment Policy. Director Blas asked Committee Chairman Leon Guerrero whether he could defer this matter until the next Committee meeting. The Committee agreed to defer the matter.

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 stated that as of September 19, 2014, the Retirement Fund's total market value is \$1.6 Billion. Ex Officio Joe San Agustin asked what contributed to this growth. Committee Chairman Leon Guerrero stated that it is from market. Committee Chairman Leon Guerrero asked whether the portfolio is not being touched. Controller Bernardo replied, "Yes." Controller Bernardo stated that pension payroll is paid through contributions, interest and dividend earnings, and principal drawdowns. Ex Officio San Agustin stated that the actual asset is growing due to market fluctuations. Ex Officio San Agustin stated that we can not use contributions to pay benefits. Contributions are to be invested.

- 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 August 2014 was \$2.8 Million and the total interest and dividend income year-to-date total is \$31.4 Million, compared to 35 Million in 2013. Ex Officio San Agustin asked how much of the \$31 Million is for payroll. Director Blas stated that payroll per month is \$16 Million. Committee Chairman Leon Guerrero stated that we are generating a \$3 Million dividend which goes into payroll.

3. Securities Lending

A summary of securities lending earnings was provided to the Committee for review and informational purposes. Rosalia Bordallo, General Accounting Supervisor, stated that the Securities Lending income for August 2014 is \$8,782. Committee Chairman Leon Guerrero asked when is the next meeting with Northern Trust. Director Blas stated that it will be in November 2014.

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. Director Blas stated that there are three still pending: Genzyme, Invacare, and MF Global. Committee Vice Chairman Gerard Cruz pointed out that AIG is closed. Ex Officio San Agustin stated that the realized loss is \$38 Million and the recovery is only \$3.4 Million. Committee Chairman Leon Guerrero asked that the report be revised to indicate which ones are inactive. Ms. Bordallo asked whether to remove the ones that are closed. Committee Chairman Leon Guerrero stated that the report should indicate which ones are active and which ones are inactive. Ex Officio San Agustin stated that he just wants to see the pending ones. Committee Chairman Leon Guerrero asked the Retirement Fund's Investment Consultant what is the Board's fiduciary responsibility with regards to recovery of only \$3.4 Million out of the realized loss of \$38 Million. Maggie Ralbovsky of Wilshire Associates stated that the Board outsourced this responsibility to Bernstein Litowitz Berger and Grossmann (BLBG) and the Board's responsibility is to make sure BLBG is doing their job. Committee Chairman Leon Guerrero stated that we should ask the Retirement Fund's Legal Counsel what is the Board's fiduciary responsibility on this. With Merrill Lynch, the case has been pending since 2008. Ms. Ralbovsky stated that some of these cases take a long time to settle. Committee Vice Chairman Cruz stated that the case with Merrill Lynch occurred in 2008, but the lawsuit was not filed until later. Committee Vice Chairman Cruz stated that we should put pressure on BLBG to settle these cases. Ex Officio San Agustin stated that the Board is exercising due diligence.

VI. OPEN DISCUSSION

None

VII. CORRESPONDENCE

None

VIII. ANNOUNCEMENTS

1. Next Due Diligence Meeting: November 19-20, 2014

Committee Chairman Leon Guerrero informed the Committee that the next due diligence meeting is scheduled for November 19-20, 2014.

IX. ADJOURNMENT

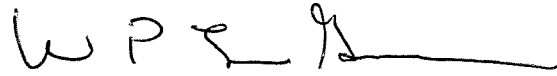
There being no further business before the Investment Committee, a motion was made by Committee Vice Chairman Gerard Cruz, seconded by Committee Member Anthony Blaz, to adjourn the meeting at 12:35 p.m. Without objection, the motion unanimously passed.

Respectfully submitted,



JACKIE M. BLAS
Recording Secretary

AFFIRMED:



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