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GOVERNMENT OF GUAM
RETIREMENT FUND
STABILITY · SECURITY · REWARDS

Felix P. Camacho
Governor

Michael W. Cruz, M.D.
Lieutenant Governor

Paula M. Blas
Director

INVESTMENT COMMITTEE MEETING
Friday, February 23, 2007, 12:00pm
Retirement Fund Conference Room

MINUTES

I. CALL TO ORDER

The Retirement Fund Investment Committee meeting was called to order at 12:20 pm on Friday, February 23, 2007, in the Retirement Fund Conference Room. Investment Committee Chairman Wilfred Leon Guerrero officiated.

Board of Trustees Present:

Wilfred Leon Guerrero, Chairman
James Taylor, Member
Gerard A. Cruz, Member
Joe T. San Agustin, ex-officio

Staff Present:

Paula M. Blas, Director
Diana Bernardo, Controller
Rosalie Bordallo, General Accounting Supervisor
Stephanie Herrera, Recording Secretary

II. ACTION ITEMS

1. Approval of Minutes - January 26, 2007

Committee Chairman Wilfred Leon Guerrero moved to approve the Investment Committee Meeting Minutes of January 26, 2007. Without objection, the motion was passed.

III. OPEN ITEMS

1. Proxy Voting

Information on proxy voting is still pending at this time. Controller Diana Bernardo stated that she had forwarded the list of questions from Glass Lewis and Company to Winton

Trustees:

Joe T. San Agustin
Chairman

Wilfred P. Leon Guerrero, Ed.D.
Vice-Chairman
Investment Committee, Chairman

James J. Taylor, Ph.D.
Secretary
Investment Committee, Vice-Chairman

Gerard A. Cruz
Treasurer
Audit & Operations Committee,
Chairman

George A. Santos
Members' & Benefits Committee,
Chairman

Katherine T.E. Taitano
Trustee

Young, FHB and he will provide the information to them. She also stated that Mercer will be providing information on proxy voting when they come out for the investment manager's review meeting's in March.

IV. NEW BUSINESS

None.

V. INFORMATIONAL ITEMS

1. WorldCom Class Action Settlements

As reported in the last committee meeting, the Fund received \$2.3million from the settlement of WorldCom as a result of the litigation. Controller Bernardo stated that she just received the information, but has not had a chance to go over it, however looking at the losses, the combined loss for Fiduciary, Aberdeen and MetWest appears to be about \$4.5million and so far the Fund has received \$2.3million. She also stated that she is not sure if the Fund is expected to receive the remaining balance of \$2.2million or how the \$4.5million was determined. According to the statement, of the total amount, \$3million was Fiduciary, \$1.4million was Aberdeen and the remaining was MetWest. She is expecting to receive further clarification from FHB. General Accounting Supervisor Rosalie Bordallo added that FHB had provided the Fund with a synopsis of the litigation that was occurring and based on the litigation, a percentage that the Fund would be entitled to based on what was owned, but this item still needs to be reviewed and further information needs to be obtained from FHB.

2. Capital International - \$10.7M Capital Gain

Committee Chairman Leon Guerrero inquired as to whether the Fund has a copy of the buy and sell policy for Capital International, which was provided by Mercer. Director Paula Blas stated that when they submitted the proposal, they provided a strategy. Retirement Fund Chairman Joe San Agustin added that the contract states that the Board gives the investment managers the discretion to manage all investments. Committee Chairman Leon Guerrero explained that there is a policy and that they are expected to live up and questioned when they bought and when they sold, adding that the policy states certain conditions. Fund Chairman San Agustin stated that the contract does not identify that. Director Blas explained it was included with the proposal and the strategy indicated was accepted. Fund Chairman expressed his concerns due to the constant cash shortage, each month having to cash in to make the benefit payment and this money being re-invested. Committee Member James Taylor stated that this is a transaction that he has seen quite often and he is comfortable with it, adding that he does not see this as a buy and sell transaction, but as an ongoing transaction. Committee Member Gerard Cruz suggested for Management to run a scenario assuming that the \$10million was withdrawn to figure what the impact would be versus the way it actually occurred to address the Fund Chairman's concern of the current cash shortage situation; what is the shortage, what it would have done, what the difference in return would have been from those other funds that the Fund drew down from. This would determine if the right decision was made and if it would be better for

the Fund to withdraw or re-invest. Committee Member Cruz added that the other issue is an investment strategy decision and had they made money it would have been accepted. Committee Member Taylor added that he doesn't think that the Fund should be waiting on capital gains to determine whether or not the money should be withdrawn. Committee Chairman Leon Guerrero recommended that this issue be discussed with Capital International in March when they come out for their presentation.

3. Bernstein's Portfolio – Monitoring Quarterly Report

General Accounting Supervisor Rosalie Bordallo went over the portfolio monitoring quarterly report provided by Bernstein with regards to securities litigations. She stated that she had checked the companies on the list for securities class action filings (page 1) and the Fund only has a claim with Pfizer. Davis and Dresdner owned Pfizer, Invesco owned Pfizer, but was transferred to Atalanta. Marvell Technology was purchased by Dresdner after the period. For pending securities class action settlements (page 7), El Paso Corp. is another one the Fund has claim against, which Oppenheimer has in their portfolio. She stated that the Fund will follow up with FHB.

4. Mutual Fund Investment Concerns

Fund Chairman San Agustin had requested to obtain information from the investment managers or from the custodian bank on concerns he had regarding mutual fund investments. A report of mutual fund holdings as of 1/31/07 was provided for today's meeting which included all the mutual fund investments, the amount, shares owned by the Fund, interest, which were re-invested and amount, as explained by General Accounting Supervisor Bordallo. She added that currently the Fund is receiving only monthly reports from Dimensional, but not quarterly reports and will follow up with them as well as Capital, AXA Rosenberg and DFA.

5. Return on Investment

A schedule indicating Return on Investments for FY2004-FY2007 was provided for review and discussion. Retirement Fund Chairman San Agustin expressed his concerns on the Investment Managers who are not meeting the benchmark; the returns are not good. Committee Member Taylor agreed that the Fund is not being funded at an actuarially sound rate; however changes were made that have increased the returns. He added that the Fund is monitoring because there are a set of reports, with the Investment Manager's coming next week and decisions can be made at that time.

6. Fee Summaries

Report of fee breakdown for FY2007 was provided for review and discussion.

VI. OPEN DISCUSSION

None.

VII. CORRESPONDENCE

None.

VIII. ANNOUNCEMENTS

None.

XI. ADJOURNMENT

There being no further business before the Investment Committee, Committee Chairman Leon Guerrero adjourned the meeting at 1:30pm.

Respectfully submitted,



STEPHANIE A. HERRERA
Recording Secretary

AFFIRMED:



WILFRED P. LEON GUERRERO, Chairman