



GOVERNMENT OF GUAM
RETIREMENT FUND
 STABILITY • SECURITY • REWARDS

BOARD OF TRUSTEES
Regular Meeting
 Friday, May 29, 2009, 12:00 p.m.
 Retirement Fund Conference Room

Felix P. Camacho
 Governor

Michael W. Cruz, M.D.
 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

George A. Santos
 Members' & Benefits Committee,
 Chairman

Katherine T.E. Taitano
 Trustee

Wilfred G. Aflague
 Trustee

MINUTES

DEFINED BENEFITS

I. ATTENDANCE, QUORUM, AND CALL TO ORDER

After determining a quorum was present, the Retirement Fund Board of Trustees Regular Meeting for the Defined Benefits Plan was called to order at 12:45 p.m. Friday, May 29, 2009, in the Retirement Fund Conference Room. Chairman Joe T. San Agustin officiated.

Board of Trustees Present:

Joe T. San Agustin, Chairman
 Wilfred P. Leon Guerrero, Vice-Chairman
 James J. Taylor, Secretary
 George A. Santos, Trustee
 Antolina S. Leon Guerrero, Trustee

Board of Trustees Absent:

Gerard A. Cruz, Treasurer
 Katherine T.E. Taitano, Trustee

Staff Present:

Paula Blas, Director
 Diana Bernardo, Controller
 Rosalia Bordallo, General Accounting Supervisor
 Jackie Blas, Recording Secretary
 Mike Perez, Great-West Retirement Services

Public Present:

Nick Delgado, Pacific News Center
 Ramona Castro
 Gloria Castro
 Terry Dennison, Mercer Investment Consulting, Inc.

Chairman San Agustin announced that he would like to open today's Board meeting with the Defined Benefits meeting first to address Item III.B under Correspondence and then go into the Defined Contributions meeting. With the Board having no objection, Chairman San Agustin stated that Ms. Ramona Castro will now address the Board.

May 11, 2009 Letter to Ramona C. Castro Regarding Request for Withdrawal or Refund of Retirement Contributions

Ms. Ramona Castro read out loud a letter she wrote to the Retirement Fund. "My name is Ramona C. Castro. I am a Senior Citizen. I would like to be heard by this Board. Based on my letter to the Government of Guam Retirement Fund requesting my right to file my grievance with the Retirement Board regarding my request to withdraw my entire contribution. In the past nine months, I would like the Board to know that I've undergone so much stress as a result of the Retirement Office's inability to resolve my request. I truthfully feel that I have been unjustly mistreated by this office. I would like to state for a fact that I have worked for the government of Guam according to the documents sent by Retirement officials. Despite all communication nothing have been accomplished. I was told about a research several times and again I waited for months and there's nothing. Therefore, I ask this Board to order its officials to release my entire contribution in the Retirement Fund. This is indeed a harder line – "Elderly Abuse!" In addition to the above, I would like to have a written explanation as to why the delay of my money. I have an appointment with Attorney McCully and Beggs on Monday! Please send a letter to them by then."

Ms. Castro stated that she gets phone calls from her creditors and that one of her creditors is demanding payment by June 1, 2009. Ms. Castro stated that she has exhausted all her savings on building her home. Ms. Castro stated that she is seeking for justice in getting her money. Ms. Castro mentioned that she was a teacher for 40 years with the Government of Guam and 10 years with the catholic schools.

At this time, Gloria Castro, Ms. Castro's niece, asked to address the Board. Gloria Castro stated that her aunt started the process to request for her contributions in 2008. Gloria Castro stated that her aunt lives in Talofofo and needs transportation. Gloria Castro stated that her aunt had a dream to pay off all her debts but the Retirement Fund told her different things and her aunt is struggling now. Gloria Castro stated that the Retirement Fund took six months to tell her aunt what to do. Gloria Castro stated that her aunt has been taken to court for her debts.

Ms. Castro requested for a written decision from the Board. Ms. Castro stated that she is currently under a doctor's care and only wants what legitimately belongs to her. Ms. Castro stated that the Department of Revenue and Taxation, Guam Memorial Hospital and off-island creditors are after her.

Ms. Castro thanked the Board and asked that the Board consider her request. Chairman San Agustin stated that a reply will be sent to Ms. Castro. Chairman San Agustin stated that this matter will be entertained in the M&B Committee.

RECESSED: 1:00 P.M. (To go into the Defined Contributions Meeting)
RECONVENED: 1:30 P.M.

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. March 6, 2009 Reconvened Meeting, March 27, 2009 and April 24, 2009 Regular Meetings

Secretary James Taylor, seconded by Trustee Antolina Leon Guerrero, moved to table the Minutes of March 6, 2009 Reconvened Meeting, March 27, 2009 and April 24, 2009 Regular Meetings. Without objection, the motion passed.

III. CORRESPONDENCE

A. May 11, 2009 Letter to Liberty A. Perez Regarding Request for Service Credit

Director Paula Blas stated that Liberty Perez's case has been entertained in the Members and Benefits (M&B) Committee meeting. Chairman San Agustin stated that he was not aware that this case has already gone through the M&B Committee. Rosalia Bordallo, General Accounting Supervisor, stated that, in a similar case, the readmission was allowed. Mrs. Bordallo stated that the court found the case as an unjust dismissal and the action was rescinded. The individual was allowed to return to the Defined Benefits (DB) Plan. Trustee George Santos stated that, in this case, Ms. Perez signed the option to withdraw. Director Blas stated that the check list was not implemented during the time the similar case was allowed to return to the DB Plan. Ms. Bordallo stated that the court found Ms. Perez's termination invalid. Mrs. Bordallo stated that it's a legal issue. Chairman San Agustin stated that Ms. Perez is requesting that she be allowed to return to the DB Plan and pay back all her contributions. Trustee Antolina Leon Guerrero suggested having the Retirement Fund's Legal Counsel review this case. Trustee Santos suggested letting the M&B Committee stand on its decision and have the individual challenge it. Chairman San Agustin recommended having Legal Counsel review this matter.

B. May 11, 2009 Letter to Ramona C. Castro Regarding Request for Withdrawal or Refund of Retirement Contributions

Chairman San Agustin stated that Item III.B was discussed earlier and was referred to the M&B Committee.

C. March 31, 2009 Letter from Metropolitan West Capital Management Regarding Appointment of Mai Shiver as Chief Compliance Officer

Chairman San Agustin stated that he received a letter from Metropolitan West announcing that Mai Shiver, Chief Compliance Officer for Wells Capital Management, has been appointed Chief Compliance Officer for Metropolitan West effective March 27, 2009. Chairman San Agustin stated that the letter from Metropolitan West is for informational purposes.

IV. INFORMATIONAL ITEMS

None

V. DIRECTOR'S REPORT - EXECUTIVE SUMMARY

1. *Candelaria Rios, et al. vs. Joseph Ada, et al. (Special Proceeding Case No. SP206-93)* – Director Blas stated that the Guam Economic Development and Commerce Authority (GEDCA) is pursuing the issue of bonds to pay off the COLA Award and the Guam Memorial Hospital Authority

(GMHA) and Guam Public School System (GPSS) outstanding debts by mid June 2009. Trustee Leon Guerrero pointed out that it is no longer GEDCA – it is back to its original name which is Guam Economic Development Authority (GEDA).

2. **Global Custody Services** – Director Blas stated that the Retirement Fund will suspend participation in Securities Lending.
3. **Real Estate Investment Trusts (REITS)** – Director Blas stated that this item will be discussed under the Investment Committee report.
4. **U.S. Domestic Small Capitalization Core Equity** – Director Blas stated that this item will be discussed under the Investment Committee report.
5. **Request for Proposal: Banking Services** – Director Blas stated that the Bank of Guam will return the agreement back to the Retirement Fund on Monday, June 1, 2009.
6. **Public Law 28-38** – Director Blas stated that the outstanding balances for GMHA and GPSS will be paid off from the general obligation bond proceeds.
7. **Bernstein Litowitz Berger and Grossmann (BLBG)** – Director Blas stated that a recap of this item will be under the Investment Committee report.
8. **Health Plan Study** – Director Blas stated that Milliman will complete the study once they receive the data requested from Select Care. Director Blas stated that the Request for Proposal (RFP) for the health insurance program for Fiscal Year 2010 was issued. Chairman San Agustin stated that he has written a letter inquiring about a health insurance plan for off-island coverage.

Financial Report

1. **Contributions** – Director Blas stated that all agencies are current with their employee and employer contributions for Fiscal Year 2009. Director Blas stated that payment was received from the General Fund one week early before its due date.
2. **Financial Statements** – Director Blas stated that the books for the month ending April 2009 were closed on May 12, 2009.
3. **Fiscal Year 2009 Retirees' Supplemental Benefits** – Director Blas stated that the supplemental benefits for retirees and survivors for the month of April 2009 were paid.
4. **Medicare Reimbursements** – Director Blas stated that the Retirement Fund continues to receive the Fiscal Year 2009 monthly allotments and payments are processed accordingly.

VI. LEGAL COUNSEL'S REPORT

A. Adult Disabled Survivor Application and Benefits

Director Blas stated that the M&B Committee will be presenting the Adult Survivor cases before the Board. Director Blas stated that the Retirement Fund's Legal Counsel provided a letter addressing the procedures for adult disabled survivor application and benefits. Director Blas stated that there is one

case where she is concerned about the findings by the two physicians used to determine disability. Director Blas stated that the problem is that one of the physicians felt the applicant was not incapable of supporting herself. Director Blas stated that Legal Counsel stated that the statute explicitly mentions that the Board receives the examinations, and that Legal Counsel interprets that to mean that the decision should be made by the Board, as opposed to any committee. Trustee Santos stated that, notwithstanding Legal Counsel's opinion, cases that are ready for action could be presented to the Board. Chairman San Agustin recommended continuing discussion on this matter under the M&B Committee report.

VII. TREASURER'S REPORT OF FINANCIAL STATUS

Director Blas stated that the Treasurer's Report is provided, at this meeting. It covers the Retirement Fund's Statement of Plan Assets (unaudited) for both the Defined Benefit (DB) Plan and the Defined Contribution (DC) Plan for the month ended April 30, 2009.

Controller Diana Bernardo stated that the total assets as of April 30, 2009 were \$1.2 Billion. Controller Bernardo stated that this is up \$60 Million from the March 2009 figures. This is due to fluctuations. Controller Bernardo stated that the net decrease in plan net assets was \$173 Million. Controller Bernardo stated that the principal draw downs in April 2009 was \$2.2 Million, May 2009 was \$3 Million and in June 2009 was \$4.5 Million. The end cash balance in April 2009 was a negative \$1.17 Million and in May 2009 a negative \$967,000. Controller Bernardo stated that it is not an overdraft. On-hand cash as of June 2009 is \$890,000.

VIII. STANDING COMMITTEE REPORTS

A. Members and Benefits Committee

Trustee Santos presented his Committee's May 2009 report to the Board of Trustees.

Trustee George Santos, seconded by Trustee Antolina Leon Guerrero, moved to approve the recommendation of the Members and Benefits Committee contained on Pages 4 through 14, including the attached Annuity Worksheets, based on the Committee's review and findings during their meeting of May 13, 2009 and subsequent meetings thereafter. Without objection, the motion passed.

Trustee Santos stated that the M&B Committee conducted a lengthy discussion on the procedures relative to Adult Disabled Annuitant Applicants. Trustee Santos stated that the basic question was whether applications of this nature should be discussed at the standing committee level or at the Board level. Trustee Santos stated that with the input from Legal Counsel, the following applicants are presented to the Board:

Ignacio Aquino – Disabled Adult Survivor

Trustee Santos stated that Jacqueline F.A. Aquino is applying for Disabled Adult Survivor benefits on behalf of Ignacio A. Aquino. Trustee Santos stated that the M&B Committee is recommending approval for Disabled Adult Survivor benefits for Ignacio a. Aquino.

Trustee George Santos, seconded by Trustee Antolina Leon Guerrero, moved to approve the recommendation of the Members and Benefits Committee for Disabled Adult Survivor Benefits for Ignacio A. Aquino, contained on Page 16, including relevant documents, based on the Committee's review and findings during their meeting of May 13, 2009 and subsequent meetings thereafter. Without objection, the motion passed.

John Vincent Q. Pangelinan – Disabled Adult Survivor

Trustee Santos stated that John U. Pangelinan, June Q. Pangelinan, and Jason G. Pangelinan are applying for Disabled Adult Survivor Benefits on behalf of John Vincent Q. Pangelinan. Trustee Santos stated that the M&B Committee is recommending approval for Disabled Adult Survivor benefits for John Vincent Q. Pangelinan.

Trustee George Santos, seconded by Trustee Antolina Leon Guerrero, moved to approve the recommendation of the Members and Benefits Committee for Disabled Adult Survivor Benefits for John Vincent Q. Pangelinan, contained on Page 17, including relevant documents, based on the Committee's review and findings during their meeting of May 13, 2009 and subsequent meetings thereafter. Without objection, the motion passed.

Jocelyn T. Nededog – Disabled Adult Survivor

Trustee Santos stated that at their prior meeting, the M&B Committee had recommended disapproval for Disabled Adult Survivor benefits for Jocelyn T. Nededog. Trustee Santos stated that the committee received a certification by Dr. Laura Post indicating "no" in her conclusion, noting that Ms. Nededog is attending community-based self-help groups and that Ms. Nededog is believed to be sober. Trustee Santos stated that the M&B Committee is now recommending approval. Trustee Santos stated that it is okay that the applicant sees another physician. Secretary James Taylor stated that Dr. Post's conclusion is not clear. Chairman San Agustin asked whether the Retirement Fund's physician would examine her. Trustee Santos stated that she was asked to find a physician. Trustee Santos stated that either way is okay with him. Vice-Chairman Wilfred Leon Guerrero recommended having Ms. Nededog see another physician.

Liberty Perez – Redeposit of Service Credit and Reinstatement into the Defined Benefit Plan

Trustee Santos stated that Ms. Perez was dismissed from her employment at the Department of Public Works (DPW) on April 4, 2008. On April 8, 2008, Ms. Perez applied for a refund of her contributions. Ms. Perez then elected to withdraw her contributions due to extreme circumstances. Trustee Santos stated that by statute, Ms. Perez is not eligible to return to the Defined Benefits (DB) Plan. On February 27, 2009, the Civil Service Commission ruled in her favor of the wrongful termination. Ms. Perez's reinstatement personnel action was processed on February 27, 2009 and she is now under the Defined Contributions (DC) Plan. Trustee Santos stated that the M&B Committee is recommending disapproval of this request. Secretary Taylor asked what Ms. Perez's age is. Trustee Leon Guerrero stated that she is 48 years old. Secretary Taylor asked what her reason for withdrawing her contributions was. Ms. Bordallo stated that she was sued and she needed to pay her legal fees. Chairman San Agustin asked how many years of government service does Ms. Perez have. Trustee Leon Guerrero stated that she has roughly 17 years of service.

Trustee Leon Guerrero stated that the committee has looked at the law and there is no way around it. Secretary Taylor stated that the court ruled in her favor. Secretary Taylor suggested getting Legal Counsel's opinion on this matter. Mrs. Bordallo stated that there was a similar case back in 1995 where the individual was allowed to pay back his/her contributions and return to the DB Plan. Chairman San Agustin stated that this matter will be referred to Legal Counsel.

Ramona C. Castro – Refund of Contributions

Trustee Santos stated that Ms. Castro was employed with the government of Guam since November 1976. Trustee Santos stated that Ms. Castro applied for and received service credit to retire on December 31, 1999 under the Early Retirement Incentive Program (ERIP). She received one year annuity then went back to work. The annuity was suspended. She defaulted in the ERIP and has a balance due to the Retirement Fund of \$6,323.50. Trustee Leon Guerrero stated that Ms. Castro can not withdraw her contributions because she retired. Trustee Santos stated that the M&B Committee is recommending disapproval of this request.

Trustee George Santos, seconded by Trustee Antolina Leon Guerrero, moved to approve the recommendation of the Members and Benefits Committee for disapproval of Ramona C. Castro's request to refund retirement contributions, contained on Page 22, including relevant documents, based on the Committee's review and findings during their meeting of May 13, 2009 and subsequent meetings thereafter. Without objection, the motion passed.

Chairman San Agustin stated that Management will write a letter informing Ms. Castro of the Board's decision.

On a separate matter, Vice-Chairman Leon Guerrero questioned the language on Page 15 of the M&B report under Review and Findings – “We concluded that there is no good reason why a standing committee, such as the Members and Benefits Committee, be an extra level of review when *the Board wishes to conduct a review of Adult Disabled Applicants at the Board level.*” Vice-Chairman Leon Guerrero stated that he does not remember agreeing to that. Vice-Chairman Leon Guerrero stated that it should state that the Board is abiding by Legal Counsel's opinion and it is not because of the desire of this Board. Trustee Leon Guerrero stated that Legal Counsel's opinion stated that the case should be considered at Board level, as opposed to committee level. This just reaffirms the Committee's finding. Trustee Santos stated that the word “wishes” on Page 15 will be stricken from the M&B Committee Report.

B. Investment Committee

Vice-Chairman Leon Guerrero reported that the Investment Committee meeting was held on May 15, 2009. The Committee reviewed and approved the Investment Committee Minutes of February 13, 2009 and April 17, 2009.

Vice-Chairman Leon Guerrero stated that Mr. Terry Dennison of Mercer Investment Consulting, Inc. will report on the asset allocation and funding of managers.

Government of Guam Retirement Fund Defined Benefit Asset Allocation 2008 – Mr. Dennison stated that when the asset allocation was reviewed in 2008, we established the target allocation for a number of asset classes. Mr. Dennison stated that the Retirement Fund needs to enhance that asset

allocation to provide for maximum and minimum ranges for those asset classes. Mr. Dennison stated that adjustments were made based on discussions during the Investment Committee meeting today. Mr. Dennison stated that the Investment Committee is recommending adding the Large Cap Core Equity allocation to the Large Cap Domestic Equity and that adjustments be made as follows:

Asset Class	Target	Minimum	Maximum
Large Cap Domestic Equity	30	24	36
Large Cap Growth Domestic Equity	15 12	10 8	20 16
Large Cap Value Domestic Equity	15 12	10 8	20 16
Large Cap Core Domestic Equity	6	4	8

Mr. Dennison further stated that the Investment Committee is also recommending increasing the maximum for the Non-US Emerging Market Equity from 5 to 6.

Vice-Chairman Wilfred Leon Guerrero, seconded by Trustee George Santos, moved to approve the Investment Committee’s recommendation of the modified asset allocation which will be incorporated into the Investment Policy Statement. Without objection, the motion passed.

Funding of Managers - Vice-Chairman Leon Guerrero stated that the Investment Committee is recommending remaining status quo on the funding of managers. Mr. Dennison stated that Thomson Horstmann & Bryant (THB) remains unfunded. Cornerstone and Security Capital which were partially funded will remain at the same level.

Vice-Chairman Wilfred Leon Guerrero, seconded by Trustee Antolina Leon Guerrero, moved to approve the Investment Committee’s recommendation to remain status quo on the funding of managers. Without objection, the motion passed.

Proxy Voting - Vice-Chairman Leon Guerrero stated that Mr. Dennison will report on the proxy voting request from Dimensional Fund Advisors (DFA). Mr. Dennison stated that there is a request from DFA to approve some proxy voting items for their fund that the Retirement Fund is invested in. Mr. Dennison stated that the Investment Committee and the Retirement Fund’s proxy evaluation firm have reviewed this and the recommendation is to approve accepting DFA's request regarding proxy voting.

Vice-Chairman Wilfred Leon Guerrero, seconded by Trustee Antolina Leon Guerrero, moved to approve the Investment Committee’s recommendation to accept Dimensional Fund Advisor’s request regarding proxy voting. Without objection, the motion passed.

Land Fill Bond - Vice-Chairman Leon Guerrero stated the Investment Committee has requested for an opinion by the Retirement Fund’s Legal Counsel and Financial Advisor regarding the Government of Guam Bond. Chairman San Agustin stated that there was discussion over the statutory requirements, financial and investment prospects of the bond. Vice-Chairman Leon Guerrero stated that this was discussed and Vice-Chairman Leon Guerrero mentioned that the auditor is concerned about the implication of this Board’s action of not looking at other investors. Chairman San Agustin stated that the implication was that if the Retirement Fund was not interested in investing so why would other investors be interested. Chairman San Agustin stated that the Retirement Fund was interested but that

statutory requirements did not permit it and also that it is not financially prudent. Chairman San Agustin also raised the concern about borrowing from the plan sponsor. Vice-Chairman Leon Guerrero recommended having the opinion from Legal Counsel and the Financial Advisor by the next meeting. Mr. Dennison stated that he will write an informative letter.

C. Audit Committee

No report was made at this time.

D. Governmental Liaison

No report was made at this time.

IX. OLD BUSINESS

None

X. NEW BUSINESS

None

XI. OPEN DISCUSSION / GENERAL PUBLIC INPUT

None

XII. ANNOUNCEMENTS

None

XIII. ADJOURNMENT

There being no further business before the Board for the Defined Benefits Plan, on motion of Trustee George Santos, seconded by Trustee Antolina Leon Guerrero, and without objection, the meeting was adjourned at 2:40 p.m. Motion passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of May 29, 2009 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on July 31, 2009.



Antolina S. Leon Guerrero, Board Secretary

RECORDING SECRETARY:



Jackie Blas