

GOVERNMENT OF GUAM
RETIREMENT FUND
 STABILITY · SECURITY · REWARDS

Felix P. Camacho
 Governor

Michael W. Cruz, M.D.
 Lieutenant Governor

Paula M. Blas
 Director

BOARD OF TRUSTEES
Regular Meeting
 Friday, July 31, 2009, 12:00 p.m.
 Retirement Fund Conference Room

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 1:29 p.m. Friday, July 31, 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
 Antolina S. Leon Guerrero, Secretary
 Gerard A. Cruz, Treasurer
 Wilfred G. Aflague, Trustee
 George A. Santos, Trustee

Board of Trustees Absent:

Katherine T.E. Taitano, Trustee (*Excused*)

Staff Present:

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

Public Present:

Clint Ridgell, KUAM

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. March 27, 2009, April 24, 2009, May 29, 2009 and June 26, 2009 Regular Meetings, and July 2, 2009 Organizational Meeting

Treasurer Gerard Cruz inquired about the merit award that was discussed under the Treasurer's Report on March 27, 2009. Director Paula Blas stated that it was implemented. Rosalia Bordallo, General Accounting Supervisor, stated that the Board's approval did not mention how much was given. Director Blas stated that the employees were given 3.5% of their base pay. Treasurer Cruz recommended correcting the minutes of March 27, 2009 to state that 3.5% of the employees' base pay was given. The Recording Secretary noted the correction to be made.

Chairman San Agustin inquired about the status of Liberty Perez. Director Blas stated that Ms. Perez is scheduled to make payment on August 21, 2009. Chairman San Agustin also inquired about the status of Ramona Castro. Director Blas stated that it has been settled.

Trustee Wilfred Aflague inquired about Jane Story. Director Blas stated that Ms. Story is taking her case to court.

On motion of Treasurer Gerard Cruz, seconded by Trustee George Santos, and without objection, the Minutes of March 27, 2009, May 29, 2009 and June 26, 2009 Regular Meetings, and July 2, 2009 Organizational Meeting were approved, as corrected and subject to further corrections. Motion passed.

Treasurer Gerard Cruz, seconded by Trustee George Santos, moved to table the Minutes of April 24, 2009 Regular Meeting. Without objection, the motion passed.

III. CORRESPONDENCE

None

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 COLA Award disbursements continue to be an ongoing process. Director Blas stated that the Retirement Fund continues to release checks for gross COLA Award balances less 10% for the attorney fee and any applicable taxes. Director Blas stated that taxes, child support, or other government levies were assessed for amounts due to settle the levies. Director Blas stated that Public Law 29-18 authorized Department of Administration (DOA) to issue COLA Class Certificates of Claim for COLA Awards and interest calculated at a rate of 7% from date of settlement. Director Blas stated that Attorney Michael Phillips, in his letter dated July 27, 2009, requested for confirmation that DOA complied with Public Law 29-18 or he will file his suit against the Government of Guam and the Director of DOA. Director Blas stated that the certificates will be issued and mailed out on August 14, 2009. Director Blas stated that the interest from 2006 through 2007 will be 7% and then 6% thereafter. Director Blas stated that this is calculated to \$20 Million. Vice-Chairman Wilfred Leon Guerrero asked whether the certificates could be used to pay taxes. If so, would the Department of Revenue and Taxation know how to handle this? Vice-Chairman Leon Guerrero stated that he is

hearing that the certificates can not be used to pay taxes, only Gross Receipt Tax. Director Blas stated that she would have to verify the usage of the certificates. Director Blas stated that she will also check whether the certificates are negotiable to cash.

2. ***Global Custody Services*** – Director Blas stated that at the June 26, 2009 Board meeting, the Board continued to suspend participation in Securities Lending. Director Blas stated that, according to Northern Trust, the only option still available to the Retirement Fund is the Basic Collateral option. Director Blas stated that the Retirement Fund will revisit participation in Securities Lending during the August 2009 quarterly performance meeting with Mercer Investment Consulting, Inc. (Mercer).

3. ***Real Estate Investment Trusts (REITS)*** – Director Blas stated that at the June 26, 2009 Board meeting, the Board maintained the approved asset allocation of 2.5% in REITS and did not approve additional funding. Director Blas stated that this will be considered at the August meeting with Mercer.

4. ***U.S. Domestic Small Capitalization Core Equity*** – Director Blas stated that at the March 6, 2009 Board meeting, the Board suspended funding of Thomson Horstmann & Bryant (THB) and authorized funding of 10% of the Small Cap asset allocation to be placed in an Exchange Traded Fund (ETF). Director Blas stated that based on current market values at the time of funding, this equated to approximately \$8 Million. The \$8 Million will be placed in ETF. Director Blas stated that at the June 26, 2009 Board meeting, the Board allocated additional funding of \$8.8 Million for the Small Cap Asset Class.

5. ***Public Law 28-38*** – Director Blas stated that the monthly interest payments due on July 10, 2009 for the Department of Education (DOE) and Guam Memorial Hospital Authority (GMHA) were just received today. Director Blas stated that the Retirement Fund has suspended the acceptance and processing of applications for retirement for GMHA and DOE eligible employees and retiree survivors. Director Blas stated that pursuant to Public Law 28-38, as amended by Public Law 29-19, interest payments were to be paid until the satisfaction of both GMHA and DOE's deficiencies have been satisfied. Director Blas stated that if interest payments cease, the Retirement Fund will cease processing retirement applications from GMHA and DOE until all payments are paid in full or until interest payments are made current. Director Blas stated that the Retirement Fund will continue to pursue collection on the outstanding balance of \$13.8 Million and the continued interest payments as mandated.

6. ***Bernstein Litowitz Berger and Grossmann (BLBG)*** – Director Blas stated that there are no new updates on the suit against Lehman Brothers. Director Blas stated that BLBG filed a lead plaintiff motion on behalf of the Retirement Fund in the class action lawsuit against Wells Fargo. Director Blas stated that motions for designation of lead plaintiff and location of venue have been filed. The court granted the designation of lead plaintiff to New Orleans Employees' Retirement System group and the case is to be argued in California.

Director Blas stated that at the June 26, 2009 Board meeting, the Board approved to authorize BLBG to proceed to attempt to resolve the claims informally with Aberdeen. Director Blas stated that BLBG is working with Aberdeen so that this matter will not be taken to court. Treasurer Cruz asked whether the Collateralized Mortgage Obligation (CMO) is a permissible investment. Director Blas stated that Aberdeen says it is permissible.

7. **Health Plan Study** – Director Blas stated that the finalization of the health study has been delayed due to the submission of the utilization/experience data from SelectCare. Director Blas stated that full disclosure of this data has been kept confidential and will not be released by the DOA or SelectCare. Director Blas stated that Senator Ben Pangelinan has introduced Bill 107 which requires full disclosure of all health utilization data and cost information to be transmitted electronically by all providers of health insurance coverage for the Government of Guam. Director Blas stated that when Bill 107 is passed, the data will be provided to Milliman Consulting, Inc. (Milliman). Chairman San Agustin suggested communicating with Milliman to complete the study without the data and to mention that data was not available. Chairman San Agustin also suggested having Milliman provide testimony in support of Bill 107. Chairman San Agustin stated that SelectCare may choose not to testify on Bill 107.

Director Blas stated that there are three offerors on the health insurance Request for Proposal (RFP): two for medical and one for dental. Director Blas stated that Staywell pulled out and it is only Calvo's SelectCare. Trustee Aflague asked whether they are considering separating rates for active and retirees. Director Blas replied, "Yes." Chairman San Agustin stated that the retirees need a subsidy. Director Blas stated that the rates are higher for active employees.

Financial Report

1. **Contributions** – Director Blas stated that as of July 28, 2009, all agencies are current with their Fiscal Year 2009 employee and employer contributions.

2. **Financial Statements** – Director Blas stated that the books for the month ending June 2009 were closed on July 15, 2009.

3. **Fiscal Year 2009 Retirees' Supplemental Benefits** – Director Blas stated that the supplemental benefits for retirees and survivors for the month of July 2009 have been 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

No report was made at this time.

VII. TREASURER'S REPORT OF FINANCIAL STATUS

Treasurer Cruz 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 June 30, 2009. Treasurer Cruz stated that the portfolio has been improving. The Retirement Fund's asset as of June 7, 2009 is \$1.012 Billion. Treasurer Cruz stated that the Retirement Fund is not anticipating any withdrawals.

VIII. STANDING COMMITTEE REPORTS

A. Members and Benefits Committee

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

Trustee George Santos, seconded by Secretary Antolina Leon Guerrero, moved to approve the recommendation of the Members and Benefits Committee contained on Pages 4 through 10, including the attached Annuity Worksheets, based on the Committee's review and findings during their meeting of July 8, 2009 and subsequent meetings thereafter. Without objection, the motion passed.

Judith A. Tydingco - Disabled Adult Survivor

Trustee Santos stated that Mr. Gordon W. Tydingco, the Court Appointed Guardian of Judith A. Tydingco is entitled to adult disabled benefits on her behalf. Trustee Santos stated that the duly processed benefits would have been paid to her court appointed guardian identified in Special Proceedings Case No. SP055-98 filed with the Retirement Fund on November 8, 1999. Trustee Santos stated that a retroactive payment of the adult disabled stipend is due to Mr. Tydingco from the date of death of the retiree which was September 19, 1999 to the date of death of the disabled adult survivor on November 5, 2005. Trustee Santos stated that the Members and Benefits Committee is recommending approval. Chairman San Agustin asked when the last payment was made. Director Blas stated that payment was never made. Mrs. Bordallo stated Judith Tydingco's mother died but no one came in to make a claim for Judith. Director Blas stated that Mr. Tydingco did not know that Judith was entitled to receive a pension. Treasurer Cruz asked how far back. Ms. Bordallo replied "Six Years." Director Blas mentioned that Judith was placed in a home care facility. Trustee Aflague asked whether Mr. Tydingco has always been the guardian. Director Blas replied, "Yes, for both his mother and sister."

Trustee Wilfred Aflague, seconded by Trustee George Santos, moved to approve the Disabled Adult Survivor Benefits for Judith A. Tydingco. Without objection, the motion passed.

B. Investment Committee

Vice-Chairman Leon Guerrero reported that the Investment Committee meeting was held on July 10, 2009. The Committee reviewed and approved the Investment Committee Minutes of June 12, 2009. Vice-Chairman Leon Guerrero reported on the following informational items:

1. Government of Guam Bond Proceeds Re: Guam Memorial Hospital Authority (GMHA) and Department of Education (DOE) Receivables

Vice-Chairman Leon Guerrero stated that during the June 26, 2009 Board meeting, Management indicated that the Retirement Fund expects to receive \$21,820,856 from the Government of Guam General Fund for outstanding GMHA and DOE contributions, including interest. Vice-Chairman Leon Guerrero stated that based on the aforementioned, the Board approved allocating the funds as follows: \$8 Million reserved for current operations, \$5 Million to Non-US Equities Small Cap, with the balance of \$8,820,856 to Domestic Small Cap Equity Exchange Traded Funds (ETFs). Vice-Chairman Leon Guerrero stated that during the July 10, 2009 Investment Committee meeting, Management indicated that only \$21 Million was remitted to the Retirement Fund on July 2, 2009. Vice-Chairman Leon

Guerrero stated that Management also indicated that since the General Fund did not indicate whether the remaining \$820,856 will be remitted to the Retirement Fund and since Axa Rosenberg, one of the two Non-U.S. Equities Small Cap Managers, indicated that the Retirement Fund is closed to further funding, the \$21 Million will be allocated as follows:

	Approved 6/26/09 BOT Mtg	Adjustment for \$820,856	Proposed Allocation of \$21 M
Current Operations / Payroll	\$8,000,000		\$8,000,000
Non-US Equities Small Cap	\$5,000,000	(\$800,000)	\$4,200,000
Domestic Small Cap Equity (ETFs)	\$8,820,856	(\$20,856)	\$8,800,000
Total	\$21,820,856	(\$820,856)	\$21,000,000

Vice-Chairman Leon Guerrero stated that the Investment Committee concurred with the proposed allocation as shown above.

2. Thomson Horstmann & Bryant (THB) Letter Dated June 12, 2009

Vice-Chairman Leon Guerrero stated that during the June 26, 2009 Board meeting, the board referred THB's June 12, 2009 letter to the Investment Committee. Vice-Chairman Leon Guerrero stated that at the request of the Investment Committee Chairman, this item was referred to Mr. Terry Dennison of Mercer for his comments. Vice-Chairman Leon Guerrero stated that further discussion of this item was deferred pending Mr. Dennison's response.

3. Funding of Managers

Vice-Chairman Leon Guerrero stated that funding of the following managers was deferred and will be discussed during the next quarterly performance meeting with Mercer on August 27, and 28, 2009:

- a) Cornerstone (REITS) – Partially funded on December 2008
- b) Security Capital (REITS) – Partially funded on December 2008
- c) Thomson Horstmann & Bryant (U.S. Domestic Small Cap) – Not yet funded

Vice-Chairman Leon Guerrero stated that the U.S. Domestic Small Cap Mandate was partially funded via \$8 Million in Exchange Traded Funds (ETF) on April 2009. Vice-Chairman Leon Guerrero noted that an additional \$8.8 Million will be invested in ETFs.

4. Asset Allocation

Vice-Chairman Leon Guerrero stated that the Investment Committee reviewed the latest asset allocation as of June 8, 2009, noting that the total market value of the portfolio dropped from approximately \$1.129 Billion at September 30, 2008 to approximately \$1.012 Billion as of June 7, 2009.

Due Diligence Meeting – Vice-Chairman Leon Guerrero reminded the Board of Trustees that the Due Diligence Meeting with Mercer is scheduled for August 27-28, 2009.

On a separate matter, Vice-Chairman Leon Guerrero stated that he would like to include goals and objectives on the next Investment Committee Agenda.

IX. TRAVEL REPORT

**A. Lina Leon Guerrero: IFEBP Advanced Trustees Institute
San Francisco, California - June 14-17, 2009**

Chairman San Agustin stated that Trustee Leon Guerrero’s travel report on the IFEBP Advanced Trustees Institute she attended on June 14-17, 2009 in San Francisco, California, is submitted for the Board’s information.

X. OLD BUSINESS

None

XI. NEW BUSINESS

None

XII. OPEN DISCUSSION / GENERAL PUBLIC INPUT

None

XIII. ANNOUNCEMENTS

None

XIV. ADJOURNMENT

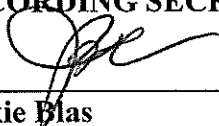
There being no further business before the Board for the Defined Benefits Plan, on motion of Trustee George Santos, seconded by Secretary Antolina Leon Guerrero, and without objection, the meeting was adjourned at 2:31 p.m. Motion passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of July 31, 2009 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on August 28, 2009.



Antolina S. Leon Guerrero, Board Secretary

RECORDING SECRETARY:



Jackie Blas