



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, October 30, 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 12:45 p.m. Friday, October 30, 2009, in the Retirement Fund Conference Room. Acting Chairman Wilfred P. Leon Guerrero officiated.

Board of Trustees Present:

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:

Joe T. San Agustin, Chairman (*Excused*)
 Katherine T.E. Taitano, Trustee (*Excused*)

Staff Present:

Paula Blas, Director
 Diana Bernardo, Controller
 Jackie Blas, Recording Secretary
 Lina Sanchez, Benefit Specialist II (*2:00 p.m.*)

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. September 25, 2009 Regular Meeting

On motion of Trustee George Santos, seconded by Treasurer Gerard Cruz, and without objection, the Minutes of September 25, 2009 Regular Meeting were approved, subject to corrections. 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 Paula 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 further stated that Public Law 28-18 authorized the 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 on August 14, 2009, DOA issued a Statement of Account to each COLA recipient indicating the interest amount due and payable by the General Fund.

Treasurer Gerard Cruz asked if Attorney Michael Phillips is saying that they may need to start charging interest on the outstanding amount. Director Blas stated that the law was reviewed by the Attorney General and the law stipulated that interest be paid first, but the proceeds were not enough. Director Blas stated that to find out the interest due, we need to go back to the awards paid minus the principal amount. Controller Diana Bernardo stated that she is not comfortable confirming interest without verifying the computations. Director Blas stated that the bond proceeds were applied to the principal. Controller Bernardo stated that she wants to make sure that the computed amount is correct. Treasurer Cruz asked where DOA got their figures. Director Blas stated that DOA did their own calculation. Director Blas stated that she will verify the files. Secretary Antolina Leon Guerrero asked how the interest payment is going to be resolved. Controller Bernardo stated that the letters sent regarding the interest may be incorrect. Trustee Wilfred Aflague stated that if this has not been settled in court, the interest may continue to accrue. Director Blas stated that it is not accruing interest because it is ready to be paid. Director Blas stated that she has asked for the Attorney General's opinion. The information she has received from Senator Ben Pangelinan's office. Acting Chairman Leon Guerrero asked what the interest amount due is. Director Blas stated that the interest is calculated to \$17 Million.

Acting Chairman Leon Guerrero inquired about using the certificates to pay for Gross Receipt Tax and Property Tax. Director Blas stated that it could be amended. Director Blas added that, per the Attorney General, the certificates are illegal.

2. *Global Custody Services* – Director Blas stated that at the September 25, 2009 Board meeting, the Board continued to suspend participation in Securities Lending. Director Blas stated that the Retirement Fund will revisit participation in Securities Lending during the December 16-18, 2009 quarterly performance meeting with Terry Dennison of Mercer Investment Consulting, Inc. (Mercer).

3. **Real Estate Investment Trusts (REITS)** – Director Blas stated that at the August 28, 2009 Board meeting, the Board approved additional funding of approximately \$12 Million to Cornerstone Real Estate Advisers and no additional funding to Security Capital. Director Blas stated that the funding transmitted to Cornerstone came from Franklin Templeton, a Fixed Income manager. Acting Chairman Leon Guerrero asked whether the REITs allocation increased. Controller Bernardo stated that it is \$33 Million. Acting Chairman Leon Guerrero asked whether it is 2.5%. Controller Bernardo responded that it is 3.2 % at market. Director Blas stated that the target is 10%.

4. **U.S. Domestic Small Capitalization Core Equity** – Director Blas stated that at the August 28, 2009 Board meeting, the Board approved funding of \$45 Million to Thompson, Horstmann & Bryant (THB). Director Blas stated that funding came from the Domestic Large Cap Equity Managers – Atalanta Sosnoff Capital Corporation (Atalanta) and Metropolitan West Capital Management (MetWest). Director Blas further stated that a Request for Proposal (RFP) for U.S. Domestic Small Cap was approved and issued on October 5, 2009 and will close on November 9, 2009.

5. **Public Law 28-38** – Director Blas stated that the monthly interest payments for the Department of Education (DOE) and Guam Memorial Hospital Authority (GMHA) were paid on October 10, 2009. Director Blas stated that the Retirement Fund continues to process applications for retirement for GMHA and DOE eligible employees.

6. **Bernstein Litowitz Berger and Grossmann (BLBG)** – Director Blas reported on the following:
- a. **Lehman Brothers** – Director Blas stated that the Retirement Fund’s exposure is approximately \$3.85 Million. Director Blas stated that BLBG filed the second amended consolidated class action complaint against Lehman Brothers to include equity/debt securities on February 23, 2009.
 - b. **Wells Fargo** – Director Blas stated that the Retirement Fund’s exposure is approximately \$13 Million. Director Blas stated that motions for designation of lead plaintiff and location of venue have been filed. Director Blas stated that the court granted the designation of lead plaintiff to New Orleans Employees’ Retirement System group and the case is to be argued in California.
 - c. **Genzyme Corporation** – Director Blas stated that the Retirement Fund’s exposure is approximately \$1.75 Million. Director Blas stated that BLBG filed a motion for the Retirement Fund to serve as lead plaintiff. Treasurer Cruz asked what the issue with Genzyme was. Director Blas stated that it is regarding fraudulent information.

Financial Report

1. **Contributions** – Director Blas stated that as of October 27, 2009, all agencies are current with their Fiscal Year 2010 employee and employer contributions.

2. **Financial Statements** – Director Blas stated that the books for the month ending September 30, 2009 are scheduled to close on November 6, 2009. Director Blas stated that the books for the fiscal year ending September 30, 2009 are scheduled to close on November 10, 2009. Director Blas stated that the audit will commence in November 2009.

3. **Fiscal Year 2010 Retirees' Supplemental Benefits** – Director Blas stated that the supplemental benefits for retirees and survivors for the month of October 2009 will be paid the last week of October 2009.

4. **Fiscal Year 2010 Annual Cost-of-Living Allowance (COLA)** – Director Blas stated that a Cost-of-Living Allowance (COLA) of \$1,100.00 to each retiree of the Government of Guam Retirement Fund who is retired as of September 30, 2009, or his/her survivor shall be paid no later than November 1, 2009. Director Blas stated that the checks were being mailed out.

5. **Medicare Reimbursements** – Director Blas stated that the Retirement Fund received the October 2009 allotment from the General Fund and payments are processed accordingly. Acting Chairman Leon Guerrero inquired about the September reimbursement. Director Blas stated that the Retirement Fund is working with DOA on the allotment for September. Trustee Aflague asked how far back a retiree could get Medicare reimbursement. Director Blas stated that there are no retroactive payments.

VI. LEGAL COUNSEL'S REPORT

No report was made at this time.

VII. TREASURER'S REPORT OF FINANCIAL STATUS

Treasurer Gerard Cruz stated that the Retirement Fund's Cash Flow Statement is provided, at this meeting. It covers Fiscal Years 2008, 2009 and 2010. Treasurer Cruz reported on the drawdown for the Calendar Year. Treasurer Cruz stated that no drawdown was needed for this month. The anticipated drawdown for November and December 2009 is \$7 Million (\$3.5 Million for November and \$3.5 Million for December). Controller Bernardo stated that there was no need to drawdown during the previous months because there was \$13 Million in bond proceeds. Treasurer Cruz stated that the books will be closed soon.

Trustee Wilfred Aflague, seconded by Treasurer Gerard Cruz, moved to accept the Retirement Fund's Cash Flow Statement from October 2008 through March 2010. Without objection, the motion passed.

VIII. STANDING COMMITTEE REPORTS

A. Members and Benefits Committee

Secretary Leon Guerrero presented the M&B Committee's October 2009 report to the Board of Trustees.

Secretary Antolina Leon Guerrero, seconded by Trustee George Santos, 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 October 14, 2009 and subsequent meetings thereafter. Without objection, the motion passed.

RECESS: 1:34 P.M.
RECONVENED: 2:00 P.M.

Lina Sanchez, Benefit Specialist II, joins the meeting at this time (2:00 p.m.)

Secretary Leon Guerrero stated that based on the M&B Committee's review and findings during their meeting of October 14, 2009, the following applications are recommended to be forwarded to the Board of Trustees for their review/discussion and disposition:

DISABILITY CASE NO. 09-001

Secretary Leon Guerrero presented a summary of the medical consultant's findings regarding the application for medical disability. Director Blas stated that the applicant has the option to be recognized or let the Board of Trustees rule on the case. Acting Chairman Leon Guerrero stated that the Board can not identify the applicant. Director Blas stated that if the applicant wishes to address the Board, the applicant will be waiving his/her right to privacy of their medical records.

At this time Acting Chairman Leon Guerrero asked the individuals present at today's meeting if they would like to address the Board. Acting Chairman Leon Guerrero indicated that there was no response from the individuals present in the conference room.

Secretary Leon Guerrero suggested that the Board speak to Dr. John Steele, the Retirement Fund's Medical Consultant. Secretary Leon Guerrero stated that Dr. Steele had indicated that he does not have enough information to make a decision. Secretary Leon Guerrero stated that the Board does not have a clear picture of the applicant's disability. Secretary Leon Guerrero stated that if the applicant is not present to address the Board, then the Board needs to meet with the consultant. Trustee Aflague asked when Dr. Steele will be available. Director Blas stated that Dr. Steele will be back on island on November 6, 2009. Trustee Aflague stated that he agrees with Secretary Leon Guerrero on having the Board meet with Dr. Steele. Acting Chairman Leon Guerrero recommended tabling this matter until the Board meets with the consultant.

Secretary Antolina Leon Guerrero, seconded by Trustee George Santos, moved to table disposition of Disability Case No. 09-001 until the Board of Trustees meets with the Retirement Fund's Medical Consultant. Without objection, the motion passed.

DISABILITY CASE NO. 09-004

Acting Chairman Leon Guerrero stated that the applicant has the right not to identify him/herself. Trustee Aflague asked whether the applicant was invited to attend today's meeting. Director Blas replied, "Yes." Director Blas indicated that no one has come forward to address the Board. Acting Chairman Leon Guerrero stated that the consultant's recommendation is for the Board to interview the applicant. Secretary Leon Guerrero stated that the physicians are all consistent. Acting Chairman Leon Guerrero recommended waiting and meeting with the consultant. The Board of Trustees agreed.

Secretary Antolina Leon Guerrero, seconded by Trustee George Santos, moved to table disposition of Disability Case No. 09-004 until the Board of Trustees Meets with the Retirement Fund's Medical Consultant. Without objection, the motion passed.

CORRESPONDENCE NO. 09-01

Secretary Leon Guerrero stated that a computation of creditable service pursuant to §8114 from January 1989 to May 2009 was completed and the total is one (1) year and two (2) months of service. Secretary Leon Guerrero stated that as a result, the request for surviving spouse annuity should be denied on the basis that it does not meet statutory requirements identified in §8134 with the minimum of three (3) years of service for such benefits. Director Blas stated that the surviving spouse is not entitled to survivor benefits. Secretary Leon Guerrero stated that a refund of the deceased member's retirement contributions pursuant to §8131 should be processed and made payable to applicant's beneficiary.

Acting Chairman Leon Guerrero stated that the applicant was employed as an Adjunct Instructor on a part-time basis with the University of Guam (UOG). Acting Chairman Leon Guerrero stated that the applicant had the option to contribute to Social Security or the Retirement Fund. Director Blas stated that the applicant worked six (6) hours per pay period. Director Blas stated that this is calculated to one (1) year and two (2) months. Trustee Aflague asked whether the applicant ever worked full time. Director Blas replied, "No." Acting Chairman Leon Guerrero stated that he sees the issue in terms of benefits. Director Blas stated that it was up to UOG. Acting Chairman Leon Guerrero used, as an example, the UOG President's contract. Director Blas stated that the contract can not go against the law. Trustee George Santos stated that the autonomous agencies are out of the Civil Service Commission's jurisdiction. Trustee Santos stated that this hurts the Retirement Fund because of retiring at a higher rate. Controller Bernardo stated that another impact of increments is on the unfunded liability. Trustee Aflague asked whether employees from line agencies are entitled to benefits if they do not make twenty (20) hours a week. Director Blas stated that it does matter if it is only ten (10) hours a week. Director Blas stated that the Retirement Fund law allows employees to make a choice. Trustee Aflague asked whether employees with a minimum of thirty (30) hours a week are entitled to benefits. Director Blas stated that the employees are only entitled to leave. Director Blas stated that the employees are still contributing to the Retirement Fund. Director Blas stated that this situation happens more with UOG. Acting Chairman Leon Guerrero recommended referring this matter to the M&B Committee to revisit the statute and to also look at the impact of the hybrid plan.

Secretary Antolina Leon Guerrero, seconded by Trustee George Santos, moved to approve the recommendation of the Members and Benefits Committee contained on Pages 16 through 17, which is to deny the request for surviving spouse annuity on the basis that it does not meet statutory requirements identified in §8134 with the minimum of three (3) years of service for such benefits, based on the Committee's review and findings during their meeting of October 14, 2009 and subsequent meetings thereafter; and to have the Members and Benefits Committee revisit the statute and to also look at the impact of the Hybrid Plan. Without objection, the motion passed.

CORRESPONDENCE NO. 09-02

Secretary Leon Guerrero stated that the applicant had previously applied for disability retirement and was denied. Secretary Leon Guerrero stated that the M&B Committee recommends that the applicant be advised that the Board of Trustees is unable to entertain the applicant's request at this time. Secretary Leon Guerrero stated that the applicant is welcome to submit an application for disability retirement which will be presented to the Board for their review and disposition if there is new or additional information pertaining to the applicant's medical condition.

Director Blas pointed out that the applicant began full time employment with the Guam Power Authority on January 12, 1995 and not October 12, 1995 as indicated in the M&B Review and Findings contained on Page 18.

Secretary Antolina Leon Guerrero, seconded by Trustee George Santos, moved to approve the recommendation of the Members and Benefits Committee contained on Page 18, which is to inform the applicant that the Board of Trustees is unable to entertain the applicant's request at this time and that the applicant may submit an application for disability retirement which will be presented to the Board of Trustees for their review and disposition. Without objection, the motion passed.

B. Investment Committee

Acting Chairman Leon Guerrero reported that the Investment Committee meeting was held on October 16, 2009. The Committee reviewed and approved the Investment Committee Minutes of September 11, 2009.

Acting Chairman Leon Guerrero reported on the following information items:

1. Funding of Managers

- a. **U.S. Domestic Small Cap Equity Mandate** – Acting Chairman Leon Guerrero stated that this mandate has been partially funded with \$16.8 Million in Exchange Traded Funds, and \$45 Million to Thomson Horstmann & Bryant (THB), representing approximately 40% of the mandate. Acting Chairman Leon Guerrero stated that a Request for Proposal (RFP) has been issued to search for a second Domestic Small Cap Equity Manager. The deadline to submit proposals is November 9, 2009.
- b. **Real Estate Investment Trusts (REITS)** – Acting Chairman Leon Guerrero stated that Security Capital and Cornerstone have been partially funded. Acting Chairman Leon Guerrero stated that further funding will be discussed with Terry Dennison of Mercer Investment Consulting, Inc. during the quarterly performance meetings in December 2009.

2. Investment Committee Goals and Objectives – Acting Chairman Leon Guerrero stated that the Investment Committee reviewed the Draft Matrix, which is subject to further discussion during the next Committee meeting. Acting Chairman Leon Guerrero stated that the Investment Committee is waiting for the M&B Committee to prepare a five-year plan to be combined with the Investment Committee's five-year plan.

3. Asset Allocation – Acting Chairman Leon Guerrero stated that the Investment Committee reviewed the latest asset allocation as of October 13, 2009, noting that the total market value of the portfolio increased from approximately \$1.170 Billion at September 30, 2009 to approximately \$1.182 Billion as of October 13, 2009. Acting Chairman Leon Guerrero stated that the Retirement Fund had a 3.5% yield for the year ending September 30.

4. Agenda for September 30, 2009 Quarterly Performance Meetings – Acting Chairman Leon Guerrero stated that the Investment Committee reviewed the Agenda for the September 30, 2009 Quarterly Performance Meeting and Annual Manager Reviews, which is scheduled for December 16, 17, and 18, 2009.

IX. TRAVEL REPORT

A. Trustee George A. Santos: NAGDCA Annual Conference 2009, September 12-16, 2009, Austin, Texas

Acting Chairman Leon Guerrero stated that Trustee Santos has submitted his travel report on the NAGDCA Annual Conference he attended on September 12-16, 2009 in Austin, Texas.

B. Vice-Chairman Wilfred P. Leon Guerrero: APAFS 9th Annual Pacific Region Investment Conference, October 8-9, 2009, Manila, Philippines

Acting Chairman Leon Guerrero stated that he has submitted his travel report on the APAFS 9th Annual Pacific Region Investment Conference he attended on October 8-9, 2009 in Manila, Philippines.

C. Director Paula M. Blas: APAFS 9th Annual Pacific Region Investment Conference, October 8-9, 2009, Manila, Philippines

Acting Chairman Leon Guerrero stated that Director Blas has also submitted her travel report on the APAFS 9th Annual Pacific Region Investment Conference she attended on October 8-9, 2009 in Manila, Philippines.

X. OLD BUSINESS

None

XI. NEW BUSINESS

None

XII. OPEN DISCUSSION / GENERAL PUBLIC INPUT

None

XIII. ANNOUNCEMENTS

A. Revised November 2009 Meeting Dates

At Director Blas' suggestion, the November Investment Committee meeting is being rescheduled to November 17, 2009 and the November Board meeting to November 20, 2009.

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 2:17 p.m. Motion passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of October 30, 2009 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on November 20, 2009.



ANTOLINA S. LEON GUERRERO, Board Secretary

RECORDING SECRETARY:



Jackie Blas