



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, May 28, 2010, 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 12:25 p.m. Friday, May 28, 2010, in the Retirement Fund Conference Room. Acting Chairman Gerard A. Cruz officiated.

**Board of Trustees Present:**

Gerard A. Cruz, Acting Chairman  
 Antolina S. Leon Guerrero, Secretary  
 Wilfred G. Aflague, Trustee  
 George A. Santos, Trustee

**Board of Trustees Absent:**

Joe T. San Agustin, Chairman *(Off-Island)*  
 Wilfred P. Leon Guerrero, Vice-Chairman\*  
*(Off-Island)*  
 Katherine T.E. Taitano, Trustee

**Staff Present:**

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

**Public Present:**

Felix R. Santos, Department of Education

\* *Vice-Chairman Wilfred Leon Guerrero participated via conference call.*

## II. REVIEW AND APPROVAL OF BOARD MINUTES

### A. March 29, 2010 Reconvened Meeting and April 30, 2010 Regular Meeting

**On motion of Trustee George Santos, seconded by Secretary Antolina Leon Guerrero, and without objection, the Minutes of March 29, 2010 Reconvened Meeting and April 30, 2010 Regular Meeting were approved, subject to corrections. Motion unanimously 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 Public Law 30-101 appropriated a total of \$4,625,298 toward paying the COLA interest and those retirees who opted out of the COLA class. On May 7, 2010, the Department of Administration (DOA) started mailing COLA Certificates to retirees, survivors and identified beneficiaries. On May 21, 2010, DOA mailed approximately 1,000 checks for outstanding principal and interest amounts to retirees and survivors in accordance with Public Law 30-101.

Director Blas stated that some retirees and survivors were left out and the Retirement Fund is working with DOA to resolve this issue. Director Blas stated that the certificates are transferable but, can not be used for taxes. Acting Chairman Cruz asked whether the certificates may be assigned to anyone. Director Blas replied, "Yes." Vice-Chairman Wilfred Leon Guerrero asked whether interest will be paid on an annual basis. Director Blas stated that it will be on record of when it will be paid and it will then be recalculated. Director Blas stated that the interest on the certificate was only up through April 30, 2010.

2. **Global Custody Services** – Director Blas stated that this was revisited during the May 2010 quarterly meeting with Terry Dennison of Mercer Investment Consulting, Inc. (Mercer). This item is being deferred to the Investment Committee report.

3. **Request for Proposal (RFP): International Developed Markets Large Cap Equity** – Director Blas stated that the RFP closed on March 16, 2010. The list of firms who met the minimum requirements was sent to Mercer for their analysis. Director Blas stated that she received Mercer's analysis on May 24, 2010. Director Blas stated that the list has been narrowed down to four.

4. **Public Law 28-38: Interest Only Payments** - Director Blas stated that the monthly interest payments for the Department of Education (DOE) and Guam Memorial Hospital Authority (GMHA) due on May 10, 2010 were paid. Director Blas stated that the Retirement Fund continues to process retirement applications for DOE. Applications for retirement for GMHA employees will be suspended until GMHA becomes current with their retirement contributions.

5. **GMHA Outstanding Contributions** - Director Blas stated that GMHA has been making weekly payments since April 30, 2010. Director Blas stated that payment was received today. Director Blas stated that the Retirement Fund continues to work closely with GMHA management and staff in order to keep them current with their payments. Rosalia Bordallo, General Accounting Supervisor, stated

that we need to inform GMHA that payment will be applied to the oldest amount due. Trustee Wilfred Aflague asked whether this would need Board action. Director Blas stated that she will inform GMHA that the Retirement Fund will apply the payment to the oldest amount due. Trustee Aflague stated that GMHA should be the one to ask the Retirement Fund to apply the payment to the oldest amount due. Mrs. Bordallo stated that the interest on the latest amount due is less than the interest on the oldest amount due. Acting Chairman Cruz directed Management to inform GMHA that the Retirement Fund will apply the payment to the oldest amount due.

6. ***Bernstein Litowitz Berger and Grossmann (BLBG)*** - Director Blas stated that there are no new updates on the following lawsuits:

- Lehman Brothers
- Wells Fargo
- Genzyme Corporation

7. ***Fiscal Year 2011 Government of Guam Group Health Insurance Program*** - Director Blas stated that the RFP closed on May 14, 2010. The team is leading into negotiations in June.

8. ***Public Law 29-80: Retiree Advocate*** - Director Blas stated that with the resignation of Mr. Frank Blas as the retiree advocate, the Board will need to appoint a retiree representative for the Fiscal Year 2011 Government of Guam Group Health Insurance Program. Director Blas stated that she came up with five names (Martin Dugan, Angie Mummert, Diana Calvo, Joey Calvo and Michael Carlson) but only one said yes. Director Blas stated that Mr. Carlson indicated that he is willing to be the retiree advocate.

**Trustee George Santos, seconded by Secretary Antolina Leon Guerrero, moved to appoint Michael Carlson to be the retiree representative for the Fiscal Year 2011 Government of Guam Group Health Insurance Program Negotiation Team. Without objection, the motion unanimously passed.**

#### **Financial Report**

1. ***Contributions*** – Director Blas stated that as of May 26, 2010, GMHA has not remitted contributions for Pay Periods Ending February 27, 2010, March 13, 2010, March 27, 2010 and April 10, 2010. All other agencies are current with their Fiscal Year 2010 employee and employer contributions.

2. ***Financial Statements*** – Director Blas stated that the books for month ending April 2010 were closed on May 19, 2010.

3. ***Fiscal Year 2010 Retirees' Supplemental Benefits*** – Director Blas stated that the supplemental benefits for retirees and survivors for the month of May 2010 were paid.

4. ***Medicare Reimbursements*** – Director Blas stated that the Retirement Fund received the May 2010 allotment from the General Fund. Reimbursements were processed for September 2009 and May 2010.

## VI. LEGAL COUNSEL'S REPORT

No report was made at this time.

## VII. TREASURER'S REPORT OF FINANCIAL STATUS

Acting Chairman Cruz stated that the Treasurer's Report is provided, at this meeting. It covers the Retirement Fund's Statement of Plan Assets (unaudited) and Prior Year Receivables for both the Defined Benefit (DB) Plan and the Defined Contribution (DC) Plan for the month ended April 30, 2010. Acting Chairman Cruz stated that no drawdown is required at this time. The Retirement Fund is operating within its authority.

## VIII. STANDING COMMITTEE REPORTS

### A. Members and Benefits Committee

Trustee George Santos presented his Committee's May 2010 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 9, including the attached Annuity Worksheets, based on the Committee's review and findings during their meeting of May 12, 2010 and subsequent meetings thereafter. Without objection, the motion unanimously passed.**

#### **Disabled Adult Survivor Benefits – Joann Marie Manibusan Balajadia**

Trustee Santos stated that Joseph T. Manibusan and Dolores B. Manibusan are applying for Disabled Adult survivor benefits on behalf of their sister Joann Marie Manibusan Balajadia. Mr. Manibusan and Ms. Manibusan are also the court appointed guardians of Joann Balajadia. Joann Balajadia is the natural child of deceased retiree Maria M. Balajadia who passed away on October 20, 2009.

**Trustee George Santos, seconded by Secretary Antolina Leon Guerrero, moved to approve the Disabled Adult Survivor annuity benefits application of Joann Marie Manibusan Balajadia, contained on Page 10, based on the Committee's review and findings during their meeting of May 12, 2010 and subsequent meetings thereafter. Without objection, the motion unanimously passed.**

#### **Disabled Adult Survivor Benefits – Alfred B. Crisostomo, Jr.**

Trustee Santos stated that Alfred B. Crisostomo, Jr. is applying for Disabled Adult survivor benefits on behalf of himself. Mr. Crisostomo is the natural child of deceased retiree Florencia G. Crisostomo who passed away on March 20, 2010.

**Trustee George Santos, seconded by Secretary Antolina Leon Guerrero, moved to approve the Disabled Adult Survivor annuity benefits application of Alfred B. Crisostomo, Jr., contained on Page 11, based on the Committee's review and findings during their meeting of May 12, 2010 and subsequent meetings thereafter. Without objection, the motion unanimously passed.**

## **B. Investment Committee**

Acting Chairman Cruz reported that the Investment Committee meeting was held on May 14, 2010. The Committee reviewed and approved the Investment Committee Minutes of April 9, 2010.

Acting Chairman Cruz also reported that on May 27, 2010, the Investment Committee held its performance review meeting for the quarter ended March 31, 2010 with Mr. Dennison of Mercer and also held its Annual Reviews of Fixed Income Managers. The following were discussed with Mr. Dennison:

**1. Franklin Templeton** - Mr. Dennison stated that the Investment Committee discussed the Retirement Fund's responses to Michael Materasso's questions regarding Public Law 30-120 and his concerns relative to clarification of the statutes pertaining to investments in Fannie Mae and Freddie Mac. Mr. Dennison stated that Mercer and Legal Counsel submitted their answers to the eight questions he submitted. Mr. Dennison stated that the relevant code is Section 8150. The clarification of the statute needs to be brought before the Legislature.

**2. Income Research Management (IRM)** – Mr. Dennison stated that IRM was granted a six-month extension of the Guideline Waiver to April 2010. Mr. Dennison stated that in an email of April 22, 2010, Steve Weiss indicated that:

- 23% of the securities in its portfolio are rated below "A."
- It is not in the Retirement Fund's best interest to force sales of securities to get below the 20% limit.
- IRM is requesting an additional six-month extension.

Mr. Dennison stated that IRM fell below the guideline. Acting Chairman Cruz stated that it was brought down from \$60 Million to \$22 Million. Vice-Chairman Leon Guerrero stated that he has no problem with providing IRM with an extension. Trustee Aflague asked how long an extension is requested. Acting Chairman Cruz replied, "Six months." Acting Chairman Cruz stated that, within the next six months, the market will return to normalcy. Trustee Aflague asked whether the Board has discretionary authority to approve or waive an extension. Acting Chairman Cruz replied, "Yes." Mr. Dennison stated that Mercer recommends moving forward with this matter.

**Trustee George Santos, seconded by Secretary Antolina Leon Guerrero, moved to grant Income Research Management's request for an additional six-month extension of the Guideline Waiver. Without objection, the motion unanimously passed.**

**3. Davis Hamilton** – Mr. Dennison stated that in Davis Hamilton Jackson & Associate's (DHJA) April 6, 2010 letter to the Retirement Fund, they notified the Retirement Fund that:

- Affiliated Managers Group (AMG), which holds an ownership interest in DHJA, will sell its shares back to the DHJA on or about June 30, 2010.
- The firm will be changing its name to Garcia Hamilton & Associates effective January 1, 2011.
- Because this transaction may constitute a change in control, unless notified in writing by May 31, 2010, they will operate on the understanding that the Retirement Fund has consented.

Mr. Dennison stated that the change in control needs Board approval. Mr. Dennison stated that Mercer recommends approval of the change in control.

**Trustee George Santos, seconded by Secretary Antolina Leon Guerrero, moved to approve to consent to the change in control to Garcia Hamilton & Associates. Without objection, the motion unanimously passed.**

**4. Letter from Contrarian Capital Management** – Mr. Dennison stated that in its April 27, 2010 letter to the Retirement Fund, Contrarian indicated it is interested in purchasing the Retirement Fund's Lehman holdings. Management requested BLBG's input on this. Blair Nicholas of BLBG indicated that they are not in a position to opine on whether selling the bonds makes sense from an investment perspective. However, from a litigation standpoint, selling the bonds will not release the Retirement Fund's claim in the Lehman action.

Mr. Dennison stated that Contrarian has indicated that they will consider tenders of the Retirement Fund's interest for a price to be determined. Mr. Dennison stated that this was discussed in the Investment Committee Meeting. Mr. Dennison stated that these sorts of entities, referred to as "Voucher Fund," buy at a steep discount the securities of these sorts of organizations often for just maintaining clean looking records. Holders want to sell these securities for whatever price they can get. Mr. Dennison stated that they did pose a question to one of the investment manager and they said that it will sell for 30¢ on a dollar. Mr. Dennison stated that they are currently quoted for 25¢ on a dollar. Mr. Dennison stated that we do not know what Contrarian would offer but it will certainly be a steep discount. Mr. Dennison stated that the Retirement Fund could pose that question to other investment managers to get a sense of what would be a fair deal. Mr. Dennison stated that it is always worth looking into. Acting Chairman Cruz asked Mr. Dennison whether the Retirement Fund's option is to go back to Contrarian and ask them to bid and see what they would offer and then get that price and ask one of our managers if it is a fair price. Mr. Dennison replied, "Yes." Trustee Aflague asked how much are we talking about. Acting Chairman Cruz replied, "About \$4 Million for Lehman bonds." Mrs. Bordallo stated that it is no more that \$6 Million.

Director Blas stated that Mr. Nicholas has offered to look at any purchase agreements if the Retirement Fund decides to sell to make sure that there are no provisions in the agreement that would remove them from the litigation. Trustee Aflague asked whether this is the first company that has offered to buy. Acting Chairman Cruz stated that this is the only one that he is aware of. Mr. Dennison stated that his guess is that there are other funds doing this. Vice-Chairman Leon Guerrero asked whether Mr. Nicholas is aware of this and that he has no problem with it. Director Blas stated that Mr. Nicholas is not giving the Retirement Fund advice to move forward or not, that is going to be an investment decision. Director Blas stated that she did ask Mr. Nicholas whether this will compromise the litigation that the Retirement Fund currently has with Lehman and he said no, but if the Retirement Fund decides to sell these bonds, then they will be willing to look at the agreement to make sure there are no provisions in the agreement that would constitute a settlement. Vice-Chairman Leon Guerrero stated that he just wants to make sure that Director Blas is in communication with Mr. Nicholas regarding this matter. Acting Chairman Cruz stated that the Retirement Fund is only asking for a price at this time and not making any commitments. Once we get an idea on price we could decide whether it is worth proceeding further.

### **Informational Items**

**1. Quarterly Performance** - Mr. Dennison provided an overview of the DB Plan's March 31, 2010 Quarterly Investment Performance, noting the following:

- a. A Rate of Return of 4.8% for the quarter compared to the 3.7% median return for Public Funds.
- b. The Retirement Fund outperformed its Blended Index and ranked in the top quintile of the Public Funds Universe for all periods evaluated.
- c. For the quarter, 3 and 5-year periods, the Retirement Fund ranked at or above the 9th percentile of the Public Funds Universe.

Mr. Dennison stated that performance is 5.5% per year. Acting Chairman Cruz stated that the good performance has to do with the asset allocation. Vice-Chairman Leon Guerrero asked where we are as of March 31, 2010. Director Blas replied, "\$1.16 Billion."

**2. Asset Allocation** – Mr. Dennison stated that the Retirement Fund is well within ranges. We need to look back at dynamic allocation. Mr. Dennison stated that there is no specific recommendation to make a move.

**3. AXA Rosenberg Coding Error** – Mr. Dennison stated that this is subject to press report. The coding error is without appropriate action. Mr. Dennison indicated that Mercer believes that there has been a failure of the policies and procedures at AXA Rosenberg. Mr. Dennison stated that the firm could go down the drain.

**4. Securities Lending** – Mr. Dennison stated that it would be wise to ask Northern Trust what is in the portfolio.

**5. Annual Manager Review** – Mr. Dennison stated that the Annual Reviews were conducted for the following managers:

- a. Franklin Templeton
- b. Income Research Management
- c. Davis Hamilton Jackson

**6. Next Quarterly Performance Meeting** - Mr. Dennison stated that the next Quarterly Performance Meeting is scheduled for August 26, and 27, 2010.

## **IX. TRAVEL REPORT**

### **A. Trustee George A. Santos: IFEBP Certificate in Global Benefits Management Conference – May 3-7, 2010, New York, New York**

Acting Chairman Cruz stated that Trustee Santos' travel report on the IFEBP Certificate in Global Benefits Management Conference he attended on May 3-7, 2010 in New York is submitted for the Board's information.

## **X. OLD BUSINESS**

### **A. Disability Case No. 09-001**

At the request of Acting Chairman Cruz, Director Blas indicated that she will take this item off the agenda until the Retirement Fund receives information of any action taken by the applicant.

**XI. NEW BUSINESS**

None

**XII. OPEN DISCUSSION / GENERAL PUBLIC INPUT**

Acting Chairman Cruz recognized Mr. Felix Santos who would like to address the Board. Mr. Santos thanked the Board of Trustees for giving him the opportunity to address the Board. Mr. Santos stated that he is a school teacher with the Department of Education (DOE). Mr. Santos stated that he is thinking of retiring. Mr. Santos indicated that there is a major problem, which was an oversight on DOE's part, which he will put in writing to the Board. Mr. Santos thanked the Board for the opportunity afforded him. Acting Chairman Cruz stated that the letter that Mr. Santos will be submitting will be referred to the M&B Committee.

**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 1:12 p.m. Motion unanimously passed.**

**I hereby certify that the foregoing is a full, true and correct copy of the Minutes of May 28, 2010 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on June 25, 2010.**



**ANTOLINA S. LEON GUERRERO, Board Secretary**

**RECORDING SECRETARY:**

  

---

**Jackie Blas**