

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 30, 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 12:47 p.m. Friday, July 30, 2010, in the Retirement Fund Conference Room. Chairman Joe T. San Agustin officiated.

**Board of Trustees Present:**

Joe T. San Agustin, Chairman  
 Antolina S. Leon Guerrero, Secretary  
 Gerard A. Cruz, Treasurer  
 George A. Santos, Trustee

**Board of Trustees Absent:**

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

**Staff Present:**

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

**Public Present:**

Mark Heath, Metropolitan West Capital Management  
 Felix Santos

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

## II. REVIEW AND APPROVAL OF BOARD MINUTES

### A. June 25, 2010 Regular Meeting

On motion of Trustee George Santos, seconded by Secretary Antolina Leon Guerrero, and without objection, the Minutes of June 25, 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 on May 7, 2010, the Department of Administration (DOA) started mailing COLA Certificates to retirees, survivors and identified beneficiaries. As of June 21, 2010, DOA mailed approximately 1,792 checks for outstanding principal and interest amounts to retirees, survivors, and beneficiaries in accordance with Public Law 30-101 and as of July 26, 2010, DOA again started mailing approximately 940 checks for outstanding principal and interest amounts to retirees, survivors, and beneficiaries in accordance with Public Law 30-101. These disbursements complete the distribution for the principal and interest appropriated in Public Law 30-101. Chairman San Agustin asked whether 10% was taken out on the certificates for attorney fees. Director Blas replied, “No.” Vice-Chairman Wilfred Leon Guerrero asked how this will be calculated on taxes. Treasurer Gerard Cruz stated that the recipient should claim what was received. Director Blas stated that the legal fee to expense is 10% of what you received. Treasurer Cruz stated that this does not apply to the OPT OUT recipients. Rosalia Bordallo, General Accounting Supervisor, stated that there are no attorney’s fees but, you will still have to pay taxes. Director Blas stated that she will clarify this with the Department of Revenue and Taxation.

2. ***Global Custody Services*** – Director Blas stated that at the June 25, 2010 Board meeting, the Board continued to suspend participation in Securities Lending. The Retirement Fund will revisit participation in Securities Lending during the August 2010 quarterly meeting with Terry Dennison of Mercer Investment Consulting, Inc. (Mercer).

3. ***Request for Proposal (RFP): International Developed Markets Large Cap Equity*** – Director Blas stated that the Selection Panel concluded their evaluation and submits their recommendation to the Board for their approval.

Mr. Mark Heath, Metropolitan West Capital Management, excused himself from the meeting at this time (1:00 p.m.).

Director Blas stated that thirty-five (35) firms responded to the RFP. Of the 35 proposals submitted, twenty (21) firms met the proposal requirements. The list of all 21 firms was sent to Mercer for their analysis. Mercer provided an analysis for all 21 firms. Director Blas stated that the Selection Panel reviewed the firms’ 3 and 5 years excess returns, history in investment management, product

innovation, and client service. In addition, firms were evaluated on the qualitative factors that included the manager's ability to generate value-added investment ideas, portfolio construction, implementation, and how well the business is being managed. As a result, firms who earned an acceptable aggregate rank and passed the qualitative screening advanced to the next evaluation phase. Four (4) firms were placed on the short list for discussions. Director Blas stated that the 4 firms' representatives were invited to meet with the Selection Panel.

Chairman San Agustin asked whether the Selection Panel looked at all 21 firms and agreed with Mercer's analysis. Trustee George Santos stated that the Selection Panel did review all 21 firms analyzed by Mercer and decided to go with the four. Secretary Antolina Leon Guerrero reiterated that all 21 firms were analyzed. Chairman San Agustin stated that he just wants to make sure that the Selection Panel performed its due diligence on this matter.

Trustee Santos stated that the Selection Panel recommends that the Board select firm No. 2 in response to RFP No. GGRF-001-10 (Investment Manager for the International Developed Markets Large Cap Equity) mandate related to the Defined Benefits Plan. Chairman San Agustin asked whether the Panel met with all 4 firms. Secretary Leon Guerrero stated that the Panel met with everyone except firm No. 1.

**Trustee George Santos, seconded by Treasurer Gerard Cruz, moved to accept the Selection Panel's recommendation of Firm No. 2 in response to RFP No. GGRF-001-10 (Investment Manager for the International Developed Markets Large Cap Equity). Without objection, the motion unanimously passed.**

**4. *Public Law 28-38: Interest Only Payment*** – Director Blas stated that the monthly interest payments for the Department of Education (DOE) and Guam Memorial Hospital Authority (GMHA) due on July 10, 2010 were paid. Director Blas stated that the Retirement Fund continues to process retirement applications for DOE and GMHA.

**5. *GMHA Outstanding Contributions*** – Director Blas stated that at the June 25, 2010 Board meeting, the Board approved the issuance of a Writ of Mandate if full payment was not received by GMHA on June 30, 2010. Director Blas stated that the Writ was not issued on July 1, 2010 for the following reasons:

- A payment arrangement between the Retirement Fund's Director, GMHA Administrator and the Treasurer of Guam was made on June 30, 2010.
- On July 1, 2010, GMHA made a payment in the amount of \$933,698.54 covering a portion of the Fiscal Year 2010 DB outstanding contributions and the unfunded.
- On July 2, 2010, GMHA made a payment in the amount of \$1,050,843.33 covering the balance of the Fiscal Year 2010 DB outstanding contributions, the unfunded, interest and penalties.
- GMHA is now current with their Fiscal Year 2010 DB contributions and unfunded.

Chairman San Agustin recommended that Director Blas inform GMHA that if payment is not made in the future, the Retirement Fund will file the Writ of Mandate.

**6. *Bernstein Litowitz Berger and Grossmann (BLBG)*** – Director Blas reported on the following lawsuits:

- **Lehman Brothers** – Director Blas stated that there is no new update on this case.
- **Wells Fargo** – Director Blas stated that BLBG filed an amended complaint on May 28, 2010.
- **Genzyme Corporation** – Director Blas stated that there is no new update on this case.
- **Countrywide** – Director Blas stated that the Retirement Fund’s exposure is approximately \$3.35 million. Countrywide announced the settlement of the securities class action and recently filed its settlement papers with the courts. The settlement provides for a nominal recovery of \$52,560 for Retirement Fund losses of \$3.35 million. BLBG is recommending for the Retirement Fund to opt-out of the class action suit and to pursue direct resolution of claims with other institutional investors. BLBG plans to begin negotiations with defense counsel within thirty (30) days. Director Blas stated that the direct resolution will not be subject to the fee schedule as outlined in BLBG’s legal agreement. BLBG outlines their fee recovery in the Retainer Agreement for this litigation.

If the Retirement Fund recovers up to \$52,560, there will be no attorney fees. If recovery is over \$52,560 attorney fees will be calculated as follows:

- a) If BLBG recovers any amount over \$52,560 on behalf of the Retirement Fund prior to commencement of litigation, BLBG’s fee will be 15% of any amount recovered over \$52,560 after deducting for reimbursement of any expenses.
- b) If BLBG recovers on behalf of the Retirement Fund any amount over \$52,560 in the period after the commencement of litigation, and before the initiation of formal discovery, BLBG’s fee will be 20% of any amount recovered over \$52,560, after deducting for reimbursement of any expenses.
- c) If BLBG recovers on behalf of the Retirement Fund any amount over \$52,560 following the initiation of formal discovery, including after any trial or appeals, BLBG’s fee will be 25% of any amount recovered over \$52,560, after deducting for reimbursement of any expenses. BLBG will pay all costs of the litigation. Such costs will be reimbursed from any recovery over \$52,560 in connection with BLBG’s representation of the Retirement Fund.

Chairman San Agustin recommended for Vice-Chairman Leon Guerrero to meet with Blair Nicholas of BLBG regarding the different levels of compensation proposed. Director Blas stated that there is an option to settle and not pay anything. Chairman San Agustin stated that there is a 20% maximum of the amount recovered. Treasurer Cruz stated that it is not on the amount recovered, it is for their time spent on the case. Treasurer Cruz stated that we could probably put a cap on expenses. Treasurer Cruz stated that the Retirement Fund did not agree to a fixed firm amount. Treasurer Cruz stated that contingency is added. Treasurer Cruz stated that their proposal is open to negotiation. Trustee Santos asked whether Vice-Chairman Leon Guerrero is willing to meet with Mr. Nicholas to clarify this issue. Vice-Chairman Leon Guerrero stated that he would like to get all the information regarding this matter before he meets with Mr. Nicholas. Director Blas stated that she will send the information to Vice-Chairman Leon Guerrero. Vice-Chairman Leon Guerrero asked whether there is a need for an RFP. Director Blas stated that she is going to have to put out an RFP anyway since there are firms asking the same thing and that is why she is refraining from meeting on a one-on-one basis. Vice-Chairman Leon Guerrero recommended putting out an RFP. Chairman San Agustin suggested for Vice-Chairman Leon Guerrero to meet with Mr. Nicholas first.

### Financial Report

1. **Contributions** – Director Blas stated that as of July 26, 2010, 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 June 2010 were closed on July 15, 2010.

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

4. **Medicare Reimbursements** – Director Blas stated that the Retirement Fund received the July 2010 allotment from the General Fund and payments are processed accordingly. Secretary Leon Guerrero asked what kind of notice is sent to retirees regarding Medicare reimbursements. Director Blas stated that it is in the newsletter.

## 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) and Prior Year Receivables for both the DB Plan and the DC Plan for the month ended June 30, 2010. Treasurer Cruz stated that the Retirement Fund is still in line with its existing drawdown authority. This is contingent on the departments being current on their contributions. Treasurer Cruz stated that the anticipated drawdown for Fiscal Year 2010 is \$18 Million.

## VIII. STANDING COMMITTEE REPORTS

### A. Members and Benefits Committee

Trustee Santos presented his Committee's July 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 11, including the attached Annuity Worksheets, based on the Committee's review and findings during their meeting of July 14, 2010 and subsequent meetings thereafter. Without objection, the motion unanimously passed.**

### Correspondence No. 09-06 – FELIX R. SANTOS

Trustee Santos stated that Mr. Santos is petitioning the Board with a request to be granted consideration for Military Service Credit pursuant to §8108 of Title 4, Chapter 8 G.C.A. Trustee Santos stated that Mr. Santos was employed with DOE on August 22, 1994. A file audit identifies submission of a Subsequent Military Credit Application form dated June 16, 1995 which was ten (10) months after his employment with DOE. Trustee Santos stated that pursuant to Public Law 19-19 and

§8108 (b) 4 G.C.A., new employees of the Government of Guam have sixty (60) days from their employment date to file/apply for military service credit for retirement purposes. Failure to submit application with the established deadline will be deemed to constitute grounds for waiver of such credit being sought.

Trustee Santos stated that based on their review and findings during their meeting of July 14, 2010, the Committee recommends disapproval of the request for military service credit claims on the basis of failure to submit the application form within the statutory deadline.

Mrs. Bordallo stated that back in the early 1980's, new employees did not come to the Retirement Fund to be processed. The departments would just send in their GGIs. Mrs. Bordallo stated that it is the members' responsibility to come in to be processed. Treasurer Cruz asked what happens if the employees were never informed. Mrs. Bordallo stated that all new employees are informed. Chairman San Agustin stated that the statute is there that employees have 60 days from their employment date to file. Chairman San Agustin stated that there is ample information to employees. Chairman San Agustin suggested to give each department's Human Resources Officer the Retirement Fund's form and that there should be a check-list on new employment. Director Blas stated that the Retirement Fund has its own form for Retirement Fund employees.

Chairman San Agustin recognized Mr. Felix Santos and asked whether he would like to address the Board. Mr. Santos thanked the Board for giving him the opportunity to address the Board. Mr. Santos stated that DOA and DOE did not give him notice that he had to go to the Retirement Fund to be processed. Mr. Santos stated that he served his country for 20 years and he would like for the Board to reconsider their decision. Mr. Santos stated that it was the Retirement Fund that gave him the red flag and thanked the Retirement Fund for that. Mr. Santos stated that this is the only body that could help him to give him at least three years credit of the 20 years of military service. Mr. Santos thanked the Board.

**Trustee George Santos, seconded by Secretary Antolina Leon Guerrero, moved to disapprove Felix R. Santos' request for Military Service Credit, contained on Pages 12 and 13, based on Public Law 19-19 and §8108(b) 4 G.C.A. and the Committee's review and findings during their meeting of July 14, 2010 and subsequent meetings thereafter. Without objection, the motion unanimously passed.**

#### **Application for Disabled Adult Survivor Benefits – JOJO CADENA DIRAS**

Trustee Santos stated that Mrs. Sally C. Diras is applying for Disabled Adult Survivor Benefits on behalf of her son Jojo Cadena Diras. Mr. Diras is the biological child of deceased retiree Antonio C. Diras, Jr. who passed away on February 8, 2010. Trustee Santos stated that based on their review and findings during their meeting of July 14, 2010, the Committee recommends Board approval of the application for Disabled Adult Survivor Benefits for Jojo Cadena Diras.

**Trustee George Santos, seconded by Secretary Antolina Leon Guerrero, moved to approve the application for Disabled Adult Survivor Benefits for Jojo Cadena Diras, contained on Page 14, based on the Committee's review and findings during their meeting of July 14, 2010 and subsequent meetings thereafter. Without objection, the motion unanimously passed.**

## **B. Investment Committee**

Treasurer Cruz reported that the Investment Committee meeting was held on July 9, 2010. The following are informational items:

1. **Securities Lending** – Treasurer Cruz stated that the Committee reviewed Northern Trust’s securities lending analysis, which provided two collateral options and indicated expected returns. This item was deferred for further discussion with Mr. Dennison of Mercer during the August 26, 2010 Due Diligence Meeting.
2. **Bernstein Litowitz Berger & Grossman (BLBG) June 22, 2010 Letter** – Treasurer Cruz stated that the Committee reviewed the June 22, 2010 letter from Mr. Nicholas of BLBG, which included a list of settled securities class action cases to ensure that the Retirement Fund is aware of the claim filing deadlines. Relative to this letter, the Committee requested that Retirement Fund Management provide a list of recoveries received, the percent recovered, and the reason for the recovery.
3. **Minutes** – Treasurer Cruz stated that the Committee reviewed and approved the following Investment Committee Minutes:
  - a. June 11, 2010 Investment Committee Meeting
  - b. December 16, and 17, 2009 Due Diligence Meeting (For Quarter Ended September 30, 2009)
4. **Next Quarterly Performance Meeting** – Treasurer Cruz stated that the next Quarterly Performance Meeting is scheduled for August 26, and 27, 2010.

Chairman San Agustin requested for an historical performance of managers. Chairman San Agustin stated that he would like to see a year-to-year connection in narrative and graphs. Director Blas stated that she would provide the individual managers’ performance narrative.

Secretary Leon Guerrero asked whether the Retirement Fund is going to issue an RFP for an Investment Consultant. Treasurer Cruz stated that an RFP should be issued. Director Blas stated that this is included in the Investment Committee’s Five-Year Plan.

## **IX. TRAVEL REPORT**

### **A. Trustee Antolina Leon Guerrero: IFEBP CAPPP in Employee Pensions Conference – June 22-25, 2010, Chicago, Illinois**

Chairman San Agustin stated that Trustee Leon Guerrero’s travel report on the IFEBP CAPPP in Employee Pensions Conference she attended on June 22-25, 2010 in Chicago is submitted for the Board’s information.

## **X. OLD BUSINESS**

None

**XI. NEW BUSINESS**

**A. Patient Protection and Affordable Care Act (PPACA)**

Chairman San Agustin stated that the newspaper article regarding the PPACA is submitted for the Board's information.

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

None

**XIII. ANNOUNCEMENTS**

None

**XIV. ADJOURNMENT**

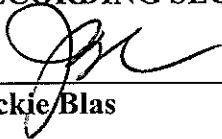
**There being no further business before the Board for the Defined Benefits Plan, on motion of Treasurer Gerard Cruz, seconded by Trustee George Santos, and without objection, the meeting was adjourned at 2:15 p.m. Motion unanimously passed.**

**I hereby certify that the foregoing is a full, true and correct copy of the Minutes of July 30, 2010 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on August 27, 2010.**



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

**RECORDING SECRETARY:**



**Jackie Blas**