

GOVERNMENT OF GUAM
RETIREMENT FUND
 STABILITY · SECURITY · REWARDS
BOARD OF TRUSTEES
Regular Meeting
 Friday, March 25, 2011, 12:00 p.m.
 Retirement Fund Conference Room

Eddie Baza Calvo
 Governor

Ray Tenorio
 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 1:30 p.m. Friday, March 25, 2011, 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

Staff Present:

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

Public Present:

Terry Dennison, Mercer Investment Consulting, Inc.
 Ricky Hernandez, Senator Ben Pangelinan's Office of Finance and Budget
 Liza Villagomez

Chairman San Agustin asked that Board of Trustees whether it is okay to entertain the disability cases before proceeding with the regular agenda. The Board indicated they have no objection to hearing the disability cases at this time.

Trustee Santos stated that based on the Members and Benefits (M&B) Committee's review and findings during their meeting of March 16, 2011, the following disability applications, contained on Page 18, are recommended to be presented to the Board for their discussion and disposition.

Chairman San Agustin informed everyone present at today's meeting that the disability applicants are referred to by their case numbers. The names of the applicants are not provided or known by the Board of Trustees. Chairman San Agustin stated that if an applicant would like to address the Board, he/she would have to waive his/her rights to the privacy of their medical records and he/she must state his/her name for the record. Chairman San Agustin indicated that no one present at today's meeting wished to address the Board.

1. DISABILITY CASE NO. 10-011

Secretary Antolina Leon Guerrero stated that this 40 year old Sign Worker I with the Highway Division of the Department of Public Works applied for Disability Retirement on August 29, 2010. The applicant's symptoms were diabetes, sleep apnea, dialysis, problem remembering and understanding and communication difficulty. The applicant's primary physician was Dr. Johnny Lim. The applicant's disability application was made by Dr. Ramel Carlos.

The applicant was examined by Dr. Patrick Santos on November 16, 2010. By AMA guidelines, Dr. Santos assessed the applicant's disability as 90% for renal failure and 10% for diabetes mellitus giving him a disability assessment of 100%.

The applicant was assessed by Dr. Fred Schroeder for the Retirement Fund on December 18, 2010. Dr. Schroeder, by AMA guidelines, assessed the applicant's disability as 87% assigning, 80% for end stage renal disease requiring dialysis, 8% for vision impairment, 15% for sleep apnea and 10% for hypertension.

Secretary Leon Guerrero stated that Dr. John C. Steele, the Retirement Fund's Medical Consultant, agrees with the evaluation of disability by Doctors Carlos, Schroeder and Santos and therefore recommends full disability pension for the applicant.

Secretary Antolina Leon Guerrero, seconded by Trustee George Santos, moved to approve full disability pension for Disability Case No. 10-011. With a unanimous affirmative vote, the motion passed.

2. DISABILITY CASE NO. 10-012

Secretary Leon Guerrero stated that this 45 year old Conservation Officer with the Department of Agriculture applied for disability retirement on September 13, 2010 for cancer of the lung. The applicant's disability application was made by Dr. Teresa Paglinca on November 4, 2010. Dr. Paglinca assessed the applicant's disability as 100% without reference to AMA guidelines.

The applicant was examined by Dr. Santos for the Retirement Fund on December 17, 2010. Dr. Santos assessed, by AMA guidelines, the applicant to be only 50% impairment of the whole person.

The applicant was assessed by Dr. Schroeder for the Retirement Fund on December 28, 2010. Dr. Schroeder assessed the applicant's disability as 93%, assigning 90% for cancer of the lung beyond treatment, and 30% for anemia.

Secretary Leon Guerrero stated that Dr. Steele agrees with Doctors Paglinca and Schroeder that the applicant suffers from a rapidly advancing and fatal disease and agrees that the applicant is currently 100% disabled and that the chance for survival is very limited. Secretary Leon Guerrero stated that Dr. Steele recommends full disability retirement for this 45 year old Conservation Officer with advanced metastatic lung cancer.

Secretary Antolina Leon Guerrero, seconded by Trustee George Santos, moved to approve full disability pension for Disability Case No. 10-012. With a unanimous affirmative vote, the motion passed.

3. DISABILITY CASE NO. 10-007

Trustee Santos stated that the M&B Committee recommends tabling Disability Case No. 10-007 until the April 2011 Board Meeting.

Trustee George Santos, seconded by Secretary Antolina Leon Guerrero, moved to approve the Members and Benefits Committee's recommendation to table Disability Case No. 10-007. Without objection, the motion unanimously passed.

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. February 25, 2011 Regular Meeting

On motion of Trustee George Santos, seconded by Treasurer Gerard Cruz, and without objection, the Minutes of February 25, 2011 Regular Meeting were approved, subject to technical 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 March 14, 2011, the Guam Economic Development Authority (GEDA) issued a Request for Proposal (RFP) requesting for proposals to provide a loan for approximately \$20 Million for the purpose of paying outstanding Certificates of Claims issued to COLA Awardees. The RFP closes on March 29, 2011. Chairman San Agustin stated that the language of the law states that the Retirement Fund has first preference to the purchase of the Notes. Chairman San Agustin stated that he would like to go on record that the Retirement Fund does not wish to submit

a proposal. Director Blas stated that the RFP was sent to the Retirement Fund, and banking and lending institutions. Chairman San Agustin and Vice-Chairman Wilfred Leon Guerrero recused themselves from voting.

Trustee Wilfred Aflague, seconded by Treasurer Gerard Cruz, moved to reject the Guam Economic Development Authority's (GEDA's) request for a proposal from the Government of Guam Retirement Fund to provide a loan for approximately \$20,000,000 for the purpose of paying outstanding Certificates of Claims issued to Cost of Living Allowance awardees. With four (4) affirmative votes, the motion passed. One member was absent and two members abstained from voting.

2. *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 March 10, 2011 were paid. The Retirement Fund continues to process retirement applications for DOE. GMHA retirement applications will be suspended until GMHA is current with their employee and employer contributions. Chairman San Agustin suggested having the Legislature amend the law to include payment of principal. Terry Dennison of Mercer Investment Consulting, Inc. (Mercer) stated that it should be the actuarial assumption. Mr. Dennison asked what happens if the General Fund is substituted as the debtor. Director Blas stated that it would only be the interest payments. Contributions still need to be paid. Treasurer Gerard Cruz asked whether GMHA is open to negotiations. Chairman San Agustin replied, “No.” Director Blas stated that their sense was the importance of paying this. Treasurer Cruz stated that we should set a floor. It should be the rate of return for the prior year or the actuarial assumption. Mr. Dennison stated that it could be 5% of the balance. It is complicated to make people whole. Ms. Alice Taijeron of Great-West Retirement Services (Great-West) mentioned that the participants' only concern right now is just having their salary paid. Trustee Wilfred Aflague asked whether the Board is not meeting their fiduciary to participants for claiming the \$7.3 Million. Rosalia Bordallo, General Accounting Supervisor, stated that if GMHA defaults, they should make it the General Fund's responsibility.

3. *Guam Memorial Hospital Authority (GMHA) Outstanding Contributions* – Director Blas stated that GMHA presented their motion and arguments on March 11, 2011 before Judge Vernon Perez. Judge Perez has not rendered his decision. Chairman San Agustin stated that Director Blas met with GMHA and they have the impression that she is acting without the consent of the Board regarding the request for a Writ of Mandate. Director Blas stated that GMHA wanted to offer a \$250,000.00 monthly payment. Director Blas stated that the entire balance in arrears needs to be paid in addition to the payment of regular pay period contributions before allowing retirement for GMHA eligible employees.

4. *Bernstein Litowitz Berger and Grossmann (BLBG)* – Director Blas stated that BLBG's Litigation Status Report dated March 21, 2011 on each of the following lawsuits is provided for the Board's information:

- **Lehman Brothers** – Director Blas stated BLBG is exploring settlement opportunities.
- **Wells Fargo** – Director Blas stated that this case is going through the pre-trial procedures. The court set a jury trial date of August 27, 2012.
- **Genzyme Corporation** – Director Blas stated that BLBG is still waiting for the Judge's decision on the motion to dismiss.

- **Countrywide** – Director Blas stated that this case will go before a mediation session in April 2011.
- **AXA Rosenberg** – Director Blas stated that BLBG filed a complaint on February 3, 2011. The Court has set a deadline for the initial discovery conference between the parties.

5. ***Request for Proposal (RFP) for Investment Consultant Services*** – Director Blas stated that evaluations for the Defined Benefit Plan (DB) Plan Investment Consulting Services (RFP No. GGRF-001-11) have been completed. Director Blas stated that the Selection Panel consists of Joe T. San Agustin, Wilfred Leon Guerrero, and Diana Bernardo. Director Blas stated that the Selection Panel’s recommendation to the Board will be presented at today’s meeting. Proposals for Defined Contribution Plan (DC)/457 Investment Consulting Services (RFP No. GGRF-002-11) are not being considered at this time.

Financial Report

1. ***Contributions*** – Director Blas stated that as of March 22, 2011, all agencies are current with their Fiscal Year 2011 employee and employer contributions with the exception of GMHA.

2. ***Financial Statements*** – Director Blas stated that the books for the month ending February 2011 were closed on March 23, 2011.

3. ***Fiscal Year 2011 Retirees’ Supplemental Benefits*** – Director Blas stated that the supplemental benefits for retirees and survivors for the month of March 2011 will be paid at the end of the month.

4. ***Fiscal Year 2011 Medicare Reimbursements*** – Director Blas stated that the Retirement Fund received the March 2011 allotment from the General Fund and payments are processed accordingly. Director Blas stated that the appropriation is up through June or July 2011.

VI. LEGAL COUNSEL’S REPORT

Director Blas provided an update on the status of current litigation involving the Retirement Fund for the Board’s information:

- **Jane M. Story vs. GGRF** – Director Blas stated that the Retirement Fund is waiting for an assignment of a judge to hear the case. Director Blas stated that this is the second round of assignments.
- **Luis Reyes vs. DOE** – Director Blas stated that Mr. Reyes’ case has been settled. However, Mr. Reyes has been advised that he owes the Retirement Fund over \$120,000.00 in annuity payments made out to him prior to his new retirement date. Director Blas stated that the Retirement Fund needs to consider whether it will pursue litigation to collect the annuity payments issued prior to Mr. Reyes’ new retirement date, or consider whether to seek an assignment from Mr. Reyes of the DOE award. Vice-Chairman Leon Guerrero inquired as to why the Retirement Fund is asking for the \$120,000.00. Mrs. Bordallo stated that Mr. Reyes was not entitled to the annuity paid by the Retirement Fund because he won his case against DOE. Director Blas stated that Mr. Reyes was awarded back pay and benefits. Vice-Chairman Leon Guerrero suggested to off-set from his annuity. Trustee George Santos stated that the Retirement Fund needs to collect the \$120,000.00. Chairman San Agustin recommended collecting the annuity from Mr. Reyes. The Board indicated to collect. Director Blas stated that she will start to collect from Mr. Reyes’ annuity.

- **GGRF vs. GMHA** – Director Blas stated that on March 16, 2011, the Court held the hearing on the Retirement Fund’s Petition for Writ of Mandamus. The Court has not yet issued its decision, however it indicated at the hearing that it was inclined to grant the Petition and require GMHA to pay the full amounts of contributions owing. Director Blas stated that Legal Counsel will contact the Court for a status of its decision.
- **GGRF vs. Robert Underwood and Lorraine Underwood** – Director Blas stated that this case was dismissed. This case is now between the two parties (Robert Underwood and Lorraine Underwood).
- **Antonio Pangelinan vs. GGRF** – Director Blas stated that the appeal deadline of February 20, 2011 has passed. The Superior Court’s judgment is therefore final and this case will now be closed.

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 February 28, 2011. Treasurer Cruz reported that no drawdown authority is required at this time.

VIII. STANDING COMMITTEE REPORTS

A. Members and Benefits Committee

Trustee Santos presented his Committee’s March 2011 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 17, including the attached Annuity Worksheets, based on the Committee’s review and findings during their meeting of March 16, 2011 and subsequent meetings thereafter. Without objection, the motion unanimously passed.

Trustee Santos stated that based on the M&B Committee’s review and findings during their meeting of March 16, 2011, the following DC Plan Retirement Alternative, contained on Pages 19 through 21, is recommended to be presented to the Board for their review and disposition.

1. Defined Contribution (DC) Plan Retirement Alternatives / Defined Benefit (DB) Plan Design Options - Trustee Santos stated that a working session was held on March 16, 2011. The Committee came up with the decision to recommend Alternative No. 1 (Creation of New Optional DB Plan with a Mandatory 457 Plan); and Plan Design #6, with a Benefit Rate of 1.75%.

Trustee George Santos, seconded by Secretary Antolina Leon Guerrero, moved to approve the Members and Benefits Committee’s recommendation for the Creation of a New Optional Defined Benefit Plan with a Mandatory 457 Plan - Alternative No. 1; and Plan Design #6, with a Benefit Rate of 1.75%. Without objection, the motion unanimously passed.

Vice-Chairman Leon Guerrero stated that the working session was very informative and successful. Treasurer Cruz stated that the Committee will be working on the details. Vice-Chairman Leon Guerrero inquired about the timetable. Chairman San Agustin stated that it will be within the next six

months. Vice-Chairman Leon Guerrero asked whether Legal Counsel is aware of this. Director Blas stated that Legal Counsel has been involved since the start.

B. Investment Committee

Vice-Chairman Leon Guerrero reported that the Investment Committee meeting was held on March 24, 2011 along with its Performance Review meeting for the quarter ended December 31, 2010 with Mr. Dennison of Mercer. The Committee reviewed and approved the Investment Committee Minutes of February 11, 2011 and the December 15, and 16, 2010 Due Diligence Meeting Minutes for the Quarter Ended September 30, 2010.

Informational Items:

1. **Quarterly Performance** - Mr. Dennison provided an overview of the DB Plan's Investment Performance for the Quarter Ended December 31, 2010, noting the following:
 - a. The Retirement Fund had an outstanding performance with a 6.9% Rate of Return compared to the 6.0% median return for Public Funds.
 - b. The Retirement Fund outperformed its Blended Index and ranked in the top third of the Public Funds Universe for all periods (1 year, 3 years and 5 years).

2. **Asset Allocation** – Mr. Dennison stated that there is no change to the asset allocation and rebalancing of accounts is not recommended at this time. However, as discussed at the December 2010 Due Diligence meeting, the Board should perform a market check for Capital International Emerging Markets by issuing an RFP. Although Capital International is not performing badly, they continue to accept new money into the fund, which will grow the fund to such levels that may negatively affect their ability to efficiently and effectively manage the Retirement Fund's portfolio. Mr. Dennison stated that they looked at the potential managers and consider DFA to be a good candidate.

3. **Annual Manager Review** - Mr. Dennison stated that Annual Reviews were conducted for the following managers:
 - a. Capital International
 - b. Fisher Investments
 - c. Dimensional Fund Advisers

Vice-Chairman Leon Guerrero stated that Mr. Dennison gave a very good presentation on factoring risk analysis into asset allocation. Vice-Chairman Leon Guerrero asked whether having the Retirement Fund commission a study would risk trump what the Retirement Fund has now. Mr. Dennison stated to look at the total risk factors as a way to add dimension to evaluating investment options, to avoid an excess concentration of risk in a single area. Vice-Chairman Leon Guerrero inquired about the Risk Management. Mr. Dennison stated that it is Risk Parity. Mr. Dennison suggested not acting based on the short presentation he provided.

Mr. Dennison thanked the Board of Trustees and Management of the Retirement Fund. Mr. Dennison invited the Board to Mercer's conference in Chicago scheduled for June 7-8, 2011.

IX. OLD BUSINESS

None

X. NEW BUSINESS

A. Actuarial Valuation as of September 30, 2010

Director Blas stated that this item will be entertained when the Board of Trustees reconvenes their meeting on Friday, April 1, 2011.

XI. OPEN DISCUSSION / GENERAL PUBLIC INPUT

None

XII. ANNOUNCEMENTS

None

XIII. RECESS

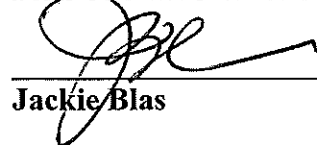
Trustee George Santos, seconded by Secretary Antolina Leon Guerrero, moved to recess, and without objection, the Board of Trustees meeting for the Defined Benefits Plan recessed at 3:00 p.m. on Friday, March 25, 2011 and will reconvene on Friday, April 1, 2011, at 10:00 a.m. in the Retirement Fund Conference Room. Motion unanimously passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of March 25, 2011 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on April 29, 2011.



ANTOLINA S. LEON GUERRERO, Board Secretary

RECORDING SECRETARY:



Jackie Blas