

GOVERNMENT OF GUAM  
**RETIREMENT FUND**  
 STABILITY · SECURITY · REWARDS

**Eddie Baza Calvo**  
 Governor

**Ray Tenorio**  
 Lieutenant Governor

**Paula M. Blas**  
 Director

**BOARD OF TRUSTEES**  
**Regular Meeting**  
 Friday, June 24, 2011, 12:00 p.m.  
 Retirement Fund Conference Room

**MINUTES**

*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

**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, June 24, 2011, in the Retirement Fund Conference Room. Acting Chairman Wilfred P. Leon Guerrero officiated.

**Board of Trustees Present:**

Wilfred P. Leon Guerrero, Acting 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  
 Rosalia Bordallo, General Accounting Supervisor  
 Jackie Blas, Recording Secretary  
 Alice Taijeron & Alan Fejeran, Great-West Retirement Services

**Public Present:**

Ricky Hernandez, Senator Ben Pangelinan's Office of Finance and Budget

## II. REVIEW AND APPROVAL OF BOARD MINUTES

### A. May 27, 2011 Regular Meeting

On motion of Treasurer Gerard Cruz, seconded by Secretary Antolina Leon Guerrero, and without objection, the Minutes of May 27, 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 during the week of June 13-17, 2011, an advertisement to purchase COLA Certificates appeared in the Pacific Daily News (PDN). However, due to the overwhelming response, the buyer will no longer purchase COLA Certificates. The COLA Certificates was purchased at a 14% discount. Trustee George Santos stated that there are certain procedures to follow to validate the sale of the certificates. Director Blas stated that additional funding has been appropriated through Public Law 31-74, but funds will not be available until the reimbursement from Guam Waterworks Authority (GWA) to the General Fund has been completed. Fifty Percent (50%) of the reimbursement will pay for the outstanding interest and principal on the COLA Certificates.

2. *Public Law 28-38: Interest Only Payments* – Director Blas stated that monthly interest payments for the Department of Education (DOE) and Guam Memorial Hospital Authority (GMHA) due on June 10, 2011 were paid. The Retirement Fund continues to process retirement applications for DOE and GMHA. Director Blas stated that starting June 15, 2011, the Retirement Fund will be tacking the reduction amount to add on to the balance and then bill the Department of Administration (DOA) for the interest.

3. *Guam Memorial Hospital Authority (GMHA) Outstanding Contributions* – Director Blas stated that with the passage of Public Law 31-74, the delinquent contributions of GMHA for the current Fiscal Year will be added to the outstanding GMHA contributions in the “Interest Only” payment account (Public Law 28-38). GMHA’s current balance is about \$6 Million. DOE’s balance is also \$6 Million. Director Blas stated that the Retirement Fund is now allowing eligible GMHA individuals to retire from the Defined Benefit (DB) Plan. Director Blas stated that as a result of the reduced contribution rate, the GMHA savings realized on the Defined Contribution (DC) government contribution will be applied to the delinquent outstanding employer and employee contributions for the DC participants. Director Blas stated that as of June 21, 2011, Judge Vernon Perez has not rendered his decision on the Petition for Writ of Mandamus against GMHA.

4. ***Bernstein Litowitz Berger and Grossmann (BLBG)*** – Director Blas stated that BLBG’s Litigation Status Report dated June 20, 2011 on the following lawsuits is provided for the Board’s information. Director Blas stated that she requested that the status report be submitted on a monthly basis so the Board could be kept abreast of the ongoing lawsuits.

- **Lehman Brothers** – Director Blas stated that BLBG is waiting for the Court’s decision on the motion to dismiss.
- **Wells Fargo** – Director Blas stated that the Court scheduled a jury trial for August 27, 2012. The parties participated in a mediation session before the Honorable Layn Phillips. Treasurer Gerard Cruz stated that Judge Phillips made a mediator’s recommendation to settle the action for \$125 Million. The settlement is subject to court approval.
- **Genzyme Corporation** – Director Blas stated that BLBG is waiting for the Court’s decision on the motion to dismiss.
- **Countrywide** – Director Blas stated that the Court issued an order placing an indefinite continuance on the final approval hearing date. BLBG believes this is likely related to ongoing negotiations between all parties regarding the requests for exclusions.
- **AXA Rosenberg** – Director Blas stated that the complaint was filed on February 3, 2011. Plaintiffs’ opposition to defendants’ motion to dismiss is due on July 15, 2011. A hearing on defendants’ motions to dismiss is scheduled for October 14, 2011 in San Francisco. The parties are trying to settle the case.

Acting Chairman Leon Guerrero inquired about “Attachment A” on Page 4, first paragraph, of the Director’s Report. Director Blas stated that it should read “Attachment B.”

5. ***Legislative Bills/Public Laws:***

- **Public Law 31-74 (Bill 184-31 LS): Fiscal Year 2011 Supplemental Appropriations** – Director Blas stated that Public Law 31-74 provided a temporary reduction in the government rate of contribution from 27.46% to 21.44% from June 4, 2011 through September 30, 2011. The savings realized from the reduced contribution rate for agencies receiving appropriations from the Legislature and for federally-funded programs will pay for health insurance premiums for Government of Guam employees and retirees. Autonomous agencies will continue to remit their contributions at the rate of 27.46%. Director Blas stated that GMHA savings of approximately \$1 Million will be applied to the delinquent employer and employee contributions for participants in the DC Plan. The \$1 Million will not be sufficient to cover GMHA’s DC arrears. GMHA will be responsible to add another \$347,000 to ensure the entire amount needed to cover the DC arrears will be paid. GMHA delinquent DB employee and employer contributions as of May 23, 2011 will be added to the “interest only.” This will amount to approximately \$5.5 Million.

Director Blas stated that the total savings realized from the reduced contributions of approximately \$6.8 Million will be added to the “interest only” balance under Public Law 28-38. Monthly interest will be paid on the outstanding principal amount until the entire balance has been paid in full. Director Blas stated that Public Law 31-74 added a provision to include the refinancing of the total outstanding principal and interest balances in the “interest only” account owed to the Retirement Fund to be paid by the next General Obligation Bond issued by the Government of Guam. This will amount to approximately \$25 Million as of September 30,

2011. Additionally, Public Law 31-74 appropriated the \$18.3 Million reimbursement from Guam Waterworks Authority (GWA) to the Government of Guam for the payment of tax refunds for 2009 and prior and to pay for the interest and principal for COLA. Director Blas stated that the Health Insurance Bailout Agreement of Fiscal Year 2011 was executed by the Retirement Fund Board of Trustees and the Governor of Guam effective June 15, 2011.

**Treasurer Gerard Cruz, seconded by Trustee George Santos, moved to ratify the Health Insurance Bailout Agreement of Fiscal Year 2011 executed by the Government of Guam Retirement Fund Board of Trustees and the Governor of Guam on June 15, 2011. Without objection, the motion unanimously passed.**

### **Financial Reports**

1. ***Contributions*** – Director Blas stated that as of June 21, 2011, all agencies are current with their Fiscal Year 2011 employee and employer contributions. Treasurer Cruz asked whether GMHA will have an issue going forward with making their contributions. Director Blas stated that GMHA is making current contributions.
2. ***Financial Statements*** – Director Blas stated that the books for the month ending May 2011 were closed on June 17, 2011.
3. ***Fiscal Year 2011 Retirees' Supplemental Benefits*** – Director Blas stated that the supplemental benefits for retirees and survivors for the month of June 2011 will be paid next week.
4. ***Fiscal Year 2011 Medicare Reimbursements*** – Director Blas stated that the Retirement Fund received the June 2011 allotment from the General Fund and payments were 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) and Prior Year Receivables for both the DB Plan and the DC Plan for the month ended May 31, 2011. The total assets are \$1.7 Billion.

Treasurer Cruz stated that no additional authorization is needed at this time for drawdown. Acting Chairman Leon Guerrero asked what the Retirement Fund's portfolio is. Controller Diana Bernardo replied, "\$1.35 Billion." Trustee Santos asked whether the \$1.7 Billion in total assets is the highest ever reached. Treasurer Cruz replied, "Yes."

## VIII. STANDING COMMITTEE REPORTS

### A. Members and Benefits Committee

Trustee Santos presented his Committee's June 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 12, including the attached Annuity Worksheets, based on the Committee's review and findings during their meeting of June 8, 2011 and subsequent meetings thereafter. Without objection, the motion unanimously passed.**

### DISABILITY CASE NO. 10-007

Director Blas stated that Disability Case No. 10-007 is being tabled pending response from the physicians.

### B. Investment Committee

Acting Chairman Leon Guerrero reported that the Investment Committee meeting was held on June 10, 2011. The Committee reviewed and approved the Investment Committee Minutes of May 27, 2011.

Acting Chairman Leon Guerrero inquired about the newly hired investment advisor. Director Blas stated that the Due Diligence Meeting for the period ended March 31, 2011 is scheduled for July 27-28, 2011. The Due Diligence Meeting for the period ended June 30, 2011 will be on August 24-25, 2011. Acting Chairman Leon Guerrero asked whether there are any concerns mentioned. Director Blas replied, "No, it is to get acquainted with Wilshire in July." Acting Chairman Leon Guerrero mentioned that the new Investment Consultant will most likely pursue discussions on Securities Lending and Risk Allocation during the July 27, 2011.

Treasurer Cruz stated that the total portfolio assets are \$1.35 Billion. Treasurer Cruz also mentioned that changes were made on the staff development on the Five-Year Plan. Controller Bernardo stated that the changes will be reflected on the next report.

## IX. OLD BUSINESS

None

## X. NEW BUSINESS

**June 21, 2011 Pacific Daily News Article: "Contribution Reduction Challenged"** – Director Blas stated that Joe Guthrie, retiree activist and former Deputy Attorney General, is challenging the local government's reduction of contributions to the Retirement Fund. Director Blas stated that Mr. Guthrie is requesting for a court hearing sometime in late July or early August 2011 regarding the reduction in rates and stated that the Retirement Fund should oppose the reduction of rates in court. Director Blas stated that this has been referred to the Retirement Fund's Legal Counsel and Legal Counsel is preparing a response to Mr. Guthrie.

Treasurer Cruz asked what the proper procedure is. Director Blas stated that Mr. Guthrie is looking to enforce Judge Alberto Lamorena's Order. Acting Chairman Leon Guerrero asked whether Mr. Guthrie will file a lawsuit against the Retirement Fund Board if he does not like Legal Counsel's response. Director Blas replied, "Yes." Treasurer Cruz suggested waiting for the outcome of the court hearing.

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

None

**XII. ANNOUNCEMENTS**

None

**XIII. ADJOURNMENT**

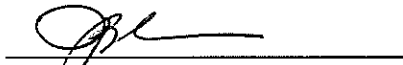
**There being no further business before the Board for the Defined Benefits Plan, on motion of Secretary Antolina Leon Guerrero, seconded by Trustee George Santos, and without objection, the meeting was adjourned at 1:25 p.m. Motion unanimously passed.**

**I hereby certify that the foregoing is a full, true and correct copy of the Minutes of June 24, 2011 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on July 29, 2011.**



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

**RECORDING SECRETARY:**

  
**Jackie Blas**