



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, December 2, 2011, 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 12:35 p.m. Friday, December 2, 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
 George A. Santos, Trustee

Board of Trustees Absent:

Wilfred G. Aflague, Trustee (*Excused*)
 Katherine T.E. Taitano, Trustee
 (*Excused*)

Staff Present:

Paula Blas, Director
 Jackie Blas, Recording Secretary
 Alice Tajjeron, Great-West Retirement Services

Investment Consultant Present:

Maggie Ralbovsky, Wilshire Associates

Public Present:

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

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. October 28, 2011 Regular Meeting

On motion of Trustee George Santos, seconded by Secretary Antolina Leon Guerrero, and without objection, the Minutes of October 28, 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 the Retirement Fund printed 1,300 COLA checks which were delivered to the Department of Administration (DOA) for the outstanding principal and interest balances of the identified Awardees/Beneficiaries/Estates which are expected to be released today. The total check run for all identified awardees is close to \$15 Million. Vice Chairman Wilfred Leon Guerrero asked whether the interest continues to accrue for those who have not been identified or resolved. Director Blas stated that interest accrual ceased on September 30, 2011 for those Awardees/Beneficiaries who are deceased and their beneficiaries have not been located or identified or probates are unresolved. Director Blas stated that interest accrual ends today for those with outstanding principal and interest balances expected to be released today.

2. *Public Law 28-38: Interest Only Payments* – Director Blas stated that the monthly interest payments for Department of Education (DOE) and Guam Memorial Hospital Authority (GMHA) due on November 10, 2011 were paid. Payment from the reduced contributions has been added to this account. The Retirement Fund continues to process retirement applications for DOE. GMHA retirement applications are suspended until GMHA is current with their Fiscal Year 2012 contributions. Director Blas stated that the second series bond which is supposed to be issued in early 2012 will settle this outstanding account balance which is close to \$27 Million.

3. *Guam Memorial Hospital Authority (GMHA) Outstanding Contributions* – Director Blas stated that on October 28, 2011, Judge Vernon Perez rendered his decision and order in favor of the Retirement Fund. Director Blas stated that GMHA filed a motion for the Court's reconsideration. Their motion is scheduled to be heard on December 28, 2011. Director Blas stated that GMHA has the impression that once the second series bond is issued that will take care of this particular debt. Vice Chairman Leon Guerrero inquired about the Guthrie case. Director Blas stated that no decision has been rendered.

4. *Bernstein Litowitz Berger and Grossmann (BLBG)* – Director Blas stated that BLBG's Litigation Status Report dated November 21, 2011 on the following lawsuits is provided for the Board's information. Director Blas stated that these cases are highly confidential and BLBG asked that the cases not be discussed in public forum.

- **Lehman Brothers**
- **Wells Fargo**

- Genzyme Corporation
- Countrywide
- AXA Rosenberg

Director Blas stated that the above-mentioned cases are starting to be settled. Treasurer Gerard Cruz stated that the Retirement Fund is being more active in these cases which will make our settlement rates better.

MF Global Holdings – Director Blas stated that BLBG is asking the Retirement Fund to consider being one of the lead plaintiffs in this case. Chairman San Agustin asked how much is at stake. Maggie Ralbovsky of Wilshire Associates (Wilshire) stated that the equity loss is about \$400,000. Director Blas stated that it is about a \$1.1 Million loss - \$819,000 in stocks and \$276,000 in bonds. Chairman San Agustin asked why are there two different managers participating in the same company. Director Blas stated that the company issues both bonds and stocks. Vice Chairman Leon Guerrero stated that the Investment Committee needs to start looking at the holdings of the money managers. Treasurer Cruz stated that the Retirement Fund’s custodial reports show concentration. The Board agreed to move forward with being one of the lead plaintiffs in this case.

5. Request for Proposal (RFP): Legal Services – Director Blas stated that an RFP for legal services related to Investment Portfolio Monitoring will be issued on December 12, 2011 and close on January 25, 2012. The RFP will be seeking for an additional firm to provide the necessary related services. The RFP will be published in the Pacific Daily News, on-line on Pension & Investments and the Retirement Fund’s website.

Financial Reports

1. Contributions – Director Blas stated that as of November 29, 2011, all agencies are current with their Fiscal Year 2012 employee and employer contributions with the exception of GMHA. GMHA is currently in arrears for one pay period.

2. Financial Statements – Director Blas stated that the books for the month ending September 2011 are scheduled to be closed on December 2, 2011. Director Blas stated that the books for Fiscal Year 2011 are scheduled to be closed within a week or two.

3. Fiscal Year 2012 Retirees’ Supplemental Benefits – Director Blas stated that the supplemental benefits for retirees and survivors for the month of November 2011 were paid.

4. Fiscal Year 2012 Medicare Reimbursements – Director Blas stated that the Retirement Fund received the November 2011 allotment from the General Fund and payments were processed accordingly.

VI. LEGAL COUNSEL’S REPORT

Director Blas stated that the Retirement Fund’s Legal Counsel provided an update, for the Board’s information, on the status of current litigation involving the Retirement Fund.

- **Jane M. Story vs. Government of Guam Retirement Fund** – Judge Alberto Lamorena has scheduled a status hearing on December 12, 2011. Judge Lamorena is expected to schedule a

hearing on the Retirement Fund's Motion for a Summary Judgment, which was filed over two years ago.

- **Luis Reyes vs. Department of Education (DOE)** – The Court heard Mr. Reyes motion on November 7, 2011. The Court appeared to agree with the Retirement Fund's opposition that Mr. Reyes was not entitled to retain his original annuity dispensed before the enhancement. The Retirement Fund is awaiting the Court's written decision on this issue.
- **Government of Guam Retirement Fund vs. Guam Memorial Hospital Authority (GMHA)** – On November 15, 2011, the Court issued a decision in favor of the Retirement Fund. It mandated that GMHA pay the Retirement Fund late contributions. The Court asked both parties to submit a brief on what amount was owed to the Retirement Fund. The Retirement Fund's brief is due on December 14, 2011. GMHA has filed a motion for reconsideration, claiming that the Retirement Fund has not exhausted its legal and administrative remedies, and that the Bailout Agreement relieved GMHA from making any further payments. The motion will be heard on December 29, 2011 before Judge Perez.
- **Tenorio vs. Guam Memorial Hospital Authority (GMHA)** – The Board approved intervention in this class action filed by employees of GMHA against GMHA. GMHA's Answer was due on November 29, 2011.
- **Bautista vs. Perez** – The Court has not ruled on Joseph Guthrie's Motion for an Enforcement Order. However, on November 28, 2011, Mr. Guthrie filed a Supplemental Motion to Enforce the Court's February 18, 2003 Order. The hearing on this Motion will be on December 19, 2011 before Judge Lamorena. Director Blas stated that Mr. Guthrie also claims that there are two newly introduced pieces of legislation, Bill 398 and Bill 347, which the Retirement Fund should act to prevent the implementation of these bills if enacted into law.

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 Defined Benefit (DB) Plan and the Defined Contribution (DC) Plan for the month ended September 30, 2011. The Retirement Fund's net asset is \$1.59 Billion (\$1.35 Billion in the DB Plan and \$238 Million in the DC Plan). The total investments as of September 30, 2011 were \$1.294 Billion.

Treasurer Cruz stated that no additional authority for a drawdown is required at this time. Vice Chairman Leon Guerrero stated that when the second series bond takes place and the bond proceeds become available, we won't need to make a principal drawdown. Director Blas stated that the second series bond is expected to take place as early as March 2012.

Treasurer Gerard Cruz, seconded by Vice Chairman Wilfred Leon Guerrero, moved to approve that whenever the Retirement Fund receives the bond proceeds there will be no need for a principal drawdown. Without objection, the motion unanimously passed.

VIII. STANDING COMMITTEE REPORTS

A. Members and Benefits Committee

Trustee George Santos presented his Committee's November 2011 report to the Board of Trustees.

Trustee George Santos, seconded by Antolina Leon Guerrero, moved to approve the recommendation of the Members and Benefits Committee contained on Pages 4 through 19, including the attached Annuity Worksheets, based on the Committee's review and findings during their meeting of November 9, 2011 and subsequent meetings thereafter. Without objection, the motion unanimously passed.

Trustee Santos stated that Disability Case Nos. 10-018 and 11-001 will be entertained at the next Board meeting. Chairman San Agustin mentioned that individuals have expressed their concern with the timing of Dr. John Steele, the Retirement Fund's Medical Consultant, getting his evaluations back to the Retirement Fund. Director Blas stated that she will address this with Dr. Steele. Chairman San Agustin stated that these individuals should just be informed that their case is still pending medical review without reference to the Fund's Medical Consultant.

B. Investment Committee

Vice Chairman Leon Guerrero reported that the Quarterly Performance Meeting for the Quarter Ended September 30, 2011 was held on November 30 and December 1, 2011. In addition, Vice Chairman Leon Guerrero noted that, on December 1, 2011, the Investment Committee held its regular meeting for November 2011. The Committee reviewed and approved the Investment Committee Minutes of October 14, 2011.

Annual Reviews

Vice Chairman Leon Guerrero stated that annual reviews were conducted for the following investment managers:

- Winslow Capital
- Intech
- Atalanta Sosnoff
- Robeco Investment Management
- Metropolitan West Capital Management
- Eaton Vance Small-Cap Core Equity

Vice Chairman Leon Guerrero stated that there was a very good discussion on High Yield Investments by Ms. Ralbovsky of Wilshire. Vice Chairman Leon Guerrero stated that the word is that the High Yield Bonds are the new equity. Vice Chairman Leon Guerrero stated that he agrees with Ms. Ralbovsky on having the law changed. The current law permits the Retirement Fund to invest in companies that are issuing junk bonds, but we can't buy the junk bonds. Vice Chairman Leon Guerrero stated that Ms. Ralbovsky has statistical evidence to support her position.

Recommendations - Ms. Ralbovsky stated that the following is recommended for Board action:

- **Atalanta Sosnoff** – Ms. Ralbovsky stated that Atalanta Sosnoff was put on the Watch List for underperforming and also because the manager does not fulfill the mandate as a core manager. Wilshire recommends replacing Atalanta Sosnoff with a Russell 1000 Index Fund. This move could also reduce the management cost of this allocation.

Vice Chairman Wilfred Leon Guerrero, seconded by Treasurer Gerard Cruz, moved to approve replacing Atalanta Sosnoff with a Russell 1000 Index Fund. Without objection, the motion unanimously passed.

Chairman San Agustin suggested having this become effective immediately. Ms. Ralbovsky stated that she will have the Retirement Fund's Legal Counsel review the documents.

- **Metropolitan West Capital Management** – Ms. Ralbovsky stated that Metropolitan West was on the Watch List. The mandate was reduced by two-thirds. Metropolitan West demonstrated the ability to work effectively under the new leadership of Jeff Peck. Wilshire recommends removing Metropolitan West off the Watch List and to restore its original mandate size.

Vice Chairman Wilfred Leon Guerrero, seconded by Treasurer Gerard Cruz, moved to approve removing Metropolitan West Capital Management from the Watch List and restoring its original mandate size. Without objection, the motion unanimously passed.

Ms. Ralbovsky stated that there was a discussion of Numeric and Eaton Vance being on Watch. Ms. Ralbovsky stated that at some point Wilshire will make a recommendation.

Ms. Ralbovsky stated that she will provide a summary of the proposed changes on the Investment Policy Statement. Chairman San Agustin suggested including the rationale for the change being made.

Chairman San Agustin thanked Ms. Ralbovsky for the November 8, 2011 memo from Wilshire regarding the Government of Guam Bonds and Wilshire's opinion that the Retirement Fund should not invest in Government of Guam bonds, despite the good credit standing of the bonds. Director Blas stated that there is no benefit to the Retirement Fund. Ms. Ralbovsky stated that this memo applies to all future Government of Guam bonds.

Ms. Ralbovsky stated that at the next quarterly meeting she will review what was discussed regarding the bucket list. Ms. Ralbovsky reiterated that there is a need to have the law changed.

IX. TRAVEL REPORT

A. Vice Chairman Wilfred Leon Guerrero: Opal Financial Group Global Asset Allocation Summit – October 27-28, 2011, Las Vegas, Nevada

Chairman San Agustin stated that Vice Chairman Leon Guerrero's travel report on the Opal Financial Group Global Asset Allocation Summit he attended on October 27-28, 2011 in Las Vegas, Nevada, is submitted for the Board's information.

B. Trustees George Santos and Antolina Leon Guerrero, Director Paula Blas: IFEBP 57th Annual Employee Benefits Conference – October 30-November 2, 2011, New Orleans, Louisiana

Chairman San Agustin stated that Trustees Santos and Leon Guerrero, and Director Blas have also submitted their travel report on the IFEBP 57th Annual Employee Benefits Conference they attended on October 30-November 2, 2011 in New Orleans, Louisiana.

X. OLD BUSINESS

None

XI. NEW BUSINESS

None

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 Trustee George Santos, seconded by Secretary Antolina Leon Guerrero, and without objection, the meeting was adjourned at 1:38 p.m. Motion unanimously passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of December 2, 2011 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on January 27, 2012.



ANTOLINA S. LEON GUERRERO, Board Secretary

RECORDING SECRETARY:



Jackie Blas