

GOVERNMENT OF GUAM
RETIREMENT FUND
 STABILITY · SECURITY · REWARDS

BOARD OF TRUSTEES

Regular Meeting

Friday, January 27, 2012, 10:30 a.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 10:45 a.m. Friday, January 27, 2012, 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
 Diana Bernardo, Controller
 Jackie Blas, Recording Secretary
 Alice Taijeron, Great-West Retirement Services
 Kenneth Dunstan, Benefit Program Administrator
 Jackie Sablan, Benefit Specialist II
 Lena Sanchez, Benefit Specialist II

Legal Counsel Present:

Elyze McDonald Iriarte, Carlsmith Ball LLP

Medical Consultant Present:

Dr. John C. Steele (*12:57 p.m.*)

Public Present:

Gilbert Aguon
 Deborah Mafnas

LEGAL COUNSEL'S REPORT – Joseph Guthrie Case

The Retirement Fund's Legal Counsel, Elyze McDonald Iriarte, stated that the Governor wanted a copy of the transcript of the Court proceeding but the Court proceeding was not recorded. The Court wants for the Retirement Fund to be involved. Legal Counsel Iriarte recommended to push for a meeting next week and to keep on pushing for a meeting in February. Chairman San Agustin stated that all meetings regarding this matter should be documented. Legal Counsel Iriarte stated that she will forward the meeting documents to Chairman San Agustin. Legal Counsel Iriarte stated that she will follow up with a letter. Vice Chairman Wilfred Leon Guerrero asked what happens if the Governor does not listen to the Retirement Fund. Director Paula Blas stated that by the next Board Meeting and there is still no meeting scheduled with the Governor, she will submit a report to the Court. Director Blas stated that the next Court hearing is on March 19, 2012.

**RECESSED TO GO INTO THE DEFINED CONTRIBUTION PLAN MEETING: 10:49 A.M.
RECONVENED: 11:25 A.M.**

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. December 2, 2011 Regular Meeting

On motion of Trustee George Santos, seconded by Treasurer Gerard Cruz, and without objection, the Minutes of December 2, 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 Blas stated that COLA checks for the outstanding principal and interest balances of the identified Awardees/Beneficiaries/Estates were released on December 2, 2011. Director Blas stated that the Retirement Fund continues to compile a list of deceased COLA Awardees who did not name a beneficiary, or whose beneficiary may be deceased. COLA award disbursements for these individuals will be made to their respective estates.

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 January 10, 2012 were paid. The Retirement Fund continues to process retirement applications for DOE and GMHA. Director Blas stated that the reduced contributions as a result of Public Law 31-74 have been added to this account. Interest continues to be paid on this account.

3. **Guam Memorial Hospital Authority (GMHA) Outstanding Contributions** – Director Blas stated that, on January 25, 2012, the Retirement Fund filed a Petition for Writ of Mandamus against GMHA. The Petition is before Judge Vernon Perez. Director Blas stated that on October 28, 2011, Judge Perez issued his decision and order in favor of the Retirement Fund. GMHA filed a motion for the court’s reconsideration. Their motion was heard on December 28, 2011 and Judge Perez took the motion under advisement. Director Blas stated that if the second bond does not go through, GMHA will still be in contempt.

4. **Bernstein Litowitz Berger and Grossmann (BLBG)** – Director Blas stated that BLBG’s Litigation Status Report dated January 23, 2012 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 a public forum.

- **Lehman Brothers**
- **Genzyme Corporation**
- **Countrywide**
- **AXA Rosenberg**
- **MF Global Holdings**

RECESS: 11:35 A.M.

RECONVENED: 11:40 A.M.

5. **Request for Proposal (RFP): Legal Services** – Director Blas stated that an RFP for legal services related to Investment Portfolio Monitoring closed on January 25, 2012. The RFP will be seeking for an additional firm to provide the necessary related services. The Selection Panel will consist of Wilfred G. Aflague, George A. Santos, and Antolina S. Leon Guerrero. Director Blas stated that 21 firms submitted responses. Vice Chairman Leon Guerrero asked how many local firms. Director Blas replied, “One.” Director Blas stated that the responses submitted will be reviewed to see whether the firms meet the qualifications.

6. **Legislative Bills/Public Laws**

- **Bill 321-31: Prohibiting Secret Voting by Government of Guam Boards and Commissions**
 - Bill requires that no action, motion or resolution of any Board or Commission of the Government of Guam be taken in secret or by secret ballot.
 - Retirement Fund submitted testimony stating the Retirement Fund’s current practice of holding open and non-secret meetings, actions, and resolutions.

Director Blas stated that a copy of Bill 321-31 is provided for the Board’s information.

Financial Reports

1. **Contributions** – Director Blas stated that as of January 24, 2012, all agencies are current with their Fiscal Year 2012 employee and employer contributions.

2. **Financial Statements** – Director Blas stated that the books for the months ending October 2011 and November 2011 were closed on January 10, 2012 and January 24, 2012 respectively.

3. *Fiscal Year 2011 Audit* – Director Blas stated that the audit for Fiscal Year ending September 30, 2011 is ongoing. The final audit reports are scheduled to be issued no later than February 27, 2012.

4. *Fiscal Year 2012 Retirees' Supplemental Benefits* – Director Blas stated that the supplemental benefits for retirees and survivors for the month of January 2012 will be paid at the end of the month.

5. *Fiscal Year 2012 Medicare Reimbursements* – Director Blas stated that the Retirement Fund received the January 2012 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** – As of December 1, 2011, Judge Alberto Lamorena has taken the Motion for Summary Judgment under advisement.
- **Luis Reyes vs. Department of Education (DOE)** – Awaiting the Court's written decision on this issue.
- **Government of Guam Retirement Fund vs. Guam Memorial Hospital Authority (GMHA)** – As of December 28, 2011, Judge Perez took the motion under advisement.
- **Tenorio vs. Guam Memorial Hospital Authority (GMHA)** – Awaiting the outcome of the Motion to Dismiss filed by GMHA before determining whether to expend the resources required to intervene.
- **Bautista vs. Perez** – Judge Lamorena issued the Order to Show Cause to all Trustees, however, he stated in Court that not all Trustees need to be present. At today's Board meeting, the Trustees should determine which Trustees will be present to represent the Board, and to advise the Court on the Retirement Fund's rationale for agreeing to the Bailout Agreement, and its strategy to recover the contribution savings under Public Law 31-74. Legal Counsel will then work with that Trustee, or Trustees, to prepare them to appear before the Court.

VII. TREASURER'S REPORT OF FINANCIAL STATUS

Treasurer Gerard 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 October and November 2011. Controller Diana Bernardo stated that the total drawdown amount is \$3.25 Million. Treasurer Cruz stated that there is no change on the drawdown authority. Secretary Leon Guerrero asked whether it includes GMHA. Treasurer Cruz stated that it is both GMHA and DOE. Chairman San Agustin pointed out that the Retirement Fund's total assets are \$1.5 Billion.

VIII. STANDING COMMITTEE REPORTS

A. Members and Benefits Committee

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

Trustee George Santos, seconded by Treasurer Gerard Cruz, 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 December 14, 2011 and subsequent meetings thereafter. Without objection, the motion unanimously passed.

Application for Disabled Adult Survivor Benefits – AILEEN M. AROMIN

Trustee Santos stated that Ms. Aromin is applying for Disabled Adult Survivor Benefits on her own behalf. Ms. Aromin is the biological child of deceased retiree Rosario M. Aromin who passed away on November 19, 2011. Director Blas stated that the statute requires that a child be seen by two physicians prior to their 18th birthday or within one year of the death of a retired parent. Secretary Leon Guerrero stated that Ms. Aromin was 31 years old when she was certified. Director Blas stated Ms. Aromin was seen as an outpatient at the age of 17. Director Blas stated that she is not sure if it is the same physician. Treasurer Cruz stated that Ms. Aromin is now 43 years old. Director Blas stated that if the applicant is over the age of 18, the applicant would need two physicians to certify the applicant disabled or within one year from death of retiree.

Trustee George Santos, seconded by Treasurer Gerard Cruz, moved to table the Application for Disabled Adult Survivor Benefits for Aileen M. Aromin. Without objection, the motion unanimously passed.

Application for Disabled Adult Survivor Benefits – NORMA JEAN THACKER

Trustee Santos stated that Ms. Thacker previously applied for Disabled Adult Survivor Benefits on August 17, 2011. Her application was presented to the Board of Trustees for their discussion and disposition at their September 30, 2011 regular meeting. Ms. Thacker's application was denied by the Board of Trustees at this meeting. Trustee Santos stated that Ms. Thacker is asking for reconsideration. Chairman San Agustin stated that Ms. Thacker's driver's license indicates that her endorsements are ABDF. Endorsements BDF have greater qualifications than endorsement A (operating a car, jeep or pickup). Chairman San Agustin stated that there is no record of Ms. Thacker being disabled before the age of 18. Director Blas stated that one of the reports show that Ms. Thacker was disabled at birth. Treasurer Cruz asked whether any new evidence was provided. Director Blas stated that she needs to review the minutes of September 30, 2011 on the reason for denial. Secretary Leon Guerrero stated that Ms. Thacker was previously employed. Trustee Santos stated that he recommends disapproval since there is no evidence that Ms. Thacker was considered disabled before the age of 18.

Trustee George Santos, seconded by Secretary Antolina Leon Guerrero, moved to deny the Application for Disabled Adult Survivor Benefits for Norma Jean Thacker. Without objection, the motion unanimously passed.

Trustee Santos stated that the M&B Committee recommends approval of the Supplemental Listing of New Retirees and Finalized Retirement Annuities contained on Pages 20-22 of the December 2011 report.

Trustee George Santos, seconded by Secretary Antolina Leon Guerrero, moved to approve the recommendation of the Members and Benefits Committee contained on Pages 20 through 22, based on the Committee's review and findings during their meeting of December 14, 2011 and subsequent meetings thereafter. Without objection, the motion unanimously passed.

Trustee Santos presented his Committee's January 2012 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 January 11, 2012 and subsequent meetings thereafter. Without objection, the motion unanimously passed.

RECESSED FOR LUNCH: 12:15 P.M.

RECONVENED: 12:50 P.M.

Trustee George Santos was excused from the meeting at this time.

Secretary Leon Guerrero informed that Board that there are five disability cases being presented at today's meeting.

DISABILITY CASE NO. 10-018

Secretary Leon Guerrero stated that the applicant is a 57 year old Bus Driver with about 17 years of service. The reason for application is weak heart, high blood pressure, blood clots, 24/7 use of oxygen machine and gout. The applicant applied for disability on December 22, 2010. The applicant was examined by Dr. Patrick Santos on May 23, 2011 and Dr. Fred Schroeder on June 7, 2011. All the examining physicians agreed that the applicant suffers a high degree of disability.

At this time Chairman San Agustin asked whether the applicant is present noting that if the 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 came forward.

Secretary Antolina Leon Guerrero, seconded by Treasurer Gerard Cruz, moved to approve full disability pension for Disability Case No. 10-018. Votes as follows: Yes Votes – Vice Chairman Wilfred Leon Guerrero, Secretary Antolina Leon Guerrero, Treasurer Gerard Cruz, Chairman Joe T. San Agustin. With four "Yes" votes, the motion passed. Trustees Katherine Taitano, Wilfred Aflage and George Santos were absent.

DISABILITY CASE NO. 11-001

Secretary Leon Guerrero stated that the applicant is a 49 year old Agriculture Technician with about 23 years of service. The reason for application is severe back pain, DISH syndrome, consistent headache and high blood pressure. The applicant applied for disability on February 21, 2011. The applicant was examined by Dr. Fred Schroeder on July 1, 2011 and Dr. Patrick Santos on July 27, 2011. The Retirement Fund's Medical Consultant notes that one of the examiners considers disability to preclude employment and the other physician does not. Also noted is that the principal disability is morbid obesity which is not included in AMA Guidelines for disability.

Chairman San Agustin stated that two physicians gave a rating of less than 70% disability. Secretary Leon Guerrero inquired about DISH syndrome. The Retirement Fund's Medical Consultant, Dr. John C. Steele, stated that he is not familiar with DISH, but it relates to back problems. Chairman San Agustin inquired about morbid obesity. Dr. Steele stated that it is being really fat. Chairman San Agustin asked whether morbid obesity is a cause for disability. Dr. Steele stated that morbid obesity makes pain worse and it places a burden on the back and spine.

Secretary Leon Guerrero stated that looking at the examiners medical reports, the applicant does not meet the criteria of being permanently and totally disabled.

At this time Chairman San Agustin asked whether the applicant is present noting that if the 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 came forward.

Secretary Antolina Leon Guerrero, seconded by Treasurer Gerard Cruz, moved to deny disability pension for Disability Case No. 11-001. Votes as follows: Yes Votes – Secretary Antolina Leon Guerrero, Treasurer Gerard Cruz, Vice Chairman Wilfred Leon Guerrero, Chairman Joe T. San Agustin. With four “Yes” votes, the motion passed. Trustees Katherine Taitano, Wilfred Aflague and George Santos were absent.

DISABILITY CASE NO. 11-009

Secretary Leon Guerrero stated that the applicant is a 49 year old Plant Maintenance Mechanic II with about 14 years of service. The reason for application is severe osteoporosis, COPD and compression fracture of spine. The applicant applied for disability on April 6, 2011. The applicant was examined by Dr. Patrick Santos on July 17, 2011 and Dr. Fred Schroeder on August 13, 2011. The Retirement Fund's Medical Consultant finds the applicant's disability to be between 56 and 68% according to AMA Guidelines. The Medical Consultant recommends Board interview given the examiners' ratings and the applicant's young age.

Chairman San Agustin stated that three (3) physicians had indicated that the applicant is not medically disabled. Dr. Steele stated that there was a delay in processing due to physical impairment. The evaluating physician's report shows minimal lung impairment, but the applicant continues to smoke. Chairman San Agustin stated that the applicant should stop smoking.

Dr. Steele stated that the applicant was evaluated of having a disability of less than 70%. Dr. Steele stated that he recommended having the Board review the applicant. Dr. Steele pointed out that he does not examine the applicants but that he puts the physicians' reports together.

At this time Chairman San Agustin asked whether the applicant is present noting that if the 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.

The applicant appeared before the Board and stated that his name is Gilbert Aguon. Mr. Aguon stated that he works at the power plant and has osteoporosis, a fractured back and can not lift anything over 20 pounds. Mr. Aguon stated that he went through various testing including bone density and was given medication. Dr. Steele asked Mr. Aguon to walk across the room to show the Board. Vice Chairman Leon Guerrero asked what Mr. Aguon's prognosis is, whether the condition will progress. Dr. Steele replied, "Yes." Dr. Steele stated that Mr. Aguon is clearly disabled and the examining physicians gave high ratings.

Secretary Antolina Leon Guerrero, seconded by Treasurer Gerard Cruz, moved to approve full disability pension for Disability Case No. 11-009. Votes as follows: Yes Votes – Vice Chairman Wilfred Leon Guerrero, Chairman Joe T. San Agustin, Treasurer Gerard Cruz, Secretary Antolina Leon Guerrero. With four "Yes" votes, the motion passed. Trustees Katherine Taitano, Wilfred Aflague and George Santos were absent.

DISABILITY CASE NO. 11-013

Secretary Leon Guerrero stated that the applicant is a 57 year old Administrative Officer with about 20 years of service. The reason for application is cancer and loss of vision. The applicant applied for disability on June 13, 2011. The applicant was examined by Dr. Fred Schroeder on October 12, 2011 and Dr. Patrick Santos on October 31, 2011. The Retirement Fund's Medical Consultant notes Class V impairment of vision, cites ovarian cancer and extreme debilitation from treatment and uncertainty as to when symptoms will improve. Secretary Leon Guerrero stated that the Retirement Fund's Medical Consultant recommends approval of disability pension.

At this time Chairman San Agustin asked whether the applicant is present noting that if the 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 came forward.

Secretary Antolina Leon Guerrero, seconded by Treasurer Gerard Cruz, moved to approve full disability pension for Disability Case No. 11-013. Votes as follows: Yes Votes – Vice Chairman Wilfred Leon Guerrero, Treasurer Gerard Cruz, Secretary Antolina Leon Guerrero, Chairman Joe T. San Agustin. With four "Yes" votes, the motion passed. Trustees Katherine Taitano, Wilfred Aflague and George Santos were absent.

DISABILITY CASE NO. 11-018

Secretary Leon Guerrero stated that the applicant is a 44 year old Customer Service Representative with about 19 years of service. The reason for application is intestinal bowel disease, frequent urination, asthma and dizziness. The applicant applied for disability on August 5, 2011. The applicant was examined by Dr. Patrick Santos on October 8, 2011 and Dr. Fred Schroeder on October 28, 2011. The Retirement Fund's Medical Consultant notes that the nature of illness has not been established and that symptoms are of relatively short duration. Secretary Leon Guerrero stated that the Retirement Fund's Medical Consultant recommends denial of disability pension.

At this time Chairman San Agustin asked whether the applicant is present noting that if the 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.

The applicant appeared before the Board and stated that her name is Deborah Mafnas. Ms. Mafnas stated that she disagrees with the Medical Consultant's recommendation for a denial. Ms. Mafnas stated that her pain is unbearable and uncontrollable. Always feeling fatigue and there is so much pain in her stomach. Ms. Mafnas stated that she pushes herself to work. She sweats profusely and frequents the restroom. It is very embarrassing at work having to tell customers that she needs to go to the restroom. It hurts when she eats and it hurts if she doesn't eat. She throws up a lot, has diarrhea and there is blood in her stool.

Chairman San Agustin reads out loud the definition of Total and Permanent Disability: *“One which results from some impairment of body or mind which can be expected to result in death, or can be expected to last for a continuous period of not less than twelve (12) months. The impairment shall be one that substantially precludes a person from performing with reasonable regularity the substantial and material parts of any gainful work or occupation that he/she would be competent to perform were it not for that impairment and if founded upon condition which render it reasonably certain that it will continue indefinitely.”*

Dr. Steele stated that there is no doubt that Ms. Mafnas suffers discomfort but her physician has not determined what the ailment is. Dr. Steele recommends that Ms. Mafnas go back to her physician to find out what she has and then return to the Retirement Fund and reapply for disability.

Secretary Antolina Leon Guerrero, seconded by Treasurer Gerard Cruz, moved to deny disability pension for Disability Case No. 11-018. Votes as follows: Yes Votes – Secretary Antolina Leon Guerrero, Treasurer Gerard Cruz, Vice Chairman Wilfred Leon Guerrero, Chairman Joe T. San Agustin. With four “Yes: votes, the motion passed. Trustees Katherine Taitano, Wilfred Aflague and George Santos were absent.

B. Investment Committee

Vice Chairman Leon Guerrero reported that the Investment Committee meeting was held on January 26, 2012. The Committee reviewed and approved the Investment Committee Minutes of October 14, 2011 and the August 24 and 25, 2011 Due Diligence Meeting Minutes for the Quarter Ended June 30, 2011.

Vice Chairman Leon Guerrero stated that the next Due Diligence Meeting is scheduled for February 22-23, 2012.

IX. OLD BUSINESS

None

X. NEW BUSINESS

None

XI. OPEN DISCUSSION / GENERAL PUBLIC INPUT

None

XII. ANNOUNCEMENTS

None

XIII. ADJOURNMENT

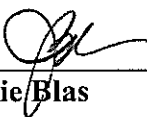
There being no further business before the Board for the Defined Benefits Plan, on motion of Secretary Antolina Leon Guerrero, seconded by Treasurer Gerard Cruz, and without objection, the meeting was adjourned at 1:37 p.m. Motion unanimously passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of January 27, 2012 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on February 24, 2012.



ANTOLINA S. LEON GUERRERO, Board Secretary

RECORDING SECRETARY:



Jackie Blas