



GOVERNMENT OF GUAM  
**RETIREMENT FUND**  
 STABILITY • SECURITY • REWARDS  
**BOARD OF TRUSTEES**

**Regular Meeting**  
 Friday, February 24, 2012, 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 12:12 p.m. Friday, February 24, 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  
 Wilfred G. Aflague, Trustee  
 George A. Santos, Trustee

**Board of Trustees Absent:**

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, Great-West Retirement Services  
 Kenneth Dunstan, Benefit Program Administrator  
 Jackie Sablan & Lena Sanchez, Benefit Specialist II

**Legal Counsel Present:**

Elyze McDonald Iriarte, Carlsmith Ball LLP

**Investment Consultant Present:**

Maggie Ralbovsky, Wilshire Associates

**Medical Consultant Present:**

Dr. John C. Steele (*1:16 p.m.*)

**Public Present:**

Dave Burger, Burger & Comer  
 Frank Cooper-Nurse, Office of Public Accountability

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## II. REVIEW AND APPROVAL OF BOARD MINUTES

### A. January 27, 2012 Regular Meeting

On motion of Trustee George Santos, seconded by Secretary Antolina Leon Guerrero, and without objection, the Minutes of January 27, 2012 Regular Meeting were approved, subject to technical corrections. Motion unanimously passed.

## III. CORRESPONDENCE

None

## IV. INFORMATIONAL ITEMS

None

## V. DIRECTOR'S REPORT - EXECUTIVE SUMMARY

Chairman San Agustin recommended suspending the Director's Report.

Treasurer Gerard Cruz, seconded by Trustee George Santos, moved to amend the order of the meeting agenda and proceed to the Investment Committee Report and the Fiscal Year 2011 Audit Report at this time. Without objection, the motion unanimously passed.

## VI. INVESTMENT COMMITTEE REPORT

Vice Chairman Wilfred Leon Guerrero reported that the Quarterly Performance Meeting for the Quarter Ended December 31, 2011 was held on February 22 and 23, 2012. In addition, Vice Chairman Leon Guerrero noted that, on February 23, 2012, the Investment Committee held its regular meeting for February 2012.

### **Performance for the Quarter Ended December 31, 2011**

The Retirement Fund's Investment Consultant, Maggie Ralbovsky of Wilshire Associates (Wilshire), provided an overview of the Define Benefit (DB) Plan's Investment Performance for the Quarter Ended December 31, 2011 noting the following:

- The Retirement Fund's total portfolio had mixed results for the quarter.
- All mandates, except for the International Equity mandate, underperformed their respective benchmarks.
- Although the quarter-end Total Fund Return of 7.3% underperformed its 7.52% benchmark, it still ranked in the top 16<sup>th</sup> percentile of the Wilshire peer group universe.

### **Investment Consultant's Manager Evaluation Summary**

Ms. Ralbovsky noted the following:

1. The managers below will continue to be placed on the Watch List:
  - Eaton Vance
  - Numeric Investors

2. Franklin Templeton
  - Franklin Templeton has underperformed each period since its inception in 1992.

Ms. Ralbovsky stated that the Investment Committee recommends placing Franklin Templeton on the Watch List, noting that the performance results reflected by Wilshire are due in part to a change in their Benchmark Index in 2003.

**Vice Chairman Wilfred Leon Guerrero, seconded by Treasurer Gerard Cruz, moved to approve to continue to place Eaton Vance, Numeric Investors and Franklin Templeton on the Watch List. Without objection, the motion unanimously passed.**

### **Current Statute Governing Government of Guam Retirement Fund's Investments**

Vice Chairman Leon Guerrero stated that based on their review of the current statute governing the Retirement Fund's investments, Wilshire recommended the following:

1. Removing the "Investment Grade" requirement. Instead, a limit of 20-30% may be imposed on non-investment grade bonds. This will require an amendment to the statutes.
2. Removing or increasing the Retirement Fund's Non-U.S. investment limit of 15%, to be consistent with the World Opportunity Sets of 50-60%.
3. Classifying investments based on underlying asset categories, rather than investment vehicles.
4. Allowing managers to invest in securities that are in their benchmarks.

Vice Chairman Leon Guerrero stated that the Investment Committee recommends the following:

1. That the Board approve Items 1 and 4 above; and
2. That Wilshire provide further information in support of Item 2 above, at the next Due Diligence meeting. Items 2 and 3 will be addressed at that time.

Vice Chairman Leon Guerrero informed the Board that Ms. Ralbovsky submitted the proposed changes on the Investment Policy Statement (IPS) for review. Ms. Ralbovsky stated that it is to change the format of the IPS structure. The new changes would be to remove repetition on the clauses that reflect the statute. The statute is being linked to the IPS. Vice Chairman Leon Guerrero stated that they discussed the terms of the statute.

Chairman San Agustin asked what the impact of changing the Investment Grade requirement. Ms. Ralbovsky stated that it will introduce the asset class which will help increase cash yield. Treasurer Gerard Cruz requested for Wilshire to prepare a scenario on the impact of hiring new managers with a 25% mandate on non-investment grade bonds and the impact of allowing Fixed Income Managers to hold Risk Profile. Ms. Ralbovsky stated that she will prepare the scenario as requested.

Chairman San Agustin asked Ms. Ralbovsky to clarify the intent. Ms. Ralbovsky stated that she will clarify the intent.

Ms. Ralbovsky requested that Items 2 and 3 be tabled for further discussion to support Wilshire's recommendation.

Vice Chairman Wilfred Leon Guerrero, seconded by Treasurer Gerard Cruz, moved to approve Wilshire's recommendation to remove the Investment Grade requirement. Without objection, the motion unanimously passed.

Vice Chairman Wilfred Leon Guerrero, seconded by Treasurer Gerard Cruz, moved to approve Wilshire's recommendation to allow equity managers to invest in securities that are in their benchmarks, provided that it complies with every other provision in the statute. Without objection the motion unanimously passed.

### **Annual Manager Review**

Vice Chairman Leon Guerrero stated that a review of the following Non-U.S. Equity money managers was conducted:

- a. Capital International
- b. Dimensional Fund Advisers
- c. Fisher Investments
- d. Earnest Partners

Vice Chairman Leon Guerrero stated that one manager was showing that they were underperforming.

### **Asset Allocation**

Vice Chairman Leon Guerrero stated that no change to the asset allocation or rebalancing of accounts is recommended at this time.

### **Minutes**

Vice Chairman Leon Guerrero stated that the Committee reviewed and approved the following minutes:

- January 26, 2012 Investment Committee Meeting Minutes
- November 30 and December 1, 2011 Due Diligence Meeting Minutes for the Quarter Ended September 30, 2011.

### **Quarterly Performance Meeting for Quarter Ended March 31, 2012**

Vice Chairman Leon Guerrero informed the Board that the next Due Diligence meeting is scheduled for May 30 and 31, 2012.

**Vice Chairman Wilfred Leon Guerrero, seconded by Treasurer Gerard Cruz, moved to approve the Investment Committee Report as presented. Without objection, the motion unanimously passed.**

## **VII. TREASURER'S REPORT OF FINANCIAL STATUS**

### **A. Fiscal Year 2011 Audit**

Treasurer Cruz stated that a copy of the Retirement Fund's Financial Statements, Independent Auditors' Report and Management's Discussion and Analysis for the period September 30, 2011 and 2010 are provided for the Board's review. A copy of the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards is also provided.

Treasurer Cruz opened the floor to Dave Burger of Burger & Comer and Frank Cooper-Nurse from the Office of Public Accountability (OPA). Mr. Burger reported that the audit report will be released on Wednesday, February 29, 2012. Mr. Burger stated that there are no findings and no adjustments. They updated the disclosure on the recent Governmental Accounting Standards Board (GASB).

Treasurer Cruz stated that they included a comment on the Bail-Out Agreement. Also included is the language regarding the meeting with the Governor, that the administration will include the Retirement Fund on the Second Bond Series which the Governor said will be issued by April 2012. Chairman San Agustin stated that Bill 414-31 is before the Legislature. This finding is outlined on Page 8 of Management's Discussion and Analysis. Chairman San Agustin stated that the audit reports that the Retirement Fund is in jeopardy. Director Blas stated that she is concerned with Bill 414-31. Bill 423-31 is to increase the debt ceiling. Director Blas stated that the Retirement Fund will be testifying on both bills. The Retirement Fund's Legal Counsel, Elyze McDonald Iriarte, stated that Bill 423-31 is irrelevant to the Retirement Fund. Treasurer Cruz asked what is the Board's position. Director Blas stated that the Board's position is to make sure the Retirement Fund gets paid.

Secretary Antolina Leon Guerrero questioned the comment on the increase in benefits. Treasurer Cruz stated that the Retirement Fund has taken the position that it is a restoration of benefits. Mr. Cooper-Nurse stated that he will take this back and review it for a change in language. Mr. Cooper-Nurse stated that the OPA was concerned with the increase in benefits. Vice Chairman Leon Guerrero asked whether there are any reoccurring findings. Mr. Burger stated that it is the funding status. Vice Chairman Leon Guerrero asked whether the audit is on finance only and asked whether they could include a comment on positions needed at the Retirement Fund. Mr. Burger stated that it is on financial and compliance only.

**Trustee George Santos, seconded by Treasurer Gerard Cruz, moved to approve the Retirement Fund's Fiscal Year 2011 Audit Report as presented, with amendments. Without objection, the motion unanimously passed.**

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 December 31, 2011.

**RECESSED TO GO INTO THE DEFINED CONTRIBUTION PLAN MEETING: 12:54 P.M.  
RECONVENED: 12:59 P.M.**

## VIII. LEGAL COUNSEL'S REPORT

**Bill 414-31:** Legal Counsel Iriarte stated that Bill 414-31 amends Public Law 31-74. Bill 414-31, as written, clarifies that there is a Second Bond Series. The Retirement Fund's position is to keep the Retirement Fund first priority on the distribution order. This will satisfy the original interest only from the Department of Education (DOE) and Guam Memorial Hospital Authority (GMHA). It is not clear whether it will pay the \$34 Million. Legal Counsel Iriarte stated that the Retirement Fund seeks for an amendment to the language of Bill 414-31. Chairman San Agustin asked whether the amendment is necessary. Legal Counsel Iriarte replied, "Yes." Secretary Leon Guerrero stated that Legal Counsel Iriarte is saying that it could be interpreted differently. Director Blas stated that we want to make it crystal clear to include the full balance. Chairman San Agustin inquired about the word "savings." Director Blas stated that the reduced contribution is a savings.

**Bill 423-31:** Legal Counsel Iriarte stated that the substance of Bill 423-31 is to increase the debt ceiling. Chairman San Agustin pointed out that Bill 414-31 will then be amended to include Bill 423-31.

**Treasurer Gerard Cruz, seconded by Trustee George Santos, moved to approve the Board of Trustees' Position Statements Regarding Bill 414-31 and Bill 423-31. Without objection, the motion unanimously passed.**

## IX. MEMBERS AND BENEFITS COMMITTEE REPORT

Trustee George Santos presented his Committee's February 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 14, including the attached Annuity Worksheets, based on the Committee's review and findings during their meeting of February 15, 2012 and subsequent meetings thereafter. Without objection, the motion unanimously passed.**

### DISABILITY CASE NO. 11-012

Secretary Leon Guerrero stated that the applicant is a 48 year old Bus Driver with the Department of Public Works with more than 24 years of service. The reason for application is heart and lung disease, retaining water in the leg and foot, and losing eye sight. The applicant applied for disability on May 20, 2011. The applicant was examined by Dr. Patrick Santos on October 13, 2011 and Dr. Fred Schroeder on October 20, 2011. All the examining physicians agree that the applicant suffers a high degree of impairment. The Retirement Fund's Medical Consultant, Dr. John Steele, agrees with the findings and recommends approval of disability pension.

Dr. Steele stated that the applicant is clearly disabled and should be eligible for a full pension. Chairman San Agustin asked whether satisfying the definition of total and permanent disability is cited. Secretary Leon Guerrero stated that it is cited on the form completed by the examining physicians. Dr. Steele stated that he will include in his report as to whether the applicant does or does not meet the definition of total and permanent 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 right 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 Trustee George Santos, moved to approve full disability pension for Disability Case No. 11-012. Votes as follows: Yes Votes – Vice Chairman Wilfred Leon Guerrero, Secretary Antolina Leon Guerrero, Treasurer Gerard Cruz, Trustee Wilfred Aflague, Trustee George Santos, Chairman Joe T. San Agustin. With six “Yes” votes, the motion passed. Trustee Katherine Taitano was absent.**

### **DISABILITY CASE NO. 11-016**

Secretary Leon Guerrero stated that the applicant is a 56 year old Nurse Assistant with the Guam Memorial Hospital Authority Pediatrics Unit with more than 25 years of service. The reason for application is a total knee replacement, dual pacemaker, and heart problem. The applicant applied for disability on August 1, 2011. The applicant was examined by Dr. Patrick Santos on October 13, 2011 and Dr. Fred Schroeder on October 21, 2011. Secretary Leon Guerrero stated that the Retirement Fund’s Medical Consultant finds that the examining physicians’ assessments differ and recommends that the Board interview the applicant. Secretary Leon Guerrero noted that Dr. Santos indicated that the applicant is unable to work. Dr. Schroeder indicated that the applicant is able to work. Dr. Steele stated that the Board was entrusted to make the final decision. Secretary Leon Guerrero stated that the law requires that the applicants be examined by two medical physicians. Dr. Steele stated that the Court was concerned that the determination was left with the medical physicians.

Dr. Steele read out loud his written comment – “The AMA Guideline for a total knee replacement is 15% for a good result, 20% for a fair result and 30% for a poor result. I agree with Dr. Schroeder and Dr. Santos’ opinion that the applicant’s outcome is fair and the disability rating for the knee replacement should be 20%. The applicant also suffers coronary artery disease and has required a pacemaker for the treatment of bradycardia and sick sinus syndrome. By AMA Guidelines, the applicant suffers 10 to 29% for this impairment. The applicant’s blood pressure by both Dr. Schroeder and Dr. Santos is within normal limits. The applicant does however suffer 30 to 49% impairment of the whole person for hypertensive cardiovascular disease because of renal impairment. Dr. Schroeder has also assigned Class 2 impairment, 15 to 34% for impairment of the upper urinary tract. Because renal impairment is included with the Class 3 hypertensive cardiovascular disease, the applicant should not receive the disability ratings for both. I find the applicant’s disability rating is between 43 and 71% of the whole person. Other examiners disagree in their assessments. Thus Dr. Alex Chenet, the applicant’s primary physician estimates 85% impairment, without reference to AMA Guidelines. Dr. Schroeder estimates 73% impairment by AMA Guidelines and Dr. Santos estimates 47% by similar guidelines. Because of the variations in estimates of disability, and because three are above 50% but none is above 75%, I recommend the applicant be interviewed by the Retirement Fund Board regarding the applicant’s disability, so that they can decide about the applicant’s pension.” Vice Chairman Leon Guerrero inquired about Dr. Santos indicating similar guidelines. Are there other guidelines? Dr. Steele stated that they are the same guidelines.

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 right 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. Dr. Steele stated that a rating below 75% does not justify a disability pension. Dr. Steele stated that maybe the applicant could testify on his/her disability. Chairman San Agustin again indicated that no one came forward.

Dr. Steele stated that based on the guidelines and the rating of below 75%, he recommends denial at this time.

**Treasurer Gerard Cruz, seconded by Secretary Antolina Leon Guerrero, moved to deny disability pension for Disability Case No. 11-016. Votes as follows: Yes Votes – Secretary Antolina Leon Guerrero, Trustee George Santos, Treasurer Gerard Cruz, Vice Chairman Wilfred Leon Guerrero, Trustee Wilfred Aflague, Chairman Joe T. San Agustin. With six “Yes” votes, the motion passed. Trustee Katherine Taitano was absent.**

**Application for Disabled Adult Survivor Benefits – Joseph J.I. Untalan and Gil A.I. Untalan**

Trustee Santos stated that Mrs. Rosario A. Untalan is applying for Disabled Adult Survivor Benefits on behalf of Joseph J.I. Untalan and Gil A.I. Untalan. Mrs. Untalan is the legal guardian of the disabled adults. The disabled adults are the biological children of deceased retiree Gil H. Untalan who passed away on January 20, 2004. This is to reaffirm approval of April 28, 2004. Chairman San Agustin stated that this should have been done in 2004. It is an administrative error. Secretary Leon Guerrero stated that the Board is executing something that was not done in 2004. Chairman San Agustin stated that he has reservations on paying for an error made. Chairman San Agustin pointed out that payment should be made when the individual is alive and not when he’s dead.

**Trustee George Santos, seconded by Secretary Antolina Leon Guerrero, moved to approve the Application for Disabled Adult Survivor Benefits for Joseph J.I. Untalan and Gil A.I. Untalan, contained on Pages 16 and 17, based on the Committee’s review and findings during their meeting of February 15, 2012 and subsequent meetings thereafter. Votes as follows: Yes Votes – Secretary Antolina Leon Guerrero, Trustee George Santos, Treasurer Gerard Cruz, Vice Chairman Wilfred Leon Guerrero, Trustee Wilfred Aflague. Chairman Joe T. San Agustin abstained. With five “Yes” votes, the motion passed. Trustee Katherine Taitano was absent.**

**X. TRAVEL REPORT**

**A. Vice Chairman Wilfred P. Leon Guerrero: IFEBP Trustees and Administrators Institutes – February 13-15, 2012, Lake Buena Vista (Orlando), Florida**

Chairman San Agustin stated that Vice Chairman Leon Guerrero’s travel report on the IFEBP Trustees and Administrators Institutes he attended on February 13-15, 2012 in Lake Buena Vista (Orlando), Florida, is submitted for the Board’s information.

**XI. OLD BUSINESS**

None



**XII. NEW BUSINESS**

None

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

None

**XIV. ANNOUNCEMENTS**

None

**XV. 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 1:40 p.m. Motion unanimously passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of February 24, 2012 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on March 30, 2012.



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ANTOLINA S. LEON GUERRERO, Board Secretary

**RECORDING SECRETARY:**

  
\_\_\_\_\_  
Jackie Blas