



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 29, 2012, 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 1:00 p.m. Friday, June 29, 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
 Jackie Blas, Recording Secretary
 Kenneth Dunstan, Benefit Program Administrator
 Jackie Sablan, Benefit Specialist II

Legal Counsel Present:

Vince Camacho, Carlsmith Ball LLP

Public Present:

Mark Heath, Metropolitan West Capital Management
 Ronald & Bernice Diego

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. June 1, 2012 Regular Meeting

On motion of Trustee George Santos, seconded by Treasurer Gerard Cruz, and without objection, the Minutes of June 1, 2012 Regular Meeting were approved, subject to technical corrections. Motion unanimously passed.

III. CORRESPONDENCE

A. Copy of Letter Addressed to Congresswoman Madeleine Bordallo Re: Assistance for Medicare Cost-Benefit Analysis

Director Paula Blas stated that Senator Ben Pangelinan and Vice Speaker B.J. Cruz are trying to determine how many retirees are eligible for any or all of the Medicare Plans and are seeking Congresswoman Madeleine Bordallo's assistance to help coordinate discussions with the Centers for Medicare and Medicaid Services (CMS) about a Voluntary Data Sharing Agreement with the Retirement Fund. Chairman San Agustin asked whether there is a response from the Congresswoman. Director Blas stated that there is no response from either Senator whether Congresswoman Bordallo responded to their letter. Chairman San Agustin recommended following up on this matter. Director Blas stated that she will follow up.

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 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. Director Blas stated that the Attorney General is going back to Court to file an amendment in response to Gloria Nelson and Frank Hill's lawsuit regarding the settlement amount. Director Blas stated that the settlement was reduced by \$2.3 million. Treasurer Gerard Cruz asked whether we are going to ask for it back. Director Blas replied, "No." It is the settlement agreement that needs to be amended. Director Blas stated that the settlement amount was \$124 million and the calculated pay out amount was \$122 million. Trustee Wilfred Aflague asked how many awardees or beneficiaries are still pending. Director Blas stated that there are about 450 that are still due payments which totals to about \$5 million.

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 June 10, 2012 were paid. Director Blas stated that on June 7, 2012, the Retirement Fund received the amount of \$24,811,609.93 from the Series B Bond proceeds. This amount settled the outstanding amounts due for GMHA, DOE, and the reduced contributions.

Director Blas stated that on June 7, 2012 when the funds were transferred to the Retirement Fund account from the trustee, Bank of Guam, and upon executing the transfer of funds to Northern Trust to transfer \$20 million into Dimensional Fund Advisers' account, the Retirement Fund was informed by the Bank that our cap was exceeded. Director Blas stated that we transferred \$10 million and when we tried to transfer the next \$10 million, we were informed that we exceeded our limit for the day.

Director Blas stated that she was shocked to learn that there is an internal cap placed on our account by Bank of Guam. Chairman San Agustin stated that the Retirement Fund's Agreement never placed a limitation with Bank of Guam. Director Blas stated that she then did a wire transfer of the second \$10 million to Northern Trust. Director Blas stated that Bank of Guam could not fix the mechanism to do an ACH. This created some kind of attention at Bank of Guam. The cap was then lifted. Director Blas stated that Bank of Guam staff drafted a justification as to why the Retirement Fund should increase its cap. Controller Diana Bernardo added that Bank of Guam representatives were here at Retirement Fund on another matter and Tricia Salas informed Controller Bernardo that Bank of Guam needs a letter from the Retirement Fund to justify the increase. Director Blas stated that she would not provide a letter. Chairman San Agustin stated to stick to the agreement. Director Blas stated that Bank of Guam lost money due to this. Chairman San Agustin stated that Bank of Guam did not take the initiative to look at the agreement and so they incurred fees for the wire transfer unnecessarily.

3. ***Bernstein Litowitz Berger and Grossmann (BLBG)*** - Director Blas stated that BLBG's Litigation Status Report dated June 22, 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**
- **AXA Rosenberg**
- **MF Global**

Treasurer Cruz asked whether the Retirement Fund received any money. Director Blas stated that \$148,000 was received on Countrywide. Director Blas stated that the claim process on Wells Fargo is near completion. BLBG will ask the Judge to make a distribution of the settlement proceeds in July.

4. ***Request for Proposal (RFP) - Legal Services: Portfolio Monitoring and Securities Litigation*** - Director Blas stated that evaluations for a second portfolio monitoring service are ongoing. The Selection Panel consists of Wilfred Aflague, George Santos, and Antolina Leon Guerrero.

5. ***Letters of Appreciation*** – Director Blas stated that in reference to the Series B Bond proceeds received, attached are copies of the letters sent to the Governor and the Speaker of the 31st Guam Legislature. Treasurer Cruz asked whether there is any response from the Governor or the Speaker. Director Blas replied, “No.”

Financial Report

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

2. ***Financial Statements*** - Director Blas stated that the books for the month ending May 2012 were closed on June 14, 2012.

3. ***Fiscal Year 2012 Retirees' Supplemental Benefits*** - Director Blas stated that supplemental benefits for retirees and survivors for the month of June 2012 were paid.

4. ***Fiscal Year 2012 Medicare Reimbursements*** - Director Blas stated that the Retirement Fund received the June 2012 allotment from the General Fund and payments were processed accordingly.

Director Blas mentioned that there is only enough money for reimbursement up through July unless the reserve is released.

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***

Ms. Story filed an Amended Petition in May 2012 and on June 1, 2012, the Retirement Fund filed a Motion for Summary Judgment. The Retirement Fund contends that a Writ for Mandamus cannot be issued to compel the Retirement Fund to grant Ms. Story her requested disability retirement benefits. The Court has set the Retirement Fund's Motion for Summary Judgment for hearing on August 6, 2012.

- ***Government of Guam Retirement Fund vs. Guam Memorial Hospital Authority (GMHA)***

A portion of the bond proceeds were received by the Retirement Fund in full satisfaction of all amounts owing from GMHA as stated under the Petition for Writ of Mandate. The parties will file a Stipulation to Dismiss, as no controversy remains.

- ***Tenorio vs. Guam Memorial Hospital Authority (GMHA)***

The Retirement Fund held off on intervening pending the outcome of GMHA's Motion to Dismiss. GMHA's motion remains pending. There is no action for the Retirement Fund to take as it is not a party. However, the Retirement Fund should be cooperative with GMHA in moving to dismiss the action, as the issue of outstanding obligations is now moot and should not continue to be litigated, particularly by third parties. GMHA has asked that the San Agustin, et. al. Stipulation to Dismiss mention that the Retirement Fund has been fully paid for the amounts pled in that case, which are the same amounts sought in Tenorio vs. GMHA.

- ***Bautista and Guthrie vs. Perez, et al.***

Joseph Guthrie filed a Motion for Enforcement Order in connection with Judge Alberto Lamorena's Order issued February 18, 2003. Mr. Guthrie filed his motion on the grounds that implementation of certain provisions of Public Law 28-38 would violate that Order. The Court set a status hearing in this case for July 30, 2012. At that time, the Retirement Fund will advise the Court that the receipt of proceeds from the recent government bond issuance has rendered Mr. Guthrie's allegations moot. That should resolve Mr. Guthrie's Motion for an Enforcement Order and the pending Order to Show Cause issued against the Trustees.

Mr. Guthrie also has three additional pending motions which will be addressed on July 30. One asks for a legal ruling invalidating Public Law 28-38. The Retirement Fund will contend that this issue is moot now that the funds set aside under Public Law 28-38 have been paid under the bond. A second one challenges the increase in survivor benefits. The final one seeks reimbursement of Mr. Guthrie's "attorney's fees." Mr. Guthrie has moved the Court to issue an order reimbursing his attorney's fees for filing his original Motion for Enforcement Order. Mr. Guthrie has extended an offer to settle the matter for \$11,620.00 which amounts to 157.6 hours at a rate of \$75.00 per hour. Mr. Guthrie's motion seeks reimbursement at a rate of \$225.00 per hour which would amount to \$35,460.00. Mr. Guthrie's Motion recognizes he was only partially successful, but he does take credit for the Court requiring the Retirement Fund to be proactive with the Administration, and the Retirement Fund's efforts in seeking reimbursement through the Bond. This claim of credit is misplaced as the Retirement Fund always intended to work with the Administration to ensure reimbursement through the Bond. Legal Counsel does not recommend that the Retirement Fund accept the settlement offer on

this basis. Moreover, Mr. Guthrie continues to threaten the Retirement Fund with litigation, and so a settlement would not prevent further litigation.

Legal Counsel Camacho stated that Mr. Guthrie filed a Declaratory Motion reference to the non-base pay on whether it includes annual leave lump-sum. Legal Counsel evaluated every angle and found that Mr. Guthrie lacks standing to pursue the Petition, and he did not suffer an injury. Also, interpreting Section 8136(a) as requested by Petitioner would prejudice the Retirement Fund. Legal Counsel Camacho stated that Mr. Guthrie is asking the Board not to include the non-base pay when separating from employment after March 29, 1993. The 17-page memorandum (GOVERNMENT OF GUAM RETIREMENT FUND BOARD OF TRUSTEES DECISION ON PETITION FOR DECLARATORY RULING) is an attempt to protect and preserve the rights of the Retirement Fund. Legal Counsel Camacho stated that the Board needs to make a decision on whether to approve the 17-page memorandum to deny Mr. Guthrie's Declaratory Motion. Legal Counsel Camacho stated that the response is due on July 3, 2012.

Trustee George Santos, seconded by Secretary Antolina Leon Guerrero, moved to approve for Legal Counsel to file the Government of Guam Retirement Fund Board of Trustees Decision on Petition for Declaratory Ruling. Without objection, the motion unanimously passed.

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 May 31, 2012. Treasurer Cruz stated that the receivables will decrease next month. The \$24 million is reflected in the month ending June 30, 2012. Treasurer Cruz stated that we should not need to drawdown through the end of this Fiscal Year. The Retirement Fund's total net assets is \$1.628 billion as of May 31, 2012.

VIII. STANDING COMMITTEE REPORTS

A. Investment Committee

Vice Chairman Wilfred Leon Guerrero reported that the Investment Committee meeting was held on June 8, 2012. The Committee reviewed and approved the Investment Committee Minutes of May 31, 2012.

Information Items:

1. Government of Guam Bond Proceeds / Rebalancing of Accounts – Vice Chairman Leon Guerrero stated that as discussed at the June 1, 2012 Board Meeting, Management confirmed the following. Controller Bernardo reported that:

- On June 7, 2012, the Retirement Fund received \$24.8 million from the Government of Guam Bond proceeds to payoff the GMHA, DOE, and Reduced Contribution Receivables.

The proceeds were used as follows:

\$20.0 Million	Additional funding to Dimensional Fund Advisers
<u>\$ 4.8 Million</u>	Retained for current operations – June 15 Pension Payroll
\$24.8 Million	Total

- Liquidation letters were sent to the following managers:

\$ 9.0 Million	Cornerstone - \$1.2 million represents realized gain
<u>\$ 10.0 Million</u>	Security Capital - \$1.9 million represents realized gain
\$19.0 Million	Total

Upon availability of funds, the \$19 million will be used as follows:

\$15.0 Million	Additional funding to Capital International
<u>\$ 4.0 Million</u>	Retained for current operations – Pension Payroll
\$19.0 Million	Total

2. ***Quarter Ending June 30, 2012 Performance Meeting*** - Vice Chairman Leon Guerrero informed the Board that the next Quarterly Performance Meeting is scheduled for August 29 and 30, 2012.

B. Members and Benefits Committee

Trustee George Santos presented his Committee’s June 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 9, including the attached Annuity Worksheets, based on the Committee’s review and findings during their meeting of June 6, 2012 and subsequent meetings thereafter. Without objection, the motion unanimously passed.

DISABILITY CASE NO. 11-022

Trustee Santos stated that the applicant expired on May 31, 2012. No action is required by the Board. There is no surviving spouse therefore a refund of contributions will be paid out to the designated beneficiary. This action will be completed administratively.

Application for Disabled Adult Survivor Benefits – SEAN STEVEN P. HERNANDEZ

Trustee Santos stated that Mrs. Frances P. Hernandez is applying for Disabled Adult Survivor Benefits on behalf of Sean Steven P. Hernandez. Mr. Hernandez is the biological child of deceased retiree David R. Hernandez who passed away on May 1, 2012.

Trustee George Santos, seconded by Secretary Antolina Leon Guerrero, moved to approve the Application for Disabled Adult Survivor Benefits for Sean Steven P. Hernandez, contained on Page 11, based on the Committee’s review and findings during their meeting of June 6, 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. With six “Yes” votes, the motion unanimously passed. Trustee Katherine Taitano was absent.

DISABILITY CASE NO. 11-015

Secretary Leon Guerrero stated that Disability Case No. 11-015 was tabled at the April 26, 2012 Board meeting so that both physicians could re-examine all the documents submitted by the Department of Mental Health and Substance Abuse. Secretary Leon Guerrero stated that the physicians, Dr. Patrick Santos and Dr. Fred Schroeder, confirmed their findings and they both affirmed that the applicant is permanently and totally disabled.

At this time Chairman San Agustin asked the applicant if he would like to address the Board. The applicant replied, "No."

Secretary Antolina Leon Guerrero, seconded by Trustee George Santos, moved to approve full disability pension for Disability Case No. 11-015. 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 unanimously passed. Trustee Katherine Taitano was absent.

IX. TRAVEL REPORT

A. Secretary Antolina Leon Guerrero and Director Paula Blas: IFEBP Trustees and Administrators Institutes – June 11-13, 2012, San Francisco, California

Chairman San Agustin stated that Secretary Leon Guerrero and Director Blas have submitted their trip report on the IFEBP Trustees and Administrators Institutes they attended on June 11-13, 2012 in San Francisco, California.

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 1:50 p.m. Motion unanimously passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of June 29, 2012 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on July 27, 2012.



ANTOLINA S. LEON GUERRERO, Board Secretary

RECORDING SECRETARY:



Jackie Blas