



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

**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

**BOARD OF TRUSTEES**  
**Regular Meeting**  
 Friday, September 28, 2012, 12:00 p.m.  
 Retirement Fund Conference Room

**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 12:47 p.m. Friday, September 28, 2012, in the Retirement Fund Conference Room. Acting Chairman Wilfred P. Leon Guerrero officiated.

**Board of Trustees Present:**

Wilfred P. Leon Guerrero, Vice Chairman  
 Antolina S. Leon Guerrero, Secretary  
 Gerard A. Cruz, Treasurer  
 Wilfred G. Aflague, Trustee  
 George A. Santos, Trustee  
 Katherine T.E. Taitano, Trustee

**Board of Trustees Absent:**

Joe T. San Agustin, Chairman (*Excused*)

**Staff Present:**

Paula Blas, Director  
 Diana Bernardo, Controller  
 Rosalia Bordallo, General Accounting Supervisor  
 Jackie Blas, Recording Secretary  
 Alice Tajeron, Great-West Retirement Services

**Public Present:**

Ken Quintanilla, KUAM

## **II. REVIEW AND APPROVAL OF BOARD MINUTES**

### **A. August 31, 2012 Regular Meeting**

**On motion of Trustee George Santos, seconded by Trustee Katherine Taitano, and without objection, the Minutes of August 31, 2012 Regular Meeting were approved, subject to technical corrections. Motion unanimously passed.**

## **III. CORRESPONDENCE**

### **A. Trustee Wilfred G. Aflague's Letter of Resignation Effective September 30, 2012**

Acting Chairman Leon Guerrero informed the Board that Trustee Wilfred Aflague has submitted his Letter of Resignation as a Board member of the Retirement Fund Board of Trustees effective September 30, 2012. Acting Chairman Leon Guerrero asked Trustee Aflague whether the Board could talk him out of resigning. Trustee Aflague stated that he did reconsider his decision several times. Trustee Aflague stated that it is going to be a demand of his time with the impending transfer of operation of the Department of Mental Health and Substance Abuse from the Federal Management Team. Acting Chairman Leon Guerrero inquired about a replacement for Trustee Aflague. Director Paula Blas stated that the Board will be the one to select an interim member. The interim member will sit in until an election is held. Director Blas stated that by law, an election should be held within 60 days of the General Election which would have to be by Saturday, January 5, 2013. Acting Chairman Leon Guerrero asked whether the Board is mandated to replace a member of the Board. Director Blas stated that the law does not say "must." Treasurer Gerard Cruz inquired about the category of the replacement. Director Blas stated that it is for an active government of Guam employee. Director Blas stated that the interim member must meet the eligibility requirement as an elected active employee. Director Blas stated that the interim member can't be double-dipping. General Accounting Supervisor Rosalia Bordallo stated that the individual would have to suspend his/her retirement annuity. Acting Chairman Leon Guerrero asked Trustee Aflague whether he would stay until the end of this year. Trustee Aflague stated that there is a demand at Mental Health. Acting Chairman Leon Guerrero recommended that the Board of Trustees submit their recommendation to Chairman Joe T. San Agustin by the next Board meeting.

## **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 work on the 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 individuals are slowly coming in.

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

3. ***Request for Proposal (RFP) - Legal Services: Portfolio Monitoring and Securities Litigation*** - Director Blas stated that evaluations for a second portfolio monitoring service are ongoing. Director Blas stated that with Trustee Aflague's resignation, another Trustee would need to sit on the selection panel. Director Blas stated that Chairman San Agustin, Vice Chairman Leon Guerrero, and Treasurer Cruz have recused themselves from the panel. Trustee Katherine Taitano stated that she will sit on the panel.

4. ***Governor's Proposed Early Retirement and Benefits Cuts*** – Director Blas stated that the public hearings on Bill 507-31 commenced on September 17, 2012 through September 25, 2012. The Retirement Fund presented a position statement in opposition to the proposed Early Retirement Incentive Program (ERIP) and the 10-year re-amortization of the unfunded liability. Director Blas stated that at the recommendation of the Legislative Committee Chairman, it was recommended that the Administration work with the Retirement Fund. Director Blas stated that the Administration has to go back to the Legislature by next week Thursday. Treasurer Cruz asked whether the Retirement Fund has looked at options to move from the existing law by making changes. Director Blas stated that it's open. Acting Chairman Leon Guerrero asked whether there is any feedback from the Legislature or the Administration on the Retirement Fund's position. Director Blas replied, "No, but she is in contact with the Administration to see what they come up with." Director Blas stated that the Administration needs to consider that whatever recommendation they come up with is cost-neutral to the Retirement Fund. Acting Chairman Leon Guerrero asked whether the Administration is aware that this is a Court Order position. Director Blas stated that this was communicated to the Administration at the evening of the public hearing. Director Blas stated that the message that was communicated back to the Administration was that it has to be cost-neutral to the Retirement Fund. Acting Chairman Leon Guerrero asked when the Administration needs to report back to the Committee Chairman. Director Blas replied, "October 4th." Treasurer Cruz stated that the Administration was given 10 days to report back to the Legislature.

Treasurer Cruz inquired about the options presented. Director Blas stated that the government and employee's share must be paid in full for Early Retirement. Director Blas stated that the Administration is looking at implementing this on October 1, 2013. Director Blas stated that amortizing the government share will not be allowed. Treasurer Cruz asked whether the Retirement Fund has looked at options to include an early retirement at the higher age levels and a program to reduce the penalty on the existing law. Director Blas stated that it was an option Senator Ben Pangelinan had asked the Retirement Fund to look at with regards to allowing for purchase up to full retirement and to allow for individuals to retire now without purchasing but to reduce the penalty if the employee did not meet the age requirement. Treasurer Cruz inquired about the option where an employee was to buy five years and the annuity won't start with the full benefit until the additional five years is paid in full. Director Blas stated that it is the "pay and earn" option; the draw back on that is the administrative side of the house. The annuity would have to be recalculated every year. Treasurer Cruz asked whether there is a way for the system to trigger a new annuity based on the payments being current. Director Blas stated that if the "pay and earn" was adopted then the Retirement Fund would have to look at its system to accommodate that. Acting Chairman Leon Guerrero stated that the

Retirement Fund needs a feedback from the Administration. We need to know what they want. Director Blas stated that the Administration did make some suggestions and the Retirement Fund needs to run some numbers to see what it is going to cost. Treasurer Cruz stated that the biggest cost comes from the re-amortization which will be detrimental to the Retirement Fund. Director Blas stated that she will continue discussions with the Administration and that the whole objective is to make it cost-neutral to the Retirement Fund. Acting Chairman Leon Guerrero asked whether the Board is willing to wait and the Chairman could call for a special meeting if needed. Secretary Antolina Leon Guerrero stated that Director Blas is aware of what the Board is trying to accomplish. The fact that there is a dialogue on options that are outside of the bill that was presented is a start. The Board could explore some options that could accomplish the Board's goal and protect the Retirement Fund at the same time. The Board agreed with Acting Chairman Leon Guerrero to wait on the feedback from the Administration.

### **Financial Report**

1. ***Contributions*** - Director Blas stated that as of September 25, 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 month ending August 2012 were closed on September 21, 2012.

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

4. ***Fiscal Year 2012 Medicare Reimbursements*** - Director Blas stated that the Retirement Fund received the Fiscal Year 2012 supplemental funding for August and September and payments were processed accordingly. Treasurer Cruz asked how much was received. Director Blas replied, "\$200,000."

## **VI. LEGAL COUNSEL'S REPORT**

No report was made at this time.

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

### **A. Fiscal Year 2013 Proposed Budget**

Treasurer Cruz reported that he, along with Trustee Aflague, sat in on the budget presentation by Management. Treasurer Cruz stated that Trustee Aflague recommended some changes. Treasurer Cruz stated that the proposed FY2013 Operating Budget of \$5.36 Million represents an increase of \$25,607 or .5% from the Retirement Fund's FY 2012 Budget. Treasurer Cruz stated that the increase is due largely to a \$50,000 provision for the trustee elections in FY2013. Acting Chairman Leon Guerrero asked whether it's in the law that the Guam Election Commission has to be the one to run the election for the Board of Trustees. Director Blas replied, "Yes, it's in the law." Director Blas stated that she has a pending bill with Senator Pangelinan to amend the statute in regards to the election to give the Retirement Fund more flexibility on how to hold the elections. Acting Chairman Leon Guerrero recommended having the Members and Benefits Committee review the law and possibly amending it. Trustee George Santos stated that his committee will look into this.

Treasurer Cruz stated that there is a reduction in personnel benefits of \$46,393. Treasurer Cruz stated that one of Trustee Aflague's recommendations was to remove the in-house Attorney IV position. Acting Chairman Leon Guerrero inquired about the Investment Specialist position. Treasurer Cruz stated that the lack of applicants for this position is due largely to the low pay grade established for the position.

**Trustee Wilfred Aflague, seconded by Treasurer Gerard Cruz, moved to approve the Fiscal Year 2013 Budget. 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 August 31, 2012. Treasurer Cruz stated that the Retirement Fund's total assets are \$1.7 Billion.

Secretary Leon Guerrero inquired about the drawdowns for the next fiscal year. Treasurer Cruz stated that we are okay for October and November 2012.

## **VIII. STANDING COMMITTEE REPORTS**

### **A. Members and Benefits Committee**

Trustee Santos presented his Committee's September 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 11, including the attached Annuity Worksheets, based on the Committee's review and findings during their meeting of September 5, 2012 and subsequent meetings thereafter. Without objection, the motion unanimously passed.**

### **B. Investment Committee**

Treasurer Cruz reported that the Investment Committee meeting was held on September 21, 2012. The Committee reviewed and approved the Investment Committee Minutes of August 31, 2012.

Treasurer Cruz stated that the Retirement Fund is trending this year towards a record fiscal year in returns. The returns for the year will be in excess of 20%. Ms. Bordallo stated that it was 20% about eight years ago.

***Quarter Ending September 30, 2012 Performance Meeting*** – Treasurer Cruz informed the Board that the next Quarterly Performance Meeting is scheduled for November 28, and 29, 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 Trustee George Santos, seconded by Secretary Antolina Leon Guerrero, and without objection, the meeting was adjourned at 1:35 p.m. Motion unanimously passed.**

**I hereby certify that the foregoing is a full, true and correct copy of the Minutes of September 28, 2012 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on October 26, 2012.**



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

**RECORDING SECRETARY:**



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**Jackie Blas**