



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 28, 2012, 12:00 p.m.
 Retirement Fund Conference Room

MINUTES

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

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 12:50 p.m. Friday, December 28, 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
- Katherine T.E. Taitano, Trustee

Staff Present:

- Paula Blas, Director
- Rosalia Bordallo, General Accounting Supervisor
- Jackie Blas, Recording Secretary

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. November 30, 2012 Regular Meeting

On motion of Trustee George Santos, seconded by Treasurer Gerard Cruz, and without objection, the Minutes of November 30, 2012 Regular Meeting were approved, subject to technical corrections. Motion unanimously passed.

III. CORRESPONDENCE

A. Letter from John A. Rios

Chairman San Agustin stated that he received a letter from John Rios, former Director of the Retirement Fund, requesting he be allowed retirement membership in the Defined Benefit (DB) Plan. Chairman San Agustin stated that Mr. Rios' separation from the Retirement Fund has nothing to do with his case that was dismissed. Mr. Rios' separation was due to the change of administration in 2003. Vice Chairman Wilfred Leon Guerrero asked whether the Board has the authority to allow Mr. Rios to return to the DB Plan. Director Paula Blas stated that the Retirement Fund's Legal Counsel has already stated that Mr. Rios cannot pay back once he has taken a refund of his contributions. Vice Chairman Leon Guerrero requested to have Legal Counsel submit an opinion regarding this matter. Secretary Antolina Leon Guerrero stated that the Board has the authority depending on the facts presented before the Board. Treasurer Gerard Cruz stated that Mr. Rios was not employed due to the change of administration. Chairman San Agustin mentioned a similar case with an employee of the Department of Public Works (DPW). Director Blas stated that in the DPW case, the employee was wrongfully terminated. Treasurer Cruz stated that in the case of DPW employee, the Board made a ministerial decision. Director Blas stated that there was no wrongful termination on the Rios case. Director Blas stated that she will have Legal Counsel draft a response to Mr. Rios' letter.

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 maintains 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 Retirement Fund is still waiting for heirs to come in.

2. *Bernstein Litowitz Berger and Grossmann (BLBG)* - Director Blas stated that BLBG's Litigation Status Report dated December 21, 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**

Chairman San Agustin inquired about the costs and recovery amounts. Director Blas stated that Rosalia Bordallo, General Accounting Supervisor, is still working on the numbers of the actual costs and recovery.

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. The Selection Panel consists of George Santos, Antolina Leon Guerrero, and Katherine Taitano.

Chairman San Agustin inquired about the Medical Consultant RFP. Director Blas stated that she needs to modify the scope of work then reissue the RFP.

4. Bill 507-31: Governor's Proposed Early Retirement and Benefits Cuts – Director Blas stated that Bill 507-31 was passed by the Legislature and transmitted to the Governor for his disposition. Governor Eddie Calvo is expected to act on the Bill by today. Vice Chairman Leon Guerrero asked what Bill 507 contains. Director Blas stated that the Retirement Fund is to provide an analysis within 60 days to the Governor and the Legislature regarding the following programs: 1) Early Retirement Incentive Program costs for 600 members who are within three (3) years of reaching 25 if a pre-1981 hire, or 30 years if a post-1981 hire, of full retirement; 2) Pension Bond of \$200, \$300 or \$500 Million and the effect it will have on the unfunded liability; 3) Pension Reform which will include anything that would provide a savings to the government and it would probably include the Hybrid Plan. Director Blas stated that if the Governor does not sign the bill today, it will automatically become law.

5. Board of Trustees Election – Director Blas stated that the Retirement Fund in cooperation with the Guam Election Commission (GEC) will hold an election on February 2, 2013 to fill the Active Member vacancy created by Mr. Wilfred G. Aflague. Director Blas stated that solicitation for candidates interested in filling the position was advertised in the Pacific Daily News and Marianas Variety. Today is the last day for submission of applications and petitions. Director Blas stated that three (3) individuals picked up packets, but only one (1) individual has submitted his candidacy packet to GEC. Vice Chairman Leon Guerrero asked whether there is a need for an election with only one candidate. Director Blas replied, “Yes.”

Financial Report

1. Contributions - Director Blas stated that as of December 26, 2012, all agencies are current with their Fiscal Year 2013 employee and employer contributions.

2. Financial Statements - Director Blas stated that the books for the month ending October 2012 were closed on December 13, 2012.

3. Fiscal Year 2013 Retirees' Supplemental Benefits - Director Blas stated that supplemental benefits for retirees and survivors for the month of December 2012 were paid.

4. Fiscal Year 2013 Medicare Reimbursements - Director Blas stated that the Retirement Fund received the December 2012 allotment from the General Fund and reimbursements were processed accordingly. Director Blas mentioned that the appropriation may run out by June or early July 2013.

5. **Fiscal Year 2012 Audit** – Director Blas stated that the audit for Fiscal Year ending September 30, 2012 will commence in January 2013. Final audit reports are scheduled to be issued no later than February 28, 2013.

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**

On December 18, 2012, the Court granted the Retirement Fund's Motion for Summary Judgment, finding that the Retirement Fund did not abuse its discretion in denying Ms. Story's application for disability retirement benefits. Legal Counsel is awaiting the Court's issuance of a final judgment, which will start the 30-day period for Ms. Story to file an appeal before the Supreme Court of Guam. If Ms. Story fails to file an appeal, the case will be closed.

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

Pending before the Court is Mr. Guthrie's Motion for Attorney's Fees, which seeks reimbursement of fees of approximately \$35,460.00. Legal Counsel opposed the motion on the grounds that Mr. Guthrie's efforts in filing his recent motions for the Court to enforce its February 18, 2003 Order had no effect on the Retirement Fund's actions with respect to pushing the administration to resolve the Public Law 28-38 payments, or the Retirement Fund's actions to be repaid the unremitted contributions from the summer of 2011. The Court has taken the Motion under advisement.

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 October 31, 2012.

Treasurer Cruz stated that the net asset in the DB Plan is \$1.423 Billion, and \$295.9 Million in the DC Plan for combined total assets of \$1.719 Billion. The total outstanding receivables are \$59.8 Million. Chairman San Agustin inquired about the drawdowns. Treasurer Cruz stated that there was a drawdown in the month of October 2012 of \$2 Million of the \$5 Million that was approved. The drawdown in the month of November 2012 was \$1.75 Million and \$2 Million in the month of December 2012. Chairman San Agustin noted that the drawdowns are decreasing significantly.

VIII. STANDING COMMITTEE REPORTS

A. Members and Benefits Committee

Trustee George Santos presented his Committee's December 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 10, including the attached Annuity Worksheets, based on the Committee's review and findings during their meeting of December 12, 2012 and subsequent meetings thereafter. Without objection, the motion unanimously passed.

Application for Disabled Adult Survivor Benefits – MARTHA ROSE BABAUTA DYDASCO

Trustee Santos stated that Ms. Martha Rose B. Dydasco is applying for Disabled Adult Survivor Benefits on her own behalf. Ms. Dydasco is the biological child of deceased retiree Jose T. Dydasco who passed away on October 6, 2012.

Trustee George Santos, seconded by Secretary Antolina Leon Guerrero, moved to approve the Application for Disabled Adult Survivor Benefits for Martha Rose Babauta Dydasco, contained on Page 11, based on the Committee's review and findings during their meeting of December 12, 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 Katherine Taitano, and Chairman Joe San Agustin. With six "Yes" votes, the motion unanimously passed.

B. Investment Committee

Vice Chairman Leon Guerrero reported that the regular Investment Committee Meeting was held on December 28, 2012. The Committee tabled the minutes of the November 29, 2012 Regular Investment Committee Meeting, and the minutes of the August 29, and 30, 2012 and the November 28, and 29, 2012 Due Diligence Meetings.

Vice Chairman Leon Guerrero stated that the Investment Committee is recommending that Management issue an RFP for an Employee Compensation Study for the Retirement Fund staff. Chairman San Agustin stated that the study is to compare compensation with other Retirement systems throughout the country. Trustee Katherine Taitano asked what is the objective of the study. Vice Chairman Leon Guerrero stated that the Retirement Fund will push to have the study adopted.

Vice Chairman Wilfred Leon Guerrero, seconded by Treasurer Gerard Cruz, moved to approve the Investment Committee's recommendation to have Management issue a Request for Proposal for an Employee Compensation Study for Retirement Fund Staff. Without objection, the motion unanimously passed.

Quarter Ending December 31, 2012 Performance Meeting – Vice Chairman Leon Guerrero informed the Board that the next Quarterly Performance Meeting is scheduled for February 20-22, 2013.

IX. OLD BUSINESS

None

X. NEW BUSINESS

A. Government of Guam Group Life Insurance Repatriation Benefits

Chairman San Agustin stated that the repatriation benefit pays up to \$10,000.00 to bring back the body of a deceased Government of Guam active employee or retiree from off-island to their place of residence. There is no cost to employees or retirees for this benefit. Chairman San Agustin stated that the family of the deceased employee or retiree pays upfront to bring the body home and then the insurance company will process the reimbursement which usually takes several months. Director Blas

stated that 11 members have filed their claims with Standard Insurance and only one (1) claim is still pending because the claims has just been filed.

Director Blas stated that some mortuaries will advance payment to get the body back to the island then they bill the family. Secretary Leon Guerrero stated that if the mortuaries are aware of the repatriation benefit, they can front payment and then get reimbursed. Director Blas stated that the individual that incurred the costs will be reimbursed. Trustee Taitano asked whether the cost of preparation of the body is included in the insurance benefit. Director Blas stated that the benefit is for transportation cost only. There is a separate life insurance of \$10,000.00 for funeral costs that goes to the designated beneficiary which is not necessarily an immediate family member.

Chairman San Agustin stated that the insurance company could maybe treat this like a travel authorization form. Director Blas stated that this can be explored if the Department of Administration (DOA) pay for the transportation cost and be the recipient for reimbursement. Director Blas stated that each bill is adjudicated differently and separately. Not all claims are paid the same. Chairman San Agustin stated that DOA should become more involved with this benefit instead of directly with the families. Secretary Leon Guerrero stated that the insurance company does not have a relationship with the mortuaries or the airlines. The relationship is between Standard Insurance and the Government of Guam. Director Blas stated that this is something that she could sit down with DOA and the representative from Standard Insurance to see what options are there to provide relief to the families. Treasurer Cruz stated that we need to find a way to close the gap for the repatriation benefit to pay. Trustee Santos stated that the repatriation benefit should be explored further.

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 Treasurer Gerard Cruz, and without objection, the meeting was adjourned at 1:58 p.m. Motion unanimously passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of December 28, 2012 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on January 25, 2013.



ANTOLINA S. LEON GUERRERO, Board Secretary

RECORDING SECRETARY:



Jackie Blas