



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 28, 2013, 12:30 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

(Vacant)
 Members' & Benefits Committee,
 Chairman

Katherine T.E. Taitano
 Trustee

James R.F. Duenas
 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 1:12 p.m. Friday, June 28, 2013, 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
 Katherine T.E. Taitano, Trustee
 James R.F. Duenas, Trustee

Board of Trustees Absent:

George A. Santos, Trustee (*Excused*)

Staff Present:

Paula Blas, Director
 Diana Bernardo, Controller
 Rosalia Bordallo, General Accounting Supervisor
 Jackie Blas, Recording Secretary
 Peter Duenas, Acting Benefit Program Administrator
 Jackie Sablan & Lena Sanchez, Benefit Specialist II

Medical Consultant Present:

Dr. Laura Post

Public Present:

Ricky Hernandez, Senator Ben Pangelinan's Office
 Dr. Randy Workman, Chairman, Society of Emeritus Professor and Retired Scholars

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. March 29, 2013 Regular Meeting, April 1, 2013 Reconvened Meeting, April 26, 2013 and May 31, 2013 Regular Meetings

On motion of Secretary Antolina Leon Guerrero, seconded by Trustee James Duenas, and without objection, the Minutes of March 29, 2013 Regular Meeting, April 1, 2013 Reconvened Meeting, April 26, 2013 and May 31, 2013 Regular Meetings 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 Paula 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 there are less than 400 COLA awards that remain unclaimed.

2. *Bernstein Litowitz Berger and Grossmann (BLBG)* - Director Blas stated that BLBG's Litigation Status Report dated June 18, 2013 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
- MF Global
- AXA Rosenberg

Chairman San Agustin stated that he is still waiting for the data on the total exposure versus total recovery. Director Blas stated that a sample of the data was provided at the Investment Committee meeting and staff is still working on it.

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 will now consist of James Duenas, Antolina Leon Guerrero, and Katherine Taitano. Secretary Antolina Leon Guerrero stated that the RFP for a second portfolio monitoring service should be cancelled. Vice Chairman Wilfred Leon Guerrero asked why. Chairman San Agustin stated that it is due to the inactivity on the part of the Selection Panel. Secretary Leon Guerrero stated that the real question is whether we need a second portfolio monitoring service. Vice Chairman Leon Guerrero stated that this came about based on his understanding of other Retirement Funds having more than one monitoring services. Vice Chairman Leon Guerrero stated that BLBG is hardly moving on the litigations. Treasurer Gerard Cruz stated that if their services are on a contingency basis, we may want two or more monitoring services.

Treasurer Cruz suggested rewording the RFP to say one or more. Director Blas stated that the RFP does say one or several. Director Blas stated that the Panel could choose one or more. Trustee James Duenas asked whether a percentage will be divided between the firms. Director Blas stated that it is who files first. The second firm will not proceed. Secretary Leon Guerrero stated that the RFP is a year old and we are not sure if the proposals are still valid. If the RFP is not valid, we could cancel and reissue. Chairman San Agustin stated that we need to support the cancellation of the RFP with a justification. Trustee Katherine Taitano stated that whether we need it or not, one year has passed. Vice Chairman Leon Guerrero asked why it is taking so long. Secretary Leon Guerrero stated that a meeting was never called by the Panel Chair. Secretary Leon Guerrero stated that it would be a good idea to have a second portfolio monitoring service since it will increase the watch. Secretary Leon Guerrero recommended canceling the current RFP and reissuing another one. Chairman San Agustin stated that we need to notify the twelve firms of the cancellation and the reason why it's being cancelled. Secretary Leon Guerrero stated that we could have them revalidate their proposal as an alternative to cancelling the RFP. The Board of Trustees agreed to have the firms revalidate the proposals submitted. Chairman San Agustin indicated that Trustee Duenas will now chair the Selection Panel.

Secretary Antolina Leon Guerrero, seconded by Trustee James Duenas, moved to approve to have Management ask the firms to revalidate the proposals they submitted. Without objection, the motion unanimously passed.

4. *Board of Trustees Election*- Director Blas stated that the Retirement Fund in cooperation with the Guam Election Commission (GEC) will hold an election on August 10, 2013 to fill the Active Member vacancy due to the retirement of Trustee George Santos on June 1, 2013. Director Blas stated that solicitation for candidates interested in filling the position appeared in the Pacific Daily News and Marianas Variety on June 5, 2013 and June 20, 2013. The deadline to submit candidate packets was June 26, 2013. Director Blas stated that only one individual submitted his candidate packet as of closing and is still being evaluated by GEC. Director Blas stated that in the event that the individual does not meet the eligibility, the Board will appoint an interim member.

Financial Report

1. *Contributions* - Director Blas stated that as of June 26, 2013, 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 May 2013 were closed on June 13, 2013.

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

4. *Fiscal Year 2013 Medicare Reimbursements* - Director Blas stated that the Retirement Fund received the June 2013 allotment from the General Fund and reimbursements were processed accordingly. The Retirement Fund should be getting one more allotment for the month of July. Director Blas stated that the fiscal year appropriation is insufficient to cover the remainder of the fiscal year. Without the supplemental funding of approximately \$350,000, Medicare reimbursements will stop for the month of August and September 2013.

VI. LEGAL COUNSEL'S REPORT

Director Blas stated that the Retirement Fund's Legal Counsel's Litigation Status Update dated June 25, 2013 on the current litigation involving the Retirement Fund is provided for the Board's information.

Bautista and Guthrie vs. Perez, et al.- On May 31, 2013, the Superior Court issued its Decision and Order denying Joseph Guthrie's Third Motion for Enforcement Order, denying his Motion for Attorney's Fees, and issuing an Order to Show Cause to the Retirement Fund. On June 14, 2013, Mr. Guthrie filed a Motion to Reconsider the Court's May 31, 2013 Order. The Retirement Fund must file its opposition brief by July 12, 2013.

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, 2013. Treasurer Cruz stated that the Retirement Fund's total assets are \$1.8 Billion (\$1.54 Billion for the DB Plan and \$330 Million for the DC Plan). Chairman San Agustin asked whether there will be any drawdown. Treasurer Cruz stated that there is no need for a drawdown at this time. The drawdown projection for the year is \$24 Million.

Chairman San Agustin asked whether the duration of what is due from brokers for unsettled trades of \$26 Million and another due to brokers for unsettled trades of \$63 Million is normal. Director Blas replied, "Yes, and it could be higher." Treasurer Cruz stated that it is timing. Rosalia Bordallo, General Accounting Supervisor, stated that it is the day a manager puts in the bond order, that is the day we legally own the stock, but the bank has three days to settle the transaction. Treasurer Cruz stated that we have ownership and full benefit of any price movements during the trade execution. Chairman San Agustin stated that there is \$1 Million floating. Ms. Bordallo stated that it is money due to the broker. Chairman San Agustin inquired about the amounts from the last six months. Controller Diana Bernardo stated that the numbers change everyday. Chairman San Agustin stated that he has asked for a narrative report from Northern Trust. Controller Bernardo stated that she will check with Northern Trust. Chairman San Agustin stated that he would like to see a trend analysis. Secretary Leon Guerrero stated that the report is only showing a number as of that date and time, of the trades to be settled. Treasurer Cruz stated that as soon as the manager makes execution they move the money to the custodian and it is the custodian that places the money with the broker. The financial benefit is owned by the Retirement Fund.

VIII. STANDING COMMITTEE REPORTS

A. Investment Committee

Vice Chairman Leon Guerrero reported that the Investment Committee Meeting was held on June 14, 2013. Vice Chairman Leon Guerrero stated that the Retirement Fund's portfolio suffered a loss of \$29 Million, then picked up \$12 Million and we are now \$17 Million in the hole. Vice Chairman Leon Guerrero stated that by the next meeting we will be back up again.

Winslow Capital and Metropolitan West – Vice Chairman Leon Guerrero stated that during the May 31, 2013 Board meeting, the Board ratified the Investment Committee’s recommendation to accept Wilshire’s recommendation to terminate Winslow Capital and Metropolitan West, subject to Management obtaining a written confirmation of the organizational changes to include a discussion on the future outlook of both Winslow Capital and Metropolitan West.

Vice Chairman Leon Guerrero stated that he would like to reaffirm the Board’s decision to terminate Winslow Capital and Metropolitan West. Secretary Leon Guerrero asked whether the responses from the two companies confirmed their organizational changes. Vice Chairman Leon Guerrero replied, “Yes.” Controller Bernardo stated that this matter is being brought back to the Board for reaffirmation.

Secretary Antolina Leon Guerrero, seconded by Trustee James Duenas, moved to reaffirm the Board of Trustees’ decision to terminate Winslow Capital and Metropolitan West based upon their confirmation of their organizational changes. Without objection, the motion unanimously passed.

Transition Manager / Distribution of Assets - Chairman San Agustin inquired about the transition manager. Director Blas stated that she did get the three quotes from Maggie Ralbovsky of Wilshire Associates. The three proposals were from BlackRock, Northern Trust, and State Street. Director Blas stated that based on the three proposals, BlackRock’s analysis was least expensive. Treasurer Cruz asked whether the contract will be complete once the transition is made. Director Blas replied, “Yes.” Vice Chairman Leon Guerrero stated that assets will be distributed as follows: 25% to Robeco, 25% to INTECH, and 50% to an Index Fund.

Vice Chairman Wilfred Leon Guerrero, seconded by Treasurer Gerard Cruz, moved to execute the transition designating BlackRock as the transition manager and to facilitate the transfer of assets to the two Target Managers - 25% to Robeco, 25% to INTECH; and 50% to the BlackRock Index Fund. Without objection, the motion unanimously passed.

Investment Legislation - Vice Chairman Leon Guerrero inquired about the draft legislation regarding the investment statute. Director Blas stated that it is at the Legislature. Senator Ben Pangelinan’s office already has the bill in their legislative format and he will be introducing the bill. Vice Chairman Leon Guerrero asked whether it looks favorable. Director Blas stated that Senator Ben Pangelinan has no major issues with the draft legislation. Chairman San Agustin stated that once the bill is introduced, we will hold a workshop. Director Blas stated that she requested for a date at the end of July, but she has not received a confirmation.

Next Quarterly Performance Meeting for Quarter Ended June 30, 2013 – Vice Chairman Leon Guerrero stated that the next Quarterly Performance Meeting is tentatively scheduled for August 28, and 29, 2013.

B. Members and Benefits Committee

Trustee Taitano presented the Committee's June 2013 report to the Board of Trustees.

Trustee Katherine Taitano, 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 June 12, 2013 and subsequent meetings thereafter. Without objection, the motion unanimously passed.

DISABILITY CASE NO. 12-014

Secretary Leon Guerrero stated that the applicant is a 58 year old Winch Operator at the Port Authority of Guam with 20 years and 8 months of service. The applicant applied for disability on August 6, 2012. The reason for application is cervical spine neck injury. The applicant was examined by Dr. Vincent Duenas on April 19, 2013 and Dr. Patrick Santos on April 11, 2013. The Retirement Fund's Medical Consultant does not consider disability pension appropriate for this applicant.

Secretary Leon Guerrero stated that Dr. Laura Post, Retirement Fund's Medical Consultant, finds that some impairment exist, but does not consider full disability appropriate. Dr. Post stated that the basic issue is that the American Medical Association (AMA) percentage applies to different body areas. The whole body should clearly be 50% to be disabled. Dr. Post suggested that the applicant be assessed by the Department of Vocational Rehabilitation (DVR). Dr. Post stated that Dr. Duenas rated the applicant 20% whole body impairment. Dr. Santos gave a rating of 25% impairment. Dr. Post stated that she looked at the two physicians' report and the applicant's whole body impairment is less than 50%. The applicant's injury has been treated and there are other jobs the applicant could do other than a Winch Operator. Dr. Post stated that she recommends vocational rehabilitation and counseling.

Chairman San Agustin stated that the applicant's injury precludes the applicant from performing what the applicant was trained to do. Dr. Post stated that vocational rehabilitation will retrain the applicant for another position or work place. Vice Chairman Leon Guerrero inquired about Dr. Post's recommendation to reassign the applicant within the Government of Guam. Chairman San Agustin stated that there is no legal authority for any department to retrain an individual. Chairman San Agustin asked who is going to pay for vocational rehabilitation. Dr. Post stated that it is a federally funded program for individuals in this situation. Trustee Taitano stated that making an analysis is not an easy task. We need to create a process. Treasurer Cruz stated that the Board's decision should be based on total and permanent disability. Dr. Post stated that the applicant is permanently disabled, but not totally disabled. Secretary Leon Guerrero stated that Trustee Taitano is saying that we need to create a process for applicants who do not qualify for disability. This is something we should look into. Trustee Taitano asked whether there is anything to preclude the Retirement Fund from asking the Port Authority of Guam to consider the process. There is no avenue now for applicants who are not approved. Dr. Post stated that this is the time when vocational rehabilitation comes in. Secretary Leon Guerrero stated that the M&B Committee will look into this matter. Treasurer Cruz volunteered to temporarily fill the vacancy in the M&B Committee.

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 his/her 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 Katherine Taitano, moved to accept the Retirement Fund's Medical Consultant's findings and recommendation that the applicant does not meet the disability requirement at this time, and to disapprove disability pension for Disability Case No. 12-014. Votes as follows: Yes Votes – Secretary Antolina Leon Guerrero, Treasurer Gerard Cruz, Trustee Katherine Taitano, Trustee James Duenas, Vice Chairman Wilfred Leon Guerrero, Chairman Joe San Agustin. With six "Yes" votes, the motion unanimously passed. Trustee George Santos was absent.

DISABILITY CASE NO. 12-020

Secretary Leon Guerrero stated that the applicant is a 57 year old Heavy Equipment Mechanic at the Department of Public Works (DPW) with 19 years and 10 months of service. The applicant applied for disability on November 15, 2012. The reason for application is blindness and diabetes. The applicant was examined by Dr. Duenas on April 17, 2013 and Dr. Santos on April 9, 2013. The Retirement Fund's Medical Consultant does not consider disability pension appropriate for this applicant. Dr. Post stated that she recommends vocational evaluation, reassignment, and counseling and for the applicant to reapply in one year.

Dr. Post stated that Dr. Santos and Dr. Duenas' report indicates that the applicant's impairment precludes employment. Dr. Santos rated the applicant at 65% and Dr. Duenas gave a rating of 85%. Dr. Post pointed out that an individual is not totally and permanently disabled even if he/she loses both legs and arms. The cut off number for full disability is 75% and above. It is incorrect to state that a rating of 65% or 85% for one body part impairment is a full disability. The average rating of all three physicians is below 75%. Dr. Post stated that she believes that the numbers from the two physicians are incorrect. Dr. Post stated that the applicant does not qualify for a full disability pension.

Treasurer Cruz asked whether all three physicians with different ratings looking at the same AMA guidelines. Dr. Post stated that it depends on how the AMA determination was read. It gives the doctors what other kind of jobs the individual may consider to be trained to do. Treasurer Cruz asked whether there is a newer version of the AMA Guidelines which speaks of jobs. Dr. Post replied, "Maybe." Treasurer Cruz stated that the doctors are using different AMA guidelines. Dr. Post stated that the AMA guideline has text of other jobs if an individual is not totally impaired. Dr. Post stated that pursuant to the AMA guidelines, the applicant is not totally and permanently disabled, although vision is the highest sense.

Vice Chairman Leon Guerrero asked whether it is fair to say that the applicant reapply following one year of vocational rehabilitation. Dr. Post stated that she recommended one year because the applicant's rating is so close to the 75% cut off. After one year, the applicant could reapply for disability. Vice Chairman Leon Guerrero stated that DPW did try to place the applicant in another job as indicated in the report. Vice Chairman Leon Guerrero reiterated what Trustee Taitano stated earlier that we need a rehabilitation process for individuals who are not granted full disability. Trustee Taitano stated that vocational rehabilitation did an individual good, but it was in Hawaii. Trustee

Taitano asked to what degree we set a process. Dr. Post stated that if vocational rehabilitation is not perfect, it could be very helpful. Dr. Post stated that it is an individual prospective. There is not enough in place to be retrained. Vice Chairman Leon Guerrero asked who will pay for the rehabilitation program. Trustee Taitano stated that DVR will pay for it. Dr. Post stated that the Board could grant full disability pension now and not in one year. Secretary Leon Guerrero stated that this could be revisited. Treasurer Cruz stated that we could approve on the condition of rehabilitation. Chairman San Agustin stated that blindness is very serious. Dr. Post stated that DVR's mission is to provide services to assist people with disabilities to obtain and retain employment and maximize their ability to live independently. Chairman San Agustin stated that a complete denial of disability will not give hope to the applicant. Chairman San Agustin suggested providing disability pension subject to the recommendation to go to vocational rehabilitation.

Trustee Taitano stated that if you look at the numbers, the single body impairment is high. Trustee Duenas suggested to have the physicians go over the new version of the AMA guidelines since their numbers do not match. Chairman San Agustin stated that prolonging won't help the applicant. Chairman San Agustin stated that applicants approved for disability are subject to a recertification twice in seven years.

Vice Chairman Leon Guerrero stated that Dr. Post's recommendation for rehabilitation and counseling is not what the Board is looking for. Secretary Leon Guerrero stated that Dr. Post is giving options for the applicants. Vice Chairman Leon Guerrero stated that we need to have a structure and have the Board decide whether to entertain the recommendation.

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 his/her medical records and he/she must state his/her name for the record. Chairman San Agustin indicated that no one came forward.

Treasurer Gerard Cruz, seconded by Vice Chairman Wilfred Leon Guerrero, moved to approve full disability pension for Disability Case No. 12-020. Votes as follows: Yes Votes – Treasurer Gerard Cruz, Vice Chairman Wilfred Leon Guerrero, Trustee James Duenas, Trustee Katherine Taitano, Chairman Joe San Agustin. No Votes – Secretary Antolina Leon Guerrero. With five “Yes” votes, the motion passed. Trustee George Santos was absent.

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 Treasurer Gerard Cruz, seconded by Secretary Antolina Leon Guerrero, and without objection, the meeting was adjourned at 3:21 p.m. Motion unanimously passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of June 28, 2013 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on July 26, 2013.



ANTOLINA S. LEON GUERRERO, Board Secretary

RECORDING SECRETARY:



Jackie Blas