



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

Katherine T.E. Taitano
 Trustee

James R.F. Duenas
 Trustee

David M. O'Brien
 Trustee

BOARD OF TRUSTEES
Regular Meeting
 Friday, August 30, 2013, 12:30 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 1:37 p.m. Friday, August 30, 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
 James R.F. Duenas, Trustee

Board of Trustees Absent:

Katherine T.E. Taitano, Trustee (*Excused*)

Staff Present:

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

Investment Consultant Present:

Maggie Rabovsky, Wilshire Associates

Public Present:

Mark Heath, Metropolitan West Capital Management
 Frank Whitman, Marianas Variety

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. July 26, 2013 Regular Meeting

On motion of Treasurer Gerard Cruz, seconded by Trustee James Duenas, and without objection, the Minutes of July 26, 2013 Regular Meeting 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 COLA payments are still being made. This item will remain in the Director's Report until full distribution to awardees has been exhausted.

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

3. *Board of Trustees – Interim Member*

Note: Item 3 above was moved to New Business.

4. *Legislative Bills and Public Laws:*

- ***Bill 170-32: Relative to the Investment Sections of the Defined Benefits Plans of the Government of Guam Retirement Fund***

Director Blas stated that the public hearing on Bill 170-32 is scheduled for today, August 30, 2013, at 5:30 p.m. at the Legislative Public Hearing Room. Maggie Ralbovsky, Wilshire Investment Consultant, will be present to respond to any questions. Treasurer Gerard Cruz asked whether there is any opposition on the bill. Director Blas replied, "No."

- ***Public Law 32-031: Relative to Providing Educational Programs for Members of Boards and Commissions***

Director Blas stated that in compliance with Public Law 32-031, the Retirement Fund Board of Trustees educational program is scheduled for Thursday, September 5, 2013, from 9:00 a.m. to 12:00 noon here at the Retirement Fund. Topics that will be covered include the Government of Guam Retirement Fund laws, regulations, governance, and procurement. Vice Chairman Wilfred Leon Guerrero asked whether the educational program is mandatory. Director Blas replied, "Yes." Vice Chairman Leon Guerrero inquired about the instructor. Director Blas stated that the Retirement Fund's Legal Counsel will conduct the educational program. Chairman San Agustin so noted the mandate of Public Law 32-031.

Financial Report

1. ***Contributions*** - Director Blas stated that as of August 28, 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 July 2013 were closed on August 16, 2013.
3. ***Fiscal Year 2013 Retirees' Supplemental Benefits*** - Director Blas stated that supplemental benefits for retirees and survivors for the month of August 2013 were paid.
4. ***Fiscal Year 2013 Medicare Reimbursements*** - Director Blas stated that the Fiscal Year 2013 appropriation is insufficient to cover the remainder of the fiscal year. Without the supplemental funding of approximately \$265,000, there will be no Medicare reimbursements for the months of August and September, 2013. Director Blas stated that the Fiscal Year 2014 Medicare Reimbursement will cover Medicare Part B & D.

VI. LEGAL COUNSEL'S REPORT

No report was made at this time.

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 July 31, 2013.

Treasurer Cruz stated that the Retirement Fund's combined net assets are \$1.895 Billion, which increased from the prior month. Treasurer Cruz stated that the cash flow is moving along as projected and is still within its existing authority. Treasurer Cruz stated that there is no recommendation for the rest of Fiscal Year 2013.

VIII. STANDING COMMITTEE REPORTS

A. Members and Benefits Committee

Secretary Antolina Leon Guerrero presented the Committee's August 2013 report to the Board of Trustees.

Secretary Antolina Leon Guerrero, seconded by Treasurer Gerard Cruz, moved to approve the recommendation of the Members and Benefits Committee contained on Pages 4 through 15, including the attached Annuity Worksheets, based on the Committee's review and findings during their meeting of August 14, 2013 and subsequent meetings thereafter. Without objection, the motion unanimously passed.

B. Investment Committee

Vice Chairman Leon Guerrero reported that the Quarterly Performance Meeting for the Quarter Ended June 30, 2013 was held on August 28, and 29, 2013. The Regular Investment Committee Meeting was held on August 29, 2013. The Committee reviewed and approved the Investment Committee Minutes of July 25, 2013 and the minutes of the February 20, and 21, 2013 Due Diligence Meeting for the Quarter Ended December 31, 2012.

Investment Portfolio – Target Allocations – Ms. Ralbovsky stated that with the recent termination of Metropolitan West and Winslow Capital, she recommends revising the target allocations as follows:

Manager	Target Allocations			Proposed Allocations		
	Minimum	Target	Maximum	Minimum	Target	Maximum
Value:						
Robeco	4%	6%	8%	7%	9%	11%
Metro West (Terminated)	4%	6%	8%	0%	0%	0%
Core:						
BlackRock Index	4%	6%	8%	9%	12%	15%
Growth:						
Winslow (Terminated)	4%	6%	8%	0%	0%	0%
INTECH	4%	6%	8%	7%	9%	11%
Domestic Large Cap	24%	30%	36%	24%	30%	36%

Treasurer Cruz stated that this increases the target allocation.

Treasurer Gerard Cruz, seconded by Trustee James Duenas, moved to approve the Investment Committee's recommendation to revise the target allocations proposed above. Without objection, the motion unanimously passed.

Performance for the Quarter Ended June 30, 2013 - Vice Chairman Leon Guerrero stated that Ms. Ralbovsky provided an overview of the performance for the quarter. Ms. Ralbovsky stated that for the Quarter Ended June 30, 2013, the Retirement Fund's portfolio outperformed its benchmark index by 57 basis points, ranking at the 57th percentile of Wilshire's peer group universe for the quarter. The Retirement Fund's return was 0.10% and the benchmark return was (0.47)%.

Watch List – Ms. Ralbovsky stated that she recommends keeping Eaton Vance and Franklin Templeton on the Watch List.

BlackRock Transition Update – Ms. Ralbovsky stated that the BlackRock transition was completed during the first week of August, with actual transition cost less than was previously estimated. It was very successful. Ms. Ralbovsky stated that the transition cost was \$70,000. Vice Chairman Leon

Guerrero stated that the Board had approved the issuance of a Request for Proposal for a transition manager for future use.

Annual Manager Review – Vice Chairman Leon Guerrero stated that annual reviews were conducted for the following managers:

- Security Capital
- Cornerstone
- Numeric
- Eaton Vance

Vice Chairman Leon Guerrero stated that there are no recommendations at this time.

Next Quarterly Performance Meeting – Vice Chairman Leon Guerrero stated that the next Quarterly Performance Meeting is tentatively scheduled for November 20-21, 2013.

Treasurer Gerard Cruz, seconded by Secretary Antolina Leon Guerrero, moved to accept the Investment Committee Report. Without objection, the motion unanimously passed.

IX. OLD BUSINESS

None

X. NEW BUSINESS

A. Fiscal Year 2014 Health Insurance Negotiations

Director Blas stated that Michael Carlson, Retiree Advocate, submitted his report of the Fiscal Year 2014 Health Insurance Negotiations for the Board's information.

B. Board of Trustees – Interim Member

Director Blas stated that Vincent Jon Duenas did not meet the requirements of the petition qualifications for the Office. As a result, the Board of Trustees, through a majority vote, shall select an "Interim Member" to serve. The term for this Office will expire July 2, 2014. The following are interested and eligible Active Members:

- Anthony C. Blaz
- Vincent Jon Duenas
- David M. O'Brien
- Joshua F. Tenorio

Chairman San Agustin asked whether there was a public announcement for this vacancy. Vice Chairman Leon Guerrero stated that the Board was encouraged to submit names of eligible members. Chairman San Agustin stated that the Interim Member will be selected through a majority vote. The five (5) Trustees present voted through a secret ballot. The result is as follows:

Anthony Blaz 01
David O'Brien 03
Joshua Tenorio 01

A motion was made by Secretary Antolina Leon Guerrero to nominate Joshua F. Tenorio to fill the Active Member Office. There was no second to the motion. The motion failed.

Vice Chairman Wilfred Leon Guerrero, seconded by Trustee James Duenas, moved to nominate David M. O'Brien to fill the Active Member Office. Votes as follows: Yes Votes – Secretary Antolina Leon Guerrero, Treasurer Gerard Cruz, Vice Chairman Wilfred Leon Guerrero, Trustee James Duenas, and Chairman Joe San Agustin. With five "Yes" votes, the motion unanimously passed. Trustee Katherine Taitano was absent.

Director Blas stated that she will schedule Mr. David O'Brien to be sworn in by Chief Justice F. Philip Carbullido within ten (10) days from today.

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 Secretary Antolina Leon Guerrero, seconded by Trustee James Duenas, and without objection, the meeting was adjourned at 2:24 p.m. Motion unanimously passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of August 30, 2013 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on September 27, 2013.



ANTOLINA S. LEON GUERRERO, Board Secretary

RECORDING SECRETARY:



Jackie Blas