



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, September 27, 2013, 12:30 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

Katherine T.E. Taitano
 Trustee

James R.F. Duenas
 Trustee

David M. O'Brien
 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 1:40 p.m. Friday, September 27, 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
- David M. O'Brien, Trustee

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:

- Ricky Hernandez, Senator Ben Pangelinan's Office of Finance and Budget
- Frank Whitman, Marianas Variety

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. August 30, 2013 Regular Meeting

On motion of Secretary Antolina Leon Guerrero, seconded by Trustee James Duenas, and without objection, the Minutes of August 30, 2013 Regular Meeting were approved, subject to technical corrections. Motion unanimously passed.

III. CORRESPONDENCE

A. September 23, 2013 Letter to Benita Manglona, DOA Director from Senator Ben Pangelinan Regarding Release of Medicare Premiums

Chairman San Agustin stated that he received a copy of Senator Ben Pangelinan's letter requesting that DOA work with BBMR to remit the additional \$157,884 to the Retirement Fund in order for the Retirement Fund to immediately begin the process of reimbursing Medicare payments. Director Paula Blas stated that she received a telephone call that the funds were released.

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 annual COLA in the amount of \$1,800.00 will be released no later than November 1, 2013.

2. *Bernstein Litowitz Berger and Grossmann (BLBG)* - Director Blas stated that BLBG's Litigation Status Report dated September 23, 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**

Secretary Antolina Leon Guerrero asked whether Lehman Brothers has been settled. Treasurer Gerard Cruz replied, "No." Secretary Leon Guerrero stated that the report indicates that the case of AXA Rosenberg was closed on April 2, 2013. Rosalia Bordallo, General Accounting Supervisor, stated that the Retirement Fund did receive something on AXA. Chairman San Agustin asked for an update on the total exposure versus total recovery. Controller Diana Bernardo stated that they will provide an update.

3. *Legislative Bills/Public Laws*

- **Bill 170-32 – Relative to the Investment Sections of the Defined Benefits (DB) Plans of the Government of Guam Retirement Fund**

Director Blas stated that a public hearing on Bill 170-32 was held on August 30, 2013 at 5:30 p.m. Maggie Ralbovsky of Wilshire Associates, the Retirement Fund Board of Trustees, and herself were present to respond to any questions. The bill is expected to be reported out of Senator Pangelinan's Committee and voted on at the October 2013 Legislative Session.

Financial Report

1. *Contributions* - Director Blas stated that as of September 24, 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 August 2013 were closed on September 19, 2013.

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

4. *Fiscal Year 2013 Medicare Reimbursements* - Director Blas stated that Public Law 32-068 appropriated the supplemental funding of approximately \$157,000 to cover the shortfall for the August and September 2013 Medicare reimbursements. Reimbursements for the month of August 2013 were processed accordingly. The reimbursements for the month of September will be made in October 2013.

VI. LEGAL COUNSEL'S REPORT

No report was made at this time.

VII. TREASURER'S REPORT OF FINANCIAL STATUS

A. Fiscal Year 2014 Proposed Budget

Treasurer Cruz stated that there are no significant changes in the operational budget. The budget for personnel benefits is \$2,249,803. Secretary Leon Guerrero asked whether the Hay Study was taken into account. Treasurer Cruz replied, "Yes." Vice Chairman Wilfred Leon Guerrero inquired about the Staff Attorney in the proposed budget. Director Blas stated that Bill 180-32 requires the hiring of an unclassified in-house counsel and if it passes Government of Guam departments and agencies will not be able to utilize external counsel. Chairman San Agustin stated that the Retirement Fund should ask to be exempted. Vice Chairman Leon Guerrero asked what are the chances of the bill passing. Director Blas stated that she is not sure, but the Retirement Fund will submit testimony asking for an exemption.

Treasurer Cruz inquired about the election cost. Director Blas stated that the upcoming election in 2014 will be a full election for the four (4) elected offices. The election has to be on a Saturday, 60 days before the primary election. Secretary Leon Guerrero asked whether the election will be conducted before the Trustees' term expires. Director Blas replied, "Yes."

Secretary Leon Guerrero inquired about the Director and Officers (D&O) Insurance. Is the \$7 Million aggregate? Director Blas stated that she should be getting something back next week and she will bring this back to the Board. Trustee David O'Brien stated that it is not adequate to the exposure. Director Blas stated that there is a waiver of personal recourse in the policy.

Treasurer Gerard Cruz, seconded by Trustee Katherine Taitano, moved to approve the Fiscal Year 2014 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, 2013. Treasurer Cruz stated that the Retirement Fund's portfolio is \$1.8 Billion. The total receivables balance is \$68,091,636 and the total liabilities are \$43,743,709. Vice Chairman Leon Guerrero asked whether it is to the Retirement Fund's advantage to pay it off. Treasurer Cruz stated that it will be a disadvantage. Vice Chairman Leon Guerrero asked whether the formula could be changed. Treasurer Cruz replied, "No, it's by statute." Vice Chairman Leon Guerrero stated that we are at the point where we would need to cut into the corpus. Ms. Bordallo stated that we are already liquidating.

Treasurer Cruz stated that the total recommended principal drawdown is \$21 Million. This covers the period from October 2013 to March 2014.

Treasurer Gerard Cruz, seconded by Secretary Antolina Leon Guerrero, moved to approve the recommended drawdown of \$3.5 Million per month for the next six (6) months. Without objection, the motion unanimously passed.

VIII. STANDING COMMITTEE REPORTS

A. Members and Benefits Committee

Trustee Katherine Taitano presented the Committee's September 2013 report to the Board of Trustees. Treasurer Cruz asked whether there are any disability cases. Secretary Leon Guerrero stated that there are a couple of cases in process.

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 15, including the attached Annuity Worksheets, based on the Committee's review and findings during their meeting of September 18, 2013 and subsequent meetings thereafter. Without objection, the motion unanimously passed.

B. Investment Committee

Vice Chairman Leon Guerrero reported that the Investment Committee Meeting was held on September 25, 2013. The Committee reviewed and approved the Investment Committee Minutes of August 29, 2013.

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

Treasurer Gerard Cruz, seconded by Trustee James Duenas, moved to accept the Investment Committee Report. Without objection, the motion unanimously passed.

IX. OLD BUSINESS

None

X. NEW BUSINESS

None

XI. OPEN DISCUSSION / GENERAL PUBLIC INPUT

None

XII. ANNOUNCEMENTS

A. October 2013 Board Meeting

Director Blas informed the Board that the next Board Meeting is scheduled for October 31, 2013.

XIII. ADJOURNMENT

There being no further business before the Board for the Defined Benefits Plan, on motion of Treasurer Gerard Cruz, seconded by Trustee James Duenas, and without objection, the meeting was adjourned at 2:38 p.m. Motion unanimously passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of September 27, 2013 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on October 31, 2013.



ANTOLINA S. LEON GUERRERO, Board Secretary

RECORDING SECRETARY:



Jackie Blas