



GOVERNMENT OF GUAM
RETIREMENT FUND
 STABILITY · SECURITY · REWARDS

BOARD OF TRUSTEES

Regular Meeting

Friday, April 25, 2014, 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 1:25 p.m. Friday, April 25, 2014, 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
 David M. O'Brien, Trustee

Board of Trustees Absent:

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

Staff Present:

Paula Blas, Director
 Diana Bernardo, Controller
 Jackie Blas, Recording Secretary
 Peter Duenas, Acting Benefit Program Administrator
 Lena Sanchez, Benefit Specialist II

Actuarial Consultant Present:

Richard Wright, Milliman, Inc.

Medical Consultant Present:

Dr. Laura Post

Public Present:

Selina Onedera-Salas, Senator Ben Pangelinan's Office

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

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. March 28, 2014 Regular Meeting

On motion of Treasurer Gerard Cruz, seconded by Trustee James Duenas, and without objection, the Minutes of March 28, 2014 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 there's a little less than 400 COLA Awardee beneficiaries yet to be paid. A lot of these beneficiaries have started the process for the estates. There's approximately a little under \$4 Million earmarked for this.

2. *Bernstein Litowitz Berger and Grossmann (BLBG)* - Director Blas stated that BLBG's Litigation Status Report dated April 22, 2014 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**

Altisource Residential Corporation - Director Blas stated that there is one new item with regards to Altisource. Chairman San Agustin stated that this item is anticipatory - it involves 27,000 shares valued at \$700,000 and that there may be harm to the stocks. Chairman San Agustin stated that he asked Legal Counsel and Maggie Ralbovsky of Wilshire Associates what their reaction is on this and they concluded that the Retirement Fund is not going to be jeopardized. Chairman San Agustin stated that Legal Counsel does not recommend that the Retirement Fund agree to participate as Lead Plaintiff at this time. Chairman San Agustin stated that BLBG wants to pursue the lawsuit and we are not sure if we want to do this since the Fund is not harmed, it is giving good returns. Chairman San Agustin stated that we should wait for the outcome of Altisource's June 14, 2014 meeting.

Treasurer Gerard Cruz, seconded by Trustee James Duenas moved to accept the Retirement Fund's Legal Counsel's recommendation to decline participation as Lead Plaintiff on the Altisource Residential Corporation lawsuit at this time and to allow the Board to send a letter to Bernstein Litowitz Berger and Grossmann informing them that the Retirement Fund is not inclined to seek a role as Lead Plaintiff. Without objection, the motion unanimously passed.

3. **Legislative Bills / Public Laws**

- **Bill 289-32 – Relative to Permitting Alternative Dispute Resolution in Contracts Approved by the Government of Guam Retirement Fund**

Director Blas stated that Bill 289-32 was unanimously passed by the Legislature on April 15, 2014 and is pending the Governor's signature.

4. **Board of Trustees Election** - Director Blas stated that the Retirement Fund in cooperation with the Guam Election Commission will hold the Retirement Fund Board of Trustees Election on Saturday, June 14, 2014. The election will be held at the Retirement Fund Office in Maite. The drawing was held for the order on how the names will appear on the ballot.

Financial Report

1. **Contributions** - Director Blas stated that as of April 22, 2014, all agencies are current with their Fiscal Year 2014 employee and employer contributions.

2. **Financial Statements** - Director Blas stated that the books for the month ending March 2014 were closed on April 16, 2014.

3. **Fiscal Year 2014 Retirees' Supplemental Benefits** - Director Blas stated that supplemental benefits for retirees and survivors for the month of April 2014 will be paid at the end the month.

4. **Fiscal Year 2014 Medicare Reimbursements** - Director Blas stated that the Retirement Fund received the April 2014 allotment from the General Fund and reimbursements were processed accordingly.

VI. LEGAL COUNSEL'S REPORT

No report was made at this time.

VII. TREASURER'S REPORT OF FINANCIAL STATUS

Treasurer Gerard Cruz stated that the Treasurer's Report is provided at this meeting. It covers the Retirement Fund's Statement of Plan Net Position and Statement of Changes in Plan Net Position (unaudited) for both the Defined Benefit (DB) Plan and the Defined Contribution (DC) Plan for the month ended March 31, 2014. Treasurer Cruz reported that the total combined assets are \$2,043,827,793. Treasurer Cruz stated that no additional authority is needed at this time. The drawdown made in March 2014 is \$1.5 Million which is lower than the \$3.5 Million authorization.

VIII. STANDING COMMITTEE REPORTS

A. Investment Committee

Vice Chairman Wilfred Leon Guerrero reported that the Investment Committee Meeting was held on April 24, 2014. The Committee reviewed and approved the Investment Committee Minutes of March 21, 2014. Vice Chairman Leon Guerrero stated that the size of the Retirement Fund's portfolio is \$1.6 Billion as of April 21, 2014.

Next Quarterly Performance Meeting – Vice Chairman Leon Guerrero stated that the next Quarterly Performance Meeting is scheduled for May 28, and 29, 2014.

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

B. Members and Benefits Committee

Secretary Antolina Leon Guerrero presented the Committee's April 2014 report to the Board of Trustees.

Secretary Antolina Leon Guerrero, seconded by Trustee David O'Brien, 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 April 16, 2014 and subsequent meetings thereafter. Without objection, the motion unanimously passed.

DISABILITY CASE NO. 14-001

Secretary Leon Guerrero stated that the applicant is a 54 year old School Program Consultant with the Department of Education with 24+ years of service. The applicant applied for disability on January 27, 2014. The reason for application is Chronic Myelomonocytic Leukemia. Secretary Leon Guerrero stated that the applicant was examined by Dr. Patrick Santos on February 7, 2014 and Dr. Fred Schroeder on February 20, 2014. Dr. Santos gave a rating of 100% whole-person impairment. Dr. Schroeder gave a rating of 87% whole-person impairment. Both physicians found that the applicant's impairment is permanent in nature and precludes the applicant from work. Secretary Leon Guerrero stated that the Retirement Fund's Medical Consultant finds that the applicant is medically impaired by a number of diagnoses and multiple associated symptoms and considers a full disability pension is appropriate for 14-001.

Chairman San Agustin asked the Retirement Fund's Medical Consultant, Dr. Laura Post, what is Chronic Myelomonocytic Leukemia. Dr. Post stated that it is a rare Leukemia. It is one type of blood cell. It is uncommon and very serious. People with this type of Leukemia don't live long. The applicant's Primary Medical Doctor (PMD), Dr. Aftab Ahmad Chaudry, and the Independent Medical Examiner (IME), Dr. Santos both gave a rating of 100% and Dr. Schroeder gave a rating of 87%. The average which is 90% is over the 75% threshold. Dr. Post stated that the applicant's file has 429 pages of reports including primary medical treatments. Chairman San Agustin asked when the applicant was diagnosed. Dr. Post replied, "July last year." Dr. Post stated that it is very intense and very serious. The statistically-predicted survival time is typically measured in months and years, and not in decades. Dr. Post stated that lots of medical experts have been brought into this case, not just general physicians. Dr. Post stated that she estimated 95% whole body impairment. Dr. Post stated that it's clear, no doubt, that the applicant qualifies for a full disability pension.

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 David O'Brien, moved to accept the Retirement Fund's Medical Consultant's findings and recommendation that a full disability pension is appropriate and to approve a full disability pension for Disability Case No. 14-001. Votes as follows: Yes Votes – Secretary Antolina Leon Guerrero, Trustee David O'Brien, Treasurer Gerard Cruz, Vice Chairman Wilfred Leon Guerrero, Trustee James Duenas, Chairman Joe T. San Agustin. With six "Yes" votes, the motion unanimously passed. Trustee Katherine Taitano was absent.

IX. OLD BUSINESS

None

X. NEW BUSINESS

A. Actuarial Valuation as of September 30, 2013

Director Blas stated that Milliman, Inc. was retained by the Retirement Fund to provide an actuarial valuation of the Retirement Fund.

Rich Wright of Milliman provided the following highlights on the valuation:

- The required contribution under GCA Section 8137 is 29.85% of payroll, which is down from the current rate of 30.03%. Of the amount of 29.85%, 24.09% is for the unfunded liability of the DB Plan, 2.05% is for the normal cost of the DB Plan, and 3.71% is for contributions and expenses for the DC Plan. The primary reasons for the decrease in the contribution rate are the recognition of 1/3rd of the investment gains from the 2011-2012 and 2012-2013 fiscal years. These decreases were partially offset by the final recognition of 1/3rd of the investment loss from the 2010-2011 Fiscal Year and a smaller than expected increase in total payroll.
- Public Law 28-150 provided that the current employer contribution rate will increase over a 5-year period until it reaches the actuarial contribution rate. The employer contribution rate for the 2013-2014 Fiscal Year is 30.03%.
- The DB payroll for the 2012-2013 Fiscal Year was \$164.3 Million compared with \$169.9 Million for the 2011-2012 Fiscal Year. The total DB and DC payroll for the 2012-2013 Fiscal Year, was \$460.3 Million compared with \$457.0 Million for the 2011-2012 Fiscal Year, an increase of 0.7%. The long term assumption is a 3.0% annual growth in total payroll. If total payroll had increased by 3.0%, the required contribution rate would have been 29.30%.
- Based on the audited financial statements, we calculated an investment return on the total market value of assets of 14.1% for the Fiscal Year Ending September 30, 2013. The average annual return on the market value of assets for the last 5 fiscal years has been 9.8%. The investment return on the actuarial value of assets, which recognizes investment gains and losses over a 3 year period, was 10.9%.
- The unfunded actuarial accrued liability decreased from \$1.483 Billion as of September 30, 2012, to \$1.442 Billion as of September 30, 2013. The primary cause for the decrease was the return on the actuarial value of assets of 10.9%. The payment required to amortize the

unfunded actuarial accrued liability under GCA Section 8137 has increased from \$113.0 Million to \$114.2 Million. The payment as a percentage of payroll has increased from 24.01% to 24.09%, due to the lower than expected increase in total payroll.

- No changes have been made to the actuarial assumptions. These continue to be based upon the actuarial experience study for the period from October 1, 2007, to September 30, 2011.

Mr. Wright stated that the security ratio increased from 47.26% as of September 30, 2012 to 49.49% as of September 30, 2013. The new Government Accounting Standards Board (GASB) requirements will affect the financial statements of the Retirement Fund for Fiscal Year 2014. Chairman San Agustin asked whether this will be made in the Retirement Fund's statement or the General Fund's statement. Mr. Wright stated that it will affect the Retirement Fund this fiscal year (2014) and the General Fund will be affected in Fiscal Year 2015. Trustee David O'Brien stated that the agencies in the General Fund will show their liability on their statements. Chairman San Agustin stated that the liability belongs to the employer, not the Retirement Fund. Therefore, it should show on their statement and not the Retirement Fund's statement. Mr. Wright stated that the Retirement Fund's statement will show the liability. Chairman San Agustin stated that it is debatable on whether to show the liability. Trustee O'Brien stated that the Office of Public Accountability (OPA) still has a debate on whether the Retirement Fund is a single employer or multiple employer plan. Mr. Wright stated it is called a cost sharing multiple employer. Chairman San Agustin stated that the General Fund wants it to be a multiple employer. The Retirement Fund is a single employer plan. Mr. Wright stated that the footnotes are similar for single employer and multiple employer. Mr. Wright stated that in the old plan a multiple employer did not have to show the liability. Now, you have to show the liability. Chairman San Agustin stated that it will not impose on the Retirement Fund itself. Trustee O'Brien stated the operation of the Fund should be the same. Mr. Wright stated that there will be new schedules to include in the financial statement. Mr. Wright stated that with the new accounting standards, the employer has to record it as an expense on the financial statement. The full cost will show the following year. Mr. Wright stated that a 5% increase in liability will show as a government expense. Before it was spread out over the years and now it is one time. Treasurer Cruz asked whether to expense all the benefits. Mr. Wright replied, "Yes." Trustee O'Brien stated that if there was a Legislative move to increase the hybrid, the government of Guam agencies will have to reflect the benefit increase on their income statements. Mr. Wright replied, "Yes."

Treasurer Gerard Cruz, seconded by Trustee David O'Brien, moved to accept the Actuarial Valuation Report as of September 30, 2013. Without objection, the motion unanimously passed.

XI. OPEN DISCUSSION / GENERAL PUBLIC INPUT

Active Employee Trustees – Vice Chairman Leon Guerrero pointed out that Trustee James Duenas is attending the Board meetings on annual leave. Vice Chairman Leon Guerrero stated that the Board needs to get a clarification on the active employee's status while they are serving on a Board and attending its meetings. Trustee O'Brien stated that Trustee Duenas is an exempt employee. Vice Chairman Leon Guerrero asked whether Trustee Katherine Taitano has this same problem. Director Blas replied, "No." Trustee Duenas stated that his manager is the one that asked him to sign annual leave. Trustee Duenas stated that he spoke to his General Manager regarding this. Director Blas stated that she will get a legal opinion from the Retirement Fund's Legal Counsel.

XII. ANNOUNCEMENTS

None

XIII. ADJOURNMENT

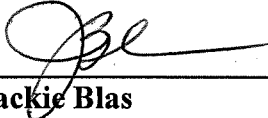
There being no further business before the Board for the Defined Benefits Plan, on motion of Treasurer Gerard Cruz, seconded by Trustee David O'Brien, and without objection, the meeting was adjourned at 2:05 p.m. Motion unanimously passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of April 25, 2014 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on May 30, 2014.



ANTOLINA S. LEON GUERRERO, Board Secretary

RECORDING SECRETARY:



Jackie Blas