



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, May 30, 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 1:11 p.m. Friday, May 30, 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
 Rosalia Bordallo, General Accounting Supervisor
 Jackie Blas, Recording Secretary
 Alice Tajeron, Director, Client Relations & Plan Counseling, Great-West Financial

Investment Consultant Present:

Maggie Ralbovsky, Wilshire Associates

Public Present:

Uriah Perez, Senator Ben Pangelinan's Office
 Maree Pelkey, Morgan Stanley
 Kevin Ryan, Cornerstone Real Estate Advisers

Chairman San Agustin informed the Board that Item XA under New Business is not for Board action and that he would like to strike it from the Board Meeting Agenda.

Treasurer Gerard Cruz, seconded by Trustee David O'Brien, moved to amend the meeting agenda to delete Item XA under New Business. Without objection, the motion unanimously passed.

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. April 25, 2014 Regular Meeting

On motion of Treasurer Gerard Cruz, seconded by Trustee David O'Brien, and without objection, the Minutes of April 25, 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.

2. *Bernstein Litowitz Berger and Grossmann (BLBG)* - Director Blas stated that BLBG's Litigation Status Report dated May 19, 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**

3. *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 to fill the four (4) elected offices – two (2) Elected Retirees and two (2) Elected Active Members. The election will be held at the Retirement Fund Office in Maite. Voting will be open from 10:00 a.m. to 4:00 p.m. Treasurer Gerard Cruz asked whether inactive members are eligible to vote. Director Blas stated that they are eligible to vote as long as they did not withdraw their contributions. Trustee David O'Brien asked when is the ad expected to be published. Director Blas stated that the ad will be published in the Pacific Daily News and Marianas Variety on June 7 and June 14, 2014.

Financial Report

1. **Contributions** - Director Blas stated that as of May 27, 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 April 2014 were closed on May 15, 2014.
3. **Fiscal Year 2014 Retirees' Supplemental Benefits** - Director Blas stated that supplemental benefits for retirees and survivors for the month of May 2014 were paid.
4. **Fiscal Year 2014 Medicare Reimbursements** - Director Blas stated that the Retirement Fund received the May 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 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) and Prior Year Receivables for both the Defined Benefit (DB) Plan and the Defined Contribution (DC) Plan for the month ended April 30, 2014. Treasurer Cruz stated that the total assets are \$2 Billion - \$1,666,742,906 in the DB Plan and \$379,638,649 in the DC Plan. The total receivables are \$56 Million which includes the COLA and the Supplemental pick ups. Vice Chairman Wilfred Leon Guerrero inquired about the receivable due from brokers. Treasurer Cruz stated that it's from trades that are not officially settled. It's a timing issue. Rosalia Bordallo, General Accounting Supervisor, stated that it moves every month. Trustee O'Brien asked if it is possible to show a prior year comparison in the report. Treasurer Cruz replied, "Yes, it can be done."

Treasurer Cruz stated that the Board approved the drawdown schedule on March 28, 2014 and that we are okay with the current approved drawdown authority.

VIII. STANDING COMMITTEE REPORTS

A. Investment Committee

Vice Chairman Leon Guerrero reported that the Quarterly Performance Meeting for the Quarter Ended March 31, 2014 was held on May 28, and 29, 2014. The Regular Investment Committee Meeting was held on May 29, 2014. The Committee reviewed and approved the Investment Committee Minutes of April 24, 2014 and the minutes of the February 26, and 27, 2014 Due Diligence Meeting for the Quarter Ended December 31, 2013.

Maggie Ralbovsky of Wilshire Associates reported that due diligence was conducted with the fixed income managers. Ms. Ralbovsky stated that the following was approved by the Investment Committee for Board action:

1. Request for Proposals (RFPs)

Ms. Ralbovsky stated that Wilshire recommends that RFPs be issued in the next two weeks for the following:

- a. Core and Opportunistic High Yield Bonds, and
- b. Global REITs

Vice Chairman Leon Guerrero stated that the Board approved the RFP at the last meeting. Director Blas stated that the RFP will be issued on June 9, 2014 and will close on June 10, 2014.

Treasurer Gerard Cruz, seconded by Trustee James Duenas, moved to approve to issue Request for Proposals for the Core and Opportunistic High Yield Bonds, and Global REITs. Without objection, the motion unanimously passed.

2. Investment Performance

Ms. Ralbovsky provided an overview of the DB Plan's Investment Performance noting that for the Quarter Ended March 31, 2014, the Retirement Fund's portfolio outperformed its benchmark index by 19 basis points, ranking at the 23rd percentile of Wilshire's peer group universe for the quarter. The Retirement Fund's return was at 2.30% and the benchmark return was at 2.49%.

3. Watch List

Ms. Ralbovsky stated that Wilshire recommends keeping Eaton Vance and Franklin Templeton on the Watch List. Chairman San Agustin asked how long Eaton Vance and Franklin Templeton have been on the watch list. Ms. Ralbovsky replied, "Three quarters and it's due to performance reasons." Chairman San Agustin asked how long they are going to be kept on watch. Ms. Ralbovsky stated that there is no definite time frame. It depends on the reason the manager is on watch. Chairman San Agustin asked whether Franklin Templeton has been on watch since inception. Ms. Ralbovsky replied, "No." Treasurer Cruz stated that until recently, Eaton Vance's style has been out of favor and their quality stock has not outperformed other companies. Their style compliments the style of the other managers. Ms. Ralbovsky stated that we need to recognize style and market cycle when evaluating manager performance

4. Annual Reviews

Ms. Ralbovsky stated that annual reviews were conducted with:

- a. Income Research & Management
- b. Garcia Hamilton,
- c. Franklin Templeton

5. Allocation

Trustee O'Brien inquired about the allocation. Vice Chairman Leon Guerrero stated that the Committee is holding back on rebalancing. Ms. Ralbovsky stated that the Board approved waiving, for six months, the ranges in the asset allocation. Chairman San Agustin stated that it is not at Board level yet to implement the rebalancing. Vice Chairman Leon Guerrero stated that it is still at Committee level. The Board may take action at the August 2014 meeting.

6. Next Quarterly Performance Meeting

Ms. Ralbovsky stated that the next Quarterly Performance Meeting is tentatively scheduled for August 27, and 28, 2014. Treasurer Cruz informed the Board that he will be off-island at that time.

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 Leon Guerrero presented the Committee's May 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 16, including the attached Annuity Worksheets, based on the Committee's review and findings during their meeting of May 21, 2014 and subsequent meetings thereafter. Without objection, the motion unanimously passed.

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 1:35 p.m. Motion unanimously passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of May 30, 2014 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on June 27, 2014.



ANTOLINA S. LEON GUERRERO, Board Secretary

RECORDING SECRETARY:



Jackie Blas