



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 27, 2014, 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

Katherine T.E. Taitano
 Trustee

Anthony C. Blaz
 Trustee

David M. O'Brien
 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 1:03 p.m. Friday, June 27, 2014, in the Retirement Fund Conference Room. Chairman Joe T. San Agustin officiated.

Board of Trustees Present:

Joe T. San Agustin, Chairman
 Antolina S. Leon Guerrero, Secretary
 Gerard A. Cruz, Treasurer
 James R.F. Duenas, Trustee
 David M. O'Brien, Trustee

Board of Trustees Absent:

Wilfred P. Leon Guerrero, Vice Chairman
(Excused, Off-Island)
 Katherine T.E. Taitano, Trustee *(Excused)*

Staff Present:

Paula Blas, Director
 Diana Bernardo, Controller
 Rosalia Bordallo, General Accounting Supervisor
 Jackie Blas, Recording Secretary
 Alice Taijeron, Director, Client Relations & Plan Counseling, Great-West Financial
 Peter Duenas, Acting Benefit Program Administrator
 Jackie Sablan & Lena Sanchez, Benefit Specialist II

Medical Consultant Present:

Dr. Laura Post

Public Present:

Selina Onedera-Salas, Senator Ben Pangelinan's Office

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. May 30, 2014 Regular Meeting

On motion of Treasurer Gerard Cruz, seconded by Trustee James Duenas, and without objection, the Minutes of May 30, 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 June 23, 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

Chairman San Agustin asked whether there is an update of recovery. Controller Diana Bernardo stated that she provided an update at the last meeting. Controller Bernardo stated that she will provide an update at the next Board meeting.

Trustee David O'Brien asked whether BLBG charges by the number of cases the Retirement Fund participates in or charge based on the awards made and take a percentage. Director Blas replied, "Yes." Chairman San Agustin stated that it is on a contingency basis.

3. *Board of Trustees Election* - Director Blas stated that the Retirement Fund Board of Trustees Election was held on Saturday, June 14, 2014.

The elected Trustees for the Retiree Member Offices are:

- Wilfred P. Leon Guerrero
- Joe T. San Agustin

The elected Trustees for the Active Member Offices are:

- Anthony C. Blaz
- David M. O'Brien

Director Blas stated that the elected Trustees will take the Oath of Office at 10:00 a.m. on Wednesday, July 2, 2014, at the Retirement Fund Conference Room. Acting Chief Justice F. Philip Carbullido will administer the oath.

Director Blas stated that the three (3) appointed Trustees will be appointed by the Governor with the advice and consent of the Legislature. Newly appointed Trustees cannot serve until confirmed by the Legislature. Director Blas stated that the current appointees will continue to serve as Trustees for no more than 90 days from July 2, 2014 plus 3 legislative days or until the new appointees are confirmed by the Legislature, whichever comes first. Treasurer Gerard Cruz inquired about the 3 legislative days. Director Blas stated that each legislative day is equal to one (1) session and session could be as long as two weeks or three weeks depending on when they call session and when they adjourn session. Secretary Antolina Leon Guerrero asked what happens in 90 days and there is no session. Director Blas stated that there definitely will be a session. Director Blas stated that there was a time when the legislative day was a full year. Session was called in the beginning of the year and did not adjourn until the end of the year. Director Blas stated that the current Legislature does not do that anymore. Secretary Leon Guerrero asked whether the Director submits names to the Governor. Director Blas stated that the Retirement Fund requests that the current appointees be retained. Director Blas stated that she will submit five (5) names to the Governor.

4. *Public Law 32-146 (Bill 289-32): Alternative Dispute Resolution (ADR) in Contracts –*

Director Blas stated that she has the supplemental agreement for Milliman, that's been agreed on between Milliman's Legal Counsel and the Retirement Fund's Legal Counsel, for the Board to amend their contract to allow for dispute resolutions. Director Blas stated that the Board now has that option. Chairman San Agustin stated that the Board is now to approve the amendment to the existing agreement to include that provision.

Treasurer Gerard Cruz, seconded by Secretary Antolina Leon Guerrero, moved to approve to amend Milliman's existing contract to include the provision to allow for dispute resolutions. Without objection, the motion unanimously passed.

Financial Report

1. *Contributions* - Director Blas stated that as of June 24, 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 May 2014 were closed on June 17, 2014.

3. *Fiscal Year 2014 Retirees' Supplemental Benefits* - Director Blas stated that supplemental benefits for retirees and survivors for the month of June 2014 were paid.

4. *Fiscal Year 2014 Medicare Reimbursements* - Director Blas stated that the Retirement Fund received the June 2014 allotment from the General Fund and reimbursements were processed accordingly. Director Blas stated that reimbursements were a little late due to the conversion from checks to direct deposit.

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 May 31, 2014. Treasurer Cruz stated that the total assets are \$2.075 Billion. There was an increase of \$203 Million, net of drawdowns, from May 2013. Chairman San Agustin asked whether the drawdown will be increased. Treasurer Cruz stated that the drawdowns have been stable and on track. Chairman San Agustin noted that the drawdown has decreased. Treasurer Cruz stated that it is because contributions have been timely. Drawdowns are needed when contributions are late. Treasurer Cruz stated that payroll is increasing, investments are going up, and interest has increased slightly. Treasurer Cruz stated that the Retirement Fund is looking much healthier than a year ago.

Trustee O'Brien inquired about the unfunded liability inflow. Director Blas stated that it is the portion of the government contribution rate. Trustee O'Brien stated that the DC Unfunded Liability inflow jumped from \$42,405,833 in FY 2008 to \$79,770,204 in FY 2014. Rosalia Bordallo, General Accounting Supervisor, stated that it is from the shift that occurred. Trustee O'Brien inquired about the cash and cash equivalent. Controller Bernardo stated that it includes the forfeiture monies and also the timing of the contributions coming in for the pay period ending June 2, 2014. It is a timing issue. Trustee O'Brien stated that the unfunded liability was \$70 Million and now it is down to \$18 Million. Trustee O'Brien inquired about the amount due from brokers for unsettled trades. Director Blas stated that it has to do with timing. Ms. Bordallo stated that the bonds will make the numbers higher. Controller Bernardo stated that it is the timing of the managers as to when they buy and sell. Trustee O'Brien asked how long does the forfeitures stay in. Treasurer Cruz stated that it goes out immediately. It sits in the account for five (5) years then it moves to forfeitures. Ms. Bordallo stated that it sits in the government's forfeiture account then we have the right to get the money back after 5 years. Controller Bernardo clarified that it stays in the forfeiture account with Great-West. The money goes to the individual and if it does not go back it goes from forfeiture to cash to the Fund. Chairman San Agustin asked how much in forfeitures is Great-West holding now. Controller Bernardo replied, \$5.3 Million.

Secretary Antolina Leon Guerrero, seconded by Trustee James Duenas, moved to accept the Treasurer's Report. Without objection, the motion unanimously passed.

Trustee James Duenas asked to be excused from the meeting at this time (1:26 p.m.)

VIII. STANDING COMMITTEE REPORTS

A. Investment Committee

Treasurer Cruz reported that the Investment Committee Meeting was held on June 20, 2014. The Committee reviewed and approved the Investment Committee Minutes of May 29, 2014.

Trustee O'Brien inquired about Securities Lending. Treasurer Cruz stated that we have stocks that are lendable. Treasurer Cruz mentioned that Northern Trust had asked whether the Retirement Fund would like to liberalize our collateral options. Northern Trust will be on island in September and they might ask the same question.

Chairman San Agustin asked whether we are making any changes to fund allocation. Treasurer Cruz stated that we are not rebalancing at this time. The domestic equity managers are at the top of their range. Rebalancing will be completed by November 2014.

Next Quarterly Performance Meeting – Treasurer Cruz stated that the Quarterly Performance Meeting previously scheduled for August 27, and 28, 2014 is being rescheduled to the week of September 22 to 26, 2014.

Secretary Antolina Leon Guerrero, seconded by Trustee David O'Brien, 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 June 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 14, including the attached Annuity Worksheets, based on the Committee's review and findings during their meeting of June 18, 2014 and subsequent meetings thereafter. Without objection, the motion unanimously passed.

DISABILITY CASE NO. 13-021

Secretary Leon Guerrero stated that the applicant is a 46 year old Customer Service Representative with the Department of Public Health & Social Services with approximately 21 years of service. The applicant applied for disability (second application) on September 17, 2013 and completed the application on April 21, 2014. The reasons for application (new conditions) include Severe Depression, Anxiety Attack, and Post Traumatic Stress Disorder. The original application was for Inflammatory Bowel Disorder, Urinary Frequency, Migraine Headaches, Lump in Neck, and Lack of Interest. Secretary Leon Guerrero stated that the applicant was examined by Dr. Patrick Santos on March 27, 2014, and Dr. Fred Schroeder on April 8, 2014. Dr. Santos gave a rating of 15% whole-person impairment. Dr. Schroeder gave a rating of 32% whole-person impairment. Secretary Leon Guerrero stated that the Retirement Fund's Medical Consultant finds that the applicant is impaired by multiple medical and psychiatric diagnoses and symptoms and that the applicant is receiving medical and psychiatric treatment and does not find that a disability pension is appropriate at this time for 13-021.

The Retirement Fund's Medical Consultant, Dr. Laura Post, stated that she recently received some new information from Dr. Juan Rapadas. Dr. Post stated that she revised her medical disability consultation based on that information. Dr. Post stated that she emailed the new information to Director Blas late this morning. Dr. Post stated that Dr. Rapadas did not use the standard rating form. Dr. Post read out loud Dr. Rapadas' psychological evaluation: "Dr. Rapadas interviewed and assessed 13-021 using the

General Ability Measure for Adults (GAMA), i.e. Intellectual Functioning, the Trails A&B to identify neurological issues, the Beck Depression Inventory (BDI), the Beck Anxiety Inventory (BAI), the Symptom Checklist-90-Revised (SCL-90R) to screen for psychopathology, and the Posttraumatic Stress Scale (PDS). Results included: (1) GAMA IQ score of 87, Low Average (written); (2) Trails A&B showing 'some gross neurological deficits' in slow and shaky hand movements (screening test); (3) BDI score of 34, indicating severe depression; (4) BAI score of 39, indicating severe anxiety; (5) SCL-90R, indicating high scores in anxiety/depression/phobia, 'It is clear that the respondent is experiencing significant psychological difficulties, and he (sic) should be more intensively evaluated;' and (6) PDS suggesting high levels of stress due to harassment at work."

Dr. Post stated that there were discussions on applicants' comments regarding how the Independent Medical Examiners (IMEs) evaluate things. In terms of this applicant, Dr. Santos gave a rating of 15%, and Dr. Schroeder gave a rating of 32%. Both IMEs used the same criteria and the same chapters, which is consistent. Dr. Post stated that Dr. Santos was looking at behavioral factors (Chapter 14) and came up with 15%. Dr. Post stated that Dr. Schroeder looked at neurological factors (Chapter 13), and also looked at Chapters 6 and 17 and came up with 32%. Dr. Post stated that Dr. Ariel Ismael, the applicant's primary physician, gave a rating of 15%. Dr. Post stated that rather than averaging up the numbers, it was added up and it is still shy of the 75% threshold. Chairman San Agustin stated that he is confused and asked why one IME concentrated on behavioral and one IME concentrated on neurological. Dr. Post stated that the IMEs are supposed to look at everything. Chairman San Agustin stated that the whole body should be looked at. Dr. Post stated that in addition to neurological, there is also gastral intestinal component, urinary issues, Asthma which is respiratory, and vision. Chairman San Agustin stated that it is an incomplete evaluation. Dr. Post stated that she was also puzzled with it. Chairman San Agustin asked whether this will be a substantial evaluation without the mention of the gastral, urinary, Asthma, and vision issues. Dr. Post stated that she read the report and it is not clear how active the gastral and urinary issues are right now. Chairman San Agustin asked whether it is a major contribution. Dr. Post replied, "It certainly could be." Secretary Leon Guerrero stated that it may be that when the IME does not think those issues are pertinent, the IME does not comment on it. Secretary Leon Guerrero asked why is it that we are assuming that the IMEs did not address the other symptoms just because they did not score it. Dr. Post stated that it was not listed on the chapter and number. Dr. Post stated that they did not address it on the scoring part of the report. The physicians are supposed to ask every patient the same questions. Dr. Post stated that the physicians are supposed to check every box on the form and what the answers were. Trustee O'Brien asked whether the form with the rating is the Retirement Fund's form. Dr. Post replied, "Yes."

Chairman San Agustin reiterated that one IME only looked at behavioral and the other IME only looked at neurological. Secretary Leon Guerrero stated that the IMEs documented their findings in their reports, but not in scoring. Secretary Leon Guerrero stated that it probably did not warrant a score. Secretary Leon Guerrero stated that Dr. Post looked at everything. Trustee O'Brien stated that Dr. Post did make a recommendation. Dr. Post stated that PSD, anxiety, and depression issues are more than what the IMEs stated in their reports. Dr. Post stated that based on a number of factors, on not weighing of gastral and urinary issues, considering that behavioral and neurological issues are more contributing, and that the conditions are not permanent, but treatable, Dr. Post stated that she will stand by her initial recommendation that a disability pension is not appropriate at this time. Trustee O'Brien asked whether it is not necessarily permanent and it does not rise to the 75% threshold of total and permanent. Dr. Post replied, "Yes."

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 recognized an individual who came forward. Elizabeth Cruz identified herself as the Lay Representative for the applicant. Ms. Cruz stated that the applicant, Deborah Mafnas, is present at today's meeting. Ms. Cruz stated that Dr. George Kallingal's name was not mentioned. Ms. Cruz stated that she has his report. Director Blas stated that Dr. Kallingal is used by the Department of Administration (DOA) for fitness for duty examinations, that his findings would be part of DOA's report. Ms. Cruz stated that Dr. Rapadas was hired by Workman's Compensation. Chairman San Agustin stated that the applicant was referred by the Retirement Fund to two physicians. Ms. Cruz acknowledged that the two physicians were Dr. Santos and Dr. Schroeder. Ms. Cruz stated that Dr. Santos only did a bio check and said he'll use the applicant's old report. Chairman San Agustin stated that the Retirement Fund is paying the IMEs to do the examination. Ms. Cruz stated that Dr. Santos did not examine the applicant. Ms. Cruz stated that Dr. Santos laughed at the applicant and told her he will follow the old report.

Ms. Cruz pointed out that the applicant has been to the restroom seven (7) times since she got here at 1:00 p.m. Chairman San Agustin asked Dr. Post about Dr. Santos not examining the applicant. Dr. Post stated that she was not there. It may be that some physicians evaluate without the patient knowing. Ms. Cruz stated that all Dr. Santos did was listen to the applicant's heart. Ms. Cruz asked whether the Retirement Fund has another physician the applicant could go to. Chairman San Agustin stated that there should be another physician to reevaluate the applicant. Ms. Cruz thanked the Board for the opportunity given to address the Board.

Treasurer Gerard Cruz, seconded by Secretary Antolina Leon Guerrero, moved to table Disability Case No. 13-021 and to refer the applicant to another physician. Votes as follows: Yes Votes – Secretary Antolina Leon Guerrero, Trustee David O'Brien, Treasurer Gerard Cruz, and Chairman Joe T. San Agustin. With four (4) "Yes" votes, the motion unanimously passed. Vice Chairman Wilfred Leon Guerrero, Trustee James Duenas, and Trustee Katherine Taitano were absent.

DISABILITY CASE NO. 13-023

Secretary Leon Guerrero stated that the applicant is a 49 year old Equipment Operator II with the Department of Public Works with approximately 23 years of service. The applicant applied for disability on September 13, 2013, and completed the application on March 16, 2014. The reason for application is Legally Blind, Suffered Strokes, Memory Loss, Numbness and Weakness in Legs, Dizziness, Loss of Balance, Confusion, and Headaches. Secretary Leon Guerrero stated that the applicant was examined by Dr. Santos on January 10, 2014, Dr. Vincent Duenas on February 6, 2014, and Dr. Doris Lim on April 4, 2014. Dr. Santos gave a rating of 100% whole-person impairment. Dr. Duenas gave a rating of 31% whole-person impairment. Dr. Lim gave a rating of 60% whole-person impairment. All 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 multiple diagnoses and symptoms and the applicant is not likely to show medical improvement and that the impairing conditions are permanent. The Retirement Fund's Medical Consultant considers a full disability pension is appropriate for 13-023.

Dr. Fred Schroeder, the applicant's primary physician, examined the applicant on November 29, 2013. Dr. Schroeder gave a rating of 87% whole-person impairment. Dr. Laura Post stated that three (3) IMEs looked at different issues. Dr. Santos focused on Chapter 10, Chapter 4, and Chapter 12. Dr. Duenas focused on Chapter 12. Dr. Lim focused on Chapter 16. This is a case where issues include vision that the 3 IMEs looked at but did not score. Dr. Post stated that she scored vision at 40%. Dr. Duenas' score was low. Dr. Santos' score was 100%. Dr. Lim's score was 60%. Dr. Post stated that when all issues are considered, it is total. Dr. Post stated that the applicant is totally and permanently disabled with a rating of over 75% and finds a disability pension appropriate at this time.

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 at this time and to approve a full disability pension for Disability Case No. 13-023. Votes as follows: Yes Votes – Secretary Antolina Leon Guerrero, Trustee David O'Brien, Treasurer Gerard Cruz, and Chairman Joe T. San Agustin. With four (4) "Yes" votes, the motion unanimously passed. Vice Chairman Wilfred Leon Guerrero, Trustee James Duenas, and Trustee Katherine Taitano were absent.

Trustee O'Brien stated that he is very confused by the process. Treasurer Cruz stated that it is not hard and fast. Trustee O'Brien stated that the process changed from average of scores to one that is additive. Secretary Leon Guerrero stated that she is surprised that Dr. Post added up the scores. Trustee O'Brien stated that it now makes sense. Dr. Post explained that she does simple addition after looking at the application and, in effect, doing her own IME. Secretary Leon Guerrero stated that the Board expects the IMEs to do the same: thorough examinations, reports, scores, and findings. Dr. Post stated that maybe the IMEs haven't considered how the book breaks the narrative down. No one needs to make assumptions if the IMEs looked at the whole scoring list and scored each category. Chairman San Agustin stated that the applicant was not totally evaluated. Dr. Post stated that the first IME and the second IME they mentioned totally different things. One IME focused on behavioral. The IME should think of all factors. Trustee O'Brien stated that four (4) IMEs must share similar approaches to the exam and use of the GGRF form to get consistency and improve their process. Secretary Leon Guerrero suggested setting up a meeting with the IMEs. Dr. Post stated that they should welcome the opportunity. Trustee O'Brien stated that the Retirement Fund will pay for their time. Trustee O'Brien reiterated that we need to improve the process. Chairman San Agustin stated that we are looking at getting the IMEs together with Dr. Post and the M&B Committee.

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 Secretary Antolina Leon Guerrero, seconded by Trustee David O'Brien, and without objection, the meeting was adjourned at 2:55 p.m. Motion unanimously passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of June 27, 2014 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on July 25, 2014.



ANTOLINA S. LEON GUERRERO, Board Secretary

RECORDING SECRETARY:



Jackie Blas