



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

Anthony C. Blaz
 Trustee

David M. O'Brien
 Trustee

BOARD OF TRUSTEES
Regular Meeting
 Friday, July 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 1:24 p.m. Friday, July 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
 Anthony C. Blaz, Trustee

Board of Trustees Absent:

David M. O'Brien, Trustee
(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

Public Present:

Mark Heath, Aristotle Capital Management
 Michael Carlson, Retiree Advocate

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. June 27, 2014 Regular Meeting

Treasurer Gerard Cruz, seconded by Secretary Antolina Leon Guerrero, moved to approve the Minutes of the June 27, 2014 Regular Meeting, subject to technical corrections. Without objection, the 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 July 21, 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**
- **MF Global**
- **Invacare Corporation**

Secretary Antolina Leon Guerrero inquired as to the timeline of receiving a distribution of settlement. Director Blas stated that distribution of settlement on a class action lawsuit takes a while.

3. *Request for Proposals (RFPs)* - Director Blas stated that the Retirement Fund issued three (3) RFPs for Investment Management Services specifically for:

- Transition Management Services
- Active High Yield Bonds
- Global Real Estate Securities

Director Blas stated that the RFPs closed on July 10, 2014. The list of offerors who meet the RFP requirements will be forwarded to Wilshire for their review and analysis. Director Blas asked whether Chairman San Agustin is going to assign the members to sit on the Selection Panel for the RFPs. Chairman San Agustin stated that since it is investment related, the Investment Committee Members should sit in the Selection Panel. Chairman San Agustin stated that Controller Diana Bernardo and Rosalia Bordallo, General Accounting Supervisor, should also sit in the Selection Panel. The Board indicated their preference as follows:

- Transition Management Services – Gerard Cruz, Anthony Blaz, Antolina Leon Guerrero

- Active High Yield Bonds –Wilfred Leon Guerrero, Anthony Blaz, David O’Brien
- Global Real Estate Securities – Wilfred Leon Guerrero, Gerard Cruz, Diana Bernardo

4. **Government of Guam Group Health Insurance Negotiations** - Director Blas stated that the Government of Guam’s group health insurance negotiations have concluded. The results of the negotiations will be released when an award has been made by the Governor. Director Blas stated that Michael Carlson, Retiree Advocate, will report on the results of the survey he conducted regarding the Fiscal Year 2014 Medicare-Eligible Retiree and Survivor Survey.

Financial Report

1. **Contributions** - Director Blas stated that as of July 23, 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 June 2014 were closed on July 17, 2014.

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

4. **Fiscal Year 2014 Medicare Reimbursements** - Director Blas stated that the Retirement Fund received the July 2014 allotment from the General Fund and reimbursements were processed accordingly. Director Blas stated that the Medicare reimbursement has been converted to direct deposit for those who received their annuity through direct deposit.

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) and Prior Year Receivables for both the Defined Benefit (DB) Plan and the Defined Contribution (DC) Plan for the month ended June 30, 2014. Treasurer Cruz stated that the total combined assets are \$2.1 Billion. The total receivables are \$66.7 Million. Treasurer Cruz stated that the drawdown schedule is still within its existing authority. Treasurer Cruz pointed out that there were no drawdowns in February and May 2014.

VIII. STANDING COMMITTEE REPORTS

A. Investment Committee

Vice Chairman Wilfred Leon Guerrero reported that the Investment Committee Meeting was held on July 24, 2014. The Committee reviewed and approved the Investment Committee Minutes of June 20, 2014.

Numeric Investors – June 24, 2014 Letter - Vice Chairman Leon Guerrero stated that Numeric Investors had indicated that they will be merging with Man Group PLC. Numeric is asking for the Retirement Fund’s consent to the assignment of the Agreement. Vice Chairman Leon Guerrero stated that Maggie Ralbovsky of Wilshire Associates has indicated that there is no problem with the merger. Vice Chairman Leon Guerrero stated that the Investment Committee is recommending to consent to the assignment of the Agreement.

Asset Allocation - Vice Chairman Leon Guerrero stated that as of July 18, 2014, the size of the Retirement Fund’s portfolio was \$1.652 Billion. Vice Chairman Leon Guerrero stated that the Investment Committee will be working on the asset allocation. Chairman San Agustin inquired about rebalancing. Treasurer Cruz replied, “Yes.” Chairman San Agustin inquired about the market fluctuation. Treasurer Cruz stated that with the Domestic Equity positions, currently we’re at 36%, which is slightly over the targeted range. We are going to rebalance that mandate bringing the asset balance down to within target. Funding of Global REITs will come from our existing REITs mandate. We will be replacing the US REITs Managers with Global REITs Managers. For the High Yield Bond, funding for the new manager will come from assets held by our existing Fixed Income Managers. Treasurer Cruz stated that we are defunding some of our existing managers and funding our new managers. This is Step I. Chairman San Agustin inquired about the Fixed Income Aggregate of 22.56%. Treasurer Cruz stated that the target is 30%. Director Blas stated that in comparison with the target that is in place now, the new target asset allocation is 40% for Equities, 20% for Non US Equities, 27% for Core Bonds, 8% for High Yield, and 5% for Global REITs. Treasurer Cruz stated that we will need to change the Investment Policy Statement (IPS) to reflect this. Treasurer Cruz stated that Ms. Ralbovsky will be on-island in September and she will clarify this.

Next Quarterly Performance Meeting – Vice Chairman Leon Guerrero stated that the next Quarterly Performance Meeting is scheduled for September 24, and 25, 2014.

Vice Chairman Wilfred Leon Guerrero, seconded by Treasurer Gerard Cruz, 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 July 2014 report to the Board of Trustees.

Secretary Antolina Leon Guerrero, seconded by Trustee Anthony Blaz, moved to approve the recommendation of the Members and Benefits Committee contained on Pages 4 through 13, including the attached Annuity Worksheets, based on the Committee’s review and findings during their meeting of July 16, 2014 and subsequent meetings thereafter. Without objection, the motion unanimously passed.

DISABILITY CASE NO. 14-004

Secretary Leon Guerrero stated that the applicant is a 55 year old Customer Service Representative at the Guam Waterworks Authority with approximately 23+ years of service. The applicant applied for disability on May 29, 2014. The reason for application is Loss of Function in Right Side Extremities Due to Stroke, Slight Memory Loss, and Speech Impairment. Secretary Leon Guerrero stated that the applicant was examined by Dr. Patrick Santos on June 6, 2014, and Dr. Doris Lim on June 20, 2014. Dr. Santos gave a rating of 100% whole-person impairment, Dr. Lim gave a rating of 100% whole-person impairment and 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 impaired by acute and chronic medical diagnoses, with multiple symptoms and considers a full disability pension is appropriate for 14-004 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 Treasurer Gerard Cruz, 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. 14-004. Votes as follows: Yes Votes – Secretary Antolina Leon Guerrero, Treasurer Gerard Cruz, Vice Chairman Wilfred Leon Guerrero, Trustee Anthony Blaz, and Chairman Joe San Agustin. With five (5) "Yes" votes, the motion unanimously passed. Trustees David O'Brien and Katherine Taitano were absent.

IX. TRAVEL REPORT

A. Vice Chairman Wilfred Leon Guerrero: IFEBP Advanced Trustees Institute – June 23-25, 2014, Las Vegas, Nevada

Chairman San Agustin stated that Vice Chairman Leon Guerrero's travel report on the IFEBP Advanced Trustees Institute he attended on June 23-25, 2014 in Las Vegas, Nevada, is submitted for the Board's information.

X. OLD BUSINESS

None

XI. NEW BUSINESS

A. Retiree Advocate Report

Vice Chairman Leon Guerrero stated that he asked Director Blas to invite Mr. Carlson to report on the results of the Fiscal Year 2014 Medicare-Eligible Retiree and Survivor survey he conducted. Mr. Carlson stated that during the last couple of years discussions took place about concerns of what benefits should be included in the health insurance negotiations to address the needs of the retirees and survivors, but those concerns can't be tailored without knowing what the members want to see. A

survey was designed to look at questions to get the information we are looking for. The survey was conducted on retirees and survivors who are Medicare-Eligible, who are 65 years and older. The survey was sent out to a little under 2,000 retirees and survivors who were in that category and about 400 responded to the survey. The survey was intended to get a feedback on utilization of benefits for medical and dental services, and benefits that are already in the plan. The results of the survey show that a lot of retirees do not have dental coverage. Mr. Carlson stated that they were also trying to design something that will be more cost effective. The end result is to provide options for something the retirees and survivors want to do. Mr. Carlson stated that the RFP seeks to include a Medicare Supplemental Plan. If this goes forward it will be the most affordable plan. Medicare reimbursement will continue on Parts A, B, and D. The Department of Administration (DOA) will handle the payment if this goes forward. Ms. Bordallo stated that DOA will pass it on to the Retirement Fund to handle because the data is with the Retirement Fund.

Mr. Carlson stated that the final briefing memorandum is being prepared for submission to the Governor. Chairman San Agustin inquired about dependant coverage. Mr. Carlson stated that the dependant won't be covered in the first year. Chairman San Agustin stated that the only advantage here is the Government of Guam will administer this program. Mr. Carlson stated that a lot of retirees and survivors answered one of the questions on the survey that they don't do it because of the costs. Chairman San Agustin asked whether the cost will be close to AARP. Mr. Carlson replied, "Yes." Mr. Carlson stated that it is very competitive and we hope that the final results are enough to convince the Governor.

Vice Chairman Leon Guerrero asked about information that is being reported to the Attorney General's (AG's) office. Mr. Carlson stated that the language contained in the FY 2014 contract states that the GovGuam Group Health Plan is the primary insurance. The AG got involved by processing a claim that an insurance carrier had denied. Vice Chairman Leon Guerrero asked whether anyone on Medicare should not be paying the co-payment. Mr. Carlson replied, "Yes." Secretary Leon Guerrero stated that a retiree or survivor should not be paying out of pocket. Mr. Carlson stated that a retiree did not realize that out of pocket is reimbursable. Retirees were requesting for reimbursement from their insurance carrier and were denied. If retirees or survivors wanted to talk to the Negotiating Team's lawyer, they were referred to the Deputy AG. The AG's office, with the assistance of the Insurance Commissioner and the Retirement Fund will be working together to resolve these claim issues. Chairman San Agustin asked whether he may be privy to the survey results. Mr. Carlson stated that he will forward a copy of his written report to Chairman San Agustin by next week.

In response to Chairman San Agustin's inquiry about the health insurance plans for FY2015, Ms. Bordallo stated that the Negotiation Team can not disclose any information until an award has been made. All the Negotiating Team members had to sign a confidentiality form.

XII. OPEN DISCUSSION / GENERAL PUBLIC INPUT

None

XIII. ANNOUNCEMENTS

None

XIV. ADJOURNMENT

There being no further business before the Board for the Defined Benefits Plan, on motion of Secretary Antolina Leon Guerrero, seconded by Treasurer Gerard Cruz, and without objection, the meeting was adjourned at 2:20 p.m. Motion unanimously passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of July 25, 2014 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on August 29, 2014.



ANTOLINA S. LEON GUERRERO, Board Secretary

RECORDING SECRETARY:



Jackie Blas