



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, September 26, 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 1:05 p.m. Friday, September 26, 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
 David M. O'Brien, Trustee
 Anthony C. Blaz, Trustee

Board of Trustees Absent:

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

Staff Present:

Paula Blas, Director
 Rosalia Bordallo, General Accounting Supervisor
 Jackie Blas, Recording Secretary

Investment Consultant Present:

Maggie Ralbovsky, Wilshire Associates

Public Present:

Mark Heath, Aristotle Capital Management
 Michael Carlson, Retiree Advocate

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. August 29, 2014 Regular Meeting

Secretary Antolina Leon Guerrero, seconded by Treasurer Gerard Cruz, moved to approve the Minutes of the August 29, 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 September 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**
- **MF Global**
- **Invacare Corporation**

3. ***Request for Proposal (RFP): Transition Management Services*** – Director Blas stated that evaluations are ongoing. The Selection Panel consists of Gerard Cruz, Anthony Blaz, and Antolina Leon Guerrero.

4. ***RFP: Active High Yield Bonds*** – Director Blas stated that evaluations are ongoing. The Selection Panel consists of Anthony Blaz, Wilfred Leon Guerrero, and David O'Brien.

5. ***RFP: Global Real Estate Securities*** – Director Blas stated that evaluations are ongoing. The Selection Panel consists of Wilfred Leon Guerrero, Gerard Cruz, and Diana Bernardo.

Director Blas stated that proposals were received for the three (3) RFPs listed above. The proposals were transmitted to Wilshire Associates (Wilshire) for their analysis. The managers were interviewed for each category, but the Selection Panel is not ready to make a recommendation at this time. Director Blas stated that she will meet with the three Selection Panels next week and get their recommendation to be presented to the Board at the next meeting.

Director Blas stated that she received three proposals for the Transition Management Services. The intent of the Selection Panel is to create a pool of the three transition managers. Trustee David O'Brien asked whether the Board could vote on that now. Chairman San Agustin stated to wait for the Selection Panels' recommendation, which will be presented to the Board. Maggie Ralbovsky of Wilshire pointed out that whatever the decision is, the Selection Panel should also select one for this particular task (Step 1). Chairman San Agustin asked whether the RFP was designed to select one or all three. Ms. Ralbovsky replied, "All three." Director Blas stated that the intent is to retain all three and create a pool. Chairman San Agustin asked whether the pool is called for in the RFP. Director Blas replied, "Yes." Chairman San Agustin suggested making the Board decide whether they want a pool or to select one.

6. *Legislative Bills*

- **Bill No. 346-32 – Relative to Creating a Separate Board of Trustees for Members of the Defined Contribution Retirement Plan**

Director Blas stated that a public hearing is scheduled for sometime in October 2014. Chairman San Agustin asked who is going to prepare the testimony. Director Blas stated that the Board had indicated that they were not going to take a position on this bill. Director Blas stated that Legal Counsel is going to present the flaws of the bill.

- **Public Law 32-181 – Relative to Making Appropriations for the Executive, Legislative, and Judicial Branches of the Government of Guam for Fiscal Year 2015**

Director Blas stated that the Governor has signed the bill which will take effect October 1, 2014. Treasurer Gerard Cruz inquired about the contribution rate. Director Blas stated that it is 29.85%. Chairman San Agustin inquired about the actuarial rate. Director Blas stated that it is 29.85%.

Financial Report

1. ***Contributions*** - Director Blas stated that as of September 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 August 2014 were closed on September 17, 2014.

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

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

5. ***Fiscal Year 2015 Annual COLA*** - Director Blas stated that COLA for FY2015 is \$2,000.00 for retirees and survivors and it will be released by November 1, 2014.

Secretary Antolina Leon Guerrero asked whether the health insurance will rollover if there are no changes. Rosalia Bordallo, General Accounting Supervisor, replied, "Yes, except for Staywell, which is no longer a GovGuam provider."

VI. LEGAL COUNSEL'S REPORT

No report was made at this time.

VII. TREASURER'S REPORT OF FINANCIAL STATUS

A. Fiscal Year 2015 Proposed Budget

Treasurer Cruz stated that the proposed FY2015 operational budget increased from the FY2014 budget. The largest material change is on Building and Maintenance. The new building fund has been removed from the budget. Director Blas stated that the increase on the operational budget is based on the implementation of the Hay Plan and the retirement contributions. Trustee O'Brien asked whether the budget includes merit bonuses. Director Blas replied, "No, we don't budget for merit bonuses." Treasurer Cruz stated that it is taken out of payroll. Vice Chairman Wilfred Leon Guerrero inquired about the transfer authority. Director Blas stated that she moved \$110,000 to take care of the Hay Study. Trustee O'Brien inquired about the ERIP Insurance. Director Blas stated that it is on the promissory notes held for the individuals who took advantage of the ERIP. The insurance are for those on ERIP who pass away with an outstanding balance. Director Blas stated that it was taken off the FY 2015 budget because it will be paid off by December 2014. Trustee O'Brien inquired about the decrease of \$124,600 on the D&O Insurance. Director Blas stated that \$388,000 was appropriated for FY 2015. Trustee O'Brien stated that the amount appropriate in FY2014 was \$512,600, which is a significant decrease. Director Blas stated that the \$512,600 was a transition of the \$2 Million coverage to the \$9 Million coverage. The insurance premium went down.

Trustee O'Brien inquired about addressing Ad Hoc things that come up during the year. Director Blas stated that if there is a request for a transfer of more than the 10% transfer authority, then it goes before the Board for approval.

Vice Chairman Wilfred Leon Guerrero, seconded by Trustee David O'Brien, moved to approve the Fiscal Year 2015 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 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 August 31, 2014.

VIII. STANDING COMMITTEE REPORTS

A. Investment Committee

Vice Chairman Leon Guerrero reported that the Quarterly Performance Meeting for the Quarter Ended June 30, 2014 was held on September 25, and 26, 2014. The Regular Investment Committee Meeting was held on September 25, 2014. The Committee reviewed and approved the Investment Committee Meeting Minutes of August 15, 2014, and the May 28, and 29, 2014 Due Diligence Meeting Minutes.

Watch List - Vice Chairman Leon Guerrero stated that Wilshire is recommending keeping Eaton Vance on the watch list.

Asset Allocation - Vice Chairman Leon Guerrero stated that the Investment Committee approved a new asset allocation for the Retirement Fund's portfolio. The new asset allocation will not occur until the managers are in place. Ms. Ralbovsky stated that the recommended rebalancing on Page 36 of Wilshire's Second Quarter 2014 Performance Review Booklet has the details of the actual balances, policy targets, calculated transfers, and the recommended transfers.

Treasurer Gerard Cruz, seconded by Trustee David O'Brien, moved to adopt and incorporate the recommended rebalancing on Page 36 of Wilshire's Second Quarter 2014 Performance Review Booklet and the DB Due Diligence Meeting minutes of September 26, 2014 into the Board minutes. Without objection, the motion unanimously passed.

Treasurer Gerard Cruz, seconded by Trustee David O'Brien, moved to accept Wilshire Associates' recommendation to add an Index Fund for the International Large Cap Equity and to add to the BlackRock Fund an MSCI ACWI XUS Index Fund. Without objection, the motion unanimously passed.

Ms. Ralbovsky stated that it will start in October 2014. Director Blas stated that the Selection Panels will convene next week to find out the results of their selection, and then a recommendation will be made to the Board at the October Board meeting. Director Blas stated that after the Board's approval, she will initiate the agreement with the managers. Director Blas stated that Ms. Ralbovsky will be on island on the third week of November 2014. Trustee O'Brien asked how long it will take before the balances are in the right place. Ms. Ralbovsky stated that it depends on contracting with the managers. Treasurer Cruz stated that it may be in February 2015.

Next Quarterly Performance Meeting – Vice Chairman Leon Guerrero stated that the next Quarterly Performance Meeting is tentatively scheduled for November 19, and 20, 2014.

Treasurer Gerard Cruz, seconded by Trustee Anthony Blaz, 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 September 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 13, including the attached Annuity Worksheets, based on the Committee's review and findings during their meeting of September 17, 2014 and subsequent meetings thereafter. Without objection, the motion unanimously passed.

IX. OLD BUSINESS

A. Retiree Advocate Report – Fiscal Year 2015 Health Insurance Negotiations

Director Blas stated that she invited Mr. Michael Carlson to report on the FY2015 Health Insurance Negotiations. Mr. Carlson stated that the negotiations have been completed. The overall costs were lowered. There is a new benefit covering organ transplants. Trustee O'Brien asked whether there is a cap. Mr. Carlson stated there is a split on some of them and it depends on the market price for the seven major organ transplants. Trustee O'Brien asked whether it is a negotiated price with the provider. Mr. Carlson stated that we got a good deal and it is the preferred provider price. Vice Chairman Leon Guerrero asked whether it is lower premiums for both employees and retirees. Mr. Carlson stated that it is basically the same. Chairman San Agustin inquired about the rebate. Mr. Carlson stated that Tokio Marine Insurance had stated that it is not worth writing a check for the rebate and the rebate was used to offset the costs. Chairman San Agustin asked whether the rebate applied from a federal law. Director Blas replied, "Yes." Mr. Carlson stated that there were two (2) options given in issuing the rebate – 1) go through and do the calculation on taking out the government share, and 2) give the employees and retirees their share. Chairman San Agustin asked whether the options are in the law. Mr. Carlson stated that it is in the federal law.

Mr. Carlson stated that the negotiating team tried to push for retirees to have access to a different health coverage. Mr. Carlson stated that it was tailored so it could be applied in the Philippines. Unfortunately, it was dropped for FY2015. Mr. Carlson stated that they will work on this coverage for the FY2016 negotiations. Mr. Carlson stated that the retirees are being reimbursed for Parts A, B, and D, and this year's appropriation was to reimburse for Part F. The rates that were passed included the reimbursement, but the benefits are not available. Trustee O'Brien inquired about the carrier. Mr. Carlson replied, "SelectCare."

Mr. Carlson stated that there was a conflict on the current law for rate setting. The conflict is that you are suppose to give the lowest rate to the lowest price plan, but it was suppose to be across all classes and all plans. The active members were used to determine the retirees' rate. The highest plan had the zero rate and the lowest plan had the higher cost. Chairman San Agustin asked whether the premium for retirees increased. Mr. Carlson stated that there is a small reduction. Trustee O'Brien asked whether there was a kick back on the Philippines coverage. Mr. Carlson stated that the Philippines is going to be available through the regular plan. Director Blas stated that all premiums will be covered 100% by the government. Trustee O'Brien inquired about the supplemental with the Philippines coverage. Director Blas stated that it is not available. The Board thanked Mr. Carlson for a job well done.

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 1:45 p.m. Motion unanimously passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of September 26, 2014 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on October 31, 2014.



ANTOLINA S. LEON GUERRERO, Board Secretary

RECORDING SECRETARY:



Jackie Blas