



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, October 31, 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 1:09 p.m. Friday, October 31, 2014, in the Retirement Fund Conference Room. Acting Chairman Wilfred P. Leon Guerrero officiated.

**Board of Trustees Present:**

Wilfred P. Leon Guerrero, Acting Chairman  
 Gerard A. Cruz, Treasurer  
 David M. O'Brien, Trustee  
 Anthony C. Blaz, Trustee  
 Katherine T.E. Taitano, Trustee

**Board of Trustees Absent:**

Joe T. San Agustin, Chairman (*Excused*)  
 Antolina S. Leon Guerrero, Secretary  
 (*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

**Legal Counsel Present:**

Elyze M. Iriarte, Carlsmith Ball LLP

## II. REVIEW AND APPROVAL OF BOARD MINUTES

### A. September 26, 2014 Regular Meeting

Treasurer Gerard Cruz, seconded by Trustee Anthony Blaz, moved to approve the Minutes of the September 26, 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 October 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.

- MF Global
- Invacare Corporation

3. *Request for Proposal (RFP): Transition Management Services* – Director Blas stated that evaluations are completed. Director Blas stated that the Retirement Fund's Investment Consultant had recommended creating a pool of the three (3) offerors. Director Blas stated that the Selection Panel's recommendation is to select BlackRock and Northern Trust Investments.

Treasurer Gerard Cruz, seconded by Trustee Anthony Blaz, moved to accept the Selection Panel's recommendation to select BlackRock and Northern Trust Investments for the Transition Management Services. Without objection, the motion unanimously passed.

4. *RFP: Active High Yield Bonds* – Director Blas stated that evaluations are completed. Director Blas stated that 21 eligible firms met the RFP requirements. The Retirement Fund's Investment Consultant recommended that the 21 firms be segregated into three (3) categories: Defensive High Yield strategy, Core High Yield strategy, and Opportunistic High Yield strategy. Based on the Investment Consultant's analysis, seven (7) firms were interviewed, from which three (3) were selected. Director Blas stated that the Selection Panel's recommendation is to select Nomura Corporate Research and Management, Hotchkis and Wiley, and Aegon USA Investment Management.

**Trustee David O'Brien, seconded by Treasurer Gerard Cruz, moved to accept the Selection Panel's recommendation to select Nomura Corporate Research and Management, Hotchkis & Wiley, and Aegon USA Investment Management for the Investment Management Services in the Active High Yield Bonds. Without objection, the motion unanimously passed.**

**5. RFP: Active Global Real Estate Securities** – Director Blas stated that evaluations are completed. Director Blas stated that six (6) firms met the requirements of the RFP. Three (3) firms were placed on the short list: CBRE Clarion, Dimensional Fund Advisors, and Cornerstone Real Estate Advisors. Director Blas stated that the Selection Panel's recommendation is to select Dimensional Fund Advisors and Cornerstone Real Estate Advisors.

**Treasurer Gerard Cruz, seconded by Trustee Anthony Blaz, moved to accept the Selection Panel's recommendation to select Dimensional Fund Advisors and Cornerstone Real Estate Advisors for the Investment Management Services in Active Global Real Estate Securities. Without objection, the motion unanimously passed.**

Treasurer Gerard Cruz asked whether the transitioning managers will be in place before engaging with the new managers. Director Blas stated that she will have all three agreements at the same time. Notification will be sent out to everyone who submitted a proposal. Notification for those selected will be sent to make sure they comply with the regulations to conduct business on Guam. Director Blas stated that she will then start drafting the contracts. Acting Chairman Leon Guerrero asked when this will become effective. Are we going to wait for Maggie Ralbovsky of Wilshire Associates? Director Blas stated that Ms. Ralbovsky will be here on November 19-21, 2014 and she will establish the asset allocation for the new managers. Rosalia Bordallo, General Accounting Supervisor, stated that we have Ms. Ralbovsky's recommendation on the asset allocation.

Trustee David O'Brien asked whether there is a transition manager's fee. Acting Chairman Leon Guerrero asked whether it is 10%. Director Blas stated that it is not 10%. Director Blas stated that the 10% is the current allocation for U.S. REITs. Controller Diana Bernardo stated that the fee is indicated in the RFP. Director Blas stated that once we retain the two (2) transition managers, Ms. Ralbovsky will then ask them for quotes. Trustee O'Brien asked whether the cost is negotiable. Director Blas stated that she thinks it is negotiable. Director Blas stated that their fees will be in place. Acting Chairman Leon Guerrero inquired about the process. Director Blas stated that the current managers will have to be notified of their termination dates. The two (2) affected are the U.S. REITs. Director Blas stated that the split between the two managers is not 50-50. Treasurer Cruz stated that the new transitions managers will get on board first, then we will notify the current managers to cease trading, then the transition manager will coordinate with the new managers to engage the transition. The transition manager will transfer custody; and the new transition manager will instruct the current managers to liquidate. Acting Chairman Leon Guerrero asked how long will this take. Treasurer Cruz stated that the actual process will take 3 to 5 days. Acting Chairman Leon Guerrero asked whether things will be in place before the interest rates increase in 2015. Treasurer Cruz stated that it should be completed by January or February 2015.

### **Financial Report**

**1. Contributions** - Director Blas stated that as of October 28, 2014, all agencies are current with their Fiscal Year 2015 employee and employer contributions.

2. **Financial Statements** - Director Blas stated that the books for the month and Fiscal Year ending September 30, 2014 will be closed on November 21, 2014.
3. **Fiscal Year 2015 Retirees' Supplemental Benefits** - Director Blas stated that supplemental benefits for retirees and survivors for the month of October 2014 were paid.
4. **Fiscal Year 2015 Annual COLA** - Director Blas stated that COLA for FY2015 in the amount of \$2,000.00 for retirees and/or survivors were disbursed on October 20, 2014.
5. **Fiscal Year 2015 Medicare Reimbursements** - Director Blas stated that the Retirement Fund received the October 2014 allotment from the General Fund and reimbursements were processed accordingly. Trustee O'Brien inquired about eligibility for Medicare reimbursement. Director Blas stated that it is not necessary to be enrolled in the GovGuam Group Health Insurance. Medicare Parts A, B, and D are reimbursed. The individual would need to submit proof of payment or their statement showing their premium payment for Parts A, B, and D. Trustee O'Brien asked whether Kaiser is included. Director Blas replied, "No." Director Blas stated that the Health Insurance Negotiation Team had negotiated for a supplemental Medicare Plan, but the implementation of the plan was too complicated and it was set aside for Fiscal Year 2016. Trustee Katherine Taitano asked what happens if the appropriation runs out. Director Blas stated that it will be first come first served and if the money runs out, they will not get paid. Director Blas mentioned that it is currently open enrollment for Medicare Parts A and B.

## VI. LEGAL COUNSEL'S REPORT

Legal Counsel will recommend that the Board go into Executive Session to discuss legal issues related to litigation involving the Retirement Fund.

## 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 September 30, 2014.

Treasurer Cruz stated that he is recommending a principal drawdown authorization of up to \$3.5 Million a month for Fiscal Year 2015.

**Treasurer Gerard Cruz, seconded by Trustee David O'Brien, moved to approve the recommended principal drawdown of up to \$3.5 Million per month for Fiscal Year 2015. Without objection, the motion unanimously passed.**

## VIII. STANDING COMMITTEE REPORTS

### A. Investment Committee

Acting Chairman Leon Guerrero reported that the Investment Committee Meeting was held on October 30, 2014. The Committee reviewed and approved the Investment Committee Meeting Minutes of

September 25, 2014. Acting Chairman Leon Guerrero stated that the size of the Retirement Fund's portfolio as of October 25, 2014 is \$1.62 Billion.

*Next Quarterly Performance Meeting* – Vice Chairman Leon Guerrero stated that the next Quarterly Performance Meeting is 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**

Trustee Taitano presented the Committee's October 2014 report to the Board of Trustees.

**Trustee Katherine Taitano, seconded by Trustee David O'Brien, moved to approve the recommendation of the Members and Benefits Committee contained on Pages 4 through 9, including the attached Annuity Worksheets, based on the Committee's review and findings during their meeting of October 8, 2014 and subsequent meetings thereafter. Without objection, the motion unanimously passed.**

**IX. EXECUTIVE SESSION**

Legal Counsel Elyze Iriarte stated that she is the Attorney for the Board of Trustees of the Government of Guam Retirement Fund and as such, she is recommending that the Board of Trustees conduct an Executive Session to discuss legal issues related to the active litigation involving the *Odilia Bautista and Joseph A. Guthrie v. Gerald S.A. Perez* case. Legal Counsel Iriarte stated that the Retirement Fund received a settlement offer in the pending litigation. Legal Counsel Iriarte stated that based on the Open Government Law, the transcript of the Executive Session will remain sealed for six (6) months; and that no voting will take place during the Executive Session.

**Treasurer Gerard Cruz, seconded by Trustee David O'Brien, moved to accept the Retirement Fund's Legal Counsel's recommendation that the Board of Trustees go into Executive Session. Without objection, the motion unanimously passed.**

*George Castro, Certified Court Reporter, is present to take a verbatim transcription of the Executive Session.*

**EXECUTIVE SESSION: 1:35 P.M.  
RECONVENED: 1:55 P.M.**

At this time Acting Chairman Leon Guerrero announced that the Board of Trustees has returned to its regular meeting. Legal Counsel Iriarte certified that the only matters discussed during the Executive Session were related to the Retirement Fund's participation in the *Bautista and Guthrie v. Perez* case. Legal Counsel Iriarte stated that she will be signing a declaration to that effect. Said declaration will be made a part of the record.

Treasurer Gerard Cruz, seconded by Trustee Anthony Blaz, moved to accept the recommendation of the Retirement Fund's Legal Counsel to reject the settlement offer made on the Odilia Bautista and Joseph A. Guthrie v. Gerald S.A. Perez case. Without objection, the motion unanimously passed. Votes as follows: Yes Votes – Trustee Katherine Taitano, Trustee David O'Brien, Treasurer Gerard Cruz, Acting Chairman Wilfred Leon Guerrero, and Trustee Anthony Blaz. With five (5) "Yes" votes, the motion unanimously passed. Chairman Joe San Agustin and Secretary Antolina Leon Guerrero were absent.

**X. OLD BUSINESS**

None

**XI. NEW BUSINESS**

None

**XII. OPEN DISCUSSION / GENERAL PUBLIC INPUT**

None

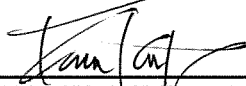
**XIII. ANNOUNCEMENTS**

None


**XIV. ADJOURNMENT**

There being no further business before the Board for the Defined Benefits Plan, on motion of Treasurer Gerard Cruz, seconded by Trustee Anthony Blaz, and without objection, the meeting was adjourned at 1:56 p.m. Motion unanimously passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of October 31, 2014 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on November 21, 2014.

  
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KATHERINE TAITANO, Acting Board Secretary

**RECORDING SECRETARY:**

  
\_\_\_\_\_  
Jackie Blas