



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, January 30, 2015, 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 1:30 p.m. Friday, January 30, 2015, 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

Board of Trustees Absent:

Katherine T.E. Taitano, Trustee (*Excused*)
 Anthony C. Blaz, Trustee (*Excused*)

Staff Present:

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

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. December 19, 2014 Regular Meeting

Treasurer Gerard Cruz, seconded by Secretary Antolina Leon Guerrero, moved to approve the Minutes of the December 19, 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 January 21, 2015 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

Secretary Antolina Leon Guerrero inquired about Trustee David O'Brien's request for a more straight-forward summary report. Director Blas stated that it would have to be in Executive Session since the cases are confidential.

Financial Report

1. *Contributions* - Director Blas stated that as of January 28, 2015, 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 ending December 2014 were closed on January 12, 2015.

3. *Fiscal Year 2014 Audit* - Director Blas stated that the audit for Fiscal Year Ending September 30, 2014 is currently ongoing. The final audit reports are scheduled to be issued no later than February 28, 2015.

4. *Fiscal Year 2015 Retirees' Supplemental Benefits* - Director Blas stated that supplemental benefits for retirees and survivors for the month of January 2015 were paid.

5. *Fiscal Year 2015 Medicare Reimbursements* - Director Blas stated that the Retirement Fund received the January 2015 allotment from the General Fund and reimbursements were processed

accordingly. Trustee O'Brien asked what is the total allotment. Director Blas stated that the appropriation was about \$2 Million. The monthly paid-out amount is about \$160,000.

6. **Tax Year 2014: 1099Rs/1099 MISC** - Director Blas stated that the 1099Rs and 1099 MISC forms were mailed out on January 29, 2015 to the retirees and survivors.

VI. LEGAL COUNSEL'S REPORT

Chairman San Agustin inquired about the pending cases. Director Blas stated that the only case pending is the Guthrie case. Director Blas stated that the hearing had just been scheduled and there should be an update sometime in February. Chairman San Agustin stated that he wants to get this case settled. Director Blas stated that Legal Counsel will make a report at the February 27, 2015 Board Meeting.

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 December 31, 2014.

Treasurer Cruz stated that the current drawdown authorization is sufficient. Chairman San Agustin pointed out that in 2008, the cash flow was always short. Treasurer Cruz stated that it depends on the timing of the contributions. Treasurer Cruz stated that our total contribution received is \$140 Million and our total payout is about \$180 Million. The difference was made up by the bonds and the interest payments and that helped close the gap. Treasurer Cruz stated that we are not certain as to what we are going to get in dividends and returns. Vice Chairman Wilfred Leon Guerrero inquired about the breakdown. Treasurer Cruz stated that payroll is about \$17 Million. Vice Chairman Leon Guerrero asked how much is from the Government of Guam. Treasurer Cruz replied, "\$11 Million." Treasurer Cruz pointed out that the \$5 Million monthly drawdown has decreased to \$3 Million.

Chairman San Agustin stated that the unfunded liability is fixed. Secretary Leon Guerrero pointed out that the report shows the DC unfunded liability contribution continues to go up. Chairman San Agustin stated that there is no unfunded liability in the DC Plan. Director Blas stated that the line item "DC unfunded" includes the DC payroll. Chairman San Agustin stated that the Cash Flow Statement description that reads "DC Unfunded Liability" will create confusion. After discussion options and suggestions, Treasurer Cruz stated that he will make the correction on the description portion of the statement.

VIII. STANDING COMMITTEE REPORTS

A. Investment Committee

Vice Chairman Leon Guerrero reported that the Investment Committee Meeting was held on January 29, 2015. The Committee reviewed and approved the Investment Committee Meeting Minutes of December 15, 2014.

Northern Trust: Custodial Fee Options – Treasurer Cruz stated that the Investment Committee is willing to accept Northern Trust’s Option 1 with a counter offer of a 70/30 fee split, but Northern Trust made a counter offer for a flat custody fee of \$70,000 instead of \$50,000. Director Blas stated that Maggie Ralbovsky of Wilshire Associates indicated that because of the uncertainties in the expected securities lending revenue with the anticipated changes to the Investment Portfolio, she recommends accepting Northern Trust’s original offer of 65/35 fee split with a flat custody fee of \$50,000. Treasurer Cruz stated that the Investment Committee agreed with Wilshire’s recommendation to go with Option 1 with a 65/35 fee split and a flat custody fee of \$50,000. Chairman San Agustin asked if they are increasing the pool. Treasurer Cruz replied, “Yes.” Chairman San Agustin stated that he is concerned that the fee split is being reduced to 65/35. Director Blas stated that Ms. Ralbovsky is saying that the expected lending revenue may turn out to be significantly different from what they think they are going to be able to lend. Treasurer Cruz stated that he will get an explanation from Ms. Ralbovsky regarding Chairman San Agustin’s concern.

Treasurer Gerard Cruz, seconded by Secretary Antolina Leon Guerrero, moved to accept Wilshire Associates’ recommendation to approve Option 1 with a Securities Lending Fee Split of 65/35 and a Flat Custody Fee of \$50,000; subject to clarification by Wilshire Associates of Chairman Joe San Agustin’s concern. Without objection, the motion unanimously passed.

Next Quarterly Performance Meeting – Vice Chairman Leon Guerrero stated that the next Quarterly Performance Meeting is scheduled for February 25, and 26, 2015.

Treasurer Gerard Cruz, 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 January 2015 report to the Board of Trustees.

Vice Chairman Leon Guerrero inquired about an individual on Page 9 of the report showing the effective date as January 1, 2000. Director Blas stated that the individual was on an estimated pay and it is now finalized.. Chairman San Agustin asked whether there will be back pay. Director Blas replied, “Yes.” Vice Chairman Leon Guerrero asked how this was discovered. Director Blas stated that it was during the review of the files of ERIP Notes with outstanding balances.

Director Blas mentioned that an individual had just recently claimed survivor’s annuity. Director Blas stated that the survivor lives in the Philippines and was nowhere to be found when the DB member passed away. The individual is claiming survivor’s benefits through his lawyer.

Secretary Antolina Leon Guerrero, seconded by Treasurer Gerard Cruz, 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 January 26, 2015. Without objection, the motion unanimously passed.

IX. OLD BUSINESS

None

X. NEW BUSINESS

None

XI. OPEN DISCUSSION / GENERAL PUBLIC INPUT

Guam Mortgage Program – Chairman San Agustin provided a copy of the Government of Guam Retirement Fund’s Options for a Guam Mortgage Program for the Board’s information. Chairman San Agustin stated that the law may be implemented and that he just wanted the Board to be aware of this.

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 2:30 p.m. Motion unanimously passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of January 30, 2015 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on February 27, 2015.



ANTOLINA S. LEON GUERRERO, Board Secretary

RECORDING SECRETARY:



Jackie Blas