



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, April 24, 2015, 12:30 p.m.  
 Retirement Fund Conference Room

**MINUTES**

*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

**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 1:15 p.m. Friday, April 24, 2015, 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  
 Katherine T.E. Taitano, Trustee  
 Anthony C. Blaz, Trustee

**Board of Trustees Absent:**

Wilfred P. Leon Guerrero, Vice Chairman (*Excused*)  
 David M. O'Brien, Trustee (*Excused*)

**Staff Present:**

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

**Actuarial Consultant Present:**

Richard Wright, Milliman, Inc.

## II. REVIEW AND APPROVAL OF BOARD MINUTES

### A. March 27, 2015 Regular Meeting

Treasurer Gerard Cruz, seconded by Secretary Antolina Leon Guerrero, moved to approve the Minutes of the March 27, 2015 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 April 19, 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**

### Financial Report

1. *Contributions* - Director Blas stated that as of April 22, 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 March 31, 2015 were closed on April 21, 2015.

3. *Fiscal Year 2015 Retirees' Supplemental Benefits* - Director Blas stated that supplemental benefits for retirees and survivors for the month of April 2015 will be paid at the end of the month.

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

## VI. LEGAL COUNSEL'S REPORT

Director Blas stated that Legal Counsel submitted its report to the Board at its February 27, 2015 meeting. Director Blas stated that the Supreme Court will render its decision by next month.

## 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 Fiduciary Net Position and Statement of Changes in Fiduciary Net Position (unaudited) and Prior Year Receivables for both the Defined Benefit (DB) Plan and the Defined Contribution (DC) Plan for the month ended March 31, 2015. Treasurer Cruz stated that the total combined assets are \$2.1 Billion. Treasurer Cruz stated that there was an increase of \$126,845,434 from March 2014 to March 2015.

Treasurer Cruz stated that the drawdown schedule is still within its existing authority.

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

## VIII. STANDING COMMITTEE REPORTS

### A. Investment Committee

Treasurer Cruz reported that the Investment Committee Meeting was held on April 23, 2015. The Committee reviewed and approved the Investment Committee Meeting Minutes of March 20, 2015 and the November 19, and 20, 2014 Due Diligence Meeting Minutes for the Quarter Ended September 30, 2014.

*Next Quarterly Performance Meeting* – Treasurer Cruz informed the Board that the next Quarterly Performance Meeting is scheduled for May 27, and 28, 2015.

**Trustee Anthony Blaz, seconded by Secretary Antolina Leon Guerrero, moved to accept the Investment Committee Report. Without objection, the motion unanimously passed.**

### B. Members and Benefits Committee

Trustee Katherine Taitano presented the Committee's April 2015 report to the Board of Trustees. Trustee Taitano stated that there are no disability cases for review and approval at this time.

There was a discussion regarding Qualified Domestic Relations Orders (QDROs). Chairman San Agustin stated that QDRO benefits should be automatic unless the parties opt out. Treasurer Cruz suggested getting a legal opinion. Director Blas stated that she will seek a legal opinion regarding this matter.

**Trustee Katherine Taitano, seconded by Secretary Antolina Leon Guerrero, moved to approve the recommendation of the Members and Benefits Committee contained on Pages 4 through 11, including the attached Annuity Worksheets, based on the Committee's review and findings during their meeting of April 15, 2015. Without objection, the motion unanimously passed.**

## IX. OLD BUSINESS

None

## **X. NEW BUSINESS**

### **A. Actuarial Valuation as of September 30, 2014**

Director Blas stated that Milliman, Inc. was retained by the Retirement Fund to provide an actuarial valuation of the Retirement Fund as of September 30, 2014.

Rich Wright of Milliman provided the following highlights on the valuation:

- The required contribution under GCA Section 8137 is 28.16% of payroll (a decrease from the current rate of 29.85%). Of this amount, 22.42% is for the unfunded actuarial accrued liability of the DB Plan, 1.94% is for the normal cost of the DB Plan, and 3.80% is for contributions and expenses for the DC Plan. The primary reasons for the decrease in the contribution rate are the recognition of 1/3rd of the investment gains from the 2011-2012, 2012-2013, and 2013-2014 fiscal years as well as a larger than expected increase in total payroll and contributions, which reduce the percentage of payroll needed to amortize the unfunded actuarial accrued liability. These decreases were partially offset by other factors, primarily larger than expected increases in individual salaries which increased the value of projected benefits for active employees.
- Public Law 28-150 provided that the current employer contribution rate will increase over a 5-year period until it reaches the actuarial contribution rate. The employer contribution rate for the 2014-2015 Fiscal Year is 29.85%.
- The DB payroll for the 2013-2014 Fiscal Year was \$169.9 Million compared with \$164.3 Million for the 2012-2013 Fiscal Year. The total DB and DC payroll for the 2013-2014 Fiscal Year was \$504.9 Million compared with \$460.3 Million for the 2012-2013 Fiscal Year, an increase of 9.7%. The long term assumption is a 3.0% annual growth in total payroll. If total payroll had increased by 3.0%, the required contribution rate would have been 28.91%.
- Based on the audited financial statements, Milliman calculated an investment return on the total market value of assets of 10.0% for the Fiscal Year Ending September 30, 2014. The average annual return on the market value of assets for the last 5 fiscal years has been 10.4%. The investment return on the actuarial value of assets, which recognizes investment gains and losses over a 3-year period, was 14.5%.
- The unfunded actuarial accrued liability decreased from \$1.442 Billion as of September 30, 2013 to \$1.369 Billion as of September 30, 2014. The primary cause for the decrease was the return on the actuarial value of assets of 14.5%. The payment required to amortize the unfunded actuarial accrued liability under GCA Section 8137 has decreased from \$114.2 Million to \$113.1 Million. The payment as a percentage of payroll has decreased from 24.09% to 22.42%, due to a higher than expected investment return and increase in total payroll.
- No changes have been made to the actuarial assumptions. These continue to be based upon the actuarial experience study for the period from October 1, 2007 to September 30, 2011.
- The security ratio increased from 49.49% as of September 30, 2013 to 53.30% as of September 30, 2014. This is expected to increase to 56% next year.

Chairman San Agustin asked what the current contribution rate is. Rosalia Bordallo, General Accounting Supervisor, stated that it is 29.85%. Chairman San Agustin asked when the 28.16% will become effective. Ms. Bordallo stated that the 28.16% contribution rate is for Fiscal Year 2016. Chairman San Agustin inquired about savings. Mr. Wright stated that savings is about \$8 Million.

**Treasurer Gerard Cruz, seconded by Secretary Antolina Leon Guerrero, moved to accept the Actuarial Valuation Report as of September 30, 2014. Without objection, the motion unanimously passed.**

**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 Katherine Taitano, and without objection, the meeting was adjourned at 2:05 p.m. Motion unanimously passed.**

**I hereby certify that the foregoing is a full, true and correct copy of the Minutes of April 24, 2015 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on May 29, 2015.**



**ANTOLINA S. LEON GUERRERO, Board Secretary**

**RECORDING SECRETARY:**

  
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**Jackie Blas**