



GOVERNMENT OF GUAM  
**RETIREMENT FUND**  
 STABILITY · SECURITY · REWARDS

**BOARD OF TRUSTEES**

**Regular Meeting**

Friday, August 28, 2015, 12:00 Noon  
 Retirement Fund Conference Room

**MINUTES**

**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

**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 1:17 p.m. Friday, August 28, 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:**

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

**Staff Present:**

Paula Blas, Director  
 Diana Bernardo, Controller  
 Rosalia Bordallo, General Accounting Supervisor  
 Jackie Blas, Recording Secretary  
 Alice Taijeron, Director, Client Relations & Plan Counseling, Empower Retirement  
 Peter Duenas, Acting Benefit Program Administrator  
 Lena Sanchez, Benefit Specialist II

**Investment Consultant Present:**

Maggie Ralbovsky, Wilshire Associates

**Medical Consultant Present:**

Dr. Laura Post (*1:52 p.m.*)

**Legal Counsel Present:**

Elyze M. Iriarte, Carlsmith Ball LLP

## **II. REVIEW AND APPROVAL OF BOARD MINUTES**

### **A. July 31, 2015 Regular Meeting**

**Secretary Antolina Leon Guerrero, seconded by Trustee David O'Brien, moved to approve the Minutes of the July 31, 2015 Regular Meeting, subject to technical corrections. Without objection, the motion unanimously passed.**

Chairman San Agustin stated that he would like to change the order of business and proceed with Legal Counsel's Report at this time. The Board indicated that they have no problem with changing the order of business.

## **III. LEGAL COUNSEL'S REPORT**

Legal Counsel Elyze Iriarte reported on the Joseph Guthrie case. Legal Counsel stated that the Supreme Court rendered its opinion on the Guthrie case, ruling that the Retirement Fund is subject to Sovereign Immunity. The impact of this ruling is that the Guthrie case is dismissed in its entirety. Legal Counsel stated that Mr. Guthrie is appealing the Supreme Court's opinion. Legal Counsel conveyed to the Board that Mr. Guthrie submitted a settlement offer of \$100,000.00 for the Board's consideration.

**Secretary Antolina Leon Guerrero, seconded by Trustee David O'Brien, moved to decline the settlement offer by Joseph Guthrie. Without objection, the motion unanimously passed.**

## **IV. CORRESPONDENCE**

None

## **V. INFORMATIONAL ITEMS**

None

## **VI. DIRECTOR'S REPORT - EXECUTIVE SUMMARY**

**1. *Candelaria Rios, et al. vs. Joseph Ada, et al. (Special Proceeding Case No. SP206-93)*** - 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)*** - BLBG's Litigation Status Report dated August 21, 2015 on the following lawsuits is provided for the Board's information. 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 Proposals (RFP) for Risk Parity*** - Director Paula Blas stated that evaluations are ongoing. The Selection Panel consists of Joe San Agustin, Wilfred Leon Guerrero, and Gerard Cruz.

## **Financial Report**

1. ***Contributions*** - Director Blas stated that as of August 25, 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 July 31, 2015 were closed on August 24, 2015.
3. ***Fiscal Year 2015 Retirees' Supplemental Benefits*** - Director Blas stated that supplemental benefits for retirees and survivors for the month of August 2015 were paid.
4. ***Fiscal Year 2015 Medicare Reimbursements*** - Director Blas stated that the Retirement Fund received the August 2015 allotment from the General Fund and reimbursements were processed accordingly.

## **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 July 31, 2015. Treasurer Cruz stated that the drawdown schedule is still within its existing authority.

## **VIII. STANDING COMMITTEE REPORTS**

### **A. Investment Committee**

Vice Chairman Wilfred Leon Guerrero reported that the Quarterly Performance Meeting for the Quarter Ended June 30, 2015 was held on August 27, 2015. The Investment Committee Meeting was also held on August 27, 2015. The Committee reviewed and approved the Investment Committee Meeting Minutes of July 30, 2015, and the May 27, and 28, 2015 Due Diligence Meeting Minutes for the Quarter Ended March 31, 2015.

Vice Chairman Leon Guerrero reported that the transition process was addressed by Maggie Ralbovsky of Wilshire Associates. Vice Chairman Leon Guerrero stated that during the Due Diligence meetings, Ms. Ralbovsky discussed the Investment Manager performance and the rebalancing of the Investment Portfolio.

Ms. Ralbovsky also provided an overview of the DB Plan's Investment Performance. Ms. Ralbovsky noted that for the Quarter Ended June 30, 2015, the Retirement Fund's Portfolio underperformed its benchmark index, ranking at the 96th percentile of Wilshire's peer group universe for the quarter. As of June 30, 2015, Retirement Fund's Return was -1.46% and the Benchmark Return was -1.08%. This is due to the underperformance of managers. Ms. Ralbovsky stated that the Retirement Fund is now within its policy ranges. Vice Chairman Leon Guerrero stated that as of August 25, 2015, the Retirement Fund's portfolio is \$1,587,597.89.

Ms. Ralbovsky reported that annual reviews were conducted with Eaton Vance and Numeric. The Committee was comfortable with both managers. Ms. Ralbovsky stated that Wilshire recommends removing Eaton Vance from the Watch List. The Committee, however, elected to keep Eaton Vance

and Capital Guardian on watch. Ms. Ralbovsky informed the Board of Numeric's fiduciary relationship with Man Group. Ms. Ralbovsky stated that 80% of Numeric is owned by Man Group. The Investment Committee is seeking a legal opinion relative to the fiduciary relationship between Numeric and Man Group.

**Vice Chairman Wilfred Leon Guerrero, seconded by Treasurer Gerard Cruz, moved to accept the Investment Committee's recommendation to keep Eaton Vance and Capital Guardian on the Watch List. Without objection, the motion unanimously passed.**

*Next Quarterly Performance Meeting* – Vice Chairman Leon Guerrero informed the Board that the next Quarterly Performance Meeting is scheduled for November 18, and 19, 2015.

**Treasurer Gerard Cruz, seconded by Trustee David O'Brien, moved to accept the Investment Committee Report. Without objection, the motion unanimously passed.**

*Treasurer Gerard Cruz was excused from the meeting at this time (2:00 p.m.)*

#### **B. Members and Benefits Committee**

Trustee David O'Brien presented the Committee's August 2015 report to the Board of Trustees.

**Trustee David O'Brien, seconded by Secretary Antolina Leon Guerrero, moved to approve the recommendation of the Members and Benefits Committee contained on Pages 4 through 13, including the attached Annuity Worksheets and relevant documents, based on the Committee's review and findings during their meeting of August 19, 2015. Without objection, the motion unanimously passed.**

#### **DISABILITY CASE NO. 15-001**

Dr. Laura Post stated that the applicant is a 63 year old Teacher V. The applicant applied for disability on January 5, 2015. The reason for application is Residual Effects of Rectal Cancer including Colostomy, Urostomy, Neuropathy of Hands and Feet. The applicant was examined by Dr. Gelsey Goodstein (physician from California) on January 8, 2015, Dr. Fred Schroeder on March 15, 2015, and Dr. Patrick Santos on February 21, 2015. Dr. Goodstein gave a rating of 35% whole-person impairment, Dr. Schroeder gave a rating of 76% whole-person impairment, and Dr. Santos gave a rating of 59% whole-person impairment. Dr. Post stated that she gave a rating of 23% whole-person impairment. Dr. Laura Post, indicated that pursuant to the reports from the two Independent Medical Examiners, and in the context of criteria based upon the American Medical Association's Sixth Edition of Guides to the Evaluation of Permanent Impairment (2008), the average Final Estimated Whole-Person Impairment Rating is 67.5%, therefore full disability pension is not appropriate for 15-001 at this time.

Dr. Post indicated that there is new information that was provided after her medical report and even after reviewing that, the rating is still below the 75% threshold. Dr. Post stated that things may change in the future. Chairman San Agustin asked whether the applicant is capable of a gainful employment. Dr. Post replied, "Yes." Vice Chairman Leon Guerrero stated that the applicant has been missing work due to medical treatments. Director Blas stated that if the applicant decides to resign, the applicant

would be eligible to retire under the Retirement Fund's Section 8130. Secretary Antolina Leon Guerrero asked whether the applicant is aware of that. Peter Duenas, Acting Benefit Program Administrator, stated that the files indicate that the applicant was counseled with regards to Section 8130.

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. Chairman San Agustin pointed out that the Board acknowledges receipt of a letter from the applicant dated August 17, 2015.

**Secretary Antolina Leon Guerrero, seconded by Trustee David O'Brien, moved to accept the Retirement Fund's Medical Consultant's findings that a full disability pension is not appropriate at this time and to deny disability pension for Disability Case No. 15-001. Votes as follows: Yes Votes – Secretary Antolina Leon Guerrero, Trustee David O'Brien, Vice Chairman Wilfred Leon Guerrero, and Chairman Joe San Agustin. With four (4) "Yes" votes, the motion unanimously passed. Treasurer Gerard Cruz was earlier excused from the meeting; and Trustees Anthony Blaz and Katherine Taitano were absent.**

**IX. OLD BUSINESS**

None

**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 Secretary Antolina Leon Guerrero, seconded by Trustee David O'Brien, and without objection, the meeting was adjourned at 2:33 p.m. Motion unanimously passed.**

**I hereby certify that the foregoing is a full, true and correct copy of the Minutes of August 28, 2015 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on September 18, 2015.**



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

**RECORDING SECRETARY:**



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**Jackie Blas**