



GOVERNMENT OF GUAM
RETIREMENT FUND
 STABILITY · SECURITY · REWARDS

BOARD OF TRUSTEES

Regular Meeting

Friday, September 18, 2015, 12:00 Noon

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 12:52 p.m. Friday, September 18, 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
 Anthony C. Blaz, Trustee

Board of Trustees Absent:

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

Staff Present:

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

Medical Consultant Present:

Dr. Laura Post (*1:57 p.m.*)

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

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. August 28, 2015 Regular Meeting

Trustee David O'Brien stated that it is not necessary to list the disability applicant's disease in the minutes. Treasurer Gerard Cruz agreed with Trustee O'Brien. Trustee O'Brien also suggested to delete the second paragraph on Page 5 of the minutes. Secretary Antolina Leon Guerrero agreed to delete the paragraph as the matter has been addressed.

Treasurer Gerard Cruz, seconded by Trustee David O'Brien, moved to approve the Minutes of the August 28, 2015 Regular Meeting, as discussed and corrected, subject to further 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)*** - 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 September 12, 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 the Selection Panel concluded their negotiations. The Selection Panel recommends that the Board select Panagora Asset Management, Inc. and Invesco Advisers, Inc. in response to RFP No. GGRF-001-15 - Risk Parity mandate related to the Defined Benefit Plan. Upon approval, the Director is directed to complete the necessary administrative requirements to complete the RFP process.

Trustee David O'Brien, seconded by Treasurer Gerard Cruz, moved to approve the Selection Panel's recommendation to select Panagora Asset Management, Inc. and Invesco Advisers, Inc. in response to RFP No. GGRF-001-15; and the Director of the Retirement Fund is directed to complete the necessary administrative requirements to complete the RFP process. Without objection, the motion unanimously passed.

4. ***Fiscal Year 2016 Government of Guam Group Health Insurance*** - Director Blas stated that the FY2016 Government of Guam Group Health Insurance open enrollment is scheduled for September 14, 2015 to September 29, 2015. The Retiree Advocate's report for this Fiscal Year's Health Insurance Negotiations is provided. Trustee Anthony Blaz stated that there was a minor change on the Retiree Supplemental Plan (RSP). Chairman San Agustin stated that the premium on Class I

and Class II for retirees was \$0.00, but now there is an amount added on to Class II. Trustee Blaz stated that the RSP is a good plan and whatever issues arise will be addressed at the next negotiations to make it better.

Financial Report

1. **Contributions** - Director Blas stated that as of September 16, 2015, all agencies are current with their Fiscal Year 2015 employee and employer contributions. Director Blas stated that she is monitoring the trend of the Guam Memorial Hospital Authority (GMHA) as they were a day late for the past two (2) pay periods.

2. **Financial Statements** - Director Blas stated that the books for the month ending August 31, 2015 were closed on September 17, 2015.

3. **Fiscal Year 2015 Retirees' Supplemental Benefits** - Director Blas stated that supplemental benefits for retirees and survivors for the month of September 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 September 2015 allotment from the General Fund and reimbursements were processed accordingly.

VI. LEGAL COUNSEL'S REPORT

No report was made at this time.

VII. TREASURER'S REPORT OF FINANCIAL STATUS

A. Fiscal Year 2016 Proposed Budget

Treasurer Cruz stated that the proposed FY2016 Budget is provided for the Board's review. Treasurer Cruz stated that the Retirement Fund is proposing a 3.1% increase in their operational budget. Director Blas stated that the increase is attributed to increases in personnel costs due to the implementation of the Hay Plan and increases in the retiree Medical, Dental, and Life (MDL) Insurance premiums. The increase is also attributed to the increase in audit fees due to the new GASB 67 requirements, and increases in investment consultant fees in accordance with their contracts. Chairman San Agustin inquired about the allocation for administrative expenses. Treasurer Cruz stated that it is currently 0.4% of the contributions. Treasurer Cruz stated that by law, it is not to exceed 5%.

Trustee O'Brien asked whether there is a projection on additional expenses related to the Hybrid Plan. Treasurer Cruz stated that the Director has a transfer authority of up to 10% of the approved budget level to cover shortfalls. Vice Chairman Wilfred Leon Guerrero asked what the Retirement Fund's staff professional development goal is. Director Blas stated that the goal is to provide an incentive for staff to pursue a higher education. Vice Chairman Leon Guerrero inquired about the Investment Specialist position. Director Blas stated that when the position was created, the position description did not fit the title. Vice Chairman Leon Guerrero stated that the Retirement Fund should have the Civil Service Commission change the position description to coincide with its title. Trustee O'Brien asked whether the proposed budget should include money for a limited term consultant to deal with

retirement issues. Treasurer Cruz stated that we could include an additional \$100,000.00 for the purposes of a limited term consultant.

Treasurer Gerard Cruz, seconded by Trustee David O'Brien, moved to approve the Fiscal Year 2016 Budget, as amended to include an additional \$100,000.00 for purposes of a limited term consultant to deal with retirement issues. 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 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 August 31, 2015. Treasurer Cruz stated that the drawdown schedule is still within its existing authority.

VIII. STANDING COMMITTEE REPORTS

A. Investment Committee

Vice Chairman Leon Guerrero reported that the Investment Committee Meeting was held on September 11, 2015. The Committee reviewed and approved the Investment Committee Meeting Minutes of August 27, 2015.

Director Blas stated that she received Legal Counsel's opinion relative to the fiduciary relationship between Numeric and Man Group. Director Blas stated that Legal Counsel's opinion states that Numeric's fiduciary relationship with the Retirement Fund was not affected by the merger.

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.

Trustee Anthony Blaz was excused from the meeting at this time (1:57 p.m.)

B. Members and Benefits Committee

Secretary Leon Guerrero presented the Committee's September 2015 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 16, 2015. Without objection, the motion unanimously passed.

DISABILITY CASE NO. 14-007

Secretary Leon Guerrero stated that the applicant is a 53 year old Transportation Supervisor with the Port Authority of Guam with 24+ years of service. The applicant applied for disability on December 18, 2014. The applicant was examined by Dr. Patrick Santos on December 29, 2014, and Dr. Fred Schroeder on January 6, 2015. Dr. Santos gave a rating of 14% whole-person impairment, and Dr. Schroeder gave a rating of 59% whole-person impairment. Secretary Leon Guerrero stated that the Retirement Fund's Medical Consultant gave a rating of 6.67% whole-person impairment.

Dr. Laura Post, the Retirement Fund's Medical Consultant, stated that pursuant to the reports from the two Independent Medical Examiners (IMEs), 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 36.5% which is less than the 75% threshold. Secretary Leon Guerrero stated that the M&B Committee had asked the two IMEs to go over the records and both IMEs reaffirmed their initial findings.

Secretary Leon Guerrero read out loud the definition of Total and Permanent Disability: **“One which results from some impairment of body or mind which can be expected to result in death, or can be expected to last for a continuous period of not less than twelve (12) months. The impairment shall be one that substantially precludes a person from performing with reasonable regularity the substantial and material parts of any gainful work or occupation that he/she would be competent to perform if it were not for that impairment and if founded upon condition which render it reasonably certain that it will continue indefinitely.”**

Dr. Post stated that she finds that the applicant is impaired by acute and chronic medical diagnoses, with multiple symptoms and that the applicant's medical condition is stable and in remission and does not find that a disability pension is appropriate for 14-007 at this time.

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.

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. 14-007. Votes as follows: Yes Votes – Secretary Antolina Leon Guerrero, Trustee David O'Brien, Treasurer Gerard Cruz, Vice Chairman Wilfred Leon Guerrero, and Chairman Joe San Agustin. With five (5) “Yes” votes, the motion unanimously passed. Trustee Anthony Blaz was earlier excused from the meeting; and Trustee Katherine Taitano was absent.

DISABILITY CASE NO. 15-002

Secretary Leon Guerrero stated that the applicant is a 58 year old School Bus Driver with the Department of Public Works with 22 years and 7 months of service. The applicant applied for disability on May 6, 2015. The applicant was examined by Dr. Patrick Santos on May 19, 2015, and Dr. Fred Schroeder on June 1, 2015. Dr. Santos gave a rating of 50% whole-person impairment, and Dr. Schroeder gave a rating of 67% whole-person impairment. The Retirement Fund's Medical Consultant gave a rating of 20% whole-person impairment. Dr. Laura Post, the Retirement Fund's Medical Consultant, stated 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 58.5% which is less than the 75% threshold. Dr. Post stated that she does not find that a disability pension is appropriate for 15-002 at this time.

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.

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. 15-002. Votes as follows: Yes Votes – Secretary Antolina Leon Guerrero, Trustee David O'Brien, Treasurer Gerard Cruz, Vice Chairman Wilfred Leon Guerrero, and Chairman Joe San Agustin. With five (5) "Yes" votes, the motion unanimously passed. Trustee Anthony Blaz was earlier excused from the meeting; and Trustee Katherine Taitano was absent.

CORRESPONDENCE #15-01: REQUEST FOR CONSIDERATION OF REDEPOSIT OF SERVICE CREDIT – MARIA T. O'BRIEN

Secretary Antolina Leon Guerrero, seconded by Treasurer Gerard Cruz, moved to table Correspondence #15-01: Request for Consideration of Redeposit of Service Credit - Maria T. O'Brien. Without objection, the motion unanimously passed.

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 Trustee David O'Brien, seconded by Secretary Antolina Leon Guerrero, and without objection, the meeting was adjourned at 2:10 p.m. Motion unanimously passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of September 18, 2015 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on October 30, 2015.



ANTOLINA S. LEON GUERRERO, Board Secretary

RECORDING SECRETARY:



Jackie Blas