



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
 Wednesday, December 16, 2015, 12:00 Noon
 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 1:05 p.m. Wednesday, December 16, 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
- Anthony C. Blaz, Trustee
- David M. O'Brien, Trustee
- Katherine T.E. Taitano, Trustee

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
- Jackie Sablan & Lena Sanchez, Benefit Specialist II

Public Present:

- Jose Mesa

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. November 20, 2015 Regular Meeting

Treasurer Gerard Cruz, seconded by Secretary Antolina Leon Guerrero, moved to approve the Minutes of the November 20, 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)* - 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 December 15, 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

Treasurer Gerard Cruz stated that Jefferies has offered a settlement of \$20 Million on the MF Global lawsuit. Treasurer Cruz stated that Jefferies' Legal Counsel has requested to reopen the settlement discussions. Jefferies is one of the underwriters.

Treasurer Gerard Cruz, seconded by Trustee David O'Brien, moved to accept Bernstein Litowitz Berger and Grossman's recommendation to settle the remaining claims against Jefferies for \$20 Million or higher on the MF Global lawsuit. Without objection, the motion unanimously passed.

Financial Report

1. *Contributions* - Director Paula Blas stated that as of December 15, 2015, all agencies are current with their Fiscal Year 2016 employee and employer contributions with the exception of the Guam Memorial Hospital Authority (GMHA). Director Blas stated that the amount due from GMHA is \$935,000. The total amount due for DC and DB is \$1.2 Million. Director Blas stated that she will also ask the Retirement Fund's Legal Counsel what the Board's course of action is.

2. *Financial Statements* - Director Blas stated that the books for the month ending October 31, 2015 were closed on December 15, 2015.

3. ***Fiscal Year 2016 Retirees' Supplemental Benefits*** - Director Blas stated that supplemental benefits for retirees and survivors for the month of December 2015 will be paid at the end of the month.

4. ***Fiscal Year 2016 Medicare Reimbursements*** - Director Blas stated that the Retirement Fund received the December 2015 allotment from the General Fund and reimbursements were processed accordingly.

VI. LEGAL COUNSEL'S REPORT

Director Blas stated that the Retirement Fund's Legal Counsel provided a summary of the amendments to update the qualified retirement and timelines for submission of plans and enactment of the bill to amend the Defined Benefit Plan. Director Blas stated that the restatement for both plans is done every five (5) years. The last restatement was in January 2011. The deadline for the restatement to include any changes to be in compliance with the federal law is January 31, 2016. An amendment to the "Surviving Spouse" definition is needed to comply. Director Blas stated that the Retirement Fund's Plan Document will be amended by this. Once the determination is received from the Department of Revenue and Taxation, the draft legislation will be submitted to the Legislature.

Trustee David O'Brien, seconded by Treasurer Gerard Cruz, moved to approve the proposed resolution to adopt Amendment No. 2015-1 to the Government of Guam Defined Contribution Retirement System Plan and Trust Agreement. Without objection, the motion unanimously passed.

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 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 September 30, 2015.

Treasurer Cruz stated that the drawdown schedule is still within its amended authority. Treasurer Cruz stated that he would like to recommend an increase in the drawdown authorization to \$4.5 Million for the next three (3) months (January to March 2016) to account for the shortfall in cash flow due to the lack of payment from GMHA.

Treasurer Gerard Cruz, seconded by Trustee David O'Brien, moved to approve to increase the principal drawdown authorization to \$4.5 Million for the next three (3) months (January to March 2016) to account for the shortfall in cash flow due to the lack of payment from the Guam Memorial Hospital Authority. Without objection, the motion unanimously passed.

VIII. STANDING COMMITTEE REPORTS

A. Investment Committee

Vice Chairman Wilfred Leon Guerrero reported that the Investment Committee Meeting was held on December 11, 2015. The Committee reviewed and approved the Investment Committee Meeting Minutes of November 19, 2015.

Next Quarterly Performance Meeting – Vice Chairman Leon Guerrero informed the Board that the next Quarterly Performance Meeting is scheduled for February 24, and 25, 2016. Vice Chairman Leon Guerrero stated that Risk Parity will be discussed at that time.

Trustee Anthony Blaz, seconded by Treasurer Gerard Cruz, 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 December 2015 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 8, including the attached Annuity Worksheets and relevant documents, based on the Committee's review and findings during their meeting of December 9, 2015. Without objection, the motion unanimously passed.

Chairman San Agustin informed the Board that he has an article entitled "Protecting the Elderly from Financial Abuse" that the M&B Committee should review. Chairman San Agustin stated that there are complaints from retirees that are victimized by their children. Secretary Antolina Leon Guerrero acknowledged Chairman San Agustin's request for review.

DISABILITY CASE NO. 15-003

Secretary Leon Guerrero stated that the applicant is a 58 year old Solid Waste Technician with the Department of Public Works with 25 years of service. The applicant applied for disability on March 3, 2015. The application was submitted to the Retirement Fund on April 28, 2015. The applicant was examined by Dr. Patrick Santos on August 7, 2015, and Dr. Fred Schroeder on August 25, 2015. Dr. Santos gave a rating of 40% whole-person impairment and indicated that the impairment does not preclude the applicant from gainful work; and Dr. Schroeder gave a rating of 53% whole-person impairment, and also indicated that the impairment does not preclude the applicant from gainful work. Pursuant to the reports from the two (2) 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 46.5%. Secretary Leon Guerrero stated that Dr. Laura Post, the Retirement Fund's Medical Consultant, finds that the applicant is impaired by both acute and chronic general medical diagnoses, with multiple symptoms, and based on her review and that of the two IMEs, Dr. Post does not find that a disability pension is appropriate for 15-003 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 recognized the applicant and asked the applicant to please state his name for the record.

The applicant came forward and stated that his name is Jose Mesa. Mr. Mesa presented a summary of his medical history dating back to 1991. Mr. Mesa stated he was put on light duty and that all he does is go to work and back home. He stated that he has a good work performance.

Chairman San Agustin stated that the Board relies on the physicians and the ratings given by the physicians. Chairman San Agustin then 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.”** Chairman San Agustin stated that the Board is governed by law.

At this time there was an outburst from Mr. Mesa. Chairman San Agustin politely asked Mr. Mesa to leave the room.

Treasurer Gerard Cruz, seconded by Secretary Antolina Leon Guerrero, moved to accept the Retirement Fund’s Medical Consultant’s findings that a disability pension is not appropriate at this time and to deny disability pension for Disability Case No. 15-003. Votes as follows: Yes Votes – Secretary Antolina Leon Guerrero, Trustee David O'Brien, Treasurer Gerard Cruz, Vice Chairman Wilfred Leon Guerrero, Trustee Anthony Blaz, Trustee Katherine Taitano, and Chairman Joe San Agustin. With seven (7) “Yes” votes, the motion unanimously passed.

IX. OLD BUSINESS

None

X. NEW BUSINESS

None

XI. OPEN DISCUSSION / GENERAL PUBLIC INPUT

Request for Proposal (RFP) - Professional Services Related to Retirement Fund Policy and Strategy Consulting for the Board of Trustees - Trustee David O'Brien provided the Board with the Policy and Strategy Consultant scope of work for the Board's review and comments on the highlighted portions of the RFP. Trustee O'Brien stated that he would like to discuss this item in January 2016.

XII. ANNOUNCEMENTS

None

XIII. ADJOURNMENT

There being no further business before the Board for the Defined Benefits Plan, on motion of Treasurer Gerard Cruz, seconded by Secretary Antolina Leon Guerrero, 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 December 16, 2015 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on January 29, 2016.



ANTOLINA S. LEON GUERRERO, Board Secretary

RECORDING SECRETARY:



Jackie Blas