



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, May 27, 2016, 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

**David M. O'Brien**  
 Trustee

**Albert H. Santos**  
 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, May 27, 2016, 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  
 Albert H. Santos, Trustee

**Board of Trustees Absent:**

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 and Grace Atalig, Empower Retirement  
 Jackie Sablan & Lena Sanchez, Benefit Specialist II

**Investment Consultant Present:**

Maggie Ralbovsky, Wilshire Associates

**Public Present:**

Edward Calvo Artero

## II. REVIEW AND APPROVAL OF BOARD MINUTES

### A. April 29, 2016 Regular Meeting

Trustee Albert Santos, seconded by Treasurer Gerard Cruz, moved to approve the Minutes of the April 29, 2016 Regular Meeting, subject to technical corrections. Without objection, the motion 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 May 23, 2016 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
- Apollo Education Group, Inc.

3. *Request for Proposals (RFPs):*

- a. **RFP No. 001-16: Investment Consultant Services for the Defined Benefit (DB) Plan**

Director Paula Blas stated that the RFP for the Investment Consultant Services for the DB Plan closed on May 13, 2016. Evaluations will commence soon. Director Blas stated that the Selection Panel consists of Chairman Joe San Agustin, Vice Chairman Wilfred Leon Guerrero and Trustee Albert Santos. Chairman San Agustin stated that he would like to recuse himself as a Selection Panel member due to a Conflict of Interest. Chairman San Agustin stated for the record that Bank of Guam is submitting a proposal. Trustee David O'Brien nominated Treasurer Gerard Cruz to be a member of the Selection Panel. Treasurer Cruz accepted the nomination. Director Blas stated that she will make sure the Selection Panel is aware of any Conflict of Interest.

- b. **RFP No. 003-16: Investment Management Services Specifically for Master Limited Partnerships (MLP)**

Director Blas stated that the RFP for Investment Management Services, specifically for MLP will close on June 13, 2016. The Selection Panel has not been established yet.

## **Financial Report**

1. **Contributions** - Director Blas stated that as of May 24, 2016, all agencies are current with their Fiscal Year 2016 employee and employer contributions with the exception of the Guam Memorial Hospital Authority (GMHA). GMHA is still in arrears in the amount of \$3 Million. If payment of \$500,000 is made by May 31, 2016, the arrears will go down to \$2.5 Million. Secretary Antolina Leon Guerrero stated that the Board will decide in June on the course of action to take if payment is not made by May 31, 2016.

2. **Financial Statements** - Director Blas stated that the books for the month ended April 30, 2016 were closed on May 19, 2016.

3. **Fiscal Year 2016 Retirees' Supplemental Benefits** - Director Blas stated that supplemental benefits for retirees and survivors for the month of May 2016 were paid.

4. **Fiscal Year 2016 Medicare Reimbursements** - Director Blas stated that the Retirement Fund received the May 2016 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**

Treasurer Cruz stated that the Treasurer's Report is provided at this meeting. It covers the Retirement Fund's Statement of Fiduciary Net Position for both the Defined Benefit (DB) Plan and the Defined Contribution (DC) Plan for the month ended April 30, 2016. Treasurer Cruz stated that the issue with the GMHA delinquency will affect the need to drawdown. Treasurer Cruz stated that he would like to request for a drawdown authority of \$4.5 Million up through the end of this Fiscal Year.

**Treasurer Gerard Cruz, seconded by Secretary Antolina Leon Guerrero, moved to approve the request for a drawdown authority of \$4.5 Million up through September 30, 2016. Without objection, the motion passed.**

## **VIII. STANDING COMMITTEE REPORTS**

### **A. Investment Committee**

Vice Chairman Leon Guerrero reported that the Quarterly Performance Meeting for the Quarter Ended March 31, 2016 was held on May 25, and 26, 2016. The Investment Committee Meeting was also held on May 26, 2016. The Committee reviewed and approved the Investment Committee Meeting Minutes of April 28, 2016.

Maggie Ralbovsky of Wilshire Associates provided an overview of the DB Plan's Investment Performance noting that for the quarter ended March 31, 2016, the Retirement Fund's portfolio underperformed its benchmark index, ranking at the 40th percentile of Wilshire's peer group universe for the quarter. The Retirement Fund's Return was 1.25% and the Benchmark Return was 1.74%. Ms. Ralbovsky stated that annual reviews were conducted for the following investment managers: Income

Research Management, Garcia Hamilton, Hotchkis Wiley, Aegon USA, and Nomura Research. Ms. Ralbovsky stated that she provided a discussion on Smart Beta relative to providing further diversification of the Investment Portfolio. Ms. Ralbovsky stated that she will provide further analysis on Smart Beta for the Investment Committee to consider at the next due diligence meeting in August 2016.

Ms. Ralbovsky also discussed the rebalancing of the Investment Portfolio. The Investment Committee recommends the following:

**1. Rebalancing of the Investment Portfolio**

Ms. Ralbovsky stated that there is a slight revision on the balancing worksheet that was previously approved by the Board. The rebalancing of the Investment Portfolio includes: 1) funding the Risk Parity Managers (Invesco and PanAgora) upon signing of their contracts, and 2) additional funding of \$10 Million to the BlackRock MSCI ACSI X US Index Fund.

**Trustee David O'Brien, seconded by Treasurer Gerard Cruz, moved to approve the revised Rebalancing Worksheet as presented by Wilshire Associates. Without objection, the motion passed.**

**2. Eaton Vance's Proposed Fee Reduction**

Ms. Ralbovsky stated that Eaton Vance is proposing a 20 basis point fee reduction. Eaton Vance's proposed fee is 70 basis point flat fee through December 31, 2017.

**Vice Chairman Wilfred Leon Guerrero, seconded by Trustee David O'Brien, moved to accept Eaton Vance's proposed fee of 70 basis point flat fee through December 31, 2017. Without objection, the motion passed.**

**3. Keeping Capital International and Eaton Vance on Watch**

Ms. Ralbovsky stated that Capital International and Eaton Vance will be kept on watch.

**Vice Chairman Wilfred Leon Guerrero, seconded by Treasurer Gerard Cruz, moved to approve to keep Capital International and Eaton Vance on the Watch List. Without objection, the motion passed.**

*Next Quarterly Performance Meeting* – Vice Chairman Leon Guerrero informed the Board that the next Quarterly Performance Meeting is scheduled for August 24, and 25, 2016.

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

**B. Members and Benefits Committee**

Secretary Leon Guerrero presented the Committee's May 2016 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 17, including the attached Annuity Worksheets and relevant documents, based on the Committee's review and findings during their meeting of May 18, 2016. Without objection, the motion passed.**

#### **DISABILITY CASE NO. 15-007**

Secretary Leon Guerrero stated that Disability Case No. 15-007 was tabled at the March 18, 2016 Board meeting so that Management could communicate with the Port Authority of Guam (Port) regarding Workman's Compensation that applicant Vince Pangelinan is entitled to. Director Blas stated that the information she received from Port Management is that Mr. Pangelinan was compensated for his injury. Mr. Pangelinan was approved to be placed on Workman's Compensation and did receive Workman's Compensation up to the maximum amount that was statutorily allowed. Director Blas stated that the Port overpaid Mr. Pangelinan by \$35,000.00 and the Port tried to recover the overpayment, but Mr. Pangelinan didn't want to repay the overpayment. Director Blas stated that the Port recommended placing Mr. Pangelinan on leave with pay using his sick and annual leave and have a modest repayment amount taken out per pay period, but he opted for leave without pay. Trustee O'Brien asked whether Mr. Pangelinan has other options. Director Blas replied, "Yes." The Port was trying to work something out as far as assigning Mr. Pangelinan light duties, but Mr. Pangelinan didn't want to do it.

**Secretary Antolina Leon Guerrero, seconded by Treasurer Gerard Cruz, 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. 15-007. Votes as follows: Yes Votes – Secretary Antolina Leon Guerrero, Treasurer Gerard Cruz, Trustee David O'Brien, Vice Chairman Wilfred Leon Guerrero, Trustee Albert Santos, and Chairman Joe San Agustin. With six (6) “Yes” votes, the motion passed. Trustee Katherine Taitano was absent.**

*Vice Chairman Wilfred Leon Guerrero recused himself from Disability Case No. 15-006 and was excused from the meeting at this time.*

#### **DISABILITY CASE NO. 15-006**

Secretary Leon Guerrero stated that the applicant is a 65 year old Private Secretary with the Department of Land Management, Chamorro Land Trust Division, with 15+ years of service. The date of application for disability is October 15, 2015. The applicant was examined by Dr. Patrick Santos on October 30, 2015, and by Dr. Fred Schroeder on November 2, 2015. Dr. Santos gave a rating of 29% whole-person impairment and indicated that the impairment is permanent and it does preclude the applicant from gainful work. Dr. Schroeder gave a rating of 48% whole-person impairment and indicated that the impairment is permanent and it does preclude the applicant from gainful work. The Retirement Fund's Medical Consultant finds that the applicant is impaired by chronic medical diagnoses, which are being incompletely treated. Pursuant to the reports from the two (2) Independent Medical Examiners (IMEs), in the context of criteria based upon the American Medical Association's Sixth Edition of Guides to the Evaluation of Permanent Impairment (2008), and with contemporaneous reference to this writer's Final Estimated Whole-Person Impairment Rating (FEWPIR) of 18%, below the 75% FEWPIR required for full disability pension; and the average of the two IMEs FEWPIR being

38.5%, a disability pension is not appropriate for 15-006 at this time. Secretary Leon Guerrero stated that Dr. Schroeder added a note that the AMA guidelines understates disability in the case of mental conditions. Treasurer Cruz stated that the guidelines do not address mental conditions, it's more physical conditions.

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 appeared before the Board and stated that his name is Edward Calvo Artero. Mr. Artero thanked the Board. Mr. Artero stated that he has a history of Alzheimer's Dementia. Mr. Artero mentioned that his mother, Rita Artero, also had Alzheimer's Dementia. Mr. Artero stated that after he graduated from John F. Kennedy High School he was employed with the U.S. Postal Service for 21 ½ years. Mr. Artero stated that he started forgetting things about 10 years ago. Mr. Artero stated that it is very embarrassing because he has to write down on a piece of paper his family's information, contact numbers, and his destination. Trustee O'Brien asked Mr. Artero if he feels he is able to work anywhere in the Government of Guam at this time. Mr. Artero stated that he is on light duty at work. Mr. Artero stated that he assists on site inspections as a Land Agent, but was never given the title of Land Agent. Mr. Artero's son, Edward Artero, Jr. stated that his dad no longer could perform general office duties. Edward Jr. stated that he sat in most of his dad's evaluations and there was very little mental assessment, it was 70-80 % physical in nature. Secretary Leon Guerrero stated that Dr. Santos had noted instructions that Mr. Artero be taken off all his medications and to be reevaluated with Dr. Sherzai, Neuropsychiatrist in Los Angeles. Mr. Artero mentioned that he had a salary cut and he can't afford to travel off-island for his reevaluation. Treasurer Cruz stated that the AMA Guidelines does not assess the impact of Dementia. Treasurer Cruz stated that Mr. Artero's Alzheimer's Dementia could pose a danger to those he's serving. Chairman San Agustin reads 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 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."*

**Secretary Antolina Leon Guerrero, seconded by Treasurer Gerard Cruz, moved to approve that a full disability pension is appropriate at this time for Disability Case No. 15-006. Votes as follows: Yes Votes – Secretary Antolina Leon Guerrero, Treasurer Gerard Cruz, Trustee David O'Brien, Trustee Albert Santos, and Chairman Joe San Agustin. With five (5) "Yes" votes, the motion passed. Vice Chairman Wilfred Leon Guerrero recused himself, and Trustee Katherine Taitano was 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 Trustee David O'Brien, seconded by Treasurer Gerard Cruz, and without objection, the meeting was adjourned at 2:15 p.m. Motion passed.**

**I hereby certify that the foregoing is a full, true and correct copy of the Minutes of May 27, 2016 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on June 24, 2016.**



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

**RECORDING SECRETARY:**



---

**Jackie Blas**