



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, August 26, 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 1:00 p.m. Friday, August 26, 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

Investment Consultant Present:

Maggie Ralbovsky, Wilshire Associates

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. July 29, 2016 Regular Meeting

Treasurer Gerard Cruz, seconded by Secretary Antolina Leon Guerrero, moved to approve the Minutes of the July 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. Director Paula Blas stated that the balance of the COLA award is about \$4 Million.

2. *Bernstein Litowitz Berger and Grossmann (BLBG)* - BLBG's Litigation Status Report dated August 16, 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. 003-16: Investment Management Services Specifically for Master Limited Partnerships (MLPs)**

Director Blas stated that the RFP for Investment Management Services, specifically for MLPs closed on June 13, 2016. There were seven (7) proposals received. The Selection Panel consists of Joe T. San Agustin, Gerard Cruz, and Rosalia Bordallo. Director Blas stated that Wilshire completed the analysis. Treasurer Gerard Cruz stated that the Panel met and suggested to obtain more educational information on MLPs. Maggie Ralbovsky of Wilshire Associates stated that she will provide the information and then continue discussions. Treasurer Cruz stated that the Panel will hold off on evaluations until the information is received from Wilshire.

Financial Report

1. *Contributions* - Director Blas stated that as of August 23, 2016, all agencies are current with their Fiscal Year 2016 employee and employer contributions including the Guam Memorial Hospital Authority (GMHA).

2. **Financial Statements** - Director Blas stated that the books for the month ended July 31, 2016 are scheduled to close on August 30, 2016.

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

4. **Fiscal Year 2016 Medicare Reimbursements** - Director Blas stated that the Retirement Fund received the August 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 June 30, 2016. Treasurer Cruz stated that the Retirement Fund is still operating within its current drawdown authority. The Retirement Fund is on target to pull down \$75.1 Million for Fiscal Year 2016 as projected. The total interest and dividend drawdown is \$41.6 Million and the total principal drawdown is \$33.5 Million.

VIII. STANDING COMMITTEE REPORTS

A. Investment Committee

Vice Chairman Wilfred Leon Guerrero reported that the Quarterly Performance Meeting for the Quarter Ended June 30, 2016 was held on August 24, and 25, 2016. The Investment Committee Meeting was also held on August 25, 2016. The Committee reviewed and approved the Investment Committee Meeting Minutes of July 28, 2016. Vice Chairman Leon Guerrero stated that as of August 19, 2016, the Retirement Fund's portfolio is \$1.64 Billion.

Maggie Ralbovsky of Wilshire Associates provided an overview of the DB Plan's Investment Performance noting that for the quarter ended June 30, 2016, the Total Fund had a 1.85% return, underperforming the benchmark return of 2.21% for the same period. The Total Fund return ranks at the 50th percentile of Wilshire's total Fund public peer group universe for the quarter. Ms. Ralbovsky stated that annual reviews were conducted for the following investment managers: Robeco, Eaton Vance, Intech, and Numeric.

Ms. Ralbovsky stated that Wilshire recommends the following:

1. Termination of Eaton Vance

Ms. Ralbovsky stated that Wilshire's recommendation is to terminate Eaton Vance and to transfer the assets to Numeric Investors and, if necessary, to utilize Northern Trust as the Transition Manager. Eaton Vance has previously been on watch due to performance issues and recently had a very large

turnover in their Investment Team. Trustee David O'Brien asked why the funds are going to be transferred to Numeric. Ms. Ralbovsky stated that Numeric is a Small Cap Core Manager and has been doing very well. Historically there were higher allocations to its category. Now, the allocation is going down and we think that Numeric is sufficient.

Trustee Albert Santos, seconded by Vice Chairman Wilfred Leon Guerrero, moved to accept Wilshire's recommendation to terminate Eaton Vance and to transfer the assets to Numeric Investors. Without objection, the motion passed.

2. Keep Capital International on Watch

Ms. Ralbovsky stated that Wilshire's recommendation is to keep Capital International on Watch. Treasurer Cruz stated that the Investment Committee needs to address Capital International soon. Ms. Ralbovsky stated that we will address both Capital International and Earnest Partners in one discussion. Ms. Ralbovsky stated that a possible course of action is that we could keep Capital International and Earnest Partners on Watch while the Board considers the Smart Beta Strategy.

Treasurer Gerard Cruz, seconded by Trustee Albert Santos, moved to accept Wilshire's recommendation to keep Capital International on Watch. Without objection, the motion passed.

3. Place Earnest Partners on Watch

Ms. Ralbovsky stated that Wilshire's recommendation is to place Earnest Partners on Watch due to underperformance.

Treasurer Gerard Cruz, seconded by Trustee Albert Santos, moved to accept Wilshire's recommendation to place Earnest Partners on Watch. Without objection, the motion passed.

Next Quarterly Performance Meeting – Director Blas informed the Board that the next Quarterly Performance Meeting is scheduled for November 16, and 17, 2016.

Treasurer Gerard Cruz, seconded by Trustee Albert Santos, moved to accept the Investment Committee Report. Without objection, the motion passed.

B. Members and Benefits Committee

Secretary Antolina Leon Guerrero presented the Committee's August 2016 report to the Board of Trustees.

Secretary Antolina Leon Guerrero, seconded by Treasurer Gerard Cruz, moved to approve the recommendation of the Members and Benefits Committee contained on Pages 4 through 14, including the attached Annuity Worksheets, based on the Committee's review and findings during their meeting of August 17, 2016. Without objection, the motion 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 Treasurer Gerard Cruz, and without objection, the meeting was adjourned at 1:40 p.m. Motion passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of August 26, 2016 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on September 30, 2016.



ANTOLINA S. LEON GUERRERO, Board Secretary

RECORDING SECRETARY:



Jackie Blas