



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, September 30, 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 12:52 p.m. Friday, September 30, 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, Director, Client Relations & Plan Counseling, Empower Retirement

## II. REVIEW AND APPROVAL OF BOARD MINUTES

### A. August 26, 2016 Regular Meeting

Secretary Antolina Leon Guerrero, seconded by Trustee David O'Brien, moved to approve the Minutes of the August 26, 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 there is a balance of about \$4 Million on the COLA award. Trustee David O'Brien inquired about interest. Director Blas stated that interest accrual ceased as of September 30, 2011.

2. *Bernstein Litowitz Berger and Grossmann (BLBG)* - BLBG's Litigation Status Report dated September 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.**

Trustee O'Brien stated that he's concerned about the statement made on Page 4 of BLBG's report on the MF Global lawsuit that reads: "The Court rejected Defendants' attacks on GGRF's adequacy to serve as a class representative..." Trustee O'Brien asked whether there is any liability by being a class representative. Treasurer Gerard Cruz replied, "No." Treasurer Cruz stated that the Retirement Fund has to stay involved and be knowledgeable with what's happening and that is why it's important that BLBG's update is provided on a monthly basis. Trustee O'Brien asked whether the Board has any fiduciary responsibility by being a class representative. Treasurer Cruz replied, "Yes." But it's satisfied by staying engaged with what's happening with the cases.

### 3. *Request for Proposals (RFPs):*

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

Director Blas stated that at the last Board meeting, this item was tabled until November 2016 at which time Maggie Ralbovsky of Wilshire Associates will provide additional information on MLPs.

#### **4. *Fiscal Year 2017 Health Insurance Open Enrollment***

Director Blas stated that the Government of Guam Health Insurance open enrollment period was from September 19-28, 2016. Director Blas stated that the Department of Administration (DOA) held orientations on September 20, 2016 at the Department of Public Health Division of Senior Citizens conference room at the Castle Mall in Mangilao and at the Tamuning Senior Citizens Center. There was a taping on September 22, 2016 at the Legislature for retirees to be made available for viewing on the Legislative Channel. Director Blas stated that DOA also hosted a Benefits Fair on September 23, 2016 at the University of Guam Fieldhouse.

#### **Financial Report**

- 1. *Contributions*** - Director Blas stated that as of September 28, 2016, all agencies are current with their Fiscal Year 2016 employee and employer contributions.
- 2. *Financial Statements*** - Director Blas stated that the books for the month ended August 31, 2016 were closed on September 24, 2016.
- 3. *Fiscal Year 2016 Retirees' Supplemental Benefits*** - Director Blas stated that supplemental benefits for retirees and survivors for the month of September 2016 were paid.
- 4. *Fiscal Year 2016 Medicare Reimbursements*** - Director Blas stated that the Retirement Fund received the September 2016 allotment from the General Fund and reimbursements were processed accordingly.
- 5. *Fiscal Year 2017 Annual COLA*** - Director Blas stated that the annual COLA of \$2,000.00 for retirees and survivors is scheduled to be paid no later than November 1, 2016.

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

No report was made at this time.

#### **VII. TREASURER'S REPORT OF FINANCIAL STATUS**

##### **A. *Fiscal Year 2017 Proposed Budget***

Treasurer Cruz stated that the proposed FY2017 Budget is provided for the Board's review. The proposed FY2017 Operating Budget of \$6.3 Million represents an increase of \$265,893 or 4.4% from the FY2016 budget. Treasurer Cruz stated that the Director has a transfer authority of up to 10% of the approved budget level to cover shortfalls. Chairman San Agustin asked what the allocation of contributions for administrative costs is. Treasurer Cruz replied, "Up to 5%." Trustee O'Brien stated that the Retirement Fund under spent by 40% for FY2016. Trustee O'Brien stated that 33.4% was from personnel and 20.3% was from contractual services. Vice Chairman Wilfred Leon Guerrero asked where the expenditure for the transition period of the new plans is reflected in the proposed budget. Treasurer Cruz stated that the Retirement Fund anticipates expenditures to be more in education.

Treasurer Cruz mentioned that there are several vacant positions that are not filled. Director Blas stated that Management has been trying to recruit. Trustee O'Brien stated that he is concerned of how the Retirement Fund is going to do all the work relative to the implementation of the new plans. Treasurer Cruz stated that Management plans to come up with an actual plan of how to roll out next year and to come up with costs. Director Blas stated that there are announcements out for Benefit Specialist I and III positions. Trustee O'Brien stated that he is concerned that the employees are knowledgeable of the process. Director Blas stated that there will be a training process. Controller Diana Bernardo stated that the announcement is for two (2) Benefit Specialist I and two (2) Benefit Specialist III positions. Controller Bernardo stated that the Retirement Fund will then probably announce for Accountant positions. Controller Bernardo stated that despite the fact that it appears in the proposed budget that the Retirement Fund is understaffed, in her opinion, she thinks that the Retirement Fund's Members and Benefits Services is technically overstaffed or the staff is not fully utilized. Controller Bernardo stated that the Retirement Fund is behind in finalizations and staff are working on getting caught up. Treasurer Cruz asked how far behind are the finalizations. Controller Bernardo stated that staff are currently working on October 2015. Vice Chairman Leon Guerrero asked what is being done to ensure this does not happen again. Controller Bernardo stated that staff are being trained on computations.

Secretary Antolina Leon Guerrero asked what positions are needed. Controller Bernardo replied, "Accountants." Director Blas stated that it is very difficult to recruit accountants due to the salary level. Vice Chairman Leon Guerrero stated that he does not see, in the proposed budget, resources being channeled to improve the Retirement Fund's in-house investment capability. Vice Chairman Leon Guerrero stated that the Retirement Fund is relying on its Investment Consultants. Treasurer Cruz stated that the Retirement Fund is limited on how much can be paid for someone to do what Vice Chairman Leon Guerrero is talking about. Vice Chairman Leon Guerrero stated that Asia Pacific hires recent college graduates. Treasurer Cruz stated that Asia Pacific's model is different. They are commission based. Trustee O'Brien suggested filling the Deputy Director position with an investment oriented individual. Chairman San Agustin stated that it is not prudent to have the in-house investment duplicate the investment consultants.

**Treasurer Gerard Cruz, seconded by Trustee David O'Brien, moved to approve the Fiscal Year 2017 Budget. Votes as follows: Yes Votes - Secretary Antolina Leon Guerrero, Trustee David O'Brien, Treasurer Gerard Cruz, Trustee Albert Santos, and Chairman Joe San Agustin. With five (5) "Yes" votes, the motion passed. Vice Chairman Wilfred Leon Guerrero voted against approving the FY2017 Budget because it failed to address the investment needs. Trustee Katherine Taitano was absent.**

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 July 31, 2016.

## VIII. STANDING COMMITTEE REPORTS

### A. Investment Committee

Vice Chairman Leon Guerrero reported that the Investment Committee Meeting was held on September 9, 2016. The Committee reviewed and approved the Investment Committee Meeting Minutes of August 25, 2016. Vice Chairman Leon Guerrero stated that as of September 5, 2016, the Retirement Fund's portfolio is \$1.645 Billion.

*Next Quarterly Performance Meeting* – Vice Chairman Leon Guerrero informed the Board that the next Quarterly Performance Meeting is scheduled for November 16, and 17, 2016.

### B. Members and Benefits Committee

Secretary Leon Guerrero presented the Committee's September 2016 report to the Board of Trustees. Chairman San Agustin asked whether the Retirement Fund is still behind on the finalizations. Controller Bernardo stated that staff are working on finalizations for October 2015.

**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 15, including the attached Annuity Worksheets and relevant documents, based on the Committee's review and findings during their meeting of September 21, 2016. Without objection, the motion passed.**

### DISABILITY CASE NO. 15-010

Secretary Leon Guerrero stated that the applicant is a 48 year old Commodity Inspector II with the Department of Agriculture with 21 years of service. The date of application for disability is July 20, 2016. The applicant was examined by Dr. Patrick Santos on August 5, 2016, and by Dr. Fred Schroeder on August 23, 2016. Dr. Santos gave a rating of 25% whole-person impairment and indicated that the impairment is permanent but it does not preclude the applicant from gainful work. Dr. Schroeder gave a rating of 52% whole-person impairment and also indicated that the impairment is permanent but it does not preclude the applicant from gainful work. Secretary Leon Guerrero stated that Dr. Santos highly recommended treatment or counseling for anxiety and for the applicant to continue on present medications.

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 Leon Guerrero stated that the Retirement Fund is currently without a medical consultant. So in the absence of a medical consultant, the Members and Benefits Committee will refer any questions raised back to the independent physicians.

Secretary Antolina Leon Guerrero, seconded by Treasurer Gerard Cruz, moved to accept the findings of the two (2) physicians that a disability pension is not appropriate at this time and to deny disability pension for Disability Case No. 15-010. Votes as follows: Yes Votes – Secretary Antolina Leon Guerrero, Trustee David O'Brien, Treasurer Gerard Cruz, 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.

**IX. OLD BUSINESS**

None

**X. NEW BUSINESS**

**A. Retiree Advocate Report – Fiscal Year 2017 Health Insurance Negotiations**

Director Blas stated that the Retiree Advocate's report for Fiscal Year 2017 Health Insurance Negotiations is provided for the Board's information.

**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 Albert Santos, and without objection, the meeting was adjourned at 1:57 p.m. Motion passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of September 30, 2016 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on October 28, 2016.



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

**RECORDING SECRETARY:**



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**Jackie Blas**