



GOVERNMENT OF GUAM
RETIREMENT FUND
 STABILITY • SECURITY • REWARDS

Eddie Baza Calvo
 Governor

Ray Tenorio
 Lieutenant Governor

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

David M. O'Brien
 Trustee

Albert H. Santos
 Trustee

BOARD OF TRUSTEES
Regular Meeting
 Friday, November 18, 2016, 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 12:49 p.m. Friday, November 18, 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
 Albert H. Santos, Trustee

Board of Trustees Absent:

David M. O'Brien, Trustee (*Excused*)
 Katherine T.E. Taitano, Trustee (*Excused*)

Staff Present:

Paula Blas, Director
 Diana Bernardo, Controller
 Jackie Blas, Recording Secretary

Investment Consultant Present:

Maggie Ralbovsky, Wilshire Associates

Public Present:

Chris Wong, Guam Daily Post

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. October 28, 2016 Regular Meeting

Vice Chairman Wilfred Leon Guerrero pointed out an error on the October 28, 2016 minutes under the Treasurer's Report. Vice Chairman Leon Guerrero stated that it should read: "The Fiscal Year Ending September 30, 2016 return was 9.66%." Chairman San Agustin so noted the correction made.

Secretary Antolina Leon Guerrero, seconded by Treasurer Gerard Cruz, moved to approve the Minutes of the October 28, 2016 Regular Meeting, as corrected, subject to further 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 November 14, 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 Paula Blas stated that this item was tabled until November 2016 at which time Maggie Ralbovsky of Wilshire Associates will provide additional information on MLPs. Director Blas stated that Ms. Ralbovsky will discuss this under the Investment Committee Report.

Financial Report

1. *Contributions* - Director Blas stated that as of November 16, 2016, all agencies are current with their Fiscal Year 2017 employee and employer contributions.

2. *Financial Statements* - Director Blas stated that the books for the month ended September 30, 2016 are expected to close on November 21, 2016.

3. **Fiscal Year 2017 Retirees' Supplemental Benefits** - Director Blas stated that supplemental benefits for retirees and survivors for the month of November 2016 will be paid at the end of the month.

4. **Fiscal Year 2017 Medicare Reimbursements** - Director Blas stated that the Retirement Fund received the November 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

Controller Diana Bernardo stated that books for the month ended September 30, 2016 have not been closed. Treasurer Gerard Cruz stated that a drawdown authority of up to \$4 Million through March 31, 2017 was approved at the last Board meeting. Chairman San Agustin asked how much money is contributed towards the growth of the Retirement Fund and how much for payroll. Treasurer Cruz stated that 100% of contributions goes to the monthly payroll. Treasurer Cruz stated that what the Retirement Fund receives in the way of interests and dividends helps to reduce the amount needed to drawdown.

VIII. STANDING COMMITTEE REPORTS

A. Investment Committee

Vice Chairman Leon Guerrero reported that the Quarterly Performance Meeting for the Quarter Ended September 30, 2016 was held on November 16, and 17, 2016. The Investment Committee Meeting was also held on November 17, 2016. The Committee reviewed and approved the Investment Committee Meeting Minutes of October 27, 2016. Vice Chairman Leon Guerrero stated that as of November 11, 2016, the Retirement Fund's portfolio is \$1.636 Billion.

Vice Chairman Leon Guerrero stated that Maggie Ralbovsky of Wilshire Associates provided an overview of the DB Plan's Investment Performance noting that for the quarter ended September 30, 2016, the Retirement Fund's portfolio slightly underperformed its benchmark index, ranking at the 38th percentile of Wilshire's peer group universe for the quarter. The Retirement Fund's Return was 3.54% and the Benchmark Return was 3.85%. Ms. Ralbovsky stated that annual reviews were conducted for the following investment managers: Cornerstone Real Estate Advisors and Dimensional Fund Advisers.

Ms. Ralbovsky stated that the Fiscal Year to date return was 9.53%, underperforming the benchmark return of 11.39%. Treasurer Cruz asked Ms. Ralbovsky if she is seeing a change in the expected returns. Ms. Ralbovsky stated that it is going down. The expected return for the next ten (10) years will be defined as a super low interest rate. Ms. Ralbovsky stated that the Fixed Income rate has jumped about 25 to 50 basis points during the past couple of weeks. In a most recent funding study, the median expects a return of somewhere from 7.3% and 7.4% for thirty (30) years. Treasurer Cruz asked whether the 7% is a reasonable number. Ms. Ralbovsky replied, "Yes."

Ms. Ralbovsky stated that the Investment Committee recommends the following:

1. Termination of Capital Guardian and Earnest Partners

Ms. Ralbovsky stated that the Investment Committee's recommendation is to terminate Capital Guardian and Earnest Partners; to combine their assets amounting to \$95 Million; and invest it in the ACWI X US Index Fund. \$24 Million will be transferred into a BlackRock ACWI Emerging Market Index Fund and \$71 Million will be transferred into the existing BlackRock MSCI ACWI X US Index Fund. Chairman San Agustin asked whether there will be any loss in the process. Ms. Ralbovsky stated that everyone in the Mutual Fund will share the transaction cost. Since it is a Large Mutual Fund, any loss will be very minimal.

Treasurer Gerard Cruz, seconded by Vice Chairman Wilfred Leon Guerrero, moved to accept the Investment Committee's recommendation to terminate Capital Guardian and Earnest Partners and to transfer their combined assets of \$95 Million into the ACWI X US Index Fund: \$24 Million into a BlackRock ACWI Emerging Market Index Fund and \$71 Million into the existing BlackRock MSCI ACWI X US Index Fund; and to utilize a Transition Manager to facilitate the termination of Capital International and Earnest Partners and investing in the ACWI X US Index Fund. Without objection, the motion passed.

Request for Proposal (RFP) for Investment Management Services Specifically for Master Limited Partnerships (MLPs) - Ms. Ralbovsky stated that the allocation was approved by the Board. Nine (9) managers responded to the RFP. Ms. Ralbovsky stated that Wilshire issued its report and all questions have been answered. The Selection Panel can now move forward. Vice Chairman Leon Guerrero stated that the Board reserves the right to ask additional questions.

Next Quarterly Performance Meeting – Vice Chairman Leon Guerrero informed the Board that the next Quarterly Performance Meeting is scheduled for February 22, and 23, 2017.

Treasurer Gerard Cruz, seconded by Secretary Antolina Leon Guerrero, 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 November 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 November 15, 2016. Without objection, the motion passed.

DISABILITY CASE NO. 15-011

Secretary Leon Guerrero stated that the applicant is a 54 year old Airfield Driver Operator with the A.B. Won Pat International Airport Authority with 20+ years of service. The date of application for disability is October 11, 2016. The applicant was examined by Dr. Vincent Duenas on October 27, 2016, and by Dr. Patrick Santos on November 4, 2016. Dr. Duenas gave a rating of 26% whole-person impairment and indicated that the impairment is permanent and precludes the applicant from gainful work specific to the applicant's current job duties. Dr. Santos gave a rating of 64% whole-person impairment and also indicated that the impairment is permanent and precludes the applicant from gainful work. The applicant's primary physician, Dr. Faraz Ouhadi, gave a rating of 68% whole-person impairment.

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 stated that his name is Delfino Garcia. Mr. Garcia stated that he's not sure why the Retirement Fund does not have a report from Dr. Fred Schroeder. Secretary Leon Guerrero stated that Dr. Schroeder's report is part of Dr. Ouhadi's report. Secretary Leon Guerrero asked Mr. Garcia what his typical day is like. Mr. Garcia stated that he takes Percocet and also medication for his vision and spine. Mr. Garcia stated that his legs tends to weaken and he has fallen down. Mr. Garcia stated that he wakes up 2-3 a.m. and needs to walk around due to his back pain. Secretary Leon Guerrero asked Mr. Garcia if he sleeps during the afternoon. Mr. Garcia stated that he sleeps at noon. Mr. Garcia mentioned that he has sleep apnea. Mr. Garcia indicated that he can't drive at night and his daytime driving is limited due to his vision. Secretary Leon Guerrero asked who prepares his meal. Mr. Garcia stated that his wife prepares his meal and he does some light cooking himself.

Mr. Garcia stated that he does not meet the service requirement for him to retire. Chairman San Agustin asked why his civil service credit wasn't transferred to the Airport Authority. Mr. Garcia stated that Senator Ted Nelson introduced a bill, but it never got to the floor and then the late Senator Ben Pangelinan also introduced a bill, but he passed away. Secretary Leon Guerrero asked whether Mr. Garcia could perform administrative duties. Mr. Garcia stated that he can't with his poor vision.

Chairman San Agustin stated that the reports from the two (2) Independent Medical Examiners (IMEs) indicate that Mr. Garcia is not totally disabled. Secretary Leon Guerrero stated that the reports' ratings do not meet the 75% threshold. Secretary Leon Guerrero stated that given the findings of the physicians that the applicant does not meet the legal statute for disability, she recommends the Board deny a disability pension at this time, but recommends that the applicant be reevaluated in six (6) months or sooner if his condition worsens. Secretary Leon Guerrero stated that the Retirement Fund will communicate with the Airport Authority General Manager on other duties that may be available for the applicant. Mr. Garcia thanked the Board.

Secretary Antolina Leon Guerrero, seconded by Treasurer Gerard Cruz, moved to accept the findings of the two (2) Independent Medical Examiners (IMEs) and to deny disability pension for Disability Case No. 15-011. It is recommended that the applicant be reevaluated in (6) months or earlier if his condition worsens. Votes as follows: Yes Votes – Secretary Antolina Leon Guerrero, Treasurer Gerard Cruz, Vice Chairman Wilfred Leon Guerrero, Trustee Albert Santos, and Chairman Joe San Agustin. With five (5) “Yes” votes, the motion passed. Trustees David O'Brien and Katherine Taitano were absent.

IX. OLD BUSINESS

None

X. NEW BUSINESS

None

XI. OPEN DISCUSSION / GENERAL PUBLIC INPUT

None


XII. ANNOUNCEMENTS

None

XIII. ADJOURNMENT

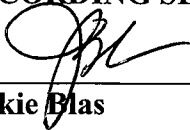
There being no further business before the Board for the Defined Benefits Plan, on motion of Secretary Antolina Leon Guerrero, seconded by Treasurer Gerard Cruz, and without objection, the meeting was adjourned at 2:25 p.m. Motion passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of November 18, 2016 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on December 16, 2016.



ANTOLINA S. LEON GUERRERO, Board Secretary

RECORDING SECRETARY:



Jackie Blas