



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, December 16, 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 1:08 p.m. Friday, December 16, 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  
 Rosalia Bordallo, General Accounting Supervisor  
 Jackie Blas, Recording Secretary

## II. REVIEW AND APPROVAL OF BOARD MINUTES

### A. November 18, 2016 Regular Meeting

Secretary Antolina Leon Guerrero, seconded by Treasurer Gerard Cruz, moved to approve the Minutes of the November 18, 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 December 12, 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.

- **Apollo Education Group, Inc.**
- **MF Global**

3. *Request for Proposals (RFPs):*

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

Director Paula Blas stated that Maggie Ralbovsky of Wilshire Associates issued its report on MLPs. All questions have been answered and the Selection Panel could move forward. Director Blas stated that the Selection Panel met and their recommendation is to cancel the RFP or to put it on hold until February 2017 at which time Ms. Ralbovsky will be here. Secretary Antolina Leon Guerrero raised concern that Ms. Ralbovsky was here in November 2016 to talk about MLPs and now we want to wait until Ms. Ralbovsky gets here in February 2017 to talk about MLPs again. Trustee David O'Brien asked whether canceling the RFP is an implication that we're moving away from the recommended asset allocation. Chairman San Agustin stated that the exposure is only 3% of the total portfolio. The return is equal to the Emerging Market. Trustee O'Brien stated that MLPs have a very low correlation to stocks and bonds. Treasurer Gerard Cruz stated that the reason why he agreed to canceling or putting the RFP on hold is that we are currently in the process of changing our asset mix. We terminated two (2) Emerging Market managers and we placed the money into an ACWI Index Fund and allocated funds across different international managers. Treasurer Cruz stated that prior to that, we placed money into a Risk Parity manager. Trustee O'Brien stated that he thought we're moving towards the strategic allocations that we had. Trustee O'Brien stated that Ms. Ralbovsky will then review the strategic allocation with the Board and how changes in the asset mix are aligned with the overall scheme that was approved by the Board.

**Treasurer Gerard Cruz, seconded by Secretary Antolina Leon Guerrero, moved to approve to place RFP No. 003-16 on hold until February 2017. Without objection, the motion passed.**

**Financial Report**

- 1. Contributions** - Director Blas stated that as of December 13, 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 October 31, 2016 is expected to close on December 17, 2016.
- 3. Fiscal Year 2017 Retirees' Supplemental Benefits** - Director Blas stated that supplemental benefits for retirees and survivors for the month of December 2016 were paid.
- 4. Fiscal Year 2017 Medicare Reimbursements** - Director Blas stated that the Retirement Fund received the December 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 Cash Flow Statement is provided for the Board's information. Treasurer Cruz stated that the Retirement Fund is still operating within its current drawdown authority.

**VIII. STANDING COMMITTEE REPORTS**

**A. Investment Committee**

Vice Wilfred Chairman Leon Guerrero reported that the Investment Committee Meeting was held on December 9, 2016. The Committee reviewed and approved the Investment Committee Meeting Minutes of November 17, 2016. Vice Chairman Leon Guerrero pointed out that as of December 5, 2016, the size of the Retirement Fund's portfolio is \$1,619,690,882.

Trustee O'Brien asked why is it that the Securities Lending income in FY 2016 is less than in FY 2015. Treasurer Cruz suggested to have Management check with Northern Trust for details.

**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.

**B. Members and Benefits Committee**

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

**Trustee David O'Brien, seconded by Secretary Antolina Leon Guerrero, moved to approve the recommendation of the Members and Benefits Committee contained on Pages 4 through 12, including the attached Annuity Worksheets, based on the Committee's review and findings during their meeting of December 14, 2015. Without objection, the motion passed.**

**IX. TRAVEL REPORT**

- A. Trustee David O'Brien: IFEBP 62nd Annual Employee Benefits Conference November 13-16, 2016, Orlando, Florida**
- B. Vice Chairman Wilfred Leon Guerrero: APAFS 16th Annual Pacific Region Investment Conference - December 1-2, 2016, Manila, Philippines**

Chairman San Agustin stated that Trustee O'Brien and Vice Chairman Leon Guerrero submitted their travel report, for the Board's information, on the conference they attended.

Trustee O'Brien stated that one of the sessions he attended was on Fiduciary Liability Insurance (FLI). The FLI covers both the defense and settlement costs. The important issue is does the Government of Guam allow the Retirement Fund to indemnify the Directors and Officers for the legal costs. If they do, then the insurance coverage we have would be more towards the settlement costs. The FLI is an eroding type of insurance which means the defense cost erodes the settlement coverage. Trustee O'Brien stated that it is also important to make sure that claims are filed in a timely manner. If the Director sees possible claim actions, it should be brought to the Board's attention immediately to ensure a timely filing of the claim.

Trustee O'Brien stated that fines and penalties are not covered, unless it is specified in the insurance policy. Trustee O'Brien stated that the limits of liability for the Retirement Fund should be reviewed upon renewal of the policy. The general benchmark should be in the \$10-15 Million range for a fund our size. Rosalia Bordallo, General Accounting Supervisor, wanted to clarify if the portion on the legal fees was taken out, would that lower the cost. Trustee O'Brien replied, "It should." What we could do is raise the limits of liability for the same cost and then indemnify for the defense cost. Secretary Leon Guerrero inquired about the deductible. Director Blas stated that it is \$200,000. Treasurer Cruz suggested to pull out the defense cost and increase the liability, adding that this is something to consider. Chairman San Agustin suggested to check with Legal Counsel.

**X. OLD BUSINESS**

None

**XI. NEW BUSINESS**

None

**XII. OPEN DISCUSSION / GENERAL PUBLIC INPUT**

None

**XIII. ANNOUNCEMENTS**

None

**XIV. ADJOURNMENT**

**There being no further business before the Board for the Defined Benefits Plan, Secretary Antolina Leon Guerrero moved to adjourn the meeting. Without objection, the meeting was adjourned at 1:37 p.m. Motion passed.**

**I hereby certify that the foregoing is a full, true and correct copy of the Minutes of December 16, 2016 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on January 27, 2017.**



---

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

**RECORDING SECRETARY:**



---

**Jackie Blas**