



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, February 23, 2018, 12:00 Noon
 Retirement Fund Conference Room

MINUTES

DEFINED BENEFIT

I. ATTENDANCE, QUORUM, AND CALL TO ORDER

After determining a quorum was present, the Retirement Fund Board of Trustees Regular Meeting for the Defined Benefit Plan was called to order at 12:47 p.m. Friday, February 23, 2018, 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
 Katherine T.E. Taitano, Trustee

Board of Trustees Absent:

David M. O'Brien, Trustee (*Excused*)
 Albert H. Santos, Trustee (*Excused*)

Staff Present:

Paula Blas, Director
 Diana Bernardo, Controller
 Jackie Blas, Recording Secretary
 Alice Tajjeron, Director, Client Relations & Plan Counseling, Empower Retirement

Investment Consultant Present:

Maggie Ralbovsky, Wilshire Associates

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. January 26, 2018 Regular Meeting

Trustee Katherine Taitano, seconded by Treasurer Gerard Cruz, moved to approve the Minutes of the January 26, 2018 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 February 15, 2018 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**
- **MF Global**

Director Paula Blas stated that distribution of the settlement funds on the MF Global case is estimated to be in mid 2018.

Financial Report

1. *Contributions* - Director Blas stated that as of February 22, 2018, all agencies are current with their Fiscal Year 2018 employee and employer contributions.

2. *Financial Statements* - Director Blas stated that the books for the month ended December 31, 2017 is scheduled to close today.

3. *Fiscal Year 2018 Retirees' Supplemental Benefits* - Director Blas stated that supplemental benefits for retirees and survivors for the month of February 2018 will be paid at the end of the month.

4. *Fiscal Year 2018 Medicare Reimbursements* - Director Blas stated that the Retirement Fund received the February 2018 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 Gerard Cruz stated that the Retirement Fund is operating within its current drawdown authority of up to \$5.5 Million monthly which continues through March 2018. Vice Chairman Wilfred Leon Guerrero inquired about the unfunded liability. Treasurer Cruz stated that it is \$1.2 Million. Controller Diana Bernardo pointed out that the Miscellaneous Receipts on the Cash Flow Statement should be \$226 Million instead of \$225 Million. Vice Chairman Leon Guerrero asked whether contributions are coming in. Treasurer Cruz stated that the Retirement Fund expects to receive an additional \$14 Million on employees' share.

VIII. STANDING COMMITTEE REPORTS

A. Investment Committee

Vice Chairman Leon Guerrero reported that the Quarterly Performance Meeting for the Quarter Ended December 31, 2017 was held on February 21 and 22, 2018. The Investment Committee Meeting was also held on February 22, 2018. The Committee reviewed and approved the Investment Committee Meeting Minutes of January 25, 2018 and the Minutes of the August 23 and 24, 2017 Due Diligence Meetings. Vice Chairman Leon Guerrero stated that as of February 19, 2018, the size of the Retirement Fund's portfolio is \$2,022,242,405. Treasurer Cruz stated for the record that the Retirement Fund was at \$990 Million in 2008.

Vice Chairman Leon Guerrero stated that Maggie Ralbovsky of Wilshire Associates discussed the following topics:

Equity Investment Structure - Vice Chairman Leon Guerrero stated that Ms. Ralbovsky discussed Wilshire's analysis of Equity Investment Structure and the Investment Committee has requested that Wilshire provide additional information to quantify the benefits of moving forward with reallocation.

Risk Hedging Properties of Long Duration Government Securities - Vice Chairman Leon Guerrero stated that Ms. Ralbovsky also discussed the importance of protecting the portfolio on the downside. Wilshire's analysis of utilizing long duration government securities as a way to hedge the downside and the Investment Committee has also requested that Wilshire provide empirical evidence on the risk hedging properties of long duration government securities in a portfolio which will assist the Investment Committee in formulating the strategy going forward.

Vice Chairman Leon Guerrero stated that the Investment Committee's recommendation is to table the discussion on the two items until such time that Ms. Ralbovsky provides the requested information.

Treasurer Gerard Cruz, seconded by Trustee Katherine Taitano, moved to table the discussion on the Equity Investment Structure and the Risk Hedging Properties of Long Duration Government Securities until such time that Wilshire Associates provides the requested information. Without objection, the motion passed.

Ms. Ralbovsky provided an overview of the Investment Performance and noted the following:

For the Quarter Ended December 31, 2017, the Retirement Fund's portfolio outperformed its benchmark index by 8 basis points, ranking at the 20th percentile of Wilshire's peer group universe for the quarter. The Retirement Fund Return was 3.92% and the Benchmark Return was 3.84%.

Ms. Ralbovsky stated that annual reviews were conducted for the following Non-US Equity Managers: Dimensional Fund Advisers and Fisher Investments and both Managers provided satisfactory reports.

Next Quarterly Performance Meeting – Vice Chairman Leon Guerrero stated that the next Quarterly Performance Meeting is tentatively scheduled for May 23 and 24, 2018.

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

B. Members and Benefits Committee

Trustee Katherine Taitano presented the Committee's February 2018 report to the Board of Trustees.

Trustee Katherine Taitano, seconded by Secretary Antolina Leon Guerrero, moved to approve the recommendation of the Members and Benefits Committee contained on Pages 4 through 11, based on the Committee's review and findings during their meeting of February 14, 2018. Without objection, the motion passed.

DISABILITY CASE NO. 17-007

Secretary Antolina Leon Guerrero stated that the applicant is a 46-year old School Aide III with the Guam Department of Education with 26 years of service. The date of application for disability is October 25, 2017. The reason for application is End Stage Renal Disease, Insulin Dependent Diabetes Mellitus, Diabetic Retinopathy, Nuclear Sclerosis, Detachment Retina, Vitreous Hemorrhage, Hypertension, and Congestive Heart Failure. The applicant was examined by two Independent Medical Examiners (IMEs): Dr. Patrick Santos on December 22, 2017, and Dr. E. Fred Schroeder on January 12, 2018. Dr. Santos gave a rating of 100% whole-person impairment and indicated that the impairment is permanent and it precludes the applicant from gainful work. Dr. Schroeder gave a rating of 96% whole-person impairment and also indicated that the impairment is permanent and it precludes the applicant from gainful work. The applicant was also examined by Dr. Mary Grace Santos, the applicant's Primary Physician, on September 27, 2017 and gave a rating of 100% whole-person impairment and also indicated that the impairment is permanent and it precludes the application from gainful work.

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. The applicant indicated that she does not wish to address the Board.

Secretary Antolina Leon Guerrero, seconded by Trustee Katherine Taitano, moved to approve a full disability pension for Disability Case No. 17-007, based on the findings of the two (2) Independent Medical Examiners (IMEs), the applicant's Primary Physician, and the review of records. Votes as follows: Yes Votes – Secretary Antolina Leon Guerrero, Treasurer Gerard Cruz, Vice Chairman Wilfred Leon Guerrero, Trustee Katherine Taitano, and Chairman Joe San Agustin. With five (5) “Yes” votes, the motion passed. Trustees David O'Brien and Albert Santos 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 Benefit Plan, Secretary Antolina Leon Guerrero moved to adjourn the meeting. Without objection, the meeting was adjourned at 1:30 p.m. Motion passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of February 23, 2018 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on March 28, 2018.



ANTOLINA S. LEON GUERRERO, Board Secretary

RECORDING SECRETARY:



Jackie Blas