



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, May 26, 2017, 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 12:56 p.m. Friday, May 26, 2017, 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
 Jackie Blas, Recording Secretary
 Alice Taijeron, Director, Client Relations & Plan Counseling, Empower Retirement

Investment Consultant Present:

Maggie Ralbovsky, Wilshire Associates

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. April 28, 2017 Regular Meeting

Chairman San Agustin inquired about the status of the Reserve Account issue. Treasurer Gerard Cruz stated that the Reserve Account is mandated by law up to 5%. Once the Retirement Fund reaches its normal cost and the Retirement Fund is fully funded, anything beyond that goes into the Reserve Account. Chairman San Agustin stated that the Reserve Account is basically the excess of the excess. Secretary Antolina Leon Guerrero stated that it is the excess after the expenses and after the Retirement Fund is fully funded.

Secretary Antolina Leon Guerrero, seconded by Trustee Albert Santos, moved to approve the Minutes of the April 28, 2017 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 May 19, 2017 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**

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 will be discussed under the Investment Committee Report.

Financial Report

1. ***Contributions*** - Director Blas stated that as of May 23, 2017, 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 April 30, 2017 were closed on May 19, 2017.

3. ***Fiscal Year 2017 Retirees' Supplemental Benefits*** - Director Blas stated that supplemental benefits for retirees and survivors for the month of May 2017 were paid.

4. ***Fiscal Year 2017 Medicare Reimbursements*** - Director Blas stated that the Retirement Fund received the May 2017 allotment from the General Fund and reimbursements were processed accordingly. Trustee David O'Brien asked what happens if there is no appropriation for Medicare Reimbursement. Director Blas stated that there will be no reimbursement. If there's a shortfall, then the Retirement Fund can't make a reimbursement.

VI. LEGAL COUNSEL'S REPORT

No report was made at this time.

VII. TREASURER'S REPORT OF FINANCIAL STATUS

Treasurer Cruz stated that the Retirement Fund is still operating within its current drawdown authority of up to \$4.5 Million monthly which carries through September 2017.

VIII. STANDING COMMITTEE REPORTS

A. Investment Committee

Vice Chairman Wilfred Leon Guerrero reported that the Quarterly Performance Meeting for the Quarter Ended March 31, 2017 was held on May 24 and 25, 2017. The Investment Committee Meeting was also held on May 25, 2017. The Committee reviewed and approved the Investment Committee Meeting Minutes of April 27, 2017. Vice Chairman Leon Guerrero stated that as of May 19, 2017, the size of the Retirement Fund's portfolio is \$1.69 Billion.

Vice Chairman Leon Guerrero stated that during the Due Diligence meeting, Maggie Ralbovsky of Wilshire Associates discussed Investment Manager Performance. Ms. Ralbovsky stated that Annual Reviews were conducted for the following investment Non-US Equity Managers: Income Research & Management, Garcia Hamilton, Hotchkis, Aegon, and Nomura. Ms. Ralbovsky stated that all five (5) managers have been satisfactory and there are no recommendations for Board action.

Vice Chairman Leon Guerrero stated that Ms. Ralbovsky provided an overview of the DB Plan's Investment Performance, noting that for the quarter ended March 31, 2017, the Retirement Fund's portfolio underperformed its benchmark index, ranking at the 70th percentile of Wilshire's peer group universe for the quarter. The Retirement Fund's Return was 3.72% and the Benchmark Return was 4.11%.

Ms. Ralbovsky stated that the Retirement Fund's return as of April 30, 2017 was 1.36% and the Benchmark Return was 1.25%. The Fiscal Year to Date Return as of April 30, 2017 was 6.17% and the Benchmark Return was 6.05%. Ms. Ralbovsky stated that the over performance came from High Yield and International.

Ms. Ralbovsky stated that she discussed the asset allocation and would like to continue the discussion in August 2017. Ms. Ralbovsky stated that the Investment Committee's recommendation to the Board is to reconsider the search for MLPs category. Ms. Ralbovsky stated that the search may need to be

updated. Trustee O'Brien asked what happens after the responders' information are updated. Director Blas stated that the Selection Panel could then proceed with the interviews. Chairman San Agustin noted to proceed with the interviews once the updated information is received.

Next Quarterly Performance Meeting – Vice Chairman Leon Guerrero stated that the next Quarterly Performance Meeting is scheduled for August 23 and 24, 2017.

B. Members and Benefits Committee

Secretary Leon Guerrero presented the Committee's May 2017 report to the Board of Trustees.

Trustee David O'Brien, seconded by Treasurer Gerard Cruz, moved to approve the recommendation of the Members and Benefits Committee contained on Pages 1 through 14, based on the Committee's review and findings during their meeting of May 17, 2017. Without objection, the motion passed.

IX. OLD BUSINESS

None

X. NEW BUSINESS

A. Director's Salary

Secretary Leon Guerrero stated that with the override of the Governor's veto of the rollback of the Governor and Senators' salary, the Retirement Fund Director's salary is affected since it is tied to the Governor's salary. Treasurer Cruz recommended to delink the Director's salary from the Governor's salary. The Retirement Fund should seek Human Resources autonomy. Secretary Leon Guerrero stated that Treasurer Cruz is suggesting to give the Board autonomy in contracting the services of the Executive Director. Chairman San Agustin stated that the Director has two new plans to manage. Chairman San Agustin stated that the Board should seek legislation to repeal the provision that ties the Director's salary to the Governor's salary. Trustee O'Brien stated that he is concerned with the timing. Chairman San Agustin suggested to do it at the same time as the Plan Documents through the Administrative Adjudication Act (AAA) process on June 30, 2017.

Vice Chairman Wilfred Leon Guerrero, seconded by Secretary Antolina Leon Guerrero, moved to approve to authorize the Board Chairman to seek legislation to repeal the provision that ties the Retirement Fund Director's salary to the Governor of Guam's salary as a result of the expansion of the Retirement Fund's operations which include two (2) new Retirement Plans, one (1) modified Defined Contribution Plan, and the growth in the size of the total trust fund. 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.

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 1:52 p.m. Motion passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of May 26, 2017 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on June 30, 2017.



ANTOLINA S. LEON GUERRERO, Board Secretary

RECORDING SECRETARY:



Jackie Blas