



GOVERNMENT OF GUAM
RETIREMENT FUND
 STABILITY · SECURITY · REWARDS

Lourdes A. Leon Guerrero
 Governor

Joshua F. 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

Albert H. Santos
 Trustee

Vacant
 Trustee

BOARD OF TRUSTEES
Regular Meeting
 Friday, February 22, 2019, 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 12:16 p.m. Friday, February 22, 2019, 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
 Albert H. Santos, Trustee

Board of Trustees Absent:

Gerard A. Cruz, Treasurer (*Excused*)
 Katherine T.E. Taitano, Trustee (*Excused*)

Staff Present:

Paula Blas, Director
 Jackie Blas, Recording Secretary

Investment Consultant Present:

Maggie Ralbovsky, Wilshire Associates

Public Present:

Dave Burger, Burger, Comer & Magliari

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. January 25, 2019 Regular Meeting

Secretary Antolina Leon Guerrero, seconded by Trustee Albert Santos, moved to approve the Minutes of the January 25, 2019 Regular Meeting, subject to technical corrections. Without objection, the motion passed.

III. CORRESPONDENCE

None

IV. 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, 2019 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**

Chairman San Agustin inquired about the Retirement Fund's exposure. Director Paula Blas stated that the Retirement Fund's total exposure is \$2.5 Million. Secretary Antolina Leon Guerrero inquired about distribution of funds on MF Global. Director Blas stated that a motion for approval of the initial distribution of the settlement funds was approved on October 30, 2018. The process of distributing the first round of funds began in early December 2018 and the second distribution will take place in September 2019. Secretary Leon Guerrero inquired about the status of Apollo Education Group. Director Blas stated that a settlement agreement has been submitted for approval.

Financial Report

1. *Contributions* - Director Blas stated that as of February 20, 2019, all agencies are current with their Fiscal Year 2019 employee and employer contributions.

2. *Financial Statements* - Director Blas stated that the books for the month ended December 31, 2018 are scheduled to close on February 25, 2019.

3. *Fiscal Year 2019 Retirees' Supplemental Benefits* - Director Blas stated that supplemental benefits for retirees and survivors for the month of February 2019 will be paid at the end of the month.

4. *Fiscal Year 2019 Medicare Reimbursements* - Director Blas stated that the Retirement Fund received the February 2019 allotment from the General Fund and reimbursements were processed accordingly.

V. LEGAL COUNSEL'S REPORT

No report was made at this time.

VI. TREASURER'S REPORT OF FINANCIAL STATUS

A. Fiscal Year 2018 Audit

Dave Burger of Burger, Comer & Magliari, stated that a copy of the Retirement Fund's Financial Statements, Independent Auditor's Report and Management's Discussion and Analysis (MD&A) for the period ending September 30, 2018 are provided for the Board's review. A copy of the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards is also provided. Mr. Burger pointed out that the Retirement Fund will be the first agency to complete its audit.

Mr. Burger informed the Board that Burger, Comer & Magliari's 3-year contract ends with the 2018 audit. Mr. Burger stated that the Retirement Fund does have an option to extend the contract for one (1) year. Chairman San Agustin stated that the contract is with the Office of the Public Auditor (OPA). Director Blas stated that the contract is with the Independent Auditor. Director Blas stated that the OPA has oversight of the audit. Mr. Burger stated that the OPA does performance auditing. The financial and compliance auditing is contracted out to Certified Public Accountant (CPA) firms and the OPA oversees the CPA's work. There is an entrance and exit conference with the OPA and the auditing firm. Director Blas stated that submissions in response to the Request for Proposal (RFP) are evaluated by a Selection Panel consisting of 5 members (2 from the OPA's Office, 2 from the agency and 1 independent CPA or auditing person). Director Blas stated that the OPA oversees the contract and issues a letter of selection and award.

Mr. Burger stated that there are four (4) components to the audit of the Financial Statements: MD&A, Actual Financial Statements, Footnotes and Schedules. Some schedules are required supplementary information and some are other supplementary schedules that the OPA has asked all the agencies to provide. The 4 components of the audit are prepared by the Retirement Fund and reviewed by Burger, Comer & Magliari. Mr. Burger stated that the two (2) main Financial Statements are the Statement of Fiduciary Net Position on Page 25 and the Statement of Changes in Fiduciary Net Position on Page 26. Mr. Burger stated that there is a new entry on Page 26 which is the "Prior Period Adjustment for Other Postemployment Benefits (OPEB)."

Mr. Burger stated that there are three (3) new numbers on the Financial Statements on Page 25: 1) "Net OPEB Liability." It's a new GASB Statement that became effective for this reporting period. Director Blas stated that it's Medical, Dental and Life Insurance for Retirement Fund employees and retirees in the future; 2) "Deferred Outflows for OPEB." These are a variety of things that will be amortized into an expense over a period of time; and 3) "Deferred Inflows for OPEB."

Chairman San Agustin inquired about the overall return. Director Blas stated that the return was 5.75% for FY 2018. Vice Chairman Wilfred Leon Guerrero asked if there are any repeat findings or issues. Mr. Burger stated that there are no findings, no compliance issues, and no internal control issues. Vice Chairman Leon Guerrero stated that he would like an assessment of the Procurement Law for the Retirement Fund. Secretary Leon Guerrero asked what the problem with the existing

Procurement Law is. Vice Chairman Leon Guerrero mentioned, as an example, the unfilled Investment Officer position and with the 5-Year Plan that the vendors should be reviewed periodically. Vice Chairman Leon Guerrero also mentioned that on the Custodial Bank, there's only 3 banks nationwide that could accommodate the Retirement Fund. Secretary Leon Guerrero stated that the Custodial Bank should be evaluated by the Retirement Fund annually. Director Blas confirmed that the Custodial Bank is reviewed annually. Chairman San Agustin stated that Controller Diana Bernardo has the bi-yearly reports from Northern Trust. Vice Chairman Leon Guerrero stated that he would like to see a comparison with other banks.

Trustee Albert Santos inquired about the option to renew the contract. Director Blas stated that it allows for a 1-year extension and with the Board's concurrence she will submit it to the OPA for approval. The Board agreed with the request for a 1-year extension. Mr. Burger stated that Director Blas will have to justify the 1-year extension and the OPA will make a decision from there.

Secretary Antolina Leon Guerrero, seconded by Trustee Albert Santos, moved to accept the Retirement Fund's Fiscal Year 2018 Audit Report as presented by the Independent Auditors of Burger, Comer & Magliari. Without objection, the motion passed.

A copy of the Cash Flow Statement is provided for the Board's information. The Retirement Fund is operating within its current drawdown authority of up to \$5.5 Million monthly which continues through March 2019.

VII. STANDING COMMITTEE REPORTS

A. Investment Committee

Vice Chairman Leon Guerrero reported that the Quarterly Performance Meeting for the Quarter Ended December 31, 2018 was held on February 20 and 21, 2019. The Investment Committee Meeting was also held on February 21, 2019. The Committee reviewed and approved the Investment Committee Meeting Minutes of January 24, 2019. Vice Chairman Leon Guerrero stated that as of February 17, 2019, the size of the Retirement Fund's portfolio is \$1,934,359,109.

Vice Chairman Leon Guerrero stated that Maggie Ralbovsky of Wilshire Associates provided an overview of the Investment Performance. She noted that for the quarter ended December 31, 2018, the Retirement Fund portfolio underperformed its benchmark index, ranking at the 84th percentile of Wilshire's peer group universe for the quarter. The Retirement Fund Return was -9.34% and the Benchmark Return was -8.71%.

Ms. Ralbovsky stated that annual reviews were conducted for the following managers:

- Fisher Investments
- Cushing Asset Management

Ms. Ralbovsky mentioned that Dimensional Fund Advisers was rescheduled for the next due diligence meeting in May 2019. Ms. Ralbovsky stated that both managers gave satisfactory reports and discussions were good. Chairman San Agustin stated that a summary report of the actual review of managers should be available in writing. Secretary Leon Guerrero stated that it will be documented in the Due Diligence Meeting minutes. Vice Chairman Leon Guerrero inquired about the status of the transcription of the due diligence minutes. Director Blas stated that she is looking into contracting it

out. Secretary Leon Guerrero suggested to summarize the transcription of the due diligence meeting minutes instead of a verbatim transcription.

Trustee Albert Santos reported that the Selection Panel for the International Manager searches recommends the selection of the following managers:

- 1) **RFP No. GGRF-001-18 Investment Management Services for Global Equity**
 - Lazard Asset Management

Trustee Albert Santos, seconded by Vice Chairman Wilfred Leon Guerrero, moved to accept the Selection Panel's recommendation to select Lazard Asset Management for Investment Management Services for Global Equity. Without objection, the motion passed.

- 2) **RFP No. GGRF-002-18 Investment Management Services for Developed Non-U.S. Equity EAFE**
 - Acadian Asset Management

Trustee Albert Santos, seconded by Vice Chairman Wilfred Leon Guerrero, moved to accept the Selection Panel's recommendation to select Acadian Asset Management for Investment Management Services for Developed Non-U.S. Equity EAFE. Without objection, the motion passed.

- 3) **RFP No. GGRF-003-18 Investment Management Services for Emerging Markets**
 - Wellington Management Company

Trustee Albert Santos, seconded by Vice Chairman Wilfred Leon Guerrero, moved to accept the Selection Panel's recommendation to select Wellington Management Company for Investment Management Services for Emerging Markets. Without objection, the motion passed.

Ms. Rabovsky stated that Master Limited Partnerships (MLPs) and Environmental, Social and Governance (ESG) were discussed and would like to continue discussion as an update during the next due diligence meeting.

Next Quarterly Performance Meeting – Vice Chairman Leon Guerrero stated that the next Quarterly Performance Meeting is tentatively scheduled for May 29 and 30, 2019.

B. Members and Benefits Committee

Secretary Leon Guerrero presented the Committee's February 2019 report to the Board of Trustees.

Trustee Albert Santos, seconded by Secretary Antolina Leon Guerrero, moved to approve the recommendation of the Members and Benefits Committee contained on Pages 1 through 15; and Page 17 for the Application for Minor Child Survivor Benefits, based on the Committee's review and findings during their meeting of February 13, 2019. Without objection, the motion passed.

DISABILITY CASE NO. 18-009

Secretary Leon Guerrero stated that the applicant is a 54 year old Teacher IV with the Department of Education with 25+ years of service. The date of application for disability is October 3, 2018. The reason for application is Stage Four Adenocarcinoma Lung Cancer and Metastasis to Brain. The applicant was examined by two Independent Medical Examiners (IMEs): Dr. E. Fred Schroeder on December 24, 2018 and Dr. Vincent Duenas on January 14, 2019. Dr. Schroeder gave a rating of 89% whole-person impairment and indicated that the impairment is permanent and precludes the applicant from gainful work and noted that the applicant's impairment is terminal. Dr. Duenas gave a rating of 82% whole-person impairment and also indicated that the impairment is permanent and precludes the applicant from gainful work and also noted that the cancer has spread.

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 Antolina Leon Guerrero, seconded by Trustee Albert Santos, moved to approve a full disability pension for Disability Case No. 18-009, based on the findings of the two (2) Independent Medical Examiners (IMEs), and the review of records. Votes as follows: Yes Votes - Secretary Antolina Leon Guerrero, Vice Chairman Wilfred Leon Guerrero, Trustee Albert Santos, and Chairman Joe San Agustin. With Four (4) “Yes” votes, the motion passed. Treasurer Gerard Cruz and Trustee Katherine Taitano were absent.

VIII. OLD BUSINESS

None

IX. NEW BUSINESS

None

X. OPEN DISCUSSION / GENERAL PUBLIC INPUT

None

XI. ANNOUNCEMENTS

Director Blas informed the Board that the Guam Regional Transmit Authority (GRTA) is proposing to erect a metal bus shelter which will extend to the Retirement Fund's parking lot fronting Route 8. Secretary Leon Guerrero asked whether it will eliminate some of the Retirement Fund's parking stalls. Director Blas stated that it may. Secretary Leon Guerrero suggested that GRTA provide a proposal. Director Blas stated that there is an agreement authorizing the usage of the Retirement Fund's parking space and that GRTA will assume total liability.

XII. ADJOURNMENT

There being no further business before the Board for the Defined Benefit Plan, Trustee Albert Santos moved to adjourn the meeting. Without objection, the meeting was adjourned at 1:22 p.m. Motion passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of February 22, 2019 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on March 27, 2019.



ANTOLINA S. LEON GUERRERO, Board Secretary

RECORDING SECRETARY:



Jackie Blas