



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
Wednesday, March 27, 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 12:49 p.m. Wednesday, March 27, 2019, in the Retirement Fund Conference Room. Chairman Joe T. San Agustin officiated.

Board of Trustees Present:

Joe T. San Agustin, Chairman
Antolina S. Leon Guerrero, Secretary
Gerard A. Cruz, Treasurer
Albert H. Santos, Trustee
Katherine T.E. Taitano, Trustee

Board of Trustees Absent:

Wilfred P. Leon Guerrero, Vice Chairman (*Excused*)

Staff Present:

Paula Blas, Director
Jackie Blas, Recording Secretary

Actuarial Consultant Present:

Richard Wright, Milliman, Inc.

Public Present:

Joey Leon Guerrero

Treasurer Gerard Cruz, seconded by Trustee Albert Santos, moved to suspend the order of business and to proceed with Agenda Item IX A: NEW BUSINESS - Actuarial Valuation as of September 30, 2018. Without objection, the motion passed.

II. NEW BUSINESS

A. Actuarial Valuation as of September 30, 2018

Director Paula Blas stated that Milliman, Inc. performed an actuarial valuation of the Retirement Fund as of September 30, 2018. In Milliman's valuation they:

- Summarized the membership data.
- Calculated the actuarial accrued liability and normal cost.
- Determined the contribution requirements.
- Projected the fund balance and security ratio forward 40 years.

Richard Wright of Milliman, Inc. provided the following highlights on the valuation as of September 30, 2018:

- The required contribution under GCA Section 8137 is 26.28% of payroll. Of this amount, 20.70% is for the unfunded actuarial accrued liability of the Defined Benefit (DB) Plans (Old DB Plan and DB 1.75 Plan), 2.39% is for the normal cost of the DB Plans, and 3.19% is for contributions and expenses for the Defined Contribution (DC) Plan. The primary reason for the decrease in the contribution rate from 26.56% to 26.28% was the net recognition of investment gains and losses over the last three years, and some actuarial gains due to demographic experience that differed from the actuarial assumptions. These decreases were partially offset by a lower than expected increase in total payroll.
- Public Law 28-150 provided that the current employer contribution rate would increase over a 5-year period starting in the 2006-2007 Fiscal Year until it reached the actuarial contribution rate, which is the rate specified in the Retirement Fund's Actuarial Valuation Report. The employer contribution rate for the 2018-2019 Fiscal Year is 26.56%.
- The DB payroll for the 2017-2018 Fiscal Year was \$122.2 Million compared with \$131.5 Million for the 2016-2017 Fiscal Year. The DB 1.75 payroll for the 2017-2018 Fiscal Year was \$127.2 Million for a 9 month period. The total DB and DC payroll for the 2017-2018 Fiscal Year was \$513.8 Million compared with \$508.3 Million for the 2016-2017 Fiscal Year; an increase of 1.09%. The long term assumption is a 2.75% annual growth in total payroll. If total payroll had increased by 2.75%, the required contribution rate would have been 25.96%.
- Based on the Audited Financial Statements, Milliman calculated an investment return on the total market value of assets of 5.7% for the Fiscal Year Ending September 30, 2018. The average annual return on the market value of assets for the last five Fiscal Years has been 7.5%. The investment return on the actuarial value of assets, which recognizes investment gains and losses over a 3-year period, was 9.0% for the Fiscal Year Ending September 30, 2018.
- The unfunded actuarial accrued liability increased from \$1.267 Billion as of September 30, 2017 to \$1.176 Billion as of September 30, 2018. The payment required to amortize the

unfunded actuarial accrued liability under GCA Section 8137 has decreased from \$111.2 Million to \$108.3 Million. The payment as a percentage of payroll has decreased from 21.29% to 20.70%.

Mr. Wright pointed out that the active DB participant count declined from 2,058 to 1,870. The security ratio increased from 60.20% to 63.24%.

Secretary Antolina Leon Guerrero, seconded by Treasurer Gerard Cruz, moved to accept the Actuarial Valuation Report as of September 30, 2018, based on changes on the Actuarial Experience Study as of October 1, 2011 to September 30, 2015, which is applied to the Actuarial Valuation. Without objection, the motion passed.

III. REVIEW AND APPROVAL OF BOARD MINUTES

A. February 22, 2019 Regular Meeting

Secretary Antolina Leon Guerrero, seconded by Trustee Albert Santos, moved to approve the Minutes of the February 22, 2019 Regular Meeting, subject to technical corrections. Without objection, the motion passed.

IV. CORRESPONDENCE

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 March 24, 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**

Financial Report

1. *Contributions* - Director Blas stated that as of March 26, 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 January 31, 2019 were closed on March 14, 2019 and the books for the month ended February 28, 2019 are scheduled to close on March 29, 2019.

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

4. ***Fiscal Year 2019 Medicare Reimbursements*** - Director Blas stated that the Retirement Fund received the March 2019 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 current drawdown authorization of \$5.5 Million expires this month and would like to request to extend the current drawdown authority through September 2019.

Treasurer Gerard Cruz, seconded by Trustee Albert Santos, moved to approve the request for a monthly drawdown authority of up to \$5.5 Million through September 2019. Without objection, the motion passed.

VIII. STANDING COMMITTEE REPORTS

A. Investment Committee

Treasurer Cruz reported that the Investment Committee Meeting was held on March 15, 2019. The Committee reviewed and approved the Investment Committee Meeting Minutes of February 21, 2019. Treasurer Cruz stated that as of March 12, 2019, the size of the Retirement Fund's portfolio is \$1,939,070,045.

Next Quarterly Performance Meeting – Treasurer Cruz stated that the next Quarterly Performance Meeting is scheduled for May 29 and 30, 2019.

B. Members and Benefits Committee

Trustee Katherine Taitano presented the Committee's March 2019 report to the Board of Trustees.

Secretary Antolina Leon Guerrero, seconded by Trustee Albert Santos, moved to approve the recommendation of the Members and Benefits Committee contained on Pages 4 through 19, based on the Committee's review and findings during their meeting of March 20, 2019. Without objection, the motion passed.

DISABILITY CASE NO. 18-008

Secretary Antolina Leon Guerrero stated that the applicant is a 45 year old Land Agent II at the Department of Land Management with 25+ years of service. The date of application for disability is October 23, 2018. The reason for application is Multiple Joint Deformity and Chronic Hypertension. The applicant was examined by two Independent Medical Examiners (IMEs): Dr. Vincent Duenas on December 11, 2018 and Dr. Doris Lim on February 15, 2019. Dr. Duenas gave a rating of 54% whole-person impairment and indicated that the impairment is permanent and precludes the applicant from gainful work. Dr. Lim gave a rating of 60% whole-person impairment and also indicated that the impairment is permanent and precludes the applicant from gainful work. Secretary Leon Guerrero

stated that Dr. Duenas noted that the applicant has a progressive disease, poor for significant improvement; and Dr. Lim noted chronic, poor diagnosis. Secretary Leon Guerrero stated that the applicant's primary physician, Dr. E. Fred Schroeder, gave a rating of 80% whole-person impairment. Secretary Leon Guerrero pointed out that Dr. Schroeder reviewed guidelines under Chapters 4, 15, 16, and 17 in his evaluation; Dr. Duenas reviewed Chapters 15, 16, and 17; and Dr. Lim reviewed Chapter 16.

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 an individual who came forward. Chairman San Agustin asked the individual to please state his name for the record.

The individual stated that his name is Joey Leon Guerrero. Secretary Leon Guerrero asked Mr. Leon Guerrero if he is currently working. Mr. Leon Guerrero replied, "Yes, and it's a challenge everyday." Mr. Leon Guerrero stated that he informed his new Director at Guam Ancestral Lands Commission of his disability application and his Director still wants him to work, but it's difficult working alone. Mr. Leon Guerrero stated that in 2012 or 2013, his condition got really bad to include the effect of his arthritis. Mr. Leon Guerrero mentioned that he went to the Philippines and was seen by a rheumatologist who told him his condition is pretty bad and was told to undergo some procedures. Mr. Leon Guerrero pointed out that his condition is hereditary, but he functioned normally until 2013 when his condition got really bad. Treasurer Cruz asked Mr. Leon Guerrero what medications he's taking. Mr. Leon Guerrero stated that he is taking Tramadol, Norco, Carvedilol, and Amlodipine.

Secretary Leon Guerrero asked Mr. Leon Guerrero how he spends his day at work. Mr. Leon Guerrero stated that his Director has been accommodating and has someone to assist him. Mr. Leon Guerrero stated that he can't walk on stairways even during an evacuation. It is very difficult. Trustee Taitano asked Mr. Leon Guerrero how he would rate his pain. Mr. Leon Guerrero stated that it is 3 or 4 with pain pills and 7 or 8 without pain pills. Mr. Leon Guerrero pointed out that he has always just been ignoring the pain, but not now. Trustee Albert Santos asked Mr. Leon Guerrero if he puts in a full 8 hours daily. Mr. Leon Guerrero replied, "Yes, but he would ask for a break and sit in his car and relax. Mr. Leon Guerrero stated that he has been hospitalized 3 times and he has exhausted most of his leave.

Mr. Leon Guerrero stated that he is looking at options, including Supplemental Social Security Income. Treasurer Cruz stated that Supplemental Security Income (SSI) does not apply to Guam. Chairman San Agustin read out loud the definition of ***Total and Permanent Disability***: "***one which results from some impairment of body or mind which can be expected to result in death, or can be expected to last for a continuous period of not less than twelve (12) months. The impairment shall be one that substantially precludes a person from performing with reasonable regularity the substantial and material parts of any gainful work or occupation that he would be competent to perform were it not for that impairment, and if founded upon condition which render it reasonably certain that it will continue indefinitely.***" Secretary Leon Guerrero stated that Mr. Leon Guerrero's joint disease is progressive. Secretary Leon Guerrero asked Mr. Leon Guerrero whether office work would be manageable to him versus field work. Mr. Leon Guerrero stated that the previous consolidation of Land Management, Chamorro Land Trust and Ancestral Lands helped him a bit. Secretary Leon Guerrero asked Mr. Leon Guerrero if he'll be able to perform light office duties due to his physical limitations. Mr. Leon Guerrero, replied "No, it would still require being on his feet."

Trustee Santos pointed out that the Board is in a dilemma. The law requires total disability, an impairment that precludes a person from performing *any* gainful work. The Board considers applicants whose impairments meet the threshold of 75% to satisfy the legal requirement. Trustee Santos suggested that the applicant be evaluated by a 3rd IME. Secretary Leon Guerrero stated that the Board could defer making a decision on the case until an evaluation is made by a 3rd IME. Director Blas stated that the Retirement Fund could arrange to refer the applicant to a 3rd IME.

Secretary Antolina Leon Guerrero, seconded by Trustee Katherine Taitano, moved to table Disability Case No. 18-008 so that Management could refer the applicant to a third Independent Medical Examiner (IME) for evaluation; and until such time that the IME's report is submitted. Votes as follows: Yes Votes - Secretary Antolina Leon Guerrero, Treasurer Gerard Cruz, Trustee Katherine Taitano, Trustee Albert Santos, and Chairman Joe San Agustin. With five (5) "Yes" votes, the motion passed. Vice Chairman Wilfred Leon Guerrero was absent.

IX. OLD BUSINESS

None

X. OPEN DISCUSSION / GENERAL PUBLIC INPUT

None

XI. ANNOUNCEMENTS

None

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 2:32 p.m. Motion passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of March 27, 2019 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on April 26, 2019.



ANTOLINA S. LEON GUERRERO, Board Secretary

RECORDING SECRETARY:



Jackie Blas