



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, April 27, 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 12:30 p.m. Friday, April 27, 2018, in the Retirement Fund Conference Room. Chairman Joe T. San Agustin officiated.

Board of Trustees Present:

Joe T. San Agustin, Chairman
 Gerard A. Cruz, Treasurer
 Antolina S. Leon Guerrero, Secretary
 David M. O'Brien, Trustee
 Albert H. Santos, Trustee

Board of Trustees Absent:

Wilfred P. Leon Guerrero, Vice Chairman (*Excused*)
 Katherine T.E. Taitano, Trustee (*Excused*)

Staff Present:

Paula Blas, Director
 Diana Bernardo, Controller
 Jackie Blas, Recording Secretary
 Alice Tajeron, Relationship Manager, Empower Retirement

Public Present:

Dave Burger, Burger & Comer
 Edlyn Dalisay, Office of Public Accountability

Chairman San Agustin recommended suspending the order of business to proceed with the presentation of the Fiscal Year 2017 Audit under the Treasurer's Report. The Board indicated they have no objection to changing the order of business.

II. FISCAL YEAR 2017 AUDIT

Treasurer Gerard Cruz opened the floor to Dave Burger of Burger & Comer and Edlyn Dalisay from the Office of Public Accountability (OPA). Mr. Burger stated that a copy of the Retirement Fund's Financial Statements, Independent Auditor's Report and Management's Discussion and Analysis (MDA) for the period September 30, 2017 is 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 stated that the reason why the FY 2017 Audit started late this year is because the Defined Benefit 1.75 Plan came into effect in January 2018. Mr. Burger stated that the MDA are on Pages 4 through 26. The Statement of Fiduciary Net Position is on Page 27 and the Statement of Changes in Fiduciary Net Pension is on Page 28 of the report.

Mr. Burger stated that the Governmental Accounting Standards Board (GASB) No. 73 and GASB No. 75 was implemented in FY 2017. There is the supplemental annuity payments that applies to the DB retirees (prior to October 1, 1995) with a pension of less than \$40,000, and the current \$2,000 Cost of Living Allowance (COLA) which also applies to DC retirees. Mr. Burger stated that there is no guarantee that the COLA will always be paid. Secretary Antolina Leon Guerrero stated that the source of revenue is from the General Fund. Mr. Burger stated that the Retirement Fund does have a liability for supplemental annuity payments and COLA for GGRF's retired employees. Mr. Burger stated that the Schedule of Net Pension Liability by Agency is shown on Pages 64 and 65. Chairman San Agustin stated that this is not a liability for the Retirement Fund. Secretary Leon Guerrero stated that the Retirement Fund has a liability as an employer. Mr. Burger stated that the Retirement Fund's Net Pension Liability (\$5,450,291) is shown on Page 27. Trustee David O'Brien stated that the liability dropped from \$5,686,442 in 2016 to \$5,450,291 in 2017. Director Paula Blas stated that a number of retirees and survivors have passed away.

Treasurer Cruz stated that clarification is needed on the Government Retirement Security Plan (GRSP) proposed legislation that is pending regarding its funding source. Mr. Burger stated that allocation on GASB Nos. 68, 73 and 75 will have to be worked on at some point. Director Blas stated that the OPA has purview over the OPEC allocation. Controller Diana Bernardo stated that the OPEC's actuarial report has been performed. Mr. Burger stated that he has the OPEC actuarial report. Trustee O'Brien inquired about the Retirement Fund's Board fiduciary responsibilities related to GASB Nos. 68, 73 and 75 and their implementation. Controller Bernardo stated that the Retirement Fund will book its part. Mr. Burger stated that the source of information on GASB Nos. 68, 73 and 75 will be coming from the Retirement Fund. Chairman San Agustin stated that all benefits are appropriated from the General Fund.

Edlyn Dalisay from the Office of Public Accountability stated that the OPA will make the changes on the GRSP portion. Ms. Dalisay also stated that the OPA would like to recognize the agencies that do good on their financial audit and one of them is the Retirement Fund. Ms. Dalisay mentioned that the OPA is looking for a Chamorro term for a "Low Risk Auditee" for those agencies that do not receive federal funding.

Treasurer Gerard Cruz, seconded by Trustee David O'Brien, moved to accept the Retirement Fund's Fiscal Year 2017 Audit Report as presented by the Independent Auditors of Burger, Comer & Magliari; with the changes approved during discussion. Without objection, the motion passed.

1:18 p.m. – Recessed Defined Benefit Plan Meeting and Reconvened the Defined Contribution Plan Meeting

1:22 p.m. – Reconvened Defined Benefit Plan Meeting

III. REVIEW AND APPROVAL OF BOARD MINUTES

A. March 28, 2018 Regular Meeting

Secretary Antolina Leon Guerrero, seconded by Treasurer Gerard Cruz, moved to approve the Minutes of the March 28, 2018 Regular Meeting, subject to technical corrections. Without objection, the motion passed.

IV. CORRESPONDENCE

None

V. INFORMATIONAL ITEMS

None

VI. 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 April 19, 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**

Financial Report

1. *Contributions* - Director Blas stated that as of April 24, 2018, all agencies are current with their Fiscal Year 2018 employee and employer contributions with the exception of Guam Memorial Hospital Authority (GMHA). GMHA is currently in arrears for a total amount of \$1.33 Million. Secretary Leon Guerrero asked whether GMHA is making an effort to catch up with their contributions. Director Blas stated that GMHA is trying to get caught up with Pay Periods Ending February 17, 2018 and March 3, 2018. Director Blas stated that GMHA is waiting on the tax revenues

for April and asked the Board if they would wait until the May Board Meeting to see what revenues come in. Secretary Leon Guerrero indicated that the Retirement Fund could wait until the tax revenues for April comes in. The Board agreed to wait until May before GMHA is informed on the next course of action the Retirement Fund will pursue.

2. **Financial Statements** - Director Blas stated that the books for the month ended March 31, 2018 were closed on April 26, 2018.

3. **Fiscal Year 2018 Retirees' Supplemental Benefits** - Director Blas stated that supplemental benefits for retirees and survivors for the month of April 2018 were paid.

4. **Fiscal Year 2018 Medicare Reimbursements** - Director Blas stated that the Retirement Fund received the April 2018 allotment from the General Fund and reimbursements were processed accordingly.

VII. LEGAL COUNSEL'S REPORT

No report was made at this time.

VIII. TREASURER'S REPORT OF FINANCIAL STATUS

Treasurer Cruz stated that the Retirement Fund is operating within its current drawdown authority of up to \$5.5 Million monthly which continues through September 2018. Chairman San Agustin asked whether the Retirement Fund's rate of return on its DB Plan investment portfolio was 11.88% in Fiscal Year 2017. Treasurer Cruz replied, "Yes."

IX. STANDING COMMITTEE REPORTS

A. Investment Committee

Treasurer Cruz reported that the Investment Committee Meeting was held on April 26, 2018. The Committee reviewed and approved the Investment Committee Meeting Minutes of March 23, 2018. Treasurer Cruz stated that as of April 23, 2018, the size of the Retirement Fund's portfolio is \$1,981,044,609.

Next Quarterly Performance Meeting – Treasurer Cruz informed the Board that the next Quarterly Performance Meeting is scheduled for May 23 and 24, 2018.

B. Members and Benefits Committee

Secretary Leon Guerrero presented the Committee's April 2018 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 14, based on the Committee's review and findings during their meeting of April 19, 2018. Without objection, the motion passed.

DISABILITY CASE NO. 18-001

Secretary Leon Guerrero stated that the applicant is a 45-year old Police Officer I with the Guam Police Department with 26 years of service. The date of application for disability is November 2, 2017. The reason for application is End Stage Renal Disease - Dialysis, Left foot Amputation, Coronary Artery Disease, Knee Pain, Hypertension and Diabetes. The applicant was examined by two Independent Medical Examiners (IMEs): Dr. Patrick Santos on February 21, 2018, and Dr. E. Fred Schroeder on March 18, 2018. Dr. Santos gave a rating of 100% whole-person impairment and indicated that the impairment is permanent and precludes the applicant from gainful work. Dr. Schroeder gave a rating of 92% whole-person impairment and also indicated that the impairment is permanent and precludes the applicant from gainful work. The applicant was initially examined by Dr. Young K. Chang, the applicant's Primary Physician, on December 30, 2017. Dr. Chang gave a rating of 100% whole-person impairment and also indicated that the impairment is permanent and 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. Chairman San Agustin recognized the applicant, but the applicant indicated that he does not want to address the Board.

Secretary Antolina Leon Guerrero, seconded by Trustee David O'Brien, moved to approve a full disability pension for Disability Case No. 18-001, 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, Trustee David O'Brien, Treasurer Gerard Cruz, Trustee Albert Santos, and Chairman Joe San Agustin. With five (5) “Yes” votes, the motion passed. Vice Chairman Wilfred Leon Guerrero and Trustee Katherine Taitano were absent.

X. OLD BUSINESS

None

XI. NEW BUSINESS

None

XII. OPEN DISCUSSION / GENERAL PUBLIC INPUT

None

XIII. ANNOUNCEMENTS

None

XIV. ADJOURNMENT

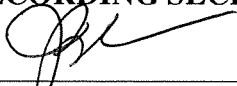
There being no business before the Board for the Defined Benefit Plan, on motion of Secretary Antolina Leon Guerrero, seconded by Trustee David O'Brien, and without objection, the meeting was adjourned at 1:40 p.m. Motion passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of April 27, 2018 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on May 25, 2018.



ANTOLINA S. LEON GUERRERO, Board Secretary

RECORDING SECRETARY:



Jackie Blas