



GOVERNMENT OF GUAM
RETIREMENT FUND
 STABILITY · SECURITY · REWARDS
BOARD OF TRUSTEES

Regular Meeting

Friday, May 25, 2018, 12:00 Noon
 Retirement Fund Conference Room

MINUTES

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

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 12:43 p.m. Friday, May 25, 2018, in the Retirement Fund Conference Room. Acting Chairman Wilfred P. Leon Guerrero officiated.

Board of Trustees Present:

Wilfred P. Leon Guerrero, Acting Chairman
 Antolina S. Leon Guerrero, Secretary
 Gerard A. Cruz, Treasurer
 David M. O'Brien, Trustee
 Albert H. Santos, Trustee

Board of Trustees Absent:

Joe T. San Agustin, 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

Investment Consultant Present:

Maggie Ralbovsky, Wilshire Associates

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. April 27, 2018 Regular Meeting

Treasurer Gerard Cruz, seconded by Trustee Albert Santos, moved to approve the Minutes of the April 27, 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 May 18, 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 mentioned that the extended deadline for submitting claims on the MF Global case was June 7, 2016. Director Blas stated that once the claims administration process has been completed, BLBG will file a motion for approval of a distribution plan for the Net Settlement Fund.

Financial Report

1. *Contributions* - Director Blas stated that as of May 22, 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 \$917,854.85. Director Blas stated that out of the \$971,854.85, \$513,000 is for the unfunded liability portion. Secretary Antolina Leon Guerrero stated that the next step would be to go to the Retirement Fund's Legal Counsel for the issuance of a Writ. Acting Chairman Leon Guerrero asked how many pay periods is GMHA behind. Director Blas replied, "Three Pay Periods." Trustee David O'Brien asked whether GMHA has a payment plan. Director Blas stated that GMHA is trying to stay current by remitting payment on the latest pay periods. Trustee O'Brien asked what would be GMHA's funding source after the Writ is issued. Director Blas replied, "The new sales tax and the gross receipt tax." Secretary Leon Guerrero stated that we need to communicate with our Legal Counsel to pursue the Writ. Acting Chairman Leon Guerrero stated that we need to make sure documentation is available notifying all parties involved. Director Blas stated that all parties are aware.

2. **Financial Statements** - Director Blas stated that the books for the month ended April 30, 2018 were closed on May 24, 2018.

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

Secretary Leon Guerrero inquired about the Promissory Note. Director Blas stated that the Promissory Note is for members who took out a hardship or made a withdrawal and do not have enough to purchase their service credit. Payment will be through a payroll deduction for a term of no more than seven (7) years. Alice Taijeron, Relationship Manager, Empower Retirement, stated that the members have up to June 30, 2018 to decide on whether to take advantage of making a repayment for service credit.

VIII. STANDING COMMITTEE REPORTS

A. Investment Committee

Acting Chairman Leon Guerrero reported that the Quarterly Performance Meeting for the Quarter Ended March 31, 2018 was held on May 23 and 24, 2018. The Investment Committee Meeting was also held on May 24, 2018. The Committee reviewed and approved the Investment Committee Meeting Minutes of April 26, 2018. Acting Chairman Leon Guerrero stated that as of May 24, 2018, the size of the Retirement Fund's portfolio is \$1,998,966,597.

Acting Chairman Leon Guerrero stated that Maggie Ralbovsky of Wilshire Associates provided an overview of the Investment Performance. Ms. Ralbovsky noted that for the Quarter Ended March 31, 2018, the Retirement Fund's portfolio outperformed its benchmark index by 25 basis points, ranking at the 45th percentile of Wilshire's Total Fund public peer group universe for the quarter. The Retirement Fund Return was -1.45% and the Benchmark Return was -1.70%.

Ms. Ralbovsky stated that annual reviews were conducted for the following Fixed Income and High Yield Bond Managers:

- Income Research Management
- Garcia Hamilton
- Hotchkis
- Aegon
- Nomura

Ms. Ralbovsky stated that all five (5) managers are in good standing. Ms. Ralbovsky stated that she discussed and provided empirical evidence on the risk hedging properties of Long Duration Government Securities in a portfolio, in order to protect the portfolio on the downside. Ms. Ralbovsky stated that she would like to continue this discussion during the next due diligence.

Ms. Ralbovsky stated that the following items are for Board action:

1. Place Numeric Investors on Watch

Ms. Ralbovsky stated that Numeric Investors underperformed significantly since inception, but still above the benchmark. Ms. Ralbovsky stated that Numeric was very disappointed with their own performance and has offered the Retirement Fund a 25 basis points fee reduction from the current 75 basis points per year. Ms. Ralbovsky stated that Wilshire's recommendation is to place Numeric on Watch for the next 24 months and to accept Numeric's fee amendment from 75 basis points per year to 50 basis points per year. Acting Chairman Leon Guerrero asked whether this is a standard practice. Ms. Ralbovsky stated that it has been done before and it is a goodwill. Director Blas stated that Eaton Vance also did the same thing.

Trustee Albert Santos, seconded by Treasurer Gerard Cruz, moved to accept Wilshire's recommendation to place Numeric Investors on Watch for 24 Months and to accept Numeric Investors' Fee Amendment from 75 Basis Points Per Year to 50 Basis Points Per Year. Without objection, the motion passed.

2. Active Manager Searches to Replace Part of the Passive Index Funds

Ms. Ralbovsky discussed the restructuring of the equity investment allocations and indicated that it will benefit the portfolio and therefore Wilshire's recommendation is to conduct a search for three (3) new managers for the Passive Index Funds.

Trustee Albert Santos, seconded by Treasurer Gerard Cruz, moved to accept Wilshire's recommendation to conduct a search for Three (3) New Passive Index Fund Managers. Without objection, the motion passed.

Next Quarterly Performance Meeting – Acting Chairman Leon Guerrero stated that the next Quarterly Performance Meeting is tentatively scheduled for August 29 and 30, 2018.

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

B. Members and Benefits Committee

Secretary Leon Guerrero presented the Committee's May 2018 report to the Board of Trustees.

Secretary Antolina Leon Guerrero, seconded by Trustee David O'Brien, moved to approve the recommendation of the Members and Benefits Committee contained on Pages 1 through 13, based on the Committee's review and findings during their meeting of May 15, 2018. Without objection, the motion passed.

Treasurer Cruz inquired about the status of the Guam Federation of Teachers (GFT) with regards to a Declaratory Ruling. Director Blas stated that a hearing was held on May 8, 2018 and Judge Arthur Barcinas decided to have both parties provide a brief which is due on June 8, 2018.

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 1:24 p.m. Motion passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of May 25, 2018 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on June 22, 2018.



ANTOLINA S. LEON GUERRERO, Board Secretary

RECORDING SECRETARY:



Jackie Blas