



GOVERNMENT OF GUAM
RETIREMENT FUND
 STABILITY • SECURITY • REWARDS

Eddie Baza Calvo
 Governor

Ray Tenorio
 Lieutenant Governor

Paula M. Blas
 Director

BOARD OF TRUSTEES
Regular Meeting
 Friday, August 31, 2018, 12:00 Noon
 Retirement Fund Conference Room

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

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 12:54 p.m. Friday, August 31, 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
 Jackie Blas, Recording Secretary
 Alice Taijeron, Relationship Manager, Empower Retirement

Investment Consultant Present:

Maggie Ralbovsky, Wilshire Associates

Public Present:

Michael Nauta and Michael Nauta Jr.

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. July 25, 2018 Regular Meeting

Trustee Albert Santos, seconded by Treasurer Gerard Cruz, moved to approve the Minutes of the July 25, 2018 Regular Meeting, subject to technical corrections. Without objection, the motion passed.

III. CORRESPONDENCE

None

IV. INFORMATIONAL ITEMS

Acting Chairman Leon Guerrero inquired about informational items. Director Paula Blas stated that in the past it was just things submitted for the Board's information. Acting Chairman Leon Guerrero stated to delete Item IV from the meeting agenda and include any information submitted under Director's Report.

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 August 23, 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 August 28, 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 \$867,913.13. Director Blas stated that GMHA has been paying the employee share. Director Blas stated that she is hoping that the arrears will be paid down in September 2018.

2. *Financial Statements* - Director Blas stated that the books for the month ended July 31, 2018 were closed on August 30, 2018.

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

4. *Fiscal Year 2018 Medicare Reimbursements* - Director Blas stated that the Retirement Fund received the August 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. Treasurer Cruz stated that in August 2018 the Retirement Fund is scheduled to pull in from principle an estimated \$2.5 Million.

VIII. STANDING COMMITTEE REPORTS

A. Investment Committee

Acting Chairman Leon Guerrero reported that the Quarterly Performance Meeting for the Quarter Ended June 30, 2018 was held on August 29 and 30, 2018. The Investment Committee Meeting was also held on August 30, 2018. The Committee reviewed and approved the Investment Committee Meeting Minutes of July 24, 2018. Acting Chairman Leon Guerrero stated that as of August 24, 2018, the size of the Retirement Fund's portfolio is \$2,019,993,404

Acting Chairman Leon Guerrero stated that Maggie Ralbovsky of Wilshire Associates provided an overview of the Investment Performance noting that for the quarter ended June 30, 2018, the Retirement Fund's portfolio underperformed its benchmark index, ranking at the 45th percentile of Wilshire's peer group universe for the quarter: Retirement Fund Return 0.53% and Benchmark Return 1.65%.

Ms. Ralbovsky stated that annual reviews were conducted for the following managers: Robeco and Numeric. Ms. Ralbovsky stated that the performance this quarter was not good. The managers were underperforming at 1% of the total fund. Numeric has underperformed. Ms. Ralbovsky stated that Numeric's explanation was considered satisfactory, but Wilshire's recommendation is to keep Numeric on Watch and Numeric will be monitored quarterly. Secretary Antolina Leon Guerrero pointed out that Numeric mentioned that they will do something new this quarter. Ms. Ralbovsky stated that the market environment was one sided. Secretary Leon Guerrero inquired about Intech not being present during the manager's review. Director Blas stated that an email was sent to Intech informing them of the Due Diligence Meeting, but they may not have received the email. Ms. Ralbovsky stated that the email might have been sent to another person. Director Blas stated that she will check what happened.

Treasurer Gerard Cruz, seconded by Trustee Albert Santos, moved to accept Wilshire Associates' recommendation to keep Numeric on Watch until further notice and to continue to monitor Numeric's performance quarterly. Without objection, the motion passed.

Next Quarterly Performance Meeting – Acting Chairman Leon Guerrero stated that the next Quarterly Performance Meeting is tentatively scheduled for November 14 and 15, 2018.

Trustee Albert Santos, seconded by Treasurer Gerard Cruz, moved to accept the Investment

B. Members and Benefits Committee

Secretary Leon Guerrero presented the Committee's August 2018 report to the Board of Trustees. Treasurer Cruz inquired about the status of the Guam Federation of Teachers (GFT) lawsuit. Director Blas stated that GFT's brief is due today and the Retirement Fund's response to GFT's brief is due at the end of September 2018.

Secretary Antolina Leon Guerrero, seconded by Trustee David O'Brien, moved to approve the recommendation of the Members and Benefits Committee contained on Pages 2 through 16, based on the Committee's review and findings during their meeting of August 22, 2018. Without objection, the motion passed.

DISABILITY CASE NO. 18-004

Secretary Leon Guerrero stated that the applicant is a 58-year old School Bus Driver with the Department of Public Works with 8+ years of service. The date of application for disability is May 4, 2018. The reason for application is Multiple Strokes in 2008, 2011, and 2014; Limp Problem; Left Foot, Right Foot, Right Arm and Hand Numbness; Open Heart Triple By-Pass; Kidney Stone Removal; Left Eye Vision Loss; Pain in Hand to Toes. The applicant was examined by two Independent Medical Examiners (IMEs): Dr. E. Fred Schroeder on July 3, 2018 and Dr. Vincent Duenas on July 24, 2018. Dr. Schroeder gave a rating of 88% whole-person impairment and indicated that the impairment is permanent and precludes the applicant from gainful work. Dr. Duenas gave a rating of 60% whole-person impairment and indicated that the impairment is not permanent, but it precludes the applicant from gainful work. The applicant was also examined by his primary physician, Dr. Patrick Santos and gave a rating of 100% whole-person impairment. Secretary Leon Guerrero pointed out that Dr. Duenas checked "not permanent," but on his written report he indicated permanent.

At this time Acting Chairman Leon Guerrero 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. Acting Chairman Leon Guerrero recognized the applicant.

The applicant came forward and stated that his name is Michael James Sablan Nauta. Mr. Nauta stated that he is 58 years old from Talofofo. Mr. Nauta indicated that he can't drive and is barely walking. Trustee David O'Brien asked Mr. Nauta about standing and sitting. Mr. Nauta stated that he can't stand or sit too long as it gets really painful. Secretary Leon Guerrero asked Mr. Nauta how he spends his day. Mr. Nauta stated that he is very limited on what he can do because of the pain. Trustee O'Brien asked what causes the pain. Mr. Nauta stated that it's from his stroke. Mr. Nauta indicated that he still reports to work and that he fell at work. Mr. Nauta stated that he is assigned light duty and just bears with the pain until he gets off. Secretary Leon Guerrero stated that the law states that the impairment shall preclude the applicant from gainful work. Mr. Nauta stated that he won't be improving and has pain all over his body.

Michael Nauta, Jr. stated that his father was placed on light duty when his father could no longer drive the bus. Mr. Nauta Jr. stated that he has not seen his father's condition get better and his mobility is not that good. Trustee O'Brien stated that if Mr. Nauta continues to work he may get worse. Secretary Leon Guerrero inquired about days missed at work. Mr. Nauta Jr. stated that his father has been out about 40% of the time. Secretary Leon Guerrero stated that the law is very clear on what constitutes total and permanent disability. Trustee O'Brien stated that Mr. Nauta going to work is one thing, but he is not capable to work. Trustee Santos stated that the applicant is forcing himself to go to work.

Secretary Antolina Leon Guerrero, seconded by Trustee David O'Brien, moved to approve a full disability pension for Disability Case No. 18-004, 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, Trustee David O'Brien, Treasurer Gerard Cruz, Trustee Albert Santos, and Acting Chairman Wilfred Leon Guerrero. With five (5) "Yes" votes, the motion passed. Chairman Joe San Agustin and Trustee Katherine Taitano were absent.

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, on motion of Treasurer Gerard Cruz, seconded by Trustee Albert Santos, and without objection, the meeting was adjourned at 1:41 p.m. Motion passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of August 31, 2018 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on September 28, 2018.



ANTOLINA S. LEON GUERRERO, Board Secretary

RECORDING SECRETARY:

