



GOVERNMENT OF GUAM  
**RETIREMENT FUND**  
 STABILITY • SECURITY • REWARDS

**BOARD OF TRUSTEES**  
**Regular Meeting**

Friday, November 16, 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 12:48 p.m. Friday, November 16, 2018, in the Retirement Fund Conference Room. Acting Chairman Gerard Cruz officiated.

**Board of Trustees Present:**

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

**Board of Trustees Absent:**

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

**Staff Present:**

Paula Blas, Director  
 Jackie Blas, Recording Secretary

**Legal Counsel Present:**

Vince Camacho

**Investment Consultant Present:**

Maggie Ralbovsky, Wilshire Associates

## II. REVIEW AND APPROVAL OF BOARD MINUTES

### A. October 24, 2018 Regular Meeting

Secretary Antolina Leon Guerrero, seconded by Trustee Albert Santos, moved to approve the Minutes of the October 24, 2018 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 November 8, 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 Paula Blas stated that as of November 13, 2018, 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 September 30, 2018 is scheduled to close today. Director Blas mentioned that Burger & Comer could now start the Retirement Fund's audit.

3. *Fiscal Year 2019 Retirees' Supplemental Benefits* - Director Blas stated that supplemental benefits for retirees and survivors for the month of November 2018 will be paid at the end of the month.

4. *Fiscal Year 2019 Medicare Reimbursements* - Director Blas stated that the Retirement Fund received the November 2018 allotment from the General Fund and reimbursements were processed accordingly.

## V. LEGAL COUNSEL'S REPORT

Legal Counsel Vince Camacho stated that Fred Chargualaf filed a Writ of Mandamus asking the court to change the way the Retirement Fund interpret the statute in computing annuities. A hearing on the merits was supposed to take place on October 30, 2018, but instead the judge issued disqualifying facts to the parties. Legal Counsel Camacho stated that the Board needs to determine whether to disqualify the judge. The Retirement Fund's Legal Counsel's recommendation is to seek an objection to Judge Arthur Barcinas of hearing the case for the following disqualifying factors: 1) Judge Barcinas is a

member of the Defined Benefit 1.75 Plan and if in the future a ruling in favor of Mr. Chargualaf will benefit him; and 2) Judge Barcinas' parents are both Defined Benefit Plan retirees which similarly poses a conflict in that a future ruling in favor of Mr. Chargualaf may benefit the Judge's parents.

**Secretary Antolina Leon Guerrero, seconded by Trustee Albert Santos, moved to accept the Retirement Fund's Legal Counsel's recommendation to file an objection to Judge Arthur Barcinas hearing the case. Without objection, the motion passed. Votes as follows: Yes Votes – Secretary Antolina Leon Guerrero, Trustee David O'Brien, Trustee Albert Santos and Acting Chairman Gerard Cruz. With four (4) "Yes" votes, the motion passed. Chairman Joe San Agustin, Vice Chairman Wilfred Leon Guerrero and Trustee Katherine Taitano were absent.**

## **VI. TREASURER'S REPORT OF FINANCIAL STATUS**

Acting Chairman Cruz stated that the Retirement Fund is operating within its current drawdown authority of up to \$5.5 Million monthly.

## **VII. STANDING COMMITTEE REPORTS**

### **A. Investment Committee**

Acting Chairman Cruz reported that the Quarterly Performance Meeting for the Quarter Ended September 30, 2018 was held on November 14 and 15, 2018. The Investment Committee Meeting was also held on November 15, 2018. The Committee reviewed and approved the Investment Committee Meeting Minutes of October 24, 2018.

Acting Chairman Cruz stated that Maggie Ralbovsky of Wilshire Associates provided an overview of the Investment Performance. She noted that for the quarter ended September 30, 2018, the Retirement Fund portfolio underperformed its benchmark index, ranking at the 48th percentile of Wilshire's peer group universe for the quarter. The Retirement Fund Return was 2.71% and the Benchmark Return was 3.07%.

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

- Dimensional Fund Advisers
- Barings (Cornerstone)
- Intech
- Panagora
- Invesco

Ms. Ralbovsky stated that the recent underperformance of some of the active managers was discussed, especially the Retirement Fund's U.S. Small Cap Equity Manager, Numeric Investors. Ms. Ralbovsky stated that an observation of the Small Cap, as a class, shows that it has shrunk significantly.

### **1. Keep Numeric Investors on Watch**

Ms. Ralbovsky stated that due to significant underperformance, the Investment Committee's recommendation is to keep Numeric Investors on watch.

**Trustee Albert Santos, seconded by Trustee David O'Brien, moved to accept the Investment Committee's recommendation to keep Numeric Investors on Watch. Without objection, the motion passed.**

## **2. U.S. Small Cap Allocation**

Ms. Ralbovsky stated that due to the underperformance of the U.S. Small Cap and pending the completion of the searches for International Equity, the Investment Committee's recommendation is to reduce the U.S. Small Cap allocation from \$140 Million to \$100 Million and to place the balance of \$40 Million into the BlackRock Russell 1000 Index Fund.

**Trustee Albert Santos, seconded by Secretary Antolina Leon Guerrero, moved to accept the Investment Committee's recommendation to reduce the U.S. Small Cap allocation from \$140 Million to \$100 Million and to shift the balance of \$40 Million to the BlackRock Russell 1000 Index Fund. Without objection, the motion passed.**

*Next Quarterly Performance Meeting* – Acting Chairman Cruz stated that the next Quarterly Performance Meeting is tentatively scheduled for February 20 and 21, 2019. Ms. Ralbovsky stated that she would like to discuss the ACWI Managers and also revisit Environmental, Social and Governance (ESG) during the next quarterly performance meeting in February.

## **B. Members and Benefits Committee**

Secretary Antolina Leon Guerrero presented the Committee's October and November 2018 reports 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 14, based on the Committee's review and findings during their meeting of October 10, 2018. Without objection, the motion passed.**

**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 14, based on the Committee's review and findings during their meeting of November 7, 2018. Without objection, the motion passed.**

Secretary Leon Guerrero stated for the record that Retiree Rosalia Bordallo had raised some questions about the Retirement Fund's processing and timing of annuities. Secretary Leon Guerrero stated that the M&B Committee will work with Management regarding: 1) Review of law; 2) Pursue objective of placing retirees on payroll in a timely manner—within 30 days of retirement; 3) Ensure notification of employees/retirees regarding any issues that may delay being placed on payroll; and 4) Plan for high volume periods.

## **VIII. OLD BUSINESS**

None

**IX. NEW 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, Secretary Antolina Leon Guerrero moved to adjourn the meeting. Without objection, the meeting was adjourned at 1:37 p.m. Motion passed.**

**I hereby certify that the foregoing is a full, true and correct copy of the Minutes of November 16, 2018 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on December 28, 2018.**



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**ANTOLINA S. LEON GUERRERO, Board Secretary**

**RECORDING SECRETARY:**



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**Jackie Blas**