



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

**Lourdes A. Leon Guerrero**  
*Governor*

**Joshua F. Tenorio**  
*Lieutenant Governor*

**Paula M. Blas**  
*Director*

*Trustees:*

**Wilfred P. Leon Guerrero, Ed.D.**  
*Chairman*

**Antolina S. Leon Guerrero**  
*Vice Chair*

**Katherine T.E. Taitano**  
*Secretary*  
*Chair, Members and Benefits Committee*

**Gerard A. Cruz**  
*Treasurer*  
*Chair, Investment Committee*

**Artemio R.A. Hernandez**  
*Trustee*

**Thomas H. San Agustin**  
*Trustee*

**George A. Santos**  
*Trustee*

**BOARD OF TRUSTEES**  
**Regular Meeting**  
Wednesday, July 31, 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 12:52 p.m. Wednesday, July 31, 2019, in the Retirement Fund Conference Room. Chairman Wilfred Leon Guerrero officiated.

**Board of Trustees Present:**

- Wilfred P. Leon Guerrero, Chairman
- Antolina S. Leon Guerrero, Vice Chair
- Katherine T.E. Taitano, Secretary
- Gerard A. Cruz, Treasurer
- Artemio R.A. Hernandez, Trustee
- Thomas H. San Agustin, Trustee
- George A. Santos, Trustee

**Staff Present:**

- Paula Blas, Director
- Diana Bernardo, Controller
- Jackie Blas, Recording Secretary

## II. REVIEW AND APPROVAL OF BOARD MINUTES

### A. June 19, 2019 Regular Meeting

Trustee George Santos, seconded by Vice Chair Antolina Leon Guerrero, moved to approve the Minutes of the June 19, 2019 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)* -

Director Paula Blas stated that as a briefing for the new Trustees, the Retirement was tasked with the distribution of the COLA awards to retirees and survivors. There are beneficiaries that are now deceased and there are no heirs listed. The money comes from the General Fund and there is a balance of \$3 Million. Trustee Thomas San Agustin asked how retirees are without beneficiaries. Director Blas replied, "about 300." Trustee George Santos suggested to seek legislation to put a timeline for disbursement so the account could be closed. Director Blas stated that she will look into it.

2. *Bernstein Litowitz Berger and Grossmann (BLBG)* - BLBG's Litigation Status Report dated July 19, 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**

Director Blas stated that as an update for the new Trustees, the Court has approved to consider the settlement on the Apollo lawsuit. Treasurer Gerard Cruz stated that BLBG specializes on securities litigations and has a high success rate on recoveries. BLBG works on a contingency basis and submits reports to the Retirement Fund. Trustee Artemio Hernandez inquired about recovery. Director Blas stated that she will provide an update on recovery.

### Financial Report

1. *Contributions* - Director Blas stated that as of July 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 June 30, 2019 were closed on July 25, 2019.

3. *Fiscal Year 2019 Retirees' Supplemental Benefits* - Director Blas stated that supplemental benefits for retirees and survivors for the month of July 2019 were paid.

4. *Fiscal Year 2019 Medicare Reimbursements* - Director Blas stated that the Retirement Fund received the July 2019 allotment from the General Fund and reimbursements were processed accordingly. Director Blas stated that the Legislature is considering reducing the appropriation for Medicare reimbursements. A proposed added provision would be that reimbursement will be for the base premium for Medicare Part B and base premium for Medicare Part A. Director Blas stated that she would inform the Legislature that the Medicare Part B's premium is determined based on annuity earned.

## V. LEGAL COUNSEL'S REPORT

No report was made at this time.

## VI. 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 2019.

## VII. STANDING COMMITTEE REPORTS

### A. Investment Committee

Treasurer Cruz reported that the Investment Committee Meeting was held on July 30, 2019. The Committee reviewed and approved the Investment Committee Meeting Minutes of June 14, 2019. Treasurer Cruz stated that as of July 24, 2019, the size of the Retirement Fund's portfolio is \$2,009,153,580.

### Recommendation:

#### a. Selection of Transition Manager

Treasurer Cruz stated that the contracts for the International Managers are completed and the three (3) new managers (Lazard, Acadian & Wellington) are ready to be funded. To implement the target portfolio, Wilshire recommends changing the following rebalancing/transition is necessary:

Legacy Portfolio (Funding Sources)			Target Portfolio		
Assets	Vehicle	\$\$ mil	Assets	Vehicle	\$\$ mil
Russell 1000 Index	Commingled	-25	Lazard - Global Equity	Separate	100
INTECH	Separate	-30	Acadian - EAFE	Separate	75
Boston Partners	Separate	-50	Wellington - EM	Commingled	50
Numeric	Separate	-25			
MSCI ACWI X US Index	Commingled	-40			
EM Index (entire balance)	Commingled	-36			
Garcia Hamilton	Separate	-10			
DFA REITs	Commingled	-9			
<b>Total</b>		<b>-225</b>	<b>Total</b>		<b>225</b>

**Treasurer Gerard Cruz, seconded by Trustee George Santos, moved to accept Wilshire Associates' recommendation of the rebalancing of the portfolio of \$225 Million from the Legacy Portfolio listed above to the Target Portfolio listed above. Without objection, the motion passed.**

Treasurer Cruz stated that in Wilshire's memo dated July 24, 2019, Maggie Ralbovsky summarizes the pre-trade bid analysis and recommends that BlackRock be engaged as the transition manager to handle the transaction of funding the three (3) new managers.

**Trustee George Santos, seconded by Treasurer Gerard Cruz, moved to accept Wilshire Associates' recommendation that BlackRock be engaged as the Transition Manager to handle the transaction of funding Lazard Asset Management, Acadian Asset Management, and Wellington Management Company. Without objection, the motion passed.**

*Next Quarterly Performance Meeting* – Treasurer Cruz informed the Board that the next Quarterly Performance Meeting is scheduled for August 27 and 28, 2019.

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

Secretary Katherine Taitano presented the Committee's July 2019 report to the Board of Trustees.

**Chairman Wilfred Leon Guerrero, seconded by Trustee George Santos, moved to approve the recommendation of the Members and Benefits Committee contained on Pages 4 through 17, based on the Committee's review and findings during their meeting of July 17, 2019. Without objection, the motion passed.**

### **DISABILITY CASE NO. 19-001**

Vice Chair Antolina Leon Guerrero stated that the applicant is a 43 year old Teacher II with the Department of Education with 9+ years of service. The date of application for disability is April 10, 2019. The reason for application is Stage 4 Urachal Cancer which is related to the bladder. The applicant was examined by two Independent Medical Examiners (IMEs): Dr. Doris Lim on May 21, 2019 and Dr. Vincent Duenas on June 10, 2019. Dr. Lim gave a rating of 100% whole-person impairment and indicated that the impairment is permanent and precludes the applicant from gainful work. Dr. Duenas gave a rating of 94% whole-person impairment and also indicated that the impairment is permanent and precludes the applicant from gainful work. Dr. Duenas also noted that the applicant's impairment is also related to the liver, pulmonary, digestive and central nervous systems. The applicant's primary physician, Dr. E. Fred Schroeder, gave a rating of 84% whole-person impairment. Trustee Santos stated that the impairment is projected to get worse.

At this time 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. Chairman Leon Guerrero indicated that no one came forward.

**Vice Chair Antolina Leon Guerrero, seconded by Trustee George Santos, moved to approve a full disability pension for Disability Case No. 19-001, based on the findings of the two (2) Independent Medical Examiners (IMEs), and the review of records. Votes as follows: Yes Votes - Vice Chair Antolina Leon Guerrero, Secretary Katherine Taitano, Trustee George Santos, Treasurer Gerard Cruz, Trustee Artemio Hernandez, Trustee Thomas San Agustin, and Chairman Wilfred Leon Guerrero. With seven (7) "Yes" votes, the motion passed.**

## **VIII. OLD BUSINESS**

### **A. May 15, 2019 Letter from Senator Jose "Pedo" Terlaje Regarding Retirement for Public Safety Officers**

Director Blas stated that at the May 31, 2019 Board Meeting, the Board had requested for a review of Senator Terlaje's proposal and that a recommendation be provided to the Board. Director Blas stated that Richard Wright of Milliman provided an analysis on the estimated cost of two (2) separate

proposals. Director Blas stated that Senator Terlaje's proposal is to allow Uniformed Personnel who participate in the Old Defined Benefit Plan or the Defined Benefit 1.75 Plan to retire with 85% of average annual salary after 25 years of service and able to retire at age 55. Chairman Leon Guerrero suggested to have the M&B Committee review the analysis. Secretary Taitano suggested that the Board review the analysis and bring it back up at the next Board meeting. Treasurer Cruz suggested to have the Retirement Fund's Legal Counsel review the analysis and issue an opinion. Director Blas stated that she will have Legal Counsel review the analysis before responding to Senator Terlaje.

Trustee Hernandez stated that there should be some kind of Board policy that states that if it didn't come from the Board then we will tell the person requesting how much it will cost for an analysis or report. Trustee Santos agreed with Trustee Hernandez that if a request comes in, there should be a Board policy in place to inform the person requesting of the estimated cost to conduct a study.

**IX. NEW BUSINESS**

None

**X. OPEN DISCUSSION / GENERAL PUBLIC INPUT**

None

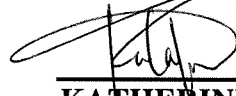
**XI. ANNOUNCEMENTS**

None

**XII. ADJOURNMENT**

**There being no further business before the Board for the Defined Benefit Plan, on motion of Trustee George Santos, seconded by Secretary Katherine Taitano, and without objection, the meeting was adjourned at 2:08 p.m. Motion passed.**

**I hereby certify that the foregoing is a full, true and correct copy of the Minutes of July 31, 2019 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on August 29, 2019.**



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**KATHERINE T.E. TAITANO, Board Secretary**

**RECORDING SECRETARY:**



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**Jackie Blas**