



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, Ph.D.
Trustee

Thomas H. San Agustin
Trustee

George A. Santos
Trustee

BOARD OF TRUSTEES
Regular Meeting
Thursday, August 29, 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 12:38 p.m. Thursday, August 29, 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
Gerard A. Cruz, Treasurer
Artemio R.A. Hernandez, Trustee
Thomas H. San Agustin, Trustee
George A. Santos, Trustee

Board of Trustees Absent:

Katherine T.E. Taitano, Secretary (*Excused*)

Staff Present:

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

Investment Consultant Present:

Maggie Ralbovsky, Wilshire Associates

Public Present:

Irish De Leon

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. July 31, 2019 Regular Meeting

Trustee George Santos, seconded by Vice Chair Antolina Leon Guerrero, moved to approve the Minutes of the July 31, 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)* - 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 26, 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**
- **EQT Corporation**

Director Paula Blas stated that EQT is a new litigation. BLBG, as portfolio monitoring counsel for the Retirement Fund, has alerted the Retirement Fund of their proprietary investigation into EQT Corporation and the significant loss of approximately \$1.1 Million that Guam incurred on its investments in EQT during the period from June 19, 2017 to October 2018, which was formerly owned by Robeco. Director Blas stated that BLBG recommended that the Retirement Fund serve as Lead Plaintiffs in a securities class action against EQT, which the Board agreed to.

Vice Chair Antolina Leon Guerrero inquired about a second securities litigation firm. Treasurer Gerard Cruz stated that the Retirement Fund is looking into having a second securities litigation firm to provide more options. Director Blas stated that she is working on a Request for Proposal (RFP) for a second securities litigation firm with international exposure.

Financial Report

1. *Contributions* - Director Blas stated that as of August 27, 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 July 31, 2019 are scheduled to close on August 30, 2019.

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

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

V. LEGAL COUNSEL'S REPORT

No report was made at this time.

VI. TREASURER'S REPORT OF FINANCIAL STATUS

A. Fiscal Year 2020 Proposed Budget

Treasurer Cruz stated that the proposed FY 2020 Budget is provided for the Board's review. Chairman Leon Guerrero inquired about the decrease in personnel benefits. Director Blas stated that during the implementation period of the DB 1.75, several people were temporarily hired to help and were then released thereafter. Chairman Leon Guerrero inquired about the decrease in the building cost. Controller Diana Bernardo stated that the FY 2019 amount was just higher than it should be.

Director Blas stated that the increase in "Others" of \$350,000 is for the building. Director Blas pointed out the a bid was issued for the AS400 and two companies were unresponsive. Director Blas stated that she is trying to reissue the bid. Chairman Leon Guerrero asked Management to please purchase new flags as the current ones are really faded. Director Blas stated that she will replace the flags.

Treasurer Gerard Cruz, seconded by Trustee Artemio Hernandez, moved to approve the Fiscal Year 2020 Budget. Votes as follows: Yes Votes - Vice Chair Antolina Leon Guerrero, Trustee Artemio Hernandez, Treasurer Gerard Cruz, Trustee Thomas San Agustin, Trustee George Santos, and Chairman Wilfred Leon Guerrero. With six (6) "Yes" votes, the motion passed. Secretary Katherine Taitano was absent.

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 Quarterly Performance Meeting for the Quarter Ended June 30, 2019 was held on August 27 and 28, 2019. The Investment Committee Meeting was also held on August 28, 2019. The Committee reviewed and approved the Regular Investment Committee Meeting Minutes of July 30, 2019, and the Minutes of the May 23 and 24, 2018, August 29 and 30, 2018, November 14 and 15, 2018, and February 20 and 21, 2019 Due Diligence Meetings. Treasurer Cruz stated that as of August 23, 2019, the size of the Retirement Fund's portfolio is \$1,965,655,602

Recommendations for Board Action:

1. Numeric Investors

Maggie Ralbovsky of Wilshire Associates stated that the Investment Committee recommends keeping Numeric Investors on watch and the Investment Committee will re-evaluate their performance at the November 2019 quarterly review. Treasurer Cruz stated that Numeric was below the benchmark for the last few years.

Treasurer Gerard Cruz, seconded by Trustee George Santos, moved to accept Wilshire Associates' recommendation to keep Numeric Investors on Watch until November 2019. Without objection, the motion passed.

2. Master Limited Partnerships (MLPs)

Ms. Ralbovsky stated that the Investment Committee recommends terminating the MLP mandate and allocate the cash to Income Research Management (IRM). Further discussion regarding investments in the Infrastructure space will be discussed at the November 2019 quarterly review. Treasurer Cruz stated that the Retirement Fund has invested in MLPs for about two (2) years. Ms. Ralbovsky stated that the price of oil dropped in 2015. Ms. Ralbovsky pointed out that MLP has a tax advantage where Public Pensions do not pay tax, but the tax law changed in 2018. Chairman Leon Guerrero asked whether the Retirement Fund incurred a loss in this category. Ms. Ralbovsky replied, "Yes."

Treasurer Gerard Cruz, seconded by Trustee George Santos, moved to accept Wilshire Associates' recommendation to terminate the Master Limited Partnership Mandate and to allocate the cash to Income Research Management (IRM). Without objection, the motion passed.

Treasurer Cruz stated that Ms. Ralbovsky provided an overview of the Investment Performance and noted that for the quarter ended June 30, 2019, the Retirement Fund portfolio underperformed its benchmark index, ranking at the 14th percentile of Wilshire's peer group universe for the quarter. The Retirement Fund Return was 2.91% and the Benchmark Return was 3.42%.

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

- Boston Partners (Robeco)
- Intech (Janus)
- Numeric

Ms. Ralbovsky stated that the reports from Boston Partners and Intech were satisfactory. Ms. Ralbovsky reiterated that Numeric will be kept on watch

Treasurer Cruz congratulated Ms. Ralbovsky for being awarded "Top Consultant for 2019." Chairman Leon Guerrero requested to issue a press release. Ms. Ralbovsky thanked the Board for their recognition and stated that it was a complete surprise to her and she felt honored.

Ms. Ralbovsky stated that the total cost of the rebalancing of the portfolio from the Legacy Portfolio to the Target Portfolio is 4 basis points - \$85,000.

Next Quarterly Performance Meeting – Treasurer Cruz stated that the next Quarterly Performance Meeting is tentatively scheduled for November 13 and 14, 2019.

B. Members and Benefits Committee

Vice Chair Leon Guerrero presented the Committee's August 2019 report to the Board of Trustees.

Vice Chair Antolina 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 August 21, 2019. Without objection, the motion passed.

DISABILITY CASE NO. 19-002

Vice Chair Leon Guerrero stated that the applicant is a 50 year old Process Officer with the Office of the Attorney General with 6 years of service. The date of application for disability is April 23, 2019. The reason for application is Miniere's Disease, Tinnitus, Diabetic, Stool and Urine Incontinence. The applicant was examined by two Independent Medical Examiners (IMEs): Dr. E. Fred Schroeder on August 8, 2019 and Dr. Vincent Duenas on August 8, 2019. Dr. Schroeder gave a rating of 70% whole-person impairment and indicated that the impairment is permanent and indicated that the applicant cannot do current job, cannot drive, but might manage four (4) hour light duty work. Dr. Duenas gave a rating of 52% whole-person impairment and also indicated that the impairment is permanent and precludes the applicant from gainful work.

Vice Chair Leon Guerrero read out loud the definition of Total and Permanent Disability: "one which results from some impairment of body or mind which can be expected to result in death, or can be expected to last for a continuous period of not less than twelve (12) months. The impairment shall be one that substantially precludes a person from performing with reasonable regularity the substantial and material parts of any gainful work or occupation that he would be competent to perform were it not for that impairment, and if founded upon condition which render it reasonably certain that it will continue indefinitely." Vice Chair Leon Guerrero stated that the 2 IMEs gave a rating of less than the 75% threshold.

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 recognized an individual who came forward. Chairman Leon Guerrero asked the individual to please state her name for the record.

The individual stated that her name is Irish De Leon and she is Gary Borja's fiancée. Ms. De Leon stated that the applicant can't continue to work. He constantly gets dizzy, he's diabetic and needs a cane or walker. Ms. De Leon stated that the applicant was referred to the Philippines. Vice Chair Leon Guerrero asked what was the referral for. Ms. De Leon stated that it was for Incontinence. Ms.

De Leon mentioned that the applicant wears adult diapers. Vice Chair Leon Guerrero asked whether the applicant is currently working. Ms. De Leon replied, "No, not since January." Vice Chair Leon Guerrero asked what is the applicant's daily activity. Ms. De Leon stated that he tries to wash dishes. Ms. De Leon stated that the applicant has anxiety and is seeing a counselor.

Chairman Leon Guerrero stated that Dr. Schroeder gave a rating of 70% and Dr. Duenas gave a rating of 52%, which does not meet the 75% threshold. Ms. De Leon inquired about Dr. Carlos' report. Director Blas stated that the report from Dr. Carlos and the 2 IMEs are used in the evaluation. Director Blas pointed out that the American Medical Association (AMA) Guidelines are used by the IMEs.

Vice Chair Leon Guerrero stated that with the unclear findings and ratings, she recommends disapproval at this time and the applicant may reapply as his condition gets worse.

Vice Chair Antolina Leon Guerrero, seconded by Trustee George Santos, moved to disapprove a disability pension at this time for Disability Case No. 19-002, 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, Trustee Artemio Hernandez, Treasurer Gerard Cruz, Trustee Thomas San Agustin, Trustee George Santos, and Chairman Wilfred Leon Guerrero. With six (6) "Yes" votes, the motion passed. Secretary Katherine Taitano was absent.

VIII. OLD BUSINESS

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

Director Blas stated that Legal Counsel's opinion is not to take a position on Senator Pedo Terlaje's request. Director Blas stated that she will respond to Senator Terlaje on the issues discussed.

B. Superior Court Decision and Order Re: Fred M. Chargualaf

Director Blas stated that the Retirement Fund prevailed on this case. Director Blas stated that she anticipates an appeal in Supreme Court by Petitioner Fred Chargualaf.

IX. NEW BUSINESS

None

X. OPEN DISCUSSION / GENERAL PUBLIC INPUT

None

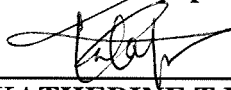
XI. ANNOUNCEMENTS

None

XII. ADJOURNMENT

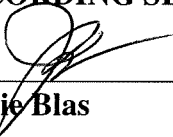
There being no further business before the Board for the Defined Benefit Plan, Trustee George Santos moved to adjourn the meeting. Without objection, the meeting was adjourned at 1:51 p.m. Motion passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of August 29, 2019 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on September 27, 2019.



KATHERINE T.E. TAITANO, Board Secretary

RECORDING SECRETARY:



Jackie Blas