

**BOARD OF TRUSTEES**  
**Regular Meeting**  
Wednesday, January 28, 2004, 12:00 p.m.  
Retirement Fund Conference Room

**MINUTES**

<b>DEFINED BENEFITS</b>
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**I. CALL TO ORDER**

After determining a quorum, the Retirement Fund Board of Trustees Regular Meeting was called to order at 12:07 p.m. Wednesday, January 28, 2004, in the Retirement Fund Conference Room. Chairman Francisco B. Salas officiated.

**Board of Trustees Present:**

Francisco B. Salas, Chairman  
Gerard A. Cruz, Vice Chairman  
Rolenda L. Faasumalie, Trustee  
Stephen J. Guerrero, Trustee

**Board of Trustees Absent:**

Katherine T.E. Taitano, Trustee

**Staff Present:**

Wilfred G. Aflague, Director  
Paula M. Bamba, Administrative Services Officer  
Pete Tajalle, Controller  
Ken Dunstan, Acting Benefits Program Administrator  
Vince Camacho, Great West  
Jackie Blas, Board Secretary

**Public Present:**

Domingo Cabusao, GEPA

**II. REVIEW AND APPROVAL OF MINUTES**

**A. January 14, 2004 Regular Meeting**

**On motion of Mr. Stephen Guerrero, seconded by Vice Chairman Gerard Cruz, and unanimously agreed upon, the Minutes of January 14, 2004 Regular Meeting were approved, subject to corrections. Motion carried.**

### III. PENSION BENEFITS

#### A. Members and Benefits Committee Findings of November 4, 2003

Mrs. Rolenda Faasuamalie stated that based on the Committee's findings during their meeting of November 4, 2003, the following disability applications are recommended for **APPROVAL** by the Board of Trustees.

- A. DISABILITY APPLICANTS
  - 1. Pio P. Atoigue
  - 2. Peter P. Leon Guerrero

**On motion of Mrs. Rolenda Faasuamalie, seconded by Vice Chairman Gerard Cruz, and unanimously agreed upon, the Board of Trustees voted to approve the disability applications of Pio P. Atoigue and Peter P. Leon Guerrero, as recommended by management. Motion carried.**

Mrs. Rolenda Faasuamalie stated that based on the Committee's findings during their meeting of November 4, 2003, the following disability applications are recommended for **DISAPPROVAL** by the Board of Trustees.

- A. DISABILITY APPLICANTS
  - 1. Juanito A. Prieto
  - 2. Zachary T. Tajalle
  - 3. Joseph B. Cepeda
  - 4. Madeline S.M. Losongco

**On motion of Mrs. Rolenda Faasuamalie, seconded by Mr. Stephen Guerrero, and unanimously agreed upon, the Board of Trustees voted to disapprove the disability applications of Juanito A. Prieto, Zachary T. Tajalle, Joseph B. Cepeda and Madeline S.M. Losongco, as recommended by Management. Motion carried.**

Mrs. Faasuamalie stated that she thought there was a list of service and age retirement findings of November 4, 2003. Chairman Salas stated that we may come back to this item of the agenda once those findings are brought in. Ms. Paula Bamba stated that she checked and there was nothing else on the November 4, 2003 Committee Meeting except the disability applicants for approval and disapproval.

### IV. EXECUTIVE SUMMARY

Mr. Wilfred Aflague reported to the Board of Trustees that the FY2002 Financial Audit is scheduled to be completed by the end of this month. We received the questions and the points and we are working with Dave Burger to finalize this.

Mr. Aflague stated that financial reports have been submitted to the Investment Committee for review and approval. Mr. Pete Tajalle stated that the minutes of the previous two Investment Committee meetings will be finalized and approved at the next Investment Committee meeting for submission to the Board of Trustees.

Mr. Aflague stated that the Health, Dental and Life Insurance Coverage is status quo.

Mr. Aflague stated that the election of the Board of Trustees is scheduled for February 14, 2004 from 8:00 a.m. to 5:00 p.m. at the UOG Fieldhouse. Vice Chairman Cruz asked for a clarification on whether only retirees could vote for retirees and only active could vote for active. Mr. Aflague replied yes and that the Guam Election Commission has the two rosters. Vice Chairman Cruz asked if there are two candidates for the retirees. Mr. Aflague stated that there are three candidates for each category. Ms. Bamba stated for clarification that there are active and qualified inactive members that could vote for active members. Vice Chairman Cruz inquired about the definition of qualified inactive members. Ms. Bamba stated that it would be somebody that has not refunded their contributions with the Retirement Fund. Vice Chairman Cruz asked if this is only for retirees and not their spouses. Ms. Bamba stated that it's just for the actual retirees. Survivors are not eligible to vote.

Mr. Aflague reported to the Board of Trustees that the oversight hearing went very well. Mr. Aflague thanked Senator Sanford for keeping it within the confines of her agenda. Mr. Aflague stated that Senator Klitzkie had a question on the retirement from DOE and GMH employees as authorized by the budget law. Senator Klitzkie's questions and concerns were answered by the Retirement Fund. Senator Klitzkie had requested for a copy of the Board of Trustees' minutes. Legal Counsel Meredith Sayre who was present at the Oversight Hearing responded to Senator Klitzkie's request. Chairman Salas inquired if a question was posed as to whether or not he could obtain a copy of the Board minutes for the Executive Session. Ms. Bamba replied yes and stated that Legal Counsel will make that determination. Chairman Salas asked if Legal Counsel will provide an answer directly to Senator Klitzkie. Ms. Bamba stated that it would be through the Retirement Fund. Chairman Salas asked if Legal Counsel gave a date as to when she'll have a response. Ms. Bamba stated it should be by Friday. Ms. Bamba stated that if it's going to be the minutes that are going to be transcribed and remitted, it cannot be remitted until April 2004 which is six months after the Executive Session was held.

Mr. Aflague stated that Speaker Ben Pangelinan requested for some information from our investment consultant, Richard Nuzum. Mr. Nuzum and Mr. Tajalle are working with the Speaker's request. Mr. Aflague stated that all requested information will be turned in to Senator Toni Sanford.

Mr. Aflague stated that Senator Sanford deviated from standard oversight hearings and allowed the public to express their views and concerns. The audience at the oversight hearing were filled with retirees. There were retirees that were concerned with their supplemental annuities and if their supplemental payments can be reverted back to \$4,238.00 per year.

Mr. Tajalle stated that also present at the oversight hearing were our auditor, investment consultant and Legal Counsel. The Speaker's questioning was more geared towards the benefits of Prudent Man and the information relating to the impact should Prudent Man be adopted and sent through legislation. Vice Chairman Cruz asked when the Retirement Fund laid out the foundation on Prudent Man what was the hint. Mr. Aflague stated that Speaker Pangelinan questioned our actuarial targeted rate of retirement of 7.5%. We have to convince Speaker Pangelinan of why we should change. Maybe he would use that information to present it in bill form to the Legislature and use our consultant's information and data as the basis for his defense. Speaker Pangelinan wanted the data tested for our current investment policy compared to Prudent Man. Ms. Bamba stated that this will be back testing and forward testing. Vice Chairman Cruz stated that comparing it to the last five would skew his results to say that our current investment policy is probably a better option. Mr. Aflague stated that Mr. Nuzum did point that out.

Ms. Bamba stated that the Speaker is also looking at the rate of returns for 2003 and the current returns that we are receiving now. Mr. Tajalle mentioned that Richard Nuzum tried to show that although we were able to hit the target, you are not minimizing your risk based with the current statute. The current statute limits the investment options to 40% which increases your risk of loss as opposed to if you adopted Prudent Man. Based on current statute you could anticipate a one in four year loss whereas if you were Prudent Man you could expect a one in six year loss on returns. Vice Chairman Cruz inquired about "loss." Mr. Tajalle stated that it's in relation to your bench mark. Chairman Salas inquired about the target date of the report requested by Speaker Pangelinan. Mr. Aflague stated that he mentioned that he would get him the information by the end of this week. Chairman Salas asked if the Board of Trustees will get a copy of the report. Mr. Aflague replied yes. Vice Chairman Cruz asked if there's a probability that the Prudent Man is going to go. Mr. Aflague stated that the question would have to be resurrected after the Board election.

Mr. Stephen Guerrero asked if there's any specific reason why the oversight hearing was called. Mr. Aflague stated that as per conversation with Senator Sanford, former Speaker Joe T. San Agustin has been out there land blasting (whoever is responsible for the Retirement Fund's losses) and he wanted heads to roll. Senator Sanford wanted to turn this into an educational hearing for the public from the Retirement Fund and not just an oversight hearing.

## **V. OLD BUSINESS**

### **A. Statistical Data of Employees Anticipating Retirement**

Chairman Salas stated that this information was requested at the last Board of Trustees meeting. Mr. Ken Dunstan stated that this is a projection from October 1, 2003 to January 21, 2004 of individuals who made their intentions known that they will be retiring on September 30, 2004 along with the total annuities of what the Fund could anticipate per department. This number continues to grow. Chairman Salas asked if this is a reflection for FY2004 to date. Mr. Dunstan replied yes.

Vice Chairman Cruz asked if this is lower or higher at this time of the year. Mr. Dunstan replied lower. We will see an increase in June through August. DOE will increase by the end of the school year which is mid August.

Chairman Salas stated that he would like to see a survey of individuals who are eligible to retire with 20-25 years of service and/or age. We need to look at this and be ready for the next budget projection. Mr. Tajalle stated that we use a bench market of 8-10% increase in annual annuity per annum when we look at annuities. Chairman Salas stated that we need to make an assessment if the new budget law will make an impact. Mr. Aflague stated that the number of employees who refunded in calendar year 2003 is 302. There are 81 employees from DOE. The reasons for their resignations were for relocation, medical, financial hardship and not planning to return to GovGuam. The total amount refunded was \$11 Million. This is \$3 Million over 2002. Mr. Aflague stated that there is an agency that is notorious in allowing their employees to resign who are DB members and they are rehired and go under the DC Plan.

Vice Chairman Cruz stated that the present value refund is \$11 Million, then what would be the future dollar savings. Mr. Tajalle stated that we would have to do an analysis on the different annuities. Chairman Salas stated that we are looking at the negative impact for the Retirement Fund. Chairman Salas stated that he would like to see this information at the next Board meeting. The report will be for informational purposes.

Mr. Stephen Guerrero went back on the concern about the increase in possible retirees this fiscal year since the adjustment of the annual leave from 480 down to 320. Mr. Guerrero stated that BBMR has been gearing up for a great impact. We anticipate anywhere from a 20-35% in retirees this fiscal year only because to take the opportunity of the lump sum annual leave. Mr. Aflague stated that after FY2004, the annual lump sum payment will not be a big factor in an employee's determination whether he wants to retire or not. Mr. Guerrero stated that the reason of concern is because based on what we anticipate as a lump sum pay out for a lot of these potential retirees is anywhere from about \$40,000.00 to \$60,000.00 just for the excess leave alone. Ms. Bamba stated that we should bear in mind that these employees anticipating on retiring from the DB and should they decide to reenter the government workforce again, they cannot enhance on the DB side.

## **VI. NEW BUSINESS**

None

## **VII. OPEN DISCUSSION**

None

## **VIII. ANNOUNCEMENTS**

None

## **IX. ADJOURNMENT**

**There being no further business before the Board, on motion of Mr. Stephen Guerrero, seconded by Vice Chairman Gerard Cruz, and unanimously agreed upon, the meeting was adjourned at 12:39 p.m. Motion carried.**

Respectfully submitted,

Jackie Blas  
Board Secretary

<b>DEFINED CONTRIBUTIONS</b>
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## **I. CALL TO ORDER**

After determining a quorum, the Retirement Fund Board of Trustees Regular Meeting was called to order at 12:39 p.m. Wednesday, January 28, 2004, in the Retirement Fund Conference Room. Chairman Francisco B. Salas officiated.

**Board of Trustees Present:**

Francisco B. Salas, Chairman  
Gerard A. Cruz, Vice Chairman  
Rolenda L. Faasumalie, Trustee  
Stephen J. Guerrero, Trustee

**Board of Trustees Absent:**

Katherine T.E. Taitano

**Staff Present:**

Wilfred G. Aflague, Director  
Paula M. Bamba, Administrative Services Officer  
Pete Tajalle, Controller  
Ken Dunstan, Acting Benefits Program Administrator  
Vince Camacho, Great West  
Jackie Blas, Board Secretary

**Public Present:**

Domingo Cabusao, GEPA

## **II. REVIEW AND APPROVAL OF MINUTES**

### **A. January 14, 2004 Regular Meeting**

**On motion of Vice Chairman Gerard Cruz, seconded by Mr. Stephen Guerrero, and unanimously agreed upon, the Minutes of January 14, 2004 Regular Meeting were approved, subject to corrections. Motion carried.**

### **III. OLD BUSINESS**

#### **A. Contribution Report as of PPE January 10, 2004**

Mr. Vince Camacho reported to the Board of Trustees that contributions are all up to speed. As of this report, DOE, the General Fund and the Superior Court were delayed but contributions have now been paid.

Mr. Stephen Guerrero inquired about Executive Order 2001-02 and 2002-06. It mandates the Government of Guam to continue government share of employees who have since left the government but is unemployed and that contribution shall continue until such time an employee seeks employment. Mr. Camacho stated that with disability, Standard Insurance pays their pension and contribution into the plan and pays their income. The only thing the government pays is the employer share for the medical, dental and life insurance policy. The employee is still an active employee. They are not retirees. Mr. Camacho stated that the only thing that changes is the pay status. It goes from regular pay status to leave without pay. Mr. Guerrero stated that all the agencies are still budgeting in their annual budget to cover the costs of these individuals.

Ms. Bamba stated that this individual is placed on a non-pay status but, they are still active employees. They still need to budget for that position. Mr. Camacho stated that they could be on disability for three to four years then Standard Insurance reevaluated them and were deemed okay to go back to work. Mr. Camacho stated that the position is filled by the same individual. Mr. Guerrero asked if this affects the Retirement Fund in any way. Mr. Camacho replied no.

### **IV. NEW BUSINESS**

None

### **V. OPEN DISCUSSION**

Mr. Tajalle reported to the Board of Trustees that there is an ongoing investigation of certain investment managers which is called "Pay to Play" issue. FCC is taking the sampling of investment managers and sent them letters requesting information from them over the last ten years regarding correspondence with their principals to include costs, breakdowns and any other correspondence expended in the ten year period. They are looking at an issue of investment managers going out and possibly snoozing these investors to provide monies for their services so they could do some investment management counseling. Mr. Tajalle stated that this is for informational purposes.

### **VI. ANNOUNCEMENTS**

Vice Chairman Cruz informed everyone of the Pacific Rim Investment Conference which is scheduled for March 25-26, 2004 in Palau. Vice Chairman Cruz stated that he will be making a presentation for Community First.

Mr. Aflague stated that we should wait until after the new Board of Trustees are elected and appointed and maybe we could send the newly constituted Board to the Pacific Rim Investment Conference for their initial training. Chairman Salas agreed that we should just wait until after the election.

## **VII. ADJOURNMENT**

**There being no further business before the Board, on motion of Mr. Stephen Guerrero, seconded by Vice Chairman Gerard Cruz, and unanimously agreed upon, the meeting was adjourned at 12:53 p.m. Motion carried.**

Respectfully submitted,

Jackie Blas  
Board Secretary