

**BOARD OF TRUSTEES**  
**Reconvened Regular Meeting**  
Friday, March 16, 2007, 12:00 p.m.  
Retirement Fund Conference Room

**MINUTES**

<b>DEFINED BENEFITS</b>
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**I. ATTENDANCE, QUORUM, AND CALL TO ORDER**

After determining a quorum was present, the Retirement Fund Board of Trustees Regular Meeting for the Defined Benefits Plan reconvened at 12:45 p.m. Friday, March 16, 2007, in the Retirement Fund Conference Room. Chairman Joe T. San Agustin officiated.

**Board of Trustees Present:**

Joe T. San Agustin, Chairman  
Wilfred P. Leon Guerrero, Vice-Chairman  
James J. Taylor, Secretary  
George A. Santos, Trustee  
Katherine T.E. Taitano, Trustee

**Board of Trustees Absent:**

Gerard A. Cruz, Treasurer (Excused - Funeral)

**Staff Present:**

Paula Blas, Director  
Diana Bernardo, Controller  
Rosalia Bordallo, General Accounting Supervisor  
Jackie Blas, Recording Secretary

**Public Present:**

Dave Burger, Burger & Comer

Chairman San Agustin stated that today's reconvened meeting is to review the Audit Report, go into Executive Session regarding the Joseph Guthrie case, and to report on the Cash Flow.

## **II. AUDIT COMMITTEE REPORT**

### **A. Audit Report**

Dave Burger, Burger & Comer, reported that there are no findings that will go into the Compliance and Internal Control Report. Mr. Burger stated that the audit is much earlier than it has been in the past. The Fund's Accounting Division staff should be commended for their work. Mr. Burger stated that there are two comments in the Management Letter. The first comment is regarding the Defined Benefit Plan Funding Status because the Legislature does not approve the actuarially dependant rates. The other comment is on the Disaster Recovery Plan. Chairman San Agustin inquired about the Fund having experienced loss of information. Director Paula Blas stated that there was nothing lost or destroyed from a disaster, typhoon or fire. Director Blas stated that there were no losses. Chairman San Agustin stated that the Fund should develop back up material or an alternative site for storing vital information. Rosalia Bordallo, General Accounting Supervisor, stated that the Fund has an information system back up. Chairman San Agustin asked where the back up is stored. Mrs. Bordallo stated that it is stored in a Bank of Guam safe deposit box. Secretary James Taylor stated that the issue is whether the Fund has a written Disaster Recovery Plan. Director Blas stated that the Management Letter states that a written Disaster Recovery Plan will specify where and how vital information will be backed up, stored, and recovered. Director Blas stated that the Fund does have alternative sites to store back up information. Mr. Burger stated that the Fund should adopt a formal Disaster Recovery Plan and it should be submitted to the Office of the Public Auditor (OPA). Mr. Burger stated that he will remove the Disaster Recovery Plan from the audit.

Mr. Burger stated that another comment is on the unfunded liability. Mr. Burger stated that the Public Auditor, Doris Brooks, has stated that she would disagree with his Recommendation No. 3 – "Consideration should be given to offering further incentives to Defined Benefit Plan members to induce them to transfer to the Defined Contribution Plan." Mr. Burger stated that the Public Auditor stated that it is a Management policy and not an auditor's area. Mr. Burger stated that he is trying to provide some comments about how to improve the funding status. Secretary Taylor asked whether the Public Auditor disagrees with any of Mr. Burger's recommendations. Mr. Burger stated that the Public Auditor does not want him to recommend moving Defined Benefit (DB) Plan members to the Defined Contribution (DC) Plan. Trustee Katherine Taitano stated that the Public Auditor stated that it is a policy decision of the Board of the Fund. Chairman San Agustin stated that it is in the best interest to the Fund. Movement to the DC Plan is not necessarily bad. Vice-Chairman Wilfred Leon Guerrero stated that the issue is whether the Fund's internal auditor should be making this type of recommendation. Secretary Taylor suggested restructuring the recommendation. Vice-Chairman Leon Guerrero stated that it is up to the Board to adopt the recommendations. Trustee Taitano stated that it is in the Management Discussion and Analysis (MDA). Director Blas stated that the Public Auditor does not want this coming from the auditor. Chairman San Agustin stated that the Public Auditor never wanted conversions to the Defined Contribution Plan.

Mr. Burger stated that he wants to release the audit to the Public Auditor by next week. Chairman San Agustin stated that Management should be complimented for a job well done. Chairman San Agustin stated that the Fund's financial situation needs to be improved.

**Vice-Chairman Wilfred Leon Guerrero, seconded by Trustee Katherine Taitano, moved to approve the Audit Report as reported to the Board of Trustees. Without objection, the motion passed.**

## **B. Cash Flow**

Controller Diana Bernardo reported that as of March 2007, the total drawdowns totaled \$7,100,000. This amount could be less if the Guam Public School System (GPSS) makes its payments on time. As of March 16, 2007, GPSS has not paid their Defined Benefits Plan (DB) contribution for the pay period ending February 17, 2007. This totals \$1.3 Million. For the Defined Contribution Plan (DC), GPSS has not made payment for the pay periods ending March 2, 2007 and March 16, 2007. This is a total of \$1.8 Million. Controller Bernardo stated that if the money comes in, there will be less of a need for drawdowns.

Chairman San Agustin stated that the Cash Flow Statement shows the cash outflows for judges and Medicare reimbursement but it does not show income under cash inflows. Mrs. Bordallo stated that it shows under Supplemental Appropriation. Director Blas stated that the \$452,039 under Supplemental Appropriation includes everything. Mrs. Bordallo stated that \$452,039 also includes the autonomous agencies' portion for their medical, dental and life insurance premium payments. Chairman San Agustin stated that he wants to make sure that the Fund's money is not being used to subsidize other agencies. Mrs. Bordallo stated that the Fund's money is not being used to subsidize other agencies. Controller Bernardo stated that she will show a breakdown on the next report. Secretary Taylor suggested setting it up as a separate fund. Chairman San Agustin stated that the Fund should not be making payment out of this. Secretary Taylor stated that there should be a separate set of real and nominal accounts for those activities. Mrs. Bordallo stated that there is a General Ledger account that is reconciled at the end of each month. It is considered as a liability account. Secretary Taylor asked what the off-set is when it is taken in as a liability. Mrs. Bordallo stated that it is liability and cash. Mrs. Bordallo stated that when the cash comes the liability is recognized. When the Fund pays out, the liability is reduced. Controller Bernardo stated that it is not an expense to the Fund. Controller Bernardo stated that she will separate this in future reports.

Chairman San Agustin inquired about the issue of the \$10 Million capital gain distribution that was reinvested by Capital International. The fund ended up with an unrealized loss of \$2.6 Million. Chairman San Agustin suggested watching the Capital gain distribution as it reduces the Fund's corporate.

Controller Bernardo reported on the financials for February 2007. Controller Bernardo stated that there was a drop in the net assets in January 2007 by \$7 Million due to market fluctuations. Chairman San Agustin asked how the Fund tracks the trades. Mrs. Bordallo stated that the monthly statement will show the pending item that is placed in the trade request. The trades must be settled the following month within a couple of days. Chairman San Agustin asked who tracks the trades. Mrs. Bordallo replied, "the person handling the investments." Mrs. Bordallo stated that she is working with the Fund's bank custodian on this matter.

Chairman San Agustin asked whether there is any response from the Department of Administration (DOA) regarding the liability of the General Fund. Director Blas stated that Mr. Burger has submitted a response. Controller Bernardo stated that the Public Auditor has indicated that she is waiting to discuss the matter with Deloitte & Touche. Director Blas stated that Mr. Burger will be communicating with Gasbi.

**III. EXECUTIVE SESSION**

**A. Joseph A. Guthrie vs. Government of Guam Retirement Fund (GGRF) (Superior Court Case No. CV-0183-07)**

**Vice-Chairman Wilfred Leon Guerrero, seconded by Trustee George Santos, moved to approve that the Board of Trustees go into Executive Session. Without objection, the motion passed.**

**EXECUTIVE SESSION: 1:16 P.M.**

**RECONVENED: 2:16 P.M.**

**IV. TREASURER'S REPORT**

None

**V. ADJOURNMENT**

**There being no further business before the Board for the Defined Benefits Plan, on motion of Secretary James Taylor, seconded by Trustee Katherine Taitano, and without objection, the meeting was adjourned at 2:16 p.m. Motion passed.**

**I hereby certify that the foregoing is a full, true and correct copy of the Minutes of March 16, 2007 Reconvened Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on June 8, 2007.**

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**James J. Taylor, Board Secretary**

**RECORDING SECRETARY:**

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**Jackie Blas**