

BOARD OF TRUSTEES
Regular Meeting
Wednesday April 14, 2004, 12:00 P.M.
Retirement Fund Conference Room

MINUTES

DEFINED BENEFITS

I. CALL TO ORDER

After determining a quorum, the Retirement Fund Board of Trustees Regular Meeting was called to order at 12:18 p.m. Wednesday, April 14, 2004, in the Retirement Fund Conference Room. Chairman Francisco B. Salas officiated.

Chairman Salas reminded the Trustees and staff that the Board of Trustees meetings are scheduled for 12:00 Noon and that he would like to adhere to that and would also like to have our meetings completed within an hour.

Board of Trustees Present:

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

Board of Trustees Absent:

Katherine T.E. Taitano, Trustee

Staff Present:

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

Public Present:

Mark Heath, Metropolitan West Capital Management
Ken Wetmore, KUAM

Chairman Salas informed the Board of Trustees and everyone present at today's meeting that the Meeting Agenda was amended to include, under New Business, Item A, " Selection of Actuary: Milliman USA."

II. REVIEW AND APPROVAL OF MINUTES

A. March 10, 2004 Regular Meeting

On motion of Mr. Stephen Guerrero, seconded by Vice Chairman Gerard Cruz, and unanimously agreed upon, the Minutes of March 10, 2004 Regular Meeting were approved, subject to corrections. Motion carried.

III. INVESTMENT COMMITTEE

A. Investment Committee Meeting of March 4, 2004

Vice Chairman Gerard Cruz stated that the minutes of the Investment Committee Meeting of March 4, 2004 are submitted for the Board's approval.

On motion of Vice Chairman Gerard Cruz seconded by Mr. Stephen Guerrero, and unanimously agreed upon, the Board of Trustees voted to approve the Investment Committee Meeting Minutes of March 4, 2004. Motion carried.

B. Confirmation that Scope of Work in International Equity RFP was Reviewed by Mercer Investment Consulting

Vice Chairman Gerard Cruz stated that the Investment Committee had asked Mercer for confirmation that the Scope of Work outlined in the RFP issued by the Fund had been reviewed by Mercer Investment Consulting. The response from Mercer was reviewed by the Investment Committee and is submitted for the Board's review. No action is required from the Board of Trustees.

IV. EXECUTIVE SUMMARY

Board Election

Mr. Wilfred Aflague reported to the Board of Trustees that the election is still scheduled for June 19, 2004. The ad for the deadline to file candidacy, which is April 19, 2004, appeared in today's Pacific Daily News. After the April 19, 2004 deadline, a list of candidates should be available. Chairman Salas asked Mr. Aflague for a summary on who's running in this election. Mr. Aflague stated that the latest information he has is that there are two retirees and two active members running for election. Mr. Stephen Guerrero asked Mr. Aflague if there are only two candidates in each category. Mr. Aflague stated that he stands corrected. There are three retirees and three active members running. Mr. Aflague stated that he has encouraged people to file their candidacy. A retiree who has expressed interest in running is Ms. Evelyn Duenas. Mr. Aflague stated that he will provide the Guam Election Commission's final listing to the Board of Trustees by the next meeting.

Contributions

Mr. Aflague stated that as of March 31, 2004, all agencies are current with their Fiscal Year 2004 employee and employer contributions. Mr. Aflague stated that he had sent follow up letters to the Department of Education (DOE) and Guam Memorial Hospital Authority (GMH). A meeting with DOE's Superintendent is scheduled for next week Wednesday, April 21, 2004. Mr. Aflague, along with Larry Quichocho and Rosie Bordallo will attend the meeting with DOE.

Mr. Aflague stated that he received a fax from GMH, of GMH's Board of Trustees Official Resolution No. 04-050 "Relative to Negotiating a New Note with the Guam Retirement Fund." The resolution directs the GMH Administrator to renegotiate the terms of the note.

Mr. Aflague stated that he will fax a copy of the resolution to our Legal Counsel as to the legality of GMH's action whether we should proceed or not. The Board of Trustees will be informed of Legal Counsel's advice on this matter.

Chairman Salas asked if we have received any payments at all towards their outstanding balances since we've identified this delinquency. Mr. Aflague replied that they had to in compliance with the budget law where their employees wanted to retiree. At the present time, they owe us for nine (9) potential retirees, which amounts to about \$1 Million for employee and employers share. GMH's Administrator has been informed that they need to make payment before we can entertain retirement applications from GMH. Vice Chairman Cruz asked if we have made continued efforts to collect on this debt at least in a way of documentation. Mr. Aflague replied yes, we have sent out follow up letters as our first attempt. Mr. Aflague stated that the next step would be to send this to our Legal Counsel. Vice Chairman Cruz asked when was our last communication. Mr. Pete Tajalle, Controller, stated that the second follow up letter was sent about two to three weeks ago.

Chairman Salas asked how old is the delinquency. Mr. Tajalle replied Fiscal Year 1998. Vice Chairman Cruz inquired about the statute of limitation. GMH could negate the debt. Mr. Tajalle stated that he will compile all correspondences between the Retirement Fund and GMH. We will put all the correspondences to GMH in chronological order. Mr. Tajalle stated that he recalls that we are missing the legal services of Mair, Mair, which obtained a judgment regarding that. Mr. Tajalle stated that there is a legal documentation to that effect that the Fund has been trying to attempt to collect. Vice Chairman Cruz asked if we had a stipulated judgment, which was the note in 1998. Mr. Aflague replied yes. Mr. Stephen Guerrero asked if we are just now dealing with the note since 1998. Mr. Tajalle replied no, we have been dealing with it since 2001, 2002.

Chairman Salas stated that his patience has run out on GMH. Chairman Salas stated that he's more that final on the decision to move forward with Legal Counsel because we have already gone above and beyond. We had no response to the courtesy extended to have a dialogue between the Boards. There has been no payment made since 1998. There's no action at all from GMH. We are now compelled to move forward. Mr. Aflague stated that he sent a letter to Senator Lou Leon Guerrero outlining the past due account of GMH. Mr. Aflague stated that he will package all of these for both GMH and DOE for past due contributions and submit it to the Investment Committee and then just take it from there. Vice Chairman Cruz asked if this will go back to Mair, Mair? Mr. Aflague replied no, and that he would like to concentrate all this with Carlsmith, Ball.

2002 Financial Audit

Mr. Aflague informed the Board of Trustees that the 2002 Financial Audit should be completed by the end of this month. Mr. Tajalle stated that he had discussions with the Public Auditor and they are trying to arrange a finalization conference for next week Thursday, April 15, 2004.

Chairman Salas went back to the subject of the election. Chairman Salas stated that he received a call from the OPA regarding some concerns in terms of feasibility regarding the election. Do we have to spend money for off-island experts to run the machines? We are all speculating whether or not there will be a significant voter turnout. There is a question of feasibility. Chairman Salas asked if we are still looking at that same situation where they are going to run the machine and that it would cost us \$120,000.00. Mr. Aflague stated that that amount was the estimated budget for the total. Mrs. Faasumalie stated that Ms. Paula Bamba had previously mentioned that it would cost about \$90,000.00. Chairman Salas stated that we are now looking at \$180,000.00. Mr. Aflague stated that that amount was the estimated amount. Mr. Tajalle stated that, so far, we have paid roughly under \$30,000.00 for the election.

Chairman Salas asked how much it will cost to get the election completed. Mr. Aflague stated that Mr. Gerry Taitano stated that the election will cost roughly \$100,000.00. Chairman Salas asked if that amount is because we will be utilizing off-island experts and the utilization of the machines. Mr. Aflague stated that he has no detailed information. Chairman Salas asked if the potential charges are already defined within the parameters. Are we in a position where we cannot go back and negotiate or renegotiate? Mr. Aflague stated that we are not locked in. Chairman Salas stated that we need to clearly define the parameters. What would any postponement of the election cost? We need to know the cost for the election, any postponement and the cost for machine count vs. hand count. Mr. Stephen Guerrero stated that we can't foresee anything that would postpone the election, but we need to justify the cost. Vice Chairman Cruz stated that we should be mindful since this is the first election for the Board of Trustees.

V. OLD BUSINESS

Vice Chairman Cruz inquired about the two pending issues with the Subcommittees. One is the audit findings and the other is the Administrative Errors legislation. Chairman Cruz stated that we should table these two items for when Ms. Katherine Taitano is present. Mrs. Rolenda Faasuumalie stated that the pending issues are with Legal Counsel.

VI. NEW BUSINESS

A. Selection of Actuary: Milliman USA

Chairman Salas stated that we have identified the selection of the actuary and that we need to move forward with the new actuary. Chairman Salas asked Vice Chairman Cruz if he had any issues. Vice Chairman Cruz stated that at the interview with Mr. Richard Wright from Milliman USA, it was brought to light that he has never been involved in actually running an actuary for the type of institution that we have. Vice Chairman Cruz stated that he's concerned that he may not have the experience to do this job. We may need to put him on a probationary period to give him the opportunity to prove himself. We need to put a budget packet together for the Legislature by June 2004. Vice Chairman Cruz asked if the contract is on a year by year contract. Mr. Aflague stated that it's open ended. Vice Chairman Cruz stated that we should give him one year. Mr. Aflague stated that the Selection Committee ranked him number one. If he's not selected, he'll need a good enough reason not to protest. Mr. Aflague stated that Milliman has the resources. Milliman does peer review, which is not too common with actuaries. Vice Chairman Cruz stated that Milliman had a very impressive package.

Chairman Salas stated that he shares the same concerns with Vice Chairman Cruz. It was a committee decision. Milliman did get the points, but because there are possibilities that could change the entire relationship, we are just going to have to see how well he performs with this initial introduction to GovGuam. Chairman Salas stated that he is very concerned if we will be getting what we are expecting. Mr. Stephen Guerrero asked what's management's position. Mr. Aflague stated that two (2) members on the Selection Committee are staff. Mr. Aflague stated that he has great confidence in the staff. Mr. Guerrero asked if there was a need to change the actuary. Mr. Aflague replied yes, due to Mr. Jay Lingo's medical retirement.

On motion of Vice Chairman Gerard Cruz, seconded by Mrs. Rolenda Faasuumalie, and unanimously agreed upon, the Board of Trustees voted to approve and select Milliman USA as the Retirement Fund's Actuary and direct staff and management to effectuate the contract. Motion carried.

VII. OPEN DISCUSSION

Administrative Secretary II Job Announcement

Mrs. Rolenda Faasuamalie inquired about the job announcement of Administrative Secretary II. Are we hiring a Board Secretary? Mrs. Faasuamalie stated that the position description is related to that of the Board Secretary. Mr. Aflague stated that the Administrative Secretary II is to assist the Board and Director's office. The Administrative Assistant in the Director's Office, Mrs. Marilyn Aguon, will be doing Quality Assurance work. Mr. Aflague stated that there were two staff in Quality Assurance and one of them had resigned to relocate off-island.

Mrs. Faasuamalie stated that traditionally, the Board would have its own secretary. Per the Budget Law, each agency should only have one first assistant. Mrs. Faasuamalie asked how many first assistants do we have. Mr. Aflague replied just one. Mr. Stephen Guerrero asked how many first assistants do we have in terms of the definition of the Budget Law. The first assistant in terms of the definition of the Budget Law is either a Deputy Director or a Private Secretary.

Mr. Aflague stated that we have a Private/Board Secretary. Chairman Salas asked if we have a Deputy Director. Mr. Aflague stated that the Administrative Services Officer, Ms. Paula Bamba, has been detailed as Acting Deputy Director. Mr. Aflague stated that Ms. Bamba is not his first assistant. Per the Budget Law, Ms. Blas is his first assistant. Mr. Stephen Guerrero stated that he disagreed with Mr. Aflague. If you occupy the position, as Ms. Bamba is detailed, then you do have her as your first assistant. Mr. Guerrero further stated that if we have an Acting Deputy Director, then Ms. Blas cannot be a Private Secretary. Mr. Guerrero stated that if Ms. Blas is the Board Secretary and not a Private Secretary, then it's different. The Budget Law states that a Private Secretary or Deputy Director will be considered a first assistant. Mrs. Faasuamalie asked if the specification for the Administrative Secretary II came from Civil Service Commission. Mr. Aflague stated that we followed the one we got from DOA. Mrs. Faasuamalie stated that management should review the specification. Chairman Salas suggested that this be moved to a subcommittee level. Mrs. Faasuamalie recommended that a copy of the job announcement be provided to the Board of Trustees.

On motion of Mrs. Rolenda Faasuamalie, seconded by Vice Chairman Gerard Cruz, and unanimously agreed upon, the Board of Trustees voted to approve to establish a Subcommittee to review the specifications of the Administrative Secretary II. Motion carried.

VIII. ANNOUNCEMENTS

Meeting with Richard Nuzum, Mercer Investment Consulting

Vice Chairman Cruz reported to the Board of Trustees that a meeting with Mr. Richard Nuzum, Mercer Investment Consulting, is scheduled for 8:30 a.m. tomorrow, April 15, 2004. Mr. Tajalle stated that the meeting will probably take approximately two to three hours. Mr. Nuzum will be available up until Friday, April 16, 2004, for any additional questions that comes up as a result of his presentation. Mr. Tajalle stated that Mr. Nuzum will be presenting results of the first quarter. Mr. Nuzum will also be discussing the International Equity Manager's Search, which is ongoing, to include managers interview commencing May 26, 2004. Vice Chairman Cruz asked if Mr. Nuzum will be discussing the recommendations he made. Mr. Tajalle replied yes. Mr. Tajalle stated that the summary page and recommendations is very informative. Vice Chairman Cruz asked if it's necessary to go into great detail about the performance. Vice Chairman Cruz stated that he wanted to spend more time on going over the recommendations. Mr. Tajalle stated that Mr. Nuzum will make it clear to the Board on what the selection process was.

Mr. Nuzum will deal specifically with their recommendations on the managers themselves at their rate. Vice Chairman Cruz suggested that Mr. Nuzum give us the short list and have him explain why any one of the three is better than the other. Vice Chairman Cruz asked if whether any of them are going to have to treat their current universal funds in order to make them meet the mandates of GovGuam's investment. Mr. Tajalle stated that Mr. Nuzum is aware of all the guidelines.

IX. ADJOURNMENT

There being no further business before the Board, on motion of Vice Chairman Gerard Cruz, seconded by Mr. Stephen Guerrero, and unanimously agreed upon, the meeting was adjourned at 1:20 p.m. Motion carried.

Respectfully submitted,

Jackie Blas
Board Secretary

D E F I N E D CONTRIBUTIONS

I. CALL TO ORDER

After determining a quorum, the Retirement Fund Board of Trustees Regular Meeting was called to order at 1:20 p.m. Wednesday, April 14, 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
Pete Tajalle, Controller
Ken Dunstan, Acting Benefits Program Administrator
Vince Camacho, Great West Retirement Services
Jackie Blas, Board Secretary

Public Present:

Mark Heath, Metropolitan West Capital Management

II. REVIEW AND APPROVAL OF MINUTES

A. March 10, 2004 Regular Meeting

On motion of Vice Chairman Gerard Cruz, seconded by Mrs. Rolenda Faasumalie, and unanimously agreed upon, the Minutes of March 10, 2004 Regular Meeting were approved, subject to corrections. Motion carried.

III. OLD BUSINESS

A. Contribution Report as of PPE March 20, 2004

Mr. Vince Camacho, Great West Retirement Services, reported to the Board of Trustees that everyone is up to date with their contributions.

Mr. Camacho stated that the 457 Plan enrollment has started to pick up. Great West Retirement Services has picked up 100 participants in the last month. Mr. Camacho stated that he has one Investment Specialist dedicated to go out and talk to employees.

IV. NEW BUSINESS

None

V. OPEN DISCUSSION

Forfeiture Account

Vice Chairman Gerard Cruz inquired about the Forfeiture Account. What options do we have on the forfeiture account? Mr. Camacho stated that initially it was supposed to be used to off-set any future employer contributions. Then a couple of years ago, the law was changed enabling the use of the Forfeiture Account to pay back the Defined Benefit Plan for the start up cost. Vice Chairman Cruz asked if the Defined Contributions Plan been fully paid. Mr. Camacho replied no. The first year the Forfeiture Account was taken was Fiscal Year 1997 which was paid in 2003 for 2002. The next forfeiture amount, which would be coming in by the end of this month is about \$420,000.00. Vice Chairman Cruz asked if we have the option to reimburse the DB Plan. Mr. Camacho replied yes. Once that is paid off, then it will go back for future employer contributions. Chairman Salas asked if we are going to get some money back. Mr. Camacho stated that we should get \$420,000.00. Vice Chairman Cruz asked if the Board of Trustees need any action in regards to the pay back. Mr. Camacho replied no.

Vice Chairman Cruz inquired about the balance on the Forfeiture Account. Mr. Camacho stated that there's about \$4 Million that can't be touched. Vice Chairman Cruz asked if the only free flowing cash is the \$420,000.00. Mr. Camacho replied yes. Chairman Salas asked if the money is being invested or is it put in a cash account. Mr. Camacho stated that it's put into a money market account. The money comes back with interest to the Fund. Director Aflague asked when will the start up cost for the DC Plan be paid. Mr. Camacho stated that it was \$1.5 Million that the DB Plan fronted for the DC Plan. Mr. Camacho stated that next year's forfeiture, the ending of 2003, will actually be over \$1 Million.

VI. ANNOUNCEMENTS

None

VII. ADJOURNMENT

There being no further business before the Board, on motion of Vice Chairman Gerard Cruz, seconded by Mrs. Rolenda Faasumalie, and unanimously agreed upon, the meeting was adjourned at 1:26 p.m. Motion carried.

Respectfully submitted,

Jackie Blas
Board Secretary