

BOARD OF TRUSTEES
Regular Meeting
Wednesday May 12, 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 12:10 p.m. Wednesday, May 12, 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 (12:19 p.m.)
Rolenda L. Faasuamalie, Trustee
Katherine T.E. Taitano, Trustee
Stephen J. Guerrero, Trustee

Staff Present:

Wilfred G. Aflague, Director
Pete Tajalle, Controller
Peter Duenas, Acting Benefits Program Administrator
Jackie Blas, Board Secretary

Public Present:

Mark Heath, Metropolitan West Capital Management
Joefred Beatingo, Office of Senator Toni Sanford

II. REVIEW AND APPROVAL OF MINUTES

A. April 28, 2004 Regular Meeting

On motion of Ms. Katherine Taitano, seconded by Mrs. Rolenda Faasuamalie, and unanimously agreed upon, the Minutes of April 28, 2004 Regular Meeting were approved, subject to corrections. Motion carried.

III. PENSION BENEFITS

A. Members and Benefits Committee Findings of April 13, 2004 and April 29, 2004

Mrs. Rolenda Faasumalie stated that based on the Committee's findings during their meeting of April 13, 2004, the following applications are recommended for **APPROVAL** by the Board of Trustees.

- A. DISABILITY APPLICANTS
 - 1. Doris T. Cruz
 - 2. John L. Baza
 - 3. Michael S. Duenas

On motion of Mrs. Rolenda Faasumalie, seconded by Mr. Stephen Guerrero, and unanimously agreed upon, the Board of Trustees voted to approve the Disability applications of Doris T. Cruz, John L. Baza, and Michael S. Duenas, as recommended by management. Motion carried.

- B. SURVIVOR ANNUITY BENEFIT APPLICANTS
 - 1. Name: Marsha A. Birch
Date of Death: January 25, 2004
Annuity Due Decease: \$27,996.72
Surviving Spouse: David L. Bush
Survivor's Annuity: \$13,998.48
Percentage Earned: 50%
Effective Date: January 25, 2004
 - 2. Name: David S. Muna
Date of Death: February 10, 2004
Annuity Due Decease: \$ 11,565.84
Surviving Spouse: Betty AM Muna
Survivor's Annuity: \$ 5,783.04
Percentage Earned: 50%
Effective Date: February 10, 2004
 - 3. Name: Elsie O. Paet
Date of Death: October 15, 2000
Annuity Due Decease: \$ 11,381.52
Surviving Spouse: Urbano B. Paet
Survivor's Annuity: \$ 5,690.88
Percentage Earned: 50%
Effective Date: October 15, 2000

On motion of Mrs. Rolenda Faasumalie, seconded by Ms. Katherine Taitano, and unanimously agreed upon, the Board of Trustees voted to approve the Survivor Annuity Benefit applicants listed under Item B 1-3, as recommended by management, being that all calculations are in order and subject to corrections. Motion carried.

C. AGE RETIREMENT APPLICANTS

1. Name: Maria F. Duenas
Date of Birth: June 17, 1938
Department: Governor's Office
Length of Service: 14 Years 10 Months 00 Days
Service Factor: 14.833
Average Annual Salary: \$ 36,004.80
Annual Annuity: \$ 11,551.20
Percentage Earned: 32.082389
Effective Date: January 21, 2003

2. Name: Emelita V. Ila
Date of Birth: August 17, 1942
Department: Department of Education
Length of Service: 26 Years 00 Months 15 Days
Service Factor: 26.041
Average Annual Salary: \$ 45,549.73
Annual Annuity: \$ 27,376.56
Percentage Earned: 60.102573
Effective Date: December 24, 2003

3. Name: Brenda V. Mendoza
Date of Birth: November 12, 1940
Department: Department of Education
Length of Service: 25 Years 02 Months 00 Days
Service Factor: 25.166
Average Annual Salary: \$ 29,297.32
Annual Annuity: \$ 16,967.52
Percentage Earned: 57.914921
Effective Date: October 01, 2002

4. Name: Maria C. Toves
Date of Birth: October 12, 1940
Department: Department of Education
Length of Service: 12 Years 05 Months 00 Days
Service Factor: 12.416
Average Annual Salary: \$ 23,129.57
Annual Annuity: \$ 6,023.04
Percentage Earned: 26.040432
Effective Date: October 16, 2000

On motion of Mrs. Rolenda Faasumalie, seconded by Mr. Stephen Guerrero, and unanimously agreed upon, the Board of Trustees voted to approve the Age Retirement applicants listed under Item C 1-4, as recommended by management, being that all calculations are in order and subject to corrections. Motion carried.

- D. OPTIONAL RETIREMENT APPLICANT
1. Name: Alfonsina D. Cruz
 Date of Birth: February 09, 1944
 Department: Department of Education
 Length of Service: 20 Years 03 Months 15 Days
 Service Factor: 20.291
 Average Annual Salary: \$ 28,281.02
 Annual Annuity: \$ 12,447.36
 Percentage Earned: 44.013122
 Effective Date: November 01, 2002

On motion of Mrs. Rolenda Faasumalie, seconded by Ms. Katherine Taitano, and unanimously agreed upon, the Board of Trustees voted to approve the Option Retirement applicant listed under Item D 1, as recommended by management, being that all calculations are in order and subject to corrections. Motion carried.

- E. SERVICE RETIREMENT APPLICANTS (EARLY RETIREMENT INCENTIVE PROGRAM)
1. Name: Teofila P. Cruz
 Date of Birth: December 28, 1948
 Department: Department of Public Health & Social Services
 Length of Service: 36 Years 00 Months 00 Days
 Service Factor: 36.000
 Average Annual Salary: \$ 70,599.45
 Annual Annuity: \$ 60,009.60
 Percentage Earned: 85.0482819
 Effective Date: January 01, 2000
 2. Name: Jacinta C. Meno
 Date of Birth: August 19, 1956
 Department: Guam Economic Development Authority
 Length of Service: 26 Years 05 Months 00 Days
 Service Factor: 26.416
 Average Annual Salary: \$ 42,019.52
 Annual Annuity: \$ 25,648.80
 Percentage Earned: 61.0402022
 Effective Date: January 01, 2000

On motion of Mrs. Rolenda Faasumalie, seconded by Mr. Stephen Guerrero, and unanimously agreed upon, the Board of Trustees voted to approve the Service Retirement (Early Retirement Incentive Program) applicants listed under Item E 1-2, as recommended by management, being that all calculations are in order and subject to corrections. Motion carried.

F. SERVICE RETIREMENT APPLICANTS

1. Name: Sylvia S. Chaco
Date of Birth: April 05, 1957
Department: Civil Service Commission
Length of Service: 30 Years 02 Months 00 Days
Service Factor: 30.166
Average Annual Salary: \$ 56,058.87
Annual Annuity: \$ 39,473.76
Percentage Earned: 70.4148335
Effective Date: September 30, 2000

2. Name: Rosalia M. Cruz
Date of Birth: April 18, 1941
Department: Department of Education
Length of Service: 29 Years 00 Months 15 Days
Service Factor: 29.041
Average Annual Salary: \$ 39,738.29
Annual Annuity: \$ 26,864.16
Percentage Earned: 67.6027076
Effective Date: October 01, 2003

3. Name: Maria T. Davis
Date of Birth: May 17, 1942
Department: Department of Administration
Length of Service: 25 Years 11 Months 15 Days
Service Factor: 25.958
Average Annual Salary: \$ 41,167.60
Annual Annuity: \$ 24,657.36
Percentage Earned: 59.8950631
Effective Date: October 01, 2003

4. Name: Margarita D. Leon Guerrero
Date of Birth: July 31, 1950
Department: Department of Education
Length of Service: 29 Years 03 Months 00 Days
Service Factor: 29.250
Average Annual Salary: \$ 37,684.99
Annual Annuity: \$ 25,672.80
Percentage Earned: 68.1247361
Effective Date: August 01, 2003

5. Name: Frank J. Mantanona
Date of Birth: May 08, 1955
Department: Guam Police Department
Length of Service: 27 Years 03 Months 15 Days
Service Factor: 27.291
Average Annual Salary: \$ 75,818.88
Annual Annuity: \$ 47,938.32
Percentage Earned: 63.2274177
Effective Date: December 14, 2002

6.	Name:	David SN Mesa
	Date of Birth:	May 18, 1954
	Department:	Guam Water Works Authority
	Length of Service:	26 Years 04 Months 00 Days
	Service Factor:	26.333
	Average Annual Salary:	\$ 34,755.20
	Annual Annuity:	\$ 21,142.56
	Percentage Earned:	60.8327962
	Effective Date:	January 12, 1999

On motion of Mrs. Rolenda Faasuamalie, seconded by Ms. Katherine Taitano, and unanimously agreed upon, the Board of Trustees voted to approve the Service Retirement applicants listed under Item F 1-6, as recommended by management, being that all calculations are in order and subject to corrections. Motion carried.

Mrs. Faasuamalie stated that based on the Committee's findings during their meeting of April 29, 2004, the following Disability application is recommended for **DISAPPROVAL** by the Board of Trustees.

- A. DISABILITY APPLICANT
 - 1. Matilde (DeeDee) Rojas

On motion of Mrs. Rolenda Faasuamalie, seconded by Ms. Katherine Taitano and unanimously agreed upon, the Board of Trustees voted to disapprove the Disability application of Matilde (DeeDee) Rojas, as recommended by management. Motion carried.

Mrs. Faasuamalie stated that based on the Committee's findings during their meeting of April 29, 2004, the following Disabled Adult Survivor Benefit application was recommended for **APPROVAL** by the Board of Trustees.

- A. DISABLED ADULT SURVIVOR BENEFIT APPLICANT
 - 1. Andrew M. Aguon

Mr. Peter Duenas, Acting Benefits Program Administrator, stated that the Members and Benefits Committee did take action and the recommendation was to go ahead and retroactive Mr. Aguon back to the date of the law.

Chairman Salas stated that the Members and Benefits Committee Findings of April 13, 2004 under Item III A of this meeting agenda should also reflect the Members and Benefits Committee Findings of April 29, 2004.

On motion of Mrs. Rolenda Faasuamalie, seconded by Ms. Katherine Taitano, and unanimously agreed upon, the Board of Trustees voted to retroactively approve the Disabled Adult Survivor Benefit application and payment for Andrew M. Aguon, as recommended by management. Motion carried.

IV. INVESTMENT COMMITTEE

A. Investment Committee Meeting of April 6, 2004

Vice Chairman Gerard Cruz stated that the minutes of the Investment Committee Meeting of April 6, 2004 are submitted for the Board's approval.

On motion of Vice Chairman Gerard Cruz, seconded by Ms. Katherine Taitano, and unanimously agreed upon, the Board of Trustees voted to approve the Investment Committee Meeting Minutes of April 6, 2004. Motion carried.

Vice Chairman Cruz reminded the Board of Trustees of the International Equity Managers' Interviews scheduled for May 26, 27, and 28, 2004 here at the Retirement Fund.

V. EXECUTIVE SUMMARY

Board Election

Director Wilfred Aflague reported to the Board of Trustees that the election is scheduled for June 19, 2004 from 8:00 a.m. to 5:00 p.m. at the UOG Fieldhouse. Mr. Aflague stated that he will post signs in the office to remind retirees to exercise their right to vote.

Subcommittee Meeting – DOE & GMHA

Mr. Aflague reported to the Board of Trustees that the matter with DOE and GMHA, regarding their past due contributions, has been referred to the Quality Assurance Subcommittee headed by Ms. Katherine Taitano.

Mr. Aflague stated that Legal Counsel was requested to start drafting documentation regarding the litigation. Mr. Aflague stated that Meredith Sayre from the Law Offices of Carlsmith Ball called to remind the Board of Trustees that she is working on it and that the documents were just finalized yesterday. Mr. Aflague stated that Ms. Sayre will make a report at the next Board meeting.

Contributions

Mr. Aflague reported to the Board of Trustees that all agencies are current with their Fiscal Year 2004 employee and employer contributions, including DOE and GMHA.

2002 Financial Audit

Mr. Pete Tajalle, Controller, reported to the Board of Trustees that the audit report is scheduled to be released on May 13, 2004. Mr. Tajalle stated that issues based on the findings include file make-up, manual calculations of annuities noted in the file, and lack of mechanism for allocation of forfeitures. Mr. Aflague stated that half of the findings were repeats of the 2001 audit findings. Mr. Aflague further stated that there was one finding that the Public Auditor did remove from the 2002 audit. Mr. Tajalle stated that it was a comment along the lines of internal control weakness as it relates to procurement.

Vice Chairman Gerard Cruz inquired if there is a timeline for corrections on the repeat findings. Mr. Tajalle stated that he needs to work with the Acting Benefits Program Administrator on the Members and Benefits' findings such as the manual calculations. It's been in the works to put together with DMR some kind of electronic calculating mechanism in order to insert into the files. File make-up is currently being worked on by our Quality Assurance Section. Mr. Tajalle further stated that with respect to the forfeitures, that's going to require legislation and plan amendment.

Vice Chairman Cruz inquired about the forfeiture to pay off the start-up costs of the DC Plan. What was the finding? Mr. Tajalle stated that it talked about not having a clear way to allocate forfeitures. The mechanism is whether or not people who left government service prior to vesting and have met the greater than five years period from the time they left government, should be allocated back to the members and how it's to be allocated and also the pay-off of the administrative cost.

Mr. Tajalle further stated that there was a provision in the plan document that stated that it should go against future contributions. Mr. Aflague stated that the start-up cost will be paid off after next year's forfeitures are remitted to us. Vice Chairman Cruz stated that after that we will then have a problem with allocation. Mr. Aflague stated that the problem with allocation is whether it should go to employer contributions or to individual members. Vice Chairman Cruz asked if it is by Board policy that we are reimbursing the start-up cost to the DB Plan and not by plan document. Vice Chairman Cruz asked if there was a standard language on the plan document on how to allocate the forfeitures. Mr. Tajalle stated that he believes there is a standard language, but that the confusion lies in the relationship between the statute that established the DC Plan and the actual plan document itself. We have a situation where legislation and the plan document don't meet with one another. Once those issues are ironed out with Legal Counsel, then we can do the legislation that allows for the amendment to the plan documentation in order to make sure that we allocate the forfeitures the way they need to be allocated.

VI. OLD BUSINESS

Medical Disability Application Process

Mrs. Rolenda Faasuamalie inquired about moving the medical disability application process closer to the way the DC Plan handles it. Mr. Aflague stated that this is one of the items for discussion that Ms. Paula Bamba is having with Legal Counsel in Hawaii on how do we go about drafting the RFP. Mr. Aflague stated that Ms. Paula Bamba is in Hawaii for a meeting with Joanne Grimes from the Law Offices of Carlsmith Ball.

Mrs. Faasuamalie inquired about the DC Plan – document plan, how it's referenced. We should put this in place before the new Board of Trustees come in. Chairman Salas requested for Mr. Peter Duenas to include this in the next Members and Benefits Committee Meeting for discussion and action.

Mrs. Faasuamalie inquired about the medical consultant and also about Dr. Steele giving an orientation to the doctors we are currently using. Mr. Aflague stated that Dr. Steele had just returned from off-island. Mr. Aflague stated that he would ask Dr. Steele this question at the next Members and Benefits Committee meeting. Mrs. Faasuamalie asked if Dr. Steele will be contacting those doctors who do our medical review to look at the AMA Guidelines.

Mr. Aflague stated that management will provide a list of pending items/check list by the next Board meeting. Chairman Salas mentioned that the next Board meeting is scheduled for May 26, 2004 and that the International Managers' Interview is also scheduled on the same day. Chairman Salas asked the Board of Trustees if they would like to postpone the May 26, 2004 Board meeting to the regularly scheduled meeting in June, which is June 9, 2004. The Board of Trustees agreed to have the next Board meeting on June 9, 2004.

VII. NEW BUSINESS

None

VIII. OPEN DISCUSSION

PacifiCare Dental Plan Termination

Mr. Aflague reported to the Board of Trustees that PacifiCare had sent all GovGuam agencies and retirees a letter of termination of their dental plan coverage. Mr. Aflague stated that he received a copy of the termination letter for six (6) Retirement Fund employees and three hundred thirty-one (331) retirees.

Mr. Aflague stated that he spoke to Lou Perez, Director of the Department of Administration (DOA), and also to Cil Martinez, DOA Personnel Services Administrator. Mr. Aflague stated that PacifiCare's letter stated that Section 3.2 of the contract stated that premiums should be remitted within five (5) calendar days at the end of the pay period closing. Mr. Aflague stated that the contract for the current fiscal year was not signed. There is no new contract for 2004, which amended the other two carriers' stipulation that they should give the government fourteen (14) days to remit their premiums. PacifiCare is working with the 2003 contract. Mr. Aflague stated that retirees' premiums were submitted to DOA. Mr. Aflague stated that he will keep the Board informed of the situation.

Mr. Tajalle stated that he placed a call to Mr. Joseph Husslein, President of PacifiCare, who was unavailable, and left message for a return call. Mr. Tajalle stated that he spoke to Mr. Husslein's Executive Assistant, who couldn't give any information regarding their letter. A message was left with PacifiCare's Finance Manager. Mr. Tajalle stated that he spoke to PacifiCare's Customer Service Representative who stated that this letter was sent to all government agencies and that on the thirty first day of the notification, members will be terminated regardless of payment. Chairman Salas stated that there might be some areas that involve legal interpretation. Chairman Salas asked if we know if DOA plans to put together a class action suit. Chairman Salas asked for a report on this matter by the next meeting.

IX. ANNOUNCEMENTS

None

X. ADJOURNMENT

There being no further business before the Board, on motion of Ms. Katherine Taitano, seconded by Mrs. Rolenda Faasuamalie, and unanimously agreed upon, the meeting was adjourned at 12:47 p.m. Motion carried.

Respectfully submitted,

Jackie Blas
Board Secretary

D E F I N E D C O N T R I B U T I O N S

I. **CALL TO ORDER**

After determining a quorum, the Retirement Fund Board of Trustees Regular Meeting was called to order at 12:47 p.m. Wednesday, May 12, 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. Faasuamalie, Trustee
Katherine T.E. Taitano, Trustee
Stephen J. Guerrero, Trustee

Staff Present:

Wilfred G. Aflague, Director
Pete Tajalle, Controller
Peter Duenas, Acting Benefits Program Administrator
Jackie Blas, Board Secretary

Public Present:

Mark Heath, Metropolitan West Capital Management
Joefred Beatingo, Office of Senator Toni Sanford

II. **REVIEW AND APPROVAL OF MINUTES**

A. April 28, 2004 Regular Meeting

On motion of Mrs. Rolenda Faasuamalie, seconded by Ms. Katherine Taitano, and unanimously agreed upon, the Minutes of April 28, 2004 Regular Meeting were approved, subject to corrections. Motion carried.

III. **OLD BUSINESS**

Mr. Aflague informed the Board of Trustees that Mr. Vince Camacho, Great West Retirement Services, is off-island. Mr. Aflague reported that all agencies are current with their contributions.

IV. **NEW BUSINESS**

Meeting with Legal Counsel

Mrs. Rolenda Faasuamalie asked if Mr. Camacho is also meeting with Legal Counsel in Hawaii. Mr. Aflague replied yes, regarding administrative matters with the DC Plan. Vice Chairman Cruz asked if this was planned. Mr. Aflague stated that Ms. Paula Bamba had asked him to go to Hawaii to meet with the Investment Fund Managers for the DC Plan with Mr. Camacho and Legal Counsel to talk about the forfeiture and the RFP for the third party for the disability retirement applications. Mr. Aflague stated that there were two individuals from Hawaii that were to be brought over for the meeting. Mr. Aflague stated that it was cost effective for Ms. Bamba to go to Hawaii instead of the two (2) individuals coming over here. Mrs. Faasuamalie stated that perhaps the Board of Trustees may have other items for Legal Counsel's review.

Mr. Stephen Guerrero stated that other agencies have their travel requests approved by their Board. Mr. Aflague stated that the Board's approval is not required. Chairman Salas asked if this is something that was adopted when the Board of Trustees was set up. Chairman Salas stated that Legal Counsel is at our disposal for reference and for consultation regarding legal issues. The Board of Trustees was not previously notified of the meeting which is taking place in Hawaii. The Board should have been informed for their input and guidance.

Chairman Salas stated that he's concerned about unannounced travel without the Board's approval or recommendation. Chairman Salas stated that he is concerned as to why Legal Counsel called this meeting without the Board's knowledge. Mr. Aflague stated that his understanding of this meeting is to get with Legal Counsel on past administrative matters that we wanted to resolve. Mr. Guerrero just wanted to reiterate if this is an established practice of the previous Board of Trustees of not approving travel requests. Mr. Aflague stated that his understanding from Ms. Bamba is that the Director's travel has to be approved by the Board Chair prior to being sent to BBMR and all other staff travel are to be approved by the Director then sent to BBMR.

Chairman Salas recommended that the Director obtain any existing policy or any reference to any previous Board meeting that was approved and adopted by previous Boards. Chairman Salas stated that he will then recommend adopting a policy on travel requests. Vice Chairman Cruz wanted to clarify if this would be a policy that would require Board approval for all travel requests.

V. OPEN DISCUSSION

None

VI. ANNOUNCEMENTS

RFP

Vice Chairman Gerard Cruz inquired about any outstanding RFP. Mr. Aflague stated that there is an RFP for Investment Management and Plan Administration Services relating to the aspects of the Defined Contribution Plan. Mrs. Rolenda Faasumalie asked when did the RFP go out. Mr. Aflague replied about one month ago.

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 1:00 p.m. Motion carried.

Respectfully submitted,

Jackie Blas
Board Secretary