

**BOARD OF TRUSTEES**

**Regular Meeting**

Friday, June 9, 2006, 12:00 p.m.  
Retirement Fund Conference Room

**MINUTES**

**DEFINED BENEFITS**

**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 was called to order at 12:24 p.m. Friday, June 9, 2006, 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  
Katherine T.E. Taitano, Treasurer  
James J. Taylor, Secretary  
Anthony C. Blaz, Trustee  
Gerard A. Cruz, Trustee  
George A. Santos, Trustee

**Staff Present:**

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

**Public Present:**

Dan Roland, Citigroup  
Jason Miyashita, Citigroup  
Clint Ridgell, KUAM

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

### **A. February 24, 2006 and March 10, 2006 Regular Meetings, March 24, 2006 Special Meeting, April 12, 2006 Emergency Meeting, April 21, 2006 and May 12, 2006 Regular Meetings**

Secretary James Taylor, seconded by Trustee Anthony Blaz, moved to defer approval of the Minutes of February 24, 2006 and March 10, 2006 Regular Meetings, March 24, 2006 Special Meeting, April 12, 2006 Emergency Meeting, April 21, 2006 and May 12, 2006 Regular Meetings. Without objection, the motion passed.

## **III. CORRESPONDENCE**

### **A. June 5, 2006 Letter from Frank B. Bamba Regarding Request to Pay Educational Credit**

Chairman San Agustin stated that the June 5, 2006 letter from Frank B. Bamba regarding request to pay educational credit is being referred to the Members and Benefits Committee for action.

## **IV. DIRECTOR'S REPORT - EXECUTIVE SUMMARY**

1. *William Don Parkinson vs. Government of Guam, Guam Memorial Hospital Authority (GMHA) and Guam Public School System (GPSS)* - Acting Director Paula Blas stated that this case remains status quo since the May 26, 2006 Board meeting.

2. *Candelaria Rios, et al. vs. Joseph Ada, et al. (Special Proceeding Case No. SP206-98)* - Acting Director Blas stated that the Governor's Office filed for reconsideration of the judge's decision. The government objected to the fact that the Retirement Fund is tasked with the formula and calculation of the rate of inflation since this is a function of the Executive Branch. General Fund monies will be used and the Executive Branch should be providing the rates to the Fund to use in the calculation of the COLA's for the individual retirees. Acting Director Blas stated that the judge granted the reconsideration and hearing has been set for July 26, 2006 at 9:00 a.m.

Chairman San Agustin stated that the Guam Association of Retired Persons (GARP) will be conducting a meeting on the first week of July. Chairman San Agustin stated that GARP attended the hearing and they are concerned with who will be receiving the COLA for retirees or survivors who are now deceased. Secretary James Taylor asked whether the Fund is obligated to do anything for the July 26 hearing. Acting Director Blas stated that the information is ready to be supplied. Secretary Taylor stated that the newspaper indicated that the Fund did not supply everything that they wanted. Chairman San Agustin asked how the Fund is going to supply the figures. Acting Director Blas stated that the Fund will only carry out what needs to be calculated and will pay it out. The funds will come from the General Fund.

3. *Investment Mandate Amendments: Section 8157 and Section 8158* - Acting Director Blas stated that Bill Nos. 295 and 296 are scheduled to be heard in session on June 12, 2006. Secretary Taylor asked whether any action is required by the Board. Acting Director Blas stated that there may be questions asked during the public hearing. Vice-Chairman Wilfred Leon Guerrero asked what the Committee's recommendation is. Acting Director Blas stated that it is to pass the bills.

4. ***Organic Act / Trust Agreement*** - Acting Director Blas stated that at the March 10, 2006 Board meeting, Government of Guam Retirement Fund (GGRF) Resolution No. 2006-002 was adopted to support efforts to amend the Organic Act of Guam to include a provision establishing the GGRF as a public trust corporation. Acting Director Blas stated that the Resolution was transmitted to Congresswoman Madeleine Bordallo's Office for her consideration. Chairman San Agustin stated that Congresswoman Bordallo's Chief of Staff thinks this will not be entertained. Chairman San Agustin stated that Speaker Mark Forbes indicated that he is not opposed to this. Acting Director Blas stated that the proposed Trust Agreement is currently being reviewed by Secretary Taylor.
5. ***Request for Proposal (RFP): Custodial Bank Services*** - Acting Director Blas stated that at the May 26, 2006 Board meeting, it was decided to change the format of the RFP. A new draft RFP is being worked on for the Board's review and approval. Chairman San Agustin stated that the RFP should be strictly for custodial bank services only. Acting Director Blas stated that she will have a banking service RFP soon. Trustee Gerard Cruz stated that there was a discussion with Winton Young from First Hawaiian Bank regarding the sweep account. Chairman San Agustin stated that Mr. Young came in as a custodial bank. Trustee Cruz stated that the sweep function offered is operational. Chairman San Agustin suggested bringing this matter back to the Investment Committee.
6. ***Request for Proposal (RFP): Medical Consultant Services*** - Acting Director Blas stated that a draft RFP for professional services was submitted to the Members and Benefits (M&B) Committee on November 9, 2005 for their review and comments. Acting Director Blas stated that the RFP is still with the M&B Committee.
7. ***Request for Proposal (RFP): Legal Services for Investment Portfolio Monitoring Services*** - Acting Director Blas stated that the evaluations are ongoing and is in the process of being finalized.
8. ***Public Law 28-38*** - Acting Director Blas stated that the Fund is continuing to process applications for retirement for Guam Memorial Hospital Authority (GMHA) eligible employees. Guam Public School System (GPSS) applications for retirement have been suspended due to non-payment of current contributions. Acting Director Blas stated that payment for pay period ending May 13, 2006 has not been received. Controller Diana Bernardo suggested that the Fund send a letter to the agency and its employees. Chairman San Agustin stated that a press release should be sufficient. Treasurer Katherine Taitano suggested inserting the notice in the employees' pay statement. Acting Director Blas stated that monthly interest payments for GPSS and GMHA are current.
9. ***Public Law 28-66*** - Acting Director Blas stated that Public Law 28-66 appropriated \$1.4 Million from the General Fund to the Government of Guam Retirement Fund (GGRF) as follows: \$660,000 for Guam Memorial Hospital Authority's (GMHA) past due contributions for FY2005; and \$800,000 for outstanding retirement contributions for GMHA employees waiting to retire, who have filed notices of intent to retire with GGRF. Acting Director Blas stated that \$300,000 from the outstanding retirement contributions were received by the Fund on May 4, 2006. Acting Director Blas stated that \$600,000 was paid by GMHA. Acting

Director Blas stated that no additional funds have been received. Acting Director Blas stated that there is a balance of \$500,000. Secretary Taylor asked whether Management has been in contact with Mr. Andy Jordanou. Acting Director Blas replied "only in meetings." Acting Director Blas stated that the resolution will be with the bond. Secretary Taylor stated that the bond is unrealistic. Chairman San Agustin asked Management to get in touch with Mr. Jordanou.

10. ***Century 21, Realty Management Company, Inc.: Parking Lot Lease*** - Acting Director Blas stated that the Use Agreement with First Hawaiian Bank is close to reaching a mutual agreement. Acting Director Blas stated that the Use Agreement may be finalized for signatures by next month.

### **Financial Report**

1. ***Contributions*** - Acting Director Blas stated that all agencies, except Guam Public School System (GPSS), are current with their Fiscal Year 2006 employee and employer contributions.
2. ***Financial Statements / Fiscal Year 2005 Audit*** - Acting Director Blas stated that the books for the month ending May 2006 are closed and the Fiscal Year 2005 Audit has been completed and bound copies will be distributed to the Board.
3. ***Fiscal Year 2006 Retirees' Supplemental Benefits*** - Acting Director Blas stated that the supplemental benefits for retirees and survivors for the month of May 2006 were paid. Acting Director Blas stated that these benefits are funded by the General Fund.
4. ***Medicare Reimbursements*** - Acting Director Blas stated that the Fiscal Year 2005 appropriation for the Medicare Reimbursements funded by the General Fund and administered by the Retirement Fund resulted in a shortage of funding for the fiscal year. Acting Director Blas stated that a letter was sent to the Legislature for the additional funding needed for the Fiscal Year 2005 Medicare reimbursements. Acting Director Blas stated that staff is currently assessing the dollar amount needed for the remainder of Fiscal Year 2006 and this amount will be communicated to the Legislature for the additional funding.

## **V. LEGAL COUNSEL'S REPORT**

### **A. COLA Case – Chronology by Attorney David Dooley**

Acting Director Blas stated that Attorney David Dooley provided a copy of their index of pleadings in the COLA case. Attorney Dooley listed 142 separate pleadings which have been filed with the court. Chairman San Agustin asked how much has been incurred in attorney fees. Acting Director Blas replied, "\$27,000.00." Acting Director Blas stated that a summary and breakdown of costs has been provided by Attorney Dooley. Chairman San Agustin asked whether there are any other legal fees. Acting Director Blas replied, "no."

## **VI. TREASURER'S REPORT OF FINANCIAL STATUS**

Chairman San Agustin asked what the position vacancies are. Controller Bernardo stated Accountant, Accounting Technicians, and Payroll Technician. Chairman San Agustin asked what is the law regarding hiring Guam Telephone Authority (GTA) employees. Acting Director Blas stated that the

law states that an agency offer the position to GTA employees without the recruitment process. Acting Director Blas stated that the Fund will recruit for the clerical positions. Secretary Taylor stated that a Purchasing Material Management position is needed for the Fund. Secretary Taylor stated that he would work with Acting Director Blas regarding this position.

## **VII. STANDING COMMITTEE REPORTS**

### **A. Members and Benefits Committee**

Trustee George Santos reported to the Board of Trustees on his Committee's May 2006 end of the month report. Vice-Chairman Leon Guerrero inquired about No. 2b on Page 4 of 12. Vice-Chairman Leon Guerrero pointed out that the effective date is March 13, 1999. Trustee Santos stated that the individual was on estimated annuity and is now being finalized.

Chairman San Agustin inquired about the promissory note on Item VI 1 on Page 12 of 12. Mrs. Bordallo stated that notification is essential. Chairman San Agustin stated that this may be a write-off. Chairman San Agustin stated that the Fund failed to make the notification before the note expired. Chairman San Agustin stated that he feels that it is the Fund's negligence. Treasurer Taitano asked whether this is being carried as a receivable. Treasurer Taitano suggested taking everyone off the hook or take the write-off. Mrs. Bordallo stated that some notes are valid. Mrs. Bordallo suggested giving no options. Chairman San Agustin stated that it should be carried on account as it is a receivable. Controller Bernardo stated that she will review the listing on who has defaulted and take them off the list. Chairman San Agustin asked why carry in the books if the Fund can not collect on it.

Secretary Taylor pointed out that the Social Security numbers on the Annuity Worksheets should be blacked out.

**Trustee George Santos, seconded by Trustee Gerard Cruz, moved to approve the recommendation of the Members and Benefits Committee contained on Pages 4 through 12, including the attached Annuity Worksheets, based on the Committee's review and findings during their meeting of May 17, 2006 and subsequent meetings thereafter. Without objection, the motion passed.**

### **B. Investment Committee**

Vice-Chairman Leon Guerrero reported to the Board of Trustees that the Investment Committee meeting was held on May 5, 2006. Vice-Chairman Leon Guerrero stated that there are two (2) open items: 1) Request for Proposal (RFP) – Transaction Monitoring Services: Vice-Chairman Leon Guerrero stated that this is pending review and selection; 2) Request for Proposal (RFP) – Global Custody Search: Vice-Chairman Leon Guerrero stated that this is pending revisions and finalization of the RFP.

Vice-Chairman Leon Guerrero further reported on Grantham, Mayo, Van Otterloo & Co. LLC (GMO). As of the June 2, 2006 Investment Committee Meeting, GMO had been notified that funding of the three investment components will be in accordance with the percentages indicated in Appendix A of the contract. Vice-Chairman Leon Guerrero stated that funding had not occurred as GMO needed to obtain their legal counsel's opinion regarding whether the Fund could proceed with the funding process.

Vice-Chairman Leon Guerrero stated that on June 7, 2006, the Fund was notified by GMO that an amendment to the contract is needed to ensure that GMO will not be responsible for rebalancing of the three investment components, and that GMO is prepared to fund the three components prior to execution of a formal amendment. Vice-Chairman Leon Guerrero stated that the Fund notified GMO via telephone and email that based on the terms of the contract, an amendment is not necessary and that funding is not likely to occur until this issue is resolved.

Vice-Chairman Leon Guerrero stated that Mr. Terry Dennison, Mercer Consulting, has concurred with the Investment Committee's position noting that he would not permit funding until the contract, including all amendments, is signed. Mr. Dennison also noted that funding before that would eliminate the Fund's leverage.

Vice-Chairman Leon Guerrero stated that the Investment Committee is currently waiting for GMO's Legal Counsel's response to the Investment Committee's email which indicated that based on the terms of the contract, an amendment is not required. The Investment Committee is also waiting for Mercer's recommendations regarding options. Vice-Chairman Leon Guerrero stated that the Investment Committee is waiting for GGRF's Legal Counsel's opinion on this matter. Vice-Chairman Leon Guerrero concluded that based on the foregoing, the Fund will not fund GMO until this "amendment issue" is resolved. Trustee Cruz stated that there could be a rebalancing issue. Mrs. Bordallo stated that their understanding was to move around the different accounts. Controller Bernardo stated that what was approved in December is different with Appendix A. Vice-Chairman Leon Guerrero recommended having GMO accept or terminate the whole thing. Vice-Chairman Leon Guerrero stated that the leverage is between GMO and Mercer. Secretary Taylor reiterated that if GMO does not accept then the Board will cancel the contract.

Trustee Cruz stated that he is concerned with the \$94,000.00. Trustee Cruz stated that the Board needs to know what to do with the funds. Chairman San Agustin stated that the Fund had a loss in the last six months and asked who is paying for the loss. Vice-Chairman Leon Guerrero stated that the Board needs to know what to do with the \$34 Million. Secretary Taylor suggested asking GMO if they will work with the contract. Vice-Chairman Leon Guerrero stated that if the Fund was to proceed with the RFP, then the transition manager should be included. Chairman San Agustin stated that the funds should be parked somewhere because there is an opportunity loss. Chairman San Agustin suggested telling GMO to accept the contract. Vice-Chairman Leon Guerrero recommended letting Mercer communicate with GMO that if they do not accept the contract the Board will terminate the contract.

Vice-Chairman Leon Guerrero informed the Board that the quarterly review will be held in July.

### **C. Audit Committee**

Controller Bernardo reported to the Board that the Audit Committee is addressing the findings and this will be reported at the next Board meeting.

### **D. Governmental Liaison**

Trustee Cruz stated that he has nothing to report at this time.

## **VIII. TRAVEL REPORT**

None

## **IX. OLD BUSINESS**

### **A. Resolution No. 2006-004 – Proposed Amendment**

Acting Director Blas stated that Attorney Joaquin C. Arriola has prepared a proposed amendment to Resolution No. 2006-004. The proposed amendment states: “That any Board member may seek the assistance of his or her own counsel to represent him/her in any proceeding, civil or criminal, which may be brought or commenced by the Attorney General in connection with the John Rios matter, and the Fund is hereby authorized and instructed to reimburse such individual Board member’s counsel fees and costs incurred by him/her in his/her defense, upon presentation of proper voucher from his/her counsel.”

**Vice-Chairman Wilfred Leon Guerrero, seconded by Trustee Gerard Cruz, moved to approve the amendment to Resolution No. 2006-004. Without objection, the motion passed.**

### **B. Chief Executive Officer/Director Position**

Trustee Cruz stated that he agreed to recommend objectives as follows: a) develop a set of goals which will be completed within the next two weeks for a time frame of zero to six months, six to twelve months and some long term goals and special deliverables that encompass every part of the organization. Trustee Cruz stated that the salary proposal is \$87,000.00. Chairman San Agustin stated that the Director will serve at the pleasure of the Board of Trustees. Vice-Chairman Leon Guerrero stated that he wants a contract drafted and that the contract should be for three years. Chairman San Agustin asked whether there will be an adjustment in salary within in three years. Trustee Cruz stated that the salary adjustment will be based on an annual review and subject to the accomplishment of the objectives and also subject to budgetary constraint. Chairman San Agustin asked Trustee Cruz to have the Fund’s Legal Counsel draft the agreement.

**Trustee Gerard Cruz, seconded by Trustee Anthony Blaz, moved to approve the selection of Mrs. Paula M. Blas as the Chief Executive Officer/Director of the Government of Guam Retirement Fund subject to the terms and conditions as set out by the Board of Trustees. Without objection, the motion passed.**

## **X. NEW BUSINESS**

### **A. Board Election of Officers (Effective July 1, 2006)**

Chairman San Agustin reported to the Board that the election of new officers will become effective July 1, 2006.

Vice-Chairman Leon Guerrero recommended retaining the same officers of the Board of Trustees.

Treasurer Taitano made a motion to elect a new Treasurer and nominated Trustee Gerard Cruz. Trustee Cruz accepted the nomination as Treasurer.

**Treasurer Katherine Taitano, seconded by Trustee Gerard Cruz, moved to approve the election of officers of the Retirement Fund Board of Trustees as follows: Joe T. San Agustin, Chairman; Wilfred P. Leon Guerrero, Vice-Chairman; Gerard A. Cruz, Treasurer; and James J. Taylor, Secretary. Without objection, the motion passed.**

Chairman San Agustin stated that the Committees' Chairperson will be elected every two consecutive years. Chairman San Agustin stated that he proposes to eliminate the word "maximum." Vice-Chairman Leon Guerrero recommended continuing with the present composition of the Committees' Chairperson.

**Trustee Gerard Cruz, seconded by Vice-Chairman Wilfred Leon Guerrero, moved to eliminate the word "maximum" and to continue with the present composition of the Committees' Chairperson. Without objection, the motion passed.**

**XI. OPEN DISCUSSION / GENERAL PUBLIC INPUT**

None

**XII. ANNOUNCEMENTS**

None

**XIII. ADJOURNMENT**

**There being no further business before the Board for the Defined Benefits Plan, on motion of Trustee Anthony Blaz, seconded by Treasurer Katherine Taitano, and without objection, the meeting was adjourned at 2:08 p.m. Motion passed.**

**I hereby certify that the foregoing is a full, true and correct copy of the Minutes of June 9, 2006 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on November 17, 2006.**

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**James J. Taylor, Board Secretary**

**RECORDING SECRETARY:**

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**Jackie Blas**