

BOARD OF TRUSTEES
Regular Meeting
Friday, July 16, 2004, 4:00 p.m.
Retirement Fund Conference Room

MINUTES

I. OPENING OF MEETING BY DIRECTOR WILFRED AFLAGUE

II. ATTENDANCE, QUORUM, AND CALL TO ORDER

After determining a quorum, the Retirement Fund Board of Trustees First Regular Meeting of the newly elected and appointed Trustees was called to order by Director Wilfred Aflague at 4:00 p.m. Friday, July 16, 2004, in the Retirement Fund Conference Room.

Board of Trustees Present:

Anthony C. Blaz
Gerard A. Cruz
Wilfred P. Leon Guerrero, Ed.D.
Joe T. San Agustin
George A. Santos
Katherine T.E. Taitano
James J. Taylor, Ph.D.

Staff Present:

Wilfred G. Aflague, Director
Pete Tajalle, Controller
Peter Duenas, Acting Benefits Program Administrator
Vince Camacho, Great West Retirement Services
Jackie Blas, Recording Secretary
Rosalia Bordallo, Investment Specialist

Public Present:

Mark Heath, Metropolitan West Capital Management
Ann Roth, Bank of Guam

At this time the Retirement Fund Administrators introduced their employees to the newly elected and appointed Board of Trustees.

Director Aflague informed the Board of Trustees that the Open Enrollment for the Supplemental Life Insurance for the retirees started July 15 and will continue through August 13, 2004.

III. NEW BUSINESS

A. ADOPTION OF ORGANIZATIONAL BY-LAWS

1. Chair
2. Vice-Chair
3. Investment Committee
4. Members and Benefits Committee
5. Audit and Operations Committee
6. Legislative Liaison Committee

Director Aflague stated that the draft By-Laws are being provided for the Board's consideration. Trustee Wilfred Leon Guerrero stated that the Board should review the draft By-Laws before adoption.

Trustee Leon Guerrero recommended electing the Board Chair at this time.

B. CALL FOR THE ELECTION OF BOARD CHAIR

Director Aflague stated that the floor is open for the election of Board Chair. Trustee Wilfred Leon Guerrero nominated Trustee Joe T. San Agustin. Trustee George A. Santos seconded the nomination. Trustee Anthony Blaz nominated Trustee Katherine Taitano. Since there are no other nominations, Director Aflague stated that the floor is closed with two nominees for Board Chair – Trustee Joe T. San Agustin and Trustee Katherine Taitano.

After the roll call was tabulated, Director Aflague announced that Trustee Joe T. San Agustin received five (5) affirmative votes and Trustee Katherine Taitano received two (2) votes. Director Aflague declared that Trustee Joe T. San Agustin is duly elected as the Chairman of the Retirement Fund Board of Trustees.

C. ELECTION OF VICE-CHAIR AND COMMITTEE CHAIRPERSONS

Chairman San Agustin assumes the Chair and extended his appreciation to the Trustees for their expression of confidence. Chairman San Agustin then stated that the floor is now open for the election of the Vice-Chair of the Retirement Fund Board of Trustees.

Trustee George Santos nominated Trustee Wilfred Leon Guerrero for Vice-Chair. Trustee Katherine Taitano nominated Trustee Anthony Blaz. Trustee Blaz declined the nomination. Since there were no other nominations, Chairman San Agustin declared Trustee Wilfred Leon Guerrero duly elected as Vice-Chair of the Retirement Fund Board of Trustees.

Trustee George Santos proposed the establishment of two other Board offices, a Secretary and a Treasurer. Without objection, the two Board offices – Secretary and Treasurer are established. Trustee George Santos, therefore, nominated Trustee James Taylor as Secretary and Trustee Katherine Taitano as Treasurer. Since there were no other nominations presented, and without objections, Chairman San Agustin declared that Trustee James Taylor is elected Secretary and Trustee Katherine Taitano elected as Treasurer.

Trustee George Santos proposed the establishment of four (4) Standing Committees, to wit:

1. Members and Benefits Committee
2. Investment Committee
3. Audit and Operations Committee
4. Legislative Liaison Committee

Without objections, the four (4) Standing Committees are established. Trustee George Santos further moved that the Chairman appoint the Chairpersons of each Standing Committees. Trustee Anthony Blaz stated that each Trustee should have a say on who should be the Chairperson of each Standing Committees, and inquired what would be the role of the Legislative Liaison Committee. Chairman San Agustin replied that a “lobbyist” would be needed to review proposed legislation for the Board and there exist a need to “have constant communications between the two (2) Branches of Government – Legislative and Executive.” He further stated that the Retirement Fund Board of Trustees could no longer be considered purely an “Executive Branch Board,” but rather a quasi-independent Board, consisting of four (4) elected Trustees on a non-partisan basis, and three (3) appointed by the Governor, with the advice and consent of the Legislature. Trustee Blaz withdrew his objection to the need for the Liaison Committee.

Vice-Chairman Leon Guerrero suggested going around the table, asking the Trustees which Committee they are interested in. Chairman San Agustin suggested suspending any action of Trustee Santos’ motion; but Vice-Chairman Leon Guerrero indicated there was no need to suspend, but rather to amend the original motion. On this basis, Chairman San Agustin proceeded. Trustee Gerard Cruz indicated he had no preference, having previously served on the Investment Committee. Trustee Blaz preferred the Audit and Operations Committee. Treasurer Katherine Taitano had no preference, having previously served on all Committees. Vice-Chairman Leon Guerrero preferred the Investment Committee and Secretary James Taylor also preferred the Investment Committee. Trustee Santos had no preference.

Chairman San Agustin indicated that there should be no more than three (3) Trustees as members of each Standing Committee. This is necessary to comply with the Law stating that in order for any Board action to be valid, there must be four (4) affirmative votes cast and that it is imperative that no Committee with a membership of four (4) can preclude the Board’s effective deliberations and with due diligence.

Accordingly, Chairman San Agustin proceeded to appoint the following Chairpersons of the following Standing Committees:

- Audit and Operations Committee – Trustee Anthony Blaz
- Members and Benefits Committee – Trustee George Santos
- Investment Committee – Vice-Chairman Wilfred Leon Guerrero, Chairman;
and Board Secretary James Taylor as Vice-Chair
- Legislative Liaison Committee – *Trustee Gerard Cruz

*Trustee Cruz deferred until the role of the Committee be redefined, with the suggestion that it should be more of a research type, as well as to be a “catalyst” for the Board to be more proactive on delinquent funds as stated by Trustee Blaz, and Trustee Santos stated that the Retirement Fund should not be used as a “loan” institution for the Government of Guam – and a consensus feeling that someone must take the lead, and Trustee Santos indicated that Trustee Cruz should take the lead, and the Chairman should go ahead and make Trustee Cruz’s appointment.

Secretary Taylor interprets Trustee Santos' comments and wondered if there is a specific legislation coming up before the Legislature. Trustee Santos replied no, but he feels that we should be able to "catch legislation before it is being baptized."

Chairman San Agustin commented that he understands Senator Toni Sanford is considering legislation to allow those GTA employees affected by the GTA sale to be "picked" up and continue to be members of the Defined Benefits Plan, after the privatization sale, with the Awardee "shouldering" the Government share and concerns with the Unfunded Liability which was "absorbed" by the General Fund as provided in an earlier law, intended for the GTA sale to be more "saleable." Secretary Taylor expresses a concern that such a bill would be offered when the government is not currently meeting the necessary contribution percentage. He also asked whether the Board should make an effort to try to get an increase. Chairman San Agustin replied that the Actuary Consultant recommended a higher rate. Secretary Taylor stated that the 2002 Actuary Report is grim. Director Aflague stated that there would be a new Actuary Consultant. Chairman San Agustin indicated that Secretary Taylor's point is well taken.

D. CONSIDERATION OF AN AFFIRMATIVE RESOLUTION FOR THE OFFICE OF THE DIRECTOR

No discussion on Item III D above.

E. DISCUSSIONS REGARDING SCHEDULED BOARD MEETINGS, ORIENTATION AND BRIEFING PRESENTATION BY:

1. Public Auditor
2. Legal Counsel
3. Investment Consultant
4. Medical Consultant
5. Director Regarding Operational and Budgetary Matters

Chairman San Agustin stated that Director Aflague should go ahead and schedule a briefing with Legal Counsel, the Investment Consultant and the Medical Consultant.

Chairman San Agustin asked the Board of Trustees if they had an agreeable time and date on which to hold the Board meetings at least once a month. Trustee Blaz suggested meeting at lunch time. Chairman San Agustin suggested meeting at 6:00 p.m. to accommodate retirees and active members who are usually available in the evening. The Chairman further stated that with the noon meeting, the Board will be pressed for time knowing the extent of the topic matter. "It may take two to three hours." Trustee Gerard Cruz stated that in the past, there's an in depth discussion at committee level. "By the time it gets to the Board, it should be for action only." Chairman San Agustin stated that Trustee Cruz's point is well taken. Trustee George Santos stated that having the meeting at noon will suffice. The Board of Trustees agreed to meet at noon on the second Friday of each month beginning August 13, 2004. Committee meetings will be scheduled at the discretion of the Committee Chair.

Chairman San Agustin stated that a work session will be scheduled for next week Friday at noon.

IV. OPEN DISCUSSION / PUBLIC INPUT

Vice-Chairman Leon Guerrero asked if there are any fires. Director Aflague stated that there are no fires. Director Aflague stated that this building is owned by the Retirement Fund and we are up to date with our utility payments.

Chairman San Agustin asked the Director if there are any pending issues. Director Aflague stated that we do have some pending items – the opening of the RFP for the Defined Contributions Administrator and the contractual agreement with the selected Actuarial Consultant.

Chairman San Agustin mentioned that there are two parts of the Board of Trustees' Meeting – Defined Benefits and Defined Contributions.

Vice-Chairman Leon Guerrero inquired about the supplemental payments to the retirees. Director Aflague stated that everyone has paid for the sliding scale supplemental since the start of this fiscal year up until the current month. The General Fund and the Port Authority of Guam submits their payments on the second paydays. We have five paydays still outstanding – December 31, 2002, January 15, 2003, January 31, 2003, February 15, 2003 and February 28, 2003, due to lack of funds.

Director Aflague stated that the autonomous agencies are paid. The sliding scale payments are current. Director Aflague stated that payments are made as funds are transmitted to the Retirement Fund.

Secretary Taylor inquired if there is a new law passed by the Legislature requiring the filing of a Financial Disclosure Statement. Chairman San Agustin stated that the filing of a Financial Disclosure Statement applies to not only elected officials but also appointed; but whether this applies to “non-partisan elected officials” as well, he is not sure. Director Aflague stated that he will verify this issue. Chairman San Agustin stated that the Retirement Fund is a separate entity and we are not part of a Budget Law. Chairman San Agustin stated that if we adopt the “procurement law” that is in existence today, we are okay.

Secretary Taylor inquired about the Directors and Officers Liability Insurance. Director Aflague stated that we do have Directors and Officers Liability Insurance and that we will examine and see if it is sufficient for a seven-member Board.

Chairman San Agustin stated that Executive Sessions are convened for personnel and legal matters. Treasurer Katherine Taitano stated that no actions are taken in Executive Sessions. Chairman San Agustin stated that the Executive Sessions are recorded and minutes taken. Director Aflague stated that one of the requirements is that we have to have a court reporter present in Executive Session.

Vice-Chairman Leon Guerrero asked if there's an investigation on-going. Director Aflague replied yes – several employees and himself were interviewed by the Territorial Grand Jury regarding the former Governor. Vice-Chairman Leon Guerrero asked if the investigation is being conducted by the AG's office. Director Aflague replied yes – the Grand Jury. Chairman San Agustin stated that the Audit and Operations Committee will be responsible to respond to the recommendations of the auditors and to see that they are complied with and implemented.

V. ANNOUNCEMENTS

None

VI. ADJOURNMENT

There being no further business before the Board, on motion of Trustee Anthony Blaz, seconded by Trustee Gerard Cruz, and unanimously agreed upon, the meeting was adjourned at 5:05 p.m. Motion carried.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of July 16, 2004 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on August 13, 2004.

James J. Taylor, Board Secretary

RECORDING SECRETARY

Jackie Blas

We, the undersigned Trustees of the Government of Guam Retirement Fund Board, certify that we have read the Minutes of July 16, 2004 Regular Meeting, including all exhibits attached hereto and approve the same.

Joe T. San Agustin, Chairman

Wilfred P. Leon Guerrero, Vice-Chairman

Katherine T.E. Taitano, Treasurer

Anthony C. Blaz, Trustee

Gerard A. Cruz, Trustee

George A. Santos, Trustee