

BOARD OF TRUSTEES
Regular Meeting
Wednesday, October 8, 2003, 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 12:07 p.m. Wednesday, October 8, 2003, 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

Board of Trustees Absent:

Stephen J. Guerrero, Trustee (Off-Island)

Staff Present:

Wilfred G. Aflague, Director
Paula M. Bamba, Administrative Services Officer
Pete Tajalle, Controller
Greg Perez, Acting Benefits Program Administrator
Vince Camacho, BenefitsCorp
Jackie Blas, Board Secretary
Larry Quichocho, General Accounting Supervisor

Public Present:

Meredith Sayre, Legal Counsel (Carlsmith Ball)
Mindy Fothergill, KUAM
Odilia Bautista
Mark Heath, Metropolitan West Capital Management

II. REVIEW AND APPROVAL OF MINUTES

A. September 10, 2003 Regular Meeting

On motion of Ms. Katherine Taitano, seconded by Mrs. Rolenda Faasuamalie, and unanimously agreed upon, the Minutes of September 10, 2003 Regular Meeting were approved, subject to corrections. Motion carried.

III. PENSION BENEFITS

A. Members and Benefits Committee Findings – Luis Camacho

Mrs. Rolenda Faasuamalie reported to the Board of Trustees that Mr. Luis Camacho is an applicant for retirement. Issues were discussed at length on September 25, 2003 on allowing Mr. Camacho to retire. Director Aflague stated that there was an open discussion at the October 7, 2003 Members and Benefits Committee Meeting. Mr. Aflague stated that the matter was presented on an emergency basis due to Mr. Camacho relocating off-island. Mr. Aflague stated that Mr. Camacho did not have enough creditable service but that he had excluded services dating back to the late seventies or early eighties. Records were retrieved at the Department of Administration Record's Section and that made Mr. Camacho eligible for retirement. Mr. Aflague stated that no further disposition is needed on this matter.

Vice Chairman Gerard Cruz recommended that if there's a two-prong approach in the future, to let the Board of Trustees know before hand. Director Aflague so noted Vice Chairman Cruz's request.

On motion of Mrs. Rolenda Faasuamalie, seconded by Ms. Katherine Taitano, and unanimously agreed upon, the Board of Trustees voted to strike Item III A from the October 8, 2003 Agenda. Motion carried.

IV. INVESTMENT COMMITTEE

A. Investment Committee Meeting of September 3, 2003

Item IV A tabled.

B. Request by Citigroup Asset Management to Invest in International Bonds

Vice Chairman Gerard Cruz stated that he would like to request to allow Citigroup Asset Management to invest in International Bonds, as discussed in the Investment Committee Meeting of September 25, 2003, as an interim measure.

On motion of Vice Chairman Gerard Cruz, seconded by Mrs. Rolenda Faasuamalie, and unanimously agreed upon, the Board of Trustees voted to approve to allow Citigroup Asset Management to invest in International Bonds, as an interim measure. Motion carried.

V. EXECUTIVE SUMMARY

Director Aflague reported to the Board of Trustees that the financial reports for September 2003 are not available at this time. The Accounting Division is still closing the books for the fiscal year. Mr. Pete Tajalle, Controller, stated that since this is the fiscal year-end closing, he is anticipating completion by the first Board of Trustees meeting in November which is November 12, 2003.

Mr. Aflague stated that he has met with the Directors of DOA and BBMR and they are trying to come up with a resolution for the payment of the supplemental annuities to those retirees who are eligible. They are proposing to pay us about \$3 Million that the Retirement Fund funded at the beginning of the last fiscal year from October 1, 2002 to December 15, 2002. Mr. Aflague stated that he has agreed to work with DOA and BBMR on a payment plan they feel they can make in terms of cash availability to the retirees who are eligible for the supplemental annuities. Mr. Aflague stated that they are proposing that there's still money from the bond bill to pay for Fiscal Year 2003 supplemental annuities. They are proposing to pay from October 1, 2003 which is about \$548,000 a month for line agency retirees.

Mr. Aflague stated that he is hoping to receive a letter and a check by today from the Director of DOA. Chairman Salas asked if this is considered accounts receivable. Mr. Aflague replied yes.

Mr. Tajalle reported to the Board of Trustees that the outstanding receivables ending September 30, 2003 are from the two largest agencies that are outstanding on their contributions which is \$21 Million from DOE and \$17.9 Million from GMHA.

VI. OLD BUSINESS

None

VII. NEW BUSINESS

A. FY2004 Budget Bill (Chapter V, Miscellaneous Provisions)

Director Aflague reported to the Board of Trustees that when the FY2004 Budget Bill was being drafted by the Legislature, he was asked along with Mr. Tajalle to go to the Legislature. Mr. Aflague stated that he and Mr. Tajalle were there to oppose any proposed legislation that is detrimental to the Fund. We went through each section that our Oversight Chairperson wanted us to cover. We answered all questions asked by the Oversight Committee.

Mr. Aflague stated that he contacted Mr. Jay Lingo and Attorney Joanne Grimes on whether to comply or oppose the provision in Chapter V, Section 14 of the FY2004 Budget Bill. Mr. Aflague stated that he received an analysis from Mr. Lingo on this provision. Mr. Tajalle stated that Mr. Lingo has prepared a comparison with existing statutes interest and penalty provisions in comparison to Section 14's interest provision based on an annual basis for FY2004. The impact of the charging of that particular interest in comparison to the charging of the interest that was in previous statutes. Previous statutes indicated that you could charge interest on late contributions at the rate of return from the previous fiscal year. With the current provisions, on an annual basis, there will be a positive impact to the fund. There is a 1% penalty for delinquent contributions. Mr. Aflague stated that the provision states that individual employees will be allowed to retire once the agency pays the individual and employer's share at the actuary rate of 7 ½% plus the 1% penalty. A penalty fee of 8 ½% will be achieved. Chairman Salas asked if the Legislature passed into law the budget bill which incorporates a provision that's basically contradicting what our mandate from the Court was in February 2003. Mr. Aflague stated that it is in contradiction.

Mr. Aflague stated that Attorney Joanne Grimes drafted a resolution relative to Chapter V, Section 14 of Public Law No. 27-29 enacting the Budget Bill for Fiscal Year 2004 for the Board's consideration. Mr. Aflague stated that this is not a detriment to the Fund. This is a positive impact financially to the Fund. Management is recommending, based upon both Legal Counsel and the actuary's recommendation and data to allow this provision to go forward.

Mr. Aflague further stated that he has met with Mr. Juan Flores, DOE Superintendent, and DOE's Legal Counsel. DOE is aware of the amount of money that is needed to retire 100 employees. Mr. Flores gave a verbal commitment that DOE will be current henceforth from October 1, 2003 forward and that we will work with the past due amounts. Mr. Aflague stated that he is trying to secure a meeting with Mr. Basil O'Mallan from the Attorney General's Office to assist us in going after those agencies that are behind in their current fiscal year's contribution, on behalf of the employees.

Vice Chairman Gerard Cruz inquired about the figures that Mr. Lingo came up with on his analysis. Is it under the assumption that the entire payment now becomes due and payable. Mr. Tajalle stated that this is based on the total outstanding balances within this one year term and broken down based on each fiscal year by each interest rate that was being charged for that particular fiscal year based on the rate of return from the previous fiscal year inclusive of 1% interest penalty. Vice Chairman Cruz asked if the \$1.2 for GMH and the \$1.1 for DOE represents the assumption that their entire delinquency balance were to be brought current. That will be the additional income that the Fund will get. Director Aflague replied yes. Vice Chairperson also asked if they weren't able to make payment on the lower amount why would we expect them to be able to make a higher payment. Wouldn't that just put them in further delinquency status? Mr. Tajalle stated that that would be something that the agency heads would be held to if they wanted their employees to retire. They would have to come up with the funds in order to meet the requirements of the provision of the law.

At this time Chairman Salas called to convene into Executive Session.

RECESS: 12:30 P.M.

RECONVENED: 1:12 P.M.

Chairman Salas stated that the Board of Trustees are accepting the resolution as a reference point for further discussion. The Board of Trustees will not sign off on the resolution.

VIII. OPEN DISCUSSION

None

IX. ANNOUNCEMENTS

None

X. ADJOURNMENT

There being no further business before the Board, on motion of Mrs. Rolenda Faasuamalie, seconded by Vice Chairman Gerard Cruz, and unanimously agreed upon, the meeting was adjourned at 1:16 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 1:16 p.m. Wednesday, October 8, 2003, 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

Board of Trustees Absent:

Stephen J. Guerrero, Trustee (Off-Island)

Staff Present:

Wilfred G. Aflague, Director
Paula M. Bamba, Administrative Services Officer
Pete Tajalle, Controller
Greg Perez, Acting Benefits Program Administrator
Vince Camacho, BenefitsCorp
Jackie Blas, Board Secretary
Larry Quichocho, General Accounting Supervisor

Public Present:

Meredith Sayre, Legal Counsel (Carlsmith Ball)
Mindy Fothergill, KUAM
Odilia Bautista
Mark Health, Metropolitan West Capital Management

II. REVIEW AND APPROVAL OF MINUTES

A. September 10, 2003 Regular Meeting

On motion of Mrs. Rolenda Faasumalie, seconded by Ms. Katherine Taitano, and unanimously agreed upon, the Minutes of September 10, 2003 Regular Meeting were approved, subject to corrections. Motion carried.

III. OLD BUSINESS

A. Contribution Report as of PPE September 6, 2003

Mr. Vince Camacho reported to the Board of Trustees that all contribution payments are up to date. There are no late payments.

IV. NEW BUSINESS

None

V. OPEN DISCUSSION

None

VI. ANNOUNCEMENTS

None

VII. ADJOURNMENT

There being no further business before the Board, on motion of Vice Chairman Gerard Cruz, seconded by Ms. Katherine Taitano, and unanimously agreed upon, the meeting was adjourned at 1:17 p.m. Motion carried.

Respectfully submitted,

Jackie Blas
Board Secretary