

BOARD OF TRUSTEES
Reconvened Regular Meeting
Wednesday, October 19, 2005, 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 reconvened at 12:20 p.m. Wednesday, October 19, 2005, 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
James J. Taylor, Secretary
Katherine T.E. Taitano, Treasurer
Anthony C. Blaz, Trustee *[arrived 1:10 p.m.]*
Gerard A. Cruz, Trustee

Board of Trustees Absent:

George A. Santos, Trustee

Staff Present:

Paula M. Blas, Acting Director
Pete Tajalle, Controller
Jackie Blas, Recording Secretary

Chairman Joe T. San Agustin stated that the Board of Trustees Regular Meeting for the Defined Benefits Plan recessed on Friday, October 14, 2005 and reconvened today, October 19, 2005. Chairman San Agustin stated that there are two agenda items to be entertained which are the FY 2006 Proposed Budget and the Legal Services Agreement to Recapture Investment Losses.

II. NEW BUSINESS

A. Proposed Budget for Fiscal Year 2006

Treasurer Katherine Taitano stated that there is a decrease from the approved budget for FY 2005. Chairman San Agustin asked if there is need for an amendment. Chairman San Agustin stated that there has never been a strategic plan for the Fund. Chairman San Agustin stated that there is a need to make a thorough review which will provide the Board of Trustees with the basis for a strategic plan. Chairman San Agustin suggested amending the proposed budget to add \$100,000.00 to do a comprehensive study. Chairman San Agustin stated that Milliman, the actuary, has submitted a proposal to provide a review of the past and current funding practices and also a review of the structure and responsibilities of the Board of Trustees and the Administrative Office of the Retirement Fund. Both Chairman San Agustin and Acting Director Paula Blas stated that such a study could be carried out within the parameters of the existing Milliman Contract. This would resolve any Government of Guam purchasing issues.

Vice-Chairman Wilfred Leon Guerrero brought up the problem with the Investment Committee not having an investment advisor. Chairman San Agustin stated that this would highlight the need for an Investment Specialist. Treasurer Taitano stated that the FY2006 budget does include an Investment Specialist. Vice-Chairman Leon Guerrero asked what is the salary for an Investment Specialist. Acting Director Blas stated the salary will be determined when the position is created. Treasurer Taitano stated that the position needs to be developed. Acting Director Blas stated that the proposed plan will guide the Fund on how to proceed. Acting Director Blas stated that the Investment Specialist is a classified position at Grade M-11. Treasurer Taitano stated that the Investment Specialist position is budgeted at Grade M-11. Acting Director Blas stated that the position title is deceiving. Vice-Chairman Leon Guerrero stated that an Investment Officer would earn about \$90,000 - \$100,000.00. Chairman San Agustin stated there is legislation pending for the Fund to establish its own positions.

Secretary James Taylor asked Vice-Chairman Leon Guerrero if he is looking for an investment advisor for the Committee. Vice-Chairman Leon Guerrero stated that he is not up to date with what is happening in the investment industries. Vice-Chairman Leon Guerrero stated that he would like to get someone on board who knows the investment industry. Trustee Gerard Cruz stated that the Fund already has an independent advisor in Mercer Investment Consulting. Secretary Taylor suggested waiting for the study to come out. Vice-Chairman Leon Guerrero stated that when the new Director of the Fund comes in, that person could do an organizational restructuring of the Fund. Acting Director Blas stated that she would like to develop Personnel Rules and Regulations in-house. Acting Director Blas stated that the proper positions could then be created.

Trustee Gerard Cruz, seconded by Treasurer Katherine Taitano, moved to approve Milliman's proposal and include the language from Milliman dated October 17, 2005 as amended by Secretary James Taylor. Without objection, the motion passed.

Secretary Taylor stated that he would like to expand Investment Policy No 5 of Milliman's proposal for funding and management review – "The investment policy will be reviewed to determine if it meets the needs of the funding policy and does not subject future generations to undue risk." Trustee Cruz stated that the Fund should take a look at Funds of the same size. Vice-Chairman Leon Guerrero asked if the Fund is pursuing the Pension Benefits Guarantee Corporation (PBGC). Chairman San Agustin stated that PBGC is

not able to provide technical assistance. Chairman San Agustin stated that PBGC is only authorized to provide assistance to federal agencies.

Trustee Gerard Cruz, seconded by Secretary James Taylor, moved to amend the FY2006 Budget to increase to \$100,000.00 under actuary services to pay for Milliman. Without objection, the motion passed.

Secretary Taylor requested to include an item in the FY2006 Budget, \$3,000.00 a year for five years to purchase books or donate to the University of Guam (UOG). Vice-Chairman Leon Guerrero stated that the Fund should support internships. Trustee Cruz suggested approving this subject to Board approval. Chairman San Agustin stated that this will establish precedent. Acting Director Blas stated that the Fund could purchase books and loan them to the students or have the students do their research here at the Fund. Acting Director Blas stated that this could then fall under "Dues and Subscriptions." Vice-Chairman Leon Guerrero asked how much is budgeted under "Dues and Subscriptions." Acting Director Blas stated \$5,300.00. Vice-Chairman Leon Guerrero recommended increasing that by \$3,000.00.

Vice-Chairman Wilfred Leon Guerrero, seconded by Trustee Gerard Cruz, moved to increase the budget under Dues and Subscriptions from \$5,300.00 to \$8,300.00. Without objection, the motion passed.

Controller Pete Tajalle made a clarification that the indirect cost break down for the Defined Benefits Plan has increased. Controller Tajalle stated that the increase in the Defined Contribution Plan is for administrative costs. Trustee Cruz asked if the administrative cost was paid back. Controller Tajalle stated that it has not been completely paid back. Trustee Cruz made a comment that the Board of Trustees' compensation increased. Chairman San Agustin stated that the Fund's Legal Counsel has mentioned that there may be an issue that the Trustees are not being paid. Chairman San Agustin stated that the Board may then not be liable.

Treasurer Taitano stated that there is no attorney under the new budget. Treasurer Taitano stated that the vacancies could be filled immediately. Treasurer Taitano stated that there is no change to personnel.

Treasurer Katherine Taitano, seconded by Trustee Gerard Cruz, moved to approve the FY 2006 Budget, as amended. Without objection, the motion passed.

III. OLD BUSINESS

A. Legal Services Agreement to Recapture Investment Losses

Chairman San Agustin stated that on Page 3, No. 2 under Costs and Expenses – it states that "GGRF shall reimburse Attorney for the following expenses incurred on behalf of GGRF: Miscellaneous costs such as photocopying, facsimile charges, long-distance telephone charges, travel, hotel and lodging, online legal research, filing fees, and the like; the costs and fees of legal experts ...".

Secretary James Taylor stated that the question of who is in charged has not been answered in the agreement. Secretary Taylor stated that there is no response on the requirement that only one person take the lead. Chairman San Agustin stated that no one pays for a forensic study. Chairman San Agustin stated that the attorney gets paid on recovery, not up on up front fees. Chairman San Agustin stated that no firm does this.

Chairman San Agustin stated that there are three pending class action suits to which the Fund is a party. Chairman San Agustin stated that the firm of Calvo & Clark wants the Fund to pay up front costs. Chairman San Agustin stated that he thinks that the firms of Calvo & Clark, and Lujan, Unpingco, Aguigui & Perez, do not have expertise on this matter. Chairman San Agustin stated that the firm of Milberg Weiss has the expertise.

Trustee Anthony Blaz is in attendance at this time [1:10 p.m.]

Secretary Taylor stated that the firm of Calvo & Clark and Lujan, Unpingco, Aguigui & Perez, had not responded to the issues raised. Trustee Anthony Blaz asked what was not addressed. Secretary Taylor stated that the issue of who is responsible had not been addressed. Trustee Blaz stated that the two firms are equally responsible. Secretary Taylor stated that stated that, from his experience, when two people are in charge, it is a disaster. Secretary Taylor stated that the issue was raised but has not been resolved. Trustee Blaz reiterated that the two firms are equally in charge.

Chairman San Agustin stated that the Fund should make a counter offer. Chairman San Agustin stated that he cannot support this proposal. Trustee Blaz disagreed. Treasurer Taitano stated that her concern is whether the firms have met the scope of work. Trustee Blaz replied, "yes." Chairman San Agustin stated that it should be on a contingency basis. Secretary Taylor suggested looking at the language on Page 3, No. 2. Secretary Taylor stated that the firms did not correct the open-ended language where it reads "... any other expenses provided that prior approval of GGRF has been obtained; any other expenses that although the prior approval of the GGRF was not obtained, the GGRF Board or Directors determines to have been beneficial and justified." Chairman San Agustin reiterated that the Fund will not pay up front. Trustee Cruz suggested for the Fund to make a counter offer and have them appoint the firm Lujan, Unpingco, Aguigui & Perez as the lead person and to eliminate the language on Page 3, No. 2. Acting Director Blas stated that it is not to exceed 33 $\frac{1}{3}$ % recovery and to identify the firm of Lujan, Unpingco, Aguigui & Perez as the taking the lead as recommended by Trustee Cruz. Secretary Taylor stated that only one law firm should sign the contract.

Trustee Gerard Cruz, seconded by Treasurer Katherine Taitano, moved to approve to make a counter offer to accommodate the recommendation of 33 $\frac{1}{3}$ % recovery; that the firm of Lujan, Unpingco, Aguigui & Perez be identified as taking the lead; and that only one law firm to sign the contract. Without objection, the motion passed.

IV. OPEN DISCUSSION / GENERAL PUBLIC INPUT

None

V. ANNOUNCEMENTS

None

VI. ADJOURNMENT

There being no further business before the Board for the Defined Benefits Plan, on motion of Trustee Gerard Cruz, seconded by Trustee Anthony Blaz, and without objection, the meeting was adjourned at 1:25 p.m. Motion passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of October 19, 2005 Reconvened Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on November 10, 2005.

James J. Taylor, Board Secretary

RECORDING SECRETARY:

Jackie Blas