

BOARD OF TRUSTEES
Regular Meeting
Wednesday, December 10, 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 12:08 p.m. Wednesday, December 10, 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. Faasumalie, Trustee
Katherine T.E. Taitano, Trustee
Stephen J. Guerrero, Trustee (12:45 p.m. – late due to Dental Appointment)

Staff Present:

Wilfred G. Aflague, Director
Paula M. Bamba, Administrative Services Officer
Pete Tajalle, Controller
Ken Dunstan, Acting Benefits Program Administrator
Vince Camacho, Great West
Jackie Blas, Board Secretary

Public Present:

Mark Heath, Metropolitan West Capital Management
Dan Roland, Salomon Smith Barney Consultant
Meredith Sayre, Legal Counsel (Carlsmith Ball)

II. REVIEW AND APPROVAL OF MINUTES

A. November 26, 2003 Regular Meeting

On motion of Vice Chairman Gerard Cruz, seconded by Ms. Katherine Taitano, and unanimously agreed upon, the Minutes of November 26, 2003 Regular Meeting were approved, subject to corrections. Motion carried.

III. INVESTMENT COMMITTEE

A. Investment Committee Meetings of September 3, 2003 and September 25, 2003

Vice Chairman Gerard Cruz reported to the Board of Trustees that the minutes of September 3, 2003 and September 25, 2003 have been approved by the Investment Committee and is submitted for the Board of Trustees' review and approval.

On motion of Vice Chairman Gerard Cruz, seconded by Mrs. Rolenda Faasumalie, and unanimously agreed upon, the Board of Trustees voted to approve the Investment Committee Meeting Minutes of September 3, 2003 and September 25, 2003. Motion carried.

IV. EXECUTIVE SUMMARY

Wilfred Aflague, Director, reported to the Board of Trustees that the supplemental annuities for the General Fund retirees will be printed and distributed next week Tuesday, December 16, 2003. The payment of the supplemental annuities was made possible by the Department of Administration (DOA). DOA has agreed to pay the Retirement Fund a total of \$3.1 Million. As payments are received, we will make the supplemental annuity payments. Chairman Salas asked how much was received. Mr. Aflague replied \$1.5 Million for supplemental annuities for Fiscal Year 2004 (October through December 2003). Chairman Salas clearly stated for the record that the funds are to be distributed as they are received. Ms. Taitano wanted to clarify if the \$777,727.65 payment made on the balance due is a reimbursement. Mr. Aflague stated that this is a pay down on the \$3 Million of paid supplemental. Mr. Aflague stated that two agencies – Guam Waterworks Authority (GWA) and Guam Power Authority (GPA) retirees will not be getting the supplemental. These two agencies are contesting the amounts of money that we say they owed us for that advance payment. Mr. Pete Tajalle, Controller, stated that he has sent correspondences to these two agencies.

Mr. Aflague stated that the Fund is in the process of updating all health insurance open enrollment changes with retiree deductions to begin pay period ending December 15, 2003. Mr. Aflague stated that there are some retirees that are not aware of the drastic increase of rates under PacifiCare. We have started making calls to about 81 retirees to inform them of the increase of rates. Ms. Katherine Taitano asked how many retirees are being called. Mr. Ken Dunstan, Acting Benefits Program Administrator, replied that out of 81 retirees, 75% have been contacted and advised of the situation and 25% have not been contacted due to phone numbers not working, wrong contact numbers and no answers. Chairman Salas asked if these retirees are not eligible for open enrollment at this time. Mr. Aflague replied that they are not eligible for enrollment at the other two insurance carriers. Mr. Tajalle stated that they are currently under self-pay status. Mr. Dunstan stated that they are without health insurance coverage for the remaining fiscal year. Ms. Taitano asked when we started making the calls. Mr. Aflague replied that we starting making the calls on December 9, 2003. Mr. Aflague stated that we are accepting cancellations for PacifiCare. Chairman Salas asked if we foresee any issues. Mr. Aflague stated that the only issue would be the fact that some retirees would not have health insurance coverage. Vice Chairman Cruz asked if the retirees can qualify for Medicare. Mr. Aflague replied yes. Mr. Aflague stated that we've done our best to assist the retirees.

Mr. Aflague reported to the Board of Trustees that the deadline to file candidacy for the February 14, 2004 election is December 15, 2003. Ms. Paula Bamba, Administrative Services Officer, stated that five (5) people have picked up candidate packages under the retirees' category. One person picked up a package under the active member category. One of the retirees who has filed his candidacy is Former Speaker Joe T. San Agustin and Mr. John Rios picked up a package under the active member category.

Mr. Aflague stated that the election is scheduled for February 14, 2004 from 8:00 a.m. to 5:00 p.m. at the UOG Fieldhouse. Ms. Bamba stated that the Guam Election Commission is handling the election process. Chairman Salas asked if there's anything required from the Retirement Fund for the election. Ms. Bamba replied that they need the voter listing which we are providing to the Guam Election Commission. Chairman Salas asked if this is the voter listing of strictly active GovGuam employees and retirees. Ms. Bamba stated that the voter listing also includes inactive employees (employees who have not refunded). Mrs. Rolenda Faasuamalie asked who is handling the public information for the election. Mr. Aflague stated that the Guam Election Commission is handling the election and they have published notice of the election. Mr. Tajalle stated that the process is not to involve the Retirement Fund in any process with regards to the election. The Guam Election Commission, by statute, was mandated to handle the election process.

V. OLD BUSINESS

A. Litigation Matters

Chairman Salas provided the Board of Trustees with a brief summary of the case involving Bautista and Guthrie vs. GovGuam Retirement Fund. We have come to an agreement with the litigation that directly or indirectly affected the GovGuam Retirement Fund and its Board of Trustees. This case has taken about two years of battling with the courts and also having some discussions with Legal Counsel.

Meredith Sayre, Legal Counsel, stated that the Consent Decree provides a history of the case. We are at a point where the plaintiffs feel comfortable on backing down. This is the end result that serves the plaintiffs and defendants. Chairman Salas stated that he will entertain discussion to finalize this litigation. Vice Chairman Cruz asked if there are any issues. Mr. Aflague stated that he has not been preview to any discussions with the Board of Trustees and Legal Counsel and is asking the Board that he not sign the Consent Decree as a member of the Board. Mr. Aflague stated that he could attest to the Board of Trustees' signatures.

Mrs. Faasuamalie asked if there is a budget to address this. Mr. Tajalle stated that we would have to revisit the budget to meet this payment. This would have to be a FY04 budget item. Mrs. Faasuamalie asked if this will be a one time payment or will it be broken down. Vice Chairman Cruz stated that it's a one time total payment. Mr. Tajalle asked if the Consent Decree was signed will it be a dead issue. Chairman Salas replied yes, with these plaintiffs. Mr. Aflague questioned the Consent Decree where it states that the court order will remain in full force and effect except as amended by law. Legal Counsel stated that it was taken out on the most recent version because it was some what confusing. Legal Counsel stated that the court orders will stay in tack. Legal Counsel stated that if the case was dismissed, it would take a new lawsuit to go into the Legislature. This case would be precedence. Vice Chairman Cruz asked how this would be paid. Mr. Aflague stated that we would need to revisit the budget and then we would need to reallocate. The Board must first amend the budget. Ms. Taitano questioned the 10% pertaining to personnel. Ms. Bamba stated that it's under operations. Mr. Aflague stated that there are lapses available. We would have to transfer and have the Board approve it.

Chairman Salas asked the Board of Trustees if they would like to take action on this matter. Ms. Taitano stated that she would like to take action on this matter. Chairman Salas stated that Legal Counsel has reviewed the Consent Decree. Funds are foreseeable. Mr. Tajalle asked if the plaintiffs could continue on with this lawsuit. Legal Counsel stated that the plaintiffs are tired of carrying the torch.

Mr. Aflague asked what will happen if the Board does not take action. Legal Counsel stated that Attorney Phillip Torres will press the court to award their attorney's fees. Ms. Taitano stated that nothing would prevent another lawsuit. Mr. Aflague asked if the Board approves the Consent Decree, what's the possible reason for the Judge not to sign. Legal Counsel stated that she can't think of any reason why the Judge would not sign the Consent Decree.

On motion of Vice Chairman Gerard Cruz, seconded by Ms. Katherine Taitano, and unanimously agreed upon the Board of Trustees voted to approve the Consent Decree on Bautista and Guthrie vs. GovGuam Retirement Fund, Civil Case No. CV1848-01 and Civil Case No. CV1823-02. Motion carried.

VI. NEW BUSINESS

A. Presentation by Mr. Mark Heath, Metropolitan West Capital Management

Chairman Salas informed the Board of Trustees that Mr. Mark Heath from Metropolitan West Capital Management will be making a brief presentation to the Board of Trustees.

Mr. Heath stated that he has formed a non profit organization called Asia Pacific Association for Fiduciary Studies. They provide educational opportunities and educational conferences in this region to include Guam, CNMI, Palau, FSM and Marshal Islands. Mr. Heath stated that he is planning a conference in Palau on March 25-26, 2004. The Investment Committee Chair in the past attends the meetings. We try to have quarterly meetings and also phone connections with people from the other islands. Mrs. Faasuamalie stated that she was very pleased with the past conference keynote speaker. Mr. Heath stated that the keynote speaker was paid \$25,000.00. Chairman Salas stated that he has attended a couple of conferences and they are very well put together. Mr. Aflague asked what is specifically requested of the Retirement Fund monetary wise. Mr. Heath stated that he needs a replacement for Mr. Carlos Bordallo. Vice Chairman Cruz stated that he has not been involved in planning but he would like to get the Fund involved. Chairman Salas moved to stay with the tradition and appoint Vice Chairman Gerard Cruz as a representative of the Asia Pacific Association for Fiduciary Studies. Chairman Salas nominated Vice Chairman Cruz to replace Mr. Carlos Bordallo on the Asia Pacific Association for Fiduciary Studies Board.

On motion of Chairman Frank Salas, seconded by Ms. Katherine Taitano, and unanimously agreed upon, the Board of Trustees voted to approve the appointment of Vice Chairman Gerard Cruz to replace Mr. Carlos Bordallo on the Asia Pacific Association for Fiduciary Studies Board. Motion carried.

VII. OPEN DISCUSSION

None

VIII. ANNOUNCEMENTS

None

IX. 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 12:48 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 12:48 p.m. Wednesday, December 10, 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
Stephen J. Guerrero, Trustee

Staff Present:

Wilfred G. Aflague, Director
Paula M. Bamba, Administrative Services Officer
Pete Tajalle, Controller
Ken Dunstan, Acting Benefits Program Administrator
Vince Camacho, Great West
Jackie Blas, Board Secretary

Public Present:

Mark Heath, Metropolitan West Capital Management
Meredith Sayre, Legal Counsel (Carlsmith Ball)

II. REVIEW AND APPROVAL OF MINUTES

- A. **November 12, 2003**
- B. **November 26, 2003 Regular Meeting**

On motion of Vice Chairman Gerard Cruz, seconded by Mr. Stephen Guerrero, and unanimously agreed upon, the Minutes of November 12, 2003 and November 26, 2003 Regular Meetings were approved, subject to corrections. Motion carried.

III. OLD BUSINESS

A. Contribution Report - November 2003 / December 2003

Vince Camacho, Great West, reported to the Board of Trustees that everyone is up to date with their payments on the DC Plan.

IV. NEW BUSINESS

Mr. Camacho reported to the Board of Trustees that letters were sent to DC participants informing them of the investigations on the “late day” and “market timing” activities at several mutual fund companies. Chairman Salas asked if there’s any direct impact on our funds. Mr. Camacho replied no. Chairman Salas asked if this has nothing to do with the DB Plan. Mr. Camacho stated that unless you have mutual funds on the DB Plan.

Chairman Salas stated that the retirement industry is looking on a 4:00 dateline. All funds are going to be mandated. Mr. Camacho stated that for trading purposes the cut off time is 4:00 market time to coincide with the stock market. Chairman Salas stated that any time after 4:00 it will transacted the following day.

V. OPEN DISCUSSION

None

VI. ANNOUNCEMENTS

Mr. Aflague informed the Board of Trustees that the next Board meeting is scheduled for Christmas Eve, December 24, 2003. The Fund will be having their Christmas Luncheon at noon on the 24th. The Board of Trustees are invited to the luncheon. Chairman Salas asked if there’s any significant issues for the Board meeting. Mr. Aflague replied no. Chairman Salas stated that the December 24th meeting will be cancelled and the next Board of Trustees meeting will be held on January 14, 2004.

VII. ADJOURNMENT

There being no further business before the Board, on motion of Vice Chairman Gerard Cruz, seconded by Mr. Stephen Guerrero, and unanimously agreed upon, the meeting was adjourned at 12:53 p.m. Motion carried.

Respectfully submitted,

Jackie Blas
Board Secretary