

**BOARD OF TRUSTEES**  
**Regular Meeting**  
Friday, December 14, 2007, 12:00 p.m.  
Retirement Fund Conference Room

**MINUTES**

<b>DEFINED BENEFITS</b>
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**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, December 14, 2007, 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  
George A. Santos, Trustee  
Antolina S. Leon Guerrero, Trustee

**Board of Trustees Absent:**

Gerard A. Cruz, Treasurer (*Excused*)  
Katherine T.E. Taitano, Trustee (*Excused*)

**Staff Present:**

Paula Blas, Director  
Rosalia Bordallo, General Accounting Supervisor  
Jackie Blas, Recording Secretary

**Public Present:**

Clint Ridgell, KUAM

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

### **A. November 16, 2007 Regular Meeting**

Secretary James Taylor stated that, based on his review and corrections, the minutes of November 16, 2007 are presented for approval. Chairman San Agustin pointed out a correction to be made on the November 16, 2007 minutes regarding his comments relative to stocks invested in Apple. Chairman San Agustin stated that he had raised a concern at the last meeting of the concentration in one particular stock. Chairman San Agustin asked that the Investment Committee set up a policy relative to the concentration of the same stock. Chairman San Agustin stated that he had expressed his concern about several institutional managers purchasing the same stock (similar to what happened during Enron) and requested the development of a mechanism to make this less likely. Trustee Antolina Leon Guerrero suggested including a sentence in the November 16, 2007 minutes reflecting Chairman San Agustin's concern. Secretary Taylor stated that the November 16, 2007 minutes would be corrected to reflect Chairman San Agustin's concern.

**On motion of Secretary James Taylor, seconded by Trustee George Santos, and without objection, the Minutes of November 16, 2007 Regular Meeting were approved, as corrected to reflect Chairman Joe T. San Agustin's concern relative to the concentration in one particular stock (similar to the situation with Enron), and subject to further corrections. Motion passed.**

## **III. CORRESPONDENCE**

None

## **IV. INFORMATIONAL ITEMS**

### **A. Mercer Investment Consulting, Inc. – Market Index Returns for the Month of November 2007**

Chairman San Agustin provided a copy, at this meeting, of the Market Index Returns for the month of November 2007 prepared by Mercer Investment Consulting, Inc. (Mercer).

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

### **1. *Candelaria Rios, et al. vs. Joseph Ada, et al. (Special Proceeding Case No. SP206-93) –***

Director Paula Blas stated that the total judgment in the COLA case is approximately \$123 Million. Director Blas stated that \$8 Million has been identified from the General Fund and approximately \$5.1 Million has been distributed to living retirees and surviving spouses as of September 12, 2007. Beneficiaries of deceased retirees are identified and verified, and COLA award letters are sent to these beneficiaries. Distribution of the COLA awards for living beneficiaries will be an ongoing process. Director Blas stated that a list of COLA Awardees without a named beneficiary or living beneficiary is expected to be published in the newspaper in late December 2007. Distribution of the COLA awards for these individuals will be made to their estates.

Director Blas stated that Public Law 29-18 mandated the Department of Administration (DOA) to issue certificates of claim to COLA Awardees. DOA is currently pending an Attorney General's (AG's) opinion regarding this matter. Director Blas stated that a decision regarding the Taxpayer's lawsuit has been issued by the Supreme Court. A copy of Attorney David Dooley's letter and the Supreme Court decision is included in today's meeting packet for the Board's information.

Director Blas stated that \$14 Million from the bond proceeds earmarked for COLA distribution were paid to living COLA Awardees on December 4, 2007 and distribution of the proceeds were made as follows: 1) COLA awards less than \$4,000.00 were paid in full, and 2) COLA Awardees with a COLA balance received \$3,848.00. Vice-Chairman Wilfred Leon Guerrero asked how many COLA Awardees are without living beneficiaries. Director Blas stated that of 1,800 deceased COLA Awardees, approximately 900 are without living beneficiaries. The proceeds would go to the COLA Awardees' estate. Director Blas stated that approximately 700 COLA Awardees have been identified without a named beneficiary. Chairman San Agustin stated that the death benefit would have been paid to someone. What happens if no one was listed on file? Director Blas stated that if a retiree passes away, a death benefit would be due to someone, but not when a survivor passes away.

Vice-Chairman Leon Guerrero asked whether Director Blas is working on getting legislation on not having the proceeds go to an estate. Director Blas replied, "No." Vice-Chairman Leon Guerrero asked what happens if the proceeds just sits in the estate. Director Blas stated that it would not be in the Retirement Fund's books. Director Blas stated that there are cases where the probate has been opened and closed and some cases where a probate was never opened. Director Blas stated that the probate that has been closed has to be reopened for the COLA Award. Director Blas stated that there is no time limit to claim the COLA Award. Director Blas stated that the Legislature is checking with the courts and looking into the probate laws regarding the matter of the closed probate cases. Vice-Chairman Leon Guerrero stated that the proper thing for the Board to do would be to recommend to the Legislature to place a time frame for claiming the COLA Awards. Director Blas stated that if an estate has an asset of less than \$20,000, it would not be necessary to go through the probate process.

Secretary Taylor asked Director Blas whether this process is becoming a burden to the Retirement Fund. Director Blas stated that it is not a burden at this time, but it may be a burden because people are thinking that the Retirement Fund has all the answers to their questions of the process. Secretary Taylor asked whether there is anything that can be done to remove or reduce the burden to the Retirement Fund. Director Blas stated that she is not sure since there is a judgment. Vice-Chairman Leon Guerrero asked whether the Retirement Fund keeps the records. Director Blas stated that the records are kept here at the Retirement Fund for life. Director Blas stated that this will remain open as long as the \$123 Million is not fully paid out. Director Blas stated that the funding for the COLA Award is in increments. Chairman San Agustin stated that the Legislature could pass legislation to take care of this matter. Secretary Taylor suggested getting legislation passed to put an end-point to this matter. Director Blas stated that Senator Ben Pangelinan is trying to resolve the issue with regards to proceeds going to the estate. Chairman San Agustin stated that at least twelve (12) retirees or survivors pass away each month since the COLA Judgment.

**2. *Government of Guam Retirement Fund vs. Guam Memorial Hospital Authority (GMHA)* (Case No. SP0231-02)** – Director Blas stated that the hearing scheduled for September 10, 2007 before Judge Arthur Barcinas was taken off the calendar due to a conflict of interest with some of the GMHA Trustees. A new hearing date will be scheduled as soon as a new judge is assigned.

**3. *Organic Act / Trust Agreement*** – Director Blas stated that this is pending Secretary Taylor's comments and recommendations on the revisions by the Retirement Fund's Legal Counsel.

4. ***Request for Proposal (RFP): Custodial Bank Services*** – Director Blas stated that the Selection Panel concluded their evaluations and will submit their recommendation to the Board for approval. This item will be placed under “Old Business” for Board action.
5. ***Request for Proposal (RFP): Real Estate Investment Trusts (REITS)*** – Director Blas stated that evaluations are ongoing. The Selection Panel consists of the following: Gerard A. Cruz, George A. Santos, and Katherine T.E. Taitano. Director Blas stated that discussions will take place on February 6, 2008.
6. ***Request for Proposal (RFP): U.S. Domestic Small Capitalization Core Equity*** – Director Blas stated that evaluations are ongoing. The Selection Panel consists of the following: James J. Taylor, Gerard A. Cruz, and Rosalia L. Bordallo. Director Blas stated that discussions will take place on January 16, 2008.
7. ***Request for Proposal (RFP): Legal Services*** – Director Blas stated that evaluations are ongoing. The Selection Panel consists of the following: Katherine T.E. Taitano, James J. Taylor, and George A. Santos. Director Blas stated that this is still with Trustee Taitano.
8. ***Request for Proposal (RFP): U.S. Domestic Core Fixed Income*** – Director Blas stated that evaluations are ongoing. The Selection Panel consists of the following: Gerard A. Cruz, Wilfred P. Leon Guerrero, and Rosalia L. Bordallo. Director Blas stated that discussions will take place on January 15, 17, and 18, 2008.
9. ***Request for Proposal (RFP): U.S. Domestic Large Capitalization Growth Equity*** – Director Blas stated that evaluations are ongoing. The Selection Panel consists of the following: James J. Taylor, George A. Santos, and Diana T. Bernardo. Director Blas stated that a Panel meeting will be scheduled.
10. ***Request for Proposal (RFP): U.S. Domestic Large Capitalization Value Equity*** – Director Blas stated that the Selection Panel concluded their evaluations and will submit their recommendation to the Board for approval. This item will be placed under “Old Business” for Board action.
11. ***Request for Proposal (RFP): Proxy Voting Services*** - Director Blas stated that the RFP for Proxy Voting Services will be issued on December 20, 2007 and will close on January 28, 2008. Director Blas stated that the RFP would be advertised locally and online.
12. ***Public Law 28-38*** – Director Blas stated that the monthly interest payments for the Guam Public School System (GPSS) and Guam Memorial Hospital Authority (GMHA) were due on December 10, 2007. The Retirement Fund continues to process applications for retirement for GPSS and GMHA eligible employees.

### **Financial Report**

1. ***Contributions*** – Director Blas stated that all agencies are current with their Fiscal Year 2008 employee and employer contributions.

2. ***Financial Statements /Fiscal Year 2007 Audit*** – Director Blas stated that the books for the month ending November 2007 were closed on December 13, 2007. The audit of the Fiscal Year ending September 30, 2007 is ongoing and should be issued by February 2008.

3. ***Fiscal Year 2008 Retirees’ Supplemental Benefits*** - Director Blas stated that the supplemental benefits for retirees and survivors for the month of November 2007 were paid.

4. ***Medicare Reimbursements*** – Director Blas stated that the Retirement Fund continues to receive the Fiscal Year 2008 monthly allotments and payments are processed accordingly. Chairman San Agustin mentioned that Fiscal Year 2005 is just now being paid. Rosalia Bordallo, General Accounting Supervisor, stated that Fiscal Years 2005, 2006 and 2007 are being paid. For 2005, it is based on the amounts due in 2005.

## **VI. LEGAL COUNSEL’S REPORT**

None

## **VII. TREASURER’S REPORT OF FINANCIAL STATUS**

Director Blas stated that the Treasurer’s Report is provided, at this meeting, of the Retirement Fund’s Statement of Plan Assets (unaudited) for both the Defined Benefit (DB) Plan and the Defined Contribution (DC) Plan for the month ended October 31, 2007. Director Blas stated that an updated report on the Cash Flow is also provided, at this meeting.

Chairman San Agustin stated that he has a chart that shows the trend from Fiscal Years 2000 to 2007. The chart shows membership from 2001. Chairman San Agustin stated that there is a steady growth. This shows that the new retirees are getting higher benefit payments. Vice-Chairman Leon Guerrero asked how many members are under the Defined Benefit (DB) Plan. Chairman San Agustin stated that the difference is with the active members. The DB Plan had 6,800 members in 2000 which is down to 4,100 active members. The Defined Contribution (DC) Plan had 5,000 members in 2004 and currently has 6,100 members. The members declined in the DB active members. Chairman San Agustin stated that approximately \$100 Million has been paid in benefits.

Chairman San Agustin stated that there should be an economic study on the impact of the benefit to the community. Secretary Taylor stated that the study should show institutional planning. Chairman San Agustin stated that some states have an economic impact study. Chairman San Agustin stated that the Retirement Fund needs to get a positive feedback on retirees. Secretary Taylor suggested including the unfunded liabilities year by year. Chairman San Agustin stated that the Investment Income went up in 2007 by \$20 Million from the loss in 2001. Chairman San Agustin stated that the administrative costs per DB members are roughly \$200.00 per member annually. Vice-Chairman Leon Guerrero asked how Chairman San Agustin arrived at that amount. Chairman San Agustin stated that you divide the administrative cost by the total number of members of both active and retirees. Director Blas stated that this would be less if the DC Plan is included which is 20% of cost. Mrs. Bordallo stated that it is on personnel. Director Blas stated that it would be higher if it would include the contributing members of the Plan. Vice-Chairman Leon Guerrero asked whether the total asset is \$1.3 Billion or \$1.4 Billion. Director Blas stated that it is \$1.5 Billion as of October 2007. Chairman San Agustin stated that he would like to make a power point presentation on the statistics by fiscal years.

## **VIII. STANDING COMMITTEE REPORTS**

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

Trustee George Santos reported to the Board of Trustees on his Committee's November 2007 end of the month report.

**Trustee George Santos, seconded by Trustee Antolina Leon Guerrero, moved to approve the recommendation of the Members and Benefits Committee contained on Pages 4 through 14, including the attached Annuity Worksheets, based on the Committee's review and findings during their meeting of November 28, 2007 and subsequent meetings thereafter. Without objection, the motion passed.**

Chairman San Agustin mentioned that, in the past, the Board has been approving the annuity worksheets before the disbursement is made. Disbursements are being held back until the Members and Benefits Committee meetings are held or the when the Board meetings are held. Chairman San Agustin stated that a surviving spouse sometimes has to wait six months before receiving survivor benefits. This is a hardship for the surviving spouse. Chairman San Agustin recommended allowing Retirement Fund Management to authorize the payment process and then have the Board ratify such action during the following Board meeting. Trustee Leon Guerrero suggested obtaining the necessary documents as soon as possible. Director Blas stated that it takes at least five days for an individual to obtain a certified death certificate from Vital Statistics. Trustee Santos stated that Chairman San Agustin's statements are so noted. Trustee Santos stated that this would be an addendum to his report.

**Trustee George Santos, seconded by Trustee Antolina Leon Guerrero, moved to approve to allow Retirement Fund Management to expedite payments to survivors which would then be ratified at the following Board of Trustees Meeting following review by the Members and Benefits Committee. Without objection, the motion passed.**

### **B. Investment Committee**

Vice-Chairman Leon Guerrero reported that the Investment Committee meeting was held on November 30, 2007. The Investment Committee reviewed and approved the Investment Committee Minutes of November 15, 2007.

Vice-Chairman Leon Guerrero stated that the draft bill relative to the "Exchange Traded Funds" was discussed and approved by the Investment Committee for Board action. Vice-Chairman Leon Guerrero stated that based on amendments, the final draft is presented at today's meeting for approval by the Board. Vice-Chairman Leon Guerrero stated that he would like for the Retirement Fund to participate in this investment. Chairman San Agustin asked where is Mercer Consulting, Inc.'s (Mercer's) input on this issue. Chairman San Agustin asked what the impact would be. Director Blas stated that this is in lieu of a transition manager. Vice-Chairman Leon Guerrero recommended approval subject to Mercer's analysis which would be made a part of the packet to the Legislature.

**Vice-Chairman Wilfred Leon Guerrero, seconded by Trustee George Santos, moved to approve the draft bill relative to the "Exchange Traded Funds," subject to Mercer Consulting, Inc.'s analysis which would be made a part of the packet to the Legislature. Without objection, the motion passed.**

Vice-Chairman Leon Guerrero stated that the Investment Committee also discussed the status of the following Request for Proposals (RFPs):

1. Custodial Bank Services
2. Real Estate Investment Trusts (REITs)
3. U.S. Domestic Small Cap Core Equity
4. U.S. Domestic Core Fixed Income
5. U.S. Domestic Large Cap Growth Equity
6. U.S. Domestic Large Cap Value Equity

#### **C. Audit Committee**

Director Blas stated that the audit is on-going. There was an entrance meeting with the firm of Burger & Comer. Director Blas stated that Ms. Yuka Cabrera from the Office of the Public Auditor is currently overseeing the audit for the Public Auditor.

#### **D. Governmental Liaison**

Director Blas stated that the draft bill relative to Exchange Traded Funds would be transmitted to the Legislature.

### **IX. TRAVEL REPORT**

#### **A. Antolina S. Leon Guerrero: IFEBP 53rd Annual Employee Benefits Conference, November 3-7, 2007, Anaheim, California**

Chairman San Agustin stated that Trustee Leon Guerrero has submitted her travel report for the IFEBP 53rd Annual Employee Benefits Conference she attended on November 4-7, 2007 in Anaheim, California.

#### **B. Paula M. Blas: IFEBP 53rd Annual Employee Benefits Conference, November 3-7, 2007, Anaheim, California**

Chairman San Agustin stated that Director Blas has submitted her travel report for the IFEBP 53rd Annual Employee Benefits Conference she attended on November 4-7, 2007 in Anaheim, California.

### **X. OLD BUSINESS**

#### **A. Selection Panel Recommendation – Request for Proposal No. GGRF 007-07: Global Custodian and Securities Lending Services**

Director Blas stated that the Selection Panel recommends The Northern Trust Company out of a total of five (5) firms who responded to the Request for Proposal (RFP). Director Blas stated that all five (5) firms met the proposal requirements of the RFP. Chairman San Agustin stated that there is language in the statute that relates to a Bank Trust. The Selection Panel decided to make the award. Then it would be up to the firm to comply with the requirements to conduct business on Guam. Vice-Chairman Leon Guerrero asked what are the implications of obtaining a license to do business on Guam. Chairman San Agustin stated that the firm would pay taxes on Guam. Director Blas stated that the investment advisors are exempted from obtaining a business license on Guam. Director Blas stated

that it is up to The Northern Trust Company to obtain an exemption or the appropriate documents to do business on Guam. Secretary Taylor suggested getting an opinion on this matter from the Department of Revenue and Taxation on whether The Northern Trust Company meets the requirements to conduct business on Guam.

**Trustee George Santos, seconded by Trustee Antolina Leon Guerrero, moved to approve the Selection Panel's recommendation that the Board of Trustees select The Northern Trust Company to serve as the Retirement Fund's Global Custodian and Securities Lending Services provider related to the Defined Benefit Plan and that the Director of the Retirement Fund is directed to complete the necessary administrative requirements to complete the Request for Proposal process. Without objection, the motion passed.**

**B. Selection Panel Recommendation – Request for Proposal No. GGRF 031-07: U.S. Domestic Large Capitalization Value Equity**

Director Blas stated that the Selection Panel recommends Robeco Boston Partners which is situated out of Hawaii. Director Blas stated that a total of twenty-five (25) firms responded to the Request for Proposal (RFP). Of the twenty-five (25) proposals submitted, eighteen (18) firms were qualified and eligible for further evaluation. Director Blas stated that the Selection Panel placed three (3) firms on the short list. Director Blas stated that the three (3) firms met the proposal requirements of the RFP. Chairman San Agustin asked whether the requirements are met to do business on Guam. Chairman San Agustin also asked whether this matter is pending Mercer Consulting, Inc.'s (Mercer's) analysis. Director Blas stated that Mercer's report would be included in the packet. Director Blas stated that the award is conditional pending receipt of documents that all conditions have been met to conduct business on Guam.

**Trustee George Santos, seconded by Trustee Antolina Leon Guerrero, moved to approve the Selection Panel's recommendation that the Board of Trustees select Robeco Boston Partners in response to the Request for Proposal (RFP) for the U.S. Domestic Large Capitalization Value Equity related to the Defined Benefit Plan and that the Director of the Retirement Fund is directed to complete the necessary administrative requirements to complete the RFP process. Without objection, the motion passed.**

**XI. NEW BUSINESS**

None

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

**A. Response from the General Service Agency (GSA) on Bill No. 145 (Centralized Procurement Process)**

Chairman San Agustin stated that the General Service Agency (GSA) is in opposition of Bill 145 sponsored by Senator Adolpho Palacios to decentralize the procurement process. Chairman San Agustin stated that the Retirement Fund is in favor of Bill 145. Chairman San Agustin stated that Bill 145 would exempt the Retirement Fund from the Government of Guam procurement oversight.



**XIII. ANNOUNCEMENTS**

None

**XIV. ADJOURNMENT**

**There being no further business before the Board for the Defined Benefits Plan, on motion of Trustee George Santos, seconded by Secretary James Taylor, and without objection, the meeting was adjourned at 1:36 p.m. Motion passed.**

**I hereby certify that the foregoing is a full, true and correct copy of the Minutes of December 14, 2007 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on January 11, 2008.**

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**James J. Taylor, Board Secretary**

**RECORDING SECRETARY:**

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**Jackie Blas**