

**BOARD OF TRUSTEES**  
**Regular Meeting**  
Friday, December 15, 2006, 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 12:20 p.m. Friday, December 15, 2006, 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  
Gerard A. Cruz, Treasurer  
James J. Taylor, Secretary  
Anthony C. Blaz, Trustee  
Katherine T.E. Taitano, Trustee

**Board of Trustees Absent:**

George A. Santos, Trustee

**Staff Present:**

Paula Blas, Director  
Diana Bernardo, Controller  
Rosalia Bordallo, General Accounting Supervisor  
Mike Perez, Great West Retirement Services  
Jackie Blas, Recording Secretary

**Public Present:**

Lawrence & Sandra Liberty, Retirees  
Attorney Phillip Torres  
Odilia Bautista, Retiree  
Steve Limtiaco, Pacific Daily News  
Mana Silva, ABC7  
Clint Ridgell, KUAM

Chairman San Agustin stated for the record that there is nothing in today's meeting agenda that pertains to the COLA in the financial set.

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

### **A. July 14, 2006, August 11, 2006 and August 18, 2006 (Continuation of August 11, 2006) Regular Meetings**

Chairman San Agustin pointed out some concerns on the submitted minutes.

#### 1. July 14, 2006 Board Minutes:

- a. Page 3, Item IV (1) – regarding the last sentence on the Chairman's statement that the Fund was asked to join the Parkinson Lawsuit. The reply should be that "on the advice of Legal Counsel, there was no need for the Fund to join in the Parkinson Lawsuit" since the matter is already being address by special legislation which provides for the interest payment monthly, and the principle payment to be repaid if and when the Government issues bonds. Chairman San Agustin stated that Parkinson wants the government to pay in full.
- b. Page 5, Item VI (B), regarding the inquiry on whether the bond interest is paid monthly. There was no bond income for June, 2006, why? Rosalia Bordallo, General Accounting Supervisor, responded that no income was brought in at that point. Chairman San Agustin stated that he thought that all income comes in. Mrs. Bordallo stated that the Fund did not need to as there was additional cash from the Guam Telephone Authority (GTA) proceeds.
- c. Page 8, Item VII (B) 2b, regarding the discussion with foreign equity large cap mutual fund, wherein Treasurer Cruz was "concerned with the authority to do this." Further he was concerned that there may be a procurement problem and the RFP process. Chairman was concern in setting precedent and inquired what "AXA's performance to date?" Chairman San Agustin stated that there are no indications whether these matters of concerns were address, and he recalled there were. Treasurer Gerard Cruz stated that the issues were cleared up and that there will be no procurement issue. Treasurer Cruz stated that Legal Counsel provided an opinion on this issue. Treasurer Cruz suggested obtaining a copy of Legal Counsel's opinion.
- d. Page 9, Item VII (D) 1- under Government Liaison – "Senators cannot join the DC Plan." Chairman San Agustin stated that he does do not recall what this really means. Director Paula Blas stated that legislative employees can not join the Defined Contribution Plan who were Defined Benefit Plan employees. Director Blas stated to delete the word "Senators."

2. August 11, 2006 Board Minutes and Reconvened Meeting of August 18:
  - a. Page 2, Item III (B) regarding GMHA – Chairman San Agustin stated that the entire discussions “appears ended “with no agreement, and seeks Legal Counsel’s clarification why the Legal Counsel agrees with the AG- and on the August 18 Board Minutes, Page 4, Item II (F) regarding GMHA letter- Status of the AG’s motion to relieve GMHA’s Trustees from “liability”—This is somewhat confusing between the two Board Minutes. Vice-Chairman Wilfred Leon Guerrero stated that the Board took a stand not to relieve Guam Memorial Hospital Authority (GMHA) Board from liability. Chairman San Agustin stated that the Board disagreed with Legal Counsel. Chairman San Agustin stated that the Board stands to disagree with the Attorney General’s motion.
  - b. Page 8, Item VII (B) 2e - Vice Chairman Leon Guerrero asked “what is the expected yield?” Chairman San Agustin asked whether this was answered before the Asset allocation as recommended by Mercer was approved. Vice-Chairman Leon Guerrero stated that the yield was to be made a part of the report. Vice-Chairman Leon Guerrero stated that he did get the information during an oral presentation but that he wanted the projected yield in writing.
  - c. Page 9, Item VIII (D) - Adjustment of Estimated Adjustment for C.TC Gutierrez – Chairman San Agustin stated that there was a protocol issue regarding the flow from M&B, to Legal Counsel and that it should go back to M&B. Adjustment was effective August 15, 2006 payroll period. This matter also appeared again on the August 18 Board Minutes, Page 3, Item II (C) - Adjustment of estimated annuity for CTC Gutierrez—Chairman San Agustin stated that there was no discussion and that it may be a typographical error. Director Blas stated that Item C should be deleted as it was discussed during the August 11, 2006 meeting.

Secretary James Taylor requested that the draft of the Board Meeting Minutes be prepared within seven days. Secretary Taylor stated that the goal should be that the current minutes be worked on then catch up with the pending minutes.

**On motion of Trustee Anthony Blaz, seconded by Treasurer Gerard Cruz, and without objection, the Minutes of July 14, 2006, August 11, 2006 and August 18, 2006 Regular Meetings were approved, subject to corrections as pointed out by Chairman San Agustin. Motion passed.**

**B. September 8, 2006 and October 20, 2006 Regular Meetings; October 10, 2006, October 17, 2006 Special Meetings and November 17, 2006 Regular Meeting**

**Trustee Anthony Blaz, seconded by Treasurer Gerard Cruz, moved to defer approval of the Minutes of September 8, 2006 and October 20, 2006 Regular Meetings; October 10, 2006, October 17, 2006 Special Meetings and November 17, 2006 Regular Meeting. Without objection, the motion passed.**

### **III. CORRESPONDENCE**

#### **A. Special Proceedings Case No. SP0146-06 Memorandum Dated November 20, 2006 Regarding Richard T. Saville**

Chairman San Agustin stated that the memorandum dated November 20, 2006 regarding Richard Saville is being referred to the Members and Benefits Committee.

#### **B. December 1, 2006 Letter from Attorney General Douglas Moylan Regarding Executive Order 2006-30 / December 4, 2006 Response from J. George Bamba, Governor's Chief of Staff**

Chairman San Agustin stated that the December 1, 2006 letter from Attorney General Moylan and the December 4, 2006 response from the George Bamba, the Governor's Chief of Staff, regarding Executive Order 2006-30 is provided for the Board's information. Director Blas stated that Executive Order 2006-30 provides for the financing of the COLA payments through a consortium of financial lending and investment institutions. The Retirement Fund was named as a potential participant in the consortium.

#### **C. Subpoena Duces Tecum Dated December 7, 2006 Regarding Ralph W. Gutierrez (Civil Case No. CV1143-04)**

Director Blas stated that the Retirement Fund has complied with the Subpoena Duces Tecum. Director Blas stated that Retirement Fund staff testified at a deposition that was held on December 12, 2006 at the Law Offices of Lujan Aguigui & Perez LLP.

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

**1. *William Don Parkinson vs. Government of Guam, Guam Memorial Hospital Authority (GMHA) and Guam Public School System (GPSS)*** – Director Blas stated that Mr. Parkinson submitted a revised proposed settlement agreement with the Government of Guam dated November 22, 2006. A copy of the proposed settlement is provided for the Board's information. Treasurer Cruz asked whether the Fund is a party to actual lawsuit. Director Blas stated that the Fund is only the beneficiary.

**2. *Candelaria Rios, et al. vs. Joseph Ada, et al (Special Proceeding Case No. SP206-98)*** – Director Blas stated that Judge Arthur Barcinas signed the Judgment on November 21, 2006. Retirement staff has been working extra hours to ensure that the COLA calculations are accurate. Director Blas stated that COLA recipients who did not require an adjustment to their COLA calculations should have received their letters as of December 1, 2006. Letters will be mailed for those requiring adjustments once the review and adjustments have been completed.

Trustee Anthony Blaz inquired about the deceased retirees without a surviving spouse. Director Blas stated that it would go to the beneficiary of the deceased. Director Blas stated that there is a draft bill to amend to use the Fund's beneficiary form. Director Blas stated that the draft bill is at the Legislature.

Director Blas stated that with the present set up, designated beneficiary will be used from forty to fifty years back. Director Blas stated that she does not see the logic to this. Vice-Chairman Wilfred Leon Guerrero asked what the difference between survivor and beneficiary is. Director Blas stated that under the retirement law, the spouse is the survivor and the beneficiary could be anyone the retiree designates.

3. ***Organic Act / Trust Agreement*** – Director Blas stated that Management was asked to have Legal Counsel draft legislation of the Trust Agreement for the Board’s review. Chairman San Agustin asked Secretary James Taylor to review the draft legislation and make a recommendation to the Board.

4. ***Request for Proposal (RFP): Custodial Bank Services*** - Director Blas stated that the RFP for Custodial Bank Services was issued on December 11, 2006 and will close on January 23, 2007.

5. ***Request for Proposal (RFP): Real Estate Investment Trusts (REITS)*** – Director Blas stated that the RFP for Real Estate Investment Trusts was issued on December 11, 2006 and will close on January 29, 2007.

6. ***Request for Proposal (RFP): U.S. Domestic Small Capitalization Core Equity*** – Director Blas stated that the RFP for U.S. Domestic Small Capitalization Core Equity was issued on December 11, 2006 and will close on January 29, 2007.

7. ***Request for Proposal (RFP): Transition Management Services*** - Director Blas stated that the RFP for Transition Management Services was issued on December 11, 2006 and will close on January 29, 2007.

8. ***Request for Proposal (RFP): Study Related to Alternative Options for Investing in Real Estate in Guam*** - Director Blas stated that the RFP for Study Related to Alternative Options for Investment in Real Estate in Guam was issued on December 7, 2006 and will close on January 16, 2007.

9. ***Request for Proposal (RFP): Medical Consultant Services*** – Director Blas stated that the RFP for Medical Consultant Services is still with the Members and Benefits (M&B) Committee for their review. Director Blas stated that the M&B Committee will address this issue at their January 2007 meeting.

10. ***Public Law 28-38*** – Director Blas stated that the Fund is continuing to process applications for retirement for Guam Memorial Hospital Authority (GMHA) and Guam Public School System (GPSS) eligible employees. Director Blas stated that monthly interest payment for December 2006 was received from GMHA and GPSS. Director Blas stated that there may be a problem on the drawdown if GPSS is unable to pay the Defined Benefits Plan contributions. Chairman San Agustin inquired about the actuarial rate. Director Blas stated that 1.13% based on the actuarial rate, a difference of .84%. Director Blas stated that she told them no. Chairman San Agustin stated that he supports Director Blas’ position on saying no to deferment.

**11. Century 21, Realty Management Company, Inc.: Parking Lot Use Agreement** – Director Blas stated that Legal Counsel agrees to Management’s request that the Use Agreement be made retroactive to October 1, 2005. Director Blas stated that when the final contract is received from First Hawaiian Bank, it will be routed for signatures. Chairman San Agustin stated that the Fund should charge interest. Treasurer Cruz stated that failure to respond is an acceptance of parking. Chairman San Agustin stated that the Fund’s asset is not earning anything. Treasurer Cruz stated that the agreement should state that the Fund will not take liability. Director Blas stated that the First Hawaiian Bank tenants signed a waiver not to go against the Fund. Chairman San Agustin stated that the Fund is being indemnified.

**Financial Report**

**1. Contributions** – Director Blas stated that all agencies are current with their Fiscal Year 2007 employee and employer contributions except the General Fund and the Guam Public School System (GPSS).

**2. Financial Statement / Fiscal Year 2006 Audit** – Director Blas stated that the books for the month ending November 2006 are closed and the Fiscal Year 2006 audit is ongoing.

**3. Fiscal Year 2007 Retirees’ Supplemental Benefits** – Director Blas stated that the Fiscal Year 2007 Retirees’ Supplemental Benefits for November 2006 has been paid.

**4. Medicare Reimbursements** – Director Blas stated that the Fiscal Year 2005 Medicare reimbursements were expedited. The Medicare reimbursements for Fiscal Year 2007 are current. The Fund is still asking for Fiscal Year 2006.

**V. LEGAL COUNSEL’S REPORT**

No report was made at this time.

**VI. TREASURER’S REPORT OF FINANCIAL STATUS**

Treasurer Cruz stated that the projected drawdown for December 2006 is \$6 Million. Treasurer Cruz stated that the principal drawdown is \$3.5 Million. Chairman San Agustin asked what the drawdown was for November 2006. Treasurer Cruz replied, “\$5.7 Million.”

Treasurer Cruz stated that the financials for November 2006 are closed. Net assets are up from \$1.4 Million to \$1.5 Million. Chairman San Agustin stated that the Fund is authorized to use foreign stocks. Chairman San Agustin stated that Steve Dunn from JP Morgan would be here in April 2007.

Vice-Chairman Leon Guerrero suggested for Treasurer Cruz to go through the financials in greater detail. Secretary Taylor agreed with Vice-Chairman Leon Guerrero on going through the financials in greater detail at a subsequent meeting. Vice-Chairman Leon Guerrero recommended that this be referred to the Investment Committee for review of receivables.

## VII. STANDING COMMITTEE REPORTS

### A. Members and Benefits Committee

Trustee Katherine Taitano reported to the Board of Trustees on the Committee's November 2006 end of the month report. Vice-Chairman Leon Guerrero inquired about Item IV C (c) (Saville). Director Blas stated that this is listed under Age Retirement. Director Blas stated that if an individual applied for retirement, that individual can not apply for disability. Chairman San Agustin asked whether the denial period in a reasonable time. Trustee Taitano stated that the individual first applied for disability, and then he applied for age retirement.

**Trustee Katherine Taitano, seconded by Trustee Anthony Blaz, moved to approve the recommendation of the Members and Benefits Committee (APPROVAL) contained on Pages 4 through 17, including the attached Annuity Worksheets, based on the Committee's review and findings during their meeting of November 15, 2006 and subsequent meetings thereafter. Without objection, the motion passed.**

Chairman San Agustin asked what the reason for disapproval is. Director Blas stated that the details of disapproval are contained in the Members and Benefits Committee minutes.

**Trustee Katherine Taitano, seconded by Treasurer Gerard Cruz, moved to approve the recommendation of the Members and Benefits Committee (DISAPPROVAL) contained on Pages 17 through 18, based on the Committee's review and findings during their meeting of November 15, 2006 and subsequent meetings thereafter. Trustee Anthony Blaz abstained and without further objection, the motion passed.**

Chairman San Agustin reiterated that annuity for Mr. Gutierrez was adjusted on August 15, 2006. Chairman San Agustin also reiterated that the government's share of the contributions on behalf of Mr. Gutierrez was paid. Trustee Blaz stated that the entire annuity should be remitted. Chairman San Agustin stated that the Board's position is that payment by both the employer and employee must be made and the Fund has been made whole before enhancement is reinstated.

**Trustee Katherine Taitano, seconded by Treasurer Gerard Cruz, moved to approve the recommendation of the Members and Benefits Committee contained on Page 19 through 22, including supporting documents, based on the Committee's review and findings during their meeting of November 15, 2006 and subsequent meetings thereafter. Trustee Anthony Blaz abstained and without further objection, the motion passed.**

### B. Investment Committee

**Metropolitan West Capital Management's (Met West) Request for a Fee Increase:** Vice-Chairman Leon Guerrero stated that the Investment Committee reviewed Met West's request for an increase in its investment management fee as follows:

	<u>Current Fee</u>	<u>Fee Increase Requested</u>
For amounts below \$100,000,000	0.275%	No increase requested, fee will remain at 0.275%
For amounts above \$100,000,000	0.125%	From 0.125% to 0.200%

Vice-Chairman Leon Guerrero stated that the Investment Committee is recommending approval of Met West's request to increase the fee for amounts above \$100,000,000 from 0.125% to 0.200%. Chairman San Agustin asked what the current balance is. Vice-Chairman Leon Guerrero replied, "\$108 Million."

**Vice-Chairman Wilfred Leon Guerrero, seconded by Treasurer Gerard Cruz, moved to approve Metropolitan West Capital Management's request for a fee increase for amounts above \$100,000,000 from 0.125% to 0.200%. Without objection, the motion passed.**

### **C. Audit Committee**

Trustee Blaz stated that the audit is ongoing.

### **D. Governmental Liaison**

**1. Bill 398** - Director Blas stated that Bill 398 is relative to the Retirement Fund's exemption from the centralized procurement regime. Director Blas stated that the Legislature could waive the public hearing on Bill 398 on the floor.

**2. Bill 399** – Director Blas stated that Bill 399 is pertaining to the Retirement Fund's Board stipend. Vice-Chairman Leon Guerrero stated that full-time government employees are not entitled to receive a stipend for attendance at board meetings.

**3. Bill 400** – Director Blas stated that Bill 400 is pertaining to the scope of the Retirement Fund's attorney position. Chairman San Agustin asked why portions of the language of the bill were taken out. Director Blas stated that the portions that were taken out are already under Section 2 of the bill.

**4. Bill 401** – Director Blas stated that Bill 401 is relative to authorizing the Retirement Fund to designate unclassified positions and to promulgate personnel rules and regulations. Chairman San Agustin stated that the Fund should push for passage of the aforementioned bills.

## **VIII. TRAVEL REPORT**

### **A. George Santos/Joe San Agustin/Katherine Taitano/Gerard Cruz/James Taylor/Paula Blas/Rosalia Bordallo: APAFS 6th Annual Investment Conference, November 9-10, 2006, Shangri-la Makati, Philippines**

Chairman San Agustin stated that Trustee Santos has submitted his travel report on the APAFS 6th Annual Investment Conference he attended on November 9-10, 2006 in Shangri-la Makati, Philippines. Also in attendance were: Chairman San Agustin, Trustee Taitano, Treasurer Cruz, Secretary Taylor, Director Blas and Mrs. Bordallo.

### **B. Joe San Agustin/Diana Bernardo: 5th Annual Securitisation World Asia 2006 Conference, December 4-7, 2006, Singapore**

Chairman San Agustin stated that he submitted his travel report on the 5th Annual Securitisation World Asia 2006 Conference he attended on December 4-7, 2006 in Singapore. Controller Bernardo also attended the conference.



**IX. OLD BUSINESS**

None

**X. NEW BUSINESS**

None

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

None

**XII. ANNOUNCEMENTS**

None

**XIII. ADJOURNMENT**

**There being no further business before the Board for the Defined Benefits Plan, on motion of Trustee Anthony Blaz, seconded by Trustee Katherine Taitano, and without objection, the meeting was adjourned at 2:00 p.m. Motion passed.**

**I hereby certify that the foregoing is a full, true and correct copy of the Minutes of December 15, 2006 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on January 05, 2007.**

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**James J. Taylor, Board Secretary**

**RECORDING SECRETARY:**

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**Jackie Blas**