

GOVERNMENT OF GUAM
RETIREMENT FUND
 STABILITY · SECURITY · REWARDS

Felix P. Camacho
 Governor

Michael W. Cruz, M.D.
 Lieutenant Governor

Paula M. Blas
 Director

BOARD OF TRUSTEES
Regular Meeting
 Friday, July 31, 2009, 12:00 p.m.
 Retirement Fund Conference Room

Trustees:

Joe T. San Agustin
 Chairman

Wilfred P. Leon Guerrero, Ed.D.
 Vice-Chairman
 Investment Committee, Chairman

Antolina S. Leon Guerrero
 Secretary

Gerard A. Cruz
 Treasurer
 Audit & Operations Committee,
 Chairman

George A. Santos
 Members' & Benefits Committee,
 Chairman

Katherine T.E. Taitano
 Trustee

Wilfred G. Aflague
 Trustee

MINUTES

DEFINED CONTRIBUTIONS

I. ATTENDANCE, QUORUM, AND CALL TO ORDER

After determining a quorum was present, the Retirement Fund Board of Trustees Regular Meeting for the Defined Contribution Plan was called to order at 12:25 p.m. Friday, July 31, 2009, 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
 Antolina S. Leon Guerrero, Secretary
 Gerard A. Cruz, Treasurer
 Wilfred G. Aflague, Trustee
 George A. Santos, Trustee

Board of Trustees Absent:

Katherine T.E. Taitano, Trustee (*Excused*)

Staff Present:

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

II. REVIEW AND APPROVAL OF BOARD MINUTES

- A. February 27, 2009 and March 6, 2009 Reconvened Meetings, March 27, 2009, April 24, 2009, May 29, 2009 and June 26, 2009 Regular Meetings**

On motion of Trustee George Santos, seconded by Trustee Antolina Leon Guerrero, and without objection, the Minutes of February 27, 2009 and March 6, 2009 Reconvened Meetings, March 27, 2009, May 29, 2009 and June 26, 2009 Regular Meetings were approved, subject to corrections. Motion passed.

Trustee George Santos, seconded by Trustee Antolina Leon Guerrero, moved to table the Minutes of April 24, 2009 Regular Meeting. Without objection, the motion passed.

III. CORRESPONDENCE

None

IV. INFORMATIONAL ITEMS

None

V. DIRECTOR'S REPORT - EXECUTIVE SUMMARY

I. Request for Proposal (RFP): Third Party Administrator (TPA) – Director Paula Blas stated that the TPA agreements and the Service Level Agreement (SLA) have been finalized. Copies of the finalized agreements are attached and ready for signatures. Director Blas stated that Management and the Retirement Fund's Legal Counsel have extensively gone through the provisions in the agreements. Director Blas stated that the SLA is the administrative side between Great-West Retirement Services (Great-West) and the Retirement Fund. Director Blas stated that the SLA outlines their standards.

Director Blas stated that there are three parts to the TPA agreement: 1) the Investment Management and Plan Administration Services Agreement; 2) the Service Level Agreement; and 3) the Reality Investing Advisory Services Agreement which is the financial advice to be provided by Advised Assets Group, LLC (AAG). Director Blas stated that AAG will be providing financial advice to the participants.

Chairman San Agustin stated that the Retirement Fund should not be working directly with AAG. Mike Perez of Great-West stated that it should be the Plan Administrator; the Retirement Fund is the one that authorizes the offer of financial advice. Treasurer Gerard Cruz stated that AAG is being subcontracted by Great-West. Chairman San Agustin stated that the Retirement Fund provides a menu of funds and Great-West implements it. Trustee Antolina Leon Guerrero stated that Great-West can not give advice to the participants so the Retirement Fund needs a third party to give financial advice. Mr. Perez stated that Great-West can not give advice without the plan sponsor. Chairman San Agustin stated that this defeats the whole purpose of having a third party. Director Blas reiterated that the TPA can not provide financial advice.

Director Blas stated that last year the Retirement Fund asked for some sort of financial advice and what the cost would be. Director Blas stated that Mr. Perez then presented the managed accounts to the Retirement Fund and at that time the Retirement Fund said to hold off since there is a RFP out. Chairman San Agustin stated that he does not object to providing financial advice to the participants but that it should be between Great-West and AAG, not the Retirement Fund.

Controller Diana Bernardo stated that the Board should keep in mind that there are fees to be charged to participants in the AAG contract so if the AAG contract is incorporated into the TPA contract the Board should review/approve fees to be charged to participants. Chairman San Agustin stated that it is Great-West's responsibility to administer the Defined Contribution (DC) Plan. Director Blas stated that the financial advice could be separated from the TPA agreement. Trustee Leon Guerrero stated that we should then remove the provisions in the agreement regarding financial advice. Chairman San Agustin stated that it would be okay to sign the agreement without the financial advice. Director Blas reiterated that Chairman San Agustin is not opposed to the fact that financial advice should be available to the participants but that it should be Great-West's responsibility to hire someone to provide financial advice.

Trustee Leon Guerrero clarified that there is no problem with the first part of the contract. The Board will sign the contract with Great-West, but not with AAG. Director Blas stated that AAG does not provide administrative services. Mr. Perez suggested having the Retirement Fund's Investment Consultant look at this. Chairman San Agustin reiterated that it is not the Retirement Fund's responsibility. Trustee Leon Guerrero asked whether the Retirement Fund wants to remove this provision to offer financial advice to the participants. Chairman San Agustin replied, "No." Trustee Leon Guerrero asked how many participants asked for this service. Trustee Wilfred Aflague asked what is the cost for this service. Trustee Aflague asked whether there are any fee changes. Director Blas stated that there are no participant fees.

Vice-Chairman Wilfred Leon Guerrero asked what services are being offered to the participants. Mr. Perez stated that Great-West provides statements, educational programs, recommends profile and offers asset allocation options. Treasurer Cruz recommended tabling this item for further discussion during a working session. Chairman San Agustin asked what prompted Great-West to include this option. Treasurer Cruz stated that there was one point when the Board heard of the option of including a managed account option within the existing DC Plan for those with more complicated needs. Treasurer Cruz stated that further discussion on this was tabled because the Retirement Fund was close to the process of issuing an RFP and that it was something that could be included in the RFP. Chairman San Agustin asked what prompted this. Trustee Leon Guerrero stated that it is the members who were interested in investment options. Director Blas stated that she will get back to Legal Counsel and let them know that it can not be done separately; it must be embedded in Great-West's agreement.

Trustee Leon Guerrero, seconded by Trustee Santos, made a motion to remove any provision in the Agreement that refers to AAG providing investment management services. Trustee Aflague stated that he would like to have a work session on this item. Chairman San Agustin stated that he is not opposed to providing advice to the participants. Trustee Leon Guerrero stated that she would like to sustain her motion to approve the TPA Agreement without references to AAG providing investment management services.

Trustee George Santos, seconded by Trustee Antolina Leon Guerrero, moved to approve to remove any provision in the Investment Management and Plan Administration Services Agreement related to Advised Assets Group, LLC (AAG) providing investment management services. With a unanimous vote of yes, the motion passed. Trustee Katherine Taitano was absent.

2. **Hybrid Defined Benefit (DB)/Defined Contribution (DC) Plan** – Director Blas stated that at the April 24, 2009 Board meeting, Mr. Richard Wright of Milliman Consulting, Inc. (Milliman) provided options for a Hybrid Plan. Director Blas stated that Mr. Wright briefly discussed the advantages and disadvantages of a DB and DC plan. Director Blas stated that the Retirement Fund has requested for further analysis from Milliman regarding the costs associated with the alternative retirement plan designs. Director Blas stated that Vice-Chairman Leon Guerrero had recommended that this be referred to the Members and Benefits Committee.

Financial Report

1. **Contributions** – Director Blas stated that as of July 28, 2009, all agencies are current with their Fiscal Year 2009 employee and employer contributions.

2. **Financial Statements** – Director Blas stated that the books for the month ending June 2009 were closed on July 15, 2009.

VI. THIRD PARTY ADMINISTRATOR'S REPORT

Director Blas stated that Mr. Perez of Great-West has provided, at this meeting, the TPA Report for the month ending June 30, 2009 on the DC Retirement System 401(a) Plan and the 457 Deferred Compensation Plan. Mr. Perez stated that the asset for the DC Plan is \$3 Million. Rosalia Bordallo, General Accounting Supervisor, asked Mr. Perez whether there is an increase in payment-to-self versus hardship. Mr. Perez replied, "Yes."

Trustee Aflague asked whether the Retirement Fund has a policy of members coming back. Director Blas stated that there is no redeposit. Mr. Perez stated that 19 out of 252 DC retirees have returned to work.

Mr. Perez stated that Department of Labor, Guam Housing Corporation, Department of Corrections, Department of Agriculture, Department of Revenue and Taxation, Chamorro Affairs, and the Department of Parks and Recreation are not responding to the letters from Great-West.

VII. INVESTMENT COMMITTEE REPORT

Vice-Chairman Leon Guerrero reported that the Investment Committee meeting was held on July 10, 2009. The Committee reviewed and approved the Investment Committee Minutes of June 12, 2009. Vice-Chairman Leon Guerrero reported on the following informational item:

1. **Hybrid Defined Benefit (DB)/Defined Contribution (DC) Plan** – Vice-Chairman Leon Guerrero stated that due to the impact of market volatilities on the DC Plan, the Investment Committee previously requested that Milliman provide an analysis/report of a Hybrid DB/DC Plan. Vice-Chairman Leon Guerrero stated that during the April 24, 2009 Board meeting, Mr. Richard Wright of Milliman discussed options for the Hybrid Plan. Vice-Chairman Leon Guerrero stated that Management indicated that Milliman is still reviewing other options, which will be discussed with the Board when the reports are completed.

VIII. OLD BUSINESS

A. Contribution Report – June 2009

Director Blas stated that Mr. Perez of Great-West submitted, for this meeting, a copy of the DC Plan and the Deferred Compensation (457) Plan report for the month of June 2009.

Mr. Perez's report shows that the DC Plan has 6,354 participants with a total contribution amount of \$871,612.12. The Deferred Compensation Plan (457) has 828 participants with a total contribution amount of \$98,552.30.

IX. NEW BUSINESS

None

X. OPEN DISCUSSION / GENERAL PUBLIC INPUT

None

XI. ANNOUNCEMENTS

None

XII. ADJOURNMENT

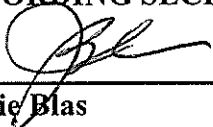
There being no further business before the Board for the Defined Contribution Plan, on motion of Trustee George Santos, seconded by Treasurer Gerard Cruz, and without objection, the meeting was adjourned at 1:29 p.m. Motion passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of July 31, 2009 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on August 28, 2009.



Antolina S. Leon Guerrero, Board Secretary

RECORDING SECRETARY:



Jackie Blas