

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, December 18, 2009, 12:00 p.m.  
 Retirement Fund Conference Room

**MINUTES**

*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

**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 12:40 p.m. Friday, December 18, 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

**Staff Present:**

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

**Public Present:**

Terry Dennison, Mercer Investment Consulting, Inc.

## II. REVIEW AND APPROVAL OF BOARD MINUTES

### A. November 20, 2009 Regular Meeting

On motion of Trustee George Santos, seconded by Secretary Antolina Leon Guerrero, and without objection, the Minutes of November 20, 2009 Regular Meeting were approved, subject to corrections. Motion passed.

## III. CORRESPONDENCE

None

## IV. INFORMATIONAL ITEMS

None

## V. DIRECTOR'S REPORT - EXECUTIVE SUMMARY

1. **Hybrid Defined Benefit (DB)/Defined Contribution (DC) Plan** – Director Paula Blas stated that she received the last option from Milliman Consulting, Inc. (Milliman) which will be forwarded to the Members and Benefits (M&B) Committee. Director Blas stated that everyone is welcomed to sit in on the working session.

2. **Investment Fund Options** – Director Blas stated that at the August 28, 2009 Board meeting, the Board approved adding an actively managed TIPS Funds and Target Date Funds to the 401(a) DC and 457 Plans. Director Blas stated that Mercer Investment Consulting, Inc. (Mercer) conducted the search for these Funds, and the selection of Funds will be discussed during the Investment Committee report. Director Blas stated that Great-West Retirement Services (Great-West) will add the selected Fund and will begin the implementation of these Funds by March 2010.

3. **Administrative Services Corporation (ASC) Protest Appeal** – Director Blas stated that ASC filed an appeal with the Office of the Public Auditor (OPA) on the contract award with Great-West. The OPA scheduled the hearing date for December 21, 2009. Director Blas stated that due to the availability of the witnesses, the Retirement Fund requested to reschedule the hearing date to January 15, 2010. Director Blas stated that Carlsmith Ball will be representing the Retirement Fund. Director Blas stated that there is no stay on the current contract with Great-West. Director Blas stated that this may be viewed on the OPA's website.

### Financial Report

1. **Contributions** – Director Blas stated that as of December 15, 2009, all agencies are current with their Fiscal Year 2010 employee and employer contributions.

2. **Financial Statements** – Director Blas stated that the books for the month ending October 2009 were closed.

3. **Fiscal Year 2010 Audit** – Director Blas stated that the audit for Fiscal Year ending September 30, 2009 is ongoing. Director Blas stated that the final audit reports are scheduled to be issued by March 1, 2010. Chairman San Agustin asked whether the audit includes the DC Plan. Director Blas replied, "Yes."

**VI. THIRD PARTY ADMINISTRATOR'S REPORT**  
**A. Contribution Report – November 2009**

Director Blas stated that Mike Perez of Great-West has provided, at this meeting, the TPA Report for the month ending November 30, 2009 on the DC Retirement System 401(a) Plan and the 457 Deferred Compensation Plan.

Mr. Perez reported that the 401(a) Plan had a total asset of \$186,424,925.67 as of October 31, 2009, and \$193,221,691.98 as of November 30, 2009. Mr. Perez stated that there was an asset change of \$6,796,766.31 or a percentage change of 3.65%. The 457(b) Plan had a total asset of \$14,005,802.78 as of October 31, 2009, and \$14,638,619.68 as of November 30, 2009. The asset change was \$632,816.90 or a percentage change of 4.52%. Mr. Perez stated that the total contribution amount in the 401(a) was \$1,933,666.84. The 457(b) had a contribution amount of \$182,744.26.

Mr. Perez reported on participant statistics:

**401(a) Plan**

Active Participants (with a balance)	9,667
Active Participants Contributing	6,866
Percent of Active Participants Contributing	71%
Full Withdrawals	31
Financial Hardships	10
First Contributions (New)	65

**457(b) Plan**

Active Participants (with a balance)	1,140
Active Participants Contributing	829
Percent of Active Participants Contributing	73%
Full Withdrawals	5
Outstanding Loans	194
New Loans Processed	12
First Contributions (New)	5

Treasurer Gerard Cruz asked what the average loan amount is. Director Blas stated that the average loan amount is \$5,000.00. Vice-Chairman Wilfred Leon Guerrero asked, of the total loan amount of \$40,391.07, how many participants took out a loan. Mr. Perez stated that 12 participants took out new loans. Chairman San Agustin inquired about the interest on the loans. Treasurer Cruz stated that it is an opportunity loss. Mr. Perez stated that 2% goes back into the participant's account. Chairman San Agustin asked whether money left in the account was earning interest. Mr. Terry Dennison of Mercer Investment Consulting, Inc. stated that it depends on what the participant is investing in. Chairman San Agustin stated that he is trying to discourage this activity.

Chairman San Agustin inquired about the administrative cost. Mr. Perez stated that the fee is \$75.00. Director Blas stated that it is 2% plus prime. It is \$50.00 for the loan plus \$25.00 flat fee. Rosalia Bordallo, General Accounting Supervisor, pointed out that the participant has to have \$2,000.00 in their account in order to qualify for a loan

Chairman San Agustin mentioned that on the investment performance, Pioneer Emerging Markets Fund had a Year-to-Date return of 70.43 with an expense ratio of 1.86. Mr. Dennison pointed out that Chairman San Agustin is looking at data for one quarter. Mr. Dennison stated that you have to look at the long term data. Mr. Dennison noted that the year to date is up 64%. Chairman San Agustin stated that he would like to see a narrative explanation from Mr. Perez. Mr. Dennison stated that the information is in his (Mercer) report.

Mr. Perez reported on the group meetings – there were 15 new employee orientations and 94 agency-on-site meetings. Mr. Perez stated that the following agencies did not respond: 1) Department of Labor, Department of Agriculture, Department of Revenue and Taxation, Department of Chamorro Affairs, Mayors Council of Guam, Civil Defense and 22 Department of Education (DOE) schools and DOE Central Office Personnel. Mr. Perez stated that the Department of Public Health and Social Services WIC Office, Work Program Section and Central Regional Health Center, and Astumbo Elementary School declined scheduling a meeting for their employees. Treasurer Cruz asked why some of the agencies declined scheduling a meeting. Mr. Perez stated that some agencies said they were too busy and some said they were short-staffed. Mr. Perez stated that group meetings for the Guam Environmental Protection Agency, Government of Guam Retirement Fund, Guam Memorial Hospital Authority, and the Guam Fire Department are currently being scheduled for January 2010. Secretary Antolina Leon Guerrero asked whether there are new employee orientations after a switch over is made from DB to DC. Mr. Perez replied, “Yes.”

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

Mr. Perez’s report shows that the DC Plan has 7,253 participants with a total contribution amount of \$995,710.02. The Deferred Compensation Plan (457) has 828 participants with a total contribution amount of \$102,595.26.

## **VII. INVESTMENT COMMITTEE REPORT**

Vice-Chairman Leon Guerrero reported that on December 16 and 17, 2009, the Investment Committee held its quarterly performance meeting for September 30, 2009. Vice-Chairman Leon Guerrero stated that the following were approved for Board action:

**1. *Treasury Inflation Protected Securities (TIPs)*** – Vice-Chairman Leon Guerrero stated that during the August 2009 Board meeting Mr. Dennison’s recommendation to add a TIPs Fund to the menu of investment options offered to DC and 457 Plan Participants was accepted by the Board. Vice-Chairman Leon Guerrero stated that based on the results of Mercer’s search report, Mr. Dennison provided an overview of the possible replacements, which included the following:

- a. American Century Investment Management
- b. BlackRock
- c. Pacific Investment Management Company
- d. Vanguard
- e. Western Asset Management Company

Vice-Chairman Leon Guerrero stated that the Investment Committee considered the options and agrees with Mr. Dennison's recommendation to add the BlackRock TIPs Fund to the menu of investment options offered to DC and 457 Plan Participants. Chairman San Agustin asked Mr. Perez whether he anticipates any problem in adding the BlackRock TIPs Fund to the menu of investment options. Mr. Perez stated that he sees no problem.

**Vice-Chairman Wilfred Leon Guerrero, seconded by Trustee Wilfred Aflague, moved to accept Mercer Investment Consulting, Inc.'s recommendation to add the BlackRock TIPs Fund to the menu of investment options offered to Defined Contribution and 457 Plan Participants. Without objection, the motion passed.**

2. **Target Date Fund** – Vice-Chairman Leon Guerrero stated that during the August 2009 Board meeting Mr. Dennison recommended that the Retirement Fund implement Target Date Funds/Lifecycle Funds to replace the existing Target Risk Fund (Lifestyle Funds), and the recommendations was accepted by the Board. Vice-Chairman Leon Guerrero stated that based on the results of Mercer's search report, Mr. Dennison provided an overview of the possible replacements, which included the following:

- a. Barclays Global Investors
- b. Charles Schwab
- c. Maxim
- d. T Rowe Price
- e. Vanguard

Vice-Chairman Leon Guerrero stated that the Investment Committee reviewed the five families of funds and endorses Mr. Dennison's recommendation to replace the existing Target Risk Funds with the Barclays Global Investors Target Date Funds, which will also serve as the Default Fund. Vice-Chairman Leon Guerrero stated that, with the Default Fund being automatic, it addresses the participants who don't respond.

**Vice-Chairman Wilfred Leon Guerrero , seconded by Trustee Wilfred Aflague, moved to accept Mercer Investment Consulting, Inc.'s recommendation to replace the existing Target Risk Funds with the Barclays Global Investors Target Date Funds, which will also serve as the Default Fund. Without objection, the motion passed.**

Vice-Chairman Leon Guerrero further reported that Mr. Dennison provided an overview of the DC Plan's September 30, 2009 Quarterly Investment Performance, noting no concerns with the performance of the Funds. Vice-Chairman Leon Guerrero also reported that the proposed schedule for the next Quarterly Performance Meeting and the Annual Review of the International, Fixed Income and Domestic Small Cap Equity managers is March 24, 25, and 26, 2010.

## VIII. OLD BUSINESS

None

## 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 Secretary Antolina Leon Guerrero, seconded by Trustee George Santos, and without objection, the meeting was adjourned at 1:15 p.m. Motion passed.**

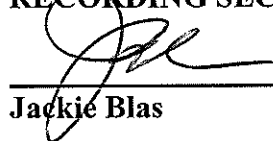
**I hereby certify that the foregoing is a full, true and correct copy of the Minutes of December 18, 2009 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on January 22, 2010.**



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**ANTOLINA S. LEON GUERRERO, Board Secretary**

**RECORDING SECRETARY:**



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**Jackie Blas**