

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, January 22, 2010, 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 12:30 p.m. Friday, January 22, 2010, in the Retirement Fund Conference Room. Acting Chairman Wilfred P. Leon Guerrero officiated.

Board of Trustees Present:

Wilfred P. Leon Guerrero, Acting Chairman
 Antolina S. Leon Guerrero, Secretary
 Gerard A. Cruz, Treasurer
 Wilfred G. Aflague, Trustee
 George A. Santos, Trustee

Board of Trustees Absent:

Joe T. San Agustin, Chairman (*Excused*)
 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

Public Present:

Heather Hauswirth, KUAM

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. December 18, 2009 Regular Meeting

On motion of Trustee George Santos, seconded by Secretary Antolina Leon Guerrero, and without objection, the Minutes of December 18, 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 in response to addressing the need to provide a reliable type of benefit for DC participants, Milliman Consulting, Inc. (Milliman) provided alternatives for the Board to consider. However, at the last Members and Benefits (M&B) Committee meeting, the Committee recommended that the alternatives be presented to other stakeholders. As such, Richard Wright of Milliman will present the alternatives on February 19, 2010 to the Retirement Fund Board, the Executive and Legislative branches, and the Public Auditor. Director Blas stated that copies of the DB/DC hybrid alternatives will be available by February 1, 2010.

2. **Investment Fund Options** – Director Blas stated that at the December 18, 2009 Board meeting, the Board approved adding the BlackRock TIPS Fund and the Barclays Global Investors Target Date Funds (now known as BlackRock LifePath Funds) to the 401(a) DC and 457 Plans. Director Blas stated that the Target Date Funds will also serve as the Default Fund. Notification to participants will take place at least sixty (60) days prior to implementation. Director Blas stated that full implementation will take place on April 14, 2010. Trustee Antolina Leon Guerrero asked whether the Retirement Fund had known about the change to BlackRock LifePath Funds. Mr. Mike Perez of Great-West Retirement Services (Great-West) stated that it is only a name change.

3. **Administrative Services Corporation (ASC) Protest Appeal** – Director Blas stated that ASC filed an appeal with the Office of Public Accountability (OPA) on the contract award with Great-West. The OPA held the formal hearing on December 21, 2009 with a supplemental hearing on January 13, 2010. Director Blas stated that a decision is expected to be released no later than February 13, 2010.

Financial Report

1. **Contributions** – Director Blas stated that as of January 19, 2010, Guam Memorial Hospital Authority (GMHA) has not remitted contributions for pay period ending January 2, 2010. All other agencies are current with their Fiscal Year 2010 employee and employer contributions. Acting Chairman Leon Guerrero asked why GMHA is behind in their payments. Director Blas stated that it is a cash problem. Director Blas stated that the Retirement Fund has stopped accepting retirement applications for GMHA employees. Director Blas stated that the standard procedure is that if the agency is two pay periods behind, then notice will be sent to the Governor, the Attorney General and the Department of Labor. Director Blas stated that the OPA is aware of this matter.

2. **Financial Statements** – Director Blas stated that the books for the month ending December 2009 were closed on January 19, 2010.

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 Retirement Fund is on target to issue the final audit reports by March 1, 2010.

VI. THIRD PARTY ADMINISTRATOR'S REPORT

A. Contribution Report – December 2009

Director Blas stated that Mike Perez of Great-West has provided, at this meeting, the TPA Report for the month ending December 31, 2009 on the DC Retirement System 401(a) Plan and the 457 Deferred Compensation Plan.

Mr. Perez reported that the 401(a) Plan had total assets of \$198,992,809.51 as of December 31, 2009. Mr. Perez stated that there was an asset change of \$5,771,117.53 or a percentage change of 2.99% from November 30, 2009. The 457(b) Plan had a total asset of \$15,191,275.01 as of December 31, 2009. The asset change was \$552,655.33 or a percentage change of 3.78% from November 30, 2009. Mr. Perez stated that the total contribution amount in the 401(a) was \$2,215,336.56. The 457(b) had a contribution amount of \$256,061.69.

Mr. Perez reported on participant statistics:

401(a) Plan

Active Participants (with a balance)	9,699
Active Participants Contributing	7,058
Percent of Active Participants Contributing	73%
Full Withdrawals	48
Financial Hardships	13
First Contributions (New)	70

457(b) Plan

Active Participants (with a balance)	1,148
Active Participants Contributing	837
Percent of Active Participants Contributing	73%
Full Withdrawals	3
Outstanding Loans	198
New Loans Processed	11
First Contributions (New)	11

Mr. Perez reported that the highest 401(a) Plan disbursement was "Payment to Self" in the amount of \$363,970.82 for the month of December 2009. The highest 457(b) Plan disbursement was "Loan" in the amount of \$43,419.30.

Acting Chairman Leon Guerrero asked what the percentage is for loans. Mr. Perez stated that it is 2% plus prime. Acting Chairman Leon Guerrero asked who gets the money. Rosalia Bordallo, General Accounting Supervisor, stated that the interest from a loan on the 457 Plan goes back to the participant. Mrs. Bordallo stated that when the market went down, participants were getting 10%. Acting

Chairman LeonGuerrero stated that it looks like the policy encourages participants to borrow against their account. Mr. Perez stated that it also encourages the participant to enroll in the 457 Plan. Mr. Perez stated that it is really up to the participants. Acting Chairman Leon Guerrero asked why the participant can't just withdraw their money instead of taking out a loan. Mr. Perez stated that the participant can not withdraw their money while they are still employed. Trustee Wilfred Aflague stated that it is easier to get a loan here instead of the banks. Mrs. Bordallo stated "why get a loan when I can borrow from my money." Director Blas stated that the maximum a participant could borrow is the lesser of \$50,000.00 or 50% of the participant account balance.

Mr. Perez reported that the investment performance for December 2009 was good.

Mr. Perez further reported that the the total number of new employee orientations and agency on-site meetings was 111 and the total employee attendance was 1,116. Mr. Perez stated that the Guam Fire Department declined an employee meeting stating that they did not need to attend. Trustee Aflague commented that Mr. Perez is really good in conducting special presentations for new employees.

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 December 2009. Mr. Perez's report shows that the DC Plan has 7,283 participants with a total contribution amount of \$1,011,316.94. The Deferred Compensation Plan (457) has 836 participants with a total contribution amount of \$113,032.26.

VII. INVESTMENT COMMITTEE REPORT

Treasurer Gerard Cruz reported that the Investment Committee meeting was held on January 8, 2010.

Treasurer Cruz stated that the Investment Committee reviewed and revised the 5 Year Plan and recommends approval by the Board. Acting Chairman Leon Guerrero inquired about the Hybrid Options. Treasurer Cruz stated that Mr. Wright of Milliman will be on island in February for a working session.

INVESTMENT COMMITTEE – 5 YEAR PLAN (DEFINED CONTRIBUTION PLAN)

- 1. Assess Possible DB/DC Plan Hybrid Options**
- 2. Review DC Plan Investment Options**
- 3. Consider Increasing Contribution Rate**
- 4. Third Party Administrator Annual Review**

No. 1: Assess Possible DB/DC Plan Hybrid Options - Treasurer Cruz stated that we need to decide on the options or set up an action plan by March 2010. Treasurer Cruz stated to set up a plan, steps, and the timeframe on the feedback. Director Blas stated that she will try to obtain all concerns related to the plan and present them to the Board between February and March 2010. Director Blas stated that draft legislation will then be in place to be submitted to the Legislature by June 2010. Director Blas stated that 1a will be by March 2010 (develop a plan), and 1b will be by June 2010 (develop a road map on the decision made). Trustee Aflague stated that the draft legislation should be submitted to the Legislature no later than July 1st. Acting Chairman Leon Guerrero stated that there should be a plan by at least June 30, 2010.

No. 2: Review DC Plan Investment Options – Treasurer Cruz stated that No. 2 is okay.

No. 3: Consider Increasing Contribution Rate – Director Blas stated that this is contingent on No. 1 and it may be taken out. Acting Chairman Leon Guerrero recommended removing this and making it part of No. 1. (Please note that No. 3 has been removed and No. 4 now becomes No. 3.)

No. 4: Third Party Administrator Annual Review – Acting Chairman Leon Guerrero stated that this should be done annually and be reissued every 5th year. Treasurer Cruz suggested moving the annual review to March 2010 instead of August 2010. (Please note that No. 4 now becomes No. 3 and a new No. 4 is added on.)

No. 4: Issue Request for Proposal for Third Party Administrator – Treasurer Cruz stated that this is now added in as a new No. 4.

Treasurer Gerard Cruz, seconded by Trustee Wilfred Aflague, moved to adopt the Investment Committee's 5-Year Plan for the Defined Contribution Plan, subject to the changes discussed. Without objection, the motion passed.

VIII. OLD BUSINESS

None

IX. NEW BUSINESS

None

X. OPEN DISCUSSION / GENERAL PUBLIC INPUT

None

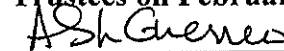
XI. ANNOUNCEMENTS

None

XII. ADJOURNMENT

There being no further business before the Board for the Defined Contribution Plan, on motion of Trustee George Santos, seconded by Treasurer Gerard Cruz, and without objection, the meeting was adjourned at 1:17 p.m. Motion passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of January 22, 2010 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on February 26, 2010.



ANTOLINA S. LEON GUERRERO, Board Secretary

RECORDING SECRETARY:



Jackie Blas