



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, August 27, 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 12:34 p.m. Friday, August 27, 2010, in the Retirement Fund Conference Room. Chairman Joe T. San Agustin officiated.

**Board of Trustees Present:**

Joe T. San Agustin, Chairman  
 Antolina S. Leon Guerrero, Secretary(12:59)  
 Gerard A. Cruz, Treasurer  
 Wilfred G. Aflague, Trustee  
 George A. Santos, Trustee  
 Katherine T.E. Taitano, Trustee

**Board of Trustees Absent:**

Wilfred P. Leon Guerrero, Vice-Chairman\*  
 (Off-Island)

**Staff Present:**

Paula Blas, Director  
 Rosalia Bordallo, General Accounting Supervisor  
 Jackie Blas, Recording Secretary  
 Alice Taijeron, Great-West Retirement Services

**Public Present:**

Terry Dennison, Mercer Investment Consulting, Inc.  
 Nick Delgado and Shaun Hosei, KUAM

\* Vice-Chairman Wilfred Leon Guerrero participated via conference call.

## II. REVIEW AND APPROVAL OF BOARD MINUTES

### A. July 30, 2010 Regular Meeting

Chairman San Agustin inquired about the Secured Foundation presentation by Great-West Retirement Services (Great-West). Ms. Alice Tajjeron apologized and stated that she will make the presentation at the next Board meeting.

**On motion of Trustee George Santos, seconded by Treasurer Gerard Cruz, and without objection, the Minutes of July 30, 2010 Regular Meeting were approved, subject to corrections. Motion unanimously passed.**

## III. CORRESPONDENCE

None

## IV. INFORMATIONAL ITEMS

None

## V. DIRECTOR'S REPORT - EXECUTIVE SUMMARY

**1. *Defined Benefit (DB)/Defined Contribution (DC) Plan Alternatives*** – Director Paula Blas stated that Great-West has taken the lead on the survey of participants, which has been on-going since August, and approximately 22 departments have been surveyed. Director Blas stated that there are a few departments that will need a second on-site visit. The Department of Education (DOE) had asked to be scheduled in September. The Retirement Fund will continue the survey during the month of September 2010. Chairman San Agustin inquired about legislation. Director Blas stated that it will be in October 2010.

### ***Financial Report***

**1. *Contributions*** – Director Blas stated that as of August 24, 2010, 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 July 2010 were closed on August 12, 2010.

## VI. THIRD PARTY ADMINISTRATOR'S REPORT

### A. Contribution Report – July 2010

Director Blas stated that Ms. Tajjeron of Great-West has provided, at this meeting, the TPA Report for the month ending July 31, 2010 on the DC Retirement System 401(a) Plan and the 457 Deferred Compensation Plan.

Ms. Tajjeron reported that there was a decrease in contributions. As of the date of this report, contributions were not yet received. Treasurer Gerard Cruz asked whether this is something to be alarmed about. Ms. Tajjeron stated that contributions from pay period ending July 28, 2010 are not included in this report which is due in August. Ms. Tajjeron stated that the total contribution on the 401(a) Plan is \$1,993,275.09 as of July 31, 2010. The change in assets is (\$872,844.09) or a percentage change of -30.45% from June 30, 2010.

The total contributions on the 457(b) Plan is \$224,450.17 as of July 31, 2010. The change in assets is (\$55,467.30) or a percentage change of -19.82% from June 30, 2010. Chairman San Agustin asked what the total assets are. Director Blas stated that it is \$205 Million for the 401(a) Plan and \$16.6 Million for the 457(b) Plan. Chairman San Agustin asked whether the overall total is \$221 Million. Treasurer Cruz confirmed that it is \$221 Million. Ms. Taijeron stated that the assets have increased. Chairman San Agustin stated that he is concerned of the spread of \$1 Million of the contributions in transit. Director Blas stated that contributions from employers to the Retirement Fund are due in five (5) working days. Chairman San Agustin asked whether this occurs every month. Ms. Taijeron stated that it usually occurs when there are three (3) pay periods in a month. Chairman San Agustin stated that tracking of the flow of money is very important.

Treasurer Cruz asked whether the "Payment to Self" for participants that have terminated or retired. Ms. Taijeron replied, "Yes." Chairman San Agustin asked whether hardship requests have decreased. Ms. Taijeron stated that it has decreased significantly. Ms. Taijeron stated that the total disbursement on the 401(a) Plan was \$803,556.43. The total disbursement on the 457(b) Plan was \$169,100.35.

Treasurer Cruz inquired about the 12B1 Fees. Does this represent the total amount through the month of June? Ms. Taijeron stated that this amount is for the first quarter. Treasurer Cruz mentioned that the Investment Committee has an action item in their report to change one of the share classes on the Thornburg International Value Fund R3 Class to R4 Class. This will drop the revenue sharing to 6 basis points from 7 basis points. Treasurer Cruz asked whether this will have an affect on Great-West's cost structure. Ms. Taijeron replied, "No, there will be no impact." Treasurer Cruz requested getting the percentage of each fund on the 12B1 Fees. Treasurer Cruz stated that he would like to see what the 12B1 revenue sharing splits are. Mr. Dennison stated that the Thornburg change involves \$10,000.00 in revenue annually. Treasurer Cruz stated that the overall total in the 12B1 Fees is \$56,000.00.

## **VII. INVESTMENT COMMITTEE REPORT**

Treasurer Cruz reported that the Investment Committee meeting was held on August 13, 2010. Treasurer Cruz also reported that on August 26, 2010, the Investment Committee held its performance review meeting for the quarter ended June 30, 2010 with Terry Dennison of Mercer Investment Consulting, Inc. (Mercer).

Mr. Dennison stated that he provided an overview of the current state of the Economic and Capital Market Environment, and the DC Plan's investment performance for the quarter ended June 30, 2010. Mr. Dennison stated that Mercer recommended retention of the current investment options offered to plan participants, with the exception of the Dodge and Cox Balanced Fund due to repeated poor performance and redundancy of style.

Mr. Dennison stated that the following items were approved for Board action:

- 1. Emerging Markets Search** - Treasurer Cruz stated that Mr. Dennison presented potential fund replacements for the Pioneer Emerging Markets Fund. Treasurer Cruz stated that the Investment Committee's recommendation is to terminate Pioneer Emerging Markets Fund and to select Dimensional Fund Advisors (DFA) Fund to replace the Pioneer Emerging Markets Fund.

**Treasurer Gerard Cruz, seconded by Trustee George Santos, moved to approve the Investment Committee's recommendation to terminate Pioneer Emerging Markets Fund and to select Dimensional Fund Advisors Fund to replace the Pioneer Emerging Markets Fund. Without objection, the motion unanimously passed.**

**2. Change of Thornburg International Value Fund R3 Class** – Treasurer Cruz stated that Mr. Dennison presented the cost savings of proposed R4 and R5 share classes to participants, and the current average cost of this type of Fund. Treasurer Cruz stated that the Investment Committee's recommendation is to inform Great-West to change the share class for Thornburg International Value Fund from R3 Class to R4 Class. Treasurer Cruz stated that the resulting impact is the reduction in the expense ratios by 20 basis points and the reduction of revenue sharing to 6 basis points from 7 basis points. Trustee Wilfred Aflague asked whether this will benefit the participants. Treasurer Cruz replied, "Yes." Chairman San Agustin asked what administrative action is needed for the change of class. Ms. Tajeron stated that Great-West will send out notices to the participants.

**Treasurer Gerard Cruz, seconded by Trustee Wilfred Aflague, moved to approve the Investment Committee's recommendation to inform Great-West Retirement Services to change the share class for Thornburg International Value Fund from R3 Class to R4 Class. Without objection, the motion unanimously passed.**

**3. Termination of Dodge and Cox Balanced Fund** – Treasurer Cruz stated that the Dodge and Cox Balanced Fund has been on the Watch List for four consecutive quarters since 2009 due to underperformance. Treasurer Cruz stated that with the inclusion of the Lifecycle Funds in the Plan, the balanced fund does not have a distinct purpose as an investment option. Treasurer Cruz stated that there is a redundancy in the Lifecycle Fund. Treasurer Cruz stated that the Investment Committee's recommendation is that the Dodge and Cox Balanced Fund should be removed from the menu of investable funds and instruct Great-West to effectuate that change. Rosalia Bordallo, General Accounting Supervisor, stated for the record, that Dodge and Cox Balanced Fund was on the watch list on previous reports due not only to redundancy but also due to very poor performance.

**Treasurer Gerard Cruz, seconded by Trustee Wilfred Aflague, moved to approve the Investment Committee's recommendation to remove the Dodge and Cox Balanced Fund from the menu of investable funds and instruct Great-West Retirement Services to effectuate the change and to inform the participants accordingly. Without objection, the motion unanimously passed.**

**Informational Items:**

1. **Minutes** - The Committee reviewed and approved the following Investment Committee Minutes:
  - a. July 9, 2010 Investment Committee Meeting
  - b. March 24, and 25, 2010 – Due Diligence Meeting (For Quarter Ended December 31, 2009)

**VIII. OLD BUSINESS**

None

**IX. NEW BUSINESS**

**A. Daniel B. Bunoan – Long Term Disability Claim with Standard Insurance Company**

Chairman San Agustin stated that he received a letter from Mr. Bunoan regarding Standard Insurance's denial of his disability claim. Chairman San Agustin stated that Mr. Bunoan was found to be disabled while in active military. Chairman San Agustin stated that Mr. Bunoan is currently on leave without pay status. Mrs. Bordallo stated that if the participant is on leave without pay status for more than sixty (60) days, the participant is dropped from the Limited Term Disability until reemployment. Chairman San Agustin referred this matter to the Members and Benefits Committee.

**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 Secretary Antolina Leon Guerrero, and without objection, the meeting was adjourned at 1:27 p.m. Motion unanimously passed.**

**I hereby certify that the foregoing is a full, true and correct copy of the Minutes of August 27, 2010 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on September 24, 2010.**



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

**RECORDING SECRETARY:**



**Jackie Blas**