

GOVERNMENT OF GUAM  
**RETIREMENT FUND**  
 STABILITY · SECURITY · REWARDS  
**BOARD OF TRUSTEES**  
**Regular Meeting**  
 Friday, March 25, 2011, 12:00 p.m.  
 Retirement Fund Conference Room

Eddie Baza Calvo  
 Governor

Ray Tenorio  
 Lieutenant Governor

Paula M. Blas  
 Director

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, March 25, 2011, 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  
 Alice Taijeron, Great-West Retirement Services

**Public Present:**

Terry Dennison, Mercer Investment Consulting, Inc.  
 Ricky Hernandez, Senator Ben Pangelinan's Office of Finance and Budget  
 Liza Villagomez

## II. REVIEW AND APPROVAL OF BOARD MINUTES

### A. February 25, 2011 Regular Meeting

On motion of Trustee George Santos, seconded by Secretary Antolina Leon Guerrero, and without objection, the Minutes of February 25, 2011 Regular Meeting were approved, subject to technical 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 the Members and Benefits (M&B) Committee presented their findings and recommendation at the February 25, 2011 Board meeting. At that meeting, the Board requested a working session to review the Committee's recommendation in detail. Director Blas stated that Board members, along with representatives from the Legislature, Carlsmith Ball, and Great-West Retirement Services (Great-West) met on March 16, 2011. Director Blas stated that this item will be reported out under the M&B Committee Report of the DB Meeting.

### Financial Report

1. *Contributions* – Director Blas stated that as of March 22, 2011, Guam Memorial Hospital Authority (GMHA) has not remitted contributions for eleven (11) pay periods totaling \$1.3 Million. Director Blas stated that all other agencies are current with their Fiscal Year 2011 employee and employer contributions. Alice Taijeron of Great-West asked Director Blas whether payment for the Pay Period Ending October 9, 2010 applied. Ms. Taijeron stated that data was uploaded on March 23, 2011. Director Blas stated that the figures are reflected in her report. Chairman San Agustin asked whether payment was uploaded late. Ms. Taijeron stated that the Electronic Transfer is uploaded within two (2) days. Chairman San Agustin stated that he is concerned that there is a two-day loss of earnings. Treasurer Gerard Cruz asked whether there is any resolution contemplated with GMHA with regards to the delinquencies. Director Blas stated that she will report this out under her Director's Report of the DB Meeting.

2. *Financial Statements* – Director Blas stated that the books for the month ending February 2011 were closed on March 23, 2011.

## VI. THIRD PARTY ADMINISTRATOR'S REPORT

### A. Contribution Report – February 2011

Director Blas stated that Alice Taijeron of Great-West has provided, at this meeting, the TPA Report for the month ending February 28, 2011 on the DC Retirement System 401(a) Plan and the 457 Deferred Compensation Plan.

Ms. Taijeron reported that the 401(a) Plan had total assets of \$245,360,667.91 as of February 28, 2011. There was an asset change of \$6,493,735.60 or a percentage change of 2.72% from January 31, 2011.

The 457(b) Plan had total assets of \$20,549,584.97 as of February 28, 2011. The asset change was \$640,509.09 or a percentage change of 3.22% from January 31, 2011.

Ms. Tajeron reported that the 401(a) Plan had total contributions of \$2,019,374.74 as of February 28, 2011. There was a contribution change of (\$117,776.92) or a percentage change of -5.51% from January 31, 2011. The 457(b) Plan had total contributions of \$266,850.35 as of February 28, 2011. There was a contribution change of (\$39,462.84) or a percentage change of -12.88% from January 31, 2011.

Chairman San Agustin asked whether the 2.72% increase of assets is at cost or market value. Ms. Tajeron stated that it is at market value.

Treasurer Cruz asked whether Great-West is seeing that the participants are more interested in how their investments are performing. Ms. Tajeron replied, "Yes." Chairman San Agustin asked whether there are any inquiries from GMHA employees. Ms. Tajeron stated that when the letters were first sent, there were two visits and two phone calls. No further inquiries were made from GMHA participants regarding non payment of their contributions.

Ms. Tajeron reported on participant statistics:

**401(a) Plan**

Active Participants with a Balance	10,714
Active Participants Contributing	6,542
Percent of Active Participants Contributing	64%
Full Withdrawals	79
Financial Hardships	5
First Contributions	138
Participants on Disability	52
February 28, 2011	1
January 31, 2011	3
Total Retiree Count	334
February 28, 2011	4
January 31, 2011	3

**457(b) Plan**

Active Participants with a Balance	1,275
Active Participants Contributing	964
Percent of Active Participants Contributing	76%
Full Withdrawals	3
Outstanding Loans	250
New Loans Processed	15
First Contributions	4

Treasurer Cruz inquired about the participants on disability. Director Blas stated that it is through Standard Insurance. Chairman San Agustin asked what the compensation for disability is. Director Blas stated that it is 66⅔% of salary which is paid by Standard Insurance. Director Blas stated that there are no survivor benefits. Although, there is a one-time lump sum payment of a survivor death

benefit of \$40,000.00. Treasurer Cruz asked whether the employer could rehire to fill a disability retiree's position. Director Blas stated that DC disability retirees are considered active employees who are still contributing. Secretary Antolina Leon Guerrero asked whether the position is still considered filled. Director Blas replied, "Yes." Chairman San Agustin asked whether there is a graph on how much an average person will do. Vice-Chairman Wilfred Leon Guerrero inquired about the difference between the Active Participants with a Balance (10,714) and Active Participants Contributing (6,542). Ms. Taijeron stated the Active Participants with a Balance are individuals that left Government of Guam service but did not withdraw their contributions. Ms. Taijeron stated that full withdrawals are when the participant is no longer working and has a zero balance. Vice-Chairman Leon Guerrero asked whether the participant could take their plan elsewhere. Ms. Taijeron replied, "Yes."

Chairman San Agustin inquired about the 334 retiree count and the 106 participant disbursement count. Ms. Taijeron stated that the 106 count is all categories who took out distributions. The 106 are not all retirees. Chairman San Agustin asked what is the average annuity time opted. Ms. Taijeron stated that participants usually opt for life – amortized at \$200/month on average.

Chairman San Agustin asked whether there is a random sampling of investment opportunity losses. Director Blas replied, "Yes." Ms. Taijeron was asked to prepare a spreadsheet on possible losses for GMHA employees.

## **VII. INVESTMENT COMMITTEE REPORT**

Vice-Chairman Leon Guerrero reported that the Investment Committee Meeting was held on March 24, 2011 along with its Performance Meeting for the Quarter Ended December 31, 2010 with Mr. Terry Dennison of Mercer Investment Consulting, Inc. The Committee reviewed and approved the Investment Committee Minutes of February 11, 2011 and the December 15, and 16, 2010 Due Diligence Meeting Minutes for the Quarter Ended September 30, 2010.

Mr. Dennison stated that the Committee does not have any recommendations at this time. The following are informational items:

**1. Quarterly Performance** - Mr. Dennison provided an overview of the DC Plan's Investment Performance for the Quarter Ended December 31, 2010, noting the following:

- a. Lifecycle Funds** – Mr. Dennison reported that the Lifecycle Funds appear to be the weakest area, which the Board should continue to monitor, although no action is required at this time. The Committee looked at Lifecycle Funds' performance and they were below their benchmarks. Chairman San Agustin asked how long will it be on the watch list. Mr. Dennison stated that there is a surveillance report on a quarterly basis on whether to continue the watch or not.
- b. American Funds AMCAP Fund R-4** - Mr. Dennison reported that American Funds' performance lagged. The Committee asked for a market check. Mr. Dennison stated that American Funds continues to accept new money, which may negatively affect their ability to efficiently and effectively manage the Retirement Fund's portfolio. The Committee went over its performance and looked at several alternative funds. Mr. Dennison stated that the Committee is considering replacing American Funds with the following possible "Fund" options for the Board's consideration: 1) Allianz RCM Large-Cap Growth Fund

Institutional (Overall Rating B+); 2) American Funds AMCAP R-4 (Overall Rating B); 3) Harbor Capital Appreciation Fund (Overall Rating A); 4) Nuveen Winslow Large Cap Growth Fund I (Overall Rating A); and 5) T Rowe Price Institutional Large-Cap Growth Fund (Overall Rating A). According to Vice-Chairman Leon Guerrero, the Committee is not ready to make a recommendation and this item will be deferred to the Investment Committee.

## **VIII. OLD BUSINESS**

None

*Mr. Dennison excused himself from the meeting at this time (1:12 p.m.).*

## **IX. NEW BUSINESS**

### **A. Defined Contribution (DC) Plan Investment Consulting Services Proposal**

Director Blas stated that the Board will now consider whether to retain Mercer as the DC consultant and not act on the Request for Proposal (RFP) that was issued. Director Blas stated that Mercer has terminated their consulting contract for the DB Plan. Vice-Chairman Leon Guerrero stated that the Board is not prepared to make a decision at this time. Chairman San Agustin stated that the Selection Panel is only entertaining the consulting services for the DB Plan. Treasurer Cruz asked whether there were any proposals considered for the DC Plan. Director Blas replied, "Yes." Chairman San Agustin stated that the new fees for the DC Plan will take effect on April 1, 2011. Treasurer Cruz stated that he is concerned with the procurement law. Director Blas stated that there are two different RFPs. The current Selection Panel is only to review the DB Plan RFP.

Director Blas stated that Mercer is proposing to offer retainer investment consulting services for the DC Plan based on the present scope of the DC contract for an annual fee of \$100,000.00 with a 4% inflation increase from the previous yearly fee every contract anniversary, which is April 1<sup>st</sup>. Controller Diana Bernardo stated that Mercer cannot continue their services without the fee increase. Vice-Chairman Leon Guerrero asked whether proposals were submitted for both DB and DC. Director Blas stated that some firms submitted both DB and DC knowing that there are two RFPs. Secretary Leon Guerrero stated that the Board advised Management to issue two separate RFPs. Director Blas stated that there are two RFPs but the decision was to only entertain the DB Plan RFP. Treasurer Cruz asked whether it is a separate procurement process. Director Blas stated that it is separate.

Chairman San Agustin stated that Mercer's current contract did not have an expiration date. Amending the contract does not violate the procurement law. Controller Bernardo reiterated that the DC Plan RFP was also issued but was not addressed by the Selection Panel. Treasurer Cruz asked whether the recommendation will solely be for the DC Plan and that the amendment will not affect the outcome of the RFP. Director Blas stated that the DC Plan RFP could be suspended or cancelled. Trustee Wilfred Aflague asked whether this matter was submitted to Legal Counsel for review. Trustee Aflague stated that he is concerned with the fee schedule, whether the rate increase is considered a material change by Legal Counsel. Director Blas stated that she will submit this to Legal Counsel. Chairman San Agustin stated that if Legal Counsel opposes this, then the Retirement Fund will be without a DC consultant by next week. Controller Bernardo stated that the Board may want to consider whether the \$100,000.00 fee is reasonable. Vice-Chairman Leon Guerrero recommended getting Legal Counsel's opinion then making a decision from there.

**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 Treasurer Gerard Cruz, seconded by Secretary Antolina Leon Guerrero, and without objection, the meeting was adjourned at 1:30 p.m. Motion unanimously passed.**

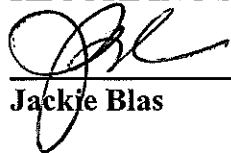
**I hereby certify that the foregoing is a full, true and correct copy of the Minutes of March 25, 2011 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on April 29, 2011.**



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

**RECORDING SECRETARY:**



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**Jackie Blas**