

GOVERNMENT OF GUAM
RETIREMENT FUND
 STABILITY · SECURITY · REWARDS

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

BOARD OF TRUSTEES
Regular Meeting
 Friday, June 1, 2012, 12:00 p.m.
 Retirement Fund Conference Room

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 12:35 p.m. Friday, June 1, 2012, 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
 Gerard A. Cruz, Treasurer
 Wilfred G. Aflague, Trustee
 George A. Santos, Trustee

Board of Trustees Absent:

Antolina S. Leon Guerrero, Secretary *(Excused)*
 Katherine T.E. Taitano, Trustee *(Excused)*

Staff Present:

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

Investment Consultant Present:

Maggie Ralbovsky, Wilshire Associates

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. April 26, 2012 Regular Meeting

On motion of Trustee George Santos, seconded by Treasurer Gerard Cruz, and without objection, the Minutes of April 26, 2012 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 Hybrid Legislation was introduced as Bill No. 453-31. A public hearing date has not been scheduled. Director Blas stated that Senator Ben Pangelinan is hoping to have the public hearing some time at the end of July or in August 2012. Treasurer Gerard Cruz asked whether this is going to be a tough sale to anyone. Director Blas replied, "Maybe the Executive Branch." This is in anticipation that they want to reduce the contribution rate. Director Blas stated that nothing has come out from the Executive Branch on what they are actually going to present to the Legislature with regards to their cost-reduction plan. The Governor's target date to decrease the budget by \$43 million is July 1st. Trustee George Santos stated that the Department of Education (DOE) is not a part of the \$43 million decrease. Director Blas stated that the Guam Community College (GCC) and the University of Guam (UOG) were identified as being a part of the \$43 million decrease. Treasurer Cruz asked whether there is anything that the Retirement Fund needs to do at the administration level. Director Blas stated that she and Chairman San Agustin have communicated with the Bureau of Budget and Management Research (BBMR) and they are already looking at it.

Chairman San Agustin stated that he is concerned about some damaging statements contained in the Executive Branch's Deficit Reduction and Fiscal Reform Plan in support of the issuance of the bond. Chairman San Agustin pointed out that a section on Page 27 of the report reads: "*Proposals to address the unfunded actuarial accrued liability towards ensuring the solvency of the Government of Guam Retirement Fund.*" Chairman San Agustin stated that no one bothered to consult with the Retirement Fund in writing this section of the report. Chairman San Agustin reads out loud a section of the report – "Plan changes and missed actuarial assumptions have led to the increase in the unfunded liability. The 2011 actuarial valuation reported that low investment performance and plan changes that increased survivor benefits, were causes of the increase in the unfunded liability. The investment yield on the total market value of assets ending September 30, 2011 was negative 1.1%. The actuarial assumption on the interest rate for the same period was 7.0%. The Fund had recognized 1/3rd of the investment loss from this period which increased the 2011 Government of Guam's contribution rate by 50 basis points." Chairman San Agustin stated that this statement is not true.

Vice Chairman Wilfred Leon Guerrero stated that the Board should write a letter to the Executive Branch pointing out that the Retirement Fund would appreciate it if they would consult with us before writing their report. Chairman San Agustin suggested checking who prepared their report without consulting with the Retirement Fund. Chairman San Agustin stated that he takes offense by this article containing damaging statements.

Financial Report

1. **Contributions** - Director Blas stated that as of May 29, 2012, all agencies are current with their Fiscal Year 2012 employee and employer contributions.

2. **Financial Statements** - Director Blas stated that the books for the month ending April 2012 were closed on May 17, 2012.

VI. THIRD PARTY ADMINISTRATOR’S REPORT

A. Contribution Report – April 2012

Director Blas stated that Alice Taijeron of Great-West Retirement Services (Great-West) provided the TPA Report for the month ending April 30, 2012 on the DC Retirement System 401(a) Plan and the 457 Deferred Compensation Plan. Ms. Taijeron reported that the TPA Review was conducted on May 11, 2012. Treasurer Cruz inquired about the Fiscal Year 2011 return. Director Blas stated that it was a negative 2%.

Ms. Taijeron reported that the 401(a) Plan had total assets of \$277,182,914.29 as of April 30, 2012. There was an asset change of \$890,250.54 or a percentage change of 0.32% from March 31, 2012. The 457(b) Plan had total assets of \$24,555,975.87 as of April 30, 2012. The asset change was \$94,479.64 or a percentage change of 0.39% from March 31, 2012.

Ms. Taijeron provided the following Participant Summary Report:

401(a) Plan

Active Participants with a Balance	10,692
Active Participants Contributing	7,570
Percent of Active Participants Contributing	71%
Full Withdrawals	52
Financial Hardships	11
First Contributions	101
Total Participants on Disability	70
January 31, 2012	01
February 29, 2012	03
March 31, 2012	04
April 30, 2012	05
Total Retiree Count	418
January 31, 2012	08
February 29, 2012	00
March 31, 2012	05
April 30, 2012	05

457 Deferred Compensation Plan

Active Participants with a Balance	1,404
Active Participants Contributing	1,064
Percent of Active Participants Contributing	76%
Full Withdrawals	05
Outstanding Loans	290
New Loans Processed	23
First Contributions	12

Agency Site Visits/New Employee Orientation Meetings	22 / 2
Agency Site Visits Participant Attendance	183
Great-West Participant Walk-In Visits	314

Vice Chairman Leon Guerrero asked about the walk-in visits for the month. Ms. Tajeron stated that it's for the month of April. Vice Chairman Leon Guerrero asked whether that number is unusual. Ms. Tajeron stated that they average about 300 walk-ins a month.

Chairman San Agustin asked how long it takes for a disability applicant to get a result from Standard Insurance. Ms. Tajeron stated that there is a 30-day waiting period and it also depends on how quickly the required documents are submitted by the applicants. Chairman San Agustin asked what the process is. Ms. Tajeron stated that the disability applications are administered and distributed by the Benefit's Division. Ms. Tajeron stated that the applicant must meet the 6-year vesting requirement. Chairman San Agustin stated that he was approached by an employee of DOE who had applied for disability in March. Ms. Tajeron stated that DOE is the most challenging agency with respect to disability applicants. Ms. Tajeron stated that the participant will submit their application to their agency and it's up to that agency to get all the required documents together to send to Standard Insurance. Chairman San Agustin stated that the Retirement Fund is being blamed for the delay. Ms. Tajeron stated that the participants are informed that the Board does not make decisions on the DC disability applications. Ms. Tajeron stated that she will check on the Chairman's concern on the participant who applied since March.

Chairman San Agustin inquired about the DC audit – Statement on Auditing Standards (SAS) 70. Ms. Tajeron stated that she will check on this. Chairman San Agustin stated that the SAS 70 will show the trend of the Fund.

VII. INVESTMENT COMMITTEE REPORT

Vice Chairman Leon Guerrero reported that on May 11, 2012, the Retirement Fund held its Performance Meeting for the Quarter Ended March 31, 2012. Vice Chairman Leon Guerrero stated that Mr. Terry Dennison of Mercer Investment Consulting Inc. provided an overview of the DC Plan's Investment Performance for the quarter ended March 31, 2012, noting the following:

- The markets saw improving economic data from the U.S. and easing of the financial strains in Europe that helped global equities post strong returns. The Standard and Poor's index gained 12.6% during the quarter, with MSCI EAFE index gaining 10.9%. Going forward the Eurozone debt crisis is likely to remain the dominant macro risk in 2012.
- There are no recommendations for additions or deletions. However, Franklin Small-Mid Cap Growth Fund A should be closely monitored due to consecutive quarters of underperformance.

Vice Chairman Leon Guerrero further reported that the Annual Performance Review of Great-West was also conducted on May 11, 2012 with Mr. Kent Morris and Alice Taijeron. Vice Chairman Leon Guerrero stated that Mr. Morris discussed industry best practices, which the Investment Committee will discuss/consider during the next committee meeting. Vice Chairman Leon Guerrero stated that Great-West recommended the process last year but it has not been implemented. There are a couple of issues that will be discussed at the next Investment Committee meeting. Chairman San Agustin asked what the issues are. Ms. Taijeron stated that, for clarification, the issue on the use of the term industry best practices was brought to Great-West's attention. Ms. Taijeron stated that, henceforth, Great-West will use the term common practices in the industry. Chairman San Agustin asked whether it is harmful to the Retirement Fund. Ms. Taijeron replied, "No." Chairman San Agustin asked who will be affected by this. Ms. Taijeron stated that these services will be common practices in the industry, and if approved, it will be made available to the participants.

VIII. OLD BUSINESS

None

IX. NEW BUSINESS

A. Hybrid Plan

This item was discussed earlier under Director's Report.

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 Trustee George Santos, and without objection, the meeting was adjourned at 1:07 p.m. Motion unanimously passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of June 1, 2012 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on June 29, 2012.



ANTOLINA S. LEON GUERRERO, Board Secretary

RECORDING SECRETARY:



Jackie Blas

