



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 29, 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 12:25 p.m. Friday, June 29, 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 (12:32 p.m.)  
 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 (*Excused*)

**Staff Present:**

Paula Blas, Director  
 Diana Bernardo, Controller  
 Jackie Blas, Recording Secretary  
 Alice Tajeron, Great-West Retirement Services

**Legal Counsel Present:**

Vince Camacho, Carlsmith Ball LLP

**Public Present:**

Mark Heath, Metropolitan West Capital Management

## II. REVIEW AND APPROVAL OF BOARD MINUTES

### A. June 1, 2012 Regular Meeting

On motion of Trustee George Santos, seconded by Secretary Antolina Leon Guerrero, and without objection, the Minutes of June 1, 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 still off-island until late next week. We are hoping that they will schedule the public hearing on Bill 453 at the end of July or early August. Chairman San Agustin stated that he received inquiries from professors and other employees from the University of Guam and Guam Community College regarding their concern with the DC Plan itself. Treasurer Gerard Cruz asked whether the administration has seen the Hybrid Legislation and whether we foresee any resistance. Director Blas stated that they have seen the Hybrid Legislation and they asked for comments which were submitted to the Bureau of Budget and Management Research (BBMR). Legal Counsel Vince Camacho stated that Bill 453-31, as introduced, was substituted. Chairman San Agustin asked why. Legal Counsel Camacho stated that the Legislature made some changes. The changes were not technical. Chairman San Agustin asked whether the legislation submitted to the Legislature is different from the substituted bill. Director Blas stated that it is not different in content or substance. Legal Counsel Camacho stated that it was the way the bill was written. The Legislature codified the explanation section of the bill. Legal Counsel recommends offering a substitute bill to correct the codification of the explanation section.

### Financial Report

1. **Contributions** - Director Blas stated that as of today, 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 May 2012 were closed on June 14, 2012.

*Vice Chairman Wilfred Leon Guerrero joins the meeting at this time (12:32 p.m.)*

## VI. THIRD PARTY ADMINISTRATOR'S REPORT

### A. Contribution Report – May 2012

Director Blas stated that Alice Taijeron of Great-West Retirement Services (Great-West) provided the TPA Report for the month ending May 31, 2012 on the DC Retirement System 401(a) Plan and the 457 Deferred Compensation Plan.

Treasurer Gerard Cruz, seconded by Trustee Wilfred Aflague, moved to approve the Third Party Administrator's Report. Without objection, the motion unanimously passed.

## VII. INVESTMENT COMMITTEE REPORT

Vice Chairman Wilfred Leon Guerrero reported that the Investment Committee meeting was held on June 8, 2012. The Committee reviewed and approved the Investment Committee Minutes of April 26, 2012.

### Informational Items:

*1. Common Industry Practices* – Vice Chairman Leon Guerrero stated that during the Quarter Ended March 31, 2012 Performance Meeting held on May 11, 2012, Mr. Kent Morris of Great-West discussed the following “Common Industry Practices,” which the Investment Committee should consider:

- a. Provide Automatic Enrollment “Opt Out” in 457 Plan
- b. Provide Qualified Automatic Contribution Arrangement (QACA) in DC, 457 and Hybrid Plan
- c. Provide Investment Advice for Participants – Reality Investing
- d. Provide Roth 457
- e. Provide Contribution Increases in DC Plan

After further discussion with Ms. Tajeron, the Committee requested that:

- a. Great-West provide specific recommendations relative to items b and e above.
- b. Management verify with Legal Counsel, the Trustees' fiduciary responsibility relative to providing investment advice to participants (item c above).

Director Blas stated that Legal Counsel provided their comments on the two issues. The first issue is: May the Retirement Fund elect to enter into an agreement under the prior Request for Proposal (RFP) or must the Retirement Fund issue a new RFP. The second issue is: If the Retirement Fund now elects to enter into the agreement, is the Retirement Fund's fiduciary duties impacted by whether the fees for such advisory services are paid by the Retirement Fund or the participant.

Director Blas stated that Legal Counsel's opinion on the first issue states that the Retirement Fund is not required to issue a new RFP. Chairman San Agustin stated that the proposal was divided. The Retirement Fund only accepted the TPA portion. Director Blas stated that there are two separate agreements. Chairman San Agustin stated that what was not entertained is so-called rejected. Director Blas stated that the proposal was evaluated as a whole. Secretary Antolina Leon Guerrero stated that she recalls that the RFP was for administrative services and they offered some other services and the Retirement Fund opted not to select those other services. Chairman San Agustin asked how we can elect for these services now without an RFP. Legal Counsel Camacho stated that the bid was for the entire package, and then certain sections of the contract were unbundled. The contract was then separated out for each portion. The fact that the Board did not act on the other two does not kill the procurement for the other two services. Chairman San Agustin stated that he can not agree with Legal Counsel's opinion. Legal Counsel Camacho stated that Legal Counsel Joanne Grimes stated that as long as there are no material changes, that evaluation still stands and the awarding of the contract could still proceed. Director Blas stated that all the services were procured as a whole. Secretary Leon Guerrero stated that we could amend the contract currently in effect within the original scope of work

of the RFP. Director Blas stated that there are no material changes. Ms. Taijeron stated that she is not aware of any material changes. Vice Chairman Leon Guerrero stated that there is no option since the Retirement Fund's Investment Consultant has indicated that the Retirement Fund is not living up to its fiduciary duties by not providing these services. Chairman San Agustin stated that he would agree with Secretary Leon Guerrero on amending the contract to include all three services. Chairman San Agustin pointed out that he wants the Retirement Fund to deal with only one party. Vice Chairman Leon Guerrero stated that Trustee Wilfred Aflague suggested sending this back to the Investment Committee. Vice Chairman Leon Guerrero stated that he does not agree because the issue here is about procurement and sending this back to the Investment Committee is not going to help.

Secretary Leon Guerrero asked Chairman San Agustin whether he wants these services provided. Chairman San Agustin replied, "Yes." Chairman San Agustin stated that he agrees to have the contract amended and let Great-West sub-contract it for the other services. Treasurer Cruz asked what Great-West's role is with Advised Assets Group (AAG). Ms. Taijeron stated that AAG is the investment advisory service division of Great-West Life & Annuity Insurance Company (GWLA). Great-West is a subsidiary of GWLA. Chairman San Agustin stated that he agrees that the Retirement Fund has to provide these services but, does not want to entangle with three different companies. Vice Chairman Leon Guerrero reiterated that our Investment Consultant has indicated that we are not living up to our fiduciary responsibility by not providing these services which were recommended.

Ms. Taijeron stated that Great-West is not registered to offer investment advice. AAG is licensed to give investment advice. Secretary Leon Guerrero asked who the contract is with. Director Blas stated that it is with Great-West Retirement Services and Great-West Life Assurance. Secretary Leon Guerrero asked whether GWLA is the parent company and whether GWLA is on the contract. Ms. Taijeron stated that the contract is with GWLA. Secretary Leon Guerrero stated that Chairman San Agustin is okay with this as long as GWLA is on the contract. Director Blas stated that she will check whether GWLA is on the contract.

Director Blas stated that Legal Counsel's opinion on the second issue states that the duty to supervise and monitor the contractor is not impacted by the party paying for the investment advisory services - the Retirement Fund or the participant.

**Treasurer Gerard Cruz, seconded by Trustee George Santos, moved to approve entering into the Reality Investing Advisory Services Agreement to offer investment advisory services to the 401 (a) Defined Contribution Plan and 457 Deferred Compensation Plan participants, subject to Great-West Life & Annuity Insurance Company (GWLA) being on the contract. Without objection, the motion unanimously passed.**

**2. *Quarter Ending June 30, 2012 Performance Meeting*** – Vice Chairman Leon Guerrero informed the Board that the next Quarterly Performance Meeting is scheduled for July 26, 2012.

## **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 1:00 p.m. Motion unanimously passed.**

**I hereby certify that the foregoing is a full, true and correct copy of the Minutes of June 29, 2012 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on July 27, 2012.**



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

**RECORDING SECRETARY:**



**Jackie Blas**