



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

**James R.F. Duenas**  
 Trustee

**BOARD OF TRUSTEES**

**Regular Meeting**

Friday, January 25, 2013, 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, January 25, 2013, 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  
 George A. Santos, Trustee

**Board of Trustees Absent:**

Katherine T.E. Taitano, Trustee

**Staff Present:**

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

**Investment Consultant Present:**

Terry Dennison, Mercer Investment Consulting, Inc.

**Public Present:**

Ricky Hernandez, Senator Ben Pangelinan's Office

## **II. REVIEW AND APPROVAL OF BOARD MINUTES**

### **A. December 28, 2012 Regular Meeting**

**On motion of Trustee George Santos, seconded by Secretary Antolina Leon Guerrero, and without objection, the Minutes of December 28, 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 Bill 453-31 will have to be reintroduced in the 32nd Guam Legislature. Director Blas stated that she does not have an update on when the bill will be reintroduced.

### **Financial Report**

**1. *Contributions*** - Director Blas stated that as of January 22, 2013, all agencies are current with their Fiscal Year 2013 employee and employer contributions.

**2. *Financial Statements*** - Director Blas stated that the books for the month ending November 2012 were closed on January 4, 2013. The books for the month ending December 2012 will be closed today.

**3. *Fiscal Year 2012 Audit*** - Director Blas stated that the audit for Fiscal Year ending September 30, 2012 is ongoing. Final audit reports are scheduled to be issued no later than February 28, 2013.

## **VI. THIRD PARTY ADMINISTRATOR'S REPORT**

### **A. Contribution Report – December 2012**

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

Ms. Taijeron reported that the combined assets were \$334,198,322.76. There was an increase of .02% from the month of November to December 2012. Payroll contributions are current as of December 29, 2012 for all agencies. Contributions for pay period ending January 12, 2013 are being uploaded as they are received. There are 1,138 contributing participations in the 457 Plan.

Ms. Taijeron provided a graph of the 2012 401(a) Asset Growth. Treasurer Gerard Cruz asked whether the drop in May is a reflection of withdrawals or market. Ms. Taijeron stated that it is a combination of withdrawals and market. Director Blas stated that huge withdrawals are usually made by teachers during the summer.

Chairman San Agustin mentioned a piece of legislation recently passed by Congress regarding the 457 Plan. Director Blas stated that it has to do with being able to rollover into a Roth IRA. Ms. Taijeron stated that she has not received information regarding this legislation. Director Blas stated that not all Roth contributions are pre-taxed. Terry Dennison, Mercer Investment Consulting, Inc., stated that Roth is post-taxed and the standard IRA is pre-taxed. Ms. Taijeron stated that she will provide the Board information once she receives it.

Ms. Taijeron stated that the Reality Investing Advisory Services contract has been signed. Treasurer Cruz asked whether anyone is showing interest in Reality Investing. Ms. Taijeron replied, "Yes." Treasurer Cruz requested for demographic information of the category of their interest. Ms. Taijeron stated that she will work on getting the information requested.

**Trustee George Santos, seconded by Secretary Antolina Leon Guerrero, moved to accept the Third Party Administrator's Report. Without objection, the motion unanimously passed.**

## **VII. INVESTMENT COMMITTEE REPORT**

Vice Chairman Wilfred Leon Guerrero reported that the Quarterly Performance Meeting for the Quarter Ended December 31, 2012 was held on January 24, 2013. Vice Chairman Leon Guerrero noted that the Investment Committee Meeting was also held on January 24, 2013. The Committee reviewed and approved the Investment Committee Minutes of November 29, 2012 and December 28, 2012.

Mr. Dennison stated that they talked about the markets and the economy. Mr. Dennison provided reading material on the future expected market environment by J.P. Morgan Asset Management's "*Eye on the Market - Outlook 2013.*"

**Quarterly Performance** - Vice Chairman Leon Guerrero stated that Mr. Dennison provided an overview of the DC Plan's Investment Performance for the Quarter Ended December 31, 2012, noting that there are no recommendations for additions or replacements at this time. However, Mr. Dennison recommended placing the following Managers on the watch list:

- Franklin Small-Mid Cap Growth Fund due to chronic underperformance.
- Baron Small Cap Fund although it is doing well, the Fund is becoming too large for its index.

Mr. Dennison stated that he is recommending placing Franklin Small-Mid Cap on the watch list. Franklin has had long periods of underperformance. Mr. Dennison stated that Franklin underperformed for 15 straight quarters. Mr. Dennison stated that it may be problematic to make a replacement at this time. Mr. Dennison stated that economists are forecasting 2013 to be a relatively poor year for performance. Mr. Dennison stated that he recommends monitoring Franklin for two quarters.

Mr. Dennison stated that the issue with Baron Small Cap Fund is not performance. The issue is that Baron's Fund has become very large for a Small Cap Fund. Mr. Dennison stated that he is not recommending replacing Baron. Mr. Dennison stated that if Baron does not begin to restrain the growth of the Fund, it becomes questionable whether or not the future returns are going to be decent.

Vice Chairman Wilfred Leon Guerrero, seconded by Treasurer Gerard Cruz, moved to approve to place Franklin Small-Mid Cap Growth Fund and Baron Small Cap Fund on the Watch List as recommended by Mercer Investment Consulting, Inc. Without objection, the motion unanimously passed.

*Quarter Ending March 31, 2013 Performance Meeting* – Vice Chairman Leon Guerrero informed the Board that the next Quarterly Performance Meeting is scheduled for April 25, 2013.

**VIII. OLD BUSINESS**

None

**IX. NEW BUSINESS**

None

**X. OPEN DISCUSSION / GENERAL PUBLIC INPUT**

None

**XI. ANNOUNCEMENTS**

None

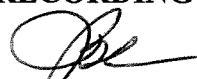
**XII. ADJOURNMENT**

There being no further business before the Board for the Defined Contribution Plan, on motion of Trustee George Santos, seconded by Secretary Antolina Leon Guerrero, and without objection, the meeting was adjourned at 12:41 p.m. Motion unanimously passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of January 25, 2013 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on February 22, 2013.

  
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ANTOLINA S. LEON GUERRERO, Board Secretary

**RECORDING SECRETARY:**

  
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Jackie Blas