



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
Reconvened Regular Meeting
Monday, April 1, 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 reconvened at 12:12 p.m. Monday, April 1, 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
Katherine T.E. Taitano, Trustee
James R.F. Duenas, Trustee

Staff Present:

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

Public Present:

Ricky Hernandez, Senator Ben Pangelinan's Office

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. February 22, 2013 Regular Meeting

On motion of Trustee George Santos, seconded by Trustee Katherine Taitano, and without objection, the Minutes of February 22, 2013 Regular Meeting were approved, subject to technical corrections. Motion unanimously passed.

III. CORRESPONDENCE

None

IV. INFORMATIONAL ITEMS

None

V. DIRECTOR'S REPORT - EXECUTIVE SUMMARY

I. Defined Benefit (DB)/Defined Contribution (DC) Plan Alternatives - Director Paula Blas stated that Senator Ben Pangelinan will reintroduce Bill 453-31. Director Blas stated that she will work with Senator Pangelinan on getting the bill reintroduced during the first or second week of this month and to get the bill updated. Once the bill is reintroduced, we will go out to the departments and try to get the DC Plan members to come out and support the bill. Treasurer Gerard Cruz asked whether there is a plan to develop an FAQ. Director Blas stated that there is an FAQ from the first time the bill was introduced and it is reader-friendly. Treasurer Cruz suggested that Management should come up with some of the responses in anticipation of the issues and/or questions the Governor is expected to raise. Director Blas stated that the Governor submitted testimony on Bill 453-31 when it was first introduced. Director Blas stated that the Governor is advocating Social Security. Director Blas stated that she will obtain copies of what was transmitted to Senator Pangelinan's Office.

Treasurer Cruz stated that there is nothing wrong with Social Security if they don't touch DC. The challenge is being able to afford Social Security and be able to afford the current DC structure. Director Blas stated that the Administration's approach is not going to be something that the Retirement Fund Board will be willing to support. Director Blas stated that the Administration is more toward Social Security and they want to take the employer share to 6% from the 25% unfunded portion to match Social Security. Treasurer Cruz stated that there is a misconception that the DC Plan members are subsidizing the DB Plan, which is not true. Treasurer Cruz stated that he believes that the Office of Public Accountability (OPA) may have had that same misunderstanding. Secretary Antolina Leon Guerrero stated that the OPA might have contributed to the confusion. Secretary Leon Guerrero stated that our concern has always been taking care of the DC members. Chairman San Agustin stated that we are only supposed to take from the interest earnings to pay benefits. A direct appropriation would take care of the unfunded liability. Treasurer Cruz stated that there should be no drawdowns at all. Chairman San Agustin stated that the contributions from the current members should not be touched. Chairman San Agustin inquired about the drawdown for 2012. Director Blas stated that it was \$51 Million in 2012. Secretary Leon Guerrero asked whether they want to reduce the contribution rate. Chairman San Agustin stated that there should be a direct appropriation. Trustee Katherine Taitano stated that it is a hard concept to sell. Secretary Leon Guerrero asked whether the Governor's position is to substitute the DC Plan with Social Security. Treasurer Cruz stated that the funding for Social Security should be within the existing contribution rate structure. Treasurer Cruz stated that we need to pass a law that prohibits the use of corpus to pay benefits.

Director Blas stated that the other concern the Governor had was the unfunded portion. Director Blas stated that the way that the Plan was designed was to minimize any type of increase in the unfunded liability. Treasurer Cruz asked whether there is a penalty for taking withdrawals. Director Blas replied, "Yes." Secretary Leon Guerrero asked whether a pension plan creates an unfunded liability. Director Blas replied, "Yes," the contributions coming in will pay for that which minimizes the unfunded. Treasurer Cruz stated that it is cost neutral to the DB Plan. Secretary Leon Guerrero asked what it does to the current DC members. Treasurer Cruz stated that with 17 years in, it puts them at less than what they have now. Chairman San Agustin asked how many current members are there. Director Blas stated that there are about 3,000. Trustee Taitano stated that we started discussion on the Hybrid. Chairman San Agustin stated that the Hybrid is so tied in to the unfunded liability. Trustee Taitano asked how it is relevant. Chairman San Agustin stated that we have to demonstrate to them that the 27% of the unfunded will continue. Secretary Leon Guerrero stated that the unfunded liability needs to be paid.

RECESS: 12:35 P.M.

RECONVENED: 1:09 P.M.

Financial Report

1. Contributions - Director Blas stated that as of March 27, 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 February 2013 were closed on March 20, 2013.

VI. THIRD PARTY ADMINISTRATOR'S REPORT

A. Contribution Report – February 2013

Director Blas stated that Alice Taijeron of Great-West Retirement Services (Great-West) provided the TPA Report for the month ending February 28, 2013 on the DC Retirement System 401(a) Plan and the 457 Deferred Compensation Plan. Ms. Taijeron reported that the combined assets are \$336,268,264.42. The combined assets experienced an increase of \$1,568,802.18 from the previous month. Payroll contributions for all agencies are current as of March 9, 2013. Chairman San Agustin asked what the average return is. Treasurer Cruz stated that it is 7.5%.

Trustee George Santos, seconded by Treasurer Gerard Cruz, 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 Investment Committee Meeting was held on March 8, 2013. The Committee reviewed and approved the Investment Committee Minutes of January 24, 2013 and February 21, 2013 regular meetings.

Next Quarterly Performance Meeting – Vice Chairman Leon Guerrero informed the Board that the next Quarterly Performance Meeting is scheduled for April 25, 2013.

Trustee George Santos, seconded by Trustee Katherine Taitano, moved to accept the Investment Committee Report. Without objection, the motion unanimously passed.

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 1:17 p.m. Motion unanimously passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of April 1, 2013 Reconvened Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on June 28, 2013.



ANTOLINA S. LEON GUERRERO, Board Secretary

RECORDING SECRETARY:



Jackie Blas