



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

**Katherine T.E. Taitano**  
 Trustee

**James R.F. Duenas**  
 Trustee

**David M. O'Brien**  
 Trustee

**BOARD OF TRUSTEES**  
**Regular Meeting**  
 Friday, August 30, 2013, 12:30 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 12:47 p.m. Friday, August 30, 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  
 James R.F. Duenas, Trustee

**Board of Trustees Absent:**

Katherine T.E. Taitano, Trustee (*Excused*)

**Staff Present:**

Paula Blas, Director  
 Rosalia Bordallo, General Accounting Supervisor  
 Jackie Blas, Recording Secretary  
 Alice Taijeron, Great-West Retirement Services

**Investment Consultant Present:**

Maggie Ralbovsky, Wilshire Associates

**Public Present:**

Mark Heath, Metropolitan West Capital Management  
 Frank Whitman, Marianas Variety

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

### **A. July 26, 2013 Regular Meeting**

**On motion of Secretary Antolina Leon Guerrero, seconded by Trustee James Duenas, and without objection, the Minutes of July 26, 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**

**1. *Defined Benefit (DB)/Defined Contribution (DC) Plan Alternatives*** - Director Paula Blas stated that now that the Fiscal Year 2014 Budget was passed, Senator Ben Pangelinan will work with her on the Hybrid legislation. Director Blas stated that she will find out when Senator Pangelinan will reintroduce the same bill.

### **Financial Report**

**1. *Contributions*** - Director Blas stated that as of August 28, 2013, all agencies are current with their Fiscal Year 2013 employee and employer contributions. Secretary Antolina Leon Guerrero inquired about Guam Memorial Hospital Authority (GMHA). Director Blas stated that GMHA is up to date with their contributions.

**2. *Financial Statements*** - Director Blas stated that the books for the month ending July 2013 were closed on August 16, 2013.

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

### **A. Contribution Report – July 2013**

Director Blas stated that Alice Taijeron of Great-West Retirement Services (Great-West) provided the TPA Report for the month ending July 31, 2013 on the DC Retirement System 401(a) Plan and the 457 Deferred Compensation Plan.

Ms. Taijeron reported that contributions are up to date. The 401(a) Plan had an asset increase of 3.86%. The 457 Plan has an asset increase of 4.29%. The combined assets had a total increase of 4%. Ms. Taijeron stated that the total growth less contributions was 3%. Vice Chairman Wilfred Leon Guerrero asked if the 4% total increase was for the quarter. Ms. Taijeron stated that it is for the month of July. Chairman San Agustin inquired about the change in assets on Pages 2, 5, 8, and 10. Chairman San Agustin also inquired about the rate of return for each plan. Ms. Taijeron stated that the data is on Pages 1 through 4 under Investment Performance. The individual returns by fund are listed on those pages. Ms. Taijeron stated that the overall average increased.

Chairman San Agustin stated that the 457 Plan is decreasing. Ms. Taijeron stated that it is due to loans. Vice Chairman Leon Guerrero inquired about the loans. Ms. Taijeron stated that the participants indicate that it is for general purposes and mortgages. Ms. Taijeron stated that the participants are encouraged not to take out loans. Ms. Taijeron stated that some do redeposit the money back into their account.

Treasurer Gerard Cruz inquired about the 5% contribution rate. Director Blas stated that it is a fixed rate for the DC 401(a) Plan. Treasurer Cruz stated that the DC Plan balances on Guam are underfunded. Treasurer Cruz asked whether there is data sent to participants to make them aware of their projected fund balance. Ms. Taijeron replied, "Yes, the quarterly statements sent to participants show the projection. Treasurer Cruz asked whether the participants know what they will be earning. Ms. Taijeron stated that the information is given at the educational seminars and individual meetings. Treasurer Cruz asked whether there is a way to remind the participants of this information. Ms. Taijeron stated that the new employee orientation is held every Thursday and they also go out to the agencies for a monthly meeting.

Trustee James Duenas stated that he spoke to a few DC participants about enrolling in the 457 Plan and their response was that financial constraints do not allow them to. Director Blas stated that the law needs to be amended if we were to make enrollment in the 457 Plan mandatory. Secretary Leon Guerrero stated that we could start enrollment at 1% and then increase it gradually. Director Blas stated that we will have to check the law and maybe make it an opt-out only.

Chairman San Agustin inquired about the distribution rationale on BlackRock. Ms. Taijeron stated that it is the new enrollments. Secretary Leon Guerrero stated that BlackRock is the default fund. Stable Value Fund was the previous default fund. Treasurer Cruz stated that shifting to a target date fund allows participants to reduce risk.

**Secretary Antolina Leon Guerrero, 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 Leon Guerrero reported that the Investment Committee Meeting was held on August 29, 2013. The Committee reviewed and approved the Investment Committee Minutes of July 25, 2013.

***Quarterly Performance*** - Vice Chairman Leon Guerrero stated that during the July 26, 2013 Board Meeting, the Board requested that Mercer Investment Consulting, Inc. (Mercer) prepare search reports for the possible replacement of Franklin Small-Mid Cap Growth Fund and Nuveen Winslow Large-Cap Growth Fund.

Vice Chairman Leon Guerrero stated that during the August 29, 2013 Investment Committee Meeting, the Committee reviewed and discussed the search reports and recommendations with Mr. Terry Dennison from Mercer via a conference call. Vice Chairman Leon Guerrero stated that the replacement options provided for the Board's consideration are listed below:

1. **Replacement Options for Franklin Small-Mid Cap Growth Fund:**
  - a. Champlain Mid Cap Fund Institutional
  - b. ClearBridge Mid Cap Core Fund I
  - c. Hartford MidCap Fund Y
  - d. RidgeWorth Mid-Cap Value Equity Fund I
  - e. Franklin Small-Mid Cap Growth Fund A (Incumbent)
  
2. **Replacement Options for Nuveen Winslow Large-Cap Growth Fund:**
  - a. Harbor Capital Appreciation Fund Institutional
  - b. T Rowe Price Blue Chip Growth Fund
  - c. T Rowe Price Institutional Large-Cap Growth Fund
  - d. Wells Fargo Advantage Capital Growth Fund Institutional
  - e. Nuveen Winslow Large-Cap Growth Fund (Incumbent)

Vice Chairman Leon Guerrero stated that the Committee recommends replacing Franklin Small-Mid Cap Growth Fund with ClearBridge Mid Cap Core Fund I and replacing Nuveen Winslow Large-Cap Growth Fund with T Rowe Price Institutional Large-Cap Growth Fund. Chairman San Agustin asked whether they are new managers. Vice Chairman Leon Guerrero replied, "Yes." Chairman San Agustin asked whether there was a due diligence review. Vice Chairman Leon Guerrero replied, "Yes, and there is a report provided by Mercer. The Investment Committee went through the process."

**Vice Chairman Wilfred Leon Guerrero, seconded by Treasurer Gerard Cruz, moved to approve the Investment Committee's Recommendation to replace Franklin Small-Mid Cap Growth Fund with ClearBridge Mid Cap Core Fund I and to replace Nuveen Winslow Large-Cap Growth Fund with T Rowe Price Institutional Large-Cap Growth Fund; and a copy of the due diligence review be made a part of the record. Without objection, the motion unanimously passed.**

Treasurer Cruz stated that the share classes will be reviewed with the different options. Secretary Leon Guerrero stated that there is a 60-day requirement to send out the notice that the fund is being replaced. Treasurer Cruz stated that the participants will be notified of the share classes. Vice Chairman Leon Guerrero stated that we are looking at the participant charges. Treasurer Cruz stated that the concern was the expense ratio and revenue sharing. The revenue sharing offsets the administrative fees. Those without revenue sharing have a lower expense ratio. Treasurer Cruz stated that Trustee Duenas was asking for a rebate. Trustee Duenas suggested spreading the costs so that everyone pays equally. Revenue sharing will then be used to offset. Secretary Leon Guerrero asked whether there is a way to have a per capita rate. Treasurer Cruz replied, "Yes." Allocate the cost to everyone. This was done before. Treasurer Cruz stated that now it's by percentage of assets. Trustee Duenas stated that the calculation was adding more expense. Vice Chairman Leon Guerrero stated that he would like Ms. Taijeron to look into this. Trustee Duenas asked whether it is legal to do distribution and get it back into the account. Ms. Taijeron stated that she will check if there is a disparity. Ms. Taijeron stated that some participants are not paying costs. Vice Chairman Leon Guerrero asked Ms. Taijeron to provide an analysis to see whether there is inequity.

Secretary Leon Guerrero stated that we need to move forward on notifying the participants of the change. Treasurer Cruz stated that we also need to move forward and give options of share classes. Rosalia Bordallo, General Accounting Supervisor, asked Ms. Taijeron how long will the analysis take. Mr. Taijeron stated replied, "By Wednesday next week." Treasurer Cruz agreed to go with the

cheapest share class. Vice Chairman Leon Guerrero stated that he would like to include Mr. Dennison in the discussion of the share classes. Chairman San Agustin stated that he will leave this up to the Investment Committee.

**Treasurer Gerard Cruz, seconded by Secretary Antolina Leon Guerrero, moved to go with the cheapest share class. Without objection, the motion unanimously passed.**

*Next Quarterly Performance Meeting* – Vice Chairman Leon Guerrero informed the Board that the next Quarterly Performance Meeting is tentatively scheduled for October 30, 2013.

**Treasurer Gerard Cruz, seconded by Secretary Antolina Leon Guerrero, 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**

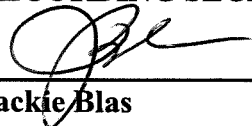
**There being no further business before the Board for the Defined Contribution Plan, on motion of Treasurer Gerard Cruz, seconded by Vice Chairman Wilfred Leon Guerrero, and without objection, the meeting was adjourned at 1:37 p.m. Motion unanimously passed.**

**I hereby certify that the foregoing is a full, true and correct copy of the Minutes of August 30, 2013 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on September 27, 2013.**



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

**RECORDING SECRETARY:**



**Jackie Blas**