



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
 Thursday, October 31, 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 12:46 p.m. Thursday, October 31, 2013, in the Retirement Fund Conference Room. Acting Chairman Wilfred P. Leon Guerrero officiated.

Board of Trustees Present:

Wilfred P. Leon Guerrero, Acting Chairman
 Antolina S. Leon Guerrero, Secretary
 Gerard A. Cruz, Treasurer
 James R.F. Duenas, Trustee
 David M. O'Brien, Trustee

Board of Trustees Absent:

Joe T. San Agustin, Chairman (*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:

Terry Dennison, Mercer Investment Consulting, Inc.

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. September 27, 2013 Regular Meeting

On motion of Secretary Antolina Leon Guerrero, seconded by Trustee David O'Brien, and without objection, the Minutes of September 27, 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 she is going to route questions to update information on the Hybrid Plan. Director Blas stated that Senator Ben Pangelinan is looking at changing the number of years to 35 years of service at age 55 at 75% and the year after will be 80%. It used to be 49 years at 85%. Secretary Antolina Leon Guerrero asked whether it is a reduction. Director Blas stated that it is 25 years of service with a 6% penalty. Director Blas stated that they are also looking to allow age 65 with 30 years of service at 75%. Secretary Leon Guerrero asked what the current provision is. Director Blas replied, "Age 55 with 25 years of service with a 60% penalty." Director Blas stated that she will run the numbers with the Retirement Fund's Actuarial Consultant on how it will affect the contribution rate. Treasurer Gerard Cruz stated that we should also consider the impact to the unfunded liability and the cost of Social Security. Director Blas stated that they are looking at that. Acting Chairman Leon Guerrero asked whether there will be another public hearing. Director Blas replied, "Yes."

Terry Dennison of Mercer Investment Consulting, Inc. stated that the DB Plans are more desirable. This is something coming down the pipe. Mr. Dennison stated that the issue is not the pension, it is the benefits. Treasurer Cruz asked whether we are different from CNMI's pension plan. Mr. Dennison stated that it depends on the law. Mr. Dennison stated that the pension plans in the states are not permitted to change the law. A lot of the pension plans are still unfunded. Trustee David O'Brien stated that Government of Guam employees are now contributing to Medicare. You only need 40 quarters to be eligible for Medicare. Once you hit the age of 65, Medicare should be implemented. Treasurer Cruz stated that we really need to consider health care. Director Blas stated that it is handled by the Department of Administration. Director Blas stated that you will need an exclusive carrier in order to make it available. Director Blas stated that the Government of Guam looked at separating the retirees and the active employees. Secretary Leon Guerrero stated that GovGuam found that having two plans would be too costly.

Financial Report

1. **Contributions** - Director Blas stated that as of October 29, 2013, all agencies are current with their Fiscal Year 2014 employee and employer contributions.
2. **Financial Statements** - Director Blas stated that the books for the month ending September 2013 are scheduled to be closed on November 8, 2013.

VI. THIRD PARTY ADMINISTRATOR'S REPORT

A. Contribution Report – September 2013

Director Blas stated that Alice Taijeron of Great-West Retirement Services (Great-West) provided the TPA Report for the month ending September 30, 2013 on the DC Retirement System 401(a) Plan and the 457 Deferred Compensation Plan. Acting Chairman Leon Guerrero inquired about the percentage on returns on the 401(a). Ms. Taijeron stated that it's 2% as of September 30, 2013.

Ms. Taijeron stated that contributions are current as of October 5, 2013. Ms. Taijeron stated that the 401(a) Plan had total contributions of \$2,035,119.41. There was a decrease in contributions of .23%. The 457 Plan had total contributions of \$362,417.54. There was an increase in contributions of 2.24%. The total combined contribution was \$2,397,536.76. There was a decrease in combined contributions of .20%.

Mr. Taijeron stated that the 401(a) Plan had total assets of \$334,993,332.69. There was an increase in assets of 3.86%. The 457 Plan had total assets of \$32,613,639.64. There was an increase in assets of 4.35%. The total combined assets were \$367,606,972.33. There was an increase in combined assets of .04%. The increase less contributions was .03%.

Treasurer Gerard Cruz, 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

Treasurer Cruz reported that the Quarterly Performance Meeting for the Quarter Ended September 30, 2013 was held on October 30, 2013. Treasurer Cruz noted that the Investment Committee Meeting was also held on October 30, 2013. The Committee reviewed and approved the Investment Committee Minutes of September 25, 2013.

Treasurer Cruz turned the floor over to Mr. Dennison. Mr. Dennison stated that they talked about the economic environment. Mr. Dennison stated that the rates will be maintained as long as the funds are doing well. Mr. Dennison stated that there are three recommendations:

1. Continue to Monitor BlackRock Life Path Funds
2. Perform a Search to replace the Thornburg International Value Fund
3. Replace Franklin Small-Mid Cap Growth Fund with the ClearBridge MidCap Core Fund Class I

Mr. Dennison stated that Mercer recommends keeping BlackRock Life Path Funds on the Watch List. Great-West will provide options at the January meeting. Mr. Dennison stated that he is concerned with BlackRock's performance in comparison with like funds and BlackRock's custom funds.

Treasurer Gerard Cruz, seconded by Trustee James Duenas, moved to accept Mercer's recommendation to keep BlackRock Life Path Funds on the Watch List. Without objection, the motion unanimously passed.

Mr. Dennison stated that there was discussion to consider continuing to monitor Thornburg International Value Fund or to find a replacement and move the assets. Mr. Dennison stated that Thornburg has performance issues. Mr. Dennison added that their stock selection process is not as good. Their consistency is not as expected.

Treasurer Gerard Cruz, seconded by Trustee James Duenas, moved to accept Mercer's recommendation to perform a search for the replacement of Thornburg International Value Fund. Without objection, the motion unanimously passed.

Mr. Dennison stated that Mercer recommends replacing Franklin Small-Mid Cap Growth Fund with the ClearBridge MidCap Core Fund Class I. Regarding the selection of share class, Mr. Dennison stated that Mercer's recommendation is to go with Share Class I.

Treasurer Gerard Cruz, seconded by Trustee James Duenas, moved to accept Mercer's recommendation to replace Franklin Small-Mid Cap Growth Fund with the ClearBridge MidCap Core Fund Class I and to go with Share Class I. Without objection, the motion unanimously passed.

Next Quarterly Performance Meeting – Treasurer Cruz informed the Board that the next Quarterly Performance Meeting is tentatively scheduled for January 30, 2014.

Treasurer Gerard Cruz, seconded by Trustee James Duenas, 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

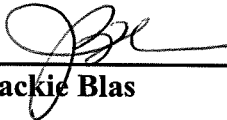
There being no further business before the Board for the Defined Contribution Plan, on motion of Trustee James Duenas, seconded by Trustee David O'Brien, and without objection, the meeting was adjourned at 1:24 p.m. Motion unanimously passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of October 31, 2013 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on November 22, 2013.



ANTOLINA S. LEON GUERRERO, Board Secretary

RECORDING SECRETARY:



Jackie Blas