



GOVERNMENT OF GUAM
RETIREMENT FUND
 STABILITY · SECURITY · REWARDS

Eddie Baza Calvo
 Governor

Ray Tenorio
 Lieutenant Governor

Paula M. Blas
 Director

**INVESTMENT COMMITTEE MEETING
 DEFINED CONTRIBUTION PLAN**
 Friday, June 14, 2013
 Retirement Fund Conference Room

MINUTES

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

(Vacant)
 Members' & Benefits Committee,
 Chairman

Katherine T.E. Taitano
 Trustee

James R.F. Duenas
 Trustee

i. CALL TO ORDER

The Retirement Fund Investment Committee Meeting was called to order at 12:35 p.m. Friday, June 14, 2013, in the Retirement Fund Conference Room. Investment Committee Chairman Wilfred P. Leon Guerrero officiated.

Board of Trustees Present:

Wilfred P. Leon Guerrero, Chairman
 Gerard A. Cruz, Vice Chairman
 James R.F. Duenas, Trustee
 Joe T. San Agustin, Ex Officio

Staff Present:

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

II. ACTION ITEMS

- 1. March 8, 2013 Regular Investment Committee Meeting Minutes**
- 2. April 25, 2013 Regular Investment Committee Meeting Minutes**
- 3. May 30, 2013 Regular Investment Committee Meeting Minutes**
- 4. January 24, 2013 Due Diligence Meeting for the Quarter Ended December 31, 2012 Minutes**
- 5. April 25, 2013 Due Diligence Meeting for the Quarter Ended March 31, 2013 Minutes**

A motion was made by Vice Chairman Gerard Cruz, seconded by Trustee James Duenas, to approve the minutes of January 24, 2013 Due Diligence Meeting, subject to technical corrections; and to table the minutes of March 8, 2013, April 25, 2013, and May 30, 2013 Regular Investment Committee Meetings and the April 25, 2013 Due Diligence Meeting Minutes. Without objection, the motion was passed.

III. OPEN ITEMS

None

IV. NEW BUSINESS

- 1. Mutual Fund 12b-1 Fees**

Alice Taijeron, Great-West Retirement Services (Great-West), stated that she was asked to do a comparison of the funds on moving to a lower share class. Ms. Taijeron stated that she can share the information, but she can't provide the hard copy without approval by Great-West's security's compliance. Ms. Taijeron stated that she is waiting for Security's Review to authorize the release of documents.

Ms. Taijeron stated that if the Retirement Fund moves to a lower share class, it will be losing about 93% of revenue on the 01 Plan and 35% on its expense cost. Chairman Leon Guerrero asked what is the revenue loss for. Vice Chairman Gerard Cruz stated that the revenue that the Retirement Fund gets now is used to off-set plan expenses. Ms. Taijeron stated that on the 02 Plan, the Retirement Fund will be losing about 80% of revenue and about 79% on the 457 Plan. Chairman Leon Guerrero asked who requested for this information. Ms. Taijeron stated that Terry Dennison of Mercer Consulting, Inc., had mentioned that the Retirement Fund is eligible to move to a lower share class during the April due diligence meeting.

Chairman Leon Guerrero asked where will we make up for the loss of revenue. Ex Officio Joe T. San Agustin stated that this will have an impact on the costs for the participants. Vice Chairman Cruz stated that the cost refers to the managers, not the Third Party Administrator (TPA). Chairman Leon Guerrero asked what is the option on going to the lower share class. Director Paula Blas stated that we need to look at the menu of funds being offered. Ex Officio San Agustin stated that the current menu is costing more. Vice Chairman Cruz stated that when the Retirement Fund first offered these menu items to its participants, the Retirement Fund's total assets was \$180 Million and the costs were fixed

costs. Now that we have grown, the participants are now eligible to take advantage of a lower share class. Vice Chairman Cruz stated that the expense ratio goes to pay the individual investment managers. The Defined Benefit (DB) Plan investment managers do not offer a 12b-1 revenue rebate because they are active managers.

Vice Chairman Cruz stated that Mr. Dennison brought up an issue and the Committee asked Ms. Tajeron to look at the new expense ratios that the Retirement Fund is now qualified for as a Plan and determine the impact on the revenue that we would receive. Vice Chairman Cruz stated that Ms. Tajeron's conclusion is that if the Retirement Fund changes to a new share class the impact on the 401(a) Plan is 93%. Ex Officio San Agustin stated that the bottom line is we will not be getting as much. Director Blas stated that it is less marketing. The 12b-1 fees are for marketing costs. Chairman Leon Guerrero asked what are the options of not moving to a lower share class. Controller Diana Bernardo stated that we are getting a little less than \$250,000 quarterly in 12b-1 revenues. Controller Bernardo stated that the largest bulk of the 93% Ms. Tajeron referred to is because of the change in the share class in BlackRock. Maybe the option is not to move to a lower share class on BlackRock, but to assess whether we want to keep BlackRock. Controller Bernardo stated that BlackRock's expense ratio is 85% and its revenue is 40%. Ex Officio San Agustin asked why the participants should have to pay more. Director Blas stated that it does not affect the participants' revenue. The revenue that is being disclosed is revenue that comes back to the Retirement Fund in 12b-1 fees. Vice Chairman Cruz stated that the Retirement Fund has to pay the plan expenses. Controller Bernardo stated that instead of shifting to a lower share class, we might want to reconsider keeping BlackRock. Chairman Leon Guerrero asked how many participants are in BlackRock. Ms. Tajeron stated that BlackRock is the Retirement Fund's default fund and there are about 70% of participants. Vice Chairman Cruz suggested taking a look at Terry Dennison's analysis when he gets here in July. Vice Chairman Cruz stated that if Ms. Tajeron gets clearance from their security compliance, a copy should be given to Mr. Dennison for comparison. Ms. Tajeron stated that she will follow-up with their security's compliance.

V. INFORMATIONAL ITEMS

None

VI. OPEN DISCUSSION

None

VII. CORRESPONDENCE

None

VIII. ANNOUNCEMENTS

- 1. Next Due Diligence Meeting: July 25, 2013**

Chairman Leon Guerrero informed the Committee members that the next Quarterly Performance meeting is tentatively scheduled for July 25, 2013.

IX. ADJOURNMENT

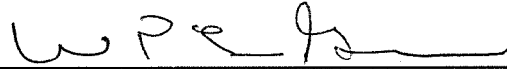
There being no further business before the Investment Committee, a motion was made by Vice Chairman Gerard Cruz, seconded by Trustee James Duenas, to adjourn the meeting at 12:57 p.m. Without objection, the motion was passed.

Respectfully submitted,



JACKIE M. BLAS
Recording Secretary

AFFIRMED:



WILFRED P. LEON GUERRERO, Ed.D.
Investment Committee Chairman