



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, March 28, 2014, 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 12:44 p.m. Friday, March 28, 2014, 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  
 David M. O'Brien, Trustee

**Board of Trustees Absent:**

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

**Staff Present:**

Diana Bernardo, Acting Director  
 Rosalia Bordallo, General Accounting Supervisor  
 Jackie Blas, Recording Secretary  
 Alice Taijeron, Director, Client Relations & Plan Counseling, Great-West Financial

**Public Present:**

Andriana Quitugua, UOG Student  
 Selina Onedera-Salas, Senator Ben Pangelinan's Office

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

### **A. February 28, 2014 Regular Meeting**

**On motion of Trustee David O'Brien, seconded by Secretary Antolina Leon Guerrero, and without objection, the Minutes of February 28, 2014 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*** – Acting Director Diana Bernardo stated that the Retirement Fund held a working session with the Trustees, Senator Ben Pangelinan's representatives, the Public Auditor, the Retirement Fund's Legal Counsel and Actuary, to discuss the various hybrid options. Acting Director Bernardo stated that Senator Pangelinan agreed to move forward with utilizing Hybrid Option 2 with a 5-year re-amortization. A follow-up working session was held on February 28, 2014. In March 2014, additional information was requested by Senator Pangelinan's Office. Acting Director Bernardo stated that Rich Wright from Milliman, Inc. will provide this information by April 10, 2014. Trustee David O'Brien inquired about the additional information requested by Senator Pangelinan. Acting Director Bernardo stated that Senator Pangelinan requested additional Hybrid options to include an increase in the amortization period. Acting Director Bernardo stated that with the prior Hybrid options, Milliman included schedules reflecting a 0%, 50%, and 100% transfer. Milliman will now add 25% and 75% transfers. Trustee O'Brien asked if Option 2 is the transfer of the actuarial balance. Treasurer Gerard Cruz replied, "Yes." Trustee O'Brien inquired about the pay out rate. Secretary Antolina Leon Guerrero stated that it is 1.75. Chairman San Agustin asked what is it that we want to push. Trustee O'Brien stated that the issue is what we are asking Milliman for. Acting Director Bernardo stated that for Option 3, the average salary will be 1.95% for the first 20 years and then 2.4% thereafter. Secretary Leon Guerrero stated that it might be an enhancement.

Trustee O'Brien stated that the issue from Legal Counsel is that we can't make it look like the old DB Plan. Trustee Duenas stated that other stuff affected it like the military service and the non base. Treasurer Cruz stated that he recommends introducing the bill as is. This is something our Legal Counsel can stand behind. Trustee Duenas stated that 1.95 is defensible. Acting Director Bernardo stated that Senator Pangelinan is asking for information related to Options 3, 3A, 3B, and 4, 4A and 4B. Chairman San Agustin stated the need to give one direction and get this over with. Trustee Duenas stated that if we go with 1.95, Senator Pangelinan might consider it. Chairman San Agustin stated that we need to maintain our position. Vice Chairman Wilfred Leon Guerrero stated that at the working session, Legal Counsel pointed out that there is only one option that we have. Vice Chairman Leon Guerrero stated that Legal Counsel stated that in order for the Board to support the proposed legislation, we can't make it look like the old DB Plan. Secretary Leon Guerrero stated that that's the reason we closed the DB plan. Secretary Leon Guerrero stated that Senator Pangelinan is asking for information with regards to reamortization. Treasurer Cruz stated that we should not go down that road. Trustee Duenas suggested calling a work session. Secretary Leon Guerrero stated that we

should sit down when we get the data provided by Milliman. Trustee O'Brien asked whether the Board is united on this as far as what we want to present. Chairman San Agustin stated that if we keep responding to questions like this, we might not be united. Trustee O'Brien stated that we should discuss it in context with Milliman and Legal Counsel. Secretary Leon Guerrero stated that a base was presented and Senator Pangelinan asked to consider two options and now it's turning into ten options. Secretary Leon Guerrero stated that Legal Counsel is saying to follow what the Board's intent was. We need to restate our position.

Acting Director Bernardo stated that Mr. Wright will be here in April to present the valuation. Trustee O'Brien asked what is the timeframe at the Legislature. Chairman San Agustin stated that we worked on this for two years. We need to state our position and get it out of the Retirement Fund and to the Legislature. Trustee Duenas stated that we already discussed the Hybrid base. We should discuss this with Milliman on what percentage is sensible. Trustee Duenas stated that he is concerned that it is an election year for both the Board and the Senators. Changes in the Board and Legislature may negatively affect efforts to pass the Hybrid plan. Treasurer Cruz stated that we should have a working session by next week. Chairman San Agustin stated that we will provide the data requested to Senator Pangelinan, but we need to get this going. Secretary Leon Guerrero stated that she is in favor of the base. It will be helpful for Mr. Wright to get 1.75 and 1.95 calculations. Secretary Leon Guerrero stated that we should talk to Mr. Wright before the numbers come in on April 10, 2014. Treasurer Cruz inquired about the average salary for GovGuam employees today. Rosalia Bordallo, General Accounting Supervisor, stated that it is \$40,000 to \$45,000. Chairman San Agustin stated that the retirees' average is \$30,000 as of September 2012. Alice Taijeron, Director, Client Relations & Plan Counseling, Great-West Financial (Great-West) mentioned that there is the mandatory 457 Plan component. Chairman San Agustin reiterated that the Hybrid can't be equal to the old DB Plan. Trustee Duenas stated that we could save a little money of what we will be paying if we go with the Social Security option. Trustee O'Brien stated that if we want to retire with more money, we should contribute more in the 457 Plan. Chairman San Agustin stated that the Board should defend its version of the bill. Chairman San Agustin agreed to schedule a working session.

**Treasurer Gerard Cruz, seconded by Trustee David O'Brien, moved to schedule a working session for sometime next week with a conference call to Rich Wright of Milliman, Inc. and the Retirement Fund's Legal Counsel. Without objection the motion unanimously passed.**

2. **Standard Insurance** – Acting Director Bernardo stated that the attached document is an updated listing of individuals currently receiving disability benefits as of March 24, 2014. Acting Director Bernardo reported that No. 59 on the listing is the most recent individual receiving disability benefits. Three individuals' benefits were terminated: 1 is deceased, 1 reached the benefit end date (up to age 65), and 1 failed to provide ongoing proof of disability. Chairman San Agustin inquired about the average days (99 days) from receipt to decision. Acting Director Bernardo stated that it's from the first day the documents were submitted to the last day. Trustee O'Brien pointed out that the average from receipt to assignment of 48 days is pretty good. Chairman San Agustin stated that the problem is they are currently receiving 66⅔%. When they reach the age of 65, they no longer receive benefits and they will get their 401 money until they exhaust it. Chairman San Agustin stated that this then leads back to the need for the Hybrid. Vice Chairman Leon Guerrero stated that if the DC disability's source of funding is from Standard, what happens to our portfolio. Treasurer Cruz stated that the portfolio is still growing. Chairman San Agustin stated that the government contribution is being paid by Standard. Ms. Taijeron stated that there are two benefits – there is a pension benefit and disability

benefit. The disability benefit is paid directly to the member and the pension benefit is paid to the retirement account, just the employer portion. Ms. Taijeron stated that they can still access the three different hardship provisions. Trustee O'Brien asked whether it is 5% that goes into the 401(a). Ms. Taijeron replied, "Yes."

### **Financial Report**

1. **Contributions** – Acting Director Bernardo stated that as of March 25, 2014, all agencies are current with their Fiscal Year 2014 employee and employer contributions.
2. **Financial Statements** – Acting Director Bernardo stated that the books for the month ending February 2014 were closed on March 13, 2014.

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

### **A. Contribution Report – February 2014**

Acting Director Bernardo stated that Ms. Taijeron provided the TPA Report for the month ending February 28, 2014 on the DC Retirement System 401(a) Plan and the 457 Deferred Compensation Plan. Ms. Taijeron stated that there are no major changes in asset.

Ms. Taijeron reported that the 401(a) Plan had total assets of \$367,930,156.29. There was an increase of \$14,626,778.89 or 4.14%. There was a market growth of 3% from January to February 2014. The market growth from February 2013 to February 2014 was 19%. The 457 Deferred Compensation Plan had total assets of \$36,009,547.69. There was an increase of \$1,541,476.19 or 4.47%. There was a market growth of 3% from January to February 2014. The market growth from February 2013 to February 2014 was 25%. The combined assets had a market growth of 3% from January to February 2014. The market growth from February 2013 to February 2014 was 19%.

The 401(a) Plan had total contributions of \$2,946,064.13. There was an increase in contributions of \$646,822.97 or 28%. The 457 Deferred Compensation Plan had total contributions of \$416,577.38. There was an increase of \$51,347.58 or 14%.

Ms. Taijeron stated that on March 12, 2014, the Department of Labor (DOL) issued a proposal to amend the 408(b)(2) Fee Disclosure Guide. The proposal will require certain covered service providers to furnish a guide to plan fiduciaries with the initial fee disclosures. Ms. Taijeron stated that DOL's fee and service disclosure rules only apply to plans subject to the Employment Retirement Income Security Act of 1974 (ERISA), it does not apply to us, but it will be implemented. Chairman San Agustin asked whether there is a change in fees. Ms. Taijeron replied, "Not to my knowledge." It is for transparency. Great-West would like to make it a common practice for ERISA Plans.

Ms. Taijeron stated that upon the retirement of Mitchell Graye in May 2014, Mr. Robert Reynolds will assume the position of President and Chief Executive Officer of Great-West Financial. Great-West has no major changes.

**Treasurer Gerard Cruz, seconded by Trustee James Duenas, moved to accept the Third Party Administrator's Report. Without objection, the motion unanimously passed.**

## VII. STANDING COMMITTEE REPORTS

### A. Investment Committee

Vice Chairman Leon Guerrero reported that the Investment Committee Meeting was held on March 21, 2014. The Committee reviewed and approved the Investment Committee Minutes of February 27, 2014.

Acting Director Bernardo stated that the following was approved for Board Action:

***Extension of Mercer Investment Consulting, Inc. Contract*** – Acting Director Bernardo stated that the Investment Committee reviewed the Supplemental Contract entered into in April 2011 with Mercer Investment Consulting, Inc., which expires on March 31, 2014. The contract was for \$100,000 for the first year, with a four percent (4%) increase yearly on April 1st. Acting Director Bernardo stated that the Committee recommends renewing the contract for an additional three (3) years with an automatic renewal unless terminated by either party. The current annual fee is \$108,160. Beginning April 1, 2014, the fee will be \$112,486. There is no change to the Scope of Work and it will continue to include four (4) quarterly meetings. Treasurer Cruz asked whether the contract is currently on an automatic renewal. Acting Director Bernardo replied, “No.” Trustee O’Brien asked whether the original contract was from a Request for Proposal (RFP). Ms. Bordallo, replied, “Yes.” Trustee O’Brien asked whether the RFP allows for an extension of contract. Acting Director Bernardo stated that in 2011 it was discussed with Legal Counsel and the Committee, and that it was determined to be okay not to go out on an RFP. Treasurer Cruz suggested that the contract should not have an automatic renewal. Acting Director Bernardo stated that she will strike out that provision. Vice Chairman Leon Guerrero stated that the Board of Trustees’ term expires every 5 years so the next Board could have the opportunity to decide on it. Vice Chairman Leon Guerrero recommended renewing the contract for one year with no automatic renewal. Secretary Leon Guerrero suggested, for continuity sake, renewing the contract for 3 years and we should revisit the idea of a 5-year contract in an RFP. Secretary Leon Guerrero stated that the new Board will be better served. Vice Chairman Leon Guerrero stated that we should review contracts systematically. Ms. Bordallo stated that you could renew the contract for 3 years, but within the contract it states that you can terminate at any time given a 30-day notice.

**Vice Chairman Wilfred Leon Guerrero, seconded by Treasurer Gerard Cruz, moved to approve to renew Mercer Investment Consulting, Inc.’s Contract for an additional three (3) years with a fee of \$112,486 beginning April 1, 2014, without an automatic renewal. Without objection, the motion unanimously passed.**

***Next Quarterly Performance Meeting*** – Vice Chairman Leon Guerrero informed the Board that the next Quarterly Performance Meeting is scheduled for April 24, 2014.

**Treasurer Gerard Cruz, seconded by Trustee James Duenas, moved to accept the Investment Committee Report. Without objection, the motion unanimously passed.**

### B. Members and Benefits Committee

***Secure Foundation*** - Secretary Leon Guerrero stated that Trustee O’Brien is concerned about how to communicate with the participants regarding the change of the default fund to Secure Foundation. We want to make sure that there is full disclosure and the participants are well informed. Ms. Tajeron

stated she has not received word from their marketing department, but she will make sure that the full disclosure is included. Trustee O'Brien stated that we need to specifically point out to the participants that if they fall in the 10-year window of going to the guaranteed withdrawal plan, they will pay an additional 0.9% and that might impact their account balance in the future and to let us know what they are going to do. They need to understand the full implication. Ms. Taijeron stated that there will be group meetings conducted to inform the participants of this. The participants will get a lot of notifications. Treasurer Cruz stated that the participants' silence means acceptance.

**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 Secretary Antolina Leon Guerrero, and without objection, the meeting was adjourned at 1:35 p.m. Motion unanimously passed.**

**I hereby certify that the foregoing is a full, true and correct copy of the Minutes of March 28, 2014 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on April 25, 2014.**



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

**RECORDING SECRETARY:**



**Jackie Blas**