



GOVERNMENT OF GUAM  
**RETIREMENT FUND**

STABILITY · SECURITY · REWARDS

**BOARD OF TRUSTEES**

**Regular Meeting**

Friday, April 25, 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 12:43 p.m. Friday, April 25, 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:**

Paula Blas, Director  
Diana Bernardo, Controller  
Jackie Blas, Recording Secretary  
Alice Taijeron, Director, Client Relations & Plan Counseling, Great-West Financial

**Investment Consultant Present:**

Terry Dennison, Mercer Investment Consulting, Inc.

**Actuarial Consultant Present:**

Richard Wright, Milliman, Inc.

**Public Present:**

John Borne, Vice President, Great-West Financial  
Selina Onedera-Salas, Senator Ben Pangelinan's Office  
Mark Heath, Aristotle Capital Management

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

## II. REVIEW AND APPROVAL OF BOARD MINUTES

### A. March 28, 2014 Regular Meeting

**On motion of Secretary Antolina Leon Guerrero, seconded by Trustee David O'Brien, and without objection, the Minutes of March 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*** - Director Paula Blas stated that the Retirement Fund held several working sessions to review Milliman's reports and recent analysis on the base Hybrid options to consider the actuarial costs provision with a mandatory 457 component. She stated that based on yesterday's meeting (April 24, 2014), the Board is ready to present their recommendation to Senator Ben Pangelinan for consideration. Chairman San Agustin asked whether the Board is ready to submit legislation. Treasurer Gerard Cruz replied, "Yes, that's my recommendation." Chairman San Agustin suggested asking Legal Counsel to draft the bill and the justification and then submit it to the Legislature.

**Trustee David O'Brien, seconded by Treasurer Gerard Cruz, moved to take the Hybrid Plan as discussed and ask the Retirement Fund's Legal Counsel to draft into bill form to submit to the Legislature, along with a cover letter. Without objection, the motion unanimously passed.**

Secretary Antolina Leon Guerrero stated that in addition to legislation, the Board should put together a group to work on the presentation. Chairman San Agustin stated that we should have background information on the Hybrid Plan which will be the basis for discussion at the public hearing. Trustee David O'Brien stated that it was discussed whether to have a communications plan on how we would want to present this. Secretary Leon Guerrero stated that we are just suggesting to start working on it before a public hearing date is set. Chairman San Agustin stated that once the bill is introduced, then you will start getting comments. Secretary Leon Guerrero stated that we should make our message clear as to what it is we are trying to do.

**2. *Standard Insurance*** - Director Blas stated that an updated report for March 2014 on the status of applications and individuals on LTD is provided for the Board's information.

### **Financial Report**

**1. *Contributions*** - Director Blas stated that as of April 22, 2014, 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 March 2014 were closed on April 16, 2014.

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

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

Director Blas stated that Alice Taijeron, Director, Client Relations & Plan Counseling, Great-West Financial (Great-West) provided the TPA Report for the month ending March 31, 2014 on the DC Retirement System 401(a) Plan and the 457 Deferred Compensation Plan.

Ms. Taijeron reported that the 401(a) Plan had total assets of \$368,345,654.35. There was an increase of \$415,498.06 or .11%. There was a market growth of 4% from January to March 2014. The market growth from March 2013 to March 2014 was 16%. The 457 Deferred Compensation Plan had total assets of \$36,216,984.10. There was an increase of \$207,436.41 or .58%. There was a market growth of 4% from January to March 2014. The market growth from March 2013 to March 2014 was 23%.

The 401(a) Plan had total contributions of \$2,641,827.51. There was a decrease in contributions of \$304,236.62 or 10.33%. The 457 Deferred Compensation Plan had total contributions of \$357,488.35. There was a decrease of \$59,089.03 or 14.18%.

Vice Chairman Wilfred Leon Guerrero asked whether the 4% is market growth for the quarter. Ms. Taijeron replied, "Yes." Chairman San Agustin asked whether the actual cost and market growth earnings is 4%. Ms. Taijeron replied, "Yes, it's 4% for the quarter." Trustee O'Brien inquired about the -10.33% Percentage Change on Page 8. Is it on the 401(a) Plan? Director Blas replied, "Yes." Chairman San Agustin asked whether the -10.33% is a decrease for the month and why it decreased. Ms. Taijeron stated that it is for hardships, distributions, and separation from service. Director Blas added that it is attributed to retirement, withdrawals, and lump-sum distributions. Ms. Taijeron stated that it shows the contributions captured from March 1 through March 31. Treasurer Cruz asked whether it could be just a timing issue. Ms. Taijeron replied, "Yes." Controller Diana Bernardo stated that it could be the timing of when the pay periods end. Trustee O'Brien stated that the header on Page 8 says "contributions" and that is what is confusing him. Contributions are monies coming in so they're not withdrawals, they are not hardships, they're contributions. Trustee O'Brien pointed out that the third column says "change in assets" which he assumes means change in contributions. Chairman San Agustin stated that the assets are still growing.

Trustee O'Brien thanked Ms. Taijeron for the analysis of the DC retirees. Secretary Leon Guerrero stated that she hopes to come up with groupings. Chairman San Agustin stated that this information could be use for the Hybrid. Vice Chairman Leon Guerrero stated that he does not understand what that is. Ms. Taijeron stated that there was a request from Trustee O'Brien of the Members and Benefits (M&B) Committee to take a look at the DC retirees' statistics. Trustee O'Brien stated that it is data to see what's happening with the DC retirees and it may be used for the Hybrid presentation. Vice Chairman Leon Guerrero inquired about the full withdrawals. Ms. Taijeron stated that there are distribution options for the DC retirees. Vice Chairman Leon Guerrero asked what happens when they exhaust their contributions. Ms. Taijeron stated that they may be reemployed. Trustee O'Brien stated that there is no analysis yet, this is just data that was requested. Secretary Leon Guerrero asked Ms. Taijeron to email the data file to her. Ms. Taijeron stated that she will email the file to Secretary Leon Guerrero.

**Treasurer Gerard Cruz, seconded by Trustee David O'Brien, 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 Quarterly Performance Meeting for the Quarter Ended March 31, 2014 was held on April 24, 2014. Vice Chairman Leon Guerrero noted that the Investment Committee Meeting was also held on April 24, 2014. The Committee reviewed and approved the Investment Committee Minutes of March 21, 2014.

Terry Dennison thanked the Board for renewing Mercer Investment Consulting, Inc.'s contract. Mr. Dennison stated that he personally would like to express his appreciation and looks forward to working with the Board.

Vice Chairman Leon Guerrero stated that Mr. Dennison provided an overview of the DC Plan's Investment Performance for the Quarter Ended March 31, 2014, noting the following:

*a. Vanguard 500 Index Fund* – Mr. Dennison stated that there is an opportunity to reduce the expenses that are paid by the participants on the Vanguard S&P 500 Index Fund from 5 basis points to 4 basis points. Mr. Dennison stated that the Investment Committee recommends moving to the Institutional Share Class.

**Vice Chairman Wilfred Leon Guerrero, seconded by Treasurer Gerard Cruz, moved to accept the Investment Committee's recommendation to move to the lower cost Institutional Share Class. Without objection, the motion unanimously passed.**

*b. BlackRock Life Path Funds* – Mr. Dennison stated that the Investment Committee recommends continuing to monitor the BlackRock Life Path Funds noting that BlackRock's performance has been improving steadily.

*c. Baron Small Cap Fund* – Mr. Dennison stated that the Investment Committee recommends that the Baron Small Cap Fund be placed on watch due to underperformance and the fact that they allowed the size of the fund to increase to where it is questionable whether it represents a Small Cap Fund. Mr. Dennison stated that the Investment Committee also recommends that Mercer perform a stand-by search for the possible replacement of the Baron Small Cap Fund pending the results of the next quarterly performance report.

**Vice Chairman Wilfred Leon Guerrero, seconded by Treasurer Gerard Cruz, moved to accept the Investment Committee's recommendation to perform a search for the possible replacement of the Baron Small Cap Fund pending the results of the next quarterly performance report. Without objection, the motion unanimously passed.**

*d. Thornburg International Value Fund* – Mr. Dennison stated that during the January 2014 meeting, the Board approved the replacement of the Thornburg International Value Fund with the Transamerica International Equity Fund I which is managed by Thompson, Siegel & Walmsley. The issue is that Thompson does not have revenue sharing. Thornburg International Value Fund has a 35 basis points revenue sharing. Mr. Dennison stated that the partial arrangement with Great-West does expect to have some revenue sharing. The question was should the Fund impose a 10% expense ratio

to the participants in the Fund in order to provide revenue sharing to ensure that all the participants are contributing to the support of the Fund. Mr. Dennison stated that Great-West did an analysis and indicated that the minimum requirement be 10 basis points. Mr. Dennison stated that the Investment Committee recommends imposing a fee of 20 basis points.

**Vice Chairman Wilfred Leon Guerrero, seconded by Trustee James Duenas, moved to accept the Investment Committee's recommendation to charge an expense ratio of 20 basis points to participants of the Transamerica International Equity Fund I. Without objection, the motion unanimously passed.**

*e. Dreyfus/Standish Global Fixed Income Fund I* – Mr. Dennison stated that during the January 2014 meeting, the Board reviewed the Proxy received from Dreyfus in December 2013. Based on discussions, it was determined that Dreyfus' proposal would dramatically modify the current investment guidelines. The risk of such a proposal is that the make-up of the fund could change from its current allocation in a manner that existing investors did not contemplate. The Board voted not to accept Dreyfus' recommendation to approve the proposed change. Mr. Dennison stated that upon that direction, Great-West executed a proxy not to accept. The results of the vote have not been received by Mercer. Mr. Dennison stated that the Investment Committee recommends that the Board assess the status of Dreyfus upon receipt of Mercer's analysis of the proxy vote results and to continue to monitor Dreyfus. Controller Bernardo made a correction that the Retirement Fund executed the proxy, not Great-West.

**Vice Chairman Wilfred Leon Guerrero, seconded by Trustee David O'Brien, moved to accept the Investment Committee's recommendation that the Board assess the status of Dreyfus upon receipt of Mercer's analysis of the proxy vote results and to continue to monitor Dreyfus/Standish Global Fixed Income Fund I. Without objection, the motion unanimously passed.**

Vice Chairman Leon Guerrero stated, for the record, that Great-West's Annual Review was conducted yesterday and recommends that the Board accept Great-West's Annual Review. The Board indicated that they accept Great-West's Annual Review.

*Next Quarterly Performance Meeting* – Vice Chairman Leon Guerrero informed the Board that the next Quarterly Performance Meeting is tentatively scheduled for July 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 inquired about the status of the communication process to the participants regarding the change of the default fund. Ms. Tajeron stated that she is working on communications. Secretary Leon Guerrero inquired about the timeline. Ms. Tajeron stated that it will be in June 2014.

## **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 Trustee James Duenas, 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 April 25, 2014 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on May 30, 2014.**



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

**RECORDING SECRETARY:**



**Jackie Blas**