



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

Anthony C. Blaz
 Trustee

David M. O'Brien
 Trustee

BOARD OF TRUSTEES

Regular Meeting

Friday, July 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 12:40 p.m. Friday, July 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
 Anthony C. Blaz, Trustee

Board of Trustees Absent:

David M. O'Brien, Trustee
(Excused, Off-Island)
 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, Director, Client Relations & Plan Counseling, Great-West Financial

Investment Consultant Present:

Terry Dennison, Mercer Investment Consulting, Inc.

Public Present:

Mark Heath, Aristotle Capital Management

Chairman San Agustin welcomed Trustee Anthony Blaz as a member of the Government of Guam Retirement Fund Board of Trustees.

Director Paula Blas stated that the first order of business is the election of officers.

II. ELECTION OF OFFICERS

Director Blas stated that the floor is open for nominations of officers.

Treasurer Gerard Cruz, seconded by Secretary Antolina Leon Guerrero, moved to approve to retain the positions of the current officers and current committee members; and that newly elected Trustee Anthony Blaz is hereby appointed to be a member of the Investment Committee. Without objection, the motion unanimously passed.

III. REVIEW AND APPROVAL OF BOARD MINUTES

A. June 27, 2014 Regular Meeting

Secretary Antolina Leon Guerrero, seconded by Treasurer Gerard Cruz, moved to approve the Minutes of the June 27, 2014 Regular Meeting, subject to technical corrections. Without objection, the motion unanimously passed.

IV. CORRESPONDENCE

None

V. INFORMATIONAL ITEMS

None

VI. DIRECTOR'S REPORT - EXECUTIVE SUMMARY

1. *Defined Benefit (DB)/Defined Contribution (DC) Plan Alternatives* - Director Blas stated that given the recent passing of Senator Ben Pangelinan, Vice-Speaker B.J. Cruz has been named Chairman of the Committee on Appropriations, Taxation, Public Debt, Banking, Insurance, Retirement & Land and has taken over all the bills that Senator Pangelinan has been working on. Director Blas stated that at the request of Vice-Speaker Cruz, a copy of the draft Hybrid Bill was forwarded to his office on July 24, 2014 for his review. Director Blas stated that Vice-Speaker Cruz will first take care of the Fiscal Year 2015 Budget and then he will address the Hybrid bill. Director Blas stated that Vice-Speaker Cruz and Senator Frank Aguon, Jr. have taken interest in the Hybrid plan. Director Blas stated that she will inform ADZTECH to proceed with crafting the communication and educational process of the Hybrid Plan. Phase I will be developing the message outlining the Board's intent and objectives for proposing the Hybrid Plan.

2. *Standard Insurance* - Director Blas stated that an updated report for June 2014 on the status of applications and individuals on Group Long Term Disability (LTD) is provided for the Board's information. Secretary Antolina Leon Guerrero asked whether there is a clarification on what the heading "Proof of Loss" Refers to. Controller Diana Bernardo stated that it pertains to medical

information from the applicant's physician supporting the claim for disability. Director Blas stated that the applicant's physician determines whether the applicant is disabled. Chairman San Agustin stated that disability applicants' perception is that the application process is taking too long. Chairman San Agustin stated that the applications are sent off-island. Secretary Leon Guerrero stated that the statistics show that it does not take too long for Standard Insurance to render a decision. To clarify, Vice Chairman Wilfred Leon Guerrero asked whether this affects the Board's review of the disability applications. Treasurer Gerard Cruz stated that this is only for the DC disability applicants. Chairman San Agustin stated that the Board has nothing to do with the DC disability determinations. Chairman San Agustin stated that this is why Management is now providing a summary report in the monthly meeting packets so that we could see the tracking process of the disability applications. Chairman San Agustin stated that he is concerned that there is one application that took 100 days from receipt to assignment, 122 days from assignment to decision, and 222 days from receipt to decision. Director Blas stated that the forms needed to complete the claim process were not received yet. Director Blas stated that there are three parts that need to be submitted to Standard Insurance: 1) the employer portion, 2) the employee portion, and 3) the physician's portion. Controller Bernardo explained that it is the timing between the applicant, the agency, and the physician. Secretary Leon Guerrero stated that in this particular case, she agrees with the Chairman that it is a long time, but if you look at the average, the average number of days from receipt to assignment is 45 days and the average number of days from receipt to decision is 95 days. Chairman San Agustin asked whether the DB disability cases take that long. Secretary Leon Guerrero stated that it depends on the case. Chairman San Agustin stated that he would like to see the DC application process completed in less than two months. The application process taking too long is the reason why we need Standard Insurance to set up an office on-island. Chairman San Agustin indicated that AARP does not have an office on-island, but we have no problem with their services.

Chairman San Agustin asked how much the Government of Guam is paying Standard Insurance. The contract with Standard Insurance is out of the Retirement Fund's purview. The Retirement Fund is at the mercy of Standard Insurance. Director Blas stated that the Government of Guam pays the premium. Director Blas stated that the Members and Benefits (M&B) Committee could look at the premiums and claims. Trustee Blas stated that while he was at the Department of Administration (DOA), there were lots of concerns with Standard Insurance. Secretary Leon Guerrero asked whether the contract with Standard Insurance goes out for bid annually. Trustee Blas replied, "No." Director Blas stated that the Request for Proposal (RFP) for services was by the Retirement Fund. The Government of Guam pays the premium. Rosalia Bordallo, General Accounting Supervisor, stated that it is a benefit tacked on for every active DC member. Director Blas stated that she will revisit the RFP. Secretary Leon Guerrero stated that she agrees to have the M&B Committee review this and see what the options are.

Financial Report

- 1. Contributions** - Director Blas stated that as of July 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 June 2014 were closed on July 17, 2014.

VII. THIRD PARTY ADMINISTRATOR'S REPORT

A. Contribution Report – June 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 June 30, 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 \$385,574,418.53. There was an increase of \$7,457,446.88 or 1.97% for the month. There was a market increase of 0.1%. There was an increase from June 2013 to June 2014 of 22% and a market increase of 22%. The 457 Deferred Compensation Plan had total assets of \$37,958,766.71. There was an increase of \$859,429.73 or 2.32% for the month. There was a market increase of 0.1%. There was an increase from June 2013 to June 2014 of 26% and a market increase of 24%.

The 401(a) Plan had total contributions of \$2,858,975.28. There was an increase in contributions of \$701,171.84 or 32.49%. The 457 Deferred Compensation Plan had total contributions of \$386,846.41. There was a decrease of \$59,622.80 or 13.55%.

Ms. Taijeron stated that the 401(a) Plan had 144 employee distributions totaling \$1,276,938.73. The 457 Plan had 38 participant distributions totaling \$236,809.89.

Treasurer Cruz inquired about the conversion. Ms. Taijeron stated that the letters were sent out this month. In August there will be a black out period for one day. This is for Thornburg and Van Guard. For Secure Foundation, the default will take place in September 2014.

Treasurer Gerard Cruz, seconded by Secretary Antolina Leon Guerrero, moved to accept the Third Party Administrator's Report. Without objection, the motion unanimously passed.

VIII. STANDING COMMITTEE REPORTS

A. Investment Committee

Vice Chairman Leon Guerrero reported that the Quarterly Performance Meeting for the Quarter Ended June 30, 2014 was held on July 24, 2014. Vice Chairman Leon Guerrero noted that the Investment Committee Meeting was also held on July 24, 2014. The Committee reviewed and approved the Investment Committee Minutes of June 20, 2014 and the April 24, 2014 Due Diligence Minutes for the Quarter Ended March 31, 2014.

Mr. Terry Dennison of Mercer Investment Consulting, Inc. (Mercer) provided an overview of the DC Plan's Investment Performance for the Quarter Ended June 30, 2014, noting the following:

1. Baron Small Cap Fund

Mr. Dennison stated that during the April 24, 2014 performance meeting, Baron Small Cap Fund was placed on watch due to underperformance and the large asset size of the Fund, and Mercer was

directed to perform a search for the possible replacement of the Baron Small Cap Fund. The result of the search was discussed during yesterday's due diligence meeting. Based on the results of the search report, the Investment Committee recommends replacing the Baron Small Cap Fund with the DFA US Small Cap Portfolio, and that Great-West determine an explicit expense ratio to replace the revenue sharing component of the Baron Small Cap Fund. Mr. Dennison stated that DFA has consistent performance and very low costs. Baron Small Cap Fund was providing 15 basis points revenue sharing. There will be a 60% reduction in cost to the participants as DFA will be 60% cheaper. Mr. Dennison also stated that the benefit that you will see in the future is based on strong performance. DFA's strategy is more resistant to human or computer error.

2. BlackRock Life Path Funds

Mr. Dennison stated that Mercer will continue to monitor BlackRock although there is an improvement in their performance.

3. Dreyfus/Standish Global Fixed Income Fund I

Mr. Dennison stated that Mercer will assess the status of Dreyfus/Standish pending the analysis of the proxy vote.

Next Quarterly Performance Meeting – Vice Chairman Leon Guerrero informed the Board that the next Quarterly Performance Meeting is scheduled for October 30, 2014.

Treasurer Gerard Cruz, seconded by Secretary Antolina Leon Guerrero, moved to accept the Investment Committee Report. Without objection, the motion unanimously passed.

B. Members and Benefits Committee

This item was covered under the Director's Report.

IX. OLD BUSINESS

None

X. NEW BUSINESS

None

XI. OPEN DISCUSSION / GENERAL PUBLIC INPUT

None

XII. ANNOUNCEMENTS

None

XIII. 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 1:22 p.m. Motion unanimously passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of July 25, 2014 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on August 29, 2014.



ANTOLINA S. LEON GUERRERO, Board Secretary

RECORDING SECRETARY:



Jackie Blas