



GOVERNMENT OF GUAM
RETIREMENT FUND

STABILITY • SECURITY • REWARDS

BOARD OF TRUSTEES

Regular Meeting

Friday, September 26, 2014, 12:30 p.m.

Retirement Fund Conference Room

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

Eddie Baza Calvo
Governor

Ray Tenorio
Lieutenant Governor

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 12:30 p.m. Friday, September 26, 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
David M. O'Brien, Trustee
Anthony C. Blaz, Trustee

Board of Trustees Absent:

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

Staff Present:

Paula Blas, Director
Rosalia Bordallo, General Accounting Supervisor
Jackie Blas, Recording Secretary
Alice Tajeron, Director, Client Relations & Plan Counseling, Great-West Financial

Investment Consultant Present:

Maggie Ralbovsky, Wilshire Associates

Public Present:

Mark Heath, Aristotle Capital Management
Michael Carlson, Retiree Advocate

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. August 29, 2014 Regular Meeting

Trustee David O'Brien, seconded by Secretary Antolina Leon Guerrero, moved to approve the Minutes of the August 29, 2014 Regular Meeting, subject to technical corrections. Without objection, the motion unanimously passed.

III. CORRESPONDENCE

None

IV. INFORMATIONAL ITEMS

None

V. DIRECTOR'S REPORT - EXECUTIVE SUMMARY

I. *Defined Benefit (DB)/Defined Contribution (DC) Plan Alternatives* - Director Paula Blas stated that a public hearing on Bill 394-32 was held on September 23, 2014 and September 24, 2014. Director Blas stated that Vice Speaker B.J. Cruz will keep the record open for ten (10) days to accept public testimonies. Chairman San Agustin asked whether there is anything else that the Board needs to do to react to the public hearing. Vice Chairman Wilfred Leon Guerrero replied, "No." Trustee Anthony Blaz stated that the author of the bill should defend the bill. Trustee Blaz stated that everyone likes the idea of the Social Security proposal, but the door is not opened yet. Trustee Blaz stated that it is an option. Chairman San Agustin asked whether the Board can afford to wait for the Federal Government to open the door. Trustee David O'Brien stated that the stance on reacting to the public hearing is that something needs to be done now. Trustee O'Brien stated that there is an article in today's Marianas Variety attacking the prior Board on a non-action of the Board. The allegation is hard to swallow. Trustee O'Brien stated that he thinks that the Board should respond to the article. Vice Chairman Leon Guerrero stated that the Board has taken a position. Vice Chairman Leon Guerrero stated that the employees should be encouraged to rally behind this bill. Trustee O'Brien suggested continuing to follow up with the departments and agencies on the status of the petitions that were circulated and keep the members informed. Trustee O'Brien stated that he wonders how the Board feels about doing an outreach to the departments and agencies. Vice Chairman Leon Guerrero stated that the Board should encourage it, but not lead it. Trustee O'Brien stated that his intent is not to lead, but there are a lot of people with questions out there. Trustee O'Brien stated that he is advocating at the agency level for a working session regarding questions on the Hybrid Plan. Chairman San Agustin asked what the Board's primary responsibility is. Trustee O'Brien stated that this being our bill, we should do an outreach program. Vice Chairman Leon Guerrero stated that we don't want to take that position. This is Vice Speaker Cruz's bill. The venue for this should be at the Legislature. Secretary Antolina Leon Guerrero stated that there are still a lot of members that do not understand the plan. Secretary Leon Guerrero stated that the Board talked about how we wanted to reach out to the different stakeholders, which are our policy makers and the members of the Retirement Fund and have them understand the plan. Secretary Leon Guerrero stated that we can have Adztech be available for the outreach. Treasurer Gerard Cruz stated that we could place an ad regarding the benefits of the plan. Chairman San Agustin stated that the Board did its share.

Chairman San Agustin stated that this will become a political issue. Vice Chairman Leon Guerrero stated that he agrees with Chairman San Agustin that this is going to be a political issue. Secretary Leon Guerrero asked what does politics have to do with the Board educating its members about the

Hybrid Plan. Chairman San Agustin reiterated that the Board has done its share. Trustee O'Brien stated that if the bill fails, when is the next opportunity. Vice Chairman Leon Guerrero inquired about the employee association. Director Blas stated that it is organized by individual agencies. Vice Chairman Leon Guerrero stated that the departments should push this to their employees. Trustee O'Brien stated that he has shared information on the Hybrid Plan with their Fiscal Team. Chairman San Agustin asked whether the Fiscal Team gave the impression that they were going to support it. Trustee O'Brien stated that he couldn't tell. Trustee Blas stated that the employees are not informed. Due diligence is on the Board's part to educate its members on the Hybrid Plan. Trustee Blas stated that the Board is committed to both the DB and the DC members. Secretary Leon Guerrero stated that the Board needs to see this to the end. Maggie Ralbovsky of Wilshire Associates suggested starting a Facebook page for just the Hybrid Plan. Secretary Leon Guerrero stated that Adztech could do it. Treasurer Cruz stated that the employees need to know what the Hybrid Plan is. Ms. Ralbovsky stated that with social media, everyone could comment on the issues. Director Blas stated that the Government of Guam departments/agencies are blocked out of Facebook. Treasurer Cruz stated that he agrees with Secretary Leon Guerrero on seeing this through the finish line. Vice Chairman Leon Guerrero suggested finding employees to champion the Hybrid Plan.

2. **Standard Insurance** - Director Blas stated that an updated report for August 2014 on the status of applications and individuals on Group Long Term Disability (LTD) is provided for the Board's information.

Financial Report

1. **Contributions** - Director Blas stated that as of September 24, 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 August 2014 were closed on September 17, 2014.

VI. THIRD PARTY ADMINISTRATOR'S REPORT

A. Contribution Report – August 2014

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

Ms. Tajjeron reported that the 401(a) Plan had total assets of \$390,835,517.22. There was an increase of \$9,627,592.30 or 2.53%. There was a market growth of .2% from July to August 2014. The market growth from August 2013 to August 2014 was 20%. The 457 Deferred Compensation Plan had total assets of \$39,117,301.35. There was an increase of \$1,247,420.60 or 3.29%. There was a market growth of .2% from July to August 2014. The market growth from August 2013 to August 2014 was 24%.

The 401(a) Plan had total contributions of \$2,706,721.21. There was a decrease in contributions of \$122,007.35 or .82%. The 457 Deferred Compensation Plan had total contributions of \$484,573.38. There was a decrease of \$5,040.20 or 1%.

Ms. Taijeron stated that the 401(a) Plan had 131 employee distributions totaling \$1,737,459.47. The 457 Plan had 29 participant distributions totaling \$252,461.19.

Ms. Taijeron stated that the fund changes have occurred. Trustee O'Brien asked whether the 457 balance is growing. Ms. Taijeron replied, "Yes, and participation increased 18%." Trustee O'Brien inquired about mapping Secure Foundation. Ms. Taijeron stated that mapping occurred September 12, 2014. It was very successful. The participants are not locked in and they can change at any time. Trustee O'Brien asked how many were mapped in Secure Foundation on the 401(a) Plan. Ms. Taijeron stated that she does not have that figure. Ms. Taijeron indicated that out of 1,000 eligible members, 49 opted out.

Trustee Anthony Blaz, seconded by Treasurer Gerard Cruz, 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 September 25, 2014. The Committee reviewed and approved the Investment Committee Meeting Minutes of August 15, 2014.

Baron Small Cap Fund – Explicit Fee – Ms. Taijeron reported on the impact on the assets on the Baron Fund moving into DFA. Ms. Taijeron stated that Baron has less than 1% of their asset and it will not have an impact. Ms. Taijeron stated that Terry Dennison of Mercer Investment Consulting, Inc. recommended not adding an explicit fee. Treasurer Cruz stated that Mr. Dennison had indicated that it is very small and it is immaterial. Director Blas stated that there are other revenue sharing components that will make up for it. Trustee O'Brien asked whether it is being subsidized by other participants. Treasurer Cruz replied, "No."

Vice Chairman Wilfred Leon Guerrero, seconded by Secretary Antolina Leon Guerrero, moved to accept Mercer Investment Consultant, Inc.'s recommendation not to charge the participants an explicit fee on the Baron Small Cap Fund. 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 October 30, 2014.

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

B. Members and Benefits Committee

Secretary Leon Guerrero stated that the M&B Committee is gathering information on the scope of work, premium, and costs with regards to individuals on LTD.

VIII. OLD BUSINESS

None

IX. NEW BUSINESS

None

X. OPEN DISCUSSION / GENERAL PUBLIC INPUT

Board of Trustee Appointee – Trustee O’Brien inquired about the status of the Governor’s appointee. Chairman San Agustin asked Trustee Blaz to follow up with the Governor’s office.

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 David O’Brien, and without objection, the meeting was adjourned at 1:05 p.m. Motion unanimously passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of September 26, 2014 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on October 31, 2014.



ANTOLINA S. LEON GUERRERO, Board Secretary

RECORDING SECRETARY:



Jackie Blas