



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, January 30, 2015, 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 12:41 p.m. Friday, January 30, 2015, 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

Board of Trustees Absent:

Katherine T.E. Taitano, Trustee (*Excused*)
 Anthony C. Blaz, Trustee (*Excused*)

Staff Present:

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

Investment Consultant Present:

Terry Dennison, Mercer Investment Consulting, Inc.

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. December 19, 2014 Regular Meeting

Treasurer Gerard Cruz, seconded by Secretary Antolina Leon Guerrero, moved to approve the Minutes of the December 19, 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

1. **Defined Benefit (DB)/Defined Contribution (DC) Plan Alternatives** - Director Paula Blas stated that the Hybrid Bill was reintroduced as Bill No. 002-33. Director Blas stated that Vice Speaker B.J. Cruz held a round table discussion on January 20, 2015. As a result of the discussions, additional round table discussions and public hearings will be conducted. Director Blas stated that Vice Speaker Cruz has indicated that the next round table meeting will take place within 30 days. Director Blas stated that the Governor mentioned the Hybrid at the Chamber of Commerce meeting. Chairman San Agustin stated that the Governor agreed to look into what is being proposed. Secretary Antolina Leon Guerrero stated that there was a discussion in the Members and Benefits (M&B) Committee of having the Retirement Fund present to the DB/DC members and the new members of the Legislature, the issues that the Hybrid Plan tries to address, to consider some of the options that were presented and what the impact would be. Secretary Leon Guerrero stated that the M&B Committee suggested updating the educational presentation, looking at the options that were presented at the round table and reporting back to Board before the next roundtable meeting.

Chairman San Agustin mentioned that a new concern will be the GASB (Governmental Accounting Standards Board) requirement to report the unfunded liability as an expense in the financial statement. Trustee David O'Brien stated that another issue is the OPEB (Other Post-Employment Benefits) such as retiree health care, which will make a huge impact. Chairman San Agustin stated that most pension systems absorb the cost of health care. Terry Dennison of Mercer Investment Consulting, Inc. stated that some Pension Funds do fund post-retirement medical coverage.

Trustee O'Brien stated that the issue is there is no life-time annuity for DC members. Chairman San Agustin stated that we need to start looking at alternatives to present to the Legislature. Trustee O'Brien agreed and stated that it is being discussed in the M&B meeting. Chairman San Agustin pointed out that another issue is on the DC disability. Chairman San Agustin stated that a participant on disability who reaches the age of 65 will no longer be on disability. Vice Chairman Wilfred Leon Guerrero stated the Board needs to emphasize the Hybrid proposal to the new senators.

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

Standard Insurance: GovGuam Group Life Insurance – Chairman San Agustin stated that Trustee Anthony Blas was going to check on the insurance benefit pertaining to off-island travel. Director Blas stated that Standard Insurance offers a \$10,000 repatriation benefit which pays for remains of the insured person to be brought back home. Chairman San Agustin stated that receipts have to be submitted for reimbursement. Director Blas confirmed that the benefit is on a reimbursement basis. Chairman San Agustin asked whether anyone has ever been reimbursed. Director Blas stated yes, and that she is requesting for data regarding reimbursements made. Chairman San Agustin stated that families usually don't have the cash on hand to bring the body home so they end up cremating the body. Director Blas stated that she will follow up with Trustee Blas regarding this matter.

Financial Report

1. **Contributions** - Director Blas stated that as of January 28, 2015, all agencies are current with their Fiscal Year 2015 employee and employer contributions.
2. **Financial Statements** - Director Blas stated that the books for the month ending December 31, 2014 were closed on January 12, 2015.
3. **Fiscal Year 2014 Audit** - Director Blas stated that the audit for Fiscal Year Ending September 30, 2014 is currently ongoing. The final audit reports are scheduled to be issued no later than February 28, 2015.

VI. THIRD PARTY ADMINISTRATOR'S REPORT

A. Contribution Report – December 2014

Director Blas stated that Alice Taijeron, Director, Client Relations & Plan Counseling, Great-West Financial, provided the TPA Report for the month ending December 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 \$403,261,509.42. There was an increase of \$90,319.89 or .02%. There was a market growth of .02% from November to December 2014. There was an increase of 12% and a market growth of 11% from December 2013 to December 2014. The 457 Deferred Compensation Plan had total assets of \$40,811,648.09. There was an increase of \$292,669.14 or .72%. There was a market growth of 1.28% from November to December 2014. There was an increase of 16% and a market growth of 15% from December 2013 to December 2014.

Ms. Taijeron stated that the 401(a) Plan had total contributions of \$3,781,802.28. There was an increase in contributions of \$1,060,705.38 or 38.98%. The 457 Deferred Compensation Plan had total contributions of \$496,570.72. There was an increase of \$89,812.14 or 22.08%.

Ms. Taijeron stated that the 401(a) Plan had 109 employee distributions totaling \$1,160,017.18. The 457 Plan had 26 participant distributions totaling \$96,756.77.

Ms. Tajeron stated that Vice Chairman Leon Guerrero had requested for a comparison between the DB and the DC Plan. Ms. Tajeron provided an Asset Growth Chart from December 2013 to December 2014 and a Fiscal Year Market Growth Chart from 2011 to 2014 for the Board's information. Mr. Dennison pointed out that there are going to be periods when the DC Plan is outperforming the DB Plan. Mr. Dennison stated he suspects that during a down market, the Stable Value Fund in the DC Plan will outperform the DB Plan.

Ms. Tajeron informed the Board that the next Strategic Plan Review will be held in April 2015. Ms. Tajeron also informed the Board that effective February 2015, Great-West's name will change to Empower Retirement.

As a follow up to a prior comment, Trustee David O'Brien noted that the Great-West annuity conversion on their website is accurate, albeit a little conservative. Trustee O'Brien asked Great-West to check on what the "wholesale" price for annuities would be and if DC participants could benefit from the lower than retail price. Ms. Tajeron will check.

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 December 31, 2014 was held on January 29, 2015. The Investment Committee Meeting was also held on January 29, 2015. The Committee reviewed and approved the Investment Committee Meeting Minutes of December 15, 2014 and the October 30, 2014 Due Diligence Meeting Minutes for the Quarter Ended September 30, 2014.

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

- a. ***BlackRock Life Path Funds*** – Mr. Dennison stated that in previous meetings Mercer recommended that the Board continue to monitor BlackRock due to continued underperformance. Mr. Dennison stated that since BlackRock continues to lag significantly and it is hard to justify retaining, the Board should terminate the BlackRock Target-Date Funds and roll the funds over to the existing array of Great-West Secure Foundation Target-Date Funds. Vice Chairman Leon Guerrero stated that the Investment Committee recommends accepting Mercer's recommendation to terminate the BlackRock Life Path Funds and roll the current balances over to the existing array of Great-West Secure Foundation Target-Date Funds. Ms. Tajeron stated that once the Board approves Mercer's recommendation, she would need a letter from the Board to proceed.

Vice Chairman Wilfred Leon Guerrero, seconded by Treasurer Gerard Cruz, moved to accept Mercer Investment Consulting, Inc.'s recommendation to terminate the BlackRock Life Path Funds and roll over the current balances to the existing array of Great-West Secure Foundation Target-Date Funds. Without objection, the motion unanimously passed.

- b. ***Dreyfus/Standish Global Fixed Income Fund I*** – Mr. Dennison stated that in previous meetings Mercer recommended retaining Dreyfus/Standish, but given the results of the proxy vote, monitoring for unusual changes in the portfolio structure was also recommended. Mr. Dennison stated that Mercer has reviewed the most recently available portfolio structure and they do not have any concerns. Mr. Dennison stated that this is simply an update and Dreyfus/Standish will be retained.
- c. ***Great-West Proxy Statement*** – Vice Chairman Leon Guerrero stated that the Retirement Fund received a Proxy from Great-West which was provided to Mr. Dennison for his review and recommendation. According to Mr. Dennison, the shareholders are being asked to approve an administrative services agreement between Great-West Funds and Great-West Life & Annuity Insurance Company, wherein Great-West is proposing to change the way in which administrative services fees are paid for the Funds-of-Funds. Mr. Dennison stated that Mercer's recommendation is that the Board vote to approve the proposed agreement. Vice Chairman Leon Guerrero stated that the Investment Committee recommends voting for the proxy proposal.

Trustee David O'Brien, seconded by Treasurer Gerard Cruz, moved to accept Mercer Investment Consulting, Inc.'s recommendation to approve the Proxy Proposal. 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 23, 2015.

Trustee David O'Brien, seconded by Treasurer Gerard Cruz, moved to accept the Investment Committee Report. Without objection, the motion unanimously passed.

B. Members and Benefits Committee

No report was made at this time. See discussion under Director's report regarding DC/DB Plan Alternatives and Standard Insurance.

VIII. OLD BUSINESS

None

IX. NEW BUSINESS

None

X. OPEN DISCUSSION / GENERAL PUBLIC INPUT

None

XI. ANNOUNCEMENTS

None

XII. ADJOURNMENT

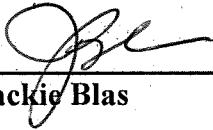
There being no further business before the Board for the Defined Contribution Plan, on motion of Treasurer Gerard Cruz, seconded by Secretary Antolina Leon Guerrero, and without objection, the meeting was adjourned at 1:30 p.m. Motion unanimously passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of January 30, 2015 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on February 27, 2015.



ANTOLINA S. LEON GUERRERO, Board Secretary

RECORDING SECRETARY:



Jackie Blas