



GOVERNMENT OF GUAM
RETIREMENT FUND
 STABILITY · SECURITY · REWARDS

Eddie Baza Calvo
 Governor

Ray Tenorio
 Lieutenant Governor

Paula M. Blas
 Director

BOARD OF TRUSTEES
Regular Meeting
 Friday, January 29, 2016, 12:00 Noon
 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 12:10 p.m. Friday, January 29, 2016, in the Retirement Fund Conference Room. Chairman Joe T. San Agustin officiated.

Board of Trustees Present:

Joe T. San Agustin, Chairman
 Antolina S. Leon Guerrero, Secretary
 Gerard A. Cruz, Treasurer
 David M. O'Brien, Trustee

Board of Trustees Absent:

Wilfred P. Leon Guerrero, Vice Chairman (*Excused*)
 Anthony C. Blaz, Trustee (*Excused*)
 Katherine T.E. Taitano, Trustee (*Excused*)

Staff Present:

Paula Blas, Director
 Diana Bernardo, Controller
 Rosalia Bordallo, General Accounting Supervisor
 Jackie Blas, Recording Secretary

Third Party Administrator Present:

Alice Tajeron, Director, Client Relations & Plan Counseling, Empower Retirement

Investment Consultant Present:

Terry Dennison, Mercer Investment Consulting, Inc.

Public Present:

Jerick Sablan, Pacific Daily News

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

David M. O'Brien
 Trustee

Albert H. Santos
 Trustee

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. December 16, 2015 Regular Meeting

Treasurer Gerard Cruz, seconded by Trustee David O'Brien, moved to approve the Minutes of the December 16, 2015 Regular Meeting, subject to technical corrections. Without objection, the motion 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 second round table hearing was held on January 25, 2016. Secretary Antolina Leon Guerrero will address this during the Members and Benefits (M&B) report.

2. **Standard Insurance** - Director Blas stated that an updated summary report as of December 31, 2015 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 January 26, 2016, all agencies are current with their Fiscal Year 2016 employee and employer contributions with the exception of the Guam Memorial Hospital Authority (GMHA). GMHA is trailing \$730,000 on payments to the DC Plan. Chairman San Agustin asked how many pay periods behind is GMHA. Director Blas stated that GMHA is behind five (5) pay periods on both the DC and DB Plan. Treasurer Gerard Cruz stated that he is concerned that the amount due is going to get too large. Director Blas stated that the interest rate is 0.8% on the late contributions on the DB Plan. The rate is based on the rate of return as of September 30, 2015. Director Blas stated that the statute did not mandate the Retirement Fund to charge interest on the DC Plan.

Trustee David O'Brien asked Chairman San Agustin if the Board could roll the DC and DB Plan discussions together on this matter. Chairman San Agustin concurred. Chairman San Agustin stated that the only leverage the Retirement Fund has at this time is not allowing GMHA employees to retire. Trustee O'Brien inquired about remedies other than not allowing GMHA employees to retire. Secretary Leon Guerrero asked whether there's legal advice to consider. Director Blas stated that Legal Counsel provided a couple of options, which include entering into a promissory note, filing a lawsuit, or taking it to the Legislature to have GMHA removed as an employer. If the Board decides to enter into a Promissory Note, the Board could negotiate something. Director Blas stated that the Board has to decide what to pursue. Chairman San Agustin asked whether the Retirement Fund has ever entered into a Promissory Note before. Director Blas replied, "Yes, with GMHA and they defaulted on the Promissory Note." Treasurer Cruz stated that the fundamental problem is there is a cash flow issue. Stretching it out is not going to make it better. Trustee O'Brien stated that the Board needs to pursue action prudently to fulfill its fiduciary responsibility. Trustee O'Brien stated that we should go straight to the Governor since he is in control of GMHA. Secretary Leon Guerrero stated

that notices need to be sent to GMHA DC employees regarding the lack of contributions and what their options are. Treasurer Cruz agreed. Chairman San Agustin recommended passing a resolution directing Legal Counsel to seek possible courses of action with regards to the matter of concern.

Trustee David O'Brien, seconded by Treasurer Gerard Cruz, moved to approve a resolution directing the Retirement Fund's Legal Counsel to seek a prudent course of action to address the Guam Memorial Hospital Authority's outstanding contributions. Without objection, the motion passed.

2. **Financial Statements** - Director Blas stated that the books for the month ended November 30, 2015 were closed on December 29, 2015, and the books for the month ended December 31, 2015 is scheduled to close by February 5, 2016.

VI. THIRD PARTY ADMINISTRATOR'S REPORT

A. Contribution Report – December 2015

Director Blas stated that Alice Taijeron, Director, Client Relations & Plan Counseling, Empower Retirement provided the TPA Report for the month ending December 31, 2015 on the DC Retirement System 401(a) Plan and the 457 Deferred Compensation Plan.

Ms. Taijeron stated that the 401(a) Plan had total assets of \$416,932,574.93. There was a decrease of \$5,761,640.74 or -1.36%. There was a market decrease of -2.00% from November to December 2015. There was a market decrease of -3.00% in the Fourth Quarter 2015. The 457 Deferred Compensation Plan had total assets of \$44,983,212.08. There was a decrease of \$475,052.13 or -1.05%. There was a market decrease of -2.00% from November to December 2015. There was a market decrease of -4.00% in the Fourth Quarter 2015.

Ms. Taijeron stated that the 401(a) Plan had total contributions of \$3,083,699.12. There was a decrease in contributions of \$21,914.26 or -0.71%. The 457 Deferred Compensation Plan had total contributions of \$472,962.61. There was an increase in contributions of \$6,371.53 or 1.37%. Ms. Taijeron stated that the 401(a) Plan had 132 employee distributions totaling \$1,473,578.34. The 457 Plan had 48 participant distributions totaling \$280,476.39. Ms. Taijeron pointed out for the Board's information that the total annual distribution in 2015 was \$20 Million and it will continue to increase. Ms. Taijeron stated that the annual distribution has not had a huge effect on the growth of the fund.

Trustee O'Brien asked whether Ms. Taijeron could use the distinction, on the Quarterly Report, as the 401(a) and 457 Plans instead of using the account numbers of 95120-01 and 95120-02. Ms. Taijeron stated that she make that change.

Treasurer Gerard Cruz, seconded by Trustee David O'Brien, moved to accept the Third Party Administrator's Report. Without objection, the motion passed.

VII. STANDING COMMITTEE REPORTS

A. Members and Benefits Committee

Secretary Leon Guerrero stated that there is no clear answer or definition from the Administration, but based on the January 25th round table discussion, there appears to be a consensus on the Hybrid for

current employees. The detail to be hashed out is the contribution rate to 6.2% - 6.2% for the employee and GovGuam. Secretary Leon Guerrero stated that the first issue is the Hybrid for the current employees. The second issue is finding a bridge plan for new employees. Secretary Leon Guerrero stated that David John spoke about a cash balance plan that the Administration supports. The third issue is to consider reamortization up to 3 years. Secretary Leon Guerrero stated that they asked what options the Board is willing to accept. At that round table discussion, Treasurer Cruz pointed out that as long as benefits are funded, the Board will not have an issue with benefits. Trustee O'Brien asked what is the impact of reamortizing and having the actuarial rate go down. Treasurer Cruz stated that the contribution rate will go higher. Trustee O'Brien stated that reamortization brings down the contribution rate and the actuarial rate brings it up. Secretary Leon Guerrero stated that she is concerned that any savings from reducing the contribution rate through reamortization will be used to increase the government's contribution rate.

Director Blas summarized Senator Mike San Nicolas' comments stating that he was supportive of the Hybrid for the current employees, supports the concept of a cash balance plan, and the reamortization of up to 3 years. Treasurer Cruz stated that he would support the Hybrid for the current employees, and a cash balance plan or an enhanced DC Plan for new employees. Trustee O'Brien asked whether the Governor has a plan. Secretary Leon Guerrero stated that the Governor wants an annuity, retirement security, and he does not want a government unfunded liability. Trustee O'Brien stated that the issue is not detailed; the level of cost that will weigh out the concern over an unfunded liability is unknown. Terry Dennison of Mercer Investment Consulting, Inc. suggested to look at what the cost would be in today's interest rate, in terms of capital contribution to get an annuity of \$1,000.00 or \$2,000.00 a month Social Security for a notional period of time. Trustee O'Brien stated that he likes the idea of obtaining more information.

Chairman San Agustin left the meeting room at this time.

RECESS: 1:20 P.M.
RECONVENED: 1:30 P.M.

Chairman San Agustin returned to the meeting room at this time.

B. Investment Committee

Treasurer Cruz reported that the Quarterly Performance Meeting for the Quarter Ended December 31, 2015 was held on January 28, 2016. There was no Investment Committee meeting.

Treasurer Cruz stated that Mr. Dennison provided an overview of the DC Plan's Investment Performance for the Quarter Ended December 31, 2015. Mr. Dennison stated that a review of the market environment and plan performance was conducted. Mr. Dennison stated that there was also a discussion on the Hybrid Plan proposal.

Mr. Dennison stated that the trust of the economy was cautionary. We are in a high debt, low growth situation. The funds in the Plan are performing very well. There was a discussion about a possible addition of two options for the Plan. Mr. Dennison suggested for consideration of a REITs Fund and an International Small Cap Fund. Mr. Dennison mentioned that the expense ratio for the Stable Value

Fund is above the median. Mr. Dennison stated that he will review this at the next due diligence meeting. There are no official recommendations at this time.

Next Quarterly Performance Meeting – Director Blas informed the Board that the next Quarterly Performance Meeting is scheduled for April 28, 2016.

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

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 Secretary Antolina Leon Guerrero, seconded by Treasurer Gerard Cruz, and without objection, the meeting was adjourned at 1:40 p.m. Motion passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of January 29, 2016 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on February 26, 2016.



ANTOLINA S. LEON GUERRERO, Board Secretary

RECORDING SECRETARY:



Jackie Blas