



GOVERNMENT OF GUAM
RETIREMENT FUND
 STABILITY · SECURITY · REWARDS
BOARD OF TRUSTEES

Regular Meeting

Friday, April 29, 2016, 12:00 Noon
 Retirement Fund Conference Room

Paula M. Blas
 Director

Eddie Baza Calvo
 Governor

Ray Tenorio
 Lieutenant Governor

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

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 12:05 p.m. Friday, April 29, 2016, 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
- Katherine T.E. Taitano, Trustee
- Albert H. Santos, Trustee

Staff Present:

- Paula Blas, Director
- Diana Bernardo, Controller
- Jackie Blas, Recording Secretary

Third Party Administrator Present:

John Borne, Alice Tajeron & Grace Atalig, Empower Retirement

Investment Consultant Present:

Terry Dennison, Mercer Investment Consulting, Inc.

Actuarial Consultant Present:

Richard Wright, Milliman, Inc.

Public Present:

Isa Baza, KUAM

Chairman San Agustin stated that the Legislature will be meeting as a Committee as a Whole to act on Bill 2-33. The meeting is scheduled for 1:00 p.m. today and the Retirement Fund Board of Trustees and Management are invited to attend. Chairman San Agustin stated that he will continue with the Board meeting as scheduled as long as there are four (4) members in attendance. The Board agreed to proceed with the Board meeting.

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. March 18, 2016 Regular Meeting

Treasurer Gerard Cruz, seconded by Trustee David O'Brien, moved to approve the Minutes of the March 18, 2016 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 Chairman San Agustin had earlier mentioned that a Committee as a Whole Meeting is scheduled for 1:00 p.m. today on Bill 2-33. Director Blas stated that she will be attending the meeting along with Richard Wright, the Retirement Fund's Actuarial Consultant, and some of the Board members.

2. *Standard Insurance* - Director Blas stated that an updated summary report as of March 31, 2016 on the status of applications and individuals on Group Long Term Disability (LTD) is provided for the Board's information. Chairman San Agustin asked how many employees are on disability. Director Blas replied, "56." Chairman San Agustin inquired about the average period of time. Director Blas stated that the disability benefit ends at age 65. Chairman San Agustin asked whether the employees on disability are technically on leave. Director Blas stated that employees on disability are on a wage replacement.

Financial Report

1. *Contributions* - Director Blas stated that as of April 26, 2016, all agencies are current with their Fiscal Year 2016 employee and employer contributions.

2. *Financial Statements* - Director Blas stated that the books for the month ended March 31, 2016 were closed on April 26, 2016.

VI. THIRD PARTY ADMINISTRATOR'S REPORT

A. Contribution Report – March 2016

Director Blas stated that Alice Taijeron, Director, Client Relations & Plan Counseling, Empower Retirement provided the TPA Report for the month ending March 31, 2016 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 \$425,749,488.90. There was an increase of \$23,940,741.89 or 5.96%. There was a market increase of 5.00% from February to March 2016. There was a market decrease of -0.002% in the First Quarter 2016. The 457 Deferred Compensation Plan had total assets of \$46,196,103.67. There was an increase of \$2,452,561.54 or 5.61%. There was a market increase of 3.38% from February to March 2016. There was a market decrease of -0.02% in the First Quarter 2016.

Ms. Tajeron stated that the 401(a) Plan had total contributions of \$4,080,981.16. There was an increase in contributions of \$1,529,719.29 or 59.96%. The 457 Deferred Compensation Plan had total contributions of \$761,545.96. There was an increase of \$261,265.24 or 52.22%. Ms. Tajeron stated that the 401(a) Plan had 119 employee distributions totaling \$1,685,089.01. The 457 Plan had 52 participant distributions totaling \$725,419.48.

Chairman San Agustin stated that Secure Foundation represents 75% of the total portfolio. Trustee David O'Brien stated that it's the default fund. Chairman San Agustin inquired about the number of participants in Secure Foundation. Ms. Tajeron stated that there's almost 3,000 including the 457 participants. Trustee Katherine Taitano stated that there are 8,800 DC members as of April 2016. Ms. Tajeron stated that she is seeing an increase in interest from the participants in Secure Foundation and Managed Accounts. Treasurer Gerard Cruz stated that this is the first step. The next step is to increase the contribution.

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. Investment Committee

Vice Chairman Wilfred Leon Guerrero reported that the Quarterly Performance Meeting for the Quarter ended March 31, 2016 was held on April 28, 2016. The Investment Committee Meeting was also held on April 28, 2016. The Committee reviewed and approved the Investment Committee Meeting Minutes of March 11, 2016 and the January 28, 2016 Due Diligence Meeting Minutes for the Quarter Ended December 31, 2015.

Vice Chairman Leon Guerrero stated that Terry Dennison of Mercer Investment Consulting, Inc. provided an overview of the DC Plan's Investment Performance for the Quarter Ended March 31, 2016, noting the following:

Mr. Dennison stated that he discussed the potential addition of two (2) asset classes to the 457 Plan to provide additional diversification opportunities, and the objective to the Plan is to provide a range of investment options: 1) Real Estate Investment Trust (REITs) and 2) Active International Small Cap Equity. Mr. Dennison stated that Mercer recommended to restrict access to only the participants in the 457 Plan.

Mr. Dennison stated that the Investment Committee recommends the following:

1. That Mercer perform a search for REITs and Active International Small Cap Equity Funds which can potentially be added to the 457 Plan line up of investments offered to Plan Participants.

2. Opening the investment line up for participants in Managed Accounts only.
 - a. The REITs and the International Small Cap Funds will be made available to Managed Account participants.
 - b. In addition, Empower Retirement will provide the Board a list of asset classes that Ibbotson has, for the Board to review and determine what will be allowed as investment options for Managed Account participants. Funds chosen by the Board for Managed Accounts will be in addition to the current line up of funds.

Mr. Dennison stated that approval will be subject to minor technical corrections on Point No. 2, just to verify the intent of the Investment Committee's recommendation to the Board.

At this time, Vice Chairman Leon Guerrero stated for the record that also in attendance at today's Board meeting is Richard Wright, the Retirement Fund's Actuarial Consultant, and John Borne of Empower Retirement.

Trustee O'Brien asked whether the issue of limiting access to only the 457 Plan is something other Public Funds do or is it something new. Mr. Dennison stated that it is not something new. It's the responsibility of the Board to provide investment options that are suitable for the investors. Some options can be misused. Participants are free to use these investment options however they choose. Mr. Dennison stated that the Board putting up guardrails to make sure that participants are not exposed to options that may go beyond the level of their understanding of risk and return. Trustee O'Brien asked whether this practice is adopted by other Pension Funds. Mr. Dennison replied, "Yes."

Treasurer Gerard Cruz, seconded by Trustee David O'Brien, moved to approve the Investment Committee's recommendation that Mercer perform a search for REITs and Active International Small Cap Equity Funds; and opening the investment line up for participants in Managed Accounts only, subject to editorial and minor technical corrections. Without objection, the motion passed.

Mr. Dennison stated that during the review of the performance of the plan, he thinks that it is prudent to look at alternatives for Galliard for Stable Value with a low expense ratio for the revenue sharing aspect of Galliard. Chairman San Agustin asked whether it means changing Galliard. Mr. Dennison replied, "Not necessarily. This issue is exploring what the options are." Vice Chairman Leon Guerrero stated that the flag was raised because of the fee being large. Mercer will review and explore options and will be back in July with the options. Secretary Antolina Leon Guerrero stated that Mercer will check on the options available under Empower Retirement's platform and give the Board the options available. Chairman San Agustin asked whether cost will be maintained. Mr. Dennison replied, "Yes." Mr. Dennison stated that he has been looking at it and decided that it's appropriate to raise at this point. It is appropriate to consider new investment options.

Chairman San Agustin pointed out that this expense ratio existed since the first quarter of 2015. Why wasn't action taken then. Mr. Dennison stated that it is necessary to do the due diligence to examine the funds that are available. It's an investment position to decide what to recommend. Mr. Dennison stated that we talked about it last quarter. Mr. Dennison stated that the returns that have been achieved are net of that fee and the returns that have been achieved are competitive. Treasurer Cruz stated that the return is also competitive with the market. Mr. Dennison stated that we could look at the options in

July or have a special meeting. Chairman San Agustin asked why nothing was done sooner than today. Chairman San Agustin asked how much is involved. Treasurer Cruz replied, "\$165,000." It's worth the exploration. The Board agreed to wait until the July 2016 meeting. Chairman San Agustin stated that it's the Board's responsibility to look at it right away.

Next Quarterly Performance Meeting – Vice Chairman Leon Guerrero informed the Board that the next Quarterly Performance Meeting is scheduled for July 28, 2016.

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

B. Members and Benefits Committee

Secretary Leon Guerrero reiterated that the Legislative Committee as a Whole will be meeting at 1:00 p.m. this afternoon on Bill 2-33.

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 Trustee David O'Brien, and without objection, the meeting was adjourned at 12:33 p.m. Motion passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of April 29, 2016 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on May 27, 2016.



ANTOLINA S. LEON GUERRERO, Board Secretary

RECORDING SECRETARY:



Jackie Blas