



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, October 28, 2016, 12:00 Noon
 Retirement Fund Conference Room

MINUTES

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

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 12:20 p.m. Friday, October 28, 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

Board of Trustees Absent:

Katherine T.E. Taitano, Trustee (*Excused*)
 Albert H. Santos, Trustee (*Excused*)

Staff Present:

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

Third Party Administrator Present:

Grace Atalig, Empower Retirement

Investment Consultant Present:

Terry Dennison, Mercer Investment Consulting, Inc.

Public Present:

Chris Wong, Guam Daily Post

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. September 30, 2016 Regular Meeting

Secretary Antolina Leon Guerrero, seconded by Trustee David O'Brien, moved to approve the Minutes of the September 30, 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 Retirement Fund's Legal Counsel has been tasked with drafting the rules and regulations for the DB 1.75 Plan. A draft of the processes, procedures and plan documents will be provided by November 30, 2016. Director Blas stated that a conference call was held this morning with Richard Wright of Milliman, Inc., the Retirement Fund's Actuarial Consultant, regarding the updated cost estimates. Based on that discussion, Mr. Wright will proceed with updating the information using the September 30, 2016 data. Director Blas stated that the rules and regulations still need to go through the Administrative Adjudication Act (AAA) process. Chairman San Agustin asked whether it needs to go to the Legislature. Director Blas stated that the rules and regulations that are promulgated by the Board go through the Legislature. When the rules and regulations are presented, they go through a ten (10) day public hearing period. Director Blas stated that the rules and regulations will be filed in December 2016. The public hearing should be in December 2016. Trustee David O'Brien stated that the time frame is tight. Director Blas stated that she will verify the requirements and then provide a more definite timeline.

2. **Standard Insurance** - Director Blas stated that an updated summary report as of September 30, 2016 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 October 25, 2016, all agencies are current with their Fiscal Year 2017 employee and employer contributions.

2. **Financial Statements** - Director Blas stated that the books for the month ended September 30, 2016 are expected to close on November 18, 2016.

VI. THIRD PARTY ADMINISTRATOR'S REPORT

A. Contribution Report – September 2016

Director Blas stated that Grace Atalig of Empower Retirement provided the TPA Report for the month ending September 30, 2016 on the DC Retirement System 401(a) Plan and the 457 Deferred Compensation Plan.

Ms. Atalig reported that the 401(a) Plan had total assets of \$455,928,852.45. There was an increase of \$1,693,490.15 or 0.37%. There was a market decrease of -0.003% from August to September 2016. The 457 Deferred Compensation Plan had total assets of \$51,294,844.06. There was an increase of \$314,476.38 or 0.62%. There was a market decrease of -0.004% from August to September 2016.

Ms. Atalig stated that the 401(a) Plan had total contributions of \$2,888,565.64. There was an increase in contributions of \$13,950.26 or 0.49%. The 457 Deferred Compensation Plan had total contributions of \$526,127.73. There was a decrease of \$44,811.72 or -7.85%, which was due to a timing issue. Ms. Atalig stated that the 401(a) Plan had 139 employee distributions totaling \$2,332,109.75. The 457 Plan had 48 participant distributions totaling \$448,206.87.

Ms. Atalig reported on participant statistics:

401(a) Plan

Participants Receiving Employer Contributions	8,292
First Contributions	215
Full Withdrawals	66
LTD Participants	0
Month End Retirees (September)	20

457(b) Plan

Contributing Participants	1,734
First Contributions	24
Full Withdrawals	18
Outstanding Loans	448

Trustee O'Brien asked whether the number of participants receiving employer contributions (8,292) in the 401(a) validated. Ms. Atalig replied, "Yes, it was a miscommunication in the number." Trustee O'Brien asked what the number was on September 30, 2015. Ms. Atalig stated that she does not have that number with her, but she will check on it.

Ms. Atalig further reported that they held 8 employee seminars with 31 participants; 16 group meetings with 65 participants; 514 walk-in participants; 103 individual meetings, and 1 HR/Personnel/Payroll meetings with only 2 participants. Ms. Atalig stated that letters were sent to participants regarding the fund options for the 457 Plan.

Trustee O'Brien stated that he is concerned about the average participant contribution amount by age dropping as indicated on Page 12 of the quarterly report. Ms. Atalig stated that she will work with Alice Tajeron on addressing Trustee O'Brien's concern. Trustee O'Brien inquired about the average participant balance by age and the average participant account balance indicated on Page 14 of the quarterly report. Trustee O'Brien stated that "All Ages for 2014 was \$34,120" and then "The average participant account balance for year-end 2014 was \$76,293." Trustee O'Brien asked Terry Dennison of Mercer Investment Consulting, Inc. if that balance seems to be a fair representation of DC account balances. Mr. Dennison stated that Guam's DC account balances are extraordinarily low.

Treasurer Gerard Cruz, seconded by Secretary Antolina Leon Guerrero, 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 September 30, 2016 was held on October 27, 2016. The Investment Committee Meeting was also held on October 27, 2016. The Committee reviewed and approved the Investment Committee Meeting Minutes of September 9, 2016; and the Minutes of the April 28, 2016 and July 28, 2016 Due Diligence Meetings.

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 September 30, 2016. Mr. Dennison stated that during yesterday's due diligence meeting they discussed the plan performance and the market environment. There are no recommendations for Board action. Mr. Dennison stated that they also discussed looking at the possibility of adding one (1) passive option to the array of funds to allow a larger choice of investment options.

Mr. Dennison informed the Board that Vanguard Windsor II Fund is being watched closely because it is underperforming the index. Mr. Dennison pointed out that just about every active manager is significantly underperforming the index. Trustee O'Brien asked whether one of the passive funds Mercer would recommend would be a passive Large Value Fund. Mr. Dennison stated that the issue is how many additional funds the Retirement Fund would want to add. Mr. Dennison stated that Mercer could provide a list by priority of what Mercer thinks the Retirement Fund should add. Mr. Dennison stated that Mercer could recommend to add a Large Cap Growth and a Large Cap Value, but Mercer will not recommend adding a passive for Mid Cap or Small Cap.

Next Quarterly Performance Meeting – Vice Chairman Leon Guerrero informed the Board that the next Quarterly Performance Meeting is scheduled for January 26, 2017.

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

This item was covered under the Director's Report.

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, Secretary Antolina Leon Guerrero moved to adjourn the meeting. Without objection, the meeting was adjourned at 12:47 p.m. Motion passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of October 28, 2016 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on November 18, 2016.

AShGuerrero

ANTOLINA S. LEON GUERRERO, Board Secretary

RECORDING SECRETARY:



Jackie Blas