



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 26, 2018, 12:00 Noon
 Retirement Fund Conference Room

MINUTES

DEFINED CONTRIBUTION

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 12:28 p.m. Friday, January 26, 2018, 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
 Albert H. Santos, Trustee

Board of Trustees Absent:

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

Staff Present:

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

Third Party Administrator Present:

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

Investment Consultant Present:

Cameron Systemans, Mercer Investment Consulting, Inc.

Public Present:

Vernon Kamiaz, DOE Teacher

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 27, 2017 Regular Meeting

Trustee David O'Brien, seconded by Secretary Antolina Leon Guerrero, moved to approve the Minutes of the December 27, 2017 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 as of December 31, 2017, there were 3,431 DC members who made an election to transfer to the DB 1.75 Plan. On January 23, 2018, the DB 1.75 participants' DC funds in the amount of \$224,979,484.11 were deposited into the Retirement Fund's Northern Trust Administrative Account and allocated to the Retirement Fund's managers/cash account based on the asset reallocation. Director Blas stated that the DB 1.75 election window will officially close on January 31, 2018. Director Blas reported that one (1) Risk Parity Manager (Panagora) is unable to do trades until February 1, 2018 so the funds for that manager will sit in the Retirement Fund's Cash Account until February 1.

Trustee David O'Brien suggested revising the report to reflect updates. Trustee O'Brien stated that the report should mention the change of the default plan from the Guam Retirement Security Plan (GRSP) to the DC Plan.

2. **Standard Insurance** - Director Blas stated that an updated summary report as of December 31, 2017 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 24, 2018, all agencies are current with their Fiscal Year 2018 employee and employer contributions. Director Blas stated that the Guam Memorial Hospital Authority (GMHA) paid all outstanding amounts due and is now up to date with its contributions.

2. **Financial Statements** - Director Blas stated that the books for the month ended November 30, 2017 is scheduled to close today.

VI. THIRD PARTY ADMINISTRATOR'S REPORT

A. Contribution Report – December 2017

Director Blas stated that Alice Taijeron, Director, Client Relations & Plan Counseling, Empower Retirement, provided the TPA Report for the month ending December 31, 2017 on the DC Retirement System 401(a) Plan and the 457 Deferred Compensation Plan. Ms. Taijeron also provided the Plan

Review for the 401(a) Plan and the 457 Plan which contains detailed information on plan participation and activity for the period ending December 31, 2017.

Ms. Taijeron stated that the 401(a) Plan had total assets of \$556,717,004.64. There was an increase of \$4,439,574.03 or 0.80%. There was a market increase of 0.30% from November 2017 to December 2017. The 457 Deferred Compensation Plan had total assets of \$67,442,287.58. There was an increase of \$940,168.66 or 1.41%. There was a market increase of 1.00% from November 2017 to December 2017.

Ms. Taijeron stated that the 401(a) Plan had total contributions of \$2,944,676.92. There was a decrease in contributions of \$479,665.19 or -14.01%. The 457 Deferred Compensation Plan had total contributions of \$557,980.95. There was a decrease in contributions of \$260,007.98 or -31.79%. Ms. Taijeron stated that the decrease in contributions is due to timing issues.

Ms. Taijeron stated that the 401(a) Plan had 177 employee distributions totaling \$2,733,944.80. The 457 Plan had 43 participant distributions totaling \$253,721.68.

Ms. Taijeron stated that she will be working with the various department Human Resources staff to reach out to the DB 1.75 Plan members. Director Blas pointed out that 1,700 members were below the actuarial costs.

Trustee O'Brien pointed out that Guam's average participant account balance is so low compared to the national average. Trustee O'Brien stated that the national average participant account balance for the year-end 2014 was \$76,293. The Retirement Fund's average for 2015 was \$31,682; \$34,739 for 2016; and \$40,098 for 2017.

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

VII. STANDING COMMITTEE REPORTS

A. Investment Committee

Treasurer Gerard Cruz reported that the Quarterly Performance Meeting for the Quarter Ended December 31, 2017 was held on January 25, 2018. The Investment Committee Meeting was also held on January 25, 2018. The Committee reviewed and approved the Investment Committee Meeting Minutes of December 15, 2017.

Treasurer Cruz stated that Cameron Systemans of Mercer Investment Consulting, Inc. provided an overview of the DC Plan's Investment Performance for the Quarter Ended December 31, 2017. Mr. Systemans stated that during the due diligence meeting they discussed and reviewed recent developments in the economic and capital market environment as well as DC Plan performance.

Mr. Systemans stated that the Investment Committee's recommendation is to replace the BlackRock Inflation Protected Bond (TIPs Fund) with the Vanguard Inflation-Protected Securities Fund. Mr. Systemans stated that BlackRock has been on the watch list. Chairman San Agustin asked how long has BlackRock underperformed before the recommendation was made to be replaced. Mr. Systemans

stated that BlackRock has been under performing for the last five (5) years by 30 basis points and had just recently over performed.

1. *Replacing the BlackRock Inflation Protected Bond (TIPs Fund)*

Treasurer Gerard Cruz, seconded by Trustee David O'Brien, moved to accept Mercer Investment Consulting, Inc.'s recommendation to replace BlackRock Inflation Protected Bond (TIPs Fund) with the Vanguard Inflation-Protected Securities Fund. Without objection, the motion passed.

2. *Re-visiting the Revenue Sharing Share Classes during the July 2018 Due Diligence Meeting for the Quarter Ended June 30, 2018*

Treasurer Cruz stated for the record that the Investment Committee will be revisiting the Revenue Sharing Share Classes during the July 2018 Due Diligence Meeting for the Quarter Ended June 30, 2018.

Next Quarterly Performance Meeting – Treasurer Cruz informed the Board that the next Quarterly Performance Meeting is tentatively scheduled for April 26, 2018.

Treasurer Gerard Cruz, seconded by Trustee Albert Santos, moved to accept the Investment Committee Report. Without objection, the motion passed.

B. Members and Benefits Committee

An update of the DB/DC Plan Alternatives was covered under the Director's report.

VIII. OLD BUSINESS

None

IX. NEW BUSINESS

None

X. OPEN DISCUSSION / GENERAL PUBLIC INPUT

Chairman San Agustin recognized an individual present at today's meeting and asked whether he would like to address the Board. The individual came forward and stated that his name is Vernon Kamiaz, a Department of Education Teacher at Simon Sanchez High School. Mr. Kamiaz stated that he came in to the Retirement Fund sometime in August to make the change to the DB 1.75 Plan. Mr. Kamiaz stated that he returned to the Retirement Fund on September 29, 2017 and declared to an employee that he wanted to remain in his current DC Plan. Mr. Kamiaz stated that he was never given any form to sign to remain in the DC Plan and that he had declared it verbally to the Retirement Fund staff on September 29, 2017. Mr. Kamiaz stated that there was a clerical error.

Chairman San Agustin stated that there is a law that the Retirement Fund abides by and there was a deadline to make any changes. Trustee O'Brien stated that the issue is whether the Retirement Fund made an error and what the Retirement Fund can or can't do to resolve the issue. Trustee O'Brien

recommended that Mr. Kamiaz submit in writing, a chronology of events addressed to the Board of Trustees for review. Mr. Kamiaz indicated that he will submit the requested documentation to the Board of Trustees.

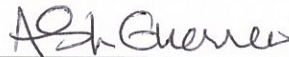
XI. ANNOUNCEMENTS

None

XII. ADJOURNMENT

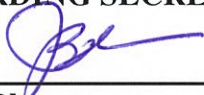
There being no further business before the Board for the Defined Contribution Plan, on motion of Treasurer Gerard Cruz, seconded by Trustee David O'Brien, and without objection, the meeting was adjourned at 1:16 p.m. Motion passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of January 26, 2018 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on February 23, 2018.



ANTOLINA S. LEON GUERRERO, Board Secretary

RECORDING SECRETARY:



Jackie Blas