



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 20, 2017, 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 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 12:18 p.m. Friday, October 20, 2017, in the Retirement Fund Conference Room. Acting Chairman Wilfred P. Leon Guerrero officiated.

**Board of Trustees Present:**

Wilfred P. Leon Guerrero, Acting Chairman  
 Antolina S. Leon Guerrero, Secretary  
 Gerard A. Cruz, Treasurer  
 Katherine T.E. Taitano, Trustee  
 Albert H. Santos, Trustee

**Board of Trustees Absent:**

Joe T. San Agustin, Chairman (*Excused*)  
 David M. O'Brien, 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  
 Grace Atalig, Empower Retirement

**Investment Consultant Present:**

Cameron Systemans, Mercer Investment Consulting, Inc.

**Public Present:**

Eloy P. Hara

## II. REVIEW AND APPROVAL OF BOARD MINUTES

### A. September 29, 2017 Regular Meeting

Secretary Antolina Leon Guerrero, seconded by Trustee Albert Santos, moved to approve the Minutes of the September 29, 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 the education video that is available on the Retirement Fund website will remain on the website until January 1, 2018. As the schedule permits, the Retirement Fund may conduct the educational seminars here for new employees. Director Blas stated that as of September 30, 2017, the Retirement Fund sent out approximately 4,100 Estimated Retirement Income Comparisons (ERIC). Controller Diana Bernardo stated that there are about 1,000 participants who did not request for an income comparison. Director Blas stated that as of the September 30, 2017 election deadline, approximately 3,300 participants made an election to transfer to the Defined Benefit 1.75 Plan and six (6) participants elected to transfer to the Guam Retirement Security Plan (GRSP).

Director Blas stated that the Retirement Fund's Legal Counsel drafted a resolution relative to the GRSP. The resolution will be entertained under the Members and Benefits Committee Report.

2. **Standard Insurance** - Director Blas stated that an updated summary report as of September 30, 2017 on the status of applications and individuals on Group Long Term Disability (LTD) is provided for the Board's information. Director Blas stated that there are 57 members on LTD.

### Financial Report

1. **Contributions** - Director Blas stated that as of October 17, 2017, all agencies are current with their Fiscal Year 2018 employee and employer contributions.

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

## VI. THIRD PARTY ADMINISTRATOR'S REPORT

### A. Contribution Report – September 2017

Director Blas stated that Alice Tajeron, Director, Client Relations & Plan Counseling, Empower Retirement, provided the TPA Report for the month ending September 30, 2017 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 \$533,668,730.70. There was an increase of \$10,398,661.87 or 1.99%. There was a market increase of 1.41% from August 2017 to September 2017. The 457 Deferred Compensation Plan had total assets of \$63,391,724.85. There was an increase of \$1,449,402.32 or 2.34%. There was a market increase of 1.32% from August 2017 to September 2017. Treasurer Gerard Cruz inquired about the assets with respect to the 3,300 participants that will be transferring to the DB 1.75. Director Blas stated that the data is being entered into the system at this time. Director Blas stated that any excess account balance will remain in the 401(a) Plan. Controller Bernardo stated that she should have an estimate by the next Board meeting.

Ms. Taijeron stated that the 401(a) Plan had total contributions of \$3,035,028.06. There was an increase in contributions of \$195,247.35 or 6.88%. The 457 Deferred Compensation Plan had total contributions of \$633,338.28. There was an increase in contributions of \$69,563.51 or 12.34%. Ms. Taijeron stated that the 401(a) Plan had 150 employee distributions totaling \$2,054,541.88. The 457 Plan had 41 participant distributions totaling \$408,126.00.

**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**

Acting Chairman Leon Guerrero reported that the Quarterly Performance Meeting for the Quarter Ended September 30, 2017 was held on October 19, 2017. The Investment Committee Meeting was also held on October 19, 2017. The Committee reviewed and approved the Investment Committee Meeting Minutes of September 22, 2017.

Acting Chairman Leon Guerrero stated that Cameron Systemans of Mercer Investment Consulting, Inc. provided an overview of the DC Plan's Investment Performance for the Quarter Ended September 30, 2017. Acting Chairman Leon Guerrero stated that Mercer recommends the following:

**1. *Placing the BlackRock Inflation Protected Bond (TIPs Fund) on watch.***

**Treasurer Gerard Cruz, seconded by Secretary Antolina Leon Guerrero, moved to accept Mercer Investment Consulting, Inc.'s recommendation to place BlackRock Inflation Protected Bond (TIPs Fund) on watch. 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 defer action on the Revenue Sharing Share Classes until July 2018. Secretary Antolina Leon Guerrero asked what action will be considered if there's not enough Revenue Sharing. Treasurer Cruz stated that we could consider reducing the Revenue Sharing amount. Mr. Systemans pointed out that the actual source of data is from Empower Retirement.

*Next Quarterly Performance Meeting* – Acting Chairman Leon Guerrero informed the Board that the next Quarterly Performance Meeting is tentatively scheduled for January 25, 2018.

**Treasurer Gerard Cruz, seconded by Secretary Antolina Leon Guerrero, moved to accept the Investment Committee Report. Without objection, the motion passed.**

#### **B. Members and Benefits Committee**

Trustee Katherine Taitano reported that a working session was held on October 10, 2017 regarding identifying a funding source for the GRSP since there are six (6) participants who elected to transfer to the Plan. Trustee Taitano stated that the 6 participants will be notified that GGRF will not be able to move forward with the implementation of the GRSP until such time that the Legislature identifies a funding source.

Trustee Taitano stated that as a result of the working session, the Retirement Fund's Legal Counsel drafted a resolution relative to the GRSP. Trustee Taitano read out loud the 1st, 4th and 5th "Be It Resolved:" *"To refrain from implementing the Guam Retirement Security Plan until timely and appropriate legislation is enacted to comply with Internal Revenue Code requirements concerning cash balance plans and the Lamorena Order; To notify the six (6) DCRS participants who elected to transfer to the GRSP (and any others with later deadlines) that the implementation of the GRSP is uncertain and remains subject to enactment of timely and appropriate legislation to comply with the Code requirements and the Lamorena Order; To permit the six (6) DCRS participants who elected to participate in the GRSP that they may have additional time to evaluate their options and change their elections based on the Board of Trustees' Resolutions herein."* Acting Chairman Leon Guerrero inquired about the timeline for the 6 participants. Director Blas stated that this will notify them of the status of the GRSP. The 6 participants will have up until November 30, 2017 to reconsider remaining in the DC Plan or electing the DB 1.75 Plan. The new employees starting on and after January 1, 2018 will be addressed at that time.

Acting Chairman Leon Guerrero inquired about the 2nd "Be It Resolved:" *"To prepare and submit a draft bill that would include provisions necessary to comply with Internal Revenue Code requirements concerning cash balance plans and to ensure compliance with the Lamorena Order."* Director Blas stated that it's the language that's going to be presented to the Legislature to provide the funding source.

**Secretary Antolina Leon Guerrero, seconded by Trustee Katherine Taitano, moved to adopt Government of Guam Retirement Fund Resolution No. 2017-05 Relative to a Cash Balance Plan to be Known as the Guam Retirement Security Plan, as discussed. Without objection, the motion passed.**

#### **VIII. OLD BUSINESS**

None

**IX. NEW BUSINESS**

- A. Bill No. 179-34 (COR) "AN ACT TO ADD A NEW CHAPTER 53 TO DIVISION 2, TITLE 11 OF THE GUAM CODE ANNOTATED RELATIVE TO THE CREATION OF THE 'GUAM QUALIFIED DOMESTIC PLAN TRUST ACT' TO REGULATE THE ESTABLISHMENT OF QUALIFIED PENSION, PROFIT SHARING, AND STOCK BONUS PLANS BY DOMESTIC CORPORATIONS"**

Treasurer Cruz recommended to amend today's meeting agenda to include discussion on Bill No. 179 under New Business. Acting Chairman Leon Guerrero indicated that he has no objection to including Bill No. 179 under New Business.

Treasurer Cruz stated that a public hearing was held on Bill 179. The concern is when you invest in funds outside of Guam, the Investors are not licensed in Guam. When you invest in those companies and take a distribution, they withhold 20% withholding tax. Guam is supposed to receive that 20% withholding tax. When members of the Retirement Fund take a distribution, Empower Retirement takes the 20% withholding and remits it to the Department of Revenue and Taxation.

Bill 179 will require that trust funds be a Guam-Based Trust Company incorporated and licensed on Guam. Treasurer Cruz stated that there are only two Guam-based trust companies on Guam. Treasurer Cruz stated that this will affect Empower Retirement by way of Secure Foundation since they are not licensed on Guam. There are unintended consequences of Bill 179 which affects the Retirement Fund members. It is important to submit a statement in opposition to Bill 179 and the unintended consequences. Acting Chairman Leon Guerrero mentioned that there is an organization in opposition of Bill 179. Treasurer Cruz stated that the Retirement Fund has a different stake. Acting Chairman Leon Guerrero asked what happens if the bill passes. Treasurer Cruz stated that it will limit the products that are available. Ms. Tajeron stated that the impact may be on insurance products and Secure Foundation may also be impacted. Director Blas stated that as plan sponsor, GGRF will be limited to what is offered in Guam. Acting Chairman Leon Guerrero asked Treasurer Cruz to take the lead regarding Bill 179. Treasurer Cruz stated that he will work with Ms. Tajeron and Director Blas to determine the impact of Bill 179.

**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 Trustee Katherine Taitano, and without objection, the meeting was adjourned at 1:03 p.m. Motion passed.**

**I hereby certify that the foregoing is a full, true and correct copy of the Minutes of October 20, 2017 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on November 17, 2017.**



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**ANTOLINA S. LEON GUERRERO, Board Secretary**

**RECORDING SECRETARY:**



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**Jackie Blas**