

BOARD OF TRUSTEES
Regular Meeting
Friday, March 10, 2006, 12:00 p.m.
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 1:50 p.m. Friday, March 10, 2006, 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
James J. Taylor, Secretary
Anthony C. Blaz, Trustee
Gerard A. Cruz, Trustee
George A. Santos, Trustee

Board of Trustees Absent:

Katherine T.E. Taitano, Treasurer (Excused)

Staff Present:

Paula M. Blas, Acting Director
Rosalia Bordallo, Acting Controller
Vince Camacho, Great West Retirement Services
Jackie Blas, Recording Secretary

Public Present:

David John, Administrative Services Corp. (ASC)
Dan Roland, Smith Barney Consulting

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. December 9, 2005 and February 24, 2006 Regular Meetings

Trustee Gerard Cruz, seconded by Trustee George Santos, moved to defer approval of the minutes of the December 9, 2005 and February 24, 2006 Regular Meetings. Without objection, the motion passed.

III. DIRECTOR'S REPORT - EXECUTIVE SUMMARY

1. *Defined Contribution Statutory Amendments* - Acting Director Paula Blas stated that the statutory amendments have been incorporated in the Fund's Resolution No. 2006-001.

2. *Request for Proposal: Third Party Administrator* - Acting Director Blas stated that at the February 24, 2006 Board meeting, Management was asked to seek three quotes for outside legal services to review the Third Party Administrator Request for Proposal (RFP). Acting Director Blas stated that the deadline to respond to the RFP is March 15, 2006. Chairman San Agustin stated that this is being done to be independent from the Fund's Legal Counsel since the Fund's Legal Counsel has a conflict. Chairman San Agustin stated that this is for the DC Plan, the 457 Plan, the 401(a) Plan and the administration of the ancillary benefits. Acting Director Blas stated that the Request for Quotes was sent to six (6) law firms. Chairman San Agustin asked the Board to give Management the authorization to select the lowest responsible bidder. Acting Director Blas stated that she wouldn't have to come back to the Board for selection. Chairman San Agustin reiterated that Management is being given the authorization to go ahead and select the lowest responsible bidder and to go ahead and award the contract. The Board of Trustees agreed to have Acting Director Blas proceed to with the selection of the lowest responsible bidder and the award of the contract.

Financial Report

1. *Contributions* - Acting Director Blas stated that all agencies are current with their Fiscal Year 2006 employee and employer contributions. Acting Director Blas stated that this includes data and payments.

2. *Financial Statements / FY2005 Audit* - Acting Director Blas stated that the books for the month ending February 2006 are closed and the FY 2005 audit is ongoing.

IV. OLD BUSINESS

A. Contribution Report – February 2006

Acting Director Blas stated that a copy of the Contribution Report for February 2006 is provided for the Board's information.

B. Request for Proposal: Defined Contribution Investment Consultant Services

Vice-Chairman Wilfred Leon Guerrero stated that the Investment Committee is recommending that the Request for Proposal (RFP) be issued. Vice-Chairman Leon Guerrero mentioned that during a meeting he attended in Florida along with Acting Director Blas and Acting Controller Rosalia Bordallo, they found out that the Retirement Fund is the only one in the nation that does not have a Defined Contribution Plan advisor.

Vice-Chairman Wilfred Leon Guerrero, seconded by Trustee Gerard Cruz, moved to approve the issuance of the Request for Proposal for the Defined Contribution Investment Consultant Services. Without objection, the motion passed.

C. Replacement of Two Funds

Mr. Vince Camacho, Great West Retirement Services, stated that it was noted at last year's due diligence meeting that there were two funds that were under performing and Great West then made a recommendation to the Investment Committee to replace the RS Diversified Small Cap and the Vanguard U.S. Growth fund. Mr. Camacho stated that at the March 3, 2006 Investment Committee meeting, the Committee had agreed to replace the RS Diversified Small Cap fund with the Baron Small Cap fund and to replace the Vanguard U.S. Growth fund with the American Funds Amcap fund pending additional information which was just provided today.

Vice-Chairman Leon Guerrero stated that the Investment Committee is concerned that participants enrolled with the managers being replaced will have to be informed to take their money out and place it in another investment. Vice-Chairman Leon Guerrero stated that he is not comfortable with that. Mr. Camacho stated that once a selection is made of what is available to the participants, the participants need to determine whether to make that selection. Chairman San Agustin asked how you would make the change once the selection is in place. Mr. Camacho stated that they do not recommend the change of funds because of one-quarter poor performance. Mr. Camacho stated that there should be a track record of poor performance before changing funds. Mr. Camacho stated that the Board has the discretion in the selection of the funds. Chairman San Agustin stated that the discretion the Board has is within the parameters of what Mr. Camacho has decided.

Trustee Gerard Cruz made a clarification of the way they do it at his bank. Trustee Cruz stated that they set up a risk tolerance that they are willing to accept as plan administrators. Once any of those funds fall out of favor or miss their objectives, they choose to change them. David John, Administrative Services Corp. (ASC) stated that if the fund does fall out and it is decided on who should be removed, it is not necessary that everyone have to be removed. Mr. John stated that the participants could be informed that a particular fund is no longer available for new money however; the participants could still keep their money in if they want to. Mr. Camacho stated that he gave the Investment Committee that option. Mr. Camacho stated that the exposure is still there. Vice-Chairman Leon Guerrero stated that the participant should be warned on an investment going downhill. Vice-Chairman Leon Guerrero stated that he would like for the participants to have the option of keeping their money in. Chairman San Agustin stated that the participants should be notified. Mr. Camacho stated that the participants would be notified.

Chairman San Agustin asked how would the participants be notified. Mr. Camacho stated that the participants would be notified via mail and the newsletter. Chairman San Agustin asked about the individual consultation. Mr. Camacho stated that the participants could come into his office. Vice-Chairman Leon Guerrero stated that his concern is that the participants be given the option. Vice-Chairman Leon Guerrero stated that if Mr. Camacho is assuring him that the participants will have an option, then he has no problem with this. Mr. Camacho stated that the participants would have an option and the participants would be notified on when the transition will take place. Mr. Camacho stated that if the participant does not make a decision by a certain date, the participant's money will

either be transferred into the new fund or before that certain date, the participant would have the option to take their money out and place it with any of the other funds. Vice-Chairman Leon Guerrero asked if the option of wanting to keep their money, available to the participants. Mr. Camacho stated that by freezing the fund, the fund would still be funded but not to new money. Secretary James Taylor stated that the Fund has to do something about the underperforming funds.

Vice-Chairman Wilfred Leon Guerrero, seconded by Trustee Gerard Cruz, moved to adopt the recommendation of the Investment Committee to replace the RS Diversified Small Cap fund with the Baron Small Cap fund and to replace the Vanguard U.S. Growth fund with the American Funds Amcap fund. Without objection, the motion passed.

V. NEW BUSINESS

None

VI. OPEN DISCUSSION / GENERAL PUBLIC INPUT

None

VII. ANNOUNCEMENTS

None

VIII. ADJOURNMENT

There being no further business before the Board for the Defined Contribution Plan, on motion of Trustee George Santos, seconded by Vice-Chairman Wilfred Leon Guerrero, and without objection, the meeting was adjourned at 2:20 p.m. Motion passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of March 10, 2006 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on July 14, 2006.

James J. Taylor, Board Secretary

RECORDING SECRETARY:

Jackie Blas