

BOARD OF TRUSTEES

Regular Meeting

Friday, May 13, 2005, 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 Contributions Plan was called to order at 1:40 p.m. Friday, May 13, 2005, 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
Katherine T.E. Taitano, Treasurer

Board of Trustees Absent:

Gerard A. Cruz, Trustee
Anthony C. Blaz, Trustee
George A. Santos, Trustee

Staff Present:

Wilfred G. Aflague, Director
Paula M. Blas, Deputy Director
Pete Tajalle, Controller
Ken Dunstan, Acting Benefit Program Administrator
Vince Camacho, Great West Retirement Services
Jackie Blas, Recording Secretary

Public Present:

Mark Heath, Metropolitan West Capital Management

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. March 11, 2005 Regular Meeting; March 18, 2005 Special Meeting and April 8, 2005 Regular Meeting

On motion of Secretary James Taylor, seconded by Treasurer Katherine Taitano, and without objection, the Minutes of March 11, 2005 Regular Meeting; March 18, 2005 Special Meeting and April 8, 2005 Regular Meeting were approved, as corrected. Motion passed.

III. CORRESPONDENCE

None

IV. DIRECTOR'S REPORT – EXECUTIVE SUMMARY

Investment Manager Due Diligence Review - Chairman San Agustin stated that the investment manager due diligence review would be discussed under "Old Business."

Contributions - Controller Pete Tajalle stated that all agencies are current with their fiscal year 2005 employee and employer contributions except GMHA, which is outstanding for the pay periods ended February 5, 2005, February 19, 2005, March 5, 2005, March 19, 2005 and April 2, 2005. Controller Tajalle stated that delinquency notices have been sent to the GMHA Administrator.

Mr. Vince Camacho, Great West Retirement Services, stated that the 457 Plan has been fully paid as of April 30, 2005. Mr. Camacho stated that the 401A Plan has been paid for April 19, 2005 and April 30, 2005.

Vice-Chairman Wilfred Leon Guerrero stated that at the Investment Committee meeting, the Investment Committee had requested that the Fund notify GMHA to pay the arrearage. Director Wilfred Aflague stated that GMHA has not paid the arrearage. Chairman San Agustin stated to apply GMHA's payment to the arrearage. Mr. Camacho stated that there would be a problem on where the individual amount will be posted. Treasurer Katherine Taitano stated that there might be a change in deduction. Mr. Camacho stated that the data is different. Vice-Chairman Leon Guerrero asked if the Fund has the data. Mr. Camacho stated that there is no data and no payment. Vice-Chairman Leon Guerrero stated that the Fund should request for the data and then have the payment brought in. Vice-Chairman Leon Guerrero stated that he is concerned about the arrearage. Mr. Camacho stated that he would work with Director Aflague and Controller Tajalle on the contributions.

V. OLD BUSINESS

A. Contribution Report – April 2005

Chairman San Agustin stated that Mr. Camacho has provided a copy of the contribution report for April 2005.

B. Investment Manager Due Diligence Review

Chairman San Agustin stated that Great West has completed their due diligence review and has made recommendations in their review to the Investment Committee for consideration. Controller Tajalle stated that one of the recommendations was to replace two of the funds currently offered to members. Controller Tajalle stated that another recommendation was the need to restate the existing Plan Document based on the recent changes in the federal law. Vice-Chairman Leon Guerrero stated that the RFP has the ability to review the current situation with the issues identified.

Vice-Chairman Wilfred Leon Guerrero, seconded by Secretary James Taylor, moved to direct Management to develop an RFP for an Investment Consultant for the Defined Contribution Plan. Without objection, the motion passed.

C. Plan Document

Chairman San Agustin stated that the Plan Document was discussed in the Investment Manager Due Diligence Review. Director Aflague stated that a copy of the Plan Document with the suggested changes has been provided for the Board's review and input.

D. RFP – Third Party Administrator

Director Aflague stated that Management is working to include the 401A Plan, the 457 Plan, and the Ancillary Benefits to bid out together in the new RFP. Director Aflague stated that he should have the RFP by the next Board meeting.

VI. NEW BUSINESS

A. Request for Consideration from Administrative Services Corporations' (ASC) Legal Counsel

Director Aflague stated that he received the request for consideration three weeks ago. Director Aflague stated that he had a meeting with Deputy Director Paula Blas and Ms. Debra Rivera from the Attorney General's office. Director Aflague stated that Ms. Rivera has not responded. Director Aflague stated that he left a message for Attorney Joseph Guthrie to call him. Director Aflague stated that this should have been handled two weeks ago.

Director Aflague stated that on two occasions he met with Ms. Rivera. Director Aflague stated that Ms. Rivera was supposed to draft a response for his signature. Secretary Taylor stated that he is concerned about the time being taken for the response. Director Aflague stated that he did not find anything in the procurement law regarding response time. Director Aflague stated that he would place another call to Attorney Guthrie.

VII. OPEN DISCUSSION / GENERAL PUBLIC INPUT

Chairman San Agustin recognized Mr. David John, Administrative Services Corporation (ASC). Mr. John stated that he was present at the last Board meeting regarding the RFP protest. Mr. John stated that he had requested for reconsideration of his concerns. Mr. John stated that ASC was not provided the information he had requested pursuant to the Sunshine Act. Mr. John apologized, on behalf of ASC, for the heated words at the last meeting.

Mr. John provided a summary of events regarding RFP No. 001 FY04. Mr. John stated that Great West claimed that the Selection Committee was not satisfied with the funds offered in ASC's proposal. ASC offered 23,000 funds to choose from. Mr. John stated that Great West claimed that the Selection Committee changed the RFP criteria when the Selection Committee allowed the Morningstar Reports to be used to select funds for the plan. Mr. John stated that ASC offered 23,000 funds to choose from. To narrow this list down to 10-15 funds, ASC proposed using the plan's Investment Policy Statement (IPS) and the Morningstar Reports, which was part of ASC's proposal.

Mr. John stated that Great West claimed that a request for a “Re-proposal” was made by the Selection Committee. Mr. John stated that this shows a complete misunderstanding by Great West as to the rules of the Government of Guam Retirement Fund’s (GGRF) IPS.

Under GGRF’s IPS, the funds offered participants are constantly being monitored and changed as necessary. If this were a “Re-proposal” then the contract would need to be changed each time a fund is changed in the plan. Mr. John stated that the IPS, not the contract or the RFP, dictates the fund selection. Mr. John stated that Director Aflague used a letter from Attorney Joseph Guthrie of the Attorney General’s office as support of his decision to uphold Great West’s protest. Mr. John stated that ASC questioned if Attorney Guthrie was furnished with all the facts. Mr. John stated that Attorney Guthrie’s letter is very conflicting. In Attorney Guthrie’s letter, he supports Great West’s position on the protest. However, in the concluding paragraph, Attorney Guthrie stated “However, it seems that the GGRF has received sound advice already on this matter from the Carlsmith firm before they uncovered a conflict in representing the GGRF, and whose advice we fully endorse.” Mr. John stated that Carlsmith did not have an issue with the RFP procedures and Carlsmith fully endorsed the negotiation letter sent to ASC.

Mr. John further provided a timeline of the RFP process of RFP No. 001 FY04 and of Great West’s protest.

Chairman San Agustin stated that Management would take this into consideration.

VIII. ANNOUNCEMENTS

None

IX. ADJOURNMENT

There being no further business before the Board for the Defined Contributions Plan, on motion of Secretary James Taylor, seconded by Treasurer Katherine Taitano, and without objection, the meeting was adjourned at 2:15 p.m. Motion passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of May 13, 2005 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on July 8, 2005.

James J. Taylor, Board Secretary

RECORDING SECRETARY:

Jackie Blas