

BOARD OF TRUSTEES
Regular Meeting
Friday, August 10, 2007, 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 3:05 p.m. Friday, August 10, 2007, 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
Gerard A. Cruz, Treasurer
James J. Taylor, Secretary
Katherine T.E. Taitano, Trustee
Antolina S. Leon Guerrero, Trustee

Board of Trustees Absent:

George A. Santos, Trustee (*Off-Island*)

Staff Present:

Paula Blas, Director
Diana Bernardo, Controller
Rosalia Bordallo, General Accounting Supervisor
Jackie Blas, Recording Secretary

Public Present:

Terry Dennison, Mercer Investment Consulting, Inc.

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. July 13, 2007 Regular Meeting

On motion of Vice-Chairman Wilfred Leon Guerrero, seconded by Treasurer Gerard Cruz, and without objection, the Minutes of July 13, 2007 Regular Meeting were approved, subject to corrections. Motion passed.

III. DIRECTOR'S REPORT - EXECUTIVE SUMMARY

1. *Request for Proposal (RFP): Third Party Administrator* – Director Paula Blas stated that the RFP is pending the decision of the Office of the Public Auditor (OPA) on Great West Retirement Services' (Great West) appeal. Treasurer Gerard Cruz asked whether the prices in the proposals from any of the offerors would become stale. Director Blas stated that she would have to review the proposals on whether there is a deadline on the prices submitted. Treasurer Cruz recommended submitting a letter to the OPA to see whether they could expedite this matter. Director Blas stated that the Retirement Fund is number 6 out of 7 on the OPA's list of appeals. Chairman San Agustin asked whether the RFP could be legally cancelled. Trustee Katherine Taitano stated that it is not proper to cancel an RFP during a challenge. Mr. Terry Dennison, Mercer Investment Consulting, Inc., stated that it defeats the theory of having a challenge, but it is an option. Treasurer Cruz suggested sending a letter to the Retirement Fund's Legal Counsel on how this matter could be expedited as time is of the essence. Director Blas stated that time is costing the Retirement Fund a lot of money. Director Blas stated that she will send a letter to the Retirement Fund's Legal Counsel requesting for options on how to expedite this matter. Chairman San Agustin asked whether there is room in the current contract for renegotiation. Director Blas stated that there is always room in the contract for renegotiation on fees. There was a lock-in period of five years for fees. Trustee Antolina Leon Guerrero asked how long has this matter been going on. Rosalia Bordallo, General Accounting Supervisor, stated that it is now the second round with Great West. It has been over two years that they have been able to stall.

Termination of Invesco - Secretary James Taylor asked whether there is a report on the progress of the termination of Invesco. Controller Diana Bernardo stated that they have been notified but she will follow-up on this matter. Treasurer Cruz asked whether the Retirement Fund contracted with Galliard. Director Blas stated that, according to Great West, it is going to take at least 45-60 days to set up the Galliard account. Treasurer Cruz stated that Great West was going through the process of identifying those who opted to be in Stable Value and those who were defaulted into Stable Value as an option. Secretary Taylor stated that he would like to see a schedule showing the amounts in both groups.

Financial Report

1. *Contributions* – Director Blas stated that as of August 6, 2007, all agencies are current with their Fiscal Year 2007 employee and employer contributions.

2. *Financial Statements* – Director Blas stated that the books for the month ending July 2007 were closed on August 9, 2007.

IV. INVESTMENT COMMITTEE REPORT

Vice-Chairman Wilfred Leon Guerrero stated that the Investment Committee meeting was held on July 27, 2007. The Investment Committee reviewed and approved the Investment Committee Minutes of June 29, 2007.

Vice-Chairman Leon Guerrero stated that on August 9, 2007, the Investment Committee members along with other Board members and Mr. Dennison met with Mr. Mike Perez of Great West Retirement Services to discuss the Great West's annual performance for the twelve months ended December 31, 2006 and the six months ended June 30, 2007. Vice-Chairman Leon Guerrero stated that during the August 9, 2007 meeting, the Board members requested that Great West provide additional statistics relative to participant balances. Vice-Chairman Leon Guerrero stated that the Investment Committee is recommending that the current Great West report be referred to the Members and Benefits Committee for their review of the projected figures for the Defined Contribution Plan retirees. Vice-Chairman Leon Guerrero stated that the figures shown on the chart, on the average participant balance by age group, are not good. Trustee Taitano suggested asking Mr. Perez to provide additional information to better understand what he discussed in his report.

Vice-Chairman Leon Guerrero stated that he Board members also discussed the need to consider the following:

- Discontinuing Hardship Withdrawals from the DC Plan, and
- Legislation to Increase the Contribution Rate for the DC Plan.

Vice-Chairman Leon Guerrero stated that on August 10, 2007, the Investment Committee members along with other Board members met with Mr. Dennison and discussed the Defined Contribution (DC) Plan and the 457 Deferred Compensation Plan investment performances for the quarter ended June 30, 2007.

Vice-Chairman Wilfred Leon Guerrero, seconded by Treasurer Gerard Cruz, moved to accept the Investment Committee's recommendation to refer the following to the Members and Benefits Committee: 1) Great West Retirement Services Report on the Average Participant Balance by Age Group on the 401(a) Plan and 457 Plan, as of June 30, 2007, 2) Discontinuing Hardship Withdrawals from the Defined Contribution Plan, and 3) Legislation to Increase the Contribution Rate for the Defined Contribution Plan. Without objection, the motion passed.

V. OLD BUSINESS

A. Contribution Report – July 2007

Director Blas stated that Mr. Perez submitted, at this meeting, a copy of the Defined Contribution and Deferred Compensation report for the month of July 2007. Mr. Perez's report shows that the Defined Contribution Plan (DC) has 5,739 participants with a total contribution amount of \$728,910.85. The Deferred Compensation Plan has 773 participants with a total contribution amount of \$95,343.45.

VI. NEW BUSINESS

None

VII. OPEN DISCUSSION / GENERAL PUBLIC INPUT

Mr. Dennison stated that a copy of Mr. Troy K. Saharic's, Mercer Investment Consulting, Inc., testimony before the ERISA Advisory Council on Employee Welfare and Pension Benefit Plans – Working Group on Fiduciary Responsibilities Update and Revenue Sharing is provided, at this meeting, for the Board's information.

VIII. ANNOUNCEMENTS

None

IX. ADJOURNMENT

There being no further business before the Board for the Defined Contribution Plan, on motion of Trustee Katherine Taitano, seconded by Trustee Antolina Leon Guerrero, and without objection, the meeting was adjourned at 3:30 p.m. Motion passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of August 10, 2007 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on September 14, 2007.

James J. Taylor, Board Secretary

RECORDING SECRETARY:

Jackie Blas