

BOARD OF TRUSTEES
Regular Meeting
Friday, November 17, 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 12:10 p.m. Friday, November 17, 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
Gerard A. Cruz, Treasurer
James J. Taylor, Secretary
Anthony C. Blaz, Trustee
George A. Santos, Trustee

Board of Trustees Absent:

Katherine T.E. Taitano, Trustee

Staff Present:

Paula Blas, Director
Diana Bernardo, Controller
Rosalia Bordallo, General Accounting Supervisor
Mike Perez and Alice Taijeron, Great West Retirement Services
Jackie Blas, Recording Secretary

Public Present:

Mark Heath, Metropolitan West Capital Management, LLC
Winton Young, First Hawaiian Bank

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. May 26, 2006 (Continuation of May 12, 2006) and June 9, 2006 Regular Meetings

On motion of Trustee George Santos, seconded by Trustee Anthony Blaz, and without objection, the Minutes of May 26, 2006 (Continuation of May 12, 2006) and June 9, 2006 Regular Meetings were approved, subject to corrections. Motion passed.

B. July 14, 2006, August 11, 2006, September 8, 2006 and October 20, 2006 Regular Meetings

Trustee George Santos, seconded by Trustee Anthony Blaz, moved to defer approval of the minutes of July 14, 2006, August 11, 2006, September 8, 2006 and October 20, 2006 Regular Meetings. Without objection, the motion passed.

III. DIRECTOR'S REPORT - EXECUTIVE SUMMARY

I. Request for Proposal (RFP): Defined Contribution (DC) Investment Consultant Services – Director Paula Blas stated that the evaluations are ongoing. Secretary James Taylor stated to expand the existing contract. Vice-Chairman Wilfred Leon Guerrero stated that he supports the recommendation but there may be an issue with the procurement process. Vice-Chairman Leon Guerrero stated that, according to Director Blas, this is the procurement process. Chairman San Agustin stated that he thinks otherwise.

Secretary Taylor stated that on March 29, 2006, the Retirement Fund issued an RFP in search of professional services related to providing Investment Consultant Services for the 401(a) Defined Contribution Plan and the 457 Deferred Compensation Plan to the Fund. Secretary Taylor stated that four (4) firms' representatives – a) Consulting Group, b) Mercer Investment Consultant, Inc., c) Merrill Lynch, and d) R.V. Kuhns & Associates, Inc., were invited to meet with the Selection Panel to address questions and discuss in detail their individual firm's proposal. Secretary Taylor stated that the Selection Panel ranked Mercer Investment Consulting number one.

Secretary Taylor stated that the Selection Panel is recommending that the Board select Mercer Investment Consulting, Inc. to serve as the Retirement Fund's investment consultant specifically for the 401(a) Defined Contribution Plan and the 457 Deferred Compensation Plan and that upon approval by the Board of the Selection Panel's recommendation, the Director is directed to complete the necessary administrative requirements to complete the RFP process.

Trustee Anthony Blaz, seconded by Trustee George Santos, moved to approve the Selection Panel's recommendation to select Mercer Investment Consulting, Inc. to serve as the Retirement Fund's investment consultant specifically for the 401(a) Defined Contribution Plan and the 457 Deferred Compensation Plan. Treasurer Gerard Cruz voted no, Chairman Joe San Agustin abstained and Trustee Katherine Taitano was absent. Without further objection, the motion passed.

2. **Request for Proposal (RFP): Third Party Administrator** – Director Blas stated that the RFP for Third Party Administrator closed on November 6, 2006. There were three (3) proposals received by the Fund. Director Blas stated that Treasurer Gerard Cruz will Chair the Selection Panel with Chairman San Agustin and Trustee Katherine Taitano as members of the Panel.

3. **Defined Contribution (DC) Plan and Trust Agreement - Preamble** – Director Blas stated that the Fund’s Legal Counsel is in the process of working on the determination letter with the Department of Revenue and Taxation, and is requesting that the Board adopt the revision to the Defined Contribution Retirement Services (DCRS) Plan preamble to avoid any misinterpretation of DCRS Plan tax definition. Director Blas stated that a copy of the revised “preamble” is submitted for the Board’s approval.

Trustee Anthony Blaz, seconded by Trustee George Santos, moved to approve to adopt the revision to the Defined Contribution Retirement Services (DCRS) Plan Preamble. Without objection, the motion passed.

Financial Report

1. **Contributions** – Director Blas stated that all agencies are current with their Fiscal Year 2006 employee and employer contributions.

2. **Financial Statements** – Director Blas stated that the books for Fiscal Year ending September 2006 are closed and the Fiscal Year 2006 audit has commenced.

IV. OLD BUSINESS

A. Contribution Report – October 2006

Mike Perez, Great West Retirement Services, stated that all agencies are current except Guam Memorial Hospital Authority (GMHA), which is pending submission of data.

Mr. Perez reported that the contribution amount as of today is \$787,915.17 with 6,142 participants on the Defined Contribution System and the contribution amount for the Deferred Compensation Plan is \$89,530.65 with 720 participants.

B. Reality Investing Solution – Great West Retirement Services

Mr. Perez made a presentation on Reality Investing Solution. Mr. Perez stated that participants’ primary concerns are:

- How Should I invest?
- How much should I save?
- What will I have at Retirement?

Mr. Perez stated that the participant’s behavior is critical. Participants use 2.3 investments on average. About 98.4% of participants do not make asset allocation changes. About 60.6% of participants do not transfer funds. Mr. Perez further stated that about 20% of participants are “Do-It-Myself,” 20% “Help-Me-Do-It,” 50% “Do-It-For-Me,” and 10% “Don’t-Do-Anything.”

Mr. Perez stated that the solution is to utilize Advised Assets Group, LLC (AAG), a registered investment adviser and wholly owned subsidiary of Great-West Life & Annuity Insurance Company. Mr. Perez stated that Managed Account, Guidance and Advice services are offered by AAG and powered by Ibbotson Associates. Both AAG and Ibbotson Associates are federally registered investment advisers.

Mr. Perez stated that the Defined Benefit Methodology is Plan-level asset allocation legend, perform asset and liability modeling. Chairman San Agustin asked about the investment rate. Mr. Perez stated that it is a tailored rate. Chairman San Agustin asked how it is diversified. Mr. Perez stated that he does not have the information at this time. Secretary Taylor asked whether the AAG makes recommendations. Mr. Perez stated that AAG administers. Vice-Chairman Wilfred Leon Guerrero asked what kind of data is used. Mr. Perez stated that less than 10% of the participants use online.

Vice-Chairman Leon Guerrero stated that the personnel office should educate employees. Mr. Perez stated that the employees make personal choices. Mr. Perez stated that they give guidance on Behavior Alignment. Vice-Chairman Leon Guerrero asked what the maximum is in the 401 Plan. Mr. Perez stated 50%. Secretary Taylor suggested using the “pick up check” mechanism. Chairman San Agustin asked what the Government of Guam’s profile is. Mr. Perez stated that the Managed Account is needed. Rosalia Bordallo, General Accounting Supervisor, asked whether it is just a profile fund. Mr. Perez replied, “yes.” Treasurer Cruz asked whether we could make it easier for the participants.

Mr. Perez stated that the average Managed Account participant has an account balance of approximately \$11,761. About 80% of new participants are selecting this service. The average Advice participant has an account balance of approximately \$465,660.00. An average Guidance participant has an account balance of \$67,918.

Mr. Perez stated that the successful adoption of Reality Investment includes: sponsor commitment, comprehensive re-engagement, multiple communication strategies and results monitoring.

Chairman San Agustin suggested that Mr. Perez provide a written program proposal with local demographic. Mr. Perez stated that he will provide the Board with a written proposal.

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 Anthony Blaz, seconded by Trustee George Santos, and without objection, the meeting was adjourned at 1:35 p.m. Motion passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of November 17, 2006 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on January 05, 2007.

James J. Taylor, Board Secretary

RECORDING SECRETARY:

Jackie Blas