

BOARD OF TRUSTEES
Regular Meeting
Friday, December 17, 2004, 12:00 p.m.
Retirement Fund Conference Room

MINUTES

DEFINED BENEFITS

I. ATTENDANCE, QUORUM, AND CALL TO ORDER

After determining a quorum, the Retirement Fund Board of Trustees Regular Meeting for the Defined Benefits Plan was called to order at 12:10 p.m. Friday, December 17, 2004, 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
George A. Santos, Trustee

Board of Trustees Absent:

Katherine T.E. Taitano, Treasurer (*Excused*)
Gerard A. Cruz, Trustee (*Excused*)

Staff Present:

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

Legal Counsel Present: Pat Mason

Public Present:

Mark Heath, Metropolitan West Capital Management
Joaquin Perez, Office of Congresswoman Madeleine Bordallo
Francis Santos
Philip Dauterman

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. November 12, 2004 Regular Meeting

On motion of Secretary James Taylor, seconded by Trustee Anthony Blaz, and without objection, the Minutes of November 12, 2004 Regular Meeting were approved, subject to corrections. Motion passed.

III. CORRESPONDENCE

None

IV. DIRECTOR'S REPORT - EXECUTIVE SUMMARY

Meeting with GMHA and BBMR Officials - Director Wilfred Aflague reported to the Board of Trustees that the Retirement Fund Management met on Tuesday, December 7, 2004, with GMHA and BBMR officials (Bill McMillan, Austin Swett and Carlos Bordallo) to discuss the Fiscal Year 2005 appropriation of \$1.2 Million from the General Fund to the Retirement Fund. Director Aflague stated that GMHA officials preferred to have the \$1.2 Million remitted to the Retirement Fund in one payment but BBMR will not be able to pay one payment but will pay in four installments of \$300,000 each. Secretary Taylor asked if the \$1.2 Million an intended payment on the balance of the \$15 Million and not just interest and penalties. Director Aflague replied yes.

Investment Manager Search - Director Aflague reported that the International Manager selections were approved by the Board of Trustees. Director Aflague stated that Legal Counsel is reviewing the contracts.

Actuarial Study - Director Aflague reported that Milliman, USA is currently in the process of developing the actuarial study for the fiscal year ended September 30, 2003. Director Aflague stated that the Fund should receive a draft of this study by the end of December 2004. The expected completion of this study is late January 2005.

Request for Proposals - Defined Contributions Plan Administrator - Director Aflague reported that the Defined Contribution Plan Administrator RFP process is ongoing.

Investment Manager Due Diligence Review - Director Aflague reported that the investment manager due diligence review was conducted for the Fund U.S. Equity Manager from November 29, 2004 through December 3, 2004.

Contributions - Director Aflague reported to the Board of Trustees that as of today's date, all agencies are current with their Fiscal Year 2005 employee and employer contributions with the exception of the Guam Memorial Hospital Authority which is outstanding for the pay period ended November 13, 2004 for both the Defined Benefit Plan and the Defined Contribution Plan. Director Aflague further stated that delinquency notices have been sent to the Authority's Administrator. Director Aflague stated that GMHA will be behind on their DC Plan and DB Plan contributions if payment is not received by today for the pay period ended November 27, 2004.

Chairman San Agustin asked if DOE is behind in their payments. Director Aflague stated that DOE is current with their contributions for the fiscal year.

Financial Statements - Director Aflague reported that the Board of Trustees has been provided with a copy of the audited financial statements and reports.

FY 2003 Supplemental - Director Aflague reported that the supplemental payments were made to the General Fund funded retirees for the pay period ended January 15, 2003. Director Aflague stated that the remaining pay periods for Fiscal Year 2003 from the General Fund are still pending. All agencies are current with the Fiscal Year 2004 supplemental payments with the exception of the Guam Waterworks Authority.

FY 2005 Supplemental - Director Aflague stated that the December supplemental checks were printed last night, which will be distributed by DOA by next week Monday and Tuesday.

Controller Pete Tajalle provided a schedule of balances due from the General Fund for FY 2003 Supplemental. Controller Tajalle stated that the amount due on the pre sliding scale for pay period ending January 31, 2003 to February 28, 2003 is \$1.8 Million. The amount due on the sliding scale for pay period ending March 15, 2003 to September 30, 2003 is \$3.8 Million. Controller Tajalle stated that the remaining balances are due for monies paid for medical, dental, and life insurance premiums in the amount of \$1.9 Million plus Medicare reimbursements in the amount of \$10,000. The Retirement Fund fronted the \$1.96 Million. Chairman San Agustin asked what was the legality for that fronting. Controller Tajalle stated that it was paid prior to the Court Order. Chairman San Agustin stated that \$7.6 Million was appropriated but the Governor made a transfer. Secretary Taylor asked Controller Tajalle if the \$7.6 Million was owed to the Retirement Fund. Controller Tajalle replied that it's the \$1.96 Million that's owned to the Fund. Secretary Taylor asked if the \$1.957 Million shows on our books as a receivable. Controller Tajalle replied yes and also the \$10,000.

Vice-Chairman Wilfred Leon Guerrero stated that on the Defined Contributions Plan, if GMHA does not pay, they can go to jail. Vice-Chairman Leon Guerrero asked if we are going to do something about this non-payment on the DC Plan. Trustee Anthony Blaz stated that we should consult with Legal Counsel on the non-payment on the DB Plan. Vice-Chairman Leon Guerrero asked if this matter will be discussed. Chairman San Agustin replied yes, under Old Business, Item B.

2004 Financial Audit - Director Aflague reported to the Board of Trustees that the audit for the fiscal year ended September 30, 2004 is in progress. Director Aflague stated that the draft completion date is March 31, 2005 and the finalization date is April 15, 2005. Director Aflague stated that the audit for the fiscal year ended September 30, 2003 has been completed.

Trustee Blaz stated that a copy of the audit report will be provided to the Board of Trustees. The Audit Committee will address the audit report. Trustee Blaz commended the Director, Deputy Director, Controller and all staff on a job well done.

Secretary Taylor asked if we received a copy of the OPA cover letter. Controller Tajalle replied not yet, but as soon as he receives the cover letter, he will provide a copy to the Board. Secretary Taylor requested for a copy of the management letter. Controller Tajalle stated that it's in the report on Internal Control Compliance which has been provided to the Board.

Secretary Taylor asked if the closing of the September 2004 financial statements is scheduled for March 31, 2005 or do we anticipate preliminary financials. Controller Tajalle stated that there will be preliminary financials generated by Management. Controller Tajalle stated that he anticipates on closing the books early January 2005.

Delegation of Procurement Authority - Director Aflague reported that he has been granted full delegated procurement authority as a purchasing agency by GSA.

Confidential Information Oath - Director Aflague reported to the Board that the Confidential Information Oath was drafted by Legal Counsel for all Retirement Fund employees to sign.

V. TREASURER'S REPORT OF FINANCIAL STATUS

Treasurer Katherine Taitano is absent at today's meeting.

VI. STANDING COMMITTEE REPORTS

A. Members and Benefits Committee

Trustee George Santos reported to the Board of Trustees on his Committee's November 2004 end of the month report. Trustee Santos, seconded by Trustee Blaz, moved to approve the recommendation of the Members and Benefits Committee on Pages 4 through 7, based on the Committee's review during their meeting of October 15, 2004 and continuation meetings pertaining thereto, without objections, motion passed. Director Aflague stated that all calculations are in order for applicants listed on Pages 4 through 7 of the Members and Benefits Committee Report.

Chairman San Agustin mentioned that an applicant had opted for deferred age retirement instead of his previous request for medical disability. Chairman San Agustin inquired about the applicant on Page 4 under A 1b who was employed by GMHA. Chairman San Agustin asked if this happened before the Court Order was issued. Deputy Director Bamba stated that it happened before the Court Order was issued. Director Aflague stated that this GMHA employee retired on an estimated annuity. Director Aflague stated that this issue is being corrected to get estimated annuities finalized immediately.

Trustee Santos stated that he has provided a listing of all retirees on estimated annuity to be finalized. Trustee Santos, seconded by Trustee Blaz, moved to approve the listing prepared by the M & B Committee on Pages 1 through 15 for 563 retirees who retired on an estimated annuity, to be finalized, and without objection, motion passed. Secretary Taylor recommended that we not show the social security numbers. Trustee Santos stated that he will delete that column.

B. Investment Committee

Vice-Chairman Leon Guerrero reported that the Investment Manager Due Diligence Review was held on November 29, 2004 through December 3, 2004. The Committee reviewed the performances of the U.S. Equity Money Managers. The Due Diligence Review will be completed by the latter part of January 2005. Chairman San Agustin stated that we should have the actuarial report by that time next year.

Vice-Chairman Leon Guerrero stated that the rate of return for fiscal year ending September 30, 2004 was 9.3% which is better than the actuarial rate of 7.5%. The Fund should be looking at a return of about 12.5%. Vice-Chairman Leon Guerrero stated that he requested the Advisor to give a scenario of cutting down cost to increase our return. Vice-Chairman Leon Guerrero stated that most of the managers are not meeting the index fund returns. The implication of buying index funds is that we need a change in legislation. Chairman San Agustin stated that the Investment Advisor did recommend terminating some of the Investment Managers.

Vice-Chairman Leon Guerrero stated that we had a 9.3% return and a pay out of \$156 Million. We collected \$80 Million from the Government of Guam. Vice-Chairman Leon Guerrero stated that with the 9.3% return, that's about \$109 Million that gives us a net gain of \$33 Million. Vice-Chairman Leon Guerrero stated that these are estimated figures. Chairman San Agustin asked if we will meet the total pay off. Vice-Chairman Leon Guerrero replied no.

C. Audit and Operations Committee

Trustee Blaz reminded the Board of Trustees to review the draft RFP. Trustee Blaz stated that Legal Counsel Joanne Grimes has reviewed the RFP and will get a corrected copy back to him. Trustee Blaz stated that he would like to proceed and get the RFP out. The responses to the RFP will be reviewed by the Audit Committee and the Board. Trustee Blaz stated that the RFP is to seek legal services to recapture Enron losses through investment. The RFP has a specific requirement that this will be done on a contingency basis only.

Trustee Blaz, seconded by Trustee Santos, moved to approve the Request for Proposal to seek legal services, based on contingency, to recapture Enron investment losses, and without objection, motion passed.

D. Governmental Liaison

Trustee Gerard Cruz is absent at today's meeting.

VII. TRAVEL REPORT

- A. Wilfred P. Leon Guerrero, Vice-Chairman – November 8-9, 2004**
- B. Joe T. San Agustin, Chairman – November 16-21, 2004**
- C. George A. Santos, Trustee – November 21-24, 2004**

Chairman San Agustin stated that the travel reports are for informational purposes.

At this time of the meeting, Chairman San Agustin welcomed Mr. Joaquin Perez from the office of Congresswoman Bordallo and also Mr. Francis Santos who are here to address the Board on the issue of health insurance and to give an update of the last meeting with Congresswoman Bordallo.

Mr. Perez stated that the Congressional Research Service (CRS) had issued a report in January 2004. Mr. Perez stated that in their opinion, the laws that were on the book prior to the creation of an elected Attorney General were not declared null and void because we have an elected Attorney General. The law that created autonomous agencies continues to have the authority to seek their own legal counsel. Mr. Perez stated that the opinion also states that the Governor and the Legislature can pass laws that will define the boundaries of what the Attorney General could do.

Mr. Perez stated that the Organic Act amendment did not say that the Attorney General has power over the Governor or the Legislature. Trustee Blaz asked if the Attorney General was made aware of this. Mr. Perez replied that no one was made aware of this. Mr. Perez stated that CRS has made an opinion and a copy of the opinion was given to the Governor.

Chairman San Agustin mentioned that the Fund has a GG1 pending to hire an attorney. Chairman San Agustin stated that the Supreme Court decided on the case and Guam Airport Authority (GAA) has the authority to hire an attorney. Mr. Perez stated that GAA does not have the same degree of fiduciary responsibilities as the Fund. Chairman San Agustin asked about the Organic Act Amendment. Mr. Perez stated that there are ways to give organicity to the Retirement Fund. The issue that has to be resolved is the initial request has to come with the agreement of both the Governor and the Legislature. Chairman San Agustin mentioned that Legal Counsel Joanne Grimes has a proposal on the trust document. Secretary Taylor stated that the proposal needs some revision. Chairman San Agustin stated that he had sent an email to Speaker Forbes that once he designates the Chair that the Board of Trustees would like to meet with him. Vice-Chairman Leon Guerrero stated that what Mr. Perez has reported to the Board is that there is no need for the AG to review or get involved in the process. Vice-Chairman Leon Guerrero stated to notify the Administration that the Attorney General requested to be included in this process but there is no need to get the AG involved. Chairman San Agustin stated that the Board of Trustees has the authority to hire an attorney on GG1 or contract. Vice-Chairman Leon Guerrero stated that BBMR has to be notified not to send it to the Attorney General. Deputy Director Bamba stated that there's an Executive Order requesting that all agencies including autonomous agencies, route their GG1s to BBMR. Chairman San Agustin asked why even send it to BBMR. It's not an appropriated fund. Legal Counsel Mason stated that the Attorney General will have to review and sign all contracts.

Chairman San Agustin stated that he asked Legal Counsel Grimes to develop a strategy so we can proceed with having this agency and the organic structure separate. Chairman San Agustin asked Legal Counsel Mason to follow up with Legal Counsel Grimes. Chairman San Agustin stated that the four (4) elected trustees represents to the members of the Retirement Fund. Chairman San Agustin also stated that we are trying to adopt our own rules and regulations.

Medicare / Health Care

Mr. Perez stated that everyone who worked for GovGuam between 1990 to 2000 had Social Security and Medicare deducted. Chairman San Agustin mentioned that the Division of Senior Citizens of the Department of Public Health and Social Services will be making a presentation 10:00 a.m. on Monday, December 20, 2004 on the Guam Medicare Assistance Program. Vice-Chairman Leon Guerrero asked if this is the same as AARP. Chairman San Agustin replied yes. Vice-Chairman Leon Guerrero stated that you have to be 65 years old and older to qualify for Medicare and that there will be a problem for those under 65 years old. Trustee Taylor asked if those covered by Medicare are everyone who worked from 1990 to 2000. Trustee Taylor stated that from 1990 to 1995 Medicare was not paid in. Mr. Perez stated that from 1990 on, employees were getting credit. Chairman San Agustin stated that reimbursement is provided if you are enrolled in a health plan. Vice-Chairman Leon Guerrero stated that he has heard different information on health insurance. Chairman San Agustin agreed with Vice-Chairman Leon Guerrero and that is why the Board, at the previous meeting, requested for a position paper.

Mr. Francis Santos stated that Staywell has made a policy decision and stated that this has been a problem for years. Mr. Santos stated that by next year, a health plan will elect to pull out. Mr. Santos stated that more active government employees are going outside for insurance. Chairman San Agustin stated that we have to have one risk pool. Mr. Santos stated that some plans sell Medigap.

Chairman San Agustin asked if people are not members of social security, could they buy into Medicare and what would it cost. Deputy Director Bamba stated that the premiums for those that don't meet the 40 quarters are very expensive. Director Aflague stated that we can buy in but asked what the cost may be. Trustee Blaz stated that we should have DOA look at subsidizing.

Mr. Perez stated that there's no way Congress will extend Medicare to those less than 65 years old. Chairman San Agustin asked how can we resolve this problem now. People can't afford health care. Mr. Santos stated that Staywell is trying to assist in any way they can. Deputy Director Bamba stated that it's on a case-by-case basis for those under the Silver Plan. Director Aflague stated that only retirees from Staywell Silver will be assisted. Director Aflague stated that Staywell will only allow Silver members to transfer to Bronze.

Trustee Blaz suggested that we talk to the Department of Public Health regarding the Guam Medicare Assistance Program. Director Aflague stated that we will have to make the changes on next year's open enrollment. Director Aflague stated that the Fund is not a voting member of the health insurance negotiating team. Mr. Santos stated that the Fund needs to look at the plan designs and alter them more to reflect what the retirees need. Mr. Perez stated that maybe it's cheaper for GovGuam to buy Part B only. Director Aflague suggested inviting Dennis Clark of the Social Security District Office to meet with the Board.

Chairman San Agustin asked what can we do now. Secretary Taylor asked if Staywell is going to allow the switch from Silver to Bronze. Mr. Santos replied yes, on a case-by-case basis and that the cut off date will be the end of this year. Director Aflague stated that the Fund is in the process of notifying all Staywell Silver members if they would like to switch to the Bronze Plan.

VIII. OLD BUSINESS

A. Directors and Officers Liability Insurance

Deputy Director Bamba reported to the Board of Trustees that we are insured. Deputy Director Bamba stated that our limits are still at \$1 Million aggregate. The premiums went up from \$64,000 to \$72,000. Deputy Director Bamba further stated that the deductible went up from \$35,000 to \$200,000. Deputy Director Bamba stated that there's no additional coverage. One underwriter did not want to continue to insure the Fund. Secretary Taylor stated that the message is we need a clear plan that we are taking care of the Fund's unfunded liability. Chairman San Agustin stated that the Fund's unfunded liability is high. Deputy Director Bamba stated that she tried to renew coverage with the current provider, but that the Fund was under funded and they would only insure if the Fund was fully funded. Secretary Taylor stated that the deductible is not the issue and that the issue is the plan, which we need to present. Deputy Director Bamba stated that coverage is for one year. Vice-Chairman Leon Guerrero stated that we need a strategic plan. Chairman San Agustin stated that we need to develop a strategic plan which needs to be monitored and followed.

B. Retirement Option for GovGuam Employees upon the Complete Remittance of Individual Retirement Fund Contributions

Chairman San Agustin stated that he received a call from Attorney Phil Torres stating that he's concerned that we may be violating the February 18, 2003 Court Order if we continue to allow individuals again to retire even if the remittance was made for the individual's retirement. Chairman San Agustin stated that the court order still stands.

Chairman San Agustin stated that GHMA is trying to remit payment in four increments. Chairman San Agustin stated that the retirees cannot be paid in full. Chairman San Agustin stated that the Attorney General's opinion of March 6, 2003 stated that it's okay to retire if individual payment is remitted. The opinion also requires the Retirement Fund notify the agency of the delinquency and also notify the members themselves that they are delinquent and that their future retirement benefits may be in jeopardy. Chairman San Agustin stated that the question was whether we could terminate an employee for non payment. Chairman San Agustin stated that Attorney Phil Torres stated that we may have to go to court to seek remedial action. Chairman San Agustin stated that if the government gives the Fund \$1.2 Million from the General Fund and pay the interest then the Board may be comfortable with this. Controller Tajalle stated that there's \$1.78 Million due in interest and penalties. Controller Tajalle stated that GMHA has an outstanding balance of \$2.5 Million and DOE has an outstanding balance of \$2.3 Million which comes to a total of \$4.8 Million.

Secretary Taylor asked what is the difference with the \$7.9 Million and the \$5.7 Million of GMHA's outstanding contributions. Controller Tajalle stated that it's combined for 1998. Chairman San Agustin asked if the \$7.9 Million is covered by the Promissory Note. Controller Tajalle replied no. Secretary Taylor stated that the Fund should advocate that GMHA and DOE make subsequent payment on the principal. Secretary Taylor stated that there is a cash crisis forthcoming with the situation of Southern High School. Chairman San Agustin inquired as to how to rectify these people retiring. Chairman San Agustin stated that this is detrimental to the Fund. We want them to pay interest and penalties. Legal Counsel Pat Mason stated that there is a court order and conflicting legislation which the Attorney General enforces. Legal Counsel Mason stated that we should go to court. Controller Tajalle asked if we could garnish payment to MIP. Trustee Blaz inquired about garnishing the receivables from the insurance companies. Chairman San Agustin asked Legal Counsel Mason if we could ask GMHA to assign the account receivables coming from the health providers.

Chairman San Agustin asked how do we enforce payment and what is the legal way to collect the money. Legal Counsel Mason stated that there has to be funds to levy. Legal Counsel Mason stated that we can't collect from a public agency. Chairman San Agustin asked if Legal Counsel Mason is saying that we can't collect on the promissory note. Chairman San Agustin asked why can't we enforce the law. Chairman San Agustin stated that there have been discussions after discussion regarding this matter and we still haven't collected anything. Trustee Blaz stated that there's got to be a way to collect. Trustee Blaz stated that the employer took the employees money and used it for their own purposes and we are sitting here helpless. Trustee Blaz stated that the agencies will continue to ignore and not make payment. Secretary Taylor suggested getting us access to an existing income string.

Mr. Philip Dauterman, on behalf of his son who is a physician at GMHA, stated that no funds have been paid to the Fund. Mr. Dauterman stated that that is fraud. It's not GMHA's money, it's the employees money taken out of their paychecks. Chairman San Agustin stated that Mr. Dauterman's son should initiate a civil lawsuit for misappropriation of his money.

Vice-Chairman Leon Guerrero stated that he's concerned on the DB Plan and stated that the DC Plan is different and that you could go to jail if payment is not made. Chairman San Agustin asked if the Retirement Fund Board can file a civil suit against the officers of GMHA. Legal Counsel Mason stated that he will meet with the Attorney General to discuss this matter. Secretary Taylor stated that the Fund should have a more aggressive lawyer and the lawyer should be coming up with ideas to resolve issues that the Fund has.

Chairman San Agustin stated that the Retirement Fund should not retire anyone unless payment has been satisfied for everyone. Director Aflague asked if we are going to implement the AG's opinion. Chairman San Agustin again asked whether the Board of Trustees have the right to file a lawsuit against the administrators. Legal Counsel Mason stated that the Fund has filed two (2) lawsuits against GMHA. Legal Counsel Mason stated that one lawsuit has been settled and the other one is still pending. Director Aflague stated that the Attorney General has filed a lawsuit for DOE to pay.

Controller Tajalle stated that if the trend with GMHA continues, the situation will get worse. Chairman San Agustin stated that we don't want to allow anyone to retiree unless full payment has been made to the Fund. Vice-Chairman Leon Guerrero asked Legal Counsel to be more aggressive on the collection effort. Trustee Santos inquired about the part of the AG's opinion with regards to notification. Deputy Director Bamba stated that the Fund will do that administratively. Trustee Santos asked if the members were provided the Attorney General's opinion. Director Aflague stated that the members are given notice along with their statements every year. Director Aflague stated that we could do it in a more official capacity and we could also do it quarterly about the fact that their contributions were not remitted.

Vice-Chairman Leon Guerrero asked when does the employee stop making contributions. Director Aflague stated that when an employee resigns then a refund will be issued to the employee. Chairman San Agustin mentioned that with the "Ysreal" law, you are able to contribute to the Fund even if you are not employed. Director Aflague stated that it's the educational credit payments that are reinstated.

Chairman San Agustin stated to go after the official who deducts for remittances. Trustee Taylor stated that the Administrator from GMHA should go to jail if payment is not made on the DC Plan.

Chairman San Agustin stated to notify employees and at the same time we stand pat for now until money has been remitted to the Fund. There will be no retirement until all payments and conditions are satisfied. Chairman San Agustin asked if we are going to be a part of interest. Director Aflague replied yes. Director Aflague stated to go to agency heads on behalf of the employees. Vice-Chairman Leon Guerrero stated that there's a stronger case on the DC Plan.

[Trustee Anthony Blaz was excused from the meeting at this time (2:19 p.m.)]

IX. NEW BUSINESS

None

X. OPEN DISCUSSION / GENERAL PUBLIC INPUT

None

XI. ANNOUNCEMENTS

None

XII. ADJOURNMENT

There being no further business before the Board for the Defined Benefits Plan, on motion of Trustee George Santos, seconded by Secretary James Taylor, and without objection, the meeting was adjourned at 2:40 p.m. Motion passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of December 17, 2004 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on January 14, 2005.

James J. Taylor, Board Secretary

RECORDING SECRETARY:

Jackie Blas

DEFINED CONTRIBUTIONS

I. ATTENDANCE, QUORUM, AND CALL TO ORDER

After determining a quorum, the Retirement Fund Board of Trustees Regular Meeting for the Defined Contributions Plan was called to order at 2:40 p.m. Friday, December 17, 2004, 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
George A. Santos, Trustee

Board of Trustees Absent:

Katherine T.E. Taitano, Treasurer (*Excused*)
Gerard A. Cruz, Trustee (*Excused*)
Anthony C. Blaz, Trustee (*Excused from Meeting 2:19 p.m.*)

Staff Present:

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

Legal Counsel Present: Pat Mason

Public Present:

Mark Heath, Metropolitan West Capital Management

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. November 12, 2004 Regular Meeting

On motion of Trustee George A. Santos, seconded by Secretary James J. Taylor, and without objection, the Minutes of November 12, 2004 Regular Meeting were approved, subject to corrections. Motion passed.

III. OLD BUSINESS

A. Contribution Report – November 2004

Mr. Vince Camacho, Great West Retirement Services, reported to the Board of Trustees that GMHA is behind on their payment for pay periods ending November 13, 2004 and November 27, 2004 in the total amount of \$42,000.00. Payment for pay period ending October 30, 2004 has been received. Secretary Taylor asked if this includes the matching component. Mr. Camacho replied that this is the total for DC.

Vice-Chairman Leon Guerrero asked if the Federal Department of Labor goes over the books. Mr. Camacho replied yes, every year. Vice-Chairman Leon Guerrero asked how closely does the Department of Labor monitor the DC Plan. Vice-Chairman Leon Guerrero asked whether the Director is the watch dog. Mr. Camacho stated that the Fair Labor Standard sets the guidelines. Mr. Camacho stated that an individual goes to Department of Labor to file a complaint. Director Aflague asked what effect would we have on sending a copy of a delinquency notice to the U.S. Department of Labor. Mr. Camacho stated that it will get the U.S. Department of Labor's attention.

Vice-Chairman Leon Guerrero stated that his interpretation is that if payment is not made on the DC Plan then it is this Board that is responsible. Mr. Camacho replied yes. The Fair Labor protects the employees not the employer. Vice-Chairman Leon Guerrero stated that he gets the impression that the DC Plan is not as highly regulated as a private plan. Mr. Camacho stated that the 401K is highly regulated. Mr. Camacho stated that there was a provision in the DC Plan that made it a felony for administrators to not remit. Mr. Camacho stated that the provision was taken out and now there's no penalty. Vice-Chairman Leon Guerrero stated that we should invite the U.S. Department of Labor to hear our problem.

IV. OPEN DISCUSSION / GENERAL PUBLIC INPUT

None

V. ANNOUNCEMENTS

None

VI. ADJOURNMENT

There being no further business before the Board for the Defined Contributions Plan, on motion of Trustee George A. Santos, seconded by Vice-Chairman Wilfred P. Leon Guerrero, and without objection, the meeting was adjourned at 2:55 p.m. Motion passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of December 17, 2004 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on January 14, 2005.

James J. Taylor, Board Secretary

RECORDING SECRETARY:

Jackie Blas