



GOVERNMENT OF GUAM
RETIREMENT FUND
 STABILITY · SECURITY · REWARDS

Eddie Baza Calvo
 Governor

Ray Tenorio
 Lieutenant Governor

Paula M. Blas
 Director

BOARD OF TRUSTEES
Regular Meeting
 Wednesday, July 25, 2018, 12:00 Noon
 Retirement Fund Conference Room

Trustees:

Joe T. San Agustin
 Chairman

Wilfred P. Leon Guerrero, Ed.D.
 Vice-Chairman
 Investment Committee, Chairman

Antolina S. Leon Guerrero
 Secretary

Gerard A. Cruz
 Treasurer
 Audit & Operations Committee,
 Chairman

Katherine T.E. Taitano
 Trustee

David M. O'Brien
 Trustee

Albert H. Santos
 Trustee

MINUTES

DEFINED BENEFIT

I. ATTENDANCE, QUORUM, AND CALL TO ORDER

After determining a quorum was present, the Retirement Fund Board of Trustees Regular Meeting for the Defined Benefit Plan was called to order at 12:36 p.m. Wednesday, July 25, 2018, in the Retirement Fund Conference Room. Acting Chairman Wilfred P. Leon Guerrero officiated.

Board of Trustees Present:

Wilfred P. Leon Guerrero, Acting Chairman
 Gerard A. Cruz, Treasurer
 Albert H. Santos, Trustee
 Katherine T.E. Taitano, Trustee

Board of Trustees Absent:

Joe T. San Agustin, Chairman (*Excused*)
 Antolina S. Leon Guerrero, Secretary (*Excused*)
 David M. O'Brien, Trustee (*Excused*)

Staff Present:

Paula Blas, Director
 Diana Bernardo, Controller
 Jackie Blas, Recording Secretary
 Alice Taijeron, Director, Relationship Manager, Empower Retirement

Actuarial Consultant Present:

Richard Wright, Milliman, Inc.

Public Present:

Jerick Sablan, Pacific Daily News

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. June 22, 2018 Regular Meeting

Trustee Katherine Taitano, seconded by Trustee Albert Santos, moved to approve the Minutes of the June 22, 2018 Regular Meeting, subject to technical corrections. Without objection, the motion passed.

III. CORRESPONDENCE

None

IV. INFORMATIONAL ITEMS

None

V. DIRECTOR'S REPORT - EXECUTIVE SUMMARY

1. *Candelaria Rios, et al. vs. Joseph Ada, et al. (Special Proceeding Case No. SP206-93)* - The Retirement Fund maintains a list of deceased COLA Awardees who did not name a beneficiary, or whose beneficiary may be deceased. COLA award disbursements for these individuals will be made to their respective estates.

2. *Bernstein Litowitz Berger and Grossmann (BLBG)* - BLBG's Litigation Status Report dated July 19, 2018 on the following lawsuits is provided for the Board's information. These cases are highly confidential and BLBG asked that the cases not be discussed in a public forum.

- **Apollo Education Group**
- **MF Global**

Acting Chairman Leon Guerrero inquired about the Retirement Fund's exposure on MF Global. Director Paula Blas stated that it's \$2 Million. Director Blas stated that the distribution of settlement proceeds is still pending.

Financial Report

1. *Contributions* - Director Blas stated that as of July 23, 2018, all agencies are current with their Fiscal Year 2018 employee and employer contributions with the exception of Guam Memorial Hospital Authority (GMHA). GMHA is currently in arrears for a total amount of \$1.241 Million. Director Blas stated that the combined total in arrears is \$2.599 Million.

Director Blas stated that, at the June 22, 2018 Board meeting, she was instructed to proceed with filing the Writ of Mandate which has been filed for the \$2.559 Million. Acting Chairman Leon Guerrero inquired about GMHA's reaction to the filing of the Writ. Director Blas stated that she has not heard from GMHA. Director Blas stated that the Retirement Fund is still not entertaining retirement for GMHA eligible employees. Treasurer Gerard Cruz asked when the last time was that GMHA failed behind on their payments. Director Blas replied, "2016, but GMHA was able to make their payments current after they were informed that the Retirement Fund was going to file a Writ of Mandate."

2. *Financial Statements* - Director Blas stated that the books for the month ended June 30, 2018 are scheduled to close on July 27, 2018.

3. ***Fiscal Year 2018 Retirees' Supplemental Benefits*** - Director Blas stated that supplemental benefits for retirees and survivors for the month of July 2018 will be paid by the end of the month.

4. ***Fiscal Year 2018 Medicare Reimbursements*** - Director Blas stated that the Retirement Fund received the July 2018 allotment from the General Fund and reimbursements were processed accordingly.

VI. LEGAL COUNSEL'S REPORT

No report was made at this time.

VII. TREASURER'S REPORT OF FINANCIAL STATUS

Treasurer Cruz stated that the Retirement Fund is operating within its current drawdown authority of up to \$5.5 Million monthly which continues through September 2018.

VIII. STANDING COMMITTEE REPORTS

A. Investment Committee

Treasurer Cruz reported that the Investment Committee Meeting was held on July 24, 2018. The Committee reviewed and approved the Investment Committee Meeting Minutes of June 15, 2018 and the Minutes of the February 21 and 22, 2018 Due Diligence Meetings. Acting Chairman Leon Guerrero stated that as of July 17, 2018, the size of the Retirement Fund's portfolio is \$1.989 Billion.

Next Quarterly Performance Meeting – Treasurer Cruz informed the Board that the next Quarterly Performance Meeting is scheduled for August 29 and 30, 2018.

B. Members and Benefits Committee

Trustee Katherine Taitano presented the Committee's July 2018 report to the Board of Trustees.

Trustee Katherine Taitano, seconded by Trustee Albert Santos, moved to approve the recommendation of the Members and Benefits Committee contained on Pages 4 through 12, based on the Committee's review and findings during their meeting of July 10, 2018. Without objection, the motion passed.

IX. TRAVEL REPORT

A. Vice Chairman Wilfred Leon Guerrero: IFEBP Public Employee Benefits Institute June 25-27, 2018, Las Vegas, Nevada

Acting Chairman Leon Guerrero stated that he submitted his travel report, for the Board's information, on the conference he attended.

X. OLD BUSINESS

None

XI. NEW BUSINESS

A. Actuarial Valuation as of September 30, 2017

Director Blas stated that Milliman, Inc. performed an actuarial valuation of the Retirement Fund as of September 30, 2017. In Milliman's valuation they:

- Summarized the membership data.
- Calculated the actuarial accrued liability and normal cost.
- Determined the contribution requirements.
- Projected the fund balance and security ratio forward 40 years.

Mr. Rich Wright of Milliman, Inc. stated that the actuarial valuation reflects the plan changes made by Public Law 33-186, which were effective January 1, 2018. Public Law 33-186 provides for the following:

1. Increases the contribution rates to the existing Defined Contribution (DC) Plan from 5.0% to 6.2% effective January 1, 2018.
2. Establishes a new Defined Benefit 1.75 (DB 1.75) Plan and provides an opportunity for current employees in the DC Plan to transfer to the DB 1.75 Plan or the Government of Guam Retirement Security Plan (GRSP) effective January 1, 2018. The DB 1.75 Plan is closed to new employees on and after January 1, 2018.
3. Establishes a new cash balance retirement plan known as the GRSP which will be the default retirement plan for new employees hired on and after January 1, 2018. Current employees in the DC Plan may transfer to the GRSP effective January 1, 2018.
4. Extends the period used to amortize the unfunded actuarial accrued liability of the Retirement Fund by two (2) years from an end date of May 1, 2031 to an end date of May 2033, effective January 1, 2018.
5. Provides that if the Government of Guam is authorized to extend Social Security coverage to Government of Guam employees on a prospective basis, then all employees hired on or after the effective date shall be enrolled into Social Security and will not be eligible for the DC Plan.

Mr. Wright provided the following highlights on the valuation as of September 30, 2017:

- The required contribution under GCA Section 8137 is 26.56% of payroll. Of this amount, 21.29% is for the unfunded actuarial accrued liability of the Defined Benefit Plans (Old DB Plan and DB 1.75 Plan), 2.29% is for the normal cost of the DB Plans, and 2.98% is for contributions and expenses for the Defined Contribution (DC) Plan. The primary reason for the decrease in the contribution rate was the 2-year extension of the amortization period for the unfunded actuarial accrued liability as provided for in Public Law 33-186. There was also a slight decrease in the contribution rate due to the net recognition of investment gains and losses over the last three years. These decreases were partially offset by a lower than expected increase in total payroll and some actuarial losses due to demographic experience that differed from the actuarial assumptions.

- Public Law 28-150 provided that the current employer contribution rate would increase over a 5-year period starting in the 2006-2007 Fiscal Year until it reached the actuarial contribution rate, which is the rate specified in the Retirement Fund's Actuarial Valuation Report. The employer contribution rate for the 2017-2018 Fiscal Year is 27.83%.
- The Defined Benefit payroll for the 2016-2017 Fiscal Year was \$131.5 Million compared with \$141.3 Million for the 2015-2016 Fiscal Year. The total Defined Benefit and Defined Contribution payroll for the 2016-2017 Fiscal Year was \$508.3 Million compared with \$506.3 Million for the 2015-2016 Fiscal Year, an increase of 0.39%. The long term assumption is a 2.75% annual growth in total payroll. If total payroll had increased by 2.75%, the required contribution rate would have been 26.02%.
- Based on the Audited Financial Statements, Milliman calculated an investment return on the total market value of assets of 12.0% for the Fiscal Year Ending September 30, 2017. The average annual return on the market value of assets for the last five Fiscal Years has been 9.2%. The investment return on the actuarial value of assets, which recognizes investment gains and losses over a 3-year period, was 7.3% for the Fiscal Year Ending September 30, 2017.
- The unfunded actuarial accrued liability increased from \$1.249 Billion as of September 30, 2016 to \$1.267 Billion as of September 30, 2017. The payment required to amortize the unfunded actuarial accrued liability under GCA Section 8137 has decreased from \$115.0 Million to \$111.2 Million. The payment as a percentage of payroll has decreased from 22.12% to 21.29%.

Mr. Wright stated that the number of participants that moved to the DB 1.75 Plan is 3,353. Mr. Wright stated that the total number of participants in the Old DB Plan, DB 1.75 Plan, and DC Plan is 11,085. The total payroll increased from \$520 Million to \$522 Million. The unfunded actuarial accrued liability increased from \$1.249 Million to \$1.266 Million. The security ratio increased from 46.99% to 60.20%.

Acting Chairman Leon Guerrero inquired about the normal cost of 2.29% for the DB Plans and 2.98% for contributions and expenses for the DC Plan. Treasurer Cruz stated that the DB Plan is the cheaper plan. Mr. Wright stated that the DB total cost is more than the DC total costs and it's just that the employees are paying more. Treasurer Cruz pointed out that the reality of the impact of the DB 1.75 Plan is better than what the Retirement Fund estimated.

Trustee Albert Santos, seconded by Treasurer Gerard Cruz, moved to accept the Actuarial Valuation Report as of September 30, 2017, based on changes on the Actuarial Experience Study as of October 1, 2011 to September 30, 2015, which is applied to the Actuarial Valuation. Without objection, the motion passed.

XII. OPEN DISCUSSION / GENERAL PUBLIC INPUT

None

XIII. ANNOUNCEMENTS

None

XIV. ADJOURNMENT

There being no further business before the Board for the Defined Benefit Plan, Treasurer Gerard Cruz moved to adjourn the meeting. Without objection, the meeting was adjourned at 1:12 p.m. Motion passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of July 25, 2018 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on August 31, 2018.



ANTOLINA S. LEON GUERRERO, Board Secretary

RECORDING SECRETARY:



Jackie Blas