



GOVERNMENT OF GUAM  
**RETIREMENT FUND**  
 STABILITY · SECURITY · REWARDS

Lourdes A. Leon Guerrero  
 Governor

Joshua F. Tenorio  
 Lieutenant Governor

Paula M. Blas  
 Director

Trustees:

Wilfred P. Leon Guerrero, Ed.D.  
 Chairman

Antolina S. Leon Guerrero  
 Vice Chair

Katherine T.E. Taitano  
 Secretary  
 Chair, Members and Benefits Committee

Gerard A. Cruz  
 Treasurer  
 Chair, Investment Committee

Artemio R.A. Hernandez, Ph.D.  
 Trustee

Thomas H. San Agustin  
 Trustee

George A. Santos  
 Trustee

**BOARD OF TRUSTEES**  
**Regular Meeting**  
 Friday, May 29, 2020, 10:30 A.M.  
 Retirement Fund Conference Room

**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 10:50 a.m. Friday, May 29, 2020, in the Retirement Fund Conference Room. Chairman Wilfred P. Leon Guerrero officiated.

**Board of Trustees Present:**

Wilfred P. Leon Guerrero, Chairman  
 Antolina S. Leon Guerrero, Vice Chair  
 Gerard A. Cruz, Treasurer  
 Artemio R.A. Hernandez, Trustee  
 Thomas H. San Agustin, Trustee  
 George A. Santos, Trustee

**Board of Trustees Absent:**

Katherine T.E. Taitano, Secretary (*Excused*)

**Staff Present:**

Paula Blas, Director  
 Diana Bernardo, Controller  
 Jackie Blas, Recording Secretary

**Investment Consultant Present:**

Maggie Ralbovsky, Wilshire Associates (*Via WebEx*)

**Public Present:**

Haidee E. Gilbert, Guam Daily Post

## II. REVIEW AND APPROVAL OF BOARD MINUTES

A. March 19, 2020 Regular Meeting

B. April 24, 2020 Regular Meeting

Vice Chair Antolina Leon Guerrero, seconded by Trustee George Santos, moved to approve the Minutes of the March 19, 2020 Regular Meeting, subject to technical corrections; and to table the Minutes of the April 24, 2020 Regular Meeting. Without objection, the motion passed.

## III. CORRESPONDENCE

None

## IV. 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 May 21, 2020 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**
- **EQT Corporation**

### Financial Report

1. *Contributions* - Director Paula Blas stated that as of May 26, 2020, all agencies are current with their Fiscal Year 2020 employee and employer contributions.

2. *Financial Statements* - Director Blas stated that the books for the month ended February 29, 2020 are scheduled to close on May 29, 2020.

3. *Fiscal Year 2020 Retirees' Supplemental Benefits* - Director Blas stated that supplemental benefits for retirees and survivors for the month of May 2020 have been paid.

4. *Fiscal Year 2020 Medicare Reimbursements* - Director Blas stated that the Retirement Fund received the May 2020 allotment from the General Fund and reimbursements were processed accordingly.

## V. LEGAL COUNSEL'S REPORT

No report was made at this time.

## VI. TREASURER'S REPORT OF FINANCIAL STATUS

### A. Fiscal Year 2019 Audit

Treasurer Gerard Cruz stated that a copy of the Retirement Fund's Financial Statements, Independent Auditor's Report and Management's Discussion and Analysis (MD&A) for the period ending

September 30, 2019 were provided for the Board's review. A copy of the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards were also provided.

Treasurer Cruz stated that the audit was accepted and the Office of the Public Auditor (OPA) released the audit. Treasurer Cruz stated that it was an unqualified audit. Chairman Leon Guerrero inquired about any reoccurring discrepancies. Treasurer Cruz stated that there is the reoccurring comment with regards to the unfunded liability, which is continuously being paid down. There are thirteen (13) years left to pay down the unfunded liability. The unfunded liability will be fully funded in 2033. Treasurer Cruz stated that the Government of Guam amortizes the unfunded liability and every year the contribution rate is adjusted twenty-five percent (25%) which is used on an annual basis to amortize the unfunded liability. Treasurer Cruz pointed out that the security ratio is now 64%.

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 2020.

## **VII. STANDING COMMITTEE REPORTS**

### **A. Investment Committee**

Treasurer Cruz reported that the Quarterly Performance Meeting for the Quarter Ended March 31, 2020 was held on May 27 and 28, 2020. The Investment Committee Meeting was also held on May 28, 2020. The Committee reviewed and approved the Investment Committee Meeting Minutes of March 13, 2020. Treasurer Cruz stated for the record that as of May 25, 2020, the size of the Retirement Fund's portfolio is \$1,830,005,689.

Treasurer Cruz stated that Maggie Ralbovsky of Wilshire Associates discussed the global economic outlook and the Investment Manager Performances for the quarter ended March 31, 2020.

Ms. Ralbovsky stated that annual reviews were conducted for the following managers:

- Income Research & Management
- Garcia Hamilton
- Hotchkis & Wiley
- Aegon
- Nomura

Ms. Ralbovsky stated that four (4) of the five (5) managers had satisfactory reports with relevant details. Ms. Ralbovsky stated that Nomura's report was lacking substance and she requested for an updated report.

Ms. Ralbovsky provided an overview of the DB Plan's Investment Performance and noted that for the quarter ended March 31, 2020, the Retirement Fund's portfolio underperformed its benchmark index, ranking at the 90th percentile of Wilshire's peer group universe for the quarter. The Retirement Fund Return was -16.13% and the Benchmark Return was -16.08%. Ms. Ralbovsky stated that it was a difficult quarter. The reason for the underperformance and for the positioning of the portfolio has been discussed. The portfolio is very well positioned for the future.

Chairman Leon Guerrero inquired about the economy getting back to normal. Ms. Ralbovsky stated that there are two (2) things going on: one is the market and the other is the real economy. For the market, the federal reserve is trying to bridge the gap to fill the hole. For the real economy, Congress is trying to initiate fiscal spending programs to replace people's lost income and try to restart the economy. Ms. Ralbovsky stated that the federal reserve has been very effective in filling the short-term gap for the financial market. The U.S. consumer spending is significantly impacted by the unemployment rate. The unemployment rate is at 20% nationally. Ms. Ralbovsky stated that it is unclear how the stimulus is going to be spent and if the fiscal stimulus will have a direct impact very quickly.

**Next Quarterly Performance Meeting** – Treasurer Cruz stated that the next Quarterly Performance Meeting is tentatively scheduled for August 26 and 27, 2020.

## **B. Members and Benefits Committee**

Vice Chair Antolina Leon Guerrero presented the Committee's May 2020 report to the Board of Trustees.

**Vice Chair Antolina Leon Guerrero, seconded by Trustee George Santos, moved to approve the recommendation of the Members and Benefits Committee contained on Pages 1 through 13, based on the Committee's review and findings during their meeting of May 22, 2020. Without objection, the motion passed.**

## **VIII. OLD BUSINESS**

None

## **IX. NEW BUSINESS**

### **A. Actuarial Valuation as of September 30, 2019**

Director Blas stated that Milliman, Inc. performed an actuarial valuation of the Retirement Fund as of September 30, 2019. 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.

Milliman, Inc. provided the following highlights on the valuation as of September 30, 2019:

- The required contribution under GCA Section 8137 is 26.97% of payroll. Of this amount, 21.44% is for the unfunded actuarial accrued liability of the Defined Benefit (DB) Plans (Old DB Plan and DB 1.75 Plan), 2.18% is for the normal cost of the DB Plans, and 3.35% is for contributions and expenses for the Defined Contribution (DC) Plan. The primary reason for the

increase in the contribution rate from 26.28% to 26.97% was a decrease in total payroll of 0.94% for the 2018-2019 Fiscal Year instead of an increase of 1.75% which was the expected increase for the 2018-2019 Fiscal Year.

- 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 2019-2020 Fiscal Year is 26.28%.
- The Old DB payroll for the 2018-2019 Fiscal Year was \$111.2 Million compared with \$122.2 Million for the 2017-2018 Fiscal Year. The DB 1.75 payroll for the 2018-2019 Fiscal Year was \$162.3 Million compared with \$127.2 Million for the 9 months of the 2017-2018 Fiscal Year (starting January 1, 2018) that the DB 1.75 Plan was effective.
- The total DB and DC payroll for the 2018-2019 Fiscal Year was \$509.1 Million compared with \$513.9 Million for the 2017-2018 Fiscal Year; a decrease of 0.94%. The prior valuation assumed a 1.75% increase for the 2018-2019 Fiscal Year, followed by 2.75% increases thereafter. If total payroll for the 2018-2019 Fiscal Year had increased by 1.75%, the required contribution rate would have been 26.42%.
- Based on the Audited Financial Statements, Milliman calculated an investment return on the total market value of assets of 2.9% for the Fiscal Year Ending September 30, 2019. The average annual return on the market value of assets for the last five Fiscal Years has been 6.0%. The investment return on the actuarial value of assets, which recognizes investment gains and losses over a 3-year period, was 6.6% for the Fiscal Year Ending September 30, 2019.
- The unfunded actuarial accrued liability decreased from \$1.176 Billion as of September 30, 2018 to \$1.155 Billion as of September 30, 2019. The payment required to amortize the unfunded actuarial accrued liability under GCA Section 8137 has increased from \$108.2 Million to \$112.1 Million. The payment as a percentage of payroll has increased from 20.70% to 21.44%.

Director Blas stated that the contribution rate for FY2021 is 26.97%. The estimated contribution rate for FY2022 is 27.89%. Chairman Leon Guerrero inquired about the security ratio. Director Blas stated that the security ratio as of 2019 is 64.13%.

Director Blas stated that she could set up a virtual conference with Mr. Wright to go through the actuarial valuation. Chairman Leon Guerrero agreed to setting up a virtual conference with Mr. Wright.

## **X. OPEN DISCUSSION / GENERAL PUBLIC INPUT**

None

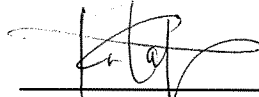
**XI. ANNOUNCEMENTS**

None

**XII. ADJOURNMENT**

There being no further business before the Board for the Defined Benefit Plan, Trustee George Santos moved to adjourn the meeting. Without objection, the meeting was adjourned at 11:40 a.m. Motion passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of May 29, 2020 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on June 26, 2020.



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**KATHERINE T.E. TAITANO, Board Secretary**

**RECORDING SECRETARY:**



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**Jackie Blas**