



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

Artemio R.A. Hernandez, Ph.D.
 Treasurer
 Chair, Investment Committee

Thomas H. San Agustin
 Trustee

David N. Sanford
 Trustee

George A. Santos
 Trustee

BOARD OF TRUSTEES
Regular Meeting
 Friday, April 24, 2020, 10:30 A.M.
 Retirement Fund Conference Room

MINUTES

DEFINED CONTRIBUTION

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 10:44 a.m. Friday, April 24, 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
 Katherine T.E. Taitano, Secretary
 Gerard A. Cruz, Treasurer
 Thomas H. San Agustin, Trustee

Board of Trustees Absent:

George A. Santos, Trustee (*Excused*)
 Artemio R.A. Hernandez, Trustee (*Excused*)

Staff Present:

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

Third Party Administrator Present:

Bjorn Hauerbach, Director, Client Relations & Participant Engagement, Empower Retirement

Investment Consultant Present:

Cameron Systemans, Mercer Investment Consulting, Inc. (*Via Tele-Conference*)

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. March 19, 2020 Regular Meeting

Vice Chair Antolina Leon Guerrero, seconded by Treasurer Gerard Cruz, moved to table the Minutes of the March 19, 2020 Regular Meeting. Without objection, the motion passed.

III. CORRESPONDENCE

None

IV. DIRECTOR'S REPORT - EXECUTIVE SUMMARY

1. *Defined Benefit 1.75 (DB 1.75), Defined Contribution Retirement System (DCRS) and Government Retirement Security Plan (GRSP) Plans* - Bill 177-35 (repeal of the GRSP) was signed into law on February 14, 2020 as Public Law 35-72.

2. *Standard Insurance* - An updated summary report as of March 31, 2020 on the status of applications and individuals on Group Long Term Disability (LTD) is provided for the Board's information.

Financial Report

1. *Contributions* - Director Paula Blas stated that as of April 22, 2020, all agencies are current with their Fiscal Year 2020 employee and employer contributions. Director Blas pointed out that contributions are still coming in.

2. *Financial Statements* - Director Blas stated that the books for the month ended January 31, 2020 are scheduled to close on April 30, 2020.

V. THIRD PARTY ADMINISTRATOR'S REPORT

A. Contribution Report – March 2020

Director Blas stated that Bjorn Hauerbach, Director, Client Relations and Participant Engagement, Empower Retirement, provided the TPA Report for the month ending March 31, 2020 on the DC Retirement System 401(a) Plan and the 457 Deferred Compensation Plan.

Mr. Hauerbach stated that the 401(a) Plan had total assets of \$318,960,837.68. There was a decrease of \$36,734,173.17 or -10.33%. There was a market decrease of -10.7% from February 2020 to March 2020. The 457 Deferred Compensation Plan had total assets of \$78,254,718.33. There was a decrease of \$9,325,571.89 or -10.65%. There was a market decrease of -11.3% from February 2020 to March 2020.

Mr. Hauerbach stated that the 401(a) Plan had total contributions of \$1,438,280.03. There was a decrease in contributions of \$1,009,017.19 or -41.23%. The 457 Deferred Compensation Plan had total contributions of \$567,610.68. There was a decrease in contributions of \$460,922.97 or -44.81%. Chairman Leon Guerrero inquired about the contributions showing negative. Mr. Hauerbach stated that it's a payroll contribution processing issue. The end of March 2020 payroll contributions were processed in April 2020.

Mr. Hauerbach stated that the 401(a) Plan had 115 employee distributions totaling \$1,133,262.39. The 457 Plan had 47 participant distributions totaling \$538,906.41. Mr. Hauerbach stated that the 401(a) Plan has a total of 6,148 participants receiving employer contributions. The 457 Plan has 5,634 contributing participants. Mr. Hauerbach stated that there were 2 retirees in the month of March. The total number of retirees is 1,270. Mr. Hauerbach stated that of the 2 retirees in March, 1 took a full withdrawal and the other took no distribution.

Mr. Hauerbach stated that Empower Retirement is fully functional as staff are working remotely from home. Mr. Hauerbach stated that Empower Retirement has processed fifty (50) transactions over the last month. Empower Retirement has also instituted a new on-line approval process, which helps them operate efficiently. Mr. Hauerbach stated that the Coronavirus Aid, Relief and Economic Security (CARES) Act has provisions that participants may suspend payments on existing loans temporarily. The participants could also apply for a COVID related loan from the 457 Plan; and make distribution withdrawals from the 401(a) Plan. Director Blas stated that the loan provisions only applies to the 457 Plan. Treasurer Gerard Cruz asked whether the CARES Act trumps the Retirement Fund's Plan Document. Director Blas replied, "Yes, the CARES Act requires Government Plans to amend their plans by the last day of the 2024 plan year."

Chairman Leon Guerrero inquired about the disbursement of \$128,695.98 for loans. Mr. Hauerbach stated that it's for loans under the 457 Plan. Participants are now able to apply for a loan on-line. Chairman Leon Guerrero asked whether participants are eligible under the Coronavirus assistance program. Mr. Hauerbach replied, "Yes." Chairman Leon Guerrero inquired about the interest rate. Mr. Hauerbach stated that it is 5% or 6%. Director Blas stated that the participants that have an existing loan could still apply for the COVID loan.

VI. STANDING COMMITTEE REPORTS

A. Investment Committee

Cameron Systemans of Mercer Investment Consulting, Inc. provided an overview of the DC Plan's Investment Performance for the Quarter Ended March 31, 2020. Mr. Systemans discussed the global pandemic, the financial conditions, and the monetary policy.

1. DC Plan Quarterly Performance

Mr. Systemans stated that the returns in March 2020 were negative due to the COVID-19 pandemic. The global economy experienced an unprecedented halt in activity in March, as social distancing policies have forced many businesses to temporarily close. Between February 18, 2020 and March 23, 2020, global equities declined 34%, while spreads widened on investment grade and high yield bonds by 277 basis points and 759 basis points respectively. The global economy is in a recession now. Mr. Systemans pointed out that people are still spending money. Recovery from recession will take time. The economic activity may return to normal level from the pandemic around the end of 2021.

Mr. Systemans stated that Mercer is recommending the following:

- **Place Bank of New York Mellon Global Fixed Income-1 on Watch** - Mr. Systemans stated that BNY Mellon underperformed the FTSE WGBI HDG Index as well as the Bloomberg Barclays Global Aggregate Index for all periods examined. BNY Mellon outperformed the Mercer MF Global Fixed Universe Median for all periods evaluated with the exception of the five-year period.
- **Place Touchstone International Small Cap Fund Class Y on Watch** - Mr. Systemans stated that Touchstone returned -35.1% in the quarter, underperforming the MSCI ACWI ex US Small Cap Index and Mercer Mutual Fund World ex US/EAFE Equity Small Cap Universe Median for all periods examined.
- **Terminate Transamerica International Equity Fund** - Mr. Systemans stated that Transamerica was placed on Watch since April 2019.

Treasurer Gerard Cruz, seconded by Trustee Thomas San Agustin, moved to accept Mercer's recommendation to place Bank of New York Mellon Global Fixed Income-1 and Touchstone International Small Cap Fund Class Y on Watch. Without objection, the motion passed.

Treasurer Gerard Cruz, seconded by Trustee Thomas San Agustin, moved to accept Mercer's recommendation to terminate Transamerica International Equity Fund as a menu option and to replace them with a Mercer Multi Manager Fund. Without objection, the motion passed.

B. Members and Benefits Committee

An update of the DB 1.75, DCRS and GRSP Plans was covered under the Director's report.

VII. OLD BUSINESS

None

VIII. NEW BUSINESS

None

IX. OPEN DISCUSSION / GENERAL PUBLIC INPUT

None

X. ANNOUNCEMENTS

None

XI. ADJOURNMENT

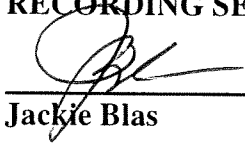
There being no further business before the Board for the Defined Contribution Plan, Treasurer Gerard Cruz moved to adjourn the meeting. Without objection, the meeting was adjourned at 11:35 a.m. Motion passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of April 24, 2020 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on June 26, 2020.



KATHERINE T.E. TAITANO, Board Secretary

RECORDING SECRETARY:



Jackie Blas