



GOVERNMENT OF GUAM
RETIREMENT FUND
STABILITY · SECURITY · REWARDS

Lourdes A. Leon Guerrero
Governor

Joshua F. Tenorio
Lieutenant Governor

Paula M. Blas
Director

Trustees:

Antolina S. Leon Guerrero
Chair

George A. Santos
Vice Chair

Thomas H. San Agustin
Secretary

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

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

David N. Sanford
Trustee

Vacant
Trustee

BOARD OF TRUSTEES
Regular Meeting
Friday, May 31, 2024 12:30 P.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 12:30 p.m. Friday, May 31, 2024, in the Retirement Fund Conference Room. Director Paula Blas officiated the Election of Officers.

Board of Trustees Present:

Antolina S. Leon Guerrero
Artemio R.A. Hernandez
Thomas H. San Agustin
David N. Sanford
George A. Santos

Board of Trustees Absent:

Katherine T.E. Taitano

Staff Present:

Paula Blas, Director
Andrea Atalig, Recording Secretary

Investment Consultant Present:

Maggie Ralbovsky, Wilshire Associates

Public Present:

Nick Collier, Milliman Inc.

II. ELECTION OF OFFICERS

A. Board Chair

Director Blas stated that the floor is open for nominations for Board Chair.

Trustee Artemio Hernandez nominated Trustee Antolina Leon Guerrero for Board Chair. Trustee Thomas San Agustin seconded the nomination. With no other nominations, Director Blas closed the floor for the nomination for Board Chair. With a unanimous vote of ayes, Director Blas declared Trustee Antolina Leon Guerrero duly elected as the Chair of the Retirement Fund Board of Trustees.

B. Board Vice Chair

Director Blas stated that the floor is open for nominations for Board Vice Chair.

Trustee Artemio Hernandez nominated Trustee George Santos for Board Vice Chair. Trustee Thomas San Agustin seconded the nomination. With no other nominations, Director Blas closed the floor for the nomination for Board Vice Chair. With a unanimous vote of ayes, Director Blas declared Trustee George Santos duly elected as Vice Chair of the Retirement Fund Board of Trustees.

C. Secretary

Director Blas stated that the floor is open for nominations for Board Secretary.

Trustee Antolina Leon Guerrero nominated Trustee Thomas San Agustin for Secretary. Trustee Artemio Hernandez seconded the nomination. With no other nominations, Director Blas closed the floor for the nomination for Secretary. With a unanimous vote of ayes, Director Blas declared Trustee Thomas San Agustin duly elected as Secretary of the Retirement Fund Board of Trustees.

D. Treasurer

Director Blas stated that the floor is open for nominations for Board Treasurer.

Trustee Thomas San Agustin nominated Trustee Artemio Hernandez for Treasurer. Trustee Antolina Leon Guerrero seconded the nomination. With no other nominations, Director Blas closed the floor for the nomination for Treasurer. With a unanimous vote of ayes, Director Blas declared Trustee Artemio Hernandez duly elected as Treasurer of the Retirement Fund Board of Trustees.

The newly elected Board Chair, Antolina Leon Guerrero, assumed the Chair of the Board meeting.

III. REVIEW AND APPROVAL OF BOARD MINUTES

A. April 12, 2024 Regular Meeting

Trustee George Santos, seconded by Trustee Artemio Hernandez, moved to approve the Minutes of the April 12, 2024 Regular Meeting, subject to technical corrections. Without objection, the motion passed.

IV. CORRESPONDENCE

A. April 10, 2024 Letter from Edward M. Birn, DOA Director Regarding FY2025 Group Health Insurance Negotiating Team

Director Blas stated the Department of Administration sent a letter to GGRF requesting for an alternate appointment for the Government of Guam Retiree Representative for the Government of Guam FY2025 Group Health Insurance Plan Negotiating Team in the event that Mr. Carlson is unable to attend. Director Blas requested the board recommend individuals who would be willing to serve on the team, which they can discuss at the next board meeting on Friday, June 21, 2024. An alternate retiree representative will have to be approved by the GGRF Board.

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. The Retirement Fund published a list of deceased COLA Awardees with the department they retired from on February 2, 2024 in the Guam Post and on GGRF's website. A second publication will be in June 2024.

2. *Bernstein Litowitz Berger and Grossmann (BLBG)* - BLBG's Litigation Status Report dated May 23, 2024 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**

3. *Actuarial Valuation as of September 30, 2023* – The actuarial valuation was performed by Milliman, Inc. In Milliman's valuation they:

- Summarized the membership data.
- Calculate the actuarial accrued liability and normal cost.
- Determine the contribution requirements.
- Project the fund balance and security ratio forward 40 years.

Nick Collier from Milliman provided the following highlights of the valuation as of September 30, 2023.

- The required contribution under GCA Section 8137 is 30.77% of payroll. Of this amount, 25.58% is for the unfunded actuarial accrued liability of the defined benefits plan (Old DB and DB 1.75 Plan), 1.12% is for the normal cost of the DB plans, and 4.07% is for the contributions and expenses for the defined contribution (DC) plan.

The primary reasons for the increase in the contribution rate from 29.43% for the prior year was the recognition of investment gain and loss over the 3-year asset smoothing period and salary increase that were greater than expected. Higher than expected payroll increase has a partially offsetting impact. Payroll higher than expected lowers the contribution rate as a percent of payroll, but the related salary increases increase expected benefits resulting in a higher unfunded liability.

- Public Law 28-150 provided that the current employer contribution rate would increase over a 5-year period starting in the 2006-07 fiscal year until it reached the actuarial contribution rate, which is the rate specified in the Fund's actuarial valuation report. The employer contribution rate for the 2023-24 fiscal year is 29.43%.
- The defined benefit (Old Plan) payroll for the 2022-23 fiscal year was \$76.6 million compared with \$81.2 million for the 2021-22 fiscal year. The defined benefit (DB 1.75) payroll for the 2022-23 fiscal year was \$171.7 million compared with \$162.2 million for the 2021-22 fiscal year.
- The total defined benefit and defined contribution payroll for the 2022-23 fiscal year, was \$596.5 million compared with \$555.5 million for the 2021-22 fiscal year, and increase of 7.39%. The prior valuation assumed a 4.00% increase for the 2022-23 fiscal year and a 2.50% increase each year thereafter. If total payroll for the 2022-23 fiscal year had increased by 4.00%, the required contribution rate would have been 31.60%.
- Based on the audited financial statements, we calculated an investment return on the total market value of assets of 11.6% for the fiscal year ending September 30, 2023. The average annual return on the market value of assets for the last 5 fiscal years has been 3.2%. The investment return on the actuarial value of assets, which recognizes investment gains and losses over a 3-year period, was 2.2% for the fiscal year ending September 30, 2023.
- Two-thirds of the investment loss for fiscal year ending September 30, 2022 have been reflected in the calculated employer contribution rate. The remaining amount of approximately \$182 million will be reflected over the next valuation and will only be partially offset by investment gains, this is expected to result on an increase on the employer contribution rate.
- The unfunded actuarial accrued liability increased from \$1.173 billion as of September 30, 2022, to \$1.213 billion as of September 30, 2023. The payment required to amortize the unfunded actuarial accrued liability under GCA Section 8137 has increased from \$139.7 million to \$156.4 million. The payment as a percentage of payroll has increased from 24.18% to 25.58%.
- As the remaining period to pay off the unfunded actuarial accrued liability declines, year-to-year changes in the contribution rate will become increasingly sensitive in the future to investment gains and losses and other experience. As noted on the 2015-2020 experience study, and on page 7 of the report, we recommend a change in the amortization method be considered for future valuations to help mitigate this potential contribution rate volatility.

- On December 27, 2022, Public Law No. 36-130 was signed in to law. The impact of P.L 36-130 has not been included in this actuarial valuation as of September 30, 2024, due to the effective date of the benefit changes is set at January 1, 2024. Please see our benefit proposal study dated October 20, 2022 which discusses the anticipated effect of the legislated changes. The actual impact of the law will be calculated when actual elections onto the Defined Benefit 1.75 Plan are reflected in the next valuation.

Treasurer Hernandez asked if it would be possible to have mid-term update for the purposes of updating the government on what the contributions rate will be. Director Blas stated that the positive returns are only as of March and the government usually does an estimate as of September or October based on the date that is given. Mr. Collier stated it would be possible to give an update at that time.

Financial Report

1. ***Contributions*** - Director Paula Blas stated that as of May 28, 2024, all agencies are current with their Fiscal Year 2024 employee and employer contributions.
2. ***Financial Statements*** - Director Blas stated that the books for the month ended April 2024 are scheduled to close on May 31, 2024.
3. ***Fiscal Year 2024 Retirees' Supplemental Benefits*** - Director Blas stated that supplemental benefits for retirees and survivors for the month of May 2024 will be paid by the end of the month.
4. ***Fiscal Year 2024 Medicare Reimbursements*** - Director Blas stated that the Retirement Fund received the May 2024 allotment from the General Fund and reimbursements were processed accordingly.

VI. LEGAL COUNSEL'S REPORT

None

VII. TREASURER'S REPORT OF FINANCIAL STATUS

Treasurer Artemio Hernandez stated that he would like to recommend to extend the current drawdown authorization of up to \$7 Million through September 2024. A copy of the Cash Flow Statement is provided for the Board's review.

Treasurer Artemio Hernandez, seconded by Trustee George Santos, moved to approve the recommendation to extend the current monthly drawdown authority of up to \$7 Million through September 30, 2024. Without objection, the motion passed.

VIII. STANDING COMMITTEE REPORTS

A. Investment Committee

Treasurer Hernandez reported that there was no Investment Committee Meeting this month. Treasurer Hernandez stated that as of May 24, 2024, the size of the Retirement Fund's portfolio was \$2,223,918.476.

Informational Items

1. ***Asset Allocation Summaries***
2. ***Income summary***
3. ***Securities Lending***
4. ***5 Year Plan***

Due Diligence Meeting – Treasurer Hernandez stated that during the Due Diligence meetings, Maggie Rabovsky of Wilshire Associates discussed the economic outlook and the Investment Manager Performances.

Annual Reviews - Ms. Rabovsky stated that annual reviews were conducted for the following Managers:

- IRM
- Garcia Hamilton
- Hotchkis Wiley
- Aegon
- Nomura

Treasurer Hernandez stated Ms. Rabovsky provided an overview of the DB Plan's Investment Performance. Ms. Rabovsky compared GGRF's asset allocation and expected return with the most recent data collected from US Public Fund Survey of funded status, asset allocation and expected long term returns. Based on Wilshire's 2024 asset allocation assumptions, GGRF's current asset allocation is going to have a hard time meeting the 7% expected return in the near term as well as in the longer term due to the fact that some historical statute restrictions on investments may misalign with future investment opportunities. Ms. Rabovsky stated that valuation is high and inflation may surprise on the high side on a secular basis may mean that the asset price will have to adjust and, in the meantime, Wilshire comes to the conclusion that the current asset allocation needs to be reviewed to meet the 7% expected return. The committee discussed making adjustments to the current statute that imposes restrictions on the amount of Fixed Income, US Equity, and Non-US Equity to further diversify GGRF's asset allocation.

Treasurer Hernandez stated the board's previous position was that they agreed to change the current statute which included the requirement for GGRF to hold no less than 30% in fixed income which is quite restrictive when fixed income is returning no returns or substantially a lower rate of return of 7% that is needed. Treasurer Hernandez stated that Ms. Rabovsky is finalizing the draft and it will be brought to the oversight chair to discuss and will be brought to the board during the next quarterly meeting as an action item on the agenda.

Treasurer Hernandez stated GGRF's Total Fund Return for the quarter ending March 31, 2024 is 14.94% and outperformed its quarterly benchmark index by 0.25%.

Next Quarterly Performance Review - Treasurer Hernandez stated that the next Quarterly Performance Review is scheduled for August 28-29, 2024.

B. Members and Benefits Committee

Trustee George Santos presented the Committee's May 2024 report to the Board of Trustees.

Trustee George Santos, seconded by Trustee Thomas San Agustín, moved to approve the recommendation of the Members and Benefits Committee contained on Pages 4 through 15, based on the Committee's review and findings of the May 2024 report. Without objection, the motion passed.

DISABILITY CASE

1. Disability Case No. 23-004

Chair Leon Guerrero stated the application was picked up on September 13, 2023, the application was received on November 8, 2023, and was completed on April 2, 2024 when the second medical evaluation was received. The applicant is a 26-year-old, Teacher at GDOE with 27 years and 8 months of service. The reason for the application is major depression, generalized anxiety as well as monitoring for bi-polar disorder. The applicant was examined by two Independent Medical Examiners (IME's): Dr. E. Schroeder on January 18, 2024 and Dr. D. Lim on March 6, 2024. Dr. E. Schroeder estimates the impairment of the whole person at 39%, indicates the impairment to be permanent is uncertain and precluding the applicant from work was left blank. Dr. E Schroeder noted that per the AMA guidelines the rating they underestimate the applicant's true disability and he suggest a psychiatrist or psychologist be consulted. Dr. D. Lim estimates the impairment of the whole person at 60%, indicates the impairment to be permanent and will preclude the applicant from work.

Chair Leon Guerrero states that when one of the physicians does not respond or complete the application in terms of the impairment being permanent and precluding the applicant from work are two basic questions that are asked and in Dr. E. Schroeder's case, he left it blank on page 17 of the application. Acting Chair Leon Guerrero read out loud the definition of total and permanent disability: **"One which results from some impairment of body or mind which can be expected to result in death, or can be expected to last for a continuous period of not less than twelve (12) months. The impairment shall be one that substantially precludes a person from performing with reasonable regularity the substantial and material parts of any gainful work or occupation that he/she would be competent to perform if it were not for that impairment and if founded upon condition which render it reasonably certain that it will continue indefinitely."**

Chair Antolina Leon Guerrero, second by Trustee George Santos, moved to table Disability Case No. 23-004 until further clarification on reference to "Does the impairment substantially precludes him/her from performing, with reasonable regularity, the substantial and parts of: a) Any gainful work or occupation that he/she would be competent to perform was it not for that impairment? b) The duties of any assigned position in the service of the Government of Guam?" from Dr. E. Schroeder. Without objection, the motion passed.

2. Disability Case No. 24-002

Chair Leon Guerrero stated the application was picked up on August 21, 2023, the application was received on November 12, 2024, and the application was completed on April 30, 2024 when the

second medical examination report was received. The applicant is a 53-year-old Teacher at GDOE with 29 years and 1+ months of service. The reason for the application is Stage IV Lung Cancer.

The applicant is off-island was examined by two physicians: Dr. Albert Leonardo, Jr. on March 26, 2024 and Dr. Amanda McAlister on April 1, 2024. Dr. A. Leonardo estimates the impairment of the whole person at 21%, indicates the impairment to be permanent and will preclude the applicant from work. Acting Chair Leon Guerrero points out the applicant has been under Dr. A. Leonardo's care since June 30, 2023. Acting Chair Leon Guerrero states that independent examiners typically not providers for applicants. Dr. A. McAlister estimates the impairment of the whole person at 21%, indicates the impairment to be permanent and will preclude the applicant from work. Acting Chair Leon Guerrero points out the applicant has been under Dr. A. McAlister's care since July 20, 2023. Acting Chair Leon Guerrero clarified that based on the definition of an Independent Medical Examiner (IME's) it does not specify that an IME cannot be the primary provider and both physicians are off-island.

Treasurer Hernandez inquired if the applicant's years in service with GDOE at 29 years and 1+ months is as of May. Director Blas states the applicant's years of service is as of May and is on leave sharing where she can no longer accrue service but the applicant is eligible to retire but will be penalized due to age and less than 30 years of service under the 401(a) Plan. Acting Chair Leon Guerrero stated both physicians rated the impairment to be estimated at 21% of the whole person is less than what is typically seen but the description of the applicant condition is Stage IV Lung Cancer. Director Blas stated the applicant is unable to come back to Guam due to the treatment the applicant is undergoing.

Chair Antolina Leon Guerrero, second by Trustee George Santos, moved to approve a full disability pension for Disability Case No. 24-002, based on the findings of the two (2) Independent Medical Examiner (IMEs), and the review of records. Votes as follows: Yes Votes – Trustee David Sanford, Trustee Thomas San Agustin, Treasurer Artemio Hernandez, Vice, Trustee George Santos, and Acting Chair Antolina Leon Guerrero. With five (5) "Yes" votes, the motion unanimously passed.

IX. TRAVEL REPORT – Pension Bridge Annual 2024 Conference – April 15-17, 2024 Half Moon Bay, California

A. Artemio Hernandez, Treasurer

X. OLD BUSINESS

None

XI. NEW BUSINESS

None

XII. OPEN DISCUSSION / GENERAL PUBLIC INPUT

XIII. ANNOUNCEMENTS

XIV. ADJOURNMENT

There being no further business before the Board for the Defined Benefit Plan, on motion of Trustee George Santos, seconded by Treasurer Artemio Hernandez, and without objection, the meeting was adjourned at 1:32 p.m. Motion passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of May 31, 2024 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on June 21, 2024.



THOMAS H. SAN AGUSTIN, Board Secretary

RECORDING SECRETARY:



Andrea Atalig