



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
 Thursday, November 10, 2022, 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 1:00 p.m. Thursday, November 10, 2022, 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
 Artemio R.A. Hernandez, Treasurer *(Via Zoom)*
 Thomas H. San Agustin, Trustee *(Via Zoom)*
 David N. Sanford, Trustee *(Via Zoom)*
 George A. Santos, Trustee

Board of Trustees Absent:

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

Staff Present:

Paula Blas, Director
 Jackie Blas, Recording Secretary

Investment Consultant Present:

Maggie Ralbovsky, Wilshire Associates

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. October 14, 2022 Regular Meeting

Trustee George Santos, seconded by Vice Chair Antolina Leon Guerrero, moved to approve the Minutes of the October 14, 2022 Regular Meeting, subject to technical corrections. 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 November 4, 2022 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. *Bill No. 346-36: An Act to Amend §8503, of Article 5, Chapter 8, Title 4 of the Guam Code Annotated Relative to the Defined Benefit 1.75 Retirement System*

Director Paula Blas stated that the public hearing on Bill 346-36 was held on November 4, 2022. The Retirement Fund will be submitting a position statement on the Bill next week. Director Blas stated that the Retirement Fund's position statement should be submitted within 10 days of the public hearing. Attached is a copy of Bill 346-36 and the Retirement Fund's position statement for the Board's review and approval. Director Blas stated that the bill addresses uniformed personnel to be eligible for full retirement benefits at age 55 with 25 years of service or at age 57 with 5 years of service. The bill also addresses the reopening of the Defined Benefit (DB) 1.75 Plan. Vice Chair Antolina Leon Guerrero asked whether reopening of the DB 1.75 open to transfer from the DC Plan to the DB 1.75 Plan. Director Blas replied, "Yes."

Director Blas stated that Vice Speaker Tina Muna-Barnes is in support of the bill and the bill will be under her committee. Director Blas stated that Milliman prepared a cost study which was provided to Senator Pedro Terlaje, Vice Speaker Barnes and Senator Joe San Agustin. Chairman Leon Guerrero asked whether a retirement plan could be opened strictly for Law Enforcement Officers. Director Blas stated that they won't be able to afford it. Maggie Ralbovsky of Wilshire Associates stated that Guam does not have shared basis for someone to team up with. Vice Chair Leon Guerrero stated that it is not feasible for Guam.

Vice Chair Leon Guerrero stated that the Position Statement indicates that if Bill No. 346-36 is enacted, it would increase the Government of Guam's unfunded actuarial accrued liability by 0.09%, and increase the employer contribution rate by 0.04%. Director Blas stated that the 0.04% equates to roughly \$270,000.00.

Director Blas stated that the following are options on each separate proposals in Bill No. 346-36 (LS):

- A. Bill No. 346-36, if enacted, would provide uniformed personnel, who are members of the Defined Benefit 1.75 Plan, with lower age and length of service requirements for retirement with full (unreduced benefits).
- B. Bill No. 346-36, if enacted, would increase the accrual rate for DB 1.75 Plan members from the current 1.75% rate to 2.75% for years of service in excess of 25. The maximum benefit will remain at 85%.
- C. Bill No. 346-36, if enacted, would provide participants in the Defined Contribution Retirement System with an opportunity, during a designated transfer period, to elect to participate in the Defined Benefit 1.75 Plan, which participation would become effective on January 1, 2024.

Vice Chair Leon Guerrero asked whether there's a window for employees to transfer and a point where any new employees can choose between DC and DB 1.75. Director Blas replied, "Yes," The current DC employees, from July 2023 to December 31, 2023, will have the option to choose. Any new employee from January 1, 2024 will have an option.

Vice Chair Leon Guerrero stated that one of the suggestions with regards to the Position Statement is being clear that the Retirement Fund Board is in support of the bill as long as it is restated that "The Government of Guam Retirement Fund Board of Trustees hereby submits its position statement in support of Bill No. 346-36 (LS) with the expectation that if the Government of Guam continues to make required contributions to the Retirement Fund." Treasurer Artemio Hernandez asked whether the process will start in 2023. Director Blas stated that all DC members will be informed starting in July 2023.

Vice Chair Antolina Leon Guerrero, seconded by Trustee George Santos, moved to accept the Retirement Fund Board of Trustees' Position Statement in support of Bill No. 346-36 (LS) and for Director Paula Blas to submit the Position Statement restating the Board's position that the Government of Guam continues to make the required contributions to the Retirement Fund. Without objection, the motion passed.

Financial Report

1. **Contributions** - Director Blas stated that as of November 8, 2022, all agencies are current with their Fiscal Year 2023 employee and employer contributions.
2. **Financial Statements** - Director Blas stated that the books for the month ended October 31, 2022 are scheduled to close on November 28, 2022.

3. **Fiscal Year 2023 Retirees' Supplemental Benefits** - Director Blas stated that supplemental benefits for retirees and survivors for the month of November 2022 will be paid at the end of the month.

4. **Fiscal Year 2023 Medicare Reimbursements** - Director Blas stated that the Retirement Fund just received the November 2022 allotment from the General Fund and reimbursements will be processed accordingly.

V. LEGAL COUNSEL'S REPORT

None

VI. TREASURER'S REPORT OF FINANCIAL STATUS

Treasurer Hernandez stated that the Retirement Fund is operating within its current drawdown authority of up to \$7 Million monthly which continues through December 2022. A copy of the Cash Flow Statement is provided for the Board's review.

Director Blas stated that the audit is currently ongoing. Treasurer Hernandez asked whether the Retirement Fund have the same auditors. Director Blas replied, "Yes." Director Blas stated that a Request for Proposal (RFP) will be issued for the next fiscal year's audit. Vice Chair Leon Guerrero asked whether the term is for a five (5) year period. Director Blas stated that it's for three (3) years with an option to renew for the fourth year. Treasurer Hernandez asked whether there is a formal policy and procedure regarding payment for the auditor being transferred to the Office of Public Accountability (OPA). Director Blas stated that she will reach out to the OPA's office regarding this matter.

VII. STANDING COMMITTEE REPORTS

A. Investment Committee

Treasurer Hernandez reported that the Quarterly Performance Meeting for the Quarter Ended September 30, 2022 was held on November 8, 2022. The Investment Committee Meeting was also held on November 8, 2022. The Committee reviewed and approved the Investment Committee Meeting Minutes of October 13, 2022. Treasurer Hernandez stated that as of November 4, 2022, the size of the Retirement Fund's portfolio was \$1,790,331,648. Director Blas stated that as an update as of November 7, 2022, the portfolio was \$1.82 Billion.

Treasurer Hernandez stated that during the Due Diligence meetings, Ms. Ralbovsky discussed the economic outlook and the Investment Manager Performances for the quarter ended September 30, 2022. Ms. Ralbovsky stated that the market condition dramatically deteriorated in the past nine months when inflation kept over shoot and the Federal Reserve was forced to create interest rate very aggressively. This caused a significant withdrawal of liquidity in the market. The Retirement Fund's portfolio experienced significant drawdown even with Fixed Income losing double digit. The situation has yet to stabilize so we do believe that managing liquidity is very important. The Retirement Fund has a good situation with liquidity managers. Wilshire estimates the Retirement Fund's expected return

for the future will increase between 7.25-7.5% going forward. The near term volatility should be managed, but the longer term expected return will improve significantly.

Ms. Ralbovsky also provided an overview of the DB Plan's Investment Performance. She noted that the Retirement Fund's portfolio underperformed its benchmark index, ranking at the 50th percentile of Wilshire's total fund peer group universe for the quarter. The Retirement Fund Return for the quarter was -6.10% and the Benchmark Return was -6.04%.

Chairman Leon Guerrero asked whether there are any plans of changing the asset allocation. Ms. Ralbovsky stated that we do have a proposed legislation change which will give the Retirement Fund more flexibility to make those allocation changes and give the Retirement Fund more flexibility to consider diversification.

Trustee David Sanford stated that it was mentioned that the labor market is too strong at this time and that's an area the Feds are trying to reduce or to weaken. How will that affect the Plan if they're trying to weaken the labor market which means more unemployment and more unemployment means less contributions to the Plan. Is this an area to take into account. Ms. Ralbovsky replied, "Yes." Ms. Ralbovsky stated that if the Government of Guam has a reduction in force, yes, that will be the case. Ms. Ralbovsky stated that just because general unemployment rate is higher, that does not necessarily mean it's going to directly hit the Fund's contribution rate.

Annual reviews were conducted for the following Risk Parity and Global REIT managers:

- Dimensional Fund Advisors Global REITs
- PanAgora Asset Management
- Invesco Advisors
- Intech

Treasurer Hernandez stated that Intech redid their presentation and the Investment Committee was satisfied with their performance and their re-presentation. Ms. Ralbovsky stated that all managers reviewed provided satisfactory reports.

Next Quarterly Performance Meeting – Ms. Ralbovsky stated that the next Quarterly Performance Meeting is scheduled for February 9, 2023. Annual review will be conducted with the Global Infrastructure Manager - KBI Global Investors.

B. Members and Benefits Committee

Vice Chair Leon Guerrero presented the Committee's November 2022 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 4 through 14, based on the Committee's review and findings during their meeting of November 4, 2022. Without objection, the motion passed.

VIII. OLD BUSINESS

None

IX. NEW BUSINESS

None

X. OPEN DISCUSSION / GENERAL PUBLIC INPUT

None

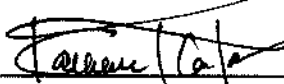
XI. ANNOUNCEMENTS

None

XII. ADJOURNMENT

There being no further business before the Board for the Defined Benefit Plan, on motion of Trustee George Santos, seconded by Trustee David Sanford, and without objection, the meeting was adjourned at 2:03 p.m. Motion passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of November 10, 2022 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on December 16, 2022.



KATHERINE T.E. TAITANO, Board Secretary

RECORDING SECRETARY:



Jackie Blas