



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

**BOARD OF TRUSTEES**  
**Regular Meeting**  
 Friday, February 26, 2021, 12:00 Noon  
 Retirement Fund Conference Room

**MINUTES**

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

Thomas H. San Agustin  
 Trustee

David N. Sanford  
 Trustee

George A. Santos  
 Trustee

**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 12:11 p.m. Friday, February 26, 2021, 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  
 Thomas H. San Agustin, Trustee  
 David N. Sanford, 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

**Legal Counsel Present:**

Vince Camacho

**Investment Consultant Present:**

Maggie Ralbovsky, Wilshire Associates

**Public Present:**

Dave Burger, Burger, Comer & Magliari

## **II. REVIEW AND APPROVAL OF BOARD MINUTES**

### **A. January 29, 2021 Regular Meeting**

**Trustee George Santos, seconded by Treasurer Artemio Hernandez, moved to approve the Minutes of the January 29, 2021 Regular Meeting, subject to technical corrections. Without objection, the motion passed.**

**Trustee George Santos, seconded by Vice Chair Antolina Leon Guerrero, moved to suspend the order of business and to proceed with the presentation of the Fiscal Year 2020 Audit under Agenda Item VI A. Without objection, the motion passed.**

## **III. FISCAL YEAR 2020 AUDIT**

Dave Burger of Burger, Comer & Magliari, stated that a copy of the Retirement Fund's Financial Statements, the 457 Deferred Compensation Plan Financial Statements, Independent Auditor's Report and Management's Discussion and Analysis (MD&A) for the period ending September 30, 2020 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 was also provided.

Mr. Burger provided an overview of the FY2020 Audit. Mr. Burger pointed out that Controller Diana Bernardo prepares the financial footnotes on the schedules.

Chairman Leon Guerrero asked whether there are any recurring issues. Mr. Burger stated that there are no internal control or compliance deficiencies. There are no issues or findings that needs to be raised, but just a reminder that the Retirement Fund is not fully funded. Chairman Leon Guerrero asked whether there are any concerns. Mr. Burger stated that there are a couple of cases mentioned from the firm of Carlsmith Ball, but not from an accounting or auditing stand point.

Controller Bernardo informed the Board that the Office of Public Accountability (OPA) went through the first draft and has completed their final review of the report. Controller Bernardo suggested to release the PDF to the OPA.

Mr. Burger stated that the 457 Deferred Compensation Plan's Financial Statements is very basic. Controller Bernardo stated that the February deadline does not apply to the 457 Plan. The deadline for the 457 Plan audit is December. The OPA will release the report as soon as the pending testing of contributions and compliance has been completed. Controller Bernardo stated that the report should be issued by next week Friday or shortly thereafter. Treasurer Artemio Hernandez suggested to hold off issuing the 457 Plan report until the next Board Meeting. Controller Bernardo stated that testing should be completed by next week.

**Vice Chair Antolina Leon Guerrero, seconded by Treasurer Artemio Hernandez, moved to accept the Retirement Fund's Fiscal Year 2020 Audit Report as presented by the Independent Auditors of Burger, Comer & Magliari; and to defer the issuance of the Audit Report for the 457 Deferred Compensation Plan until the March 2021 Board Meeting. Without objection, the motion passed.**

Treasurer Artemio Hernandez, seconded by Vice Chair Antolina Leon Guerrero, moved to recess the Defined Benefit Plan Meeting and to proceed with the Defined Contribution Plan Meeting. Without objection, the motion passed.

RECESS: 12:58 p.m.

RECONVENED: 1:08 p.m.

#### IV. CORRESPONDENCE

##### A. February 10, 2021 Letter from Francisco R. Agulto, Retiree, Regarding Medicare Reimbursement

Director Paula Blas stated that Mr. Agulto's letter regarding the Medicare Reimbursement Program is provided for the Board's information. Mr. Agulto resides in Olympia, Washington. He claims he should be entitled to the Medicare reimbursement that is provided to all retirees. Director Blas stated that she responded to Mr. Agulto citing the law that requires that he must be domiciled on Guam. Mr. Agulto was informed that if he could prove that he resides in Guam by providing a copy of his tax form that he filed with the Department of Revenue and Taxation or a certification from the Department of Revenue and Taxation that he files taxes on Guam, then the Retirement Fund will review his eligibility.

#### 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 February 19, 2021 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**

Director Blas stated that on the Apollo case, the second distribution of the settlement proceeds will take place in July 2021. Director Blas stated that on the EQT case, the initial mediation session will be conducted via videoconference on March 18, 2021.

#### Financial Report

1. *Contributions* - Director Blas stated that as of February 23, 2021, all agencies are current with their Fiscal Year 2021 employee and employer contributions.

2. *Financial Statements* - Director Blas stated that the books for the month ended January 31, 2021 are scheduled to close today.

3. *Fiscal Year 2021 Retirees' Supplemental Benefits* - Director Blas stated that supplemental benefits for retirees and survivors for the month of February 2021 will be paid today.

4. *Fiscal Year 2021 Medicare Reimbursements* - Director Blas stated that the Retirement Fund received the February 2021 allotment from the General Fund and reimbursements were processed accordingly.

## **VI. LEGAL COUNSEL'S REPORT**

### **A. Non-Base Pay for Judge Anita Sukola**

Director Blas stated that this is a case where the non-base contributions for Judge Sukola were supposed to be deducted from her non-base pay when she was an Adjunct Professor at the University of Guam (UOG), but apparently they weren't. Director Blas stated that now that Judge Sukola is ready to retire, the Retirement Fund compared her Personnel Actions as Adjunct Professor with her member contribution records and the comparison revealed that the employee and employer contributions were not remitted. The Retirement Fund billed UOG and also Judge Sukola for the outstanding contributions that were due. Director Blas stated that interest and penalties were assessed from the Retirement Fund. Director Blas stated that Judge Sukola paid her contributions due including interest to the Retirement Fund. UOG paid their contributions to the Retirement Fund, but they are arguing that they don't have to pay the interest and penalties claiming it's not their fault. Director Blas stated that all other agencies have paid interest and penalties. Vice Chair Antolina Leon Guerrero asked whether Judge Sukola was entitled to the non-base pay. Director Blas replied, "Yes."

Director Blas stated that the next step the Retirement Fund could take is to file a Writ. Vice Chair Leon Guerrero asked whether the Writ is being filed on behalf of the Retirement Fund Members. Vince Camacho, the Retirement Fund's Legal Counsel, stated that the Writ will be filed on behalf of the Retirement Fund. Legal Counsel stated that the interest and penalties are components of the contributions. Vice Chair Leon Guerrero asked whether the employee has to pay interest and penalties on their contributions. Director Blas replied, "Yes."

Legal Counsel stated that when Judge Sukola was appointed to the bench, she continued as a UOG Adjunct Professor and she opted for inclusion of the non-base pay. Legal Counsel stated that Judge Sukola should have been paying contributions as an Adjunct Professor. Legal Counsel stated that UOG was informed that the Board does not have the discretion to waive the interest and penalties. UOG has stated that it is not their fault and that they don't have to pay the interest and penalties. Vice Chair Leon Guerrero stated that it's their job to follow the law.

Chairman Leon Guerrero asked what is the Director's recommendation. Director Blas stated that it would be to send the final collection letter to UOG. Legal Counsel stated that the Retirement Fund should send one final letter to UOG stating that Judge Sukola will be retiring on March 26, 2021 and if payment is not received, the Retirement Fund will be forced to file a Writ. Vice Chair Leon Guerrero asked if the interest and penalties are not received, will the employee be allowed to retire. Legal Counsel stated that in the past, the Guam Memorial Hospital Authority had to pay everything that was due before their employees could retire.

Treasurer Hernandez suggested to include a due date on the final letter to UOG. Director Blas asked whether to have the due date by March 5th or March 8th. Vice Chair Leon Guerrero suggested that the due date be by Monday, March 8, 2021. Legal Counsel stated that the Retirement Fund may have to file an Ex Parte Writ considering Judge Sukola is going to retire on March 26, 2021.

**Vice Chair Antolina Leon Guerrero, seconded by Trustee George Santos, moved to accept the recommendation of the Retirement Fund's Legal Counsel and Director to notify the University of Guam of the Retirement Fund's intention to collect the interest and penalties due from the University of Guam or the Retirement Fund will file a Writ. Without objection, the motion passed.**

## **VII. TREASURER'S REPORT OF FINANCIAL STATUS**

Treasurer Hernandez pointed out that the FY2020 Audit Report was just accepted by the Board.

Treasurer Hernandez stated that he would like to recommend to extend the current drawdown authorization of \$6 Million through June 2021.

**Treasurer Artemio Hernandez, seconded by Vice Chair Antolina Leon Guerrero, moved to approve the recommendation to extend the monthly drawdown authority of up to \$6 Million through June 2021. Without objection, the motion passed.**

## **VIII. STANDING COMMITTEE REPORTS**

### **A. Investment Committee**

Treasurer Hernandez reported that the Quarterly Performance Meeting for the Quarter Ended December 31, 2020 was held on February 24, 2021. The Investment Committee Meeting was also held on February 24, 2021. The Committee reviewed and approved the Investment Committee Meeting Minutes of January 28, 2021. Treasurer Hernandez stated that as of February 21, 2021, the market value of the total fund is \$2,176,721,565.

#### **1. Due Diligence Meeting**

Treasurer Hernandez stated that during the Due Diligence meeting, Maggie Ralbovsky of Wilshire Associates discussed the economic outlook and the Investment Manager Performances. Ms. Ralbovsky provided an overview of the DB Plan's Investment Performance and noted that for the Quarter Ended December 31, 2020, the Retirement Fund's portfolio outperformed the benchmark index, ranking at the 38th percentile of Wilshire's peer group universe for the quarter. The Retirement Fund Return was 10.33% and the Benchmark Return was 10.61%.

## **2. Defined Benefit Investment Statute Discussion**

Treasurer Hernandez stated that Ms. Ralbovsky provided an overview of proposed amendments to the DB Investment statutory provisions citing the current portfolio's ability to reach the expected return of 7%, and the current statutory cap limitations on asset classes as a concern. Treasurer Hernandez stated that the Investment Committee will continue discussions on investment strategies. Treasurer Hernandez informed the Board that the Investment Committee may be recommending an Investment Policy Training.

### **Recommendation for Board Action:**

#### **a. Lazard Asset Management**

Ms. Ralbovsky stated that due to significant underperformance, Wilshire recommends placing Lazard on Watch for a period of one (1) year.

**Treasurer Artemio Hernandez, seconded by Trustee Thomas San Agustin, moved to accept the Investment Committee and Wilshire Associates' recommendation to place Lazard Asset Management on Watch for a period of one (1) year. Without objection, the motion passed.**

*Next Quarterly Performance Meeting* – Treasurer Hernandez stated that the next Quarterly Performance Meeting is tentatively scheduled for May 26 and 27, 2021.

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

Vice Chair Leon Guerrero presented the Committee's February 2021 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 15, based on the Committee's review and findings during their meeting of February 17, 2021. Without objection, the motion passed.**

## **IX. OLD BUSINESS**

None

## **X. NEW BUSINESS**

None

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

None

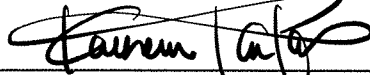
**XII. ANNOUNCEMENTS**

None

**XIII. 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 1:40 p.m. Motion passed.

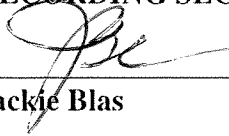
I hereby certify that the foregoing is a full, true and correct copy of the Minutes of February 26, 2021 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on March 26, 2021.



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KATHERINE T.E. TATTANO, Board Secretary

**RECORDING SECRETARY:**



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Jackie Blas