



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, March 25, 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 12:36 p.m. Friday, March 25, 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
 Thomas H. San Agustin, Trustee
 David N. Sanford, Trustee
 George A. Santos, Trustee

Board of Trustees Absent:

Artemio R.A. Hernandez, Treasurer (*Excused*)
 Katherine T.E. Taitano, Secretary (*Excused*)

Staff Present:

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

Public Present:

Dave Burger, Burger, Comer & Magliari (*Via Zoom*)

II. FISCAL YEAR 2021 AUDIT

Dave Burger of Burger, Comer & Magliari, 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, 2021 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 the following highlights:

- Scope of Engagement / Summary of Audit Results / SAS 114 Communication to those Charged with Governance
- Scope of the Engagement - Financial Statement Audit of GGRF, a component unit of the Government of Guam in accordance with Government Auditing Standards (aka Yellow Book)
- GGRF 2021 Audit Results / Significant Changes / Significant Adjustments
- Unmodified Opinion
 - Audit performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*
 - The financial statements fairly present, in all material respects, GGRF's:
 - ❖ Fiduciary net position
 - ❖ Changes in fiduciary net position
 - Burger & Comer, P.C. did not assist in the preparation or word processing of the financial statements: GGRF management reviews, approves, and accepts responsibility for those financial statements
- Report on Internal Controls and Compliance in accordance with *Government Auditing Standards*
 - Material weakness and significant deficiencies - none noted
 - Noncompliance material (laws, regulations, contracts, grants) to financial statements - none noted
- Significant Audit Areas
 - Assets
 - ❖ Investments - There were no adjustments
 - Liabilities
 - ❖ Pension and OBEP liabilities - The balances are adjusted annually based on actuarial reports and audits of the allocations
 - Operations
 - ❖ Investment income / Annuity payments - There were no adjustments
- Significant Adjustments / Other - No items to report
- Required Communications to Those Charged with Governance under Statement on Auditing Standards No. 114
- Elements of Required Communications
 - Management has primary responsibility for the accounting principles used, including

- We are not aware of any consultations by management with other accountants about accounting or auditing matters
- We did not encounter any difficulties with management while performing our audit procedures that require the attention of the GGRF Board
- We encountered no disagreements with management on financial accounting and reporting matters as it relates to the current year financial statements
- GGRF's significant accounting policies are appropriate, and that management has applied its policies consistently with prior period in all material respects
- No significant or unusual transactions or accounting policies in controversial or emerging area for which there is lack of authoritative guidance or consensus were identified
- No significant deficiencies or material weaknesses were identified
- No irregularities, fraud or illegal acts or that would cause a material misstatement of the financial statements, came to our attention as a result of our audit procedures.

Mr. Burger stated that they did a couple of things worth mentioning in the Management Letter. Mr. Burger stated that in prior years, there were Management Letter comments about how the Retirement Fund is progressing towards full funding. That comment was repeated many times. That has now been in place since 2014.

Management Letter Comments: Mr. Burger stated that back in 1999, Retirement Fund files were a mess. There was no indexing, sections, and there were loose documents. Files are reviewed yearly to test the calculations on annuities. That was pointed out and the files were then cleaned up.

Another comment is on the DC Plan participant files maintained by the third-party administrator (TPA). There were difficulties locating documents and difficulties verifying calculations. Mr. Burger stated that this was discussed with Controller Diana Bernardo and stated that it could be more efficient if the files were better organized with indexes. Making files easier to navigate is being addressed.

The other comment is on the review of professional service providers. Mr. Burger stated that the Retirement Fund has a great deal of responsibilities. The Retirement Fund has numerous professional service providers such as the TPA, Legal Counsel, Custodian, Investment Consultants, Money Managers, Insurance Companies, Financial Institutions, Actuaries, and CPA Firms. Mr. Burger stated that there is a question on whether entities periodically review their relationships with its professional service providers. Mr. Burger stated that because of the Retirement Fund's fiduciary responsibility, it should periodically review their relationships with professional service providers and the terms of their contracts.

Chairman Leon Guerrero inquired about the review of the Retirement Fund's investment activities. Mr. Burger stated that the money managers are responsible for performance. Consultants constantly review the money managers and if someone is not performing, they will be replaced. Vice Chair Antolina Leon Guerrero stated that the managers are reviewed regularly as well as the TPA and Custodian. Vice Chair Leon Guerrero stated that the Retirement Fund should have a schedule of all its contracts and when they were reviewed just to make sure that nothing is overlooked. Controller

that extension was because of the election and swearing-in of the new Board Members and it's to ensure there's continuity and to give the new Trustees the opportunity to understand how that process works. Provisions state that an RPF goes out for the TPA every five years, but it was extended for three years due to the incoming Trustees.

Chairman Leon Guerrero asked what would be an appropriate timeline to keep managers on watch. Mr. Burger stated that if a manager is underperforming, that manager should be replaced before three years. Vice Chair Leon Guerrero stated that one year is typically the Board's practice. Director Paula Blas stated one year or market cycle.

Vice Chair Leon Guerrero inquired about the significant difference in return from 2021 to 2020. Is it something that the Board needs to work with the actuarial in terms of smoothing out. Director Blas stated that it does not affect the actual return itself, it's when the actuary is determining what the new contribution rate would be is when he does the smoothing.

Trustee Thomas San Agustin, seconded by Trustee David Sanford, moved to accept the Retirement Fund's Fiscal Year 2021 Audit Report as presented by the Independent Auditors of Burger, Comer & Magliari. Without objection, the motion passed.

III. REVIEW AND APPROVAL OF BOARD MINUTES

A. February 18, 2022 Regular Meeting

Vice Chair Antolina Leon Guerrero, seconded by Trustee George Santos, moved to approve the Minutes of the February 18, 2022 Regular Meeting, subject to technical corrections. Without objection, the motion passed.

IV. CORRESPONDENCE

None

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 March 11, 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**

Financial Report

1. *Contributions* - Director Blas stated that as of March 22, 2022, all agencies are current with their Fiscal Year 2022 employee and employer contributions.

2. **Financial Statements** - Director Blas stated that the books for the month ended February 28, 2022 are scheduled to close on March 30, 2022.

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

4. **Fiscal Year 2022 Medicare Reimbursements** - Director Blas stated that the Retirement Fund received the March 2022 allotment from the General Fund and reimbursements were processed accordingly.

VI. LEGAL COUNSEL'S REPORT

No report was made at this time.

VII. TREASURER'S REPORT OF FINANCIAL STATUS

A. Drawdown Authority

Controller Bernardo stated that the Retirement Fund is operating within its current drawdown authority of up to \$6 Million monthly which continues through June 2022. A copy of the Cash Flow Statement is provided for the Board's review.

Controller Bernardo stated that retirees' payroll is \$20.1 Million a month, which includes 240 DB 1.75 retirees. Chairman Leon Guerrero inquired about the average retiree salary. Controller Bernardo stated that the average annuity lately is about \$80 to \$90,000. These are fire fighters retiring at a very high salary. Director Blas stated that the bulk of retirees' annuity is about \$42,000 and below.

VIII. STANDING COMMITTEE REPORTS

A. Investment Committee

Trustee Thomas San Agustin reported that the Investment Committee Meeting was held on March 24, 2022. The Committee reviewed and approved the Investment Committee Meeting Minutes of February 17, 2022 and the Minutes of the February 17, 2022 Due Diligence Meeting for the Quarter Ended December 31, 2021. Trustee San Agustin stated that as of March 22, 2022, the size of the Retirement Fund's portfolio is \$2,182,431,666, and as of March 24, 2022, the portfolio is \$2.183 Billion.

Trustee San Agustin stated that the Request for Proposal (RFP) for the International Equity has been issued and the deadline is April 19, 2022.

Next Quarterly Performance Meeting – Trustee San Agustin stated that the next Quarterly Performance Meeting is tentatively scheduled for May 18 and 19, 2022. Director Blas stated that Treasurer Artemio Hernandez will be off-island and he asked to check with Maggie Ralbovsky of Wilshire Associates if she will be available on May 15 and 16.

B. Members and Benefits Committee

Vice Chair Leon Guerrero presented the Committee's March 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 19, based on the Committee's review and findings during their meeting of March 18, 2022. Without objection, the motion passed.

IX. OLD BUSINESS

None

X. NEW BUSINESS

None

XI. OPEN DISCUSSION / GENERAL PUBLIC INPUT

None

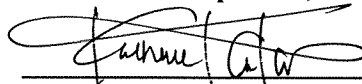
XII. ANNOUNCEMENTS

None

XIII. ADJOURNMENT

There being no further business before the Board for the Defined Benefit Plan, on motion of Vice Chair Antolina Leon Guerrero, seconded by Trustee George Santos, and without objection, the meeting was adjourned at 1:09 p.m. Motion passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of March 25, 2022 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on April 22, 2022.



KATHERINE T.E. TAITANO, Board Secretary

RECORDING SECRETARY:



Jackie Blas