



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 26, 2021, 12:00 Noon
 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 12:39 p.m. Friday, March 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

Board of Trustees Absent:

Katherine T.E. Taitano, Secretary (*Excused*)
 George A. Santos, Trustee (*Excused*)

Staff Present:

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

Actuarial Consultant Present:

Richard Wright, Milliman, Inc.
 Kevin Poenisch, Associate Actuary

Third Party Administrator Present:

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

Public Present:

Artemio Santos Perez

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. February 26, 2021 Regular Meeting

Vice Chair Antolina Leon Guerrero pointed out an error on the last paragraph on Page 4 of the minutes. Vice Chair Leon Guerrero stated that it's a question rather than a statement and that it should read: "Vice Chair Leon Guerrero asked if the interest and penalties are not received, will the employee be allowed to retire." The Recording Secretary noted the correction indicated by Vice Chair Leon Guerrero.

Director Paula Blas stated that the Writ was signed by Judge Arthur Barcinas and was served to the University of Guam (UOG). UOG was supposed to pay the interest and penalties immediately upon receipt of the Writ, and if UOG does not pay the interest and penalties, UOG will have to go to Court on April 1, 2021 to justify why payment wasn't made. Director Blas stated that as of this morning, no payment has been made by UOG. Director Blas stated that Judge Anita Sukola was able to retire because she had the years of service and was eligible to retire. However, the interest and penalties on Judge Sukola's non-base contributions were not paid by UOG so she is receiving a lower annuity. Her annuity was calculated removing any non-base calculation. Vice Chair Leon Guerrero asked what happens once the interest and penalties are paid. Director Blas stated that Judge Sukola's annuity will be adjusted once the interest and penalties are paid. Chairman Leon Guerrero inquired about the amount due from UOG. Director Blas stated that interest and penalties due is \$13,000.00. Judge Sukola paid her contributions including interest and penalties associated to her contributions. Chairman Leon Guerrero asked whether UOG is going to pay what's due. Director Blas stated that the Retirement Fund has not heard from UOG. Director Blas stated that if UOG ends up not prevailing, they are also going to pay the Retirement Fund's legal fees.

Vice Chair Antolina Leon Guerrero, seconded by Trustee Thomas San Agustin, moved to approve the Minutes of the February 26, 2021 Regular Meeting, as corrected, subject to further 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 March 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 mediation session conducted on March 18, 2021 was not successful. The case will remain ongoing and discovery will continue.

Financial Report

1. **Contributions** - Director Blas stated that as of March 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 February 28, 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 March 2021 will be paid by the end of the month.
4. **Fiscal Year 2021 Medicare Reimbursements** - Director Blas stated that the Retirement Fund received the March 2021 allotment from the General Fund and reimbursements were processed accordingly.

V. LEGAL COUNSEL'S REPORT

No report was made at this time.

VI. TREASURER'S REPORT OF FINANCIAL STATUS

Treasurer Artemio Hernandez stated that the Retirement Fund is operating within its current drawdown authority of up to \$6 Million monthly which continues through June 2021.

457 Deferred Compensation Plan Audit for the Year Ended December 31, 2020

Treasurer Hernandez stated that the 457 Deferred Compensation Plan Audit will be presented at today's meeting. Controller Diana Bernardo stated that there are no changes from the last meeting. Controller Bernardo stated that Dave Burger of Burger, Comer & Magliari, included his audit opinion on Pages 1, 2 and 3. The Retirement Fund ended December 2020 with \$114 Million in 457 Plan Investments. Controller Bernardo stated that there were no changes on Pages 4 through 16. The only change made on Page 17 was the split of **No. 8 Subsequent Events** which was one category: It is now **No. 8 Coronavirus Pandemic** and **No. 9 Subsequent Events**. There were no internal compliance issues. The auditors did a lot of testing on contributions and Empower Retirement was able to provide the auditors with documents to clear up any questions they had.

Controller Bernardo stated that the auditors did have a concern as to whether the Plan Document was amended. Director Blas stated that the amendment to the Plan Document has to take place by December 31, 2024.

Controller Bernardo stated that Mr. Burger indicated that they had an issue with the organization of files, including documents not in the files. Management will work with Empower Retirement to ensure that documents are placed in the files. Director Blas stated that in the past under the DB Plan, the organization of files was a big issue with the auditors. Director Blas stated that since then, Management had to make sure that files were organized in a fashion where the auditors would go through the files easily. Director Blas stated that the auditors did more testing this time around. Director Blas stated that there might be a Management Letter. Chairman Leon Guerrero asked if there are any reoccurring problems. Director Blas replied, "There are no reoccurring problems."

Treasurer Artemio Hernandez, seconded by Trustee Thomas San Agustin, moved to accept the 457 Deferred Compensation Plan Audit Report for the Year Ended December 31, 2020. Without objection, the motion passed.

VII. STANDING COMMITTEE REPORTS

A. Investment Committee

Treasurer Hernandez reported that the Investment Committee Meeting was held on March 19, 2021. The Committee reviewed and approved the Investment Committee Meeting Minutes of February 24, 2021 and the Minutes of the February 24, 2021 Due Diligence Meeting for the Quarter Ended December 31, 2020. Treasurer Hernandez stated that as of March 16, 2021, the size of the Retirement Fund's portfolio is \$2,187,542,285. Controller Bernardo pointed out that as of March 24, 2021, it was \$2.176 Billion. Chairman Leon Guerrero inquired about the Fixed Income and REITs being off target. Director Blas stated that most of them are on target. Controller Bernardo stated that she will have Maggie Ralbovsky of Wilshire Associates revisit the target reallocations during the May 2021 due diligence.

Vice Chair Leon Guerrero inquired about the \$50 Million that was placed into a cash account with Northern Trust. Director Blas stated that the remaining balance is \$5 Million.

Next Quarterly Performance Meeting – Treasurer Hernandez stated that the next Quarterly Performance Meeting is tentatively scheduled for May 26 and 27, 2021. Vice Chair Leon Guerrero asked whether that date will change. Director Blas stated that she will inform Ms. Ralbovsky that it's going to be moved to May 19 and 20.

B. Members and Benefits Committee

Vice Chair Leon Guerrero presented the Committee's March 2021 report to the Board of Trustees.

Vice Chair Antolina Leon Guerrero, seconded by Trustee Thomas San Agustin, moved to approve the recommendation of the Members and Benefits Committee contained on Pages 4 through 13, based on the Committee's review and findings during their meeting of March 17, 2021. Without objection, the motion passed.

DISABILITY CASE NO. 20-003

Vice Chair Leon Guerrero stated that the applicant is a 53 year old Communications Manager with the Guam Power Authority with approximately 20+ years of service. The date of application for disability is July 2, 2020. The reason for application is Destruction and Deformity of Mid-Foot Joints of Right Foot. The applicant was examined by two Independent Medical Examiners (IMEs): Dr. Vincent Duenas on December 4, 2020 and Dr. E. Fred Schroeder on January 21, 2021. Dr. Duenas gave a rating of 71% whole-person impairment and indicated that the impairment is permanent and precludes the applicant from gainful work. Dr. Schroeder gave a rating of 93% whole-person impairment and also indicated that the impairment is permanent and precludes the applicant from gainful work.

At this time Chairman Leon Guerrero asked whether the applicant is present, noting that if the applicant would like to address the Board, he/she would have to waive his/her right to the privacy of his/her medical records and he/she must state his/her name for the record. Chairman Leon Guerrero recognized an individual who came forward. Chairman Leon Guerrero asked the individual to please state his name for the record. The individual stated that his name is Artemio Santos Perez.

Mr. Perez started off by commending Jackie Sablan for her patience during the application process. Mr. Perez stated that he is ashamed of applying for disability. Vice Chair Leon Guerrero stated that there is no shame on disability. Vice Chair Leon Guerrero stated that she is happy that Mr. Perez came forward for help. It is clear from the reports that this is something that is necessary for him. Mr. Perez stated that he takes great pride of his follow employees for being very supportive of him. Vice Chair Leon Guerrero stated that Mr. Perez should continue to share his pride and thanked him for his years of service in the government.

Vice Chair Antolina Leon Guerrero, seconded by Treasurer Artemio Hernandez, moved to approve a full disability pension for Disability Case No. 20-003, based on the findings of the two (2) Independent Medical Examiners (IMEs), and the review of records. Votes as follows: Yes Votes - Vice Chair Antolina Leon Guerrero, Trustee Thomas San Agustin, Trustee David Sanford, Treasurer Artemio Hernandez, and Chairman Wilfred Leon Guerrero. With five (5) "Yes" votes, the motion unanimously passed. Secretary Katherine Taitano and Trustee George Santos were absent.

DISABILITY CASE NO. 21-001

Vice Chair Leon Guerrero stated that the applicant is a 60 year old Equipment Operator with the Department of Public Works with approximately 12+ years of service. The date of application for disability is December 30, 2020. The reason for application is Spinal Surgery with Spinal Fusion; Cervical Neck Operation; Diabetes; Hemodialysis 3 times a week for life; Hypertension; and Gout. The applicant was examined by two Independent Medical Examiners (IMEs): Dr. Vincent Duenas on February 2, 2021 and Dr. E. Fred Schroeder on February 16, 2021. Dr. Duenas gave a rating of 85% whole-person impairment and indicated that the impairment is permanent and precludes the applicant from gainful work. Dr. Schroeder gave a rating of 89% whole-person impairment and also indicated that the impairment is permanent and precludes the applicant from gainful work.

At this time Chairman Leon Guerrero asked whether the applicant is present, noting that if the applicant would like to address the Board, he/she would have to waive his/her right to the privacy of his/her medical records and he/she must state his/her name for the record. Chairman Leon Guerrero indicated that no one came forward.

Vice Chair Antolina Leon Guerrero, seconded by Trustee Thomas San Agustin, moved to approve a full disability pension for Disability Case No. 21-001, based on the findings of the two (2) Independent Medical Examiners (IMEs), and the review of records. Votes as follows: Yes Votes - Vice Chair Antolina Leon Guerrero, Trustee Thomas San Agustin, Trustee David Sanford, Treasurer Artemio Hernandez, and Chairman Wilfred Leon Guerrero. With five (5) “Yes” votes, the motion unanimously passed. Secretary Katherine Taitano and Trustee George Santos were absent.

VIII. OLD BUSINESS

None

IX. NEW BUSINESS

A. Actuarial Valuation as of September 30, 2020

Director Blas stated that Milliman, Inc. performed an actuarial valuation of the Retirement Fund as of September 30, 2020. In Milliman's valuation they:

- Summarized the membership data.
- Calculated the actuarial accrued liability and normal cost.
- Determined the contribution requirements.
- Projected the fund balance and security ratio forward 40 years.

Richard Wright of Milliman, Inc. introduced Kevin Poenisch, Associate Actuary, who joined their team and is working on the Retirement Fund's account. Mr. Wright stated that Mr. Poenisch just completed his final requirements to be a Fellow of the Society of Actuaries. Mr. Poenisch stated that he just gave his final presentation yesterday and it feels good to be done. The Board congratulated and welcomed Mr. Poenisch.

Mr. Wright provided the following highlights on the valuation as of September 30, 2020:

- The required contribution under GCA Section 8137 is 28.32% of payroll. Of this amount, 22.63% is for the unfunded actuarial accrued liability of the Defined Benefit (DB) Plans (Old DB Plan and DB 1.75 Plan), 2.08% is for the normal cost of the DB Plans, and 3.61% is for contributions and expenses for the Defined Contribution (DC) Plan. The primary reason for the increase in the contribution rate from 26.97% for the prior year was the recognition of investment returns for 2017-2018, 2018-2019, and 2019-2020, that were below the assumed rate of return of 7%. The recognition of investment gains and losses are recognized over a 3-year period. Mr. Wright stated that the Legislature was already given a rate that is close to the 28.32%. Director Blas stated that the rate she gave the Legislature is 28.5%.

- Public Law 28-150 provided that the current employer contribution rate would increase over a 5-year period starting in the 2006-2007 Fiscal Year until it reached the actuarial contribution rate, which is the rate specified in the Retirement Fund's Actuarial Valuation Report. The employer contribution rate for the 2020-2021 Fiscal Year is 26.97%.
- The Old DB payroll for the 2019-2020 Fiscal Year was \$101.5 Million compared with \$111.2 Million for the 2018-2019 Fiscal Year. The DB 1.75 payroll for the 2019-2020 Fiscal Year was \$161.7 Million compared with \$162.3 Million for the 2018-2019 Fiscal Year.
- The total DB and DC payroll for the 2019-2020 Fiscal Year was \$519.5 Million compared with \$509.1 Million for the 2018-2019 Fiscal Year; an increase of 2.05%. The prior valuation assumed a 2.75% increase for the 2019-2020 Fiscal Year and each year thereafter. If total payroll for the 2019-2020 Fiscal Year had increased by 2.75%, the required contribution rate would have been 28.17%.
- Based on the Audited Financial Statements, Milliman calculated an investment return on the total market value of assets of 4.1% for the Fiscal Year Ending September 30, 2020. The average annual return on the market value of assets for the last five Fiscal Years has been 6.8%. The investment return on the actuarial value of assets, which recognizes investment gains and losses over a 3-year period, was 4.1% for the Fiscal Year Ending September 30, 2020.
- The unfunded actuarial accrued liability increased from \$1.155 Billion as of September 30, 2019 to \$1.174 Billion as of September 30, 2020. The payment required to amortize the unfunded actuarial accrued liability under GCA Section 8137 has increased from \$112.1 Million to \$120.8 Million. The payment as a percentage of payroll has increased from 21.44% to 22.62%.
- The total active participants in the Old DB, DB 1.75 and the DC Plans is 11,250. There are 7,275 Old DB Plan retirees and 124 retirees in the DB 1.75 Plan.
- The actuarial accrued liability was at \$3,228.1, the actuarial value of assets was \$2,053.9, and the unfunded actuarial accrued liability was \$1,174.2 (in millions); and the security ratio was at 63.62%.

Mr. Wright stated that he would expect the Retirement Fund returns were better since September 30, 2020. Hopefully the Retirement Fund will earn more than 7% this year.

Director Blas asked Mr. Wright if he could briefly touch on the unfunded amortization. Director Blas stated that there was some discussion in the past of looking at a portion of the unfunded and reamortizing it so that the Retirement Fund won't have such a huge drop come 2033. Treasurer Hernandez stated that as we approach 2033, the risk of fluctuation becomes a larger impact. Is there some way to smooth out portion of the unfunded. Mr. Wright stated that the best practice is to establish a layered basis so every year whatever change in the unfunded liability is amortized over 10 years or 15 years going forward. This will kind of smooth each other out over time. Mr. Wright stated that he will be presenting an Experience Study in the next few months that will include a recommendation for that change.

Treasurer Hernandez stated that the law would have to be amended to initiate the change. Treasurer Hernandez asked how would that impact the contribution rate. Would that significantly decrease it or would there need to be a policy where it would stay the same as if it were 2033. Mr. Wright stated that they will design it so that it will be neutral so it keeps the current contribution rate where it is. What will happen is when you get to 2033 you could be over 100% funded or be under 100% funded, but the contribution rate by that point is smoother. Mr. Wright stated that now is a good time to make the change as the Retirement Fund won't be making a big change to the contribution rate.

Director Blas asked Mr. Wright if the Experience Study is going to reflect 2020. Mr. Wright replied, "Yes." Mr. Wright pointed out that the investment expectations going forward are reduced. Mr. Wright stated that part of their Experience Study would be lowering of the 7% investment return and may recommend lowering some of the salary increase assumptions. Mr. Wright stated that he does not see the recommended changes having too much of an impact on the contribution rate. Mr. Wright stated that they want to make sure that everything is designed to keep it where it is so there's no big shock to the government. Treasurer Hernandez stated that if there is it will be the Retirement Fund's leverage to change the amortization period.

Vice Chair Leon Guerrero asked whether opening the DB 1.75 Plan as an option would be helpful to the Retirement Fund. Mr. Wright stated that the DB 1.75 Plan is cheaper to the government than the DC Plan. Mr. Wright stated that the DB 1.75 Plan members pay 9.5% of their wages towards that plan so they help pay for that plan. The actual net cost for the DB 1.75 Plan tends to be less expensive than the DC Plan. The more members that the Retirement Fund can get into the DB 1.75 Plan, the lower the overall employer contribution rate is. Director Blas stated that the Retirement Fund will wait for the presentation of the Experience Study.

Trustee Thomas San Agustin, seconded by Vice Chair Antolina Leon Guerrero, moved to accept the Actuarial Valuation Report as of September 30, 2020. Without objection, the motion passed.

X. OPEN DISCUSSION / GENERAL PUBLIC INPUT

None

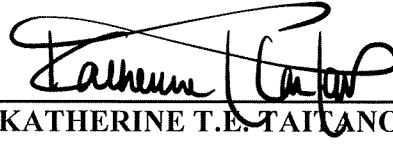
XI. ANNOUNCEMENTS

None

XII. ADJOURNMENT

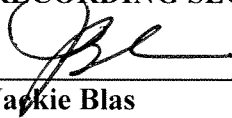
There being no further business before the Board for the Defined Benefit Plan, Vice Chair Antolina Leon Guerrero moved to adjourn the meeting. Without objection, the meeting was adjourned at 1:44 p.m. Motion passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of March 26, 2021 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on April 30, 2021.



KATHERINE T.E. TAITANO, Board Secretary

RECORDING SECRETARY:



Jackie Blas