



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, April 28, 2023, 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 12:47 p.m. Friday, April 28, 2023, 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
 Jackie Blas, Recording Secretary

Public Present:

Richard Wright & Nick Collier, Milliman, Inc. *(Via Zoom)*
 George Castro, Certified Court Reporter

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. March 10, 2023 Regular Meeting

Vice Chair Antolina Leon Guerrero, seconded by Trustee Thomas San Agustin, moved to approve the Minutes of the March 10, 2023 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.

Director Paula Blas stated that at the last Board Meeting, she was asked to consult with Legal Counsel regarding the Retirement Fund's role in notifying beneficiaries of deceased retirees. Legal Counsel indicated to compile a list with the names and department from which they retired from and the amount of the COLA Award. Director Blas stated that she will work on compiling the list within the next two months. Vice Chair Antolina Leon Guerrero inquired about a deadline to respond. Director Blas stated that there's no sunset clause. Trustee David Sanford asked how often will the list be published. Director Blas stated that she will have the list published at least twice a year. Trustee George Santos suggested to put a timeline, a year from publication, and to send a letter to the Legislature recommending to clear the Retirement Fund after the one year publication and to discharge the Retirement Fund from its administrative responsibilities.

2. *Bernstein Litowitz Berger and Grossmann (BLBG)* - BLBG's Litigation Status Report dated April 14, 2023 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 April 26, 2023, all agencies are current with their Fiscal Year 2023 employee and employer contributions. Director Blas stated that payment from Guam Memorial Hospital Authority (GMHA) is due today. If payment is not made today, notice will be sent out next week. Vice Chair Leon Guerrero asked whether the Retirement Fund is suspending retirement for any agency that is not current with their contributions. Director Blas replied, "Yes, and the agency can't just pay for one employee wanting to retire. The agency has to make current of the entire amount due."

2. *Financial Statements* - Director Blas stated that the books for the month ended March 31, 2023 are scheduled to close today.

3. *Fiscal Year 2023 Retirees' Supplemental Benefits* - Director Blas stated that supplemental benefits for retirees and survivors for the month of April 2023 were paid.

4. **Fiscal Year 2023 Medicare Reimbursements** - Director Blas stated that the Retirement Fund received the April 2023 allotment from the General Fund and reimbursements were processed accordingly.

V. LEGAL COUNSEL'S REPORT

None

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 \$7 Million monthly which continues through June 2023. A copy of the Cash Flow Statement is provided for the Board's review.

Treasurer Hernandez stated that the audit release is pending Other Postemployment Benefits (OPEB) audit from the Department of Administration (DOA) for the entire Government of Guam.

VII. STANDING COMMITTEE REPORTS

A. Investment Committee

Treasurer Hernandez reported that there was no Investment Committee Meeting this month. Treasurer Hernandez stated that as of April 24, 2023, the size of the Retirement Fund's portfolio was \$1,936,836,042.

Action Items:

1. *February 9, 2023 Due Diligence Meeting Minutes (Quarter Ended December 31, 2022)*

Informational Items:

1. *Asset Allocation Summaries*
2. *Income summary*
3. *Securities Lending*
4. *5 Year Plan*
5. *Next Quarterly Performance Review* – Treasurer Hernandez informed the Board that the next Quarterly Performance Review is scheduled for May 17 and 18, 2023. Treasurer Hernandez stated that annual reviews will be conducted for the following Fixed Income and High Yield Managers:
 - Garcia Hamilton
 - Income Research & Management
 - Hotchkis & Wiley
 - Nomura Research & Asset Management
 - Aegon Asset Management

Treasurer Hernandez stated that legislation was discussed to allow flexibility with the Retirement Fund's investments and the amortization of the unfunded. Director Blas stated that she will set up the meetings.

B. Members and Benefits Committee

Trustee Santos presented the Committee's April 2023 report to the Board of Trustees.

Trustee George Santos, seconded by Vice Chair Antolina Leon Guerrero, 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 of the April 2023 report. Without objection, the motion passed.

Vice Chair Antolina Leon Guerrero, seconded by Trustee George Santos, moved to approve the Applications for Disabled Adult Survivor Benefits for Christopher Retizo and Eric James G. De Plata contained on Pages 21 and 22, based on the Committee's review and findings of the April 2023 report. Without objection, the motion passed.

1. Disability Case No. 22-002

Vice Chair Leon Guerrero stated that Disability Case No. 22-002 was tabled at the January 20, 2023 Board Meeting as the applicant was expected to be reassessed. Since then, the applicant has been evaluated in January and in March 2023. Both physicians rated the impairment as permanent and that it precludes the applicant from gainful work. Vice Chair Leon Guerrero noted that both ratings are well below what the Board would normally see. Dr. Megan Witt and Dr. Ki Young Chung gave a rating of 1% which is referenced only to the applicant's nervous system condition. Vice Chair Leon Guerrero stated that the applicant is undergoing Chemotherapy. The Chemotherapy trial that the applicant is undergoing requires regular appointments which are done off-island. Director Blas noted that the type of Chemo treatment that the applicant is undergoing is a clinical trial. Vice Chair Leon Guerrero stated that the type of cancer the applicant is dealing with is Stage 3 Colon Cancer.

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 George Santos, moved to approve a full disability pension for Disability Case No. 22-002, based on the findings and review of records. Votes as follows: Yes Votes – Vice Chair Antolina Leon Guerrero, Trustee George Santos, Treasurer Artemio Hernandez, Trustee Thomas San Agustin, Trustee David Sanford, and Chairman Wilfred Leon Guerrero. With six (6) "Yes" votes, the motion unanimously passed. Secretary Katherine Taitano was absent.

VIII. OLD BUSINESS

None

IX. NEW BUSINESS

A. Actuarial Valuation as of September 30, 2022

Richard Wright of Milliman, Inc. informed the Board that after 40 years, he decided to retire effective April 30, 2023. Mr. Wright stated that he enjoyed working for the Retirement Fund for the past 19

years. Vice Chair Leon Guerrero stated that she learned quite a bit working with Mr. Wright. Chairman Leon Guerrero thanked Mr. Wright for his expertise. Treasurer Hernandez also thanked Mr. Wright and mentioned that he has been attending the Retirement Fund Board meetings since 2010 as a staffer at a legislative office and has been on the Retirement Fund Board for three years. Treasurer Hernandez stated that he appreciates the decades of service Mr. Wright has provided to the Retirement Fund.

Mr. Wright introduced his replacement, Nick Collier, who will be working with the Retirement Fund. Mr. Collier stated that he has been with Milliman for 30 years and has worked with a wide variety of public sector plans and has done 900 valuation reports for each of the employers.

Mr. Collier provided the following highlights on the valuation as of September 30, 2022:

- The required contribution under GCA Section 8137 is 29.43% of payroll. Of this amount, 24.18% is for the unfunded actuarial accrued liability of the Defined Benefit (DB) Plans (Old DB Plan and DB 1.75 Plan), 1.19% is for the normal cost of the DB Plans, and 4.06% is for contributions and expenses for the Defined Contribution (DC) Plan. The primary reason for the increase in the contribution rate from 28.43% to 29.43% was the partial recognition of the investment loss for 2021-2022. Investment gains and losses are recognized over a 3-year period. The contribution rate increase due to the 2021-2022 investment loss was partially offset by the continued recognition of the investment gain for 2020-2021, and also offset by a higher than expected payroll increase for the 2021-2022 Fiscal Year, and other demographic factors.

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|--|---------|
| Contribution rate in 9/30/21 actuarial valuation | 28.43% |
| 2019-20 investment loss (final 1/3 rd recognition)* | 0.39% |
| 2020-21 investment gain (second 1/3 rd recognition)* | (1.62%) |
| 2021-22 investment loss (first 1/3 rd recognition)* | 3.76% |
| Actual payroll increase for 2021-22 of 4.32% vs. assumption of 2.75% | (0.67%) |
| Assumption changes | (0.65%) |
| Other factors, including demographic changes | (0.21%) |
| Contribution rate in 9/30/22 actuarial valuation | 29.43% |

** Investment returns that differ from the actuarial assumption of 7% are recognized over a 3 year period.*

- Changes made to the actuarial assumptions are summarized beginning on Page 5 under “Actuarial Assumptions.” The changes were adopted based upon an actuarial experience study for the period from October 1, 2015 to September 30, 2020. The assumption changes reduced the unfunded actuarial accrued liability by \$8.2 Million.
- 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 2022-2023 Fiscal Year is 28.43%.
- The DB payroll for the 2021-2022 Fiscal Year was \$81.2 Million compared with \$90.8 Million for the 2020-2021 Fiscal Year. The DB 1.75 payroll for the 2021-2022 Fiscal Year was \$162.2 Million compared with \$160.6 Million for the 2020-2021 Fiscal Year.
- The total DB and DC payroll for the 2021-2022 Fiscal Year was \$555.5 Million compared with \$532.5 Million for the 2020-2021 Fiscal Year; an increase of 4.32%. The prior valuation

assumed a 2.75% increase for the 2021-2022 Fiscal Year and each year thereafter. If total payroll for the 2021-2022 Fiscal Year had increased by 2.75%, the required contribution rate would have been 30.10%.

- Based on the Audited Financial Statements, Milliman calculated an investment return on the total market value of assets of -17.7% for the Fiscal Year Ending September 30, 2022. The average annual return on the market value of assets for the last five Fiscal Years has been 2.1%. The investment return on the actuarial value of assets, which recognizes investment gains and losses over a 3-year period, was 1.6% for the Fiscal Year Ending September 30, 2022.
- Only one-third of the investment loss for Fiscal Year Ending September 30, 2022 has been reflected in the calculated employer contribution rate. The remaining amount of approximately \$360 Million will be reflected over the next two valuations. Absent future investment gains, this is expected to result in significant increases in the employer contribution rate as shown in Exhibit 17.
- The unfunded actuarial accrued liability increased from \$1.142 Billion as of September 30, 2021 to \$1.173 Billion as of September 30, 2022. The payment required to amortize the unfunded actuarial accrued liability under GCA Section 8137 has decreased from \$125.3 Million to \$139.7 Million due to the reduction in the amortization period from 11.58 years to 10.58 years and investment returns that were below the assumed 7%. The payment as a percentage of payroll has increased from 22.90% to 24.18%.
- On December 27, 2022, Public Law No. 36-130 was signed into law. The law provides for the following:
 - All employees who are members in the Defined Contribution System at any time between June 1, 2023 and December 31, 2023 may elect to become Defined Benefit 1.75 Plan members effective as of January 1, 2024.
 - All new employees whose employment commences on or after January 1, 2024 may elect to become Defined Benefit 1.75 members.
 - The Defined Benefit 1.75 Plan service retirement amount is increased from 1.75% to 2.75% for service after 25 years. The maximum benefit remains at 85%.
 - Active public safety and law enforcement officers of the Defined Benefit 1.75 Plan will be eligible for unreduced service retirement amount after reaching age 55 with 25 years of service or after reaching age 57 with 5 years of service, on or after January 1, 2024.

The impact of Public Law No. 36-130 has not been included in this actuarial valuation as of September 30, 2022 due to the effective date of the benefit changes being effective January 1, 2024. Furthermore, the number of elections to become Defined Benefit 1.75 Plan members is not known at the time of this actuarial valuation is prepared.

Mr. Collier also provided the following highlights on the results of the valuation:

- Participant Counts: Active Old DB and DB 1.75 Participants - 3,976. Active DC Participants - 7,571. Total Active Participants - 11,547.
- Actual Payroll for Prior Fiscal Year: DB Payroll - \$81.2 Million. DB 1.75 Payroll - \$162.2 Million. DC Payroll - \$312.1 Million. Total Payroll - \$555.5 Million.
- Expected Payroll for Next Fiscal Year: DB Payroll - \$69.3 Million. DB 1.75 Payroll - \$163.2 Million. DC Payroll - \$336.9 Million. Total Payroll - \$569.4 Million.
- Financial Status: Actuarial Accrued Liability - \$3,236.6 Billion. Actuarial Value of Assets - \$2,063.6 Billion. Unfunded Actuarial Accrued Liability - \$1,173.0 Billion. Security Ratio - 63.76%.

- Required Contribution Per GCA §8137: Unfunded Actuarial Accrued Liability Cost - \$139.7 Million (24.18% of Payroll). Government DB Norman Cost - \$6.9 Million. Expected Government DC Contributions - \$23.4 Million. Total Contribution - \$170.0 Million (29.43% of Payroll).

Director Blas pointed out that the Actuarial Valuation Report is still in draft form.

X. EXECUTIVE SESSION

A. Performance Evaluation Relating to the Government of Guam Retirement Fund Director

Chairman Leon Guerrero stated that he is recommending that the Board of Trustees go into Executive Session to conduct a performance evaluation of the Retirement Fund's Director.

Vice Chair Antolina Leon Guerrero, seconded by Treasurer Artemio Hernandez, moved to accept the Retirement Fund Board Chairman's recommendation that the Board of Trustees move into Executive Session. Without objection, the motion passed.

Chairman Leon Guerrero stated that the Board is now in Executive Session.

George Castro, Certified Court Reporter, is present to take a verbatim transcription of the Executive Session.

EXECUTIVE SESSION: 1:44 P.M.

RECONVENED: 2:02 P.M.

At this time Chairman Leon Guerrero announced that the Board of Trustees has returned to its regular meeting.

Vice Chair Antolina Leon Guerrero, seconded by Trustee George Santos, moved to approve the Employee Performance Evaluation for Director Paula Blas for performance period April 27, 2019 through April 28, 2023 with an Excellent Rating, as presented. Votes as follows: Yes Votes – Vice Chair Antolina Leon Guerrero, Trustee George Santos, Treasurer Artemio Hernandez, Trustee David Sanford, Trustee Thomas San Agustin, and Chairman Wilfred Leon Guerrero. With six (6) "Yes" votes, the motion unanimously passed. Secretary Katherine Taitano was absent.

Treasurer Artemio Hernandez, seconded by Vice Chair Antolina Leon Guerrero, moved to approve to extend the Retirement Fund Director's Employment Agreement for an additional three (3) years from April 28, 2023 to April 28, 2026. Votes as follows: Yes Votes – Vice Chair Antolina Leon Guerrero, Trustee George Santos, Trustee Thomas San Agustin, Trustee David Sanford, Treasurer Artemio Hernandez, and Chairman Wilfred Leon Guerrero. With six (6) "Yes" votes, the motion unanimously passed. Secretary Katherine Taitano was absent.

XI. OPEN DISCUSSION / GENERAL PUBLIC INPUT

None

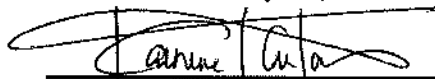
XII. ANNOUNCEMENTS

None

XIII. ADJOURNMENT

There being no further business before the Board for the Defined Benefit Plan, on motion of Trustee George Santos, seconded by Vice Chair Antolina Leon Guerrero, and without objection, the meeting was adjourned at 2:10 p.m. Motion passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of April 28, 2023 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on May 19, 2023.



KATHERINE T. E. TAITANO, Board Secretary

RECORDING SECRETARY:



Jackie Blas