



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, February 18, 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. Friday, February 18, 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
 Thomas H. San Agustin, Trustee
 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

Investment Consultant Present:

Maggie Ralbovsky, Wilshire Associates

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. January 21, 2022 Regular Meeting

Vice Chair Antolina Leon Guerrero, seconded by Trustee Thomas San Agustin, moved to approve the Minutes of the January 21, 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 continues to compile 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 meeting the Board asked her to provide a count and a dollar amount of the number of individuals still pending COLA payments. Director Blas stated that she is still working on getting the numbers in place.

2. *Bernstein Litowitz Berger and Grossmann (BLBG)* - BLBG's Litigation Status Report dated February 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 February 15, 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 January 31, 2022 are scheduled to close on February 28, 2022.

3. *Fiscal Year 2022 Retirees' Supplemental Benefits* - Director Blas stated that supplemental benefits for retirees and survivors for the month of February 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 February 2022 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

A. Fiscal Year 2021 Audit

Director Blas stated that the FY 2021 Audit is still ongoing. The numbers for Other Post Employment Benefits (OPEB) are pending. Vice Chair Antolina Leon Guerrero asked whether there's a deadline to submit the Retirement Fund audit. Director Blas stated that the audit is usually issued in the first week of March, but the Office of the Public Auditor (OPA) knows that the agencies are all waiting for the OPEB numbers.

B. Drawdown Authority

Treasurer Artemio Hernandez stated that he would like to recommend to extend the current drawdown authorization of up \$6 Million through June 2022. A copy of the Cash Flow Statement is provided for the Board's review.

Treasurer Artemio Hernandez, seconded by Trustee Thomas San Agustin, moved to approve the recommendation to extend the current monthly drawdown authority of up to \$6 Million through June 2022. Without objection, the motion passed.

VII. STANDING COMMITTEE REPORTS

A. Investment Committee

Treasurer Hernandez reported that the Quarterly Performance Meeting for the Quarter Ended December 31, 2021 was held on February 17, 2022. The Investment Committee Meeting was also held on February 17, 2022. The Committee reviewed and approved the Investment Committee Meeting Minutes of January 13, 2022. Treasurer Hernandez stated that as of February 11, 2022, the market value of the total fund is \$2,218,280,189 and as of February 15, 2022, it's \$2.21 Billion.

Treasurer Hernandez stated that Maggie Ralbovsky of Wilshire Associates discussed the economic outlook and the Investment Manager Performances. Ms. Ralbovsky also provided an overview of the DB Plan's Investment Performance. Treasurer Hernandez stated that for the quarter ended December 31, 2021, the Retirement Fund portfolio outperformed its benchmark index, ranking at the 10th percentile of Wilshire's Total Fund peer group universe for the quarter. The Retirement Fund Return was 4.66% and the Benchmark Return was 0.24%.

Recommendations for Board Action:

1. Intech Investment Management

Treasurer Hernandez stated that on February 3, 2022, Intech will become a private and fully independent company during the first half of calendar year 2022. Intech agreed to acquire the company from its parent firm which is currently under Janus Henderson Investors, resulting in Intech's founder, employees and board as the new owners of Intech. The Ownership Change will require a

written consent from the Retirement Fund Board. Treasurer Hernandez stated that Wilshire's recommendation is to approve the consent of the assignment to the Ownership Change and the Investment Management Agreement as requested by Intech.

Treasurer Artemio Hernandez, seconded by Trustee Thomas San Agustin, moved to approve the Investment Committee and Wilshire Associates' recommendation to approve a written consent of the assignment of the Investment Management Agreement between Intech Investment Management and the Retirement Fund to the new Ownership Change as requested by Intech. Without objection, the motion passed.

Informational Items:

1. Lazard Asset Management

Ms. Ralbovsky stated that in February 2021, the Board placed Lazard on Watch for a period of one year due to significant underperformance. Lazard outperformed the benchmark for the quarter ending December 31, 2021. Ms. Ralbovsky stated that the Investment Committee recommends that Lazard be removed from the Watch List. The one year period expires in February 2022.

2. DB Investment Policy Statement and Investment Statute Discussion

Treasurer Hernandez stated that Ms. Ralbovsky provided a review of the Retirement Fund's Investment Policy Statement and an overview of recommended amendments to the DB Investment statutory provisions citing the current statutory cap limitations on asset classes and the affect it has on the Retirement Fund's ability to achieve the expected investment return of 7%.

Treasurer Hernandez stated that Joanne Grimes, the Retirement Fund's Legal Counsel, provided comments on Wilshire's proposed modifications to the Investment Provisions in the DB Plan Statute on how to address the limitations presented to include the floor and caps on non-US/US securities and fixed income; and some of the outdated statutory provisions that assume the Board does direct securities purchases or lending. Legal Counsel Grimes is drafting legislation incorporating the proposed amendments to the current statute which will be provided for the Board's review.

Chairman Leon Guerrero stated that since the Retirement Fund's Legal Counsel is drafting legislation to amend the current statute, he is recommending to include in the proposed legislation that the Retirement Fund be an autonomous agency within Government of Guam. Chairman Leon Guerrero stated that currently the Retirement Fund has to go through Public Works to get any repairs done. Vice Chair Leon Guerrero stated that it's not an autonomous status that makes you exempt from Public Works overseeing construction.

Chairman Leon Guerrero also pointed out another issue which is the Investment Officer position. Director Blas stated that the Investment Specialist position could be included in the next budget cycle. Director Blas stated that the Investment Specialist position was announced several times. Chairman Leon Guerrero stated that he sees this as an opportunity to seek autonomy to be able to develop positions such as an Investment Officer. Director Blas stated that the Retirement Fund does not have personnel autonomy. Chairman Leon Guerrero stated that being an autonomous agency, the Retirement Fund will be in a position to create a training program to prepare individuals for certain

positions. Vice Chair Leon Guerrero asked what is the need for an in-house Investment Officer position if the Retirement Fund has a DC and DB Plan Investment Advisor. Chairman Leon Guerrero stated that the Retirement Fund needs an in-house staff that the Board could turn to in terms of investment. Chairman Leon Guerrero stated that he is concerned of how many managers are investing in the same thing. Director Blas stated that Wilshire is watching that. Ms. Ralbovsky stated that Northern Trust has a transparency report where you could see the manager holdings and how many cross holdings they have. Ms. Ralbovsky stated that there are very few cross holdings. Vice Chair Leon Guerrero asked if there's a level of concern when there are too much crossovers. Ms. Ralbovsky stated that there is a level that would be concerning and Wilshire has never gotten close to that level.

Chairman Leon Guerrero stated that he would like to see staff looking out for crossovers and other investment matters. Vice Chair Leon Guerrero suggested for Ms. Ralbovsky to provide a summary for the Board's review to address Chairman Leon Guerrero's concern of overlaps and cross holdings. Ms. Ralbovsky stated that she will include a summary in her report. Chairman Leon Guerrero stated for the record that his suggestion seeking autonomy was not accepted. Treasurer Hernandez asked Director Blas if that is something she could work on. Director Blas asked whether the Board wants to pursue autonomy. Chairman Leon Guerrero stated that the reason why he brought this up is because Legal Counsel is drafting legislation to amend the current statute so he suggested to also include in the proposed legislation to seek autonomy. Director Blas stated that it should be a separate legislation. Treasurer Hernandez asked Director Blas to include in her Director's Report a summary of what the Retirement Fund has or don't have in terms of authority. Trustee George Santos suggested to have Legal Counsel review what authority the Retirement Fund has and if it will make a difference if the Retirement Fund became an autonomous agency versus its current status.

3. Retirement Fund New Building

Treasurer Hernandez stated that Legal Counsel Grimes provided financing options for constructing a new building or renovating the existing building, with or without borrowing. Treasurer Hernandez stated that Management will move forward with developing the scope of work for a planner.

Next Quarterly Performance Meeting – Treasurer Hernandez stated that the next Quarterly Performance Meeting is tentatively scheduled for May 18 and 19, 2022. Annual review will be conducted for the Fixed Income and High Yield Managers.

B. Members and Benefits Committee

Vice Chair Leon Guerrero presented the Committee's February 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 15, based on the Committee's review and findings during their meeting of February 11, 2022. Without objection, the motion passed.

1. Disability Case No. 21-004

Vice Chair Leon Guerrero stated that the applicant is a 47 year old Corrections Officer II with the Department of Corrections with 26+ years of service. The date of application for disability is June 16, 2021. The reason for application is Heart Disease, Blood Pressure, Kidney, Sleep Apnea, and Spinal Condition. The applicant was examined by two Independent Medical Examiners (IMEs): Dr. Vincent Duenas on November 10, 2021 and Dr. E. Fred Schroeder on December 13, 2021. Dr. Duenas gave a rating of 64% whole-person impairment and indicated that the impairment is permanent and precludes the applicant from gainful work. Dr. Schroeder gave a rating of 73% whole-person impairment and indicated that the impairment is permanent, but that the impairment does not preclude the applicant from gainful work. Vice Chair Leon Guerrero stated that Dr. Schroeder noted that the applicant cannot manage his/her previous job, but might be able to manage sedentary work. Vice Chair Leon Guerrero stated for the record that the threshold used to look at total impairment is 75%. Vice Chair Leon Guerrero stated that the two IMEs gave a rating of below 75%.

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 disapprove Disability Case No. 21-004, 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 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

None

X. OPEN DISCUSSION / GENERAL PUBLIC INPUT

None

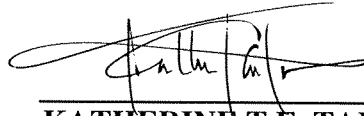
XI. ANNOUNCEMENTS

None

XII. ADJOURNMENT

There being no further business before the Board for the Defined Benefit Plan, on motion of Trustee George Santos, seconded by Treasurer Artemio Hernandez, and 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 18, 2022 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on March 25, 2022.



KATHERINE T.E. TAITANO, Board Secretary

RECORDING SECRETARY:



Jackie Blas