



GOVERNMENT OF GUAM  
**RETIREMENT FUND**  
 STABILITY · SECURITY · REWARDS  
**BOARD OF TRUSTEES**  
**Regular Meeting**  
 Friday, May 20, 2022, 12:30 P.M.  
 Retirement Fund Conference Room

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

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 12:51 p.m. Friday, May 20, 2022, in the Retirement Fund Conference Room. Chairman Wilfred P. Leon Guerrero officiated.

**Board of Trustees Present:**

Wilfred P. Leon Guerrero, Chairman  
 Katherine T.E. Taitano, Secretary  
 Artemio R.A. Hernandez, Treasurer (*Via Zoom*)  
 Thomas H. San Agustin, Trustee  
 David N. Sanford, Trustee (*Via Zoom*)  
 George A. Santos, Trustee

**Board of Trustees Absent:**

Antolina S. Leon Guerrero, Vice Chair (*Excused*)

**Staff Present:**

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

**Investment Consultant Present:**

Maggie Ralbovsky, Wilshire Associates

**Actuarial Consultant Present:**

Richard Wright, Milliman, Inc. (*Via Zoom*)

**Legal Counsel Present:**

Vincent Camacho, Camacho Calvo Law Group LLC

**Public Present:**

George Castro, Certified Court Reporter

## II. REVIEW AND APPROVAL OF BOARD MINUTES

### A. April 22, 2022 Regular Meeting

Trustee George Santos, seconded by Trustee Thomas San Agustin, moved to approve the Minutes of the April 22, 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 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 May 13, 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 Paula Blas stated that as of May 17, 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 April 30, 2022 are scheduled to close on May 31, 2022.

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

Treasurer Artemio Hernandez stated that the Retirement Fund is operating within its current drawdown authority of up to \$7 Million monthly which continues through September 2022.

A copy of the Cash Flow Statement is provided for the Board's review.

## **VII. STANDING COMMITTEE REPORTS**

### **A. Investment Committee**

Trustee Thomas San Agustin reported that the Quarterly Performance Meeting for the Quarter Ended March 31, 2022 was held on May 18 and 19, 2022. The Investment Committee Meeting was also held on May 19, 2022. The Committee reviewed and approved the Investment Committee Meeting Minutes of April 14, 2022. Trustee San Agustin stated that as of May 13, 2022, the size of the Retirement Fund's portfolio is \$2,014,730,524, and as an update as of May 19, 2022, the portfolio is \$2.005 Billion.

Trustee San Agustin stated that Maggie Ralbovsky of Wilshire Associates provided an overview of the Investment Performance and noted that the Retirement Fund portfolio underperformed its benchmark index, ranking at the 45th percentile of Wilshire's total fund peer group universe for the quarter. Ms. Ralbovsky stated that the Retirement Fund Return for the quarter was -5.13% and the Benchmark Return was -5.34%.

Ms. Ralbovsky stated that annual reviews were conducted for the following Fixed Income and High Yield Managers:

- Income Research & Management
- Garcia Hamilton
- Hotchkis Wiley
- Aegon USA
- Nomura Asset Management

Ms. Ralbovsky stated that all five managers outperformed the benchmark for the quarter. There are no changes of managers recommended at this time.

*Next Quarterly Performance Meeting* – Trustee San Agustin stated that the next Quarterly Performance Meeting is scheduled for August 31 and September 1, 2022.

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

Trustee George Santos presented the Committee's May 2022 report to the Board of Trustees.

**Trustee George Santos, seconded by Trustee Thomas San Agustin, moved to approve the recommendation of the Members and Benefits Committee contained on Pages 4 through 18, based on the Committee's review and findings during their meeting of May 12, 2022. Without objection, the motion passed.**

## **VIII. NEW BUSINESS**

### **A. Actuarial Valuation as of September 30, 2021**

Director Blas stated that Milliman, Inc. performed an actuarial valuation of the Retirement Fund as of September 30, 2021. 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 provided the following highlights on the valuation as of September 30, 2021:

- The required contribution under GCA Section 8137 is 28.43% of payroll. Of this amount, 22.90% is for the unfunded actuarial accrued liability of the Defined Benefit (DB) Plans (Old DB Plan and DB 1.75 Plan), 1.72% is for the normal cost of the DB Plans, and 3.81% is for contributions and expenses for the Defined Contribution (DC) Plan. The primary reason for the increase in the contribution rate from 28.32% for the prior year was demographic experience that differed from the assumptions, offset by the recognition of investment returns for 2018-2019 (investment loss: 2.9% return - 0.55% increase to the contribution rate), 2019-2020 (investment loss: 4.1% return - 0.37% increase to the contribution rate), and 2020-2021 (investment gain: 19.1% return - {1.57%} decrease to the contribution rate), that were above the assumed rate of return of 7%. Investment gains and losses are recognized over a 3-year period.
- 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 2021-2022 Fiscal Year is 28.32%.
- The Old DB payroll for the 2020-2021 Fiscal Year was \$90.8 Million compared with \$101.5 Million for the 2019-2020 Fiscal Year. The DB 1.75 payroll for the 2020-2021 Fiscal Year was \$160.6 Million compared with \$161.7 Million for the 2019-2020 Fiscal Year.
- The total DB and DC payroll for the 2020-2021 Fiscal Year was \$532.5 Million compared with \$519.5 Million for the 2019-2020 Fiscal Year; an increase of 2.50%. The prior valuation assumed a 2.75% increase for the 2020-2021 Fiscal Year and each year thereafter. If total payroll for the 2020-2021 Fiscal Year had increased by 2.75%, the required contribution rate would have been 28.38%.
- Based on the Audited Financial Statements, Milliman calculated an investment return on the total market value of assets of 19.1% for the Fiscal Year Ending September 30, 2021. The average annual return on the market value of assets for the last five Fiscal Years has been 8.6%. The investment return on the actuarial value of assets, which recognizes investment gains and losses over a 3-year period, was 8.4% for the Fiscal Year Ending September 30, 2021.
- The unfunded actuarial accrued liability decreased from \$1.174 Billion as of September 30, 2020 to \$1.142 Billion as of September 30, 2021. The payment required to amortize the unfunded actuarial accrued liability under GCA Section 8137 has increased from \$120.8 Million to \$125.3 Million. The payment as a percentage of payroll has increased from 22.63% to 22.90%.

Mr. Wright also discussed the following:

- **RESULTS OF VALUATION:** Participant Counts, Actual Payroll for Prior Fiscal Year, Expected Payroll for Next Fiscal Year, Financial Status, Normal Cost, Required Contribution per GCA §8138
- **ACTIVE EMPLOYEES (OLD DB PLAN):** Active Employees - Non-Uniformed, Active Employees - Uniformed, Active Employees - Total Old DB Plan
- **ACTIVE EMPLOYEES (DB 1.75 PLAN):** Active Employees - DB 1.75 Plan, Active Employees - Total Old DB and DB 1.75
- **ACTIVE EMPLOYEES BY AGENCY**
- **RETIRED EMPLOYEES (OLD DB PLAN):** Service Retirees, Disabled Retirees, Survivors, Child Pensioners, Total Retirees and Survivors
- **RETIRED EMPLOYEES (DB 1.75 PLAN):** Service Retirees, Disabled Retirees, Survivors, Child Pensioners, Total Retirees and Survivors
- **RECONCILIATION OF MEMBERSHIP DATA (OLD DB PLAN):** September 30, 2020, September 30, 2021
- **RECONCILIATION OF MEMBERSHIP DATA (DB 1.75 PLAN):** September 30, 2020, September 30, 2021

Treasurer Hernandez asked whether the average accumulated contributions is how much the employees put in to the fund. Mr. Wright replied, "Yes," that's the 9.5% of their pay that they contribute each year.

Treasurer Hernandez inquired about the **Expected Payroll for Next Fiscal Year** on Page 3 of the Valuation Summary. Mr. Wright stated that the actual payroll for 2020 was \$101.5 Million and the expected payroll for Fiscal Year 2020-2021 is \$89.4 Million. The actual payroll once the 2021 year occurred, turned out to be \$90.8 Million, which is higher than what was projected.

Mr. Wright indicated that he will make the correction on Page 1 of the Valuation Summary under Highlights: *"2020-21 investment loss (first 1/3rd recognition)"* It should read "2020-21 investment **gain** (first 1/3rd recognition)."

**Treasurer Artemio Hernandez, seconded by Trustee Thomas San Agustin, moved to accept the Actuarial Valuation Report as of September 30, 2021. Without objection, the motion passed.**

## **IX. OLD BUSINESS**

None

## **X. EXECUTIVE SESSION**

### **A. Litigation Relating to Special Proceedings Case No. SP-0035-21**

Legal Counsel Vincent Camacho stated that as one of the Legal Counsels for the Board of Trustees of the Government of Guam Retirement Fund, he is recommending that the Board of Trustees go into Executive Session to discuss legal issues related to Special Proceedings Case No. SP-0035-21. Legal Counsel Camacho stated that based on the Open Government Law, the transcript of the Executive

Session will remain sealed for six (6) months; and that no voting will take place during the Executive Session.

**Trustee George Santos, seconded by Trustee Thomas San Agustin, moved to accept the Retirement Fund's Legal Counsel's recommendation that the Board of Trustees move into Executive Session. Without objection, the motion passed.**

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

**EXECUTIVE SESSION: 1:35 P.M.  
RECONVENED: 2:25 P.M.**

At this time Chairman Leon Guerrero announced that the Board of Trustees has returned to its regular meeting. Legal Counsel Camacho certified that the only matters discussed during the Executive Session were related to the Retirement Fund's participation in a litigation. Legal Counsel Camacho stated that he will be signing a declaration to that effect. Said declaration will be made a part of the record.

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

None

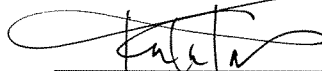
**XII. ANNOUNCEMENTS**

None

**XIII. ADJOURNMENT**

**There being no further business before the Board for the Defined Benefit Plan, on motion of Trustee George Santos, seconded by Trustee Thomas San Agustin, and without objection, the meeting was adjourned at 2:25 p.m. Motion passed.**

**I hereby certify that the foregoing is a full, true and correct copy of the Minutes of May 20, 2022 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on June 17, 2022.**



**KATHERINE T.E. TAITANO, Board Secretary**

**RECORDING SECRETARY:**



**Jackie Blas**