



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, May 21, 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 12:48 p.m. Friday, May 21, 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  
 George A. Santos, Trustee

**Board of Trustees Absent:**

Katherine T.E. Taitano, Secretary (*Excused*)  
 David N. Sanford, Trustee (*Excused*)

**Staff Present:**

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

**Investment Consultant Present:**

Maggie Ralbovsky, Wilshire Associates

## II. REVIEW AND APPROVAL OF BOARD MINUTES

### A. April 30, 2021 Regular Meeting

Vice Chair Antolina Leon Guerrero, seconded by Trustee Thomas San Agustin, moved to approve the Minutes of the April 30, 2021 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 14, 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 Paula Blas stated that on the Apollo case, the second distribution of the settlement proceeds will take place in July 2021. Director Blas stated that the EQT case is now in discovery phase. BLBG will be preparing a Retirement Fund representative for a deposition in late May or early June 2021. Director Blas stated that the case won't be resolved until 2022 or 2023.

### Financial Report

1. *Contributions* - Director Blas stated that as of May 18, 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 April 30, 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 May 2021 will be paid at the end of the month.

4. *Fiscal Year 2021 Medicare Reimbursements* - Director Blas stated that the Retirement Fund received the May 2021 allotment from the General Fund and reimbursements were processed accordingly. Director Blas informed the Board that the Retirement Fund may run into an issue with the Medicare allotment. There's been a relatively huge increase in the number of retirees applying for Medicare reimbursement. The request for Fiscal Year 2022 Budget will increase. Treasurer Artemio Hernandez asked whether the Retirement Fund is short this Fiscal Year. Controller Diana Bernardo replied, "Yes, for the last couple of months, but according to the Retirement Fund's Accounting Supervisor, she has been working with the Department of Administration (DOA) and they have managed to pay the difference.

Director Blas stated that there are retirees that wait until the very end of the Fiscal Year to turn in their reimbursement documents, so payments are made on the current month reimbursements and then if there are any excess funds then payment will be made for the prior month reimbursements. Director Blas stated that she has informed DOA of the anticipated shortfall.

**Bill 137** - Chairman Leon Guerrero inquired about the bill regarding benefits for public safety employees. Director Blas stated that the bill would be to appropriate funds to the Retirement Fund to pay for an actuarial study of cost for an improved retirement plan for public safety employees. Director Blas stated that the bill has not gone through a public hearing.

Controller Bernardo stated that there is a big disparity on the annuities of the Guam Police Department (GPD) and the Guam Fire Department (GFD) employees retiring. GPD employees are retiring with an annuity of \$70,000 and GFD employees are retiring with an annuity of \$120,000. Treasurer Hernandez stated that GFD employees have non-productive pay. Director Blas stated that the bill that's being introduced is for all peace officers.

## V. LEGAL COUNSEL'S REPORT

No report was made at this time.

## VI. TREASURER'S REPORT OF FINANCIAL STATUS

Treasurer Hernandez stated that he would like to recommend to extend the current drawdown authorization of up to \$6 Million through September 2021.

**Treasurer Artemio Hernandez, seconded by Vice Chair Antolina Leon Guerrero, moved to approve the recommendation to extend the current monthly drawdown authority of up to \$6 Million through September 2021. Without objection, the motion passed.**

## VII. STANDING COMMITTEE REPORTS

### A. Investment Committee

Treasurer Hernandez reported that the Quarterly Performance Meeting for the Quarter Ended March 31, 2021 was held on May 19 and 20, 2021. The Investment Committee Meeting was also held on May 20, 2021. The Committee reviewed and approved the Investment Committee Meeting Minutes of April 29, 2021. Treasurer Hernandez stated that as of May 14, 2021, the size of the Retirement Fund's portfolio is \$2,260,117,097.

### 1. Due Diligence Meeting

Treasurer Hernandez stated that during the Due Diligence meetings, Maggie Ralbovsky of Wilshire Associates discussed the economic outlook and the Investment Manager Performances.

**Lazard Asset Management** - Treasurer Hernandez stated that Lazard will be kept on watch until November 2021.

## **2. Investing in Climate Transition Discussion**

Treasurer Hernandez stated that Ms. Ralbovsky provided the background and preliminary discussion on investing in climate transition. Ms. Ralbovsky stated that on December 12, 2015, 196 countries signed The Paris Agreement, a landmark in the multilateral climate change process because, for the first time, a binding agreement brings all nations into a common cause to undertake ambitious efforts to combat climate change and adapt to its effects. Continued discussions will take place in August 2021.

## **3. DB Investment Policy Statement (IPS) and Investment Statute Discussions**

Treasurer Hernandez stated that Ms. Ralbovsky provided a review of the Retirement Fund's Investment Policy Statement and an overview of proposed amendments to the DB Investment statutory provisions citing the current portfolio's ability to reach the expected return of 7%, and the current statutory cap limitations on asset classes as a concern. Ms. Ralbovsky stated that the IPS refers to the statute. The statute has constraints settings and it defines risk.

Ms. Ralbovsky stated that there are three major constraints in the current statute: 1) the Fixed Income can't be less than 35%; the Retirement Fund is at 30%; 2) the total Non-U.S. assets can't be above 35%; and 3) private assets or private equity: these investment categories can add tremendous amount of return potential because of the illiquidity premium; the Retirement Fund needs a liquidity reserve; the Retirement Fund is currently not utilizing illiquidity ability to generate illiquidity premium. Ms. Ralbovsky stated that she believes these definitions are outdated because the world opportunities is now defined by sector rather than by where the company is located or where the stock is traded.

Ms. Ralbovsky stated that the Investment Committee proposes to set some time aside in August to continue discussion and map out as to where we are and where we hope to go; and to look at some examples of what other people have written in their statute for comparison purposes. Ms. Ralbovsky stated that she also would like to recommend to set aside a couple of hours sometime in August for an educational session.

## **4. Annual Reviews**

Treasurer Hernandez stated that annual reviews were conducted for the following Fixed Income Managers:

- a. Income Research Management
- b. Garcia Hamilton
- c. Hotchkis & Wiley
- d. Aegon
- e. Nomura

**5. Items Discussed with Wilshire Included the Following:**

Treasurer Hernandez stated that Ms. Ralbovsky provided an overview of the DB Plan's Investment Performance and noted that for the quarter ended March 31, 2021, the Retirement Fund portfolio outperformed its benchmark index, ranking at the 42nd percentile of Wilshire's peer group universe for the quarter. The Retirement Fund Return was 3.11% and the Benchmark Return was 2.42%. The 1-year return is 34.56%, which reflects April 2020 through April 2021.

**6. New Building Plan**

Treasurer Hernandez stated that the Investment Committee had authorized Management to solicit for a feasibility study of a new building.

*Next Quarterly Performance Meeting* – Treasurer Hernandez stated that the next Quarterly Performance Meeting is tentatively scheduled for August 18 and 19, 2021.

**B. Members and Benefits Committee**

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

**Secretary Antolina Leon Guerrero, seconded by Trustee George Santos, moved to approve the recommendation of the Members and Benefits Committee contained on Pages 4 through 14; and Page 15 for the Application for Disabled Adult Survivor Benefits, based on the Committee's review and findings during their meeting of May 14, 2021. Without objection, the motion passed.**

**VIII. OLD BUSINESS**

None

**IX. NEW BUSINESS**

None

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

None

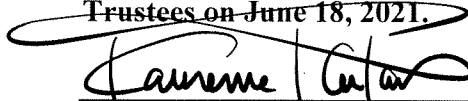
**XI. ANNOUNCEMENTS**

None

**XII. ADJOURNMENT**

There being no further business before the Board for the Defined Benefit Plan, Trustee George Santos moved to adjourn the meeting. Without objection, the meeting was adjourned at 1:26 p.m. Motion passed.

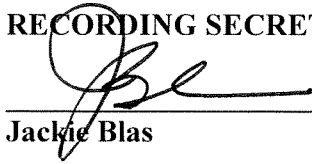
I hereby certify that the foregoing is a full, true and correct copy of the Minutes of May 21, 2021 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on June 18, 2021.



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KATHERINE T.E. TAITANO, Board Secretary

RECORDING SECRETARY:



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Jackie Blas