



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, October 30, 2020, 12:00 Noon
 Retirement Fund Conference Room

MINUTES

DEFINED CONTRIBUTION

I. ATTENDANCE, QUORUM, AND CALL TO ORDER

After determining a quorum was present, the Retirement Fund Board of Trustees Regular Meeting for the Defined Contribution Plan was called to order at 12:08 p.m. Friday, October 30, 2020, 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
 David N. Sanford, Trustee
 George A. Santos, Trustee

Board of Trustees Absent:

Katherine T.E. Taitano, Secretary (*Excused*)
 Thomas H. San Agustin, Trustee (*Excused*)

Staff Present:

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

Third Party Administrator Present:

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

Investment Consultant Present:

Cameron Systemans, Mercer Investment Consulting, Inc. (*Via WebEx*)

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. September 25, 2020 Regular Meeting

Trustee George Santos, seconded by Treasurer Artemio Hernandez, moved to approve the Minutes of the September 25, 2020 Regular Meeting, subject to technical corrections. Without objection, the motion passed.

III. CORRESPONDENCE

None

IV. DIRECTOR'S REPORT - EXECUTIVE SUMMARY

1. *Standard Insurance* - An updated summary report as of September 30, 2020 on the status of applications and individuals on Group Long Term Disability (LTD) is provided for the Board's information.

Financial Report

1. *Contributions* - Director Paula Blas stated that as of October 26, 2020, 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 September 30, 2020 are scheduled to close on November 18, 2020.

V. THIRD PARTY ADMINISTRATOR'S REPORT

A. Contribution Report – September 2020

Director Blas stated that Bjorn Hauerbach, Director, Client Relations & Participant Engagement, Empower Retirement, provided the TPA Report for the month ending September 30, 2020 on the DC Retirement System 401(a) Plan and the 457 Deferred Compensation Plan.

Mr. Hauerbach stated that the 401(a) Plan had total assets of \$394,776,581.78. There was a decrease of \$7,606,626.56 or -1.89%. There was a market attributable decrease of -2.5% from August 2020 to September 2020. The 457 Deferred Compensation Plan had total assets of \$100,982,925.15. There was a decrease of \$1,283,362.98 or -1.25%. There was a market attributable decrease of -2.3% from August 2020 to September 2020.

Mr. Hauerbach stated that the 401(a) Plan had total contributions of \$2,479,465.64. There was a decrease in contributions of \$51,939.19 or -2.05%. The 457 Deferred Compensation Plan had total contributions of \$1,096,098.78. There was an increase in contributions of \$88,339.33 or 8.77%.

Mr. Hauerbach stated that the 401(a) Plan had 146 employee distributions totaling \$1,904,429.97, which is a decrease from last month's total of \$2,631,778.54. The 457 Plan had 59 participant distributions totaling \$451,218.61. Mr. Hauerbach stated that the 401(a) Plan has a total of 6,283 participants receiving employer contributions. The 457 Plan has 5,652 contributing participants. Mr. Hauerbach stated that there were 8 retirees in the month of September. Mr. Hauerbach stated that of the 8 retirees in September, 4 took full withdrawals and 4 elected no distribution. The total number of

retirees is 1,304. Controller Diana Bernardo asked whether the month end retirees total of 1,304 accumulative. Mr. Hauerbach stated that he will find out what that total represents and will report back to Controller Bernardo. Controller Bernardo stated that she would like to tie in that number to the total COLA paid out to DC retirees.

Mr. Hauerbach stated that there is a total of 402 COVID related withdrawals. There were 115 withdrawals in September 2020. Mr. Hauerbach stated that the trend remains in place where 81% of all participants are taking more than half of their withdrawal with an account balance of \$25,000 or less.

Mr. Hauerbach stated that Empower Retirement will launch an annual participant survey next week which will remain open for thirty (30) days. The results of the survey will be reported out in December 2020.

VI. STANDING COMMITTEE REPORTS

A. Investment Committee

Treasurer Artemio Hernandez reported that the Quarterly Performance Meeting for the Quarter Ended September 30, 2020 was held on October 29, 2020. The Investment Committee Meeting was also held on October 29, 2020. The Committee reviewed and approved the Investment Committee Meeting Minutes of September 23, 2020 and the Minutes of the July 30, 2020 Due Diligence Meeting for the Quarter Ended June 30, 2020.

DC Plan Quarterly Performance

Treasurer Hernandez stated that Cameron Systemans of Mercer Investment Consulting, Inc. provided an overview of the current Economic Outlook and the DC Plan's Investment Performance for the Quarter Ended September 30, 2020.

Recommendations for Board Action

1. Touchstone International Small Cap

Mr. Systemans stated that the Retirement Fund placed the Touchstone International Small Cap strategy on watch in April 2020 due to their underperformance and requested Mercer to move forward with a search for a replacement manager. Treasurer Hernandez stated that Mercer conducted a manager search and provided the top three (3) managers for consideration. After reviewing the manager profiles, the Investment Committee's recommendation is to replace Touchstone International Small Cap strategy with Grandeur Peak International Stalwarts.

Treasurer Artemio Hernandez, seconded by Trustee George Santos, moved to accept the recommendation by the Investment Committee and Mercer Investment Consulting, Inc. to replace Touchstone International Small Cap Strategy with Grandeur Peak International Stalwarts. Without objection, the motion passed.

2. DC Plan Alternatives to Revenue Sharing

Treasurer Hernandez stated that the Retirement Fund agreed in principle to move away from collecting revenue share and explore possible options to pay for plan expenses that would be equitable for all DC Plan participants. Management reported that in consultation with Rich Wright from Milliman, Mr. Wright verified that the DC Plan expenses is a component of the retirement contribution rate as a percentage of total payroll. Treasurer Hernandez stated that the Investment Committee's recommendation is to remove the revenue share component and make the following changes:

- Hartford Total Return Bond - change the share class Y to share class R6
- Secure Foundation Balance Fund - change Investor share class to Institutional share class.

Chairman Leon Guerrero asked what will the change of class do. Mr. Systemans stated that the share class has a different fee arrangement and does not charge any revenue sharing. Director Blas stated that it reduces the fee. Treasurer Hernandez stated that since the expenses are already covered by the contribution rate, the fee does not need to be charged to the DC participants.

Treasurer Artemio Hernandez, seconded by Trustee George Santos, moved to accept the recommendation by the Investment Committee and Mercer Consulting, Inc. to change the Hartford Total Return Bond share class Y to share class R6; and to change the Secure Foundation Balance Fund Investor share class to Institutional share class. Without objection, the motion passed.

3. Great-West Secure Foundation Lifetime Funds

Treasurer Hernandez stated that Great-West decided to close the Great-West Secure Foundation Lifetime Funds effective February 2021. As a result, the following is proposed to occur:

- Great-West will be transitioning those in the Great-West Secure Foundation Lifetime 2020-2025-2030 Fund Investor to the Great-West Secure Foundation Balanced Fund Investor where the guarantee benefit will remain intact.
- Great-West proposes to transition participants in the Great-West Secure Foundation Lifetime 2035 Fund Investor and beyond to another Great-West product.

Mr. Systemans stated that the recommendation is that the 2020-2025-2030 Target Date Funds will be transitioned into the Great-West Secure Foundation Balanced Fund where that fund will continue to retain the current guarantee benefit. Treasurer Hernandez mentioned that this affects 3,300 participants. The other recommendation is to replace the 2035-2055 Target Date Funds to a different Great-West product. Treasurer Hernandez stated that this affects 3,700 participants. Mr. Systemans stated that the Investment Committee's recommendation is for Mercer to conduct a search for a replacement of the Great-West Secure Foundation Lifetime funds prior to the closure of the Great-West Secure Foundation Lifetime funds to minimize transaction costs.

Treasurer Hernandez stated that with the fast approaching deadline of February 2021, there may be some requirements to give the participants impacted with proper notice. Mr. Systemans will conduct the manager search and present it's recommendation to the Investment Committee at their November 2020 meeting. Director Blas stated that the selection of the replacement funds will be made by next month. Director Blas stated that there is a notification period of forty (45) or sixty (60) days that needs to be made to all the participants. Mr. Hauerbach stated that there is a ninety (90) day notification period. Mr. Hauerbach stated that it should be early November that the participants receive that notice. Mr. Systemans asked whether the notification could be sent after the Board makes the selection. Mr. Hauerbach stated that he'll raise that question and will get clarification on the notice requirement and report back to the Board. Mr. Systemans stated that Director Blas was inquiring about the standard notification period when there is a fund change. Mr. Hauerbach stated that the standard notification period is thirty (30) days. Chairman Leon Guerrero asked whether Mr. Hauerbach will be conducting the search. Director Blas stated that Mercer will be the one to conduct the search. Vice Chair Leon Guerrero stated that her understanding is that with the Secure Foundation closing in February 2021, the recommendation is to move the Great-West Secure Foundation Lifetime 2020-2025-2030 Target Date Funds to the Great-West Secure Foundation Balanced Fund. Vice Chair Leon Guerrero further stated that Great-West also recommended a Great-West product for those in the Target Date Fund 2035 and beyond, but the Investment Committee's recommendation is for Mercer to conduct the search. Controller Bernardo commented that there may be a conflict on the search since Great-West is the TPA. So Mercer should conduct an open-ended search and not just a Great-West product. Treasurer Hernandez asked Mr. Systemans to confirm whether Mercer will be conducting a search beyond and including Great-West products. Mr. Systemans replied, "Yes."

Treasurer Artemio Hernandez, seconded by Vice Chair Antolina Leon Guerrero, moved to accept the Investment Committee and Mercer Investment Consulting, Inc.'s recommendation that Great-West transition those in the Great-West Secure Foundation Lifetime 2020-2025-2030 Funds to the Great-West Secure Foundation Balanced Fund where their guaranteed benefits will remain intact. Without objection, the motion passed.

Treasurer Artemio Hernandez, seconded by Vice Chair Antolina Leon Guerrero, moved to accept the Investment Committee and Mercer Investment Consulting, Inc.'s recommendation that Mercer Investment Consulting, Inc. conduct a search for replacement of the Great-West Secure Foundation Lifetime Target Date Funds 2035 and beyond, which will be closing effective February 2021; and to be completed by November 2020. Without objection, the motion passed.

Mr. Systemans made a clarification that the search will be for the Target Date Funds 2020 and beyond so to include new participants that come into the plan. Treasurer Hernandez stated that he'll amend his motion so that it will state that it's for Target Date Funds 2020 and beyond.

Treasurer Artemio Hernandez, seconded by Vice Chair Antolina Leon Guerrero, moved to approve to amend the previous motion and for Mercer Investment Consulting, Inc. to conduct a search for replacement of the Great-West Secure Foundation Lifetime Target Date Funds 2020 and beyond, which will be closing effective February 2021; and to be completed by November 2020. Without objection, the motion passed.

4. William Blair Small-Mid Cap Growth

Treasurer Hernandez stated that the Investment Committee's recommendation is to switch from a Mutual Fund (MF) vehicle to a Collective Investment Trust (CIT) vehicle which will help reduce the expense ratio from 1.10 basis points to 0.89 basis points. This recommendation is subject to legal review of the Investment Management Agreement. Chairman Leon Guerrero asked what happens if Legal Counsel says it can't be done. Director Blas stated that it will then remain in the Mutual Fund.

Treasurer Artemio Hernandez, seconded by Trustee George Santos, moved to accept the Investment Committee and Mercer Investment Consulting, Inc.'s recommendation to switch the William Blair Small-Mid Cap Growth Mutual Fund vehicle to a Collective Investment Trust vehicle which will reduce the expense ratio from 1.10 basis points to 0.89 basis points; subject to Legal Counsel's review of the Investment Management Agreement. Without objection, the motion

Responsible Investment - Treasurer Hernandez stated that the Investment Committee discussed Responsible Investment. Mercer provided an update of Responsible Investment and its role in an Investment Portfolio.

Next Quarterly Performance Meeting – Treasurer Hernandez informed the Board that the next Quarterly Performance Meeting is tentatively scheduled for January 28, 2021.

B. Members and Benefits Committee

No report was made at this time.

VII. OLD BUSINESS

None

VIII. NEW BUSINESS

None

IX. OPEN DISCUSSION / GENERAL PUBLIC INPUT

None

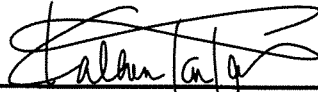
X. ANNOUNCEMENTS

None

XI. ADJOURNMENT

There being no further business before the Board for the Defined Contribution Plan, Trustee George Santos moved to adjourn the meeting. Without objection, the meeting was adjourned at 12:53 p.m. Motion passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of October 30, 2020 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on November 20, 2020.



KATHERINE T. TAITANO, Board Secretary

RECORDING SECRETARY:



Jackie Blas