



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

**INVESTMENT COMMITTEE MEETING  
 DEFINED BENEFIT PLAN**

Thursday, May 19, 2022  
 Retirement Fund Conference Room

**MINUTES**

**I. CALL TO ORDER**

The Retirement Fund Investment Committee Meeting for the Defined Benefit Plan was called to order at 11:25 a.m. Thursday, May 19, 2022, in the Retirement Fund Conference Room. Investment Committee Chairman Artemio Hernandez officiated.

**Board of Trustees Present:**

Artemio R.A. Hernandez, Chairman (*Via Zoom*)  
 Thomas H. San Agustin, Member (*Via Zoom*)  
 David N. Sanford, Member (*Via Zoom*)

**Staff Present:**

Paula Blas, Director

**Investment Consultant Present:**

Maggie Ralbovsky, Wilshire Associates

## **II. ACTION ITEMS**

### **1. April 14, 2022 Regular Investment Committee Meeting Minutes**

**Committee Member Thomas San Agustin, seconded by Committee Member David Sanford, moved to approve the Minutes of the April 14, 2022 Regular Investment Committee Meeting, subject to technical corrections. Without objection, the motion passed.**

## **III. OPEN ITEMS**

### **Requests for Proposals (RFPs) for:**

#### **1. International Equity**

Director Paula Blas stated that the RFP process is ongoing. Proposals are being reviewed and discussions with the top 3 or top 5 will be scheduled accordingly.

#### **2. U.S. Small Cap**

Director Blas stated that she spoke to Ms. Ralbovsky regarding the issuance of the RFP for the U.S. Small Cap and Ms. Ralbovsky stated that issuance could wait until the end of the year, since the Retirement Fund already has a position in Small Cap.

## **IV. OLD BUSINESS**

### **1. Review of Investment Strategies**

Director Blas stated that Legal Counsel was initially going to send her a draft, but asked legal to include Richard Wright from Milliman, Inc.'s recommendation on the smoothing of the unfunded liability in the proposed amendments. The Board of Trustees at their last meeting had asked Management to have Legal Counsel incorporate the actuarial changes into the proposed draft bill. Director Blas stated that Legal Counsel and Mr. Wright worked out something and a draft should be submitted before the June Investment Committee Meeting. Once the draft is submitted to the Committee, the Committee will bring it before the Board for approval. Director Blas suggested to review the draft from Legal Counsel. Director Blas stated that she does not think the implementation is going to take place right away. Committee Chairman Hernandez stated that the Committee would like to move forward with the investment strategies portion and work with the Legislature on that first.

### **2. New Building.**

Director Blas stated that Department of Public Works (DPW) staff conducted a visual inspection of the building and DPW stated that the building appears to be structurally sound. DPW also said that there are some exposed rebars on the roof which looked like they were anticipating building a third floor.

Director Blas stated that DPW suggested to hire an engineer to certify the structural integrity of the building. Committee Chairman Hernandez asked whether this is something Director Blas would recommend doing. Director Blas stated that she's not sure of the direction the Board wants to pursue. Director Blas stated that once the structural integrity of the building is reported to the Board, Management could then get a sense of what the Board wants to do and be able to justify the actual cost. Committee Chairman Hernandez asked whether the electrical and plumbing aspects of the building were looked at. Director Blas replied, "No." Committee Chairman Hernandez stated that the building might require additional inspection. Director Blas stated that the Investment Committee could table this for now and see if there's another professional entity that could provide something more detailed in writing. Committee Member Thomas San Agustin asked whether Management would consider renovation. Director Blas stated that if the Retirement Fund is going to remain in the same building, there will definitely be some major renovations.

## **V. INFORMATIONAL ITEMS**

### **1. Asset Allocation Summaries**

A copy of the asset allocation summary statements was provided to the Committee for review and informational purposes. Committee Chairman Hernandez stated that as of May 13, 2022, the size of the Retirement Fund's portfolio is \$2,014,730,524.

### **2. Income Summary**

A summary of interest and dividend income was provided to the Committee for review and informational purposes.

### **3. Securities Lending**

A summary of securities lending earnings was provided to the Committee for review and informational purposes.

### **4. 5-Year Plan**

A copy of the 5-Year Plan was provided to the Committee for review and informational purposes.

## **VI. OPEN DISCUSSION**

### **1. DB Plan Quarterly Performance**

Committee Chairman Hernandez stated that during the Due Diligence meetings, Ms. Ralbovsky discussed the economic outlook and the Investment Manager Performances for the quarter ended March 31, 2022. Ms. Ralbovsky also provided an overview of the Plan's Investment Performance. She noted that the Retirement Fund's portfolio underperformed its benchmark index, ranking at the 45th percentile of Wilshire's total fund peer group universe for the quarter. The Retirement Fund Return for the quarter was -5.13% and the Benchmark Return was -5.34%.

Ms. Ralbovsky stated that in her presentation, she pointed out the need to enhance inflation hedging capabilities of the portfolio. And, if the Retirement Fund is able to get the statute changed pushing through, the Retirement Fund could reduce the bond allocation and increase inflation hedging allocation. Committee Chairman Hernandez stated that the shift in the market still calls for the Retirement Fund's investment strategy to be changed so it further gives the Retirement Fund reason to go to the Legislature for some changes in the statute. Ms. Ralbovsky stated that the flexibility would really help in this environment.

Committee Chairman Hernandez mentioned that at the April 2022 Board Meeting, the Board approved Milliman's recommended changes on the assumptions, which includes lowering the investment return assumption from 7.00% to 6.70%. Committee Chairman Hernandez stated that this is a huge cost to the government. Committee Chairman Hernandez stated that if the investment strategy does change, it's possible that this could be looked at to change the assumption back to 7.00%. Committee Chairman Hernandez stated that if Ms. Ralbovsky could resend an updated data of the investment strategy change to Milliman, it would be interesting to see how the investment strategy change would impact the rate of return. Committee Chairman Hernandez asked Ms. Ralbovsky if she could send something to Milliman as if the statute were changed today. Ms. Ralbovsky stated that she will send an analysis as if the Retirement Fund was able to lower the allocation to bonds and increase the allocation to inflation hedge.

Annual reviews were conducted for the following managers:

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

Ms. Ralbovsky stated that although the five (5) Fixed Income Managers above had negative returns for the quarter, they all outperformed the benchmark.

## **VII. CORRESPONDENCE**

None

## **VIII. ANNOUNCEMENTS**

### **1. Next Due Diligence Meeting: August 17 and 18, 2022**

Committee Chairman Hernandez informed the Committee that the next due diligence meeting is tentatively scheduled for August 17 and 18, 2022. Committee Chairman Hernandez mentioned that he will be off-island at that time. Director Blas suggested moving the due diligence meeting to August 31st and September 1st. Ms. Ralbovsky and the Committee Members indicated that the August 31st and September 1st works better for them. Director Blas stated that she will check with the Board on having the Board Meeting on September 2nd.

Director Blas stated that annual reviews will be conducted for the following Domestic Large Cap Equity Managers and Non US Equity Managers:

- Robeco (Boston Partners)
- Intech (Janus Henderson Investors)
- Dimensional Fund Advisors
- Acadian Asset Management
- Wellington Management
- Lazard Asset Management

Committee Chairman Hernandez asked Director Blas to update the 5-Year Plan by removing the non-funded managers. Director Blas indicated that she will update the 5-Year Plan.

## **IX. ADJOURNMENT**

**There being no further business before the Investment Committee, a motion was made by Committee Member David Sanford, seconded by Committee Member Thomas San Agustin, to adjourn the meeting at 11:56 a.m. Without objection, the motion passed.**

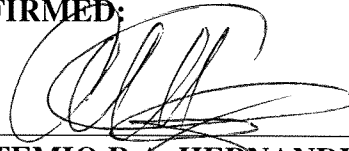
Respectfully submitted,



---

**JACKIE BLAS**  
Recording Secretary

**AFFIRMED:**



---

**ARTEMIO R.A. HERNANDEZ, Ph.D.**  
Investment Committee Chairman