



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, November 18, 2021
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 12:29 p.m. Thursday, November 18, 2021, 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
Diana Bernardo, Controller

Investment Consultant Present:

Maggie Ralbovsky, Wilshire Associates

II. ACTION ITEMS

1. October 12, 2021 Regular Investment Committee Meeting Minutes

Committee Member Thomas San Agustin, seconded by Committee Member David Sanford, moved to approve the Minutes of the October 12, 2021 Regular Investment Committee Meeting, subject to technical corrections. Without objection, the motion passed.

III. OPEN ITEMS

Requests for Proposals (RFPs) for:

1. Global Infrastructure

Committee Chairman Hernandez inquired about the status of the Global Infrastructure RFP. Director Paula Blas stated that the contract has been signed and she will be forwarding a copy to KBI Global Investors (North America) Ltd. Director Blas stated that KBI is waiting to clear one more item with the Department of Revenue and Taxation regarding a registration or licensing requirement. KBI has the Certificate of Authority as an Investment Advisor to service Guam. Director Blas stated that the next step after that would be funding. Maggie Ralbovsky of Wilshire Associates stated that in terms of funding, she worked out a rebalancing sheet that she'll share with Controller Diana Bernardo.

2. U.S. Small Cap

3. International Equity

Committee Chairman Hernandez asked whether the RFP for the U.S. Small Cap and the International Equity will be issued next quarter. Director Blas replied, "Yes, the RFP will be issued in the 1st Quarter in 2022."

IV. OLD BUSINESS

1. Review of Investment Strategies

Committee Chairman 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%. Management will discuss with the Retirement Fund's Legal Counsel on how to address the limitations presented to include the floor/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. Committee Chairman Hernandez stated that the Committee will continue discussions on investment strategies in December 2021.

2. New Building

Committee Chairman Hernandez stated that the Committee received the feasibility study on the construction of a new office building for the Retirement Fund to include the appraisal of the building and potential revenue sources. Committee Member Thomas San Agustin inquired about funding of the new building. Committee Chairman Hernandez suggested to consider options of financing that is legally available. Director Blas stated that Management will discuss financing options with the

Retirement Fund's Legal Counsel. Committee Chairman Hernandez stated that if financing is not feasible, another option is to do an overall renovation of the existing building. Committee Member David Sanford pointed out that page 8 of the report indicates a hotel building setting instead of an office building setting. Director Blas stated that she will advise the appraisal company to revise the report. Committee Chairman Hernandez stated that the Committee will continue discussion in December 2021.

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 November 12, 2021, the size of the Retirement Fund's portfolio is \$2,330,516,160.

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. Ms. Ralbovsky also provided an overview of the DB Plan's Investment Performance for the quarter ended September 30, 2021. She noted that the Retirement Fund's portfolio underperformed its benchmark index, ranking at the 19th percentile of Wilshire's total fund peer group universe for the quarter. The Retirement Fund Return for the quarter was -0.86% and the Benchmark Return was -0.52%.

a. Lazard Asset Management - Committee Chairman Hernandez stated that the Board placed Lazard on Watch in February 2021 for a period of one year. Ms. Ralbovsky stated that although Lazard outperformed the benchmark for the Quarter Ended September 30, 2021, Lazard will continue to be on Watch for an additional two (2) quarters.

b. Northern Trust Securities Lending Program - Committee Chairman Hernandez stated that Northern Trust presented their custodial responsibilities and their Securities Lending Program. Northern Trust presented opportunities to grow the Securities Lending Program with minimal

risk to the Retirement Fund by opening up the list of eligible borrowers by the Retirement Fund adjusting the limitation on what will be acceptable collateral. Committee Chairman Hernandez stated that Retirement Fund currently accepts US Treasuries or AAA (OECD) government bonds as collateral. Northern Trust is recommending to accept AA-rated bonds, Japan government bonds, or highly rated equities. Northern Trust will provide the potential increase in securities lending revenues to the Retirement Fund based on their recommendation. Committee Chairman Hernandez stated that the Committee will continue discussion in December 2021.

c. Annual Reviews - Committee Chairman Hernandez stated that annual reviews were conducted for the following managers and Global Custodian:

- Dimensional Fund Advisors - Global REITS
- Panagora Asset Management
- Invesco
- Northern Trust (Global Custodian)

VII. CORRESPONDENCE

None

VIII. ANNOUNCEMENTS

1. Next Due Diligence Meeting: February 17, 2022

Committee Chairman Hernandez informed the Committee that the next due diligence meeting is tentatively scheduled for February 17, 2022. Committee Chairman Hernandez asked whether Management is considering in-person meetings with the managers. Ms. Ralbovsky stated that she supports the in-person meetings since the managers are back to work. Director Blas stated that it's pending pandemic restrictions.

IX. ADJOURNMENT

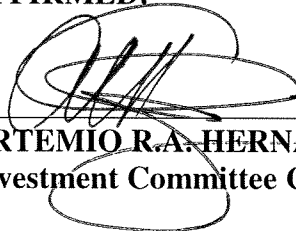
There being no further business before the Investment Committee, a motion was made by Committee Member David Sanford, seconded by Committee Member Thomas San Agustin, to adjourn the meeting at 12:55 p.m. Without objection, the motion passed.

Respectfully submitted,



JACKIE BLAS
Recording Secretary

AFFIRMED:



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