Speaker's Office <speaker@guamlegislature.org>

Joint Letter from Members of the Guam Legislature

Speaker's Office <speaker@guamlegislature.org>
To: Clerks Office <clerks@guamlegislature.org>
Cc: Rennae Meno <rennae@guamlegislature.org>
Bcc: Tina Muna Barnes <tinamunabarnes@gmail.com>

Tue, Apr 7, 2020 at 1:19 PM

04-07-20	1:00 PM	04-07-20	Response to Request for Position to Borrow $142.8M from the Government of Guam Retirement Fund	Government of Guam Retirement Fund	35GL-20-1694

Sinseru yan Minagåhet,

Office of the Speaker • Tina Rose Muña Barnes
Committee on Public Accountability, Human Resources & the Guam Buildup

35th Guam Legislature
I Mina'trentai Singko na Liheslaturan Guåhan

Guam Congress Building | 163 Chalan Santo Papa | Hagatna, GU 96910
T: (671) 477-2520/1
speaker@guamlegislature.org

35GL-20-1694
Speaker Tina Rose Muña Barnes

APR 0 7 2020
Time 1:00 ( )AM (X)PM
Received By: alon

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Gumai pribilehu yan konfedensia este siha na mensåhi. Solo espesiåtmente para hågu ma entensioña pat ma aturisa para unrisibi. Sen prubidu kumu ti un ma aturisa para manribisa, na'setbe, pat mandespåtcha. Yanggen lachi rinisibu-mu nu este na mensåhi , put fabot ago' guatu gi I numa'huyong gi as speaker@guamlegislature.org yan despues destrosa todu siha I kopian mensåhi. Si Yu'os ma'åse'.

-------- Forwarded message ---------
From: **Paula Blas** <pmblas@ite.net>
Date: Tue, Apr 7, 2020 at 1:00 PM
Subject: RE: Joint Letter from Members of the Guam Legislature
To: Speaker's Office <speaker@guamlegislature.org>, <pmblas@ggrf.com>
Cc: Senator Senator Mary Camacho Torres <senatormary@guamlegislature.org>, Senator Jim Moylan <senatormoylan@guamlegislature.org>, Chirag Bhojwani <chirag.speakertmb@gmail.com>

Hafa Adai Speaker Barnes and her Colleagues,

Please see the attached response from the Government of Guam Retirement Fund.

Warm regards,

Paula M. Blas

Director

GOVERNMENT OF GUAM RETIREMENT FUND

(671) 475-8900/01

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From: Speaker's Office [mailto:speaker@guamlegislature.org]
Sent: Monday, April 06, 2020 5:32 PM
To: pmblas@ite.net; pmblas@ggrf.com
Cc: Senator Senator Mary Camacho Torres; Senator Jim Moylan; Chirag Bhojwani
Subject: Joint Letter from Members of the Guam Legislature

Hafa Adai Ms Blas,

Please see attached letter from Speaker Muña Barnes and her colleagues. Kindly confirm receipt of this email.

V/R

Chirag M. Bhojwani

Communications Director & Policy Advisor

Office of Speaker Muña Barnes

Sinseru yan Minagâhet,

Office of the Speaker • Tina Rose Muña Barnes

Committee on Public Accountability, Human Resources & the Guam Buildup

35th Guam Legislature
I Mina'trental Singko na Liheslaturan Guåhan

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Response to Speaker Tina Rose Muna Barnes 04.07.2020.pdf
90K

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STABILITY · SECURITY · REWARDS

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Trustee

Thomas H. San Agustin
Trustee

George A. Santos
Trustee

April 7, 2020

The Honorable Tina Rose Muña Barnes
Speaker
I Mina'TrentaiSingko Na Liheslaturan Guåhan
163 W. Chalan Santo Papa
Hagåtña, Guam 96910

Re: Response to Request for Position on Proposal to Borrow $142.8M from the Government of Guam Retirement Fund

Dear Speaker Barnes,

Thank you for your letter requesting input from the Government of Guam Retirement Fund (Fund) regarding a verbal proposal that may have a material impact on the Fund. The Fund was not aware of any such proposal nor was the Fund contacted or consulted prior to such proposal's release.

Based on the transcript of the described proposal you have provided, the Government of Guam, through the Guam Economic Development Authority, is expected to borrow approximately $142.8 million from the Fund toward the eventual payment of Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") Recovery Rebates also known as Economic Impact Payments. Such proposal is intended on effectuating these Economic Impact Payments as early as next week.

The Fund takes no position on the relative payment scheme discussed in the proposed plan, rather would prefer to provide insight as to the concerns from a purely investment management perspective. This response in by no means prevents the Fund from providing additional comments related to the legality of the proposal. Based on discussions with the Fund's Investment Consultant, Wilshire Associates, there are significant concerns regarding the proposal to borrow $142.8 million from the Fund.

The Fund currently does not hold $142.8 million in cash. As those in the banking and investment industry may be aware, the Fund has an Investment Policy Statement which drives the investment and asset allocation strategy based on sound investment principles. With this proposal, the Fund would have to liquidate (sell for cash) its existing investments in order to be able to loan funds to the Government of Guam. As our investment consultant had discussed at the Fund's March 2020 Board of Trustees meeting, the preservation of liquidity is of paramount importance to the Fund. This is because the actions we take now will have a long-term impact on the Fund's ability to make future benefit payments to the thousands of Government of Guam retirees.

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Currently, the Fund does not have the ability to extend an over-the-counter private loan with an arbitrary interest rate given that the Fund's investment strategy execution is further subject to procurement rules to ensure arms-length transactions and competitive terms. The Fund is a fiduciary investment pool that executes investment strategies that are subject to governing statutes and policies. Mandating the Fund to extend a loan via legislation would be inconsistent to the fiduciary standards governing the investment practices at the Fund.

As you may be aware, the 2019 Novel Coronavirus (COVID-19) pandemic has had an unprecedented impact on the world economy. According to our investment consultant, this volatility has triggered severe displacement in the financial markets that has impacted every asset class the Fund invests in, with even the core fixed income asset class (bonds) reporting a negative return during the month of March. Trading is also discouraged at this time given the significantly higher total costs of trading where equities (stocks) are impaired by over 20%. Our investment consultant has explained that the total economic costs of trading (including bid/ask spreads and opportunity costs) are dozens, if not hundreds of times higher right now and that selling securities at this time will disrupt the Fund's ability to pursue its long term investment strategy. This in turn may jeopardize the ability to pay pensions for thousands of retirees today; and thousands of employees who will retire.

Furthermore, the stated intent of the proposal is to make certain payments to individuals within one week. Notwithstanding the issues previously stated, the liquidation of such asset classes would take at least two weeks to consummate.

The Fund represents thousands of Government of Guam employees and retirees. Its Board of Trustees has a fiduciary responsibility to its members to ensure that thousands of retirees receive the benefits that have been promised to them from past legislatures. Although we believe the proposal is well intentioned, the Fund has a fiduciary responsibility to its members and must protect the interest of its members above all else.

Thank you again for seeking the Fund's guidance prior to any legislative action being taken on this matter.

Senseramente,

Paula M. Blas
Director