

BOARD OF TRUSTEES

Regular Meeting

Friday, April 25, 2008, 12:00 p.m.

Retirement Fund Conference Room

MINUTES

DEFINED BENEFITS

I. ATTENDANCE, QUORUM, AND CALL TO ORDER

After determining a quorum was present, the Retirement Fund Board of Trustees Regular Meeting for the Defined Benefits Plan was called to order at 12:15 p.m. Friday, April 25, 2008, in the Retirement Fund Conference Room. Chairman Joe T. San Agustin officiated.

Board of Trustees Present:

Joe T. San Agustin, Chairman
Wilfred P. Leon Guerrero, Vice-Chairman
Gerard A. Cruz, Treasurer
James J. Taylor, Secretary
George A. Santos, Trustee
Katherine T.E. Taitano, Trustee

Board of Trustees Absent:

Antolina S. Leon Guerrero, Trustee

Staff Present:

Paula Blas, Director
Diana Bernardo, Controller
Rosalia Bordallo, General Accounting Supervisor
Jackie Blas, Recording Secretary

Public Present:

Richard Wright, Milliman, Inc.
Mark Heath, Metropolitan West Capital Management

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. February 8, 2008 Regular Meeting, February 22, 2008 Reconvened Meeting and March 14, 2008 Regular Meeting

On motion of Trustee George Santos, seconded by Trustee Katherine Taitano, and without objection, the Minutes of February 8, 2008 Regular Meeting were approved, subject to corrections. Motion passed.

Trustee George Santos, seconded by Trustee Katherine Taitano, moved to table approval of the Minutes of February 22, 2008 Reconvened Meeting and March 14, 2008 Regular Meeting. Without objection, the motion passed.

III. CORRESPONDENCE

A. April 10, 2008 Letter from Fisher Investments Regarding Maximum Emerging Markets Exposure Limit of 12.3%

Chairman San Agustin stated that the Retirement Fund received a response from Fisher Investments regarding the maximum Emerging Markets exposure limit of 12.3%. Fisher is compliant with the maximum Emerging Markets exposure limit of 12.3% and has controls in place in order to maintain compliance with this 12.3% restriction moving forward. Chairman San Agustin asked Vice-Chairman Wilfred Leon Guerrero to consider this since it is a large account. Secretary James Taylor asked whether the Retirement Fund would want letting them know to eventually move to Emerging Markets. Director Paula Blas stated that this item needs to be entertained on whether to gradually move. Chairman San Agustin stated that there is too much money involved. Fisher is three times more than Capital. Vice-Chairman Leon Guerrero recommended referring this matter to the Investment Committee. Chairman San Agustin referred this matter to the Investment Committee.

IV. NEW BUSINESS

A. Actuarial Valuation as of September 30, 2007

Richard Wright, Milliman, Inc., stated that he has provided, at this meeting, a draft report on the Actuarial Valuation as of September 30, 2007 and the Actuarial Experience Study.

Mr. Wright stated that the purpose of the valuation is to determine the required contribution under the provisions of GCA §8137 and to provide the Retirement Fund with financial disclosures under GASB 25. Mr. Wright provided the following highlights:

- The required contribution under GCA §8137 is 26.02% of payroll compared to last year which was 27.83%. Of this amount, 19.68% is for the unfunded liability of the Defined Benefit (DB) Plan, 3.70% is for the normal cost of the DB Plan, and 2.64% is for contributions to the Defined Contribution (DC) Plan.
- Public Law 28-150 provided that the current employer contribution rate will increase over a 5-year period until it reaches the actuarial contribution rate. The employer contribution rate for the 2007-2008 Fiscal Year is 24.07%.
- The DB payroll for the 2006-2007 Fiscal Year was \$180.8 Million compared with \$192.4 Million for the 2005-2006 Fiscal Year. The total DB and DC payroll for the 2006-2007 Fiscal Year, was \$377 Million compared with \$376.6 Million for the 2005-2006 Fiscal Year.

- The unfunded accrued liability decreased from \$1.335 Billion as of September 30, 2006 to \$1.233 Billion as of September 30, 2007, due to favorable investment returns for the Fiscal Year ending September 30, 2007. The payment required to amortize the unfunded accrued liability under GCA §8137 has decreased from \$80.9 Million to \$76.8 Million. The payment as of percentage of payroll has decreased from 20.75% to 19.68%.
- Based on the audited financial statements, Milliman calculated an investment return on the total market value of assets of 14.7% for the Fiscal Year ending September 30, 2007. The average annual return on the market value of assets for the last five fiscal years has been 10.3%.
- There have been no changes in plan provisions or actuarial assumptions since the prior actuarial valuation.

Treasurer Gerard Cruz asked what the current contribution rate is. Director Blas stated that the current rate is 24.07%. For Fiscal Year 2009, 25.02% is being budgeted. Chairman San Agustin asked whether it is short. Director Blas replied, "Yes." Director Blas stated that when the Retirement Fund had asked the Legislature for 22.94%, there was a five year phase. Secretary Taylor asked how much of the improvement is the function of the increase of the amount provided by the Legislature. How much was the function of the return on the market. Mr. Wright replied, "The return on the market added an extra \$100 Million to the Retirement Fund and the additional contributions would have added a fraction of the \$100 Million." Chairman San Agustin asked about the slight decrease on the DB payroll. Mr. Wright stated that the percentage of payroll decreased to 19.68%. Chairman San Agustin asked whether the unfunded liability should be lower. Vice-Chairman Leon Guerrero stated that the audit report differs from the actuarial report regarding the unfunded liability. Mr. Wright stated that the audit report shows numbers from September 30, 2006. This report is from September 30, 2007.

Mr. Wright reported on the participant counts. The total actives participants as of September 30, 2007 were 4,061 compared to 4,298 as of September 30, 2006. The total retirees as of September 30, 2007 were 7,037 compared to 7,055 as of September 30, 2006. The total inactive and terminated members with accumulated contributions were 6,738. Mr. Wright stated that their report now includes the DC Plan. The total active DC participants are 6,586.

Mr. Wright stated that the total DB payroll as of September 30, 2007 was \$180.8 Million compared to \$192.4 Million as of September 30, 2006. The total payroll for both DB and DC was \$377 Million as of September 30, 2007 compared to \$376.6 Million as of September 30, 2006. Mr. Wright stated that the security ratio was 54% as of September 30, 2007 compared to 49.73% as of September 30, 2006. Secretary Taylor asked whether it is a function in changes of return. Mr. Wright replied, "Yes." Vice-Chairman Leon Guerrero asked what the Retirement Fund could do with the 6,738 inactive and terminated members with accumulated contributions. Chairman San Agustin stated that there should be an aged account. Chairman San Agustin suggested showing the impact on the Retirement Fund. Mr. Wright stated that there are small balances. Chairman San Agustin stated that these inactive members could return at age 60 and draw retirement. Vice-Chairman Leon Guerrero asked why the inactive members decreased in numbers by 200. Director Blas stated that they could have refunded. Mr. Wright stated that the drop in members is due to the refunds of contributions. Chairman San Agustin asked what the average time before members refund is. Director Blas stated that it could be about ten years. Treasurer Cruz asked whether the members are paid interest for those ten years. Director Blas replied, "Yes, if the members have completed one year of service." Director Blas stated that the Retirement Fund is paying 4.5% interest. Chairman San Agustin stated that there is a potential liability. Mr. Wright stated that of the 6,738 inactive members only three retired, about 200 inactive

members have refunded and the others kept their money here. Vice-Chairman Leon Guerrero asked whether this is costing the Retirement Fund money. Mr. Wright stated that this only adds data work to the administration. Chairman San Agustin stated that the inactive members should be encouraged to withdraw their money. Vice-Chairman Leon Guerrero asked whether participants know that they could refund. Director Blas stated that the average refunds per year are about 200-300. Mr. Wright asked whether the inactive members are aware that they have money in the plan. Director Blas asked whether we could publicly list the inactive names. Chairman San Agustin replied, "No." Director Blas stated that a lot of the inactive members did not leave a forwarding address. Chairman San Agustin asked how much money is involved. Director Blas replied, "\$14 Million." Vice-Chairman Leon Guerrero asked whether the \$14 Million is included in the unfunded liability. Mr. Wright replied, "Yes." Trustee George Santos suggested having Chairman San Agustin send out the public notice. Director Blas stated that we do not have forwarding addresses for some members. Director Blas stated that an attempt is being made to try to contact the inactive members. Secretary Taylor asked why there are no numbers for DC active participants for 2006. Mr. Wright stated that they just started getting the information this year. Secretary Taylor suggested getting the information from Great West Retirement Services (Great West) going back at least five years. Director Blas stated that she'll obtain that information from Great West.

Mr. Wright reported on the five-year historical summary. Mr. Wright stated that the security ratio of 54.01% is much higher than it has been in the last five years. The contribution rate of 26.02% is much lower than it was three years ago. Chairman San Agustin asked about the decrease of the normal cost for the DB Plan. Mr. Wright stated that the decrease of 8.44% to 7.86% is attributed to the decrease of administrative expenses which is allocated to the DB Plan. Chairman San Agustin stated that this brings down the contribution rate to 26.02%. Director Blas stated that we are currently paying 24.07% and for Fiscal Year 2009, 25.02% is being proposed in line with the five year phase-in. Mr. Wright stated that there is a 1% spread which is about a \$3.7 Million shortfall for the contributions. Secretary Taylor stated that this is a major improvement. Vice-Chairman Leon Guerrero asked Director Blas to reiterate on the agreement on the contribution rate. Director Blas stated that we started off with an actuarial rate of 27.48% but the Legislature was funding 22.94% for Fiscal Year 2006, 22.94% for Fiscal Year 2007 and 24.07% for Fiscal Year 2008 which was an increase of 1.13%. For Fiscal Year 2009, it will be 25.02% which will be an increase of 1.13%. Director Blas stated that the gap between the actuarial rate and the actual funding is narrowing down. Treasurer Cruz stated that the actuarial rate has decreased because of the investment returns and the investment returns were a result of the relaxation that was put in place. Treasurer Cruz stated that we need more relaxation. Chairman San Agustin suggested revisiting funding the contribution. Chairman San Agustin suggested showing the new investments.

Secretary Taylor asked where the figures on the expected nominal return came from. Mr. Wright stated that it was developed internally by Milliman's investment professionals.

Vice-Chairman Leon Guerrero inquired about the 40-year projection of security ratio. Mr. Wright stated that it is a 40-year projection of the contribution rate. Director Blas stated that the 26.02% is for Fiscal Year 2009.

Mr. Wright reported on the active employees count per agency on both the DB and DC plans. Mr. Wright stated that the Guam Public School System (GPSS) has 2,499 DC participants and 1,353 DB participants. The Guam Waterworks Authority (GWA) has 105 DB participants and 39 DC participants.

Chairman San Agustin inquired about alternative funding strategies. Mr. Wright stated that GCA Section §8137 requires a contribution sufficient to fully fund the unfunded liability by 2031. Mr. Wright stated that the rate will decrease on 2031. The contribution rate will decrease from 25% to 5%. Mr. Wright stated that 19.68% of payroll would be to pay off the unfunded liability, which is \$76 Million.

Trustee George Santos, seconded by Treasurer Gerard Cruz, moved to approve the Government of Guam Retirement Fund Actuarial Valuation Report as of September 30, 2007, with corrections as discussed. Without objection, the motion passed.

B. Actuarial Experience Study

Mr. Wright stated that he has provided, at this meeting, a draft report on the Actuarial Experience Study as of October 1, 2002 through September 30, 2007.

Mr. Wright stated that their report presents their review of the Retirement Fund's actuarial assumptions in relation to actual experience and Milliman's recommendations for revisions to these assumptions where appropriate.

Mr. Wright provided the following key findings:

- While individual payroll increases for DB participants have attached well with the current assumption, the total payroll for both DB and DC participants has not increased over the last ten years. As a result, Milliman proposes lowering the assumption for future overall payroll growth from 3.5% to 3.0%. Mr. Wright stated that this increases the rate by 1.1%.
- There have been more retiree deaths during the study period than expected. Milliman proposes changing the mortality table to assume lower life expectancies. Mr. Wright stated that this decreases the rate by 1.1%.
- There have been fewer disability retirement during the study period than expected. Milliman proposes changing the assumption to assume fewer future disabilities. Mr. Wright stated that this would be a slight decrease of .03%.
- The Retirement Fund experienced more employee withdrawals during the study period than expected. Milliman proposes changing the assumption to assume more withdrawals. Mr. Wright stated that this would be a decrease of 1%.
- More participants were married at the time of initial retirement than predicted by the assumption. Milliman proposes increasing the marital status assumptions. Mr. Wright stated that this would be a .15% increase.
- The current asset valuation method closely matches market value. As such, gains and losses (both realized and unrealized) are recognized immediately. This can lead to large potential swings in required contributions and unfunded liabilities. As a way to help stabilize the required contribution rate, Milliman proposes changing the asset valuation method to a method that reflects unexpected investment gains and losses over a five year period. Mr. Wright stated that this depends on what the returns are going to be this fiscal year. Chairman San Agustin

asked what prompted the change in the valuation method. Mr. Wright stated that it is doing away with the yoyo effect. Secretary Taylor asked whether this is the first five-year report. Mr. Wright replied, "Yes, for the new Board." Mr. Wright stated that the last report was made in 2001.

Mr. Wright provided an overview on the following:

- **Investment Return** - Mr. Wright stated that he used two scenarios: a 0% investment return and the current assumption of 7% investment return. Mr. Wright stated that the projected unfunded accrued liability with a 7% assumption would be \$1.2 Billion as of September 30, 2008, and with a 0% assumption it would be \$1.3 Billion. The contribution rate would be 27.43% with 0% assumption and 25.87% with a 7% assumption. Secretary Taylor asked why the lower payroll increases from 3.5% to 3.0% shows a zero impact. Mr. Wright stated that this does not affect the unfunded liability. This assumption is only with respect to the contributions coming in. Mr. Wright stated that the biggest assumption is the investment return which is 7%. Mr. Wright stated that the best estimate range is 6.28% to 8.60%. Secretary Taylor inquired about the mid point. Mr. Wright stated that the geometric mean of the portfolio is 7.45%. Mr. Wright stated that based upon the expected geometric mean return of 7.45%, and a best estimate range of 6.28% to 8.60%, the recommended assumption range is 7.0% to 7.25%. Milliman recommends keeping the current assumption of 7.0%.
- **Member Salary Increases** - Mr. Wright stated that the current assumption ranges from 8.5% for employees with between 0 to 5 years of service, to 4.0% for members with over 20 years of service. Mr. Wright stated that the average annual increases over the 5-year study period were higher than the current assumption for employees with low service (less than 5 years) and high service (more than 20 years). For employees with between 5 and 20 years of service, the average increases were lower than expected. Mr. Wright stated that the actual salary increases over the 5-year study period would produce an average salary increase of 5.7% for a 30-year career. This compares with an average salary increase of 5.8% for a 30-year career using the current assumptions. Mr. Wright stated that Milliman recommends no changes to the current assumption.
- **Payroll Growth** - The current assumption is 3.5% per year. The proposed assumption is 3.0% per year. Mr. Wright stated that the average for the last 5 years was -1.0%, the last 10 years was 0.2%, and the last 20 years was 3.5%. Vice-Chairman Leon Guerrero stated that he expects salary to increase more than 3.5% within the next five years. Mr. Wright stated that the higher the payroll increase assumption, the lower the required contribution rate. The current assumption of 3.5% has been in effect since 2003. From 1995 to 2002, the payroll growth assumption was 4.5%. The current assumption is based upon assumed inflation of 3.0%, wage productivity growth of 0.5%, and personnel growth of 0%. Mr. Wright stated that over the last 10 years, overall payroll growth has been flat. Unless there is a decrease in the government workforce, we do not believe a payroll growth assumption of 0% is sustainable in light of inflationary pressures. Mr. Wright stated that Milliman proposes to lower the assumption from 3.5% to 3.0%, by removing the wage productivity growth factor of 0.5%.
- **Administrative Expenses** - Mr. Wright stated that the administrative expenses net of the adjustment for bad debts have been relatively stable for the last 5 years, with the exception of the most current year. The current assumption properly captures fluctuations in expenses as they occur. Milliman recommends no changes to the current assumption, which is to assume future administrative expenses, will equal the most recent year's expenses.

- **Healthy Retiree Mortality** - Mr. Wright stated that the current mortality assumption for non-disabled retired members and surviving spouses is the 1994 U.S. Uninsured Pensioners mortality table using the male rates for both males and females. Mr. Wright stated that the actual mortality for retirees and surviving spouses is higher than the mortality predicted by the current assumption. Mr. Wright stated that the actual deaths of retirees were 579. The assumption of expected deaths was 459. The actual deaths of surviving spouses were 198 and the assumption of expected deaths was 125. Mr. Wright stated that Milliman recommends revising the non-disabled mortality assumption to the RP-2000 mortality table, set forward by 3 years for males and 1 year for females, in order to conform more closely to actual experience.
- **Disabled Retiree Mortality** - Mr. Wright stated that the current mortality assumption for disabled retired members is the 1984 Uninsured Pensioners mortality table for males. The mortality rates are set forward by 10 years for males and 8 years for females. Mr. Wright stated that although the overall expected deaths match closely to recent experience, the age curve does not replicate closely with actual experience, and is very steep at older ages. Milliman recommends revising the mortality assumption for disabled retirees to the RP-2000 disability mortality table, with no age adjustments. Mr. Wright stated that the life expectancy for the current assumption is 71.7 for male age 60 and 72.3 for female age 60. The life expectancy for the proposed assumption is 73.4 for male age 60 and 78.0 for female age 60.

Trustee Katherine Taitano asked to be excused from the meeting at this time (1:40 p.m.)

- **Disability Incidence** - Mr. Wright stated that the current assumption for the incidence of disability among active members is the 1974-78 Society of Actuaries Long Term Disability Non-Jumbo table with rates increased for males by 30%. Mr. Wright stated that the actual disability of active members was 71 and the expected disability was 118. Mr. Wright stated that the actual incidence of disability has been substantially lower than the incidence of disability predicted by the current assumption. In order to reduce the discrepancy, Milliman recommends eliminating the 30% increase that had been applied to the male rates. Secretary Taylor inquired about the term used: “Non-Jumbo and “Jumbo Table.” Mr. Wright stated that it is a term used for the disability insurance. The jumbo refers to the policy size.
- **Active Withdrawal and Mortality** - Mr. Wright stated that the total active members' actual withdrawals/deaths were 1,571 and the expected withdrawals were 776. Mr. Wright stated that the actual withdrawal/mortality experience has been substantially higher than the rates predicted by the current assumption. Milliman recommends updating the withdrawal assumption to a new set of rates based on recent withdrawal experience. Mr. Wright stated that their review of the withdrawal patterns for active members indicates that withdrawal rates, which tend to be lower for members who are closer to retirement, are more strongly correlated with the number of years of service than with the member’s age. Mr. Wright stated that, to be consistent with the healthy retiree mortality rates, Milliman proposes to change the active mortality assumption to the RP 2000 mortality table for males and females, with male ages set forward three years and female ages set forward one year.
- **Retirement** - Mr. Wright stated that the Retirement Fund provides unreduced retirement benefits at age 60, or upon completion of 25 years of service if earlier, to employees who became members prior to October 1, 1981. The unreduced retirement age was increased to 65 for employees who became members on or after August 22, 1984. The service requirement for unreduced retirement was increased to 30 years for employees who became members on or after October 1, 1981. Mr. Wright stated that the uniformed personnel who became members

prior to October 1, 1981 are eligible for unreduced benefits at age 55 if they have completed 10 years of services. Uniformed personnel who became members on or after October 1, 1981 are eligible for unreduced benefits at age 55 if they have completed 15 years of service.

Uniformed personnel who became members on or after August 22, 1984 are eligible for unreduced benefits at age 60 if they have completed 15 years of service. Mr. Wright stated that the actual retirement experience over the prior five years has been lower than the current 50% / 20% assumption. However, retirement patterns are greatly affected by economic cycles, which can vary over time. The current assumption was adopted only five years ago using data from the prior experience study. Milliman recommends no changes to the current assumption at this time. Chairman San Agustin stated that there is a call for the reduction of workforce.

- **Refund of Contributions** - Mr. Wright stated that the current assumption is that all members who separate from service with less than twenty years of service elect a refund of contributions. Mr. Wright stated that it is possible that some of the employees who withdrew during the study period and who did not receive a refund of contributions may still elect to receive a refund prior to retirement. The percentage of withdrawals with less than twenty years of service who elect to receive a refund may ultimately rise to 80% or 90% or more. Trustee Santos stated that the refund of contributions would reduce the unfunded liability and it would also reduce payroll. Mr. Wright stated that Milliman proposes no changes to the current assumption.
- **Marital Status** - Mr. Wright stated that the current assumption is that 65% of active members will be married at retirement. Mr. Wright stated that Milliman recommends revising the current assumption to 75%.
- **Actuarial Cost Method** - Mr. Wright stated that an actuarial cost method is used to calculate the plan's accrued liability and normal cost for active members. The most common actuarial cost methods are: Unit Credit, Projected Unit Credit, and Entry Age Normal. The most common method for public plans is the Entry Age Method. Mr. Wright stated that this is generally the most conservative of the methods because it assigns a higher proportion of projected benefits to the accrued liability. Mr. Wright stated that Milliman recommends that the Retirement Fund continue to use the Entry Age Method.
- **Asset Valuation Method** – Mr. Wright stated that an asset valuation method determines the value of the fund assets to be reflected in the actuarial valuation. The most common asset methods are: Market Value, Amortized Cost, and “X” Year Smoothing Method. The current method is the Market Value plus Amortized Cost of bonds. Mr. Wright stated that the market value of assets as of September 30, 2007 was \$1.4 Billion. With a 0% return the estimated market value of assets will decrease to \$1.37 Billion. The five-year smoothing of unexpected (gains) losses is \$2.5 Million. Mr. Wright stated that Milliman proposes changing the asset valuation method to one in which unexpected gains and losses will be smoothed over a five year period.

Mr. Wright stated that, if these assumptions are adopted by the Board, this would be applied by next year. Chairman San Agustin suggested showing statistics that the Legislature is short in funding the actuarial rate. Mr. Wright stated that it will change in 2008. Vice-Chairman Leon Guerrero asked for an explanation in the difference in amount of the projected unfunded accrued liability. Mr. Wright stated that it is with 0% assumption and with 7% return in investments. Vice-Chairman Leon Guerrero stated that the portfolio is negative. Director Blas stated that the proposed assumption changes for Fiscal Year 2008 are for the Board's review.

Treasurer Gerard Cruz, seconded by Trustee George Santos, moved to approve to accept the Actuarial Experience Study and Assumptions as a working draft. Without objection, the motion passed.

V. INFORMATIONAL ITEMS

None

VI. DIRECTOR'S REPORT - EXECUTIVE SUMMARY

1. *Candelaria Rios, et al. vs. Joseph Ada, et al. (Special Proceeding Case No. SP206-93) -*

Director Blas reported that COLA Award disbursements for the \$8 Million and \$14 Million proceeds continue to be an ongoing process. The Retirement Fund is compiling a list of deceased COLA Awardees who did not name a beneficiary or whose beneficiary is deceased.

Director Blas stated that Public Law 29-04 mandated the assignment of the TeleGuam Holdings LLC promissory note of \$10 Million to the COLA Class. Director Blas stated that Bank of Guam submitted their letter of intent to the COLA Class to purchase the note at \$9 Million. Director Blas stated that she is still waiting for Bank of Guam. Chairman San Agustin stated that the law says to assign and guarantee. Chairman San Agustin stated that the projected return of the \$10 Million with interest at 5% is \$15 Million. Chairman San Agustin stated that Bank of Guam is asking to purchase it at 90%. Chairman San Agustin stated that the Retirement Fund's Legal Counsel issued an opinion saying we can not buy the note due to the other attachments or liens on the note. Director Blas stated that the Bank of Guam can not agree on a guarantee language.

Director Blas stated that Public Law 29-19 authorized the Governor to issue a second bond of \$115 Million to pay off the COLA Awards and past due tax refunds. Director Blas stated that the current market trends are not favorable at this time and there is no market for non-investment grade bonds. The Guam Economic Development & Commerce Authority (GEDCA) will not float another bond until the third quarter. Treasurer Cruz asked what the balance of the COLA award is. Director Blas replied, "\$96 Million." Director Blas stated that the General Fund can not issue the certificates on the balances until the Guam Telephone Authority (GTA) Promissory Notes are actually sold and disbursements made.

2. *Organic Act / Trust Agreement* - Director Blas stated that this remains status quo. Secretary Taylor stated that he proposes to have this item removed from the Director's Report. Secretary Taylor stated that there is no hope, at this time, of getting an agreement from Governor Felix Camacho, the Legislature and Congresswoman Madeleine Bordallo.

3. *Request for Proposal (RFP): Custodial Bank Services* - Director Blas stated that the Selection Panel is close to getting an agreement. Chairman San Agustin requested for a section-by-section analysis.

4. *Request for Proposal (RFP): Real Estate Investment Trusts (REITS)* - Director Blas stated that the Selection Panel will proceed with the contractual negotiations.

5. *Request for Proposal (RFP): U.S. Domestic Small Capitalization Core Equity* - Director Blas stated that the Selection Panel will proceed with the contractual negotiations.

6. ***Request for Proposal (RFP): Legal Services*** – Director Blas stated that evaluations are ongoing. The Selection Panel consists of Trustee Katherine Taitano, Secretary James Taylor, and Trustee George Santos. The Selection Panel will be meeting next week Wednesday. Director Blas stated that Secretary Taylor is being replaced by Treasurer Cruz.
7. ***Request for Proposal (RFP): U.S. Domestic Core Fixed Income*** – Director Blas stated that the Selection Panel will proceed with the contractual negotiations.
8. ***Request for Proposal (RFP): U.S. Domestic Large Capitalization Growth Equity*** – Director Blas stated that the Selection Panel will proceed with the contractual negotiations.
9. ***Request for Proposal (RFP): U.S. Domestic Large Capitalization Value Equity*** – Director Blas stated that Robecco’s contract is ready for signature. Chairman San Agustin stated that there is a need to document the reason why the manager was terminated and information on where the money goes. Chairman San Agustin inquired about the transition. Director Blas stated that the Retirement Fund could present the portfolio of the old manager to the new manager to see which securities they would like to retain. The old manager will then sell whatever the new manager doesn’t want to retain.
10. ***Request for Proposal (RFP): Proxy Voting Services*** – Director Blas stated that evaluations are ongoing. The Selection Panel consists of Chairman Joe San Agustin, Vice-Chairman Wilfred Leon Guerrero, and Director Paula Blas. Vice-Chairman Leon Guerrero will chair this committee. A meeting is scheduled for next week Tuesday, April 29, 2008.
11. ***Public Law 28-38*** – Director Blas stated that the monthly interest payments for the Guam Public School System (GPSS) and Guam Memorial Hospital Authority (GMHA) were paid on April 10, 2008.

FINANCIAL REPORT

1. ***Contributions*** - Director Blas stated that all agencies are current with their Fiscal Year 2008 employee and employer contributions.
2. ***Financial Statements*** - Director Blas stated that the books for the month ending March 2008 were closed on April 9, 2008.
3. ***Fiscal Year 2008 Retirees’ Supplemental Benefits*** - Director Blas stated that the supplemental benefits for retirees and survivors for the month of March 2008 have been paid.
4. ***Medicare Reimbursements*** - Director Blas stated that the Medicare reimbursements have been processed.

VII. LEGAL COUNSEL’S REPORT

No report was made at this time.

VIII. TREASURER'S REPORT OF FINANCIAL STATUS

Treasurer Cruz stated that Chairman San Agustin is requesting to see a tracking system of the flow of funds from investments. Treasurer Cruz stated that there are no major changes on the financials. Treasurer Cruz provided, at this meeting, a copy of the cash flow projection for operations. Treasurer Cruz stated that the expected drawdown for April is \$2 Million which is \$1.5 Million less than what was authorized. Treasurer Cruz stated that the Retirement Fund is on a positive variance. Secretary Taylor asked whether an adjustment was made on the drawdown. Treasurer Cruz replied, "Yes." Treasurer Cruz stated that cash has been coming in. This is due to timely contributions. Treasurer Cruz stated that he will show the flow of funds and also show the transaction costs. Chairman San Agustin stated that there is always the question of whether the Retirement Fund is tapping on the contributions to pay retirees. Secretary Taylor stated that he is concerned that an attorney of members may be asking to show where their money is invested. Vice-Chairman Leon Guerrero asked for an explanation of its legality. Director Blas stated that she will communicate with the Retirement Fund's Legal Counsel. Controller Diana Bernardo stated that she will show it on a spreadsheet. Treasurer Cruz stated that the Retirement Fund needs to determine whether its Trustees are of the Fund in aggregate or Trustees for an individual retiree's account. The Board of Trustees' responsibility is to manage the assets of the Fund. Chairman San Agustin stated that the benefit payments are an administrative responsibility. Chairman San Agustin stated that if funding is short we would need to get an appropriation from the Legislature. Benefit payments are not made with returns. Treasurer Cruz stated that he will run the math and will produce a chart.

Chairman San Agustin asked to be excused from the meeting at this time (2:45 p.m.)

At this time, Vice-Chairman Leon Guerrero chairs the meeting.

IX. STANDING COMMITTEE REPORTS

A. Members and Benefits Committee

Trustee George Santos reported to the Board of Trustees on his Committee's March and April 2008 reports. Trustee Santos stated that there are two committee reports due to the change of the M&B meeting date.

Trustee George Santos, seconded by Treasurer Gerard Cruz, moved to approve the recommendation of the Members and Benefits Committee contained on Pages 4 through 17, including the attached Annuity Worksheets, based on the Committee's review and findings during their meeting of March 19, 2008 and subsequent meetings thereafter. Without objection, the motion passed.

Trustee George Santos, seconded by Treasurer Gerard Cruz, moved to approve the recommendation of the Members and Benefits Committee contained on Pages 4 through 8, including the attached Annuity Worksheets, based on the Committee's review and findings during their meeting of April 9, 2008 and subsequent meetings thereafter. Without objection, the motion passed.

B. Investment Committee

Director Blas reported that the Investment Committee meeting was held on April 11, 2008. The Committee reviewed and approved the Investment Committee Minutes of January 25, 2008 and February 29, 2008. The Committee discussed the status of the following:

1. Custodial Bank Services
2. Real Estate Investment Trusts (REITs)
3. U.S. Domestic small Cap Core Equity
4. U.S. Domestic Core Fixed Income
5. U.S. Domestic Large Cap Growth Equity
6. U.S. Domestic Large Cap Value Equity
7. Request for Proposal (RFP) – Proxy Voting
8. Legislation for Exchange Traded Funds (ETFs)

Director Blas stated that Mr. Terry Dennison, Mercer Investment Consulting, Inc. will be conducting their performance review on May 8-9, 2008. Director Blas stated that she had requested that the public hearing on the Bill No. 283 regarding the Extended Traded Funds (ETFs) be scheduled on May 8, 2008 so that Mr. Dennison will be able to testify on the bill. Director Blas stated that she will confirm the hearing date. Secretary Taylor inquired about the percentage on the ETFs. Director Blas stated that it 20% of the entire portfolio.

C. Audit Committee

Treasurer Cruz stated that the audit has been completed.

D. Governmental Liaison

No report was made at this time.

X. TRAVEL REPORT

A. Joe T. San Agustin: Terrapinn 3rd Annual Real Estate Investment World China 2008 Conference, March 31-April 2, 2008, Shanghai, China

Acting Chairman Leon Guerrero stated that Chairman San Agustin has submitted his travel report for Terrapinn 3rd Annual Real Estate Investment World China 2008 Conference he attended on March 31-April 2, 2008 in Shanghai, China.

XI. OLD BUSINESS

None

XII. OPEN DISCUSSION / GENERAL PUBLIC INPUT

None

XIII. ANNOUNCEMENTS

None

XIV. ADJOURNMENT

There being no further business before the Board for the Defined Benefits Plan, on motion of Trustee George Santos, seconded by Treasurer Gerard Cruz, and without objection, the meeting was adjourned at 2:54 p.m. Motion passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of April 25, 2008 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on July 25, 2008.

James J. Taylor, Board Secretary

RECORDING SECRETARY:

Jackie Blas