

BOARD OF TRUSTEES
Regular Meeting
Friday, September 26, 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 12:51 p.m. Friday, September 26, 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
Katherine T.E. Taitano, Trustee

Board of Trustees Absent:

George A. Santos, Trustee (*Off-Island, Excused*)
Antolina S. Leon Guerrero, Trustee (*Off-Island, Excused*)

Staff Present:

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

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. July 25, 2008 Regular Meeting, August 1, 2008 Reconvened Meeting and August 29, 2008 Regular Meeting

Secretary James Taylor stated that he is concerned about not receiving the minutes in a timely manner for his review. Secretary Taylor reiterated that he would like to review the minutes within a week.

Vice-Chairman Wilfred Leon Guerrero inquired about the status of Chairman San Agustin's meeting with the retirees' advocate, Mrs. Ana San Nicolas. Chairman San Agustin stated that he met with Mrs. San Nicolas and she claims that her appointment to the Negotiation Team was late and she did not know the implication of being on the Negotiation Team. Chairman San Agustin stated that it is just too much and very time consuming for Mrs. San Nicolas. Vice-Chairman Leon Guerrero asked whether the Board will be expecting Mrs. San Nicolas' resignation. Chairman San Agustin stated that he will talk to Mrs. San Nicolas on giving up her position since she mentioned that it is too much for her and very time consuming.

Treasurer Gerard Cruz, seconded by Trustee Katherine Taitano, moved to table the Minutes of July 25, 2008 Regular Meeting, August 1, 2008 Reconvened Meeting and August 29, 2008 Regular Meeting. Without objection, the motion passed.

III. CORRESPONDENCE

None

IV. INFORMATIONAL ITEMS

A. Lehman Brothers (Lehman) Securities Action

Chairman San Agustin stated that he just received the 173 page draft amended complaint via email from Blair Nicholas that is currently due to be filed with the Court today. Chairman San Agustin stated that Mr. Nicholas' email stated that there have been many recent developments concerning Lehman and that they revised the complaint to change the class period and the allegations to conform to the recent disclosures. Chairman San Agustin stated that he also received an amended certification for his signature. Vice-Chairman Leon Guerrero stated that he has not seen the amended complaint. Vice-Chairman Leon Guerrero stated that the complaint the Retirement Fund has states that on June 2007 Lehman was assuring the public that their exposure to the sub prime crisis was limited to \$200 Million and it was later discovered that it was in the billions. Vice-Chairman Leon Guerrero stated that the Retirement Fund's money managers saw that other money managers were buying Lehman stocks which triggered this lawsuit. Chairman San Agustin stated that the Retirement Fund should recover its anticipated loss of \$3.85 Million. Treasurer Gerard Cruz stated that the \$3.85 Million was the loss the Retirement Fund experienced from the time the announcement was made. Rosalia Bordallo, General Accounting Supervisor, stated that these losses that occurred are due to the market fluctuations. It is not what you would record when the asset is sold. The loss that we would record would be less. The actual loss of \$1 Million is not there. Mrs. Bordallo stated that the value on the market basis was based on the market fluctuation for that period. Secretary Taylor stated that the loss is calculated from the top of the stock and not from when it was purchased. Vice-Chairman Leon Guerrero asked whether the Retirement Fund had any Lehman shares. Mrs. Bordallo stated that the managers sold off their shares. Chairman San Agustin stated that the Retirement Fund has no Lehman stocks on record. Treasurer Cruz asked whether the figure of \$3.85 Million is from the custodian. Mrs.

Bordallo stated that the information is provided by the custodian. Mrs. Bordallo stated that the \$3.85 Million is not an actual loss. Vice-Chairman Leon Guerrero stated that the critical date is June 2007 which is when assurances were being given by Lehman. Vice-Chairman Leon Guerrero stated that after Lehman's assurance some of the Retirement Fund's managers purchased Lehman stocks. Vice-Chairman Leon Guerrero stated that the fraud is where Lehman stated that their exposure is limited to \$200 Million. Director Paula Blas stated that the period in question is on purchases after June 2007. Chairman San Agustin asked whether Mr. Nicholas Blair from Bernstein Litowitz Berger & Grossmann (BLBG) able to support a suit for a loss of \$3.85 Million. Treasurer Cruz replied, "Yes." Director Blas stated that the Retirement Fund did suffer a loss during that period. Mrs. Bordallo stated that Lehman lied about their exposure limit of \$200 Million and that is when the value of the stocks went down. Treasurer Cruz asked how they arrived at the \$3.85 Million loss. Mrs. Bordallo stated that the information showing the \$3.85 Million figure came from BLBG.

B. Mercer Investment Consulting, Inc. (Mercer) Letters

Chairman San Agustin stated that he received two letters from Mercer Investment Consulting, Inc. (Mercer) regarding the financial market update and investment implications. Mercer's letter included the following issues that potentially need to be addressed:

1. Assess the extent of exposure to the bonds, notes and equity of these entities and understand the actions that asset managers are taking. It is important to document any holding, as any recovery in a bankruptcy or lawsuit can provide some damage claims.
2. Establish the extent of exposure to counterparty default through securities lending conducted by custodians and understand the process being followed to recover securities that have been lent and the implications for the Retirement Fund.
3. Review the counterparty management process being performed by the asset manager responsible for any derivative contracts to ensure that necessary actions are being taken to mitigate any risk.
4. Consider the impact of broader market disruption on manager transitions, rebalancings, and wider strategy decisions. Review the broad asset allocation and rebalance where necessary.
5. Monitor developments in the provision of index data to ensure benchmarks remain valid.

Chairman San Agustin stated that Mercer's letter is saying to hold off on this matter. Secretary Taylor asked whether the attorney work product is considered confidential material. Treasurer Cruz stated that this would be a public record. Director Blas stated that it was mentioned on the *Wall Street Journal* that the Retirement Fund is listed as a plaintiff on the lawsuit. Secretary Taylor stated that this would be something interesting to show to his University of Guam (UOG) students.

V. DIRECTOR'S REPORT - EXECUTIVE SUMMARY

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

Director Blas stated that the Guam Economic Development and Commerce Authority (GEDCA) will be meeting this week with Standard and Poor's (S&P) and the bond underwriters. Director Blas stated that the amount of the bond in the Fiscal Year 2009 Budget is being clarified with the Legislature. The bond provision that was approved was \$148 Million. This is anticipated to be received by early November 2008. The General Fund will issue the outstanding balances on the COLA payments, pay Tax Refunds for 2006, and pay-off the Guam Public School System (GPSS) and Guam Memorial Hospital Authority (GMHA) debt to the Retirement Fund. Director Blas stated that there is a special

request made by Chairman San Agustin and Vice-Chairman Leon Guerrero to have their COLA Award checks issued later than the other COLA Awardees. This is in consideration of the people who voted them in.

2. *Global Custody Services* - Director Blas stated that effective October 1, 2008, all trust assets and custodial services will be transferred from First Hawaiian Bank (FHB) to Northern Trust (Northern). Director Blas stated that Retirement Fund staff is working with FHB and Northern to ensure a smooth transition of the custody of assets. There are a few issues pending like the securities lending. Director Blas stated that the Board approved, at that last Board meeting, the type of collateral to be used in securities lending. Three of the four options provided by Northern Trust were closed. Director Blas stated that the Basic Collateral option is the only option available to the Retirement Fund at this time. The Basic Collateral Fund accepts U.S. currency and government securities as collateral. Director Blas stated that she asked Mercer whether the Basic Collateral would be fine or whether the Retirement Fund should wait until the Core Collateral reopens. Chairman San Agustin inquired about the Centennial Group. Director Blas stated that the Centennial Group is communicating with Northern Trust with regards to the situation with Lehman and their securities lending program. Secretary Taylor stated that his understanding is that Mercer reviewed the four options and made a recommendation and the Board approved Mercer's recommendation. Director Blas stated that Mercer's recommendation was Core Collateral which is no longer available. Secretary Taylor stated that he would like to see a further recommendation on this matter before any action is taken. Chairman San Agustin stated that the Retirement Fund should wait for Mercer's recommendation on this matter. Secretary Taylor stated that the problem with this is the Retirement Fund is giving up about one million dollars worth of income. Chairman San Agustin asked how much money is involved. Director Blas stated that it is not the Retirement Fund's account. The Retirement Fund is not in securities lending at this time. Director Blas stated that the Retirement Fund is in the process of participating in securities lending. Chairman San Agustin asked whether this affects the Retirement Fund's accounts. Director Blas replied, "No." Director Blas stated that the Retirement Fund needs to make a selection on which collateral option the Board will be going with in anticipation of participating in the securities lending program. Director Blas asked whether the Board would like to wait for Mercer's recommendation. Chairman San Agustin replied, "Yes." Chairman San Agustin stated that there is no exposure to securities lending at this time. Secretary Taylor stated that come October 1, 2008, the Retirement Fund will have no securities lending program. Treasurer Cruz recommended waiting for Mercer's recommendation.

Director Blas stated there will be a conference call and an on-line training during the week of October 6, 2008. Web-site training will be conducted on island by Mr. Bob Ernst during the first week of November 2008. Director Blas stated that Mr. Ernst is Northern Trust's client service representative. Chairman San Agustin inquired about the close-out report as of September 30, 2008. Mrs. Bordallo stated that there is a minimum of thirty days and then ten days from closing to get the report. Chairman San Agustin asked whether the Retirement Fund could get a preliminary report as of September 30, 2008. Mrs. Bordallo stated that there should be a report ten days from closing. Director Blas stated that she will ask First Hawaiian Bank for a preliminary report.

3. *Real Estate Investment Trusts (REITS)* - Director Blas stated that the new accounts for the REITS managers (Cornerstone Real Estate Advisers and Security Capital Research & Management) have been set up with Northern Trust. The Retirement Fund will be ready to fund these managers come October 1, 2008. Treasurer Cruz inquired about funding sources. Mrs. Bordallo stated that it would be from Security Capital. Chairman San Agustin asked whether there is an asset allocation

sheet as of October 1, 2008. Mrs. Bordallo stated that we could have one as of October 1, 2008. Mrs. Bordallo stated that Fiduciary Trust will be informed to raise the cash. Mrs. Bordallo stated that the mechanism is not an issue.

4. U.S. Domestic Small Capitalization Core Equity – Director Blas stated that the new account for the Small Capitalization Core Equity manager (Thomson Horstmann & Bryant) has also been set up with Northern Trust. The Retirement Fund will be ready to fund this manager come October 1, 2008. Director Blas stated that the funding for Thomson Horstmann & Bryant will come from equities. Treasurer Cruz stated that the Retirement Fund will be purchasing stocks in depressed value. Treasurer Cruz stated that there is a need to review each manager. There are some managers who may want to reduce their exposure.

5. Request for Proposal (RFP): U.S. Domestic Large Capitalization Growth Equity – Director Blas stated that the new account for one of the new Large Capitalization Growth Equity managers (Winslow Capital Management) has been set up with Northern Trust. The Retirement Fund will be ready to fund this manager come October 1, 2008. Contractual negotiations with INTECH/JANUS are ongoing. Director Blas stated that the Board will defer discussions regarding the new managers to the Investment Committee section of the agenda.

6. Request for Proposal (RFP): Legal Services - Trustee Katherine Taitano stated that evaluations are ongoing.

7. Request for Proposal (RFP): Proxy Voting Services - Director Blas stated that the Investment Committee is reviewing the draft Proxy Voting Policy and is in the process of negotiating the contract. Secretary Taylor stated that there were two documents provided to the Board for review. One was a short policy statement and the other was a longer statement. Secretary Taylor stated that he found all the points made and the positions taken acceptable to the Board. Secretary Taylor stated that he recommends going along with either statement.

8. Request for Proposal (RFP): Defined Benefit (DB) Plan Investment Consulting Services - Director Blas stated that the RFP for the DB Investment Consultant Services was issued on September 17, 2008 and will close on October 24, 2008. Secretary Taylor stated that the current adviser provides lots of data that is comparable to their internal data base. Secretary Taylor stated that at any time that the Retirement Fund switches to a new adviser we lose a lot of continuity and comparability. Secretary Taylor stated that he would like to see a clause in the agreement that emphasizes that the adviser provides comparisons with standard data bases where general information is readily available. Chairman San Agustin suggested having the Investment Committee handle this item. Secretary Taylor stated that he has a conflict of interest and would like to recuse himself. Chairman San Agustin noted Secretary Taylor's request to recuse himself. Director Blas stated that Trustee Antolina Leon Guerrero will sit on the panel along with Chairman San Agustin and Mrs. Bordallo as panel members.

9. Request for Proposal (RFP): Banking Services – Director Blas stated that the RFP for Banking Services was issued on September 23, 2008 and will close on October 30, 2008.

10. 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) are current.

11. Bernstein Litowitz Berger and Grossmann (BLBG) - Director Blas stated that this item was discussed earlier and the Retirement Fund has been named co-lead plaintiff in the suit against Lehman Brothers. Director Blas stated that Vice-Chairman Leon Guerrero will be meeting with BLBG in October. Chairman San Agustin stated that the only exposure the Retirement Fund has with Lehman Brothers is to bonds.

Financial Report

1. Contributions - Director Blas stated that, as of September 23, 2008, 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 August 2008 were closed on September 10, 2008. Chairman San Agustin mentioned that the Office of the Public Auditor (OPA) complimented him saying that the Retirement Fund is doing very well in accounting and reporting. Director Blas stated that the OPA is penalizing GovGuam agencies if their reports are not submitted on time.

3. Fiscal Year 2008 Retirees' Supplemental Benefits - Director Blas stated that Supplemental benefits for retirees and survivors for the month of September 2008 were paid.

4. Medicare Reimbursements - Director Blas stated that the Retirement Fund continues to receive the Fiscal Year 2008 monthly allotments and payments are processed accordingly.

VI. LEGAL COUNSEL'S REPORT

No report was made at this time.

VII. TREASURER'S REPORT OF FINANCIAL STATUS

Treasurer Cruz stated that the Treasurer's Report is provided, at this meeting. It covers the Retirement Fund's Statement of Plan Assets (unaudited) for both the Defined Benefit (DB) Plan and the Defined Contribution (DC) Plan for the month ended August 31, 2008.

Treasurer Cruz stated that the Retirement Fund is within its limits of potential draw downs for the month of September 2008. The principal drawdown is \$3.5 Million. Chairman San Agustin inquired about the \$6,638,750. Treasurer Cruz stated that \$6,638,750 includes interest and dividend. The principal drawdown for the fiscal year was approximately \$11 Million. Treasurer Cruz stated that the Retirement Fund was at one point drawing down \$60 Million a year. Secretary Taylor asked what is the reason for the reduction of the principal draw downs. Treasurer Cruz stated that the reasons for the reduction are due to timely contributions, the change in the rate of return in 2007, dividends, and the interest payments from the Guam Public School System (GPSS) and Guam Memorial Hospital Authority (GMHA). Chairman San Agustin asked whether there is an anticipated change because of the financial turmoil. Treasurer Cruz stated that, from a cash flow standpoint, there should not be a change. Chairman San Agustin asked what is the anticipated amount of total investments at the end of September 30, 2008. Treasurer Cruz stated that it is hard to say, but that it does not look good. That is just talking market value. The current situation is unprecedented. Chairman San Agustin asked whether the GMHA and GPSS prior year receivables of \$25.8 Million were received. Treasurer Cruz stated that these are receivables from both GMHA and GPSS. Chairman San Agustin stated that, as far

as the books, the \$4 Million GMHA note was written off. Director Blas stated that the \$4 Million is inclusive of outstanding contributions on the note. Mrs. Bordallo stated that there is a reserve set up for the GMHA note. Mrs. Bordallo stated that the net prior year receivables less 100% allowance for the GMHA Note zeros it out. Treasurer Cruz asked whether the bond will pay off the GMHA Note. Director Blas replied, "Yes." Chairman San Agustin inquired about the Investment Income of \$102 Million. Treasurer Cruz stated that investment income fluctuates.

VIII. STANDING COMMITTEE REPORTS

A. Members and Benefits Committee

No report was made at this time.

B. Investment Committee

Vice-Chairman Leon Guerrero reported that the Investment Committee held its regular meeting on September 12, 2008. Vice-Chairman Leon Guerrero stated that the Committee reviewed and approved the Investment Committee Minutes of August 8, 2008.

Vice-Chairman Leon Guerrero stated that the Investment Committee held a special meeting on September 19, 2008 to address Income Research & Management's (IRM's) letter of September 17, 2008 requesting to waive restrictions in investment guidelines. Vice-Chairman Leon Guerrero stated that he asked Retirement Fund staff to get feedback from Mercer. Chairman San Agustin asked what prompted this situation. Is it the change of the investment managers? Controller Diana Bernardo stated that IRM's waiver request on "Exhibit A" states that they do not meet the credit quality restrictions, having no less than "AAA" rating. They are not meeting the Retirement Fund's guidelines. Secretary Taylor suggested acknowledging the problem and closing out the manager who had this. Secretary Taylor stated that first choice was given to Davis Hamilton Jackson & Associates and then to IRM. He said this was an inappropriate strategy. Vice-Chairman Leon Guerrero stated that the rating went down after it was purchased. Director Blas stated that it does not meet the credit rating. Director Blas stated that it is still good if it goes below after purchase. Secretary Taylor stated that current Government of Guam laws states that it is an appropriate quality. Treasurer Cruz stated that we could solve the problem by having the custodian look at the date of purchase. Treasurer Cruz stated that we need to determine what to do. Treasurer Cruz stated that the Investment Committee members were told there is a problem with valuations. There is a difference of valuation. Treasurer Cruz stated that we could ask Aberdeen. We could also ask IRM, First Hawaiian Bank and Northern Trust. Treasurer Cruz stated that they are saying not to hold "Exhibit A." Chairman San Agustin stated that it is marked to market. Director Blas stated that the Retirement Fund's Legal Counsel looked at the statute and explained it as time of purchase. Treasurer Cruz suggested responding to IRM based on Legal Counsel's opinion on the date of acquisition. Secretary Taylor stated that we do not know the rating at the time of acquisition but that Aberdeen would have this information. Controller Bernardo stated that we do have the date of acquisition. Treasurer Cruz reiterated that the statute states that it is as of the date of acquisition. Treasurer Cruz suggested providing IRM the information but that we should be careful not to give investment instructions or decisions. Treasurer Cruz stated that we should provide the acquisition date and inform them that it is from our statute. If it is out of compliance, then they should inform the Retirement Fund.

Treasurer Cruz stated that the Investment Policy Statement (IPS) is silent on whether it is the date of acquisition. The IPS is more restrictive than the law. Treasurer Cruz suggested to respond in a letter and reference Legal Counsel's opinion and the modified IPS that they are allowed to hold bonds even if current. They should provide acquisition dates and advise whether it is in compliance.

Secretary James Taylor, seconded by Treasurer Gerard Cruz, moved to amend the Retirement Fund's Investment Policy Statement to match the law. Without objection, the motion passed.

Vice-Chairman Leon Guerrero stated that the second issue is that IRM believes that the list of securities attached as "Exhibit B" exceeds the 20% limitation. Secretary Taylor asked whether there is a law that stated that 80% of the fixed income portfolio must be in bonds of credit quality equal or greater than "A." Is there is a 20% limitation in the IPS? Secretary Taylor suggested allowing IRM to hold the "BBB" rated bonds for six months. Chairman San Agustin asked whether the whole portfolio would be "BBB." Secretary Taylor replied, "Apparently Yes." Secretary Taylor stated that we do not want to force them to sell. Treasurer Cruz suggested waiving the acquisitions limit and not to have new acquisitions.

Vice-Chairman Leon Guerrero stated that Mercer's email states that IRM's request is not valid. Secretary Taylor suggested sharing Legal Counsel's opinion with Mercer along with the proposed letter. Secretary Taylor recommended informing IRM that the Retirement Fund is working on their request.

Treasurer Gerard Cruz, seconded by Secretary James Taylor, moved to temporarily waive the six months waiver and work towards compliance with the Investment Policy Statement holding more than 20% less than "BBB" rating. Without objection, the motion passed.

Director Blas asked whether the Board wanted to treat the portfolio as two accounts internally. Vice-Chairman Leon Guerrero recommended writing a letter informing them that the Board is reviewing their request and then wait for Legal Counsel's opinion and Mercer's recommendation.

Chairman San Agustin inquired about the \$37 Million transition portfolio. Is the total cost \$63 Million. Chairman San Agustin mentioned the AAA and BBB rating on "Exhibit C". Mrs. Bordallo stated that the agencies were rated but were not AAA. Secretary Taylor stated that we need a second opinion from Mercer. Director Blas stated that she will communicate with IRM that the Retirement Fund is in receipt of their letter. Director Blas stated that IRM's request will be forwarded to Mercer for their opinion. Secretary Taylor stated that Management should look at the \$62 Million assets and determine whether it is a correct analysis of assets. Director Blas stated that she will let IRM know that their request is being addressed. Director Blas stated that she will wait for Mercer to provide an analysis and whether the proposal is appropriate before forwarding anything to IRM.

C. Audit Committee

No report was made at this time.

D. Governmental Liaison

No report was made at this time.

IX. TRAVEL REPORT

**A. Joe T. San Agustin: Capital International, Inc. Emerging Markets Meetings
September 14-18, 2008, Hanoi, Vietnam**

Chairman San Agustin stated that his travel report on the Capital International, Inc. Emerging Markets Meetings he attended on September 14-18, 2008 in Hanoi, Vietnam, is submitted for the Board's information.

X. OLD BUSINESS

None

XI. NEW BUSINESS

A. Government of Guam Retirement Fund Fiscal Year 2009 Proposed Budget

Treasurer Cruz stated that the proposed Fiscal Year 2009 Operating Budget of \$5 Million denotes an increase of \$69,276 or 1.4% from the Retirement Fund's Fiscal Year 2008 budget.

Treasurer Cruz reported that the stipend moratorium was lifted in the Fiscal Year 2006 Budget. Director Blas stated that stipend is \$100.00 a month.

Secretary Taylor inquired about the increase in operational budget of \$65,000.00. Director Blas stated that it is for the Retirement Fund retirees' medical, dental and life insurance premiums, COLA, and Supplemental benefits. The Retirement Fund reimburses the General Fund for its share of the annual COLA and Supplemental benefits paid to its retirees. Director Blas stated that the General Fund has been fronting the COLA payments.

Vice-Chairman Leon Guerrero inquired about the reduction in salary and the unfunded positions. Director Blas stated that there is a decrease of \$99,724 in the personnel benefits due to the elimination of four positions. Treasurer Cruz stated that the savings was allocated to other categories. Vice-Chairman Leon Guerrero inquired about the Research and Statistics section. Treasurer Cruz stated that a Management Analyst III was hired to fill a position in that section. Director Blas stated that the next step is getting personnel autonomy. Chairman San Agustin suggested placing the Investment Specialist under the Deputy Director and detailing that individual to investments. Secretary Taylor inquired about the Management Analyst III position. Director Blas stated that the position is occupied by Vivian Mantanona. Secretary Taylor asked whether it is internal management.

Secretary Taylor asked whether the DB/DC expenses are allocated to the DB/DC Plans. Treasurer Cruz stated that it is. Director Blas stated that it was recommended in 2006, but was implemented in 2007.

Secretary Taylor inquired about the new Retirement Fund building. Chairman San Agustin stated that it is to expand the current building. Treasurer Cruz stated that this building needs a lot of work; the electrical wiring is faulty. Treasurer Cruz stated that we need to look at the option of expanding or a new building. Chairman San Agustin recommended getting an analysis of space and an alternative storage site. Vice-Chairman Leon Guerrero stated that he would like to see the categories broadened. Treasurer Cruz suggested a feasibility study and development of options regarding architect and engineering costs for a new office building.

Treasurer Cruz stated that during the course of the year, unforeseen and unanticipated circumstances may occur resulting in budget shortfalls. In light of this, the Director requests approval for a transfer authority of up to 10% of the approved budget level to cover shortfalls on an as needed basis. Secretary Taylor stated that the Board should be informed of transfers. Chairman San Agustin asked whether it is before or after the transfer is made. Secretary Taylor recommended bringing the matter before the Board for approval at the next Board meeting after the transfer so that there will be an audit trail.

Vice-Chairman Leon Guerrero requested for an updated report on the training programs. Director Blas stated that registration fees are included. Director Blas stated that there is \$33,000.00 budgeted for training.

Secretary Taylor thanked management on the narrative. Chairman San Agustin inquired about insurance. Director Blas stated that there is a self-insurance in reserves. Chairman San Agustin requested for an accounting of insurance. Chairman San Agustin stated that ERIP retirees are dying. Chairman San Agustin inquired about the \$55,000.00 for medical examinations. Director Blas stated that the medical examinations are for the disability applicants. This amount has decreased to \$45,000.00

Treasurer Gerard Cruz, seconded by Secretary James Taylor, moved to approve the Government of Guam Retirement Fund's Fiscal Year 2008 Proposed Budget, as amended. Without objection, the motion passed.

XII. OPEN DISCUSSION / GENERAL PUBLIC INPUT
None

XIII. ANNOUNCEMENTS
None

XIV. RECESS

Treasurer Gerard Cruz, seconded by Trustee Katherine Taitano, moved to recess, and without objection, the Board of Trustees meeting for the Defined Benefits Plan recessed at 3:49 p.m. on Friday, September 26, 2008 and will reconvene on Friday, October 3, 2008, at 12:00 Noon in the Retirement Fund Conference Room. Motion passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of September 26, 2008 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on February 27, 2009.

James J. Taylor, Board Secretary

RECORDING SECRETARY:

Jackie Blas