

BOARD OF TRUSTEES

Regular Meeting

Friday, August 10, 2007, 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 12:40 p.m. Friday, August 10, 2007, 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
Antolina S. Leon Guerrero, Trustee

Board of Trustees Absent:

George A. Santos, Trustee (*Off-Island*)

Staff Present:

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

Public Present:

Terry Dennison, Mercer Investment Consulting, Inc.

II. REVIEW AND APPROVAL OF BOARD MINUTES

A. July 13, 2007 Regular Meeting

Trustee Antolina Leon Guerrero stated that she reviewed the minutes of July 13, 2007 Regular Meeting. Chairman San Agustin asked about the status of the issue he raised at the July 13, 2007 Board meeting regarding the Guam Memorial Hospital Authority (GMHA) writing off the Retirement Fund obligation. Chairman San Agustin stated that Controller Diana Bernardo was asked to look into this matter. Treasurer Gerard Cruz stated that the Retirement Fund is seeking for an opinion from Dave Burger, the Retirement Fund's auditor, on whether to put this back on the books. Chairman San Agustin stated that the question is whether the Retirement Fund could write-off a Retirement Fund obligation. Treasurer Cruz stated that a reserve account has been set up. Chairman San Agustin stated that he does not want this amount reported twice. Controller Bernardo stated that it is recorded as a recovery when payments are actually made. Treasurer Cruz stated that it should no longer be a reserve since it is a performing loan on which payments are being made. Chairman San Agustin stated that you can not give credit to members on something that is written off. Controller Bernardo pointed out that the \$650,000.00 is a recovery of the write-off. Controller Bernardo stated that the balance of the write-off is \$4.3 Million. Trustee Leon Guerrero asked whether it was appropriate to revisit issues rather than determine whether the minutes accurately reflected the discussion.

On motion of Treasurer Gerard Cruz, seconded by Trustee Antolina Leon Guerrero, and without objection, the Minutes of July 13, 2007 Regular Meeting were approved, subject to corrections. Motion passed.

III. CORRESPONDENCE

A. August 2, 2007 Letter to Ann Marie C. Taitague in Response to July 25, 2007 Letter Regarding Service Credit for Educational Training

Chairman San Agustin stated that Ann Marie Taitague is seeking the Board's consideration in granting her service credit for educational training pursuant to Section 8111 of Title 4, Chapter 8 of the Guam Code Annotated. The request is being referred to the Members and Benefits Committee for review and disposition.

IV. INFORMATIONAL ITEMS

A. Bernstein Litowitz Berger & Grossmann (BLB&G) Portfolio Monitoring Quarterly Report

A copy of BLB&G's quarterly report on their portfolio monitoring process on behalf of the Retirement Fund is provided at this meeting. The report is structured with the following components: 1) details on the most noteworthy cases initiated during the quarter; 2) updates on client's active litigation where applicable; and 3) a listing of settled cases with pending filing deadlines for use by the Retirement Fund's custodian or other administrative partner to assist in prompt claims filing. The BLB&G's quarterly report is being referred to the Investment Committee.

V. DIRECTOR'S REPORT - EXECUTIVE SUMMARY

1. *William Don Parkinson vs. Government of Guam, Guam Memorial Hospital Authority*

(GMHA) and Guam Public School System (GPSS) – Director Paula Blas stated that the Governor's Office was unsuccessful in reaching an agreement in this case. The Governor's Office filed a Motion for Dismissal of the lawsuit and argued their motion on July 11, 2007 before Judge Michael Bordallo. The parties are awaiting a Decision and Order from Judge Bordallo.

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

Director Blas stated that Justice Richard Benson will be appointing a third Justice for the case. A hearing date on the Writ of Prohibition filed by the taxpayers has not been set. Director Blas stated that in reference to the COLA distribution, a public hearing was held on July 6, 2007 on Bill Nos. 68 and 149. Bill 149 was amended following the testimony provided at the public hearing. Director Blas stated that Bill 149, as amended, authorizes \$10 million in promissory notes from the Guam Telephone Authority (GTA) sale proceeds to pay for the COLA judgment award. In addition, Public Law 29-03 appropriated \$8 million from the General Fund to facilitate the payment of the COLA awards.

Director Blas stated that the order for the COLA distribution remains unclear. Director Blas stated that Bill Nos. 68 and 149 will probably be entertained during the next Legislative Session. Treasurer Cruz asked whether the highway fund was included. Director Blas stated that the \$8 Million is from the \$21 Million that was previously approved. Director Blas stated that there is a question of how to distribute the \$8 Million. Director Blas stated that she, along with Senator Ben Pangelinan, came up with a number which will be applied across the board. Director Blas stated that her understanding from the Governor's Office is that the Governor does not need legislation to determine distribution. Director Blas stated that it was mentioned in the news that the \$8 Million would be transferred to the Retirement Fund until distribution is ready to be made. Secretary James Taylor asked why the Retirement Fund is involved. Director Blas stated that the funds would be held in trust. Trustee Katherine Taitano asked how the Retirement Fund feels about holding the money in trust. Director Blas stated that the only consequence would be the perception of knowing that the money is here. Trustee Leon Guerrero stated that if the Governor's office could determine distribution without legislation, then why not schedule a meeting with the Governor's Office and come up with a plan for distribution.

3. *Government of Guam Retirement Fund vs. Guam Memorial Hospital Authority (GMHA)*

(Case No. SP0231-02) – Director Blas stated that she just handed out a "Confidential" letter from the Retirement Fund's Legal Counsel dated July 16, 2007 regarding this matter. Vice-Chairman Wilfred Leon Guerrero stated that the Retirement Fund's Legal Counsel's recommendation is to amend the Judgment. Could the Retirement Fund amend the Judgment issued by the court? Director Blas stated that the Retirement Fund's Legal Counsel was previously instructed to oppose the amendment to the Judgment and now Legal Counsel is recommending not opposing the amendment. Trustee Leon Guerrero stated that the Retirement Fund would still get paid. Vice-Chairman Leon Guerrero stated that the Board's position should be to accept the Judgment of the court. Chairman San Agustin stated that the issue was that the Guam Memorial Hospital Authority (GMHA) Board was the one who decided not to pay the Retirement Fund. Chairman San Agustin stated that the Judgment was issued against GMHA. The judge included the Board members as being liable. Vice-Chairman Leon Guerrero stated that the Retirement Fund agreed to amend the Judgment. Vice-Chairman Leon Guerrero stated that the original Complaint did not include asking that individual members of the GMHA Board be liable. The Judgment included the individual members of the GMHA Board. Trustee Leon Guerrero stated that the Fund may be held responsible.

Trustee Taitano stated that the Retirement Fund's Legal Counsel is recommending that the Retirement Fund agree to amend the Judgment. Trustee Taitano stated that the Judgment was not entered against the individual members of the GMHA Board. Vice-Chairman Leon Guerrero stated that he stands corrected. Chairman San Agustin stated that the Judgment did not render the individuals members liable. Treasurer Cruz stated that there is no problem with the Judgment. The issue is on the interpretation of the Judgment when the abstract of judgment was filed at the Department of Land Management. Treasurer Cruz stated that the Retirement Fund's Legal Counsel needs to go to court to clarify the Judgment. Trustee Leon Guerrero suggested that whoever filed the abstract of judgment needs to make the correction. Chairman San Agustin suggested having the Retirement Fund's Legal Counsel go to court to correct the Judgment. Vice-Chairman Leon Guerrero stated that the Retirement Fund Board should amend their position and follow the Judgment. Trustee Taitano stated that the problem arose when the abstract of judgment was filed at the Department of Land Management. Secretary Taylor stated that it is not the Retirement Fund's responsibility on how the Judgment is being interpreted. Vice-Chairman Leon Guerrero suggested amending the Board's position to abide by the Judgment of the court. Secretary Taylor suggested having the memorandum more clearly written by the Retirement Fund's Legal Counsel. Secretary Taylor stated that the issue is whether the Retirement Fund is dealing with the Judgment or the interpretation of the Judgment which is not clear in Legal Counsel's memorandum. Clarification of the request should be made by the Retirement Fund's Legal Counsel.

Secretary James Taylor, seconded by Treasurer Gerard Cruz, moved to have the Retirement Fund's Legal Counsel clarify their memorandum dated July 16, 2007 regarding the Government of Guam Retirement Fund vs. Guam Memorial Hospital Authority, Superior Court of Guam Special Proceedings Case No. SP0231-02. Without objection, the motion passed.

4. *Organic Act / Trust Agreement* – Director Blas stated that this is pending Secretary Taylor's comments and recommendations on the revisions by the Retirement Fund's Legal Counsel.

5. *Request for Proposal (RFP): Custodial Bank Services* – Director Blas stated that the Selection Panel concluded their evaluations and will be submitting their recommendation to the Board upon verification of the necessary business license requirements with the Department of Revenue and Taxation.

6. *Request for Proposal (RFP): Real Estate Investment Trusts (REITS)* - Director Blas stated that evaluations are ongoing. The Selection Panel consists of the following individuals: Gerard A. Cruz, George A. Santos, and Katherine T.E. Taitano.

7. *Request for Proposal (RFP): U.S. Domestic Small Capitalization Core Equity* – Director Blas stated that evaluations are ongoing. The Selection Panel consists of the following individuals: James J. Taylor, Gerard A. Cruz, and Rosalia L. Bordallo.

8. *Request for Proposal (RFP): Transition Management Services* – Director Blas stated the Mr. Terry Dennison, Mercer Investment Consulting, Inc. (Mercer), has clarified that it is no longer required to proceed further with the Transition Management Services RFP. Mr. Dennison stated that Mercer could use resources that have been contracted to accomplish the actual objectives. Director Blas stated that she will remove this item from her Director's Report.

- 9. Request for Proposal (RFP): Legal Services** – Director Blas stated that the Selection Panel is expected to convene during the week of August 13-17, 2007. The Selection Panel consists of the following individuals: Katherine T.E. Taitano, James J. Taylor, and George A. Santos.
- 10. Request for Proposal (RFP): U.S. Domestic Core Fixed Income** – Director Blas stated that the RFP is pending Mercer’s manager analysis and evaluation. The Selection Panel consists of the following individuals: Gerard A. Cruz, Wilfred P. Leon Guerrero, and Rosalia L. Bordallo.
- 11. Request for Proposal (RFP): U.S. Domestic Large Capitalization Growth Equity** – Director Blas stated that the RFP is pending Mercer’s manager analysis and evaluation. The Selection Panel consists of the following individuals: James J. Taylor, George A. Santos, and Diana T. Bernardo.
- 12. Request for Proposal (RFP): U.S. Domestic Large Capitalization Value Equity** – Director Blas stated that the RFP is pending Mercer’s manager analysis and evaluation. The Selection Panel consists of the following individuals: Gerard A. Cruz, Antolina S. Leon Guerrero, and Rosalie L. Bordallo.
- 13. Public Law 28-38** – Director Blas stated that the monthly interest payments for the Guam Public School System (GPSS) and the Guam Memorial Hospital Authority (GMHA) were received on August 9, 2007. The Retirement Fund continues to process applications for retirement for GPSS and GMHA eligible employees.
- 14. Bernstein Litowitz Berger & Grossmann (BLB&G): Portfolio Monitoring Report** – Director Blas stated that a copy of the Second Quarter 2007 Portfolio Monitoring Report was provided at this meeting. Director Blas stated that the report is being referred to the Investment Committee.
- 15. Government of Guam Retirement Fund Travel Policy** – Director Blas stated that the Travel Policy throughout the Government of Guam is silent concerning the death of an official traveler. However, it was the consensus of many government agencies that in the event the death occurs while on official government business, the Government of Guam should bear the cost of bringing the remains of the traveler back to Guam. Director Blas stated that although situations varied, the government’s responsibilities should be made clear. Given that other departments may be involved, Management will revisit the Government of Guam Retirement Fund Travel Policy and provide for alternatives for the Board’s review. Chairman San Agustin stated that there is a high rate of people dying while off-island for medical treatment. Director Blas stated that the medical referral does not cover bringing back the remains of an individual who died while off-island. Trustee Leon Guerrero asked whether this applies even if a roundtrip ticket was purchased. Director Blas stated that the roundtrip ticket does not apply if the individual died off-island. Mrs. Bordallo stated that it is a different situation if you die during or at an official training. Secretary Taylor asked, as of last year, how many Government of Guam travelers have died on an official travel. Director Blas stated that the last government employee who died while on an official travel, that any agency could recall, was Eugene Ramsey which was back in 1983. Management agreed to provide a recommended policy.

Financial Report

1. ***Contributions*** – Director Blas stated that, as of August 6, 2007, all agencies are current with their Fiscal Year 2007 employee and employer contributions. Director Blas mentioned that there are ten (10) employees from the Guam Memorial Hospital Authority (GMHA) who have expressed interest in retiring. Payment for the outstanding invoices of approximately \$615,669.00 was supposed to have been submitted by August 8, 2007 for these ten (10) employees. Director Blas also mentioned that there are forty-five (45) employees from the Guam Public School System (GPSS) who have also expressed interest in retiring. GPSS received an appropriation from Public Law 29-03 of approximately \$784,000.00 and have indicated that payment for the outstanding invoices for these employees will be remitted by August 16, 2007.
2. ***Financial Statements*** – Director Blas stated that the books for the month ending July 2007 were closed on August 9, 2007.
3. ***Fiscal Year 2007 Retirees' Supplemental Benefits*** – Director Blas stated that the supplemental benefits for retirees and survivors for the month of July 2007 were paid.
4. ***Medicare Reimbursements*** – Director Blas stated that the Retirement Fund continues to receive the Fiscal Year 2007 monthly allotments and payments are processed accordingly. Director Blas stated that in order to be eligible for Medicare reimbursement, the retiree must be enrolled in a Government of Guam Group Health Plan. Mrs. Bordallo stated that this is an appropriation by the Legislature. Vice-Chairman Leon Guerrero stated that retirees on self-pay are having problems with obtaining the necessary documents showing their deduction.

VI. LEGAL COUNSEL'S REPORT

No report was made at this time.

VII. TREASURER'S REPORT OF FINANCIAL STATUS

Treasurer Cruz stated that the net assets for the month ending June 2007 are \$1.519 Billion in total investments. The total assets which include the receivables is \$1.686 Billion. Treasurer Cruz stated that he expects the receivables to continue to decrease. Treasurer Cruz stated that Management will work to collect the Guam Power Authority (GPA) receivable in the amount of \$49,911.00.

Treasurer Cruz provided information on the Retirement Fund's cash drawdown. Treasurer Cruz stated that the Retirement Fund is operating within the approved authority by the Board. The Retirement Fund is going to have to drawdown the amount of \$3.5 Million. Treasurer Cruz stated that there is no amendment to the cash drawdown. Treasurer Cruz stated that \$200,000 came from the actual principal drawdown. Vice-Chairman Leon Guerrero stated that the managers have indicated that they would assist on when the trade takes place. Vice-Chairman Leon Guerrero asked whether this is taking place. Treasurer Cruz replied, "No." Vice-Chairman Leon Guerrero stated that the Retirement Fund was supposed to provide the managers with the schedule of drawdowns for timing purposes. Treasurer Cruz stated that he would provide the drawdown schedule. Mr. Dennison recommended giving the managers thirty (30) days notice.

VII. STANDING COMMITTEE REPORTS

A. Members and Benefits Committee

Trustee Taitano reported to the Board of Trustees on the Members and Benefits Committee July 2007 end of the month report.

Trustee Katherine Taitano, seconded by Treasurer Gerard Cruz, moved to approve the recommendation of the Members and Benefits Committee contained on Pages 4 through 6, Sections A and B, including the attached Annuity Worksheets, based on the Committee's review and findings during their meeting of July 18, 2007 and subsequent meetings thereafter. Without objection, the motion passed.

Trustee Katherine Taitano, seconded by Treasurer Gerard Cruz, moved to approve the recommendation of the Members and Benefits Committee contained on Pages 6 through 8, Section C, including the attached Annuity Worksheets, based on the Committee's review and findings during their meeting of July 18, 2007 and subsequent meetings thereafter. Without objection, the motion passed.

B. Investment Committee

Vice-Chairman Leon Guerrero stated that the Investment Committee meeting was held on July 27, 2007. The Investment Committee reviewed and approved the Investment Committee Minutes of June 29, 2007. Vice-Chairman Leon Guerrero further stated that on August 8, 2007, the Investment Committee members along with other Board members met with Mr. Terry Dennison from Mercer Investment Consulting, Inc. to discuss the Defined Benefit Plan investment performance for the quarter ended June 30, 2007. On August 9, 2007, the Investment Committee members along with other Board members also met with Mr. Dennison who provided clarification on the role of a Transition Manager.

Vice-Chairman Leon Guerrero stated that during the August 9, 2007 meeting, the Board members discussed the need to consider the following:

- Possibly hiring at least one and possibly two fixed income managers to replace both Aberdeen and Fiduciary; and
- Canceling the Request for Proposal (RFP) for a Transition Manager. Vice-Chairman Leon Guerrero stated that Mr. Dennison has indicated that he would provide the Investment Committee with information and documents to facilitate the transition process upon termination of managers.

Vice-Chairman Leon Guerrero stated that the Board had previously approved to replace Fiduciary. The Retirement Fund may be hiring two fixed income managers with the possibility of replacing Aberdeen, if needed.

Vice-Chairman Wilfred Leon Guerrero, seconded by Trustee Katherine Taitano, moved to approve to cancel the Request for Proposal for a Transition Manager. Without objection, the motion passed.

Vice-Chairman Leon Guerrero asked Mr. Dennison to make a presentation to the Board on Managed Futures which is a way of investing in commodities. Mr. Dennison stated that most commodity prices have been soaring. This comes from a growing demand from China for commodities. Mr. Dennison stated that inflation is driven by commodity prices.

Mr. Dennison provided the following highlights:

Investing in Commodities

- *Receiving more interest from United States institutional investors*
 - *Strong recent returns*
 - *Inflation hedge*
 - *Uncorrelated beta (market return) and alpha (the way the manager adds value) performance*
- *Diversification away from paper assets (bonds and stocks)*
 - *Tangible assets*
 - *Much less subject to financial market issues such as ratings and agency conflicts*
- *Two means for investors to gain exposure to commodities*
 - *Direct ownership of stock issued by commodity producers*
 - *Participate in the commodities futures market*
- *The remainder of this section will focus on the exposure to commodities through the futures market*

What is a Commodity Futures Contract?

- *A binding, legal agreement to buy or sell a commodity*
 - *Standardized contract terms*
- *Organized exchanges facilitate the purchase or sale of commodity futures contracts*
 - *Chicago Board of Trade*
 - *New York Mercantile Exchange*

Characteristics of the Commodity Futures Market

- *Futures market primarily functions as an “Insurance Market”*
 - *Insurance to producer who wants to lock in profit by selling futures contracts*
 - *Insurance to the purchaser who wants to lock in costs by buying futures contracts since short-term fluctuations in the price of the underlying commodity are not easily transferred to the customer*
- *“Managed Futures” is a term used to describe active investing in this market*
 - *Attempt by financial investors to capitalize on the imbalance of demand for the two types of insurance*
 - *Professional investors commonly referred to as Commodity Trading Advisors*
 - *Employ both long and short strategies*

- *Supply and demand imbalances create commodity price volatility*
 - *Futures contracts provide a means to hedge this risk*
 - *Futures contract price includes both the cost of the underlying commodity and an “insurance” premium for locking in the future price*
- *Observed historical long-term returns of a long-only diverse “basket” of commodities are between that of equities and bonds*
 - *Recent returns are lower than bond and equities with higher volatility*
 - *Relatively low correlation to traditional asset classes*
 - *May offer inflation protection under certain circumstances*
- *Fees are higher than most active managers of traditional asset classes because research is much more expensive*

Behavior of Commodity Prices

- *Commodity price movements are not normally distributed*
 - *Many observations are in the tail of the distributions*
- *Commodity price movements are “trendy”*
 - *Trends tend to extend over many weeks/months/years*
 - *Subsequent price changes are a result of shocks created by a supply/demand imbalance, producing the tail observations*
- *Difficult to model with asset allocation techniques used for traditional asset classes*

Risks of Investing in the Commodity Futures Market

- *Commodity price shocks due to supply and demand imbalance are common which create volatile return patterns*
- *End-user of futures, e.g. Archer Daniels Midland for corn know the real market better than financial investors because they are large factors in generating the real demand*
- *As more profit motivated investors enter this market*
 - *Liquidity constraints*
 - *Increasing volatility*
 - *Downward pressure on returns*
- *Low margin requirements (5%) for future contracts allows for high degree of leverage to be employed*

What the Commodity Bulls Say

- *Over the long term, investing passively in commodity futures has generated positive real returns*
 - *Also provided a good hedge against inflation, and*
 - *Low correlation to equity and bond markets*
- *Passive investment in commodity futures earns an “insurance premium” paid for by bulk producers who are willing to pay premiums to secure certain future prices for their output*
 - *Therefore commodity futures should continue to earn an attractive return going forward*

A View from the Bears

- *Going forward, there will likely be more downward pressure on returns from the commodity futures market*
 - *“Insurance” component of futures pricing can work both ways – bulk buyers of commodities are also prepared to pay a premium to secure certainty on their future costs and at the same time producers are willing to pay a premium to guarantee the price of their output which means these two opposing forces will balance out in the long run*
- *In the future, productivity gains should lead to lower returns due to*
 - *More efficient production, and*
 - *Substitution with new inventions and technologies*

Indexes/Benchmarks

- *Two benchmarks most commonly referenced in the institutional market*
 - *Goldman Sachs Commodities Index (long only) (economic weighted)*
 - *Mount Lucas Management Index (long and short) (equal weighted)*

Goldman Sachs Commodity Index

- *Long-only index currently comprised of 26 extremely liquid exchange-traded futures contracts*
- *Includes energy, agriculture, metals, and livestock futures*
 - *Added and removed based on their liquidity in the marketplace*
- *Economic weighting of index constituents*
 - *The relative weight of each commodity is based on the average world production over the last five years*
 - *Significant weight in energy futures (approximately 65% of index)*
- *No leverage*
- *Since 1991, largest loss over one quarter was -17.2% and lowest annual return was -31.0% in 1998*

Mount Lucas Management Index

- *Long and short index comprised of 25 liquid exchange-traded futures contracts*
- *Each of the index constituents comprises an equal weight and is rebalanced on a monthly basis*
 - *Energy, agriculture, metals, livestock, currency and financial futures*
- *No leverage*
- *Each month the current price for each contract is evaluated against its rolling twelve-month average price*
 - *Current price is higher than average – long position or buy contract*
 - *Current price less than average – short position or sell contract*
- *Since 1991, largest loss over one quarter was -4.9% and lowest annual return was -5.3% in 1999*

Mr. Dennison stated that, in terms of recommendation, investing in commodities would not likely be for the Retirement Fund because it would require getting a regulatory environment. Investing in commodities is not recommended because it is too volatile and too risky. Most of the commodity prices are soaring. Mr. Dennison stated that the Retirement Fund is better off with a diversified portfolio.

C. Audit Committee

No report was made at this time.

D. Governmental Liaison

No report was made at this time.

IX. OLD BUSINESS

None

X. NEW BUSINESS

A. Government of Guam Group Health Insurance

Director Blas stated that of 3,100 retirees and survivors enrolled in the Government of Guam Group Health Plan, roughly 2,000 are Staywell members. The only group health provider at this time is Select Care. Director Blas stated that negotiations will commence on August 13, 2007. Director Blas stated that she has not seen the new rates. The rates originally submitted were based on two providers. Mrs. Bordallo stated that it was stressed in the negotiations meeting that you can not divulge the rates during negotiations. Director Blas stated that this is treated like a Request for Proposal (RFP) process. Director Blas stated that the Retirement Fund represents the retirees. Treasurer Cruz asked what the current rates are with Staywell. Director Blas stated that Class I in the Silver Plan is about \$616.00 per month. Treasurer Cruz asked what the current rates are with Select Care. Director Blas stated that Class I in the HDHP 1500 Plan is zero. Treasurer Cruz asked what is the likelihood of the 2,000 Staywell members being completely out of a health plan. Director Blas stated that Staywell offered a Silver Plan which covered 80/20 with a zero deductible but that the premium was very high. Director Blas stated that there were 123 members under the Silver Plan.

Treasurer Cruz asked whether going from Staywell into Select Care is going to be a payment shock to the retirees. Trustee Leon Guerrero stated that it more likely would be higher. Director Blas stated that it could go both ways. Mrs. Bordallo stated that one of the proposals that is being suggested is looking at allocating a higher amount of the government's portion to the retirees' side such that the premium the retiree would pay would be less than what an active member would pay. Chairman San Agustin stated that the Retirement Fund has been trying to get the retirees into Medicare. Director Blas stated that there are roughly 1,400 retirees at the age of 65 and above. There are 370 retirees currently being reimbursed for Medicare. There may be at least 1,000 retirees that may be eligible for Medicare. Treasurer Cruz stated that the Retirement Fund can not wait for the Governor to announce the rates before reacting to this matter. Treasurer Cruz recommended for Management to come up with ideas on what the impact would be.

XI. OPEN DISCUSSION / GENERAL PUBLIC INPUT

None

XII. ANNOUNCEMENTS

None

XIII. ADJOURNMENT

There being no further business before the Board for the Defined Benefits Plan, on motion of Treasurer Gerard Cruz, seconded by Trustee Antolina Leon Guerrero, and without objection, the meeting was adjourned at 3:05 p.m. Motion passed.

I hereby certify that the foregoing is a full, true and correct copy of the Minutes of August 10, 2007 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on September 14, 2007.

James J. Taylor, Board Secretary

RECORDING SECRETARY:

Jackie Blas