

**BOARD OF TRUSTEES**  
**Regular Meeting**  
Friday, September 9, 2005, 12:00 p.m.  
Retirement Fund Conference Room

**MINUTES**

<b>DEFINED BENEFITS</b>
-------------------------

**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 12:16 p.m. Friday, September 9, 2005, in the Retirement Fund Conference Room. Chairman Joe T. San Agustin officiated.

**Board of Trustees Present:**

Joe T. San Agustin, Chairman

**Board of Trustees Absent:**

Anthony C. Blaz, Trustee

Wilfred P. Leon Guerrero, Vice-Chairman [via phone conference: (415) 440-2587 – S.F.]

James J. Taylor, Secretary

Katherine T.E. Taitano, Treasurer

Gerard A. Cruz, Trustee

George A. Santos, Trustee

**Staff Present:**

Paula M. Blas, Acting Director

Pete Tajalle, Controller

Ken Dunstan, Acting Benefit Program Administrator

Vince Camacho, Great West Retirement Services

Jackie Blas, Recording Secretary

Rosalia Bordallo, Accountant III

**Legal Counsel Present:**

Don Calvo, Carlsmith Ball

Brandon Carbullido, Carlsmith Ball

**Public Present:**

Jesus Delgado, Office of Senator Palacios

Chairman San Agustin reported to the Board of Trustees that Trustee Anthony Blaz is on island recovering.

## **II. REVIEW AND APPROVAL OF BOARD MINUTES**

### **A. August 12, 2005 and August 23, 2005 (Continuation of August 12, 2005) Regular Meeting**

Chairman San Agustin stated that he was concerned about the level of detail in the Board meeting minutes. Secretary James Taylor stated that he will interact with the Recording Secretary to look at ways to incorporate Chairman San Agustin's suggestions. Chairman San Agustin stated that the Investment Committee reports were appropriate. He then pointed out examples on the Members and Benefits Committee reports. Chairman San Agustin stated that No. 3 under Old Business did not show Mercer's recommendation. Chairman San Agustin asked where are the documents. It was noted that the documents were filed as appendices. Chairman San Agustin wanted his written comments incorporated in the body of the minutes.

**Trustee Gerard Cruz, seconded by Trustee George Santos, moved to amend Page 2 of 3 of the August 23, 2005 Board Meeting Minutes to include written documents submitted by Chairman Joe T. San Agustin and to include the June 22, 2005 letter from Mercer Investment Consulting regarding comments on proposed bill to amend Section 8158 (see Appendix A). Without objection, the motion passed.**

Chairman San Agustin stated that the approval of the Minutes of August 12, 2005 and August 23, 2005 were tabled for corrections to be made.

## **III. CORRESPONDENCE**

### **A. August 28, 2005 Memorandum from Joanne Grimes Regarding Briefing Schedule and Proposed Timeframes for the Government of Guam Retirement Fund in the People v. Rios & Gutierrez Case on Appeal to the Guam Supreme Court**

Acting Director Paula Blas stated that an opposition motion was filed by Carl Gutierrez. Acting Director Blas stated that the Fund's Legal Counsel has requested for an extension of time for the Fund to file an Amicus Curiae Brief.

At this time Chairman San Agustin introduced Attorneys Don Calvo and Brandon Carbullido, from the firm of Carlsmith Ball.

Legal Counsel Brandon Carbullido briefed the Board on the case of John Rios and Carl Gutierrez. Legal Counsel Carbullido stated that it is in the interest of the Retirement Fund to file an Amicus Brief on September 12, 2005. Carl Gutierrez has filed an opposition motion. Legal Counsel Carbullido stated that Attorney Michael Phillips has not agreed on an extension of time. Chairman San Agustin asked what was Attorney Randy Cunliffe's rationale. Legal Counsel Carbullido stated that there is a conflict of interest. The Retirement Fund should allow the Attorney General to take a position. Legal Counsel Carbullido stated that he does not think Carlsmith Ball should present argument. Vice-Chairman Wilfred Leon Guerrero (via phone conference) stated that a memorandum was sent to the Board and no one mentioned that consent was not needed. Legal Counsel Carbullido stated that they can't file without the parties consent. Legal Counsel Carbullido stated that he is taking the position

that they don't need consent. Legal Counsel Carbullido stated that they are requesting the court to file a brief. Chairman San Agustin stated that the Fund has the right to retain an attorney. Chairman San Agustin stated that the Fund's attorney is used in civil litigations. Legal Counsel Don Calvo stated that the amendment should support that. Vice-Chairman Leon Guerrero stated that the Fund should come up with a position. Vice-Chairman Leon Guerrero stated that the Board needs to address the error. Secretary James Taylor asked how was the retirement changed without talking to the Fund's Board. Chairman San Agustin stated that there is a letter from Mr. John Rios requesting to pay the attorney's fees. Secretary Taylor stated that the client should not write directly to the Board of Trustees and that he should communicate through his attorney.

Legal Counsel Calvo stated that the Attorney General's Office filed its brief 40 days in advance. Chairman San Agustin asked if Carlsmith Ball can take the lead. Chairman San Agustin stated that a letter was sent to the Fund's insurance broker. Acting Director Blas stated that the insurance broker had responded. Chairman San Agustin asked Legal Counsel Calvo to ask Carlsmith Ball to take the lead on the case. Vice-Chairman Leon Guerrero asked if all actions were approved by the Board of Trustees. Chairman San Agustin stated that Mr. Rios' action was done without Board approval. Chairman San Agustin stated that he is waiting for a complete review by Legal Counsel Joanne Grimes. Vice-Chairman Leon Guerrero stated that Mr. Rios' action was not an issue. Chairman San Agustin stated that in the law, the Board of Trustees approves. Trustee Cruz asked if it is a common practice to pay before it goes before the Board of Trustees. Trustee Cruz asked if Mr. Gutierrez is still being paid on estimated annuity. Vice-Chairman Leon Guerrero asked if Mr. Rios had temporary authority. Secretary Taylor asked if this could be brought before the Board and the Board would disapprove it. Chairman San Agustin stated that he is waiting for the insurance broker's response to the letter regarding indemnification. Acting Director Blas stated that it is back to Attorney Phillips. Acting Director Blas stated that the Board received individual e-mails from Mr. Rios requesting for a decision with regards to indemnification of the Fund's personnel and trustees.

Vice-Chairman Leon Guerrero requested to have the Fund's Legal Counsel summarize this matter. Legal Counsel Carbullido stated that Carlsmith Ball is in the process of preparing an Amicus Brief by September 26, 2005. The brief would be filed by October 12, 2005. Acting Director Blas stated that there is a Special Board Meeting scheduled for September 28, 2005 to address potential litigation in Executive Session. Vice-Chairman Leon Guerrero asked if the Board of Trustees could do anything else with the case. Chairman San Agustin stated to wait until the case is settled. Vice-Chairman Leon Guerrero stated that he is concerned about Attorney Phillips' comment that the Fund is not taking a position.

#### **B. August 30, 2005 Letter from Dr. John Steele Regarding Fee Schedule**

Chairman San Agustin stated that the Fund received a letter from Dr. John Steele requesting for the Board consider an increase in his hourly rate as the Fund's Medical Consultant. Chairman San Agustin stated that the Retirement Fund has adopted the American Medical Association (AMA) Guidelines but have not hired a certified AMA physician. Chairman San Agustin asked what is the term of Dr. Steele's contract. Acting Director Blas stated that it is an open-ended contract. Acting Director Blas stated that the Fund had issued a Request for Proposal (RFP) five times for a professional consultant. Secretary Taylor asked what would it take to get Dr. Steele certified. Acting Director Blas mentioned that Dr. Lizama had to take a course to get certified. Trustee Gerard Cruz

stated that he is not opposed to issuing a new RFP. Chairman San Agustin suggested paying Dr. Steele \$250.00 (the new rate) and informing him that the Fund will issue an RFP. Trustee George Santos recommended that the requirement on the new RFP would be to seek for a consultant with AMA certification. Treasurer Katherine Taitano stated that the Fund would be on the right track with the AMA certified consultant.

Chairman San Agustin stated that there is a proposed legislation about disability. Chairman San Agustin stated that the proposed bill will be referred to the Members and Benefits Committee. Secretary Taylor recommended for Management to include the draft legislation on the agenda.

**Trustee Gerard Cruz, seconded by Secretary James Taylor, moved to approve to increase Dr. John Steele's hourly rate to \$250.00 an hour and to advise Dr. Steele that the Fund will be issuing an RFP for an American Medical Association (AMA) certification requirement. Without objection, the motion passed.**

#### **IV. DIRECTOR'S REPORT - EXECUTIVE SUMMARY**

***Health Insurance Negotiations*** - Acting Director Blas stated that health insurance negotiations are ongoing with SelectCare. Acting Director Blas stated that the legal issue facing the government of Guam now is the action of the Guam Federation of Teachers (GFT) offering an alternate insurance plan for GFT members. Acting Director Blas stated that the government of Guam is looking at a proposed rate increase of a range between 13% to 25% for Staywell Plans and about a 172% proposed increase for SelectCare 1500. Chairman San Agustin stated that Senator Lou Leon Guerrero has introduced a bill that was passed into law that would have the Retirement Fund's Director participate in the negotiations as a voting representative. Chairman San Agustin stated that Staywell and Calvo's Insurance are sending patients to the Philippines. Chairman San Agustin pointed out that the money paid to Staywell is not equivalent to the Pesos paid in the Philippines. Vice-Chairman Leon Guerrero asked if Acting Director Blas is on the Insurance Negotiations Committee. Vice-Chairman Leon Guerrero asked Acting Director Blas to check on Guam patients not being paid for medications.

***Public Law 28-38*** - Acting Director Blas stated that the Fund is processing applications for retirement for Guam Public School System (GPSS) employees. Acting Director Blas stated that interest payments for GPSS and the Guam Memorial Hospital Authority (GMHA) are due today. Acting Director Blas stated that the two agencies have been allowed to pay by Monday. Trustee Cruz asked if the interest payments are current. Acting Director Blas replied, "yes." Acting Director Blas stated that if payment is not received by Monday, September 12, 2005, the Fund will stop retiring Guam Public School System (GPSS) employees.

***Actuarial Services*** - Acting Director Blas stated that a Memorandum of Understanding will be entered into between the Fund and the Department of Administrative (DOA) to ensure that DOA will pay Milliman USA directly for their services.

***Realty Management Company, Inc. (Parking Stalls)*** - Acting Director Blas stated that she received an independent appraisal from the Captain Company. Acting Director Blas stated that Realty Management is offering the rate of \$650.00 per month for five years and then the rate will increase to \$700.00 per month for 80 parking stalls. Acting Director Blas stated that the rate provided by the

Captain Company is \$2,008.00 per month. Chairman San Agustin asked if this is based on the current appraisal rate. Acting Director Blas stated that she will prepare a response to Realty Management regarding the rate. Trustee Cruz asked if the parking stalls are required for the employees. Trustee Cruz suggested presenting Realty Management with a counter offer. Ms. Rosalia Bordallo, Accountant III, stated that it will cost the Fund money to repave and reline the parking stalls. Acting Director Blas stated that Realty Management will take care of paving and relining the parking stalls. Legal Counsel Calvo stated that there will be liability issues on the parking lease.

**Director's Position** - Acting Director Blas stated that the job announcement for the Director's position will take place upon the passage of the proposed amendment to Section 8140, Article 1, 4GCA. Acting Director Blas stated that the amendment to Section 8140 will be worked into the budget bill.

**Contributions** - Acting Director Blas stated that all agencies are current with their fiscal year 2005 employee and employer contributions except for Guam Memorial Hospital Authority (GMHA) which is outstanding for the Defined Benefit Plan for the pay periods ended February 19, 2005, March 5, 2005, March 19, 2005, April 2, 2005 and August 6, 2005. Acting Director Blas stated that GMHA indicated that a \$900,000.00 check was forthcoming and then GMHA called back saying that the check was cancelled.

**Financial Statements** - Acting Director Blas stated that Management has submitted financial statements for the month ended June 2005 to Treasurer Katherine Taitano for review.

**FY2005 Supplemental** - Acting Director Blas stated the supplemental payment for August were processed by the Fund then given to the Department of Administration (DOA). Acting Director Blas stated that the Guam Waterworks Authority (GWA) supplemental payments were not mailed out. Acting Director Blas stated that GWA will be billed by DOA.

**FY2006 Budget** - Acting Director Blas stated that the FY2006 budget should be completed by the next Board meeting. Trustee Cruz asked if there are carry over lapses. Acting Director Blas replied, "yes," and that Management is requesting to carry over the FY 2005 lapses in order to provide a continuation of services.

**Trustee George Santos, seconded by Treasurer Katherine Taitano, moved to approve to authorize Management to carry over FY2005 budget lapses. Without objection, the motion passed.**

## **V. TREASURER'S REPORT OF FINANCIAL STATUS**

No report was given at this time.

## **VI. STANDING COMMITTEE REPORTS**

### **A. Members and Benefits Committee**

Trustee Santos reported to the Board of Trustees on his Committee's August 2005 end of the month report.

Trustee Santos reported to the Board of Trustees that 658 retirees were approved and from that number 340 retirees were finalized. Trustee Santos further reported that there are still 327 retirees on estimated annuities. Trustee Santos stated that he anticipates that the issue on the estimated annuity will be a minimal problem for the Board of Trustees and the Retirement Fund.

**Trustee George Santos, seconded by Trustee Gerard Cruz, moved to approve the Members and Benefits Committee review and findings from Pages 4 through 6, Section IV A – Supplemental Listing of New Retirees and Finalized Retirement Annuities; and the Members and Benefits Committee recommends disapproval of Section V A and B – Section 8123 Medical Disability Applicants and Section 8126 Medical Disability Applicant Appeal, based on the Committee’s review and findings during their meeting of August 17, 2005 and continuation meetings pertaining thereto (see Appendix B). Without objection, the motion passed.**

## **B. Investment Committee**

Secretary Taylor gave a brief summary of the September 2, 2005 Investment Committee Meeting. Secretary Taylor stated that the Investment Committee Meeting Minutes of May 6, 2005 were approved. Secretary Taylor stated that during the review of the minutes, Management was asked to include some additional open items on future agendas for the Investment Committee.

Secretary Taylor stated that the Investment Committee discussed the request from Deutsche Asset Management on the downgrade of \$1.5 Million of General Motors Acceptance Corp bonds. Secretary Taylor stated that Deutsche recommended that the Fund keep them because of the short expiration dates. The Investment Committee agreed but raised concerns about existing Guam investment law. Secretary Taylor stated that Management was asked to check with Legal Counsel to determine if there is any possibility of responding positively to the Deutsche request. If there is none, the Investment Committee would recommend responding to Deutsche in the negative.

Secretary Taylor stated that Allianz Global has appointed Cristobal Mendez de Vigo as the new Chief Executive Officer of Allianz Global Investors. Secretary Taylor stated that the Investment Committee has requested for a feed back from Mercer. Secretary Taylor stated that the fund needs to review managers as part of larger review strategy.

Secretary Taylor stated that there is a change of management on the Pioneer Emerging Markets Fund. Secretary Taylor stated that Great West Retirement Services noted that the changes in the fund managers are a fairly normal practice. Great West offered to have its investment experts review the situation and report to the Board. The Investment Committee recommended taking Great West up on the offer. The Investment Committee noted that the Board is in the process of issuing an updated Request for Proposal for the Defined Contribution (DC) Plan management. In addition, in the recent past the Board had requested Management to prepare an RFP for consulting services for the DC Plan.

Secretary Taylor reported on the status of proposed legislation: Section 8158 – Change in percentage that can be invested in collective investment trusts/funds. Section 8157 – Allows a limited amount that can be invested in stocks that don’t pay dividends. Secretary Taylor stated that Management is preparing the recommended language.

Secretary Taylor stated that the June 22, 2005 letter from Mercer provides comments on the positive effects of revising Section 8158 to allow 30% of the total portfolio be invested in collective investment trusts. There will be a potential gain of 1% to 1.2%. Mercer made two limited recommendations that would make it clear that (1) this provides additional diversification to the total Government of Guam Retirement Fund and (2) that this allows investment in index funds. Secretary Taylor stated that the Investment Committee recommended adoption of the two suggested changes subject to concerns that the most important issue is to get the increase to 30% and to allow investing in some percentage of stocks that don't pay dividends.

Secretary Taylor stated that the June 24, 2005 letter from Mercer, recommended to stop trading with and remove funding from Citigroup Asset Management. Mercer has recommended that the Retirement Fund drop Citigroup as an active bond manager but keep Legg Mason/WAMCO as a back up manager until such time as the Board can again go out to bid on active and back up bond managers. In a letter from Mercer, Mercer pointed out that for the time being, the Board needs to change its policy guidelines to allow the two remaining bond managers to handle a larger percentage of the portfolio. The Investment Committee recommended that the Board direct Management to draw up any necessary proposed changes to the policy guidelines and bring them to the Board.

Secretary Taylor stated that the August 26, 2005 email from Mercer stated that Aberdeen Asset Management's purchase of Deutsche will be good for Deutsche and good for the Retirement Fund. The Investment Committee agreed and will recommend to the Board that Aberdeen be allowed to take up the Deutsche contract subject to review by the Investment Counsel and Controller Tajalle.

Secretary Taylor stated that the August 18, 2005 letter from Deutsche requests that the current Retirement Fund contract be changed to allow Aberdeen Asset Management to take over.

Acting Director Blas stated that Management is asking the Board place a hold on their directive to Management to proceed with the Request for Proposal (RFP) process for custodial bank services until the completion of the contract for the international managers. Rosalia Bordallo, Accountant III, stated that it is advantageous to hold off so to learn what you are dealing with. Secretary Taylor stated that the issue being presented to the Board needs to be evaluated. Vice-Chairman Wilfred Leon Guerrero asked what kind of delay. Acting Director Blas stated that it is dependant on when we get the RFP. Trustee Gerard Cruz asked why the need to delay. Secretary Taylor stated that the last discussion was whether Mercer could do it. Acting Director Blas stated that the Fund's Legal Counsel was to do a global custody search. Secretary Taylor stated that the issue is whether Mercer is able to write the Request for Proposal. Trustee Cruz asked if Mercer's contract would have to be renewed. Acting Director Blas stated that the work could be done within the existing contract. Trustee Cruz asked if the Fund wants Mercer to do the work. Acting Director Blas stated that the question is if the Board wants Mercer to do it. Chairman San Agustin stated that this needs to be revisited. Chairman San Agustin stated that the Fund does not have the capability to do it. Chairman San Agustin asked whether this requires a modification of the contract. Secretary Taylor asked if Legal Counsel Grimes is not able to do the Request for Proposal. Acting Director Blas replied, "yes." Chairman San Agustin stated that he is not pleased with subcontracting. Chairman San Agustin stated that he sees no point of holding off the RFP. Secretary Taylor stated if so, get a legal opinion. Treasurer Katherine Taitano asked if it could be done within the Mercer contract. Acting Director Blas replied, "yes." Acting Director Blas asked the Board if they would accept Mercer. The Board of Trustees agreed to go with Mercer.

**Secretary James Taylor, seconded by Trustee Gerard Cruz, moved to have Mercer Investment Consulting do the International Search and for Mercer Investment Consulting to develop the Request for Proposal and evaluation. Without objection, the motion passed.**

Chairman San Agustin stated that the shifting of managers need to be revisited. Secretary Taylor stated that he agrees that it should be revisited within the next few months. Chairman San Agustin stated that he would like to revisit a particular section. Controller Tajalle stated that the closing of acquisition by Aberdeen is November 30, 2005.

Secretary Taylor briefed the Board on the Performance Review which was held on September 6 and 7, 2005. Secretary Taylor stated that Trustee George Santos was in attendance on both days and that Chairman San Agustin was in attendance on September 7th. Secretary Taylor stated that the Fund is on track for the whole year. Secretary Taylor stated that during the second quarter, the economy was performing very well. The biggest problem is on the issue on consumer sentiment which may tank out. Secretary Taylor stated that despite of the Fund being on track for the whole year, the portfolio continues to perform at the bottom rank of similar portfolios. Secretary Taylor stated that the current Investment Policy contributes to the under-performance in up markets. Secretary Taylor stated that Mercer recommended that the Board more closely follow the two large cap managers.

Secretary Taylor stated that with the passage of the amendments of Section 8157 and Section 8158, the Board will have additional investment flexibility. Secretary Taylor stated that Mercer had suggested that during the investment oversight meetings that will be held in November 2005, Mercer would provide information on ways this flexibility can be used. Some suggested areas include: US Small Companies, Under-Representative Market Segments, US High Yield Debt, and Real Estate. Secretary Taylor stated that the Investment Committee had agreed to have Mercer prepare a set of recommendations for the Board's review for November, contingent on the passage of Section 8157 and Section 8158. Trustee Cruz asked about the proposed language in Section 8157. Secretary Taylor stated that Management is developing language for this section. Chairman San Agustin asked if it is necessary to remove Aberdeen and Lazard from the ADRs. Ms. Bordallo stated that the Board has the authority to proceed. Secretary Taylor stated that there should be something in writing brought before the Board of Trustees. Secretary Taylor asked Management to develop a written proposal on the matter.

Secretary Taylor stated that Mercer is again recommending the change of the index used to measure one of the bond managers. Mercer has agreed to send a written recommendation with background information. Secretary Taylor stated that this will be brought to the Board for review and action.

Acting Director Blas stated that the Fund does not have a separate advisor on the Defined Contribution Plan. Acting Director Blas stated that she will get a report back from Vince Camacho from Great West Retirement Services. Management has been directed to develop an RFP for an advisor for the Defined Contribution Plan.

Acting Director Blas reported that Legal Counsel is working on the language on the amendment of Section 8157. Chairman San Agustin suggested submitting Section 8157 and Section 8158 simultaneously.



Acting Director Blas reported that the contracts are at the Attorney General's Office.

**C. Audit Committee**

Chairman San Agustin asked about the status of the audit. Controller Tajalle stated that the audit has been completed. Controller Tajalle stated that this is the last year for the Burger and Comer contract. Chairman San Agustin asked who puts out the Request for Proposals. Controller Tajalle stated that the Office of the Public Auditor approves and issues the Request for Proposals. Controller Tajalle stated that the contract is for a three-year period.

**D. Governmental Liaison**

Trustee Gerard Cruz stated that the proposed bills are at the Legislature. Chairman San Agustin stated that the Board should lobby at the Legislature. Trustee Cruz asked if a letter from the Fund regarding the 26% actuarial rate was transmitted. Secretary Taylor indicated it would be important to reaffirm the need for the 26% rate.

**VII. TRAVEL REPORT**

**A. Joe T. San Agustin, Chairman: August 5-10, 2005 – Anchorage, Alaska**

Chairman San Agustin stated that he has submitted his travel report for the Board's information. Chairman San Agustin stated that security litigation for hire is not done in the United States. Chairman San Agustin stated that U.S. firms are prepared to review funds at no cost. Chairman San Agustin stated that Mercer is not warning the Fund if the Investment Policy is not followed. Chairman San Agustin stated that it is the Investor's responsibility to monitor investments.

**VIII. OLD BUSINESS**

**A. Status of Organic Act Proposed Draft Amendments / Trust Agreement**

Chairman San Agustin stated that he had a conversation with Speaker Mark Forbes and all transactions are at BBMR and the Attorney General's Office. Chairman San Agustin stated that Speaker Forbes is inclined to push on creating a Trust Agreement.

**B. Memorandum of Understanding between the Department of Administration and the Government of Guam Retirement Fund**

Acting Director Blas stated that the Memorandum of Understanding between the Department of Administration and the Retirement Fund has been completed.

**C. Investment Mandates Amendments (Mercer) Section 8158 & Section 8157**

Acting Director Blas stated that the amendment to Section 8158 and Section 8157 were discussed under Section VI B above.

**D. Status of Draft RFP – Custodial Bank Services**

Acting Director Blas stated that the custodial bank services Request for Proposal was discussed under Section VI B above.

**E. Status of Draft Contract - Legal Services to Recapture Investment Losses**

Acting Director Blas stated that the meeting with Calvo & Clark and Lujan & Aguigui is scheduled for 11:00 a.m. on Monday, September 12, 2005.

**F. Status of International Manager Search**

Acting Director Blas stated that the contracts are in the process of being signed.

**G. Status of Request to Lease Rear Parking Lot**

Acting Director Blas stated that the status of the request to lease the rear parking lot was discussed under Section IV above.

**IX. NEW BUSINESS**

**A. Policy for Adjustment/Collection Due to Overpayment**

Acting Director Blas stated that the Fund has encountered instances where a new annuitant was placed on payroll on an estimated annuity that was in excess of the actual entitled annuity at time of finalization. Acting Director Blas stated that the overpayment of annuities due to overestimation by the Fund is not addressed in the Fund's governing statute. Acting Director Blas stated that the proposed draft legislation will be placed in the budget under administrative provision. Chairman San Agustin stated that the bill is before the Legislature. Chairman San Agustin stated that this would take care of the overpayment issue. Trustee Cruz asked if the Fund has a policy. Trustee Cruz also asked if the Fund could promulgate its own policy. Secretary Taylor asked if this was reviewed by Legal Counsel. Controller Tajalle replied, "yes." Chairman San Agustin asked what would happen if the Legislature does not pass the bill. Would the policy be dead? Chairman San Agustin asked if a law could nullify an Executive Order. Ms. Bordallo stated that if it would nullify the policy, the Board needs some kind of policy. Chairman Agustin stated that the Board should lobby to pass the bill. Chairman San Agustin stated that the Board would need to make a new policy.

**Trustee Gerard Cruz, seconded by Secretary James Taylor, moved to adopt the policy for adjustment/collection due to overpayment of estimated annuities. Without objection, the motion passed.**

**X. OPEN DISCUSSION / GENERAL PUBLIC INPUT**

None

**XI. ANNOUNCEMENTS**

*Manager Due Diligence* - Controller Tajalle stated that the Manager Due Diligence is scheduled for November 7-9, 2005 for the six equity managers. The fixed income managers will be in January 2006.

**XII. ADJOURNMENT**

There being no further business before the Board for the Defined Benefits Plan, on motion of Trustee Gerard Cruz, seconded by Treasurer Katherine Taitano, and without objection, the meeting was adjourned at 2:30 p.m. Motion passed.

**I hereby certify that the foregoing is a full, true and correct copy of the Minutes of September 9, 2005 Regular Meeting duly adopted and approved by the Government of Guam Retirement Fund Board of Trustees on November 10, 2005.**

---

**James J. Taylor, Board Secretary**

**RECORDING SECRETARY:**

---

**Jackie Blas**