

I MINA 'TRENTA LIHESLATURAN GUÅHAN
2010 (Second) Regular Session

Bill No. 450-30(LS)

Introduced by:

v.c. pangelinan

AN ACT TO AMEND SECTION 8150 OF
CHAPTER 8, TITLE 4 OF THE GUAM CODE
ANNOTATED RELATIVE TO INVESTMENTS IN
BONDS OF UNITED STATES AND FEDERAL
INSTRUMENTALITIES.

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BE IT ENACTED BY THE PEOPLE OF GUAM:

1 **Section 1. Legislative Findings and Intent:** *I Liheslaturan Guåhan* finds
2 that Public Law No. 30-120 expanded the Retirement Fund’s range of permitted
3 investments in fixed income securities to those covered in the Barclays Capital
4 U.S. Aggregate Bond Index. *I Liheslaturan Guåhan* further finds that a significant
5 portion of the Barclays Capital U.S. Aggregate Bond Index is comprised of
6 securities issued by and guaranteed by Government Sponsored Enterprises (GSEs)
7 such as the Federal National Mortgage Association (known as “Fannie Mae”) and
8 the Federal Home Loan Mortgage Corporation (known as “Freddie Mac”).
9 *I Liheslaturan Guåhan* further finds that the original intent underlying
10 Government Code Section 4225.7, the predecessor statute to Section 8150, Chapter
11 8, Title 4 of the Guam Code Annotated, was to permit investments in debt
12 obligations by U.S. Government agencies and instrumentalities, contemplating
13 investments in fixed income securities on par with obligations of the U.S.
14 Government and its agencies and instrumentalities, to the extent that the debt
15 obligations issued by such entities receive favorable treatment otherwise afforded
16 to U.S. agencies by the U.S. Securities and Exchange Commission.

1 *I Liheslaturan Guåhan* notes that the GSEs Fannie Mae and Freddie Mac are
2 not government agencies, but are private, shareholder-owned corporations whose
3 debt obligations are treated as U.S. government agency securities in the
4 marketplace. Fannie Mae and Freddie Mac are GSEs chartered by Congress to
5 support the U.S. housing market. The debt securities issued by and guaranteed by
6 Fannie Mae and Freddie Mac are unsecured obligations of each corporation and
7 are not backed by the full faith and credit of the U.S. Government, but because of
8 each corporation’s mission and purposes, their debt securities receive favorable
9 treatment from a regulatory perspective -- they are “exempted securities” under
10 the laws administered by the U.S. Securities and Exchange Commission, to the
11 same extent as U.S. Government obligations that are backed by the full faith and
12 credit of the U.S. Government.

13 *I Liheslaturan Guåhan* further finds that Section 8150 as currently codified
14 in the Guam Code Annotated requires amendment to (a) accurately reflect the
15 language in the original Government Code Section 4225.7; and (b) to clarify the
16 intent underlying Government Code Section 4225.7 to permit investments in debt
17 obligations, such as those issued by GSEs Fannie Mae and Freddie Mac, that are
18 on par with obligations of the U.S. Government and its agencies and
19 instrumentalities, to the extent that such debt obligations receive favorable
20 treatment otherwise afforded to U.S. agencies by the U.S. Securities and Exchange
21 Commission.

22 **Section 2.** Section 8150, Chapter 8, Title 4 of the Guam Code Annotated,
23 is hereby clarified and amended to read as follows:

24 **§ 8150. Same: Bonds of United States and Federal**
25 **Instrumentalities.**

26 (a) Bonds or other evidence of indebtedness of the United
27 States of America or any of its agencies or instrumentalities when

1 such obligations are guaranteed as to principal and interest by the
2 United States of America or by any ~~of its agencies or instrumentalities~~
3 ~~when such obligations are guaranteed as to principal and interest by~~
4 ~~the United States of America or by any agency or instrumentality~~
5 thereof;

6 (b) Debt securities issued by the Federal National Mortgage
7 Association or the Federal Home Loan Mortgage Corporation that are
8 backed by pools of mortgage loans and guaranteed as to timely
9 repayment of principal and interest by the Federal National Mortgage
10 Association or the Federal Home Loan Mortgage Corporation; or

11 (c) Non-mortgage-related bonds or other evidence of
12 indebtedness of the Federal National Mortgage Association or the
13 Federal Home Loan Mortgage Corporation.

14 **Section 3. Severability.** If any of the provisions of this Act or the
15 application thereof to any person or circumstance is held invalid, such invalidity
16 shall not affect any other provision or application of this Act which can be given
17 effect without the invalid provision or application, and to this end the provisions of
18 this Act are severable.

19 **Section 4. Effective Date.** This Act shall be effective upon enactment.