



GOVERNMENT OF GUAM
RETIREMENT FUND
 STABILITY · SECURITY · REWARDS

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 Members' & Benefits Committee, Chairman

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 Trustee
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Katherine T.E. Taitano
 Trustee

August 11, 2006

To: Joe T. San Agustin, Board Chairman
From: Wilfred Leon Guerrero, Investment Committee Chairman
Subject: Investment Committee Meetings on August 9, and 10, 2006

The Investment Committee met with Terry Dennison and Ashish Shrestha, from Mercer Investment Consulting Inc, our Investment Consultant, on August 9, and 10, 2006 and discussed investment manager performances, implications of Bills 295 and 296 (Public Laws 28-135 and 28-136), recommendations for current managers, and new asset classes for consideration by the Committee and the Board. In attendance were Trustees Gerard Cruz, Joe T. San Agustin, and I. Other attendees were Paula Blas, Diana Bernardo, and Rosalia Bordallo.

Based on our discussions the Investment Committee recommends the following with the assistance and concurrence of Director Blas, Controller Bernardo and Accounting Supervisor Bordallo:

1. IPS – Asset Allocation Percentages

A. Amending the Asset Allocation Percentages reflected in the Funds Current Investment Policy as follows:

Asset Category	Current Allocation	Proposed Allocation
1. Domestic Large Cap Equity	39.87%	30%
2. Domestic Small Cap Equity	0.00%	10%
3. NonUS Equity-Developed Markets	11.86%	12%
4. NonUS Equity-Small Cap	5.36%	5%
5. NonUS Equity-Emerging Markets	2.83%	3%
6. Fixed Income Aggregate	40.08%	30%
7. Real Estate - Reits	0.00%	10%
TOTAL	100%	100%

B. Board authorization to allow Management to work with Mercer Consulting to revise the affected sections of the IPS to conform to the proposed allocations approved above, subject to Board approval.

2. IPS – Securities Guidelines

- A. Amending the Securities Guidelines section of the current Investment Policy Statement to add a fourth bullet point under “Equities” as follows:

“With the written petition and subsequent written approval of the Trustees, a minimum of 75% of investments in Common Stock must meet the requirements of Guam Code Annotated Title 4, Chapter 8, Article 1, Section 8157.

- B. The Board authorizes the Chairman to advise the managers with separate account mandates of the availability of relaxation of Section 8157 as discussed in the Investment Policy Amendment above.

3. Investment Manager Termination

Termination of INVESCO and consolidation of INVESCO’s assets with Atalanta Sosnoff within 45 days.

4. RFPs – for New Managers

Issue Requests for Proposals for the following:

1. Domestic Small Cap Equity
2. Real Estate – Reits
3. Domestic Large Cap Growth Equity
4. Domestic Large Cap Value Equity
5. Domestic Fixed Income

5. Transition Manager

Utilization of a Transition Manager from our current stable of Commission Recapture Brokers.