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RETIREMENT FUND
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 Acting Director

February 24, 2006

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 Investment Committee, Chairman

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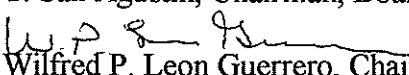
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Gerard A. Cruz
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MEMORANDUM

TO: Joe T. San Agustin, Chairman, Board of Trustees
FROM: 
 Dr. Wilfred P. Leon Guerrero, Chairman, Investment Committee
SUBJECT: February 22, 2006 – Due Diligence Meeting Bond Managers

The Investment committee conducted a due diligence meeting on February 22, 2006 covering the period ending December 2005. The review was with the Bond managers of the portfolio, Aberdeen Asset Management (formerly Deutsche Asset Mgmt) and Franklin Templeton Fixed Income (formerly Fiduciary Trust).

Present at the meeting were committee members Wilfred P. Leon Guerrero, Dr. James Taylor, Gerry Cruz (for early session). Also in attendance, were Trustees Joe T. San, Katherine Taitano, Acting Director Paula Blas, GAS Rosalie Bordallo, and Mercer Advisor Terry Dennison. Invited to participate were UOG students from Dr. Taylor's Finance class.

The meeting's format was as follows:

1. Market environment presentation by Mercer's Terry Dennison.
2. Asset transfer allocation update: There is a need to modify the approved asset allocation. Motion to amend will be presented at the end of this report.
3. Perform review of domestic fixed income.

The performance of the portfolio continues to lag other U.S.-based Public Funds. Mercer believes that a portion of the Fund's performance is due to investment restrictions not found on other U.S. Public Fund.

- Aberdeen Asset Management (formerly Deutsche Asset management)

Memorandum

Joe T. San Agustin

Re: February 22, 2006 – Due Diligence Meeting Bond Managers

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There are discrepancies in the market values reported by Aberdeen and the Custodian Bank. Using the Custodian's figure, Aberdeen's one year return was 3.6%. The return outperformed Mercer's U.S. Fixed Core Universe (2.8%) and Lehman Brothers Aggregate Bond (2.4%).

Based on our meeting with Aberdeen's Annette Fraser, based on their performance, we concur with Mercer's recommendation that Aberdeen be retained.

- Fiduciary Trust Comp[any International]

Fiduciary's one year return was 2.1% which is slightly less than Mercer's U.S. Fixed Intermediate Universe (2.2%) and Lehman Brothers Aggregate Bond (2.4%). In our meeting with Fiduciary's Michael Materesso an important issue emerged. Restrictions on the purchase of foreign bonds is contributing to the under-performance of the manager. The Investment Committee will need to determine whether the restriction was by law or by policy. The restriction needs to be eliminated.

Based on meeting with Fiduciary representative and on their performance, the Investment Committee concurs with Mercer's recommendation that Fiduciary be retained.