



GOVERNMENT OF GUAM
RETIREMENT FUND
 STABILITY · SECURITY · REWARDS

Felix P. Camacho
 Governor

Kaleo S. Moylan
 Lieutenant Governor

Paula M. Blas
 Director

September 15, 2006

To: Joe T. San Agustin, Board Chairman

From: Wilfred Leon Guerrero, Investment Committee Chairman

Subject: Investment Committee Meetings on September 1, 8 and 14, 2006

The Fund held its regular Investment Committee meeting on September 1, 8 and 14, 2006. In attendance were Trustees Dr. Taylor, Gerard Cruz, Joe T. San Agustin and I. Other attendees were Paula Blas, Diana Bernardo and Rosalia Bordallo. Mr. Mark Heath of Metropolitan West Capital Management, LLC was also in attendance at the September 1, 2006 meeting.

The following items were discussed and approved by the committee for Board action.

I. Atalanta Sosnoff

During the August 11, 2006 Board of Trustees meeting the Board authorized the Chairman to advise the Investment Managers of the relaxation of the provisions of section 8157 as a result of the passage of Public Law 28-136. As such, the Fund sent a letter to the Managers indicating the following:

“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.

In response to the letter from the Fund, the Fund received a petition letter from Atalanta Sosnoff on September 7, 2006, requesting that they be allowed to purchase common stocks listed in the letter in accordance with Public Law 28-136. Since our current Investment Policy states that a Manager should hold no more than 5% in cash, Atalanta Sosnoff also requested that they be allowed 30 to 60 days to fully invest funds to be transferred from Invesco.

Recommendations:

1. In response to its September 7, 2006 petition letter, the Committee recommends that the Board grant Atalanta Sosnoff’s petition to invest a minimum of 75% of investments in Common Stock in compliance with the requirements of the Guam Code Annotated Title 4, Chapter 8, Article 1 and the Fund’s Investment Policy Statement as previously communicated to Atalanta Sosnoff. However, the Fund makes no judgment relative to the stocks specifically mentioned in Atalanta Sosnoff’s letter.

Trustees:

Joe T. San Agustin
 Chairman

Wilfred P. Leon Guerrero, Ed. D.
 Vice-Chairman
 Investment Committee, Chairman

James J. Taylor, Ph.D.
 Secretary
 Investment Committee, Vice-Chairman

Gerard A. Cruz
 Trustee
 Treasurer

George A. Santos
 Trustee
 Members' & Benefits Committee, Chairman

Anthony C. Blaz
 Trustee
 Audit & Operations Committee, Chairman

Katherine T.E. Taitano
 Trustee

I. Atalanta Sosnoff, continued

2. The Committee also recommends that the Board grant Atalanta Sosnoff's request to hold cash in excess of 5% for 60 days. This waiver of the 5% requirement is only temporary and will expire in 60 days.

II. RFP for Transition Manager

During the August 11, 2006 Board of Trustees meeting the Board authorized the issuance of Requests for Proposals (RFPs) for new investment Managers.

Recommendation:

Since the awarding of the contracts for the new Managers will result in the termination of several existing Managers the Committee recommends that the Board authorize Management to issue an RFP for a Transition Manager.

III. RFP for Real Estate Feasibility Study

With the expected increase in military presence on Guam and the potential need for increase military Housing the Committee recommends that the Board authorize Management to issue an RFP for a Real Estate Feasibility.

Other Information

The following items were also reviewed and discussed by the Committee and are pending revisions by Management:

- a. Watch List Policy
- b. RFP for Real Estate Investment Trust (REITs)
- c. RFP for Domestic Small Cap