



Felix P. Camacho
Governor

Michael W. Cruz, M.D.
Lieutenant Governor

Paula M. Blas
Director

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
Treasurer
Audit & Operations Committee,
Chairman

George A. Santos
Members' & Benefits Committee,
Chairman

Katherine T.E. Taitano
Trustee

Antolina S. Leon Guerrero
Trustee

INVESTMENT COMMITTEE MEETING

Friday, May 25, 2007, 1:00pm
Retirement Fund Conference Room

MINUTES

I. CALL TO ORDER

The Retirement Fund Investment Committee meeting was called to order at 1:10 pm on Friday, May 25, 2007, in the Retirement Fund Conference Room. Investment Committee Chairman Wilfred Leon Guerrero officiated.

Board of Trustees Present:

Wilfred Leon Guerrero, Chairman
James Taylor, Member
Gerard A. Cruz, Member

Staff Present:

Paula M. Blas, Director
Diana Bernardo, Controller
Rosalie Bordallo, General Accounting Supervisor
Stephanie Herrera, Recording Secretary

II. ACTION ITEMS

1. Approval of Minutes – May 17, 2007, April 27, 2007 & March 30, 2007

Minutes of May 17, 2007 are pending completion. Committee Member Gerard Cruz, seconded by Committee Chairman Leon Guerrero moved to approve the minutes of April 27, 2007. The minutes of March 30, 2007 was approved subject to correction.

2. INVESCO Stable Value Fund Replacement (For DC Plan)

The latest recommendation from Mercer was to replace INVESCO with Galliard over Dwight. Controller Bernardo stated that Dwight was a company which Mercer

had discussed but was not a recommendation from GreatWest, Dwight was never actually a choice. Because there are two populations of participants within the stable value, those that elected to be in the stable value and those who did not elect to be in the stable value and by default they are in there, Committee Member Cruz questioned if it was possible to identify which ones didn't make an explicit election. Controller Bernardo stated that it should be possible but because when they were set up in the system by GreatWest, they weren't marked as being forced into the account it may take some time. Committee Member Cruz suggested that if it is important enough that the Committee has been discussing squaring away the allocations, to be able to retroactively look at those who are already in the this Fund and properly allocate them, this is an opportunity to do so. Controller Bernardo suggested sending a letter out to all those participants in the stable value fund and notifying them. Committee Member Cruz agreed that if they could be informed that the INVESCO Fund will no longer exist and that there will be an option of Galliard and the default fund and if they do not respond indicating that they would like to stay in a stable value fund, they will be moved into the default fund which is what INVESCO was initially. In terms of definition, they will be moved from INVESCO to the new default to the new default fund. This would also address the issue the Committee was working on which is to properly allocate those that are in the stable value fund now. A motion was made by Committee Member Cruz to request for GreatWest to identify those who are in the INVESCO Fund and to send letters out to all participant. Director Blas added that in essence, anyone that's currently in INVESCO, because it is going to be terminated, will have to move so letters should go to all participants that are holding money in INVESCO indicating that they have the option to move to the new default, which is the conservative profile fund or they can move to whoever is selected as the stable value fund. Without objection, the motion was approved. A motion was made by Committee Member Taylor to approve Galliard based on the recommendation by Mercer. Committee Chairman Leon Guerrero requested that that the Fund get clarification of Galliard being recommended as the best choice by the next Board meeting and the Committee will also chose the lowest price option based on the recommendation. Motion was made by Committee Member Cruz, seconded by Committee Member Taylor to approve the recommendation, subject to clarification.

III. OPEN ITEMS

1. Proxy Voting

Controller Bernardo indicated that she expects to have an estimate on pricing from Glass Lewis & Company next week.

2. WorldCom Class Action Settlements

Controller Bernardo stated that this item is still pending.

IV. NEW BUSINESS

None.

V. INFORMATIONAL ITEMS

1. Claims Filed by FHB – Based on Bernstein’s 3/31/07 Report

A copy of page 6 from Bernstein’s 3/31/07 report was included for informational purposes. Controller Bernardo indicated that as of May 15, 2007, FHB has filed claims on behalf of Retirement Fund for El Paso Corp. , Mckesson HBOC, Inc. and PNC Financial Services Group. She also indicated that all other claims with May 2007 filing deadlines do not apply to the Fund because the Fund does not hold shares. For the claims that are due in June, FHB is still working to determine which ones they need to file a claim for. She confirmed that shares from El Paso were held by Oppenheimer and shares from McKesson were held by MetWest and Davis Hamilton.

2. Mutual Fund Holdings

As requested by the Fund’s Chairman, a list of holdings for AXA, DFA and Capital was provided to the Committee members. Controller Bernardo indicated that for AXA, the information is as of December 2006 and that current information, as of March 2007, will be made available in June 2007. For Capital, the information is current, as of March 2007 and for DFA, the information is as of December 2006 and DFA indicated that if the Fund would like current information, the Fund would need to fill out a non-disclosure agreement. Committee Chairman Leon Guerrero stated that this information should be automatically provided to the Committee and not just on a request basis as was this case. Controller Bernardo stated that she will make the request to the managers to include this information with their reports.

3. Investment Summaries by Manager

Summaries were provided for informational purposes.

4. Investments – Available for Sale vs. Held to Maturity

Controller Bernardo indicated that the Fund’s Chairman requested information as to whether the investments are held to maturity or are available for sale. She stated that she had emailed each of the managers and was informed that all the assets are available for sale.

5. Fee Summary

Fee summary was provided for informational purposes.

VI. OPEN DISCUSSION

1. Schedule for March 2007 Quarterly Performance Meeting

Controller Bernardo included an agenda for July 11 and 12, 2007 for approval by the Committee. She also indicated that Mercer will be making a presentation at this time for the quarter ending March and would like to come back and make a presentation for quarter ending June 2007 in August. Controller Bernardo also indicated that she asked Mercer to include a discussion of the June 2007 quarterly performance during their July presentation, however, Mercer indicated it would be difficult to do so.

VII. CORRESPONDENCE

None.

VIII. ANNOUNCEMENTS

None.

XI. ADJOURNMENT

There being no further business before the Investment Committee, Committee Chairman Leon Guerrero adjourned the meeting at 2:30pm.

Respectfully submitted,



STEPHANIE A. HERRERA
Recording Secretary

AFFIRMED:



Wilfred Leon Guerrero, Chairman