



INVESTMENT COMMITTEE REPORT Friday, April 1, 2005, 12:00 P.M.

DEFINED BENEFIT PLAN & DEFINED CONTRIBUTION PLAN

I. ACTION ITEMS

- a. **Draft Legislation – Amendment of Section 8158, Article 1, Chapter 8, Title 4.**

Motion - The Investment Committee would like to motion the Board of Trustees to adopt the attached proposed amendment to Section 8158 “Investment Policy Statement” to raise the limitation from 10% to 30%.

- b. **Trust Agreement - Approval.**

Motion - The Investment Committee has reviewed the proposed “Trust Agreement” document and has concluded that is appropriate as it relates to the Funds investment guidelines. The Investment Committee would like to motion the Board of Trustees to adopt the attached proposed “Trust Agreement”.

- c. **“Consent to Continuation” of Asset Management Services – Lazard Asset Management.**

Motion - The Investment Committee would like to motion the Board of Trustees to continue the asset management service contract of Lazard Asset Management in light of their proposed public offering.

- d. **Manager Due Diligence - Great West**

Motion - The Investment Committee received a request from Great West to re-schedule their due diligence review from April 15, 2005 to April 22, 2005. The Investment Committee discussed this request and would like to motion the Board of Trustees to re-schedule the review to April 22, 2005.

II. INFORMATIONAL ITEMS

- a. The Investment Committee meeting minutes for February 4, 2005 has been approved and is provided for record. The Investment Committee meeting minutes for March 4, 2005 is still under review by the Committee.

Felix P. Camacho
Governor

Kaleo S. Moylan
Lieutenant Governor

Wilfred G. Aflague
Director

Paula M. Blas
Deputy Director

Trustees:

Joe T. San Agustin
Chairman

Dr. Wilfred P. Leon Guerrero
Vice-Chairman
Investment Committee, Chairman

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

Katherine T.E. Taitano
Trustee
Treasurer

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

Anthony C. Blaz
Trustee
Audit & Operations Committee, Chairman

Gerard A. Cruz
Trustee

- b. **The Committee discussed the letter sent to FHB regarding the transfer of bond interest payments back to the Fund. Management was informed that any such decision affecting investments should be routed through the committee prior to implementation. Accordingly, the Committee has directed management to obtain a study from Mercer, Inc. indicating the impact of this action on future investment returns.**
- c. **Management received the attached correspondence from Carlsmith regarding a class action suit brought against Enron and its officers. Accordingly, the Fund has been included in this class action as the Fund did not send an exclusion notice. Per review of the suit, the Committee has concluded that participation in this suit proves beneficial to the Fund.**
- d. **Management continues to work on the development of the RFP for services associated with the development of an RFP for custodial bank services. Attached are points to be included in the draft RFP. The completed draft RFP will then be submitted to the Committee for review and for further submission to the Board of Trustees for review and approval. Management is to provide a draft of this RFP by the end of April 2005 to the Investment Committee.**
- e. **Management is closing the Funds financial records on Friday 4/8/05. Accordingly they will present a full analysis of cash draw down for the first and second quarters of fiscal year 2005 at the next Investment Committee meeting.**
- f. **Great West presented their contribution report for Committee review. The contribution report is attached for Board review and comment.**

III. CORRESPONDENCES