

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Investment Committee Meeting
August 19, 2014

TRUSTEES PRESENT

Mr. Dean Hirata, Chairperson
Ms. Celeste Nip, Vice Chairperson
Ms. Barbara Krieg (left at 9:50 a.m.)

Ms. Julia Zeghmi
Ms. Maria Zielinski (arrived at 9:05 a.m.)

TRUSTEES ABSENT

Ms. Linda Currivan Musto

ATTORNEY

Mr. Kyle Chang, Deputy Attorney General

EUTF STAFF

Ms. Sandra Yahiro, Administrator
Mr. Derek Mizuno, Assistant Administrator
Ms. Maria Quartero

Mr. Neil Rue, Consultant
Mr. Colin Bebee, Consultant
Ms. Donna Tonaki

OTHERS PRESENT

Ms. Nandana Kalupahana, House Finance

I. CALL TO ORDER

The meeting of the Investment Committee was called to order at 9:03 a.m. by Chairperson Dean Hirata in the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) Conference Room, City Financial Tower, Honolulu, Hawaii, on Tuesday, August 19, 2014.

II. APPROVAL OF MINUTES – July 28, 2014

The Investment Committee reviewed the draft minutes of July 28, 2014.

MOTION was made for the Investment Committee to approve the minutes of July 28, 2014 as circulated. (Krieg/Zeghmi) The motion passed unanimously. (Employer Trustees-2/Employee-Beneficiary Trustees-2)

[Trustee Zielinski arrived at 9:05 a.m.]

III. REPORTS

A. Pension Consulting Alliance (PCA)

1. June 30, 2014 Performance Report

Mr. Colin Bebee of PCA highlighted the June 30, 2014 Performance Report. The EUTF portfolio finished the quarter at \$383,349,960, a 4.7% return for the quarter which was slightly below the policy benchmark return of 4.8%. Since inception (June 30, 2011), the EUTF portfolio has returned 10.1% versus the policy benchmark return of 9.8% with less risk and all funds have performed in line with their respective benchmarks. As of June 30, 2014, all allocations are within 1.0% of the target asset allocation and within the ranges

prescribed in the Statement of Investment Policy and Guidelines dated August 2013.

2. June 30, 2014 Excess Reserves Performance Report

Mr. Bebee highlighted the June 30, 2014 Excess Reserve Performance Report. The EUTF excess reserve portfolio finished the quarter at \$35,754,029, a 1.0% return for the quarter which was equal to the Barclays 1-5 Year Corporate Index benchmark. Since inception (September 30, 2013), the EUTF excess reserve portfolio return of 2.4% is below the Barclays 1-5 Year Corporate Index benchmark by 10 basis points.

3. Discussion on Socially Responsible Investing and Proxy Voting

Mr. Bebee explained socially responsible investing and its application to the EUTF portfolio as the EUTF enters into separate account arrangements for management of the assets. Mr. Mizuno noted that the deputy attorney general reported that the EUTF is not subject to Act 192, SLH 2007 that applies socially responsible investing criteria to the Employees' Retirement System of the State of Hawaii. However, Mr. Rue commented that other similar funds have taken varying positions in regards to socially responsible investing and proxy voting regardless of legislation. The committee instructed EUTF staff to work with PCA on proposing language to amend the Investment Policy Statement to include socially responsible investing criteria.

IV. EXECUTIVE SESSION

MOTION was made for the Investment Committee to move into Executive Session at 9:38 a.m. (Krieg/Zielinski) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-2)

Executive Session adjourned at 2:01 p.m.

V. FUTURE AGENDA ITEMS DISCUSSION AND NEXT MEETING DATE

A. Thursday, November 13, 2014 at 9:00 a.m.

VI. ADJOURNMENT

MOTION was made for the Investment Committee to adjourn the meeting at 2:02 p.m. (Zielinski/Zeghmi) The motion passed unanimously. (Employer Trustees-2/Employee-Beneficiary Trustees-2)

Respectfully submitted,

/s/

Dean Hirata, Chairperson

APPROVED on September 19, 2014.

Documents Distributed:

1. Draft Investment Committee Minutes of July 28, 2014. (2 pages)
2. Hawaii Employer-Union Health Benefits Trust Fund Quarterly Report 2Q 2014.
(54 pages)