

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Investment Committee Meeting
February 11, 2014

TRUSTEES PRESENT

Mr. Dean Hirata, Chairperson

Ms. Linda Currivan Musto

Ms. Celeste Nip, Vice Chairperson

TRUSTEES ABSENT

None

ATTORNEY

Mr. Kyle Chang, Deputy Attorney General

EUTF STAFF

Ms. Sandra Yahiro, Acting Administrator

Ms. Kay Ceserani, PCA Consultant

Ms. Donna Tonaki, Assistant Administrator

Ms. Debbie Pfeffer

OTHERS PRESENT

Dr. Harry Merriken, Gateway Investment Advisers, LLC

Mr. Robert Hussey, Gateway Investment Advisers, LLC

I. CALL TO ORDER

The meeting of the Investment Committee was called to order at 1:02 p.m. by Chairperson Dean Hirata in the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) Conference Room, City Financial Tower, Honolulu, Hawaii, on Tuesday, February 11, 2014.

II. APPROVAL OF MINUTES – NOVEMBER 12, 2013

MOTION was made for the Investment Committee to approve the minutes of November 12, 2013. (Currivan Musto/Nip) The motion passed unanimously. (Employer Trustees-1/Employee-Beneficiary Trustees-2)

III. REPORTS

A. Pension Consulting Alliance (PCA)

1. December 31, 2013 Performance Report

Ms. Ceserani summarized the December 31, 2013 Performance Report. EUTF finished the quarter with \$347,949,200 which is a \$11 million dollar increase. Since inception, EUTF is beating the policy benchmark by 50 basis points and all funds have either matched or performed in line with their respective benchmarks.

2. December 31, 2013 Excess Reserves Performance Report

Ms. Ceserani summarized the December 31, 2013 Excess Reserves Performance Report. \$35 million was set aside to fund this account into the Vanguard Short Term Corporate Bond Index fund at the end of

September. There was a 25 basis points purchase fee which amounted to roughly \$90,000. Fortunately, that amount has been made back and right now the portfolio is worth \$35.1 million. The Vanguard Short Corporate Bond Index Fund's performance for the quarter is in line with its benchmark. At this time, the dividends aren't being reinvested so the cash will build up over time. PCA will take a closer look and see if it makes sense to re-deposit the cash back into the fund once there's an appropriate amount to cover fees. The fee for this fund was between 9-10 basis points which explains the slight underperformance.

3. Presentation on Covered Calls (presented by Gateway Investment Advisers)
Kay Ceserani introduced Mr. Bob Hussey and Dr. Harry Merriken of Gateway Investment Advisers, LLC. Dr. Merriken gave a presentation on covered calls. He covered three main points: 1) the covered call approach and how that improves investment opportunities and outcome, 2) how the strategy works, and 3) how Gateway's clients have successfully employed this strategy. The performance objectives are equity-like returns with less risk.

IV. EXECUTIVE SESSION

MOTION was made for the Investment Committee to go into Executive Session at 2:27 p.m. for the reasons stated on the agenda. (Currivan Musto/Nip) The motion passed unanimously. (Employer Trustees-1/Employee-Beneficiary Trustees-2)

Executive Session adjourned at 2:51 p.m.

V. ADJOURNMENT

MOTION was made for the Investment Committee to adjourn the meeting at 2:53 p.m. (Nip/Currivan Musto) The motion passed unanimously. (Employer Trustees-1/Employee-Beneficiary Trustees-2)

Respectfully submitted,

/s/

Dean Hirata, Chairperson

APPROVED on May 14, 2014.

Documents Distributed:

1. Draft Investment Committee Minutes of November 12, 2013. (3 pages)
2. Hawaii Employer-Union Health Benefits Trust Fund Quarterly Report Executive Summary by PCA December 2013. (54 pages)
3. Gateway Investment Advisers, LLC – Presentation to the Hawaii Employer-Union Health Benefits Trust Fund, February 11, 2014. (29 pages)