

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Investment Committee Meeting
July 28, 2014

TRUSTEES PRESENT

Mr. Dean Hirata, Chairperson	Ms. Linda Curriivan Musto
Ms. Celeste Nip, Vice Chairperson	Ms. Julia Zeghmi
Ms. Barbara Krieg	

TRUSTEES ABSENT

Ms. Maria Zielinski

ATTORNEY

Mr. Kyle Chang, Deputy Attorney General

EUTF STAFF

Ms. Sandra Yahiro, Administrator	Ms. Kay Ceserani, Consultant (via conference call)
Mr. Derek Mizuno, Asst. Administrator	Mr. Colin Bebee, Consultant (via conference call)
Ms. Donna Tonaki	
Ms. Debbie Pfeffer	

OTHERS PRESENT

Mr. Gary Asato, Hawaii Dental Service
Mr. Troy Tomita, Kaiser Permanente
Mr. Nandana Kalupahana, House Finance

I. CALL TO ORDER

The meeting of the Investment Committee was called to order at 9:33 a.m. by Chairperson Dean Hirata in the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) Conference Room, City Financial Tower, Honolulu, Hawaii, on Monday, July 28, 2014.

II. APPROVAL OF MINUTES – May 14, 2014

MOTION was made for the Investment Committee to approve the minutes of May 14, 2014. (Krieg/Curriivan Musto) The motion passed unanimously. (Employer Trustees-2/Employee-Beneficiary Trustees-3)

III. REPORTS

A. Pension Consulting Alliance (PCA)

1. Evolving Policy Plan – Update

Mr. Bebee discussed the Investment Committee and Board's prior approval of the revised policy portfolio plan, the reasons for the proposed revisions to the implementation plan to comply with the Hawaii Revised Statutes and the proposed revisions to the implementation plan. Chair Hirata asked about the risks associated with the revised implementation plan. Mr. Bebee responded that PCA has revised the implementation plan to maintain a stable risk posture over each phase, the risk to the Plan is linear over the three phases.

Ms. Curri van Musto asked how the revised implementation plan is addressing the statement in the Microcap Equity Manager Search – Finalist Recommendations memo that microcap has “considerable risk”. Mr. Bebee replied that implementation of the riskier microcap strategy first instead of the covered call strategy was offset by a lower allocation to international equities and a higher allocation to inflation-linked bonds during Phase I of the revised implementation plan.

MOTION was made for the Investment Committee to recommend approval to the Board of the updated evolving portfolio plan. (Krieg/Nip) The motion passed unanimously. (Employer Trustees-2/Employee-Beneficiary Trustees-3)

2. Microcap Equity Manager Search – Finalist Recommendations
Mr. Bebee discussed the process that PCA undertook to develop their finalist recommendations for the microcap equity manager strategy and the results – issuance of a request for information, quantitative screening to reduce the respondents from 28 to 14 (1/2 of the respondents), review of 14 respondents’ minimum qualifications and preferred criteria, scoring framework for the 14 respondents that passed the first two screens (i.e. quantitative analysis, fees, organization, investment strategy and client base and services), and the four recommended finalists. Ms. Krieg asked why certain recommended finalists were included when they did not appear to have met the experience criterion contained in the preferred criteria. Mr. Bebee responded that the Granite portfolio team previously managed significantly more assets while at Transamerica and Acuitas recently secured a client that would cause them to meet the asset criterion sometime next week.

MOTION was made to approve the recommendation from PCA to select Driehaus, Granite, Acuitas and Morgan Dempsey as finalists for the microcap equity manager search and to invite them for interviews at the Investment Committee’s August 12, 2014 meeting. (Krieg/Curri van Musto) The motion passed unanimously. (Employer Trustees-2/Employee-Beneficiary Trustees-3)

3. Investment Policy Statement – Update
Mr. Bebee discussed the proposed revisions to the investment policy statement to address the replacement of the Vanguard FTSE All-World ex-US Index (VFWSX) with the Vanguard Total International Stock Index (VTSNX) that was approved by the Board at their June 24, 2014 meeting.

MOTION was made for the Investment Committee to recommend approval to the Board of the updated investment policy statement.

(Krieg/Nip) The motion passed unanimously. (Employer Trustees-2/Employee-Beneficiary Trustees-3)

IV. FUTURE AGENDA ITEMS DISCUSSION AND NEXT MEETING DATE

Chair Hirata reported that the next meeting will be on August 12, 2014 to interview the microcap finalists, select the microcap manager(s) to recommend to the Board and to review the second quarter performance report prepared by PCA. Mr. Bebee informed the Investment Committee that PCA will contact the four finalists of their selection and the time, place and interview length (45 minutes).

V. ADJOURNMENT

MOTION was made for the Investment Committee to adjourn the meeting at 10:27 a.m. (Currivan Musto/Nip) The motion passed unanimously. (Employer Trustees-2/ Employee-Beneficiary Trustees-3)

Respectfully submitted,

Dean Hirata, Chairperson

APPROVED on August 19, 2014.

DOCUMENTS DISTRIBUTED:

1. Evolving Policy Portfolio Plan – Update. (3 pages)
2. Microcap Equity Manager Search – Finalist Recommendations. (19 pages)
3. Investment Policy Statement – Update. (19 pages)