I. Call to Order
The meeting of the Investment Committee was called to order at 8:30 a.m. by Chairperson Wesley Machida in the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) Conference Room, City Financial Tower, Honolulu, Hawaii, on Wednesday, May 11, 2016.

II. Approval of Minutes – February 9, 2016
The Investment Committee reviewed the draft minutes of February 9, 2016.

MOTION was made and seconded to approve the minutes of February 9, 2016, as presented. (Nip/Becker) The motion passed unanimously. (Employer Trustees-2/Employee-Beneficiary Trustees-1)

III. Update AllianceBernstein Passive REIT Separate Account
Mr. Mizuno reported that the REIT passive strategy benchmarked to the MSCI U.S. REIT Index was moved from the Vanguard REIT Index Fund (mutual fund) to a separate account managed by AllianceBernstein on April 8, 2016. This change reduces management fees for this strategy from 10 basis points to 4 basis points and completes the changes in the funds previously approved by the Board.

IV. Pension Consulting Alliance
A. March 31, 2016 Performance Report Including Excess Reserves
Ms. Ceserani of PCA highlighted significant points in the
March 31, 2016 Performance Report. The OPEB Trust fund finished the quarter at $1.0 billion, a 2.0% gain (net of fees) for the quarter which was equal to the policy benchmark gain. Since inception (June 30, 2011), the EUTF portfolio has returned 7.0% (net of fees) versus the policy benchmark return of 6.8% with similar risk over the past 3 years and with all asset classes, excluding the Microcap managers (January 1, 2015 inception date), performing within 50 basis points of their respective benchmarks. As of March 31, 2016, all asset classes were within 20 basis points of the policy target allocations and were within the guidelines prescribed in the Statement of Investment Policy and Guidelines dated August 2015.

Ms. Ceserani reported that the EUTF excess reserve portfolio finished the quarter at $175.5 million. During the quarter, the portfolio gained 1.8% which equaled the Barclay’s 1-5 Year Corporate Index benchmark gain. Since inception (September 30, 2013), the EUTF excess reserve portfolio return of 2.2% is slightly under the Barclay’s 1-5 Year Corporate Index benchmark return of 2.3%.

B. 2016 Strategic Allocation Review
Mr. Bebee presented the 2016 Strategic Allocation Review noting the major points of the recommended asset allocation:

1. Combination of the U.S. and international equity strategies into the Global Equity asset class.
2. Combination of the U.S. microcaps strategy with a new strategy, private equity, into a new Private Equity asset class.
3. Combination of the REIT strategy with a new strategy, private real estate, into a new Real Estate asset class.
4. Addition of a Diversifying Strategies asset class that includes the core fixed income, long-term treasuries and trend following strategies.
5. Addition of the Global Options asset class that is included in the current evolving policy plan but has not been implemented due to limitations on the permissible investments prior to Act 030, Sessions Laws of Hawaii 2016.

These changes resulted in two PCA recommended asset allocations that have better risk return profiles (7.2%/7.3% expected returns with 10.3%/10.9% standard deviation) than the current allocation 6.4% expected return with 11.4% standard deviation.

MOTION was made to recommend to the Board approval of portfolio 9 as the long-term strategic allocation for the OPEB Trust. (Becker/Nip) The motion passed unanimously. (Employer Trustees-2/Employee-Beneficiary Trustees-1)

V. Executive Session
MOTION was made and seconded for the Investment Committee to move into Executive Session at 9:53 a.m. (Nip/Becker) The motion passed unanimously. (Employer Trustees-2/Employee-Beneficiary Trustees-1)
Executive Session adjourned at 10:15 a.m.

VI. Future Agenda Items Discussion and Next Meeting Dates
   A. 2016 Schedule - Tuesday, July 12, 2016 and Tuesday, August 9, 2016 both at
      9:00 a.m.

VII. Adjournment
    MOTION was made and seconded for the Investment Committee to adjourn the meeting
    at 10:16 a.m. (Nip/Becker) The motion passed unanimously. (Employer Trustees-2/
    Employee-Beneficiary Trustee-1)

Respectfully submitted,

    /s/
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    Wesley Machida, Chairperson

APPROVED on June 14, 2016.

Documents Distributed:
1. Draft February 9, 2016 minutes
2. Update – AllianceBernstein Passive REIT Separate Account (1 page)
3. Hawaii Employer-Union Health Benefits Trust Fund Quarterly Report 1Q 2016. (64
   pages)
4. 2016 Strategic Allocation Review (46 pages)
5. Pensions & Investments April 18, 2016 article “CalSTRS preps risk-mitigation portfolio
   Fund hopes to reduce impact of future economic downturns”