

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Investment Committee Meeting
October 4, 2016

TRUSTEES PRESENT

Mr. Wesley Machida, Chairperson
Mr. Roderick Becker

Ms. Linda Currivan Musto

TRUSTEES ABSENT

Ms. Celeste Nip, Vice Chairperson
Mr. James Nishimoto

Ms. Julia Sanchez

ATTORNEY

Mr. Kyle Chang, Deputy Attorney General

EUTF STAFF

Mr. Derek Mizuno, Administrator
Ms. Donna Tonaki, Assistant Administrator
Ms. Maria Quartero
Mr. Kuan Yuan

Mr. Colin Bebee, Consultant
Mr. Tad Fergusson, Consultant
Ms. Christy Fields, Consultant

OTHERS PRESENT

Mr. Patrick Flanagan, Northern Trust
Mr. Douglas Murata

Mr. Bob Parise, Northern Trust

I. Call to Order

The meeting of the Investment Committee was called to order at 10:45 a.m. by Chairperson Wesley Machida in the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) Conference Room, City Financial Tower, 201 Merchant Street, Honolulu, Hawaii, on Tuesday, October 4, 2016.

Mr. Mizuno introduced Patrick Flanagan and Bob Parise, representatives of Northern Trust, who are in town for an onsite visit with the EUTF.

II. Approval of Minutes – August 16, 2016

The Investment Committee reviewed the draft minutes of August 16, 2016.

MOTION was made and seconded to approve the minutes of August 16, 2016, as presented. (Currivan Musto/Becker) The motion passed unanimously. (Employer Trustees-2/ Employee-Beneficiary Trustees-1)

III. Pension Consulting Alliance (PCA)

A. Private Market Investment Plans

Mr. Fergusson of PCA presented and the Investment Committee discussed the 2016/2017 Private Equity Investment Plan. The plan outlined the following private equity portfolio construction and commitment pacing recommendations:

1. Incorporate a “blended” annual commitment pacing, targeting:
 - a. \$150 million (up to \$200 million) in 2017

- b. \$125 million (up to \$150 million) in 2018
 - c. \$100 million (up to \$125 million) per year thereafter
 2. Target two to three partnerships per year, at an average size of about \$50 million each.
 3. Initially focus on secondaries funds.

Ms. Fields of PCA presented and the Investment Committee discussed the 2016/2017 Real Estate Investment Plan. The plan outlined the following core real estate portfolio construction and commitment pacing recommendations:

1. Initial portfolio to consist of three private core real estate funds.
2. Incorporate a commitment pacing target of:
 - a. \$60 million commitment to first fund with defensive characteristics by November 2016
 - b. \$45 million commitment to second fund with core characteristics by January 2017
 - c. \$45 million commitment to third fund with upside characteristics by January 2017

B. Education Overview: Systematic Trend Following

Mr. Bebee of PCA presented information on the Systematic Trend Following strategy.

C. Finalist Recommendation – Systematic Trend Following

Mr. Bebee summarized and the Investment Committee discussed the search results for Systematic Trend Following managers. The search process entailed PCA's release of a Request for Information, review of required minimum and preferred qualifications, analysis of fees, and review of strategy with consideration for both qualitative and quantitative variables. Through the search process twenty-one respondents were narrowed down to four qualified finalists.

MOTION was made and seconded to interview the four finalists for the Systematic Trend Following strategy as recommended by PCA in their memo dated September 27, 2016. (Currivan Musto/Becker) The motion passed unanimously. (Employer Trustees-2/Employee-Beneficiary Trustees-1)

IV. Excess Reserve Portfolio Asset Allocation

Mr. Mizuno discussed that at the February 9, 2016 meeting the Investment Committee deferred revision to the asset allocation of the excess reserve portfolio to create a separate component for amounts available for long-term investment. Since then, transfers of excess reserves to the OPEB Trust has significantly decreased the amount available for long-term investment. After discussion, the Investment Committee requested that PCA and Staff present long-term investment options for the excess reserve portfolio at the next meeting.

V. Future Agenda Items Discussion and Possible Meeting Dates

Mr. Yuan reported that the next meeting is scheduled for November 15th at 8:00 a.m. The meeting agenda includes the regular quarterly report, Systematic Trend Following interviews and selection, update on implementation of private market strategies, Excess Reserve portfolio asset allocation, and investment consultant RFP.

VI. Adjournment

MOTION was made and seconded for the Investment Committee to adjourn the meeting at 12:10 p.m. (Becker/ Currivan Musto) The motion passed unanimously. (Employer Trustees-2/ Employee-Beneficiary Trustee-1)

Respectfully submitted,

/s/

Wesley Machida, Chairperson

APPROVED on November 15, 2016.

Documents Distributed:

1. Draft August 16, 2016 minutes.
2. 2016/2017 Private Equity Investment Plan
3. 2016/2017 Real Estate Investment Plan
4. Educational Overview: Systematic Trend Following
5. Memorandum to EUTF from PCA regarding Systematic Trend Following Manager Search – Finalist Recommendations dated 9/27/16.
6. Memorandum to the Investment Committee from the Administrator regarding Excess Reserve Portfolio Asset Allocation dated 9/27/16.
7. Future Agenda Items Discussion and Possible Meeting Dates.