

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
Minutes of the Investment Committee Meeting  
November 15, 2016

TRUSTEES PRESENT

Mr. Wesley Machida, Chairperson

Mr. Roderick Becker (arrived 8:26 a.m.)

Mr. Gordon Murakami

Mr. James Nishimoto

TRUSTEES ABSENT

Ms. Celeste Nip, Vice Chairperson

ATTORNEY

Ms. Patricia Ohara, Deputy Attorney General

EUTF STAFF

Mr. Derek Mizuno, Administrator

Ms. Debbie Pfeffer

Mr. Rodney Shinno

Mr. Kuan Yuan

Mr. Gabe Ayoroa, Consultant

Mr. Colin Bebee, Consultant

Ms. Christy Fields, Consultant

I. Call to Order

The meeting of the Investment Committee was called to order at 8:06 a.m. by Chairperson Wesley Machida in the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) Board Room, City Financial Tower, 201 Merchant Street, Honolulu, Hawaii, on Tuesday, November 15, 2016.

II. Approval of Minutes – October 4, 2016

The Investment Committee reviewed the draft minutes of October 4, 2016.

MOTION was made and seconded to approve the minutes of October 4, 2016, as presented. (Nishimoto/Murakami) The motion passed unanimously. (Employer Trustees-2/ Employee-Beneficiary Trustees-1)

III. Pension Consulting Alliance (PCA)

A. September 30, 2016 Performance Report Including Excess Reserves

Mr. Colin Bebee of PCA highlighted significant points in the September 30, 2016 Performance Report. It was noted that the format of the report has been updated as a result of PCA's new reporting system. The OPEB Trust fund finished the quarter at \$1.7 billion, a 3.3% gain (net of fees) for the quarter which was slightly under the policy benchmark gain of 3.4%. Since inception (June 23, 2011), the EUTF portfolio has returned 7.4% (net of fees) versus the policy benchmark return of 7.3% with slightly lower volatility over the past three and five years. Additionally, all asset classes, excluding the Microcap (January 1, 2015 inception date), performed within 50 basis points of their respective benchmarks since inception. As of September 30, 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 September 2016.

Mr. Bebee reported that the EUTF excess reserves portfolio finished the quarter at \$141.4 million. During the quarter, the portfolio gained 0.5% (net of fees), in line with the Barclay's 1-5 Year Corporate Index benchmark return of 0.5%. Since inception (September 30, 2013), the EUTF excess reserve portfolio return of 2.5% is slightly under the Barclay's 1-5 Year Corporate Index benchmark return of 2.6%.

B. Acuitas Investments – Organizational Update

Mr. Bebee of PCA presented a memorandum on the resignation of an investment professional from Acuitas Investments (microcap manager). The impact of the departure was deemed not material to EUTF's portfolio and PCA recommends to take no action at this time. PCA will continue to follow the situation.

Trustee Becker arrived at 8:26 a.m.

IV. Executive Session

MOTION was made and seconded for the Investment Committee to move into Executive Session at 8:30 a.m. (Murakami/Nishimoto) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-1)

Executive Session adjourned at 12:57 p.m.

In Executive Session the Investment Committee approved:

1. The August 16, 2016 Executive Session minutes.
2. A recommendation to the Board to commit to an investment manager, subject to contract negotiation, for the Private Real Estate strategy.
3. A recommendation to the Board to select two investment managers, subject to fee negotiation, due diligence and contract negotiation, for the Systematic Trend Following strategy.

V. Future Agenda Items Discussion and Possible Meeting Dates

Mr. Yuan reported that the next meeting is scheduled for December 13<sup>th</sup> at 9:00 a.m. The meeting agenda will include Excess Reserve portfolio asset allocation, investment consultant RFP and Investment Policy update.

VI. Adjournment

MOTION was made and seconded for the Investment Committee to adjourn the meeting at 12:58 p.m. (Murakami/Becker) The motion passed unanimously. (Employer Trustees-3/ Employee-Beneficiary Trustee-1)

Respectfully submitted,

/s/

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Wesley Machida, Chairperson

APPROVED on December 13, 2016.

Documents Distributed:

1. Draft October 4, 2016 minutes.
2. Hawaii Employer-Union Health Benefits Trust Fund Quarterly Report Q3 2016.
3. Memorandum to EUTF from PCA regarding Acuitas Investments – Organizational Update dated November 5, 2016.