I. CALL TO ORDER
The meeting of the Investment Committee was called to order at 9:16 a.m. by Trustee Roderick Becker, Chairperson, in the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) Board Room, City Financial Tower, 201 Merchant Street, Suite 1700, Honolulu, Hawaii, on Tuesday, February 13, 2018.

II. APPROVAL OF MINUTES
A. November 21, 2017
The Investment Committee reviewed the draft minutes of November 21, 2017.

MOTION was made and seconded to approve the minutes of November 21, 2017 as circulated. (Currivan Musto/Fern) The motion passed unanimously. (Employer Trustees-1/Employee-Beneficiary Trustees-2)

III. EXECUTIVE SESSION
MOTION was made and seconded for the Investment Committee to move into Executive Session at 9:17 a.m. (Fern/Currivan Musto) The motion passed unanimously. (Employer Trustees-1/Employee-Beneficiary Trustees-2)

The meeting reconvened at 10:21 a.m.

In Executive Session the Investment Committee approved:

1. The November 21, 2017 Executive Session minutes.
2. A recommendation to the Board to commit funds to a private equity fund.
IV. PENSION CONSULTING ALLIANCE (PCA)
   A. December 31, 2017 Performance Report Including Excess Funds
      Mr. Colin Bebee of PCA highlighted significant points in the December 31, 2017 Performance Report. The OPEB Trust fund finished the quarter at $2.31 billion and returned 3.5% (net of fees) for the quarter, in line with the policy benchmark gain of 3.5%. Since inception (June 23, 2011), the EUTF portfolio has returned 8.0% (net of fees) versus the policy benchmark return of 8.0%, and over the past three years and since inception the portfolio exhibited slightly lower volatility than the policy benchmark. Additionally, all asset classes, excluding the Microcap (January 1, 2015 inception date), performed within 40 basis points of their respective benchmarks since inception. During the quarter all managers with the exception of Northern Trust (International Equity), Alliance Bernstein (REIT), ASB (Private Real Estate) and Mount Lucas (Trend Following) performed in line or above their benchmarks. The performance difference between Northern Trust and the benchmark is solely due to the manager’s implementation of a fair value pricing process. The performance difference between Alliance Bernstein and the benchmark is due to the timing of a large cash flow. ASB underperformed during the quarter due to lower than benchmark property leverage ratio. And due to the nature of the strategy, Mount Lucas may underperform over short periods of time. There is no concern with these managers at this time. As of December 31, 2017, all asset classes were within the allocation guideline ranges prescribed in the Statement of Investment Policy and Guidelines.

      Mr. Bebee reported that the EUTF excess funds portfolio finished the quarter at $189.3 million. During the quarter, the portfolio returned 1.1% (net of fees). Since inception (October 1, 2013), the portfolio return of 2.9% (net of fees).

   B. Quarterly Real Estate Report – Q3
      Mr. Gabe Ayoroa of PCA presented the first quarterly report for Private Real Estate. Since reporting for private market investments are lagged by one quarter, the report covers third-quarter 2017.

   C. 2018 Strategic Allocation Review: Part 1 of 2
      Mr. Bebee presented part one of the 2018 Strategic Allocation Review. Part one recapped the history of EUTF’s long-term allocation, reviewed the current financial condition, and discussed concepts and strategies to be included in the new review. Part two of the Strategic Allocation Review will be presented at the next meeting, and will include allocation modeling results and allocation target recommendations.

   D. Microcap Update
      Mr. Yuan presented a memorandum dated February 2, 2018 summarizing progress of the microcap transition. As of end of January approximately 96% of the transition trades have been completed and costs are within the expected ranges. The remaining trades are expected to take another one to two weeks to complete.
Mr. Bebee then presented a memorandum dated January 31, 2018 documenting the result of the onsite due diligence visit of Acuitas. Acuitas met all expectations and PCA does not have any material concerns and believes that Acuitas is fully capable of continuing to manage assets on behalf of the EUTF.

E. Investment Policy Statement (IPS) Update: Benchmark Update
Mr. Bebee presented a memorandum dated January 31, 2018 recommending updates to the Total Portfolio Benchmark and implementing a class-level Real Estate benchmark. The proposed updates are to align the benchmark to recent portfolio changes that are part of the transition towards the long term target. Additionally, the proposed Real Estate class benchmark will include both public and private Real Estate investments to reflect exposure of the aggregate class.

MOTION was made and seconded to recommend to the Board approval of revisions to the Total Portfolio Benchmark and implementation of a Real Estate class benchmark. (Fern/Curivan Musto) The motion passed unanimously. (Employer Trustees-1/Employee-Beneficiary Trustees-2)

F. IPS Update: Rebalancing Policy
Mr. Bebee presented a memorandum dated January 31, 2018 recommending revisions to the Rebalancing section of the IPS. The revisions provide clear authority to staff on certain rebalancing scenarios to help maintain a more consistent level of risk especially during volatile market environments.

MOTION was made and seconded to recommend to the Board approval of revisions to the Investment Policy and Guidelines. (Curivan Musto/Fern) The motion passed unanimously. (Employer Trustees-1/Employee-Beneficiary Trustees-2)

V. INVESTMENT ACTIVITY UPDATE
Mr. Yuan presented a memorandum dated February 2, 2018 summarizing progress of ongoing investment implementation activities.

VI. FUTURE AGENDA ITEMS DISCUSSION AND POSSIBLE MEETING DATES
Mr. Yuan reported that the next meeting will be scheduled for March 13, 2018 at 9:00 a.m. Possible agenda items include 2018 Strategic Allocation Review Part 2.
VII. ADJOURNMENT

MOTION was made and seconded for the Investment Committee to adjourn the meeting at 11:31 a.m. (Curivan Musto/Fern) The motion passed unanimously. (Employer Trustees-1/Employee-Beneficiary Trustees-2)

Respectfully submitted,

/s/

Roderick Becker, Chairperson

APPROVED on March 16, 2018.

Documents Distributed:
5. Memorandum to the Investment Committee from EUTF Investment Officer regarding Microcap Transition Update dated February 2, 2018.