CALL TO ORDER
The meeting of the Investment Committee was called to order at 9:00 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 Friday, March 16, 2018.

APPROVAL OF MINUTES – February 13, 2018
The Investment Committee reviewed the draft minutes of February 13, 2018.

MOTION was made and seconded to approve the minutes of February 13, 2018 as circulated. (Curivan Musto/Fern) The motion passed unanimously. (Employer Trustees-1/Employee-Beneficiary Trustees-2)

EXECUTIVE SESSION
MOTION was made and seconded for the Investment Committee to move into Executive Session at 9:02 a.m. (Curivan Musto/Fern) The motion passed unanimously. (Employer Trustees-1/Employee-Beneficiary Trustees-2)

The meeting reconvened at 9:20 a.m.

In Executive Session the Investment Committee approved the February 13, 2018 Executive Session minutes.

PENSION CONSULTING ALLIANCE (PCA)
A. 2018 Strategic Allocation Review: Part 2 of 2
Mr. Bebee and Mr. Lobdell presented part two of the 2018 Strategic Allocation Review, which focused on the risk and return modeling process and the resulting
target allocation recommendations. For the OPEB portfolio there were two recommended options, both with improved risk and return profiles (6.7%/6.9% expected return with 9.9%/10.4% standard deviation) relative to the current long-term target (6.8% expected return with 11.1% standard deviation). EUTF’s actuary confirmed that adoption of either option will not jeopardize use of the 7% long-term return assumption. PCA and EUTF staff recommended the first option for its more achievable Private Equity target.

For the long-term component of the Excess Funds, illiquid asset classes were excluded from consideration. There were six possible options, with the PCA and EUTF staff’s recommended option having an expected return of 6.0% and standard deviation of 8.1%. For the short-term component PCA and EUTF staff’s recommendation is to continue to hold assets in the short-term corporate bond fund.

MOTION was made and seconded to recommend to the Board approval of portfolio option 1 as the long-term strategic allocation for the OPEB Trust, and portfolio option 1 for the Excess Funds. (Pressler/ Currivan Musto) The motion passed unanimously. (Employer Trustees-2/Employee-Beneficiary Trustees-2)

B. Microcap Update
Mr. Yuan presented a memorandum dated March 12, 2018 summarizing the results of the microcap transition. The transition was completed on February 22, 2018 and the results based on total transaction cost, market movement impact, and duration, were all within the proposed ranges.

C. Investment Policy Statement (IPS) Update
Mr. Bebee presented a memorandum dated March 9, 2018 recommending revisions to the Rebalancing and Performance Objective sections of the IPS. The proposed revisions provide staff authority to rebalance the portfolio when allocations are off the target, absent employer contributions to reduce risk, and to update the investment benchmarks when aligned with planned changes in allocation percentages. The Committee discussed the proposed changes and recommended additional revisions for clarification.

MOTION was made and seconded to recommend to the Board approval of revisions to the Rebalancing and Performance Objective sections of the Statement of Investment Policy and Guidelines as amended. (Currivan Musto/Pressler) The motion passed unanimously. (Employer Trustees-2/Employee-Beneficiary Trustees-2)

VI. FUTURE AGENDA ITEMS DISCUSSION AND POSSIBLE MEETING DATES
Mr. Yuan reported that the next meeting will be scheduled between May 7th and May 9th, with the exact date to be determined. Possible agenda items include the Q1 2018 Performance Report, a proposed Evolving Policy Plan, an Acuitas presentation, and a custodian search update.
VII. ADJOURNMENT
MOTION was made and seconded for the Investment Committee to adjourn the meeting at 10:49 a.m. (Fern/Currivan Musto) The motion passed unanimously. (Employer Trustees-2/Employee-Beneficiary Trustees-2)

Respectfully submitted,

/s/

Roderick Becker, Chairperson

APPROVED on May 9, 2018.

Documents Distributed:
1. Draft February 13, 2018 minutes.
3. Memorandum to the Investment Committee from EUTF Investment Officer regarding Microcap Transition Update dated March 12, 2018.