

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Investment Committee Meeting
Tuesday, November 21, 2017

TRUSTEES PRESENT

Mr. Roderick Becker, Chairperson
Ms. Celeste Nip, Vice Chairperson
Ms. Linda Currivan Musto

Mr. Christian Fern
Mr. James Nishimoto
Dr. Virginia Pressler

TRUSTEES ABSENT: None

ATTORNEY

Mr. Michael Chambrella, Deputy Attorney General
Ms. Jodi Yi, Deputy Attorney General

EUTF STAFF AND CONSULTANTS

Mr. Derek Mizuno, Administrator
Ms. Donna Tonaki, Assistant Administrator
Ms. Maria Quartero
Ms. Amy Cheung

Mr. Kuan Yuan
Ms. Mary Bates, Consultant
Mr. Colin Bebee, Consultant

I. CALL TO ORDER

The meeting of the Investment Committee was called to order at 8:33 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, November 21, 2017.

II. APPROVAL OF MINUTES

A. August 30, 2017

The Investment Committee reviewed the draft minutes of August 30, 2017.

MOTION was made and seconded to approve the minutes of August 30, 2017 as circulated. (Pressler/Currivan Musto) The motion passed unanimously. (Employer Trustees-3/ Employee-Beneficiary Trustees-3)

III. EXECUTIVE SESSION

MOTION was made and seconded for the Investment Committee to move into Executive Session at 8:35 a.m. (Nip/Nishimoto) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

The meeting reconvened at 8:47 a.m.

In Executive Session the Investment Committee approved:

1. The August 30, 2017 Executive Session minutes.
2. A recommendation to the Board relating to Granite Investment Partners.

IV. PENSION CONSULTING ALLIANCE (PCA)

A. September 30, 2017 Performance Report Including Excess Reserves

Mr. Colin Bebee of PCA highlighted significant points in the September 30, 2017 Performance Report. The OPEB Trust fund finished the quarter at \$2.13 billion and returned 3.1% (net of fees) for the quarter, below the policy benchmark gain of 3.4%. Since inception (June 23, 2011), the EUTF portfolio has returned 7.7% (net of fees) versus the policy benchmark return of 7.7%, 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 30 basis points of their respective benchmarks since inception. During the quarter all managers with the exception of Granite (Microcap), Acuitas (Microcap), and Mount Lucas (Trend Following) performed in line or above their benchmarks. Granite underperformed its benchmark by -3.1% for the quarter, and remains on Watch Status. Due to the nature of the strategies, Acuitas and Mount Lucas may underperform over short periods of time. There is no concern with these managers at this time. As of September 30, 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 reserves portfolio finished the quarter at \$172.4 million. During the quarter, the portfolio returned 1.6% (net of fees). Since inception (October 1, 2013), the portfolio return of 2.8% (net of fees).

B. Education Overview: Alternative Risk Premia

Mr. Bebee presented information on the Alternative Risk Premia strategy.

C. Education Overview: Private Credit

Ms. Mary Bates presented information on Private Credit strategies.

V. INVESTMENT ACTIVITY UPDATE

Mr. Yuan presented a memorandum dated November 15, 2017 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 February 13, 2017 at 9:00 a.m. Possible agenda items include private equity manager recommendation and strategy asset allocation study discussion.

VII. ADJOURNMENT

MOTION was made and seconded for the Investment Committee to adjourn the meeting at 10:25 a.m. (Nip/Currivan Musto) The motion passed unanimously. (Employer Trustees-3/ Employee-Beneficiary Trustee-3)

Respectfully submitted,

/s/

Roderick Becker, Chairperson

APPROVED on February 13, 2018.

Documents Distributed:

1. Draft August 30, 2017 minutes.
2. Q3 2017 EUTF Quarterly Report by PCA as of September 30, 2017.
3. Educational Overview: Alternative Risk Premia by PCA, November 2017.
4. Educational Overview: Private Credit by PCA, November 2017.
5. Memorandum to the Investment Committee from EUTF Investment Officer regarding Investment Activity Update dated November 15, 2017.