PHONE (808) 594-1888

FAX (808) 594-1868

STATE OF HAWAI'I
OFFICE OF HAWAIIAN AFFAIRS
560 N. NIMITZ HIGHWAY, SUITE 200
HONOLULU, HAWAI'I 96817

MEETING OF THE COMMITTEE ON ASSET AND RESOURCE MANAGEMENT (ARM)

DATE: Wednesday, May 27, 2015
TIME: 10:00 a.m.
PLACE: OHA Board Room, Suite 200
560 N. Nimitz Hwy.
Honolulu, HI 96817

***** AMENDED**

AGENDA

I. Call to Order

II. Community Concerns / Beneficiary Comments*

III. New Business**

A. Action Item ARM #15-06: Approval of Funds for Lunalilo Homes ***
B. Fourth Quarter 2014 and First Quarter 2015 Performance Review with Commonfund
C. Fourth Quarter 2014 and First Quarter 2015 Performance Review with JP Morgan
D. Fourth Quarter 2014 and First Quarter 2015 Performance Review with Goldman Sachs
E. Spending Policy Education Session and Discussion with Commonfund

IV. Announcements

V. Adjournment

* Notice: Persons wishing to testify are requested to submit 10 copies of their testimony to the CEO at 560 N. Nimitz Hwy., Honolulu, HI 96817 or fax to 594-1868 48 hours prior to the scheduled meeting. Oral testimony shall be limited to five minutes.
** Notice: The 72 hour rule, pursuant to OHA Operations Guide, may be waived for distribution of new committee materials.

Trustee Rowena Akana, Chair
Committee on Asset and Resource Management

5/20/15
Date

APPROVED BY
RM COMMITTEE
ON 10/07/15

Office of Hawaiian Affairs
560 No. Nimitz Highway, Suite 200
Honolulu, HI 96817

Committee on Asset & Resource Management

MINUTES OF MEETING OF MAY 27, 2015

TRUSTEES PRESENT:	**TRUSTEES EXCUSED:**
TRUSTEE ROWENA AKANA, CHAIR ARM COMMITTEE	TRUSTEE HAUNANI APOLIONA
TRUSTEE JOHN WAIHE'E, IV, VICE CHAIR (Left at 12:49 p.m.)	TRUSTEE COLETTE MACHADO
TRUSTEE LEI AHU ISA (Left at 12:30 p.m.)	
TRUSTEE DAN AHUNA	
TRUSTEE PETER APO	
TRUSTEE CARMEN HULU LINDSEY	
TRUSTEE ROBERT LINDSEY	

BOT STAFF:

ANI PANG	BETHANN AHSING
CLAUDINE CALPITO	DAYNA PA
HAROLD NEDD	KAMA HOPKINS
KANANI SOUZA	LADY GARRETT
LAURENE KALUAU-KEALOHA	LEHUA ITOKAZU
LOUISE YEE-HOY	NATHAN TAKEUCHI

ADMINISTRATIVE STAFF:

KAMANA'OPONO CRABBE, CEO	DAVID OKAMOTO, INVT
EDWINA MINGLANA, HR	JOHN KIM, CONTR
LEONA KALIMA, CULT	

GUESTS:

KEALII MAKEKAU	DARREN SMITH, JP MORGAN
ZACHARY PAGE, JP MORGAN [VIA TELECONFERENCE]	JOHN DIPALO, GOLDMAN SACHS
RENEE MOTLEY, JP MORGAN [VIA TELECONFERENCE]	STEVE LANZO, COMMONFUND
TOM SNAYD, COMMONFUND	
SARAH CLARK, COMMONFUND [VIA TELECONFERENCE]	
HARVEY H. MCINERNY, JR., TRUSTEE, LUNALILO TRUST	
MICHELLE NĀLEI AKINA, M.P.A - LUNALILO HOME ADMINISTRATOR	

I. CALL TO ORDER

Chair Akana called the meeting to order at 10:05 a.m. Trustees present are Ahu Isa, Ahuna, Apo, Akana, Hulu Lindsey, Robert Lindsey, and Waihe'e constituting a quorum of seven (7) Trustees.

Chair Akana said I seek a motion for a 72-hour waiver for Action Items IV.A and IV.B.

Moved by Trustee Ahuna, second by Trustee Waihe'e to waive the 72 hour rule of the OHA Operations Guide for the distribution of new committee materials for agenda items IV. A. to IV. E. Hearing no objection, motion passed.

II. COMMUNITY CONCERNS / BENEFICIARY COMMENTS

There were no Community Concerns / Beneficiary Comments.

IV. NEW BUSINESS

A. Action Item ARM #15-06: Approval of Funds for Lunalilo Homes

Chair Akana said members, we have one action item before the reports. It is for Lunalilo Home and it is to approve an amount of $197,468.

Trustee Waihe'e MOVED, SECOND by Trustee Robert Lindsey to approve and authorize a funding request of $197,468 from OHA's FY 2015 Fiscal Reserve Authorizations for Lunalilo Home and Trust.

Harvey H. McInerny, Jr., Trustee, Lunalilo Trust, introduced Michelle Nālei Akina, Lunalilo Home Administrator and went over a PowerPoint presentation entitled "*Caring for Kupuna, Preserving a Legacy*."

Michelle Nālei Akina, Lunalilo Home Administrator, gave more details about what Lunalilo Home is requesting.

Trustee Hulu Lindsey said of the number of people we have there, how many are non-Hawaiians?

Harvey H. McInerny, Jr., Trustee, Lunalilo Trust, said we have, I believe, 42 today and out of those.

Michelle Nālei Akina, Lunalilo Home Administrator, said about 65% of the population is Hawaiian.

Trustee Hulu Lindsey said and are you filled?

Harvey H. McInerny, Jr., Trustee, Lunalilo Trust, said we are at capacity.

Trustee Hulu Lindsey said but when a Hawaiian is in need, what happens?

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Michelle Nālei Akina, Lunalilo Home Administrator, said when a bed is available, then we first give priority to our Native Hawaiian applicants. And there are a number of conditions. It's an ARCH residential care home, so they need to meet the meet the requirements for that home. And then if we're able to meet their physical needs, then they would have priority in the spaces.

Trustee Hulu Lindsey said I have a question of Administration. The pay out here is six hundred for the first year but we're only approving one ninety-seven. Where does the rest come from?
Chair Akana said Trustee Lindsey, the one ninety-seven is from the balance of the fiscal reserve. That's all we have left for this fiscal year, the 2015, and speaking with Hawley, that is all we could give at this point. We couldn't commit other funds at this time. However, the Board is being asked if we would consider doing the one point tow, and that would be over a three year period and the one ninety-seven would be a part of it. This would be the first increment of the one point two.

Trustee Hulu Lindsey said our information here says Year One, six hundred eighty-seven, so that threw me off.

Chair Akana said well this is not Year One, we're not looking at Year One with this one ninety-seven. This would be like if the Board agreed to fund the one point two commitment, then the one ninety-seven would be deducted from the six hundred thousand.

Trustee Hulu Lindsey said and the remainder would be given in another year?

Chair Akana said yes, it would be a three year commitment, over three years.

Trustee Ahuna said Trustee McInerny, quick question, nineteen twenty was built, right? Sewage issues. You have any?

Harvey H. McInerny, Jr., Trustee, Lunalilo Trust, said it was built in 1917, but we moved in in twenty-seven.

Trustee Ahuna said I'm thinking about infrastructure. To me, the health and safety of this place is determined on sewage. So how is that, your sewage system?

Harvey H. McInerny, Jr., Trustee, Lunalilo Trust, said it hasn't been as big a problem as some of the other infrastructure problems that we have and I got to tell you, I don't know when the last time was that we had sewage replacement done.

Trustee Ahuna said because back then, you know, septic to.

Trustee Hulu Lindsey said they must be hooked up to the county.

Michelle Nālei Akina, Lunalilo Home Administrator, said yeah, we do, in fact we do have maintenance of the sewage pipes, on property, twice a year, to clear it out.

Trustee Ahuna said I just wanted to make sure that it's updated.

Trustee Ahu Isa said I'm looking at Group 70's estimate. The major cost item here that's specifically excluded, I'm looking at page 101, asbestos and hazardous abatement, that's like really big. You mean we still got asbestos in that place?

Michelle Nālei Akina, Lunalilo Home Administrator, said I think it's probably related to the roofing that we have it listed there. When we were going through the estimates, we looked at those that we could realistically address at that time, so the asbestos, I think it's looking at the overall. There's not asbestos inside. I think when they start to pull things down then they need to do abatement to ensure there's no asbestos in there.

Trustee Ahu Isa said relating to what Trustee Hulu said about what happens if somebody needs to go there you know and there's no room, because as a member of 'Ahahui Ka'ahumanu, we were told, when I joined in 1994, that when I get old and I have no place to go, I'm going to go Lunalilo Home and I have a grave yard across Kamehameha bus stop, that's our Ka'ahumanu grave yard over there so I don't have to worry because, and now I'm getting old so I'm thinking who's going to take care of me, there's a senior home. What happens? Ka'ahumanu ladies who.

Trustee Hulu Lindsey said there's no preference yeah?

Michelle Nālei Akina, Lunalilo Home Administrator, said no, we have preference. Absolutely.

Harvey H. McInerny, Jr., Trustee, Lunalilo Trust, said only for Hawaiians and subsidies are only going to Hawaiians.

Trustee Ahu Isa said we put in money, every year, because we used to get these statements from First Hawaiian Bank. Ka'ahumanu had a million dollars in there, the year 2000 I think. What happened to the money? I don't know what First Hawaiian Bank did with our money, but now we don't have money and we asking Harvey, you're the Trustee so you must know some history.

Harvey H. McInerny, Jr., Trustee, Lunalilo Trust, said it's been used for a number of very, very noteworthy things over the years. Ka'ahumanu has been very generous, I believe, is it our nursing station or another room that was refurbished with the help of Ka'ahumanu? In addition to, I know there's been grounds work that had been done and a portion of it has gone to subsidies for the Native Hawaiians.

Trustee Ahu Isa said some of these things like landscaping; we don't have volunteers, because I know New Hope Church put in sprinkler systems in all of Farrington High School, volunteers, so I notice we need sprinkling system in the grounds. So some of those things, our labor unions might want to kokua and help or might even have some kind of a fundraiser like for our Mauna Kea.

Michelle Nālei Akina, Lunalilo Home Administrator, said and we're very fortunate to have many community supporters to come and volunteer their time, so we're very appreciative.

Trustee Ahu Isa said yeah, really lucky.

Trustee Waihe'e said this is such a small amount, but in the future, I'm guessing this is a Trustee Initiative?

Kamana'opono Crabbe, Ka Pouhana/CEO said yes.

Trustee Waihe'e said like, whenever we expend money, we still need to do due diligence on it so, I don't know, in the future, when Trustee Initiatives come up, I think it should be reviewed.

Kamana'opono Crabbe, Ka Pouhana/CEO said I agree.

Trustee Waihe'e said by the CEO and whatever relevant people we have on staff. That's all.

Trustee Apo said yeah, I think we, in terms of our due diligence, obviously on all funding requests, my pain is that, the story of Lunalilo Home and Lunalilo Trust is a tragedy of major proportions. A rip off that occurred where trustees are selling land to themselves at bargain basement rates, running this place broke. They've been on their knees for years. So whatever we have to do to help support it to the extent that we can be fiscally responsible and do it, they deserve the help. No question.

Trustee Robert Lindsey said yeah, I just want to amplify what Trustee Apo just shared because correct me if I'm wrong Harvey, but at one time I believe Lunalilo Trust was even larger than Bishop Trust.

Harvey H. McInerny, Jr., Trustee, Lunalilo Trust, said correct.

Trustee Robert Lindsey said you had like over half a million acres

Harvey H. McInerny, Jr., Trustee, Lunalilo Trust, said four hundred thousand acres, King Lunalilo had at one point, and there's no doubt that after he passed away, and whatever happened in that interim, from four hundred thousand acres down to, we have five acres and that was from the I'i/Brown Family, that's not even Lunalilo legacy lands, so I have a lot of confidence that at some point in the future, the light will be shining very brightly on those that did things that were wrong with our Lunalilo Trust.

Kamana'opono Crabbe, Ka Pouhana/CEO said right.

Chair Akana said you know, a long time ago I read on a airplane magazine that our late-Senator Hiram Fong bought land from Lunalilo Trust and all of his land that he owns in Kaneohe now, where his beach house is on the water and the plant farm that he has mauka is all from the Lunalilo Trust.

Harvey H. McInerny, Jr., Trustee, Lunalilo Trust, said that also is my understanding.

Chair Akana said he bought it from those trustees.

Trustee Robert Lindsey said and I just wanted to comment on Trustee Waihee's concern. You know, he is correct. I noticed that Ka Pouhana declined to sign-off, and my thought, Madame Chair, is that Admin be given, Ka Pouhana in particular, his opportunity to do a thorough review. You know, this is a wonderful project. We need to make a commitment to it pending Ka Pouhana's review of this matter.

Kamana'opono Crabbe, Ka Pouhana/CEO said thank you, Chair. We just needed time to review the documents and I understand your folk's need and the urgency, my thing, like many of the Trustees have shared, this is a very worthy cause, but we still must be mindful of our process to review and conduct due diligence.

Chair Akana said alright Trustees, roll call vote.

Trustee Waihe'e MOVED, SECOND by Trustee Robert Lindsey to approve and authorize a funding request of $197,468 from OHA's FY 2015 Fiscal Reserve Authorizations for Lunalilo Home and Trust.

TRUSTEE		1	2	'AE (YES)	A'OLE (NO)	KANALUA/ ABSTAIN	EXCUSED/ ABSENT
LEI	AHU ISA			X			
DAN	AHUNA			X			
PETER	APO			X			
HAUNANI	APOLIONA						EXCUSED
HULU	LINDSEY			X			
ROBERT	LINDSEY		X	X			
COLETTE	MACHADO						EXCUSED
JOHN	WAIHEE	X		X			
CHAIR ROWENA	AKANA			X			
TOTAL VOTE COUNT				7	0	0	2

MOTION: [X] UNANIMOUS [ ] PASSED [ ] DEFERRED [ ] FAILED

Motion passes with seven (7) YES votes, two (2) excused.

Harvey H. McInerny, Jr., Trustee, Lunalilo Trust, said thank you all very, very much.

RECESS

BEGIN at 10:35 a.m.

END at 10:41 a.m.

Chair Akana said okay David, it's all yours.

David Okamoto said aloha Trustees, so today we have Commonfund, JP Morgan, Goldman Sachs to do their portfolio overviews for both the fourth quarter of 2014 and as well as the first quarter of 2015.

B. Fourth Quarter 2014 and First Quarter 2015 Performance Review with Commonfund

David Okamoto said so up first have Commonfund, they'll start with a quick overview and what the markets' going to look like, then we'll jump into their performance for fourth quarter and the first quarter and then they've also got at the end how they're positioned and how they're thinking of making some changes to the portfolio. So today we have to my immediate right, Steve Lanzo, and then to his right, Tom Snayd.

Tom Snayd went over Commonfund's market overview and Commonfund's section of the May 27, 2015 Fourth Quarter 2014 and First Quarter 2015 OHA Board Reports.

Trustee Ahu Isa said I'm just curious, REITs. Can you tell me the difference between a REIT, the Speaker of the House asked me is Hilton Grand Vacations, I work for Hilton, I always thought that was a REIT, because Howard Hughes is a REIT and they just changed over, so what's the difference?

Tom Snayd said there's direct real estate and then there's REITs, which is public real estate. So REITs are real estate investment trusts and the reason they're built up is one, for tax purposes as well as it's a pooled vehicle for equity investment in real estate. It does have a lot of equity like beta, so it's invested in real estate that is equities and it tends to follow the underlying real estate market, but it can be at a premium or discount. So for instance, right now, REITS are about a five percent premium to the underlying NAV or net asset value of an underlying property. But they are equities. They're real estate equities.

David Okamoto said REITS are like a stock. You can buy it and sell it on a stock exchange, whereas, say a private real estate company, is obviously privately owned, the owners themselves control all the equity, they go out buy the buildings, manage them, collect rent, sell them for a profit. Whereas REITs, what you're doing is, you could have thousands, maybe millions of investors all invested into this fund, which then goes out, buys underlying properties, collects rent, sells them, buys new properties. And then, the way they're structures is, they have to distribute a certain percentage of all their income to those investors every year and because of that they get favorable tax status. Ninety percent has to be distributed to investors.

Trustee Ahu Isa said {inaudible].

David Okamoto said I don't know. I'm not sure maybe tax wise. It may have been maybe a public disclosure thing, because obviously, if you're publically traded, you have to file quarterly statements. People can kind of see what you're doing, right? Whereas private, you can kind of, obviously keep things private.

Trustee Ahu Isa said when we became public, when we went IPO in December of last year. I thinking because the legislature was looking at the tax issue.

David Okamoto said yeah, I think that REIT thing kind of did come up, you know, if they were going to change that status in Hawaii, yeah? I don't know.

Tom Snayd continued to go over Commonfund's section of the May 27, 2015 Fourth Quarter 2014 and First Quarter 2015 OHA Board Reports.

Trustee Ahu Isa said I have a question, it just concerned me that, I was watching world news and California gas prices, that hit me because it's four dollars and what, sixty, eighty cents a gallon in California. In Hawaii it's low, because the supply. They shut off the refineries, I don't know, they manipulate the price of gas, like I guess they did when Enron took over that [inaudible]. How do our funds tie into the oil prices? What California does?

Tom Snayd said it's definitely tied into the bigger macro piece, particularly within your commodities fund which does have energy exposure. The index that you currently invested in or that has a swap on has a lot less energy exposure than, for instance there's a Goldman Sachs Commodities index a Dow Jones, Bloomberg Commodities index and they're differently weighted to energy complex. So the index that you're actually in has a much lower weighted to the energy complex. You are effected by, in general, from the natural resource side, as well as commodities. So that's one of the reasons that we have our large underweight to commodities right now due to the supply/demand dynamics that we're seeing as well as, when I talk about public natural resources we're looking at, it's currently invested index fund, we are looking right now at investing in an active manager in that space to take advantage of some of that dislocation that we're seeing.

Trustee Ahu Isa said I'm always worried about what's happening in California because it ends up coming to Hawaii next.

Trustee Apo said follow-up question, University of Hawaii recently, I read in the paper, has elected to, as a matter of investment policy, to pull out of all fossil fuel investments and I think that's what's kind of going around the country or has been for a couple of years. How does that work? What's the impact?

Tom Snayd said we've actually done a lot of work on that internally, because we are starting to hear that a lot from a number of our endowments and foundations and there's different schools of thought. One is, you can divest from it completely out of the portfolio and you take that investment and reweight it into other areas or you can have more of an impact focus where you are actually, your idea is that it's going to get these oil and gas deals or coal companies could go to zero, they could become stranded assets. In that case you might do what they call a "swap" where you basically short all the energy stocks that you have in your portfolio because you really think that they're going to be stranded assets and that they could be going down substantially. So that's more of a point-of-view call where you think it's going down versus a pure divestment call where you're taking them out. But you are seeing, I mean you saw Stanford mention that they were going to be divesting some areas, out of coal, but a lot of these things come to the headlines but if you really look into it, they're basically asking their active managers possibly do it. They don't have to do it. So you're starting to see a lot more of it and we're looking, we've hired a provider, MSCI, which provides a database of SRI, which is socially responsible investing, and focuses on the ESG, Energy, Social, and Governance, and we're focusing a lot on the energy piece now, looking at this so being able to, number one, measure how much exposure you have, monitor how much exposure you have and be able to manage it as well. So we're starting to work with managers and looking at possible investment options we have in that space, but it's something we're definitely spending a lot more time over the last year.

Trustee Apo said the divestment has to be carefully managed.

Tom Snayd said it does. Basically you'd have a screen.

Trustee Apo said in terms of the overall impact it has on the total portfolio.

Tom Snayd said that's correct.

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David Okamoto said what you would do is instead of having, say a US equity manager who's able to buy basically any stock that's available in the US, what they would do is they'd say, okay, well we don't want to buy any oil companies or there's some other religious institutions would say we don't want to do any defense contractors or land mines, things like that and then what you would do is, then the manager would basically be given a list of names that they cannot buy. The debate is that though is well, what do you give up. By limiting your managers' available universe, are you skewing the risk/return trade-off.

Trustee Apo said does that, in the end, have any threat of raising gas prices because people are divesting?

Tom Snayd said probably a small piece, but I don't know how far that would actually flow through. There's a lot of other dynamics that have a lot more impact.

David Okamoto said I think for the most part, because these are very liquid, publically traded securities, if one institution sells them, obviously someone else is on the other side of that trade and is buying them. So the actual impact on the company itself is minimal if not nothing. And a lot of these institutions have said that a lot of it's more a symbolic. You're not really hurting Exon Mobile if you sell ten shares of their stock.

Tom Snayd said the other discussion point is that if you're off what they call the efficient frontier, because you're not investing in the whole universe you could be hurting your returns. So the though is you invest in the whole universe, try to make as much money as you can and put it to good use from your grants and what you support.

Tom Snayd went over Commonfund's asset allocation review.

Trustee Hulu Lindsey said does it cost us more money the more managers we add?

Tom Snayd said no, but certain mangers could cost more money than another manager. So for instance, taking active versus passive, for instance going from global to hedged equity fund or managers to a low volatility strategy, that would decrease that particular piece. In going from a passive natural resource manager to an active natural resource manager, that would increase the price there. So there is some changes in cost at the underlying manager level and we can highlight actually what those costs are. Additionally, moving from a passive REIT structure to a long/short REIT active manager would increase that cost so you really have to look at the cost/benefits of is it worth a REITs at this valuation, am I going to get more from the active management that the long/short REIT managers are going to provide versus just being long REIT equities.

David Okamoto said the decision between active and passive is, if we're going to go active and kind of pay more you would expect to get better performance out of it, so that's what you have to weight is, do we think going forward that paying that extra amount of money is going to give us a better risk or adjusted return in the future and that's kind of the analysis that they go through.

Tom Snayd said and that's what we did last year, the equity hedge portfolio that you're invested in had a suite of index funds and we moved those into the global equity portfolio which active managers have been very good over the last year. The fund's done quite well, outperforming the index funds that you would have had before, so more than made up for a change in underlying fees.

Steve Lanzo said I would just add that, you know as we think about the recommendations as it applies to these three pools, it's important that we work with staff and leadership at OHA to understand what the intent of those assets are and to periodically review them and bring forward recommendations to them. So that's what's driving the recommendations that we're putting forward today.

Chair Akana said how often would you do that?

David Okamoto said to make this review kind of thing?

Tom Snayd said we've been reviewing it yearly and we've been working with David on a quarterly basis, you know, reviewing the asset allocations, making sure it makes sense and where we fit but as we see some of these dislocations, they're influencing more of our decisions, particularly the active natural resource managers versus being passive or REITs as they become more expensive, moving more towards the long/short structure versus long only REITs.

David Okamoto said it's always being reviewed, but then obviously you don't want to be making changed like every week.

Chair Akana said no, but when the changes are made, perhaps you could notify committees so we could at least talk about it, so that when the quarterly meetings come about you can tell us where that change was made and how it made a significant difference in the portfolio. It would be very helpful.

Tom Snayd said none of these changes have been made.

David Okamoto said yeah, these are future ones. Hopefully they play out in the future.

Trustee Ahuna said for example, the recommendations they made, how do you feel about it?

David Okamoto said I agree with them. We've kind of gone through these, past couple of months. I think the logic is pretty sound on underweighting commodities, especially right now, given where we think supply and demand is, kind of globally, the move from out of the hedge fund to that low vol Martingale portfolio, so we're going to get a more liquid fund and it's going to be lower fees and we don't think we're giving that much up in terms of its purpose which is to be a source of protection.

Trustee Ahuna said in our opinion this [inaudible].

David Okamoto said yeah, and that's what we've hired Commonfund to do, to review the portfolio and make these changes where they see fit.

Trustee Ahuna said they are making recommendations right now but they just haven't made the changes yet.

David Okamoto said yeah, right.

Chair Akana said my point is, David is up on all this stuff and we get to hear it quarterly, but it would be helpful if when a change is made, he notifies the committee so at least we're onboard and we understand so that when they make the report we can see, "ah ha, okay, it was really worth it and maybe we paid a few cents more but it worked out." Right?

David Okamoto said yeah, sure.

Trustee Apo said actually, I'm just following up on that. This is kind of exciting. You know, usually, we sit here and listen to what happened. This is the first time that I can remember where we're actually asked our recommendation moving forward. Something that hadn't yet happened. Keep it up.

Tom Snayd said thank you.

David Okamoto said I think that was it, right?

Tom Snayd said yes, that's all we had.

Chair Akana said okay, so you're going to come back and give us the recommendations for the spending policy, right?

David Okamoto said yeah, so JP Morgan will go over their performance, Goldman will go over their performance, and they'll be back.

C. Fourth Quarter 2014 and First Quarter 2015 Performance Review with JP Morgan

Darren Smith, JP Morgan introduced **Renee Motley, JP Morgan**, via teleconference, and then went over the JP Morgan section of the May 27, 2015 Fourth Quarter 2014 and First Quarter 2015 OHA Board Reports.

Zachary Page, JP Morgan, via teleconference, went over the JP Morgan section of the May 27, 2015 Fourth Quarter 2014 and First Quarter 2015 OHA Board Reports.

Chair Akana said on page 32 we have the market growth additions and withdrawals. The withdrawals for 2015, one million eight hundred thirty-six thousand, how much of that is a call and how much of it is a withdrawal for us to use? We actually drew down this money?

David Okamoto said yeah, so it's a mix of, in this case, with the withdrawals, it would be a distribution. So like the hybrid specialty loan fund, they actually give quarterly distributions. So it has like an actual yield on it of however tens of thousands of dollars per quarter, so that would get included in there, and then also in those withdrawals are when we rebalance, so when we take some money from JP Morgan, some money from Goldman, and some money from Commonfund, it then goes to our enhanced liquidity account and then from there, whenever we drawdown for operations it gets actually drawn from that enhanced liquidity account. So a lot of those withdrawals what those are just kind of moving money.

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Chair Akana said for our own in-house sake, could we be more specific on how we withdrew this money? How much of it went to our loan fund?

David Okamoto said or how much of it went to operations? Okay, so we have that under the total account tab, because that basically accumulated everything. Page five in both books. So in 2014, if you look at withdrawals, so twenty one four ninety-nine eight fifty, basically twenty-one and a half million, that was the money actually taken out of the portfolio and went for operational spending, for 2014. For 2015, in the first quarter, was the four and a half million.

Chair Akana said so we're spending for operations twenty million dollars out of our corpus. Is that what you're saying?

David Okamoto said not out of the corpus, out of the investment portfolio, right?

Chair Akana said well that's the corpus. So we're taking that much money out of our Trust Fund.

David Okamoto said it is subject to the spending policy. So it is still within the spending policy.

Chair Akana said whatever we're making, we're spending.

David Okamoto said in 2014, yeah, that's basically what happened, which is why you see the starting value of three sixty-five and ending value of three sixty-one. It produced a five percent return during the year, but obviously we spent the five percent, so.

Chair Akana said and then some.

David Okamoto said and a little bit more, right.

Darren Smith, JP Morgan said any other questions regarding the portfolio from either fourth quarter or first quarter?

Chair Akana said how about Trustees? Any further questions? Darren, I guess you're good.

Darren Smith, JP Morgan said thank you very much.

D. Fourth Quarter 2014 and First Quarter 2015 Performance Review with Goldman Sachs

David Okamoto said so next we have Goldman Sachs and John DiPalo.

John DiPalo, Goldman Sachs, went over the Goldman Sachs section of the May 27, 2015 Fourth Quarter 2014 OHA Board Report.

John DiPalo, Goldman Sachs, said next I will highlight a little bit on the Non-Traditional and Non-Marketable Equities. So as I've noted here, we've got a lot of investments in these Non-Marketable Equity investments and a lot of them are now in distribution mode. So they're mature investments, but they're starting to pay distributions back so a lot of the withdrawals that you see are those distributions coming out.

Chair Akana said how many do we have?

John DiPalo, Goldman Sachs, said so the top ones here going down to, and you can see it by the inception date, so any of the '08 ones are surely paying distributions at this point. The 2012 and 2013, the newer investments that are more in harvesting mode, where they're still calling capital and those assets that are being called are being invested.

John DiPalo, Goldman Sachs, continued to go over the Goldman Sachs section of the May 27, 2015 Fourth Quarter 2014 OHA Board Report.

Trustee Ahu Isa said I have a question on fifty-seven. T. Rowe Price.

John DiPalo, Goldman Sachs, said which T Rowe Price? The Global Equities or the credit?

Trustee Ahu Isa said what's HIG?

David Okamoto said HIGH YIELD. It just got cut off.

Trustee Ahu Isa said T. Rowe Price handles all of our, Hilton, 401(k)

David Okamoto said okay.

John DiPalo, Goldman Sachs, went over the Goldman Sachs section of the May 27, 2015 First Quarter 2015 OHA Board Reports.

Trustee Ahu Isa said I just wonder when the Swiss banks, Australia, when they keep their rates low, like really low.

David Okamoto said some of them are actually negative.

Trustee Ahu Isa said how does that affect us?

John DiPalo, Goldman Sachs, said on the international side I mean, not speaking directly for the individual managers, but yeah, if they're investing in there, they've got investments tied to that, it's going to impact them. I'm sure they're monitoring those.

Trustee Ahu Isa said when they keep bringing it down and keeping it low.

John DiPalo, Goldman Sachs, said yeah it depends on if they're negative or positive on certain investments in the region, that'll impact.

David Okamoto said it kind of depends on if you're a saver or a borrower, right, because if you're a saver then that's really bad, because you're actually paying to deposit your money into a bank, which I mean seems completely counter-intuitive. Whereas if you're borrowing, you're actually getting paid to borrow money, which is really strange. I mean, I've never seen it in my lifetime, that's not very long but.

Trustee Ahu Isa said economists keep saying we are the frontier, they have never seen this situation where you keep printing money, and yet the value of the dollar isn't even there. And then Ron Paul, did you see that thing going on?

David Okamoto said when was this?

Trustee Ahu Isa said he said the dollar will be gone in a matter of years, so that's why people are buying gold. When you keep printing money, oh, it's been running on the internet constantly, social media is picking it up.

David Okamoto said it's actually quite interesting because, yeah, so the U.S. Federal Reserve, so the U.S., their central bank obviously has been doing, they've actually taken that down now, so we've actually seen the U.S. dollar actually appreciate against a lot of currencies. Against the euro, against the yen, all these other central banks that are, because now they're starting to get in on this whole thing of trying to kick start growth. The problem that they're facing is you can only lower interest rates to zero or you can even go negative, it's usually called the "zero balance." So the next thing they have to do is this thing called quantitative easing, where they actually go out and start buying securities and using that to try to effect interest rates. Usually it's interest rates on the longer end, so things like thirty year mortgages, that's the kind of things they're trying to affect, by going out and actually buying things, what's called open market operations, but yeah, it's really never been seen. As to what happens after all this stuff is done, there's debate about well, has it actually helped? And then obviously the questions is , well, what do you do next, right? You have a central bank that's gone out and bought trillions of dollars worth of securities, but what are they going to do with them, after?

Trustee Ahu Isa said do we get rid of them now? I have tons of U.S. savings bonds that I bought for all my grandchildren, you know I'm just sitting there, shall I got out and cash them all out now?

David Okamoto said that's kind of one reason why expected returns for U.S. Treasuries are so low going forward, because they're so expensive right now.

Trustee Apo said on page 48, in both books, where you reference the possible risk, opportunities and portfolio positioning, listing the traditional, macro-economic policy shifts in U.S. geopolitical instability, portfolio sensitive changes, etc. You know, the lesson we learned, I think, in 2008 is the greatest threat and risk is the industry itself and how it manages itself, how it polices itself. And so that experience in 2008 really created, at least with me, a highly suspect, that the federal government always has to be the one to police an industry that ought to police itself. What is happening with that? Just as a matter of risk strategy, does the industry look at itself? Are there mechanisms in place where it voluntarily regulates without having the federal government tell you what to do?

John DiPalo, Goldman Sachs, said I would say after 2008, a lot of, when you're say industry you're talking about Wall Street and managers and investment managers and stuff.

Trustee Apo said yeah.

John DiPalo, Goldman Sachs, said and I'll speak for our firm, started looking at a lot of the investments, breaking them down, looking at their tail risk events that can impact a portfolio by swings that you're just not thinking are going to happen. So from the far end of the spectrum of tail risk, how can that impact it? The other thing is leverage, I think leverage was a big component of what hurt a lot of investment managers, just having the side of leveraging in their portfolio and investments that they have. So from our end, we have, from our firm, have taken an underscore of all the risk across the firm, whether it be on the investment banking side or the asset management side and looking at our exposures across the firm platform, what impacts, what interest rate shocks, if something happens to interest rates or something happens to credit or if something happens to the market, depending if it drops another twenty percent, how that's going to impact portfolios. So that is something that we've really have tried to focus on, these what if scenarios, these tail events that are happening or could happen and how they would impact the portfolio and obviously what's been mandated from the fed to investment managers as to how we need to assess ourselves. That we went through a lot of the big banks.

David Okamoto said well in terms of risk, I guess the way we kind of look at it, you know big macro-economic risk, is the idea is, because we're kind of long term investors, it's more about building a portfolio that can survive that as opposed to trying to build a portfolio that can kind of completely avoid it, because you can build a portfolio that would, say, never lose money, but it's also not going to gain anything. I'd be like your checking account than earned you basically no interest.

Trustee Apo said let's speak to that point. So the Queen Liliuokalani Trust Portfolio is about $280 million. Ours is around three hundred sixty-three. We lost almost half of our portfolio in 2008.

David Okamoto said I think it wasn't quite that much.

Trustee Apo said so QLT, I mean hundred million, hundred fifty million seems to be like nothing in terms of a risk. So I guess we're fortunate. So three hundred something million, are we okay?

David Okamoto said yeah, I mean.

Trustee Apo said we're kind of small in the grand scale of things, right?

David Okamoto said right.

John DiPalo, Goldman Sachs, said peak market value?

David Okamoto said yeah, so the peak market value in 2007 was like four fifty, four sixty. So there are dynamics at play. One being obviously the financial crisis, you know obviously that was a big hit. The other thing was, you know, when we looked at what did spending kind of look like for the past ten years, one reason why we were able to get up to that four sixty well was one, equity markets and asset markets were really good, so we had a lot of portfolio growth and we also weren't spending a lot during those years. So like '03 to '07 there was some years where we didn't spend anything.

Chair Akana said I wouldn't say that. I'd say we lived without our means. We didn't dip into the portfolio. We actually lived within our means. That was the difference and in 2010 we lost a million dollars in one year, 2010 and 2011, primarily because we didn't change the investment policy fast enough where the markets changed and [inaudible] so we have to have meetings to make changes and so on. It took too long to get there. Even though we were advised to do that, it didn't happen early enough and we lost a million dollars. Then in 2008, we really look a bath. We have not been able to make it back.

Trustee Apo said and I ask the question because looking forward as Trustees, you know, as we look at our policies now that we're launched into a commercial real estate as an investment category.

Kamana'opono Crabbe, Ka Pouhana/CEO said that's also a leverage of properties.

Trustee Apo said but at least with real estate, I mean the good thing about our portfolio is that it's liquid so if we need money we can get it. When you own land, it's not quite so easy, but real estate, the value, is not so subject to crashes.

David Okamoto said yeas and no. It'll still adjust but obviously because it's appraisal based, it's not like a stock, which literally you can trade every micro-second, but it's doesn't necessarily mean that it's not immune to economic downturns.

Trustee Hulu Lindsey said but it never goes away and money does go away.

David Okamoto said you could say that.

Trustee Ahu Isa said I had a question. It was in relation to what Peter was saying because I though the question you asked wasn't about that. I thought your question was shouldn't we be concerned about the industry regulating or watching ourselves. I thought you were talking about the government watching what happens and every time they have, and I read it in the New York Times, every time they get a regulator, somebody goes in there and they look at things and they try to regulate these banks and stuff, they get fired. They get replaced. That's why there's so much cash out there and these banks are not letting the people, like our own Native Hawaiian people they apply for a loan, oh, denied, denied. There's so much cash floating out there. Charter, look at Charter buying Time Warner for that billions, billions of dollars.

David Okamoto said fifty-five billion.

Trustee Ahu Isa said fifty-five billion dollars. All these foreign people coming in buying Hawaii. Cash, cash. Millions, millions. We can't do anything about it. All Kauai, poor Kauai, just owned by very wealthy, wealthy people.

Trustee Ahuna said most billionaires in any state.

Trustee Ahu Isa said right there, concentrated in the north shore.

Chair Akana said okay, thank you so much. Speaking of regulatory, when we were at JP Morgan and they spend an awful lot of time talking to us about the, in fact the CEO himself talked about how much money they spent on regulation and that small companies can't survive because it takes so much money to facilitate the regulations. They have to have whole departments created to take care of all of the regulations and it was nice to hear that they don't pass that cost on to us. That's what they said.

E. Spending Policy Education Session and Discussion with Commonfund

Chair Akana said can you send us the materials earlier than on the day before the meeting. It doesn't give the Trustees enough time to read through it so that when we get to a table we can ask the right questions.

Steve Lanzo said sure thing.

Chair Akana said like a week prior would be very, very helpful.

Steve Lanzo said sure, okay.

Chair Akana said so David, you'll follow-up, won't you?

David Okamoto said yes, I will.

Chair Akana said that goes for JP Morgan and Goldman as well.

Steve Lanzo went over Commonfund's Spending Analysis dated May 2015.

Sarah Clark (via teleconference) over Commonfund's Spending Analysis dated May 2015.

Chair Akana said so looking at these different scenarios, the hybrid seems like it might be the way that we go when we look at changing our spending policy?

David Okamoto said yeah, one way that you can look at it is, the hybrid method should in essence give you a kind of smoother ride and then if you look at say, cumulative spending, it's somewhere in between the five percent and the four percent. You spend overall a bit more than if you just did a straight four and a half percent rate, but less than you would if you had five, but it should give you a smoother ride, which for us I would say is probably pretty important because the money that we take out from the portfolio is almost, if not more, than half the core operating budget, so having big fluctuations makes administration's job pretty hard in trying to budget if you have to deal with big fluctuations in how much money you have each year.

Chair Akana said but the hybrid model is still based on the four point five?

David Okamoto said right, because it's a weighted average. Eighty percent of the calculation is you take what did we spend last year, find out what was inflation, okay it was three percent, then you increase it by that three percent and then the other twenty percent is the market value, so you do get some impact of market value, so if markets decline, yeah that will kind of decrease a little bit, whereas if markets go up, it will allow you to kind of increase spending a little bit as well.

Trustee Apo said Harvard and Yale, are they Commonfund clients?

Steve Lanzo said they're not, but they were the first movers of adopting this, what's called a hybrid spending formula and I would just say that that philosophy of what was first put in place in the late sixties of the Ford Foundation was this percent of a three year moving average, and that remained in place for many, many years, and then three years became five years as the market volatility dictated wanting more smoothing and what we've seen has been organizations want a pit more predictability in their spending and not tying a hundred percent of the calculation to just the market value and that's why you see this inflation based formula starting to take hold. It's been more prevalent in colleges and universities but we do see it with some foundations and some operating charities as well.

Chair Akana said so Trustees, that's something we should think about, because we know that we do have to lower the spending policy, but doing a hybrid model would probably work out very well for us.

David Okamoto said so right now we use five percent of a twenty quarter average, so it's look at what was the market value over say the past five years and then you just take five percent of that number and then that gives you kind of whatever that is versus hybrid where it's that weighted average where you would say, say if we spent, call it twenty million last year, say inflation was "x" percent, and you just increase that twenty million by whatever inflation was, that would be eighty percent of the calculation, then the other twenty percent of the calculation would be, look at what the market value was, take four and a half percent of that dollar value and then you add those two pieces together and that's how much you can spend next year.

Trustee Robert Lindsey said so KP, we're in the midst of developing our budget for next year.

Kamana'opono Crabbe, Ka Pouhana/CEO said correct.

Trustee Robert Lindsey said are we looking at this hybrid as a possibility in developing that budget?

Kamana'opono Crabbe, Ka Pouhana/CEO said so currently, we are not because this discussion needed to happen. We were anticipating maybe in the next biennium, but I mean it's open for discussion.

Trustee Robert Lindsey said depending if we adopt the policy?

Kamana'opono Crabbe, Ka Pouhana/CEO said yeah, because right now we are with the current policy of five percent and if we're going to implement it, then we would have to do further cuts to the budget.

Trustee Robert Lindsey said David, are you folks anticipating a crisis coming?

David Okamoto said I wish I knew.

Chair Akana said but I think you should tell the Trustees what we heard when we went to visit with all of these money managers and what they see in the future and what the returns look like for the next couple of years. We're not looking at five percent guaranteed anymore so they should be told that.

David Okamoto said sure, so there's a lot of factors going into it, probably one being just the fact that things have kind of gone up so much already. You've had these big increases in real estate values in equity market values, so therefore, if you're starting at that high point, it's probably unlikely you're going to have another years of great performance. It's much more likely that future returns are going to be much more muted somewhere for the total portfolio, maybe somewhere around five percent, which is what our return was in 2014, which was down from, say our 2013 performance which was twelve percent and 2012 I think we were up like thirteen and fourteen percent. So if returns are going to be more muted, kind of going forward, there are something's we can do on the asset allocations side so the work that Commonfund does, Goldman, and JP Morgan, but on the other side, I would say probably the more important side, is the spending side because that's the thing that we can one hundred percent control. Because the asset allocation, we can make changes to the portfolio, but there's no guarantee that making those changes will get you the returns that you want. There's always risk out there, there's always unknowns out there. Whereas with spending, that is something that we can one hundred percent control, although you then still have to balance between what's sustainable for the long term versus there's still kind of immediate needs that have to be taken into consideration. Obviously we don't want to go from five percent spending to zero percent spending in one year. Obviously that would be crippling for the organization. So that's kind of the tough question that the board will have to decide, is coming up with a policy that really kind of balances those two, right? It's what's something that can work for the immediate future and for administration so they can plan budgets predictably but then also something that lines up with what do we think the long term expected returns for the portfolio are, because obviously to remain sustainable for the long term we can't spending more than we think we can earn. That's kind of the bottom line.

Chair Akana said so I think also what we heard was, from you all, is that what we can look forward to in the next year or so is maybe a three and four percent that's realistic. A five percent is not realistic anymore and so given that, we should be looking at reducing the spending policy and then the hybrid would be the way to go because it's gradual and it can balance itself out rather than going right to the four and a half where it's very abrupt, so if we did the hybrid, the chart shows it eventually kind of levels out, gives us room to move. So that would be my recommendation.

Trustee Apo said I think, and I'm not sure what our methodology is, I think, at least in my mind, I've always had the sense that we looked to the Trust Fund as where to start when we begin to plan a budget and then we look at the other ways that we generate revenue, the fifteen million from the legislature, and I don't know if that's the case, but it would seem to me that if that's the way we do it, we ought to shift to looking at our other sources pf revenue with a really high priority of increasing those amounts and then looking at the portfolio as the back-up system.

Kamana'opono Crabbe, Ka Pouhana/CEO said that's correct.

Trustee Apo said and then you can get to the four and a half percent.

Kamana'opono Crabbe, Ka Pouhana/CEO said and I would just add that part of the discussions we have had with PKF in laying out, all the way through to the strategic plan of 2018, is that next year, as we go into the legislature, it does look like, preliminarily, there is movement on the state's side of really looking at the Public Trust revenue. We would need to do the legwork this year, this summer all the way to January, to make sure that we have the support, not only in the legislature, but administratively for the Governor for that consideration because it's a big range, I don't want to kind of put out what the range is right now, but it would certainly be above and beyond what we are currently receiving in terms of the fifteen point one. And so with that sort of presumption, we would look at this biennium for the next two years of staying exactly what Chair Akana had shared, for this year is with the five percent and then eventually, gradually move into the four and a half. Then that gives us time to negotiate with the state on the Public Land Trust revenue. Optimistically, we hope we can settle it next year, but you just never know what the factors are going to be, but at the same time, it'll prepare us for what's about to come in terms of the completion of the master plan for Kakaako Makai and then with the real estate analyst, it'll help us with a much more comprehensive view and understanding what our financial needs are in the future while at the same time stabilizing, probably, operations with the reduced budget.

Chair Akana said I think that if the committee is in agreement that we should go with a four and a half hybrid, then we should do something to make it concrete that you would do this by the next biennium. So that means that would have to do an action item to make it happen so that everybody is on the same page that this is going to occur and it will occur prior to going into the legislature next year. So that would mean that our budget has to be prepared by the end of this year so it means that we would take action prior to that.

David Okamoto said I think what we could do is, you know you just do an action to change the spending policy, say in the next six months or whatever it is and just say effective as of this fiscal year, the spending methodology will change to, you know, hybrid or whatever it is. We can do that, yeah.

Trustee Hulu Lindsey said Ka Pouhana, is OHA receiving any other monies from the state other than the fifteen million cap?

Kamana'opono Crabbe, Ka Pouhana/CEO said we do receive some general funds.

Trustee Hulu Lindsey said from the legislature?

Kamana'opono Crabbe, Ka Pouhana/CEO said yes.

Trustee Hulu Lindsey said you know everybody has been talking about us receiving twenty percent of Mauna Kea. Are we receiving twenty percent?

Kamana'opono Crabbe, Ka Pouhana/CEO said no.

Trustee Hulu Lindsey said I didn't think so because it's part of the cap, right?

Kamana'opono Crabbe, Ka Pouhana/CEO said correct.

David Okamoto said I'm guessing that it would be included somewhere in the fifteen point one.

Kamana'opono Crabbe, Ka Pouhana/CEO said we don't know exactly what the formula calculation is by the state. They do cap it at fifteen point one. So that money is from Office of Mauna Kea Management, can go to DLNR and then DLNR calculates it into their fifteen point one because what they do is they draw from. Okay we need this much from DOE, we need this much from Department of Transportation, as long as they get to fifteen point one in their position they're fulfilling, because it doesn't matter where the money comes from as long as it's fifteen point one, they give it to us.

Chair Akana said I think the other thing that the board has to really be sensitive to is this past year, Senator Tokuda tried to put OHA in with other Trusts and make us answer to the state and we can't have that kind of situation happening to this Trust. We are not the same kind of the Trust that the state has. They have independent Trusts like with the University and so on, but we're not that kind of state agency. I think we're going to have to start working on this right away you can expect that to happen again next year and the board should be prepared for that because we are a semi-autonomous Trust and some of them don't really buy that.

Kamana'opono Crabbe, Ka Pouhana/CEO said Chair Akana is correct. I think in some of the early budget discussions and presentations that we had had, I think for a number of, I think it was more for the House of Representatives and some Senators, because they see the growth of OHA and the future efforts of where we are going, I think some of them still don't understand that we are semi-autonomous in the governance structure so there was a very strong assertion by the Senator to open up our records and the decisions that go into spending and we fortunately had Judge Klein actually talk to her about that.

Trustee Apo said I think, not the missing piece, but the piece we need to get on is, in the Ali'i trust meeting yesterday, Kamana'o and I are trying to encourage them to do an economic impact of Hawaiian money spending on the Hawaiian economy. We ought to do one for OHA, because if we can take that to the legislature and show them how our spending contributes to the economy in big, big ways in terms of employment, jobs, subcontracts, buying paper, machines, it's significant. Then, when they think of the fifteen point one million, it's not so painful for them.

Kamana'opono Crabbe, Ka Pouhana/CEO said right, right.

Chair Akana said it's nothing.

Trustee Apo said the charter schools that we support and the number of students that we are contributing to taking out of the DOE, which saves them five thousand dollars per student every year, doing those kinds of numbers and analytics, that would be a great thing to include in our testimony.

Chair Akana said there's no question about that but you know, Peter, besides that, a lot of the new legislators don't understand the real pie of how the Trust lands are divided up with in terms of revenue. So eighty percent of the ceded land revenue goes to the state for the betterment of the whole state. Hawaiians only get twenty percent and that's the percent that we function on. And the fact that we've been able to manage that better than the state does has become a problem for us. Now they think we have too much money and we should give them more money back. But the fact is that our Hawaiian money pays twenty percent for all CIP projects in this state. Twenty percent towards education. Twenty percent towards farming. Twenty percent towards parks and recreation and the betterment of communities. So that's eighty percent Hawaiian money. And the little twenty percent we get, they don't understand that we're helping them even with that amount, so a lot has to be done I think before the next legislative session to educate them and to explain to them how much money the Hawaiian people are contributing to the state of Hawaii. Military pays no rent for all the lands that they occupy. I don't know of any other state that that is happening. But anyway that's another story.

Trustee Robert Lindsey said Madame Chair, David, if you could work up an action item and bring it to the table at some point.

David Okamoto said just so that we're clear on the timing-wise, it would be effective as of beginning of fiscal eighteen?

Chair Akana said seventeen.

David Okamoto said seventeen? Okay.

Chair Akana said well it would be sixteen, seventeen right? We're going into sixteen, seventeen but it would be the biennial budget sixteen, seventeen, which would go into effect January of next year?

David Okamoto said the next biennium starts in two months.

APPROVED BY
RM COMMITTEE
ON 10/07/15

Chair Akana said it would start in seventeen.

David Okamoto said July 2017, okay. That makes sense.

Steve Lanzo continued to go over Commonfund's Spending Analysis dated May 2015.

Sarah Clark (via teleconference) continued to go over Commonfund's Spending Analysis dated May 2015.

Chair Akana said great, thank you so much. So you're saying if we change right away, by next year we could save a couple million dollars?

Sarah Clark (via teleconference) well it does depend on the return pay out so if we could say we're absolutely going to get a certain return then yes.

Chair Akana said thank you so much. This was really educational for us.

V. ANNOUNCEMENTS

There were no announcements.

VI. ADJOURNMENT

Moved by Trustee Apo to adjourn the meeting. Hearing no objections, the meeting adjourned at 12:52 p.m.

Respectfully submitted,

Nathan Takeuchi

Nathan Takeuchi, Aide
Committee on Asset and
Resource Management

Colette Y. Machado

Colette Y. Machado, Chair
Committee on Resource Management

Approved: RM meeting October 7, 2015