

**STATE OF HAWAI'I  
OFFICE OF HAWAIIAN AFFAIRS  
560 N. NIMITZ HIGHWAY, SUITE 200  
(VIRTUAL MEETING - VIA ZOOM WEBINAR)  
COMMITTEE ON RESOURCE MANAGEMENT  
MINUTES**

**February 21, 2024 1:30 p.m.**

**ATTENDANCE:**

Chairperson John Waihe'e, IV  
Vice-Chairperson Luana Alapa  
Trustee Kaleihikina Akaka  
Trustee Keli'i Akina  
Trustee C. Hulu Lindsey  
Trustee J. Keoni Souza  
Trustee Mililani Trask

**ATTENDANCE:**

Trustee Dan Ahuna  
Trustee Brickwood Galuteria

**BOT STAFF:**

Crayn Akina  
Joyce Yang  
Kanani Iaea  
Kyla Hee  
Melissa Wennihan  
Morgan Kauai Robello

**BOT STAFF (cont'd):**

Richelle Kim  
Sommer Soares

**ADMINISTRATION STAFF:**

Stacy Ferreira, CEO / Ka Pouhana  
Casey Brown, COO / Ka Pou Nui  
Arlene Aguinaldo, IT  
Everett Ohta, Interim General Counsel  
Grace Chen, Financial Analyst  
Kevin Chak, IT  
Nietzsche Ozawa, Interim Senior Legal Counsel  
Ramona Hinck, CFO  
Ryan Lee, Director of Endowment  
Tiger Li, IT

**GUESTS**

Gerry Flintoft, Consequent Capital Management  
Vijoy Chattergy, Consequent Capital Management

**I. CALL TO ORDER**

**Chair Waihe'e** calls the Committee on Resource Management meeting for Wednesday, February 21, 2024 to order at **1:31 p.m.**

**Chair Waihe'e** notes for the record that **PRESENT** are:

MEMBERS			AT CALL TO ORDER (1:31 p.m.)	TIME ARRIVED
CHAIR	JOHN	WAIHE'E, IV	PRESENT	
VICE-CHAIR	LUANA	ALAPA	PRESENT	
TRUSTEE	KALEIHIKINA	AKAKA	PRESENT	
TRUSTEE	KELI'I	AKINA	PRESENT	
TRUSTEE	C. HULU	LINDSEY	PRESENT	
TRUSTEE	J. KEONI	SOUZA	PRESENT	
TRUSTEE	MILILANI	TRASK	PRESENT	

At the Call to Order, **SEVEN (7) Trustees are PRESENT**, thereby constituting a quorum.

**EXCUSED from the RM Meeting are:**

MEMBERS			COMMENT
TRUSTEE	DAN	AHUNA	MEMO – REQUESTING TO BE EXCUSED
TRUSTEE	BRICKWOOD	GALUTERIA	MEMO – REQUESTING TO BE EXCUSED

**II. APPROVAL OF MINUTES**

**A. January 31, 2024**

**Chair Waihe'e** asks if there is anyone signed-up to testify on this agenda item.

**RM Staffer Akina:** No one has signed-up to testify on this agenda item nor for any other agenda item.

**Trustee Lindsey** moves to approve the minutes of January 31, 2024.

**Trustee Souza** seconds the motion.

**Chair Waihe'e** asks if there is any discussion.

There is no discussion.

**Chair Waihe'e** calls for a **ROLL CALL VOTE**.

MOTION							Motion: 1:33 p.m. Vote: 1:33 p.m.
TRUSTEE	1	2	'AE (YES)	A'OLE (NO)	KANALUA (ABSTAIN)		EXCUSED
DAN							EXCUSED
KALEIHIKINA			X				
KELI'I			X				
VICE-CHAIR LUANA			X				
BRICKWOOD							EXCUSED
CARMEN HULU	1		X				
J. KEONI		2	X				
MILILANI			X				
CHAIR JOHN			X				
<b>TOTAL VOTE COUNT</b>			<b>7</b>	<b>0</b>	<b>0</b>		<b>0</b>

**VOTE: [ X ] UNANIMOUS [ ] PASSED [ ] DEFERRED [ ] FAILED**

**Chair Waihe'e** notes for the record that all members present vote 'AE (YES) and the **MOTION PASSES**.

### III. UNFINISHED BUSINESS

None

### IV. NEW BUSINESS

#### A. Consequent Capital Management

##### 1. Observations of the Native Hawaiian Trust Fund (NHTF)

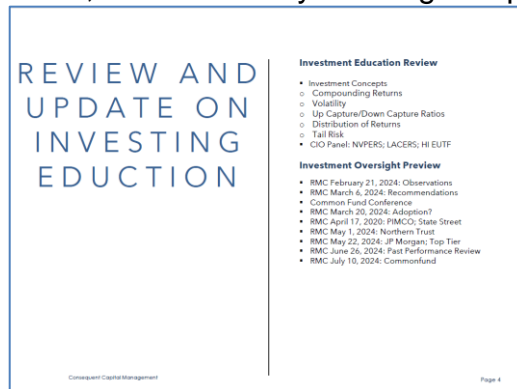
**Chair Waihe'e** asks if there is anyone signed-up to testify on this agenda item.

**RM Staffer Akina:** No one has signed-up to testify on this agenda item.

**Chair Waihe'e** turns it over to Independent Board Investment Advisor Vijoy Chattergy.

**Independent Board Investment Advisor Chattergy:** Aloha Trustees, staff, and other members and stakeholders that are present. It's nice to be back in front of all of you again at the RMC Meeting. Again, my name is Vijoy Chattergy, I'm with Consequent Capital Management. We don't have outside speakers today, but Gerry Flintoft is present, and he's focused in on private markets, so he's listening. Then we may have a number of other people listening in through the public live stream. Once again thank you for having us here, as people know, we are the Board Consultant on the Investment Program.

For today's material we don't have outside speakers, but we're going to go through as we do the format that we've established in order to communicate consistently and hopefully, comprehensively, with the Board. So, you have a presentation slide deck, which we'll have up on the screen for people to be able to refer to. On the document - there's a little bit of the background, and there's an investment glossary in the back for your reference as usual, but I will take you straight to page 4, if that's alright.



**Independent Board Investment Advisor Chattergy:** So, page 4, like we always do, we like to do a little bit of a review in terms of what we covered in the previous session - some of the Education pieces or speakers that we may have had. Then the second part of that we highlight some of the activities that we expect coming up over the next several months, and then we'll proceed into today's activities.

**Independent Board Investment Advisor Chattergy:** So, in terms of the last session, you'll recall that we introduced several investment concepts. I'm sure many of you have seen these terms and these ideas before; compound returns, volatility, up-capture, down-capture, distribution of returns, and tail risk. These ideas that we went into some detail last time, are used throughout investments and finance. But we tried to put it in the context of how it's relevant to you as fiduciary trustees. I'm happy to talk about these again, particularly if we have one-on-one meetings, or whenever you have questions - and that goes for the staff and aides as well; happy to continue that.

I would just mention that in terms of *the compounding returns* which we all learned in fifth grade, and we see at our bank accounts, when we buy a CD, or put our money into savings; we accept some kind of interest, and that interest makes interest on the interest. So, that's the compounding effect that I mentioned.

Like Benjamin Franklin and others thought was so nifty and important in terms of human development even. What I would point out to you as trustees managing a portfolio into perpetuity is that the compounding effect is tremendous, as we discussed. So as long-term investors, that's like your superpower. Not every investor / individual can take advantage of being long-term investors and being able to sit through markets that go up and down for different reasons and continue to grow using compounding returns over time.

Volatility is one of those things that can be very detrimental to a portfolio for a long-term investor. So, on the whole, there are many definitions and ways that volatility is used in the marketplace. It usually implies something like a frequent changing of prices. It is a measure of uncertainty in the market when you have a lot of volatility, but there are traders, and there are strategies that can trade volatility, and you can actually generate positive returns using volatility.

**Independent Board Investment Advisor Chattergy:** So, while I'll say you as long-term fiduciary investors tend to not like volatility, you want nice and steady returns over the long-term that are growing your portfolio. Volatility is something that you tend to shy away from, but that's just a generality. There are times in a portfolio of different types of assets where strategies that take advantage of higher volatility could be very effective and we'll talk more about that in time. I think, if we look at adding different types of strategies in the portfolio, but just as a rule of thumb you as Trustees, tend to, not like volatility, because you're long-term investors.

Traders and short-term investors, they tend to like the uncertainty in the market because they believe they can trade around that and make money at others' expense; so that's volatility.

The up-capture, down-capture was a percentage and even a ratio that we talked about. When you look at your manager's performance, that's one of the metrics you can ask for, and it sort of says, how do they do when the markets are going up. *Are they capturing 100% or more than 100% of the market?*

When markets are going down, let's measure and see. *Do they go down 100% with the market, or do they go down less than the market, or worse, maybe they go down more than the market?*

**Independent Board Investment Advisor Chattergy:** So, it's a tool. It's a way to look at how managers do in different types of markets, and of course, as long-term investors, while you want to generate as much as you can on the upside, it's really the downside where the payoff comes. Where, if you can lose less than others, or even not lose when the market is losing, over the long term, you're going to start compounding in that better position, and your portfolio will tend to grow better, and that's your advantage as a long-term investor.

*Distribution of returns;* had to do with, as you watch a strategy over time, or theoretically, what you expect a strategy to do. It should have times when it produces positive returns and negative returns, and the distribution of returns are generally presented as a chart or a graph that shows those possibilities over time. Many of us are familiar with the so-called bell chart, which is what they call a normal distribution, as investors. If possible, all investors - you want asymmetric returns.

**Independent Board Investment Advisor Chattergy:** What you want is that distribution is not normal, but if you can get a few more upside returns over time again, that'll lead to positive compounding and growth of your portfolio over time. So, we talk about trying to generate asymmetric returns. When you talk about your hedge funds and your alternative investments, that's kind of what they're pushing.

They're saying: *We're not just going to give you the expected return. Our investments are skewed to the upside, and we're going to produce more positive outcomes than normal or negative outcomes.*

If you have something that's skewed on the downside, that's something to be wary of, because that's saying that even if it doesn't happen a lot, there may be surprises.

That takes us to the *Tail Risk*, which are extreme returns - so that distribution of returns you'll see at the very extremes of those outcomes. There's a little blip in the chart, and that little blip doesn't look like much, but it could have a tremendous effect on your overall performance. We want it on the right side of the distribution curve because that implies positive returns. But when you have it on the negative side, and you're not really managing that downside risk, then that can be devastating to your long-term performance and outcomes.

So, these are just a few of the tools, and we'll develop more over time that you as trustees can use to oversee the portfolio. These are the kinds of questions and issues that you want to bring up when you see the performance of your portfolio, or a manager comes and tells you, *hey, I've got this great strategy.*

Well:

- *What does the strategy look like?*
- *What's the up-capture?*
- *What's the down-capture?*
- *Do you have a distribution of returns that we can look at, either based on historical or some proactive view of the future?*

So, these are the conversations that you, as trustees have, that staff can have, that your consultant should be having.

**Independent Board Investment Advisor Chattergy:** So that was the introduction of several concepts last time.

We also had a CIO panel; if you recall, we had CIOs from the Nevada Public Pension Plan, from LACERS, the Los Angeles City Pension Plan, and the former CIO of the Hawai'i EUTF group that also presented. They gave their perspective of how they manage institutional portfolios, how they work with their board, how they work with their staff, and they had different types of investments.

You recall the Nevada PERS had a lot of very passive, market exposure type investments.

LACERS was active in a lot of the alternative space, and they worked with their boards in different capacities.

I think, with the EUTF, they worked a lot with consultants, and they reported to their board. I think they still have their board approve a lot of the investments that go on there, as opposed to maybe LACERS, which has a very experienced team, as their CIO has been there a long time, and they are given more leeway to have discretion at some levels of making investments then reporting back to the board what they've done over time.

All of that is very dependent on those institutions. So, you as the trustees of the OHA portfolio, come to figure out exactly how you want to manage the portfolio going forward because you're managing it now and you have managed it historically. But what is going to be relevant going forward, and that's some of the things we will talk about. You may want to do it exactly the same way you do it now, you may want to change things. There are lots of options, but you collectively, as a board need to decide how it is you want to manage it. So, those CIOs that came in front of you gave you different examples of how they come to their solution. It's not going to necessarily be what OHA does, but we can always learn from watching what others are doing in the marketplace. And hopefully, maybe you generate conversations or a network of your peers like, remember, we had a trustee from the EUTF, come and speak, Christian Fern.

**Independent Board Investment Advisor Chattergy:** You know those sorts of people in the marketplace, they have a good understanding of what you're going through, and so they make a good sounding board or network.

- *How did you guys handle working with new investment opportunities?*
- *How do you bring yourself up to speed? ; and*
- *Where do you make decisions?*

These are all important things in terms of how to manage the overall portfolio. So that's the Education review.

**Independent Board Investment Advisor Chattergy:** If I can turn now and just talk a little bit about where we are in terms of the calendar of events or activities coming up.

So, you see, today is something that I'm calling *Observations*. So, I'll speak a little bit more about that, but we've kind of been looking at the portfolio. We've been talking to different trustees and staff and getting an idea of where things are, and the rest of this presentation is full of some of our *observations*.

On March 6, 2024 I have us coming back, and I'm calling it *Recommendations*.

That's where we'd actually like to come in with some red line versions or specific memos, saying,

- *This is what we think you could or should be doing, or*
- *Here are some options of how you might think about revising portfolio policy or procedures of how you oversee the portfolios, and*
- *What are the appropriate roles and responsibilities that you and trustees have, maybe what staff has, and so on.*

That may also get pushed a little bit into the March 20, 2024, because there's sort of high-level policies, and then there's things that get a little closer to operations or specific asset classes. And as we're going through some of the asset classes, there may be a lot more detail that we want to opine on, and so we'll try and do most of this in March.

Then really at your timetable chair and trustees, in terms of how you want to adopt that or the conversations you want to have around that can happen. I think the idea of having a *fully formed policy procedure way* to oversee the portfolio, going forward, maybe the target. To have that all in place by the end of the fiscal year, so you start off with a fresh foot going forward. But again, that's all up to you as a body to decide that. So, we make recommendations and give advice, but ultimately, it's your call.

**Independent Board Investment Advisor Chattergy:** The other meetings you see there are a number of your managers, as well as your Performance Report and Custodian - will come and speak in front of the trustees. There may also be some prospects that we might want to get in there, because they have particular expertise and certain strategies that might be helpful for the portfolio.

I'll note on the version that you're seeing here on the screen, I've already made a change to the May 22<sup>nd</sup> RM meeting, where you'll have Goldman Sachs come in and JP Morgan come in. So those are very important managers in your portfolio.

They have certain levels of discretion, and you see their portfolio. So, it is very important for you guys to have a direct understanding and dialogue with these managers and what they do for you and that's sort of the conversations that we'd like to have with them as they come in. Again, it's not that you need to oversee or micromanage what they do, once you've given them a mandate. It's more like making sure that they're doing what they said they're doing, that they're performing the results that you expect to have from them.

So, the reason why it's important to bring your investment managers in front of you, and actually take some of your precious time - there are many reasons, but I tend to think in three sometimes - *I think there's an accountability* that they have; they're investing your money.

**Independent Board Investment Advisor Chattergy:** We had the other week, Pantheon, come and speak to you. Even though you haven't made a new investment in Pantheon for several years now, they're still making investments based on your previous contracts. It's important that if they're investing money for you, that they are accountable for that, and they should come and explain what they're doing and why it makes sense for OHA going forward.

**Independent Board Investment Advisor Chattergy:** A second reason is that it's important for them to know you, to know OHA. They have a lot of clients.

Pantheon came and they have global clients, they have billions and billions of dollars that they invest. Someone at Pantheon should know:

- *Why is OHA different?*
- *What is it that you're trying to achieve?*
- *What are your visions and goals for this portfolio?*

They need to have a direct conversation and no one better than the trustees to articulate that.

Finally, by being in front of market participants and investors, OHA has an opportunity to brand themselves, to make sure that you're remembered in the marketplace.

As opportunities and ideas come to these market investors. who are out there always looking for opportunities, they remember - *oh yeah, I know OHA is interested in this sort of a strategy.*

You know there may be there five or six of their clients that might be interested in that, but if they know OHA - maybe you're on that list.

I do think those are reasons why we want to bring the managers in front of you, and it's not that they would necessarily come in every RMC Meeting. It seems like a lot right now, but that's because of the pandemic, and because of, certain issues. I think they haven't been in front of you recently, and there needs to be more reporting. It's typical of asset owners like yourself to bring these kinds of managers in front of them, maybe once every two years, unless there's some specific issue that you want to hear from them, then absolutely, they should come and present, because you have a reason for them to come.

So that's the preview of where we're going, and before I get into our *Observations* session, are there any questions or comments on anything that I've said up to this point? I want to be respectful of your time, but I also want to be responsive.

*There are no questions or comments.*

**Independent Board Investment Advisor Chattergy:** Okay, great, we can move on to page 5, and the next several pages are fairly dense with text and with ideas, and I hope to go through them fairly quickly, but it may take a little time. Feel free to stop me if you want to, at any point. Also, I'm looking forward to having follow-up conversations with everyone.

**Independent Board Investment Advisor Chattergy:** The idea of *Observations* before we get to *Recommendations* and before we get to actionable *Policy Changes*, is that collectively within OHA, you need to be having conversations about the best way to manage your portfolio. So, an idea that I come across in my work is that, if you look around the room, everyone that's here is a very successful, well-functioning person. If you compare yourself to just the humanity, you've done something right to be here and to be successful a lot of times, it's because you're able to provide solutions.

If someone has a problem, here's a solution, you give it to someone, and then we can move on. And a lot of successful people, that's how they sort of articulate and explain why they're successful, they're able to solve problems, they're able to give solutions. Part of where I am right now in terms of observations is, I don't want to go right to the solution, right to the recommendations, we need to spend time in something that I'm going to call problem space.

So, problem space is not, here's what you should do, it's more trying to define, what is it we're trying to solve here. Generally speaking, we're trying to build an institutional quality investment portfolio, but that's not a generic portfolio, that's the OHA portfolio. So, what does it mean to be investing for OHA's goals, missions, future, and how does that then get expressed. So, we're going to come to solutions, we're going to be in solution space, and we're all good at that, but we need to spend time in problem space.

**Independent Board Investment Advisor Chattergy:** So, there's a story that's attributed to Einstein, and it's not accurate, but people say this is what Einstein said, he never said it, but he could have said it. If the world were coming to an end, and he had to come up with a way to save the world, he would spend 55 minutes thinking about what's the problem, and then 5 minutes solving the problem.

So that's kind of the division of labor. Now, that's a nice story and you know he was a theoretical physicist, so maybe when you can think of ideas, and then the eclipse happens several years later and you get a lot of credit for that, that's fine, that's not actually where you are.

You have to solve the problems and deal with the investments today, you have an existing portfolio that you manage one way. You want to know, how should you manage it in the future. So, we can't stay in problem space forever and we can't spend 55 minutes of the hour figuring out why we should save the earth and then just 5 minutes saving it, we actually have to kind of do it at the same time.

But, if you humor me today, I'm saying, let's stay in problem space, and let's talk about these observations, then we can continue to have conversations between now and whenever Consequent comes back to you with actionable and concrete recommendations, so that that's kind of where we are.

**Observations: Overview**

Takeaways:

Best practice for an investment program of an asset owner is clear roles of **responsibilities and accountability** that allows for appropriate decision making at different levels of the organization with **transparency** that decisions are within governing policies and guidelines.

- Current investment program, including governing policy documents, was inherited and is not congruent with similar asset owners.

**Execution of tasks from supervision to implementation** needs to follow a defined process with confirmation and exemptions formally presented.

- Current investment program conducted without clear rationale for decisions and without reporting through appropriate channels.

- Investment program, particularly the Manager of Manager (MoM) approach, was designed at a time when different Trustees and staff worked at OHA.
- Investment Policy Statement (IPS) has strong and clear statements regarding goals and objectives, but does not always show best practices for a public entity in terms of accountability and reporting.
- Decisions related to investments appear to follow established procedures but accountability for the decisions in terms of rationale and reporting are not always clearly recorded.
- Comprehensive and holistic management of the investment program is not possible in the current structure.
- Appropriate resources are missing such in the case of an investment consultant(s) or internal dedicated staffing.
- Governance and information sharing can be enhanced.

Consequent Capital Management Page 5

**Independent Board Investment Advisor Chattergy:** So, on page 5, these are just sort of general observations, and what we're going to see is on the left side of the page going forward is, we sort of have certain takeaways that we feel are to emphasize, and on the right side we just have a list of bullet points of different observations. I'm going to try and run through this fairly quickly, but again feel free to stop me.

Again, I'm hopefully not giving you any solutions or tipping into that direction. It's hard not to do, when I want to give solutions to everybody. It's hard not to get into that, but let's stay in problem space for now, and just make observations and figure out, does that make sense, and *is that really the problem?*

Generally speaking, we're trying to build an investment program of best practices. There needs to be responsibility and accountability and transparency that goes throughout the program, wherever we are in it. The current program has the appropriate governing documents, they're in there. They cover a lot of ground but it's been apparent to us at Consequent that a lot of this has been inherited, the regime, if you will, that was in charge or oversight and had responsibility. Many of those people, or maybe all of those people are no longer here. So, it is relevant to come back, and kind of say, okay, *is what is in place appropriate?*

Maybe it was appropriate before, but *what is going to work going forward?* So that's something that we note.

At the bottom of the half of the page, the idea of: you have to *execute*. You have the supervision, you have the oversight, and then you also have to implement, you have to implement the portfolio.

*So, where and how is that being decided at the moment and what would be a best practice for us to do that going forward?*

**Independent Board Investment Advisor Chattergy:** So, we need rationale for decision making and we need appropriate reporting channels. As trustees, no one expects you to be watching the markets or the portfolios every day, there's a lot on your plate clearly, but *where is that happening?*

*Then when is it appropriate, and what is appropriate to be reported back to the trustees?*

That, I think needs to be done in a more systematic manner than it is at the moment, maybe it was done that way before and changed for whatever reason. There were clearly, a lot of issues like the pandemic that have interfered with basic activities and we're all dealing with that, but now let's see what we think will work for the future.

On the right side, we look at the Manager of Managers approach, that's what you have now, and again, it was created under a different time. You have an investment policy statement with a lot of clear and distinct policy.

**Vice-Chair Alapa:** *In regard to the Manager of Managers, do you believe change is in order?*

**Independent Board Investment Advisor Chattergy:** What I'll say is that my personal observation is maybe it's not the ideal structure in terms of where you are, but that's getting a little bit to solution, and if I bring solutions to you, I'd like to give you options and different ideas as opposed to just outright, saying, it's not appropriate.

**Independent Board Investment Advisor Chattergy:** There may be other folks who aren't speaking or asking right now, who might think the Manager of Managers approach is appropriate. That's a conversation worth having, because it was put in place for some reason, and it maybe was very effective at one point, but it's worth exploring again.

I would say, you do want to explore that. You want to explore where decisions are made and discretion, because there is an incongruence about that at the moment, and the rationale, the transparency, I don't think, is getting back up to the trustees where you're comfortable or understand how decisions are necessarily being made, and what's appropriate. So that's a conversation I'll go into, maybe more later.

**Vice-Chair Alapa:** I truly appreciate that, because it gives us an idea of where we stand and the lack of information, so it leaves us hanging at times. So, if we have someone like you, in your professional opinion on having a money manager or not, or more current through today's times of what you're already observing and being successful at, I would appreciate to have that information from you.

**Independent Board Investment Advisor Chattergy:** I'm happy to have those conversations, and what I would encourage all the trustees to do, and staff, and others who are interested in the portfolio; if you have that sort of observation, or that concern, jot it down. Let's have a conversation about it, so we can put it appropriately where it needs to be in the ongoing conversation, because again, a lot of these observations that we're making, we would like to make them into actionable recommendations. Where you can vote and say, *yes, we'd like to rewrite this policy statement, or we'd like to create this process*, but again, that's a little bit down the road, not quite yet.

The third to the last bullet point there, I would just highlight, you do want to have a comprehensive, holistic approach. Maybe one thing with the Manager of Managers approach, it's a little more siloed, and again, if this were a family office or something, I've seen very successful family offices that have very siloed approaches to their investment opportunities, they make a lot of money.

**Independent Board Investment Advisor Chattergy:** But you're a different kind of entity. So, we have to ask, *is that appropriate the way decisions are made?* Silo is kind of like a lot of decisions made within a manager or an asset class versus someone who's holistically looking at the overall portfolio and thinking about risk and opportunities and how they impact each other.

So that's along the lines of, remember, we talked about building an aquarium, maybe you don't remember, but I did make a comment, like if you're trying to invest in opportunities around the world, it's like the ocean, you can never have the ocean, but you can build an aquarium. So, it's appropriate to ask, what are the opportunities, and how do you build something that creates the portfolio that's appropriate to you, the portfolio being the aquarium. But we don't have to spend too much time on that analogy.

**Vice-Chair Alapa:** I have question regarding one of the bullet points; *the decisions related to investments appear to follow established procedures but accountability for the decisions in terms of rationale and reporting are not always clearly recorded.* So, you're saying that is what you've observed?

**Independent Board Investment Advisor Chattergy:** So, in terms of recording, it's like reporting, and again, decision making is made, you have managers that are making investment decisions.

**Independent Board Investment Advisor Chattergy:** *So, where are the documents and procedures in terms of how they do things now?*

They assumed at one point, maybe when they were hired, they went through, this is our investment process, but a lot of times, you need to follow up, and you need to continue to understand, *how are they making decisions, and why?*

Those conversations need to happen, and you need to be set, even if you've hired someone and you're continuing to use them. That's why I said, in the beginning, when we have these managers come, maybe they come every 18 months or something to just re-inform you about how they're doing things and how the portfolio is performing as well as you also get investment reports that need to be explained and presented to board.

**Vice-Chair Alapa:** But is 18 months the average, that sounds like quite a while.

**Independent Board Investment Advisor Chattergy:** It depends, again how you structure it. A lot of institutional investors, because they're long-term investors, it might be two years before they hear from a particular manager. A lot of times institutional investors when they do decide to invest with a particular manager whether it's the public side of the private side, you need time to see how they're doing. So, they don't want to be changing managers every year or every six months.

If you're in the portfolio, you need to be in the portfolio for at least five years for us to have any idea of whether you're doing well or not, and then beyond that. We can come back and talk about these sorts of things going forward.

**Chair Waihe'e** recognizes Trustee Trask.

**Trustee Trask:** I'm very thankful to see this, Vijoy, but when I look at the materials commencing at page five, the way I'm reading it is first overview advisory to us. You're flagging areas that we need to focus on and now supplement is how I'm looking at it.

In terms of page number 5, everything that follows will give me the detail of these kinds of corrective measures, is what I'm looking at now.

The other thing I wanted to ask, though, is that as we go forward, the advisories that I get from you, Vijoy, from you and your folks that are advising us now, I would like to put a little more flesh on the detail when we go through it. Page number 5 is the overview of some of the things that we need to look at, but one of the things, for instance, that Trustee Alapa just raised is, decisions are being made, but they're supposed to be an established procedure, but it's not being recorded.

**Trustee Trask:** You don't record it, you don't have it. The decisions are supposed to come from the Board and not from the staff. The Board is the one that is carrying the liability. So, the training that we need to get from yourself and others this coming year is going to help us to correct that problem.

On page number 4, you gave me month by month overview for our investment; training and the oversight, and you put in Goldman Sachs I guess coming in May or June, but I need to have something for the pages that follow page 5, because we're going to need to follow up on this with you.

**Trustee Trask:** So, I just want to make sure we include that.

The last point is, when trustees come into OHA, we have a couple of weeks of what's called onboarding orientation, nothing on portfolio management, nothing. So, when you take a look at future services, training and education we need, think about that for what we could put in to do a better job for onboarding for our Trustees. Thank you.

**Independent Board Investment Advisor Chattergy:** Yeah, thank you Trustee Trask. Those were terrific comments, and in fact, one point I want to clarify is that some of the subsequent pages and the details, they're not meant to be necessarily answering anything that was on page 5. We're trying to observe the things that we've seen in different aspects of the portfolio.

So, page 5 is just an overview, then when we talk about how frequently should a manager present in front of the board. That's a little bit getting into solution space, and there's more than one solution. Maybe 18 months or 2 years is too long for OHA to hear from a manager, maybe it's too soon. It just depends on the frequency, and that you have a defined process.

So, there are different ways you're going to be able to define that. I just put that as an example, at the risk of getting into the solution space, when I really want to stay in the problem space.

The problem is essentially, you're not hearing enough from what's going on in the portfolio at different levels, different ways, maybe, from the manager, maybe from your performance reports.  
*So, how do we go about solving that?*

That's what we want to come back with in terms of recommendations, but we'd also like to have that conversation. That's the purpose of having the *observations* and then the *recommendations*, and then eventually, you take action, so let's start to have those conversations. They don't all have to happen right here and now, but they need to happen, because ultimately you should all be comfortable and be willing to get behind whatever the policies and procedures are and understand how the portfolio is being managed. So, hopefully that was helpful and thank you again, Trustee Trask for your comments.

**Trustee Trask:** I just have one other point Vijoy, extremely concerned with the second column, third to the last point; *Comprehensive and holistic management of the investment program is not possible in the current structure*, that is like a hammer falling down on a Trustee's fiduciary obligation.

Trustees, we need to take a look at that, but it is going to take me a year, Vijoy, to get this thing in a better structure; that's a long time. *What's the quickest we can do with your folks' assistance to get this thing into a more holistic and comprehensive management format?*

**Independent Board Investment Advisor Chattergy:** Yeah, thank you Trustee Trask. That will be driven by you as trustees in terms of how quickly you want to adopt any recommendations that we bring in front of you. We're trying to get to the recommendations portion, maybe in March. There's a couple of meetings that you have in March, so we should have various recommendations, but the observation is just the structure that you have tends to force decisions and oversight into what we call kind of a silo approach.

**Independent Board Investment Advisor Chattergy:** Again, I'm not saying that under certain circumstances, with certain types of investors, that isn't necessarily a bad thing, but *is that appropriate for OHA?*

What I'm hearing you say is that *that's not the way that you would like it to be overseen and managed*, and I think that's fair. So now let's have that conversation, and then let's have Consequent come back with the recommendations that reflect a consensus, so that there's an ability to adopt it and to get behind it. So, thank you.



**Independent Board Investment Advisor Chattergy:** If I can move on to page 6, these are governance observations, and again, things to take away. So, we want to have follow up discussions. I do think that currently, your Resource Management Committee (RMC) is where you essentially have your, what other organizations might call the Investment Committee, and it does seem appropriate, because I know that there's like the direct investments, and there's other activities.

So, I think it is an appropriate place, where you can coordinate conversations and reporting, and then move it up to the other committees or the Board when you need input or decision making or ratification of activities that you decide here.

Now, even if the Board is making final decisions and getting information funneled through the RMC, and I do understand that all the trustees are on the RMC are also on the Board.

In terms of being able to get work done, you may consider:

- *Does it make sense for maybe the Chair and the Vice Chair to get a little more information or involved with the portfolio between meetings or on an ongoing basis? ; or*
- *Are there other trustees that you would want to have delegate those responsibilities to?*
- *Then - how do you prevent it so that it doesn't end up just being with a couple of trustees, when it really needs to be a shared responsibility, so do you rotate responsibilities over some?*

Those are solutions, but I just highlight them in the sense of - that's the direction you can go. The observation is that the RMC is an appropriate place to have these presentations and the meetings and issues brought up, and then the question is, the way it functions, *is it optimal for everyone to get the most out of the experience of overseeing this institutional portfolio?*

**Independent Board Investment Advisor Chattergy:** Again, there's no one right answer, and I'm not getting to answers now, but I want to put that out there because that needs to be the conversation that you have amongst yourselves, that you have with me, that you have with staff, so that we can come back and make a recommendation that you believe in, that you think you can execute.

Going to the observations on the right side, I think I've highlighted some of that already in terms of the takeaways. For example, the portfolio performance, there should be a regular schedule of reporting that, it doesn't have to be every meeting. It doesn't have to be every day, you're a long-term investor, but maybe quarterly at the very least.

Some investment asset classes might not need quarterly reporting, maybe they need annual reporting. It really depends on the investor and the level of oversight and involvement that the trustees want to have in sort of the day-to-day activities of the portfolio, but again, we can have those conversations and get to something. I do think that this is an appropriate meeting space with RMC, to have, for example, a quarterly presentation of the performance of the portfolio, and presumably you would have a consultant or staff present the portfolio.

**Independent Board Investment Advisor Chattergy:** We can still have the managers come in as we spoke before, and talk about their mandate and portfolios on a given schedule, but beyond that there should be a schedule where everyone has an idea, at year end or at the quarter-end:

- *How is the portfolio doing? Are there any concerns?*
- *Are there any issues that should be brought up?*
- *Do we need to have someone go out and investigate, why is our manager not performing well, or is this a new asset class that we should consider putting into the portfolio?*

This body not only has that oversight, but can then delegate and expect accountability back, so that you can make a decision. *Yes, let's go into this new opportunity set, or let's not invest in that opportunity.*

Those sorts of conversations need to be happening, but it's a question of where is it appropriate to have the conversation. Then how do you want that executed and then reported back. So those are actionable items that we're not getting into today, but that are out here. We want to be able to talk about that and have this conversation going forward.

**Trustee Akina:** Vijoy, you mentioned an Investment Committee.

- *How would you define an Investment Committee?*
- *What are its functions? ; and*
- *What competencies does it need to have?*

**Independent Board Investment Advisor Chattergy:** Investment committees generally are the final sort of policy and oversight for any investments that are going on in the portfolio. Different investment committees depending on the level of experience and expertise and the desire to be involved will make decisions or delegate decision-making to either service providers, or staff, or others, or they'll keep it to themselves, but there's a process for doing that.

It's really again, I hate to repeat saying, there's no one answer, there's no one idea, but ultimately, the Investment Committee, which are generally subordinate and report into a higher, like a full board, let's say, but it's focused in on the investments of an organization and decision making and oversight, and then reporting.

**Independent Board Investment Advisor Chattergy:** They report into the larger body which in some cases, like with yourselves, or like ERS and others, the Investment Committee is the same people that are on the board, so just a different focus at those meetings than the General meeting.

I know you have other agenda items and topics that you talk about at this meeting, so that's why it's not just an Investment Committee meeting, although you play that role.

**Trustee Akina:**

- *How frequently is it the case that investment committees are not the final board?*
- *Are there institutions that establish expert committees, one of which is the investment committee, consisting of people who are professionals with knowledge?*

**Independent Board Investment Advisor Chattergy:** So, a lot of like corporate boards; what they'll do is; they have an audit committee, they have an investment committee, they have maybe a human resources or personnel type committees. So, they do that, and they might have a sub sector of the board that'll be involved. Maybe those people have particular expertise, like they're an accountant or an auditor, or something that, that they bring to bear, and they are given some level of discretion and ability to make decisions. But even if they are making decisions, they always report into the higher board, even if the subgroup, is a member of that board, they'll have a presentation. So, there are different ways that you can organize it.

**Trustee Akina:** I have 2 concerns when you mentioned that this RM Committee could be the investment committee. So, this is something hopefully we can address later on. One concern is that you already note that discussions take place at the RM Committee and at the board level without finality, and that's an observation that could raise some concerns about how well in this venue we can actually do the work that an investment committee needs to do.

**Trustee Akina:** The other concern that I have is that our meetings of the RM Committee are public, so the discussions are limited to those things which can be discussed in public. So, I just hope that we'll take a look at whether or not the Committee should be regarded as the Investment Committee and have a real, clear idea as to what the role of the Investment Committee is and where its functions can be best performed.

**Independent Board Investment Advisor Chattergy:** Those are very good points, very important insights. I have somewhere in here in terms of the way OHA as an entity has a public component to it. But then there's also that you are maybe learning trade secrets and confidential information from, say, your managers, if they come and report and they want to tell you about their strategy. They might say, *Hey, there's certain things here that we don't want to be in the public record, because it takes away our advantage in the marketplace.* If that's your investor, you don't want them to lose that advantage because they're presumably making those investments on your behalf. So, in this document I talk a little bit about some of those challenges, and the observation is the RMC actually is a de facto sort of investment committee. Whether it's appropriate going forward, or you need to create something else that could be in the solution space, but it is relevant and important to consider the idea of, what has to be done in public because you're a public entity, and then what can be done outside of the public arena because, you have to protect information on behalf of your service providers. Otherwise, you lose their service, *I don't want to make investments, because OHA's gonna make it all public, and then I'm going to lose my competitive advantage.*

**Independent Board Investment Advisor Chattergy:** So, the ERS, the EUTF, all the public plans, including the Nevada plan that came, they all have ways to deal with that so it is appropriate. It's probably something that you have to consider with your legal counsel and the way entities in Hawai'i deal with Sunshine Law, and the need to sometimes protect certain kinds of information.

There may be certain decisions, there may be certain information that you can protect for so long, but not forever, and that happens all the time in this industry. Investment managers who want to do business with public entities recognize that at some point their information may have to become public because your duty is not to the manager, it's to the State and to the people, but if there's a clear understanding of when and how that happens, and when things can be, that can all be dealt with suitably enough so that they're comfortable to work with you. But again, that's kind of beyond an investment consultant or board consultants' ability to give you sound advice. You need legal counsel, and people who understand the laws of the State clearly.

**Trustee Akina:** Thank you.

**Independent Board Investment Advisor Chattergy:** Thank you. Okay, so we talked about the reporting. I have a comment there that you have trustee aides that have a lot of institutional knowledge in the organization, somewhere here on another page. I'm sorry I don't have it at my fingertip, but I do talk a little bit about the idea that trustees, you as elected officials, there's sometimes turnover, so you have to consider that in the way decisions are made and how you do that. Even for the administrative staff, there seems to be turnover there at times, but you do need to manage this portfolio for the long term, so how best to do that, that's just an observation.

If we go on to page 7, because I do want to move things along, *Resourcing*. Maybe it's this page in terms of resourcing, yeah, so all investors, not just OHA, you're resource constrained. There are never enough people, there are never enough opportunities, but how do you deal with that as OHA is a public entity, but with a very unique mandate and an obligation. You have election cycles, you have civil servants, so those are things that you want to consider.

**Observations: Resourcing**

Takeaways:

All investors have **resource constraints** and are **constrained**. OHA as a public entity with a unique mandate governed by elected politicians working directly with public servants offers particular challenges.

- Election cycles impact Board composition
- Trustee aides often have civil servant careers
- Administrative staff experiences turnover
- Public scrutiny and accountability present

Resources can be understood as anything that supports the success of the investment program, such as Trustees, aides, staff, and service providers or materials and also intangibles such as intelligence and intellectual properties.

- **Persons, things, and intangibles**

- **Human resources**
  - Trustee with ultimate fiduciary roles, are elected on 4-year cycles with no term limitations and no investment knowledge or experience required
  - Trustee aides follow civil servant career paths, and many have knowledge of the portfolio if not strong understanding of capital markets
  - Administrative staff often have direct operations on the investment portfolio and have various financial management experience, although not necessarily specifically with investment management
  - Service providers operate within specific mandates and do not view the NHIF holistically or as its primary business objective
- **Material resources**
  - Appears adequate
  - Conference facility expansion
- **Intangible resources**
  - Network of indigenous and state wealth fund investors untapped
  - Brand as an investor underutilized
  - Leverage of existing fund managers unexplored
  - Investment process for Hawaiian investment ideas

Consequent Capital Management Page 7

**Independent Board Investment Advisor Chattergy:** When we look at the second bullet point there on the left; *Persons, things, and intangibles*, I just generally categorize those as the resources at your disposal. So, you have human resources, the persons, you have trustees, you have the aides, you have administrative staff, and then you have all the service providers.

**Independent Board Investment Advisor Chattergy:** So, I just make some observations here in terms of the challenges and the strengths of that. You have elected officials who are ultimately responsible to your constituents, to the Hawaiian people, but you also have election cycles. So, there's the risk that people turn over more frequently than if they were say, certain appointed board positions where people can be on boards for a long time; 10 years or more.

You also have a little bit of turnover for different reasons with administrative staff. Sometimes the aides have Civil Service career paths, but they might not have as much experience in capital markets other than maybe institutional memory. So, there are trade-offs here.

I talk a little bit again about the service providers and the need to have a more holistic view of the portfolio. Then you have to understand your service providers all operate on a business model that they're trying to maximize that may or may not coincide with the objectives of OHA.

*How do you hold your service providers accountable?* There are different ways to do that, whether you're doing RFPs or you're requiring reporting and what have you.

*Material resources,* I think they're mostly adequate. The only thing I note here is if you wanted to have a conference or your own version of bringing in the managers and talking about the portfolio over a day or two. I wasn't sure if, the facilities you have here, or somewhere on island, would be appropriate, but you might think about that in the future. It is a way to articulate to managers and service providers who OHA is, who you are as a brand, what your interest is in terms of the market, and achieving your larger goals and objectives that you have in your vision.

Then, I also define *intangible resources.* So, networks - I note that there are other indigenous groups, there are also other state agencies that are not pension plans or OPEB plans that are similar to yourselves, that generate their corpus and their wealth from the wealth of the State; that's a network there. I understand, they meet fairly frequently and that could be a resource for you to hear and to understand how they tackle investment needs.

Also:

- *How are you seen in the marketplace?*
- *What's your brand?*
- *Do you have mind space in your investors brain, so when they come across an idea, they think, this would be perfect for OHA?*

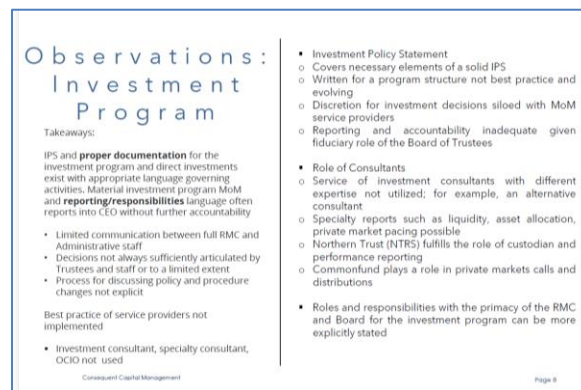
That's challenging, even when I was at a large public pension plan, we'd bring in managers that have been in the portfolio for years, and we said, *how big do you think we are?* They would be off by billions and billions of dollars. Which makes you think - you're not really thinking about us.

**Independent Board Investment Advisor Chattergy:** I don't expect you to live and breathe it the way someone on the staff might, because they have real, kind of skin in the game, but, I expect you to know something about who we are and what we're trying to do. That's an intangible resource that you can build up, and again leveraging the fund managers that way.

**Independent Board Investment Advisor Chattergy:** The other thing I throw in here, which is maybe a little bit, on the side, or maybe it's controversial, but, *are there Hawaiian investment ideas, or values that you want to have expressed in the portfolio? So, what does that mean?*

This is my observation; I'm not looking for answers or feedback. I'm just saying, *are there certain kinds of investments that you, as OHA, as Hawaiians, want to pay particular attention to? ;or Is there a Hawaiian way of investing that we can express in the portfolio?*

I don't know the answer to that, but I put that out there. It's not so far-fetched in that there are religious organizations that will say we want portfolios that reflect our values, that show how we invest. So, it's not far-fetched to say, OHA as a unique entity in the world has a Hawaiian way of investing or a value. We have to think carefully about that, there are certain rules as fiduciaries about generating returns and focusing on that. You can't just be only about trying to express views and values, that has to be checked. But still, like I said, there are groups there that will say we don't invest in certain things because it doesn't reflect our values. So that's another aspect in terms of intangibles, an *intangible resource* and way to impress on the marketplace who you are as an organization, and that, I think, is important for every organization to do.



**Independent Board Investment Advisor Chattergy:** Moving on to page 8. This is on the investment program in terms of you do have proper documentation, I talk a little bit about the manager of managers (MoM) approach. There may be some limitation in terms of communication between the RMC and your staff. There are decisions that are maybe not always articulated either by staff or trustees, and that process needs to be made explicit and probably put into a document that you can refer to, to make sure we're adhering to what we said we wanted to do.

Then, of course, there should be a process for changing that procedure. If that becomes the case, either for some reason now or in the future another group comes in and wants to do things slightly differently, but it should be driven by those sorts of discussions and then documentation.

The other thing is your investment program, you can have different kinds of service providers. You don't have an investment consultant, really, at the moment. The board consultant is different than an investment consultant the way we've defined it, although there's some overlap.

I think that Mr. June, the CIO of LACERS talked about working with specialty consultants, or maybe was Kuan from EUTF. They have consultants that focus just on private markets or just on real estate, or something like that. Investment real estate, not your direct investments.

**Independent Board Investment Advisor Chattergy:** There's also the opportunity to work with an OCIO, which is in some ways, farming out the portfolio management, day in, day out, but yet keeping the control in terms of the policy and the oversight and the big decisions. So those are things that we can talk some more about.

**Independent Board Investment Advisor Chattergy:** On the right-hand side again, I highlight in some of the bullet points, the investment policy statement, the program structure was written at a different time, and I don't know if it's best practice or best practice for where you need to go given how you're growing, it's kind of siloed and not holistic. The role of the consultants, again, the need for an investment consultant or someone who's supporting staff and supporting the trustees day in, day out. You may need specialty reports, liquidity, or, in the case of the private markets investments, there's something called a pacing study.

- *How much should you invest every year in order to get to your targets? ; and*
- *How do you go about that, the kinds of strategies?*

That's something that we may come back with and give you, at least in this illustrative example of what a pacing study might do, assuming you want to do more in private markets.

**Vice-Chair Alapa:** You mentioned where we'd like to be at, financially speaking. *Who determines that, do we as a Board?* Because I'd like to see us at a billion dollars. That's where I see our portfolio at, we should have been there a long time ago.

Now that we're moving forward, and all of these observations you've made are to the T exactly what we need in order to make the changes, in order for us to get to the place where we should have been or should be. So, on that note is there anyone that will be able to guide us in that direction, as far as, what are we shooting for. If we want to get to 1 billion dollars, *what does it take for us to get there, as an example?*

**Independent Board Investment Advisor Chattergy:** Sure, I think a way to think about that is that you have an overall strategic plan, that you're implementing, and you want to support that, and the portfolio should support that strategic plan. I believe your CEO, Stacy is very good about articulating that plan in public.

I've seen her interviewed, and she is very strong and makes that very clear; that's a good thing. The portfolio should support that effort, the ultimate goals. Now, you might not go and talk about the portfolio every day, about how does that improve housing opportunities, but it ultimately serves the purpose, and you define that purpose, as trustees. You define the strategic plan and goal, the portfolio and how you get to whether that's 1 billion or 10 billion, whatever.

What you need to understand is it's not so much like, we need to be at a billion, or we need to be at 3 billion, but there is some idea of over so much time, based on investments and the returns, you will be at a billion, you will be at 3 billion.

You should have those sorts of expectations.

- *Are we on the path? and*
- *Is it probable that we will reach our goals with the given portfolio that you have, for now, for whatever reason?*

**Independent Board Investment Advisor Chattergy:** Capital market expectations have changed so now we think we won't be able to reach that goal in two or three years.

So now,

- *Should we change the way we invest? or*
- Do we keep holding what we're doing?

Those are questions you can ask and that's the support that you should be getting from your consultants and your staff to say we're on target or we're not on target, we need to make decisions to get there.

So that all comes into some of these kinds of reports that project out. Usually like in a pension plan, they use an actuary, so you can see, the negative cash flow for the public plans here in Hawai'i is something that's projected out over time.

So, they're taking on more risk because they need to generate better returns. So that's a clear reaction to the reality of where they are and the boards there are provided that information by the actuaries, by the consultants. You don't have actuaries, because you don't have those kinds of obligations, but you have different obligations to your community.

You have different ways that you want to get there, and how you want the portfolio to support that, so that's a conversation that you should have, and that your service providers and your helpers should have with you. Then, you can decide:

- *Should we do more in private equity?, or*
- *Should we do less in fixed income?*

Whatever the case might be, but you're on the right track, I think, in terms of that observation.

**Independent Board Investment Advisor Chattergy:** One thing you should observe about your portfolio, and where you are is that you're a little bit unique for a lot of institutional investors in the US. Not all, but unique in the sense that you actually have a growing corpus based on the fact that you have positive cash flow.

I mentioned just a second ago that there are other groups and plans like public plans that are under a lot of constraint because people are retiring. So, the money is going out the door, as opposed to the new employees, being able to contribute to the plan the way they traditionally have, but that's not the case with OHA, so that puts you in a unique position.

It's great as a portfolio manager or CIO, being in a position where you have money coming into your portfolio every year that you have to figure out, *how am I gonna invest this?* That's a much better problem to have than *oh, my God, we're paying out so much and now, what do I have to sell to cover expenses, or operations.* I think that's the case that you have that, so take advantage of that. That is a superpower. That's a strength that you should take advantage of.

**Trustee Lindsey:** Vijoy, I just want to encourage my colleague across the street from me that when I came in office 11 years ago, our corpus was 350 million and today it's over 500 million. So, we have progressed. Progressing by speed is not necessarily always the right thing to do, because if we earn fast money, we could be taking more risks. So, I think we've been doing pretty good and now that we have you, I think we're going to do better.

**Independent Board Investment Advisor Chattergy:** I hope so, thank you for that. I don't control outcomes, but I'm trying to produce process and report. That's very helpful, I think it's important to remember that. If you don't mind me saying, ultimately you have goals and visions and programs that you're trying to impact your community with, and the portfolio again should support that, as opposed to just focusing on how can we generate the highest returns or get to certain levels. That's important. That will happen, but it should happen as a byproduct of your effort to reach your bigger mission, which is much more important than how much money any investor or strategy makes.

I know it's related, but I just want to emphasize that the approach or the attitude is really that you want to continue to be significant to your community and provide the kinds of resources that they need, and the portfolio should support that as opposed to, let's generate a return and then let's figure out what to do with it.

Anyway, that's my view, you can disregard it completely because I'm not a trustee. I'm just a guy that you're hiring to do a little bit of work for.

**Chair Waihe'e** recognizes Trustee Trask.

**Trustee Trask:** Thank you, I'm very interested in where we are at page number 8. I really couldn't agree more, the conclusion on the bottom of the first column best practices of service providers is not being implemented, *is not*. I think that the recommendation there, Investment Consultant, Specialty Consultant or OCIO is not being used. I think we need to right at this time talk about the fact that we need to have an Investment Consultant on-line, not in Administration. We don't have some of the expertise and if you take a look at what the State requires for trustees to run, you'll see that there's no criteria at all required that any trustee have financial investment or other capacity.

The same is true for the positions in Admin., when I look at this, it's telling me that we need an Investment Consultant to assist us in the future. I'm so glad we have you folks on-line now to give us this advisory. When I looked, though, at the second paragraph, Northern Trust is fulfilling role of custodian, Commonfund is in the role on the private market and distributions. *Are you telling me here, Vijoy, that they're doing good, or are you just informing me of what I have on-line?* Because when I looked at this page, I was thinking we're a state agency with the fiduciary obligation, handling native and public trust money.

**Trustee Trask:** I haven't had a single person that came in, and I very much benefited from the training, but not a single one of them Vijoy have the kind of trust obligation I have. When I look at your advisory, page 8, we need an Investment Consultant *Investment Consultant*. So when we go forward with the implementation the next several months, don't let this fall through the crack, and let's put a star because we're not following best practices of Service Providers *are not*, and we have a fiduciary obligation to do it, or we're liable.

Same thing with the Role of Consultants, the service of investment consultants with different expertise not utilized, *not utilized*. These are the things I would have corrected by the Board, and that is the reason why we have a RM Committee, and that is to look at what our resources are for management. I am very opposed to trying to bifurcate the committees. RM is a committee of the whole, and it should be. There's no excuse for staff, not knowing investment or trustees, that's what we're trying to correct now.

**Trustee Trask:** RM committee is correctly comprised, and I would oppose any effort being suggested that somehow we bifurcate the assets of our people and put the portfolio into another asset class. *No Way Trustees*, we have a fiduciary obligation, one with regards to our oversight of our people's assets, and we need to do it in one unified way. We're not going to make a small committee and pull off the portfolio, and give it to a subcommittee. No, it's Resource Management, it stays here, and that's why we have the training. Let's proceed.

**Chair Waihe'e** recognizes Ka Pouhana Ferreira.

**Ka Pouhana Ferreira:** Aloha, e kala mai for not having my camera on. I'm working from home today, I'm actually sick, but I wanted to make sure that I didn't miss this important meeting.

Vijoy, I just want to make sure that we're clear in what that recommendation was. My understanding is that we do have expertise currently with our Endowment Director, and that there were previous decisions made by this board or previous board actions that did not allow for external investment consultation. So, I wanted COO, Casey Brown to speak to that, because again, I don't want to leave this meeting with the impression that we don't have the expertise with our Administration, or with the request that was put before the board, that external consultation was requested by administration. Mahalo.

**Ka Pou Nui Brown:** Yeah, I think what KP is referring to, there was an intention to bring onboard an Independent Investment Consultant which would work in coordination with our internal expertise, so someone like Ryan (Dir. of Endowment). That effort was aimed at that type of a consultant, but at the time I believe the Board decided that they wanted a different kind of consultant, someone that gave them what Vijoy is giving them now, to first look at things from the broader perspective. But what KP is noting, and CFO and Ryan, who were around was that there was an effort to procure an Investment Consultant at the time, which was then redirected to a different type of consultant. Mahalo.

**Vice-Chair Alapa** recognizes CFO Ramona Hinck.

**CFO Hinck:** Aloha Trustees. For the record, I'd just like to comment that Ryan Lee was the so-called Investment Endowment Director, and then his appointment was suspended, so this was about a year and a half ago. It's only been this past January, that he has been reinstated as the Investment Director. So, for about a year and a half, we were just on maintenance mode, because we are under the impression that the Investment Consultant, Consequent, was going to be the so-called Investment Consultant for the Board.

**Vice-Chair Alapa:** Thank you.

**Vice-Chair Alapa** recognizes Trustee Trask.

**Trustee Trask:** I don't understand the conversations that we're having. At one point I was told that we had the Investment Consultant, that was hired by the office. Later I found out we didn't have an Investment Consultant, we had an endowment advisor. We don't have an endowment folks, we have stocks, bonds, cash money, and what we need is an investment consultant. An investment consultant is not the same thing as an endowment manager. That is why we need to have and look to how we can define, Vijoy, the correct definition for Investment Consultant, their duties, their obligations to report quarterly to the board, **to the board**. This is not something that is adjusting the Admin.

**Trustee Trask:** I am liable for what happens with the portfolio, not Casey, not Mona, and I would like to have an Investment Consultant that is independent, to come in on a quarterly basis, advise me, and present a report. I don't want this to fall through the cracks, Vijoy. That's why you all are here. But if we're gonna bring on-line an Investment Consultant, I need somebody with professional expertise so that I can post for that job because I don't have one on-line, and I don't think it's fair to dump a lot of work on the staff we have. That's not their job either. Thank you.

**Observations: Portfolio Design**

**Takeaways:**

- Portfolio designed under an OHA regime that no longer exists
- Accountability evolved from Trustees to staff to somewhat unclear structure
- Asset classes are reasonable but limited insight to portfolio risks and management
- Advisory Committee no longer functional and never a best practice
- Manager of Manager approach never a best practice with discretion siloed and unintended exposure overlaps
- MoM permitted with limited communication and accountability
- Mandates designed without an investment consultant or staff to coordinate and communicate

**Observations:**

- Portfolio asset classes and structure are reasonable
- Review of portfolio design warranted, given that the portfolio was designed and executed under previous OHA leadership that is no longer represented
- Asset allocation study and rebalance should be on a regular schedule and conducted by staff or a consultant
- MoM should be further justified or considered for an alternative structure
- Discretion of decisions needs to be coordinated and potentially centralized
- Review of investment opportunities and strategies should be conducted through an established process and ongoing with clear communication to the RMC and Board for review and possible approval
- Risk assessment and management is not a primary aspect of portfolio design and management to reach OHA goals

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**Independent Board Investment Advisor Chattergy:** Okay, I'm going to continue on to page 9, which is just some observations related to the portfolio design, and we already discussed a little bit about the idea that some of the documentation which is the necessary, documents that you have were created previously.

So, some of the accountability and the asset classes were created in a previous regime, and probably need to be evaluated. I think they're still on some of the charts and the advisory committee which no longer functions, and that can easily be moved aside.

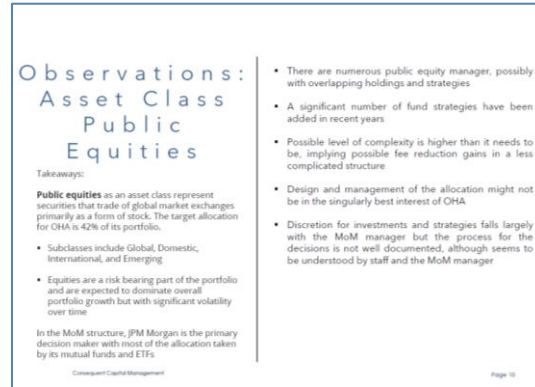
We talked a little bit about the manager of manager approach, and again the design of those mandates aren't truly coordinated and accountable, the way things are executed at the moment. So, we would look to understand that more, and come back with recommendations or advice there.

On the right side, again, we're talking about review of the portfolio, how it's designed, potentially considering alternative structure to the manager of managers, but again, maybe there are folks that, like the manager of managers approach. So, we can talk about that discretion and decision making happening in the portfolio. *Is it at the right level and is it with the right accountability?* - is sort of where we want to make more explicit.

The last bullet point on this page that I would note is that also risk assessment and management does not seem to be a primary design of the portfolio, the way it's structured or reported now. That's something that I think has to be more prominent. It's not that there isn't any risk management, or concern, it's just in a way that doesn't make it as one of the primary drivers of the design and I think that's something that portfolio should have.

The next several pages starting on page 10, and maybe we don't spend as much time kind of going through each of these, they are a little more self-explanatory. These are the different asset classes as they are in your current investment portfolio reports.

**Independent Board Investment Advisor Chattergy:** What I would suggest is over on the left side. Here lies all of the asset classes that are defined or sort of structured where it describes: what is that as an asset class, what is the target portfolio as it's in your current reports, and then what are the sub classes, and what is the purpose of having that investment in the portfolio.



**Independent Board Investment Advisor Chattergy:** So, that little section that we've kind of written here on the left side of all these asset class pages is something that I encourage the trustees to take a look at, if you agree that it's accurate or not. But those are the sort of talking points that you should have to understand the portfolio to be able to explain it.

When I was taking chemistry in high school, Ben Lagasse said, you have to know what a mole is, you have to be able to wake up in the middle of night, and someone asks you what is a mole, and you answer, it's whatever 6 times 10 to the twenty-third, and for whatever reason, I might not remember anything else about chemistry class, but I still remember what a mole is.

As overseers of the portfolio, you should have some understanding at some level, and you can expand on this and get deeper to be able to answer:

- *Why do you own public equities?*
- *What are public equities?*

So, what I try to put here is maybe a little cheat sheet. Maybe you have your aides put it all into a single document, and so if you're ever asked, or if you're in conversation, you can say *yes, I understand we have, public equities or securities that trade on exchanges.*

**Independent Board Investment Advisor Chattergy:** It's supposed to be 42% of the portfolio, it includes global investments, domestic investments, international merging. Then *what do equities do for you?* Well, they're risk bearing, so you're taking risk. You're not necessarily, not wanting risk in the portfolio, you need to take some risk in order to generate returns. Equities play that role, and over the long term they oftentimes, and possibly in the case of the OHA portfolio, are drivers of your overall growth, and that's why you own equities.

So, I think, at the very least, every trustee depending on their level and experience should be able to articulate something like that. So, I've done that for each of the asset classes, and again, I encourage you to go back, and if there's something you disagree with, or we should rewrite it, that's fine. This is just sort of a thumbnail sketch that hopefully can help you to be able to articulate and describe why your portfolio is designed the way it is, and maybe over time, we'll talk about how that changes.

**Independent Board Investment Advisor Chattergy:** At the bottom of the page, we also talk a little bit about the current primary managers that are overseeing that asset class for you. So, in Public Equities it's primarily JP Morgan, then I have some observations about the asset class. I kind of observe, maybe there are numerous public equity managers:

- Are there too many?
- Are they overlapping in terms of their investments, securities?

They may have slightly different strategies, but if everybody owns Apple, we need to have some true accounting and risk understanding of like, *Hey, you've got a lot of Apple and in your portfolio, and even if different strategies are implementing it at the end of the day, you own a lot of Apple, and if the next iPhone doesn't work out, that's going to be very negative.* That may be a risk you're willing to take, you may want to hold that much Apple in the portfolio, but maybe you could hold that with a single manager as opposed to many managers. So that's an observation there.

**Independent Board Investment Advisor Chattergy:** There's perhaps a little higher complexity than maybe you need to have in this part of the portfolio. If that's the case, *does that mean you want to invest in passive or you want to invest in more systematic strategies?*

We're getting a little bit into solution space here, and also into details that maybe as trustees, you don't have to know every move and aspect of a strategy, but you need to have some accountability back to you to understand:

- Why do I own this particular manager?
- Why is this passive manager in the Portfolio versus this active manager?

That should be explained to you, and that's why the left side of the page there gets a little bit in that direction. So, again as a tool, I think that as trustees, you should be able to go through each of these asset classes, and at least that section be able to understand, you know the next page, 11, fixed income.

**Observations:**  
Asset Class  
Fixed Income

**Takeaways:**

- Fixed income as an asset class represent securities that trade on primary and secondary markets, often over the counter (direct), primarily as a form of debt obligations. The target allocation for OHA is 18% of its portfolio.
- Subclasses can include government, corporates, high yield, structured, international, and emerging bonds
- Fixed income are generally a risk diversifying and income generating part of the portfolio and is expected to dampen portfolio volatility over time, although recent experience suggests material risk are embedded

In the MoM structure, JP Morgan and State Street is the primary manager with most of the allocation taken by its funds

Page 11

**Observations:**  
Asset Class  
Private Markets

**Takeaways:**

- Private markets as an asset class represented by securities that are privately held with infrequent transaction making the holdings relatively illiquid and valuations opaque. The target allocation for OHA is 24% of its portfolio.
- Subclasses include real assets, private equity (primary, secondary, and co-investments), venture capital, distressed, infrastructure, opportunistic credit and real estate
- Private markets are generally a risk bearing and expected to generate excess returns to the portfolio and is expected to dampen portfolio volatility over time, due primarily to the smoothing of valuations over time

In the MoM structure, Commonfund and Pantheon is the primary manager with most of the allocation taken by its funds

Page 12

**Independent Board Investment Advisor Chattergy:** So, as an asset class, *what is fixed income?* It primarily trades on primary or secondary markets. You may or may not know that primary market in fixed income, is probably an auction related market, or something that's underwritten by like, in a municipal security. It would be underwritten by some investment banks and sold on a syndicate to particular investors. It doesn't trade on an exchange necessarily the way stocks do.

**Independent Board Investment Advisor Chattergy:** That's an important distinction in terms of stocks versus bonds, but then we have again, *what's the OHA target for fixed income?* It's 18%.

That's something you should know, and that's a conversation piece, too. *Is that appropriate?* And that's where you're getting advice, whether it's from your staff or from your consultants in terms of what's the appropriate allocation, and that's a fair question for you to ask.

So, there are the sub classes, and then also, why do you have fixed income in the portfolio. Generally, it's thought as a diversifying asset, if equities are driving your returns and growth over the long term. People hold fixed income to diversify some of that risk, so it's not as volatile. Although a couple of years ago, 2022, we saw that both stocks and bonds sold off at the same time in double digits, very unusual, but it happened.

So, it's not that fixed income has less risk, or maybe it does have less risk, *but that it doesn't have risk?* It has different kinds of risk and sort of *why do you want to hold what you're holding in the portfolio?* Again, more observations in terms of the managers there, the different kinds of segments. The bond portfolio is actually pretty well diversified, but again, you want to have an overall view.

Next, the private markets on page 12, we go into the same thing:

- *What's the allocation?*
- *What are private markets?*

The way it's been reclassified, you had a lot more private equity, and for some reason it seems like you have less, and you have more infrastructure investments and managers now, but that's different types of private equity managers.

**Independent Board Investment Advisor Chattergy:** So, we saw Pantheon came in, Commonfund, JP Morgan and Goldman Sachs in that category as well. Then again, some observations on the right side, in terms of the strategies, in terms of real assets.

Opportunistic credit is something I think that is a fairly small and maybe has come into the portfolio through kind of a legacy. We do note that some of the reports, particularly in the private markets by Northern Trust, it could be enhanced or improved in terms of transparency or the kinds of information they're reporting. Again, that would be relevant to you to get advice on whether the program is functioning the way you might hope it to. That's also the case in the hedge funds, which is the next page.

**Observations:**  
Asset Class  
Hedge Funds

Takeaways:

- Diversifying strategies in the OHA portfolio are essentially hedge funds, which is not always viewed as a separate asset class by some investors. Underlying investments can technically be represented by any investment. The target allocation for OHA is 13% of its portfolio.
- Subclasses can include most any investments, but for OHA appear to include equities, credit, loans, and other opportunities
- Diversifying strategies are meant to provide a different source of return from equities, but hedge funds can amplify volatility and returns.

In the MoM structure, JP Morgan and PIMCO is the primary manager with most of the allocation taken by its funds

- There are five hedge fund managers and strategies, largely with JP Morgan and PIMCO
- Strategies appear to be largely opportunistic and absolute return in design
- Transparency into the strategies and holdings in poor with some understanding revealed through choice of the benchmark
- Metrics in the NTRS report don't seem to be informative about performance or risk
- Due to the MoM discretion policy, design and management of the allocation might not be in the singularly best interest of OHA
- Discretion for investments and strategies falls largely with the MoM manager but the process for the decisions is not well documented, although seems to be understood by staff and the MoM manager

Consequest Capital Management Page 13

**Observations:**  
Asset Class  
Enhanced  
Liquidity and  
Cash

Takeaways:

- Enhanced liquidity and cash in the OHA portfolio are liquidity holdings to facilitate portfolio and OHA operational needs. Underlying investments can technically be represented by any short-term liquid investment into cash and cash-equivalents. The target allocation for OHA is 3% of its portfolio.
- Subclasses can include short duration bonds, bank CDs, and cash
- Enhanced liquidity and cash are seen as drags on portfolio performance and should have zero expected returns for the portfolio.

In the MoM structure, State Street is the primary manager with most of the allocation taken by its fund without any discretion

- Only State Street holds liquidity for OHA and a couple of cash account with a local bank
- Strategies appear to be largely placeholders
- Metrics in the NTRS report don't seem to be informative about performance or risk

Consequest Capital Management Page 14

**Independent Board Investment Advisor Chattergy:** Page 13, I'll note that hedge funds as an asset class isn't always so straightforward. Not every investor actually considers it as a separate asset class, because a lot of the underlying investments are in equities and fixed income and commodities, and therefore just calling it a hedge fund doesn't necessarily mean that you are diversifying.

Sometimes it's called diversifying strategies, you may actually be ending up doubling up again. There's nothing wrong necessarily with having a hedge fund, but the only way to kind of differentiate hedge funds usually is that they have a higher fee structure than other strategies. If they truly do things like shorting, which is a type of betting on the stock will go down over time, or the asset will go down. If they can do that well, that might be a skill worth paying for, but you have it as a separate asset class, which is fine.

It's the way you've defined it, but not every investor does that. In fact, different ways they might define so-called hedge fund strategies are absolute return or diversifying strategies, and absolute return doesn't mean that they never lose money, but they are risk-focused, which we talked a little bit about. Which means that they want to lose less than when the markets lose a lot, so they don't want to follow market. We talk about that, up-capture, down-capture on the down-capture. They capture less of the market, which is a very good thing when you're trying to build a portfolio over a long time period, but you do deal with transparency issues here.

I think the reporting in the Northern Trust Report isn't that clear what these strategies do, at some point, maybe when they were hired, someone came in and talked about what this hedge fund does and why it's important, and that's fine, but there needs to be that ongoing accountability and transparency over time. Just looking at the report, it's hard for me to be on the outside and sort of say, *what are they doing?* Unless maybe I look at their benchmark, and I have to assume their benchmark is correct. Then maybe I have some idea of the kinds of risks that they're taking, but for me it's not so easy.

**Vice-Chair Alapa:** Really quick, I'm sorry. May I ask a question regarding the benchmarks, you've observed that, correct. *Have we met them?*

**Independent Board Investment Advisor Chattergy:** The benchmarks are just sort of you put it together, it's not a manager necessarily, it's different types of strategies, hey, could be indexes. Your consultant or your staff will kind of say, *Hey, this is an appropriate way to measure.* So, a lot of relative return strategies which most people say we don't know for how we're doing unless we can measure it. So, people put 'benchmarks.'

The thing with hedge funds is, they kind of say, *Hey, we're absolute return, there is no benchmark.* We still put benchmarks there in order to have some idea, because that's the only way we can kind of understand what they're doing, but that is a distinction between absolute return or hedge fund type strategies versus traditional benchmarks. There are all kinds of implications for the way risk is managed in those different types of broad strategies - relative returns versus absolute returns, but the benchmark is something that is designated in advance.

There are certain criteria for what is an appropriate benchmark to measure yourself against in terms of it being investable and transparent and low cost, and these are defined by like the CFA Institute and other industry groups that will say, this is an appropriate benchmark.

**Independent Board Investment Advisor Chattergy:** Now, whether a consultant uses that as the benchmark or not is where they're sometimes discretion. They may meet the criteria, or they may design a benchmark just for you, and they might put something in there that doesn't meet those criteria. But if they want to be CFA compliant, then they try to meet that. So, the joke in the industry is, *what do you call the old benchmark?* and that's the benchmark that you couldn't outperform. So, that's a bad joke, but that's something, we're not comedians, we're investors.

Let me just finish up here, last page is really the enhanced liquidity and cash. This is where you've got mostly a State Street strategy, which is kind of cash equivalent, and I think you have a bank, and it's more for operations and activities. The main thing when it comes to liquidity, there are different ways. So, you, as a long-term investor, asset owner, cash we think of is what we call a cash drag. The more cash you hold, the less you invest in the market, and over time that's seen as negative for your returns.

If you were a hedge fund, or an individual, sometimes they seek cash as an asset class, or I go into cash when I don't know what's going on in the market, and I don't mind sitting out of the market. But as a fiduciary, as an institutional investor, you should try to be fully invested at all times. Now maybe you'll say, *Hey, I'm worried that the stock market's gonna go down.* But instead of going to cash, maybe you reallocate or rebalance to another strategy. Again, best practice would be to have that defined in advance, saying, *Hey, for some reason, the stock market is above some average or some historical levels.* Or you know, *the different ways that we measure value is too rich, too high, and therefore we should rebalance to something else.* So, we should have other strategies in there that achieve returns and growth in a different way, so we're more diversified.

But the main point when it comes to holding cash is, unless you need that cash as an institution, like for your spending policy, or for some other need as an institution, you should try to keep that under 2% at any given time. You should really try to be what we call fully invested.

So that concludes my observations, and they weren't meant to be necessary as controversial or as fired up as maybe some points might be, but these are good conversations to have. And again, remember, we're in sort of our problem space right now, we need to have these conversations for you to manage this portfolio as a group going forward. When we come back we're gonna make recommendations, and we're gonna have options for you to make choices, but you need to vet that, and it needs to be something that as a group you can live with.

Then, you start to implement, you start to build a portfolio that you deserve, that OHA needs to be successful into the future. So that's kind of where we are and I'm looking forward to having conversations off line. I'm looking forward to being back in front of you in this session in the future, to be able to find something that is actually not an observation, but actionable, that is, actually going to be in your policy, and that you can use to govern and oversee the assets of OHA now and into the future.

**Independent Board Investment Advisor Chattergy:** So happy to take questions, but thank you very much for your time.

**Chair Waihe'e** recognizes Trustee Akina.

**Trustee Akina:** Thank you, Chair. Vijoy, I just want to say, thank you very much. This has been extremely helpful, the observations you presented to us are comprehensive. Some of them resonate very well, they're intuitive. Other ones catch our blind spots, which they're intended to do. But I also like the fact that you're very measured about this, you don't jump from observation to action. You're telling us we're going to have to analyze this deeper because some of the observations are things that we're doing that once worked, but will not work in the future, such as the manager of managers. But I really appreciate the fact that we're going to take a deeper look at anything that we've observed and vet it. So, thank you very much.

I'd also like to say one other thing, Chair. I appreciate our CEO and CFO and their comments they made earlier of the information given to us by the Administration is absolutely essential for us to know our condition and our process. So, I want to thank them and continue to invite their input. Thank you. Chair.

**Independent Board Investment Advisor Chattergy:** Thank you.

**Chair Waihe'e:** Okay, Thank you again, Vijoy.

#### **IV. NEW BUSINESS**

##### **B. Action Item RM #24-05: OHA's August 2023 Maui Wildfire Disaster Aid Response: Approval of Maui Wildfire Disaster Aid Deployment Grants framework and delegation of grant authority**

**Chair Waihe'e** asks if there is anyone signed-up to testify on this agenda item.

**RM Staffer Akina:** No one has signed-up to testify on this agenda item.

**Chair Waihe'e** turns it over to Ka Pou Nui Casey Brown.

**Ka Pou Nui Brown:** Mahalo Chair Waihe'e and trustees. This action item relates to the Maui disaster deploymentd. You folks approved the 5 million and the proposal, which was deploying those funds directly to those impacted on Maui. The presentation of the framework and structure of the deployment of those funds was presented to you folks in a presentation to the RM Committee. What we're here to get an action done for is, Administration needs you folks to delegate the authority to disburse the funds to individuals. So being that this is the first time OHA is going to disburse funds to individuals, we need that authority delegated to the Administration. I turn your attention specifically to page 73 in the entire meeting folder for RM, and Roman numeral 3 on the action item, that's where we explain what the delegation of authority technically is and why we're asking for it.

**Pou Nui Brown:** So, while OHA is currently set up by framework, by process, and by current delegation, we're currently set up that Administration can grant monies to large organizations, 501(c)3s and when we evaluate the applicants, we bring them to the board to approve those final dollars, those Grant dollars. That's the process in place, but we are also allowed, OHA is also allowed to give this money to individuals, which is what you folks are wanting to do now. We're currently not set up to do that, so we are coming back here to ask for the delegation so that the Administration can award individuals.

**Chair Waihe'e:** Casey, why does it require two motions?

**Pou Nui Brown:** So, we took this based on maná from our Corp Counsel. We definitely need one motion which delegates the authority. The suggestion to have the second motion was to specifically point out that there is a framework in place, and there's dollar amounts that we want to use, that you folks already looked at and saw, and those amounts are \$4,000 and \$9,000, so we don't want to exceed 9,000.

**Chair Waihe'e:** I understand the first one delegates the authority, and the second one approves the delegated authority to do that, I get it.

#### **MOTION #1**

**Vice-Chair Alapa moves to approve the delegation of authority to OHA's CEO to determine whether a Maui Wildfire Disaster Aid Deployment Grant applicant is able to provide the activities proposed in their application for the grant, in accordance with HRS §10-17(c)(1)(D). The CEO may further delegate this authority to a designee from Administration.**

**Trustee Akina seconds the motion.**

**Chair Waihe'e** asks if there is any further discussion.

**Chair Waihe'e** recognizes Trustee Akina

**Trustee Akina:** Just a quick clarification beyond the action item description. *What does to provide the activities proposed refer to?*

**Pou Nui Brown:** I think that's language taken straight from the rules or *what is that, Everett?* I know that language is coming straight out of chapter 10. I believe, and essentially because we're relying on that language it's my understanding that that language is going to be used for administration, to determine whether each applicant is indeed meeting its eligibility requirements in this case. I'll ask Everett to clarify further if I missed something.

**Interim General Counsel Ohta:** Good afternoon, Chair Waihe'e and Trustees. To specify a little bit more, our grant statute provided under HRS §10-17 provides that there are certain types of eligible recipients of OHA grants, and that includes applicants who are an individual who in the Board's determination, is able to provide the services or activities proposed in the application for a grant. So, in this case, because these are individuals who would be receiving OHA Grant funds, we just want to be clear that that determination as provided by statute, has been properly delegated from the Board to Administration in the administration of this grant.

**Trustee Akina:** So, motion one is conferring upon our CEO the purview of determining whether an applicant qualifies can fulfill what is required?

**Interim General Counsel Ohta:** Correct, and again, because that's language that's very specific to individuals. Whereas the board, normally, one approves grants at the board level, and then two doesn't usually deal with individuals. So, we just want to make sure that again that that delegation is clear.

**Trustee Akina:** Thank you very much.

**Chair Waihe'e** recognizes Trustee Trask.

**Trustee Trask:** Let me ask about this, the quote you're giving me and the law, does give us some authority, but it's for services, *isn't it, Everett, what you just read? HRS 10-17?*

**Interim General Counsel Ohta:** Yes, Chair Waihe'e to Trustee Trask's point the statute states that who in the board's determination, is able to provide the services or activities proposed in the application for a grant. So, it's services or activities, and we're interpreting that activities are the types of things that those Grant funds will be spent on by the persons or 'ohana affected by the West Maui fires.

**Trustee Trask:** And your legal opinion is that we can give away 5 million in trust dollars to people who are saying, generally under HRS 10, that they're using it for services...

**Interim General Counsel Ohta:** or the certain activities provide for...

**Trustee Trask:** *What are the activities?*

**Pou Nui Brown:** Trustee Trask, we have an eligibility requirement, and we have criteria that this program is framed around. That was presented to the board. That's the framework we're gonna follow. So, it's not, terminology wise, it's not necessarily services.

**Trustee Trask:** *That's correct.*

**Pou Nui Brown:** It's going to be more activities that...

**Trustee Trask:** No, no, I want that to be noted on the record, because you're citing HRS and you're using the term *activities*, and I'm telling you it is incorrectly applied here. *I want it on the record.*

The second thing is that we did approve the 5 million, it was sent back to Admin. to come up with a process so that we could award the Grants, but I still don't see what the process is. *Is there any kind of priority?* For instance, we know that many of those lost homes were insured, we know some were not, we know some were underinsured, we know that some people died and their family didn't have funeral coverage.

So, where's the purpose of the grant. *Where's the priority?* The administration is going to implement a new process, I agreed to it. *Can I see what the process is?* And we're going to give grants to individuals, I know that we can slide by, *but for what purposes?*

**Pou Nui Brown:** Trustee Trask, we're happy to provide you with the presentation that was given on February seventh, there's a couple of slides in this action item...

**Trustee Trask:** I saw it Casey, I saw it... What I'm saying is that you're coming back with grants, and I'm looking for the Grant criteria, and I'm noticing also that our Grant Department is very, very limited. I have people in my office in Hilo burdened with trying to carry the grants we got. So, while we're giving this to Admin. to give to grants, *are we gonna beef up our staff there? Who in Grants is doing this work?*

I feel like, when I look at this, the CEO may further delegate the authority to a designee from administration. I would like to have something here, so that I will know what the Grant process is, and *who do we have to do it?* Because the few grant people you have in my office in Hilo are up to their neck in work. *Who's going to do this, and what is the criteria that we're gonna give away the 5 million? How are we ensuring that these folks are even Hawaiians?*

**Pou Nui Brown:** Trustee, we're happy to present to you or the full board an overview of the presentation that does cover some of those points you're pointing out in what was presented, we're happy to go through even more of it. The Grant's team is not gonna carry this alone. Actually, the primary people who are gonna be helping to deliver this are our beneficiary service agents. So, it's going to be our community engagement division folks.

**Chair Waihe'e** recognizes Ka Pouhana Ferreira.

**Pouhana Ferreira:** Mahalo, Chair. Thank you. Trustee Trask, I always appreciate the diligence in which you approach these big decisions. I do want to echo what Casey just said, it is going to be our beneficiary services, specifically, Roy Newton in our Maui office, who will be helping to lead this effort.

We will be providing him with extra support, we will be bringing on temporary hires from Maui, so that we have people from the community helping to take in applications and be able to disburse the funding. I do want to let you know that there is a very detailed process, of course, when we come in front of Trustees we have very limited time, so we try to summarize as best we can a very detailed process that does have criteria. I will make sure that Casey gets you the detailed description of the criteria and the process that we will follow in intake of applications, in determining funding awards and distribution of funding.

**Trustee Trask:** You know I've kept up with it, Stacy. I am tracking you folks, so I know what is happening. Now, Niniau as I understand it has the oversight of this with grants and beneficiary services. I am aware of that. What I'm asking you is that when you take a look at it with all the authority going to you, *I'd like to know what the priority is for disbursements, and I would like to know who is implementing this, not admin., who?*

**Pouhana Ferreira:** Yes, so it will be Niniau Kawaihae as our Community Engagement Director, it will be under her oversight. Then, in terms of prioritization, we did keep it general in terms of \$9,000 for those who are homeowners, and \$4,000 for renters. There's a lot of complexity, Trustee when we get to determining different types of and expenditures that these victims are having to pay for. So, we didn't want to make those determinations, we want to be able to give them lump sums and give them the freedom to determine what are their highest priorities in terms of paying off either debts or expenses that were unforeseeable.

**Chair Waihe'e** recognizes Ka Pou Nui Brown.

**Pou Nui Brown:** Mahalo, Chair Waihe'e, and to add a little more for Trustee Trask, for Native Hawaiian verification, we will absolutely be doing that Trustee Trask, and we'll be using all the known and accepted forms, such as DHHL, KS Hóoulu data center, we have our own accessory verification process, we are slapping on eligibility requirements. Normally with our grants, we usually have evaluated scorers, in this case we're going to set in place eligibility requirements, and those requirements will be followed very stringently, including client verification.

**Trustee Trask:** Why is this not coming back to the board. We're talking about 5 million dollars here. I don't mind deferring to the staff to put together a Grant program and other things, but this paragraph, motion one and Motion two, you're asking me to approve it, a standard, I don't even know what the \$9,000 is based on. The statute that you're citing, HRS 10-17, in my estimation, does not apply. You know what I'm saying, and in terms of the Grant, I just would like to know who's doing it, and the overburdened and understaffed Grant section that we have now.

I would prefer it to say motion one, *CEO may further delegate the authority to designate from administration*. But where does this ever return to the Board. We just take the 5 million pass it to Admin., we don't ask for anything on the record with regards to priorities for grant awards, verification of blood quantum. I'm not here to take your word for it, Casey, we're a State agency, and I have yet to see what your and Stacy's criteria are. Starting with one, you will ensure that recipients are Native Hawaiians with a capital or small N, we're liable for it, and I would like to see some detail. If not, you want to move this now, I could vote for it now, but you put it the end of your paragraph, this authority to the designation to a designate from administration, but it has to be subject to the approval of the board. I mean at least that, put some flesh on the bones, instead of saying, we turn it over to some unnamed people, Admin. can give it to any other designee, we don't even know their name. We don't even get to see what the criteria of the Grants are for our people. Come on, I'm a Trustee.

**Pou Nui Brown:** Trustee Trask, we're happy to start with the presentation, which has a lot of information, and we'll give you more.

**Trustee Trask:** I don't need you to start with anything, Casey. It should've been sent to me before this thing came on the board. Send me the data, send me the data. I don't mind working with Stacy, I don't mind giving this to Admin., but for goodness sakes, 5 million! We're delegating authority to anybody in the Admin., we didn't even look at the Grant criteria. You know we did have further meetings, but the Board did not approve total authority to unidentified staff of 5 million. Come on.

Chair Waihe'e asks if there is any further discussion.

There is no further discussion.

Chair Waihe'e calls for a **ROLL CALL VOTE**.

MOTION #1						MOTION 1: 3:09 p.m. VOTE 1: 3:24 p.m.
TRUSTEE	1	2	'AE (YES)	A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
DAN AHUNA						EXCUSED
KALEIHIKINA AKAKA			X			
KELI'I AKINA		2	X			
VICE-CHAIR LUANA ALAPA	1					<i>Departed at 3:23PM</i>
BRICKWOOD GALUTERIA						EXCUSED
CARMEN HULU LINDSEY			X			
J. KEONI SOUZA			X			
MILILANI TRASK				X		
CHAIR JOHN WAIHE'E			X			
<b>TOTAL VOTE COUNT</b>			<b>5</b>	<b>1</b>	<b>0</b>	<b>3</b>

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

**MOTION #2**

Trustee Souza moves to approve the delegation of authority to OHA's CEO to award Maui Wildfire Disaster Aid Deployment Grants, with tiered funding disbursements not to exceed \$9,000.00 per grant. The CEO may further delegate this authority to a designee from Administration.

Trustee Lindsey seconds the motion.

Trustee Akina: Just a question for clarification. *Will the deployment of the disaster aid be performed by an OHA grantee, and if so, what will we be paying this grantee for that service?*

Pou Nui Brown: No, this is the whole point of this, for OHA to do this work itself. So, we're not going to give it to another grantee to then deploy and pay an admin. fee. We're setting up our own infrastructure in-house with the help of our beneficiary services and our grants to deliver this ourselves, Trustee Akina.

Trustee Akina: Casey, thank you for confirming that.

Chair Waihe'e: Casey, I guess my question is *why is it only \$9,000 as the limit?*

**Pou Nui Brown:** That's what was proposed for us to go with; the team who's pulling this together to deliver the disbursements here at OHA. One thing we can do is when we open this window and we start to look at applicants and engage them, we're gonna hear more about their situations and we're gonna learn more about different needs that might be beyond just a homeowner and a renter, or 9,000 to 4,000. So that's something that we plan to collect the info. bring it back to the board, and then have you guys decide if there's more you want to do. But this was given to Administration to propose, so this is what we're working with.

**Chair Waihe'e:** Okay, if it was 10 it'd be easier to count it, but anyway.

**Chair Waihe'e** recognizes Trustee Akaka.

**Trustee Akaka:** Pouhana or Casey, *is it possible for you folks to give us a monthly update?*

**Pouhana Ferreira:** Absolutely.

**Pou Nui Brown:** Sure.

**Trustee Akaka:** Thank you. I think that will give Trustees more peace of mind on the process and be able to give input and feedback on what we're hearing from our beneficiaries on what's working and what's not working.

**Chair Waihe'e** recognizes CFO Hinck.

**CFO Hinck:** We can also send you a report every week of the checks that we cut, so that you know how much.

**Trustee Akaka:** Thank you. *Is there any other information that would be important for us to know before we vote on this?*

**Pou Nui Brown:** I would just say to continue to keep an open mind on the new intelligence that we learned from the Maui community like I mentioned. I'm glad I got a chance to mention the fact that this this is a start, and we may learn more needs as they come. So, you guys may choose to deploy more money in a different way, you know, that would be all I have to add.

**CFO Hinck:** I'd just like to add also that this is the exact same grant process that we always follow. The only difference is that OHA is the grantor and the grantee, it's self-administered, and the checks are coming from OHA. But the rest of the Grant process is exactly the same as if we were giving it to a grantee to administer.

**Trustee Akaka:** Thank you, and how are we letting our beneficiaries know about this option for them to have.

**Pou Nui Brown:** The same way we promote our normal Grants, Trustee. We have the plans in place ready to launch, once we have the delegated authority, and once we stand this up.

**Trustee Akaka:** Mahalo, I look forward to the updates.

**Chair Waihe'e** recognizes Trustee Lindsey.

**Trustee Lindsey:** Thank you. I just want to share a little bit more how we arrived at that 9,000 and 4,000. We estimated the numbers of homes that were lost by our Hawaiians, and it's an estimate, and there were renters that were renting homes that lost all their goods, and that was an estimate. So, we added the two, and we divided the 5 million dollars, that's how we came up with 9,000 per home lost and 4,000 for goods lost. Maybe, as our administration work to disburse these monies, our people may not come forth to get the monies, we don't really know.

So, the question that Trustee Akaka asks about how we're going to let our people know, we're going to be extensive in letting them know, we may do radio, we may do television, just to let them know that this is available for them. We have Ka Wai Ola, and we anticipate that this may take up to, and maybe more, 6 months of disbursement. Some of our people have moved away, and if they hear about it, they may contact our office and come back to apply, so all that kind of consideration is gonna be given to the people that suffered in these wildfires. Thank you.

**Chair Waihe'e** asks if there is any further discussion.

There is no further discussion.

**Chair Waihe'e** calls for a **ROLL CALL VOTE**.

MOTION #2							MOTION 2: 3:25 p.m. VOTE 2: 3:31 p.m.
TRUSTEE		1	2	'AE (YES)	A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
DAN	AHUNA						EXCUSED
KALEIHIKINA	AKAKA			X			
KELI'I	AKINA			X			
VICE-CHAIR LUANA	ALAPA						<i>Departed at 3:23PM</i>
BRICKWOOD	GALUTERIA						EXCUSED
CARMEN HULU	LINDSEY		2	X			
J. KEONI	SOUZA	1		X			
MILILANI	TRASK				X		
CHAIR JOHN	WAIHE'E			X			
<b>TOTAL VOTE COUNT</b>				<b>5</b>	<b>1</b>	<b>0</b>	<b>3</b>

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

**V. ANNOUNCEMENTS**

None

**VI. ADJOURNMENT**

Trustee Souza moves to adjourn the RM meeting.

Trustee Lindsey seconds the motion.

Chair Waihe'e asks if there is any discussion.

There is zero discussion.

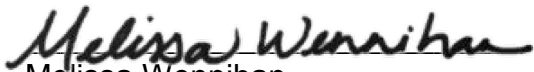
Chair Waihe'e calls for a ROLL CALL VOTE.

							3:32 p.m.
TRUSTEE		1	2	'AE (YES)	A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
DAN	AHUNA						EXCUSED
KALEIHIKINA	AKAKA			X			
KELI'I	AKINA			X			
VICE-CHAIR LUANA	ALAPA						<i>Departed at 3:23PM</i>
BRICKWOOD	GALUTERIA						EXCUSED
CARMEN HULU	LINDSEY		2	X			
J. KEONI	SOUZA	1		X			
MILILANI	TRASK			X			
CHAIR JOHN	WAIHE'E			X			
<b>TOTAL VOTE COUNT</b>				<b>6</b>	<b>0</b>	<b>0</b>	<b>3</b>

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

Chair Waihe'e adjourns the RM meeting at 3:32 p.m.

Respectfully submitted,



Melissa Wennihan  
Trustee Aide  
Committee on Resource Management

As approved by the Committee on Resource Management (RM) on March 27, 2024



Trustee John Waihe'e, IV  
Chair  
Committee on Resource Management