

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
Minutes of the Investment Committee Meeting  
Tuesday, August 20, 2019

TRUSTEES PRESENT

Mr. Christian Fern, Chairperson  
Ms. Celeste Nip, Vice Chairperson

Mr. Damien Elefante  
Ms. Laurel Johnston (arrived 9:07 a.m.)

TRUSTEES ABSENT

Mr. Roderick Becker

Ms. Linda Currivan Musto

EUTF STAFF AND CONSULTANTS

Mr. Derek Mizuno, Administrator  
Ms. Maria Quartero  
Mr. Kuan Yuan  
Mr. Dylan Zheng

Mr. Gabe Ayoroa, Consultant (conference call)  
Ms. Mary Bates, Consultant  
Mr. Colin Bebee, Consultant  
Mr. Tad Fergusson, Consultant  
Mr. Ryan Lobdell, Consultant

I. CALL TO ORDER

The meeting of the Investment Committee was called to order at 9:04 a.m. by Trustee Christian Fern, Chairperson, in the City Financial Tower, 201 Merchant Street, Suite 1935, Honolulu, Hawaii, on Tuesday, August 20, 2019.

II. APPROVAL OF MINUTES – May 14, 2019

The Investment Committee reviewed the draft minutes of May 14, 2019.

MOTION was made and seconded to approve the minutes of May 14, 2019 as circulated. (Elefante/Nip) The motion passed unanimously. (Employer Trustees-1/Employee-Beneficiary Trustees-2)

III. EXECUTIVE SESSION

MOTION was made and seconded to move into Executive Session at 9:06 a.m. (Nip/Elefante) The motion passed unanimously. (Employer Trustees-1/Employee-Beneficiary Trustees-2)

The meeting reconvened at 10:30 a.m.

Chairperson Fern reported that the Investment Committee approved the following in Executive Session:

1. The April 16, 2019 Executive Session minutes.
2. A recommendation to the Board to commit funds to a private credit fund, subject to contract negotiation.
3. A recommendation to the Board to commit funds to a private equity fund, subject to contract negotiation.

IV. MEKETA INVESTMENT GROUP (Meketa)

A. June 30, 2019 Strategic Performance Report Including Excess Funds

Mr. Colin Bebee and Mr. Ryan Lobdell of Meketa highlighted significant points in the June 30, 2019 Performance Report. The OPEB Trust fund finished the quarter at \$3.08 billion and returned 2.6% (net of fees) for the quarter, below the policy benchmark of 2.9%. Since inception (June 23, 2011), the EUTF portfolio has returned 7.1% (net of fees) versus the policy benchmark return of 7.1% and since inception the portfolio exhibited slightly lower volatility than the policy benchmark. During the quarter all public market managers with the exception of Acuitas (Microcap), Geode (Global Options), BlackRock (TIPS), Mount Lucas (Systematic Trend Following), Kepos (Alternative Risk Premia) and Lombard Odier (Alternative Risk Premia) performed in line or above their benchmarks. Acuitas underperformed primarily due to sector allocation. Geode, Kepos, and Lombard Odier underperformed primarily due to imperfect benchmark for the global options and alternative risk premia strategies. BlackRock underperformed primarily due to poor performance of non-US inflation-indexed bonds held in the fund but not in the index. Mount Lucas underperformed primarily due to variance in trading rules from the benchmark. There is no concern with these managers at this time. As of June 30, 2019, all asset classes were within the allocation guideline ranges prescribed in the State of Investment Policy and Guidelines.

Mr. Bebee reported that the EUTF Excess Funds portfolio finished the quarter at \$237.7 million generating a 2.8% return for the first quarter (net of fees). Since inception (October 1, 2013), the portfolio returned 3.1% (net of fees).

B. Quarterly Private Equity Report – Q1 2019

Mr. Tad Fergusson of Meketa highlighted significant points in the Quarterly Private Equity Report for the first-quarter 2019. Since reporting for private market investments is lagged by one quarter, the report covers first-quarter 2019. Through the first quarter, there was only \$32.8 million in invested funds.

C. Quarterly Real Estate Report – Q1 2019

Mr. Gabe Ayoroa of Meketa joined the meeting via conference call and highlighted significant points in the Quarterly Real Estate Report. Since reporting for private market investments is lagged by one quarter, the report covers first-quarter 2019. During the quarter Private Real Estate returned 1.5% (net of fees), above the asset class benchmark gain of 1.2%.

D. Investment Manager Due Diligence Plan

Mr. Kuan Yuan presented a memorandum dated August 9, 2019 with an update on recently completed and upcoming due diligence activity as part of the ongoing monitoring of investment managers. Manager visits are current, conducted mostly by Meketa, and all visits yielded satisfactory results. There are three onsite visits planned by Meketa over the next twelve months.

E. Staff Conference Report

Mr. Yuan presented a memorandum dated August 14, 2019 summarizing the Pension Bridge Private Equity conference.

F. Investment Activity Update

Mr. Yuan presented a memorandum dated August 14, 2019 with an update on notable events that took place since the last Investment Committee meeting. Activities include additional capital called by three private equity managers, addition of an Investment Specialist to the EUTF Investment Office, and ownership related activities pertaining to two managers.

V. FUTURE AGENDA ITEMS DISCUSSION AND POSSIBLE MEETING DATES

Mr. Yuan reported that EUTF staff will poll the Committee members for a September meeting.

VI. ADJOURNMENT

MOTION was made and seconded for the Investment Committee to adjourn the meeting at 11:32 a.m. (Johnston/Nip) The motion passed unanimously. (Employer Trustees-2/Employee-Beneficiary Trustees-2)

Respectfully submitted,

/s/

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Christian Fern, Chairperson

APPROVED on September 17, 2019.

Documents Distributed:

1. Draft May 14, 2019 Investment Committee minutes.
2. EUTF Quarterly Report – Q2 2019 by Meketa.
3. EUTF Quarterly Private Equity Report – Q1 2019 by Meketa.
4. EUTF Quarterly Real Estate Report – Q1 2019 by Meketa.
5. Memorandum to the Investment Committee from EUTF Investment Officer Regarding Investment Manager Due Diligence Plan Update dated August 9, 2019.
6. Memorandum to the Investment Committee from EUTF Investment Officer Regarding Conference Report dated August 14, 2019.
7. Memorandum to the Investment Committee from EUTF Investment Officer Regarding Investment Activity Update dated August 14, 2019.