

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Investment Committee Meeting
Wednesday, November 13, 2019

TRUSTEES PRESENT

Mr. Christian Fern, Chairperson
Mr. Damien Elefante

Ms. Laurel Johnston

TRUSTEES ABSENT

Ms. Celeste Nip, Vice Chairperson
Mr. Roderick Becker

Ms. Linda Currivan Musto

ATTORNEY

Mr. Michael Chambrella, Deputy Attorney General

EUTF STAFF AND CONSULTANTS

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

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

I. CALL TO ORDER

The meeting of the Investment Committee was called to order at 2:00 p.m. by Trustee Christian Fern, Chairperson, in the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) Board Room, the City Financial Tower, 201 Merchant Street, Suite 1700, Honolulu, Hawaii, on Wednesday, November 13, 2019.

II. APPROVAL OF MINUTES – September 17, 2019

The Investment Committee reviewed the draft minutes of September 17, 2019.

MOTION was made and seconded to approve the minutes of September 17, 2019 as circulate. (Johnston/Elefante) The motion passed unanimously. (Employer Trustees-2/Employee-Beneficiary Trustees-1)

III. EXECUTIVE SESSION

MOTION was made and seconded to move into Executive Session at 2:01 p.m. (Elefante/Johnston) The motion passed unanimously. (Employer Trustees-2/Employee-Beneficiary Trustees-1)

The meeting reconvened at 2:52 p.m.

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

1. The September 17, 2019 Executive Session minutes.
2. A recommendation to the Board to commit funds for the private credit strategy, subject to contract negotiation.

IV. MEKETA INVESTMENT GROUP

- A. September 30, 2019 Strategic Performance Report Including Excess Funds
Mr. Colin Bebee from Meketa Investment Group (Meketa) highlighted significant points in the September 30, 2019 Performance Report. The OPEB Trust Fund finished the quarter at \$3.32 billion and returned 1.3% (net of fees) for the quarter, above the policy benchmark of 0.7%. Since inception (June 23, 2011), the EUTF portfolio has returned 7.1% (net of fees) versus the policy benchmark return of 6.9%. During the quarter all public market managers with the exception of BlackRock (TIPS), Mount Lucas (Systematic Trend Following), Kepos (Alternative Risk Premia) and Lombard Odier (Alternative Risk Premia) performed in line or above their benchmarks. BlackRock primarily underperformed due to the poor performance of non-US inflation-indexed bonds held in the fund but not in the index. Mount Lucas primarily underperformed due to variance in trading rules from the benchmark, Kepos and Lombard Odier primarily underperformed due to imperfect benchmark. There is no concern with these managers at this time. As of September 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 \$242 million generating a 1.8% return for the first quarter (net of fees). Since inception (October 1, 2013), the portfolio returned 3.3% (net of fees).

- B. Quarterly Private Equity & Private Credit Report – Q2 2019
Mr. Tad Fergusson (entered via conference call) and Ms. Mary Bates from Meketa highlighted significant points in the Quarterly Private Equity and Private Credit Report for the first-quarter 2019. Since reporting for private market investments is lagged by one quarter, the report covers second-quarter 2019. Through the second quarter, there was only \$47.5 million in invested funds for Private Equity and only \$11.5 million in invested funds for Private Credit.
- C. Quarterly Real Estate Report – Q2 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 second-quarter 2019. During the quarter Private Real Estate returned 1% (net of fees), above the asset class benchmark gain of 0.8%.
- D. Private Core Real Estate Update
Mr. Gabe Ayoroa presented a memorandum dated November 6, 2019 updated the Private Real Estate program. To date, \$333 million has been committed of which only \$40 million remains unfunded. Meketa recommends revisiting the asset class after the Strategic Allocation review in the first quarter of 2020, then consider opportunities more broadly.
- E. Education Review: Reinsurance
Mr. Bebee presented information on the Reinsurance strategy.

V. FUTURE AGENDA ITEMS DISCUSSION AND POSSIBLE MEETING DATES

Mr. Kuan Yuan reported that EUTF staff will poll the Committee members for an early 2020 meeting.

VI. ADJOURNMENT

MOTION was made and seconded for the Investment Committee to adjourn the meeting at 2:52 p.m. (Elefante/Johnston) The motion passed unanimously. (Employer Trustees-2/Employee-Beneficiary Trustees-1)

Respectfully submitted,

/s/

Christian Fern, Chairperson

APPROVED ON February 11, 2020

Documents Distributed:

1. Draft September 17, 2019 Investment Committee minutes.
2. EUTF Quarterly Report, Q3 2019 as of 9/30/19 by Meketa.
3. EUTF Quarterly Private Equity & Private Credit Report, 6/30/19 by Meketa.
4. EUTF Quarterly Real Estate Report, 6/30/19 by Meketa.
5. Memorandum to the Investment Committee from Meketa Regarding 2019 Private Core Real Estate Investment Plan November Update and Recommendation dated 11/6/19.
6. EUTF Reinsurance Education, November 2019 by Meketa.