I. CALL TO ORDER
The meeting of the Investment Committee was called to order at 9:00 a.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, February 11, 2020.

II. APPROVAL OF MINUTES - November 13, 2019
The Investment Committee reviewed the draft minutes of November 13, 2019.

MOTION was made and seconded to approve the minutes of November 13, 2019 as circulate. (Nip/Johnston) 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 9:01 a.m. (Nip/Johnston) The motion passed unanimously. (Employer Trustees-1/Employee-Beneficiary Trustees-2)

The meeting reconvened at 10:06 a.m.

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

1. The November 13, 2019 Executive Session minutes.
2. A recommendation to the Board to commit funds for the private equity strategy, subject to contract negotiation.

IV. MEKETA INVESTMENT GROUP
A. December 31, 2019 Strategic Performance Report Including Excess Funds
Mr. Colin Bebee from Meketa Investment Group (Meketa) highlighted significant points in the December 31, 2019 Performance Report. The OPEB Trust Fund finished the quarter at $3.59 billion and returned 4.2% (net of fees) for the quarter, below the policy benchmark of 4.3%. Since inception (June 23, 2011), the EUTF portfolio has returned 7.3% (net of fees) versus the policy benchmark return of 7.2%. During the quarter all public market managers with the exception of Acuitas (Micro Cap) and Lombard Odier (Alternative Risk Premia) performed in line or above their benchmarks. Acuitas primarily underperformed due to the poor performance. Lombard Odier primarily underperformed due to imperfect benchmark. There is no concern with these managers at this time. As of December 31, 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 $246.5 million generating a 1.8% return for the quarter (net of fees). Since inception (October 1, 2013), the portfolio returned 3.5% (net of fees).

B. Manager Watch Status Recommendation
Mr. Bebee presented a memorandum dated 2/11/20 recommending placing AQR on Watch Status due to organizational changes. AQR is one of two managers for the Global Options strategy, managing approximately $125 million at the end of the fourth quarter. On 1/8/20, AQR notified Meketa and EUTF staff that Roni Israelov, Head of Volatility Strategies, is leaving the firm in first quarter 2020. Since the strategy is managed through a team approach with other senior members of the firm, this departure should have no material impact in the near term. Additionally, AQR also shared that the firm was reducing head count across lower levels of the firm by around 5 to 10% (45-90 employees). This reduction is also not expected to have a material impact on the strategy since the most affected areas are business development and marketing. Meketa and EUTF staff will monitor the team construct, firm culture, and strategy enhancements over the next 12 to 18 months to ensure that there are no long-term adverse impacts.

MOTION was made and seconded to recommend to the Board placing AQR on Watch status effective February 1, 2020 due to organizational changes. (Johnston/Nip) The motion passed unanimously. (Employer Trustees-1/Employee-Beneficiary Trustees-2)

C. Quarterly Private Equity & Private Credit Report – Q3 2019
Mr. Tad Fergusson from Meketa highlighted significant points in the Quarterly Private Equity and Private Credit Report. Since reporting for private market investments is lagged by one quarter, the report covers the third-quarter 2019. Through the third quarter, there was only $56.3 million in invested funds for Private Equity and only $27.5 million in invested funds for Private Credit.
D. Quarterly Real Estate Report – Q3 2019  
Ms. Christy Fields of Meketa highlighted significant points in the Quarterly Real Estate Report. Since reporting for private market investments is lagged by one quarter, the report covers third-quarter 2019. During the quarter Private Real Estate declined 0.4% (net of fees), below the asset class benchmark gain of 1.1%.

E. Education Review: Core Real Assets  
Ms. Fields and Ms. Lisa Bacon presented information on the Core Real Assets strategy.

F. 2020 Strategic Allocation Review: Part 1 of 2  
Mr. Bebee presented part one of the 2020 Strategic Allocation Review. Part one recapped the history of EUTF’s long-term allocation, reviewed the current financial conduction, and discussed concepts and strategies to be included in the new review. Part two of the Strategic Allocation Review will be presented at the next meeting, and will include allocation modeling results and allocation target recommendations.

V. FUTURE AGENDA ITEMS DISCUSSION AND POSSIBLE MEETING DATES  
Mr. Kuan Yuan reported that EUTF staff will poll the Committee members for a meeting date in April.

VI. ADJOURNMENT  
MOTION was made and seconded for the Investment Committee to adjourn the meeting at 11:48 a.m. (Johnston/Nip) The motion passed unanimously. (Employer Trustees-1/Employee-Beneficiary Trustees-2)

Respectfully submitted,

/s/  
Christian Fern, Chairperson

APPROVED ON April 21, 2020

Documents Distributed:
1. Draft 11/13/19 Investment Committee minutes.
4. EUTF Private Equity & Private Credit Quarterly Program Report, 9/30/19 by Meketa.
5. EUTF Quarterly Real Estate Performance Report, 9/30/19 by Meketa.