

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Investment Committee Meeting
Tuesday, August 18, 2020

TRUSTEES PRESENT

Mr. Christian Fern, Chairperson (via video conference) Mr. Damien Elefante
Ms. Celeste Nip, Vice-Chairperson (via video conference) Ms. Jacqueline Ferguson-Miyamoto (entered at
Mr. Roderick Becker (entered at 9:10 a.m. via video conference) 10:22 a.m. via video conference)

TRUSTEES ABSENT

Ms. Laurel Johnston

ATTORNEY

Mr. Michael Chambrella, Deputy Attorney General (via video conference)

EUTF STAFF AND CONSULTANTS

Mr. Derek Mizuno, Administrator Ms. Mary Bates, Consultant (via video conference)
Ms. Desiree Yamauchi Mr. Colin Bebee, Consultant (via video conference)
Mr. Kuan Yuan Mr. Tad Fergusson, Consultant (via video conference)
Mr. Dylan Zheng (via video conference) Ms. Christy Fields, Consultant (via video conference)
Mr. Riley Fujisaki, Legislature Mr. Peter King, Consultant (via video conference)
Mr. Ryan Lobdell, Consultant (via video conference)

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, City Financial Tower, 201 Merchant Street, Suite 1700, Honolulu, Hawaii, on Tuesday, August 18, 2020.

II. MINUTES – JUNE 16, 2020

The Investment Committee reviewed the draft minutes of June 16, 2020.

MOTION was made and seconded to approve the minutes of June 16, 2020, as circulated. (Elefante/Nip) The motion passed unanimously. (Employer Trustees-2/ Employee-Beneficiary Trustees-1)

III. MEKETA INVESTMENT GROUP

A. June 30, 2020 Strategic Performance Report Including Excess Funds

Mr. Colin Bebee from Meketa Investment Group (Meketa) highlighted significant points in the June 30, 2020 Performance Report. The OPEB Trust Fund finished the quarter at \$3.69 billion and gained 9.4% (net of fees) for the quarter, underperforming the policy benchmark of 9.5%. Since inception (June 23, 2011), the EUTF portfolio has returned 6.5% (net of fees) versus the policy benchmark return of 6.3%.

During the quarter all public market managers with the exception of Acuitas (Microcap), Kepos (Alternative Risk Premia), and Lombard Odier (Alternative Risk Premia) performed in line or above their benchmarks. Acuitas underperformed by 6.8% due to poor performance. Kepos and Lombard Odier underperformed primarily due to an imperfect benchmark. The performance is within expectations. There is no concern with these managers at this time. As of June 30, 2020, 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 \$252.5 million up 6.3% for the quarter (net of fees). Since inception (October 1, 2013), the portfolio returned 3.6% (net of fees).

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Trustee Rod Becker entered the meeting at 9:10 a.m. during Mr. Bebee's report.

B. Manager Watch Status Recommendation

Mr. Ryan Lobdell from Meketa presented a memorandum dated August 18, 2020 on a recommendation to remove AlphaSimplex from watch status. AlphaSimplex is one of two managers for the Systematic Trend Following strategy, managing approximately \$162 million as of the end of the second quarter of 2020. On April 18, 2019 Meketa and EUTF staff were notified of a departure of a senior portfolio manager. Since the strategy is managed through a team approach with other senior members of the firm, the departure should have no material impact. Meketa and EUTF staff have been no other material personnel changes, performance has been strong, and the firm has continued to operate in a collaborative and research-oriented manner.

MOTION was made and seconded to recommend to the Board removing AlphaSimplex from Watch status effective June 1, 2020. (Elefante/Nip) The motion was passed unanimously. (Employer Trustees – 2/Employee-Beneficiary Trustees-2)

C. Quarterly Private Equity & Private Credit Report – Q1 2020

Mr. Tad Fergusson from Meketa highlighted significant points in the Quarterly Private Equity and Private Credit Reports, respectively. Since reporting for private market investments is lagged by one quarter, the report covers the first-quarter 2020. Through the first quarter, there was only \$90.7 million and \$76.3 million in invested funds for private equity and private credit, respectively.

D. Quarterly Real Estate Report – Q1 2020

Ms. Christy Fields from Meketa 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 2020. During the quarter private real estate returned 0.6% (net of fees), below the asset class benchmark of 0.8%. Meketa and EUTF staff are closely monitoring the performance of the sector.

E. Reinsurance Strategy Benchmark

Mr. Colin Bebee from Meketa presented a memorandum dated August 18, 2020 recommending a benchmark for the Reinsurance asset class and managers. The benchmark reflects the expected return of the strategy.

MOTION was made and seconded to recommend to the Board approval of the Reinsurance strategy benchmark for the managers and the asset class. (Elefante/Nip) The motion was passed unanimously. (Employer Trustees – 2/Employee-Beneficiary Trustees-2)

IV. EXECUTIVE SESSION

MOTION was made and seconded to move into Executive Session at 9:57 a.m. (Elefante /Nip) The motion passed unanimously. (Employer Trustees-2/Employee-Beneficiary Trustees-2)

The regular meeting reconvened at 10:43 a.m.

V. FUTURE AGENDA ITEMS DISCUSSION AND POSSIBLE MEETING DATES

Mr. Yuan reported that EUTF staff will poll the Committee members for a meeting date in October.

VI. ADJOURNMENT

MOTION was made and seconded for the Investment Committee to adjourn the meeting at 10:44 a.m. (Ferguson-Miyamoto /Nip) The motion passed unanimously. (Employer Trustees-3/ Employee-Beneficiary Trustees-2)

Respectfully submitted,

/s/

Christian Fern, Chairperson

APPROVED on October 20, 2020.

Documents Distributed:

1. Draft June 16, 2020 Investment Committee Minutes. (1 page)
2. EUTF Current Market Dynamics & Extremes, prepared by Meketa Investment Group, dated August 18, 2020. (18 pages).
3. EUTF Q2 2020 Quarterly Report (Preliminary Data), prepared by Meketa Investment Group, dated August 18, 2020. (116 pages)
4. Memorandum to EUTF from Meketa Investment Group Regarding AlphaSimplex Group (“AlphaSimplex”) - Watch Status Update, dated August 18, 2020. (4 pages)
5. EUTF Private Equity & Private Credit Quarterly Program Report, prepared by Meketa Investment Group, dated March 31, 2020. (21 pages)
6. EUTF Quarterly Real Estate Performance Report, prepared by Meketa Investment Group, dated March 31, 2020. (16 pages)
7. Memorandum to EUTF from Meketa Investment Group Regarding Benchmark Recommendation, dated August 18, 2020. (3 pages)