HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Investment Committee Meeting
Tuesday, October 20, 2020

TRUSTEES PRESENT
Mr. Christian Fern, Chairperson (via video conference)          Mr. Damien Elefante (via video conference)
Ms. Celeste Nip, Vice-Chairperson (via video conference)        Ms. Jacqueline Ferguson-Miyamoto (via video conference)
Mr. Roderick Becker (via video conference)                      Mr. Roderick Becker (via video conference)
Ms. Laurel Johnston (via video conference)

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

EUTF STAFF AND CONSULTANTS
Mr. Derek Mizuno, Administrator                               Mr. Colin Bebee, Consultant (via video conference)
Ms. Desiree Yamauchi                                           Ms. Kristen Chase, 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, House Finance                              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, October 20, 2020.

II. MINUTES – AUGUST 18, 2020
The Investment Committee reviewed the draft minutes of August 18, 2020.

MOTION was made and seconded to approve the minutes of August 18, 2020, as circulated. (Ferguson-Miyamoto/Elefante) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

III. MEKETA INVESTMENT GROUP - 2020 STRATEGIC ALLOCATION REVIEW
Mr. Colin Bebee and Mr. Ryan Lobdell from Meketa Investment Group (Meketa) presented part two of the 2020 Strategic allocation Review which included the risk and return modeling process and the long-term allocation target recommendation. The recommended OPEB allocation represents marginal changes from the current target, with a slightly improved expected risk-adjusted return profile (recommended target: 7.1% expected return, 9.6% standard deviation, and 0.61 Sharpe ratio; current target: 7.0% expected return, 9.3% standard deviation, and 0.6 Sharpe ratio).

MOTION was made and seconded to recommend to the Board approval of the proposed long-term strategic allocation for the OPEB Trust. (Ferguson-Miyamoto/Johnston) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

IV. INVESTMENT OFFICE UPDATE
Mr. Kuan Yuan presented the Investment Office Update presentation dated October 20, 2020 that discussed the purpose of the Investment Office, projected growth of the portfolio and staffing needs, potential use for an additional staff, and assessment of EUTF’s investment complexity. The primary purpose of the Investment Office is to improve investment return and protect the assets from risks. To ensure that this responsibility is carried out effectively for a growing portfolio, addition of an investment specialist is recommended. With the additional resource, the Investment Office can also
pursue beneficial initiatives such as private market co-investment, where the potential benefit of lower management fees far outweighs cost. Lastly, when compared to peers the OPEB portfolio is much simpler and lacks many unnecessary complexities.

MOTION was made and seconded to recommend to the Board addition of an investment specialist position to the budget request for the second year of the biennium budget FY2022 and FY2023. (Ferguson-Miyamoto/Nip) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

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 November.

VI. ADJOURNMENT
MOTION was made and seconded for the Investment Committee to adjourn the meeting at 10:25 a.m. (Ferguson-Miyamoto/Elefante) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

Respectfully submitted,

/s/
Christian Fern, Chairperson

APPROVED on November 17, 2020.

Documents Distributed:
1. Draft August 18, 2020 Investment Committee Minutes. (3 pages)
3. EUTF Investment Office Update, dated October 20, 2020. (11 pages)