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, November 17, 2020.

II. MINUTES – OCTOBER 20, 2020
The Investment Committee reviewed the draft minutes of October 20, 2020.

MOTION was made and seconded to approve the minutes of October 20, 2020, as circulated. (Ferguson-Miyamoto/Nip) The motion passed unanimously. (Employer Trustees-1/Employee-Beneficiary Trustees-3)

III. MEKETA INVESTMENT GROUP
A. September 30, 2020 Strategic Performance Report Including Excess Funds
Mr. Colin Bebee from Meketa Investment Group (Meketa) highlighted significant points in the September 30, 2020 Performance Report. The OPEB Trust Fund finished the quarter at $3.92 billion and gained 4.4% (net of fees) for the quarter, underperforming the policy benchmark of 4.8%. Since inception (June 23, 2011), the EUTF portfolio has returned 6.8% (net of fees) versus the policy benchmark return of 6.7%.

During the quarter all public market managers with the exception of Mt. Lucas (Systematic Trend Following), Kepos (Alternative Risk Premia), and Lombard Odier (Alternative Risk Premia) performed in line or above their benchmarks. Mt. Lucas primarily underperformed due to variance in trading rules from the benchmark. Kepos and Lombard Odier primarily underperformed primarily due to imperfect benchmark and exposure to value and carry premia. There is no concern with these managers at this time. As of September 30, 2020, all asset classes were within the allocation guideline ranges prescribed in the Statement of Investment Policy and Guidelines.
Mr. Bebee reported that the EUTF Excess Funds portfolio finished the quarter at $258.4 million up 2.3% for the quarter (net of fees). Since inception (October 1, 2013), the portfolio returned 3.8% (net of fees).

B. Quarterly Private Equity & Private Credit Report – Q2 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 second-quarter 2020. At the end of the quarter, Private Equity reported market value of $118.3 million with a since inception IRR of 5.9% (net of fees), and Private Credit reported market value of $123.8 million with a since inception IRR of 9.7% (net of fees).

C. Quarterly Real Estate Report – Q2 2020
Ms. Karen Reeves 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 second-quarter 2020. During the quarter private real estate returned -1.5% (net of fees), outperforming the asset class benchmark of -1.8%.

D. 2020 Strategic Allocation Review – Excess Funds
Mr. Bebee presented the 2020 Strategic Allocation Review for the Excess Funds. The short-term portion will continue to be invested in the Vanguard Short-term Corporate Bond Fund. The long-term portion was modeled using the same process and inputs as the OPEB Trust but with the objective of maintaining long-term purchasing power. The recommended allocation for the long-term portion reflects marginal changes from the current target, including decreases to Long Treasury (-5.75%) and Alternative Risk Premia (-0.25%) and an increase to Systematic Trend Following (6%).

MOTION was made and seconded to recommend to the Board approval of the proposed long-term strategic allocation for the Excess Funds. (Ferguson-Miyamoto/Johnston) The motion was passed unanimously. (Employer Trustees-1/Employee-Beneficiary Trustees-3)

E. Evolving Policy Plan Update
Mr. Bebee presented an updated Evolving Policy Plan for the OPEB Trust. The Evolving Policy Plan lays out an implementation guideline for the long-term strategic allocation approved at the 10/27/20 Board meeting. The updated plan consists of three transition stages over a three-year period to ensure a smooth and gradual path to the long-term strategic allocation. While the actual pace will depend on how fast private market managers call capital, the overall transition is expected to be completed by 1/1/24.

MOTION was made and seconded to recommend to the Board approval of the updated Evolving Policy Plan. (Nip/Ferguson-Miyamoto) The motion was passed unanimously. (Employer Trustees-1/Employee-Beneficiary Trustees-3)

F. Private Equity Investment Plan and Program Update
Mr. Fergusson presented the updated Private Equity Investment Plan for 2021. To date, $652 million has been committed across 13 partnerships, of which 21% has been invested, equating to about 4.5% of the total portfolio. To reach the 12.5% long-term allocation target approved at the 10/27/20 Board meeting, it will be prudent to maintain the current pace of $150 million in commitments per year at around $50 million per commitment. Future commitments will focus on attractive opportunities to invest with existing partners as well as adding complementary new partners.

G. Private Credit Investment Plan and Program Update
Ms. Mary Bates from Meketa presented the updated Private Credit Investment Plan for 2021. To date, $275 million has been committed across five partnerships, of which about 49% has been invested, equating to about 4% of the total portfolio. To reach the 8% long-term allocation target approved at the 10/27/20 Board meeting, it will be prudent to maintain the current pace and commit $100-$150 million per year at around $50 million per commitment. Future commitments will focus on multi-strategy opportunistic funds as well as yield-oriented strategies with low correlation to the market and existing exposures.

H. Real Assets Investment Plan and Program Update
Ms. Christy Fields from Meketa presented the updated Real Assets Investment Plan for 2021. To date, $333 million has been committed and invested across three core real estate managers, with market value equating to about 9% of the total portfolio. At the 10/27/20 meeting the Board approved broadening the asset class to include exposure to other real assets (e.g. infrastructure) while maintaining a 10% overall long-term allocation target. A commitment pace of $50 million in 2021 and $25 million thereafter will be prudent. The amount will be scaled up or down depending on the opportunity set. Future commitments will focus on core open-ended infrastructure opportunities.

IV. INVESTMENT OFFICE
A. Global Options Update
Mr. Kuan Yuan presented an update on the Global Options asset class. AQR, one of two Global Options managers, is exiting the volatility risk premia business including the strategy managed for EUTF. The target date for the exit is year end 2020. EUTF staff and Meketa recommend transitioning the assets managed by AQR to Geode (the second Global Options manager) before year-end, and simultaneously carrying out a manager search targeting a finalist recommendation by Q1 2021. Both managers invest in highly liquid ETFs, futures, and options on broad equity indices. Therefore, a seamless transition is expected with nominal transaction costs.

MOTION was made and seconded to recommend to the Board to approve transitioning all assets held by AQR to Geode and termination of AQR upon completion of the transition. (Ferguson-Miyamoto/Johnston) The motion was passed unanimously. (Employer Trustees-1/Employee-Beneficiary Trustees-3)

B. Investment Policy Update
Mr. Yuan provided an update on the revision of the Statement of Investment Policy and Guidelines. The revision is in progress and will capture several recently approved items. Completion is anticipated within the next two-to-three months with the plan to present the revised draft to the Committee in Q1 2021.

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 February.

VI. ADJOURNMENT
MOTION was made and seconded for the Investment Committee to adjourn the meeting at 10:48 a.m. (Ferguson-Miyamoto/Nip) The motion passed unanimously. (Employer Trustees-1/Employee-Beneficiary Trustees-3)

Respectfully submitted,

/s/

Christian Fern, Chairperson
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APPROVED on February 9, 2021.

Documents Distributed:
1. Draft October 20, 2020 Investment Committee Minutes. (2 pages)
2. EUTF Q3 2020 Quarterly Report, dated November 17, 2020. (118 pages)
7. EUTF 2021 Private Equity Investment Plan, dated November 2020. (10 pages)
8. EUTF 2021 Private Credit Investment Plan, dated November 2020. (7 pages)
10. Memorandum to the Investment Committee from the EUTF Investment Officer Titled Global Options Update, dated November 6, 2020 (2 pages)
11. Memorandum to the Investment Committee from the EUTF Investment Officer Titled Investment Policy Update, dated November 9, 2020 (1 page)