HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Investment Committee Meeting
Wednesday, August 11, 2021

TRUSTEES PRESENT (via video conference)
Mr. Christian Fern, Chairperson
Ms. Jacqueline Ferguson-Miyamoto
Ms. Celeste Nip, Vice-Chairperson
Ms. Laurel Johnston
Mr. Roderick Becker (joined at 9:02am)

TRUSTEES ABSENT
Mr. Damien Elefante

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

EUTF STAFF
Mr. Derek Mizuno, Administrator
Mr. Kuan Yuan
Ms. Desiree Yamauchi
Mr. Dylan Zheng

CONSULTANTS
Ms. Alison Adams (via video conference)
Ms. Paige Junker (via video conference)
Ms. Mary Bates (via video conference)
Mr. Ryan Lobdell (via video conference)
Mr. Colin Bebee (via video conference)
Mr. Jared Pratt (via video conference)
Mr. Tad Ferguson (via video conference)
Ms. Karen Reeves (via video conference)
Ms. Christy Fields (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) Conference Room, City Financial Tower, 201 Merchant Street, Suite 1700, Honolulu, Hawaii, on Wednesday, August 11, 2021.

Trustee Becker entered the meeting at 9:02 a.m.

II. MINUTES – MAY 17, 2021
The Investment Committee reviewed the draft minutes of May 17, 2021.

MOTION was made and seconded to approve the minutes of May 17, 2021, as circulated. (Ferguson-Miyamoto/Johnston) The motion passed unanimously. (Employer Trustees-2/Employee-Beneficiary Trustees-3)

III. PRIVATE MARKETS PACING UPDATE AND FUNDING RECOMMENDATION
Mr. Kuan Yuan, Ms. Mary Bates, Mr. Tad Ferguson, and Ms. Karen Reeves from Meketa presented the 2021 Private Markets Pacing update for the Private Credit, Private Equity, and Real Asset programs. Pacing for private markets is calculated based on market value projections and provides guidance on how much capital needs to be committed each year in order to reach and maintain strategic allocation targets. The last pacing update in November 2020 reflected suspension of Annual Required Contributions (ARC) for five years (FY21-FY24). Since then, OPEB market value increased significantly due to very strong investment returns and most employers continued to make ARC payments in FY 2021. The current market value projection is meaningfully higher than was assumed last year. The updated commitment pace for Private Credit is $150 million in 2021 and $300 million thereafter across 3-5 partnerships. For Private Equity, the pace is $200 million in 2021 and $300 million thereafter also across 3-5 partnerships. For Real Assets, the pace is $170 million in 2021 and a minimum of $130 million thereafter across 2-3 partnerships. As part of the Private Credit update, it
was also recommended that an additional $25 million be added to the PIMCO Private Income Fund (PIF), an existing open-ended fund. The Board initially approved a $50 million investment in PIF in November 2018. Since investment began in 2019 performance has been in line with expectations.

MOTION was made and seconded to recommend to the Board a commitment of additional $25 million to the PIMCO Private Income Fund. (Johnston/Ferguson-Miyamoto) The motion passed unanimously. (Employer Trustees-2/Employee-Beneficiary Trustee-3)

IV. EXECUTIVE SESSION
MOTION was made and seconded to move into Executive Session at 9:51 a.m. (Ferguson-Miyamoto/Johnston). The motion was passed unanimously. (Employer Trustees-2/Employee-Beneficiary Trustees-3)

The regular meeting reconvened at 10:47 a.m.

V. MEKETA INVESTMENT GROUP
A. June 30, 2021 Strategic Performance Report Including Excess Funds
Mr. Colin Bebee from Meketa highlighted significant points in the June 30, 2021 Performance Report. The OPEB Trust Fund finished the quarter at $5.4 billion and gained 6.0% (net of fees) for the quarter, outperforming the policy benchmark of 5.0%. Since inception (June 23, 2011), the EUTF portfolio has returned 8.4% (net of fees) versus the policy benchmark return of 8.2%.

During the quarter all public market managers with the exception of Geode (Global Options) AlphaSimplex (Trend Following), and Nephila (Reinsurance) performed in line or above their benchmarks. Geode underperformed primarily due to utilization of local, non-US options. AlphaSimplex underperformed primarily due to variance in trading rules from the benchmark. Nephila underperformed primarily due to adverse impacts from wildfires and weather events during the quarter. There are no concerns with these managers at this time. As of June 30, 2021, all asset classes were within the allocation guideline ranges prescribed in the Investment Policy Statement.

Mr. Bebee reported that the EUTF Excess Funds portfolio finished the quarter at $334.9 million up 2.2% for the quarter (net of fees). Since inception (October 1, 2013), the portfolio returned 4.2% (net of fees).

B. Quarterly Private Equity & Private Credit Report – Q1 2021
Mr. Tad Ferguson from Meketa highlighted significant points in the Quarterly Private Equity and Private Credit Reports. Since reporting for private market investments is lagged by one quarter, the report covers the first-quarter 2021. At the end of the quarter, Private Equity and Private Credit reported market values of $251.5 million and $143.7 million, respectively, with since inception internal rates of return of 28.7% and 16.6% (both net of fees), respectively. For the same time period, private equity and private credit outperformed their benchmarks of 27.6% and of 10.8%, respectively.

C. Quarterly Real Assets Report – Q1 2021
Ms. Karen Reeves from Meketa highlighted significant points in the Quarterly Real Assets Report. Since reporting for private market investments is lagged by one quarter, the report covers first-quarter 2021. At the end of the quarter, Private Real Assets reported a market value of $394 million with a quarterly return of 2.3% (net of fees), outperforming the asset class benchmark of 1.9%.

D. Education: Cryptocurrencies
Ms. Alison Adams from Meketa presented an educational overview on cryptocurrencies. This asset is only presented for educational purposes and not being recommended for investment at the moment due to its volatility and small market size.

VI. FUTURE AGENDA ITEMS DISCUSSION AND POSSIBLE MEETING DATES
Mr. Yuan reported that EUTF staff will poll the Committee members for meeting dates in September, October, November and December.

VII. ADJOURNMENT
MOTION was made and seconded for the Investment Committee to adjourn the meeting at 11:59 a.m. (Johnston/Nip) The motion passed unanimously. (Employer Trustees-2/Employee-Beneficiary Trustees-3)

Respectfully submitted,

/s/

Christian Fern, Chairperson

APPROVED on October 12, 2021.

Documents Distributed:
1. Draft May 17, 2021 Investment Committee Minutes. (3 pages)
2. OPEB Market Value Charts as of August 2021. (1 page)
3. EUTF 2021 Private Markets Investment Plan, dated August 2021. (30 pages)
4. EUTF Q2 2021 Quarterly Report, dated August 11, 2021. (97 pages)
5. EUTF Private Equity & Private Credit Quarterly Q1 Program Report, dated March 31, 2021. (22 pages)
7. Cryptocurrencies: Bitcoin, Blockchain, and Institutional Investors, dated August 11, 2021. (33 pages)