I. CALL TO ORDER
The meeting of the Investment Committee was called to order at 9:01 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 Tuesday, October 12, 2021.

II. MINUTES – AUGUST 11, 2021
The Investment Committee reviewed the draft minutes of August 11, 2021.

MOTION was made and seconded to approve the minutes of August 11, 2021, as circulated. (Ferguson-Miyamoto/Johnston) The motion passed unanimously. (Employer Trustees-2/Employee-Beneficiary Trustees-2)

III. PRIVATE EQUITY CO-INVESTMENT GUIDELINES
Mr. Kuan Yuan and Mr. Tad Ferguson from Meketa Investment Group (Meketa) presented an educational refresher on and recommendations for private equity (PE) co-investment. At the October 2020 investment committee meeting, staff provided an overview of return enhancing initiatives that can be pursued if given additional staffing resources. Co-investment was identified as a high conviction and impact initiative. With the Legislature appropriating an investment analyst position in the FY 2022 budget, the Investment Office can now prepare to pursue co-investment opportunities.

Co-investments are made by a limited partner (LP) directly into an operating company alongside a general partner (GP). It allows LPs to deploy capital outside of the primary fund, in another limited liability fund structure, at reduced or no fees and carried interest. In addition to lower fees, LPs also benefit from quicker deployment of capital, targeted investments, and improved relationship and oversight of the GP. GPs also benefit from co-investments by providing another source of equity capital, efficient use of capital, and an opportunity to improve relationship with LPs.

However, since availability of co-investments is unpredictable and require timely decisions when presented the offer, limited delegation of investment authority to staff is necessary. A rules-based approach that provides clear guidelines is both prudent and commonly used by LPs. For EUTF, the
recommended guidelines include co-investing only with existing GPs and in existing funds, and in GP’s specialized sectors, strategies, and geographies. Additionally, the total commitment amount and size target per investment should be based on amounts approved by the Board annually. Given EUTF’s most recent PE pacing plan of $300 million of commitments in 2022, Meketa and staff recommend starting with up to $75 million of co-investments in the first year, with target size of $15-25 million (as lows as $5 million) over three to five investments. Lastly, staff and consultant are expected to provide written notification and recommendation after completion of a co-investment.

Trustees Elefante and Nip entered the meeting at 9:16 a.m. and 9:41 a.m. respectively.

MOTION was made and seconded to recommend to the Board approval of the proposed co-investment policy guidelines and up to $75 million of total Private Equity co-investments in 2022, and up to $25 million per co-investment. (Ferguson-Miyamoto/Nip) Trustees Becker and Johnston noted concerns about concentration of risk in specific companies and delegating the responsibility to staff. The motion failed. (Employer Trustees-3 NO Becker, Elefante, Johnston/Employee-Beneficiary Trustees-3 YES Fern, Ferguson-Miyamoto, Nip)

IV. EXECUTIVE SESSION
MOTION was made and seconded to move into Executive Session at 10:00 a.m. (Ferguson-Miyamoto/ Nip). The motion was passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

The regular meeting reconvened at 11:55 a.m.

Chairperson Fern reported that the following were approved during Executive Session:
- Executive Session Minutes of August 11, 2021
- A recommendation to the Board to commit funds to a private equity fund, subject to contract negotiation.
- A recommendation to the Board to commit funds to a real assets fund, subject to contract negotiation.
- A recommendation to the Board to commit additional funds to a private credit fund, subject to contract negotiation.

V. EDUCATION: UNDERSTANDING CHINA
Mr. Colin Bebee and Ms. Alison Adams from Meketa presented an educational overview on China.

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

VII. ADJOURNMENT
MOTION was made and seconded for the Investment Committee to adjourn the meeting at 12:19 p.m. (Ferguson-Miyamoto/Johnston) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

Respectfully submitted,

/s/
Christian Fern, Chairperson

APPROVED on November 10, 2021.
Documents Distributed:
1. Draft August 11, 2021 Investment Committee Minutes. (3 pages)
2. EUTF Private Market Co-Investments, prepared by Meketa Investments, dated October 2021. (20 pages)
3. EUTF Investment Policy Statement Draft. (47 pages)
4. EUTF – Understanding China, prepared by Meketa Investments, dated October 12, 2021. (22 pages)