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 Tuesday, March 14, 2022.

II. MINUTES – FEBRUARY 8, 2022
The Investment Committee reviewed the draft minutes of February 8, 2022.

MOTION was made and seconded to approve the minutes of February 8, 2022, as circulated. (Nip/Becker) The motion passed unanimously. (Employer Trustees-2/Employee-Beneficiary Trustees-3)

III. EXECUTIVE SESSION
MOTION was made and seconded to move into Executive Session at 9:03 a.m. (Becker/Machida). The motion was passed unanimously. (Employer Trustees-2/Employee-Beneficiary Trustees-3)

The regular meeting reconvened at 10:31 a.m.

Chairperson Fern reported that in Executive Session the Committee approved:

- A recommendation to the Board to commit funds to a Real Assets fund, subject to contract negotiation.
- A recommendation to the Board to commit funds to a Private Equity fund, subject to contract negotiation.

IV. MEKETA INVESTMENT GROUP
A. Manager Watch Status Recommendation
Mr. Colin Bebee from Meketa presented a memorandum dated 3/14/22 recommending placing Lombard Odier on Watch Status due to performance reasons. Lombard Odier is one of two managers for the Alternative Risk Premia (ARP) strategy, managing approximately $149 million for the OPEB Trust Fund and $6 million for the EUTF Trust Fund at the end of 1/31/22. At the end
of 12/31/21, Lombard Odier violated the intermediate-term watch criteria of absolute performance less than -2.6% on a rolling 36-month period (annualized) for two consecutive calendar quarters. ARP strategies have been challenged over the past several years with the market only favoring a small subset of premia. While Lombard produced some of the strongest performance relative to peers in early-2020, more recent performance has been underwhelming. Meketa and EUTF staff will continue to monitor Lombard Odier’s performance, including additional analysis and due diligence reviews over the next 9 to 18 months.

MOTION was made and seconded to recommend to the Board placing Lombard Odier on Watch status effective January 1, 2022 for performance reasons. (Ferguson-Miyamoto/Nip) The motion passed unanimously. (Employer Trustees-2/Employee-Beneficiary Trustees-3)

B. Russia-Ukraine Conflict
Mr. Bebee discussed the portfolio’s exposure to the Russian-Ukraine conflict. EUTF’s direct exposure is minimal and limited to the passive international equity strategy. However, the ongoing conflict can have broader effects on the global economy depending on how events unfold. The range of outcomes is wide and there is no reliable way to predict what may happen. It is recommended that long-term investors such as the EUTF to continue to rebalance to long-term strategic asset allocation targets in accordance with existing investment policies. EUTF’s portfolio is designed to withstand volatile environments including geopolitical uncertainty. EUTF staff and Meketa will continue to monitor and make recommendations when appropriate.

C. Education: ESG Trends and Institutional Practices
Mr. Bebee presented an educational overview on ESG trends and Institutional Practices. ESG investing has significantly grown over the years but remains fragmented, lacking standard best practice. Some proactive investors have dedicated meaningful resources to implement and monitor ESG metrics. EUTF has incorporated limited aspects of ESG including in investment policy and investment manager selection and monitoring. EUTF staff and Meketa will continue to investigate low-cost ESG-oriented implementation in the public equity markets where expected return is similar or better than the existing index structure.

III. EXECUTIVE SESSION (continued)
Executive Session reconvened at 11:26 a.m.

The regular meeting reconvened at 11:35 a.m.

Chairperson Fern reported that in Executive Session the Committee approved:
  • Executive Session Minutes of December 14, 2021
  • A recommendation to the Board to award contract for investment consultant services

V. FUTURE AGENDA ITEMS DISCUSSION AND POSSIBLE MEETING DATES
Mr. Kuan Yuan reported that EUTF staff will poll the Committee members for meeting dates in May.

VI. ADJOURNMENT
MOTION was made and seconded for the Investment Committee to adjourn the meeting at 11:38 a.m. (Ferguson-Miyamoto /Machida) The motion passed unanimously. (Employer Trustees-2/Employee-Beneficiary Trustees-3)
Respectfully submitted,

Christian Fern, Chairperson

APPROVED on May 17, 2022.

Documents Distributed:
1. Draft February 8, 2022 Investment Committee Minutes. (2 pages)
2. Memorandum to BOT from Meketa Investment Group, regarding Lombard Odier – Watch Recommendation, dated March 14, 2022. (6 pages)
3. EUTF ESG Trends and Institutional Practices, prepared by Meketa Investment Group, dated March 14, 2022. (22 pages)