

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Investment Committee Meeting
Wednesday, October 19, 2022

TRUSTEES PRESENT (via video conference)

Mr. Christian Fern, Chairperson

Mr. Damien Elefante (joined at 9:02 a.m.)

Mr. Wesley Machida

Ms. Celeste Nip

Mr. James Wataru (joined at 9:24 a.m.)

TRUSTEES ABSENT

Mr. Robert Yu, Vice-Chairperson

Mr. Roderick Becker

Ms. Jacqueline Ferguson-Miyamoto

ATTORNEY (via video conference)

Mr. Michael Chambrella, Deputy Attorney General

EUTF STAFF

Mr. Derek Mizuno, Administrator

Mr. Kuan Yuan, Chief Investment Officer

Ms. Desiree Yamauchi

Mr. Joao Marco Maffini

Mr. Brett Tatsuno

CONSULTANTS – MEKETA INVESTMENT GROUP (via video conference)

Mr. Colin Bebee

Mr. Tad Fergusson

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 Wednesday, October 19, 2022.

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

II. REVIEW OF MINUTES – SEPTEMBER 19, 2022

The Investment Committee reviewed the draft minutes of September 19, 2022.

MOTION was made and seconded to approve the minutes of September 19, 2022, as circulated. (Machida/Elefante) The motion passed unanimously. (Employer Trustees-2/Employee-Beneficiary Trustees-2)

III. EXECUTIVE SESSION

MOTION was made and seconded to move into Executive Session at 9:04 a.m. (Machida/Nip) The motion passed unanimously. (Employer Trustees-2/Employee-Beneficiary Trustees-2)

Trustee Wataru entered the meeting at 9:24 a.m. during Executive Session.

The regular meeting reconvened at 9:33 a.m.

Chairperson Fern reported that in Executive Session the Committee approved:

- A recommendation to the Board to commit funds to a private equity fund, subject to contract negotiation.
- The Executive Session Minutes of September 19, 2022.

IV. MEKETA INVESTMENT GROUP

A. 2022 Strategic Allocation Review – EUTF Trust Funds

Mr. Colin Bebee from Meketa Investment Group (Meketa) presented the 2022 Strategic Allocation

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Study for the EUTF Trust Fund. The short-term portion will remain in the existing short-term corporate bond strategy. The study for the long-term portion, which will now be incorporated in both the Retirees and Actives portfolios, followed a similar methodology for the OPEB Trust that was done in August. Risk/return assumptions for each asset class were developed and used in a modeling process to pursue a portfolio that exhibits a moderate return target (slightly lower than the OPEB Trust) and a strong risk/return tradeoff. The resulting analysis showed that the current long-term policy remains an efficient portfolio, and thus, the recommendation is that the targets remain as-is (long-term target portfolio: 6.7% expected return, 9.8% standard deviation, -33.1% expected max loss).

After the presentation, the Committee, Meketa, and EUTF staff discussed the return expectation for the long-term portion of the EUTF Trust.

MOTION was made and seconded to recommend to the Board approval of the proposed long-term strategic allocation for the EUTF Trust Funds. (Machida/Nip) The motion passed unanimously. (Employer Trustees-2/Employee-Beneficiary Trustees-3)

B. Evolving Policy Plan Update

Mr. Bebee presented a memorandum recommending an updated Evolving Policy Plan for the OPEB Trust. The plan consists of four transition stages over a three-year period to ensure a smooth and gradual path towards the new long-term strategic allocation approved at the August 2022 Board meeting. The first stage incorporates Tail Risk/Long Volatility strategies that are expected to materially lower the portfolio's expected risk, but also marginally reduce expected returns. However, as additional stages of the plan are implemented, expected returns will increase. While the actual pacing will depend on how fast private market managers call capital, the overall transition is expected to be completed by January 1, 2026.

After the presentation, the Committee, Meketa, and EUTF staff discussed the target expected return level for the OPEB Trust.

MOTION was made and seconded to recommend to the Board approval of the updated Evolving Policy Plan. (Machida/Elfante) The motion passed unanimously. (Employer Trustees-2/Employee-Beneficiary Trustees-3)

V. FUTURE AGENDA ITEMS DISCUSSION AND POSSIBLE MEETING DATES

Mr. Kuan Yuan reported that the next Investment Committee meeting is scheduled for Wednesday, November 16, 2022 at 9:00 a.m.

VI. ADJOURNMENT

MOTION was made and seconded for the Investment Committee to adjourn the meeting at 9:57 a.m. (Machida/Nip) The motion passed unanimously. (Employer Trustees-2/Employee-Beneficiary Trustees-3)

Respectfully submitted,

/s/

Christian Fern, Chairperson

APPROVED on November 16, 2022.

Documents Distributed:

1. Draft September 19, 2022 Investment Committee Minutes. (2 pages)

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2. EUTF 2022 Strategic Allocation – EUTF Trust Fund Portfolio, prepared by Meketa Investment Group, dated October 2022. (17 pages)
3. Memorandum to EUTF from Meketa Investment Group, regarding 2022 Strategic Allocation Review – OPEB Trust Evolving Policy Plan, dated October 19, 2022. (3 pages)