

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
Minutes of the Investment Committee Meeting  
Tuesday, February 28, 2023

TRUSTEES PRESENT

Mr. Christian Fern, Chairperson	Ms. Jacqueline Ferguson-Miyamoto
Mr. Robert Yu, Vice-Chairperson (via video conference)	Mr. Wesley Machida (via video conference)
Mr. Roderick Becker (joined at 9:01 a.m. via video conference)	Mr. James Wataru
Mr. Damien Elefante (joined at 9:55 a.m. via video conference)	

ATTORNEY

Mr. Michael Chambrella, Deputy Attorney General

EUTF STAFF

Mr. Derek Mizuno, Administrator	Mr. Joao Marco Maffini
Mr. Kuan Yuan, Chief Investment Officer	Mr. Brett Tatsuno
Ms. Desiree Yamauchi	

CONSULTANTS (via video conference)

Ms. Catherine Beard, Callan LLC	Ms. Jan Mende, Callan LLC
Mr. Colin Bebee, Meketa Investment Group	Mr. Aaron Quach, Callan LLC
Ms. Kay Ceserani, Meketa Investment Group	Mr. Avery Robinson, Callan LLC
Mr. Inwoo Hwang, Meketa Investment Group	Mr. Ethan Samson, Meketa Investment Group

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, February 28, 2023.

Trustee Becker entered the meeting at 9:01 a.m.

II. REVIEW OF MINUTES – NOVEMBER 16, 2022

The Investment Committee reviewed the draft minutes of November 16, 2022.

MOTION was made and seconded to approve the minutes of November 16, 2022, as circulated. (Wataru/Ferguson-Miyamoto) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

III. PERFORMANCE REPORTS

A. Quarterly Performance Report – Q4 2022

Mr. Colin Bebee of Meketa Investment Group (Meketa) highlighted significant points in the Q4 Performance Report. The OPEB Trust Fund portfolio finished the quarter at \$5.9 billion, gaining 2.5% in the quarter and declining -1.2% in the fiscal year (net of fees), underperforming the policy benchmark of 3.0% and -0.2%, respectively. Since inception (June 23, 2011), the portfolio has returned 7.0% (net of fees) versus the policy benchmark return of 6.8%.

During the quarter, all public managers with the exception of Geode (Global Options), Mount Lucas (Trend Following), Kepos (Alternative Risk Premia), Lombard Odier (Alternative Risk Premia), Nephila (Reinsurance), and Pillar (Reinsurance) performed in line with or above their benchmarks. Geode underperformed due to having a more diversified mix of option strikes and maturities compared to the benchmark, and in particular, exposure to local index options. Mount Lucas underperformed due to slight variances in their rules versus the benchmark's rules. Exposures to carry and momentum factors within commodities affected Kepos' and Lombard Odier's relative returns, respectively. Nephila's results slightly underperformed the benchmark but were materially positive on an absolute basis. However, Pillar's performance was significantly

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challenged as it revised loss estimates from Hurricane Ian downward and was also impacted by tornado/hail events in the Midwest. Lombard Odier and AlphaSimplex (Trend Following) remain on Watch Status effective January 1, 2022 and November 1, 2022, respectively; otherwise, there are no concerns with any other managers at this time. As of December 31, 2022, all asset classes were within allocation guideline ranges prescribed in the Investment Policy Statement.

Mr. Bebee reported that the EUTF Trust Fund portfolio finished the quarter at \$469.5 million, up 1.8% and 0.1% for the quarter and fiscal year (net of fees), respectively. Since inception (October 1, 2013), the portfolio has returned 3.0% (net of fees).

## B. Quarterly Private Equity Report – Q3 2022

Mr. Ethan Samson of Meketa highlighted significant points in the Quarterly Private Equity Report. Since reporting for private market investments is lagged by one quarter, the report covers the third-quarter 2022. At the end of the quarter, Private Equity reported a market value of \$535.6 million, with a since inception internal rate of return of 22.3% (net of fees), outperforming the asset class benchmark of 0.4%.

After the presentation, the Committee, Meketa, and EUTF staff discussed the long-term private equity pacing plan.

## C. Quarterly Private Credit Report – Q3 2022

Ms. Catherine Beard of Callan LLC (Callan) highlighted significant points in the Quarterly Private Credit Report. Since reporting for private market investments is lagged by one quarter, the report covers third-quarter 2022. At the end of the quarter, Private Credit reported a market value of \$348.0 million with a since inception internal rate of return of 8.7% (net of fees), outperforming the asset class benchmark of 3.9%.

## D. Quarterly Real Assets Report – Q3 2022

Mr. Avery Robinson and Ms. Jan Mende of Callan highlighted significant points in the Quarterly Real Assets Report. Since reporting for private market investments is lagged by one quarter, the report covers third-quarter 2022. At the end of the quarter, Real Assets reported a market value of \$624.0 million with a since inception internal rate of return of 9.2% (net of fees), slightly underperforming the asset class benchmark of 9.3%.

## IV. EXECUTIVE SESSION

MOTION was made and seconded to move into Executive Session at 9:52 a.m. (Wataru/Ferguson-Miyamoto) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

Trustee Elefante entered the meeting during Executive Session at 9:55 a.m.

The regular meeting reconvened at 10:32 a.m.

Chairperson Fern reports that the following were approved during Executive Session:

- A recommendation pertaining to manager watch status
- Finalists for a manager search
- Executive Session Minutes of November 16, 2022

## V. FUTURE AGENDA ITEMS DISCUSSION AND POSSIBLE MEETING DATES

Mr. Kuan Yuan reported that EUTF staff will poll the Committee members for a future meeting date.

## VI. ADJOURNMENT

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MOTION was made and seconded for the Investment Committee to adjourn the meeting at 10:33 a.m. (Wataru/Ferguson-Miyamoto) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

Respectfully submitted,

/s/

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Christian Fern, Chairperson

APPROVED on April 2, 2023.

Documents Distributed:

1. Draft November 16, 2022 Investment Committee Minutes. (4 pages)
2. EUTF Q4 2022 Quarterly Report, prepared by Meketa Investment Group, dated February 28, 2023. (99 pages)
3. EUTF Private Equity Q3 2022 Quarterly Report, prepared by Meketa Investment Group, dated September 30, 2022. (16 pages)
4. EUTF Private Credit Portfolio Review, prepared by Callan LLC, dated February 28, 2023. (23 pages)
5. EUTF Real Assets Performance Report – 3Q 2022, prepared by Callan LLC, dated February 28, 2023. (21 pages)