

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
Minutes of the Investment Committee Meeting  
Friday, September 8, 2023

TRUSTEES PRESENT

Mr. Christian Fern, Chairperson  
Mr. Robert Yu, Vice-Chairperson  
Mr. Wesley Machida (via video conference)

Ms. Sabrina Nasir  
Ms. Maureen Wakuzawa

TRUSTEES ABSENT

Ms. Jacqueline Ferguson-Miyamoto

Mr. James Wataru

ATTORNEY

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 (via video conference)

Mr. Colin Bebee, Meketa Investment Group  
Mr. Tad Fergusson, Meketa Investment Group  
Mr. Pete Keliuotis, Callan LLC

Ms. Jan Mende, Callan LLC  
Mr. Aaron Quach, Callan LLC

OTHERS PRESENT

Mr. David Okamoto, Hawaii ERS

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 Friday, September 8, 2023.

Chairperson Fern introduced Mr. David Okamoto, who will become the new EUTF Chief Investment Officer effective September 18, 2023.

II. REVIEW OF MINUTES – JUNE 22, 2023

The Investment Committee reviewed the draft minutes of June 22, 2023.

MOTION was made and seconded to approve the minutes of June 22, 2023, as circulated. (Yu/Nasir)  
The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-2)

III. EXECUTIVE SESSION

MOTION was made and seconded to move into Executive Session at 9:04 a.m. (Yu/Nasir) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-2)

The regular meeting reconvened at 10:22 a.m.

Chairperson Fern reported that the following occurred during Executive Session:

- Approved recommendations to the Board to commit funds to two private equity funds, subject to contract negotiations.
- Reviewed and discussed the June 22, 2023 Executive Session Minutes.

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MOTION was made and seconded to approve the Executive Session minutes of June 22, 2023, as circulated. (Nasir/Yu) The motion passed unanimously. (Employer Trustees-3/ Employee-Beneficiary Trustees-2)

## IV. PERFORMANCE REPORTS

### A. Quarterly Performance Report – Q2 2023

Mr. Colin Bebee of Meketa Investment Group (Meketa) highlighted significant points in the Q2 Performance Report. The OPEB Trust Fund portfolio finished the quarter at \$6.3 billion and gained 3.0% and 4.6% for the quarter and fiscal year (net of fees), respectively, underperforming the policy benchmark of 3.5% and 6.5%, respectively. Since inception (June 23, 2011), the portfolio has returned 7.2% (net of fees) versus the policy benchmark return of 7.1%.

During the quarter, all public managers with the exception of Northern Trust (Non-US Public Equity), Nephila (Reinsurance), and Pillar (Reinsurance) performed in line with or above their benchmarks. Northern Trust slightly underperformed due to its implementation of fair value fund pricing but has closely tracked the benchmark over longer periods. Nephila and Pillar produced solid absolute returns but underperformed their benchmark as publicly traded catastrophe bonds, which make up the bulk of the benchmark, strongly appreciated as yields declined. Higher-than-normal premium accrual is expected for the remainder of 2023 due to 2022 weather and market events. AlphaSimplex remains on Watch Status effective November 1, 2022 due to recent organization changes; otherwise, there are no concerns with any other managers at this time.

Mr. Bebee reported that the EUTF Trust Fund portfolio finished the quarter at \$542.4 million, up 2.6% and 4.7% for the quarter and fiscal year (net of fees), respectively. Since inception (October 1, 2013), the portfolio has returned 3.3% (net of fees).

During Meketa's presentation, the Committee, Meketa, and EUTF staff discussed the weightings of the Diversifying Strategies components and payoff scenarios for the new Tail Risk Overlay strategy managed by LongTail Alpha.

### B. Quarterly Private Equity Report – Q1 2023

Mr. Tad Fergusson 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 first-quarter 2023. At the end of the quarter, Private Equity reported a market value of \$648.6 million, with a since inception internal rate of return of 18.1% (net of fees), outperforming the asset class benchmark of 8.2%.

### C. Quarterly Private Credit Report – Q1 2023

Mr. Pete Keliuotis 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 first-quarter 2023. At the end of the quarter, Private Credit reported a market value of \$420.5 million with a since inception internal rate of return of 8.5% (net of fees), outperforming the asset class benchmark of 5.7%.

### D. Quarterly Real Assets Report – Q1 2023

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 first-quarter 2023. At the end of the quarter, Real Assets reported a market value of \$616.6 million with a since inception return of 7.5% (net of fees), outperforming the asset class benchmark of 7.1%.

## V. INVESTMENT POLICY STATEMENT UPDATE

Mr. Kuan Yuan presented the updated Investment Policy Statement, incorporating the investment guidelines for Gateway Investment Advisors.

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After the presentation, the Committee and EUTF staff discussed the purpose of the investment guidelines.

MOTION was made and seconded to recommend to the Board approval of the updated Investment Policy Statement. (Yu/Nasir) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-2).

VI. FUTURE AGENDA ITEMS DISCUSSION AND POSSIBLE MEETING DATES

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

VII. ADJOURNMENT

MOTION was made and seconded for the Investment Committee to adjourn the meeting at 11:34 a.m. (Yu/Nasir) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-2)

Respectfully submitted,

/s/

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Christian Fern, Chairperson

APPROVED on November 13, 2023.

Documents Distributed:

1. Draft June 22, 2023 Investment Committee Minutes. (2 pages)
2. EUTF Q2 2023 Quarterly Report, prepared by Meketa Investment Group, dated September 8, 2023. (103 pages)
3. EUTF Private Equity Q1 2023 Quarterly Report, prepared by Meketa Investment Group, dated March 31, 2023. (16 pages)
4. EUTF Private Credit Portfolio Review, prepared by Callan LLC, dated August 16, 2023. (23 pages)
5. EUTF Real Assets Performance Report – 1Q 2023, prepared by Callan LLC, dated September 8, 2023. (21 pages)
6. Draft EUTF Investment Policy Statement. (51 pages)