

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Investment Committee Meeting
Monday, December 11, 2023

TRUSTEES PRESENT

Mr. Christian Fern, Chairperson

Ms. Maureen Wakuzawa

Mr. Robert Yu, Vice-Chairperson

Mr. James Wataru

Mr. Wesley Machida (via video conference, excused at 10:30 a.m.)

Mr. Ryan Yamane (via video conference, excused at

Ms. Sabrina Nasir (via video conference, joined at 9:01 a.m.)

9:57 a.m.)

TRUSTEES ABSENT

Ms. Jacqueline Ferguson-Miyamoto

ATTORNEY

Mr. Michael Chambrella, Deputy Attorney General

EUTF STAFF

Mr. Derek Mizuno, Administrator

Ms. Debra Pfeffer

Mr. David Okamoto, Chief Investment Officer

Mr. Brett Tatsuno

Mr. Joao Marco Maffini

CONSULTANTS (via video conference, unless otherwise noted)

Mr. Colin Bebee, Meketa Investment Group (in person)

Ms. Jan Mende, Callan LLC (in person)

Mr. Jonathan Camp, Meketa Investment Group

Mr. Aaron Quach, Callan LLC

Mr. Tad Fergusson, Meketa Investment Group (in person)

Mr. Avery Robinson, Callan LLC

Mr. Inwoo Hwang, Meketa Investment Group

Ms. Stephanie Sorg, Meketa Investment Group

Mr. Pete Keliuotis, Callan LLC (in person)

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 Monday, December 11, 2023.

Trustee Sabrina Nasir joined the meeting at 9:01 a.m.

II. REVIEW OF MINUTES – NOVEMBER 13, 2023

The Investment Committee reviewed the draft minutes of November 13, 2023.

MOTION was made and seconded to approve the minutes of November 13, 2023, as circulated.

(Wataru/Yu) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

III. EXECUTIVE SESSION

MOTION was made and seconded to move into Executive Session at 9:03 a.m. (Yu/Wataru) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

Trustee Ryan Yamane was excused from the meeting during Executive Session at 9:57 a.m.

The regular meeting reconvened at 10:28 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 November 13, 2023 Executive Session Minutes.

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MOTION was made and seconded to approve the Executive Session minutes of November 13, 2023, as circulated. (Yu/Wakuzawa) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

Trustee Wesley Machida was excused from the meeting at 10:30 a.m.

IV. NEW BUSINESS

A. Private Equity Pacing Update

Mr. Tad Fergusson of Meketa Investment Group (Meketa) presented a pacing plan update for Private Equity (PE). Pacing for private markets is determined based on projections of existing commitment deployment timing, investment performance, and overall OPEB plan growth. The result guides how much capital needs to be committed each year in order to reach and maintain strategic allocation targets. The study is performed annually to allow for timely calibrations.

As of June 30, 2023, EUTF's PE allocation is 10.8% versus an interim target of 10.5%. To continue ramping up towards the current long-term target allocation of 15%, the updated PE commitment pace for 2024 is \$300 million across 3-5 partnerships, ranging from \$30-100 million each. In addition, up to \$75 million in up to five co-investments, ranging from \$15-25 million each. This is unchanged from 2023.

MOTION was made and seconded to approve the 2024 Private Equity Pacing Plan. (Wataru/Yu) The motion passed unanimously. (Employer Trustees-2/Employee-Beneficiary Trustees-3)

B. Private Credit Pacing Update

Mr. Pete Keliuotis of Callan LLC (Callan) presented a pacing plan update for Private Credit (PC). As of June 30, 2023, EUTF's PC allocation is 7.2% versus an interim target of 7.0%. To continue ramping up towards the current long-term target allocation of 10%, the updated PC commitment pace for 2024 is \$300 million across 3-6 partnerships, ranging from \$50-125 million each. This represents an increase of \$50 million over the 2023 target.

MOTION was made and seconded to approve the 2024 Private Credit Pacing Plan. (Wataru/Yu) The motion passed unanimously. (Employer Trustees-2/Employee-Beneficiary Trustees-3)

C. Real Assets Pacing Update

Ms. Jan Mende of Callan presented a pacing plan update for Real Assets (RA). As of June 30, 2023, EUTF's RA allocation is 10% versus an interim target of 10.5%. To continue ramping up towards the current long-term target allocation of 12%, the updated RA commitment pace for 2024 is \$200 million across 2-4 partnerships, ranging from \$50-100 million each for real estate funds and \$50-75 million each for infrastructure funds. This represents an increase of \$60 million over the 2023 target.

After Callan's presentation, the Committee, Callan, and EUTF staff discussed how the long-term target allocations are decided upon and when adjustments are considered.

MOTION was made and seconded to approve the 2024 Real Assets Pacing Plan. (Wataru/Yu) The motion passed unanimously. (Employer Trustees-2/Employee-Beneficiary Trustees-3)

D. Meketa Investment Group – Introduction to OPEB Risk & Asset-Liability Studies

Mr. Colin Bebee and Mr. Jonathan Camp of Meketa presented an introduction to the upcoming asset-liability (A/L) study, which will be EUTF's first such study due to the plan's increasing funded status. An A/L study analyzes the plan's unique cash flow expectations (benefit payments, contributions, expenses, etc.) and attempts to quantify the risks associated with them. Key steps in

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the process are to 1) develop an understanding of how EUTF's financial condition might vary based on the outcomes of the investment portfolio, 2) set a consensus definition and view of the risks EUTF should bear, and 3) select an appropriate long-term investment strategy (i.e., a strategic allocation). The main risks to the OPEB system include investment volatility, medical cost inflation, medical claims experience volatility, and employer annual required contribution reliability.

Data and assumptions used in the A/L study will primarily come from GRS (EUTF's actuary) and Meketa's internal actuarial expertise. Meketa is also in the process of updating their Capital Market Assumptions, which establish long-term asset class return and volatility expectations. In 2024, the Board and EUTF staff should expect to spend a considerable amount of time discussing the A/L modeling exercise.

E. Investment Manager Due Diligence Update

Mr. David Okamoto presented a memorandum to provide an update on ongoing due diligence of existing investment managers. The Investment Policy Statement sets a guideline for this ongoing monitoring, including periodic onsite due diligence meetings. EUTF staff and our investment consultants continue to meet with managers within the required frequency. However, due to the pandemic and travel challenges, virtual due diligence sessions have replaced a number of traditional onsite visits over the last three years. Normal onsite visits are expected to resume in 2024. At the moment, staff does not anticipate taking a dedicated due diligence trip over the next six-to-twelve months. If the need for a trip arises, a request with details of the planned visit will be submitted to the Investment Committee/Board for prior approval.

V. FUTURE AGENDA ITEMS DISCUSSION AND POSSIBLE MEETING DATES

Mr. Okamoto reported that EUTF staff will poll the Committee members for a future meeting date ahead of the March 2024 Board meeting. The Committee also discussed a new agenda format to streamline future meetings. On a rotating basis each quarter, one private market consultant will present an annual review of their asset class and the other two private market consultants will submit their quarterly report for informational purposes only.

VI. ADJOURNMENT

MOTION was made and seconded for the Investment Committee to adjourn the meeting at 11:30 a.m. (Wataru/Yu) The motion passed unanimously. (Employer Trustees-2/Employee-Beneficiary Trustees-3)

Respectfully submitted,

/s/

Christian Fern, Chairperson

APPROVED on March 5, 2024.

Documents Distributed:

1. Draft November 13, 2023 Investment Committee Minutes. (3 pages)
2. EUTF 2024 Private Equity Investment Plan, prepared by Meketa Investment Group, dated December 2023. (8 pages)
3. EUTF Private Credit Pacing Review, prepared by Callan LLC, dated December 11, 2023. (6 pages)
4. EUTF Real Assets Pacing, prepared by Callan LLC, dated December 11, 2023. (8 pages)
5. EUTF Introduction to OPEB Risk & Asset-Liability Studies, prepared by Meketa Investment Group, dated December 2023. (28 pages)

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6. Memorandum to Investment Committee from EUTF Chief Investment Officer Regarding Investment Manager Due Diligence Update, dated December 11, 2023. (2 pages)