

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
Minutes of the Investment Committee Meeting  
Tuesday, March 5, 2024

TRUSTEES PRESENT

Mr. Robert Yu, Vice-Chairperson

Ms. Jacqueline Ferguson-Miyamoto

Mr. Wesley Machida (via video conference)

Ms. Sabrina Nasir (via video conference)

Ms. Maureen Wakuzawa

Mr. James Wataru

Mr. Ryan Yamane (via video conference, excused at 11:52 a.m.)

TRUSTEES ABSENT

Mr. Christian Fern, Chairperson

ATTORNEY (via video conference)

Mr. Michael Chambrella, Deputy Attorney General (via video conference)

EUTF STAFF

Mr. Derek Mizuno, Administrator

Mr. David Okamoto, Chief Investment Officer

Mr. Joao Marco Maffini

Mr. Brett Tatsuno

Ms. Desiree Yamauchi

CONSULTANTS (via video conference, unless otherwise noted)

Ms. Catherine Beard, Callan LLC

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

Mr. Constantine Braswell, Callan LLC

Mr. Daniel Brown, Callan LLC

Mr. Jonathan Camp, Meketa Investment Group

Mr. Tad Fergusson, Meketa Investment Group

Mr. Inwoo Hwang, Meketa Investment Group

Ms. Jan Mende, Callan LLC (in person)

Mr. Aaron Quach, Callan LLC

Mr. Avery Robinson, Callan LLC

Ms. Stephanie Sorg, Meketa Investment Group

(in person)

OTHERS PRESENT (via video conference)

Joe Ebisa, With Intelligence

I. CALL TO ORDER

The meeting of the Investment Committee was called to order at 9:01 a.m. by Trustee Robert Yu, Vice-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, March 5, 2024.

II. REVIEW OF MINUTES – DECEMBER 11, 2023

The Investment Committee reviewed the draft minutes of December 11, 2023.

MOTION was made and seconded to approve the minutes of December 11, 2023, as circulated.

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

The regular meeting reconvened at 10:38 a.m.

Vice-Chairperson Yu reported that the following occurred during Executive Session:

- Approved a recommendation to the Board to commit funds to a private equity fund, subject to contract negotiations.

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- Approved a recommendation to the Board to commit funds to a private credit fund, subject to contract negotiations.
- Approved a recommendation to the Board pertaining to private real assets manager.
- Approved a recommendation pertaining to investment consulting services.
- Reviewed and discussed the December 11, 2023 Executive Session Minutes.

MOTION was made and seconded to approve the Executive Session minutes of December 11, 2023, as circulated. (Ferguson-Miyamoto/Wakuzawa) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

### IV. NEW BUSINESS

#### A. Quarterly Performance Report – Q4 2023

Mr. Colin Bebee and Ms. Stephanie Sorg of Meketa Investment Group (Meketa) highlighted significant points in the Q4 Performance Report. The OPEB Trust Fund portfolio finished the quarter at \$7.2 billion and gained 4.5% and 9.3% (net of fees) for the quarter and 1-year, underperforming the policy benchmark of 5.0% and 10.6%, 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 Acuitas (Microcap), Northern Trust (Non-US Public Equity), BlackRock (TIPS), AlphaSimplex (Trend Following), Mount Lucas (Trend Following), Kepos (Alternative Risk Premia), and Pillar (Reinsurance) performed in line with or above their benchmarks. Acuitas underperformed due to underweight allocations in the financials and healthcare sectors but has delivered strong outperformance since inception. Northern Trust and BlackRock are both passive strategies, so they have closely tracked the benchmark over longer periods. AlphaSimplex and Mount Lucas lagged their benchmark due to slight variances in their trading rules versus the index and were especially affected by recent US Dollar depreciation. Kepos underperformed due to exposures to the carry factor across currencies and commodities. Pillar produced solid absolute returns during the quarter and the calendar year but underperformed the benchmark as publicly traded catastrophe bonds, which make up the bulk of the index, strongly appreciated.

Mr. Bebee reported that the EUTF Trust Fund finished the quarter at \$561.4 million, up 5.0% and 8.1% for the quarter and 1-year, respectively (net of fees). Since inception (October 1, 2013), the portfolio has returned 3.5% (net of fees).

During Meketa's presentation, the Committee, Meketa, and EUTF staff discussed the performance of the Diversifying Strategies strategic class and how the overall portfolio is positioned to deal with potential market risks in the coming years.

#### B. Manager Watch Status Recommendation

Mr. Bebee prepared a memorandum and presented a recommendation to the Committee to remove AlphaSimplex from Watch Status. AlphaSimplex manages an active Systematic Trend Following strategy within the EUTF's Diversifying Strategies class.

On October 19, 2022, AlphaSimplex notified Meketa that the firm would be acquired by Virtus Partners (Virtus), a publicly traded asset manager that operated a multi-boutique structure. On November 16, 2022, Meketa recommended that the EUTF place AlphaSimplex on watch, effective November 1, 2022. Virtus completed the acquisition of AlphaSimplex in April 2023 from Natixis, a large French financial services firm. Meketa has monitored AlphaSimplex's operations

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throughout 2023 and believes the new ownership arrangement had no material impact on the strategy and team.

MOTION was made and seconded to recommend to the Board removal of AlphaSimplex from Watch Status. (Ferguson-Miyamoto/Wataru) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

C. Quarterly Real Assets Report and Annual Portfolio Review – Q3 2023

Ms. Jan Mende of Callan, LLC highlighted significant points in the Real Assets Annual Performance Review. Since reporting for private market investments is lagged by one quarter, the report covers performance through third-quarter 2023. At the end of the quarter, Private Real Assets reported a market value of \$606.2 million (8.9% of the total portfolio), with a since inception return of 6.3% (net of fees), outperforming the asset class benchmark of 5.9%.

During Callan’s presentation, the Committee, Callan, and EUTF staff discussed recent sector trends within real estate and infrastructure.

D. Quarterly Private Equity Report – Q3 2023

This report was included for informational purposes and was not discussed at the meeting.

E. Quarterly Private Credit Report – Q3 2023

This report was included for informational purposes and was not discussed at the meeting.

F. OPEB Asset-Liability Study Part 2 – Capital Market Assumptions

Mr. Bebee presented Part 2 of the OPEB Asset-Liability (A/L) study. Part 2 focused on the methodology behind Capital Market Assumptions and the long-term risk and return expectations for the OPEB Trust. Meketa also modeled OPEB’s liabilities (projected future benefit payments) and how the funded status could change under various return scenarios assuming the current asset allocation and funding policy. The Committee discussed the current funding policy and agreed that alternative scenarios (i.e., if the employers are not able to meet their funding requirements) should also be explored for comparison. At the next Investment Committee meeting, a new long-term strategic asset allocation will be recommended for approval at that meeting or a subsequent meeting.

Trustee Ryan Yamane was excused from the meeting at 11:52 a.m.

V. FUTURE AGENDA ITEMS DISCUSSION AND POSSIBLE MEETING DATES

Mr. David Okamoto reported that the next Investment Committee meeting is scheduled for Monday, May 20, 2024.

VI. ADJOURNMENT

MOTION was made and seconded for the Investment Committee to adjourn the meeting at 11:55 a.m. (Wataru/Ferguson-Miyamoto) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

Respectfully submitted,

/s/

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Robert Yu, Vice-Chairperson

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APPROVED on May 20, 2024.

Documents Distributed:

1. Draft December 11, 2023 Investment Committee Minutes. (3 pages)
2. EUTF, Q4 2023 Quarterly Report, prepared by Meketa Investment Group, dated March 5, 2024. (105 pages)
3. Memorandum to Hawaii Employer-Union Health Benefits Trust Fund (“EUTF”) from Meketa Investment Group, Regarding AlphaSimplex Group (“AlphaSimplex”) – Watch Status Update, dated March 5, 2024. (4 pages)
4. EUTF, Real Assets Annual Performance Review, prepared by Callan LLC, dated March 5, 2024. (22 pages)
5. EUTF, Private Equity Q3 2023 Quarterly Report, prepared by Meketa Investment Group, dated March 5, 2024. (16 pages)
6. EUTF, 3Q 2023 Private Credit Portfolio Review, prepared by Callan LLC, dated March 5, 2024. (21 pages)
7. EUTF Asset-Liability Study Part 1B, prepared by Meketa Investment Group, dated March 5, 2024. (40 pages)