

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
Minutes of the Investment Committee Meeting  
Tuesday, August 20, 2024

TRUSTEES PRESENT

Mr. Christian Fern, Chairperson (via video conference)      Mr. Wesley Machida (via video conference)  
Mr. Robert Yu, Vice-Chairperson (via video conference)      Ms. Maureen Wakuzawa  
(excused at 10:20 a.m.)      Mr. Ryan Yamane (via video conference, joined at 9:02 a.m.)  
Ms. Jacqueline Ferguson-Miyamoto

TRUSTEES ABSENT

Ms. Sabrina Nasir      Mr. James Wataru

ATTORNEY

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

EUTF STAFF

Mr. Derek Mizuno, Administrator      Mr. Joao Marco Maffini  
Mr. David Okamoto, Chief Investment Officer      Ms. Desiree Yamauchi (via video conference)  
Mr. Brett Tatsuno, Investment Officer

CONSULTANTS (via video conference, unless otherwise noted)

Mr. Colin Bebee, Meketa Investment Group (in person)      Mr. Pete Keliuotis, Callan LLC (in person)  
Mr. Tad Fergusson, Meketa Investment Group      Mr. Aaron Quach, Callan LLC (in person)  
Mr. Jonathan Gould, Callan LLC      Mr. Avery Robinson, Callan LLC (in person)  
Mr. Inwoo Hwang, Meketa Investment Group      Ms. Stephanie Sorg, Meketa Investment Group (in person)

OTHERS PRESENT (via video conference)

Ms. Salena Atencio, Verdegard      Ms. Canela Queiruga, Verdegard  
Mr. Kevin Balaod, With Intelligence      Anonymous (x3)

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, August 20, 2024.

II. REVIEW OF MINUTES – MAY 20, 2024

The Investment Committee reviewed the draft minutes of May 20, 2024. Since there were no edits or objections by the Trustees, the minutes stand approved.

Trustee Ryan Yamane joined the meeting at 9:02 a.m.

III. EXECUTIVE SESSION

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

The regular meeting reconvened at 9:53 a.m.

Chairperson Fern reported that the following occurred during Executive Session:

- Approved a recommendation to the Board to commit funds to a private real assets fund, subject to contract negotiations.
- Approved a recommendation to the Board to commit funds to a private equity fund, subject to contract negotiations.
- Discussed a private equity co-investment.
- Reviewed and discussed the May 20, 2024 Executive Session Minutes.

# HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Investment Committee Meeting

August 20, 2024 Minutes

Page 2

Since there were no edits or objections, the minutes stand approved.

## IV. NEW BUSINESS

### A. Quarterly Performance Report – Q2 2024

Ms. Stephanie Sorg and Mr. Colin Bebee of Meketa Investment Group (Meketa) highlighted significant points in the Q2 Performance Report. The OPEB Trust finished the quarter at \$7.8 billion, gaining 1.0% and 8.2% for the quarter and 1-year, respectively (net of fees), underperforming the policy benchmark of 1.7% and 9.6%, respectively. Underperformance during both periods was primarily attributed to short-term benchmarking challenges within the Private Equity and Private Credit asset classes. Since inception (June 23, 2011), the portfolio has returned 7.3% (net of fees) versus the policy benchmark return of 7.3%.

During the quarter, all public managers with the exception of AlphaSimplex (Trend Following), Mount Lucas (Trend Following), Kepos (Alternative Risk Premia), and Capstone (Long Volatility) performed in line with or above their benchmarks. AlphaSimplex and Mount Lucas were both impacted by changes in interest rates, the US Dollar, and commodity prices. AlphaSimplex outperformed across the 1-year and longer periods, whereas Mount Lucas materially outperformed over the trailing 1-year period but has lagged across other periods (including by 1.1% since inception). Kepos produced a relatively flat return for the quarter (+0.4%), which lagged the benchmark. Kepos has produced a meaningfully positive return on a calendar year-to-date basis and has outperformed its benchmark by over 8% in the first six months of 2024. Capstone was funded in August 2023 to complement the portfolio's Long Treasury exposure as a primary diversifier during the initial leg of a material market selloff. Capstone's performance trailed during the quarter by 0.5% but has outperformed by 0.2% since inception. Overall, performance is within expectations given the lack of a large market drawdown or increase in volatility since the manager was added.

Ms. Sorg and Mr. Bebee reported that the EUTF Trust Fund finished the quarter at \$577.1 million, up 0.6% and 8.6% for the quarter and 1-year, respectively (net of fees). Since inception (October 1, 2013), the portfolio has returned 3.8% (net of fees).

Trustee Robert Yu was excused from the meeting at 10:20 a.m., during the presentation.

### B. Quarterly Private Credit Report and Annual Portfolio Review – Q1 2024

Mr. Pete Keliuotis of Callan LLC highlighted significant points in the Private Credit Annual Performance Review. Since reporting for private market investments is lagged by one quarter, the report covered performance through the first quarter of 2024. At the end of the quarter, Private Credit reported a market value of \$576.1 million (7.6% of the OPEB Trust), with a since inception return of 10.1% (net of fees), outperforming the asset class benchmark of 9.6%.

After Callan's presentation, the Committee, Callan, and EUTF staff discussed Callan's staffing updates.

### C. Quarterly Private Equity Report – Q1 2024

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

### D. Quarterly Private Real Assets Report – Q1 2024

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

### E. OPEB Evolving Policy Plan

Mr. Colin Bebee of Meketa presented a memorandum recommending an updated Evolving Policy Plan for the OPEB Trust. The plan consists of five transition stages over a three-year period to

# HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Investment Committee Meeting

August 20, 2024 Minutes

Page 3

ensure a smooth and gradual path towards the new long-term strategic allocation approved at the May 2024 Board meeting. The plan's evolution exhibits a deliberate shift in the risk/return posture from one stage to another, marginally increasing risk while increasing expected returns. 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, 2027.

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

## F. EUTF Trust Fund Strategic Allocation Study

Mr. Bebee presented the 2024 Strategic Allocation Study for the EUTF Trust Fund (Trust Fund). The short-term portion will remain in the existing short-term corporate bond strategy. The study for the long-term portion, incorporated in both the Retirees and Actives portfolios, followed a similar methodology for the OPEB Trust that was done in May 2024. Risk/return assumptions for each asset class were developed and used in a modeling process to create two portfolio options, A and B, to compare with the current long-term policy allocation. Option A maintains a similar expected return while reducing risk (standard deviation and expected maximum drawdown). Option B maintains similar risk characteristics and increases the expected compound return. Both options included the addition of liquid credit (predominately below investment grade fixed income instruments) and US Treasury Inflation-Protected Securities (US TIPS) in the long-term portion of the Trust Fund to further diversify the program while maintaining an expected return between 6.0-6.6%.

MOTION was made and seconded to recommend to the Board approval of Option B as the new policy portfolio for the long-term component of the EUTF Trust Fund. (Fern/Machida) The motion passed unanimously. (Employer Trustees-2/Employee-Beneficiary Trustees-3)

The Committee also discussed Option B's evolving policy plan.

MOTION was made and seconded to recommend to the Board approval of the Option B evolving policy plan. (Ferguson-Miyamoto/Machida) The motion passed unanimously. (Employer Trustees-2/Employee-Beneficiary Trustees-3)

Trustee Wesley Machida asked if Meketa and staff can provide guidance and recommendations on a goal/objective for the Trust Fund.

## V. FUTURE AGENDA ITEMS DISCUSSION AND POSSIBLE MEETING DATES, CONFERENCE TRAVEL REPORT

Mr. David Okamoto reported that the next Investment Committee meetings are scheduled for Tuesday, November 19, 2024 and Tuesday, December 10, 2024. He also discussed the timeline for two RFIs that will be completed in FY 2025 and a travel report that was prepared by Investment Office staff for the 2024 Pension Bridge Annual Conference.

## VI. ADJOURNMENT

MOTION was made and seconded for the Investment Committee to adjourn the meeting at 11:16 a.m. (Ferguson-Miyamoto/Machida) The motion passed unanimously. (Employer Trustees-2/Employee-Beneficiary Trustees-3)

APPROVED on November 19, 2024.

Documents Distributed:

1. Draft May 20, 2024 Investment Committee Minutes. (4 pages)

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Investment Committee Meeting

August 20, 2024 Minutes

Page 4

2. EUTF, Q2 2024 Quarterly Report, Preliminary, prepared by Meketa Investment Group, dated August 20, 2024. (107 pages)
3. EUTF, 1Q 2024, Private Credit Portfolio Review, prepared by Callan LLC, dated August 20, 2024. (29 pages)
4. EUTF, Private Equity Q1 2024, Quarterly Report, prepared by Meketa Investment Group, dated August 20, 2024. (15 pages)
5. EUTF, Real Assets 1Q 2024, Quarterly Performance Review, prepared by Callan LLC, dated August 20, 2024. (29 pages)
6. Memorandum to EUTF from Meketa Investment Group, regarding 2024 Asset-Liability Study – OPEB Trust Evolving Policy Plan, dated August 20, 2024. (3 pages)
7. EUTF, 2024 Strategic Allocation-EUTF Trust Fund Portfolio, prepared by Meketa Investment Group, dated August 20, 2024. (28 pages)
8. Memorandum to EUTF Chief Investment Officer from EUTF Investment Analyst, regarding Travel Summary – Pension Bridge The Annual 2024, dated August 20, 2024. (2 pages)