

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Investment Committee Meeting
Tuesday, November 19, 2024

TRUSTEES PRESENT

Mr. Christian Fern, Chairperson	Mr. Wesley Machida (via video conference)
Mr. Robert Yu, Vice-Chairperson (via video conference)	Ms. Maureen Wakuzawa
Ms. Jacqueline Ferguson-Miyamoto	Mr. Ryan Yamane (via video conference)

TRUSTEES ABSENT

Ms. Sabrina Nasir	Mr. James Wataru
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ATTORNEY (via video conference)

Mr. Michael Chambrella, Deputy Attorney General

EUTF STAFF

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

CONSULTANTS (via video conference, unless otherwise noted)

Mr. Colin Bebee, Meketa Investment Group	Mr. Francis Griffin, Callan LLC
Mr. Constantine Braswell, Callan LLC	Ms. Stephanie Sorg, Meketa Investment Group
Mr. Tad Fergusson, Meketa Investment Group (in person)	

OTHERS PRESENT (via video conference)

Mr. Joe Ebisa, With Intelligence	Mr. Cal Jones
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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, November 19, 2024.

II. REVIEW OF MINUTES – AUGUST 20, 2024

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

III. EXECUTIVE SESSION

MOTION was made and seconded to move into Executive Session at 9:02 a.m. (Ferguson-Miyamoto/Yu) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

The regular meeting reconvened at 10:37 a.m.

Chairperson Fern 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.
- Approved a recommendation to the Board to commit funds to a private credit fund, subject to contract negotiations.
- Discussed private equity updates.
- Reviewed and discussed the August 20, 2024 Executive Session Minutes. Since there were no edits or objections, the minutes stand approved.

IV. NEW BUSINESS

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A. Quarterly Performance Report – Q3 2024

Ms. Stephanie Sorg and Mr. Colin Bebee of Meketa Investment Group (Meketa) highlighted significant points in the Q3 Performance Report. The OPEB Trust finished the quarter at \$8.4 billion, gaining 3.9% and 13.8% for the quarter and 1-year period, respectively (net of fees). These results met the policy benchmark of 3.9% for the quarter, but underperformed the 1-year benchmark of 15.6%, primarily due to short-term benchmarking challenges within the Private Equity and Private Credit asset classes. Since inception (June 23, 2011), the portfolio has returned 7.4% (net of fees) versus the policy benchmark return of 7.4%.

Ms. Sorg and Mr. Bebee reported that the EUTF Trust Fund finished the quarter at \$596.2 million, up 3.4% and 14.1% for the quarter and 1-year period, respectively (net of fees). Since inception (October 1, 2013), the portfolio has returned 4.0% (net of fees).

B. Quarterly Private Credit Report – Q2 2024

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

C. Quarterly Private Equity Report – Q2 2024

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

D. Quarterly Private Real Assets Report – Q2 2024

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

E. EUTF Trust Fund Objective Recommendation

Mr. Bebee presented a memorandum to suggest clearer objectives for the long-term component of the EUTF Trust portfolio as requested by the Committee at the August 20, 2024 Committee meeting. By establishing more concrete objectives, the optimization and decision-making process for future strategic allocation studies will be easier. The policy that was selected on August 20, 2024 meets the proposed objectives, which should be revisited if the role or usage of the EUTF Trust Fund changes.

After the presentation, the Committee, Meketa, and EUTF staff discussed other possible return targets for the EUTF Trust Fund and their potential compliance with the proposed objectives.

MOTION was made and seconded to recommend to the Board approval of an EUTF Trust Fund objective to maximize returns subject to: 1) Investment Committee and Board's risk tolerance; and 2) 90% probability of exceeding inflation over ten-years. (Ferguson-Miyamoto/Wakuzawa) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

F. Manager Selection Process

Mr. Bebee presented a proposed change to the selection process for non-private market managers, which would represent a slight shift towards delegating more authority to staff, consistent with recent institutional investor trends. The Committee would only interview the manager recommended by staff and the general consultant, rather than a pool of several finalists. This change would increase meeting efficiency and allow Committee members to focus on overseeing the investment process.

After the presentation, the Committee, Meketa, EUTF staff, and counsel discussed Meketa's fiduciary obligations and the Committee's authority to delegate responsibilities.

MOTION was made and seconded to recommend to the Board approval for the general consultant and staff to present one finalist for an interview during the selection process of a non-private market manager. (Ferguson-Miyamoto/Wakuzawa) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

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V. FUTURE AGENDA ITEMS DISCUSSION AND POSSIBLE MEETING DATES

Mr. David Okamoto reported that the next Investment Committee meeting is scheduled for Tuesday, December 10, 2024.

VI. ADJOURNMENT

MOTION was made and seconded for the Investment Committee to adjourn the meeting at 11:10 a.m. (Ferguson-Miyamoto/Yu) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

APPROVED on December 10, 2024.

Documents Distributed:

1. Draft August 20, 2024 Investment Committee Minutes. (4 pages)
2. EUTF, Q3 2024 Quarterly Report, prepared by Meketa, dated November 19, 2024. (108 pages)
3. EUTF, 2Q 2024, Private Credit Portfolio Review, prepared by Callan, dated November 19, 2024. (29 pages)
4. EUTF, Private Equity Q2 2024, Quarterly Report, prepared by Meketa Investment Group, dated November 19, 2024. (16 pages)
5. EUTF, Real Assets 2Q 2024, Quarterly Performance Review, prepared by Callan, dated November 19, 2024. (26 pages)
6. Memorandum to EUTF from Meketa Investment Group, Inc., regarding EUTF Trust Fund Portfolio Objectives, dated November 19, 2024. (2 pages)
7. EUTF, Governance Discussion, prepared by Meketa Investment Group, dated November 19, 2024. (9 pages)