

MEETING  
STATE OF CALIFORNIA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
BOARD OF ADMINISTRATION  
OPEN SESSION

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
FECKNER AUDITORIUM  
LINCOLN PLAZA NORTH  
400 P STREET  
SACRAMENTO, CALIFORNIA

WEDNESDAY, JUNE 12, 2024

12:09 P.M.

JAMES F. PETERS, CSR  
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APPEARANCES

BOARD MEMBERS:

Theresa Taylor, President

David Miller, Vice President

Malia Cohen, represented by Deborah Gallegos

Fiona Ma, represented by Frank Ruffino

Lisa Middleton (Remote)

Eraina Ortega

Jose Luis Pacheco

Kevin Palkki

Ramón Rubalcava

Yvonne Walker (Remote)

Mullissa Willette

Gail Willis, PhD (Remote)

STAFF:

Marcie Frost, Chief Executive Officer

Michael Cohen, Chief Operating Investment Officer

Douglas Hoffner, Chief Operating Officer

Stephenson Loveson, Chief Information Officer

Kim Malm, Deputy Executive Officer, Customer Services & Support

Donald Moulds, PhD, Chief Health Director

Michele Nix, Interim Chief Financial Officer

Brad Pacheco, Deputy Executive Officer, Communications & Stakeholder Relations

APPEARANCES CONTINUED

STAFF:

Scott Terando, Chief Actuary

Marlene Timberlake D'Adamo, Chief Diversity, Equity, and  
Inclusion Officer

Michelle Tucker, Chief, Human Resources Division

Danny Brown, Chief, Legislative Affairs Division

ALSO PRESENT:

J.J. Jelincic

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PROCEEDINGS

1  
2 PRESIDENT TAYLOR: All right. Good morning -- or  
3 afternoon. I am calling the Board of Administration  
4 meeting to order.

5 First order of business is roll call, please.

6 BOARD CLERK ANDERSON: Theresa Taylor.

7 PRESIDENT TAYLOR: Here.

8 BOARD CLERK ANDERSON: David Miller.

9 VICE PRESIDENT MILLER: Here.

10 BOARD CLERK ANDERSON: Deborah Gallegos.

11 ACTING BOARD MEMBER GALLEGOS: Here.

12 BOARD CLERK ANDERSON: Frank Ruffino.

13 ACTING BOARD MEMBER RUFFINO: Present.

14 BOARD CLERK ANDERSON: Lisa Middleton.

15 BOARD MEMBER MIDDLETON: Present.

16 BOARD CLERK ANDERSON: Eraina Ortega.

17 BOARD MEMBER ORTEGA: Here.

18 BOARD CLERK ANDERSON: Jose Luis Pacheco.

19 BOARD MEMBER PACHECO: Present.

20 BOARD CLERK ANDERSON: Kevin Palkki.

21 BOARD MEMBER PALKKI: Good afternoon.

22 BOARD CLERK ANDERSON: Ramón Rubalcava.

23 BOARD MEMBER RUBALCAVA: Present.

24 BOARD CLERK ANDERSON: Yvonne Walker.

25 PRESIDENT TAYLOR: It doesn't appear she's on

1 right now.

2 BOARD CLERK ANDERSON: Mullissa Willette.

3 BOARD MEMBER WILLETTE: Here.

4 BOARD CLERK ANDERSON: Dr. Gail Willis.

5 BOARD MEMBER WILLIS: Present.

6 PRESIDENT TAYLOR: Okay. You want to -- Yvonne  
7 is currently here.

8 BOARD CLERK ANDERSON: Yvonne Walker.

9 PRESIDENT TAYLOR: All right. So I'm going to  
10 read the attestation language and then go over -- into the  
11 Pledge of Allegiance real quick.

12 So good afternoon, Board members. We're not all  
13 present in the same room and we have Board members  
14 participating from remote locations that are not  
15 accessible to the public. Bagley-Keene requires that  
16 remote Board members to make certain disclosures about any  
17 other persons present with them during an open session.  
18 Accordingly, the Board members participating remotely must  
19 each attest either that, one, they are alone or, two, if  
20 there are one or more persons present with them, who are  
21 at least 18 years old, the nature of the Board member's  
22 relationship to each person.

23 At this time, I will ask our -- Kayla to ask each  
24 Board member to attest accordingly.

25 BOARD CLERK ANDERSON: Lisa Middleton?

1 BOARD MEMBER MIDDLETON: I attest that I am  
2 alone.

3 BOARD CLERK ANDERSON: Yvonne Walker?

4 BOARD MEMBER WALKER: I attest.

5 BOARD CLERK ANDERSON: And Dr. Gail Willis?

6 BOARD MEMBER WILLIS: I attest.

7 PRESIDENT TAYLOR: All right. Thank you very  
8 much.

9 With that, I move on to the Pledge of Allegiance.  
10 And I have asked Ramón Rubalcava to lead us in the Pledge.

11 (Thereupon the Pledge of Allegiance was  
12 recited in unison.)

13 PRESIDENT TAYLOR: Thank you, Mr. Rubalcava.

14 So good afternoon. Thanks everyone for being  
15 patient. I know we had Committee meetings this morning.

16 We've had two long but important days of  
17 Committee meetings. So I sort of wanted to go over those.  
18 And I do want to begin by offering appreciation and  
19 gratitude to our Investment and Health teams for their  
20 incredible work - there was a lot of information that --  
21 and they did a great job of covering the information. So  
22 thank you very much - to our members and stakeholders for  
23 their feedback during public comment and patience with our  
24 closed session meetings, and to my colleagues on the Board  
25 for their attention and their engagement.



1 Monday was a poignant moment for me to hear about  
2 the progress of implementing our Labor Principles and the  
3 work on our Responsible Contracting Policy, two topics  
4 that are near and dear to my heart. We heard some moving  
5 stories about working conditions, wages, and treatments of  
6 workers. To all of you who spoke in public, I say thank  
7 you for your courage to share your stories. And to all of  
8 you who -- I'm sorry. I'm optimistic that we can work  
9 together to get this important work done just right. So I  
10 want to make sure we're within our fiduciary duty and the  
11 Board wants to protect our human capital that is the  
12 lifeblood of the companies we invest in or better put, our  
13 labor folks.

14 It was for these very reasons I was honored to  
15 attend The White House National Economic Council meeting  
16 at the end of April to talk about the importance of our  
17 Labor Principles. I was joined by other asset owners and  
18 pension funds representing more than \$1 trillion in  
19 assets. Much of the discussion was focused on human  
20 capital in the private equity markets. But what I learned  
21 is that CalPERS is a bit ahead. We're a step ahead of our  
22 peers by applying our principles across all asset classes.  
23 It was a moment of pride for me to see how far we have  
24 come and I look forward to our ongoing discussions. And  
25 again I really appreciate our staff working so hard to

1 pass the labor principles and get through the responsible  
2 contracting.

3           So June celebrations. The month of June offers  
4 two opportunities to recognize and celebrate the diversity  
5 we embrace here at CalPERS. And first with Pride month.  
6 Pride is a month-long observance to honor the friends,  
7 family, and colleagues in the LGBTQ+ community whose many  
8 contributions support our success. Each year, there are  
9 activities that take place in cities throughout California  
10 to acknowledge what it means to live a safe and fulfilling  
11 life as a member of lesbian, gay, bisexual, transgender,  
12 and queer communities. So Happy Pride to you and all the  
13 allies that support you.

14           Also, we are celebrating this month Juneteenth  
15 and the importance day -- and the importance of  
16 remembrance of that day. So just as a reminder, it was on  
17 this day in 1865 when union troops arrived in Galveston  
18 Bay and across Texas to enforce the end of slavery and  
19 freed enslaved Americans -- African Americans. This was  
20 two and a half years after President Lincoln signed the  
21 Emancipation Proclamation. Troops took control of the  
22 state to ensure the release of 250,000 slaves. Today,  
23 Juneteenth is recognized as a federal holiday.

24           Moving on to our July off-site. We will be  
25 hosting our annual off-site July 15th through the 17th in

1 Monterey. This time provides us a Strategic look at the  
2 opportunities and challenges in investments, health care,  
3 and our operations. Day one will be focused on  
4 investment -- on the investment landscape, where we  
5 welcome and hear from our new Chief Investment Officer  
6 Stephen Gilmore. I can't wait for the first time.

7 Also, on the investment agenda is an overview of  
8 geopolitics featuring former U.S. Ambassador Norm Eisen, a  
9 Brookings Institute Fellow whose perspective on economic  
10 and global policy will be invaluable.

11 On day two, we'll balance our discussions between  
12 health care, private equity, and CEM benchmarking starting  
13 with an action item to approve the 2025 health plan  
14 premium rates. There are just few highlights. I highly  
15 encourage -- these are just a few highlights, but I highly  
16 encourage our stakeholders to join us or tune in to our  
17 webcast for what are sure to be some very informative  
18 presentations and discussions.

19 I'd like to quickly move on to ExxonMobil. I'll  
20 close with our perspective on ExxonMobil -- on our  
21 ExxonMobile shareholder vote. And it has received a whole  
22 lot of attention in recent weeks. As a Board, value  
23 creation is critical to our fiduciary duty. And value  
24 creation plays a central role in our continued ability to  
25 honor the commitments made to our members and

1 beneficiaries.

2           The actions by ExxonMobil in recent months were a  
3 threat to shareholder rights and shareholder democracy  
4 that we could not ignore. We spoke up loud and clear to  
5 protect shareholders and our members. I know I speak for  
6 the entire Board in expressing our support and thanks to  
7 our CEO and our Investment team for their work on their --  
8 on this issue.

9           And with that, I will hand it off to our CEO  
10 Marcie Frost.

11           CHIEF EXECUTIVE OFFICER FROST: Thank you,  
12 President Taylor and good afternoon, Board members.

13           So I will begin where you left off, President  
14 Taylor, by spending some time talking about our recent  
15 effort to support the rights of shareholders in publicly  
16 traded companies. Some call our effort unprecedented, to  
17 which I would say that's because the potential impacts of  
18 this attack on shareholders -- on shareholders is also  
19 unprecedented. Let me emphasize a key point. Our rights  
20 as shareholders to engage with companies and encourage  
21 good governance, and when needed to demand more, these  
22 rights are essential and really are a part of the  
23 fiduciary duty that we have to our members for creating  
24 that long-term value that pays the benefits our members  
25 receive through their lifetime.

1           We must hold company directors accountable when  
2 that company seeks to limit or block the role of  
3 shareholders in ask questions, having a say, and  
4 suggesting ways to improve their profitability. And  
5 that's why we voted against all directors and the CEO at  
6 ExxonMobil. We hold them responsible for the company's  
7 lawsuit against Arjuna Capital in a Texas federal court.  
8 We hold them responsible for the company's refusal to use  
9 the existing regulatory process to respond to Arjuna's  
10 shareholder proposal. We also hold them responsible for  
11 refusing to drop the lawsuit, even after Arjuna withdraw  
12 its shareholder proposal and promised to never -- let me  
13 repeat that. They promised to never again submit that  
14 same proposal.

15           We went directly to ExxonMobil with our view that  
16 the lawsuit is unwarranted. Our team had lengthy  
17 conversations with the company, including one between  
18 their CEO Darren Woods and myself. But when it was clear  
19 that ExxonMobil wouldn't change course, we made our  
20 decision to vote against all of its leaders. Our public  
21 awareness efforts in the days after that decision were  
22 intended to help CalPERS members and stakeholders  
23 understand why shareholder rights are so important and  
24 really what we were trying to accomplish with our vote.

25           We protect members' benefits by engaging with

1 companies to address risks when we see them. An attack on  
2 any shareholder can easily turn into an attack on all  
3 shareholders.

4           So let me talk a little bit about our  
5 communication efforts. I think the efforts really did  
6 have an impact. We received more than 1,100 emails from  
7 members -- CalPERS members in response to the open letter  
8 that President Taylor and I sent on May 20th. In the week  
9 that followed, several of our social media posts were our  
10 most viewed and engaged with -- engaged with content of  
11 the last year and probably the last several years. We  
12 just didn't track it back beyond the year.

13           While not all members shared our concerns, many  
14 expressed support and urged us to keep at it. Others  
15 thought this might be about climate change and  
16 ExxonMobil's operations. And that's why we have said  
17 many, many times, this could have been any company and any  
18 issue. The fundamental rules of what's known as  
19 shareholder democracy were why we got involved. We shared  
20 information on a variety of communication platforms and  
21 our effort generated significant national attention, which  
22 gave us the opportunity to share our concerns with  
23 audiences far and wide leading up to Exxon's general  
24 meeting on May 29th.

25           So ExxonMobil, not surprisingly, did declare

1 victory when its directors won reelection. But recall,  
2 there wasn't an alternate slate of directors candidates.  
3 And we knew this was not going to result in cleaning  
4 house, but that wasn't the intent. We wanted to send a  
5 clear message that the lawsuit against shareholders in a  
6 -- is a failure of governance, and governance is the  
7 responsibility of the entire board. And so our effort  
8 successfully shared our concerns. It's not right to use  
9 the courts to address a shareholder issue when there's an  
10 existing SEC process that works well. And with the  
11 lawsuit still active, the threat to shareholder rights  
12 remains in play.

13           Let's also not forget that shareholder  
14 proposers -- proposals are almost always non-binding. I  
15 think that is really lost in a lot of the communication on  
16 this topic. Corporations are not forced to take action  
17 just because a shareholder has a say on an issue, an issue  
18 such as say-on-pay. And while ExxonMobil insists the  
19 lawsuit was prompted by shareholders who kept filing the  
20 same proposal year after year, the fine print does suggest  
21 otherwise.

22           The lawsuit seeks changes in the rules  
23 surrounding when a shareholder can question business  
24 operations, what's known as ordinary business. That would  
25 devalue the role of the investors who actually own that

1 company. We did the right thing by raising this issue and  
2 pointing out that this is not an isolated fight. As a  
3 large investor, we have an obligation to address risks to  
4 our capital and we need to do that head on. We'll  
5 continue to monitor this lawsuit and determine whether we  
6 believe there are necessary actions ahead of us.

7 Another proxy case in the news is how we plan to  
8 vote at the Tesla general meeting tomorrow. At issue is a  
9 critical aspect of the corporate governance, executive  
10 compensation. And whether Elon Musk, the CEO of Tesla,  
11 should receive a large compensation package that was  
12 blocked by a judge earlier this year. So I want to  
13 clearly state for the record that we did not support the  
14 CEO compensation package when it was first approved by  
15 shareholders back in 2018. And I need to really be clear  
16 about that. You know, I gave some inaccurate information  
17 on an interview that I need to clear up in this report. I  
18 had believed that we had he voted in favor of it. In  
19 fact, we did not. I came back and checked with the team.  
20 So we did not vote for that package in 2018 and we will  
21 not support it this year.

22 Our team raised a number of concerns during a  
23 qualitative analysis back in 2018. Those included the  
24 fact that the award was more closely tied to the company  
25 growth than it was to company profitability. We also



1 raised questions about concentrating a large award on a  
2 single individual and the way it would strengthen the  
3 shares of Mr. Musk at the expense of diluting the value of  
4 those belonging to other shareholders.

5 Executive pay should be properly aligned with the  
6 performance of the company and should be aligned with  
7 industry peers. Six years later, we see many of the same  
8 problems, even as the value of the original agreement is  
9 now 18 times larger than it was back then. And when  
10 compared with other high-performing companies, such as  
11 Nvidia and Advanced Micro Devices, Mr. Musk's annualized  
12 pay package is nearly 140 times larger.

13 For these reasons, we'll be cast -- we will be  
14 casting our votes against the pay package at the annual  
15 meeting. Two prominent proxy advisory firms, ISS and  
16 Glass Lewis have also encouraged investors to vote against  
17 the compensation. Mr. Musk may seek to distort our  
18 position, but we believe our policies protect our members'  
19 interests and our exclusive responsibility to pay their  
20 benefits.

21 In addition, earlier this year, a judge in  
22 Delaware invalidated Mr. Musk's pay package calling it  
23 unfathomable sum. The plaintiff's lawyers who won that  
24 lawsuit have now asked the court to award the firm over \$5  
25 billion in attorney's fees, taken in the form of Tesla

1 stock. This, too, is outrageous, and like Mr. Musk's pay  
2 package will dilute shareholders interest in Tesla. Last  
3 night, we filed an object -- excuse me, an objection to  
4 this request joining other Tesla shareholders in  
5 protesting this would-be windfall. And we will announce  
6 our objection later this afternoon.

7           So now on to some other events more specifically  
8 related to CalPERS. Very happy to report that our  
9 Pathways for Women event is back on August 26th and 27th.  
10 That will be in concert with Women's Equality Day. We  
11 have a great lineup of speakers. Many of those who were  
12 scheduled to speak last year when we had to postpone will  
13 be back this career on the agenda, so we're thrilled that  
14 they were able to free their schedules to do that. And  
15 they will be joining us in Anaheim to tell their career  
16 stories. Some, who were the first woman to hold a  
17 leadership role in that particular position or profession,  
18 others who will share what it takes to summon confidence  
19 and also how to develop a personal brand.

20           The event kicks off with a keynote speaker in the  
21 afternoon followed immediately by a networking reception  
22 where attendees can meet our speakers and connect with  
23 their peers. Day two offers a full complement of general  
24 sessions and a working session to share practical tips on  
25 winning communication techniques.

1           Early bird pricing does close in a few weeks, so  
2 those who are paying attention, please get registered  
3 soon. And I'm happy to announce that we have also  
4 included a discounted rate for students. Please encourage  
5 your network to attend. As You know, we welcome all  
6 attendees regardless of gender identity or background.

7           And then on to another major event that we hold  
8 every year, which is the Educational Forum. This is our  
9 25th anniversary. This did start as the Employer  
10 Educational Forum and has really expanded into more of a  
11 CalPERS, you know, educational session for all attendees.  
12 That registration has launched and this year again we'll  
13 be celebrating our 25th anniversary. That's 25 years of  
14 coming together with our employer partners and many of our  
15 labor partners and associations also attend this event to  
16 really help them understand the benefits that CalPERS  
17 offers to its members.

18           Whether working with our actuaries to plant their  
19 budgets or attending classes, exhibits, and one-on-one  
20 consultations, our employers do look forward to this event  
21 every year. It is very well attended and we always look  
22 forward to hosting it. So this year, we'll be meeting in  
23 San Diego from October 28th to October 30th. And once  
24 again early bird pricing is still available through the  
25 end of July.

1           And now on to a part of my job that I very much  
2 enjoy and that's getting the opportunity to recognize our  
3 team members. So I want to close by recognizing this  
4 year's APEX recipients. And we have -- yeah, they're on  
5 the screen. So the APEX award stand for Achieving  
6 Performance Excellence. And is the highest form of  
7 recognition we offer to CalPERS team members. APEX  
8 recipients embody the best of what it means to be a part  
9 of a team. They regularly go the extra mile and step into  
10 field needs as they see them.

11           And often -- and most often actually, they do  
12 that without even being asked. They embrace the core  
13 values and continually exceed expectations and services --  
14 service to our members. Since the APEX award's inception  
15 in 2001, there have been 644 team members recognized for  
16 their work, 41 recipients were honored twice earning them  
17 the title of a Emeritus recipient. Many of this year's  
18 class of honorees are here in the auditorium with us and  
19 I'd to ask them to stand and be recognized.

20           (Applause).

21           CHIEF EXECUTIVE OFFICER FROST: Thank you. And  
22 that does conclude my report President Taylor, but I'm  
23 happy to take questions from any of the Board.

24           PRESIDENT TAYLOR: Any questions from Board  
25 members?

1 Not seeing any, so thank you, Ms. Frost. Moving  
2 on to our next agenda item, which is action consent items.  
3 What's -- what is the pleasure of the Board.

4 VICE PRESIDENT MILLER: I'll move approval.

5 PRESIDENT TAYLOR: Moved by Mr. Miller.

6 BOARD MEMBER PACHECO: (Hand raised).

7 PRESIDENT TAYLOR: Seconded by Mr. Pacheco.

8 Please take a roll call vote.

9 BOARD CLERK ANDERSON: David Miller?

10 VICE PRESIDENT MILLER: Aye.

11 BOARD CLERK ANDERSON: Deborah Gallegos?

12 ACTING BOARD MEMBER GALLEGOS: Aye.

13 BOARD CLERK ANDERSON: Frank Ruffino?

14 ACTING BOARD MEMBER RUFFINO: Aye.

15 BOARD CLERK ANDERSON: Lisa Middleton?

16 BOARD MEMBER MIDDLETON: Aye.

17 BOARD CLERK ANDERSON: Eraina Ortega?

18 BOARD MEMBER ORTEGA: Aye.

19 BOARD CLERK ANDERSON: Jose Luis Pacheco?

20 BOARD MEMBER PACHECO: Aye.

21 BOARD CLERK ANDERSON: Kevin Palkki?

22 BOARD MEMBER PALKKI: Aye.

23 BOARD CLERK ANDERSON: Ramón Rubalcava?

24 BOARD MEMBER RUBALCAVA: Aye.

25 BOARD CLERK ANDERSON: Yvonne Walker?

1 BOARD MEMBER WALKER: Aye.

2 BOARD CLERK ANDERSON: Mullissa Willette?

3 BOARD MEMBER WILLETTE: Yes.

4 BOARD CLERK ANDERSON: Dr. Gail Willis?

5 BOARD MEMBER WILLIS: Aye.

6 PRESIDENT TAYLOR: All right. Thank you. Motion  
7 passes.

8 Moving on to information consent items, action --  
9 or -- and number 6. And I have received no requests for  
10 pulling any of the information consent items.

11 We're moving on to Committee reports and I will  
12 start -- can you push your button -- Investment Committee.  
13 And for that, I will call on Mr. Miller.

14 Hold on one second.

15 VICE PRESIDENT MILLER: Thank you, Madam  
16 President.

17 The Investment Committee met on June 10th, 2024.  
18 The Committee approved the following.

19 Agenda Item 6a, Asset Liability Management  
20 Mid-Cycle Review for the Affiliate Funds and Agenda Item  
21 6b, Total Fund Policy Review and its second reading.

22 The committee --

23 PRESIDENT TAYLOR: On -- On. Never mind. Go  
24 ahead.

25 VICE PRESIDENT MILLER: Okay. The Committee

1 postponed approval of Agenda Item 6c, policy changes for  
2 Responsible Contractor Policy, and that will be taken up  
3 at a future Investment Committee to include additional  
4 consents aligning with the Labor Principles.

5 The Committee received reports on the following  
6 topics: trust level review, interm quarter; private equity  
7 annual program review; the private debt annual program  
8 review; real assets annual program review; and  
9 implementation of Labor Principles.

10 The chair directed staff to: create a reporting  
11 system that will regularly update the Board on stakeholder  
12 engagements regarding Labor Principles; and, work with the  
13 Investment Committee Chair and Vice Chair to develop a  
14 third reading of the Responsible Contractor Policy.

15 The Committee heard public comment on the  
16 following topics: management of the total portfolio, labor  
17 issues, climate change, and the Responsible Contractor  
18 Policy.

19 At this time, I'd like to share some highlights  
20 of what to expect at the September Investment Committee  
21 meeting. We'll have our CalPERS trust level review,  
22 global fixed income annual program review, and the global  
23 public equity annual program review.

24 The next meeting of the Investment Committee is  
25 scheduled for September 16th, 2024 in Sacramento,

1 California. And that concludes my report Madam President.

2 PRESIDENT TAYLOR: Thank you, Chair Miller. We  
3 move on next to the Pension and Health Benefits Committee.  
4 And for that, I would to call on Mr. Rubalcava.

5 BOARD MEMBER RUBALCAVA: Thank you.

6 PRESIDENT TAYLOR: You need to bush your button.  
7 Thank you. Go ahead.

8 BOARD MEMBER RUBALCAVA: Pension and Health  
9 Benefits Committee. The Committee recommend -- I'm sorry.  
10 Yes, the Pension and Health Benefits Committee met on June  
11 11, 2024. The Committee recommends and I move the Board  
12 approve the following.

13 Agenda Item 5a, approve recommendation of an  
14 intent to award five year contracts to Blue Shield of  
15 California as a third-party administrator and Included  
16 Health as the population health management vendor for  
17 CalPERS PPO plans with an effective date of January 1,  
18 2025. Awards are subject to final negotiations and  
19 satisfaction of all requirements, including, but not  
20 limited to, implementation activities occurring in 2024.

21 PRESIDENT TAYLOR: On motion by Committee. Is  
22 there any discussion on the motion?

23 All right. Seeing none, what's the -- call for  
24 the question. I was going to say what's the pleasure of  
25 the Board. But call for the question, please.



1 BOARD CLERK ANDERSON: David Miller  
2 VICE PRESIDENT MILLER: Aye.  
3 BOARD CLERK ANDERSON: Deborah Gallegos?  
4 ACTING BOARD MEMBER GALLEGOS: Aye.  
5 BOARD CLERK ANDERSON: Frank Ruffino?  
6 ACTING BOARD MEMBER RUFFINO: Aye.  
7 BOARD CLERK ANDERSON: Lisa Middleton?  
8 BOARD MEMBER MIDDLETON: Aye.  
9 BOARD CLERK ANDERSON: Eraina Ortega?  
10 BOARD MEMBER ORTEGA: Aye.  
11 BOARD CLERK ANDERSON: Jose Luis Pacheco?  
12 BOARD MEMBER PACHECO: Aye.  
13 BOARD CLERK ANDERSON: Kevin Palkki?  
14 BOARD MEMBER PALKKI: Aye.  
15 BOARD CLERK ANDERSON: Ramón Rubalcava?  
16 BOARD MEMBER RUBALCAVA: Aye.  
17 BOARD CLERK ANDERSON: Yvonne Walker?  
18 BOARD MEMBER WALKER: Aye.  
19 BOARD CLERK ANDERSON: Mullissa Willette?  
20 BOARD MEMBER WILLETTE: Yes.  
21 BOARD CLERK ANDERSON: Dr. Gail Willis?  
22 BOARD MEMBER WILLIS: Aye.  
23 PRESIDENT TAYLOR: All right, motion carries.  
24 Go ahead, Mr. Rubalcava.  
25 BOARD MEMBER RUBALCAVA: Yeah, thank you,

1 everybody.

2           The Committee received reports on the following  
3 topics. The Committee received the preliminary 2025  
4 Health Maintenance Organization and Preferred Provider  
5 Organization plan premiums and prospective long-term care  
6 rates. The Committee received public comment regarding  
7 stakeholder discussion appreciation, AB 236 Bill -- AB --  
8 aB 236, ACO REACH, long-term care increase, and single  
9 risk pool.

10           The Chair directed staff to: provide regular  
11 Board updates on the PPO implementation and disruption  
12 mitigation efforts starting immediately; bring the Board a  
13 discussion with outside experts on the implication of the  
14 Inflation Reduction Act and CMS regulatory decisions are  
15 having on CalPERS Medicare drug costs. Included in that  
16 discussion, a focus on how CalPERS can best position  
17 itself and its drug benefit with respect to those changes.

18           At this time, I would like to share some  
19 highlights of what to expect at the September Pension and  
20 Health Benefits Committee meeting. Final -- one final HMO  
21 and PPO health plan rates will be approved at the July  
22 Board of Administration off-site. Second, the Committee  
23 will be presented with another health plan spotlight.

24           The next meeting of the Pension and Health  
25 Benefits Committee is scheduled for September 17, 2024 in

1 Sacramento, California.

2 Thank you.

3 PRESIDENT TAYLOR: Thank you very much.

4 With that, I'm moving on to the next committee  
5 item and it's Risk and Audit. And for that, I will call  
6 on Mr. Miller.

7 Wait.

8 J.J. JELINCIC: Theresa, I had public comment on  
9 7b.

10 PRESIDENT TAYLOR: I am sorry. I don't see it  
11 here.

12 J.J. JELINCIC: I filed it early this morning.

13 PRESIDENT TAYLOR: Because we thought we were  
14 going to be this morning. All right.

15 J.J. JELINCIC: But it's specifically 7b

16 PRESIDENT TAYLOR: Okay. Come on up, J.J.

17 J.J. JELINCIC: That will teach me to be  
18 efficient and do it early.

19 J.J. Jelincic, beneficiary. I do not expect you  
20 to listen, but I do want to take away your ability to say,  
21 gee, I didn't think about that. Yesterday, I listened to  
22 the staff say risk mitigation was based on sicker and  
23 healthier populations. In 2021, this Board, at the  
24 recommendation of staff, eliminated health characteristics  
25 as a basis for risk mitigation and moved simply to costs.

1 Costs have two elements, one is the units of care and two  
2 is the cost per unit. Units of care correlate to  
3 health -- to the health of the population and to  
4 incentives created to overtreat. Costs per unit depend on  
5 the network, the vendor reimbursement rates, brand versus  
6 generic -- generic drug usage, appropriate sites of care,  
7 urgent care versus the emergency room, independent labs  
8 versus hospital labs, radiology clinics versus hospital,  
9 and appropriate care, x-rays instead of MRIs when an x-ray  
10 will do it, geography north versus south.

11           None of these have anything to do with the health  
12 care -- the health of the population, so why reward them?  
13 When Access+, which is a subsidiary -- when Access+ is  
14 being subsidized by Trio, which is a subset of the most  
15 efficient providers, it's hard to say that we are actually  
16 trying to encourage competition based on quality and  
17 efficiency.

18           When CalPERS Gold with a smaller network and  
19 lower reimbursement rate is subsidizing CalPERS Platinum,  
20 it is hard to keep a straight face while trying to argue  
21 that we want competition to be based on value. It's too  
22 late for this year, but I urge you to re-examine the basis  
23 for the risk adjustment. Thank you for your time and I  
24 appreciate that today is get-away day, so I'll cut it off  
25 here. Thank you.

1           PRESIDENT TAYLOR: Thank you, Mr. Jelincic.  
2           And I'm sorry, I had my paperwork mixed up.  
3           Ms. Willette, you are first with the PCTM  
4 Committee.

5           BOARD MEMBER WILLETTE: Thank you so much. The  
6 Performance, Compensation and Talent Management Committee  
7 met today on June 12th, 23024. And I did appreciate the  
8 discussion and consideration of the Committee members.

9           The Committee recommends and I move the Board  
10 approve the following:

11           Agenda Item 5a, annual review 2024-25 incentive  
12 metrics. Approve the incentive metrics for the fiscal  
13 year 2024-25 as presented by the Board's compensation  
14 consultant.

15           Agenda Item 5b, the 2024-25 incentive plan of the  
16 Chief Executive Office. Approve the fiscal year 2024-25  
17 incentive plan for the Chief Executive Officer as proposed  
18 by the Board's compensation consultant, Global Governance  
19 Advisors.

20           And Agenda Item 5c, Request for Proposal for the  
21 Board's primary executive and investment compensation  
22 consultant. Approve Option 1 for the development, scope  
23 of services, selection process, and estimated timeline for  
24 the Request for Proposal for the Board's primary executive  
25 and investment compensation consultant.

1           PRESIDENT TAYLOR: All right. Thank you. On  
2 motion by Committee.

3           All those in favor?

4           Take the roll call vote. Sorry. I know.

5           BOARD CLERK ANDERSON: David Miller?

6           VICE PRESIDENT MILLER: Aye.

7           BOARD CLERK ANDERSON: Deborah Gallegos?

8           ACTING BOARD MEMBER GALLEGOS: Aye.

9           BOARD CLERK ANDERSON: Frank Ruffino?

10          ACTING BOARD MEMBER RUFFINO: Aye.

11          BOARD CLERK ANDERSON: Lisa Middleton?

12          BOARD MEMBER MIDDLETON: Aye.

13          BOARD CLERK ANDERSON: Eraina Ortega?

14          BOARD MEMBER ORTEGA: Aye.

15          BOARD CLERK ANDERSON: Jose Luis Pacheco?

16          BOARD MEMBER PACHECO: Aye.

17          BOARD CLERK ANDERSON: Kevin Palkki?

18          BOARD MEMBER PALKKI: Aye.

19          BOARD CLERK ANDERSON: Ramón Rubalcava?

20          BOARD MEMBER RUBALCAVA: Aye.

21          BOARD CLERK ANDERSON: Yvonne Walker?

22          BOARD MEMBER WALKER: Aye.

23          BOARD CLERK ANDERSON: Mullissa Willette?

24          BOARD MEMBER WILLETTE: Yes.

25          BOARD CLERK ANDERSON: Dr. Gail Willis?

1 BOARD MEMBER WILLIS: Aye.

2 PRESIDENT TAYLOR: Thank you. Motion carries.  
3 Go ahead, Ms. Willette.

4 BOARD MEMBER WILLETTE: A highlight of what to  
5 expect at the September Performance, Compensation, and  
6 Talent Management Committee meeting is that Committee will  
7 conduct the annual performance evaluation of the Chief  
8 Executive Officer and review the CEO's report of fiscal  
9 year 2023-24 performance for executive and investment  
10 management positions in closed session.

11 The next meeting will be scheduled for September  
12 17th, 2024 in Sacramento, California.

13 PRESIDENT TAYLOR: Thank you, Ms. Willette.

14 Moving on to Risk and Audit. I will have David  
15 Miller take that one. Go ahead, Mr. Miller.

16 VICE PRESIDENT MILLER: Okay. Thank you, Madam  
17 President.

18 The Risk and Audit Committee met on June 12th,  
19 2024. The Committee recommends and I move the Board  
20 approve the following:

21 Agenda Item 5a, 2024-2025 enterprise compliance  
22 risk and governance annual plan. And the motion is to  
23 approve the proposed plan.

24 Agenda Item 5b, Office of Audit Services plan to  
25 approve the proposed 2024 to '25 Office of Audit Services

1 plan.

2 And Agenda Item 57c, independent auditor's annual  
3 plan again to approve the proposed independent auditor's  
4 annual plan.

5 PRESIDENT TAYLOR: All right. On motion by  
6 Committee. Any discussion folks?

7 Seeing none, all those in favor please take roll  
8 call.

9 BOARD CLERK ANDERSON: David Miller?

10 VICE PRESIDENT MILLER: Aye.

11 BOARD CLERK ANDERSON: Deborah Gallegos?

12 ACTING BOARD MEMBER GALLEGOS: Aye.

13 BOARD CLERK ANDERSON: Frank Ruffino?

14 ACTING BOARD MEMBER RUFFINO: Aye.

15 BOARD CLERK ANDERSON: Lisa Middleton?

16 BOARD MEMBER MIDDLETON: Aye.

17 BOARD CLERK ANDERSON: Eraina Ortega?

18 BOARD MEMBER ORTEGA: Aye.

19 BOARD CLERK ANDERSON: Jose Luis Pacheco?

20 BOARD MEMBER PACHECO: Aye.

21 BOARD CLERK ANDERSON: Kevin Palkki?

22 BOARD MEMBER PALKKI: Aye.

23 BOARD CLERK ANDERSON: Ramón Rubalcava?

24 BOARD MEMBER RUBALCAVA: Aye.

25 BOARD CLERK ANDERSON: Yvonne Walker?



1 BOARD MEMBER WALKER: Aye.

2 BOARD CLERK ANDERSON: Mullissa Willette?

3 BOARD MEMBER WILLETTE: Yes.

4 BOARD CLERK ANDERSON: Dr. Gail Willis?

5 BOARD MEMBER WILLIS: Aye.

6 PRESIDENT TAYLOR: Thank you. Motion carries.

7 Mr. Miller, go ahead.

8 VICE PRESIDENT MILLER: The Committee received  
9 reports on the following topics: the 2023 through 2024  
10 Annual Compliance Report; and the final actuarial review  
11 report.

12 The next meeting of the Risk and Audit Committee  
13 is scheduled for September 17th, 2024 in Sacramento,  
14 California. And that concludes my report Madam President.

15 PRESIDENT TAYLOR: All right. Thank you. So  
16 with that, we will move on to action agenda items, the  
17 proposed decisions of administrative law judges. And with  
18 that, I will move back to Mr. Miller.

19 VICE PRESIDENT MILLER: Okay. Thank you, Madam  
20 President. I move to adopt the proposed decisions at  
21 Agenda items 8a1 through 8a8 as the Board's own decisions  
22 with the minor modifications argued by staff to agenda  
23 items 8a2, 8a4, 8a6, and 8a7.

24 PRESIDENT TAYLOR: All right. On motion by -- is  
25 there any discussion?

1 All right. Can I please have a roll call vote on  
2 that.

3 BOARD CLERK ANDERSON: David Miller?

4 VICE PRESIDENT MILLER: Aye.

5 BOARD CLERK ANDERSON: Deborah Gallegos?

6 ACTING BOARD MEMBER GALLEGOS: Aye.

7 BOARD CLERK ANDERSON: Frank Ruffino?

8 ACTING BOARD MEMBER RUFFINO: Aye.

9 BOARD CLERK ANDERSON: Lisa Middleton?

10 BOARD MEMBER MIDDLETON: Aye.

11 BOARD CLERK ANDERSON: Eraina Ortega?

12 BOARD MEMBER ORTEGA: Aye.

13 BOARD CLERK ANDERSON: Jose Luis Pacheco?

14 BOARD MEMBER PACHECO: Aye.

15 BOARD CLERK ANDERSON: Kevin Palkki?

16 BOARD MEMBER PALKKI: Aye.

17 BOARD CLERK ANDERSON: Ramón Rubalcava?

18 BOARD MEMBER RUBALCAVA: Aye.

19 BOARD CLERK ANDERSON: Yvonne Walker?

20 BOARD MEMBER WALKER: Aye.

21 BOARD CLERK ANDERSON: Mullissa Willette?

22 BOARD MEMBER WILLETTE: Yes.

23 BOARD CLERK ANDERSON: Dr. Gail Willis?

24 BOARD MEMBER WILLIS: Aye.

25 PRESIDENT TAYLOR: All right. Motion carries.

1 VICE PRESIDENT MILLER: Okay. Further, I move to  
2 deny the petitions at Agenda Items 8b1 through 8b3.

3 PRESIDENT TAYLOR: Okay. On motion -- all those  
4 in favor and I'm going to do a roll call vote again.

5 BOARD CLERK ANDERSON: David Miller?

6 VICE PRESIDENT MILLER: Aye.

7 BOARD CLERK ANDERSON: Deborah Gallegos?

8 ACTING BOARD MEMBER GALLEGOS: Aye.

9 BOARD CLERK ANDERSON: Frank Ruffino?

10 ACTING BOARD MEMBER RUFFINO: Aye.

11 BOARD CLERK ANDERSON: Lisa Middleton?

12 BOARD MEMBER MIDDLETON: Aye.

13 BOARD CLERK ANDERSON: Eraina Ortega?

14 BOARD MEMBER ORTEGA: Aye.

15 BOARD CLERK ANDERSON: Jose Luis Pacheco?

16 BOARD MEMBER PACHECO: Aye.

17 BOARD CLERK ANDERSON: Kevin Palkki?

18 BOARD MEMBER PALKKI: Aye.

19 BOARD CLERK ANDERSON: Ramón Rubalcava?

20 BOARD MEMBER RUBALCAVA: Aye.

21 BOARD CLERK ANDERSON: Yvonne Walker?

22 BOARD MEMBER WALKER: Aye.

23 BOARD CLERK ANDERSON: Mullissa Willette?

24 BOARD MEMBER WILLETTE: Yes.

25 BOARD CLERK ANDERSON: Dr. Gail Willis?

1 BOARD MEMBER WILLIS: Aye.

2 VICE PRESIDENT MILLER: I hate to do this, but as  
3 a point of order, I think we needed seconds on those,  
4 didn't we?

5 CHIEF EXECUTIVE OFFICER FROST: You're fine, he  
6 said.

7 VICE PRESIDENT MILLER: Okay. Thank you.

8 PRESIDENT TAYLOR: Okay. I think Ramón --

9 VICE PRESIDENT MILLER: Glad we have Mr. Carlin  
10 here to sort these things out for us.

11 PRESIDENT TAYLOR: All right. So moving on at  
12 this point to information agenda items. And with that,  
13 I'm calling on Mr. Brown.

14 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Good  
15 afternoon, Madam President and Board members. Danny  
16 Brown, CalPERS team member. This is the State and federal  
17 legislative update.

18 On the State side, pending legislation is being  
19 considered in second House policy committees with a  
20 deadline to pass these committees by July 3rd. After this  
21 deadline, the Legislature will go on a four-week recess  
22 returning on August 5th with a deadline to finish this  
23 session at the end of the month, August 31st. Then the  
24 Governor has a whole month to -- the whole month of  
25 September to sign or veto legislation.

1           Today, I will highlight a few bills. First, our  
2 housekeeping Bill AB 2770 passed out of its Senate policy  
3 committee last week and will be heard in Appropriations  
4 next week.

5           Secondly, I just wanted to provide an update on  
6 SB 1379, since Mr. Ruffino asked about this bill last  
7 month. As introduced, this bill would have provided an  
8 exemption to the 960 hour limit for certain retired  
9 annuitants employed by the city of Vallejo and Solano  
10 County. The bill was passed out of the Senate, but was  
11 amended to limit the application of -- to only retired  
12 annuitants that work for Solano County in the positions of  
13 deputy sheriff, evidence technician, or communications  
14 operator. There was also amendments that require Solano  
15 County to go through certain steps before hiring a retired  
16 annuitant and amendments that place restrictions on how  
17 much these retired annuitants can earn. And I think the  
18 purpose of these amendments or the goal that the  
19 Legislature was looking at is trying to encourage  
20 full-time employees rather than make it easier for  
21 agencies to hire retired annuitants.

22           And then next, since a number of stakeholders  
23 have raised it, I wanted to mention AB 3129 authored by  
24 Assemblymember Wood and sponsored by Attorney General  
25 Bonta. This bill requires a private equity group or hedge

1 fund to provide written notice to and obtain the written  
2 consent of the Attorney General prior to taking control of  
3 or acquiring a health care facility or provide group, so  
4 that the AG can assure that the transaction is in the  
5 public interest. This bill is scheduled to be heard in  
6 Senate health on a June 26th followed by Senate Judiciary  
7 on July 2nd.

8           And then finally, Senate Bill 25 -- or 252, the  
9 divestment from fossil fuel companies bill has been set  
10 for hearing in the Assembly Public Employment and  
11 Retirement Committee for June 19th. As you know, as a  
12 precursor to this bill hearing, the Legislature held a  
13 joint informational hearing on May 29th to allow CalPERS  
14 and CalSTRS to discuss our emerging climate investment  
15 initiatives. Ms. Frost and Mr. Cohen did a great job  
16 discussing our approach to addressing climate change risk  
17 and our sustainable investment plan. The hearing  
18 generated a very thoughtful discussion and the members  
19 look forward to hearing about our progress. We received a  
20 lot of positive feedback after the hearing and we are  
21 hopeful the dialogue will have an impact on the upcoming  
22 hearing on SB 252.

23           Moving to the federal update. One of the bills  
24 moving through the House this week is the National Defense  
25 Authorization Act. Members of Congress have submitted

1 over a thousand amendments to this annual must pass  
2 legislation. We, along with K&L Gates, are monitoring it  
3 closely, the progress of these amendments, as some of them  
4 could have provisions restricting certain investments in  
5 Chinese companies.

6 On the health side, we will continue to  
7 coordinate with our federal health care representative on  
8 opportunities to influence any end-of-the year health care  
9 package. And then I'll just end with a couple -- just end  
10 by mentioning a couple of comment letters we submitted  
11 last month.

12 The first one was a response to a Request for  
13 Information issued by the Department of Justice and Health  
14 and Human Services and the Federal Trade Commission on  
15 consolidation in health care markets. In it, we cite  
16 CalPERS experience, studies, and strategies addressing the  
17 high cost that hospital and other provider consolidations  
18 have on CalPERS premiums, members, and order challenges.  
19 The second letter was submitted in response to a request  
20 for information issued by the Centers for Medicare and  
21 Medicaid Services seeking public input on all aspects of  
22 data related to Medicare Advantage programs.

23 Our response focused on supplemental benefits,  
24 the importance of collecting data related to them and  
25 potential options to increase the utility of such data.

1 Establishing uniform data collection requirements for MA  
2 supplemental benefits will help us better identify which  
3 supplemental benefits are most valuable and cost effective  
4 for our plans. Both of these letters can be found on our  
5 CalPERS website.

6 And with that, That concludes my remarks and  
7 happy to answer any questions.

8 PRESIDENT TAYLOR: Well, you got a whole bunch,  
9 So I'm going to start with Ms. Willette.

10 Maybe. There you go.

11 BOARD MEMBER WILLETTE: Thank you so much. Thank  
12 you for that report. I really appreciate the work that  
13 you other staff have done.

14 I wanted to put on the radar, AB 2284 authored by  
15 Grayson. The -- it is a county employees pension -- or  
16 compe -- pension compensation. And I -- it's my  
17 interpretation that this bill, if passed, would not impact  
18 CalPERS, or not directly, but I do think it is in the  
19 public pension ecosystem and there has been question on if  
20 this bill is an opening wedge or opportunity to either  
21 chip away at PEPRA, the Alameda Decision, or other  
22 pensionability designations. And so it does feel prudent  
23 to know this bill and monitor, if you have an update or if  
24 you would like to add it to the list.

25 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Sure.



1 And we are definitely monitoring all of the '37 Act county  
2 bills. We don't necessarily put them on the list, but  
3 we're happy to put them on the list and we are, you know,  
4 providing feedback on the bill to GovOps and the  
5 Governor's office on these bills. And I think to your  
6 point, I mean, we don't see it being a chipping away at  
7 PEPRA. In fact, it's actually using the same definition  
8 that CalPERS uses for group and class of employees. So  
9 it's just trying to make it consistent with what we're  
10 doing. Again, '37 Act county systems may have a different  
11 opinion, but, I mean, from our perspective, it's  
12 consistent with how we're treating our employees -- our  
13 members

14 BOARD MEMBER WILLETTE: Okay. Do we have an  
15 opinion on it? Are we taking a support or oppose  
16 position?

17 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: I  
18 mean, again, our practice isn't to recommend positions on  
19 bills that don't directly impact our members, so we don't  
20 have a formal position on it.

21 BOARD MEMBER WILLETTE: Thank you. Thank you,  
22 Chair

23 PRESIDENT TAYLOR: All right. Mr. Pacheco.

24 BOARD MEMBER PACHECO: Yes. Thank you, Madam  
25 President Taylor, and than you, Mr. Brown, for your

1 awesome comments. As always, I always enjoy these  
2 particular -- this section of the Board of Administration  
3 building.

4 I want to -- I wanted, first of all, to  
5 congratulate you on all the material you presented to me.  
6 It is very comprehensive and all the -- and all the bills  
7 that we're monitoring are good. So I'm really happy about  
8 that.

9 I do want to pull a particular one, AB 3129,  
10 Woods, the health care system and consolidation for Board  
11 action and consideration. That is the health care system  
12 and consolidation aspect of that. How does -- what is the  
13 procedure of doing that? Is that -- is that in the --

14 PRESIDENT TAYLOR: It would have to be agendized  
15 I think.

16 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: I'm  
17 not sure what the exact procedure is. I think the Board  
18 just can discuss -- bring it up for discussion, since it  
19 is on the Board list and then have a discussion and make a  
20 recommendation.

21 BOARD MEMBER PACHECO: Can we have a discussion?  
22 Can we just -- is that the proper procedure?

23 CHIEF EXECUTIVE OFFICER FROST: The Board can  
24 actually take an action. They can pull an item off the  
25 report and take action, if you so choose.

1           PRESIDENT TAYLOR: Okay. Okay. We've got that  
2 one. Let me get back to, because I have other speakers.

3           CHIEF EXECUTIVE OFFICER FROST: The agenda is  
4 noticed in that manner.

5           PRESIDENT TAYLOR: So we've pulled that one and  
6 we can discuss that. That will be first.

7           BOARD MEMBER PACHECO: Sure. Yeah.

8           PRESIDENT TAYLOR: Let me get my other speakers,  
9 because I think there might be more.

10          So, Mr. Palkki.

11          BOARD MEMBER PALKKI: Thank you, President  
12 Taylor. So out of -- okay. So let me start with -- I'd  
13 also like to pull 1092 in that similar fashion as Mr.  
14 Pacheco.

15          PRESIDENT TAYLOR: Got it. Okay. So I've got  
16 that. But in -- which is the AB 1092 from Woods.

17          PRESIDENT TAYLOR: Woods also.

18          BOARD MEMBER PALKKI: Yes, the consolidation of  
19 health care service plans.

20          PRESIDENT TAYLOR: Okay. Go ahead.

21          BOARD MEMBER PALKKI: And then -- and then just  
22 to sort of ask another question. SB 252, Gonzalez, it's  
23 showing that it was amended. Are -- has those amendments  
24 changed the aspect of that bill or what are those  
25 amendments?

1           LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: They  
2 were very minimal and it was probably just to allow other  
3 members to add on as author -- or as co-authors to the  
4 bill. So there was nothing substantial to those  
5 amendments.

6           BOARD MEMBER PALKKI: Okay. Thank you.

7           LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: And  
8 let me just be -- on AB 1092 mention that that bill is  
9 sitting on the Senate suspense file, which means that it's  
10 likely, you know, dead for the year.

11          PRESIDENT TAYLOR: Okay.

12          LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: So it  
13 was -- the bill was introduced last year and made it to  
14 the suspense -- made it to the second House Senate  
15 suspense file and then it was held on suspense.

16          PRESIDENT TAYLOR: Okay. And that's the one that  
17 you talked about, right, the Attorney General has to  
18 approve?

19          LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: This  
20 is a different bill that was introduced by Wood, so the --

21          PRESIDENT TAYLOR: No. It's

22          LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: AB --  
23 I mean, AB 3129 is also by Wood, but it's a different bill  
24 than 2029.

25          PRESIDENT TAYLOR: So I'm reading 1092 and it

1 says among other things requires health care service plan  
2 intends to acquire, obtain control must secure approval  
3 from the Director of DMHC --

4 BOARD MEMBER PACHECO: Where's 1092?

5 PRESIDENT TAYLOR: -- and then the Attorney  
6 General. So it's also kind of similar, so I think we  
7 could --

8 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: It's  
9 similar, but it was targeting a different group of folks.

10 PRESIDENT TAYLOR: Okay.

11 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: So  
12 this was -- this was looking at, like I said -- as you  
13 said, health care service plans that are looking to  
14 consolidate versus the current bill, 3129, is focused on  
15 public -- or private equities who are buying or acquiring  
16 health care facilities or provider groups.

17 PRESIDENT TAYLOR: Okay.

18 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: But I  
19 think in the past, we have supported these types of  
20 consolidation bills that have been broader and focusing on  
21 all forms of consolidation versus just certain types of  
22 consolidation.

23 PRESIDENT TAYLOR: Okay. So I'm going to --

24 BOARD MEMBER PALKKI: So I can --

25 PRESIDENT TAYLOR: -- finish with Mr. Palkki.

1 BOARD MEMBER PALKKI: So I'll retract my --

2 PRESIDENT TAYLOR: You're going to retract it --

3 BOARD MEMBER PALKKI: Yeah.

4 PRESIDENT TAYLOR: -- so I'm going to cross that  
5 off.

6 BOARD MEMBER PALKKI: Thank you.

7 PRESIDENT TAYLOR: Is that it?

8 BOARD MEMBER PALKKI: That's it.

9 PRESIDENT TAYLOR: Okay. Ms. Gallegos.

10 ACTING BOARD MEMBER GALLEGOS: Thank you.

11 Strange thing as I say, I feel like I'm new still, which I  
12 guess I am. I want to make a -- just ask a point of  
13 clarification on these updates. When we say here or when  
14 it says CalPERS position N/A, monitoring, oppose, or  
15 support, this is staff's view, is that correct? Because  
16 we have not voted on all of these and I want -- just want  
17 to make sure that if it's reflecting something that the  
18 Board is doing that we're -- we've had a voice in it.

19 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: For  
20 CalPERS position, if something is listed, that means the  
21 Board has voted and taken a position on it. If -- the  
22 action taken is just to give the Board some information  
23 like what we're doing behind the scenes on some of these  
24 bills, even though you may not have taken a position on  
25 them, but we're working on them, or if you have taken a

1 position what we're doing on those bills with what work  
2 we're doing.

3           ACTING BOARD MEMBER GALLEGOS: Okay. There was  
4 just some here I don't recall voting on, but it could be  
5 because they were consent items. Great. Thank you.

6           PRESIDENT TAYLOR: Mr. Rubalcava.

7           BOARD MEMBER RUBALCAVA: Thank you, Madam  
8 President. Danny, thank you again for all the work you  
9 do. I particularly appreciate the comment letters that  
10 have been submitted in response to CMS, the consolidation  
11 health systems. It was very good that I shared it with  
12 some people. And I'm glad we're also submitted one on  
13 Medicare supplemental plans. I missed that one. But I  
14 was wondering if you could give us a little bit of  
15 background or the status of SB 729, the health care  
16 coverage infertility and fertility treatment. I -- there  
17 was a commenter on the phone yesterday talking about  
18 infertility services. And I remember having some  
19 discussion with our staff about this bill some time ago,  
20 because there were some inquiries. But I was wondering, I  
21 couldn't understand from the -- is it in a suspense file  
22 or is it till active?

23           LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: This  
24 is one of those unique ones where it is on the suspense  
25 file, but before they took a vote on it, the author made

1 it a two-year bill. And the author made it a two-year  
2 bill because of the cost and likely would have been held  
3 on suspense. Unfortunately, you know, the budget  
4 situation hasn't got any better this year and so I think  
5 that there continues to be concern about the cost of this  
6 bill on the budget.

7           So we've had conversations with the sponsors, you  
8 know, trying to look for ways to make the bill cheaper.  
9 And as you, I think, know maybe what, you know, CalPERS  
10 obviously could tackle this issue on their own. This here  
11 would mandate health plans to cover this benefit. And  
12 therefore, it does, you know, put a cost on the State  
13 budget general fund. So I think that right now, I think  
14 the author and the sponsors are looking for ways to reduce  
15 the cost, if they want to have a viable chance of trying  
16 to move this bill through the Legislature.

17           BOARD MEMBER RUBALCAVA: I appreciate the update.  
18 And if you could please continue to monitor and report  
19 back. Thank you.

20           PRESIDENT TAYLOR: Did you want any -- Mr.  
21 Rubalcava, did you want any information from Mr. Moulds on  
22 that? I think it's a cost prohibitive bill --

23           BOARD MEMBER RUBALCAVA: Right. We've talked.

24           PRESIDENT TAYLOR: -- so I don't know that we  
25 need Mr. Moulds. Okay.



1 BOARD MEMBER RUBALCAVA: We've talked and I just  
2 want to know the status.

3 PRESIDENT TAYLOR: Okay.

4 BOARD MEMBER RUBALCAVA: And as long as we  
5 continue to monitor, that would be fine.

6 Thank you.

7 PRESIDENT TAYLOR: Okay. Thank you.

8 So we have exhausted the other questions on this,  
9 so we're back to 3129. So we've pulled this item. We're  
10 going to have a discussion on this item and then we can  
11 take a vote. We can do nothing, right, after we have the  
12 discussion, or we can take a vote to approve. We can --  
13 if we do nothing, we can say we stayed neutral or we can  
14 take a vote to oppose.

15 So I'm going to start with Mr. Pacheco and then  
16 move on to Mr. Palkki, because you two wanted to pull  
17 these. So, Mr. Pacheco, you want to push -- of, you're  
18 already on. Go ahead.

19 BOARD MEMBER PACHECO: Yes. Thank you. Thank  
20 you, Mrs. Taylor. I appreciate your -- the procedure. So  
21 I liked -- you know, so thank you for clarifying, Mr.  
22 Brown, regarding this issue. And actually you  
23 mentioned -- you mentioned, or just right now a few  
24 minutes ago, in your comments that in the -- in the past,  
25 we have supported these types of consolidations if they'd

1 been more broader in perspective. And this particular  
2 case, it's not broader. It's very focused on private  
3 equity. So, you know, I would be supportive if it was  
4 more broader in scope and it would include all other  
5 structures. So that is my comments.

6 PRESIDENT TAYLOR: Okay. So as is what you're  
7 saying is you're not supportive of moving this into --

8 BOARD MEMBER PACHECO: No, I am, if it's amended  
9 with -- if it's more broader as more --

10 PRESIDENT TAYLOR: Well, we can't amend anything,  
11 so...

12 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Well,  
13 I think what he's suggesting is we take a piece --  
14 suggesting a position of support if amended --

15 BOARD MEMBER PACHECO: If amended.

16 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: -- to  
17 expand the application --

18 BOARD MEMBER PACHECO: Exactly.

19 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: -- so  
20 it applies to all consolidations --

21 BOARD MEMBER PACHECO: Exactly.

22 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: -- and  
23 not just consolidations --

24 BOARD MEMBER PACHECO: Which you mentioned just a  
25 few minutes ago in your comments.

1           LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Right.  
2 And we -- and we -- which is consistent with our policies  
3 and our -- and we have written several comment letters at  
4 the federal level on consolidation, and again focused on  
5 all types of consolidations and the impact they have on  
6 our -- the cost to the CalPERS program.

7           PRESIDENT TAYLOR: Would it work to -- I mean,  
8 it -- to amend it, but looking at 1029 is kind of where  
9 that portion of it is. And then you add it -- I mean, it  
10 seems like we -- anyway. But that's -- yeah, I think it  
11 makes sense to support it if we're talking about Sutter  
12 buying up a whole bunch of hospitals or Kaiser buying  
13 up -- whatever it is, right, you know?

14           LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Right.  
15 And this bill would not -- this bill does not apply to  
16 those types of consolidations.

17           PRESIDENT TAYLOR: So we would support, if  
18 amended, is what you're --

19           BOARD MEMBER PACHECO: Yes, exactly. Yes, ma'am.

20           PRESIDENT TAYLOR: -- conjecture is.

21           BOARD MEMBER PACHECO: Yes, ma'am.

22           PRESIDENT TAYLOR: Okay. So Mr. Palkki. Wait.  
23 It's not working. There you go.

24           BOARD MEMBER PALKKI: Yeah. Without reiterating  
25 what's already been said, I think the question for me

1 really is ultimately what is the effect of our CalPERS  
2 systems. And if this has a negative effect the way that  
3 it's written, how can we use our voice to either speak  
4 against it, but -- or if -- or how can we have it changed,  
5 right, so...

6 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Well,  
7 I don't know if it's -- the way it's currently written  
8 it's like a negative effect where we would, you know, want  
9 to oppose it. I just -- I think it's just a question of,  
10 you know, supporting it, what you want to --

11 CHIEF HEALTH DIRECTOR MOULDS: You want me to  
12 jump in?

13 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Sure,  
14 go ahead.

15 CHIEF HEALTH DIRECTOR MOULDS: Yeah. So our --  
16 the staff view on this, if it is helpful, is that support,  
17 if amended, would be the appropriate response. So we have  
18 natural concerns, and Mr. Pacheco did a nice job of  
19 explain this, of applying this just to one type of  
20 consolidation. Consolidation, you know, whether it's  
21 private equity, or a hospital system, or another medical  
22 group buying, the real question is whether it's going to  
23 decrease competition and increase prices. And that could  
24 come from any number of different buyers. So to focus on  
25 one, that's why we -- why the Board took the position of

1 support of the Wood bill last year. So, you know, we  
2 worry that you end up with a whack-a-mole situation when  
3 you just focus on one section and you don't have review.  
4 Review we are very supportive of. We work routinely with  
5 the Attorney General's office to talk through these  
6 reviews and look at the implications on CalPERS and so  
7 forth. So that's -- that would be naturally what we would  
8 recommend as well.

9 PRESIDENT TAYLOR: So support, if amended.

10 CHIEF HEALTH DIRECTOR MOULDS: Correct.

11 PRESIDENT TAYLOR: Got it.

12 CHIEF HEALTH DIRECTOR MOULDS: Exactly.

13 PRESIDENT TAYLOR: So Ms. Walker, I have you, but  
14 I have Ms. Gallegos and Mr. Miller first and then you can  
15 go.

16 ACTING BOARD MEMBER GALLEGOS: Great. Thank you.  
17 So just clarifying what the recommendation would be.  
18 Currently, the action taken is monitoring. So we're --  
19 you're recommending, Mr. Pacheco, that we change that to  
20 support --

21 BOARD MEMBER PACHECO: That we take a Board  
22 action which is --

23 COURT REPORTER: Microphone.

24 PRESIDENT TAYLOR: You need your microphone.

25 BOARD MEMBER PACHECO: It's on.

1 COURT REPORTER: It's not on.

2 PRESIDENT TAYLOR: That's because I haven't done  
3 it yet.

4 VICE PRESIDENT MILLER: There it is.

5 PRESIDENT TAYLOR: There you go.

6 BOARD MEMBER PACHECO: Yes, Mr. Gallegos, yes,  
7 because it has been -- it's been noticed on the Board for  
8 Board action.

9 ACTING BOARD MEMBER GALLEGOS: Okay.

10 BOARD MEMBER PACHECO: So we have the ability in  
11 this particular case. That's my understanding.

12 ACTING BOARD MEMBER GALLEGOS: As opposed to just  
13 leave it as monitored.

14 PRESIDENT TAYLOR: Right.

15 BOARD MEMBER PACHECO: Yes, ma'am.

16 ACTING BOARD MEMBER GALLEGOS: And we fell --

17 CHIEF EXECUTIVE OFFICER FROST: Yeah. And so if  
18 you were to take an action of support, if amended, we  
19 would actually communicate that to the bill author --

20 ACTING BOARD MEMBER GALLEGOS: Right.

21 BOARD MEMBER PACHECO: Yes.

22 CHIEF EXECUTIVE OFFICER FROST: -- that the  
23 CalPERS Board of Administration has taken a support, if  
24 amended position, and then give some details about the  
25 amendment that would be requested.

1           ACTING BOARD MEMBER GALLEGOS: Okay. And staff  
2 feels it is appropriate to take that action at the moment  
3 as opposed to leave it as monitor?

4           CHIEF EXECUTIVE OFFICER FROST: We do. We do.

5           ACTING BOARD MEMBER GALLEGOS: Okay.

6           CHIEF EXECUTIVE OFFICER FROST: It puts it much  
7 more in alignment with the bill you all approved last  
8 year.

9           ACTING BOARD MEMBER GALLEGOS: Okay.

10          BOARD MEMBER PACHECO: Yes, which is -- thank  
11 you. Thank you.

12          PRESIDENT TAYLOR: Okay. So Mr. Miller and then  
13 Ms. Walker.

14          VICE PRESIDENT MILLER: Yeah. And to me, you  
15 know, in an ideal world, it wouldn't be limited, but as  
16 it's written now. And so, you know, support if amended  
17 versus an oppose unless amended, kind of thing, because  
18 ultimately I really -- you know, I think our Attorney  
19 General is pretty outstanding. And I would love to have  
20 our Attorney General's office looking at this stuff more  
21 closely. But I think to go forward, and send that message  
22 to the author, and be able to engage with that author, and  
23 maybe have an improvement, and ultimately -- you know, who  
24 knows, maybe it's still limited and we can still find our  
25 way to support it, but I think this initial step -- and we

1 can always come back if there are changes or not and move  
2 to a support, or an oppose, unless amended, or whatever,  
3 but I think it's a good step toward that and it's  
4 consistent with where we were before, so I'm supportive of  
5 it

6 PRESIDENT TAYLOR: Okay. Thank you.

7 Ms. Walker.

8 BOARD MEMBER WALKER: Thank you. I might have  
9 been -- I might be confusing this with another bill, but  
10 what is the status of -- is this the one that is in the  
11 suspense file?

12 PRESIDENT TAYLOR: It's being monitored.

13 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: No,  
14 it's not on the suspense file. It's waiting to have it be  
15 heard in second policy committee in Senate Health.

16 BOARD MEMBER WALKER: Okay. And -- okay.

17 PRESIDENT TAYLOR: Is that your only question?

18 BOARD MEMBER WALKER: I -- no. I just want to  
19 say that I think it is -- I think that we can achieve the  
20 same thing. I want to see what they do at the second  
21 hearing and how they talk about it before taking a  
22 position of support, unless amended, or oppose, unless  
23 changes, or whatever, because there's a lot that goes on  
24 in the meantime. And, if I'm not mistaken, our staff  
25 would be engaging anyway, whether we took this position or



1 not, or would you not?

2 PRESIDENT TAYLOR: I don't know.

3 Mr. Brown, do you have any answer to that?

4 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: I  
5 don't if I -- I don't know if I heard that last part.

6 CHIEF EXECUTIVE OFFICER FROST: We'd be engaging  
7 on the bill regardless of an action.

8 BOARD MEMBER WALKER: Well, that's -- have you  
9 talked to the bill's -- the staff -- the bill's author's  
10 staff about language or some reservations that might be  
11 there?

12 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: We  
13 haven't had direct conversations with the author's staff  
14 on the bill this year. We've talked to some of the  
15 spon -- other sponsors on the bill about it, but we  
16 haven't talked about, you know, having conversations about  
17 expanding it with the author.

18 BOARD MEMBER WALKER: Okay. But you are having  
19 con -- there's nothing that's stopping you and so --

20 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN:  
21 Nothing from us having conversations, but  
22 obviously we can't speak on behalf of what the Board's  
23 position is or what the Board wants or is thinking.

24 BOARD MEMBER WALKER: Absolutely.

25 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: And

1 another point -- thing I want to mention, just -- it's  
2 just for timing purposes because of this being a second  
3 year of a session. The next time we're going to meet is  
4 September. And by that time, the bill will either be dead  
5 or on the Governor's desk. So there's -- you know, there  
6 really is kind of the last time to take action to it.

7 BOARD MEMBER WALKER: Okay.

8 PRESIDENT TAYLOR: So I just want to be clear, I  
9 think our staff should be much more involved in these  
10 bills that interest us than we are. So let's be clear  
11 about that. Obviously, the Board feels the same way. We  
12 have not had the vote yet, but it sounds like we would  
13 like you to see what we can do to get the author to be  
14 more broad and amend this. So I just want to make --

15 BOARD MEMBER WALKER: I still have another  
16 question, Theresa.

17 PRESIDENT TAYLOR: Okay. Go ahead. Sorry.

18 BOARD MEMBER WALKER: All right.

19 BOARD MEMBER PACHECO: I'll make the -- I'd like  
20 to make the --

21 PRESIDENT TAYLOR: Hold on. No. No. No. No.

22 BOARD MEMBER PACHECO: I'd like to make --

23 PRESIDENT TAYLOR: Jose, wait. I'm waiting for  
24 Yvonne. Go ahead.

25 BOARD MEMBER PACHECO: Sure. Sure.

1           BOARD MEMBER WALKER: Thank you. So based on  
2 what you said about timing, right, which I appreciate, so  
3 if we -- you know, we do the support, if amended, right?  
4 And either way, when we get back together again, some  
5 action will be taken. And so in our -- in our motion,  
6 should we be very clear about what it is we're looking  
7 for? Because they can amend it and it could not hit  
8 anything of what we're looking for.

9           PRESIDENT TAYLOR: Is that your question, Yvonne?

10          BOARD MEMBER WALKER: Yes.

11          PRESIDENT TAYLOR: Okay. So we could be very  
12 prescriptive. I would trust the Health Care staff to know  
13 what they want, because they've been fighting about this  
14 for quite some time. But we can make a motion that's very  
15 prescriptive. Don, if you'd like to feed that to us.

16                   (Laughter).

17          BOARD MEMBER WALKER: Yeah, And don't get me  
18 wrong, I do support our staff. I support our health care  
19 staff. I support our leg. staff. I support all of our  
20 staff. That is not my thing, but my thing is this is our  
21 responsibility. If we're making this motion, it is not  
22 their responsibility. It is ours, but we could be clear  
23 about what we're doing.

24          PRESIDENT TAYLOR: Sure. Sure. We can do that.  
25 We still have commenters, before we get to that point.

1 But, yes, we can -- we can --

2 BOARD MEMBER WALKER: That's all.

3 PRESIDENT TAYLOR: If you want to write down  
4 something you think is prescriptive and everybody else up  
5 here work on it, as we're getting through the next  
6 commenters.

7 So my next person to speak -- and Yvonne, are you  
8 done this now?

9 BOARD MEMBER WALKER: Yes, I'm done now. Thank  
10 you for asking.

11 PRESIDENT TAYLOR: Thank you.

12 Ms. Willette.

13 BOARD MEMBER WILLETTE: Thank you so much. So I  
14 apologize, I'm not as familiar with this bill and I'm  
15 actually a little -- I don't understand what our amend --  
16 or what we're ask -- amendments we're asking for. It is  
17 my understanding that the Attorney General already has the  
18 authority to block sales or consolidations -- aka  
19 consolidations for public hospitals, which he or she has  
20 exercised in the last, you know, 10 years. And the  
21 Attorney General already has very broad power to protect  
22 the health, safety, and welfare of the public through any  
23 sale whatsoever of public hospitals. And so I'm not sure  
24 how we want to make it broad without overlapping current  
25 law. And so without knowing more on what we're actually

1 taking a support position on, I wouldn't -- I would not be  
2 comfortable supporting this Board taking a position today.

3 PRESIDENT TAYLOR: Thank you.

4 And Then Mr. Rubalcava.

5 BOARD MEMBER RUBALCAVA: Thank you. Thank you,  
6 Ms. Willette, for giving a little background. I think the  
7 difference in this bill is it extends to the Attorney  
8 General the authority he or she has over the nonprofit  
9 section to the private -- for-profit private section. So  
10 that's why it applies to private equity. So I guess the  
11 sponsor is the Attorney General, one of them, and he wants  
12 to have oversight over that. And I'm getting -- I think I  
13 might have discussed it with somebody on staff, because  
14 I'm getting -- and hearing no people -- anyway. There's a  
15 lot of debate, because on one side, you have the -- now  
16 the support side will be people like the Health Access  
17 California and opposition would be the American Investment  
18 Council, and California Chamber of Commerce, California  
19 Hospital Association, the United Hospital Association.

20 And so I'm not sure what other amendments we need  
21 to be honest, because all it does is extend an authority  
22 the Attorney General already has over the non-profits to  
23 the for-profits. And it creates -- I think there's a  
24 window of review and then there's an opportunity to get  
25 back -- let me look at the bill. I haven't read the

1 bill -- I read it last month and reviewed it real quickly  
2 yesterday, but I can't find -- I'm looking at the analysis  
3 now, but I think it's seems something that -- I mean --  
4 let me say this. I'm sorry for not being concise here.

5           On the one hand, I think we should be concerned  
6 about consolidation. I mean, we submitted these letters  
7 to Cong -- to various departments in Washington D.C. about  
8 our concern about consolidation of health systems and  
9 that's what this bill is about. And we have had testimony  
10 how private equity sometimes may be more interested in  
11 increasing short-term profits rather than efficiency in  
12 delivery of health services, access, and also quality of  
13 service.

14           But on the other hand, I hear arguments that, at  
15 least some of the proponents are saying, that this --  
16 allowing this bill would sort of how -- somehow hinder  
17 investment in needed hospital areas, like rural or  
18 something like that. I'm not sure if that's true, but I  
19 would feel more comfortable knowing a little bit more --  
20 having had -- I wish we had had a discussion before.

21           PRESIDENT TAYLOR: We don't have to do anything.  
22 We can ask for something to come back.

23           BOARD MEMBER RUBALCAVA: I will be comfortable.  
24 Thank you for the suggestion. Even though my gut reaction  
25 is it's something we should support, I think it's -- we

1 have the due diligence to look at it ourselves. So I  
2 would think we should ask staff to come back with an  
3 analysis and perhaps a recommendation.

4 PRESIDENT TAYLOR: Okay. So Chair direction is  
5 I'm going to ask Danny to get some more information on  
6 this. There is analysis in here that we've read. I would  
7 also like some consultation with the Health Department, so  
8 probably Mr. Moulds, on what a wish list that would go in  
9 this bill would be.

10 CHIEF HEALTH DIRECTOR MOULDS: Happy to provide  
11 it.

12 PRESIDENT TAYLOR: Okay. And then get back to  
13 us. We -- it will have to be in writing, because we don't  
14 meet on this stuff until September, right?

15 CHIEF EXECUTIVE OFFICER FROST: We could do it in  
16 July --

17 PRESIDENT TAYLOR: We can do it in July.

18 CHIEF EXECUTIVE OFFICER FROST: -- but  
19 schedule-wise -- Danny, I'm not sure when this bill has  
20 its next hearing.

21 PRESIDENT TAYLOR: Yeah, I don't either.

22 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: It  
23 will be during -- yeah, the Board offsite will be during  
24 the summer recess, so the bill will have been heard in two  
25 more hearings, Senate Health and Senate Judiciary, so...

1 CHIEF EXECUTIVE OFFICER FROST: So we -- so  
2 option always is to continue to monitor this. We can  
3 provide you what you've requested, a Committee direction.  
4 Give more details on the impact of this bill. I think,  
5 you know, Mr. Rubalcava, when you were talking about that  
6 this seems to be aiming toward the for-profit. There are  
7 other pro -- excuse me, for-profit ownership styles, other  
8 than private equity, and hedge funds, and venture. You've  
9 got provider groups, you've got hospitals that are also  
10 for profit. And so I think the whole idea behind support,  
11 if amended, was to make sure that it more broadly applies  
12 to every ownership structure and not just directed at  
13 private equity and hedge funds.

14 BOARD MEMBER RUBALCAVA: I see.

15 PRESIDENT TAYLOR: So is it possible for us, if  
16 we're just going to monitor this and whether or not it  
17 gets passed, we won't know till -- I have feeling it  
18 probably won't. Can we run a bill?

19 CHIEF HEALTH DIRECTOR MOULDS: I think actually  
20 what you could do, if I can make a suggestion, is take a  
21 support, if amended position, and cite the principle that  
22 it should apply broadly to all -- so to expand the  
23 Attorney General's ability to monitor and act on mergers  
24 and acquisitions. The real danger for CalPERS is  
25 anti-competitive consolidation, which, as we've talked



1 about a million times, is a killer for us on prices.

2 So you can -- you could -- you could take a  
3 support, if amended position, say what I just said, which  
4 is that we believe it should apply across the board to the  
5 review of any merger or acquisition and leave it at that.

6 PRESIDENT TAYLOR: Not just health care.

7 CHIEF HEALTH DIRECTOR MOULDS: No. No. No. No.  
8 I'm sorry. I mean maybe. I don't know. I just do health  
9 care.

10 (Laughter).

11 CHIEF HEALTH DIRECTOR MOULDS: But I'm -- I was  
12 just speaking about health care.

13 BOARD MEMBER RUBALCAVA: Madam President, since I  
14 still have the floor, I would like to do support  
15 Commissioner -- Trustee Pacheco in his intent to have a  
16 position of support, but I think it's appropriate to say  
17 it should -- we should maybe send a letter saying we  
18 support -- we're in support, but we would like to  
19 understand -- make it clear that we would like it to be  
20 broader in the sense that it covers all entities, all  
21 procedures, not just targeting private equity. See the --

22 PRESIDENT TAYLOR: Well, that's what he said.

23 BOARD MEMBER RUBALCAVA: Yeah, exactly what he  
24 said that's what I would support.

25 PRESIDENT TAYLOR: I gotcha.

1 CHIEF EXECUTIVE OFFICER FROST: Yeah. That's  
2 exactly it. There is --

3 BOARD MEMBER RUBALCAVA: Because we do favor  
4 competition. And consolidation doesn't help us all the  
5 time. And we think the Attorney General has the authority  
6 right now over non-profits, so it should be expanded. So  
7 I would support that. I would move to -- I would support  
8 Pacheco's motion with that amendment.

9 PRESIDENT TAYLOR: A support with amend --

10 BOARD MEMBER RUBALCAVA: Yes.

11 PRESIDENT TAYLOR: -- that it should apply across  
12 any acquisition or merger in health care.

13 Okay. Mr. Pacheco.

14 BOARD MEMBER PACHECO: I would -- I concur with  
15 my colleague Mr. Rubalcava on that exactly. That is --  
16 that is supported but amended -- and amended with more  
17 broader consolidation, you know, as the -- as the  
18 principle.

19 PRESIDENT TAYLOR: Okay.

20 CHIEF EXECUTIVE OFFICER FROST: And, Ms. Taylor,  
21 I think you have a public commenter on this item. I  
22 don't know --

23 PRESIDENT TAYLOR: I know, but we're still  
24 talking.

25 CHIEF EXECUTIVE OFFICER FROST: Yeah, I don't

1 know if it's related to this. I just --

2 PRESIDENT TAYLOR: I know. He act --

3 BOARD MEMBER PACHECO: So that's basically it.  
4 So I think I said it pretty clearly.

5 Thank you.

6 PRESIDENT TAYLOR: Okay. Ms. Willette.

7 Wait. There we go. Sorry.

8 BOARD MEMBER WILLETTE: Thank you. Thank you for  
9 the clarification. I'm wondering if there is a feel on  
10 the fact that this whole -- this bill could be enacted or  
11 not enacted in a couple weeks anyways, right? We have two  
12 more committee meetings and a floor hearing -- or a floor  
13 vote. What is the feel if it is going to pass?

14 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: I  
15 think -- I mean --

16 BOARD MEMBER WILLETTE: Magic 8 ball.

17 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: -- if  
18 I had to give a Magic 8 ball Paul, I think if it -- if it  
19 dies, it dies in Appropriations, because of the cost --  
20 the additional cost to the AG to administer this, as well  
21 as some other departments. So I think that would be where  
22 it likely dies, if it dies.

23 BOARD MEMBER WILLETTE: Okay. And then just a  
24 second question, if that's okay. If -- looking at the  
25 list of supporters -- on the record supporters and

1 opposition, we have some of our allies in opposition to  
2 the bill and lot of our allies in support of the bill.  
3 What is the -- would there be other ramifications for us  
4 taking a position for our stakeholders on both -- on both  
5 sides -- they're on both sides?

6 CHIEF EXECUTIVE OFFICER FROST: I don't believe  
7 there would be any surprises with our stakeholders, since  
8 we did -- you all did vote on this bill that it's more  
9 broadly aligned. So it would be much more reflective of  
10 the discussion that you're having today. Bill 1092 was.  
11 So I don't think anyone would be surprised by the fact  
12 that you're supporting, if amended, and that it would  
13 apply more broadly.

14 BOARD MEMBER WILLETTE: Okay. Sorry. And then  
15 than you for that.

16 CHIEF EXECUTIVE OFFICER FROST: Yeah.

17 BOARD MEMBER WILLETTE: Kind of going back to my  
18 first question though. So if this Board took a vote,  
19 what's the likely impact of our vote and the conversations  
20 going forward? Would that actually move the needle on  
21 this bill, on either way, since we don't have say over  
22 Appropriations or have the ability to make those types of  
23 changes?

24 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: I  
25 mean, I think it would have an effect at the Committee

1 hearing levels, policy committees, but you're correct, I  
2 mean, it's a lot harder to impact the Appropriations  
3 Committee, because they're just looking at the fiscal  
4 impact and they're just really -- unless, we could --  
5 unless we could show a clear savings that they could  
6 score, which is -- you know, at least they could take  
7 something to an account that there could be a reduction by  
8 a limit -- by limiting these types or at least monitoring  
9 tease types of consolidations.

10 PRESIDENT TAYLOR: Okay.

11 BOARD MEMBER WILLETTE: Do we have the staff  
12 bandwidth to do this? I think I'm not comfortable making  
13 a position. And I won't -- you know, and not that I  
14 represent the whole Board. But for myself, by taking a  
15 position, that doesn't mean anything and that we don't  
16 have the staff and the bandwidth to carry through to  
17 either get the position to win the vote -- to win the bill  
18 or win our amendments or not.

19 CHIEF HEALTH DIRECTOR MOULDS: Yeah. So we've --  
20 we have weighed in on consolidation issues with individual  
21 legislators in the past and just in conversations with  
22 them. One of the things that we did quite a lot a few  
23 years ago is talk with the -- with the Committee staff  
24 both on the Senate and on the Assembly side about some of  
25 the implications that consolidation has for our prices.

1 We've shared -- I think you've all seen our heatmap, which  
2 looks at the price variation across California --  
3 better -- price variation across California. And we've  
4 used that as a tool for some of these conversations,  
5 because there's a very tight correlation between the areas  
6 where there's low competition and there has been  
7 anti-competitive consolidation and the very high prices.  
8 And when I talk about the differences between Northern  
9 California and Southern California, that is -- that is a  
10 difference of a competitive market in Southern California  
11 and a less competitive market in Northern California.

12 So we certainly -- you know, we've done that in  
13 the past. You know, we're at Mr. Brown's disposal, if  
14 that is helpful in any way, and all always happy to have  
15 those conversations with legislators.

16 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: And,  
17 you know, my team has the bandwidth too to meet -- you  
18 know, if the Board takes a position to meet with the  
19 members of the Committee, and, you know, advocate our  
20 position. So we will make the time to meet with everybody  
21 that we can meet with.

22 BOARD MEMBER WILLETTE: Okay. Thank you.

23 PRESIDENT TAYLOR: Okay. Ms. Gallegos --  
24 Gallegos -- I'm sorry. Then Ms. Middleton and Ms. Walker.

25 ACTING BOARD MEMBER GALLEGOS: Thank you very

1 much.

2 PRESIDENT TAYLOR: I'm getting tired.

3 ACTING BOARD MEMBER GALLEGOS: Thank you very  
4 much. I think I am with Ms. Willette -- Director  
5 Willette, in that I'm having a lot of heartburn on voting  
6 on something where we haven't fully fleshed it out. I  
7 understand staff hasn't. And I agree with the spirit or  
8 the intent of pulling it with a broader implication to the  
9 other asset classes, but I don't think we've fleshed this  
10 out on the investment side.

11 To Mr. Rubalcava's point earlier, there is some  
12 tension between the work we do in Investments and the work  
13 that we do in health -- in the Health Benefits area. And  
14 without having that fleshed out fully, I don't -- I don't  
15 know that we are ready to state support, even with  
16 amendments, because we don't know what those amendments  
17 are going to be. So I just wanted to echo my heartburn on  
18 not leaving this as a monitor with a direction for staff  
19 to continue to follow up and keep us apprised, but I don't  
20 think we have enough information. Personally, I don't  
21 think we have enough information to move forward on that.

22 PRESIDENT TAYLOR: All right. Thank you, Ms.  
23 Gallegos.

24 Ms. Middleton, you're -- go ahead.

25 BOARD MEMBER MIDDLETON: All right. Thank you.

1 You know, I support the comments and the recommendations  
2 that we got from Mr. Moulds. No one has more experience  
3 on these issues. We have an absolutely long-standing  
4 concern when it comes to consolidation in the health care  
5 industry. And this is a bill that has the potential of  
6 having impact on that consolidation. And with deep, deep  
7 respect to all of my colleagues, I think we're  
8 overthinking this one and trying to overanalyze what  
9 options we have before us. We have influence, but we do  
10 not have control here. Let's keep a seat at the table.

11 PRESIDENT TAYLOR: Thank you, Ms. Middleton.  
12 Ms. Walker.

13 BOARD MEMBER WALKER: Sorry. So just to make  
14 sure that I'm not confusing myself. We are talking about  
15 3129, right?

16 PRESIDENT TAYLOR: Correct.

17 BOARD MEMBER WALKER: Good. That's what I was  
18 talking about. I just wanted to make sure, because the  
19 other one that's on suspense talks about consolidation.  
20 So I got confused when people were commenting. And I just  
21 want to say that I think that we should not do things like  
22 this on the fly. This is a bill that has been monitored.  
23 If there was a problem, if it needed to be -- if the Board  
24 needed to be -- if they -- if the staff needed a position  
25 from the Board, we should have had it agendized. We



1 should have talked about it a little more. We're reading  
2 snippets -- or I'm reading snippets. Maybe everybody else  
3 read everything else. But we're reading snippets and  
4 making a decision on the fly, and I don't think that we  
5 should do that. I don't think that we should do that. I  
6 don't mean -- I would imagine at the last meeting we were  
7 monitoring this also, right? And so now we're down to the  
8 11th hour --

9 PRESIDENT TAYLOR: We supported it last meeting.

10 BOARD MEMBER WALKER: -- and we still haven't,  
11 you know, left it out or asked anything. I just don't  
12 think this is the way that we should be deciding these  
13 things.

14 PRESIDENT TAYLOR: All right. Thank you.

15 So I believe we monitored or supported 1029,  
16 correct?

17 CHIEF EXECUTIVE OFFICER FROST: 1092.

18 PRESIDENT TAYLOR: It wasn't -- 1092, I'm sorry,  
19 which is similar, but different. And that --

20 BOARD MEMBER WALKER: 1029 is on suspense.

21 LEGISLATIVE AFFAIRS DIVISION CHIEF BROW: We --  
22 I'm --

23 PRESIDENT TAYLOR: Right, I'm aware of that, but  
24 at the time it was not.

25 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: We did

1 not have a position on 1092. There was another bill in I  
2 think 2022 --

3 PRESIDENT TAYLOR: Okay.

4 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN:  
5 -- that was Wood that we supported that dealt  
6 with consolidation and anti-competitive behaviors.

7 PRESIDENT TAYLOR: And you brought 3129 a quarter  
8 ago or whenever that was. This is June -- March.

9 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Well,  
10 it's been on the list I think since the last meeting.

11 PRESIDENT TAYLOR: So March.

12 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Yeah.

13 PRESIDENT TAYLOR: Okay. So we were monitoring  
14 it then.

15 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN:  
16 Correct.

17 PRESIDENT TAYLOR: Okay. And honestly, I  
18 think -- was that it? And, Yvonne, go ahead and finish  
19 asking your questions. I think that the Board -- whether  
20 or not staff wanted us to do anything isn't -- it is our  
21 purview to decide and we had Board members today wishing  
22 to pull it, so that's how it came up.

23 BOARD MEMBER WALKER: No, I do understand that.  
24 I absolutely understand that, but that still doesn't  
25 change the fact that I don't believe that we'd be doing

1 this on the fly.

2 PRESIDENT TAYLOR: Okay.

3 BOARD MEMBER WALKER: I mean, if we -- if a Board  
4 member thought this, the Board member has the ability to  
5 talk to you to say, hey, I think this is important. Can  
6 we get this agendized and we could have had it on the  
7 agenda. We could have had a much fuller discussion rather  
8 than just snippets.

9 PRESIDENT TAYLOR: Absolutely. Okay. I think I  
10 have one more person. Mr. Miller.

11 VICE PRESIDENT MILLER: Yeah. You know, we've  
12 all seen, and I've been kind of railing about  
13 anti-competitive consolidation and my experiences here, in  
14 other states, and in my role outside of California. And  
15 it's no surprise, the Chamber of Commerce, it's no  
16 surprise the Hospital Association, you know, the American  
17 Health Care Association, they are all always going to be  
18 opposed to any kind of governmental oversight, or increase  
19 of oversight, or any kind of -- so, to me, I don't worry  
20 about that opposition from those folks as something that  
21 impacts us on the economic side as fiduciaries. And this  
22 bill, you know, in a perfect world, it would not be  
23 limited as much as it is, but, to me, it's a step in the  
24 right direction. Maybe it gets things going. Maybe it's  
25 piecemeal. Maybe, you know, there will be another bill

1 that would expand it further if it doesn't go further.

2 But, to me, timing is everything. Maybe we  
3 should have had more discussion earlier, but it seems like  
4 this is -- to me, it seems like a pretty clear decision.  
5 We support the concept. I presumably support the  
6 direction the Attorney General is trying to go with this.  
7 It may not be everything we would like right now. Taking  
8 a leadership role is we're leaders in this and saying,  
9 yeah, we can support this. We'd like to see amendments  
10 that make it more comprehensive. And who knows, maybe we  
11 would ultimately support it without those amendments as a  
12 step in the right direction, hoping for more in the  
13 future.

14 But, you know, I think there's plenty of reason  
15 to go ahead support this with amendments now and increase  
16 our ability to encourage this, draw that line in the sand,  
17 and support this going forward. And I would think -- hope  
18 that we would vote on it. And whether we do or not, you  
19 know, let's just go ahead and see what the -- you know,  
20 how the Board votes on it, if there's a -- you know.

21 PRESIDENT TAYLOR: Okay. So we need to get this  
22 on the floor before we get to Mr. Jelincic.

23 Mr. Pacheco.

24 BOARD MEMBER PACHECO: So well do we still --  
25 procedural-wise, I just want to make sure I'm doing this

1 correctly. Does Mr. Jelincic need to speak first before I  
2 call the question or do I -- I just want to be -- I make  
3 the --

4 CHIEF EXECUTIVE OFFICER FROST: He should speak  
5 before you take the vote.

6 BOARD MEMBER PACHECO: Yeah. So I make the  
7 motion to support with amended based on all the  
8 conversations we've had on the principle of more broader  
9 consolidation.

10 PRESIDENT TAYLOR: Does that work or do you want  
11 it more prescriptive?

12 BOARD MEMBER PACHECO: Is that pretty -- is that  
13 pretty prescriptive?

14 PRESIDENT TAYLOR: That's good.

15 BOARD MEMBER PACHECO: That's perfect. Okay.

16 PRESIDENT TAYLOR: I second the motion.

17 Okay. So can we have a roll vote on that?

18 VICE PRESIDENT MILLER: Well, don't --

19 BOARD MEMBER PACHECO: No. We have to have Mr.  
20 Jelincic.

21 PRESIDENT TAYLOR: Oh, yeah. My bad. I'm sorry.  
22 J.J., come on up.

23 J.J. JELINCIC: J.J. Jelincic, beneficiary. Last  
24 time I didn't take it personally. This time I was  
25 beginning to feel a little personal about it.

1 (Laughter).

2 J.J. JELINCIC: Members have brought this bill to  
3 your attention for months and you've chosen not to do  
4 anything until today. That's unfortunate, but that's  
5 where we are. This bill is not a perfect bill. It -- but  
6 a half a loaf is better than no loaf. And the other  
7 reality is the legislative calendar. There is not time  
8 for substantial amendments to this bill. It's either  
9 going to live or die as it is. I would encourage you to  
10 accept the half a loaf and actually support the bill.

11 Thank you.

12 PRESIDENT TAYLOR: Thank you, Mr. Jelincic.

13 Any other comments from the Board?

14 If not, we will move on to the roll call vote.

15 BOARD CLERK ANDERSON: David Miller?

16 VICE PRESIDENT MILLER: Aye.

17 BOARD CLERK ANDERSON: Deborah Gallegos?

18 ACTING BOARD MEMBER GALLEGOS: No.

19 BOARD CLERK ANDERSON: Frank Ruffino?

20 ACTING BOARD MEMBER RUFFINO: Aye.

21 BOARD CLERK ANDERSON: Lisa Middleton?

22 BOARD MEMBER MIDDLETON: Aye.

23 BOARD CLERK ANDERSON: Eraina Ortega?

24 BOARD MEMBER ORTEGA: Abstain.

25 BOARD CLERK ANDERSON: Jose Luis Pacheco?

1 BOARD MEMBER PACHECO: Aye.

2 BOARD CLERK ANDERSON: Kevin Palkki?

3 BOARD MEMBER PALKKI: Aye.

4 BOARD CLERK ANDERSON: Ramón Rubalcava?

5 BOARD MEMBER RUBALCAVA: Aye.

6 BOARD CLERK ANDERSON: Yvonne Walkers?

7 BOARD MEMBER WALKER: No.

8 BOARD CLERK ANDERSON: Mullissa Willette?

9 BOARD MEMBER WILLETTE: No.

10 BOARD CLERK ANDERSON: Dr. Gail Willis?

11 PRESIDENT TAYLOR: I don't think she's here.

12 All right, so motion carries.

13 All right, motion carries. Thank you very much  
14 everyone. That was a great discussion.

15 BOARD MEMBER PACHECO: Thank you.

16 PRESIDENT TAYLOR: And with that, I think --  
17 thank you, Danny. Sorry, we kept you up there forever.

18 (Laughter).

19 PRESIDENT TAYLOR: We're in summary of Board  
20 direction. Was there any?

21 CHIEF EXECUTIVE OFFICER FROST: I did not record  
22 any Board direction. But just as a reminder, when we do  
23 create this memo, you will receive a copy of the memo, so  
24 you'll know exactly what was communicated to the author.

25 PRESIDENT TAYLOR: Thank you very much. So look

1 for that in your email, folks.

2 Any public comment? Any other public comment?

3 If not, we are adjourning the Board meeting and  
4 thank you very much, everybody, for a great session of  
5 meetings, and we will see you in July, hopefully.

6 (Thereupon, the California Public Employees'  
7 Retirement System, Board of Administration  
8 meeting open session adjourned at 1:36 p.m.)

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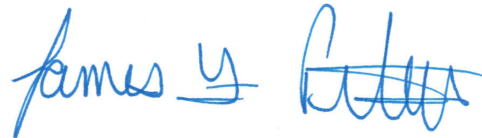
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I, JAMES F. PETERS, a Certified Shorthand Reporter of the State of California, do hereby certify:

That I am a disinterested person herein; that the foregoing California Public Employees' Retirement System, Board of Administration open session meeting was reported in shorthand by me, James F. Peters, a Certified Shorthand Reporter of the State of California, and was thereafter transcribed, under my direction, by computer-assisted transcription;

I further certify that I am not of counsel or attorney for any of the parties to said meeting nor in any way interested in the outcome of said meeting.

IN WITNESS WHEREOF, I have hereunto set my hand this 19th day of June, 2024.



JAMES F. PETERS, CSR  
Certified Shorthand Reporter  
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