BOARD MEMBERS:
Mr. Henry Jones, President
Ms. Theresa Taylor, Vice President
Ms. Margaret Brown
Mr. Rob Feckner
Ms. Fiona Ma, represented by Mr. Frank Ruffino
Ms. Lisa Middleton
Mr. David Miller
Ms. Eraina Ortega
Ms. Mona Pasquil Rogers
Mr. Jason Perez
Mr. Ramon Rubalcava
Ms. Betty Yee, represented by Ms. Lynn Paquin

STAFF:
Ms. Marcie Frost, Chief Executive Officer
Ms. Liana Bailey-Crimmins, Chief Health Director
Mr. Michael Cohen, Chief Financial Officer
Mr. Christian Farland, Chief Information Officer
Mr. Douglas Hoffner, Deputy Executive Officer
Mr. Matthew Jacobs, General Counsel
Ms. Donna Lum, Deputy Executive Officer
Dr. Ben Meng, Chief Investment Officer
Mr. Brad Pacheco, Deputy Executive Officer
A P P E A R A N C E S C O N T I N U E D

STAFF:
Mr. Scott Terando, Chief Actuary
Ms. Marlene Timberlake D'Adamo, Chief Compliance Officer
Mr. Danny Brown, Chief, Legislative Affairs Division
Ms. Cara Buchanan, Board Secretary

ALSO PRESENT
Mr. Tim Behrens, California State Retires
Mr. Terry Brennand, Service Employees International Union
Ms. Ashley Dunning, Nossaman LLP
(via teleconference)
Mr. J.J. Jelincic
Mr. Neal Johnson, Service Employees International Union, Local 1000
Mr. Chirag Shah, Chirag Shah & Associates
(via teleconference)
Ms. Teresa Stark, Kaiser Permanente
Mr. Declan Walsh, Service Employees International Union, United Healthcare Workers
## INDEX

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Call to Order and Roll Call</td>
<td>1</td>
</tr>
<tr>
<td>2. Approval of the June 19, 2019 Board of Administration Timed Agenda</td>
<td>2</td>
</tr>
<tr>
<td>3. Pledge of Allegiance – Henry Jones</td>
<td>2</td>
</tr>
<tr>
<td>4. Board President’s Report – Henry Jones</td>
<td>2</td>
</tr>
<tr>
<td>5. Chief Executive Officer’s Report (Oral) – Marcie Frost</td>
<td>6</td>
</tr>
<tr>
<td>6. Action Consent Items – Henry Jones</td>
<td>18</td>
</tr>
<tr>
<td>a. Approval of the May 15, 2019 Board of Administration Meeting Minutes</td>
<td></td>
</tr>
<tr>
<td>b. Board Travel Approvals</td>
<td></td>
</tr>
<tr>
<td>c. Approval to Renew the Five-Year Interagency Agreement with the State Controller’s Office</td>
<td></td>
</tr>
<tr>
<td>7. Information Consent Items – Henry Jones</td>
<td>18</td>
</tr>
<tr>
<td>a. Board Meeting Calendar</td>
<td></td>
</tr>
<tr>
<td>b. Draft Agenda for the August 21, 2019 Board of Administration Meeting</td>
<td></td>
</tr>
<tr>
<td>c. General Counsel’s Report</td>
<td></td>
</tr>
<tr>
<td>d. Communications and Stakeholder Relations</td>
<td></td>
</tr>
<tr>
<td>8. Committee Reports and Actions</td>
<td>18</td>
</tr>
<tr>
<td>a. Investment Committee (Oral) – Rob Feckner</td>
<td></td>
</tr>
<tr>
<td>b. Pension &amp; Health Benefits Committee (Oral) – Rob Feckner</td>
<td>20</td>
</tr>
<tr>
<td>c. Finance &amp; Administration Committee (Oral) – Theresa Taylor</td>
<td>23</td>
</tr>
<tr>
<td>d. Performance, Compensation &amp; Talent Management Committee (Oral) – Theresa Taylor</td>
<td>24</td>
</tr>
<tr>
<td>e. Risk &amp; Audit Committee (Oral) – Dana Hollinger</td>
<td>26</td>
</tr>
<tr>
<td>f. Board Governance Committee (Oral) – Henry Jones</td>
<td>29</td>
</tr>
<tr>
<td>9. Action Agenda Items – Henry Jones</td>
<td>30</td>
</tr>
<tr>
<td>1. Lori D. Brandt</td>
<td></td>
</tr>
<tr>
<td>2. Fernando M. Malasan</td>
<td></td>
</tr>
<tr>
<td>3. Tyson J. Mrosek</td>
<td></td>
</tr>
<tr>
<td>4. Judy N. Verdugo</td>
<td></td>
</tr>
</tbody>
</table>
## Index Continued

<table>
<thead>
<tr>
<th>Index Number</th>
<th>Name/Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.</td>
<td>Michael J. Rigney</td>
</tr>
<tr>
<td>6.</td>
<td>Santa Clara Valley Transit Authority</td>
</tr>
<tr>
<td>7.</td>
<td>Susan L. Chase</td>
</tr>
<tr>
<td>8.</td>
<td>Kim J. Baldi</td>
</tr>
<tr>
<td>9.</td>
<td>Debra L. Daniel</td>
</tr>
<tr>
<td>10.</td>
<td>Huasha L. Liu</td>
</tr>
<tr>
<td>11.</td>
<td>Thomas J. Dewitt</td>
</tr>
<tr>
<td>12.</td>
<td>Golden Gate Regional Center</td>
</tr>
</tbody>
</table>

**b. Petitions for Reconsideration**

- Henry Jones
  - Michael T. Hendrix
  - Veronica Henderson
  - Katherine E. Lambert

**c. Assembly Bill 824 (Wood) Preserving Access to Affordable Prescription Drugs**

- Danny Brown

**d. SB 343 (Pan) Health Plan Data Disclosure and Rate Review**

- Danny Brown

## 10. Information Agenda Items

- **a. State and Federal Legislation Update**
  - Danny Brown

- **b. Summary of Board Direction**
  - Marcie Frost

- **c. Public Comment**
  - Marcie Frost

---

### Adjournment

- 62

### Reporter's Certificate

- 63

---

*J&K COURT REPORTING, LLC  916.476.3171*
PROCEEDINGS

PRESIDENT JONES: I'd like to call the Board of Administration meeting to order.

The first order of business is roll call, please.

BOARD SECRETARY BUCHANAN: Henry Jones?

PRESIDENT JONES: Here.

BOARD SECRETARY BUCHANAN: Theresa Taylor?

VICE PRESIDENT TAYLOR: Here.

BOARD SECRETARY BUCHANAN: Margaret Brown?

BOARD MEMBER BROWN: Good morning.

BOARD SECRETARY BUCHANAN: Rob Feckner?

BOARD MEMBER FECKNER: Good Morning.

BOARD SECRETARY BUCHANAN: Dana Hollinger?

VICE PRESIDENT TAYLOR: Excused.

BOARD SECRETARY BUCHANAN: Frank Ruffino for Fiona Ma?

ACTING BOARD MEMBER RUFFINO: Present.

BOARD SECRETARY BUCHANAN: Lisa Middleton?

BOARD MEMBER MIDDLETON: Present.

BOARD SECRETARY BUCHANAN: David Miller?

BOARD MEMBER MILLER: Here.

BOARD SECRETARY BUCHANAN: Eraina Ortega?

BOARD MEMBER ORTEGA: Here.

BOARD SECRETARY BUCHANAN: Jason Perez?

BOARD MEMBER PEREZ: Here.
BOARD SECRETARY BUCHANAN: Mona Pasquil Rogers?

PRESIDENT JONES: Excused.

BOARD SECRETARY BUCHANAN: Ramon Rubalcava?

BOARD MEMBER RUBALCAVA: Here.

BOARD SECRETARY BUCHANAN: And Lynn Paquin for Betty Yee?

ACTING BOARD MEMBER PAQUIN: Here.

PRESIDENT JONES: Okay. Thank you.

The next item on the agenda is the timed agenda.

Do I have a motion?

VICE PRESIDENT TAYLOR: Move approval.

PRESIDENT JONES: Moved by Ms. Taylor.

BOARD MEMBER MILLER: Second.

PRESIDENT JONES: Second by Mr. Miller.

All those if favor say aye?

(Ayes.)

PRESIDENT JONES: Opposed?

The item passes. Thank you.

The next item is Pledge of Allegiance. And I've asked Ms. Taylor to lead us in the Pledge of Allegiance.

VICE PRESIDENT TAYLOR: Ready, begin.

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

PRESIDENT JONES: The next item is the President's Report. And so good morning again. And you
may have noticed this week that we are currently a 12-member Board. And that is because Dana Hollinger has stepped down from the Board effective June 30th to focus on her work and family in Los Angeles.

While Dana could not be here today, I do want to publicly acknowledge her service and contributions to CalPERS. She was appointed to our Board in 2014 by Governor Jerry Brown as the insurance industry representative. Through her 25-year career in life insurance, she brought extensive knowledge to CalPERS in the areas of tax, financial planning, and more importantly managing liabilities. She also helped lead -- held leadership roles on our committees as Chair of the Risk and Audit Committee, Vice Chair of Board Governance, and Vice Chair of Performance, Compensation and Talent Management Committee. We will miss Dana's thoughtful comments, her care of our members, and her sense of style that she brought to this Board.

(Laughter.)

PRESIDENT JONES: We have prepared a resolution in her honor, and we will make sure that she gets it soon. Dana, if you're watching the webcast, congratulations and thank you for your work.

Let's give her a round of applause.

(Applause.)
PRESIDENT JONES: Thank you. I'd like to turn now to an event we held last week in Sacramento, Diversity Forum. In coordination with our sister CalSTRS, we held our fifth Diversity Forum focused on promoting and advocating for increased diversity and inclusion in the investment industry. More than 400 investment professionals gathered for one day to learn about the why and how of driving diversity and inclusion, steps to be built, and maintain a positive corporate culture, and the importance of human capital management metrics to investors.

The feedback on the event was very, very positive. I'd like to share a few of those comments with you at this time. And these are from the responses from the attendees.

"Thank you, CalPERS and CalSTRS for hosting your annual Diversity Forum today. As the two largest public pensions in the United States, investing over half a trillion dollars on behalf of public employees and teachers in California, your voice is powerful in finding more solutions to diversity and inclusion issues that not only is in asset management, but also all industries".

An here's another one. "Great opportunity to speak at CalPERS and CalSTRS diversity conference. Great discussion on moving the needle across all aspects from
managers to corporations".

And here's another one. "The CalPERS and CalSTRS Diversity Forum was incredible. It's just one more piece of work our California pensions lead in".

All great comments I think you would agree.

I'd also like to thank Ben and his investment team, our Diversity Program, and our Event Management team for all of their hard work in making this a successful event.

And finally, for those that had a chance to attend and listen to our Board Governance Committee a few minutes ago, you'll see that we have made some significant progress on the work this Board is doing to improve our governance. This week, we gave a green light to 13 deliverables that will help clarify our roles and responsibilities, improve on our boarding process, and give our stakeholders greater insight into decisions, past decisions, and timing of future decisions.

We are also going to develop a code of conduct for ourselves. This will focus on our conduct with each other, team members, all of you in the audience, and the public. It will serve as a statement of our values and commitments as a Board. We simply can't be successful as an organization without trust and confidence of those we serve. You can expect regular updates on this work.
And with that, I'll turn to our CEO, Marcie.

CHIEF EXECUTIVE OFFICER FROST: Good morning, President Jones and members of the Board. I'd also like to take a little bit of time this morning to thank Dana Hollinger. I know that she wasn't able to be with us today unfortunately. But I think, you know, one of the things that we most valued about Dana, and we'll continue to value - I'm sure we'll have more conversations with her - was that she really kept the focus on the liabilities. The fact that she came from the insurance industry, she knew that those liabilities could be sensitive to certain market conditions.

And I think, you know, she was able to add that type of dialogue into several of the discussions that we were having, whether those were in Committees or the full Board. She did serve in a number of leadership roles. And I think it did reflect her ability to tackle some pretty tough issues. And, you know, she certainly wasn't shoe about bringing up things that may be difficult to hear.

And I know that the team here at CalPERS will really truly miss her. And we all consider her a friend.

So this morning -- getting to some of the agenda. This morning, you will be approving the final health premiums for 2020. And those were presented yesterday in
Pension and Health Benefits Committee. In most cases, we were able to reduce from the preliminary rates that were communicated to you all in May. And I think your direction and some of the focus and direction that you not only gave to the team, but also gave to the health plans, was very critical and helpful.

So some of next year's innovations -- and we did talk about this a bit in the Committee as well will be found in our Pharmaceutical Reference Pricing Program for specific therapeutic drug classes, such as thyroid medications would be one example. And these are designed to implement the use of lower cost alternatives, while also ensuring that we continue to have high quality and a focus on patient safety.

Combined with some of the ongoing enhancements that we saw in our Value-Based Insurance Design, the realignment of our health care regions, the Pharmaceutical Reference Pricing Programs will help leverage the scale of CalPERS.

Members will also be able to learn more about their health plan options for the 2020 open enrollment, which will run from September 9th through October 4th. And information about 2020 medical plan options and comparison tools, which was a tool we brought in last year, which really does help members to make the right
decisions for themselves and for their families, that will be accessible through their personal myCalPERS account online beginning on August 26th.

On Monday -- we'll back up a day. On Monday, the Investment Committee, you held another workshop. And this one was also facilitated by the CFA Institute and focused on the role of fixed income in the portfolio. And this was a third in a series of sessions that we'll have throughout this year that will be focused on the various asset types and the way that we invest the $360 billion portfolio.

And I think they provide you valuable investment knowledge as we look at the work ahead of us over the next 12 to 18 months. These are really intended to provide a foundation of education for you to make the most informed decisions.

And then one more investment item to share. For the third year in a row -- and I think Beth Richtman talked about this a little bit. But for the third year in a row, CalPERS has been voted the number one asset owner in the world, contributing the most to sustainable investment and corporate governance. And I think what's important about this award is that it's done by our peers. It's not done simply by a research institution. This is done by a vote of our peers. It is conducted by a -- an
industry surveyor called Extel. But the peers around the world have voted for CalPERS to be the number one in this space.

So we are proud not only of the Sustainable Investments Program, but we're also very proud of our Corporate Governance Program. And that we know that being more risk aware and helping companies really thrive into the future to match the liabilities that we will be paying for the decades to come, that that's critical work for the teams, as well as for the Board.

On another note, I do have some good news to report that Governor Newsom and the California Legislature - I did update you all on this in May - reached an agreement to provide additional contributions to CalPERS. The bill would provide an additional 3 billion. And this 3 billion would be done over a number of years to the State plans and 904 million to the schools plan.

And as you know, these additional contributions do help improve our cash flow position, which, as you heard from Mr. Meng, our CIO, drawdown -- one of the ways that you can help mitigate some of the risk of a drawdown is to have cash flow -- positive cash flow. So these contributions are extremely important to the health of the fund. Danny Brown, head of Legislative Affairs, will
provide you an additional update during his briefing.

But I think it is important that we thank the Governor for the continued support of California's public servants and to their benefits.

Switching gears now to outreach and engagement that I've been involved in. I do continue some of the efforts to reach out to the business community. And these are businesses that are not necessarily direct participants of CalPERS or contracting agencies of CalPERS. But I had -- I did take part in another podcast. This was a podcast -- I don't know if any of you've heard of Mark Haney, the Mark Haney show. He's an entrepreneur here locally and likes to talk with local business owners, investors. And he provides seed capital for early, early venture. And he's just a very energetic and passionate individual.

We did have a good discussion about some of the challenges facing CalPERS and facing investors generally, and what we are doing to mitigate some of the risks to our long-term obligations. I did touch on our funded status, our investment strategies, and our culture of leadership, and how important organizational culture is to us being successful.

That was followed by visits I had with city leaders from Concord, Vallejo, and Vacaville. And in the
future, I will be reaching out to some of the Board members who have expressed interest in attending those meetings with me. I know we'll have a couple in Southern California. I think Mr. Perez will join. Ms. Middleton has asked that I invite her to some of the city visits, our employer visits as well, and we are happy to do so.

And, you know, these meetings I think are really important. Two of the three cities invited their City Mayors to the event. And, you know, for us, it's about listening to the challenges that they're facing as pension contributions are continuing to rise, that we are able to find some relief, or tools, or additional information to help them manage those challenging situations better.

We did bring Renee Ostrander with us this time. She runs our Employer Account Management Division. And so some of these conversations get down to very technical detail on, you know, eligibility, and retired annuitants. And so being able to answer and address all of their questions in the meeting I think was really helpful to them.

And then, of course, as President Jones mentioned, last week we did hold the Diversity Forum, which we jointly host with CalSTRS. And I think one of the concepts that was communicated throughout that event is the great asset of any business is the -- is people,
right? So people -- we're in the people business here at CalPERS. I like to say that. And I know there are several of us who communicate that quite directly.

But through our business and our investment strategies, we're focused on the members we serve, the employees who work at CalPERS, and the people impacted by the organizations in which we invest around the world. So I wanted to thank many of you who also attended. I think we had 10 representatives from this Board who attended that event. It's very much appreciated to have your support there.

And then coming up in the next month, there are several activities I'd like to mention as well. Next week on Monday, I'll be meeting with the Silicon Valley Leadership Group. And this is an organization that's made up of business leaders from about 360 of the Bay Area businesses. And their work is really around advancing policy issues on a diverse range of topics from health care, government, as well as technology and innovation. So looking forward to meeting with them and finding, you know, some possible opportunities for working together.

But just so you understand the impact of this group, one of every three private sector jobs in Silicon Valley is represented in this room, and they contribute $3 trillion to the global economy out of this very small region in
And then on a positive note as well is Greg Ruiz, our new Managing Investment Director for Private Equity, who will be able to join me for that meeting. So I'll get a little more interaction with him before his official start date.

And then later that day, I'll come back and be in attendance at the CalPERS Emerging Leader Program, their graduation ceremony. I had an opportunity to spend a few minutes with them during their kick-off of their development. And so this is a six-month program that was developed here at CalPERS. And it really is around providing leadership development opportunities for people who are really at the analyst or the journey level. And these are individuals who we would consider very high performing. These are individuals who have expressed an ongoing or long-term commitment to CalPERS and the success of CalPERS.

And this program was also recognized last year, I think -- or this year for the 2018 Best Practices and Talent Development Award. And that was given to us by the Association for Talent Development. So this is the second class. And the 25 graduates are here with us in the auditorium today. And I'd like to ask them to stand. (Applause.)
CHIEF EXECUTIVE OFFICER FROST: So I'd like to congratulate them on completion of their course work. And as you know, this would give us a really nice pipeline of future leaders for CalPERS. And even though, we can't give preference to internal candidates, our commitment to internal candidates is that we will help them develop and get the learning opportunities that they need to be able to compete very aggressively in those future openings.

And then the next day -- next week is a busy week. The next day I'll be visiting with current and future leaders of the California Special Districts Association. You see Dillon Gibbons up here from time to time. That's his association. And this is their annual General Managers Leadership Summit. And again, I'll be speaking about, you know, our priorities, the focus on the fund, some of the work that the Investment Office has been doing, and then also talking to them about resources that we have available.

One of the tools that we will be showing you soon is a Vital Signs Tool that our actuaries have developed. And what that allows an employer to do is go through and look at all of the assumptions that are used to determine the normal rate of the fund, or the UAL rate of the fund, but look at the underpinning of all of those rates and how they're determined, so the discount rate, the assumption
around inflation, the assumption around mortality. This will give them a tool that they can go in and change those assumptions based on certain sensitivities like the discount rate or the assumed rate of return, and be able to see what that does to their contributions. We will be doing a demo for you all later this year, August/September time frame, so that you will have an opportunity to look at it and use it in your work as well.

And then next month, there will be two more CalPERS Benefit Education Events. And these are intended to help our members plan for retirement. I think as Mr. Feckner mentioned on Monday that in attending these CBEEs, you know, people walk in. I think they're pretty nervous or have some anxiety about how do I walk through this retirement process. It's a large event or a big event for most people. But having the team there and available to help people walk through something that feels daunting has -- I think has been really helpful to these events.

The first is taking place in Ontario on July 12th and 13th. And then that will be followed by another one in Fresno on July 26th and 27th. And I know the Board often attends these meetings. And I know the members enjoy interacting with you. And then the final CBEE will be held in Costa Mesa. And that will be done on August 9th and 10th.
And then one last event to mention, and that's the registration for the 20th Annual Employer Education Forum. And that did launch earlier this month. And we have about 350 participants already registered. And that event will take place in Oakland on October 28th through October 30th. And I think really does represent the best opportunity for a variety of employers to get together to network with one another, but also to interact directly with team at CalPERS around education and knowledge.

And one of the most visited tables that fill up pretty quickly by prior appointments is the work that they do with our actuaries. They bring their valuations to this setting and sit down directly with their actuary to walk through to make sure they understand the valuation.

And then for the final update, that's the monthly performance update of the public employees retirement fund, this is as of April 30th of 2019. The total fiscal year-to-date performance is 4.2. The rolling one-year return of the fund is 4.5. The three-year return is 8.2. The five-year return is 6.2. And the 10-year return is 9.2.

And that does concludes my remarks. And I'm always happy to take questions.

VICE PRESIDENT TAYLOR: Yes. Thank you, Ms. Frost.

And I wanted just to publicly acknowledge how much work you're doing in making sure you get out and talk to our members, and our stakeholders, and how important that is for the fund. And I just want to congratulate you on the success of that, as well as the work that you do behind it. I know it's a lot, but you're out there all the time. It fosters great stakeholder relationships. And I'm very pleased that you're doing that, so thank you very much.

CHIEF EXECUTIVE OFFICER FROST: Thank you.

PRESIDENT JONES: Thank you.

Mrs. Ortega has asked to be recognized. Would you -- Ms. Ortega.

BOARD MEMBER ORTEGA: Thank you. Off topic, not directly to you, Ms. Frost.

I wanted to take a moment to acknowledge my colleague, Ralph Cobb, who this month will be his last Board meeting with CalPERS. And I think most of you know him as a delegate for CalHR. You may not know that he served the State from 1988 until 2017, and then came back to help out CalHR in 2018 as a retired annuitant. And in addition to being an excellent delegate and I think you all have had a great relationship with him as Board
member, he has been instrumental in advising CalHR on health policy matters, and in particular the establishment of our pre-employment medical screening program. So I really want to take an opportunity to publicly thank Ralph and wish him well in his next phase of retirement.

So thank you. Thank you for the time.

(Applause.)

PRESIDENT JONES: Okay. Thank you very much. The next item on the agenda is the action consent items. We have the Board meeting minutes, and Board travel, and interagency agreement. Do we have a motion?

VICE PRESIDENT TAYLOR: Move approval.

PRESIDENT JONES: Moved by Ms. Taylor.

BOARD MEMBER MILLER: Second.

PRESIDENT JONES: Second by Mr. Miller.

All those in favor say aye?

(Ayes.)

PRESIDENT JONES: Opposed?

Hearing none. The item passes. Information consent items, I have no requests to remove anything from consent.

So we will go to Committee Reports and Actions. And the first one is Investment Committee. For that, I call on the Chair, Mr. Feckner.

BOARD MEMBER FECKNER: Thank you, Mr. President.
The Investment Committee met on June 17th, 2019. The Committee approved the following:

Agenda Item 8a, the strategic asset allocation, benchmarks, ranges, and investment policy for the California Employers Pension Prefunding Trust.

The Committee received reports on the following topics:

A workshop covering the characteristics and role of fixed income, and an overview of drawdowns, including potential mitigation methods.

The Committee heard public comment on the following topics:

The California Employers Pension Prefunding Trust, investments strategy, and the risks of private detention centers.

At this time, I would like to share some highlights of what to expect at the August Investment Committee meeting. The first reading of proposed revisions to the Total Fund Policy; the semi-annual CalPERS trust level review, and the annual reviews for the Optimistic -- Opportunistic Strategies and Trust Level Portfolio Management Programs.

The next meeting of the Investment Committee is scheduled for August 19th, 2019 in Sacramento, California. That concludes my report, Mr. President.
PRESIDENT JONES: Okay. Thank you, Mr. Feckner.
The next item is 8b, Pension and Health Benefits Committee.

Before you make your motion, Mr. Feckner, we have a request to speak on that item. Mr. Behrens.

MR. BEHRENS: Thank you, President Jones, members of the Board. Tim Behrens, CSR President.

I was very disappointed at your meeting yesterday when the Legislative staff, Danny Brown, was removed from the agenda, where he's always there and always shares with us whatever we should be worried about as far as stakeholders and/or just senior citizens in general. I would hope that in the future he would not be removed from that agenda. I think it's a very valuable 24-hour tool for us to be able to ask him questions, so we can talk about it in the evening, and then come back and talk to the Board about anything that's troubling us with legislation. So I'd like to ask that.

And then I'd like to -- conspicuously missing Kathy -- Dr. Kathy Donneson this morning. And I was going to.

PRESIDENT JONES: She over there.

BOARD MEMBER FECKNER: There she is.

MR. BEHRENS: Is she back there? Oh, she's hiding back there.
(Laughter.)

MR. BEHRENS: So I just want to publicly thank her for her years of service at CalPERS and her patience with us stakeholders over the years over issues that we have kind of butted heads on. And she has been very instrumental in educating us. And as promised, I have in my pocket an application for her for the California State Retirees.

(Laughter.)

MR. BEHRENS: And I'm looking forward to seeing her in the audience in her blue shirt in the future.

Thank you, Kathy, for your years of service.

(Laughter.)

(Applause.)

PRESIDENT JONES: Thank you.

With that, Mr. Feckner.

BOARD MEMBER FECKNER: Thank you, Mr. President.

The Pension and Health Benefits Committee met on June 17th, 2019.

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

Agenda Item 6a and 6b, approve the proposed 2020 Health Maintenance Organization premium rates for Anthem Blue Cross, Blue Shield of California, Health Net of California, Kaiser Permanente, Sharp Health Plan,
UnitedHealthcare and Western Health Advantage, the Medicare Advantage rates for Anthem Blue Cross, Kaiser Permanente, and UnitedHealthcare; and the Preferred Provider Organization rates for Anthem Exclusive Provider Organization, PERS Choice, PERS Select, and PERSCare as shown in attachments 1 and 2.

PRESIDENT JONES: On the motion of Committee.

All those in favor say aye?

(Ayes.)

PRESIDENT JONES: Opposed, no?

(No.)

PRESIDENT JONES: Note Mr. Perez as no.

All the others are yes. The item passes.

BOARD MEMBER FECKNER: Thank you.

The Committee received reports on the following topics: The Committee accepted a 2020 association plan rates, attachment 3, and reviewed the State annuitant contribution formulas, attachment 4. The Committee also received information regarding the PERS Select Value-Based Insurance Design and the Outpatient Prescription Drug Reference Pricing -- Reference Pricing Program solicitation.

The Chair directed staff to: Provide membership numbers on each of its health plans, publicly share the progress CalPERS made between May and June PHBC meetings,
ensure our plans have provided assurance to CalPERS and its members of continued access and competency of care for all reproductive services and gender-affirming care.

In addition, the Committee would like to direct the CEO, Ms. Frost, to not enter into any discussions on Harmony with UnitedHealthcare until you and your staff feel that they -- we do have a team player. They changed the rules at the 11th hour. Staff was given one assumption. And when we came to the table, we got a different assumption. We want to make sure that we have an active team player we want move to forward.

The Committee heard public comment on the following topics: The 2020 proposed premiums and legislation.

At this time, I'd like to share some highlights of what to expect at the November PHBC meeting. The Committee will receive information on Health Benefits Program annual report and review the final proposed regulations for PEMHCA.

The next meeting of PHBC is scheduled for November 19th in Sacramento, California.

That ends my report.

PRESIDENT JONES: Thank you, Mr. Feckner.

The -- there was no Finance and Administration Committee meeting.
So we will move to Performance, Compensation and Talent Management Committee. And that I call on the Chair Ms. Taylor.

VICE PRESIDENT TAYLOR: Thank you, Mr. President. The Performance, Compensation and Talent Management Committee met on June 18th, 2019. The Committee held an election of the Performance, Compensation and Talent Management Committee Vice Chair. Eraina Ortega was elected Vice Chair. Congratulations. You weren't here yesterday.

(Laughter.)

VICE PRESIDENT TAYLOR: You heard. Okay. Good. The Committee recommends and I move the Board approve the following:

Agenda Item 7a, 2019-20 incentive plan of the Chief Executive Officer. Approve the fiscal year 2019-20 inventive plan for the CEO.

PRESIDENT JONES: On the motion of the Committee. All in favor say aye?

(Ayes.)

PRESIDENT JONES: Opposed?

(No.)

PRESIDENT JONES: Ms. Brown no. Ms Brown as a no.

The item passes.
VICE PRESIDENT TAYLOR: Okay. The Committee recommends and I move the Board approve the following:

Agenda Item 8a, annual review 2019-20 incentive metrics. Approve the fiscal year 2019-20 incentive metrics as proposed.

PRESIDENT JONES: On motion of the Committee. All those in favor say aye?

(Ayes.)

PRESIDENT JONES: Opposed?

(No.)

PRESIDENT JONES: Note Ms. Brown as a no. The item passes.

VICE PRESIDENT TAYLOR: Okay. The Committee received a report on the following topics:

The first reading on the design of the Long-Term Incentive Plan and information on the implementation of revised salary and incentive ranges for investment management positions.

At this time, I would like to share some highlights of what to expect at the August 2019 Performance, Compensation and Talent Management Committee meeting. The Committee will receive the second reading of the Long-Term Inventive Program Design.

And the next meeting of the Performance, Compensation and Talent Management Committee is scheduled
for August 20th, 2018[SIC] in Sacramento, California.

Thank you, Mr. President.

PRESIDENT JONES: Okay. Thank you, Ms. Taylor.

The next item is Risk and Audit Committee. On that, I call on the Vice Chair, Mr. Miller.

PRESIDENT JONES: Push your button.

Thank you.

BOARD MEMBER MILLER: Okay. The Risk and Audit Committee met on June 18th, 2019. The Committee held an election for the Risk and Audit Committee Chair and Vice Chair. David Miller was elected as Chair and Lisa Middleton was elected as Vice Chair of the Committee to be effective July 1, 2019.

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

Approve the proposed 2019-2020 Enterprise Compliance Plan.

PRESIDENT JONES: On motion of the Committee. All those in favor say aye?

(Ayes.)

PRESIDENT JONES: Opposed?

None. The item passes.

BOARD MEMBER MILLER: The Committee recommends and I move the Board approve the proposed 2019 to 2020 Enterprise Risk Management Plan.
PRESIDENT JONES: On the motion the Committee.
All those in favor say aye?
(Ayes.)
PRESIDENT JONES: Opposed?
Hearing none.
The item passes.
BOARD MEMBER MILLER: The Committee recommends and I move that the Board approve the proposed 2019-2020 Office of Audit Services Plan.
PRESIDENT JONES: On motion of the Committee.
All those in favor say aye?
(Ayes.)
PRESIDENT JONES: Opposed?
The item passes.
BOARD MEMBER MILLER: The committee recommends and I move the Board approve and accept the Board of Administration's independent financial statement auditor's Annual Audit Service Plan for the audit of CalPERS financial statements as of and for the fiscal year-ending June 30th, 2019.
PRESIDENT JONES: On motion of the Committee.
All those in favor say aye?
(Ayes.)
PRESIDENT JONES: Opposed?
The item passes.
BOARD MEMBER MILLER: The Committee recommends and I move the Board approve the proposed amendments to the Personal Trading Regulation and submit the final rulemaking package to the Office of Administrative Law for adoption.

PRESIDENT JONES: On motion of the Committee. All those in favor say aye?

(Ayes.)

PRESIDENT JONES: Opposed?

The item passes.

BOARD MEMBER MILLER: The Committee received reports on the following topics:

Third-party evaluation and certification of the contracting public agency plans as of June 30th, 2017, Enterprise Risk Management framework review.

And the Chair directed staff for the Strategic Measure Dashboard to explore options to revise employer contribution measures that include the recognition of short-, medium-, and long-term indicators. Such options to be brought back to the Committee for review.

At this time, I would like to share some highlights of what to expect at the June[SIC] Risk and Audit Committee meeting.

The next meeting of the Risk and Audit Committee is scheduled for September 17th, 2019 in Sacramento, California. That completes my report.

Thank you.

PRESIDENT JONES: Thank you, Mr. Miller.

The next item is the Board Governance Committee.

For that I call on the Vice President, Mr. Taylor.

VICE PRESIDENT TAYLOR: Thank you, Mr. President.

The Board Governance Committee met on June 19th, 2018. The Committee held an election of the Board Governance Committee Vice Chair. And Mona Pasquil Rogers was elected Vice Chair.

Congratulations, Ms. Rogers.

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

Agenda Item 5b, accept the Chief Executive Officer delegation resolution that was approved as final without changes by the Board Governance Committee on May 14th, 2018.

PRESIDENT JONES: On motion of the Committee.

All those in favor say aye?

(Ayes.)

PRESIDENT JONES: Opposed?

Item passes.

VICE PRESIDENT TAYLOR: The Committee received
reports on the following topics:

An update on the next steps for the 2019 CalPERS Board workstreams, enhanced reporting of Board Member overseas travel.

The Committee heard public comment on the following topic:

Enhanced reporting of Board Members travel.

And at this time, I would like to share some highlights of what to expect at the August Board Governance Committee meeting. An update on the Board self-evaluation workstreams.

The next meeting of the Board Governance Committee is scheduled for August 20th, 2019 in Sacramento, California.

That completes my report.

Thank you, Mr. President.

PRESIDENT JONES: Okay. Thank you very much, Ms. Taylor.

The next item is action agenda items on proposed decisions of Administrative Law Judge. And Mr. Jacobs is going to make some comments. And then after his comments, we're going to pause for a few minutes, because we are going to get Mr. Chirag Shah and also Ms. Ashley Dunning on the phone for one or more of the items under the proposed decisions.
So after Mr. Jacobs, we'll pause until they get on the phone.

Thank you, Mr. Jacobs.

GENERAL COUNSEL JACOBS: Good morning, President Jones and Board members. There were a couple of late submissions by respondents this morning on the items 9a through 12. In particular 9a3, the Tyson Mrosek case and 9a9. Now on 9a3, Mr. Mrosek actually won his appeal and his submission only says that he accepts the win.

So I don't think that's cause for you to pause. And it's consistent with staff's recommendation that that PD be adopted.

On 9a9, Ms. Daniel submitted something more substantive late. And so I defer to your counsel on what his recommendation on that may be with respect to how to proceed. It was late. It can be ignored. What I would suggest is rather than do that, the Board take a pause for a few moments to have a chance to review the materials, see if Mr. Shah has any -- if it changes whatever recommendation he may have made and then proceed, because this is not something that we can put over till next month, given that next month is an offsite, where we don't handle OAH matters.

So those are my only comments at this point.

PRESIDENT JONES: Okay. Thank you, Mr. Jacobs.
And while we -- you can go ahead and proceed to get them on the phone. And while we're waiting for them -- well, maybe I should wait till they get on, because I know Ms. Ortega had a comment that she wanted to make.

MS. ORTEGA: Chirag is on the phone.

PRESIDENT JONES: Oh. Mr. Shah -- Chirag Shah, are you on?

MR. SHAH: Yes. Good morning, Mr. President, members of the Board.

PRESIDENT JONES: Okay. So maybe we could move forward. Are you going to try to get Ms. Dunnley -- Dunning. Okay. So why don't we go ahead and take the items.

VICE PRESIDENT TAYLOR: Did we want him to opine on 9a9?

PRESIDENT JONES: Yes. Mr. Shah, you heard Mr. Jacobs comments. Have you had a chance to --

MR. SHAH: Yes, I did. I did hear Mr. Jacobs comments. And we did -- I reviewed all the late arguments. One was received for 9a3, one was for 9a7, and another one for 9a9. There were three of them actually. Another came through this morning. Actually, two came through this morning. I reviewed all of them and they really don't change my recommendation to the Board at all.
PRESIDENT JONES: Okay. Thank you.
And, Ms. Dunning, are you on?
MS. DUNNING: Yes, I am. Ashley Dunning here.
PRESIDENT JONES: Okay. Thank you very much. So now we can proceed with the discussion on proposed decisions. We have a request to address one of these items. So I'm going to call on Ms. Ortega at this point before I call on you.

VICE PRESIDENT TAYLOR: Me?
PRESIDENT JONES: Yeah.
BOARD MEMBER ORTEGA: Thank you, Mr. Chair. I would just like to pull item 9a6 for a separate discussion, which we can have now or later.
PRESIDENT JONES: Okay. So you just exclude that from your motion.

VICE PRESIDENT TAYLOR: Yes.
PRESIDENT JONES: Okay. Okay. Any other comments on any of the others before we move forward?
Okay. So with that, Ms. Taylor.
VICE PRESIDENT TAYLOR: Okay. So I move to adopt the proposed decisions at Agenda Item 9a1 through 5, and 7 through 11 with minor modifications argued by staff to Agenda Item 9a3, and we will pull 9a6 for further discussion.
PRESIDENT JONES: Okay. It's been moved by Ms.
BOARD MEMBER BROWN: Second.

PRESIDENT JONES: Second by Ms. Brown.

All those in favor say aye?

(Ayes.)

PRESIDENT JONES: Opposed?

Hearing none.

The item passes.

VICE PRESIDENT TAYLOR: So before I move on to 9a12, let's go ahead and have Ms. Ortega talk about 9.

BOARD MEMBER ORTEGA: Yes. So on 9a6, I don't agree with the recommendation that a full Board hearing is necessary. I think the legislative history is clear that the temporary exclusion from PEPRA was, in fact, temporary. And so I would move to adopt the proposed decision on 9a6

BOARD MEMBER BROWN: Second.

PRESIDENT JONES: Okay. It's been moved by Ms. Ortega, second by Ms. Brown.

All in favor say aye?

(Ayes.)

PRESIDENT JONES: Opposed?

Hearing none.

The item passes.

BOARD MEMBER ORTEGA: Thank you.
PRESIDENT JONES: Ms. Taylor.

VICE PRESIDENT TAYLOR: All right. So on Agenda Item 9a12, I move to adopt the proposed decision at Agenda Item 9a12 as the Board's own decision in its entirety.

BOARD MEMBER MILLER: Second.

PRESIDENT JONES: Okay. It's been moved by Ms. Taylor, second by Miller.

All those in favor say aye?

(Ayes.)

PRESIDENT JONES: Opposed?

Hearing none.

The item passes.

Okay. And then finally, I move to deny the petitions for reconsideration at Agenda Items 9b1 through 9b3.

PRESIDENT JONES: On motion by Ms. Taylor. All those -- do I have a second?

BOARD MEMBER MILLER: Second.

PRESIDENT JONES: Second by Mr. Miller.

All those in favor say aye?

(Ayes.)

PRESIDENT JONES: Approved. Okay.

Do you have another one?

VICE PRESIDENT TAYLOR: I think that's it.

PRESIDENT JONES: No, you got --
VICE PRESIDENT TAYLOR: On 9a6, we had a typo. I don't -- we forgot to pull -- I forgot to mention that.

PRESIDENT JONES: Okay. Just make a note of it.

VICE PRESIDENT TAYLOR: Okay. I'll submit it too.

PRESIDENT JONES: Make a -- I mean make a comment too.

VICE PRESIDENT TAYLOR: Okay. So On 9a6, we did --

PRESIDENT JONES: Go ahead.

VICE PRESIDENT TAYLOR: Thank you very much.

On 9a6, along with Ms. Ortega's recommendation and the adoption, there was one typo in it. I just wanted to make sure. It is the paragraph A at the very bottom it says "Or until January 1st, 2015, whichever is sooner". But I believe the law was 2016 not '15.

PRESIDENT JONES: Okay. So that modification shall be noted.

Okay. Thank you. That concludes that area.

We will now move to Item 9c, Assembly Bill 824.

Mr. Brown.

LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Good morning, Mr. President and Board members. Danny Brown, CalPERS team member.

The first item before you is AB 84 by Assembly
Member Wood, called Preserving Access to Affordable Prescription Drugs. This bill is intended to help bring generic pharmaceuticals to market faster by putting restrictions on so-called pay-for-delay agreements between name brand pharmaceutical companies and generic manufacturers.

As you know, CalPERS currently spends more than $2 billion on prescription drugs. And it's typically one of our main cost drivers each year.

Staff is recommending a support position on this bill with the hope it will promote more generics in the marketplace, which in turn will be more affordable for our members and our plans.

With that, I'll end and answer any questions you may have.

PRESIDENT JONES: Okay. Mrs. Taylor.

VICE PRESIDENT TAYLOR: Thank you, Mr. Brown.

I think this is great, but I also wanted to know this is strictly obviously for the State of California, right?

LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: The way it is written it would apply to any manufacturer pharmaceutical company regardless of whether they're in California.

VICE PRESIDENT TAYLOR: But if they do business
here --

LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Yeah, do business here.

VICE PRESIDENT TAYLOR: -- they have to not do the pay for delay thing.

LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Right. Right. Correct.

VICE PRESIDENT TAYLOR: And we have a way to -- it sounds confusing, because if you're not having federal enforcement, how do we do that?

LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Well, actually, it will be up to the Attorney General. But it is applied to all companies regardless of whether they're located in California or manufacturing these pharmaceuticals in California. It is applying to all companies and this pay-for-delay agreements. Granted, there is also federal bills on the same topic. They haven't really moved anywhere. I mean, we've had one that has moved through the House, but it was attached to other bills that the Republicans don't like, so it will not go through the Senate. But we are, you know, monitoring those bills and will weigh in at the federal level to -- when appropriate.

VICE PRESIDENT TAYLOR: I was going to ask that as well.
Thank you very much.

PRESIDENT JONES: Okay. Thank you. Okay. This is an action item.

BOARD MEMBER BROWN: I move we support.

PRESIDENT JONES: Moved by Ms. Brown.

VICE PRESIDENT TAYLOR: Second.

PRESIDENT JONES: Second by Ms. Taylor.

All those in favor say aye?

(Ayes.)

PRESIDENT JONES: Opposed?

Hearing none.

The item passes.

9d.

BOARD MEMBER BROWN: Mr. Jones, was there public comment on that?

PRESIDENT JONES: Huh?

Okay. SB 343, Mr. Brown.

LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: The next item, yes, is SB 343 by Dr. Pan. We also have a support recommendation on this bill. This bill would require Kaiser to report health care market information in the same manner as other health plans in California. Currently, Kaiser reports information by aggregate benefit category and does not report financial information on an individual hospital basis.
While CalPERS receives more information from Kaiser than this bill requires, the bill is consistent with the Board's promotion of market transparency with a larger goal of controlling health care costs and premiums. I should add that the bill was amended yesterday. I know that Kaiser has been negotiating with the sponsors. And they -- the sponsors have taken some of their amendments to address some of their concerns. And I know that with one of the amendments they now can report the health facility data by region, rather than each health facility data and also require the OSHPD to adopt some regulations, so that -- to make sure that OSHPD can handle the reporting requirements that are coming in.

And with that, I'll end, and answer any questions you may have.

PRESIDENT JONES: Okay. Before I ask for a motion on this, we do have requests from the public to speak on this item. I have Mr. Walsh, Mr. Brennand, and Mr. Stark. If you will come down and take the -- Ms. Stark, I'm sorry. Yeah, Teresa. And you'll have three minutes to make your comments.

MR. WALSH: Good morning. My name is Declan Walsh. I'm a policy analyst with SEIU United Healthcare Workers, one of the constituent unions of the Bill sponsor.
Price transparency is a key component in protecting consumers, since it allows them to judge affordability and plan for the expense of health care services. It also allows State policymakers to address unjustified premium hikes and can incentivize high-cost providers who offer better value.

To this end, SB 343 aims to create uniformity around the data, both health care facilities and health plans must make publicly available. It removes special exemptions in existing law, so as to ensure that Kaiser hospitals and health plan are required to report data consistent with other providers and insurers.

Though they cover 50 percent of the State's commercially insured population, Kaiser Health Plan is exempt from reporting future-oriented medical trend data, in contrast to their competitors, and instead allowed to report current year costs in place of projected medical trend data.

In addition, they are permitted to report their cost categories in less detail than all other insurers, which makes it difficult for purchasers and regulators to negotiate for more favorable terms or accurately judge with rate increases are reasonable.

As a system of hospitals, Kaiser reports on only
20 percent of the total number of data points that OSHPD requires from all other general acute facilities.

A concrete and recent example of the impact of this exemption is scene in the study released last month by UC San Diego, which found that commercial hospital prices in California are more than double those of Medicare. Unfortunately, the study quote, "Excludes 33 Kaiser Foundation hospitals, because they're exempt from most financial data filing requirements", end quote. That means the study results are based data that omits 10 percent of the general acute hospitals in the State.

Crucially, we know that Kaiser can report more detailed data. On the hospital side, you only have to look at the annual Medicare cost reports that Kaiser must file with CMS to see that they are capable of breaking out assets, costs, and revenue by hospital, and in similar detail to that required by OSHPD.

Similarly, their data submissions to the Integrated Healthcare Association provide intense detail around the cost categories underpinning their insurance products. Without uniform transparency, it is impossible to hold providers and insurers to account. So I encourage the Board to adopt a support position on SB 344.

Thank you.

PRESIDENT JONES: Thank you.
Mr. Brennand.

MR. BRENNAND: Mr. President, members, Terry Brennand on behalf of SEIU California. I will be less detailed and much briefer.

You have a long history of dealing with CalPERS and the black box that is their health care delivery system, and have fought very long and hard to get the information you get. This bill simply asks that they provide the similar information to other large purchasers. It's not quite as detailed as what you guys get, but we're working down the road.

You pride yourself on being one of the most transparent organizations around. We ask that you hold your health care partners to the same level of transparency. For that reason, we ask you to approve this.

Thank you.

PRESIDENT JONES: Okay.

MS. STARK: Thank you, Mr. President and Board members. Teresa Stark with Kaiser Permanente. Thank you for the opportunity to address this item today.

Kaiser Permanente does have an oppose unless amended position on SB 344. But as you have heard, we have been in very constructive conversations with the author and the sponsor and have made progress on the
measure. It is still very much in flux. It is hopefully not in its final form. We do hope that the sponsors continue to work with us.

As you know, Kaiser Permanente values transparency, because we understand how important it is to our purchasers. And we have made great strides and great improvements in recent years, and we want to continue to do that. We are also very transparent with our regulators and other State departments that we work with. It is important to correct the record. We are fully compliant with all current law. We are not exempt from any law.

The language that SB 343 is relating to is simply an accommodation, a different way of reporting, because we are different. It allows us to file information, both on the health plan side and the hospital side in a way that reflects our unique model, our unique integrated delivery system. We file all of the same information as all of other systems. In a couple of very small ways, it is different.

So we still feel that organize -- that language is necessary. But in the interest of additional transparency, we have indicated to the author and sponsor we are willing to provide more information in a more granular level in a way that is -- that is -- that data is there and can be helpful. We want to make sure it is not
administratively burdensome and does not add additional
cost to our system. We are very aware of adding
additional costs to our purchasers.

So we want to continue to work with the author
and sponsor. As Mr. Brown indicated, the bill is -- a new
bill is in print today. It is very much in flux. And for
that reason, we would request that the Board consider
delaying a support on this bill today in hopes that we can
continue those discussions, which have been hours of
discussions, by the way, very constructively, so that
perhaps in August we can all come back to you, and be in
the same place, and have a compromised bill.

So that is our request for today.

Thank you.

PRESIDENT JONES: Okay. Thank you very much.

This is an action item. What's the pleasure of
the Board?

VICE PRESIDENT TAYLOR: Move approval.

BOARD MEMBER MILLER: Second.

PRESIDENT JONES: Moved by Mrs. Taylor, second by
Mr. Miller.

All those in favor say aye?

(Ayes.)

PRESIDENT JONES: Opposed?

Abstain Mr. Perez and Ms. Ortega.
The item passes. Thank you very much.

PRESIDENT JONES: We now move to information agenda items, State and Legislative Federal Legislation Update. Mr. Brown.

LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Thank you, Mr. President and Board members. Danny Brown again, CalPERS team member. This is our State and federal legislative update.

As always, we'll just start with our two sponsored bills, which are proceeding through the process. SB 782 our housekeeping bill with minor technical and clarifying changes has made it through the Senate and is set to be heard in the Assembly Policy Committee next week.

AB 672 is our bill to clarify working after retirement restrictions for members with a disability retirement has passed the Assembly, and last week passed its Senate policy committee on consent and is headed to Senate Appropriations.

Next, I'd just like to touch on a couple of bills that are in our Board report. First is SB 266 by Senator Leyva. This is a bill that seeks to protect retirees from having their pension allowance reduced when CalPERS determines after retirement that their final compensation included pay items that are not pensionable.
We have been working closely with the author and the sponsor on the mechanics of this bill. And they recently took some of our suggested amendments, including removing a provision that could make CalPERS liable for certain overpayments.

The way the bill is written is that if there is a overpayment and it gets reduced, then the employer would be responsible for making the retiree whole. We are continuing to work with the author and sponsor on provisions in the bill related to CalPERS reviewing compensation items. As a result of this bill, we do expect that many employers will be reaching out to us more often to have us review pay items that they're negotiating through collective bargaining. So we want make to sure that the process is set up in a way that is -- can be administered by CalPERS.

The other Bill mentioned -- I'd like to mention is AB 1611 by Assembly Member Chiu. This bill seeks to prohibit hospitals from balance billing patients. We are currently reviewing the potential impact that this bill would have on our plans and more importantly our members. I think we all agree that we want to protect our members from balance billing. Another key point of the bill is how payments to hospitals will be structured, so if they're not balance billing our members, then that means
that our health plans our us, as the purchaser, will need
to be negotiating with hospitals as to what that
out-of-network charge will be.

So it's important that that piece the bill gets
finalized in a way that's fair to us as the purchasers,
and fair to the hospitals, and obviously fair to our
members.

Another area we're examining is how our
self-funded plans would fit into this statutory structure
of the bill. As you know, our plan is a little bit
unique. And while we know it's the intent of the author
and the sponsors to include CalPERS in this bill, it's not
crystal clear and we just want to make sure that we
completely understand the bill going forward.

So we believe that we'll continue -- we'll
continue to review and monitor the bill. We believe that
bringing this bill in August would still give us plenty of
time to weigh in and impact the end result of this bill.

Finally, to the State budget, it has passed the
Legislature. And it's now on the Governor's desk. He has
until June 27th to take action.

I did want to follow up on one item I mentioned
in April, the Health California for All Commission. It
was not included in the final budget. The Commission
would have focused on trans -- transitioning California to
a single-payer health system. While not in the budget, the Governor has indicated that he plans to continue to negotiate with the Legislature on the creation of this Commission.

Then finally, the supplemental payment that Ms. Frost mentioned in her comments, it's part of a budget trailer bill, AB and SB 90, which is scheduled to be heard in budget committees today. And we anticipate it will be taken up on the floor tomorrow. The trailer bill appropriates 3 billion to CalPERS for the State's unfunded liabilities, 2.5 billion will be appropriated in the -- in this current budget year, 265 million in 2020-21, 200 million in to 2021 and 2022. And then finally 35 million in 2022 and 2023. So a little bit different than what was originally proposed, which was 3 billion all at once. So they've kind of spread it out over multiple years.

This appropriation will also be spread out over four of the State plans. They did not include CHP, because it's my understanding that CHP does not get money from the general fund, so they would not realize any general fund savings. So they did not appropriate any additional money to the CHP plan.

They also added, as was mentioned, $904 million dollars to go to the school pool. 660 million of that is going to be dedicated to paying down the unfunded
liability. And then there's going to be 144 million in the next fiscal year '19 and '20 to offset employer contributions. And then another 100 million in the following fiscal career 20-21 to offset employer contributions. So those two payments are meant to give the employers some rate relief.

So we again expect these trailer bills to pass out of the floor tomorrow and then go onto the Governor. And while we're not expecting any changes, nothing is obviously official until the Governor signs the trailer bill.

On the federal side, I just wanted to mention one recent letter that we signed on to. You may recall from previous updates that the Trump administration proposed eliminating a safe harbor protection for pharmacy rebates. And CalPERS submitted a comment letter requesting HHS to provide an exemption to government -- for government employee benefit plans, such as CalPERS, from the proposed rule.

There still has not been a decision on that proposed rule. But federal officials have issued guidance that the proposed rule would not be effective for 2020, which was good for us. We were hoping for a delay at a minimum. And it also offered temporary financial relief for Medicare Part D plans purchased by individuals on the
open market, but not for Medicare Employer Group Waiver Plans, known as EGWP's, such as those provided by CalPERS. So as a result, CalPERS signed on to a public sector health care roundtable letter to HHS officials expressing again our strong concern about this new rule and guidance, and that hopefully it won't go forward.

But in addition, we also requested that the administration issue additional guidance that offers temporary financial relief to EGWP plans like ours, so that we can benefit from that in the event that this rule does go forward. So we will continue to monitor it and weigh in as it continues to move through the rulemaking process.

And with that, I will stop and answer any questions that you may have --

PRESIDENT JONES: Okay. Thank you.

LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: -- on either the State or federal legislation.

PRESIDENT JONES: Okay. Yeah. We -- could you see that the Board -- once the budget is signed, could you see that we get that financial information as it relates to CalPERS.

LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Sure.

PRESIDENT JONES: Appreciate it. Okay.

Ms. Taylor.
VICE PRESIDENT TAYLOR: Yes. Thank you.

Mr. Brown, were you referring on the EGWP to HR 141, is that the one?

LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: No, it's not a -- it's not a bill. It's a proposed rule around the pharmacy rebate where they want to provide --

VICE PRESIDENT TAYLOR: That's right.

LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: -- a rebate to the individual purchaser at the time of purchase rather than to plans like us. And so in -- as we're waiting for that rule to come out, they provided some guidance that they said that they would give -- if the rule were to eliminate this rebate and give it to the individuals instead of the purchasers, they would give some relief to individuals that buy Medicare plans. So they'd subsidize these individual Medicare plans over a couple years to -- because premiums are going to go up.

VICE PRESIDENT TAYLOR: Right.

LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: You give the rebates to the individual, the premiums for Medicare are going to go up not only for Medicare plans outside of CalPERS, but even for the CalPERS Medicare plans. So the idea was if you're going to give relief to individuals who are buying Medicare plans on the individual market, can you also give them to plans hike
ours, group plans?

VICE PRESIDENT TAYLOR: Right. Right.

And then I'm looking at 141, and it looks like we've been kind of back and forth with this, depending on the administration. Plus, this isn't going to go anywhere, I assume, but it's the pension offset and the WEP provision for Social Security. So right now, they're trying to repeal that it looks like, which would benefit our members, but I think it's probably just going to sit there. Am I correct in that?

LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN:

Correct. Yes.

VICE PRESIDENT TAYLOR: Okay.

LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Yes. I mean, there's just -- there's no way to really pay for that.

VICE PRESIDENT TAYLOR: Right, I know. But it would be good for our members.

LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: I know there's -- and I've mentioned before, we've been watching House Ways and Means, Congressman Neal has been working on a bill to kind of not eliminate the WEP, but to kind of change the formula to make it a little fairer for folks. Again, the same thing, he's having --

VICE PRESIDENT TAYLOR: I know.
LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: He's having to pay for it. So it's -- yeah, I don't think -- I don't think it's -- a bill like this is going to go individually. It might be -- have to be part of a bigger Social Security reform.

VICE PRESIDENT TAYLOR: Right. Right. And then on the ACA, it looks like both the House and the Senate are trying to pass -- I don't know if they're going to work together and make it work, but to remove the excise tax on large employer, which I don't know how that helps pay for the ACA, but on the other hand it's good for us. I don't know if -- do you have any idea?

LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: I don't have anything really new than what I reported before, that it's not going to be eliminated likely at the end of the year when they're working on other tax bills. They're probably delay it again.

VICE PRESIDENT TAYLOR: Right. Plus they probably won't work together and bring the bills, so that each House can pass it.

LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Yeah. Yeah. No. But I mean we're in -- the one thing about the Cadillac Tax is it doesn't -- you know, you do actually have another year, because it doesn't go into effect, I think, until 2021. But I think, you know, we're hoping
that the Cadillac Tax and the HIT tax, I know which came up yesterday in some of the discussions, will be delayed. I will actually be in D.C. next week along with another team member from health and hopefully we'll get some more intel on these things. And we'll definitely be telling our Congress --

VICE PRESIDENT TAYLOR: Person.

LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: -- person that these two provisions are important that they do get delayed, if not, you know, eliminated, so...

VICE PRESIDENT TAYLOR: Okay. Thank you very much.

PRESIDENT JONES: Okay. Mr. Rubalcava.

BOARD MEMBER RUBALCAVA: Thank you, Mr. Chair. Mr. Brown, thank you for the report. I always enjoy it. I noticed on the attachment A it lists other cost containment bills. You mentioned AB 1611. But there's other ones like AB 731. So at what point -- and we took a position today on AB 343. At what point do you decide to -- I mean, all of them say monitoring, all of them say CalPERS position N/A. At what point do they come back for a position or how does that work? I'm just trying to learn the process.

LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Yes.
I don't -- I'd like to say there's some magic to it. But I think on that one, we were kind of lining that one up to come this month. But when it came off approp -- the suspense file at the end of -- at the end of May, yes, it was amended substantially. And we just did not have enough time to review it, and understand it, and turn around in an agenda by the June deadline. So it is definitely something that is on our radar and we're -- we're looking at it.

But between, you know, health staff's focus on rates, it was just difficult to turn that bill around in a short amount of time. But it's definitely on our radar and we are looking at it, so...

BOARD MEMBER RUBALCAVA: Thank you.

And one more comment. I appreciate Ms. Taylor raising the discussion about the ACA Excise Tax and your response on the status. But I would prefer that we not call it a Cadillac -- at Cadillac Tax. It's an excise tax.

LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Sure.

BOARD MEMBER RUBALCAVA: Our members -- we heard them yesterday and today talking about the premium they pay. I don't think they would see it as an exorbitant plan. I mean, clearly, it may be above the median, but that's not something that -- I think everybody deserves
affordable and quality health care. So I would not like
it to be called --

LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Sure.
BOARD MEMBER RUBALCAVA: It's an excise tax.
That's what the law says. Thank you.

PRESIDENT JONES: Yeah. Okay. Thank you.
Mr. Brown, did you have anything else on the
federal or that was it?

LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Yeah,
that was it on the federal.

PRESIDENT JONES: Okay.

LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: I
would -- I guess I would just -- since Ms. Taylor had a
number of questions around health care, and we know that
we're monitoring a number of things that are going on,
Health Committee had a hearing this week around their
proposals. There's been a couple hearings on balance
billing. So again, that might be something that's better
addressed at the federal level for us. But obviously,
we'll look at all avenues.

And the Senate Finance Committee is working on
drug pricing. So there's a number of moving parts. And
hopefully we'll have more intel after my trip next week.
And there might be some things that we can weigh in on.
But it's -- it seems like right now everything is focused
on appropriations and paying for things. And the next thing you know it we're going to be into the election. But it always seems like we're into an election, so...

But we're definitely looking for opportunities to weigh in in health-related policy and legislation.

PRESIDENT JONES: Okay. Thank you for your report.

We now move to summary of Board direction. Ms. Frost.

CHIEF EXECUTIVE OFFICER FROST: I think I noted one and I'll ask Mr. Feckner to make sure that I have this accurately. So the direction was for the health team to not engage in further discussions around UHC's Harmony product, unless it can be demonstrated through other discussions that UHC understands the commitment to the team and really understanding the costs of the plan, in particular the discussion that happen with UC Davis and how that addition of UC Davis continuing the plan had an impact -- a greater impact on the rates than what we had assumed it should.

BOARD MEMBER FECKNER: Correct. That was the gist of it. Mainly, when they give us a promise, they should honor the promise, and then be able to explain why they can't, if they're not going to honor it. In addition to that, before we go on, when I gave the PHBC report, I
noted the next meeting was November. That was typographical error. There is a meeting in August, not one in September.

PRESIDENT JONES: Okay. Thank you. So that concludes our business.

So we now go to public comment. We have two requests. Mr. Jelincic and Mr. Johnson, if you'd come forward.

MR. JOHNSON: Neal Johnson. I represent SEIU Local 1000. Although, some of the comments are going to be more my personal comments.

First, I want to thank Dana Hollinger, even though she's not here, for her service. As the insurance industry rep, she brought a unique as -- or provided some sort of unique insights on issues. Sometimes I didn't necessarily agree with where she wanted to go, but I really do thank her for her service over what unfortunately became a short period of time. And I wish her the best of luck in her future endeavors. And thank you, Dana.

I want to reiterate my comments I made at the Pension and Health Benefits Committee yesterday about the departure of Dr. Kathy Donneson who I've known for nearly two decades. And I think Kathy has done a very good job of bringing this organization forward. I think I felt
many years ago that PERS was a leader in the health care industry. And as a payer that has certainly been advanced during Kathy's nearly two decades of service to this organization. And on behalf of my members and the rest of us, I would like to thank Kathy for her service.

And finally, two years ago, I thanked Ralph Cobb on his retirement. Ralph came back as a retired annuitant. I have known Ralph for many years. I've dealt with him both when he was at CalPERS, and more -- much more recently at CalHR or DPA, as it previously was known. And I've enjoyed working with Ralph. I've found him very accessible, very knowledgeable. And you certainly benefited both as an employer, but also the rest of citizens and taxpayers of California.

Thank you.

PRESIDENT JONES: Thank you, Mr. Johnson.

Mr. Jelincic.

MR. JELINCIC: J.J. Jelincic speaking for myself. CalPERS talks a lot about transparency, but it's really not very big into it. CalPERS is a State body. It has a legal obligation to conduct the public's business in public. The law allows very specific exemptions. The courts have de -- recognized those exemptions very narrowly. Exemptions do not include crafting draft proposals to circulate for comments and edits to reach a
consensus on what is to be presented in the public.

Protecting the comfort and candor of the Board is not an exemption. Disciplining Board members is not an exemption. When the Board committees and subcommittees meet in closed session to do things that are not exempted by the specific statutes, those members are committing a crime.

In addition, the PERF is a trust fund. It belongs to the beneficiaries. They deserve to know what you are doing with their money. You have a duty of care, which includes a duty to monitor, act prudently, and acquire competence. You have a duty of loyalty to the beneficiaries not to the employers or the system.

You would not allow somebody to invest your personal money to hide what they are doing with it and what they are paying on your behalf. You should not be hiding costs and investments from the owners of the funds, that is the beneficiaries.

Policy requires posting form -- Board form 100s -- or 700s, I'm sorry. One must either assume that you have not filed your form 100s[SIC] or that policy and transparency are just being ignored.

I do note that last week you finally posted travel expenses for January to March of this year. I also note that a significant number of those ex -- a
significant number of the ex--cases the expense claims have not been filed and yet reimbursements have been made. So much for accountability, transparency, and monitoring the expenditures of trust funds.

And I have not even raised the issue of secret internal audits, private equity, or how the system handles Public Records Act requests.

Thank you.

PRESIDENT JONES: This meeting is adjourned.

(Thereupon the California Public Employees' Retirement System, Board of Administration open session meeting adjourned at 11:16 a.m.)
CERTIFICATE OF REPORTER

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.

That the said proceedings was taken before me, in shorthand writing, 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 25th day of June, 2019.

JAMES F. PETERS, CSR

Certified Shorthand Reporter

License No. 10063