APPEARANCES

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. Stacie Olivares
Ms. Eraina Ortega, represented by Ms. Michelle Mitchell
Mr. Jason Perez
Mr. Ramon Rubalcava
Ms. Shawnda Westly
Ms. Betty Yee, represented by Ms. Lynn Paquin

STAFF:
Ms. Marcie Frost, Chief Executive Officer
Mr. Michael Cohen, Chief Financial Officer
Mr. Christian Farland, Chief Information Officer
Mr. Douglas Hoffner, Chief Operating Officer
Mr. Matthew Jacobs, General Counsel
Dr. Yu (Ben) Meng, Chief Investment Officer
Dr. Donald Moulds, Chief Health Director
APPEARANCES CONTINUED

STAFF:
Mr. Brad Pacheco, Deputy Executive Officer, Communications & Stakeholder Relations
Mr. Anthony Suine, Deputy Executive Officer, Customer Services & Support
Mr. Scott Terando, Chief Actuary
Ms. Marlene Timberlake D'Adamo, Chief Compliance Officer
Mr. Danny Brown, Chief, Legislative Affairs Division
Ms. Pam Hopper, Board Secretary
Mr. Kelly Fox, Chief, Stakeholder Relations
Mr. David Teykaerts, Stakeholder Strategy Manager

ALSO PRESENT:
Mr. Tim Behrens, California State Retirees
Ms. Dev Berger
Mr. Al Darby, Retired Public Employees Association
Ms. Debb Jachens, California School Employees Association
Mr. Bobby Roy
Ms. Amy Valdez, Service Employees International Union, Local 1000
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PROCEDINGS

PRESIDENT JONES: And the first order of business is a roll call. Ms. Hopper, please.

BOARD SECRETARY HOPPER: Henry Jones?

Henry Jones?

VICE PRESIDENT TAYLOR: Henry?

PRESIDENT JONES: Can you hear me, Ms. Hopper?

BOARD SECRETARY HOPPER: Yeah. Henry Jones?

Can you hear me?

BOARD MEMBER FECKNER: Henry, she's asking you?

CHIEF EXECUTIVE OFFICER FROST: I don't believe Mr. Jones can hear us. Let me check in with him.

BOARD SECRETARY HOPPER: Henry, can you hear me?

PRESIDENT JONES: Oh, okay.

CONFERENCE MODERATOR: There we go.

BOARD SECRETARY HOPPER: Okay. Henry, can you hear me?

PRESIDENT JONES: Can you hear me now?

Okay. You can't -- all of you -- can all of you hear me now?

BOARD SECRETARY HOPPER: I don't know.

PRESIDENT JONES: I don't know what happened to my sound.

BOARD SECRETARY HOPPER: Henry, can you hear me?

PRESIDENT JONES: Hold on just a minute. Let me
go over this.

(Off record: 12:47 p.m.)
(Thereupon a recess was taken.)
(On record: 12:47 p.m.)
PRESIDENT JONES: Okay. We're all set now. Now, can you hear me, Ms. Hopper?
BOARD SECRETARY HOPPER: I can you hear, but can you hear me?
PRESIDENT JONES: Okay. Just a minute. Let me put this back in. I can -- I can hear you now.
BOARD SECRETARY HOPPER: Okay. Henry, can you hear me now?
PRESIDENT JONES: Yeah. Okay
BOARD SECRETARY HOPPER: Okay.
PRESIDENT JONES: They fell out --
(Laughter.)
PRESIDENT JONES: -- and I kept talking. Okay. All right. Yeah. Okay. Well, thank you. We're going to call the open session of the Board of Administration meeting to order. And the first order of business is roll call.
Ms. Hopper.
BOARD SECRETARY HOPPER: Henry Jones?
PRESIDENT JONES: Here.
BOARD SECRETARY HOPPER: Margaret Brown?
BOARD MEMBER BROWN: Here.

BOARD SECRETARY HOPPER: Rob Feckner?

BOARD MEMBER FECKNER: Good afternoon.

BOARD SECRETARY HOPPER: Frank Ruffino for Fiona Ma?

ACTING BOARD MEMBER RUFFINO: Present.

BOARD SECRETARY HOPPER: Lisa Middleton?

Lisa Middleton?

BOARD MEMBER MIDDLETON: Present.

BOARD SECRETARY HOPPER: David Miller?

BOARD MEMBER MILLER: I'm here.

BOARD SECRETARY HOPPER: Stacie Olivares?

BOARD MEMBER OLIVARES: Here.

BOARD SECRETARY HOPPER: Michelle Mitchell for Eraina Ortega?

ACTING BOARD MEMBER MITCHELL: Present.

BOARD SECRETARY HOPPER: Jason Perez?

BOARD MEMBER PEREZ: Here.

BOARD SECRETARY HOPPER: Ramon Rubalcava?

BOARD MEMBER RUBALCAVA: Here.

BOARD SECRETARY HOPPER: Theresa Taylor?

VICE PRESIDENT TAYLOR: Here.

BOARD SECRETARY HOPPER: Shawnda Westly?

BOARD MEMBER WESTLY: Present.

BOARD SECRETARY HOPPER: Lynn Paquin for Betty
Yee?

ACTING BOARD MEMBER PAQUIN: Present.

PRESIDENT JONES: Okay. Thank you very much, Ms. Hopper. Okay. We'll recess now into closed session for Items 1 and 2 from the closed session agenda. So, at this time, the Board members will exit this open session meeting and connect to the closed session meeting.

To the members of the public watching on the livestream, the Board of Administration open session meeting will convene immediately following the closed session.

Thank you.

(Off record: 12:49 p.m.)

(Thereupon the meeting recessed into closed session.)

(Thereupon the meeting reconvened open session.)

(On record: 1:06 p.m.)

PRESIDENT JONES: I'll reconvene the Board of Administration meeting -- open meeting. And we would -- first order of business is roll call, please. Mrs. Hopper.

BOARD SECRETARY HOPPER: Henry Jones?

PRESIDENT JONES: Here.

BOARD SECRETARY HOPPER: Margaret Brown?
BOARD MEMBER BROWN: Here.
BOARD SECRETARY HOPPER: Rob Feckner?
BOARD MEMBER FECKNER: Good afternoon.
BOARD SECRETARY HOPPER: Good afternoon.
Frank Ruffino for Fiona Ma?
ACTING BOARD MEMBER RUFFINO: Present.
BOARD SECRETARY HOPPER: Lisa Middleton?
BOARD MEMBER MIDDLETON: Present.
BOARD SECRETARY HOPPER: David Miller?
BOARD MEMBER MILLER: I'm here.
BOARD SECRETARY HOPPER: Stacie Olivares?
BOARD MEMBER OLIVARES: Here.
BOARD SECRETARY HOPPER: Michelle Mitchell for Eraina Ortega?
ACTING BOARD MEMBER MITCHELL: Here.
BOARD SECRETARY HOPPER: Jason Perez?
BOARD MEMBER PEREZ: Here.
BOARD SECRETARY HOPPER: Ramon Rubalcava?
PRESIDENT JONES: Ramon, you --
BOARD SECRETARY HOPPER: Ramon Rubalcava?
BOARD MEMBER RUBALCAVA: Here.
BOARD SECRETARY HOPPER: Thank you.
Theresa Taylor?
VICE PRESIDENT TAYLOR: Here.
BOARD SECRETARY HOPPER: Shawnda Westly?
BOARD MEMBER WESTLY: Here.
BOARD SECRETARY HOPPER: Lynn Paquin for Betty Yee?

ACTING BOARD MEMBER PAQUIN: Here.
BOARD SECRETARY HOPPER: That concludes roll call, Mr. President.

PRESIDENT JONES: Thank -- okay. Thank you, Ms. Hopper.

The next item on the agenda is approval of the June 17th, 2020 Board of Administration timed agenda. Do I have a motion?

VICE PRESIDENT TAYLOR: Move approval.

PRESIDENT JONES: Moved by Ms. Taylor.
BOARD MEMBER BROWN: Second.
PRESIDENT JONES: Second by Ms. Brown.
Roll call, Ms. Hopper.
BOARD SECRETARY HOPPER: Margaret Brown?
BOARD MEMBER BROWN: Aye.
BOARD SECRETARY HOPPER: Rob Feckner?
BOARD MEMBER FECKNER: Aye.
BOARD SECRETARY HOPPER: Frank Ruffino for Fiona Ma?

ACTING BOARD MEMBER RUFFINO: Aye.
BOARD SECRETARY HOPPER: Lisa Middleton?
BOARD MEMBER MIDDLETON: Aye.
BOARD SECRETARY HOPPER: David Miller?
BOARD MEMBER MILLER: Aye.
BOARD SECRETARY HOPPER: Stacie Olivares?
BOARD MEMBER OLIVARES: Aye.
BOARD SECRETARY HOPPER: Michelle Mitchell for Eraina Ortega?
ACTING BOARD MEMBER MITCHELL: Aye.
BOARD SECRETARY HOPPER: Jason Perez?
BOARD MEMBER PEREZ: Aye.
BOARD SECRETARY HOPPER: Ramon Rubalcava?
Ramon?
BOARD MEMBER RUBALCAVA: Yes.
BOARD SECRETARY HOPPER: Theresa Taylor?
VICE PRESIDENT TAYLOR: Aye.
BOARD SECRETARY HOPPER: Shawnda Westly?
BOARD MEMBER WESTLY: Aye.
BOARD SECRETARY HOPPER: Lynn Paquin for Betty Yee?
ACTING BOARD MEMBER PAQUIN: Aye.
All set, Mr. President.
PRESIDENT JONES: Okay. Thank you, Ms. Hopper.
The next item on the agenda is the Pledge of Allegiance and I've asked Ms. Taylor to lead us in the Pledge of Allegiance.
VICE PRESIDENT TAYLOR: Great. Thank you.
Hand over hearts.
(Thereupon the Pledge of Allegiance was recited in unison.)

PRESIDENT JONES: Okay. Thank you, Ms. Taylor.
Okay. I typically begin each -- beg your pardon?
VICE PRESIDENT TAYLOR: Sorry, my bad. The screen went blank completely for a minute.

PRESIDENT JONES: Okay. Are you there now?
Okay.

VICE PRESIDENT TAYLOR: Yeah.
PRESIDENT JONES: Okay. I'm sorry. Okay. I typically begin each CalPERS Board meeting with a statement intended to engage and inform our members, employees, partners, and the public about the goals and priorities of CalPERS as a pension fund.

There is, however, nothing typical about where we all find ourselves today. Our country, and in fact our world, is on the precipice of change, not the type of change driven by marketing, PR, slogans, platitudes, but the type of change that births an awakening to the racial and economic inequalities that exist in societies where people don't really see each other or see ourselves in one another.

The killing of George Floyd on May the 25th was inhumane and jarring and as too familiar a reminder of
lived experience of many black people and people of color. It was a public display of what so many experience privately without the benefits of witnesses. It was a clarion call for people around the world to acknowledge each other's humanity. Mr. Floyd's killing has sparked a worldwide conversation about race and racism, health care and educational disparities, housing and jobs insecurity, and circumstances that create those conditions.

His death is forcing us to acknowledge and deal with race and inequality, and was yet another reminder for how far we have to go in our nation, and our communities, and our public and private institutions.

I grew up in the segregated south, and I know what racism was and what it felt like. And despite working as a public employee for 37 years serving children and employees of Los Angeles Unified School District and now serving as the black -- first black President of CalPERS Board of Administration, I still know what racism feels like.

I also know what it means to identify and confront it. And I know how people and systems can be changed when we understand that acknowledging racism, or classism, or sexism, or other any other inequality does not diminish the experience of any other group of people. It only serves to heighten our humanity if we can see
ourselves in one another.

That's why the protests we see around the world are filled with black, white, Latino, Asian-Pacific Islanders, and indigenous people. People are young and old, rich and poor, and those who are LGBTQ who just this week in a 6-3 decision by the Supreme Court guaranteed protection against discrimination in the workplace.

This occurs when we shine a light on inequalities and inequities, and see the humanity in one another.

CalPERS is the nation's largest public pension fund serving more than two million public employees and retirees. As such, we have a moral imperative to confront racism and economic inequality. We have an opportunity to do more as an investor, as a health care purchaser, and as fiduciaries.

I'm proud of CalPERS's commitment to diversity and inclusion. I look forward to working with this Board and our leadership team to identify ways in which we can continue to reflect and expand on our commitments.

So thank you for allowing me to share my comments today.

Okay. We now go to Ms. Frost.

VICE PRESIDENT TAYLOR: Henry.

PRESIDENT JONES: Oh, wait just a minute.

Theresa, I'm sorry.
VICE PRESIDENT TAYLOR: That's okay.

PRESIDENT JONES: Ms. Taylor.

VICE PRESIDENT TAYLOR: Thank you, Mr. Jones.

And I also want to take a moment of personal privilege. Thank you very much for those moving remarks, but I wanted to make some remarks in light of this extremely unusual and important time that we are living through right now. And first, I want to say to everyone that's listening, I hope everyone is well, staying safe, and taking care of themselves with their loved ones at home.

As Vice President of the CalPERS Board of Administration and Investment Committee Chair, I believe it is important for me to highlight what we have begun to recognize as risks to the fund that perhaps we've not given atten -- the attention that they deserve.

First, the COVID-19 pandemic has highlighted that workers grocery workers, postal workers, transit workers, warehouse workers, fast food workers, meat processing plant workers, building cleaners, and security officers are high-risk employees, not just because they are front-line workers, but also they are workers whose employers do not provide health care, and who the workers had to fight to be provided with personal protective equipment and sanitized workplaces.

I want to recognize the important statement that
SEC Chair Clayton made entitled, "The Deep and Essential Connections Among Markets, Businesses, and Workers, and the Importance of Maintaining Those Connections in Our Fight Against COVID-19". He then went on to say quote, "I believe that the strength of our economy and many of our public companies is due in significant and increasing part to human capital, and for some of these companies, human capital is a mission-critical issue", end quote.

CalPERS knows that managing human capital is essential to creating long-term value. It is also part of a company's responsibility to managing that risk. Our Investment Beliefs adopted in 2013 make this clear. They also set out that as long -- as a long-term investor, we have a responsibility to future generations, beneficiaries, and taxpayers to ensure we have a thriving and prosperous economy.

Let's be clear here, when workers are treated poorly with low wages, no sick leave or vacation leave, they have no choice but to come to work, even if they're sick. These earners support their families and even a few missed days subtracted from their pay can catastrophic, let alone the costs associated with seeing a health care professional.

These people are now recognized as quote/unquote front-line workers. We all rely on them for our food
deliveries and other important supply -- important supply chain jobs. The companies that employ them also know how vital these people are to their bottom line, yet worker's basic needs continue to be disregarded.

CalPERS has recognized that the treatment of workers for human capital management, if not corrected, poses a long-term risk to our fund.

Now, COVID-19 has exposed how much of a risk. With unemployment rates at around 14 percent and pockets of workers all over the country were forced to come to work because they have no sick leave, and COVID-19 outbreaks are happening at those workplaces, fast food restaurants, warehouses, meat packing plants - we've all heard it on the news - and then it's transmitted to those employees' communities.

We must recognize that we have to do better for our country's workers. This is what our human capital management work is about at CalPERS. The SEC Chair's statement recognized this when he said that companies need to start reporting on this, and we must be consistent with a continuing commitment to health and safety.

We take our human capital management work forward with that same consistent continuous commitment. Just as we come -- came to understand that climate change poses a risk and opportunity across our portfolio, so, too, does
human capital management.

For that reason, I'm looking forward to CalPERS Board's annual off-site where we will have a session on human capital management to examine these issues, consider the research, and learn from others and develop our strategy as fiduciaries.

COVID-19 -- additionally, COVID-19 disproportionately impacts the African-American community. And this highlights another impact of injustice. The structural racism that permeates our society is something for everyone of us, every American, to address.

African-Americans are three times more likely to die from COVID-19. African-American workers are more likely to be relegated to low-wage work. And discrimination against Black and Latino candidates in hiring has not declined in 25 years.

We also need to understand that in the United States, as a society, we need to tackle systemic racism in employment, housing, education, health care, and our justice system.

Finally, African-Americans have little access to capital, which otherwise would give them the ability to move out of poverty and hence keeps the cycle going. The pandemic's disproportionate impact on black families and the senseless killings of Ahmaud Arbery, Breonna Taylor,
George Floyd, and so many more have brought this country to a new conversation and around race and racism. It is important that we as CalPERS reflect that we have a very diverse membership and our CalPERS team is very diverse as well, and that our team works diligently to expand diversity on corporate boards.

We've recognized that diversity is a strength and companies with diverse boards outperform those without appropriate representation.

But how do we mitigate the long-term risks that structural racism poses to CalPERS and the capital markets. Can we call for an end to racism and access to capital? If we are not thinking about everything that racism touches, and work to eliminate it, we will be making the mistakes of continuing systemic racism, and hurting our own members, and continuing the long-term risk.

In this moment when we are all listening and beginning to understand something that African-Americans have been going through for 400 years, that structural racism provides every -- pervades every part of our society. I have applaud CalPERS for its history of work on human capital management, which is inclusive of diversity at CalPERS and diversity on corporate boards and companies in which we invest.
It is not enough. We need to push harder. The percentage of African-Americans on corporate boards is 3.9 percent, the percentage of women is 21 percent, and all people of color on corporate boards is still very low, at less than ten percent.

We must recognize this cannot continue. The work of Corporate Governance Program shows what still needs to be done. I'm proud that over half the companies that CalPERS has engaged, added a diverse Board member, which was close to 400 new seats.

But there is more to do. As we call to recognize human capital management, as important a risk as climate change to our fund, we need to double our efforts here at CalPERS to improve and mitigate these risks.

Thank you.

PRESIDENT JONES: Thank you.

Ms. Frost.

CHIEF EXECUTIVE OFFICER FROST: Thank you, President Jones.

Much has happened since we last met as Board in April. Two months ago, we were just a few weeks into dealing with the COVID-19 pandemic, the Governor's quarantine orders, and then our efforts to seamlessly continue our daily work by moving almost all of our employees into a remote capacity.
Today, we have 85 percent of our employees who are teleworking quite successfully and approximately 300 of our team members remain on-site. And, you know, for those 300 team members, it's really the case of not being able to conduct their work remotely. These are individuals who are working in our mailroom, some individuals working in our contact center, individuals working in our imaging system. So we -- we applaud their efforts of getting up every day and coming into the building, and we certainly support them.

But also, as we were doing this, the Investment Office was also navigating one of the most volatile financial periods in our history to minimize the impact to the fund. But, you know, even more importantly, I think is to capitalize on some of these short-term disruptions or opportunities that we actually have some likelihood of success at this time.

Then at the end of last month, as mentioned by the President, as well as the Vice President, came the horrible death of George Floyd in Minneapolis followed by protests here in Sacramento, around our state, and around the nation.

It had a profound impact on many of our colleagues, our friends, as well as our family. And I'd like to spend a few minutes this morning talking about our
response to the events of the past three weeks, as well as our efforts to maintain our customer service levels, and deliver pension and health benefits to all of our members and our participants.

Let me begin with what I believe is the foundation of our work here and that is the culture. We have faced three catastrophic events, any one of which could break an unhealthy organization that did not have a solid foundation to work from.

We built CalPERS on a foundation of member focus. We built it on high levels of team member engagement and productivity, as well as being a reliable partner, not only to the 3,000 participating employers, but to many stakeholders who are very interested in how CalPERS will navigate these really difficult and interesting times.

But I'm consistently impressed and inspired by the team at CalPERS. We just have just under 2,900 employees round the state, whether those are in our regional locations or whether in the headquarters buildings. The team has just been open. They've been flexible. They've been trying to balance this -- with the side of their professional job, as well as new family obligations, and they're doing quite well.

We've never stopped moving forward. As a result, our work continues to find ways to optimize our investment
returns understanding there are significant risks ahead of us, but it's critical. It's our mission to be able to provide retirement security to two million people.

We are facing COVID-19 and then also adapting to a virtual working environment. And as you'll see, we're maintaining our focus on addressing challenges of climate change to help forge more sustainable financial markets.

But nothing really is more important to CalPERS and our society for that matter than the manner in which we treat one another, the way we see one another and the way that we stand up for one another. Out of the tragedy of recent works came the opportunity to listen with an open mind, to learn from others with care and compassion, listening to understand before you seek to be understood, come together in universal opposition to racism and discrimination in all of its forms.

So I'd like to talk a little bit about our diversity and inclusion, you know, framework that we have at CalPERS and our teams. We serve members who live in one of the most diverse states, if not the most diverse state in the country. Meeting their needs with the sensitivity they deserve requires open-mindedness and compassion, as I stated before, but from everyone who works here, whether we're on the frontlines of delivering direct customer service, or whether we're working behind
the scenes, or we have a support role in some capacity. Even person has a unique story and we want everyone who is a part of the CalPERS team to know that they're valued, they're respected, and that they're heard.

Last week, I sent an email out to our employees emphasizing our commitment to diversity and inclusion and how all of the efforts that we've been undertaking, and in particular over the last four months, are grounded in our Core Values of quality, of respect, accountability, integrity, openness, and balance.

Our diverse workforce is our strength. And I said that we intend to seize this opportunity to recommit ourselves to these values and really put them into action, that words are really meaningless unless they are followed by action.

I received a number of responses to that email. And several employees who you were comfortable in talking to me about, you know, their personal experiences that they've had as a person of color in the United States, whether that was, you know, the time that they had as a child, or whether those were times that they had, you know, working, where they didn't feel necessarily that there was equal opportunity for promotion or equal opportunity for, you know, developmental job assignments.

These stories are really powerful and they
showcase how important it is that we strive to continue to do better. We do have a great foundation to work from. I heard that loud and clear from a number of resource -- or responses that I received. But you can always go from good to great as Jim Collins would say.

So to begin on our action plan, we'll offer enterprise-wide unconscious bias training for all employees. I would like to make that mandatory, but we need to make sure that that stamp on making it mandatory does not make this training less effective or less successful. So we'll work with the outside experts as we bring this in and I'll have more to report on that soon.

In addition, we have two volunteer-led employee resource groups, the CalPERS Diversity and Inclusion Group and the CalPERS Disability Advisory Council. Those two groups meet regularly to discuss whatever current issues might be on our employees' minds or on these groups' minds, and then also provide recommendation -- or recommendations and guidance, but they also serve as a supportive resource to the team members at CalPERS.

Sometimes it's easier to have a peer-to-peer conversation, than it is to have, you know, a conversation as an employee to, you know, someone in Human Resources, or someone, you know, in management. So having a team of, you know, your peers, being able to have these very open,
frank conversations I think has just been part of our culture here and has been appreciated.

    Last week, our new enterprise D&I Advisory Council, which we launched earlier this year, met to talk about the next concrete steps in the framework, and they will be providing me an update on their discussions that I will share with the organization, but I will also share that with this Board.

    I did also talk about our role as an influential investor. Being the largest public pension plan in the United States means that we do have some influence and we need to use our voice wisely. We need to use our voice on the things that matter to us most, and we do advocate for diverse corporate boards for the reasons that Ms. Taylor mentioned. We believe that diversity adds performance, that the more diverse the Board is, the better perspectives, the better backgrounds, and understanding and skill sets that are available to make sound decisions.

    Human capital also is certainly something that we paid a lot of attention to. We see more need for data and transparency about how the public companies, approximately 10,000 public companies we're investing in, how are they thinking about their workforce, how are they thinking about incentivizing that workforce, and does that align with the values of having this company be successful in
the long tim.

So Board President Jones has also asked that we facilitate Board education event regarding implicit bias or unconscious bias. And if we are unable to find that opportunity before the July meeting, then we will include it as a part of the meetings in July. But really the intent is to try to find something that we could schedule and notice appropriately to the public that we could bring this education in as a session for the Board.

The Diversity Council that I mentioned earlier is tasked with identifying the education, the trainers, and the appropriate curriculum. And I'm looking forward to seeing their recommendation.

Now, I'd like to turn to the work we're doing to deal with the impact of COVID-19. We're anticipating that the Governor will give the go-ahead to initiate Phase 3 of California's resilience roadmap. We think that will happen relatively soon. That means we will then begin the process of slowly returning to our campus minus the groups of employees who will continue to do their work remotely.

And again, this has been a very successful -- you know, it ended up being a test, a test that we had to adapt to pretty quickly. But I think what we found throughout the organization is that there -- you know, there with likely some attitudes about whether we could
actually run our services productively, successfully remotely. And I think the team has certainly proven that that's the case, that that is, in fact, true.

So we will soon be circulating our return to office workplan. We'll get that out to the team leaders, so that they can begin talking with their own team about it. And what those discussions will entail will be the phased implementation. So we plan on starting with the executive team. We think we should try it out on ourselves first, all of the safety protocols, how, you know, you get into an elevator. I mean, simple things like that or the stairwells, you know, one-way stairwells. But we need to try that out on our own, as well as then, you know, the next phase, we could bring some volunteers in.

I do hear from a number of individuals that they would like to come back into the office at least on a part-time basis, that this home isolation has begun to take its toll. And I think we'll have a number of volunteers who will want to come in earlier in the phase.

But we're going to take it extremely slowly. We're going to take every precaution possible, and we're going to carefully, you know, follow any guidelines that are set by State or local officials. And our goal really is for our employees and our teams to feel safe and to
understand really what's expected of them.

So for each group we bring back, the idea is that we'd have a 30-day assessment period in between, so that we can assess all the safety protocols, make any modifications or adjustments that may be necessary, and then, you know, be able to communicate that out to the next group.

Flexibility has been the word of the last four months. It will continue to be the key on how we make decisions moving forward. So if you couple that with the updated telework policy, we anticipate that it will be sometime before we will have a majority or a significant number of team members back in the office. We don't think that that's going to happen until later this year or early next year.

But despite all this change and great uncertainty, we're confident that we'll be able to maintain the historically high level of productivity we've achieved over the last few months, and that CalPERS members will continue to have access to the services that they need.

Our operational measures are comprehensive. This was a system we put in place just over three years ago. It tracks all of the performance related to our key strategies. But equally importantly, it tracks the
operational effectiveness of all the core processes and we're very transparent about that performance. We place that data and those measurements out on our website as well, if there's anyone who's interested.

So while we don't know yet when our offices will be open to the public, we'll continue to serve our customers through phone appointments and through the use of myCalPERS. It is worth mentioning that the member self-service usage for retirement applications through myCalPERS has risen by over 20 percent since March alone.

So at this point, I believe the number that Anthony Suine reported out to me during the huddle was about 60 percent of the retirement applications are now coming through myCalPERS.

But that said, we know that there are members who need in-person appointments, so we're working on our reopening plan for all of our regional locations, while also maintaining all the COVID-19 safety protocols to ensure that we're keeping everyone safe. So more to come on that in the days and weeks ahead.

So on to a little bit of communication and outreach that we've been doing. We know that during challenging times, you can imagine how important it is to stay in constant communication with your members, with your employees, with your employers, and all number of
stakeholders. So with the employees, I started sending out daily emails. Just call them the update of the day, as well as holding Friday video chats with the organization. These webchats have been, I think, a good channel for people to stay up-to-date on what's happening around decisions -- key decisions that we're making as the executive team or for management, and as well as being able to address questions that might be on our employees' minds.

We have been providing virtual training to our members. And I think Anthony Suine also mentioned at this PHBC update that the first online, or virtual, CBEE will be available late July. So looking forward to that. I think our members will certainly appreciate having that available to them as they're contemplating their own retirement and all the various decisions that go into deciding, you know, whether it's time for them.

Although we did have to cancel the Benefit Education Events, we are still working forward with the Employer Education Forum that will be held virtually. If you want to mark that date on your calendar, it's October 14th and 15th. And we're anticipating that we'll be able to reach a greater number of our employers, as a result. We're hoping. We're going to track attendance. We certainly get a large attendance at our in-person events,
but also hoping that the virtual nature of this education event will allow more of the employers to be able to join.

So moving on now to investments. On Monday, you received our first response -- our first report and response to the Task Force on Climate Related Disclosures. Climate change is a systemic risk to our portfolio and one of our three top organizational priorities. We talk about three key risks to the system. The first is our ability to achieve our seven percent return long term, the second is the ability for our employers to continue to pay for the contributions or afford those contributions, and the third is related to climate.

So our TSC -- TCFD sets out the goal the CalPERS investment strategy on climate change to ensure that we can take advantage of prudent investment opportunities that allow us perhaps to do well, you know, financially and do good at -- for the environment.

While the TCFD process is voluntary, we do believe that it should be mandatory, so there is transparency, there's accountability, and consistent information available to investors, to regulators, as well as to the general public. And we have to make some assumptions in our report and we prefer not to do that the next time we update it, so -- so better data is -- is something that we are going to continue to push for.
So the report is a starting point for the data we need to allocate our capital, to exercise our proxy votes, and also to select investment managers who can generate those risk-adjusted returns that we need.

So on health rates, the Pension and Health Benefits Committee on Tuesday was given the preliminary health rates for 2021. The process this year was made more complex by unknown financial implications of COVID-19, I think, but our negotiations were also strengthened by data, data that we collect, data that's in our data warehouse where we could validate information that was presented through, you know, negotiations. But we can -- we had a mechanism now, by which we could do that kind of trust, but verify.

It's given us a more precise picture of each health plan's costs broken down by specific categories that we used to compare with our own projections. So the value of the enhanced transparency, enhanced use of data really can't be understated as we look at validating rates for our members.

We'll come back to you in July with the final rates for approval, and then open enrollment will take place from September 21st through October 16th. And members will have access to all the information they need to make those choices through their myCalPERS account.
So now on to investment performance. So we'll close with that. The effective date of these numbers would be March 31st of 2020. So the one-year number is 0.4, the three-year number is 4.6, the five-year number is 4.7, the ten-year number is seven, and the fiscal year-to-date is 4.1.

Next month at the July meeting, we'll get our first look at the 2019-2020 fiscal year-to-date returns. In the Interim, I want to acknowledge the work of our Chief Investment Officer Ben Meng and the dedicated team in the Investment Office. I -- you know, the structural changes we've made combined -- combined with Ben's strategic changes, of which many of those have been talked about in Board meetings over the last, you know, 18 months since Ben's arrival, and I think it puts CalPERS in a much stronger position to weather not only COVID-19 economic crash, but also to weather some of this volatility, take advantage of opportunities in the short run, but never losing sight of the fact that we're a long-term investor, we're patient, and to the extent that we put our capital into illiquid vehicles, we need to make sure that we're being appropriately rewarded for that illiquidity.

So that does conclude my report, President Jones, but I am happy to take any questions.

PRESIDENT JONES: Thank you, Ms. Frost.

BOARD MEMBER BROWN: Thank you. You told us a lot a, so let me see if I can go back through my notes. You talked about the reopening plan. Is that going to be shared with the Board in writing or...

CHIEF EXECUTIVE OFFICER FROST: I can certainly share the reopening plan. You know, I would prefer to get that out into the organization, but I certainly have no -- no issues with sharing it with the Board. It should be something you'd be interested in. Give me just a couple weeks, I'd be happy to get that out to everyone.

BOARD MEMBER BROWN: Excellent. Excellent. And then I took a note about the virtual CBEE. I think that's a great idea. You know, I've attended quite a few of those and I have sat in the audience and answered questions, because people were a little shy about talking about whatever their issue was, whether it be a divorce, or -- about how things might impact their pensions. But I hope there will be an opportunity for Q&A and either a call-in or the text-in, email. And I actually think we're probably going to get a lot more Q&A, because you're -- you know, you're distant, so they can't really tell who you are.

So we might actually get -- and there's a lot of
learning on the Q&A. People have seen it in the audience where somebody will ask a question and then you see everybody scribbling those notes. So hopefully, we'll have a lot of opportunity and even leave more time for that.

And then what we didn't talk about -- what I didn't hear you talk about all the other issues, but I didn't really hear you talk about the State's budget and how we're going to survive that, because not only for our staff and the work we do, but our local agencies, our cities, and our counties that are going to also be seriously impacted. So what are -- what's kind of the ideas around that?

CHIEF EXECUTIVE OFFICER FROST: Um-hmm. Thank you, Ms. Brown. And Mr. Cohen will be giving a more comprehensive report at our July meeting, as well as we go through our Enterprise Performance Management System.

But essentially, the executive team some months ago, we sat down and -- you know, after the Governor's May Revise with the ten percent anticipated cut to compensation, the five percent cut in efficiencies, and then we know that that needs to go to the bargaining table. So right now, we're waiting to see the results of what has been bargained, and obviously we'll implement accordingly.
But in the meantime, we certainly have looked at every expenditure that we have at CalPERS. And I think you mentioned this at one of the Committee meetings, that we will have some save -- savings related to the fact that we're not traveling, the fact that we're not doing as much in-person training. And those will be booked as savings, as, you know, just kind of this automatic, but we needed to go further than that.

We looked at -- and remember, we've been doing this for quite some time. We've looked at what we call enterprise position pooling. We've been doing this for over three years. We've not requested any new PYs, our fourth year in a row. And what we're really trying to accomplish here is a recalibration of the organization that when a position becomes vacant, we make a determination at that point in time of whether that position is needed in that team, needed in that branch. And if not, it goes into this enterprise position pool.

We've had over 30 positions go into that pool and get recalibrated, as I indicated, to where the need is most. And most of that need has been identified by the front office. So putting more resources to serve customers, removing some of those resources or recalibrating, reassigning work more in the back office.

So we're -- you know, so every position that's
open through attrition, we're taking another look at whether it's essential. Is it essential today? Is it essential in six months, along with trying to, you know, keep our -- keep our PY footprint consistent as we're making these changes.

The other is really related to telework. We know that if we can get continued telework in the successful manner, keep it, you know, as a productive as it has been with our teams, that there is an opportunity for even further savings. So I did make a comment this week that I believe that we'll have half of our employees being able to have some form of remote working post-COVID-19, at least 50 percent of the organization.

So what that means is we'll be taking a look at every position at CalPERS. The first identification is is this a position that could really work full-time from home. We have a team within our IT Department, our IT help desk that has been doing this for a number of years, and it's quite successful there.

So how can we take that business model or that workforce planning model and put it into other areas of the business? So that would be the designation of a one. The designation of a two would be, you know, positions and work that really would be more conducive to a part-time telework schedule. And in part-time situation or
arrangement, then likely you would be hoteling with other employees. You would not have a dedicated work station. So you can see the footprint of CalPERS being able to minimize over the next, you know, two to three years, as we get these telework arrangements more completed and in place.

And I should say the caveat for number one, the permanent full-time telework, is that the work has to be measurable. We know that we take money out of the Trust Fund. We need to show value for every dollar that comes out of the Trust Fund, so it has to be measurable work in order to be designated as, you know, number one.

So the example I gave about the IT help desk, a lot metrics, a lot of measurements, and if they aren't answering the phones or serving, you know, the employees within CalPERS, we're certainly going to hear about that. But the contact center would be an area we would look at. Most of the work in Anthony Suine's, you know, the front customer service, they have metrics for every core process. We have targets for performance. We have thresholds that determine, you know, green, yellow, and red. That's all within that operational system that I mentioned earlier. So we're looking at everything. We're looking at, you know, what is our workforce plan for the future post-COVID-19, and then what can we do within
COVID-19 to continue to initiate and gather some savings.

But really it's a -- it's a structural change for CalPERS and we're excited about it. We can use technology. We can use innovation and really think about what do we look like five years out? What do we look like two years out?

So we'll give you a more fulsome update in July. Michael Cohen, our CFO, will be doing that for -- as one of the session.

BOARD MEMBER BROWN: Thank you, Ms. Frost. Thank you, Mr. Chair. I also think, you know, while we're going to be putting these burdens on our CalPERS staff, that the Board should also take a look and see what we can do to hold down our costs. I think I mentioned that in -- I don't know what committee, one of the committees today, and I hope we can continue to see what we could do to hold down our cost as well.

Thank you.


Any other questions? I don't see any other questions for you, Ms. Frost, and thank you very much for your presentation. So now we will move to the next item on the agenda, which is action consent items, 6a, b, and c. Do we have a motion?
VICE PRESIDENT TAYLOR: Move approval.

PRESIDENT JONES: Moved by Ms. Taylor.

Can we get a second?

BOARD MEMBER FECKNER: Second.

PRESIDENT JONES: Second by Mr. Feckner.

BOARD MEMBER FECKNER: Second.

PRESIDENT JONES: Second by Mr. Feckner.

Roll call, Ms. Hopper, please.

BOARD SECRETARY HOPPER: Sure. For 6a, 6b, and 6c.

Margaret Brown?

PRESIDENT JONES: You're muted Margaret.

BOARD SECRETARY HOPPER: Margaret Brown?

BOARD MEMBER BROWN: Can we separate those out, please?

PRESIDENT JONES: Which ones do you want out?

BOARD MEMBER BROWN: I'm trying to find the agenda. It's open session for today, right?

PRESIDENT JONES: Yeah, right.

BOARD MEMBER BROWN: 6a.

PRESIDENT JONES: A is Approval of the minutes, B is Board travel, which is in there I guess, then C is annual review of Board --

VICE PRESIDENT TAYLOR: B is not there, Henry.

PRESIDENT JONES: Huh?
VICE PRESIDENT TAYLOR: B is not there, so it's just A and C.

PRESIDENT JONES: Yeah.

BOARD MEMBER BROWN: Oh. Okay. Fine. I don't need it separated. I didn't know that -- I didn't know that B was there. Thank you.


BOARD SECRETARY HOPPER: Okay. Margaret Brown?

BOARD MEMBER BROWN: Aye.

BOARD SECRETARY HOPPER: Rob Feckner?

BOARD MEMBER FECKNER: Aye.

BOARD SECRETARY HOPPER: Frank Ruffino for Fiona Ma?

ACTING BOARD MEMBER RUFFINO: Aye.

BOARD SECRETARY HOPPER: Lisa Middleton?

BOARD MEMBER MIDDLETON: Aye.

BOARD SECRETARY HOPPER: David Miller?

BOARD MEMBER MILLER: Aye.

BOARD SECRETARY HOPPER: Stacie Olivares?

BOARD MEMBER OLIVARES: Aye.

BOARD SECRETARY HOPPER: Michelle Mitchell for Eraina Ortega?

ACTING BOARD MEMBER MITCHELL: Aye.

BOARD SECRETARY HOPPER: Jason Perez?
BOARD MEMBER PEREZ: Aye.

BOARD SECRETARY HOPPER: Jason Perez?

BOARD MEMBER PEREZ: Aye.

BOARD SECRETARY HOPPER: Ramon Rubalcava?

BOARD MEMBER RUBALCABA: Aye.

BOARD SECRETARY HOPPER: Theresa Taylor?

VICE PRESIDENT TAYLOR: Aye.

BOARD SECRETARY HOPPER: Shawnda Westly?

BOARD MEMBER WESTLY: Aye.

BOARD SECRETARY HOPPER: Lynn Paquin for Betty Yee?

ACTING BOARD MEMBER PAQUIN: Aye.

BOARD SECRETARY HOPPER: Mr. President again that was 6a and 6c.

PRESIDENT JONES: Right. Right. Okay. Thank you.

Ms. Brown, I see you have a comment, was that the previous?

BOARD MEMBER BROWN: (Nods head.)

PRESIDENT JONES: Okay. Thank you. Okay. Then we will -- okay. We'll move. That item passes.

Now we move to Item 7, information consent items. I have no requests to remove anything from those items.

So we will go to Committee Reports and Actions.

And I'll go to the first committee, Investment Committee.
For that, I call on the Chair, Ms. Taylor.

VICE PRESIDENT TAYLOR: Thank you, Mr. President.

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

Sorry. Agenda Item 7a, to approve the proposed changes to the Total Fund Investment Policy with changes to the Private Equity Investment Policy Strategy allocation targets as follows:

Decrease credit-related target to 5 percent, with a range of 0 to 10 percent; increase buyout target to 70 percent, with a range of 60 to 80 percent.

PRESIDENT JONES: Okay. On the motion of the Committee. All those -- oh, roll call, Ms. Hopper.

BOARD SECRETARY HOPPER: Margaret Brown?

BOARD MEMBER BROWN: Aye. Sorry. No. I'm no.

Sorry.

BOARD SECRETARY HOPPER: Okay. Margaret Brown is a no.

BOARD MEMBER BROWN: No.

BOARD SECRETARY HOPPER: Rob Feckner?

BOARD MEMBER FECKNER: Aye.

BOARD SECRETARY HOPPER: Frank Ruffino for Fiona Ma?

ACTING BOARD MEMBER RUFFINO: Aye.

BOARD SECRETARY HOPPER: Lisa Middleton?
BOARD MEMBER MIDDLETON: Aye.
BOARD SECRETARY HOPPER: David Miller?
BOARD MEMBER MILLER: Aye.
BOARD SECRETARY HOPPER: Stacie Olivares?
BOARD MEMBER OLIVARES: Aye.
BOARD SECRETARY HOPPER: Michelle Mitchell for Eraina Ortega?
ACTING BOARD MEMBER MITCHELL: Aye.
BOARD SECRETARY HOPPER: Jason Perez?
BOARD MEMBER PEREZ: Aye.
BOARD SECRETARY HOPPER: Ramon Rubalcava?
BOARD MEMBER RUBALCABA: Aye.
BOARD SECRETARY HOPPER: Theresa Taylor?
VICE PRESIDENT TAYLOR: Sorry. Aye.
BOARD SECRETARY HOPPER: Shawnda Westly?
BOARD MEMBER WESTLY: Aye.
BOARD SECRETARY HOPPER: Lynn Paquin for Betty Yee?
ACTING BOARD MEMBER PAQUIN: Aye.
BOARD SECRETARY HOPPER: Mr. President, I have all ayes, one no made by Margaret -- Margaret Brown.
PRESIDENT JONES: Okay. Thank you, Ms. Hopper. The item passes.
Continue on, Ms. Taylor.
VICE PRESIDENT TAYLOR: Thank you, Mr. Jones.
The Committee received reports on the following topics: a review of the market conditions, capital market assumptions, assets segments and market valuations as part of the mid-cycle asset liability management process, Wilshire Associates annual reporting company comparing CalPERS to other large public funds, a report on CalPERS investment strategy on climate change.

The Chair directed staff to do the following:
I don't know who's on, but you're rustling paper.
Maybe, Henry.

(Laughter.)

VICE PRESIDENT TAYLOR: The Chair directed staff to do the following: examine the impact of climate change may have on pandemic risk, and the potential increase in health care liabilities that may result from an increased risk.

The Committee heard public comment on the following topics: investment strategy and risks, investment Policy.

And, at this time, I would like to share highlights of what to expect at the September Investment Committee meeting: the CalPERS Trust level review and the survey results of the Board investment consultants performance.

And the next meeting of the Investment Committee
is scheduled for September 14th, 2020 in Sacramento, California.

    Thank you, Mr. President.

PRESIDENT JONES: Thank you, Ms. Taylor.

The next item is the Pension and Health Benefits Committee. For that, I call on the Chair, Mr. Feckner.

BOARD MEMBER FECKNER: Thank you, Mr. President.

The Pension and Health Benefits Committee, PHBC, met on June 20 -- June 16th, 2020. The Committee recommends and I move the Board approve the following:

    Agenda Item 6a, the addition of the Sharp Medicare Advantage Plan. Service area changes for Anthem Blue Cross Select Medicare Advantage and Blue Shield California Trio, and benefit design changes for Kaiser Permanente Senior Advantage and UnitedHealthcare Group Medicare Advantage for the 2021 plan year.

PRESIDENT JONES: On the motion of the Committee.

Roll call, Ms. Hopper.

BOARD SECRETARY HOPPER: Margaret Brown?

BOARD MEMBER BROWN: Aye.

BOARD SECRETARY HOPPER: Rob Feckner?

BOARD MEMBER FECKNER: Aye.

BOARD SECRETARY HOPPER: Frank Ruffino for Fiona Ma?

ACTING BOARD MEMBER RUFFINO: Aye.
BOARD SECRETARY HOPPER: Lisa Middleton?
BOARD MEMBER MIDDLETON: Aye.
BOARD SECRETARY HOPPER: David Miller?
BOARD MEMBER MILLER: Aye.
BOARD SECRETARY HOPPER: Stacie Olivares?
BOARD MEMBER OLIVARES: Aye.
BOARD SECRETARY HOPPER: Michelle Mitchell for Eraina Ortega?
ACTING BOARD MEMBER MITCHELL: Aye.
BOARD SECRETARY HOPPER: Jason Perez?
BOARD MEMBER PEREZ: Aye.
BOARD SECRETARY HOPPER: Ramon Rubalcava?
BOARD MEMBER RUBALCAVA: Aye.
BOARD SECRETARY HOPPER: Theresa Taylor?
VICE PRESIDENT TAYLOR: Aye.
BOARD SECRETARY HOPPER: Shawnda Westly?
BOARD MEMBER WESTLY: Aye.
BOARD SECRETARY HOPPER: Lynn Paquin for Betty Yee?
ACTING BOARD MEMBER PAQUIN: Aye.
BOARD SECRETARY HOPPER: All ayes, Mr. President.
PRESIDENT JONES: Okay. Thank you, Ms. Hopper Continue, Mr. Feckner.
BOARD MEMBER FECKNER: Thank you.
The Committee received reports on the following
topics: the Committee received information regarding the 2021 preliminary Health Maintenance Organization and Preferred Provider Organization health plan rates, and the challenges and changes facing the Long-Term Care Program.

The Committee received public comment regarding the appreciation of a thorough presentation and transparency of information, and concerns regarding an increase in long-term care rates.

The Chair directed staff to temporarily suspend new long-term care policies and extend COVID-19 cost sharing through December 2020.

At this time, I would like to share some highlights of what to expect at the September PHBC meeting: final HMO and PPO health plan rates will be approved at the July Board of Administration off-site, the Committee will review proposed revisions to the PHBC delegation and the CalPERS Long-Term Care Program competitive strategy; the Committee will also receive an update on mental health, prescription drug spending, and the PPO health plan assessment.

The next meeting of the PHBC is scheduled for September 15th, 2020 in Sacramento, California.

That ends my report, Mr. President.

PRESIDENT JONES: -- committee meeting so -- thank you. So there was no Finance and Administration
Committee meeting, so we move to Performance, Compensation and Talent Management Committee. For that, I call on the Chair, Mr. Feckner.

BOARD MEMBER FECKNER: Thank you, Mr. President. The Performance, Compensation and Talent Management Committee met on June 16th, 2020. The Committee recommends and I move the Board approve the following:

Agenda Item 6a, annual review 2021 -- 2020-2021 incentive metrics. Approve the fiscal year 2020, to '21 incentive metrics.

You're muted, President.

PRESIDENT JONES: Go ahead. We'll take them both together, Mr. Feckner.

BOARD MEMBER FECKNER: Very good.

BOARD MEMBER BROWN: Separate.

PRESIDENT JONES: Unless someone asks for a separation. Okay. Let's -- okay. Then we won't take them together.

Ms. Hopper, roll call, please, on Item 6a.

BOARD SECRETARY HOPPER: Margaret Brown?

BOARD MEMBER BROWN: I'd like to propose an alternate motion.

PRESIDENT JONES: Is there a second?

BOARD MEMBER BROWN: Mr. Jones -- no. I have to give you my motion. Thank you. Correct?
PRESIDENT JONES: Yeah. And see if we get a second.

BOARD MEMBER BROWN: Thank you. I'd -- yeah, I'd like to see -- I'd like to send this incentive metric plan back based on public comment. I'd like to have us include something on health care in the incentive metrics. I also think they're a little bit confusing, so I'd like to send this back to the Committee and not approve at this time, so we can take a look at having a health care metric in there.

Thank you.

PRESIDENT JONES: So is there a second on Ms. Brown's motion?

Is there a second on Ms. Brown's motion?
The motion fail for lack of a second.
So proceed, Ms. Hopper.

BOARD SECRETARY HOPPER: Margaret brown?

BOARD MEMBER BROWN: No.

BOARD SECRETARY HOPPER: Rob Feckner?

BOARD MEMBER FECKNER: Aye.

BOARD SECRETARY HOPPER: Frank Ruffino for Fiona Ma?

ACTING BOARD MEMBER RUFFINO: Aye.

BOARD SECRETARY HOPPER: Lisa Middleton?

BOARD MEMBER MIDDLETON: Aye.
BOARD SECRETARY HOPPER: David Miller?
BOARD MEMBER MILLER: Aye.
BOARD SECRETARY HOPPER: Stacie Olivares?
BOARD MEMBER OLIVARES: Aye.
BOARD SECRETARY HOPPER: Michelle Mitchell for Eraina Ortega?
ACTING BOARD MEMBER MITCHELL: Aye.
BOARD SECRETARY HOPPER: Jason Perez?
BOARD MEMBER PEREZ: Aye.
BOARD SECRETARY HOPPER: Ramon Rubalcava?
BOARD MEMBER RUBALCAVA: Aye.
BOARD SECRETARY HOPPER: Theresa Taylor?
VICE PRESIDENT TAYLOR: Aye.
BOARD SECRETARY HOPPER: Shawnda Westly?
BOARD MEMBER WESTLY: Aye.
BOARD SECRETARY HOPPER: Lynn Paquin for Betty Yee?
ACTING BOARD MEMBER PAQUIN: Aye.
BOARD SECRETARY HOPPER: Mr. President, I have 11 ayes and one no made by Margaret Brown.
PRESIDENT JONES: Okay. The item passes.
Okay. So continue on Mr. Feckner.
BOARD MEMBER FECKNER: Thank you.
Agenda Item 6b 2020 to 2021 incentive plan of the Chief Investment -- Executive Officer. Approve the fiscal
year 2020 to 2021 incentive plan for the CEO.

PRESIDENT JONES: On the motion of the Committee.

Roll call, Ms. Hopper.

BOARD SECRETARY HOPPER: Item 6b. Margaret Brown?

BOARD MEMBER BROWN: No.

BOARD SECRETARY HOPPER: Rob Feckner?

BOARD MEMBER FECKNER: Aye.

BOARD SECRETARY HOPPER: Frank Ruffino for Fiona Ma?

ACTING BOARD MEMBER RUFFINO: Aye.

BOARD SECRETARY HOPPER: Lisa Middleton?

BOARD MEMBER MIDDLETON: Aye.

BOARD SECRETARY HOPPER: David Miller?

BOARD MEMBER MILLER: Aye.

BOARD SECRETARY HOPPER: Stacie Olivares?

BOARD MEMBER OLIVARES: Aye.

BOARD SECRETARY HOPPER: Michelle Mitchell for Eraina Ortega?

ACTING BOARD MEMBER MITCHELL: Aye.

BOARD SECRETARY HOPPER: Jason Perez?

BOARD MEMBER PEREZ: Aye.

BOARD SECRETARY HOPPER: Ramon Rubalcava?

BOARD MEMBER RUBALCAVA: Aye.

BOARD SECRETARY HOPPER: Theresa Taylor?
VICE PRESIDENT TAYLOR: Aye.
BOARD SECRETARY HOPPER: Shawnda Westly?
BOARD MEMBER WESTLY: Aye.
BOARD SECRETARY HOPPER: Lynn Paquin for Betty Yee?
ACTING BOARD MEMBER PAQUIN: Aye.
BOARD SECRETARY HOPPER: Mr. President, 11 ayes, one no made by Margaret Brown.
PRESIDENT JONES: Okay. Thank you.
Continue on, Mr. Feckner.
BOARD MEMBER FECKNER: Thank you.
The Committee heard public comment on the following topics, metrics and incentives.
The Chair directed staff to: provide information to the Committee regarding how base pay was determined to calculate incentive awards when furloughs were in effect; provided information to the Committee regarding the reference to other methods in the customer service incentive metric; provide information to the Committee regarding the survey questions utilized in the customer service incentive metrics; work with the consultant to review the enterprise operational effectiveness metric.
At this time, I would like to share some highlights of what to expect at the September Performance, Compensation and Talent Management Committee meeting. The
Committee will conduct the annual performance review of the Chief Executive Officer. The Committee will receive information on the inclusion of the Chief Investment Officer position in the long-term care incentive program -- the long-term incentive program. The Committee will hear the finalist selection by the subcommittee for the Board's primary executive and investment consultant -- compensation consultant Request for Proposal.

The next meeting of the Performance, Compensation and Talent Management Committee is scheduled for September 15th, 2020 in Sacramento, California.

Thank you, Mr. President.

PRESIDENT JONES: Okay. Thank you, Mr. Feckner.

We need to go back, because we had a request to -- from the public to speak on I think it's 8a.

Mr. Fox.

STAKEHOLDER RELATIONS CHIEF FOX: 8b.

PRESIDENT JONES: 8b.

STAKEHOLDER RELATIONS CHIEF FOX: 8b. Mr. Chair.

PRESIDENT JONES: Okay. So someone said that 8a also was a request, so I'll refer to you, Mr. Fox, on who's waiting to speak on what.

STAKEHOLDER RELATIONS CHIEF FOX: Thank you, Mr. Chair. On Item 8b, the first commenter is Amy Valdez.

MS. VALDEZ: Hello, Mr. Chairman and members of
the CalPERS Board. My name is Amy Valdez. And each year the CalPERS Board negotiates our health care premiums that we pay for the upcoming year. The premiums have been rising so much faster than the CPI. And over the past few years, we’ve been in conversation with our members at Local 1000, as -- all about the process. And we’ve heard from a lot of members over 600 stories about how they suffer from economic security and rising costs of health care.

I'm speaking today to request that you continue negotiating with health care companies to find a way to keep cost increases to a minimum. Right now, State workers are being asked to reduce their compensation by up to ten percent and health care companies should be looking at reducing their overall insurance rates by a significant amount, both to help State workers and to help the State of California.

I know last time we were furloughed, I had to make choices on what therapies my son with autism would have because of the copays. And it came down to a choice of food on the table versus all of the therapies he should have to maintain for what could we go -- what could we continue to do to keep him going.

And as a strong member-led union at Local 1000 thousand, we're standing up to say don't raise our rates.
We all -- we join all the workers of California that are fighting back against these out-of-control increases in our health care premiums while the CEOs are earning millions of dollars.

Thank you very much for the time.

PRESIDENT JONES: Okay. Mr. Fox, are there any other public to speak on any of the items we missed -- that we passed?

STAKEHOLDER RELATIONS CHIEF FOX: Yes. Mr. Chair, we have a couple more on 8b. The next caller is Al Darby.

MR. DARBY: Al Darby, RPEA, Mr. Chair, Committee -- Board, I should say. While the preliminary rates that are proposed this time around are more realistic in the past, excess profits recently reported by insurers strongly suggest that better rates are attainable. Always in the past insurers were urged to come back with lower final rates after the preliminary rates were issued the month before.

I believe this is still an appropriate practice given the new high profit information we've just received. Thank you. Al Darby.

PRESIDENT JONES: Thank you for your comments. Mr. Fox.

STAKEHOLDER RELATIONS CHIEF FOX: Mr. Chair, the
next caller -- not sure about the pronunciation here. Dev Berger.

MS. BERGER: Good afternoon. Good afternoon. This is Dev Burger and I'm a retiree. Yesterday, during the PHBC meeting, it was reported that in light of the budget deficit that Blue Shield, Sharp, and Western Health Advantage are going to provide CalPERS with concessions. But the question is why is the health plan that has the largest CalPERS membership at 45 percent, that being Kaiser, and also has a massive cash reserve of $37 billion, of which 25 billion is cash is not making any concessions.

It seems questionable that with such a massive reserve from huge profits that Kaiser should at least tell CalPERS members and the Board why they're not making any concessions. And so that is what I'm respectfully requesting that the staff and the Board get a formal response on why Kaiser is not making any concessions.

Thank you.

PRESIDENT JONES: Thank you for your comments. And I think at our July meeting, staff could be prepared to expound upon that comment.

Any one else, Mr. Fox?

STAKEHOLDER RELATIONS CHIEF FOX: Mr. Chair, we have one more commenter on Item 8b, Bobby Roy.
MR. ROY: Hello, Mr. Chair and members of the Board of Administration. My name is Bobby Roy. I am --

PRESIDENT JONES: I can't --

MR. ROY: (inaudible) a member in SEIU Local 1000. I am speaking today to request that you continue negotiating with the health care companies to find a way to keep cost increases to a minimum. SEIU, as we continue to meet with our members and speak with them about the process of the Board annually negotiating the health care premiums that we pay for the upcoming year, we hear hundreds of stories that members are suffering from economic insecurity, as well as the rising cost of health care.

One of those stories is of my God Child, who was diagnosed with Type 1 diabetes at the age of 2. They are 14 now, and for them health insurance has not just been a benefit, it has been and continues to be a life line. We see and feel the rising health care premiums. And increases of health care premiums also cost the State hundreds of millions of dollars.

California is facing a $54 billion budget deficit. State workers like myself are being asked to reduce our compensation by up to ten percent, yet health insurance companies have to look at reducing their overall insurance rates by a significant amount to help both. All
should give some, none should give all.

SEIU stands to say don't raise our rates. We join with all California workers to fight back against out-of-control health insurance increases, while these CEOs are earning millions of dollars. Our working families deserve to be provided every opportunity to have quality affordable health care. And we stand with you and we stand together, CalPERS and Local 1000, because we have the capability to have a profound effect on the entire State and keep increases to a minimum.

Thank you.

PRESIDENT JONES: Thank you for your comments and I just want to indicate that the Board and staff continue to pursue any vehicle or mechanism we can to keep those rates down as much as possible. So we are certainly in that camp also.

Mr. Fox.

STAKEHOLDER RELATIONS CHIEF FOX: That concludes public comment on Item 8b, Mr. Chair.

PRESIDENT JONES: Okay. Then I missed Ms. Olivares on 8 -- was it 8a, Ms. Olivares?

BOARD MEMBER OLIVARES: (Nods head.)

PRESIDENT JONES: Okay. Ms. Olivares

BOARD MEMBER OLIVARES: You got my reminders.

Thank you, Mr. Chair.
(Laughter.)

BOARD MEMBER OLIVARES: So I wanted to thank you, Mr. President, and I wanted to thank you Ms. Vice President, and then also Ms. Frost for your comments earlier. As we really think through the current events and past events, I'm sure we're all aware that much of our global capital markets are predicated on institutional racism. We look at how our markets started, that's where it begins. So diversity and inclusion isn't enough. It's a start, but it's not enough.

We need to work with our global partners to reimagine the structure of our capital system. As investment firms reevaluate how they do business, CalPERS must do so as well. And I look forward to discussing this more in our July meeting and our September meeting.

Thank you.

PRESIDENT JONES: Okay. Thank you for your comments, Ms. Olivares. Okay. So that's the -- I think I covered -- Ms. Taylor.

VICE PRESIDENT TAYLOR: Thank you, Mr. Jones.

I wanted to thank our commenters on 8b. And Mr. Jones, thank you for following those comments as well. I just wanted to make sure that we continue to ask staff, Mr. Moulds, Ms. Frost, to continue to look at ways that we can leverage those companies to bring those costs down. I
don't think it was well explained about what those -- what those cost benefits they were going to give us in terms of percentages or anything like that. It was -- some of it was, some of it wasn't. But in any event, I feel everybody's pain what they're talking about, especially when it hits the news that the insurance carriers are, you know, taking home -- the CEOs are taking home millions of dollars, and the hospital -- our providers were bailed out, and they're paying their CEOs with that bailout money.

So I think it's very important we figure out a way, because we're not going to be the only ones as State workers that get a ten percent pay cut. I can guarantee you there is going to be furloughs throughout our counties and cities too. So we need to really evaluate how we can get them to take a haircut too, rather than just the employees, because it hurts the State of California ultimately. They pay parts of our premium, a large portion of our premium, so it's important that they give it to -- give the premium cut as a whole premium cut, not just an administrative fee cut.

So I'm asking that we look into how we can do that. Thank you, Mr. Jones.

PRESIDENT JONES: Okay. Thank you. Mr. Perez, did you want to comment on 8d?
BOARD MEMBER PEREZ: Yes, please.

PRESIDENT JONES: Okay. Mr. Perez.

BOARD MEMBER PEREZ: That's the competition and the incentive package. It would be great if eventually when we can continue looking forward now at compensating our team members whom work there tail off, and they're doing a fantastic job, if we can maybe look at increasing their base salary as opposed to higher incentives. I've said it before and it's true today, you get what you pay for. So let's increase their base and keep them here, and maybe we can remember that for next time, pretty please.

PRESIDENT JONES: Okay. Thank you.

And the chair of the Performance and Comp, Mr. Feckner, you heard that. So as we look -- go forward with your future meetings, take into consideration Mr. Perez's comment.

Okay. Thank you. We now will move to -- we have public request to speak on 8e, which is the one coming up, which is the Risk and Audit Committee, so why don't -- Mr. Fox, do we have someone to speak on this before we take action?

CHIEF EXECUTIVE OFFICER FROST: Mr. President, I think --

STAKEHOLDER RELATIONS CHIEF FOX: Mr. Chair --

CHIEF EXECUTIVE OFFICER FROST: Mr. President, I
think you have Ms. Middleton who also wishes to speak or make comment.

    PRESIDENT JONES: Okay. Yes, I see that now.
    Ms. Middleton and -- yes, Ms. Middleton.
    BOARD MEMBER MIDDLETON: Great. Thank you, Mr. President. I want to second the comments of Mr. Perez. I believe as a public employer, admittedly a unique public employer, our compensation packages should be weighted towards salary not towards performance bonuses.

    PRESIDENT JONES: Okay. Thank you. Okay. And for the Board members purpose is that I do have a request to separate Mr. Miller items 6a and 6b, so we will be voting on those separately.

    So but back to Mr. Fox. Do you have a public comment request on this one, Mr. Fox?

    STAKEHOLDER RELATIONS CHIEF FOX: Mr. Chair, not on E. We have comments for 8f.

    PRESIDENT JONES: Okay. Alrighty. Okay. Mr. Miller, we will now call on you for the Risk and Audit Committee as the Chair for your report.

    BOARD MEMBER MILLER: Thank you, Mr. President.

    The Risk and Audit Committee met on June 17th, 2020. The Committee recommends and I move the Board approve the following, and we'll take these separately.

    So the first one is Agenda Item 6a, the 2020
through 2021 Office of Audit Services plan and the motion
is to approve the 2020 to 2021 Office of Audit Services
Plan. And so I'll ask Ms. Hopper to call the roll.

PRESIDENT JONES: Ms. Hopper. Okay. On the
motion of the Committee, Ms. Hopper, please.

BOARD SECRETARY HOPPER: Margaret Brown?

BOARD MEMBER BROWN: I'd like to propose a
substitute motion. That motion is that we approve the
audit plan with the amendment to include the audits on
consent closed session.

PRESIDENT JONES: Okay. There's been a --

BOARD MEMBER PEREZ: I'll second.

PRESIDENT JONES: It's been moved and second.

Moved by Ms. Brown, second by Mr. Perez to include
additional information. I'll have you restate that.

Would you restate that Ms. Brown.

BOARD MEMBER BROWN: Yes, to include the audit
reports on consent closed session.

PRESIDENT JONES: Okay. We'll take a vote on
that first. Ms. Hopper, would you please call the roll on
that substitute motion.

BOARD SECRETARY HOPPER: Okay. Margaret Brown?

BOARD MEMBER BROWN: Aye.

BOARD SECRETARY HOPPER: Rob Feckner?

BOARD MEMBER FECKNER: Aye.
BOARD SECRETARY HOPPER: Frank Ruffino for Fiona Ma?

ACTING BOARD MEMBER RUFFINO: Aye.

BOARD SECRETARY HOPPER: Lisa Middleton?

BOARD MEMBER MIDDLETON: No.

BOARD SECRETARY HOPPER: David Miller?

BOARD MEMBER MILLER: No.

BOARD SECRETARY HOPPER: Stacie Olivares?

BOARD MEMBER OLIVARES: Aye.

BOARD SECRETARY HOPPER: Michelle Mitchell for Eraina Ortega?

ACTING BOARD MEMBER MITCHELL: Aye.

BOARD SECRETARY HOPPER: Jason Perez?

BOARD MEMBER PEREZ: Aye.

BOARD SECRETARY HOPPER: Ramon Rubalcava?

BOARD MEMBER RUBALCAVA: Yes.

BOARD SECRETARY HOPPER: Theresa Taylor?

VICE PRESIDENT TAYLOR: Aye.

BOARD SECRETARY HOPPER: Shawnda Westly?

BOARD MEMBER WESTLY: Aye.

BOARD SECRETARY HOPPER: Lynn Paquin for Betty Yee?

ACTING BOARD MEMBER PAQUIN: Aye.

BOARD SECRETARY HOPPER: Mr. President on the substitution motion from Margaret Brown, seconded by Jason
Perez, I have ten ayes, two noes. The First no is Lisa Middleton, the second no was David Miller.

PRESIDENT JONES: So the substitute motion passes. So thank you for that.

We now move to -- you got that clear, Ms. Frost, what that substitute motion is?

CHIEF EXECUTIVE OFFICER FROST: Yes.

PRESIDENT JONES: Okay. All right. Then we go to Item 6b, Mr. Miller.

BOARD MEMBER MILLER: Oh, don't we have to -- okay. Okay. So Item 6b the independent auditor's annual plan. The motion is to approve the independent auditor's annual plan.

PRESIDENT JONES: On the motion of the Committee. Ms. Hopper, please.

BOARD SECRETARY HOPPER: Margaret Brown?

BOARD MEMBER BROWN: Aye.

BOARD SECRETARY HOPPER: Rob Feckner?

BOARD MEMBER FECKNER: Aye.

BOARD SECRETARY HOPPER: Frank Ruffino for Fiona Ma?

ACTING BOARD MEMBER RUFFINO: Aye.

BOARD SECRETARY HOPPER: Lisa Middleton?

BOARD MEMBER MIDDLETON: Aye.

BOARD SECRETARY HOPPER: David Miller?
BOARD MEMBER MILLER: Aye.
BOARD SECRETARY HOPPER: Stacie Olivares?
BOARD MEMBER OLIVARES: Aye.
BOARD SECRETARY HOPPER: Michelle Mitchell for Eraina Ortega?
ACTING BOARD MEMBER MITCHELL: Aye.
BOARD SECRETARY HOPPER: Jason Perez?
BOARD MEMBER PEREZ: Aye.
BOARD SECRETARY HOPPER: Ramon Rubalcava?
BOARD MEMBER RUBALCAVA: Aye.
BOARD SECRETARY HOPPER: Theresa Taylor?
VICE PRESIDENT TAYLOR: Aye.
BOARD SECRETARY HOPPER: Shawnda Westly?
BOARD MEMBER WESTLY: Aye.
BOARD SECRETARY HOPPER: Lynn Paquin for Betty Yee?
ACTING BOARD MEMBER PAQUIN: Aye.
BOARD SECRETARY HOPPER: Mr. President, I have 12 ayes.
PRESIDENT JONES: Okay. Thank you, Ms. Hopper. Okay. Continue, Mr. Miller.
BOARD MEMBER MILLER: The Committee received reports on the following topics: enterprise compliance activity status report and the 2019 through 2020 annual compliance report.
The Chair directed staff to prepare for the Committee at the next closed session meeting an information item regarding the provision of additional information on substantiated ethics helpline complaints.

At this time, I would like to share some highlights of what to expect at the November Risk and Audit Committee meeting: the independent auditor's report for fiscal years 2019 through 2020; the review of the independent auditor's management letter; the selection of the independent financial statement auditor; the third-party valuation and certification of the 2019 annual valuations of the Judges' Retirement System, Judges' Retirement System II, Legislators' Retirement System, and the 1959 Survivor Benefit Program; and finally, the enterprise risk management framework review.

The next meeting of the Risk and Audit Committee is scheduled for November 18th, 2020 in Sacramento, California.

And that concludes my report.

PRESIDENT JONES: Thank you, Mr. Miller.

Ms. Brown, you just have comment. Are you asking for a comment now or that was previous.

BOARD MEMBER BROWN: (Shakes head.)

PRESIDENT JONES: Okay. Thank you. Okay. So we now go to Item 8f. And I understand we do have public
comment on 8f. Mr. Fox.

STAKEHOLDER RELATIONS CHIEF FOX: Yes, Mr. Chair.
We have one individual for comment. Mr. Tim Behrens.

MR. BEHRENS: President Jones, I was wondering if you could read the final action item, because it wasn't finished during your Committee this morning.

PRESIDENT JONES: Okay. Approve and adopt the proposed changes to the Board Travel Policy as presented in the agenda item with the following exception: on page two of Attachment 1 replace the words "approved by" with the words, "two weeks prior notice to", so that the full paragraph reads as follows, "Board member travel within California and attendance at any event within California with a registration fee less than $500 requires two weeks prior notice to the Board President, or in his or her absence in cases involving the Board President's in-state or attendance at an event, the Vice President".

BOARD MEMBER MIDDLETON: Mr. President, if I could, there was a correction to what you just read. I do have the correction, if I could read it.

PRESIDENT JONES: Okay. Please. Okay.

BOARD MEMBER MIDDLETON: Thank you. Approve -- Agenda Item 5a, approve an adopt the proposed changes to the Board Travel Policy as presented in a -- in the agenda item with the following exception, on page two of
Attachment 1 replace the words "approved by" with the words to "two weeks prior notice, if possible, with an explanation when it is not possible to do so". And now the full paragraph reads, "Board member travel within California and attendance at any event within California with a registration fee of less than $500 requires two weeks prior notice, if possible with an explanation when it is not possible, to the Board President or in his/her absence, and in cases involving the Board President's in-State travel or attendance, the Vice President".

Thank you, Mr. President.

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

Mr. Behrens.

MR. BEHRENS: Yes, sir. Can you hear me?

PRESIDENT JONES: Yes.

MR. BEHRENS: Yeah. I just wanted to thank the Committee for a lively debate and a reasonable conclusion that will continue to allow Board members to attend CSR chapter meetings throughout the state. I appreciate that and I urge a yes vote.

Thank you.

PRESIDENT JONES: Okay. So now we will go back to Ms. Middleton for the Board Governance Committee. I ask Ms. Middleton as the Vice Chair of the Board
Governance Committee to now make the motion.

BOARD MEMBER MIDDLETON: All right. Thank you, Mr. President. The Board Governance Committee met on June 17, 2020. The Committee recommends and I move the Board approve the following:

Agenda Item 4b, approve the current CEO delegation resolution as presented in the agenda item.

I believe --

PRESIDENT JONES: On the motion of the Committee. Ms. Hopper, please.

BOARD SECRETARY HOPPER: Margaret Brown?

BOARD MEMBER BROWN: No.

BOARD SECRETARY HOPPER: Rob Feckner?

BOARD MEMBER FECKNER: Aye.

BOARD SECRETARY HOPPER: Frank Ruffino for Fiona Ma?

ACTING BOARD MEMBER RUFFINO: Aye.

BOARD SECRETARY HOPPER: Lisa Middleton?

BOARD MEMBER MIDDLETON: Aye.

BOARD SECRETARY HOPPER: David Miller?

BOARD MEMBER MILLER: Aye.

BOARD SECRETARY HOPPER: Stacie Olivares?

BOARD MEMBER OLIVARES: Aye.

BOARD SECRETARY HOPPER: Michelle Mitchell for Eraina Ortega?
ACTING BOARD MEMBER MITCHELL: Aye.

BOARD SECRETARY HOPPER: Jason Perez?

BOARD MEMBER PEREZ: Aye.

BOARD SECRETARY HOPPER: Ramon Rubalcava?

BOARD MEMBER RUBALCAVA: Aye.

BOARD SECRETARY HOPPER: Theresa Taylor?

VICE PRESIDENT TAYLOR: Aye.

BOARD SECRETARY HOPPER: Shawnda Westly?

BOARD MEMBER WESTLY: Aye.

BOARD SECRETARY HOPPER: Lynn Paquin for Betty Yee?

ACTING BOARD MEMBER PAQUIN: Abstain.

BOARD SECRETARY HOPPER: Mr. President, I have ten aye votes, one no vote by Margaret Brown, one abstain vote by Lynn Paquin for Betty Yee.

PRESIDENT JONES: Thank you, Ms. Hopper. The item passes.

Ms. Middleton.

BOARD MEMBER MIDDLETON: Okay. Mr. President is it your pleasure that I read Agenda Item 5a again.

PRESIDENT JONES: Yes.

BOARD MEMBER MIDDLETON: All right. Thank you. Agenda Item 5a, approve and adopt the proposed changes to the Board Travel Policy as presented in the agenda item with the following exception. On page two of Attachment 1
replace the words "approved by" with the words "two weeks prior notice, if possible, with an explanation when it is not possible to do so", so that the full paragraph now reads, "Board member travel within California and attendance at any event within California with a registration fee less than $500 requires two weeks prior notice, if possible with an explanation when it is not possible, to the Board President, or in his/her absence, and in cases involving the President's in-state attendance at an event, the Vice President".

Thank you, Mr. President.


Ms. Hopper, please.

BOARD SECRETARY HOPPER: Margaret Brown?

BOARD MEMBER BROWN: No.

BOARD SECRETARY HOPPER: Rob Feckner?

BOARD MEMBER FECKNER: Aye.

BOARD SECRETARY HOPPER: Frank Ruffino for Fiona Ma?

ACTING BOARD MEMBER RUFFINO: Aye.

BOARD SECRETARY HOPPER: Lisa Middleton?

BOARD MEMBER MIDDLETON: Aye.

BOARD SECRETARY HOPPER: David Miller?

BOARD MEMBER MILLER: Aye.
BOARD SECRETARY HOPPER: Stacie Olivares?
BOARD MEMBER OLIVARES: No.
BOARD SECRETARY HOPPER: Michelle Mitchell for Eraina Ortega?
ACTING BOARD MEMBER MITCHELL: Aye.
BOARD SECRETARY HOPPER: Michelle, was that an aye?
ACTING BOARD MEMBER MITCHELL: Yes.
BOARD SECRETARY HOPPER: Okay. Thank you.
Jason Perez?
BOARD MEMBER PEREZ: No.
BOARD SECRETARY HOPPER: Ramon Rubalcava?
BOARD MEMBER RUBALCAVA: Aye.
BOARD SECRETARY HOPPER: Theresa Taylor?
VICE PRESIDENT TAYLOR: Aye.
BOARD SECRETARY HOPPER: Shawnda Westly?
BOARD MEMBER WESTLY: Aye.
BOARD SECRETARY HOPPER: Lynn Paquin for Betty Yee?
ACTING BOARD MEMBER PAQUIN: Aye.
BOARD SECRETARY HOPPER: Mr. President, that is nine ayes, three noes. The first no, Margaret Brown; second no, Stacie Olivares; last no, Jason Perez.
PRESIDENT JONES: Thank you, Ms. Hopper.
Continue, Ms. Middleton.
BOARD MEMBER MIDDLETON: All right. Thank you, Mr. President.

The next meeting of the Board Governance Committee is tentatively scheduled for September 16, 2020 in Sacramento, California.

Thank you.

PRESIDENT JONES: Okay. Thank you.

Mr. Fox, are there any other members of the public wishing to speak on these items before we move on?

STAKEHOLDER RELATIONS CHIEF FOX: No, Mr. Chair. The only two remaining Items are 9c and 10a.

PRESIDENT JONES: Okay. 9c, okay. Okay. Very good. Okay. We are -- now, we'll move to the next item -- action agenda items, proposed decisions of administrative law judges. And I want to, first of all, ask if Mr. Chirag Shah is he on the phone, Ms. Hopper?

CONFERENCE MODERATOR: Yes, Chirag should be able to share his audio.

PRESIDENT JONES: Okay. Thank you.

MR. SHAH: Hi.

PRESIDENT JONES: Okay. Thank you, Mr. Shah. Okay. So then we have a request to separate -- before I call on you, Ms. Taylor, we have a request to separate 9a2 and vote on that separately. So when you
make your motion, would you take that one out and take a separate motion on that? Ms. Taylor, I ask the Vice President to read the motion on this, please.

VICE PRESIDENT TAYLOR: Sure. Thank you, Mr. President.

So catch me if I do this wrong, because I might just read it anyway.

(Laughter.)

VICE PRESIDENT TAYLOR: I move to adopt the proposed decisions at Agenda Items 9a1, 9a3 through 9 as the Board's own decisions with the minor modifications argued by staff to Agenda Items 9a5 and 6. 9a2 will be pulled.

PRESIDENT JONES: Okay. We need a second on this.

BOARD MEMBER MILLER: Seconded.

PRESIDENT JONES: Second by Mr. Miller.

Mrs. Hopper.

BOARD SECRETARY HOPPER: Margaret Brown?

BOARD MEMBER BROWN: Aye.

BOARD SECRETARY HOPPER: Rob Feckner?

BOARD MEMBER FECKNER: Aye.

BOARD SECRETARY HOPPER: Frank Ruffino for Fiona Ma?

ACTING BOARD MEMBER RUFFINO: Aye.
BOARD SECRETARY HOPPER: Lisa Middleton?
BOARD MEMBER MIDDLETON: Aye.
BOARD SECRETARY HOPPER: David Miller?
BOARD MEMBER MILLER: Aye.
BOARD SECRETARY HOPPER: Stacie Olivares?
BOARD MEMBER OLIVARES: Aye.
BOARD SECRETARY HOPPER: Michelle Mitchell for Eraina Ortega?
ACTING BOARD MEMBER MITCHELL: Aye.
BOARD SECRETARY HOPPER: Jason Perez?
BOARD MEMBER PEREZ: Aye.
BOARD SECRETARY HOPPER: Ramon Rubalcava?
BOARD MEMBER RUBALCAVA: Aye.
BOARD SECRETARY HOPPER: Theresa Taylor?
VICE PRESIDENT TAYLOR: Aye.
BOARD SECRETARY HOPPER: Shawnda Westly?
BOARD MEMBER WESTLY: Aye.
BOARD SECRETARY HOPPER: Lynn Paquin for Betty Lynn?
ACTING BOARD MEMBER PAQUIN: Aye.
BOARD SECRETARY HOPPER: Mr. President, that is 12 ayes. And if you could reiterate the motion, is that 9a1 through 9a9?
VICE PRESIDENT TAYLOR: No, Pam.
PRESIDENT JONES: No.

VICE PRESIDENT TAYLOR: Listen, it's 9a1, 3 --

BOARD SECRETARY HOPPER: Uh-huh.

VICE PRESIDENT TAYLOR: -- 3 through 9 --

BOARD SECRETARY HOPPER: 3 through 9.

VICE PRESIDENT TAYLOR: -- with the minor

modifications argued by staff to Agenda Items 9a5 and 6,

with 9a2 pulled.

PRESIDENT JONES: Okay.

BOARD SECRETARY HOPPER: Okay. Thank you.

PRESIDENT JONES: You're welcome.

Now, we will go to 9a2, Ms. Taylor.

VICE PRESIDENT TAYLOR: Yes. I would like to

move to adopt the proposed decision at Agenda Item 9a2

with the minor modifications argued by staff to the Agenda

item 9a2. And I need a second and then I guess we can

discuss it.

PRESIDENT JONES: Okay. Do we have a second?

BOARD MEMBER BROWN: Second

PRESIDENT JONES: Ms. Brown, was that you?

BOARD MEMBER BROWN: Second.


Ms. Brown. Okay. So comment, Michelle, is this your

request?

ACTING BOARD MEMBER MITCHELL: Yes. I'm just
going to abstain from voting on this one.

VICE PRESIDENT TAYLOR:  Okay.

PRESIDENT JONES:  Can hear her?

VICE PRESIDENT TAYLOR:  Yeah, she said she's abstaining.

PRESIDENT JONES:  Oh.  Okay.  Okay.  So then we could go ahead and it's been moved and was it second by someone?

VICE PRESIDENT TAYLOR:  Yeah, Margaret.

PRESIDENT JONES:  Margaret, that's right.  Okay.  So, Ms. Hopper, on the motion.

VICE PRESIDENT TAYLOR:  Do we have any discussion on this since it was pulled?

PRESIDENT JONES:  She just -- she just said that she wants to abstain.

VICE PRESIDENT TAYLOR:  Oh, is that why we pulled it.  Okay.  Got it.

(Laughter.)

PRESIDENT JONES:  Ms. Hopper.

BOARD SECRETARY HOPPER:  Margaret Brown?

BOARD MEMBER BROWN:  Aye.

BOARD SECRETARY HOPPER:  Rob Feckner?

BOARD MEMBER FECKNER:  Aye.

BOARD SECRETARY HOPPER:  Frank Ruffino for Fiona Ma?
ACTING BOARD MEMBER RUFFINO: Aye.

BOARD SECRETARY HOPPER: Lisa Middleton?
BOARD MEMBER MIDDLETON: Aye.

BOARD SECRETARY HOPPER: David Miller?
BOARD MEMBER MILLER: Aye.

BOARD SECRETARY HOPPER: Stacie Olivares?
BOARD MEMBER OLIVARES: Aye.

BOARD SECRETARY HOPPER: Michelle Mitchell for Eraina Ortega?

ACTING BOARD MEMBER MITCHELL: Abstain.

BOARD SECRETARY HOPPER: Jason Perez?
BOARD MEMBER PEREZ: Aye.

BOARD SECRETARY HOPPER: Ramon Rubalcava?
BOARD MEMBER RUBALCAVA: Aye.

BOARD SECRETARY HOPPER: Theresa Taylor?
VICE PRESIDENT TAYLOR: Aye.

BOARD SECRETARY HOPPER: Shawnda Westly?
BOARD MEMBER WESTLY: Aye.

BOARD SECRETARY HOPPER: Lynn Paquin for Betty Yee?

ACTING BOARD MEMBER PAQUIN: Aye.

BOARD SECRETARY HOPPER: Mr. President, that is on 9a2 made by Theresa Taylor, seconded by Margaret Brown.

PRESIDENT JONES: Okay. Thank you very much.
So now we would ask Ms. Taylor to make a motion
on 9b, petitions for reconsideration.

VICE PRESIDENT TAYLOR: Perfect. So I move to deny the petitions for reconsideration at Agenda Items 9b1 through 3.

PRESIDENT JONES: Do we have a second?

BOARD MEMBER MILLER: I'll second it.

PRESIDENT JONES: Second by Mr. Miller.

Ms. Hopper, please.

BOARD SECRETARY HOPPER: Margaret Brown?

BOARD MEMBER BROWN: Aye.

BOARD SECRETARY HOPPER: Rob Feckner?

BOARD MEMBER FECKNER: Aye.

BOARD SECRETARY HOPPER: Frank Ruffino for Fiona Ma?

ACTING BOARD MEMBER RUFFINO: Aye.

BOARD SECRETARY HOPPER: Lisa Middleton?

BOARD MEMBER MIDDLETON: Aye.

BOARD SECRETARY HOPPER: David Miller?

BOARD MEMBER MILLER: Aye.

BOARD SECRETARY HOPPER: Stacie Olivares?

BOARD MEMBER OLIVARES: Aye.

BOARD SECRETARY HOPPER: Michelle Mitchell for Eraina Ortega?

ACTING BOARD MEMBER MITCHELL: Aye.

BOARD SECRETARY HOPPER: Jason Perez?
BOARD MEMBER PEREZ: Aye.
BOARD SECRETARY HOPPER: Ramon Rubalcava?
BOARD MEMBER RUBALCAVA: Aye.
BOARD SECRETARY HOPPER: Theresa Taylor?
VICE PRESIDENT TAYLOR: Aye.
BOARD SECRETARY HOPPER: Shawnda Westly?
VICE PRESIDENT TAYLOR: You're on mute, Shawnda.
BOARD MEMBER WESTLY: Aye.
BOARD SECRETARY HOPPER: Lynn Paquin for Betty Yee?
ACTING BOARD MEMBER PAQUIN: Aye.
BOARD SECRETARY HOPPER: Mr. President, 12 ayes.
PRESIDENT JONES: Thank you, Ms. Hopper.
Okay. The -- thank you, Mr. Shah, for your time and stay safe.
MR. SHAH: Thank you, sir.
PRESIDENT JONES: Okay. All right. We now will move to item 9c. And this is Mr. Brown, is that Danny Brown, Assembly Bill 2365.
CONFERENCE MODERATOR: Danny, you should be able to share your audio and video.
LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: All right. There I am. Good morning -- or I should say good afternoon Mr. President, and Board members. Danny Brown, CalPERS team member. This item is an action item asking
for Board to adopt a support position on Assembly Bill 2365 authored by Assembly Member Rodriguez.

This bill removes the requirement to reinstate a retired member for violations of the working-after-retirement laws, while still allowing reinstatement, if circumstance warrant it.

As noted in the Board item, this change in law would provide the opportunity to resolve these violations more efficiently. Rather than reinstatement, retirees could pay penalties consistent with the amount of time worked in violation. We believe a support position is consistent with our strategic goal of reducing complexity and our overall focus on reducing administrative costs.

The bill does not change the rules and requirements for retired members who work after retirement, such as the 960 hour rule, the 180-day sit-out requirement, or requirements related to pay rate.

This bill has already been passed by the Assembly on its consent calendar and is awaiting action in the Senate.

With that, I'll stop and ask any -- answer any requests you may have.


BOARD MEMBER BROWN: Thank you, Mr. Brown.

I would just like to urge my fellow Board members
to support AB 2365. When we initially saw the employer audit reports that talked about this working after retirement, it was pretty shocking not only the number, but that there was a lot of repetition in certain agencies. I actually heard from quite a few school district folks who had these violations. And a lot of it just stemmed from turnover in payroll and not getting the information out to the employees.

And so I'm really thankful that we have this solution, that financially CalPERS will be made whole, the PERF will be made whole, and that's the most important thing, without doing undue hardship to our members.

Thank you.

PRESIDENT JONES: Okay. This is an action item. Any other comments by the Board?

BOARD MEMBER FECKNER: I so move.

PRESIDENT JONES: Okay. Moved by Mr. Feckner. And second by?


Okay. We do have public comment request on this item. So, Mr. Fox.

STAKEHOLDER RELATIONS CHIEF FOX: Yes, Mr. Chair.

We have one caller Debb Jachens.

MS. JACHENS: Hello. This is Debb Jachens with
California School Employees Association. And I ask for your support on this bill. This bill is a great example of when a group representing retirees works with CalPERS staff on a fix to a problem that negatively affects retirees.

Retirees given bad information from employers that caused them to make errors on the number of hours that they worked. Retirees forced to look to refinance or sell their homes to pay back the funds owed to CalPERS made unreasonable, not by CalPERS, but by the law.

This bill will give relief to those retirees, many which are retired members in California's school employees.

Marcie Frost brought this issue to California School Employees. Marcie, you wanted us to move more quickly than we were able to, but we did move, and we put together AB 2365. It's a bill that goes over each department at CalPERS for a fix with no negative impacts to the fund, a bill that was able to stay alive even during these COVID times, when they were only taking up limited number of bills.

I'd like to thank all the CalPERS staff who helped, Danny Brown, Kelly Fox, Brad Hansen, Anthony Suine, and especially Renee Ostrander. This bill is why we do the work we do. Please support AB 2365.
Thank you.

PRESIDENT JONES: Okay. Mr. Fox, anybody else?

STAKEHOLDER RELATIONS CHIEF FOX: Mr. Chair, that con -- that concludes public comments on Item 9c.

PRESIDENT JONES: Okay. So, Ms. Hopper, please.

BOARD SECRETARY HOPPER: Margaret Brown?

BOARD MEMBER BROWN: Aye.

BOARD SECRETARY HOPPER: Rob Feckner?

BOARD MEMBER FECKNER: Aye.

BOARD SECRETARY HOPPER: Frank Ruffino for Fiona Ma?

ACTING BOARD MEMBER RUFFINO: Aye.

BOARD SECRETARY HOPPER: Lisa Middleton?

BOARD MEMBER MIDDLETON: Aye.

BOARD SECRETARY HOPPER: David Miller?

BOARD MEMBER MILLER: Aye.

BOARD SECRETARY HOPPER: Stacie Olivares?

BOARD MEMBER OLIVARES: Aye.

BOARD SECRETARY HOPPER: Michelle Mitchell for Eraina Ortega?

ACTING BOARD MEMBER MITCHELL: Aye.

BOARD SECRETARY HOPPER: Jason Perez?

BOARD MEMBER PEREZ: Aye.

BOARD SECRETARY HOPPER: Ramon Rubalcava?

BOARD MEMBER RUBALCAVA: Aye.
BOARD SECRETARY HOPPER: Theresa Taylor?
VICE PRESIDENT TAYLOR: Aye.
BOARD SECRETARY HOPPER: Shawnda Westly?
BOARD MEMBER WESTLY: Aye.
BOARD SECRETARY HOPPER: Lynn Paquin for Betty Yee?
ACTING BOARD MEMBER PAQUIN: Aye.
BOARD SECRETARY HOPPER: Mr. President. That's 12 ayes for Item 9c.
PRESIDENT JONES: Thank you, Ms. Hopper.
Okay. Now, we will go to Information Agenda Items, 10a, State and Federal Legislation update. Mr. Brown.

LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Yep. Good afternoon again, Mr. President and Board members.
I know it's probably been a long three days, so I will try to be brief and just touch on a couple items on the State side as well as the federal side.
On the State side, you know that the House or, I should say, the Legislature passed a budget on Monday to meet their constitutional deadline. However, they're still in negotiations with the Governor. We -- over a few items, so we will continue to monitor that progress. We're still waiting for trailer bills to come out. A couple of those trailer bills have to do with, you know,
CalPERS and the supplemental -- repurposing the supplemental funds that the Administration provided us last year.

So again, they're in agreement around the contributions to CalPERS, but they just haven't passed the legislation to enact or effectuate that agreement. So we'll continue to monitor that and keep you posted as that comes about.

As far as our two House -- our two sponsored bills, both of them have passed out of the Assembly. On our private loan disclosure Bill, AB 2473, that was amended. The amendments were included into your -- in the Board item. Those amendments went into print on June 3rd, and those are results of negotiation with the California News Publishers Association, who are neutral on the bill.

As a brief summary, these amendments clarify the exemption for constituent owners of a borrower, narrow the provision related to creditors committees, provide additional disclosure about the amount of money a borrower has paid on a loan, and then provides additional disclosure about whether a loan has been in default for more than six months.

So both of our bills are now in the Senate. We're hopeful that they will move through the Senate, but the Senate has been a little bit more strict about what
bills they hear. But we will be pushing to have both of
our bills move through.

The Legislature is finishing up their house of
origin right now. Assuming they get the budget completed,
they'll take a short summer recess, come back on July 13th
to finish out the second house -- bills in the second
house, and that will conclude August 31st.

On the federal side, I guess I'll just start by
since our last meeting, we did submit a comment letter to
the SEC objecting to a proposed rule entitled,
"Management's Discussion and Analysis, Selected Financial
Data and Supplementary Financial Information". At a very
high level, the proposed rule eliminates disclosures of
basic information upon which investors like CalPERS rely
on to make investment and governance decisions. A copy of
this letter can be found on our website.

And then since I know that State and federal
aid -- or I should say, federal aid to State and local
governments is on the top of everybody's mind. We are
continuing to monitor the action by Congress on the fourth
Stimulus bill and working with our federal representative
and other associations to engage as needed.

Although, the House did pass a $3 trillion
package in the middle of May, the administration and the
Senate were not quick to take any action. They continue
to wait to see how the stimulus -- the third stimulus bill plays out, as well as the reopening of the economy.

Senator McConnell though has now indicated that he's ready to take up a fourth bill, probably some time in July. The dollar amount is still in flux. We know the House, as I mentioned, passed a $3 trillion bill.

The Trump administration recently came out and said they're willing to spend up to two trillion, but Senator McConnell is still at the $1 trillion amount. So we'll continue to monitor that. We do believe -- I mean, I think there is encouraging -- encouraging news that there is bipartisan support for some type of federal aid to State and local governments, despite what you read in the papers about the report between blue state versus red state spending. So I think behind the scenes, they're building support for some kind of aid, but we'll just have to wait to see how much and when that happens.

And with that, I'll stop there and answer any questions you might have on the State or Federal legislation.

PRESIDENT JONES: Okay. Thank you, Mr. Brown.

Ms. Westly.

BOARD MEMBER WESTLY: Thank you. And thank you, Mr. Brown, for your -- for your report. There is something that -- it's not a question, just a comment I
wanted to open up to the Board about. In the central coast, there is an issue with two fire districts who are attempting to consolidate, good governance, achieving economies of scale for that community. And they -- the labor and management have reached an agreement on what the structure should look like.

There's a perceived issue that CalPERS has that the staff has graciously been helping resolve. But it does look like it's going to require legislation. So Assembly Member Stone is authoring that bill. And the language, I think, is done or close to -- close to done.

And so when we meet again in another month, I wanted to ask your indulgence for that bill to come before you to hopefully get the support of the Board. In the consolidation, it's exactly the kind of thing that CalPERS should be helping our members with in order to facilitate.

And so I've asked the -- I've asked Marcie to help get that on the agenda for our next meeting to hopefully take a position.

So I wanted to thank Marcie, and Danny, and also Kelly, and others on the staff who have been helping to navigate the waters here, and hope that we can make this a bill that CalPERS can put their name on. So that will be forthcoming.

PRESIDENT JONES: Okay. So that could be a
discussion for the next meeting, Ms. Frost.

Okay. Ms. Taylor.

VICE PRESIDENT TAYLOR: Thank you, Mr. Jones.

Mr. Brown, thank you for your report. I just had a question on the federal HEROES Act. And you said that we are monitoring it. Are we engaging with anybody? Obviously, Congress already passed their bill. Are we engaging with the Senate, because we do have an interest in this, so I would think as CalPERS we might engage.

LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Well, we are engaged. I mean, we are engaging with the Senate, particularly -- more so probably on some of the health related items and through our associations. I mean, the HEROES Act was dead in the water. The Senate is not going to take it up, but they are negotiating components of it -- or pieces of it.

So some of the things that we feel could be helpful, we're working with Healthcare Roundtable, NCHC, others to try to see if we can get some of those components into whatever the final package may be.

VICE PRESIDENT TAYLOR: So you've already thrown in the towel for what the Senate wants to do rather than pressuring them to do better.

LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: I'm not saying we're throwing in the towel, but there's --
again, we're concentrating on the things that are, you know, I think important to Cal -- or we at least identified as the most important for CalPERS and particularly for the health area.

Obviously, you know, there isn't a lot of the stuff in there around -- a lot of that House and Financial Services items did not get -- did not make it into the bill and they possibly are going to do a separate bill later on.

VICE PRESIDENT TAYLOR: Okay. So you're saying any pension issues or relief for our localities didn't make it or anything like that?

LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Well, there's -- there is federal aid, about $875 billion in federal aid to State and local governments in the HEROES Act. I think it's more of we are taking a behind-the-scenes type of push on federal aid, just because it's so political and around public pension funds, and, you know, red state versus blue state.

VICE PRESIDENT TAYLOR: I disagree. I disagree. I think -- I'm not -- I don't think -- I mean, if we don't talk about pensions, I know that's what the Senate wants to make clear, right, but if we don't talk about pensions, if we don't back -- and I don't know how the rest of my fellow Board members feel. I don't know how Ms. Frost
feels. But if we don't back that $875 billion for State and localities, we're looking at a prolonged recovery, and that hurts all of us.

That doesn't just hurt, you know, a few people. That is the entire state of California, all the localities. That could layoff our police officers, you know, while we're having these conversations, or our firefighters. That could layoff State workers. That impacts the pension fund in and of itself, because you're taking money away from the pension fund.

So I have a -- I have a real problem that we're picking and choosing, and we're not -- and we've thrown in the towel that that $875 billion isn't something that CalPERS should be buying.

I will encourage our members who are listening to this to call their legislators, especially their senators, but in addition, I think CalPERS should have a voice at the table.

LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: And I -- and I -- I mean, I think it's also -- and I guess what I maybe meant to say it's more of a public versus private push, as far as what -- how we're dealing with some of those issues, at least in working through some of the other public pension system -- you know, public pension associations, like NASRA, and NCPERS, and NCTR.
VICE PRESIDENT TAYLOR: Well, that's fine, as long as we're making the push and we're not just ignoring it.

LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: I mean, it is noted and we will -- we will take that advice and direction from the Board obviously on this issue.

VICE PRESIDENT TAYLOR: I just -- I don't know who else agrees with me, but I feel that it's important, because you're impacting -- I got a raised hand there, but you are impacting -- by not pushing that portion of it, you're impacting the pension just because people are not paying into the pension, because they're being laid off.

So I think it's really important that we take a holistic view from the State of California and the economic recovery. How long did it take us to crawl out of 2008? And we have an opportunity right now to pressure the Senate. And how we do that, I don't -- I don't know. If you want to do that with other organizations, that is fine, but CalPERS does have an outside voice, and I think it's important we use it. And I hope that my fellow Board members feel the same.

CHIEF EXECUTIVE OFFICER FROST: Yeah. Ms. Taylor, we -- you know, I hear what you're saying. And what we -- you know, the strategy we're using, you know, as Mr. Brown has indicated, is that it's more -- it's not
more, but it's both public as well as private, working through other institutions. You know, CalPERS on its own -- we need other people saying the same thing that we're saying. Sometimes it makes sense to use CalPERS an individual voice. We believe on this particular matter that it is better for us to pair up with other pension funds. And we have to take into consideration all of the dynamics around this particular bill. I know I've been directly engaged on this. I absolutely agree with you that this is really important, that, you know, this is, you know, helping public employers, municipalities. At the same time, you're helping to do bailouts of airlines. It is really important that we're talking about main street individuals, pensioners, if you will, who had no fault -- there was no fault of theirs that this, you know, economic downturn happened, this financial crisis happened, this health crisis happened.

So we should be given fair and equal weight to any kind of money, any kind of stimulus money that would be made. So our approach has been both public and private, but we do die think that we're stronger with multiple voices in the pension industry.

PRESIDENT JONES: Thank you.

VICE PRESIDENT TAYLOR: Okay. Well, I appreciate that from both of you. And I just want to thank you, but
also state that I think everyone is tired, especially employees. While everybody else gets bailed out, we take pay cuts, and we get laid off. So I think it's important.


BOARD MEMBER MIDDLETON: I want to thank Mr. Brown, Ms. Frost for the work they're doing, and Ms. Taylor for her comments. What I can tell you from being on the frontlines in a municipality is your local cities are being devastated. For cities in particular, who are heavily reliant on sales taxes and hotel taxes, the impact has been overwhelming. I talk to very few colleagues in other cities that are not going through the same thing that we are going through, significant layoffs, frozen positions, individuals on furloughs, early retirements.

(Dog barking.)

BOARD MEMBER MIDDLETON: Even my dog's upset.

The impact on local government will continue to be severe. We are looking at maintenance budgets that are being cut. We are looking at streets that will not be paved. This is going to impact the quality of life, and it is going to impact our economy, and we have to have relief along with everyone else.

Thank you.

PRESIDENT JONES: Okay. Ms. Olivares.

You're muted.
BOARD MEMBER OLIVARES: Thank you. Thank you, Mr. President. My question is about DOL's information letter that was issued on June 3rd. So just for some background, Department of Labor indicated that private equity is not expressly prohibited in 403 plans and 404 ERISA plans. And so defined contribution plans are an $8.9 trillion marketplace. Enormous. And so as we struggle to attract the top performing private equity funds, what do we anticipate the impact will be on CalPERS with more competition?

LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: You know, I don't think we've done that type of an analysis yet. I know that just came out. It's something that we've had a few conversations about, but that's something that we can go and -- at least, I haven't had those conversations. The Investment team may be looking at that, but I -- it hasn't trickled down to me yet, so that --

BOARD MEMBER OLIVARES: Would it be possible -- sorry, go ahead. Would it be possible to get more insight on what DOL plans to do in the future? I assume they're going to provide additional guidance on this, but it would be helpful to better understand what the timeline would be?

CHIEF EXECUTIVE OFFICER FROST: Yeah. Ms.
Olivares, as you know, the Australian plans have been able to add private equity into their defined contribution plans, or superannuation funds for quite some time. I know the system I came from, this is something that they have really been wanting to offer in their hybrid plan, the DC part of their hybrid plan. And I believe that they will now move forward in that capacity, even though that plan was approved as a DB structure, not a DC structure.

So but you're right, I mean, there's going to be more competition around this. The liquidity nature of a DC plan compared to a DB plan. We're long-term holds. You know, I think -- you know you think about the queue of a private equity structure. Hopefully we stay, you know, being that preferred capital provider over time. But I think this is a big change in the landscape for us. We're going to be competing with very large DC structures. So I think we need to spend a little bit of time doing analysis on what we think the competitive environment might look for us right over the next few years.

BOARD MEMBER OLIVARES: Thank you, both.

PRESIDENT JONES: Okay. So that's something, Ms. Frost, that you'll come back to the Board with that kind of analysis, once it's done.

Okay. Mr. Rubalcava.

BOARD MEMBER RUBALCAVA: Thank you, Mr.
President. I also want to join with the concern raised by Ms. Taylor, Vice President Taylor and support by Ms. Middleton and others. Public sector agencies, whether they're districts, or cities, municipalities or counties provides the social fab -- the social services. They're the backbone of the services of the community. And as Ms. Middleton talks firsthand, the loss of sales tax, because of the pandemic, really the crisis, has really devastated public services, not only the essential workers who are working day-in and day-out, because they can't -- they don't have the opportunity to telework in many situations, because they have to be there providing the services. I think we deserve to be providing the support we can through all our apparatuses and abilities that CalPERS can muster in support of the HEROES Act. So I appreciate Ms. Marcie -- Ms. Frost's comments.

So thank you very much. And I, too, would be interested in the -- on the private equity what's happening, because I think what I heard it's going to be in the target day funds where they think they can put it in. And I sit it on a 457 trust fund on the Board, so that was an issue that's going to come up I'm sure at that discussion.

So thank you.

PRESIDENT JONES: Okay. I know we have one
comment from the public. But before I go to the public, I
don't see any other questions from Board, members so I
have one, Mr. Brown.

VICE PRESIDENT TAYLOR: You have Ms. Westly.
PRESIDENT JONES: Where? That's, again, Ms.
Westly? Are you asking again.
BOARD MEMBER WESTLY: No.
PRESIDENT JONES: Okay.
VICE PRESIDENT TAYLOR: Okay.
BOARD MEMBER WESTLY: That was from earlier.

Thank you.
PRESIDENT JONES: Mr. Brown, is there a statutory
number of days the Governor has to sign the budget, and if
he doesn't, is he subjected to no salary like the
legislature is?

LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Well,
he -- he has 12 days from the time he receives it to sign
or veto the budget. But there's -- I don't think --
there's no requirement about him getting paid or not
getting paid. And if he -- he has to sign it. If he
doesn't -- I mean, he has to veto it. If he doesn't veto
then, it becomes -- I believe it becomes law.
PRESIDENT JONES: Oh, so that applies to the
budget too then, okay. Is that --

LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: So he
has -- he would have to -- if he didn't -- if he wanted to veto it, he would have to actually veto it within 12 days after it reaches his desk.

PRESIDENT JONES: Okay. Okay. Thank you.

We do have a request -- or Mr. Perez.

BOARD MEMBER PEREZ: It was just a chat saying before we log off. Bye.

PRESIDENT JONES: Okay. We do have a request from the public to speak. Mr. Fox.

STAKEHOLDER RELATIONS CHIEF FOX: Thank you, Mr. President. We have one caller, Mr. Tim Behrens.

PRESIDENT JONES: Mr. Behrens.

MR. BEHRENS: Yes, President Jones. Thank you for the opportunity to speak. I want to speak on AB 2473. We have had this bill under watch status, since it's inception and it continues to be on watch status. There are still several issues we have with the bill, even though it's been amended. This bill is the source of the retirement plan's funds deposited -- deposits made by the State plan participants and members. These are all made under the provisions of State law and the State and local government contributions are public.

Any decisions made with respect to the use of these funds should necessarily be subject to public review and ordered to ensure accountability to the respective
parties, especially the public.

I think the source of the retirement plan's funding is critical. If we buy a 401(k) plan privately transactions could reasonably be kept private outside the jurisdiction of the PRA. Even then, such investments may be covered, at least to some extent, under securities law and regulations pertaining to registered investment firms. So at some point, at least some of the information must be disclosed.

Thank you for your time. Have a good day.

PRESIDENT JONES: Thank you. Okay. Is that it Mr. Brown?

LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: That is it.

PRESIDENT JONES: Okay. Well, Mr. Pacheco, next up, Annual Stakeholder Perception Survey results.

(Thereupon an overhead presentation was presented as follows.)

STAKEHOLDER STRATEGY MANAGER TEYKAERTS:

President Jones, this is David Teykaerts. Brad Pacheco Had to depart due to a family emergency, so I'll be discussing this item for you.

PRESIDENT JONES: Okay. Thank you.

STAKEHOLDER STRATEGY MANAGER TEYKAERTS: All right. Thank you, everybody. President Jones, members of
the Board. I'm David Teykaerts, CalPERS team member. I'll be presenting to you today a high level summary of the results of our annual Stakeholder Perceptions Survey, which is administered in the spring of each year. This is our broadest reaching survey. It casts a net out over the major sectors -- the major stakeholders' sectors with which we do business, asking for their feedback across a wide array of our efforts in the pension, investment, and health care spheres. So let's go ahead and dive into it.

Christina, next slide, please.

--o0o--

STAKEHOLDER STRATEGY MANAGER TEYKAERTS: So when we say stakeholders, in the stakeholders perception survey, who are we talking about? It's grouped into roughly six rough sectors. We have our active members, we have our retirees, and the little discussed inactive members, folks who have service credit on file with CalPERS, but have now left and are working in the private sector. We also have two cuts of employers. We kind of divide our employers by our employer executives or employer senior leaders. These are the city manager, the sort of C-Suite leadership of our cities, counties, special districts, schools, and even State agencies.

And then we have a broader employers all levels. These are folks who subscribe to our employer bulletins.
So that could be the city manager, but it's more likely to be the person who's in charge of making sure that when a change comes out to CalPERS, that they're making those changes in their payroll system, that their -- their reporting requirements are being met. So you have an array of levels of rank and file staff and manager staff.

And then lastly, we have, what we would call, stakeholder leaders. These are 85 individuals. These are the folks that many of you know by face and name. These are the -- either the executives or the primary advocates and representatives from our retirees, active member, and employer associations.

Okay. So these are folks who it's really their job one way or another to know about what's going on at CalPERS, to advocate with CalPERS, to stay informed, and to represent their organization. So we sort of carve them out into a different slice and sample their perception about how CalPERS is doing.

You can see these surveys we sent out, over a hundred thousand surveys. This is a 100 percent online survey. So we send that out to randomized samples of active members across all of the sectors, so roughly equal between State, public agency, and school members. Again, just a wide swath of those employers and then those 85 top stakeholders.
You can see our response rate was a little bit down this year. And I think you'll see that there's a pretty good reason when I tell you about the timing for the survey in the spring, which we'll get to in a moment. Christina, next slide.

STAKEHOLDER STRATEGY MANAGER TEYKAERTS: A real quick note about the survey structure. No change at all to a single word of the survey this year. We try to keep this consistent, so that we can have consistent trend reporting for you. There's eight long-term trend survey questions that are simply yes/no. We have some Likert scale questions where we ask people do you agree, strongly agree, et cetera, across an array of issues like ethics, compliance, transparency. We have questions on our effectiveness as an advocate, overall perception, and then we also try to drill down figure out some demographic questions and ask for their open-ended comments as well. So there's 34 questions in total. It takes less than five minutes to fill out.

Next slide, please.

STAKEHOLDER STRATEGY MANAGER TEYKAERTS: So we administered this survey March 9th through March 22nd. So the word "volatile" is perhaps an understatement here. I
would challenge anybody to find a more volatile two week section of time in the last century than mid-March. This is when peak pandemic fears were reached. During this time period, CalPERS itself closed down, and this is where we sent people home to start working from home. We were seeing just enormously steep declines in global financial markets. This is where most of our employers were, if not considering, actively doing furloughs, layoffs. There was just -- this is really just the height of the fear surrounding COVID-19 right here.

At this time, the CARES Act was just being discussed. There was no economic stimulus. Severe shocks to the State and local economies predicted. And this was -- and really this is when perhaps the top fear of everybody was that the health care system would be overwhelmed leading to some real breakdowns across society.

So we definitely did not cherry pick and easy time to send the survey, and we thought that was important. We thought it was important to stick to our schedule and get a sample of what the stakeholder universe was thinking right then in the most challenging time, because we felt that that would help to guide our actions going forward.

Next slide.
STAKEHOLDER STRATEGY MANAGER TEYKAERTS: So the results were quite heartening. So despite that volatility, despite the fear, despite the lack of -- lack of knowing how the story would play out or that there would be at least even some recovery at all, 85 percent of people when asked, yes or no, gave a positive yes response across all of our perception surveys. So really whether they were new employees, retirees, a city manager of a large city, across the board, 85 percent, when push came to shove, said yes our perception of CalPERS is positive.

Next slide, please.

STAKEHOLDER STRATEGY MANAGER TEYKAERTS: To highlight some of our key findings -- and for this I want to make sure that I give thanks to our Policy Research and Data Analytics team. They're the ones who crunched the numbers and produced this analysis. The key findings for the third year in a row, really our top finding, is that customer service scores from members are the strongest corollary to overall positive and favorable opinions about CalPERS, meaning the person who has had positive customer service experience with CalPERS, the person who thinks that CalPERS call center is being managed well, who received good counseling when they -- when they picked up
the phone, or when they came into a regional office, or any point of contact with CalPERS, that person tends to also think that CalPERS is doing a great job with balancing the cost and quality of health care. They believe that we're doing a good job of managing the risks to the system. They believe that the overall communication is strong.

So that continues to be the strongest kind of like emergent property from the analysis is that customer service is such an important factor, which we think is great news, because that's something that you can devote resources to, and training, and focus on, as opposed to trying to get the global financial markets to just cooperate. Customer service is something that we can drill down and focus on and it continues to be our strength.

Kind of moving through this, we did see some lower confidence in retirement contributions being saved. And I'd like to discuss that a little bit more in a second. And a little bit of a dip in the balancing of cost and quality of care. Overall, the stakeholder sector that has the most positive view of CalPERS is our retiree community.

Stakeholder leaders, so again those individuals who many of us know by face and name, have high confidence
in the answers that they're getting from CalPERS. We think that's really important. One of our mantras in the Office of Stakeholder Relations, where I work, is that we're going to get them the information. Even if they don't like it, they're going to get it, and they respect that.

Of the key stakeholder sectors, those employer senior leaders, so that's your -- the finance director, the city manager, the school, you know, superintendent or chief business official, they're overall the least favorable scores for us. And that's been pretty consistent over time. These are the folks who are dealing with the big picture issues of CalPERS costs. And while they may respect the accuracy of what we're telling them, it doesn't mean that they have to like it. But still more positive than negative across all the questions for that group.

Christina, next slide, please.

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STAKEHOLDER STRATEGY MANAGER TEYKAERTS: So let's dig into it. So let's take a look at the employers. Here, this is all the employers grouped together and we're just showing that the overall trend of their answers to some of those key questions. You can see from the green arrows that their scores are up for employers in seven of
these eight categories. The only one that dipped, dipped just a little bit, how well we're doing at keeping their members informed. There's always been a little bit of a dissidence with the employers feeling that -- right or wrong, they feel that there's a little bit of a rosy message to the members and a grimmer message to them as employers. So this is not too surprising, but it's still a high score overall. And you can see that we're trending upwards.

The blue bar across the top is just showing you the average score in recent years. So you can see that really in all of these we're above our trend line. The only one that kind of hit right on the trend line was that, "Are you confident that your retirement money is safe", which is the third one in from the right. That one while it went up last year, it's still lower than the rest, this is certainly -- this is consistently the metric that scores the lowest especially for employer's confidence in retirement money being safe.

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STAKEHOLDER STRATEGY MANAGER TEYKAERTS: So let's take a look at members. Now, this story tells -- picture tells a little bit of a conflicted story. The red arrows are showing you that the scores are down from last year.
So that's never particularly great, but we think that given the concerns and outright fear permeating the membership, you know, during the two weeks that this was open in March due to COVID-19, it's not very surprising, and it's pretty hardening to see that the scores, while down from last year, are still above the average trend in recent years. So a little bit of a dip, but still high, and we think still reasonably good, is sort of the story that I believe that we're seeing in this slide.

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STAKEHOLDER STRATEGY MANAGER TEYKAERTS: So here again, we're targeting in on those stakeholder leaders. That very core group of folks that, you know, many of whom have publicly commented today and this week. These are the folks that we all know. So it's a smaller group. We don't have as much data on this group. We only started surveying them in this way in the last few years. That's why there's not as many columns. There's just not as much data. And it's a smaller group, so you kind of have to -- you'll see more variance from year to year. When there's only 85 people in a group instead of a hundred thousand, you will get a little bit more volatility just in the responses year to year.

Nevertheless, we think it's useful. You can see
kind of -- here, we're up pretty significantly in more
than half of the categories. We're down again in the
retirement money being safe and a nice thumb sideways in
keeping in touch with their members, but again, over the
average trend overall.

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STAKEHOLDER STRATEGY MANAGER TEYKAERTS: Our
commitment to stakeholders -- so again, this is
stakeholders in the broader sense. This is the -- all of
the -- all the folks who have a vested stake in how
CalPERS runs and it's long-term success. These -- these
bullets really represent sort of the mantra of the Office
of Stakeholder Relations and the communications in the
Stakeholder Relations Branch as a whole. So providing
access to leadership from Marcie to all the other
executives, we do a lot of work making sure that when
there's an ask, if at all possible, we try to get Marcie
out there, or Michael Cohen, or many of the other execs
have done it.

You can see our message really of -- a key one
that I want to point out is this bullet -- the third
bullet there, "One message to all stakeholder groups". I
literally say that exact same line at every single
meeting, because it's true. Whether or not we're talking
to employers, or retirees, or labor, or private business, it's just the facts. And it -- we trust that the stakeholder groups will do what they need to do with correct information, which is our pledge that we'll provide to them.

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STAKEHOLDER STRATEGY MANAGER TEYKAERTS: All right. So opportunities and action steps. So we do believe there are several opportunities for us to strengthen our engagement and communication with stakeholders over the next 12 months. We're clear -- we think it's clear that COVID, this placed really additional strain on employer budgets, as we just heard from Ms. Middleton and others. We think it will be important to continue our outreach and provide the tools necessary for them to plan.

We held a big webinar for employers in the early stages of COVID-19. We're planning another one in July. We're going to do a lot of outreach on that and explain our returns, our strategies, and what its impacts are on employers.

We also want to be supportive where we can. You just heard discussion from Vice President Taylor and others on how we can support legislative efforts to
provide relief to the states, and specifically local government. So we're active in that area. And there continues to be uncertainty in those financial markets, so -- and the overall economy, so we believe that proactive communication about the steps CalPERS is taking to ensure that long-term sustainability is really critical.

So we've shared, you know, our Chief Investment Officer's vision and how we can look to achieve seven percent. So we're going to continue to hammer that message to our stakeholders.

You know, as you heard Marcie say this morning, we've already transitioned our education events to virtual platforms for both members and employers. So we're just -- we're not letting the new reality of, you know, staying at home and social distancing prevent us from successfully achieving our vision to communicate and stay engaged with these stakeholders, and provide a top-level service.

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STAKEHOLDER STRATEGY MANAGER TEYKAERTS: And I'll wrap up and happy to take questions. So what have we done? What have we done differently in the wake of COVID-19? So as I mentioned, we did a big employer
webinar. This was April 9th. We really had to work
together as a team across INVO, ACTO, Marcie personally
participated in the webinar, FINO, our customer service
team. We did a webinar with 1,800 participants. By far
the biggest webinar that we've ever done for employers.

We introduced a new CalPERS Member News with a
just staggering 50 percent open rate, helping members to
understand the impacts of COVID-19, what it means for
pension, what it doesn't mean for their pension,
addressing a lot of concerns. The questions really came
from a gut level that we were getting there. People just
asking will I get my pension check next month? Will I get
a pension when I retire? That was the level of kind of
like concern that we were getting. And so it's no
surprise that it's still positive that we got such a
massive open rate on this communication.

We provide the digital PERSpective blog.
Marcie -- or Ms. Frost did a presentation to the
California Professional Firefighters very early in this.
Michael Cohen presented to the League of California
Cities. We've been authoring stakeholder emails to the
top folks from the CEO that -- to let them know what's
going on, offer them that reassurance, and these are
things that are being distributed out to the members. And
we continue to do online versions of our regular
roundtable meetings, briefings with members, retirees, and employers. So we're doing what we can to stay in touch here and really ramping up efforts in the COVID-19 reality.

So with that, I'll pause. That concludes my presentation, Mr. President, and I'm happy to take any questions.

PRESIDENT JONES: Okay. I thank you for the presentation and keep up the good work, but I don't see any questions. So thank you very much.

STAKEHOLDER STRATEGY MANAGER TEYKAERTS: Thank you.

PRESIDENT JONES: Okay. So now we will move to summary of Board direction. Ms. Frost.

CHIEF EXECUTIVE OFFICER FROST: Yes. Thank you. So the first one I have is to bring back to the next meeting, that would be in July, an action item related to -- and we do not have a bill number on this yet, but it would be sponsored by Assembly Member stone. It has to do with the merging of two fire districts that would be currently prohibited under our current laws around employers and benefits, that they are allowed to contract with CalPERS.

And then the second is to initiate some research into what we believe the impact of the new DOL guidance on
allowing private equity into D.C. plans. And Mr. Rubalcava is correct that those would be done through target dates funds. And so we'll bring some analysis back but that may -- that will not be in July. I'll give you a date on when we could get that accomplished.

PRESIDENT JONES: Okay. Well, thank you. And so Mr. Rubalcava, is that a question or are you just making a comment?

BOARD MEMBER RUBALCAVA: Yeah, I think there was also -- I think you also gave direction, or maybe it was Rob, that -- to come back in July as to Kaiser's reluctance to make concession on the rate renewal.

PRESIDENT JONES: Oh, yeah. Yeah. Yeah, that was -- I was asking -- yeah, yeah, that's right. Yeah. Good point. Okay. Okay. Well, that appears to be it. And so normally we would say safe travels back home, but safe travels from room one to room two.

So everyone stay safe and we'll see you next month. Okay. Bye-bye.

(Thereupon California Public Employees' Retirement System, Board of Administration meeting open session adjourned at 3:19 p.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, 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 24th day of June, 2020.

JAMES F. PETERS, CSR
Certified Shorthand Reporter
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