MEETING

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PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BOARD OF ADMINISTRATION

OPEN SESSION

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

FECKNER AUDITORIUM

LINCOLN PLAZA NORTH

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WEDNESDAY, JUNE 17, 2026

12:34 P.M.

JAMES F. PETERS, CSR
CERTIFIED SHORTHAND REPORTER
LICENSE NUMBER 10063

APPEARANCES

BOARD MEMBERS:

Theresa Taylor, President

David Miller, Vice President

Malia Cohen, represented by Deborah Gallegos

Michael Detoy

Monica Erickson

Troy Johnson

Lisa Middleton

Kevin Palkki

Ramon Rubalcava

Yvonne Walker

Mullissa Willette

Gail Willis, PhD(Remote)

STAFF:

Marcie Frost, Chief Executive Officer

Stephen Gilmore, Chief Investment Officer

Michael Cohen, Chief Operating Investment Officer

Douglas Hoffner, Chief Operating Officer

Stephenson Loveson, Chief Information Officer

Kim Malm, Deputy Executive Officer, Customer Services & Support

Donald Moulds, PhD, Chief Health Director

Michele Nix, Chief Financial Officer

APPEARANCES CONTINUED

STAFF:

Brad Pacheco, Deputy Executive Officer, Communications & Stakeholder Relations

Scott Terando, Chief Actuary

Michelle Tucker, Chief Human Resources Officer

Prashant Yerramalli, General Counsel

Danny Brown, Chief, Legislative Affairs Division

ALSO PRESENT:

Michael Flaherman, Retired Public Employees Association

J.J. Jelincic, Retired Public Employees Association

Martha Penry, California School Employees Association

Amy Roberts

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PROCEEDINGS

PRESIDENT TAYLOR: Good morning -- good afternoon. I am sorry. I'm so used to morning for this. We are in the Board of Administration. I'd like to call it to order with roll call first.

BOARD CLERK LEMUS: Theresa Taylor.

PRESIDENT TAYLOR: Here.

BOARD CLERK LEMUS: David Miller.

VICE PRESIDENT MILLER: Here.

BOARD CLERK LEMUS: Deborah Gallegos.

ACTING BOARD MEMBER GALLEGOS: Here.

BOARD CLERK LEMUS: Michael Detoy.

BOARD MEMBER DETOY: Here.

BOARD CLERK LEMUS: Monica Erickson.

BOARD MEMBER ERICKSON: Here.

BOARD CLERK LEMUS: Troy Johnson.

BOARD MEMBER JOHNSON: Here.

BOARD CLERK LEMUS: Fiona Ma.

PRESIDENT TAYLOR: Excused.

BOARD CLERK LEMUS: Lisa Middleton.

BOARD MEMBER MIDDLETON: Present.

BOARD CLERK LEMUS: Kevin Palkki.

BOARD MEMBER PALKKI: Good afternoon.

BOARD CLERK LEMUS: Ramon Rubalcava.

BOARD MEMBER RUBALCAVA: Present.

BOARD CLERK LEMUS: Yvonne Walker.

BOARD MEMBER WALKER: Here.

BOARD CLERK LEMUS: Mullissa Willette.

BOARD MEMBER WILLETTE: Here.

BOARD CLERK LEMUS: Dr. Gail Willis.

BOARD MEMBER WILLIS: Present.

PRESIDENT TAYLOR: All right. With that, I have asked Troy to give us the Pledge of Allegiance, and he has agreed to do so.

BOARD MEMBER JOHNSON: Would everyone please stand. Ready. Begin.

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

PRESIDENT TAYLOR: Thank you, Mr. Johnson. I appreciate that.

With that, I am going to start my Board President's report. So I want to start today by recognizing Pride Month and Juneteenth. I'm so proud to report that earlier today, we raised the Pride Flag at CalPERS for the first time. Thank you so much for all those involved in putting this together for our diversity, Head of Diversity Shari Slate and for Michelle Tucker, and all of the community that works here. And I'm very -- so very proud that we did this. It is a meaningful milestone that highlights our commitment to the inclusion and belonging that respects the diverse backgrounds of the people we work with, the members we serve, and the team who works here. So again, I'm so proud of our decision to raise this flag to celebrate and recognize this inclusion and belonging for our staff and our members who are part of the LGBTQIA+ community.

Diversity it all its forms strengthens us. It leaves -- leads to nimble, innovative teams and supports our ability to serve members across all three business areas. Pride Month is a time to honor the LGBTQ+ plus community, celebrate the progress that has been made and reflect on the ongoing work needed to ensure dignity, respect and inclusion for all. The rainbow flag serves as a powerful symbol of acceptance, authenticity, and the collective progress made by the LGBTQIA community over the years. Here at CalPERS, we are committed to being allies and partners in that progress.

Today, our CalPERS Diversity and Inclusion Group is hosting a community Pride table next to the cafe, over that way, to honor Pride Month share information with anyone who is interested to learn.

Happy Pride to everybody. Thank you.

With that, I will move on. Juneteenth observed on June 19th this week commemorates the day in 1865 when enslaved African Americans in Texas finally learned that they were free, two years after they were freed officially. It marked a powerful moment in our nation's history and a reminder of the enduring importance of freedom and justice.

I'd like to next congratulate Mullissa Willette and Kevin Palkki on being reelected to the Board each for another four-year term as the public agency and school representatives respectively. Their continued service and leadership are greatly appreciated and we look forward to our work together. And I also want to congratulate Cecelia Wilson on her election to the Board representing State employees. You will see her all the way in the back of the room. Cecelia will be taking over my seat, since I have retired and will be stepping down from the Board next January.

For those who don't know her, Cecelia works for the California Department of Education as a Information Technology professional and has more than 36 years of CalPERS covered service. Good on you, Cecelia. I'm confident Cecelia will represent all our members well. All the new terms will begin January 17th, 2027.

So right now, really quickly, I'd like to take a moment of personal privilege. So I want to tell everyone I really appreciate everyone's right to speak freely at these Board meetings during public comment. I also respect our member's right to lodge their complaints and constructive criticisms. I only ask that when you do so in this public venue, that you please show some basic courtesy, respect and kindness in these comments. There were comments made by several people on Monday and Tuesday that were not constructive and I wouldn't even call them just criticisms. They were mean-spirited and just plain rude to our staff and our Board. I know that most people are much more receptive to your messages, folks, when they're delivered professionally and with respect. And in that spirit, I hope we can move forward with all of you to continue to hear and respect each other. And I also want to thank everybody today whose made public comment, because everybody was respectful and professional today.

So with that, I'm also going to go into -- there was kind of a big hullabaloo over -- and I know that's not a word. It's a big word. It was -- there was a lot of concern and commentary around the Committee Chair's decision to reduce the time for public comment. This has been a past practice since I started on this Board. It's also been very common. The chairs of the committees are, by regulation, allowed to reduce public comment time when there are a lot of commenters and to make sure that we can give everyone the opportunity to comment. And we have done it on many occasions.

In the same vein, we have been asked to make public comment longer for some folks, because they had an extra thing they wanted to say. Okay. And we have done that. It is up to the Chair, according to regulation. And I just want to make that clear. These decisions have been up to the chairs. The regulation is section 59 -- oh, I'm sorry, 552.1. I'm just going to read it really quickly. "The presiding officer may increase or reduce the time limit set forth in subdivision (b)(2) in a viewpoint neutral manner. When exercising this discretion, the presiding officer shall consider the time allocated for the meeting, the length and substance of the agenda, whether the body is in danger of losing a quorum, or the schedule of the -- of a other body or body's business later than the same day, the number submitted request to speak, and other similar factors."

So I just want to make very clear, when we have Investment Committee, and it's been more lately almost every single meeting, we have lots of people who want to make comment. So it is some -- truly up to the Chair by regulation.

So with that, I'm going to go on to -- after my -- thank you for the point of personal privilege. I do want to remind everyone about the Board's off-site in July. It will be held at the Monterey Beach Hotel in

Monterey, California. It used to be The Tides, in case anybody is wondering. Please mark your calendars if you can join us.

So I'm going to finish with Arnie Phillips, our Managing Investment Director over Global Fixed Income, who is retiring after more than three decades with CalPERS. So we do have a resolution. Do we have it up? Did we want to put it over there and let people take a look?

You don't have to hold it.

(Laughter).

PRESIDENT TAYLOR: I mean, you can. You can walk around with it.

(Laughter).

PRESIDENT TAYLOR: No, I'm kidding. So this tribute to Arnie and what the resolution says, so I'm going to go ahead and read it.

"Whereas, Arnie Phillips has dedicated more than 30 years of his career to CalPERS and leaves a legacy of hard work, team collaboration, and for being well liked and respected, particularly for his great sense of humor, which lightened the load of the Investment Office's important work.

"Whereas, Mr. Phillips served in multiple roles in global finance income, starting with the short-term portfolio, followed by trading

Investment grade corporates, and then mortgage-backed securities, and ultimately as the Managing Investment Director.

"Whereas, he always did what was needed and asked of him. Arnie put the organization's need -- needs above his own and stepped up to serve in several leadership roles.

"And whereas, his leadership encompassed roles as Managing Investment Director over Global Fixed Income, Interim Deputy Chief Investment Officer over Public Markets, Mr. Phillips embraced both with a sense of duty to CalPERS members, team members alike, and always projecting a positive attitude especially during the remote work experience of the COVID pandemic.

"Whereas, Arnie strove to bring silos down in the Investment Office. He will be missed for his leadership style that valued substance over form, along with his advocacy of cross-sector collaboration.

"Whereas, Mr. Phillips served as an important example of balance in the workplace for his colleagues to emulate. Arnie was also a dedicated high-performing contributor to the CalPERS Investment Office.

"Whereas, Arnie recognized culture and morale were important factors to success and wasn't above dressing down or embarrassing himself for the sake of providing some levity, including his spirited participation in the annual Holiday's Ugly Sweater competition, which further endeared him to his colleagues.

"Whereas, his renowned love of a good burger paired so well with a leadership style that has exemplified integrity, compassion, excellence in his nearly 33 years of public service to the members of CalPERS.

"Now, therefore be it resolved, the CalPERS Board of Administration individually and as a body express our sincere appreciation to Arnie Phillips for his many contributions and outstanding service to the system, and extends our sincere best wishes to him in future endeavors."

I'm sorry Annie couldn't be here, but thank you.

(Applause).

PRESIDENT TAYLOR: I think he's away enjoying his retirement already, isn't he?

With that, I'm going to turn it over to Marcie Frost for her CEO report.

BOARD CLERK LEMUS: Theresa, if we could do the attestation.

PRESIDENT TAYLOR: Oh, the attestation. Sure. We're not voting yet though.

Good morning -- or good afternoon Board members. We're not all present in the room -- in the same room and Board members are participating from remote locations that are not accessible to the public, Bagley-Keene requires that the remote Board members make certain disclosures about other persons present with them during open session. Accordingly, Gail Willis, would you attest that you are either alone or there are one or more persons present who are at least 18 years old and the nature of the Board members' relationship?

BOARD MEMBER WILLIS: Yes, I am alone. Thank you.

PRESIDENT TAYLOR: Thank you very much.

With that, we will move on to Marcie's CEO report.

CHIEF EXECUTIVE OFFICER FROST: Thank you, President Taylor. And we'll make sure to get the resolution over to Arnie.

PRESIDENT TAYLOR: Okay.

CHIEF EXECUTIVE OFFICER FROST: You might be right, he might be out doing a little pre-retirement fund.

PRESIDENT TAYLOR: I would be.

CHIEF EXECUTIVE OFFICER FROST: Yeah. Okay. So looking back over the week, I'd say the theme of this week's Board meetings has been about demonstrating how the team is really adding value for our members and whether that's negotiating to hold down health premiums in health care or by investing in markets, where our team and the system really has unique advantages. This does mean that we are taking on active risk outside of the passive public markets to reach our assumed right of return of 6.8.

So in that spirit, there should be a photo coming up soon. Nope, not video. Photo. I'd like to start today by acknowledging a special group of CalPERS team members who are here with us today in the auditorium and who embody the idea of service to our members as well as to their coworkers. These are our APEX winners. APEX is the highest honor a team member can receive here at CalPERS. This year, we have 38 honorees, who represent 17 different divisions. They received their awards at a ceremony here in this auditorium earlier this month.

One of the things that I especially like about the APEX award is that these recipients are nominated by their, their coworkers. It takes a whole team of colleagues to put together a nomination packet, which must include 12 outstanding examples of the nominee's work over the last year. A special selection committee also appears, reviews each packet, and decides whether the nominee's work is -- truly reaches the level for the APEX award.

I'm very proud of this year's recipients. Many of them are here in the auditorium with us. And will you all please take a moment to stand and be recognized.

(Applause).

(Cheering).

CHIEF EXECUTIVE OFFICER FROST: We also had breakfast with them and HR did just a really nice job of doing more of this kind of speed dating roundtable, where we positioned ourselves at a table and got to meet all of the nominees or all the recipients with sharing breakfast one morning. It was really quite fun.

So this week, we also heard from members of our Health Division about the way that they are actively working to provide high quality, accessible and affordable health care to over 1.5 million members and their families. Our team approaches this process methodically. And they are prepared with the data and the information that they need to negotiate rates. They compare each health plan's premium proposal against actual claims that show how members are actually using the services and how much they cost. They also look at larger cost trends in the health care market.

We require actuarial certification and third-party verification of all rate projections submitted by the health plans. We do this to prevent unwarranted premium increases from being passed along to our members. And we believe that approach is working. For the third year, our projected increases are lower than the year before. Our preliminary estimate for 2027 is that rates for all plans will increase by 4.98 percent on average. Medicare premiums on average will remain essentially flat.

Our expert team, under Don Moulds, is not afraid to say "no" also, when a health plan proposes a premium increase that we consider unacceptably high and unsupported by our data, as we are doing this year with UnitedHealthcare. I appreciate all the work they've done to prepare for communicating this change to our members and finding new ways and plans to make sure that most people would not see a significant disruption in their care.

(Clears throat).

CHIEF EXECUTIVE OFFICER FROST: Excuse me.

The active data-informed approach of our health care team delivers true value for our members. Our Investment team also adds value through their active stewardship of the portfolio. Both of these teams are constantly innovating and demonstrating excellence in their fields, a term that Kevin Palkki used quite frequently over the last few days.

This week, we heard annual reports from the Private Markets team sharing their performance and their relative strategies. We heard how our Sustainable Investments team works across all of the asset classes and their diligence to manage a resilient future-proof portfolio, whether it's building renewable energy, infrastructure or making private equity investments in younger firms. And those younger firms are really the one develop -- ones, excuse me, developing the technology that will help us to adapt to a changing climate.

Over the past six months, we've been actively highlighting the work of all of our teams with posts on our PERSpective blog and accompanying video stories. Today, we are posting video introducing some of our key Investment team members and the passion they bring to their work on behalf of our members. I hope you enjoy it.

(Feedback).

CHIEF EXECUTIVE OFFICER FROST: Maybe not that. Not that. We had some audio issues in the testing yesterday. All right. So will move forward. That does complete my report, President Taylor. And we will get this video --

We'll get the whole video out.

(Thereupon a video was played.)

CHIEF EXECUTIVE OFFICER FROST: So we think it's important that our members understand and get to know a letter bit better the team that's securing their benefits. And this video is intended to be really just a first iteration of many more to come. So President Taylor, that does conclude my report. I'm happy to take questions, if there are any.

PRESIDENT TAYLOR: Do we have any questions from the Board?

All right. Thank you very much, Ms. Frost. I'm actually giving Ms. Willette a point of personal privilege.

BOARD MEMBER WILLETTE: Thank you so much. Thank you, Madam President. I am speaking on two points of personal privilege today. Firstly, colleagues and members of the public may have noticed that when we take votes, I say "yes" or "no" instead of "aye" or "nay". And I want to say that I do that intentionally because I think it matters. I do it, because "aye" is a vowel-only sound. It has no consonant sounds to anchor it. So for people who are hard of hearing or who rely on hearing aids, lip reading, or live captioning, it's one of the least intelligible words in the English languish. "Yes" by contrast has distinct consonants at both ends. It is clear. It is more visible on the lips. It is more accessible across languages and abilities.

So for any interpreters and non-native English speakers watching at home, "aye" is an archaic parliamentary term that has no clean equivalent in most languages, while "yes" has direct translation, is easy to translate when needed. So I think that this Board does serve over two million Californians, some of them are watching these meetings, some of them have hearing loss, and some of them are listening through an interpreter. So the least we can do is make sure they can hear how we vote on their behalf. And it's a small thing, but I think it matters, because accessibility matters.

My second item is that I'd like to take a moment to recognize something that came to me directly from a CalPERS member. A member named Kelly reached out to share her experience after submitting a spouse and survivor question to CalPERS. In her words she, "Received an actual phone call from my -- from my local CalPERS Office Manager Jonathan, who took the time to call me and answer a question." She went on to say she, "Very much appreciates time -- him taking the time to call me, to make sure I understood the answer, and credited him with taking the extra step in providing good client service."

So I want to echo Kelly's thoughts. That is exceptional service.

I know Jonathan provides exceptional service. It was great to hear from a member. For a member navigating a spouse and survivor decision, one of the most consequential choices a CalPERS member and their family will ever face, that kind of care matters enormously. And I want to personally thank Jonathan, the Manager of our San Jose regional office, for that level of attention to a member's concerns.

I also want to be clear that I -- that service doesn't happen because of one person or in a vacuum. It happens because of a team. And I want to extend that same appreciation to every member of the -- Jonathan's team at the San Jose office who show up every day to support our members and put up with me quite regularly.

And I also know that that team culture doesn't happen by accident either, so I want to extend my appreciating to -- appreciation to David Rubio who oversees all of our CalPERS regional offices for setting the tone that makes this kind of service possible.

Finally, I want -- hi, David. I want to note that Jonathan and his office have been strong partners to SEIU Local 521. They'll be joining us actually at our member resource fair today in San Jose bringing CalPERS expertise directly to our members. And I think this is what it looks like when CalPERS works the way it should for our members. I wanted to let this Board and the executive team know. Thank you.

PRESIDENT TAYLOR: Thank you, Ms. Willette.

(Applause).

PRESIDENT TAYLOR: With that, we will move on to the agenda. Number 5, action consent items. What's the pleasure of the Board.

VICE PRESIDENT MILLER: Move. Approval

PRESIDENT TAYLOR: Moved my Mr. Miller.

BOARD MEMBER PALKKI: Second.

PRESIDENT TAYLOR: Seconded by Mr. Palkki. Can I have a roll call vote, please.

BOARD CLERK LEMUS: David Miller?

BOARD MEMBER MILLER: Aye.

BOARD CLERK LEMUS: Deborah Gallegos?

ACTING BOARD MEMBER GALLEGOS: Yes.

BOARD CLERK LEMUS: Michael Detoy?

BOARD MEMBER DETOY: Aye.

BOARD CLERK LEMUS: Monica Erickson?

BOARD MEMBER ERICKSON: Yes.

BOARD CLERK LEMUS: Troy Johnson?

BOARD MEMBER JOHNSON: Yes.

BOARD CLERK LEMUS: Fiona Ma?

PRESIDENT TAYLOR: Excused.

BOARD CLERK LEMUS: Lisa Middleton?

BOARD MEMBER MIDDLETON: Aye.

BOARD CLERK LEMUS: Kevin Palkki?

BOARD MEMBER PALKKI: Aye.

BOARD CLERK LEMUS: Ramon Rubalcava?

BOARD MEMBER RUBALCAVA: Yes.

BOARD CLERK LEMUS: Yvonne Walker?

BOARD MEMBER WALKER: Yes.

BOARD CLERK LEMUS: Mullissa Willette?

BOARD MEMBER WILLETTE: Yes.

BOARD CLERK LEMUS: Dr. Gail Willis?

BOARD MEMBER WILLIS: Aye.

PRESIDENT TAYLOR: Thank you very much. Motion carries.

Information consent items is item number -- Agenda Item number 6. I have not received a request to move any off of the report, so we're going to move on to Agenda Item 7, which is Committee reports. And with that, we're going to start with Investment Committee, Mr. Palkki.

Whoops. Hold on. There we go.

BOARD MEMBER PALKKI: Thank you, Madam President.

The Investment Committee met on June 15th, 2026. The Committee approved the following:

Agenda Item 5a Total Fund Policy Review, Second Reading; Agenda Item 5b, Asset Liability Management, Second Reading, Affiliate Funds Recommendations; and Agenda Item 6b, asset Liability Management, First Reading, Supplemental Income Plans Recommendation.

The Committee received reports on the following topics:

PRESIDENT TAYLOR: I have to vote on those.

I have vote on those.

BOARD MEMBER PALKKI: Thank you.

PRESIDENT TAYLOR: Thank you.

On motion by the Committee. What's the pleasure of the Committee.

I'm sorry. On motion by Committee. All those in favor and I need a roll call vote. My bad. Sorry.

BOARD CLERK LEMUS: David Miller?

VICE PRESIDENT MILLER: Aye.

ACTING BOARD MEMBER GALLEGOS: I'm a little confused on what we're voting on.

PRESIDENT TAYLOR: So we are on -- if you have you --

ACTING BOARD MEMBER GALLEGOS: In the Investment Committee, yes. Yes.

PRESIDENT TAYLOR: Okay. And all of these items -- agenda items are to be voted on.

ACTING BOARD MEMBER GALLEGOS: Okay. So --

PRESIDENT TAYLOR: So he read all of the agenda items and we are not voting on them.

ACTING BOARD MEMBER GALLEGOS: Oh, I got it. Understood. Understood.

PRESIDENT TAYLOR: Okay. Now, can we have the roll call vote.

BOARD CLERK LEMUS: David Miller?

VICE PRESIDENT MILLER: Yes.

BOARD CLERK LEMUS: Deborah Gallegos?

ACTING BOARD MEMBER GALLEGOS: Yes.

BOARD CLERK LEMUS: Michael Detoy?

BOARD MEMBER DETOY: Yes.

BOARD CLERK LEMUS: Monica Erickson?

BOARD MEMBER ERICKSON: Yes.

BOARD CLERK LEMUS: Troy Johnson?

BOARD MEMBER JOHNSON: Yes.

BOARD CLERK LEMUS: Fiona Ma?

PRESIDENT TAYLOR: Excused.

BOARD CLERK LEMUS: Lisa Middleton?

BOARD MEMBER MIDDLETON: Aye.

BOARD CLERK LEMUS: Kevin Palkki?

BOARD MEMBER PALKKI: Yes.

BOARD CLERK LEMUS: Ramon Rubalcava?

BOARD MEMBER RUBALCAVA: Yes.

BOARD CLERK LEMUS: Yvonne Walker?

BOARD MEMBER WALKER: Yes.

BOARD CLERK LEMUS: Mullissa Willette?

BOARD MEMBER WILLETTE: Yes.

BOARD CLERK LEMUS: Dr. Gail Willis?

BOARD MEMBER WILLIS: Yes.

PRESIDENT TAYLOR: With that, motion carries.

Go ahead, Mr. Palkki.

BOARD MEMBER PALKKI: The Committee received reports on the following topics: Quarterly Chief Investment Officer report; and the Private Equity, Private Debt, Real Estate and Infrastructure annual program reviews.

The Chair directed staff to: provide historical data on active risk positions and policy ranges; report back on whether sitting risk is a component of an -- of the assessment framework for AI infrastructure and data center investments; create a work group to consider changes to the Investment Committee meeting schedule; and to move general public comment to the beginning of future Investment Committee meetings.

The Committee heard public comment on the following topics: Private equity, specific CalPERS investments, Total Fund Policy review, Private Debt, Real Estate and Infrastructure.

At this time, I'd like to share some highlights of what to expect at the September Investment Committee meeting: Asset Liability Management, First Reading, Affiliates Policy updates; CalPERS PERF trust level review; Global Fixed Income and Private Equity annual program reviews.

The next meeting of the Investment Committee is scheduled for September 14th, 2026 in Sacramento, California.

PRESIDENT TAYLOR: Thank you very, much, Mr. Palkki.

With that, I'm moving on to -- held on -- public comment on 7a with -- for that is J.J. Jelincic and Michael Flaherman. Can you come up here?

PRESIDENT TAYLOR: Go ahead, Mr. Jelincic.

J.J. JELINCIC: J.J. Jelincic, RPEA.

After Monday's private equity sales job -- or I'm sorry, performance review -- program review for private equity, I had to do some editing on the fly, because too many people wanted to talk about it.

But the Jonathan where -- Jonathan Weil article that I referred to really has some important things that I think you need to hear, so I'd like to bring up some of the things that got edited out.

The markups my reflect bargain hunting, buying stakes at a discount to a fund's official net asset value, but they also defy the conventional notation that an asset is only worth what somebody else is willing to pay for it. The problem arises when certain evaluations look too good to be true, undermining the credibility of others. Like their counterparts in private credit, private equity funds are supposed to mark their assets to fair market value each quarter. These assets usually lack market quotes and are difficult to value. This opens the door for managers to rely on subjective pricing models. When they invest in other funds, the account rules allow them to simply adopt the net asset value, NAVs, provided by their managers.

That's how the StepTone -- StepStone Fund was able to record the same day markups. On December 31st, 2023, a different fund, StepStone Private Ventures and Growth Fund paid $538,100 for a stake in a venture capital fund called CNK Fund IV. That same day it marked it up sixteen-fold to $8.7 million.

These paper gains lead to sizable fees. StepStone Private Ventures, for instance, reported $424.4 million in net unrealized gains for a six-month period. During that period, it accrued 60.7 million in incentive fees despite recording only 1.4 million in net realized gains.

It goes on to say the California Public

Employees' Retirement System last year said 103 billion, or 15 percent, of its investment portfolio was in private equity. It valued those holdings using the NAVs from other managers. CalPERS said its PE investments earned 14.3 percent return in fiscal 2025. When these evaluations are this squishy, it's hard to know what the returns really mean. The article goes on and makes a number points, but those were the one I wanted to put forward to the Board for their education.

PRESIDENT TAYLOR: Thank you very much for your comments.

Mr. Flaherman.

MICHAEL FLAHERMAN: Hi. I'm Michael Flaherman here on behalf of RPEA. I want to return to the tax distribution issue I raised at the Investment Committee. The law firm Debevoise and Plimpton publishes a private equity guide that explains the purposes -- the purpose of tax distribution. It states quote, "Tax distributions to the general partner helps to ensure that the investment professionals have sufficient funds to pay their taxes."

Macfarlanes, another law firm, has a document on its website titled, "Tax Distributions and Carry Clawback." It explains that tax distribution provisions are designed to help individual carried interest holders manage tax liabilities arising before they receive carry distributions.

I now call your attention to the one-page document with yellow lights that was just handed out to you. This is the tax distribution language from two actual contracts for funds that CalPERS invested in. The first on one side from Carlyle Partners V is the LPA section titled, "Tax Advances". It says that the Carlyle executives referred to beneficial owners of carried interest may receive quote, "A cash advance against distributions of carried interest," unquote, so they can pay income taxes.

The Blackstone VI excerpt on the other side is very similar. It says the general partner may receive a quote, "Cash advance against general partner carried interest distributions when distributions are not sufficient for the general partner, its members, or beneficial owners to pay income tax". These are obviously not obscure managers. They're two of CalPERS's largest relationships.

The language labeling these payments as advances does not eliminate that fiduciary issue. If sufficient future carried interest is not earned, there is no repayment obligation on these tax advances. So the question for this Board is not whether the provisions exist, they do. The question is whether the CalPERS Board as ever publicly reviewed whether it's fiduciarily sound for the CalPERS Trust Fund to be used to fund tax advances for private equity executives.

I'm not asking the Board to deliberate today. I'm -- instead, I'm asking, I'm urging, that one of you request that this issue be placed on the agenda of a future noticed public meeting. You're allowed to do that. You're allowed to ask for an issue to be agendized for future discussion.

Thank you.

PRESIDENT TAYLOR: Thank you, Mr. Flaherman.

With that, we will move on to 7b, which is Pension and Health Benefits Committee. Mr. Rubalcava.

BOARD MEMBER RUBALCAVA: Thank you, Madam President.

The Pension and Health Benefits Committee met on June 16th, 2026. The Committee recommends and I move the Board approve the following:

Agenda Item 5a, approve the family building benefit for our PPO Basic plans as presented by staff effective July 1, 2027.

PRESIDENT TAYLOR: Thank you.

On motion by Committee.

Any discussion on the motion this time?

Okay. Seeing none, can we a roll call vote, please.

BOARD CLERK LEMUS: David Miller?

VICE PRESIDENT MILLER: Yes.

BOARD CLERK LEMUS: Deborah Gallegos?

ACTING BOARD MEMBER GALLEGOS: Yes.

BOARD CLERK LEMUS: Michael Detoy?

BOARD MEMBER DETOY: Yes.

BOARD CLERK LEMUS: Monica Erickson?

BOARD MEMBER ERICKSON: Yes.

BOARD CLERK LEMUS: Troy Johnson?

BOARD MEMBER JOHNSON: Yes.

BOARD CLERK LEMUS: Fiona Ma?

PRESIDENT TAYLOR: Excused.

BOARD CLERK LEMUS: Lisa Middleton?

BOARD MEMBER MIDDLETON: Aye.

BOARD CLERK LEMUS: Kevin Palkki?

BOARD MEMBER PALKKI: Yes.

BOARD CLERK LEMUS: Ramon Rubalcava?

BOARD MEMBER RUBALCAVA: Yes.

BOARD CLERK LEMUS: Yvonne Walker?

BOARD MEMBER WALKER: Yes.

BOARD CLERK LEMUS: Mullissa Willette?

BOARD MEMBER WILLETTE: Yes.

BOARD CLERK LEMUS: Dr. Gail Willis?

BOARD MEMBER WILLIS: Aye.

PRESIDENT TAYLOR: All right.

With that, Mr. Rubalcava, can you move on?

BOARD MEMBER RUBALCAVA: Yes. Thank you, everybody, for the vote.

The Committee received reports on the following topics: the Committee received the preliminary 2027 Health Maintenance Organ -- the HMO and PPO plan premiums; the Committee received public comment regarding concern with Amador County being grouped into Region 1, and the health plans available in the county, and also the other testimony on the risks of investing in private equity acquisitions for health care.

The Chair directed staff to: schedule a future health plans spotlight with Sutter Health Plan; and prepare communications for inclusion in stakeholder newsletters regarding the exit of US -- United -- UnitedHealthcare's Basic plans for the CalPERS Health Plan -- Health Program and resources available to members to support them through the transition.

At this time, I would like to share some highlights of what to expect next month and at the September Pension and Health Benefits Committee meeting: final HMO and PPO Health Plan rates will be approved at the July Board of Administration offsite; the Committee will be presented with contracting agency health regions:

refined modeling and scenarios, and will review to approve a Clinic Contract and Limited Duration regulations.

The next meeting of the Pension and Health Benefits Committee is scheduled for September 15th, 2026 in Sacramento, California. Thank you.

PRESIDENT TAYLOR: Thank you, Mr. Rubalcava.

With that, we will move on to 7c, which is Finance Administration Committee. Ms. Middleton.

BOARD MEMBER MIDDLETON: Thank you.

The Committee recommends -- the fine -- or excuse me. The Finance and Administration Committee met on June 17, 2026.

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

Agenda Item 5a, adopt a new actuarial assumptions for JRS, JRS II and LRS to be effective June 30, 2026 with actuarial valuations and use the recommended assumptions and all affected member calculations effective as follows: a) for service credit purchase applications postmarked on or after June 18, 2026, b) for retirement plan options for retirement dates on or after June 18, 2026.

PRESIDENT TAYLOR: On motion by Committee.

Is there any discussion on the motion?

Seeing none, with that could we have a roll call vote?

BOARD CLERK LEMUS: David Miller?
VICE PRESIDENT MILLER: Yes.
BOARD CLERK LEMUS: Deborah Gallegos?
ACTING BOARD MEMBER GALLEGOS: Yes.
BOARD CLERK LEMUS: Michael Detoy?
BOARD MEMBER DETOY: Yes.
BOARD CLERK LEMUS: Monica Erickson?
BOARD MEMBER ERICKSON: Yes.
BOARD CLERK LEMUS: Troy Johnson?
BOARD MEMBER JOHNSON: Yes.
BOARD CLERK LEMUS: Fiona Ma?
Lisa Middleton?
BOARD MEMBER MIDDLETON: Aye.
BOARD CLERK LEMUS: Kevin Palkki?
BOARD MEMBER PALKKI: Aye.
BOARD CLERK LEMUS: Ramon Rubalcava?
BOARD MEMBER RUBALCAVA: Yes.
BOARD CLERK LEMUS: Yvonne Walker?
BOARD MEMBER WALKER: Yes.
BOARD CLERK LEMUS: Mullissa Willette?
BOARD MEMBER WILLETTE: Yes.
BOARD CLERK LEMUS: Dr. Gail Willis?
BOARD MEMBER WILLIS: Aye.
PRESIDENT TAYLOR: Nay? Was that nay?
BOARD MEMBER WILLIS: No. Aye.

PRESIDENT TAYLOR: Aye. Okay. Sorry.

(Laughter).

PRESIDENT TAYLOR: Please go on, Ms. Middleton.

BOARD MEMBER MIDDLETON: All right. Thank you.

At this time, I would like to share some highlights of what to expect at the September Finance and Administration Committee Meeting: annual actuarial valuations Terminated Agency Pool, Modernizing Investment Data and Technology update.

The next meeting of the Finance and Administration Committee is scheduled for September 15, 2026 in Sacramento, California.

Thank you.

PRESIDENT TAYLOR: Thank you.

With that, I am moving on to Item 7d. For that, that's Mr. Palkki. Please go ahead.

BOARD MEMBER PALKKI: Thank you, Madam President.

The Performance, Compensation and Talent Management Committee met on June 16th, 2026.

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

Agenda Item 5a, Annual Review '26-'27 Incentive Metrics. Approve the incentive metrics for fiscal year '26-'27 as presented by the Board's compensation consultant Global Governance Advisors;

And Agenda Item 5B '26-'27 Incentive Plan of the Chief Executive Officer. Approve the Fiscal Year '26-'27 incentive plan for the Chief Executive Officer, CEO, as proposed by the Board's compensation consultant Global Governance Advisors.

PRESIDENT TAYLOR: Thank you. On motion from the Committee.

Any discussion on that motion?

Seeing none, please do a roll call vote.

BOARD CLERK LEMUS: David Miller?

VICE PRESIDENT MILLER: Yes.

BOARD CLERK LEMUS: Deborah Gallegos?

ACTING BOARD MEMBER GALLEGOS: Yes.

BOARD CLERK LEMUS: Michael Detoy?

BOARD MEMBER DETOY: Yes.

BOARD CLERK LEMUS: Monica Erickson?

BOARD MEMBER ERICKSON: Yes.

BOARD CLERK LEMUS: Troy Johnson?

BOARD MEMBER JOHNSON: Yes.

BOARD CLERK LEMUS: Fiona Ma?

PRESIDENT TAYLOR: Excused.

BOARD CLERK LEMUS: Lisa Middleton?

BOARD MEMBER MIDDLETON: Aye.

BOARD CLERK LEMUS: Kevin Palkki?

BOARD MEMBER PALKKI: Aye.

BOARD CLERK LEMUS: Ramon Rubalcava?

BOARD MEMBER RUBALCAVA: Yes.

BOARD CLERK LEMUS: Yvonne Walker?

BOARD MEMBER WALKER: Yes.

BOARD CLERK LEMUS: Mullissa Willette?

BOARD MEMBER WILLETTE: Yes.

BOARD CLERK LEMUS: Dr. Gail Willis?

BOARD MEMBER WILLIS: Aye.

PRESIDENT TAYLOR: All right. Please go ahead, Mr. Palkki.

BOARD MEMBER PALKKI: The Chair directed staff to: provide additional information regarding introducing annual risk considerations for next year; establishing a mid-year checkpoint to review risk and overall performance; providing updates on the feasibility of legislative changes that would allow CIO and CEO input on incentive metrics; and conducting discussion on qualitative performance ranges.

The Committee heard public comment on the following topics: incentive metrics and reward structures; level of performance for incentive payouts.

At this time, I'd like to share some highlights of what to expect at the September Performance, Compensation and Talent Management Committee meeting: the Committee will conduct an annual performance evaluation of the Chief Executive Officer and review the CEO's report of fiscal year '25-'26 performance for executive and investment management positions in closed session.

The next meeting of the Performance, Compensation and Talent Management Committee is scheduled for September 15th 2026 in Sacramento, California.

PRESIDENT TAYLOR: Thank you, Mr. Palkki.

With that, we will move on to Risk and Audit Committee. And for that, that's Mr. Miller. Please go ahead.

VICE PRESIDENT MILLER: Yeah. The Risk and Audit Committee met on June 17th, 2026.

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

Agenda Item 5a, Enterprise Compliance, Risk and Governance Annual Plan; Agenda Item 5b, Office of Audit Services Annual Plan; and Agenda Item 5c, Independent Auditor's Annual Plan.

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

With that, can we move into a roll call vote?

BOARD CLERK LEMUS: David Miller?

VICE PRESIDENT MILLER: Yes.

BOARD CLERK LEMUS: Deborah Gallegos?

ACTING BOARD MEMBER GALLEGOS: Yes.

BOARD CLERK LEMUS: Michael Detoy?

BOARD MEMBER DETOY: Yes.

BOARD CLERK LEMUS: Monica Erickson?

BOARD MEMBER ERICKSON: Yes.

BOARD CLERK LEMUS: Troy Johnson?

BOARD MEMBER JOHNSON: Yes.

BOARD CLERK LEMUS: Fiona Ma?

PRESIDENT TAYLOR: Excused.

BOARD CLERK LEMUS: Lisa Middleton?

BOARD MEMBER MIDDLETON: Aye.

BOARD CLERK LEMUS: Kevin Palkki?

BOARD MEMBER PALKKI: Aye.

BOARD CLERK LEMUS: Ramon Rubalcava?

BOARD MEMBER RUBALCAVA: Yes.

BOARD CLERK LEMUS: Yvonne Walker?

BOARD MEMBER WALKER: Yes.

BOARD CLERK LEMUS: Mullissa Willette?

BOARD MEMBER WILLETTE: Yes.

BOARD CLERK LEMUS: Dr. Gail Willis?

BOARD MEMBER WILLIS: Yes.

PRESIDENT TAYLOR: With that, motion carries.

Please move on, Mr. Miller.

VICE PRESIDENT MILLER: The Committee received reports on the following topics: an update on the third-party valuation and certification of the 2024

CalPERS annual valuations for public agencies; and an update on the 2025 through '26 Annual Compliance Report.

The Committee heard public comments on the following topics: Enterprise compliance activity, 2026 through '27 enterprise compliance, Risk and Governance Annual Plan, public agency plan, quarterly status report findings, and audit processes.

At this time, I'd like to share a highlight of what to expect at the September Risk and Audit Committee meeting: the Conflict of Interest Program update.

The next meeting of the Risk and Audit Committee is scheduled for September 2026 in Sacramento, California.

And that will conclude my report, Madam President.

PRESIDENT TAYLOR: Thank you.

You are now up for Board Governance Committee.

VICE PRESIDENT MILLER: Okay. The Board Governance Committee met on June 17th, 2026.

The Committee recommends and I move the Board approve the following: Agenda Item 3c, approve the current CEO delegation resolution as presented in the agenda item.

PRESIDENT TAYLOR: Any discuss -- I'm sorry. On motion by the Committee. Any discussion on the motion?

And seeing none, can we have a roll call vote?

BOARD CLERK LEMUS: David Miller?

VICE PRESIDENT MILLER: Yes.

BOARD CLERK LEMUS: Deborah Gallegos?

ACTING BOARD MEMBER GALLEGOS: Yes.

BOARD CLERK LEMUS: Michael Detoy?

BOARD MEMBER DETOY: Yes.

BOARD CLERK LEMUS: Monica Erickson?

BOARD MEMBER ERICKSON: Yes.

BOARD CLERK LEMUS: Troy Johnson?

BOARD MEMBER JOHNSON: Yes.

BOARD CLERK LEMUS: Fiona Ma?

PRESIDENT TAYLOR: Is excused.

BOARD CLERK LEMUS: Lisa Middleton?

BOARD MEMBER MIDDLETON: Aye.

BOARD CLERK LEMUS: Kevin Palkki?

BOARD MEMBER PALKKI: Aye.

BOARD CLERK LEMUS: Ramon Rubalcava?

BOARD MEMBER RUBALCAVA: Yes.

BOARD CLERK LEMUS: Yvonne Walker?

BOARD MEMBER WALKER: Yes.

BOARD CLERK LEMUS: Mullissa Willette?

BOARD MEMBER WILLETTE: Yes.

BOARD CLERK LEMUS: Dr. Gail Willis?

BOARD MEMBER WILLIS: Aye.

PRESIDENT TAYLOR: Thank you. Motion carries. With that, Mr. Miller, can you move on?

VICE PRESIDENT MILLER: The Committee also discussed the Board's self-assessment and the steps for satisfying this requirement for this cycle.

The next meeting of the Board Governance Committee is tentatively scheduled for September 16th, 2026 in Sacramento, California. And that concludes that report, Madam President.

PRESIDENT TAYLOR: All right. So with that, we're going to move on to the proposed decisions of Administrative Law Judges. And that's you again.

VICE PRESIDENT MILLER: Okay. I move to adopt the proposed decisions at Agenda Items 8a1 through 8a6, with the minor modifications argued by staff to Agenda Items 8a1, 2, 5, and 6.

PRESIDENT TAYLOR: I need a second on that, right?

VICE PRESIDENT MILLER: Yes.

BOARD MEMBER PALKKI: Second.

PRESIDENT TAYLOR: I need a second. Mr. Palkki is giving us the second. With that, I will have a roll call vote.

BOARD CLERK LEMUS: David Miller?

VICE PRESIDENT MILLER: Yes.

BOARD CLERK LEMUS: Deborah Gallegos?

ACTING BOARD MEMBER GALLEGOS: Yes.

BOARD CLERK LEMUS: Michael Detoy?

BOARD MEMBER DETOY: Yes.

BOARD CLERK LEMUS: Monica Erickson?

BOARD MEMBER ERICKSON: Yes.

BOARD CLERK LEMUS: Troy Johnson?

BOARD MEMBER JOHNSON: Yes.

BOARD CLERK LEMUS: Fiona Ma?

Lisa Middleton?

BOARD MEMBER MIDDLETON: Aye.

BOARD CLERK LEMUS: Kevin Palkki?

BOARD MEMBER PALKKI: Aye.

BOARD CLERK LEMUS: Ramon Rubalcava?

BOARD MEMBER RUBALCAVA: Yes.

BOARD CLERK LEMUS: Yvonne Walker?

BOARD MEMBER WALKER: Yes.

BOARD CLERK LEMUS: Mullissa Willette?

BOARD MEMBER WILLETTE: Yes.

PRESIDENT TAYLOR: Dr. Gail Willis?

BOARD MEMBER WILLIS: Aye.

PRESIDENT TAYLOR: Thank you. Motion carries on that.

I have Action Agenda Item b, Senate Bill 1038, Danny. If you want to give us an update on that and then 1089 just -- I think that got pulled, so if you want to just go over that.

LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Good afternoon, Madam President and Board members. Danny Brown, CalPERS team member. This first item is an action item. SB 1038 authored by Senator Laird and sponsored by the California School Employees Association adds some new requirements regarding CalPERS employer audits and codifies some existing practices.

First, SB 1038 requires CalPERS to list on its website the name of the employer that is subject to an audit and the purpose and scope of the intended audit prior to initiating an audit.

Second, it codifies existing practices by requiring CalPERS to provide written notice to the affected employer of the purpose and scope of the audit and provide the employer with a copy of the final audit report.

Finally, it requires the audited employer to put forward the CalPERS audit notification and final audit report to the exclusive representative, if any, provide CalPERS and the exclusive representatives a list of the names and members affect by the final audit, and communicate to CalPERS that they have provided the CalPERS audit notification and final audit report to the exclusive representative.

CalPERS team members are recommending the Board adopt a support position on SB 1038, because we believe the bill will assist CalPERS to resolve open audit observations and improve collaboration between the employer and employee representatives throughout the audit resolution process.

And with that, I'll stop and answer any questions.

PRESIDENT TAYLOR: Do I have any questions on this before we take a vote?

You do. All right. Ms. Gallegos, go ahead

ACTING BOARD MEMBER GALLEGOS: Is this audit taking place by CalPERS or by the SCO, so I know --

LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: This is a CalPERS audit under --

ACTING BOARD MEMBER GALLEGOS: Okay. Great.

LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Yes.

ACTING BOARD MEMBER GALLEGOS: Thank you.

PRESIDENT TAYLOR: Am many I correct in thinking these are the audits of the employers that may impact an employee, correct, and they have to pay money back, or whatever, something like that?

LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Yep.

PRESIDENT TAYLOR: Okay. Any other questions?

With that, I'd -- what's the pleasure of the Committee. It's an action item. I need to have a --

BOARD MEMBER RUBALCAVA: I move the staff recommendation.

PRESIDENT TAYLOR: You're moving the staff recommendation.

VICE PRESIDENT MILLER: Second.

BOARD MEMBER JOHNSON: Second

PRESIDENT TAYLOR: Second by -- Mr. Miller? I don't know who else said that. Sorry. Mr. Johnson, did you?

BOARD MEMBER JOHNSON: Yes, I did.

PRESIDENT TAYLOR: Never mind. It was Troy. Second by Troy Johnson.

All those in favor, please take a roll call vote.

BOARD CLERK LEMUS: David Miller?

VICE PRESIDENT MILLER: Yes.

BOARD CLERK LEMUS: Deborah Gallegos?

ACTING BOARD MEMBER GALLEGOS: Yes.

BOARD CLERK LEMUS: Michael Detoy?

BOARD MEMBER DETOY: Yes.

BOARD CLERK LEMUS: Monica Erickson?

BOARD MEMBER ERICKSON: Yes.

BOARD CLERK LEMUS: Troy Johnson?

BOARD MEMBER JOHNSON: Yes.

BOARD CLERK LEMUS: Fiona Ma?

PRESIDENT TAYLOR: Excused

BOARD CLERK LEMUS: Lisa Middleton?

BOARD MEMBER MIDDLETON: Aye.

BOARD CLERK LEMUS: Kevin Palkki?

BOARD MEMBER PALKKI: Aye.

BOARD CLERK LEMUS: Ramon Rubalcava?

BOARD MEMBER RUBALCAVA: Yes.

BOARD CLERK LEMUS: Yvonne Walker?

BOARD MEMBER WALKER: Yes.

BOARD CLERK LEMUS: Mullissa Willette?

BOARD MEMBER WILLETTE: Yes.

BOARD CLERK LEMUS: Dr. Gail Willis?

BOARD MEMBER WILLIS: Aye.

PRESIDENT TAYLOR: Okay. And, Danny, did you just want to quick -- I think this got pulled, did it not?

LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN:

Correct. I mean, we're recommending -- we're pulling the item. The bill was amended in Assembly Health yesterday to remove the provision that impacts CalPERS. So the bill no longer applies to us, so no reason to take a position.

PRESIDENT TAYLOR: No reason to take a vote. Okay. So I just wanted to make sure of that. Everybody, we can cross that off.

However, I do have a caller on this. So if we could go ahead and hear the caller's concerns.

CALPERS STAFF: Yes, President Taylor. We have Amy Roberts here to speak to 8c. Amy Robert you are now live and proceed with your comments.

AMY ROBERTS: Thank you very much. I'm a little bit nervous. I hope you'll bear with me. I appreciate having -- being employed by an agency that utilizes CalPERS health insurance. And I have -- was on my first diet at seven years old. And so that is over 40 years of dieting. I've had the weight loss surgery in the form of a lap band, covered by Blue Shield of California, before CalPERS was with Blue Shield of California.

I used to be an auditor at a financial institution. This memo is very well written. And if I were a Board member, I would vote to oppose the bill. I did not know it got pulled. However, I've also been on two of the three medications that are currently available through CalPERS Phentermine and the Contrave. And guess what? Contrave has the exact same side effects as the reasons you state that Zepbound is being discontinued due to gastrointestinal effects.

In six and a half months of being a self-pay on Zepbound, I have lost just over 20 percent of my body weight. Diet and exercise does not take care of this chronic disease. While I have been disappointed in the World Health Organization's for a variety of reasons over these more recent years, it has been recognized as a chronic disease and we need to stop viewing it as, "Take the fork out of your mouth, Amy". Diet and exercise will take care of it.

For some of us, that does not work. I maintain 80 percent of my weight loss from my 20-year old weight loss surgery. My body stopped losing weight. I am a professional dieter. And I think CalPERS should look long and hard at covering these most up-to-date medications. We have more than 20 years of data on Mounjaro, the exact same medication as Zepbound. We do not have one year of data on Zepbound. We can make it look like we do, but we have much more.

The Roux-en-Y bypass surgery brings the gut closer to the stomach. Many patients have their diabetes under control with bypass surgery prior to leaving the hospital. We are finally making great strides in the treatment of this chronic disease, that late night hosts, who I adore, still make fun of us. And it's taken a lot of courage for me even to speak anonymously as a member of -- and someone who appreciates my health insurance benefits greatly. And I pay part of my health insurance benefits myself and I'm currently a self --

PRESIDENT TAYLOR: Ma'am. Ma'am, you have -- you have exceeded your three minutes.

AMY ROBERTS: Thank you very much.

PRESIDENT TAYLOR: Thank you so much.

With that, we will move on to Item 9a, State and Federal Legislative Update. Mr. Brown.

LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Yes. Good afternoon again. This is the State and federal update. And I do believe we'll have Dan and Karishma joining me for the federal update. I do see Dan and hopefully Karishma will be up there soon.

On the State side, summer recess is rapidly approaching and the Policy Committee deadline for bills to pass out of their second House policy committee is July 2nd. After that deadline, the Legislature will go on a four week summer recess, return on August 3rd, and then have to finish their business by the end of August. The Governor will then have the whole month of September to sign or veto bills.

Today, I want to provide a quick update on a few bills. First, the CalPERS sponsored bill, Senate Bill 939, which would simplify service credit payment options for service credit payment purchases elected after January 1st, 2028 passed unanimously out of Senate -- Assembly PERS Committee last week and is now headed to Assembly appropriations.

The next bill is AB 383 that makes several prospective changes to the compensation limit and safety formulas of PEPRA members.

AB 1383 is slated to be heard in Senate Labor Public Employment and Retirement Committee next week. Our updated cost analysis was finalized last week and we have been distributing it to our stakeholders and interested parties.

And then the final bill I want to mention is Assembly Bill 1619 brought forward by the Orange County Employees Retirement System to allow county retirement systems to increase the per diem for eligible board members to $320 per meeting. The Assembly PERS Committee felt this policy should be extended to CalPERS and CalSTRS Board members. So the bill was amended to increase the compensation to attend CalPERS Board and Committee meetings from $100 to $320 per day for the two officials appointed by the Governor, the person appointed by the Legislature, and any retired elected member.

This bill passed out of the Senate Labor Public Employment and Retirement Committee this -- or it's being heard this morning. I anticipate it will be passed out and then it will be head to the Senate Appropriations.

And with that, I'll move on to the federal update.

First, I want to mention a few things before I turn it over to Dan and Karishma on the health side. Our -- first, our Chief Health Director, Don Moulds, participated in two separate meetings with the minority staff of the Senate Finance Committee as they look to develop their policy agenda for the next Congress. The first meeting focused on affordable an accessible coverage and the second meeting was on lowering prescription drug costs.

Dr. Moulds discussed the provisions we were able to obtain in our health plan and PBM contracts to control costs and improve performance, as well as our continued concerns with anti-competition and health care consolidation. We will continue to engage with the Senate Finance Committee and will be responding to an RFI that they just put out yesterday around lowering drug costs.

Next, I wanted to mention a comment letter submitted to CMS on their 2027 Hospital Inpatient Perspective Payment System proposed rule. In this annual rulemaking process, CalPERS writes in support of the proposal -- proposed expansion and mandatory participation of the comprehensive joint replacement model expansion to all eligible acute care hospitals nationwide, which will better align reimbursements with episode-based care and quality outcomes.

In addition, we are encouraged that CMS is considering site-neutral payment policies, as they have the potential to lower health care costs, mitigate and deter vertical consolidation, and lower beneficiary cost-sharing obligations.

And with that, I will turn it over to Dan and Karishma.

KARISHMA PAGE: Thank you, Danny. It's good to be with all of you today. We are in the midst of the last few weeks of the summer work period before Congress leaves for its August recess. So the Congress is in for a couple of weeks in June. And then following the 4th of July will be in for a few weeks in July.

And during this time, this is really the bulk of the opportunity to do the work of the congressional agenda before Congress leaves for the August recess, and will really start focusing in on the campaign season.

The Congress is expected back in in September for a few weeks, at which point there will be some work on federal funding issues, but we expect that to be pretty expedited, allowing folks to go back home, and again really work to campaign before November.

So in the few weeks that we have, there are a few issues that are really taking up airtime, if you will, in terms of Congress. First, there are the ongoing issues related to federal funding that continue to take up interest to Committee time and leadership time, as well as things that are musts like the reauthorization and also NDAA which is an annual National Defense Authorization Act, a bill that gets done on a bipartisan, bicameral basis. So these are the must-do items, federal funding, NDAA, FISA, which has expired, that Congress must address at some point. So debate continues on those in various forms, with the hope that there will be some type of agreement before the -- before the August recess, but those negotiations continue forward.

Additionally, on the issues on the financial services side, there are a few that are also ongoing from a congressional perspective that are taking up the bulk of the energy. One is an issue -- one is the issue of housing. There have been -- there have been measures that are -- there's a -- there is interest and work being done on a bipartisan, bicameral basis on housing. But interestingly, the House and the Senate are in very -- are in different positions. So the Senate is expected to take a procedural vote on housing legislation and hopeful that it -- at that point, it will pass. And then there is revised text that will be -- expected to be passed by the House. But again unclear how this all plays out, but these are the issues that are on the agenda that may see some progress or potentially could stall out.

The other issue that has been a focus of Congress has been on digital assets. And that debate -- those debates continue as well.

So these are all what I would characterize as on the congressional agenda, but not necessarily must-dos. So we may see some progress or we may see them stall out.

This is all in that backdrop of planning for what comes next. You know, there really it political configurations that are possible after the November election, and Democrats in particular on the House side and also on the Senate side are using this time for planning. To the extent that they do take over the gavels in one or both of those chambers are thinking about what is the affirmative policy agenda, but also what are the areas of potential oversight. And we see that work, that planning work that's really taking place behind the scenes, as we work through the summer. And staff will continue some of that work into the fall while members are away.

I will pause there. I wanted to give sort of those high level comments from a general perspective, from an atmospherics perspective and turn it over now to Dan who is going to take us through what's happening over at the SEC and may have some comments on the general points as well.

DAN CROWLEY: Well, thank you, Karishma. You know, we monitor all of the federal financial regulatory agencies on behalf of CalPERS. But I think it's safe to say that the vast majority of the issues we're currently confronting are before the SEC, which, you know, is headed by Paul Atkins, who's an old friend. He's an institutionalist. He's not a MAGA Republican, so to speak. But he is very focused on trying to restore the number of initial public offerings. You know, when I got out of law school in 1990, we had over 8,000 publicly traded companies in the country and now we're below 4,000, and continuing to trend in that direction, unless something is done.

So he has set forth an ambitious agenda for rekindling IPOs that includes streamlining and rationalizing corporate disclosures. And he's put out a number of proposals in recent months, some of which we've already commented on, some of which we plan to comment on. But these include Regulation S-K, which are the nonfinancial disclosures made by Corporate management. The proposal to rescind the Climate Risk Disclosure Rule, a proposal to move from quarterly reporting to at least allowing some companies to engage in semi-annual reporting, and reform to the 14a-8 proxy voting process remains pending.

Again, we have engaged in discussion, if not comment, on all of those issues and will continue to do so. Interestingly, the -- while the SEC rescinded the Climate Risk Disclosure Rule saying it exceeded the SEC's authority, in their comments in the proposal, they implicitly acknowledge that investors remaining focused on additional sustainability disclosures and he leaves open a pathway for market-based adoption of sustainability standards, which, of course, is exactly what we've seen in the U.S. Most of the large U.S. issuers adopted the recommendations of the Financial Stability Board Task Force on Climate Related Risk Disclosures, or TCFD. Now a lot of those issues are migrating their disclosures to ISSB. And while on the surface, we're sending the climate risk disclosure rule would seem to disadvantage ISSB filings, in fact, it's putting a premium on the importance of those disclosures, particularly for U.S. issuers that are trying to satisfy disclosure obligations in foreign jurisdictions most notably the EU.

So just to circle back to where Karishma left off, I've been consistently saying for the last year that the House election is the Democrats to lose. They very well are likely to be the majority, which would make California congresswoman Maxine Waters, Chair of the House Financial Services Committee again. I think the Senate is more difficult to call, but it depends on the size of wave. If there's a huge anti-Trump backlash that captures the Senate -- it captures the House, that could very well carry some states like North Carolina, Maine, Texas, Ohio. In Ohio, former Senator Sherrod Brown Chairman of the Senate Banking Committee, is actually up in the polls.

So it's well within the realm of possibilities that Democrats capture both the House and the Senate, in which case Karishma rightly notes that oversight is going to be a priority. Certainly, there will be investigations of the Trump administration. And my bet is that they will impeach him. The only question is what they impeach him for and whether they can get a conviction in the Senate. It seems unlikely, even if they can get Republicans to support impeachment, because that would have the effect of making JD Vance the incumbent with respect to 2028. And I don't think that's an outcome that Democrats desire.

So there will be a lot oversight activity, probably impeachment, but for the most part Trump is likely to be there for the next two and a half years, but in an increasingly lame duck capacity. We're starting to see that with Republicans starting to peel off their support. If Democrats capture the House, then I think there will no longer be the strong pressure to support the administration among Republicans.

But let me -- let me pause there and we're happy to take any questions.

PRESIDENT TAYLOR: Okay. So I do have public comment. Does the Board have any questions?

I'm not seeing any questions from the Board. I want to thank you both for your presentations. None of it sounds good -- oh great, I should say, but thank you very much.

With that, we're going to move on to 9c, which is -- let me make sure I'm on 9c, public comment.

I have J.J. Jelincic and Martha Penry, if you want to come down. You're on.

MARTHA PENRY: Oh, thank you. Thank you, President Taylor and to the Board. I just had a quick comment. I wanted to share with you, I guess yesterday there was some conversation and a presentation about the member service center, the Call Center.

Unfortunately, I wasn't able to attend yesterday, but I want to share some wonderful personal experience. While people, and not everybody may hay agree, I am just so completely thrilled and don't have -- just don't have enough kind words to say about the Call Center. You know, life changes happen, right? And so after seeing my tax man, he said, you know, you've got to do this. You've got to do this. Start here. Bump this up. Bump that up. I started working with the pension I received my husband. That was like an act of Congress. I thought for sure they were going to ask for my blood next, but I got that done.

I called CalPERS. They answered right away. It was mid-morning. I said this is what I need to do and the gentleman -- and I apologize I didn't bring his name today. I wrote it down, so I would have it. He said let me help you. And so he said you can do it yourself online. I can walk you through it. I can help you. What do you want to do? I said let me try it online, because I'm still learning. So he said, "Okay. Got a pencil? Yep." He said okay, do this, there's a dropdown, click on that, do this. He said if you have any trouble whatsoever, then call back and we'll walk you through it. We'll help you.

In a matter of minutes I was done. Completely got everything done. Everything was just perfect. By the time I got off of myCalPERS, I actually had an email saying that -- confirming everything I had done. I could not be more pleased. And I just want to thank Kim Malm and all of the hard work of that Call Center, just amazing. So I just wanted to let all of you know how pleased I am and thank you.

PRESIDENT TAYLOR: Thank you, Ms. Penry. We really appreciate that.

(Applause).

J.J. JELINCIC: J.J. Jelincic, RPEA for the last time until next month. I was going to give each of you a copy of this report. However, the system has already put out a statement that this report is not based on fact. It is an opinion piece full of baseless assertions and breathless language, so obviously there is no need to.

It is not a fact, as stated in the report, but rather a baseless opinion that your CEO has only a high school diploma. It is not a fact, as stated in the report, but rather a baseless assertion that Marcie Frost said even before the first PRA request, CalPERS is not sharing limited partnership agreements, CalPERS is not sharing any side letter. The CNBC clip showing that she said that must be a deepfake. It is not a fact, as the report states, but rather a baseless assertion that this very transparent system withholds lots of relevant information. This PRA request verifies that.

It is not a fact, as the report states, but a baseless assertion that CalPERS routinely denies public record requests on the basis that quote, "The public interest in disclosure is clearly outweighed by the public interest in nondisclosure." I've gotten that response dozens of times. Silly me, I didn't realize it was a typo, although CalPERS didn't, in fact, provide the information.

It is not a fact, as the report states, but a baseless assertion that public pension plans are not covered by the Employee Retirement Security Act[SIC], ERISA. It is not a fact, as the report states, but a baseless assertion that members of the Board lack investment experience and expertise and that none is required for election or appointment to the Board.

It is not a fact, as the report states, but a baseless assertion that the Governor of California earns approximately $234,000 annually, but dozens of CalPERS employees earn multiples of that.

I have many baseless assertions, but little time. I would encourage you to support the creation of an Office of Inspector General, such an office could help separate facts from baseless assertions.

If you want to read a copy of the report, even though it's not fact based, you can download a copy from the RPEA website, you can buy it on Amazon, and I have reason to believe you could actually check it out of -- from the State Library.

Thank you for your attention.

PRESIDENT TAYLOR: Thank you, Mr. Jelincic.

Thank you, Ms. Penury.

With that, I did skip Summary of Board Direction.

CHIEF EXECUTIVE OFFICER FROST: I did notice that, but I recorded none, other than through Committee direction.

PRESIDENT TAYLOR: Okay. Great. With that, hold on a second, we will adjourn now into closed session for items one through three from the closed session agenda. This will include the following litigation matter, Granda v. CalPERS, Eastern District of California, case number 2:210-CV-01256. We will also receive the General Counsel's update on pending litigation.

After the closed session, the Board will reconvene in open session. I want to thank everybody and hopefully you all can make it to our off-site in Monterey. We will see you in July.

Oh, Wait.

(Bangs the gavel).

PRESIDENT TAYLOR: There you go. We are officially adjourned. Well, recessed. I'm sorry.

(Off record 1:52 p.m.)

(Thereupon the meeting recessed into closed session.)

(On record: 2:22 p.m.)

(Thereupon the meeting reconvened open session.)

PRESIDENT TAYLOR: All right then, so we --

welcome back to open session. We have nothing to report from closed session. So with that, I will adjourn our open session Board of Administration meeting for this month and look forward to seeing everybody in January in Monterey.

(Bangs the gavel).

PRESIDENT TAYLOR: I'm sorry, January. July.

(Laughter.)

(Thereupon, the California Public Employees' Retirement System, Board of Administration meeting open session adjourned at 2:23 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 25th day of June, 2026.

James F. Peters

JAMES F. PETERS, CSR
Certified Shorthand Reporter
License No. 10063