MINUTES

MEETING OF THE CALOPTIMA HEALTH BOARD OF DIRECTORS' INVESTMENT ADVISORY COMMITTEE

July 27, 2026

A Regular Meeting of the CalOptima Health Board of Directors' (Board) Investment Advisory Committee (IAC) was held on July 27, 2026, at CalOptima Health, 505 City Parkway West, Orange, California, via live audio and video streaming. The meeting recording is available on CalOptima Health's website under Past Meeting Materials.

CALL TO ORDER
Chair Rodney Johnson called the meeting to order at 3:04 p.m. and led the Pledge of Allegiance.

ROLL CALL
Quorum was declared, and present as follows:

Members Present:	Chair Rodney Johnson, Colleen Clark, Rick Fulford, Nancy Huang, David Hutchison, and James Meehan
Members Absent:	Annie Tran
Others Present:	Hannah Schriner, Ian Schirato and Colin Kowalski, Meketa Investment Group; Darren Marco, Victoria Vogel, and Jeffrey Cleveland, Payden & Rygel; Scott Pavlak and Erin Klepper, MetLife Investment Management; Michael Hunn, Chief Executive Officer; Jason Kaing, Controller; Tina Knapp, Clerk of the Board; and Pamela Reichardt, Executive Assistant

MINUTES

Approve Minutes of the April 27, 2026, Meeting of the CalOptima Health Board of Directors' Investment Advisory Committee

Action: ***On motion of Member Clark, seconded by Member Meehan, the Minutes of the April 27, 2026, Meeting of the CalOptima Health Board of Directors' Investment Advisory Committee were approved as presented. (Motion carried 6-0-0)***

AYES:	**Colleen Clark, Rick Fulford, Nancy Huang, David Hutchison, Rodney Johnson, James Meehan**
ABSENT:	**None**
ABSTENTIONS:	**None**
RECUSALS:	**None**

PUBLIC COMMENT

There were no requests for public comment.

MANAGEMENT REPORTS

Chief Executive Officer (CEO) Report

CEO Michael Hunn reported significant membership changes at CalOptima Health due to Medi-Cal policy changes and H.R. 1. Enrollment has declined by about 10,000 members per month since the beginning of this year. In addition, approximately 100,000 Unsatisfactory Immigration Status (UIS) members will be transitioned from CalOptima Health to Medi-Cal fee-for-service (FFS) on January 1, 2027.

To ensure member access to quality care, CalOptima Health plans to reinvest its reserves to strengthen the safety-net delivery system. The Board approved a $429.6 million, 30-month initiative to raise specialist and hospital outpatient rates, providing financial stability for contracted providers. CalOptima Health remains financially strong, with a low administrative loss ratio (ALR) and adequate reserves.

The new Covered California product will launch in January 2027, and its open enrollment begins November 1, 2026. This program will align with the goal to assist members who cycle in and out of Medi-Cal eligibility.

Chief Financial Officer (CFO) Report

CFO Nancy Huang reported on CalOptima Health's UIS members, who account for about 15% of total enrollment. These members will not lose Medi-Cal coverage completely but will be managed at the state FFS level rather than by CalOptima Health. This change will lower the total revenue forecast and require a revised budget later this year; however, no major staffing changes are anticipated. Staff projects an ALR increase of 7.0%, but significant workforce reductions are not necessary at this time.

Ms. Huang reported on Covered California. Staff is reallocating and backfilling positions to support the new line of business. Despite the UIS transition, CalOptima Health remains financially strong, and staff is targeting a break-even operating budget. Organizational priorities remain consistent, including member retention, product expansion, and member access to quality care.

Ms. Huang reported on efforts to improve quality and member access to medically necessary services through the June Board action on provider rate increases. CalOptima Health's Board approved a total of $429.6 million over 2.5 years. This results in a monthly expenditure of $14 million, starting in July 2026. The provider rate increase has been fully implemented to support CalOptima Health members and reinvest in the community.

Ms. Huang reported on the Annual Investment Policy. Staff will bring recommended policy changes to the October IAC meeting, the November Finance and Audit Committee meeting,

and the December Board meeting for approval. The policy update will become effective January 1, 2027.

REPORTS

VI.A. Recommend Reappointment and Committee Chair Reappointment to the CalOptima Health Board of Directors' Investment Advisory Committee

Action: ***On motion of Member Meehan, seconded by Member Clark, the Investment Advisory Committee recommended the reappointment and Committee Chair reappointment of Rodney Johnson for a two (2)-year term to the CalOptima Health Investment Advisory Committee, beginning October 6, 2026, and continuing until October 5, 2028, or until a successor is appointed.***
(Motion carried 5-0-0)

AYES:	**Colleen Clark, Rick Fulford, Nancy Huang, David Hutchison, James Meehan**
ABSENT:	**None**
ABSTENTIONS:	**Rodney Johnson**
RECUSALS:	**None**

VI.B. Recommend Reappointments to the CalOptima Health Board of Directors' Investment Advisory Committee

Action: ***On motion of Member Meehan, seconded by Member Fulford, the Investment Advisory Committee recommended to reappoint Colleen Clark and David Hutchison to the CalOptima Health Board of Directors' Investment Advisory Committee for two (2)-year terms beginning October 6, 2026, and continuing until October 5, 2028.***
(Motion carried 4-0-0).

AYES:	**Rick Fulford, Nancy Huang, Rodney Johnson, James Meehan**
ABSENT:	**None**
ABSTENTIONS:	**Colleen Clark and David Hutchison**
RECUSALS:	**None**

INFORMATION ITEMS

Financial Update

Controller Jason Kaing presented CalOptima Health's financial highlights as of April 30, 2026. Enrollment was at approximately 820,000 members, with 41,000 unfavorable to the budget due to the impact of H.R. 1. There was a favorable change in net assets of about $25.5 million, $17.8 million from operating margin and $7.7 million from non-operating income. Net

investment income was $11.6 million, offset by $3.3 million in community reinvestment accruals.

Year-to-date, there was a net surplus of $276 million, with $150.2 million from operating margin and an additional $125.7 million from non-operating sources. The medical loss ratio (MLR) was 91.6%, and the ALR was 5.0%.

Reviewing the April balance sheet, current assets were approximately $2.7 billion, current liabilities were $1.4 billion, yielding a current ratio of 1.9. The Board-designated Reserves were $1.6 billion, with a current reserve level of 3.76 months of the average monthly revenue. The statutory designated reserve was $136.3 million or 101% of the minimum tangible net equity requirement. Both are compliant with Board-approved ranges. In May, staff transferred $5 million to bring the statutory designated reserve level to 105%. Staff completed this in anticipation of future activities over the next several months while remaining compliant with policy.

Presentation by Meketa Investment Group

Hannah Schriner, Managing Principal, gave a company update and reported on total fund performance, cash flow, performance attribution, individual manager performance, and custom peer group results for the investment managers. Ms. Schriner also addressed the overall market environment. She reported that, for the period ending April 30, 2026, the portion of the investment portfolio managed by Meketa Investment Group complied with CalOptima Health's Annual Investment Policy.

Colin Kowalski, Vice President, reported on the market, returns for the quarter, Treasury futures, and the economic environment.

Ian Schirato, Investment Analyst, reported on total fund performance, fixed income, cash flow, and custom peer group results.

Presentation by Payden & Rygel

Darren Marco, Vice President, introduced Victoria Vogel, Vice President, to the IAC as she will attend meetings going forward. Mr. Marco provided a firm update, a report on the yield curve and the total fund portfolio, and a summary of portfolio performance.

Jeffrey Cleveland, Managing Director & Chief Economist, provided an economic update covering labor markets, the AI investment bubble, unemployment rates and inflation.

Ms. Vogel reported on the characteristics, attribution, and performance of the Tier One and Tier Two accounts. Ms. Vogel reported that for the period ending April 30, 2026, the portion of the investment portfolio managed by Payden & Rygel complied with CalOptima Health's Annual Investment Policy.

Presentation by MetLife Investment Management

Erin Klepper, Associate Director, provided a firm update, reported on the Tier One and Tier Two accounts, and discussed the yield curve. Ms. Klepper reported that for the period ending April 30, 2026, the portion of the investment portfolio managed by MetLife Investment Management complied with CalOptima Health's Annual Investment Policy.

Scott Pavlak, Managing Director and Head of Short Duration, gave a market overview update and reported on Municipal Bonds, Federal Reserve projections, Treasury futures, inflation, market projections, and portfolio performance attribution and strategy.

Ms. Huang asked about federal withholding of California Medi-Cal healthcare dollars, as the federal government withheld a combined $2.1 billion. Specifically, whether there is a potential political risk in government bonds or healthcare-related sectors, and whether anything in the market triggered federal withholding on California healthcare dollars. Mr. Pavlak stated that he will confer with a MetLife analyst, a subject-matter expert, and will return to the IAC with a response. Darren Marco from Payden & Rygel will also speak with their credit analyst and come back with a more detailed response at the October IAC meeting.

COMMITTEE MEMBER COMMENTS

Chair Johnson noted that IAC Member James Meehan will be leaving the IAC after the October 26, 2026, meeting, and thanked him for his insight and valuable contributions over the last four years. Chair Johnson asked if any members would like to volunteer to serve on an ad hoc committee for member recruitment, along with himself, Nancy Huang, and Meketa Investment Group. Member Rick Fulford volunteered and was confirmed to participate in the ad hoc committee.

ADJOURNMENT

Hearing no further business, Chair Johnson adjourned the meeting at 4:47 p.m.

Pamela Reichardt
Executive Assistant

Approved: October 26, 2026