STATE OF CALIFORNIA
DEPARTMENT OF HUMAN RESOURCES
SAVINGS PLUS PROGRAM

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT

YEARS ENDED DECEMBER 31, 2020 AND 2019

STATE OF CALIFORNIA, DEPARTMENT OF HUMAN RESOURCES
SAVINGS PLUS PROGRAM
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

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INDEPENDENT AUDITORS' REPORT

Ms. Eraina Ortega, Director
State of California, Department of Human Resources Savings Plus Program
Sacramento, California

Report on the Financial Statements

We have audited the accompanying combined financial statements of fiduciary net position and changes in fiduciary net position of the State of California, Department of Human Resources Savings Plus Program (the Plan), which comprise a 457(b) Plan, a 401(k) Plan, a Part-time, Seasonal, and Temporary Employees Retirement Program ("PST Program"), and an Alternate Retirement Program ("ARP"), as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the accompanying table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan as of December 31, 2020 and 2019, and the respective changes in its fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2021, on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
June 10, 2021

This section presents management's discussion and analysis of the State of California, Department of Human Resources ("CalHR") Savings Plus Program's ("Savings Plus") financial performance for the years ended December 31, 2020 and 2019 and 2018.

Savings Plus administers a deferred compensation plan ("457(b) Plan") established in 1974 under Section 457(b) of the Internal Revenue Code (IRC); a tax-deferred thrift plan ("401(k) Plan") established in 1985 and implemented in 1989 under Section 401(k) of the IRC; a Part-time, Seasonal, and Temporary Employees Retirement Program ("PST Program") established in 1991 under Section 457(b) of the IRC; and an Alternate Retirement Program ("ARP") established in 2004 under Section 401(a) of the IRC. CalHR's authority to establish these plans is found in the *California Government Code* sections 19993, 19999.5, 19999.2, and 19999.3, respectively. The 457(b) Plan and the 401(k) Plan together are referred to as the "Main Plan." The four plans together are referred to as the "Plan" or "Savings Plus" for the sake of this document.

USING THE FINANCIAL REPORT

This discussion and analysis is intended to serve as an introduction to the Plan's basic financial statements, which comprise the following three components: (1) Combined Statement of Fiduciary Net Position, (2) Combined Statement of Changes in Fiduciary Net Position, and (3) Notes to Combined Financial Statements. Collectively, this information presents the fiduciary net position held in trust for participants.

The Combined Statement of Fiduciary Net Position reports Savings Plus' assets, liabilities, and resultant fiduciary net position where Assets - Liabilities = Fiduciary Net Position. The assets are held in a trust for the benefit of participants at Savings Plus' year-end, which is December 31. It can be thought of as a snapshot of the financial position of the Plan at that specific point in time.

The Combined Statement of Changes in Fiduciary Net Position reports Savings Plus' transactions that occurred during the plan year where Additions - Deductions = Net Change in Fiduciary Net Position. It is a record of the activity that occurred during the year and explains the changes that have occurred since the prior year's fiduciary net position on the Combined Statement of Fiduciary Net Position.

Although the 457(b) Plan and the 401(k) Plan are separate, distinct retirement savings plans, they are generally and collectively referred to as the "Main Plan." Main Plan investment options consist of eleven (11) Target Date Funds, four (4) actively managed equity funds, one (1) actively managed socially responsible fund, one (1) actively managed diversified real return fund, one (1) actively managed bond fund, one (1) short-term investment fund ("STIF"), one (1) STIF–Cash fund, and five (5) passively managed funds (index funds). In addition, Savings Plus offers a self-directed brokerage account ("SDBA") option within the Main Plan. The PST Program and ARP invest assets in the above-noted STIF strategy, but are invested in distinct funds, the STIF–PST and STIF–ARP, respectively. Savings Plus utilizes a combination of separately managed investment accounts, collective investment trusts, Federal Deposit Insurance Corporation ("FDIC") depository savings accounts, and mutual funds.

CONDENSED SUMMARY FINANCIAL STATEMENTS

The following tables present a condensed summary of the fiduciary net position and changes in fiduciary net position for the year ended December 31, 2020 (in thousands):

Combined Statement of Fiduciary Net Position

	457(b) Plan	401(k) Plan	PST	ARP	Total
ASSETS					
Total Investments	$ 8,974,513	$ 9,209,300	$ 106,269	$ 489	$ 18,290,571
Total Receivables	159,116	127,287	1,049	-	287,452
Total Assets	9,133,629	9,336,587	107,318	489	18,578,023
FIDUCIARY NET POSITION HELD IN TRUST					
Total Fiduciary Net Position Held in Trust	$ 9,133,629	$ 9,336,587	$ 107,318	$ 489	$ 18,578,023

Combined Statement of Changes in Fiduciary Net Position

	457(b) Plan	401(k) Plan	PST	ARP	Total
ADDITIONS					
Total Contributions	$ 585,377	$ 510,656	$ 25,771	$ 50	$ 1,121,854
Net Investment Income	1,032,057	1,105,320	4,113	31	2,141,521
Total Additions	1,617,434	1,615,976	29,884	81	3,263,375
DEDUCTIONS					
Total Withdrawals	450,596	394,962	24,151	960	870,669
Administrative Expenses	4,967	3,680	1	3	8,651
Total Deductions	455,563	398,642	24,152	963	879,320
CHANGE IN FIDUCIARY NET POSITION	$ 1,161,871	$ 1,217,334	$ 5,732	$ (882)	$ 2,384,055

CONDENSED SUMMARY FINANCIAL STATEMENTS (CONTINUED)

The following tables present a condensed summary of the fiduciary net position and changes in fiduciary net position for the year ended December 31, 2019 (in thousands):

Combined Statement of Fiduciary Net Position

	457(b) Plan	401(k) Plan	PST	ARP	Total
ASSETS					
Total Investments	$ 7,823,274	$ 7,993,547	$ 100,384	$ 1,371	$ 15,918,576
Total Receivables	148,484	125,706	1,202	-	275,392
Total Assets	7,971,758	8,119,253	101,586	1,371	16,193,968
FIDUCIARY NET POSITION HELD IN TRUST					
Total Fiduciary Net Position Held in Trust	$ 7,971,758	$ 8,119,253	$ 101,586	$ 1,371	$ 16,193,968

Combined Statement of Changes in Fiduciary Net Position

	457(b) Plan	401(k) Plan	PST	ARP	Total
ADDITIONS					
Total Contributions	$ 560,519	$ 502,686	$ 27,463	$ (620)	$ 1,090,048
Net Investment Income	1,287,673	1,370,404	4,647	126	2,662,850
Total Additions	1,848,192	1,873,090	32,110	(494)	3,752,898
DEDUCTIONS					
Total Withdrawals	450,058	382,678	25,861	1,680	860,277
Administrative Expenses	4,593	3,479	5	7	8,084
Total Deductions	454,651	386,157	25,866	1,687	868,361
CHANGE IN FIDUCIARY NET POSITION	$ 1,393,541	$ 1,486,933	$ 6,244	$ (2,181)	$ 2,884,537

CONDENSED SUMMARY FINANCIAL STATEMENTS (CONTINUED)

The following tables present a condensed summary of the fiduciary net position and changes in fiduciary net position for the year ended December 31, 2018 (in thousands):

Combined Statement of Fiduciary Net Position

	457(b) Plan	401(k) Plan	PST	ARP	Total
ASSETS					
Total Investments	$ 6,439,108	$ 6,508,644	$ 94,144	$ 3,552	$ 13,045,448
Total Receivables	139,109	123,676	1,198	-	263,983
Total Assets	6,578,217	6,632,320	95,342	3,552	13,309,431
FIDUCIARY NET POSITION HELD IN TRUST					
Total Fiduciary Net Position Held in Trust	$ 6,578,217	$ 6,632,320	$ 95,342	$ 3,552	$ 13,309,431

Combined Statement of Changes in Fiduciary Net Position

	457(b) Plan	401(k) Plan	PST	ARP	Total
ADDITIONS					
Total Contributions	$ 525,721	$ 479,338	$ 25,943	$ (278)	$ 1,030,724
Net Investment Income (Loss)	(329,410)	(361,273)	1,318	54	(689,311)
Total Additions	196,311	118,065	27,261	(224)	341,413
DEDUCTIONS					
Total Withdrawals	426,358	361,795	22,689	2,008	812,850
Administrative Expenses	4,373	3,447	5	13	7,838
Total Deductions	430,731	365,242	22,694	2,021	820,688
CHANGE IN FIDUCIARY NET POSITION	$ (234,420)	$ (247,177)	$ 4,567	$ (2,245)	$ (479,275)

NOTES TO FINANCIAL STATEMENTS

The notes to the financial statements are an integral part of the financial statements and include additional information not readily evident in the statements themselves. Information in the financial statement notes is described below:

- Note 1 describes the Plan and provides descriptions of staff support and administration, participant accounts, vesting, portfolio structure, participant loans, SDBA, administrative expenses, participant-directed fees, contributions, benefit payments, and in-service withdrawals.
- Note 2 summarizes the Plan's significant accounting policies.
- Note 3 describes the Plan's investment options including required disclosures and risks.
- Note 4 describes *Transfers In* and *Transfers Out* values.
- Note 5 describes the Plan's termination rights.
- Note 6 describes the Plan's tax status.
- Note 7 discloses reclassifications of certain amounts in the prior year's financial statements.

FINANCIAL HIGHLIGHTS

457(b) Plan

The following financial highlights occurred during the 457(b) Plan years ended December 31, 2020 and 2019:

- The 457(b) Plan's fiduciary net position increased from approximately $7.972 billion to $9.134 billion from 2019 to 2020. This is an increase of approximately $1.162, compared to an increase of approximately $1.394 million from 2018 to 2019. The change in fiduciary net position in both years was primarily due to an increase in net appreciation in fair value of investments and contributions outpacing withdrawals. Net appreciation in fair value of investments, which measures net change in the fair value of investments and interest earned on those investments, was approximately $1.023 billion at 2020 year-end as compared to $1.278 billion at 2019 year-end. In addition, net contributions into and withdrawals from the 457(b) Plan resulted in a positive inflow of $135 million in 2020 as compared to $110 million in 2019.
- The number of 457(b) Plan participant accounts increased from 164,044 to 168,569 from 2019 to 2020; an increase of 4,525 accounts as compared to an increase of 8,156 accounts from 2018 to 2019. Participants with 457(b) Plan accounts may have 401(k) Plan accounts as well.
- At December 31, 2020, the five (5) largest 457(b) Plan investment options were: Large Cap Index Fund (15.1%); Large Cap Fund (11.0%); STIF–Cash (8.7%); STIF (7.9%); and Mid Cap Fund (7.5%) totaling 50.2% of 457(b) Plan assets. Combined Target Date Fund assets totaled 22.3% of 457(b) Plan assets. At December 31, 2019, the five (5) largest 457(b) Plan investment options were: Large Cap Index Fund (14.9%); Large Cap Fund (11.4%); STIF (8.8%); STIF–Cash (8.5%); and Mid Cap Fund (7.7%) totaling 51.3% of 457(b) Plan assets. Combined Target Date Fund assets totaled 22.1% of 457(b) Plan assets.

401(k) Plan

The following financial highlights occurred during the 401(k) Plan years ended December 31, 2020 and 2019:

- The 401(k) Plan's fiduciary net position increased from approximately $8.119 billion to $9.337 billion from 2019 to 2020. This is an increase of approximately $1.218 billion, compared to an increase of approximately $1.487 billion from 2018 to 2019. The change in asset value in both years was primarily due to an increase in net appreciation in fair value of investments and contributions outpacing withdrawals. Net appreciation in fair value of investments, which measures net change in the fair value of investments and interest earned on those investments, was approximately $1.104 billion at 2020 year-end as compared to $1.369 billion at 2019 year-end. In addition, net contributions into and withdrawals from the 401(k) Plan resulted in a positive inflow of $116 million in 2020 as compared to $120 million in 2019.
- The number of 401(k) Plan participant accounts increased from 117,372 to 118,028 from 2019 to 2020; an increase of 656 accounts as compared to an increase of 2,109 accounts from 2018 to 2019. Participants with 401(k) Plan accounts may have 457(b) Plan accounts as well.
- At December 31, 2020, the five (5) largest 401(k) Plan investment options were: Large Cap Index Fund (16.7%); Large Cap Fund (12.0%); Mid Cap Fund (8.6%); SDBA (7.4%); and STIF–Cash (6.8%), totaling 51.5% of 401(k) Plan assets. Combined Target Date Fund assets totaled 19.8% of 401(k) Plan assets. At December 31, 2019, the five (5) largest 401(k) Plan investment options were: Large Cap Index Fund (16.6%); Large Cap Fund (12.4%); Mid Cap Fund (8.8%); STIF (7.4%); and STIF–Cash (6.2%), totaling 51.4% of 401(k) Plan assets. Combined Target Date Fund assets totaled 19.9% of 401(k) Plan assets.

FINANCIAL HIGHLIGHTS (CONTINUED)

PST Program and ARP

The following financial highlights occurred during the Plan's years ended December 31, 2020 and 2019:

- The PST Program's fiduciary net position increased from approximately $101.6 million to $107.3 million from 2019 to 2020. This is an increase of approximately $5.7 million, compared to an increase of $6.2 million from 2018 to 2019. The PST Program's asset growth shows new contributions slightly outpaced transfers out and withdrawals. Net appreciation in fair value of investments was $4.1 million at 2020 year-end as compared to $4.6 million at 2019 year-end.
- The total number of PST Program participant accounts decreased from 86,688 to 81,833 from 2019 to 2020; a decrease of 4,855 accounts as compared to a decrease of 10,093 accounts from 2018 to 2019.
- ARP's fiduciary net position decreased from approximately $1.4 million to $489 thousand from 2019 to 2020. This is a decrease of approximately $900 thousand, compared to a decrease of approximately $2.2 million from 2018 to 2019. The Plan is designed that a reduction in assets is expected at this point in the Plan's timeline. Net appreciation in fair value of investments was approximately $31 thousand at 2020 year-end as compared to approximately $126 thousand at 2019 year-end.
- The number of ARP participant accounts decreased from 395 to 129 from 2019 to 2020; a decrease of 266 accounts as compared to a decrease of 550 accounts from 2018 to 2019. The decline in ARP accounts was anticipated as a result of the program no longer accepting new participants after June 30, 2013. Since the majority of ARP accounts left the program during Phase III (ARP Payout Election period) and new accounts are not being created, the program experienced expected declines during plan years 2020 and 2019.

OTHER HIGHLIGHTS

As of January 1, 2021, PST Program participants are eligible to enroll and contribute to the 457(b) Plan and 401(k) Plan. This provides an opportunity to invest a portion of their salary on both a pre-tax and Roth basis and provides the flexibility to select investment options in the Savings Plus fund line-up.

Effective January 1, 2021, the age upon which participants may take an in-service withdrawal from their 457(b) account was lowered to age 59½. In addition, participants may take up to $5,000, penalty free, from their 457(b) Plan or 401(k) Plan account within a year of the birth or adoption of a child. Participants must pay income tax on the distribution unless they repay the funds.

Calendar year 2021 contribution limits remain unchanged from 2020 for the 457(b) Plan and 401(k) Plan. The annual limit for normal contributions is $19,500 with an additional $6,500 for participants age 50 or older. The limit for 457(b) Traditional Catch-Up contributions is $39,000.

The Coronavirus Aid, Relief and Economic Security Act ("CARES Act") signed into law on March 27, 2020 included several provisions affecting defined contribution retirement plans. Savings Plus implemented the following temporary changes:

Required Minimum Distributions (RMDs)

The CARES Act made available temporary waivers to RMDs for all types of defined contribution plans (including 401(a), 401(k), 403(b), and governmental 457(b) plans) and IRAs for calendar year 2020. RMD requirements resumed January 1, 2021. However, RMDs were waived for individuals who postponed their initial RMD to April 1, 2021.

In 2020, the Plan issued RMD payments to participants who actively set-up RMD systematic payments. However, participants who received an RMD during calendar year 2020 were allowed to redeposit the money back into their Savings Plus account by the latter of August 31, 2020 or 60 days from issuance of payment.

Coronavirus-Related Distributions

The CARES Act allowed the 457(b) Plan and 401(k) Plan to be amended to permit participants to receive a Coronavirus-related distribution (CRD) if they met the definition of a "qualified individual" under the CARES Act. The 457(b) Plan and 401(k) Plan were amended to allow for CRD distributions up to $25,000. Participants can repay a portion or all of their qualifying CRDs up to $100,000 received from any eligible retirement plan. CRD repayments are available within three years of when the participant received the distribution. Participants may repay up to the gross amount of the total distribution with multiple repayments over the three-year period.

The Plan is unable to accept Roth money back into Savings Plus participant accounts. Participants may be able to repay this amount to a Roth IRA. Repayments are treated as a rollover contribution to the Plan and are not subject to the annual contribution limit.

A qualifying individual for purposes of requesting a CRD is defined in the CARES Act, which requires that the participant self-certify to the following:

- I was diagnosed with the virus SARS-CoV-2 or with coronavirus disease 2019 (referred to collectively as COVID-19) by a test approved by the Centers for Disease Control and Prevention (including a test authorized under the Federal Food, Drug, and Cosmetic Act); or
- My spouse or my dependent was diagnosed with COVID-19 by a test approved by the Centers for Disease Control and Prevention (including a test authorized under the Federal Food, Drug, and Cosmetic Act); or
- I have experienced adverse financial consequences because:
  - I, my spouse, or a member of my household* was quarantined, furloughed or laid off, or had work hours reduced due to COVID-19; or
  - I, my spouse, or a member of my household* was unable to work due to lack of child care due to COVID-19; or
  - A business owned or operated by me, my spouse, or a member of my household* closed or reduced hours due to COVID-19; or
  - I, my spouse, or a member of my household* had a reduction in pay (or self-employment income) due to COVID-19, or had a job offer rescinded or start date for a job delayed due to COVID-19.

*A member of the individual's household is someone who shares the individual's principal residence.

Delay Loan Repayments

The CARES Act allowed the 457(b) Plan and 401(k) Plan to be amended to permit qualifying participants to suspend loan repayments until 2021. However, loans continued to accrue interest during the suspension period. In January 2021 when loan repayments resumed, the loan term was extended by 12 months and the outstanding loan amount, including accrued interest during the loan suspension period, was re-amortized across the new loan term. As such, the monthly repayment amount typically decreased.

Modifications to Current Loan Provision

From April 28, 2020 through September 30, 2020, the loan initiation fee was waived for participants who self-certified they met certain qualifications, as defined in the CARES Act. The check writing fee was waived for all distributions issued by check. Additionally, the following changes to the loan parameters for all participants remained in effect from April 28, 2020 through March 31, 2021:

- Increased the maximum number of loans per plan from one to two. However, primary residence loans are limited to one per plan
- Reduced the minimum required balance to qualify for a loan from $10,000 to $5,000
- Reduced the minimum loan amount from $5,000 to $2,500

Beginning April 1, 2021, the Plan reinstated the standard loan parameters for taking out a new loan in accordance with the Loan Fact Sheet as follows:

- One loan per plan, not to exceed two outstanding loans across both 401(k) and 457(b) Plans
- Must have a minimum balance of $10,000
- Minimum loan amount of $5,000

ECONOMIC DISCUSSION

From both societal and investment standpoints, COVID-19 and its impact on severe economic restrictions and government responses will define the year 2020. Facing a $54 billion budget gap brought on by the COVID-19 recession, California's Governor released the May 2020 Revision to the state budget. Consistent with the state's constitutional obligation to enact a balanced budget, the May Revision proposed to spend reserves, cancel new initiatives, cancel and reduce spending included in the 2019 Budget Act, borrow from special funds, make government more efficient, and temporarily increase revenues. It also directed agencies and departments to find ways for government to do more with less by increasing efficiency. It called for increased federal funds and reflected reductions to address the remaining budget gap if these funds did not materialize to the level needed to balance the budget. The May Revision intended to protect public health, public safety, and public education and to support Californians facing the greatest hardships. As a result, full-time California state employees (essentially Plan participants and eligible participants) saw a reduction in pay in exchange for Furlough or Personal Leave Program credits beginning mid-2020.

On a broader level, equity markets started the year up before the virus spread to the U.S., but quickly sold off by 35 percent from mid-February through late-March. As a result, the Federal Reserve reduced the overnight rate from 1.5 percent to zero percent and the U.S. federal government passed a $2.2 trillion stimulus bill. In April, the U.S. lost more than 20 million jobs and the first quarter real Gross Domestic Product (GDP) declined by about five (5) percent. The market downturn was short-lived, however, vigorously rallying from March 23 lows to a new high by mid-summer. The recovery accorded with the U.S. Bureau of Economic Analysis reporting a 31 percent real GDP decline during the second quarter. Toward the end of the year, equities fell below their previous high while confirmed virus cases swiftly accelerated, yet markets finished the year near all-time highs.

With 2020 behind us, many are viewing 2021 with continued optimism for the markets and are buying with enthusiasm. Volatility will likely continue until we see concrete results in getting the pandemic under control and in the re-opening of businesses across the U.S. As we move through these unprecedented times, we remind our participants to maintain a disciplined approach to investing for retirement.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the California Savings Plus Program. Questions concerning the information provided in this report or requests for additional information should be addressed to CalHR Savings Plus Program, 1515 S Street, Suite 500N, Sacramento, CA 95811. Inquiries may also be made online at savingsplusnow.com or by calling (855) 616-4776.

STATE OF CALIFORNIA, DEPARTMENT OF HUMAN RESOURCES
SAVINGS PLUS PROGRAM
COMBINED STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2020
(In Thousands)

	457(b) Plan	401(k) Plan	PST	ARP	Total
ASSETS					
Investments:					
Target Date Funds	$ 2,005,518	$ 1,825,195	$ -	$ -	$ 3,830,713
Core Investment Options Active	3,954,150	4,042,168	106,269	489	8,103,076
Core Investment Options Passive	2,383,559	2,664,290	-	-	5,047,849
Self-Directed Brokerage Account	631,286	677,647	-	-	1,308,933
Total Investments	8,974,513	9,209,300	106,269	489	18,290,571
Receivables:					
Contributions Receivable	47,873	39,869	1,049	-	88,791
Loans Receivable from Participants	111,243	87,418	-	-	198,661
Total Receivables	159,116	127,287	1,049	-	287,452
Total Assets	9,133,629	9,336,587	107,318	489	18,578,023
FIDUCIARY NET POSITION HELD IN TRUST					
Total Fiduciary Net Position Held in Trust	$ 9,133,629	$ 9,336,587	$ 107,318	$ 489	$ 18,578,023

See accompanying Notes to Combined Financial Statements.

STATE OF CALIFORNIA, DEPARTMENT OF HUMAN RESOURCES
SAVINGS PLUS PROGRAM
COMBINED STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2019
(In Thousands)

	457(b) Plan	401(k) Plan	PST	ARP	Total
ASSETS					
Investments:					
Target Date Funds	$ 1,726,694	$ 1,587,501	$ -	$ -	$ 3,314,195
Core Investment Options Active	3,579,518	3,599,771	100,384	1,371	7,281,044
Core Investment Options Passive	2,084,518	2,349,570	-	-	4,434,088
Self-Directed Brokerage Account	432,544	456,705	-	-	889,249
Total Investments	7,823,274	7,993,547	100,384	1,371	15,918,576
Receivables:					
Contributions Receivable	43,572	38,141	1,202	-	82,915
Loans Receivable from Participants	104,912	87,565	-	-	192,477
Total Receivables	148,484	125,706	1,202	-	275,392
Total Assets	7,971,758	8,119,253	101,586	1,371	16,193,968
FIDUCIARY NET POSITION HELD IN TRUST					
Total Fiduciary Net Position Held in Trust	$ 7,971,758	$ 8,119,253	$ 101,586	$ 1,371	$ 16,193,968

See accompanying Notes to Combined Financial Statements.

STATE OF CALIFORNIA, DEPARTMENT OF HUMAN RESOURCES
SAVINGS PLUS PROGRAM
COMBINED STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2020
(In Thousands)

	457(b) Plan	401(k) Plan	PST	ARP	Total
ADDITIONS					
Contributions:					
Employee Contributions	$ 493,633	$ 421,881	$ 25,732	$ -	$ 941,246
Transfers In	91,744	88,775	39	50	180,608
Total Contributions	585,377	510,656	25,771	50	1,121,854
Investment Income:					
Net Appreciation in Fair Value of Investments	1,022,962	1,104,003	4,113	31	2,131,109
Interest Income from Participant Loans	4,736	3,678	-	-	8,415
Net Loan Activity	4,358	(2,361)	-	-	1,997
Net Investment Income	1,032,057	1,105,320	4,113	31	2,141,521
Total Additions	1,617,434	1,615,976	29,884	81	3,263,375
DEDUCTIONS					
Withdrawals:					
Benefits and Withdrawals	209,633	162,315	8,090	182	380,220
Loan Defaults	2,764	1,464	-	-	4,228
Transfers Out	238,199	231,183	16,061	778	486,221
Total Withdrawals	450,596	394,962	24,151	960	870,669
Administrative Expenses	4,967	3,680	1	3	8,651
Total Deductions	455,563	398,642	24,152	963	879,320
CHANGE IN FIDUCIARY NET POSITION	1,161,871	1,217,334	5,732	(882)	2,384,055
Fiduciary Net Position – Beginning of Year	7,971,758	8,119,253	101,586	1,371	16,193,968
FIDUCIARY NET POSITION – END OF YEAR	$ 9,133,629	$ 9,336,587	$ 107,318	$ 489	$ 18,578,023

See accompanying Notes to Combined Financial Statements.

STATE OF CALIFORNIA, DEPARTMENT OF HUMAN RESOURCES
SAVINGS PLUS PROGRAM
COMBINED STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2019
(In Thousands)

	457(b) Plan	401(k) Plan	PST	ARP	Total
ADDITIONS					
Contributions:					
Employee Contributions (Adjustments)	$ 463,013	$ 405,904	$ 27,367	$ (705)	$ 895,579
Transfers In	97,506	96,782	96	85	194,469
Total Contributions	560,519	502,686	27,463	(620)	1,090,048
Investment Income:					
Net Appreciation in Fair Value of Investments	1,278,092	1,368,695	4,647	126	2,651,560
Interest Income from Participant Loans	4,168	4,054	-	-	8,222
Net Loan Activity	5,413	(2,345)	-	-	3,068
Net Investment Income	1,287,673	1,370,404	4,647	126	2,662,850
Total Additions	1,848,192	1,873,090	32,110	(494)	3,752,898
DEDUCTIONS					
Withdrawals:					
Benefits and Withdrawals	210,879	157,996	9,763	373	379,011
Loan Defaults	3,132	2,000	-	-	5,132
Transfers Out	236,047	222,682	16,098	1,307	476,134
Total Withdrawals	450,058	382,678	25,861	1,680	860,277
Administrative Expenses	4,593	3,479	5	7	8,084
Total Deductions	454,651	386,157	25,866	1,687	868,361
CHANGE IN FIDUCIARY NET POSITION	1,393,541	1,486,933	6,244	(2,181)	2,884,537
Fiduciary Net Position – Beginning of Year	6,578,217	6,632,320	95,342	3,552	13,309,431
FIDUCIARY NET POSITION – END OF YEAR	$ 7,971,758	$ 8,119,253	$ 101,586	$ 1,371	$ 16,193,968

See accompanying Notes to Combined Financial Statements.

NOTE 1 DESCRIPTION OF THE PLAN

The following description of the Plan provides only general information. Participants should refer to the Plan documents for a more complete description of the Plan's provisions.

General

The State of California, Department of Human Resources ("CalHR") administers the Savings Plus Program ("Savings Plus"), which consists of a deferred compensation plan ("457(b) Plan") established in 1974 under Section 457(b) of the Internal Revenue Code (IRC); a tax-deferred thrift plan ("401(k) Plan") established in 1985 and implemented in 1989 under Section 401(k) of the IRC; a Part-time, Seasonal, and Temporary Employees Retirement Program ("PST Program") established in 1991 under Section 457(b) of the IRC; and an Alternate Retirement Program ("ARP") established in 2004 under Section 401(a) of the IRC. CalHR's authority to establish these plans is found in the *California Government Code* sections 19993, 19999.5, 19999.2, and 19999.3, respectively. The 457(b) Plan and the 401(k) Plan together are referred to as the "Main Plan." The four plans together are referred to as the "Plan" or "Savings Plus" for the sake of this document.

The purpose of the Main Plan is to encourage and increase savings opportunities for state employees to better provide for and to complement their retirement income, including income received from their defined benefit retirement plan. Persons eligible to participate in the Main Plan include state employees, appointed and elected officers of the state, California State Judges, California State University employees, and other eligible state employees.

The PST Program was implemented as a result of the 1990 Federal Omnibus Budget Reconciliation Act. It is a mandatory program with the purpose to provide a retirement savings program for state employees not covered by CalPERS, Social Security, or other specified state retirement plans.

The purpose of ARP (a mandatory program) was to provide a retirement savings plan in lieu of retirement benefits under CalPERS during the first twenty-four (24) months of state employment for certain employees first hired into state service (employment with the State of California) between August 11, 2004 and June 30, 2013. ARP is closed to new participants.

Staff Support

Savings Plus staff provides primary support to the Director of CalHR in the Director's role as the Named Fiduciary who has ultimate oversight of, and responsibility for, the administration of Savings Plus. The Director has delegated responsibility for the administration and policy development of the Plan to the Program Administrator and staff, who make recommendations to the Administrator and the Management Team on Plan design issues, fees, and policies. Staff monitor contract compliance; serve as liaison to the third party administrator ("TPA"), investment providers, investment consultants, trustee/custodian, legal counsel, and other third-party service providers; and facilitate employee participation in Savings Plus. Staff establish, monitor, and revise the Plan documents, administrative fees, policies, and procedures for the administration of the Plans. Staff also provide support in the areas of budget/fiscal, operations, projects, legislative analysis, and payroll.

NOTE 1 DESCRIPTION OF THE PLANS (CONTINUED)

Staff Support (Continued)

The CalHR Director has delegated fiduciary authority with respect to Plan investments to the Plan's Investment Committee, which operates under the Investment Committee Charter and with the guidance of the Plan's investment consultants. The Committee is the body responsible for establishing and monitoring the Plan's investment portfolio and other investment-related matters. It makes recommendations to the Director or the Director's designee on portfolio design, investment strategies, and investment consultants; establishes and maintains the Investment Policy; evaluates investment performance; and reviews and votes on portfolio design, investment structure, securities lending program, monitoring guidelines, and manager standing based on recommendations from the Plan's consultants.

Administration

Savings Plus operates in an "unbundled" program structure. Nationwide Retirement Solutions, Inc. ("Nationwide") serves as the Plan's TPA. Nationwide provides consolidated recordkeeping and accounting services for participants; operates the website, call center, and walk-in center; provides the self-directed brokerage account ("SDBA"); makes available a fee-based managed account service; reaches out to and educates participants; provides marketing and communication services; reports investment performance to participants; maintains fund fact sheets; and provides participant automated account access features.

The Plan maintains separate contracts for these services: Investment Management; Custodial, Trustee, and Securities Lending; Consulting; Transition Management; External Legal Counsel; and Financial Audit. Plan staff provide some in-house administrative functions.

Participant Accounts

Each participant's account is credited with the participant's contributions and earnings (realized and unrealized). The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account balance.

Vesting

Participant contributions and related earnings are immediately and fully vested.

Portfolio Structure

Savings Plus currently offers Main Plan participants twenty-five (25) investment options and an SDBA through the following three-tiered structure:

Tier 1 – Target Date Funds: Consists of eleven (11) custom asset allocation funds constructed from a combination of Savings Plus Tier 2 investment options and underlying strategies.

Tier 2 – Core Investment Options: Core Active consists of four (4) actively managed equity funds, one (1) actively managed socially responsible fund, one (1) actively managed diversified real return fund, one (1) actively managed bond fund, one (1) short term investment fund (STIF), and one (1) STIF–Cash fund. Core Passive consists of five (5) index funds.

Tier 3 – Schwab Personal Choice Retirement Account® (PCRA): Provides an SDBA option.

NOTE 1 DESCRIPTION OF THE PLANS (CONTINUED)

Portfolio Structure (Continued)

Except for the index funds and the socially responsible fund, Savings Plus' Main Plan investment options are constructed through the use of fund-of-fund structures. The underlying investment strategies include a total of twenty-five (25) separate accounts, two (2) commingled trust funds, two (2) FDIC depository savings accounts, and two (2) mutual funds.

During the enrollment process, new enrollees may elect their investment allocation. Participants who do not elect an investment allocation are invested in the Qualified Default Investment Alternative (QDIA), which is the Target Date Fund that aligns with their date of birth. The asset allocations in the Target Date Funds are rebalanced annually, becoming more conservative as the target date approaches. Each Target Date Fund assumes age 62 as the date that distributions begin. Once enrolled, participants may change their investment election for contributions at any time.

PST Program assets are invested in the STIF–PST. ARP assets are invested in the STIF–ARP. The investment goal of these funds is to maximize total return consistent with capital preservation by investing in short-duration securities.

Additional information about Savings Plus' investments is available at savingsplusnow.com.

CalHR evaluates, selects, and negotiates agreements with investment management companies in accordance with the *State Contracting Manual*. This resource can be found at: www.dgs.ca.gov/OLS/Resources/Page-Content/Office-of-Legal-Services-Resources-List-Folder/State-Contracting. CalHR essentially uses competitive bidding processes; other state-approved non-competitive processes may be used in rare circumstances.

Participant Loans (Main Plan Only)

A participant in active payroll status is eligible to take a loan from the pre-tax portion of their Main Plan accounts provided they agree to repay the outstanding loan balance, including accrued interest, within the specified time period. Since participants borrow from their account, their loan does not affect their credit rating.

The Plan normally permits participants to take one loan per plan, not to exceed two outstanding loans across both Main Plan accounts. Participants must have a minimum account balance of $10,000 and the minimum loan amount is $5,000. However, from April 28, 2020 through year-end, the Plan increased the maximum number of loans per plan from one to two (primary residence loans limited to one per plan), reduced the minimum required balance to qualify for a loan from $10,000 to $5,000, and reduced the minimum loan amount from $5,000 to $2,500.

For 2020 and 2019, the maximum loan amount is the lesser of 50 percent of the participant's combined plan account balances from all state-sponsored plans minus the participant's outstanding loan balances from all state-sponsored plans on the date of the loan or $50,000 minus the highest outstanding loan balances from all state-sponsored plans within the last 12 months. In addition, the maximum amount available for a loan from each plan account cannot exceed 50 percent of the participants balance in that account,

NOTE 1 DESCRIPTION OF THE PLANS (CONTINUED)

Participant Loans (Main Plan Only) (Continued)

minus the outstanding loan balance in that account. The participant is charged a one-time $50 loan initiation fee per loan. This fee was waived from April 28, 2020 through September 30, 2020 for participants who self-certified they met certain qualifications, as defined in the CARES Act.

Savings Plus offers two types of Loans: General Purpose for up to five (5) years and Purchase of Primary Residence for up to 15 years. Savings Plus reports a participant loan default as a distribution – a taxable event in the year of default.

The loan interest rate is equal to the prime rate plus 1.0 percent. The prime rate used is based upon the rate published in the *Wall Street Journal* two weeks prior to the end of the most current calendar quarter. The rate is effective on the first day of the next calendar quarter. As of December 31, 2020, the loan interest rate was 4.25 percent. As of December 31, 2019, the loan interest rate was 6.25 percent.

Self-Directed Brokerage Account (SDBA) (Main Plan Only)

The Schwab Personal Choice Retirement Account® (PCRA) is the SDBA option offered by Charles Schwab & Co., Inc. (Member SIPC), the brokerage services provider. This service is made available through Nationwide. Participants may transfer assets from their Main Plan investments to the SDBA. As of November 2020, participants may establish recurring transfers from their payroll contributions to their PCRA account. This brokerage window allows participants to direct investments to a marketplace of retail investment options other than those available in the Savings Plus investment lineup. The SDBA allows greater flexibility by allowing the freedom to select and manage a portfolio from a larger universe of mutual funds, individual stocks, bonds, and a variety of other investment choices. Participants make their own investment decisions, have full discretion over the selection of investment options available to them on the brokerage platform, and assume all responsibility for the investments they choose in the SDBA. Participants must maintain a minimum balance of $2,500 or 50 percent of their total account balance, whichever is less, in their Savings Plus account (excluding the SDBA). Transaction-based commissions and fees (paid to Schwab) are deducted directly from the assets in the SDBA.

Administrative Account Fees

Savings Plus assesses all Main Plan participants an administrative account fee of $1.50 per month in their 457(b) Plan account and a $1.50 per month in their 401(k) Plan account. Savings Plus assesses a $1.50 monthly administrative fee against ARP accounts that maintain a balance after completion of the Phase III payout election process (see Note 1, Benefit Payments).

Participant-Directed Fees

Participants may incur the following participant-directed fees: (1) managed accounts, (2) loan initiation, (3) ACH loan non-sufficient funds, (4) paper check writing, (5) overnight check, (6) Domestic Relations Order (DRO), and (7) short-term trade (redemption).

NOTE 1 DESCRIPTION OF THE PLANS (CONTINUED)

Contributions

Main Plan contributions by eligible employees are voluntary. Participants predominantly contribute salary on a pre-tax basis. However, Savings Plus also permits contributions on an after-tax (Roth) basis. The State Controller's Office (SCO) is the primary payer of salary and processor of deductions of Savings Plus contributions. Additionally, there are a small number of payroll offices (e.g., Senate, Assembly, Legislative Analyst, District Fairs) that submit their contribution data separately.

In accordance with the IRC, the Plan limits an individual's annual contribution to an amount not to exceed the lesser of $19,500 for 2020 and $19,000 for 2019 or 100% of the employee's includable compensation.

The Plan also provides certain catch-up provisions for participants age 50 or older and for participants within three (3) years of their Normal Retirement Age, as defined by the Plan:

- Age-Based Deferrals – For 2020 and 2019, participants age 50 or older and actively employed may defer up to $6,500 and $6,000, respectively, over the normal deferral limit to their Main Plan accounts.
- Traditional 457(b) Catch-Up – For 2020 and 2019, participants within the three (3) years prior to their Normal Retirement Age may be eligible to make a one-time election to contribute up to twice the annual contribution limit into their 457(b) Plan account for a maximum of three (3) consecutive years. The catch-up amount allowed is limited to the underutilized amount in the previous years while employed by the state and eligible to contribute to the 457(b) Plan. Participants may only use one of these catch-up provisions in the 457(b) Plan at a time.

Normal Retirement Age is the age specified in the 457(b) Plan Document and the age is typically chosen by the participant for the purpose of initiating the Traditional 457(b) Catch-Up election. To be eligible, the participant must have the right to retire and to receive full retirement benefits under the state's pension plan with no reduction for age or service and must not be later than age 70½.

Participants may cash out their accumulated unused leave time ("Lump Sum Pay") when they retire; a taxable event. Another option is to contribute all or a portion of their Lump Sum Pay into their Savings Plus accounts via pre-tax or Roth contributions. Both contribution types may allow participants to maximize their contribution while offering more flexibility with future distribution options. In addition, pre-tax contributions may allow participants to defer taxes.

For 2020 and 2019, participants who separated from service on or after November 1 could defer their Lump Sum Pay to their Savings Plus accounts into the following tax year, allowing them to potentially maximize contributions for both the current and following tax years.

Savings Plus allows in-plan Roth conversions for assets in the Main Plan. All pre-tax contribution sources, not including outstanding loans and balances invested in the SDBA, and earnings thereon, are eligible for in-plan Roth conversions in accordance with the

NOTE 1 DESCRIPTION OF THE PLANS (CONTINUED)

Contributions (Continued)

standard in-service withdrawal distribution provisions. Savings Plus reports the gross Roth conversion amount to the IRS as taxable income in the year of the conversion.

For the PST Program, employees hired by the state or by the California State University (CSU) system on a part-time, seasonal, or temporary time basis, whose wages do not qualify for Social Security deductions or membership in CalPERS, are required to contribute 7.5 percent of gross wages on a pre-tax basis into their PST Program account.

For ARP, as of July 1, 2013, new CalPERS membership-eligible state employees were appointed directly into CalPERS instead of into ARP. No new contributions were added to ARP during 2020. For 2019, state departments made corrections to personnel records of employees who were erroneously appointed into ARP. These corrections/contribution adjustments account for the $0 and ($705,000) on the Employee Contributions (Adjustments) line item within the 2020 and 2019 Combined Statement of Changes in Fiduciary Net Position financial statements, respectively.

Coordination limits apply to 457(b) Plan and PST Program contributions. Additionally, Coordination limits apply to the 401(k) Plan, ARP (a tax-qualified plan under IRC 401(a)), and 403(b) Plan contributions inclusive of any other such state sponsored plans.

Benefit Payments

Generally, participant accounts cannot be closed and payments cannot be made until a “distributable event” occurs. A “distributable event” is an IRS approved event that allows payments from the Plan, such as death, disability, separation, retirement, etc.

As of December 31, 2020, participants are eligible to take benefit payments from their 457(b) Plan pre-tax assets upon separation from state service or beginning at age 70½ regardless of employment status. Participants are eligible to take benefit payments from their 401(k) Plan pre-tax assets without an additional 10 percent tax for early withdrawal if they meet one of the following criteria: separated from state service during or after the year they turn age 55; for public safety employees, separated from state service during or after the year they turn age 50; or attainment of age 59½ regardless of employment status. Participants are eligible to take a tax-free qualified payment from their Roth assets if they meet the withdrawal guidelines stipulated above and the payment is made on account of death, disability, or attainment of age 59½ **and** the payment is made five (5) years or more after January 1 of the first year the participant made a Roth contribution.

For PST Program distributions, the participant must be separated from state service and have no contributions into or out of their account for 90 days or be at least age 70½, regardless of employment status. For ARP distributions, the participant must be separated from state service during or after the year they turn age 55 or be at least age 59½, regardless of employment status to receive a payment without an additional 10 percent early withdrawal penalty. ARP participants were eligible to take a distribution by selecting Option 2 during ARP Phase III, as described in the next paragraph.

NOTE 1 DESCRIPTION OF THE PLANS (CONTINUED)

Benefit Payments (Continued)

Participants have the following payment options from their Main Plan accounts: lump-sum payment; periodic payments; partial lump-sum payment, or rollover to another qualified plan or to an IRA. The PST Program and ARP allow for direct payment or direct rollover distributions. ARP Phase III provided three payout options available based on the participant's date of appointment into ARP: Option 1 - Transfer ARP funds to CalPERS for retirement service credit; Option 2 - Take a distribution via direct payment or direct rollover; or Option 3 - Transfer ARP funds to a Savings Plus 401(k) account.

In-Service Withdrawals

A 457(b) Plan participant who experiences an unforeseeable emergency (as defined by the IRC) may apply in writing for an unforeseen emergency withdrawal of both their contribution and the associated earnings. A 401(k) Plan participant who experiences an immediate and heavy financial need (as defined by the IRC) may apply in writing for a hardship withdrawal of both their contribution and the associated earnings. Payments are subject to applicable taxes and may be subject to early withdrawal penalties.

A participant may be entitled to a full withdrawal of their 457(b) Plan account prior to separation from service if they meet the following conditions specific to their 457(b) Plan account: (1) their account balance does not exceed $5,000, (2) they have not made contributions during the two-year period ending on the date of distribution, (3) they do not have an active or a defaulted loan, (4) they do not have a freeze or hold on their account, and (5) they have not previously received a voluntary withdrawal distribution.

From April 27, 2020 through year-end, the CARES Act authorized qualified participants affected by COVID-19 to withdraw up to $25,000 from their accounts and waived any applicable 401(k) early withdrawal penalties.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, including all applicable effective statements of the Governmental Accounting Standards Board ("GASB"), and on the accrual basis of accounting.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America may require management to make estimates and assumptions that affect amounts reported in financial statements and accompanying notes. Actual results may differ from those estimates.

Contributions and Contributions Receivable

Contributions are recognized when amounts are withheld from employees' payroll and posted to the participants' accounts. Contributions receivable represents amounts withheld

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Contributions Receivable (Continued)

from employees, but not yet remitted to and recorded by the master trust as of December 31.

Participant Loans and Loans Receivable

Participant loans are valued at their outstanding balances, which approximate fair value. The TPA reviews participant loans receivable throughout the year to identify defaulted loans, which are taxable to the participant in the year of default. The loan status remains in default until either the participant pays the outstanding amount or upon separation, at which time the defaulted loan amount is reduced from the participant's account balance. Once a loan default occurs, the participant is prohibited from receiving another loan from the loan program unless/until the loan is paid off. Loans Receivable represents the value of participant account balances on loan as of December 31, 2020 and 2019.

In the Combined Statement of Changes in Fiduciary Net Position, the *Net Loan Activity* values include the net of all loan disbursements and loan repayments.

Securities Lending

The securities lending program ("Securities Lending") is a non-cash collateral program. Bonds are received as collateral on Securities Lending transactions and are reported as investments in the accompanying financial statements. See Note 3 for further discussion.

NOTE 3 INVESTMENTS

This section describes the Plan's authorized investments, loans receivable, investments authorized by debt agreements, disclosure about fair value of financial instruments, securities lending, investment fees, interest rate risk, credit risk, custodial credit risk, foreign currency risk, and concentration of credit risk.

Authorized Investments

As of December 31, 2020, pursuant to sections 19993.05 and 19999.5 of the *California Government Code*, assets of the Plans may be invested in a broad range of investment options. The Department of Human Resources ("Department") shall have the exclusive authority to determine the investment products provided in the core portfolio under tax-advantaged retirement savings plans and shall make these selections in a prudent manner for the exclusive benefit of Plan participants, retirees, and their beneficiaries. The Department shall ensure that the cost of these investment options are reasonable under the prevailing facts and circumstances and that any investment alternatives determined appropriate for the core portfolio. The investment options available under the tax-advantaged retirement savings plans shall also be limited to the extent necessary to ensure the continued qualification of the plans under the Internal Revenue Code, applicable to state law, and the cost-efficient and timely administration of the Plans. In addition to the core options, the Department shall offer a brokerage option.

NOTE 3 INVESTMENTS (CONTINUED)

Authorized Investments (Continued)

Although the Plans are exempt from the provisions of Section 3(32), Title I, of the Employee Retirement Income Security Act of 1974 (“ERISA”), CalHR generally follows the fiduciary best practices as outlined in ERISA.

The Plan’s investment structure and portfolio design for the Main Plan is intended to provide participants with the option to invest their assets in a manner such that the investment options satisfy the requirements of ERISA Section 404(c). This section generally requires that the investment structure of a participant-directed defined contribution plan offers participants an opportunity to exercise control over the assets in their individual account and an opportunity to choose from a broad range of investment options that allow participants to construct a diversified portfolio appropriate to the individual’s investment strategy to accumulate retirement savings or achieve other savings objectives, which is a function of multiple personal factors, including but not limited to age, income, time horizon, risk tolerance, return expectations, accumulation objectives, anticipated pension and Social Security benefits, and other assets outside of the Plan.

The Plan’s *Investment Policy Statement (IPS)* indicates the Plan intends to offer a broad range of investment options, including at least three investment alternatives, each of which is diversified and has materially different risk and return characteristics. By selecting among such investment alternatives, participants have the opportunity to diversify their balances and construct portfolios consistent with their unique individual circumstances, goals, time horizons, and risk tolerance. Investments are governed by the respective fund’s investment guidelines outlined in the fund fact sheets and in the investment advisory agreements, respectively.

No fiduciary of the Plan shall be liable for any loss that results from any individual investment choice made by a participant of the Plan, except in the case of malfeasance or misfeasance by any fiduciary of the Plan.

NOTE 3 INVESTMENTS (CONTINUED)

Authorized Investments (Continued)

The Plan offers participants the option to choose among Target Date Funds ("TDF"), actively managed funds, index funds, and an SDBA. The investment options and Assets Under Management (in thousands) consisted of the following at December 31, 2020:

2020						
Participant Directed Investments	457(b) Plan Balance	401(k) Plan Balance	PST Balance	ARP Balance	Total Plan Balance	% of Total Plan AUM†
TDF Income*	$ 307,155	$ 306,455	$ -	$ -	$ 613,610	3.4%
TDF 2020*	280,104	298,745	-	-	578,759	3.2%
TDF 2025*	322,812	365,316	-	-	688,128	3.8%
TDF 2030*	297,111	294,229	-	-	591,340	3.2%
TDF 2035*	256,143	221,025	-	-	477,168	2.6%
TDF 2040*	213,718	154,801	-	-	368,519	2.0%
TDF 2045*	182,816	105,492	-	-	288,308	1.6%
TDF 2050*	91,609	52,352	-	-	143,961	0.8%
TDF 2055*	39,173	15,582	-	-	54,755	0.3%
TDF 2060*	12,520	8,358	-	-	20,878	0.1%
TDF 2065*	2,447	2,840	-	-	5,287	0.0%
Target Date Funds	2,005,518	1,825,195	-	-	3,830,713	21.0%
STIF – Cash	781,901	624,362	-	-	1,406,263	**7.7%**
STIF*	707,332	617,171	-	-	1,324,503	**7.2%**
STIF-PST	-	-	106,269	-	106,269	0.6%
STIF-ARP	-	-	-	489	489	0.0%
Socially Responsible	152,713	173,761	-	-	326,474	1.8%
Bond*	180,262	190,907	-	-	371,169	2.0%
Large Cap	985,978	1,104,667	-	-	2,090,645	**11.4%**
Mid Cap*	669,294	792,223	-	-	1,461,517	**8.0%**
Small Cap	222,939	253,636	-	-	476,575	2.6%
International*	215,297	248,878	-	-	464,175	2.5%
Diversified Real Return*	38,434	36,563	-	-	74,997	0.4%
Core Investments Active	3,954,150	4,042,168	-	-	8,103,076	44.2%
Bond Index	419,048	472,974	-	-	892,022	4.9%
Large Cap Index	1,357,739	1,536,292	-	-	2,894,031	**15.8%**
Mid Cap Index	280,572	302,234	-	-	582,806	3.2%
Small Cap Index	163,897	180,681	-	-	344,578	1.9%
International Index*	162,303	172,109	-	-	334,412	1.8%
Core Investments Passive	2,383,559	2,664,290	-	-	5,047,849	27.6%
Self-Directed Brokerage Account	631,286	677,647	-	-	1,308,933	**7.2%**
Balance as of 12/31/2020	$ 8,974,513	$ 9,209,300	$ 106,269	$ 489	$18,290,571	100%

†Percentages in bold face font = investments with five percent or greater of total Plan AUM
*Represents international exposure contained within this investment option

NOTE 3 INVESTMENTS (CONTINUED)

Authorized Investments (Continued)

The investment options and Assets Under Management (in thousands) consisted of the following at December 31, 2019:

2019						
Participant Directed Investments	457(b) Plan Balance	401(k) Plan Balance	PST Balance	ARP Balance	Total Plan Balance	% of Total Plan AUM‡
TDF Income*	$ 293,568	$ 291,451	$ -	$ -	$ 585,019	3.8%
TDF 2020*	265,270	281,100	-	-	546,370	3.4%
TDF 2025*	284,815	319,996	-	-	604,811	3.9%
TDF 2030*	251,197	249,820	-	-	501,017	3.1%
TDF 2035*	217,488	184,653	-	-	402,141	2.5%
TDF 2040*	169,766	123,408	-	-	293,174	1.8%
TDF 2045*	144,982	82,932	-	-	227,914	1.4%
TDF 2050*	64,390	36,327	-	-	100,717	0.6%
TDF 2055*	25,237	10,271	-	-	35,508	0.2%
TDF 2060*	8,980	6,784	-	-	15,764	0.1%
TDF 2065*	1,000	758	-	-	1,758	0.0%
Target Date Funds	1,726,694	1,587,501	-	-	3,314,195	20.8%
STIF – Cash	$ 665,978	$ 491,789	$ -	$ -	$ 1,157,767	**7.3%**
STIF	685,684	592,163	-	-	1,277,847	**8.0%**
STIF-PST	-	-	100,384	-	100,384	0.6%
STIF-ARP	-	-	-	1,371	1,371	0.0%
Socially Responsible	146,469	164,754	-	-	311,223	2.0%
Bond*	151,180	155,117	-	-	306,297	1.9%
Large Cap*	888,229	993,679	-	-	1,881,908	**11.9%**
Mid Cap*	603,945	702,306	-	-	1,306,251	**8.2%**
Small Cap	212,036	240,863	-	-	452,899	2.8%
International*	193,915	226,310	-	-	420,225	2.6%
Diversified Real Return*	32,082	32,790	-	-	64,872	0.4%
Core Investments Active	3,579,518	3,599,771	100,384	1,371	7,281,044	45.7%
Bond Index	340,562	387,953	-	-	728,515	4.6%
Large Cap Index	1,163,396	1,329,401	-	-	2,492,797	**15.7%**
Mid Cap Index	278,233	299,563	-	-	577,796	3.6%
Small Cap Index	152,926	169,083	-	-	322,009	2.0%
International Index*	149,401	163,571	-	-	312,972	2.0%
Core Investments Passive	2,084,518	2,349,570	-	-	4,434,088	27.9%
Self-Directed Brokerage Account	432,544	456,705	-	-	889,249	**5.6%**
Balance as of 12/31/2019	$ 7,823,274	$ 7,993,547	$ 100,384	$ 1,371	$15,918,576	100%

†Percentages in bold face font = investments with five percent or greater of total Plan AUM
*Represents international exposure contained within this investment option

Loans Receivable

At December 31, 2020, outstanding participant loans totaled $198.7 million, with $111.3 million in the 457(b) Plan and $87.4 million in the 401(k) Plan. At December 31, 2019, outstanding participant loans totaled $192.5 million, with $104.9 million in the 457(b) Plan and $87.6 million in the 401(k) Plan. These loan values are reported as loans receivable in the accompanying financial statements.

NOTE 3 INVESTMENTS (CONTINUED)

Investments Authorized by Debt Agreements

Except for the SDBA, Plan investment options do not include individual bond issuances. Bond exposure is limited to open-end investment options provided through Amundi Pioneer Institutional Asset Management, Inc. (Bond Fund), BlackRock Financial Management, Inc. (Bond Fund and Bond Index Fund), Voya Investment Management Co. LLC and Wells Capital Management, Inc. (STIF), Boston Trust & Investment Management Company (Socially Responsible Fund); and Cohen & Steers (Diversified Real Return Fund). In addition, the Target Date Funds have bond exposure, as the Bond Fund, Bond Index Fund, STIF, and Cohen & Steers are underlying components of the Target Date Funds.

Disclosure about Fair Value of Financial Instruments

Savings Plus investments are recorded at fair value as of December 31, 2020 and 2019. GASB Statement No. 72 - *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the Plan's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1 Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2 Investments with inputs – other than quoted prices included within Level 1 – that are observable for an asset, either directly or indirectly.

Level 3 Investments classified as Level 3 have unobservable inputs for an asset and may require a degree of professional judgment. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Plan utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.

NOTE 3 INVESTMENTS (CONTINUED)

Disclosure about Fair Value of Financial Instruments (Continued)

The following table summarizes Savings Plus investments (in thousands) within the fair value hierarchy at December 31, 2020 and 2019:

	At 12/31/2020	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments at Fair Value				
Investment Options	$ 13,461,551	$ 8,973,218	$ 4,488,333	$ -
Self-Directed Brokerage Account	1,079,614	1,059,886	19,728	-
Total Investments at Fair Value	14,541,165	10,033,104	4,508,061	-
Investments at Amortized Cost				
Investment Options	2,146,570			
Self-Directed Brokerage Account	229,319			
Total Investments at Amortized Cost	2,375,889			
Investments at Net Asset Value				
Investment Options	1,373,517			
Total Investments at Net Asset Value	1,373,517			
Total Investments	$ 18,290,571	$ 10,033,104	$ 4,508,061	$ -

	At 12/31/2019	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments at Fair Value				
Investment Options	$ 12,184,064	$ 8,373,205	$ 3,810,859	$ -
Self-Directed Brokerage Account	731,597	696,125	35,472	-
Total Investments at Fair Value	12,915,661	9,069,330	3,846,331	-
Investments at Amortized Cost				
Investment Options	1,709,066			
Self-Directed Brokerage Account	157,652			
Total Investments at Amortized Cost	1,866,718			
Investments at Net Asset Value				
Investment Options	1,136,197			
Total Investments at Net Asset Value	1,136,197			
Total Investments	$ 15,918,576	$ 9,069,330	$ 3,846,331	$ -

Investment Options, as identified above, comprise the Target Date, Core Active, and Core Passive funds as listed in the Combined Statement of Fiduciary Net Position. These funds are comprised of positions in various separately managed accounts, collective investment trusts, mutual funds, and depository accounts. See Note 1 Portfolio Structure and Note 3 Authorized Investments for more information.

NOTE 3 INVESTMENTS (CONTINUED)

Disclosure about Fair Value of Financial Instruments (Continued)

Investments in certain entities that calculate a net asset value ("NAV") per share (or its equivalent) sometimes do not have a readily determinable fair value. For these investments, governmental accounting standards permit establishment of fair value using a practical expedient based on the NAV per share (or its equivalent). The following table summarizes Savings Plus' investments measured at NAV (in thousands), unfunded commitments, the investment redemption frequency and redemption notice period as of December 31, 2020 and 2019:

	Investments Measured at Net Asset Value			
	At 12/31/2020	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Investment Options[1]	$ 1,373,517	$ -	Daily	1–3 Days
Total Investments at Net Asset Value	$ 1,373,517	$ -		

	Investments Measured at Net Asset Value			
	At 12/31/2019	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Investment Options[1]	$ 1,136,197	$ -	Daily	1–3 Days
Total Investments at Net Asset Value	$ 1,136,197	$ -		

(1) Comprised of two (2) investment options. Each are valued at the net asset value of units held at the end of the period, based upon the fair value of the underlying investments.

Securities Lending

The Plan's investment portfolio participates in a non-cash (bonds borrowed) Securities Lending program managed by J.P. Morgan Chase Bank, N.A. ("J.P. Morgan"), whereby securities are loaned for the purpose of generating additional income, which is used by the Plan to offset administrative expenses. J.P. Morgan is responsible for making loans of securities on a collateralized basis from the Plan's investment portfolio to various third party broker-dealers and financial institutions. The fair value of the required bonds used as collateral must initially meet or exceed 102 percent of the fair value for dollar denominated securities secured by dollar denominated government securities, 102 percent for non-dollar denominated securities secured by government securities in the same denomination as the lent securities, 105 percent for dollar denominated securities secured by non-dollar denominated government securities, and 105 percent for non-dollar denominated securities secured by government securities in a different denomination from the lent securities, thus providing a margin against a decline in the fair value of collateral. Collateral is marked-to-market each business day to ensure the fair value of the collateral meets the collateral requirements.

NOTE 3 INVESTMENTS (CONTINUED)

Securities Lending (Continued)

The types of securities available for loan during the year ended December 31, 2020 and 2019 included U.S. Government securities, U.S. Government agencies, Corporate bonds, Non-U.S. Fixed Income, U.S. equities, and Non-U.S. equities. The contractual agreement in place at calendar year-end between the Plan and J.P. Morgan as the Securities Lending agent provides indemnification in the event the borrower fails to return the securities lent or due to borrower default. U.S. Government Securities, U.S. Government Agencies, and U.K. Gilts are received as collateral for these loans and are held in safekeeping until such time that the borrower returns the loaned assets.

Since the Securities Lending program is a non-cash collateral program, bonds are received as collateral on Securities Lending transactions. At December 31, 2020 and 2019, the fair value of equity securities on loan was $543.2 million and $649.5 million and the fair value of the bonds on loan was $82.1 million and $214.5 million, totaling $625.3 million and $864.0 million, respectively, in Securities Lending obligations. The value of securities on loan are included within the investments in the accompanying financial statements.

Borrowers pay a fee to the Plan to borrow the securities. Revenue received by the Plan is used to help offset Plan administrative expenses. The gross Securities Lending revenue for 2020 and 2019 was $1.634 million and $1.026 million, respectively. Securities Lending fees paid to J.P. Morgan for 2020 and 2019 were $572 thousand and $359 thousand, respectively. Net income to the Plan for 2020 and 2019 was $1.063 million and $667 thousand, respectively.

With regard to counterparty credit risk, the Plan's bond collateral is held by the counterparty and is uninsured. All securities loaned can be terminated on demand by either the Plan or the borrower. Loans to an individual counterparty may not exceed 25 percent of the Plan's lendable portfolio. At December 31, 2020 and 2019, there had been no losses resulting from borrower defaults and the Plan had nominal credit risk exposure to borrowers related to any potential shortfall between J.P. Morgan's indemnification coverage and borrower collateral.

Short Term Investments

Short Term Investments consist of the STIF and the STIF–Cash funds. The STIF invests in fixed income securities including securities issued by the U.S. Government, U.S. Agencies, corporate bonds, residential and commercial mortgage-backed securities, and asset-backed securities. The STIF–Cash provides safety and stability with savings account-like returns or better through a diversified combination of money market funds and FDIC insured savings accounts. The STIF–Cash managers include Government Money Market funds that invest primarily in U.S. Government related securities, and FDIC insured accounts, which have guarantees on deposits backed by the full faith and credit of the U.S. Government.

Investment Fees

The Plan's investment managers charge an investment management fee to manage the investments. The Plan assesses a 0.05 percent annualized expense reimbursement fee against Plan assets in the Main Plan and PST Program. This fee is used to help offset Plan administrative expenses. Additionally, there is a nominal Trustee/Custodial fee for J.P.

NOTE 3 INVESTMENTS (CONTINUED)

Investment Fees (Continued)

Morgan's trustee and custodial services. The fund expense ratio represents the summarization of these fees. The investment-related expenses are included in net appreciation of fair value of investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates could adversely affect the fair value of an investment. Since all investments are participant-directed, all risks exist at the participant level. Each individual participant within the Plan has the ability to liquidate their positions on demand and has responsibility for managing their exposure to fair value loss.

Certain fixed income investments within the Bond Fund, Bond Index Fund, STIF–Cash, STIF, Socially Responsible Fund, Diversified Real Return Fund, and the Target Date Funds are subject to interest rate risk. Additionally, these funds hold non-fixed income investments that are not subject to interest rate risk.

The following tables show the December 31, 2020 and 2019 value of investments subject to interest rate risk. These investments are unrated. CalHR selects the weighted average maturity as its primary mechanism for reporting interest rate risk. Fair value (in thousands) and weighted average maturity (in years) for each applicable investment and its respective fund(s) are as follows:

Investment	Fund(s)	Fair Value at 12/31/2020	Weighted Average Maturity
Boston Trust SRI	Socially Responsible Fund	$ 105,907	5.27
BlackRock Bond Index	TDF Income Fund, TDF 2020 – 2065 Funds, Bond Index Fund, Bond Fund	1,433,906	13.93
Cohen & Steers DIS	TDF 2025 – 2065 Funds, Diversified Real Return Fund	41,818	0.60
Wells Capital Fixed Income	STIF Fund, TDF Income Fund, TDF 2020 – 2045 Funds	849,891	6.52
Voya Fixed Income	STIF Fund, TDF Income Fund, TDF 2020 – 2045 Funds	955,989	3.47
Amundi Pioneer U.S. Core Plus Bond	TDF Income Fund, TDF 2020 – 2065 Funds, Bond Fund	323,967	16.46
Amundi Pioneer Global Fixed Income	TDF Income Fund, TDF 2020 – 2065 Funds, Bond Fund	352,554	10.97
Rhumbline TIPS Index	TDF Income Fund, TDF2020 – 2065 Funds, Diversified Real Return Fund	188,718	0.10
Goldman Sachs Government Money Market	STIF – Cash Fund, TDF Income Fund, TDF 2020 – 2045 Funds	722,693	0.16
RBC Government Money Market	STIF – Cash Fund, TDF Income Fund, TDF 2020 – 2045 Funds	260,492	0.15
		$ 5,235,935	

NOTE 3 INVESTMENTS (CONTINUED)

Interest Rate Risk (Continued)

Investment	Fund(s)	Fair Value at 12/31/2019	Weighted Average Maturity
Boston Trust SRI	Socially Responsible Fund	$ 81,883	5.45
BlackRock Bond Index	TDF Income Fund, TDF 2020 – 2065 Funds, Bond Index Fund, Bond Fund	1,187,108	13.54
Cohen & Steers DIS	TDF 2020 – 2065 Funds, Diversified Real Return Fund	40,912	0.63
Wells Capital Fixed Income	STIF Fund, TDF Income Fund, TDF 2020 – 2045 Funds	826,992	5.70
Voya Fixed Income	STIF Fund, TDF Income Fund, TDF 2020 – 2045 Funds	905,440	3.09
Amundi Pioneer U.S. Core Plus Bond	TDF Income Fund, TDF 2020 – 2065 Funds, Bond Fund	319,747	12.74
Amundi Pioneer Global Fixed Income	TDF Income Fund, TDF 2020 – 2065 Funds, Bond Fund	293,095	11.12
Rhumbline TIPS Index	TDF Income Fund, TDF2020 – 2065 Funds, Diversified Real Return Fund	160,783	0.09
Goldman Sachs Government Money Market	STIF – Cash Fund, TDF Income Fund, TDF 2020 – 2045 Funds	591,126	0.10
RBC Government Money Market	STIF – Cash Fund, TDF Income Fund, TDF 2020 – 2045 Funds	228,763	0.08
		$ 4,635,849	

Credit Risk

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations, such as the chance that a bond issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. These circumstances may arise due to a variety of factors such as financial weakness, bankruptcy, litigation, and/or adverse political developments. Certain fixed income securities, including obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are not considered to have credit risk.

A bond's credit quality is an assessment of the issuer's ability to pay interest on the bond, and ultimately to repay the principal. Credit quality is evaluated by one of the independent bond-rating agencies – for example, Moody's Investors Service ("Moody's"), Standard and Poor's ("S&P"), or Fitch Ratings ("Fitch"). The lower the rating, the greater the chance, in the rating agency's opinion, that the bond issuer will default or fail to meet its payment obligations. Generally, the lower a bond's credit rating, the higher its yield should be to compensate for the additional risk.

NOTE 3 INVESTMENTS (CONTINUED)

Credit Risk (Continued)

The following table presents the fixed income investments held within the investment options at December 31, 2020 (in thousands), categorized to give an indication of the level of credit risk assumed by Savings Plus:

	Credit Rating [1]								
Investments	AAA	AA	A	BBB	BB	B	CCC & Below	Not Rated	12/31/2020 Fair Value
Asset Backed	$ 114,263	$ 51,282	$ 39,093	$ 5,282	$ -	$ -	$ -	$ 18,102	$ 228,021
CDO/Collateralized Debt Obligation	85,801	-	892	2,795	249	-	-	3,605	92,642
CMO/REMIC	7,127	141,334	2,355	1,657	5502	4,772	-	25,303	188,049
Commercial Mortgage Backed Securities	121,992	55,519	17,204	18,663	1,016	-	-	28,644	243,038
Corporate Bonds	7,967	79,163	498,929	695,946	87,779	27,801	925	1,349	1,399,859
Demand Notes	-	-	3,202	-	-	-	-	-	3,202
Government Bonds	38,512	1,165,833	51,050	124,571	19,154	1,148	-	-	1,400,268
Mortgage Backed Securities	-	609,965	-	-	-	-	-	-	609,965
Municipal Bonds	1,371	27,823	23,642	4,770	-	-	-	-	57,605
STIF	-	-	-	-	-	-	-	1,423,636	1,423,636
Treasury Bills	-	-	30,748	-	-	-	-	-	30,748
Total	376,332	2,130,918	667,114	853,684	113,701	33,720	925	1,500,639	5,677,034
Other Investments Not Subject to Credit Risk [2]									12,613,537
Total Investments	$ 376,332	$ 2,130,918	$ 667,114	$ 853,684	$ 113,701	$ 33,720	$ 925	$ 1,500,639	$ 18,290,571

[1] When a security received split ratings between Moody's and S&P, this schedule was prepared using the rating that is indicative of the highest degree of risk.
[2] Includes obligations of the United States Government or obligations explicitly guaranteed by the United States Government, which are not considered to have credit risk and do not require disclosure of credit quality.

NOTE 3 INVESTMENTS (CONTINUED)

Credit Risk (Continued)

The following table presents the fixed income investments held within the investment options at December 31, 2019 (in thousands), categorized to give an indication of the level of credit risk assumed by Savings Plus:

Investments	Credit Rating [1] AAA	AA	A	BBB	BB	B	CCC & Below	Not Rated	12/31/2019 Fair Value
Asset Backed	$ 118,174	$ 80,108	$ 38,314	$ 5,098	$ 1,366	$ -	$ -	$ 17,308	$ 260,368
CDO/Collateralized Debt Obligation	62,566	-	-	1,297	479	-	-	900	65,242
CMO/REMIC	20,548	128,949	321	807	3,398	3,439	-	25,047	182,894
Commercial Mortgage Backed Securities	77,851	44,232	12,075	13,673	-	-	-	23	170,878
Commercial Paper (Interest Bearing)	-	-	15,741	-	-	-	-	10,853	26,594
Corporate Bonds	7,916	96,590	414,811	649,387	106,418	13,091	475	2,333	1,291,020
Demand Notes	-	-	3,160	-	-	-	-	-	3,160
Government Bonds	37,409	1,095,721	60,966	70,016	5,901	7,611	-	-	1,277,624
Mortgage Backed Securities	-	472,487	-	-	-	-	-	-	472,487
Municipal Bonds	-	5,760	15,391	889	-	-	-	-	22,039
STIF	-	-	-	-	-	-	-	1,706,515	1,706,515
Treasury Bills	-	-	39,625	-	-	-	-	-	39,625
Total	324,465	1,923,847	600,404	741,167	117,560	24,141	475	1,786,388	5,518,447
Other Investments Not Subject to Credit Risk [2]									10,400,129
Total Investments	$ 324,465	$ 1,923,847	$ 600,404	$ 741,167	$ 117,560	$ 24,141	$ 475	$ 1,786,388	$ 15,918,576

[1] When a security received split ratings between Moody's and S&P, this schedule was prepared using the rating that is indicative of the highest degree of risk.

[2] Includes obligations of the United States Government or obligations explicitly guaranteed by the United States Government, which are not considered to have credit risk and do not require disclosure of credit quality.

NOTE 3 INVESTMENTS (CONTINUED)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Plan's deposits may not be returned to it. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Plan's name.

All deposits of the Plan are held on behalf of the Plan by the Plan's custodian in accordance with the formal deposit policy for custodial credit risk and are not exposed to custodial credit risk, as defined by Governmental Accounting Standards Board Statement No. 40.

The Plan's policy for custodial credit risk requires that deposits in the STIF–Cash fund held by Union Bank and Bank of Oklahoma be insured by the FDIC (currently at $250,000 per participant account per institution). Amounts held in excess of the $250,000 FDIC limit are properly collateralized at 110 percent of the excess amount. At December 31, 2020 and 2019, approximately $27.7 million of participant assets representing 180 accounts and $20.6 million of participant assets representing 112 accounts, respectively, required collateralization.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates could adversely affect the fair value of the investment. At December 31, 2020 and 2019, the fair value of these investments was $889.8 million and $744.0 million, respectively. The investment options containing international exposure are identified with an asterisk in the Authorized Investments table within Note 3.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. The Plan's investments are managed by several investment managers. The concentrations of investments are determined by the participants' elections to invest in the available investment options. The investments with percentages that exceed five (5) percent of the Plan's net position are identified in bold font in the Authorized Investments table within Note 3. Since all investments are participant directed, all risks exist at the participant level. Each individual participant within the Plan has the ability to liquidate their position on demand and has responsibility for managing their exposure.

NOTE 4 TRANSFERS

In the Combined Statement of Changes in Fiduciary Net Position:

The *Transfers In* value includes rollovers and external transfers of assets into the Plan.

The *Transfers Out* value includes rollovers and transfers of assets out of the Plan. This value may also include taxes voluntarily withheld on In Plan Roth Conversions.

NOTE 5 TERMINATION RIGHTS

Although it has not expressed any intent to do so, the state has the right under the Plan to discontinue employee deferrals and to terminate the Plan. Upon termination of the Plan, benefits under the Plan would be payable as provided in the Plan documents.

NOTE 6 TAX STATUS

The IRS has determined and informed the Plan by letter dated April 4, 2019 that the 457(b) Plan and related trust are designed in accordance with Section 457 of the IRC, by letter dated January 11, 2017 that the 401(k) Plan and related trust are designed in accordance with Section 401 of the IRC, by letter dated January 12, 2010 that the PST Program and related trust are designed in accordance with Section 457 of the IRC, and by letter dated July 7, 2011 that ARP and related trust are designed in accordance with 401(a) of the IRC and, as such, are not subject to tax under present income tax law. CalHR, as the Plan administrator, believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC.

NOTE 7 RECLASSIFICATIONS

Certain amounts in the 2019 financial statements have been reclassified to conform with the 2020 presentation. These reclassifications do not affect Fiduciary Net Position Held in Trust or changes thereon as previously reported.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Ms. Eraina Ortega, Director
and Management of State of California, Department of Human Resources Savings Plus Program
Sacramento, California

We have audited the basic financial statements of the State of California, Department of Human Resources Savings Plus Program (the Plan), which comprise a 457(b) Plan, a 401(k) Plan, a Part-time, Seasonal, and Temporary Employees Retirement Program ("PST Program"), and an Alternate Retirement Program ("ARP"), as of and for the years ended December 31, 2020 and 2019, and have issued our report thereon dated June 10, 2021. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Plan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Plan's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
June 10, 2021