STATE OF CALIFORNIA
DEPARTMENT OF HUMAN RESOURCES
SAVINGS PLUS PROGRAM

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT

YEARS ENDED DECEMBER 31, 2019 AND 2018

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SAVINGS PLUS PROGRAM
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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, 2019 and 2018, 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, 2019 and 2018, 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 15, 2020, 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 result 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

Baltimore, Maryland
June 15, 2020

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, 2019 and 2018 and 2017.

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, 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, five (5) passively managed funds (index 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"), and one (1) STIF–Cash fund. 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 option. 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, 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	$ 654,060	$ 585,658	$ 27,532	$ (611)	$ 1,266,639
Net Investment Income (Loss)	1,290,247	1,373,616	4,647	126	2,668,636
Total Additions	1,944,307	1,959,274	32,179	(485)	3,935,275
DEDUCTIONS					
Total Withdrawals	546,173	468,862	25,930	1,689	1,042,654
Administrative Expenses	4,593	3,479	5	7	8,084
Total Deductions	550,766	472,341	25,935	1,696	1,050,738
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	$ 623,478	$ 570,374	$ 25,988	$ (271)	$ 1,219,569
Net Investment Income (Loss)	(328,129)	(359,088)	1,318	54	(685,845)
Total Additions	295,349	211,286	27,306	(217)	533,724
DEDUCTIONS					
Total Withdrawals	525,396	455,016	22,734	2,015	1,005,161
Administrative Expenses	4,373	3,447	5	13	7,838
Total Deductions	529,769	458,463	22,739	2,028	1,012,999
CHANGE IN FIDUCIARY NET POSITION	$ (234,420)	$ (247,177)	$ 4,567	$ (2,245)	$ (479,275)

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, 2017 (in thousands):

Combined Statement of Fiduciary Net Position

	457(b) Plan	401(k) Plan	PST	ARP	Total
ASSETS					
Total Investments	$ 6,673,913	$ 6,755,274	$ 89,684	$ 5,797	$ 13,524,668
Total Receivables	138,724	124,223	1,091	-	264,038
Total Assets	6,812,637	6,879,497	90,775	5,797	13,788,706
FIDUCIARY NET POSITION HELD IN TRUST					
Total Fiduciary Net Position Held in Trust	$ 6,812,637	$ 6,879,497	$ 90,775	$ 5,797	$ 13,788,706

Combined Statement of Changes in Fiduciary Net Position

	457(b) Plan	401(k) Plan	PST	ARP	Total
ADDITIONS					
Total Contributions	$ 567,163	$ 520,109	$ 24,957	$ 147	$ 1,112,376
Net Investment Income (Loss)	779,837	849,757	1,188	293	1,631,075
Total Additions	1,347,000	1,369,866	26,145	440	2,743,451
DEDUCTIONS					
Total Withdrawals	459,544	373,145	21,636	26,537	880,862
Administrative Expenses	3,905	3,138	4	26	7,073
Total Deductions	463,449	376,283	21,640	26,563	887,935
CHANGE IN FIDUCIARY NET POSITION	$ 883,551	$ 993,583	$ 4,505	$ (26,123)	$ 1,855,516

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 provides a general description of the Plan, as well as 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 distributions.
- 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.

FINANCIAL HIGHLIGHTS

457(b) Plan

The following financial highlights occurred during the 457(b) Plan years ended December 31, 2019 and 2018:

- The 457(b) Plan's fiduciary net position increased from approximately $6.578 billion to $7.972 billion from 2018 to 2019; an increase of approximately $1.394 billion as compared to a decrease of approximately $235 million from 2017 to 2018. The change in asset value in both years was primarily due to an increase/decrease in net appreciation in fair value of investments and net contributions/withdrawals. Net appreciation (depreciation) in fair value of investments, which measures net change in the fair value of investments and interest earned on those investments, was approximately $1.281 billion at 2019 year-end as compared to $(329) million at 2018 year-end. In addition, net contributions into and withdrawals from the 457(b) Plan resulted in a positive inflow of $108 million in 2019 as compared to $98 million in 2018.
- The number of 457(b) Plan participant accounts increased from 155,888 to 164,044 from 2018 to 2019; an increase of 8,156 accounts as compared to an increase of 8,129 accounts from 2017 to 2018. Participants with 457(b) Plan accounts may have 401(k) Plan accounts as well.
- 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. At December 31, 2018, the five (5) largest 457(b) Plan investment options were: Large Cap Index Fund (14.1%); Large Cap Fund (10.9%); STIF–Cash (10.1%); STIF (10.0%); and Mid Cap Fund (7.5%) totaling 52.6% of 457(b) Plan assets. Combined Target Date Fund assets totaled 21.2% of 457(b) Plan assets.

401(k) Plan

The following financial highlights occurred during the 401(k) Plan years ended December 31, 2019 and 2018:

- The 401(k) Plan's fiduciary net position increased from approximately $6.632 billion to $8.119 billion from 2018 to 2019; an increase of approximately $1.487 billion as compared to a decrease of approximately $247 million from 2017 to 2018. The change in asset value in both years was primarily due to an increase/decrease in net appreciation in fair value of investments and net contributions/withdrawals. Net appreciation (depreciation) in fair value of investments, which measures net change in the fair value of investments and interest earned on those investments, was approximately $1.372 billion at 2019 year-end as compared to $(359) million at 2018 year-end. In addition, net contributions into and withdrawals from the 401(k) Plan resulted in a positive inflow of $117 million in 2019 as compared to $115 million in 2018.
- The number of 401(k) Plan participant accounts increased from 115,263 to 117,372 from 2018 to 2019; an increase of 2,109 accounts as compared to an increase of 2,117 accounts from 2017 to 2018. Participants with 401(k) Plan accounts may have 457(b) Plan accounts as well.
- 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. At December 31, 2018, the five (5) largest 401(k) Plan investment options were: Large Cap Index Fund (16.0%); Large Cap Fund (12.1%); Mid Cap Fund (8.5%); STIF (8.3%); and STIF–Cash (7.0%), totaling 51.9% of 401(k) Plan assets. Combined Target Date Fund assets totaled 19.7% 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, 2019 and 2018:

- The PST Program's fiduciary net position increased from approximately $95 million to $102 million from 2018 to 2019; an increase of approximately $6.2 million as compared to an increase of $4.6 million from 2017 to 2018. The PST Program's asset growth shows new contributions slightly outpaced transfers out and withdrawals. Net appreciation in fair value of investments was $4.6 million at 2019 year-end as compared to $1.3 million at 2018 year-end.
- The total number of PST Program participant accounts decreased from 96,781 to 86,688 from 2018 to 2019; a decrease of 10,093 accounts as compared to an increase of 1,414 accounts from 2017 to 2018.
- ARP's fiduciary net position decreased from approximately $3.6 million to $1.4 million from 2018 to 2019; a decrease of approximately $2.2 million as compared to a decrease of approximately $2.2 million from 2017 to 2018. 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 $126 thousand at 2019 year-end as compared to approximately $54 thousand at 2018 year-end.
- The number of ARP participant accounts decreased from 945 to 395 from 2018 to 2019; a decrease of 550 accounts as compared to a decrease of 745 accounts from 2017 to 2018. 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 2019 and 2018.

OTHER HIGHLIGHTS

Effective January 1, 2019, Savings Plus entered into an agreement with Callan Associates, LLC as its consultant for plan design and third-party provider search and selection services. RVK Inc. provided such services from 2009 through 2018.

Effective January 1, 2019, the passage of Senate Bill No. 1504 amended Government Code 19993.05 to allow for a broad range of investment products to be provided in the core portfolio (investment option lineup) under tax-advantaged retirement savings plans.

Effective April 5, 2019, Savings Plus implemented changes for both 457(b) unforeseeable emergency withdrawals and 401(k) hardship withdrawals to allow participants more flexibility and as required under the Bipartisan Budget Act of 2018. Participants are no longer required to take out a loan from their 457(b) Plan account before making an unforeseeable emergency withdrawal. Participants are no longer required to take out a loan from their 401(k) Plan account before making a hardship withdrawal if they certify that the loan itself would cause additional economic hardship. Participants may withdraw both principal (contributions) and investment earnings when making a hardship withdrawal. The requirement to suspend Plan contributions for six (6) months after taking either a hardship or unforeseeable emergency withdrawal was eliminated.

On March 27, 2020, the President signed the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") into law. The CARES Act includes several provisions affecting defined contribution retirement plans. Savings Plus implemented the following temporary changes effective for the remainder of 2020:

Coronavirus-Related Distributions (CRD)

Savings Plus permits qualified participants affected by COVID-19 to withdraw up to $25,000 from their accounts. Defined contribution retirement plan participants are typically restricted from accessing their account balances prior to retirement or separation from service. Additionally, 401(k) participants typically pay a 10% early withdrawal penalty if they withdraw funds from their account prior to age 59½. The CARES Act authorizes eligible participants to withdraw from their account and waive any applicable 401(k) early withdrawal penalties.

Participants may withdraw up to $25,000 from their account if they self-certify they meet the following eligibility requirements defined by the CARES Act:

- They are diagnosed with the virus SARS-CoV-2 or with coronavirus disease 2019 (COVID-19) by a test approved by the Centers for Disease Control and Prevention (CDC); or
- Their spouse or dependent is diagnosed with such virus or disease by such a test; or
- They, due to such virus or disease, experience adverse financial consequences as a result of:
    - being quarantined, furloughed or laid off; or
    - having work hours reduced; or
    - being unable to work due to lack of child care; or
    - being unable to work due to the closing or reducing of the hours of a business owned or operated by the individual.

These distributions can be redeposited to Savings Plus within three years of the date of distribution. A redeposit is treated as a rollover contribution, and does not impact the participant's annual contribution limit. Participants may spread the income tax from this withdrawal equally across three tax years. Savings Plus has the option to increase the withdrawal limit as high as $100,000 and reserves the right to increase this limit later.

Delay Loan Repayments

Participants in the Main Plan may take out loans from their account balance. These loans can be general purpose or for the purpose of purchasing a primary residence. Loan payments due in 2020 for existing loans and new loans initiated in 2020 may be delayed until January 2021 for participants who meet the same requirements described in the Coronavirus-Related Distributions (CRD) section above.

If loan payments are delayed in 2020, the term of the loan will increase by the term of the delay period. Interest will continue to accrue on the delayed payments, and the accrued interest will be reamortized into the loan amount. The new loan repayment amount effective January 1, 2021 will include the remaining principal plus accrued interest.

Waive 2020 Required Minimum Distribution (RMD) requirements

The IRS requires that defined contribution retirement plan participants begin to take annual required minimum distributions ("RMDs") from their account beginning by the later of April 1 of the calendar year in which they attain age 72 (before 2020, after attaining age 70½) or the calendar year in which they retire. A participant's RMD is the minimum amount they must withdraw from their account each year.

Savings Plus ceased all 2020 RMDs with the exception of those paid to participants who request periodic distributions (e.g., monthly or annual payments). These payments will continue unless the participant notifies Savings Plus and requests an RMD waiver for 2020.

Participants required to begin taking RMDs in 2019 could delay their first RMD to 2020. This RMD waiver also applies to those participants who delayed their first RMD to 2020. Participants, who already received their 2020 RMD payment or who delayed their 2019 RMD payment, have 60 days from the date of receipt in which they may redeposit the RMD payment to their Savings Plus account in accordance with the following table:

RMD Receipt Date	Redeposit Permitted?	Redeposit Eligible Period
January 1, 2020 – January 31, 2020	No	N/A
February 1, 2020 – May 15, 2020	Yes	April 1, 2020 – July 15, 2020
May 16, 2020 – December 31, 2020	Yes	60 Days from Date of Receipt

Modifications to Current Loan Provisions

In addition to the above provisions authorized by the CARES Act, Savings Plus is using existing authority to modify loan restrictions as shown in the following table:

	Standard Requirements	Requirements for remainder of 2020
Number of loans allowed per plan (only one primary residence loan per plan)	1	2
Minimum account balance to take out a loan	$10,000	$5,000
Minimum loan amount	$5,000	$2,500

Savings Plus' third-party administrator (TPA) and recordkeeper, Nationwide Retirement Solutions, Inc. will also waive the standard $50 loan initiation fee through September 30, 2020.

These changes are set to expire at the end of 2020. The information presented here may change with any further federal legislative or regulatory changes, or any further changes in the global financial climate. The CARES Act provisions are not reflective of the audited financial statements and policies in place as of December 31, 2019.

ECONOMIC DISCUSSION

As we entered 2019, interest rate sensitive sectors of the economy began to show signs of slowing and the stock market began selling off into bear market territory, as the Federal Reserve announced a fourth rate hike of the year in December 2018. In early 2019, the Federal Reserve changed its messaging around methodical tightening toward an undisclosed "neutral" rate back to a more benign, data-dependent approach. Contrary to their late-2018 projections for 50 basis points of tightening in 2019, the Federal Open Market Committee followed through on the Chair's renewed accommodative tone by instead cutting rates three times in 2019. The U.S. stock market rallied strongly through this stimulative environment, as fixed income investors also benefited from falling yields. While markets propelled portfolio values higher in 2019 and investors benefited from strong asset performance, they continued to face a historically challenging investment landscape.

As we moved into 2020, bouts of volatility and bumps along the way were anticipated from the geo-political backdrop, U.S./China trade tensions, and European economies reestablishing a growth trajectory as they move through and past Brexit. However, these concerns are undoubtedly replaced by the fear and uncertain effects of the novel Coronavirus (COVID-19). As many investors are faced with the fear of losing their retirement savings, the timeless benefits of portfolio diversification are particularly valuable today. Investors' discipline and patience will be tested as we navigate the unprecedented investment road ahead.

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, 2019
(In Thousands)

	457(b) Plan	401(k) Plan	PST	ARP	Total
ASSETS					
Investments:					
Short-Term Investments	$ 1,351,662	$ 1,083,952	$ 100,384	$ 1,371	$ 2,537,369
Investment Options	6,039,068	6,452,890	-	-	12,491,958
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 FIDUCIARY NET POSITION
DECEMBER 31, 2018
(In Thousands)

	457(b) Plan	401(k) Plan	PST	ARP	Total
ASSETS					
Investments:					
Short-Term Investments	$ 1,297,375	$ 999,206	$ 94,144	$ 3,552	$ 2,394,277
Investment Options	4,800,535	5,152,360	-	-	9,952,895
Self-Directed Brokerage Account	341,198	357,078	-	-	698,276
Total Investments	6,439,108	6,508,644	94,144	3,552	13,045,448
Receivables:					
Contributions Receivable	40,645	35,820	1,198	-	77,663
Loans Receivable from Participants	98,464	87,856	-	-	186,320
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

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	191,047	179,754	165	94	371,060
Total Contributions	654,060	585,658	27,532	(611)	1,266,639
Investment Income:					
Net Appreciation (Depreciation) in Fair Value of Investments	1,280,667	1,371,907	4,647	126	2,657,347
Interest Income from Participant Loans	4,167	4,054	-	-	8,221
Net Loan Activity	5,413	(2,345)	-	-	3,068
Net Investment Income (Loss)	1,290,307	1,373,616	4,647	126	2,668,636
Total Additions	1,944,307	1,959,274	32,179	(485)	3,935,275
DEDUCTIONS					
Withdrawals:					
Benefits and Withdrawals	210,878	157,996	9,763	372	379,009
Loan Defaults	3,132	2,000	-	-	5,132
Transfers Out	332,163	308,866	16,167	1,317	658,513
Total Withdrawals	546,173	468,862	25,930	1,689	1,042,654
Administrative Expenses	4,593	3,479	5	7	8,084
Total Deductions	550,766	472,341	25,935	1,696	1,050,738
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.

STATE OF CALIFORNIA, DEPARTMENT OF HUMAN RESOURCES
SAVINGS PLUS PROGRAM
COMBINED STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2018
(In Thousands)

	457(b) Plan	401(k) Plan	PST	ARP	Total
ADDITIONS					
Contributions:					
Employee Contributions (Adjustments)	$ 432,365	$ 386,791	$ 25,605	$ (394)	$ 844,367
Transfers In	191,113	183,583	383	123	375,202
Total Contributions	623,478	570,374	25,988	(271)	1,219,569
Investment Income:					
Net Appreciation (Depreciation) in Fair Value of Investments	(328,571)	(358,582)	1,318	54	(685,781)
Interest Income from Participant Loans	2,688	3,016	-	-	5,704
Net Loan Activity	(2,246)	(3,522)	-	-	(5,768)
Net Investment Income (Loss)	(328,129)	(359,088)	1,318	54	(685,845)
Total Additions	295,349	211,286	27,306	(217)	533,724
DEDUCTIONS					
Withdrawals:					
Benefits and Withdrawals	196,689	139,461	7,195	547	343,892
Loan Defaults	3,114	2,117	-	-	5,231
Transfers Out	325,593	313,438	15,539	1,468	656,038
Total Withdrawals	525,396	455,016	22,734	2,015	1,005,161
Administrative Expenses	4,373	3,447	5	13	7,838
Total Deductions	529,769	458,463	22,739	2,028	1,012,999
CHANGE IN FIDUCIARY NET POSITION	(234,420)	(247,177)	4,567	(2,245)	(479,275)
Fiduciary Net Position – Beginning of Year	6,812,637	6,879,497	90,775	5,797	13,788,706
FIDUCIARY NET POSITION – END OF YEAR	$ 6,578,217	$ 6,632,320	$ 95,342	$ 3,552	$ 13,309,431

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 who are 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 Savings Plus Administrator and staff, who make recommendations to the Director on plan design; review administrative fees; monitor contract compliance; and serve as liaison to the third party administrator ("TPA"), investment providers, investment consultants, trustee/custodian, external legal counsel, and other third-party service providers. Staff provides support in the areas of budget/fiscal, operations, projects, legislative analysis, and payroll, and facilitates employee participation in Savings Plus.

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 reviews recommendations from its consultants regarding investment-related matters such as portfolio design, investment structure, and investment changes; establishes and maintains the Investment Policy Statement; and periodically evaluates the Plan's investment performance, investment costs, and administrative costs to participants.

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.

Additionally, Savings Plus maintains separate contracts for the following services: Investment Management; Custodial, Trustee, and Securities Lending; Consulting; Transition Management; External Legal Counsel; and Financial Audit. Savings Plus provides some in-house specialized 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 – Build Your Own Portfolio: Consists of five (5) index 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), and one (1) STIF–Cash fund. Except for the index funds and the socially responsible fund, Savings Plus' investment options are constructed through the use of fund-of-fund structures.

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

NOTE 1 DESCRIPTION OF THE PLANS (CONTINUED)

Portfolio Structure (Continued)
Savings Plus' Main Plan investment strategies are offered through twenty-six (26) separate accounts, two (2) commingled trust funds, two (2) FDIC depository savings accounts, and two (2) mutual funds.

The Qualified Default Investment Alternative (QDIA) for new enrollees is the Target Date Fund that aligns with the participant's 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.

Participants are permitted 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.

For 2019 and 2018, the maximum loan amount is the lesser of 50 percent of the participant's account balance by plan minus any 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. The participant is charged a one-time $50 loan initiation fee per loan.

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.

NOTE 1 DESCRIPTION OF THE PLANS (CONTINUED)

Participant Loans (Main Plan Only) (Continued)
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, 2019, the loan interest rate was 6.25 percent. As of December 31, 2018, the loan interest rate was 6.00 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. This 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 Expenses
Savings Plus assesses all Main Plan participants an administrative 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, (5) overnight check, (6) QDRO split, and (7) short-term trade (redemption).

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 $19,000 for 2019 and $18,500 for 2018 or 100% of the employee's includable compensation.

NOTE 1 DESCRIPTION OF THE PLANS (CONTINUED)

Contributions (Continued)

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

- Age-Based Deferrals – For 2019 and 2018, participants age 50 or older and actively employed may defer up to $6,000 over the normal deferral limit to their Main Plan accounts.
- Traditional 457(b) Catch-Up – For 2019 and 2018, 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 2019 and 2018, 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 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 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.

NOTE 1 DESCRIPTION OF THE PLANS (CONTINUED)

Contributions (Continued)

For ARP, as of July 1, 2013, new CalPERS membership-eligible state employees are appointed directly into CalPERS instead of into ARP. While no new contributions were added to ARP during 2019 or 2018, state departments made corrections to personnel records of employees who were erroneously appointed into ARP. These corrections/contribution adjustments account for the ($705,000) and ($394,000) on the Employee Contributions (Adjustments) line item within the 2019 and 2018 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.

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 may take a distribution by selecting Option 2 during ARP Phase III, as described in the next paragraph.

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.

NOTE 1 DESCRIPTION OF THE PLANS (CONTINUED)

In-Service Distributions

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 loan, (4) they do not have a freeze or hold on their account, and (5) they have not previously received a voluntary withdrawal distribution.

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 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 and defaulted loans identified by the TPA 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, 2019 and 2018.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Participant Loans and Loans Receivable (Continued)
In the Combined Statement Of Changes In Fiduciary Net Position, the *Net Loan Activity* values include the net of all loan disbursements, loan repayments including interest, and defaulted loans.

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.

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, 2019, 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.

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.

NOTE 3 INVESTMENTS (CONTINUED)

Authorized Investments (Continued)

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"), index funds, actively managed funds, and an SDBA. 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‡
STIF – Cash	$ 665,978	$ 491,789	$ -	$ -	$ 1,157,767	**7.3%**
STIF	685,684	592,163	100,384	1,371	1,379,602	**8.6%**
Short-Term Investments	1,351,662	1,083,952	100,384	1,371	2,537,369	15.9%
TDF Income*	293,568	291,451	-	-	585,019	3.7%
TDF 2020*	265,270	281,100	-	-	546,370	3.4%
TDF 2025*	284,815	319,996	-	-	604,811	3.8%
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%
Bond Index	340,562	387,953	-	-	728,515	4.6%
Large Cap Index	1,163,396	1,329,401	-	-	2,492,797	**15.8%**
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%
Socially Responsible	146,470	164,754	-	-	311,224	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	**8.3%**
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%
Investment Options	6,039,068	6,452,890	-	-	12,491,958	78.5%
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

NOTE 3 INVESTMENTS (CONTINUED)

Authorized Investments (Continued)

The investment options and Assets Under Management (in thousands) consisted of the following at December 31, 2018:

2018

Participant Directed Investments	457(b) Plan Balance	401(k) Plan Balance	PST Balance	ARP Balance	Total Plan Balance	% of Total Plan AUM †
STIF – Cash	$ 652,399	$ 458,384	$ -	$ -	$ 1,110,783	**8.5%**
STIF	644,976	540,822	94,144	3,552	1,283,494	**9.8%**
Short-Term Investments	1,297,375	999,206	94,144	3,552	2,394,277	18.3%
TDF Income*	269,510	267,219	-	-	536,729	4.1%
TDF 2015*	-	-	-	-	-	0.0%
TDF 2020*	231,826	248,989	-	-	480,815	3.7%
TDF 2025*	229,638	255,223	-	-	484,861	3.7%
TDF 2030*	192,901	191,275	-	-	384,176	2.9%
TDF 2035*	162,359	139,605	-	-	301,964	2.3%
TDF 2040*	122,126	88,995	-	-	211,121	1.6%
TDF 2045*	100,376	56,370	-	-	156,746	1.2%
TDF 2050*	38,436	22,942	-	-	61,378	0.5%
TDF 2055*	13,170	5,306	-	-	18,476	0.1%
TDF 2060*	6,217	5,741	-	-	11,958	0.1%
TDF 2065*	192	173	-	-	365	0.0%
Bond Index	286,762	320,352	-	-	607,114	4.7%
Large Cap Index	910,377	1,039,928	-	-	1,950,305	**15.0%**
Mid Cap Index	227,932	244,301	-	-	472,233	3.6%
Small Cap Index	126,120	140,708	-	-	266,828	2.0%
International Index*	117,468	133,626	-	-	251,094	1.9%
Socially Responsible	106,693	119,927	-	-	226,620	1.7%
Bond*	123,082	128,335	-	-	251,417	1.9%
Large Cap*	702,217	786,459	-	-	1,488,676	**11.4%**
Mid Cap*	482,679	555,351	-	-	1,038,030	**8.0%**
Small Cap	175,640	198,231	-	-	373,871	2.9%
International*	154,311	182,272	-	-	336,583	2.6%
Diversified Real Return*	20,503	21,035	-	-	41,538	0.3%
Investment Options	4,800,535	5,152,360	-	-	9,952,895	76.3%
Self-Directed Brokerage Account	341,198	357,078	-	-	698,276	**5.4%**
Balance as of 12/31/2018	$ 6,439,108	$ 6,508,644	$ 94,144	$ 3,552	$ 13,045,448	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, 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. At December 31, 2018, outstanding participant loans totaled $186.3 million, with $98.5 million in the 457(b) Plan and $87.8 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. and BlackRock Financial Management, Inc. through the Bond Fund and the Bond Index Fund; Voya Investment Management Co. LLC and Wells Capital Management, Inc. through the STIF option; and Boston Trust & Investment Management Company through the Socially Responsible Fund. In addition, the Target Date Funds have bond exposure, as the Bond Fund, Bond Index Fund, and STIF 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, 2019 and 2018. 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, 2019 and 2018:

	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	$ 11,165,977	$ 7,237,008	$ 3,928,969	$ -
Self-Directed Brokerage Account	731,597	696,125	35,472	-
Short-Term Investments	1,018,087	-	1,018,087	-
Total Investments at Fair Value	12,915,661	7,933,133	4,982,528	-
Investments at Amortized Cost				
Investment Options	189,784			
Short-Term Investments	1,519,282			
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	7,933,133	4,982,528	$ -

	At 12/31/2018	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	$ 8,923,048	$ 5,653,467	$ 3,269,581	$ -
Self-Directed Brokerage Account	563,573	530,203	33,370	-
Short-Term Investments	970,157	-	970,157	-
Total Investments at Fair Value	10,456,778	6,183,670	4,273,108	-
Investments at Amortized Cost				
Investment Options	134,444			
Short-Term Investments	1,424,120			
Self-Directed Brokerage Account	134,703			
Total Investments at Amortized Cost	1,693,267			
Investments at Net Asset Value				
Investment Options	895,403			
Total Investments at Net Asset Value	895,403			
Total Investments	$ 13,045,448	$ 6,183,670	$ 4,273,108	$ -

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, 2019 and 2018:

	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	$ -		

	Investments Measured at Net Asset Value			
	At 12/31/2018	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Investment Options[1]	$ 895,403	$ -	Daily	1–3 Days
Total Investments at Net Asset Value	$ 895,403	$ -		

(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, 2019 and 2018 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, 2019 and 2018, the fair value of equity securities on loan was $649.5 million and $331.9 million and the fair value of the bonds on loan was $214.5 million and $68.9 million, totaling $864.0 million and $400.8 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 2019 and 2018 was $1.026 million and $830 thousand, respectively. Securities Lending fees paid to J.P. Morgan for 2019 and 2018 were $360 thousand and $290 thousand, respectively. Net income to the Plan for 2019 and 2018 was $670 thousand and $540 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, 2019 and 2018, 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.

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. This fee is used to help offset Plan administrative expenses. Additionally, there is a nominal Trustee/Custodial fee for J.P. 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.

NOTE 3 INVESTMENTS (CONTINUED)

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 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, 2019 and 2018 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 12/31/2019	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	

NOTE 3 INVESTMENTS (CONTINUED)

Interest Rate Risk (Continued)

Investment	Fund(s)	Fair Value at 12/31/2018	Weighted Average Maturity
Boston Trust SRI	Socially Responsible Fund	$ 71,086	4.93
BlackRock Bond Index	TDF Income Fund, TDF 2020 – 2065 Funds, Bond Index Fund, Bond Fund	991,522	13.61
Cohen & Steers DIS	TDF 2020 – 2065 Funds, Diversified Real Return Fund	27,479	0.76
Wells Capital Fixed Income	STIF Fund, TDF Income Fund, TDF 2020 – 2045 Funds	736,065	3.24
Voya Fixed Income	STIF Fund, TDF Income Fund, TDF 2020 – 2045 Funds	834,451	3.82
Amundi Pioneer U.S. Core Plus Bond	TDF Income Fund, TDF 2020 – 2065 Funds, Bond Fund	282,969	12.09
Amundi Pioneer Global Fixed Income	TDF Income Fund, TDF 2020 – 2065 Funds, Bond Fund	242,161	5.55
Northern Trust TIPS Index (through Oct. 2018) Rhumbline TIPS Index (eff. Oct. 2018)	TDF Income Fund, TDF2020 – 2065 Funds, Diversified Real Return Fund	141,637	0.10
Goldman Sachs Government Money Market	STIF – Cash Fund, TDF Income Fund, TDF 2020 – 2045 Funds	574,540	0.11
RBC Government Money Market	STIF – Cash Fund, TDF Income Fund, TDF 2020 – 2045 Funds	216,295	0.10
		$ 4,118,205	

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, 2019 (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	12/31/2019 Fair Value
Asset Backed	$ 118,174	$ 80,108	$ 38,314	$ 5,098	$ 1,366	$ -	$ -	$ 17,308	$ 260,368
CDO/Collateralized Debt Obligation	62,566	-	-	-	-	-	-	900	63,466
CMO/REMIC	20,548	128,949	321	1,297	479	-	-	25,047	177,026
Commercial Mortgage Backed Securities	77,851	44,232	12,075	807	3,398	3,439	-	23	164,849
Commercial Paper (Interest Bearing)	-	-	15,741	13,673	-	-	-	10,853	40,267
Corporate Bonds	7,916	96,590	414,811	-	-	-	-	2,333	521,650
Demand Notes	-	-	3,160	649,387	106,418	13,091	475	-	772,530
Government Bonds	37,409	1,095,721	60,966	-	-	-	-	-	1,194,096
Mortgage Backed Securities	-	472,487	-	70,016	5,901	7,611	-	-	556,015
Municipal Bonds	-	5,760	15,391	-	-	-	-	-	21,150
STIF	-	-	-	889	-	-	-	1,706,515	1,707,404
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)

Credit Risk (Continued)

The following table presents the fixed income investments held within the investment options at December 31, 2018 (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	12/31/2018 Fair Value
Asset Backed	$ 70,891	$ 42,134	$ 46,368	$ 4,144	$ -	$ 1,467	$ -	$ 79,293	$ 244,297
CDO/Collateralized Debt Obligation	2,575	-	-	-	-	-	-	32,081	34,656
CMO/REMIC	22,132	17,748	8	528	-	-	146	21,059	61,621
Commercial Mortgage Backed Securities	44,140	12,625	701	367	-	-	-	77,267	135,100
Commercial Paper (Interest Bearing)	-	-	-	-	-	-	-	8,917	8,917
Corporate Bonds	7,905	69,223	309,002	525,114	119,029	18,208	610	223,089	1,272,180
Government Bonds	29,776	857,363	20,429	21,596	10,390	2,682	-	192,981	1,135,217
Mortgage Backed Securities	-	324,144	-	-	-	-	-	54,953	379,097
Municipal Bonds	871	7,480	12,067	2,620	-	-	-	41	23,079
STIF	-	-	-	-	-	-	-	1,555,605	1,555,605
Treasury Bills	-	-	-	-	-	-	-	35,514	35,514
Total	178,290	1,330,717	388,575	544,369	129,419	22,357	756	2,280,800	4,885,282
Other Investments Not Subject to Credit Risk [2]									8,160,166
Total Investments	$ 178,289	$ 1,330,717	$ 388,575	$ 544,369	$ 129,420	$ 22,357	$ 756	$ 2,280,801	$ 13,045,448

[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, 2019 and 2018, approximately $20.6 million of participant assets representing 112 accounts and $16.9 million of participant assets representing 79 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. The fair value of these investments was $744.0 million and $536.3 million as of December 31, 2019 and 2018, 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* values include all rollovers and transfers in, SDBA transfers in, account splits transfers in, and any corrections for these request types processed on participant accounts.

The *Transfers Out* values include all rollovers and transfers out, SDBA transfers out, account splits transfers out, and any corrections for these request types processed on participant accounts.

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.

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, 2019 and 2018, and have issued our report thereon dated June 15, 2020. 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 determination of financial statement amounts. 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.

This report is intended solely for the information and use of the Director, Plan management, and others within the Plan, and is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
June 15, 2020