SAVINGS PLUS PROGRAM
FEE POLICY STATEMENT
EFFECTIVE JANUARY 1, 2020

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I. PURPOSE

In keeping with its fiduciary responsibility to ensure that program costs are reasonable, the Savings Plus Program (“Savings Plus”, “Program”, or “Plan”) adopted this Fee Policy Statement (the “Statement”) as a resource that describes the revenue and expenses that make up its operating budget as well as all other fees and expenses charged to Savings Plus participants. The Statement also highlights certain procedures that Savings Plus may use to periodically review Plan revenue, expenses, and other related costs and to disclose that information to Plan participants.

Nothing in this Statement should be construed as an amendment to the terms of any Savings Plus plan, nor is it made part of any other document creating or governing any Savings Plus plan. The sole purpose of this Statement is to briefly describe the Savings Plus budget, other fees and expenses, and certain procedures for periodic review and disclosure of Plan fees and expenses. This Statement is not intended to and does not create any responsibilities, obligations, or duties beyond what is otherwise required under applicable laws and regulations. Savings Plus may amend this Statement at any time, subject to the approval of the CalHR Director or designee.

II. REVENUE

Savings Plus does not receive any operating subsidy from the General Fund of the State of California. As with other state programs, Savings Plus’ budget is within the purview of the California Department of Finance, which must approve the Program’s spending authority based on the Program’s projected expenses. However, because Savings Plus is self-funded, any change to the Program’s spending authority does not impact the state’s current budget.

The costs of administering the Savings Plus 401(k) Plan and 457(b) Plan (collectively, the “Main Plan”) are funded through participant administrative fees, securities lending income, and interest on its cash holdings in the State Treasury. The costs of administering the Savings Plus Part-time, Seasonal, and Temporary Employees Retirement Program (“PST Program”), a mandatory retirement savings program authorized by state and federal law for employees who are not covered by a retirement system or Social Security, are funded through an administrative expense reimbursement charged against Short Term Investment Fund - PST assets, employer-paid fees, and interest on its cash holdings in the State Treasury. Savings Plus is required under state regulations to determine the cost of Plan administration and to collect fees as it deems equitable to assure the Program does not operate at a deficit. Savings Plus conducts an annual review of its budget and projected revenue to ensure it has sufficient spending authority and income to cover its expenses. If Savings Plus determines that its surplus will exceed its annual spending authority as approved by the Department of Finance, Savings Plus performs an analysis to determine whether action is necessary to reduce the surplus.

This section describes the three categories of revenue that Savings Plus collects to fund the administration costs for the Main Plan and PST Program: 1) participant administrative fees, which includes account fees charged directly to all accounts and administrative expense reimbursements charged against Plan assets; 2) additional revenue sources not charged to participants; and 3) PST Program employer fees.

Participant Administrative Fees

Savings Plus' primary source of revenue is administrative fees, which includes both account fees and administrative expense reimbursements. Savings Plus currently charges each 401(k) Plan and 457(b) Plan account a monthly account fee of $1.50. This fee is charged directly to all Main Plan participant accounts, but is not charged to PST Program participant accounts. Additionally, both the Main Plan and the PST Program include an administrative expense reimbursement charged against investment earnings on all funds. This administrative expense reimbursement is currently set at 0.05%.

Non-Participant Revenue

The Main Plan also earns revenue through its securities lending program, under which portfolio holdings are loaned to third party borrowers in exchange for bond collateral. Borrowers pay a fee to Savings Plus to borrow certain securities held in the portfolio, which generates additional revenue. Since the PST Program does not participate in securities lending, it does not earn revenue through this program.

Additionally, a negligible percentage of the Main Plan and PST Program operating income comes from interest on Savings Plus' Surplus Money Investment Fund accounts with the State Treasury. These accounts hold the Program's revenues on deposit, and all Main Plan and PST expenses are paid from their respective accounts.

PST Program Employer Fees

Instead of participant account fees, the PST program is funded primarily through employer fees. State departments are charged a flat fee for each active PST employee.

III. DIRECT PROGRAM EXPENSES

The Savings Plus Program is a public retirement system within the meaning of Article XVI, Section 17 of the California Constitution. Accordingly, Plan assets must be held for the exclusive purposes of providing benefits to Plan participants and their beneficiaries and defraying reasonable expenses of Plan administration. As a governmental plan, Savings Plus is not bound by the Employee Retirement Income Security Act of 1974 ("ERISA"). However, given that the fiduciary standards that apply under the California Constitution are similar to ERISA fiduciary standards, Savings Plus may use ERISA standards as guidance and best practices in reviewing Plan expenses.

This section describes the direct expenses paid by Savings Plus. Direct expenses are defined as fees, salaries, administrative and operational costs, and other expenses paid by the Plan directly from its budget. Savings Plus conducts an annual review of its budget to ensure these expenses are reasonable and prudent.

Internal Operating Expenses

Savings Plus incurs expenses for personnel, benefits, facilities, office supplies, and other standard operating costs.

Service Provider Fees

A service provider is an entity or individual who provides services to the Plan and is paid directly from the Plan's budget. These service providers include, but are not limited to recordkeeping and administrative services, auditing, investment consulting, insurance coverage, legal, or other services provided to the Plan. Service providers that are not paid directly from the Plan's budget, such as investment managers, Custodian/Trustee, and transition managers, are discussed in the next section of this Statement.

Savings Plus may periodically review current service provider fees, including a review of disclosures provided by the service providers. Similar review procedures may be applied to prospective service providers with respect to proposed fees.

IV. INDIRECT PROGRAM EXPENSES

This section describes the indirect expenses associated with administering Savings Plus. Indirect expenses are defined as fees and other costs that are paid from participant assets, but that are not part of Savings Plus' operating budget.

Investment Management Fees

The Plan's investment options indirectly incur investment management fees, which are netted against the fund performance returns reported on the Investment Performance Reports. The Plan's Investment Committee ("Committee") is authorized to review investment management fees periodically, pursuant to the Investment Committee Charter and other governing documents. The Committee may also periodically review disclosures provided by current investment managers regarding fees and performance.

Custodial/Trustee Fees

Savings Plus contracts with a Custodian/Trustee whose responsibilities include, but are not limited to, receiving and holding Plan assets, daily valuation and accounting, daily trading and the settlement of trades, execution of the Savings Plus Securities Lending Program for certain assets under a limited and risk-controlled policy, and certain investment compliance monitoring functions. Each investment option indirectly incurs custodial/trustee fees.

Transition Management Fees

Savings Plus contracts with transition management companies that specialize in moving assets when Savings Plus replaces investment managers or changes its fund structure. When Savings Plus uses the services of a transition management firm, the firm indirectly takes a small commission for each trade performed. These commissions are netted against the performance of the fund.

V. PARTICIPANT-PAID ANCILLARY SERVICES

This section describes fees paid by participants for ancillary services. Savings Plus does not receive any income from such fees that are collected from participant accounts, as described below.

Participant-Directed Fees

Participant-directed fees are charged to participants for services such as loan initiation, Domestic Relations Order, check writing, overnight check, and Automated Clearing House ("ACH") non-sufficient funds. These fees, which are paid directly to the Third Party Administrator, are determined based on the reasonable administrative expense of providing the services for these transactions.

Enhanced Services Fees (Main Plan Only)

Enhanced services fees, such as a brokerage option and professionally managed accounts, are negotiated with the service providers and reviewed periodically by the Plan and the Plan's investment consultant. These enhanced services are not available for the PST Program.

Redemption Fee (Short Term Trade Fee)

Investments subject to the Savings Plus excessive trading policy charge a redemption fee if the units are sold within a specified period of purchasing the units. Such fees flow back into the unit value of the affected funds.

VI. COMMUNICATION OF FEES TO PARTICIPANTS AND ALL ELIGIBLE EMPLOYEES

Savings Plus provides Main Plan participants and all eligible employees with an explanation of Plan-related fees, including participant-directed fees, through an annual fee disclosure, which is also available on the Program's website. Savings Plus also discloses investment management fees that apply to Main Plan investment options in the quarterly Investment Performance Report, which includes a disclosure of the expense ratio associated with each investment fund in the Main Plan's fund lineup and is currently based on the model fee disclosure format applicable to ERISA plans. The Investment Performance Report is also available on the Program's website.

For the Main Plan, participant account fees and participant-directed fees are included in participant statements that are delivered quarterly to participants by mail or electronically, based on the selected delivery method. These disclosures show the dollar amount of the Plan-related fees directly charged to or deducted from individual participant accounts. The quarterly Investment Performance Report is also included with quarterly Main Plan participant statements.

For the PST Program, participant-directed fees are included in participant statements that are delivered semiannually to participants by mail or electronically, based on the selected delivery method. These disclosures show the dollar amount of the Plan-related fees directly charged to or deducted from individual participant accounts. PST Program participants also receive a copy of the PST newsletter, which includes a disclosure of the expense ratio associated with the Short Term Investment Fund-PST. The PST Fund Fact Sheet, which participants may access via their online account, also includes a disclosure of the expense ratio.

VII. APPROVAL BY CALHR

CalHR approves this Fee Policy Statement adopted by Savings Plus.

The undersigned hereby acknowledges and approves the foregoing Savings Plus Fee Policy Statement in its current form effective as of January 1, 2020.

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Eraina Ortega **Date**
CalHR Director