



Investment policy statement

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I. OVERVIEW

The Savings Plus Program (the “Program” or the “Plan”) 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 of the IRC; and an Alternate Retirement Program (“ARP”) established in 2004 under Section 401(a) of the IRC, which is closed to new employees hired on or after July 1, 2013.

The Program is administered by the State of California, Department of Human Resources (“CalHR”), rather than by a governing board or board of directors. CalHR’s Director serves as the Named Fiduciary of the Program and has delegated fiduciary authority with respect to Plan investments to the Program’s Investment Committee (the “Committee” or “Investment Committee”). The Committee operates under the Investment Committee Charter (“Charter”) and with the guidance of the Program’s Investment Consultants (“Consultants”). The Committee reviews recommendations from Consultants regarding investment-related matters such as portfolio design, investment structure, and investment changes; establishes and maintains this Investment Policy Statement (IPS); and periodically evaluates the Program’s investment performance, investment costs, and administrative costs to participants.

II. PURPOSE

The IPS establishes the Program’s investment objectives, guidelines, and performance standards for the management and oversight of each component of the Program’s investment portfolio. CalHR, as the Plan Sponsor, and the Committee, under the guidance of the Program’s Consultants, evaluate, revise, and oversee the Program’s investments in accordance with the guidelines established in the Plan Documents, the Charter, this IPS, and individual investment manager agreements and guidelines.

This IPS does not create or imply any contract between CalHR and the Committee or any participant. If there is any conflict between this IPS and the Plan Documents or the Charter, the Plan Documents will take precedence, followed by the Charter, then this IPS.

III. ROLES AND RESPONSIBILITIES

PLAN SPONSOR

CalHR, as the Plan Sponsor, administers the Program. The Director, as the Named Fiduciary, has ultimate oversight of, and responsibility for, the administration of the Program. The Director has delegated oversight of the administration and policy development of the Program to the Program Administrator and management team. Pursuant to the Charter, the Director has delegated to the Committee the authority to recommend investment-related decisions based upon advice and recommendations presented by Consultants.

COMMITTEE

The Committee is the body responsible for establishing and monitoring the Program's investment portfolio and other investment-related matters.

Under the expert guidance of its Consultants, and in accordance with the Charter, the Committee maintains and oversees compliance with the IPS, reviews and analyzes recommendations provided by the Consultants for potential adoption, and addresses other investment-related concerns or issues, including but not limited to:

- A. Selects the Plan's Default Investment Fund (also referred to as the "Qualified Default Investment Alternative" or "QDIA")
- B. Reviews the securities lending program
- C. Votes on matters such as plan design, investment structure, plan monitoring guidelines, and manager standing (includes placing a manager on the Watch List, removing a manager from the Watch List, and terminating/defunding a manager, as described in section VIII) based on recommendations from the Program's Consultants
- D. Approves the benchmarks used to evaluate performance of the portfolio's investment options
- E. Reviews investment and transition manager performance (both qualitative and quantitative measures)
- F. Oversees cost effectiveness of the investment options (including review of fees and other compensation received by investment managers), Trustee/Custodian, Securities Lending, Transition Management, and any other third-party investment operations service provider
- G. Prioritizes and tracks the status of Committee-approved projects
- H. Reviews and approves other information pertinent to the investment portfolio and investment structure to maintain the Program's overall investment objectives, including, but not limited, to the following:
 - (i) Collateral requirements for and revenue generated from the securities lending program
 - (ii) Frequent trading policy to reduce the negative impact on the performance of investment options
 - (iii) Liquidity and rebalancing policy
 - (iv) Participant demographic analysis
 - (v) This IPS

INVESTMENT CONSULTANTS

CalHR retains independent Consultants to assist in executing provisions of plan design, provider search, investment monitoring, and general consulting. The primary role of Consultants is to assist the Committee, management, and staff in fulfilling fiduciary responsibilities by providing information, analysis, and recommendations that support a prudent process consistent with the Plan Documents, the Charter, and this IPS. Consultants act in a nondiscretionary capacity and agree to act as fiduciaries of the Plan. Specific responsibilities of the Consultants are established and maintained under their respective written agreements with CalHR.

PLAN DESIGN AND PROVIDER SEARCH

The Consultant for plan design and provider search is responsible for providing services and various reports to the Committee. This includes providing formal biennial plan recommendations for consideration by the Committee, as well as reviewing, analyzing, and evaluating current and future investment options and investment structures. The Consultant also assists in developing Requests For Proposals and modified search processes for service providers by providing guidance on industry best practices, assisting in developing minimum qualifications and scope of work criteria, developing evaluation methodology and scoring matrices, evaluating proposals, attending and evaluating finalist interviews, and aiding in implementation and transition.

INVESTMENT MONITORING

The Consultant for investment monitoring services is responsible for providing quarterly investment performance reports to the Committee, which includes both quantitative information and qualitative judgments, specific recommendations for Committee action, Watch List recommendations and updates, and performance and organizational updates for each investment manager. The Consultant also provides quarterly compliance monitoring analyses of separate account investment managers based on daily transactions and provides ongoing monitoring of the securities lending agent, trustee/custodian, transition managers, and other aspects of the investment process, including due diligence visits. Additionally, the Consultant evaluates and reviews equity transaction and foreign exchange costs.

GENERAL CONSULTING

Savings Plus contracts with Consultants for general consulting services not covered in the plan design or investment monitoring Consultant agreements.

INVESTMENT MANAGERS

Investment managers are responsible for making investment decisions related to the Plan's assets under their management. The specific duties and responsibilities of each investment manager are as follows:

- A. To manage the Program's assets under its supervision in accordance with guidelines and objectives included in each manager's written investment agreement and consistent with each investment manager's stated investment philosophy and style
- B. To exercise investment discretion with regard to buying, managing, and selling assets held in the portfolio, subject to any limitations contained in the manager's written agreement with CalHR and this IPS as incorporated by reference therein
- C. To use the same care, skill, prudence, and due diligence under the circumstances then prevailing that experienced investment professionals acting in a like capacity and fully familiar with such matters would use in like activities for like retirement plans with like aims in accordance and compliance with all applicable laws, rules, and regulations
- D. To meet with the Committee and its representatives as requested
- E. To be responsive in a timely manner to the Committee and its representatives

THIRD-PARTY ADMINISTRATOR

The Third-Party Administrator's responsibilities include, but are not limited to: providing consolidated recordkeeping services for participants; maintaining the Savings Plus website including participants' automated account access features; operating a call center and walk-in center; providing a participant self-directed brokerage option; making available a fee-based managed account services pursuant to individual agreements between participants and an independent financial expert; reaching out to and educating participants; providing marketing and communication services; reporting investment performance to participants and Savings Plus; and maintaining fund fact sheets.

TRUSTEE/CUSTODIAN

The Trustee/Custodian's responsibilities include, but are not limited to: receiving and holding Plan assets; daily valuation and accounting; daily trading and the settlement of trades; the execution of the Savings Plus Securities Lending Program for certain assets under a limited and risk-controlled policy; and certain investment compliance functions.

IV. INVESTMENT STRUCTURE AND PHILOSOPHY

OBJECTIVE

PST PROGRAM AND ARP

The investment goal for assets in the PST Program and in ARP is to achieve a total return consistent with capital preservation by investing in short-duration securities.

457(b) AND 401(k) PLANS

Although the Program is not subject to the Employee Retirement Income Security Act of 1974 (ERISA), the Program's investment structure and portfolio design for the 457(b) and 401(k) Plans are 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 time horizon and risk tolerance.

INVESTMENT STRUCTURE

PST PROGRAM AND ARP

PST Program assets are invested in the Short-Term Investment Fund-PST.

ARP assets are invested in the Short-Term Investment Fund-ARP until transferred out of ARP or until liquidated by the Program or by the Participant.

457(b) AND 401(k) PLANS

The 457(b) and 401(k) Plans are voluntary, supplemental retirement plans that serve to provide an option for participants to complement the participant's defined benefit pension plan. The participant-directed investments within these Plans allow for any individual participant to select an appropriate investment strategy to accumulate retirement savings or achieve other savings objectives based on 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 Program.

The 457(b) and 401(k) Plans each intend 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 may choose to diversify their balances and construct portfolios consistent with their unique individual circumstances, goals, time horizons, and risk tolerance.

The 457(b) and 401(k) Plans currently offer participants 25 investment options through the following three-tiered structure:

1. Tier I — Asset Allocation Options: This tier consists of 11 custom Target Date Funds. The funds are constructed using a combination of the Program's core investment options and specialty investment strategies as recommended by the Consultants and approved by the Committee.
2. Tier II — Core Options: This tier consists of five index funds, four actively managed equity funds, one actively managed socially responsible fund, one actively managed bond fund, one actively managed diversified real return fund, one short-term investment fund, and one Short Term Investment Fund-Cash fund. Except for the index funds and the socially responsible fund, the Program investment options are constructed through the use of fund-of-fund structures.
3. Tier III — Specialty Option: This tier provides a self-directed brokerage account option.

The following table illustrates this three-tiered structure:

Savings Plus Investment Structure				
Risk Spectrum	Tier I. Asset Allocation Options	Tier IIa. Passive Core Options	Tier IIb. Active Core Options	Tier III. Specialty Options
Conservative	Asset Allocation Target Date Funds Income - 2065 (in 5 year increments)		Capital Preservation Short Term Investment Fund - Cash Short Term Investment Fund	
		Fixed Income Bond Index Fund	Fixed Income Bond Fund	
			Inflation Sensitive Diversified Real Return Fund Specialty Balanced Fund Socially Responsible Fund	
		Large Cap U.S. Equity Large Cap Index Fund	Large Cap U.S. Equity Large Cap Fund	
		Mid Cap U.S. Equity Mid Cap Index Fund	Mid Cap U.S. Equity Mid Cap Fund	
		International Equity International Index Fund	International Equity International Fund	
		Small Cap U.S. Equity Small Cap Index Fund	Small Cap U.S. Equity Small Cap Fund	
Aggressive				

Participants who fail to give investment instructions regarding either their balance or future contributions to the 457(b) Plan or the 401(k) Plan are invested in the default investment fund; i.e., an age-appropriate target date fund, which is intended to be consistent with rules for ERISA-governed plans set forth in United States Department of Labor Regulation section 2550.404c-5.

SELF-DIRECTED BROKERAGE ACCOUNT (SDBA)

Participants may make their own investment decisions and have full discretion over the investment options available to them on the brokerage platform. Participants assume all responsibility for the investments they choose in the SDBA. Participant investment elections through the SDBA option are subject to the Investment Guidelines of the SDBA provider.

The Program generally does not limit participant investments within the SDBA, other than regulatory or lawful restrictions. The Program prohibits the purchase of master limited partnerships (MLP) and publicly traded partnerships (PTP) because the Program is a governmental tax-exempt program and these holdings can create taxable income. Participant investment elections through the SDBA are otherwise excluded under this Policy.

EXCESSIVE TRADING POLICY

The Committee has adopted a policy on excessive trading by Plan participants. Excessive trading (also known as frequent trading or market timing) is the practice of buying and selling investments frequently in an attempt to capitalize on short-term movements or pricing disparities in the market. This practice increases fund expenses, which results in higher fees and adversely affects fund performance for all participants invested in the fund.

Designed to protect participants from the potential negative impacts of market timing, the excessive trading policy imposes a redemption fee based on a percentage of the value of the sale of securities in certain investment options if the sale occurs within a specified timeframe from the purchase date. Proceeds from such fees flow back into the unit value of the affected investment options to compensate for the increased costs resulting from the frequent trading activity.

The Committee may from time to time revise the excessive trading policy to change the redemption fee percentage, holding period, or list of specific investment options subject to the excessive trading policy.

INVESTMENT OPTIONS

The 457(b) and 401(k) Plans offer participants a diversified selection of investment options with materially different risk and return characteristics from which to invest their assets. The following table summarizes the investment options and their benchmarks.

Fund	Comparative Manager Universe	Relative Market Index
Tier I – Target Date Options		
Target Date Funds	Not Applicable	Custom Blended Benchmark ¹
Tier II – Passive Core Options		
Small Cap Index Fund	Not Applicable	Russell 2000 Index (Excess return within 0.30% of Index) ²
International Index Fund	Not Applicable	MSCI ACWI ex-U.S. IMI (net) (Excess return within 0.30% of Index) ²
Mid Cap Index Fund	Not Applicable	S&P Mid-Cap 400 Index (Excess return within 0.30% of Index) ²
Large Cap Index Fund	Not Applicable	S&P 500 Index (Excess return within 0.10% of Index) ²
Bond Index Fund	Not Applicable	Bloomberg U.S. Aggregate Bond Index (Excess return within 0.30% of Index) ²
Tier II – Active Core Options		
Small Cap Fund	Wilshire Compass Manager Defined Small Core	Russell 2000 Index
International Fund	Wilshire Compass Global ex-US	MSCI ACWI ex-U.S. IMI (net)
Mid Cap Fund	Wilshire Compass Manager Defined Mid Core	Russell Midcap Index
Large Cap Fund	Wilshire Compass Manager Defined Large Core	Russell 1000 Index
Socially Responsible Fund	Wilshire Compass Manager Defined US Tactical Asset Allocation	60% S&P 500 Index/40% Bloomberg U.S. Aggregate Bond Index
Diversified Real Return Fund	Wilshire Compass Manager Defined TIPS	Consumer Price Index (CPI), plus a 3.0% premium (CPI +3%)
Bond Fund	Wilshire Compass Manager Defined Core Plus	Bloomberg U.S. Aggregate Bond Index
Short Term Investment Fund	Wilshire Compass Manager Defined Short Core	Bloomberg 1- to 3-Year Government/Credit Bond Index
Short Term Investment Fund – Cash	Custom universe comprised of Lipper Institutional U.S. Govt MM Funds and Lipper Institutional MM Funds	ICE BofA 90-day U.S. Treasury Bill
Tier III – Specialty Options		
Self-Directed Brokerage Account	Not Applicable	Not Applicable

¹ Target date funds will be compared to a custom blended benchmark, consisting of the benchmark for each of the underlying investment funds at the respective target allocation.

² Excess return is defined as the difference between the return of the Fund relative to the return of the specific market index.

V. INVESTMENT MANAGER SELECTION CRITERIA

With guidance from the Consultant for plan design and provider search services, the Program employs a search process to select investment managers. This process generally includes the following steps:

- A. Formulation of specific investment manager search criteria that reflects the minimum qualifications, mandatory requirements, a strategy specific questionnaire, and investment guidelines (as applicable) for the mandate under consideration
- B. Solicitation to the Program's current provider database, CalHR's bidder subscription list, and the Consultant's recommended universe of qualified candidates based on the Consultant's proprietary manager search database
- C. Advertising in relevant publications as determined by CalHR
- D. Analysis of qualified candidates in terms of:
 - (i) Quantitative characteristics (e.g., return, risk, other relevant portfolio characteristics) and fees relative to similar funds or mandates
 - (ii) Qualitative characteristics such as key personnel, investment philosophy, and decision-making process
- E. Selection and hiring of finalist candidate based on review and analysis by the Program and the Consultant of proposal responses

The Program may employ a modified search process for expediency in which the Consultant for plan design and provider search services leads the search process.

VI. TARGET DATE FUND SUITABILITY

The Committee and the Consultant for plan design and provider search services periodically evaluate the Plan's Target Date Funds (TDF) by appraising the suitability of the TDF glide path based on the Plan's underlying demographics and plan design. The evaluation process generally includes the following factors:

- A. Consideration of how well the TDF's characteristics align with eligible employees' age initial salary and salary growth, likely retirement dates, pension income, social security income, expected tenure and other sources of retirement income, as well as other demographic characteristics of the participant population
- B. Examination of whether there have been any significant changes in the Plan, the participant population, pension benefits, demographic factors as described in the actuarial experience report produced by CalPERS or the TDF under examination
- C. Understanding of the TDF investments — the allocation in different asset classes (stocks, bonds, cash), individual investments, and how these might change over time
- D. Review of the fund's fees and investment expenses

VII. PERFORMANCE MONITORING

The Consultant for investment monitoring services monitors investments and provides the Committee with a quarterly review of the performance of the Plan's investment options. In evaluating all investment managers, the Consultant and the Committee consider qualitative and quantitative factors likely to impact the future performance of the investment options.

Under the fund-of-funds investment option structure for the 457(b) and 401(k) Plans, each investment option offered to participants consists of underlying allocations to separate and distinct investment strategies. The Committee monitors performance at two levels: investment option and underlying component investment manager strategy. Performance results are measured as follows:

- A. Participant investment options: total time-weighted rates of return net of investment fees and nominal trustee services fees
- B. Underlying component investment manager strategy: total time-weighted rates of return net of investment management fees and direct fund operating expenses (such as trading costs, account and audit fees, etc.), but gross of program expenses
- C. Participant investment options and underlying strategies: relative to respective market index and universe median over rolling three-year and five-year periods

The Committee may place an investment manager on the Watch List, as described in section VIII, if the manager fails to meet any of the Qualitative or Quantitative Standards.

FACTORS CONSIDERED IN PERFORMANCE MONITORING

QUANTITATIVE STANDARDS

Quantitative Standards include criteria that investment managers consistently meet the established performance standards (i.e., benchmark/peer universe), over the preceding three-year and five-year periods.

QUALITATIVE STANDARDS

Qualitative Standards include, but are not limited to, the following criteria:

- A. Compliance with stated investment guidelines, contract terms, and state or federal laws and rules
- B. Adherence to stated investment style and philosophy
- C. Ownership stability and alignment of interests with investors
- D. Retention and attraction of key investment professionals associated with the management of the investment strategy
- E. Litigation and assessment of impact on future investment performance
- F. Disclosure of relevant information that may have an adverse impact on performance

VIII. WATCH LIST

Several factors may contribute to an investment strategy or manager's overperformance or underperformance at any given time, including market dynamics, investment skill, and pure chance. Because an investment strategy or manager's performance might be attributable to factors that do not reflect deficiencies in skills or strategy, underperformance over certain time periods, by itself, is not always cause for the Consultant to recommend termination. The Committee uses a Watch List to identify investment managers whose performance or other factors are cause for further assessment, possible termination, or other action such as ongoing dialogue and heightened alert toward the investment firm or strategy in question, as further described in this section, until such concerns are resolved.

An active investment strategy is expected to outperform, on a net of fee basis, its market index and manager universe median over the long term. A passive investment strategy is expected to satisfy its tracking error, on a net of fee basis, standards over the long term. At its discretion, the Committee may place an investment strategy on the Watch List if the performance standard is not met for four (4) consecutive quarterly observations of the trailing three-year and five-year periods. Violation of any of the Qualitative Standards identified above can also result in an investment strategy being placed on the Watch List or potentially being terminated.

Once an investment strategy is placed on the Watch List, the Consultant performs additional investment monitoring as due diligence. The results of their findings are reviewed at each quarterly Committee meeting. The Committee evaluates and then votes on the Consultant's recommendation as to whether the investment strategy should be removed from the Watch List or terminated if circumstances exist that would warrant such action. Otherwise, the investment strategy remains on the Watch List.

The Committee recognizes unique circumstances each time an investment strategy is terminated and replaced. The action plan for replacement may depend on the value of assets and the number of participant accounts invested in the terminated strategy, and whether a similar replacement strategy exists within the current investment options menu. Once the Consultant provides its recommendation to terminate and replace an investment strategy, the Committee reviews the circumstances with the Consultant to deliberately decide on a prudent and reasonable process for replacement of the investment strategy.

IX. INVESTMENT POLICY REVIEW PROCEDURES

As a general rule, the Committee intends to review this IPS, and update as necessary, no less frequently than biennially. However, it is not expected that the investment policy will change regularly; in particular, short-term changes in the financial markets generally should not merit an adjustment in the IPS.

X. ACKNOWLEDGEMENT OF APPROVAL

The undersigned hereby acknowledges the foregoing Investment Policy Statement, which was originally adopted in March 2003 and approved in its current form on May 11, 2023.

Name: Eraina Ortega

Title: Director, California Department of Human Resources

Signature: /s/ Eraina Ortega

Prior approval/adoption dates include:

March 2006

April 2008

January 2012

April 2014

April 2015

May 2016

June 2020

XI. APPENDIX

Plan information and list of current providers as of May 2023.

Names of Plans:	457(b) Plan, 401(k) Plan, PST Program, ARP
Plan Sponsor:	California Department of Human Resources Savings Plus Program 1515 S Street, Suite 500N, Sacramento, CA 95811
Plan Contact:	Sandy Blair, Program Administrator 916-324-0536
Recordkeeper:	Nationwide Retirement Solutions Inc.
Plan Investment Consultants:	Callan LLC, Wilshire Advisors LLC, RVK Inc., Segal Marco Advisors