STATE OF CALIFORNIA
DEPARTMENT OF HUMAN RESOURCES
SAVINGS PLUS PROGRAM

COMBINED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT

YEARS ENDED DECEMBER 31, 2022 AND 2021

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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 Audit of the Combined Financial Statements

Opinions

We have audited the accompanying combined 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, 2022 and 2021, and the related notes to the combined financial statements, which collectively comprise the Plan's basic combined financial statements as listed in the accompanying table of contents.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan as of December 31, 2022 and 2021, and the changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of the Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Combined Financial Statements

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

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for twelve months beyond the combined financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Plan's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 be presented to supplement the basic combined financial statements. Such information is the responsibility of management and, although not a part of the basic combined 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 combined financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 combined financial statements, and other knowledge we obtained during our audit of the basic combined 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 May 25, 2023, on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Boston, Massachusetts
May 25, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2022 and 2021 and 2020.

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 (4) 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 combined financial statements, which comprise the following three (3) 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 Plan participants.

The Combined Statement of Fiduciary Net Position reports the Plan's 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 the Plan's year-end, which is December 31. It can be thought of as a snapshot of the financial position of the Plan at that specific point in time.

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

Although the 457(b) Plan and the 401(k) Plan are separate, distinct retirement savings plans, they are generally and collectively referred to as the "Main Plan." Main Plan investment options consist of eleven (11) Target Date Funds, four (4) actively managed equity funds, one (1) actively managed socially responsible fund, one (1) actively managed diversified real return fund, one (1) actively managed bond fund, one (1) short-term investment fund ("STIF"), one (1) STIF–Cash fund, and five (5) passively managed index funds. In addition, the Plan offers a self-directed brokerage account ("SDBA") option within the Main Plan. The PST Program and ARP invest assets in the above-noted STIF strategy, but are invested in distinct funds, the STIF–PST and STIF–ARP, respectively. The Plan utilizes a combination of separately managed investment accounts, collective investment trusts, 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, 2022 (in thousands):

Combined Statement of Fiduciary Net Position

	457(b) Plan	401(k) Plan	PST	ARP	Total
ASSETS					
Total Investments	$ 8,922,687	$ 9,089,088	$ 100,808	$ 93	$ 18,112,676
Total Receivables	150,911	115,271	1,302	-	267,484
Total Assets	9,073,598	9,204,359	102,110	93	18,380,160
FIDUCIARY NET POSITION HELD IN TRUST					
Restricted for Plan Participants and Operations	$ 9,073,598	$ 9,204,359	$ 102,110	$ 93	$ 18,380,160

Combined Statement of Changes in Fiduciary Net Position

	457(b) Plan	401(k) Plan	PST	ARP	Total
ADDITIONS					
Total Contributions	$ 679,508	$ 558,677	$ 27,936	$ 16	$ 1,266,137
Net Investment Income (Loss)	(1,528,814)	(1,636,165)	(4,215)	(6)	(3,169,200)
Total Additions	(849,306)	(1,077,488)	23,721	10	(1,903,063)
DEDUCTIONS					
Total Withdrawals	551,424	481,226	26,186	81	1,058,917
Administrative Expenses	8,936	7,026	4	1	15,967
Total Deductions	560,360	488,252	26,190	82	1,074,884
CHANGE IN FIDUCIARY NET POSITION	$ (1,409,666)	$ (1,565,740)	$ (2,469)	$ (72)	$ (2,977,947)

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, 2021 (in thousands):

Combined Statement of Fiduciary Net Position

	457(b) Plan	401(k) Plan	PST	ARP	Total
ASSETS					
Total Investments	$ 10,330,416	$ 10,649,991	$ 103,337	$ 165	$ 21,083,909
Total Receivables	152,848	120,108	1,242	-	274,198
Total Assets	10,483,264	10,770,099	104,579	165	21,358,107
FIDUCIARY NET POSITION HELD IN TRUST					
Restricted for Plan Participants and Operations	$ 10,483,264	$ 10,770,099	$ 104,579	$ 165	$ 21,358,107

Combined Statement of Changes in Fiduciary Net Position

	457(b) Plan	401(k) Plan	PST	ARP	Total
ADDITIONS					
Total Contributions	$ 653,837	$ 546,057	$ 26,629	$ -	$ 1,226,523
Net Investment Income	1,232,990	1,337,531	284	2	2,570,807
Total Additions	1,886,827	1,883,588	26,913	2	3,797,330
DEDUCTIONS					
Total Withdrawals	531,641	446,054	29,649	325	1,007,669
Administrative Expenses	5,551	4,022	3	1	9,577
Total Deductions	537,192	450,076	29,652	326	1,017,246
CHANGE IN FIDUCIARY NET POSITION	$ 1,349,635	$ 1,433,512	$ (2,739)	$ (324)	$ 2,780,084

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, 2020 (in thousands):

Combined Statement of Fiduciary Net Position

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

Combined Statement of Changes in Fiduciary Net Position

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

NOTES TO FINANCIAL STATEMENTS

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

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

FINANCIAL HIGHLIGHTS

457(b) Plan

The following financial highlights occurred during the 457(b) Plan years ended December 31, 2022 and 2021:

- The 457(b) Plan's fiduciary net position decreased from approximately $10.483 billion to $9.074 billion from 2021 to 2022. This is a decrease of approximately $1.409 billion, compared to an increase of approximately $1.349 billion from 2020 to 2021. The change in fiduciary net position 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 $(1.529) billion at 2022 year-end as compared to $1.238 billion at 2021 year-end. In addition, net contributions into and withdrawals from the 457(b) Plan resulted in a positive inflow of $128 million in 2022 as compared to $122 million in 2021.
- The number of 457(b) Plan participant accounts increased from 176,617 to 180,805 from 2021 to 2022; an increase of 4,188 accounts as compared to an increase of 8,048 accounts from 2020 to 2021. Participants with 457(b) Plan accounts may have 401(k) Plan accounts as well.
- At December 31, 2022, the five (5) largest 457(b) Plan investment options were: Large Cap Index Fund (16.1%); Large Cap Fund (10.3%); STIF–Cash (9.2%); Mid Cap Fund (6.9%); and STIF (6.6%); totaling 49.1% of 457(b) Plan assets. Combined Target Date Fund assets totaled 24.3% of 457(b) Plan assets. At December 31, 2021, the five (5) largest 457(b) Plan investment options were: Large Cap Index Fund (17.0%); Large Cap Fund (11.5%); Mid Cap Fund (7.5%); SDBA (7.3%); and STIF–Cash (6.8%) totaling 50.1% of 457(b) Plan assets. Combined Target Date Fund assets totaled 22.7% of 457(b) Plan assets.

401(k) Plan

The following financial highlights occurred during the 401(k) Plan years ended December 31, 2022 and 2021:

- The 401(k) Plan's fiduciary net position decreased from approximately $10.770 billion to $9.204 billion from 2021 to 2022. This is a decrease of approximately $1.566 billion, compared to an increase of approximately $1.434 billion from 2020 to 2021. The change in fiduciary net position 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 $(1.633) billion at 2022 year-end as compared to $1.344 billion at 2021 year-end. In addition, net contributions into and withdrawals from the 401(k) Plan resulted in a positive inflow of $77 million in 2022 as compared to $100 million in 2021.
- The number of 401(k) Plan participant accounts increased from 119,754 to 120,313 from 2021 to 2022; an increase of 559 accounts as compared to an increase of 1,726 accounts from 2020 to 2021. Participants with 401(k) Plan accounts may have 457(b) Plan accounts as well.
- At December 31, 2022, the five (5) largest 401(k) Plan investment options were: Large Cap Index Fund (17.8%); Large Cap Fund (11.4%); Mid Cap Fund (8.1%); STIF–Cash (7.4%); and SDBA (6.7%), totaling 51.4% of 401(k) Plan assets. Combined Target Date Fund assets totaled 21.1% of 401(k) Plan assets. At December 31, 2021, the five (5) largest 401(k) Plan investment options were: Large Cap Index Fund (18.6%); Large Cap Fund (12.6%); Mid Cap Fund (8.7%); SDBA (7.7%); and STIF (5.8%), totaling 53.4% 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, 2022 and 2021:

- The PST Program's fiduciary net position decreased from approximately $104.6 million to $102.1 million from 2021 to 2022. This is a decrease of approximately $2.5 million, compared to a decrease of $2.7 million from 2020 to 2021. The PST Program's asset decline was predominantly due to net depreciation in fair value of investments, which was $4.2 million at 2022 year-end as compared to net appreciation in fair value if investments of $0.3 million at 2021 year-end.
- The total number of PST Program participant accounts decreased from 71,582 to 68,251 from 2021 to 2022; a decrease of 3,331 accounts as compared to a decrease of 10,251 accounts from 2020 to 2021.
- ARP's fiduciary net position decreased from approximately $165 thousand to $93 thousand from 2021 to 2022. This is a decrease of approximately $72 thousand, compared to a decrease of approximately $300 thousand from 2020 to 2021. The Plan is designed that a reduction in assets is expected at this point in the Plan's timeline. Net depreciation in fair value of investments was approximately $6 thousand at 2022 year-end as compared to a net appreciation of fair value of investments of approximately $2 thousand at 2021 year-end.
- The number of ARP participant accounts decreased from 40 to 24 from 2021 to 2022; a decrease of 16 accounts as compared to a decrease of 89 accounts from 2020 to 2021. The decline in ARP accounts was anticipated because the program no longer accepts new participants after June 30, 2013. Since most ARP participant accounts left the program during Phase III (ARP Payout Election period) and new accounts are not permitted, the program experienced expected declines during plan years 2022 and 2021.

OTHER HIGHLIGHTS

IRS contribution limits increased from $20,500 in 2022 to $22,500 in 2023 for each the 457(b) Plan and 401(k) Plan. The annual limit for Age Based Catch-Up for participants age 50 or older increased from $27,000 to $30,000 and the limit for 457(b) Traditional Catch-Up contributions increased from $41,000 to $45,000.

On February 14, 2022, the Plan liquidated its FDIC providers within the STIF–Cash investment option. Based on recommendation from its independent consultant, the Plan added two (2) prime money market managers on September 15, 2022 to complement the existing government money market managers within the STIF–Cash.

On April 1, 2022, the Main Plan participant administrative fee structure changed based on a recommendation from the Plan's independent consultant. These fees cover the costs associated with Plan administration. The annualized asset-based fee changed from 0.05 percent to 0.04 percent and is no longer an implicit fee embedded in the investment fund expense ratios. This fee is assessed quarterly at 0.01% against the first $600,000 of each participant account balance (capped at $60 per quarter), including active loan balances and SDBA balances. The administrative charge changed from a monthly fee of $1.50 per plan to a quarterly fee of $6.00 per plan.

On July 1, 2022, the PST Program expense reimbursement fee increased from 0.05 percent to 0.30 percent to help offset the costs associated with administration of the PST Program.

OTHER HIGHLIGHTS (CONTINUED)

Participants who took a coronavirus-related distribution as authorized by the CARES Act can repay all or part of the amount of the distribution to their Savings Plus retirement account through a rollover in to their account. Participants must repay the distribution within three (3) years after the date that the distribution was received to avoid federal income tax on the distribution amount.

ECONOMIC DISCUSSION

In 2022, the world experienced heightened financial risks causing unique diversification challenges for investors and geopolitical risks causing humanitarian crises. Surging food, energy, and rent prices spurred inflation to multi-decade highs. The Federal Reserve's aggressive action to combat this high inflation was the headline of the year with uncertainty around Federal Reserve policy poised to drive market volatility in 2023. This elevated inflation extended the treasury yields rally, which weighed on investor sentiment and suppressed equity valuations. While the first half of the year suffered a technical recession in that it saw two consecutive quarters of negative real GDP growth, the third quarter experienced short-term relief in levels of headline inflation due to a decline in commodity prices, thus supporting a recovery in real GDP growth.

The Federal Open Market Committee raised rates 4.25 percent marking the largest 12-month increase since 1981. As expected, fixed income suffered, but so did equities as investors repriced off a higher risk-free rate. Thus far, 2023 has experienced two rate increases of 0.25 percent each and the Federal Reserve is currently forecasting one additional 0.25 percent increase by the end of the year before projecting to cut rates next year.

While a shift away from quantitative tightening could potentially be the next bull factor for the markets, the outlook remains affected with the collapse of Silicon Valley Bank and Signature Bank, elevated geopolitical risks, slowing economic growth, and continued uncertainty about inflation and the debt ceiling. With tight financial conditions and restrictive monetary policy, many investors desire to move beyond this cycle with hope for more attractive expected returns for multi-asset investments.

With 24-hour financial news channels, the Internet, and mobile devices in hand, instant access to headlines about the economy, inflation, and the markets is readily available. While one might expect it to help achieve better investment results, the opposite may be true. During times of economic uncertainty, market volatility and heightened geopolitical events, it's important to remember that investment fluctuations are normal and that staying the course may produce greater long-term investment returns. We remind our participants to focus on what is within their control, like disciplined investing, diversification, and saving more for retirement.

REQUESTS FOR INFORMATION

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

STATE OF CALIFORNIA, DEPARTMENT OF HUMAN RESOURCES
SAVINGS PLUS PROGRAM
COMBINED STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2022
(In Thousands)

	457(b) Plan	401(k) Plan	PST	ARP	Total
ASSETS					
Investments:					
Target Date Funds	$ 2,172,204	$ 1,913,768	$ -	$ -	$ 4,085,972
Core Investment Options Active	3,756,180	3,866,685	100,808	93	7,723,766
Core Investment Options Passive	2,429,901	2,700,291	-	-	5,130,192
Self-Directed Brokerage Account	564,402	608,344	-	-	1,172,746
Total Investments	8,922,687	9,089,088	100,808	93	18,112,676
Receivables:					
Contributions Receivable	48,940	39,319	1,302	-	89,561
Loans Receivable from Participants	101,971	75,952	-	-	177,923
Total Receivables	150,911	115,271	1,302	-	267,484
Total Assets	9,073,598	9,204,359	102,110	93	18,380,160
FIDUCIARY NET POSITION HELD IN TRUST					
Restricted for Plan Participants and Operations	$ 9,073,598	$ 9,204,359	$ 102,110	$ 93	$ 18,380,160

Refer to accompanying Notes to Combined Financial Statements.

STATE OF CALIFORNIA, DEPARTMENT OF HUMAN RESOURCES
SAVINGS PLUS PROGRAM
COMBINED STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2021
(In Thousands)

	457(b) Plan	401(k) Plan	PST	ARP	Total
ASSETS					
Investments:					
Target Date Funds	$ 2,348,935	$ 2,092,881	$ -	$ - -	$ 4,441,816
Core Investment Options Active	4,302,281	4,475,929	103,337	165	8,881,712
Core Investment Options Passive	2,928,820	3,264,534	-	-	6,193,354
Self-Directed Brokerage Account	750,380	816,647	-	-	1,567,027
Total Investments	10,330,416	10,649,991	103,337	165	21,083,909
Receivables:					
Contributions Receivable	48,845	40,078	1,242	-	90,165
Loans Receivable from Participants	104,003	80,030	-	-	184,033
Total Receivables	152,868	120,108	1,242	-	274,198
Total Assets	10,483,264	10,770,099	104,579	165	21,358,107
FIDUCIARY NET POSITION HELD IN TRUST					
Restricted for Plan Participants and Operations	$ 10,483,264	$ 10,770,099	$ 104,579	$ 165	$ 21,358,107

Refer to 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, 2022
(In Thousands)

	457(b) Plan	401(k) Plan	PST	ARP	Total
ADDITIONS					
Contributions:					
Employee Contributions (Adjustments)	$ 581,449	$ 473,429	$ 27,844	$ -	$ 1,082,722
Transfers In	98,059	85,248	92	16	183,415
Total Contributions	679,508	558,677	27,936	16	1,266,137
Investment Income (Loss):					
Net Appreciation (Depreciation) in Fair Value of Investments	(1,528,679)	(1,633,349)	(4,215)	(6)	(3,166,249)
Interest Income from Participant Loans	3,866	3,257	-	-	7,123
Net Loan Activity	(4,001)	(6,073)	-	-	(10,074)
Net Investment Income (Loss)	(1,528,814)	(1,636,165)	(4,215)	(6)	(3,169,200)
Total Additions	(849,306)	(1,077,488)	23,721	10	(1,903,063)
DEDUCTIONS					
Withdrawals:					
Benefits and Withdrawals	273,863	201,163	10,814	62	485,902
Loan Defaults	1,897	1,262	-	-	3,159
Transfers Out	275,664	278,801	15,372	19	569,856
Total Withdrawals	551,424	481,226	26,186	81	1,058,917
Administrative Expenses	8,936	7,026	4	1	15,967
Total Deductions	560,360	488,252	26,190	82	1,074,884
CHANGE IN FIDUCIARY NET POSITION	(1,409,666)	(1,565,740)	(2,469)	(72)	(2,977,947)
Fiduciary Net Position – Beginning of Year	10,483,264	10,770,099	104,579	165	21,358,107
FIDUCIARY NET POSITION – END OF YEAR	$ 9,073,598	$ 9,204,359	$ 102,110	$ 93	$ 18,380,160

Refer to 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, 2021
(In Thousands)

	457(b) Plan	401(k) Plan	PST	ARP	Total
ADDITIONS					
Contributions:					
Employee Contributions (Adjustments)	$ 541,907	$ 452,347	$ 26,567	$ (46)	$ 1,020,775
Transfers In	111,930	93,710	62	46	205,748
Total Contributions	653,837	546,057	26,629	-	1,226,523
Investment Income:					
Net Appreciation in Fair Value of Investments	1,238,324	1,343,727	284	2	2,582,337
Interest Income from Participant Loans	4,009	3,323	-	-	7,332
Net Loan Activity	(9,343)	(9,519)	-	-	(18,862)
Net Investment Income	1,232,990	1,337,531	284	2	2,570,807
Total Additions	1,886,827	1,883,588	26,913	2	3,797,330
DEDUCTIONS					
Withdrawals:					
Benefits and Withdrawals	270,243	186,431	9,231	70	465,975
Loan Defaults	1,906	1,191	-	-	3,097
Transfers Out	259,492	258,432	20,418	255	538,597
Total Withdrawals	531,641	446,054	29,649	325	1,007,669
Administrative Expenses	5,551	4,022	3	1	9,577
Total Deductions	537,192	450,076	29,652	326	1,017,246
CHANGE IN FIDUCIARY NET POSITION	1,349,635	1,433,512	(2,739)	(324)	2,780,084
Fiduciary Net Position – Beginning of Year	9,133,629	9,336,587	107,318	489	18,578,023
FIDUCIARY NET POSITION – END OF YEAR	$ 10,483,264	$ 10,770,099	$ 104,579	$ 165	$ 21,358,107

Refer to 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 (4) plans together are referred to as the "Plan" or "Savings Plus" for the sake of this document.

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

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

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

Staff Support

Savings Plus is administered by CalHR, rather than by a governing board. The Director of CalHR is the Named Fiduciary who has ultimate oversight of, and responsibility for, the administration of the Plan. The Director delegates responsibility for the administration and policy development of the Plan to the Savings Plus Administrator and Management Team. In addition, the Director delegates to the Savings Plus Investment Committee, the authority to recommend decisions based upon advice and recommendations presented by its consultants.

The Administrator leads the Management Team, which is responsible for administration and policy decisions. The Management Team supervises staff, sets policy for the administration of Savings Plus, and sets the overall direction and strategic vision of the Plan. Consultant recommendations impacting administration are submitted to the Management Team for consideration.

NOTE 1 DESCRIPTION OF THE PLANS (CONTINUED)

Staff Support (Continued)

Savings Plus staff make recommendations to the Administrator and the Management Team on plan design issues, fees, and policies. Staff monitor contract compliance; serve as project managers for service provider Requests for Proposal (RFPs); serve as a liaison to the Third Party Administrator (TPA), investment providers, investment consultants, legal counsel, and other third-party providers; and facilitate employee participation in the Plan. Staff establish, monitor, and revise the Plan documents, administrative fees, policies, and procedures for the administration of the Plans.

The Investment Committee is the body responsible for establishing and monitoring investment portfolios and other investment-related matters. The Investment Committee makes recommendations to the Director or the Director's designee on portfolio design, establishes and maintains the Investment Policy; evaluates investment performance; and reviews and votes on portfolio design, investment structure, securities lending program, monitoring guidelines, and manager standing based on recommendations from the Plan's independent consultants. The overall governance of the Investment Committee is documented in the Investment Committee Charter.

Administration

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

The Plan maintains separate contracts for the following services: investment management; custodial, trustee, and securities lending; consulting; transition management; external legal counsel; and financial audit. Plan staff provide some in-house administrative functions.

Participant Accounts

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

Vesting

Participant contributions and related earnings are immediately and fully vested.

Portfolio Structure

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

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

NOTE 1 DESCRIPTION OF THE PLANS (CONTINUED)

Portfolio Structure (Continued)

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

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

Except for the index funds and the socially responsible fund, the Main Plan investment options are constructed using a fund-of-fund structure. The underlying investment strategies include a total of twenty-three (23) separate accounts, two (2) commingled trust funds, and four (4) mutual funds.

New enrollees into the Plan may elect their investment allocation during the enrollment process. Participants who do not elect an investment allocation are defaulted into the Target Date Fund that aligns with their date of birth. The asset allocations in the Target Date Funds are rebalanced annually, becoming more conservative as the target date approaches. Each Target Date Fund assumes age 62 as the date that distributions begin. Once enrolled, participants may change their investment election for contributions at any time.

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

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

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

Participant Loans (Main Plan Only)

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

Participants are permitted to take one (1) loan per plan, not to exceed two (2) 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 2022 and 2021, the maximum loan amount is the lesser of 50 percent of the participant's combined plan account balances from all state-sponsored plans minus the participant's outstanding loan balances from all state-sponsored plans on the date of the

NOTE 1 DESCRIPTION OF THE PLANS (CONTINUED)

Participant Loans (Main Plan Only) (Continued)

loan or $50,000 minus the highest outstanding loan balances from all state-sponsored plans within the last 12 months. In addition, the maximum amount available for a loan from each plan account cannot exceed 50 percent of the participants balance in that account, minus the outstanding loan balance in that account. The participant is charged a one-time $50 loan initiation fee per loan.

Savings Plus offers two (2) types of Loans: General Purpose for up to five (5) years and Purchase of Primary Residence for up to 15 years. The Plan reports a participant loan default as a distribution – a taxable event in the year of default.

The loan interest rate is equal to the prime rate plus 1.0 percent. The prime rate used is based upon the rate published in the *Wall Street Journal* two (2) 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, 2022, the loan interest rate was 6.50 percent. As of December 31, 2021, the loan interest rate was 4.25 percent.

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

The Schwab Personal Choice Retirement Account® (PCRA) is the SDBA option offered by Charles Schwab & Co., Inc. (Member SIPC), the brokerage services provider. This service is made available through Nationwide. Participants may transfer assets from their Main Plan investments to the SDBA. Participants may also establish recurring transfers from their payroll contributions to their PCRA account. This brokerage window allows participants to direct investments to a marketplace of retail investment options other than those available in the Plan's 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.

Participant Administrative Fees

Through March 31, 2022, the Plan assessed Main Plan participants an administrative account fee of $1.50 per month in each 457(b) Plan account and in each 401(k) Plan account. As of April 1, 2022, the Plan assessed Main Plan participants an administrative charge of $6.00 per quarter in each 457(b) Plan account and in each 401(k) Plan account. In addition, the Plan discontinued a 0.05 percent annualized expense reimbursement fee previously assessed against Main Plan investment options (refer to Note 3 Investment Fees for further discussion) and implemented an annualized asset-based fee of 0.04 percent, assessed quarterly at 0.01 percent against the first $600,000 of each 457(b) Plan account balance and of each 401(k) Plan account balance, including the core account balance, active loan balance, and SDBA balance. Savings Plus assesses a $1.50 monthly administrative fee against ARP accounts to administer ARP.

NOTE 1 DESCRIPTION OF THE PLANS (CONTINUED)

Participant-Directed Fees

Participants may incur the following participant-directed fees, which are paid to the TPA: (1) managed accounts, (2) loan initiation, (3) ACH loan insufficient funds, (4) check, (5) overnight mail, (6) qualified domestic relations order (QDRO), 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, the Plan 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 the Plan's 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 $20,500 for 2022 and $19,500 for 2021 or 100 percent of the employee's includable compensation.

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

- Age-Based Deferrals – For 2022 and 2021, participants age 50 or older and actively employed may defer up to $6,500 over the normal deferral limit to their Main Plan accounts.
- Traditional 457(b) Catch-Up – For 2022 and 2021, 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.

NOTE 1 DESCRIPTION OF THE PLANS (CONTINUED)

Contributions (Continued)

For 2022 and 2021, 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 by the California State University (CSU) system on a part-time, seasonal, or temporary time basis, whose wages do not qualify for Social Security deductions or membership in CalPERS, are required to contribute 7.5 percent of gross wages on a pre-tax basis into their PST Program account. PST Program participants are permitted to enroll and contribute to the 457(b) Plan and 401(k) Plan.

For ARP, as of July 1, 2013, new CalPERS membership-eligible state employees were appointed directly into CalPERS instead of into ARP. No new contributions were added to ARP during 2022. For 2021, state departments made corrections to personnel records of employees who were erroneously appointed into ARP. These corrections/contribution adjustments account for the $0 and ($46,000) on the *Employee Contributions (Adjustments)* line item within the 2022 and 2021 Combined Statements of Changes in Fiduciary Net Position, 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 59½ 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 (1) 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.

NOTE 1 DESCRIPTION OF THE PLANS (CONTINUED)

Benefit Payments (Continued)

For PST Program distributions, the participant must have no contributions into or out of their account for 90 days and be at least age 59½ or separated from state service. 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.

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.

In-Service Withdrawals

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

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

The Plan also permits participants to take the following in-service withdrawals from their 457(b) Plan and 401(k) Plan accounts:

- Qualified Birth or Adoption Distributions (QBAD) – allows for penalty-free, in-service withdrawals up to $5,000 per individual within one year after birth or adoption of a qualifying child.
- Uniformed Service – allows for in-service withdrawals for participants on military leave for more than 30 days (may have income tax implications).
- Qualified Reservist – allows for penalty-free, in-service withdrawals from pre-tax contributions for participants on military leave for 180 days or more.

Visit the Savings Plus website for additional details about in-service withdrawals.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The combined 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 Combined financial Statements

The preparation of combined 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 combined 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 employee pay, but not yet remitted to and recorded by the master trust as of December 31.

Participant Loans and Loans Receivable

Participant loans are valued at their outstanding balances, which approximate fair value. The TPA reviews participant loans receivable throughout the year to identify defaulted loans, which are taxable to the participant in the year of default. The loan status remains in default until either the participant pays the outstanding amount or upon separation, at which time the defaulted loan amount is reduced from the participant's account balance. Once a loan default occurs, the participant is prohibited from receiving another loan from the loan program unless/until the loan is paid off. *Loans Receivable* represents the value of participant account balances on loan as of December 31, 2022 and 2021.

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

Securities Lending

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

NOTE 3 INVESTMENTS (CONTINUED)

Authorized Investments

As of December 31, 2022, 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 is 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.

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 (3) investment alternatives, each of which is diversified and has materially different risk and return characteristics. By selecting among such investment alternatives, participants can diversify their balances and construct portfolios consistent with their unique individual circumstances, goals, time horizons, and risk tolerance. Investments are governed by the respective fund's investment guidelines outlined in the fund fact sheets and in the investment advisory agreements, respectively.

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

NOTE 3 INVESTMENTS (CONTINUED)

Authorized Investments (Continued)

The Plan offers participants the option to choose among Target Date Funds ("TDF"), actively managed funds, index funds, and an SDBA. The investment options and Assets Under Management (in thousands) consisted of the following at December 31, 2022:

2022						
Participant Directed Investments	457(b) Plan Balance	401(k) Plan Balance	PST Balance	ARP Balance	Total Plan Balance	% of Total Plan AUM†
TDF Income*	$ 256,835	$ 261,608	$ -	$ -	$ 518,443	2.9%
TDF 2020*	242,494	258,066	-	-	500,560	2.8%
TDF 2025*	328,338	362,959	-	-	691,297	3.8%
TDF 2030*	335,003	334,366	-	-	669,369	3.7%
TDF 2035*	301,033	255,474	-	-	556,507	3.1%
TDF 2040*	258,040	188,946	-	-	446,986	2.5%
TDF 2045*	227,268	133,334	-	-	360,602	2.0%
TDF 2050*	131,907	73,915	-	-	205,822	1.1%
TDF 2055*	64,852	27,849	-	-	92,701	0.5%
TDF 2060*	19,652	11,884	-	-	31,536	0.2%
TDF 2065*	6,782	5,367	-	-	12,149	0.1%
Target Date Funds	2,172,204	1,913,768	-	-	4,085,972	22.6%
STIF – Cash	821,400	676,728	-	-	1,498,128	**8.3%**
STIF	591,455	530,261	-	-	1,121,716	**6.2%**
STIF-PST	-	-	100,808	-	100,808	0.6%
STIF-ARP	-	-	-	93	93	0.0%
Socially Responsible	166,383	187,213	-	-	353,596	2.0%
Bond*	168,795	174,741	-	-	343,536	1.9%
Large Cap*	918,437	1,037,194	-	-	1,955,631	**10.8%**
Mid Cap*	613,425	736,829	-	-	1,350,254	**7.5%**
Small Cap	204,734	232,209	-	-	436,943	2.4%
International*	202,459	224,287	-	-	426,746	2.4%
Diversified Real Return*	69,092	67,223	-	-	136,315	0.8%
Core Investments Active	3,756,180	3,866,685	100,808	93	7,723,766	42.6%
Bond Index	328,514	381,499	-	-	710,013	3.9%
Large Cap Index	1,436,535	1,614,657	-	-	3,051,192	**16.8%**
Mid Cap Index	327,544	347,374	-	-	674,918	3.7%
Small Cap Index	165,893	182,556	-	-	348,449	1.9%
International Index*	171,415	174,205	-	-	345,620	1.9%
Core Investments Passive	2,429,901	2,700,291	-	-	5,130,192	28.3%
Self-Directed Brokerage Account	564,402	608,344	-	-	1,172,746	**6.5%**
Balance as of 12/31/2022	$ 8,922,687	$ 9,089,088	$ 100,808	$ 93	$18,112,676	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, 2021:

2021						
Participant Directed Investments	457(b) Plan Balance	401(k) Plan Balance	PST Balance	ARP Balance	Total Plan Balance	% of Total Plan AUM†
TDF Income*	$ 308,990	$ 310,724	$ -	$ -	$ 619,714	2.9%
TDF 2020*	283,955	300,700	-	-	584,655	2.8%
TDF 2025*	367,979	410,941	-	-	778,920	3.7%
TDF 2030*	356,041	354,707	-	-	710,748	3.4%
TDF 2035*	313,594	266,962	-	-	580,556	2.8%
TDF 2040*	270,295	196,715	-	-	467,010	2.2%
TDF 2045*	235,982	138,017	-	-	373,999	1.8%
TDF 2050*	128,284	71,897	-	-	200,181	0.9%
TDF 2055*	59,358	24,585	-	-	83,943	0.4%
TDF 2060*	18,967	12,719	-	-	31,686	0.2%
TDF 2065*	5,490	4,914	-	-	10,404	0.0%
Target Date Funds	2,348,935	2,092,881	-	-	4,441,816	21.1%
STIF – Cash	705,893	560,450	-	-	1,266,343	**6.0%**
STIF*	692,386	613,794	-	-	1,306,180	**6.2%**
STIF-PST*	-	-	103,337	-	103,337	0.5%
STIF-ARP*	-	-	-	165	165	0.0%
Socially Responsible	189,061	212,509	-	-	401,570	1.9%
Bond*	196,698	200,941	-	-	397,639	1.9%
Large Cap	1,188,045	1,340,102	-	-	2,528,147	**12.0%**
Mid Cap*	775,963	926,899	-	-	1,702,862	**8.1%**
Small Cap	258,985	294,908	-	-	553,893	2.6%
International*	240,539	274,627	-	-	515,166	2.4%
Diversified Real Return*	54,711	51,699	-	-	106,410	0.5%
Core Investments Active	4,302,281	4,475,929	103,337	165	8,881,712	42.1%
Bond Index	394,391	452,207	-	-	846,598	4.0%
Large Cap Index	1,758,833	1,978,932	-	-	3,737,765	**17.7%**
Mid Cap Index	373,189	403,715	-	-	776,904	3.7%
Small Cap Index	207,022	229,844	-	-	436,866	2.1%
International Index*	195,385	199,836	-	-	395,221	1.9%
Core Investments Passive	2,928,820	3,264,534	-	-	6,193,354	29.4%
Self-Directed Brokerage Account	750,380	816,647	-	-	1,567,027	**7.4%**
Balance as of 12/31/2021	$10,330,416	$10,649,991	$ 103,337	$ 165	$21,083,909	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, 2022, outstanding participant loans totaled $177.9 million, with $102.0 million in the 457(b) Plan and $75.9 million in the 401(k) Plan. At December 31, 2021, outstanding participant loans totaled $184.0 million, with $104.0 million in the 457(b) Plan and $80.0 million in the 401(k) Plan. These loan values are reported as loans receivable from participants in the accompanying combined financial statements.

NOTE 3 INVESTMENTS (CONTINUED)

Investments Authorized by Debt Agreements

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

Disclosure about Fair Value of Financial Instruments

The Plan's investments are recorded at fair value as of December 31, 2022 and 2021. 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 consider 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 the Plan's investments (in thousands) within the fair value hierarchy at December 31, 2022 and 2021:

		Fair Value Measurements Using		
	At 12/31/2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments at Fair Value				
Investment Options	$ 13,355,300	$ 9,076,953	$ 4,278,347	$ -
Self-Directed Brokerage Account	979,441	921,162	58,279	-
Total Investments at Fair Value	14,334,741	9,998,115	4,336,626	-
Investments at Amortized Cost				
Investment Options	2,189,370			
Self-Directed Brokerage Account	193,305			
Total Investments at Amortized Cost	2,382,675			
Investments at Net Asset Value				
Investment Options	1,395,260			
Total Investments at Net Asset Value	1,395,260			
Total Investments	$ 18,112,676	$ 9,998,115	$ 4,336,626	$ -

		Fair Value Measurements Using		
	At 12/31/2021	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	$ 15,956,871	$ 11,194,436	$ 4,762,435	$ -
Self-Directed Brokerage Account	1,338,967	1,325,346	13,621	-
Total Investments at Fair Value	17,295,838	12,519,782	4,776,056	-
Investments at Amortized Cost				
Investment Options	1,964,982			
Self-Directed Brokerage Account	228,060			
Total Investments at Amortized Cost	2,193,042			
Investments at Net Asset Value				
Investment Options	1,595,029			
Total Investments at Net Asset Value	1,595,029			
Total Investments	$ 21,083,909	$ 12,519,782	$ 4,776,056	$ -

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

NOTE 3 INVESTMENTS (CONTINUED)

Disclosure about Fair Value of Financial Instruments (Continued)

Investments in certain entities that calculate a net asset value ("NAV") per share (or its equivalent) sometimes do not have a readily determinable fair value. For these investments, governmental accounting standards permit establishment of fair value using a practical expedient based on the NAV per share (or its equivalent). The following table summarizes the Plan's investments measured at NAV (in thousands), unfunded commitments, the investment redemption frequency and redemption notice period as of December 31, 2022 and 2021:

	Investments Measured at Net Asset Value			
	At 12/31/2022	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Investment Options[(1)]	$ 1,395,260	$ -	Daily	1–3 Days
Total Investments at Net Asset Value	$ 1,395,260	$ -		

	Investments Measured at Net Asset Value			
	At 12/31/2021	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Investment Options[(1)]	$ 1,595,029	$ -	Daily	1–3 Days
Total Investments at Net Asset Value	$ 1,595,029	$ -		

[(1)] Comprised of two (2) collective investment trust investment strategies. 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.

NOTE 3 INVESTMENTS (CONTINUED)

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.

The types of securities available for loan during the year ended December 31, 2022 and 2021 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, 2022 and 2021, the fair value of equity securities on loan was $696.6 million and $350.7 million and the fair value of the bonds on loan was $293.8 million and $221.8 million, totaling $990.4 million and $572.5 million, respectively, in Securities Lending obligations. The value of securities on loan are included within the investments in the accompanying combined 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 2022 and 2021 was $1.931 million and $1.242 million, respectively. Securities Lending fees paid to J.P. Morgan for 2022 and 2021 were $676 thousand and $434 thousand, respectively. Net income to the Plan for 2022 and 2021 was $1.255 million and $807 thousand, respectively.

Regarding 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, 2022 and 2021, 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.

NOTE 3 INVESTMENTS (CONTINUED)

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 through money market funds. The STIF–Cash managers include Government Money Market funds that invest primarily in U.S. Government related securities and Prime Money Market funds that invest primarily in a portfolio of high-quality, dollar denominated fixed-income securities issued by banks, corporations, and the U.S. Government.

Investment Fees

The Plan's investment managers charge an investment management fee to manage the investments. Additionally, there is a nominal Trustee/Custodial fee for J.P. Morgan's trustee and custodial services. The investment fund expense ratio represents the summation of these fees. Through March 31, 2022, the Plan assessed a 0.05 percent annualized expense reimbursement fee against Main Plan investment options. This fee was discontinued as of April 1, 2022. Refer to Note 1 Participant Administrative Fees for further discussion.

Through June 30, 2022, the Plan assessed an annualized 0.05 percent expense reimbursement fee against the STIF-PST. As of July 1, 2022, this fee increased to 0.30 percent to help offset the costs associated with the administration of the PST Program.

Investment-related expenses are included in net appreciation of fair value of investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates could adversely affect the fair value of an investment. Since all investments are participant-directed, all risks exist at the participant level. Each individual participant within the Plan may 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.

NOTE 3 INVESTMENTS (CONTINUED)

Interest Rate Risk (Continued)

The following tables show the December 31, 2022 and 2021 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 12/31/2022	Weighted Average Maturity
Boston Trust SRI	Socially Responsible Fund	$ 111,953	4.58
BlackRock Bond Index	TDF Income Fund, TDF 2020 – 2065 Funds, Bond Index Fund, Bond Fund	1,675,592	13.21
Cohen & Steers DIS	TDF 2025 – 2065 Funds, Diversified Real Return Fund	62,623	0.44
Allspring Fixed Income (formerly Wells Capital Fixed Income)	STIF Fund, TDF Income Fund, TDF 2020 – 2045 Funds	753,386	5.44
Voya Fixed Income	STIF Fund, TDF Income Fund, TDF 2020 – 2045 Funds	879,864	1.89
Amundi Pioneer U.S. Core Plus Bond	TDF Income Fund, TDF 2020 – 2065 Funds, Bond Fund	405,851	11.67
RhumbLine TIPS Index	TDF Income Fund, TDF2020 – 2065 Funds, Diversified Real Return Fund	234,889	0.11
Goldman Sachs Government Money Market	STIF – Cash Fund, TDF Income Fund, TDF 2020 – 2045 Funds	665,353	0.02
RBC Government Money Market	STIF – Cash Fund, TDF Income Fund, TDF 2020 – 2045 Funds	306,607	0.09
JPMorgan Prime Money Market	STIF – Cash Fund, TDF Income Fund, TDF 2020 – 2045 Funds	486,753	0.04
Federated Hermes Prime Money Market	STIF – Cash Fund, TDF Income Fund, TDF 2020 – 2045 Funds	488,412	0.03
		$ 6,071,283	

NOTE 3 INVESTMENTS (CONTINUED)

Interest Rate Risk (Continued)

Investment	Fund(s)	Fair Value at 12/31/2021	Weighted Average Maturity
Boston Trust SRI	Socially Responsible Fund	$ 110,700	5.06
BlackRock Bond Index	TDF Income Fund, TDF 2020 – 2065 Funds, Bond Index Fund, Bond Fund	1,896,792	14.11
Cohen & Steers DIS	TDF 2025 – 2065 Funds, Diversified Real Return Fund	54,501	0.42
Wells Capital Fixed Income	STIF Fund, TDF Income Fund, TDF 2020 – 2045 Funds	831,517	6.45
Voya Fixed Income	STIF Fund, TDF Income Fund, TDF 2020 – 2045 Funds	1,016,666	2.78
Amundi Pioneer U.S. Core Plus Bond	TDF Income Fund, TDF 2020 – 2065 Funds, Bond Fund	498,814	11.14
RhumbLine TIPS Index	TDF Income Fund, TDF2020 – 2065 Funds, Diversified Real Return Fund	229,770	0.10
Goldman Sachs Government Money Market	STIF – Cash Fund, TDF Income Fund, TDF 2020 – 2045 Funds	645,940	0.02
RBC Government Money Market	STIF – Cash Fund, TDF Income Fund, TDF 2020 – 2045 Funds	260,553	0.13
		$ 5,545,253	

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, 2022 (in thousands), categorized to give an indication of the level of credit risk assumed by the Plan:

	Credit Rating [1]								
Investments	AAA	AA	A	BBB	BB	B	CCC & Below	Not Rated	12/31/2022 Fair Value
Asset Backed	$ 98,988	$ 49,054	$ 58,692	$ 1,398	$ 485	$ -	$ -	$ 12,272	$ 220,889
CDO/Collateralized Debt Obligation	76,979	-	473	1,353	217	-	-	24,485	103,507
CMO/REMIC	12,078	124,151	2,793	7,231	3,846	3,667	-	21,203	174,969
Commercial Mortgage Backed Securities	33,753	34,957	12,263	11,096	1,142	95	-	25,972	119,278
Commercial Paper (Interest Bearing)	-	-	-	-	-	-	-	-	-
Corporate Bonds	7,255	33,956	504,178	583,285	36,788	9,157	307	1,167	1,176,093
Demand Notes	-	-	-	-	-	-	-	-	-
Government Bonds	21,226	1,514,473	7,557	15,785	-	199	-	-	1,559,240
Mortgage Backed Securities	-	615,594	-	-	-	-	-	-	615,594
Municipal Bonds	1,821	38,036	16,614	1,250	153	118	-	-	57,992
STIF	-	-	-	-	-	-	-	1,516,817	1,516,817
Treasury Bills	-	-	96,402	-	-	-	-	-	96,402
Total	252,100	2,410,221	698,972	621,398	42,631	13,236	307	1,601,916	5,640,781
Other Investments Not Subject to Credit Risk [2]									12,471,895
Total Investments	$ 252,100	$ 2,410,221	$ 698,972	$ 621,398	$ 42,631	$ 13,236	$ 307	$ 1,601,916	$ 18,112,676

[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, 2021 (in thousands), categorized to give an indication of the level of credit risk assumed by the Plan:

	Credit Rating [1]								
Investments	AAA	AA	A	BBB	BB	B	CCC & Below	Not Rated	12/31/2021 Fair Value
Asset Backed	$ 124,031	$ 29,011	$ 43,408	$ 1,138	$ 604	$ -	$ -	$ 7,213	$ 205,405
CDO/Collateralized Debt Obligation	78,891	-	900	2,793	242	-	-	28,965	111,791
CMO/REMIC	12,790	156,926	4,612	2,080	4,617	7,324	-	17,092	205,441
Commercial Mortgage Backed Securities	85,903	50,116	12,482	29,962	3,528	-	-	51,215	233,206
Commercial Paper (Interest Bearing)	-	-	-	-	-	-	-	1,525	1,525
Corporate Bonds	8,235	47,704	529,255	734,453	70,024	22,249	152	1,293	1,413,365
Demand Notes	-	-	3,135	-	-	-	-	-	3,135
Government Bonds	26,951	1,494,114	16,168	21,054	490	-	-	-	1,558,777
Mortgage Backed Securities	-	704,079	-	-	-	-	-	-	704,079
Municipal Bonds	1,606	37,399	12,297	4,970	-	-	-	-	56,273
STIF	-	-	-	-	-	-	-	1,318,832	1,318,832
Treasury Bills	-	-	145,801	-	-	-	-	-	145,801
Total	338,407	2,519,349	768,058	796,450	79,505	29,573	152	1,426,135	5,957,630
Other Investments Not Subject to Credit Risk [2]									15,126,279
Total Investments	$ 338,407	$ 2,519,349	$ 768,058	$ 796,450	$ 79,505	$ 29,573	$ 152	$ 1,426,135	$ 21,083,909

[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.

Through February 14, 2022, the Plan's policy for custodial credit risk required that deposits in the STIF–Cash fund held by Union Bank and Bank of Oklahoma be insured by the FDIC (at $250,000 per participant account per institution). Amounts greater than the $250,000 FDIC limit were properly collateralized at 110 percent of the excess amount. The Plan no longer maintains FDIC investment vehicles as of February 15, 2022. As such, at December 31, 2022, no assets or accounts required collateralization. Whereas, at December 31, 2021, $23.6 million of participant assets representing 181 accounts required collateralization.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates could adversely affect the fair value of the investment. At December 31, 2022 and 2021, the fair value of these investments was $779.9 million and $795.6 million, respectively. The investment options containing international exposure are identified with an asterisk in the Authorized Investments table within Note 3.

Concentration of Credit Risk

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

NOTE 4 TRANSFERS

In the Combined Statements of Changes in Fiduciary Net Position:

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

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

NOTE 5 TERMINATION RIGHTS

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

NOTE 6 TAX STATUS

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

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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, in accordance with the 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, the combined 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, 2022 and 2021, and the related notes to the combined financial statements, which collectively comprise the Plan's basic combined financial statements, and have issued our report thereon dated May 25, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered the Plan's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. 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 combined 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 audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's combined financial statements are free from 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 combined financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, 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 results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Boston, Massachusetts
May 25, 2023