CALIFORNIA DEPARTMENT OF HUMAN RESOURCES
SAVINGS PLUS PROGRAM

COMBINED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

YEARS ENDED DECEMBER 31, 2024 AND 2023

CALIFORNIA DEPARTMENT OF HUMAN RESOURCES
SAVINGS PLUS PROGRAM
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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 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 year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Plan's basic combined financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan, as of December 31, 2024, and the respective changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Auditor's 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 audit. 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s 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 generally accepted auditing standards 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards (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 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 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 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.

Required Supplementary Information

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

Report on Prior Year

The financial statements of the Plan as of December 31, 2023 were audited by other auditors whose report dated May 13, 2024 expressed an unmodified opinion on those statements. In our opinion, the comparative information presented herein as of and for the year ended December 31, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2025 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 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.

UHY LLP

Columbia, Maryland
May 9, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents management's discussion and analysis of the California Department of Human Resources ("CalHR") Savings Plus Program's ("Savings Plus") financial performance for the years ended December 31, 2024 and 2023 and 2022.

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." At December 31, 2024, Main Plan investment options consisted 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 invests (and ARP invested) assets in the above-noted STIF strategy, but within distinct funds, the STIF–PST and the 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, 2024 (in thousands):

Combined Statement of Fiduciary Net Position

	457(b) Plan	401(k) Plan	PST	ARP	Total
ASSETS					
Total Investments	$ 12,008,968	$ 12,148,007	$ 115,901	$ -	$ 24,272,876
Total Receivables	176,016	124,998	1,345	-	302,359
Total Assets	12,184,984	12,273,005	117,246	-	24,575,235
FIDUCIARY NET POSITION					
Restricted for Plan Participants and Operations	$ 12,184,984	$ 12,273,005	$ 117,246	$ -	$ 24,575,235

Combined Statement of Changes in Fiduciary Net Position

	457(b) Plan	401(k) Plan	PST	ARP	Total
ADDITIONS					
Total Contributions	$ 736,156	$ 599,008	$ 29,341	$ -	$ 1,364,505
Net Investment Income	1,456,604	1,522,380	5,107	-	2,984,091
Interest Income from Participant Loans	6,119	4,751	-	-	10,870
Total Additions	2,198,879	2,126,139	34,448	-	4,359,466
DEDUCTIONS					
Total Withdrawals	659,454	630,710	26,131	45	1,316,340
Administrative Expenses	11,708	9,141	3	-	20,852
Total Deductions	671,162	639,851	26,134	45	1,337,192
CHANGE IN FIDUCIARY NET POSITION	$ 1,527,717	$ 1,486,288	$ 8,314	$ (45)	$ 3,022,274

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, 2023 (in thousands):

Combined Statement of Fiduciary Net Position

	457(b) Plan	401(k) Plan	PST	ARP	Total
ASSETS					
Total Investments	$ 10,498,619	$ 10,667,917	$ 107,685	$ 45	$ 21,274,266
Total Receivables	158,648	118,800	1,247	-	278,695
Total Assets	10,657,267	10,786,717	108,932	45	21,552,961
FIDUCIARY NET POSITION					
Restricted for Plan Participants and Operations	$ 10,657,267	$ 10,786,717	$ 108,932	$ 45	$ 21,552,961

Combined Statement of Changes in Fiduciary Net Position

	457(b) Plan	401(k) Plan	PST	ARP	Total
ADDITIONS					
Total Contributions	$ 658,246	$ 550,676	$ 27,946	$ (16)	$ 1,236,852
Net Investment Income	1,481,813	1,550,943	4,991	3	3,037,750
Interest Income from Participant Loans	4,204	3,280	-	-	7,484
Total Additions	2,144,263	2,104,899	32,937	(13)	4,282,086
DEDUCTIONS					
Total Withdrawals	550,017	514,137	26,111	35	1,090,300
Administrative Expenses	10,577	8,404	4	-	18,985
Total Deductions	560,594	522,541	26,115	35	1,109,285
CHANGE IN FIDUCIARY NET POSITION	$ 1,583,669	$ 1,582,358	$ 6,822	$ (48)	$ 3,172,801

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, 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					
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	$ 628,337	$ 521,337	$ 27,936	$ 16	$ 1,177,626
Net Investment Loss	(1,528,679)	(1,633,349)	(4,215)	(6)	(3,166,249)
Interest Income from Participant Loans	3,866	3,257	-	-	7,123
Total Additions	(896,476)	(1,108,755)	23,721	10	(1,981,500)
DEDUCTIONS					
Total Withdrawals	504,254	449,959	26,186	81	980,480
Administrative Expenses	8,936	7,026	4	1	15,967
Total Deductions	513,190	456,985	26,190	82	996,447
CHANGE IN FIDUCIARY NET POSITION	$ (1,409,666)	$ (1,565,740)	$ (2,469)	$ (72)	$ (2,977,947)

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 with 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 identifies the Plan's contributions/transfers and loans receivable values at year-end.
- Note 5 describes *Transfers In and Transfers Out* values.
- Note 6 describes the Plan's termination rights.
- Note 7 describes the Plan's tax status.
- Note 8 discloses reclassifications of certain amounts in the prior year's financial statements.

FINANCIAL HIGHLIGHTS

457(b) Plan

The following financial highlights occurred during the 457(b) Plan years ended December 31, 2024 and 2023:

- The 457(b) Plan's fiduciary net position increased from approximately $10.657 billion to $12.185 billion from 2023 to 2024. This is an increase of approximately $1.528 billion, compared to an increase of approximately $1.583 billion from 2022 to 2023. The change in fiduciary net position in both years was primarily due to an increase 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 $1.457 billion at 2024 year-end as compared to $1.482 billion at 2023 year-end. In addition, net contributions into and withdrawals from the 457(b) Plan resulted in a positive inflow of $77 million in 2024 as compared to $108 million in 2023.

- The number of 457(b) Plan participant accounts increased from 184,908 to 192,070 from 2023 to 2024; an increase of 7,162 accounts as compared to an increase of 4,103 accounts from 2022 to 2023. Participants with 457(b) Plan accounts may have 401(k) Plan accounts as well.

- At December 31, 2024, the five (5) largest 457(b) Plan investment options were: Large Cap Index Fund (19.5%); Large Cap Fund (10.6%); SDBA (8.1%); STIF–Cash (6.8%); and Mid Cap Fund (6.5%), totaling 51.5% of 457(b) Plan assets. Combined Target Date Fund assets totaled 24.9% of 457(b) Plan assets. At December 31, 2023, the five (5) largest 457(b) Plan investment options were: Large Cap Index Fund (17.5%); Large Cap Fund (10.5%); STIF–Cash (7.9%); SDBA (7.2%); and Mid Cap Fund (6.7%), totaling 49.8% of 457(b) Plan assets. Combined Target Date Fund assets totaled 24.9% of 457(b) Plan assets.

FINANCIAL HIGHLIGHTS (CONTINUED)

401(k) Plan

The following financial highlights occurred during the 401(k) Plan years ended December 31, 2024 and 2023:

- The 401(k) Plan's fiduciary net position increased from approximately $10.787 billion to $12.273 billion from 2023 to 2024. This is an increase of approximately $1.486 billion, compared to a decrease of approximately $1.582 billion from 2022 to 2023. The change in fiduciary net position in both years was primarily due to an increase 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 $1.522 billion at 2024 year-end as compared to $1.551 billion at 2023 year-end. In addition, net contributions into and withdrawals from the 401(k) Plan resulted in a negative outflow of $32 million in 2024 as compared to a positive inflow of $37 million in 2023.

- The number of 401(k) Plan participant accounts increased from 120,790 to 145,181 from 2023 to 2024; an increase of 24,391 accounts as compared to an increase of 477 accounts from 2022 to 2023. Participants with 401(k) Plan accounts may have 457(b) Plan accounts as well.

- At December 31, 2024, the five (5) largest 401(k) Plan investment options were: Large Cap Index Fund (21.5%); Large Cap Fund (11.9%); SDBA (8.4%); Mid Cap Fund (7.7%); and STIF–Cash (5.5%), totaling 55.0% of 401(k) Plan assets. Combined Target Date Fund assets totaled 20.8% of 401(k) Plan assets. At December 31, 2023, the five (5) largest 401(k) Plan investment options were: Large Cap Index Fund (19.3%); Large Cap Fund (11.6%); Mid Cap Fund (8.0%); SDBA (7.6); and STIF–Cash (6.4%), totaling 52.9% of 401(k) Plan assets. Combined Target Date Fund assets totaled 21.2% of 401(k) Plan assets.

PST Program and ARP

The following financial highlights occurred during the Plan's years ended December 31, 2024 and 2023:

- The PST Program's fiduciary net position increased from approximately $108.9 million to $117.2 million from 2023 to 2024. This is an increase of approximately $8.3 million, compared to an increase of $6.8 million from 2022 to 2023. The PST Program's asset increase was predominantly due to net appreciation in fair value of investments, which was $5.1 million at 2024 year-end, compared to net appreciation in fair value of investments of $5.0 million at 2023 year-end.

- The total number of PST Program participant accounts increased from 70,886 to 71,813 from 2023 to 2024; an increase of 927 accounts, compared to an increase of 2,635 accounts from 2022 to 2023.

FINANCIAL HIGHLIGHTS (CONTINUED)

PST Program and ARP (Continued)

- ARP's fiduciary net position decreased from approximately $45 thousand to $0 from 2023 to 2024. This is a decrease of approximately $45 thousand, compared to a decrease of approximately $48 thousand from 2022 to 2023. The Plan liquidated its assets on April 30, 2024. Net appreciation in fair value of investments was de minimis in 2024, compared to a net appreciation in fair value of investments of approximately $3 thousand at 2023 year-end.

- The number of ARP participant accounts decreased from 14 to 0 from 2023 to 2024; a decrease of 14 accounts, compared to a decrease of 24 accounts from 2022 to 2023. The elimination of ARP accounts was anticipated, as the program no longer accepted new participants after June 30, 2013. Since most ARP participant accounts left the program during Phase III (ARP Payout Election period) and new accounts were not permitted, the program experienced expected declines during plan years 2024 and 2023 with the final participant accounts transferring to an outside IRA on April 30, 2024.

OTHER HIGHLIGHTS

IRS contribution limits increased from $23,000 in 2024 to $23,500 in 2025 for each the 457(b) Plan and 401(k) Plan. The annual limit for Age Based Catch-Up for participants aged 50 or older increased from $30,500 to $31,000. Under a change made in the SECURE 2.0 Act, employees aged 60, 61, 62 and 63 who participate in these plans are provided a higher catch-up contribution limit of $11,250, instead of $7,500. The limit for 457(b) Traditional Catch-Up contributions increased from $46,000 to $47,000.

The following SECURE 2.0 Act provisions went into effect in 2024 unless otherwise noted below:

- **Required Minimum Distributions (RMDs):** The age requirement to begin taking RMDs increased from age 72 to age 73. This change affects all tax-advantaged retirement accounts, including the Savings Plus Plans.

- **Roth RMDs:** Roth money sources are no longer included in RMD calculations and withdrawals from Roth money sources will not satisfy an RMD. This does not apply to beneficiary accounts.

- **RMD Surviving Spouse Election:** A surviving spouse may elect to be treated as the deceased employee for purposes of RMD rules.

- **Survivors of Domestic Abuse Withdrawals:** Effective April 2025, survivors of domestic abuse can make penalty-free withdrawals from their Savings Plus 457(b) Plan and/or 401(k) Plan account. Survivors may withdraw the lesser of $10,000 or 50 percent of their vested account balance without penalty. Any withdrawals made under this provision may be repaid within three (3) years.

OTHER HIGHLIGHTS (CONTINUED)

Savings Plus was recognized by the National Association of Governmental Defined Contribution Association (NAGDCA) with two prestigious awards. These awards recognize the Plan's collective efforts in participant education and holistic financial wellness and highlights its commitment to empowering its participants with the knowledge and resources needed to achieve financial security and retirement readiness.

In March 2024, Savings Plus celebrated its 50th anniversary as the supplemental retirement savings plan for State of California employees.

Effective January 1, 2025, Savings Plus entered into a new agreement with Callan Associates to provide consultant services in the area of plan design, provider search, and investment monitoring services. Callan has been a Plan consultant since 2019.

Effective February 5, 2025, the Plan increased the number of permitted loans from one (1) loan per plan to two (2) loans per plan, not to exceed four (4) outstanding loans across both Main Plan accounts. Previously, participants were required to have a minimum account balance of $10,000 and the minimum loan amount was $5,000. As of February 5, 2025, the minimum account balance decreased to $2,000 and the minimum loan amount decreased to $1,000.

ECONOMIC DISCUSSION

In 2024, the U.S. economy experienced a period of cautious growth, marked by several key economic factors such as the labor market, Federal Reserve interest rate decisions, inflation, the fiscal deficit, GDP growth, and geopolitical risks.

The labor market remained relatively strong throughout the year, with the unemployment rate staying at historically low levels. However, the demand for workers continued to outpace supply in certain industries, especially technology and healthcare, creating skills gaps that businesses struggled to fill. Despite this, overall employment levels remained robust, signaling that most people who wanted jobs could find them. Labor force participation rates showed signs of recovery after years of pandemic-related disruptions, although full recovery remains a work in progress.

The Federal Reserve's monetary policy decisions were significant drivers of the economy. In response to persistently high inflation, the Federal Reserve kept interest rates elevated throughout the year after a series of rate hikes that began in 2022. The goal was to cool down inflation by making borrowing more expensive, thereby reducing consumer spending and business investment. While these actions helped bring inflation down from its peak, they also slowed economic growth by increasing the cost of loans for individuals and businesses. For example, the housing market continued to struggle under the weight of high mortgage rates while businesses faced higher costs for financing expansion or new investments.

ECONOMIC DISCUSSION (CONTINUED)

Inflation, which had surged in the years following the COVID-19 pandemic, showed signs of easing in 2024, but remained above the Federal Reserve's target of two (2) percent. Consumer prices increased at a slower pace, but key areas such as housing, energy, and food still experienced significant price hikes. Although inflation was lower than in the previous two years, it remained a significant concern as it eroded purchasing power and added strain to household budgets.

Throughout the year, the U.S. faced an ongoing budget deficit. Government spending, particularly on defense, social security, healthcare, and interest on the national debt, continued to outpace tax revenues. This led to an increase in the national debt, which remained a point of political contention.

Gross Domestic Product (GDP) growth in 2024 was modest with the economy expanding at a slower pace compared to previous years. High interest rates and global uncertainties weighed on business investment, while consumer spending showed signs of slowing. Inflation and the high cost of borrowing lowered consumer confidence. Although the economy avoided a recession, growth was weaker than many had hoped, with GDP rising at a pace that fell short of historical averages.

Geopolitical risks, including U.S.-China tensions and the ongoing war in Ukraine, played a significant role in shaping the economic environment. Trade disruptions, higher energy prices, and supply chain challenges continued to affect businesses. The war in Ukraine impacted global energy prices, which kept inflation pressures high and added uncertainty to the global economic outlook.

The U.S. economy navigated a complex and challenging environment in 2024. While the labor market demonstrated resilience, the combination of high interest rates, persistent inflation, a large fiscal deficit, and global uncertainties created a period of economic adjustment. Policymakers faced the difficult task of balancing inflation control with the risk of stifling economic growth, a challenge that will undoubtedly continue to shape economic policy in the years ahead.

As a reminder to our participants, market volatility requires a disciplined approach. Focus on sticking to an investment plan, diversifying across asset classes, and maximizing retirement savings. An investment strategy should align with one's risk tolerance and long-term goals. Consider seeking professional financial advice, if needed.

Sources: Bureau of Labor Statistics, Federal Reserve, Bureau of Economic Analysis

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.

CALIFORNIA DEPARTMENT OF HUMAN RESOURCES
SAVINGS PLUS PROGRAM
COMBINED STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2024
(In Thousands)

	457(b) Plan	401(k) Plan	PST	ARP	Total
ASSETS					
Investments:					
Target Date Funds	$ 2,985,456	$ 2,543,772	$ -	$ -	$ 5,529,228
Core Investment Options Active	4,471,393	4,671,876	115,901	-	9,259,170
Core Investment Options Passive	3,575,008	3,910,193	-	-	7,485,201
Self-Directed Brokerage Account	977,111	1,022,166	-	-	1,999,277
Total Investments	12,008,968	12,148,007	115,901	-	24,272,876
Receivables:					
Contributions/Transfers Receivable	59,118	45,190	1,345	-	105,653
Loans Receivable from Participants	116,898	79,808	-	-	196,706
Total Receivables	176,016	124,998	1,345	-	302,359
Total Assets	12,184,984	12,273,005	117,246	-	24,575,235
FIDUCIARY NET POSITION					
Restricted for Plan Participants and Operations	$ 12,184,984	$ 12,273,005	$ 117,246	$ -	$ 24,575,235

Refer to accompanying Notes to Combined Financial Statements.

CALIFORNIA DEPARTMENT OF HUMAN RESOURCES
SAVINGS PLUS PROGRAM
COMBINED STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2023
(In Thousands)

	457(b) Plan	401(k) Plan	PST	ARP	Total
ASSETS					
Investments:					
Target Date Funds	$ 2,610,341	$ 2,256,810	$ -	$ -	$ 4,867,151
Core Investment Options Active	4,172,252	4,325,108	107,685	45	8,605,090
Core Investment Options Passive	2,958,549	3,275,220	-	-	6,233,769
Self-Directed Brokerage Account	757,477	810,779	-	-	1,568,256
Total Investments	10,498,619	10,667,917	107,685	45	21,274,266
Receivables:					
Contributions Receivable	53,111	42,414	1,247	-	96,772
Loans Receivable from Participants	105,537	76,386	-	-	181,923
Total Receivables	158,648	118,800	1,247	-	278,695
Total Assets	10,657,267	10,786,717	108,932	45	21,552,961
FIDUCIARY NET POSITION					
Restricted for Plan Participants and Operations	$ 10,657,267	$ 10,786,717	$ 108,932	$ 45	$ 21,552,961

Refer to accompanying Notes to Combined Financial Statements.

CALIFORNIA DEPARTMENT OF HUMAN RESOURCES
SAVINGS PLUS PROGRAM
COMBINED STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2024
(In Thousands)

	457(b) Plan	401(k) Plan	PST	ARP	Total
ADDITIONS					
Contributions:					
Employee Contributions	$ 651,722	$ 518,933	$ 29,059	$ -	$ 1,199,714
Transfers In	84,434	80,075	282	-	164,791
Total Contributions	736,156	599,008	29,341	-	1,364,505
Net Investment Income:					
Net Appreciation in Fair Value of Investments	1,456,604	1,522,380	5,107	-	2,984,091
Net Investment Income	1,456,604	1,522,380	5,107	-	2,984,091
Other Income:					
Interest Income from Participant Loans	6,119	4,751	-	-	10,870
Total Additions	2,198,879	2,126,139	34,448	-	4,359,466
DEDUCTIONS					
Withdrawals:					
Benefits and Withdrawals	330,329	251,035	9,112	2	590,478
Loan Defaults	3,327	1,830	-	-	5,157
Transfers Out	325,798	377,845	17,019	43	720,705
Total Withdrawals	659,454	630,710	26,131	45	1,316,340
Administrative Expenses	11,708	9,141	3	-	20,852
Total Deductions	671,162	639,851	26,134	45	1,337,192
CHANGE IN FIDUCIARY NET POSITION	1,527,717	1,486,288	8,314	(45)	3,022,274
Fiduciary Net Position – Beginning of Year	10,657,267	10,786,717	108,932	45	21,552,961
FIDUCIARY NET POSITION – END OF YEAR	$ 12,184,984	$ 12,273,005	$ 117,246	$ -	$ 24,575,235

Refer to accompanying Notes to Combined Financial Statements.

CALIFORNIA DEPARTMENT OF HUMAN RESOURCES
SAVINGS PLUS PROGRAM
COMBINED STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2023
(In Thousands)

	457(b) Plan	401(k) Plan	PST	ARP	Total
ADDITIONS					
Contributions:					
Employee Contributions (Adjustments)	$ 604,828	$ 484,942	$ 27,593	$ (16)	$ 1,117,347
Transfers In	53,418	65,734	353	-	119,505
Total Contributions	658,246	550,676	27,946	(16)	1,236,852
Net Investment Income:					
Net Appreciation in Fair Value of Investments	1,481,813	1,550,943	4,991	3	3,037,750
Net Investment Income	1,481,813	1,550,943	4,991	3	3,037,750
Other Income:					
Interest Income from Participant Loans	4,204	3,280	-	-	7,484
Total Additions	2,144,263	2,104,899	32,937	(13)	4,282,086
DEDUCTIONS					
Withdrawals:					
Benefits and Withdrawals	282,301	210,440	9,435	24	502,200
Loan Defaults	3,318	1,890	-	-	5,208
Transfers Out	264,398	301,807	16,676	11	582,892
Total Withdrawals	550,017	514,137	26,111	35	1,090,300
Administrative Expenses	10,577	8,404	4	-	18,985
Total Deductions	560,594	522,541	26,115	35	1,109,285
CHANGE IN FIDUCIARY NET POSITION	1,583,669	1,582,358	6,822	(48)	3,172,801
Fiduciary Net Position – Beginning of Year	9,073,598	9,204,359	102,110	93	18,380,160
FIDUCIARY NET POSITION – END OF YEAR	$ 10,657,267	$ 10,786,717	$ 108,932	$ 45	$ 21,552,961

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 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 liquidated on April 30, 2024.

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.

NOTE 1 DESCRIPTION OF THE PLANS (CONTINUED)

Staff Support (Continued)

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.

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; trustee/custodial; 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.

NOTE 1 DESCRIPTION OF THE PLANS (CONTINUED)

Vesting

Participant contributions and related earnings are immediately and fully vested.

Portfolio Structure

As of December 31, 2024, Savings Plus offered Main Plan participants twenty-five (25) investment options and an SDBA through the following three-tiered structure:

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

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

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

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-two (22) 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 were 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.

NOTE 1 DESCRIPTION OF THE PLANS (CONTINUED)

Portfolio Structure (Continued)

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 if deemed appropriate.

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.

At December 31, 2024 participants were permitted to take one (1) loan per plan, not to exceed two (2) outstanding loans across both Main Plan accounts. Participants were required to have a minimum account balance of $10,000 and the minimum loan amount was $5,000. Refer to Management's Discussion and Analysis for updates in calendar year 2025.

For 2024 and 2023, the maximum loan amount is the lesser of 50 percent of the participant's combined plan account balances from all state-sponsored plans minus the participant's outstanding loan balances from all state-sponsored plans on the date of the loan or $50,000 minus the highest outstanding loan balances from all state-sponsored plans within the last 12 months. In addition, the maximum amount available for a loan from each plan account cannot exceed 50 percent of the participants balance in that account, minus the outstanding loan balance in that account. The participant is charged a one-time $75 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, 2024, the loan interest rate was 9.50 percent. As of December 31, 2023, the loan interest rate was 9.50 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

NOTE 1 DESCRIPTION OF THE PLANS (CONTINUED)

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

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

The Plan assesses 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 assesses 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 assessed a $1.50 monthly administrative fee against ARP accounts to administer ARP.

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, and (6) qualified domestic relations order (QDRO), and may also incur a short-term trade (redemption) fee, which is reinvested into the impacted investment options.

Contributions

Main Plan contributions by eligible employees are voluntary. Participants predominantly contribute from their 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 $23,000 for 2024 and $22,500 for 2023 or 100 percent of the employee's includable compensation.

NOTE 1 DESCRIPTION OF THE PLANS (CONTINUED)

Contributions (Continued)

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

- Age-Based Deferrals – For 2024 and 2023, participants aged 50 or older and actively employed may defer up to $7,500 over the normal deferral limit to their Main Plan accounts.

- Traditional 457(b) Catch-Up – For 2024 and 2023, participants within the three (3) years prior to their Normal Retirement Age may be eligible to make a one-time election to contribute up to twice the annual contribution limit into their 457(b) Plan account for a maximum of three (3) consecutive years. The catch-up amount allowed is limited to the underutilized amount in the previous years while employed by the state and eligible to contribute to the 457(b) Plan. Participants may only use one of these catch-up provisions in the 457(b) Plan at a time.

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

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

For 2024 and 2023, 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

NOTE 1 DESCRIPTION OF THE PLANS (CONTINUED)

Contributions (Continued)

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 2024. For 2023, state departments made corrections to personnel records of employees who were erroneously appointed into ARP. These corrections/contribution adjustments account for the $0 and $(16) thousand on the Employee Contributions (Adjustments) line within the 2024 and 2023 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.

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 have been separated from state service during or after the year they turn age 55 or must have been at least age 59½ regardless of employment status to receive a payment without an additional 10 percent early withdrawal penalty.

NOTE 1 DESCRIPTION OF THE PLANS (CONTINUED)

Benefit Payments (Continued)

Participants have the following payment options from their Main Plan accounts: lump-sum payment, periodic payments, partial lump-sum payment, or rollover to another qualified plan or to an IRA. The PST Program allows for (and ARP allowed 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/Transfers Receivable

Contributions are recognized when amounts are withheld from employees' payroll and posted to the participants' accounts. *Contributions/Transfers Receivable* represents contribution amounts withheld from employee pay but not yet remitted to and recorded by the master trust as of December 31 and transfer amounts in-transit from the SDBA to the participants' core accounts at the TPA 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, 2024 and 2023.

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 for further discussion.

NOTE 3 INVESTMENTS

This section describes the Plan's authorized investments, 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, 2024, 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 are determined to be 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.

NOTE 3 INVESTMENTS (CONTINUED)

Authorized Investments

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.

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, 2024:

2024						
Participant Directed Investments	457(b) Plan Balance	401(k) Plan Balance	PST Balance	ARP Balance	Total Plan Balance	% of Total Plan AUM†
TDF Income*	$ 261,525	$ 268,978	$ -	$ -	$ 530,503	2.2%
TDF 2020*	253,516	273,002	-	-	526,518	2.2%
TDF 2025*	374,807	410,683	-	-	785,490	3.2%
TDF 2030*	456,843	453,782	-	-	910,625	3.9%
TDF 2035*	445,445	383,168	-	-	828,613	3.4%
TDF 2040*	396,257	293,440	-	-	689,697	2.8%
TDF 2045*	368,180	220,900	-	-	589,080	2.4%
TDF 2050*	237,107	138,498	-	-	375,605	1.5%
TDF 2055*	128,192	62,166	-	-	190,358	0.8%
TDF 2060*	46,977	27,381	-	-	74,358	0.3%
TDF 2065*	16,607	11,774	-	-	28,381	0.1%
Target Date Funds	2,985,456	2,543,772	-	-	5,529,228	22.8%
STIF-Cash	814,795	669,070	-	-	1,483,865	**6.1%**
STIF	586,490	534,457	-	-	1,120,947	4.6%
STIF-PST	-	-	115,901	-	115,901	0.5%
STIF-ARP	-	-	-	-	-	0.0%
Socially Responsible	194,739	222,565	-	-	417,304	1.7%
Bond*	200,811	204,467	-	-	405,278	1.7%
Large Cap*	1,276,643	1,442,488	-	-	2,719,131	**11.1%**
Mid Cap*	779,234	939,055	-	-	1,718,289	**7.2%**
Small Cap	270,033	303,471	-	-	573,504	2.4%
International*	266,812	285,619	-	-	552,431	2.3%
Diversified Real Return*	81,836	70,684	-	-	152,520	0.6%
Core Investments Active	4,471,393	4,671,876	115,901	-	9,259,170	38.2%
Bond Index	354,265	405,728	-	-	759,993	3.1%
Large Cap Index	2,347,753	2,610,772	-	-	4,958,525	**20.4%**
Mid Cap Index	427,742	442,258	-	-	870,000	3.6%
Small Cap Index	214,997	232,055	-	-	447,052	1.8%
International Index*	230,251	219,380	-	-	449,631	1.9%
Core Investments Passive	3,575,008	3,910,193	-	-	7,485,201	30.8%
Self-Directed Brokerage Account	977,111	1,022,166	-	-	1,999,277	**8.2%**
Balance as of 12/31/2024	$12,008,968	$12,148,007	$ 115,901	$ -	$24,272,876	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, 2023:

2023						
Participant Directed Investments	457(b) Plan Balance	401(k) Plan Balance	PST Balance	ARP Balance	Total Plan Balance	% of Total Plan AUM†
TDF Income*	$ 260,146	$ 269,656	$ -	$ -	$ 529,802	2.5%
TDF 2020*	256,189	270,793	-	-	526,982	2.5%
TDF 2025*	361,029	400,994	-	-	762,023	3.6%
TDF 2030*	398,733	398,994	-	-	797,727	3.7%
TDF 2035*	377,607	320,368	-	-	697,975	3.3%
TDF 2040*	330,537	242,897	-	-	573,434	2.7%
TDF 2045*	300,085	175,665	-	-	475,750	2.2%
TDF 2050*	186,803	107,321	-	-	294,124	1.4%
TDF 2055*	95,907	43,225	-	-	139,132	0.7%
TDF 2060*	31,586	18,501	-	-	50,087	0.2%
TDF 2065*	11,719	8,396	-	-	20,115	0.1%
Target Date Funds	2,610,341	2,256,810	-	-	4,867,151	22.9%
STIF-Cash	830,803	685,876	-	-	1,516,679	**7.1%**
STIF	579,897	521,604	-	-	1,101,501	**5.2%**
STIF-PST	-	-	107,685	-	107,685	0.5%
STIF-ARP	-	-	-	45	45	0.0%
Socially Responsible	188,685	216,831	-	-	405,516	1.9%
Bond*	187,639	192,274	-	-	379,913	1.8%
Large Cap*	1,102,355	1,238,499	-	-	2,340,854	**11.0%**
Mid Cap*	708,474	853,408	-	-	1,561,882	**7.3%**
Small Cap	248,909	277,638	-	-	526,547	2.5%
International*	245,235	268,572	-	-	513,807	2.4%
Diversified Real Return*	80,255	70,406	-	-	150,661	0.7%
Core Investments Active	4,172,252	4,325,108	107,685	45	8,605,090	40.4%
Bond Index	346,508	397,505	-	-	744,013	3.5%
Large Cap Index	1,833,489	2,063,770	-	-	3,897,259	**18.3%**
Mid Cap Index	378,199	398,486	-	-	776,685	3.7%
Small Cap Index	193,342	209,285	-	-	402,627	1.9%
International Index*	207,011	206,174	-	-	413,185	1.9%
Core Investments Passive	2,958,549	3,275,220	-	-	6,233,769	29.3%
Self-Directed Brokerage Account	757,477	810,779	-	-	1,568,256	**7.4%**
Balance as of 12/31/2023	$10,498,619	$10,667,917	$ 107,685	$ 45	$21,274,266	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)

Investments Authorized by Debt Agreements

Except for the SDBA, Plan investment options do not include individual bond issuances. Bond exposure is limited to open-end investment options provided through Amundi Pioneer Institutional Asset Management, Inc. and Galliard Capital Management, LLC (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 real assets investment strategy account 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, 2024 and 2023. 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.

NOTE 3 INVESTMENTS (CONTINUED)

Disclosure about Fair Value of Financial Instruments (Continued)

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.

The following table summarizes the Plan's investments (in thousands) within the fair value hierarchy at December 31, 2024 and 2023:

		Fair Value Measurements Using		
	At 12/31/2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments at Market Value				
Investment Options	$ 18,190,728	$ 3,306,139	$ 4,884,589	$ -
Self-Directed Brokerage Account	1,824,175	1,715,141	109,034	-
Total Investments at Fair Value	20,014,903	15,021,280	4,993,623	-
Investments at Amortized Cost				
Investment Options	2,261,550			
Self-Directed Brokerage Account	175,101			
Total Investments at Amortized Cost	2,436,651			
Investments at Net Asset Value				
Investment Options	1,821,322			
Total Investments at Net Asset Value	1,821,322			
Total Investments	$ 24,272,876			

		Fair Value Measurements Using		
	At 12/31/2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments at Market Value				
Investment Options	$ 15,772,975	$ 11,160,610	$ 4,612,365	$ -
Self-Directed Brokerage Account	1,390,692	1,273,250	117,442	-
Total Investments at Fair Value	17,163,667	12,433,860	4,729,807	-
Investments at Amortized Cost				
Investment Options	2,256,523			
Self-Directed Brokerage Account	177,564			
Total Investments at Amortized Cost	2,434,087			
Investments at Net Asset Value				
Investment Options	1,676,512			
Total Investments at Net Asset Value	1,676,512			
Total Investments	$ 21,274,266			

NOTE 3 INVESTMENTS (CONTINUED)

Disclosure about Fair Value of Financial Instruments (Continued)

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.

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, 2024 and 2023:

	Investments Measured at Net Asset Value			
	At 12/31/2024	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Investment Options[1]	$ 1,821,322	$ -	Daily	1–3 Days
Total Investments at Net Asset Value	$ 1,821,322	$ -		

	Investments Measured at Net Asset Value			
	At 12/31/2023	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Investment Options[1]	$ 1,676,512	$ -	Daily	1–3 Days
Total Investments at Net Asset Value	$ 1,676,512	$ -		

[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 JPMorgan 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, 2024 and 2023 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, 2024 and 2023, the fair value of equity securities on loan was $1.146 billion and $913.5 million and the fair value of the bonds on loan was $264.2 million and $340.5 million, totaling $1.410 billion and $1.254 billion, 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 Program administrative expenses. The gross Securities Lending revenue for 2024 and 2023 was $2.006 million and $2.017 million, respectively. Securities Lending fees paid to J.P. Morgan for 2024 and 2023 were $500 thousand and $550 thousand, respectively. Net income to the Program for 2024 and 2023 was $1.506 million and $1.467 million, respectively.

NOTE 3 INVESTMENTS (CONTINUED)

Securities Lending (Continued)

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, 2024 and 2023, there had been no losses resulting from borrower defaults and the Plan had nominal credit risk exposure to borrowers related to any potential shortfall between J.P. Morgan's indemnification coverage and borrower collateral.

Short Term Investments

Short Term Investments consist of the STIF and the STIF–Cash funds. The STIF invests in fixed income securities including securities issued by the U.S. Government, U.S. Agencies, corporate bonds, residential and commercial mortgage-backed securities, and asset-backed securities. The STIF–Cash provides safety and stability 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.

The Plan assesses an annualized 0.30 percent expense reimbursement fee against the STIF-PST to help offset the costs associated with the administration of the PST Program.

Investment-related expenses are included in net appreciation in 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 International Fund, Large Cap Fund, Mid Cap Fund, 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, 2024 and 2023 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 12/31/2024	Weighted Average Maturity
MFS International Growth	TDF Income Fund, TDF 2020 – 2065 Funds, International Fund	$ 9,255	0.01
Galliard Broad Market Core	TDF Income Fund, TDF 2020 – 2065 Funds, Bond Fund	455,571	14.66
Boston Trust SRI	Socially Responsible Fund	125,889	6.49
BlackRock Bond Index	TDF Income Fund, TDF 2020 – 2065 Funds, Bond Index Fund, Bond Fund	1,490,247	12.68
Cohen & Steers DIS	TDF 2025 – 2065 Funds, Diversified Real Return Fund	73,570	5.95
Allspring Fixed Income	STIF Fund, TDF Income Fund, TDF 2020 – 2045 Funds	820,706	5.08
Voya Fixed Income	STIF Fund, TDF Income Fund, TDF 2020 – 2045 Funds	945,360	2.78
MFS Mid Cap Growth	TDF Income Fund, TDF 2020 – 2065 Funds, Mid Cap Fund	3,069	0.01
Amundi Pioneer U.S. Core Plus Bond	TDF Income Fund, TDF 2020 – 2065 Funds, Bond Fund	475,045	15.00
MFS Large Cap Growth	TDF Income Fund, TDF 2020 – 2065 Funds, Large Cap Fund	5,076	0.01
RhumbLine TIPS Index	TDF Income Fund, TDF2020 – 2065 Funds, Diversified Real Return Fund	277,975	0.12
Goldman Sachs Government Money Market	STIF–Cash Fund, TDF Income Fund, TDF 2020 – 2045 Funds	684,685	0.12
RBC Government Money Market	STIF–Cash Fund, TDF Income Fund, TDF 2020 – 2045 Funds	337,605	0.08
JPMorgan Prime Money Market	STIF–Cash Fund, TDF Income Fund, TDF 2020 – 2045 Funds	523,656	0.19
Federated Hermes Prime Money Market	STIF–Cash Fund, TDF Income Fund, TDF 2020 – 2045 Funds	523,656	0.13
		$ 6,751,365	

NOTE 3 INVESTMENTS (CONTINUED)

Interest Rate Risk (Continued)

Investment	Fund(s)	Fair Value at 12/31/2023	Weighted Average Maturity
Galliard Broad Market Core	TDF Income Fund, TDF 2020 – 2065 Funds, Bond Fund	$ 438,280	14.89
Boston Trust SRI	Socially Responsible Fund	125,884	6.11
BlackRock Bond Index	TDF Income Fund, TDF 2020 – 2065 Funds, Bond Index Fund, Bond Fund	1,408,888	13.36
Cohen & Steers DIS	TDF 2025 – 2065 Funds, Diversified Real Return Fund	65,646	6.94
Allspring Fixed Income	STIF Fund, TDF Income Fund, TDF 2020 – 2045 Funds	787,417	4.98
Voya Fixed Income	STIF Fund, TDF Income Fund, TDF 2020 – 2045 Funds	922,749	2.39
Amundi Pioneer U.S. Core Plus Bond	TDF Income Fund, TDF 2020 – 2065 Funds, Bond Fund	469,617	13.69
RhumbLine TIPS Index	TDF Income Fund, TDF2020 – 2065 Funds, Diversified Real Return Fund	256,688	0.12
Goldman Sachs Government Money Market	STIF–Cash Fund, TDF Income Fund, TDF 2020 – 2045 Funds	694,809	0.14
RBC Government Money Market	STIF–Cash Fund, TDF Income Fund, TDF 2020 – 2045 Funds	320,641	0.07
JPMorgan Prime Money Market	STIF–Cash Fund, TDF Income Fund, TDF 2020 – 2045 Funds	504,590	0.13
Federated Hermes Prime Money Market	STIF–Cash Fund, TDF Income Fund, TDF 2020 – 2045 Funds	504,590	0.11
		$ 6,499,799	

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, 2024 (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	12/31/2024 Fair Value
Asset Backed	$ 176,546	$ 75,693	$ 25,888	$ 19,731	$ -	$ -	$ -	$ 52,737	$ 350,595
CDO/Collateralized Debt Obligation	76,944	-	-	1,001	247	-	-	28,866	107,058
CMO/REMIC	8,498	131,451	3,916	3,997	-	302	-	13,918	162,082
Commercial Mortgage Backed Securities	85,023	49,572	6,791	1,097	-	-	99	39,372	181,954
Commercial Paper (Interest Bearing)	-	-	-	-	-	-	-	-	-
Corporate Bonds	10,490	51,099	563,878	590,891	83,988	24,953	1,794	3,507	1,330,600
Discounted Notes	-	-	17,400	-	-	-	-	-	17,400
Demand Notes	-	-	-	-	-	-	-	-	-
Government Bonds	23,773	1,553,962	3,981	15,154	-	-	-	-	1,596,870
Mortgage Backed Securities	-	834,667	-	-	-	-	-	-	834,667
Municipal Bonds	16,372	35,678	18,526	96	670	-	-	-	71,342
STIF	-	-	-	-	-	-	-	2,252,744	2,252,744
Treasury Bills	-	-	29,770	-	-	-	-	-	29,770
Total	397,646	2,732,122	670,150	631,967	84,905	25,255	1,893	2,391,144	6,935,082
Other Investments Not Subject to Credit Risk[2]									17,337,794
Total Investments	$ 397,646	$ 2,732,122	$ 670,150	$ 631,967	$ 84,905	$ 25,255	$ 1,893	$ 2,391,144	$ 24,272,876

[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, 2023 (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	12/31/2023 Fair Value
Asset Backed	$ 167,646	$ 64,078	$ 20,868	$ 3,904	$ -	$ -	$ -	$ 37,109	$ 293,605
CDO/Collateralized Debt Obligation	61,362	-	490	1,484	221	-	-	24,134	87,691
CMO/REMIC	6,491	114,834	6,209	3,849	1,759	-	-	16,425	149,567
Commercial Mortgage Backed Securities	56,311	39,292	4,788	4,782	-	7,565	78	17,515	130,331
Commercial Paper (Interest Bearing)	-	-	-	-	-	-	-	-	-
Corporate Bonds	8,328	58,080	514,928	586,049	44,886	10,788	-	1,671	1,224,730
Demand Notes	-	-	-	-	-	-	-	-	-
Government Bonds	23,491	1,652,487	5,699	10,626	-	-	-	-	1,692,303
Mortgage Backed Securities	-	709,426	-	-	-	-	-	-	709,426
Municipal Bonds	11,595	52,654	24,449	100	390	-	-	-	89,188
STIF	-	-	-	-	-	-	-	2,246,505	2,246,505
Treasury Bills	-	-	94,308	-	-	-	-	-	94,308
Total	335,224	2,690,851	671,739	610,794	47,256	18,353	78	2,343,359	6,717,654
Other Investments Not Subject to Credit Risk[2]									14,556,612
Total Investments	$ 335,224	$ 2,690,851	$ 671,739	$ 610,794	$ 47,256	$ 18,353	$ 78	$ 2,343,359	$ 21,274,266

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

NOTE 3 INVESTMENTS (CONTINUED)

Custodial Credit Risk

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

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

The Plan does not include FDIC-backed investment vehicles. As such, at December 31, 2023 and December 31, 2024, no assets or 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, 2024 and 2023, the fair value of these investments was $1.056 billion and $993.4 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 RECEIVABLES

Contributions/Transfers Receivable

At December 31, 2024, contributions/transfers receivable totaled $105.6 million, with $59.1 million in the 457(b) Plan, $45.2 million in the 401(k) Plan, and $1.3 million in the PST Program. At December 31, 2023, contributions receivable totaled $96.8 million, with $53.1 million in the 457(b) Plan, $42.4 million in the 401(k) Plan, and $1.3 million in the PST Program. These values are reported as contributions receivable in the accompanying combined financial statements.

NOTE 4 RECEIVABLES (CONTINUED)

Loans Receivable

At December 31, 2024, outstanding participant loans totaled $196.7 million, with $116.9 million in the 457(b) Plan and $79.8 million in the 401(k) Plan. At December 31, 2023, outstanding participant loans totaled $181.9 million, with $105.5 million in the 457(b) Plan and $76.4 million in the 401(k) Plan. These loan values are reported as loans receivable from participants in the accompanying combined financial statements.

NOTE 5 TRANSFERS

In the Combined Statements of Changes in Fiduciary Net Position:

The *Transfers In* value includes rollovers and 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 6 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 7 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 operated in compliance with the applicable requirements of the IRC.

NOTE 8 RECLASSIFICATIONS

Certain amounts in the 2023 financial statements have been reclassified to conform with the 2024 presentation. These reclassifications do not affect Fiduciary Net Position or changes thereon as previously reported.

INDEPENDENT AUDITOR'S 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
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 audited combined financial statements, and the notes of the audited combined financial statements of 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 year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements, and have issued our report thereon dated May 9, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the 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 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 Plan's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our 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 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 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 Plan’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

UHY LLP

Columbia, Maryland
May 9, 2025