

California Achieving
a Better Life
Experience (CalABLE)
for People with
Disabilities



California ABLE Act Board

AKF Introduction and ABLE Landscape

December 6, 2016

Today's Discussion

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Appendix – Legislative and Regulatory Matters

Section 1.

AKF Introduction

Who We Are

- **Leading strategic advisor to Section 529 and 529A plan administrators nationwide:**
 - **Formed in March 2002 and dedicated solely to the public sector**
 - **Registered as a Municipal Advisor with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board**
 - **Provide technical and analytic expertise as well as a deep understanding of municipal market legal, financial, administrative, marketing and asset management issues**
- **Particular services to the California Treasurer's Office:**
 - **Engaged in March 2003 as a subcontractor to Pension Consulting Alliance to assist with possible launch of an advisor plan**
 - **Continued to advise ScholarShare Investment Board ("SIB") and Staff on all 529 matters thereafter**
 - **Engaged independently by SIB as of January 2008**
 - **Involved with every ScholarShare program manager solicitation and negotiation**
 - **Continue to advise on all industry matters pursuant to subsequent RFPs and Consulting Agreements**

An Overview of Our Capabilities

Services	Number of State Entities
Program Design / Conversions	31
New Product Launch	15
Program Manager Solicitations	20
Legislative / Regulatory and Industry Updates	14
Marketing Review	16
Ongoing Program Analysis	12
Administrative and Marketing Benchmarks	5
Fiduciary Education and Training	4
Governance Reviews	13
Compliance and Disclosure	12
General Strategic Advice	14
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Section 2.

National Activity Overview

Snapshot of ABLE Activity

Status	States
Launched	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>Florida Michigan Nebraska</p> </div> <div style="text-align: center;"> <p>Ohio Tennessee</p> </div> </div>
Expected Launch 2016 Q4	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>New York Oregon</p> </div> <div style="text-align: center;"> <p>Virginia Direct</p> </div> </div>
Consortium Seeking 2016 Q4 Launch	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>Alaska Illinois Iowa Kansas Minnesota Missouri</p> </div> <div style="text-align: center;"> <p>Nevada North Carolina New Jersey Pennsylvania Rhode Island</p> </div> </div>
Expected Launch 2017 Q1	<div style="text-align: center;"> <p>Virginia Advisor</p> </div>
Intended Launch 2017 Q2	<div style="text-align: center;"> <p>California Texas</p> </div>

Investment Option Overview

	Florida	Michigan	Nebraska	Ohio	Tennessee
Investment Manager	Vanguard BlackRock Florida PRIME	Not specified Vectra Bank	Vanguard Fifth Third Bank	Vanguard Fifth Third Bank	Vanguard DFA PRIMECAP
Investment Options	<p>7 total</p> <p><u>3 static:</u> Growth Moderate Conservative</p> <p><u>4 individual:</u> Money Market US Bond US Stock Int'l Stock</p>	<p>6 total</p> <p><u>5 static:</u> Aggressive Growth Growth Balanced Moderate Conservative</p> <p><u>1 individual:</u> FDIC-insured</p>	<p>5 total</p> <p><u>3 static:</u> Growth Moderate Conservative</p> <p><u>2 individual:</u> FDIC-insured</p> <p>Checking account (when available)</p>	<p>5 total</p> <p><u>4 static:</u> Growth Moderate Growth Conservative Gr Income</p> <p><u>1 individual:</u> FDIC-insured</p>	<p>14 total</p> <p><u>2 static:</u> Conservative Income</p> <p><u>12 individual:</u> 11 various (See page 7) FDIC-insured</p>

Static Investment Option Specifics

	Florida	Michigan	Nebraska	Ohio	Tennessee
Investment Manager	Vanguard	Not specified	Vanguard	Vanguard	Vanguard
Underlying Funds	Not specified	Not specified	Total Stock Mkt Index Int'l Stock Index Total Bond Mkt Index ST Bond Index ST Infl Protected Fed'l Money Mkt	LifeStrategy Funds	LifeStrategy Funds
Static Asset Allocation (Equity / Fixed Income)	Growth (80% / 20%) Moderate (60% / 40%) Conservative (40% / 60%)	Aggressive Growth (100% / 0%) Growth (80% / 20%) Balanced (60% / 40%) Moderate (40% / 60%) Conservative (20% / 80%)	Growth (80% / 20%) Moderate (60% / 40%) Conservative (30% / 70%)	Growth (80% / 20%) Moderate Growth (60% / 40%) Conservative Gr (40% / 60%) Income (20% / 80%)	Conservative Gr (40% / 60%) Income (20% / 80%)

Individual Investment Option Specifics

	Florida	Michigan	Nebraska	Ohio	Tennessee
Investment Manager	Vanguard (VG) BlackRock (BR) Florida PRIME (FL)	Vectra Bank	Fifth Third Bank	Fifth Third Bank	Vanguard (VG) DFA PRIMECAP (PC) First Tennessee (FT)
Investment Options	VG US Stock BR Int'l Stock VG US Bond FL Money Market	Bank Money Market	Bank Savings Checking Account (when available)	BankSafe	Growth: PC Aggr. Growth VG Mid-Cap Growth DFA Large Cap Int'l VG 500 Index DFA US Small Cap DFA US Large Cap Val Balanced: VG Wellington Conservative: VG Interm-Term Inv-Grade VG Interm-Term Treasury VG Total Bond Mkt Index DFA Inflation-Protected Secs FT Interest Bearing

Fee Overview

State Provider	Investors	Program Management	Underlying Investments	Total Fees	Annual Account Maintenance
Florida Intuition	All	<i>Not specified</i>	<i>Not specified</i>	0.29% 0.035% Money Mkt	\$2.50 p/month (\$30) Waived Year 1
Michigan TSA Consulting	All	0.50%	0.17-0.28%	0.67-0.78% 0.50% FDIC	\$11.25 p/quarter (\$45)
Nebraska 1 st Nat'l Bank of Omaha	All	0.50%	0.05-0.06%	0.55-0.56% 0.50% FDIC	\$11.25 p/quarter (\$45)
Ohio Intuition	Residents	0.19%	0.12%-0.15%	0.31-0.35% 0.19% FDIC	\$2.50 p/month (\$30)
	Partners	0.40%	0.12%-0.15%	0.52-0.55% 0.40% FDIC	\$5 p/month (\$60)
	All Others	0.45%	0.12%-0.15%	0.57-0.60% 0.45% FDIC	\$5 p/month (\$60)
Tennessee Envision	All	0-0.31%	0.04-0.62%	0.35% 0% FDIC	<i>None specified</i>

Oregon / BNY Mellon has not released fee details other than a total fee of 0.45% and a monthly \$5 account maintenance (\$60 annually)



Other Account Matters and Fees

	Florida	Michigan	Nebraska	Ohio	Tennessee
Maximum	\$418K	\$500K	\$360K	\$426K	\$350K
Initial	\$0	\$25 (\$15 AIP)	\$50 (\$25 AIP)	\$50	\$25 (same AIP)
Ongoing	\$0	\$25 (waived AIP)	\$25 (waived AIP)	\$1	\$0 (silent AIP)
Application / Enrollment	\$50	\$0	\$0	\$0 online \$50 paper	--
Rollovers / Withdrawals	--	\$0	\$0	Was \$50; now \$0	--
Hard Copies	\$10 annual	--	--	\$10	--
Returned Check	\$20	\$25	\$25	Not specified	--
Rejected ACH / ETF	--	\$35	\$25	Not specified	--
Wires Out	--	\$25	\$25	No specified	--
Check Fees	2 free p/month Then \$5 p/check	--	--	Not specified	--

Section 3.

CalABLE Considerations

CalABLE Considerations

- **Procurement Process:**
 - **Timeline for drafting Program Manager RFP**
 - **Accelerating issuance of Investment Consultant RFP**
 - **What DGS reviews are required?**
 - **Time for provider outreach**
- **Plan Design:**
 - **Timing for constituent input**
 - **Design of investment options**
 - **Other key enhancements or components determined through outreach**
- **Analysis of CalABLE Options:**
 - **Consortium progress**
 - **Emergence of additional providers**

Appendix

Legislative and Regulatory Matters

Federal Legislative Matters

- **Current ABLE-specific federal legislation pending:**
 - **HR 4795 / S 2702 -- ABLE to Work Act**
 - **Allows working beneficiaries to contribute up to Federal Poverty Level (\$11,700) if not participating in retirement plans**
 - **Offers Savers Credit to beneficiaries contributing to ABLE accounts**
 - **HR 4794 / S 2703 -- ABLE Financial Planning Act**
 - **Allows rollovers between ABLE and 529 accounts**
 - **HR 4813 / S 2704 -- ABLE Age Adjustment Act**
 - **Raises diagnosis of disability from age 26 to 46**
- **Senate Finance reports out ABLE to Work Act and ABLE Financial Planning Act**
 - **National disability advocates seek support for ABLE Age Adjustment Act or none at all**
- **CSPN perspective:**
 - **Wants to support legislation that would allow States not to file claims for Medicaid reimbursement following an ABLE beneficiary's death**
 - **Will be neutral with respect to age limits**

Regulatory Matters

- **Treasury released Notice 2015-18 on ABLE in March 2015:**
 - **States would not be penalized for launching ABLE Plans ahead of rules and regulations from the Treasury**
 - **CSPN seeking confirmation of additional transition relief for ABLE Plans to be launched immediately after rules and regulations are released (October 13 CSPN Board meeting)**
- **Treasury released Proposed Regulations in June 2015:**
 - **215-plus comment letters received by September 21, 2015 deadline**
 - **Public hearing at Treasury held on October 14, 2015**
 - **Updated Regulations are still pending but reportedly will be released before 2016 year-end**
- **MSRB releases Regulatory Notices:**
 - **April 2016 -- Units may be Municipal Fund Securities (D-12) and, if so, dealers would be subject to all MSRB rules (presumably including G-17 on Fair Dealing)**
 - **August 2016 -- Plans will report sales information as of August 29, 2018 (G-45)**
- **Open items:**
 - **CSPN will support legislation that would allow states not to file claims for Medicaid reimbursement following an ABLE beneficiary's death**
 - **States still seek clarity on reporting to SSA by private sector entities**