

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



Setting ABLE Priorities

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Table of Contents

	<u>Slide</u>
I. Overview	3
II. Evaluating the Options	6
III. Fee Discussion	13
IV. Next Steps	17

Section I.

Overview

Our Continuing Discussion

- **Board members are fiduciaries:**
 - **Act in the best interest of the Plan**
 - **Put the Plan's interests ahead of your own**
 - **Demonstrate good governance by complying with established processes**
- **As fiduciaries, the Board must determine the best ABLE option for California**
- **To determine that option, the Board must define its priorities:**
 - **Governance**
 - **Investment oversight**
 - **Service to California residents with disabilities**
 - **Timing**
 - **Available in-State resources**

Priorities to Consider

- **Governance = Control:**
 - Board is responsible for establishing and maintaining all Plan features
 - Plan represents California municipal securities
- **Investment Oversight = Design:**
 - Investments meet the needs of a broad array of investors
- **Services = Your Constituents:**
 - Plan includes design elements that matter to California beneficiaries
 - Fees are cost effective
- **Timing:**
 - Launch meets the Board's 2017 timeframe
- **In-State Resources = Your Costs:**
 - State appropriations or other revenue sources to cover implementation and ongoing costs

Section II.

Evaluating the Options

More Detail on Implementation Options

Option	Implementation Structure	What's Involved	Potential Partners
A	California ABLE Plan	<p>Committee review of RFP Responses</p> <p>Board decision between recommended response and other implementation options</p>	<p>BNY Mellon</p> <p>Intuition ABLE Systems</p> <p>Any Respondent to RFP</p>
B	A Consortium	<p>For Illinois - Execute:</p> <ul style="list-style-type: none"> (i) Interstate Agreement with Illinois (ii) Implementing Agreement with Ascensus <p>[California Plan would be identical to all Consortium States]</p> <p>For Oregon – Negotiate an Access Agreement with Oregon</p> <p>[California Plan investments could be different from Oregon]</p>	<p>Illinois as Lead State / Ascensus</p> <p>Oregon / BNY Mellon</p>
C	State Partnership	<p>Execute a partner / interstate agreement</p> <p>Plan would be a California version of another State's Plan</p>	<p>Ohio</p> <p>Oregon</p>

Fundamental Aspects: Governance and Control

- Board's role in creating a Plan drives other important matters:

	Option A	Option B	Option C
Plan Established and Maintained By	Board	Board	Another State
Program Management	Winning RFP Respondent	Ascensus – Illinois BNY – Oregon	Another State with its manager as a subcontractor
Duty to Beneficiaries	Full Fiduciary	Full Fiduciary	Arguably a Full Fiduciary
Municipal Securities Issue	Board	Board	Another State
California-Specific Benefits	Available to California Residents	Available to California Residents	Availability is unclear

Fundamental Aspects: Investment Oversight and Design

- Different Options provide varying degrees of flexibility on investments:

	Option A	Option B	Option C
Plan Established and Maintained By	Board	Board	Another State
Investment Options Designed By	Board based upon RFP Response	Illinois – Already Determined Oregon – Board	Depends on State: Ohio – Ohio Oregon – could be Board
Ability to Change investment Options	Determined by Board Investment Policies	Illinois -- As permitted by the Consortium Oregon – Board	At other State's discretion
Investment Reporting Set By	Board	Illinois -- As determined by the Consortium Oregon – Board	At other State's direction

Fundamental Aspects: **Services to California Beneficiaries**

- Board has greatest ability to address Survey results under Option A:

	Option A	Option B	Option C
Enrollment and Account Access Determined By	Platform customized by Program Manager for CalABLE	Already in place with Ascensus and BNY	Platform already established by another State
California Survey Results	Board can take all into account	Existing features may meet the needs of California beneficiaries	Existing features may meet the needs of California beneficiaries
Marketing and Outreach	As directed by CalABLE along with State advocates	Illinois -- Ascensus has marketing templates and materials Oregon – Presumably, BNY does too There should be a role for California advocates	Some States offer marketing materials Others offer professional resources There would be a role for California advocates

Fundamental Aspects: **Timing**

- Quarter 2 or Quarter 3 launch is possible with all Options:

	Option A	Option B	Option C
Launch	Q3	Late Q2 or Early Q3	Late Q2 or Early Q3
Launch Timeline	Depends on RFP responses	Should be eight to ten weeks	Six to eight weeks
Factors Impacting Launch	<p>RFP responses</p> <p>Contract execution</p> <p>Design and customization</p> <p>Disclosure / marketing</p>	<p>Illinois – Interstate Agreement Implementing agreement</p> <p>Oregon – Access Agreement</p> <p>Disclosure / marketing</p>	<p>Partner State agreement</p> <p>Disclosure / marketing</p>
Additional Considerations	California Secure Choice	--	--

Fundamental Aspects: **Costs**

- Implementation and operational cost should be highest for Option A and lowest for Option C:

	Option A	Option B	Option C
California Professionals	Existing Staff	Existing Staff	Existing Staff but less oversight
Program Manager Costs	Program Manager should bear start-up costs Ongoing costs covered by beneficiary asset-based and annual account fees	Ongoing costs covered by beneficiary asset-based fees and possibly some portion of annual account fees	Neither Ohio nor Oregon seek start-up and ongoing payments
California Costs	Some disclosure, marketing and administration costs	Should be between Options A and C	Some disclosure, marketing and administration costs
Source for California Costs	Asset-based or annual account fees paid by beneficiaries or continuing appropriations	Illinois -- Add-on to annual account fees Oregon – Add-on to asset-based or annual account fees	Unclear

Section III.

Fee Discussion

Typical Account Fee Components

	Program Management Fees	State Administrative Fees	Annual Account Maintenance Fees
Paid By	Investor	Investor	Investor
Paid To	Program Manager to cover all services	State to cover costs (could be start-up and ongoing)	Program Manager, often to provide steady funds in early years
Fee	<p>Percentage fees (stated in basis points) charged against the assets in an account</p> <p>Every investor pays the same percentage fee – dollars paid differ based on account balances</p> <p>Examples:</p> <ul style="list-style-type: none"> • 0.25% on \$3,000 = \$7.50 • 0.25% on \$10,000 = \$25.00 	<p>Same basis as Program Management Fees</p>	<p>Dollar fees charged against every account</p> <p>Every investor pays the same dollar fee – percentage impact differs based on account balances</p> <p>Examples:</p> <ul style="list-style-type: none"> • \$50 on \$3,000 = 1.67% • \$50 on \$10,000 = 0.50%

Overview of Participant Fees

State Provider	Participants	Program Management	Underlying Investments	Total Fees	Account Maintenance Fees	
					Residents	Non-residents
Consortium States Ascensus	All	0.32%	0.02-0.06%	0.34-0.38%	\$10 - \$15 p/quarter (\$40-\$60) ¹	same
Florida Intuition	Residents only	Not specified	Not specified	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)	same
Nebraska FNBO	All	0.50%	0.05-0.06%	0.55-0.56% 0.50% FDIC	\$11.25 p/quarter (\$45)	same
Ohio Intuition	Residents only	0.19%	0.12-0.15%	0.31-0.34% 0.19% FDIC	\$2.50 p/month (\$30)	--
	Partners	0.19%	0.12-0.15%	0.31-0.34% 0.19% FDIC	--	\$3.50 p/month (\$42)
	All Others	0.45%	0.12-0.15%	0.57-0.60% 0.45% FDIC	--	\$3.50 p/month (\$42)
Oregon BNY Mellon	OR ABLE: Residents only	0.30%	0.0647-0.081%	0.3647-0.381% 0.30% FDIC	\$11.25 p/quarter (\$45) \$22.50 for Year 1	--
	ABLE for All: Non-residents	0.30%	0.0647-0.081%	0.3647-0.381% 0.30% FDIC	--	\$55 p/year
Tennessee Envision	All	0-0.31%	0.04-0.62%	0.35% 0% FDIC	None specified	None specified
Virginia PNC	All	0.25%	0.12-0.15%	0.37-0.40% 0.39% Money Mkt 0% FDIC	\$3.25 p/month (\$39)	Same

¹Consortium Plans at \$55 and \$60 account maintenance fee will be reduced by \$3.75 p/quarter for accounts that elect the e-delivery option

Example: Annual Account Fee Calculation

State Plan Implementation Structure Investment Option	Oregon A or C Moderate	Rhode Island B Growth	North Carolina B Growth	Michigan C Balanced
Total Annual Fee Calculation:				
Assumed Assets	\$3,000	\$3,000	\$3,000	\$3,000
Stated Asset-based Fee (bp)	0.3738%	0.38%	0.38%	0.72%
Stated Asset-based Fee (\$)	\$11.21	\$11.40	\$11.40	\$21.60
Annual Maintenance Fee	45.00	40.00	60.00	45.00
Total Annual Fees	\$56.21	\$51.40	\$71.40	\$66.60
Overall Asset-based Fee Calculation:				
Assumed Assets	\$3,000	\$3,000	\$3,000	\$3,000
Total Annual Fee	\$56.21	\$51.40	\$71.40	\$66.60
Overall Asset-based Fee	1.87%	1.71%	2.38%	2.22%

Section IV.

Next Steps

Decision Points

- Consider importance of each factor:
 - Does the CalABLE Board want to establish and maintain its own Plan?
 - *This preserves flexibility in Plan design*
 - *Consider investment options and other design elements*
 - If so, how important is timing of launch?
 - *Board may be able to move more quickly with the Illinois-based Consortium than Option A*
 - Are you meeting the needs and desires of the California disability communities?
 - *Options B and C offer relatively low cost solutions*
 - *Can you offer an Option A solution at an attractive price*
- Evaluate choice between a recommended RFP response and other Implementation Options