



Achieving a Better Life Experience (“ABLE”) Act Board

Request for Proposals 529A Program / Plan Manager RFP No. ABLE 04-17

Preliminary Summary of Responses

As of August 9, 2017



RFP FOR 529A PROGRAM / PLAN MANAGER SERVICES
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RFP FOR 529A PROGRAM / PLAN MANAGER SERVICES
FIRM BACKGROUND AND ORGANIZATION

	Nottingham
Agreement Party (4.1.a)	Nottingham Company, Inc. ("Nottingham")
Subcontractors and Affiliates (4.1.a)	<p align="center"><u>Affiliates:</u>¹</p> <p align="center">OBP Capital LLC ("OBP") – SEC-registered Investment Advisor (Investment Advisory and Subadvisor Selection)</p> <p align="center">Nottingham Shareholder Services LLC ("NSS") – SEC-registered Transfer Agent (Recordkeeping, Transaction Processing, Enrollment, Portal Access and Reporting, Call Center)</p> <p align="center"><u>Subcontractors:</u>²</p> <p align="center">Envision Financial Systems ("Envision") – Recordkeeping Software Provider (Recordkeeping, Account Processing, Reporting and Compliance Monitoring)</p> <p align="center">Solix, Inc. ("Solix") – Call Center and New Participant Support</p> <p align="center">KF McGrath, LLC ("KFM") – 529A Expertise (Governance and Oversight, Processing, Client and Board Reporting, Compliance Monitoring)</p> <p align="center">Gift of Independence ("GIFT") – Debit Card and Gift Card Provider</p> <p align="center">Ignite Social Media ("Ignite") – Social Media Marketer</p> <p align="center">Capital Investment Group, Inc. ("CIG") – Broker Dealer and Distributor</p>
Parent Guarantee or Insurance Coverage (4.1.b)	Not applicable – Nottingham is the parent and principal Respondent
California Presence (4.1.c)	<p align="center"><u>Nottingham</u></p> <p align="center">1 employee dedicated to business development based in San Diego Willing to hire two additional CA-residents for in-person outreach and enrollment³</p> <p align="center"><u>Subcontractors</u></p> <p align="center">Envision and GIFT are CA-based corporations Several CA-based investment firms (DFA, Aspiration, Western Asset Management, Cavalier)</p>

¹ Both affiliates OBP and NSS are owned and operated by principals and senior management of Nottingham.

² Response is unclear but we believe each of the following firms would be engaged as subcontractors

³ See Marketing and Outreach Question 4.5.e

RFP FOR 529A PROGRAM / PLAN MANAGER SERVICES
FIRM BACKGROUND AND ORGANIZATION

	Nottingham
Experience with Similar Services (4.1.e) <ul style="list-style-type: none"> • Program • Assets • Accounts <p><i>Assets and Accounts are as of 12/31/2016</i></p>	<p align="center"><u>529 or 529A Plans</u> None</p> <p align="center"><u>Other Plans</u> Fund Accounting and Transfer Agency Services provided to:</p> <p align="center"><i>Pennsylvania on LGIP</i> \$826m / 3 portfolios representing 483 participants (Since 1998)</p> <p align="center"><i>Georgia MEAG on JPA</i> \$714m / 4 portfolios representing 49 participants (Since 1996)</p> <p align="center"><i>Multi-jurisdictional client on Section 115</i> \$2.63b / 3 portfolios representing 171 participants (Since 2004)</p>
Commit to Launch by 2Q or 3Q of FY 2017/2018? Any Issues? (4.1.f)	<p align="center">Yes – Timeline is aggressive but achievable</p> <p align="center">Will adjust accordingly if timelines are delayed. [No mention of specific issues or concerns that could cause delay]</p>
[NEW] Compliance with SEC rules related to Municipal Advisors (4.1.h)	<p>Determined that a Municipal Advisor registration is not required. Notwithstanding, Nottingham is willing to register a subsidiary entity as a Municipal Advisor and include it in contractual agreements with CalABLE</p> <p>IRMA exemption is another solution – using CalABLE’s consultants that are registered Municipal Advisors</p>
Member of SIPC, FDIC or NCUA? (4.1.j)	<p align="center">Yes – CIG is a member of SIPC</p>
Distinguishing Factor(s) (4.1.l)	<ul style="list-style-type: none"> • Focus – As the sole ABLE client, CalABLE will be a major and primary focus for Nottingham • Commitment – Assembled a “best-in-class” team to provide each Required Service
[NEW] Strategy to attract Californians (4.1.m)	<p align="center">Appeal to Californian pride, veteran community for targeted messaging on social media Leverage connections with CA-based investment firms for marketing and outreach Client-focused service with a small entrepreneurial firm culture approach</p>

RFP FOR 529A PROGRAM / PLAN MANAGER SERVICES
COMPLIANCE

	Nottingham
Disability Compliance (4.2.a)	<p align="center"><u>Nottingham IT and Solix</u></p> <p>Experienced in complying with WCAG and 508 and has the capability to mobile optimize sites and portals. Solix has experience designing websites in compliance with ADA Section 508</p> <p align="center"><u>Envision</u></p> <p>PowerAgent-based system coupled with Nottingham's proprietary system functions will provide desired functionality. Will provide demonstration of system capabilities at the Board's request</p>
Compliance Procedures in place? (4.2.b)	<p align="center">Yes</p> <p>Engaged KFM for governance and oversight expertise. KFM will provide a procedures manual</p>
Debit or Prepaid Card? Compliance Status (4.2.c)	<p align="center">Yes</p> <p align="center">GIFT has PCI DSS compliance status with D-Merch level certification</p> <p align="center">GIFT partners with Discover for Debit Card</p>
SSAE 16 available? (4.2.d)	<p align="center">Yes</p> <p align="center">Link to most recent SSAE 16 SOC 1 report included</p>

RFP FOR 529A PROGRAM / PLAN MANAGER SERVICES
ADMINISTRATION, RECORDKEEPING, BANKING AND CUSTOMER SERVICE

	Nottingham
Recordkeeping System (4.4.a)	Envision's PowerAgent
Fraud Protection Practices (4.4.c)	<p>Verification of Account Owner:</p> <ul style="list-style-type: none"> • Use LexisNexis to verify identities • Notify CalABLE of unverifiable applicants and request identification information • If still unverifiable, account will be frozen <p>Verification of Bank Accounts:</p> <ul style="list-style-type: none"> • Send prenote to verify bank • Deal with errors that arise after processing • Use customer bank's merchant verification process for large transactions • Require voided check or copy of statement in the account opening process <p>Detection of Fraud:</p> <ul style="list-style-type: none"> • Anti-Money Laundering and Compliance program that is annually tested by independent third party SHC Consulting Group • Generate activity reports that fall outside of policy • If suspicious activity is detected, account will be frozen, redeemed or permanently blocked <p style="text-align: center;">Will work with Board to develop additional policies as needed</p>
Comply with All Required Reports? (4.4.d)	Yes for all
[NEW] Banking Institution used for Processing	<p>Nottingham has bank DDA and custodian relationships with UMB, Huntington, US Bank and BNY Mellon</p> <p>Nottingham is indifferent to the institution chosen and will work with Board</p>
Offers Debit or Prepaid Card? (4.4.f)	<p>Would propose to offer a debit card solution through Nottingham rather than a DDA account</p> <p>Debit card settlements can be done through the debit card company's bank</p>
[NEW] If none currently, willing to partner with a CA-based firm? (4.4.g)	Yes
Minimum Account Contribution (4.4.h):	
<ul style="list-style-type: none"> • Opening • Subsequent 	<p>\$250 – but can accommodate as low as \$25. Will be flexible, especially for ACH</p> <p>Not specified</p>

RFP FOR 529A PROGRAM / PLAN MANAGER SERVICES
ADMINISTRATION, RECORDKEEPING, BANKING AND CUSTOMER SERVICE

	Nottingham
Real Time Electronic Access to Board? (4.4.i)	Yes [clarified by response to Question 4.4.j] Certain online information such as fund transactions would show previous day activity ⁴
Provide Various Distribution Options (EFT, Check, Pre-paid Card)? (4.4.k)	Yes
How to Identify Qualified Rollovers (i.e., Eligible family member Account or Satisfies 60-day requirement) (4.4.m)	Require documents – as determined by Board policy – to prove family relationship. E.g., birth certificates, school and medical records, Medicaid cards, copies of tax returns Nottingham's in-house legal and compliance support will advise Board on formulating the policy
Handling of Accounts After Death of Beneficiary (4.4.n)	Freeze account until required documents are received CalABLE will determine the required documentation with Nottingham's assistance
Handling of State Medicaid Claims (4.4.o)	Properly document claims received as being authorized by the State and/or court Then, Medicaid agency's directions would be followed, as allowed under Section 529A
Dedicated Customer Staff for CalABLE? (4.4.p)	Yes Nottingham's dedicated client relationship team will provide day-to-day and ongoing support Subcontracting firms will be also provide support with responsible team members
Third-Party Audit (4.4.r)	Not at this time
Customer Service 8am-7pm PT M-F? (4.4.s)	Yes
Call Center Statistics for Quarter-end 12/31/2016 (4.4.t) <ul style="list-style-type: none"> • Number of calls • Calls answered • Calls abandoned • Average wait time • Average talk time • Average hold time 	803,210 792,865 10,345 0.99 minutes 5.24 minutes 0.75 minutes
Additional Staffing (4.4.u)	Yes

⁴ This is typical in 529 structures. Mutual fund activity and investment option pricing provided as of 4pm on the immediately preceding business day.

**RFP FOR 529A PROGRAM / PLAN MANAGER SERVICES
ADMINISTRATION, RECORDKEEPING, BANKING AND CUSTOMER SERVICE**

	Nottingham
	3 staff members added to NSS to handle investment transactions 3-5 customer service reps for call center
Customer Service Staff Credentials (4.4.v)	Trained with ethical standards (e.g. The Golden Rule) No technical credentials
Online Account Services for Account Owners (4.4.w)	Information updated daily Various key shareholder/participant and program management portal features. See response to Question 4.4.j for details

RFP FOR 529A PROGRAM / PLAN MANAGER SERVICES
MARKETING AND OUTREACH

	Nottingham
Experience with Disability (4.5.a)	<p align="center">No direct experience</p> <p>Ignite has related experience with heart disease community. Designed social media marketing materials for the American Heart Association's "Go Red for Women" division</p> <p>Will present Ignite's work examples from the Heart Association campaign and provide strategy for CalABLE's social media campaign through a webinar presentation, if desired by the Board</p>
Services to Other ABLÉ program? (4.5.c)	None
[NEW] Strategy to maximize effectiveness of proposed Marketing Commitment (4.5.d)	<p>Partner with Ignite on social media marketing campaign to target eligible audience. Ignite is expected to generate 67,000 visits to a CalABLE landing page</p> <p>Nottingham will cover cost of social media, which is the greater of (i) \$100,000 or (ii) 7.5% of total CalABLE revenues up to \$250,000 per year.</p> <p align="center">[Need to clarify what comprises "total CalABLE revenues"]</p>
Annual Marketing Commitment (4.5.e)	
• Year 1	\$100,000
• Year 2	\$130,000
• Year 3	\$185,000
• Year 4	\$230,000
• Year 5	<u>\$250,000</u>
• Total	\$895,000
Dedicated Field Reps for CalABLE (4.5.f)	<p align="center">Dedicated marketing person currently based in CA</p> <p align="center">Willing to hire two additional staff to assist with direct marketing</p>
Branding Interplay for Marketing Materials (4.5.g)	<p align="center">Do not believe Nottingham to be a significant name recognition</p> <p align="center">DFA, however, has strong brand recognition so would propose to co-brand when targeting financial advisors</p>
Use of Social Media (4.5.h)	<p align="center">Large opportunity in social media</p> <p>Will use social media marketing to target audiences by zip code, income, family parameters and affiliations with organizations supporting persons with disabilities</p> <p align="center">Create an account signup website that is informational and user friendly</p>

RFP FOR 529A PROGRAM / PLAN MANAGER SERVICES
MARKETING AND OUTREACH

	Nottingham	
Target AUM and Accounts (4.5.i)	<u>AUMs</u>	<u>Accounts</u>
• Year 1	\$50 million	20,000
• Year 2	\$145 million	37,000
• Year 3	\$286 million	54,000
• Year 4	\$450 million	61,000
• Year 5	\$641 million	67,000

RFP FOR 529A PROGRAM / PLAN MANAGER SERVICES
FEES

		Nottingham
Asset-based Fees	Program Management Fee (4.6.a)	<p align="center">0.25% for all</p> <p align="center">Exceptions: 0.10% for ANOVA Fund 0.05% for Ultra Short Prime Fund</p>
	Estimated Investment Fee (4.6.a)	<p align="center">Overall Plan: 0.04% - 1.40%</p> <p align="center">Target Date Option (Dimensional): 0.23% - 0.29%</p> <p align="center">Static Options (Dimensional): 0.50% - 0.53%</p> <p align="center">Individual Options: 0.04% - 1.40%</p> <ul style="list-style-type: none"> • Individual Options (Vanguard Index): 0.04% - 0.12% • Individual Options (iShares ETF): 0.07% - 0.72% • Individual Options (Others): 0.165% - 1.40%
	Total Investment Option Fee (4.6.a)	<p align="center">Overall Plan: 0.215% - 1.65%</p> <p align="center">Target Date Option (Dimensional): 0.48% - 0.54%</p> <p align="center">Static Options (Dimensional): 0.75% - 0.78%</p> <p align="center">Individual Options: 0.215% - 1.65%</p> <ul style="list-style-type: none"> • Individual Options (Vanguard Index): 0.29% - 0.37% • Individual Options (iShares ETF): 0.262% - 0.97% • Individual Options (Others): 0.215% - 1.65%
Dollar-based Account Maintenance Fee (4.6.b)		<p align="center">Varies by number of Total Accounts Includes monthly per account fee and dollar-based program management fee</p> <p align="center">Unclear whether program management fee in the chart below will be paid by Nottingham from the asset-based program management fee included in response to Question 4.6.a or paid separately by the State to Nottingham</p> <p align="center">Also unclear whether both fees must be collected or the Respondent is offering a choice</p>

RFP FOR 529A PROGRAM / PLAN MANAGER SERVICES
FEES

	Nottingham																																															
	<table border="1"> <thead> <tr> <th colspan="2">Number of Accounts</th> <th>Monthly Per Account Fee</th> <th>Monthly Program Management Fee</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>10,000</td> <td>\$3.00</td> <td>\$20k</td> </tr> <tr> <td>10,001</td> <td>20,000</td> <td>\$2.90</td> <td>\$17.5k</td> </tr> <tr> <td>20,001</td> <td>30,000</td> <td>\$2.80</td> <td>\$15k</td> </tr> <tr> <td>30,001</td> <td>40,000</td> <td>\$2.70</td> <td>\$12.5k</td> </tr> <tr> <td>40,001</td> <td>50,000</td> <td>\$2.60</td> <td>\$10k</td> </tr> <tr> <td>50,001</td> <td>60,000</td> <td>\$2.50</td> <td>\$7.5k</td> </tr> <tr> <td>60,001</td> <td>70,000</td> <td>\$2.40</td> <td>\$5k</td> </tr> <tr> <td>70,001</td> <td>80,000</td> <td>\$2.30</td> <td>\$2.5k</td> </tr> <tr> <td>80,001</td> <td>90,000</td> <td>\$2.20</td> <td>None</td> </tr> <tr> <td colspan="2">90,001 and above</td> <td>\$2.10</td> <td>None</td> </tr> </tbody> </table>				Number of Accounts		Monthly Per Account Fee	Monthly Program Management Fee	0	10,000	\$3.00	\$20k	10,001	20,000	\$2.90	\$17.5k	20,001	30,000	\$2.80	\$15k	30,001	40,000	\$2.70	\$12.5k	40,001	50,000	\$2.60	\$10k	50,001	60,000	\$2.50	\$7.5k	60,001	70,000	\$2.40	\$5k	70,001	80,000	\$2.30	\$2.5k	80,001	90,000	\$2.20	None	90,001 and above		\$2.10	None
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Other Fees (4.7)	<p align="center">Paper Statement Fee: \$10 per recipient</p> <p align="center">Upfront Cost of Investment:</p> <p>(i) Onboarding Fee: \$10 per participant, OR</p> <p>(ii) Upfront payment by CalABLE, to be repaid from dollar-based account maintenance fees</p> <p align="center">Upfront costs include expenses related to call center, marketing program, website enhancements and other materials</p>																																															