
AUGUST 7, 2018

**AGENDA ITEM 03
ACTION ITEM**

CALIFORNIA ABLE ACT BOARD

Resolution No. 2018-03: Approval of the California ABLE Act Board to Enter Into Agreement No. ABLE 01-18 for 529A Program/Plan Management Services for the California ABLE Program

Action Recommended

Adopt Resolution No. 2018-03 authorizing the Executive Director to enter into Agreement No. ABLE 01-18 with TIAA-CREF Tuition Financing, Inc. (“TFI”) for 529A program/plan management services.

Background

In May 2018, the California ABLE Act Board (“Board”) approved the issuance of a request for proposals (“RFP”) for 529A program management services for the California ABLE Program (“CalABLE” or “Program”). The RFP was released on May 30, 2018 with a submission deadline of July 9, 2018. The Board received two responsive proposals for the Program.

Evaluation Process

The RFP’s Evaluation Committee (“Committee”) included the Board’s staff—Dante Allen, Executive Director, Carrie Fisher Stone, Deputy Director, and Raji Prasad, Associate Governmental Program Analyst—and Mark Paxson, the State Treasurer’s General Counsel and Chairperson’s designee. As stated in the RFP, the Committee evaluated the proposals based on the following criteria:

- Firm Background, Organization, and Compliance
- Investment Structure and Experience
- Administration, Recordkeeping, Banking and Customer Service
- Education and Outreach
- Costs

Proposals were reviewed by both the Board’s 529 program consultant and investment consultant. The proposal from TFI was determined to have earned the highest score.

Summary of TFI Proposal

Firm Background, Organization and Compliance

TFI is a subsidiary of the Teachers Insurance and Annuity Association of America (“TIAA” or “TIAA-CREF”). Having a presence in the 529 college savings industry since 1998, TFI currently manages \$46 billion assets under management (“AUM”) and more than half a million retirement and education savings accounts in California.

The TFI team has a breadth of experience managing 529 plans, including California’s ScholarShare 529 Program. TFI’s subcontractors includes two reputable firms, Intuition ABLE Solutions (“IAS”) and State Bank and Trust (“State Street”) to provide recordkeeping services and custodial and transfer agent services, among other related services.

TFI’s project plan includes a tentative Program launch by December 10, 2018.

Investment Structure and Experience

The investment structure includes three affiliated investment options—conservative, moderate, and aggressive—and one FDIC Insured Savings Account option through TIAA Bank. Investment options for the Program have competitive fees with internal processes to monitor performance and to select funds and fund managers.

TFI is open to non-propriety funds pending Board approval and is also open to adding or substituting non-proprietary funds due to underperformance.

Administration, Recordkeeping, Banking and Customer Service

TFI will use ABLEdirect and CapABLE provided by IAS as the Program’s recordkeeping system. Banking services will be provided by State Street.

Customer service will be provided through a primary call center in Jacksonville, Florida and a backup center in Tempe, Arizona. Customer service hours will be from 9 a.m. to 5 p.m. Pacific Time Monday to Friday. Customer service representatives are highly trained to handle calls from multiple ABLE programs and are subject to ongoing training to improve services and processes. If necessary, TFI is willing to increase staff for the Program.

As stated in the RFP, TFI will comply with all required administrative reports. Other compliance includes supporting program-to-program transfers (or rollovers), handling deaths of beneficiaries, and completing Medicaid claims.

Prepaid cards will be available 3 to 6 months after Program launch and will be offered through TIAA.

The minimum and subsequent contributions will be \$25. Distributions will be through Electronic Fund Transfers (“EFT”) and check.

Education and Outreach

Dedicated personnel will include nine employees to support education and outreach efforts for the Program. Ms. Linda English will be TFI’s Relationship Manager; Ms.

English was the former Senior Deputy Treasurer for Nevada, where she helped launch the state's ABLE program in 2017.

TFI has extensive philanthropic experience in the disability community. It was a sponsor of the National Disability Institute's 2018 #ABLE2Save Public Awareness Campaign. It also has experience working with advocacy groups and will leverage existing partners for an Ambassador Program.

For education and outreach, TFI proposes to use its experience to invest in public relations, refine stakeholder groups to identify preferences, and create a Digital Toolkit for partner organizations. TFI will also create a public website for the Program. Educational materials will include a tri-fold brochure, enrollment guide, and disclosure document. Supplemental materials will include banners, posters, and exhibit materials. Printed outreach materials will be in English and Spanish.

Costs

TFI's fixed dollar cost to support operational costs in the first year total \$695,500. The account maintenance fee for participants will be \$37 assessed monthly. Other fees include paper mail delivery (\$10 per year), paper application fee (\$35), insufficient funds fee (\$20 per occurrence), and check issuance fee (\$5 per check).

Attachments

- Attachment #1 – Resolution No. 2018-03
- Attachment #2 – ABLE Industry Compilation by AKF Consulting Group