



**Helping People with Disabilities
Achieve Financial Security
and Independence.**



CalABLE in Perspective: Landscape, Fee and Cost Analysis

**Revised
October 23, 2018**

Table of Contents

<u>Section</u>	<u>Slide</u>
I. ABLE Landscape	3
II. Fee and Cost Analysis	10

Appendix

Asset-based Fees

Dollar-based Fees

Comparison of Fees

Section I.

ABLE Landscape

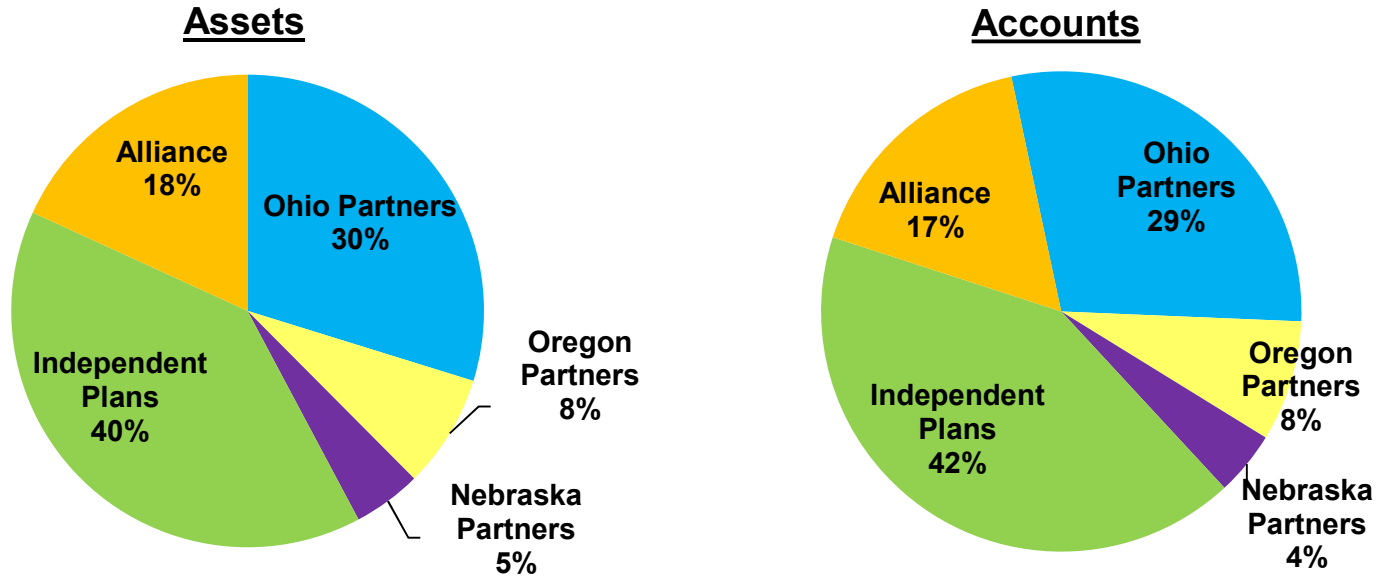
Available ABLE Plans

	Ohio Partners	Oregon Partners	Nebraska Partners	ABLE Alliance	Independent Plans
States	Ohio Arizona Georgia Kentucky Missouri New Hampshire New Mexico Oklahoma South Carolina Vermont West Virginia Wyoming	Oregon Maryland Washington	Nebraska Alabama	Alaska Colorado Delaware District of Columbia Illinois Indiana Iowa Kansas Minnesota Montana Nevada New Jersey North Carolina Pennsylvania Rhode Island	Florida Louisiana Massachusetts Michigan New York Tennessee Texas Virginia (2)
40 States	12 States	3 States	2 States	15 States	8 States
13 Plans	1 Plan	1 Plan	1 Plan	1 Plan	9 Plans

Information as of October 1, 2018



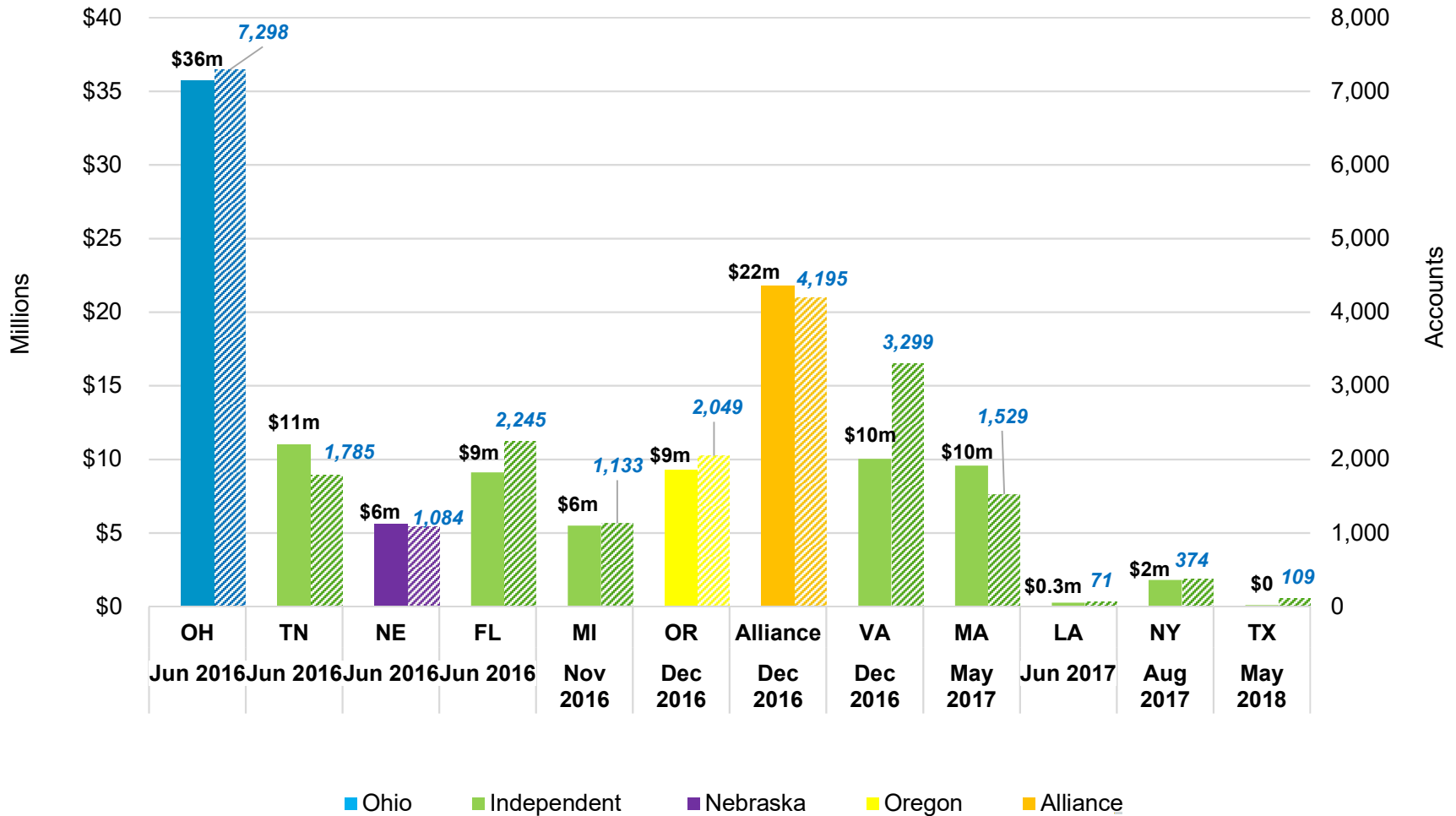
ABLE Market Specifics



	Assets	Accounts	Average Account Size
Ohio Partners	\$35,750,855	7,298	\$4,899
Oregon Partners	\$9,295,694	2,049	\$4,537
Nebraska Partners	\$5,618,137	1,084	\$5,183
Independent Plans	\$47,518,779	10,545	\$4,506
ABLE Alliance	\$21,802,501	4,195	\$5,197
Industry Total	\$119,985,967	25,171	\$4,767

Source: Strategic Insight as of June 30, 2018

Timing View of the Market



Source: Strategic Insight as of June 30, 2018



Program Managers / Service Providers

Service Provider	States	# of States	# of Plans
Ascensus	National ABLI Alliance (15 States) New York, Tennessee	17	3
Intuition	OH Partnership (12 States)	12	1
BNY / Sunday	OR Partnership (3 States), Florida	4	2
First National Bank of Omaha	NE Partnership (2 States)	2	1
American Funds	Virginia	1	1
Fidelity	Massachusetts	1	1
NorthStar	Texas	1	1
PNC Bank	Virginia	1	1
State	Louisiana	1	1
TIAA	California*	1	1
TSA Consulting	Michigan	1	1

Source: Program Disclosure Statements available as of October 1, 2018; Florida transition from Intuition to BNY effective October 22, 2018

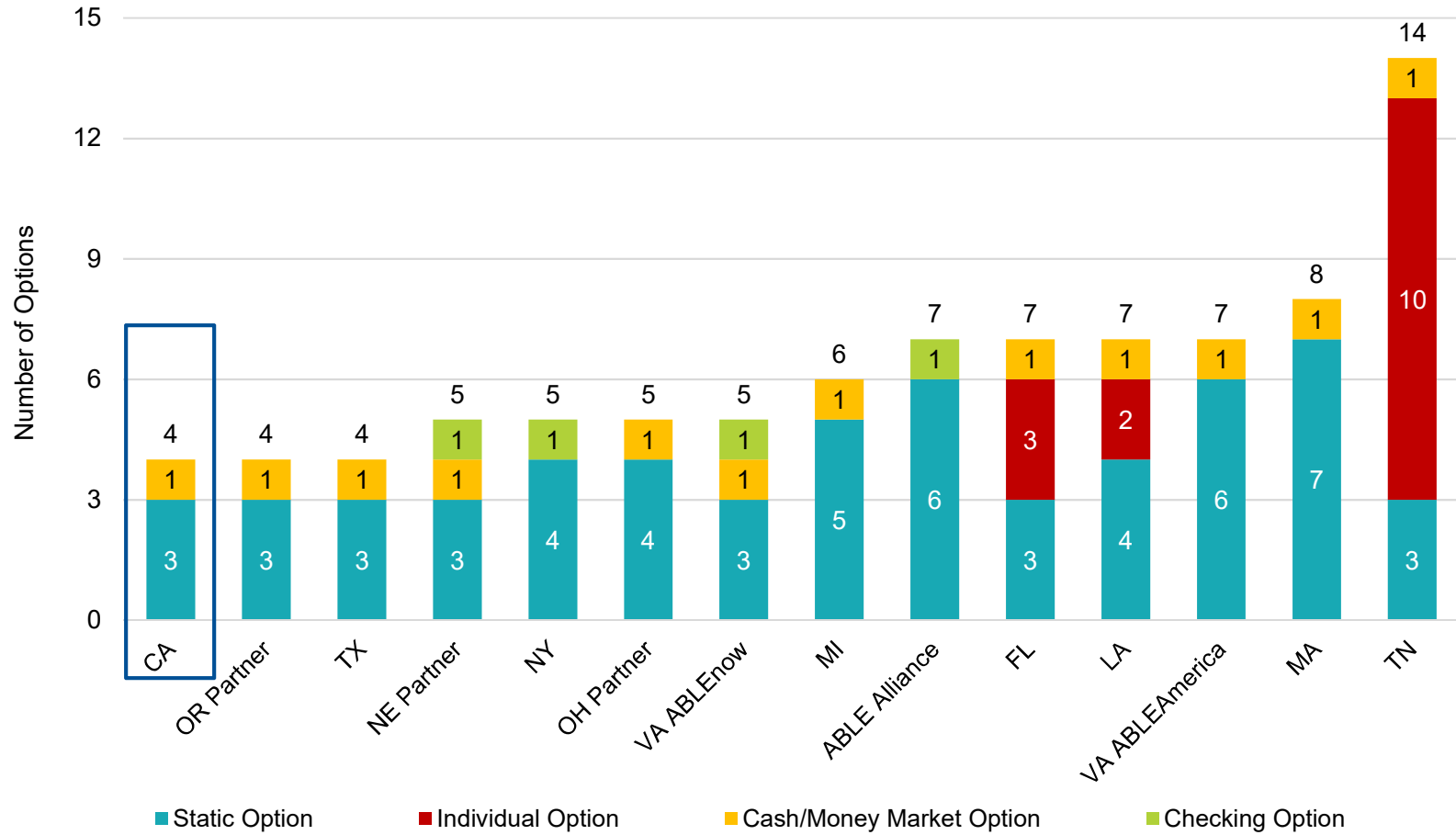
*Recordkeeping services to be provided by Intuition

Presence of Investment Managers

Investment Manager	States
Vanguard	National ABLA Alliance (15 States) NE Partnership (2 States) OH Partnership (12 States) OR Partnership (3 States) FL LA MI NY TN TX VA
BlackRock	National ABLA Alliance (15 States) FL
Schwab	National ABLA Alliance (15 States)
DFA	OR Partnership (3 States) MI TN
Fidelity	MA VA
American Funds	VA
TIAA	CA

Source: Program Disclosure Statements available as of October 1, 2018

Overview of Investment Options



Source: Program Disclosure Statements available as of September 12, 2018

Section II.

Fee and Cost Analysis

Background

- **TFI selected as Program Manager with a Cost / Fee proposal including:**
 - **Start-up Cost of \$695,500**
 - **Underlying Fund Fees ranging from 0% to 0.10%¹**
 - **Annual Account Maintenance Fee of \$37**
- **General Fund Loans cover initial and ongoing State needs and TFI Start-up Costs:**
 - **Prior to 2019: Cumulative \$3,500,000**
 - **2019 and beyond: \$900,000 annually, adjusted for 2% inflation each year**
- **State Administration Fee will provide revenues:**
 - **To repay the General Fund Loans**
 - **For future CalABLE operating costs**
- **Board's challenge is to determine the State Administration Fee that makes CalABLE affordable:**
 - **On a combined total asset and dollar basis**
 - **Compared to other ABLE Plans available to Californians**

¹ FDIC-Insured Savings Account at 0%. Static Options range from 0.08% to 0.10%

Relevant Industry Fees

Plan	Asset-based Fees	Dollar-based Fees
Massachusetts	0.57 - 0.94%	\$0
Virginia – ABLEAmerica	0.40 - 0.85% ¹	\$10 ²
Michigan	0.67 – 0.78%	\$45
OH Non-Partner (“NP”) States	0.56 - 0.59%	\$42
Nebraska Partnership	0.54 – 0.55%	\$45
Virginia – ABLEnow	0.36 – 0.39%	\$39
Oregon – ABLE for All	0.3538-0.3702%	\$35
National ABLE Alliance	0.34 - 0.37%	\$60 ³

Source: Program Disclosure Statements available as of September 12, 2018

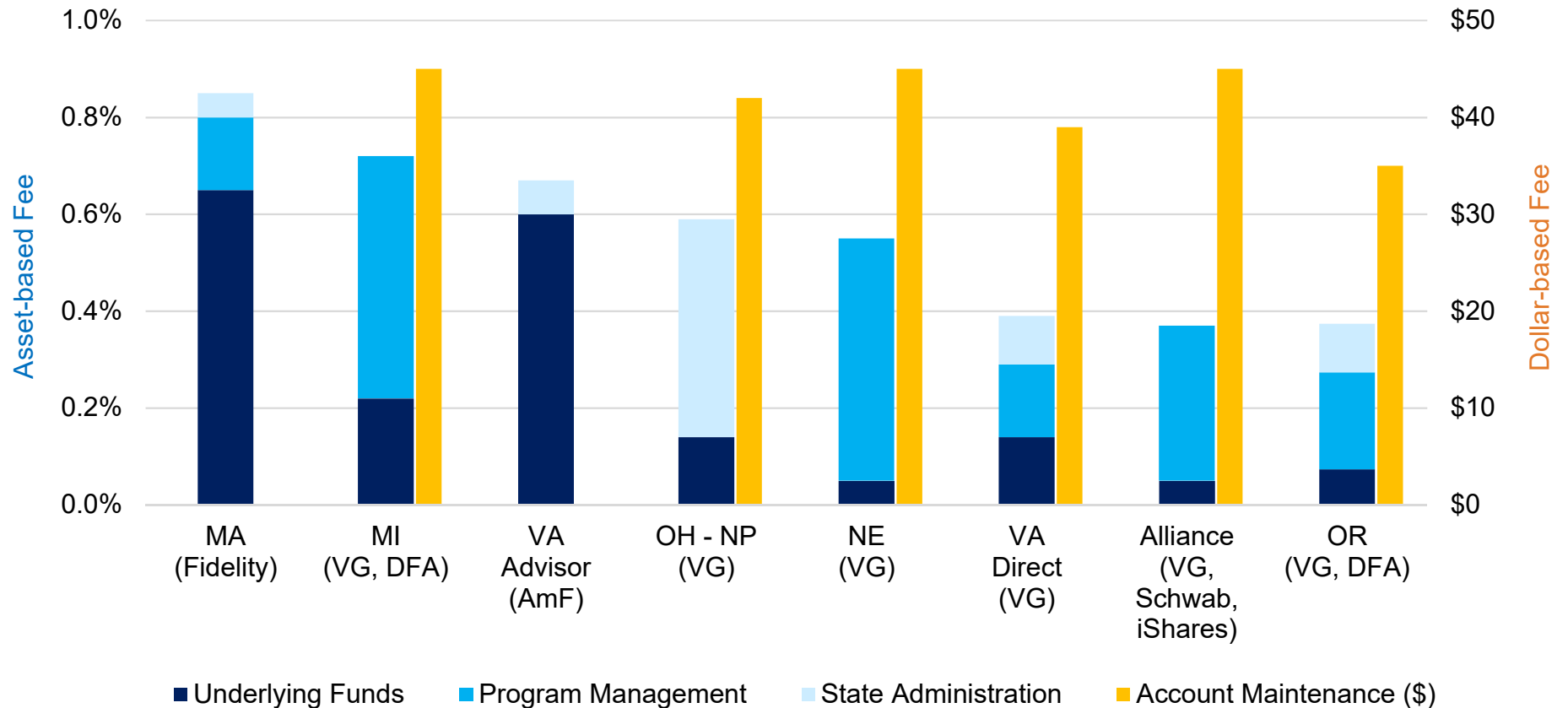
¹ Includes 0.30% in servicing or 12b-1 fees; does not include possible sales charges on A Shares

² Waived indefinitely (this mirrors CollegeAmerica, the Virginia 529 Advisor Plan managed by American Funds)

³ Account maintenance fee reduced by \$15 for e-delivery

Another View of Fees

Moderate Allocation Portfolio



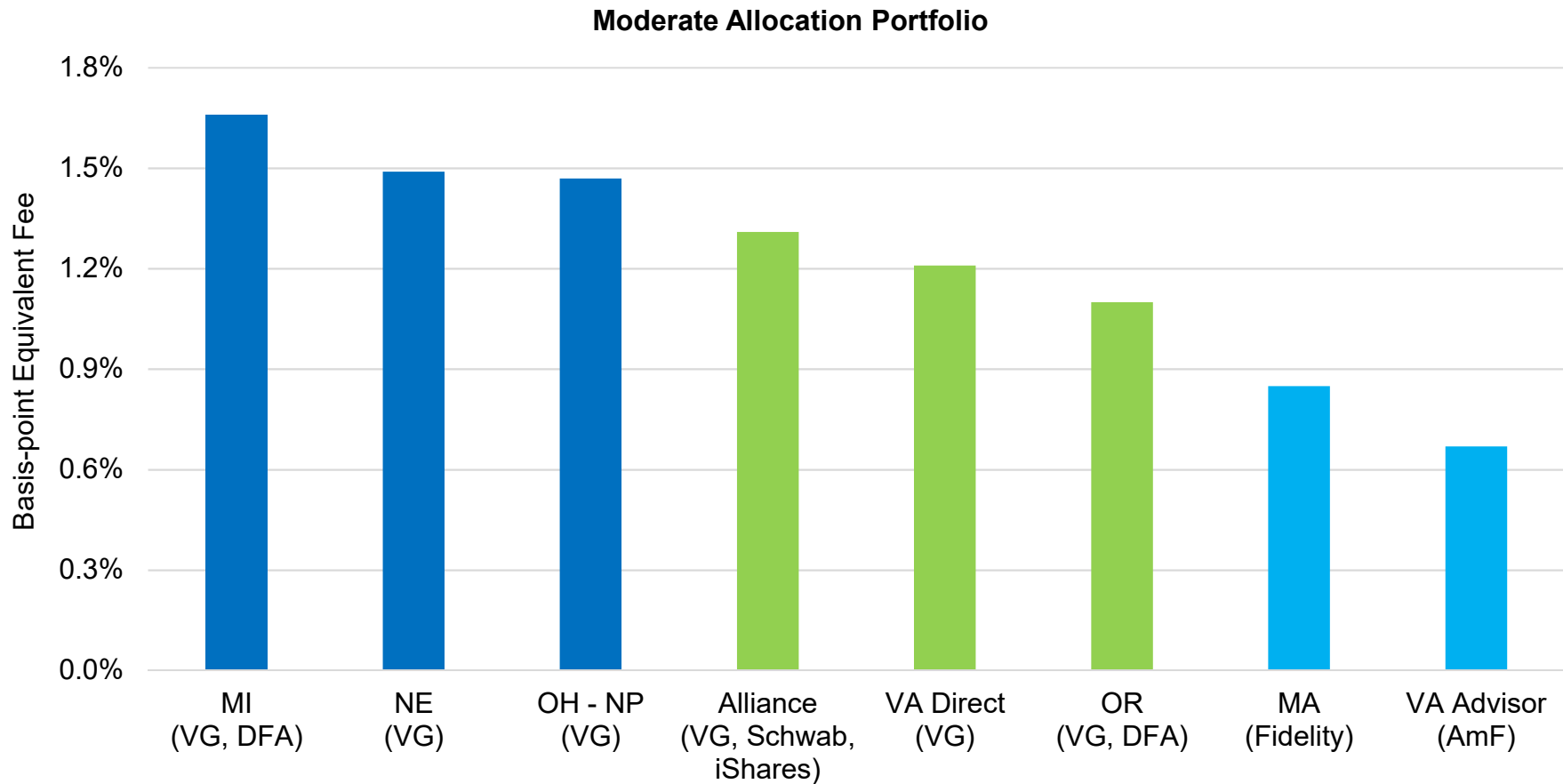
Source: Program Disclosure Statements available as of September 12, 2018

Notes:

- (i) For all Plans, Moderate Allocation approximates a 50/50 Portfolio
- (ii) Dollar-based fee of \$45 reflects e-delivery option for the Alliance States
- (iii) VA Advisor Underlying Funds include Program Management



Basis-point Equivalent Fees



Source: Program Disclosure Statements available as of September 12, 2018

Notes:

- (i) Basis-point conversion assumes \$4,767 average account balance based upon June 30, 2018 industry data
- (ii) **Green** and **blue** shadings demonstrate combined impact of asset- and dollar-based fees
- (iii) **Aqua** shading shows impact of no dollar-based fees



Cost Analysis Considerations

- **Board's Decision Points:**
 - Interplay between cost competitiveness and General Fund Loan repayment
 - Which fees matter most for participants?
 - Asset-based Fees (e.g., investments and State Administration)
 - Dollar-based Fee (e.g., Account Maintenance)
 - Total Cost
- **Elements of Total Cost:**
 - Considers both asset- and dollar-based fees
 - Provides an apples-to-apples comparison of different fee structures
 - Can be used to determine CalABLE's State Administration Fee
- **Lowest-cost ABLE Plans on a Total Cost basis serve as industry benchmarks**

Hypothetical Cost Comparison

State Plan	VA Advisor	MA	OR	CA	VA Direct	CA	Alliance	CA
Assumed Account Size¹	\$4,767	\$4,767	\$4,767	\$4,767	\$4,767	\$4,767	\$4,767	\$4,767
Asset-based Fee (In basis points)	0.67%	0.85%	0.36%	0.32%	0.39%	0.43%	0.37%	0.54%
Asset-based Fee (Converted to \$)	\$31.94	\$40.52	\$17.30	\$15.30	\$18.59	\$20.59	\$17.64	\$25.64
Account Maintenance Fee (\$)²	--	--	\$35.00	\$37.00	\$39.00	\$37.00	\$45.00 ³	\$37.00
Total Cost Paid	\$31.94	\$40.52	\$52.30		\$57.59		\$62.64	
Basis-point Equivalent	0.67%	0.85%	1.10%		1.21%		1.31%	
Implied CalABLE State Admin Fee⁴	-0.21%	-0.03%	0.22%		0.33%		0.44%	

Source: Program Disclosure Statements available as of September 12, 2018

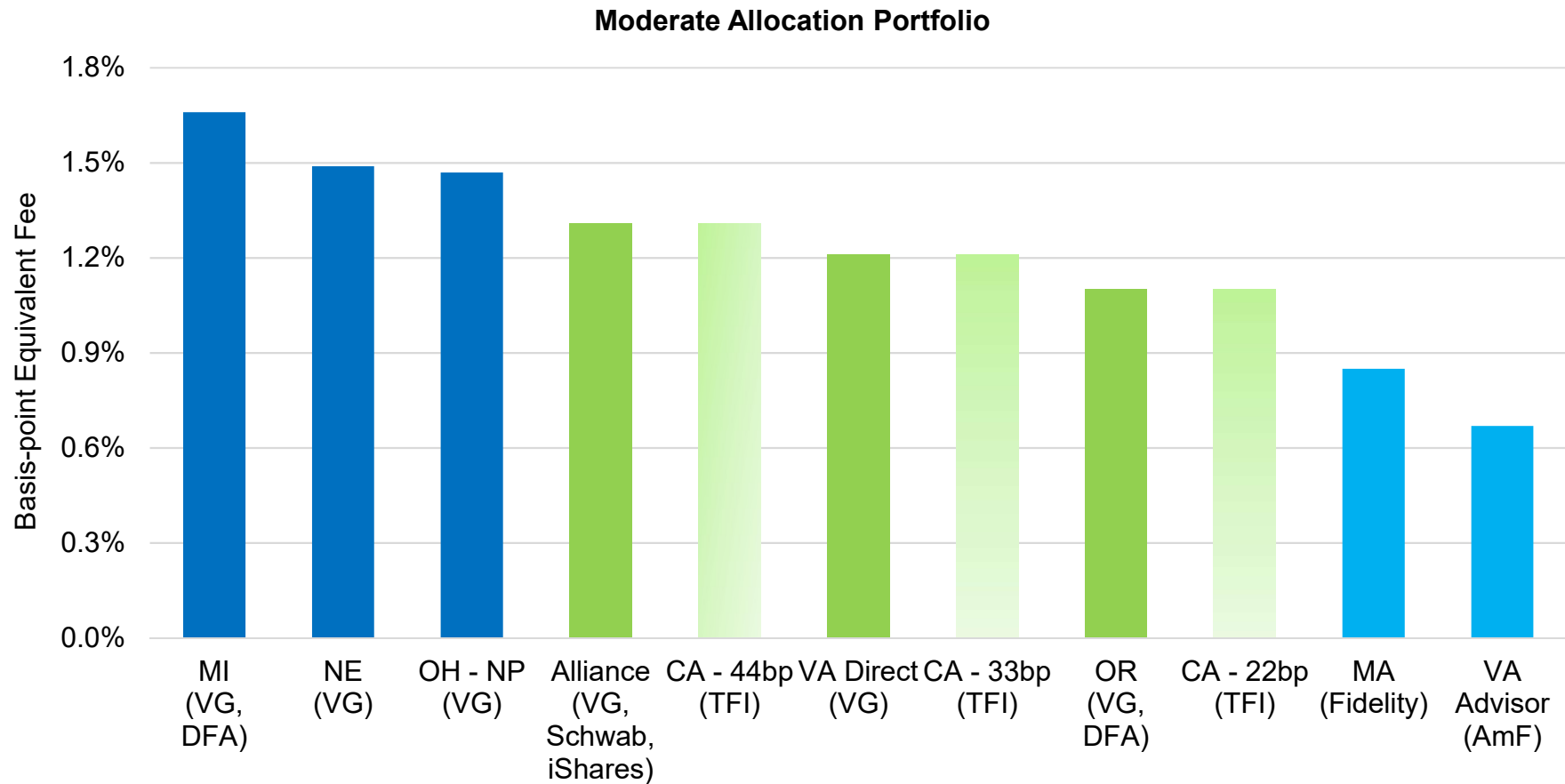
¹ Based upon June 30, 2018 industry average account balance

² Nonresident account maintenance fees for all Plans shown

³ Assumes e-delivery election

⁴ State Administration Fee that would comparably position CalABLE on a total cost basis

Comparison of Total Cost



Source: Program Disclosure Statements available as of September 12, 2018

Notes:

- (i) Basis-point conversion assumes \$4,767 average account balance based upon June 30, 2018 industry data
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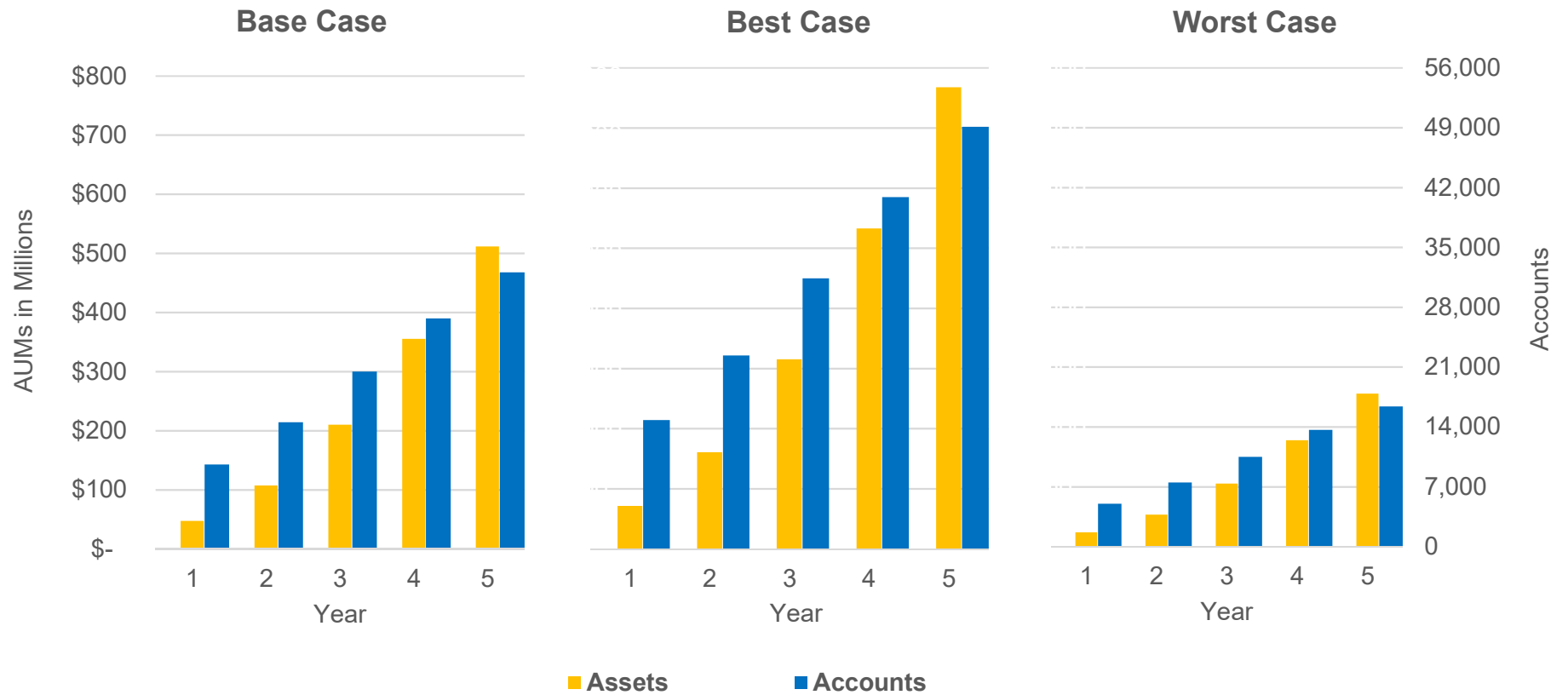
State Revenue Projection Assumptions

- **Accounts by end of Year 1:**
 - **Base Case: 10,000**
 - **Best Case: 15,000**
 - **Worst Case: 5,000**
- **Growth of Accounts:**

Year 1	Year 2	Year 3	Year 4	Year 5
0%	50%	40%	30%	20%

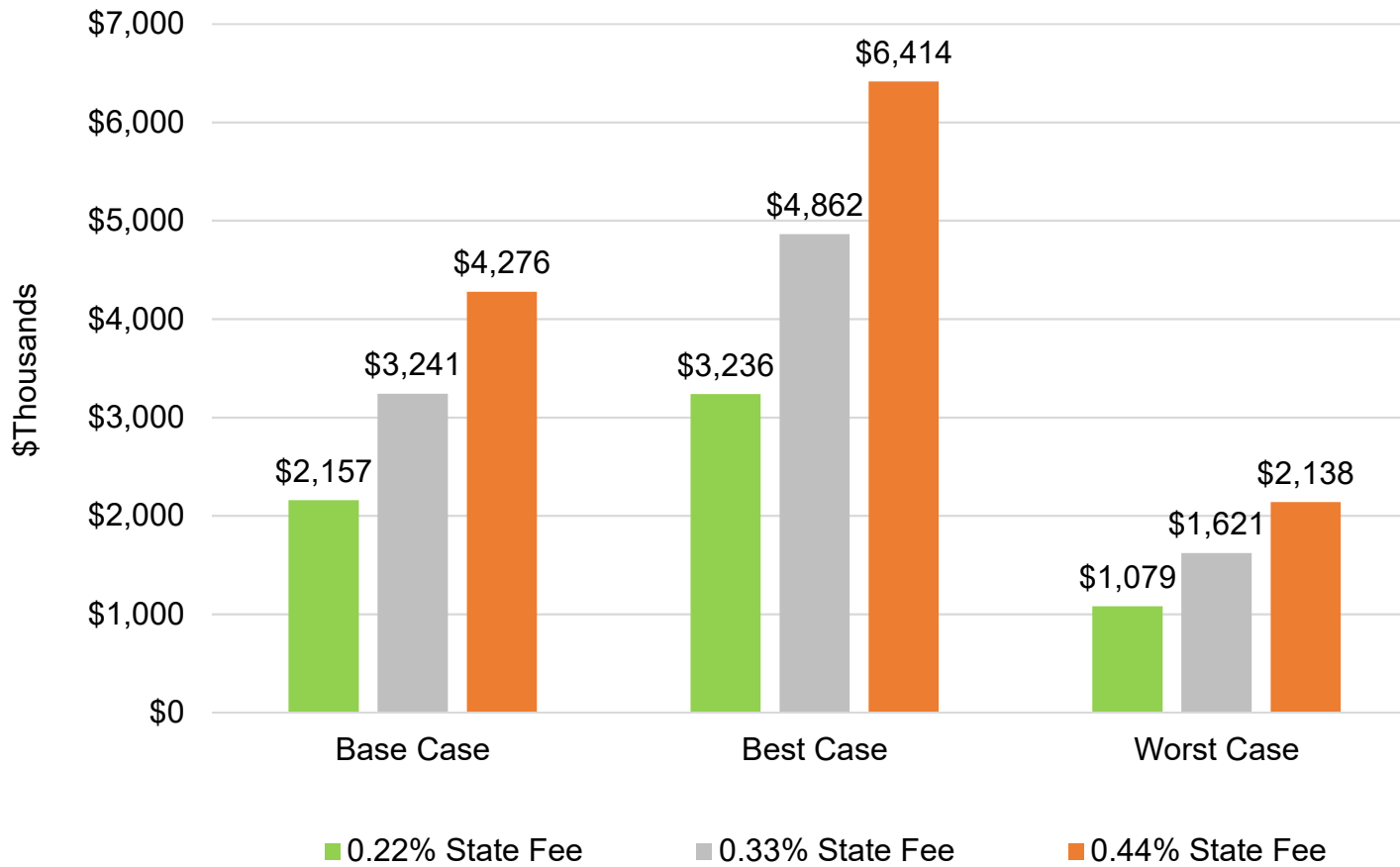
- **Average Account Balance:**
 - **\$4,767 in Year 1**
 - **Represents the ABLE industry average as of June 30, 2018**

Projected CalABLE Assets and Accounts

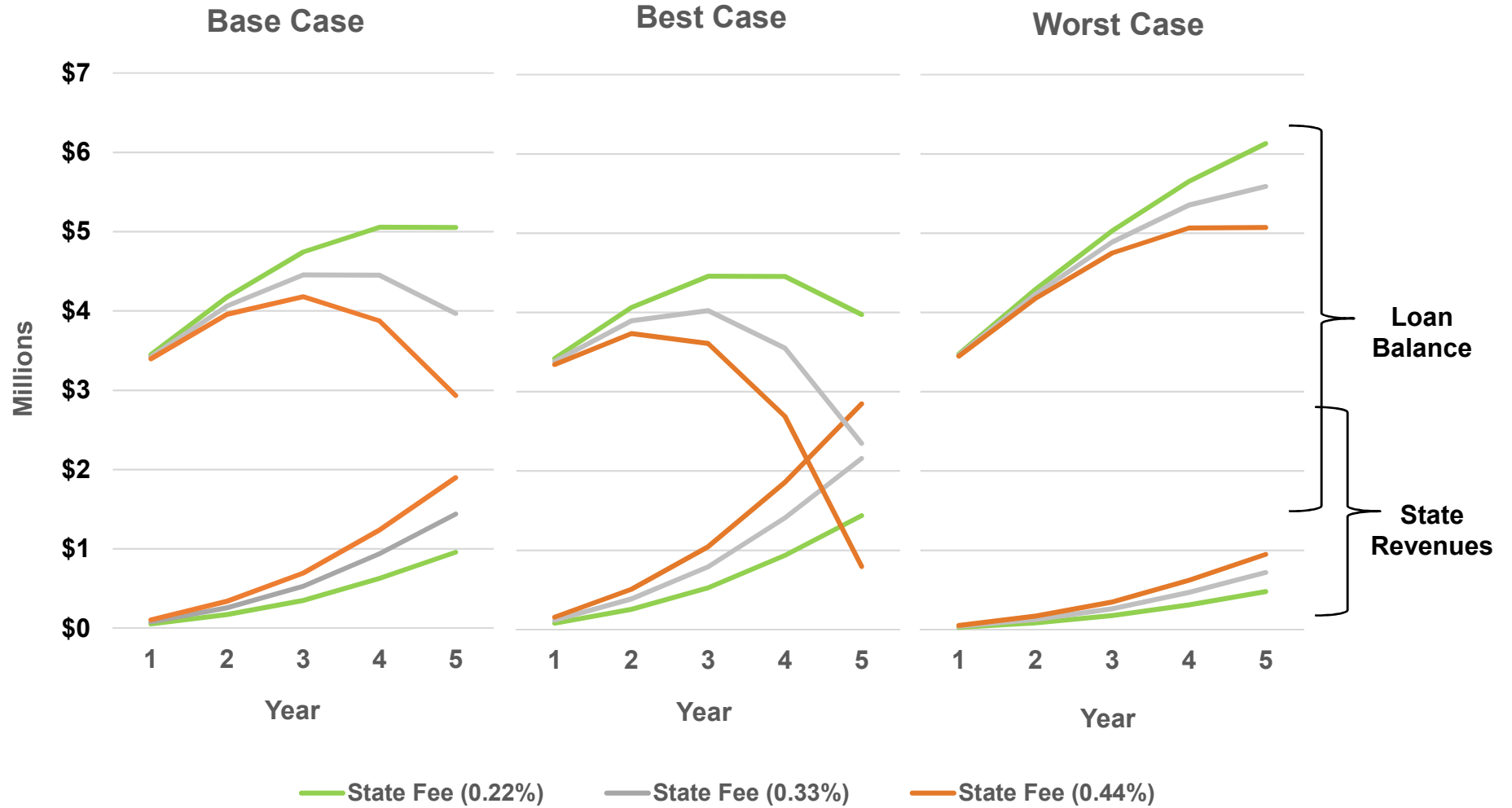


Note: Assets and accounts projected as of December 31

Projected Five-Year Aggregate State Revenues



Revenue Impact on Loan Balances



Appendix

Detailed Asset-based Fees

Plan	Program Management	State Administration	Underlying Investments	Total
Massachusetts	0.15%	0.05%	0.37% - 0.74%	0.57 - 0.94%
Virginia – ABLEAmerica	--	0.07%	--	0.40 - 0.85% ¹
Michigan	0.50%	--	0.17 – 0.28%	0.67 – 0.78%
Texas	0.15%	0.10%	0.14 – 0.40%	0.39 – 0.65%
Tennessee	--	0 - 0.31%	0.04 – 0.64%	0.35 - 0.64% ²
OH Non-Partner States	--	0.45%	0.11 – 0.14%	0.56 - 0.59%
Nebraska Partnership	0.50%	--	0.04 – 0.05%	0.54 – 0.55%
New York	0.36 - 0.38%	Included, if any	0.02 – 0.04%	0.40%
Virginia – ABLEnow	0.15%	0.10%	0.11 – 0.14%	0.36 – 0.39%
Oregon Partnership	0.10% to Sunday 0.10% to Oregon – MD / WA	0.10% MD / WA 0.20% OR	0.0628 – 0.0781% MD 0.0538 – 0.07025% OR / WA	0.3628-0.3781% MD 0.3538-0.3702% OR / WA
National ABLE Alliance	0.32%	--	0.02 – 0.05%	0.34 - 0.37%
OH Partner States	--	0.19%	0.11 – 0.14%	0.30 - 0.33%

Source: Program Disclosure Statements available as of September 12, 2018

Does not include Florida or Louisiana. Excluded FDIC Options

¹ Includes 0.30% in servicing or 12b-1 fees; does not include possible sales charges

² Includes State subsidy

Dollar-based Annual Account Maintenance Fees

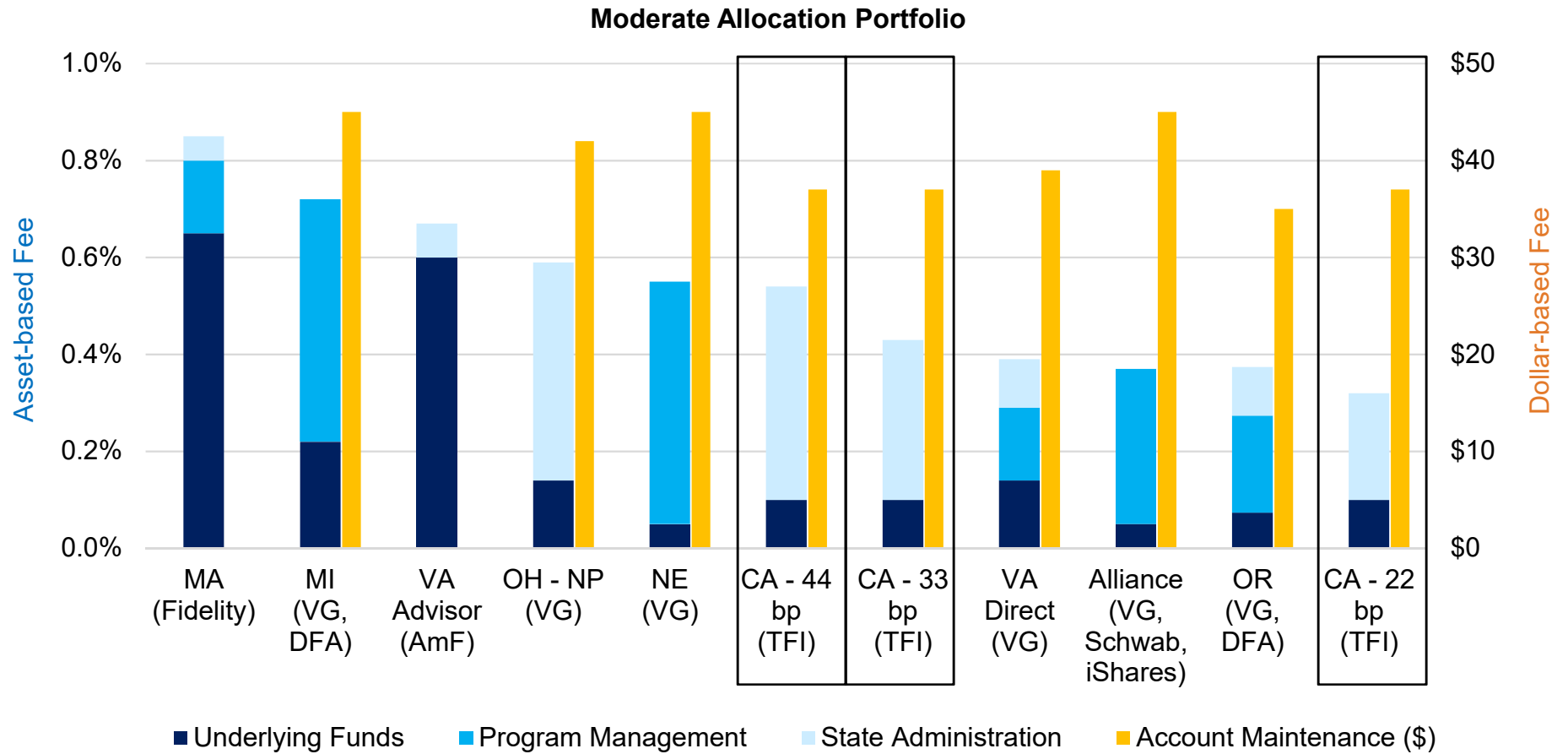
Plan	Residents	Non-Residents	Fee Recipient
Texas	\$60	--	NorthStar
National ABL Alliance ¹	\$55-60	\$60	Ascensus and State
New York	\$55	Same	Unclear
Michigan	\$45	\$45	Unclear
Nebraska Partnership	\$45	Same	Unclear
Virginia – ABLEnow	\$39	\$39	PNC
Oregon Partnership	\$35	\$35	Sumday - \$27, OR - \$3, MD - \$5, WA - \$5
Ohio Partnership	\$30	\$42	Intuition
Virginia – ABLEAmerica ²	\$10	Same	American Funds
Florida / Louisiana / Massachusetts / Tennessee	--	--	--

Source: Program Disclosure Statements available as of September 12, 2018

¹ Assuming \$60, split is \$5 to State and \$55 to Ascensus. Account maintenance fees reduced by \$15 for e-delivery

² This fee is waived indefinitely (this mirrors CollegeAmerica, the Virginia 529 Advisor Plan managed by American Funds)

Comparison of Fees



Source: Program Disclosure Statements available as of September 12, 2018

Notes:

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- (ii) Dollar-based fee of \$45 reflects e-delivery option for the Alliance
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