

CALIFORNIA ACHIEVING A BETTER LIFE EXPERIENCE (ABLE) ACT BOARD

Meeting Minutes

May 28, 2019 – 1:30 p.m.
915 Capitol Mall, Room 587, Sacramento, CA 95814

Public Participation Call-In Number* (877) 810-9415 and Access Code: 653-5126

Board members present:

Genevieve Jopanda for the State Treasurer, Fiona Ma
David Oppenheim for the State Controller, Betty T. Yee
Elena Gomez for Director of the Department of Rehabilitation, Joe Xavier
Gayle Miller for the Director of the Department of Finance, Keely Bosler
Peter Mendoza for the Chairperson of the State Independent Living Council
Patti Mericantante for the Director of the Department of Developmental Services,
Nancy Bargmann

CalABLE Board members absent:

Francis Lau for the Chairperson of the State Council on Developmental
Disabilities, Sandra Smith

CalABLE Board staff present:

Dante Allen, Executive Director
Erica Jaramillo, Associate Governmental Program Analyst
Ravinder Kapoor, Legal Counsel

CalABLE Board consultants present:

Andrea Feirstein, Managing Director, AKF Consulting, LLC
Mark Chappleau, Senior Consultant, AKF Consulting, LLC
Eric White, Executive Vice President, Meketa Investment Group, Inc.

CalABLE Board program manager, Tuition Financing, Inc. (TFI), staff present:

Vivian Tsai, Senior Director of Relationship Management
Linda English, Senior Director of Relationship Management (*via teleconference*)
Douglas Harrison, Senior Director of Marketing (*via teleconference*)
Jeremy Thiessen, Senior Director of Investment Strategies (*via teleconference*)

CalABLE Board Marketing consultants, Propose LLC dba Sagent present:

Lynn Wallace, Marketing Director
Elizabeth Merwin, Account Supervisor
Michelle Baker, Account Executive
Kevin Muela, Account Coordinator

Chairperson Jopanda called the meeting to order at 1:32 p.m.

Agenda Item 1 – Approval of the Minutes of the February 26, 2019 Meeting of the California ABLE Act Board (ACTION ITEM)

Chairperson Jopanda asked for public comment. There was none.

Board Action

Motion to approve the minutes of the February 26, 2019 meeting of the California ABLE Act Board.

MOTION:	Gayle Miller	SECONDED:	David Oppenheim
AYES:	Peter Mendoza, Patti Mericantante, Elena Gomez, David Oppenheim, Gayle Miller, Genevieve Jopanda		
NOES:			
ABSTAIN:			
RECUSE:			
ACTION:	Minutes are approved		

Agenda Item 2 – Executive Director’s Report (INFORMATION ITEM)

Mr. Allen provided report on CalABLE’s weekly numbers - total enrollment in the program is 1,391 and total assets under management is \$4,686,433. Mr. Allen explained the differences between the numbers he provides and the numbers provided by program manager TIAA-CREF.

Mr. Allen discussed current budget. As of April 30, the program has spent \$824,000 in loan funding in the current fiscal year and a total of \$1.9 million since the program’s inception in 2016. Mr. Allen noted that there is an unspent balance for the year of \$1.1 million and have requested the final invoices for the year and expect to have some surplus for the year. Mr. Allen reported that CalABLE has had its 19-20 budget change proposal accepted by both the Assembly and the Senate.

Mr. Allen reported that former Deputy Executive Director, Carrie Fisher Stone, has been offered and accepted job promotion with CalSTRS.

Mr. Allen provided an overview of his trip to the NAST 2019 Treasury Management Symposium which offered two full days of ABLE information. Mr. Allen stated that discussions around what’s been successful for ABLE and where is there room for growth opportunity were had.

Mr. Allen reported that HUD released guidance on ABLE accounts on April 26, 2019. He stated that this has been a significant achievement because it has been since before the ABLE Act was enacted that HUD wouldn’t release guidance. Mr. Allen noted that CalABLE has been actively sharing this with stakeholders.

Mr. Allen discussed CalABLE’s outreach and education efforts including 25 past

presentations and 9 or 10 upcoming ones. Mr. Allen reported that Independent Living Centers and Regional Centers have been great partners in getting information out about the program. Mr. Allen noted that a matrix of feedback was compiled from the presentations and staff are refining messaging in and honing in on the perfect presentation.

Mr. Allen stated that on the legislative front, two of the bills that we're tracking AB 416 and SB 263, have both been placed on the suspense file. He noted that if they do not come out of that suspense file they will not advance this year. Mr. Allen reported that AB 736, co-sponsored by Treasurer Ma, has passed through the Assembly and waiting for assignment with the Senate. He also noted that bills SB 817 and HR 1814 are being followed and the prospect of them passing are relatively strong.

Mr. Allen provided an update on prepaid card option. He noted that TFI is on schedule to be released this summer. Mr. Allen concluded his report. Ms. Jopanda thanked him and asked for questions from the board.

Mr. David Oppenheim stated he had a couple questions to ask. He asked for clarification on item 1 on the spread between the accounts that have been opened and the accounts that have been funded.

Mr. Allen responded by stating that the vast majority have been funded and that the first quarterly report only tracks a certain time period and cannot reflect that as of yet but there is a factor that is being watched very carefully which is the accounts that have been open and then closed because of no account activity. Mr. Allen noted that he talked to his peers at NAST about those automatic closures.

Mr. Oppenheim requested a table showing the different components of this information. Mr. Allen stated he would be happy to share that.

Mr. Oppenheim also asked what was specifically in the BCP and if anything out of the ordinary was in it. Mr. Allen stated the 19-20 BCP was almost identical to the 18-19 BCP. Mr. Allen discussed items included in the BCP. Mr. Oppenheim requested to be sent BCP information in the future. Mr. Allen responded with a yes.

Chairperson Jopanda asked for public comment. There was none.

Agenda Item 3 – Review and Analysis of Investment and Administrative Performance for CalABLE for First Quarter 2019 – TIAA-CREF Tuition Financing, Inc., (TFI). (INFORMATION ITEM)

Mr. Dante Allen introduced item 3 and present members of TFI, Vivian Tsai. Mr. Allen stated that this is first full quarter to present data and staff are open to providing as much transparency as we can and encouraged board to ask questions. Mr. Allen noted that Ms. Linda English was unable to attend due to illness but was present via teleconference.

Ms. Vivian Tsai reported that Jeremy Thiessen, head of investments, was on the phone and would give the investment report first.

Mr. Thiessen provided report on First Quarter Market Overview which included three months of data. He noted the short time period. Mr. Thiessen discussed the assets by portfolio. He noted that the key theme of the first quarter was one of renewed optimism. Mr. Thiessen stated that US equities were up over 14% and the sub asset classes within equities led by growth stocks over 16% percent, but all of them producing double digit returns. Mr. Thiessen stated that all eleven U.S. equity sectors had positive returns. Information Technology and Real Estate had the highest returns while Health Care was the laggard. He noted that international developed and emerging markets also participated in the rally.

Mr. Thiessen noted that total assets were \$3.3 million and that is made up of the four investment options and the largest one is represented by Moderate Portfolio. Mr. Thiessen discussed the various funds used to build the portfolios and noted the largest is the FDIC-Insured Bank Account.

Mr. Thiessen discussed investment portfolios versus composite benchmarks. He noted that the three portfolios moderate, conservative, and aggressive all had strong positive returns and the highest return portfolio is aggressive at 10.8% return. He stated they are all within basis points of their blended benchmarks. Mr. Thiessen provided overview of average annual total return of each portfolio option.

Mr. Thiessen reported on each of the portfolios, the funds that make up those portfolios, and each underlying portfolio relative to its benchmark. He noted that TIAA-CREF Equity Index Fund was three points below its benchmark. He discussed underlying funds versus benchmarks since the year of their inception. Mr. Thiessen concluded his report and welcomed questions from the board.

Mr. Oppenheim asked for clarification on expectations when benchmarks were built.

Mr. Eric White introduced himself as a member from Meketa, third party investment consultant. He stated in the future he will have the monitoring reports and monitoring guidelines including qualitative analysis.

Mr. Oppenheim stated that he understood the presentation just given to say that zero of the accounts did not meet their expectations and only one met the expectations and so going forward curious just to be able to continue to monitor that. Mr. Oppenheim stated that he imagines the goal is to out-perform or is goal to hit the benchmark?

Mr. White responded that the goal is to hit the benchmark and all of the funds within the program are known as passively managed options. Mr. Oppenheim asked how the benchmarks are derived. Mr. White stated that at the underlying fund level they are third party derived. Mr. Oppenheim asked if it's cheaper to own the benchmark bundle than a prepared bundle. Mr. White stated that the goal is to tread at benchmark and is the

cheapest way to achieve that performance. He also noted that at the underlying fund level they are designed to track the benchmarks but they do have a fee on them so over time you would expect them to slightly underperform the benchmark which is equivalent to that fee. He also stated that what they are tracking is any deviation around how it is tracking the benchmark on average we think the time it out performs or under performs should wash out and it should never be by a large amount, but over time because they are subtracting a very modest fee they will have a lag over time because of the fee itself.

Mr. Oppenheim notes that it is important to understand the funds as it pertains to their fiduciary responsibility. He asked another question – are we inadvertently shunting people to a very conservative portfolio and potentially missing out on longer term earnings should they be longer term investors.

Mr. White stated he would argue yes and thinks that the work they did at the beginning with the initial design where people could self-identify with their own risk tolerance and find the best investment that fits it. He stated that in terms of the fee structure they have tried to build out those options at the lowest cost possible and the nature of where interest rates are, yes the fee will over penalize options that have lower expected returns.

Mr. Allen stated that he would like to point out that when they approved the fees related to each account and the board elected to waive the fee for FDIC insured options we did projections of what we anticipated the actual individual who would select that option would be and we said it would be 1/3, and that is rounded out in the data we see for the first quarter report. He stated that additional monitoring is necessary.

Mr. Oppenheim asked Eric White from Meketa if they have been watching China and tariffs and how it can potentially impact industries and whether adjustments need to be made.

Mr. White stated yes and they have chosen not to take tactical changes and to track broad U.S. indexes.

Ms. Vivian Tsai provided overview on first quarter administrative performance report. She stated there is well over \$3 million in the CalABLE program and almost net new 700 accounts opened. She discussed the breakdown of contributions and redemptions. Ms. Tsai reported that FDIC Insured Savings Account held the most money amounting to \$1.1 million. She gave an overview of call center data and the macro view of website data. Ms. Tsai explained that they keep a tight view on where people spend their time on the website and how effective it is.

Ms. Tsai stated that over first quarter they met their service level performance. She provided overview of program eligibility and demographics in the first quarter.

Ms. Jopanda asked if the board had any comments or questions.

Ms. Elena Gomez asked the Executive Director for sustainability and repayment purposes

what was the breakeven point that they were looking at in terms of the number of accounts or assets within the program.

Mr. Allen responded by stating we not projected far enough out to get to the breakeven amount. Mr. Allen stated we purposefully didn't project out more than 5 years because of the relative immaturity of the industry overall and the need for having numbers that are based in reality.

Ms. Gomez noted that there was not a category for disability types that included sensory disorders and asked how TIAA came up with their categories.

Ms. Tsai responded by stating she will look into that. Ms. Jopanda suggested that they break down the other category.

Mr. Allen made a suggestion to TIAA to use plain language when applicants are selecting their disability type.

Ms. Gomez asked for more information on the language needs given the diverse population in California.

Mr. Allen explained that the goal is to offer the top 5 languages in California and materials are currently offered in Spanish and English. Ms. Tsai clarified that the call center offers Spanish language services and that they also engage with third party language service providers.

Ms. Jopanda requested data around individuals with more than one disability type.

Ms. Gayle Miller suggested to expand categories to increase outreach. She suggested to also expand type of relationship category to include other types such as siblings and make them more inclusive. Ms. Miller asked how long does staff anticipate gathering the information before using it as a decision-making tool.

Mr. Allen responded stating given our budget schedule and the requirements that I alluded to earlier by the legislative analyst's office to continue to provide rationale and justification to continue general fund loans that we will look at this on an annual basis but monitor this by this group quarterly and at the end of year we should have an opportunity to look at potential trends.

Mr. Mendoza asked questions about language access with third party language service providers at the call center. Mr. Allen noted that there is a concerted effort to ensure there is support for additional languages on each call center shift. Ms. Tsai stated that is more immediate similar to a three way call between the call center rep and caller and third party. Mr. Mendoza suggested broadening the languages spoken within the call center. Mr. Mendoza also suggested the option of including data on working people who work full time and part time.

Chairperson Jopanda asked for public comment. There was none. Ms. Jopanda noted Mr. Allen's request to change agenda item orders and introduced next item on agenda.

Agenda Item 4 – Review of Board Fiduciary and Governance Training and Best Practices – AKF Consulting. (INFORMATION ITEM)

Ms. Andrea Feirstein and Mark Chapleau review and discuss Board Fiduciary and Governance Training and best practices with CalABLE Act Board members. Ms. Feirstein explained that this training and its regular updates provides protection for Board members by establishing sound and consistent procedures that govern their decision-making.

Ms. Feirstein provided overview of the training. Ms. Feirstein and Mr. Chapleau reminded Board members of why they are deemed to be fiduciaries and reviewed what being a fiduciary means.

Ms. Feirstein explained and emphasized co-fiduciary liability of the Board. Mr. Chapleau discussed the appropriate venue to talk about such issues and the right venue would be a board meeting.

Ms. Feirstein and Mr. Chapleau summarized the rules and best practices that fiduciaries should follow.

Ms. Feirstein stated that is important that the board understands their duties and how to mitigate by continuing education on fiduciary responsibility. Ms. Feirstein noted that the investment policy statement is a good example of good governance practice and the importance of getting outside advice.

Ms. Feirstein provided guidance and checklists on how to follow those rules.

Chairperson Jopanda asked for questions from the board. There was none. Chairperson Jopanda asked for public comment. There was none.

Agenda Item 5 – 529A Program Consultant Update: AKF Consulting. (INFORMATION ITEM)

Ms Jopanda introduced the agenda item.

Mr. Allen stated that the objective here in the interest of time this is a deck the board is familiar with and the one notable change is that California's data is included and he will allow Ms. Feirstein to talk about it in limited detail, but there is one particular element he has enjoyed in his briefings and that is on slide 7 of the deck. Mr. Allen noted a remarkable achievement when looking at the tiny view of the market where CalABLE has achieved a lot of progress in accounts and assets in one quarter when compared to New York.

Ms. Feirstein thanked Mr. Allen and reported that she also was going to draw the board's attention to. She stated that catching up with New York in one quarter is remarkable

growth and something the board should be extremely proud of.

Ms. Feirstein noted that the numbers in her report are different than the ones shared by Meketa and Jeremy Thiessen from TIAA and she is going to go back and check Strategic Insights to make sure that the numbers aren't just the net new accounts because they are inconsistent but the key point is that it's still remarkable growth.

Ms. Feirstein also noted that during the very first roll outs that there is an important part of the population that wants to use these accounts for transactional purposes and this can be seen here in California and nationwide and it's also a testament to program managers like TIAA have delivered exactly what this very deserving pool of investors asked for and wanted.

Chairperson Jopanda reported that Treasurer Ma's intention is to support CalABLE and always talks about it to the public especially when asked about her priorities.

Agenda Item 6 – Strategic Marketing Program Update – Sagent. (INFORMATION ITEM)

Chairperson Jopanda introduced next item on marketing program update.

Mr. Allen provided an overview of the early work that has taken place between Sagent and CalABLE staff. Mr. Allen reported that CalABLE staff and Sagent are in the process of developing the marketing plan. Mr. Allen introduced Sagent team to the board.

Ms. Elizabeth Merwin introduced herself, Account Supervisor with Sagent and Lynn Wallace, Director at Sagent Marketing. Ms. Merwin reported that Lynn would be providing an Executive Summary recap on the stakeholder interviews that were conducted in the recent weeks and the insights gained that will inform their marketing strategy and marketing plan that they will then create a core marketing strategy for the program.

Ms. Wallace discussed key findings, importance of crafting key messaging to reach target audiences, and the understanding of who are the influencers and advocates. Ms. Wallace gave an overview of key pain points and needs. Ms. Wallace stated that the use of storytelling and testimonials will be key in increasing enrollments.

Ms. Wallace reported that the team will be looking at how to build storytelling into their messaging to increase awareness and build trust.

Ms. Miller asked for names of the stakeholders interviewed and if Sagent planned on doing anymore outreach. Ms. Wallace directed Miller to information provided in the report. Ms. Miller suggested Sagent team reach out to special education department.

Mr. Mendoza thanked Sagent team for taking the time to listen when they conducted the interview with him.

Chairperson Jopanda asked for public comment. There was none

Chairperson Jopanda congratulated Ms. Miller on her recent appointment at Department of Finance.

Public Comment

Chairperson Jopanda asked for public comment. There was one member from the public with a request to comment.

A mother with a daughter who was diagnosed with Down syndrome came from Auburn, CA to share her story and experience with Social Security Administration. She stated that her daughter's benefits were disrupted because staff at SSA were not educated about CalABLE accounts. She stated she is a fan of CalABLE and requested that CalABLE develop an education toolkit as parents are left with responsibility to step up and be educated when dealing with agencies.

Chairperson Jopanda offered to exchange contact information and assist her with resolution. Mr. Allen also offered his assistance to help clear up the problem.

Mr. Mendoza stated that this is an example of an important systemic issue where more work needs to be done which may include getting connected with contacts at the State and National level.

Mr. Oppenheim asked if there were SSA contacts in place to reach out to when these continue to occur. Mr. Allen stated he didn't believe so and this has been the first time he is aware of this issue. Chairperson Jopanda reported that there is a member of the External Affairs team who handles these type of issues and keeps track of them and follows up.

The meeting adjourned at 3:30 p.m.