

CALIFORNIA ACHIEVING A BETTER LIFE EXPERIENCE (ABLE) ACT BOARD

Minutes

December 17, 2019 – 1:30pm

915 Capitol Mall, Room 587, Sacramento, CA 95814

Public Participation Call-In Number (877) 810-9415 and Participant Code: 6535126

Board members present:

Fiona Ma, CPA, State Treasurer

David Oppenheim for the State Controller, Betty T. Yee

Gayle Miller for the Director of the Department of Finance, Keely Martin Bosner

Sandra Aldana (late arrival), for the Chairperson of the State Council on
Developmental Disabilities, Maria Marquez

Elena Gomez for the Director of the Department of Rehabilitation, Joe Xavier

John Doyle for the Director of the Department of Developmental Services, Nancy
Bargmann

Jaqueline Jackson for Chairperson of the State Independent Living Council,
Peter Mendoza

CalABLE Board Staff:

Dante Allen, Executive Director, CalABLE

Anne Osborne, Staff Services Manager I, CalABLE

Ravinder Kapoor, Senior Attorney

Susan Block, Retired Annuitant

CalABLE Board Consultants present:

Andrea Fierstein, AKF Consulting (via teleconference)

CalABLE Board Program manager, Intuition Financing, Inc (TFI staff) present:

Linda English, Senior Director of Relationship Management

Glen Friedman, Manager, TIAA Intuition Financing Inc.

Eric White, Principal, Meketa Investment Group, Inc.

Chairperson Fiona Ma called meeting to order at 1:31pm

Anne Osborne announced public comments directions for phone participants.

Item # 1 – Approval of Minutes of the December 17, 2019 Meeting of the California ABLE Act Board (ACTION ITEM)

Motion to approve the minutes of the December 17, 2019 meeting of the California ABLE Act Board. Chairperson Ma asked for public/phone comments. There was none.

Board Action

MOTION:	Gayle Miller	SECONDED:	Elena Gomez
AYES:	Fiona Ma, David Oppenheim, Gayle Miller, Elena Gomez, and John Doyle		
NOES:	None		
ABSTAIN:	Jacqueline Jackson		
RECUSE:	None		
Not Present:	Sandra Aldana		
ACTION:	Motion Passes		

Item #2 – Executive Director’s Report

Welcome Jacqueline Jackson and Sue Block

Mr. Allen introduced Jacqueline Jackson as the new delegate for the State Independent Living Council. Peter Mendoza has been selected as the Chairperson for the State Independent Living Council and his new responsibilities will come with additional time constraints that may prevent his regular attendance at CalABLE board meetings. Also, introduced was Susan Block, retired annuitant, she brings her wealth and knowledge of working with boards to the CalABLE team.

Visa Prepaid Debit card

This prepaid debit card allows CalABLE account holders to access their money and use the prepaid card wherever Visa cards are accepted. We have experienced additional delays related to the ADA accessibility of the card vendor’s website, specifically, the screen readers for people who are visually impaired will were experiencing complications related to the website’s design. The card is expected to launch in early 2020, however, at this time there is no date public date for the launch of the prepaid debit card.

Mr. Allen has been testing a card for a few months, prior to rolling out the card to CalABLE members and is looking forward to rolling out the card in the near future.

Contracts

Mr. Allen reported the strategic plan contract for the facilitator has been signed, and we have scheduled a launch right after the first of the year. We will be working with the contractor to determine “What will point us directly to a self-sustainable program, including repayment of our general fund loans?” Andrea and her team have been diligently working to develop projections that will lead us to that path of self-sustainability. The goal is to have a playbook that will account for revenue growth , in relation to expenses in order to determine our ability to meet the repayment of the general fund loans that have supported us. If we miss those revenue targets, what are the likely changes that need to occur, in order to pay back the loans and to obtain self-sustainability?

Operational Updates to the CalABLE interface

Two operational features were designed to increase the security and safety of information during the year between CalABLE account holders and the folks that operate behind the scenes.

- The first was multi-factor authentication – The account holder will receive a code sent by email or via text message, which authenticates the identity of the person who is accessing or attempting to access the account, before they can actually get into the account.
- The second was online uploads for documentation - The account holder may take photos of identifying information such as driver's license, social security information and tax payer ID, which can be downloaded into the web platform and help simplify the enrollment process.

California Department Social Services (CDSS) Mailing

Mr. Allen reported on a direct mail piece partnership with CDSS. The CDSS had some security concerns delaying the mailing. We are near the end of solving this issue and expect to have the mailing out soon. This will be the single largest outreach for CalABLE, at reaching approximately 375,000 people in this state and at a very limited cost to the state. Chairperson Ma asked when the mailing may go out, and Mr. Allen responded, he expects it will go out in Mid-January.

1st Anniversary celebration December 18, 2019

As of December 18, 2019 over 2,800 accounts have opened, with assets under management over \$11.6 million dollars. A first year comparison with the Ohio Partners (2015) which is a multi-state program shows their results were approximately \$13.5 million in assets with 3,000 accounts opened. CalABLE has \$11.6 million in assets under management with 2,774 accounts open in a more competitive market, CalABLE is very optimistic about the future.

CalABLE opened in 2018 competing against thirteen other programs nationwide. CalABLE is experiencing a rollover of California participants from other ABLE programs. The CalABLE program is neither the most expensive program nor the least expensive program, but still an incredible value, especially among Californians using the CalABLE program. In California, MediCal will not recover funds because California passed state laws protecting the beneficiary from MediCal recovery and high users of Medicaid services when the beneficiary passes away. Therefore, deceased CalABLE beneficiaries can leave a legacy to their loved ones.

Chairperson Ma asked the question about the ScholarShare 529 Bill, (AB-211) authored by Assembly Member Calderon, about whether contributions to ScholarShare accounts would qualify for a tax credit/deduction and if other states will do a tax deduction/credit on their returns. The Bill was Vetoed by the Governor.

Mr. Allen responded, there are several states, which offer tax benefits, CalABLE approached Assembly member Fong's staff to author a bill as a tax credit for 2020. To address this, Assembly Member Fong authored AB-416 which was held in the appropriations committee in 2019.

Ms. Gomez asked for an update on the Federal legislation, in terms for increasing the eligibility for ABLE.

Mr. Allen responded, the ABLE Age Adjustment Act, where there are currently bills in each house of Congress, are looking to increasing the age of disability onset from 26 years of age to 46 years of age. It is estimated at about 6 million people would be eligible and could benefit from the programs. During a phone call of the National Association of State Treasurers, there was some hope that the Age Adjustment Act could be a part of an end of the year budget deal. We have been an active supporter of these efforts, and the Treasurer (Fiona Ma) has signed off and sent letters to our California delegates in the House and Senate, making them aware of the bills and hopefully will join as co-sponsors.

Chairperson Ma asks for public/phone comments. There was none.

Item #3 - 2020 Board Meeting Schedule (ACTION ITEM)

The dates for the 2020 Board meeting schedule were shared via emails and at the last meeting. These dates should align with report schedules and save costs when linking up with consultants. CalABLE will convene quarterly on the third Tuesday at 1:30pm. (Except for the March 2020 meeting, which will convene on the 1st Tuesday).

Chairperson Ma asked for public/phone comments. There was none. Motion to approve the 2020 meeting schedule of the California ABLE Act Board.

Board Action

MOTION:	Gayle Miller	SECONDED:	Elena Gomez
AYES:	Fiona Ma, David Oppenheim, Gayle Miller, Sandra Aldana, Elena Gomez, John Doyle and Jacqueline Jackson		
NOES:	None		
ABSTAIN:	None		
RECUSE:	None		
ACTION:	Motion Passes		

Item #4 – Review Information Item – Review, Analysis and Performance Monitoring of Investment Portfolios for CalABLE for Quarter – TIAA, Meketa Investment Group (INFORMATIONAL ITEM)

Mr. Allen introduced item four (4) and presented members of TIAA Intuition Financing Inc. Mr. Glenn Friedman, Manager, and Meketa Investment Group, Inc. Eric Which, Principal

Mr. Friedman presented the Quarter 3 results which were good. Strong results overall for the month of September. There were some concerns about the global economic slowdown, the ongoing trade war, but the capital markets held their own. US equities held their own, however, international equities lagged as well as emerging markets.

Total Assets for CalABLE at the end of the third quarter were \$8.6M, up from \$5.7M in the second quarter. The majority of the portfolio consists of the FDIC – Insured Portfolio at 35%, followed by the Aggressive Growth Portfolio at 21%, the Moderate Portfolio at 22% and the Conservative Portfolio at 21%. Investment Portfolio vs Composite Benchmarks, the Conservative Portfolio at 1.1%, the Moderate Portfolio at .9%, the Aggressive Growth Portfolio at .5% and FDIC – Insured Portfolio at .1%. Assets have increased in all options, showing positive returns and contributions have been favorable to the program. TIAA reviews all underlying funds used in the program. Examples: How far the funds returns are from its benchmark returns and portfolio manager (since 2005); and maintaining credit ratings even though interest rates remain lower.

Mr. Eric White, began his report with page 16 the Summary of the Underlying funds and stated the portfolios had met their benchmarks as either positive or acceptable. On page 22 there was a tracking error which caused the portfolio to be rated acceptable. After further investigation, the tracking error was corrected and the portfolio should be rated positive. Unfortunately, the correction was discovered after the report was prepared and Mr. White offered the explanation to the board.

Ms. Miller asked a question regarding program fees, “When there are more participants would the fees be reduced due to economies of scale?” Mr. White responded the underlying fee level “Would not likely be reduced.” Mr. Allen responded “The state administrative fee is set up for flexibility, because of the competitive bidding process the TFI state contract is structured so it can be adjusted and some of the variables could be explored.”

Ms. Miller requested the quarterly report access the risks to the participants in the materials and provide the risk level information, similar to the Scholarshare report, to the board of directors. (44:00 audio)

Ms. Aldana asked Mr. White for an explanation of the color tracking chart on page 16. Mr. White provided an explanation for the tracking colors: the green column means the fund is positive, the yellow column means the fund is acceptable, and the red column means there is an issue with the fund. If the tracking is 0.30% or lower, that is a good percentage of error, above 0.30% is not acceptable or in caution. Ex: Green or yellow is positive, where red is a problem.

Mr. Allen informed the board his outreach plan would include an annual training for board members to assist them when promoting the CalABLE program.

Mr. Friedman stated, “During the inception of CalABLE, even though markets were down, we haven’t experienced a downturn, so we just need to be prepared for any questions and how to respond since this is a long-term strategy.”

Chairperson Ma asks for public/phone comments. There was none.

Item #5 - Industry Landscape Review - AKF Consulting, LLC (INFORMATIONAL ITEM)

Mr. Dante Allen introduced item five (5) and presented Andrea Feirstein with AKF Consulting attending the meeting by teleconference.

Ms. Feirstein provided an ABLÉ Landscape Update.

Section 1 – The Market Today

There are 42 states plus District of Columbia with ABLÉ plans, California was the last Independent plan to open. Mississippi launched under the ABLÉ Alliance Service Provider in the late summer/early fall of 2019. The largest ABLÉ plans are with the Ohio Partnerships (12 states) and Oregon Partnerships (3 states). The state of Virginia is aggressively advertising, promoting digital ads, but not bringing in the dollars. California, being a recently launched plan, has experienced a growth in assets and accounts. The ABLÉ market has grown 26% over the last six months and stills continues to grow. In addition to a stable economy, there are additional benefits ABLÉ programs provide to the consumer. These additional benefits include state income tax benefits offered by sixteen states and state Medicaid recovery, seven states have passed state laws and two states have passed a state policy. California state law protects a CalABLE beneficiary from monetary judgements.

Section 2 – ABLÉ Program Specifics

The 11 program managers/service providers are listed on page 13 of the presentation, highlighting the contract termination dates for the service providers. The state of Connecticut will be releasing an RFP for an ABLÉ partnership and this is an opportunity for California to expand. Vanguard is the largest Investment Manger managing over 40% of the program manager assets due to the lost cost of index funds. There is a Focus on Cash & Cash Equivalent Options, approximately 32% of the market assets under management, are invested in cash or short-term investments and this remains relatively unchanged since May 2019. California is looking to launch its prepaid card sometime in early 2020 since only a small number of states do not offer a debit or pre-paid card.

Section 3 – California Fee Comparisons

Ms. Feirstein discussed the overview of select plan fees on page 21. California is in the middle with asset-based fees being 0.52% - 0.54% and dollar-based fees being \$37 dollars. Ohio is offering a reduced dollar fee of \$30 dollars for state residents and \$42 dollars for non-state residents. This is a new item which states are offering to encourage residents to invest in their state’s ABLÉ account fund. Overall, California is competitive

with other state fees with a basis-point equivalent of 1.19% based on an account size of \$5,724 as shown on page 24.

In Conclusion: AKF is optimistic as we continue to look at the employer market. There will be a full day training track regarding ABLE only session at the Treasurers Conference with an emphasis on employment opportunities for people of disability, and how employers are promoting participation in ABLE.

Chairperson Ma asks for public/phone comments. There was none.

**Item #6 – Milestone Recognition Informational Item - CalABLE Staff
(INFORMATIONAL ITEM)**

Mr. Allen thanked all the Board Members and those in the audience with celebratory cupcakes to mark CalABLE's First Year Anniversary.

Meeting adjourned at 2:59pm