

**CALIFORNIA ACHIEVING A BETTER LIFE EXPERIENCE (ABLE) ACT BOARD**

Minutes

March 3, 2020– 1:30pm

915 Capitol Mall, Room 587, Sacramento, CA 95814

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

**Board members present:**

Fiona Ma, CPA State Treasurer

Karen Greene Ross for the State Controller, Betty T. Yee

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

Sandra Aldana for the Chairperson of the State Council on Developmental Disabilities,

Maria Marquez

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

Nancy Bargmann the Director of the Department of Developmental Services, Not Present

Jacqueline Jackson for the Chairperson, State Independent Living Council, Peter Mendoza

**CalABLE Board Staff:**

Dante Allen, Executive Director, CalABLE

Anne Osborne, Manager, CalABLE

Ravinder Kapoor, Senior Attorney

Susan Block, Retired Annuitant

**CalABLE Board Consultants present:**

Andrea Fierstein, AKF Consulting (via teleconference)

**CalABLE Board Program Manager, Tuition Financing, Inc (TFI staff) present:**

Linda English, Senior Director of Relationship Management

Glen Friedman, Manager, TIAA Tuition 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 Action Item Approval of Minutes for**

Motion to approve the minutes of the December 17, 2019 meeting of the California ABLE Act Board.

MOTION:	Elena Gomez	SECONDED:	Gayle Miller
AYES:	Fiona Ma, Karen Greene Ross, Gayle Miller, Sandra Aldana, Elena Gomez, Jacqueline Jackson		

NOES:	None
ABSTAIN:	None
RECUSE:	None
NOT PRESENT:	Nancy Bargmann
ACTION:	Motion Passes

Chairwoman asks for public comments/phone comments - None

## Item #2 – Dante Allen (Executive Director’s Report)

### Informational Items:

#### Updates:

- **Sagent Marketing** - Mr. Allen thanked the attendees who participated in the add-on meeting in February. The Board approved the marketing contract extension for Sagent and approved by the Department of General Services for a one-year term ending February 28, 2021.
  - A deliverable from the 2019-20 contract was a digital ad campaign for social media. Mr. Allen shared the 30 second ad with the Board. The 15 second ad is waiting for the “closed caption” portion to be added before public release.
- **Release of the PrePaid Card** –The Prepaid card launched on January 30, 2020, generating approximately 316 card requests with active balances.
  - Mr. Allen shared the weekly statistics sharing CalABLE expects to exceed over 3,300 accounts and over \$18 million in assets under management. He noted there has been a slight increase in the enrollment numbers possibly due to the release of the card and the activity on social media.
- **Strategic Planning Consultant Services- Equity and Wellness Institute**  
 We are working with Andrea and her team to develop a projection strategy. The database looked at the enrollment numbers and plotted different scenarios based on enrollment growth and revenue to determine when CalABLE would reach self-sustainability?”
  - The introductory meeting with our strategic planning consultant to map out when CalABLE hits the target numbers, what are the ramifications, how do we improve operations and what are our opportunities for growth.
    - The first step is to review the documents, research and conduct interviews with other programs and stakeholders.
    - The second step would be to present a strategy model and report to the Board at the May meeting.
- **Department of Social Services Mailing**

We have been working with the Department of Social Services (DSS), to mail information about CalABLE in partnership with DSS. The mailing would target SSI recipients receiving benefits before the age of 26, approximately 300,000 participants and would be the single largest outreach media for CalABLE. The DSS mailing was delayed due to an internal information security concern with DSS that DSS resolved. However, the Social Security Administration (SSA) denied DSS access to the database based on the understanding that ABLE it is not an essential benefits function to their recipients, and concluded this is more of a marketing outlet. DSS is looking to appeal the SSA mailing request and CalABLE will assist in that appeal. In addition, CalABLE is looking into submitting its own request to SSA.

Ms. Aldana - had a question concerning the database and if SSA regarded this as a breach of privacy, since SSA was doing the mailing and not us.

Mr. Allen – My understanding is that SSA does not consider the mailing as a core function of the outreach for SSI recipients and classifies the outreach as extraneous. DSS provides informational materials and this is why CalABLE and DSS are working on the approval from SSA.

- **Outreach/Marketing-**

On February 26, 2020 CalABLE hosted their first webinar, “ABLE 101”, the first in a series of quarterly webinars for CalABLE. The webinar included topics: Basics of ABLE, Investment Options, Features and Benefits of the Program, and Differentiating CalABLE from Other Programs, with an attendance of 300 people for a two-hour presentation.

On March 12, 2020 CalABLE will be featured in the ABLE Spotlight hosted by the ABLE National Resource Center. The webinar will feature what makes CalABLE unique and different than other ABLE programs. This will also provide CalABLE with exposure to a national audience.

In person speaking events for January and February totaled 14, where we spoke to community partners and organizations about CalABLE.

Treasurer Ma suggested other outreach networks, such as other state agencies, utility companies, CalSTRS and CalPERS who send out flyers regularly having a mix of outreach efforts with state and private industry. Also, possible matching funds when a person opens a CalABLE account.

Mr. Allen – Agreed with Treasurer Ma and stated this was part of the outreach plan for 2020-21. First, working with agencies that directly serve communities with people who have disabilities such as Department of Social Services, the Department of Education and anywhere there is an intersection to make CalABLE part of the institution. Second, partnering with other state departments, such as DMV, and the

Franchise Tax Board. Third, reaching out to the business community, small and large, private industry and non-profits.

Ms. Gomez- Asked about the webinars being available on-line, Dante explained that we are working on the captioning matching up to the video. The captioning was live during the day of the webinar, and will be posted on YouTube for the captioning accessibility.

- **NAST Conference Update**

In February 2020, the Treasurer and staff attended the National Association of State Treasurers, in Washington, DC. The Conference featured a full ABLE track addressing ABLE topics nationwide. Treasurer, Fiona Ma, CPA is the Chairperson of the ABLE Committee for 2020-21. This should raise the profile of CalABLE into a leadership position. CalABLE also participated in “Leg Day” meeting with our elected Senators and House of Representatives on both sides of the aisles, discussing support for the “ABLE Age Adjustment Act” which increases the age of eligibility from 26 years of age to 46 years of age.

This would mean an additional six million people could be eligible to open ABLE accounts. The Treasurer actually framed it to Congress, in the context of our veterans, who have become disabled after the age of 26 and are not eligible to participate in the financial advantages ABLE accounts provide. The bill has bi-partisan support and is in the Senate and House. ABLE is looking for additional support from our Republican members. The Treasurer was able to meet with House and Senate members who offered their support.

**Treasurer Ma** added that she has heard from Assemblywoman Jacqui Irwin if there was any legislation she could carry and she would do a resolution and encourage members to sign unto the ABLE Adjustment Act.

Mr. Allen acknowledged the Treasurer’s upcoming birthday on March 4, 2020.

Chairwoman asks for public comments/phone comments - None

**Item 3 – Informational Item**

- **Review, Analysis and Performance Monitoring of Investment Portfolios for CalABLE for Quarter 4, 2019 – TIAA, Meketa Investment Group**
  - Mr. Allen reported on the weekly updates, and noted the numbers reported were as of yesterday (March 2, 2020). Mr. Friedman will be reporting the 4<sup>th</sup> quarter returns, ending on December 31, 2019.

- Mr. Friedman (TIAAF/TFI) - Pointed out that the 4<sup>th</sup> quarter reports were prior to the Corona Virus. The 4<sup>th</sup> quarter was quite strong. Pointing to the trade agreement, a strong Gross Domestic Product (GDP) growth, strong job growth and low unemployment influenced strong investment performance. The US equities (utilities for example did very well) the portfolio was over 9% which was led by growth over value, small cap size nearly 10% returns. The international stocks performed over 8% and public company stocks in less-developed nations performed very well over 12%.

Interest rates, depending on where you are on the maturity spectrum, either increased or decreased per curve. Inflation linked bonds picked up and out- performed the bond market, registering returns up 1%. The fourth quarter totaled \$13 million, compared to \$8.6 million at the end of the third quarter, an increase of not quite \$5 million. The four investment group portfolios- FDIC, Aggressive, Moderate and Conservative had month over month growth, and a third of the growth was from the FDIC portfolio.

- Mr. Allen - I monitor the FDIC portfolio very closely, since it is directly related to the Board's decision to waive the state administrative fee to participants who put their money into the FDIC portfolio. I'm watching to see if it creeps up above the one-third benchmark on a month to month basis and will bring a report to the Board, when that decision needs to be revisited.
- Mr. Friedman - I want to highlight that performance was quite strong and all portfolios had positive absolute returns, which was expected and reflecting the market at that time. Contributing to absolute returns was the TIAA -CREF Emerging Market Equity Index Fund, which generated about 11.76% in the fourth quarter. The TIAA -CREF Equity Invest Fund this covers the USA stock market and added 9.06% in the fourth quarter. The underlying funds reported positive returns and delivering on their program objectives.
- Ms. Miller asked Mr. Allen "If there was any outreach to the account holders during these uncertain economic times?" Mr. Allen responded that the CalABLE portfolio are more conservative and diversified in nature and do not rely on the day-to-day stock market influence.
- Ms. Gomez - asked if there was an annual or monthly report? Mr. Allen stated there are monthly reports available on Calable.ca.gov and the board receives the quarterly updates. Mr. Allen also informed the board of the quarterly newsletter which is sent to all account holders and consumer friendly. The Treasurer requested to be added to the mailing list.

- Mr. White – Presented to the board the monitoring guidelines used to evaluate the funds performance index. On page 16, the chart shows that all the funds are doing very well with a positive and acceptable status. All the portfolios are doing very well in the 4<sup>th</sup> quarter, especially the Aggressive Portfolio. On pages 27-29 the Portfolio Analysis for the Aggressive fund showed a return rate of 7% for the quarter and 20% since inception of the program, the Moderate fund showed a return rate of 4.5% for the quarter and 15 % since inception, and the Conservative fund showed a return rate of 1.9% for the quarter and 9.1 % since inception. The risk return chart was added on page 30 per the request of Ms. Miller. On page 48 the expense ratio of underlying funds versus the expense median was added to educate CalABLE account holders on the value of their CalABLE account.

Ms. Aldana asked, “If we have a tracking method to track investments over time regarding who is opening accounts and the type of portfolios selected by the participants?”

Chairwoman asks for public comments/phone comments - None

#### **Item #4 – Action Item**

- **Resolution Number 2020-02 - Approval of the California ABLE Act Board’s Statement of Investment Policy for the California ABLE Program – Meketa Investment Group**
  - Mr. White- Will change the monitoring guidelines for the stable value product and found that the criteria for the program was overly restrictive with a Triple A rating. This change would allow for a more standard level of monitoring making it more consistent and less restrictive to the Triple A rating.
  - Ms. Gomez asked why the threshold was changed and what are the implications to the participants? Mr. White responded – Since CalABLE is the same portfolio that Meketa shares with ScholarShare, Meketa just forwarded the same monitoring criteria, instead of establishing a new set of criteria for CalABLE. The reason Meketa is looking at lowering the rate is different rating agencies have lowered their ratings which is a trend across the Board.

There should be no impact at all. If a major difference in the ratings occurred this would trigger a watch status. A report outlining the cause of the trigger watch status and reason for the concern would be prepared and presented to the Board.

Chairperson Ma asks for public comments/phone comments - None

MOTION:	Gayle Miller	SECONDED:	Jacqueline Jackson
AYES:	Fiona Ma, Karen Greene Ross, Gayle Miller, Sandra Aldana, Elena Gomez, Jacqueline Jackson		
NOES:	None		
ABSTAIN:	None		
RECUSE:	None		
Not Present:	Nancy Bargmann		
ACTION:	Motion Passes		

**Item # 5 - Resolution Number 2020-03 - Dante Allen**

- This item was originally an Action item, upon the advice of legal counsel the item moved to an Information Item.
- In an effort to reach self-sustainability, CalABLE responded to the state of Connecticut Request for Proposal (RFP) to start an ABLE program in Connecticut. Under the advice of Legal Counsel, the Attorney General’s office and our partners with TIAA, CalABLE submitted a proposal that suggested we enter into negotiations with the state of Connecticut (CT). The advantage to this approach, CalABLE would retain the assets during the growth of the CT program and would return the accounts to CT once the contract expired. There are several other states operating conglomerate ABLE programs and these programs are highly successful.

Chairperson Ma – offered her support of the partnership with CT, since the State Treasurer Office works with local governments financial resources.

Mr. Allen also stated the partnership with CT would not be a resource intensive undertaking for CalABLE. CalABLE contracts with TIAA and would manage the portfolio of the ABLE contract. The marketing support would require CT to contract with TIAA separately. If CT accepts to negotiate with CalABLE, the Board would vote on a Resolution to enter into an agreement with CT. CalABLE is presenting this as an informational item and not an action item.

Chairperson Ma asks for public comments/phone comments. None. A problem arose with the public phone line and CalABLE could not respond or receive any questions.

Meeting adjourned at 2:47 pm.