

AUGUST 18, 2020

**AGENDA ITEM 1
Action ITEM**

CALIFORNIA ABLE ACT BOARD

Approval of Minutes from May 19, 2020 Meeting

Attachments

- Attachment #1 – CalABLE Board May 19, 2020 Meeting Minutes

Recommended Action—Approve meeting minutes

CALIFORNIA ACHIEVING A BETTER LIFE EXPERIENCE (ABLE) ACT BOARD

Minutes

May 19, 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
Genevieve Jopanda, Chief of Staff for State Treasurer Fiona Ma
Sandra Aldana, State Council on Developmental Disabilities (On Phone)
Elena Gomez for the Department of Rehabilitation
Jacqueline Jackson for the State Independent Living Center (On Phone)
David Oppenheim for the Controller (Betty Yee)
Gayle Miller for the Department of Finance (On Phone)
John Doyle for the Department of Developmental Services (On Phone)

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 Feirstein, AKF Consulting (via teleconference)

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

Linda English, Senior Director of Relationship Management (via teleconference)
Glen Friedman, Manager, TIAA Tuition Financing Inc. (via teleconference)
Eric White, Principal, Meketa Investment Group, Inc. (via teleconference)

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

Anne Osborne announces public comment directions for phone participants.

Item # 1 – Action Item

Approval of Minutes

Motion to approve the minutes of the February 25, 2020 and March 2, 2020 meetings of the California ABLE Act Board.

MOTION:	Elena Gomez	SECONDED:	David Oppenheim
AYES:	Fiona Ma, David Oppenheim, Gayle Miller, Elena Gomez, and John Doyle, Sandra Aldana		

NOES:	None
ABSTAIN:	None
RECUSE:	None
Not Present:	
ACTION:	Motion Passes

Chairwoman Ma asked if there were any public comments/phone comments - None

Item #2 – Executive Director’s Report by Dante Allen

Informational Items:

- **Enrollment and Outreach**

Mr. Allen reported an increase in weekly enrollments. CalABLE has approximately 3900 enrollments, with an average of 50 new accounts each week. In mid-March, just prior to COVID-19, the average weekly enrollment dipped, with a low of 34 new accounts in a single week, which can be attributed to the cancellation of a number of in-person presentations. Since April, the average weekly enrollment numbers have increased, with some weeks gaining 60-70 new accounts. CalABLE is now receiving more requests for virtual presentations, which attract a substantial audience, so the stay-at-home order has resulted in an uptick for the program.

CalABLE extended its earned media opportunities and partnered with the State Treasurer’s Communications team to secure an interview with a bay area television station and was the Subject Matter Expert for an article in the Capitol Morning Report regarding Supplemental Security Income (SSI) and the stimulus checks. SSI recipients were included in the stimulus checks, receiving \$1200 per adult and an additional \$500 for qualified minors. Stimulus monies held longer than one year and not deposited into an ABLE account will count toward the \$2000 resource limit for assets held by SSI recipients.

CalABLE sent out its quarterly newsletter in April focused on the marketplace. We received several inquiries regarding what account holders could do since they were losing money as the market struggled. Since we are not advisors, we cannot provide financial advice, but we can inform account holders that if they were to pull out their monies at the low point, they may miss an opportunity when the market does recover.

CalABLE will be launching the CalABLE Ambassador Program with a webinar on June 17, 2020. We are seeking CalABLE participants who are willing to share their stories in their own networks and our larger outreach. The webinar will go over the basics of CalABLE and the application process. CalABLE Ambassadors should be current CalABLE account holders. The Ambassadors can be a parent/guardian who represent the beneficiary, a working age adult with a

disability, or individuals who possess the power of attorney to represent a beneficiary. Ambassadors will represent the diversity of California by the type of disability, age, gender, sexual orientation, race, ethnicity and geographic region.

- **Treasurer Ma** asked if CalABLE had reached out to the private sector, ex: SMUD, utilities companies, bus shelters, non-profits. Mr. Allen states we are working on a playbook for independent partners and organizations tapping into the employee basis and then
- **Sagent Marketing**
The Sagent Marketing contract was extended one year, and they have been great at managing our social media calendar and pointing to the elements of the program that appeal to our various audiences.
- **Strategic Planning Consultant Services - Equity and Wellness Institute**
The Strategic Planning contract was paused due to COVID-19 and will be completed in the fall.
- **The National Association of State Treasurers (NAST)**
The National Association of State Treasurers (NAST) June conference has changed to a virtual format. NAST also has developed a relationship with the National Association of State Councils for Developmental Disabilities, to develop printed materials tailored for each state to distribute with their individual state councils. CalABLE reached out to The ARC of California and our State Council for Developmental Disabilities to share those messages.
- **Connecticut Proposal**
CalABLE submitted a proposal to Connecticut to partner with them on an ABLÉ program for their state and were not selected. CalABLE will continue to look for opportunities to bolster our Program.
- **Department of Social Services Mailing**
CalABLE began a partnership with the California Department of Social Services (CDSS), specifically to look at a large mailing to 300,000 ABLÉ-eligible SSI recipients in the state of California, but ran into a snag with the Social Security Administration (SSA). SSA denied CDSS access to the SSA database causing the mailing not to go out. There was an appeal, and again, SSA denied the request. CalABLE lost the opportunity to connect with those who would benefit from CalABLE. However, there were no financial resources invested and CalABLE will continue to look for an opportunity to work with CDSS and gain access to the database for a mailing.
 - **Ms. Gomez**

What was the reasoning for the denial of access to the database to Social Services? Mr. Allen responded that SSA denied CDSS access because they interpreted what we were doing as a marketing tool and not one of the core functions of SSI. CalABLE argued it wasn't a benefit to any private entity, not a solicitation, and would be a benefit to any SSI participant. We are looking to submit an additional request that will come, directly, from CalABLE instead of CDSS.

- **Ms. Aldana**

Follow-up to Ms. Gomez's question regarding reasoning for denial from SSA. What is their privacy issue? Mr. Allen responded that SSA felt it was a privacy issue, but CalABLE argued that it would not be a privacy issue since CDSS was distributing the postcard mailer and not sharing the database with CalABLE. CDSS believed the mailing effort to be an essential function of communication to SSI recipients. SSA still believed it to be a marketing function. Ms. Aldana concurred with CalABLE that SSI is a federal program and should be shared with other governmental entities.

- **John Doyle**

A delegate for the Department of Developmental Disabilities (DDS) thought DDS could investigate and provide support.

- **Ms. Gomez**

Asked for an update on the legislation on increasing the eligibility age for CalABLE, the ABLE Age Adjustment Act. Mr. Allen responded that Congress has its hands pretty much tied, and there hasn't been any additional motion on the onset of disabilities from 26 to 46 years of age. The ABLE Age Adjustment Act would add another 6 million people who would be eligible for ABLE accounts. We are hoping to educate the public and that CalABLE participants will contact their Legislators regarding this legislation.

- **Staff Update**

There has been an offer extended to and accepted by Sandra Kent, the current State Treasurer's Office Employee of the Year. She will replace retired annuitant Susan Block and will be a full-time employee for CalABLE.

Chairwoman Ma asked if there were any public comments/phone comments - None

Item #3- Informational Item

- **Review, Analysis and Performance Monitoring of Investment Portfolios for CalABLE for Quarter 1, 2020 (TIAA, Meketa Investment Group)**

- Mr. Allen reported on the weekly updates and noted the numbers reported were as of May 18, 2020. Mr. Allen stated he monitors 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. If the FDIC creeps up above the one-third benchmark on a month-to-month basis, he will report to the Board account activity above the one-third benchmark and recommend revisiting the previous FDIC portfolio decision. Mr. Allen introduced Mr. Friedman, who reported the 1st quarter returns ending March 31, 2020.
- **Glen Friedman – Reviewing slide presentations**
 - Spoke about the COVID-19 health crisis and the effects on the worldwide economy, record unemployment, and manufacturing. Experts agree we are generally in a recessionary period. The Federal government has a zero interest rate policy and states will decide when to open up their economies.
 - Slide 2 shows a downturn in the market, and stocks across the board are down. Bonds did quite well, and similar treasuries were highly rated.
 - Slide 3 - FDIC bank account option, Aggressive Growth, Moderate and Conservative. April was one of the strongest for the market. It was very encouraging with the possibility of a vaccine, economy opening, but though everything seems to be positively optimistic, it may react sporadically due to the economy.
 - **Ms. Aldana** asked if the quarterly numbers are negative numbers, what that means for the holders, and whether the accounts will bounce back. **Mr. Friedman** responded if you've invested in one of the first three portfolios, or if you've invested in the entire quarter, it was a negative quarter but did have a slight gain for the year. Most participants did see some form of stability.
 - **Mr. Oppenheim** commented that it seems our portfolio is tracking very close to the benchmark, so the funds seem to be in line. He asked if we are tracking the same on the upside as we are on the downside of our benchmark. **Mr. Friedman** responded many of the funds are index funds, and there is a method of tracking the benchmark. In terms of how we are tracking so far, it's been pretty much within our expectations.

Chairwoman Ma asked if there were any public comments/phone comments - None

- **Mr. White** from Meketa –

- Presented to the board the monitoring guidelines used to evaluate the funds performance index thus understanding the real economy versus the financial market. With the global economy completely shut down during the second quarter, how has this impacted the Gross Domestic Product (GDP) figures? Unemployment will continue to climb during the coming months. The GDP is doing poorly. However, the stock market/risk assets are doing very well since the federal government has stepped in and provided stimulus relief. The stock market initially declined by 35% but recouped a great deal of the decline with the market being down eight percent (8%) year to date. If you look at the underlying fund found on page 16, the summary of the plan relative to monitoring report is very good with most funds in positive territory with the exception of the inflation linked bond fund in the acceptable range. A quick analysis of the risk assets and safe assets blended together shows that the overall plan has an approximate 25% exposure to market movement, meaning that if the stock market falls ten percent (10%), the plan as a whole will fall only about two-and-a-half percent (2.5%).
- **Portfolios on pages 27-30** – The *Aggressive* Portfolio was down 17% for the first quarter but has come up slightly since then. It is highly sensitive to what happens in the stock market. The *Moderate* Portfolio was down 10%, so there is a big difference in returns from the Moderate and Aggressive. The *Conservative* Portfolio is only down about 3%. The *FDIC* Portfolio has a miniscule positive return. Because the program is well-structured, all portfolios performed as expected due to the current market trends.

Chairwoman Ma asked if there were any public comments/phone comments - None

Item #4 – Informational Item

- **Industry Landscape Review (AKF Consulting, LLC)**
- **Andrea Feirstein**
 - Presented a high-level overview about the ABLE landscape. There are no changes in available plans, and Connecticut and Hawaii are looking at plans. Connecticut did not select CalABLE's proposal and has not announced the winning proposal.
 - Currently, ABLE accounts total appropriately \$381 million and close to 64,000 accounts across the country. First quarter total assets under management in the ABLE market have increased about 23% from last September, and accounts have grown about 20%.
 - The independent plan, or single state plans, comprise approximately \$162 million. In December the account balance was \$115 million, a little more

than a 24% increase. The number of accounts increased from 21,000 in December to about 28,000 in May.

- In the state of California, the assets are about \$17 million, representing about 50% growth. Since CalABLE was the last plan to launch, we are leading several large states, twice the size of the New York ABLE plan.
- Iowa has added a tax deduction, and Oregon has changed their tax deduction to a credit. We are seeing more states offering tax benefits.
- There are ten states that have passed either a state law or policy on Medicaid recovery, whereas 33 states do not have a Medicaid exemption.
- The current Program Managers/Service Providers contracts have not changed. Texas, however, is rebidding their program administrator, and we are waiting to see what happens. We continue to see in this market the domination of Vanguard and Schwab. The state of Tennessee has seen the most individual investment options.
- In the debit card market, Florida is now offering a plan and contracted with the same vendor servicing the state of Oregon.
- We have seen some movement on the ABLE Adjustment Act. The number of co-sponsors increased after the NAST meeting in DC. The Congressional Budget Office requires 100 co-sponsors before reviewing a bill, and with COVID-19, almost everything is on hold.
- We are talking with Nebraska, which is a small ABLE program. We think that their program will change within the next 8-10 months.
- **Chairwoman Ma** emphasized CalABLE continues to pursue tax incentives, but due to the COVID-19, we probably have little chance of changing that this year. Genevieve Jopanda has been talking to the Legislature about tax incentives, how we can compete with other states programs, and continuing to promote the CalABLE program.
- **Gayle Miller (Finance)** congratulated the whole team, Treasurer Ma, and Mr. Allen and his team on an outstanding job.

Chairwoman Ma asked if there were any public comments/phone comments - None

- **COVID-19 Impact on ABLE Programs (Dante Allen; Meketa Investment Group; AKF Consulting, LLC) Informational Item**

- **Mr. Allen** thanked TIAA for their partnership and leadership regarding the COVID-19 crisis. Very early during the crisis, we recognized from phone calls that clients were concerned about their portfolios losing money and pointed out the FDIC-insured portfolio. A concern about the FDIC account was that the interest rate is moving to a 0% return on investment. This

option no longer became a safe space for CalABLE account holders. The Board was generous in waiving the state administrative fee for the FDIC portfolio. The intent was for the account holder not to lose any principal since this group is the most vulnerable.

- Mr. Allen reached out to Linda English from TIAA to look into the FDIC portfolio, and came up with the alternative of potentially eliminating the FDIC portfolio in favor of the funding agreement, based on the TIAA Life Insurance program. This is part of the underlying fund portfolio and exists in our sister program, ScholarShare. The funding agreement would provide a higher rate of return and possibly a higher ceiling on the rate of return. CalABLE started some research as fiduciary stewards to explore the various alternatives in this volatile market.
- TFI presented different plan information in relationship to portfolios and contracts, along with the possible risks.
- Meketa presented the Stable Value option plan.
- AKF provided contextual information on which ABLE programs are considering other options, along with the potential upside and downside to this exploration.
- **Chairwoman Ma** suggested Mr. Allen meet with individual board members to determine the interest level of another portfolio options, once the interest level is determined, and return to the board with a recommendation.
- **Jacqueline Jackson (State Independent Living Center)** stated as a CalABLE account holder, most holders would like to have the lowest cost with the highest return investment and that people should have options.

Chairwoman Jopanda –Treasurer’s Office (Treasurer Ma had to be excused for another meeting) asked if there were any public comments/phone comments - None

Meeting Adjourned at 4:14pm