

JUNE 23, 2021

**AGENDA ITEM 1
Action ITEM**

CALIFORNIA ABLE ACT BOARD

Approval of Minutes from March 16, 2021 Meeting

Attachments

- Attachment #1 – CalABLE Board March 16, 2021 Meeting Minutes

Recommended Action—Approve meeting minutes

CALIFORNIA ACHIEVING A BETTER LIFE EXPERIENCE (ABLE) ACT BOARD

Minutes

March 16, 2021 - 1:30 PM
915 Capitol Mall, Room 587, Sacramento, CA 95814

Public Participation via Zoom is available at
<https://zoom.us/j/94013798832>

Public Participation Zoom Audio Call in Number
Dial In +1-669-900-6833
Webinar ID: 940 1379 8832

Board members present:

Fiona Ma, CPA, California State Treasurer (In-person)
Audrey Noda for the California State Treasurer, Fiona Ma, CPA (via teleconference)
Joe Xavier for the Department of Rehabilitation (via teleconference)
Kathleen Barajas for the State Independent Living Council (via teleconference)
David Oppenheim for the State Controller Betty T. Yee (via teleconference)
Gayle Miller for the Department of Finance (via teleconference)
Sandra Aldana for the State Council on Developmental Disabilities (via teleconference)
Carla Castañeda for the Department of Developmental Services (via teleconference)

CalABLE Board Staff:

Dante Allen, Executive Director, CalABLE
Anne Osborne, Manager, CalABLE
Sandra Kent, AGPA, CalABLE
Ravinder Kapoor, Senior Attorney

CalABLE Board Consultants present:

Andrea Feirstein, Managing Director, AKF Consulting (via teleconference)

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

Linda English, Senior Director of Relationship Management (via teleconference)
Glenn Friedman, Manager, TIAA Tuition Financing Inc. (via teleconference)
Eric White, Principal, Meketa Investment Group, Inc. (via teleconference)
Doug Harrison, TIAA Tuition Financing Inc. (via teleconference)
Mitch Baum, MAB Strategic, LLC (via teleconference)

Chair Ma called the meeting to order at 1:30 PM.

Ms. Osborne announces public comment directions for phone participants

Item # 1 – Action Item

Approval of Minutes

Motion to approve the minutes of the November 17, 2020, and February 2, 2021, meetings of the California ABLE Act Board.

MOTION:	Gayle Miller	SECONDED:	Carla Castañeda
AYES:	Fiona Ma, David Oppenheim, Gayle Miller, Joe Xavier, Carla Castañeda, Kathleen Barajas		
NOES:	None		
ABSTAIN:	None		
RECUSE:	None		
NOT PRESENT:	Sandra Aldana		
ACTION:	Motion Passes		

Chair Ma asked if there were any public comments/phone comments – None

Item #2 – Information Item

Executive Director’s Report by Dante Allen

- **NAST Update**

Treasurer Ma and staff facilitated a discussion at the NAST Legislative Conference focused on the prospects of congress passing the newly introduced ABLE Age Adjustment Act. Senator Casey, Senator Moran provided video messages and Congressman Cardenas provided live remarks at the well-attended event. Senate staffers provided additional insight into the opportunity to pass this legislation in the current congress. The NAST ABLE committee also outlined its legislative priorities for 2021.

- **Budget Overview**

Staff submitted a Budget Change Proposal that mirrors the dollar amount requested, which holds the CalABLE operating budget flat in comparison to the previous fiscal year. This funding has been requested as an annual budget appropriation rather than the General Fund loans that have sustained the program since the beginning. This approach was taken to aid CalABLE in achieving self-sustainability, accelerate loan repayment, and limit the program’s need to seek loan funding on an annual basis until such time that revenues exceed operations expenses. This approach comes with the support of the Legislative Analyst’s Office that has monitored CalABLE’s effort from the beginning. Both the Senate Budget Subcommittee and the Assembly Budget Subcommittee were provided testimony regarding the budget change proposal. Staff is currently awaiting guidance from the Assembly Budget Subcommittee regarding a path forward.

- **Contract Update**

From September 2020 through March 2021, there were two contracts signed: Meketa Investment Group for \$294,750.00 and State Treasurer's Office for \$45,291.00 for STO Executive and Support Services. This was done under the executive director's contracting delegation authority, totaling \$340,041.00.

- **Outreach/Marketing**

Staff reported on CalABLE's outreaching efforts with online presentations. CalABLE continues to receive requests for online presentations, with 11 events in Q1 reaching 1,310 attendees. The three webinar topics included "Selecting Investment Options for Your CalABLE Account," which focused on information about CalABLE investment accounts; "Understanding CalABLE for 2021" which discussed opening a CalABLE account and featured guest speaker Malcolm Harmon, Service Delivery and Engagement Manager; and "The Importance of the Disclosure Statement" in which staff reviewed how to use the Disclosure Statement. The webinars have become a popular series for CalABLE, with a 63% attendance rate. In addition to presentations and webinars, CalABLE launched a three part series with YouTube personality Squirmy and Grubs, promoting CalABLE and the benefits of being an account holder.

- **Sagent Executive Summary**

The Sagent contract concluded in February 2021 with a final report recapping the marketing outreach services agreement. The report highlighted CalABLE's digital outreach:

- The paid media campaign delivered 12,205,766 impressions and 17% in added value.
- Keywords delivered a 12.7% click-through rate (CTR). A high CTR indicates that the keywords or keyword phrases utilized are relevant to the audience searching for these terms.
- Eblasts generated open rates of +20%, significantly higher than the industry average, demonstrating compelling headlines and content.
- Paid Facebook ads delivered 15,277,953 impressions and reached 5,037,954 people. A total of 74 combined optimization tactics and creative and targeting ads were run from December 4, 2019, through February 28, 2021.
- CalABLE experienced its highest level of new enrollments in December 2020.

- **Financial Literacy**

YouTube resources continue to be a strong presence for marketing. Facebook ambassador videos and outreach efforts also remain strong. The current development of the webinar series called "FinanciallyABLE" will release in April 2021. CalABLE's previous marketing agency, Sagent, assisted with the development of the financial literacy video series.

- **Industry Update**

Nationally, ABLE accounts increased by 45% and assets under management grew by 81% in 2020. CalABLE's assets grew by 168% and assets under management grew by 95%. At the end of Q3, CalABLE was ranked sixth in the nation and by the end of Q4, it was ranked fifth. The State comparison shows California is ranked third in assets under management and fourth in accounts among Independent plan accounts.

Chair Ma asked if there were any public comments/phone comments – None

Item #3 – Information Item

Review of CalABLE Investments Performance for the Fourth Quarter 2020

- **Glenn Friedman from TIAA**

- The current market trend is optimism in the capital markets with the availability of a vaccine for the coronavirus pandemic and a return to normalcy for consumers.
- Slide 2 shows a positive market growth, and stocks across the board are up. Growth for value stocks was higher than for growth stocks, which is attributed to a 28% increase in the energy market. The largest gain was in U.S small cap stocks, which gained 31.37%.
- The year closed with \$36.1 million in managed assets. The FDIC-Insured, Conservative, Moderate and Aggressive Growth portfolios continue to perform within their benchmarks.

- **Eric White from Meketa**

- All the underlying funds were either positive or acceptable for the quarter and hit their benchmarks.
- The Aggressive Portfolio had very strong returns for the quarter, up 12.3%, and is up 18.2% since inception. The Moderate Portfolio was up roughly 7.9% for the quarter and up 13.8% since inception. The Conservative Portfolio was up roughly 3.5% for the quarter and up 8.5% since inception. The portfolio has less equity market exposure and has positive returns across the board. The growth in the account can be contributed to the marketing and product perception which helps the sales process and the performance.

Chair Ma asked if there were any public comments/phone comments – None

Item #4 – Information Item

ABLE 03-18 Amendment 2 Contract Renewal – Meketa Investment Group for the amount of \$294,750.00

The CalABLE Act Board and its investment consultant, Meketa Investment Group, Inc. (Meketa), monitor all portfolios in the CalABLE Program. Meketa provides the Board with (i) creating the statement of investment policy and monitoring criteria for the Trust, (ii) evaluating program manager and investment manager proposals, and (iii) monitoring the investment performance of the program(s) since April 1, 2019.

CalABLE is exercising the second optional one-year contract extension for a total contract amount of \$294,750.00, expiring March 31, 2022. The contract is below the \$300,000.00 Executive Director Signature Authority Resolution and does not require a resolution of the Board.

Mr. White addressed the Board, explaining that the primary objective of the monitoring process is to aid in making the best decisions on behalf of the participants. The report provides an analysis and assessment of fund performance relative to benchmark and peer results, cash flow and asset value monitoring, individual manager reviews, current industry topics and updates, and program recommendations.

Chair Ma asked if there were any public comments/phone comments – None

Item #5 – Information Item

TIAA Account Holder 2020 Survey Results

In 2020, staff commissioned TIAA to conduct a survey of CalABLE account owners. The primary purpose of this survey was to explore account owner preferences regarding the CalABLE FDIC-Insured Portfolio in light of historically low interest returns. The survey was expanded to include a number of questions that can provide data that can be used to guide decisions related to program growth. The California ABLE Act Board received the results from the 2020 customer survey conducted by TIAA Tuition Financing Inc. Doug Harrison from TIAA Tuition Financing Inc. and Mitch Baum from MAB Strategic, LLC presented the survey results.

- **Mr. Baum** from MAB Strategic, LLC

All participants were CalABLE account holders. The survey was fielded from November 5 to November 13, 2020. Five hundred surveys were sent to CalABLE account holders, with a 78 % completion rate.

- Question 1 - Retain FDIC-Insured Portfolio: 80% responded they were satisfied with their current investment options. Consumers prefer the FDIC-Insured Portfolio over the guaranteed option by a wide margin.
- Question 2 - Amplify the Brand: Most believe not enough people know about CalABLE (92%).

- Question 3 - Tailor Marketing to the Purchase Journey: 78% responded that a trusted source was the reason for opening a new account. Account prospects visited the CalABLE site 3.4 times before opening an account and 27% responded that competition was factor.
- Question 4 - Expand Financial Literacy Effort: There is a solid interest in financial literacy content, with a response rate of 64%. The most popular topic, How to Choose Smart Investments, received a 74% response rate.
- Question 5 - Take Advantage of Differences Between Account Owners (AO) and Authorized Legal Representatives (ALR): The difference is not just in their roles, but in how they receive the CalABLE message.
- The average age of an AO was 55 years old and 59 for an ALR.

Chair Noda presided over the meeting beginning at 3:19 PM.

Chair Noda asked if there were any public comments/phone comments

- **Ms. Aldana** commented, “The survey indicates participants were not worried about reaching the \$500,000 account cap. People were more concerned about maintaining their benefits.
- **Mr. Xavier** asked, “Is there something we can learn about the individual who invest in FDIC?” By looking at the data and who is selecting the FDIC portfolio, the account owner is more interested in keeping their benefits and saving for a future item.
- **Ms. Aldana** asked, “How does CalABLE look at these accounts for individuals with various income levels and varying types of disabilities?” She mentioned reaching out to Meighan Maguire, Director of Education at Rancho Los Cerritos Historic Site.

Chair Noda asked if there were any public comments/phone comments - None

Item #6 – Information Item

CalABLE Self-sustainability Projections - AFK Consulting

In 2020, staff commissioned AKF to perform an analysis and timeline estimate for CalABLE to reach financial self-sustainability when program revenues meet or exceed program operating costs. These projections provide insight into when the program can expect to repay the General Fund loans that have supported to operating costs of the program since inception. This report was used as the basis for CalABLE’s FY21-22 Budget Change Proposal (BCP) seeking an annual budget appropriation in lieu of additional loans.

- **Andrea Feirstein from AKF Consulting**

- Performance and Budget Review-to date. General Fund loans are at \$5,070,000 with the principal needing to be repaid. Beginning in fiscal year 2021-22, appropriations will replace the loans and will cover excess expenses after revenue.
- The revenue factor and project analysis makes some key assumptions regarding account contributions, state administrative fees based on the program assets, the difference between revenues and expenses, amounts covered by loans to date, and the appropriation starting in FY 2021-22.
- Account Growth Rate will be the key driver in revenue collection and account sustainability.
- Once CalABLE reaches sustainability in 2030, a reliance on General Fund appropriations will diminish, and the loan repayment process will begin using excess revenue until 2038.

Chair Noda asked if there were any public comments/phone comments - None

Meeting adjourned at 4:04 PM.