JUNE 21, 2022

AGENDA ITEM 3
INFORMATION ITEM

CALIFORNIA ABLE ACT BOARD

Review of CalABLE Investment Performance for first Quarter 2022

Background

The CalABLE Act Board and its investment consultant, Meketa Investment Group, Inc. (Meketa) monitor all portfolios in the CalABLE (Plan). In this item, CalABLE will review and "Investment Performance Report" (Exhibit A) for the Plan for the first quarter 2022, provided by TIAA Tuition Financing, Inc., and the "Investment Performance Status Report" (Exhibit B) for the first quarter 2022, provided by Meketa. Exhibit B provides comparisons for each underlying fund allocated to the portfolios used in the Plan to applicable benchmark criteria and labels the current status of the funds as "positive," "acceptable," "caution," or "watch."

Attachments

- TFI CalABLE Performance Report 1Q22
- CalABLE Performance 1Q22
- 2022 Markets and Economy – A Perspective

Presenters

Glenn Friedman, Manager, TIAA Tuition Financing Inc.
Eric White, Principal, Meketa Investment Group, Inc.

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TIAA

TIAA-CREF Tuition Financing, Inc.

Quarterly Investment Performance Report

1st Quarter 2022

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Before investing in the California Achieving a Better Life Experience (CalABLE) Program, you should consider the investment objectives, risks, charges, and expenses. The information contained in this report is subject to further change and amendments over time. Some changes may occur due to the result of adjustments. For a prospectus containing this and other information, as well as a Participant Agreement and Disclosure Statement, please call (833) 225-2253 or view it online at https://calable.ca.gov/. Please read these documents carefully before investing.

TIAA-CREF Tuition Financing, Inc., Program Manager. TIAA-CREF Individual & Institutional Services, LLC, member FINRA and SIPC, distributor and underwriter for the CalABLE plan.

CalABLE

Market Overview: Q1 2022

Key Themes

- A number of issues took center stage during the quarter, including concerns about higher inflation, Russia's invasion of Ukraine, and continued efforts for supply chain normalization. The Federal Reserve raised interest rates in March, in what many believe is the first of several hikes this year.

Equities

- U.S. equities were led by a strong rally in energy stocks, with the sector gaining about 39% in Q1. Communication Services was the laggard, falling 11.92%. Volatility spiked and markets entered a bear market in the face of inflation pressures and geopolitical uncertainty.

Fixed Income

- In line with the Fed's decision to raise the target for the Fed Funds Target Rate by 0.25%, interest rates rose in Q1, and part of the yield curve became inverted. Some believe that this could be a sign of a future recession, though currently this remains unlikely. Core fixed income markets struggled.

Past performance is not indicative of future results. You can not invest directly in an index. U.S. Equities – Russell 3000 Index; U.S. Growth Stocks – Russell 1000 Growth Index; U.S. Value Stocks – Russell 1000 Value Index; U.S. Mid Cap Stocks – Russell Midcap Index; U.S. Small-Cap Stocks – Russell 2000 Index; International Developed Markets – MSCI EAFE Index; Emerging Markets – MSCI Emerging Markets Index; Real Estate Stocks – FTSE NAREIT All Equity REITS Index; U.S. Investment Grade Bonds – Bloomberg Barclays U.S. Aggregate Bond Index; Inflation-Linked Bonds – Bloomberg Barclays TIPS 1-10 Years Index; High Yield Bonds – BofA Merrill Lynch BB/B Cash Pay Index; Commodities - Bloomberg Commodity Index; Cash – Bloomberg Barclays U.S. 3 month Treasury Bellweathers Index.
C34631

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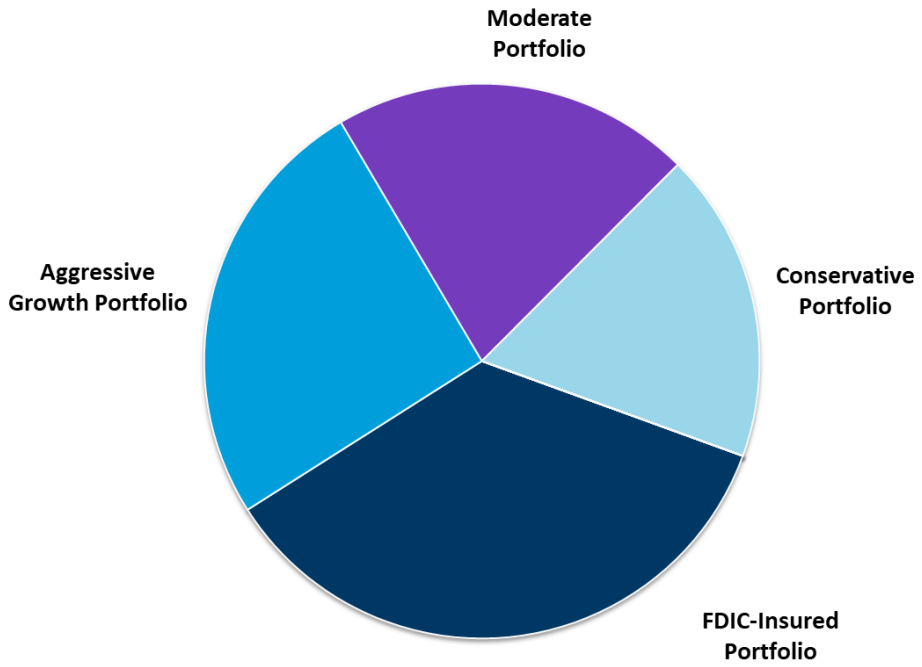
Asset Class	3 Month	1 Year	3 Year	5 Year
U.S. Equities	-5.28	11.92	18.24	15.40
U.S. Growth Stocks	-9.04	14.98	23.60	20.88
U.S. Value Stocks	-0.74	11.67	13.02	10.29
U.S. Mid-Cap Stocks	-5.68	6.92	14.89	12.62
U.S. Small-Cap Stocks	-7.53	-5.79	11.74	9.74
Int'l Developed Stocks	-5.91	1.16	7.78	6.72
Emerging Markets Stocks	-6.97	-11.37	4.94	5.98
Real Estate Stocks	-5.26	23.58	11.72	10.69
U.S. Investment Grade Bonds	-5.93	-4.15	1.69	2.14
Inflation-Linked Bonds	-1.74	3.78	5.45	3.88
High Yield Bonds	-4.58	-0.49	4.39	4.58
Commodities	25.55	49.25	16.12	9.00
Cash	0.04	0.06	0.81	1.14
Annualized Tuition Inflation Ending as of 2021-2022 Academic Year* (%)				
Educational Institution		**1 Year**	**3 Year**	**5 Year**
National Average Public 4-Year In-state		1.61	1.70	2.12
National Average Private Nonprofit 4-Year		2.15	2.18	2.59
Consumer Price Index, March 2022		8.54	4.19	3.35

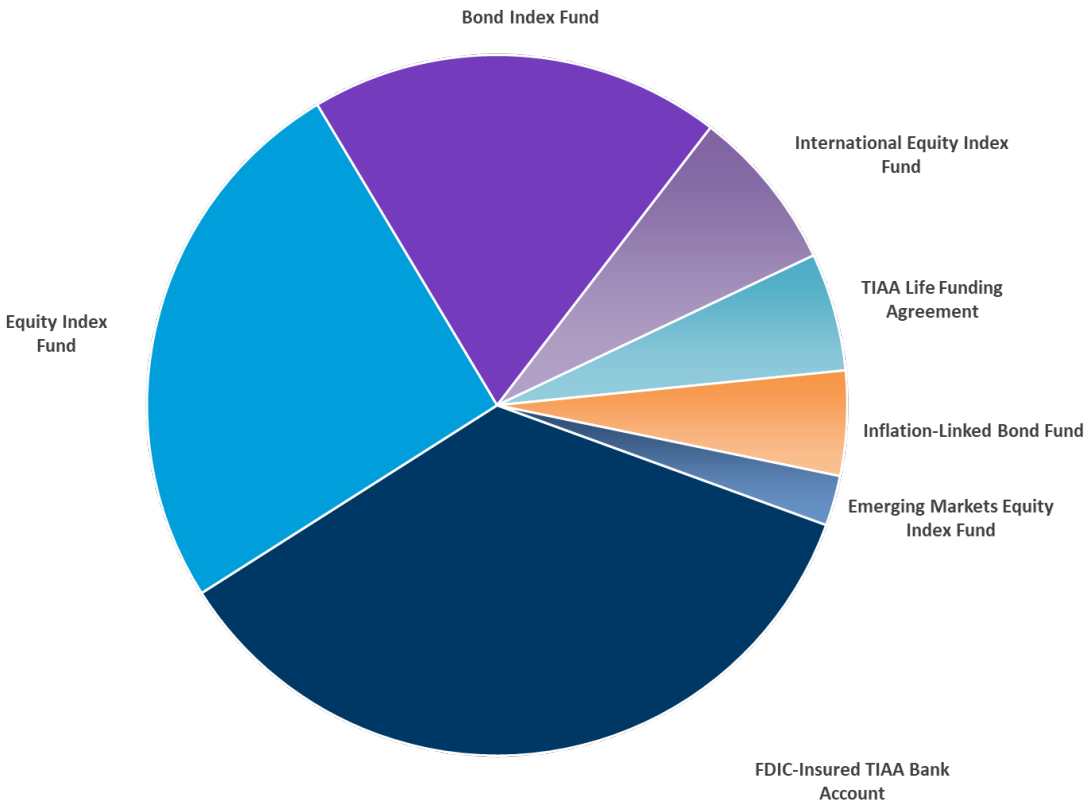
*Data are for the entire academic year and are average total charges for full-time attendance. Tuition and fees were enrollment weighted. SOURCES: CollegeBoard, Trends in College Pricing 2021 and U.S. Department of Labor: Bureau of Labor Statistics

Asset Overview by Options as of Q1 2022
Total Assets: $78.0 Million



	Assets (in thousands)			
Portfolio	January	Feburary	March	Quarter-End % of Assets
FDIC-Insured Portfolio	$25,513	$26,602	$27,632	35%
Aggressive Growth Portfolio	$18,885	$19,210	$19,898	26%
Moderate Portfolio	$15,739	$15,950	$16,343	21%
Conservative Portfolio	$13,770	$13,685	$14,098	18%
Total Assets	$73,907	$75,448	$77,970	100%

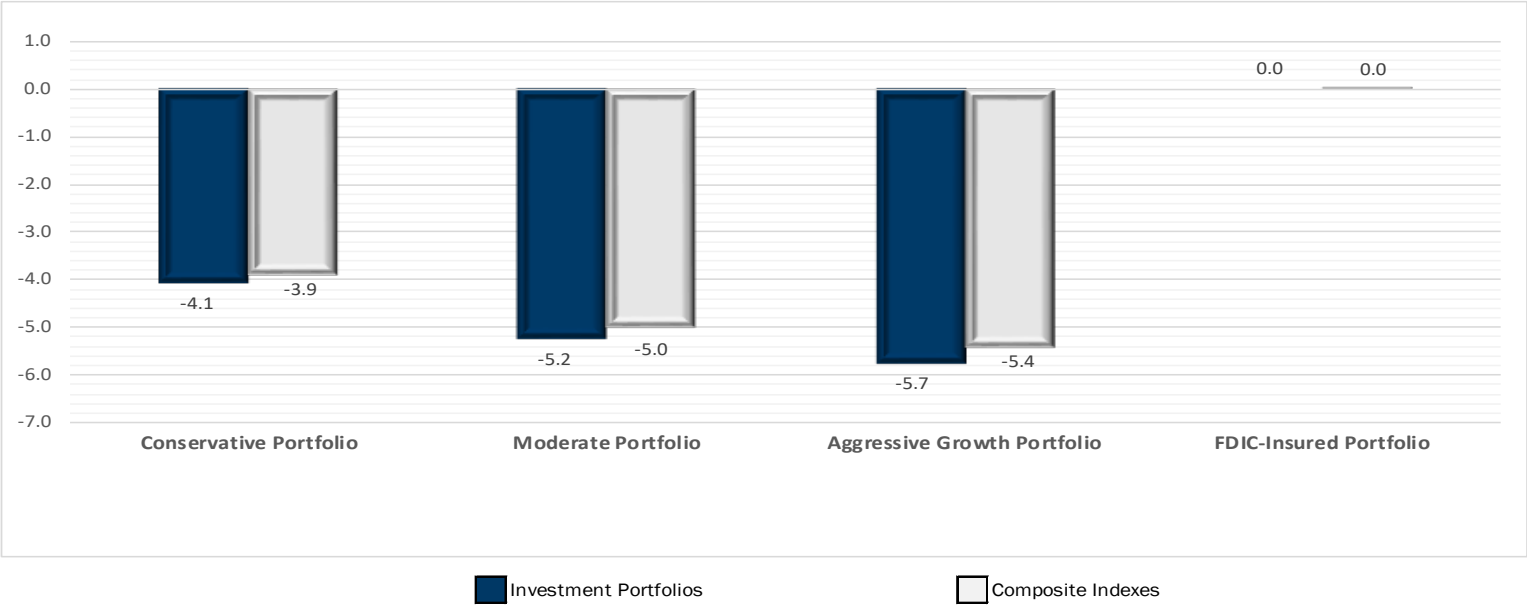
Asset Overview by Underlying Fund as of Q1 2022



	% of Assets	$ Thousands
FDIC-Insured TIAA Bank Account	35%	$27,632
Equity Index Fund	25%	$19,822
Bond Index Fund	19%	$14,828

	% of Assets	$ Thousands
International Equity Index Fund	8%	$5,870
TIAA Life Funding Agreement	5%	$4,246
Inflation-Linked Bond Fund	5%	$3,770
Emerging Markets Equity Index Fund	2%	$1,802

Investment Portfolios vs. Composite Indexes: Q1 2022 Return (%)



- The U.S. economy gained 431,000 jobs in March and the unemployment rate declined to 3.6%, below expectations. Notable job gains occurred in leisure and hospitality, professional and business services, and retail trade.
- The Conference Board's index of leading economic indicators (LEI) increased 0.3% in February, following a 0.5% decrease in January. "However, the latest results do not reflect the full impact of the Russian invasion of Ukraine," said the Senior Director of Economic Research.
- The Federal Open Market Committee raised its target range for the Fed Funds Rate by 0.25% in March. With inflationary pressure higher than it has been in years, the market is expecting more hikes in 2022.
- The three investment portfolios invested in the capital markets had negative absolute returns in Q1.
- All underlying mutual funds in the program experienced negative returns in Q1 during a challenging environment. However, the TIAA-CREF Life Funding Agreement, which is held in the Moderate Portfolio and Conservative Portfolio, continued to credit a positive rate of return and benefited participants.
- The program is primarily composed of index funds, which have an objective to replicate respective benchmark returns gross of fees. Portfolio returns were in line with those of blended indexes, which reflects this passive approach for low cost investing across primary asset classes.

Investment Portfolios* vs. Composite Benchmarks: Return (%)

						Average Annual Total Return			
	January	Feburary	March	3 Month	YTD	1 Year	3 Year	Since Inception	Inception Date
Conservative Portfolio	-2.19%	-0.91%	-1.01%	-4.06%	-4.06%	-0.08%	4.26%	5.19%	12/17/18
Composite Index Returns	-2.15%	-0.86%	-0.93%	-3.90%	-3.90%	0.14%	4.65%	5.61%	
Difference	**-0.04%**	**-0.05%**	**-0.08%**	**-0.16%**	**-0.16%**	**-0.22%**	**-0.39%**	**-0.42%**	
Moderate Portfolio	-3.42%	-1.74%	-0.15%	-5.24%	-5.24%	2.11%	8.15%	9.71%	12/17/18
Composite Index Returns	-3.56%	-1.51%	-0.01%	-5.02%	-5.02%	2.68%	8.81%	10.35%	
Difference	**0.14%**	**-0.23%**	**-0.14%**	**-0.22%**	**-0.22%**	**-0.57%**	**-0.66%**	**-0.64%**	
Aggressive Growth Portfolio	-4.52%	-2.43%	1.18%	-5.74%	-5.74%	4.96%	11.97%	14.14%	12/17/18
Composite Index Returns	-4.67%	-2.05%	1.29%	-5.42%	-5.42%	5.60%	12.55%	14.59%	
Difference	**0.15%**	**-0.38%**	**-0.11%**	**-0.32%**	**-0.32%**	**-0.64%**	**-0.58%**	**-0.45%**	
FDIC-Insured Portfolio	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.20%	0.21%	12/17/18
FTSE 3-Month T-Bill	0.00%	0.01%	0.02%	0.03%	0.03%	0.06%	0.76%	0.91%	
Difference	**0.00%**	**-0.01%**	**-0.02%**	**-0.03%**	**-0.03%**	**-0.06%**	**-0.56%**	**-0.70%**	

*Returns are net of all fees.
The crediting rate of 1.05% for the Funding Agreement in the Conservative Portfolio and Moderate Portfolio is guaranteed through 11/30/22.

Asset Allocation, Fees, and Performance

Portfolio	Q1 Investment Option Return	Annual Asset Based Fees (bp)*	TIAA-CREF Equity Index Fund	TIAA-CREF International Equity Index Fund	TIAA-CREF Emerging Markets Equity Index Fund	TIAA-CREF Bond Index Fund	TIAA-CREF Inflation-Linked Bond Fund	T-C Life Funding Agreement	FDIC-Insured TIAA Bank Account
Underlying Fund Expenses (bp)			5	5	18	8	25	N/A	N/A
Conservative Portfolio	-4.06%	51	14.00%	4.50%	1.50%	44.00%	11.00%	25.00%	
Moderate Portfolio	-5.24%	52	35.00%	11.25%	3.75%	36.00%	9.00%	5.00%	
Aggressive Growth Portfolio	-5.74%	51	56.00%	18.00%	6.00%	16.00%	4.00%	0.00%	
FDIC-Insured Portfolio**	0.00%	44							100.00%
Underlying Fund Rating			√	√	√	√	√	√	√

* Asset Based Fees include estimated Underlying Investment Expenses and State Administrative Fees.

**Currently, the 0.44% State Administrative Fee for the FDIC-Insured Portfolio is being waived by the Board. The Board reserves the right to charge a State Administrative Fee to the FDIC-Insured Portfolio in the future to the extent that the imposition of such Fee would not result in a loss of principal for Account Owners.

	Average Annual Total Return							
	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Life	Incept. Date
T-C Bond Index Fund	-5.89%	-5.89%	-4.32%	1.51%	1.99%	2.08%	2.83%	09/14/2009
Bloomberg Barclays U.S. Aggregate Bond Index	-5.93%	-5.93%	-4.15%	1.69%	2.14%	2.24%	3.01%	
Difference	**0.04%**	**0.04%**	**-0.17%**	**-0.18%**	**-0.15%**	**-0.16%**	**-0.18%**	
T-C Emerging Markets Equity Index Fund*	-7.62%	-7.62%	-13.00%	4.31%	5.53%	3.06%	3.41%	08/31/2010
MSCI Emerging Markets Index	-6.97%	-6.97%	-11.37%	4.94%	5.98%	3.36%	3.82%	
Difference	**-0.65%**	**-0.65%**	**-1.63%**	**-0.63%**	**-0.45%**	**-0.30%**	**-0.41%**	
T-C Equity Index Fund	-5.26%	-5.26%	11.89%	18.17%	15.36%	14.25%	7.59%	07/01/1999
Russell 3000 Index	-5.28%	-5.28%	11.92%	18.24%	15.40%	14.29%	7.66%	
Difference	**0.02%**	**0.02%**	**-0.03%**	**-0.07%**	**-0.04%**	**-0.04%**	**-0.07%**	
T-C Inflation-Linked Bond Fund	-1.46%	-1.46%	3.76%	5.20%	3.69%	2.11%	4.07%	10/01/2002
Bloomberg Barclays 1-10 Year U.S. TIPS Index	-1.74%	-1.74%	3.78%	5.45%	3.88%	2.24%	3.92%	
Difference	**0.28%**	**0.28%**	**-0.02%**	**-0.25%**	**-0.19%**	**-0.13%**	**0.15%**	
T-C International Equity Index Fund*	-6.77%	-6.77%	0.25%	7.49%	6.63%	6.30%	7.46%	10/01/2002
MSCI EAFE Index	-5.91%	-5.91%	1.16%	7.78%	6.72%	6.27%	7.46%	
Difference	**-0.86%**	**-0.86%**	**-0.91%**	**-0.29%**	**-0.09%**	**0.03%**	**0.00%**	

* For funds holding securities traded on foreign exchange that close before the U.S. market, fair value pricing creates tracking error relative to a benchmark index that uses foreign closing prices.

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MEKETA
INVESTMENT GROUP

CalABLE Plan

June 21, 2022

1Q22 Performance & Evaluation Report

Agenda

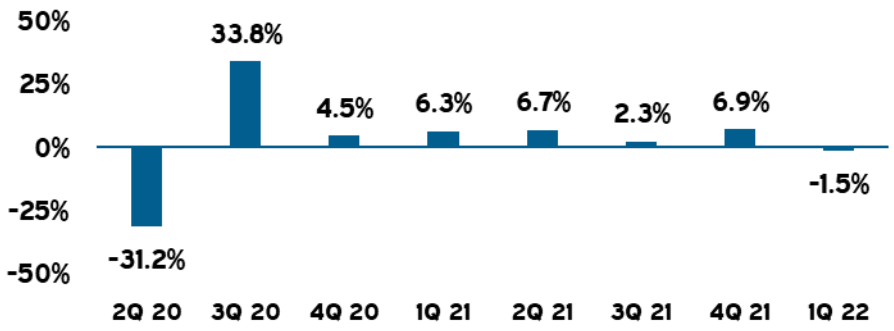
1. Economic and Market Update
2. Summary of Monitoring Status
3. CalABLE Portfolios Analysis
4. CalABLE Underlying Funds Analysis
5. Fee Schedule

Economic and Market Update

Data as of March 31, 2022

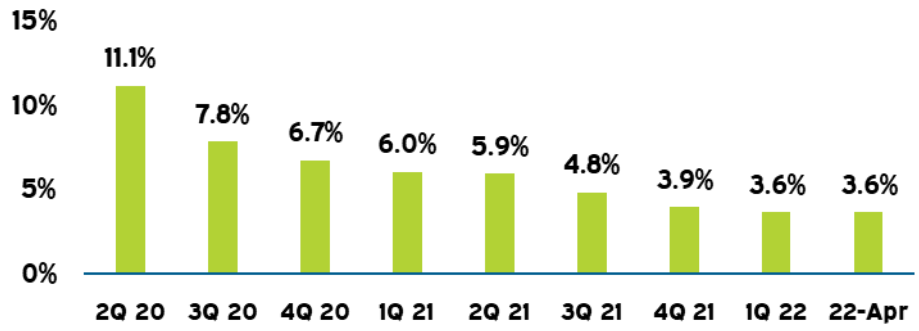
Economic and Market Update

Quarterly Real GDP (Annualized)



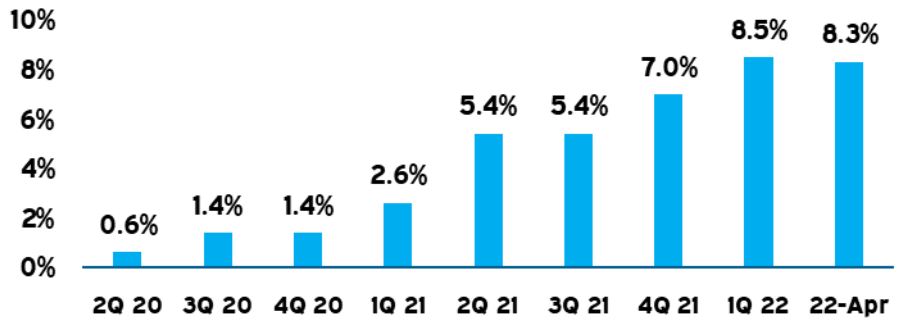
Source: Bureau of Economics Analysis. Data as of Q1 2022 representing the second estimate.

US Unemployment



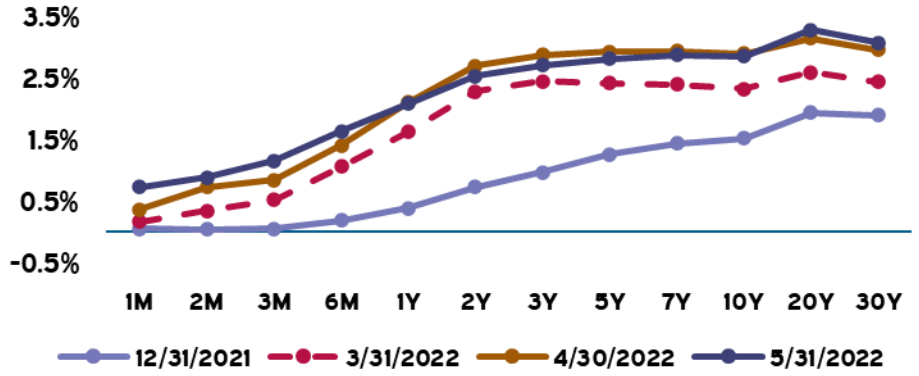
Source: Bureau of Labor Statistics. Data as of April 30, 2022. Seasonally adjusted.

US Inflation Trailing 12 Months



Source: Bureau of Labor Statistics. Data is non-seasonally adjusted CPI, which may be volatile in the short-term. Data as of April 30, 2022.

US Yield Curve



Source: US Department of the Treasury.

Index Returns

	1Q22 (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)
Domestic Equity					
S&P 500	-4.6	15.7	18.9	16.0	14.6
Russell 3000	-5.3	11.9	18.2	15.4	14.3
Russell 1000	-5.1	13.3	18.7	15.8	14.5
Russell 1000 Growth	-9.0	15.0	23.6	20.9	17.0
Russell 1000 Value	-0.7	11.7	13.0	10.3	11.7
Russell MidCap	-5.7	6.9	14.9	12.6	12.9
Russell MidCap Growth	-12.6	-0.9	14.8	15.1	13.5
Russell MidCap Value	-1.8	11.5	13.7	10.0	12.0
Russell 2000	-7.5	-5.8	11.7	9.7	11.0
Russell 2000 Growth	-12.6	-14.3	9.9	10.3	11.2
Russell 2000 Value	-2.4	3.3	12.7	8.6	10.5
Non-US Equity					
MSCI ACWI (ex. US)	-4.8	3.0	8.5	7.1	6.3
MSCI EAFE	-5.9	1.2	7.8	6.7	6.3
MSCI EAFE Growth	-11.9	-1.5	9.8	8.9	7.5
MSCI EAFE Value	0.3	3.6	5.2	4.2	4.9
MSCI EAFE (Local Currency)	-3.7	6.2	8.2	6.6	8.6
MSCI EAFE Small Cap	-8.5	-3.6	8.5	7.4	8.3
MSCI Emerging Markets	-7.0	-11.4	4.9	6.0	3.4
MSCI Emg Mrkts (Local Currency)	-6.1	-9.9	6.3	7.5	6.3
MSCI China	-14.2	-32.5	-3.0	3.5	4.5
Fixed Income					
Bloomberg Universal	-6.1	-4.2	1.9	2.3	2.6
Bloomberg Aggregate	-5.9	-4.2	1.7	2.1	2.2
Bloomberg US TIPS	-3.0	4.3	6.2	4.4	2.7
Bloomberg High Yield	-4.8	-0.7	4.6	4.7	5.7
JPM GBI-EM Global Diversified	-6.5	-8.5	-1.1	0.2	-0.7
Other					
FTSE NAREIT Equity	-3.9	26.5	11.1	9.6	9.8
Bloomberg Commodity Index	25.6	49.3	16.1	9.0	-0.7
HFRI Fund of Funds	-2.6	1.3	5.9	4.6	3.9

→ Inflation, rising rates and the war in Ukraine sparked increased market volatility.

→ US and Non-US equity generated poor results during the quarter.

- US equities declined less than international equities.
- US Small Cap trailed US Large Cap.
- US Value outpaced US Growth across all market caps.
- Within Non-US, Developed Markets outperformed Emerging Markets.

→ Broad fixed income returns were sharply negative during the quarter.

- Bloomberg Aggregate index posts its worst quarter since the third quarter of 1981.

→ Diversifying asset classes produced mixed results during the quarter.

- Commodities were a bright spot soaring 25.6%.
- REITs were down 3.9%.

Summary of Monitoring Status

Monitoring Summary
As of March 31, 2022

Portfolios	Total Fund Assets ($K)	% of Total
Aggressive Growth Portfolio	19,898	26%
Moderate Portfolio	16,343	21%
Conservative Portfolio	14,098	18%
FDIC-Insured Portfolio	27,632	35%

Underlying Funds	Total Fund Assets ($K)	% of Total	Prior QTR Status	Current QTR Status	Qualifies for Watch?	On Watch[1]
TIAA-CREF Equity Index Fund	19,822	25%	Positive	Positive	No	No
TIAA-CREF Int'l Equity Index Fund[1]	5,870	8%	Positive	Positive	No	No
TIAA-CREF Emerging Markets Index Fund[1]	1,802	2%	Caution	Caution	Yes	No
TIAA-CREF Bond Index Fund	14,828	19%	Positive	Positive	No	No
TIAA-CREF Inflation Linked Bond Fund	3,770	5%	Acceptable	Acceptable	No	No
TIAA-Life Funding Agreement	4,246	5%	Positive	Positive	No	No
FDIC-Insured TIAA Bank Account	27,632	35%	Positive	Positive	No	No
Total	**$77,970**	**100%**	---	---	---	---

→ The TIAA-CREF Emerging Markets Index qualifies for watch, but we recommend keeping it off watch for reasons detailed in the 4th quarter 2021 watch memo.

1 Watch criteria summarized on Page 8.
2 The TIAA-CREF International Equity and Emerging Markets Index funds' returns have been adjusted to remove F/X and Fair Value impact for the purpose of monitoring.

Monitoring Guidelines

Performance Category	Active Funds	Passive Funds
Positive	Performance exceeds the benchmark	Tracking error is within the allowable range (short-, medium-, and long-term periods)
Acceptable	Performance meets or trails the benchmark but is within the allowable range	N/A
Caution	Performance is below allowable range but either: i) For less than six consecutive months ii) The Board has not taken (or decided not to take) a formal action to place the underlying fund on Watch even though performance has been below allowable range for six months or longer.	Tracking error falls outside of the allowable range but either i) For less than six consecutive months or ii) The Board has not voted to place the underlying fund on Watch.
Watch	Performance is below allowable range for more than 6 consecutive months and the Board has formally voted to place the underlying fund on Watch.	Tracking error falls outside of the allowable range for more than 6 consecutive months and the Board has formally voted to place the underlying fund on Watch.

Monitoring Guidelines
As of March 31, 2022

Asset Class	Shorter-Term Performance (rolling 12-month periods)	Medium-Term Performance (rolling 36-month periods)	Long-Term (>60 months)
Actively Managed Funds	**Fund return < Benchmark return for 6 consecutive months**	**Fund return < Benchmark return for 6 consecutive months**	**VRR < for 6 consecutive months**
Fixed Income	-1.0%	-0.5%	0.98

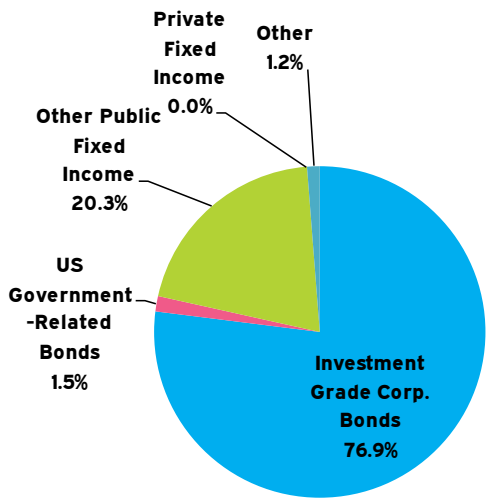
Passively Managed Funds	**Tracking Error > for 6 consecutive months**	**Tracking Error > for 6 consecutive months**	**Fund annualized return < Benchmark annualized return for 6 consecutive months**
Domestic Equity	0.30%	0.25%	-0.30%
International Equity	0.75%	0.70%	-0.30%
Fixed Income	0.40%	0.55%	-0.35%

FDIC Insured Deposit Portfolio

Asset Class	FDIC-Insured Status	Stability
Bank Deposit	Bank continues with appropriate levels of insurance with the FDIC	No identifiable issues regarding changes in the bank's financial stability

Asset Class	Financial Strength	Mortgage Portfolio	Bond Portfolio	Account Diversification
Funding Agreement (Stable Value)	Moody's = Aa2 Standard & Poor's = AA A.M. Best = A+ Fitch = AA-	100% in Good Standing	At least 90% Investment Grade	Portfolio is diversified across asset classes and types

T-C Life Funding Agreement



Monitoring Status
Positive

Specification	Criteria	Status as of 3/31/2022
Financial Strength	Moody's = Aa2 Standard & Poor's = AA A.M. Best = A+ Fitch = AA-	Moody's = Aa1 Standard & Poor's = AA+ A.M. Best = A++ Fitch = AAA
Mortgage Portfolio*	100% in Good Standing	100% in Good Standing**
Bond Portfolio*	At least 90% Investment Grade	99.8% in Investment Grade
Account Diversification*	Portfolio is diversified across asset classes and types	Portfolio is diversified across asset classes and types (see chart above)

*Status as of 3/31/22
**Portfolio did not contain any commercial mortgages.
Source: TIAA-CREF

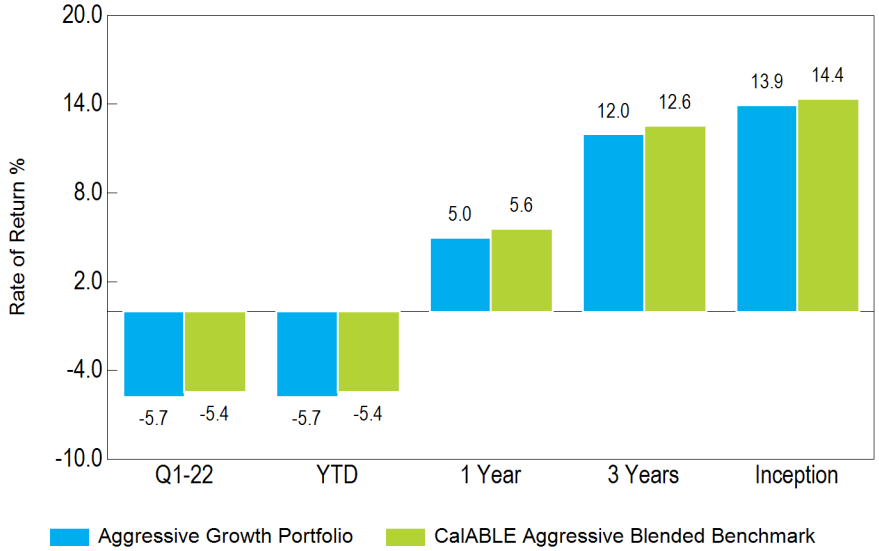
CalABLE Portfolios Analysis

MEKETA

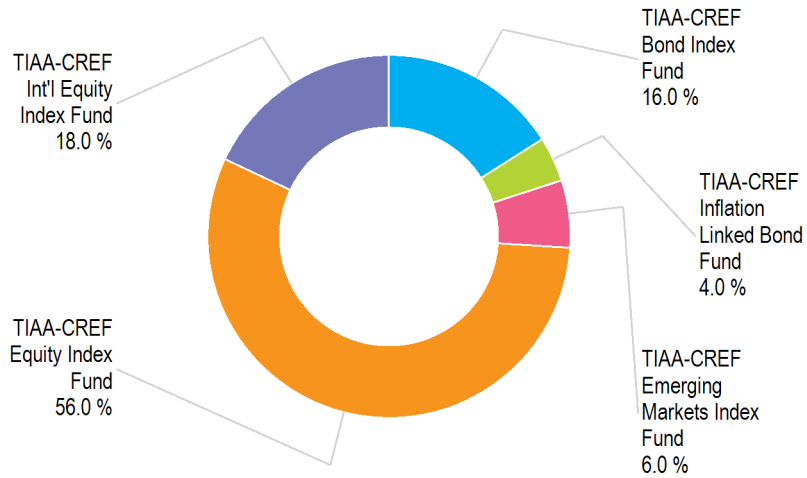
CalABLE Plan

Aggressive Growth Portfolio | As of March 31, 2022

Return Summary



Current Allocation



*Portfolio Inception Date: 12/17/2018

Underlying Investment Trailing Performance

	3 Mo (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
Aggressive Growth Portfolio	**-5.4**	**-5.4**	**5.3**	**12.2**	--	--
TIAA-CREF Bond Index Fund	-5.9	-5.9	-4.3	1.5	2.0	2.1
Bloomberg US Aggregate TR	*-5.9*	*-5.9*	*-4.2*	*1.7*	*2.1*	*2.2*
TIAA-CREF Inflation Linked Bond Fund	-1.5	-1.5	3.8	5.2	3.7	2.1
Bloomberg US TIPS 1-10 Yr TR	*-1.7*	*-1.7*	*3.8*	*5.4*	*3.9*	*2.2*
TIAA-CREF Emerging Markets Index Fund	-7.0	-7.0	-11.7	4.6	5.7	3.2
MSCI Emerging Markets	*-7.0*	*-7.0*	*-11.4*	*4.9*	*6.0*	*3.4*
TIAA-CREF Equity Index Fund	-5.3	-5.3	11.9	18.2	15.4	14.2
Russell 3000	*-5.3*	*-5.3*	*11.9*	*18.2*	*15.4*	*14.3*
TIAA-CREF Int'l Equity Index Fund	-5.9	-5.9	1.3	7.9	6.8	6.4
MSCI EAFE	*-5.9*	*-5.9*	*1.2*	*7.8*	*6.7*	*6.3*

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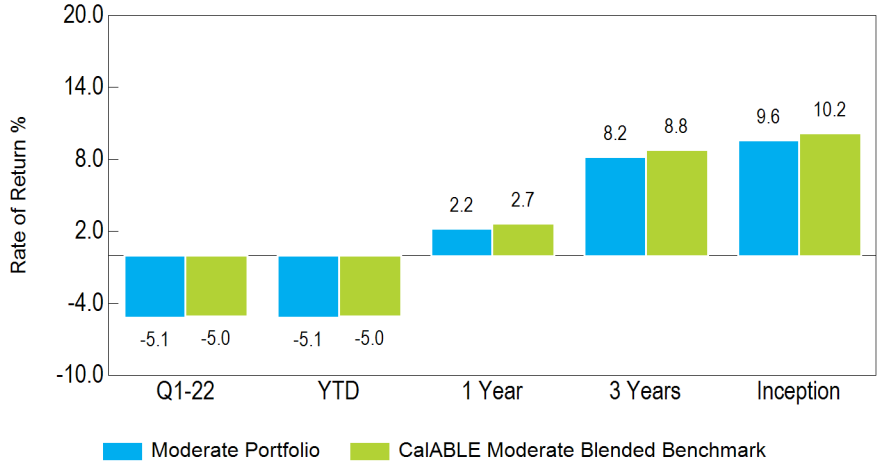
CalABLE Plan

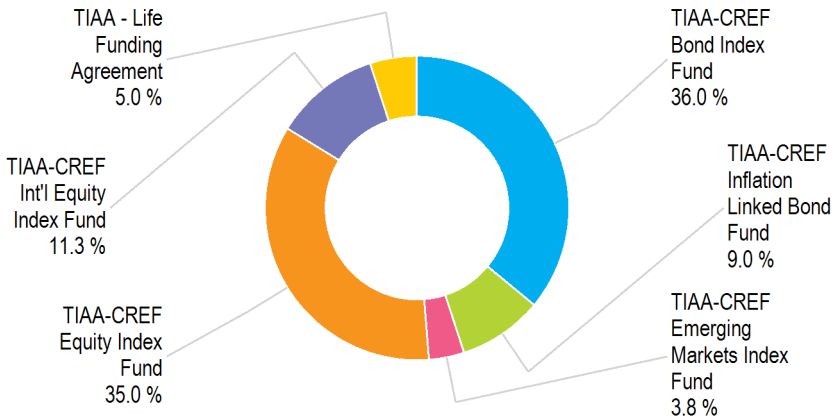
Moderate Portfolio | As of March 31, 2022

Return Summary



*Portfolio Inception Date: 12/17/2018

Current Allocation

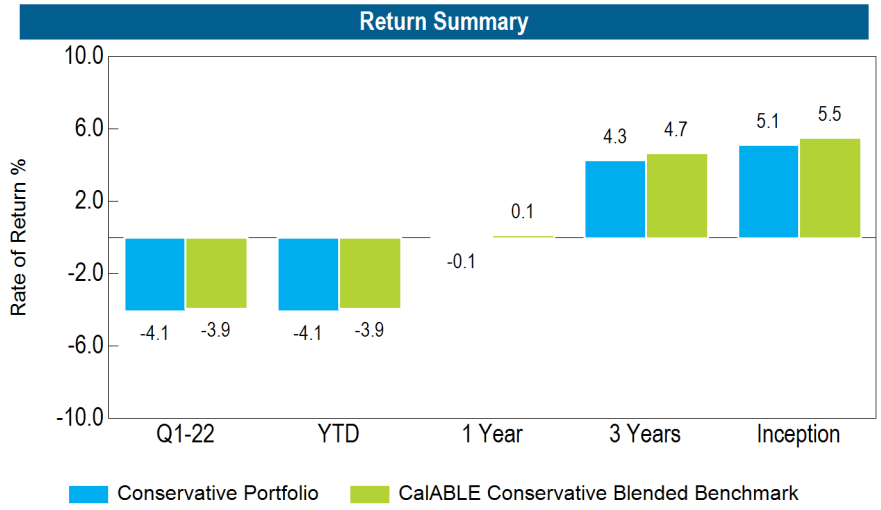


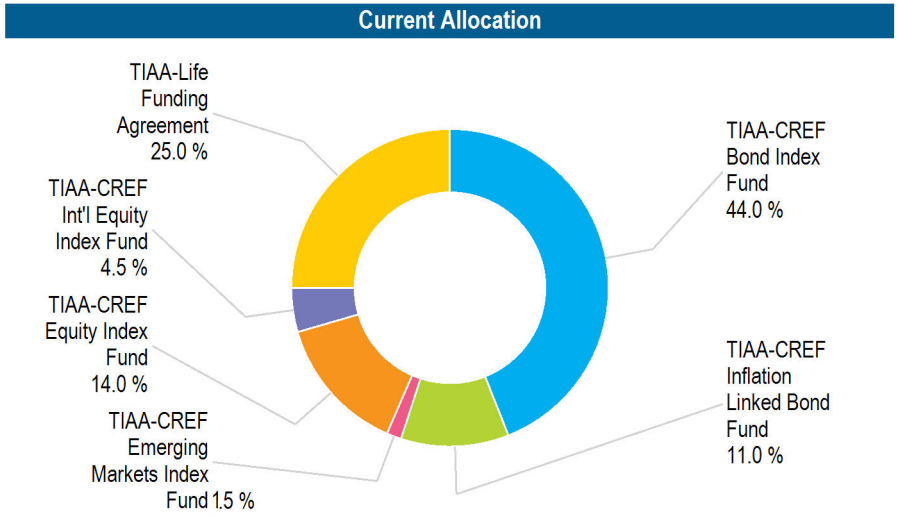
Underlying Investment Trailing Performance

	3 Mo (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
Moderate Portfolio*	**-5.3**	**-5.3**	**2.5**	--	--	--
TIAA-CREF Bond Index Fund	-5.9	-5.9	-4.3	1.5	2.0	2.1
Bloomberg US Aggregate TR	*-5.9*	*-5.9*	*-4.2*	*1.7*	*2.1*	*2.2*
TIAA-CREF Inflation Linked Bond Fund	-1.5	-1.5	3.8	5.2	3.7	2.1
Bloomberg US TIPS 1-10 Yr TR	*-1.7*	*-1.7*	*3.8*	*5.4*	*3.9*	*2.2*
TIAA-CREF Emerging Markets Index Fund	-7.0	-7.0	-11.7	4.6	5.7	3.2
MSCI Emerging Markets	*-7.0*	*-7.0*	*-11.4*	*4.9*	*6.0*	*3.4*
TIAA-CREF Equity Index Fund	-5.3	-5.3	11.9	18.2	15.4	14.2
Russell 3000	*-5.3*	*-5.3*	*11.9*	*18.2*	*15.4*	*14.3*
TIAA-CREF Int'l Equity Index Fund	-5.9	-5.9	1.3	7.9	6.8	6.4
MSCI EAFE	*-5.9*	*-5.9*	*1.2*	*7.8*	*6.7*	*6.3*
TIAA - Life Funding Agreement						

**One or more accounts have been excluded from the composite for the purposes of performance calculations and market value.*

Conservative Portfolio | As of March 31, 2022





*Portfolio Inception Date: 12/17/2018

Underlying Investment Trailing Performance

	3 Mo (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
Conservative Portfolio*	**-5.2**	**-5.2**	**-0.1**	--	--	--
TIAA-CREF Bond Index Fund	-5.9	-5.9	-4.3	1.5	2.0	2.1
Bloomberg US Aggregate TR	*-5.9*	*-5.9*	*-4.2*	*1.7*	*2.1*	*2.2*
TIAA-CREF Inflation Linked Bond Fund	-1.5	-1.5	3.8	5.2	3.7	2.1
Bloomberg US TIPS 1-10 Yr TR	*-1.7*	*-1.7*	*3.8*	*5.4*	*3.9*	*2.2*
TIAA-CREF Emerging Markets Index Fund	-7.0	-7.0	-11.7	4.6	5.7	3.2
MSCI Emerging Markets	*-7.0*	*-7.0*	*-11.4*	*4.9*	*6.0*	*3.4*
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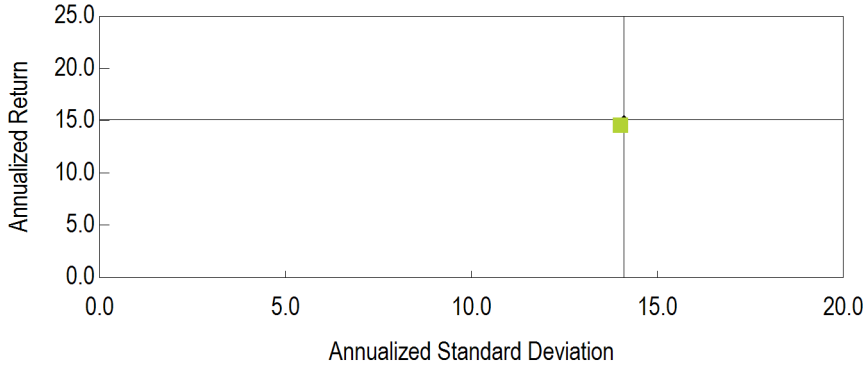
TIAA-CREF Int'l Equity Index Fund	-5.9	-5.9	1.3	7.9	6.8	6.4
MSCI EAFE	*-5.9*	*-5.9*	*1.2*	*7.8*	*6.7*	*6.3*
TIAA-Life Funding Agreement						

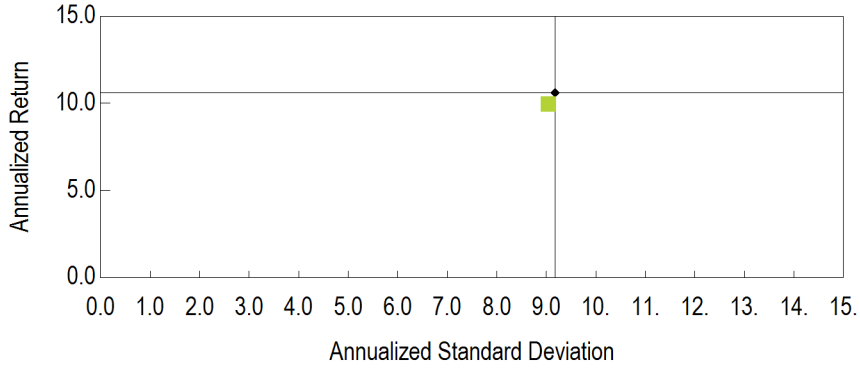
**One or more accounts have been excluded from the composite for the purposes of performance calculations and market value.*

Annualized Return vs. Annualized Standard Deviation
3 Years 3 Months Ending March 31, 2022



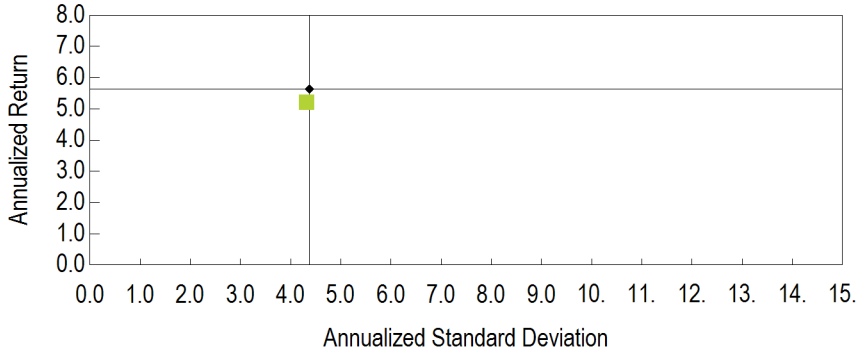
- Aggressive Growth Portfolio
- CalABLE Aggressive Blended Benchmark

Annualized Return vs. Annualized Standard Deviation
3 Years 3 Months Ending March 31, 2022



- Moderate Portfolio
- CalABLE Moderate Blended Benchmark

Annualized Return vs. Annualized Standard Deviation
3 Years 3 Months Ending March 31, 2022



- Conservative Portfolio
- CalABLE Conservative Blended Benchmark

Fee Schedule

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CalABLE Plan

Fee Schedule as of March 31, 2022

Portfolio[1]	State Administrative Fee (bps)	Estimated Underlying Investment Expenses (bps)	Total Annual Asset-Based Fees and Expenses
Aggressive Growth Portfolio	44	8	**52**
Moderate Portfolio	44	10	**54**
Conservative Portfolio	44	9	**53**
FDIC-Insured Portfolio[2]	44	N/A	**44**

Underlying Funds[3]	Prospectus Net Expense Ratio (bps)
TIAA-CREF Equity Index Fund	5
TIAA-CREF Int'l Equity Index Fund	5
TIAA-CREF Emerging Markets Index Fund	20
TIAA-CREF Bond Index Fund	8
TIAA-CREF Inflation Linked Bond Fund	26

1 Source: California's 529A Qualified ABLE Program Disclosure Statement and Participation Agreement
2 Currently, the 0.44% State Administrative Fee for the FDIC-Insured Portfolio is being waived by the Board. The Board reserves the right to charge a State Administrative Fee to the FDIC-Insured Portfolio in the future to the extend that the imposition of such Fee would not result in a loss of principal for Account Owners.
3 Source: Morningstar, Inc.

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MEKETA
INVESTMENT GROUP

2022 Markets and Economy - A Perspective

As of April 30, 2022

Background

→ This year's markets are off to one of the worst starts on record, with both stocks and bonds experiencing significant declines.

→ Key drivers of this dynamic include:

- Rising global inflation and inflation expectations, with the US experiencing the greatest price increases since the early 1980s.
- Expectations for aggressive policy tightening by central banks.
- Global growth forecasts continuing to decline.
- Uncertainty related to the war in Ukraine causing additional growth and inflation concerns, as well as uncertainty in China's ongoing management of the COVID-19 pandemic.

→ In this presentation we provide background on the current environment and offer a historical perspective.

Top Ten Worst Starts to a Calendar Year[1]

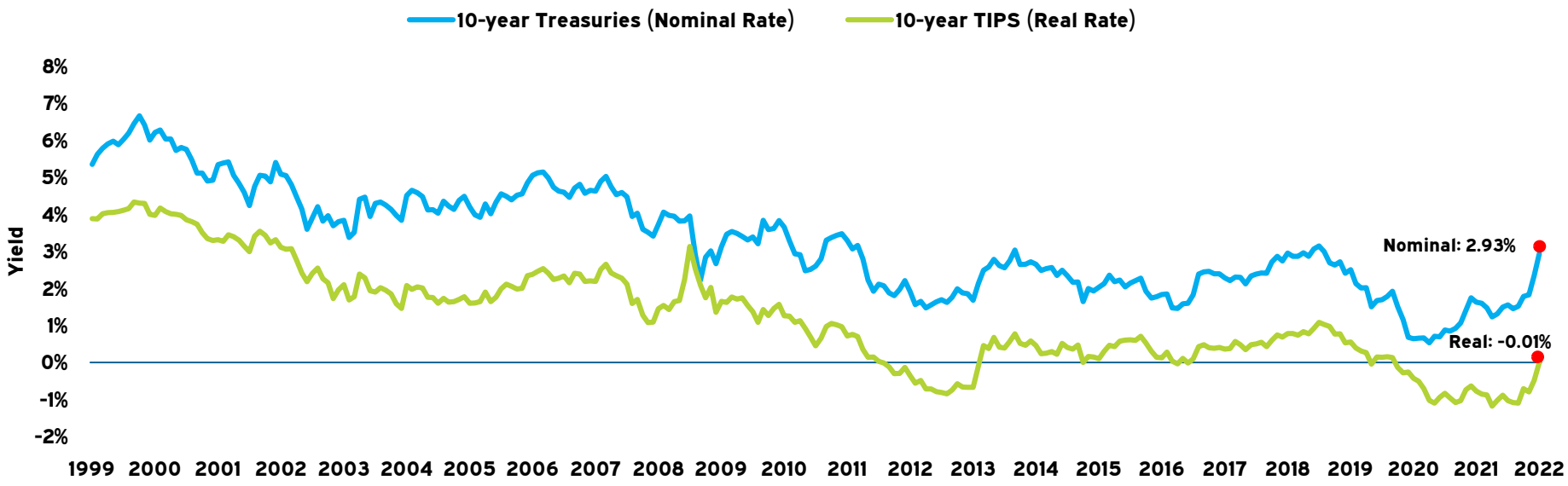
Year	S&P 500 Return (Jan. – April)	Year	Bloomberg US Agg. Return (Jan. – April)
1932	-27.2%	**2022**	**-9.5%**
1939	-16.3%	1994	-3.6%
2022	**-12.9%**	1981	-3.1%
1941	-10.4%	2021	-2.6%
1970	-10.4%	1996	-2.3%
1942	-10.3%	2018	-2.2%
2020	-9.3%	1990	-1.7%
1973	-8.5%	1987	-1.1%
1960	-8.3%	2006	-0.8%
1962	-8.0%	1992	-0.6%
Average (1928 - Present)	3.9%	Average (1976 - Present)	1.5%

→ The start to 2022 has been one of the worst on record for both stocks and bonds given high inflation rates and the corresponding fast recent rise in interest rates.

→ The US bond market (Bloomberg Aggregate) had its worst start to a year on record while the US equity market (S&P 500) had its 3rd worst start to the year. This is the only year that falls into both top ten lists.

[1] Source: Bloomberg and InvestorForce. Data represents returns from January through April for each calendar year going back as far as data is available for each index.

Nominal and Real Yields[1]

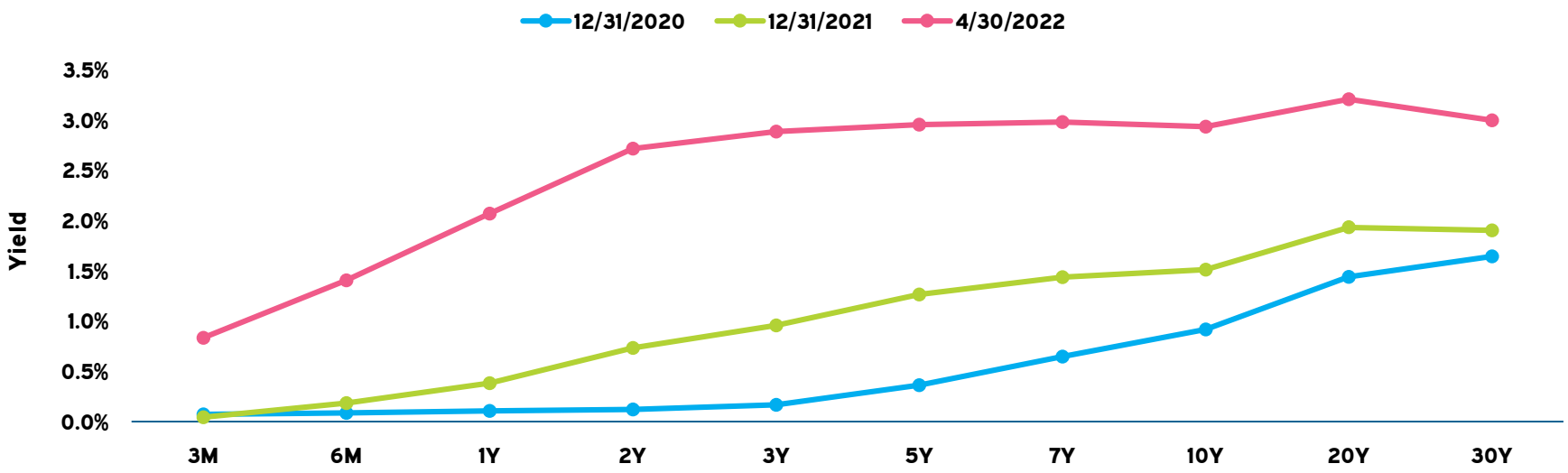


→ Both nominal and real interest rates have experienced significant increases this year from a relatively low base over a short time. The yield on the 10-year US Treasury was around 3% at the end of April and yields on 10-year TIPS approached 0% (they became positive after month-end).

→ Inflation concerns, tightening monetary policy, and growth expectations have all contributed to higher interest rates.

[1] Source: Bloomberg. Data is as of April 30, 2022.

US Yield Curve[1]



→ Rates have risen across the US yield curve particularly since the start of the year with the curve flattening (and briefly inverting) causing concerns about an increase in recessionary pressures.

→ The rise in shorter-term rates has been influenced by expectations for accelerated policy tightening, while longer-term rates have likely increased due to inflationary concerns.

[1] Source: Bloomberg. Data is as of April 30, 2022.

Stocks and Rising Rates: A Historical Perspective[1]

Start Date	End Date	Length (months)	Change in Yield	S&P 500 Change in Value
12/27/1962	8/29/1966	44.7	1.7%	18.4%
3/20/1967	12/29/1969	33.8	3.6%	1.2%
3/23/1971	9/16/1975	54.6	3.2%	-18.1%
12/30/1976	9/30/1981	57.8	9.0%	8.7%
5/4/1983	5/30/1984	13.1	3.8%	-7.9%
8/29/1986	10/15/1987	13.7	3.3%	17.9%
10/15/1993	11/7/1994	12.9	2.9%	-1.4%
1/18/1996	6/12/1996	4.9	1.5%	10.0%
10/5/1998	1/20/2000	15.7	2.6%	46.2%
6/13/2003	6/28/2006	37.0	2.1%	26.0%
12/30/2008	6/10/2009	5.4	1.9%	5.4%
7/24/2012	9/5/2013	13.6	1.6%	23.7%
7/8/2016	11/8/2018	28.4	1.9%	31.8%
3/9/2020	4/30/2022	26.1 (so far)	2.4%	50.4%
	Average	**25.8**	**3.0%**	**15.2%**

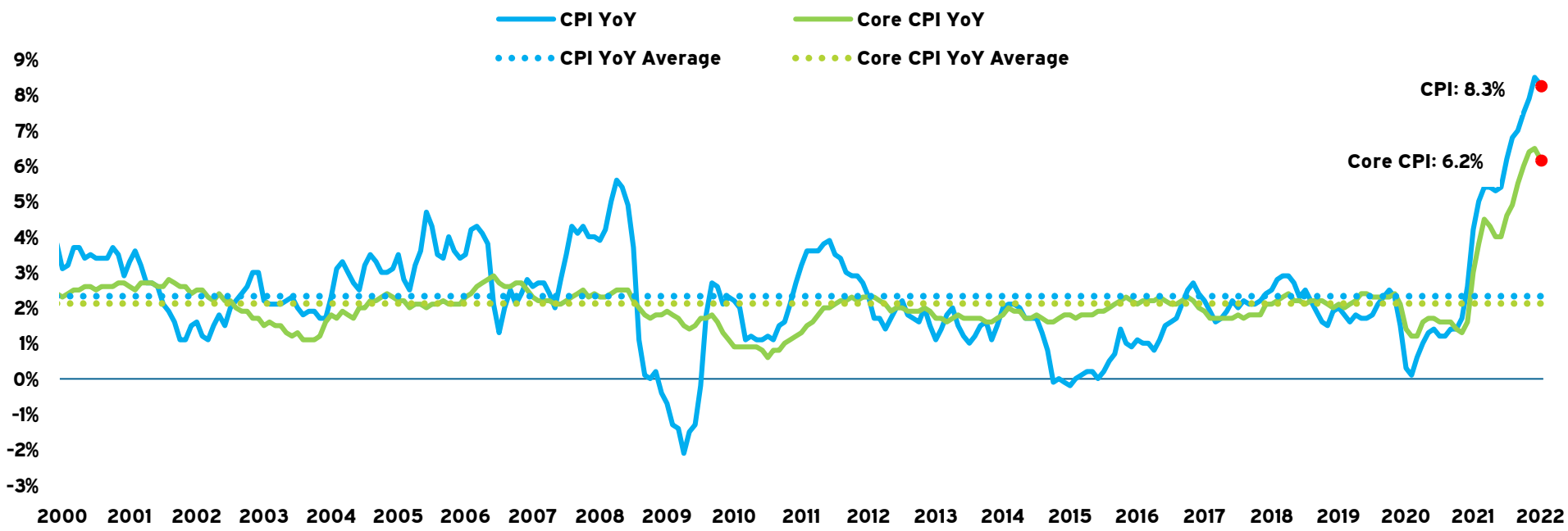
→ Stocks usually do well when rates rise unless inflation is particularly high (above current levels).

→ Overall, the US equity market return remains sharply positive since the interest rate lows at the start of the pandemic, but the recent acceleration in the pace of rate increases has particularly weighed on stocks.

→ Despite the recent rise in rates, they remain relatively low, potentially supporting future economic growth.

[1] Source: Bloomberg. Change in yield represents the increase in the yield of the 10-year US Treasury bond. S&P 500 change in value represents the percent change in the index level.

Inflation Metrics[1]

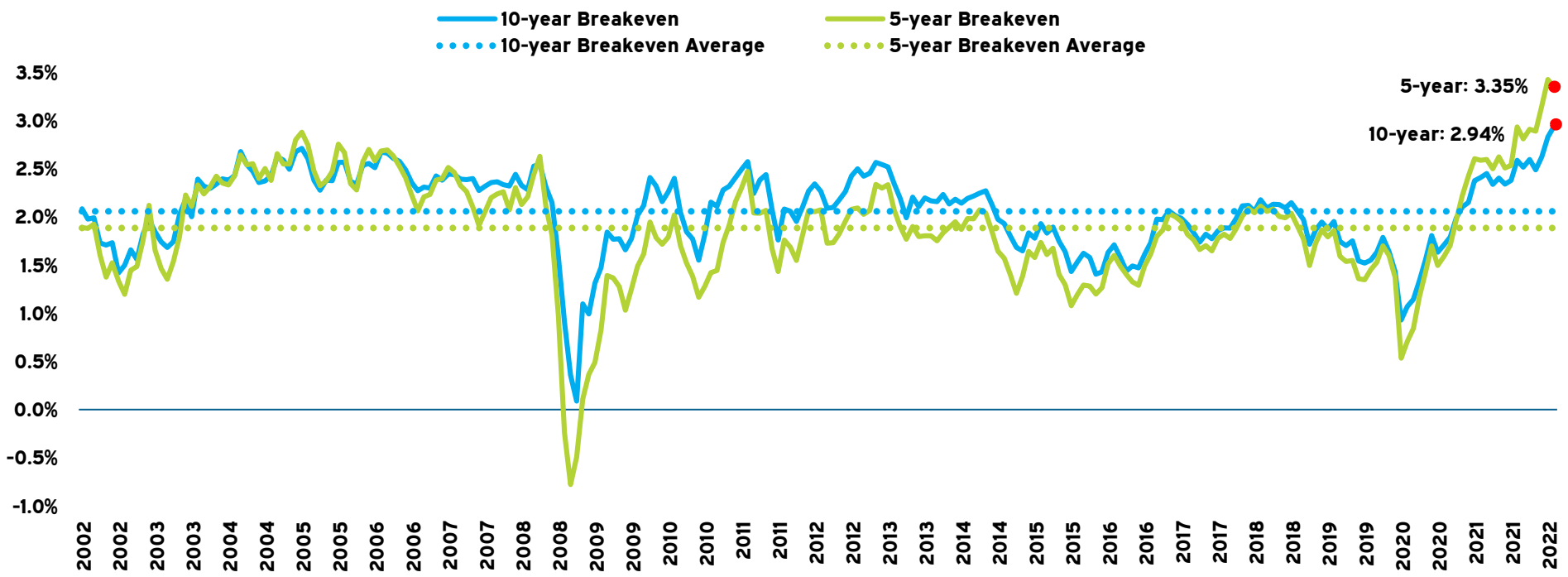


→ Inflation in the US is far above the long-term average and at a level not seen in four decades, putting tremendous stress on consumers and businesses.

→ Supply issues arising from the pandemic and the current war in Ukraine have driven up prices in energy and food, with the ongoing semiconductor shortage weighing on car prices.

[1] Source: Bloomberg. Data is as of April 30, 2022.

Breakeven Inflation Rates[1]

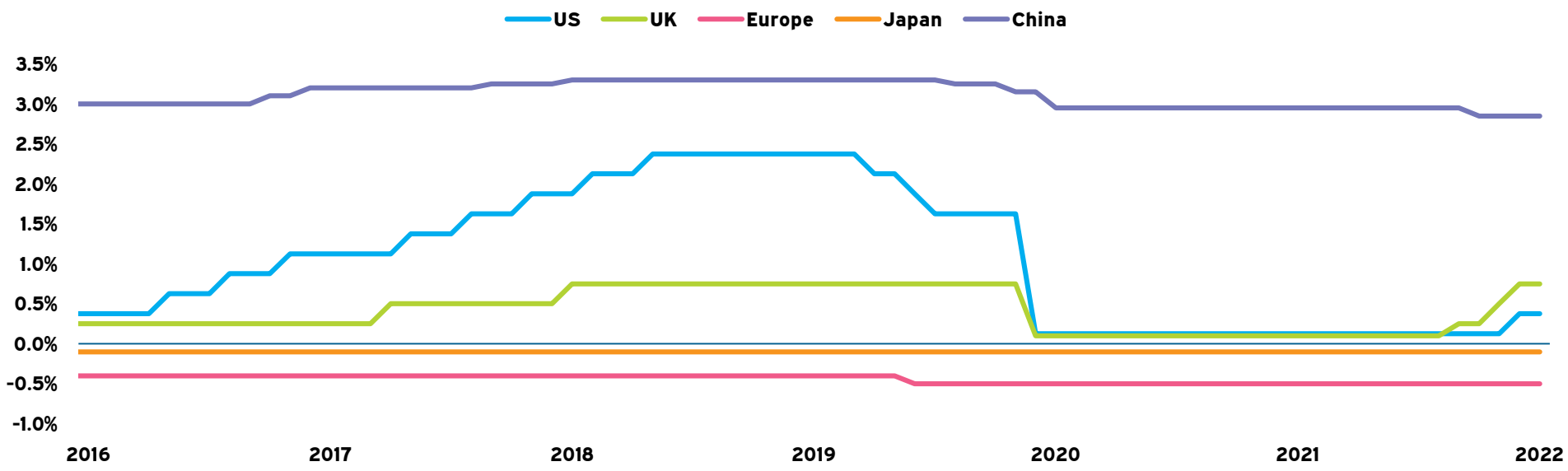


→ Short- and long-term inflation expectations (breakevens) have risen dramatically from their lows of early 2020 and are well above long-term averages.

→ Despite the increase, expectations are for inflation to eventually decline from current levels.

[1] Source: Bloomberg. Data is as of April 30, 2022.

Central Bank Rates[1]



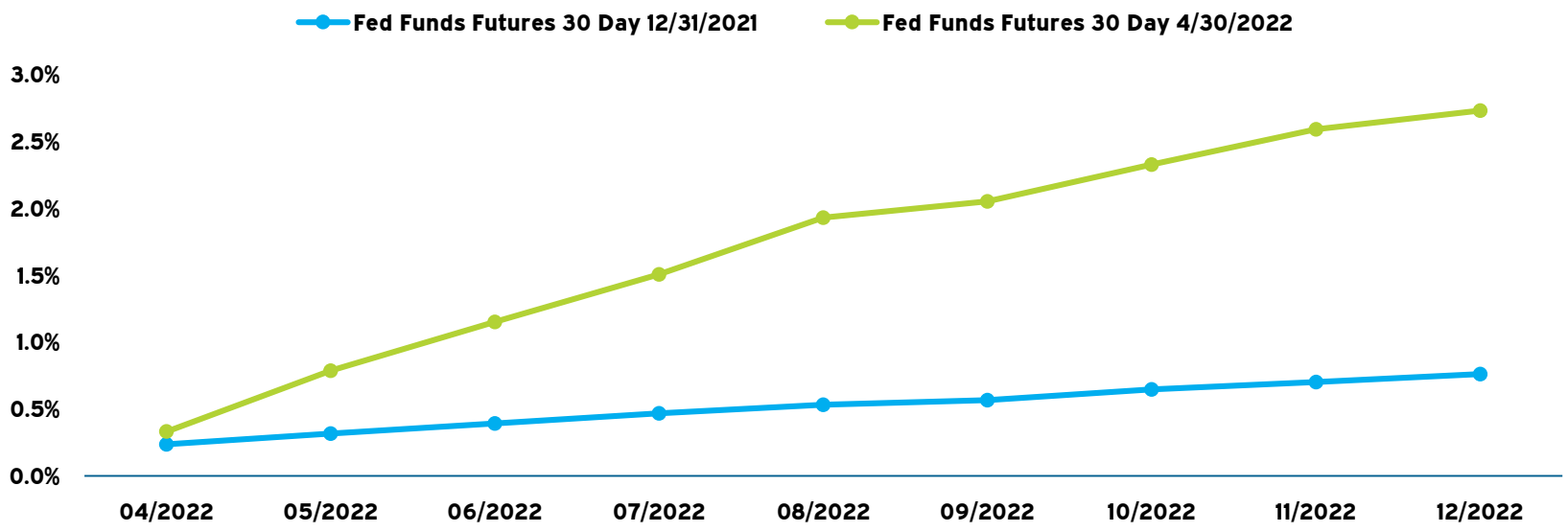
→ With historically high inflation levels, many major central banks are considering (or have started) tightening policy to various degrees.

→ Questions remain about whether policymakers are behind the curve and if aggressive tightening in the face of high inflation could lead to stagflation.

→ With the expectation for the US to take a more aggressive tightening approach, the US dollar has strengthened and is weighing on foreign investments.

[1] Source: Bloomberg. Data is as of April 30, 2022. China policy rate is defined as the medium-term lending facility 1-year interest rate.

Federal Reserve Policy Expectations[1]



→ Coming into 2022, expectations were for the Federal Reserve to raise interest rates 3 times, with a year-end rate of 0.75%.

→ As inflation concerns have risen, the expectation for the pace of policy tightening has increased to roughly 2.75% by year-end.

→ The Federal Reserve recently announced its first 50 basis point rate increase in 22 years, with several more expected at upcoming meetings.

[1] Source: Bloomberg. Data is as of April 30, 2022.

Historic Quantitative Tightening Cycles[1]

Period	# of Hikes	Starting Rate	Ending Rate	Total Increase (bps)	Length (months)	S&P 500 Return	Bloomberg US Agg. Return
Mar 1984 - Aug 1984	3	9.50%	11.75%	225	6	8.70%	2.89%
Mar 1988 - Feb 1989	11	6.50%	9.75%	325	12	11.89%	3.72%
Feb 1994 - Feb 1995	7	3.00%	6.00%	300	13	4.10%	0.01%
Jun 1999 - May 2000	6	4.75%	6.50%	175	12	10.48%	2.11%
Jun 2004 - Jun 2006	17	1.00%	5.25%	425	25	8.16%	3.09%
Dec 2016 - Dec 2018	8	0.50%	2.50%	200	25	8.62%	1.76%
Mar 2022 – Dec 2022 (estimated)	11	0.25%	2.75%	250	10	?	?

→ Since the early 1980s, stocks and bonds have risen in periods of policy tightening with equities particularly doing well. This dynamic has clearly not continued so far this year.

→ The planned pace of policy tightening in 2022 is the fastest we have seen in many years.

→ The rate of expected increases creates concerns of a potential policy error, as over-tightening could depress economic growth.

[1] Source: Bloomberg. Data is as of April 30, 2022. Ending Rate and Total Increase columns for period starting March 2022 are estimates based on the recent FOMC Dot Plot.

Twelve Month Returns after Worst Starts[1]

(Subsequent 12 month returns following worst January through April drawdowns)

Year	S&P 500 Return	Year	Bloomberg US Agg. Return
1932	54.55%	2022	?
1939	17.66%	1994	7.31%
2022	?	1981	17.12%
1941	-11.47%	2021	-8.51%
1970	32.14%	1996	7.08%
1942	61.23%	2018	5.29%
2020	45.98%	1990	15.19%
1973	-12.62%	1987	7.26%
1960	24.20%	2006	7.36%
1962	10.82%	1992	13.26%

→ In the past, stocks and bonds have, on average, experienced strong returns after their worst starts to a year.

→ We will have to wait and see if history repeats itself this time.

[1] Source: Bloomberg and InvestorForce. Each number represents the twelve-month return for the respective index after the top ten worst starts to a year (January – April).

Summary

→ The US is facing the highest inflationary environment since the early 1980s.

→ In response the Fed is undertaking one of the fastest interest rate hiking cycles in history, with an expected 250 bps of tightening in a mere ten months.

→ Markets have responded to the Fed's hawkish stance with broad selling of financial assets.

- Between January and the end of April the US stock market fell by close to 13%, the worst four-month start to a calendar year since 1939.
- Traditional diversification was of little benefit with the Bloomberg Aggregate bond index down 9.5%.

→ However, history has shown that stocks and bonds tend to rebound after sharp drawdowns, with an average gain of nearly 25% for stocks and nearly 8% for bonds in the twelve months following the worst ten starts to calendar years.

→ And while the dramatic fall in bond prices has caused market value losses for investors, expected future returns have increased due to higher bond yields.

→ Lastly, there are some early indications that inflationary pressures are easing which could lead to a corresponding easing of pricing pressures within the stock and bond markets.

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