
FEBRUARY 7, 2023

**AGENDA ITEM 1
ACTION ITEM**

CALIFORNIA ABLE ACT BOARD

Resolution No. 2023-01: Approval of the California ABLE Act Board to Enter Into Agreement No. ABLE 01-23 for 529A Program/Plan Management Services for the California ABLE Program

Action Recommended

Adopt Resolution No. 2023-01 authorizing the Executive Director to enter into Agreement No. ABLE 01-23 with Vestwell State Savings, LLC (“Vestwell”) for 529A program/plan management services.

Background

On June 21, 2022, the California ABLE Act Board (“Board”) approved the issuance of a request for proposals (“RFP”) for 529A program management services for the California ABLE Program (“CalABLE” or “Program”). The RFP was released on October 9, 2022, with a submission deadline of January 10, 2023. The Board received three responsive proposals for the Program.

Evaluation Process

The RFP’s Evaluation Committee (“Committee”) included the Board’s staff—Dante Allen, Executive Director, and Madeline Handy, Staff Services Analyst—and Jonathon Herrera, Director of Outreach at Education for CalSavers. As stated in the RFP, the Committee evaluated the proposals based on the following criteria:

- Firm Background, Organization, Personnel, and Compliance
- Investment Services
- Administration, Recordkeeping, and Banking
- Customer Service
- Education and Outreach
- Conversion
- Program Fees
- Interview with top two candidates

Proposals were reviewed by both the Board’s 529 program consultant and investment consultant. The proposal from Vestwell was determined to have earned the highest score.

Summary of Vestwell Proposal

Firm Background, Organization, Personnel, and Compliance

Vestwell State Savings, LLC is a subsidiary of Vestwell Holdings. Having a presence in the ABLE industry since 2016, Vestwell currently provides ABLE account savings program services to 6 programs serving 20 states.

Vestwell's subcontractors include two reputable firms, The Bank of New York Mellon (BNY Mellon), to provide recordkeeping, custody, and fund accounting services, among others, and True Link Financial, to provide prepaid card services. Lockwood Associates, a subsidiary of BNY Mellon, will provide sub-advisor services related to portfolio construction.

Investment Services

The investment structure includes seven portfolio options—income, conservative, income and growth, balanced, conservative growth, moderate growth, and growth—and one FDIC Insured Savings Account option through BNY Mellon. Investment options for the Program have competitive fees with internal processes to monitor performance and to select funds and fund managers.

Vestwell's investment selection is a multi-manager offering that does not include any proprietary funds.

Administration, Recordkeeping, and Banking

Vestwell will use SuPRAS provided by BNY Mellon as the Program's recordkeeping system. Banking services will be provided by BNY Mellon.

As stated in the RFP, Vestwell will comply with all required administrative reports. Other compliance includes supporting program-to-program transfers (or rollovers), handling deaths of beneficiaries, and completing Medicaid claims.

Prepaid cards will be offered through True Link Financial.

The minimum initial contribution will be \$25 and minimum subsequent contributions will be \$1.

Customer Service

Customer service for CalABLE will be provided through a 32-member call center in Wilmington, Delaware that supports state sponsored savings programs. Customer service hours will be from 6 a.m. to 5 p.m. Pacific Time Monday to Friday. Vestwell works with The Paciello Group to develop training session for their call center. For Spanish and other language support, Vestwell uses the service of a specialized translation organization. Vestwell will also offer a full "live chat" feature on the Program public website.

Customer service for the prepaid card offered by True Link will be provided by a 35-member team. True Link will increase staff as needed. Customer service hours will be from 6 a.m. to 5 p.m. Pacific Time Monday through Friday.

Hand-offs between the Vestwell's call center and True Link's call center will be through three-way calls and "warm" transfers when appropriate.

Education and Outreach

Vestwell will maintain CalABLE's public website and will develop deliverables for CalABLE staff. Vestwell will provide \$100,000 in annual marketing support for the Program.

Conversion

Vestwell does not foresee issues with completing the conversion by August 31, 2023.

Program Fees

The account maintenance fee for participants will be \$30 per year and 10 bps on all assets in the investment portfolios. Other fees include paper statement delivery (\$10 per year), overnight delivery (\$15 per occurrence), re-issue of disbursement checks (\$15 per occurrence), and ACH fail/returned checks (\$25 per occurrence).

Prepaid card fees include the prepaid card fee (\$1.25 per month), prepaid card replacement (\$5 per occurrence), prepaid card overnight delivery (\$30 per occurrence), and prepaid card international usage (\$2 per occurrence).

Attachments

- Attachment #1 – Resolution No. 2023-01
- Attachment #2 – CalABLE Today versus Vestwell Proposal

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RESOLUTION NO. 2023-01

RESOLUTION OF THE CALIFORNIA ABLE ACT BOARD RELATING TO THE APPROVAL TO ENTER INTO AGREEMENT NO. ABLE 01-23 WITH VESTWELL STATE SAVINGS, LLC (“VESTWELL”) FOR 529A PROGRAM/PLAN MANAGEMENT SERVICES FOR THE CALIFORNIA ABLE PROGRAM

WHEREAS, the California ABLE Act Board (the “Board”), pursuant to section 4877(c)(2) of the Welfare and Institutions Code, has the power and authority to make and enter into contracts necessary for the administration of the California ABLE Program (the “Program”), and engage personnel, including consultants, actuaries, managers, counsel, and auditors, as necessary for the purpose of rendering professional, managerial, and technical assistance and advice; and

WHEREAS, section 4877(d) of the Welfare and Institutions Code provides that the Board may authorize the Executive Director to enter into contracts on behalf of the Board or conduct any business necessary for the efficient operation of the Board; and

WHEREAS, a program manager is needed to provide management services for the Program, which also includes providing the Board a wide product distribution, attractive investment options and competitive investment performance, program administration and recordkeeping, and customer support services for participants; and

WHEREAS, the Board authorized the Executive Director to issue a Request for Proposals for 529A Program/Plan Management Services (“RFP”) at the June 21, 2022, Board meeting; and

WHEREAS, the Board authorized the Executive Director to issue RFP No. ABLE 01-23 on November 8, 2022;

WHEREAS, in response to the RFP, proposals for the Program were received on January 10, 2023, and evaluated by an Evaluation Committee; and

WHEREAS, Vestwell was the highest scoring bidder for the Program;

NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:

Section 1. The Board hereby authorizes the Executive Director to execute a contract with Vestwell following the end of the five-day notice posting period, as outlined in the RFP, to reach a mutually acceptable agreement and enter into Agreement No. ABLE 01-23 for program management services for the Program.

Section 2. The term of the contract will commence upon its execution and approval by the Department of General Services and will continue for a five year term for an amount not to exceed \$500,000 to be paid in its entirety by the end of Fiscal Year 2028/2029.

Attest: _____
Dante Allen, Executive Director

Date of Adoption: _____

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CALABLE ACT BOARD

REQUEST FOR PROPOSALS No. ABLE 01-23

**COMPARISON:
CALABLE TODAY VERSUS VESTWELL PROPOSAL**

FEBRUARY 6, 2023





COMPARISON TABLE

The following table compares certain features of the CalABLE Program currently offered through Program Manager TIAA-CREF Tuition Financing, Inc. (“Current Program”) with features proposed by Vestwell State Savings in its response to the Request for Proposals No. ABLE 01-23 for 529A Program/Plan Manager (“Vestwell Proposal”).

	Current Program	Vestwell Proposal
Contract Term	Initial Term: 5 years No options for extensions	Initial Term: 5 years Five optional one-year extensions
Language Capability	Marketing website is only in English Participant account access is only in English Program Disclosure Statement (“PDS”) is only available in English and Spanish	Marketing website will be available in Spanish at a cost Participant account access will only be in English PDS will be available in Spanish and other languages at a cost
Mobile App	Not available	Expected in connection with or close to date of conversion
Prepaid Card Provider	U.S. Bank	True Link
Prepaid Card Cost	None	\$2.50/month (\$30 annually)
Investment Managers	TIAA	Fidelity, Schwab, Vanguard



	Current Program	Vestwell Proposal
Investment Options (equity/fixed income/cash)	<u>Four Options</u> -- Aggressive Growth (80/20/0) -- Moderate (50/45/5) -- Conservative (20/55/25) -- FDIC-Insured (0/0/100)	<u>Eight Options</u> Growth (100/0/0) Moderate Growth (80/20/0) Conservative Growth (60/40/0) Balanced (50/45/5) Income and Growth (40/60/0) Conservative (20/55/25) Income (0/80/20) FDIC (0/0/100)
Investment Option Fees	-- Aggressive Growth: 0.07% -- Moderate: 0.08% -- Conservative: 0.07% -- FDIC-Insured: 0%	Growth: 0.038% Moderate Growth: 0.0311% Conservative Growth: 0.0317% Balanced: 0.032% Income and Growth: 0.0374% Conservative: 0.042% Income: 0.0623% FDIC: 0%
Program Administration Fees (%)	0%	FDIC Option: 0% Non-FDIC Options: 0.10%
Breakpoints	Not Applicable	\$250-\$500m: 0.08% \$500m+: 0.05%
Annual Account Fees (\$)	\$37	\$30
Breakpoints (\$)	None	25,000+: \$27



AKF LEGAL DISCLOSURE

Pursuant to Municipal Securities Rulemaking Board (“MSRB”) Rule G-42, on Duties of Non-Solicitor Municipal Advisors, Municipal Advisors are required to make certain written disclosures to clients and potential clients which include, among other things, Conflicts of Interest and Legal or Disciplinary events of AKF and its associated persons.

Conflicts of Interest ***Compensation***

AKF represents that in connection with the issuance of municipal fund securities, AKF receives compensation from its client issuers for services rendered on an hourly, retainer or fixed fee basis. Consistent with the requirements of MSRB Rule G-42, AKF hereby discloses that such forms of compensation may present a potential conflict of interest regarding AKF’s ability to provide unbiased advice regarding a municipal fund security transaction. This potential conflict of interest will not impair AKF’s ability to render unbiased and competent advice or to fulfill its fiduciary duty.

Other Municipal Advisor Relationships

AKF serves a wide variety of clients that may from time to time have interests that could have a direct or indirect impact on the interests of other AKF clients. For example, AKF serves as Municipal Advisor to other municipal fund securities clients and, in such cases, owes a regulatory duty to such clients just as it will with the entity receiving this presentation. These other clients may, from time to time and depending on the specific circumstances, have competing interests. In acting in the interests of its various clients, AKF could potentially face a conflict of interest arising from these competing client interests. AKF fulfills its regulatory duty and mitigates such conflicts by dealing honestly and with the utmost good faith with all clients.

If AKF becomes aware of any potential or actual conflicts of interest after this disclosure, AKF will disclose the detailed information in writing to the client or obligated person in a timely manner.

Legal or Disciplinary Events

AKF does not have any legal events or disciplinary history on its Form MA and Form MA-I, which includes information about any criminal actions, regulatory actions, investigations, terminations, judgments, liens, civil judicial actions, customer complaints, arbitrations and civil litigation. You may electronically access AKF’s most recent Form MA and each most recent Form MA-I filed with the Securities and Exchange Commission at the following website: www.sec.gov/edgar/searchedgar/companysearch.html. If any material legal or regulatory action is brought against AKF, AKF will provide complete and detailed disclosure to its clients, thereby allowing each client to evaluate AKF, its management and personnel.