
MARCH 21, 2023

**AGENDA ITEM 1
ACTION ITEM**

CALIFORNIA ABLE ACT BOARD

Approval of Minutes from December 13, 2022, Meeting and February 7, 2023, Meeting

Attachments

- Attachment #1 – CalABLE Board December 13, 2022, Meeting Minutes
- Attachment #2 – CalABLE Board February 7, 2023, Meeting Minutes

Recommended Action – Approve meeting minutes

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MARCH 21, 2023

AGENDA ITEM 1
ACTION ITEM

CALIFORNIA ACHIEVING A BETTER LIFE EXPERIENCE (ABLE) ACT BOARD

Meeting Minutes from December 13, 2022, California ABLE Act Board Meeting

Board members present:

Patrick Henning for California State Treasurer, Fiona Ma
David Oppenheim for the State Controller, Betty Yee
Gayle Miller for the Director of Finance, Joe Stephenshaw
Ana Acton for the Department of Rehabilitation
Carla Castañeda for the Department of Developmental Services
Lisa Hayes, Chair of the State Independent Living Council

STO Staff present:

Dante Allen, Executive Director, CalABLE
Anne Osborne, Manager, CalABLE
Madeline Handy, CalABLE
Rita Clark, Executive Office
Theodore Ballmer, Legal Counsel

CalABLE Board Consultants Present:

Andrea Feinstein, AKF Consulting
Eric White, Principal, Meketa Investment Group, Inc

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

Linda English, Senior Director of Relationship Management, TIAA
Vivian Tsai, Head of Relationship Management, TIAA
Jeremy Thiessen, Head of Investment Strategies, TIAA
Doug Harrison, TIAA

California ABLE Act Board Chair Patrick Henning called the meeting to order at 1:50 PM.

Public Comment

None

Agenda Item 1 – Approval of the Minutes from the October 4, 2022, meeting of the California ABLE Act Board (ACTION ITEM)

Public Comment

None

Board Action

Approval of the minutes from the October 4, 2022, meeting of the California ABLE Act Board.

MOTION:	David Oppenheim	SECOND:	Lisa Hayes
AYES:	Patrick Henning, David Oppenheim, Gayle Miller, Ana Acton, Lisa Hayes		
NOT PRESENT:	Cathay Liu		
ABSTAIN:	Carla Castañeda		
RECUSE:			
ACTION:	Motion Passed		

Agenda Item 2 – Executive Director’s Report (INFORMATION ITEM)

Executive Director Dante Allen provided the California ABLE Act Board (Board) with updates from the National Association of State Treasurers (NAST). There have been positive indications that the ABLE Age Adjustment Act, which would raise ABLE eligibility from age 26 to 46, may pass by the end of the 2022. Treasurer Ma and Legislative Affairs has been active in reaching out to the California delegation in Congress to ensure ABLE Age Adjustment will be included in any end of the year compromise packages. If ABLE Age Adjustment passes, an additional 6 million people will be eligible to open ABLE accounts. Additionally, confusion around the age of eligibility and when a person can open an ABLE account may be alleviated.

Mr. Allen provided an update on federal legislation and rulemaking. The annual contribution limit to ABLE accounts, which is based on the IRS gift tax exemption, will raise from \$16,000 to \$17,000 in 2023. The additional amount a person who is eligible for ABLE to Work can contribute, which is based on the federal poverty level, will raise from \$12,880 to \$13,590 for a total contribution limit of \$30,590 in 2023.

Mr. Allen provided an update on enrollments. CalABLE gained nearly 500 accounts in the last quarter versus 1,000 accounts in the previous quarter. Slowed growth is occurring across the ABLE industry and is driven by economic factors. However, despite slowing account growth, assets are increasing. CalABLE has \$79 million in assets under management, a 3% increase from the previous quarter.

Participation in the FDIC-insured portfolio has increased to 40%. The Board waived the state administrative fee for the FDIC-insured portfolio given an estimate that 1/3 of

program assets would be held in the FDIC-insured portfolio. Participants in the FDIC-insured portfolio do not contribute to CalABLE's goal of self-sufficiency and repayment of the general fund loans that supported CalABLE's launch. The increased participation in the FDIC-insured portfolio could potentially impact CalABLE's loan repayment, which is scheduled to be completed by 2025. Mr. Allen did not recommend the Board take action at this time because CalABLE is currently in open procurement for a new program administrator that will begin in August 2023. It is likely there will be new recommendations on a fee schedule with that procurement. Mr. Allen recommended looking at all the fees associated with program administration and the state administrative fees at that time.

Mr. Allen provided operational updates. CalABLE's prepaid card was released on October 27, 2022. CalABLE had experienced delays in launching the new card due to the procurement cycle which took longer than anticipated. The new prepaid card is a better product for account holders with an easier enrollment process and \$0 monthly cost (previously \$1.25 monthly fee). The release of the prepaid card went smoothly. Currently, there are 150 active cards and 589 cards requested.

Mr. Allen provided a staffing update. CalABLE was approved for fiscal year 2022-2023 for an additional staff position of an outreach specialist that would focus on bilingual outreach. This position is currently vacant and has been open for about three months.

Mr. Allen held off on an outreach update and opened the floor for questions from the Board.

David Oppenheim commended the Treasurer and staff on their work on the ABLA Age Adjustment Act. Mr. Oppenheim commented on the fee structure of the FDIC-insured portfolio. Mr. Oppenheim would like the Board to keep in mind the benefit CalABLE serves by protecting those on means-tested benefits programs while considering loan repayment and to consider some funding structures that are already in place.

Patrick Henning thanked CalABLE for negotiating hard for the prepaid card's new features and reduced cost. Mr. Allen commented the credit for this negotiation goes to CalABLE's program administrator, TIAA-CREF.

Public Comment

None

Agenda Item 3 – ABLA Industry Report (INFORMATION ITEM)

Andrea Feinstein, for AKF Consulting, provided the Board an overview of the ABLA Industry Landscape for Third Quarter 2022.

Nationally, assets and accounts are up. Assets less strongly due to market performance. Across the country, there is a decrease in average account size, but this is not the case for CalABLE. CalABLE is still the third largest Independent Plan, in both assets and accounts.

National ABLE market growth has slowed. Nationally, assets over Q1, Q2, and Q3 of 2022 have remained level.

Ms. Feinstein provided an update on CalABLE compared to other independent plans. CalABLE market share has stayed about the same as what it was a year ago. The Virginia Direct plan has overtaken the first spot for largest assets, moving Massachusetts to second. Additionally, CalABLE has accumulated comparable assets and accounts to plans that launched 1-2 years earlier than CalABLE.

Ms. Feinstein discussed CalABLE's growth. Despite slowing growth rates, CalABLE's performance is better than the national performance. Accounts have been growing steadily. Assets have leveled off due to market performance.

CalABLE market share as a percent of independent plans increases steadily in assets and holds steady in accounts. CalABLE market share as a percent of national plans holds steady in assets and accounts.

Agenda Item 4 – Quarterly Investment Performance Report (INFORMATION ITEM)

Jeremy Thiessen, Head of Investment Strategies for TIAA, provided the Board an overview of CalABLE Investment Performance for the Third Quarter 2022.

Mr. Thiessen provided a high-level overview of market performance. Equity and bond markets were falling due to fast-increasing inflation, the war in Ukraine, supply chain issues, and the Fed raising interest rates to try and tame inflation. The only positive asset class was cash which was up 0.46%.

CalABLE ended Quarter 3 with \$79.5 million in assets. The FDIC-insured portfolio accounts for 40% of assets, while the other portfolios are about 20% each.

Mr. Thiessen provided an update on CalABLE portfolio performance. The FDIC-insured portfolio was modestly positive while the conservative, moderate, and aggressive growth portfolios were down. All portfolios were within 10-20 basis points of their benchmarks which is expected. Since inception, the return in all portfolios is positive.

The allocations for the target risk portfolios have remained the same. Both the conservative and moderate portfolio benefited from the funding agreement. The underlying funds are all index based and operating within a tracking error range of their benchmark which is as expected. Mr. Thiessen noted that the International Equity Index Fund and the Emerging Markets Equity Index Fund had a variance versus the benchmark during the latest quarter. This is due to fair value pricing which happens during volatile periods and is a standard practice. Sometimes performance will be above or below the benchmark, but long term may operate right on top of the benchmark.

Agenda Item 5 – Performance & Evaluation Report (INFORMATION ITEM)

Eric White, principal for Meketa Investment Group, provided the Board an overview of the financial market and CalABLE Investments Performance for Second Quarter 2022.

Mr. White provided a status report of underlying funds. All funds except for emerging market index fund were in the positive or acceptable category. The emergency market index fund has been discussed previously and is not a concern.

Mr. White provided a portfolio update. The aggressive growth portfolio was down 6% for the quarter and 23% for the year to date. This portfolio is about 80% risk assets (stocks) and 20% safe assets (bonds). Normally, when the stock market declines, the bond market goes up in value which offsets the loss from the stock investments. Due to the Feds efforts to tame inflation, safe assets are also down. The moderate portfolio was down less than the aggressive growth portfolio, in large part due to the funding agreement. This was also the case for the conservative portfolio which was down less than the moderate portfolio and has a 25% allocation to the funding agreement.

Mr. White shared two pieces of good news. In the fourth quarter, both risk assets and safe assets rallied as inflation came down. In terms of prospective returns, increased interest rates that are painful now will make future returns more positive. Previously, the investment portfolios were reliant on the risk assets to provide return. Now, core bonds will earn about 4% and cash securities will earn about 3%. The rate of the FDIC-insured portfolio has also gone up.

David Oppenheim asked how the losses in the investment portfolios may skew account holders' future investing and what kind of financial education CalABLE is providing?

Dante Allen answered that CalABLE recognizes the level of risk aversion account holders have and that there is a trust gap as many account holders are new savers. CalABLE has worked towards education through the CalABLE quarterly newsletter which communicates that pulling money out will guarantee losses. Additionally, CalABLE has launched a financial fitness center in partnership with EVERFI.

Carla Castañeda commented that this is an opportunity to educate, and Ms. Castañeda appreciated the resources Mr. Allen discussed.

Public Comment

None

Agenda Item 6 – Helping Hands East Bay (INFORMATION ITEM)

Esther Chow, Executive Director for Helping Hands East Bay, shared her experiences working with the underserved Asian community in the East Bay. Helping Hands East Bay serves adults with developmental disabilities who are Regional Center clients. In this Regional Center, 700 clients identify as Chinese speaking and 300 identify as Vietnamese speaking. There are 21 Regional Centers in California, and at least 6 of these have significant consumer populations that are from the API community.

Ms. Chow's involvement with CalABLE began in 2016 which was prior to CalABLE's launch. At that time, there were fact sheets in multiple languages and the diverse communities were excited to hear about the upcoming opportunity. After the CalABLE

launch, only English and Spanish were offered. The language and technology barriers have presented difficulties for the API community to access CalABLE.

Helping Hands East Bay has helped educate the community by providing workshops with bilingual staff. However, due to the technology barrier as CalABLE is an online program, Helping Hands East Bay has been limited in their ability to help families open CalABLE accounts.

Ms. Chow would like the Board to consider the potential account growth if the Board can think of ways to reach the API community. Ms. Chow also recommended seeing this as an access and equity issue.

David Oppenheim agreed that this is an important issue. Mr. Oppenheim commented that in discussion with Mr. Allen, the barrier seems to be the vast amount of legal documentation that would need to be translated. If this is a matter of cost, Mr. Oppenheim asked if a legislative request for funding would be appropriate.

Mr. Allen answered that exploring the legislative potential is highly in order. Mr. Allen also clarified that providing fact sheets in other languages was easier prior to the CalABLE launch when there was not a municipal security involved. Mr. Allen commented that, in addition to exploring legislative funding opportunities, during the procurement cycles, CalABLE should build in the capacity to ensure CalABLE remains in compliance with all regulations.

Patrick Henning commented that the Treasurer's Office would look into this and see what can be done within the limits of the law.

Carla Castañeda commended Ms. Chow on having bilingual staff help clients. Ms. Castañeda asked if Ms. Chow could share more on the technology barriers.

Ms. Chow answered that some of the Asian immigrant population does not have internet access or technology to handle the online opening and ongoing interactions of a CalABLE account. Even if bilingual staff can assist with opening a CalABLE account, there is the ongoing online interaction. Ms. Chow asked if there were creative solutions the Board could consider such as partnering with banks that have bilingual staff. Many of those from the Asian population would prefer to be assisted in-person.

Mr. Henning responded that he appreciated Ms. Chow's comments, and the Board would like to do as much outside of the box as possible to reach these communities.

Public Comment

None

Agenda Item 7 – Public Comment

None.

The Board adjourned at 3:05 PM.

MARCH 21, 2023

AGENDA ITEM 1
ACTION ITEM

CALIFORNIA ACHIEVING A BETTER LIFE EXPERIENCE (ABLE) ACT BOARD

Meeting Minutes from February 7, 2023, California ABLE Act Board Meeting

Board members present:

Patrick Henning for California State Treasurer, Fiona Ma
Malia M. Cohen, State Controller
David Oppenheim for the State Controller, Malia M. Cohen
Gayle Miller for the Director of Finance, Joe Stephenshaw
Cathay Liu for the State Council on Developmental Disabilities
Ana Acton for the Department of Rehabilitation
Carla Castañeda for the Department of Developmental Services

STO Staff present:

Dante Allen, Executive Director, CalABLE
Madeline Handy, CalABLE
Rita Clark, Executive Office
Theodore Ballmer, Legal Counsel

CalABLE Board Consultants present:

Miriam Bookey, Head of Strategy, Program 11
Kelly Doherty, Program Manager, Program 11

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

Linda English, Senior Director of Relationship Management, TIAA

California ABLE Act Board Chair Patrick Henning called the meeting to order at 1:30 PM.

Public Comment

None

Agenda Item 1 – Resolution No. 2023-01: Authorizing the Executive Director to Enter into Agreement No. ABLE 01-23 for 529A Program / Plan Manager for the California ABLE Program (ACTION ITEM)

Executive Director Dante Allen provided background on Resolution No. 2023-01. CalABLE's current contract with TIAA-CREF for program administrator is set to expire on August 31, 2023. CalABLE released an RFP for program administrator at the end of 2022 and received three responsive proposals. A panel evaluated the proposals and interviewed the top two bidders. Vestwell State Savings received the highest score.

Mr. Allen discussed how the current CalABLE program compares to the Vestwell proposal. Like the current contract, the Vestwell contract would be for five years, with five optional one-year extensions. The Vestwell proposal offered additional language capabilities compared to the current contract. A mobile application is not available through the current contract, while Vestwell has a mobile application in development. The prepaid card through the current contract is free through U.S. Bank, Vestwell would offer a prepaid card through True Link with a \$1.25 monthly fee for consumers. The investment manager for the current contract is TIAA, with Vestwell the investment managers would be Fidelity, Shwab, and Vanguard. The current contract has four investment options, Vestwell would offer eight with a slight decrease in investment fees and would include breakpoints. The annual account fee is currently \$37, which would be reduced to \$30 with the Vestwell proposal.

Mr. Allen asked the Board if there were any questions or comments.

Patrick Henning encouraged CalABLE staff to continue working on improving language access and internet connectivity for account holders. Mr. Henning also noted the importance of lowering CalABLE fees.

Controller Cohen was pleased to hear of the efforts to connect with communities who speak English as a second language or who do not speak English. Controller Cohen asked for clarification on the difference in service and cost between the current contract and the Vestwell contract. Controller Cohen asked how many vendors were considered and what was the most significant factor for selecting Vestwell.

Mr. Allen answered that there were three bids. The main factors that led to the selection of Vestwell were cost, language capability, and broader investment portfolios. However, the evaluation process included scoring across eight categories with Vestwell having the highest overall score.

Controller Cohen asked if there were any fee increases for the CalABLE participants.

Mr. Allen answered the prepaid card with the Vestwell proposal will have a \$1.25 monthly fee. This is an increase compared the current prepaid card which is free. However, in looking at all the fees associated with CalABLE accounts, the Vestwell proposal was less expensive than the current contract for consumers.

Carla Castañeda expressed appreciation for the opportunity to provide program materials in languages other than English and to provide a mobile application. Ms. Castañeda asked how many CalABLE account holders currently use the prepaid card.

Mr. Allen answered that approximately 1,100 prepaid cards have been requested.

A motion was made by Gayle Miller. Ms. Castañeda seconded. Voting occurred and the Resolution passed.

Public Comment

None

Board Action

Approval of Resolution No. 2023-01 from the February 7, 2023, meeting of the California ABLE Act Board.

MOTION:	Gayle Miller	SECOND:	Carla Castañeda
AYES:	Patrick Henning, Malia M. Cohen, Gayle Miller, Cathay Liu, Ana Acton, Carla Castañeda		
NOT PRESENT:	Lisa Hayes		
ABSTAIN:			
RECUSE:			
ACTION:	Motion Passed		

Doug Magnolia, President of Vestwell State Savings, was introduced. Mr. Magnolia emphasized Vestwell’s commitment to the disability community and working towards a more accessible user experience.

Controller Cohen had to sign off and was replaced by her delegate, David Oppenheim.

Agenda Item 2 – Resolution No. 2023-02: Approval of Amendment to extend marketing services contract with Program 11 for the amount of \$827,618.00 (ACTION ITEM)

Executive Director Dante Allen provided background on Resolution No. 2023-02. The current contract with Program 11 for marketing services was designed to have an ending very close to the end of the program administrator contract. The reason for this

was in case any of the program administrator proposals included marketing services, CalABLE would have the flexibility to consider them. Some of the proposals, including Vestwell's, had some marketing allocation. However, none of the proposals wanted to take on marketing of the program in its entirety. Thus, CalABLE has a need to either issue an RFP or extend the contract with Program 11.

Mr. Allen clarified that for the extension, the one-year budget would be approximately \$250,000. The \$827,618 would be the combination of the three years.

Mr. Allen remarked that Program 11 has done an exceptional job finding where potential account holders are and reaching out to them. Over the last nine months, CalABLE has had over nine million user impressions. Additionally, CalABLE is exceeding the industry average for engagement and click through.

Mr. Allen commented that lofty goals were set at the beginning of the contract. CalABLE hoped to be at 12,000 accounts by the end of first two years; CalABLE is currently at a little over 9,000 accounts. Mr. Allen noted that CalABLE could not have fully anticipated the impact of COVID-19 and the economy when setting that goal. Mr. Allen believes that with additional time, CalABLE will be able to reach the program goals with Program 11.

Mr. Allen noted that CalABLE has chosen a challenging path in completing a transition of program administrator. It would put CalABLE at a disadvantage to change marketing services at a time when CalABLE will need to do extra outreach, marketing, and communication to account holders.

Mr. Allen recommended exercising the one-year extension. Mr. Allen asked if there were questions or comments from the Board.

Patrick Henning remarked that he is tired of hearing about State government programs being the best kept secret. The State needs to do better at reaching the communities, particularly the disability community, who these programs are meant to benefit.

David Oppenheim agreed with Mr. Henning's comments.

A motion was made by Mr. Oppenheim. Gayle Miller seconded. Voting occurred and the Resolution passed.

Public Comment

None

Board Action

Approval of Resolution No. 2023-02 from the February 7, 2023, meeting of the California ABLE Act Board.

MOTION:	David Oppenheim	SECOND:	Gayle Miller
AYES:	Patrick Henning, David Oppenheim, Gayle Miller, Cathay Liu, Ana Acton, Carla Castañeda		
NOT PRESENT:	Lisa Hayes		
ABSTAIN:			
RECUSE:			
ACTION:	Motion Passed		

Agenda Item 3 – Public Comment

N.S. (full name not given) asked that when the transition to a new program administrator occurs, will it still take five days to receive a withdrawal.

Mr. Allen answered that the holding period for contributions will remain. Mr. Allen added that the time to receive a withdrawal is currently a relatively quick process and will remain so with the new contract.

N.S. commented that they were elated when there was not a fee for the prepaid card. Adding a fee nickels and dimes people with disabilities when they do not have that much money anyways.

For the record, Rick Hodgkins asked in the chat, “If I have a job, I know that the account threshold is 27000 dollars. What happens if I meet that threshold, and what can I do with remaining monies if I cannot deposit it into my ABLE account?”

CalABLE staff answered in the chat, “Hello! ABLE to Work allows you to contribute \$13,590 of your income in addition to the \$17,000 from all sources. This totals to \$30,590 annually. CalABLE will not allow you to contribute additional funds.”

Mr. Hodgkins asked in the chat, “I know what you're saying, but that what if I have money after I meet the threshold, should I deposit it into my checking account, purchase gifts, or use it for philanthropic charities?”

Mr. Allen answered that if the contribution limit is exceeded, a person would need a special needs trust or would need to complete a spend down to remain eligible for means tested benefits.

Mr. Henning asked staff to put a contact line in the chat for Mr. Hodgkins so that he can get his questions answered.

CalABLE staff answered in the chat, “Please contact us at calable@treasurer.ca.gov and we can answer your questions.”

The Board adjourned at 2:13 PM.

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