
JUNE 20, 2023

AGENDA ITEM 1

ACTION ITEM

CALIFORNIA ABLE ACT BOARD

Approval of Minutes from March 21, 2023, Meeting and May 15, 2023, Meeting

Attachments

- Attachment #1 – CalABLE Board March 21, 2023, Meeting Minutes
- Attachment #2 – CalABLE Board May 15, 2023, Meeting Minutes

Recommended Action – Approve meeting minutes

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JUNE 20, 2023

AGENDA ITEM 1
ACTION ITEM

CALIFORNIA ACHIEVING A BETTER LIFE EXPERIENCE (ABLE) ACT BOARD

Meeting Minutes from March 21, 2023, California ABLE Act Board Meeting

Board members present:

California State Treasurer Fiona Ma
David Oppenheim for the State Controller, Malia Cohen
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 Fiona Ma called the meeting to order at 1:50 PM.

Public Comment

None

Agenda Item 1 – Approval of the Minutes from the December 13, 2022, and February 7, 2023, meetings of the California ABLE Act Board (ACTION ITEM)

Public Comment

None

Board Action

Approval of the minutes from the December 13, 2022, and February 7, 2023, meetings of the California ABLE Act Board.

MOTION:	Gayle Miller	SECOND:	David Oppenheim
AYES:	Fiona Ma, David Oppenheim, Gayle Miller, Ana Acton, Carla Castañeda, Lisa Hayes		
NOT PRESENT:			
ABSTAIN:			
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). Mr. Allen and Treasurer Ma attended the NAST Legislative Conference where they had discussions with the Social Security Administration and various disability related organizations. Legislative visits were held with Senator Feinstein, Senator Padilla, and Senator Cortez Masto during which the passage of the ABLE Age Adjustment Act and the sunset for the ABLE related features of the 2017 Jobs and Tax Reduction Act were discussed.

Mr. Allen provided an update on AB 339 (Irwin), which will update California legislation to conform with the ABLE AGE Adjustment Act beginning January 1, 2026. Staff have been working to finalize a letter of support from the Treasurer and have created a template support letter for the public.

David Oppenheim asked for a fact sheet and materials on AB 339 to share with the State Controller. Mr. Allen answered that he will send over drafts of those items.

Mr. Allen provided an update on AB 1381 (Weber), which is regarding call centers. AB 1381 is similar to last year’s call center bill, in which staff were able to communicate with the author to have exemptions made for zero-dollar contracts. AB 1381 specifically targets state contracts and programs like CalABLE that have administration contracts which include a small component related to call centers. This would require at least 50% of call center jobs be moved to California beginning January 1, 2026. CalABLE has been in communication with the author’s office to discuss the unintended impact this bill could have on programs like CalABLE. Adding requirements like this could prevent

potential program administrators from participating in future RFPs or result in additional costs to consumers or the state. Initial conversations were that the author's office understood but there are competing priorities such as bringing jobs back to California.

Mr. Allen provided an update on enrollments. In Q4, CalABLE gained over 300 accounts. This is slightly lower than normal, however there was an 13% increase in assets under management bringing CalABLE to \$89 million. Participation in the FDIC portfolio has slightly declined from 40% to 39%. Although this participation is greater than the estimate used for the state administrative fee waiver, staff recommend holding off on making a decision on the fee waiver until the June board meeting in which fees will be discussed at length.

Mr. Allen provided a staffing update. CalABLE is actively recruiting for a bilingual position to assist in outreach to the Spanish community. There are several candidates and CalABLE hopes to make a decision very soon. This is very timely as there has been an uptick in requests for in-person events.

Mr. Allen welcomed State Controller Malia Cohen to the Board.

Mr. Allen provided a budget update. CalABLE has spent \$830,000 of the \$1.1 million budget in fiscal year 2022-23. CalABLE does not expect any overages.

Mr. Allen provided a conversion update. The program administration contract is expected to be finalized within the week. Anne Osborne was able to participate in Vestwell's state agency roundtable in March. During this roundtable, Vestwell shared that fraud amongst ABLE accounts is increasing and they are putting mechanisms into place to protect ABLE accounts. Additionally, Vestwell has provided a conversion timeline and will be ready to begin work as soon as the contract is signed.

Ms. Osborne provided an outreach update. Program analyst Madeline Handy attended in-person events every weekend in March. At these events, partner organizations such as the Department of Rehabilitation had CalABLE materials at their tables which was positive to see. CalABLE's Partner Toolkit is now available on the CalABLE website and CalABLE has received presentation requests via the Toolkit. During the conversion, CalABLE will be working with the marketing team to figure out how to stay visible.

Treasurer Ma asked if CalABLE posts outreach events on social media. Ms. Handy answered that when staff attends outreach events, she will usually post a flyer on social media. Treasurer Ma recommended letting the Board know ahead of these events so the Board can help advertise. Additionally, Treasurer Ma asked staff to mention all the State Treasurer's Office Savings Programs during outreach events, if possible.

State Controller Malia Cohen commended Mr. Allen on his presentation and that everything seemed to be heading in the right direction.

Public Comment

None.

Agenda Item 3 – Quarterly Investment Performance Report (INFORMATION ITEM)

Jordan Jones from TIAA provided the Board an overview of CalABLE Investment Performance for the Fourth Quarter 2022.

Mr. Jones provided an overview of the equities and fixed income markets. In equities, most performed well in Q4 with interest rates peaking and inflation slowing. Developed non-US equities outperformed domestic equities. In fixed income, the federal reserve raised interest rates by 75 basis points in November and 50 basis points in December.

Mr. Jones provided an asset overview for Q4 2022 with total assets at \$89.6 million.

Mr. Jones provided an overview of Q4 2022 returns. The broader market themes carried over into portfolio performance. Stronger international equity performance benefitted investors in the aggressive growth portfolio. Absolute returns were positive but did decline moving down the risk spectrum to the moderate and conservative portfolios due to their higher allocation in fixed income which lagged behind equities during Q4.

Mr. Jones commented on asset allocation across the portfolios. Among the underlying funds, the International Equity Index was the strongest performer, and the Funding Agreement was the weakest performer. The International Equity Index was an outperformer due to fair value and currency adjustments which can happen when there is a lot of volatility in the market over a short period. Volatility in November and early December had an outsized impact compared to a more normal market environment.

David Oppenheim had a question on the difference between actual returns and the benchmarks which were 0.6% for the conservative portfolio, 0.6% for the moderate portfolio, 0.5% for the aggressive growth portfolio, and 0.7% for the FDIC portfolio. He asked if this difference was due to the fee or if there is another explanation.

Mr. Jones answered that he is not sure how fees have been historically factored into the display relative to the investment portfolios. Mr. Jones commented that there was outside volatility in a short period of time. For example, the equity index fund underperformed the benchmark during November and December more notably than in a normal market environment. Mr. Jones said he would look into how fees are displayed and will follow-up with Mr. Oppenheim.

Mr. Oppenheim commented that he had asked this question a few years ago and part of the explanation was the fees. However, this seems to be missing on each benchmark by a higher margin than usual. Mr. Oppenheim asked for follow-up, especially on the FDIC portfolio which had the highest difference from the benchmark.

Mr. Jones provided context for the FDIC portfolio in terms of the funding agreement. When interest rates fluctuate quite a bit over a short period of time, that will show up in the short-term fixed income market. The Funding agreement is a stable value product that gives a guaranteed rate over a 12-month period. When rates rise very quickly and sharply, that outperformance in the fixed income market will be more notable.

Public Comment

None.

Agenda Item 4 – 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 Fourth Quarter 2022.

Mr. White provided a few general comments on the market. 2022 was a challenging year. The US Stock Market was down 19%, the largest loss since 2008 for a calendar year. Additionally, safe assets went down in value at the same time as the equities. 2022 was unprecedented when it came to losses in the fixed income market which meant diversification was of no benefit to investors. The fixed income market and stock market being down in the same year is exceedingly rare and has only happened four times since 1929. This highlights how 2022 was a true market anomaly and not necessarily how the future will look. Diversification should work going forward.

Mr. White provided a status report of underlying funds. All of the funds except for the emerging market index fund were in acceptable territory. The emerging market index fund has already been discussed and is not a cause for concern.

Mr. White provided a status report of the investment portfolios. The aggressive growth portfolio was up almost 8% in Q4 but was down nearly 18% over the one-year period. However, the three-year number was still positive showing the value of staying in the market. The moderate portfolio was up 5% for Q4. This was less well than the aggressive growth portfolio in Q4, but the more conservative nature did help for the one-year period in which it was down about 15%. Finally, the conservative portfolio proved most challenging as it was up less than 3% for Q4 and down 10% for the one-year period. This one-year period was on the far end of the extreme scenarios for anticipated losses for the conservative portfolio because of the large loss in fixed income. However, the funding agreement did provide some cushion.

Mr. White commented on the portfolios' deviation from their benchmarks. About 0.5% deviation can be explained by fees. The other 0.1-0.2% is likely portfolio drift. The portfolios are never exactly at their asset allocation because the minute the Stock Market opens, they move. When there is a benchmark versus a live portfolio, there is some tracking error coming out of that.

Public Comment

None.

Agenda Item 5 – Public Comment

None.

The Board adjourned at 3:05 PM.

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JUNE 20, 2023

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ACTION ITEM

CALIFORNIA ACHIEVING A BETTER LIFE EXPERIENCE (ABLE) ACT BOARD

Meeting Minutes from May 15, 2023, California ABLE Act Board Meeting

Board members present:

Fiona Ma, California State Treasurer
David Oppenheim for the State Controller, Malia Cohen
Michele Perrault for the Director of Finance, Joe Stephenshaw
Ana Acton for the Department of Rehabilitation
Carla Castañeda for the Department of Developmental Services
Cathay Liu for the State Council on Developmental Disabilities
Lisa Hayes, Chair of the State Independent Living Council

STO Staff present:

Dante Allen, Executive Director, CalABLE
Anne Osborne, Manager, CalABLE
Madeline Handy, CalABLE
Cynthia Aguayo, CalABLE
Theodore Ballmer, Legal Counsel

CalABLE Board Consultants Present:

Andrea Feinstein, AKF Consulting
Juliana Crist, AKF Consulting
Soohyang Lee, AKF Consulting
Eric White, Principal, Meketa Investment Group, Inc

Vestwell State Savings, LLC (Vestwell), staff present:

Doug Magnolia, President, Vestwell
Sally Riefenstahl, Senior Vice President, Vestwell
Gina Maria Lemon, Marketing Director, Vestwell

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

Public Comment

None

Agenda Item 1 – Executive Director’s Report (INFORMATION ITEM)

Executive Director Dante Allen provided the California ABLE Act Board (Board) with updates on the CalABLE Program. As of the end of Quarter One of 2023, CalABLE reached \$101 million in assets under management. CalABLE plans to have outreach activities to share the message of this achievement.

Mr. Allen provided state legislative updates on AB 339, which is related to conforming California with the federal ABLE Age Adjustment Act. Mr. Allen recently testified in support of AB 339 in front of the legislature. The bill has been forwarded to the Appropriations Committee. CalABLE has been sharing the message with the CalABLE community that the ABLE Age Adjustment Act is coming in 2026.

Mr. Allen provided a staffing update. CalABLE has brought on Cynthia Aguayo, a retired annuitant, to serve as a project lead in the program administration conversion. CalABLE has extended an offer for the open bilingual Spanish-speaking program analyst position.

Mr. Allen provided an outreach update. Given CalABLE is in the midst of a program administration conversion, outreach priorities are shifting from individuals to partnering organizations. Included in the Board Packet was a snippet from the CalABLE Partner Toolkit which is a guide to help partnering organizations discuss CalABLE.

Mr. Allen provided a conversion update. The contract with Vestwell has been fully executed. The conversion is scheduled to be completed on August 21, 2023. TIAA-CREF assisted CalABLE in distributing the first message on the conversion. Information on the discontinuation process of CalABLE’s current prepaid card is scheduled to be sent out soon. There has been a change to one of the underlying funds included in the Vestwell investment line-up. This variance from Vestwell’s proposal in the Emerging Markets Debt space has been reviewed by Meketa Investment Group who agreed with Vestwell’s proposal.

David Oppenheim commended the Treasurer and CalABLE on reaching the \$100 million in assets under management threshold. Mr. Oppenheim also commended the work that goes into a program administration conversion.

Treasurer Ma asked Mr. Allen what CalABLE finds with different community groups that are plugged into ABLE versus other groups that have more difficulties informing their population about CalABLE.

Mr. Allen answered that the acceptance of CalABLE is rooted in accessibility efforts that include ASL and Spanish interpretation during webinars. CalABLE is also expanding connections to the partner community through the Partner Toolkit. CalABLE has had close ties to the developmental disability community and is attempting to strengthen ties to physical disability communities. The disability community is diverse and CalABLE works to develop cultural competency with the best communication methods. Any help the Board can offer in this area would be appreciated. Additionally, one of the hardest communities to reach are the working disabled. CalABLE is doing a decent job at

reaching employers but could use additional support reaching individuals. Mr. Allen thanked the Department of Rehabilitation for their help in this area.

Treasurer Ma also thanked the State Controller's Office for issuing specials for programs like ScholarShare 529 with employee paychecks. Treasurer Ma asked Mr. Oppenheim if it would be possible to check the schedule to see if there is an opening to put an insert into the paychecks about CalABLE.

Mr. Oppenheim answered that he would discuss with Mr. Allen and the Director who administers payroll at the State Controller's Office to see if they can find a spot.

Lisa Hayes commented that the State Independent Living Council is a cross-disability organization. Ms. Hayes believes the Partner Toolkit is a great opportunity and she will be looking through the Toolkit to see how they can reach out to the 28 Centers for Independent Living across California.

Carla Castañeda commended CalABLE on reaching the \$100 million milestone. Ms. Castañeda also commented that the Department of Developmental Services has an information packet with information about CalABLE.

Public Comment

None

Agenda Item 2 – Program Administration Conversion Update (INFORMATION ITEM)

Jim Balsan, Senior Vice President of Vestwell, provided a program administration conversion update.

Mr. Balsan discussed entity support through the Vestwell platform. Entities refers to organizations or people that facilitate the well-being of people with disabilities. Vestwell has built out their platform so an entity can administer numerous accounts. Entities will have the capability to open new accounts, administer the accounts with withdrawals and contributions, request prepaid cards, and run reports.

David Oppenheim asked if after an entity opens an account, will it still have aggregate information on the many and does this result in privacy issues.

Mr. Balsan answered that there are privacy requirements and disclosures that entities make when utilizing the platform and generating reports. Additionally, the entities undergo an enrollment process where Vestwell vets both the entity and employee acting as the agent on behalf of the entity.

Mr. Balsan discussed the new prepaid card which was developed by TrueLink for the special needs community. This prepaid card provides more functionality than a traditional prepaid card. Two prepaid cards can be issued, one for the authorized legal representative and one for the beneficiary, each with their own balance and spending

controls. Spending can be tracked through TrueLink's interface. The interface is also ADA compliant with people first language.

Mr. Balsan discussed the Vestwell platform's ability to direct deposit social security benefits and payroll into an ABLE account. This will help support entities who act as representative payees and administer social security benefits for individuals.

Mr. Balsan commented that the funding agreement will be liquidated by TIAA and re-allocated by Vestwell.

Public Comment

None

Agenda Item 3 – Resolution No. 2023-03: Approval of Amendments to the Program Fees for the California ABLE Program (ACTION ITEM)

Executive Director Dante Allen provided background on Resolution No. 2023-03.

Mr. Allen explained that during the RFP process, the Board discussed how to ensure that program fees are competitive and remain in line with where they have been since program launch. There are two control mechanisms for program fees. First, the program administrator is determined through a competitive bid process that takes program fees into consideration. Second, the Board has a balancing capability with the state administrative fee which is what will be determined through Resolution No. 2023-03.

Mr. Allen discussed current program fees compared to Vestwell's fees. Vestwell's account maintenance fee is \$30 which is a reduction from the current fee of \$37. Vestwell added a 10 basis points (bps) program management fee for the non-FDIC portfolios but reduced the underlying investment fees for these portfolios to 3-7 bps as compared to 7-8 bps. The state administrative fee is currently 44 bps and is waived for the FDIC portfolio. Currently, there is no prepaid card fee, while under Vestwell there is a \$2.50 monthly fee (\$1.25 for the state and \$1.25 for program participants).

The increase in the prepaid card fee may be a pain point for program participants. Therefore, covering this prepaid card fee is a program goal for CalABLE. Additional program goals include keeping loan repayment on track and keeping total account fees on par with current account fees. To meet these goals, two state administrative fee options were determined.

Option One would maintain the 44 bps fee for the non-FDIC portfolios and add a 7 bps fee for the FDIC portfolio. Option Two would be a 28 bps fee for all portfolios. If interest rates enter a low period, the state administrative fee will not be drawn from the FDIC portfolio if doing so would result in drawing the accounts into the negative. CalABLE staff recommend Option Two due to the high percentage of account owners who invest in the FDIC portfolio which is currently above the estimates made when the waiver for the state administrative fee was established and could impact loan repayment.

Treasurer Ma asked if the state administrative fee waiver for the FDIC portfolio resulted in a lot of participants selecting that portfolio.

Mr. Allen answered that a frequent place where people become unsure when applying for CalABLE is when they reach the investment options. At this critical point, fees are in play when making those decisions. Mr. Allen also commented that CalABLE often receives inquiries about why CalABLE has fees at all. The reason is that CalABLE was designed to be tax-payer neutral and must cover operational costs and repay loans.

David Oppenheim asked for confirmation there would be principal protection for the FDIC portfolio even with a state administrative fee due to built-in protections and the current increased interest environment. Mr. Allen confirmed. Mr. Oppenheim stated that for those reasons, he would be comfortable with Option Two.

Ana Acton commented that the change in fees could be confusing to those saving in the FDIC portfolio. Ms. Acton asked how CalABLE will educate program participants.

Mr. Allen commented that education of fees is built into all of CalABLE's outreach efforts. CalABLE will continue educating and using concrete examples to explain fees. For those who are already program participants, CalABLE can help to explain what the change in fees directly means for them.

Carla Castañeda made a motion to approve Resolution No. 2023-03 with the state administrative fee at 28 bps for all portfolios. Ms. Acton seconded. Voting occurred and the motion passed.

Public Comment

None

Board Action

Approval of Resolution No. 2023-03 from the May 15, 2023, meeting of the California ABLE Act Board.

MOTION:	Carla Castañeda	SECOND:	Ana Acton
AYES:	Fiona Ma, David Oppenheim, Michele Perrault, Ana Acton, Carla Castañeda, Cathay Liu, Lisa Hayes		
NOT PRESENT:			
ABSTAIN:			
RECUSE:			
ACTION:	Motion Passed		

Agenda Item 4 – Resolution No. 2023-04: Approval of Amendment to the California ABLE Program Trust Statement of Investment Policy (ACTION ITEM)

Executive Director Dante Allen provided background on Resolution No. 2023-04.

Resolution No. 2023-04 is related to CalABLE’s statement of investment policy. The Board is required to renew the statement of investment policy on an annual basis which aligns well with the program conversion. The statement of investment policy is required to include the investment portfolios and the underlying funds included in those. During the conversion, the current investment portfolios with TIAA will be converted to new investment portfolios and underlying funds with Vestwell. The overarching language in the statement of investment policy is identical to previous versions. Staff recommend that the Board approve the changes to the statement of investment policy.

Eric White commented that post meeting, Meketa will update the statement of investment policy to reflect the change the underlying fund in Emerging Markets Debt space mentioned in the Executive Director’s report.

David Oppenheim commented that the State Controller’s Office has ESG and DEI language that they believe will improve representation of underrepresented communities in terms of fund management and the underlying funds selected. Mr. Oppenheim would like to see if work can be done over the next six months to see where this language could be appropriately included into the statement of investment policy.

Mr. Allen commented that no action taken today would interfere with the Board’s ability to make the changes Mr. Oppenheim suggested.

Mr. Oppenheim made a motion to approve Resolution No. 2023-04. Carla Castañeda seconded. Voting occurred and the motion passed.

Public Comment

None

Board Action

Approval of Resolution No. 2023-04 from the May 15, 2023, meeting of the California ABLE Act Board.

MOTION:	David Oppenheim	SECOND:	Carla Castañeda
AYES:	Fiona Ma, David Oppenheim, Michele Perrault, Ana Acton, Carla Castañeda, Cathay Liu, Lisa Hayes		
NOT PRESENT:			
ABSTAIN:			
RECUSE:			
ACTION:	Motion Passed		

Agenda Item 5 – Public Comment

None.

The Board adjourned at 3:05 PM.