
DECEMBER 11, 2024

**AGENDA ITEM 2
INFORMATION ITEM**

CALIFORNIA ABLE ACT BOARD

Executive Director's Report

Background

The Executive Director's Report included an overview on the following items:

- Major Milestones and Goals
- Program Update
 - Enrollment and Engagement Data
 - Portfolio Allocation Adjustment
- Operations Update
 - Contracts
 - Audit
 - Budget
- Outreach Update
 - Presentation and Events
 - Social Media
 - Monthly Newsletter

Presenter

Thomas Martin, Executive Director, California ABLE Act Board

Attachments

- Attachment #1 – Executive Director's Report
 - Attachment A – BNY Fund Consolidation Memo
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- Attachment #2 – Executive Director's Report Presentation

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CALIFORNIA ACHIEVING A BETTER LIFE EXPERIENCE ACT BOARD
EXECUTIVE DIRECTOR'S REPORT

December 11, 2024

CalABLE, Today and Tomorrow

We are marking another excellent year under CalABLE's belt, with more initiatives, more partnerships, and more growth. From January to October, the program added more than 2,000 accounts, an increase of one fifth and the best growth in three years. CalABLE also increased assets by \$34 million, or more than a quarter. More people are using CalABLE, and they are using CalABLE more.

This year, CalABLE has continued to evolve. CalABLE built a foundation over its first five years, and 2024 represented a shift toward the next chapter. CalABLE is thinking long term about its place among programs that support the disability community, including how it connects with other entities. CalABLE is establishing partnerships for long-term sustained visibility and growth, leveraging the experience and public trust of these organizations. This has always been important for CalABLE's development, but moving forward, developing partnerships will be at the forefront of our enrollment strategy.

Over the next year, CalABLE will continue refining its marketing and outreach to target different audiences, including workers, parents, older adults, educators, veterans, and more. That entails tailored messaging for each audience, providing information about CalABLE that is most relevant in a manner that is accessible in every sense. This effort also requires leveraging partners to make more and better connections within the disability community.

These efforts will be particularly crucial when the age of eligibility increases. In 2026, individuals with an eligible disability can qualify for CalABLE if their disabilities begin before the age of 46, rather than 26. This represents a potential 50% increase in eligible persons, with the National Disability Institute estimating upwards of 700,000 more prospective account holders in California. Further, many of these individuals will not receive services through the traditional channels that CalABLE works through because their disabilities started at later ages. More than two thirds of current CalABLE account holders indicate they have intellectual or developmental disabilities, but disabilities with later onsets will more likely fall into other categories – and therefore have different support networks. This will require a significant shift in CalABLE's operations given limited resources, with a focus on developing relationships with employers, service providers, veterans groups, and others that intersect with this new audience.

As will be discussed by our Vestwell partners, we have had many improvements to our platform and services over the year, with more to come in 2025. We

continue to prioritize user experience and engagement throughout these efforts – and that means more languages, expanded informational content, CalABLE-branded mobile apps, ease-of-use improvements, and many other enhancements. The more convenient and accessible our platform is, the more we can grow, and the more good we can do for the community.

We close out 2024 with a new strategic plan and a vision for CalABLE’s role among disability services. One important change to the strategic plan was reframing CalABLE’s core disability values – focusing not just on what is important for the disability community, but on what people with disabilities deserve. People with disabilities deserve:

1. Support as they seek to overcome social, financial, and systemic inequities
2. Disability services that seek to maximize self-advocacy and independence
3. Equitable access to financial services and wealth-building opportunities
4. Inclusive language that promotes dignity and empathy and respects individual preferences
5. A community of organizations that works cooperatively in pursuit of common goals

CalABLE is one of many service programs for the disability community, but it plays a critical role in support of all five of these values. For many Californians, CalABLE is their best shot at the financial security they deserve. As we enter 2025, we have an opportunity to celebrate everything CalABLE has accomplished, and to reflect on what milestones the next year will bring. CalABLE is in a great position to further its mission and play an even more prominent role in supporting people with disabilities.

Program Update

Enrollment and Engagement Data

CalABLE ended Q3 with 12,354 accounts. There were 774 new accounts in Q3 – more than any in quarter in the last 3 years – with the fewest accounts closed in more than a year. This growth occurred among both SSI recipients and non-recipients. This suggests that CalABLE may be doing a better job of explaining the benefits of the program for people of all incomes. Additionally, new accounts opened for minors rose by half from the previous quarter, with an overall 9% increase in accounts in only three months.

In July, CalABLE passed the \$150 million milestone for total assets under management, and closed Q3 with nearly \$162 million. This represents a nearly 9% increase in assets since Q2 and a tremendous 46% increase year over year.

Both contributions and distributions were relatively steady since the previous quarter, with changes of -0.4% and +2.2%, respectively.

Prepaid debit cards again saw record utilization this quarter, with more loads and more spends than ever – by a wide margin. The prepaid debit card offering remains a popular, well-received feature of the program.

Portfolio Allocation Adjustment (See Attachment A)

BNY and Meketa have recommended a change to portfolio allocations to underlying funds. Several underlying funds are passive strategies tracking the same indices. By consolidating these allocations into a single underlying fund, CalABLE can slightly reduce fees without significantly changing the level of risk.

Specifically, allocations for the Schwab Total Stock Market Index Fund (SWTSX) and the Schwab US Aggregate Bond Index Fund (SWAGX) will be reassigned to the Fidelity Total Market Index Fund (FSKAX) and the Fidelity US Bond Index Fund (FXNAX), respectively. The allocation will adjust beginning next year and policies and disclosures will be updated accordingly.

Operations Update

Contracts

The 529A Program Consulting Services contract, was awarded to AKF Consulting for \$289,240 and took effect on December 1, 2024. The contract is for two years with an optional third-year renewal.

The 529A investment consultant contract with Meketa Investment Group will expire March 31, 2025. The RFP for 529A Investment Consulting Services will be released in December.

Audit

The year-end [audit](#) for 2023-24 was completed by Landmark Certified Public Accountants. No concerns were identified.

Budget

In Q3, CalABLE collected \$93,000 in account fees, an increase of nearly a quarter year over year. The total amount of program fees collected since the program's inception reached \$996,334.

Outreach Update

Presentations and Events (See Attachment B)

During Q4 (through 11/26/24), CalABLE delivered 24 presentations, attended 7 in-person events, and hosted 2 webinars. Collectively, CalABLE connected with approximately 4,000 people. This includes 579 attendees at CalABLE's webinars.

Social Media

CalABLE's YouTube channel has 1,185 subscribers, gaining 258 new subscribers in 2024. The Ambassador videos are doing very well, and Charles's and Tianni's videos have received the most views.

CalABLE staff have been making organic social media posts on Facebook, Instagram, Twitter, and LinkedIn daily. CalABLE currently has 3,304 Facebook followers, 602 Instagram followers, 968 Twitter followers, and 105 LinkedIn followers.

Monthly Newsletter

CalABLE's sends out a monthly newsletter to our Listserv of approximately 20,000 people. The list comprises of people who attend a webinar, sign up for information, and CalABLE account holders. The [September newsletter](#) had 10,029 opens with a 42.5% open rate, the [October newsletter](#) had 11,499 opens with a 47.9% open rate, and the [November newsletter](#) had 10,647 opens with a 43.6% open rate.

Attachment A
BNY Fund Consolidation Memo

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October 30, 2024

Dear California ABLE Board,

BNY Advisors has reviewed the CalABLE Plan's portfolio allocations and recommends consolidating similar exposures into the lower cost funds currently utilized. This proposal would decrease underlying fund expenses slightly with no impact on the portfolios' investment characteristics as the funds being consolidated are passive strategies tracking the same indices. Portfolio allocations to individual underlying funds would increase because of this change, however we believe the reduction in fees is more beneficial than any risks stemming from this increased manager concentration.

Please see the below table for our recommended changes:

Fund	Ticker	Fund Net Expense Ratio	Income Portfolio		Conservative Portfolio		Income and Growth Portfolio		Balanced Portfolio		Conservative Growth Portfolio		Moderate Growth Portfolio		Growth Portfolio	
			Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed
Fidelity® Total Market Index Fund	FSKAX	0.015%	0	0	7	13	13	26	17	33	20	39	26	52	33	65
Schwab Total Stock Market Index Fund	SWTSX	0.030%	0		6		13		16		19		26		32	
Fidelity® International Index Fund	FSPSX	0.035%	0	0	5	5	10	10	12	12	15	15	20	20	25	25
Fidelity® Emerging Markets Index Fund	FPADX	0.075%	0	0	2	2	4	4	5	5	6	6	8	8	10	10
Fidelity® U.S. Bond Index Fund	FXNAX	0.025%	30	60	30	60	25	50	22	42	17	34	9	17	0	0
Schwab U.S. Aggregate Bond Index Fund	SWAGX	0.040%	30		30		25		20		17		8		0	
Fidelity® Long-Term Treasury Bond Index Fund	FNBGX	0.030%	5	5	5	5	4	4	4	4	4	4	3	3	0	0
Schwab Treasury Inflation Protected Securities Index Fund	SWRSX	0.050%	3	3	3	3	2	2	2	2	2	2	0	0	0	0
Vanguard Emerging Markets Bond Fund	VEGBX	0.400%	6	6	6	6	2	2	1	1	0	0	0	0	0	0
Vanguard High-Yield Corporate Fund	VWEAX	0.130%	6	6	6	6	2	2	1	1	0	0	0	0	0	0
Vanguard Cash Reserves Federal Money Market Fund	VMRXX	0.100%	20	20	0	0	0	0	0	0	0	0	0	0	0	0
Underlying Fund Fees and Expenses			0.074%	0.070%	0.060%	0.055%	0.041%	0.036%	0.036%	0.031%	0.032%	0.026%	0.031%	0.026%	0.031%	0.026%
Change			-0.005%		-0.005%		-0.006%		-0.005%		-0.005%		-0.005%		-0.005%	
Annual Program Management Fee			0.10%		0.10%		0.10%		0.10%		0.10%		0.10%		0.10%	
Annual State Administration Fee			0.28%		0.28%		0.28%		0.28%		0.28%		0.28%		0.28%	
Net Annual Expense Ratio			0.450%		0.435%		0.416%		0.411%		0.406%		0.406%		0.406%	

We recommend consolidating the allocations for U.S. equities and U.S. bonds into lower cost underlying funds for each asset class, Fidelity® Total Market Index Fund for U.S. equities and Fidelity® U.S. Bond Index Fund for U.S. bonds. These proposed changes would reduce underlying fund expenses by about half a basis point.

We look forward to the opportunity to discuss this proposal at the next California ABLE Act Board meeting. Once the board has approved this change, Vestwell will update the Program Disclosure Statement accordingly and will make the change to the underlying funds effective January 1, 2025.

Best Regards,
 BNY Mellon Advisors, Inc.

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All investments are subject to risk, including the loss of principal. For additional information, please refer to the Important Disclosures at the end of this report.

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There is no guarantee that investment objectives will be attained. Results may vary. There is no guarantee that risk can be managed successfully.

Diversification and strategic asset allocation do not guarantee a profit or protect against a loss in declining markets. **All investments are subject to risk, including the loss of principal.**

It is important to remember that there are risks inherent in any investment and that there is no assurance that any money manager, fund, asset class, index, style or strategy will provide positive performance over time.

Investors should carefully consider the investment objectives, risks, charges, fees and expenses of any mutual fund before investing. This and other important information can be found in the fund prospectus and, if available, the summary prospectus, which may be obtained by calling the fund or visiting the respective fund company's website, or by visiting the SEC's EDGAR website at <https://www.sec.gov/edgar/search/#>. Please read the prospectus and, if available, the summary prospectus carefully.

Foreign investments are subject to risks not ordinarily associated with domestic investments, such as currency, economic and political risks, and may follow different accounting standards than domestic investments. Investments in emerging or developing markets involve exposure to economic structures that are generally less diverse and mature, and to political systems that can be expected to have less stability than those of more developed countries. These securities may be less liquid and more volatile than investments in US and longer established non-US markets.

Portfolios that invest in fixed income securities are subject to several general risks, including interest rate risk, credit risk, the risk of issuer default, liquidity risk and market risk. These risks can affect a security's price and yield to varying degrees, depending upon the nature of the instrument, and may occur from fluctuations in interest rates, a change to an issuer's individual situation or industry, or events in the financial markets. In general, a bond's yield is inversely related to its price. Bonds can lose their value as interest rates rise and an investor can lose principal. If sold prior to maturity, fixed income securities are subject to gains/losses based on the level of interest rates, market conditions and the credit quality of the issuer.

Liquidity risk increases when particular investments are difficult to purchase or sell. A lack of liquidity also may cause the value of investments to decline. Illiquid investments may be harder to value, especially in changing markets. Typically, liquid investments may become illiquid, particularly during periods of market turmoil. When illiquid assets must be sold in such market conditions (to meet redemption requests or other cash needs for example), it may be necessary to sell such assets at a loss.

Investments in inflation-protected securities are subject to several general risks, including interest rate risk, credit risk, market risk and inflation-protected securities risk. Interest payments on inflation-protected securities will vary as the principal and/or interest is adjusted for inflation and may be more volatile than interest paid on ordinary fixed income securities.

Portfolios that invest in small/mid-capitalization companies involve greater risk and price volatility than an investment in securities of larger capitalization, more established companies. Such securities may have limited marketability and the firms may have limited product lines, markets and financial resources than larger, more established companies.

Investments in U.S. government agency securities involve fluctuation due to changing interest rates or other market conditions. Investors may experience a gain or loss due to prepayment of obligations and may receive back part of their investment before redemption.

Investments in high-yield, non-investment-grade bonds involve higher risk than those that invest in investment-grade bonds. Adverse conditions may affect the issuer's ability to pay interest and principal on these securities and, as a result, they may have a higher probability of default.

Investments in corporate fixed income securities are subject to a number of risks, including the possibility of issuer default, credit risk, market risk and call risk.

Mutual funds included in portfolios charge additional fees and expenses outside of the Total Annual Asset-Based Fee for this program. Mutual funds may additionally charge a redemption fee if shares are redeemed by within a specified period of time. The amount of the redemption fee, as well as the minimum holding period, is disclosed in each of the respective fund prospectuses. For complete details, please refer to the applicable fund prospectus.

For more information about BNY Advisors, as well as its products, fees and services, please refer to BNY Advisors' Form CRS (Customer Relationship Summary) and applicable Form ADV Part 2 Brochure, which may be obtained from the SEC's Investment Adviser Public Disclosure website at:

<https://adviserinfo.sec.gov/firm/summary/106108>, or by writing to: BNY Advisors, Attn: Legal Department, 1800 American Blvd., Suite 300 – Pod D, Pennington, NJ 08534, or by calling (800) 200-3033, option 3.

**Attachment B
Outreach Report**

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CalABLE Outreach Report

In the fourth quarter of 2024 (through 11/26/24), CalABLE provided 24 presentations, took part in 7 in-person events, and hosted 2 webinars. These activities enabled CalABLE to reach approximately 4,200 people. During October and November, CalABLE engaged in various outreach efforts, such as in-person events, resource fairs, sponsored events, and both virtual and in-person presentations.

- In October, CalABLE delivered 15 presentations with a total attendance of 782 participants. CalABLE staff also attended 6 in-person events, presented at 2 of them, with total event attendees over 2,000. The webinar hosted by CalABLE focused on workers with disabilities, with guest speakers from DOR (Work Incentives Planning Program), SSA (Plan to Achieve Self Support Program) and HUD, and attracted 806 registrants and 329 attendees.
- For the month of November, CalABLE provided a total of 9 presentations with an overall attendance of 419 participants and attended 1 in-person event with a presentation, with total event attendees over 350. CalABLE hosted a webinar on Maximizing your CalABLE Account featuring Charles, a CalABLE Ambassador who funded his grandson's account with a 529 Rollover. Staff also reviewed the e-gifting account option which attracted 663 registrations and 250 attendees.

Year to date, CalABLE has:

- Conducted 12 webinars with 3,200 attendees with a 42% attendance rate,
- Delivered 117 presentations with 4,735 attendees,
- Attended 25 in-person events, with 18,000 attendees, and
- Connected with an estimated 25,935 people.

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Executive Director Report



Q3 2024

December 11, 2024

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Significant CalABLE Updates

- Q3 had more new accounts than any quarter in 3 years, with the fewest closures in more than a year
- Prepaid card usage continues to grow beyond expectations
- The latest draft of the strategic plan has been prepared
- The Vestwell mobile app was released
- 2024 has been great, and we can't wait for 2025

Major Milestones in 2024 (So Far)

- Total accounts passed both the 11,000 and 12,000 marks
- More than 2,000 accounts were created in the first three quarters – more than in all of 2023
- Total assets crossed the \$150 million mark, ending Q3 above \$160 million
- Prepaid debit cards were used more than 50,000 times
- Fee revenue since inception will surpass \$1 million
- CalABLE has more materials, more connections, more partnerships, and more visibility than ever

Program Dashboard – Overview

Metric	Q3 2024	Quarter-over-Quarter Growth	Year-over-Year Growth
Funded Accounts	12,354	5.7%	22.7%
New Accounts	774	17.1%	82.2%
Total Assets	\$161,816,366	5.7%	45.6%
Average Balance	\$13,098	2.8%	18.6%
Fee Revenue	\$92,535	7.2%	21.4%
Website Visits	58,800	-12.6%	143.7%
Contributions	\$12,293,562	-0.4%	38.1%
Distributions	\$5,944,282	2.2%	47.5%
Prepaid Card Uses	20,069	13.4%	33.8%
Prepaid Card Spending	\$996,855	28.3%	463.8%

Program Dashboard – Age Distribution

Beneficiary Ages	Q3 2024	Quarter-over-Quarter Growth	Year-over-Year Growth
Ages 0-17	1,915	9.3%	31.3%
Ages 18-44	7,456	5.4%	21.7%
Ages 45-64	2,240	3.5%	20.4%
Ages 65+	743	5.4%	19.1%

Growth across the board, but especially among children – who can benefit from CalABLE for life

Program Update

Portfolio Allocation Adjustment

- BNY and Meketa have recommended a change to portfolio allocations to underlying funds.
- Several underlying funds are passive strategies tracking the same indices. By consolidating these allocations into a single underlying fund, CalABLE can slightly reduce fees without significantly changing the level of risk.
- Beginning next year, the following allocations will be adjusted:
 - The Schwab Total Stock Market Index Fund (SWTSX) will be reallocated to the Fidelity Total Market Index Fund (FSKAX)
 - The Schwab US Aggregate Bond Index Fund (SWAGX) will be reallocated to the Fidelity US Bond Index Fund (FXNAX)
- These changes will be reflected in the Program Disclosure Statement and the Investment Policy Statement.

Operations and Outreach Updates

Contracts

- Program consultant contract was awarded to AKF for \$289,240 effective 12/1/24. The contract is for two years with an optional third-year renewal.
- The investment consultant contract, currently held by Meketa, will expire 3/31/25. An RFP for a replacement contract will be released this month.

Audit

- The year-end audit for 2023-24 was completed by Landmark Certified Public Accountants. No concerns were identified.

Outreach

- Through 11/26, CalABLE connected with approximately 4,000 people via 24 presentations, 7 in-person events, and 2 webinars.



Q4 Webinars

579 attended the first two CalABLE webinars of Q4:

October – CalABLE and Employment

▶ 329 viewers

November – Maximizing Your CalABLE Account

▶ 250 viewers

CalABLE in 2025

- A work plan informed by the new strategic plan, with better metrics to track progress
- Many product improvements, such as a CalABLE-branded mobile app
- Targeted content to connect with new audiences – with special emphasis on greater language accessibility
- Continuous review and improvement of portfolio offerings and materials to help account holders make effective investment decisions
- Extensive outreach to those who will become eligible when the max age of disability onset increases from 26 to 46
- New and better-defined partnerships for more outreach channels and smarter engagement