

---

**DECEMBER 11, 2024**

**AGENDA ITEM 3  
INFORMATION ITEM**

**CALIFORNIA ABLE ACT BOARD**

---

Review of CalABLE Investment Performance and Evaluation for the Third Quarter 2024

***Background***

The CalABLE Act Board and its investment consultant, Meketa Investment Group, Inc. (Meketa) will review the “Performance and Evaluation Report” for Third Quarter 2024, provided by Meketa. Attachment #1 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.” Attachment #2 is the Watch Review memo.

***Presenter***

Aysun Kilic, FCA, Consultant/Portfolio Strategist, Meketa Investment Group, Inc.

***Attachments***

- Attachment #1 – CalABLE Performance and Evaluation Report 3Q24
- Attachment #2 – Watch Review Memo

This page is intentionally left blank.

## CalABLE Plan

December 11, 2024

3Q24 Performance & Evaluation  
Report

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

## Highlights

### Economic and Market Update

- The Federal Open Market Committee (FOMC) cut rates by 0.5% at the September 2024 meeting, and again at the November 2024 meeting by 0.25%. There is another anticipated rates cut at the December 2024 meeting.
- Both Equity and Fixed Income markets broadly gained over the quarter in a strong quarter for most major asset classes (with exception of commodities)

### Plan Assets

- Total Plan assets increased by \$13 million over the quarter.
- 67% of the Plan assets are invested in the relatively conservative options (Balanced, Income and Growth, Conservative, Income and Federal Deposit Insurance Corporation (FDIC) Insured portfolios.)
- The FDIC option continues to hold the most assets with \$54 million, representing 34% of the total Plan assets.

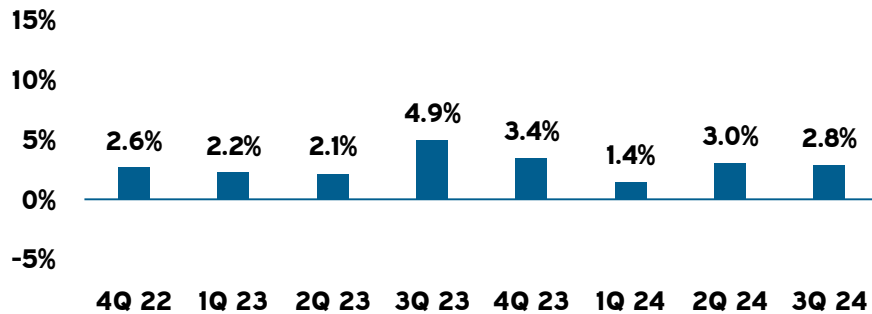
### Portfolio and Underlying Fund Results

- Over the quarter, all seven Target Risk portfolios produced results in-line with their respective benchmarks.
- Over the quarter and longer-term periods, all eight passively managed underlying funds produced results in line with expectations, while the three actively managed underlying funds had somewhat mixed results.
- As of quarter end, no underlying funds are on Watch status and no new funds qualify for Watch status, as all funds maintained their former quarter status.

## **Economic and Market Update**

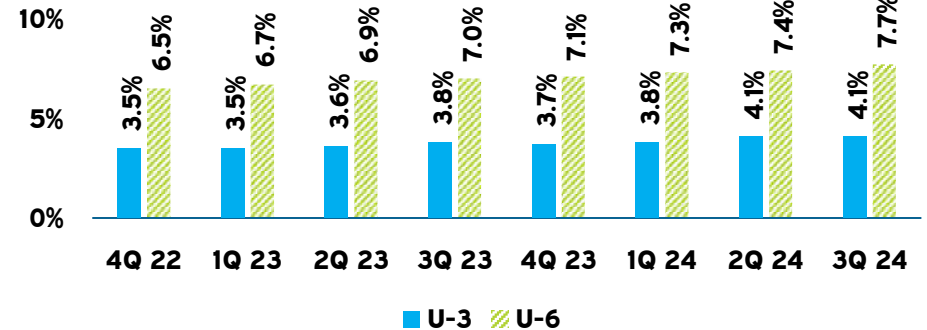
#### Economic and Market Update

#### Quarterly Real GDP (Annualized)



Source: Bureau of Economic Analysis. Data as of Q3 2024 represents the "advance" estimate. The Q3 2024 "second estimate" will be released November 27, 2024.

#### US Unemployment

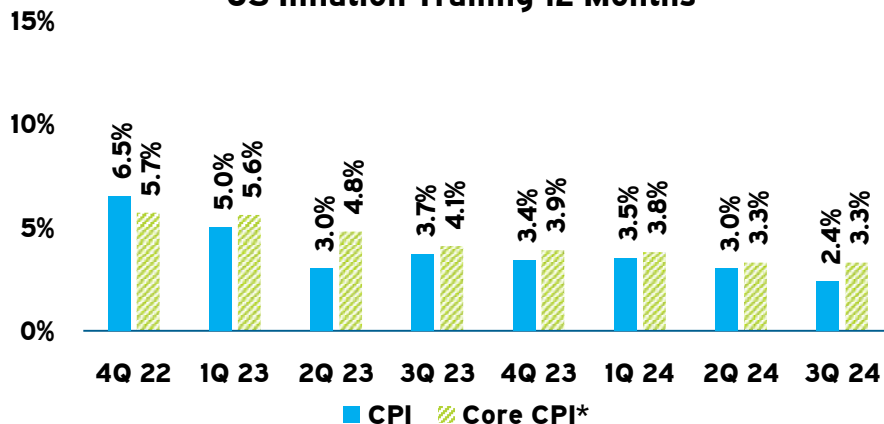


Source: Bureau of Labor Statistics. Data as of September 30, 2024. Seasonally adjusted.

U-3 = Total US unemployed, as a percent of the civilian labor forces (official unemployment rate).

U-6 = Total unemployed, plus all persons marginally attached to the labor force, plus total employed part time for economic reasons, as a percent of the civilian labor force plus all persons marginally attached to the labor force

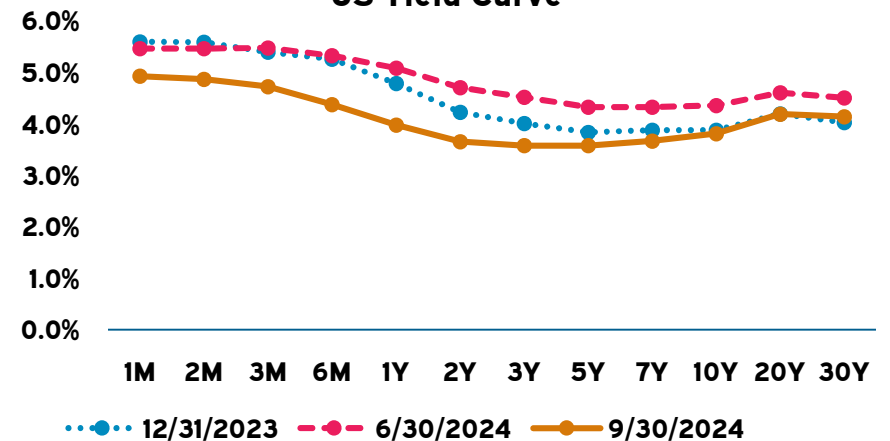
#### US Inflation Trailing 12 Months



Source: Bureau of Labor Statistics. Data is non-seasonally adjusted CPI, which may be volatile in the short-term. Data as September 30, 2024.

\* Core CPI excludes Food and Energy.

#### US Yield Curve



Source: US Department of the Treasury.

### Index Returns

	QTR (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)
<b>Domestic Equity</b>					
S&P 500	5.9	36.4	11.9	16.0	13.4
Russell 3000	6.2	35.2	10.3	15.3	12.8
Russell 1000	6.1	35.7	10.8	15.7	13.1
Russell 1000 Growth	3.2	42.2	12.0	19.8	16.5
Russell 1000 Value	9.4	27.8	9.0	10.7	9.2
Russell MidCap	9.2	29.3	5.8	11.3	10.2
Russell MidCap Growth	6.5	29.3	2.3	11.5	11.3
Russell MidCap Value	10.1	29.0	7.4	10.3	8.9
Russell 2000	9.3	26.8	1.9	9.4	8.8
Russell 2000 Growth	8.4	27.7	(0.4)	8.8	9.0
Russell 2000 Value	10.2	25.9	3.8	9.3	8.2
<b>Non US Equity</b>					
MSCI ACWI (ex. US)	8.1	25.4	4.1	7.6	5.2
MSCI EAFE	7.3	24.8	5.5	8.2	5.7
MSCI EAFE Growth	5.7	26.5	1.9	7.7	6.6
MSCI EAFE Value	8.9	23.1	8.9	8.3	4.6
MSCI EAFE (Local Currency)	0.8	17.5	7.9	8.8	7.4
MSCI EAFE Small Cap	10.5	23.5	(0.4)	6.4	6.2
MSCI Emerging Markets	8.7	26.1	0.4	5.8	4.0
MSCI Emg Mkts (Local Currency)	6.6	25.0	2.9	7.4	6.5
MSCI China	23.5	23.9	(5.6)	0.8	3.4
<b>Fixed Income</b>					
Bloomberg Universal	5.2	12.1	(1.1)	0.7	2.2
Bloomberg Aggregate	5.2	11.6	(1.4)	0.3	1.8
Bloomberg US TIPS	4.1	9.8	(0.6)	2.6	2.5
Bloomberg High Yield	5.3	15.7	3.1	4.7	5.1
JPM GBI-EM Global Diversified	9.0	13.4	0.6	0.6	0.6
<b>Other</b>					
FTSE NAREIT Equity	16.1	34.7	5.1	5.5	7.8
Bloomberg Commodity Index	0.7	1.0	3.7	7.8	0.0

**During the Quarter:**

- Global markets rallied in the third quarter as central banks indicated future rate cuts were on the horizon given declining inflation and softer employment data. The US economy has remained strong, the consumer continues to be resilient and unemployment is historically low. Combining the positive macroeconomic backdrop with a surprise 50-basis point rate cut in September was a tailwind for risk assets during the quarter.
- Looking forward, the decline in inflation, labor markets, the path of monetary policy, China's economic slowdown and potential stimulus package, the many looming global elections, and the uncertainty surrounding the geopolitical tensions will all be key.
- The FOMC cut the federal funds rate by 50 bps to a target range of 4.75% to 5.00% in September with more cuts expected at the following Fed meetings.
  - Emerging market equities (+8.7%) and non-US developed equities (+7.3%) outpaced US equities (+6.2%) during the quarter.
  - The optimism surrounding a "soft landing" in the US drove small cap stocks to outperform large cap stocks and value equities to outperform growth equities as the market returns broadened across most sectors. This reversal continued from the second quarter as investors benefited from declining rates and reexamined the future of AI stocks.
  - Strong performance in China (+23.5%) was the primary driver within Emerging Market equities following its announcement of a significant stimulus package in September to support their struggling economy post-COVID.
- Broad fixed income returns were positive during the quarter.
  - US Treasury yields fell in Q3 driven by a decline in inflation and weakening labor market leading the Fed to cut interest rates.
- Diversifying asset classes were positive.
  - REITs led all asset classes during the quarter, increasing 16.1% as a direct result of declining rates.
  - Commodities were up slightly (+0.7%).



# Summary of Monitoring Status

Portfolio Assets Summary

Portfolios	As of June 30, 2024		As of September 30, 2024	
	Total Option Assets (\$K)	% of Total	Total Option Assets (\$K)	% of Total
Growth Portfolio	9,982	7%	12,242	8%
Moderate Growth Portfolio*	35,413	24%	38,582	24%
Conservative Growth Portfolio	1,452	1%	1,940	1%
Balanced Portfolio*	26,782	18%	28,691	18%
Income & Growth Portfolio	1,143	1%	1,465	1%
Conservative Portfolio*	21,561	14%	22,883	14%
Income Portfolio	1,170	1%	1,496	1%
FDIC-Insured Portfolio*	51,567	35%	54,378	34%
<b>Total</b>	<b>149,070</b>	<b>100%</b>	<b>161,678</b>	<b>100%</b>

\*Legacy portfolios previously managed by TIAA-CREF.

Summary of Monitoring Status

Monitoring Summary  
As of September 30, 2024

Underlying Funds	Total Fund Assets (\$K)	% of Total	Prior QTR Status	Current QTR Status	Qualifies for Watch?	On Watch <sup>1</sup>
Fidelity Total Market Index Fund	21,159	13%	Positive	Positive	No	No
Schwab Total Stock Market Index Fund	20,520	13%	Positive	Positive	No	No
Fidelity International Index Fund	15,868	10%	Caution	Caution	No	No
Fidelity Emerging Markets Index Fund	6,604	4%	Caution	Caution	No	No
Fidelity US Bond Index Fund	17,628	11%	Positive	Positive	No	No
Schwab US Aggregate Bond Index Fund	16,727	10%	Positive	Positive	No	No
Fidelity Long-Term Treasury Bond Index Fund	3,589	2%	Caution	Caution	No	No
Schwab Treasury Inflation Protected Securities Index Fund	1,357	1%	Positive	Positive	No	No
Vanguard Emerging Markets Bond Fund Admiral Shares	1,775	1%	Positive	Positive	No	No
Vanguard High-Yield Corporate Fund Admiral Shares	1,773	1%	Acceptable	Positive	No	No
Vanguard Cash Reserves Federal Money Market Fund Admiral Shares	300	0%	---	---		
FDIC-Insured TIAA Bank Account	54,378	34%	---	---		
<b>Total</b>	<b>161,678</b>	<b>100%</b>	<b>---</b>	<b>---</b>		

<sup>1</sup> Watch criteria summarized on Page 10.

### Monitoring Guidelines

Performance Category	Active Funds	Passive Funds
<b>Positive</b>	Performance exceeds the benchmark	Tracking error is within the allowable range (short-, medium-, and long-term periods)
<b>Acceptable</b>	Performance meets or trails the benchmark but is within the allowable range	N/A
<b>Caution</b>	Performance is below allowable range but either: <ul style="list-style-type: none"> <li>i) For less than six consecutive months</li> <li>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.</li> </ul>	Tracking error falls outside of the allowable range but either <ul style="list-style-type: none"> <li>i) For less than six consecutive months or</li> <li>ii) The Board has not voted to place the underlying fund on Watch.</li> </ul>
<b>Watch</b>	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 September 30, 2024

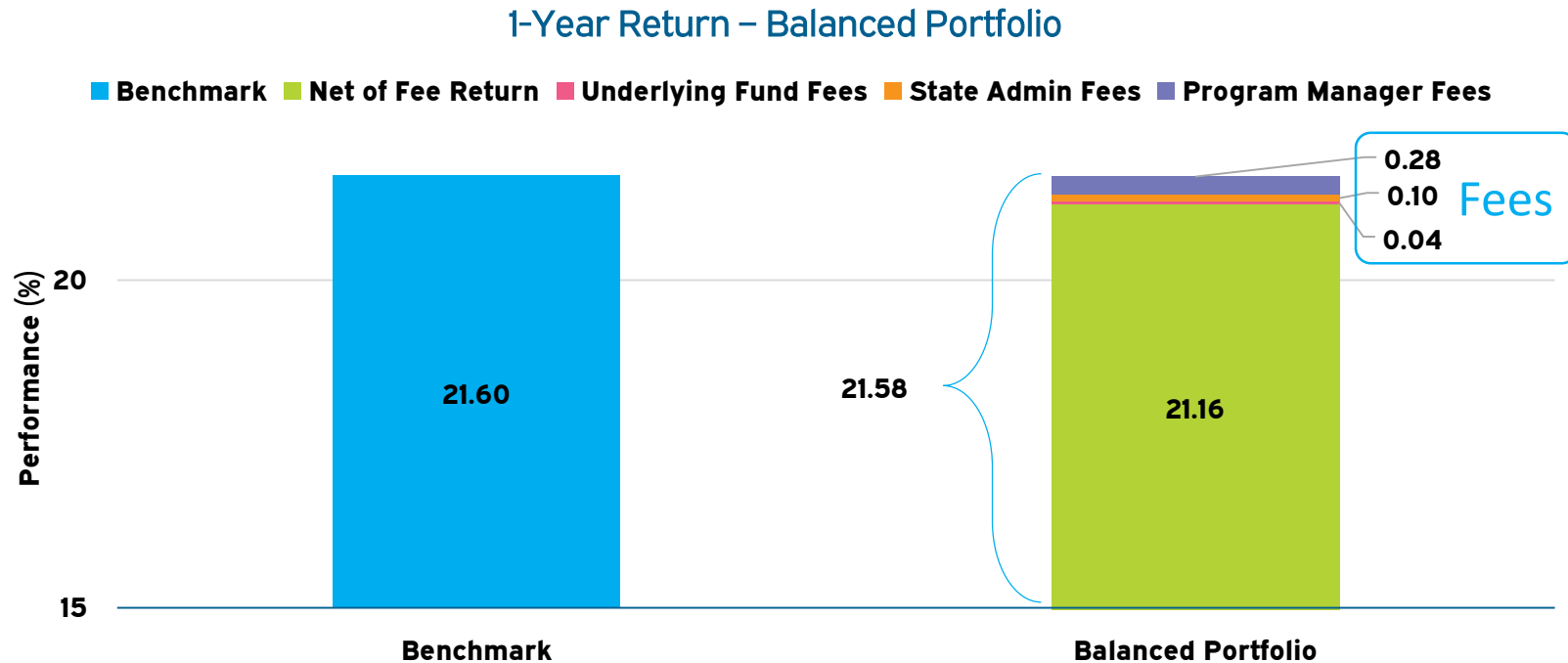
Asset Class	Shorter Term Performance (rolling 12 month periods)	Medium Term Performance (rolling 36 month periods)	Long Term (>60 months) <sup>1</sup>
<b>Actively Managed Funds</b>	<b>Fund return &lt; Benchmark return for 6 consecutive months</b>	<b>Fund return &lt; Benchmark return for 6 consecutive months</b>	<b>VRR &lt; for 6 consecutive months</b>
Emerging Markets Bond	-6.5%	-3.25%	0.96
<b>Passively Managed Funds</b>	<b>Tracking Error &gt; for 6 consecutive months</b>	<b>Tracking Error &gt; for 6 consecutive months</b>	<b>Fund annualized return &lt; Benchmark annualized return for 6 consecutive months</b>
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

<sup>1</sup> VRR – Value Relative Ratio, which is calculated as Manager Cumulative Return / Benchmark Cumulative Return

## Fee Schedule



- Benchmark performance does not reflect any fee reductions.
- Portfolios are expected to underperform their indexes on a net of fee basis.
  - There are three components to fees: Underly Fund, State Administration and Program Manager.
  - Combined fees range from 0.28% to 0.45%.
- The combined fee for the Balanced Portfolio is 0.42%.
  - Taking fees into consideration the performance of the fund is inline with the benchmark, 21.60% vs 21.58%.

Fee Schedule as of September 30, 2024

Portfolio <sup>1</sup>	Underlying Investment Fees and Expenses (bps) <sup>2</sup>	Annual Program Management Fee (bps)	Annual State Administration Fee (bps)	Total Annual Asset Based Fees and Expenses
Growth Portfolio	3.1	10	28	41.1
Moderate Growth Portfolio	3.1	10	28	41.1
Conservative Growth Portfolio	3.2	10	28	41.2
Balanced Portfolio	3.6	10	28	41.6
Income & Growth Portfolio	4.1	10	28	42.1
Conservative Portfolio	6.0	10	28	44.0
Income Portfolio	7.4	10	28	45.4
FDIC-Insured Portfolio <sup>3</sup>	0.0	0	28	28.0

<sup>1</sup> Source: California's 529A Qualified ABL Program Disclosure Statement and Participation Agreement, August 19, 2023

<sup>2</sup> Figures in column are derived from publicly available information for the underlying mutual funds as of January 1, 2023

<sup>3</sup> To the extent the interest rate on the FDIC-Insured Portfolio is less during a particular period than the State Administrative Fee, the Board will waive the portion of the State Administrative Fee that exceeds such interest rate for the applicable period, and the Total Annual Asset-Based Fees for the FDIC-Insured Portfolio will be reduced accordingly for the applicable period



Fee Schedule as of September 30, 2024

Underlying Funds <sup>1</sup>	Prospectus Net Expense Ratio (bps)
Fidelity Total Market Index Fund (FSKAX)	1.5
Schwab Total Stock Market Index Fund (SWTSX)	3.0
Fidelity International Index Fund (FSPSX)	3.5
Fidelity Emerging Markets Index Fund (FPADX)	7.5
Fidelity US Bond Index Fund (FXNAX)	2.5
Schwab US Aggregate Bond Index Fund (SWAGX)	4.0
Fidelity Long-Term Treasury Bond Index Fund (FNBGX)	3.0
Schwab Treasury Inflation Protected Securities Index Fund (SWRSX)	5.0
Vanguard Emerging Markets Bond Fund Admiral Shares (VEGBX)	40.0
Vanguard High-Yield Corporate Fund Admiral Shares (VWEAX)	12.0
Vanguard Cash Reserves Federal Money Market Fund Admiral Shares (VMRXX)	10.0
BNY Mellon Omnibus FDIC Account	0

<sup>1</sup> Source: Morningstar, Inc.

## **CaABLE Portfolios Analysis**

Underlying Fund Allocation by Portfolio

		Income	Conservative	Income and Growth	Balanced	Conservative Growth	Moderate Growth	Growth
Fidelity Total Market Index	FSKAX	0	7	13	17	20	26	33
Schwab Total Stock Market Index	SWTSX	0	6	13	16	19	26	32
Fidelity International Index	FSPSX	0	5	10	12	15	20	25
Fidelity Emerging Markets Index	FPADX	0	2	4	5	6	8	10
Fidelity US Bond Index Fund	FXNAX	30	30	25	22	17	9	0
Schwab US Agg Bond Index	SWAGX	30	30	25	20	17	8	0
Fidelity Long-Term Treasury Bond Index	FNBGX	5	5	4	4	4	3	0
Schwab Treasury Infl-Prot Secs Index	SWRSX	3	3	2	2	2	0	0
Vanguard Em Mkts Bond	VEGBX	6	6	2	1	0	0	0
Vanguard High-Yield Corp	VWEAX	6	6	2	1	0	0	0
Vanguard Cash Reserves Fed MM	VMRXX	20	0	0	0	0	0	0

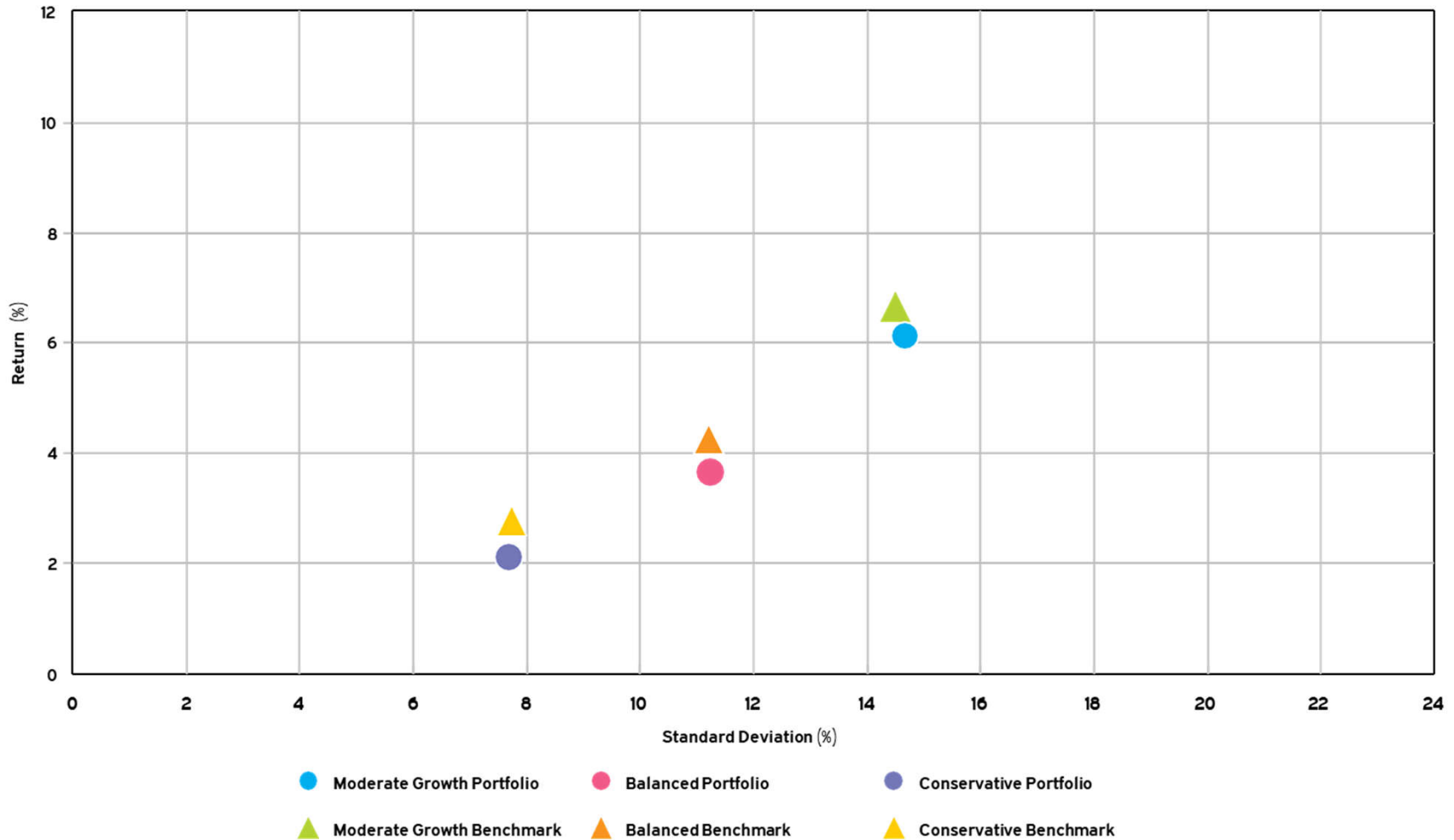
Portfolio Trailing Performance							
	QTR (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	Since Inception	Inception Date
<b>CalABLE Total Plan</b>							
<b>Income Portfolio</b>	<b>4.4</b>	<b>4.5</b>	<b>10.7</b>	<b>--</b>	<b>--</b>	<b>7.7</b>	<b>Sep-23</b>
<i>Income Benchmark</i>	<i>4.6</i>	<i>4.7</i>	<i>11.1</i>	<i>--</i>	<i>--</i>	<i>8.1</i>	
<b>Conservative Portfolio</b>	<b>5.5</b>	<b>7.3</b>	<b>15.8</b>	<b>2.1</b>	<b>3.7</b>	<b>4.5</b>	<b>19-Jan</b>
<i>Conservative Benchmark</i>	<i>5.7</i>	<i>7.5</i>	<i>16.2</i>	<i>2.8</i>	<i>4.2</i>	<i>5.1</i>	
<b>Income &amp; Growth Portfolio</b>	<b>5.9</b>	<b>9.8</b>	<b>19.1</b>	<b>--</b>	<b>--</b>	<b>13.9</b>	<b>23-Sep</b>
<i>Income and Growth Benchmark</i>	<i>5.9</i>	<i>10</i>	<i>19.7</i>	<i>--</i>	<i>--</i>	<i>14.4</i>	
<b>Balanced Portfolio</b>	<b>5.9</b>	<b>11.0</b>	<b>21.2</b>	<b>3.7</b>	<b>6.6</b>	<b>7.8</b>	<b>19-Jan</b>
<i>Balanced Benchmark</i>	<i>6.0</i>	<i>11.3</i>	<i>21.6</i>	<i>4.3</i>	<i>7.3</i>	<i>8.5</i>	
<b>Conservative Growth Portfolio</b>	<b>6.1</b>	<b>12.3</b>	<b>23.0</b>	<b>--</b>	<b>--</b>	<b>16.8</b>	<b>23-Sep</b>
<i>Conservative Growth Benchmark</i>	<i>6.2</i>	<i>12.6</i>	<i>23.5</i>	<i>--</i>	<i>--</i>	<i>17.3</i>	
<b>Moderate Growth Portfolio</b>	<b>6.3</b>	<b>15.1</b>	<b>27.1</b>	<b>6.1</b>	<b>10.1</b>	<b>11.4</b>	<b>19-Jan</b>
<i>Moderate Growth Benchmark</i>	<i>6.5</i>	<i>15.4</i>	<i>27.6</i>	<i>6.7</i>	<i>10.7</i>	<i>12</i>	
<b>Growth Portfolio</b>	<b>6.5</b>	<b>18.0</b>	<b>31.2</b>	<b>--</b>	<b>--</b>	<b>23.4</b>	<b>23-Sep</b>
<i>Growth Benchmark</i>	<i>6.7</i>	<i>18.4</i>	<i>31.7</i>	<i>--</i>	<i>--</i>	<i>23.9</i>	

Vestwell program inception date is 8/21/2023. Returns before 8/21/2023 reflect prior program manager portfolios.

Portfolios are primarily passively managed; hence these portfolios are expected to perform inline with their benchmarks on a before fee (underlying fund, state and program manager) basis but underperform on an after-fee basis.

Portfolio Risk/Return Comparison | 3 Year Ending September 30, 2024

3 Years Standard Deviation vs Return  
As of Sep 30, 2024



Portfolios are primarily passively managed; hence these portfolios are expected to perform inline with their benchmarks on a before fee (underlying fund, state and program manager) basis but underperform on an after-fee basis.

Underlying Fund Performance | As of September 30, 2024

Underlying Investment Trailing Performance

	Market Value (\$)	QTR (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	Since Inception	Inception Date
<b>CalABLE Total Plan</b>	<b>161,678,037</b>							
Fidelity Total Market Index	21,159,081	6.2 -32	20.6 -49	35.3 -45	10.1 -60	15.2 -43	8.9 -23	Dec-97
<i>Dow Jones U.S. Total Stock Market Index</i>		6.2 (32)	20.6 (49)	35.2 (45)	10.1 (61)	15.2 (44)	8.9 (22)	
<i>Large Blend Median</i>		5.8	20.6	34.8	10.7	14.9	8.5	
Schwab Total Stock Market Index	20,519,926	6.2 -33	20.6 -50	35.2 -45	10.1 -62	15.1 -44	8.2 -25	Jun-99
<i>Dow Jones U.S. Total Stock Market Index</i>		6.2 (32)	20.6 (49)	35.2 (45)	10.1 (61)	15.2 (44)	8.2 (25)	
<i>Large Blend Median</i>		5.8	20.6	34.8	10.7	14.9	7.7	
Fidelity International Index Fund	15,868,191	7.3 -43	13.2 -44	25.4 -31	5.8 -19	8.4 -31	5.5 -50	Dec-97
<i>MSCI EAFE (Net)</i>		7.3 (45)	13.0 (49)	24.8 (45)	5.5 (25)	8.2 (37)	5.3 (55)	
<i>Foreign Large Blend Median</i>		7.1	13.0	24.5	4.2	7.8	5.5	
Fidelity Emerging Markets Index Fund	6,603,773	7.7 -30	15.3 -33	24.2 -42	-0.1 -41	5.2 -51	4.5 -52	11-Oct
<i>MSCI Emerging Markets (Net)</i>		8.7 (17)	16.9 (22)	26.1 (24)	0.4 (35)	5.7 (44)	4.7 (45)	
<i>Diversified Emerging Mkts Median</i>		6.4	14.1	23.5	-0.9	5.3	4.6	
Fidelity US Bond Index Fund	17,627,949	5.2 -42	4.6 -55	11.5 -61	-1.4 -37	0.3 -54	5.1 -31	Apr-90
<i>Blmbg. U.S. Aggregate Index</i>		5.2 (38)	4.4 (68)	11.6 (59)	-1.4 (37)	0.3 (55)	5.2 (24)	
<i>Intermediate Core Bond Median</i>		5.1	4.6	11.7	-1.5	0.4	5.0	
Schwab US Aggregate Bond Index	16,726,917	5.2 -30	4.6 -54	11.5 -63	-1.4 -41	0.2 -63	1.6 -57	17-Mar
<i>Blmbg. U.S. Aggregate Index</i>		5.2 (38)	4.4 (68)	11.6 (59)	-1.4 (37)	0.3 (55)	1.7 (46)	
<i>Intermediate Core Bond Median</i>		5.1	4.6	11.7	-1.5	0.4	1.6	
Fidelity Long-Term Treasury Bond Index	3,589,229	7.8 -71	2.8 -50	15.3 -61	-8.4 -46	-4.3 -51	3.7 -30	6-Jan
<i>Blmbg. U.S. Treasury: Long</i>		7.8 (51)	2.4 (63)	15.4 (47)	-8.4 (39)	-4.3 (40)	3.7 (22)	
<i>Long Government Median</i>		7.8	2.7	15.4	-8.4	-4.3	3.5	

Underlying Fund Performance | As of September 30, 2024

	Market Value (\$)	QTR (%)		YTD (%)		1 Yr (%)		3 Yrs (%)		5 Yrs (%)		Since Inception		Inception Date
Schwab Treasury Infl-Prot Securities Index	1,356,778	4.1	-59	5.0	-41	9.7	-49	-0.6	-39	2.6	-40	3.4	-44	6-Apr
<i>Blmbg. U.S. TIPS Index</i>		4.1	(56)	4.9	(56)	9.8	(43)	-0.6	(34)	2.6	(35)	3.7	(18)	
<i>Inflation-Protected Bond Median</i>		4.1		4.9		9.7		-0.8		2.4		3.3		
Vanguard Emerging Markets Bond	1,775,290	6.1	-58	9.0	-25	19.1	-35	2.3	-9	4.7	-4	6.8	-2	16-Apr
<i>JPM EMBI Global Diversified</i>		6.2	(54)	8.6	(38)	18.6	(44)	-0.4	(78)	0.9	(82)	3.2	(58)	
<i>Emerging Markets Bond Median</i>		6.2		8.4		18.2		0.4		1.7		3.3		
Vanguard High-Yield Corporate Fund	1,773,019	4.4	-59	6.7	-76	14.5	-47	2.9	-42	4.0	-52	7.9	-33	Jan-80
<i>Vanguard High Yield Benchmark</i>		4.3	(66)	6.8	(71)	14.3	(52)	2.6	(54)	4.3	(36)	--		
<i>High Yield Bond Median</i>		4.5		7.3		14.3		2.7		4.0		7.8		
Vanguard Cash Reserves Federal Money Market	299,645	1.3	-3	4.0	-2	5.4	-3	3.6	-2	2.3	-1	3.0	-1	Nov-89
<i>Lipper Inst US Gov MM IX</i>		1.3	(18)	3.9	(22)	5.3	(24)	3.5	(21)	2.2	(19)	2.7	(25)	
<i>Money Market-Taxable Median</i>		1.3		3.8		5.2		3.3		2.1		2.6		
BNY Mellon FDIC Account	54,378,238													

## **FDIC Insured Deposit Monitoring Status**



**BNY Mellon – Stability Rating & FDIC Insured Status**

The Bank of New York Mellon			
	Moody's	S&P	Fitch
Outlook (by Credit Rating Agencies)	Stable	Stable	Stable

FDIC Insured Status: Confirmed

Source: <https://banks.data.fdic.gov/bankfind-suite/bankfind/details/639>  
<https://www.bny.com/corporate/global/en/investor-relations/fixed-income.html>

THIS REPORT (THE "REPORT") HAS BEEN PREPARED FOR THE SOLE BENEFIT OF THE INTENDED RECIPIENT (THE "RECIPIENT").

SIGNIFICANT EVENTS MAY OCCUR (OR HAVE OCCURRED) AFTER THE DATE OF THIS REPORT, AND IT IS NOT OUR FUNCTION OR RESPONSIBILITY TO UPDATE THIS REPORT. THE INFORMATION CONTAINED HEREIN, INCLUDING ANY OPINIONS OR RECOMMENDATIONS, REPRESENTS OUR GOOD FAITH VIEWS AS OF THE DATE OF THIS REPORT AND IS SUBJECT TO CHANGE AT ANY TIME. ALL INVESTMENTS INVOLVE RISK, AND THERE CAN BE NO GUARANTEE THAT THE STRATEGIES, TACTICS, AND METHODS DISCUSSED HERE WILL BE SUCCESSFUL.

THE INFORMATION USED TO PREPARE THIS REPORT MAY HAVE BEEN OBTAINED FROM INVESTMENT MANAGERS, CUSTODIANS, AND OTHER EXTERNAL SOURCES. SOME OF THIS REPORT MAY HAVE BEEN PRODUCED WITH THE ASSISTANCE OF ARTIFICIAL INTELLIGENCE ("AI") TECHNOLOGY. WHILE WE HAVE EXERCISED REASONABLE CARE IN PREPARING THIS REPORT, WE CANNOT GUARANTEE THE ACCURACY, ADEQUACY, VALIDITY, RELIABILITY, AVAILABILITY, OR COMPLETENESS OF ANY INFORMATION CONTAINED HEREIN, WHETHER OBTAINED EXTERNALLY OR PRODUCED BY THE AI.

THE RECIPIENT SHOULD BE AWARE THAT THIS REPORT MAY INCLUDE AI-GENERATED CONTENT THAT MAY NOT HAVE CONSIDERED ALL RISK FACTORS. THE RECIPIENT IS ADVISED TO CONSULT WITH THEIR MEKETA ADVISOR OR ANOTHER PROFESSIONAL ADVISOR BEFORE MAKING ANY FINANCIAL DECISIONS OR TAKING ANY ACTION BASED ON THE CONTENT OF THIS REPORT. WE BELIEVE THE INFORMATION TO BE FACTUAL AND UP TO DATE BUT DO NOT ASSUME ANY RESPONSIBILITY FOR ERRORS OR OMISSIONS IN THE CONTENT PRODUCED. UNDER NO CIRCUMSTANCES SHALL WE BE LIABLE FOR ANY SPECIAL, DIRECT, INDIRECT, CONSEQUENTIAL, OR INCIDENTAL DAMAGES OR ANY DAMAGES WHATSOEVER, WHETHER IN AN ACTION OF CONTRACT, NEGLIGENCE, OR OTHER TORT, ARISING OUT OF OR IN CONNECTION WITH THE USE OF THIS CONTENT. IT IS IMPORTANT FOR THE RECIPIENT TO CRITICALLY EVALUATE THE INFORMATION PROVIDED.

CERTAIN INFORMATION CONTAINED IN THIS REPORT MAY CONSTITUTE "FORWARD-LOOKING STATEMENTS," WHICH CAN BE IDENTIFIED BY THE USE OF TERMINOLOGY SUCH AS "MAY," "WILL," "SHOULD," "EXPECT," "AIM," "ANTICIPATE," "TARGET," "PROJECT," "ESTIMATE," "INTEND," "CONTINUE," OR "BELIEVE," OR THE NEGATIVES THEREOF OR OTHER VARIATIONS THEREON OR COMPARABLE TERMINOLOGY. ANY FORWARD-LOOKING STATEMENTS, FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS IN THIS REPORT ARE BASED UPON CURRENT ASSUMPTIONS. CHANGES TO ANY ASSUMPTIONS MAY HAVE A MATERIAL IMPACT ON FORWARD-LOOKING STATEMENTS, FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS. ACTUAL RESULTS MAY THEREFORE BE MATERIALLY DIFFERENT FROM ANY FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS IN THIS REPORT.

PERFORMANCE DATA CONTAINED HEREIN REPRESENT PAST PERFORMANCE. PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.

## MEMORANDUM

**TO:** California ABLE Board  
**FROM:** Kay Ceserani; Aysun Kilic; Inwoo Hwang;  
 Meketa Investment Group (“Meketa”)  
**DATE:** December 11, 2024  
**RE:** Review of Underlying Funds Qualifying for Watch Status

### Summary

Meketa has conducted a review of the underlying funds in the CalABLE Plan. The review included a quantitative analysis of the underlying funds based on specific performance criteria (as per the *Monitoring Procedures and Criteria*) as well as a qualitative analysis, including a review of organizational concerns, stability of personnel, changes in investment objectives, etc.

This memo summarizes the period from July 1, 2024, through September 30, 2024. CalABLE Plan assets were transferred to Vestwell, the current program manager, and invested in their offered investment options with an inception date of 8/21/2023. As a result, our review for Watch status considers the new and prior performance history beyond Vestwell program’s inception date for monitoring/review purposes. At the end of the period, three passively managed funds qualify for Watch status; Fidelity International Index, Fidelity Emerging Markets Index, and Fidelity Long-Term Treasury Bond Index.

***Meketa does not recommend placing the three qualifying funds on Watch status as all have elevated tracking error resulting from operational causes. However, we do recommend the funds be placed on Monitor status. We will continue to review these funds and report any material findings to the Board.*** All funds listed below are discussed in more detail on the following pages.

### Performance of Funds on Watch Status As of 9/30/2024

Funds on Watch Status	Board Action Date	Watch Status Start Date	No. Months Since Watch Began	Excess Perf. Since Watch Began	Plan Assets (\$M)	% of Plan Assets
None						

## Background

New Funds Qualifying for Watch Status: Meketa has conducted a review of the underlying funds in the CalABLE Plan (see also the 3Q2024 CalABLE Plan Investment Performance Status Report) and determined that no new funds should be placed on Watch status.

Funds Currently on Watch Status: No funds are currently on Watch status.

## Funds Currently on Monitor Status

Funds are placed on Monitor status when there is a quantifiable reason not to place them on Watch status, even though they may qualify.

At the end of the period, the Fidelity International Index fund and the Fidelity Emerging Markets Index fund, both passively managed, qualify for Monitor status. The two international equity index funds fall into the Caution range primarily due to "Fair Value" adjustment procedures, which increases tracking error. The Fidelity Long-Term Treasury Bond Index falls into caution range primarily due to the statistical sampling methodology used to mirror the index in portfolio composition.

### Fair Value Pricing:

Some ETFs or mutual funds will use Fair Value pricing if the value of their underlying securities has been materially affected by events occurring before the US market closes, but after the close of the markets or exchanges on which the security is traded. This situation most commonly occurs with foreign securities, which may trade on foreign exchanges that close many hours before the ETF or mutual fund is priced in the US. Fair Value pricing addresses the price discrepancies in such scenarios. As a result, a divergence in a Fair Value priced asset and the index may be observed temporarily.

### Sampling:

When an ETF or mutual fund invests by sampling the index, it means that the fund holds a range of securities that, in the aggregate, approximates the full Index in terms of key risk factors and other characteristics. For the Fidelity Long-Term Treasury Bond Index, the fund's prospectus states that investments are selected through the sampling process, and under normal circumstances at least 80% of the fund's assets are invested in bonds included in the Index. The fund also maintains a dollar-weighted average maturity that generally is consistent with that of the index. The result is that while trailing period returns are closely tracking the index, intra-period deviations can result in higher tracking errors.

### Recommendation:

Although these funds qualify for Watch, Meketa does not recommend placing them on Watch given the root cause for them qualifying is operational versus a fundamental flaw with the funds' investment processes. However, we do recommend these funds remain on Monitor status.

KRC/AK/IH/mp

### Disclaimer

WE HAVE PREPARED THIS REPORT (THIS "REPORT") FOR THE SOLE BENEFIT OF THE INTENDED RECIPIENT (THE "RECIPIENT").

SIGNIFICANT EVENTS MAY OCCUR (OR HAVE OCCURRED) AFTER THE DATE OF THIS REPORT AND THAT IT IS NOT OUR FUNCTION OR RESPONSIBILITY TO UPDATE THIS REPORT. ANY OPINIONS OR RECOMMENDATIONS PRESENTED HEREIN REPRESENT OUR GOOD FAITH VIEWS AS OF THE DATE OF THIS REPORT AND ARE SUBJECT TO CHANGE AT ANY TIME. ALL INVESTMENTS INVOLVE RISK. THERE CAN BE NO GUARANTEE THAT THE STRATEGIES, TACTICS, AND METHODS DISCUSSED HERE WILL BE SUCCESSFUL.

INFORMATION USED TO PREPARE THIS REPORT WAS OBTAINED FROM INVESTMENT MANAGERS, CUSTODIANS, AND OTHER EXTERNAL SOURCES. WHILE WE HAVE EXERCISED REASONABLE CARE IN PREPARING THIS REPORT, WE CANNOT GUARANTEE THE ACCURACY OF ALL SOURCE INFORMATION CONTAINED HEREIN.

CERTAIN INFORMATION CONTAINED IN THIS REPORT MAY CONSTITUTE "FORWARD - LOOKING STATEMENTS," WHICH CAN BE IDENTIFIED BY THE USE OF TERMINOLOGY SUCH AS "MAY," "WILL," "SHOULD," "EXPECT," "AIM," "ANTICIPATE," "TARGET," "PROJECT," "ESTIMATE," "INTEND," "CONTINUE" OR "BELIEVE," OR THE NEGATIVES THEREOF OR OTHER VARIATIONS THEREON OR COMPARABLE TERMINOLOGY. ANY FORWARD - LOOKING STATEMENTS, FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS IN THIS PRESENTATION ARE BASED UPON CURRENT ASSUMPTIONS. CHANGES TO ANY ASSUMPTIONS MAY HAVE A MATERIAL IMPACT ON FORWARD LOOKING STATEMENTS, FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS. ACTUAL RESULTS MAY THEREFORE BE MATERIALLY DIFFERENT FROM ANY FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS IN THIS PRESENTATION.

PERFORMANCE DATA CONTAINED HEREIN REPRESENT PAST PERFORMANCE. PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.

This page is intentionally left blank.