

ABLE Advisory Committee Meeting Minutes

2:00, March 29, 2016

The Office of the State Treasurer, 7th Floor Conference Room

In Attendance

Denise L. Nappier

Richard D. Gray

Mary Phil Guinan

Jessica Carroll

David Barrett

Kerry Alexander

Beth McLaughlin

Lisa Weisinger-Roland

Sharon Geanuracos

Steve Pintarich

Jack Frost

Emily Bjornberg

The meeting was called to order at 2:05. Mary Phil Guinan gave welcoming remarks and allowed everyone to introduce themselves.

Sharon Geanuracos made a motion to accept the minutes. Lisa Roland seconded the motion, which passed unanimously.

Kerry Alexander introduced himself and presented on the state of ABLE implementation across the nation. Kerry works for TIAA which manages 10 state 529 plans. TIAA is likely to be involved with ABLE at some point, though they have not entered into formal agreements with any state yet. He spoke of some of the difficulties in developing an ABLE product, including diverse expectations and limited understanding of the numbers. He also gave a brief history of ABLE legislation – both at the federal and state levels.

The most likely states to launch ABLE programs first are: Ohio, Florida, Virginia, Oregon or a consortium headed up by Illinois. Ohio and Florida look likely to use Intuition for program management.

The Treasurer noted that the federal legislation in December, which lifted the home state requirement, was a game changer for CT's disabled individuals as they will be able to open up accounts in any state in the nation.

Another important change, as noted by Kerry, was to shift the burden of certification for qualified expenses from the state to the individual.

The difference between ABLE savers and ABLE spenders was discussed at length, as were their ramifications in plan design.

ABLE is likely to have few investment options at the beginning. There is a strong possibility that ABLE dollars will have a short investment horizon which limits the ability for the money to grow.

Start-up costs will be significant, and the amount of time it will take to become profitable is likely to be lengthy. Some of the program models show it will take seven years to be profitable, even with robust appropriations. It is not hard to get a plan out there, but it will take time and patience to put together a plan that is truly accessible and affordable for the populations we are trying to target.

The Treasurer asked if research was done to study the targeted population in any of the states who are further along in implementation. Kerry noted that Florida did extensive research, but it was discussed that each state's disabled populations could have significant differences.

Jack Frost asked how difficult it would be to make an ABLE account look like HSA and contributions could be deductible at both the state and federal levels. Kerry noted that the tax exemption would be very attractive, but it also seems unlikely. There is still no federal tax deduction for 529 contributions. Also, many states do not have income tax. In those cases, the tax deduction would offer no attraction.

A tax deduction could be used to create a leverage point when partnering with other states. If the deduction was limited only to a program that CT partnered with, that could be used in pricing/fee negotiations when partnering.

With the home state requirement being lifted, Kerry believes that, ultimately, 12-18 states will launch products but only 6-8 will last. Each of these will then market across state borders. It may be that this is the best course of action for CT: to study the plans as they come out and then direct our residents towards the plan we believe is the strongest. Plans continue to launch and regulations continue to change, which means that there will also be plans that struggle to remain in compliance.

The Treasurer noted that the CT program needs to be tailored to the targeted population. It could be that CT will need a subsidy for ABLE in order to produce a quality product and implement it effectively. We need to understand both the short and long term investment objectives for CT families.

Lisa noted that there must be a balance we can strike between the needs of families and the budget constraints faced by The State of Connecticut. This could mean we should partner with a larger state with a more robust appropriation and therefore lower fees for families.

Sharon noted that this is a way for many people to save for major purchases and truly live a better life. She also noted that each family may have different circumstances and goals.

Kerry noted some points of contention amongst the regulations. He sees the threshold of age 26 being counterproductive. He also sees the \$14,000 maximum annual contribution as being problematic. Additionally, the ability of the federal government to go after ABLE funds after someone dies has a chilling effect on savings with ABLE.

The Treasurer noted that the folks who are most likely to be interested in ABLE are those in middle to upper middle class families. Wealthier families are more likely to open special needs trusts with the help of lawyers.

Mary Phil noted that we need to file an update with the legislative program and review committee. She will be submitting something in writing which will include names of committee members and meeting minutes. Jack moved that we approve the schedule for future meetings with the exception of the August meeting. Sharon seconded the motion which passed unanimously. The decision was made to keep the December 20th meeting on the schedule in case we need the final meeting to go over our report for the legislature.

Jack made a motion to adjourn the meeting; Steve seconded the motion, which passed unanimously.

The meeting adjourned at 3:45.