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RETIREMENT SYSTEMS DIRECTOR**NC ABLE Program Update – April 11, 2016***Presented by Steve Toole, Retirement Systems Director***TEXT OF PREPARED REMARKS FOR COMMITTEE**

While I am here today at your request to discuss the implementation of the ABLE program, I do want to remind you of a high priority request you partially funded last year and ask you to consider finishing that good work as well. You graciously gave the Retirement System \$850,000 in nonrecurring funds to begin to build online infrastructure to deal with our retirement boom. We need four positions to carry out that work. I will provide the details for this request to your Chairs.

Starting Off Strong

Thank you for the opportunity to present an update on the NC ABLE Program. I'm happy to share that Department of State Treasurer (DST) has begun work in earnest on this important new program that will have a dramatic effect on the lives of people with disabilities. In just the first quarter of this year, DST has accomplished these steps:

- **Related to Governance** - Met individually with appointed members of the NC ABLE Program Board of Trustees and held two official Board of Trustee meetings to begin collaboration and planning and to discuss our budget and timeline for ABLE program implementation.
- **Related to Staffing** - Begun the process of hiring staff to fill the positions created to administer the ABLE legislation.
- **Related to National and Statewide collaboration** - Begun effective collaboration with leaders in the state and national community of non-profits providing services and advocacy for individuals with disabilities. We've held our first NC ABLE Association Roundtable meeting, at which we updated key leaders of North Carolina disability advocacy and service organizations, and began organizing potential collaborative outreach activities and events for this year.
- **Related to Public outreach** - Shared background information and periodic updates with the public through our dedicated DST ABLE webpage. We have created fact sheets and handouts and have in place a dedicated email address for those who have questions (ncABLE@nctreasurer.com). We have been fielding email and phone inquiries from people with disabilities and their caregivers, parents and grandparents, staff members of statewide and national organizations providing services to people with disabilities, members of the business community, and many others who are reaching out for information on the status of the NC ABLE Program, our anticipated rollout of the program, as well as various ABLE account features.

THE NC ABLE Program is a Game-changer

In North Carolina, 1.3 million people report that they are living with a disability. An additional 1.2 million individuals do not have a disability, but share their household with someone who does. In total, 2.5 million North Carolina residents are either directly or indirectly impacted by disability. They need and deserve access to the basic financial tools of saving and investing that we all take for granted.

On a national level, Congress is already working to expand ABLE account access, by attempting to pass legislation that will raise the age and income limits for account owners. While these important national improvements are being considered on a national level, in NC we will not slow down. We plan to have ABLE accounts available and opening in the last quarter of 2016. We need your help to make that happen.

Lessons Learned

In summer 2015, the North Carolina General Assembly asked DST to implement this new program. It was made very clear from the federal bill's sponsor, Senator Burr, as well as from Governor McCrory and the NC General Assembly that the NC ABLE Program should stand out as a leader in the market. We've done our homework – we've researched and analyzed the market, collaborated with national colleagues, and knowledgeable consultants who are working in others states.

We've learned definitively, that:

- 1) We have the talent, expertise, desire and experience within DST to create a top-tier ABLE program that will parallel the strong oversight and longstanding fiscal integrity of the NC Total Retirement Plans.

AND

- 2) A few prominent states will take the lead nationwide in garnering participants, support from other states, and resources to sustain successful programs. Competition among these states will be fierce. To establish a successful program, we must recruit national stakeholders to market the program heavily in order to drive participation and become a self-sustaining program. Since last summer, federal law has changed - the home state provision has been removed, opening the door for any state program to provide accounts to potentially millions of people across the country.

Our Path Forward

It has become clear to the NC ABLE Program Board of Trustees and staff that we have three distinctive paths forward, which are:

1. Sponsoring State – Develop a top-tier ABLE Program, recruit other states to adopt our Program, and market the NC ABLE Program to individuals nationally
2. Neutral State – Refer North Carolina citizens to existing ABLE Programs in other states that can meet their needs
3. Contracting State – Leverage another sponsoring state's ABLE Program as the foundation and template, and market it as the NC ABLE Program to citizens of North Carolina

The federal ABLE Program is new. Every state continues to learn as we march toward launching our programs. Our current goal is to hire a consultant to assist with the following:

- Understanding national trends
- Gain a thorough understanding of resource needs and related expenses associated with implementation and ongoing maintenance
- Determine the best approach forward for North Carolina given the resources and budget

DST is grateful to have received recurring funding for four staff positions, as well as non-recurring start-up costs (of \$250,000) earmarked for program development and implementation. DST has been appropriated \$55,000 in non-recurring start-up costs for year two (FY 2016-2017) – which are currently allocated for marketing and outreach activities. We have submitted a request to the Office of State Budget and Management (OSBM) in January for the originally requested \$225,000 that we did not receive - for additional financial and other consulting services to ensure our program's total compliance with federal regulations and optimal accessibility of ABLE services and resources for our target population of individuals with disabilities.

At present, we are assessing our next steps. Given the important mission you have given us and considering our current levels of funding, our analysis of the market, and our expertise, we see three paths forward.

- 1) North Carolina can move forward as a sponsoring state – creating a program that, in order to ensure success, must compete on a national level in the open market and appeal to hundreds of thousands of individuals

with disabilities living all over the country. To do so, we respectfully ask for approval of our January 2016 request to OSBM for an additional \$225,000 in non-recurring funds, and it is quite possible we will need to respectfully ask for more. In this scenario, NC will need to sustain the NC ABLE Program for several years until the program's total assets grow large enough to generate sufficient investment fees to cover program costs. We also need this additional money to develop targeted marketing materials as a part of a strategic advertising campaign. We'll need to enlist other states to contract with NC to adopt our program as their own. We'll need to recruit experts in the areas of ABLE program design, and fund our initial, extensive, national outreach efforts. All our marketing, outreach and customer service activities must fully accommodate individuals with physical and developmental disabilities. It will be essential for us to meet the demand for a product that is completely accessible, offers services such as debit cards and electronic fund transfers, charges highly competitive fees, provides expert advice in a high-volume customer service environment, and meets our demand for high standards of oversight. We stand ready to move forward as a sponsoring state, but will need more funds to do so.

2) North Carolina could refer citizens to another existing ABLE program. North Carolina's citizens with disabilities interested in opening ABLE accounts could be simply directed to another state's (or several other states') ABLE program. As the home state provision has been removed, any ABLE account is available to our citizens – it's an open market. This path is less than ideal, takes away all of our abilities to influence the program, and – in our view - would not be in keeping with the spirit of the NC ABLE Act passed in 2014.

3) North Carolina could implement and administer a high quality North Carolina ABLE Program under contract with an existing ABLE Program. To do so, DST would contract with another state or a consortium of states to customize its existing program to meet the specific needs of our citizens with disabilities. This path provides us an opportunity to avoid the high costs associated with implementation and start-up and the need to fund marketing activities on a national level. It allows us the opportunity to maintain a reasonable level of control over the details of the NC ABLE Program to ensure that it offers cost-effective products and excellent customer service. DST could move forward to offer a high-quality NC ABLE Program using talented staff and resources provided by appropriations from recurring funds and with the non-recurring funds of \$225,000 we requested in January.

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