



February 14, 2018

Delivered by: Electronic and U.S. Mail

Delivered to: Joint Legislative Oversight Committee on Health and Human Services
Joint Legislative Oversight Committee on General Government

RE: NC ABLE Program's Annual Evaluation and Report for 2017 (under N.C.G.S. § 147-86.72 (g))

Dear Colleagues:

The General Assembly implemented the federal Achieving a Better Life Experience (ABLE) Act of 2014 in August 2015, by establishing the NC ABLE Program within the Department of State Treasurer (the Department). In January 2017, the Department launched the NC ABLE Program, which allows eligible people with disabilities – or their parents or guardians – to save and invest in tax-advantaged accounts for certain expenses related to health and wellness, employment support, education, housing, and other costs. An ABLE account allows eligible people to save up to \$100,000 without jeopardizing eligibility for Supplemental Security Income (SSI) or other federal means-tested programs. A total of \$15,000 per year can be contributed to an ABLE account from friends, family, employment earnings, and other sources, and as described below, the recent Federal Tax Cuts and Jobs Act increased the limit by the amount of the beneficiary's compensation, up to a maximum of the Federal poverty line.

Structure

- *Administration.* In an effort to reduce the costs of the NC ABLE Program to participants and taxpayers, the Program participates in an alliance of 14 states and the District of Columbia that contracts with Ascensus College Savings Recordkeeping Services to provide administrative services and investments. In addition, the NC ABLE Program is supported by existing staff in the Department's Supplemental Retirement Plans (SRP) unit, with costs intended to be reimbursed to SRP from the NC ABLE Program's single staff position, which is unfilled.
- *Investments.* The Program offers a checking account option and six investment options: Conservative, Moderately Conservative, Moderate, Growth, Moderately Aggressive, and Aggressive.

Performance

- *Participation.* As of December 31, 2017, the NC ABLE Program had 260 accounts (238 of them funded) with total assets of \$855,241. Of particular note is the average account balance of \$3,593; prior to the NC ABLE Program, savings in excess of \$2,000 would prevent participation in most federal and state benefits programs. In addition, the NC ABLE Program provided \$152,094 of distributions to participants. Contributions and distributions suggest that the NC ABLE Program is becoming an integral part of participants' financial lives.
- *Investments.* The following table shows the percentage of assets in the NC ABLE Program that were allocated to each investment option as of December 31, 2017, as well as the annual return for each option.



NC ABLÉ Program Investment Options, as of December 31, 2017

<u>Investment Option</u>	<u>Asset Allocation</u>	<u>Annual Return</u>
Conservative	9%	2.8%
Moderately Conservative	10%	6.5%
Moderate	17%	9.5%
Growth	14%	12.0%
Moderately Aggressive	14%	14.9%
Aggressive	15%	17.6%
Checking Account	21%	0.0%*

*From inception date of 3/30/17

Accomplishments

- *Marketing.* The NC ABLÉ Program is supported through the Department’s statewide community engagement efforts, collaboration with key nonprofit organizations, and outreach through social media.
- *Website.* The NC ABLÉ Program offers a robust website (NC.SaveWithABLE.com) with online enrollment, educational resources and account management.
- *Statutory change.* The General Assembly passed Session Law 2017-212 (S.B. 582), making it easier for parents of eligible individuals to open and manage ABLÉ accounts for their children.

Looking Ahead

The NC ABLÉ Program receives an annual participant account maintenance fee of \$5.00 per account to offset operational expenses, but appropriations are still needed to run the Program. The Department’s staff continues to evaluate needs for funds and how they are to be spent.

In addition, the Federal Tax Cuts and Jobs Act made three changes that may promote savings in the NC ABLÉ Program, although these changes are scheduled to sunset as of January 1, 2026. Account owners in college savings programs established pursuant to Internal Revenue Code § 529, such as the NC 529 Program, are permitted to roll over funds (up to the annual maximum contribution limit) from a 529 plan to the ABLÉ account of the beneficiary of the 529 plan or a member of the beneficiary’s family. In addition, the annual contribution limit was increased by the amount of compensation, up to a maximum of the previous year’s Federal poverty line for a one-person household (\$12,060 for 2018). Finally, contributions by a beneficiary to his or her ABLÉ account (up to a maximum of \$2,000) are eligible for the Federal Tax Saver’s Credit. These changes are scheduled to sunset as of January 1, 2026.

Thank you all for your support of the Department of State Treasurer and the NC ABLÉ Program. We will continue to look for opportunities to reduce complexity, increase value, and provide value for the participants in the NC ABLÉ Program.

Warmest Regards,

Dale R. Folwell, CPA
North Carolina State Treasurer
Chair, NC ABLÉ Program Board of Trustees