



February 13, 2019

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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 2018 (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. 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 affecting eligibility for Supplemental Security Income (SSI) or other federal means-tested programs. In 2018, a total of \$15,000 a year could be contributed to an ABLE account from beneficiaries, friends, family, and other sources, and for employed beneficiaries, the Federal Tax Cuts and Jobs Act, enacted in December 2017, increased the limit by the lesser of (1) the amount of the beneficiary's compensation and (2) the federal poverty line for a one-person household (\$12,040 in 2018).

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 15 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 reimbursed to SRP from the NC ABLE Program's appropriations, which includes a single, unfilled staff position.
- *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, 2018, the NC ABLE Program had 580 accounts (535 of them funded) with total assets of \$2,790,810.66. Of particular note is the average account balance of \$5,216.47 for funded accounts; in general, savings outside of an NC ABLE Program account in excess of \$2,000 prevent participation in Medicaid and Supplemental Security Income (SSI). In addition, the NC ABLE Program provided \$705,910.81 of distributions to participants since the program's launch in January 2017. These 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, 2018, as well as the annual return for each option.

NC ABLE Program Investment Options, as of December 31, 2018

Investment Option	Asset Allocation	Annual Return
Conservative	14%	0.29%
Moderately Conservative	9%	-1.78%
Moderate	11%	-3.37%
Growth	15%	-4.72%
Moderately Aggressive	12%	-6.09%
Aggressive	13%	-7.40%
Checking Account	27%	0.01%*

*The checking account is a variable rate interest-bearing account.

Accomplishments and Changes

- *Marketing.* The NC ABLE Program is supported through the department’s statewide community engagement efforts, collaborations with key nonprofit organizations and outreach through social media.
- *Website.* The NC ABLE Program offers a robust website (NC.SaveWithABLE.com) with online enrollment, educational resources and account management.
- *Federal law changes.* The Federal Tax Cuts and Jobs Act, enacted in December 2017, made three changes to promote savings in ABLE accounts. 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 ABLE 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 ABLE account (up to a maximum of \$2,000) are eligible for the Saver’s Credit. These changes are scheduled to sunset on January 1, 2026.

Looking Ahead

The NC ABLE Program receives an annual participant account maintenance fee of \$5.00 per account to offset operational expenses, but appropriations at current levels should be maintained to operate the program. The department’s staff continues to evaluate needs for funds and how they are to be spent.

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

Warmest Regards,

Dale R. Folwell, CPA
Chair, NC ABLE Program Board of Trustees