

# Welcome to the New Treasurers' Training

# State Cash Management/Short Term Investments/Banking Fundamentals

Treasurer Young Boozer, AL

Treasurer Henry Beck, ME

Karen Austin, IA

# “The Doer Alone Learneth”

-Frederick Neitzche

- Banking and Cash Management
- Investments
- Local Government Investment Pools
- NAST Resources and Approach

# Banking and Cash Management

# Managing Banking Relationships

- It's about cash flow.
- Banks are essential to a Treasurer's primary responsibilities of collecting, holding and disbursing payments to fund state operations.
- In selecting banks, treasurers need to consider statutory requirements, bank financial soundness, bank capabilities and banking service costs.

# Managing Banking Costs

- Promote efficiency by managing & monitoring banking costs
- Lower cost by creating competition among qualified bank providers
- Procurement processes for banking services should be designed to provide efficiency and quality of services from qualified bank providers
- Consider both gross expenses and net of interest earnings

# Banking Contracts and Service Agreements

- States may or may not have formal contracts when awarding banking services
- Banks require agreements for specific services (e.g. treasury management services agreements, wire transfer agreements, etc.)
- Bank accounts require signature cards & depository agreements
- Eliminates lengthy negotiations among banks, agencies and AG's office in multiple banking documents

# Monitoring Banking Charges

- OST continuously monitors bank earnings credit rates (ECRs) and interest rates to determine the optimal mix of compensating balances and fee payments.
- Current ECRs vs. overnight investments are compared.
- Compensating balances may be employed to offset analysis charges; excess balances are then swept into interest bearing investments.
- Periodically evaluate bank fees, ECRs, interest rates, assessments (FDIC), compensating balances and investable balances.
- Suggested Tools:
  - SmartAnalysis is used to compare bank service charges against committed pricing in the banks' annual fee schedules.
  - Cash Pro Accelerate is used to identify balance levels of all state agency accounts at the state's major banks.



# Security of Public Deposits

- States usually have statutory requirements for depositories holding public deposits – including financial soundness requirements
- States also usually require security to protect public bank deposits
  - FDIC Insurance
  - Collateral (dedicated or pooled)
  - Letters of credit or surety bonds

# Cash Management Responsibilities

As Cash Management Officer, Treasurer's responsibilities include:

- Preservation of capital while optimizing cash resources
- Maintaining liquidity to fund operations of all state agencies
- Efficient management of the state's cash resources

*State's cash inflows and outflows are **NOT** synchronized – revenues are cyclical and emergencies cause unplanned disbursements*

# Cybersecurity and Fraud Protection

- Internal
- External

# Investments

# Why an Investment Policy?

- Promotes long-term discipline in establishing investment goals
- Discourages irrational decisions based on panic or overconfidence
- Provides accountability
- Informs employees, officials, financial institutions and the public of authorized investments, guidelines and parameters

# Investment Policy

## Investment Objectives

- The policy clearly sets out the return objectives and risk tolerance over the relevant time horizon along with applicable constraints such as liquidity needs and statute requirements
- The investment policy in concert with state statutes, includes the following:
  - Objectives:
    1. Safety of capital
    2. Liquidity
    3. Investment income
    4. Diversification
  - Credit quality criteria
  - Competitive bidding requirements
  - Process for authorizing institutions and advisors
  - Reporting requirements for each portfolio

# Investment Guidelines

- Each portfolio should have specific investment guidelines
- Guidelines should be approved by the Treasurer and/or Investment Committee
- Portfolio investment guidelines should specify:
  - Return objectives
  - Eligible investments
  - Benchmarks
  - Liquidity requirements
  - Diversification
  - Maximum maturities
  - Duration

# Examples of Eligible Investments

## Authorized Investments

- Repurchase agreements
- Bank Deposits & CD's
  - Collateralized
  - Uncollateralized
- U.S. Treasury Obligations
  - T-Bills
  - T-Notes
  - T-Bonds
- Government Sponsored Entities (GSE's)
  - Federal Farm Credit Bank (FFCB)
  - Federal Home Loan Bank (FHLB)
  - Federal Home Loan Mortgage Corporation (FHLMC)
  - Federal National Mortgage Association (FNMA)
  - Government National Mortgage Association (GNMA)
  - Small Business Administration (SBA)

## Types of Agency Securities

- Fixed Rate Notes and Bonds
- Callable Notes and Bonds
- Floating Rate Notes and Bonds based on interest rate index
- SBA 7(A) Loan Pools

Commercial Paper

Corporate obligations

Tax exempt obligations issued by any state or local governments



# Short-Term Investment Options

## Money Market Instruments

- Treasury Bills
- Agency Discount Notes
- Commercial Paper & Corporate Notes
- Certificates of Deposit (CD's)
- Repurchase Agreements
- Interest bearing bank accounts
- Money market funds

# Commercial Paper

- A short-term unsecured promissory note that is issued in the open market and represents the obligation of the issuing corporation
- In the U.S., the maturity of commercial paper is typically less than 270 days and the most common maturity is 50 days or less
- Direct paper (sold by the issuing firm directly) or dealer paper
- Available at times as a bank sweep product for overnight investments
- Caveat – have an approved list to restrict CP purchases to issuers whose credit is understood and closely tracked.

# Certificates of Deposit (CD)

A CD is a certificate issued by a bank confirming a specified sum of money has been deposited at the issuing depository institution.

- Non-negotiable – typically collateralized; depositor usually must wait until the maturity date of the CD to obtain the funds. If the funds are withdrawn prior to the maturity date, an interest penalty is charged.
- Negotiable – not collateralized; allows depositor to sell the CD in the open market prior to maturity.

# Repurchase Agreement (Repo)

- The sale of a security with a commitment by the seller/dealer to buy the same security back from the purchaser at a specified price at a designated future date
- It is like a collateralized loan secured by marketable securities; pledged securities are marked-to-market daily; credit quality and marketability of securities are important risk considerations.
- Repo rate – the interest rate the seller/dealer agrees to pay
- Term of Repo: Overnight repo – term of the loan is next business day; Term repo – term of the loan is more than a day typically 6 months or less.
- Tri-party repo – transaction for which custody of collateral is outsourced by both parties to a third-party agent (typically BONY or JP Morgan Chase)
- Delivery versus payment (DVP) repo – investor receives possession of collateral and is thus responsible for marking collateral to market each day (can be outsourced to investor's custodian)
- The dealer uses the repo market to finance its position

# Don't Buy What You Don't Understand

“There’s no opportunity for return without some risk. If you don’t see or understand the risk, keep looking. It’s there. Once you find it and understand it, it may be acceptable. But until you identify the risks, they are unacceptable.”

- Marshall Loeb ([CBS.Marketwatch.com](http://CBS.Marketwatch.com))

# Local Government Investment Pool (LGIP)

- Offers cost-effective pooled investment vehicles for municipalities and public entities to pool idle cash and operating funds while earning a competitive rate of return and providing safety and liquidity
- Similar to a money market fund
- Typically operate with a stable net asset value (NAV) – dollar in, dollar out
- Each participant earns a proportionate share of the overall earnings of the pool
- Benefit from economies of scale
- Designed to match local investment authority
- Modest fees
- Can be combined with longer-term investment strategies to achieve higher rates of return

# Reporting and Compliance

- **GASB 31** establishes accounting and financial reporting standards for *all* investments held by governmental external investment pools.
- **GASB 40** addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.
- **GASB 59** updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools.

Source: [GASB.org](https://www.gasb.org)

# SEC Rule 2a-7

## 2010 Amendments

- Minimum of 10% daily liquidity - assets must be in cash, U.S. Treasury securities or securities that convert into cash within one day
- Minimum of 30% weekly liquidity – assets must be in cash, U.S. Treasury securities, or other specified government securities with remaining maturities of 60 days or less, or securities that convert into cash within one week
- Weighted Average Maturity (WAM) of 60 days or less
- Weighted Average Life (WAL) – Spread duration of the fund must be 120 days or less
- No more than 3% of assets in second tier securities (A2/P2); no more than ½ of 1% of assets may be invested in second tier securities issued by any single issuer ; no second-tier securities that mature in more than 45 days
- Securities restricted to top two rating categories (A1/P1 and A2/P2)
- Monthly posting of portfolio holdings on a Fund’s website
- Shadow NAV pricing
- Periodic stress testing
- Know your investor
- Suspension of redemptions



# SEC Rule 2a-7

## 2014 Amendments

- Imposed a floating net asset value requirement on certain money market funds
  - Institutional prime and institutional municipal funds must float their NAVs per share to the nearest 1/100<sup>th</sup> of a cent ( e.g. \$1.0000)
- Imposed a fees and gate rule on all money market funds (except government funds)
  - Fund boards will have discretion to impose either a liquidity fee of up to 2% or a temporary suspension of redemptions (gate) if a fund's level of weekly liquid assets fall below 30% of its total assets and the board determines that the fee or gate is in the best interest of the fund's shareholders
  - Fund boards will be required to impose a liquidity fee of 1% if a fund's level of weekly liquid assets falls below 10%, unless the board determines it is not in the best interests of the fund's shareholders
  - Gates are limited to no more than 10 business days and the fund's boards may lift the gate sooner
- Material event reporting
- Disclosure
  - Website disclosure – daily disclosure of daily and weekly liquid assets, net shareholder inflows or outflows market-based NAVs per share, imposition of fees and gates
- Diversification requirements
  - Funds will be required to treat certain entities that are affiliated with each other as single issuers for purposes of the 5% issuer diversification limit
- Stress testing

# NAST Resources and Approach

We need to internalize this idea of excellence. Not many folks spend a lot of time trying to be excellent.

-Former President Barack H. Obama

- Fellow Treasurers
- NAST Staff
- Best Practices
- Bi-Partisan and Solution Oriented
- Fundamental Understanding of local Economic Conditions

**Thank You**

# Break

# Fiduciary Duty and the State Treasury

Moderator: Hon. Deborah Goldberg, MA

Panelists:

Hon. Michael Frerichs, IL

Hon. Stacy Garrity, PA

Hon. David Lillard, TN

# Today's discussion

- | Fiduciary Duty
- | Investment Programs Overseen by Treasurers
- | Consumer Programs
- | Q&A
- | NAST Pension & Investment Trust Committee

# Fiduciary

- | A fiduciary is someone who owes a duty of loyalty to safeguard the interests of another person or entity
- | Fiduciaries can hold assets for another party, often with the legal authority and duty to make decisions regarding financial matters on behalf of the other party
- | Treasurers act as fiduciaries to the extent they exercise authority or control in the management or disposition of public assets and programs

# Fiduciary Duties generally include

1. Acting solely in the interest of fund beneficiaries;
2. Carrying out duties prudently;
3. Following the plan policy documents (unless inconsistent with the law);
4. Avoiding excessive investment risks, often through diversification; and
5. Paying only reasonable plan expenses.

Source: CFA Institute; Department of Labor



# Fiduciary Duties

- | To whom does a pension fund member, board member, treasurer, etc. owe a fiduciary duty?

**Beneficiaries!**

(all beneficiaries, equally)



# Investment Programs

- **These are some of the programs that Treasurers might act as a fiduciary for either because they administer the daily operations of the plan or they serve on the board:**
  - State Employee Defined Benefit / Defined Contribution Retirement Plans
  - Local Government Investment Pools
  - Other Trusts (endowments, sovereign wealth funds, etc.)
  - Consumer Plans
    - 529 college savings plans
    - ABLE accounts
    - SecureChoice and Multi-Employer retirement plans

# State Employee Defined Benefit / Defined Contribution Plans

## Defined Benefit Pension Plans

- Provide retirees with a guaranteed benefit at retirement. Employers use a formula, typically based on age, length of service, and salary to determine the level of benefits.
- Benefits paid to retired employees do not fluctuate based on plan investment performance.
- Risk is borne by employer.

## Defined Contribution Retirement Plans

- Employees contribute a fixed amount or a percentage of their paychecks to an account that is intended to fund their retirements. In addition, the sponsor company can match a portion of employee contributions as an added benefit.
- Benefits paid to retired employees can fluctuate based on the investment performance of the options the employee selects.
- Risk is borne by employee.

# Local Government Investment Pools (LGIPs)

Established by states to provide governmental entities (ex. cities, counties, school districts, etc) with a short-term investment vehicle, often formed as a trust, to pool resources and provide access to longer duration, higher yielding instruments while maintaining strong liquidity for participants.

# Consumer Plans

- **529 College Savings Plans:** Tax-advantaged savings plan administered by a state that is designed to encourage saving for future education costs (tuition, books and other education-related expenses). Earnings grow federal income tax deferred and may be eligible for state tax deductions and/or other benefits.
- **ABLE Accounts:** Tax-advantaged savings plan administered by a state that is designed to allow people with disabilities to save for qualified living expenses without jeopardizing their eligibility for federal assistance programs such as SSI, SSDI and Medicaid. Earnings grow federal income tax deferred and may be eligible for state tax deductions and/or other benefits.
- **SecureChoice and Multi-Employer Plans:** Private sector workers, who do not already have access to an employer-sponsored retirement plan, are enrolled in a retirement plans managed by the state.
  - SecureChoice plans are typically mandatory for employers to offer, but accounts funded solely by employee contributions
  - MEPs are typically optional for employers to offer, and are funded by both employer and employee contributions
  - Both SecureChoice and MEPs are both optional for employees, typically through an opt-out automatic enrollment system

# Other Trusts

- Endowments: Tax-exempt funds that receive donations of money or property, and usually seek to keep principal intact while using investment income for specific purposes.
- Sovereign Wealth Funds: State-owned funds that are typically funded from a government's budgetary surplus, and invested in financial assets. States typically use these funds to fund services like public education, or to provide general revenue to the state itself.

# Lunch

# NAST New Treasurer's Training

## Debt Issuance and Management

James A. MacDonald (MA)

Mark D. Pascarella (IN)

Treasurer Rachael Eubanks (MI)





Tim Schaefer  
California

Jim MacDonald  
Massachusetts

# Topics

- ? Debt Overview
- ? Debt Issuance Process
- ? Disclosure
- ? Electronic Bidding
- ? Rating Agencies
  - ? Credit Analysis
  - ? Rating Presentation
- ? Post Issuance Compliance
- ? Challenges in Today's Market
- ? Suggested Strategies

# Debt Overview

## ? **Know the Role of Public Debt Use in Your State:**

- ? State Constitution, State Laws, Regulations, Policies, Tradition – Know Them!
- ? Types of Debt Permitted
  - ? General Obligation (full faith and credit)
  - ? Revenue Bonds (pledge of specific revenue)
  - ? Capital lease
  - ? Others (appropriation-backed, Tax Increment Funding, Industrial Revenue Bonds, Private Activity Bonds)
- ? Use of Debt Permitted
  - ? Capital projects
  - ? Interim financing (cash flow)
  - ? Revenue anticipation (cash flow)
  - ? One-time (e.g. Tobacco securitization, Pension Obligation Bonds, OPEB bonds, Sale/leasebacks of infrastructure)

# Debt Overview

## ? **Who is Permitted to Authorize/Issue Debt?**

- ? State/State agencies – respective roles of legislature, governor, treasurer, other officials
- ? Independent authorities
- ? Localities
- ? Other

# Debt Issuance Process

## Debt Policy

### ? **Have a current debt policy**

- ? Establishes formal guidelines for issuance of debt
- ? Approved by appropriate individuals
- ? Updated regularly to reflect market conditions and products

### ? **Why?**

- ? Gives guidance to staff both before and after issuance of debt
- ? Sets affordability criteria and establishes debt capacity
- ? Limits various types of debt such as variable rate debt
- ? Provides citizens and elected officials with important information
- ? Documents important financial management function for rating agency evaluations

# Debt Issuance Process

## Debt Policy

- ? **Elements of debt policy:**
  - ? Purpose of debt
  - ? Types of debt
  - ? Debt structuring
  - ? Use of Derivatives
  - ? Types of sale
  - ? Refunding policy
  - ? Use and selection of consultants
  - ? Reporting and disclosure requirements
  - ? Relationships with rating agencies
  - ? Legal and tax compliance

# Debt Issuance Process

## Financial Advisor

- ? **Select a Financial Advisor who may:**
  - ? Facilitate in the review of a debt policy
  - ? Assist in broad array of debt issuance tasks
    - ? Size and timing of offering
    - ? Rating agency presentations
    - ? Procurement of underwriters, swap advisors, liquidity providers, etc.
    - ? Bond structure
    - ? Preparation of Official Statement
    - ? In a negotiated sale:
      - ? Evaluation of the interest rate scale
      - ? Negotiation of underwriter compensation
    - ? Verification of bid accuracy

# Debt Issuance Process

## Size and Frequency of Bond Sale

- ? **Determine size and frequency of bond sales**
  - ? Develop a Capital Budget
    - ? Capital budget, the Spending Plan, is developed primarily by Governor and Legislature and sets spending priorities. Annual capital budget should be in context of a multi-year plan relying on best judgment concerning future revenue, expenditure trends and timing of expenditures
  - ? Ensure debt-finance projects don't exceed available debt limits
  - ? Plan for debt issuance to meet expenditure requirements
  - ? Explore PAY-GO, public/private partnerships (P3) and other alternatives to debt



# Debt Issuance Process

## Size and Frequency of Bond sale

### ? **Estimate source of repayment of debt**

- ? Develop mechanism to estimate revenues and reach consensus

### ? **Determine debt affordability**

- ? Legal limits on debt burdens
- ? Public policy limits
- ? Estimate debt capacity and reach consensus, including use of debt capacity guideline ratios related to debt outstanding and affordable debt service

# Debt Issuance Process Structure, Type and Schedule

## ? **Determine**

- ? Bond structure
  - ? Bond maturity
  - ? Redemption provisions
  - ? Serial/term bonds
- ? Type of bonds
  - ? Tax exempt, taxable
  - ? Fixed, variable rate
  - ? General obligation, revenue
- ? Use of Derivatives

# Debt Issuance Process

## Method of sale

### ? **Determine the method of sale**

- ? Legal requirements and established policy
- ? Market environment
  - ? Market knowledge of the issuer
  - ? Market volatility
  - ? Size of transaction
  - ? Complexity and uniqueness of credit
  - ? Competition in the marketplace for similar transactions
  - ? Citizens interest and demand for State bonds

# Debt Issuance Process

## Method of Sale

### ? **Select Method of Sale:**

- ? Competitive sale
  - ? Firm or syndicate with the best bid
- ? Negotiated sale
  - ? Method used to sell bonds to retail investors
  - ? Sale is negotiated with underwriters who are selected through Request for Proposal (RFP) process
    - ? Experience with particular credit or product
    - ? Strong sales network
    - ? Unique, innovative ideas that save the issuer money or allow for additional borrowing

# Debt Issuance Process

## Method of Sale

### ? **Role of underwriter**

? Competitive sale

? Involvement with Issuer is limited

? Identity is unknown until the award is made

? Purchases bonds and resells to investors

? Negotiated sale

? Chosen early in the process

? Assists in putting together the financing package and structuring the bonds

? Oversees application for credit enhancement

? Helps select sale date

? Conducts pre-marketing effort

? Purchases bonds from issuer and resells to investors

# Debt Issuance Process

## Financing Team

### ? **Selecting Financing Team**

- ? Bond counsel
  - ? Certifies issuer has legal authority to issue
  - ? Certifies whether bonds are tax exempt
  - ? Ensures compliance with federal, state and local laws
  - ? Drafts bond documents
- ? Trustee or fiscal agent
  - ? Enforce terms of the bond indenture
  - ? Acts as paying agent and registrar
- ? Other participants
  - ? DTC (Depository Trust Corporation)
  - ? Underwriters' counsel
  - ? Disclosure counsel
  - ? Arbitrage counsel

# Debt Issuance Process

## Preliminary Official Statement

### ? **Prepare POS**

- ? Summarizes issuer, proposed terms of bonds and use of bond proceeds
- ? Discloses pledge and security to bondholders
- ? Used to market the issue
- ? Final Official Statement is completed after bid is awarded

# Disclosure/Investor Relations

- ? Importance of updated information
- ? Use of dedicated website
- ? Investor outreach
- ? Updated Information Statement during the year
- ? Transparent
- ? Massachusetts-Annual Investor Conference



# Bond Ratings

## ? **What are they?**

- ? Global Rating Scale recalibrated government ratings to ensure a greater degree of comparability across global portfolio of credit ratings
- ? An independent assessment of the relative ability of an entity to meet financial commitments
- ? Focuses on the issuer's ability to make full and timely payments

## ? **Why are bonds rated?**

- ? Ratings are used by investors to aid them in making investment decisions
- ? Ratings affect the interest rate on an issuer's bonds – their cost of borrowing
- ? Higher ratings generally result in lower interest rates

## ? **Importance of bond ratings**

- ? Most investors do not buy non-rated bonds
- ? Rating reports discuss government and financial practices
- ? Good ratings indicate that officials are doing well

# Bond Ratings

## ? **Who rates bonds?**

- ? Rating agencies are independent, for profit corporations that serve the investor community
  - ? Moody's Investor's Service
  - ? Standard and Poor's Corporation
  - ? Fitch Ratings
  - ? Kroll

## ? **Who pays for rating?**

- ? Issuers pay for the rating agencies to rate bond issues
  - ? Fee based on size of issue, complexity, frequency of issuance
- ? Rating lasts for life of bonds and is subject to change ("downgrade," "upgrades," "watch list," "credit watch," etc.)

# Bond Ratings

## ? **What's included in the credit report?**

- ? Economy – tax base, income, population, employment, economic diversity, outlook
- ? Governance – financial best practices, unconstrained decision making, polarization, etc.
- ? Financial – structural balance, budget process, fund balances
- ? Debt management – debt burden, other liabilities (pension/OPEB)

# Bond Ratings

- ? Maintain relationship with the rating agencies
  - ? Share good and bad news
- ? If issuing
  - ? Decide if in-person or conference call is needed
  - ? Decide location of visits
  - ? Determine participants
  - ? Establish objective of meeting
  - ? Anticipate their questions for presentation
  - ? Follow up with additional information

# Post Issuance

## ? **Debt Service**

- ? Develop payment schedules
- ? Determine process for payments
  - ? Who pays
  - ? How you pay
- ? Determine funding for payment
  - ? What revenues support this fund
  - ? Specific tax revenues, general fund appropriations
- ? Request subsidies for Build America Bonds

# Post Issuance

## ? **Compliance**

- ? SEC disclosure rules (15c2-12)
- ? IRS regulations
  - ? Private activity
  - ? Arbitrage
  - ? Record retention
  - ? Spend down of proceeds
- ? Post issuance compliance procedures

# Challenges in Today's Market

- ? SEC Enforcement actions
  - ? Tower Amendment
- ? Municipal Advisor Rules
  - ? Interaction with underwriters and financial advisors
- ? Definition of debt
  - ? Include pensions, OPEB and other “economic” debt?
- ? Municipal Continuing Disclosure
- ? Understanding Debt Options: Public/ Private/ Fed/ P3

# Suggested Strategies

- ? Review your disclosures and their timeliness
  - ? Use EMMA/MyEmma
  - ? Customize home page
- ? State Debt Management Network (SDMN)
- ? Use your Financial Advisor
- ? Update affordability projections
- ? Inventory the types of debt and use of derivatives in your state



# Suggested Strategies

- ? Read the Bond Buyer and NAST communications concerning debt issues
  - ? Municipal Securities Rulemaking Board (MSRB)
  - ? Dodd-Frank changes
  - ? Pensions and OPEB issues
  - ? Tax reform
- ? Consult with colleagues
  - ? Other treasurers
  - ? SDMN
  - ? Other issuers in your state

Questions?

Questions?

# Contact Information

James MacDonald  
[Jmacdonald@tre.state.ma.us](mailto:Jmacdonald@tre.state.ma.us)

Mark Pascarella  
[mpascarella@ifa.in.gov](mailto:mpascarella@ifa.in.gov)



# ABLE SAVINGS PLANS NETWORK

A Network of the National Association of State Treasurers

**Pennsylvania Treasurer**

**Stacy Garrity, Chair**

**[TreasurerGarrity@PATreasury.gov](mailto:TreasurerGarrity@PATreasury.gov)**

**717-787-2465**





## Overview of Achieving a Better Life Experience (ABLE)

In 2014, Congress passed the ABLE Act, creating a savings plan for people with disabilities.

For the first time ever, people with disabilities were permitted to save more than the \$2,000 federal limit for short- and long-term expenses without affecting federal and state benefit programs like Medicaid or Supplemental Security Income (SSI).



## Eligibility Requirements for ABLA Accounts

To be eligible to open an ABLA account, an individual:

A. Must be entitled to either SSI or Social Security Disability Insurance (SSDI).

OR

B. Have a similarly severe disability diagnosed by a physician.

AND

Must be younger than 26 when the disability started.

*The ABLA Age Adjustment Act, which was included in the Consolidated Appropriations Act passed in December, increases the age to 46 starting on January 1, 2026.*



## Qualified Expenses of ABLE Accounts

People can use their ABLE accounts for a wide variety of disability-related expenses, including:

- Housing
- Basic Living Expenses
- Education
- Health and Wellness
- Assistive Technology
- Employment Training
- Transportation



# ABLE SAVINGS PLANS NETWORK

A Network of the National Association of State Treasurers

## ASPN Overview

Due to the critical importance of ABLE plans and the positive effect they can have on participants' lives, in 2022, NAST formed ASPN.

ASPN brings together ABLE plan administrators along with their partners from the private sector to serve as a source of objective information to assist individuals in becoming financially independent.

To assist in accomplishing this goal, the NAST Foundation launched ABLE Today in 2022 to conduct national outreach, develop open-source resources, and build partnerships within the disability community.





## 2023 ASPN Executive Committee

### Ex-Officio Members

- **Chair:** Pennsylvania Treasurer Stacy Garrity
- **Vice-Chair:** Bette Ann Mobley, Director, Maryland ABLE
- **Treasurer:** John Finch, Director, ABLE United (Florida)
- **Immediate Past Chair:** California Treasurer Fiona Ma
- **Co-Chairs of Corporate Affiliate Committee:** Juliana Crist and Jose Gamboa

### At-Large Members

- David Bell, Deputy Director, Oregon Treasurer's Office
- Brittaney Chipley, Executive Director, AZ ABLE (Arizona)
- Alisa Ferguson, Associate Counsel, Virginia 529 and ABLE
- Linda Fernandez, Director, Educational Opportunities and Investment (Texas)
- LaKeshia Page, Director, College Savings and ABLE TN (Tennessee)
- Stacy Pfeiffer, Director, Enable Savings Plan (Nebraska)
- Jeremy Rogers, Director, NY 529 and ABLE Programs (New York)
- Aleyta Zimmerman, WYABLE Administrator (Wyoming)

## ASPN Priorities for 2023

1. Working with Congress to continue to make legislative improvements to ABLE programs.
2. Working with agencies at all levels to promote ABLE to their constituents who are ABLE eligible.
3. Promoting the sharing of best practices among ASPN members through conference programming and other networking opportunities.



## Concluding Remarks

- Participation is Critical
  - Join a Committee!
    - Federal, Legal, and State Affairs Committee
    - Strategic Planning Committee
    - Outreach and Marketing Committee
    - Program Committee
    - Data and Benchmarking Committee
  - Participate in a NAST Conference!
    - 2023 NAST Treasury Management Training Symposium
      - June 12 - 15 - Portland, Oregon
    - 2023 NAST Annual Conference
      - October 1 - 4 - Las Vegas, Nevada
- Welcome to NAST!



COLLEGE SAVINGS  
PLANS NETWORK

A Network of the National Association of State Treasurers

# College Savings Plans Network and Section 529 College Savings Plans

**Rachel Biar**

**CSPN Chair & Assistant Treasurer, Nebraska**

# About CSPN

- Founded in 1991 as an affiliate of NAST.
- Leading national, objective source of information about Section 529 College Savings Plans and Prepaid Tuition Plans.
- Members include state treasurers and other state officials who administer 529 savings and prepaid tuition plans, as well as their program managers, investment managers, legal counsel, consultants and other service providers.

# The Why We Love 529 and CSPN!

- CSPN provides valuable networking opportunities
- Sharing of best practices and reviewing technical aspects of administering 529 plans
- Constantly working to improve 529 plans to help families attain their educational goals

# Reducing Future Student Debt

- Over 43 million Americans collectively hold more than \$1.75 trillion\* in student debt. That means that roughly one in four American adults are paying off student loans.
- When they graduate, the average federal student loan borrower has \$37,574\* in student loans.

\*NCES via educationdata.org

# Raising College Aspirations

- Children with a dedicated college savings account of any amount are **six times more likely** to attend college than children with no college savings.\*
- It appears that the positive effects of saving for college are more than economic and have a positive effect on the college expectations of parents and children.
- Increases in college aspiration are likely to result in more children staying on a path towards future higher education.

\*Three studies from the Center for Social Development at Washington University in St. Louis.



# Treasurers' Role

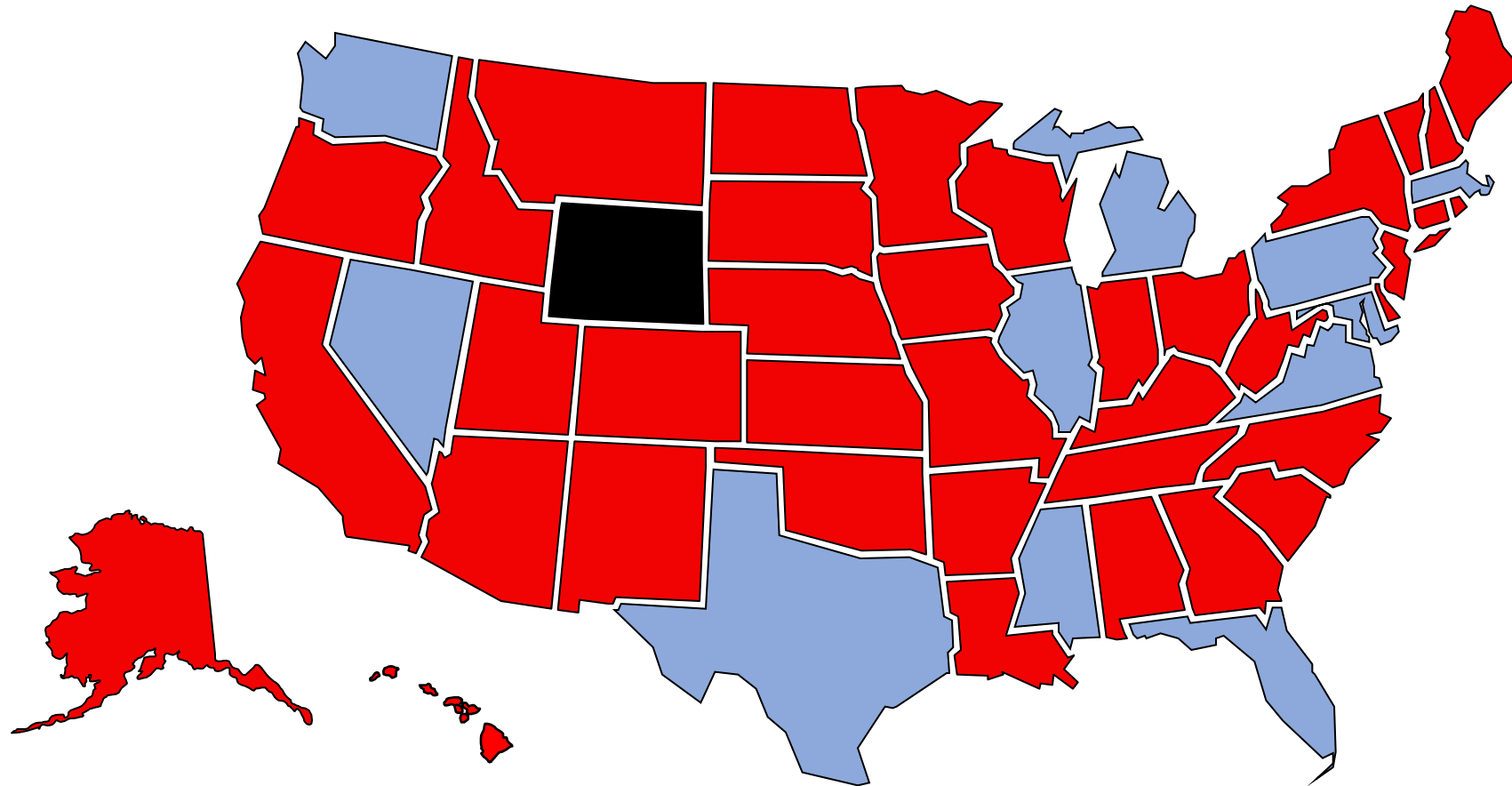
- State treasurers are actively involved in the management, oversight or promotion of 529 programs in more than 40 states and the District of Columbia.
- New state treasurers serve as the 529 Plan Administrator in Arkansas, Connecticut, Indiana, Iowa, Kansas, Missouri, Oklahoma, and Rhode Island.



# National Overview: 529 College Savings Plans



COLLEGE SAVINGS  
PLANS NETWORK

A Network of the National Association of State Treasurers



-  State offers a 529 savings plan and a prepaid plan
-  State offers a 529 college savings plan

# The Numbers

- \$411 billion in assets under management in 529 plans
- More than 16 million accounts
- \$25,629 average account size

as of December 31, 2022

# CSPN: Our Mission and Vision

**Mission:** Empower Members to improve and expand utilization of 529 plans by providing an inclusive environment to network, train, and offer leadership opportunities; be the leading resource to advocate for and enhance 529 plans to become the primary saving mechanism for education, training, and skill development.

**Vision:** 529 savings plans are the premiere choice for families to invest in a child's future success.

# Goals for CSPN

## “Making an Impact – Empowering Families”

- Provide an inclusive environment to network, train and offer leadership opportunities
- Prioritize Member engagement and Committee involvement for both States and Corporate Affiliates
- Position CSPN as the leading resource to advocate for and enhance 529 Plans
- Recognize those who are “Making an Impact” by implementing “CSPN Superheroes”

## Completion of the National Study on 529 Savers

- First national compendium of 529 Plan efforts to help families save
- Comprehensive report shows incentives and commitment of accessibility of 529 plans for all Americans
- 529 survey of saver profiles provides demographics, financial behaviors, attitude and behaviors toward 529 plans

# Goals for CSPN

## Foster Collaboration, Initiatives and Outreach

- Address diversity issues and inclusion across CSPN and our programs
- Federal Legislative efforts and advocacy
- CSAs and their role within CSPN's landscape
- E-delivery and Foreign Language Translation
- Member Toolkits and a Media Presence
- Forum for issues unique to Prepaid Plans

## Transparency

- Focus on Strategic Plan Goals and Objectives
- Uniform Meeting Agendas and Minutes
- CSPN Monthly Newsletter

# Strategic Plan 2021-2024 Goals

**Future:** Ensure long-term sustainability and success of CSPN's work.

**Engagement:** Raise the voices, engagement, and development of members to ensure the continued work and success of CSPN.

**Awareness:** Lead the 529 industry in driving new 529 plan participation through increased national awareness on the value of saving for education, training, and skill development.

**Advocacy:** Protect and expand the appeal and use of 529 plans through advocacy at all levels of government and with all stakeholders.

# 2023 CSPN Executive Board

## Officers:

**Rachel Biar, Chair**  
Assistant State Treasurer

**Mary Morris, Vice-Chair**  
CEO, VA529

**Lael Oldmixon, Treasurer**  
Executive Director, AK529

**Hon. Michael Frerichs, Past Chair**  
Illinois State Treasurer

## Members

**Angela Baier**  
CEO, CollegelInvest & College Assist

**Hon. Zach Conine**  
Nevada State Treasurer

**Hon. Colleen Davis**  
Delaware State Treasurer

**Richard Ellis**  
Executive Director, my529

## Members cont.:

**Linda English**  
Co-Chair, CSPN Corporate Affiliate Committee Chair

**Andrea Feirstein**  
NAST Corporate Affiliate Advisory Board Liaison

**David Lawhorn**  
529 Manager, KY Higher Education Assistance Authority

**Robin Lott**  
Executive Director, Michigan Office of Postsecondary  
Financial Planning

**Luke Minor**  
Director of College Savings Plans, WA529 and GET

**Wayne Weber**  
Co-Chair, CSPN Corporate Affiliate Committee Chair

**Hon. Kimberly Yee**  
Arizona State Treasurer



# CSPN Committees

1. Communications
2. Corporate Affiliates
3. Data, Operations & Technology
4. Diversity & Leadership
5. Federal Initiatives
6. Governance
7. Legal & State Affairs
8. Member Engagement
9. Prepaid Tuition Plans

# NAST & CSPN Federal Initiatives in the 118<sup>th</sup> Congress

- **SAVERs Credit** – Congress created the Saver’s Credit in 2001 to encourage middle- to low-income individuals to save for retirement. In order to increase access for low and middle-income students and reduce their reliance on student loans, NAST & CSPN encourage Congress to include contributions to Section 529 qualified tuition programs to the list of deferrals or contributions that qualify for the Saver’s Credit.
- **Encourage Saving for College at the Workplace** – The workplace is often where Americans make decisions about saving. Tax code incentives that promote employer contributions into the retirement plans of employees have proven to be an effective method to increase retirement savings. Tax code incentives that similarly promote employer contributions to Section 529 Qualified Tuition Programs will be an effective method of encouraging continued education among employees. We believe employers could have a broader impact on the long-term financial wellness of Americans if they are given a role in assisting and accommodating participation in a 529 plan.
- **Simplify Student Aid and 529s to Encourage Saving** – An overwhelming majority of 529 plan administrators view the perceived impact of a 529 account on federal financial aid as the top regulatory obstacle to American families fully utilizing 529 plans. The CARES Act included provisions to simplify the federal financial aid process which will assist 529 plan participants. NAST & CSPN urges Congress to take further action to revise the Higher Education Act (HEA) to change the current federal financial aid methodology to exempt the value of all assets in all 529 accounts held for the benefit of a student from counting as parental assets in determining a family’s expected contribution.
- **Freedom to Invest in Tomorrow’s Workforce** – Although 529 plans may be used for many certificate programs and qualified apprenticeship programs, meaningful gaps remain. We support legislation which would expand the use of a 529 account to recognized postsecondary credential programs under the Workforce Innovation and Opportunity Act. The programs included in this initiative provide the basis for developing competencies in many of the technical skills and jobs that employers find increasingly difficult to fill.

# Activity Highlights

- Annual Treasury Management conference in June
- Federal legislative and regulatory initiatives
- Clearinghouse for information among the programs
- National Communications Strategy
  - Objective, non-commercial source for media on saving for college
  - 5/29 Day in May, College Savings Month in September, and year-end gift giving awareness campaigns
  - Bi-Annual Release of 529 Report

# To Summarize.....

We look forward to your participation and involvement in CSPN!

# 2023 National Association of Unclaimed Property Administrators (NAUPA)



# Unclaimed Property Basics

- **Unclaimed Property**—any financial asset that has been left with a “holder” and is dormant, without activity or contact, for a period of years
- **Holder**—a business or organization in possession of property subject to the unclaimed property law belonging to another, or who is trustee (in the case of a trust), or is indebted to another is an obligation subject to the law
- **Owner**—a person or entity has a legal or equitable interest in property subject to the law
- **Dormancy Period**—the amount of time a property is inactive while in possession of the holder
  - Property is deemed abandoned once the statutory dormancy period has expired
  - Dormancy period vary from state to state
- **Due diligence**—required by holders to take necessary steps to prevent abandonment



# States are charged with Reuniting Unclaimed Property with Rightful Owners

- States act as “Custodian” of the property until it is claimed by the rightful owner or legal successor or heirs
- Each state has its own Unclaimed Property Department as well as its own Unclaimed Property Law
- Various Offices administer the program
  - State Treasurer Offices
  - State Revenue Departments
  - State Comptroller Offices



# Unclaimed Property Process

- If there is an obligation owed to an owner that the company or holder has been unable to distribute or discharge for an extended time period, *then*
  - **Holder performs due diligence**
  - **If unclaimed, holder remits to state**
  - **State attempts to find rightful owner and return the property**





# Most Unclaimed Property is Intangible Property

- Includes monetary assets such as bank accounts, refunds, uncashed checks, securities, and credit balances
- Most states also receive tangible property, physical property in safe deposit boxes



# Types of Unclaimed Property

- Checking and Savings Accounts
- Certificates of Deposit
- Cashier's Checks
- Uncashed Checks
- Money Orders
- Trust Accounts
- Wages/Payroll
- Accounts Payable
- Stocks & Dividends
- Patient Accounts Balances
- Government Support Payments
- Tax Refunds
- Credit Balances
- Customer Overpayments
- Life Insurance Policies
- Utility Deposits
- Customer Overpayments
- Gift Certificates/Cards



# Unclaimed Property is about Consumer Protection

- The purpose of unclaimed property laws is to protect consumers by ensuring money owed to them is returned to them, rather than remaining permanently with financial institutions and other companies.
- Many state unclaimed property laws find their basis in the Uniform Unclaimed Property Act promulgated by the Uniform Law Commission.



# Uniform Law Commission Based the Act on the Concept of “Lucrative Silence”

- Most kinds of valuable intangible personal property interests are held in the owners' names by other entities — the holders.
- Some entity other than the owner actually possesses the intangible property when and if it is abandoned by its rightful owner.
- That entity is in a position to assume title to abandoned intangible personal property virtually by doing nothing except to continue to hold it.
- In fact, it is possible to surmise that a holding institution for intangible personal property can find doing nothing with its customers' property and communicating as little as possible with its customers to be “lucrative silence.”

# How are We Doing? – National Statistics

- Over \$4 billion was returned to the rightful owners in Fiscal Year 2022.
- Many billions of dollars waiting to be returned.
- Claims can be made into perpetuity – even by heirs
- The U.S. Supreme Court stated in the 1951 Standard Oil Co. v. New Jersey case, "property thus escapes seizure by would-be possessors and is used for the general good rather than the chance enrichment of particular individuals or organizations."



# Unclaimed Process is a Joint Process Among Many Groups

- There is a shared responsibility to the consumer
- Unclaimed Property Community
  - State representatives, NAUPA**
  - Holders**
  - Service Providers**
    - For States**
    - For Holders**
  - Search firms or asset locators**
  - Industry Trade Groups - UPPO**



# States' Duties and Responsibilities

- Protect owner's rights and restore property
- Protect companies from subsequent claims after funds are transferred
- Provide education to the private sector
- Assist in compliance efforts
- Encourage voluntary compliance
- Audit examinations
  - Guidelines
  - Procedures
  - Fines, penalties



# Holder Responsibilities

- Maintain records
- Prepare reports and remit payments
- Monitor changes in unclaimed property laws
- Perform due diligence
- Retain documentation
- Coordinate with external audits





# If Companies Do Not Report Property and Remit Funds

- Goodwill—damaged
- Adverse Public Opinion
- Penalties
- Interest
- Audit Fees- internal and external

**Cooperation, compliance and partnership is the best model for all parties.**



# State Voluntary Compliance Program

- Encourage holders to come into compliance
- Assist companies to come into compliance without penalty or interest
- Ease burden to holders
- Allow holders to establish a practice of reporting
- Develop relationships



# 2023 National Association of Unclaimed Property Administrators (NAUPA)



# NAUPA

## A Key Resource and Partner

- NAUPA is the only unified voice that represents state unclaimed property agencies and provides important resources to unclaimed property administrators and their staff.
- Through its affiliation with NAST, NAUPA members coordinate education, advocacy, outreach, and networking efforts.



# NAUPA Strategic Plan 2023-2027

## Priorities

1. Assist states in asserting their legal authority
2. Influence key policy decisionmakers at all levels of government on the value and importance of unclaimed property framework
3. Strengthen member communications, education, and engagement
4. Increase utilization of the unclaimed property framework for both reporting and claiming

## Vision

As the foremost authority on unclaimed property, NAUPA will lead a coalition of administrators to reunite all recoverable unclaimed property with its rightful owner.

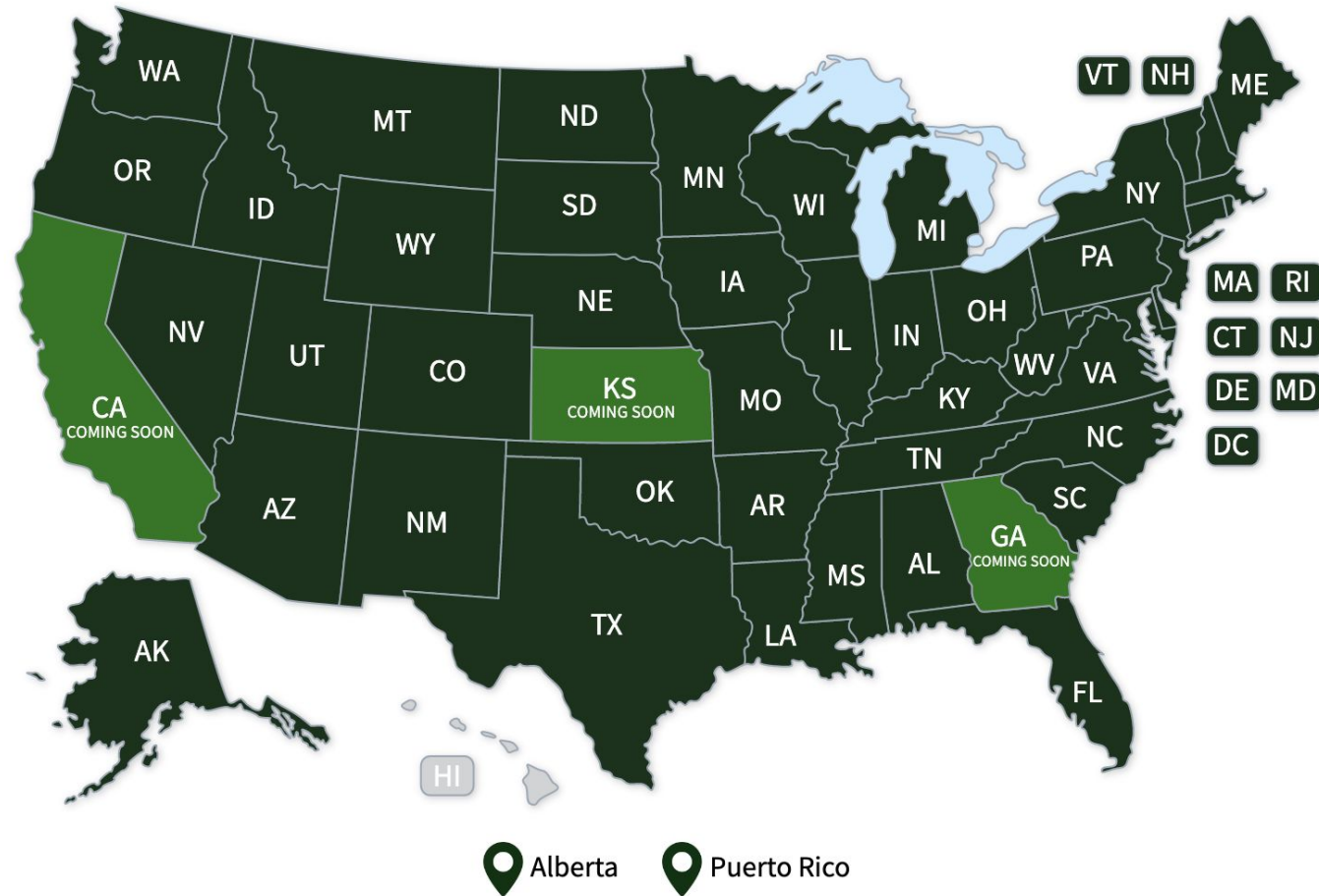


# NAUPA Websites

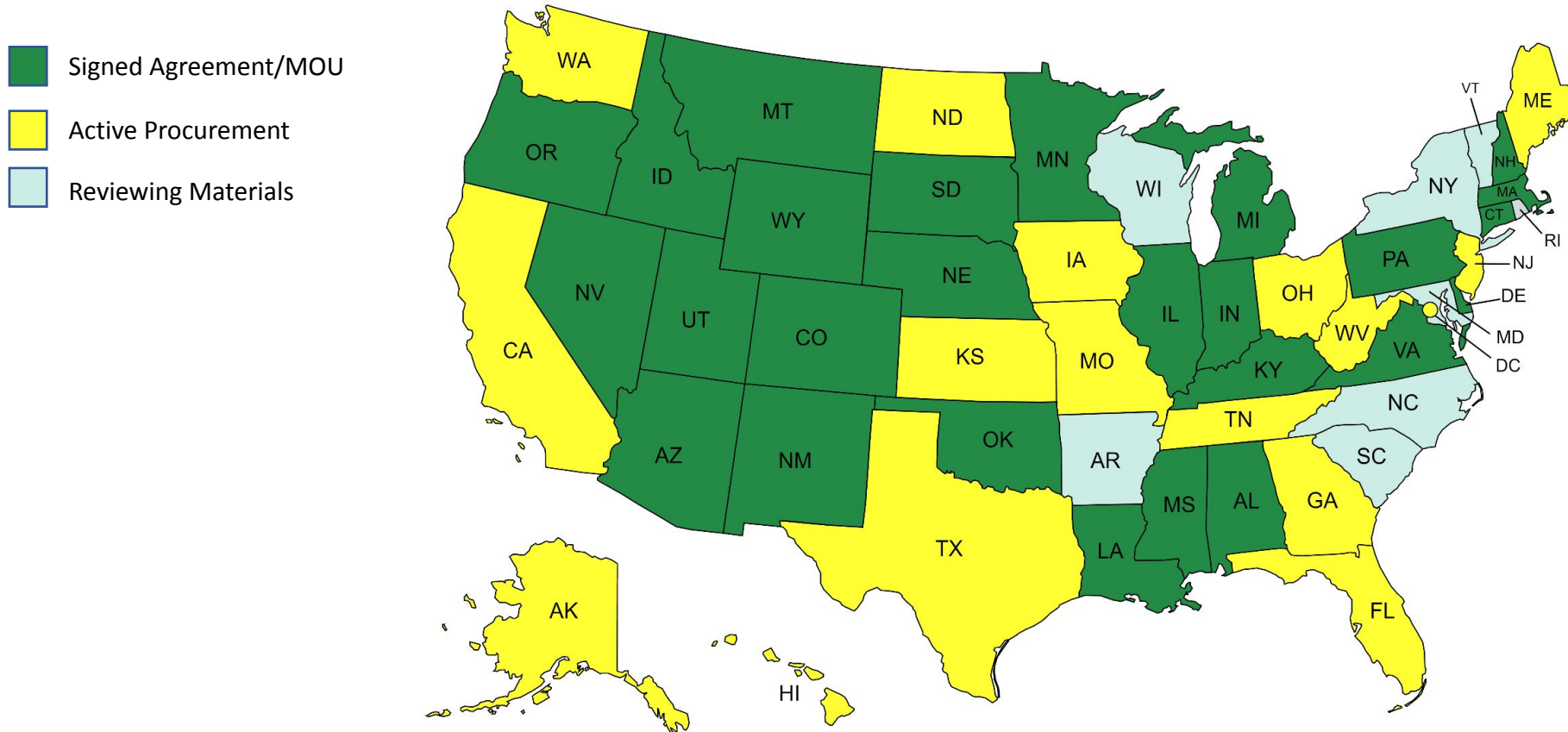
- The NAUPA website at [unclaimed.org](https://unclaimed.org) provides education and professional administrative support to members and education and reporting resources for holders, while also serving as a portal to state websites.
- [Missingmoney.com](https://missingmoney.com) is a searchable multi-state database officially endorsed by NAUPA and the participating states and provinces.



# MissingMoney.com



# The SURCH (States' Unclaimed Retirement Clearinghouse) program will allow for centralized voluntary reporting of a new property type to states





# For more information and assistance about NAUPA

Jeremy Dawson

Association Director

Tel. (202) 630-1405

[jeremy@statetreasurers.org](mailto:jeremy@statetreasurers.org)





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# Final Questions and Comments

