

DALE R. FOLWELL, CPA  
STATE TREASURER OF NORTH CAROLINA

STEVEN C. TOOLE  
EXECUTIVE DIRECTOR

January 10, 2017

To: NC ABLE Program Board of Trustees

From: Steve Toole, Executive Director, RSD

Re: National ABLE Alliance Contract Term Sheet

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At the direction of the Board, DST staff has participated in negotiations with the multi-state National ABLE Alliance and Ascensus College Savings Recordkeeping Services, LLC ("Ascensus") for investment management, administrative services, outreach material support and customer service. Currently, the ABLE Consortium Member states are: North Carolina, Alaska, Missouri, Pennsylvania, Kansas, Rhode Island, Illinois, Iowa, Nevada, New Jersey and Minnesota, Montana and Arizona. Ascensus is a leader in the college savings industry and has 529 plan relationships with six of the Alliance member states, and currently supports Nebraska's EnABLE Savings Plan.

Illinois has served as the lead state for the Alliance throughout the procurement process and is therefore the party to a Master Agreement with Ascensus. This Agreement details the services that Ascensus will provide to the Alliance as a whole. Following the execution of the Master Agreement, the other Member states will each separately negotiate their own Implementing Agreements with Ascensus to address their specific state terms and requirements. DST staff will seek the approval of the Board to execute its own Implementing Agreement when final terms have been negotiated.

The Master Agreement provides the following:

1. Term: The contract term is for 5 years, with an option to extend for no more than 5 additional years.
2. Termination for Convenience: The Illinois State Treasurer may terminate for convenience after 4 years, with 90 day notice to Ascensus.
3. Termination for Cause:
  - a. The Treasurer may terminate the contract for cause if: (i) upon written warning to Ascensus, the breach is not cured within 30 business days, (or within a reasonable time to be determined by the Treasurer,) a second written warning will be issued. If satisfactory action is not taken within 5 business days, the contract may be cancelled.
  - b. Ascensus may terminate the contract for the Treasurer's material breach upon 90 days' written notice.
  - c. Either party may terminate the contract with 90 days' written notice if either: (i) after 3 years, there are fewer than 25,000 funded accounts in the program, or (ii) a change of law or policy would adversely affect the either the terms or rights granted to a Member by the agreement
4. Fees:
  - a. Account Maintenance fee: \$45 per year
  - b. Program Management fee: .32% (fee will decline per proprietary pricing formula)
  - c. Investment Management fee: .02%-.06%

The Implementing Agreement's proposed terms are as follows:

1. Fees: State Administration Fee of \$5 per account per year will be taken from the Account Maintenance Fee and remitted to NC ABLE.
2. Reporting: Ascensus will provide reports on a monthly, quarterly, calendar-year end and fiscal year end basis. Daily reporting will be accessible to DST staff through Ascensus' UNITE platform.
3. Relationship Management: Ascensus will attend quarterly meetings of the NC ABLE Board of Trustees at their own expense.
4. Conflicts: The Treasurer may require Ascensus to cease dealing with any individual or entity on behalf of the Treasurer if its financial interests conflict or potentially conflict with the interests of the Treasurer.