

**ILLINOIS SECURE CHOICE SAVINGS BOARD**

**Meeting of Thursday, November 16, 2023  
Held In-Person & Remotely by Videoconference**

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**MEETING MINUTES**

The November 16, 2023 meeting of the Illinois Secure Choice Board (“Board”) was called to order by Mr. Diaz shortly after 3:00 p.m. CT with the presence of a quorum.

**BOARD MEMBERS PRESENT**

Fernando Diaz, *Designee for the Illinois State Treasurer (In-person)*

Cesar Orozco, *Designee for the Illinois State Comptroller (In-person)*

Curt Clemons-Mosby, *Designee for the Illinois Governor’s Office of Management and Budget*

Staci Mayall, *Board Member (In-person)*

Roderick Bashir, *Board Member (In-person)*

Lotika Pai, *Board Member (In-person)*

Erica Marquez Avitia, *Board Member (In-person)*

**TREASURER’S OFFICE STAFF**

Joe Aguilar, *Chief Investment Officer (In-person)*

Sarah Hillegass, *Director of Public Market Investments (In-person)*

Erica Tremble, *Assistant General Counsel (In-person)*

Sara Meek, *Chief Legislative and Policy Officer (In-person)*

Yolonda Williams, *Deputy Director of Legislative Affairs (In-person)*

Matthew Kisling, *Deputy Director of Legislative Affairs & Outreach*

Christine Cheng, *Executive Director of Secure Choice (In-person)*

Deanna Verduin, *Deputy Director of Secure Choice (In-person)*

## **APPROVAL OF BOARD MEETING MINUTES**

Board members reviewed the August 17, 2023 Board Meeting Minutes, which were provided in advance of the meeting. There was no discussion, and no additional changes were proposed.

*A motion was made by Mr. Bashir, seconded by Ms. Mayall to approve the August 17, 2023 Board Meeting Minutes. The motion carried with Mr. Orozco abstaining.*

## **STAFF UPDATES**

Ms. Cheng provided an update on program activities during Q3 2023. She noted that since the start of Q3 2023, the Illinois Secure Choice team has participated in 33 outreach events, held mostly by chambers of commerce or small business development centers. as well as hosted weekly Employer Overview webinars with Ascensus. Additionally, Treasurer Frerichs was invited to speak at a few larger chamber events, and he also conducted an interview in Spanish with Univision. With the November 1, 2023 deadline for Wave 5, the program experienced a strong response from employers that led to the number of registered employers doubling since the start of Wave 5 communications in July 2023. Currently there are over 134,00 savers and over 24,000 registered employers in the program.

Ms. Cheng then provided an update on program enforcement. The Treasurer's Office has been working in partnership with Ascensus and the Illinois Department of Revenue (IDOR) on the enforcement process and conducting outreach to noncompliant employers. She stated that since enforcement action started in February of 2023, the number of noncompliant employers has dropped by 92.5%. She added that the Treasurer's Office has started planning for the 2024 enforcement action with IDOR and Ascensus to determine the process, and that the Treasurer's Office also sent letters to Wave 2021 and Wave 4 noncompliant employers in November to spur action prior to formal enforcement beginning for those waves. Wave 2021 will be under formal enforcement in 2024, and while Wave 4 will not be under enforcement until 2025, it is a large group of employers that represents a large number of potential savers and that will benefit from additional outreach.

Ms. Meek then provided a legislative update. The administrative rules for Public Act 103-43 were filed to the Joint Committee on Administrative Rules (JCAR) and received a certificate of no objection at the hearing on November 7, 2023. The remaining paperwork has been filed, and Ms. Meek anticipates that the rule will go into effect within the next few days. Mr. Diaz highlighted that the rules reflect changes discussed and approved by the Board earlier in 2023. Ms. Cheng added that the 2024 legislative proposal for the program includes standardization of terminology

as well as clarification that designated open enrollment periods are optional for employers to offer rather than mandatory.

Ms. Cheng then reviewed the year-to-date FY24 expenditures for the program, sharing that expenses are generally in line with projections.

## **DISCUSSION – SECURE CHOICE QUARTERLY REPORT**

Troy Montigney of Ascensus started by sharing the Wave 5 employer response data. He highlighted that in the 30 days prior to the Wave 5 registration deadline on November 1, 2023, employer registrations were up 127%, and as of November 9, 2023, the Wave 5 response rate was 69.4%. Of the initial 63,400 Wave 5 employers, there are approximately 19,350 employers remaining that have yet to take action. He also added that across the entire program, there are close to 25,000 registered employers and 20,000 employers that have added employees. Mr. Montigney then stated that there are 27,000 employees that are within their 30-day decision period, which is up from 9,000 employees three months ago.

Mr. Montigney then provided an employer enforcement update. Since pre-enforcement outreach began in November of 2022, the number of noncompliant employers has decreased by over 95%, including 325 new employers submitting payroll. There have been \$2M of total contributions and almost 5,000 eligible employees affiliated with these employers. He added that of the 1,158 employers referred to IDOR in 2023, nearly 92% are now considered compliant.

Mr. Montigney then discussed employer trends. He noted that in Q3, the average number of employers submitting contributions each week was 2,051, an increase of 6% quarter over quarter and 66% year over year. During the week of October 29, 2023, this metric reached a new business-as-usual record of 2,656 employers. Similarly, the number of employers adding employees each week has increased significantly over the last year with an average of 832 employers in Q3 representing a 64% quarter-over-quarter increase and 138% year-over-year increase.

Mr. Montigney then presented the Saver Data Summary, stating that the 30-day contribution total neared \$4.9M as of Q3. He then added that the average funded account balance and deferral rate decreased slightly; however, this is due in part to the influx of new savers, who typically come in at the default 5% deferral rate causing adverse impact on the average deferral rate and average funded account balance. He also added that there may be a slight increase in withdrawals over the next two quarters as Ascensus communicates the new fee structure and the new fund changes to savers.

In addition, Mr. Montigney presented 2023 year-to-date Client Services metrics for both employers and savers, including service level (92.23%), abandon rate (0.93%), average speed to answer (0:30), and average talk time (5:45). He noted the Service Level Agreement changed from 85% of calls answered within 30 seconds to a three-minute average speed to answer. He also added that the new callback feature has resulted in 4,444 callbacks with an average callback time of 20:21, and there was a year-over-year increase in call volume of 58% for Q3. Mr. Montigney also discussed the makeup of the Client Services team, noting that over time, the percentage of bilingual staff has increased from 30% to nearly 60%.

Mr. Bashir asked Mr. Montigney to explain why the average funded account balance decreased and the average amount per contribution increased. Mr. Montigney explained that in addition to the auto-escalation feature established within the program, as wages have increased to try to keep pace with inflation, generally the average amount per contribution has also increased, and the average funded account balance has decreased due to the volume of new savers coming in at a lower contribution rate bringing down the average account balance.

Carrie Bickerstaff of Ascensus provided a marketing update and reviewed the schedule of Wave 5 communications highlighting that the first missed deadline email was sent on November 12, 2023, and those missed deadline emails will continue monthly through July 2024. Ms. Bickerstaff reviewed additional projects that are in process including program change communications and web updates as well as the completion of the transition to Salesforce Marketing Cloud which will allow for improvement in email outreach.

Jaimee Niles of Ascensus then provided a quarterly overview and summary of Field Team activities. She shared a recap of Q3 activities, which included 139 employer meetings and three employee meetings as well as outreach to over 300 noncompliant employers. Ms. Niles noted the increase in activity with Wave 5 employers and highlighted that through outreach and one-on-one support, the Field Team's efforts resulted in 540 employers submitting contributions, 4,237 employers adding employee rosters, and 747 exemptions. Ms. Niles then provided metrics for the Webinar Support Program, which comprises four offerings (an employer overview, two employer how-to sessions, and a saver webinar). Through the Webinar Support Program, 472 individuals registered for a webinar in Q3, and a total of 762 individuals have registered for a webinar year to date. She then shared that there were 30 outreach events held in Q3 which included both virtual and in-person events. Ms. Niles then highlighted the goals and focus of Q4 2023, which include onboarding Wave 5 employers, noncompliance outreach, and providing additional resources to employers.

David Smith of Marquette Associates then provided a review of the market environment in Q3, noting that the most prevalent theme has been rates and rate expectations. The Federal Reserve began an aggressive rate hiking campaign in March of 2022 with eleven rate hikes to mitigate

inflation. The most recent numbers suggest the U.S. economy is cooling, and the expectation for more rate hikes has cooled which has helped elevate U.S. equity markets.

He then discussed that while inflation has come down, there are two signals that we are still in a growth environment. The first is unemployment, which remains very low, and the second is wage growth, which is around 4%. There are also deflationary signals which include the decrease in consumer savings as well as the fact that delinquency rates have started to climb which may result in the Federal Reserve no longer raising rates but even reducing rates if there is a sign of a recession. Therefore, there is still uncertainty in the marketplace regarding the path of interest rates, and interest rates are important in determining what will happen with capital markets.

Mr. Smith then discussed what this means for the performance of the Illinois Secure Choice portfolios. U.S. equity, one of the key drivers of growth for those further from retirement, has had a much more attractive return year to date than in 2022. Global equity has outperformed U.S. equity over the trailing one-year period emphasizing the need for diversification. The fixed income portfolio returns year to date are positive again at 5% to 6%.

Ms. Hillegass reviewed Q3 fund performance stating that Q3 showed negative performance almost across the board. The portfolio ended the quarter with approximately \$131M in assets driven by \$9M of net contributions and \$5M in investment losses. Year to date there have been \$6M in investment gains and contributions of \$26M. For the underlying fund options, they all performed negatively except for the 90-Day Hold Option and the Capital Preservation Fund. The Conservative Fund (0.4% of program assets) was down 3.40% for the quarter. The Growth Fund (about 3% of program assets) was also down 3.44% for the quarter. The Target Date Fund options, which account for about 95% of total plan assets, saw returns ranging from -3.5% to -4.0% for the quarter with intermediate-stage retirement savers seeing the biggest losses of the quarter. For the Capital Preservation Fund and the 90-Day Hold Option, which account for about 1% of plan assets, quarterly performance was slightly positive and up over 1%. She added that the fund event will be implemented on January 26, 2024.

#### **ACTION ITEM – APPROVAL OF INVESTMENT POLICY STATEMENT**

Ms. Hillegass reviewed changes made to the Investment Policy Statement to reflect the fund changes and the implementation date. Board members reviewed the Investment Policy Statement, which was provided in advance of the meeting. There was no discussion, and no additional changes were proposed.

*A motion was made by Ms. Pai, seconded by Mr. Bashir to approve the Investment Policy Statement. The motion carried unanimously.*

## **ACTION ITEM – APPROVAL OF INVESTMENT VENDOR REVIEW**

Board members reviewed the Investment Vendor Review, which was provided in advance of the meeting. There was no discussion, and no additional changes were proposed.

*A motion was made by Mr. Bashir, seconded by Ms. Marquez Avitia to approve the Investment Vendor Review. The motion carried unanimously.*

## **PRESENTATION – FY23 AUDIT**

Greg Walker of Landmark PLC presented an overview of the independent auditor's report which includes both parts of the audit, the financial reporting portion and the compliance portion, and there were no findings on either portion. He highlighted that Landmark only audits contributions made to the program and does not audit anything that happens at the employer level. Mr. Walker then reviewed several financial highlights including that as of June 30, 2023, 9,757 employers had registered with the Program and 4,909 had begun remitting payroll contributions compared to the first audit on June 30, 2019, where 740 employers had registered with 65 remitting payroll contributions. The number of active accounts has increased from 13,300 to over 105,000. The net position went from \$3.1M in 2019 to nearly \$128M in 2023. Contributions and withdrawals have also increased year over year.

He then presented the audit communication letter where he highlighted that Landmark is independent of all entities that are involved in the program. He noted that fees are the most significant risk to the financial statements, and consequently, Landmark tests fees more than any other item on the financial statements. Landmark recalculated the fees at a program-wide level and confirmed the fees received by the Board and by Ascensus and there were no issues. Mr. Walker also stated that Landmark tests every single line item in three different ways. Overall, there were no issues to report.

## **PUBLIC COMMENT**

There was no public comment.

## **OLD AND NEW BUSINESS**

Mr. Diaz noted that the 2024 Board Meeting dates have been shared with the Board.

There was no old business.

**ADJOURNMENT**

*With no further business, Mr. Diaz adjourned the meeting.*