

**ILLINOIS SECURE CHOICE SAVINGS BOARD**

**Meeting of Thursday, May 16, 2024  
Held In-Person & Remotely by Videoconference**

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**MEETING MINUTES**

The May 16, 2024 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*

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

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

**TREASURER’S OFFICE STAFF**

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

Sarah Hillegass, *Deputy Chief Investment Officer, Public Market (In-person)*

Arielle Singer, *Manager, Public Market Investments (In-person)*

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

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

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 March 21, 2024 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 Mr. Orozco to approve the March 21, 2024 Board Meeting Minutes. The motion carried unanimously.*

## **STAFF UPDATES**

Ms. Cheng provided an update on program activities during Q1 2024 which included residual employer activity from the Wave 5 deadline of November 1, 2023. She noted that from the end of 2023 Q4 to the end of 2024 Q1, there was an increase of nearly 4.5% in funded saver accounts and of 13.2% in total assets.

Ms. Cheng then provided an update on program enforcement. The Illinois Department of Revenue (IDOR) began the formal enforcement process for a batch of just over 300 employers in Q1 of 2024. To date, between the 2023 enforcement action and the 2024 action to date, the number of noncompliant employers has dropped by 91%. Additionally, in June, a second batch of employers will be placed under formal enforcement.

Ms. Meek then provided a legislative update on this year's Secure Choice initiative, HB4719. She stated that the bill had already passed the House, and it passed the Senate unanimously on May 15, 2024. The House now has 30 days to send the bill to the Governor, and the Governor will have 60 days to take action on the bill. If the governor signs the bill, it will take effect on January 1, 2025.

Ms. Cheng then provided an update on the Saver's Match, which is part of the SECURE 2.0 legislation passed by Congress in late 2022. She stated that Secure Choice staff is part of a working group that the Pew Charitable Trusts convened to discuss how to streamline the claiming process for the Match.

Ms. Cheng then reviewed FY24 year-to-date expenditures for the program, sharing that there is no real variance between this year and last year.

Mr. Bashir asked for clarification on the Federal bills that have recently been proposed that may affect state programs. Ms. Cheng explained that there are currently two bills that have been introduced, one by Senators Hickenlooper and Tillis and the other by Representative Neal, that attempt to close the access gap for workers who are not offered a workplace retirement option. Representative Neal's bill does grandfather in any existing state-facilitated programs such as Illinois Secure Choice.

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

Troy Montigney of Ascensus started by sharing an employer enforcement update. Pre-enforcement and formal enforcement activity resulted in 353 employers newly submitting \$3.4M in payroll contributions, which is approximately 2% of program assets. The next round of enforcement began on February 8, 2024 with 318 employers. This batch is a mix of employers from Wave 2021 and employers that carried over from the 2023 action and who are facing a Tier 2 penalty of \$500 per employee. To date, 9 of the 53 Tier 2 employers have exempted or remitted payroll contributions. He added that the response rate is over 60% for Wave 2021 enforcement employers, with the majority reporting exemptions.

Mr. Montigney then reviewed employer response data. He noted that activity has leveled off following the Wave 5 deadline of November 1, 2023. An average of 734 employers added employees weekly in Q1 2024 which represents a 51% year-over-year increase but a 50% decrease quarter over quarter since over 90% of employers have already added employees. An average of 3,807 employers submitted payroll weekly throughout Q1 which represents a 106% year-over-year increase and a 37% quarter-over-quarter increase.

Mr. Montigney then presented the Saver Data Summary, stating that the program reached a milestone yesterday of over 150,000 saver accounts. He also stated the average deferral rate is over 6%, even with the influx of new Wave 5 savers coming in at the default 5%.

In addition, Mr. Montigney presented Q1 Client Services metrics for both employers and savers stating that there were 20,704 calls, a 27% year-over-year increase. Of these calls, 391 were enforcement calls. He added that Q1 is historically a busier time for Client Services as annual account statements are sent in mid-January. He then reviewed results for Lionbridge, the third-party vendor Ascensus contracts with to assist with language interpretation. He noted that the number of Spanish-language calls outsourced to Lionbridge continues to decrease over time as Ascensus hires more multilingual associates to better serve callers. Ascensus employees now service approximately 90-95% of the Spanish-language calls with over 50% of associates being bilingual.

Carrie Bickerstaff of Ascensus provided a marketing update for 2024. A termination flyer was created to educate participants about their Illinois Secure Choice account options when leaving their place of employment. Mr. Diaz asked if there is data on employees that continue to contribute after they leave their place of employment. Mr. Montigney stated this is not currently an active metric, but it is something that could be reported on in the future. Ms. Bickerstaff then noted that updates are being made on statement messages and opt-out forms. Additionally, work has started on the Wave 2024 100-day letter and the 100-day automated email that will be sent using a new output vendor. She also stated that a roster maintenance email was created and sent to employers that had not recently updated their employee roster. From the 2,898 emails that were delivered, 140 employers (6%) took action and added 2,300 employees. Mr. Montigney noted that Ascensus

plans to send this email again in the future and it may even become a system-generated email that occurs on a regular basis.

Mr. Montigney then provided an update that Jaimee Niles, the Illinois Institutional Relationship Manger, is no longer with Ascensus. Martha Nemecek, Director of Institutional Relationship Management for Ascensus, provided a quarterly overview and summary of Field Team activities. She shared a recap of Q1 activities, which included 107 employer meetings and one outreach event. Across Q1, one-on-one meetings and events resulted in 1,525 employers submitting contributions, 51 employers adding employee rosters, and 61 employers reporting exemptions. Ms. Nemecek 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, 55 employers and 12 savers registered for a webinar in Q1, and there has been a total of 1,600 registrants since the inception of the program. She added that the recorded employer overview webinar was accessed 139 times, and the recorded saver webinar was accessed 85 times. Ms. Nemecek highlighted a testimonial from a participating employer and then discussed the goals and focus for Q2 2024, which include creating content for the website video library, noncompliance outreach, enforcement support, and identifying additional employers and savers to provide testimonials.

Eric Gaylord of Marquette Associates then provided a review of the market environment in Q1. He noted that performance was generally positive with both stocks and bonds rallying on the expectation of interest rate cuts; however, the rate cuts are now expected to occur at a slower pace than originally forecasted. Inflation increased slightly the first few months of 2024, but overall, progress is positive. Q1 returns were slightly negative for fixed income, but US and global equities both had positive returns in Q1. Mr. Gaylord also noted that the European Central Bank is expected to begin rate cuts at an earlier time frame to try to stimulate the European economy. Federal Reserve officials expect GDP growth to moderate going forward, with a slight increase in the unemployment rate and decrease in inflation.

Ms. Hillegass reviewed Q1 program performance stating that Q1 started off with about \$156M in assets. Across the quarter there were almost \$11M in net contributions with \$10M in investment gains thus Q1 ended with about \$176M in program assets. That total represents growth in program assets of approximately 13.2% over the quarter and 56% year over year. For the underlying fund options, they all had positive performance in Q1 except for the Conservative Fund which was down about 0.8% for the quarter (representing 0.35% of program assets). The Growth Fund (about 3.6% of program assets) was the top performer of the first quarter and was up about 10.5% for the year. The Target Date Fund options, which account for about 95% of total plan assets, saw returns ranging from 2.5% to 7.5% for the quarter. She added that US equities were the strongest contributors to performance generating about 10% of returns for the quarter and international

equities generated about 4%. For the Capital Preservation and 90-Day Hold Options, which account for about 1.2% of plan assets, quarterly performance was positive.

### **ACTION ITEM – APPROVAL OF BOARD INSURANCE POLICY RENEWAL**

Ms. Tremble presented the proposal for the renewal of the fiduciary liability and cyber liability insurance policies. The total premium for both policies is \$113,600 for annual coverage, which is about a 6% increase from last year. She stated that the coverage will remain the same, and that the increase is likely due to the increase in assets over the last year.

*A motion was made by Mr. Orozco, seconded by Ms. Pai to approve the renewal of the insurance policies. The motion carried unanimously.*

### **PRESENTATION – ENVIRONMENTAL LANDSCAPE**

Andrea Feirstein of AKF Consulting Group provided an overview of the auto-IRA industry, noting several observations. Performance of the industry reached new highs in both assets and accounts, industry activity increased as implementation accelerated and partnerships between state programs continued to develop, and throughout the industry, investments remain simple and hybrid fees (a combination of dollar-based and asset-based fees) seem to be here to stay.

In a year-over-year comparison, there has been a 29% increase in saver accounts and 87% growth in assets across the entire industry. Ms. Feirstein then added that the auto-IRA landscape has evolved over three distinct periods. The industry launch was 2017-2019, hybrid fees dominated from 2020-2023, and state collaborations and partnerships took hold in 2024 and are expected to continue. In the last twelve months, two auto-IRA programs launched, and two programs are in the pilot phase. Additionally, five more auto-IRA programs and one Multiple Employer Plan are under development. She then provided a snapshot of the investment options and the fee structures utilized by the current state programs. Finally, Ms. Feirstein reviewed each state's hypothetical cost to a participant with a \$1,500 account balance with Illinois having the lowest fees in that scenario.

### **PUBLIC COMMENT**

There was no public comment.

**OLD AND NEW BUSINESS**

Mr. Diaz stated that the next Board meeting will be held on August 15, 2024.

There was no old business.

**ADJOURNMENT**

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