

**ILLINOIS SECURE CHOICE SAVINGS BOARD**

**Meeting of Thursday, November 14, 2024  
Held In-Person & Remotely by Videoconference**

---

**MEETING MINUTES**

The November 14, 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)*

Roderick Bashir, *Board Member*

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

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

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

**TREASURER’S OFFICE STAFF**

Laura Duque, *General Counsel*

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

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

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

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

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

Yolonda Williams, *Deputy Director of Legislative Affairs*

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

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

Jaimee Niles, *Manager of Secure Choice*

### **APPROVAL OF BOARD MEETING MINUTES**

Board members reviewed the August 15, 2024 Board Meeting Minutes, which were provided in advance of the meeting. Mr. Bashir commented that on page 4 of the minutes there was an extra digit in the number of calls to Client Services. Mr. Diaz noted that the correction would be made.

*A motion was made by Mr. Bashir, seconded by Mr. Orozco to approve the August 15, 2024 Board Meeting Minutes with the noted correction. The motion carried unanimously via roll call.*

### **STAFF UPDATES**

Ms. Cheng provided Q3 2024 program updates stating that this year was the first annual wave following the final marquee onboarding wave that brought employers with as few as 5 employees into the program. Wave 2024 started with approximately 7,200 employers. Outreach and educational events were conducted throughout the quarter to reach these employers. Regarding enforcement action, Ms. Cheng noted that there was a second batch of enforcement employers in 2024 whose 120-day grace period ended in the middle of October. Program staff and Ascensus continue to work with employers from these two batches as well as enforcement employers from 2023 to help them become compliant. The response from enforcement employers has been positive with 98% of 2023 enforcement employers resolved and over 90% of 2024 Batch 1 employers and a little over 52% of 2024 Batch 2 employers resolved. Ms. Cheng added that pre-enforcement action, both via mail and email, is also taking place as Wave 4 employers will be in formal enforcement in 2025. There has also been pre-enforcement outreach to Wave 5 as it is the largest wave of employers to date.

Ms. Cheng also provided an update on the federal Saver's Match stating that Illinois Secure Choice joined with the other state auto-IRA programs to compile a joint letter to answer questions posed by the U.S. Treasury Department and Internal Revenue Service that were targeted at the auto-IRA industry. She noted that the key principles noted in the letter were simplicity, automation where possible, and access for everyone. The Saver's Match is a government match for eligible retirement account contributions that will take effect in tax year 2027. She noted that the issue for auto-IRA programs is that a Roth IRA, the account type utilized by the majority of program participants, cannot receive the match. Mr. Bashir asked if the change in political climate might impact the Saver's Match. Ms. Cheng stated that the post-election environment is something that has been discussed by the industry, but it is too soon to tell. She stated that she will keep the Board updated of any changes.

Mr. Diaz stated that based on the deadline for submission of the comment letter, there was no opportunity to have a discussion amongst Board members regarding their feedback on the Saver's Match. Ms. Pai voiced support for ensuring that program participants can access the match.

Ms. Cheng then reviewed FY25 year-to-date expenditures for the program, sharing that they are in line with expectations.

### **APPROVAL TO PROCEED WITH LEGISLATIVE INITIATIVE**

Ms. Meek provided a legislative update stating that the Illinois Secure Choice legislative initiative this year comprises two parts. The first part provides explicit language that participants may have both a Roth IRA and a Traditional IRA, a clarification which is relevant for the Saver's Match. The second part updates the Board duties to specify that the Board can assess the feasibility of agreements with other governmental agencies, including other states, to achieve greater economies of scale and enhance program quality and can enter into these agreements, if determined beneficial. The proposed change related to these agreements better reflects current practices in the industry.

*A motion was made by Ms. Mayall, seconded by Mr. Orozco to approve proceeding with the legislative initiative. The motion carried unanimously*

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

Troy Montigney of Ascensus started by sharing updates on current and future work for Illinois Secure Choice including a logic enhancement for the Customer Identification (CID) process, otherwise known as the Know Your Customer process, in October to decrease the number of address-related failures and thus increase the pool of eligible savers. Additionally, a new QuickBooks integration will launch in December 2024 utilizing a payroll aggregator called Payroll Integrations. Ascensus's relationship with Payroll Integrations will assist employers that have had issues with the existing QuickBooks API integration but will also allow Ascensus to add additional payroll providers that work with Payroll Integrations. Mr. Montigney added that Payroll Integrations does charge employers a fee that is based on the number of employees for whom they are remitting payroll contributions, a fee that is comparable to fees charged by payroll providers for similar services. If an employer does not wish to pay the cost, they can choose to submit contributions manually. As a final update, he stated that in early 2025 there will be updates to the BlackRock Target Date Retirement Fund lineup that occur once every five years.

Mr. Montigney then provided an update on Wave 2024 stating the employer response rate was 63.6% as of November 7, 2024, with 71% of registered employers uploading employee rosters. Mr. Diaz asked about the size of employers in Wave 2024, and Mr. Montigney replied that the average employer has 18 employees although the median was probably much lower. Ms. Cheng added that Wave 2024 also contained employers from previous waves that lost their exemptions including employers that previously had a qualified plan but have since discontinued that plan.

Mr. Montigney then provided an enforcement update stating that enforcement and pre-enforcement outreach from both 2023 and 2024 has thus far resulted in 467 new employers submitting payroll with almost \$6M in contributions (up \$1.2M since the last Board meeting).

Mr. Montigney then reviewed employer response data. He noted that this activity is representative of a post-program expansion state. An average of 697 employers added employees weekly in Q3 which is down 16% year over year and 5% quarter over quarter. An average of 4,058 employers submitted payroll weekly throughout Q3 which represents a 98% year-over-year increase. In October of 2024 there was a new business-as-usual weekly high of 4,302 employers submitting payroll.

Mr. Montigney then presented the Saver Data Summary, stating that the 30-day contribution activity remained above \$6M through most of Q3, and total program assets were now above \$200M on a consistent basis. He noted that there was a decrease in funded accounts from early Q3 to October 31, 2024. This decrease was due to the account fees being assessed quarterly which resulted in low-dollar account balances decreasing to \$0.

Finally, Mr. Montigney presented Q3 Client Services metrics for both employers and savers stating that in Q3, Client Services met the Service Level Agreement with an average speed to answer of 1 minute, 36 seconds (with the Service Level Agreement being 3 minutes). Additionally, in Q3 there were over 1,700 call back requests with an average call back time of 7 minutes, and for the year, over 6,000 call back requests with an average call back time of 8 minutes, 47 seconds. He then reviewed participant satisfaction for 2023 and 2024 which overall has remained around 85%.

Carrie Bickerstaff of Ascensus provided a marketing update. For the remainder of 2024, the marketing team will be working on end-of-year participant statements and the auto-escalation letter for savers, communications for the new QuickBooks integration, and website updates. She then reviewed the Wave 2024 email campaign results stating that both Ascensus and the Treasurer's Office sent employer emails this year. The average open rate for Ascensus emails was 46%, slightly below the goal of 50%; however, the average click rate was 8% which was higher than the 5% goal. Ms. Bickerstaff said that she is working with the Treasurer's Office to explore Ascensus's possible use of a .gov email address starting in 2025 to help increase open rates. Ms. Cheng added that the Secure Choice team has been leveraging the capabilities of a new data

analytics and business intelligence team within the Treasurer's Office to make certain processes more efficient. These efforts have included a more automated way to email certain employers and a more efficient way to analyze Form 5500 data from the U.S. Department of Labor.

Martha Nemecek of Ascensus then provided a quarterly summary of Field Team activities. The Field Team conducted 36 employer meetings in Q3 that were primarily focused on educating employers on the onboarding process as well reviewing how to add employees and submit contributions. The employer meetings and additional Field Team outreach led to 328 employers submitting contributions, 464 employers uploading employee rosters, and 130 employers reporting exemptions. The Field Team also conducted outreach and provided support to 110 employers that had a lapse in employee contributions and helped them become compliant by reconciling their contribution history with their internal payroll systems. 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). For Q3, 38 employers and 5 savers registered for webinars. She noted that there were 249 webinar registrants to date in 2024 and over 1,700 webinar registrants since the inception of the webinar program. Ms. Nemecek then reviewed the Q4 goals for the Field Team which include training a new Illinois Institutional Relationship Manager as well as working with Wave 2024 employers, enforcement employers, and employers with a lapse in submitting contributions.

Ms. Pai then requested that Ascensus keep the Board apprised on the rollout of the new Intuit QuickBooks integration through Payroll Integrations.

Mr. Diaz also mentioned that the Treasurer's Office, in addition to creating a new data analytics and business intelligence team, has also recently expanded its marketing and communications team, which will help with Secure Choice marketing efforts.

Related to the Saver's Match, Mr. Montigney shared that Ascensus also submitted its own comment letter to the U.S. Treasury Department and Internal Revenue Service.

Eric Gaylord of Marquette Associates then provided a review of the market environment for Q3. He noted that in general, it was a nuanced quarter with the anticipation of interest rate cuts being the primary driver of returns. Inflation moved closer to the Federal Reserve's target in August, allowing them to shift their focus from being solely on inflation to also address maintaining full employment. With that in mind, the Federal Reserve will look to continue to cut interest rates and already cut another quarter percent in November. The impact of cutting interest rates was positive for fixed income in Q3, and the yield curve shifted lower and normalized for the first time in over two years. In the U.S. equity market, the S&P 500 was up 22.1% for the year and 5.9% for the quarter. It was led by the large-cap tech companies; however, in Q3 the small-cap markets outperformed the broader market. Mr. Gaylord noted that technology has had a phenomenal year

thus far, but in more recent quarters, other industries like utilities and real estate have also produced positive performance. He then discussed global equity performance stating that emerging market equities delivered strong returns in Q3.

Ms. Hillegass then reviewed Q3 program performance stating that the quarter started off with approximately \$192M in assets. Across each month of the quarter there were approximately \$4M in net contributions and \$4M in investment gains, thus Q3 ended with about \$216M in program assets. The underlying fund options all had positive performances in Q3. The Conservative Fund was up 5.20% for the quarter. The Growth Fund (about 3.8% of program assets) was up about 5.8% for the quarter and about 36% for the trailing one-year period. The Target Date Fund options, which account for about 95% of total plan assets, saw returns ranging from about 5% to a little over 7% for the quarter. She noted that this performance was boosted by positive performance in both equities and fixed income. U.S. equities were the strongest contributors to performance. The Capital Preservation and 90-Day Hold Options also saw positive performance at about 1.3%. Ms. Hillegass noted that with the Federal Reserve's recent rate cuts, the yields on the money market fund will start to decrease.

#### **APPROVAL OF INVESTMENT POLICY STATEMENT**

Ms. Hillegass reviewed the Investment Policy Statement, which was provided in advance of the meeting. She stated that there have not been any investment changes since January 2024. The primary changes were updating language for consistency and updating the Target Date Fund benchmark to the custom LifePath® benchmark.

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

#### **PRESENTATION – FY24 AUDIT**

Greg Walker of Landmark PLC presented an overview of the independent auditor's report, which includes financial reporting, internal controls, and compliance. He stated that there were no findings whatsoever. He noted that for the internal controls portion, Landmark PLC did go on site to Ascensus, rather than conducting that portion virtually, for the first time since 2020. 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 the audit communication letter highlighting the "significant risks identified" section. He noted that any time there is a change in investment options, underlying

funds, or asset-based fees, there is a greater risk that something could go wrong. During the current year there was a reduction in program management fees and an underlying fund change. He stated that both of those changes were tested individually, and no errors were found.

Finally, Mr. Walker presented financial trends noting that from 2023 to 2024 there was an increase of net position of \$64.4M, which is almost a 51% increase. Additionally, contributions and distributions have increased as the number of account owners has increased with an almost 37% increase in contributions and a 53% increase in distributions from 2023. He also noted that registered employers, employers with remittances, and active accounts have all increased since 2023.

### **PRESENTATION – LIFEPATH® TARGET DATE FUNDS RESEARCH AND CONSTRUCTION UPDATE**

Arley Reyes of BlackRock provided an overview of the LifePath® platform and Target Date Funds research. He first reviewed BlackRock’s mission and how it informs the structure of the LifePath® platform. He stated that BlackRock strives to create innovative solutions that are simple to use so that savers can accumulate wealth during their working years and spend consistently in retirement. LifePath® is designed to bring more certainty to retirement incomes and the platform is structured based on a dedicated team, a strategic platform, and 30 years of innovation.

Mr. Reyes then provided a real-time case study demonstrating BlackRock’s relentless pursuit of improving retirement outcomes. He provided a summary of research aimed at improving inflation responsiveness through asset class research. The first finding was that inflation protection does not need to be introduced until wage growth stops, which was found to be at age 50. The results of BlackRock’s asset class research included replacing full-curve TIPS with short-curve TIPS, replacing Global Real Estate with U.S. Real Estate, adding Bloomberg Enhanced Roll Yield Index, and adding publicly-listed infrastructure.

### **PUBLIC COMMENT**

There was no public comment.

### **OLD AND NEW BUSINESS**

Mr. Diaz stated that 2025 Board meeting dates were being finalized.

Ms. Tremble provided a reminder to Board members to complete their trainings.

**ADJOURNMENT**

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