

ILLINOIS SECURE CHOICE BOARD

**Meeting of Thursday, August 19, 2021
Held In-Person & Remotely by Videoconference**

MEETING MINUTES

The August 19, 2021 meeting of the Illinois Secure Choice Board (“Board”) was called to order by Mr. Diaz at 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*

Kristina Dion, *Temporary Designee for the Illinois Governor’s Office of Management and Budget*

Miriam Martinez, *Board Member (In-person)*

David Marzahl, *Board Member*

TREASURER’S STAFF

Joe Aguilar, *Director of Due Diligence & Investment Analysis*

Jubril Durojaiye, *Deputy Director of Due Diligence & Investment Analysis*

Laura Duque, *General Counsel*

Barbara Delano, *Assistant General Counsel*

Courtney Eccles, *Director of Secure Choice (In-person)*

Cliff Peng, *Deputy Director of Secure Choice*

Catherine Shannon, *Chief Legislative & Policy Officer*

ACTION ITEM – SUSPENSION OF A PORTION OF THE BOARD RULES

Due to the continuous threat from the current COVID-19 pandemic, potential risks and safety concerns by holding an in-person meeting, the Governor’s Executive Order 2021-15, and the suspension of OMA in person attendance, a motion was required for the Rules in Article VII relating to the requirement of in-person attendance to be suspended in accordance with Article XI of the Illinois Secure Choice Savings Board Rules of Order.

The suspension of the previously referenced portion of the Board Rules allowed the Board to conduct its August 19, 2021 Board Meeting partially in-person and remotely with the presence of a quorum (all votes at the meeting were held via roll call).

A motion was made by Mr. Orozco, seconded by Ms. Martinez to suspend a portion of the Board Rules due to the current COVID-19 pandemic and the Governor’s Executive Order 2021-15. The motion carried unanimously.

APPROVAL OF BOARD MEETING MINUTES

Board members reviewed the May 13, 2021 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 Ms. Martinez, seconded by Mr. Marzahl to approve the May 13, 2021 Board Meeting Minutes. The motion carried with one abstention from Ms. Dion.

STAFF UPDATES

Ms. Eccles provided a legislative update on the status of HB117, which lowers the employee threshold, allows for automatic escalation, and clarifies some of the enforcement language in the statute. She noted that the bill was signed into law by the Governor on July 30, 2021 and the legislation goes into effect January 1, 2022. She mentioned that staff would be working closely with Ascensus in the upcoming months on the communication, onboarding, and engagement of smaller eligible employers when it comes to the new Waves 4 and 5. She then reminded the Board of the auto-escalation structure and program expansion wave deadlines that were approved at the May 13, 2021 Board Meeting. In addition, Ms. Eccles gave a brief summary of the estimated number of eligible employers for Wave 4 and Wave 5, respectively ~12,000 and ~65,000 based on Illinois Department of Revenue (IDOR) 2020 employer data. She then noted that those numbers were rough estimates and staff would be working through the exemption and eligibility verification processes including Federal 5500 Form comparison once the waves roll out.

Ms. Eccles provided an audit update, noting the opening audit letter was shared in advance of the meeting. She mentioned that the audit report for fiscal year (FY) 2021 was being prepared and conducted by Landmark PLC (Landmark), and would be shared with the Board in the upcoming months. She highlighted that Landmark had completed the Ascensus audit report for the past three years covering each fiscal year. She then noted that the program had multiple audits in previous years but only one single audit of the program was needed for FY2021 under the requirement of the state law and the Office of Illinois Auditor General.

Ms. Eccles briefed the Board on the budget report, documenting spending from the entire FY2021 (7/1/2020 – 6/30/2021) to the beginning of August 2021 (8/12/2021), that had been shared with the Board Members prior to the meeting. She reminded the Board that the relatively higher spending for the contractual services was due in part to the one-time contract amendment with the program administrator – Ascensus. She added that the rest of the spending in other categories remained constant while the travel category remained at zero due to the current restrictions from the ongoing COVID-19 pandemic.

Ms. Eccles then provided the Board with an update on the timeline and logistics planning for the program enforcement. She reminded the Board of the enforcement provisions as part of the HB117 and noted that enforcement notices would be formally sent to employers from initial waves who are out of compliance in January and February 2022 for the first time since the launch of the program. She mentioned that non-compliant employers would have up to 120 days to fully come into compliance of the program and have the penalty fees waived by IDOR as laid out in the legislation. She then pointed out that staff have been working closely with IDOR on the logistics planning and added that IDOR would draft and establish its own administrative rules for the enforcement of Secure Choice under the requirement of the state law.

Finally, Ms. Eccles provided a brief update on the research and data analysis projects. She mentioned that the Pew Charitable Trusts (Pew) would share the final results, initial findings, and research from the surveys of the program in the Board enrichment portion of the meeting. She introduced a new modelling project that staff have been working on with the AKF consulting team with a focus on the growth, size, and scope of the program in light of the expansion and new waves. Ms. Eccles added that the preliminary projections of the modelling would be shared with the Board in the upcoming meetings. In addition, she discussed the research and data project with Civis Analytics that would provide additional demographic data, such as gender, race, and ethnicity, for the existing population of savers.

DISCUSSION – SECURE CHOICE QUARTERLY REPORT

Troy Montigney of Ascensus started his presentation by giving a status update on the company ownership change via private equity transition and highlighted that Ascensus Government Savings division, which oversees SFRP program, would be receiving additional strategic investment to bring the technology, product, and payroll capacities up to scale.

Mr. Montigney provided an overview of the program metrics for the 2nd quarter of 2021 and numbers current as of August 3, 2021. Key data snapshots from the program included the steady growth of funded accounts (90,403 total accounts with ~5,000 new accounts) and total assets under management (AUM) (\$67,073,057 AUM coupled with ~\$11.4M quarterly growth). He noted that the monthly withdrawals number trended down to \$800K from \$900K at the beginning of this year, which was due in part to the distribution of the annual account statements. He then highlighted the increase in monthly contributions (~\$3.3M in the past 30 days) and the notable increase in average contribution amounts (11.4% quarterly increase and 8.3% in the past 30 days) and deferral rate for the last quarter.

Mr. Montigney then discussed the recent employer and employee trends, and withdrawal trends in the last quarter. He highlighted the uptick in the number of employers submitting payroll files throughout the quarter (averaging 1,281 per week) and reminded the Board that the week of April 4 brought an all-time program high of 1,552. He added that the number of employers adding employees averaged 333, which showcases the steady growth in the 2nd quarter. He also pointed out that the average withdrawal amount trended up as the program's average account balances rises and withdrawals had trended upward following the distribution of account statements. In addition, Mr. Montigney added that registered and exempted employer activities peaked in Q2 in the wake of the pre-enforcement communication sent to those unregistered and non-compliant employers, including 9 net registrations and 39 net exemptions with 10 employers adding employees and 5 employers remitting payroll deductions.

In addition, Mr. Montigney discussed the monthly breakdown of call volume and emails handled in the last quarter from employers and employees with metrics including service level (94.13%), abandon rate (0.36%), average speed to answer (0:13), and average talk time (6:22). Mr. Marzahl commented on the performance numbers and complimented the work and efforts led by the customer service team. He then led the conversation on the employer onboarding progress by outlining the monthly growth numbers by wave in Q2 2021. He noted that a total of 31 employers were onboarded in the last quarter with 74% service satisfaction rate.

Lastly, Mr. Montigney summarized the marketing and social media activities for the last quarter, including the marketing activities and the website traffic trends from both employers and savers. He noted that the highest volume for the website traffic continued to be employers going directly to the site to facilitate payroll contributions while small, social and display sources of traffic drove high bounce rates (87% and 95% respectively). He also highlighted the effectiveness and strong

engagement from the pre-enforcement campaign with a total of 1,444 emails delivered coupled with 31.5% open rate, 9% click-through rate, and 28.6% click-to-open rate. In addition, he mentioned that Tim Klein Photography was selected as the video partner for the program video testimonial project as part of the Q3 marketing initiatives.

Mr. Durojaiye provided an overview of the market environment and performance in the 2nd quarter. He highlighted that global economic growth was gaining momentum with most developed countries projected to resume growth at pre-pandemic levels by mid-2022. He pointed out the recent drivers of the elevated inflation but added that the longer-term inflation expectations suggest it was not a long-term threat. He then mentioned the increases in auto prices and commodity prices and noted the current mismatch between the supply and demand in the labor market. In addition, he mentioned that the equity markets had been less volatile compared to both 2020 and historical averages and estimates for equity earnings strengthened over the last six months.

ACTION ITEM – APPROVAL OF ADMINISTRATIVE RULE CHANGES

Ms. Eccles led the discussion on the major changes made to the administrative rules (rule) for the program in conjunction with the Statute, noting that the draft rules were shared with the Board in advance of the meeting. She pointed out that the updated rule included a modified definition of employers and how their employees would be counted using IDOR data. She highlighted the addition of a section on the auto-escalation structure was one of the major changes made to the rule, which provided the specifics and definition of responsibilities and eligibility. She then added that the auto-escalation (at January of each calendar year moving forward) would only apply to savers who had been in the program for a minimum of 6 months. Ms. Eccles also addressed the question raised by Ms. Martinez and clarified that the auto-escalation rate was from 1% increase up to 10% for savers in the program.

Mr. Diaz asked the Board to approve the administrative rule changes as outlined by Ms. Eccles.

A motion was made by Ms. Martinez, seconded by Mr. Marzahl to allow the Treasurer's Office to approve the administrative rule changes. The motion carried unanimously.

PRESENTATION – ENVIRONMENTAL LANDSCAPE, AKF CONSULTING

Andrea Feirstein of AKF Consulting provided updates on the development of state-run retirement programs across the country, including the detailed breakdowns of state oversight and program models. She noted that New York City Auto-IRA program would be expected to merge with the New York State program once the legislation is signed by the Governor. She then provided an update on the performance snapshot across California, Illinois, and Oregon as of June 30, 2021, highlighting the total of \$276.1M retirement savings among 35,8785 accounts. She also led the discussion on the program related developments and legislative updates among states of interest

and addressed the question raised by Ms. Martinez. In addition, Ms. Feirstein gave a brief update on the upcoming fee structure change expected in Q3 2021 as part of the program conversion for Oregon.

BOARD ENRICHMENT – SECURE CHOICE SURVEY RESEARCH & FINDINGS, PEW CHARITABLE TRUSTS

John Scott of The Pew Charitable Trusts (Pew) provided an overview of the background, design, and goals of the surveys and research of the program. He laid out the Auto-IRA framework and strategies in conjunction with Pew’s work and across the states that have launched programs. Mark Hines then led the conversation on the detailed findings and analysis of IL Secure Choice survey results, including the program participation, financial security, and the program satisfaction. He highlighted the awareness of the program based on the survey results and laid out saver participation by race, ethnicity, and age and addressed the follow-up question raised by Mr. Diaz. Mr. Hines pointed out that the average age of program participants is ~37 years old and noted that savers in the program reported mostly positive or no impact on their financial security. In addition, he highlighted that participants remained positive and satisfied (61.7% satisfaction rate) with the program as part of the key takeaways. He mentioned that the team would delve into the administrative data from Ascensus and consumer credit data from Experian for additional analysis as the next step for the project. He also confirmed that the marital status, gender, or the number of dependents had no or minimum impact on program participation based on the current survey data as his response to the question raised by Ms. Martinez.

PUBLIC COMMENT

There was no public comment.

OLD AND NEW BUSINESS

Mr. Diaz reminded the Board to complete their 2021 Annual Ethics Training online, adding that members previously received their login information via an email from Ms. Duque.

Mr. Diaz then noted that the next Board Meeting was scheduled for November 18, 2021 and the meeting information and materials would be made available prior to the meeting.

There was no old business.

ADJOURNMENT

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