

ILLINOIS SECURE CHOICE BOARD

**Meeting of Wednesday, December 14, 2016
James R. Thompson Center
100 West Randolph, Room #16-504, Chicago, Illinois**

MEETING MINUTES

The December 14, 2016 meeting of the Illinois Secure Choice Board (Board) was called to order at 2:00 p.m. with the presence of a quorum.

BOARD MEMBERS PRESENT

Michael Frerichs, Chair
Illinois State Treasurer

John Gay
Designee for the Illinois State Comptroller

Miriam Martinez
Office of the City Treasurer – Chief Investment Officer

David Marzahl
Center for Economic Progress – President & CEO

David Rappaport
Rappaport Reiches Capital Management, LLC - Co-Managing Partner

John Rauschenberger
Technology & Manufacturing Association – Executive Vice-President and General Manager

TREASURER'S STAFF

Joe Aguilar, *Deputy Director – Investment Analysis and Due Diligence*

Courtney Eccles, *Invest in Illinois Program Manager*

Julian Federle, *Chief Policy and Program Officer*

Rodrigo Garcia, *Chief Investment Officer*

Keith Horton, *General Counsel*

Sandi Raphael, *Deputy General Counsel*

Jay Rowell, *Deputy Treasurer*

APPROVAL OF OCTOBER BOARD MEETING MINUTES

Board members reviewed the October 11, 2016 Board Meeting Minutes, which were provided in advance of the meeting. There was no discussion and no changes were proposed.

Mr. Rauschenberger made a motion to approve the October 11, 2016 Board Meeting Minutes. Mr. Rappaport seconded the motion. The motion was unanimously approved.

LEGAL UPDATE

Mr. Rowell provided the Board with an update on staff efforts to secure outside counsel for the Board. He introduced Amanda Sonneborn from Seyfarth Shaw LLP (Seyfarth) and noted that Seyfarth had agreed to provide pro bono legal services to the Board, specifically in the areas of employment law, employee benefits, and other regulatory and fiduciary issues. Ms. Sonneborn provided a quick description of the firm's work and areas of expertise and noted that Seyfarth was also working with other states, exploring programs similar to Secure Choice. Seyfarth will draft a representation letter for the Board and Board members should feel free to communicate directly with Seyfarth.

APPROVAL OF SECURE CHOICE CONSULTANT SERVICES RECOMMENDATION

Ms. Eccles provided a brief explanation of the procurement process, Evaluation Team, and the Evaluation Team's recommendation to the Board for the Secure Choice Investment and Administrative Consulting Services RFP. The Evaluation Team was comprised of two policy and program staff from the Treasurer's Office, two investment staff from the Treasurer's Office, and a representative from the Governor's Office of Management and Budget. The Evaluation Team reviewed all of the Proposals, brought in two finalists for interviews, and was in agreement on its recommendation to the Board. Ms. Eccles stated that Segal Rogerscasey (Segal) was the recommended firm.

Segal staff provided a presentation to the Board. The Powerpoint presentation is available on the Secure Choice website under Board Materials.

Discussion

Upon completion of the presentation, Board members and Segal staff discussed various investment and administrative issues, including the following: questions related to passively managed fund options, the due diligence process to review a fund line-up, how the Secure Choice timeline and rollout compares to the timeline for Oregon's program, and the potential involvement and engagement by Segal staff with the Board's different subcommittees. As part of this discussion, Board Member David Rappaport expressed disapproval over Segal's

highlighting of their capabilities in choosing actively-managed investment fund options, noting that the Board, as expressed in our Statement of Investment Principles, does not desire fund options that do not track the markets' performance or have the potential for underperformance. After the discussion, the Chair sought a motion regarding the Evaluation Team's recommendation. Before the vote, Ms. Eccles noted that while Ms. Fowler could not be present at the meeting, she had asked that her support for Segal be noted.

Ms. Martinez made a motion to approve the retention of Segal Rogerscasey as consultants for Secure Choice. Mr. Marzahl seconded the motion. The motion passed unanimously.

STAFF UPDATES

Veto Session and Legislative Session:

Ms. Eccles provided a quick update on meetings she and Ms. Shannon, the Treasurer's Legislative Director, had with legislative sponsors, as well as a number of business groups. At the meetings, Ms. Eccles and Ms. Shannon provided updates on Secure Choice implementation and solicited feedback on different legislative initiatives. Feedback from the business community is expected over the next few weeks and, using that information, staff will provide the Board with a recommendation for legislation at the January Board Meeting.

Ms. Eccles also noted that because no appropriation bill was acted upon during the 2016 veto session, the Secure Choice appropriation language still needs to be fixed. Staff will continue to track that issue during the upcoming lame duck session and spring legislative session.

Federal Updates:

Ms. Eccles noted that the U.S. DOL Final Rule for state plans officially took effect in the fall of 2016 and stated that staff would be monitoring any action by the incoming administration or Congress that might impact the rule or the Board's implementation efforts. No changes are expected but staff will keep the Board updated.

Research Progress:

Ms. Eccles provided an update on the work being done by the Urban Poverty Lab on expected participant demographics, as well as the market analysis being conducted by Boston College. Staff is working with the Urban Poverty Lab to create a brief report for the Board and the general public that will provide a summary of the expected participant demographics. The data provided by the Urban Poverty Lab has been shared with Boston College to assist with its research.

A contract with Boston College has been executed and initial conversations have begun. Boston College is using information provided by the Treasurer's Office to set up a model for the feasibility study. Ms. Eccles noted that while Boston College has a six month contract to

complete the work, it anticipates being able to provide the Board with analysis and a report sooner than six months. Ms. Eccles added that staff from both Urban Poverty Lab and Boston College would conduct presentations for the Board at an upcoming meeting.

Budget to Date:

Ms. Eccles provided the Board with a budget update, indicating spending in FY17 from July 1, 2016 through October 31, 2016. She noted that spending was at less than 5% of the anticipated appropriation for Secure Choice. Ms. Eccles added that the figures provided did not include spending on the market analysis contract with Boston College and the anticipated spending on consulting services. Staff will continue to provide budget updates at future Board meetings.

PRESENTATION BY U.S. TREASURY STAFF

Ms. Eccles introduced Richard Ludlow and Greg Till from the U.S. Treasury. They spoke about the myRA product offered by the U.S. Treasury and specifically the underlying Treasury Bond that myRA could make available to state programs. Ms. Eccles noted that the investment subcommittee had preliminary conversations on this topic at a September meeting and that the U.S. Treasury staff would provide more details of how that arrangement might work.

U.S. Treasury staff made a presentation, which they then discussed with the Board. The U.S. Treasury presentation is available on the Secure Choice website under Board Materials.

To facilitate more detailed conversation and exploration into using the myRA Treasury Bond as a fund option for Secure Choice, the Board made a motion to continue conversations with U.S. Treasury.

Mr. Rappaport moved to declare that the Board has an interest in using the Treasury Bond and to authorize the Treasurer's Office to continue having discussions with U.S. Treasury. Ms. Martinez seconded the motion. The motion passed unanimously.

BUSINESS OUTREACH AND ENGAGEMENT

Ms. Eccles and Mr. Rauschenberger provided the Board with additional information on the February 9, 2017 outreach event hosted by the Technology & Manufacturing Association (TMA). The event will open with a 7:30 a.m. continental breakfast, followed by an 8:00 a.m. program start. The program should last no more than 20-30 minutes with the remaining time allocated for discussion and questions.

Mr. Rauschenberger noted that the early start time was strategic to ensure attendance. He added that TMA will work with the Treasurer's Office to create an email invitation that should go out

the first week of January to TMA members and any the other business groups and associations that could perform outreach with their members. He underscored that the short timeframe would require everyone to begin performing outreach immediately after the holidays.

Ms. Eccles provided a brief update on the outreach events she participated in with the Illinois Department of Revenue (IDOR). The presentations focused on the new Form 941 that Illinois businesses will be completing, starting in January of 2017. Ms. Eccles joined IDOR staff at events around Illinois to briefly discuss Secure Choice, how it works, and the new 2018 rollout date.

MEETING SCHEDULE FOR 2017

Treasurer Frerichs noted that in order to keep up with the Board's timeline for Secure Choice's rollout, it would be necessary to schedule a few meetings in early 2017, as well as at least one meeting for each quarter of 2017. He added that Ms. Eccles would reach out to schedule dates after the meeting.

Ms. Eccles informed the Board that she will be taking maternity leave, beginning sometime in mid-March, and while she plans to perform some work remotely, Mr. Federle will take on the bulk of the day-to-day responsibilities. She added that if the Board sticks to its schedule to approve release of the Program Manager RFP in March, the Board will be well positioned to approve a program manager in the summer of 2017, which is on track with the Board's implementation timeline.

OLD AND NEW BUSINESS

Mr. Horton reminded all Board members to complete their Ethics Training for 2016 and to provide a copy of the signed completion form to the Treasurer's Office before the end of year.

PUBLIC COMMENT

There was no public comment.

ADJOURNMENT

With no further business, Treasurer Frerichs thanked the Board for its work and adjourned the meeting at 3:45 p.m.