

ILLINOIS SECURE CHOICE BOARD

**Meeting of Thursday, February 17, 2022
Held In-Person & Remotely by Videoconference**

MEETING MINUTES

The February 17, 2022 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*

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

Miriam Martinez, *Board Member*

TREASURER’S STAFF

Joe Aguilar, *Chief Investment Officer*

Jubril Durojaiye, *Director of Public Market Investments*

Jake Hilliard, *Deputy Director of Public Market Investments*

Laura Duque, *General Counsel*

Barbara Delano, *Assistant General Counsel*

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

Cliff Peng, *Deputy Director of Secure Choice*

Sara Meek, *Director of Legislative Affairs*

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 Disaster Proclamation (reissued on February 4, 2022), 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 February 17, 2022 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 Ms. Martinez, seconded by Mr. Clemons-Mosby to suspend a portion of the Board Rules due to the current COVID-19 pandemic and the Governor’s Disaster Proclamation. The motion carried unanimously.

APPROVAL OF BOARD MEETING MINUTES

Board members reviewed the November 18, 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. Orozco to approve the November 18, 2021 Board Meeting Minutes. The motion carried unanimously.

STAFF UPDATES

Mr. Diaz provided a staff update by introducing the new Director of Secure Choice at the Treasurer’s Office – Christine Cheng. Ms. Cheng then provided the Board with an update on the budget report documenting FY2022 year-to-date expenditures (7/1/2021 – 2/7/2022), which was shared with the Board Members prior to the meeting. She noted that expenditures were fairly consistent with the prior year while there was an uptick in the travel category as staff conducted an on-site due diligence visit at the Ascensus office in Newton last November. In addition, she mentioned that the FY2021 Annual Report was completed and submitted in January as required by statute, and was posted on the program webpage of the Treasurer’s Office website and shared with the Board electronically prior to the meeting.

Ms. Meek provided the Board with a legislative update, reminding the Board of the amendments made to the administrative rules for the program in relation to HB117 that took effect on January 1, 2022. She highlighted that the amended rules were adopted on February 8, which included the

modified definition of “employer” and how employees are counted, as well as the addition of automatic escalation of saver contribution rate.

Ms. Cheng gave an update on program implementation and wave rollout, walking the Board through the details and deadlines in relation to the two upcoming waves. She noted that Wave 4 includes employers with 16-24 employees and their deadline will be November 1, 2022. She also noted that Wave 5 includes employers with 5-15 employees and their deadline will be November 1, 2023. She mentioned that businesses under both waves could join the program and start facilitating Secure Choice ahead of their deadlines.

Ms. Cheng then provided a brief update on program enforcement. She highlighted that staff continued to work with the Illinois Department of Revenue (IDoR) on the logistics and implementation of program enforcement, adding that a number of post-deadline communications were sent to the existing population of non-complaint employers. She noted that IDoR had started drafting and filing its own rules in relation to penalty assessment and additional updates would be provided to the Board in the future. She also pointed out that staff and Ascensus would continue to reach out to targeted employers to help them move towards compliance and that the timeline for enforcement and penalty assessment might be adjusted to take place later this year.

In addition, Ms. Cheng provided a status update on the ongoing research and analysis projects. She mentioned that staff continued working with Civis Analytics to delve into saver demographics and draw some additional insights. She added that staff had also been working closely with AKF Consulting Group on the modeling project that would provide projections on program growth in terms of assets, funded accounts, and participating employers.

DISCUSSION – SECURE CHOICE QUARTERLY REPORT

Troy Montigney of Ascensus started his presentation by providing an overview of program metrics for Q4 2021 and the most recent program numbers as of January 31, 2022. Key data snapshots from the program included the steady growth of funded accounts (99,082 total accounts with ~4,800 new accounts) and a significant increase in average deferral rate (5.60% as of January 31, 2022) due to auto-escalation that took effect in January, as well as the uptick in web-registered accounts (due in part to the selection of electronic delivery of statements by savers and the introduction of paper statement fees). He highlighted the steady trend in monthly contributions (~\$3.4M in the past 30 days) and then pointed out that the monthly withdrawal numbers peaked at ~\$1.4M in the past 30 days following the distribution of annual account statements last month.

Mr. Montigney led the discussion on employer and employee trends as well as the recent growth and activities in employer registration. He highlighted that the timeline in both charts reflecting

employer and employee trends had been adjusted to show 2021 as the starting year for a more digestible outlook. He noted to the Board that the number of employers submitting payroll files remained steady throughout Q3 and Q4 last year with dips and peaks around holidays. He then mentioned that the number of employers adding employees since 2022 trended relatively higher in comparison with the number from the same period last year.

Mr. Montigny pointed out that the withdrawal numbers had been trending upward and peaked immediately following the distribution of annual account statements in both early 2021 and 2022. He noted that the average withdrawal amount trended upwards as the program's average account balance continued to rise. In addition, he highlighted the strong and steady quarterly growth in employer registration and facilitation activities driven by the passage of the Wave 2021 deadline in November of 2021 and the pre-enforcement outreach to unregistered and non-compliant employers, including 230 net registrations and 736 net exemptions in Q4 with 214 employers adding employees and 157 employers remitting payroll deductions. He also presented a visualization of employer facilitation status by wave and briefed the Board on the modifications made to the asset summary by fund table in his presentation.

In addition, Mr. Montigny presented the client service metrics for both employers and savers, including service level (90.05%), abandon rate (0.92%), average speed to answer (0:21), and average talk time (6:07). He shared the 2021 highlights for client services in relation to call center SLAs, customer satisfaction scores, internal Quality Assurance, bilingual support, and enforcement preparation. Mr. Montigny then provided a quarterly review of marketing services, including activities for both savers and employers and the ongoing paid search efforts and website updates. He mentioned that Ascensus worked with Tim Klein Photography and finalized the testimonial videos and customized clips from Carriage Crossing Senior Living. He also discussed the distributed communication campaigns for the implementation of paper statement fees and auto-escalation. He noted that Ascensus continued to run increased paid search in the last quarter while preparing program webpage updates to reflect new features and the upcoming expansion. Mr. Montigny then shared more on the marketing focus for next quarter that included webpage updates, Wave 4 and Wave 5 early outreach campaigns, refreshed paid search words and ads in market, and the finalized 2022 marketing budget.

Finally, Mr. Montigny presented information on recent and upcoming program modifications, wave expansion, and product enhancements. He highlighted the increase in web-registered accounts (~3,200 new accounts accounting for 19.12% of total funded accounts) after the disclosure notices and the distribution of Q4 statements. He noted that ~52,000 savers had their contribution rate auto-escalated, which represents a very high acceptance rate (~98.5% of eligible savers). He added that Ascensus would provide automated annual reporting on the deferral rate following the auto-escalation in January every year. Mr. Montigny also noted that early registration for Wave 4 and Wave 5 employers was officially open and that Ascensus had enabled

the “request access code” functionality for a smooth onboarding experience for those employers. In addition, he highlighted some of the upcoming product enhancements that included the re-design of the employer portal, payroll provider integration, and feature automations.

Mr. Durojaiye started his presentation by providing an overview of the 2022 market environment outlook and themes. He mentioned that inflation was expected to remain elevated in 2022 while the interest rate would rise accordingly as the Federal Reserve and other central banks take action. He pointed out that historically, hedge funds, real estate, infrastructure, and private markets had all shown to perform well in inflationary environments. He noted that the labor shortages remained a concern while supply chain pressures would potentially be alleviated as economies are expected to more fully re-open by the second half of 2022. In addition, Mr. Durojaiye pointed out that factors such as divergent central bank policies, the ongoing pandemic, and geopolitical risks would contribute to higher market volatility and lower earnings growth in 2022. He then walked the Board through the summary of underlying fund performance and investment option review in the last quarter in a response to a follow-up question raised by Mr. Diaz.

PRESENTATION – ENVIRONMENTAL LANDSCAPE, AKF CONSULTING GROUP

Andrea Feirstein of AKF Consulting Group started her presentation by providing an update on the Auto-IRA performance snapshot across California, Illinois, and Oregon as of December 31, 2021, highlighting the total of \$407.9M in retirement savings from 429,663 accounts. She laid out a breakdown of quarterly growth in both accounts and assets starting from Q2 2020 for the three programs and noted that the industry and market growth had been largely driven by the wave rollouts in California. In addition, she gave an update on recent developments in states with launched Auto-IRA programs, highlighting the customization of investment options in Connecticut. She then walked the Board through a comparison of investment fees and key implications of customized target date funds and addressed the question raised by Ms. Martinez regarding the feasibility of customization. Mr. Diaz also added that AKF recently conducted a regulatory training for the Treasurer’s staff and that Board Members would receive investment and asset allocation trainings as part of the Board enrichment series at upcoming meetings. Finally, Ms. Feirstein led the conversation on the latest developments in Maryland, Virginia, Colorado, and New York.

PUBLIC COMMENT

There was no public comment.

OLD AND NEW BUSINESS

Mr. Diaz noted that the next Board Meeting would be held at 3 pm CT on Thursday, May 19th, noting that a new Chicago meeting location would be shared in advance due to the re-location of many State of Illinois offices including the Treasurer's Office. He then added that staff had been working closely with the Governor's Office to onboard new Board Members and additional updates would be provided in the upcoming months.

Mr. Diaz then noted that staff had been working closely with the Treasurer's Communications team on a press release and press event highlighting the success and milestones of the program. He mentioned that additional details would be shared at the May Board Meeting. In addition, he reminded the Board that the week of February 21-25 was America Saves Week and staff would celebrate and share content through multiple social media channels.

There was no old business.

ADJOURNMENT

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