

**ILLINOIS SECURE CHOICE BOARD**

**Meeting of Thursday, February 18, 2021  
Held Remotely by Videoconference**

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**MEETING MINUTES**

The February 18, 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*

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*

David Marzahl, *Board Member*

Jay Rowell, *Board Member*

**TREASURER’S STAFF**

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

Barbara Delano, *Assistant General Counsel*

Laura Duque, *General Counsel*

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

Courtney Eccles, *Director of Secure Choice*

Rodrigo Garcia, *Deputy Treasurer & Chief Investment Officer*

Sarah Meek, *Director of Legislative Affairs*

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 2021-04, 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 18, 2021 Board Meeting remotely with the presence of a quorum (all votes at the meeting would be held via roll call).

*A motion was made by Mr. Orozco, seconded by Mr. Rowell to suspend a portion of the Board Rules due to the current COVID-19 pandemic and the Governor's Executive Order 2021-04. The motion carried unanimously.*

## **APPROVAL OF BOARD MEETING MINUTES**

Board members reviewed the November 5, 2020 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. Rowell, seconded by Ms. Martinez to approve the November 5, 2020 Board Meeting Minutes. The motion carried unanimously.*

## **STAFF UPDATES**

Ms. Eccles provided key program updates, including that the Secure Choice FY2020 Annual Report that was published and available on both the program website and the Treasurer's website (a digital copy was provided to Board Members in advance of the meeting in January 2021). She reminded the Board that the annual report is required by statute and it includes program numbers and updates throughout the fiscal year and the calendar year due to the publish date.

Ms. Eccles briefed the Board on the budget report, documenting spending from the beginning of fiscal year 2021 (7/1/2020) to the end of January 2021 (1/31/2021), that had been shared with the Board Members prior to the meeting. She noted that the spending for travel remained zero due to the ongoing pandemic, while the personnel spending was consistent with the prior year. She explained that the increased spending in the contractual services was due to the annual program administrator payment, and other marketing and consulting services.

Ms. Eccles then provided an audit update, noting that the Ascensus audit report for FY2020 had been provided to Board Members in January 2021. She explained that the Ascensus audit report was conducted by Landmark while the external audit report was completed by Crowe, which was just made public on the Office of Illinois Auditor General's website (confirmed by Mr. Diaz) and would be shared with the Board shortly after the meeting. She added that staff would be conducting internal audits within the Treasurer's Office and the findings and updates would be provided to the Board upon completion.

Ms. Eccles provided a legal update on the status of the CalSavers lawsuit, which was appealed by the Howard Jarvis Taxpayers Association to the United States Court of Appeals for the Ninth Circuit (Court). She noted that the oral arguments were heard on Feb 8<sup>th</sup>, 2021 and the lawsuit was currently pending decision. Ms. Eccles stated that updates would be provided once a decision was made by the Court.

In addition, Ms. Eccles gave an update on legislative initiatives and enforcement efforts. She highlighted that the Treasurer's legislative team was working closely with sponsors in the House and Senate on legislation that will lower the employee threshold, allow automatic escalation, and clarify existing enforcement language. She noted that the identical bills (HB117 and SB208) had been reintroduced after the legislation stalled last year due to the pandemic. She added that committee meetings and votes would be conducted virtually in the upcoming weeks, and staff would keep the board updated as the legislation progressed.

Finally, Ms. Eccles provided a brief update on work being done with the Illinois Department of Revenue (IDOR) to establish the program enforcement structure. Staff at the Treasurer's Office and IDOR were working together on the timeline, logistics, and operational structure for program enforcement. She noted that the formal enforcement of the program would not take place until 4<sup>th</sup> quarter of 2021 at the earliest due to the impacts from the COVID-19 pandemic. Ms. Eccles emphasized that staff would continue to work with Ascensus client services team on the strategic engagement and outreach efforts to speed up the program compliance among those employers who were delayed due to the pandemic.

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

Troy Montigney of Ascensus provided a brief introduction, including his new role serving as relationship manager to the program for Ascensus, and his prior background in the public sector. Mr. Montigney provided a program update for the 4<sup>th</sup> quarter of 2020 and numbers current as of February 9, 2021. Key data snapshots from the program included the steady growth of funded accounts (79,837 total accounts with ~8.2k new accounts) and total assets under management

(AUM) (\$46,989,252 AUM coupled with ~\$12M quarterly growth). He highlighted the uptick of numbers for monthly contributions (~\$3M in the past 30 days) and the incremental growth in the average monthly contributions for the last quarter. He then pointed out that the account withdrawals peaked at \$900K for the past 30 days, which were due in part to the recent distribution of the annual account statements.

Mr. Montigney discussed the steady trends for the number of employers submitting payroll files throughout the quarter (averaging 1,175 per week). He noted that the number of employers adding employees averaged 260 for the 4<sup>th</sup> quarter, explaining to the Board that the number was brought down significantly by low numbers for the week between Christmas and New Year's Day. Mr. Montigney then delved into the withdrawal trends in his presentation, noting that the number and amount of the total daily withdrawals had continued to trend upward and reached a new all-time peak following the distribution of paper annual statements. He also pointed out that employer registration (244 registered) and exemption (545 exempted) activities slowed in the 4<sup>th</sup> quarter with more employers started payroll deductions (178 in Q4).

In addition, Mr. Montigney presented the Board with the client service metrics and call volumes from both savers and employers in the 4<sup>th</sup> quarter. He then provided a brief summary of the marketing and social media activities from the past quarter, noting that the ownership and management of the social media accounts for the program had been fully transitioned to the Treasurer's staff. Finally, Mr. Montigney addressed a program enforcement question raised by Mr. Marzahl regarding the lessons learned and best practices from other state-facilitated retirement programs. He explained that CalSavers was still in the planning phase for the program enforcement while OregonSaves experienced increased call volumes from employers in the last fall. Ms. Eccles added that none of the states have begun collecting financial penalties from their employers.

Mr. Aguilar provided a brief overview of the investment lineup and performance during the 4<sup>th</sup> quarter of 2020. He gave a quarterly overview of the financial markets, including a recap of major equity and fixed income drivers for the market returns across all relevant sub-asset classes throughout international and domestic markets. He then highlighted the strong performance of the underlying funds in the 4<sup>th</sup> quarter and briefed the Board on the utilization of the target day funds, noting that only 2.22% of the program total assets were in the 90 Day Hold Fund. Mr. Aguilar reminded the Board that the Target Date Retirement Fund 2070 officially launched and was available as the newest investment lineup for younger savers of the program. In addition, he walked the Board through the impacts and changes to the BlackRock LifePath Series due to the creation of the Retirement Solutions team within Multi-Asset Strategies & Solutions team in December 2020. He mentioned that the investment team would be conducting an annual fee study and benchmark analysis of the underlying funds with additional updates to be shared at the May Board Meeting.

## **PRESENTATION – ENVIRONMENTAL LANDSCAPE, AKF CONSULTING**

Andrea Feirstein of AKF Consulting presented on the key updates and development across state-run retirement programs, including the current program numbers for CalSavers and OregonSaves. She noted that OregonSaves terminated its agreement with Ascensus and a program conversion was under way with BNY Mellon as the new program administrator. She then gave a status update on the 2021 pipeline programs across Vermont, Connecticut, and Maryland. Ms. Feirstein highlighted the progress made in Colorado with program and investment consulting RFPs to be issued in March 2021. In addition, she provided legislative updates in the states of Virginia, Pennsylvania, and Delaware and addressed the question raised by Mr. Diaz regarding the status quo of the program in North Carolina.

## **BOARD ENRICHMENT – 2020 MARKET REVIEW & 2021 OUTLOOK, MARQUETTE ASSOCIATES**

David Smith of Marquette Associates provided the Board with an overview and a brief summary of the market performance in fixed income, U.S. equities, and non-U.S. equities in 2020. He delved into the government stimulus policies, GDP growth projections, output gap and market-implied inflation during his presentation. He explained that bond markets rallied as interest rates dropped while bond-buying programs stabilized markets during the COVID-19 crisis. He then noted that U.S. small cap equity was one of the best performing asset classes in 2020 and the smaller, cyclical stocks led the U.S. equities in the 3<sup>rd</sup> and 4<sup>th</sup> quarters. Mr. Smith also mentioned that the S&P 500 energy sector lagged in the 4th quarter, but the leading technology firms had strong performance and the top five, including Amazon, Apple, and Facebook represented 21.7% of the index by market cap. He added that markets remained positive despite political differences. Finally, he walked the Board through the non-U.S. equity market performance in underlying sectors, highlighting the strong performance in the technology sector and laying out the 2021 market outlook across difference countries including the U.K., China, and Japan.

## **PUBLIC COMMENT**

There was no public comment.

## **OLD AND NEW BUSINESS**

Mr. Diaz noted that the next Board Meeting would be held remotely via videoconference at 3pm CT on Thursday, May 13<sup>th</sup>, adding that August and November Board Meeting schedules and details would be shared in the upcoming months.

Mr. Diaz then reminded the Board that the week of February 22<sup>nd</sup> through 26<sup>th</sup> was America Saves Week and Ms. Eccles mentioned that a podcast that she recorded with the Department of Financial and Professional Regulation would be featured on social media platforms to highlight the program on the “Retirement Day” (Wednesday, 24<sup>th</sup>) of that week.

There was no old business.

### **ADJOURNMENT**

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