

OFFICE OF THE ILLINOIS STATE TREASURER

Illinois Secure Choice: Investment Vendor Review (2018-2022)



Investment Vendor Review (2018-2022)

Overview

Pursuant to the Illinois Secure Choice Savings Program Act (820 ILCS 80), a review of the performance and customer service of any investment vendors of the Illinois Secure Choice Savings Program (“Secure Choice” or “Program”) shall occur every 4 years. A copy of such reviews conducted shall be posted to the Board's Internet website. This review was performed by the Office of the Illinois State Treasurer (“STO” or “Treasurer”) on behalf of the Illinois Secure Choice Savings Board (“Board”) as a review of the Program’s Investment Vendors, Marquette Associates and Ascensus College Savings Recordkeeping Services, as well as previous Investment Vendor Segal Rogerscasey. This review covers the time period from the Program’s launch in July 2018 through July 2022.

Note: The Board also conducted a comprehensive review of its Investment Vendors in 2020 when the contract for Segal Rogerscasey was ending, and the decision was made to contract with Marquette Associates.

Investment Vendor Review

Marquette Associates (2020-2022)

Marquette Associates (“Marquette”) has acted as the Program’s sole external investment consultant since 2020. In this capacity and pursuant to the Program’s Investment Policy Statement, Marquette Associates is responsible for:

- Monitoring and reviewing the performance of each investment option and underlying investment funds;
- Providing periodic performance reports to the Board and Treasurer on investment options and/or underlying investment funds
- Meeting with the Board and Treasurer on a regular basis to review the performance of each investment option and/or underlying investment fund;
- Analyzing the Program Manager’s recommendations for investment options, underlying investment funds, investment guidelines, and the Investment Policy Statement;
- Assisting the Board in ensuring that Secure Choice complies with its Investment Policy Statement; and
- Updating the Board and Treasurer on current investment trends and issues.

Upon reviewing the performance and customer services provided by Marquette as the external investment consultant, the STO has found that Marquette has performed its responsibilities wholly and completely since it began executing investment consultant services in 2020. For example, on a quarterly basis, Marquette provides a report detailing the underlying investment performance of each investment option and underlying investment fund. Marquette attends each Secure Choice quarterly Board meeting to provide a macroeconomic update to the Board on current investment trends and issues. Marquette also assists the STO in providing an independent assessment of any of the Program Manager’s recommendations for investment options and updates to the Program’s Investment Policy Statement. Finally, on an annual basis Marquette provides a fee study and benchmark analysis report based on the Program’s underlying investments to ensure that the investment options being offered to participants are the most prudent and aligned with the Board’s fiduciary duty. Marquette was originally contracted in 2020, and then extended by the Board via a competitive bidding process in 2022.



Ascensus College Savings Recordkeeping Services, LLC (2018-2022)

Ascensus College Savings Recordkeeping Services, LLC (“Ascensus”) has acted as the Secure Choice Program Manager since the Program’s inception. In this capacity and pursuant to the Program’s Investment Policy Statement, Ascensus is responsible for:

- Making recommendations on investment options, underlying investment funds, investment guidelines, and the Investment Policy Statement;
- Implementing Board-approved investment options and underlying investment funds;
- Providing periodic performance reports to the Board and Treasurer on investment options and/or underlying investment funds;
- Arranging meetings between each investment provider/manager and the Board and/or its designee(s), such as the Treasurer, to provide the following:
 - a) A verbal and written review of their performance and portfolio structure;
 - b) A summary of their key investment decisions, their underlying rationale for such decisions, and the expected future impact of such decisions;
 - c) An organizational update; and
 - d) A description of the market, economy, and other factors potentially impacting investment performance, etc.
- Notifying the Board and Treasurer immediately, in writing, of any changes in fund operation and personnel that may negatively impact performance (this includes any organizational or strategy changes that impact asset management);
- Providing information about Secure Choice and its investment options to Participants; and
- Assisting the Board and Treasurer in the day-to-day administration of Secure Choice.

Upon reviewing the performance and customer services provided by Ascensus as an investment vendor, the STO has found that Ascensus has satisfactorily performed its responsibilities since the Program’s inception. For example, on a quarterly basis, Ascensus hosts a quarterly investment review meeting to discuss the investment performance of the Program. For this meeting, Ascensus provides a report detailing the underlying investment performance of each investment option, underlying investment fund, and a competitive analysis comparison of the Program’s target date funds to other providers’ target date funds.

As needed and deemed appropriate, Ascensus will recommend any changes to the underlying investment options, funds, investment guidelines, or Investment Policy Statement of the Program. On an annual basis Ascensus provides a fee study and benchmark analysis report based on the Program’s underlying investments to ensure that the investment options being offered to participants are the most prudent and aligned with the Board’s fiduciary duty. From 2018 to 2022, there were no investment changes to the underlying investment options that would require Ascensus’s implementation assistance.

Segal Rogerscasey (2017-2020)

Segal Rogerscasey, also known as Segal Marco Advisors (“Segal”), acted as the Program’s external investment consultant from the inception of the program until February 2020. In this capacity and pursuant to the Program’s Investment Policy Statement, Segal Marco was responsible for:

- Monitoring and reviewing the performance of each investment option and underlying investment funds;



- Providing periodic performance reports to the Board and Treasurer on investment options and/or underlying investment funds;
- Meeting with the Board and Treasurer on a regular basis to review the performance of each investment option and/or underlying investment fund;
- Analyzing the Program Manager’s recommendations for investment options, underlying investment funds, investment guidelines, and the Investment Policy Statement;
- Assisting the Board in ensuring that Secure Choice complies with its Investment Policy Statement; and
- Updating the Board and Treasurer on current investment trends and issues.

Upon reviewing the performance and customer services provided by Segal as the external investment consultant, the STO found that Segal performed its responsibilities satisfactorily from 2017 through the end of its contract. For example, on a quarterly basis, Segal provided a report detailing the underlying investment performance of each investment option and underlying investment fund, while also attending quarterly Board meetings. The Board decided to move to an alternative vendor in 2020 due to an opportunity to lower the associated costs and to build out a more robust reporting and oversight program with Marquette Associates.

Conclusion

After an evaluation by the STO regarding the investment vendor performance and customer service for Secure Choice, the current investment vendors are appropriately fulfilling their duties in accordance with the Program’s Investment Policy Statement and in alignment with the fiduciary duties and responsibilities as set forth by the Board. Deviations from the duties/responsibilities of the investment vendors will be continually monitored by the STO and the Board.

