



OFFICE OF ILLINOIS STATE TREASURER

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Secure Choice Board Selects Investment Managers and Contracts with Ascensus to Manage Retirement Savings Program

One-Third of Workers Nationwide do not Save for Retirement

CHICAGO – The state board overseeing the Secure Choice retirement savings program signed a contract with Ascensus to manage the day-to-day operations, Illinois State Treasurer Michael Frerichs said today.

The board also selected BlackRock, Charles Schwab, and State Street Global Advisors to act as investment managers for the four different investment options.

Secure Choice will increase the number of workers saving for retirement by providing a state-facilitated retirement program that is connected to the worker, not the employer. When a worker leaves to accept a new position with a different company, their retirement account follows.

To combat the retirement crisis in this country, as many as 40 states have debated state-facilitated retirement savings plans. Illinois was the first to enact legislation in 2015. Seven more states have moved forward with the plans – California, Connecticut, Maryland, New Jersey, Oregon, Vermont and Washington.

Pennsylvania-based Ascensus, the nation's largest independent retirement and college savings service provider, emerged earlier this year as Illinois' best partner following a public-bidding process. Successful contract terms were finalized in December and include a nine-year contract to pay 70 basis points, including investment management fees. The Board officially approved the investment options on January 11.

In Illinois, employers at least two years old with at least 25 employees must either offer their own retirement plan to workers or participate in Secure Choice. Secure Choice will automatically deduct post-tax contributions from a paycheck and invest in funds similar to a Roth IRA account.

The program will be launched in phases in 2018 and 2019 based on the size of a company's workforce.

The investment plans will travel with the worker and will use an automatic 5 percent payroll deduction. Workers can change their contribution amount or opt-out of the program entirely.

Workers will choose from a variety of investment options including; target date/life cycle index funds, an equity index fund, a bond index fund and a capital preservation fund based upon their risk tolerance and how actively they want to manage their investments. As previously mentioned, investment managers for the Secure Choice Savings Program will include BlackRock for the target date fund investment options, State Street Global Advisors for the capital preservation option and Charles Schwab for both the equity index and bond index investment options.

The investments will not be part of the General Revenue Fund and cannot be used for other purposes. The program will be self-sustaining at no additional cost to the state with the exception of start-up administrative costs, which will be paid back over time.

The legislation also created the Secure Choice Board, which is tasked with implementing and administering the program, including program audits, policy guidelines, and enrollment enforcement. The bi-partisan board has seven members, four of whom are appointed by the governor. The three others are designees from the state treasurer's office, the state comptroller's office, and the governor's Office of Management and Budget. Frerichs is the board chairman.

Secure Choice is needed because **half of Illinois' private-sector workers do not have access to an employer-sponsored retirement plan.** When fully implemented, the program is expected to cover 1.2 million workers directly through Secure Choice or because an employer chose to initiate its own retirement plan.

The national retirement crisis increases the likelihood that workers will be over-reliant on Social Security and retire into poverty, creating significant burdens on taxpayer-supported state and federal social safety net programs.

The Social Security Administration reports that the average monthly benefit payment is about \$1,360. Of the estimated 171 million workers covered under social security, 31 percent report that they and/or their spouse have no savings set aside specifically for retirement.

About Ascensus

Ascensus helps more than 7 million Americans save for the future – retirement, college and healthcare – through technology and service solutions. With more than 35 years of experience, the firm offers tailored solutions that meet the needs of banks, credit union, states, governments, financial professionals, employers, and individuals. Ascensus supports approximately 50,000 retirement plans, more than 4 million 529 college savings accounts, and a growing number of ABLE savings accounts. It also administers more than 1.5 million IRAs and health savings accounts.

About the Illinois Treasurer

The Illinois Treasurer is the state's chief investment officer and Frerichs is a Certified Public Finance Officer. He protects consumers by encouraging savings plans for college or trade school, increasing financial education among all ages, and removing barriers to a secure retirement. As the state's Chief Investment Officer, he actively manages approximately \$25 billion. The portfolio includes \$13 billion in state funds, \$7 billion in college savings plans and \$5 billion on behalf of local and state governments. The investment approach is cautious to ensure the preservation of capital and returns \$28 to the state for every \$1 spent in operations. The Treasurer's Office predates Illinois incorporation in 1818. Voters in 1848 chose to make it an elected office.

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