

ILLINOIS SECURE CHOICE BOARD

**Meeting of Tuesday, May 12, 2020
Held Remotely by Videoconference**

MEETING MINUTES

The May 12, 2020 meeting of the Illinois Secure Choice Board (“Board”) was called to order by Mr. Diaz at 3:00p.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*

Jay Rowell, *Board Member*

David Marzahl, *Board Member*

David Rappaport, *Board Member*

TREASURER’S STAFF

Rodrigo Garcia, *Deputy Treasurer & Chief Investment Officer*

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

Catherine Shannon, *Chief Legislative & Policy Officer*

Courtney Eccles, *Director of Secure Choice*

Barbara Delano, *Assistant General Counsel*

Sarah Meek, *Director of Legislative Affairs*

Cliff Peng, *Deputy Director of Secure Choice*

SUSPENSION OF THE PORTION OF THE BOARD RULES

Due to the current COVID-19 Pandemic, Gubernatorial Disaster Proclamation, Executive Orders regarding suspension of OMA in person attendance, and the Governor's Stay at Home Order, 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 May 12, 2020 Board Meeting remotely with the presence of a quorum.

A motion was made by Mr. Marzahl, seconded by Mr. Orozco to suspend a portion of the Board Rules due to the current COVID-19 pandemic. The motion carried unanimously.

APPROVAL OF BOARD MEETING MINUTES

Board members reviewed the February 6, 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. Orozco, seconded by Mr. Marzahl to approve the February 6, 2020 Board Meeting Minutes. The motion carried unanimously.

STAFF UPDATES

Ms. Eccles provided the Secure Choice program responses and adjustments that were made in response to the COVID-19 pandemic. Program operations remained consistent and continuous despite transitioning Treasurer's staff and Ascensus staff, including its full Client Service Team, to a work from home, or working remotely, set-up. Any major program modifications and decisions were made in partnership with Ascensus, STO investment team, and consultants as it relates to operations, communications, marketing, investments, and client services of Secure Choice.

Ms. Eccles highlighted some of the key modifications, including: (1) allowing employers impacted by COVID-19 to delay the program enrollment and pausing previously scheduled compliance notices for all employers; (2) developing talking points specifically related to the pandemic for the Ascensus Employer Onboarding Team; (3) waiving both the program management fee and state fee for the 90-Day Hold Fund and the Capital Preservation Fund to ensure that fees did not exceed yields; and, (4) postponing the Ascensus On-site Due Diligence Meeting that was scheduled for April and conducting program quarterly meeting remotely via video conferencing on April 28, 2020. Mr. Aguilar added that Treasurer's investment team were working closely with

Marquette Advisors to monitor both the 90-Day Hold Fund and Capital Preservation Fund. They conducted a thorough analysis of options and took proactive steps to waive the fees, benefitting program participants during this period of market volatility and uncertainty.

Ms. Eccles gave an update on the program year-to-date spending through February of fiscal year 2020 that had been sent to Board members prior to the meeting. She noted that spending in the remained consistent with the previous fiscal year, and added that the one-time payment for the FY2020 Board insurance policy was part of the contractual services spend.

Ms. Eccles then provided an update on the legislative initiative and administrative rules. She explained that the Illinois General Assembly had not met since March due to the pandemic and it was likely that the Secure Choice legislation would be postponed until 2021. The Treasurer's legislative team was closely monitoring the situation and communicating with the House and Senate sponsors as well. In addition, Ms. Eccles noted that the administrative rules were officially updated, and the next step would be working with the Illinois Department of Revenue on the rules for enforcement. She also provided a status update on CalSavers lawsuit, where the court ruled in favor of the Program for a second time and mentioned that the Treasurer's Office and Office of Illinois Attorney General would work closely with Oregon and California on a potential amicus brief to be submitted to the 9th Circuit.

Finally, Ms. Eccles provided an audit update and noted that the audit reports for the previous fiscal year, completed by both Landmark and Crowe, were shared with the Board via email prior to the meeting. She explained that the Ascensus audit report was completed by Landmark, and the Office of Illinois Auditor General conducts its own an external audit of the program under the requirement of the state law, which was completed by Crowe.

DISCUSSION – SECURE CHOICE QUARTERLY REPORT

Matt Golden of Ascensus provided a program update for the 1st quarter of 2020 and numbers current as of May 6, 2020. Key data snapshots from the program savers included the growth of total assets (\$20,615,818) and the uptick in the total number of funded accounts (62,386). He mentioned that the average monthly contribution amount (\$83.59) and the opt-out rates had declined for the first time in 2020 and since inception with certain employers pausing their facilitation due to the impacts from the COVID-19 pandemic. Mr. Golden also highlighted the trends in the recent monthly contribution and withdrawal numbers, and noted that 4th quarter of 2019 marked the largest number of total invited savers for Secure Choice, which was consistent with the waves and onboarding activities.

Mr. Golden also presented specific reports that highlighted the impact of COVID-19 with a focus on employers submitting contribution files and adding employees on a weekly basis. He noted that both weekly contribution files (peak number landed at 1,229) and number of employees added peaked in February and March prior to the recent declines that were largely attributed to the pandemic and the reduction of onboarding activities. Mr. Golden highlighted that among the 5,535 employers who had registered for the program, 2,386 had started remitting payroll contributions and facilitating Secure Choice. In addition, Mr. Golden outlined some of the actions that were taken during the COVID-19 pandemic to ensure the same level of service, outreach, and engagement to both savers and employers. He then provided a quarterly update on the client services work, including information on the employer onboarding progress and the call/email trends. Mr. Ossey from Ascensus Field Team also gave an update on their outreach work targeting wave 2 non-facilitating employers and provided a detailed breakdown of response rates.

Suzanne Fetky of Ascensus then provided the board with a brief summary of the marketing activities and social media outreach completed in the first quarter. She mentioned that the saver engagement emails on the topics of Roth IRAs and adding a beneficiary led to a strong response rate and resulted in 48 newly added beneficiaries. She also gave an update on the continued organic social media activities and the paid search outcomes. Ms. Fetky mentioned that the public website updates were completed to accommodate saver self-enrollment and traditional IRA product enhancements. She pointed out that the website traffic went down as anticipated as the program rolled off its waves, deadlines, and display advertising. In addition, Ms. Fetky shared with the Board that the next quarter's main initiative would be the employer registration enhancements. Ms. Eccles added that the Office continued with the digital advertisements through Spanish media outlets and stopped the out-of-home marketing due to the current pandemic. She also mentioned that staff had made major content updates on the Secure Choice program page of the Treasurer's website.

Mr. Aguilar provided an overview of the domestic and international market trends and reported on the investment lineup and impacts from the COVID-19 pandemic during the 1st quarter of 2020. He also walked the Board through the comparative portfolio performance that included recent market trends in the State Street, Schwab, and Blackrock target date funds and index funds in the 1st quarter. Mr. Aguilar then provided a brief update on the changes to the Thrift Savings Plan (TSP) moving to the five-year lifecycle fund increments. As a follow-up, he would provide the dates and additional details of the TSP increments change to the Board as Ms. Martinez raised the question on the implementation of the proposed changes. In addition, Mr. Aguilar mentioned the annual fee comparison study being done as part of the ongoing monitoring process and a copy of the full report would be presented to the Board when completed. Mr. Golden from Ascensus noted that client services received very few investment related questions from the savers.

DISCUSSION – INVESTMENT POLICY STATEMENT REVIEW

Ms. Eccles provide an update on the Investment Policy Statement (IPS) which the Board is required to review on an annual basis. She noted that staff was planning to update the IPS with new language due to newly passed laws related to sustainable investment policies, and to ensure consistency and alignment with the program’s administrative rules, governance documents, and statute. Staff would draft language and the updated IPS would be provided to the Board for edits and comments prior to seeking approval during the next Board Meeting. She also confirmed that there was no requirement for the approved IPS to be mailed out to program participants, which was a question raised by Mr. Rowell. Ms. Eccles then noted that the updated IPS would be made available on both the program website and the Treasurer’s Secure Choice webpage, once finalized and approved.

ACTION ITEM – APPROVAL OF BOARD INSURANCE POLICY RENEWAL

Ms. Delano asked the board to approve the renewal of the Liability Insurance Policy and the Cyber Security Insurance Policy, which would start on July 31, 2020 through the same insurance broker as the current fiscal year. She noted that the estimated cost may be somewhat higher than the previous year, but the final number was to be determined.

A motion was made by Ms. Martinez, seconded by Mr. Orozco to allow the Treasurer’s Office to renew the Market Insurance Policy and the Cyber Security Insurance Policy. The motion carried unanimously.

PRESENTATION – ENVIRONMENTAL LANDSCAPE, AKF CONSULTING

Andrea Feirstein of AKF Consulting provided an update on developing programs in seven states including New Mexico and Connecticut and discussed other emerging program models such as the Voluntary Auto-IRA and Multiple Employer Plan. She then presented the Board with the most recent updates on the open programs, noting that the 1st wave deadline for CalSavers was extended to September 30, 2020 due to COVID-19. Ms. Eccles also highlighted the positive program updates that were happening in Maryland and Connecticut.

BOARD ENRICHMENT – IRA REGULATORY COMPLIANCE, ASCENSUS

Carrie Horn of Ascensus gave a presentation on IRA regulatory compliance, beginning with the three areas of IRA compliance: IRA documentation, IRA tax reporting, and federal tax withholding. She provided a copy of samples, instructions, and the detailed procedures in order to

process the plan agreement and the disclosure document. During her presentation, Ms. Horn also discussed the rules and processes for financial disclosure and beneficiary designations. She outlined the 2020 income limits for regular Roth IRA contributions, the federal withholding requirements, and the required reports such as IRS Form 5498 and FMV Statement.

PUBLIC COMMENT

There was no public comment.

OLD AND NEW BUSINESS

Ms. Eccles reminded Board to complete their Statements of Economics Interest, noting that the deadline had been extended through June 30, 2020 due to the shelter-in-place order.

Ms. Delano also reminded the Board to complete their 2020 Annual Ethics Training and the Sexual Harassment Prevention Training online.

Mr. Diaz reminded the Board that the next meeting was scheduled for August 11, 2020 and the information regarding meeting location or format would be made available prior to the meeting.

There was no old business.

ADJOURNMENT

With no further business, a motion was made by Ms. Martinez, seconded by Mr. Orozco to adjourn the meeting. The motion carried unanimously.