

ILLINOIS SECURE CHOICE BOARD

**Meeting of Thursday, May 13, 2021
Held Remotely by Videoconference**

MEETING MINUTES

The May 13, 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*

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

Laura Duque, *General Counsel*

Barbara Delano, *Assistant General Counsel*

Courtney Eccles, *Director of Secure Choice*

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 2021-06, 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 May 13, 2021 Board Meeting remotely with the presence of a quorum (all votes at the meeting were held via roll call).

A motion was made by Mr. Mosby, seconded by Mr. Orozco to suspend a portion of the Board Rules due to the current COVID-19 pandemic and the Governor’s Executive Order 2021-06. The motion carried unanimously.

APPROVAL OF BOARD MEETING MINUTES

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

STAFF UPDATES

Ms. Eccles provided a legal update on the status of the CalSavers lawsuit, which was appealed by the Howard Jarvis Taxpayers Association (Howard Jarvis) to the United States Court of Appeals for the Ninth Circuit. She confirmed that the Court issued its decision on May 6th, 2021 and ruled in favor of CalSavers, noting that the state facilitated retirement program was not preempted by the Employee Retirement Income Security Act of 1974 (ERISA). She also mentioned that Howard Jarvis had 14 days from the issuance of the decision to petition for a hearing in front of the full court and 90 days to appeal the decision to the Supreme Court.

Ms. Eccles briefed the Board on the budget report, documenting spending from the beginning of fiscal year (FY) 2021 (7/1/2020) to the end of March 2021 (3/31/2021), that had been shared with the Board Members prior to the meeting. She noted that the spending for the contractual services were higher than the previous year largely due in part to the one-time contract amendment with

the program administrator – Ascensus. She added that the spending in the travel category remained at zero due to the current restrictions from the ongoing COVID-19 pandemic.

Ms. Eccles then provided the Board with an overview of the program enforcement effort and an update on the timeline. She reminded the Board that the enforcement provision of the statute had been part of the law since it was passed in 2015 and mentioned that no penalties had been collected or imposed yet, due in part to the COVID-19 pandemic. She then presented the key milestone dates and timelines for the program enforcement from FY2020 to FY2021, discussing the different strategies to engage non-responsive employers, non-facilitating employers, and wave 2020 employers, and highlighting the outreach work that had been done with to bring those employers into compliance with the law. She noted that the Treasurer’s team has been working closely with the Illinois Department of Revenue (IDOR) for the upcoming enforcement work with the expectation that the first fines will be assess in early 2022.

Finally, Ms. Eccles provided a brief update on the research and data analysis projects. She mentioned that the Pew Charitable Trusts (Pew) had recently completed their final phase of the saver survey, adding that the first two rounds of survey were conducted by Pew prior to and throughout the pandemic. She noted that the preliminary findings and survey results would be shared with the Board in the upcoming Board meeting upon the completion of data analysis. She then addressed a question raised by Mr. Diaz on the difference between surveys conducted by Pew in both Oregon and Illinois, indicating that major difference is the survey participants – OregonSaves surveyed employers while Secure Choice surveyed savers and employees who opted-out. In addition, Ms. Eccles briefly discussed a new research project that will provide additional demographic data, such as gender, race, and ethnicity, for the existing population of savers. Mr. Mosby inquired whether recent legislation requiring the provision of demographic data information from state agencies and programs applied to Secure Choice. Staff answered they would look into the new requirement, determine its applicability, and report back.

DISCUSSION – SECURE CHOICE QUARTERLY REPORT

Troy Montigney of Ascensus started his presentation by giving a brief update on the upcoming company ownership change via private equity transition and emphasized that no changes or impacts would be made on the client side or the program and Ascensus will continue to operate autonomously moving forward. He also introduced Aidan Yeaw, who recently started in May as the Director of SSRP Products at Ascensus.

Mr. Montigney provided an overview of the program metrics for the 1st quarter of 2021 and numbers current as of April 27, 2021. Key data snapshots from the program included the steady growth of funded accounts (85,355 total accounts with ~5,500 new accounts) and total assets under

management (AUM) (\$55,672,562 AUM coupled with ~\$8.7M quarterly growth). He reminded the Board that the account withdrawals peaked at \$900K at the beginning of this year, due in part to the distribution of the annual account statements. He then highlighted the increase in monthly contributions (~\$3.3M in the past 30 days) and the notable increase in average contribution amounts (6.7% quarterly increase and 9.8% in the past 30 days) and deferral rate for the last quarter. He also pointed out that Treasurer's team and Ascensus will continue to closely monitor and track all the program metrics as a follow-up item from Mr. Marzahl's comments on the effective-out rate and the monthly contributions.

Mr. Montigney then discussed the recent employer and employee trends, and withdrawal trends in the last quarter. He highlighted the uptick in the number of employers submitting payroll files throughout the quarter (averaging 1,221 per week) and noted that the week of April 4 brought an all-time program high of 1,552. He added that the number of employers adding employees averaged 283 and the week of March 21 reached a peak of 361, which showcases the steady growth in the 1st quarter. He also addressed a question raised by Mr. Mosby on the trends in the number of employers adding employees, explaining to the Board that the number was brought down significantly by low numbers for the week between Christmas and New Year's Day.

In addition, Mr. Montigney presented the Board with the client service metrics and call volume monthly breakdowns, highlighting the ~84% service level for the quarter and noting that additional staff were hired to help with onboarding for all three state facilitated retirement programs. He added that a total of 100 employers from all waves were onboarded in the last quarter.

Lastly, Mr. Montigney summarized the marketing and social media activities for the quarter, including development of a new marketing email campaign and digital advertisement strategies, updates to the news page on the program website, and identification of employers for a video testimonial project. He highlighted that the paid search campaigns for the program drove 8% more clicks at a 30% decreased cost. He added that Ascensus started working on a new marketing email campaign for the compliance enforcement mailing and the re-engagement of paused employers who were impacted by the pandemic.

Mr. Durojaiye introduced himself to the Board and then provided an overview of the market environment in the 1st quarter. He highlighted the strong one-year return for U.S. equities and discussed inflation worries due to the growth of money supply from massive stimulus measures. He also added both interest rates and inflation expectations rose as vaccination rates climbed, while central banks remained accommodating. He pointed out that Biden's \$2.25T infrastructure investment plan may drive sustained economic growth in U.S. and globally.

Finally, Mr. Aguilar provided a brief overview of fund performance during the 1st quarter of 2021. He highlighted the strong and positive quarterly returns of the underlying funds and walked the

Board through the detailed performance of the index growth funds and conservative funds. In addition, Mr. Aguilar summarized the findings in the annual fee study (a copy of the report was provided prior to the meeting), which included benchmark analysis done by Ascensus, Marquette Associates, and the Treasurer's Office. He noted that this report was part of the annual investment due diligence across all programs within the Treasurer's Office and there were no major changes or findings as compared to the previous year's analysis. He also added that staff will conduct a full review of both money market funds, underpinning the 90 Day Hold Fund and the Capital Preservation Fund. He noted to the Board that Ascensus, Marquette Associates, and Treasurer's Office will continue to monitor the market environment and explore any potential needed change to the Prime Money Market Fund.

ACTION ITEM – APPROVAL OF BOARD INSURANCE POLICY RENEWAL

Ms. Delano asked the board to approve the renewal of the General Liability Insurance Policy and the Cyber Security Liability Insurance Policy, which would start on July 31, 2021 through the same insurance broker as the current fiscal year.

A motion was made by Mr. Rowell, seconded by Mr. Mosby to allow the Treasurer's Office to renew the General Liability Insurance Policy and the Cyber Security Liability Insurance Policy. The motion carried unanimously.

DISCUSSION – LEGISLATIVE UPDATE AND PROGRAM EXPANSION

Ms. Eccles led the discussion by providing a status update on HB117 (a copy of the fact sheet for the bill was provided prior to the meeting), which lowers the employee threshold, allows for automatic escalation, and clarifies some of the enforcement language in the statute. She noted that both House and Senate bills passed their respective chambers, highlighting that the House vote was 106-2-2 with strong bi-partisan support. She explained that HB117 would likely be voted on by the Senate in the coming weeks and, if it passed, sent to the Governor for his signature.

In addition, Ms. Eccles walked the Board through the details for the proposed action items that would require their approval at this meeting, including the approval of auto-escalation structure and the deadlines for new waves. She laid out the program implementation timelines during her presentation with a focus on the proposed new deadlines for wave 4 and wave 5 of the program. She then noted that the legislation itself does not specify any deadline dates for the new waves, however, the proposed November dates are in alignment with existing program implementation and facilitation. She also clarified questions that were raised by Ms. Shannon and Mr. Rowell on the specifics of the two action items and noted that the auto-escalation process would be added to the administrative rules, which would be brought to the board at a future meeting. Ms. Eccles emphasized that the motions are contingent upon the legislation becoming law.

ACTION ITEM – APPROVAL OF AUTO-ESCALATION STRUCTURE

Mr. Diaz asked the Board to approve the inclusion of annual auto-escalation as part of the default savings option beginning in January of 2022 if allowed by the statute.

A motion was made by Mr. Mosby, seconded by Mr. Rowell to allow the Treasurer’s Office to approve the inclusion of the annual auto-escalation as part of the default savings option beginning in January of 2022 if allowed by the statute. The motion carried unanimously.

ACTION ITEM – APPROVAL OF PROGRAM EXPANSION WAVE DEADLINES

Mr. Diaz asked the Board to approve a November 1, 2022 deadline for employers with 24-16 employees, and a November 1, 2023 deadline for employers with 15-5 employees if allowed by the statute.

A motion was made by Mr. Rowell, seconded by Mr. Marzahl to approve a November 1, 2022 deadline for employers with 24-16 employees, and a November 1, 2023 deadline for employers with 15-5 employees if allowed by the statute. The motion carried unanimously.

PRESENTATION – ENVIRONMENTAL LANDSCAPE, AKF CONSULTING

Andrea Feirstein of AKF Consulting provided updates on the development of state-run retirement programs across the country, including Virginia and New York City. She discussed the service provider landscape for current operational programs, and noted that the upcoming changes in the 3rd quarter of 2021 will give Ascensus and BNY equivalent market shares. She then shared some of the program related developments in the fund management and pricing structures in both Oregon and California. In addition, Ms. Feirstein gave a brief update on progress in Vermont, Connecticut, and Maryland and provided legislative updates across other states of interest.

PUBLIC COMMENT

There was no public comment.

OLD AND NEW BUSINESS

Mr. Rowell announced that this would be his last meeting as he had made the decision to step down from the Board once his term expires in June. Mr. Diaz, Ms. Eccles and other members of

the Board acknowledged Mr. Rowell's last meeting as a board member and thanked him for his seven years of service to the Board, Treasurer's Office, and the program.

Mr. Diaz noted that the August and November Board Meeting schedules and details would be shared in the upcoming months pending guidance from the Governor's Office.

There was no old business.

ADJOURNMENT

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