

ILLINOIS SECURE CHOICE BOARD

**Meeting of Thursday, May 19, 2022
Held In-Person & Remotely by Videoconference**

MEETING MINUTES

The May 19, 2022 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 (In-person)*

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 (In-person)*

Staci Mayall, *Board Member*

Roderick Bashir, *Board Member*

TREASURER’S OFFICE STAFF

Joe Aguilar, *Chief Investment Officer*

Jubril Durojaiye, *Director of Public Market Investments (In-person)*

Jacob Hilliard, *Deputy Director of Public Market Investments*

Laura Duque, *General Counsel*

Catherine Shannon, *Chief Legislative & Policy Officer*

Sara Meek, *Director of Legislative Affairs*

Christine Cheng, *Director of Secure Choice*

Cliff Peng, *Deputy Director of Secure Choice*

Catherine Shannon, *Chief Legislative & Policy Officer*

Sara Meek, *Director of Legislative Affairs*

ACTION ITEM – SUSPENSION OF A PORTION OF THE BOARD RULES

Due to the continuous threat from the current COVID-19 pandemic, potential risks, safety concerns by holding an in-person meeting, the Governor’s Disaster Proclamation (reissued on April 29, 2022), and the suspension of Open Meetings Act 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 17, 2022 Board Meeting partially in-person and remotely with the presence of a quorum (all votes at the meeting were held via roll call).

A motion was made by Ms. Martinez, seconded by Mr. Bashir to suspend a portion of the Board Rules due to the current COVID-19 pandemic and the Governor’s Disaster Proclamation. The motion carried unanimously.

APPROVAL OF BOARD MEETING MINUTES

Board members reviewed the February 17, 2022 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. Orozco to approve the February 17, 2022 Board Meeting Minutes. The motion carried with two abstentions from Ms. Mayall and Mr. Bashir.

STAFF UPDATES

Ms. Cheng provided a staff update by introducing the new Board Members – Staci Mayall and Roderick Bashir. She then gave an update on program implementation and wave rollout, walking the Board through the details, deadlines, and estimated eligible population in relation to the two upcoming employer enrollment waves. She noted that Wave 4 includes employers with 16 or more employees and their deadline will be November 1, 2022. She also noted that Wave 5 includes employers with 5-15 employees and their deadline will be November 1, 2023. She mentioned that Wave 4 included approximately 12,000 employers and Wave 5 included approximately 45,000 employers based on the 2021 annual data received from the Illinois Department of Revenue (IDOR).

Ms. Cheng provided an update on program enforcement, noting that staff had been working closely with IDOR and Ascensus in preparation for penalty assessment for noncompliant employers. She added that notices of proposed assessment would be issued by IDOR starting in December 2022 to employers who were required to facilitate Secure Choice throughout calendar year 2021. She highlighted that employers would still have 120 days from the date of the notice to come into compliance before the penalty is assessed. She then noted that IDOR had drafted and filed its own rules in relation to Secure Choice penalty assessment and collection, which were scheduled to be heard at the June 14, 2022 hearing of the Joint Committee on Administrative Rules (JCAR). She mentioned that updates on the rule adoption and status would be provided to the Board in the upcoming weeks.

Ms. Cheng then provided the Board with an update on FY2022 expenditures covering the period of July 1, 2021, through March 31, 2022, details of which were shared with Board Members prior to the meeting. She noted that expenditures were fairly consistent with the prior year and reminded the Board that there was an uptick in the travel category as staff conducted an on-site due diligence visit at the Ascensus office in Newton, Massachusetts, last November. She added that staff conducted additional travel in March for the National Association of State Treasurers Legislative Conference and the Georgetown University Center for Retirement Initiatives State-Facilitated Retirement Savings Program Network Annual Conference, which will be reflected in future travel expenditures.

In addition, Ms. Cheng provide a brief update on developments in other states. She noted that Colorado and Virginia had each issued a Request for Proposals (RFP) for a program administrator and Connecticut launched its retirement program in April.

DISCUSSION – SECURE CHOICE QUARTERLY REPORT

Troy Montigney of Ascensus started his presentation by providing an organizational update and introducing the new SVP and Head of State Retirement Programs, Scott Parry, and the new Institutional Relationship Manager, Jaimee Niles. He then highlighted the rollout of upcoming product enhancements that included the re-design of the employer portal and an integration with payroll provider Intuit QuickBooks. He presented an example of the newly designed employer dashboard, which aims to encourage self-service and increase responses from employers. He also added that the 360-degree payroll integration will help serve many smaller employers in Waves 4 and 5.

Mr. Montigney provided an overview of program metrics for Q1 2022 and the most recent program numbers as of April 30, 2022. Key data snapshots from the program demonstrated the steady growth of funded accounts (102,664 total accounts with approximately 3,600 new accounts) and

the consistency of average deferral rate (5.58%) since the auto-escalation that took effect in January. He highlighted the significant increase in monthly contributions (approximately \$3.7M in the past 30 days) and noted that the monthly withdrawal numbers peaked again at approximately \$1.5M in the past 30 days following the distribution of annual account statements last month. In addition, he pointed out that the decrease in total assets and average account balance in the last quarter were largely due to market performance. Discussion also delved into the withdrawal activities and historical trends from savers in response to questions and comments made by the Board. Ascensus and Treasurer's Office staff will provide detailed full withdrawal and partial withdrawal data to the Board after the meeting as a follow-up item.

Mr. Montigney led the discussion on employer and employee trends as well as recent employer registration activities. He noted that the number of employers submitting payroll files remained steady throughout the last quarter with dips and peaks around holidays. He mentioned that the number of employers adding employees dipped in Q1 2022 to 310 but remained consistent in comparison with numbers from Q1 2021. In addition, he highlighted that more than 100 additional employers had submitted their first payroll contributions in the last quarter, which was driven by the passage of the Wave 2021 deadline and ongoing outreach to unregistered and noncompliant employers. Mr. Montigney pointed out that the exemptions of some registered employers were due to the adoption of other qualified retirement plans and mentioned the research conducted by The Pew Charitable Trusts on how state auto-IRA programs are complementing the private market for retirement plans. He also included a visualization of employer facilitation status by wave as part of his presentation.

In addition, Mr. Montigney presented the 2022 year-to-date client service metrics for both employers and savers, including service level (88.30%), abandon rate (0.76%), average speed to answer (0:19), and average talk time (6:07). He shared the 2021 highlights for client services in relation to call center service level agreements, customer satisfaction scores, internal Quality Assurance, and bilingual support. Mr. Diaz and Mr. Montigney addressed the question raised by Mr. Bashir and confirmed that client service support is available in a variety of different languages other than Spanish and English. Mr. Montigney then added that a dedicated enforcement phone line (separate from the main inbound employer line) had been created and will be staffed by the most tenured customer service representatives at Ascensus. He also highlighted the availability of the self-enrollment option on the program website in response to a question raised by Ms. Martinez.

Mr. Montigney then provided a quarterly review of marketing services. He mentioned that Ascensus had been working closely with the Treasurer's Office to develop strategies for Wave 4 early outreach campaigns. He noted that paid search keywords and ads were upgraded and added that the 2022 marketing budget was finalized in the last quarter. He then highlighted that the key marketing priorities for Q2 2022 are to launch the Wave 4 early outreach campaign; develop and

launch an education campaign for the new employer portal; monitor performance of refreshed paid search keywords and ads in market; and work through requested collateral and webpage updates.

David Smith of Marquette Associates provided an overview of the 2022 market environment and themes with a focus on the outlook for the quarter. He mentioned that decades-high inflation remained the biggest risk for U.S. investors with steep year-over-year price increases threatening the strength of consumers. He added that elevated inflation is forcing the Federal Reserve to take more aggressive actions since the initial interest rate increase in March. He then pointed out the geopolitical risks and inflationary pressures facing U.S. and non-U.S. markets due to Russia's invasion of Ukraine and subsequent sanctions from the West. In addition, Mr. Smith mentioned that a rapid rise in interest rates had led to a dramatic repricing of growth-oriented stocks, specifically unprofitable growth companies. He noted that low yields and tight credit spreads coupled with higher expected rates limit the potential and opportunities in traditional fixed income in 2022. Mr. Durojaiye then walked the Board through a review of underlying fund performance, investment options, and asset breakdown for the last quarter.

ACTION ITEM – ANNUAL APPROVAL OF INVESTMENT POLICY STATEMENT

Ms. Cheng asked the Board to approve the existing Investment Policy Statement (“Policy”) that had been provided to the Board in advance of the meeting. She reminded members that the Board is required by Statute to review the Policy on an annual basis. She noted that the Policy has not been changed since the Board last approved it in 2021.

A motion was made by Ms. Martinez, seconded by Mr. Orozco to approve the Investment Policy Statement. The motion carried unanimously.

ACTION ITEM – APPROVAL OF INVESTMENT CONSULTANT SERVICES

Mr. Diaz asked the Board to approve the issuance of an RFP for investment consultant services and the selection of a vendor by the Treasurer's Office. He noted that the current investment consultant services contract is set to expire at the end of June. He also addressed the question raised by Mr. Bashir regarding how frequently the Treasurer's Office issues RFPs for consultant services and noted that contracts in general would be put out for bids every ten years at a minimum. He added that the most recent RFP for investment consultant services was issued in 2015.

A motion was made by Mr. Orozco, seconded by Ms. Martinez to allow the Treasurer's Office to issue an RFP for investment consultant services and to select a vendor. The motion carried unanimously.

ACTION ITEM – APPROVAL OF BOARD INSURANCE POLICY RENEWAL

Ms. Duque 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, 2022 through the same insurance broker as is providing coverage for the current fiscal year. She mentioned that the estimated cost for the Cyber Security Liability Insurance Policy would be higher than in the previous year due to the increased claims throughout the industry while the cost for the General Liability Insurance Policy would be slightly lower. She also provided highlights of coverage for the General Liability Insurance Policy in response to a question raised by Mr. Bashir.

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

PUBLIC COMMENT

There was no public comment.

OLD AND NEW BUSINESS

Mr. Diaz noted that the next Board Meeting would be held at 3 pm CT on Thursday, August 18, noting that invitations for the remaining meetings for 2022 had been sent out to the Board prior to the meeting.

Mr. Diaz highlighted that Treasurer's Office held a press conference in Springfield in March to celebrate the 100,000-savers milestone and share success stories of the program. He added that the Treasurer had visited several participating employers throughout the state to raise awareness of the program.

In addition, Mr. Diaz and other members of the Board acknowledged Ms. Martinez's last meeting as a board member and thanked her for her seven years of service to the Board, Treasurer's Office, and the Program.

There was no old business.

ADJOURNMENT

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