

**ILLINOIS SECURE CHOICE BOARD**

**Meeting of Wednesday, November 18, 2015  
James R. Thompson Center  
100 West Randolph, Room 15-200, Chicago, Illinois**

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**DRAFT MEETING MINUTES**

The November 18, 2015 meeting of the Illinois Secure Choice Board (Board) was called to order at 2:00 p.m. with the presence of a quorum.

**BOARD MEMBERS PRESENT**

Michael Frerichs, Chair  
*Illinois State Treasurer*

Josh Potts (via videoconference)  
*Designee for State Comptroller Leslie Munger*

Kelly Hutchinson  
*Designee for the Governor's Office of Management and Budget*

Miriam Martinez  
*Office of the City Treasurer - Chief Investment Officer*

David Marzahl  
*Center for Economic Progress – President & CEO*

David Rappaport  
*Rappaport Reiches Capital Management, LLC - Co-Managing Partner*

John Rauschenberger  
*Technology & Management Association – Executive Vice-President and General Manager*

**OTHER ATTENDEES**

Emily Bastedo, *Associate Counsel*  
*Governor's Office*

Courtney Eccles, *Invest in Illinois Program Manager*  
*Illinois State Treasurer's Office*

Julian Federle, *Chief Policy and Programs Officer*  
*Illinois State Treasurer's Office*

Rodrigo Garcia, *Chief Investment Officer*  
*Illinois State Treasurer's Office*

Nikki Giancola, *Executive Assistant to the Treasurer & Deputy Treasurer*  
*Illinois State Treasurer's Office*

Keith Horton, *General Counsel*  
*Illinois State Treasurer's Office*

Allen Mayer, *Deputy General Counsel (via videoconference)*  
*Illinois State Treasurer's Office*

Sandi Raphael, *Assistant General Counsel*  
*Illinois State Treasurer's Office*

Greg Rivara, *Press Secretary*  
*Illinois State Treasurer's Office*

Jay Rowell, *Deputy Treasurer*  
*Illinois State Treasurer's Office*

Catherine Shannon, *Legislative Director*  
*Illinois State Treasurer's Office*

**Completion of the Board Oath:**

Mr. Horton read the Oath to all Board members (also provided in written form in advance of the Board meeting). Text below:

“I do solemnly swear that I will support the Constitution of the United States of America and the Constitution of the State of Illinois, and that I will faithfully discharge the duties of the Illinois Secure Choice Savings Board to the best of my ability.

I will diligently and honestly administer the affairs of the Illinois Secure Choice Savings Board, and I will not knowingly violate or willingly permit to be violated any of the provisions of law applicable to the Illinois Secure Choice Savings Program.”

Board members read and submitted signed copies of the oath for the record.

**APPROVAL OF NOVEMBER BOARD MEETING MINUTES**

Board members reviewed the August 17, 2015 Board Meeting Minutes, which were provided in advance of the meeting. There were no changes and no discussion.

*Mr. Rauschenberger made a motion to approve the August 17, 2015 Board Meeting Minutes. Ms. Martinez seconded the motion. The motion was unanimously approved.*

### **APPROVAL OF SECURE CHOICE BOARD RULES OF ORDER**

Mr. Horton presented the Board Rules of Order and highlighted certain provisions, including a minimum requirement of quarterly meetings, the format of agendas, establishment of quorum, and input from the public. Mr. Rappaport asked if any of the rules differed from standard rules of order. Mr. Horton noted two items that were not standard: a provision allowing for participation via video conference, which is allowed under the Open Meetings Act with the Board's approval; and a provision for professional, technical, and clerical staff support from the Treasurer's Office, since the Board does not currently have funding or exclusive staff.

Ms. Martinez requested that Board materials be sent out a minimum of 48 hours before a Board meeting. Board members agreed that committees will be comprised only of Board members but that outside individuals can be invited to participate or assist. There was no further discussion.

*Mr. Rauschenberger moved to approve the Board Rules of Order. Mr. Marzahl seconded the motion. The motion was unanimously approved.*

### **GENERAL UPDATES FOR BOARD MEMBERS**

#### **Indemnification Policy:**

Mr. Horton reported back to the Board about efforts to secure an indemnification policy for the Board. The Department of Central Management Services (CMS) informed the Treasurer's Office that it will issue a self-insured fidelity bond to the Board if such a bond is required by the governing statute or administrative rules. It would not be at any additional cost to the Board and would cover dishonest acts. The Board's administrative rules or the statute would set forth the amount of the bond. Ms. Hutchinson asked about a range of such bond amount. Mr. Horton responded that CMS informed the Treasurer's Office that the Illinois State Board of Investment has a self-insured one million dollars bond. Legal staff will continue conversations with CMS and will update the Board regarding coverage as more information becomes available.

#### **Reimbursement Policy:**

Mr. Frerichs confirmed that all Board members received the reimbursement documents and offered the services of his staff if there were any future questions.

#### **Secure Choice Program Administrator:**

Mr. Frerichs introduced Courtney Eccles, Invest in Illinois Program Manager in the Treasurer's Office to the Board. She will serve as the Secure Choice Program Administrator for the Board.

**Program Implementation Timeline:**

Mr. Federle presented the estimated program implementation timeline to the Board, describing the Request for Proposal (RFP) timeline, the Joint Committee on Administrative Rules (JCAR) rulemaking process, and the various interactions that would be held with state agencies, businesses, and employees. Mr. Federle provided a quick snapshot of what implementation will look like over the next two years. Discussion included conversations about the rollout date (estimated to be July 1, 2017) with understanding that the Board can delay implementation for a variety of reasons.

**Discussion on Investment Consultant**

Ms. Martinez addressed the need for an Investment Subcommittee meeting to assist with the selection of an investment consultant. Board members agreed that the Treasurer's staff would participate in an internal scoring process as dictated by the procurement process, and then present the top three ranked choices to the Investment Subcommittee. The Investment Subcommittee will make a recommendation to the full Board and the full Board will vote. There was consensus by the Board to move forward with this process. Board members also agreed that it was not necessary to hold in-person interviews of potential consultants at a Board Meeting.

Mr. Marzahl asked if the role of the investment consultant will be similar to the role consultants have for 529 programs and deferred compensation. Mr. Garcia said the investment consultant role would be very analogous to the role for 529 programs and deferred compensation.

Mr. Rowell suggested that an Investment Subcommittee meeting be scheduled for the second week of December, followed shortly thereafter by a meeting of the full Board. This would give staff enough time to move through the internal scoring process and have summaries ready to present to the Investment Subcommittee. The Board agreed that staff will provide Board members with a summary of the top three choices as well as a summary of the internal RFP scoring process. Treasurer's staff will reach out to set up meeting times.

**Discussion on JCAR Rulemaking Process**

Mr. Mayer presented on the administrative rulemaking process. The Secure Choice rules will be joint rules between the Board and the Treasurer's Office. The process can be somewhat lengthy depending on complexity and level of interest from JCAR members. Mr. Frerichs offered the assistance of his staff to the Board for drafting rules and moving them through the JCAR process.

*Mr. Marzahl moved that the Treasurer's legal staff assist the Board in drafting proposed JCAR rules. Mr. Rauschenberger seconded the motion. The motion was unanimously approved.*

### **Discussion on General Outreach**

Mr. Federle gave a brief summary of outreach to businesses, employees, and other stakeholders. Staff has focused primarily on the Department of Labor (DOL) rulemaking process, but Courtney will be focusing on outreach with Board members and on behalf of the Board. Discussion included what other states, such as California, have done as well as the outreach that took place during the legislative process.

Mr. Marzahl suggested that a set of agreed upon talking points would be useful for both Board members and staff to use in outreach. Mr. Rauschenberger supported the creation of talking points and said he could bring together a group of business owners if that would be useful for the Board or staff. Mr. Rappaport asked about a Secure Choice website and discussion included the Treasurer's new website and opportunities to include specific information about the program on the Secure Choice page.

### **Discussion on DOL Rulemaking**

Mr. Federle discussed the work done with national stakeholders, the DOL, and the White House to secure a rule from DOL. The proposed rule, released on Monday, November 16, 2015 included all four key components that were needed to allow Illinois' Secure Choice Program to move forward. The proposed rule does not eliminate the possibility of questions over the legality of Secure Choice but it mitigates the threat of legal action.

Comments on the proposed rule are due to the DOL on January 19<sup>th</sup>. It is likely that a wide variety of individuals, organizations, interest groups, industry members, and state policymakers will submit comments. Mr. Federle recommended that the Board submit a comment letter to the DOL regarding the rule. Mr. Marzahl asked if it was possible to communicate electronically to discuss the draft comments and make changes. It was also contemplated that the Board could discuss a draft letter at the next meeting, if it is scheduled early enough.

Mr. Frerichs asked if there was consensus on the staff drafting comments and then having the draft circulated electronically for discussion, edits, and finalization at the next Board or Investment Subcommittee meeting. The Board agreed there was consensus.

The Treasurer's policy staff will circulate the DOL proposed rule as well as a short memo describing the rule to the Board.

### **INVESTMENT SUBCOMMITTEE UPDATE**

Mr. Garcia provided a brief update on the Investment Subcommittee meetings and the investment memorandum. The memorandum provides a high-level view of different items that should be evaluated and considered by the Board, as it crafts the investment policy. The

investment memorandum was circulated to the Board in advance of the meeting and discussed at the subcommittee meeting by Mr. Frerichs, Mr. Rappaport, and Ms. Martinez.

The intent is to bring an investment consultant to work with staff and the Board to craft an investment policy that will include best practices and guide the process for selecting an investment manager. Ms. Martinez asked Mr. Garcia to detail how staff arrived at the estimated fee schedules in the memorandum. Mr. Garcia explained that the estimates are based on Bright Directions, Bright Start, and Illinois' deferred compensation programs. Figures eight, nine, and ten in the investment memo provide breakdowns of the deferred compensation fee schedule, the Bright Start fee schedule, and the estimated fee schedule for Secure Choice. Mr. Garcia also discussed the difference in costs between open architecture and closed architecture options.

Mr. Marzahl raised the issue of contract length and the impact that will have on fees. Mr. Garcia talked about the option to include breaks in the contract and Mr. Rappaport noted that the investment fees should be very low and said the sub-committee will be focused on that in future discussions. Mr. Rappaport clarified that the products will be Roth IRAs and so Board will be required to follow IRS guidelines related to portability, features, etc.

Mr. Garcia walked through the investment consultant RFP and the process that resulted in final proposals from six separate entities. Staff will send the link to the online RFP to the Board.

**NEXT BOARD MEETING:**

The Board agreed to hold an investment subcommittee meeting and a special meeting of the Board before the regularly scheduled quarterly meeting in order to participate in the selection/approval of an investment consultant. Treasurer's staff will coordinate dates for both the subcommittee meeting and the Board meeting.

**ADJOURNMENT:**

Mr. Frerichs stated that since there was no additional business before the Board, he sought a motion to adjourn. Ms. Hutchinson motioned to adjourn the meeting. Mr. Marzahl seconded the motion. Motion for adjournment was accepted.

*The meeting adjourned at 3:45 p.m.*