

ILLINOIS SECURE CHOICE BOARD

**Meeting of Thursday, November 18, 2021
Held In-Person & Remotely by Videoconference**

MEETING MINUTES

The November 18, 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 (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)*

David Marzahl, *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*

Cliff Peng, *Deputy Director of Secure Choice (In-person)*

Catherine Shannon, *Chief Legislative & Policy Officer*

Sara Meek, *Director of Legislative Affairs*

Yolonda Williams, *Deputy 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 and safety concerns by holding an in-person meeting, the Governor’s Disaster Proclamation (reissued on November 12, 2021), 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 November 18, 2021, 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. Orozco 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 August 19, 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 Mr. Marzahl, seconded by Mr. Clemons-Mosby to approve the August 19, 2021, Board Meeting Minutes. The motion carried unanimously.

STAFF UPDATES

Mr. Diaz first provided a brief staff update and transition plan for the Director of Secure Choice role. Ms. Meek then provided the Board with a legislative update, noting the status of the amendments made to the administrative rules (“rules”) for the program that include the modified definition of employers and clarification of how employee count is determined as well as the addition of automatic escalation of saver contribution rate on an annual basis. She mentioned that the first notice of the rules was filed early this year and would expire on November 21, 2021. She added that no public comments had been received since the first notice and that the second notice of the rules would be filed next month. She noted that the status of the adoption of the rules would be shared with the Board at the next quarterly meeting.

Mr. Peng provided the Board with an update on the budget report documenting year-to-date spending for FY2022 (7/1/2021-11/5/2021), which was shared with Board Members prior to the meeting. He pointed out that the current spending in the contractual services category did not

include the recent payments that were made to cover the renewal of the Board insurance policy and the annual payment to Ascensus due to the one-time contract amendment. He noted that the rest of the spending in other categories such as personal services remained consistent while the travel category remained at zero due to the current restrictions from the ongoing COVID-19 pandemic.

Mr. Peng then provided an update on the program implementation and enforcement timeline. He walked the Board through the notification schedules for employers in Wave 2021 and the upcoming Waves 4 and 5. He highlighted the communications to both savers and employers with regards to the upcoming program modifications (implementation of paper statement fees and automatic escalation of contribution rates). In addition, Mr. Peng shared that staff continue to work with the Illinois Department of Revenue on enforcement and logistics planning.

Mr. Peng provided a brief update on the ongoing research and data analysis projects. He mentioned that staff had been working very closely with AKF Consulting Group on the modeling project, which would provide a five-year outlook on program growth including projections on assets and funded accounts. He added that additional details would be shared with the Board at the Q1 2022 meeting. He then discussed the research and data project with Civis Analytics that was focused on a demographic analysis of the saver population. He mentioned that the next step would be the data appends to the existing information for current account holders. Mr. Peng added that the Pew Charitable Trusts (Pew) was expecting the second set of program administrative data from Ascensus for further analysis of the survey group.

Finally, Mr. Diaz and Mr. Peng noted that Treasurer's Office staff, Secure Choice consultants, and Ascensus staff conducted an on-site annual due diligence and quarterly performance review of the program on November 3, 2021, at the Ascensus office in Newton, MA.

DISCUSSION – SECURE CHOICE QUARTERLY REPORT

Troy Montigney of Ascensus started his presentation by providing an overview of program metrics for Q3 2021 and the most recent program numbers as of October 31, 2021. Key data snapshots from the program showed steady growth of funded accounts (94,326 total accounts with ~4,000 new accounts) and total assets under management (\$74,532,024 with ~\$10M quarterly growth). He highlighted the steady trend in monthly contributions (~\$3.1M in the past 30 days) and noted that the average contribution amount continued to increase while monthly totals and deferral rate had leveled off. He then pointed out that the number of web-registered funded account had been trending up, which was attributed to the implementation of paper statement fees and the selection of electronic delivery of statements by savers.

Mr. Montigney led the discussion on employer and employee trends as well as the recent growth and activities in employer registration. He highlighted the number of employers submitting payroll files throughout the quarter, averaging 1,237 per week. He added that the number of employers adding employees averaged 353 per week, showing steady growth in the 3rd quarter. Mr. Montigney also reminded the Board that the withdrawal numbers had been trending upward following the distribution of account statements. In addition, he highlighted the tremendous quarterly growth in employer registration and facilitation activities in the wake of the pre-enforcement communication sent to unregistered and non-compliant employers, including 118 net registrations and 840 net exemptions with 156 employers adding employees and 49 employers remitting payroll deductions.

Mr. Montigney then provided an overview of marketing services for the last quarter, including the activities for both savers and employers and paid search strategies and insights. He highlighted that Tim Klein Photography completed the video shoot with Carriage Crossing Senior Living in Bloomington as part of the program testimonial project. He noted that the program website would be updated to reflect program expansion. He also highlighted that Google continued to be the most engaged platform in Q3 with improved impression share. Mr. Montigney shared the marketing focus for Q1 2022 which included targeted communication for program changes, enforcement, and new wave notifications.

Finally, Mr. Montigney presented the upcoming program modifications, wave expansion, and product developments to the Board. He mentioned that the notices for the implementation of paper statement fees and automatic escalation had been delivered to savers this month. He echoed the timeline and communication schedules targeting Wave 4 and Wave 5 employers in 2022 that were shared during the staff updates. He also laid out the major product-related developments such as payroll provider integration, saver and employer portal enhancements, and compliance and regulatory support.

Mr. Durojaiye then provided an overview of the market environment and performance for the last quarter. He mentioned that all major U.S. equities fell in September due in part to the outbreak of the Delta variant of COVID-19, leading to the negative third quarter returns for mid- and small-cap stocks. He noted that the current supply and demand in the labor market remained mismatched and the lower labor force participation rates had left businesses short-staffed and unable to fulfill their growth potential. He also pointed out the ongoing market volatility, which was partially attributed to the Evergrande debt crisis. In addition, Mr. Durojaiye added that the rising energy costs and the ongoing supply chain issues emerged as the primary source of inflation concerns.

PRESENTATION – FY2021 AUDIT, LANDMARK CPAS

Pattie Davidson of Landmark CPAs presented the Board with an overview of the FY2021 audit report of the program and shared insights for specific sections of the financial statements. She noted that Landmark CPAs had audited the accompanying statement of fiduciary net position and statement of changes in fiduciary net position of the Illinois Secure Choice Savings Program Fund (“the Program Fund”) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprised the Program Fund’s basic financial statements. She highlighted the opinion from the audit, which stated that the basic financial statements presented fairly, in all material respects, the fiduciary net position of the Program Fund as of June 30, 2021, and the changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States. Ms. Davidson also shared the report on internal control over financial reporting and on compliance and other matters and highlighted that there were no specific findings noted throughout the audit.

PRESENTATION – ENVIRONMENTAL LANDSCAPE, AKF CONSULTING GROUP

Andrea Feirstein of AKF Consulting Group started her presentation by giving an update on the developments of state-run retirement programs across the country, including detailed breakdowns of state oversight structure and program models. She provided a status update on the CalSavers lawsuit and added that Connecticut launched its pilot while OregonSaves had completed its program conversion and implemented a hybrid fee structure early this month. She then provided an update on the performance snapshot across California, Illinois, and Oregon as of October 31, 2021, highlighting the total of \$357.8M in retirement savings from 409,883 accounts. In addition, Ms. Feirstein laid out different fee structures for launched auto-IRA programs by presenting a detailed breakdown of asset-based and dollar-based fees and comparing the fee impacts by account size. Finally, she led the conversation on the developments on pipeline programs and noted that Colorado signed a memorandum of cooperation with New Mexico. Staff also discussed the potential impacts of rollout of Auto-IRA programs on traditional retirement savings plans and the industry and addressed questions raised by Mr. Marzahl and Ms. Martinez.

PUBLIC COMMENT

There was no public comment.

OLD AND NEW BUSINESS

Mr. Diaz, Mr. Peng, and other members of the Board acknowledged Mr. Marzahl’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 2022 Board Meeting schedule and FY2021 Annual Report would be made available and shared with the Board prior to the next quarterly meeting.

Mr. Diaz reminded the Board to complete their 2021 Annual Ethics Training before the end of November 2021, adding that members previously received their login information via an email from Ms. Duque.

There was no old business.

ADJOURNMENT

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