

ILLINOIS SECURE CHOICE BOARD

**Meeting of Thursday, November 5, 2020
Held Remotely by Videoconference**

MEETING MINUTES

The November 5, 2020 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*

David Rappaport, *Board Member*

Jay Rowell, *Board Member*

TREASURER’S STAFF

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

Laura Duque, *General Counsel*

Courtney Eccles, *Director of Secure Choice*

Christopher Flynn, *Deputy General Counsel*

Rodrigo Garcia, *Deputy Treasurer & Chief Investment Officer*

Sarah Meek, *Director of Legislative Affairs*

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 2020-48, 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 5, 2020 Board Meeting remotely with the presence of a quorum (all votes at the meeting would be held via roll call).

A motion was made by Mr. Rowell, 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 2020-48. The motion carried unanimously.

APPROVAL OF BOARD MEETING MINUTES

Board members reviewed the August 11, 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. Rowell, seconded by Mr. Orozco to approve the August 11, 2020 Board Meeting Minutes. The motion carried unanimously.

STAFF UPDATES

Ms. Eccles provided key program updates, including reporting on the annual due diligence meeting that was held remotely on October 19th and October 20th (staff memo was provided to Board Members in advance of the meeting). While due diligence meetings would traditionally take place onsite at the Ascensus Offices in Newton, MA, ongoing travel concerns due to the pandemic led the team to hold the meetings virtually. She noted that Treasurer’s Office staff, Secure Choice consultants, and Ascensus staff conducted a comprehensive review of program operations and performance, including meetings with each investment managers, as well as IT data security, client services, marketing, and risk management and audit.

Ms. Eccles provided a legal update on the status of the CalSavers lawsuit, which was appealed by the Howard Jarvis Taxpayers Association to the United States Court of Appeals for the Ninth Circuit. She noted that the Treasurer’s Office, in partnership with the Office of Illinois Attorney General, Oregon Department of Justice, and the OregonSaves Program filed an amicus brief on

October 20th. Ms. Eccles stated that updates would be provided once a decision was made by the court.

Ms. Eccles then gave an audit update, noting that the annual audit reports for FY2020 were being finalized by both Landmark PLC and Crowe LLP, and would be shared with the Board and the appropriate stakeholders in the upcoming weeks. She mentioned that the final audit reports would be posted online as well.

In addition, Ms. Eccles provided a brief update on legislative initiatives. She explained that the Illinois General Assembly did not have a regular spring session due to the pandemic so the Secure Choice legislation would be postponed to the 2021 spring session. She stated that staff were working closely with the House and Senate bill sponsors from the 2020 session and were prepared to move forward with the same initiatives in the February 2021 spring session.

Finally, Ms. Eccles briefed the Board on the budget report, documenting spending from the beginning of fiscal year 2020 (7/1/2019) to the end of October 2020 (10/27/2020), that had been shared with the Board Members prior to the meeting. She noted that the spending for travel remained zero due to the ongoing pandemic while the difference in Personnel spending compared to the previous year was due to the onboarding of the new deputy director beginning in January of 2020.

DISCUSSION – SECURE CHOICE QUARTERLY REPORT

George Piquette of Ascensus provided a brief introduction, highlighting the public-private partnership between Treasurer’s Office, the Board, and Ascensus. Matt Golden of Ascensus then provided a program update for the 3rd quarter of 2020 and numbers current as of October 29, 2020. Key data snapshots from the program included the notable growth of funded accounts (74,180 total accounts with ~9.5k new accounts in the 3rd quarter) and total assets under management (AUM) (\$36,950,038 AUM total with ~\$15M quarterly growth). He highlighted the uptick in both monthly contributions (~\$3M in October) and average withdrawal amount (\$300 in the 3rd quarter) and mentioned that the account withdrawals peaked for the period at \$579K for the past 30 days.

Mr. Golden discussed the steady trends for the number of employers submitting payroll files throughout the quarter (averaging 1,185 per week). He noted that the number of employers adding employees averaged 320 for the 3rd quarter, reminding the Board that early 2020 highs were the result of many Wave 3 employers adding employees for the first time. Mr. Golden highlighted the progress made with new employer registrations (a total 6,058 registered employers as of November 5, 2020), attributable to the recent enforcement mailing, ongoing outreach effort, and the onboarding of Wave 2020 new employers. As a follow-up, he gave an update on the enforcement

mailing schedule and the letters slated for non-responsive and non-facilitating employers in the upcoming months. He also discussed the asset allocation by fund in the 3rd quarter, noting that the percentage of assets in both 90 Day Hold Option and Capital Preservation Fund continued to decline. Mr. Golden mentioned that the newly launched Target Date Retirement Fund 2070 would be made available in December and included as part of the reporting starting next quarter.

In addition, Mr. Golden provided the Board with the client service metrics and call volumes from both savers and employers in the 3rd quarter. He addressed a question raised by Mr. Marzahl regarding the design of the compliance letters being sent to employers. He then provided a brief summary of the marketing and social media activities from the past quarter, noting that while the Treasurer's Office had taken over management of the social media accounts, staff would continue to collaborate on content. In addition, he noted that 2021 budget and marketing planning was in progress. Ms. Eccles highlighted some of the content that had been posted on Twitter, LinkedIn, and Facebook in the 3rd quarter and added that staff had been working with Kivvit to launch the new digital advertising campaign in partnership with Ascensus team.

Mr. Aguilar provided a brief overview of the investment lineup and performance during the 3rd quarter of 2020. He highlighted the strong gains and recovery in the U.S. stock market, benefiting from the performance of technology stocks that had reached all-time highs. He touched on the performance of both U.S. equities and international equities and provided an overview of global markets, fixed income returns, and recent monetary policies announced by the Federal Reserve. Mr. Aguilar then noted the strong performance of the underlying funds in the third quarter and highlighted the investment manager due diligence review conducted with BlackRock, State Street Global Advisors, and Charles Schwab Investment Management. Mr. Aguilar also gave an update on the annual fee study and evaluation of the underlying funds (a copy of the report was provided prior to the meeting), which included analysis done by Ascensus, Marquette Associates, and Treasure's Office. In addition, David Smith of Marquette Associates provided a brief update on the market volatility and the potential outlook with the upcoming elections.

ACTION ITEM – APPROVAL OF UPDATED INVESTMENT POLICY STATEMENT

Mr. Diaz asked the Board to approve the updated Investment Policy Statement (“Policy”) that had been provided to the board in advance of the meeting. Ms. Eccles provided an overview of the key modifications to the policy including updated language to align with the Secure Choice Savings Program Act, the administrative rules, and the fiduciary duties of the Board. She noted that two new sections were added (4.1 & 4.2) to put the policy in compliance with the Illinois Sustainable Investing Act, as required by law. Mr. Aguilar emphasized that the newly added language did not change any investment principles or strategies for the current or future investment lineup.

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

PRESENTATION – ENVIRONMENTAL LANDSCAPE, AKF CONSULTING

Andrea Feirstein of AKF Consulting presented on the key findings from the AKF market report, including the continued growth of the Auto-IRA model in the market; the push for participation through mandatory Auto-IRAs; and simple investment designs geared toward building assets. She provided a breakdown of the oversight and governance models seen across all the state-run retirement programs, as well as details on program investment options. In addition, Ms. Feirstein provided an update on the program developments in California, Oregon, and Washington and progress made with the pipeline programs in development in Vermont, Colorado, and New Mexico.

BOARD ENRICHMENT – IL SECURE CHOICE EMPLOYER INDUSTRY ANALYSIS

Mr. Peng gave a presentation on the summary and findings of the IL Secure Choice registered employers industry analysis – a project conducted by the Treasurer’s staff to further understand the universe of employers facilitating the program and their industry and sector distribution. He noted that the North American Industry Classification System (NAICS) code was used to classify businesses by sector group, sector, and sub-sector. He then highlighted that nearly 86% of registered employers (4,740 total) belong to the service-providing sector group while the goods-producing sector group includes a total of 465 employers, which accounts for about 8% of the entire registration pool. Mr. Peng also presented detailed employer sector and sub-sector industry classifications to the Board, including both asset contribution breakdown and payroll contributing accounts breakdown by sector. In addition, he provided the Board with an analysis of employer registration by county using a detailed heat map.

PUBLIC COMMENT

There was no public comment.

OLD AND NEW BUSINESS

Mr. Diaz reminded the Board to complete their 2020 Annual Ethics Training and the Sexual Harassment Prevention Training online, adding that members previously received their login information via an email from Ms. Duque.

Mr. Diaz then noted that staff were currently working on the 2021 Board Meeting dates and the finalized schedule and materials would be made available prior to the next meeting in February 2021.

Ms. Eccles announced that this would be Mr. Rappaport's last meeting as he had made the decision to step down from the Board. Mr. Diaz, Ms. Eccles and other members of the Board acknowledged Mr. Rappaport's last meeting as a board member and thanked him for his five years of service to the Board and the program.

There was no old business.

ADJOURNMENT

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