



OFFICE OF ILLINOIS STATE TREASURER

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Illinois Secure Choice Retirement Plan Succeeds in Fighting Nationwide Retirement Crisis

32,000 New Workers Now Saving Own Money for Their Future

Bi-Partisan Plan Should Reduce Taxes Needed for Safety Net Programs

CHICAGO – A state-administered program designed to combat the retirement savings crisis threatening America boasts more than 32,000 new workers setting aside \$8.5 million in retirement savings during its first year of operation, Illinois State Treasurer Michael Frerichs said today.

The Illinois Secure Choice program specifically courts employment fields that typically do not offer a retirement savings vehicle for various reasons, including the employer cost to establish and operate a retirement program, federal regulations of such plans, and employee turnover. In the first year, 4,691 businesses who had not offered a retirement savings option registered to participate in Secure Choice.

A seven-person bi-partisan board oversees the Roth IRA investments that are in a lock-box and cannot be comingled with state funds nor raided to pay other bills. Employers with questions can call (800) 650-6913. Workers with questions can call (800) 650-6914.

“Everyone should have the opportunity to retire with dignity,” Frerichs said. “Secure Choice allows workers to save their own money and protects employers from the federal regulatory burden that often accompanies such plans.”

Secure Choice targets the retirement crisis in America. In Illinois, 47 percent of private-sector workers are employed by an establishment that does not provide a retirement savings plan. One-third of Illinois retirees rely upon social security for 90 percent of their retirement income. For households saving for retirement, the median account balance is an unsettling \$5,000.

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Retirees who do not have enough resources instead will rely upon safety net programs supported by property taxes at the local level and income taxes at the state level. Trying to avert more upward pressure on tax collections, the Illinois General Assembly authorized the Secure Choice program in 2014 and it was signed into law in 2015. The law requires employers in business for at least two years and with at least 25 employees to offer a retirement savings plan or participate in Secure Choice. Tying retirement savings to an employer is critical because workers are 15-times more likely to save for retirement if they have access to a payroll deduction plan at work.

After thorough research, including conversations with the Woodstock Institute, Heartland Alliance, Shriver Center on Poverty Law and the AARP, the bi-partisan Secure Choice board prioritized that investment accounts should be portable and travel with the worker from job-to-job rather than remain with the employer, and investment decisions should be easy for workers. As a result, there was a default option set up for workers. In total, four investment funds were selected as the vehicles in which workers can invest based upon on their risk tolerance.

The Secure Choice board also decided that employers and employees should join the program in phases, rather than all at once, to ease the transition. As a result, employers with 500 or more employees had to register by Nov. 1, 2018; employers with employees that number between 100 and 499 had to register by July 1, 2019; and employers with employees that number between 25 and 99 had to register by Nov. 1, 2019.

Employees are defaulted to begin their post-tax investments at five percent of their paycheck. They can reduce that, increase that amount up to IRA limits, which is \$6,000 for 2019, or opt out of the program entirely. Employers are prohibited from making contributions, do not make investment decisions, and do not fall under federal ERISA regulations.

Employers who do not offer their own retirement plan and do not participate in Secure Choice face a \$250 fine for each employee in the first year and a \$500 fine for each employee in subsequent years. The Illinois Department of Revenue enforces compliance. However, education and participation remain the focus of Secure Choice, not penalties, Frerichs said.

Secure Choice sent notices to approximately 29,000 employers indicating they might qualify for Secure Choice. To date, 10,000 employers have registered for the program or indicated they are exempt because they offer a qualified plan. Moving forward, the program's priorities will be customer service and confirming the 19,000 non-respondents become compliant.

The Secure Choice authorizing legislation requires the Illinois treasurer, comptroller, and director of the Governor's Office of Management and Budget to be members of the Secure Choice Board. The remaining four members are appointed by the governor, approved by the treasurer, and confirmed by a majority vote in the Illinois Senate. The program is managed on a day-to-day basis by Ascensus, a private-sector financial services firm. Investment fund options include offerings from BlackRock, Charles Schwab and State Street Global Advisors. More information can be found at www.ilsecurechoice.com.

Illinois was the first state in the nation to authorize such a retirement savings program; Oregon was the first state to implement such a program. California also has an active program. Several other states are pursuing such a program with Connecticut and Maryland expected to launch in 2020.

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Secure Choice by the Numbers

32,791 = Number of Secure Choice savers.

\$8.5 million = Total invested assets.

4,691 = Number of Secure Choice employers.

102 = Number of Illinois counties with Secure Choice savers.

Secure Choice Board Members

Illinois State Treasurer Michael Frerichs, Chair

Miriam Martinez, Appointee

Cesar Orozco, Designee for the Illinois
Comptroller's Office

David Marzahl, Appointee

Curt Clemmons-Mosby, Designee for the
Governor's Office of Management and Budget

Jay Rowell, Appointee

David Rappaport, Appointee

About Ascensus

Ascensus helps more than 7 million Americans save for the future – retirement, college and healthcare – through technology and service solutions. With more than 35 years of experience, the firm offers tailored solutions that meet the needs of banks, credit union, states, governments, financial professionals, employers, and individuals. Ascensus supports approximately 50,000 retirement plans, more than 4 million 529 college savings accounts, and a growing number of ABLE savings accounts. It also administers more than 1.5 million IRAs and health savings accounts.

About the Illinois Treasurer

As Illinois State Treasurer, Frerichs is the state's Chief Investment and Banking Officer and actively manages approximately \$31 billion. The portfolio includes \$13 billion in state funds, \$12 billion in college savings plans and \$6 billion on behalf of local and state governments. The investment approach is cautious to ensure the preservation of capital and returns \$42 to the state for every \$1 spent in operations. Frerichs' office protects consumers by safeguarding more than \$3 billion in unclaimed property, encouraging savings plans for college or trade school, increasing financial education among all ages, assisting people with disabilities save without losing government benefits, and removing barriers to a secure retirement. The Treasurer's Office predates Illinois incorporation in 1818. Voters in 1848 chose to make it an elected office.

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