

ILLINOIS SECURE CHOICE BOARD

**Meeting of Tuesday, October 11, 2016
James R. Thompson Center
100 West Randolph, Room #16-504, Chicago, Illinois**

MEETING MINUTES

The October 11, 2016 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

Leslie Munger
Illinois State Comptroller (via teleconference)

Kim Fowler
Designee for the Governor's Office of Management & Budget (via teleconference)

David Marzahl
Center for Economic Progress – President & CEO (via teleconference)

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

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

TREASURER'S STAFF

Courtney Eccles, *Invest in Illinois Program Manager*

Rodrigo Garcia, *Chief Investment Officer*

Jay Rowell, *Deputy Treasurer*

Catherine Shannon, *Director of Legislative Affairs*

APPROVAL OF AUGUST BOARD MEETING MINUTES

Board members reviewed the August 22, 2016 Board Meeting Minutes, which were provided in advance of the meeting. There was no discussion and no changes were proposed.

Mr. Rappaport made a motion to approve the August 22, 2016 Board Meeting Minutes. Comptroller Munger seconded the motion. The motion was unanimously approved.

STAFF UPDATES

Fall Outreach with Illinois Department of Revenue (IDOR)

Ms. Eccles provided the Board with an update on the Secure Choice outreach being conducted in partnership with IDOR. She explained that IDOR would be circulating an updated IL-941 Form to all businesses, beginning in 2017, that asks whether or not businesses offer a retirement plan to employees. This information will be used to help the Board determine which businesses will need to be notified about participation in Secure Choice. Ms. Eccles added that she has been joining IDOR staff at presentations taking place around the state to discuss Secure Choice. More presentations are scheduled through the end of 2016.

Veto Session

Ms. Eccles and Ms. Shannon provided a brief update of what could be expected for veto session. They plan to schedule meetings with different business groups and policymakers to walk through some of the legislative changes the Board is considering, based on its program design working document. Some of the changes include updating the implementation date and allowing for a phased enrollment, and exploring whether a higher default contribution rate is possible. Ms. Eccles also discussed the meeting they had with both Sen. Biss and Rep. Currie to discuss legislative changes during the 2017 spring session. Ms. Shannon explained that if possible, staff would seek legislative clarity on appropriation authority for the Secure Choice funding but noted that this would need to be done through an appropriation bill, and it is unclear if any such bills would be moved during the veto session. Treasurer Frerichs noted that because it is not a monetary change, it should be easier to pass, however little is expected to happen during the veto session.

Consumption Study Results

Ms. Eccles provided an update on the next steps for the research being conducted by the Urban Poverty Lab. Staff received data on the race, gender, age, workforce sector, and wages for the expected pool of Secure Choice participants. In partnership with the Poverty Lab, staff will create a report or policy brief for the Board that will also be made available to the public. This information will provide a deeper dive on the expected demographics of Secure Choice participants. Mr. Rappaport clarified that this work is being provided pro bono to the Board. Ms.

Eccles also noted that this information will be provided to the firm conducting the market analysis, once one is formally selected, and a contract is finalized.

Ms. Eccles added that the Illinois Asset Building Group (IABG) had received a grant from the US Department of Labor (USDOL) to look specifically at how Secure Choice will impact low-income workers in Illinois. IABG hoped to work closely with the Board and staff to conduct focus groups and surveys to better understand how low-income workers will engage with the program. The end result will include different recommendations for messaging, communications, and educational materials. Mr. Rappaport asked if there is a possibility that US DOL might offer grants directly to state programs for which Secure Choice would be eligible. Ms. Eccles said it was unclear whether such opportunities would be available. In this particular case, governmental entities were not allowed to bid.

Fall Business Outreach Event

Treasurer Frerichs noted that while the Board had selected a fall date for the business outreach event, a conflict had arisen, and his staff is working with Mr. Rauschenberger to select a new date in January or February. He apologized for the inconvenience and thanked Mr. Rauschenberger for being open to the scheduling change. Mr. Rauschenberger added that it seemed unwise to reschedule for December, given the holidays, and stated that late January or early February would work well. Ms. Eccles said she would circulate new options to the Board and send a new calendar invite when a date is confirmed.

PROGRAM DESIGN/INVESTMENT SUBCOMMITTEE REPORTS

The Board reviewed its updated Program Design Elements worksheet, including the most recent updates from the September subcommittee meetings. The worksheet included a new column, indicating whether an action step is needed (i.e., a legislative change or clarification in administrative rules). She noted that Sen. Biss and Rep. Currie are happy to work on legislation next spring that would adjust the implementation date and allow for a phased-in rollout, but they would like the Board to have a date at which the rollout would be fully complete. In addition, they would be willing to work on a change to the default contribution rate, if it is not controversial and has bi-partisan support. Mr. Rauschenberger added that he had discussed the default contribution rate in a few meetings with TMA members, and there was concern from some employers that this number might be considered too high for certain employees.

Mr. Rappaport asked for clarification on whether the definition of “employee” includes part-time workers. Ms. Eccles replied that the definition does include part-time employees but not 1099 contract workers.

Ms. Eccles also noted that the legislative sponsors prefer to wait to introduce legislation that would add a Traditional IRA product. Ms. Shannon added that the legislative sponsors want to ensure that the bill is backed by the Board before it is introduced to the General Assembly. Treasurer Frerichs stated that legislation wouldn't be introduced without first ensuring it had the Board's approval.

Finally, Ms. Eccles noted that legislative action might be needed to clarify the applicability of the employer mandate throughout the life of the program. She explained that with the US DOL final rule, the Secure Choice Act makes clear which businesses must comply with Secure Choice at the time of enrollment but does not clearly address what happens if enrolled employers were to fall below the threshold at some later point in time. This was discussed at the September subcommittee meeting, but no final decision was made. Ms. Eccles said that staff would include this topic in upcoming outreach meetings with stakeholders and that the Board could address it at a future meeting or subcommittee meeting.

APPROVAL OF SECURE CHOICE MARKET ANALYSIS CONTRACT

Ms. Eccles provided the Board with an update on the Market Analysis RFP evaluation process. The evaluation team included staff from the Treasurer's Office and Governor's Office of Management and Budget. While the team felt that all three responses were strong, Boston College received the highest score and had a significantly lower cost proposal than the other respondents. The evaluation team recommended Boston College and with approval from the Board, staff will begin the contract negotiation process.

Mr. Rappaport asked which Boston College staff would be conducting the analysis. Ms. Eccles replied that it would be two full time staff and a graduate student. The lead staff person also headed a similar project for Oregon's Retirement Program. Mr. Marzahl asked what the timing for the market analysis would be. Ms. Eccles stated that Boston College would have a six month contract to complete the work, but it's quite possible that they would be able to complete the work in a shorter time frame. She noted that a final report could be circulated by April at the latest. Mr. Rappaport asked how that timing coincided with the release of an RFP for program services. Ms. Eccles said that the timing would be tight, but the expectation is that the Board will at least have preliminary data before issuing the next RFP.

Mr. Rauschenberger moved to authorize entering into a contract with Boston College to conduct the Secure Choice Market Analysis. Mr. Marzahl seconded the motion. The motion passed unanimously.

APPROVAL OF SECURE CHOICE CONSULTING SERVICES RFP

Treasurer Frerichs noted that all Board members should have received advance copies of the proposed RFP. He thanked all of the Board members for providing input and said that the final version incorporated all edits and suggestions that were provided to staff during the drafting process. He asked if there was any additional discussion, questions, or suggestions. Ms. Fowler added that she was happy with the RFP and the Board's path.

Treasurer Frerichs and Ms. Fowler confirmed that, similar to the Market Analysis RFP evaluation team, Curt Clemons-Mosby would serve as a member of the evaluation team from the Governor's Office of Management and Budget.

Mr. Rappaport moved that the Board authorize the Treasurer's Office to issue the Secure Choice Consulting Services RFP. Comptroller Munger seconded the motion. The motion passed unanimously.

OLD AND NEW BUSINESS

Mr. Rowell reminded the Board members that they must complete their annual ethics training before the end of 2016. He noted that staff had circulated the ethics documents and Board members needed sign the forms and return them to staff.

Mr. Rowell also provided an update on the search for pro bono legal counsel. He noted that staff had found a firm that was interested in the work, and they were very close to completing the approval process. The firm is providing staff answers to a few final questions. He noted that the attorney leading the pro bono team had previously worked on ERISA and employment law and was very excited to work on Secure Choice.

PUBLIC COMMENT

There was no public comment.

ADJOURNMENT

In order to have a presentation from the finalist for the Consultant Services RFP, the Board will postpone its November 21st meeting and reschedule it for early December. Mr. Rauschenberger noted that the Board should also have its business outreach event date scheduled at that point. Treasurer Frerichs said that staff would reach out to schedule an early December Board meeting.

With no further business, Treasurer Frerichs thanked the Board for its work and adjourned the meeting at 3:00pm.