

ILLINOIS SECURE CHOICE BOARD

**Secure Choice Investment Subcommittee Meeting
Wednesday, September 21, 2016
James R. Thompson Center
100 West Randolph, Room #15-600, Chicago, Illinois**

MEETING MINUTES

The September 21, 2016 meeting of the Secure Choice Investment Subcommittee (“Subcommittee”) was called to order at 4:00 p.m. CT with the presence of a quorum.

BOARD MEMBERS PRESENT

Michael Frerichs, Chair
Illinois State Treasurer

Kim Fowler
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 and CEO

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

TREASURER’S STAFF

Joe Aguilar, *Deputy Director – Investment Analysis and Due Diligence*

Courtney Eccles, *Invest in Illinois Program Manager*

Julian Federle, *Chief Policy and Programs Officer*

Rodrigo Garcia, *Chief Investment Officer*

Jay Rowell, *Deputy Treasurer*

UPDATE ON PROGRAM DESIGN ELEMENTS

Ms. Eccles provided a brief update on the Program Design Elements worksheet that was previously circulated to Subcommittee members. She noted that the design elements relevant to the Subcommittee included the 1) selection of investment options beyond the default target date funds, 2) withdrawals, 3) whether there should be a default method for drawdowns, and 4) allowance for rollovers in and out of Secure Choice.

Mr. Rappaport suggested that the Subcommittee might be better off waiting to address these issues once the Board has a consultant in place and is selecting a program manager. Mr. Garcia responded that the Board could be as prescriptive or flexible as they wanted to be when crafting the investment management pieces of a Request for Proposals (RFP) and that these decisions did not need to be made immediately. The Subcommittee discussed the different priorities for passive management and the various investment options that could be selected in addition to a target date fund option, but agreed that these items could be addressed at a later date. Mr. Rappaport noted that the Federal Thrift Savings Program (TSP) could serve as a good model for the Secure Choice investment framework. Ms. Eccles said she would recirculate the presentation that identifies the different ways states can mimic features of the TSP.

DISCUSSION OF INVESTMENT & ADMINISTRATIVE CONSULTANT RFP

Ms. Eccles opened the discussion by reminding Subcommittee members that the draft RFP provided for comment should not be circulated in order to ensure that no entity is precluded from responding to the RFP once it is released. She explained that Subcommittee members would provide feedback to staff, after which an updated draft would be circulated to all Board members and then formally approved by the full Board at its October meeting.

The Subcommittee discussed including language that clearly articulates the preference for passively managed funds while still ensuring that consultants or advisors with a wide range of expertise would apply. Mr. Garcia and Ms. Eccles added that staff would update the RFP and circulate the new draft in advance of the Board meeting.

Mr. Rappaport asked whether the RFP needs additional detail for program administration, given the expectation that it would be a significant part of the work. Ms. Eccles provided an explanation of the specific administrative services outlined in the RFP and also highlighted questions that would require the Respondent to indicate its experience administering new retirement programs.

Ms. Fowler asked for confirmation that the RFP includes language around the approval of any subcontractor and assurances that use of subcontractors would not increase or modify the agreed

upon costs. Ms. Eccles stated that staff would work with legal counsel to ensure that the language around required services and costs was strong.

Ms. Fowler added that she would like Curt Clemons Mosby from the Governor's Office of Management and Budget (GOMB) to participate in the scoring process. Ms. Eccles noted she would also reach out to the Comptroller's Office to see if it also wanted to designate a staff person for the Evaluation Committee.

UPDATE ON MYRA FUND OPTION

Ms. Eccles provided a brief update on conversations staff had with the U.S. Department of the Treasury ("Treasury") about access to the myRA underlying government bond. She added that the conversations were very preliminary, but it might be possible for state programs, such as Secure Choice, to offer the myRA bond as an investment option. Mr. Garcia explained that access to the myRA fund, which mirrors the G Fund in the TSP, would be a great benefit to Secure Choice participants, because the G Fund is currently only available to TSP participants. It was reiterated that no commitments had been made and staff would provide additional details after having follow-up with conversations with Treasury staff.

NEW OR OLD BUSINESS

There was no new business or old business.

PUBLIC COMMENT

There were no public comments.

ADJOURNMENT

With no further business before the Subcommittee, Treasurer Frerichs adjourned the meeting at 5:00 pm CT.