

ILLINOIS SECURE CHOICE BOARD

**Meeting of Tuesday, August 11, 2020
Held Remotely by Videoconference**

MEETING MINUTES

The August 11, 2020 meeting of the Illinois Secure Choice Board (“Board”) was called to order by Mr. Diaz at 3:00p.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, Gubernatorial Disaster Proclamation (Executive Order 2020-07), and Executive Orders regarding 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 August 11, 2020 Board Meeting remotely with the presence of a quorum (all votes at the meeting would be held via role call).

A motion was made by Ms. Martinez, seconded by Mr. Marzahl to suspend a portion of the Board Rules due to the current COVID-19 pandemic and the Governor's Executive Order 2020-07. The motion carried unanimously.

APPROVAL OF BOARD MEETING MINUTES

Board members reviewed the May 12, 2020 Board Meeting Minutes and the May 29, 2020 Special 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 May 12, 2020 Board Meeting Minutes and the May 29, 2020 Special Board Meeting Minutes. The motion carried unanimously.

STAFF UPDATES

Ms. Eccles provided the Secure Choice program updates, including recent adjustments that were made in response to the COVID-19 pandemic. Program operations remained consistent and uninterrupted while both Treasurer's and Ascensus' staff, including the Ascensus Client Service Team, remained working from home or remotely due to the current circumstances.

Ms. Eccles highlighted some of the major COVID-19 related operational updates that were made in partnership with Ascensus, the STO investment team, and consultants including: (1) conducting the Q2 2020 meeting remotely on July 31st and preparing to hold the Ascensus On-site Due Diligence Meeting remotely via video conference in November; (2) continuing to waive fees for the 90-Day Hold Fund and the Capital Preservation Fund to ensure that fees did not exceed yields;

and, (3) reengaging with employers impacted by COVID-19 as Illinois moved into Phase 4 of its reopening plan.

Ms. Eccles gave an update on the program spending for fiscal year (FY) 2020 (from 7/1/2019 to 6/30/2020) that had been sent to Board members prior to the meeting. She noted that the spending for Personal Services, Travel, and Electronic Data Process remained consistent with the numbers from FY2019. She pointed out to the Board that the additional spending in Contractual Services this year was due to the first payment made to Ascensus per the contract amendment.

Ms. Eccles then 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 mentioned that Treasurer's Office was working closely with the Office of Illinois Attorney General, Oregon Department of Justice, and the OregonSaves Program to draft an amicus brief to support CalSavers.

Finally, Ms. Eccles provided an audit update, noting that the audit reports for FY2020 were being prepared and completed by both Landmark PLC and Crowe LLP, and would be shared with the Board in the upcoming months. She explained that the Ascensus audit report was conducted by Landmark, and the Office of Illinois Auditor General conducts its own an external audit of the program under the requirement of the state law, which will be completed by Crowe.

DISCUSSION – SECURE CHOICE QUARTERLY REPORT

Matt Golden of Ascensus provided a program update for the 2nd quarter of 2020 and numbers current as of August 3, 2020. Key data snapshots from the program savers included the growth of total assets (\$30,229,317) and the uptick in both the total number of funded accounts (67,468) and the average funded account balance (\$448.05). He mentioned that the average monthly saver contribution amount increased by 10% in July since March while the withdrawal numbers peaked for the period at \$405K for the past 30 days. He discussed the continued upward trends for the number of employers submitting payroll files and those adding employees each week, which can be attributed to the outreach effort from the onboarding and field teams. Mr. Golden addressed a question from Mr. Marzahl on the effective opt-out rate and the withdrawal trends. He presented the number and amount of total daily withdrawals since February, which were consistent with the trends from OregonSaves Program.

Mr. Golden mentioned that a significant amount of the employers belonged to the food services industry when Ms. Martinez asked whether the participating employers were considered essential businesses. Ms. Eccles added that employers who started making payroll contributions again potentially had fewer employees due to the impacts from COVID-19 regardless of their industries.

In addition, Mr. Golden noted that among the 5,535 employers who had registered for the program, 2,386 had started remitting payroll contributions and facilitating Secure Choice. He then outlined the revised enforcement mailing schedules for both the non-responsive and non-facilitating employers from all three onboarding waves.

Mr. Golden walked the Board through the client service metrics and call volumes from both savers and employers. He noted that the declined call volume in the 2nd quarter was due to the completion of waves and less account access requests from savers. He then provided the board with a brief summary of the marketing activities and social media outreach completed in the 2nd quarter. He provided a snapshot of the impressions, clicks, and click through rates from the Q2 continued social and paid search activities. In addition, Mr. Golden provide an organizational update to the Board that includes naming Peg Creonte as the President of Ascensus Government Savings.

Mr. Aguilar provided a brief overview of the investment lineup and performance during the 2nd quarter of 2020. He highlighted U.S. stock market recovery and the returns on the corporate bonds, benefiting from the Federal Reserve actions. He then gave an update on the underlying fund performance with significant improvements and rally achieved in the last quarter. He walked the Board through the strong performance of the different target date funds and the decrease in the 90-Day Hold Fund. In addition, Mr. Aguilar provided a status update on the annual fee study and evaluation of the underlying funds, which was being conducted by Ascensus, Marquette Associates, and Treasure's Office. He noted that a copy of the report would be provided at the next Board Meeting.

ACTION ITEM – APPROVAL OF THE CREATION OF TARGET DATE RETIREMENT FUND 2070

Mr. Diaz asked the Board to approve the creation of the Target Date Retirement Fund 2070 (2070 Fund) as the newest investment option on the Secure Choice lineup for savers who were 18 years old. Ms. Eccles mentioned that the creation of the 2070 Fund would help group the newest 18 years old savers to the next five-year cohort and was identical to the process used when the Target Date Retirement Fund 2065 (2065 Fund) was created. She noted that Board approval at this meeting would enable Ascensus to proceed with operational preparations to ensure the fund would be available no later than January 1, 2021. Mr. Aguilar added that the underlying asset allocation for the 2070 Fund would be identical to the 2065 Fund at inception. Mr. Garcia clarified that this is a new fund option being offered within the Program and is not the creation of a new underlying fund.

A motion was made by Mr. Rowell, seconded by Mr. Marzahl to approve the creation of the Target Date Retirement Fund 2070. The motion carried unanimously.

PRESENTATION – PEW SURVEY RESEARCH UPDATE, PEW CHARITABLE TRUSTS

John Scott of The Pew Charitable Trusts (Pew) provided an update on the Illinois Secure Choice Survey Research for the program participants, including the methodology, timeline, and the current status. He shared the response rate, participant status, and the ethnicity breakdown of the survey sample for the baseline survey that was completed in the spring and noted that Pew would be spending additional resources to retain survey participants for future surveys. He then highlighted the preliminary qualitative findings around the program awareness among the participants and their financial security, which may have implications for marketing and outreach work. Ms. Eccles added that staff had been working with Pew on the second survey to include COVID-19 related questions and a copy of the final findings would be shared with the Board in the upcoming months. In addition, Mr. Scott briefed the Board on the initial findings from the OregonSaves Employer Satisfaction Survey and highlighted the indicators that had a direct impact on the satisfaction level.

PRESENTATION – ENVIRONMENTAL LANDSCAPE, AKF CONSULTING

Andrea Feirstein of AKF Consulting provided a status update on the development of state-run retirement programs. She noted that there was a total of 13 state-administered and authorized programs as of July including Colorado as the newest state. She then walked the Board through the different program business models such as the Voluntary Auto-IRA, Mandatory Auto-IRA, and the Multiple Employer Plan. Ms. Feirstein highlighted that Auto-IRA programs remained the prevalent model among all the participating states. In addition, she gave the Board an update on the status of programs in development. Ms. Eccles echoed the legislative efforts and progress across different states and highlighted the advancements that were made in Colorado.

BOARD ENRICHMENT – COVID-19: GLOBAL MARKETS OVERVIEW, MARQUETTE ASSOCIATES

David Smith of Marquette Associates gave a presentation on the overview of global markets, including GDP expectations, global government stimulus and fiscal measures, and the current recovery status based on economic indicators. He discussed fixed income performance with a focus on the government bonds and presented both the U.S. equities outlook and the COVID-19 Sensitivity Analysis for S&P 500. Mr. Smith pointed out the potential opportunities for small-cap stocks and shared positive perspectives towards the market by laying out the historical pre- and post-election returns for S&P 500. In addition, he walked the Board through the Non-U.S. equities growth and performance by comparing the historical numbers with U.S. equities market and presenting the year-to-date returns from countries such as Canada, U.K., and China,

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 the next Board Meeting was scheduled for November 5, 2020 and the meeting information and materials would be made available prior to the meeting.

There was no old business.

ADJOURNMENT

With no further business, a motion was made by Mr. Orozco, seconded by Ms. Martinez to adjourn the meeting. The motion carried unanimously.