

ILLINOIS SECURE CHOICE BOARD

**Meeting of Thursday, July 20, 2017
James R. Thompson Center
100 West Randolph, Room #15-600, Chicago, Illinois**

MEETING MINUTES

The July 20, 2017 meeting of the Illinois Secure Choice Board (Board) was called to order at 3:00 p.m. CT with the presence of a quorum.

BOARD MEMBERS PRESENT

Jay Rowell
Designee for the Illinois State Treasurer

John Gay
Designee for the Illinois State Comptroller

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

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

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

TREASURER'S STAFF

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

Courtney Eccles – *Invest in Illinois Program Manager*

Julian Federle, *Chief Policy and Program Officer*

Rodrigo Garcia, *Chief Investment Officer (via teleconference)*

Keith Horton, *General Counsel*

Sandi Raphael, *Deputy General Counsel*

Catherine Shannon – *Legislative Director*

APPROVAL OF JANUARY BOARD MEETING MINUTES

Board members reviewed the April 5, 2017 Board Meeting Minutes, which were provided in advance of the meeting. There was no discussion, and no additional changes were proposed.

Mr. Rauschenberger made a motion to approve the January 26, 2017 Board Meeting Minutes. Ms. Martinez seconded the motion. The motion was approved 6-0. Ms. Fowler abstained from voting as she was not present at the April Board meeting.

STAFF UPDATES: LEGISLATION AND DEFAULT CONTRIBUTION RATE

Mr. Rowell provided a status update on HB 2360, the legislation that allows the Board to select a default contribution rate between three and six percent and establish a phased rollout schedule for the Illinois Secure Choice Savings Program (Program). Mr. Rowell noted that the Governor signed the legislation into law on June 30. He reminded the Board about the Boston College research, which indicated that a three percent contribution rate would not be financially feasible and that a five percent contribution rate would make the Program much more likely to be viable. He added that the staff recommendation would be to increase the default contribution rate to five percent.

Ms. Martinez made a motion to move the default contribution rate from three percent to five percent. Mr. Gay seconded the motion. There was no discussion, and the motion was approved 6-0. Ms. Fowler abstained.

PRESENTATION & APPROVAL OF PROGRAM MANAGER

Ms. Eccles provided a brief summary of the Request for Proposals Illinois Secure Choice Program Manager (RFP) timeline, evaluation process, and key reasons for the Evaluation Team’s recommendation of Ascensus College Savings Recordkeeping Services, LLC (Ascensus). She noted that the Evaluation Team was unanimous in its decision to recommend Ascensus as the Program Manager for Secure Choice.

Ms. Eccles introduced staff from Ascensus who provided a 45 minute presentation to the Board, including discussion and questions from Board members around the company’s capabilities, services, investment line-up recommendations, marketing, and Cost Proposal.

Peg Creonte, Scott Morrison, and Kevin Cox of Ascensus presented to the Board. The presentation slides are available on the Secure Choice webpage under Board Materials.

Ms. Martinez asked about the company's ability to report on fund performance. Ascensus staff noted that they are capable of providing reporting at the program and participant level and could work out how frequently reports are provided beyond the information that would be available at any time to participants through its online platform. Mr. Rappaport asked whether or not Ascensus had considered the newness of the Schwab Target Date Funds when recommending them in the proposed fund line-up. Ascensus staff acknowledged that the funds are relatively new but pointed to the long tenured team that has been managing funds in the retirement space for many years.

Ms. Martinez asked about the level of knowledge and training for customer service representatives to ensure they can adequately answer questions and assist employers and employees. Ascensus added that they have representatives who speak both English and Spanish and software that provides multi-lingual translation services. Mr. Marzahl asked about the performance standards for the call centers, with Ascensus staff noting that across their programs they see 90 percent of calls answered within 30 seconds. Mr. Marzahl followed up with a question about managing call capacity during the initial rollout of the Program. Ascensus explained that it will initially select from its existing well-trained team and use its program start-up experience to ensure they have an adequate number of staff.

Mr. Rappaport asked whether the open-architecture system would allow the Board to change out funds in the future, and Mr. Garcia followed-up to ask how quickly any such changes could be made. Ascensus staff confirmed that the Board could elect to make changes to the fund line-up throughout the life of the contract and added that it would likely need a period of 60-90 days to make the necessary operational changes. Ascensus also confirmed that it would not impose a fee for making fund changes.

During discussion about outreach and the hiring of two Illinois-based Ascensus staff, Mr. Rauschenberger noted that it might be worthwhile to think about the differences in need for the Chicago area versus downstate Illinois. Board members also asked Ascensus to discuss the security measures it uses to protect participant data, as well as any processes it has to address fraudulent acts. Ms. Martinez inquired about the capacity of the platform Ascensus would be using for Secure Choice. Ascensus staff responded that the system is designed to accommodate several million participants.

Upon completion of discussion, Mr. Rowell called for a motion from the Board. Mr. Marzahl moved for the Treasurer's Office, on behalf of the Secure Choice Board, to negotiate and enter

into a Contract for a Secure Choice Program Manager with Ascensus. Ms. Martinez seconded the motion. There was no further discussion, and the motion was approved 7-0.

Ms. Martinez thanked the staff and members of the Evaluation Team for all their time and effort on the RFP process.

LEGAL LANDSCAPE

Mr. Rowell introduced Amanda Sonneborn and Cory Hirsch from Seyfarth Shaw LLP (Seyfarth) to provide a presentation on the current legal landscape for state-administered retirement savings programs following the elimination of the Department of Labor safe harbor.

The Seyfarth presentation slides are available on the Secure Choice webpage under Board Materials.

Mr. Rowell provided an update on a bi-partisan effort by state treasurers to meet with the new Department of Labor Secretary to discuss the importance of state administered retirement programs, such as Secure Choice. Treasurer Frerichs will be participating in the meeting, and staff will provide the Board with updates.

IMPLEMENTATION TIMELINE

Ms. Eccles and Wendy Carter, a consultant from Segal Marco, provided an updated implementation timeline for the Board to review. Ms. Eccles noted that the timeline illustrates the key work areas and deliverables that need to be accomplished in advance of an April 2018 pilot program launch date. Ms. Eccles discussed the timeline for contract negotiations, creation of administrative rules, and data sharing with state agencies. Ms. Carter led the discussion on the other aspects, including investment design and selections, system design and development, operations, education, branding, marketing, outreach, and Program launch.

Mr. Rowell suggested that the Board schedule monthly meetings beginning in September and running through April of 2018 to enable continued discussion, status reports, and decision making throughout the implementation period. Mr. Rauschenberger suggested that the Board meet on a consistent day or time each month to avoid having to select a new date after every meeting. After discussion it was agreed that Ms. Eccles would send out monthly calendar holds through April 2018.

OLD AND NEW BUSINESS

Ms. Eccles provided a brief update on the MOU with California and Oregon, noting that the agreement was extended to allow for continued shared legal services from K&L Gates LLP. Mr. Rowell noted that the Treasurer's Office would be bringing on one additional staff person to assist with Secure Choice, given the expected amount of work over the coming years. Finally, Mr. Rowell provided a brief update on the Secure Choice budget, noting that the FY18 budget included the same appropriation of \$2.1 million that had been provided in the previous two fiscal years. He reminded the Board that, as with all previous appropriations, any money spent would need to be paid back to the State once Secure Choice is operational.

PUBLIC COMMENT

There was no public comment.

ADJOURNMENT

Mr. Rowell reminded the Board that the next meeting is scheduled for September 14, 2017. With no further business, Mr. Rappaport moved to adjourn the meeting, and Mr. Rauschenberger seconded the motion. The motion to adjourn was approved unanimously.