



OFFICE OF THE ILLINOIS STATE TREASURER
MICHAEL W. FRERICHS

on behalf of the
Illinois Secure Choice Savings Board

Request for Proposals
Illinois Secure Choice Program Manager
370-200-17-009

April 10, 2017

Proposals due by 2:00 p.m. CT on May 25, 2017

Mr. Jim Underwood
Chief Procurement Officer
400 West Monroe Street, Suite 401
Springfield, IL 62704

Office of the Illinois State Treasurer
Request for Proposals
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I. OVERVIEW

The Illinois Secure Choice Savings Board (“Board”) authorized the Office of the Illinois State Treasurer (“Treasurer”) to issue this Request for Proposals for Illinois Secure Choice Program Manager (“RFP”) on behalf of the Board for the Illinois Secure Choice Savings Program (“Secure Choice”).

The successful Respondent (“Contractor”) will provide all of the necessary services to run and operate Secure Choice, with the overall goal of providing Illinois workers with access to an easy, safe, and convenient retirement savings tool. The Treasurer and Board are seeking Proposals from vendors, such as recordkeepers, investment management firms, and financial services firms, with the expertise and ability to launch and manage a new state-run retirement savings program for private sector workers.

The ideal Respondent is one with a strong investment track record; comprehensive risk management skills; experience establishing, developing, and administrating defined contribution retirement programs and Individual Retirement Account (“IRA”) programs; the ability to provide comprehensive recordkeeping services; the capacity to successfully onboard and enroll a significant number of employers and employees; and expertise in client counseling, portfolio management, and management and evaluation of passive equity and fixed income index funds, asset allocation, glide paths, and defined contribution best practices.

The Contractor shall enter into a contract with the Treasurer and the Board (“Agreement”) for an initial term of seven (7) years. The Treasurer and the Board may elect to extend the Agreement for a period of time agreed upon by the parties, not to exceed a total term of ten (10) years, including the initial seven (7) years.

Respondents must submit their Proposals by 2:00 p.m. CT on May 25, 2017.

II. BACKGROUND

This Section provides background on Secure Choice, the Board, the investment principles for Secure Choice, and the Demographic Overview and Feasibility Study.

A. Secure Choice

On January 5, 2015, the Illinois Secure Choice Savings Program Act, 820 ILCS 80/1 *et seq.*, (“Act”) was signed into law, thereby establishing Secure Choice and its Board. Secure Choice is a retirement savings initiative that applies to all employers that have been operating in Illinois for at least two (2) years, have at least 25 employees, and do not offer a qualified retirement savings option (“Employer”). If Employers do not provide a retirement savings program to their employees (“Employee”), they will automatically enroll their Employees into Secure Choice. Employees may opt-out of Secure Choice entirely. Those Employees who do not opt-out (“Participant”) will be enrolled into a default target date Roth IRA with a default 3% payroll deduction but can change their fund option or contribution amount at any time. Accounts will be owned by Participants and be portable. The Contractor will pool and manage the individual

accounts.

The total fees for the administration of Secure Choice cannot exceed 75 bps of the Participant's account. The Contractor will remit 5 bps of the total fees collected to the Treasurer on an annual basis to cover programmatic and administrative costs. Thus, the Respondent's total fees cannot exceed 70 bps of the Participant's account.

Secure Choice is also subject to the Illinois State ("State") rulemaking process, which is currently underway. Consequently, the Secure Choice Fact Sheet, attached hereto as Appendix A, is subject to change. In addition, certain items – such as the specific implementation timeline – will be determined in conjunction with the Contractor. The current default Participant contribution rate is 3%, but the Board is seeking legislative approval to allow for a higher default contribution rate of 5%.

B. Board

The Act creates a seven-person Board, responsible for implementing and overseeing the management of Secure Choice, with the Illinois State Treasurer designated as the Chair. Specific responsibilities of the Board are delineated in Section 30 of the Act, 820 ILCS 80/30. The Treasurer serves as the administrative agency for the Board, vested with authority over the Illinois Secure Choice Administrative Fund. As such, the Board authorized the Treasurer to issue this RFP on its behalf.

C. Investment Principles

The Board formally passed the Resolution for the Establishment of Investment Principles for the Illinois Secure Choice Savings Program ("Principles"), attached hereto as Appendix B, which establishes the investment principles that will guide current and future decision-making for the investment design, objectives, and operation of Secure Choice. In addition to the Board's formally adopted Principles, the Board has chosen to utilize a suite of passively managed target date funds as the default investment option for Participants. The Board is only interested in passively managed fund options for any investment options that it offers. In addition, the Board envisions offering only a limited number of underlying fund options. The Board prefers not to offer multiple risk tolerances (*i.e.*, conservative, moderate, and aggressive) within its target-date options. Both off-the-shelf and custom glide paths will be considered.

D. Demographic Overview and Feasibility Study

The Treasurer and Board have worked with a variety of research entities to learn more about the expected pool of Participants and the financial feasibility of Secure Choice under a variety of program design assumptions. The University of Chicago's Urban Poverty Lab ("Poverty Lab") conducted an analysis to provide additional demographic information on expected Participants. The Poverty Lab and Treasurer wrote a policy brief entitled the "Demographic Overview of Secure Choice," attached hereto as Appendix C.

In addition, the Board contracted with the Boston College Center for Retirement Research for a market analysis and financial feasibility study. The full report, entitled the "Feasibility Study: Illinois Secure Choice," is attached hereto as Appendix D. Please note that the findings look at performance of the program with an assumed 3% default contribution rate, as well as a 5%

contribution rate, the latter of which currently requires legislative approval.

III. SCOPE OF WORK

The Contractor shall perform the following services (collectively, the “Services”) in accordance with all applicable federal and state laws, administrative rules, and regulations:

A. Program Administration

1. General – Provide all recordkeeping, administrative, and fund management services needed for the effective operation of Secure Choice in accordance with performance standards, which shall be agreed upon by the Treasurer and Contractor. Such services shall include, but are not limited to the following:
 - a. Establish the automatic enrollment process (paper and online) for Employees via Employers, subject to the Treasurer’s approval;
 - b. Maintain Participants and beneficiaries’ information;
 - c. Receive and deposit contributions; and
 - d. Disburse funds.
2. Documents - Develop and send any forms and operating documents necessary for the administration and promotion of Secure Choice, subject to the approval of the Treasurer. At the request of the Treasurer, the Contractor shall work with the Secure Choice consultants (“Consultants”) and legal counsel on the content of such forms and operating documents. The Contractor shall develop and send forms and documents including but not limited to the following:
 - a. Program Disclosure Statement, which shall be included in all enrollment packets and communications as described in 820 ILCS 80/55. The Program Disclosure Statement shall contain all of the program rules and material information necessary for Participants to make informed decisions regarding their investment. The Contractor shall prepare any required Supplements to the Program Disclosure Statement and produce and distribute the Program Disclosure Statement and Supplements to the Employees/Participants, as required by law;
 - b. Quarterly Account Statements, which shall be delivered electronically and be available online;
 - c. Annual Account Statement, which shall provide current account information and be delivered by U.S. postal mail and/or provided via electronic delivery, as specified by the Participant;

- d. Program Manual, which shall outline the Contractor’s administrative responsibilities, including a schedule of reporting materials to be submitted to the Treasurer at such times specified in the Reporting Requirements, attached hereto as Appendix E;
 - e. The Contractor will provide Participants and any authorized agents with account information, periodic account statements, and confirmations of the following: enrollment (including all data provided and the designations made), changes to account information, and transactions. Such account statements and confirmations may be sent via U.S. postal mail, electronically, and/or provided via an Employee portal; and
 - f. The Contractor will design and prepare enrollment materials and information, subject to the Treasurer’s approval, including, but not limited to, a description of Secure Choice and its requirements, an auto-enrollment notice, an opt-out form to be used by Employers and Employees, a list of the customer service resources that are available to Employers, Employees, and Participants, a high-level overview of the Employer and Employee onboarding process, and an overview of the potential consequences for Employers who do not comply with the Act.
3. Program Data Submissions – Submit program data to the Treasurer and Board on demand and make recommendations for amendments or supplements to offering materials as applicable;
 4. Changes in Law – Monitor changes in federal and state laws and regulations that might impact Secure Choice, advise the Treasurer and Board of any necessary changes, and work with the Treasurer to implement any necessary or desired changes;
 5. Annual Audit – Prepare an annual audit in accordance with State law;
 6. Processing – Process all account activity (e.g., account openings, and contribution and withdrawal processing) on a daily basis;
 7. Quality Control – Maintain industry best-practice quality control procedures to minimize errors during enrollment, contribution remittance, data transfers, and reporting, and take all actions necessary to ensure the confidentiality and privacy of information and data for all Employers, Employees, Participants, and beneficiaries, as applicable;
 8. Contribution Limits and Monitoring – Include information on contribution limits and the consequences of exceeding such limits in enrollment packets and other materials, including the Secure Choice website (“Website”), at the request of the Treasurer. The Contractor will also monitor contribution limits and send electronic and/or written notices to Participants who are approaching or have exceeded the annual contribution limits;
 9. Annual Employer Reports – Provide reports to Employers, including information about Participants, total contributions/withdrawals, any other information required by the Act, and any information requested by the Board or Treasurer, if disclosure of such information is permitted under federal and state IRA rules and regulations;

10. Annual Program Report – Prepare an Annual Program Report, subject to the approval of the Treasurer and Board, that will be posted on the Website for both Employers and Employees. The report will be written in language that is easy-to-read and understand and include contact details to obtain more information; and
11. Transition Services – Provide all Services, information, data, and cooperation necessary for a smooth transition to a new vendor, as requested by the Treasurer, and in a form and manner acceptable to the Treasurer.

B. Employer, Employee, and Participant Services

1. Implementation Plan – Provide the Treasurer and Board a fully detailed implementation plan, subject to the approval of the Treasurer and Board, for onboarding Employers and the enrollment of Employees. The plan must identify all steps and processes, including, but not limited to, the development of a Website containing Employer and Employee portals, marketing to Employers and Employees, and any component of program implementation and enrollment that may impact Employers and Employees;
2. Education, Onboarding and Account Maintenance – Successfully communicate with, assist, and onboard Employers and Employees into Secure Choice, according to the implementation plan. Develop both a paper and web-based registration process that provides Employers, Employees, and Participants account onboarding, registration, opt-out, and account maintenance services. The process must capture any data/information needed to aid the Contractor in providing technical assistance and support to Employers, Employees, and Participants throughout the onboarding, registration, opt-out, and account maintenance processes.
3. Secure Choice Website – Develop and maintain a Website, pursuant to any specifications provided by the Treasurer, that provides the following:
 - a. Access to an Employer and an Employee portal;
 - b. Information regarding the benefits of retirement saving and investing (e.g., investment return modeling and estimates of retirement costs);
 - c. A full description of the auto-enrollment process, including how to opt-out of Secure Choice, and how to select alternative contribution rates, or fund options;
 - d. Information on IRA accounts, including, but not limited to, the following: the benefits; tax implications; and information on potential complications, tax filing requirements, and claiming the federal tax credits; and
 - e. Multi-media financial and Secure Choice educational and modelling tools.

The Contractor shall ensure that the Website will be accessible and operational 24 hours a day, 7 days a week, 365 days a year (except for periods of pre-scheduled system

maintenance as approved by the Treasurer).

4. Employee Portal – Develop and maintain a web-based Employee portal as a part of the Website that provides state-of-the-art security and password protocols (“Employee Portal”). The Contractor shall allow Employees to opt-out of Secure Choice via the Employee Portal. The Employee Portal shall also give Participants and authorized agents the ability to perform the following:
 - a. Access/view account information;
 - b. Obtain investment performance information;
 - c. Conduct transactions;
 - d. View completed and pending transactions;
 - e. Designate beneficiaries and authorized agents, if any;
 - f. Make changes to account information, contribution amounts, and fund selections;
and
 - g. View information on all of their accounts from a single log-on (i.e., be organized by Employer, so a Participant who has more than one Employer can see all of his/her accounts).
5. Employer Portal – The Contractor will maintain a web-based Employer portal as a part of the Website that provides state-of-the-art security and password protocols (“Employer Portal”). The Employer Portal shall provide Employers and authorized agents the ability to join Secure Choice, access/view account information, enroll Employees, enter and transmit Employee data, conduct transactions, designate authorized agents, and make changes to account information. The Contractor shall activate an Employer on the Employer Portal once the Employer has passed the screening process detailed in Section III.B.6 then perform the following:
 - a. Notify the Employer that its account has been activated in the Employer Portal; and
 - b. Provide the Employer login information and instructions for starting the auto-enrollment of Employees, including all timing requirements.
6. Screening Process – Perform “know your customer” (“KYC”) and Office of Foreign Assets Control (“OFAC”) screening of each Employer and provide remedial assistance to Employers who do not pass the screens. Upon completion of the remedial process, the Contractor will provide the Employer any additional information or assistance requested by the Treasurer;
7. Ongoing Enrollment – Identify future Employers and their Employees as they become eligible

for Secure Choice, based on Secure Choice participation requirements;

8. Employer Exit – Administer a paper and online (i.e., via the Employer Portal) exit process for Employers that are no longer subject to or claim that they are exempt from the Act. As part of this exit process the Contractor will perform the following:
 - a. Gather information from Employers, using guidelines approved by the Treasurer, in order for an automated or State determination as to whether or not the Employer is required to participate in Secure Choice; and
 - b. Suspend an Employer’s account pursuant to i) guidelines approved by the Treasurer or ii) based upon a determination made by the State, or notify the Employer that it remains subject to the Act.
9. Employer Number – Assign each Employer a unique identifying number that will be associated with each Participant’s contribution;
10. Withdrawals – Issue direct payment to the Participant (check or ACH) and provide complete withdrawal services for Participants, including ensuring that a withdrawal can be made even if contributions continue to be made. The Contractor will provide Participants who request a withdrawal, information on the following: the potential for income tax liability and any potential early distribution penalty; the loss of potential retirement income, expressed as the annual income at Social Security normal retirement age; and the impact of withdrawing assets from the Roth account as it relates to the five-year clock. The Contractor shall also perform the following:
 - a. Make rollovers to other IRAs or retirement accounts (including defined contribution plans) at the request of the Participant;
 - b. Process death benefits, including collecting all required information and documentation to validate appropriate beneficiaries; and
 - c. Process domestic relations orders, including obtaining all required information and documentation to validate appropriate account recordkeeping and legal requirements.
11. Tax Requirements – Provide Participants tax reporting (i.e., 1099-R) services; and
12. Pilot Program –Establish a pilot program, subject to the approval of the Board and the Treasurer, for select Employers and Employees to test the program.

C. General Customer Service

1. Customer Service – Provide all customer service support for Employers, Participants, beneficiaries, Employees, and interested parties to ensure effective operation of Secure Choice;

2. Correspondence – Accept e-mails, electronic communications via the Website and Employee and Employer Portals (collectively, the “Portals”), overnight deliveries, and U.S. postal mail. The Contractor shall respond to all of the Secure Choice-related correspondence it receives. The Contractor shall retain copies of the correspondence and its responses for a minimum of five (5) years. If any litigation or claim involving the Agreement has been filed or any audit has commenced before the expiration of the five (5) year period, the Contractor shall retain the correspondence and responses in the case of any litigation or claim, for the later of the following: a) completion of the action and resolution of all issues which arise from it, or b) the end of the five (5) year period. In the case of any audit, Contractor shall retain the correspondence and responses, for the later of the following: a) completion of the audit or b) the end of the five (5) year period.

3. Call Center – Provide a call center with multi-lingual service options that is located in the United States (preferably Illinois), which will be staffed with all necessary customer service staff, including multi-lingual staff, needed for the effective operation of the call center. The Contractor shall staff the call center with licensed or registered customer service representatives from 7:00 a.m. to 7:00 p.m. CT, Monday through Friday (except for periods of pre-scheduled system maintenance as approved by the Treasurer). The Contractor shall utilize a toll-free number that will stay with Secure Choice in the event of a transition to a new vendor. The call center customer service representatives will perform the following:
 - a. Assist with contributions to, withdrawals and disbursements from, and general maintenance of accounts;
 - b. Answer in-bound calls during staff hours;
 - c. Make out-bound call as needed or requested;
 - d. Resolve issues requiring interaction with the Employer, Employee, Participant or authorized agents;
 - e. Respond to emails and correspondence;
 - f. Provide a customer service record that will identify, track, and report on all calls with Employers, Employees, Participants, or authorized agents. The customer service record must include how the matter was resolved and track all prospect referrals;
 - g. Record all in-bound and outbound calls, retain such recordings a minimum of one (1) year, and make such recordings available to the Treasurer through remote access. If any litigation or claim involving the Agreement has been filed or any audit permitted hereunder has commenced before the expiration of the one (1) year period, Contractor shall retain the recordings in the case of any litigation or claim, for the later of the following: a) completion of the action and resolution of all issues which arise from it, or b) the end of the one (1) year period. In the case of any

audit, Contractor shall retain the recordings for the later of the following: a) completion of the audit or b) the end of the one (1) year period; and

h. Meet all performance standards agreed to by the Contractor and the Treasurer.

4. Employer Customer Support and Technical Assistance Services – Provide full service assistance to Employers who encounter difficulties fulfilling their requirements pursuant to the Act. When online information does not address the Employers’ needs, provide support through online chat and/or call center representatives. The Contractor shall provide Employers assistance on the following topics:

a. Employer training, support, and assistance throughout the Employer onboarding process;

b. How to set-up the payroll deduction and remittance process for Participants, including how to handle Employees who have opted-out, and any required documents that Employer must retain;

c. Employee eligibility;

d. Employee documentation issues;

e. Employment breaks, rehire situations and/or seasonal employment patterns; and

f. Data errors in the Employer Portal. The Contractor shall provide the Employer such assistance by performing the following:

i. Identify all issues relating to invalid data and/or funding of payroll remittances;

ii. Request corrections and provide Employers easy to follow instructions on how the Employer should correct the error. Corrections include, but are not limited to, withholding incorrect contribution amounts, as well as contributions that should have or should not have been withheld;

iii. Provide Employers customer support to assist Employers in correcting errors and clearly communicate Secure Choice parameters to Employers (e.g. Secure Choice rules regarding compliance); and

iv. Monitor Employer’s corrections and follow up with Employers to ensure that errors are corrected in accordance with applicable laws, rules, and regulations.

D. Investment Management & Custodial Services

1. Investments - Manage investments as a fiduciary for the Board and the Treasurer and for Participants in accordance with the Board, the Board’s Secure Choice Investment Policy Statement, and the Principles;

2. Custody and Funds Management Services – Provide all custodial, fund administration, and fund accounting services necessary to support the investments, including, but not limited to, the following: custody, segregation of funds, cash management, banking services, and purchase and sale of underlying investment products to effectuate Participants’ directions;
3. Investment Design and Options – Provide the following investment design and option services:
 - a. Develop and recommend for the Board a menu of IRA-compliant investment options, including retirement target date funds, static portfolios, and standalone index funds (underlying funds) that would appeal to a wide range of investors with various risk tolerance levels and contribution levels;
 - b. Ensure that each investment option proposed by the Contractor may, at the direction of the Board, be replaced with an alternative fund, selected by the Board. The Board may consider additional investment options at a future point after inception of the program;
 - c. Provide a viable IRA-compliant capital preservation fund, at the direction of the Board, for Participants to utilize;
 - d. Provide an optimal asset allocation strategy, underpinned by an investment platform, consisting of passively managed indexed funds;
 - e. Provide an optimal strategy that minimizes sequencing risk for Participants by providing retirement target date investment portfolios with frequent step-downs and a single moderate risk tolerance; and
 - f. Utilize institutional share classes and at the request of the Board, explore the utilization of separately managed accounts or collective investment trusts to further decrease investment expense ratios.
4. Monitoring – Monitor the performance of each of the Secure Choice portfolios and underlying funds on an ongoing basis and make recommendations to the Treasurer and Board in accordance with the Board’s Secure Choice Investment Policy Statement and the Principles;
5. Meetings – Facilitate meetings between the Treasurer and Board and portfolio/underlying fund managers to review, at a minimum, market conditions, strategy, and investment performance; and
6. Cooperation and Communication – Cooperate and communicate with the Treasurer and Board, and the Consultants in all evaluations of the investment options and periodic audits.

E. Reporting and Data Analytics

1. Access – Provide the Treasurer, Board, Consultants, and any Treasurer or Board designees with web-based access to all information and records for accounts in real time;
2. Dormant Accounts – Comply with the unclaimed property laws and any other laws regarding abandoned property as applied to IRA accounts;
3. Compliance Notice – Provide the Treasurer written notice within 24-hours of when Contractor knows or reasonably should have known of any federal or State compliance issues;
4. Reports – Provide reports to the Treasurer, Board, and Consultants that are compliant with the Reporting Requirements. Such reports shall be required on a monthly, quarterly, calendar year-end, fiscal year-end, and since program-inception basis, as specified in the Reporting Requirements. Additionally, the Contractor shall provide ad hoc reports upon request by the Board or Treasurer;
5. Account Activity Reporting – Fulfill any federal or state reporting requirements, including, but not limited to, any reports required by the IRS, Securities and Exchange Commission (“SEC”), or MSRB; and
6. Meetings – Attend quarterly due diligence and review meetings for Secure Choice with the Treasurer and Consultants. The Contractor shall also attend Board meetings as needed, but no less than two (2) times per year, to present reports, analysis, and to respond to any questions.

F. Marketing and Outreach

1. General Outreach – Develop and provide Secure Choice marketing materials, including unique Secure Choice branding. The Contractor shall also review and provide input on activities and materials that are part of the Board’s Secure Choice marketing campaign, such as the potential positive and negative implications the marketing and outreach may have on Secure Choice, as requested by the Treasurer. The Contractor will ensure its promotional activities are available on and compatible with the Secure Choice infrastructure (e.g., Portals and Website.), and integrate with Employer onboarding activities;
2. General Marketing Resources – Dedicate appropriate professional resources and expend funds, subject to the approval of the Treasurer, to fund marketing efforts aimed at maximizing participation in Secure Choice and increasing the visibility of Secure Choice with Employers, Employees, and Participants;
3. Brand Awareness – Implement a brand marketing strategy, subject to the approval of the Treasurer, that proves effective based on evaluation through various methods, including, but limited to, the following: surveys, Website traffic, digital advertisement click-through-rates, polling, focus groups, social listening, and online search volume/history; and

4. Transition Communications – Provide timely communications to Employers and Participants in relation to any transition to a new vendor at the request of the Treasurer.

G. Future Enhancements

1. Auto-escalation – Implement auto-escalation, if requested by the Board and approved by the legislature, increasing Participant contributions by a set percentage on a schedule determined by the Board. The Contractor shall allow Participants to opt-out of auto-escalation but continue to contribute. The Contractor will set-up its payroll administration system and Employer support services to support the auto-escalation feature. The Contractor will include instructions and provide alerts for Employers on the activities and actions that must be completed for auto-escalation. The Contractor shall provide Employers a) an annual notice for the Employer to distribute to Participants and b) instructions on how to implement the change to the Participant’s deduction percentage. The timing of this Service expansion, if requested, will be agreed to by the Contractor and the Treasurer;
2. Opt-in Participation – Implement, if requested by the Board and approved by the legislature, a process for opt-in participation by any self-employed workers who are not covered by the Act and employers that are not subject to the Act but are interested in offering Secure Choice to their employees. The Contractor will also allow other workers to apply to participate in Secure Choice. The Contractor shall provide the workers and employers that choose to opt-in the same administrative, support, and customer services that are provided to Employers, Employees, and Participants. The Contractor shall offer this service within six (6) months of the Board’s request. Such request shall not be made until after the enrollment of all Employers takes place;
3. Rollovers-in – Allow Participants to rollover retirement plan or IRA assets into Secure Choice, if requested by the Board and approved by the legislature. The Contractor will develop a detailed marketing and promotional plan that will widely disseminate information regarding the benefits of rolling over retirement or other IRA assets into Secure Choice, and how to do so. The Contractor shall provide customer support that assists Participants in the rollover. The timing of this Service expansion, if requested, will be agreed to by the Contractor and the Treasurer; and
4. Inclusion of Traditional IRA savings vehicle – Allow Participants to select a Traditional IRA for their contributions, at the request of the Boards, if approved by the legislature. The Contractor will be required to offer this additional service within six (6) months of the Board’s request.

IV. PROPOSAL

This Section provides the required elements for Respondent’s Proposal.

A. Proposal Format

All Proposals must be submitted within the prescribed format to facilitate objective review.

Any Proposal that materially deviates from this format will be rejected without further consideration of its content. Proposals that contain false or misleading statements or that provide references that do not support an attribute or condition claimed by the Respondent may also be rejected.

Narratives should provide a concise description of capabilities to satisfy the requirements of this RFP. Emphasis should be on clarity, brevity and completeness of response. The Respondent's Proposal shall contain the following:

1. Cover Letter – The Proposal must be accompanied by a transmittal letter that designates the name, physical address, e-mail address, and the telephone number of the person or persons available for contact concerning the response and who is authorized to make representations on behalf of the Respondent's organization.
2. Table of Contents – Include a listing of the main chapters and paragraph headings contained in the Proposal, including page numbers.
3. Introduction – Include any introductory remarks, not to exceed three (3) pages, deemed appropriate. Briefly discuss such topics as the Respondent's background, management, facilities, staffing, related experience, and financial stability.
4. Proposed Approach and Timeline – Provide a narrative, work flow, and detailed timeline, not to exceed fifteen (15) pages, describing the Respondent's proposed approach to the delivery of Services and any other information Respondent believes is relevant to the development, deployment, and administration of Secure Choice. Please see the Proposed Approach and Timeline attached hereto as Appendix F for additional information.
5. Answers to Questions – Respondent must respond to all of the questions. Respondent's answers must include the headings (e.g. "Administrative Background and Experience") and be numbered in the order provided in Section IV.B of this RFP.
6. Service Team – Provide an organizational chart, resumes, and brief biographies for the proposed service team, including relationship managers, project managers, marketing staff, analytical, investment, and research staff and support staff. Please identify the primary contact(s) and describe the role of each key person. Please identify whether the primary contact(s) will serve multiple clients, or if the primary contact(s) will be solely dedicated to servicing Secure Choice.
7. Subcontractors – Respondent shall provide a list of the subcontractor(s) that will be used to provide the services, if any, and the general type of work to be performed by each subcontractor.
8. Unique Capabilities – Provide a summary, not to exceed five (5) pages of any unique expertise, products or services that distinguish the Respondent.

9. State Certifications and Disclosures – Respondent and any subcontractor(s) must submit the following three (3) fully executed documents: Illinois State Treasurer Certifications, Disclosures Financial Interest and Potential Conflicts of Interest (Disclosure Form A), and the Disclosures Other Contract and Procurement Related Information (Disclosure Form B).
10. Cost Proposal – For the Cost Proposal, Respondent shall provide a completed Cost Proposal Spreadsheet, attached hereto as Appendix G, in a separately sealed envelope and on a separate electronic storage device. Respondent must use the Cost Proposal Spreadsheet.
11. Redacted Copy – If the Proposal contains any information that Respondent considers to be exempt from public disclosure under the Illinois Freedom of Information Act (“FOIA”) (5 ILCS 140) or other applicable laws and rules, Respondent should submit in a separately sealed envelope an additional copy of the Proposal with proposed confidential information redacted, as detailed in Section V.E.9 of this RFP (“Redacted Copy”).

Proposals must be submitted in a sealed envelope or package bearing the title “Illinois Secure Choice Program Manager Proposal 370-200-17-007 for the Office of the Illinois State Treasurer” and the Respondent’s name and address. The package must include one (1) original and six (6) copies of the Proposal. A separate envelope must contain one (1) original and six (6) copies of the Cost Proposal. If confidentiality of any information is asserted, one (1) Redacted Copy should be provided in an additional separate envelope. In addition, please provide five (5) electronic copies of the Proposal and five (5) separate electronic copies of the Cost Proposal, and, if confidentiality of any information is asserted, one (1) electronic Redacted Copy. Each electronic Proposal copy and each electronic Cost Proposal copy and, if submitted, the Redacted Copy shall be on a separate thumb drive.

B. Questions to be Addressed in the Proposal

General

1. Provide a brief overview of Respondent and any subcontractor(s). Describe Respondent’s corporate structure, including holding companies, parents, and corporate affiliates.
2. Disclose Respondent’s primary location, as well as the location of any facility located outside of the primary location that will be used to provide the Services.
3. Describe how Respondent is best suited to meet the needs of Secure Choice with particular emphasis on program design, implementation, and ongoing administration. Understanding that Secure Choice will be a new program, how would the Respondent partner with the Treasurer and Board to achieve success in advance of program launch, during enrollment, and throughout program operations?

4. Since January 1, 2015, has Respondent or any of its officers or principals, acting within the scope of their employment, been subject to any enforcement actions by any of the following entities, including any divisions thereof: Securities and Exchange Commission, Department of Justice, Consumer Financial Protection Bureau, U.S. Department of the Treasury, Federal Deposit Insurance Corporation, or the Federal Reserve System? If so, provide a detailed explanation.
5. Has the Respondent been a party to a lawsuit from January 1, 2015 to present? If so, please provide a detailed explanation.
6. Has Respondent or any subcontractor(s) been a party to any data breach or loss of personal, financial or other data considered private or confidential since January 1, 2015? If so, provide details and what steps were taken to address the issue both in the short term related to the specific breach/loss and also in the long term to prevent such a breach/loss from happening again.
7. Please describe any changes in the Respondent's ownership or management structure since January 1, 2015. Would these changes have any impact on Respondent's ability to provide the Services during the expected term of the Agreement?
8. Provide a statement, certifying that none of the Services would be performed outside of the United States. If work must be performed outside of the United States, provide a detailed explanation of why it would be required.
9. Provide contact information for five (5) client references. References must be entities for which the Respondent has provided services most similar to the Services. For each reference, please provide the client's name, individual reference's name, title, email address, and office phone number.
10. Provide a description of the various types of insurance coverage (carriers, risk coverage, levels, limits, deductibles, expiration dates, etc.) Respondent has in place to protect its clients.
11. Describe Respondent's experience designing, deploying, or administering defined contribution retirement programs and IRA programs. Please identify whether Respondent provided public sector plans or private sector IRA plans.
12. Please provide the following information for any engagements in which Respondent managed or administered IRAs or similar defined contribution retirement plans, or provided services similar to the Services:
 - a. The entity for which Respondent is providing or has provided services;
 - b. The contract term;
 - c. A description of the services Respondent provides or provided under the contract;

- d. The total number of accounts for which Respondent provided services as of December 31, 2016;
- e. The total assets under management at the time the Respondent ceased providing services or as of December 31, 2016;
- f. Whether any of the engagements involved a conversion of assets from the Respondent to another investment manager; and
- g. For contracts involving conversion experience:
 - i. The total number of accounts converted; and
 - ii. The time from contract award to actual conversion.

13. Please identify any item listed in Section III of this RFP that Respondent is unwilling or unable to perform and explain why.

Administrative Background and Experience

14. Describe Respondent's policies and procedures for complying with the following:

- a. Applicable SEC, IRS, MSRB rules (including data submissions and continuing disclosure);
- b. Illinois laws and regulations; and
- c. Industry best practices for IRA administrators.

15. Please confirm the date of Respondent's last SSAE16 and list any substantive issues that were raised and the steps taken to address such issues.

16. As part of the Respondent's annual external audit process, explain procedures for verifying the net asset value, calculation of fees, and underlying investment fund balances.

17. Without compromising the Respondent's IT security procedures, please describe the recordkeeping systems, database software, and system security that would be used for Secure Choice.

18. Without compromising the Respondent's IT security procedures, please describe Respondent's disaster recovery plan, including back-up procedures, and alternate operation facilities.

19. Without compromising the Respondent's IT security procedures, please describe what type of assessments the Respondent performs to ensure its IT infrastructure remains secure.

Relationship Management

20. Describe the client management and service approach Respondent would use with Secure Choice, including how Respondent would "troubleshoot" when service issues or errors arise, and how the Respondent would communicate with the Treasurer and Board throughout the process.

Reporting

21. What additional information, if any, would the Respondent and subcontractor(s) provide that is not requested in the Reporting Requirements?
22. What would be Respondent's procedure for responding to requests by the Treasurer, Board, or Consultants for ad hoc reports? Typically, how quickly does Respondent respond to requests for ad hoc reports?
23. It is anticipated that universities and other research entities may be interested in partnering with the Treasurer and Board to analyze Secure Choice data for research purposes. Has Respondent supported or assisted with similar research projects in the past?

Employer Registration and Employee Enrollment

24. What experience, if any, does the Respondent have with registering, onboarding, and servicing multiple employers into an IRA or similar retirement savings program? What would Respondent consider to be the key(s) to success?
25. Fully describe the support services the Respondent would recommend providing Employers as they self-register and facilitate auto-enrollment for Employees, including written materials, instructions, webinars/videos, training opportunities, and customer service.
26. What data validation notices would Respondent recommend providing Employers for Employer registration and auto-enrollment of Employees?
27. Describe Respondent's experience facilitating auto-enrollment of participants into retirement savings programs, including how many employees were enrolled, and how Respondent minimized confusion and the possibility for errors.
28. Please provide Respondent's recommendations for how to best provide notice to Employees about Secure Choice and their right to opt-out. Describe in detail what opt-out methods Respondent would offer, such as a paper form, phone option, and/or web option.

29. How would Respondent ensure that Employees contributing through multiple Employers have only a single account in Secure Choice?

Contributions/Distributions

30. Describe the Respondent's process for accepting and remitting payroll contributions, including data verification methods, error correction support services, timely remission of contributions, adherence to IRS contribution limits, and methods for returning contributions made in excess of IRS limits.
31. Describe Respondent's process for allowing Participants to make changes to their contribution level or fund selection, including how Employers would be notified when a payroll contribution needs to be changed.
32. Describe how Respondent would receive and process distribution or withdrawal requests, including what options would be available to Participants for withdrawals and the timing for processing and making funds available.

Website and Portals

33. Outline the content and features Respondent recommends providing Employers and how Respondent would design the Employer Portal for ease of use.
34. Describe the Employer Portal support services Respondent recommends providing Employers.
35. Does the Respondent have the ability to offer access to the Website and Portals via a mobile app, or would the content be optimized for mobile devices?
36. In what formats would the Portals export data?
37. What online security protocols would Respondent use to protect Employees and Participants when they access their respective Portals?

Transition

38. Describe Respondent's recommended transition process in detail, including a timeline and any information that would be needed from the Treasurer or Board.
39. Describe what would be expected of the Treasurer, Board, and any new service provider in the transition process.
40. How would the Respondent communicate transition issues and news with Participants?

Customer Service, Calls and Correspondence

41. Has Respondent's customer service performance (provided pursuant to other agreements) been evaluated or audited by any third-parties? If so, provide the three most recent audits or evaluations.

42. Describe Respondent's proposed system for answering in-bound calls. Specify how Respondent would provide multi-lingual call routing and tracking, live representative selection and functionality, the ability to leave voicemails for return calls, and under what circumstances a caller would be asked to leave a voice mail.
43. Describe in detail Respondent's methodology for handling peak volume call center periods. What is the maximum time that a caller could be on hold or in a queue? Can Respondent roll calls over to another call center?
44. If Respondent is a broker dealer, would call center customer service representatives have a Series 6 license or better?
45. What would be Respondent's protocol for escalating dissatisfied callers or correspondents, and negative correspondence to supervisors or the Treasurer?
46. Describe the system that Respondent would use to capture all account specific calls, correspondence, or other customer service contact points in a single customer service record. Also describe how Respondent would make such customer service records available for review by the Treasurer through remote access.
47. Specify the account changes and transactions requested by Participants that call center customer service representatives would be able to make and describe the system through which they would make such changes and transactions.

Marketing

48. Discuss Respondent's experience marketing defined contribution retirement plans, IRA programs, or other similar products. Please give specific examples of marketing initiatives that have proven successful.
49. Describe Respondent's proposed marketing strategy/approach for Secure Choice. Please include the technologies and/or methods, and all marketing channels that Respondent would utilize.
50. How would Respondent's proposed marketing strategy differ for the first two (2) years of program deployment versus ongoing program operations, if at all?
51. Describe Respondent's experience with quantitative marketing research and how Respondent would utilize it to gain insight on Secure Choice marketing. Please give specific examples.
52. Discuss Respondent's experience, if any, in working with predictive modeling and activating predictive modeling in coordination with online targeting strategies, such as geo-fencing, cookie-matching, and other custom audiences.
53. Please describe the unique capabilities or approaches that Respondent could provide to market Secure Choice.

- 54. Describe the Respondent’s experience marketing and messaging to Employers, community groups, and technical audiences (e.g., CPAs, certified financial planners, and attorneys).

Branding

- 55. Discuss Respondent’s experience in creating branding, logos, and tag lines for similar investment products.
- 56. Please provide examples of previous branding work developed by the Respondent.

Outreach and Education

- 57. What financial education materials and tools would Respondent offer Employees and Participants? How would Respondent use its marketing and outreach resources to facilitate and encourage participation in Secure Choice?
- 58. Discuss Respondent’s experience, if any, in providing outreach and educational materials to low-to-moderate income workers and provide samples of such materials.

Investment Background and Experience

- 59. Detail the personnel involved in the creation and management of the proposed investment options, including the asset-allocation team responsible for the retirement target date funds and static portfolios. Is this Respondent’s dedicated retirement savings team?
- 60. Please recommend essential design concepts that should be incorporated within the Secure Choice investment program.
- 61. Describe Respondent’s investment risk management policies and procedures.

Investment Design and Options

- 62. Keeping in mind the Board’s requirement for a 100% passive investment lineup, please describe in detail the investment options and underlying funds the Respondent is proposing, and explain why the Respondent is proposing each investment option and fund.
- 63. Based on the Respondent’s proposed investment options, please complete the Target Date Fund Manager Performance Spreadsheet, attached hereto as Appendix H.
- 64. Based on the Respondent’s proposed investment options, please complete the following table for the underlying funds:

Investment Option	Fund	Ticker	Asset Class	Fund AUM	Firm AUM

65. Please state Respondent's proposed asset allocation for the proposed investment portfolio options. Describe all of the underlying investments/asset classes that may be used and their maximum amounts as a percent of the total portfolio.
66. How often does the Respondent review/revise the proposed asset classes? What process does the Respondent follow to review/revise the proposed asset classes? Please note and describe the rationale for any changes to these asset classes made over the last five (5) years.
67. Describe the rationale behind the target date retirement fund glide path and the number of step intervals in the Respondent's proposed investment options. How did the Respondent construct the glide path and what assumptions were used? Are the investment options off the shelf or custom?
68. Please describe how the Respondent designed the asset allocation for any static or target date investment options that have been proposed. How and when would the Respondent rebalance retirement target date or static portfolios? Describe how the Respondent would manage cash inflows and outflows.
69. How often would the Respondent review/revise the proposed glide path and what is the process? When does the glide path reach its final allocation? Explain the rationale for any changes made to the glide path over the last five years.
70. Describe the degree to which the Respondent would utilize tactical allocation shifts for the proposed funds. Describe their potential frequency and magnitude. If tactical shifts are employed, provide an attribution analysis, showing the value added from these decisions over the last five (5) years.
71. Do any of the underlying funds in the Respondent's proposal engage in securities lending? If yes, describe the program and its parameters.
72. Do any of the underlying funds in the Respondent's proposal use derivatives? If yes, describe the types of instruments used, how they are employed, and whether there are any limits there are on leverage and/or counterparty risk.
73. List the clients and assets Respondent has gained and lost over the past five (5) years. List the clients and assets the proposed product has gained or lost over the last five (5) years, ending December 2016.
74. Please describe all restrictions and any specific parameters or other requirements that Respondent would impose, if any, for the proposed investment fund lineup.
75. Is the Respondent's proposed investment line-up an open architecture framework? If not, please indicate whether there is a minimum required percentage for proprietary funds.

76. If Respondent uses or proposes to use third-party funds, please describe Respondent's due diligence process, as well as how these funds are selected, monitored, and potentially replaced.
77. For the proposed investment options, elaborate on how the funds would be integrated into the operation and administration of the plan, including how Respondent would comply with applicable IRA and investment program requirements.
78. Describe how the Respondent develops benchmarks and how performance is compared with similar portfolios. Describe Respondent's custom benchmark capabilities.
79. How would Respondent provide cost analysis of Secure Choice's fees and compare them to industry benchmarks, as well as industry peer-groups?
80. Please indicate the flexibility Respondent would provide the Board, if the Board wants to use a government supported capital preservation fund that is not currently offered on Respondent's investment platform?

Investment Duties

81. If applicable, describe Respondent's process for selecting and providing new investment options, replacement of underlying funds, and investment fund recommendations.
82. Describe how Respondent would constantly monitor and provide the Treasurer timely review and analysis of key events that could potentially affect investment options, including significant market events, mergers and acquisitions, public offerings, changes in fund senior management, and new and proposed federal and state legislation and regulations.

Custodial Services

83. If Respondent would provide the trustee/custodial services via a subcontractor, please describe Respondent's relationship and experience with the subcontractor, including length of partnership.
84. Describe how Respondent would ensure the secure custody of contributions after receipt and prior to investment.
85. In the event of a recordkeeping error that falls outside of Section VII.H of this RFP, would Respondent be willing to be held financially responsible for making Participants, Secure Choice, or both whole? If yes, is there a maximum amount for which Respondent would be willing to be held liable?
86. Describe Respondent's process and timing for establishing the daily value for the proposed investment options and settlement process. What would be the deadline for

Respondent to receive payroll contributions and complete the investment of those contributions into the appropriate fund(s) on that same day?

87. Would Participants be out of the market for any time in completing buy/sell transactions?
88. Indicate how the asset transfers would be conducted at the custodial bank, how they would be verified, and what reporting and verification Respondent would provide.
89. What would be Respondent's timeframe for posting contributions to Participant accounts?

Reporting

90. Please provide samples of a risk and performance report and an investment performance report written by the Respondent.
91. Describe how Respondent would ensure standardization of performance reporting across the proposed investment options and individual funds.
92. Detail Respondent's proposed reporting process on plan performance and individual fund performance, including the tracking, analysis, and reporting of investment options and individual funds.
93. Does Respondent agree to submit all reports and other supporting materials as requested, in a timely manner?

Cooperation and Communication

94. How would Respondent communicate with the Treasurer, Board, and/or the Consultants on evaluations of the investment options, annual performance reviews, and required annual audits?

Diversity

95. If publicly owned, please provide the number and percentage of members of the Respondent's governance board who are female, minority, military veterans, or persons with disabilities. Please cite with supporting data.
96. If privately owned, is the Respondent or its affiliates female, minority, persons with disabilities, or veteran-owned or managed? For purposes of this RFP, "female, minority, persons with disabilities, or veteran owned or managed" shall mean being owned or managed by 51% or more of a combination of female, minority, persons with disabilities, or military veteran. Please provide the number and percentage of Respondent's owners who are female, minority, military veterans, or persons with disabilities. Please cite with supporting data.
97. Please provide the number and percentage of Respondent's senior executive leaders (i.e. partner, president, COO, managing director, or other senior executives) who are female, minority, military veterans, or persons with disabilities. Please cite with

supporting data.

98. Please provide the number and percentage of Respondent's staff (i.e. all full-time and part-time employees) who are female, minority, military veterans, or persons with disabilities. Please cite with supporting data.
99. What is the percentage of Respondent's intended use of subcontractors for this project, if any, that are female, minority, persons with disabilities, or veteran-owned or managed? Please cite with supporting data.

Illinois Presence

100. Is the Respondent incorporated in Illinois? Please provide the physical address and website of the Respondent's headquarters and all Illinois branch offices.
101. Please note how many full-time employees are located at the Respondent's headquarters and all Illinois branch offices.
102. Please describe what presence the Respondent has in the State of Illinois. Such "presence" can be demonstrated by noting (a) the number and (b) the percentage of the Respondent's full-time employees who spend more than half their time in Illinois and have physical offices or a principal place of business located in Illinois.
103. Using the definition provided above, what percentage of the Respondent's subcontractors for this project, if any, have an Illinois presence?
104. Please note whether the Respondent has any plans to locate staff or hire additional staff in the State of Illinois. Please provide supporting data.

V. RFP PROCESS AND SCHEDULE

This Section outlines the process and schedule associated with this RFP.

A. Schedule

The following is the schedule for this RFP:

Date	Event
April 10, 2017	RFP published on the Treasurer's website.
April 17, 2017	Notice of intent to participate in the Bidder's Conference due by 11:00 a.m. CT.
April 17, 2017	Optional Bidder's Conference at 2:00 p.m. CT.
April 21, 2017	All Respondent questions due by 2:00 p.m. CT.

May 1, 2017	Responses to all questions posted on the Treasurer's website.
May 25, 2017	Responses to RFP due at 2:00 p.m. CT.
Week of June 12, 2017	Interviews and site visits, if any, with final candidates.
June 30, 2017	If applicable, best and final offer due by 12:00 p.m. CT.
Week of July 10th	Finalist presentation to the Illinois Secure Choice Savings Board
July 17, 2017	Notice of Award and begin negotiation of Agreement.

These dates are subject to change at the Treasurer's discretion.

B. Contact information

The Treasurer's Chief Procurement Officer ("CPO") is the sole point of contact concerning this RFP.

Respondents should submit questions about the intent or content of this RFP and request clarification of any and all procedures used for this procurement prior to the submission of a Proposal. Respondents must submit their questions in writing by e-mail to the CPO by 2:00 p.m. CT on April 21, 2017.

Jim Underwood
 Chief Procurement Officer
 Office of the Illinois State Treasurer 400 W. Monroe St., Suite 401
 Springfield, IL 62704
 Phone: 217.782.1708
 Fax: 217.524.3822
junderwood@illinoistreasurer.gov

C. Optional Bidder's Conference

Each Respondent interested in attending the Bidder's Conference must e-mail notice of intent to attend the Bidder's Conference to Jim Underwood at junderwood@illinoistreasurer.gov prior to 11:00 a.m. CT on April 17, 2017. Attendance at the Bidder's Conference is optional. The Bidders Conference may be attended via teleconference. The Bidder's Conference shall be on April 17, 2017 at 2:00 p.m. CT at the following address:

James R. Thompson Center
 100 West Randolph Street, Suite 15-600
 Chicago, IL 60601

D. Proposal Submittal

All Proposals must be submitted by mail or messenger to the following address, no later than 2:00 p.m. CT on May 25, 2017:

Mr. Jim Underwood
Chief Procurement Officer
400 West Monroe Street, Suite 401
Springfield, IL 62704

E. RFP Process

1. Internet/E-mail Communications
The Treasurer may also communicate with Respondents via e-mail. Each Respondent should provide an e-mail address with its response for ease of communication throughout this RFP process.
2. Verbal Communications
Any verbal communication from the Board, the Treasurer's employees or its contractors concerning this RFP is not binding on the Treasurer, and shall in no way alter a specification, term or condition of this RFP.
3. Amendment
If it is necessary to amend this RFP, the Treasurer will post amendments on the Treasurer's website.
4. Respondent's Costs
The cost of developing a response to this RFP is each Respondent's responsibility and may not be charged to the Treasurer or Board.
5. Withdrawal of Proposal
Respondent may withdraw its Proposal at any time prior to the deadline for receipt of Proposals. The Respondent must submit a written withdrawal request, addressed to the CPO and signed by the Respondent's duly authorized representative.
6. Modification of Proposal
A Respondent may submit an amended Proposal before the deadline for receipt of Proposal. Such amended Proposal must be a complete replacement for the previously submitted Proposal and must be clearly identified as such in the transmittal letter to the CPO.
7. Proposal is an Offer
A Proposal submitted response to this RFP is a binding offer valid for 180 days after the due date for Proposals or the due date for the receipt of a best and final offer, whichever falls later.
8. Response to RFP is State Property
On the response due date all responses and related material submitted in response to this RFP become the property of the State of Illinois.

9. Proposal is Part of a Public Procurement File

All Proposals received by the Treasurer will be open to the public, though a Respondent may request that the Treasurer treat certain information as confidential in accordance with 44 Ill. Admin. Code §1400.2505. If Respondent requests confidential treatment of any information it considers to be exempt from public disclosure under FOIA or other applicable laws and rules, Respondent should submit a Redacted Copy, which copy shall be clearly identified as the “Redacted Copy.” In a separate attachment to the Redacted Copy, Respondent shall supply a listing of the provisions of the Proposal, identified by section number, for which it seeks confidential treatment, identify the basis of each claimed exemption and show how that basis applies to the request for exemption in accordance with 44 Ill. Admin. Code §1400.2505(l). The Redacted Copy must retain as much of the Proposal as possible.

A request for confidential treatment will not supersede the Treasurer’s legal obligations under FOIA. The Treasurer will not honor requests to keep entire Proposals confidential, and will in any event disclose the successful Respondent’s name, the substance of the Response, and the price.

10. CPO May Cancel the RFP

If the CPO determines it is in the Board or Treasurer’s best interest, he reserves the right to do any of the following:

- a. Cancel this RFP;
- b. Modify this RFP in writing as needed; or
- c. Reject any or all responses received for this RFP.

11. Additional Information

The Treasurer reserves the right to request additional information and to meet with representatives of Respondent to discuss their Proposals.

VI. EVALUATION PROCESS & CRITERIA

A. Mandatory Requirements

Failure to meet any of the following requirements shall lead to Respondent’s automatic disqualification:

1. The Respondent must submit its Proposal and the accompanying Cost Proposal by 2:00 p.m. CT on May 25, 2017.
2. The Respondent must be authorized to transact business in Illinois for all of the Services.
3. The Respondent must answer all of the questions listed in Section IV.B of this RFP.

4. The Respondent must submit the name, physical address, e-mail address, and telephone number of an individual with authority to answer questions or clarify their responses.
5. The Respondent must meet the following minimum experience and financial requirements:
 - a. The Respondent must have a minimum of five (5) years' experience managing or administering IRAs or similar defined contribution retirement plans, or with programs that require the same or similar services to those described in Section III of this RFP;
 - b. The Respondent must have \$5 billion dollars in assets under management as well as sufficient capital to assume responsibility for and provide ongoing services for Secure Choice;
 - c. The Respondent must have experience with program launch, enrollment, and onboarding of participants into IRAs, defined contribution retirement plans, or with similar investment businesses;
 - d. The senior professionals in charge of providing the Services must have at least five (5) years relevant experience program management; and
 - e. The Respondent must agree to submit reports and other supporting materials as requested, in a timely manner.

B. Scoring

The following table shows the maximum number of points that can be awarded for each evaluation factor that will be used in reviewing the Proposals:

Evaluation Factor	Maximum Number of Points Possible
Background & Experience	20
Recordkeeping & Administrative Services	25
Investment Duties	10
Reporting Abilities & Client Support	15
Cost Proposal	20
Diversity	5
Illinois Presence	5
Interview, if applicable	25
TOTAL	125

C. Evaluation Factors

1. Background and Experience

Scoring will be based on the Respondent's experience with and demonstrated ability to provide quality administrative, marketing, and customer services. The Evaluation Team will take into consideration the breadth and depth of the prior projects and services performed by the Respondent that are similar to the Services. The evaluation also will include reference checks regarding the Respondent's work for previous clients receiving services similar to the Services.

2. Recordkeeping and Administrative Services

Respondents will be evaluated on the thoroughness and clarity of their Proposals, their ability to provide specialized and technical expertise, the talent and experience of assigned personnel, and their competence in providing the Services. Scoring will also be based on the answers to the questions in Section IV.B of this RFP and the Respondent's Proposed Approach and Timeline.

3. Investment Duties

Respondent's investment strategy and experience and its perceived ability to provide quality investment services will be evaluated and scored based on answers to the questions in Section IV.B of this RFP.

4. Reporting Abilities

Based on the answers to the questions in Section IV.B of this RFP, the Evaluation Team will assess the Respondent's ability to provide timely and accurate reports as required under federal and state law, the Act, and detailed in the RFP, as well as the quality of these reports.

5. Cost Proposal

Respondent's Cost Proposal score will be scored based on an evaluation of its cost-effectiveness.

6. Diversity Score

Respondent's diversity score will be scored based on the answers Respondent provides to the diversity questions in Section IV.B of this RFP. The Evaluation Team shall award a higher diversity score to Respondents that are female, minority, person with disabilities, or veteran owned or managed. Having a higher percentage of subcontractors that are female, minority, person with disabilities, or veteran owned or managed shall also result in higher scores.

7. Illinois Presence Score

Respondent's Illinois presence shall be scored based on the answers Respondent provides to the Illinois presence questions in Section IV.B of this RFP. Respondents with a principal place in Illinois and a higher percentage of employees in Illinois shall receive higher scores.

8. Interview

Respondents will be scored based on the level of expertise and experience exhibited during the interview process, as well as their ability to explain and expand on the responses submitted in the RFP. In the event the Treasurer does not conduct interviews, all Respondents will be awarded zero (0) points for this evaluation factor.

D. Evaluation Process

All Proposals will be reviewed for compliance with the RFP requirements and specifications. Proposals deemed non-responsive will be eliminated from further consideration. The CPO may contact a Respondent for clarification of its Proposal, and the Evaluation Team may use other sources of publically available information to perform its evaluation. Finally, the Evaluation Team will make a recommendation regarding the final Respondent.

VII. CONTRACTUAL TERMS

By submitting a Proposal, the Respondent agrees to each of the contractual provisions set forth in this Section VII.

A. Contractual Responsibility

If chosen to provide the services under this RFP, the Contractor will be contractually responsible for all Services provided.

B. Governing Law; Venue.

The Agreement shall be governed by and construed according to the laws of the State of Illinois, without regard to conflicts of law principles. Any action by Contractor against the Treasurer and/or the Board can only be brought in the Illinois Court of Claims.

C. Internal Controls

If applicable, the Contractor shall annually provide the Treasurer, upon request, with a copy of the Annual Report or Form 10-K of its parent holding company and its most recent SSAE 16 report which will include the attestation of the company's independent registered accounting firm regarding the company's internal control over financial reporting.

D. Disaster Recovery and Backup Facilities

Contractor shall prepare and test a plan for recovery of financial transactions and related information in the event of a disaster or system failure. Contractor shall furnish a copy of the plan, test results, and the results of the annual audit of the disaster recovery plan to the Treasurer and the Board upon request.

E. Term of Agreement

The term of the Agreement shall be seven (7) years, unless terminated in accordance with the terms of the Agreement. The Treasurer and Board may, with the consent of Contractor, elect to extend the Agreement for additional periods, not to exceed a total term of ten (10) years,

including the initial seven (7) years.

F. Termination

1. Termination without Cause. The Treasurer or Board may elect to terminate the Agreement any time upon sixty (60) days' notice. Upon termination, the Treasurer will pay for work satisfactorily completed prior to the date of termination as determined in a reasonable manner.
2. Termination for Cause. Notwithstanding any foregoing language to the contrary, the Agreement may be terminated by the Treasurer or Board under any of the following circumstances:
 - a. Contractor fails to furnish a satisfactory performance within the time specified;
 - b. Contractor fails to perform any of the provisions of the Agreement, or so fails to make progress as to endanger performance of the Agreement in accordance with its terms;
 - c. Any services provided under the Agreement are rejected and are not promptly corrected by Contractor, or repeatedly rejected even though Contractor offers to correct services promptly;
 - d. There is sufficient evidence to show that fraud, collusion, conspiracy, or other unlawful means obtained the Agreement;
 - e. Contractor is guilty of misrepresentation in connection with another contract for services to the State;
 - f. Contractor is adjudged bankrupt or enters into a general assignment for the benefit of their creditors or receivership due to insolvency;
 - g. Contractor disregards laws and ordinances, rules, or instructions of a contracting officer or acts in violation of any provision of the Agreement or this part, or the Agreement conflicts with any statutory or constitutional provision of the State of Illinois or of the United States;
 - h. Contractor provides notice pursuant to Section VII.S or fails to provide such notice.
 - i. There is a change of law, regulation, or any interpretation thereof that would prohibit performance of the Agreement; or
 - j. Any other breach of the Agreement or other unlawful act by Contractor occurs.

Prior to terminating the Agreement for cause, the Treasurer or Board shall issue a written warning that outlines the remedial action necessary to bring the Contractor into

conformance with the Agreement. If such remedial action is not completed to the satisfaction of the Treasurer or Board within thirty (30) business days, a second written warning may be issued. If satisfactory action is not taken by Contractor within five (5) business days of the date of the second written warning, the Agreement may be cancelled and the Treasurer or Board may recover any and all damages involved with the transition to a new vendor including incidental and consequential damages. Failure by the Treasurer or Board to issue a warning or cancel the Agreement does not waive any of the Treasurer's or Board's rights to issue subsequent warnings.

In addition, the Treasurer and Board reserve the right to reduce the fee paid to Contractor as compensation for services under the Agreement during any period Contractor fails to perform with reasonable care any of its obligations under the Agreement.

G. Review

The Treasurer may conduct periodic performance reviews of the Contractor, during which its compliance with all aspects of the Agreement will be reviewed and assessed. The Treasurer shall have the right to inspect any facility or project site where the Contractor, including any employee or agent thereof, performs the Services.

H. Indemnification

Contractor shall indemnify and hold the Treasurer and Board harmless from and against any and all losses, including but not limited to, losses due to the negligent acts or omissions, willful misconduct of, or breach of the Agreement by Contractor, its employees, or agents. Contractor has a duty to select, with due diligence, all other entities that shall be necessary to implement the Agreement. Contractor shall establish and enforce reasonable procedures to assure the Treasurer and Board of the performance by all other entities of the services necessary to implement the Agreement.

I. Liability

The Treasurer and Board assume no liability for acts or omissions of the Contractor. This liability rests solely with Contractor. The Contractor shall be liable to the Treasurer and the Board for actual and compensatory damages that are available to the Treasurer and Board in law or remedies in equity.

J. Confidentiality

1. Confidential Information

Contractor shall be prohibited from using or disclosing confidential information received in the course of fulfilling its obligations pursuant to the Agreement ("Confidential Information"), except in the performance of its internal responsibilities and normal functions. Confidential information includes all information received by the Contractor but the following:

- a. Information already known or independently developed by the recipient;
- b. Information required to be released by law;

- c. Information in the public domain through no wrongful act of the recipient; and
- d. Information received from a third party who was free to disclose it.

This Section shall survive the termination of the Agreement.

2. Use of Confidential Information by Employees and Agents of Contractor

The requirement of confidentiality under the Agreement also applies to the employees and agents of the Contractor. The Contractor shall use its best efforts to ensure that its employees and agents adhere to the confidentiality requirements set forth herein. Use by and disclosure to employees and agents of Confidential Information to the extent necessary to carry out the terms and purposes of the Agreement is acceptable.

3. Protection of Confidential Information

The Contractor represents, warrants, and covenants that it has implemented and will maintain an information security program reasonably designed to protect Confidential Information, including customer information, which program includes administrative, technical, and physical safeguards to ensure the security and confidentiality of all customer information, to protect against anticipated threats or hazards to the security or integrity of such customer information, and to protect against unauthorized access to or use of such customer information.

4. Privacy Policy

Contractor will comply with any applicable federal or state laws or regulations, as well as any privacy policy developed by the Treasurer or Board. Contractor further agrees to establish, maintain, and comply with a privacy policy with respect to the Project that meets the requirements of applicable law.

5. Program Lists

The Contractor specifically agrees that it shall not, and shall cause its subcontractors and affiliates not to, sell, provide, or otherwise disclose information from, any program list to any third party, unless otherwise directed to or approved by the Treasurer or required by applicable law.

K. Service Providers

The Contractor may not use subcontractors to perform the duties as outlined in the RFP, unless the subcontractor is approved, in advance, by the Treasurer. If the response requires a subcontractor, the Contractor must disclose the duties performed by the subcontractor. Subcontractors will be required to submit separate State Certifications and Disclosure Forms, a copy of which is attached hereto as Appendix I.

L. Assignment

Each term and provision of the Agreement is binding and enforceable against and inures to the benefit of any successors of the Treasurer and Board and any successors of Contractor, but neither the Agreement nor any of the rights, interests, or obligations is assignable without the

prior written consent of the other party. Any attempt by Contractor to transfer or assign any rights or obligations related to the provision of services under the Agreement, without the prior written consent of the Treasurer and Board, shall render the Agreement voidable by the Treasurer or the Board. The Treasurer and the Board may unilaterally bind any successor of the provider to the terms and conditions of any Agreement between the parties.

M. Services

Contractor shall not modify any service or the manner of providing such service under the Agreement without the prior written authorization of the Treasurer and the Board. Modification means any change to an existing service or the addition of a new service.

N. Access to Information

Upon request, the Contractor shall provide the Treasurer and the Board access to all files, records, participant email addresses, documents, and data pertaining to the Services that are in its possession and control regardless of how that information is stored. The information shall be provided in a form acceptable to the Treasurer and the Board.

O. State Certifications/Disclosures

The Agreement will incorporate Contractor's fully executed State Certifications and Disclosure Forms.

P. Right to Audit Books and Records

The Contractor and subcontractors, if any, shall maintain, for a minimum of three (3) years after the termination of the Agreement, adequate books, records, and supporting documents relating to the performance of the Agreement and necessary to support amounts charged to the Treasurer under the Agreement. These documents shall be available for review and audit by the Treasurer and the Illinois State Auditor General. The Contractor agrees to cooperate fully with any audit conducted by the Auditor General or the Treasurer and to provide full access to all relevant materials. Failure to maintain the books, records, and supporting documents required by this section shall establish a presumption in favor of the Treasurer for the recovery of any funds paid by the Treasurer under the underlying agreement for which adequate books, records, and supporting documentation are not available to support their purported disbursement.

Q. Work Product

1. Ownership of Work Product

Except as otherwise agreed to in writing, all Work Product, as defined in this Section, will become and remain the property of the Treasurer. Work product includes, but is not limited to, documents, reports, data, information, and ideas specially produced, developed or designed by the Contractor under the Agreement for the Treasurer and/or the Board, whether preliminary or final, and any copyright or service marks the Contractor develops on behalf of the Treasurer and/or the Board (collectively, "Work Product"). The Treasurer and the Board shall have the right to use all Work Product without restriction or limitation and without further compensation to the Contractor.

2. Return of Work Product

Within thirty (30) days after expiration or termination of the Agreement, the Contractor shall deliver to the Treasurer, or to a third party, if so instructed by the Treasurer, all Work Product in Contractor's possession in the performance of the Agreement. If requested by the Treasurer, the Contractor shall certify in writing that all such Work Product has been delivered to the Treasurer.

R. Certifications

The Contractor shall certify the following:

1. That the Contractor has the full legal right, power, and authority to execute and deliver the Agreement and to perform its obligations pursuant to the Agreement with no other corporate action on the part of the Contractor or its stockholders being necessary, and that the Agreement has been duly and validly executed and delivered by the Contractor, thereby constituting a legal, valid, and binding obligation of the Contractor, enforceable against the Contractor in accordance with its terms;
2. That the execution and delivery by the Contractor of the Agreement, the performance by Contractor of its duties and obligations hereunder, and the consummation of the Services do not result in any of the following:
 - a. Conflict with or result in a violation or breach of any of the terms, conditions, or provisions of the charter or by-laws of Contractor;
 - b. Conflict with or result in a violation or breach of any term or provision of a) any law, rule, regulation, judgment, decree, order, or injunction applicable to the Contractor or any of its assets and properties or b) any agreement binding on or affecting the Contractor or any of its properties; or
 - c. Conflict with or result in a violation or breach of, or constitute (with or without notice or lapse of time or both) a default under any material agreement to which the Contractor is a party, or any material obligation or responsibility which the Contractor has to any third party.
 - d. That there is no action, suit, investigation, or proceeding pending or, to the best knowledge of the Contractor, threatened against the Contractor before any court, arbitrator, or administrative or governmental body that might result in any material adverse change in the operations of the Contractor or which might materially and adversely affect the ability of the Contractor to perform the Services or otherwise comply with its obligations under the Agreement.

S. Notices

The Contractor hereby agrees to give the Treasurer notice if at any point during the term of this Agreement, Contractor or its officer(s) or principal(s), acting within the scope of their employment, are found liable or become subject to a consent order as a result of any publicly

disclosed enforcement action or other regulatory proceeding by any of the following entities, including any divisions thereof: the Securities and Exchange Commission, Department of Justice, Consumer Financial Protection Bureau, U.S. Department of the Treasury, Federal Deposit Insurance Corporation, or the Federal Reserve System. The Contractor shall provide the Treasurer such notice within ten (10) business days of when Contractor knows or reasonably should have known of the liability or consent order. Contractor's delivery of notice pursuant to this Section or failure to provide the required notice shall give the Treasurer reason to terminate this Agreement for cause.

Appendix A

Secure Choice Fact Sheet

Name of Program	Illinois Secure Choice Savings Program.
Type of Program	State Administered Payroll Deduction IRA.
Date Contributions Begin	Secure Choice is expected to begin in early 2018 with a pilot program, followed by a phased-enrollment process to be determined by the Treasurer and Board in consultation with the Contractor. Full implementation must be complete by the end of 2020.
ELIGIBILITY	
Eligible Employer (Defined by Act)	<p>“Employer” means: A person or entity engaged in a business, industry, profession, trade or other enterprise in Illinois, whether for profit or not for profit that:</p> <ul style="list-style-type: none"> (i) has at no time during the previous calendar year employed fewer than 25 employees in the State; (ii) has been in business at least 2 years; and (iii) has not offered a qualified retirement plan, including, but not limited to, a plan qualified under Section 401(a), Section 401(k), Section 403(a), Section 403(b), Section 408(k), Section 408(p), or Section 457(b) of the Internal Revenue Code of 1986 in the preceding 2 years.
Qualified Retirement Plan	In addition to the Internal Revenue Service (“IRS”) defined qualified retirement plans, Simple IRAs and Simplified Employee Pension (“SEP”) IRA plans will be considered qualified plans and offering a qualified plan will exempt an employer from participation in Secure Choice.
Eligible Employer (Estimates)	Approximately 14,000 Illinois employers have 25 or more employees, have been in business for two (2) years, and do not offer a qualified retirement plan.
Eligible Employees (Defined by Act)	<p>“Employee” means a person working in Illinois who:</p> <ul style="list-style-type: none"> • is age 18 or over; • is employed in Illinois by an Employer; and • has wages allocable to Illinois.
Number of Potential Participants (Estimated)	There are an estimated 1,226,000 workers who will be eligible for Secure Choice. Additionally, there are 447,000 self-employed workers without a plan who might be brought into Secure Choice through future self-enrollment. (See Section III.G.2)
Participant Projections (Estimated)	The total number of Secure Choice accounts estimated is as follows: 883,000 (Year 3), 892,000 (Year 5), and 914,000 (Year 10). This does not include any additional accounts that might result from adding voluntary employers/employees or self-

	employed workers.
Program Asset Projections (Estimated)	At 3% default contribution: \$1.23B (Year 3), \$2.75B (Year 5), and \$6.09B (Year 10). At 5% default contribution: \$2.03B (Year 3), \$4.52B (Year 5), and \$10.02B (Year 10).
PROGRAM BASICS	
Account Type	IRA - one IRA account per Participant.
IRA Type	Roth as default (Subject to legislative approval, the Board may elect to offer traditional IRA in the future, see Section III.G.4).
Contributions - Employer	Not permitted.
Contributions - Participants	Participant contributions will be withheld and transmitted by the Employer on behalf of the Participant. Contributions must be remitted by the Employer to the Contractor no later than the last day of the month following the month in which the compensation otherwise would have been payable to the Participant in cash.
EMPLOYEE CONTRIBUTIONS	
Wages (Defined in Act)	Any compensation within the meaning of Section 219(f)(1) of the Internal Revenue Code that is received by a Participant from an Employer during the calendar year.
Auto-Enrollment Process	Employer facilitated with technical support from the Contractor. An opt-out period will occur before payroll deductions begin (Board is currently considering a 30-day window). Only Employees can opt themselves out of Secure Choice.
Annual Open Enrollment	There will be an annual open enrollment period once each year for Employees who previously opted-out. The Board will designate an enrollment window. Newly hired Employees will be enrolled at the time of hire.
Default Contribution Rate	3% (currently in statute). Legislation is pending that would allow the Board to select a default rate between 3% and 6%.
Contributions – Minimum Amount / Electable Levels*	Participants can choose any increment of 1% or make contributions at a fixed dollar amount.
Contributions – Maximum Amount	Per IRA limits: in 2016 \$5,500 (under age 50) and \$6,500 (over age 50). All other relevant IRS limits also apply.
Catch-Up Contributions	As permitted under IRS rules.
Contribution Changes*	Participants can elect alternative contribution amounts (increments of 1% or a fixed dollar amount) at the initial enrollment period or, as administratively determined, any time thereafter.
Employee Contribution Cessation (0%)	Participants can stop contributing at any time.

Contribution Election)	
Automatic Contribution Escalation	Not currently allowed, although the Board is interested in adding this feature at some point. Legislative action may be necessary.
Contribution Data and Fund Deposit Frequency	Contribution files can be received as frequently as daily.
Contribution File Management*	To be determined jointly by the Board, Treasurer, and the Contractor. Efforts are underway to identify a common standard and best practices model with payroll providers.
Contribution File Processing Issue/Reject Management	Employer “file” via portal w/web submittal and Automated Clearing House (“ACH”) or equivalent funding.
Contribution Limit Monitoring and Management (Per Employer)	Employer payroll or portal-controlled with contribution limit monitoring at the program level.
Contribution Limit Monitoring and Management (Across Employers)	Participant’s responsibility with dollar contribution limit monitoring at the program level.
Roth IRA income limits	Participant is responsible for complying with IRS income limits for Roth contributions. Information about income limits should be included with introductory Secure Choice materials.
Contribution Limit Management (Return of excess)	Managed by the Contractor.
INVESTMENT OPTIONS	
Requirements	IRA compliant and passively managed.
Default Investment Option	Target date retirement funds based on Employee’s age
Contribution Investment – Holding Period*	Contributions to be held in a conservative principal protection investment fund during the initial holding period (90 days following initial account setup). <i>This is proposed in order to facilitate refund of full contribution amounts for participants who may have been unintentionally enrolled. Alternative approaches may also be considered.</i>
Participant Investment Direction	Yes
Investment Option Changes	Daily
Frequency of Valuation	Daily

*Information contained in Appendix A may be subject to change.

Appendix B



Resolution 16-01

RESOLUTION FOR THE ESTABLISHMENT OF INVESTMENT PRINCIPLES FOR THE ILLINOIS SECURE CHOICE SAVINGS PROGRAM

WHEREAS, the Illinois Secure Choice Savings Program was established pursuant to 820 ILCS 80/1 *et seq.* for the purpose of promoting greater retirement savings for private sector employees in a practical and low-cost manner; and

WHEREAS, the Illinois Secure Choice Savings Board, in addition to other duties and responsibilities delineated in 820 ILCS 80/1 *et seq.*, is responsible for ensuring that the investment framework for the Illinois Secure Choice Savings Program is designed, established, and operated in a manner that accords with best practices for defined contribution plans; and

WHEREAS, it will serve the best interests of the Illinois Secure Choice Savings Program participants, stakeholder groups, and the State of Illinois to establish a special set of overarching Investment Principles that represent and reinforce the unique fiduciary and investment goals of the Illinois Secure Choice Savings Board and serve as guiding doctrines for the design, establishment, and operation of the Illinois Secure Choice Savings Program;

THEREFORE, IT IS HEREBY RESOLVED, pursuant to the power vested in the Illinois Secure Choice Savings Board as delineated in 820 ILCS 80/1 *et seq.*, the following Investment Principles are hereby established and shall be heeded as it pertains to decision-making regarding the investment design, objectives, and operations of the Illinois Secure Choice Savings Program:

I. Low Cost

The Illinois Secure Choice Savings Program's investment options shall be constructed and administered in a manner that minimize fees to account holders. It is understood that these costs diminish the total return accorded to Illinois Secure Choice Savings Program participants. The lowest cost index-based portfolios shall be viewed as the default standard in evaluating investment management fees.

II. Market Performance

The Illinois Secure Choice Savings Program's investment options shall be constructed and administered in manner that consistently track market performance, as measured in comparison to applicable market benchmarks, thus eliminating potential for significant underperformance.

III. Simplicity

The Illinois Secure Choice Savings Program's investment options shall be constructed and administered in a manner that provides a range of clear, easily understood options (defined in terms of expected risk/ return) in order to maximize participation and savings. This includes providing participants with practical investment options, such as retirement target date portfolios that automatically rebalance based on their retirement time-horizon (*i.e.* a life-cycle fund), risk-based portfolios (*i.e.* aggressive, moderate, or conservative risk profiles) with varying target allocations, or a choice-based portfolio of stand-alone investment funds that track broad market segments. Furthermore, the Illinois Secure Choice Savings Program shall be designed and administered in a manner that strives to achieve full transparency by delineating accordant investment expenses, program management fees, and administrative expenses.

In addition, the Illinois Secure Choice Savings Program shall provide a clear and simple investment approach for participants who fail to elect an investment option.

IV. Highest Ethical Standards

The Illinois Secure Choice Savings Program's investment framework shall be constructed and administered in a manner that ensures that participants and the people of the State of Illinois have faith in the integrity of decisions made by the Illinois Secure Choice Savings Board, the Office of the Illinois State Treasurer, and any contractors retained to support the Illinois Secure Choice Savings Program. To promote the trust, respect, and confidence in said entities, it is crucial that the Illinois Secure Choice Savings Board, the Office of the Illinois State Treasurer, and any contractors retained to support the Illinois Secure Choice Savings Program embody high ethical standards, lawfully administer the affairs of the Illinois Secure Choice Savings Program, and avoid conflicts of interest or even the appearance of conflicts of interest.

IN TESTIMONY WHEREOF, Members of the Illinois Secure Choice Savings Board have hereunto agreed to the establishment of the aforementioned Investment Principles for the Illinois Secure Choice Savings Program this 15th day of April, in the year Two Thousand Sixteen.

Treasurer Michael W. Frerichs
Illinois Secure Choice Savings Board Chair



Demographic Overview of Illinois Secure Choice

Prepared by the University of Chicago Poverty Lab and the Illinois State Treasurer's Office

Background on the Illinois Secure Choice Savings Program:

The Illinois Secure Choice Savings Program (Secure Choice) became law in 2015¹ and provides a retirement savings vehicle for private sector workers in Illinois that do not have access to an employer-sponsored plan. Secure Choice enables workers to save their own money easily and safely through a regular payroll deduction without overburdening employers with administrative or managerial costs and responsibilities.

Secure Choice applies to Illinois businesses and nonprofits with 25 or more employees, that have been operating in the state for at least two years, and that do not currently offer a qualified retirement plan. These employers will automatically enroll their employees into Secure Choice. Participants will be enrolled at a default three percent contribution rate into retirement target date Roth Individual Retirement Accounts (IRAs). They will have the option to increase or decrease their contribution rate, select a different fund option, or opt out of Secure Choice entirely. Accounts will be owned by the individual participants, and will be portable from job to job.

Employers' responsibility is limited to facilitating the enrollment of their workers into Secure Choice, setting up the payroll deductions, and ensuring that contributions are remitted in a timely fashion. By law, employers cannot make contributions and they will not have the same administrative and managerial duties that go along with offering and operating a traditional employer-sponsored plan, such as a 401(k). For example, no administrative fees will be charged to the employer and Secure Choice is exempt from the Employee Retirement Income Security Act (ERISA).

Secure Choice is run by a seven-person Board, but the day-to-day management and administration of the Program will be conducted by a private sector firm, to be selected by the Board. The Illinois State Treasurer serves as Board Chair, and additional members include: the Illinois State Comptroller or his/her designee, the Director of the Governor's Office of Management and Budget or his/her designee, and four appointees selected by the Governor. Two appointees must have investment or retirement savings expertise, one appointee represents employers, and one represents employees. All four appointees of the current Board were selected by Governor Rauner in the spring of 2015 and the Secure Choice Board has been meeting since the summer of 2015 to design and implement the Program.

Secure Choice is expected to launch in 2018 and the enrollment of employees into the Program will be phased in over the course of two years. In total, over 1.2 million workers will be

¹ See 820 ILCS 80/ for the complete statute: <http://www.ilga.gov/legislation/ilcs/ilcs3.asp?ActID=3588&ChapterID=68>

impacted by Secure Choice – either through direct enrollment into the Program or because their employer elects to begin offering a qualified plan.

In order to better understand the impact of Secure Choice, and to learn more about the expected pool of participants, the Secure Choice Board consulted with the University of Chicago Poverty Lab (Poverty Lab) in order to conduct a full demographic review of the program.

Findings:

In order to adequately review the impact that Secure Choice will have on Illinois workers, we used publically available national data on the access rate to employer-sponsored retirement to derive an estimate for Illinois employees that are without a workplace-based retirement option, and would also qualify for Secure Choice²—See Table 1.

Table 1: Employees without access to employer sponsored retirement plan by sector

Sector	Number without access to employer-sponsored retirement plan	Percent of sector group without access to employer-sponsored retirement plan
11 Agriculture, Forestry, Fishing and Hunting	3,489	41%
21 Mining, Quarrying, and Oil and Gas Extraction	1,335	17%
22 Utilities	714	3%
23 Construction	50,124	43%
31-33 Manufacturing	89,894	17%
42 Wholesale Trade	50,005	20%
44-45 Retail Trade	154,112	30%
48-49 Transportation and Warehousing	37,819	19%
51 Information	11,080	12%
52 Finance and Insurance	20,549	8%
53 Real Estate and Rental and Leasing	22,973	46%
54 Professional, Scientific, and Technical Services	80,566	27%
55 Management of Companies and Enterprises	19,391	20%
56 Administrative and Support and Waste Management and Remediation Services	203,818	56%
61 Educational Services	39,628	31%
62 Health Care and Social Assistance	192,950	31%
71 Arts, Entertainment, and Recreation	43,238	70%
72 Accommodation and Food Services	246,240	71%
81 Other Services (except Public Administration)	58,069	53%
Total	1,325,994	

We observe from these estimates that sectors with some of the lowest average monthly earnings—Accommodation and Food Services (\$1,745), Arts, Entertainment, and Recreation (\$2,859), Administrative and Support and Waste Management and Remediation Services

² Access rate bases on the 2015 National Compensation Survey constructed by the Bureau of Labor Statistics: <http://www.bls.gov/ncs/ebs/benefits/2015/ownership/private/table02a.pdf>

(\$2,830)—have the highest percentage likelihood of being without access to an employer-sponsored retirement plan—Accommodation and Food Services (71%), Arts, Entertainment, and Recreation (70%), Administrative and Support and Waste Management and Remediation Services (56%).

At the same time, we observe that sectors with higher monthly earnings—Utilities (\$9,030), Finance and Insurance (\$9,266), Management of Companies and Enterprises (\$8,671)—have similarly lower likelihoods of being without access to an employer-sponsored retirement plan—Utilities (3%), Finance and Insurance (8%), Management of Companies and Enterprises (20%).

Therefore, in Illinois, those that are already at greatest risk for lower personal savings have a built-in lower rate of access to employer-sponsored savings. This discrepancy creates a wider gap in the individual long-term net worth between lower-income earners and higher-income earners—creating an environment for lower-income earners to need more public programming to assist them in retirement and a stronger dependence on social security.³

As we dive further into the data, we similarly see divisions along demographic lines in earnings and retirement benefits.

We observe clear earnings differences by worker age. 35-44 year-olds make over three times the monthly wages of their 19-24 year-olds peers—see Table 2.

Table 2: Number employed and average earnings by age and sex

Age	Male	Female	Total	Average monthly earnings by age
19-24	216,959	233,973	450,932	\$1,588
25-34	475,822	460,535	936,357	\$3,645
35-44	466,799	426,161	892,961	\$5,374
45-54	467,034	434,247	901,281	\$6,183
55-64	345,817	329,413	675,230	\$5,784
65-99	113,067	105,309	218,377	\$4,014
Total	2,085,499	1,989,638	4,075,137	
Average monthly earnings by sex	\$5,836	\$3,574		

We observe that this discrepancy holds—although not to the same degree—when dealing with employer-sponsored retirement savings plans. For Illinoisans in the youngest age bracket, 40 percent are without a workplace-based option. This rate is the lowest of any age bracket, being roughly ten percentage points lower than 35-44 year-olds (31%) and 45-55 year-olds (30%)—see Table 3.

³ It is important to note that a number of middle income sectors, Mining, Quarrying, and Oil and Gas Extraction (\$6,642) and Manufacturing (\$5,591) specifically, have lower likelihoods of being without an employer-sponsored option—17% for both. It is not immediately clear what is the cause for the divergent benefits for these sectors, compared to their average monthly income. While union coverage is higher than the national average for Manufacturing (10%) and might be a factor in differing benefits, this is not the case for Mining, Quarrying, and Oil and Gas Extraction (6.5%).

Table 3: Employees without access to employer sponsored retirement plan by age

Age	Number without access to employer-sponsored retirement plan	Percent of age group without access to employer-sponsored retirement plan
19-24	179,409	40%
25-34	316,820	34%
35-44	281,119	31%
45-54	272,040	30%
55-64	201,543	30%
65-99	75,063	34%
Total	1,325,994	

In terms of gender, while we do observe a discrepancy between male and female worker access to an employer-sponsored retirement option—with women having a higher likelihood of being without access to an option (34% to 32%)—this access gap is nowhere near the gap in earning—where we see women make 61 percent of what Illinois men make on average monthly.

Table 4: Employees without access to employer sponsored retirement plan by sex

Sex	Number without access to employer-sponsored retirement plan	Percent of sex group without access to employer-sponsored retirement plan
Male	658,862	32%
Female	667,132	34%
Total	1,325,994	

In terms of race, we observe a wide discrepancy between average monthly wages for white Illinoisans and those for minority groups—see Table 5. African American Illinoisans make on average 52 percent of what white Illinoisans earn monthly. Hispanic Illinoisans earn just under 59 percent of the average monthly wages of their white counterparts, and Native American residents earn 61 percent.

Table 5: Number employed and average earnings by race/ethnicity

Race, non-Hispanic		Average monthly earnings by race / ethnicity
White alone	2,789,611	\$5,257
Black or African American alone	548,886	\$2,748
Asian alone	211,450	\$5,993
American Indian or Alaskan Native alone	7,147	\$3,232
Native Hawaiian or Other Pacific Islander alone	5,224	\$3,548
Two or More Race Groups	31,776	\$3,605
Hispanic, all races	566,729	\$3,096
Total	4,160,823	

We observe a similar gap when it comes to predicted Secure Choice-eligible Illinoisans and access to an employer-sponsored retirement program. For white Illinoisans, we observe 32 percent are without access to workplace-based retirement, whereas that the rate is 35 percent for African Americans, 35 percent for Hispanics, and 37 percent for Native Americans—see Table 6.

Table 6: Employees without access to employer sponsored retirement plan by race / ethnicity		
Race	Number without access to employer-sponsored retirement plan	Percent of racial / ethnic group without access to employer-sponsored retirement plan
White alone	891,335	32%
Black or African American alone	194,784	35%
Asian alone	65,553	31%
American Indian or Alaskan Native alone	2,611	37%
Native Hawaiian or Other Pacific Islander alone	2,012	39%
Two or More Race Groups	11,384	36%
Hispanic, all races	200,903	35%
Total	1,368,582	

In total, we find that Secure Choice is well positioned to address a widening benefit gap amongst demographic groups that are already marginalized in terms of base pay. Specifically, minority groups, new workers, and low-income workers should benefit most in terms of long-term benefits as a result of the program.

It is recommended that as Secure Choice is implemented, the Secure Choice Board carefully monitors the closing of this benefit gap, in order to accurately measure the impact of the program and the savings on public benefit spending.

Data Overview:

Employment and earnings data were derived from public-use data sets published by the US Census Bureau’s Longitudinal Employer-Household Dynamics (LEHD) program.⁴ The LEHD combines state-reported employment and earnings data, with demographic data from the Social Security Administration’s Numident database.⁵ The universe of the LEHD database comprises uniquely-identified employee-employer pairs—which originate in a given quarter when an employee earns at least one dollar of unemployment insurance-covered wages from the employer during that quarter⁶—See Table 7.

⁴ <http://lehd.ces.census.gov/>

⁵ Individuals are matched one-to-one across LEHD (employment and earnings) data and SSA Numident data using SSN as a unique identifier. 97% of individuals in the LEHD database have been linked to individuals in the Numident database. See Abowd, J. M., Stephens, B. E., Vilhuber, L., Andersson, F., McKinney, K. L., Roemer, M., & Woodcock, S. (2005). The LEHD infrastructure files and the creation of the Quarterly Workforce Indicators. *US Census Bureau LEHD Program Technical Paper No. TP-2006-01*.

⁶ For information on Illinois UI reporting requirements, see www.ides.illinois.gov/IDES%20Forms%20and%20Publications/CLI106L.pdf.

Table 7: Number employed and average earnings by NAICS sector (Illinois)

Sector	Number employed	Average monthly earnings by sector
11 Agriculture, Forestry, Fishing and Hunting	8,509	\$3,405
21 Mining, Quarrying, and Oil and Gas Extraction	7,856	\$6,642
22 Utilities	23,791	\$9,030
23 Construction	116,569	\$6,194
31-33 Manufacturing	528,787	\$5,591
42 Wholesale Trade	250,026	\$6,509
44-45 Retail Trade	513,707	\$2,509
48-49 Transportation and Warehousing	199,049	\$4,082
51 Information	92,336	\$6,469
52 Finance and Insurance	256,862	\$9,266
53 Real Estate and Rental and Leasing	49,942	\$5,571
54 Professional, Scientific, and Technical Services	298,392	\$8,083
55 Management of Companies and Enterprises	96,953	\$8,671
56 Administrative and Support and Waste Management and Remediation Services	363,962	\$2,830
61 Educational Services	127,831	\$4,191
62 Health Care and Social Assistance	622,418	\$3,716
71 Arts, Entertainment, and Recreation	61,769	\$2,859
72 Accommodation and Food Services	346,816	\$1,745
81 Other Services (except Public Administration)	109,564	\$3,741
Total	4,075,137	

LEHD public-use data are aggregated to the county level and above. Data are extractable by geography across various firm (e.g., industry, age, size) and employee (e.g., age, sex, race) specifications. The data used in this report were extracted at the state level.

While Secure Choice will only directly impact firms with 25 or more employees, the LEHD firm-size categorization does not allow for the specification of 25+ employees, only 20+ employees. Hence all firms with 20+ employees were included in the universe for this report.

Employment for this project was estimated as the total number of jobs on the first day of the reference quarter. For example, a worker is counted as employed by an employer at the beginning of the 3rd quarter of 2015 if she has earnings from that employer in the 2nd and 3rd

quarters of 2015.⁷ The employment numbers reported here are averaged over the beginning-of-quarter counts for 2014 Q4, 2015 Q1, 2015 Q2 and 2015 Q3.

Earnings were estimated from the earnings of workers counted as employed on the first day of the reference quarter.⁸ LEHD statisticians calculate average monthly earnings by first summing the quarterly earnings of all beginning-of-quarter employees of a given employer, then dividing by the total number of beginning-of-quarter employees of that employer, and finally dividing by three.

Data Documentation⁹:

In Tables 1, 3, 4 and 6, the estimated numbers of workers currently without **access to an employer-sponsored retirement plan** are calculated using sector-level access rates projected by the Illinois Office of the Treasurer.¹⁰

About the Authors:

University of Chicago Urban Labs-Poverty Lab

Terri Zhu manages research and technical assistance projects in the areas of workforce development and income support. Prior to joining Urban Labs, she co-founded and managed Louis' Groceries, a food desert initiative that combined grocery retail with behavioral economics research on food choice. Terri holds a BA in German literature and cultural history from Columbia University, an MPP from the University of Chicago Harris School of Public Policy, and a PhD in Germanic studies from the University of Chicago.

Illinois Treasurer's Office

Courtney Eccles serves as the Program Manager for the Illinois Secure Choice Savings Program, a state-administered retirement savings program that will impact over one million private sector workers in Illinois. She is responsible for program implementation, and works directly with the Secure Choice Board on all aspects of program development. Courtney received both her B.S. in Social Policy and Masters of Public Policy from Northwestern University.

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⁷ This measure is similar to a point-in-time employment count such as the Quarterly Census of Employment and Wages (CESW). For more information, see http://lehd.ces.census.gov/doc/QWI_101.pdf.

⁸ http://lehd.ces.census.gov/doc/QWI_101.pdf

⁹ See "Documentation on LEHD Data for Estimating Differential Impact of Secure Choice Illinois" for more-detailed documentation (prepared for IL Office of the Treasurer by University of Chicago Poverty Lab, June 2016).

¹⁰ Based on 2015 National Compensation Survey constructed by Bureau of Labor Statistics, see <http://www.bls.gov/ncs/ebs/benefits/2015/ownership/private/table02a.pdf>.

Feasibility Study: Illinois Secure Choice

March 2017

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Executive Summary

Over 2 million workers in Illinois do not have access to a plan such as a 401(k), because their employers do not offer one. The Illinois Secure Choice Program (“Secure Choice”) will require employers with 25 or more employees to automatically enroll their workers into a state-sponsored program of Individual Retirement Accounts (“auto-IRAs”), expanding access to some 1.2 million Illinois workers.

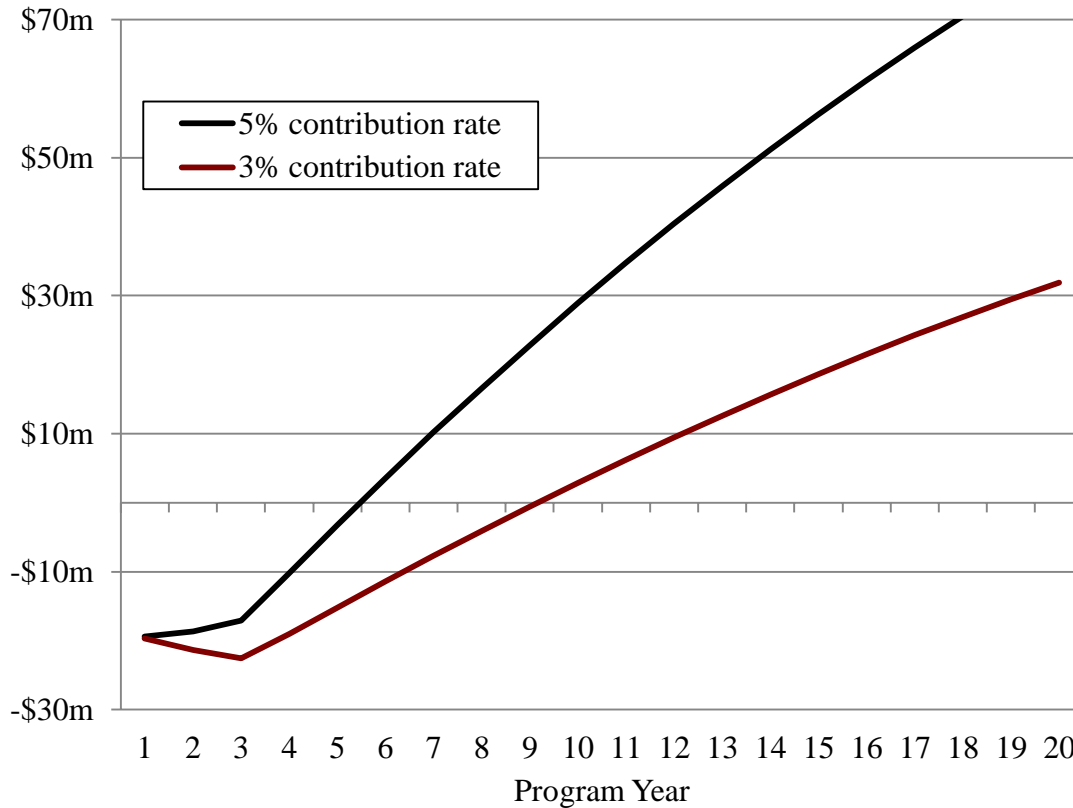
Secure Choice – which will be administered by private sector companies with state oversight – faces one significant challenge: the program must pay for itself. Addressing this challenge is difficult because, in the beginning, program costs will rise more rapidly than revenues. Costs are driven by the number of accounts, and the program is expected to enroll many participants in the initial years. In contrast, revenues are driven by assets under management, which are initially low since employee contributions and investment returns take time to accumulate. Overcoming this challenge will be especially difficult in Illinois because the Secure Choice statute sets a relatively low default contribution rate of 3 percent and a fee-cap of 0.75 percent of asset under management (75 basis points).

As a result, this study projects that it will take 10 years for Secure Choice to have enough revenue from its fees to pay for ongoing administrative costs, and another eight years for operating profits to cover losses incurred during those first 10 years. In other words, under current law the program will need 18 years to be profitable to a service provider. Since Illinois law sets a 10-year contract limit, service providers may be less likely to bid for recordkeeping responsibilities. At the same time, Secure Choice has the advantage of scale and should clear \$1 billion in assets – a benchmark used by other states to determine program feasibility – in less than three years. And this report will also show that Secure Choice will become more attractive to potential plan administrators if it has a higher default contribution rate.

To illustrate how finances depend on the contribution rate, Figure 1 shows the number of years before annual revenue from the program covers annual costs under two default contribution rates: 1) 3 percent, per current statute; and 2) 5 percent, which Oregon (another state implementing an auto-IRA) is using. By increasing the default contribution rate from 3 percent to 5 percent,

Secure Choice can “break even” and begin paying off its initial losses four years earlier – without significantly lowering participation in the program.¹

Figure 1. *Difference between Ongoing Revenue and Costs of Secure Choice, in Millions*



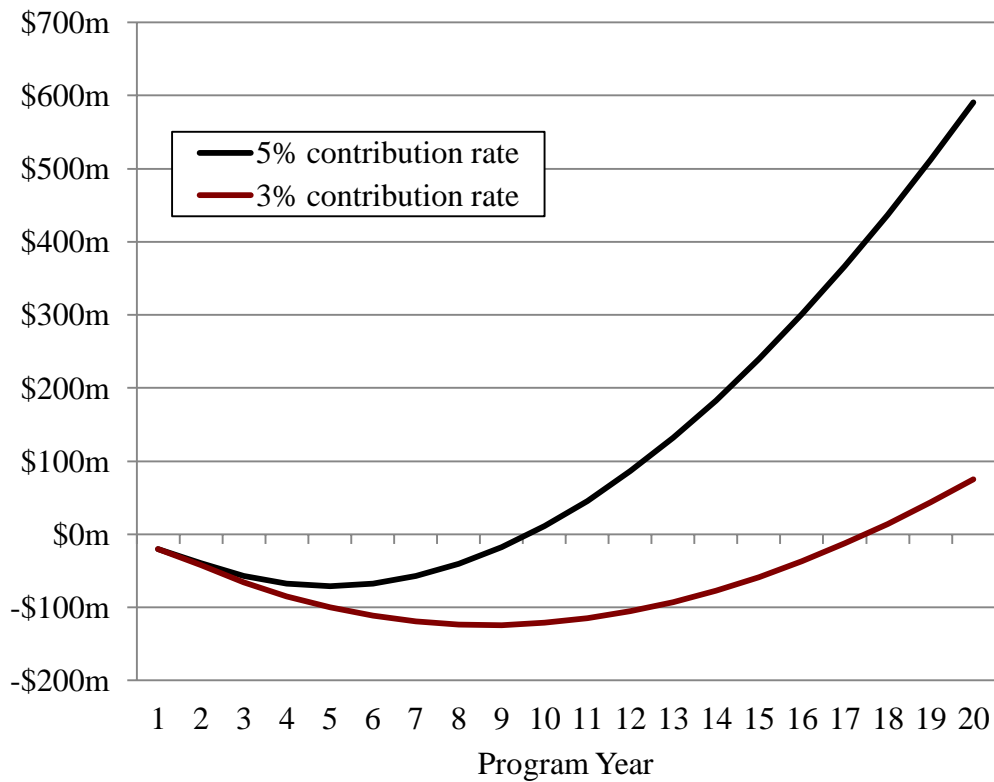
Source: Center for Retirement Research at Boston College (CRR) calculations.

The four-year head start in achieving operating profits with a 5-percent default contribution rate also results in an eight-year reduction in the time it takes for the program to pay off start-up costs and reduces the program’s cumulative losses. Figure 2 illustrates the cumulative deficit from both the ongoing costs and the fixed start-up costs under the two contribution rates. This deficit is one measure of the risk a private sector firm may perceive when bidding on the program. With a 5-percent default contribution, this risk is considerably less at \$71 million, compared to \$124 under a 3-percent default contribution. The figure also shows that with a 5-percent default rate the program

¹ A number of studies have shown that workers automatically enrolled into retirement plans with contribution rates between 3 percent and 6 percent participate at almost identical rates (e.g. Choi and Madrian, 2002, Vanguard, 2012, Belbase and Sanzenbacher, 2016, etc.)

becomes profitable in Year 10, versus Year 18 with a 3-percent default. In other words, Secure Choice can be profitable within the 10 years required if the default contribution rate is increased. While the results of this analysis do not automatically mean that the state will not get interest from providers under the current default rate of 3 percent – the sheer size of the Secure Choice program may attract bidders who think they can keep costs lower than assumed in this study – it does suggest that the program’s attractiveness to potential service providers can be improved significantly with a relatively simple change that is unlikely to harm participation (and likely to boost retirement security).

Figure 2. *Running Secure Choice Net Profits, in Millions*



Source: CRR calculations.

Feasibility Study

Introduction

Very few workers save for retirement unless their employer offers them a retirement plan, typically a 401(k). In Illinois, employers for more than 2 million workers do not offer such a retirement plan. The Illinois Secure Choice Program (“Secure Choice”) will require certain employers without plans to automatically enroll their workers in a state-sponsored program of Individual Retirement Accounts (“auto-IRAs”), expanding access to approximately 1.2 million Illinois workers. Secure Choice – which will be administered by private sector companies with state oversight – faces one significant challenge: the program must pay for itself to be attractive to private sector administrators. Addressing this challenge is difficult because, in the beginning, program costs will rise more rapidly than revenues. Costs are driven by the number of accounts, and the program is expected to enroll many participants in the initial years. In contrast, revenues are driven by assets under management, which are initially low as employee contributions and investment returns take time to accumulate. Because the maximum length of such a contract in Illinois is 10 years, and because the state cannot take on any liability associated with the program, having a program that becomes profitable within a decade will be important to attract bids from potential service providers.

To evaluate how attractive Secure Choice will be to private sector providers, this study will use two metrics. The first metric is the time it will take for the program to become cash positive or “self-sufficient,” i.e., for the revenue generated by account balances from the fee to exceed the cost of maintaining the accounts. The second metric is the time needed for the program to become net positive, i.e., to generate enough revenue to pay back the cost of starting up the program, including the initial losses. Both metrics can be influenced by parameters within the state’s control, such as the default contribution rate, and parameters outside of the state’s control, such as the costs a provider anticipates incurring to run the program or the behavior of participants regarding withdrawals.

The goal of this study is to present how these two metrics look under the current parameters of the program – a default contribution rate of 3 percent and a fee on assets of 75 basis points – as well as under alternate scenarios. In particular, the study emphasizes how using a 5-percent default contribution rate would improve the economics of Secure Choice without significantly reducing participation in the program.

This study's financial projections rely on a number of assumptions about program design. For example, the projections assume that account holders' money is invested in a blended target date fund and that employers who offer no retirement plan are required to automatically enroll their employees in a Roth IRA in a staggered manner: in Year 1, employers with 100+ employees will be enrolled; in Year 2, employers with 50+ employees; and in Year 3, the remaining employers.²

The study also makes assumptions about population growth, worker participation, worker mobility, and withdrawals. Perhaps the most important of these is the assumption that the majority of workers will participate in the program – our market research suggests that 88 percent of full-time and 85 percent of part-time workers will participate. The justifications for these assumptions are discussed in the Appendix. Because the final program design has not been determined and because any one assumption may differ from reality once the program is implemented, the study will also test the sensitivity of its results to changes in participation, costs, account closures, and other assumptions. The analysis will pay particular attention to program participation rates under alternative defaults, since increasing the default from 3 percent to 5 percent is one way to improve the program's finances.

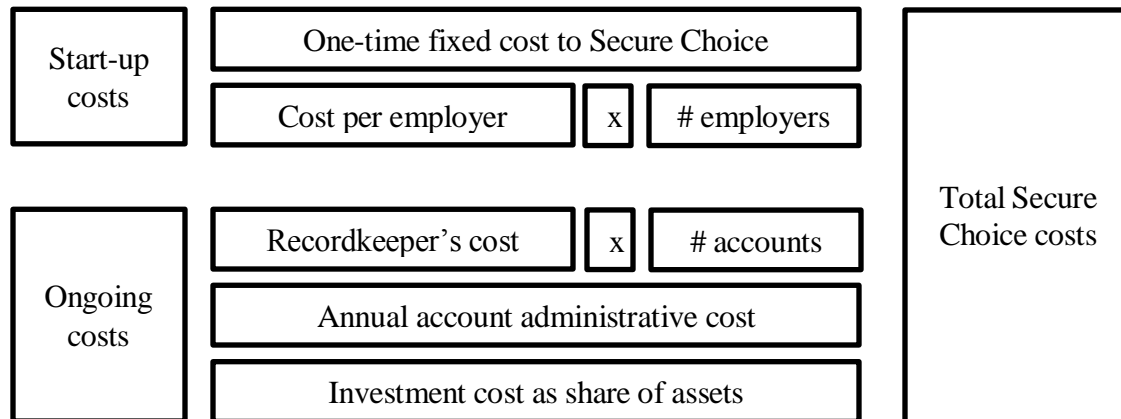
This report is organized as follows. The first section estimates the start-up and ongoing costs of Secure Choice. The second section estimates program revenue, which is ultimately collected as a fraction of total account balances and which, in turn, depends on worker participation, the contribution rate, asset returns, and account withdrawals. The third section projects how costs and revenue will interact to determine when the program becomes self-sufficient and when any initial losses will be covered. The fourth section provides insight into how alternative fees might affect estimates of the time needed to break even. The final section concludes that, under the initial assumptions for program design, it will take more than 10 years for the program to become profitable, but that increases to the default rate or fee could bring the time to profitability within the maximum contract length.

² Secure Choice may be rolled out in a slightly shorter amount of time than indicated here (two years instead of three). This change will not significantly affect the numbers presented in this report.

Program Costs

Secure Choice's costs fall into two categories: 1) the start-up costs associated with creating the program and bringing on employers; and 2) the ongoing administrative costs associated with maintaining accounts, serving participants, and managing investments. Figure 1 illustrates these costs schematically, highlighting two drivers of start-up costs: 1) the number of employers that will be brought into Secure Choice; and 2) the number of accounts that must be administered.

Figure 1. *Secure Choice Costs*



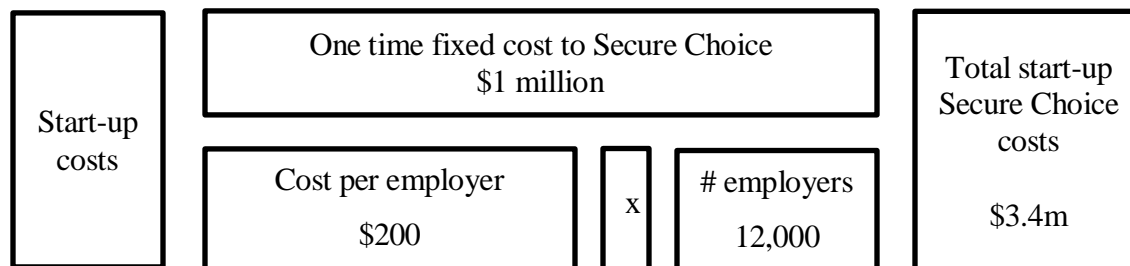
Start-up Costs

Start-up costs reflect two basic facts: 1) an auto-IRA program like Secure Choice does not currently exist; and 2) one of a third-party recordkeeper's biggest costs is connecting to individual employers. The first fact means that the initial fixed cost of developing Secure Choice's required infrastructure will need to either be paid by Secure Choice itself or borne by a recordkeeper. Based on information from auto-IRA studies for other states, as well as consultations with the Secure Choice Board, the fixed cost of developing the infrastructure to run the program was assumed to be \$1 million. The second fact means that the recordkeeper must anticipate an additional cost to enroll each employer. After consultation with Segal, the study assumes an average enrollment cost of \$200 per employer.³ Although Illinois has over 150,000 employers that do not offer a retirement plan, just over 14,000 of these have 25 or more employees and have been in business for two or

³ Adding new employers involves getting information from an employer to a recordkeeper to auto-enroll workers and set up accounts, as well as setting up an interface between an employer's payroll system and the recordkeeping platform to process ongoing payroll deductions.

more years, as required by the mandate. The study further assumes that 20 percent of these employers will decide to offer a private sector plan instead of enrolling its employees in Secure Choice. The end result is that the study assumes roughly 12,000 employers will need to be enrolled in the program.⁴ Figure 1A updates Figure 1 to include these start-up costs.

Figure 1A. *Summary of Start-up Costs*



Ongoing Costs

The next driver of overall cost is the per-account administrative cost, which the recordkeeper incurs to keep track of account funds and to provide statements, cover call centers, and maintain the program’s website for the account holders. The administrative cost also covers the transaction costs associated with money coming into the program and money going out of the program through distributions. After consultation with Segal on the operating models being considered, this report assumes a per-account cost of \$30 per year.

The contribution of account administrative costs to Secure Choice’s total costs largely depends on the number of accounts. In this study, two types of accounts exist: active and inactive. In active accounts, an individual is working for an employer without a plan and is contributing to the plan. Inactive accounts are held by someone who is no longer employed at an eligible employer but who has not closed out his account. Given the initial scenario, the number of active accounts is presented in Table 1.⁵

⁴ The start-up costs associated with connecting employers to Secure Choice is paid over the first three years of the program, as it is rolled out to more employers.

⁵ For a more detailed description of these estimates, see the Appendix.

Table 1. *Number of Active Full- and Part-time Participants in Secure Choice*

	Year 3	Year 5	Year 10	Year 15	Year 20
Full-time	714,000	721,000	739,000	758,000	777,000
Part-time	169,000	171,000	175,000	180,000	184,000
Total	883,000	892,000	914,000	938,000	961,000

Source: CRR calculations.

Inactive accounts are assumed to come from two types of employees who exit the program and do not close their accounts: 1) workers who become unemployed; and 2) workers who switch to an employer that offers a retirement plan. The rates at which individuals transition from active to unemployed and from active to ineligible appear in the Appendix and are based on the *Survey of Income and Program Participation* (SIPP); the basic assumption is that 85 percent of active accounts remain active each year, while 9 percent become inactive.⁶ The number of inactive full- and part-time accounts is shown in Table 2.

Table 2. *Number of Inactive Full- and Part-time Participants in Secure Choice*

	Year 3	Year 5	Year 10	Year 15	Year 20
Full-time	75,000	131,000	207,000	245,000	266,000
Part-time	28,000	44,000	64,000	73,000	77,000
Total	103,000	175,000	271,000	318,000	343,000

Source: CRR calculations.

Combining Tables 1 and 2 and assuming the \$30 per-account administrative cost allows the calculation of total account administrative costs shown in Table 3. Because these administrative costs are sensitive to several assumptions made so far, Box 1 highlights how costs would change under alternative assumptions.⁷

⁶ The remaining 6 percent of accounts close, which is discussed in more detail in the revenue section of this report. Once inactive, some workers do reenter the program. Each year, 5 percent of inactive workers in the covered sector are assumed to return to eligibility, and workers who become unemployed are assumed to reenter the program the next year. For more details, see the Appendix.

⁷ It is worth noting that Table 3 shows administrative costs under a default contribution rate of 3 percent. Although the default rate does not influence costs directly, CRR research indicates that slightly more people will opt out under a 5 percent default than a 3 percent default, reducing the account administrative costs. However, the reduction in participation is relatively small (about 1 percentage point), so costs under a 5-percent contribution are not shown.

Table 3. *Annual Account Administrative Costs*

	Year 3	Year 5	Year 10	Year 15	Year 20
Active accounts	883,000	892,000	914,000	938,000	961,000
Inactive accounts	103,000	175,000	271,000	318,000	343,000
Total accounts	886,000	1,067,000	1,185,000	1,256,000	1,304,000
x cost per	\$30	\$30	\$30	\$30	\$30
Account admin. costs	\$26.9m	\$32.0m	\$35.6m	\$37.7m	\$39.1m

Source: CRR calculations and discussions with Segal.

Box 1. *Account Administrative Costs under Alternative Assumptions*

Because administrative costs are driven by the number of accounts, costs are lower with fewer accounts. For example, assume that participation is 50 percent, and 50 percent of workers exiting the program close their accounts (rather than the initial assumption of 85-88 percent participating and 20 percent closing accounts). In this case, by program Year 20, there would be 676,000 accounts resulting in account administrative costs of \$20.3 million, rather than \$39.1 million under the initial scenario. Of course, these assumptions also reduce program assets and revenue substantially (see Box 2).

Going back to the original assumptions on participation and closures, should per-account costs increase from \$30 to \$35, administrative costs would increase substantially by Year 20, to \$45.6 million, demonstrating the importance of controlling the per-account cost.

In addition to the cost per account, other yearly costs include general operating costs such as program governance, the costs of communicating with employers and employees across Illinois, and staffing. Unlike the per-account costs, these costs are not assumed to be a function of the number of accounts and remain roughly constant over the life of the program.⁸ Table 4 shows the assumed costs associated with the state’s administrative operation, reflecting CRR consultation with the Secure Choice Board. In addition to the cost per-account, Secure Choice will cost roughly \$1 million dollars per year to run.

⁸ In practice, we assume that the cost of governance and communication grows 1 percent faster than inflation, and the cost of staffing grows 2 percent faster than inflation over the course of the program.

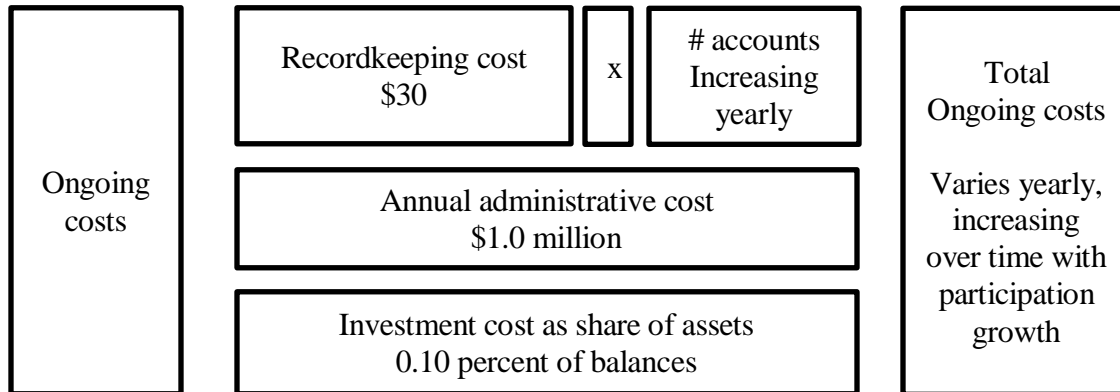
Table 4. *Yearly Program Administrative Costs*

Administrative task	Yearly cost
Governance	\$150,000
Communication/publications	\$450,000
Staff	\$400,000
Total	\$1,000,000

Source: CRR discussions with Secure Choice.

The final type of cost associated with the program is the fee for investment management. This cost is simply a fraction of participants’ total account assets under management. Because it is assumed Secure Choice will have investment options with limited management (such as a Target Date Fund) and because Secure Choice is expected to achieve significant scale, these costs are assumed to be relatively low, at one-tenth of 1 percent or 10 basis points. Figure 1B fills in the ongoing costs portion of Figure 1.

Figure 1B. *Summary of Ongoing Costs*



Figures 1A and 1B summarize the total costs of Secure Choice. While these costs are high initially due to fixed costs, they also contain a component that increases over time with the number of accounts. Thus, to be feasible, Secure Choice must quickly generate revenue to cover its fixed costs and ultimately have higher balances per account so that the \$30 fee can be covered by the fee on assets, which under statute is limited to 0.75 percent of assets (75 basis points). The next section will discuss whether these conditions are likely to be met.

Program Revenue

The feasibility of Secure Choice largely comes down to the ability of revenue to exceed ongoing costs in a relatively short time. After this “breakeven” point is reached, the program can begin to pay back the start-up costs highlighted above, along with any losses incurred during the initial period when ongoing costs exceeded revenue. This part of the study estimates the revenue generated by the program, given the initial assumptions laid out above and in the Appendix. Since fees are estimated as a percentage of assets under management, this section analyzes what will drive the underlying asset levels: 1) how much money participants contribute to the program each year; 2) how much money exits the program through participant withdrawals and account closures; and 3) how much assets grow through investment returns. The section closes by describing how account balances can be expected to accumulate over time.

Contributions to the Program

Contributions are generated by the active accounts laid out in Table 1 above. The total dollars contributed depend on two factors: 1) the contribution rate of each participant; and 2) the average participant’s income. Due to the current statutory language, the initial scenario assumes participants are enrolled at a contribution rate of 3 percent of gross pay, with an alternative scenario of 5 percent. To determine the contribution amount, the contribution rate is applied to the average income of full- and part-time workers in Illinois (based on the *Current Population Survey*): \$38,500 for full-time workers and \$11,000 for part-time workers.⁹ Given the number of active accounts, the contribution rate, and the average wage, Table 5 shows the projected contributions to the program by full- and part-time workers in various program years under the two default contribution rates under consideration.

⁹ These are participation-weighted averages by age, reflecting the fact that older workers have higher wages but are also more likely to opt out. If the wage were calculated as a simple average, it would be higher. These average wage calculations also eliminate anyone earning over \$117,000 a year, as these individuals may not be eligible for a Roth IRA.

Table 5. *Estimated Annual Contributions to Secure Choice, in Millions*

	Year 3	Year 5	Year 10	Year 15	Year 20
<i>3-percent default</i>					
Full-time	\$824.5	\$832.7	\$853.7	\$875.3	\$897.4
Part-time	55.2	55.7	57.1	58.6	60.0
Total	879.7	888.4	910.8	933.9	957.4
<i>5-percent default</i>					
Full-time	\$1,356.7	\$1,370.3	\$1,404.9	\$1,440.4	\$1,466.7
Part-time	90.7	91.6	94.0	96.3	98.8
Total	1,447.4	1,461.9	1,498.9	1,536.7	1,565.5

Source: CRR calculations.

Account Withdrawals and Growth

Once money is contributed to an account, it can exit the plan in one of two ways: 1) through in-service withdrawals that occur even when a participant is not closing his/her account; or 2) through account closures (cash-outs). In-service leakages, including withdrawals and account closures, typically average around 1 percent of total 401(k) plan assets, and that rate is assumed here.¹⁰ However, account closures are likely to be more frequent in Secure Choice than in 401(k)s, because workers covered by Secure Choice are more mobile than 401(k) participants and are more likely to become unemployed. This study assumes that 20 percent of workers either becoming unemployed or exiting Secure Choice-covered work (by switching to an employer that offers a retirement plan) close their Secure Choice account. Additionally, the study assumes any worker retiring or moving out of Illinois closes their account. Estimates of the rate at which these events occur are provided in the Appendix, but the net result is that, in any given year, 6 percent of Secure Choice accounts are likely to close.¹¹

Regarding investment returns, the study initially assumes that money in the plan is invested in a blended fund with an average rate of return of 5 percent annually. Consistent with the current statute, the study also assumes an initial fee level of 0.75 percent, so that the net-of-fees return is 4.25 percent.¹² Figure 2 shows how assets are estimated to accumulate over time in Secure Choice

¹⁰ Sensitivity to this assumption is tested later in the study.

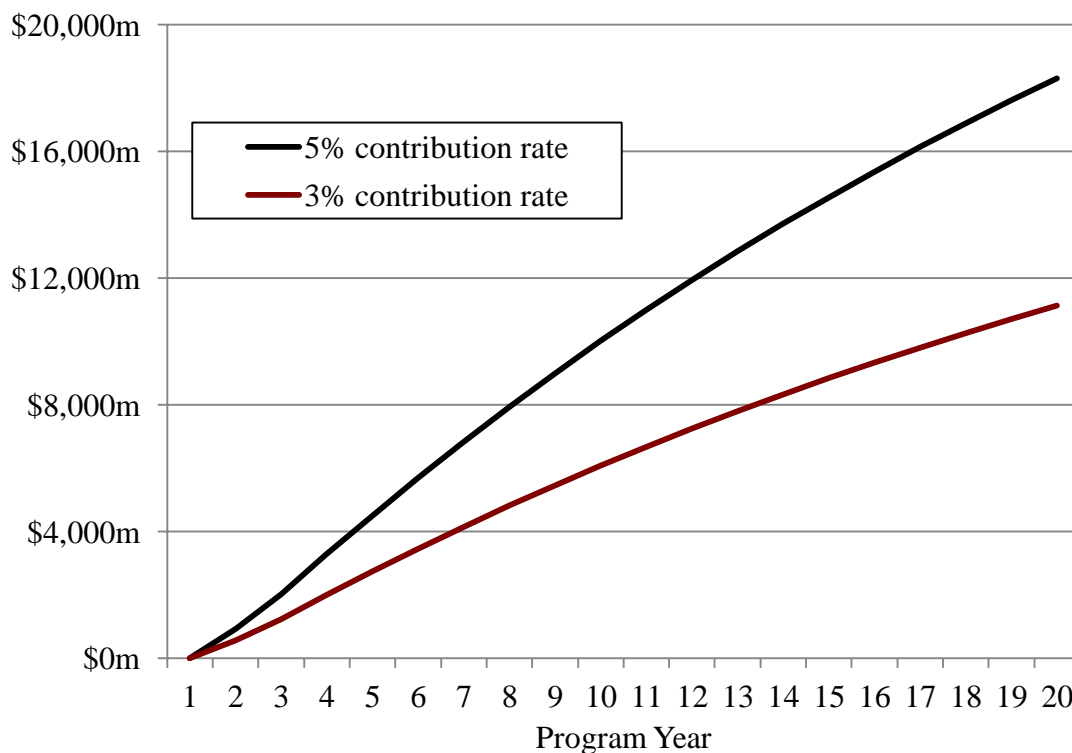
¹¹ The study assumes that accounts that close have balances equal to the average of all accounts. Because larger accounts are less likely to close than smaller ones, this assumption likely overstates losses due to closures.

¹² As discussed below, the initial fee level of 75 basis points is higher than is needed to cover costs in the long run. Alternative assumptions on the rate of return are also shown below.

under these assumptions regarding contributions, leakages, and investment returns, and given default contribution rates of 3 percent and 5 percent.

Figure 2 illustrates that assets grow quickly as the program rolls out, with almost linear growth occurring thereafter. Two things are worth noting about Figure 2. First, at contribution rates of either 3 percent or 5 percent, the program achieves scale relatively quickly. For example, at 3 percent, program assets reach \$1 billion – a benchmark used in Connecticut’s Feasibility Study as a target – in under three years and assets exceed \$2 billion in five years.¹³ Second, at 5 percent, the program’s assets accumulate much quicker, ultimately exceeding \$4 billion within five years. Box 2 discusses how these assets change under the same assumptions presented in Box 1, as well as under alternative assumptions of higher in-service leakages or lower investment returns. The next section highlights how the revenue generated by these assets interacts with the costs described earlier to determine the breakeven point as well as the highest initial loss accrued by the program.

Figure 2. *Estimated Total Assets under Management in Secure Choice, in Millions*



Source: CRR calculations.

¹³ See State of Connecticut Retirement Security Board (2016), available here: http://www.osc.ct.gov/crsb/docs/finalreport/CRSB_January_1_Report.pdf

Box 2. *Secure Choice Assets under Alternative Assumptions*

In Box 1, fewer participants (a 50-percent participation rate) and more account closures (a 50-percent closure rate) than under the initial assumptions lead to fewer accounts and lower costs. But these assumptions also lead to lower asset levels. Under these assumptions, in Year 20 of the program there would be \$4,994 million in Secure Choice accounts given a 3-percent default contribution and \$8,323 million under a 5-percent default, compared to \$11,130 and \$18,315 under the initial scenarios for asset levels, respectively.

Staying with the initial higher participation levels and lower closure rates, but assuming higher leakages from workers' accounts, asset accumulation also declines. If leakages are 4 percent (instead of 1 percent under initial assumptions), asset accumulation drops to \$8,554 million by Year 20 under a 3-percent default and \$14,076 million under a 5-percent default. Finally, assuming a rate of return of 3 percent (2.25 percent net of fees) reduces assets to \$9,694 and \$15,591 under 3- and 5-percent defaults, respectively.

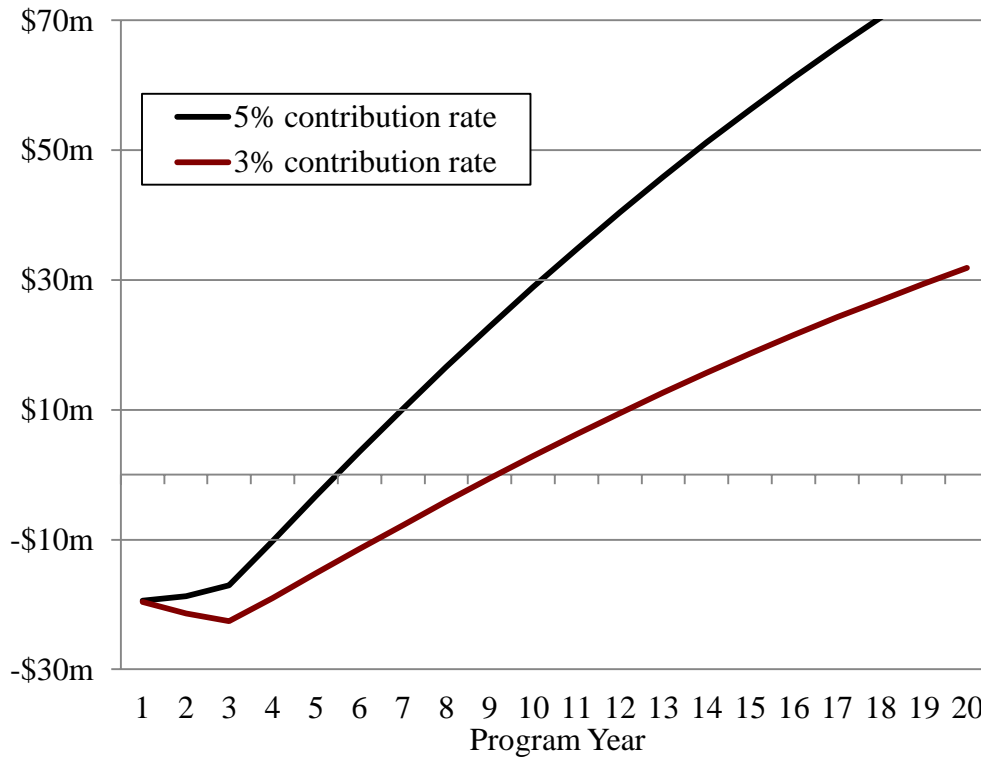
Secure Choice Finances

Front-loaded costs and back-loaded revenue pose a financing challenge for Secure Choice given the limit on fees of 0.75 percent (75 basis points). Projecting how long it will take the program to breakeven and how large a deficit will accumulate during the time period that revenue falls short of costs can help the Secure Choice board decide whether program or plan design (e.g. the default contribution rate) need to be changed before asking vendors to bid for a contract to operate the plan.

The "Breakeven" Point

A key driver of the program's financial status is the length of time for the revenue to exceed the ongoing costs of account and program maintenance (summarized in Figure 1B). If Secure Choice goes on too long with an operating deficit the program will end up with a large overall deficit. As Figure 3 shows, the amount of time for the program to break even is very sensitive to the default contribution rate. At a rate of 3 percent, the program breaks even in Year 10, but under a rate of 5 percent the program breaks even in Year 6, a full four years earlier.

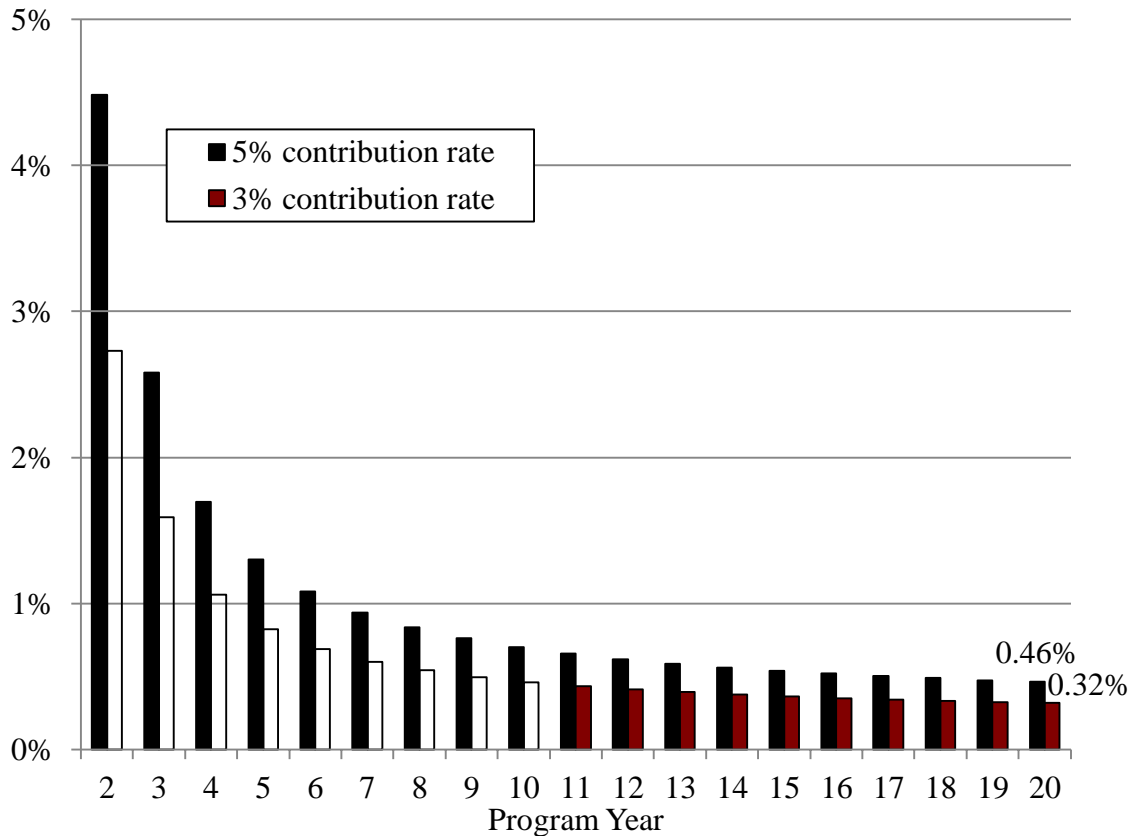
Figure 3. *Difference between Ongoing Revenue and Costs of Secure Choice, in Millions*



Source: CRR calculations.

The study estimates that in no more than 10 years after Secure Choice’s launch, the cost of running it should fall below 0.75 percent of assets regardless of the default contribution rate chosen. Figure 4 shows the progression of ongoing costs as a share of asset balances and illustrates that long-run costs fall below 0.50 percent of assets under either assumption on the default contribution rate. This longer term trend suggests that fees could be lowered for program participants once the program is up and running. Box 3 contains information on how the number of years to the breakeven point change based on changes to the program design and the economic assumptions outlined in Box 2 and under some alternative cost assumptions.

Figure 4. *Ongoing Costs as a Share of Assets*



Source: CRR calculations.

Box 3. *Secure Choice Time to Breakeven Under Alternative Assumptions*

Should participation be lower than anticipated (50 percent) and account closures higher (50 percent), the time to breakeven is 11 years under a default contribution of 3 percent (instead of 10 years) and still 6 years under a 5-percent default. The small effect of these changes occurs because lower revenue is generally offset by lower account administrative costs.

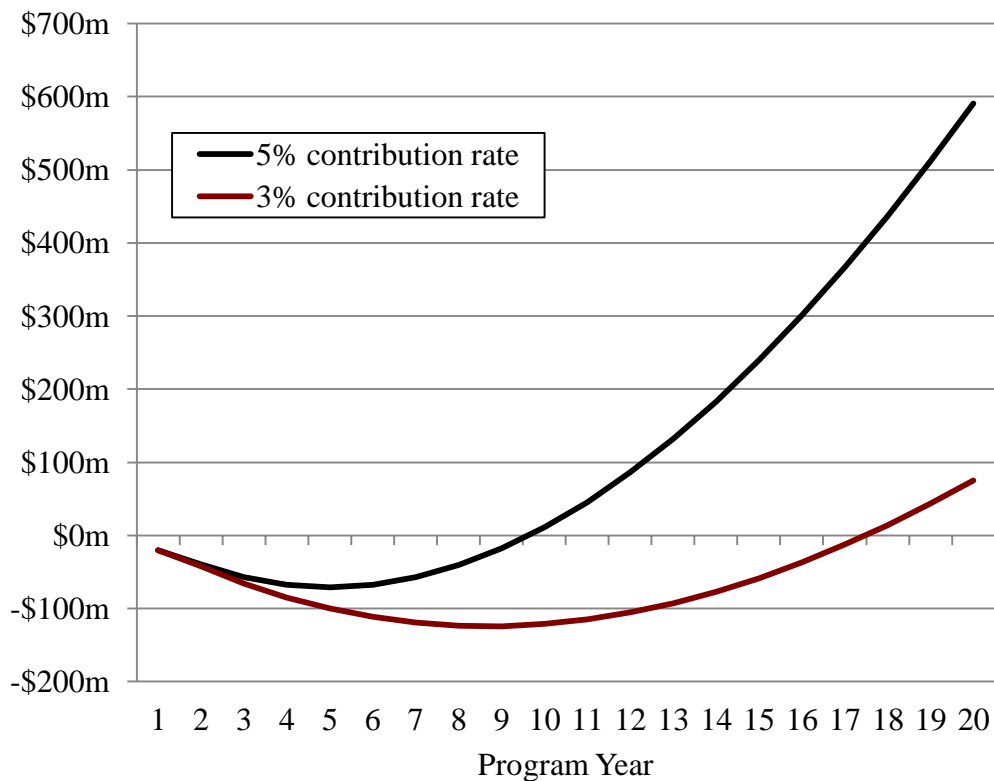
Given the initial assumed participation and account closure rates, quadrupling leakages to 4 percent increases the breakeven time to 12 years under a default contribution of 3 percent and it remains at 6 years for a default contribution of 5 percent. Reducing stock returns to 1 percent does not change the breakeven year under either contribution rate. This result stems from the fact that early Secure Choice asset growth is driven primarily by contributions.

Increasing recordkeeping costs per account to \$35 increases the breakeven year from 10 to 11 and from 6 to 7 under default contribution rates of 3 percent and 5 percent respectively.

Paying Off Initial Losses

As shown above, Secure Choice initially will operate at a loss. These losses will compound with any start-up costs to create an initial program deficit that must be repaid once the breakeven point is reached. The feasibility study calculates both the length of time it takes for the program to ultimately repay this initial deficit and the largest deficit that could occur. This maximum potential deficit is important, because it serves as a measure of risk to the potential private sector partners that might bid on the program. If Secure Choice wishes to take out a loan to be paid back out of program assets, the largest deficit also provides an estimate of how large such a loan would have to be. Figure 5 shows this calculation with both a 3- and 5-percent default contribution rate, again under the assumption that fees are 0.75 percent of assets under management.

Figure 5. *Running Secure Choice Net Profits, in Millions*



Source: CRR calculations.

Figure 5 shows that the program achieves a positive running profit by Year 10 if the default contribution rate is 5 percent, but not until Year 18 if the rate is 3 percent. This finding suggests that

a recordkeeper that absorbs the initial start-up costs and operating deficit would be willing to accept a 10-year contract under a 5-percent default but might not under a 3-percent default. The maximum deficit is \$71 million under a 5-percent default and \$124 million under a 3-percent default. If Secure Choice took on a portion of these losses through a loan to be paid back later, then a shorter contract could be offered (and less risk-averse vendors might bid to serve the program). Box 4 shows how these quantities vary under the alternative assumptions from Box 3.

Box 4. Length to Repay Starting Costs and Maximum Deficit under Alternative Program Design and Economic Assumptions

If participation is low (50 percent) and account closures are high (50 percent), Secure Choice will take over 20 years to pay off the initial loss at a contribution rate of 3 percent, but with a smaller maximum deficit of \$77 million, as opposed to \$124 million under the initial assumptions. The reason for a smaller deficit is that while fewer accounts exist to generate revenue to pay off the deficit, the costs of a smaller account base are also lower. Under a default contribution rate of 5 percent, the comparable numbers are 11 years and \$44 million, instead of \$71 million under the initial assumptions.

If the initial participation and closure rates are assumed, then with a default contribution rate of 3 percent and 5 percent, quadrupling the leakages increases the length of time to become profitable to over 20 years and 11 years, respectively, and results in corresponding deficits of \$142 million and \$75 million. If the rate of return is 3 percent instead of 5 percent, the corresponding times until Secure Choice becomes profitable are 20 and 11 years, with deficits of \$130 million and \$72 million.

If the cost is \$35 per account instead of \$30, then the time to become profitable is over 20 years at a default contribution rate of 3 percent and 12 years under a default of 5 percent. The corresponding deficits are \$172 million and \$95 million, respectively.

Increasing the Default: Does it Impact Participation?

Clearly, increasing the default contribution rate has a positive impact on Secure Choice's attractiveness to third-party providers. But a frequent concern is that increasing the default will also increase the rate at which Illinois workers opt out of the program, interfering with its goal of expanding retirement savings to as many people as possible. However, studies from the academic literature and other states' plans suggest that this concern is unfounded.

For example, to study participation in their programs, California and Connecticut performed online benefit-enrollment experiments in which participants were randomly assigned to programs with different contribution rates and asked about their decisions to remain enrolled or opt out. Box

5 shows how this experiment was conducted in Connecticut, where some respondents saw a default contribution rate of 6 percent.¹⁴ A second group of workers saw a program with a 3-percent contribution rate and a third group saw the contribution rate *rise* over four years, from 6 to 10 percent. In California, workers saw a similar type of program description with either a 3-percent or 5-percent contribution rate. Changing the program descriptions slightly and seeing how workers respond shows how the level of the default contribution rate affects participation.

Box 5. Example of Program Shown to Respondents in Connecticut’s Enrollment Experiment

Imagine you’re offered the chance to participate in a retirement program at work. Please read the information about the program offered (below) and select the choice you’d likely make if this program were offered to you in reality.

Your employer will automatically deduct a contribution from each paycheck (just like it does for Social Security), and deposit the money into a retirement account in your name. Your savings will be invested and grow over time to provide you with income in retirement. Some important features of this program:

- 6 percent of your pay, or \$60 per every \$1,000 you earn, will be deducted and deposited into your account. You can change how much you contribute to your account once a year and can stop contributing at any time by opting out of the program.
- The money will be invested in a fund appropriate for someone your age, managed by a private company selected by the State of Connecticut.
- You can withdraw your contributions without penalty at any time; you pay taxes on your contributions up front.
- You can access *all* of your account balance (contributions plus investment earnings) without penalty or taxes when you retire.

Detailed information on the program can be found [here](#).

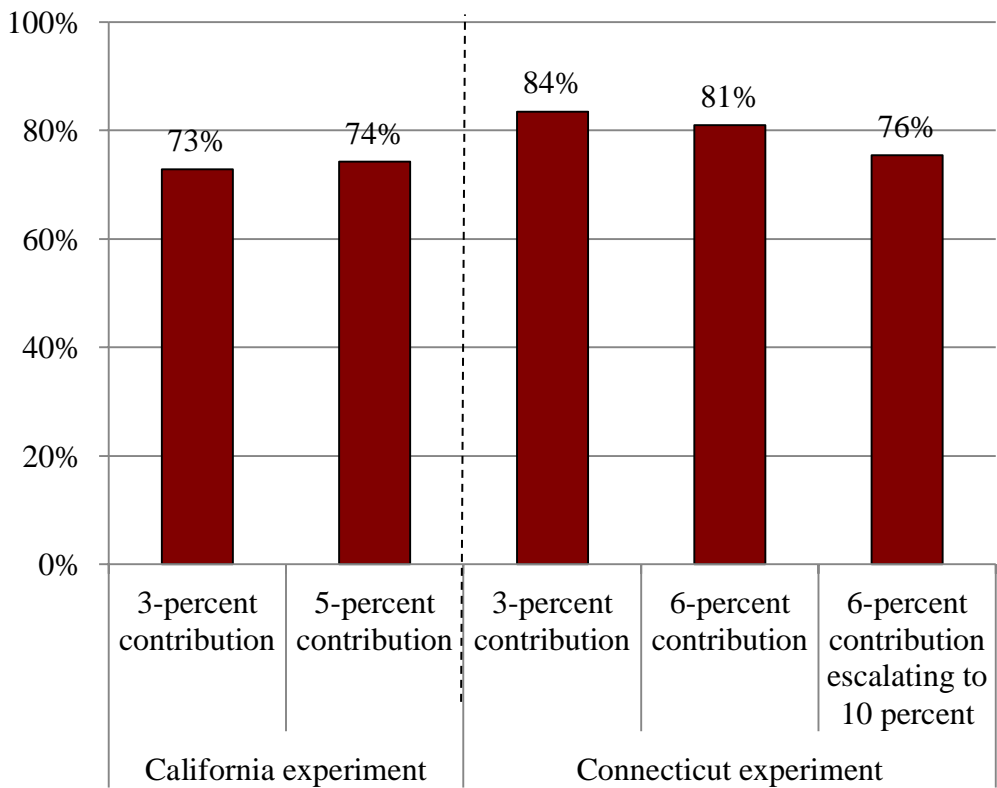
Source: State of Connecticut Retirement Security Board (2016).

The small difference in participation between 3 percent and 6 percent in the Connecticut experiment and 3 and 5 percent in the California experiment – shown in Figure 6 – suggests that states can likely default workers in at a higher contribution rate without risking low participation.¹⁵

¹⁴ For more details on Connecticut’s enrollment experiment, visit the Connecticut Retirement Security Board’s website, <http://www.osc.ct.gov/crsb> and view Appendix A to the Market Feasibility study. For more detail on California’s enrollment experiment, visit the California Secure Choice website, <http://www.treasurer.ca.gov/scib> and view the Overture Financial Final Report.

¹⁵ While Connecticut’s experiment was given to individuals across the country and then re-weighted to represent Connecticut’s uncovered workers, California’s experiment was able to focus on just workers because of California’s larger size. This focus on California workers has been proposed as one reason why participation rates in California’s

Figure 6. Results from California and Connecticut Enrollment Experiments



Source: Overture Financial (2016) and State of Connecticut Retirement Security Board (2016).

Secure Choice under Alternative Fees

So far, this report has projected program finances with a fixed set of assumptions other than the default contributions, which were projected using both 3 percent and 5 percent. In addition, Boxes 1 to 4 presented the effect of one-off changes to the fixed assumptions and suggest that the program will take well over a decade to become profitable even if some of the fixed assumptions are changed significantly. Under a default contribution of 5 percent, the outlook is better, with the program becoming profitable within 10 years even if some of the underlying assumptions turn out to be different than expected. But the default contribution rate is not the only lever that Secure Choice can use to make the program more attractive to service providers: fees can also dramatically alter financial projections. Table 6 shows how Secure Choice outcomes differ under fees of 1

experiment are lower than Connecticut's, since workers in California indicated some distrust of the state government to run the program that may not have been present nationwide.

percent of assets, or 100 basis points, or by adding a fee of \$2 per month on each active account. Although a fixed \$2 fee on each account is regressive (i.e., it is a higher share of lower asset accounts), it is a simple way to alleviate some of the risk faced by a third-party provider.

Table 6. *Outcomes under Alternative Fees and Default Contributions*

Contribution rate	3 percent	3 percent		5 percent	
	0.75%	0.75%	1.0%	0.75%	1.0%
Fee	None	\$2	None	\$2	None
Monthly fee on actives	None	\$2	None	\$2	None
Year 20 accounts	1,304,000	1,304,000	1,304,000	1,288,000	1,288,000
Year 20 assets	\$11,130m	\$10,850m	\$10,935m	\$18,038m	\$17,994m
Breakeven year	10	4	7	3	5
Payoff year	18	6	12	4	7
Max deficit	\$123.9m	\$12.3m	\$86.7m	\$6.9m	\$52.0m
Year 20 cost/assets	0.54%	0.55%	0.55%	0.37%	0.37%

Source: CRR calculations.

Table 6 makes it clear that increasing fees decreases the time it takes for the program to pay for itself and that charging a fixed fee has an especially large impact. The reason a fixed fee has such a large effect is simple: it counteracts the small balance issue so prevalent at the beginning of the program by linking revenue to the number of accounts rather than account balances. And it might make sense to link fees to the cost of providing service. Of course, charging a fixed fee does result in participants paying a larger share of their assets to the program during the first few years than they might have paid if they had joined a well-run corporate 401(k) plan instead.

Conclusion

This study has shown that Secure Choice will face challenges in becoming financially self-sufficient in a short amount of time. Under a default contribution of 3 percent and a fee of 75 basis points, the program will take well over a decade to become profitable. This may, in turn, make it difficult for the program to attract third-party providers given Illinois' limit on contract length.

However, an increase in the default contribution rate from 3 percent to 5 percent could make the program much more attractive, as could an increase in the fee charged on assets. While it may be that third-party providers believe they can provide services at costs lower than assumed here because of Secure Choice's scale – after all, Secure Choice will have over \$1 billion in assets within three years – increasing the default contribution rate seems like a good way to ensure the program

becomes self-sufficient quickly. Furthermore, because the evidence suggests higher defaults do not decrease participation significantly, this approach is consistent with Secure Choice's goal of increasing retirement security.

Appendix

This Appendix lays out the assumptions used to derive the number of active and inactive accounts, as well as the number of account closures. These assumptions drive both program costs and program revenues.

Number of Active Participants

The number of participants in Secure Choice is driven by two factors: 1) the pool of eligible workers; and 2) the rate of participation of eligible workers. As Table A1 shows, about 1.2 million of the 2 million people in Illinois working for an employer without a retirement plan will be required to auto-enroll in Secure Choice (bolded in the table).¹⁶ It is worth noting that other uncovered workers in Illinois, for example those ineligible for their employer's plan and the self-employed, will not be covered under the current Secure Choice mandate. While other states have included the possibility of allowing these workers to opt in eventually, this possibility was not considered in the current study.

Table A1. *Uncovered Workers in Illinois, 2012*

Reason for not having coverage	Number of workers	Share of total workforce
All Illinois workers	5,756,000	100.0%
<i>Uncovered workers</i>	<i>3,173,000</i>	<i>55.1%</i>
Employer does not offer plan	2,029,000	35.3%
25+ employees, 2+ years in business	1,226,000	21.3%
Employer offers plan, not included	697,000	12.1%
Self-employed without plan	447,000	7.8%

Note: Weighted using the *Current Population Survey March Supplement* weights. Includes both private and public sector workers. All public sector workers are considered as working for an employer offering a plan without being included.

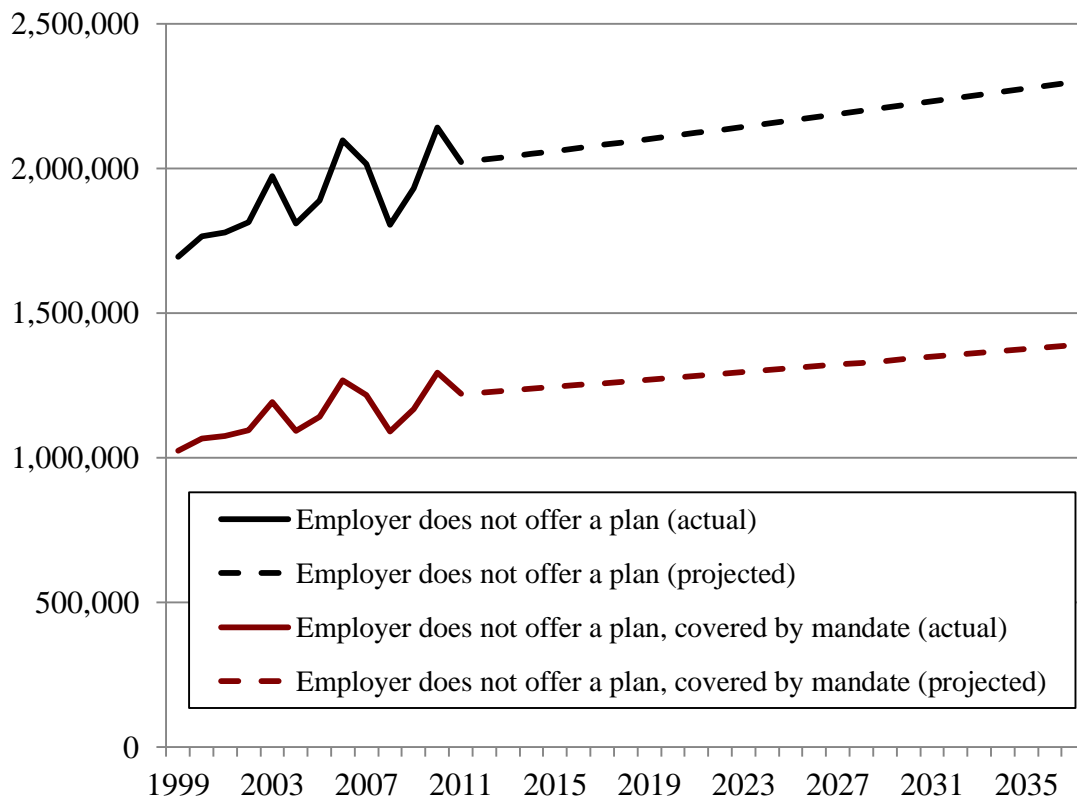
Source: CRR calculations from *Current Population March Supplement*, 2013 (reflecting calendar year 2012).

Of course, projecting the feasibility of Secure Choice requires knowing not just the population of eligible workers today but also the eligible population over the next 20 years.

¹⁶ The base year was 2012 in the population calculations, because a change in sample design and weighting of the *Current Population Survey* used in this analysis may result in an artificially inflated number of uncovered workers. See Copeland (2015).

According to the Bureau of Labor Statistics, the U.S. labor force is expected to grow 0.5 percent per year over the next decade, and this rate was assumed for the feasibility study. The net result of that assumption is shown in Figure A1: by 2037, the last year projected in this study, an estimated 1,389,000 workers will be eligible for auto-enrollment in Secure Choice. Figure B1 also shows projections for the full group of workers without a plan at work.

Figure A1. Actual and Projected Number of Workers Over 18 at Employers without a Retirement Plan, 1999-2037



Source: CRR calculations from *Current Population Survey March Supplement*, 2000-2015 (representing calendar years 1999-2014).

Once the number of workers without a plan at work whose employers are eligible for Secure Choice is determined, the feasibility model divides this population between full-time and part-time workers. This division of workers is important for three reasons stemming from our research: 1) part-time workers are more likely to opt out than full-time workers; 2) part-time workers are more mobile than full-time workers; and 3) part-time workers earn less than full-time workers. Based on

an analysis of *Current Population Survey* data for Illinois, the feasibility study assumes that roughly 80 percent of workers without a plan at work are full-time workers (30 or more hours per week) and the remainder are part-time workers.

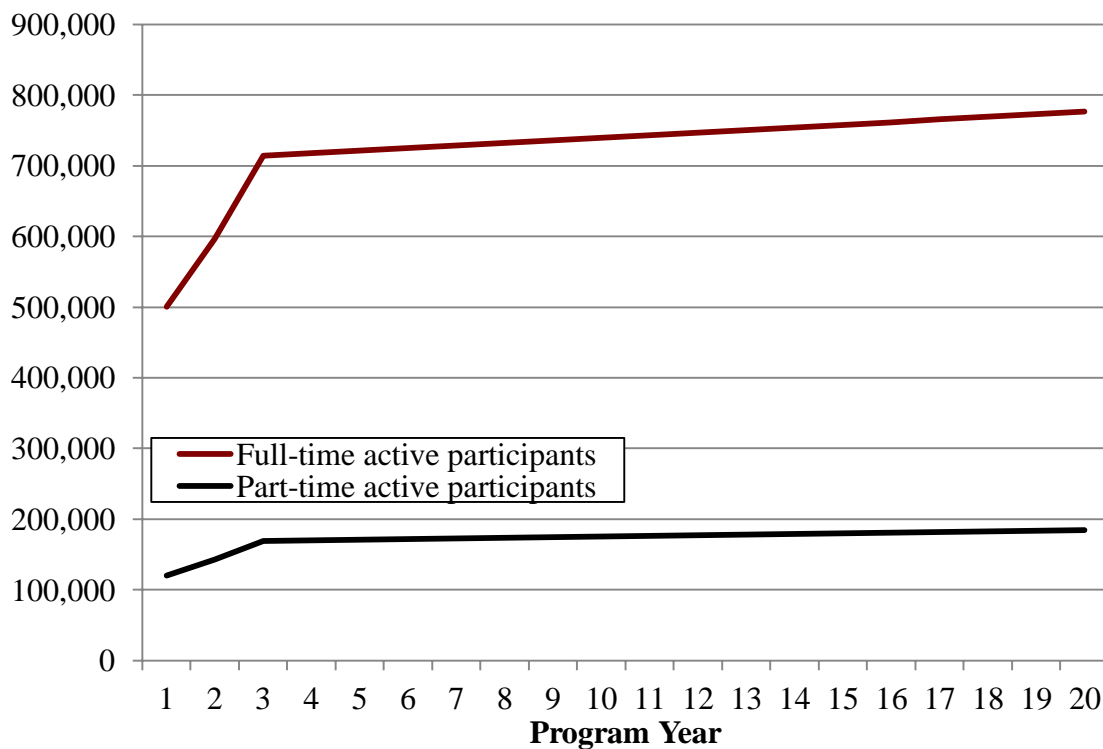
Of course, not all of eligible full-time and part-time workers will participate in the plan. For one, employers currently without a plan may decide they would rather offer their own in-house alternative to Secure Choice. Until the program is actually rolled out, it is unclear how often this will occur. The study has assumed that 20 percent of employers currently not offering a plan take this alternative course regardless of their firm's size. This combination of assumptions means that the number of potential participants highlighted in Figure A1 was reduced by 20 percent in the study. Next, the study assumes that the program is rolled out to employers with 100+ employees in the first year, 50+ employees in the second, and then 25-49 employees in the third year. This roll-out schedule means that in the first year of the program, only 42 percent of workers at firms touched by the mandate are reached, in the second year an additional 8 percent, and in the final year the remaining half.

Finally, some workers who are eligible for the plan (and whose employer chooses Secure Choice) will opt out. Under the plan design currently being considered – a Roth IRA with a default contribution of 3 percent – the Center for Retirement Research estimates that roughly 88 percent of full-time and 85 percent of part-time workers will participate in the program. This estimate is based on a nationwide survey of uncovered workers, with the results weighted to reflect the Illinois population's distribution of income and age. These participation rates reflect the fact that participation is expected to be higher under a lower default rate than a higher one. In the projections that assume a default contribution of 5 percent, participation is subsequently reduced to 86 percent and 84 percent for full- and part-time workers, respectively. The rates also reflect the age and income distribution of Illinois workers – older workers are less likely to participate in Secure Choice and higher-income workers are more likely to participate, according to the national survey. Although other relevant variables do influence participation – Hispanic and black workers are more likely to participate than whites, for example – the most significant factors are income and age. Because these participation rates are estimates, the feasibility model is also tested under lower assumed rates of participation, with results presented in the main body of the report.

The number of active Secure Choice accounts is arrived at by multiplying the number of eligible workers and the participation rate – i.e., the number of accounts where an individual is

currently deducting a contribution from their paycheck. Based on the projections contained in Figure A1, the assumptions on employer response to Secure Choice, the roll-out schedule, and the participation rates discussed above, Figure A2 shows the number of full- and part-time active participants over the first 20 years of the plan. Participation quickly increases during the first three years of the program as more employers are reached by the roll-out, and participation continues to grow in line with population growth. Figure A2 shows the result for a 3-percent default, with the estimates slightly lower if a 5-percent default is used.

Figure A2. *Estimated Number of Full- and Part-time Active Participants under 3-Percent Default*



Source: CRR calculations.

Number of Inactive Participants

Inactive participants are participants formerly eligible and participating in Secure Choice who have either become unemployed or switched to a job not covered by Secure Choice (because the employer offers a qualified plan) but have maintained their account. Three factors influence the number of inactive accounts. The first are the levels of mobility between jobs and between jobs and nonemployment amongst active participants. The second is the rate at which participants who

switch jobs end up employed at an employer offering a qualified plan. The third is the rate at which workers making these transitions close their accounts.

To estimate worker mobility – the first two measures – longitudinal data are required to follow individual workers who would currently be eligible for Secure Choice to see their transition rates. For this purpose, the *Current Population Survey* used throughout much of this study is inadequate, since only a subset of the sample contains longitudinal data. Instead, the study turns to the *Survey of Income and Program Participation*, a study that follows individuals for two to five years and asks detailed information about retirement plans and tracks an individual’s place of employment. In particular, the study identifies a sample of workers who would be eligible for Secure Choice and then follows them for one year to see if they: 1) remain at the same job; 2) switch jobs; 3) become nonemployed; or 4) leave Illinois. The study assumes workers who switch jobs or become nonemployed have the chance to become inactive participants, while workers exiting the state will close their accounts (see below). Table B2 shows the estimated rates of mobility.

Table B2. *One-Year Job Mobility Rates for Illinois and U.S. Workers by Coverage and Hours Worked, 1997, 2005, and 2009*

	Full-time			Part-time		
	Covered at work	Employer does not offer plan	Employer offers plan, not included	Covered at work	Employer does not offer plan	Employer offers plan, not included
<i>Illinois</i>						
Same employer	80.6%	69.1%	69.8%	76.3%	57.5%	50.3%
New employer	13.9	22.7	24.2	16.3	24.0	33.5
Not working	4.1	7.2	4.6	7.5	17.9	12.9
Exit Illinois	1.4	1.0	1.3	0.0	0.6	3.2
<i>Rest of U.S.</i>						
Same employer	79.9	67.7	65.0	68.3	53.4	53.9
New employer	14.8	23.1	26.4	21.3	28.3	30.1
Not working	3.8	7.8	6.4	8.9	16.8	13.6
Exit state	1.4	1.3	2.3	1.5	1.5	2.4

Source: *Survey of Income and Program Participation*, 1996, 2004, and 2008 Panels (representing data on mobility for 1997, 2005, and 2009).

Because the sample of workers from any one state in the SIPP is small, Table B2 shows the results for both Illinois workers and U.S. workers. The results are fairly similar and indicate that

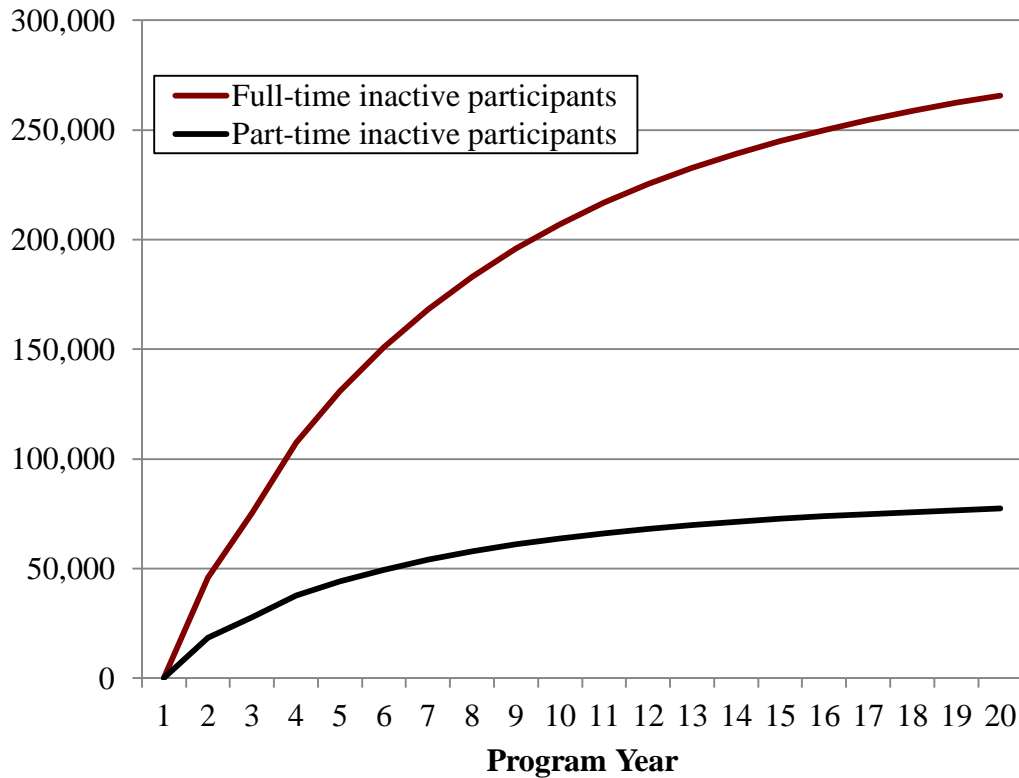
workers affected by Secure Choice, and particularly part-time workers, are more mobile than workers covered by a private-sector employer plan. Because the sample of Illinois workers is relatively small, U.S. estimates were used in the study. Although the table above uses several panels of the SIPP to increase sample sizes, the 2008 data have a special feature: the survey asks people two different times one year apart about their employer's pension offerings while the other panels ask these questions only once. This allows the study to estimate the rate at which employees who switch jobs end up at an employer offering a qualified plan. This was accomplished by examining the pension coverage of workers who were said they were not covered by a retirement plan in 2009 when they were first interviewed, but who said they were covered in 2010. The study finds that 74 percent of eligible workers who switched jobs still did not have a retirement savings plan at their second job.

These numbers can be used to estimate the rate at which workers either remain covered by Secure Choice or transition out of the program. Because 68 percent of eligible workers remain at the same job and another 17 percent (0.23×0.74) switch jobs but remain eligible for Secure Choice, the study assumes 85 percent of active accounts remain active.¹⁷ Of the remaining 15 percent, 6 percent of workers are assumed to switch jobs to employers ineligible for Secure Choice. Of these, and in the absence of reliable data on the likely rate account closures, the study assumes 20 percent close their account and 80 percent maintain it. An additional 8 percent of workers are assumed to leave their job for nonemployment. Of these, we assume 30 percent retire (based on the age profile of Illinois workers), while 70 percent look for work and have a choice as to whether to maintain their account. Again, we assume 20 percent of these workers close their accounts while 80 percent maintain them. The net result of these assumptions is that, in any period, about 5 percent ($0.23 \times 0.26 \times 0.80$) become inactive due to switching to an ineligible employer while 4 percent ($0.08 \times 0.70 \times 0.80$) of active accounts will become inactive due to nonemployment.¹⁸ The end result is shown in Figure A3.

¹⁷ This number is for full-time workers. Part-time workers have a rate of 74 percent remaining active, which is lower than for full-time workers due to part-time workers' higher rates of job mobility and transitions to not working.

¹⁸ This number is for full-time workers. Part-time workers have a rate of 15 percent becoming inactive, which is higher than for full-time workers due to part-time workers' higher rates of job mobility and transitions to not working.

Figure A3. *Estimated Number of Full- and Part-time Inactive Participants*



Source: CRR calculations.

Account Closures

Workers who transition to an ineligible employer or who cease working temporarily can also close their accounts. The numbers presented above can be used to calculate the rate of account closures in a straightforward way. Because 20 percent of workers who move to an ineligible employer close their accounts, a little over 1 percent (0.06×0.20) of active accounts will be closed annually by these workers. Another 1 percent ($0.08 \times 0.70 \times 0.20$) will be closed by workers who cease working temporarily. Finally, we assume all workers retiring or leaving Illinois close their accounts. This results in an additional 4 percent of active accounts closing each year – 2 percent due to retirement (0.080×0.30) and 2 percent due to moving out of Illinois. On the whole, about 6 percent of active accounts are assumed to close each year.¹⁹

¹⁹ This is the number for full-time workers. Part-time workers have a rate of 10 percent closing, which is higher than for full-time workers due to part-time workers' higher rates of job mobility and transitions to not working.

Inactive Accounts Returning to Active

The last transitional feature of the model is that some inactive accounts again become active. In particular, the model assumes that all unemployed workers “churn” back into the market the next year, since spells of not working are usually brief. Of the inactive accounts held by workers at ineligible employers, a small fraction re-enter Secure Choice each year as they transition back to covered companies. In the *Survey of Income and Program Participation* analysis described above, about 11 percent of workers with a plan at work switch jobs in a given year and, of these, about 33 percent switch to a job without a plan. Thus, each year about 4 percent of inactive accounts held by workers outside of Secure Choice reenter the program.

Appendix E
Reporting Requirements

REPORT	KEY INFORMATION	FREQUENCY	RECIPIENT(S)	DEADLINE
A. Data Snapshot	<ol style="list-style-type: none"> 1. Total assets; 2. Total accounts; 3. New accounts; 4. Initial contributions; 5. Total subsequent contributions; 6. Total contributions; 7. Total redemptions; and 8. Net contributions (net flow). 	Monthly	Treasurer and any additional recipients identified by the Treasurer.	5 business days after month's end.
B. Monthly Detailed	<ol style="list-style-type: none"> 1. Data snapshot; 2. Account balance by investment track; 3. Account statistics & demographics; 4. In-state & out of State account and asset information; 5. Portfolio expenses; 6. Underlying investment holdings for portfolios; 7. Contributions by investment track; 8. Redemptions by investment track; 9. Portfolio and fund performance; 10. Market performance; 11. Underlying investment performance; 12. Performance of similarly managed mutual funds; 13. Marketing expenditures; 14. Marketing performance updates; 15. YTD comparison; 16. YTY comparison; 17. Industry comparison; 18. Calendar year contributions; 19. Calendar year contributions; 	Monthly	Treasurer	15 business days after month's end.

Appendix E
Reporting Requirements

REPORT	KEY INFORMATION	FREQUENCY	RECIPIENT(S)	DEADLINE
	20. Calendar year withdrawals; 21. Calendar year net flows; 22. Fulfilment statistics; 23. Client complaints; 24. Call center & Secure Choice website statistics; and 25. Processing summary.			
C. Quarterly Performance	1. Monthly detailed overview; 2. Executive summary; 3. Program highlights; 4. Program asset & account growth by Quarter; 5. YTD comparison; 6. YTY comparison; 7. Industry comparison; 8. Calendar year contributions; 9. Quarter by quarter contributions; 10. Calendar year contributions; 11. Calendar year withdrawals; 12. Calendar year net flows; 13. Roll-over data (i.e., in/out); 14. Withdrawal activity; and 15. Automatic investment plan activity.	Quarterly	Treasurer and any additional recipients identified by the Treasurer.	15 business days after month's end.
D. Annual Performance	1. Quarterly performance overview; 2. Annual executive summary; 3. Industry comparison; 4. Statement of net position (i.e., balance sheet); 5. YTD trail balance; and 6. Annual marketing and strategic	Annually	Treasurer and any additional recipients identified by the Treasurer.	With Q4 Report.

Appendix E
Reporting Requirements

REPORT	KEY INFORMATION	FREQUENCY	RECIPIENT(S)	DEADLINE
	recommendations.			
E. Daily Account Activity File	<ol style="list-style-type: none"> 1. Daily account information by investment election; 2. Daily total contribution; 3. Daily initial contribution; 4. Daily total subsequent contributions; 5. Daily new accounts; and 6. Daily uncompleted enrollment forms. 	Weekly	Treasurer.	Every Friday
F. Plan Admin Fees	<ol style="list-style-type: none"> 1. Fund number; 2. Portfolio fund name; 3. Previous month fund balance; 4. Current month fund balance; 5. Current month average net balance; 6. Program administrator fee; and 7. State administration fee. 	Monthly	Treasurer.	5 business days after month's end
G. Analytics and Compliance	<ol style="list-style-type: none"> 1. Contributions; 2. Withdrawals; 3. Balances; 4. Participant information (e.g., name, DOB, contact information, account nos., Participant ID nos., account open/close dates, account investment plan designation); 5. Beneficiary information (e.g., name, DOB, contact information, and account nos.); 6. Employer information (e.g., name and EIN); 	Monthly	Treasurer and any additional recipients identified by the Treasurer.	5 business days after month's end

Appendix E
Reporting Requirements

REPORT	KEY INFORMATION	FREQUENCY	RECIPIENT(S)	DEADLINE
	<ul style="list-style-type: none"> 7. Employers contacted; 8. Employers participating; 9. Employers claiming exemption from the Act; 10. New Employers; 11. Non-responsive Employers; 12. Employers that do not pass the KYC and OFAC screenings even after completion of remediation; 13. Employer non-compliance with error correction requirements; and 14. Any additional Employer and Employee specific data to be requested by the Board or Treasurer for the sole purpose of complying with external audits and enforcement of the Act. 			
H. Supplemental Investment Data	<ul style="list-style-type: none"> 1. Market values; 2. For options composed of multiple investment strategies, breakdowns of the values allocated to those underlying strategies; 3. Total period contributions and withdrawals for each option; 4. Periodic investment income for each option; 5. Number of account holders invested in each option; 6. Underlying securities holdings by strategy; 7. Gross of fees performance; 8. Net of program management and administration fee option performance; 	Monthly	Treasurer and any additional recipients identified by the Treasurer.	5 business days after month's end

Appendix E
Reporting Requirements

REPORT	KEY INFORMATION	FREQUENCY	RECIPIENT(S)	DEADLINE
	9. Trading cost details; 10. Minority, women-Owned, veteran-Owned, and disabled-Owned brokerage utilization for separate account strategies; 11. Average time between investment changes; 12. Trading volume by option; and 13. Any other reports requested by the Treasurer, Board, or Consultants.			

Appendix F

Proposed Approach and Timeline

Using this document as a guide, please provide a narrative/work plan, including a detailed timeline, describing the Respondent's proposed approach to the delivery of the Services and any other information Respondent believes is relevant. The plan may not exceed fifteen (15) pages.

Respondent should fully describe the activities it proposes to undertake in its role as the Contractor (including activities to be completed by subcontractors). The Proposed Approach and Timeline should provide an overview of the structure, solution architecture, and delivery model that will be used and discuss all resources and staff that will be committed to this effort.

The Proposed Approach and Timeline should include Respondent's approach to all critical areas, including those listed below. Describe the services, systems, and applications that Respondent will modify or develop.

1. Program rollout, including initial marketing, outreach, and education services;
2. Employer contact, set-up, and onboarding as well as ongoing support services;
3. Auto-enrollment process, including process for opting-out or electing alternative contribution amounts or fund options;
4. Customer support including call center and assistant technologies;
5. Participant communications and technology, including website and mobile applications;
6. Asset custody services, including any considerations that may apply to this unique State-mandated payroll IRA program;
7. Investment offering and how the funds will be integrated into the operation and administration of the plan, including compliance with applicable IRA regulations and requirements;
8. Payroll contribution processing, contribution/investment changes, and withdrawal processing;
9. Account monitoring (including contribution limits), quality control, and error correction processes;
10. Systems security and compliance with applicable rules and regulations, including account holder screening and validation; and
11. Regular communication and reporting to the Treasurer and the Board.

Appendix G

Cost Proposal Spreadsheet

Using this Cost Proposal Spreadsheet, Respondent must provide all proposed fees for the Services. Amounts, fees, or charges not included in the Cost Proposal may not be charged or assessed at a later date.

Please be advised that the total fees for Secure Choice cannot exceed 75 bps of the total assets in Secure Choice. The Contractor will remit 5 bps of the total assets in Secure Choice to the Treasurer on an annual basis to cover programmatic and administrative costs. Thus, the Respondent’s total costs cannot exceed 70 bps.

Please provide the Cost Proposal in terms of annual basis points for total assets under management and dollars per account.

1. Please complete Table A by listing all fees Respondent would charge, including any activity-based fees that may be charged to or assessed from a Participant’s account. Indicate whether fees would differ, depending on the investment option. Provide a written description and explanation of each fee, if it is not self-explanatory.

Table A: Fee Overview				
Investment Options (please add additional rows as needed)	Program Management Fee	Underlying Investment Fee	Other Fees (specify)	Total Fee

2. Please indicate whether the fees Respondent lists in Table A would increase or decrease as the asset base or number of accounts increase. If so, then provide the exact break-points for those fees.
3. In the event the Board obtains the authority to increase the default contribution rate from 3% to 5%, please indicate whether the higher contribution rate would impact fees charged. If so, please complete Table A under both scenarios.
4. If Respondent is proposing annual account fees, please specify any exceptions or waivers to such fees.
5. If Respondent intends to include registered mutual funds, index funds, separately managed accounts or Exchange Traded Funds (“ETF”) in the investments for Secure Choice, please provide the fund name, ticker, and fund expense ratio in Table B.

Table B: ETF Overview					
Fund	Ticker	Share Class	Fund Expense Ratio	Investment Option Included In	Additional Fund Expenses, if any

- Identify any additional expenses or costs associated with Respondent's Proposal. Any expense or cost not identified in the Cost Proposal may not be charged or assessed at a later date.

Appendix H: Target Date Fund Manager Performance Spreadsheet

Instructions: Fill in the Respondent's quarterly performance history for the latter of 1Q2006 or since inception. The annual numbers will automatically populate; please verify that your quarterly numbers are correctly entered. Complete this document for every vehicle Respondent proposes.

Manager Name _____
Fund Name _____
Fund Description _____

1Q2006	_____	
2Q2006	_____	
3Q2006	_____	
4Q2006	_____	2006 _____
1Q2007	_____	
2Q2007	_____	
3Q2007	_____	
4Q2007	_____	2007 _____
1Q2008	_____	
2Q2008	_____	
3Q2008	_____	
4Q2008	_____	2008 _____
1Q2009	_____	
2Q2009	_____	
3Q2009	_____	
4Q2009	_____	2009 _____
1Q2010	_____	
2Q2010	_____	
3Q2010	_____	
4Q2010	_____	2010 _____
1Q2011	_____	
2Q2011	_____	
3Q2011	_____	
4Q2011	_____	2011 _____

1Q2012	_____	
2Q2012	_____	
3Q2012	_____	
4Q2012	_____	2012 _____
1Q2013	_____	
2Q2013	_____	
3Q2013	_____	
4Q2013	_____	2013 _____
1Q2014	_____	
2Q2014	_____	
3Q2014	_____	
4Q2014	_____	2014 _____
1Q2015	_____	
2Q2015	_____	
3Q2015	_____	
4Q2015	_____	2015 _____
1Q2016	_____	
2Q2016	_____	
3Q2016	_____	
4Q2016	_____	2016 _____
1Q2017	_____	

Appendix I

ILLINOIS STATE TREASURER CERTIFICATIONS

_____ (“CONTRACTOR”) makes the following certifications:

1.0 ANTI-BRIBERY.

CONTRACTOR certifies that it is not barred from being awarded a contract or subcontract under Section 50-5 of the Illinois Procurement Code (30 ILCS 500/50-5). Section 50-5 prohibits a contractor from entering into a contract with a State agency if the contractor has been convicted of bribery or attempting to bribe an officer or employee of the State of Illinois, or if the contractor has made an admission of guilt of such conduct with is a matter of record. The contractor further acknowledges that the chief procurement officer may declare the related contract void if this certification is false.

2.0 BID-RIGGING/BID-ROTATING.

CONTRACTOR certifies that it has not been barred from contracting with a unit of State or local government as a result of a violation of Section 33E-3 or 33E-4 of the Criminal Code of 1961 (720 ILCS 5/33E-3, 33E-4).

3.0 DRUG FREE WORKPLACE.

This certification is required by Section 3 of the Drug Free Workplace Act (30 ILCS 580/3). The Drug Free Workplace Act, effective January 1, 1992, requires that CONTRACTOR shall not be considered for the purposes of being awarded a contract for the procurement of any services from the State unless CONTRACTOR has certified to the State that CONTRACTOR will provide a drug free workplace. False certification or violation of the certification may result in sanctions including, but not limited to, suspension of contract payments, termination of the contract and debarment of contracting opportunities with the State for at least one (1) year but not more than five (5) years.

CONTRACTOR certifies and agrees that it will provide a drug free workplace by:

- a. Publishing a statement:
 - i. Notifying employees that the unlawful manufacture, distribution, dispensation, possession or use of a controlled substance, including cannabis, is prohibited in the grantee’s or contractor’s workplace.
 - ii. Specifying the actions that will be taken against employees for violation of such prohibition.
 - iii. Notifying the employee that, as a condition of employment on such contract or grant, the employee will:
 - a. abide by the terms of the statement; and
 - b. notify the employer of any criminal drug statute conviction for a violation occurring in the workplace no later than five (5) days after such conviction.
- b. Establishing a drug free awareness program to inform employees about:
 - i. the dangers of drug abuse in the workplace;
 - ii. CONTRACTOR’s policy of maintaining a drug free workplace;

- iii. any available drug counseling, rehabilitation, and employee assistance programs; and
- iv. the penalties that may be imposed upon an employee for drug violations.
- c. Providing a copy of the statement required by Section (a) to each employee engaging in the performance of the contract or grant and to post the statement in a prominent place in the workplace.
- d. Notifying the Treasurer's Office within ten (10) days after receiving notice under part (b) of paragraph (iii) of Section (a) above from an employee or otherwise receiving actual notice of such conviction.
- e. Imposing a sanction on, or requiring the satisfactory participation in drug abuse assistance or rehabilitation program by, an employee who is so convicted, as required by Section 5 of the Drug Free Workplace Act.
- f. Assisting employees in selecting a course of action in the event of drug counseling, treatment, and rehabilitation is required and indicating that a trained referral team is in place.
- g. Making a good faith effort to continue to maintain a drug free workplace through implementation of the Drug Free Workplace Act.

4.0 U.S. EXPORT ACT.

CONTRACTOR certifies that neither CONTRACTOR nor any substantial-owned affiliated company is participating or shall participate in an international boycott in violation of the provisions of the U.S. Export Administration Act of 1979 (50 U.S.C.A. App. § 2401 et seq.) or the regulations of the U.S. Department of Commerce promulgated under that Act.

5.0 NON-DISCRIMINATION.

CONTRACTOR certifies that it is in compliance with the State and Federal Constitutions, the U.S. Civil Rights Act, Section 504 of the Federal Rehabilitation Act, and all applicable rules that prohibit unlawful discrimination in performance of this Agreement and all other activities, including employment and other contracts. As a condition of receiving the Agreement, CONTRACTOR represents or certifies that services, programs and activities provided under the Agreement are and will continue to be in compliance with State and Federal Constitutions, the U.S. Civil Rights Act, Section 504 of the Federal Rehabilitation Act, and all applicable laws that prohibit unlawful discrimination.

6.0 AMERICANS WITH DISABILITIES ACT.

CONTRACTOR certifies that it is in compliance with the Americans with Disabilities Act ("ADA") (42 U.S.C. 12101 et seq.) and the regulations thereunder (28 CFR 35.130) prohibit discrimination against persons with disabilities by the Treasurer, whether directly or through contractual arrangements, in the provision of any aid, benefit or service. As a condition of receiving the Agreement, CONTRACTOR represents or certifies that services, programs and activities provided under the Agreement are and will continue to be in compliance with the ADA.

7.0 ILLINOIS HUMAN RIGHTS ACT.

CONTRACTOR certifies that it is presently in compliance with all of the terms, conditions and provisions of Section 5/2-105 of the Illinois Human Rights Act (775 ILCS 5/2-105), together with all rules and regulations promulgated and adopted pursuant thereto.

8.0 FELONY.

CONTRACTOR certifies that it has not been barred from being awarded a contract under Section 50-10 of the Illinois Procurement Code (30 ILCS 500/50-10). Section 50-10 prohibits a contractor from entering into a contract with a State agency if the contractor has been convicted of a felony and 5 years have not passed from the completion of the sentence for that felony. The contractor further acknowledges that the chief procurement officer may declare the related contract void if this certification is false.

9.0 FORMER EMPLOYMENT.

CONTRACTOR has informed the Treasurer's Office in writing if CONTRACTOR was formerly employed by the Treasurer's Office and has received an early retirement incentive under Section 14-108.3 or 16-133.3 of the Illinois Pension Code (30 ILCS 105/15a).

10.0 INDUCEMENT.

CONTRACTOR has not paid any money or valuable thing to induce any person to refrain from bidding on a State contract, nor has CONTRACTOR accepted any money or other valuable thing, or acted upon the promise of same, for not bidding on a State contract (30 ILCS 500/50-25).

11.0 REVOLVING DOOR PROHIBITION.

CONTRACTOR certifies that neither it nor its employees and agents are in violation of section 50-30 of the Illinois Procurement Code (30 ILCS 500/50-30). Section 50-30 prohibits for a period of (2) years after terminating an affected position certain State employees and their designees from engaging in any procurement activity relating to the State agency most recently employing them for a specified period of time.

12.0 REPORTING ANTICOMPETITIVE PRACTICES.

CONTRACTOR shall report to the Illinois Attorney General and the Chief Procurement Officer any suspected collusion or other anticompetitive practice among any bidders, offerors, contractors, proposers or employees of the State (30 ILCS 500/50-40, /50-45, /50-50).

13.0 DISCRIMINATORY CLUB.

CONTRACTOR agrees not to pay any dues or fees on behalf of its employees or agents or subsidize or otherwise reimburse them for payments of any dues or fees to a discriminating club as prohibited by Section 2 of the Discriminatory Club Act (775 ILCS 25/2).

14.0 TAXPAYER IDENTIFICATION NUMBER AND LEGAL STATUS OF CONTRACTOR.

CONTRACTOR shall be in compliance with applicable tax requirements and shall be current payment of such taxes. Under penalty of perjury, CONTRACTOR certifies that # _____ is its correct Taxpayer Identification Number and that it is doing business as a (please check one):

Individual
 Sole Proprietor
 Partnership/Legal Corporation
 Tax Exempt
 Corporation providing or billing
 medical and/or health care services
 Corporation NOT providing or billing
 medical and/or health care services
 Other: _____

Government Entity
 Nonresident alien
 Estate or trust
 Pharmacy (Non-Corp.)
 Pharmacy/Funeral Home/Cemetery
 (Corp.)
 Limited Liability Company (select
 applicable tax classification.)
 C = corporation
 P = partnership

15.0 LICENSE; AUTHORIZED BIDDER OR OFFEROR

CONTRACTOR, directly or through its employees, shall have and maintain any license required by this Agreement. CONTRACTOR further certifies that it is a legal entity authorized to do business in Illinois prior to the submission of the bid, offer, or proposal pursuant to section 20-43 of the Illinois Procurement Code (30 ILCS 500/20-43).

16.0 APPROPRIATION.

This Agreement is subject to termination and cancellation in any year for which the General Assembly fails to make an appropriation for payments under the terms of the contract.

17.0 RECORDS RETENTION; RIGHT TO AUDIT.

CONTRACTOR agrees to maintain books and records related to the performance of the contract and necessary to support amounts charged to the State under the contract for a minimum of three years from the last action on the contract or after termination of the Agreement, whichever is longer. Contractor further agrees to cooperate fully with any audit and to make the books and records available for review and audit by the Auditor General, chief procurement officers, internal auditor and the Treasurer; CONTRACTOR agrees to cooperate fully with any audit conducted by the Auditor General or the Treasurer and to provide full access to all relevant materials. The three-(3)-year period shall be extended for the duration of any audit in progress during the term. Failure to maintain the books, records and supporting documents required by this Section shall establish a presumption in favor of the State for the recovery of any funds paid by the State under this Agreement for which adequate books, records, and supporting documentation are not available to support their purported disbursement.

18.0 CONFLICTS OF INTEREST.

CONTRACTOR has disclosed, and agrees that it is under a continuing obligation to disclose, to the Treasurer financial or other interests (public or private, direct or indirect) that may be a potential conflict of interest that would prohibit CONTRACTOR from entering into or performing the Agreement. Conflicts of interest include, but are not limited to, conflicts under Section 1400.5020 of the Treasurer’s Procurement Rules (44 Ill. Adm. Code 1400.5020) and Sections 50-13, 50-20, and 50-35 of the Illinois Procurement Code (30 ILCS 500/50).

19.0 LATE PAYMENTS.

Late payment charges, if any, shall not exceed the formula established in the Illinois Prompt Payment Act (30 ILCS 540/1) and the Illinois Administrative Code (74 Ill. Adm. Code 900).

20.0 LIABILITY.

The State's liability for damages is expressly limited by and subject to the provisions of the Illinois Court of Claims Act (705 ILCS 505/1) and to the availability of suitable appropriations.

21.0 DEBT DELINQUENCY.

CONTRACTOR certifies that it, or any affiliate, is not barred from being awarded a contract or subcontract under section 50-11 of the Illinois Procurement Code (30 ILCS 500/50-11). Section 50-11 prohibits a contractor from entering into a contract with the Treasurer's Office if it knows or should know that it, or any affiliate, is delinquent in the payment of any debt to the State as defined by the Debt Collection Board. CONTRACTOR further acknowledges that the Treasurer's Office may declare the Agreement void if this certification is false or if CONTRACTOR or any affiliate is determined to be delinquent in payment of any debt during the term of the Agreement.

22.0 EDUCATIONAL LOAN DEFAULT.

CONTRACTOR certifies that it is not barred from being awarded a contract under the Educational Loan Default Act (5 ILCS 385). Section 3 of the Educational Loan Default Act prohibits an individual from entering into a contract with the Treasurer's Office if that individual is in default of an educational loan. CONTRACTOR further acknowledges that the Treasurer's Office may declare the Agreement void if this certification is false or if CONTRACTOR is determined to be in default of an educational loan during the term of the Agreement.

23.0 FORCE MAJEURE.

Failure by either party to perform its duties and obligations shall be excused by unforeseeable circumstances beyond its reasonable control, including acts of nature, acts of the public enemy, riots, labor or material shortages, labor disputes, fire, flood, explosion, legislation, and governmental regulation.

24.0 ANTITRUST ASSIGNMENT.

CONTRACTOR hereby assigns, sells and transfers to the State of Illinois all right, title and interest in and to any claims and causes of action arising under antitrust laws of Illinois or the United States relating to the subject matter of the Agreement.

25.0 PROHIBITION OF GOODS FROM FORCED LABOR.

CONTRACTOR certifies that it is not barred from being awarded a contract under the State Prohibition of Goods from Forced Labor Act (30 ILCS 583). Section 10 of the State Prohibition of Goods from Forced Labor Act prohibits a contractor from entering into a contract with the Treasurer's

Office if that contractor knew that the foreign-made equipment, materials, or supplies furnished to the State were produced in whole or part by forced labor, convict labor, or indentured labor under penal sanction. CONTRACTOR further acknowledges that the Treasurer's Office may declare the Agreement void if this certification is false or if CONTRACTOR is determined to have known that the foreign-made equipment, materials, or supplies furnished to the State during the term of the Agreement were produced in whole or part by forced labor, convict labor, or indentured labor under penal sanction.

26.0 PROHIBITION OF GOODS FROM CHILD LABOR.

CONTRACTOR certifies in accordance with Public Act 94-0264 that no foreign-made equipment, materials, or supplies furnished to the State under the contract have been produced in whole or in part by the labor of any child under the age of 12.

27.0 SARBANES-OXLEY ACT AND ILLINOIS SECURITIES LAW

CONTRACTOR certifies that it is not barred from being awarded a contract or subcontract under section 50-10.5 of the Illinois Procurement Code (30 ILCS 500). Section 50-10.5, amongst other things, prohibits a contractor from bidding or entering into a contract or subcontract with the Treasurer's Office if the contractor or any officer, director, partner, or other managerial agent of the contractor has been convicted in the last 5 years of a felony under the Sarbanes-Oxley Act of 2002 or a Class 3 or Class 2 felony under the Illinois Securities Law of 1953 or if the contractor is in violation of Subsection (e). CONTRACTOR further acknowledges that the Treasurer's Office may declare the agreement void if this certification is false or if CONTRACTOR is determined to have been convicted of a felony under the Illinois Sarbanes-Oxley Act of 2002 or a Class 3 or Class 2 felony under the Illinois Securities Law of 1953 during the term of the agreement.

28.0 DISPUTES.

Any claim against the State arising out of this Agreement must be filed exclusively with the Illinois Court of Claims (705 ILCS 505/1). The State shall not enter into binding arbitration to resolve any agreement dispute. The State of Illinois does not waive sovereign immunity by entering into this Agreement. Any provision containing a citation to an Illinois statute (cited "ILCS") may not contain the complete statutory language. The official text, which is incorporated by reference, may be found in the appropriate chapter and section of the Illinois Compiled Statutes. An unofficial version may be viewed at www.ilga.gov.

29.0 THIRD-PARTY PAYMENTS.

CONTRACTOR certifies that no fee was paid to a third-party in expectation of being awarded a contract by the Treasurer.

30.0 MOST FAVORABLE TERMS.

If more favorable terms are granted by the CONTRACTOR to any similar governmental agency in any state in a contemporaneous agreement let under the same or similar financial terms and

circumstances for comparable supplies or services, the more favorable terms will be applicable under the Agreement between the Treasurer's Office and the CONTRACTOR.

31.0 BOARD OF ELECTIONS REGISTRATION

_____ The CONTRACTOR certifies that they are not required to register as a business entity with the State Board of Elections pursuant to the Illinois Procurement Code (30 ILCS 500/20-160). Further, the CONTRACTOR acknowledges that all contracts or subcontracts between State agencies and a business entity that do not comply with this Section shall be voidable under Section 50-60 of the Illinois Procurement Code (30 ILCS 500/50-60).

(or)

_____ The CONTRACTOR certifies that they have registered as a business entity with the State Board of Elections and acknowledges a continuing duty to update the registration pursuant to the Illinois Procurement Code (30 ILCS 500/20-160). Further, the CONTRACTOR acknowledges that all contracts or subcontracts between State agencies and a business entity that do not comply with this Section shall be voidable under Section 50-60 of the Illinois Procurement Code (30 ILCS 500/50-60).

32.0 COLLECTION AND REMITTANCE OF ILLINOIS USE TAX

The CONTRACTOR certifies that it is not barred from being awarded a contract under section 50-12 of the Illinois Procurement Code (30 ILCS 500/50-12). Section 50-12 prohibits a contractor from entering into a contract or subcontract with a State agency if the CONTRACTOR or affiliate has failed to collect and remit Illinois Use Tax on all sales of tangible personal property into the State of Illinois in accordance with the provisions of the Illinois Use Tax Act. The CONTRACTOR further acknowledges that the contract or subcontract may be voided if this certification is false.

33.0 ENVIRONMENTAL PROTECTION ACT VIOLATIONS

The CONTRACTOR certifies that it is not barred from being awarded a contract or subcontract under section 50-14 of the Illinois Procurement Code (30 ILCS 500/50-14). Section 50-14 prohibits a CONTRACTOR from entering into a contract or subcontract with a State agency if the CONTRACTOR has been found by a court or the Pollution Control Board to have committed a willful or knowing violation of the Environmental Protection Act within the last (5) years. The CONTRACTOR further acknowledges that the contracting State agency may declare the related contract or subcontract void if this certification is false.

34.0 LEAD POISONING PREVENTION ACT VIOLATIONS

The CONTRACTOR certifies that it is not barred from entering into a contract or subcontract under section 50-14.5 of the Illinois Procurement Code (30 ILCS 500/50-14.5). Section 50-14.5 prohibits a CONTRACTOR from entering into a contract or subcontract with the State of Illinois or a State agency if the CONTRACTOR, while the owner of a residential building, committed a willful or knowing violation of the Lead Poisoning Prevention Act. The CONTRACTOR further acknowledges that the Treasurer may declare the related contract or subcontract void if this certification is false.

35.0 BOND ISSUANCES

The CONTRACTOR certifies that it is not barred from being awarded a contract or subcontract under section 50-21 of the Illinois Procurement Code (30 ILCS 500/50-21). Section 50-21 prohibits State agencies from entering into contracts or subcontracts with respect to the issuances of bonds or other securities by the State or a State agency with any entity that uses an “independent consultant” as defined in section 50-21.

36.0 POLITICAL CONTRIBUTIONS

The CONTRACTOR certifies that it is not barred from being awarded a contract or subcontract under section 50-37 of the Illinois Procurement Code (30 ILCS 500/50-37). Section 50-37 prohibits business entities whose contracts with State agencies, in the aggregate, annually total more than \$50,000, or whose aggregate pending bids and proposals on State contracts total more than \$50,000, and any affiliated entities or affiliated persons of such business entity, from making any contributions to any political committee established to promote the candidacy of the office holder responsible for awarding the contract on which the business entity has submitted a bid or proposal during the period beginning on the date the invitation for bids or request for proposals are issued and ending on the day after the date the contract is awarded.

37.0 LOBBYING RESTRICTIONS

The CONTRACTOR certifies that it is not barred from being awarded a contract or subcontract under section 50-38 of the Illinois Procurement Code (30 ILCS 500/50-38). Section 50-38 prohibits a CONTRACTOR from billing the State for any lobbying costs, fees, compensation, reimbursements, or other remuneration provided to any lobbyist who assisted the CONTRACTOR in obtaining the contract or subcontract.

38.0 DISCLOSURE OF BUSINESS OPERATIONS WITH IRAN (30 ILCS 500/50-36)

Each bid, offer, or proposal submitted for a State contract, other than a small purchase defined in Section 20-20 [of the Illinois Procurement Code], shall include a disclosure of whether or not the bidder, offeror, or proposing entity, or any of its corporate parents or subsidiaries, within the 24 months before submission of the bid, offer, or proposal had business operations that involved contracts with or provision of supplies or services to the Government of Iran, companies in which the Government of Iran has any direct or indirect equity share, consortiums or projects commissioned by the Government of Iran and:

(1) more than 10% of the company’s revenues produced in or assets located in Iran involve oil-related activities or mineral-extraction activities; less than 75% of the company’s revenues produced in or assets located in Iran involve contracts with or provision of oil-related or mineral – extraction products or services to the Government of Iran or a project or consortium created exclusively by that Government; and the company has failed to take substantial action; or

(2) the company has, on or after August 5, 1996, made an investment of \$20 million or more, or any combination of investments of at least \$10 million each that in the aggregate equals or exceeds \$20 million in any 12- month period that directly or significantly contributes to the enhancement of Iran’s ability to develop petroleum resources of Iran.

You must check one of the following items and if item 2 is checked you must also make the necessary disclosure:

___ There are no business operations that must be disclosed to comply with the above cited law.

___ The following business operations are disclosed to comply with the above cited law:

CONTRACTOR

By:

Signature

Name

Title

Date

DISCLOSURES

FINANCIAL INTEREST AND POTENTIAL CONFLICTS OF INTEREST

(Disclosure Form A)

The Treasurer’s Procurement Regulations (44 Ill. Adm. Code 1400.5035) require that contractors/offers desiring to enter into certain contracts with the State of Illinois must disclose the financial and potential conflicts of interest information as specified below.

Contractor/offers shall disclose the financial interest and potential conflicts of interest information identified in Sections 1 and 2 below as a condition of receiving an award or contract. Submit this information along with your bid, proposal or offer.

This requirement applies to contracts with an annual value exceeding \$10,000.

A publicly traded entity may submit its 10K disclosure in satisfaction of the disclosure requirements set forth in both Sections 1 and 2 below.

Sec. 1. Disclosure of Financial Interest in the Contractor/Offers

- a. If any individuals have one of the following financial interests in the contractor/offers (or its parent), please check all that apply and show their name and address:

Ownership exceeding 5% ()
Ownership value exceeding \$106,447.20 ()
Distributive Income Share exceeding 5% ()
Distributive Income Share exceeding \$106,447.20 ()

Name: _____

Address: _____

- b. For each individual named above, show the type of ownership/distributable income share: sole proprietorship _____ stock _____ partnership _____ other (explain)

_____.

- c. For each individual named above, show the dollar value or proportionate share of the ownership interest in the contractor/offers (or its parent) as follows:

If the proportionate share of the named individual(s) in the ownership of the contractor/offers (or its parent) is 5% or less, and if the value of the ownership interest of the named individual(s) is \$106,447.20 or less, check here ()

If the proportionate share of ownership exceeds 5% or the value of the ownership interest exceeds \$106,447.20, show either.

The percent of ownership _____%

or

The value of the ownership interest \$ _____

Sec. 2. Disclosure of Potential Conflicts of Interest. For each of the individuals having the level of financial interest identified in Section 1 above, check “Yes” or “No” to indicate which, if any, of the following potential conflicts of interest relationships apply. If “Yes,” please describe (use space under applicable section to explain your answers – attach additional pages as necessary).

- | | | | |
|----|--|--------------|-------------|
| a. | State employment, currently or in the previous 3 years, including contractual employment of services | Yes
_____ | No
_____ |
| b. | State employment for spouse, father, mother, son, or daughter, including contractual employment for services in the previous 2 years. | Yes
_____ | No
_____ |
| c. | Elective status; the holding of elective office of the State of Illinois, the government of the United States, any unit of local government authorized by the Constitution of the State of Illinois, or the statutes of the State of Illinois currently or in the previous 3 years. | Yes
_____ | No
_____ |
| d. | Relationship to anyone holding elective office currently or in the previous 2 years; spouse, father, mother, son, or daughter. | Yes
_____ | No
_____ |
| e. | Appointive office; the holding of any appointive government office of the State of Illinois, the United States of America, or any unit of local government authorized by the Constitution of the State of Illinois or the statutes of the State of Illinois, which office entitles the holder to compensation in excess of expenses incurred in the discharge of that office currently or in the previous 3 years. | Yes
_____ | No
_____ |
| f. | Relationship to anyone holding appointive office currently or in the previous 2 years; spouse, father, mother, son, or daughter. | Yes
_____ | No
_____ |
| g. | Employment, currently or in the previous 3 years, as or by any registered lobbyist of the State government. | Yes
_____ | No
_____ |
| h. | Relationship to anyone who is or was a registered lobbyist in the previous 2 years; spouse, father, mother, son, or daughter. | Yes
_____ | No
_____ |
| i. | Compensated employment, currently or in the previous 3 years, by any registered election or re-election committee registered with the Secretary of | Yes
_____ | No
_____ |

State or any county clerk in the State of Illinois, or any political action committee with either the Secretary of State or the Federal Board of Elections.

- | | | | |
|----|--|--------------|-------------|
| j. | Relationship to anyone; spouse, father, mother, son, or daughter, who is or was a compensated employee in the last 2 years of any registered election or re-election committee registered with the Secretary of State or any county clerk in the State of Illinois, or any political action committee registered with either the Secretary of State or the Federal Board of Elections. | Yes
_____ | No
_____ |
|----|--|--------------|-------------|

This disclosure is submitted on behalf of

(Name of Contractor/Offeror)

Official authorized to sign on behalf of contractor/offeror:

Name (printed) _____ Title _____

Signature _____ Date _____

DISCLOSURES
OTHER CONTRACT AND PROCUREMENT RELATED INFORMATION
(Disclosure Form B)

The Treasurer's Procurement Regulations (44 Ill. Adm. Code 1400.5035) require that contractors/offers desiring to enter into certain contracts with the State of Illinois must disclose the information as specified below.

Contractor/offeror shall disclose the information identified below as a condition of receiving an award or contract.

This requirement is applicable to only those contracts with an annual value exceeding \$10,000.

You must submit this information along with your bid, proposal or offer.

- a. Contractor/offeror shall identify whether it has current contracts (including leases) with other units of State of Illinois government by checking "Yes" _____ or "No" _____.

If "Yes" is checked, identify each contract by showing agency name and other descriptive information such as purchase order or contract reference number (attach additional pages as necessary).

- b. Contractor/offeror shall identify whether it has pending contracts (including leases), bids, proposals, or other ongoing procurement relationships with other units of State of Illinois government by checking "Yes" _____ or "No" _____.

If "Yes" is checked, identify each such relationship by showing agency name and other descriptive information such as bid or project number (attach additional pages as necessary).

This disclosure is submitted on behalf of _____
(Name of Contractor/Offeror)

Official authorized to sign on behalf of contractor/offeror:

Name (printed) _____ Title _____

Signature _____ Date _____