

ILLINOIS SECURE CHOICE BOARD

**Meeting of Wednesday, July 20, 2016
James R. Thompson Center
100 West Randolph, Room 16-504, Chicago, Illinois**

MEETING MINUTES

The July 20, 2016 meeting of the Illinois Secure Choice Board (Board) was called to order at 3:10 p.m. with the presence of a quorum.

BOARD MEMBERS PRESENT

Michael Frerichs, Chair (via videoconference)
Illinois State Treasurer

Josh Potts
Designee for the Illinois State Comptroller (via videoconference)

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

Miriam Martinez
Office of the City Treasurer - Chief Investment Officer

David Marzahl
Center for Economic Progress – President & CEO

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

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

TREASURER'S STAFF

Courtney Eccles, *Invest in Illinois Program Manager*

Julian Federle, *Chief Policy and Programs Officer*

Rodrigo Garcia, *Chief Investment Officer*

Keith Horton, *General Counsel*

Allen Mayer, *Deputy General Counsel (via videoconference)*

Sandi Raphael, *Assistant General Counsel*

Catherine Shannon, *Legislative Director* (via videoconference)

APPROVAL OF MAY BOARD MEETING MINUTES

Board members reviewed the May 23, 2016 Board Meeting Minutes, which were provided in advance of the meeting. There was no discussion, and no changes were made.

Mr. Rauschenberger made a motion to approve the May 23, 2016 Board Meeting Minutes. Mr. Potts seconded the motion. The motion was unanimously approved.

STAFF UPDATES

Treasurer Frerichs noted that SB2420, the Secure Choice legislation, had been signed by the Governor and was now law. He also informed Board members that they should have all received notice of the Senate confirming their appointments to the Board.

Mr. Federle provided the Board with an update on the Secure Choice budgets for fiscal years 2016 (FY16) and 2017 (FY17) and an overview of spending. Staff created a fact sheet for the Board, outlining total appropriations for FY16 and total spending for FY16. Mr. Federle noted that only 11.3% of the total appropriation was spent during FY16. He explained that for FY17, the General Assembly included appropriations for the Treasurer's Office programming through unclaimed property as they had for FY16, however they did not include specific language referencing Secure Choice. Mr. Federle stated that the Treasurer's Office is working to address that issue as quickly as possible, and in the interim it will cover staff time and other costs related to Secure Choice.

Mr. Federle stated that staff would continue to provide reports on appropriations and spending for Secure Choice at future meetings.

MARKET ANALYSIS RFP

Treasurer Frerichs noted that all Board members should have received an advance copy of the Illinois Secure Choice Market Analysis RFP to review. He added that staff had received feedback from some Board members, and the RFP had been edited to clarify that the Secure Choice Board is authorizing the RFP, and the Treasurer's Office is issuing it on the Board's behalf.

Ms. Eccles added that the changes did not impact the scope of work, questions for respondents, or specific contractual terms. Rather they clarified that the Treasurer's Office would be issuing the RFP on behalf of the Board after receiving authorization from the Board.

Ms. Fowler noted that she appreciated the edits and that she would be happy to suggest a staff person from GOMB to assist with scoring. She noted that the Comptroller's Office might also have someone who could participate on the Evaluation Team. Mr. Federle said that staff would follow up to get those contacts for the Evaluation Team.

With no further discussion, the Treasurer asked if there was a motion to move forward with the RFP.

Mr. Marzahl moved to authorize the Treasurer's Office to move forward with the Illinois Secure Choice Market Analysis RFP. Ms. Martinez seconded the motion. The motion was unanimously approved.

OLD/NEW BUSINESS

Treasurer Frerichs moved "Old and New Business" up on the agenda, explaining that he would need to leave early due to unexpected childcare needs. He asked Ms. Eccles to provide an update on securing legal counsel for the Board.

Ms. Eccles stated that Mr. Rowell was attempting to secure pro bono legal services for the Board, and he could provide the Board with an update at the next meeting.

Mr. Federle noted that staff continues to work with the Illinois Department of Revenue (IDOR) and commended them for pushing forward and staying on schedule. He explained that through IDOR's new form for businesses, which will be available for the 2017 calendar year, the Board and staff will be able to identify which businesses will participate in Secure Choice. In addition, Mr. Federle noted that data sharing with IDOR will allow the Board and staff to prepare accounts for every participant in advance, better allowing for truly automatic enrollment. He added that it may be necessary to cover certain costs related to the data sharing by IDOR as well as the Illinois Department of Employment Security.

Mr. Marzahl brought up new business, addressing the timing for program rollout, and the likely need to adjust the rollout date from summer of 2017 to something later. He requested that staff put together an implementation calendar for Board members so that everyone has a better understanding of what work is left and how much time each step might take to complete. Ms. Eccles responded that she would certainly prepare something and circulate it in advance of the previously scheduled August Board meeting.

PRESENTATIONS BY RECORDKEEPERS

Treasurer Frerichs introduced presenters from BNY Mellon, Ubiquity, Ascensus, and Honest Dollar. He explained that each presenter would have 15 minutes to speak with the Board and asked that all questions be saved for the open discussion time following all of the presentations. Treasurer Frerichs noted that he would need to step out at some point but would call in to participate via telephone for the rest of the meeting. He noted that Mr. Federle would serve as his designee.

The Board heard from four different speakers, discussing the key role of recordkeeping and administrative services in the Secure Choice Program. Speakers highlighted key considerations for the Board, their biggest concerns, the need for cohesion between the different entities that would be working together to successfully operate and manage the program, and their recommendations for a successful program structure and platform. Presenters included the following: Chad Parks from Ubiquity, Scott Morrison from Ascensus, Doug Magnolia from BNY Mellon, and Greg Wilson and Matt Johansen from Honest Dollar.

Presentation slides were provided at the meeting and will be posted on the Secure Choice webpage.

Discussion

Upon completion of all four presentations, Board members and presenters discussed a variety of issues related to administrative services and program design. When asked about RFP structure, all presenters agreed that a single RFP that allowed multiple vendors to partner together was preferable to separate RFP's for each service. They noted that flexibility would allow for competitive partnerships and would give vendors the opportunity to do what they do best.

When asked about annuities as an option for fund draw-down, presenters pointed to the difference between annuities and annuitization of funds. The general consensus was that annuitization of funds was possible on each of the platforms and was less costly than an annuity product. Board members and presenters also engaged in a discussion around preventing leakage and different customer service tools that could be used to educate participants and disincentivize participants from withdrawing funds. It was noted that the program likely could not impose penalties for withdrawal beyond what the IRS allows and that a Roth IRA allows penalty-free withdrawals of contributions, since they are post-tax dollars.

Finally, presenters were asked to highlight key issues that the Board should think about beyond what had already been discussed. The presenters discussed the following: the importance of an integrated system/platform, the impact an employer's participation will have on program

stability; the need for program enforcement to ensure participation; the importance of a longer contract to help vendors recoup their upfront starting costs, and the importance of customer outreach and education.

PUBLIC COMMENT

There was no public comment.

ADJOURNMENT

Ms. Eccles reminded the Board that it is scheduled to meet on Monday, August 22nd. She added that an email confirming the time and location would be circulated. With no further business, Mr. Federle thanked the Board for its work and adjourned the meeting at 5:20pm.