

**PRE-DECISIONAL DRAFT**  
**ILLINOIS SECURE CHOICE SAVINGS PROGRAM**  
**BASIC PROGRAM DESIGN ELEMENTS**  
**FOR REVIEW: In-Progress**

Updated as of October 4, 2016

BASIC PROGRAM DESIGN ELEMENTS				
		Current Proposal	Notes/Discussion	Action Steps
1.	Enrollment Option	Auto-enrollment ( <b>statutory requirement</b> )		n/a
2.	Employee Changes	Employee can opt-out or change contribution rate at any time.	Will have an opt-out option at the start, but could also choose to opt-out later. (RK will be point of contact.)	n/a
3.	Enrollment after opt-out	Employers must offer open-enrollment at least once per year to all participants who opted-out ( <b>statutory requirement</b> ). Agreement to keep at one year and generally make the enrollment time same for all employers.	Board will select a time period (number of months); general thought would be either spring or fall (preferable for it not to be the beginning of the year)	Clarify in administrative rules
4.	Default Contribution Rate	3% for all enrollees ( <b>statutory requirement</b> )	Board is interested in increasing this number to 5% at some point.	Legislative change
5.	Other Contribution Options	Enrollee can increase or decrease withholding amount ( <b>statutory requirement</b> )	Will allow for percentage or dollar amount withholdings.	Clarify in administrative rules
6.	Account Options	Roth IRA ( <b>statutory requirement</b> )	Will likely need to offer Traditional IRA (at a minimum for those impacted by income limits). Should not impact employer but will impact RK/IM.	Clarify in administrative rules; see if legislative clarification is necessary.
7.	Escalation	Not currently included	Board interested in adding auto-escalation to the program down the road (likely after the program rolls out).	May be able to clarify via rules but will likely require legislative change.
8.	Default Investment Option	Age-based target date fund (passively managed)	Glide paths etc. still need to be determined.	Discuss at future Inv. Sub. Comm. Mtngs.
9.	Other investment options	<b>No clear consensus</b>	Discussion about stable value fund option; should limit to very few options total	Discuss at future Inv. Sub. Comm. Mtngs.
10.	Changing investment (fund) selection	Participant can choose any fund option at time of enrollment; change fund	Should look into any general industry practices/limits on frequency of changes. (RK/Inv.	Clarify in administrative rules.

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		option throughout year must be allowed	Manager would be main point of contact.)	
11.	Withdrawals	Final US DOL Safe Harbor does allow for limitations on withdrawals beyond IRS rules. IRS already has certain penalties for early withdrawal on earnings in Roth IRA.	Board can discuss whether/if to limit withdrawals (in short term or for life of program). Will need to balance with ensuring people feel like accounts are in their control while also trying to discourage/minimize leakage from accounts.	Future discussions necessary. (Staff will provide Board with research on Roth IRS limitations, and potential penalty ideas)
12.	Withdrawals – at retirement (drawdown)	<b>No clear consensus</b>	Interest in exploring options for annuitization. Could settle on a default option but also will likely need to allow for drawdown as permitted by tax law.	Future discussions necessary.
13.	Opt-out time period	Preliminary thought that rollout should include some time period (30+ days) for participant to opt-out. That would be the time between when participant is notified and when the first deduction takes place.	Similar to what other states have been discussing.	Clarify in administrative rules.
14.	Holding period for initial deductions	Initial payroll deductions will be held in non-risk/stable value investment for first 90 days to allow for easy return if employee chooses to opt-out. Then would move into target date fund.		Clarify in administrative rules.
15.	Initial Enrollment	Board will adopt a phased-in rollout beginning with a phase one pilot. Number/size of pilots TBD. Will begin in 2018 and continue through 2019.	Need to determine how many phases and how to divide businesses by phase (size?)	Likely will require legislative change; will also clarify in admin. rules
16.	Definition Employer	Recommendation to use the IDES definition for unemployment insurance, in addition to the qualifications in statute (25 or more employees, 2 yrs. in business, don't offer qualified plan).	Businesses are already familiar with this definition and it could provide some general consistency across states.	Clarify in administrative rules.

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17.	Definition Qualified Plan	Qualified under sections 401(a), 401(k), 403(a), 403(b), 408(k), 408(p) or 457(b) of the Internal Revenue Code. Will also include Simple IRA and SEP.	Simple IRA does have benefits above and beyond a payroll IRA (including employer contribution and participant protections).	Clarify in administrative rules.
18.	Definition Employee	Any individual 18 years of age or older, employed by an employer, and has wages allocable to Illinois during a calendar year. <b>(statute)</b> Recommendation to use IDES definition (unemployment insurance).	Will need SSN/iTIN. Intentionally did not include hourly minimum. 1099 employees not covered but Board may consider how to facilitate voluntary participation.	Clarify in administrative rules.
19.	Inactive Accounts	<b>Not yet addressed</b>	Would encourage that we not support any effort to terminate accounts, even if very small. Will need to address "lost" accounts in some form down the road. (Determine applicability of unclaimed property law)	Future discussions necessary. (Staff can continue to monitor how other states and other programs address issues. Will also look at Unclaimed Property Law.)
<b>ADDITIONAL CONSIDERATIONS</b>				
20.	Minimum Contribution Amount	<b>Not yet addressed</b>	If a minimum is set, would encourage Board to select something low (\$5 per paycheck?) Should determine who might be excluded because of any minimum limit.	Further discussion necessary. (Staff will seek input from industry and other stakeholders.)
21.	Employer Qualified Plan Exemption	Potential need for legislative clarification for businesses that offer qualified plan but not to all (or even majority of workers) in Illinois. If possible, include this set of employees as last phase-in?	Focus here would be employees who are never covered by the plan as opposed to those who having a waiting period of some kind before eligibility.	Further discussion necessary. Will determine whether admin rules will work or if legislative change is necessary.
22.	Voluntary Participation by Businesses with fewer than	Interest in allowing voluntary participation. Final DOL rule	These employers would only be able to have	Clarify via administrative

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	25 employees	will likely not allow for use of auto-enrollment.	employees opt-in (cannot use auto-enroll). Likely something to implement after program is up and running.	rules.
23.	Voluntary participation by 1099 workers	Goal to allow participation	Final US DOL rule means those workers would have to opt-in (no auto-enroll) but that's likely how it would happen anyway.	Clarify via administrative rules.
24.	Voluntary participation by others	If employers who offer a qualified plan are completely exempt, Board could facilitate participation by employees who are not eligible for the qualified plan.	Would not be able to use auto-enrollment. Likely something the Board would consider down the road.	Further discussion necessary. (related to #21)
25.	Rollovers and Lump Sum contributions	<b>Not yet addressed</b>	Presume interest in allowing for rollovers into plan, as well as lump sum contributions as long as they fall under IRS contribution limits.	Further discussion necessary.
26.	Add-on savings account		Potentially an idea that could be considered after program is up and running.	Further discussion necessary.

**Not Included:**

- Specific requests or requirements around educational materials, outreach, marketing etc.
- Particular investment related decisions (will be fleshed out within the Investment Policy for Secure Choice)