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OFFICE OF THE TREASURER

NOTICE OF PROPOSED RULES

1) Heading of the Part: Secure Choice Savings Program

2) Code Citation: 74 Ill. Adm. Code 721

<u>Section Numbers:</u>	<u>Proposed Actions:</u>
721.100	New Section
721.110	New Section
721.200	New Section
721.300	New Section
721.310	New Section
721.320	New Section
721.330	New Section
721.340	New Section
721.350	New Section
721.360	New Section
721.370	New Section
721.380	New Section
721.390	New Section
721.395	New Section
721.400	New Section
721.410	New Section
721.420	New Section
721.430	New Section
721.440	New Section
721.500	New Section
721.510	New Section
721.520	New Section
721.530	New Section
721.540	New Section
721.600	New Section
721.610	New Section
721.620	New Section
721.700	New Section
721.710	New Section
721.720	New Section

4) Statutory Authority: 820 ILCS 80/90

5) A Complete Description of the Subjects and Issues Involved: The Secure Choice Savings Program Act (820 ILCS 80) establishes a retirement savings program to be administered

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by the Secure Choice Savings Board for the purpose of providing retirement savings options to 1.2 million private-sector employees in Illinois. The Act provides for implementation of the Program to begin in 2018. The rules adopted in this Part will provide clarification for the implementation and administration of the program by the Treasurer's Office and the Secure Choice Savings Board.

- 6) Published studies or reports, and sources of underlying data, used to compose this rulemaking: None
- 7) Will this rulemaking replace any emergency rule currently in effect? No
- 8) Does this rulemaking contain an automatic repeal date? No
- 9) Does this rulemaking contain incorporations by reference? Yes, see Sections 721.200, 721.350, 721.395, and 721.520.
- 10) Are there any other rulemakings pending on this Part? No
- 11) Statement of Statewide Policy Objectives: This rulemaking does not create or expand a State mandate as defined in Section 3(b) of the State Mandates Act [30 ILCS 805/3(b)].
- 12) Time, Place and Manner in which interested persons may comment on this proposed rulemaking: Comments on this proposed rulemaking may be submitted in writing for a period of 45 days following publication of this Notice. Comments should be submitted to:

Chris Flynn  
Assistant General Counsel  
Illinois State Treasurer  
400 W. Monroe St., Suite 401  
Springfield, IL 62704

Telephone: 217/558-0115  
FAX: 217/785-2777  
E-Mail: CFlynn@illinoistreasurer.gov

The Department will consider fully all written comments on this proposed rulemaking submitted during the 45-day comment period. Comments submitted by small businesses should be identified as such.

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- 13) Initial Regulatory Flexibility Analysis:
- A) Types of small businesses, small municipalities and not-for-profit corporations affected: Secure Choice applies to businesses that have 25 or more employees, have been in operation for two years or more, and do not offer a qualified savings plan to their employees. Not-for-profits that meet those three criteria are also included. Municipalities will not be impacted.
  - B) Reporting, bookkeeping or other procedures required for compliance: Businesses and not-for-profits that participate in Secure Choice will be required to facilitate the payroll deduction in the program for each of their employees, but will not have any managerial responsibilities and cannot contribute to the retirement program or individual employee accounts.
  - C) Types of professional skills necessary for compliance: None
- 14) Regulatory Agenda on which this rulemaking was summarized: January 2018

The full text of the Proposed Rules begins on the next page:

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TITLE 74: PUBLIC FINANCE  
CHAPTER V: TREASURER

PART 721  
SECURE CHOICE SAVINGS PROGRAM

SUBPART A: INTRODUCTION AND PURPOSE OF PROGRAM

Section	
721.100	Establishment of Program
721.110	Purpose of Program

SUBPART B: DEFINITIONS

Section	
721.200	Definitions

SUBPART C: ADMINISTRATION

Section	
721.300	Responsibilities of the Board
721.310	Responsibilities of the Treasurer
721.320	Responsibilities of the Department
721.330	Investment Policy and Guidelines
721.340	Responsibilities of the Account Administrator
721.350	Applicable Law
721.360	Program Fees
721.370	Administrative Fund
721.380	Reporting Requirements
721.390	Forms
721.395	Information Packets

SUBPART D: PARTICIPATION IN THE PROGRAM

Section	
721.400	Eligibility
721.410	Registration and Enrollment
721.420	Voluntary Participation
721.430	Opt Out Procedures
721.440	Termination of Participation

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SUBPART E: ACCOUNTS, INVESTMENTS AND STATEMENTS

<b>Section</b>	
721.500	Accounts
721.510	Contributions
721.520	Participant Statements
721.530	Limits on Investments and Direction
721.540	Rollovers, Transfers and Conversions

SUBPART F: WITHDRAWALS

<b>Section</b>	
721.600	Withdrawals
721.610	Withdrawal Method
721.620	Closure

SUBPART G: MISCELLANEOUS

<b>Section</b>	
721.700	Abandoned Accounts
721.710	Disclosure
721.720	Website

**AUTHORITY:** Implementing and authorized by Section 90 of the Illinois Secure Choice Savings Program Act [820 ILCS 80].

**SOURCE:** Adopted at 42 Ill. Reg. \_\_\_\_\_, effective \_\_\_\_\_.

SUBPART A: INTRODUCTION AND PURPOSE OF PROGRAM

**Section 721.100 Establishment of Program**

- a) This Part governs the Illinois Secure Choice Savings Program created by the Illinois Secure Choice Savings Program Act [820 ILCS 80].
- b) The Illinois Secure Choice Savings Program is *a retirement savings program in the form of an automatic enrollment payroll deduction IRA for the purpose of promoting greater retirement savings for private-sector employees in a convenient, low-cost, and portable manner.* [820 ILCS 80/10]

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**Section 721.110 Purpose of Program**

The purpose of the Program is to provide a workplace retirement savings option for private sector workers who do not have access to an employer-sponsored plan so they can save their own money for retirement in a safe and convenient manner.

SUBPART B: DEFINITIONS

**Section 721.200 Definitions**

The following definitions shall apply to this Part:

"Act" means the Illinois Secure Choice Savings Program Act [820 ILCS 80].

"Account" means the IRA of a participant established and maintained under the Program.

"Account Administrator" means the person or firm selected by the Board to administer the daily operations of the Program and provide marketing, recordkeeping, investment management, custodial, and other services for the Program.

"Account Revocation Period" means the period of time starting from the date an employee's Roth IRA is established and the employee receives the disclosure statement and ending on the earlier of (i) 90 days after the date of the employee's first Secure Choice Account contribution or (ii) the Close of Business on the Business Day that the employee makes an Alternate Contribution Election; provided, however, the Account Revocation shall last a minimum of seven days from the date the Roth IRA is established and the employee receives the disclosure statement.

"Administrative Expenses" means all expenses associated with the implementation and administration of the Program, including fees payable to third parties providing services related to the Program.

"Administrative Fund" means the Illinois Secure Choice Administrative Fund created in Section 5.867 of the State Finance Act [30 ILCS 105].

"Beneficiary" means any person or entity designated by the participant to receive the benefits of the account in the event that the participant dies.

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*"Board" means the Illinois Secure Choice Savings Board or its designee or designees, which includes the Treasurer or one or more third party service providers.*

*"Business Day" means any day on which the New York Stock Exchange is open for trading.*

*"Close of Business" means the time of day that trading closes on the New York Stock Exchange, generally 4 p.m. Eastern Standard Time.*

*"Day" means any calendar day.*

*"Department" means the Department of Revenue.*

*"Employee" means any individual who is 18 years of age or older, who is employed by an employer, and who has wages that are allocable to Illinois during a calendar year under the provisions of Section 304(a)(2)(B) of the Illinois Income Tax Act [35 ILCS 5]. "Employee" includes both part-time and full-time employees.*

*"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:*

*has at no time during the previous calendar year employed fewer than 25 employees in the State;*

*has been in business at least 2 years; and*

*has not offered a qualified retirement plan in the preceding 2 years.*

*"Fund" means the Illinois Secure Choice Savings Program Fund.*

*"Internal Revenue Code" means Internal Revenue Code of 1986 (26 USC), or any successor law, in effect for the calendar year.*

*"Investment Policy" means the Investment Policy Statement adopted by the Board, pursuant to the Act, which includes a risk management and oversight program and sets forth the policies, objectives and guidelines that govern the investment of contributions to the Program.*

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*"IRA" means a Roth IRA (individual retirement account) under section 408A of the Internal Revenue Code.*

"IRS" means the Internal Revenue Service.

"Large 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:

has at no time during the previous calendar year employed fewer than 25 employees in the State;

has been in business at least 2 years; and

offers a qualified retirement plan, but notifies the Board that it is interested in offering the Program in addition to its qualified retirement plan.

"Online Portal" means the electronic platform utilized by the account administrator to manage the daily operations of the Program.

"Participant" or "Enrollee" means any individual who has an account.

*"Participating Employer" means an employer, large employer or small employer that provides a payroll deposit retirement savings arrangement as provided for by the Act for its employees who are enrollees in the Program.*

*"Payroll Deposit Retirement Savings Arrangement" means an arrangement by which a participating employer allows enrollees to remit payroll deduction contributions to the Program.*

*"Program" means the Illinois Secure Choice Savings Program.*

"Qualified Retirement Plan" includes a plan qualified under sections 401(a), 401(k), 403(a), 403(b), 408(k) or 408(p) of the Internal Revenue Code. The term also includes an eligible governmental plan under section 457(b) of the Internal Revenue Code, as well as Simplified Employee Pension (SEP) plans, and Savings Incentive Match Plan for Employees (SIMPLE) plans. Payroll deduction IRA programs are not qualified retirement plans.



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*"Small 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:*

*employed less than 25 employees at any one time in the State throughout the previous calendar year;*

*has been in business less than 2 years; or*

*meets both of these criteria,*

*but notifies the Board that it is interested in being a participating employer.*

"Treasurer" means the duly elected Treasurer of the State of Illinois or his or her designee or designees, which may include one or more third party service providers.

"Wages" means W-2 wages, as defined in 26 CFR 1.415(c) through 2(d)(4) that are received by an enrollee from a participating employer during the calendar year. [820 ILCS 80/5]

"Withdrawal" means a distribution of assets from an account.

SUBPART C: ADMINISTRATION

**Section 721.300 Responsibilities of the Board**

The Board is responsible for the administration, management and oversight of the Program. Its responsibilities include but are not limited to:

- a) designing and establishing a Program that is simple, safe, efficient, and in accordance with best practices for retirement savings vehicles;
- b) contracting with third party providers such as investment managers, recordkeepers, consultants, auditors, counsel, or other providers as necessary for the administration of the Program;
- c) establishing an investment framework and selecting investment funds;

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- d) establishing the enrollment and contribution processes for participants, including voluntary participation;
- e) identifying and contacting employers required to participate in the Program;
- f) establishing the default investment option, default contribution rate, and additional investment options, if any;
- g) monitoring, replacing and removing investment options;
- h) conducting outreach and education to employers and employees;
- i) designing and disseminating program materials and information, including employee and employer information packets;
- j) providing for the payment of any administrative or investment costs necessary to manage or operate the Program;
- k) overseeing and managing the Fund;
- l) preparing and adopting a written investment policy statement and risk management and oversight program; and
- m) preparing and submitting an annual audit of the Program to the Governor, Comptroller, Treasurer, and Illinois General Assembly.

**Section 721.310 Responsibilities of the Treasurer**

*The Treasurer, or his or her designee, shall serve as chair of the Board.* [820 ILCS 80/20] The Treasurer's duties include, but are not limited to, certifying to the Secretary of State, upon approval by the Treasurer, the Governor's Board appointments and preparing an annual report as specified in Section 80 of the Act. The Treasurer's Office serves as the administering agency for the administrative fund on behalf of the Board and shall provide administrative support to the Program as requested by the Board.

**Section 721.320 Responsibilities of the Department**

The Department is responsible for assessing and collecting penalties against employers who fail to enroll employees in the Program within the timelines prescribed by the Act and this Part. The

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Department may exchange information with the Board, Treasurer's Office and the Department of Employment Security for the purpose of implementing, administering and enforcing the Act.

**Section 721.330 Investment Policy and Guidelines**

- a) The investment policy is a written statement that describes the risk management and oversight program and should be designed to perform the following:
  - 1) ensure that an effective risk management system is in place to monitor the risk levels of the Program;
  - 2) outline the overarching investment framework of the Program, including, but not limited to, the investment options offered to participants and the composition of investment products;
  - 3) expand upon the corresponding asset allocation and glide paths associated with the necessary investment options offered to participants;
  - 4) provide an integrated process for overall risk management to ensure that the risks taken are prudent and properly managed and determine whether the risks taken are adequately compensated compared to applicable performance benchmarks and standards; and
  - 5) assess investment returns and set applicable benchmarks to assess the investment returns for underlying investment funds.
- b) The investment policy shall be adopted at a public meeting of the Board and posted *on the Board's or Treasurer's website* (see Section 721.720) *at least 30 days prior to implementation of the policy.* [820 ILCS 80/35]
- c) The investment policy shall be reviewed annually by the Board.
- d) To serve the best interest of participants, the Board shall abide by the following investment principles when selecting investment options for the Program:
  - 1) **Low Cost** – The investment options shall be constructed and administered in a manner that minimizes fees to participants. It is understood that these costs diminish the total return accorded to participants. The lowest cost index-based portfolios shall be viewed as the default standard in evaluating investment management fees.

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- 2) **Open Architecture** – The investment framework shall utilize an open architecture plan design, meaning it will not be required to use proprietary funds. The open architecture design shall allow the Treasurer to select the underlying investment funds. The open architecture design shall also provide the Treasurer with: access to best in class portfolio managers; the ability to use nonproprietary products; increased flexibility when choosing underlying strategies; and the ability to obtain the lowest participant fees for underlying investment funds and accounts.
  - 3) **Market Performance** – The investment options shall be constructed and administered in a manner that consistently tracks market performance, as measured in comparison to applicable market benchmarks, thus eliminating the potential for significant underperformance.
  - 4) **Simplicity** – The 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. Furthermore, the 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 Program shall provide a clear and simple investment approach for participants who fail to elect an investment option.
  - 5) **Passive Versus Active Funds** – The investment options shall consist of passively managed strategies that replicate the risk and return characteristics of their respective benchmarks. In asset classes in which passively managed strategies are not prevalent or in asset classes that are deemed to be inefficient, actively managed strategies may be considered.
- e) The Board shall establish investment options for any or all of the following categories:
- 1) **The Life-Cycle Fund Option** shall be the default investment option. This fund option shall utilize dynamic asset allocations that adjust throughout glide paths that are tailored to meet investment objectives based on various investor time horizons while maintaining an optimal balance of investment risk and return. The funds move towards a more risk averse asset allocation as the target date approaches. These options shall be

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invested in pooled investment vehicles, such as mutual funds, that may include some or all of the following asset classes:

- A) domestic and international equity;
  - B) domestic and international fixed income;
  - C) real estate investment trusts (REITs); and
  - D) cash and cash equivalent (i.e., money market funds).
- 2) Static Portfolio Investment Option, which shall be composed of fixed asset allocations to fit a participant's risk profile (i.e., aggressive, moderate or conservative risk profiles). These options shall be invested in pooled investment vehicles, such as mutual funds, that may include some or all of the following asset classes:
- A) domestic and international equity;
  - B) domestic and international fixed income;
  - C) real estate investment trusts (REITs); and
  - D) cash and cash equivalent (i.e., money market funds).
- 3) Capital Preservation Investment Option, which shall be composed of high quality, short-term debt securities that reflect short-term interest rates with the objective of producing a rate of return that is higher than inflation while avoiding exposure to credit (i.e., default) risk and market price fluctuations.
- f) The Board shall regularly monitor and review the investment options and its underlying investment funds that are offered to participants.

**Section 721.340 Responsibilities of the Account Administrator**

- a) The account administrator is responsible for the day-to-day oversight, recordkeeping and management of the Program, including coordinating with any third party investment managers or other service providers to ensure the

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safekeeping of accounts. The account administrator shall abide by the Act, this Part, and the investment policy adopted by the Board.

- b) The Board shall contract with the account administrator to provide services needed for the effective operation of the Program in accordance with all applicable federal and State laws and regulations. These services shall include, but are not limited to:
- 1) developing forms and any operating documents;
  - 2) facilitating employer registration and participant enrollment;
  - 3) maintaining participant and beneficiary accounts and information;
  - 4) receiving contributions;
  - 5) blocking receipt of annual contributions to a participant's account in excess of the maximum annual IRA contribution limit;
  - 6) disbursing funds;
  - 7) identifying abandoned accounts and addressing missing participants;
  - 8) providing account owners with account information, transaction confirmations and account statements;
  - 9) developing and filing required reports and forms with State and federal agencies; and
  - 10) providing fraud prevention in accordance with industry standards.

**Section 721.350 Applicable Law**

For guidance in the interpretation of the Act and this Part, the Treasurer may refer to the Internal Revenue Code, the Final Rule of the Employee Benefits Security Administration, the U.S. Department of Labor on Employee Pension Benefit Plan (29 CFR 2510.3-2(d)) and the Interpretive Bulletin Relating to Payroll Deduction IRAs (29 CFR 2509.99-1).

**Section 721.360 Program Fees**

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- a) Fees for the Program, including administrative and investment fees, shall not exceed 0.75 percent (i.e., 75 basis points) of the total assets under management.
- b) The Board may charge an administrative fee, not to exceed 0.05 percent (i.e., 5 basis points) of total assets under management. This fee may be charged to defray certain expenses (e.g., marketing, auditing, program oversight) incurred by the Board or Treasurer in administering the Program.
- c) An investment manager may charge fees and expenses that are included in the cost of an underlying investment fund. The account administrator may also charge fees and expenses for maintaining and administering the Program.
- d) The administrative fees charged by the Board, account administrator and investment manager are reflected in the price of each investment option.

**Section 721.370 Administrative Fund**

*The Illinois Secure Choice Administrative Fund is created as a nonappropriated separate and apart trust fund in the State Treasury. The Board shall use moneys in the Administrative Fund to pay for administrative expenses it incurs in the performance of its duties under the Act. The Board shall use moneys in the Administrative Fund to cover start-up administrative expenses it incurs in the performance of its duties under the Act. The Administrative Fund may receive any grants or other moneys designated for administrative purposes from the State, or any unit of federal or local government, or any other person, firm, partnership, or corporation. Any interest earnings that are attributable to moneys in the Administrative Fund must be deposited into the Administrative Fund. The State Treasurer shall be the administering agency for the Administrative Fund on behalf of the Board. [820 ILCS 80/16]*

**Section 721.380 Reporting Requirements**

- a) *The Board shall annually submit an audited financial report to the Governor, Comptroller, Treasurer, and General Assembly. Additionally, the Board shall provide periodic reports at least annually to participating employers, reporting the names of each enrollee employed by the participating employer and the amounts of contributions made by the participating employer on behalf of each employee during the reporting period, as well as to enrollees, reporting contributions and investment income allocated to, withdrawals from, and balances in, their Program accounts for the reporting period.*
- b) *The Treasurer shall prepare a report in consultation with the Board that includes*

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*a summary of the benefits provided by the Program, including the number of enrollees in the Program, the percentage and amounts of investment options and rates of return, and such other information that is relevant to make a full, fair, and effective disclosure of the operations of the Program and the Fund. [820 ILCS 80/80]*

**Section 721.390 Forms**

The Board may use forms provided or promulgated by the IRS or other federal agencies pursuant to the Program. The Board may also promulgate its own forms reasonably necessary to implement the Program.

**Section 721.395 Information Packets**

*Prior to the opening of the Program for enrollment, the Board shall design and disseminate to all employers an employer information packet and an employee information packet, which shall include background information on the Program. [820 ILCS 80/55(a)]* The employee information packet shall include a disclosure form, as well as a document with information on how to opt out of the Program or select a contribution rate other than the default contribution rate. Participating employers shall provide the employee information packets to employees upon launch of the Program and to new employees at the time of hiring. Alternatively, participating employers shall provide the account administrator with the employee contact information necessary for the account administrator to send employees the employee information packet. Informational packets may be updated as necessary. Delivery of information packets may also be accomplished electronically in accordance with 26 CFR 1.401(a)-21 or in any other form permitted by the IRS.

SUBPART D: PARTICIPATION IN THE PROGRAM

**Section 721.400 Eligibility**

Provided they meet the requirements of section 408(A) of the Internal Revenue Code, the following employees are eligible to participate in the Program:

- a) All employees who work for employers that have 25 or more employees, that have been in business for at least 2 years, and that do not offer qualified retirement plans will be automatically enrolled in the Program;
- b) All employees who work for a small employer that chooses to offer the Program;



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- c) All employees who work for a large employer that chooses to offer the Program in addition to a qualified retirement plan; and
- d) Any employee who works for an employer that does not offer the Program may set up his or her own account but may be required to make contributions through methods other than a payroll deduction.

**Section 721.410 Registration and Enrollment**

- a) The Board shall establish an initial implementation timeline under which participating employers shall register for the Program and facilitate enrollment of their employees into the Program. The Board shall approve the implementation timeline at a public meeting of the Board and make the timeline publicly available by posting it on the Board's or Treasurer's website (see Section 721.720).
- b) The account administrator shall notify employers of the dates on which registration and enrollment of employees may begin and the dates by which registration of employers and enrollment of employees must be complete. The account administrator shall also provide employers with access to an online portal to register for the Program and facilitate enrollment of their employees.
- c) **Registration Information**
  - 1) In order to register for the Program, employers shall verify the following information on the online portal:
    - A) Employer name and assumed business name, if any;
    - B) Federal Employer Identification Number;
    - C) Employer mailing address;
    - D) Name, title, telephone number and email address of an individual designated by the employer to serve as the point of contact;
    - E) Number of employees; and
    - F) Any additional information necessary for registration.

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- 2) In the event that any of the information listed in this subsection (c) is not available on the online portal or inaccurate, employers shall provide the missing or correct information, as applicable.
- d) An employer who lacks access to the internet may register for the Program and facilitate enrollment of its employees through alternate means established by the Program, including by phone and paper forms.
- e) By a date specified by the Board, employers shall facilitate enrollment of their employees into the Program and provide the account administrator with the following information for each employee:
  - 1) Full legal name;
  - 2) Social security number or taxpayer ID number;
  - 3) Date of birth;
  - 4) Mailing address;
  - 5) Employee's designated email address, if available;
  - 6) Employee's phone number, if available; and
  - 7) Any additional information needed to complete the enrollment when the information submitted for enrollment is unclear or insufficient, or when further information is required for purposes of administering the Program.
- f) The Board shall establish an automatic enrollment process for employees, which shall include the establishment of an IRA by or on behalf of the State for an employee before the first payroll deduction is made for each employee who has not opted out of the Program.

**Section 721.420 Voluntary Participation**

- a) Small employers and large employers may choose to offer the Program to their employees.

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- b) Small employers or large employers who voluntarily elect to participate in the Program shall notify the account administrator and shall register for the Program using the online portal.
- c) The account administrator will develop a process that allows for the enrollment of employees from small employers or large employers who elect to participate in the Program.
- d) The Board may, but need not, choose to allow for the automatic enrollment of employees from small employers and large employers as described in Section 721.410.
- e) The Board may allow individuals who do not work for a participating employer to enroll in the Program. The account administrator will develop a process that allows those individuals to open accounts and make contributions separate from an employer payroll system.

**Section 721.430 Opt Out Procedures**

- a) Employees who do not wish to participate in the Program will be given an opportunity to opt out before any payroll deduction contribution is made. The Board shall ensure that an employee has a minimum of 30 days from the time he or she is notified that the employer has facilitated the employee's enrollment before an IRA is established and the first payroll deduction is made to opt out of the Program.
- b) The account administrator shall provide employees with a number of opt out methods, including electronically and by phone.
- c) Any employee who does not opt out of the Program within the 30 day period described in subsection (a) will be automatically enrolled in the Program, and an IRA will be established for that employee pursuant to Section 721.410(f) before the first payroll deduction is made.
- d) Employees can opt out by giving notice to the account administrator at least 30 days before the effective date of the Program, and participants may cease making contributions to their accounts at any time by giving notice to the account administrator. After receiving notice, the account administrator shall instruct the employer to cease payroll deductions for the participants.

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- e) Employees who opt out of the Program may enroll at any time by following the Program's enrollment procedures.

**Section 721.440 Termination of Participation**

- a) An employer who begins offering a qualified retirement plan and becomes exempt from the Program may notify the account administrator of its exemption and terminate its participation in the Program.
- b) Employers who choose to terminate participation in the Program must notify the account administrator and participants at least 60 days before payroll contributions cease and provide them with information describing how to contact the account administrator.
- c) Accounts will remain in the Program and participants may continue to make contributions pursuant to Section 721.420(d), unless they elect to transfer or close their accounts, in accordance with Section 721.540 and Subpart F.

SUBPART E: ACCOUNTS, INVESTMENTS AND STATEMENTS

**Section 721.500 Accounts**

- a) Accounts are IRAs into which participants contribute funds that, in turn, are invested in investment options established by the Board pursuant to Section 721.330, such as a Life-Cycle Fund Option. A separate account will be established for each participant and accounts are owned by the participant.
- b) Accounts shall be portable, and each participant will have one account, regardless of whether the participant makes contributions from a single employer or multiple employers (simultaneously or separately throughout the participant's lifetime).

**Section 721.510 Contributions**

- a) During the account revocation period, participant contributions will be directed into a capital preservation investment selected by the Board. As of the close of business on the business day coincident with or next following the expiration of the account revocation period, the existing balance in the account will be invested in the default investment option selected by the Board unless a participant has provided an alternate investment election.

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- b) Participant contributions made subsequent to the end of the account revocation period will be directed into the default investment option at the default contribution rate selected by the Board, unless a participant has provided an alternate investment election.
- c) Participant contributions will be directed into the default investment option selected by the Board at the default contribution rate approved by the Board, unless a participant has provided alternate elections.
- d) Participants may select any contribution rate by notifying the account administrator.
- e) The account administrator shall notify employers of any changes to their participant employees' contribution rate, and the employer shall enter those changes into its payroll system as soon as administratively possible, not to exceed 30 days following receipt of the notification.
- f) Participants may direct their contributions to any of the available fund options offered by the Program by notifying the account administrator.
- g) The account administrator shall develop a process for participants to select their investment options and shall notify participants on how to make those selections.
- h) On each payroll date following enrollment into the Program, and in accordance with their participant employees' contribution rate, employers shall make the necessary payroll deductions and remit the contributions to the account administrator as soon as administratively possible, not to exceed seven business days from the date of deduction. Notwithstanding the foregoing, amounts deducted by employers shall not exceed the amount of the employees' wages after any payroll deductions required by law or court order to have a higher precedence than the participant's Program deduction.
- i) Failure by the employer to timely remit a participant employee's deducted wages to the account administrator constitutes an unlawful deduction under the Illinois Wage Payment and Collection Act [820 ILCS 115/9].

**Section 721.520 Participant Statements**

Account statements shall be provided to participants on a quarterly basis. The account statements may be sent by U.S. mail and/or provided electronically in accordance with 26 CFR 1.401(a)-21

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or in any other form permitted by the IRS.

**Section 721.530 Limits on Investment and Direction**

- a) The Board may set limits on the number of times participants can change the investment options of their contributions or adjust their contribution rate in any calendar year.
- b) The Board shall select a default contribution rate for participants within the range of 3% to 6% of a participant's wages.
- c) The Board shall select a default investment option for the accounts, in accordance with Section 721.330.

**Section 721.540 Rollovers, Transfers and Conversions**

- a) At the direction of the Board, the account administrator shall develop processes through which a participant or beneficiary may roll over or transfer an account to a different retirement savings vehicle in accordance with the Internal Revenue Code. The Program may receive rollovers and transfers from other retirement savings vehicles in accordance with the Internal Revenue Code.
- b) During a conversion from one account administrator to another, the account administrator shall take all commercially reasonable steps necessary to effect an orderly transition of the relevant portions of its duties and responsibilities in a manner that provides for reasonable consideration for the best interests of the participants and beneficiaries, avoids the likelihood of an increase in economic loss, and avoids the likelihood of resulting liability to the Board, its members, or the State. The account administrator shall not impede or delay the orderly transfer of its duties and responsibilities.

SUBPART F: WITHDRAWALS

**Section 721.600 Withdrawals**

A participant may make a withdrawal of funds from his or her account at any time. Withdrawals shall be subject to any applicable State and federal income tax obligations and may be subject to penalties under the Internal Revenue Code.

**Section 721.610 Withdrawal Method**

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A participant may request a withdrawal of funds from his or her account by submitting a completed withdrawal request to the account administrator. This request may also be accomplished electronically or in any other form permitted by the IRS.

**Section 721.620 Closure**

A participant may close his or her account at his or her direction, or an account may be closed by a process established by the Board if:

- 1) all funds from the participant's account have been withdrawn pursuant to Section 721.600; or
- 2) all funds from the participant's account have been rolled over or transferred pursuant to Section 721.540.

SUBPART G: MISCELLANEOUS

**Section 721.700 Abandoned Accounts**

An account will be presumed abandoned according to the unclaimed property law of the state of the last known address of the participant. If the last known address of the participant is in Illinois, the provisions of the Revised Uniform Unclaimed Property Act [765 ILCS 1026] shall apply. If there is no last known address of the participant in the Program records, federal common law shall determine the state with the first priority claim.

**Section 721.710 Disclosure**

The Board may disclose aggregate data that does not include information that is identifiable by participant or employer for purposes of research or reporting associated with the Program. The Board may disclose information that it is required to disclose under the Freedom of Information Act [5 ILCS 140]. The Board may disclose account information to the account administrator, the providers of investments for the Program, the Treasurer's Office, Illinois Department of Revenue, Illinois Department of Employment Security, regulatory agencies to the extent disclosure is required by law, and to other persons or entities to the extent the disclosure is necessary to administer the Program.

**Section 721.720 Website**

Information regarding the Program is available on the Treasurer's website at

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[www.illinoistreasurer.gov](http://www.illinoistreasurer.gov) or the Board's website at [www.ilsecurechoice.com](http://www.ilsecurechoice.com).