Secure Choice, A New Retirement Savings Program in Illinois

November 8, 2018

The webinar will begin in 10 minutes.
Secure Choice, A New Retirement Savings Program in Illinois

November 8, 2018

The webinar will begin in 5 minutes.
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The webinar will begin shortly.
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November 8, 2018
Webinar Housekeeping

• The webinar will be *recorded*.

• All participants will *receive the slides* and the recording after the webinar.

• You will be *muted* during the call.

• Please use the *chat box* to submit a question or let us know if you are having any technical difficulties.

• During the Q&A, you can “raise your hand” and we will unmute you.
Illinois Asset Building Group

A project of Heartland Alliance
IABG’s Policy Agenda
Closing the Racial Wealth Divide

- Universal Children’s Savings Accounts
- Reform Burdensome Fines, Fees, and Debt Collection
- Protect Consumers from Abusive Financial Products & Practices
- Increase Credit Building & Saving Opportunities
- Build Retirement Security

Universal Children’s Savings Accounts

Protect Consumers from Abusive Financial Products & Practices

Reform Burdensome Fines, Fees, and Debt Collection

Build Retirement Security

Increase Credit Building & Saving Opportunities
Today’s Agenda

• Background on Secure Choice

• Overview of Secure Choice, Illinois State Treasurer’s Office

• Resources

• Q & A
Poll Questions
What is Secure Choice?

Secure Choice is a retirement savings program that will automatically enroll workers at qualifying businesses into a retirement savings plan.
Why Secure Choice?
More than HALF of Illinois workers do not have access to retirement savings at work
Racial Inequity in Illinois

$147,750  Net Worth
White Households

$30,870  Hispanic Households

$5,030  Black Households

Source: 2018 Prosperity Now Scorecard
Passing Secure Choice Legislation
Ashlee Gabrysch
Deputy Director of Secure Choice
Illinois State Treasurer’s Office
Illinois Secure Choice
Retirement Savings Program

November 8, 2018
What is Illinois Secure Choice?

Retirement savings program for Illinois workers without access to an employer-sponsored plan

Enables workers to save through regular payroll deductions without onerous administrative costs or responsibilities for employers

Not intended to replace or compete with employer-sponsored plans
Why do we need the Illinois Secure Choice Savings Program?

47% of Illinois private sector employees work for businesses that do not offer a retirement plan.¹

Workers are 15X more likely to save for retirement if they have access to a payroll deduction savings plan at work.²

29% of households 55 years & older have no retirement savings.³

High-income families are 10X more likely to have retirement accounts than low-income families.⁴

You are 9X more likely to be offered a retirement plan at large firm (1K employees) than at a small firm (<50 employees).⁵

Median retirement savings for a working-age household is only $5,000.⁶

¹ AARP State Fact Sheet: IL, #332, August 2015.
² Employee Benefit Research Institute, 2006.
Helping All Illinoisans

**EMPLOYEES**
- Access to a retirement savings vehicle at work
- No high minimum initial contribution requirements
- Default options make participation easy
- Workers can alter default options or opt-out entirely

**EMPLOYERS**
- Able to offer retirement savings benefit to employees
- Do not incur costs and do not bear the responsibilities of a traditional retirement plan

**TAXPAYERS**
- A new statewide culture of saving and financial literacy can reduce the strain to our social services system caused by inadequate savings
Secure Choice Savings Program Legislation

Sponsored by Senator Biss and Representative Currie

Governor Quinn signed Illinois Secure Choice Savings Program (SB2758) into law in 2015

Intended to address retirement crisis by expanding access to employment-based retirement savings accounts
Which employers will be affected by Secure Choice?

**ALL ILLINOIS EMPLOYERS**

- That have **25 or more** employees
  - and
- That have been in business at least **2 years**
  - and
- That **do not** offer a qualified retirement plan

Employers that fit these criteria will need to either enroll their workers in Secure Choice or offer a qualified retirement plan.
Which workers will benefit from Secure Choice?

Illinois employees 18 years and older with reported income but no savings option at work

<table>
<thead>
<tr>
<th>Reason for lack of coverage</th>
<th>Number of workers</th>
<th>Share of total state workforce</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Illinois workers</td>
<td>5,756,000</td>
<td>100.0%</td>
</tr>
<tr>
<td>Uncovered workers</td>
<td>3,173,000</td>
<td>55.1%</td>
</tr>
<tr>
<td>Employer does not offer plan</td>
<td>2,029,000</td>
<td>35.3%</td>
</tr>
<tr>
<td>25+ employees, 2+years in business</td>
<td>1,226,000</td>
<td>21.3%</td>
</tr>
<tr>
<td>Not eligible for employer plan</td>
<td>697,000</td>
<td>12.1%</td>
</tr>
<tr>
<td>Self-employed without plan</td>
<td>447,000</td>
<td>7.8%</td>
</tr>
</tbody>
</table>

How will Secure Choice work?

**PROGRAM MANAGER**

The program manager (Ascensus) does the day-to-day recordkeeping and investment management and communicates with the employer and worker about the program.

**EMPLOYER**

Employers without savings plans will **automatically enroll** their workers in Secure Choice, facilitate payroll deductions, and ensure **timely remittance** of employee contributions to the retirement plan provider.

**EMPLOYEE**

Participation is completely voluntary — employees may opt out and back in at any time. Their payroll deductions are **invested in a Roth IRA**. The account belongs to the worker and are portable, so workers can take their Roth IRA with them from job to job.
Secure Choice Default Elections

To help workers save, Secure Choice provides these standard savings elections:

- **Roth IRA** (post-tax contributions)
- **5%** Default contribution rate
- Default target date fund appropriate for saver’s projected retirement date
## Secure Choice Investment Options

Participants who elect to change the investment default can choose among the investment funds below:

<table>
<thead>
<tr>
<th>INVESTMENT OPTION</th>
<th>INVESTMENT MANAGER/FUND</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Target Retirement Date Funds</strong></td>
<td>BlackRock LifePath® Index Series</td>
</tr>
<tr>
<td><strong>Growth Fund</strong></td>
<td>Charles Schwab / Schwab S&amp;P 500 Index Fund (Ticker: SWPPX)</td>
</tr>
<tr>
<td><strong>Conservative Fund</strong></td>
<td>Charles Schwab / Schwab U.S. Aggregate Bond Index (Ticker: SWAGX)</td>
</tr>
<tr>
<td><strong>Capital Preservation Fund</strong></td>
<td>State Street Global Advisors/ State Street Institutional Liquid Reserves Fund (Ticker: SSHXX)</td>
</tr>
</tbody>
</table>
Participant Fees

Participants pay an Illinois Secure Choice administrative fee to cover the costs of the administration of the program and operating expenses. The fee is statutorily capped at 75 basis points.

<table>
<thead>
<tr>
<th>PLAN TYPE</th>
<th>TOTAL ANNUALIZED FEE (BPS)</th>
<th>COST PER $1000</th>
</tr>
</thead>
<tbody>
<tr>
<td>10th percentile private sector small employer 401(k)¹</td>
<td>68 basis points</td>
<td>$6.80</td>
</tr>
<tr>
<td>50th percentile private sector small employer 401(k)¹</td>
<td>148 basis points</td>
<td>$14.80</td>
</tr>
<tr>
<td>90th percentile private sector small employer 401(k)¹</td>
<td>266 basis points</td>
<td>$26.60</td>
</tr>
<tr>
<td>CalSavers (California Secure Choice)²</td>
<td>82-92 basis points</td>
<td>$8.20-$9.20</td>
</tr>
<tr>
<td>Oregon Saves (Oregon Secure Choice)</td>
<td>100 basis points</td>
<td>$10.00</td>
</tr>
<tr>
<td>Illinois Secure Choice</td>
<td>75 basis points</td>
<td>$7.50</td>
</tr>
</tbody>
</table>

¹ small employer assumes assets under $1M; https://www.pewtrusts.org/en/research-and-analysis/articles/2018/02/26/are-auto-ira-plans-a-good-deal-for-savers

² total fee is dependent upon investment fund choices; https://www.treasurer.ca.gov/scib/meeting/2018/20181016/staff/7.pdf
Secure Choice Employer Role

**Employers WILL:**
- Register for the program
- Enroll all employees into Illinois Secure Choice
- Set up the payroll deduction process and remit employee contributions to the plan provider

**Employers WILL NOT:**
- Incur any fees
- Be considered a plan manager or fiduciary or be subject to ERISA
- Make employer contributions or matches to the plan
- Be responsible for the same administrative requirements as with employer-sponsored plans
How to Comply with Secure Choice in **Three** Simple Steps

**Employers Who Offer a Qualified Retirement Plan:**

1. If you receive a notification to enroll in Secure Choice, indicate your exemption to the program. If you receive no notification, there is no need to contact the program.

   *Thanks for offering your employees the opportunity to save!*

**Employers Who **DO NOT** Offer a Qualified Retirement Plan:**

1. Register during (or before!) your assigned wave.
3. Begin to facilitate payroll deductions 30-days after employee enrollment.
What counts as an Employer-Sponsored Plan?

An employer-sponsored retirement plan includes a plan qualified under Internal Revenue Code sections:

- 401(a) (including a 401(k) plan),
- qualified annuity plan under section 403(a),
- tax-sheltered annuity plan under section 403(b),
- Simplified Employee Pension plan under section 408(k),
- a SIMPLE IRA plan under section 408(p) or
- governmental deferred compensation plan under section 457(b).

It does not include payroll deduction IRAs.
Secure Choice Program Rollout

- Enrollment of workers began in May 2018 with Pilot launch
- Phased rollout after the Pilot program started fall 2018
- All employers are assigned an enrollment wave based on size
- Wave rollout will continue through fall of 2019
Secure Choice Launch Event
Thursday, November 15th 11am - 4pm

What: Commemorate the launch of this innovative retirement savings program
When: Thursday, November 15th, 11am-4pm (reception from 4pm-5pm)
Where: Union League Club
Who: Hear from Nobel Prize-winning economist Richard Thaler, John Rodgers, Jr., David John and J. Mark Iwry (co-creators of the auto-IRA concept) and pilot employers and savers!
How: RSVP at aarp.event.com/ILSecureChoiceLaunch
Wrap Up & Questions

QUESTIONS?

Contact Information:
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(217) 670-9297 (cell)

QUESTIONS?
Resources

Illinois Secure Choice Website
https://employer.ilsecurechoice.com/home/employers/resources.html

Fact Sheets in Seven Languages for Workers
http://illinoisassetbuilding.org/resources/fact-sheets
Raise Questions & Concerns

As the program rolls out, reach out to the State Treasurer’s Office or IABG with any issues or questions.
Q & A

Please submit your questions via the chat box OR “Raise your hand” to be unmuted
Spread the Word!

Share this webinar and the fact sheets with your colleagues and program participants!
Join the IABG Listserv
Connect with Your Peers Across the State
Contact Us

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