

Illinois Secure Choice Savings Program

The University of Chicago Booth School of Business Entrepreneurial Roundtable

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Illinois
Secure Choice
Savings Board



The National Crisis

We are not saving enough for retirement

- Median retirement savings:
 - ✓ all working-age families is only \$2,500
 - ✓ near-retirement working families is only \$14,500
- 45 percent of the workforce (43 million people) work for employers that do not offer a qualified savings plan

How does Illinois compare?

Illinois is no different than the rest of the country

- 16% of Illinois families live in “extreme asset poverty”
- Over 50% of private sector workers in Illinois lack access to an employer-based plan
- 60% of Illinois workers without employer-based plan are low income

Why not open an IRA?

Only 5% of workers without access to a workplace plan will open an IRA



Source: Structuring State Retirement Savings Plans: A Guide to Policy Design and Management Issues. David C. John and William G. Gale. September 2015

Illinois Secure Choice Act

Signed into law in 2015, expected to be implemented in 2018

- Creates state-run retirement savings program (Roth IRAs) for private sector workers
- State of Illinois has no liability for payment of any benefits
- Applies to businesses:
 1. with 25 or more employees
 2. that have been operating in Illinois for at least two years
 3. that do not offer a qualified savings program

A Light Touch on Employers

Employers are responsible for:

- ✓ Facilitating auto-enrollment / connecting payroll service

Employers are NOT responsible for:

- ✓ Contributions (not allowed!)
- ✓ Investment management
- ✓ Acting as fiduciary (not subject to ERISA)
- ✓ Educating employees

Automatic for Employees

- Employees at qualifying businesses will be automatically enrolled
- Default deduction of 3% into Roth IRA
- Employees can:
 - ✓ opt-out
 - ✓ change contribution level
 - ✓ select fund options
- Investment options (to be determined)
 - ✓ Goal is to mirror Federal Thrift Savings Program with simple, low-cost index fund options, target date funds

Some of the Details...

Who's in charge?

- Secure Choice is managed by an independent seven person Board
- Treasurer's Office provides administrative and staff support

Who's paying for it?

- Program must become self-sustaining
- Any start-up costs appropriated by the state must be paid back
- Total fees capped at 0.75%

Here's Where We're At...

- Statute lists start date as summer of 2017, but...
 - ✓ Board is looking at a phased-in enrollment beginning with Phase One pilot in early 2018
- Employers and employees will receive information well in advance
- Board is putting all the pieces together:
 - ✓ Consultant
 - ✓ Program Manager
 - ✓ Investment Manager & Custodian
 - ✓ Recordkeeper

Impact of Secure Choice

- Estimated participant pool size after initial enrollment:
 - ✓ 1.2 million workers
- Estimated fund size after first year with full enrollment is
 - ✓ \$1.4 Billion
- Long-term benefits to lower- and middle-income workers
- Consumption study and market analysis underway to further measure impact of the Program

For More Information...

- Treasurer's website includes a page for Secure Choice, www.illinoisretirement.gov
 - ✓ Email address for questions
 - ✓ Board materials (agendas, minutes, approved documents)
 - ✓ One page introductory fact sheet
 - ✓ Business fact sheets and an FAQ are in development
- Contact Courtney Eccles: ceccles@illinoistreasurer.gov