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# Illinois Secure Choice

Retirement Savings Program

Illinois Restaurant Association 1/22/2019

# The Dearborn Tavern, Chicago



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# What is Secure Choice?



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Simple and convenient (and mandated) retirement savings program for employers who do not already offer a plan



Enables employers to help their employees save for their future, with no fees for employers, who play only a limited role as facilitator



Employer contributions are not allowed, which means employees save their own money for retirement through payroll deductions into a Roth Individual Retirement Account (IRA)



Employees always remain in control of their account and retain it even if they change jobs

# Which employers are affected by Secure Choice?



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## 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?



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



## UNCOVERED WORKERS IN ILLINOIS

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

Source: Center for Retirement Research at Boston College calculations from Current Population March Supplement, 2013 (reflecting calendar year 2012).

# How does Secure Choice work?



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## PROGRAM MANAGER



The program manager (Ascensus) does day-to-day **recordkeeping, investment management, client services** and **communication** with the employer and saver about the program.

## EMPLOYER



Employers without savings plans **automatically enroll** their workers in Secure Choice during (or before) their assigned wave, **facilitate payroll deductions**, and ensure **timely remittance** of employee contributions to Ascensus.

## EMPLOYEE



**Participation is completely voluntary** — employees may opt out and back in at any time. The account belongs to the worker and is portable, so workers can take their Roth IRA with them from job to job.



To help workers save without having to make any decisions, Secure Choice provides these **standard savings elections**:



**Roth IRA** (post-tax contributions)

**5%**

**Default contribution rate**



**Default target date fund appropriate for the saver's projected retirement date**

# Secure Choice Investment Options



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



INVESTMENT OPTION	INVESTMENT MANAGER/FUND
Target Retirement Date Funds	BlackRock LifePath® Index Series
Growth Fund	Charles Schwab / Schwab S&P 500 Index Fund (Ticker: SWPPX)
Conservative Fund	Charles Schwab / Schwab U.S. Aggregate Bond Index (Ticker: SWAGX)
Capital Preservation Fund	State Street Global Advisors/ State Street Institutional Liquid Reserves Fund (Ticker: SSHXX)



# Secure Choice Participant Fees



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## 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.

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






(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>



## 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



## 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.

2

Auto-enroll your employees in Secure Choice.

3

Begin to facilitate payroll deductions 30-days after employee enrollment.

# Secure Choice Employer Registration Timeline



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## Step 1: Notification of Registration Date

*30 days*

During this period, enter employee information to get them enrolled.

## Step 2: Registration Date

*30 days*

Contributions are made on each payroll date following the enrollment date.

## Step 3: Payroll Deductions Begin

# Secure Choice Program Rollout



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- Pilot employer and employee enrollment began in May with participant contributions started in July
- Wave 1 registration and enrollment is complete. Participant contributions are underway.
- Wave 2 employers will receive early notification about the program 120 days prior to their registration deadline.



## QUESTIONS?

Tipped employees  
How employee # determined  
Payroll company participation

# More Information



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