



IL Secure Choice Savings Program Revisions HB 3155 (Rep. Morgan) SUPPORT

WHY MUST ADJUSTMENTS TO THE ILLINOIS SECURE CHOICE PROGRAM BE SUPPORTED?

Illinois is facing a retirement savings crisis. The average Social Security benefit in Illinois is \$18,900 per year while 40% of those 65+ rely on the program for at least half of their income, and 26% of Black Illinois residents 65+ rely on the program for at least 90% of their income. Meanwhile, on average, older families in Illinois spend more than \$25,000 a year on food, utilities, and health care. This gap that creates an inability for many households to pay for basic needs is debilitating to individuals' financial/retirement security and if not addressed, will cost taxpayers down the line. Illinois Secure Choice helps Illinois workers prepare for retirement and close that gap.

AARP Illinois supports this legislation because it strengthens the Illinois Secure Choice Program operationally ensuring millions of Illinois workers will have access to employment-based retirement savings whether through this program or their employer; and it gives workers the freedom to choose the private savings option that works best for them.

SUMMARY OF THE BILL - CHANGES TO CURRENT LAW

- Authorizes the Illinois Secure Choice Savings Board to charge administrative fees to cover the costs of administering the program. Provides that administrative fees shall be established by administrative rule, subject to review by the Joint Committee on Administrative Rules (JCAR), and be in line with industry standards.
- Caps the investment fees that may be charged to Illinois Secure Choice participants to 0.25% of the total trust balance.
- Removes the requirement to repay funds provided by the State for start-up administrative costs associated with the Program.
- Modifies the definition of "employer" to exempt governmental entities and employers who are offering *or contributing to* a qualified retirement plan.
- Clarifies the role of the Treasurer's Office staff in providing administrative support to the Board.

REASONS FOR CHANGE

- The current fee structure for the Illinois Secure Choice Program, which is exclusively asset-based, is not self-sustaining, putting the program at risk of not being serviced by a private-sector program administrator.
- The exclusively asset-based fee model is no longer viable in the state-facilitated retirement savings industry, as evidenced by the fee structures adopted in the 5 other states that administer similar retirement savings programs: Oregon, California, Connecticut, Maryland, and Colorado.
 - Oregon, Connecticut, Maryland, and Colorado have all adopted hybrid fee structures (asset-based and dollar-based fees).
 - California's Retirement Savings Board recently approved a contract amendment that includes a transition from an exclusively asset-based fee structure to a hybrid fee structure.

- Asset-based fees lead to higher costs as account balances increase. Switching to a hybrid fee structure will make the program self-sustaining and will stabilize the fees charged to participants as their account balances increase.
- The clarification that the Board work with the Treasurer regarding staffing the program codifies existing practice, in which the Treasurer's Office provides administrative support to the program and Board.
- As program implementation has progressed, slight modifications to the definition of "employer" have been identified that would provide helpful clarification to the regulated community as to whether the Act applies to them.

BACKGROUND

The Illinois Secure Choice Savings Program Act was enacted in 2015 to help provide retirement security for Illinois' workforce at a time when 40 percent of Illinois' private-sector workers did not have access to an employer-sponsored retirement plan.

The Illinois Secure Choice Savings Program Act [820 ILCS 80] establishes a retirement savings program to be administered by the Illinois Secure Choice Savings Board for the purpose of providing retirement savings options to private-sector employees in Illinois who do not have access to an employer-sponsored plan. The Illinois Secure Choice Savings Program officially launched in 2018, with a phased implementation through the end of 2023 based on employer size, with annual catch-up waves in subsequent years for newly eligible employers, as outlined below:

Currently (January 2023), IL Secure Choice has more than **118,000 participants** who together have saved more than **\$100 million for retirement**, and over 9,300 employers are registered for the program.