



100TH GENERAL ASSEMBLY

State of Illinois

2017 and 2018

HB2360

by Rep. Barbara Flynn Currie

SYNOPSIS AS INTRODUCED:

820 ILCS 80/15
820 ILCS 80/30
820 ILCS 80/55
820 ILCS 80/60

Amends the Illinois Secure Choice Savings Program Act. Requires the Board to select a default contribution rate within the range of 3% to 6% of an enrollee's wages (rather than 3% of wages). Provides that the Program shall begin during 2018, rather than by July 1, 2017. Provides that the Board shall establish an implementation timeline that ensures that all employees are required to enroll in the Program by December 31, 2020. Provides that the Illinois Secure Choice Savings Program Fund is a instrumentality of the State and not subject to specified provisions of the Illinois Securities Law of 1953. Effective immediately.

LRB100 09674 JLS 19843 b

1 AN ACT concerning employment.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. The Illinois Secure Choice Savings Program Act
5 is amended by changing Sections 15, 30, 55, and 60 as follows:

6 (820 ILCS 80/15)

7 Sec. 15. Illinois Secure Choice Savings Program Fund.

8 (a) The Illinois Secure Choice Savings Program Fund is
9 hereby established as a trust outside of the State treasury,
10 with the Board created in Section 20 as its trustee. The Fund
11 shall include the individual retirement accounts of enrollees,
12 which shall be accounted for as individual accounts. Moneys in
13 the Fund shall consist of moneys received from enrollees and
14 participating employers pursuant to automatic payroll
15 deductions and contributions to savings made under this Act.
16 The Fund shall be operated in a manner determined by the Board,
17 provided that the Fund is operated so that the accounts of
18 enrollees established under the Program meet the requirements
19 for IRAs under the Internal Revenue Code.

20 (b) The amounts deposited in the Fund shall not constitute
21 property of the State and the Fund shall not be construed to be
22 a department, institution, or agency of the State. Amounts on
23 deposit in the Fund shall not be commingled with State funds

1 and the State shall have no claim to or against, or interest
2 in, such funds.

3 (c) The Illinois Secure Choice Savings Program Fund is an
4 instrumentality of the State, and as such, is exempt from
5 Sections 2a, 5, 6 and 7 of the Illinois Securities Law of 1953.

6 (Source: P.A. 98-1150, eff. 6-1-15.)

7 (820 ILCS 80/30)

8 Sec. 30. Duties of the Board. In addition to the other
9 duties and responsibilities stated in this Act, the Board
10 shall:

11 (a) Cause the Program to be designed, established and
12 operated in a manner that:

13 (1) accords with best practices for retirement savings
14 vehicles;

15 (2) maximizes participation, savings, and sound
16 investment practices;

17 (3) maximizes simplicity, including ease of
18 administration for participating employers and enrollees;

19 (4) provides an efficient product to enrollees by
20 pooling investment funds;

21 (5) ensures the portability of benefits; and

22 (6) provides for the deaccumulation of enrollee assets
23 in a manner that maximizes financial security in
24 retirement.

25 (b) Appoint a trustee to the IRA Fund in compliance with

1 Section 408 of the Internal Revenue Code.

2 (c) Explore and establish investment options, subject to
3 Section 45 of this Act, that offer employees returns on
4 contributions and the conversion of individual retirement
5 savings account balances to secure retirement income without
6 incurring debt or liabilities to the State.

7 (d) Establish the process by which interest, investment
8 earnings, and investment losses are allocated to individual
9 program accounts on a pro rata basis and are computed at the
10 interest rate on the balance of an individual's account.

11 (e) Make and enter into contracts necessary for the
12 administration of the Program and Fund, including, but not
13 limited to, retaining and contracting with investment
14 managers, private financial institutions, other financial and
15 service providers, consultants, actuaries, counsel, auditors,
16 third-party administrators, and other professionals as
17 necessary.

18 (e-5) Conduct a review of the performance of any investment
19 vendors every 4 years, including, but not limited to, a review
20 of returns, fees, and customer service. A copy of reviews
21 conducted under this subsection (e-5) shall be posted to the
22 Board's Internet website.

23 (f) Determine the number and duties of staff members needed
24 to administer the Program and assemble such a staff, including,
25 as needed, employing staff, appointing a Program
26 administrator, and entering into contracts with the State

1 Treasurer to make employees of the State Treasurer's Office
2 available to administer the Program.

3 (g) Cause moneys in the Fund to be held and invested as
4 pooled investments described in Section 45 of this Act, with a
5 view to achieving cost savings through efficiencies and
6 economies of scale.

7 (h) Evaluate and establish the process by which an enrollee
8 is able to contribute a portion of his or her wages to the
9 Program for automatic deposit of those contributions and the
10 process by which the participating employer provides a payroll
11 deposit retirement savings arrangement to forward those
12 contributions and related information to the Program,
13 including, but not limited to, contracting with financial
14 service companies and third-party administrators with the
15 capability to receive and process employee information and
16 contributions for payroll deposit retirement savings
17 arrangements or similar arrangements.

18 (i) Design and establish the process for enrollment under
19 Section 60 of this Act, including the process by which an
20 employee can opt not to participate in the Program, select a
21 contribution level, select an investment option, and terminate
22 participation in the Program.

23 (j) Evaluate and establish the process by which an
24 individual may voluntarily enroll in and make contributions to
25 the Program.

26 (k) Accept any grants, appropriations, or other moneys from

1 the State, any unit of federal, State, or local government, or
2 any other person, firm, partnership, or corporation solely for
3 deposit into the Fund, whether for investment or administrative
4 purposes.

5 (l) Evaluate the need for, and procure as needed, insurance
6 against any and all loss in connection with the property,
7 assets, or activities of the Program, and indemnify as needed
8 each member of the Board from personal loss or liability
9 resulting from a member's action or inaction as a member of the
10 Board.

11 (m) Make provisions for the payment of administrative costs
12 and expenses for the creation, management, and operation of the
13 Program, including the costs associated with subsection (b) of
14 Section 20 of this Act, subsections (e), (f), (h), and (l) of
15 this Section, subsection (b) of Section 45 of this Act,
16 subsection (a) of Section 80 of this Act, and subsection (n) of
17 Section 85 of this Act. Subject to appropriation, the State may
18 pay administrative costs associated with the creation and
19 management of the Program until sufficient assets are available
20 in the Fund for that purpose. Thereafter, all administrative
21 costs of the Fund, including repayment of any start-up funds
22 provided by the State, shall be paid only out of moneys on
23 deposit therein. However, private funds or federal funding
24 received under subsection (k) of Section 30 of this Act in
25 order to implement the Program until the Fund is
26 self-sustaining shall not be repaid unless those funds were

1 offered contingent upon the promise of such repayment. The
2 Board shall keep total annual expenses as low as possible, but
3 in no event shall they exceed 0.75% of the total trust balance.

4 (n) Allocate administrative fees to individual retirement
5 accounts in the Program on a pro rata basis.

6 (o) Set minimum and maximum contribution levels in
7 accordance with limits established for IRAs by the Internal
8 Revenue Code.

9 (o-5) Select a default contribution rate for Program
10 participants within the range of 3% to 6% of an enrollee's
11 wages.

12 (p) Facilitate education and outreach to employers and
13 employees.

14 (q) Facilitate compliance by the Program with all
15 applicable requirements for the Program under the Internal
16 Revenue Code, including tax qualification requirements or any
17 other applicable law and accounting requirements.

18 (r) Carry out the duties and obligations of the Program in
19 an effective, efficient, and low-cost manner.

20 (s) Exercise any and all other powers reasonably necessary
21 for the effectuation of the purposes, objectives, and
22 provisions of this Act pertaining to the Program.

23 (t) Deposit into the Illinois Secure Choice Administrative
24 Fund all grants, gifts, donations, fees, and earnings from
25 investments from the Illinois Secure Choice Savings Program
26 Fund that are used to recover administrative costs. All

1 expenses of the Board shall be paid from the Illinois Secure
2 Choice Administrative Fund.

3 (Source: P.A. 98-1150, eff. 6-1-15; 99-571, eff. 7-15-16.)

4 (820 ILCS 80/55)

5 Sec. 55. Employer and employee information packets and
6 disclosure forms.

7 (a) Prior to the opening of the Program for enrollment, the
8 Board shall design and disseminate to all employers an employer
9 information packet and an employee information packet, which
10 shall include background information on the Program,
11 appropriate disclosures for employees, and information
12 regarding the vendor Internet website described in subsection
13 (i) of Section 60 of this Act.

14 (b) The Board shall provide for the contents of both the
15 employee information packet and the employer information
16 packet.

17 (c) The employee information packet shall include a
18 disclosure form. The disclosure form shall explain, but not be
19 limited to, all of the following:

20 (1) the benefits and risks associated with making
21 contributions to the Program;

22 (2) the mechanics of how to make contributions to the
23 Program;

24 (3) how to opt out of the Program;

25 (4) how to participate in the Program with a level of

1 employee contributions other than the default contribution
2 rate 3%;

3 (5) the process for withdrawal of retirement savings;

4 (6) how to obtain additional information about the
5 Program;

6 (7) that employees seeking financial advice should
7 contact financial advisors, that participating employers
8 are not in a position to provide financial advice, and that
9 participating employers are not liable for decisions
10 employees make pursuant to this Act;

11 (8) that the Program is not an employer-sponsored
12 retirement plan; and

13 (9) that the Program Fund is not guaranteed by the
14 State.

15 (d) The employee information packet shall also include a
16 form for an employee to note his or her decision to opt out of
17 participation in the Program or elect to participate with a
18 level of employee contributions other than the default
19 contribution rate 3%.

20 (e) Participating employers shall supply the employee
21 information packet to employees upon launch of the Program.
22 Participating employers shall supply the employee information
23 packet to new employees at the time of hiring, and new
24 employees may opt out of participation in the Program or elect
25 to participate with a level of employee contributions other
26 than the default contribution rate 3% at that time.

1 (Source: P.A. 98-1150, eff. 6-1-15.)

2 (820 ILCS 80/60)

3 Sec. 60. Program implementation and enrollment. Except as
4 otherwise provided in Section 93 of this Act, the Program shall
5 be implemented, and enrollment of employees shall begin in
6 2018, ~~within 24 months after the effective date of this Act.~~
7 The Board shall establish an implementation timeline under
8 which employers shall enroll their employees into the Program.
9 The timeline shall include the date by which an employer must
10 begin enrollment of its employees into the Program and the date
11 by which enrollment must be complete. The Board shall adopt the
12 implementation timeline at a public meeting of the Board and
13 shall publicize the implementation timeline. The Board shall
14 provide advance notice to employers of their enrollment date
15 and the amount of time to complete enrollment. The Board's
16 implementation timeline shall ensure that all employees are
17 required to be enrolled into the Program by December 31, 2020.
18 The provisions of this Section shall be in force after the
19 Board opens the Program for enrollment.

20 (a) Each employer shall establish a payroll deposit
21 retirement savings arrangement to allow each employee to
22 participate in the Program within the timeline set by ~~at most~~
23 ~~nine months after~~ the Board after ~~opens~~ the Program opens for
24 enrollment.

25 (b) Employers shall automatically enroll in the Program

1 each of their employees who has not opted out of participation
2 in the Program using the form described in subsection (c) of
3 Section 55 of this Act and shall provide payroll deduction
4 retirement savings arrangements for such employees and
5 deposit, on behalf of such employees, these funds into the
6 Program. Small employers may, but are not required to, provide
7 payroll deduction retirement savings arrangements for each
8 employee who elects to participate in the Program. Small
9 employers' use of automatic enrollment for employees is subject
10 to final rules from the United States Department of Labor.
11 Utilization of automatic enrollment by small employers may be
12 allowed only if it does not create employer liability under the
13 federal Employee Retirement Income Security Act.

14 (c) Enrollees shall have the ability to select a
15 contribution level into the Fund. This level may be expressed
16 as a percentage of wages or as a dollar amount up to the
17 deductible amount for the enrollee's taxable year under Section
18 219(b) (1) (A) of the Internal Revenue Code. Enrollees may change
19 their contribution level at any time, subject to rules
20 promulgated by the Board. If an enrollee fails to select a
21 contribution level using the form described in subsection (c)
22 of Section 55 of this Act, then he or she shall contribute the
23 default contribution rate ~~3%~~ of his or her wages to the
24 Program, provided that such contributions shall not cause the
25 enrollee's total contributions to IRAs for the year to exceed
26 the deductible amount for the enrollee's taxable year under

1 Section 219(b) (1) (A) of the Internal Revenue Code.

2 (d) Enrollees may select an investment option from the
3 permitted investment options listed in Section 45 of this Act.
4 Enrollees may change their investment option at any time,
5 subject to rules promulgated by the Board. In the event that an
6 enrollee fails to select an investment option, that enrollee
7 shall be placed in the investment option selected by the Board
8 as the default under subsection (c) of Section 45 of this Act.
9 If the Board has not selected a default investment option under
10 subsection (c) of Section 45 of this Act, then an enrollee who
11 fails to select an investment option shall be placed in the
12 life-cycle fund investment option.

13 (e) Following initial implementation of the Program
14 pursuant to this Section, at least once every year,
15 participating employers shall designate an open enrollment
16 period during which employees who previously opted out of the
17 Program may enroll in the Program.

18 (f) An employee who opts out of the Program who
19 subsequently wants to participate through the participating
20 employer's payroll deposit retirement savings arrangement may
21 only enroll during the participating employer's designated
22 open enrollment period or if permitted by the participating
23 employer at an earlier time.

24 (g) Employers shall retain the option at all times to set
25 up any type of employer-sponsored retirement plan, such as a
26 defined benefit plan or a 401(k), Simplified Employee Pension

1 (SEP) plan, or Savings Incentive Match Plan for Employees
2 (SIMPLE) plan, or to offer an automatic enrollment payroll
3 deduction IRA, instead of having a payroll deposit retirement
4 savings arrangement to allow employee participation in the
5 Program.

6 (h) An employee may terminate his or her participation in
7 the Program at any time in a manner prescribed by the Board.

8 (i) The Board shall establish and maintain an Internet
9 website designed to assist employers in identifying private
10 sector providers of retirement arrangements that can be set up
11 by the employer rather than allowing employee participation in
12 the Program under this Act; however, the Board shall only
13 establish and maintain an Internet website under this
14 subsection if there is sufficient interest in such an Internet
15 website by private sector providers and if the private sector
16 providers furnish the funding necessary to establish and
17 maintain the Internet website. The Board must provide public
18 notice of the availability of and the process for inclusion on
19 the Internet website before it becomes publicly available. This
20 Internet website must be available to the public before the
21 Board opens the Program for enrollment, and the Internet
22 website address must be included on any Internet website
23 posting or other materials regarding the Program offered to the
24 public by the Board.

25 (Source: P.A. 98-1150, eff. 6-1-15; 99-571, eff. 7-15-16.)

26 Section 99. Effective date. This Act takes effect upon

1 becoming law.