



99TH GENERAL ASSEMBLY

State of Illinois

2015 and 2016

SB2420

Introduced 2/9/2016, by Sen. Daniel Biss

SYNOPSIS AS INTRODUCED:

820 ILCS 80/30
820 ILCS 80/35
820 ILCS 80/60

Amends the Illinois Secure Choice Savings Program Act. Provides that the total annual expenses, rather than the annual administrative expenses, shall not exceed 0.75% of the total trust balance. Removes a requirement that the Board prepare a statement of investment policy annually. Provides that the investment policy shall be published on the Board's or State Treasurer's website. Provides that small employers' use of automatic enrollment is subject to federal rules. Makes other changes. Effective immediately.

LRB099 16784 JLS 41130 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 30, 35, and 60 as follows:

6 (820 ILCS 80/30)

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

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

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

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

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

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

20 (5) ensures the portability of benefits; and

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

1 (b) Appoint a trustee to the IRA Fund in compliance with
2 Section 408 of the Internal Revenue Code.

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

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

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

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

24 (f) Determine the number and duties of staff members needed
25 to administer the Program and assemble such a staff, including,
26 as needed, employing staff, appointing a Program

1 administrator, and entering into contracts with the State
2 Treasurer to make employees of the State Treasurer's Office
3 available to administer the Program.

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

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

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

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

1 (k) Accept any grants, appropriations, or other moneys from
2 the State, any unit of federal, State, or local government, or
3 any other person, firm, partnership, or corporation solely for
4 deposit into the Fund, whether for investment or administrative
5 purposes.

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

12 (m) Make provisions for the payment of administrative costs
13 and expenses for the creation, management, and operation of the
14 Program, including the costs associated with subsection (b) of
15 Section 20 of this Act, subsections (e), (f), (h), and (l) of
16 this Section, subsection (b) of Section 45 of this Act,
17 subsection (a) of Section 80 of this Act, and subsection (n) of
18 Section 85 of this Act. Subject to appropriation, the State may
19 pay administrative costs associated with the creation and
20 management of the Program until sufficient assets are available
21 in the Fund for that purpose. Thereafter, all administrative
22 costs of the Fund, including repayment of any start-up funds
23 provided by the State, shall be paid only out of moneys on
24 deposit therein. However, private funds or federal funding
25 received under subsection (k) of Section 30 of this Act in
26 order to implement the Program until the Fund is

1 self-sustaining shall not be repaid unless those funds were
2 offered contingent upon the promise of such repayment. The
3 Board shall keep total annual ~~administrative~~ expenses as low as
4 possible, but in no event shall they exceed 0.75% of the total
5 trust balance.

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

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

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

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

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

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

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

1 Choice Administrative Fund.

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

3 (820 ILCS 80/35)

4 Sec. 35. Risk management. The Board shall ~~annually~~ prepare
5 and adopt a written statement of investment policy that
6 includes a risk management and oversight program. This
7 investment policy shall prohibit the Board, Program, and Fund
8 from borrowing for investment purposes. The risk management and
9 oversight program shall be designed to ensure that an effective
10 risk management system is in place to monitor the risk levels
11 of the Program and Fund portfolio, to ensure that the risks
12 taken are prudent and properly managed, to provide an
13 integrated process for overall risk management, and to assess
14 investment returns as well as risk to determine if the risks
15 taken are adequately compensated compared to applicable
16 performance benchmarks and standards. The Board shall adopt
17 ~~consider~~ the statement of investment policy and any changes in
18 the investment policy at a public meeting of the Board. The
19 investment policy and any changes to the investment policy
20 shall be published on the Board's or Treasurer's website at
21 least 30 days prior to implementation of such policy ~~hearing~~.

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

23 (820 ILCS 80/60)

24 Sec. 60. Program implementation and enrollment. Except as

1 otherwise provided in Section 93 of this Act, the Program shall
2 be implemented, and enrollment of employees shall begin, within
3 24 months after the effective date of this Act. The provisions
4 of this Section shall be in force after the Board opens the
5 Program for enrollment.

6 (a) Each employer shall establish a payroll deposit
7 retirement savings arrangement to allow each employee to
8 participate in the Program at most nine months after the Board
9 opens the Program for enrollment.

10 (b) Employers shall automatically enroll in the Program
11 each of their employees who has not opted out of participation
12 in the Program using the form described in subsection (c) of
13 Section 55 of this Act and shall provide payroll deduction
14 retirement savings arrangements for such employees and
15 deposit, on behalf of such employees, these funds into the
16 Program. Small employers may, but are not required to, provide
17 payroll deduction retirement savings arrangements for each
18 employee who elects to participate in the Program. Small
19 employers' use of automatic enrollment for employees is subject
20 to final rules from the United States Department of Labor.
21 Utilization of automatic enrollment by small employers may be
22 allowed only if it does not create employer liability under the
23 federal Employee Retirement Income Security Act.

24 (c) Enrollees shall have the ability to select a
25 contribution level into the Fund. This level may be expressed
26 as a percentage of wages or as a dollar amount up to the

1 deductible amount for the enrollee's taxable year under Section
2 219(b) (1) (A) of the Internal Revenue Code. Enrollees may change
3 their contribution level at any time, subject to rules
4 promulgated by the Board. If an enrollee fails to select a
5 contribution level using the form described in subsection (c)
6 of Section 55 of this Act, then he or she shall contribute 3%
7 of his or her wages to the Program, provided that such
8 contributions shall not cause the enrollee's total
9 contributions to IRAs for the year to exceed the deductible
10 amount for the enrollee's taxable year under Section
11 219(b) (1) (A) of the Internal Revenue Code.

12 (d) Enrollees may select an investment option from the
13 permitted investment options listed in Section 45 of this Act.
14 Enrollees may change their investment option at any time,
15 subject to rules promulgated by the Board. In the event that an
16 enrollee fails to select an investment option, that enrollee
17 shall be placed in the investment option selected by the Board
18 as the default under subsection (c) of Section 45 of this Act.
19 If the Board has not selected a default investment option under
20 subsection (c) of Section 45 of this Act, then an enrollee who
21 fails to select an investment option shall be placed in the
22 life-cycle fund investment option.

23 (e) Following initial implementation of the Program
24 pursuant to this Section, at least once every year,
25 participating employers shall designate an open enrollment
26 period during which employees who previously opted out of the

1 Program may enroll in the Program.

2 (f) An employee who opts out of the Program who
3 subsequently wants to participate through the participating
4 employer's payroll deposit retirement savings arrangement may
5 only enroll during the participating employer's designated
6 open enrollment period or if permitted by the participating
7 employer at an earlier time.

8 (g) Employers shall retain the option at all times to set
9 up any type of employer-sponsored retirement plan, such as a
10 defined benefit plan or a 401(k), Simplified Employee Pension
11 (SEP) plan, or Savings Incentive Match Plan for Employees
12 (SIMPLE) plan, or to offer an automatic enrollment payroll
13 deduction IRA, instead of having a payroll deposit retirement
14 savings arrangement to allow employee participation in the
15 Program.

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

18 (i) The Board shall establish and maintain an Internet
19 website designed to assist employers in identifying private
20 sector providers of retirement arrangements that can be set up
21 by the employer rather than allowing employee participation in
22 the Program under this Act; however, the Board shall only
23 establish and maintain an Internet website under this
24 subsection if there is sufficient interest in such an Internet
25 website by private sector providers and if the private sector
26 providers furnish the funding necessary to establish and

1 maintain the Internet website. The Board must provide public
2 notice of the availability of and the process for inclusion on
3 the Internet website before it becomes publicly available. This
4 Internet website must be available to the public before the
5 Board opens the Program for enrollment, and the Internet
6 website address must be included on any Internet website
7 posting or other materials regarding the Program offered to the
8 public by the Board.

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

10 Section 99. Effective date. This Act takes effect upon
11 becoming law.