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Re: Comments on Secure Choice Savings Program Proposed Rules, 74 Ill. Adm. Code 721

July 30, 2018

Dear Chris Flynn and others in the Illinois State Treasurer's Office:

Heartland Alliance for Human Needs & Human Rights and Woodstock Institute appreciate the opportunity to comment on the Secure Choice Savings Program proposed rules. We welcome the opportunity to express our vigorous support of Illinois Secure Choice, which will be a critical new tool for Illinoisans to save for retirement and build wealth.

Heartland Alliance, one of the world's leading anti-poverty organizations, advances the human rights and responds to the human needs of endangered populations—particularly the poor, the isolated, and the displaced. Based in Illinois, we provide a comprehensive array of services in the areas of health, housing, jobs and justice – and lead state and national policy efforts, which target lasting change for individuals and society.

We advance policy solutions to build an equitable financial system that creates opportunity for all. As part of this work, we coordinate the Illinois Asset Building Group, a statewide coalition of financial empowerment practitioners, community organizations, advocates, and financial institutions that advocate for the tools Illinois families need to build financial security and prosperity. This has included advocacy for the creation of the Illinois Secure Choice Program to help workers have access to an employer-based retirement savings vehicle.

Woodstock Institute is a leading nonprofit research and policy organization in the areas of equitable lending and investment, wealth creation and preservation, and access to safe and affordable financial products and services. We work locally and nationally to create a financial system in which lower-wealth persons and

communities of color can safely borrow, save, and build wealth so that they can achieve economic security and community prosperity. Our key tools include: applied research; policy development; coalition building; and technical assistance.

Illinois families and communities continue to struggle to maintain financial security and get ahead. Nearly one-third of Illinoisans are liquid asset poor, meaning they would not have enough savings to live at the poverty level for just three months if they lost their source of income. Over 2.5 million Illinois workers do not have access to a retirement savings plan through their employer, which means that over half of private sector workers expect to retire on Social Security alone.¹ Across all measures of financial health, significant racial disparities exist. Almost half of black households in Illinois are liquid asset poor, while one-quarter of white households are liquid asset poor, and white Illinois households have 29 times the net worth of black households.²

Secure Choice will help address asset poverty and the racial wealth divide in Illinois by creating a savings program that is automatic for employees at eligible employers, which will promote participation in the Program and make it easy for workers to save for retirement.

We appreciate the Illinois State Treasurer's thoroughness in the proposed rules for Secure Choice, and your attention to feedback to ensure that the Program implementation meets the needs of workers who have low-incomes, women workers, immigrant workers, workers who have limited English proficiency (LEP), and others who may face particular barriers in accessing the Program. Our comments highlight elements of the proposed rules that we strongly support, and provides recommendations to ensure that Secure Choice meets the needs of all Illinoisans.

1. We strongly support low fees, program simplicity, and broad eligibility

Low fees are essential for the Program to meet the needs of workers with low incomes

We applaud the investment principle in Section 721.330 ensuring that Secure Choice is low-cost and administered in way that "minimizes fees to participants," as well as the program fee limit of 75 basis points, as outlined in Section 721.360. This is critical for employees with low wages and for people who may be saving in an investment account for the first time. Low account fees diminish the barriers to participating in the Program and will help participants maximize their investment

¹ Cowan, S. (2012, September). Coming Up Short: The Scope of Retirement Insecurity Among Illinois Workers. Chicago: Woodstock Institute and Illinois Asset Building Group. Available at <http://illinoisassetbuilding.org/resource/>

² Prosperity Now. (2018). Prosperity Now Scorecard. Available at: <http://scorecard.prosperitynow.org/>

returns and maintain a healthy account balance. We encourage the Illinois Secure Choice Board and the Treasurer's Office to keep fees as low as possible.

Simple and clear investment options

We support Section 721.330(e), allowing the Board to establish investment options for a Life-Cycle Fund Option, State Portfolio Investment Option, and/or Capital Preservation Option, which will allow participants to choose from a range of investment options with different risk profiles.

In selecting and communicating about the investment options, we encourage the State Treasurer's Office to limit the number of options available and to provide clarity on the differences between the investment options. In our report *Equitable Access to Secure Choice*,³ the feature of employer-sponsored retirement plans that survey respondents and focus group participants found *least* valuable was the ability to choose from various investment options.

Finally, we agree with the selection of the Life-Cycle Fund Option as the default investment option, as it automatically manages and accounts for risk over time as the target retirement date gets closer.

Including the taxpayer ID number in the enrollment process will ensure that all Illinoisans have access to the Program

We applaud the enrollment guidelines provided in Section 721.410, particularly allowing the account administrator to accept a taxpayer ID number as well as a social security number. This will ensure that all Illinoisans can save for retirement using Secure Choice, regardless of their immigration status.

We support the ability for all employers to participate in Secure Choice

We adamantly support the eligibility criteria detailed in Section 721.400 and Section 721.420, which allows small employers and large employers to choose to offer the Program to their employees. This will increase access to retirement savings, especially for employees at small employers who may not currently offer any employer-sponsored retirement savings plan. Allowing broader participation in Secure Choice will also allow the Program to achieve greater scale, efficiency, and sustainability through increased participation.

Portability is necessary to help workers save throughout their lifetime

Section 721.500(b), stating that each participant shall have only one account, is a critical feature of Secure Choice because it will allow workers to carry the account from job to job and build retirement savings throughout their lives. We are glad to see account portability included clearly in the proposed rules.

³ Carella, A. & Farooqui, S. (2017, November). *Equitable Access to Secure Choice: Addressing the Barriers to Retirement Savings for Illinois Workers*. Chicago: Social IMPACT Research Center. Available at www.heartlandalliance.org/research

2. Recommendations to improve Secure Choice and ensure that it meets the needs of all Illinoisans

Ensure that all Illinoisans, not just Illinois employees, can elect to participate in Secure Choice

We support the principle behind Section 721.400, allowing individuals who do not work for employers who offer Secure Choice to participate in the Program. This broad eligibility encourages participation and increases access for Illinois workers.

However, Section 721.400(d) states that “any employee who works for an employer that does not offer the Program may set up his or her own account,” while Section 721.420(e) states that “the Board may allow individuals who do not work for a participating employer to enroll in the Program.” The former implies that only individuals that are employed at a non-participating employer may open their own account, while the latter implies that any individual -- employed or not -- may open their own account as long as they are not employed at a participating employer.

We encourage the Treasurer’s Office to clarify these sections and to allow any individual, regardless of their employment status, to open a Secure Choice account, as long as they are not employed at a participating employer. This will increase access to retirement savings vehicles for all Illinoisans.

All employee materials should be clear, accessible, and simple

Our report on Secure Choice implementation³ found that many workers with low incomes distrust financial institutions, employers, and the government. Because of this, it is important that communications with Secure Choice participants are easy to understand and provide clarity about the Program features.

The proposed rules should indicate that communications to participants about the Program, including the employee information packet and account statements outlined in Section 721.520, should be written as clearly and simply as possible, within the limits of what is legally required.

The rules should allow for Program materials in additional languages

There is a vast body of evidence showing that non-native English speakers face significant barriers to engaging with financial products. Our report highlighted the need for Secure Choice to be accessible to workers with Limited English Proficiency.³ We urge the proposed rules to allow the Board and the account administrator to create program materials in additional languages. At a minimum, the account administrator should be required to provide a hotline for Secure Choice participants who speak languages other than English.

The account administrator and Board should be allowed to refer participants to vetted institutions and programs that support financial capability

Many of the Illinois workers who will participate in Secure Choice will be facing barriers to financial security, and may be living paycheck to paycheck. Many

workers with low and/or volatile wages do not have emergency savings accounts at all, or struggle to save for emergencies while making ends meet. In *Equitable Access to Secure Choice*³, we found that 80% of survey respondents had less than \$5,000 in non-retirement savings, and more than half had not used a savings account in the prior three years.

The moment of enrollment and participation in Secure Choice is a key opportunity to provide additional financial capability support, such as helping participants create a budget, manage debt, or open an emergency savings account. We encourage the Treasurer's Office to allow the Board and account administrator to refer participants to vetted institutions who can provide financial coaching and financial capability services.

Provide notice to participants about potential penalties of early withdrawal

Given that many individuals participating in the Program will have low wages and little or no emergency savings, participants may consider early withdrawals from Secure Choice accounts in the event of an emergency. It is of the utmost importance that Program participants are aware, upon opening of the account, of the potential penalties for early withdrawals, and at the point that they are considering making an early withdrawal. The proposed rules should require the account administrator to notify participants at the time of enrollment about the potential for penalties, and again at the point when a participant submits a withdrawal request to the account administrator, as outlined in Section 721.610.

Clarify that small employers include self-employed individuals

With more and more people, including older adults, turning to the gig economy and entrepreneurship to make a living, it is important to be clear about where they fit in the eligibility criteria for Secure Choice. Many of these jobs do not include benefits or retirement savings options, and so we encourage the Treasurer's Office to clarify that self-employed individuals are included in the "small employers" definition so they can participate in the Program.

3. Conclusion

We applaud the Illinois Treasurer's Office for promulgating proposed rules that will make Illinois Secure Choice a safe, simple, and accessible way for Illinois workers to save for retirement. We are particularly pleased with the focus on low fees, broad eligibility criteria, and serving the best interest of Secure Choice participants.

We also urge the Treasurer's Office to ensure that all Illinoisans can participate in Secure Choice, emphasize the importance of simple and clear communications to participants, offer materials in additional languages, and provide robust notification about the potential penalties of early withdrawals.

Thank you for taking the time to thoughtfully review our comments. We are happy to answer any questions. You can contact Jody Blaylock, Project Manager of Financial Empowerment Policy at Heartland Alliance at 312-870-4932 or jblaylock@heartlandalliance.org, or Brent Adams, Senior Vice President of Policy and Communication at Woodstock Institute at 312-368-0310.

Sincerely,

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