



# **The Secure Choice Retirement Savings Program**

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- Retirement Security
- What is Secure Choice?
- Economic Impact and Benefits

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## *Retirement remains the top financial concern for Americans across the country*

- Financial experts typically suggest saving between 10 and 15% of your wages for retirement, and to practice a balanced approach to savings—using employer saving benefits, individual savings, and Social Security to prepare for retirement.
- Unfortunately, according to a July 2014 survey by the Federal Reserve, only 43% of Americans have an employer provided 401(k) or 403(b) retirement savings plan, and only 23% have an Individual Retirement Account (IRA).
- A 2013 study by the New School found that the median retirement savings for households without an employer-sponsored retirement savings plan was \$0, where the median was \$55,000 for households that have employer offered defined contribution plans, and \$52,673 for employer offered defined benefit plans.

# **The Problem**

## *Retirement security is also a problem in Illinois*

- Illinois is no different than the rest of the country in terms of retirement security.
- An Estimated 1.2 million workers employed in Illinois-based businesses with 25 or more employees don't have an employer provided retirement plan.

# Illinois Problem

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## Illinois Workers without Retirement Savings Plans by Sector

<b>Employment Sector</b>	<b>Est. Emp without Retirement Plan</b>
Agriculture, Forestry, Fishing and Hunting	3,200
Mining	2,903
Utilities	242
Construction	41,024
Manufacturing	88,998
Wholesale Trade	54,764
Retail Trade	168,607
Transportation and Warehousing	37,253
Information	9,878
Finance and Insurance	19,822
Real Estate and Rental and Leasing	20,495
Professional, Scientific, and Technical Services	71,861
Management of Companies and Enterprises	6,931
Administrative and Support	112,884
Education Services	35,045
Health Care and Social Assistance	191,433
Arts, Entertainment, and Recreation	24,847
Accommodation and Food Services	258,378
Other Services	51,774
Other	64
<b>Total</b>	<b>1,200,324</b>

# Illinois Problem

*Illinois has passed a state-managed, automatic enrollment retirement option*

- Signed into law in January, 2015, the Illinois Secure Choice Savings Program Act is a state-run retirement savings program that has an automatic enrollment for all businesses that:
  - Have been operating in Illinois for at least two years,
  - Have at least 25 employees,
  - Do not currently offer an approved retirement savings plan.

# Secure Choice

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*Secure Choice provides an additional retirement option for Illinois workers*

- Secure Choice automatically enrolls all full-time employees working for qualified businesses into a direct deduction retirement savings plan.
- These employees can choose any level of direct contribution they would like, including opting out of the program entirely.
- Unless otherwise stipulated by the employee, workers will have 3 percent of their paycheck automatically deducted into a Roth IRA.

# Secure Choice

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*Secure Choice will provide a multitude of investment options to Illinois workers*

- The Secure Choice program will offer enrollees the ability to diversify their portfolio by asset class, they will have a range of choices based on their risk tolerance, and they will be able to choose from actively or passively managed funds, as well as proprietary or non-proprietary funds.
- The Secure Choice Program will also contain a default investment option, designated under state law currently as a life cycle fund, but can be changed by the Secure Choice board.

# Investment Options

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*Secure Choice enrollees will have a wide range of risk tolerance options to select from*

- The program will offer four broad investment approaches:
  - Life-Cycle Funds
  - Target Portfolios
  - Individual Fund Portfolios
  - Index/ETF funds.

# Investment Risk

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## *Secure Choice fees will be similar to defined contribution private savings plans*

- The Secure Choice Board is charged with keeping annual administrative expenses as low as possible, but in no event shall they exceed 0.75% of the total balance.
  
- There are two fee options that are possible for Secure Choice:
  - A flat fee can be assessed per enrollee – similar to Illinois Deferred Compensation, which assesses a \$7.50 quarterly fee (\$30 annually) to all enrollees with account balances over \$3,000
  - Or, a percentage-based fee can be assessed on the balance of investments (e.g. 0.40%)—The latter is more progressive (those with higher balances contribute more).

## Example Fee Structure

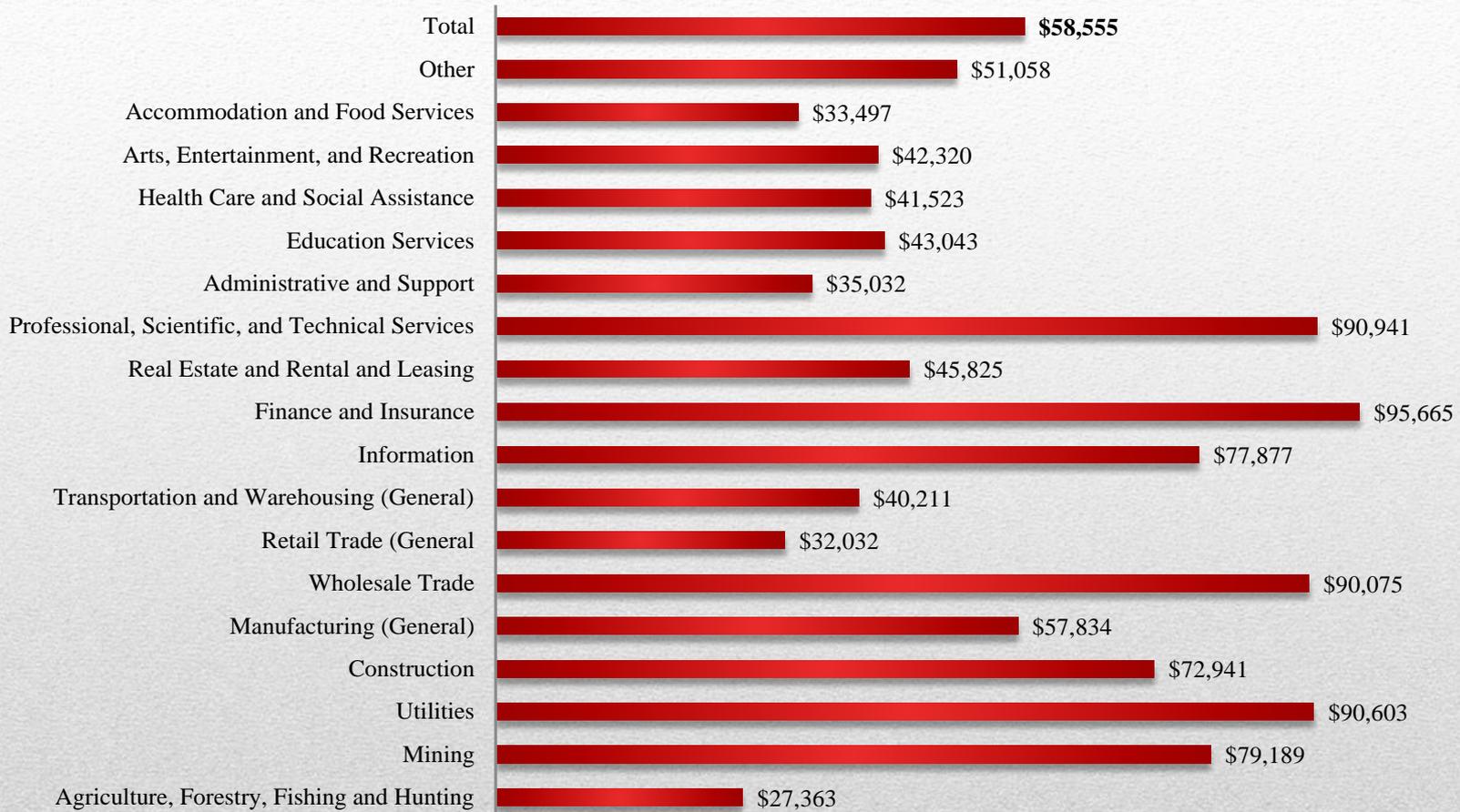
Vendor	Entity	Services	Fee Schedule	Expense Ratio	Projected Annual Fees
Program Manager	Recordkeeper	Recordkeeping, Marketing, Program Admin	Program Management Service Fee	0.19%	\$9,500,000
Administrator	Treasurer's Office	Management, Oversight, Outreach, Enforcement	Administrative Fee	0.05%	\$2,500,000
Investment Managers	(Proprietary, Non-proprietary funds)	Investment Management	Investment Management Fees	0.45%	\$22,500,000
<b>TOTAL Program Fees</b>				<b>0.69%</b>	<b>\$34,500,000</b>

# Cost of Program

*Secure Choice will have a positive impact on the individual and community*

- Secure Choice will have a continuous positive impact on the economy, given the high consumption rate of these retirees. An average Illinois worker retiring at 67 with \$173,237 in Secure Choice savings is expected to create between \$1,154,913 and \$3,464,740 in exogenous spending benefits to the economy.
- While each worker's impact on the economy will be different, the delayed spending benefits plus the creation of new wealth through investment will have a large impact on local economies—especially given the program is expected to help delay the need for some age-targeted social programming.

## Expected Average Total Contributions by Sector (Retirement by 67)



# Expected Total Contributions 13

## Expected Average Total Investment Benefits by Sector (Retirement by 67)



# Expected Total Benefits

## Expected Average Total Savings by Sector (Retirement by 67)



# Expected Total Savings

*Secure Choice will have a positive impact on the individual and community*

- Secure Choice will not be the be-all-end-all solution to retirement security in Illinois. However, the program will provide much needed structure to a balanced retirement savings pool.
- Secure Choice will allow Illinois residents to delay their use of Social Security and government aging benefits—which will help extend their wealth in retirement.

# Secure Choice Benefits

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