# Illinois Secure Choice Savings Program

Frequently Asked Questions

**What is the Illinois Secure Choice Savings Program?**

The Illinois Secure Choice Savings Program is a new program that will be available to Illinois workers beginning in the summer of 2017. It is one way to help private sector workers save their own money for retirement.

**Am I eligible to participate in Secure Choice?**

If you work at an employer that has been operating for at least 2 years, employs 25 or more workers a year, and doesn't already offer you a retirement savings option then you are eligible to participate in the program. If you fall outside of this description, you may be able to participate another way. There should be more information on that shortly.

**How does Secure Choice Work?**

Workers are automatically enrolled in the program, but can chose not to participate. Workers that don't opt-out can chose to save a portion of their paycheck into a Roth IRA through automatic deductions from their paycheck. During enrollment, workers may choose an account type and determine their level of contribution. For the worker who chooses the default option, she or he will contribute 3% of every paycheck to a target date life-cycle fund. A worker can change her or his investment amount and type.

**What is a Roth IRA?**

A Roth Individual Retirement Account is an after-tax investment vehicle for retirement focused investing. Your income is invested into a Roth IRA after it has been taxed but it is not taxed when it's withdrawn for a qualified distribution.

**What is a qualified distribution for a Roth IRA?**

All "qualified" Roth IRA distributions are tax-free. A distribution is deemed "qualified" when money has been in the account for at least five years and the owner is at least 59 and a half years old, or has become disabled, dies, or is using up to $10,000 towards a first time home purchase.

**How much can I contribute annually?**

Individuals under the age of 50 may contribute up to $5,500 per year. If you are over 50, you can contribute up to $6,500.

**What happens if a worker leaves his/her job?**

Secure Choice Savings Accounts are completely portable. This means that when a worker leaves one job s/he can simply give the account number to her or his new employer for a payroll deduction. Likewise, a person with two jobs can give the same account number for a payroll deduction at each job.

**Which businesses participate in the Program?**

A business that: (1) has 25 or more employees; (2) has been in business for at least two years; and (3) doesn't currently offer an employment-based retirement plan for its employees will participate in the Program. Businesses already offering a retirement plan to their workers cannot participate.

**Who will administer the Program?**

The Program will be administered by a Board consisting of the State Treasurer (who will serve as chair), the Illinois Comptroller, the Director of the Governor's Office of Management and Budget (GOMB), two individuals with financial investment and/or retirement savings expertise, an individual representing employers, and an individual representing enrollees. These last four members will be appointed by the Governor, subject to the approval of both the Illinois Senate and the State Treasurer. Members will serve without compensation and will have staggered terms. The Board will make a Request for Proposals (RFP) to choose investment firms to manage the fund.

**How are the funds protected?**

The Board will be required to annually prepare a written statement of investment policies that includes a risk management and oversight program. This program will be designed to monitor risk levels of the Secure Choice Savings Program and fund portfolio, ensure proper management of any assumed risks, and assess investment return and risks taken as compared to applicable performance benchmarks and standards. To ensure that administrative fees are controlled, the Board is required to consider and give weight to the investment manager's fees and charges during the RFP process and no more than 0.75 percent of the fund can be used to cover administrative or managerial fees. The Board will be required to conduct a review of the performance of any investment vendors every 4 years, including, but not limited to, a review of returns, fees, and customer service. The results of these reviews will be made publicly available on the Program's website.

**Why does Illinois need a retirement savings program?**

Over 2.5 million workers in Illinois lack access to an employment-based retirement plan. That means that over half of the private sector workforce is expected to retire on Social Security alone, along with any savings they are able to accumulate without the benefit of a payroll deduction at work, because their employers don't provide access to pensions, 401(k)s or IRAs. This problem is not concentrated in one part of Illinois but is spread throughout the state, affecting at least 50% of private sector workers in every legislative district. This inability to easily save for retirement through work is contributing to increased retirement insecurity and an overreliance on Social Security.

Social Security was never intended to be the sole source, or even main source, of retirement income. However, for nearly two-thirds of today's retirees, SS provides the majority of their income, and for over one-third of retirees, it accounts for 90% of their income. Because of the growing number of workers without access to employer-sponsored plans, these already-startling numbers will increase dramatically unless we create the Secure Choice Retirement Savings Program.

Illinois workers need access to easy and convenient tools to build retirement savings. Without them, more people will experience a drastically reduced quality of life in retirement. Many will fall into poverty, creating an increased burden on families, communities, and the state.