Illinois
Secure Choice
Retirement Savings Program

BASIC FINANCIAL STATEMENTS
June 30, 2019
(With Independent Auditor's Report Thereon)

Illinois Secure Choice
Retirement Savings Program

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INDEPENDENT AUDITOR'S REPORT

Members of the Illinois Secure Choice Savings Board
Office of the Illinois State Treasurer
Ascensus College Savings Recordkeeping Services, LLC, Program Administrator
Illinois Secure Choice Savings Program

Report on the Basic Financial Statements

We have audited the accompanying statement of fiduciary net position and statement of changes in fiduciary net position of the **Illinois Secure Choice Retirement Savings Program,** also known as **Illinois Secure Choice** (the Program)**,** as of June 30, 2019 and for the period from July 2, 2018 (the Program Launch Date) through June 30, 2019, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements.

Management's Responsibility for the Basic Financial Statements

Management is responsible for the preparation and fair presentation of these basic financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of basic financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the basic financial statements referred to on the preceding page present fairly, in all material respects, the fiduciary net position of the Program as of June 30, 2019, and the changes in fiduciary net position for the period from July 2, 2018 through June 30, 2019, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in Note 1 to the financial statements, the Program is a fiduciary fund of the state of Illinois. These basic financial statements present only the activities and balances attributable to the Program and do not purport to, and do not, present fairly the fiduciary net position or changes in fiduciary net position of any other fiduciary funds of the state of Illinois. Our opinion is not modified with respect to this matter.

Other Matter – Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 through 12 be presented to supplement the Program's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, as it is considered to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information in management's discussion and analysis because the limited procedures we performed do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2019, on our consideration of the Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Program's internal control over financial reporting and compliance.

Landmark PLC
Certified Public Accountants

October 18, 2019
Little Rock, Arkansas

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Management's Discussion and Analysis

(Unaudited)

Illinois Secure Choice
Retirement Savings Program

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2019

This management's discussion and analysis is intended to provide readers an objective discussion of the financial statements of the **Illinois Secure Choice Retirement Savings Program,** also known as **Illinois Secure Choice** (the Program) as of June 30, 2019, and for the period from July 2, 2018 (the Program Launch Date) through June 30, 2019. This discussion and analysis, which is supplementary information required by the Governmental Accounting Standards Board (GASB), is intended to provide a highly summarized overview of the Program's assets, liabilities, fiduciary net position and changes in fiduciary net position and should be read in conjunction with the Program's financial statements and notes thereto, which are included on pages 14 through 24.

* * * * *

The Illinois Secure Choice Savings Program Act (820 ILCS 80/1 et seq.) (the Act) established the Program as a retirement savings program in the form of an automatic enrollment payroll deduction Roth Individual Retirement Account (Roth IRA) for the purpose of promoting greater retirement savings for Illinois employees in a convenient, low-cost and portable manner. The Program is a workplace retirement savings option designed to help workers who do not have access to an employer-sponsored plan to save money for retirement. The Act requires eligible employers to facilitate the Program by providing their employees with the opportunity to save through payroll deductions, unless the employer offers a qualified plan, as specified in the Act. Employees are automatically enrolled into the Program by their employer, unless the employees opt out of the Program within 30 days after notice of their enrollment has been provided to them. Employee participation in the Program is completely voluntary. The employers make no contributions to participant accounts. Subject to laws and regulations applicable to Roth IRA accounts, participants may make tax-free withdrawals of contributions and qualified distributions of earnings.

The Illinois Secure Choice Savings Board (the Board), also established under the Act, is an independent board responsible for oversight, administration and management of the Program. The Board consists of the State Treasurer (or his or her designee), who serves as chair; the State Comptroller (or his or her designee); the Director of the Governor's Office of Management and Budget (or his or her designee); two public representatives with expertise in retirement savings plan administration or investments, or both, appointed by the Governor; a representative of participating employers, appointed by the Governor; and a representative of enrollees, appointed by the Governor. The Board intends that the Program be operated in such a manner as not to be considered a pension plan under Title I of the Employee Retirement Income Security Act (ERISA). Changes in or interpretations of laws and regulations could have a significant impact on the structure of the Program.

Pursuant to the Act, contributions to the Program are held in the Illinois Secure Choice Savings Program Fund (the Fund), a trust for which the Board is trustee. The Act further specifies that amounts deposited in the Fund shall not be construed to be a department, institution or agency of the State of Illinois (the State), and amounts on deposit in the Fund shall not be commingled with other State funds. The State has no claim to or against, or interest in, assets held in the Fund.

Illinois Secure Choice
Retirement Savings Program

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2019

The Board has entered into a contract with Ascensus College Savings Recordkeeping Services, LLC (ACSR), pursuant to which ACSR serves as the Program Administrator. ACSR and its affiliates are responsible for day-to-day Program operations, such as establishing and maintaining accounts for participating employees, processing participant instructions as directed, issuing Program account statements and fulfilling Internal Revenue Service (IRS) reporting requirements.

Financial Highlights

The following highlight some of the Investment Plan's key financial results:

- As of June 30, 2019, 740 employers had registered with the Program, and 65 had begun remitting payroll deductions to the Program.
- The number of active accounts totaled 13,283 at June 30, 2019, and the average active account balance totaled approximately $237 at June 30, 2019.
- At June 30, 2019, the Program's fiduciary net position totaled $3.1 million.
- During the period from the Program Launch Date through June 30, 2019, contributions exceeded withdrawals by $3.0 million. Contributions for the year ended June 30, 2019, totaled $3.4 million. Withdrawals for the year ended June 30, 2019 totaled $340.8 thousand.
- For the year ended June 30, 2019, the Program experienced net investment income of $113.5 thousand, resulting from net appreciation in the fair value of investments totaling $77.5 thousand and dividends and interest totaling $36.0 thousand.
- Administrative fees totaled $6.0 thousand for the year ended June 30, 2019. These fees, which are based on the Program's fiduciary net position, are paid to ACSR and the state for performing oversight, administrative and investment duties.

Overview of the Basic Financial Statements

The Program's basic financial statements comprise the statement of fiduciary net position, the statement of changes in fiduciary net position and the related notes to the financial statements. The statement of fiduciary net position presents information on the Program's assets and liabilities, with the difference between them representing net position held in trust for Program participants. The statement of changes in fiduciary net position shows how the Program's fiduciary net position changed during the year. The notes to the financial statements provide additional explanatory information about the amounts presented in the financial statements. It is essential that readers of this report consider the information in the notes to obtain a full understanding of the Program's financial statements.

The Program is included in the financial reporting entity of Illinois as a fiduciary fund. A fiduciary fund is used to report assets held by a government in a trust or agency capacity for others and cannot be used to support the government's own programs.

Overview of the Basic Financial Statements *(Continued)*

The Program's basic financial statements are prepared in accordance with accounting and financial reporting standards for governmental entities set forth by the GASB. As required under generally accepted accounting principles applicable to fiduciary fund types, the Program's basic financial statements are prepared using the accrual basis of accounting. Mutual funds are reported at fair value. All investment transactions are recorded on a trade-date basis. Changes in the fair value of investments, along with realized gains (losses), are reported as net appreciation (depreciation) on the statement of changes in fiduciary net position. Dividends and capital gain distributions are recorded on the ex-dividend date rather than when they are received. Contributions to the Program are recognized when they are received, provided enrollment in the Program has been successfully completed, and withdrawals are recognized when the withdrawal request has been received and approved for payment. Administrative fees are recognized in the period when the related services are provided, regardless of when cash is paid.

Financial Analysis

Fiduciary Net Position

The following condensed statement of fiduciary net position provides a "snapshot" of the overall financial position of the Program:

Total assets	$	3,194,047
Total liabilities		48,804
Fiduciary net position	$	3,145,243

Fiduciary net position represents the cumulative total of contributions from account owners since the Program's inception, increased (decreased) by net investment income (loss), and decreased by withdrawals and administrative fees.

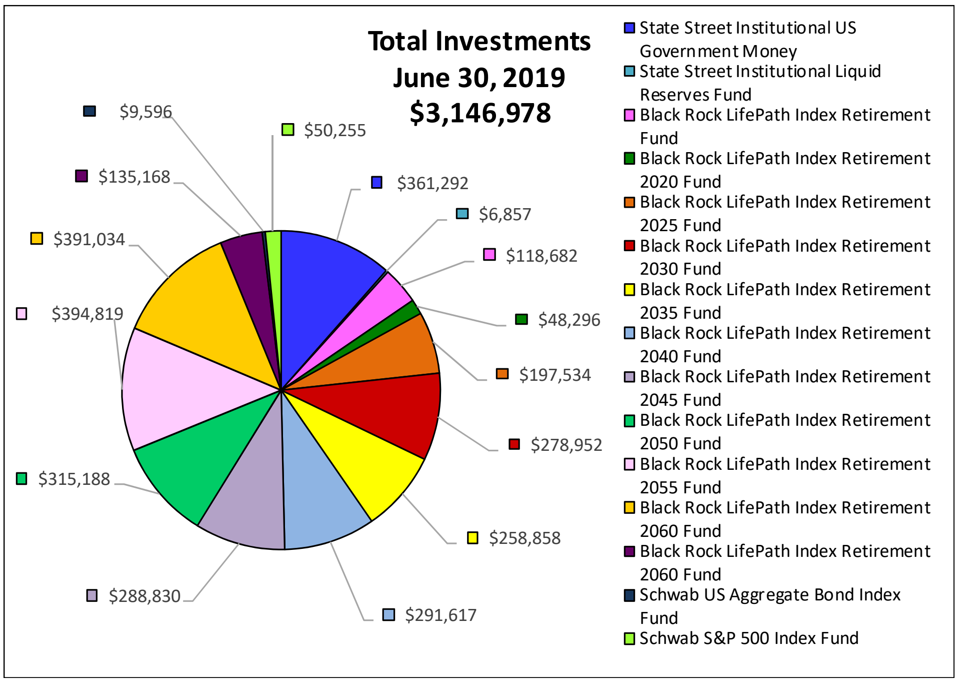
Investments, which totaled $3.1 million at June 30, 2019, represent over 99% of the Program's total assets. Account owners are able to direct investment of their contributions into investment options, each of which is invested in a single underlying mutual fund. See the Investment Commentary on pages 9 through 12 for more information about the Program's investments.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2019

Financial Analysis *(Continued)*

Fiduciary Net Position *(Continued)*

At June 30, 2019, the Program's assets are invested in the following mutual funds:



Other assets, which totaled $47.1 thousand at June 30, 2019, comprise amounts to be invested or distributed on behalf of participants and receivables for proceeds from underlying mutual fund sales transactions. The Program's liabilities, which totaled $48.8 thousand at June 30, 2019, comprise accrued administrative fees, payables for withdrawals approved but not yet paid and payables for underlying mutual fund purchase transactions.

Illinois Secure Choice
Retirement Savings Program

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2019

Financial Analysis *(Continued)*

Changes in Fiduciary Net Position

The following condensed statement of changes in fiduciary net position summarizes how the Program's net position changed during the period from the Program Launch Date to June 30, 2019:

Contributions	$ 3,378,533
Net investment income	113,478
Withdrawals	(340,812)
Administrative fees	(5,956)
Net increase	3,145,243
Fiduciary net position, beginning of period	-
Fiduciary net position, end of period	$ 3,145,243

Investment Commentary

The following provides a brief description the Program's investments. More complete information can be found in the Illinois Secure Choice Program Disclosure Statement or in each mutual fund's prospectus and annual report.

The Program offers a range of investment strategies from conservative to aggressive, designed to appeal to varying levels of risk tolerance, time horizons and return expectations. Each investment option invests in a single underlying mutual fund. Participants purchase units of investment options, not shares of the underlying mutual fund. These units are municipal securities.

SSGA Funds Management, Inc. (State Street), BlackRock Fund Advisors (BlackRock) and Charles Schwab Investment Management, Inc. (Schwab) manage the underlying mutual funds that comprise each investment option.

The Target Retirement Funds are a mix of equity, fixed income and capital preservation allocations managed by BlackRock that adjust automatically over time, becoming progressively more conservative as the target date of retirement approaches. Each Target Retirement Fund is fully invested in its corresponding fund in the BlackRock LifePath Index Target Date Suite. Due to BlackRock having yet to launch a 2065 fund within the LifePath Index Target Date Suite, the BlackRock LifePath Index 2060 Fund is the underlying fund for both the Target Retirement 2060 and 2065 investment options.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2019

Investment Commentary *(Continued)*

The Capital Preservation Fund is the most conservative fund available to participants. This fund has one underlying fund, the State Street Institutional Liquid Reserves Institutional Fund, which is managed by State Street Global Advisors.

The Conservative Fund is a fund with one underlying holding, the Schwab US Aggregate Bond Index fund, which is designed to track the performance of the Bloomberg Barclays US Aggregate Bond Index. The underlying fund is managed by Schwab.

The Growth Fund is a fund with one underlying holding, the Schwab S&P 500 Index fund, which is designed to track the performance of the S&P 500 Index. The underlying fund is managed by Schwab.

The 90 Day Holding Vehicle is not a stand-alone investment option, but is an administrative vehicle that seeks to preserve the value of employee contributions for the length of the Account Revocation Period. The 90 Day Holding Vehicle is only available to those participants who have elected the default contribution elections, as described in more detail in the Program disclosure statement. The Account Revocation Period is the period of time starting from the date a Roth IRA account is established and the employee receives the disclosure statement, and ending the earlier of 90 days after the first contribution or after the close of business on the business day that an alternate contribution election is made. The Account Revocation Period must last a minimum of seven days from the date the Roth IRA is established and the employee receives a disclosure statement.

Portfolio Performance

All investment options and the 90 Day Holding Vehicle have an inception date of July 2, 2018. During the period from July 2, 2018 and June 30, 2019, all underlying mutual funds experienced positive returns. US equity was the strongest component since inception of the Program, although US fixed income has also performed very well over the past 12 months.

Investment Commentary *(Continued)*

Portfolio Performance *(Continued)*

Returns for each of the investment options and the 90 Day Holding Vehicle for the period from the Program Launch Date through June 30, 2019, are listed in the following table:

Investment Option	Returns
90 Day Holding Vehicle [(1)]	1.40%
Capital Preservation Fund	1.70%
Conservative Fund	7.20%
Growth Fund	9.30%
Target Date Retirement Fund	6.30%
Target Date Retirement Fund 2020	6.30%
Target Date Retirement Fund 2025	6.40%
Target Date Retirement Fund 2030	6.60%
Target Date Retirement Fund 2035	6.60%
Target Date Retirement Fund 2040	6.60%
Target Date Retirement Fund 2045	6.60%
Target Date Retirement Fund 2050	6.80%
Target Date Retirement Fund 2055	6.70%
Target Date Retirement Fund 2060	6.70%
Target Date Retirement Fund 2065	6.70%

[(1)] Not a stand-alone investment option. See description on page 10.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2019

Investment Commentary *(Continued)*

Underlying Fund Performance

Each underlying mutual fund is listed below with one-year annual returns for the year ended June 30, 2019:

Underlying Mutual Fund	June 30, 2019
State Street Institutional US Government Money Market Fund	2.15%
State Street Institutional Liquid Reserves Fund	2.36%[1]
Schwab US Aggregate Bond Index	7.72%
Schwab S&P 500 Index Fund	10.37%
BlackRock LifePath Index Retirement Fund	6.78%
BlackRock LifePath Index 2020 Fund	6.76%
BlackRock LifePath Index 2025 Fund	6.83%
BlackRock LifePath Index 2030 Fund	7.92%
BlackRock LifePath Index 2035 Fund	6.84%
BlackRock LifePath Index 2040 Fund	6.80%
BlackRock LifePath Index 2045 Fund	6.82%
BlackRock LifePath Index 2050 Fund	6.72%
BlackRock LifePath Index 2055 Fund	6.73%
BlackRock LifePath Index 2060 Fund	6.76%

[1] The State Street Institutional Liquid Reserves Fund was not funded until July 5, 2018 and annual returns are not available.

Basic Financial Statements

STATEMENT OF FIDUCIARY NET POSITION
June 30, 2019

ASSETS	
Investments	$ 3,146,978
Cash and cash equivalents	45,554
Receivables for investments sold	1,515
Total Assets	3,194,047
LIABILITIES	
Payables for investments purchased	22,534
Withdrawals payable	24,765
Accrued administrative fees	1,505
Total Liabilities	48,804
FIDUCIARY NET POSITION	$ 3,145,243

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Period from July 2, 2018 (Program Launch Date) through June 30, 2019

ADDITIONS	
Contributions	$ 3,378,533
Investment income:	
Dividend income	35,992
Net appreciation in fair value of investments	77,486
Net investment income	113,478
Total Additions	3,492,011
DEDUCTIONS	
Distributions	340,812
Fees	5,956
Total Deductions	346,768
NET INCREASE	3,145,243
FIDUCIARY NET POSITION, BEGINNING OF PERIOD	-
FIDUCIARY NET POSITION, END OF PERIOD	$ 3,145,243

See accompanying notes to financial statements.

Illinois Secure Choice
Retirement Savings Program

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 1: ORGANIZATION AND NATURE OF OPERATIONS

The following provides a brief description of the Illinois Secure Choice Savings Program, also known as Illinois Secure Choice (the Program). For more information and disclosures about the Program, refer to the Program's website at saver.ilsecurechoice.com or call 1-855-650-6914.

(c) General

The Illinois Secure Choice Savings Program Act (820 ILCS 80/1 et seq.) (the Act) established the Program as a retirement savings program in the form of an automatic enrollment payroll deduction Roth Individual Retirement Account (Roth IRA) for the purpose of promoting greater retirement savings for Illinois employees in a convenient, low-cost and portable manner. The Program is a workplace retirement savings option designed to help workers who do not have access to an employer-sponsored plan to save money for retirement. The Act requires eligible employers to facilitate the Program by providing their employees with the opportunity to save through payroll deductions, unless the employer offers a qualified plan, as specified in the Act. Employees are automatically enrolled into the Program by their employer, unless the employees opt out of the Program within 30 days after notice of their enrollment has been provided to them. Employee participation in the Program is completely voluntary. The employers make no contributions to participant accounts. Subject to laws and regulations applicable to Roth IRA accounts, participants may make tax-free withdrawals of contributions and qualified distributions of earnings.

The Illinois Secure Choice Savings Board (the Board), also established under the Act, is an independent board responsible for oversight, administration and management of the Program. The Board consists of the State Treasurer (or his or her designee), who serves as chair; the State Comptroller (or his or her designee); the Director of the Governor's Office of Management and Budget (or his or her designee); two public representatives with expertise in retirement savings plan administration or investments, or both, appointed by the Governor; a representative of participating employers, appointed by the Governor; and a representative of enrollees, appointed by the Governor. The Board intends that the Program be operated in such a manner as not to be considered a pension plan under Title I of the Employee Retirement Income Security Act (ERISA). Changes in or interpretations of laws and regulations could have a significant impact on the structure of the Program.

Pursuant to the Act, contributions to the Program are held in the Illinois Secure Choice Savings Program Fund (the Fund), a trust for which the Board is trustee. The Act further specifies that amounts deposited in the Fund shall not be construed to be a department, institution or agency of the State of Illinois (the State), and amounts on deposit in the Fund shall not be commingled with other State funds. The State has no claim to or against, or interest in, assets held in the Fund.

NOTE 1: ORGANIZATION AND NATURE OF OPERATIONS (Continued)

(c) General *(Continued)*

The Program offers a range of investment options from conservative to aggressive, designed to appeal to varying levels of risk tolerance and return expectations. Each investment option invests in a single underlying mutual fund. Participants purchase units of investment options, not shares of the underlying mutual fund. These units are municipal securities.

The Office of the State Treasurer and the Board incur certain costs in providing administrative, marketing and oversight services to the Program. These costs are not paid directly from Program assets, are not reported as expenses in the accompanying financial statements and totaled approximately $1.2 million for the period from the Launch Date through June 30, 2019.

(b) Program Administrator

The Board has entered into a contract with Ascensus College Savings Recordkeeping Services, LLC (ACSR), pursuant to which ACSR serves as the Program Administrator. ACSR and its affiliates are responsible for day-to-day Program operations, such as establishing and maintaining accounts for participating employees, processing participant instructions as directed, issuing Program account statements and fulfilling Internal Revenue Service (IRS) reporting requirements.

(c) IRA Custodian

Ascensus Trust Company, an affiliate of ACSR, serves as the IRA Custodian responsible for providing a cashiering function and other responsibilities under Section 408(a) and other applicable provisions of the Internal Revenue Code.

(d) Municipal Securities Custodian

The Bank of New York Mellon is the Program's custodian of the municipal securities (i.e., the units issued to participants) and is responsible for maintaining the assets that are contributed to each investment option.

(e) Investment Managers

SSGA Funds Management, Inc. (State Street), BlackRock Fund Advisors (BlackRock) and Charles Schwab Investment Management, Inc. (Schwab) manage the underlying mutual funds that comprise each investment option.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

In accordance with accounting principles generally accepted in the United States of America applicable to fiduciary fund types prescribed by the Governmental Accounting Standards Board (GASB), the Program's basic financial statements are prepared using the flow of economic resources measurement focus and accrual basis of accounting.

(b) Income Taxes

The Program is exempt from federal and state income tax.

(c) Estimates

The preparation of basic financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

(d) Investments

The Program invests in mutual funds, which are reported at fair value, based on the net asset value per share as of the close of the New York Stock Exchange (NYSE) on the reporting date. Net realized and unrealized gains (losses) are included in "net appreciation (depreciation) in fair value of investments" on the statement of changes in fiduciary net position. Purchases and sales of shares of mutual funds are recorded on a trade-date basis. Dividends and capital gain distributions are recorded on the ex-dividend date and are automatically reinvested in additional shares of the respective mutual fund.

Accounting standards categorize fair value measurements according to a hierarchy based on valuation inputs that are used to measure fair value. Level 1 inputs are quoted prices for identical assets in active markets that can be accessed at the measurement date. Level 2 inputs are inputs other than quoted prices that are observable for an asset, either directly or indirectly. Level 3 inputs are unobservable. The fair values of the mutual funds in which the Program invests are determined using Level 1 inputs.

(e) Cash and Cash Equivalents

Cash and cash equivalents generally include participating employee contributions that have not yet been invested in the underlying mutual funds and/or redemption proceeds from mutual fund sales to satisfy distribution requests that have not yet been processed.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Cash and Cash Equivalents *(Continued)*

Contribution and distribution transactions are processed through clearing accounts held at JPMorgan Bank, N.A. in the name of the IRA Custodian for the benefit of participants. The combined bank balance of these accounts at June 30, 2019, totaled $71,084. Balances in these accounts are insured by the Federal Deposit Insurance Corporation (FDIC), subject to applicable FDIC limits. Amounts in excess of FDIC insurance limits are not collateralized or covered by supplementary insurance.

(f) Contributions

For employees who have not opted out of the Program, the employer deducts contributions from payroll based on each participating employee's current contribution elections, which can be either the default contribution elections set by the Program or alternate contribution elections selected by the employee, and transfers those payroll deductions to the Program Administrator. Amounts deducted are required to be transmitted to the Program Administrator as soon as administratively possible, not to exceed seven business days from the date of deduction.

Contributions that are received by the Program Administrator from employers in good order prior to the close of the New York Stock Exchange (NYSE) are credited to participant accounts and recorded as increases in fiduciary net position on the same business day.

Employee contributions are invested in one or more of the following investment strategies, depending upon employee contribution elections:

Capital Preservation Fund is an investment option with the investment objective of maximizing current income, to the extent consistent with the preservation of capital and liquidity, by investing in US dollar denominated money market securities.

Target Date Retirement Funds are investment options that correspond with the year closest to when the participating employee will be 65 or plans to retire. Each Target Date Retirement Fund has a specific "target date" (e.g., 2035, 2045, 2055) and invests in an underlying mutual fund that includes a mix of stock and bond funds. These investment options seek to provide for retirement outcomes based on quantitatively measured risk. These investment options will be broadly diversified across global asset allocations, becoming more conservative over time as the participating employee nears target retirement age.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Contributions *(Continued)*

Conservative Fund is an investment option with the investment objective of tracking as closely as possible, before fees and expenses, the total return of an index composed of the total US investment grade bond market.

Growth Fund is an investment option with the investment objective of matching the return of large companies in the US stock market by investing generally in stocks that are included in the S&P 500® Index.

90 Day Holding Vehicle is not a stand-alone investment option, but is an administrative vehicle that seeks to preserve the value of employee contributions for the length of the Account Revocation Period (described below). The 90 Day Holding Vehicle is only available to those employees who have elected the default contribution elections (also described below).

The Account Revocation Period is the period of time starting from the date a Roth IRA account is established and the employee receives the disclosure statement, and ending the earlier of 90 days after the first contribution or after the close of business on the business day that an alternate contribution election is made. The Account Revocation Period must last a minimum of seven days from the date the Roth IRA is established and the employee receives a disclosure statement.

If an employee has not opted out of the Program or has not chosen alternate elections, he or she will be enrolled using the following default contribution elections:

- The initial rate of contribution to the Program is 5% of compensation.
- Contributions will be invested in a government money market fund (the 90 Day Holding Vehicle) for the length of the Account Revocation Period.
- After the Account Revocation Period, if no alternate contribution election is made, contributions will be invested in the Target Date Retirement Fund based on the age and year of retirement (assuming a retirement age of 65) of the participating employee.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Contributions *(Continued)*

Employees who do not want to enroll at the default contribution rate of 5% may change their contribution elections. The minimum contribution rate is 1%, and the maximum contribution rate is 100% of available wages, subject to federal annual contribution limits. Employees may also choose to opt out of auto-escalation.

Additionally, participants who do not want to use the default election investment options may choose the investment option(s) into which their contributions will be invested. Although participants can select the investment options in which their contributions are invested, they cannot direct the selection of the mutual funds that compose each investment option.

(g) Distributions

Participants may request distributions from their accounts online, by phone or by mail.

Distributions are recorded as deductions from fiduciary net position on the date the request is received if such request is found to be in good order and is received prior to the close of the NYSE.

(h) Exchanges

Transfers of funds between investment options due to participants changing their investment elections or due to the movement of account balances from the 90 Day Holding Vehicle to the appropriate Target Date Retirement Funds at the end of the Account Revocation Period are referred to as "exchanges." The amounts of contributions and distributions reported on the statement of changes in fiduciary net position do not include exchanges, as these types of transactions have no impact on the overall financial position of the Program.

(i) Unit Valuation

Each participant's full and/or fractional interest in an investment option is evidenced by a unit. The net asset value of a unit is calculated daily based on the fair value of the mutual fund held in that investment option, adjusted for the effects of transactions such as accrued fees and investment income. The value of any individual account is determined by multiplying the number of units in an investment option attributable to that participant's account by the net asset value per unit of that investment option.

NOTE 3: INVESTMENTS

(a) Investments by Type

The Program's mutual funds and their respective fair values at June 30, 2019, are as follows:

Investment Option	Underlying Mutual Fund	Fair Value
90 Day Holding Vehicle	State Street Institutional US Government Money Market Fund	$ 361,292
Capital Preservation Fund	State Street Institutional Liquid Reserves Fund	6,857
Target Date Retirement Fund	Black Rock LifePath Index Retirement Fund	118,682
Target Date Retirement Fund 2020	Black Rock LifePath Index Retirement 2020 Fund	48,296
Target Date Retirement Fund 2025	Black Rock LifePath Index Retirement 2025 Fund	197,534
Target Date Retirement Fund 2030	Black Rock LifePath Index Retirement 2030 Fund	278,952
Target Date Retirement Fund 2035	Black Rock LifePath Index Retirement 2035 Fund	258,858
Target Date Retirement Fund 2040	Black Rock LifePath Index Retirement 2040 Fund	291,617
Target Date Retirement Fund 2045	Black Rock LifePath Index Retirement 2045 Fund	288,830
Target Date Retirement Fund 2050	Black Rock LifePath Index Retirement 2050 Fund	315,188
Target Date Retirement Fund 2055	Black Rock LifePath Index Retirement 2055 Fund	394,819
Target Date Retirement Fund 2060	Black Rock LifePath Index Retirement 2060 Fund	391,034
Target Date Retirement Fund 2065	Black Rock LifePath Index Retirement 2060 Fund	135,168
Conservative Fund	Schwab US Aggregate Bond Index Fund	9,596
Growth Fund	Schwab S&P 500 Index Fund	50,255
Total Investments		$ 3,146,978

(b) Net Appreciation in Fair Value of Investments

The following table calculates the net change in the fair value of the Program's investments during the period from the Program Launch Date through June 30, 2019:

Fair value of investments, end of period	$ 3,146,978
Less cost of investments purchased and investment income reinvested during the period	(4,641,555)
Plus proceeds from investments sold during the period	1,572,063
Less fair value of investments, beginning of period	-
Net appreciation in fair value of investments	$ 77,486

NOTE 3: INVESTMENTS (Continued)

(c) Investment Risk

The mutual funds in which the Program invests include in their asset holdings various investment securities, such as corporate debt and equity securities, obligations of the US government and government agencies and international equity securities. These securities are exposed to interest rate, market and credit risk, and it is at least reasonably possible that changes in their fair values could occur in the near term, materially affecting participant balances and the amounts reported in the Program's basic financial statements.

Accounting standards require that certain disclosures be made related to the Program's investment policy and its exposure to credit risk, interest rate risk and foreign currency risk, which are included in the paragraphs that follow.

<u>Investment Policy</u>

The Board has adopted an investment policy statement that sets forth investment objectives of the Program and establishes policies and procedures to create the highest possibility that investment objectives are met in a prudent manner that is consistent with established guidelines for similar retirement savings programs, governing rules and regulations, and best practice standards relevant to the industry. The policy specifies the number and type of investment options offered under the Program, the general guidelines for providing suitable options for participants, the guidelines for the selection of underlying investment funds, the ongoing supervision of the investments, the monitoring and review of investment performance and the protocol for adding, replacing or eliminating investment options and/or underlying funds that comprise the investment options.

There are no provisions of the policy that specifically address credit risk, interest rate risk, concentrations of credit risk or foreign currency risk.

<u>Credit Risk</u>

Certain mutual funds in which the Program invests may include in their asset holdings bonds issued by corporations, foreign governments, the US government and its agencies and instrumentalities. Through its investment in these mutual funds, the Program is indirectly exposed to credit risk, which is the risk that a bond issuer will fail to pay interest and principal, when due, as a result of adverse market or economic conditions.

The Program's mutual funds are not exposed to custodial credit risk, which is the risk that the Program will not recover the value of investments that are in the possession of an outside party.

NOTE 3: INVESTMENTS (Continued)

(c) Investment Risk *(Continued)*

Credit Risk *(Continued)*

None of the mutual funds in which the Program invests are rated by a nationally recognized statistical rating organization, except for the State Street Institutional US Government Money Market Fund and the State Street Institutional Liquid Reserves Fund, which are both rated AAAM by Standard & Poor's and AAAMMF by Fitch.

Interest Rate Risk

Certain mutual funds in which the Program invests may be exposed to interest rate risk due to bonds included in their underlying asset holdings. Interest rate risk is the risk that changes in interest rates will adversely impact the fair value of an investment. Average maturity is the average length of time until fixed-income securities held by a fund reach maturity and will be repaid, taking into consideration the possibility that the issuer may call a bond before its maturity date. In general, the longer the average maturity, the more a fund's share price will fluctuate in response to changes in interest rates. As of June 30, 2019, the average maturity of holdings in each of the bond funds in which the Program's assets are invested are as follows:

	Average Maturity
State Street Institutional US Government Money Market Fund	34 days
State Street Institutional Liquid Reserves Fund	33 days
Schwab US Aggregate Bond Index Fund	7.8 years

Foreign Currency Risk

The Program does not have any direct exposure to foreign currency risk. However, certain mutual funds in which the Program invests may include in their asset holdings foreign debt and equity securities. There are certain inherent risks involved when investing in international securities that are not present with investments in domestic securities, such as foreign currency exchange rate fluctuations, adverse political and economic developments and the possible prevention or delay of currency exchange due to foreign governmental laws or restrictions.

NOTE 4: FEES AND EXPENSES

Each investment option is subject to an annualized asset-based fee that is deducted from assets in that investment option. The annualized asset-based fee reduces the return participants earn on their investments in the Program. In addition, each participant indirectly bears a pro-rata share of the annual costs and expenses associated with each investment option in which his or her assets are invested.

NOTE 4: FEES AND EXPENSES (Continued)

The annualized asset-based fee consists of the Program Administration Fee, the State Fee and the underlying Investment Fund Fee, as described below. These fees accrue daily and are factored into the net asset value of each investment option.

Program Administration Fee
The Program Administrator receives a fee as compensation for providing administrative services to the Program. This fee, which varies based on the Underlying Investment Fund Fee described below, is paid from Program assets and is reflected as a reduction in fiduciary net position on the statement of changes in fiduciary net position.

State Fee
The Board receives a state fee to be used to offset expenses related to oversight and administration of the Program. This fee, which is 0.05% of net position of each investment option, is paid from Program assets and is reflected as a reduction in fiduciary net position on the statement of changes in fiduciary net position.

Underlying Investment Fund Fee
This fee includes the investment advisory fees, administrative fees and other expenses of each underlying mutual fund in which Program assets are invested. The Underlying Investment Fund Fee is paid out of the assets of the mutual fund, reducing the amount of income available for distribution to the Program, and is not paid from Program assets. As such, these fees are not reported on the statement of changes in fiduciary net position. A mutual fund's expense ratio measures the total annual operating expenses of the fund as a percentage of its average daily net assets. This fee is subject to fluctuation from time to time based on changes in the total annual operating expenses of the mutual fund.

The total Underlying Investment Fund Fee and Program Administration Fee is 0.70% of net position of each investment option. The Program Administration Fee paid from Program assets will fluctuate due to fluctuations in mutual fund expense ratios, to ensure that the total of these fees always equals 0.70%.

Fees paid from Program assets during the period from the Program Launch Date through June 30, 2019 are as follows:

Program administration fee	$ 5,482
State fee	474
Total fees	$ 5,956

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Illinois Secure Choice Savings Board
Office of the Illinois State Treasurer
Ascensus College Savings Recordkeeping Services, LLC, Program Administrator
Illinois Secure Choice Savings Program

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the **Illinois Secure Choice Retirement Savings Program,** also known as **Illinois Secure Choice** (the Program)**,** as of June 30, 2019 and for the period from July 2, 2018 (the Program Launch Date) through June 30, 2019, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements, and have issued our report thereon dated October 18, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered the Program's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the Program's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Program's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Program's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Program's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Landmark PLC
Certified Public Accountants

October 18, 2019
Little Rock, Arkansas

Other Information

(Unaudited)

INDEPENDENT AUDITOR'S REPORT ON OTHER INFORMATION

Members of the Illinois Secure Choice Savings Board
Office of the Illinois State Treasurer
Ascensus College Savings Recordkeeping Services, LLC, Program Administrator
Illinois Secure Choice Savings Program

We have audited the basic financial statements of the **Illinois Secure Choice Retirement Savings Program**, also known as **Illinois Secure Choice** (the Program), and have issued our opinion thereon in our report dated October 18, 2019. Our audit was conducted for the purpose of forming an opinion on the basic financial statements as whole. The schedule on page 29, which details amounts spent by the Office of the Illinois State Treasurer on outside consulting services during the year ended June 30, 2019, is presented for purposes of additional analysis and is not a required part of the basic financial statements. These amounts are not reflected as expenses in the basic financial statements of Secure Choice. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on the information in this schedule.

Landmark PLC
Certified Public Accountants

December 6, 2019
Little Rock, Arkansas

SECURE CHOICE SPENDING ON OUTSIDE CONSULTING SERVICES
(Unaudited)
FY2019 (July 1, 2018 through June 30, 2019)

The following table provides a summary of Secure Choice spending for FY2019 on services provided by outside consulting firms, independent contractors or entities separate and outside of state government for administration and implementation of Secure Choice [(1)]. This is total spending for FY2019 from the internal budget of the Treasurer's Office and is separate from the fees paid to Ascensus for administration of the Program or fees paid to investment managers.

Budget Line Item	FY19 Spending	Notes
Auditing and Management Services	$218,767.56	Money spent on administrative consulting services, investment consulting services, IT consulting services, and marketing services.
Legal Fees	$12,442.20	Money spent on services from outside legal counsel for administration and implementation.
Professional and Artistic Services, Not Elsewhere Classified	$2,017.60	Fees related to marketing and communication services provided by outside marketing firm.
Advertising	$231,526.00	Media buys related to Secure Choice marketing conducted by outside marketing firm.

[(1)] Inclusion of these budget line items is required by 820 ILCS 80/80.