OFFICE OF THE ILLINOIS STATE TREASURER
MICHAEL W. FRERICHS

September 12, 2017

The Honorable Jay Clayton
Chairman
U.S. Securities and Exchange Commission
110 F Street, N.E.
Washington D.C. 20549

Re: Human Capital Management (HCM) Disclosures Rulemaking Petition
File 4-711 – 07/06/2017

Dear Chairman Clayton,

As Illinois State Treasurer, I serve as the state's Chief Investment Officer, actively managing approximately $25 billion in assets. The Illinois State Treasurer's Office is dedicated to protecting the state's portfolio, ensuring the liquidity of all investments, and consistently producing earnings at or above industry standards. Our investment decisions promote education, access, and opportunity for individuals and governmental bodies across our state to give families the tools to achieve the American Dream. The Treasurer's Office is committed to fulfilling this mission in a highly professional and ethical manner, while striving for transparency, efficiency, and preservation of public trust.

I write to you today in support of the petition for public reporting on Human Capital Management (File 4-711). My office is a member of the Human Capital Management Coalition, which has worked tirelessly over a several years to develop a suggested framework for corporate reporting on Human Capital Management ("HCM").

As you are aware, the U.S. Securities and Exchange Commission ("SEC") requires robust corporate reporting on financial capital and physical capital. An omission in current reporting requirements is more in depth tracking on the workforce. Many companies espouse that their employees are their most valuable asset. While this is a logical conclusion for people-driven firms, as investors, we have no means by which to assess how companies are handling this most valuable asset.

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The HCM Petition is not prescriptive in directing in how each listed company should report data. Rather, the petitioners take the reasonable approach of outlining nine categories of information where investors broadly agree a lack of disclosure should be remedied. Such information is material to business operations and to investors. Without systematic and standardized reporting, investors are unequipped to compare the productivity of staff across a sector. Likewise, while ample research shows factors such diversity, pay equity, and supply chain due diligence may have material impacts, there is no comprehensive data source to assess companies on these points.

A driving force of our economy is the people that spend their working hours making sure products and services promised under a corporate moniker are delivered effectively. The black box around measuring how human capital is managed prevents investors from identifying the corporate policies that work best for driving performance. Casting sunlight on HCM through SEC reporting will allow best practices to come to light and provide valuable lessons for how companies should approach HCM. Simultaneously, it will provide the transparency needed so investors can ensure their dollars are invested in companies with smart, innovative, and sustainable work environments.

I appreciate your consideration of this letter and more importantly the HCM Petition.

Sincerely,

Michael W. Frerichs
State Treasurer of Illinois