



# Michael W. Frerichs

ILLINOIS STATE TREASURER



Progress Report

January 2016 - January 2017

# Letter from Illinois State Treasurer Michael W. Frerichs

In my second year as your State Treasurer, I want to take this opportunity to update you on our progress to transform the Treasurer's Office. Our office is focused on providing you the tools you need to plan for your financial future. Despite the state's fiscal challenges, we have made real, tangible progress to make these tools easier for you to use. Please let me share our greatest success stories.

**Fighting for Consumers:** Families have more protection from life insurance companies that use loopholes to avoid paying death benefits now that the Unclaimed Life Insurance Benefits Act was signed into law. I championed House Bill 4633 after learning some life insurance companies choose not to pay death benefits even when they know or should have known that a customer died. Instead, the companies rely upon this non-payment to fatten their profit margins. Between 2011 and 2015, my office identified more than \$550 million in life insurance proceeds that should have been paid to beneficiaries in Illinois. The Wall Street Journal reports that \$7.4 billion has been identified nationally.

**Making Saving for College More Affordable:** The Treasurer's Office is the conduit for families to save for higher education. In 2016, our Bright Directions program was named one of the two best advisor-sold programs in the country. Still, we must do more. A skilled workforce attracts employers. A diploma or trade school certificate shows employers an individual can be trained and adapt to changing market conditions.

**Leveling the Playing Field:** Illinois leads a multi-state alliance that enables parents of children with blindness or a disability to save for their future. Our Achieving a Better Life Experience Program (ABLE) is the national standard, offering high quality and low cost investment options. We also expect other states to join us, which will further drive down costs.

The Treasurer's Office invests about \$25 billion on behalf of state and local governments and college savings. However, the pool of investment professionals managing these funds was too small and stagnant. Diversity brings new ideas, experiences, and the opportunity for increased returns. A 2015 McKinsey study of 366 companies found a statistically significant relationship between a diverse leadership team and better financial performance. As such, we transformed the office's investment practices to capitalize on this opportunity. In 2014, only 1 percent of the office's investment assets were brokered by minority, women, Veteran and disabled-owned firms. In 2016, we raised that to 60 percent.

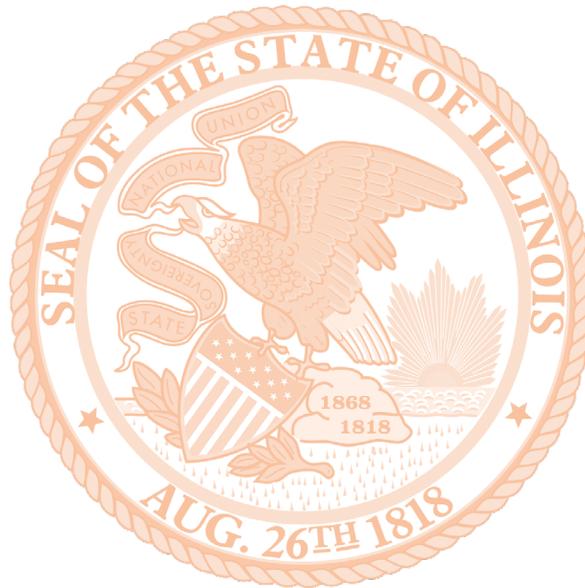
We hope these accomplishments serve as evidence that when faced with adversity, we can still work in a bi-partisan way to help our residents become the best that they can be. However, we must not be content with our progress.

We must continually challenge ourselves and, in doing so, inspire our children. Moving forward, I remain humbled by your generous trust and promise not to squander the respect that you have bestowed upon me.

Sincerely,  
  
Michael W. Frerichs

**Michael Frerichs is the state's Chief Investment Officer. He actively manages approximately \$25 billion. For every dollar spent on operations, \$28 is returned to the state.**





## Mission Statement

The Illinois State Treasurer's Office is dedicated to safeguarding the state's investment portfolio, ensuring the liquidity of investments, and consistently producing earnings at or above industry standards.

Our investment decisions will 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.

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## By the Numbers (2016)

- Enumerated in original state constitution in **1818**
- Manage **\$25 billion** in total assets
  - **\$13 billion** in state funds
  - **\$7 billion** in college savings accounts
  - **\$5 billion** in state and local governments
- Treasurer's Office **returns \$28 in revenue** to the state **for every \$1 spent** on operations
- **Brokered \$5.4 trillion in assets** over the last four years (FY 2012 – 2016)
- **Processed \$273 billion in receipts and disbursements** in FY 2016 alone
- The Unclaimed Property **had a record-setting year with \$155 million** in forgotten cash and stock returned in FY 2016 .
- College savings assets are **up by 20 percent or \$1.5 billion** since 2014 .
- Under Treasurer Frerichs, the participation of Minority, Women, Veteran, and Disabled (MWVD) Broker/Dealers has **increased from 1 percent to 60 percent**.

# 2016 Program Highlights

## Fighting for Consumers

### Task Force on Unclaimed Life Insurance Policies

Families have more protection from life insurance companies that used loopholes to avoid paying death benefits now that the Unclaimed Life Insurance Benefits Act was signed into law. Treasurer Frerichs championed legislation after learning some life insurance companies choose not to pay death benefits even when they know or should have known that a customer died. Instead, the companies rely upon this non-payment to fatten their profit margins. Since 2011, the Treasurer's Office identified more than **\$550 million** in life insurance proceeds that should have been paid to beneficiaries in Illinois.

The new law, which went into effect in January 2017, requires companies to use the Death Master File (DMF) list to determine if a policy holder has died and the death benefits have not been paid. The Social Security Administration manages the DMF list to prevent waste, fraud and abuse in the Social Security program.

In August, Treasurer Frerichs established a Task Force on Unclaimed Life Insurance Policies that included members of the General Assembly, Citizen Action Illinois, AARP, and the NAACP to educate the public on the questionable practice of some life insurance companies not paying death benefits, to allow other insurance industry members to explain best practices in the timely payment of benefits, and to identify what additional steps might be warranted.

In January 2017, Treasurer Frerichs introduced new legislation that would compel life insurance companies to review their records going back to 1996 and confirm death benefits have been paid to life insurance customers who died. The proposal represents the next logical step to bring commonsense change to the life insurance industry because some companies acknowledge not paying death benefits when they knew or should have known a customer died. Anthony Visnesky, Jr. (pictured below) was one of many beneficiaries who testified at the public hearings.





## Illinois Consumers to Get Millions in Rebates

Sprint will pay \$2.3 million and have provided names of 32,000 Illinois customers who did not cash rebate checks sent to them between 2003 and 2011. These rebates typically were used as an incentive to purchase a data plan, product, or service.

Treasurer Frerichs was also successful in convincing Radio Shack to surrender \$140,000 in uncashed rebates owed to more than 5,000 Illinois residents. Frerichs pursued Sprint and Radio Shack because rebate checks are considered unclaimed property if and when they are not paid out within five years.

Both Sprint and Radio Shack agreed to the settlements after the Treasurer's auditors determined that the businesses failed to report unclaimed rebate checks.

## Wells Fargo

In August 2016, Treasurer Frerichs suspended \$30 billion in investment activity with Wells Fargo after the bank acknowledged it improperly opened over 2 million customer accounts and violated the rights of military personnel by seizing vehicles without a court order. Treasurer Frerichs also suspended use of Wells Fargo as a broker dealer and ordered an audit to determine if, in addition to their illegal activities, Wells Fargo violated Illinois' unclaimed property laws.

Suspension of investment activity with Wells Fargo will remain in effect for one year. After this period, an evaluation of Wells Fargo corporate governance practices will be conducted.

In December 2016, Wells Fargo amended its corporate bylaws to separate the Board Chair and CEO roles after Treasurer Frerichs and other institutional investors filed a shareholder resolution calling for the change. Creating an independent Board Chair is a proven best practice, helping improve corporate governance, and strengthen company oversight.

# Making College More Affordable

## College Savings Programs

Illinois' qualified 529 college savings plans, Bright Start and Bright Directions, are managed by the Illinois Treasurer's Office. In 2016, the Bright Directions program was named one of the two best advisor-sold plans in the country. Families in Illinois and nationwide are participating in Bright Start and Bright Directions to save for the rising cost of college expenses.

Currently, combined assets in these plans are approximately \$9 billion, with over 445,000 account holders. Since Treasurer Frerichs took office, the number of college savings accounts has increased by 59,000 accounts or 15 percent. College savings assets are up by over \$1.5 billion or 20 percent. By increasing the amount of assets under management, the cost of saving for college has been drastically reduced. In 2015, the Treasurer negotiated a better deal for college savers in the Bright Directions program, eliminating and reducing fees by over 50 percent, thus making college more affordable for Illinois families.

Families can use these tax-advantaged savings plans to cover qualified costs associated with attending accredited post-secondary institutions, from vocational schools and community colleges, to public and private colleges and universities.

In August, Treasurer Frerichs teamed up with Congressman Rodney Davis at Illinois State University to raise awareness of these programs and highlight the importance of making college more affordable.



# Raising the Bar

## Achieving a Better Life Experience (ABLE)

On January 30, 2017, Treasurer Frerichs announced a groundbreaking partnership that brings together 14 states to encourage individuals to save money on behalf of people with a disability or blindness without jeopardizing their federal disability benefits.

Illinois leads the National Achieving a Better Life Experience (ABLE) Alliance, the country's largest multi-state agreement for these special savings tools that allow for tax-free investment growth when proceeds are spent on qualifying disability-related expenses. The announcement culminates nearly two years of negotiations and additional states also can join the Illinois-led group.

ABLE is designed to enable individuals with a disability or blindness to establish a tax-advantaged savings account to help pay for education, health, housing, and transportation expenses. This program is targeted towards individuals facing challenges such as Autism, Down Syndrome, blindness, or someone who has suffered a disability before the age of 26. Similar to the 529 college savings plans provided by the office, the Treasurer's Office is responsible for the administration and implementation of ABLE accounts in accordance with federal regulations. Those interested in opening up an account, visit [www.IllinoisABLE.com](http://www.IllinoisABLE.com).

## Focus on Inclusion

Treasurer Frerichs believes that our government should mirror the diversity of our state. In the last year, the Treasurer's Office has made great strides to ensure inclusion and provide more opportunities for Minorities, Women, Veterans, and persons with Disabilities (MWVD).

Under Treasurer Frerichs, total assets brokered with MWVD firms increased from \$603 million in FY 2014 to \$24.3 billion in FY 2016.

That's 40 times more utilization of MWVD firms. This progress has been made with no additional cost to state taxpayers.

In addition, among Treasurer Frerichs' top priorities is to continue to transform the culture, policies, and operations of the Treasurer's Office to help ensure equal opportunity.





## Corporate Board Diversity

Treasurer Frerichs continues to call for corporate board diversity. He knows that diversity is a critical dimension of effective board composition and performance.

Diversity means including women, racial minorities, and the LGBT community in the pool for board candidate selection.

The Treasurer's Office has taken a proactive approach to help ensure board diversity is a corporate governance priority. Not only has Treasurer Frerichs argued that corporate boards have been too slow to diversify their ranks and pressed institutional investors to prioritize this issue, he has positioned the office to use its investment decisions, corporate relationships, and shareholder rights to encourage boardroom change.

In 2016, the Treasurer's Office joined the Midwest Investors' Diversity Initiative, a coalition of institutional investors with a combined \$275 billion in assets under management, to actively engage midwest companies and advance board diversity goals. Studies show that increased diversity is good for business, and that means better investment earnings and more savings for taxpayers.

## Diversity Forum

In September, Treasurer Frerichs hosted a Diverse Managers Forum to help Minority, Women, Veteran, and Disabled (MWVD) owned investment firms too better position themselves for business opportunities with the Treasurer's Office and other institutional investors. The forum hosted 150 representatives from dozens of diverse firms.

# Focus on Diversity

**Making It Easier for MWVD Firms to Do Business with the Treasurer's Office** – Treasurer Frerichs has introduced a number of new practices to increase business opportunities for MWVD firms, especially in Illinois.

- **Improved Request for Proposal (RFP) Process** – All RFPs within the Treasurer's Office now provide points in the scoring process to MWVD applicants. All firms that submit an RFP must illustrate how their firms further diversity and equal opportunity.
- **New Business Liaison** – A business liaison has been appointed to assist MWVD businesses in navigating the process to do business with the Treasurer's Office.
- **Capabilities Questionnaire for MWVD Firms** – Treasurer Frerichs developed a Capabilities Questionnaire that MWVD firms may fill out and submit to provide the Treasurer's staff with a basis to be proactive in identifying business opportunities.
- **Required Diversity Profile** – As of September 1, 2015, all investment firms and financial institutions applying to do business with the Treasurer's Office must fill out a Diversity Profile that notes the diversity within their ownership and senior leadership.

## **Enforcing Community Reinvestment Act (CRA) Standards**

- Two Illinois banks were cut off from investments for failing to comply with CRA requirements, resulting in \$95,000 returned to the state.
- No standards or procedures were in place to review eligibility before Treasurer Frerichs took office.
- By law, the Treasurer's Office is authorized to consider a financial institution's record and current level of financial commitment to its local community when deciding whether to deposit State funds in that financial institution.

## **Focused Broker/Dealer Programs towards MWVD firms**

- Two of the three main investment vehicles of the office, the State Portfolio and the Illinois Funds (College Savings is the third), are made up of direct purchases and brokered assets. Together these two programs hold approximately \$18 billion in assets (as of January 2017). Broker/Dealers is the quickest and best way to ensure MWVD participation.
- Change from 2012 to 2016 – The Treasurer's Office performed a review of MWVD brokerage utilization over the last five fiscal years (FY 2012 to FY 2016). Here are the results:

**Assets brokered by MWVD Firms  
increased from 1% to 60%**

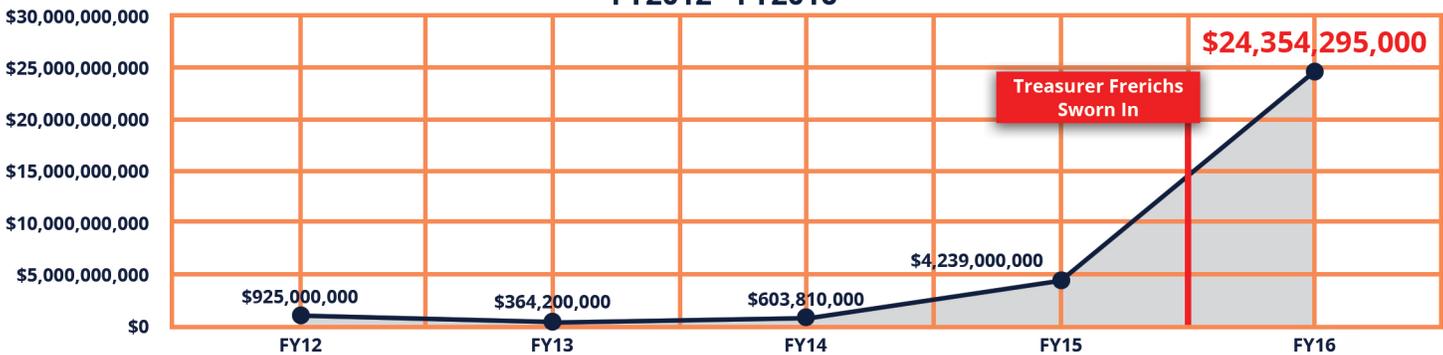
## Assets Brokered with MWVD Firms

State Investment Portfolio + Illinois Funds MMF	FY12	FY13	FY14
Assets Brokered by MWVD Firms	\$925,000,000	\$364,200,000	\$603,810,000
Total Available to MWVD Firms (Securities, Secondary CP, Treasury Bills/Discount Notes)	\$21,038,600,000	\$25,438,400,000	\$60,291,360,000
% Brokered by MWVD Firms	4.40%	1.43%	1.00%

## Assets Brokered with MWVD Firms Continued

State Investment Portfolio + Illinois Funds MMF	FY15	FY16	FY17 (YTD)
Assets Brokered by MWVD Firms	\$4,239,000,000	\$24,354,295,000	\$14,500,109,000
Total Available to MWVD Firms (Securities, Secondary CP, Treasury Bills/Discount Notes)	\$74,008,909,000	\$40,652,702,000	\$24,071,465,000
% Brokered by MWVD Firms	5.73%	59.91%	60.24%

**Treasurer's Office - Assets Brokered by MWVD Firms  
FY2012 - FY2016**



# Investment Earnings

The primary objective in the investment of State funds is to ensure the safety of principal, while managing liquidity to pay the financial obligations of the State, and providing the highest investment return using authorized instruments.

## **SAFETY:**

The safety of principal is the foremost objective of the investment strategy. State investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the portfolio. To achieve this objective, diversification, as defined in Section 8.0 of the Treasurer's Investment Policy Statement, is required to ensure that the Treasurer prudently manages market, interest rate, and credit risks.

## **LIQUIDITY:**

The investment portfolio shall remain sufficiently liquid to enable the State to meet all operating requirements that might be reasonably projected.

## **RETURN ON INVESTMENT:**

The safety of principal and the availability of sufficient liquidity are the foremost objectives of the investment program. The investment portfolio shall be designed to obtain the highest available return given the foremost objectives.

The rate of return achieved on the Treasurer's portfolio is measured at regular intervals against relevant industry benchmarks established by the office to determine the effectiveness of investment decisions in meeting investment goals.

<b>Investment Earnings</b>	<b>Gross Earnings FY 2016 Total</b>
<b>State Investment Portfolio</b>	\$51,226,332
<b>The Illinois Funds</b>	\$11,378,833
<b>TOTAL</b>	<b>\$62,605,165</b>

# Revenue Earnings

As the state's Chief Banking Officer, the Treasurer's Office is responsible for the processing and reconciliation of state dollars pertaining to various programs. The Treasurer's Office administers this important function on behalf of the state in order to optimize revenue collection.

<b>Additional Revenue Earnings</b>	<b>FY 2016 Totals</b>
Estate Tax	\$323,719,716
Circuit Court	\$91,056,288
Unclaimed Property	\$270,441,258
CSP State Fees	\$2,048,473
Illinois Funds State Fees	\$2,453,228
Charitable Trust Fees	\$446,205
<b>Total</b>	<b>\$690,165,168</b>

## Safeguarding the State's Investment Assets

### Creation of Credit Risk Analysis Unit

The office has established a Credit Risk Analysis Unit to provide enhanced expert-level support in anticipating, identifying, and mitigating credit risk exposure to the office's investment portfolio. Among various other functions, this special unit will conduct credit and risk assessments of both prospective and existing counterparties, including the examination of securities issuers/dealers, companies, industries, and other pertinent entities. Beyond providing enhanced expertise to the agency, this change will enable staff previously performing credit risk duties to more fully concentrate on their core responsibilities.

### Examination of All Investment Benchmarks

The rate of return achieved on the Treasurer's investment portfolio is measured at regular intervals against relevant industry benchmarks to determine the effectiveness of investment decisions in meeting office objectives. Since coming into office, Treasurer Frerichs has performed a detailed examination of all pertinent benchmarks to ensure accuracy and relevance, which had not been conducted in four years. In addition, Treasurer Frerichs has updated operating policies to ensure that benchmarks are evaluated at a minimum of every two years.



# Missed Opportunities

Since July 2015, the State of Illinois has been without a comprehensive appropriated state budget. With no budget in place, it is difficult for the Treasurer's Office to know what money is needed for basic government operations and what is available for normal investments.

Threats of unplanned fund sweeps and the need to pay court-ordered bills required the Treasurer's Office to make short-term investments that prioritize cash availability rather than longer-term, higher-yielding investments. As a result, the Treasurer's Office estimates the state missed over \$40 million in investment income since July 2015, which means less money for important state services and a greater burden on the state's taxpayers.

Despite these challenges, the Treasurer's Office earned \$90 million in investment income since July 2015.

The Treasurer's Office continues to adapt its investment strategy to execute its mission of protecting state assets and maximizing earnings for the people of Illinois.



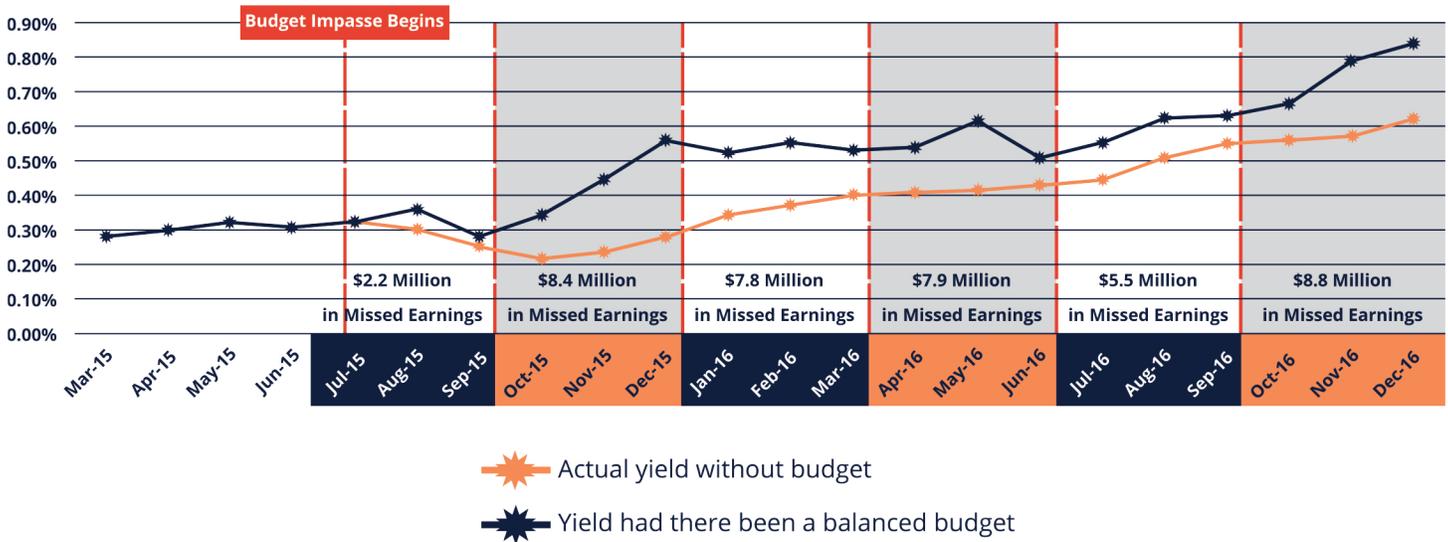


**Michael W. Frerichs**  
ILLINOIS STATE TREASURER



# Illinois' Missed Opportunity

**Investment Impact of Illinois' Budget Impasse**



**Illinois' Investment Earnings  
July 2015 Through December 2016:  
\$90,592,659**

**Illinois' Total  
Missed Opportunity:  
\$40,840,986**

# Treasurer's Office Programs

## The Illinois Funds

The Illinois Funds is a Local Government Investment Pool operated by the Illinois State Treasurer's Office. Over 2,200 local and state agencies have voluntarily participated in the pool since it was created in 1975 to provide public agencies with a safe, liquid, competitive investment option.

The Illinois Funds lets government agencies use the Illinois State Treasurer's resources to safely invest their funds while enjoying the economies of scale available from a \$4-6 billion pooled fund investment portfolio. The Illinois Funds' investment objectives are, in priority order: (1) safety of principal, (2) maintaining sufficient liquidity to ensure that investors have immediate access to funds, and (3) providing a competitive rate of return relative to comparable investment options.

### S&P'S HIGHEST FUND RATING: AAAm

S&P's AAAM rating demonstrates that The Illinois Funds has an extremely strong capacity to maintain principal stability and limit exposure to losses due to interest rate and/or credit risk.

### BY THE NUMBERS

- Annual Participant Earnings: \$11.3 million (FY 2016)
- Participants: 1,644 (12/31/2016)
- Balance: \$4.7 billion (12/31/2016)

## Illinois Funds Participant Demographics (6/30/2016)

<b>545 Municipalities</b>	<b>47 Universities/Colleges</b>
<b>126 County Agencies</b>	<b>21 State Agencies</b>
<b>549 Education Agencies (school districts, libraries, etc.)</b>	<b>239 Special Taxing Districts</b>
<b>123 Townships</b>	<b>43 Public Pensions</b>
<b>55 Public Utilities</b>	<b>106 Miscellaneous</b>

# E-Pay

E-Pay is a full-service electronic payment program specifically designed for Illinois government agencies so they can quickly and securely receive monies through convenient, customized payment channels. Over 800 local and state government agencies have adopted E-Pay since it was created in 2002 to provide public agencies with a safe, timely, and competitively priced electronic payment solution.

By providing electronic payment services to Illinois government agencies, E-Pay offers Illinoisans easier, faster payment choices (e.g. parking tickets, utility bills, requests for birth/death/marriage records, etc.) 24 hours a day, seven days a week.

Besides administering overall program management, the Treasurer's Office oversees customer service, storage, transfer and data processing responsibilities.

## BY THE NUMBERS

- Annual Number of E-Pay Transactions – 11.2 million (FY 2016)
- Annual Transactions Valued at \$2.5 billion (FY 2016)

## E-Pay Participant Demographics (6/30/2016)

<b>36 State Agencies</b>	<b>15 Universities/Colleges</b>
<b>66 County Agencies</b>	<b>108 Libraries and Library Districts</b>
<b>246 Cities &amp; Villages</b>	<b>13 Parks and Recreation Facilities</b>
<b>10 Sewage Treatment Districts</b>	<b>5 Public Transportation</b>
<b>10 Sanitation Districts</b>	<b>106 Miscellaneous</b>
<b>193 Schools and Board of Education Offices</b>	



# Ag Invest

The Ag Invest program partners with approved financial institutions to provide below-market rate loans to agricultural businesses and organizations. The reduced interest rate lowers the overall cost to farmers to run and modernize their farm operations.

To help ensure the program continues to address the financial needs of local farmers, Treasurer Frerichs will keep the lines of communication open with the local farming community to understand the needs of the industry and learn how the Treasurer's Office can help enhance their farm operations. In 2016, Treasurer Frerichs explored ways to improve and expand the Ag Invest program to reach across the complete food chain. The following enhancements were made to the Ag Invest Program, effective January 1, 2017.

## Under the 2017 changes:

- Broader program descriptions on both the long-term and annual program
- Expanded program descriptions to cover value added farming operations
- Expanded program to allow for land acquisition up to \$400,000
- Loan terms for a potential of 9 years; cost associated should have a useful life of up to 9 years

These programs help farmers pay a reduced interest rate on their annual operating loans or investments on expenses like machinery, transitioning, milling, processing, purchase of land, technology, transportation, irrigation systems and other expenses.

Since 2008, Ag Invest has loaned more than \$1 billion in annual and long-term loans, making Ag Invest one of the most expansive loan programs in the nation. Agriculture professionals across the state have taken advantage of our below-market rates to help enhance their farm operations or alternative farming activities.



# College Savings

Bright Start and Bright Directions are Illinois' qualified 529 college savings plans. Families in Illinois and across the country are participating in Bright Start and Bright Directions to save for the rising cost of college expenses. Combined assets in these plans are approximately 9 billion, with over 445,000 account holders.

Families can use these tax-advantaged savings plans to cover qualified costs associated with attending accredited post-secondary institutions, from vocational schools and community colleges, to public and private colleges and universities.

## Fee Reduction

Under Treasurer Frerichs, fees for the Bright Directions College Savings Program were reduced by 43 percent. Additionally, the \$10 set-up fee and \$3 quarterly fee were eliminated. Now more than \$3,600,000 annually will stay in owners' accounts and continue to grow to pay for college rather than going to an investment manager.

## BRIGHT DIRECTIONS CONSIDERED BEST IN THE COUNTRY BY MORNINGSTAR

The Illinois Bright Directions College Savings Program is among the best in the nation, according to Morningstar. Morningstar, which evaluates and rates college savings plans, released its results in October, rating Bright Directions a "Silver-Rated Fund" for its second consecutive year. According to Morningstar, Bright Directions continues to be one of the two highest rated advisor-sold plans in the country.

Bright Directions is a financial advisor-sold 529 account plan, which boasts \$2.1 billion invested for over 115,000 account holders. This plan offers more than 40 different age-based, target-date, and individual portfolio options and 15 Exchange-Traded Fund (ETF) Portfolios.

To learn more, visit: [brightdirections.com](http://brightdirections.com)

**"Illinois' Bright Directions College Savings Program hits the mark for residents and non-residents do-it-yourselfers."**

**"...prudent changes in October 2016, investors in this advisor-sold plan's three age-based tracks travel smoother paths."**

– Morningstar –  
October 25, 2016 (Bright Directions)

# *Morning Star* Analyst Rating



## BRIGHT START

With over \$6.1 billion in combined assets under management and over 320,000 accounts, Bright Start offers a wide range of investment choices in both a direct-sold plan and an advisor-sold plan. In addition to recent accolades from Morningstar, Bright Start Direct has been reaffirmed as a Bronze medalist.

**“Investors can confidently invest in either of this plan’s two age-based series.”**

**“Illinois focused on keeping costs down when constructing the lineup. Index series’ expense ratios range between 0.17% and 0.20%, placing it among the least expensive age-based options in the 529 industry.”**

**“The underlying index funds are Gold- or Silver-rated-marks that reflect Morningstar analysts’ conviction in the funds’ ability to outperform.”**

– Morningstar –  
October 25, 2016 (Bright Start)



# ILLINOIS

Growth and Innovation Fund



# Investing in the Illinois Economy: Illinois is the Midwest technology hub.

On January 26, 2016, Treasurer Frerichs announced the formation of the Illinois Growth and Innovation Fund (ILGIF) with a \$222 million capital commitment from the State's existing investment portfolio.

ILGIF aims to invest more than \$222 million in funds focused on spurring economic activity in Illinois during the next three years, creating an estimated 18,800 jobs – all while generating a return for the investment portfolio. During FY 2016, ILGIF made a commitment to GreatPoint Venture Partners.

## Technology Investment = More Jobs. Stronger Economy.

ILGIF allows the Treasurer to invest a portion of the State Portfolio to help attract, assist, and retain quality technology businesses in Illinois.

In August 2002, the state passed the Technology Development Act (TDA) authorizing the Treasurer's Office to allocate up to 1 percent of the State Portfolio with a goal of investing in technology businesses seeking to locate, expand, or remain in Illinois. This established TDA I. TDA I created an estimated 6,294 jobs (3,433 direct and 2,861 indirect).

In July 2011, the Act was amended to establish ILGIF. ILGIF serves as an expansion of the original TDA mandate, allowing up to 3 percent of the state's assets to be invested accordingly.

## ILGIF Projected Economic Impact



Invest  
**\$222M+**  
State Funds



Attract  
**\$400M+**  
Private Investment



Create  
**18,800+**  
Jobs



# Unclaimed Property

As part of the Illinois Treasurer's Unclaimed Property Division, the I-Cash program connects state residents and businesses with their unclaimed money and other assets. The Unclaimed Property Division recovers hundreds of thousands of properties each year from government agencies, banks, insurers, utilities, and other companies across the country that have been unable to return the properties to their rightful owners. The I-Cash program then works to notify owners and reunite them with their money and other property.

The Treasurer's Civic Engagement Division has attended or hosted hundreds of outreach events with Illinois residents and businesses to help discover what belongs to them. Civic Engagement staff conducts I-Cash searches at Veterans' fairs, health and wellness fairs, public libraries, city halls, government offices, county fairs, expos, chambers of commerce meetings, and churches.

In 2016, the Unclaimed Property Division has seen over 1.4 million properties reported that are associated with over 1.6 million owners. In FY 2016, the Treasurer's Office returned a record-setting \$155 million in unclaimed property to Illinois residents.

## Auctions

In 2016, the Treasurer's Office held three online auctions and one live auction generating more than \$360,000 in proceeds to property holders. Telethons were also held at television stations in Springfield, Quincy, and the Quad Cities to raise awareness about the I-Cash program and help Illinois consumers claim money that belongs to them.

For more information about the next unclaimed property auction, visit [www.illinoistreasurer.gov/ICASH](http://www.illinoistreasurer.gov/ICASH)





# SECURE CHOICE

- Signed into law on January 5, 2015, the Illinois Secure Choice Savings Program creates an automatic enrollment payroll deduction IRA to promote greater retirement savings for private-sector workers.
- The new program requires employers who do not offer a qualifying alternative retirement program to facilitate the enrollment of their employees into the Secure Choice Retirement Savings Plan.
- Secure Choice applies to employers with 25 or more employees, that have been in business for two years or more, and do not offer a qualified retirement savings plan.

After months of working with federal officials on guidelines for state-based retirement savings programs, Treasurer Frerichs was joined by then U.S. Secretary of Labor Thomas E. Perez in Chicago to announce new rules outlining the path forward for state-sponsored retirement savings initiatives.

The Department of Labor's rules remove barriers for state-based solutions to the retirement savings crisis, including Illinois' Secure Choice Retirement Savings Program, by removing liability for employers that choose to participate in the program. Already, 26 states, including Illinois, have taken some type of action to pursue state-based retirement savings solutions that will increase access to employer-based savings programs.

**"For those employees who currently have a pension or a 401(k) through their workplace, we encourage them to put money aside, be prepared for their retirement," Frerichs said. "For those who don't, if they work for an employer with 25 or more employees that has been doing business in the state for two years, help is on the way. But there is no time like the present to begin preparing for the future."**

-Progress Illinois- January 28, 2016

Nationally, approximately half of working Americans do not save for retirement, according to the Survey of Income and Program Participation by the U.S. Census Bureau. Of those who do not save, 84 percent work for an employer that does not offer a retirement savings vehicle. A lack of retirement savings increases the likelihood that workers will be over-reliant on social security or retire into poverty, creating significant future burdens on state and federal social safety net programs.





# ACHIEVING A BETTER LIFE EXPERIENCE (ABLE)

On January 30, 2017, Treasurer Frerichs officially announced the groundbreaking partnership that brings together 14 states to encourage individuals to save money on behalf of people with a disability or blindness without jeopardizing their federal disability benefits.

- The Achieving a Better Life Experience Act enables individuals with a disability or blindness to establish a tax-advantaged savings account to help pay for disability related expenses, such as education, health, housing, and transportation expenses.
- ABLE can be used by people with Autism, Down Syndrome, blindness, or someone who has suffered a disability before the age of 26.
- ABLE accounts are similar to 529 college saving plans.
- The Treasurer's Office is responsible for the administration of ABLE accounts in accordance with federal regulations.

Illinois leads the National Achieving a Better Life Experience (ABLE) Alliance, the country's largest multi-state agreement for these special savings tools that allow for tax-free investment growth when proceeds are spent on qualifying disability-related expenses. The new program announcement culminates nearly two years of negotiations and additional states also can join the Illinois-led group.

Ascensus College Savings of Newton, Massachusetts administers the program, following an open and competitively bid process.

To sign up, or for more information about the direct-sold plans in Illinois, visit [www.IllinoisABLE.com](http://www.IllinoisABLE.com). The minimum amount to open an account is \$25. Forms are printable online, can be requested by calling Illinois' ABLE phone line at 888-609-8683, and will be available at all Treasurer's Office locations.





# 2017 Legislative Priorities

## Unclaimed Life Insurance Benefits

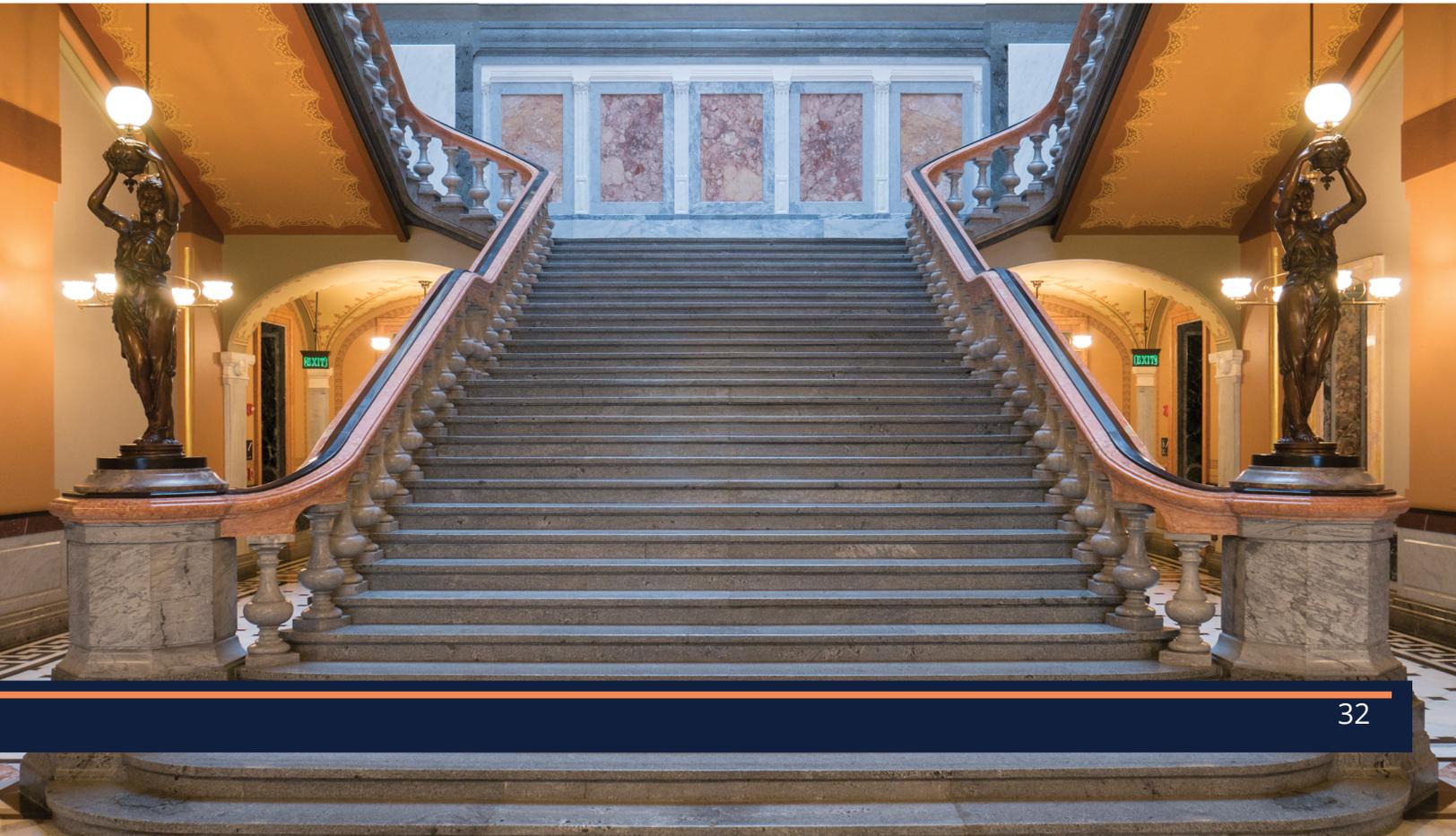
- Amend the Unclaimed Life Insurance Benefits Act to incorporate recommendations of the Treasurer's Task Force on Unclaimed Life Insurance Policies including the following:
  - Cover lapsed policies dating back to 1996.
  - Require life insurance companies to request updated policy holder and beneficiary contact information, notify affiliates when a DMF match occurs and run DMF matches against acquired policies.
  - Strengthen regulations against private finder companies and limit the fees they charge owners of unclaimed property.
  - Amend the Vital Records Act to provide the Treasurer's Office with electronic access to death certificates and other vital records maintained by the Department of Public Health to streamline the claims process and help locate owners.

## Unclaimed Property

- Comprehensive rewrite of Illinois' Unclaimed Property Act based on Consumer Protection Alliance version of Uniform Laws Commission (ULC) Unclaimed Property Act.
- Authorize data sharing with the Illinois Department of Revenue for the purpose of facilitating the payment of unclaimed property claims of Illinois taxpayers, including payment of claims of \$2,000 or less in certain circumstances.

## Corporate Responsibility/Leveling the Playing Field

- Prohibit the state from entering into contracts with or investing state revenues in companies that incorporate in foreign tax havens to avoid paying taxes. It also closes a loophole for corporations that shift profits to tax havens to hide income and avoid paying their fair share of taxes.





# **Financial Leadership/Acknowledgements:**

**Secure Choice Board  
Chairman**

**Illinois State Board of Investment  
Board Member**

**National Association of State Auditors,  
Comptrollers, and Treasurers'  
Executive Committee Member**

**National Association of State Auditors,  
Comptrollers, and Treasurers'  
Executive Committee  
2016 President's Award**

**National Association of State Treasurer's  
Legislative Committee  
Vice Chairman**

**U.S. Global Leadership Coalition Illinois Advisory  
Committee Member**

**Honorary Doctorate  
Blackburn College**

# Meet Treasurer Frerichs

Michael Frerichs was elected Illinois State Treasurer in November 2014.

In Illinois, the Treasurer is the state's Chief Investment Officer and Frerichs is a Certified Public Finance Officer. The office invests money on behalf of the state and local units of government. Frerichs also believes in providing individuals with the tools they need so that they can invest in themselves.

He does this by encouraging savings plans for college and trade school, encouraging savings plans for those that have disability-related expenses, increasing financial education among all ages, removing barriers to a secure retirement, and protecting residents from predatory companies.

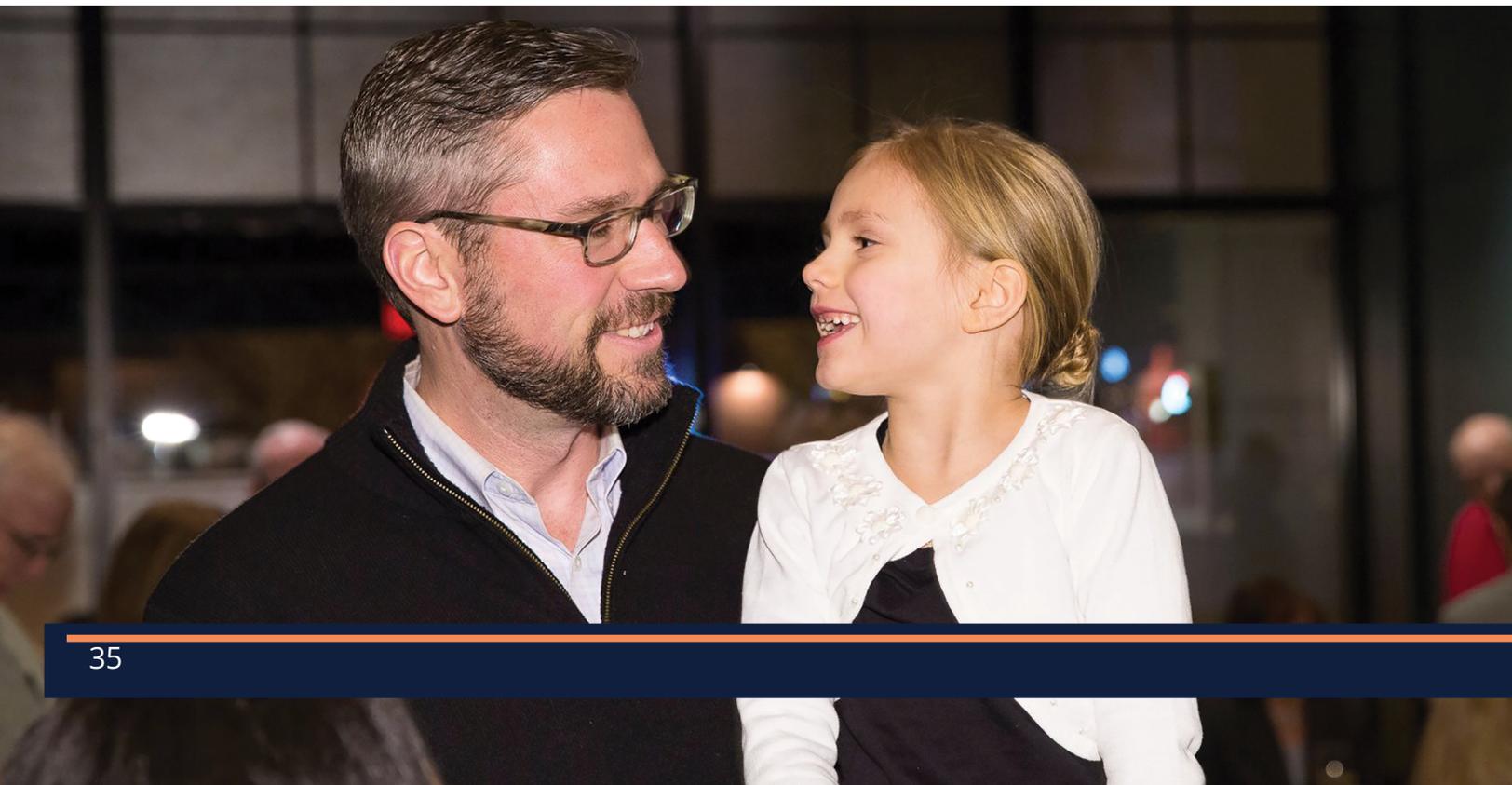
The Treasurer's Office actively manages approximately \$25 billion. The investment approach is cautious to ensure the preservation of principal. The investment returns are significant: For every \$1 spent to run the office, Treasurer Frerichs nets \$28 for the state's residents.

In Illinois, the Treasurer's Office predates the state's incorporation in 1818. Voters in 1848 chose to make it an elected office. Frerichs is the 74th person to serve in this role. After less than a year in office, Frerichs was elected by his peers across the country to serve on the National Association of State Auditors, Comptrollers, and Treasurers' Executive Committee.

Treasurer Frerichs was born in the Downstate farming community of Gifford, Illinois. He graduated from Yale University and spent two years in Taiwan where he taught English to young students and learned to speak Chinese. He returned to Champaign County and launched his own technology business. He was elected to the Champaign County Board and elected Champaign County Auditor. He also served as a volunteer firefighter.

In 2006, Frerichs was elected Illinois State Senator representing East Central Illinois. As chairman of the Higher Education Committee, Frerichs championed efforts to make college more affordable. He also served as chairman of the Agriculture and Conservation Committee.

Frerichs lives in Champaign with his young daughter, Ella.



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