



# OFFICE OF ILLINOIS STATE TREASURER

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## **Treasurer Frerichs Testifies Before Senate Special Committee on Pension Investments to Share Strategies Used in the Treasurer's Office to Increase Opportunity for Diverse Investment Firms**

*Frerichs Says Assets Brokered by Diverse Firms Grew from \$603 Million to \$43 Billion in 5 Years; Continues Push for Diversity in Financial Services Industry*

**CHICAGO** – Illinois State Treasurer Michael Frerichs this week testified before the Senate Special Committee on Pension Investments about the improvements made in the treasurer's office to increase growth and opportunity for Illinois firms owned by minorities, women, veterans and persons with a disability (MWVD).

“As an institutional investor, it is important that we demand an increase in the use of diverse firms, board diversity, and opportunities for growth in the financial services industry,” Frerichs said. “We know first-hand that change can happen because we did it in our office and will continue our work to provide opportunity and access to diverse firms to give them the opportunity to succeed.”

Since taking office in 2015, Frerichs has made tremendous strides to transform the culture, policies and operations within the treasurer's office to increase opportunities available to diverse investment firms.

In the brokerage program alone, the Illinois treasurer's office has increased assets brokered by diverse firms from \$603 million in fiscal year 2014 to \$43 billion in fiscal year 2020, representing 70 times more utilization of MWVD firms. For assets managed, diverse firms accounted for \$18 million in December 2014 and has grown to \$3.9 billion as of June 2020.

MWVD managers also are prioritized in the Illinois Growth and Innovation Fund (ILGIF). Of the \$380 million committed to ILGIF, \$157.5 million has been committed to MWVD-operated firms, representing more than 40 percent of capital.

Additionally, all responses to Requests for Proposals (RFP) within the treasurer's office now provide additional points in the scoring process to MWVD applicants, who also must demonstrate how they promote diversity and equal opportunity.

The treasurer's office also has instituted the "Garcia Rule" (similar to the Rooney Rule in the NFL) to require mandatory inclusion of MWVD firms in investment searches. For every search for an external investment manager, our consultants must include at minimum of one diverse-owned manager.

In October, Frerichs called on Russell 3000 companies to disclose racial, ethnic and gender data for their Board of Directors.

Frerichs also has partnered with key organizations, including the Financial Services Pipeline and the Advancing Equity in Bank Commission (AEBC), both with goals to lead institutions in the public and private sector to increase the representation of diverse individuals within the financial services industry.

Frerichs serves as Chairman of the Midwest Investors Diversity Initiative, a 10-member investor coalition pushing for an increase in corporate board diversity. The Initiative has undertaken 54 company engagements, 40 of which added diverse board members and 32 adopted a diverse search policy. Frerichs also leads the Thirty Percent Coalition, a national coalition of institutional investors advocating for diversity on corporate boards. The Thirty Percent Coalition has successfully engaged more than 300 companies that have now appointed diverse board members.

Frerichs was asked to testify before the Securities and Exchange Commission (SEC) in September, where he called upon the SEC to implement the many reforms instituted in the Illinois Treasurer's Office.

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### **About the Office of the Illinois State Treasurer**

As Illinois State Treasurer, Frerichs is the state's Chief Investment and Banking Officer and actively manages approximately \$35 billion. The portfolio includes \$16 billion in state funds, \$13 billion in retirement and college savings plans and \$6 billion on behalf of local and state governments. The investment approach is cautious to ensure the preservation of capital and returns \$42 to the state for every \$1 spent in operations. Frerichs' office protects consumers by safeguarding more than \$3 billion in unclaimed property, encouraging savings plans for college or trade school, increasing financial education among all ages, assisting people with disabilities save without losing government benefits, and removing barriers to a secure retirement. The Treasurer's Office predates Illinois incorporation in 1818. Voters in 1848 chose to make it an elected office.