

## OFFICE OF THE TREASURER

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The Office of the Illinois State Treasurer predates Illinois statehood, tracing its roots to the early days of the Republic. The office was enumerated in the original Illinois Constitution in 1818. Initially, the Treasurer's primary responsibility was to be custodian of a strongbox, where the state's funds were kept. State funds could be loaned out by the Treasurer, who was allowed to keep the interest as personal income. In 1848, voters chose to make the position an elected office. In the early 20th century, state law was changed to require that state funds be deposited into banks. As our system of government and finance evolved, more checks and balances were put into place to ensure better record-keeping, accountability and transparency.

The 1970 Constitution identified the Treasurer as the state's chief investment and banking officer. The Treasurer's office now manages more than \$35 billion on behalf of taxpayers, units of local government and families saving for college. The Treasurer's office follows sound investment policies to ensure the preservation of capital, provide the necessary liquidity to pay the state's bills and earn the best rate of return.

The Treasurer's office also provides tools for Illinoisans to invest in themselves. The office assists and protects consumers by offering savings plans for college or trade school, providing options for a secure retirement, and providing specific investment vehicles for parents with children who have disabilities. The office supports economic development and job creation through specific investment initiatives to local employers, farmers and entrepreneurs. The Treasurer's office is charged with safeguarding nearly \$3.5 billion in unclaimed property as it works to reunite cash and other valuables with their rightful owners or heirs. The office is legally required to return the property to the rightful owners no matter how long it takes.

### **Increasing Investment Returns and Opportunities**

As the state's chief investment and banking officer, the Treasurer prudently invests more than \$35 billion on behalf of taxpayers, units of local government, and families saving for college and retirement. Under Treasurer Frerichs, investment earnings have increased from \$49 million per year to \$250 million per year for the state investment portfolio and from \$5.3 million per year to \$104 million per year for local governments.

The Office of the Illinois State Treasurer uses private firms to assist in its banking and investment duties, including broker/dealer services, investment management services and banking services. A competitive bid process is used to select these firms. Businesses led by Minorities, Women, Veterans or individuals with a Disability (MWVD) have historically been overlooked for this work. Treasurer Frerichs increased investment through MWVD firms from \$603 million to more than \$45 billion, and assets managed by MWVD firms increased from \$18 million to \$3.9 billion.

Considering environmental, social and governance factors — such as clean energy, climate change, water management, safety policies and corporate diversity — during the investment evaluation and decision-making process enhances long-term shareholder value and deters needless government regulation. Inclusion is a key pillar of the Illinois Treasury's approach to investing. Research demonstrates that firms with diverse executive teams and corporate boards are primed to outperform their peers. Staying at the corporate governance table, rather than divesting, can be the best way to protect and enhance shareholder value.



**Treasurer Michael Frerichs encourages entrepreneurs and firms led by minorities, women, veterans and individuals with a disability to work with the Treasurer's office.**

### **Saving for College and Trade School**

The Treasurer's office oversees Illinois' Bright Start and Bright Directions college savings plans. These tax-advantaged plans encourage individuals to save for qualified education-related expenses, such as tuition at an accredited college or trade school, books, or a computer for classes. Plans can be opened for as little as \$25. Investors can choose a plan on their own or through an investment advisor. Bright Start and Bright Directions are considered among the very best in the country, according to an independent investment research firm, and have more than \$15 billion in assets and over 745,000 accounts.

### **Saving for Retirement**

Secure Choice is a retirement savings tool for workers who are not offered a 401(k) or similar retirement savings option by their employer. Illinois is among a growing number of states that recognize that nearly half of private sector workers do not have access to an employer-sponsored retirement plan. Saving is crucial because more than one-third of Illinois retirees rely on Social Security for 90% of their retirement income even though the average monthly Social Security check is about \$1,503. This amount practically guarantees other tax-supported assistance will be necessary for retirees. Secure Choice offers Illinois businesses — that have 25 or more employees and have been in business for two years and that choose not to provide a retirement tool, such as a 401(k) — the option to facilitate a percentage of payroll wages to be invested in a long-term retirement savings account for their employees who do not opt-out. This account would travel with the worker, rather than stay with the employer, and allow the worker to save his or her own money for retirement. More than 80,000 participants have already saved more than \$45 million for retirement.



**Treasurer Michael Frerichs returns a Purple Heart to a Vietnam veteran via the Unclaimed Property program.**

### **Helping Individuals with a Disability**

“What happens when I’m gone?” This is the greatest concern of a parent who has a child with a disability. Achieving a Better Life Experience (ABLE) is a 529 tax-advantaged savings plan similar to Bright Start and Bright Directions. Qualified expenditures from ABLE investment accounts can support the health and well-being of the person with a disability, such as renovating a home to accommodate wheelchair access or paying for physical therapy. Illinois is a national ABLE leader and works to create the highest-quality and lowest-cost investment options for people with disabilities and their families.

### **Helping Financial Institutions Invest in Local Businesses**

The Invest in Illinois Program is a banking strategy designed to support Illinois businesses. The Treasurer’s office deposits money with Illinois lending institutions for specific lending initiatives. These institutions loan the money to qualified businesses at below-market rates. The Ag Invest Program is the state’s best-known part of this effort. Farmers can borrow money for cash management, equipment purchases and construction-related expenses. In 2020, Treasurer Frerichs made \$500 million available to local banks and credit unions for the Small Business COVID-19 Relief Program to assist Illinois small businesses and nonprofits negatively affected by the pandemic.

### **Investing in the Illinois Economy**

Illinois’ position as the Midwest’s tech hub continues to grow. Fueling this innovation and job creation is the Technology Development Account (TDA), also known as the Illinois Growth and Innovation Fund (ILGIF). Up to 5% of the state portfolio can be allocated to

capitalize technology businesses seeking to locate, expand or remain in Illinois. ILGIF investments have already created 6,300 Illinois jobs and leveraged a \$3.5 billion investment in Illinois businesses, including 82 MWVD firms.

### **Transparency**

The Illinois Treasurer’s office has set the transparency standard with The Vault. This interactive website details how Illinois invests taxpayer money, manages state debt and tracks bond ratings. It is part of an ongoing effort to increase transparency and accountability in Illinois finances. The Vault open data portal presents information so users can easily compare data points in charts they prefer to use, such as line, bar or pie. Data can also be exported so comparisons to other investment entities can be made.

### **Safeguarding and Returning Unclaimed Property**

The Treasurer’s Unclaimed Property Unit safeguards more than \$3.5 billion in cash and valuables. Examples include an undelivered final paycheck, an unclaimed life insurance policy, an uncashed rebate check or a utility refund. Audits of life insurance companies discovered more than \$550 million in unclaimed benefits owed to Illinois residents. Audits and litigation uncovered millions more in rebates owed to Illinois consumers. Increased efforts to return unclaimed property through the ICash website, an online claims process, in addition to leveraging technology and available data to automatically return single-owner properties of \$2,000 or less without the need to even file a claim, has generated record-breaking returns. The Treasurer is legally required to return the unclaimed property to the rightful owners no matter how long it takes.

Military medals also are part of unclaimed property. Treasurer Frerichs’ efforts to locate these servicemen and women, or their heirs, continue after private entities failed. These bittersweet reunions are profoundly moving and include Purple Hearts and other medals from military conflicts.

### **Helping our Neighbors through Nonprofits**

The Charitable Trust Stabilization Fund was created in 2007 to help small nonprofits across Illinois. Money for the fund comes from filing fees nonprofits pay to the state. The fund was not operational until Treasurer Frerichs revived the program in 2017. An 11-member committee was chosen to oversee the fund’s management. Nonprofits with annual budgets of \$1 million or less are chosen to help economically challenged regional areas.

### **Financial Tools for Local Governments**

The Illinois Funds is a local government investment pool operated by the Treasurer’s office. More than 1,500 units of government participate in the pool, which has provided a safe, liquid and competitive investment since 1975. Treasurer Frerichs’ administration has increased investment earnings for The Illinois Funds from \$50,000 per month to \$11.3 million per month. The Illinois Funds continues to enjoy Standard & Poor’s highest rating of AAAM and is designed to augment, not replace, local banking relationships. Money in this fund cannot be swept and used for any other purpose. More than 500 state and local government agencies also use ePAY, a full-service electronic payment program specifically designed so Illinois governments can quickly and securely receive payments 24/7 through convenient, customized payment channels.

## Treasurer's Staff Members



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