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Treasurer Frerichs Calls on Federal Government to Require More Consideration for Women, People of Color on Corporate Boards and Leadership Positions

*Data on Workplace and Leadership Diversity
Must be Reported to SEC and Made Public*

SPRINGFIELD – The federal government must implement common-sense requirements to boost the numbers of women and people of color within the ranks of finance and big business, Illinois State Treasurer Michael Frerichs told the Securities and Exchange Commission today.

Big banks and investment houses remain reluctant to change legacy rules that serve as barriers to employment for women and people of color, such as unreasonable years of service and a minimum of \$1 billion in investment assets. Further, while some institutions acknowledge the removal of barriers to female and minority participation are warranted, they are reluctant to release data that would show their progress.

“Providing an opportunity to be considered is a first step to rolling back decades of institutional racism that discouraged the hiring of women and people of color,” Frerichs said. “These are qualified individuals and firms who are not being considered simply because the rules are stacked against them.”

At their request, Frerichs testified to the SEC’s Asset Management Advisory Committee and said institutional investors have an obligation to pursue shareholder value. The willful decision not to increase race and gender diversity within the ranks of corporate boards and leadership positions will inherently lessen the value of these companies and harm shareholders.

“I understand not everyone will embrace these ideas and that is disappointing,” Frerichs said. “At a time when the leader of the free world is ordering the dismantling of diversity training because he believes it to be un-American, we must show our country and the world that barriers to entry must be removed.”

“Doing so is better than good business; it is the right thing to do,” Frerichs said.

Specifically, Frerichs called upon the SEC to:

Step One: Adopt the Garcia rule and require financial institutions and publicly traded companies to consider enterprises led by women and people of color when selecting firms including broker-dealers and asset managers and to consider at least one woman and person of color when nominating directors or selecting executive officers. This must include explaining why women and people of color were not chosen and the steps needed to improve future applications. The Garcia Rule is named after Gilbert Garcia who, as a member of an investment board in Houston, Texas, required the Metropolitan Transit Authority of Harris County to consider at least one emerging manager in every search. The rule is similar to the NFL's Rooney Rule, which requires at least one minority candidate to be brought forward for coaching and front-office positions.

Step two: Mandate the disclosure of diversity data within the workforce including race, gender, ethnicity, religion, nationality, disability, veteran status and sexual orientation. Data utilization rates for outside vendors also should be disclosed. These disclosures must be made every two years.

Step three: Require financial institutions and publicly traded companies to publicly disclose the race and gender of directors, nominees, and executive officers annually.

Step four: Commission a study to evaluate the practices of investment consultants and the systemic and structural barriers to diverse investment firms.

“Data collection is not unduly burdensome because it already is being done,” Frerichs said.

All private employers with 100 or more employees are required to report diversity data to the Equal Employment Opportunity Commission, which is kept confidential. In the public sector, the Illinois State Treasurer's Office requires diversity data when seeking government business. If not required, however, too many companies refuse to provide it. For example, in 2018, the SEC received only 38 responses from 1,500 registrants who were asked to voluntarily complete a Diversity Assessment Report.

Increasing diversity in finance is not impossible. For example, since Frerichs took office in 2015 the Illinois State Treasurer's Office has:

- Increased assets managed by diverse-owned firms from \$18 million in December 2014 to \$3.9 billion as of August 2020. That is a 216-fold increase.
- Increased assets brokered by diverse-owned firms from 1 percent in 2014 to 92 percent in 2019. The assets increased from \$603 million to \$43 billion.

A copy of Frerichs' remarks as prepared for the SEC committee is [here](#).

About the 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.

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