



OFFICE OF THE ILLINOIS STATE TREASURER
MICHAEL W. FRERICHS

September 4, 2015

Office of Regulations and Interpretations
Employee Benefits Security Administration
Attn: Conflict of Interest Rule
Room N-5655
U.S. Department of Labor
200 Constitution Avenue, NW
Washington, DC 20210

To Whom It May Concern:

As Illinois State Treasurer, I am the steward of the state's multi-billion dollar investment portfolio. Additionally, I serve as a board member of the Illinois State Board of Investment and chairman of Illinois' Secure Choice Retirement Savings Board. In each of these roles, my primary objective is to protect the long-term investments of the people in the fifth most populous state in the country.

It with this objective in mind that I applaud the U.S. Department of Labor's (USDOL's) proposed rulemaking change published in the Federal Register on April 20, 2015, which addresses the important issue of conflicts of interest amongst retirement investment advisers.

The purpose of the Employee Retirement Income Security Act of 1974 (ERISA) is to set minimum standards for private sector retirement benefit plans, and the USDOL's regulations have evolved to address changes in the retirement investment industry. Now that defined contribution plans comprise the predominant retirement savings vehicle offered to workers in the private sector, consultants and investment advisers play an even greater role in the day-to-day management of these plans. Many of these consultants and advisers receive compensation from the financial institutions whose investment products they recommend. Unfortunately, these conflicts of interest jeopardize the long-term security and growth of workers' investments.

As the White House Council of Economic Advisers has shown, conflicts of interest involving investment advisers have an annual cost to investors of around one percentage point, or \$17 billion in the aggregate. This one percentage point can dramatically impact an individual's savings over a lifetime, accounting for more than a 25 percent reduction in savings over 35 years.

For the reasons stated above, I support the USDOL's proposed rule change to clarify and expand the definition of fiduciary investment advice.

In closing, I want to acknowledge the transparent and diligent process that the USDOL has taken in gathering constructive comments since publishing a proposed rulemaking in 2010. The current proposal is a well-researched and considerate approach to curtailing a loophole within retirement savings law.

I look forward to continuing to work with and offer you any assistance that my office can be in order to best aid USDOL on this issue.

Sincerely,

A handwritten signature in blue ink that reads "Michael Frerichs".

Michael W. Frerichs
Illinois State Treasurer

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