



OFFICE OF THE ILLINOIS STATE TREASURER  
**MICHAEL W. FRERICHS**

January 22, 2016

The Honorable Senator Kirk  
720 Hart Senate Office Building  
Washington, DC 20510

Dear Senator Kirk,

As Treasurer of the State of Illinois and Trustee of the Illinois Funds, a \$5 billion AAAM rated local government investment pool (LGIP) for Illinois state agencies and local municipalities, I urge you to support S. 1802, "the Consumer Financial Choice and Capital Markets Protection Act." This legislation has the bi-partisan co-sponsorship of Senators Toomey, Crapo, Manchin and Menendez.

Although the Illinois Funds are not subject to a floating net asset value (NAV) due to a favorable decision by the Governmental Accounting Standards Board (GASB) in December 2015, S. 1802 will enable all LGIPs to perpetually continue to maintain a stable NAV without being required to limit their portfolios to U.S. government securities or their investors to natural persons in the future. This is important because LGIPs and other money market funds have proven to be a vital cash management tool for state and local governments. These public funds rely upon the stability of managing cash with a consistent principal value. Further, we continue to count on the convenience and simplicity that a stable NAV provides for accounting, record keeping, and the tax treatment of cash balances.

LGIPs allow local governments to use the State Treasurer's resources to safely invest their funds while enjoying the economies of scale available from billions in a pooled fund investment portfolio. The LGIP portfolio is managed in a manner generally consistent with SEC Rule 2a-7 regulating

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money market funds. Illinois state agencies and local municipalities also use money market funds, in addition to the Illinois Funds, where appropriate for specialized cash management applications.

S. 1802 amends the Investment Company Act to make the “floating” NAV provision within the Securities and Exchange Commission’s amendments to its Rule 2a-7 adopted on July 23, 2014, an election instead of mandatory and thereby permanently preserves the essential, stable \$1.00 per share NAV of LGIPs and money market funds for all investors.

Thank you for your consideration and assistance. Should you have any questions related to this matter, please feel free to reach out to my office at (312) 814-xxxx.

Sincerely,



Michael Frerichs  
Treasurer  
State of Illinois