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April 25, 2022

The Honorable Gary Gensler
Chairman
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

Re: Proposed Rules for Private Fund Advisers, File No. S7-03-22

Dear Chairman Gensler:

The Minnesota State Board of Investment (SBI) writes to comment on the SEC's proposed rules for private fund advisers, specifically with respect to the proposed prohibition of preferential treatment for certain investors in private investment funds.

As background, the SBI is entrusted with managing \$129.154 billion (as of June 30, 2021) on behalf of state pension plans, state government funds, non-retirement programs, and state-sponsored savings plans. As a state governmental instrumentality, the SBI is subject to a variety of state laws and rules governing its investment activities. The SBI also has a robust governance structure, which devises policies and promulgates directives that SBI must abide by in the course of its investment operations.

The SBI commends the SEC's attention to and consideration of issues that investors face with respect to private investment funds. The SBI writes to express its concern with one narrow aspect of the proposed rules: namely, the SEC's consideration of prohibitions on preferential treatment of specific investors in private investment funds. For governmental investors like the SBI, preferential treatment is at times necessary to address specific legal and policy requirements put in place to protect or enhance the benefits to the public pension plans and other public programs that SBI serves. For instance, an outright prohibition on preferential redemption rights could contravene state laws or policies that require redemption or withdrawal under specified circumstances. The SBI does not believe a rule that would impede laws and policies put in place to protect public assets is in the best interest of the public or investors.¹

The SBI finds many aspects of the SEC's proposed rules on private investment advisers to be laudable. For the reasons stated above, we respectfully recommend that the SEC avoid strict prohibitions on preferential treatment of specific investors in private investment funds and opt instead for more extensive disclosure requirements in this area.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mansco Perry III", is written over a light blue horizontal line.

Mansco Perry III
Executive Director and Chief Investment Officer

¹That the proposed rule would only apply to preferential treatment where such treatment would reasonably be expected to have a material negative effect on other investors does not obviate the SBI's concerns. The effect of any preferential treatment on other investors is irrelevant to whether the SBI must secure such preferential treatment in order to abide by applicable state laws, policies, and directives from its board.