



June 10, 2022

The Honorable Gary Gensler, Chairman
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

Re: Proposed Rules for Private Fund Advisors, File Number S7-03-22

Dear Chair Gensler,

We are state fiscal officers committed to the secure retirement of our nation's public employees. Ensuring this security means both directly safeguarding public funds and also advocating for competitive and resilient capital markets. Consequently, we support the broad objectives of the private fund regulatory proposal contained in the above-captioned rule.

Robust markets depend on transparent, symmetrical information. As you noted on November 10, 2021, in your prepared [remarks](#) before the Institutional Limited Partners Association (ILPA) Summit, private funds likely assess at least \$250 billion in fees each year, meaning "hundreds of billions of dollars are standing between investors and businesses." This is despite the dramatic growth of assets under private fund management and the long-term decline of fees associated with mutual and index funds.

Lack of clear and regular, legally required fee disclosures leads to troublesome results. According to a recent Bloomberg [study](#), even the most sophisticated investors have difficulty tracking the increasingly byzantine web of fees assessed, directly and indirectly, by private funds. For these reasons, we support standardized definitions and full disclosure to support investor comparison of costs and meaningful performance metrics.

We also strongly endorse the Commission's proposed restoration of long-standing market norms—and the legally required—duties of loyalty, honesty, and care. According to ILPA, nearly half of institutional investors [reported](#) that private fund managers reduced or modified their fiduciary duties in recent dealings. Fiduciary duties are a fundamental element of fair, orderly markets, and a critical investor protection. During the subprime mortgage crisis, it was all too common where mortgage brokers and other originators would waive this protection, even when explicitly required by state or federal law. As [observed](#) by AFL-CIO, we find that it is "particularly objectionable that private fund investment advisors have sought indemnification from their clients for breaches of fiduciary duty...effectively [requiring] victims to reimburse perpetrators for their wrongdoing."

Finally, we support the Commission's explicit prohibition of unfair practices, such as accelerating or charging fees for unperformed services and passing on the regulatory audit and examination costs to investors.

Thank you for your prioritization of a long-overdue review of private fund regulations. Sound investment decisions depend on meaningful, standardized data. At the same time, long-term, resilient markets depend on robust competition, and level playing fields where investor protections and other laws are applied equally.

We appreciate the Commission's consideration of our views, and we look forward to working with you. As you remarked, we also believe that "meaningful benefits to investors on the one hand and capital formation on the other" are within reach with the Commission's carefully crafted rules.

For further information please contact Uriah King, Director of Policy at For the Long Term, at uriah.king@forthelongterm.org or either of us directly.

Sincerely,

Handwritten signature of Seth Magaziner in blue ink.

Seth Magaziner
General Treasurer of Rhode Island

Handwritten signature of Michael W. Frerichs in black ink.

Michael W. Frerichs
Illinois State Treasurer