

March 21, 2022

Vanessa Countryman, Secretary
Securities and Exchange Commission
100 F Street NE
Washington, D.C. 20549-0609

RE: File No. S7-03-22: Private Fund Advisers, Documentation of Registered Investment Adviser Compliance Reviews

Dear Ms. Countryman:

To promote the interests of our clients, we write to express our support for the proposed rules released by the SEC for Private Funds on February 9, 2022.¹

Meketa is an investment consulting firm that has been working with pension, endowment and other institutional funds for over 40 years. We have over 200 clients, collectively with invested assets close to \$2 trillion and millions of stakeholders. Over the next decades, private market investments should continue to provide these funds with a critical source of return required to meet the financial obligations of their sponsors.

As such, we are interested in the newly-proposed rules, which we believe will benefit investors through increased transparency, the elimination of select conflicts of interest, and improved investor protections. We want to echo the sentiment of the Institutional Limited Partners Association CEO Steve Nelson in his recent statement.² We agree that investors would benefit from the proposed rules, as summarized by the Commission in the related Fact Sheet.³

- “Require private fund advisers registered with the Commission to provide investors with quarterly statements detailing information about private fund performance, fees, and expenses;
- Require registered private fund advisers to obtain an annual audit for each private fund and cause the private fund’s auditor to notify the SEC upon certain events;
- Require registered private fund advisers, in connection with an adviser-led secondary transaction, to distribute to investors a fairness opinion and a written summary of certain material business relationships between the adviser and opinion provider;
- Prohibit all private fund advisers, including those that are not registered, from engaging in certain activities and practices that are contrary to the public interest and the protection of investors; and

¹ SEC File No. S7-03-22 (“Private Fund Advisers; Documentation of Registered Investment Adviser Compliance Reviews”)

² https://ilpa.org/wp-content/uploads/2022/02/ILPA-Statement-on-Proposed-Reforms-to-Private-Funds_02_09_22.pdf

³ <https://www.sec.gov/files/ia-5955-fact-sheet.pdf>



- Prohibit all private fund advisers from providing certain types of preferential treatment that have a material negative effect on other investors, while also prohibiting all other types of preferential treatment unless disclosed to current and prospective investors."

The additional fee and expense reporting requirements under the proposed rules will increase transparency across the industry and standardize the information provided to investors. This transparency will help to ensure investors understand the true cost of investing with private fund advisers and provide them with the necessary information to communicate the fees and expenses paid to stakeholders. This will also benefit our clients, and consulting firms such as ourselves, by reducing the amount of time and money spent collecting such information from advisers on a regular basis.

The prohibitions detailed in the proposed rules would also benefit our clients by reducing the time and money spent on legal negotiations with advisers when committing to invest in a private fund. On average, Meketa spends \$10-15 thousand per fund on external counsel during legal agreement negotiations, and that figure does not include internal time and money spent on each negotiation. The prohibitions detailed will help to eliminate a number of practices that are often the subject of negotiation and will further benefit investors through increased disclosure of preferential treatment negotiated by other investors.

While we agree with the proposed rules, we also note here two areas that may require further thought. First, adherence to the proposed rules may be more difficult for smaller firms and may inhibit the ability of emerging managers to use preferential terms as a means of securing anchor investors. We believe that it is important to support smaller, emerging firms, particularly as innovation in important areas such as ESG and DEI often come from smaller organizations. Second, the prohibition on preferential information about portfolio holdings and exposures may prove problematic for our clients that have specific reporting requirements under other laws and regulations (e.g., state legislative mandates on fee disclosures).

Thank you for your consideration of the issues we have raised here.

Sincerely,

A handwritten signature in blue ink, appearing to read "Stephen P. McCourt".

Stephen P. McCourt, CFA
Managing Principal, Co-CEO

cc: The Honorable Gary Gensler
The Honorable Caroline Crenshaw
The Honorable Allison Herren Lee
The Honorable Hester Peirce