



April 25, 2022

Vanessa A. Countryman  
Securities and Exchange Commission  
100 F St NE  
Washington, DC 20549

Re: Private Fund Advisers; Documentation of Registered Investment Adviser Compliance Reviews (File No: S7-03-22)

Secretary Countryman,

On behalf of the Ohio Federation of Teachers' 14,000 thousand members, we write to express our support for the Securities and Exchange Commission's ("the Commission") proposed rules that would provide investors with necessary details on the fees, expenses, returns, and compliance records of private funds they are invested in or are considering investing. We strongly believe these disclosures provide a significant step towards investors having the insight they need into private funds.

Our union members participate in the Ohio State Teachers' Retirement System School Employees and Public Employees' pension funds ("STRS Ohio"). STRS invests a significant portion of its retirement savings into private funds. As stewards of the retirement assets of millions of public sector workers, we strongly feel that they deserve transparency and accountability from their private fund managers.

The Ohio Federation of Teachers has supported state legislation that would require state pension funds in Ohio to disclose private equity fees because the current rules unfairly benefit private fund advisers at the expense of pension fund participants. Unfortunately, these legislative proposals have not passed, leaving our members and retirees in the dark regarding the actual cost of STRS Ohio's private funds' investments. As a result, pension fund trustees, participants, and other stakeholders cannot correctly evaluate these investments to determine whether the risk-adjusted returns are worth the cost.

Therefore, we strongly support these proposals, which will provide investors in private funds with the necessary information to determine if the fees, returns, and investment terms are suitable for them and make it easier to ensure their advisers act in their best interest.

- The fact that this basic information, which is generally already clear to fund advisers, is not disclosed to investors, and pension participants, represents a profound market failure.
- Currently, even the most sophisticated investors in these funds frequently cannot form a clear picture of what fees they are being charged and what the actual risk-adjusted returns are for these investments. Furthermore, funds currently lack information on whether the fund advisor has engaged in misconduct and whether other fund investors are receiving preferential treatment that puts them at a disadvantage.

With this proposal, the Commission addresses the imbalance of power that favors the fund advisers by requiring the advisers to provide investors quarterly:

- a table detailing all the different fees and expenses charged
- a standardized, reliable set of returns for investors to evaluate alongside more detailed assumptions used to calculate returns
- disclosures on special arrangements it may have with certain investors often referred to as "side letters."

The Commission's proposal would also prohibit specific hidden conflicts and fees that unduly enrich the fund adviser at the expense of investors and require annual independent audits to address the systematic compliance deficiencies and ensure private investments are adequately valued.

The lack of transparency concerning private funds has eroded accountability and trust in the data pension participants and board members receive about the status of their pension funds' performance. Public pension plan participants want and deserve to know exactly what private fund managers are charging their pension plans in fees to aid them in determining whether those fees can be reduced to keep more money in the plans.

The proposed new rules and amendments under the Investment Advisers Act of 1940 will provide our members and trustees with increased visibility into the actual costs of private fund investment and prohibit certain activities on the part of private funds that are misaligned with the interest of the public and investors. The proposed rulemaking will protect public employee retirement savings from some harmful aspects of private fund investing, and we fully support its implementation.

Thank you again for the opportunity to comment.

Sincerely

*Melissa Cropper*

Melissa Cropper  
OFT President

*Julie Sellers*

Julie Sellers, President  
Cincinnati Federation of Teachers

*Elisabeth Jones*

Elizabeth Jones  
President  
Retired Cincinnati Federation of  
Teachers