April 27, 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)

Dear Secretary Countryman:

On behalf of the Illinois Federation of Teachers’ 103,000 members, I am writing to express our strong support for the proposed new rules and amendments under the Investment Advisers Act of 1940 to enhance the regulation of private fund advisers.

Members of our union participate in Illinois public pension funds totaling over a hundred billion in assets, all of which have a significant portion of their portfolio allocated to private funds. As stewards of the retirement assets of tens of thousands of teachers in the state of Illinois, we feel strongly that they deserve transparency and accountability from their private fund managers, and we appreciate this opportunity to comment on the Securities and Exchange Commission’s (“the Commission”) proposed rules.

The current imbalance of information between private fund limited partners and general partners – in which fund advisers have full access to basic information around fees, expenses, returns, and compliance records but institutional investors generally do not – represents a significant market failure. Even when investors ask for baseline information about fees and expenses, fund advisors largely ignore these requests. Such opacity has even enabled some private fund advisers to pass the costs of private jet flights and personal expenses onto fund investors, which irrefutably harms public employees whose retirement savings they manage.

It is critical that public pension funds and other institutional investors have a clear understanding of what fees they are being charged, how fees are charged, how net returns are calculated, and whether other investors are receiving preferential treatment that puts them at a disadvantage, in order to determine whether private fund investments are worth their high cost. Therefore, we strongly support the Commission’s proposal requiring private fund managers to provide detailed reporting on a quarterly basis on Form ADV, breaking down all the compensation, fees, and expenses paid to the adviser.

The pension funds in which our members participate have been historically underfunded. While much of this underfunding is due to sponsors’ failure to make required contributions, research
demonstrates that alternative investment (i.e., private fund) fees are also a significant contributor to pension shortfalls. Thus having a full accounting of fees charged by private funds is crucial for pension investors to determine whether these investments are eroding pension assets by charging fees that are misaligned with risk-adjusted returns.

The proposed rulemaking will provide pension funds that IFT members contribute to from each paycheck with increased visibility into the true costs of private fund investment and prohibit certain activities on the part of private funds that are potentially harmful to the interests of the public and investors. We strongly support these proposals, which we believe will protect public employee retirement savings from some of the most detrimental aspects of private fund investing. Thank you again for the opportunity to comment.

Sincerely,

[Signature]

Daniel J. Montgomery
President

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