SWIB State of Wisconsin Investment Board

August 31, 2009

Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

RE: File Number S7-18-09

We have reviewed the Securities and Exchange Commission's proposed rule on Political Contributions by Certain Investment Advisors. While we agree with the goal of the proposed rule which is to eliminate political influence in the selection of investment advisors by governmental entities, we believe that the prohibition on the use of placement agents is overreaching and will have negative consequences on the efficient operations of the private equity market to the detriment of public pension plans.

In April 2009, when the matter of "pay to play" schemes received press coverage, the State of Wisconsin Investment Board (SWIB) undertook a review of its use of placement agents for private equity investments. For the time period of 2005 through April 2009 SWIB committed approximately $6.8 billion to 84 private equity funds. Placement agents were used in connection with 31 of these funds. Our research shows that the use of placement agents is common. According to the London-based research firm Preqin Ltd., approximately 54% of the global private equity firms used placement agents in 2008.

For many small and first-time funds, a placement agent is often utilized to introduce the general partner to numerous potential investors, including large institutional investors such as public pension funds. Limited partners are often more receptive to meeting with a prospective general partner if that general partner is being represented by a reputable placement agent. Reputable placement agents play an integral role within the private equity asset class and provide valuable services to both the general partner and limited partners. Placement agents spend a significant amount of time and money and put their reputations on the line when they agree to work with a general partner to raise a fund. In addition to introducing the general partner to prospective investors, placement agents work with the general partner by

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providing valuable services including: sharpening strategy, setting business terms, drafting the Private Placement Memorandum and presentation materials, completing due diligence questionnaires from prospective investors and their consultants and action as the liaison between the general partner and the limited partners during due diligence and the closing process.

It is SWIB's policy to obtain disclosure of the use of a placement agent for each of our private equity investments. We also require general partners to disclose any conflict of interest with our Trustees or the employees who are charged with the investment decision. This policy has been in place since the beginning of 2005. Beginning in 2009 we are expanding the disclosure to require the general partner to state in writing not only whether a placement agent is used but also any fees that are being paid with respect to SWIB's commitment to the fund.

Additionally as a Board Governance policy, SWIB maintains a log of any firms that have been referred by elected officials, leadership in the current administration or current or former trustees for our consideration. The contact information and ultimate status of any investment are shared with the Board's Audit Committee as a means of preventing pay to play issues.

Chairman Mary Schapiro in her speech on July 22nd with respect to the proposed rules stated "In taking these steps today, I think we can help to level the playing field for all advisers, both large and small, so that they can compete for government contracts based on investment skill and quality of service, not based on political contributions and inappropriate, under-the-table payments." We share the concerns expressed by the Securities and Exchange Commission that political contributions not influence the award of investment advisory assignments for government sponsored plans and are not taking exception to the proposed rules limiting political contributions. However, we do believe that the proposed rule's elimination of placement agents removes a vital element to the effective operation of the private equity markets. Large firms would be able to hire employees to handle the marketing of their partnership interests as they routinely have a fund that is in the process of raising capital during any time period. However, smaller or newly constituted funds that raise capital infrequently can ill afford to have an employee on payroll to handle the marketing assignment during the fund raising phase and then have no meaningful assignments for the next several years.

In summary, SWIB believes that eliminating the use of placement agents from the marketing of private equity investments to public pension plans will place both the general partner and the public pension plan at a disadvantage. A number of general partners will need to reconfigure a marketing model which has worked well in most instances. Public pension plans will not be able to rely on reputable placement agents that understand our investment programs

and provided needed information and advice in the investment decision making process. The likely result will be that the cost of investment in private equity goes up without an improvement in the return or the risk to the process, thus having a negative impact on the funds we manage.

Sincerely,

Keith Bozarth
Executive Director

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