



**California Public Employees' Retirement System
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June 10, 2016

The Honorable Jeb Hensarling
Chairman
House Financial Services Committee
2129 Rayburn House Office Building
Washington, DC 20515

The Honorable Maxine Waters
Ranking Member
House Financial Services Committee
4340 O'Neil House Office Building
Washington, DC 20515

Dear Chairman Hensarling and Ranking Member Waters:

Subject: H.R. 5424, the "Investment Advisers Modernization Act of 2016"

On behalf of the California Public Employees' Retirement System ("CalPERS"), I write to express CalPERS' concerns about H.R. 5424, the "Investment Advisers Modernization Act." We are concerned that the legislation would reduce private equity fund transparency and limit the ability of the Securities and Exchange Commission ("SEC") to effectively protect investors.

CalPERS is the largest public pension fund in the United States with approximately \$301 billion in global assets.¹ CalPERS invests these assets on behalf of more than 1.8 million public employees, retirees, and beneficiaries. As a significant institutional investor, CalPERS advocates for reform that promotes fair, orderly and effectively regulated financial markets.

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") included key provisions that required most U.S. private equity fund managers to register as investment advisers and that permitted the SEC to require private fund advisers to report to the SEC about the funds they manage for investor protection and systemic risk assessment purposes. CalPERS believes that H.R. 5424 would undermine the

¹ See, [The CalPERS Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2015](#).

significant gains achieved under Dodd-Frank by diminishing transparency into private funds and restricting the SEC's ability to protect investors.

We are particularly concerned about provisions of H.R. 5424 that would exempt significant aspects of the internal records of private equity funds from requirements to maintain books and records for inspection by the SEC. CalPERS is also concerned about provisions of H.R. 5424 that would create exemptions that would prevent the SEC from ensuring representations of fund performance in advertising materials are not false, misleading or inaccurate. In addition, we note that H.R. 5424 would create exemptions for private funds from an annual, independent audit of their client funds and securities holdings. CalPERS is also concerned about provisions of H.R. 5424 that would create an exemption to requirements that private funds provide investors brochures detailing fees, compensation and other financial information, and about provisions that would create an exemption to requirements that private funds report certain information to regulators about the fund's leverage and holdings.

We believe that H.R. 5424 would erode the Dodd-Frank provisions that established greater transparency into private equity funds, protected investors against fraud by fund advisers, and enhanced the ability of regulators to effectively monitor systemic risk in the private fund industry. We, therefore, express our opposition to H.R. 5424.

Thank you for considering these views. If you have any questions, please contact Mary Anne Ashley, Chief of our Legislative Affairs Division, at (916) 795-2565, or Dan Crowley of K&L Gates LLP, our Federal Investment Policy Representative, at (202) 778-9447.

Sincerely,



ANNE SIMPSON
CalPERS, Investment Director
Global Governance