



California State Teachers'  
Retirement System  
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November 18, 2019

The Honorable Maxine Waters  
Chairwoman, Committee on Financial Services  
United States House of Representatives  
Washington, D.C. 20515

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The Honorable Patrick McHenry  
Ranking Member, Committee of Financial Services  
United States House of Representatives  
Washington, D.C. 20515

Dear Chairwoman Waters and Ranking Member McHenry:

The California State Teachers' Retirement System ("CalSTRS") writes regarding the hearing scheduled for November 19, 2019, titled "**America for Sale, An Examination of the Practices of Private Funds.**" We strongly support the provisions of the *Investment Adviser Alignment Act*, which will ensure greater alignment of interests between investment managers and investors and improve transparency and governance in the operation of private equity funds.

CalSTRS acts as the fiduciary for the retirement benefits of over 949,000 public school educators and their families in California. CalSTRS has \$242.1 billion of assets under management as of 9/30/2019, with an asset allocation to private equity of 9.1% as of August 31, 2019, representing approximately \$22 billion. Private equity provides necessary returns and asset diversification required by CalSTRS to meet our fiduciary obligations to our beneficiaries. We are also active members of the Institutional Limited Partners Association ("ILPA"), serving on the Board of Directors, and back their efforts to improve the long-term sustainability of the private equity industry.

CalSTRS strongly supports the specific transparency and governance reforms in the management of private equity funds that are provided in the *Investment Adviser Alignment Act*. CalSTRS is concerned about recent trends in the private equity industry that seek to reduce the fiduciary obligations owed to limited partners. In addition, as a California public pension plan, we are required under California law to receive fee and expense reporting from the private equity managers with whom we invest. Finally, we welcome efforts to ensure that the limited partners in a private equity fund are informed of the identity of their fellow investors and that restrictions are removed that prevent communications among investors in the fund. Each of these items is addressed in the *Investment Adviser Alignment Act*.

The Honorable Maxine Waters and The Honorable Patrick McHenry

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CalSTRS appreciates the opportunity to comment on this important topic and encourages the Committee to move forward with the necessary reforms in the *Investment Adviser Alignment Act* to ensure the long-term health of the private equity industry.

Respectfully Submitted,

Jack Ehnes

Chief Executive Officer

California State Teachers' Retirement System (CalSTRS)