



INSTITUTIONAL
LIMITED PARTNERS
ASSOCIATION

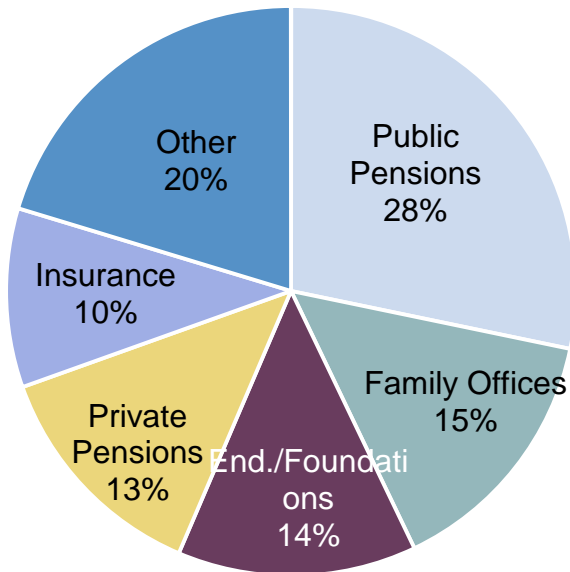
Transparency in Public Sector Pensions

July 30, 2018

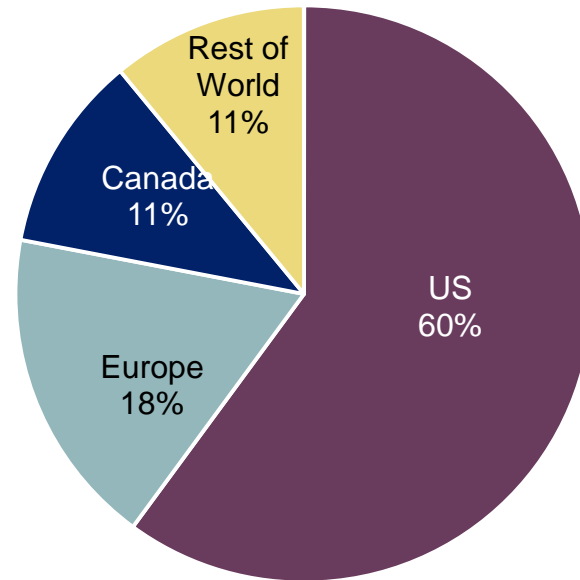
ILPA: The Only Global Organization Exclusively for LPs

480+ Member organizations

>50% of institutional PE AUM



50+ countries represented



~4,500 active professionals across diverse roles

—investment office, legal, compliance, accounting, PE and real assets

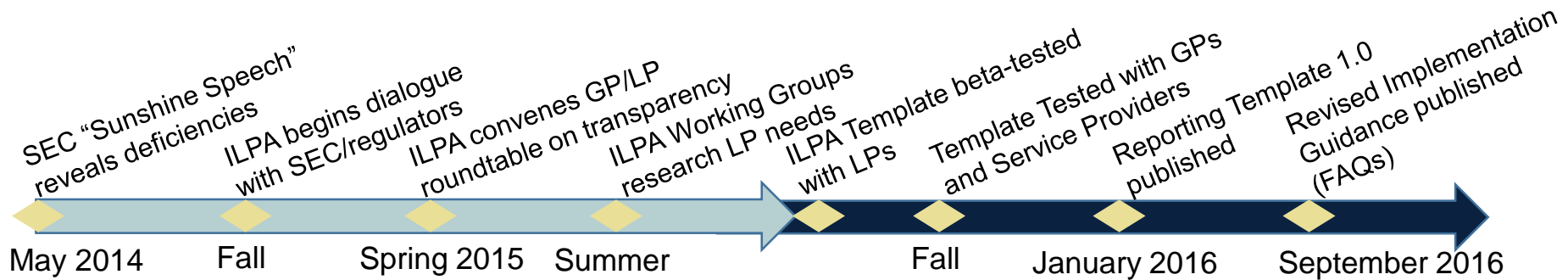
ILPA Transparency Initiative (2015-16)

Goal: Broad-based effort May 2015-Feb 2016 to identify and promote enhanced, **uniform practices** to improve the quality of reporting and disclosures on costs to LPs. (42 participating organizations)

OUTPUTS

- 1 Standardized fee and expense reporting template – quarterly, with expanded disclosure on fee offsets, partnership expenses, related parties, carried interest
- 2 Guidelines around fee/expense reporting, regulatory compliance and other disclosures
- 3 Recommendations on expanded scope of annual fund audits and role of third parties in enhanced assurances of LPA compliance

TIMELINE



ILPA's Reporting Template: Standardized Reporting on Costs to LPs

Analyze & Aggregate

- LP investment costs
- Economics paid to the management company (incl. non-arms-length transactions)

Establish Standard

- Management fees
- Fund expenses
- Carried interest
- Fees charged to portfolio companies

Gain Consensus

- In consultation with
- 50 LP organizations
 - 25 GP organizations
 - 10 trade associations
 - 20 sample templates

Launched January 2016

Key Features of the Reporting Template

Best Practices Fund II, L.P.	QTD (Oct-15 -	YTD (Jan-15 -	Since Inception (Feb-07 -	QTD (Oct-15 -	YTD (Jan-15 -	Since Inception (Feb-07 -	QTD (Oct-15 -	YTD (Jan-15 -	Since Inception (Feb-07 -
A. Capital Account Statement									
A.1 NAV Reconciliation									
Beginning NAV - Net of									
Contributions - Cash & Non-Cash									
Distributions - Cash & Non-Cash									
Total Cash / Non-Cash									
Net Operating Income									
(Management Fees)									
Management Fee Waivers									
(Partnership Expenses)									
(Partnership Expenses)									
(Partnership Expenses)									
(Partnership Expenses)									
(Partnership Expenses)									
(Partnership Expenses)									
(Partnership Expenses)									
Total Offsets to Fees									
Offset Category									
Advisory Fees									
Broken Deal Fees									
Transaction Costs									
Directors Fees									
Monitoring Fees									
Capital Markets									
Organization									
Placement Fees									
Other Offsets									
Reconciliation for Unallocated									
Offset Balance (Roll-forward)									
(Total Management Fees)									
Fee Waivers									
Interest Income									
Dividend Income									
(Interest Expense)									
Other Income / Expenses									
Total Net Operating Income									
(Placement Fees)									
Realized Gain / (Loss)									
Change in Unrealized									
Ending NAV - Net of									
Reconciliation for Allocation									
Incentive Allocation									

- Quarterly Frequency
- Individual LP Balances
- Two Tiers Of Detail: Headline or Advanced Information Gathering
- XML Format For Incorporation Into Current Reporting Packages
- Detailed NAV Reconciliation
- Detailed Partnership Cost And Offset Disclosures
- Portfolio Company Cost Information
- LP Commitment Reconciliation
- Map Of GP Sources of Revenue
- Fund Of Funds Overlay
- Definitional Clarity For Common Fees And Expenses

Endorsing Organizations

LIMITED PARTNERS

American Trading and Production Corporation

AP2

APG

Alberta Teachers' Retirement Fund

AlpInvest Partners

Bancóldex

Board of Education Retirement System of the City of New York

BBC Pension Scheme

British Columbia Investment Management Corporation (bcIMC)

BrightHouse Financial

BRK Capital

CalPERS

CalSTRS

CDC Gabon

City of Fresno Retirement Systems

Canada Pension Plan Investment Board (CPPIB)

Canadian Medical Protective Association (CMPA)

Chicago Teachers' Pension Fund

Colorado PERA

Commodore Management Co.

Commonwealth of Pennsylvania, Public School Employees' Retirement System (PSERS)

Commonwealth Superannuation Corporation

The Connecticut Retirement Plans and Trust Funds

District of Columbia Retirement Board

The Connecticut Retirement Plans and Trust Funds

District of Columbia Retirement Board

Employees Retirement System of Texas (ERS)

Eskom Pension and Provident Fund

FCA US LLC

Fikes Family Office

Fire and Police Pension Association of Colorado

Florida SBA

GF Private Equity Group, LLC

Guardian Life Insurance Company of America

Halifax Regional Municipality Master Trust

Hydro-Quebec Pension Plan

Illinois State Treasurer's Office

IMANT

Indiana Public Retirement System (INPRS)

Iowa Public Employees' Retirement System

Kaiser Permanente

Kentucky Retirement Systems

Los Angeles Fire and Police Pensions (LAFPP)

Los Angeles County Employees Retirement Association (LACERA)

Lockheed Martin Investment Management Company

M&G Private Funds Investment

Maryland State Retirement and Pension System

MERS of Michigan

MetLife

Minnesota State Board of Investment

Missouri State Employee's Retirement System (MOSERS)

MoDOT & Patrol Employees' Retirement System

Montana Board of Investments

MP Investment Management

Municipal Employees Retirement System of Michigan

New Jersey Division of Investment

New Mexico Educational Retirement Board (NMERB)

New York City Employees' Retirement System

New York City Fire Pension Fund

New York City Police Pension Fund

New York City Office of the Comptroller

New York State Common Retirement Fund

New York State Teachers' Retirement System

Nordea Life & Pensions

Omega Overseas Investments, Inc.

Ohio PERS

Ohio SERS

Ontario Pension Board (OPB)

Ontario Teachers' Pension Plan

Oregon State Treasury

Pavilion Alternatives group

PECA-Family Office

PenSam

Pensionskassernes Administration (PKA)

Pennsylvania Treasury

PGB PD

PGGM Investments

Realdania

Royal Mail Pension Plan

Sacramento County Employee's Retirement System

San Mateo County Employees' Retirement Association (SamCERA)

Sampension KP Livsforsikring a/s

San Diego County Employees Retirement Association (SDCERA)

Sentinel Trust Company

South Carolina Retirement System Investment Commission

SPF Beheer

State of Rhode Island

State of Wisconsin Investment Board

State Teachers Retirement System of Ohio

Storebrand Asset Management AS

Suva

Teachers' Retirement System of the City of New York

Teacher Retirement System of Texas (TRS)

Teachers' Retirement System of Kentucky

Teachers' Retirement System of the State of Illinois

Texas Permanent School Fund

Textron Employee Pension Plan

The Dow Chemical Company

The Public Employees Retirement Association of New Mexico

University of California Regents

University of Toronto Asset Management Corporation (UTAM)

University of Missouri

USS Investment Management Limited

Utah Retirement Systems

Varma Mutual Pension Insurance Company

Virginia 529

Virginia Retirement System

Washington State Investment Board

Wespath Benefits and Investments

World Bank Group Retirement Benefit Plans

Zurich Alternative Asset Management

Endorsing Organizations

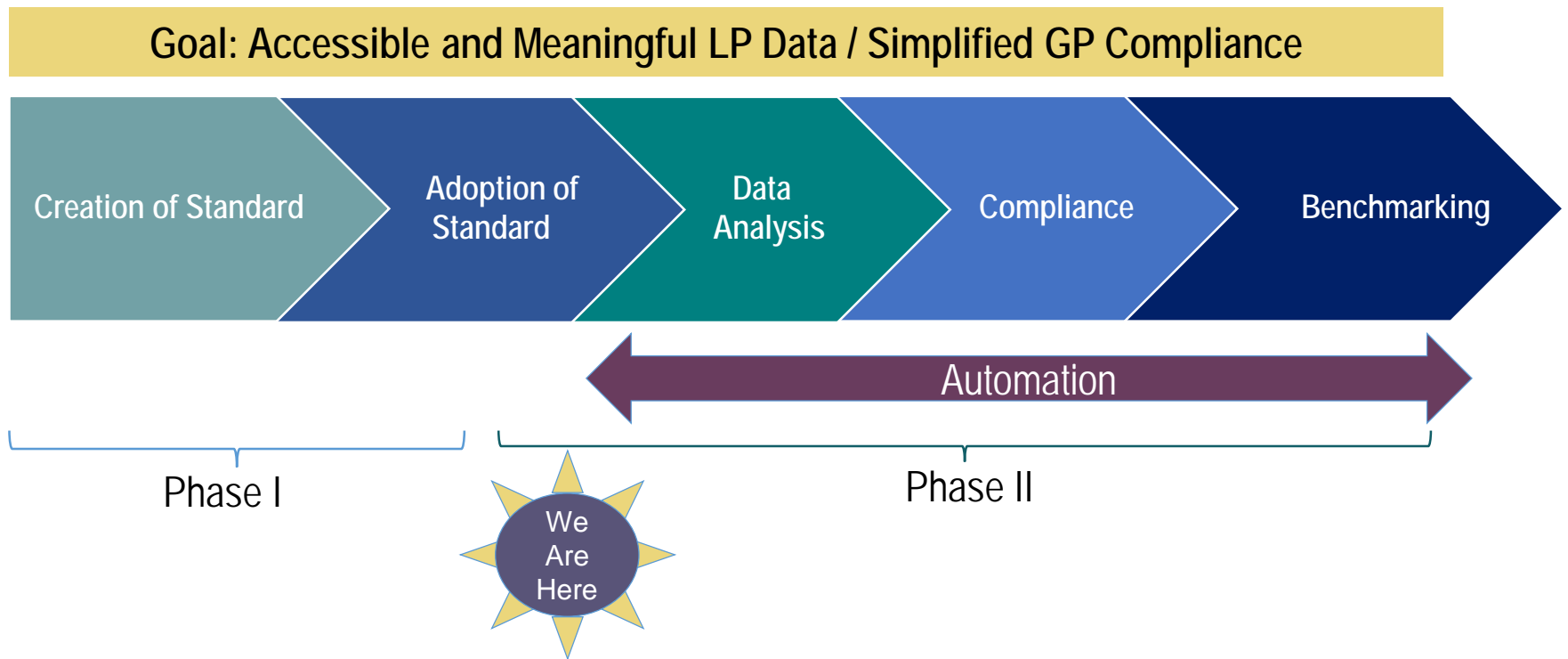
GENERAL PARTNERS

Advent International
Apollo
Ares Management
Blackstone
Bridgepoint
The Carlyle Group
CCMP
Emerald Peak Private Equity
Genstar Capital
Helios Investment Partners
Hellman & Friedman
Jaguar Growth Partners
KKR
Oaktree Capital Management
Onex
Paladin Realty Partners
Permira
Phoenix Partners
Rockstreet Partners
Riverstone Holdings, LLC
Scale Venture Partners
Searchlight Capital Partners
Silver Lake
TowerBrook Capital Partners
TPG
Triple P Capital

CONSULTANTS, FoFs and 3RD PARTY ORGANIZATIONS

Aksia LLC
Albourne
AlterDomus
AlternativeSoft
Apex Fund Services
Cambridge Associates
Capital Analytics
CEM Benchmarking
Citco Fund Services (USA) Inc.
Colmore
SS&C/Conifer Financial Services
Edgehaven
eFront Financial Services
Federation of the Dutch Pension
Funds (Pensioenfederatie)
Gen II Fund Services, LLC
Intralinks
Meketa Investment Group
Mission Creek Capital Partners,
Inc
Morningside Capital Management
National Association of State
Treasurers
Optimize Capital Partners
Pantheon
Pathway Capital Management
Pavilion Alternatives Group
PEA Accounting Insights
Pension Consulting Alliance, LLC
PEF Services
PFA Solutions
SS&C Advent
SEI Investment Manager Services
Solovis, Inc.
TorreyCove Capital Partners
TresVista
UMB Fund Services
Upwelling Capital

Entering the Next Phase: Realizing Implementation Benefits



Industry Uptake of the ILPA Template

300+

Estimated 300+ managers provide the ILPA Reporting Template to investors requesting it

26%
of PE AUM

GPs that have endorsed the template, publicly committing to provide to LPs

22%

Survey: 22% of GPs use the ILPA Fee Reporting Template

↑ 69%

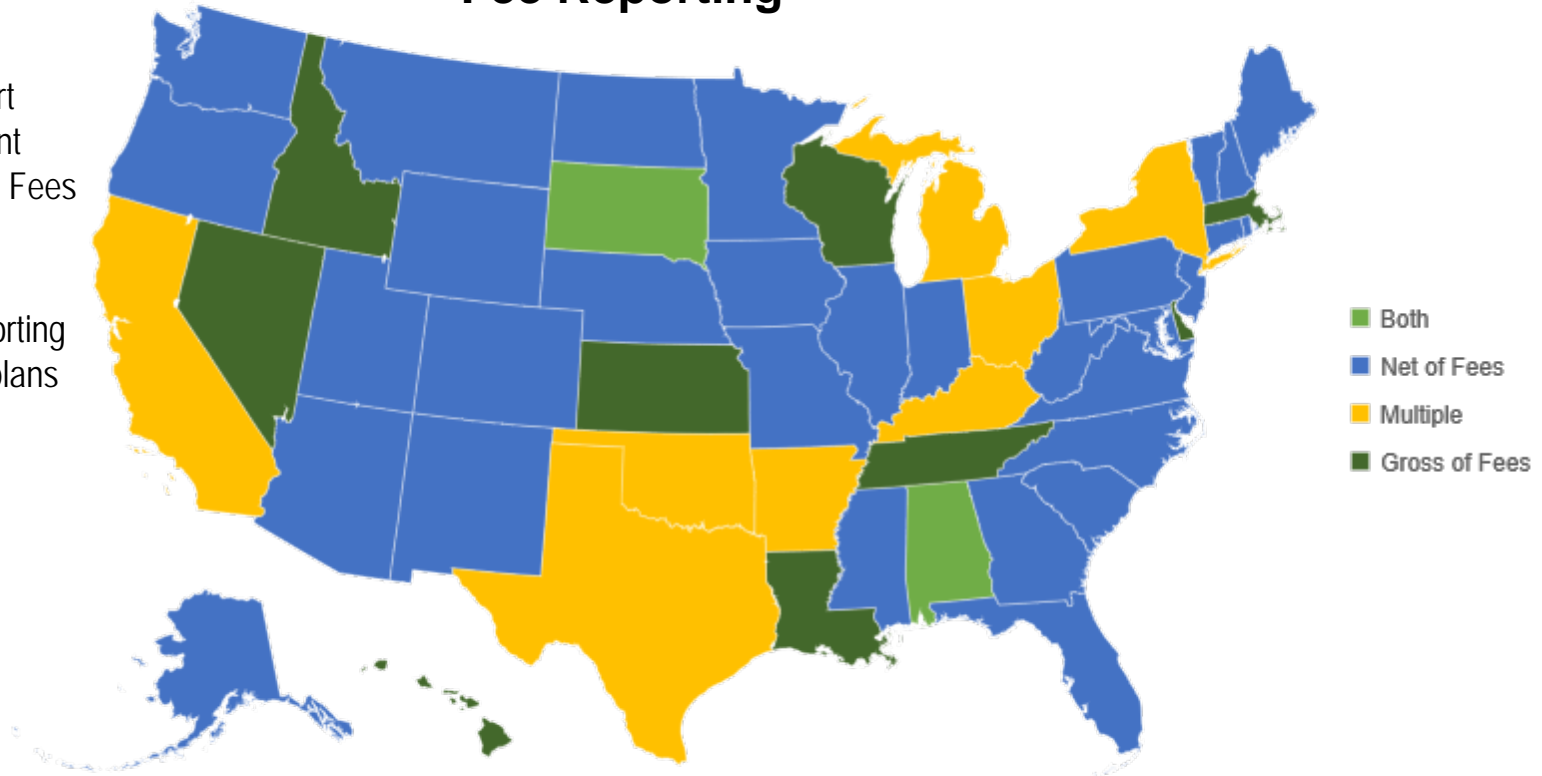
GP adoption of the template grew 69% between 2016 and 2018

Inconsistent Levels of Public Disclosure

Public Pension Investment Performance Fee Reporting

➔ Most States Report Pension Investment Performance After Fees

➔ Within states, reporting practices among plans may differ



Source: ILPA analysis using 2016 and 2017 CAFRs via publicplansdata.org.

Legislating Transparency in PE

US State-Level Transparency Efforts

California AB 2833

Alabama	Failed
Arizona	Enacted
California	Passed into Law
Illinois	Pending
Kentucky	Failed
Louisiana	Pending
New Jersey	Failed
Pennsylvania	Pending
Rhode Island	Pending
Texas	Enacted
Washington	Enacted



- More granular PE fee and expense disclosures by public plans
- Applies to all new fund commitments from Jan. 2017
- Ambiguous or silent on real estate, secondaries, funds of funds; threshold for compliance (i.e., what constitutes “best efforts”)

Source: National Conference of State Legislatures, Bloomberg BusinessWeek.

Navigating Complexity and Compliance Challenges in Public Reporting of PE Costs

Expensive asset class, negotiated terms

Opaque industry

Defining reported costs – fees only, fees plus carry?

Accuracy of data on costs

Costs *in Context*

- Importance of understanding impact to *bottom line* – (out)performance versus rest of portfolio
- Downside to “sitting out”—damage to relationships, negotiation influence

LPs are Driving Standardization

- LPs requesting/requiring ILPA template via side letters, included as “must have” in investment policy

Which costs matter, to whom, and why?

- Hard to normalize PE costs (across funds, vs other asset classes)
- Methodological variances in public reporting make benchmarking difficult

Trust but verify

- Fee template data outside of PE fund audit scope – onus on LPs to validate (for now)
- Can internal resources assume burden of absorbing, monitoring cost data?



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