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Mcera



Marin County Employees' Retirement Association

Private Equity Fee Disclosure:
California Government Code Section
7514.7

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Background

California Government Code Section 7514.7

- A new private funds disclosure law that focuses primarily on fees paid became effective 1/1/17, requiring various additional information items be provided to California Public Fund investors.
- Annual disclosure of the information provided is required to be made by public funds.
- MCERA collected fee information from Pathway and Abbott based on a well-developed template developed by the Institutional Limited Partners Association (ILPA) to promote thorough fee transparency.
- The ILPA template is primarily oriented toward direct partnerships, which have more complex fee structures than the fund-of-funds in which MCERA invests; although the template also covers fund-of-funds.
- Callan was asked to summarize for the Board the fee information collected by the managers.
- Callan compiled the information for the individual holdings into two tables on the following pages, and the managers' original fee sheets are provided in the Appendix.
- As this is the first year of the required disclosures, and based on the managers' source materials, Callan and Staff have identified future improvements to be made regarding the uniformity and types of information that the managers provide.

MCERA Fee Disclosure

Private Equity Fee Summary: Annual

| Category | MCER5 Private Equity Fees Expenses and Incentive Allocations | | | | Abbott Capital Annual | | | | Pathway Capital Annual | | | |
|--|--|------------------|----------------|------------------|-----------------------|------------------|------------------|---------------|------------------------|--|--|--|
| | LTM | LTM | LTM | Total ACM | LTM | LTM | LTM | LTM | Total PCM | Combined Managers 12-Month Costs | | |
| | 1/1/2016 | 1/1/2016 | 1/1/2016 | 1/1/2016 | 7/1/2016 | 7/1/2016 | 7/1/2016 | 7/1/2016 | 1/1/2016 | | | |
| | 12/31/2016 | 12/31/2016 | 12/31/2016 | 12/31/2016 | 6/30/2017 | 6/30/2017 | 6/30/2017 | 6/30/2017 | 12/31/2016 | | | |
| ACE VI | ACE VII | AP 16 | | PPEF 2008 | PPEF I-7 | PPEF I-8 | PPEF I-9 | | | | | |
| <i>Fees and Carried Interest</i> | | | | | | | | | | | | |
| Management Fees - Gross of Offsets, Waivers, and Rebates | 726,750 | 276,250 | 0 | 1,003,000 | 853,533 | 315,000 | 229,518 | 6,951 | 1,405,002 | 2,408,002 | | |
| Incentive Allocation Paid | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | |
| Accrued Incentive Allocation - Period Change | 43,351 | 112,086 | 0 | 155,437 | 0 | 0 | 0 | 0 | 0 | 155,437 | | |
| Total Received by GPs and Related Parties | 770,101 | 388,336 | 0 | 1,158,437 | 853,533 | 315,000 | 229,518 | 6,951 | 1,405,002 | 2,563,439 | | |
| <i>Expenses</i> | | | | | | | | | | | | |
| Audit and Tax Preparation | 13,649 | 9,836 | 6,794 | 30,279 | 43,848 | 17,664 | 7,650 | 0 | 69,162 | 99,441 | | |
| Bank Fees | 167 | 27 | 605 | 799 | 0 | 0 | 0 | 0 | 0 | 799 | | |
| Legal | 0 | 0 | 0 | 0 | 46 | 435 | 7,811 | 0 | 8,292 | 8,292 | | |
| Organization Costs | 0 | 715 | 138,234 | 138,949 | 0 | 338 | 42,596 | 6,563 | 49,497 | 188,446 | | |
| Other* | 283 | 941 | 195 | 1,419 | 739 | 0 | 195 | 7 | 941 | 2,360 | | |
| Total Expenses | 14,099 | 11,519 | 145,828 | 171,446 | 44,633 | 18,437 | 58,252 | 6,570 | 127,892 | 299,338 | | |
| Total Fund-of-Funds Managers Fees and Expenses | 784,200 | 399,854 | 145,828 | 1,329,882 | 898,166 | 333,437 | 287,770 | 13,521 | 1,532,894 | 2,862,776 | | |
| <i>Underlying Partnerships</i> | | | | | | | | | | | | |
| Management Fees - Net of Offsets, Waivers, and Rebates | 808,000 | 416,000 | 114,000 | 1,338,000 | NA | NA | NA | NA | 0 | 1,338,000 | | |
| Expenses Paid | 162,000 | 92,000 | 48,000 | 302,000 | NA | NA | NA | NA | 0 | 302,000 | | |
| Incentive Allocation Paid | 1,256,000 | 89,000 | 38,000 | 1,383,000 | NA | NA | NA | NA | 0 | 1,383,000 | | |
| Accrued Incentive Allocation - Period Change | 2,355,000 | 287,000 | 125,000 | 2,767,000 | NA | NA | NA | NA | 0 | 2,767,000 | | |
| Total Underlying Partnerships - Net Fees, Expenses, and Incentive Allocations | 4,581,000 | 884,000 | 325,000 | 5,790,000 | 6,219,626 | 1,472,207 | 878,325 | 2,075 | 8,572,233 | 14,362,233 | | |
| Total FOF and Underlying Partnership Fees and Expenses | 5,365,200 | 1,283,854 | 470,828 | 7,119,882 | 7,117,792 | 1,805,644 | 1,166,095 | 15,596 | 10,105,127 | 17,225,009 | | |

*ACM: Other Expenses are Advisory Board, Annual Meeting, and Delaware Registration related

*PCM: Other Expenses are State Tax, Fidelity Bond, and Registered Agent, and Other related

NA = Not Available

- In future disclosures, information will be requested from both managers to coincide with MCERA's 2Q fiscal year.
- The top table summarizes the fees (management fee and carried interest) and expenses paid by MCERA for the FOF vehicles.
- The bottom table is an estimate of fees (management fees and carried interest) and expenses paid by the FOFs to underlying partnerships.

MCERA Fee Disclosure

Private Equity Fee Summary: Since Inception

| Category | MCER5 Private Equity Fees Expenses and Incentive Allocations | | | Abbott Capital Annual |
|---|--|----------------------|---------------------|-------------------------|
| | Since Inception | Since Inception | Since Inception | Total ACM |
| | 3/31/2008 ACE VI | 4/23/2013 ACE VII | 2/1/2016 ACE VII | 3/31/2008 12/31/2016 |
| <u>Fees and Carried Interest</u> | | | | |
| Management Fees - Gross of Offsets, Waivers, and Rebates | 6,421,750 | 510,000 | 0 | 6,931,750 |
| Incentive Allocation Paid | 0 | 0 | 0 | 0 |
| Accrued Incentive Allocation | 216,706 | 112,086 | 0 | 328,792 |
| Total Received by GPs and Related Parties | 6,638,456 | 622,086 | 0 | 7,260,542 |
| <u>Expenses</u> | | | | |
| Audit and Tax Preparation | 64,369 | 21,945 | 6,794 | 93,108 |
| Bank Fees | 2,193 | 103 | 605 | 2,901 |
| Legal | 5,172 | 4,984 | 0 | 10,156 |
| Organization Costs | 103,389 | 58,002 | 138,234 | 299,625 |
| Other* | 12,125 | 3,167 | 195 | 15,487 |
| Total Expenses | 187,248 | 88,201 | 145,828 | 421,277 |
| Total Fund-of-Funds Managers Fees and Expenses | 6,825,704 | 710,287 | 145,828 | 7,681,819 |
| <u>Underlying Partnerships</u> | | | | |
| Management Fees - Net of Offsets, Waivers, and Rebates | NA | NA | NA | NA |
| Expenses Paid | NA | NA | NA | NA |
| Incentive Allocation Paid | NA | NA | NA | NA |
| Accrued Incentive Allocation - Period Change | NA | NA | NA | NA |
| Total Underlying Partnerships - Net Fees, Expenses, and Incentive Allocations | | | | |
| Total FOF and Underlying Partnership Fees and Expenses | NA | NA | NA | NA |

- In the future, disclosure information will be requested to coincide with MCERA's 2Q fiscal year.
- In future years, Pathway will be requested to provide since-inception information.
- The new law does not require the collection of historical underlying data for direct partnerships entered into prior to 2017.