



September 26, 2019

## **Marin County Employees' Retirement Association**

Private Equity Fee Disclosure:  
California Government Code Section  
7514.7

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**Gary Robertson**  
Private Equity Consulting

**Jim Callahan, CFA**  
Fund Sponsor Consulting

**Anne Heaphy**  
Fund Sponsor Consulting

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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 follow pages, and the managers' original fee sheets are provided in the Appendix.
- MCERA has adopted calendar year fee information consistent with industry practices, and has worked with the managers to standardize uniformity of information to the degree practicable.

# MCERA Fee Disclosure

## Private Equity Fee Summary: Annual

Category	MCERS Private Equity Fees Expenses and Incentive Allocations					Abbott Capital Annual				Pathway Capital Annual				Total ACM 01/01/2018 12/31/2018	Total PCM 01/01/2018 12/31/2018	Combined Managers 12-Month Costs
	LTM	LTM	LTM	LTM	Total ACM 01/01/2018 12/31/2018	LTM	LTM	LTM	LTM	Total PCM 01/01/2018 12/31/2018						
	01/01/2018	01/01/2018	01/01/2018	01/01/2018		01/01/2018	01/01/2018	01/01/2018	01/01/2018		01/01/2018					
	12/31/2018	12/31/2018	12/31/2018	12/31/2018		12/31/2018	12/31/2018	12/31/2018	12/31/2018		12/31/2018					
ACE VI	ACE VII	AP 16	AP 17	PPEF 2008	PPEF I-7	PPEF I-8	PPEF I-9									
<b><u>Fees and Carried Interest</u></b>																
Management Fees - Gross of Offsets, Waivers, and Rebates	588,668	340,000	198,750	37,500	1,164,918	718,532	315,000	380,849	50,077	1,464,458	2,629,376					
Incentive Allocation Paid	0	0	0	0	0	0	0	0	0	0	0					
Accrued Incentive Allocation - Period Change	25,039	49,385	40,929	0	115,353	0	0	0	0	0	115,353					
<b>Total Received by GPs and Related Parties</b>	<b>613,707</b>	<b>389,385</b>	<b>239,679</b>	<b>37,500</b>	<b>1,280,271</b>	<b>718,532</b>	<b>315,000</b>	<b>380,849</b>	<b>50,077</b>	<b>1,464,458</b>	<b>2,744,729</b>					
<b><u>Expenses</u></b>																
Audit and Tax Preparation	14,897	13,126	22,891	2,196	53,110	46,329	17,245	12,791	1,898	78,263	131,373					
Bank Fees	0	0	0	0	0	0	0	0	0	0	0					
Legal	3	420	961	1	1,385	65	0	1,308	2,297	3,670	5,055					
Organization Costs	0	0	0	23	23	0	0	0	2,349	2,349	2,372					
Other*	564	1,116	3,072	763	5,515	(361)	(1,065)	361	72	(993)	4,522					
Interest Expense	0	5,682	0	0	5,682	0	0	0	0	0	5,682					
Other (Income) Expense+	0	0	0	0	0	0	0	0	0	0	0					
<b>Total Expenses</b>	<b>15,464</b>	<b>20,344</b>	<b>26,924</b>	<b>2,982</b>	<b>65,714</b>	<b>46,033</b>	<b>16,180</b>	<b>14,460</b>	<b>6,616</b>	<b>83,289</b>	<b>149,003</b>					
<b>Total Fund-of-Funds Managers Fees and Expenses</b>	<b>629,171</b>	<b>409,729</b>	<b>266,603</b>	<b>40,482</b>	<b>1,345,985</b>	<b>764,565</b>	<b>331,180</b>	<b>395,309</b>	<b>56,693</b>	<b>1,547,747</b>	<b>2,893,732</b>					
<b><u>Underlying Partnerships</u></b>																
Management Fees - Net of Offsets, Waivers, and Rebates	735,000	426,000	572,000	89,000	1,822,000	NA	NA	NA	NA	0	1,822,000					
Expenses Paid	134,000	93,000	234,000	39,000	500,000	NA	NA	NA	NA	0	500,000					
Incentive Allocation Paid	1,865,000	67,000	19,000	0	1,951,000	NA	NA	NA	NA	0	1,951,000					
Accrued Incentive Allocation - Period Change	3,173,000	1,507,000	635,000	32,000	5,347,000	NA	NA	NA	NA	0	5,347,000					
<b>Total Underlying Partnerships - Net Fees, Expenses, and Incentive Allocations</b>	<b>5,907,000</b>	<b>2,093,000</b>	<b>1,460,000</b>	<b>160,000</b>	<b>9,620,000</b>	<b>3,859,468</b>	<b>1,861,820</b>	<b>2,322,126</b>	<b>354,320</b>	<b>8,397,734</b>	<b>18,017,734</b>					
<b>Total FOF and Underlying Partnership Fees and Expenses</b>	<b>6,536,171</b>	<b>2,502,729</b>	<b>1,726,603</b>	<b>200,482</b>	<b>10,965,985</b>	<b>4,624,033</b>	<b>2,193,000</b>	<b>2,717,435</b>	<b>411,013</b>	<b>9,945,481</b>	<b>20,911,466</b>					

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

+ACM: 'Other (Income)/Expense is syndication costs and closing interest. Syndication costs are accounted for as a reduction to partner's capital, not an income statement expense.

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

PCM: Gross management fees are generally not reported by the underlying investment partnerships, and therefore, amounts are based on net management fees.

NA = Not Available

- Calendar year 2018 values are shown in the table for each manager, and the combined total.
- 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.
- Pathway was not able to provide underlying partnership detail.

# MCERA Fee Disclosure

## Private Equity Fee Summary: Since Inception

Category	MCERS Private Equity Fees Expenses and Incentive Allocations					Abbott Capital Annual					Pathway Capital Annual				
	Since Inception 03/31/2008 ACE VI	Since Inception 04/23/2013 ACE VII	Since Inception 02/01/2016 AP 16	Since Inception 01/26/2017 AP 17	Total ACM 03/31/2008 12/31/2018	Since Inception 12/26/2008 PPEF 2008	Since Inception 02/07/2013 PPEF I-7	Since Inception 03/23/2015 PPEF I-8	Since Inception 02/07/2017 PPEF I-9	Total PCM 12/26/2008 12/31/2018	Combined Managers Since Inception Costs				
<b><i>Fees and Carried Interest</i></b>															
Management Fees - Gross of Offsets, Waivers, and Rebates	7,664,493	1,304,781	331,250	37,500	9,338,024	8,740,272	1,857,625	918,073	71,403	11,587,373	20,925,397				
Incentive Allocation Paid	0	0	0	0	0	0	0	0	0	0	0				
Accrued Incentive Allocation	314,581	240,070	99,563	0	654,213	0	0	0	0	0	654,213				
<b>Total Received by GPs and Related Parties</b>	<b>7,979,073</b>	<b>1,544,851</b>	<b>430,813</b>	<b>37,500</b>	<b>9,992,237</b>	<b>8,740,272</b>	<b>1,857,625</b>	<b>918,073</b>	<b>71,403</b>	<b>11,587,373</b>	<b>21,579,610</b>				
<b><i>Expenses</i></b>															
Audit and Tax Preparation	95,501	47,833	57,700	3,872	204,906	325,895	66,155	29,677	1,898	423,625	628,531				
Bank Fees	556	158	749	0	1,463	0	0	0	0	0	1,463				
Legal	5,108	4,650	961	1	10,721	28,501	8,394	17,330	4,962	59,187	69,908				
Organization Costs	103,483	58,002	136,504	22,810	320,799	21,852	28,433	0	16,740	67,025	387,824				
Other*	14,315	4,138	6,188	1,086	25,726	28,411	15	37,656	149	66,231	91,957				
Interest Expense	0	22,111	0	0	22,111	0	0	0	0	0	22,111				
Other Income (Expense)+	10,880	34,757	19,766	2,510	67,913	0	0	0	0	0	67,913				
<b>Total Expenses</b>	<b>229,844</b>	<b>171,649</b>	<b>221,867</b>	<b>30,278</b>	<b>653,638</b>	<b>404,659</b>	<b>102,997</b>	<b>84,663</b>	<b>23,749</b>	<b>616,068</b>	<b>1,269,706</b>				
<b>Total Fund-of-Funds Managers Fees and Expenses</b>	<b>8,208,917</b>	<b>1,716,500</b>	<b>652,680</b>	<b>67,778</b>	<b>10,645,875</b>	<b>9,144,931</b>	<b>1,960,622</b>	<b>1,002,736</b>	<b>95,152</b>	<b>12,203,441</b>	<b>22,849,316</b>				
<b><i>Underlying Partnerships</i></b>															
Management Fees - Net of Offsets, Waivers, and Rebates	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA				
Expenses Paid	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA				
Incentive Allocation Paid	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA				
Accrued Incentive Allocation - Period Change	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA				
<b>Total Underlying Partnerships - Net Fees, Expenses, and Incentive Allocations*</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>28,594,753</b>	<b>5,682,277</b>	<b>4,129,837</b>	<b>389,869</b>	<b>38,796,736</b>	<b>NA</b>				
<b>Total FOF and Underlying Partnership Fees and Expenses</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>37,739,684</b>	<b>7,642,899</b>	<b>5,132,573</b>	<b>485,021</b>	<b>51,000,177</b>	<b>NA</b>				

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

+ACM: Other (Income)/Expense is syndication costs and closing interest. Syndication costs are accounted for as a reduction to partner's capital, not an income statement expense.

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

PCM: Gross management fees are generally not reported by the underlying investment partnerships, and therefore, amounts are based on net management fees.

NA = Not Available

- Since inception through 12/31/2018 values are shown in the table for each manager, and the combined total.
- Abbott was not able to provide since inception totals for the historical underlying direct partnerships.