

# Callan



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## **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 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	MCERA Private Equity Fees Expenses and Incentive Allocations					Abbott Capital Annual				Pathway Capital Annual				Total ACM 01/01/2019 12/31/2019	Total PCM 01/01/2019 12/31/2019	Combined Managers 12-Month Costs
	LTM	LTM	LTM	LTM	Total ACM 01/01/2019 12/31/2019	LTM	LTM	LTM	LTM	Total PCM 01/01/2019 12/31/2019						
	01/01/2019	01/01/2019	01/01/2019	01/01/2019		01/01/2019	01/01/2019	01/01/2019	01/01/2019							
	12/31/2019	12/31/2019	12/31/2019	12/31/2019		12/31/2019	12/31/2019	12/31/2019	12/31/2019							
ACE VI	ACE VII	AP 16	AP 17	PPEF 2008	PPEF I-7	PPEF I-8	PPEF I-9									
<b><i>Fees and Carried Interest</i></b>																
Management Fees - Gross of Offsets, Waivers, and Rebates	529,801	340,000	265,000	56,250	1,191,051	628,533	315,000	403,548	78,827	1,425,908	2,616,959					
Incentive Allocation Paid	106,061	0	16,880	1,182	124,123	0	0	0	0	0	124,123					
Accrued Incentive Allocation - Period Change	4,369	25,621	13,304	30,991	74,285	0	0	0	0	0	74,285					
<b>Total Received by GPs and Related Parties</b>	<b>640,231</b>	<b>365,621</b>	<b>295,184</b>	<b>88,423</b>	<b>1,389,459</b>	<b>628,533</b>	<b>315,000</b>	<b>403,548</b>	<b>78,827</b>	<b>1,425,908</b>	<b>2,815,367</b>					
<b><i>Expenses</i></b>																
Audit and Tax Preparation	14,619	12,994	44,312	5,228	77,153	54,887	20,106	18,616	4,432	98,041	175,194					
Bank Fees	(26)	0	318	0	292	0	0	0	0	0	292					
Legal	191	977	791	0	1,959	0	8	1,350	1,303	2,661	4,620					
Organization Costs	0	0	0	0	0	0	0	0	0	0	0					
Other*	831	1,464	3,577	817	6,689	260	(23)	36,241	4,969	41,447	48,136					
Interest Expense	0	1,893	0	0	1,893	0	0	0	11,124	11,124	13,017					
Other (Income) Expense+	0	0	0	0	0	0	0	0	0	0	0					
<b>Total Expenses</b>	<b>15,615</b>	<b>17,328</b>	<b>48,998</b>	<b>6,045</b>	<b>87,986</b>	<b>55,147</b>	<b>20,091</b>	<b>56,207</b>	<b>10,704</b>	<b>153,273</b>	<b>241,259</b>					
<b>Total Fund-of-Funds Managers Fees and Expenses</b>	<b>655,846</b>	<b>382,949</b>	<b>344,182</b>	<b>94,468</b>	<b>1,477,445</b>	<b>683,680</b>	<b>335,091</b>	<b>459,755</b>	<b>89,531</b>	<b>1,579,181</b>	<b>3,056,626</b>					
<b><i>Underlying Partnerships</i></b>																
Management Fees - Net of Offsets, Waivers, and Rebates	532,156	401,324	726,798	164,281	1,824,559	NA	NA	NA	NA	0	1,824,559					
Expenses Paid	141,056	53,431	329,689	74,315	598,491	NA	NA	NA	NA	0	598,491					
Incentive Allocation Paid	2,251,824	386,524	105,272	306	2,743,926	NA	NA	NA	NA	0	2,743,926					
Accrued Incentive Allocation - Period Change	2,406,221	1,586,007	890,499	118,697	5,001,424	NA	NA	NA	NA	0	5,001,424					
<b>Total Underlying Partnerships - Net Fees, Expenses, and Incentive Allocations</b>	<b>5,331,257</b>	<b>2,427,286</b>	<b>2,052,258</b>	<b>357,599</b>	<b>10,168,400</b>	<b>4,076,367</b>	<b>2,681,711</b>	<b>2,933,872</b>	<b>1,685,946</b>	<b>11,377,896</b>	<b>21,546,296</b>					
<b>Total FOF and Underlying Partnership Fees and Expenses</b>	<b>5,987,103</b>	<b>2,810,235</b>	<b>2,396,440</b>	<b>452,067</b>	<b>11,645,845</b>	<b>4,760,047</b>	<b>3,016,802</b>	<b>3,393,627</b>	<b>1,775,477</b>	<b>12,957,077</b>	<b>24,602,922</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 2019 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	MCERA Private Equity Fees Expenses and Incentive Allocations					Abbott Capital Annual					Pathway Capital Annual				
	Since Inception	Since Inception	Since Inception	Since Inception	Total ACM	Since Inception	Since Inception	Since Inception	Since Inception	Total PCM	Combined Managers Since Inception Costs				
	03/31/2008	04/23/2013	02/01/2016	01/26/2017	03/31/2008 12/31/2019	12/26/2008	02/07/2013	03/23/2015	02/07/2017	12/26/2008 12/31/2019					
ACE VI	ACE VII	AP 16	AP 17		PPEF 2008	PPEF I-7	PPEF I-8	PPEF I-9							
<b><i>Fees and Carried Interest</i></b>															
Management Fees - Gross of Offsets, Waivers, and Rebates	8,194,293	1,530,000	596,250	93,750	10,414,293	9,368,804	2,172,625	1,321,621	150,230	13,013,280	23,427,573				
Incentive Allocation Paid	106,061	0	16,880	1,182	124,123	0	0	0	0	0	124,123				
Accrued Incentive Allocation	318,950	265,691	112,866	30,991	728,498	0	0	0	0	0	728,498				
<b>Total Received by GPs and Related Parties</b>	<b>8,619,304</b>	<b>1,795,691</b>	<b>725,996</b>	<b>125,923</b>	<b>11,266,914</b>	<b>9,368,804</b>	<b>2,172,625</b>	<b>1,321,621</b>	<b>150,230</b>	<b>13,013,280</b>	<b>24,280,194</b>				
<b><i>Expenses</i></b>															
Audit and Tax Preparation	110,120	60,827	102,011	9,099	282,057	380,782	86,261	48,293	6,330	521,666	803,723				
Bank Fees	530	158	1,067	0	1,755	0	0	0	0	0	1,755				
Legal	5,299	5,627	1,752	1	12,679	28,501	8,402	18,680	6,265	61,848	74,527				
Organization Costs	103,483	58,002	138,234	22,810	322,529	21,852	28,433	0	16,740	67,025	389,554				
Other*	15,146	5,601	9,766	1,904	32,417	28,671	(8)	73,897	5,118	107,678	140,095				
Interest Expense	0	24,003	0	0	24,003	0	0	0	11,124	11,124	35,127				
Other Income (Expense)+	10,880	34,817	19,766	2,510	67,973	0	0	0	0	0	67,973				
<b>Total Expenses</b>	<b>245,458</b>	<b>189,035</b>	<b>272,596</b>	<b>36,324</b>	<b>743,413</b>	<b>459,806</b>	<b>123,088</b>	<b>140,870</b>	<b>45,577</b>	<b>769,341</b>	<b>1,512,754</b>				
<b>Total Fund-of-Funds Managers Fees and Expenses</b>	<b>8,864,762</b>	<b>1,984,726</b>	<b>998,592</b>	<b>162,247</b>	<b>12,010,327</b>	<b>9,828,610</b>	<b>2,295,713</b>	<b>1,462,491</b>	<b>195,807</b>	<b>13,782,621</b>	<b>25,792,948</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>33,472,900</b>	<b>8,366,221</b>	<b>7,064,002</b>	<b>2,751,959</b>	<b>51,655,082</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>43,301,510</b>	<b>10,661,934</b>	<b>8,526,493</b>	<b>2,947,766</b>	<b>65,437,703</b>	<b>NA</b>				

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

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\*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 12/31/2019 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.