

# Callan



September 28, 2022

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

Private Equity Fee Disclosure:  
California Government Code Section  
7514.7

---

**Gary Robertson**  
Private Equity Consulting

**Jim Callahan, CFA**  
Fund Sponsor Consulting

**Anne Heaphy**  
Fund Sponsor Consulting

---

## 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 combined information compiled by the managers for the individual holdings into two tables on the following pages, and the managers' original ILPA fee templates 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	Abbott Capital Annual						Pathway Capital Annual					Total PCM 01/01/2021 12/31/2021	Combined Managers 12-Month Costs
	LTM	LTM	LTM	LTM	LTM	Total ACM	LTM	LTM	LTM	LTM	LTM		
	01/01/2021 12/31/2021 ACE VI	01/01/2021 12/31/2021 ACE VII	01/01/2021 12/31/2021 AP 16	01/01/2021 12/31/2021 AP 17	01/01/2021 12/31/2021 AP 21	01/01/2021 12/31/2021	01/01/2021 12/31/2021 PPEF 2008	01/01/2021 12/31/2021 PPEF I-7	01/01/2021 12/31/2021 PPEF I-8	01/01/2021 12/31/2021 PPEF I-9	01/01/2021 12/31/2021 PPEF I-10		
<b><i>Fees and Carried Interest</i></b>													
Management Fees - Gross of Offsets, Waivers, and Rebates	429,139	331,500	265,000	75,000	0	1,100,639	448,533	286,738	403,548	115,002	87,250	1,341,071	2,441,710
Incentive Allocation Paid	181,462	0	81,026	14,764	0	277,252	0	0	0	0	0	0	277,252
Net Accrued Incentive Allocation - Period Change	(128,041)	164,918	50,195	29,781	0	116,853	0	0	0	0	0	0	116,853
<b>Total Received by GPs and Related Parties</b>	<b>482,560</b>	<b>496,418</b>	<b>396,221</b>	<b>119,544</b>	<b>0</b>	<b>1,494,744</b>	<b>448,533</b>	<b>286,738</b>	<b>403,548</b>	<b>115,002</b>	<b>87,250</b>	<b>1,341,071</b>	<b>2,835,815</b>
<b><i>Expenses</i></b>													
Audit and Tax Preparation	18,631	17,368	41,222	5,681	11,083	93,986	28,438	11,607	10,676	3,771	5,227	59,719	153,706
Bank Fees	251	0	1,367	0	0	1,618	0	0	0	0	0	0	1,618
Legal	0	0	0	0	17,972	17,972	0	0	52	23	2,564	2,639	20,611
Organization Costs	0	0	0	0	57,002	57,002	0	0	0	0	6,419	6,419	63,421
Other*	1,320	1,349	4,406	1,024	11,532	19,632	(4,199)	(379)	7,565	1,870	3,925	8,782	28,414
Interest Expense	0	0	0	0	3,657	3,657	0	0	0	0	0	0	3,657
Other (Income) Expense+	(3,291)	(107)	(1)	(1)	0	(3,400)	0	0	0	0	0	0	(3,400)
<b>Total Expenses</b>	<b>16,911</b>	<b>18,610</b>	<b>46,995</b>	<b>6,704</b>	<b>101,247</b>	<b>190,468</b>	<b>24,239</b>	<b>11,228</b>	<b>18,293</b>	<b>5,665</b>	<b>18,135</b>	<b>77,560</b>	<b>268,028</b>
<b>Total Fund-of-Funds Managers Fees and Expenses</b>	<b>499,471</b>	<b>515,029</b>	<b>443,216</b>	<b>126,249</b>	<b>101,247</b>	<b>1,685,212</b>	<b>472,772</b>	<b>297,966</b>	<b>421,841</b>	<b>120,667</b>	<b>105,385</b>	<b>1,418,631</b>	<b>3,103,843</b>
<b><i>Underlying Partnerships</i></b>													
Management Fees - Net of Offsets, Waivers, and Rebates	352,663	343,640	599,413	203,823	56,803	1,556,341	NA	NA	NA	NA	NA	0	1,556,341
Expenses Paid	77,856	49,448	202,675	73,021	44,995	447,996	NA	NA	NA	NA	NA	0	447,996
Incentive Allocation Paid	3,689,451	903,134	617,824	206,303	0	5,416,712	NA	NA	NA	NA	NA	0	5,416,712
Accrued Incentive Allocation - Period Change	5,225,549	5,069,113	7,637,958	2,248,067	71,225	20,251,912	NA	NA	NA	NA	NA	0	20,251,912
<b>Total Underlying Partnerships - Net Fees, Expenses, and Incentive Allocations</b>	<b>9,345,519</b>	<b>6,365,335</b>	<b>9,057,870</b>	<b>2,731,214</b>	<b>173,023</b>	<b>27,672,961</b>	<b>11,822,178</b>	<b>4,978,214</b>	<b>8,505,106</b>	<b>9,479,945</b>	<b>505,546</b>	<b>35,290,989</b>	<b>62,963,950</b>
<b>Total FOF and Underlying Partnership Fees and Expenses</b>	<b>9,844,991</b>	<b>6,880,363</b>	<b>9,501,086</b>	<b>2,857,463</b>	<b>274,270</b>	<b>29,358,173</b>	<b>12,294,950</b>	<b>5,276,180</b>	<b>8,926,947</b>	<b>9,600,612</b>	<b>610,931</b>	<b>36,709,620</b>	<b>66,067,793</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.

\*\*MCERA's proportionate share of underlying partnership amounts reflected above are estimated based on information received by Abbott and may not reflect actual allocations to MCERA as a result of its investment in the Abbott Funds. Differences between estimated and actual amounts may exist and such differences could be material. See ILPA templates for further details.

NA = Not Available

- Calendar year 2021 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

MCERA Private Equity Fees Expenses and Incentive Allocations	Abbott Capital Annual					Total ACM 03/31/2008 12/31/2021	Pathway Capital Annual					Total PCM 12/26/2008 12/31/2021	Combined Managers Since Inception Costs
	Since Inception 03/31/2008	Since Inception 04/23/2013	Since Inception 02/01/2016	Since Inception 01/26/2017	Since Inception 12/17/2020		Since Inception 12/26/2008	Since Inception 02/07/2013	Since Inception 03/23/2015	Since Inception 02/07/2017	Since Inception 09/04/2019		
	ACE VI	ACE VII	AP 16	AP 17	AP 21		PPEF 2008	PPEF I-7	PPEF I-8	PPEF I-9	PPEF I-10		
<b><u>Fees and Carried Interest</u></b>													
Management Fees - Gross of Offsets, Waivers, and Rebates	9,100,253	2,201,500	1,126,250	243,750	0	12,671,753	10,355,870	2,774,363	2,128,718	372,810	128,978	15,760,739	28,432,492
Incentive Allocation Paid	302,955	0	97,907	35,630	0	436,492	0	0	0	0	0	0	436,492
Net Accrued Incentive Allocation	101,492	457,002	277,129	86,997	0	922,620	0	0	0	0	0	0	922,620
<b>Total Received by GPs and Related Parties</b>	<b>9,504,700</b>	<b>2,658,502</b>	<b>1,501,286</b>	<b>366,377</b>	<b>0</b>	<b>14,030,864</b>	<b>10,355,870</b>	<b>2,774,363</b>	<b>2,128,718</b>	<b>372,810</b>	<b>128,978</b>	<b>15,760,739</b>	<b>29,791,603</b>
<b><u>Expenses</u></b>													
Audit and Tax Preparation	144,984	90,481	180,164	19,096	11,083	445,808	442,098	109,958	69,710	13,617	7,233	642,616	1,088,424
Bank Fees	1,005	158	4,023	0	0	5,186	0	0	0	0	0	0	5,186
Legal	5,299	5,627	1,752	1	17,972	30,652	28,501	8,402	16,263	6,316	5,543	65,025	95,677
Organization Costs	103,483	58,002	136,550	22,759	57,002	377,795	21,852	28,433	0	16,740	15,380	82,405	460,200
Other*	17,204	9,031	17,857	3,809	11,532	59,433	23,128	(4,473)	114,085	9,294	11,371	153,405	212,838
Interest Expense	0	24,003	0	0	3,657	27,661	0	0	0	0	0	0	27,661
Other Income (Expense)+	(60,484)	(1,256)	(12)	(2)	0	(61,754)	0	0	0	0	0	0	(61,754)
<b>Total Expenses</b>	<b>211,491</b>	<b>186,047</b>	<b>340,334</b>	<b>45,662</b>	<b>101,247</b>	<b>884,781</b>	<b>515,579</b>	<b>142,320</b>	<b>200,058</b>	<b>45,968</b>	<b>39,527</b>	<b>943,452</b>	<b>1,828,232</b>
<b>Total Fund-of-Funds Managers Fees and Expenses</b>	<b>9,716,190</b>	<b>2,844,548</b>	<b>1,841,620</b>	<b>412,039</b>	<b>101,247</b>	<b>14,915,645</b>	<b>10,871,449</b>	<b>2,916,683</b>	<b>2,328,776</b>	<b>418,778</b>	<b>168,505</b>	<b>16,704,191</b>	<b>31,619,836</b>
<b><u>Underlying Partnerships</u></b>													
Management Fees - Net of Offsets, Waivers, and Rebates	NA	NA	NA	NA	56,803	NA	NA	NA	NA	NA	NA	NA	NA
Expenses Paid	NA	NA	NA	NA	44,995	NA	NA	NA	NA	NA	NA	NA	NA
Incentive Allocation Paid	NA	NA	NA	NA	0	NA	NA	NA	NA	NA	NA	NA	NA
Accrued Incentive Allocation - Period Change	NA	NA	NA	NA	71,225	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>173,023</b>	<b>NA</b>	<b>53,010,630</b>	<b>17,435,298</b>	<b>21,660,198</b>	<b>16,018,472</b>	<b>678,180</b>	<b>108,802,778</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>274,270</b>	<b>NA</b>	<b>63,882,079</b>	<b>20,351,981</b>	<b>23,988,974</b>	<b>16,437,250</b>	<b>846,685</b>	<b>125,506,969</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 12/31/2021 values are shown in the table for each manager, and the combined total.
- Abbott has not been able to provide since inception totals for the historical underlying direct partnerships, but initiated collection for AP 21.