ILPA: The Only Global Organization Exclusively for LPs

~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**

- SEC “Sunshine Speech” reveals deficiencies
- ILPA begins dialogue with SEC/regulators
- ILPA convenes GP/LP roundtable on transparency
- ILPA Working Groups research LP needs with LPs
- ILPA Template beta-tested and Service Providers Reporting Template 1.0 published
- Revised Implementation Guidance published

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

- 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
PGM PD
PGGM Investments
Real Alternativ
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

Goal: Accessible and Meaningful LP Data / Simplified GP Compliance

Phase I

- Creation of Standard
- Adoption of Standard
- Data Analysis
- Compliance

Phase II

- Benchmarking

Automation

We Are Here
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

Most States Report Pension Investment Performance After Fees

Within states, reporting practices among plans may differ

Public Pension Investment Performance Fee Reporting

Source: ILPA analysis using 2016 and 2017 CAFRs via publicplansdata.org.
Legislating Transparency in PE

<table>
<thead>
<tr>
<th>US State-Level Transparency Efforts</th>
<th>California AB 2833</th>
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<tbody>
<tr>
<td>Alabama</td>
<td>Failed</td>
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<tr>
<td>Arizona</td>
<td>Enacted</td>
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<tr>
<td><strong>California</strong></td>
<td><strong>Passed into Law</strong></td>
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<tr>
<td>Illinois</td>
<td>Pending</td>
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<tr>
<td>Kentucky</td>
<td>Failed</td>
</tr>
<tr>
<td>Louisiana</td>
<td>Pending</td>
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<tr>
<td>New Jersey</td>
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<tr>
<td>Texas</td>
<td>Enacted</td>
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<td>Washington</td>
<td>Enacted</td>
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- 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

<table>
<thead>
<tr>
<th>Expensive asset class, negotiated terms</th>
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<tr>
<th>Opaque industry</th>
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<th>Defining reported costs – fees only, fees plus carry?</th>
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<th>Accuracy of data on costs</th>
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<th>Costs in Context</th>
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<tbody>
<tr>
<td>• Importance of understanding impact to <em>bottom line</em> – (out)performance versus rest of portfolio</td>
</tr>
<tr>
<td>• Downside to “sitting out”—damage to relationships, negotiation influence</td>
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<tr>
<th>LPs are Driving Standardization</th>
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<tbody>
<tr>
<td>• LPs requesting/requiring ILPA template via side letters, included as “must have” in investment policy</td>
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<th>Which costs matter, to whom, and why?</th>
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<tr>
<td>• Hard to normalize PE costs (across funds, vs other asset classes)</td>
</tr>
<tr>
<td>• Methodological variances in public reporting make benchmarking difficult</td>
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<thead>
<tr>
<th>Trust but verify</th>
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<tr>
<td>• Fee template data outside of PE fund audit scope – onus on LPs to validate (for now)</td>
</tr>
<tr>
<td>• Can internal resources assume burden of absorbing, monitoring cost data?</td>
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