



RESOLUTION

SUPPORTING POLICIES TO INCREASE FEE DISCLOSURE AND STANDARDIZE REPORTING OF PRIVATE EQUITY INVESTMENTS

WHEREAS, We are State Treasurers representing 47 states, many of whom serve as fiduciaries of public retirement plans. We believe that transparency of and accuracy in reporting provide the foundation for our roles as chief finance officers, and ensure taxpayers have access to information to which they are entitled; and

WHEREAS, Private equity and the net returns it provides play an increasingly significant role in public fund investments and the pension beneficiaries they support. As that partnership continues, it becomes especially important that public funds, with relative ease, be positioned to collect, aggregate, and include in their respective Comprehensive Annual Financial Reports (CAFR) the fees and expenses related to private equity investments. These include, but are not limited to, gross management fees, management fee offsets, fund expenses, and other expenses not offset as well as the net returns generated for public funds; and

WHEREAS, Private equity firms usually do disclose fees, but some fees are often reported so deep in partnership agreements and financial reports that it becomes cumbersome for public funds to identify the full breadth of fees and expenses and disclose them. In addition, such fees and expenses are often not reported on a quarterly basis, which can leave such information to guess work for a public fund during much of the fiscal year; and

WHEREAS, Reporting conventions should be perfected to enhance consistency, provide relevant and appropriate data, improve clarity, transparency, and timeliness all of which will further enhance public funds' ability to distinguish the true costs associated with these types of investments; and

WHEREAS, We State Treasurers and retirement plan fiduciaries believe that transparency and accuracy of reporting is a core function of what we do each day; and

WHEREAS, Over the past few decades, cost transparency has permeated virtually every consumer market, leading to stronger protections for consumers and more certainty built into transactions across nearly every industry; and

WHEREAS, As public fiduciaries we have the obligation to set a higher standard for financial reporting that fully discloses any and all fees related to private equity investments. As public investment officers, our primary goals are to make responsible investments for, and remain accountable to the public we serve. Such a standard will allow us to accomplish those goals and set clear expectations for the cost of investing.

NOW, THEREFORE BE IT RESOLVED, The National Association of State Treasurers recommends that public retirement funds and private equity partners develop strategies that allow public funds to collect and reflect the actual cost of investing, including all private equity fees and expenses.

BE IT FURTHER RESOLVED, To achieve increased transparency between public retirement funds and private equity partners, the National Association of State Treasurers endorses the use of the Institutional Limited Partners Association's Fee Reporting Template.

Approved in 2015. Amended and renewed in 2016 and 2019.

