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FOR IMMEDIATE RELEASE

Private Equity Reporting Should Be More Uniform Across Industry, Says ILPA

September 3, 2015 (Toronto, CAN and Washington, DC) –The Institutional Limited Partners Association (ILPA) is leading efforts to encourage broader adoption of more uniform reporting practices in the private equity industry. ILPA has launched the *Fee Transparency Initiative*, a broad-based effort that aims to establish more robust and consistent standards for fee and expense reporting and compliance disclosures among investors, fund managers and their advisers.

The Fee Transparency Initiative, comprised of senior investment and reporting professionals from a cross-section of investor institutions and advisers, will produce industry guidance as it relates to reporting and transparency over both the near and long term. “This effort has taken shape in response to a confluence of factors,” said ILPA’s CEO Peter Freire. “As the private equity industry adjusted to regulation, investors responded to shortfalls in disclosures by introducing numerous bespoke reporting formats, which has exacerbated the compliance challenge and made benchmarking program costs and net performance more difficult. ILPA’s members recognize the need for a streamlined and uniform approach that will yield the information required to effectively steward the capital entrusted to them by retirees, governments, and academic institutions,” said Mr. Freire.

This guidance will build upon ILPA’s reporting guidelines first issued in 2011, which identify the essential elements to be included in quarterly financial reporting and in capital call and distribution notices. The first deliverable of the Initiative will be a reporting template that details, at the level of an individual Limited Partner investor, all monies paid to the fund manager (General Partner or “GP”) and its affiliates, including fees, expenses and incentive compensation, i.e., GP profit share (also known as carried interest). Under the updated guidelines, individual LPs would be provided detailed, periodic balances for their share of paid and accrued fees and GP incentive compensation. LPs would also receive a clearer picture of manager compensation received from other sources, such as portfolio companies and affiliated entities.

In addition to the reporting template, the Fee Transparency Initiative will produce recommendations on the role of third parties (such as administrators, auditors, consultants and attorneys) in ensuring compliance with a fund’s governing documents. Additionally, the group will propose detailed best practices related to fee and expense reporting and compliance disclosures to be appended to the 2011 ILPA Private Equity Principles. The ILPA Private Equity Principles, first released in 2009 and revised in 2011, provide a foundational operating framework for investors in private equity funds to engage in dialogue about fund governance, transparency and alignment of interests with other market participants.

“Investors believe that fees must be appropriate, arms’ length, reasonable and disclosed. This effort points to a logical and necessary progression for private equity down the path of becoming a more institutionalized asset class. Transparency around fees and expenses is critically important to our members, and we are pleased to serve as a platform to marshal our members’ collective resources to promote improved disclosure standards that will help LPs make better informed decisions” said Mr. Freire.

ILPA’s Chair, Mike Mazzola, Managing Director with MetLife Investments, elaborated, “Our members count on their fund managers not only to produce strong returns that are additive to their portfolios, but to deliver information in a way that informs bigger picture decisions about performance, cost and portfolio-level risks.”

The proposed reporting template is currently in development and a first draft will be made available for comment to ILPA members in late September. Comments will be invited from the wider industry, including fund managers and advisers, beginning mid-October. A final version reflecting input from a cross-section of practitioners will be released in early January 2016, along with the additional recommendations noted above on third party compliance reviews and best practices regarding reporting and disclosures.

Several organizations have been instrumental to launching the Fee Transparency Initiative and contributing to the development of the proposed reporting template, including APG, CalPERS, DC Retirement Board, Florida State Board of Administration, The Guardian Life Insurance Company of America, MN, MOSERS, NY State Teachers, SDCERA, South Carolina RSIC, State of Wisconsin Investment Board, State Teachers Retirement System of Ohio, Teacher Retirement System of Texas, Washington State Investment Board, as well as consultants Albourne, CEM Benchmarking and TorreyCove Capital Partners LLC and fund administrator Conifer Financial Services. Many other organizations globally, including ILPA members and other industry participants, have indicated their support for this effort and their intent to contribute to the development and promotion of this guidance.

The ILPA effort is also closely coordinated with the AltExchange Alliance to ensure this guidance is reflected in the AltExchange data standard and definitions, created by a consortium of investors and fund managers to facilitate the accuracy and efficiency of portfolio data transfers between electronic reporting systems. ILPA is an AltExchange member and serves on its Board.

For a copy of the ILPA Private Equity Principles, or to access ILPA’s previously released reporting guidelines, please visit www.ilpa.org.

[ILPA Private Equity Principles \(2011\)](#) and list of endorsing organizations (as of July 2015)
[ILPA Reporting Guidelines \(2011\) and Capital Call and Distribution Notice Templates \(2011\)](#)

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